BOARD MEETING OF JANUARY, 18, 2006

Beth Anderson, Chair

C. Kent Conine, Vice-Chair

TEXAS

DEPARTMENT OF HOUSING

AND COMMUNITY AFFAIRS

Patrick R. Gordon, Member

Vidal Gonzalez, Member

Shadrick Bogany, Member

Norberto Salinas, Member

MISSION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT COMMITTEE

JANUARY 18, 2006

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

AUDIT COMMITTEE MEETING

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1100 Congress Avenue
Capitol Extension Room E1.012
Austin, Texas 78701

Wednesday, January 18, 2006 8:30 AM

A G E N D A

NOTE: PLEASE REFER TO THE JANUARY 18, 2006 FULL BOARD MEETING AGENDA – ITEM 6a to ITEM 6e FOR THE REPORT ITEMS LISTED BELOW

CALL TO ORDER, ROLL CALL — Shadrick Bogany, Chair

CERTIFICATION OF QUORUM — Chair of Committee

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 Board.

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

REPORT ITEMS

Item 1	Current Year's Goals and Prior Year's Acheivements for RP36 (TDHCA Risk Management Program)	David Gaines
Item 2	Presentation and Discussion of Audit Results from the Deloitte, CPAs, FYE 8/31/05 Reports:	David Gaines

- Communications with Audit Committee Letter
- Opinion Audit on FY 2005 Basic Financial Statements
- Opinion Audit on FY 2005 Revenue Bond Program Financial Statements
- Opinion Audit on FY 2005 Computation of Unencumbered Fund Balances
- Report to Management (Management Letter)

Item 3	Status of Central Database	David Gaines
Item 4	Status of Prior Audit Issues	David Gaines
Item 5	Status of Internal/External Audits	David Gaines

EXECUTIVE SESSION
If permitted by law, the Board may discuss any item listed on this agenda in Executive Session
Personnel Matters – Discussion Under Sec. 551.074,
Texas Government Code of Performance Evaluation for Internal Auditor David Gaines

OPEN SESSION
Action in Open Session on Items Discussed in Executive Session — Shadrick Bogany

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 Susan Woods, TDHCA, 221 E. 11th, 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 Susan Woods, 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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

January 18, 2006

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

BOARD MEETING

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1100 Congress Avenue
Capitol Extension Room E1.012
Austin, Texas 78701

Wednesday, January 18, 2006 10:00 AM

A G E N D A

CALL TO ORDER, ROLL CALL Elizabeth Anderson
CERTIFICATION OF QUORUM 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 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 Meeting of December 14, 2005

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

a) Housing Tax Credit Amendments

04036 Villa del Sol Apartments, Brownsville, Cameron
03001 Heritage Pointe, Austin, Travis
03236 Little York Villas Apartments, Houston, Harris
02414 Eagle's Landing Apartments, Austin, Texas

b) Housing Tax Credit Extensions for Commencement of Substantial Construction

03159 Senior Village, Gainesville, Cooke
04145 Village at Meadowbend II, Temple, Bell
04146 Casa Saldana, Mercedes, Hidalgo

c) Policy for Allocation of $3,500,000 in Housing Tax Credit Ceiling authorized under the Gulf Opportunity Zone Act of 2005. HB 4440 signed into law by the President on December 21, 2005

d) Housing Tax Credit Program Rules: Adoption of Proposed Amendment to Title 10, Part 1, Chapter 50, 2006 Housing Tax Credit Program Qualified Allocation Plan and Rules, §50.9(i)(6), regarding the Level of Community Support from State Elected Officials

e) Approval of Waivers of §49.9(f)(8)(B) of the 2005 QAP relating to Signage Notification for Local Issuer Applications: Artisan at Military, #05448 and Heather Glen Apartments, 05443

f) Issuance of Determination Notices on Tax-Exempt Bond Transactions with Other Issuers:

05427 Portranco Plaza, San Antonio, Texas
San Antonio HRC is the Issuer
Recommended Credit Amount of $714,763

Item 3 Presentation, Discussion and Possible Approval of Multifamily Private Activity Bond Program:

a) Proposed Issuance of Multi-Family Mortgage Revenue Bonds and Four Percent

(4%) Housing Tax Credits with TDHCA as the Issuer For:

05624 Harris Branch Apartments, Austin, Texas
In an Amount Not to Exceed $15,000,000 and Issuance of a Determination Notice
Recommended Credit Amount of $755,550

b) 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 2006:

02006-009, The Residences at Sunset Pointe, Fort Worth, Texas

Item 4 Approval Issuing a Request for Qualifications for Financial Advisors from Firms Interested In Providing Financial Advisory Services for One or More of TDHCA's Single Family and Multifamily Mortgage Revenue Bond New Issues and/or Refundings

Item 5 Presentation, Discussion and Possible Approval of Programmatic Items: C. Kent Conine

a) Approval of Waiver of Integrated Housing Rule, 10 TAC §1.15, for the Canal Street Apartments

b) Discussion and Approval of Texas Bootstrap Loan Program Recommendations

Item 6 Presentation, Discussion and Possible Approval of Items from Audit Committee: Shadrick Bogany

a) Current Year's Goals and Prior Year's Achievements for RP36 (TDHCA Risk Management Program)

b) Presentation and Discussion of Audit Results from the Deloitte, CPAs, FYE 8/31/05 Reports:

- Communications with Audit Committee Letter
- Opinion Audit on FY 2005 Basic Financial Statements
- Opinion Audit on FY 2005 Revenue Bond Program Financial Statements
- Opinion Audit on FY 2005 Computation of Unencumbered Fund Balances
- Report to Management (Management Letter)

c) Status of Central Database

d) Status of Prior Audit Issues

e) Status of Internal/External Audits

Item 7 Review, Discussion and Possible Action on Litigation Matters Concerning *TP Seniors v. TDHCA* Filed in state court in Travis County, Texas

Item 8 Presentation, Discussion, and Possible Approval of Items Related to the Position Of Executive Director Including:

a) Formal Acceptance of Resignation of Current Executive Director
b) Job Description for the Executive Director's Duties and Functions
c) Process to be Used for Hiring an Executive Director
d) Appointment of Interim Executive Director during Transition Period

Item 9 Discussion of Proposed Disaster Relief Strategies

Item 10 Request and Approval for TDHCA to be the Sponsoring Agency for Texas Association of REALTORS Housing Opportunity Fund License Plate Program

Item 11 Review and Approval of Purchase of HAPPY Housing Pro Software for the Department's Section 8 Program

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.

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

2. With Respect to pending litigation styled TP SENIORS II, LTD. V. TDHCA Filed in State Court

3. With Respect to pending litigation styled *Gary Traylor, et al v. TDHCA,* Filed in Travis County District Court

4. With Respect to pending litigation styled *Ballard v. TDHCA and the State of Texas,* filed *pro se* in Federal Court

5. With Respect to any other pending litigation filed since the last board meeting

OPEN SESSION Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS
Executive Director's Report

1. TDHCA Outreach Activities, November and December, 2005
2. Information on Occupancy of Tax Credit Units Set Aside for Persons with Disabilities
3. Quarterly Transfer Report for Department-Financed Multifamily Properties
4. Provision of 4% Application Process for Reissuance of Reservations

ADJOURN Elizabeth Anderson

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EXECUTIVE OFFICE – BOARD

BOARD ACTION REQUEST
January 18, 2006

Action Item

Summary of Board Minutes for December 14, 2005.

Required Action

Review minutes of the December 14, 2005 Board Meeting and make any necessary corrections.

Background

The Board is required to keep minutes of each of their meetings.

Recommendation

Staff recommends approval of minutes with any requested corrections.

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1100 Congress Avenue
Capitol Extension Room E1.036 (Senate Finance hearing room)
Austin, Texas 78701
Wednesday, December 14, 2005; 12:00 PM

SUMMARY OF MINUTES

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of December 14, 2005 was called to order by the Chair of the Board Elizabeth Anderson at 12:35 p.m. It was held at 1100 Congress Avenue, Capitol Extension Room E1.036 (Senate Finance hearing room) Austin, Texas 78701. Roll call certified a quorum was present.

Members present:
Elizabeth Anderson – Chair
C. Kent Conine -- Vice Chair
The Honorable Norberto Salinas – Member
Patrick Gordon – Member
Vidal Gonzalez – Member
Member absent:
Shad Bogany – Member

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

Report on Agency Move
Ms. Patricia Randow provided presentation. A gift from the board was presented to Ms. Randow.

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

The Board honored Mr. John Garvin who is leaving Texas to work with HUD in D.C. Mr. Mike Gerber presented Mr. Garvin with a letter from Governor Perry; and, Mr. Scott Sims presented Mr. Garvin with a State flag on behalf of the Speakers office.

PUBLIC COMMENT

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:
D.C Dunham, Executive Director, Bay City Community Development, provided testimony requesting a delay on the changes to the HOME Rules at least 30 days to publish them in the public register, as well as to allow for public comment at perhaps a second Programs Committee meeting.
Barry Kahn, Developer, provided testimony regarding Hurricane Katrina issues; concerned that starting March 1, the assistance that was provided through the cities, where the cities paid the landlord is going to cease, thus means Katrina aid is going to cease.
Joy-Horak-Brown, Executive Director, New Hope Housing, Inc. and NHH Canal Street, Inc., provided testimony regarding Hew Hope Housing and thanked the Department and Board.

ACTION ITEMS

AGENDA ITEM 1

Presentation, Discussion and Possible Approval of Minutes of the Board Meeting of November 10, 2005

Motion made by Mr. Conine for approval of minutes as presented; Mr. Gonzales seconded the motion. Motion passed unanimously.

AGENDA ITEM 2

Presentation, Discussion and Possible Approval of Housing Tax Credit Items:

a) **Housing Tax Credit Amendments**

00002 Coronado Apartments, League City, Galveston County

Motion made by Mayor Salinas to approve, seconded by Mr. Gonzales. Passed unanimously. Ms. Bast answered questions from Mr. Conine.

01004 Fulton Village, Houston, Harris County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

02099 Sunrise Village, Houston, Harris County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

02477 Potter's House at Primrose, Dallas, Dallas County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

03001 Heritage Pointe, Austin, Travis County

Staff recommended denial. Motion made by Mr. Conine to approve staffs recommendation to deny, seconded by Mr. Gonzales. Passed unanimously.

03231 Montgomery Meadows, Huntsville, Walker County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

04082 Fenner Square, Goliad, Goliad County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

05026 Mesa Vista, Donna, Hidalgo County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

5439 Meadow Village, Temple, Bell County

Motion made by Mr. Conine to approve, seconded by Mayor Salinas. Passed unanimously.
Ms. Deborah Welchel, representing Eduardo Affordable Housing, provided answers to questions from Mayor Salinas.

b) **Housing Tax Credit Extensions for Construction Loan Closings and Commencement of Substantial Construction for:**

Construction Loan Closing

04145 Village at Meadowbend II, Temple, Bell County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

04146 Casa Saldana, Mercedes, Hidalgo County

Motion made by Mayor Salinas to approve, seconded by Mr. Conine. Passed unanimously.

Commencement Loan Closing and Commencement of Substantial Construction

04036 Villa Del Sol, Brownsville, Hidalgo County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

Commencement of Substantial Construction

04005 Palacio del Sol, San Antonio, Bexar County

Motion made by Mr. Gonzales to approve, seconded by Mr. Conine. Passed unanimously.

04037 Las Canteras, Pharr, Hidalgo County

Motion made by Mr. Conine to approve, seconded by Mayor Salinas. Passed unanimously.

04079 Baybrook Park Retirement Center, Webster, Harris County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

04082 Fenner Square, Goliad, Goliad County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

04200 Alvin Manor Estates, Alvin, Brazoria County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

04203 Alvin Manor, Alvin, Brazoria County

Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

04222 Primrose at Highland, Dallas, Dallas County
Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.
04268 Lansbourough Apartments, Houston, Harris County
Motion made by Mr. Conine to approve, seconded by Mayor Salinas. Passed unanimously.
04279 Golden Manor, Bay City, Matagorda County
Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.
04085 Ole Town, Jefferson, Marion County
Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

c) **Rural Rescue Awards of 2006 Forward Commitment of Housing Tax Credits and HOME Rental Development Funds for:**
06003 Floresville Square Apartments, Floresville, Texas
Recommended Credit Amount of $139,958 and HOME Rental Development Funds in the Amount of $364,562
Motion made by Mr. Conine to approve, seconded by Mayor Salinas. Passed unanimously.
06004 Fieldstone Apartments, El Campo, Texas
Recommended Credit Amount of $81,039
Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

At 2:02 p.m. Ms. Anderson adjourned the meeting until 2:55 p.m., Friday, December 14, 2005.

EXECUTIVE SESSION

At 2:05 p.m. Ms. Anderson convened the Executive Session. The Executive Session concluded at 2:55 p.m.

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.**
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
   2. With Respect to pending litigation styled TP SENIORS II, LTD. V. TDHCA Filed in State Court
   3. With Respect to pending litigation styled *Gary Traylor, et al v. TDHCA,* Filed in Travis County District Court
   4. With Respect to pending litigation styled *Ballard v. TDHCA and the State of Texas,* filed *pro se* in Federal Court
   5. With Respect to any other pending litigation filed since the last board meeting
   6. Legal developments related to the ongoing FBI investigations in Dallas

OPEN SESSION

Ms. Anderson reconvened Open Session at 2:55 p.m. and announced that no action had been taken during the Executive Session and certified that the posted agenda was followed.

Chair continued Agenda Item 2.

d) **Intergenerational Multifamily Housing Policy**
Motion made by Mr. Conine to approve with the clarification that anyone who applies prior to January board meeting will be under the rules adopted today and anything after January 18 will be subject to whatever changes may occur at that board meeting, seconded by Mr. Gonzales. Passed unanimously. Following Executive Session, Mr. Conine amended his motion to bring this back for the February board meeting, not January's, to give enough time for staff to conduct round-tables, amended motion seconded by Mr. Gonzales. Amended Motion passed unanimously.

e) **Discussion and Determination of 2005 Housing Tax Credit Appeals**
#05243, The Villas of Hubbard Apartments

Withdrawn from consideration.

f) **Award of any remaining 2005 Housing Tax Credits from Waiting List**

Ms. Carrington reported that the department only has a balance of $104,891. If there are credits that are returned in the last three months of the year, those credits can actually be rolled into the next year, and the Department is still eligible for the national pool, she informed the Board that some credits that we will be rolling into next year. The department does not anticipate any credits being returned between now and December 31.

g) **Issuance of Determination Notices on Tax-Exempt Bond Transactions with Other Issuers:**

05427 Potranco Plaza Apartments, San Antonio, Texas
San Antonio HFC is the Issuer
Recommended Credit Amount of $714,763

Withdrawn from consideration.

05437 New Braunfels Gardens, San Antonio, Texas
San Antonio HFC is the Issuer
Recommended Credit Amount of $955,418

Motion made by Mr. Conine to approve, seconded by Mr. Gordon. Passed unanimously.

05438 Northline Estates, Houston, Texas
Harris County HFC is the Issuer
Recommended Credit Amount of $884,955

Withdrawn from consideration.

05441 Cobblestone Manor Senior, Fort Worth, Texas
Tarrant County HFC is the Issuer
Recommended Credit Amount of $444,656

Motion made by Mr. Conine to approve, seconded by Mr. Gordon. Passed unanimously.

05442 Mill City Parc Apartments, Dallas, Texas
Housing Options, Inc. is the Issuer
Recommended Credit Amount of $447,617

Mr. Barry Palmer, Coats & Rose, provided testimony requesting credits that are based on the actual bids.

Motion made by Mr. Conine to approve the original requested amount of $508,080, seconded by Mayor Salinas. Passed unanimously.

AGENDA ITEM 3

Presentation, Discussion and Possible Approval of Rules for Adoption to be Published in the *Texas Register:*

Request for Adoption of Migrant Labor Housing Facility Rules (To be codified at 10 T.A.C. sec. 90.1 et. seq.)

Motion made by Mayor Salinas to approve, seconded by Mr. Conine. Passed unanimously.

AGENDA ITEM 4

Presentation, Discussion and Possible Approval of Multifamily Private Activity Bond Program:

a) Appeal of Termination of the Rolling Creek Apartments HTC Application

Withdrawn from consideration.

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

05621 Rolling Creek Apartments, Houston, Texas in an Amount Not to Exceed $14,000,000 and Issuance of a Determination Notice (Recommended Credit Amount of $634,058)

Withdrawn from consideration.

c) Inducement Resolution #05-096 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 the Program Year:

2006-003 Beverly Place Apartments, Groves, Texas
2006-004 Donna Village Apartment Village, Donna, Texas
2006-005 Church Village Apartments, Dickinson, Texas

2006-006 Webber Gardens, Fort Worth, Texas
2006-007 Falfurrias Village, Falfurrias, Texas
2006-008 Royal Palms Apartments, Houston, Texas
Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

d) **Discussion and possible modification of administration and servicing fee Structure for the Harbors and Plumtree Apartments 501(c)(3) bond transaction**
Withdrawn from consideration.

e) **Resolution # 05-098 - Discussion and possible approval to apply for Traditional CarryForward in an Amount not to exceed $50 million in 2005 Bond Allocation**
Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

AGENDA ITEM 5

Presentation, Discussion and Possible Approval of Programmatic Items:

a) **Issuance of Commitment for Predevelopment Loan Funds from the Housing Trust Fund for:**
853200D Operation Relief Community Development Corp, Dallas, Dallas County, Texas, $100,000.00
Motion made by Mr. Conine to approve, seconded by Mr. Gonzales. Passed unanimously.

NOTE: Mr. Conine was asked to provide the board with an update of the Programs Committee, held earlier in the day.

b) **Discussion of Possible Rule Amendments and Program Guidelines For the 2006 Single Family HOME Funding Cycle for Publication in Texas Register for Public Comment**
Motion made by Mr. Conine to adopt, with amendments, the draft HOME rules as published in the board book with the lottery distribution option, amending the current draft to include: language regarding an optional two-year funding cycle; changing the maximum amount to $275,000 cap; change the past performance table to provide that if no previous award maximum points; all dollars need not be expended, but contract maybe finished for determination of past performance in a timely manner; and past performance is measured on starting projects within 18 months not finishing contracts in 24 months (clarified by Ms. Anderson), seconded by Mr. Gonzales, passed unanimously.

NOTE: Mr. Conine was asked to continue with an update of the Programs Committee. Discussion of Section 504 policy.

c) **Board Review and Approval of the 2006 State Low Income Housing Plan and Annual Report**
Motion made by Mr. Gonzales to approve, seconded by Mr. Conine. Passed unanimously.

d) **Board Review and Approval of the 2006 State of Texas Consolidated Plan One-Year Action Plan**
Motion made by Mayor Salinas to approve, seconded by Mr. Conine. Passed unanimously.

e) **Department's Section 504 of the Rehabilitation Act of 1973 Policy**
No action taken.

Agenda Item 6

Discussion of Proposed Disaster Relief Strategies
Elena Peinado provided a report to the Board. No action taken.

REPORT ITEMS

Executive Director's Report

1. TDHCA Outreach Activities, October 2005
No Action Taken.
2 Negotiations re: SB 712 which will fund the Texas Weatherization Program (TxWAP)
No Action Taken.
3. General Accountability Office visit re: the Department's administration of the Community Service Block Grant (CSBG) - At the direction of Congress, GAO is visiting 4 states and from those visits will prepare a report describing states' oversight of the grant, extent to which state offices look at other grants administered by subrecipients (primarily Head Start), contracting process, coordination with other

federal programs such as DOE and LIHEAP, state offices' relationships with subrecipients, subrecipients' relationships with the state office, etc.
No Action Taken.

4. Section Eight Monitoring Assessment Program (SEMAP) - HUD rated the Department as High Performer (125 points out of 130 available points)
No Action Taken.

Mr. Conine reported that on March 5, 6 and 7, the annual Legislative Conference in Washington D.C and the Summer Workshop would be held August 13-16, 2006, location TBA.

ADJOURN

Since there was no other business to come before the Board, the meeting was adjourned at 4:00 p.m.

____

Mr. Kevin Hamby
Board Secretary

NOTE:
For a full transcript of this meeting, please see the TDHCA website at:
www.TDHCA.state.tx.us

EXECUTIVE OFFICE – BOARD

BOARD ACTION REQUEST
January 18, 2006

Action Item

Program Committee Summary of Minutes for December 14, 2005.

Required Action

Review minutes of the December 14, 2005 Program Committee and make any necessary corrections.

Background

The Board is required to keep minutes of each of their meetings.

Recommendation

Staff recommends approval of minutes with any requested corrections.

PROGRAMS COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1100 Congress Avenue
Capitol Extension Room E1.036 (Senate Finance hearing room)
Austin, Texas 78701
Wednesday, December 14, 2005; 9:45 AM

SUMMARY OF MINUTES

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Programs Committee Meeting of the Texas Department of Housing and Community Affairs of December 14, 2005 was called to order by the Chair, Mr. Kent Conine at 9:57 a.m. It was held at 1100 Congress Avenue, Capitol Extension Room E1.036 (Senate Finance hearing room) Austin, Texas 78701. Roll call certified a quorum was present.

Members Present:
Kent Conine, Chair
Elizabeth Anderson
Member Absent:
Vidal Gonzales

PUBLIC COMMENT

Michael Hunter, Hunter & Hunter Consultants, Parker Co., and provided comments on behalf of Mr. A.G. Swan, ED of Affordable Housing of Parker County, provided testimony regarding the competitive award methodology, would like to see more capacity building. He also testified in favor of competitive basis, as opposed to the lottery.

Phil Patchett, City Manager, City of Trinity, provided testimony concerning 53.62(g) preferring 24 months for environmental clearance and provided the board with written comments from the City of Lake Tawakoni.

Clyde C. Smith, Director of Planning and Economic Development, City of Emory, provided testimony concerning small communities needing consultants; keeping hope alive in the rural communities, and endorsement of a weighted lottery system.

Jamie Welch, Assistant City Secretary for the City of DeLeon, provided testimony concerning the proposed performance scoring criteria as well as comments concerning the deferred forgivable loans, the award methodologies and the potential change from the current 24 months to 18 month, and the way it could penalize a city, that's currently in the contract for the next cycle.

Abigail Ortega, Hudspeth County, provided testimony concerning caps on allowable costs allowing consultants to contribute match, keep as competitive lottery grant; not loan.

Mary Kay Thomas, Amazing Grants, Inc., provided testimony in favor of double funding for HOME commitments.

D.C. Dunham, Bay City Community Development, provided testimony concerning forgivable loans.

Barry Halla, Life Rebuilders, provided testimony in strong support of the single-family subdivision development portion of the '06 NOFA.

Gary Traylor, Gary Traylor & Associates, provided testimony regarding the 2006 HOME Program. He asked the board to consider having the competitions every other year. He asked the board to consider 2006 to be a distribution system transition period, asking the board to consider using your 2006 funds to fund the communities that were not funded in 2005, that the department currently has completed applications filed. He strongly encouraged the board to consider going forward with, a system that's based on a biannual funding cycle.

The Programs 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

AGENDA ITEM 1

Discussion of Possible Rule Amendments and Program Guidelines for the 2006 Single Family HOME Funding Cycle for Publication in Texas Register for Public Comment

Mr. Eric Pike provided testimony concerning the proposed changes to the single family HOME funding cycle guidelines including the addition of Rule 53.62(g) and a requirement for a contractor's affidavit.

AGENDA ITEM 2

Discussion of the Department's Section 504 of the Rehabilitation Act of 1973 Policies and Procedures

Mr. Tim Irvine provided testimony concerning Section 504 and the proposed policy.
Ms. Jean Langendorf, UCP Texas, requesting the Department to come to a group of disability organizations to talk about this, as her organization is very concerned.

ADJOURN

Since there was no other business to come before the Programs Committee, the meeting was adjourned at 11:45 a.m.

Respectfully Submitted,

Mr. Kevin Hamby
Board Secretary

NOTE:
For a full transcript of this meeting, please see the TDHCA website at: www.TDHCA.state.tx.us

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
January 18, 2006

Action Item

Requests for amendments involving material changes to Housing Tax Credit (HTC) applications.

Requested Action

Approve or deny the requests for amendments.

Background and Recommendations

§2306.6712, Texas Government Code, classifies some changes as "material alterations" that must be approved by the Board. The requests presented below include material alterations. Pertinent facts about the developments requesting approval are summarized below. The recommendation of staff is included at the end of each write-up.

Villa del Sol Apartments, HTC No. 04036

Summary of Request: Owner requests approval to install package terminal air conditioning (PTAC) instead of split-systems, which are the typical air conditioning units used in tax credit developments. The PTAC units are not rated for efficiency by the U.S. Department of Energy (DOE) on the basis of SEER. Using 12 SEER air conditioning systems was a threshold requirement of the application and also, in the owner's case, a scoring item that scored three points.

Carrier Corporation, the proposed supplier, estimates a possible SEER value of 11.7 SEER for the 12,000 BTU units that are proposed for installation in 130 one and two bedroom units. The remaining 70 dwelling units are efficiency units that would be equipped with 9,000 BTU units estimated to be rated at 12.3 SEER.

The original plan to place the HVAC units on shelves outside the dwelling units would have enabled the use of conventional split systems with a SEER rating of 12. However, the development involves the rehabilitation of a 14 story building and installing the mechanical systems on the exterior walls was deemed impracticable by the development engineer. Compared to the present proposal, the original proposal would have been more costly to construct. More importantly, the original proposal would have made servicing the HVAC units highly dangerous because service personnel would have been required to work on open shelves up to 14 stories above the ground. The engineer did not analyze the proposal until after the award of tax credits.

The development would have been recommended for an award even without the three points awarded for this item. It appears from the suppliers estimates that the estimated SEER rating would still materially satisfy the Department's threshold requirement; therefore, the change requested would not materially alter the development in a negative manner and would not have adversely affected the selection of the application in the application round.

Governing Law:	§2306.6712, Texas Government Code. The modification appears to be significant and is, therefore, a material alteration under the code.
Owner:	VDS Housing, Ltd.
General Partner:	Brownsville Housing Authority
Developers:	Tekoa Partners, Ltd., Brownsville Housing Authority
Principals/Interested Parties:	William Skeen, William Lee
Syndicator:	MMA Financial
Construction Lender:	PNC Bank, N.A.
Permanent Lender:	PNC Bank, N.A.
Other Funding:	Housing Authority of the City of Brownsville
City/County:	Brownsville/Cameron

Set-Aside:	General, Elderly Population
Type of Area:	Urban
Type of Development:	Acquisition/Rehabilitation
Population Served:	Elderly
Units:	190 HTC units and 10 market rate units
2004 Allocation:	$434,382
Allocation per HTC Unit:	$2,286
Prior Board Actions:	7/28/04 - Approved award of tax credits. 6/27/05 – Approved extension to close the construction loan 9/16/05 – Approved second extension to close the construction loan 12/14/05 – Approved third extension to close the construction loan
Underwriting Reevaluation:	The REA division has indicated that its analysis of this transaction was based on the owner's estimated rehabilitation costs. The revisions would have only affected the credit amount to the extent that the owner has indicated the projected cost has increased or decreased. Because the owner has indicated that the cost of the rehabilitation would not change based on this revision, there is no new underwriting evaluation.
Staff Recommendation:	**There would have been no impact on the recommendation for an award of tax credits because of a difference in scoring. Staff recommends approving the proposed change.**

<u>Heritage Pointe Apartments (formerly Eagles Pointe), HTC No. 03001</u>
<u>A forward commitment, formerly HTC No. 02015</u>

A request concerning this development was denied at the Board Meeting of December 14, 2005. The request that was denied is indicated below. New information from the owner that supports approving a revised request is also stated below.

<u>Changes Since the December 14, 2005 Board Meeting:</u> New information presented to the Department by the development owner since the Board Meeting of December 14, 2005 included three changes from the original information. (Note that the summary from the December meeting is provided below.) The new information is as follows: (1) The development architect has certified that the buildings have siding that is 75% stucco and stone. The certification is a change from the owners' original information to the Department that the buildings were 60% masonry and 40% cement board. The 75% stucco and stone siding would have been worth three points in the application and those points were not requested or scored. (2) The owner has also offered the new information that the units all have storage closets, an item worth one point in the application, a point that was not requested or scored. (3) The development has five buildings instead of the four that were originally proposed but the unit count and mix have not changed. The foregoing three changes have now been incorporated into the original table as presented to the Board on December 14, 2005 and are therefore indicated in that table below.

With the new changes, the owner's request reflects that the provision of equivalent substitutes were provided for the scoring items that were changed, as further described below. With regard to the representation that there would be a "walking path", the substitutes for the walking path appear sufficient. The sufficiency of the sidewalk that surrounds the central grounds and buildings may be questioned but the development also contains a large courtyard that is also suitable for walking. In addition, other features, including the common dining area and exercise room, were included in the development without having been proposed in the application. It should be noted that the proposed walking path was not presented in the application either to satisfy Threshold or to score points in Selection. It was an item suggested by checking a box as a part of the owner's description of the original plan.

As for the increase in the number of buildings, the change, as described by the owner, appears to have no negative impacts, but an accurate assessment can best be made at a later date when the cost certification of this completed development is submitted.

Because of the owner's new information, the completed development appears to be equivalent to the development as originally proposed in all significant aspects, including Threshold, Selection and other features. However, the impact of the new building on the development cannot be accurately evaluated at this time. The Department's final recommendation is at the end of this write-up.

<u>Summary of Request (as originally presented in the Board Book of December 14, 2005)</u>: In September 2004, the Board approved the following changes from the original application: vinyl flooring for the ceramic tile that the application proposed for use in the entries, kitchens and bathrooms, which would result in a loss of two (2) points and the elimination of heat lamps in the bathrooms, which were part of an amenity package that was worth one (1) point consisting of heat lamps and vent fans in all bathrooms and ceiling fixtures with accessible wall switches in all rooms. The substitution was to have been the installation of greater than 75% masonry siding on all buildings, which was worth three (3) points in the application. The Staff recommendation in December 2005 was to deny the amendment request as proposed at the time because the Department had been provided information that the 75% siding requirement had not been met.

The following table illustrates the changes:

Features Originally Proposed	Scoring Value	Features Built/Installed as Substitutes	Scoring Value
Ceramic tile floors	2	Vinyl	0
Heat lamps and vent fans were omitted from a proposed scoring package consisting of heat light and vent fans in all bathrooms and ceiling fixtures with accessible wall switches in all rooms.	1	No direct substitute.	0
Microwaves were omitted from a proposed scoring package consisting of microwave, disposal, dishwasher, range/oven, fan/hood, and refrigerator.	1	No direct substitute.	0
Accessible walking path was not built. This was not a scoring item however it was checked in the application under specifications and amenities.	0	Owner pointed out that there is a continuous accessible sidewalk around the part of the site that contains all of the buildings.	0
		Features Built/Installed as Substitutes	**Scoring Value**
		75% Masonry siding. **NOTE:** In the Board write-up for the meeting of 12/14/05, the write-up stated that siding was 60% masonry and 40% cement board. Cement board did not count as masonry in 2002. However, the owner has amended the information provided to state that the siding is 75% stucco and stone.	3
		Storage closet. **NOTE:** This is new information that the owner did not provide prior to the Board Meeting of 12/14/05.	1
		Common dining area. **NOTE:** A community meals room was a threshold item that the owner did not choose.	0
		Exercise room was a check the box item that the owner did not choose.	0

Governing Law:	§2306.6712, Texas Government Code. The code indicates that material alterations include modifications that would have adversely affected the selection of the application in the application round.
Owner:	Eagle's Point Housing Partners, Ltd.
General Partner:	NDG-Eagle Point, LLC, managing GP Victory Family Ministry, Co-GP
Developer:	NuRock Development Group, Inc.
Principals/Interested Parties:	Robert Hoskins, owner of managing GP
Syndicator:	SunAmerica
Construction Lender:	Bank One
Permanent Lender:	Fannie Mae/Capri Capital
Other Funding:	NA
City/County:	Austin/Travis
Set-Aside:	General
Type of Area:	Urban

Type of Development:	New Construction
Population Served:	Elderly
Units:	192 HTC and 48 market rate units
2003 Allocation:	$1,200,000
Allocation per HTC Unit:	$6,250
Prior Board Actions:	8/08/02 – Approved forward commitment 7/29/03 – Approved award of tax credits Construction Loan Closing extended from 6/13/04 to 7/1/04
Underwriting Reevaluation:	The development is completed and in lease-up but has not yet submitted cost certification documents. Since many of the documents needed to re-evaluate the development costs have not been provided but are required as part of the cost certification package, the Real Estate Analysis Division will complete its re-evaluation of the development upon the receipt of the cost certification package. It is likely however that the credit recommendation would not be affected by the change in the number of buildings as the original eligible basis far exceeded the $1.2M credit cap per project allocation for this development.
Staff Recommendation:	**Staff recommends approving the owner's requests. In essence, the recommendation is to approve (1) the sidewalk that encircles the building grounds as a walking path, (2) substitution of the storage closets for the microwaves and (3) five buildings instead of four. With respect to the change in the building count, staff recommends that only a conditional approval be given to the new site plan and building plans subject to review and acceptance in conjunction with review of the cost certification by the Real Estate Analysis Division. Currently the cost certification has not been submitted.**

Development No. 03236, Little York Villas Apartments

Summary of Request: Owner requests approval to change the site plan by adding one residential building to the development. On May 13, 2004, the Board approved a request that was intended to include the additional building but the written request by the owner, and subsequent presentation to the Board, did not specify that a building was being added. The prior request was written as follows:

> Owner requests approval to reduce the size of the clubhouse and increase the size of the two and three bedroom units. The clubhouse would decrease from 5,444 to 4,208 square feet, a net loss to the clubhouse (and to the total common area) of 1,236 square feet (22.7%). The two bedroom units would increase from 950 to 975 square feet and three bedroom units would increase from 1,100 to 1,162 square feet, a net gain to the development of 7,168 square feet; a 5.5% increase from the original net rentable area of 131,200 square feet. The request deals with material changes in the application as defined by the QAP because the changes in common and net rentable area each exceed three percent of the original areas.

The original letter of request that was included with the original Board write-up stated in part, "The site plan and buildings were redesigned….", but the letter never specifically stated that a building had been added. A site plan that was submitted with the letter showed the additional building.

The changes were dictated by the constraints of the site in conjunction with the city's plan approval process. The change requested would not materially alter the development in a negative manner and would not have adversely affected the selection of the application in the application round.

Governing Law:	§2306.6712, Texas Government Code. The request proposes a significant modification of the site plan and is, therefore, a material alteration under the code.
Owner:	Little York Villas, L.P.
General Partner:	Songhai Little York, LLC
Developers:	Songhai Little York Development, LLC; Richard Simmons
Principals/Contacts	Cherno Njie, Richard Simmons
Syndicator:	Red Capital Markets, Inc.
Construction Lenders:	Red Mortgage Capital, Inc.
Permanent Lender:	Red Mortgage Capital, Inc.
Other Funding:	City of Houston HOME Funds
City/County:	Houston/Harris
Set-Aside:	General Population
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	General Population
Units:	103 LIHTC units and 25 market rate units
2003 Allocation:	$816,242
Allocation per HTC Unit:	$7,925
Prior Board Actions:	7/29/03 – Approved awarded of tax credits 5/13/04 - Approved amendment
Underwriting Reevaluation:	The Real Estate Analysis Division conducted a re-evaluation in April of 2004 and though it was not explicitly stated in the write-up completed for that review REA staff has confirmed that the prior review did include the additional (eighth) building with no effect on the credit recommendation.
Staff Recommendation:	**The change would not have altered the recommendation for an award. Staff recommends approving the change.**

Eagle's Landing Apartments, HTC No. 02414

Summary of Request: Owner requests approval to change the number of residential buildings in the development from 19 as originally underwritten in the application to 16 as actually built. Setback, drainage and other zoning requirements dictated the change. The number, sizes, unit mix and bedroom and bathroom counts of the units did not change.

The requested modifications would not materially alter the development in a negative manner and would not have adversely affected the selection of the application for an allocation.

Governing Law:	§2306.6712, Texas Government Code. A significant modification of the site plan is a material alteration under the code.
Owner:	Eagle's Landing Housing Partners, Ltd.
General Partner:	NDG-Eagle's Landing, LLC
Developers:	NuRock Development Corporation
Principals/Interested Parties:	Robert G. Hoskins
Syndicator:	Paramount Financial Group, Inc.
Construction Lender:	GMAC
Permanent Lender:	GMAC
Other Funding:	Travis County Housing Finance Corporation
City/County:	Austin/Travis
Set-Aside:	Tax-Exempt and Taxable Bonds
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	General Population
Units:	240 HTC units
2002 Allocation:	$798,619
Allocation per HTC Unit:	$3,328
Prior Board Actions:	8/8/02 - Approved award of tax credits.
Underwriting Reevaluation:	The development is completed and in lease-up but has not yet submitted cost certification documents. Since many of the documents needed to re-evaluate the development costs have not been provided but are required as part of the cost certification package, the Real Estate Analysis Division will complete its re-evaluation of the development upon the receipt of the cost certification package. It is likely however that the credit recommendation would not be affected by the change in the number of buildings as construction costs have increased by a rate that is likely to be greater than the cost savings in building fewer but larger buildings. Moreover, the amount of credit will be adjusted at cost certification and since this is a bond transaction any unused credit can not be recycled.
Staff Recommendation:	**Staff recommends approving the owner's request subject to a determination of acceptability by the Department upon the submission and review of the cost certification by the Real Estate Analysis Division.**

04036

Tekoa

September 30, 2005

Mr. Ben Sheppard
Texas Department of Housing
and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

RE: Request for Villa del Sol (#04036)

Dear Mr. Sheppard:

I respectfully request approval of the installation of the 12,000 BTU Carrier PTA air conditioning unit for the rehabilitation of Villa del Sol. The attached letter from our mechanical engineer explains that this model falls slightly below the 12 SEER required by the TDHCA. However, the 9,000 BTU model, which meets the 12 SEER, is not sufficient to adequately cool the units.

Villa del Sol is a 33 year old building that has never had central air conditioning. We strongly feel this is the correct answer.

We appreciate your consideration.

Sincerely,

William J. Lee
Manager, Tekoa Partners Ltd.
Project Developer

04036

TC-MEP INC.
M. E. P. DESIGN, DRAFTING & CONSULTING
P.O. BOX 1617
BRENHAM, TX 77834
PH: 713.545.8740 FAX: 979.421.9668
Email:tc-mep@sbcglobal.net

September 22, 2005

Tekoa Partners,
Attn: Mr. Bill Lee
Re: PTAC Units for Villa Del Sol

Bill, we have reviewed the documentation provided by Carrier Corporation concerning EER vs. SEER ratings of the PTAC units recommended for use in the above mentioned rehab/remodel.
Based on their findings, and the simple fact that much of the remodel will leave intact existing wall, windows, and exterior façade, we believe that the model noted on the attached Carrier documentation would be the choice to supply adequate heating/cooling to the units.
As shown in the documentation, the 9000 btu unit would supply a projected 12+ seer, however, 9000 btu is not enough to adequately supply the units. We recommend the 12000 btu unit (noted by asterisk) as the unit that would supply adequate heating/cooling to the units. As the documentation indicates, the projected seer rating would be at 11.7 which is slightly lower than the minimum of 12 seer that may have been agreed upon or mandated for this project. But, we need to take into consideration all aspects of the rehab/remodel, and move forward with what we believe to be in the best interest of the project as a whole.

We recommend the use of the Carrier 12000 btu PTAC unit, or one comparable to be installed in the Villa Del Sol rehab/remodel. We would encourage TDHCA to consider allowing these units to be used, and offer this letter as support to the findings and submittals of Carrier Corporation.

Respectfully, Billy F. Rains,
President
John F. Rains, P.E.,
Vice President
TC-MEP Inc.

Billy F. Rains
John F. Rains

04036

![Carrier]

Carrier Corporation
Carrier Parkway
Syracuse, NY 13221
Phone: (800) 827-7435
Fax: (315) 432-7626

Date: 3/21/05

Carrier PTAC estimates for SEER

The Department of Energy (DOE) is the agency that governs what type of ratings will be used, and the set of tests that must be run, to list and qualify a unit for energy efficiency. The DOE EPACT standards require that PTAC units be rated using EER, not SEER. The body that independently monitors PTAC ratings is the Air Conditioning and Refrigeration Institute (ARI). To maintain the ARI listing, manufacturers must certify efficiency ratings (using EER/COP) and participate in rating review testing that is performed at an independent laboratory, determined by ARI.

SEER/HSPF is similar in meaning to EER/COP, but requires a different set of tests and calculations that need to be run. There is no direct mathematical way to correlate EER/COP to SEER/HSPF ratings. It is possible though, to estimate SEER values using computer modeling, recognizing that the DOE standard tests for SEER ratings in Split Systems and Small Packaged Products, does not apply to PTAC units.

Carrier has estimated SEER energy ratings for the PTAC in the table below, using computer simulation and estimated values for the Coefficient of Degradation (Cd). The required default, or worst case, value for the Cd is 0.25 if you do not run the full test series (per ARI standard 210/240 for SEER energy ratings for Split and Small Packaged Systems). A tabulation of other potential Cd values is included for estimating purposes only. Although the Carrier PTAC has never been tested for SEER, a Cd value of 0.15 is not unrealistic; although that is just an estimate and would have to be confirmed through testing.

See below estimated SEER values for the Carrier 52P PTAC, using a computer model simulation.

Cooling Capacity (Btuh)	EER	SEER Cd = 0.25	SEER Cd = 0.20	SEER Cd = 0.15	SEER Cd = 0.10	SEER Cd = 0.05
7000	12.7	[redacted]	13.6	13.9	14.3	14.7
9000	11.5	[redacted]	12.0	12.3	12.7	13.0
* 12000	11.1	[redacted]	11.4	*11.7	12.0	12.4
15000	9.7	[redacted]	10.8	11.1	11.4	11.7

*Nominal cooling capacity.
*52P model, 230V, HeatPump
*SEER is estimated from a computer simulation of a lab model

I hope the estimates from our simulation help. For a true energy efficiency indicator of the PTAC, the industry agency standard of EER/COP should be used.

Thanks,
Tom Phillips
PTAC Product Manager

04036

TC-MEP INC.
M. E. P. DESIGN, DRAFTING & CONSULTING
307 SCENIC BROOK DRIVE
BRENHAM, TX 77833
PH: 713.545.8740 FAX: 979.421.9668
Email:tc-mep@sbcglobal.net

November 10, 2005

To: Tellepsen Construction
Tekoa Partners

It has been requested that additional information relevant to the use of PTAC units in lieu of traditional split systems at the Villa Del Sol property located in Brownsville Texas be provided, to justify the recommendation for their use. The following information is based on the following installation criteria.

- Installation criteria
  There are a total of 200 units in this project. The unit breakdown with recommended PTAC units are as follows:
  (70)Efficiency units @ 399 sq. ft. will have a 9000 btu system installed.
  (121)One Bedroom units @ 516 sq. ft. will have a 12000 btu system installed.
  (9)Two Bedroom units @ 747 sq. ft. will have a 12000 btu system installed.
  The 9000 btu system is rated at 12.3 seer based on testing and computer simulation conducted by Carrier Corporation.
  The 12000 btu system is rated at 11.7 seer based on the same criteria provided by Carrier Corporation.
  All systems will be installed with a "condensate drain kit". These kits allow condensate to be cycled across a coil and burned off, therefore avoiding normal condensate disposal challenges usually associated with this type of installation.

- Capital Costs
  Research has been conducted with local Mechanical Contractors to determine the difference in cost of installing a PTAC cooling/heating unit and installing a split system cooling/heating system. Research indicates the cost of installing a Ptac unit would be on the average $1800.00 per system, while the average cost of installing a split system would be $3500.00 per system. Based on the number of hvac systems to be installed in the aforementioned property, it should be acknowledged the cost savings available utilizing the Ptac systems. Based on the square footage of coverage, the Ptac units supply adequate cooling and heating capability. Based on research regarding cost per unit, it is our opinion that the Ptac unit is the most

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cost effective while providing an effective coverage of heating and cooling. Ptac units are recommended for installation at all units.
It should also be mentioned that additional units can be stored for "replacement/change out" units, taking up little space.

- Operating Costs

  At the submittal of this document, data is still being collected as to the differences in operating costs of the Ptac systems, and the split systems. It is our opinion, and we believe research will provide data to support such a position, that the Ptac units overall will be more efficient and cost effective than split systems.

- Safety/Maintenance issues

  This area is probably the most important of all. This building has 13 to 14 floors above grade. If split systems are installed, condensing units will be placed on concrete pads on the exterior of each unit. Systems will require maintenance at some point, requiring maintenance personnel to be precariously perched at significant heights. To change out a condensing unit at these heights would certainly put personnel at great risk of injury or even death. This is something no one wants to think about, but the risk must be factored in if this type of system is to be considered.
  Also storage of "replacement/change out" units requires considerably more space. Condensers and air handlers both have to be stored, along with the accessories required by both.
  Personnel will have to be trained hvac technicians, or service companies will have to be called to provide such assistance, adding additional costs to maintenance.

  Installing Ptac systems will basically eliminate all the comments in this category except perhaps some service company assistance. All ptac systems would be replaced/changed out from the interior of the unit, therefore eliminating the need to be outside any unit for service or repair at any time. Ptac units can be replaced or changed out quickly, taken to the maintenance shop for repair, or sent out to a service company. This allows for the least inconvenience for the tenant, and the safest procedure for maintenance personnel.

Overview

1. Ptac system costs are considerably lower than split systems, while supplying adequate heat and cooling capacity to the units.
2. While data is not yet available to compare operating costs, we believe ptac systems are less expensive to operate, or at least equal to the operating costs of split systems.
3. Since installation of ptac systems is from the inside, Maintenance personnel need not endure the risk associated with units installed outside the tenant space.
4. Replacement of defective units is relatively speedy, with minor inconvenience to the tenant.

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5. Storage space for additional units for replacement/change out is minimized with ptac systems.
6. Ptac system,one system in one place. A split system is exactly that. One part in one place, the other part in another, with all the attaching accessories required.

Respectfully, Billy F. Rains
President,
TC-MEP Inc.
Reg. # F-6920
John F. Rains, P.E.
Vice Pres. Engineering
Lic. # 86172

Billy F. Rains
John F. Rains

03001

NuRock

580 Decker Drive
Suite 208
Irving, TX 75062
(972) 745-0756
Fax (678) 218-1496
dallgeier@nurock.com

December 12, 2005

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

Re: Heritage Pointe Apartments
TDHCA #03001
Austin, Texas

Dear Ben:

We would like to request staff and board approval for a few revisions in the construction of the Heritage Pointe Apartments from the initial application. In September 2004, the Board approved the following changes from the original application:

- Vinyl flooring in lieu of ceramic tile in the dwelling unit entries, kitchens and baths – loss of 2 points
- The elimination of heat lamps in the bathrooms – loss of 1 point, and
- Substitution of 75% masonry siding on all buildings – addition of 3 points

This project is completed and in operation. As a result of a compliance inspection, we now request additional amendments. These are:

1. On the application, we checked that we would provide an accessible walking path. This was not a pointed amenity in the 2002 QAP. **We ask that our existing plan of sidewalks be considered an accessible walking path.** There are over ½ mile of accessible sidewalks that run throughout the complex including through our courtyard, which should be considered a walking path. Residents are using them for this purpose.
2. Installed microwaves were part of the kitchen package that was chosen as one of the Unit Amenities and Quality, Exhibit 205. This portion of this kitchen package was omitted in the actual construction. **We request that this change be accepted and storage area be accepted in lieu of this kitchen package.** In the 2002 QAP, storage areas were not defined. The Questions and Answers based on the seminars held that year on the QAP, stated that "Storage areas are generally space for storage outside the residential living space, often off a porch or patio, and do not include linen closets." This project has two dwelling floor plans, a one bedroom, one bath plan and a two bedroom, two bath plan. Each unit has a storage closet in the entrance with a minimum of 10 square feet of area. This is

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not in the living area. In addition to this closet, each unit has a pantry in the kitchen, a hall closet, a walk in closet for each bedroom, and a linen closet for each bath. The two bedroom plan has an extra closet in the laundry room. These are exclusive of mechanical closets for heating and air conditioning equipment and water heaters.

3. There has been some question as to the percentage of masonry that was provided under the 2002 definition of masonry. Unfortunately, as a new NuRock employee, I had previously sent the staff photographs of a senior's project in Atlanta also called Heritage. I have enclosed photos of Heritage in Austin, which with a combination of stucco and stone, provides 75% masonry exteriors.
4. Finally, the application called for four residential buildings. We have 5 residential buildings. The unit number and mix are identical to the application. **We request approval of this building number change.**

If these requests are granted, our points for Exhibit 205 remain at ten.

Feature	Scoring value
Ceramic tile	-2
Heat lamp	-1
Kitchen package	-1
> 75% masonry siding	3
Storage area	1

This is a very nice project for seniors with several amenities in the over 8,000 square foot community building. In addition to the management offices and rest rooms there is:

- A coffee shop where continental breakfast is served
- A residential kitchen
- Two game rooms
- A beauty and barber shop
- A library area
- A large multipurpose room
- An equipped fitness room, and
- A business center

The residential buildings contain small courtyards so most the units have a view of a courtyard and the project is built around a large courtyard with a fountain, statues and benches provided.

Thank you for your consideration.

Sincerely,

Daniel Allg

NuRock Development
Daniel Allgeier, Vice President

#03236.

Little York Villas, L.P.

1106 Clayton Lane, Suite 524W
Austin, TX 78723
Phone: 512-458-5577
Fax: 512-458-5565

December 21, 2005

Ms. Brooke Boston
Director, Multifamily Finance Production
TDHCA
P.O Box 13941
Austin, TX 78711-3941

Re: **Project Amendment**
Little York Villas - # 03236

Dear Ms. Boston:

On April 14, 2004, I sought approval from the board for changes to the project's site plan as well as to the size of the club house and units. Among the changes included in the site plan, a copy of which was enclosed in that request and is also enclosed herewith, is the addition of one residential building. Unfortunately, staff's summary to the board omitted the amendments to the site plan included in my request and the board did not specifically act on it although it approved the other changes. It remains my contention that by approving the amendments, the board implicitly approved the addition of one residential building which was reviewed by both staff from tax credit allocation and real estate analysis division.

Since TDHCA has concluded otherwise, I am requesting for board approval of the additional residential building included in the project. I wish to add that the property is 100% complete and fully occupied

Please call me at 512-797-6514, if you have any questions about this request. Thank you for your consideration.

Sincerely,

Chemo M. Njie,

General Partner,

Little York Villas, L.P.

Enclosures

#03236

Little York Villas, L.P.
1106 Clayton Lane, Suite 524W
Austin, TX 78723
Phone: 512-458-5577
Fax: 512-458-5565

April 14, 2004

Ms. Brooke Boston
Director, Multifamily Finance Production
TDHCA
P.O Box 13941
Austin, TX 78711-3941

Re: **Request for Approval of changes**
Little York Villas – TDHCA # 03236

Dear Ms. Boston:

I am writing to seek approval to changes made to the project as required under the QAP. The following changes were made:

1. The site plan and buildings were redesigned to be more functional and to address the concerns of the homeowners by providing for a 130 feet buffer between the closest building and the property line of the adjoining subdivision.

2. The Club House was reduced from 5,444 to 4,208 square feet. The original size was disproportionate for the size of the project. Instead, we increased the size of the two bedroom units from 950 to 975 square feet and the three bedroom units from 1,100 to 1,162 square feet. The 1,236 decrease in the size of the Club House was more than offset by a 5,568 square feet increase in the size of the units. This reduction will not impact the range of supportive services to be provided for the tenants. The total net rentable area is 136,768 square feet.

Enclosed is a set of architectural plans, Development Cost Schedule, Rent Schedule, Utility Allowance, Statement of annual expenses, Sources and Uses of Funds statement, and 30-year proforma. Please call me at 512-797-6614, if you have any questions about this request. Thank you for your consideration.

Sincerely,

Chemo M. Njie,

General Partner,

Little York Villas, L.P.

#02414

NuRock

580 Decker Drive
Suite 208
Irving, TX 75062
(972) 745-0756
Fax (678) 218-1496
dallgeier@nurock.com

December 12, 2005

RECEIVED

LIHTC

Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

Re: Eagles Landing Apartments
TDHCA # 02414
Austin, Texas

Dear Ben:

We request staff and board approval of a change in the number of residential buildings provided at the Eagles Landing Apartments from the amount applied for in our initial tax credit application. The initial application called for 21 buildings. Due to setback requirements, drainage, other zoning requirements, topographic considerations and other site constraints, we built 16 residential buildings. The number, sizes, and bedroom and bath type of the units are exactly the same as in the initial application.

I have attached a site plan showing the final number and location of buildings.

Sincerely,

Daniel Allgeier

NuRock Development
Daniel Allgeier, Vice President

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
January 18, 2005

Action Items

Requests for extensions of the deadlines for commencement of substantial construction are described below.

Required Action

Approve or deny the requests for extensions associated with Housing Tax Credit commitments.

Background

Pertinent facts about the developments requesting extensions are given below. The requests were each accompanied by a mandatory $2,500 extension request fee.

Summit Senior Village, HTC Development No. 03159
(Commencement of Substantial Construction)

Summary of Request: Applicant requests an extension of the deadline to document commencement of substantial construction. The applicant explained that the failure to submit the documentation was simply a break down in communication and execution within the development team. The development has since proceeded and as of December 1, 2005 has placed 15 of the 17 tax credit buildings into service.

Applicant:	MAEDC Gainesville Seniors, L.P.
General Partner:	MAEDC Gainesville GP, LLC
Developer:	James French
Principals/Interested Parties:	James French, Kent Mehring (MMA Financial)
Syndicator:	MMA Financial
Construction Lender:	Washington Mutual Bank, F.A.
Permanent Lender:	Washington Mutual Bank, F.A.
Other Funding:	NA
City/County:	Gainesville/Cooke
Set-Aside:	General/Elderly
Type of Area:	Rural
Type of Development:	New Construction
Population Served:	Elderly Population
Units:	68 HTC and 8 market rate units
2003 Allocation:	$476,268
Allocation per HTC Unit:	$7,004
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Construction Loan Closing
Note on Time of Request:	Request was submitted late.
Current Deadline:	February 28, 2005
New Deadline Requested:	December 5, 2005
New Deadline Recommended:	**December 5, 2005**
Prior Extensions:	Construction Loan Closing extended from 6/11/04 to 8/11/04 Construction Loan Closing extended from 8/11/04 to 9/30/04 Commencement of Construction extended from 12/10/04 to 2/28/05
Staff Recommendation:	**Approve the extension.**

<u>Village at Meadowbend II, HTC Development No. 04145</u>
(Commencement of Substantial Construction)

<u>Summary of Request</u>: Applicant requests an extension of the deadline to submit documentation of commencement of construction. The applicant began construction in June of 2005 but did not submit the required documentation until December 15, 2005. At the Board Meeting of December 14, 2005, the Board granted this applicant an extension to submit documentation of having closed the construction loan. The current request, in the same manner as the request concerning the construction loan, is a request to submit documentation of requirements that have already been met.

Applicant:	Village at Meadowbend Apartments II, L.P.
General Partner:	Rufino Contreras Affordable Housing Corporation, Inc.
Developer:	Encinas Group of Texas, Inc.; National Farm Workers Service Center, Inc.
Principals/Interested Parties:	William Encinas; Paul Chavez (President of GP and co-developer)
Syndicator:	Related Capital Company
Construction Lender:	Bank of America
Permanent Lender:	Bank of America
Other Funding:	City of Temple
City/County:	Temple/Bell
Set-Aside:	General
Type of Area:	Urban/Exurban
Type of Development:	New Construction
Population Served:	General Population
Units:	79 HTC and 20 market rate units
2004 Allocation:	$637,076
Allocation per HTC Unit:	$8,064
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Construction Loan Closing
Note on Time of Request:	Request was submitted late.
Current Deadline:	December 1, 2005
New Deadline Requested:	December 15, 2005
New Deadline Recommended:	**December 15, 2005**
Prior Extensions:	Construction Loan Closing extended from 6/1/05 to 6/30/05. Construction Loan Closing extended from 6/30/05 to 12/14/05.
Staff Recommendation:	**Approve the extension.**

Casa Saldana (formerly Casa Korima), HTC Development No. 04146
(Commencement of Substantial Construction)

Summary of Request: Applicant requests an extension of the deadline to submit documentation of commencement of construction. The applicant began construction in June of 2005 but did not submit the required documentation until December 15, 2005. At the Board Meeting of December 14, 2005, the Board granted this applicant an extension to submit documentation of having closed the construction loan. The current request, in the same manner as the request concerning the construction loan, is a request to submit documentation of requirements that have already been met.

Applicant:	Casa Korima Housing Development, L.P.
General Partner:	Rufino Contreras Affordable Housing Corporation, Inc.
Developer:	Encinas Group of Texas, Inc.; National Farm Workers Service Center, Inc.
Principals/Interested Parties:	William Encinas; Paul Chavez (President of GP and co-developer)
Syndicator:	Related Capital Company
Construction Lender:	Bank of America
Permanent Lender:	Bank of America
Other Funding:	City of Mercedes
City/County:	Mercedes/Hidalgo
Set-Aside:	General
Type of Area:	Rural
Type of Development:	New Construction
Population Served:	General Population
Units:	156 HTC and 40 market rate units
2004 Allocation:	$1,153,862
Allocation per HTC Unit:	$7,397
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Construction Loan Closing
Note on Time of Request:	Request was submitted late.
Current Deadline:	December 1, 2005
New Deadline Requested:	December 15, 2005
New Deadline Recommended:	**December 15, 2005**
Prior Extensions:	Construction Loan Closing extended from 6/1/05 to 6/30/05. Construction Loan Closing extended from 6/30/05 to 12/14/05.
Staff Recommendation:	**Approve the extension.**

HTC#03159

MMA FINANCIAL

MMA Financial, LLC

Kent R. H. Mehring
Principal

101 Arch Street
Boston, Massachusetts 02110-1106
T 617. 790.4731 F 617. 790.4436
kmehring@MMAfin.com

VIA OVERNIGHT MAIL

November 29, 2005

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

Re: MAEDC GAINESVILLE SENIORS, L.P. (the "Partnership")

Dear Ben:

On behalf of the Special Limited Partner, I have enclosed the Construction Progress Report – Commencement Of Substantial Completion (the "Report") with requisite attachments for Summit Senior Village located in Gainesville, Texas for your records, subject to TDHCA extension approval. I have also enclosed a check for the $2,500 filing fee.

As I indicated to you previously, the Partnership had relied on the developer and developer's consultant to submit the report in a timely fashion. Unfortunately, we only recently discovered the report was never submitted for your records. Since the report is delinquent, we respectfully request approval by the TDHCA board for an extension to file the enclosed Report.

Please contact me if you have any questions or comments. I thank you in advance for your assistance in this matter.

Very truly yours,

Kent Mehring

Encl.

cc: Jo En Taylor, TDHCA Portfolio Analyst
Jim French, Ferndale Investments, Inc.
Lorri Jordan, Spectrum Housing
Jack Hodgkins, MMA Financial

HTC# 04145

Rufino Contreras Affordable Housing Corporation, Inc.
2200 E MLK Jr Blvd, Austin, TX 78702 • Telephone (512) 474-5003 • Fax (512) 474-5010
a subsidiary corporation of the National Farm Workers Service Center, Inc.

December 14, 2005

RECEIVED
DEC 6 2005
LIHTC

RECEIVED
DEC 1 6 2005
LIHTC

Ben Sheppard
TDHCA
2211 East 11th Street
Austin, TX 78701-2410

Re: 2004 HTC Construction Progress Report – Commencement of Substantial Construction Village at Meadowbend II, TDHCA #04-145

Dear Mr. Sheppard,

I am writing to request an extension on the 2004 HTC Construction Progress Report – Commencement of Substantial Construction for Village at Meadowbend II, TDHCA #04-145. We began construction in June 2005 but failed to file the start with the TDHCA. We would like to have the filing deadline extended to December 15, 2005.

Enclosed are supporting documents and a check for $2500 for the extension fee.

Thank you for your consideration.

Sincerely,

Jean Coburn
Project Manager
(512) 474-5003

UNION LABEL

HTC #04146

Rufino Contreras Affordable Housing Corporation, Inc.
2200 E MLK Jr Blvd, Austin, TX 78702 • Telephone (512) 474-5003 • Fax (512) 474-5010
a subsidiary corporation of the National Farm Workers Service Center, Inc.

December 14, 2005

RECEIVED
DEC - 6 2005
LIHTC

RECEIVED
DEC - 6 2005
LIHTC

Ben Sheppard
TDHCA
2211 East 11th Street
Austin, TX 78701-2410

Re: 2004 HTC Construction Progress Report – Commencement of Substantial Construction
Casa Saldana, TDHCA # 04-146

Dear Mr. Sheppard,

I am writing to request an extension on the 2004 HTC Construction Progress Report – Commencement of Substantial Construction for Casa Saldana, TDHCA #04-146. We began construction in June 2005 but failed to file the start with the TDHCA. We would like to have the filing deadline extended to December 15, 2005.

Enclosed are all supporting documents and a check for $2500 for the extension fee.

Thank you for your consideration.

Sincerely,

Jean Coburn

Jean Coburn
Project Manager
(512) 474-5003

UNION LABEL

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 18, 2006

Action Items

Policy for Allocation of $3,500,000 in Housing Tax Credit Ceiling authorized under the Gulf Opportunity Zone Act of 2005, H.R. 4440, signed into law by the President on December 21, 2005.

Required Action

Approval of a policy for the allocation of $3,500,000 in Housing Tax Credit Ceiling authorized under the Gulf Opportunity Zone Act of 2005, H.R. 4440, signed into law by the President on December 21, 2005.

Background

On December 21, 2005, the President signed into law the Gulf Opportunity Zone Act of 2005, H.R. 4440, which amended the Internal Revenue Code of 1986 to provide tax benefits for certain areas affected by Hurricanes Rita and Wilma and for other purposes. The Act provides for an increase of $3,500,000 in the 2006 Housing Credit Ceiling for the State of Texas. The Act does not explicitly limit the credit increase to hurricane impacted areas.

On October 3, 2005, the Governor of the State of Texas declared twenty-two Texas counties to be impacted by Hurricane Rita. In an effort to address the needs for rehabilitation, reconstruction or replacement new construction of rental product specifically in those impacted counties, the Department is proposing that the $3.5 million in increased credits ("the additional credits") be allocated on a non-competitive first-come, first-served basis, similar to the Housing Tax Credit Rural Rescue Program for more expeditious processing and allocation of the additional credits. Staff recommends that the credits be allocated in twenty-one of the twenty-two counties; Harris County is the last of the twenty-two identified counties, and staff recommends that it not be eligible for credit requests under this policy due to the large credit ceiling available in Region 6 under the 2006 Credit Ceiling (there is approximately $9.5 million in credits available for Urban/Exurban Region 6). The attached policy provides the proposed procedures for application, staff review and recommendation for these allocations.

An Executive Order RP-54 was signed on January 10, 2006 granting the authority for the appropriate waivers. In order to utilize the additional credits, this waiver from the Governor, pursuant to Section 418.016 is needed to authorize the suspension of the regional allocation formula, the uniform cycle requirement and other application processing deadlines.

Staff anticipates making a presentation on applying for these additional credits at the two workshops tentatively scheduled on January 19 and 20 in Nacogdoches and Beaumont for releasing information on other hurricane-related relief funds from the Department. Additionally staff will collaborate with the Rural Rental Housing Association in ensuring information on the availability of these credits is thoroughly disseminated for developers in rural areas.

Background

Staff recommends that the Board approve the attached policy.

Multifamily Finance Production Division / Housing Tax Credit (HTC) Program
Policy for Allocation of Housing Tax Credits for
Developments in Texas Counties Impacted by Hurricane Rita

I. Introduction

On October 3, 2005, the Governor of the State of Texas declared twenty-two Texas counties to be impacted by Hurricane Rita. In an effort to address the needs for rehabilitation, reconstruction or replacement new construction of rental product in those impacted counties, the Department is implementing this policy to allocate housing tax credits on a non-competitive first-come, first-served basis. This policy provides the procedures for application, staff review and recommendation for these allocations.

II. Sources

H.R. 4440, also known as the Gulf Opportunity Zone Act of 2005 ("the Act"), amended the Internal Revenue Code of 1986 to provide tax benefits for certain areas affected by Hurricanes Rita and Wilma and for other purposes. The Act provides for an increase of $3,500,000 in the 2006 Housing Credit Ceiling for the State of Texas. The Department has determined that it will allocate that $3,500,000 solely in twenty-one (21) impacted counties for rehabilitation, reconstruction or replacement new construction of rental product and will separate those credits from the rest of the 2006 Housing Credit Ceiling for more expeditious processing via this policy. Pursuant to a waiver by the Texas Governor, the regional allocation formula and typical program deadlines are not being applied to these funds to ensure that they are targeted to those areas most specifically impacted by Hurricane Rita and where future funding based on the regional allocation formula is generally more limited.

III. Definitions

All defined terms used in this policy are definitions found in the 2006 Qualified Allocation Plan and Rules (QAP), found at 10 Texas Administrative Code §50.1 et seq.

IV. Eligibility

Applications must be submitted prior to May 31, 2006, and must be for a development site that is located within one or more of the eligible counties. Applications must satisfy all eligibility and threshold criteria outlined in the 2006 QAP and must also obtain a minimum score of 105 to be considered for an award under this policy. Applications must either be for rehabilitation, reconstruction or new construction that replaces rental units damaged due to the disaster.

Counties eligible for these credits include: Angelina, Brazoria, Chambers, Fort Bend, Galveston, Hardin, Jasper, Jefferson, Liberty, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler, and Walker (21 counties reflected).

A development involving rehabilitation or reconstruction is only eligible for credits that cover costs not reimbursed for losses by other private or public sources. Insurance remittances will be requested to confirm this eligibility standard and those amounts will be included as a source of funds.

V. Procedures and Requirements for Submission and Review

1. Applications may be submitted between January 10 and May 31, 2006 and must be submitted in accordance with §50.21 of the QAP. Applications will be processed as expeditiously as possible. Applications must include the full Application Fee of $30 per Unit as further described in §50.20(c) of the QAP. Applicants must submit documents in accordance with the procedures set out in the 2006 Application Submission Procedures Manual for Volumes I, II, III and IV. Volume IV, evidencing Selection Criteria, must be submitted for the Department to ensure the minimum score has been achieved. Applications will continue to be accepted on an ongoing basis until such time as all funding has been committed or May 31, 2006, whichever occurs first.

2. Applications that meet the minimum threshold will be processed on a first-come, first-served basis. Applications will be reviewed for all eligibility, threshold and selection criteria as further described in §50.9(f) (the process currently utilized for Rural Rescue Applications), however the statement in §50.9(f)(2) indicating that the minimum score is not required is not applicable for application process; as noted above a minimum score of 105 is required to be considered. Further, applications unable to meet all deficiency and underwriting requests for information within 30 days of the request by the Department, will remain under consideration, but will lose their submission status and the next application in line will be moved ahead in order to expedite those applications most ready to proceed. Applications will be reviewed to ensure that the Application is eligible as described in this policy.

3. Because applications are processed in the order they are received by the Department, it is possible that the Department will expend all available credits under this policy before an application has completed its review. In the case that all credits under this policy are committed before an application has completed the review process, the Department will notify the applicant that their application has been terminated for consideration under this policy, unless otherwise directed by the Executive Director. If additional credits under this policy become available, applications will continue with their review without losing their received date priority. If on the date an application is received by the Department, no credits are available under this policy, the applicant will be notified that no credits are available and the application will not be processed.

4. The total number of new construction units that can be allocated credits by the Department for any eligible county can not exceed the number of rental (apartment) units either destroyed or experiencing major damage for that county as reported by the Governor's EMT calculations provided in Appendix A.

5. Applicants are not required to participate in the Pre-Application process outlined in §50.8 of the QAP, nor do they need to submit pre-certification documents identified in §50.9(g) of the QAP.

6. Applications requiring resolutions from the local governing body (for selection criteria or for the "Two Times State Average of Credits per Capita" test) and/or evidence of zoning must submit their resolutions and/or evidence prior to Executive Director's issuance of a Commitment Notice.

7. The notification requirements for notifying local and state officials required under §50.9(h)(8)(A), will be considered to be timely made as long as they are made by the date the application is submitted.

8. Consistent with the broad authority granted by the governor under Section 418.016 and further granted by the Board to the Executive Director on September 16, 2005, and in order to ensure the most expeditious commitment of credits, applications will be approved, and Commitment Notices issued, by the Executive Director, and only subsequently reported to the Board and provided for ratification purposes.

VI. Procedure for Recommendation to the Executive Director

Staff will make its recommendation to the Executive Award and Review Advisory Committee ("the Committee"). The Executive Director will review the Committee's recommendation and direct staff whether or not to issue a Commitment Notice for the Application. Staff will provide the Committee with a written, documented recommendation which will address, at a minimum, the financial and programmatic viability of each Application.

For all applications issued a Commitment Notice under this policy, a report of those issuances will be provided to the Board at the next Board meeting for which the materials can be timely prepared. The Board will ratify, or not, the allocation of the tax credits.

VII. Concurrent Participation in Competitive Application Round

Applicants may submit applications for consideration under this policy as well as the Competitive 2006 Application Round as long as the application for the Competitive 2006 Application Round is submitted on or before March 1, 2006. Applications must clearly indicate if they are being submitted for requests under this policy or a general Competitive 2006 Application Round application. An Application under this policy may be submitted prior to, simultaneous with, or following a submission for the Competitive 2006 Application Round. Applicants may determine that to ensure a more competitive score in the Competitive 2006

Application Round, they would like to request different Selection Criteria (for points) in the Competitive 2006 Application they submit. If an application chooses to alter their selection criteria, they must submit a revised Volume IV and any other application forms impacted by those revisions (for example, revised rent schedules, revised operating budgets, etc.). An Application fee is only required for the first submission received.

VIII. Credit Ceiling and Rule Applicability

All Developments submitted under this policy are subject to all rules, definitions, policies and deadlines of TDHCA, as more specifically outlined in the Qualified Allocation Plan and Rules and the Underwriting Rules and Guidelines, unless specifically excepted above. Unless explicitly identified in this policy, all sections of the QAP apply to applications submitted under this policy.

Applications approved under this policy will not be attributed to the specific regions where they are proposed for purposes of the regional allocation formula, but will be “exempt” from the formula.

Applicants will receive their credit allocation out the 2006 Credit Ceiling via the increase authorized by the Act. As such, the $2 million credit limit specified under §50.6(d) includes applications awarded under this policy combined with applications awarded under the Competitive 2006 Application Round.

Appendix A
Damages Due to Hurricane Rita as of Tuesday, December 20, 2005

County/City	Single Family Dwellings			Mobile Homes			Apartments		
	Destroyed	Major	Minor	Destroyed	Major	Minor	Destroyed	Major	Minor
Angelina – Lufkin	0	30	85	0	3	12	0	0	48
Angelina	35	300	500	35	400	500	0	25	25
Chambers	7	134	167	15	66	70	0	4	4
Cherokee	0	0	15	0	0	10	0	0	0
Hardin	6,050	4,440	550	7,700	3,300	0	0	0	22
Harris	16	27	11,630	0	0	0	0	0	0
Harris – La Porte	0	0	70	1	2	5	0	0	0
Jasper	33	534	515	63	176	168	0	5	9
Jefferson	75	2,000	10,000	15	500	1,000	35	250	500
Jefferson – Port Arthur	750	3,000	9,000	900	25	40	200	3,000	500
Jefferson – Groves	60	800	2,000	0	0	60	0	5	4
Jefferson – Nederland	116	1,456	3,961	77	193	116	47	332	475
Liberty	7	124	94	10	294	331	0	12	1
Liberty – Liberty, City	0	3	6	1	3	5	0	0	0
Montgomery	4	25	67	30	40	60	0	0	0
Nacogdoches	0	1	10	1	1	75	0	0	0
Nacogdoches– Nacogdoches, City	1	33	125	3	1	1	0	0	0
Newton	55	200	800	60	100	310	0	0	0
Newton – Newton, City	0	155	200	0	75	75	0	18	40
Orange	3,600	9,000	11,250	200	400	500	200	300	600
Polk	29	329	305	24	242	325	0	10	5
Sabine	20	94	408	40	250	482	1	5	0
San Augustine- San Augustine, City	0	5	100	0	5	10	0	0	0
San Jacinto	250	500	1,500	250	1,000	500	0	0	0
Shelby	0	0	10	0	0	1	0	0	0
Shelby – Center, City	0	3	10	0	3	5	0	0	0
Trinity	15	80	295	21	75	301	0	3	2
Tyler	150	375	459	131	450	650	0	0	0
Totals	**11,273**	**23,648**	**54,132**	**9,577**	**7,604**	**5,612**	**483**	**3,969**	**2,235**

Source: State of Texas, State Operations Center (SOC) Hurricane Rita Situation Report #41. The report is prepared by the Governor's Division of Emergency Management.

BOARD ACTION SUMMARY

MULTIFAMILY FINANCE PRODUCTION DIVISION

January 18, 2006

Action Items

Adoption of Proposed Amendment to Title 10, Part 1, Chapter 50, 2006 Housing Tax Credit Program Qualified Allocation Plan and Rules, §50.9(i)(6), regarding the Level of Community Support from State Elected Officials

Required Action

Approve, or approve with amendments, the Proposed Amendment to Title 10, Part 1, Chapter 50, 2006 Housing Tax Credit Program Qualified Allocation Plan and Rules, §50.9(i)(6), regarding the Level of Community Support from State Elected Officials.

Background and Recommendations

On November 10, 2005, the Board adopted a 2006 Qualified Allocation Plan and Rules (QAP), which was signed by the Governor on November 16, 2005. §50.9(i)(6), regarding the Level of Community Support from State Elected Officials, incorrectly indicates a deadline for input from officials of April 1, 2005. Staff recommends a proposed amendment, as reflected below, that will amend the April 1, 2005 date to April 1, 2006.

> (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 14 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, 2006~~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 7 points each for a maximum of 14 points; opposition letters are -7 points each for a maximum of -14 points.

The amendment, upon approval, will be published in the Texas Register for thirty days and then returned to the Board for final adoption. Once adopted, the amendment will be provided to the Governor for signature.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 18, 2006

Action Item

Presentation, Discussion and Possible Approval of a waiver of the 30-day signage installation requirement of the 2005 Qualified Allocation Plans ("QAP") for Artisan at Military Apartments and Heather Glen Apartments.

.

Background

10 TAC §49.9(f)(8)(B) states "for Tax Exempt Bond Developments the sign must be installed no later than 30 days after the Department's receipt of Volumes 1 and 2".

Summary

Artisan at Military, #05448

The Volumes 1 and 2 for the Artisan at Military application were received on November 15, 2005. Pursuant to 10 TAC §49.9(f)(8)(B), the signage was due to be installed on December 15, 2005. The applicant did not install the notification sign on the proposed development site until January 3, 2006. The missed deadline was an oversight by the applicant. The applicant has provided a letter of support for the application from the Southpark Neighborhood Association and states that he has support from the city councilman that represents the area. The applicant requests a waiver of the 30 day signage requirement due to the fact that the sign is required in order to notify the general public in the area of the proposed development. By having support from the neighbors and city councilman, the applicant feels he has met the intent of the requirement. The local bond issuer for this application is San Antonio HFC. The bond reservation was issued by the Bond Review Board on November 16, 2005 as a Priority 2 and the reservation expires on April 15, 2006.

Heather Glen Apartments, #05443

The Volumes 1 and 2 for the Heather Glen Apartments application were received on October 18, 2005. Pursuant to 10 TAC §49.9(f)(8)(B), the signage was due to be installed on November 17, 2005. The applicant did not install the notification sign on the proposed development site until November 18, 2005. The missed deadline was a calculation error by the applicant – as noted the signage was installed only one day late. The Department has received two letters of opposition: one from Richard Perez, the City Councilmember that represents the site, and the other from John M. Folk, Superintendent for NISD. The local bond issuer for this application is San Antonio HFC. The bond reservation was issued by the Bond Review Board on October 19, 2005 as a Priority 2 and the reservation expires on March 18, 2006.

Recommendation

Because the approval of these waivers could set a precedent for future applications, staff recommends that the requests be denied and does not recommend that the Board waive the 30-day requirement.

FRANKLIN
DEVELOPMENT
A CORPORATION

December 30, 2005

Robbye Meyer
Multifamily Finance Director
TDHCA
507 Sabine, Suite 400
Austin, TX 78711-3941
(512) 475-3800

Re: **Request for Variance**
Artisan at Military, TDHCA #05448

Dear Ms. Meyer,

Due to a clerical oversight, we failed to precisely conform to 49.9(f)(8)(B) in the 2005 QAP which states, "For Tax Exempt Bond Developments the [Public Notification Sign] must be installed no later than 30 days after the Department's receipt of Volumes I and II." We respectfully request a Variance from The Board for this section. Our decision to request a variance is based on the following facts:

1. The required notification signage was installed on January 3rd, 2006, just two weeks after the required December 15 deadline.

2. Despite the slightly late posting, the intent of the notice has been fulfilled in that we have already met with the two closest neighborhood organizations, Patten Tareyton (now called SouthPark) and Quintana Community, to discuss the project. Although neither of these organization boundaries contain our development, it is our desire to reach out to the surrounding communities anyway to communicate our development objectives and to get their input. The closest organization, Patten Tareyton (now SouthPark), fully supports our development as evidenced by the attached letter of support. Quintana also has no objection to our development and is impressed with the high quality development we are planning, although no formal letter has been received.

3. Additionally, we have already met with the local City Councilman and received his support for the proposed development. We will provide evidence of that support at the Board Meeting if requested.

FRANKLIN
DEVELOPMENT
A CORPORATION

Given the short length of time between the deadline and the actual posting, and our fulfillment of the intent of the signage through our previous notifications of community neighbors, we respectfully request that you waive the 30 day signage requirement for this project.

Sincerely,

Ryan Wilson
Franklin Development

2511 N. Loop 1604 West, Suite 605 É San Antonio, Texas 78258 É 210-694-2223 fax 210-694-2225

Ryan Wilson
Franklin Development
2511 N. Loop 1604 W. Suite 202
San Antonio Texas 78258

Re: Artisan at Military
A Planned 250 unit apartment community utilizing tax credits.

Dear Ryan,

On March 30th, 2005 you and I met to discuss the apartment development located just south of the intersection of Military and Yarrow streets, adjacent to Target. Based upon the information you provided to us, this development we feel will operate in harmony with the desires of the Neighbors and Businesses in the area and will be beneficial to the community in providing quality affordable housing as well as producing a high quality product. We appreciate you taking our Group to see the other locations you have in the city, so we saw firsthand how well your apartments are managed and maintained. this will blend in well with our community standards.

We also understand that we have your commitment in supporting our SouthPark Neighborhood Association now and in the future with regards to Neighborhood issues. Therefore, we provide this letter as our support for the development of the Artisan at Military Development and look forward to working with Franklin Development.

Sincerely,

Nicholas R. Delgado

Nick Delgado
President

Heather Glen LP

6805 Falcata Cove
Austin, Texas 78750
Ph. 512-658-7287
Fax 512-343-2514

Audrey Martin
Texas Department of Housing and Community Affairs
211 East 11th Street
Austin, Texas 78701

January 6, 2006

Dear Ms. Martin,

Pursuant to our discussion after review of the deficiency submission, this letter is to request a waiver of the signage requirement as stated in §49.9(f) (8) (B) of the 2005 QAP. The applicant had thought to be in compliance with the requirement because Volumes One and Two were submitted October 18, 2005.

The applicant did not consider that the month of October had 31 days and therefore the period of time from October 18th to November 18th would be more than 30 days. Please ask the Board to consider a waiver given that the intent of the requirement was met and the applicant has fulfilled all other requirements.

Sincerely,

Gene Watkins

American Affordable Homes LP

Housing Tax Credit Program
Board Action Request
January 18, 2006

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 an **other 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
05427	Potranco Plaza	San Antonio	San Antonio HFC	248	248	$22,768,673	$14,095,000	$714,763	$714,763

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 18, 2006

Action Item

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

Summary of the Transaction

The application was received on June 6, 2005. The Issuer for this transaction is San Antonio HFC. The development is to be located at 8520 Midhurst Avenue in San Antonio. Demographics for the census tract include AMFI of $37,867; the total population is 2780; the percent of population that is minority is 64.21%; the percent of population that is below the poverty line is 9.54%; the number of owner occupied units is 30; the number of renter units is 1556 and the number of vacant units is 129. The percent of population that is minority for the entire City of San Antonio is 68% (Census information from FFIEC Geocoding for 2005). The development will consist of 248 total units targeting the general population, with all affordable. The site is currently zoned for such a development. The Department has received five letters of support from local businesses and one letter in opposition from the Superintendent of the Northside ISD. 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 Potranco Plaza Apartments. The award of tax credits will be conditioned upon repayment of Housing Trust Fund predevelopment loans at the time of bond closing.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY FINANCE PRODUCTION DIVISION

January 18, 2006

Development Information, Public Input and Board Summary

Potranco Plaza Apartments, TDHCA Number 05427

BASIC DEVELOPMENT INFORMATION

Site Address: 8520 Midhurst Avenue — Development #: 05427

City: San Antonio — Region: 9 — Population Served: Family

County: Bexar — Zip Code: 78245 — Allocation:

HTC Set Asides: ☐ At-Risk ☐ Nonprofit ☐ USDA ☐ Rural Rescue — HTC Purpose/Activity: NC

HOME Set Asides: ☐ CHDO ☐ Preservation ☐ General

Bond Issuer: San Antonio 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:	SA Northside Housing, L.P.
	David Marquez - Phone: (210) 228-0560
Developer:	SA Northside Housing, LP
Housing General Contractor:	Brownstone Development, LP
Architect:	Brownstone Architects & Planners, Inc.
Market Analyst:	Apartment Market Data
Syndicator:	The Richman Group
Supportive Services:	National Church Residences
Consultant:	Not Utilized

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	65%	80%
0	0	0	248	0	0

Eff	1 BR	2 BR	3 BR	4 BR
0	48	112	88	0

Type of Building: 5 units or more per bldng

Number of Residential Buildings: 18

Total Restricted Units:	248
Market Rate Units:	0
Owner/Employee Units:	0
Total Development Units:	248
Total Development Cost:	$22,768,673

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

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
9% Housing Tax Credits-Credit Ceiling:		$0	0	0	0.00%
4% Housing Tax Credits with Bonds:	$714,763	$714,763	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:	$0	$0	0	0	0.00%

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

MULTIFAMILY FINANCE PRODUCTION DIVISION

January 18, 2006

Development Information, Public Input and Board Summary

Potranco Plaza Apartments, TDHCA Number 05427

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Van De Putte, District 26 NC Points: 0 US Representative: Gonzalez, District 20, NC

TX Representative: Menendez, District 124 NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Phil Hardberger, Mayor, City of San Antonio - NC

Resolution of Support from Local Government ☐

Andrew W. Cameron, Housing and Community Development Director; The proposed development is consistent with the Consolidated Plan of the City of San Antonio.

John M. Folks, NISD Superintendent - O

Individuals/Businesses: In Support: **5** In Opposition: **0**

Neighborhood Input:

General Summary of Comment:

The local schools are already experiencing tremendous growth and severe financial limits. The loss of tax money and lack of capacity cause major concerns.

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. Receipt, review, and acceptance of a commitment from the non-related party general contractor to defer fees as necessary or documentation of additional sources of low interest loan or grant funds of at least $702,153 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.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY FINANCE PRODUCTION DIVISION

January 18, 2006

Development Information, Public Input and Board Summary

Potranco Plaza Apartments, TDHCA Number 05427

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:

HOME Loan: Loan Amount: $0

Recommendation:

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

Recommendation:

4% Housing Tax Credits with Bond Issuance: Credit Amount: $714,763

Recommendation: Recommend approval of a housing tax credit allocation not to exceed $714,763 annually for ten years, subject to conditions.

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

Recommendation:

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: November 28, 2005 **PROGRAM:** 4% HTC **FILE NUMBER:** 05427

DEVELOPMENT NAME

Potranco Plaza Apartments

APPLICANT

Name:	SA Northside Housing, L.P.			**Type:**	For-profit		
Address:	222 E. Houston Street, Suite 620			**City:**	San Antonio	**State:**	TX
Zip:	78205	**Contact:**	David Marquez	**Phone:**	(210) 228-0560	**Fax:**	(210) 228-0566

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	SA Northside Housing Development	**(%):**	0.01	**Title:**	Managing General Partner
Name:	LULAC Village Park Apartment	**(%):**	N/A	**Title:**	100% Owner of MGP and Non- Profit

PROPERTY LOCATION

Location:	8520 Midhurst Avenue		☐ **QCT**		☐ **DDA**
City:	San Antonio	**County:**	Bexar	**Zip:**	78245

REQUEST

Amount	Interest Rate	Amortization	Term
$714,763	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of housing tax credits

Proposed Use of Funds: New construction **Property Type:** Multifamily

Special Purpose (s): General Population

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $714,763 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a commitment from the non-related party general contractor to defer fees as necessary or documentation of additional sources of low interest loan or grant funds of at least $702,153 to fill a potential gap in permanent financing;
2. 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

No previous reports. The Applicant has also requested but not yet received an allocation pre-development funds through the TDHCA Housing Trust Fund however these funds would be required to be repaid at bond closing. In addition these funds are not included in the Applicant's permanent financing structure. Therefore, the requested pre-development funds are not considered as part of this transaction.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 248 **# Rental Buildings** 18 **# Non-Res. Buildings** 1 **# of Floors** 3 **Age:** N/A yrs

Net Rentable SF: 240,240 **Av Un SF:** 969 **Common Area SF:** 5,484 **Gross Bldg SF:** 245,724

STRUCTURAL MATERIALS

The structures will be wood frame on post-tensioned concrete. According to the plans provided in the application the exteriors will be comprised as follows: 20% stone veneer, 10% cement fiber siding, and 70% stucco. The interior wall surfaces will be drywall and the pitched roofs will be finished with asphalt composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & ceramic tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer and dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heating and air conditioning, high-speed internet access, and 9-foot ceilings.

ONSITE AMENITIES

A 5,484-square foot community building will include an activity room, management offices, fitness, maintenance, a kitchen, restrooms, a computer center, and a central mailroom. The community building and swimming pool are located at the entrance to the property.

Uncovered Parking: 359 spaces **Carports:** 65 spaces **Garages:** 40 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Potranco Plaza Apartments is a 16.29-unit per acre new construction development of 248 units of affordable housing located in west San Antonio. The development is comprised of 18 evenly distributed large garden style, walk-up residential buildings as follows:

- Two Building Type I with 20 one-bedroom/one-bath units;
- Five Building Type II with 20 two-bedroom/two-bath units;
- One Building Type III with 8 one-bedroom/one-bath units and 12 two-bedroom/two-bath units;
- Eight Building Type IV with 8 three-bedroom/two-bath units;
- Two Building Type V with 12 three-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 nice fenestration.

SITE ISSUES

SITE DESCRIPTION

Size: 15.22 acres 662,983 square feet **Flood Zone Designation:** Zone X

Zoning: C-2

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the western area of San Antonio, approximately nine miles from the central business district. The site is situated on the north side of Midhurst Lane Street.

Adjacent Land Uses:

- **North:** Potranco Road immediately adjacent and vacant land beyond;
- **South:** vacant land immediately adjacent;
- **East:** a drainage easement immediately adjacent and vacant land beyond; and
- **West:** Ingram Road immediately adjacent and a residential development beyond.

Site Access: Access to the property is from the east or west along Midhurst Lane or the north or south from Ingram Road. The development is to have three entries, one from the north or south from Ingram Road and two from the east or west from Midhurst Lane. Access to Loop 410 is less than one mile east, which provides connections to all other major roads serving the San Antonio area.

Public Transportation: Public transportation to the area is provided by VIA. The location of the nearest stop is located at Richland Hills Drive and Potranco Road, less than 0.5 miles from the site. (p. 30)

Shopping & Services: The site is within several miles of major grocery stores, shopping centers, library, 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 June 23, 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 March 23, 2005 was prepared by Frost GeoSciences and contained the following findings and recommendations: “This assessment has revealed no evidence of recognized environmental conditions in connection with the project site. There is no reason to suspect that the project site or adjoining properties are of sufficient environmental concern to warrant additional investigations at this time.” (p. 30)

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 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. Two hundred and forty-eight of the units (100% of the total) will be reserved for low-income tenants. All of the units will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$21,660	$24,720	$27,840	$30,900	$33,360	$35,820

MARKET HIGHLIGHTS

A market feasibility study dated August 9, 2005 was prepared by MarketData Research Services, LLC (“Market Analyst”) and highlighted the following findings:

Definition of Primary Market Area (PMA): “For this analysis we utilized a primary market area comprising a 3.0 mile radius encompassing 28.27 square miles in west San Antonio” (p. 27)

Population: The estimated 2004 population of the PMA was 82,672 and is expected to increase by 7% to approximately 88,422 by 2009. Within the primary market area there were estimated to be 28,948 households in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 2,199 qualified households in the PMA, based on the current estimate of 28,948 households, the projected annual growth rate of 2.2%, renter households estimated at 48.7% of the population, income-qualified households estimated at 20.6%, and an annual renter turnover rate of 73.6 %. (p. 44). The Market Analyst used an income band of $19,269 to $33,360.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	63	2.9%	51	2.3%
Resident Turnover	2,136	97.1%	2,183	97.7%
TOTAL ANNUAL DEMAND	**2,199**	**100%**	**2,234**	**100%**

Ref: p. 46

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 22.6% based upon 2,199 units of demand and 498 unstabilized affordable housing in the PMA (including the subject) (p. 47). The Underwriter calculated an inclusive capture rate of 22.3% based upon a revised demand of 2,234.

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,138 units in the market area. (p. 91)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (60%-700 sq. ft.)	$517	$519	-$2	$600	-$83
1-Bedroom (60%-740 sq. ft.)	$524	$519	+$5	$625	-$101
2-Bedroom (60%-906 sq. ft.)	$623	$624	-$1	$710	-$87
2-Bedroom (60%-1.015 sq. ft.)	$631	$624	+$7	$770	-$139
3-Bedroom (60%-1,095 sq. ft.)	$723	$712	+$11	$840	-$117

(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 current occupancy of the market area is 94.0% as a result of growing demand. Affordable projects also report occupancy of 95.8%. Demand for new rental apartment units is forecast to continue to increase." (p. 85)

Absorption Projections: "Absorption over the previous fifteen years is estimated to be 171 units per year. We expect this to increase as the number of new household continues to grow, and as additional rental units become available." (p. 85)

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 $18.1K higher than the maximum rents allowed under HTC guidelines, reflecting the lower utility expenses used by the Applicant. The Applicant's estimate of secondary income included rental income of $40.7K for garages and carports. The Applicant's total per unit secondary income of $26.42 exceeds the underwriting guideline of $15 per unit per month. No additional third party documentation of the ability to achieve the rental income for garages and carports was provided by the Applicant or in the market study. Moreover, the Applicant included the cost of the garages and carports as eligible costs and therefore would likely not be able to charge an additional fee for the garages and carports since doing so would make them commercial space excluded from eligible basis. The Applicant also utilized a lower vacancy and collection loss rate of 7.0% that also contributed to a $58.1K higher gross income than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $3,281 per unit is 6% lower than the Underwriter's database-derived estimate of $3,480 per unit for comparably-sized developments. The Applicant's budget shows one line item, general and administrative expense ($32K lower), that deviate significantly when compared to the database averages. The Applicant also projected a 50% property tax exemption based on the CHDO General Partner and an assessed value of $26K per unit. The Underwriter utilized a slightly higher base assessed value of $30K per unit but considered the 50% property tax exemption as likely as the applicant appears to comply with the statue regarding property tax exemptions.

Conclusion: The Applicant's estimated income and total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in income and general and administrative expenses, the Underwriter's estimated debt coverage ratio (DCR) of 0.98 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project may be limited to $841,714 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of $12,350,000.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land: (26.31) acres	$666,000	**Assessment for the Year of:**	2005
Prorated: 1 ac.	$25,314	**Valuation by:**	Bexar County Appraisal District
Prorated Value: 15.22 ac.	$385,279	**Tax Rate:**	3.052074

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Unimproved commercial property contract (15.22 acres)		
Contract Expiration Date:	1/ 5/ 2006	**Anticipated Closing Date:**	11/ 4/ 2005
Acquisition Cost:	$1,299,990	**Other Terms/Conditions:**	Earnest Money: $5,000
Seller:	Park 410 Westplex JV	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $1,299,990 ($1.96/SF, $85413/acre, or $5,242/unit) is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $7,495 per unit are within the Department's allowable guideline ($7,500 per unit) for multifamily developments without requiring additional justifying documentation.

Direct Construction Cost: The Applicant's costs are more than 5% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are overstated.

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

Conclusion: While direct costs are outside of the typical tolerance range, 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 is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of $20,248,231 is used to confirm the requested credit allocation of $714,763. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM TO PERMANENT BOND FINANCING

Source: MMA Financial **Contact:** Marie Keutmann

Tax-Exempt Amount: $14,095,000 **Interest Rate:** 6.1%

Additional Information:

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $942,449 **Lien Priority:** 1st **Date:** 10/ 17/ 2005

PERMANENT FINANCING

Source: Bexar County/City of San Antonio **Contact:**

Principal Amount: $500,000 **Interest Rate:** 1.0%

Additional Information: No documentation of this loan was provided

Amortization: 40 yrs **Term:** 40 **Commitment:** ☐ LOI ☐ Firm ☐ Conditional

Annual Payment: $15,171 **Lien Priority:** 2nd **Date:** / /

TAX CREDIT SYNDICATION

Source: The Richman Group **Contact:** Terry Gentry

Net Proceeds: $6,960,785 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 99¢

Commitment: ☐ LOI ☐ Firm ☒ Conditional **Date:** 10/ 17/ 2005

Additional Information:

APPLICANT EQUITY

Amount: $1,463,492 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by San Antonio HFC and purchased by MMA Financial. The permanent financing commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application. In particular, the loan amount shown in the permanent financing commitment is $14,095,000 and the Applicant's sources and uses of funds schedule calls for a loan amount of $13,850,000.

Other Financing: Subsequent to the initial submission the applicant indicated through a updated letter from the syndicator that the syndicator has an expectation that Bexar County would provide a $500,000 loan to the development at an interest rate of 1% amortized over 40 years. No other documentation of this loan has been provided. Receipt review and acceptance of documentation of this amount form this source or another acceptable low interest rate source is a condition of this report.

HTC Syndication: The tax credit syndication commitment initially reflected a syndication rate of $0.91 per $1.00 of syndicated credit however the syndication proceeds generated from the anticipated credit amount were significantly higher than that rate would allow. The Applicant subsequently provided a revised syndication commitment for $0.99 per $1.00 of syndicated credit.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,463,492 amount to 55% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed the requested amount of $714,763 annually for ten years, resulting in syndication proceeds of approximately $7,075,446. Due to the difference in estimated net operating income and expenses, the Underwriter's debt coverage ratio (DCR) of 0.98 is less than the TDHCA minimum standard of 1.10. Therefore, the Underwriter anticipates that permanent debt may be reduced to $12,350,000 by a mandatory redemption of bonds. To compensate for the reduction in the loan the Applicant's deferred developer fee will be increased to $2,843,227, which amounts to approximately 108% of the total fee but which should be repayable out of available cash flow within fifteen years at zero percent interest. Since this amount is more than the available developer fee, it will require a commitment from the non-related party general contractor to defer fees. Combined with the undocumented Bexar County loan the Applicant needs to provide support for $702,153 in low interest or grant funds that have not yet been documented. Receipt, review, and acceptance of a commitment from the non-related party general contractor to defer fees as necessary and /or documentation of additional sources of low interest loan or grant funds to combine in an amount of at least $702,153 to fill a potential gap in permanent financing; is a condition of this report. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee will not be available to fund any development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer firms are both related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The owner of the General Partner, L.U.L.A.C. Village Park Apartment, submitted an unaudited financial statement as of June 30, 2005 reporting total assets of $1.5M and consisting of $278K in current assets, $415K in restricted deposits and funded reserves, and $801K in fixed assets. Liabilities totaled $782K, resulting in a net worth of $711K.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- 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 income, operating expenses, and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- Significant inconsistencies in the application could affect the financial feasibility of the development.
- 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 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.

Underwriter:	*Carl Hoover*	**Date:**	November 28, 2005
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	November 28, 2005

MULTIFAMILY COMPARATIVE ANALYSIS

Potranco Plaza, San Antonio, 4% HTC #05427

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%)	24	1	1	700	$579	$519	$12,467	$0.74	$59.55	$35.50
TC (60%)	24	1	1	740	579	$519	12,467	0.70	59.55	35.50
TC (60%)	40	2	2	906	696	$624	24,957	0.69	72.08	42.12
TC (60%)	72	2	2	1,015	696	$624	44,922	0.61	72.08	42.12
TC (60%)	88	3	2	1,095	803	$712	62,637	0.65	91.22	53.28
TOTAL:	248		AVERAGE:	969	$711	$635	$157,449	$0.66	$76.45	$44.80

INCOME	Total Net Rentable Sq Ft:	240,240		TDHCA	APPLICANT	Comptroller's Region	9
POTENTIAL GROSS RENT				$1,889,391	$1,907,520	IREM Region	San Antonio
Secondary Income	Per Unit Per Month:	$15.00		44,640	78,624	$26.42	Per Unit Per Month
Other Support Income: (describe)				0			
POTENTIAL GROSS INCOME				$1,934,031	$1,986,144		
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(145,052)	(139,032)	-7.00%	of Potential Gross Rent
Employee or Other Non-Rental Units or Concessions				0			
EFFECTIVE GROSS INCOME				$1,788,979	$1,847,112		

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.21%	$376	0.39	$93,216	$61,640	$0.26	$249	3.34%
Management		4.22%	305	0.31	75,526	73,883	0.31	298	4.00%
Payroll & Payroll Tax		10.83%	781	0.81	193,735	188,749	0.79	761	10.22%
Repairs & Maintenance		6.52%	470	0.49	116,676	121,634	0.51	490	6.59%
Utilities		2.45%	177	0.18	43,864	37,200	0.15	150	2.01%
Water, Sewer, & Trash		4.31%	311	0.32	77,121	85,000	0.35	343	4.60%
Property Insurance		3.36%	242	0.25	60,060	58,280	0.24	235	3.16%
Property Tax	3.052074	6.35%	458	0.47	113,537	101,680	0.42	410	5.50%
Reserve for Replacements		2.77%	200	0.21	49,600	49,600	0.21	200	2.69%
Other: compl fees, security, supp. s		2.22%	160	0.17	39,760	36,040	0.15	145	1.95%
TOTAL EXPENSES		48.25%	$3,480	$3.59	$863,094	$813,706	$3.39	$3,281	44.05%
NET OPERATING INC		51.75%	$3,733	$3.85	$925,885	$1,033,406	$4.30	$4,167	55.95%
DEBT SERVICE									
The Richman Group		51.77%	$3,734	$3.85	$926,067	$926,067	$3.85	$3,734	50.14%
City of San Antonio		0.85%	$61	$0.06	15,171		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		-0.86%	($62)	($0.06)	($15,353)	$107,339	$0.45	$433	5.81%
AGGREGATE DEBT COVERAGE RATIO					0.98	1.12			
RECOMMENDED DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		5.82%	$5,242	$5.41	$1,299,990	$1,299,990	$5.41	$5,242	5.71%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.32%	7,495	7.74	1,858,759	1,858,759	7.74	7,495	8.16%
Direct Construction		47.68%	42,964	44.35	10,655,196	11,261,011	46.87	45,407	49.46%
Contingency	5.00%	2.80%	2,523	2.60	625,698	655,989	2.73	2,645	2.88%
General Req'ts	6.00%	3.36%	3,028	3.13	750,837	787,186	3.28	3,174	3.46%
Contractor's G & A	2.00%	1.12%	1,009	1.04	250,279	262,395	1.09	1,058	1.15%
Contractor's Profit	6.00%	3.36%	3,028	3.13	750,837	787,186	3.28	3,174	3.46%
Indirect Construction		4.78%	4,308	4.45	1,068,400	1,068,400	4.45	4,308	4.69%
Ineligible Costs		5.46%	4,921	5.08	1,220,451	1,220,451	5.08	4,921	5.36%
Developer's G & A	2.00%	1.51%	1,362	1.41	337,725	0	0.00	0	0.00%
Developer's Profit	13.00%	9.82%	8,852	9.14	2,195,211	2,641,074	10.99	10,649	11.60%
Interim Financing		4.14%	3,735	3.86	926,232	926,232	3.86	3,735	4.07%
Reserves		1.83%	1,653	1.71	409,862	0	0.00	0	0.00%
TOTAL COST		100.00%	$90,119	$93.03	$22,349,476	$22,768,673	$94.77	$91,809	100.00%
Recap-Hard Construction Costs		*66.63%*	***$60,047***	***$61.99***	***$14,891,606***	***$15,612,526***	***$64.99***	***$62,954***	*68.57%*

SOURCES OF FUNDS

	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
The Richman Group	61.97%	$55,847	$57.65	$13,850,000	$13,850,000	$12,350,000	Developer Fee Available
City of San Antonio	2.24%	$2,016	$2.08	500,000	500,000	500,000	$2,641,074
HTC Syndication Proceeds	31.12%	$28,045	$28.95	6,955,183	6,955,183	7,075,446	% of Dev. Fee Deferred
Deferred Developer Fees	6.55%	$5,901	$6.09	1,463,492	1,463,492	2,843,227	108%
Additional (Excess) Funds Req'd	-1.88%	($1,690)	($1.74)	(419,199)	(2)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$22,349,476	$22,768,673	$22,768,673	$3,378,415

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Potranco Plaza, San Antonio, 4% HTC #05427

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$49.49	$11,889,333
Adjustments				
Exterior Wall Finish	1.60%		$0.79	$190,229
9-Ft. Ceilings	3.00%		1.48	356,680
Roofing			0.00	0
Subfloor			(2.24)	(538,138)
Floor Cover			2.22	533,333
Porches/Balconies	$19.79	60,060	4.95	1,188,287
Plumbing	$680	600	1.70	408,000
Built-In Appliances	$1,675	248	1.73	415,400
Stairs/Fireplaces	$1,900	72	0.57	136,800
Enclosed Corridors	$39.57		0.00	0
Heating/Cooling			1.73	415,615
Garages	$25.84	8,000	0.86	206,720
Comm &/or Aux Bldgs	$59.29	5,484	1.35	325,130
Carports	$9.20	9,720	0.37	89,424
SUBTOTAL			65.01	15,616,813
Current Cost Multiplier	1.01		0.65	156,168
Local Multiplier	0.83		(11.05)	(2,654,858)
TOTAL DIRECT CONSTRUCTION COSTS			$54.60	$13,118,123
Plans, specs, survy, bld prm	3.90%		($2.13)	($511,607)
Interim Construction Interest	3.38%		(1.84)	(442,737)
Contractor's OH & Profit	11.50%		(6.28)	(1,508,584)
NET DIRECT CONSTRUCTION COSTS			$44.35	$10,655,196

PAYMENT COMPUTATION

Primary	$13,850,000	Amort	480
Int Rate	6.10%	DCR	1.00

Secondary	$500,000	Amort	480
Int Rate	1.00%	Subtotal DCR	0.98

Additional	$6,955,183	Amort	
Int Rate		Aggregate DCR	0.98

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$825,771
Secondary Debt Service	15,171
Additional Debt Service	0
NET CASH FLOW	$84,943

Primary	$12,350,000	Amort	480
Int Rate	6.10%	DCR	1.12

Secondary	$500,000	Amort	480
Int Rate	1.00%	Subtotal DCR	1.10

Additional	$6,955,183	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

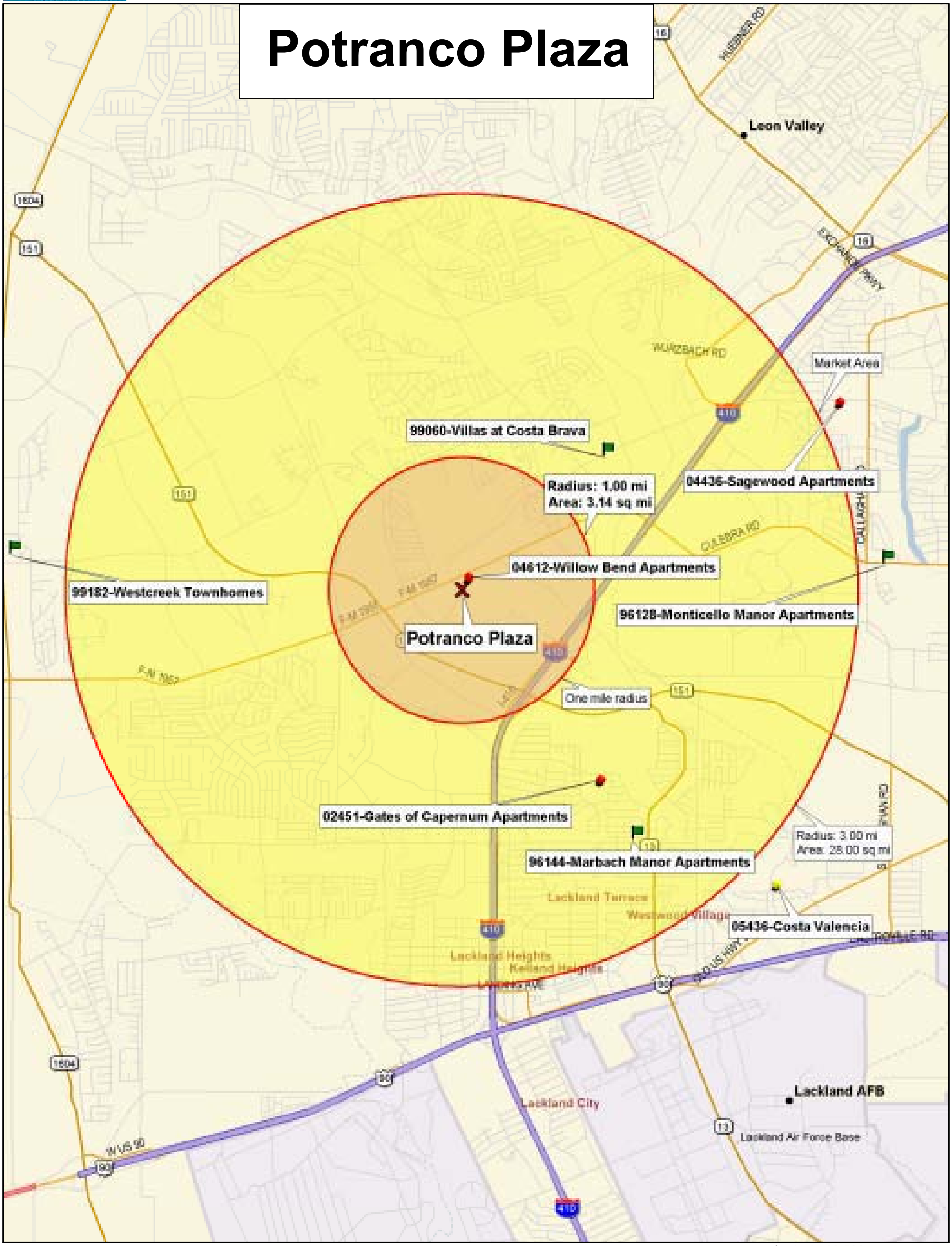
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,889,391	$1,946,073	$2,004,455	$2,064,589	$2,126,527	$2,465,227	$2,857,874	$3,313,059	$4,452,475
Secondary Income	44,640	45,979	47,359	48,779	50,243	58,245	67,522	78,277	105,197
Other Support Income: (descrit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,934,031	1,992,052	2,051,814	2,113,368	2,176,769	2,523,472	2,925,396	3,391,336	4,557,672
Vacancy & Collection Loss	(145,052)	(149,404)	(153,886)	(158,503)	(163,258)	(189,260)	(219,405)	(254,350)	(341,825)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,788,979	$1,842,648	$1,897,928	$1,954,866	$2,013,512	$2,334,212	$2,705,991	$3,136,986	$4,215,846
EXPENSES at 4.00%									
General & Administrative	$93,216	$96,945	$100,823	$104,856	$109,050	$132,676	$161,420	$196,392	$290,709
Management	75,526	77,791	80,125	82,529	85,005	98,544	114,239	132,435	177,981
Payroll & Payroll Tax	193,735	201,484	209,543	217,925	226,642	275,745	335,486	408,170	604,191
Repairs & Maintenance	116,676	121,343	126,196	131,244	136,494	166,066	202,044	245,818	363,871
Utilities	43,864	45,619	47,443	49,341	51,315	62,432	75,958	92,415	136,797
Water, Sewer & Trash	77,121	80,205	83,414	86,750	90,220	109,767	133,548	162,482	240,512
Insurance	60,060	62,462	64,961	67,559	70,262	85,484	104,004	126,537	187,306
Property Tax	113,537	118,079	122,802	127,714	132,822	161,599	196,610	239,206	354,083
Reserve for Replacements	49,600	51,584	53,647	55,793	58,025	70,596	85,891	104,500	154,685
Other	39,760	41,350	43,004	44,725	46,514	56,591	68,851	83,768	123,998
TOTAL EXPENSES	$863,094	$896,862	$931,959	$968,436	$1,006,348	$1,219,499	$1,478,053	$1,791,722	$2,634,132
NET OPERATING INCOME	$925,885	$945,786	$965,969	$986,430	$1,007,163	$1,114,713	$1,227,939	$1,345,263	$1,581,714
DEBT SERVICE									
First Lien Financing	$825,771	$825,771	$825,771	$825,771	$825,771	$825,771	$825,771	$825,771	$825,771
Second Lien	15,171	15,171	15,171	15,171	15,171	15,171	15,171	15,171	15,171
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$84,943	$104,844	$125,026	$145,487	$166,221	$273,770	$386,996	$504,321	$740,772
DEBT COVERAGE RATIO	1.10	1.12	1.15	1.17	1.20	1.33	1.46	1.60	1.88

LIHTC Allocation Calculation - Potranco Plaza, San Antonio, 4% HTC #05427

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	$1,299,990	$1,299,990		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,858,759	$1,858,759	$1,858,759	$1,858,759
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$11,261,011	$10,655,196	$11,261,011	$10,655,196
(4) Contractor Fees & General Requirements				
Contractor overhead	$262,395	$250,279	$262,395	$250,279
Contractor profit	$787,186	$750,837	$787,186	$750,837
General requirements	$787,186	$750,837	$787,186	$750,837
(5) Contingencies	$655,989	$625,698	$655,989	$625,698
(6) Eligible Indirect Fees	$1,068,400	$1,068,400	$1,068,400	$1,068,400
(7) Eligible Financing Fees	$926,232	$926,232	$926,232	$926,232
(8) All Ineligible Costs	$1,220,451	$1,220,451		
(9) Developer Fees			$2,641,074	
Developer overhead		$337,725		$337,725
Developer fee	$2,641,074	$2,195,211		$2,195,211
(10) Development Reserves		$409,862		
TOTAL DEVELOPMENT COSTS	$22,768,673	$22,349,476	$20,248,231	$19,419,174

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		$20,248,231	$19,419,174
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$20,248,231	$19,419,174
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$20,248,231	$19,419,174
Applicable Percentage		3.53%	3.53%
TOTAL AMOUNT OF TAX CREDITS		$714,763	$685,497
Syndication Proceeds	**0.9899**	**$7,075,442**	**$6,785,740**
Total Credits (Eligible Basis Method)		**$714,763**	**$685,497**
Syndication Proceeds		**$7,075,442**	**$6,785,740**
Requested Credits		**$714,763**	
Syndication Proceeds		**$7,075,446**	
Gap of Syndication Proceeds Needed		**$9,918,673**	
Credit Amount		**$1,001,986**	

Potranco Plaza



Scale 1 : 62,500

1" = 5,208.3 ft   Data Zoom 11-6

Applicant Evaluation

Project ID # **05427** Name: **Potranco Plaza Apartments** City: **San Antonio**

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: 0

Projects in Material Noncompliance **Yes** ☐ **No** ☑

in noncompliance: 0

Projects grouped by score: zero to nine: 0; ten to nineteen: 0; twenty to twenty-nine: 0

monitored with a score less than thirty: 0

Projects not reported in application: Yes ☐ No ☑

not yet monitored or pending review: 1

of projects not reported 0

Portfolio Monitoring		Single Audit		Contract Administration	
Not applicable	☑	Not applicable	☑	Not applicable	☐
Review pending	☐	Review pending	☐	Review pending	☐
No unresolved issues	☐	No unresolved issues	☐	No unresolved issues	☐
Unresolved issues found	☐	Issues found regarding late cert	☐	Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Issues found regarding late audit	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐
		Unresolved issues found that warrant disqualification (Comments attached)	☐		

Reviewed by Patricia Murphy Date 11/28/2005

Multifamily Finance Production		Single Family Finance Production		Real Estate Analysis (Cost Certification and Workout)	
Not applicable	☐	Not applicable	☑	Not applicable	☐
Review pending	☐	Review pending	☐	Review pending	☐
No unresolved issues	☐	No unresolved issues	☐	No unresolved issues	☐
Unresolved issues found	☐	Unresolved issues found	☐	Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐
Reviewer	S. Roth	Reviewer	Paige McGilloway	Reviewer	
Date	11/29/2005	Date	11/21/2005	Date	

Community Affairs		Office of Colonia Initiatives		Financial Administration	
No relationship	☐	Not applicable	☐	No delinquencies found	☑
Review pending	☐	Review pending	☐	Delinquencies found	☐
No unresolved issues	☐	No unresolved issues	☐		
Unresolved issues found	☐	Unresolved issues found	☐		
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐		
Reviewer		Reviewer		Reviewer	Stephanie A. D'Couto
Date		Date		Date	11/28/2005

Executive Director: ____________ **Executed:** ____________

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 18, 2006

Action Item

Presentation, Discussion and Possible Approval for the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2006 and Housing Tax Credits for the Harris Branch Apartments development.

Summary of the Harris Branch Apartments Transaction

The pre-application was received on August 1, 2005. The application was reviewed for threshold then scored and ranked by staff. The application was induced at the September 2005 Board meeting and submitted to the Texas Bond Review Board for the 2005 Waiting List. The application received a Reservation of Allocation on October 5, 2005. This application was submitted under the Priority 2 category. There was one person in attendance at the public hearing held on November 15, 2005. No one spoke for the record. A copy of the transcript is located in Tab 7 of this presentation. The proposed site is located in the Pflugerville Independent School District.

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of variable rate demand tax exempt bonds in the amount not to exceed $15,000,000. The bonds will be credit enhanced by Wachovia Bank, N.A. during the Construction Phase and by Fannie Mae during the Permanent Phase. The Bonds will carry a AA rating during Construction and AAA during Permanent. Column Guaranteed (Fannie Mae DUS Lender) will underwrite the transaction using a debt coverage ratio of 1.20 to 1 (Net Operating Income 1.2 times the debt service) amortized over 30 years. The term of the bonds will be for 33 years. The construction and lease up period will be for thirty months plus one 6 month optional extension with payment terms of interest only, followed by a 30 year term and amortization.

Recommendation

Staff recommends the Board approve the issuance of Multifamily Housing Mortgage Revenue Bonds, Series 2006 and Housing Tax Credits for the Harris Branch Apartments development because of the demonstrated quality of construction of the proposed development, the feasibility of the development (as demonstrated by the financial commitments from Fannie Mae, Wachovia Bank, N.A. and MMA and the underwriting report by the Department's Real Estate Analysis division), the tenant and social services provided by the development and the demand for affordable units as demonstrated by the market area.

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD MEMORANDUM
January 18, 2006

DEVELOPMENT: Harris Branch Apartments, Austin, Travis County, Texas

PROGRAM: Texas Department of Housing & Community Affairs
2005 Private-Activity Multifamily Revenue Bonds
(Reservation received 10/05/2005)

ACTION REQUESTED: Approve the issuance of multifamily housing revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling Act (the"Act") which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE: The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Loyola Properties, L.P., a Texas limited partnership (the "Borrower"), to finance the acquisition, construction, equipping and long-term financing of a new, 248-unit multifamily residential rental Development to be located at 12317 Dessau Road, Travis County, Texas (the "Development"). The first series of Bonds will be tax-exempt by virtue of the Development qualifying as a residential rental Development. (*The Act 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.)*

BOND AMOUNT: $15,000,000 Series 2006 Tax Exempt bonds (*)
$15,000,000 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 October 5, 2005, pursuant to the Texas Bond Review Board's 2005 Private Activity Bond Allocation Program. While the Department is required to deliver the Bonds on or before March 4, 2006, the anticipated closing date is February 23, 2006.

** Preliminary - Represents Maximum Amount*

BORROWER: Loyola Properties, L.P., a Texas Limited Partnership, the general partner of which is Harris Branch 16, L.L.C., owned jointly by Crabshack, LLC with 80% Ownership and JN Holdings, LLC with 20% Ownership. Crabshack, LLC has members Chris Dischinger and Mark Lechner each with 50% Ownership. JN Holdings, LLC has members Richard Jansen and Uwe Nahuina each with 50% Ownership. MMA Financial, LLC or an affiliate thereof will be providing the equity for the transaction by purchasing a 99.99% limited partnership interest in the Borrower.

COMPLIANCE HISTORY: The Compliance Status Summary completed on December 28, 2005 reveals that the principals of the general partner above do not have any previous experience with the Department.

ISSUANCE TEAM:
Column Guaranteed. (FNMA DUS Lender/Servicer)
Wachovia Bank, N.A. (Letter of Credit Provider)
Fannie Mae (Credit Facility Provider)
MMA Financial, LLC. (Equity Provider)
Banc of America Securities (Underwriter)
Wells Fargo Bank, National Association (Trustee)
Vinson & Elkins L.L.P. (Bond Counsel)
RBC Capital Markets (Financial Advisor)
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

BOND PURCHASER: The Bonds will be publicly offered for sale on or about February 22, 2006 at which time the final pricing and Bond Purchaser(s) will be determined.

DEVELOPMENT DESCRIPTION: The Development is a 248 unit apartment community to be constructed on approximately 15 acres located at 12317 Dessau Road**,** Travis County, Texas. The Development will consist of twelve (12) 2 and 3 story residential apartment buildings with approximately 243,956 net rentable square feet and an approximate average unit size of 943 square feet. The Development will include an administration office, a business center, a fitness room, an activity room, a game room/TV lounge, kitchen facilities, and public restrooms. On-site amenities will include a swimming pool, playground, volleyball court and a picnic area. All individual units will have washer/dryer connections. Additionally, the Development will include 205 carports and 320 uncovered parking spaces.

Units	Unit Type	Sq Ft	Proposed	AMFI
52	1-Bed/1-Baths	701	$716.00	60%
108	2-Bed/2-Baths	1,012	$872.00	60%
88	3-Bed/2-Baths	1,116	$999.00	60%
248	Total Units			

SET-ASIDE UNITS: For Bond covenant purposes, forty percent (40%) of the units in the Development will be restricted to occupancy by persons or families earning not more than sixty percent (60%) of the area median income. Five percent (5%) of the units in the 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 of the private activity bond program.

TENANT SERVICES: Tenant Services will be provided by CARES, as outlined in the Department's application.

DEPARTMENT ORIGINATION FEES:

$1,000 Pre-Application Fee (Paid)
$10,000 Application Fee (Paid)
$75,000 Issuance Fee (.50% of the bond amount paid at closing)

DEPARTMENT ANNUAL FEES:

$15,000 Bond Administration (0.10% of first year bond amount)
$ 9,920 Compliance ($40/unit/year adjusted annually for CPI)

(Department's annual fees may be adjusted, including deferral, to accommodate underwriting criteria and Development cash flow. These fees will be subordinated to the Mortgage Loan and paid outside of the cash flows contemplated by the Indenture)

ASSET OVERSIGHT FEE: $6,200 to TDHCA or assigns ($25/unit/year adjusted annually for CPI)*)*

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 $755,550 per annum and represents equity for the transaction. To capitalize on the tax credit, the Borrower will sell a substantial portion of the limited partnership, typically 99.99%, to raise equity funds for the Development. Although a tax credit sale has not been finalized, the Borrower anticipates raising $7,158,980 of equity for the transaction.

BOND STRUCTURE & SECURITY FOR THE BONDS: 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.

As stated above, the Bonds are being issued to fund a Mortgage Loan to finance the acquisition, construction, equipping and long-term financing of the Development. The Mortgage Loan will be secured by, among other things, a Deed of Trust and other security instruments on the Development. The Mortgage Loan and security instruments will be assigned by the Department to the Trustee and Wachovia Bank, N.A. (the"Bank") and will become part of the Trust Estate securing the Bonds.

During the construction period (the "Construction Phase"), credit enhancement and liquidity support for the Bonds will be provided by the Bank pursuant to an irrevocable direct pay letter of credit (the "Letter of Credit"). If conversion ("Conversion") from the Construction Phase to the permanent mortgage period (the "Permanent Phase"), occurs, the Letter of Credit will be replaced by a credit enhancement and liquidity facility provided by Fannie Mae (the "Fannie Mae Credit Facility"). If Conversion does not occur, Fannie Mae will have no obligation to issue the Fannie Mae Credit Facility. If Conversion does not occur and the Bank has not extended the term of the Letter of Credit and there is no alternate credit facility in effect, the Bonds will be subject to mandatory tender.

In addition to the credit enhanced Mortgage Loan, other security for the Bonds during the Construction Phase consists of the net bond proceeds, the revenues and any other moneys received by the Trustee for payment of principal and interest on the Bonds, and amounts otherwise on deposit in the Funds and Accounts (excluding the Rebate Fund, the Fees Account and the Cost of Issuance Fund) and any investment earnings thereon (see Funds and Accounts section, below).

CREDIT ENHANCEMENT: The credit enhancement by Fannie Mae allows for an anticipated rating by the Rating Agency of Aa3/VMIG1 and an anticipated variable interest rate of 5.75% per annum. Without the credit enhancement, the Bonds would not be investment grade and therefore command a higher interest rate from investors on similar maturity bonds.

FORM OF BONDS: The Bonds will be issued in book-entry form and will be in authorized denominations of, (i) during any Weekly Variable Rate Period, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 and (ii) during any Reset Period or the Fixed Rate Period, \$5,000 or any integral multiple of \$5,000.

TERMS OF THE MORTGAGE LOAN:

The Mortgage Loan is a non-recourse obligation of the Owner, which means, subject to certain exceptions, that the Owner is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for monthly payments of interest during the Construction Phase and level monthly payments of principal and interest following conversion to the Permanent Phase.

During the Construction Phase, the Borrower will be required to make payments on the Mortgage Loan directly to the Trustee (to the extent that capitalized interest funds deposited at closing into the Mortgage Loan Fund are insufficient to make the semi-annual interest payments on the Bonds) along with all other bond and credit enhancement fees. Upon Conversion, the Borrower will be required to pay mortgage payments on the Mortgage Loan to the Servicer, who will remit the principal and interest components of the mortgage payments to the Trustee. The Borrower will continue to pay certain other fees, including the Department's fees, directly to the Trustee.

Effective on the Conversion Date, which is anticipated to occur thirty months from the closing date of the Bonds, with one six-month extension option, the Mortgage Loan will convert from the Construction Phase to the Permanent Phase upon satisfaction or waiver the conversion requirements set forth in the Construction Phase Financing Agreement. Among other things, these requirements include completion of the Development according to plans and specifications and achievement of certain occupancy thresholds.

MATURITY/SOURCES & METHODS OF REPAYMENT:

The Bonds will bear interest at a variable rate until maturity, which is March 15, 2039.

The Bonds will be payable from: (1) revenues earned from the Mortgage Loan (which during the Construction Phase will be payable as to interest only); (2) earnings derived from amounts held in Funds and Accounts (discussed below) on deposit in an investment agreement; (3) funds deposited to the Mortgage Loan Fund specifically for capitalized interest during a portion of the Construction Phase; (4) or payments made by the applicable Credit Provider under the credit facility then in effect.

The Credit Provider (initially the Bank) is obligated under its credit enhancement agreement to fund the payment of the Bonds, regardless of whether the Borrower makes the scheduled principal and interest payments on the Mortgage Loan. The

Borrower is obligated to reimburse the Credit Provider for any moneys advanced by the Credit Provider for such payments

REDEMPTION OF BONDS PRIOR TO MATURITY:

The Bonds are subject to redemption under any of the following circumstances:

Optional Redemption:

The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower:

(1) On any Interest Payment Date within a Weekly Variable Rate Period and on any Adjustment Date at a redemption price equal to 100 percent of the principle amount redeemed plus accrued interest to the Redemption Date.

(2) On any date within a Reset Period at the respective redemption prices set forth in the Indenture as expressed as a percentage of the principal amount of the Bonds.

(3) On any date within the Fixed Rate Period, at the respective redemption prices set forth in the Indenture as expressed as percentages of the principal amounts of the Bonds.

Mandatory Redemption:

(1) The Bonds shall be redeemed in whole or in part in the event and to the extent that proceeds of insurance from any casualty to, or proceeds of any award from any condemnation of, or any award as part of a settlement in lieu of condemnation of, the Mortgaged Property are applied in accordance with the Security Instrument to the prepayment of the Mortgage Loan.

(2) The Bonds shall be redeemed in whole or in part in an amount specified by and at the direction of the Credit Provider requiring that the Bonds be redeemed pursuant to the Indenture following any Event of Default under the Reimbursement Agreement.

(3) The Bonds shall be redeemed in whole or in part as follows:
    a) On each Adjustment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Adjustment Date to the Redemption Account.

b) On any Interest Payment Date in an amount equal to the amount which has been transferred from the Principal Reserve Fund on such Interest Payment Date to the Redemption Account.

(4) On and after the Transition Date, if any, the Bonds shall be redeemed at the times and in the amounts set forth in the Sinking Fund Schedule attached as Exhibit E to the Indenture.

(5) The Bond shall be redeemed during the Fixed Rate Period at the times and in the amounts set forth in the Sinking Fund Schedule established pursuant to the Indenture.

(6) The Bonds shall be redeemed in part in the event that the Borrower makes a Pre-Conversion Loan Equalization Payment.

(7) The Bonds shall be redeemed in whole or in part in the event and to the extent that amounts on deposit in the Loan Fund are transferred to the Redemption Account.

FUNDS AND ACCOUNTS/FUNDS ADMINISTRATION:

Under the Trust Indenture, Wells Fargo Bank, 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.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will initially be issued as fully registered securities and when issued will be registered in the name of Cede & Co., as nominee for DTC. One fully registered global bond in the aggregate principal amount of each stated maturity of the Bonds will be deposited with DTC.

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 create up to six (6) funds with the following general purposes:

1. Loan Fund – Consists of a Project Account and Capitalized Moneys Account, each of which has a Bond Proceeds Subaccount and a Borrower Equity Subaccount. Monies in the Loan Fund will be withdrawn to pay the costs of

construction of the Development, interest on the Note and certain other fees during the Construction Phase.

2. Revenue Fund - General receipts and disbursement account for revenues to pay principal and interest on the Bonds. Accounts created within the Revenue Fund for redemption provisions, credit facility purposes, the payment of interest and certain ongoing fees.

3. Costs of Issuance Fund – A temporary fund into which amounts for the payment of the costs of issuance are deposited and disbursed by the Trustee.

4. 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.

5. Bond Purchase Fund - Moneys held uninvested and exclusively for the payment of the purchase price of Tendered Bonds.

6. Principal Reserve Fund – Fund to collect payments received from the Borrower pursuant to the reimbursement agreement and used to pay certain costs approved by the Credit Provider, including unreimbursed advances, improvements or repairs to the Development, and principal on the Bonds.

Essentially, all of the bond proceeds will be deposited into the Loan Fund and disbursed during the Construction Phase (over 18 to 24 months) to finance the construction of the Development. 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 September 2005.

2. Bond Trustee – Wells Fargo, National Association was selected as bond trustee by the Department pursuant to a request for proposal process in April 2003.

3. Financial Advisor – RBC Capital Markets, formerly RBC Dain Rauscher, was selected by the Department as the Department's financial advisor through a request for proposals process in August 2003.

4. Underwriter –Banc of America Securities was selected by the Borrower from the Department's list of approved senior managers for multifamily bond issues. The underwriter list was compiled and approved by the Department January 2004.

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. 06-002

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF VARIABLE RATE DEMAND MULTIFAMILY HOUSING REVENUE BONDS (HARRIS BRANCH APARTMENTS) SERIES 2006; 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, very low and extremely low income (as defined in the Act) and families of moderate income (as defined 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 multifamily residential rental development 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 Variable Rate Demand Multifamily Housing Revenue Bonds (Harris Branch Apartments) Series 2006 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association (the "Trustee"), for the purpose of obtaining funds to finance the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Loyola Properties, LP, a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental development described on Exhibit A attached hereto (the "Development") located within the State 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 September 16, 2005, declared its intent to issue its revenue bonds to provide financing for the Development; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a 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 "Mortgage Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and construction of the Development and related costs, and (ii) the Borrower will execute and deliver to the Department a multifamily note (the "Note") in an original principal amount equal 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 credit enhancement for the Mortgage Loan will be provided for initially by a Letter of Credit issued by Wachovia Bank, National Association, a national banking association (the "Bank"), and upon conversion by a Credit Enhancement Instrument issued by Fannie Mae ("Fannie Mae"); and

WHEREAS, it is anticipated that the Note will be secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas) (the "Mortgage") from the Borrower for the benefit of the Department and, initially, the Bank; and

WHEREAS, the Department's interest in the Mortgage Loan (except for certain reserved rights), including the Note and the Mortgage, will be assigned to the Trustee, as its interests may appear, and, initially, to the Bank, as its interests may appear, pursuant to an Assignment and Intercreditor Agreement (the "Assignment") among the Department, the Trustee and the Bank and acknowledged, accepted and agreed to by the Borrower; 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 Development which will be filed of record in the real property records of Travis County, Texas; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Bonds of an Official Statement (the "Official Statement") and to authorize the authorized representatives of the Department to deem the Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Official Statement as may be required to provide a final Official Statement for use in the public offering and sale of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the "Bond Purchase Agreement") with the Borrower, Banc of America Securities, LLC (the "Underwriter"), and any other parties to such Bond Purchase Agreement as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Underwriter or another party to such Bond Purchase Agreement; and

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 Development for the purpose of monitoring the operation and maintenance of the Development; and

WHEREAS, the Board has examined proposed forms of the Indenture, the Financing Agreement, the Assignment, the Regulatory Agreement, the Asset Oversight Agreement, the Official Statement, the Bond Purchase Agreement, (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution; 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 1.15, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Mortgage 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 BOARD OF THE DEPARTMENT:

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 for approval, the Comptroller of Public Accounts of the State 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 purchaser thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That the Chair or Vice Chairman of the Board or the Executive Director or Acting Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Bond Purchase Agreement, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair or Vice Chairman of the Board or the Executive Director or Acting Executive Director of the Department of the Indenture and the Bond Purchase Agreement; provided, however, that (i) the Bonds shall bear interest at the rates determined from time to time by the Remarketing Agent (as such term is defined in the Indenture) in accordance with the provisions of the Indenture; provided 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; and provided further that the initial interest rate on the Bonds shall not exceed 6.00%; (ii) the aggregate principal amount of the Bonds shall not exceed $15,000,000; (iii) the final maturity of the Bonds shall occur not later than May 15, 2039; and (iv) the price at which the Bonds are sold to the initial purchasers thereof under the Bond Purchase Agreement shall not exceed 103% of the principal amount thereof.

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 the 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 and to cause the Regulatory Agreement to be filed of record in the real property records of Travis County, Texas.

Section 1.6--Approval, Execution and Delivery of the Bond Purchase Agreement. That the sale of the Bonds to the Underwriter and any other party to the Bond Purchase Agreement is hereby approved, that the form and substance of the Bond Purchase Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Bond Purchase Agreement and to deliver the Bond Purchase Agreement to the Borrower, the Underwriter and any other party to the Bond Purchase Agreement as appropriate.

Section 1.7--Acceptance of the Mortgage and Note. That the Mortgage and the Note are hereby accepted by the Department and that the authorized representatives of the Department named in this Resolution each are authorized to endorse and deliver the Note to the order of the Trustee and the Bank, as their interests may appear, without recourse.

Section 1.8--Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment are hereby approved; and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Assignment and to deliver the Assignment to the Borrower, the Trustee and the Bank.

Section 1.9--Approval, Execution, Use and Distribution of the Official Statement. That the form and substance of the Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved, ratified, confirmed and authorized; that the Chair and Vice Chairman of the Governing Board and the Executive Director or the Acting Executive Director of the Department are hereby severally authorized to deem the Official Statement "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Official Statement as may be required to provide a final Official Statement for the Bonds; that the authorized representatives of the Department named in this Resolution each are authorized hereby to accept the Official Statement, as required; and that the distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Bond Purchase Agreement and as may be approved by the Executive Director or the Acting Executive Director of the Department and the Department's counsel.

Section 1.10--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 1.11--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 1.12--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	-	Bond Purchase Agreement
Exhibit F	-	Mortgage
Exhibit G	-	Note
Exhibit H	-	Assignment
Exhibit I	-	Official Statement
Exhibit J	-	Asset Oversight Agreement

Section 1.13--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 1.14--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 or Acting 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 1.15--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Development's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director or Acting 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 Development.

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 the State. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Engagement of Other Professionals. That the Executive Director or Acting 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 Bond Purchase Agreement and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.

Section 2.4--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 2.5--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director or Acting Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and/or Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.6--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 Development in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.7--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be Banc of America Securities, LLC.

Section 2.8--Approving Initial Rents. That the initial maximum rent charged by the Borrower for the units of the Development 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 2.9—Engagement of Other Professionals. That the Executive Director or Acting Executive Director of the Department or any successor is authorized to engage auditors, analysts and consultants 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.

Section 2.10--Ratifying Other Actions. That all other actions taken by the Executive Director or Acting Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Development are hereby ratified and confirmed.

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 Development and the information with respect to the proposed financing of the Development 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 Development 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 financing of the Development is a public purpose and will provide a public benefit, and

(iii) that the Development 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 Development in accordance with the requirements of the Financing Agreement and 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 Mortgage Loan in accordance with its terms, and

(iii) that the Borrower is not, and will not enter into a contract for the Development 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 Development in accordance with the Financing Agreement and the Regulatory Agreement, which require, among other things, that the Development 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 Development 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 to obtain decent, safe, and sanitary housing by financing the costs of the Development, 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 Development 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 Mortgage 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 Development 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 Chapters 33 and 35, 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 or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. Each Bond shall contain on its face a statement to the effect that the State 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 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.

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 18th day of January, 2006.

[SEAL]

By:________________________________
Elizabeth Anderson, Chair

Attest:______________________
Kevin Hamby, Secretary

EXHIBIT A

DESCRIPTION OF DEVELOPMENT

Owner: Loyola Properties, LP, a Texas limited partnership

Development: The Development is a 248-unit multifamily facility to be known as Harris Branch Apartments and to be located at approximately 12317 Dessau Road, Austin, Travis County, Texas 78754. The Development will consist of twelve (12) 2 and 3 story residential apartment buildings with approximately 243,956 net rentable square feet and an approximate average unit size of 943 square feet. The unit mix will consist of:

52 one-bedroom/one-bath units
108 two-bedroom/two-bath units
88 three-bedroom/two-bath units

248 Total Units

Unit sizes will range from approximately 701 square feet to approximately 1,116 square feet.

The Development will include an administration office, a business center, a fitness room, an activity room, a game room/TV lounge, kitchen facilities, and public restrooms. On-site amenities will include a swimming pool, playground, volleyball court and a picnic area. All individual units will have washer/dryer connections. Additionally, the Development will include 163 carports and 362 uncovered parking spaces.

Housing Tax Credit Program
Board Action Request
January 18, 2006

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 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
05624	Harris Branch Apartments	Austin	TDHCA	248	248	$23,518,676	$15,000,000	$755,550	$755,550

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY FINANCE PRODUCTION DIVISION

January 18, 2006

Development Information, Public Input and Board Summary

Harris Branch Apartments, TDHCA Number 05624

BASIC DEVELOPMENT INFORMATION

Site Address:	Approximately 12317 Dessau Road			Development #:	05624
City:	Austin	Region:	7	Population Served:	Family
County:	Travis	Zip Code:	78754	Allocation:	

HTC Set Asides: ☐ At-Risk ☐ Nonprofit ☐ USDA ☐ Rural Rescue — 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:	Loyola Properties, LP
	Richard J. Janson - Phone: (512) 219-9500
Developer:	Loyola Properties, LP
Housing General Contractor:	Xpert Design
Architect:	Weber Group, Inc.
Market Analyst:	Apartment Market Data
Syndicator:	MMA Financial, LLC
Supportive Services:	YMCA
Consultant:	Not Utilized

UNIT/BUILDING INFORMATION

30%	40%	50%	60%	65%	80%
0	0	0	248	0	0

Eff	1 BR	2 BR	3 BR	4 BR
0	52	108	88	0

Type of Building: 5 units or more per bldng

Number of Residential Buildings: 12

Total Restricted Units:	248
Market Rate Units:	
Owner/Employee Units:	0
Total Development Units:	248
Total Development Cost:	$23,518,676

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

FUNDING INFORMATION

	Applicant Request	Department Analysis	Amort	Term	Rate
9% Housing Tax Credits-Credit Ceiling:		$0	0	0	0.00%
4% Housing Tax Credits with Bonds:	$755,550	$755,550	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:	$15,000,000	$15,000,000	30	30	5.70%

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY FINANCE PRODUCTION DIVISION

January 18, 2006

Development Information, Public Input and Board Summary

Harris Branch Apartments, TDHCA Number 05624

PUBLIC COMMENT SUMMARY

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

State/Federal Officials with Jurisdiction:

TX Senator: Barrientos, District 14 NC Points: 0 US Representative: McCaul, District 10, NC

TX Representative: Strama, District 50 NC Points: 0 US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Will Wynn, Mayor, City of Austin - NC

Resolution of Support from Local Government ☐

Paul Hilgers, Community Development Officer, City of Austin Neighborhood Housing and Community Development Office - Harris Branch Apartments is consistent with the needs and strategies outlined in the Consolidated Plan, the City of Austin supports your application for this development.

Individuals/Businesses: In Support: **0** In Opposition: **0**

Neighborhood Input:

General Summary of Comment:

Public Hearing:
Number that attended: 1
Number that spoke: 0
Number in support: 0
Number in oppostion: 0
Number Neutral: 1

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. Receipt, review, and acceptance of unit floorplans confirming the unit sizes used in this analysis.

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 allocation amount may be warranted.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY FINANCE PRODUCTION DIVISION

January 18, 2006

Development Information, Public Input and Board Summary

Harris Branch Apartments, TDHCA Number 05624

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:

HOME Loan: Loan Amount: $0

Recommendation:

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

Recommendation:

4% Housing Tax Credits with Bond Issuance: Credit Amount: $755,550

Recommendation: Recommend approval of a Housing Tax Credit Allocation not to exceed $755,550 annually for ten years, subject to conditions.

Private Activity Bond Issuance with TDHCA: Bond Amount: $15,000,000

Recommendation: Recommend approval of issuance of $15,000,000 in Tax Exempt Mortgage Revenue Bonds with an underwriting interest rate of 5.775% anda repayment term of 30 years with a 30 year amortization period, subject ot conditions.

Harris Branch Apartments

Estimated Sources & Uses of Funds

Sources of Funds	
Series 2006 Tax-Exempt Bond Proceeds	$ 15,000,000
Tax Credit Proceeds	7,168,000
Deferred Developer's Fee	1,619,957
Total Sources	$ 23,787,957

Uses of Funds	
Acquisition and Site Work Costs	$ 3,316,000
Direct Hard Construction Costs	12,090,000
Other Construction Costs (General Require, Overhead, Profit)	2,650,538
Indirect Construction Costs	448,900
Developer Fees	2,799,000
Direct Bond Related	319,670
Bond Purchaser Costs	770,000
Other Transaction Costs	1,182,249
Real Estate Closing Costs	211,600
Total Uses	$ 23,787,957

Estimated Costs of Issuance of the Bonds

Direct Bond Related	
TDHCA Issuance Fee (.50% of Issuance)	$ 75,000
TDHCA Application Fee	11,000
TDHCA Bond Administration Fee (2 years)	30,000
TDHCA Bond Compliance Fee ($40 per unit)	9,920
TDHCA Bond Counsel and Direct Expenses (Note 1)	75,000
TDHCA Financial Advisor and Direct Expenses	30,000
Disclosure Counsel ($5k Pub. Offered, $2.5k Priv. Placed. See Note 1)	5,000
Borrower's Counsel	50,000
Trustee Fee	8,500
Trustee's Counsel (Note 1)	5,500
Attorney General Transcript Fee	9,500
Texas Bond Review Board Application Fee	5,000
Texas Bond Review Board Issuance Fee (.025% of Reservation)	3,750
Public Hearing Expenses	1,500
Total Direct Bond Related	$ 319,670

Harris Branch Apartments

Bond Purchase Costs	
Wachovia Bank, N.A. & Counsel (LOC Provider)	185,000
Banc of America Securites, LLC & Counsel (Underwriter)	120,000
Column Guaranteed & Counsel (Permanent Lender)	140,000
Fannie Mae's Counsel	35,000
MMA Financial, LLC (Equity Provider)	20,000
Rating Agency & Printing	20,000
Interest Rate Cap	250,000
Total Bond Purchase Costs	$ 770,000

Other Transaction Costs	
Tax Credit Application and Determination Fees (if paid at closing)	20,000
Financing Reserves	1,162,249
Total Other Transaction Costs	$ 1,182,249

Real Estate Closing Costs	
Title & Recording (Const.& Perm.)	50,000
Closing Costs & Legal Fees	50,000
Property Taxes	111,600
Total Real Estate Costs	$ 211,600
Estimated Total Costs of Issuance	$ 2,483,519

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: January 9, 2006 **PROGRAM:** MFB/4% HTC **FILE NUMBER:** 05624

DEVELOPMENT NAME

Harris Branch Apartments

APPLICANT

Name:	Loyola Properties, L.P.	**Type:**	For-profit		
Address:	9109 Balcones Drive	**City:**	Austin	**State:**	TX
Zip:	78750 **Contact:** Richard Janson	**Phone:**	(512) 219-9500	**Fax:**	(512) 219-1111

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Harris Branch 16-1 L.P.	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Harris Branch 16, LLC (HB 16)	**(%):**	0.00	**Title:**	0.04% owner of MGP
Name:	Loyola Properties, L.P.	**(%):**	N/A	**Title:**	Developer
Name:	Chris Dischinger	**(%):**	N/A	**Title:**	39.99% owner of MGP & 40% owner of HB 16
Name:	Mark Lechner	**(%):**	N/A	**Title:**	39.99% owner of MGP & 40% owner of HB 16
Name:	Richard Janson	**(%):**	N/A	**Title:**	9.99% owner of MGP & 10% owner of HB 16
Name:	Uwe Nahuina	**(%):**	N/A	**Title:**	9.99% owner of MGP & 10% owner of HB 16

PROPERTY LOCATION

Location:	Approximately 12317 Dessau Road	☐ **QCT**		☐ **DDA**	
City:	Austin	**County:**	Travis	**Zip:**	78754

REQUEST

Amount	Interest Rate	Amortization	Term
1) $15,000,000	5.77%	30 yrs	30 yrs
2) $755,550	N/A%	N/A yrs	N/A yrs

Other Requested Terms:
1) Tax-exempt private activity mortgage revenue bonds
2) Annual ten-year allocation of housing tax credits (as amended on 1/6/2006)

Proposed Use of Funds: New construction **Property Type:** Multifamily

Special Purpose (s): General population

RECOMMENDATION

☒ RECOMMEND APPROVAL OF ISSUANCE OF $15,000,000 IN TAX-EXEMPT MORTGAGE REVENUE BONDS WITH AN UNDERWRITING INTEREST RATE OF 5.775% AND REPAYMENT TERM OF 30 YEARS WITH A 30-YEAR AMORTIZATION PERIOD, SUBJECT TO CONDITIONS.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $755,550 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of unit floorplans confirming the unit sizes used in this analysis;
2. 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

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units: 248 **# Rental Buildings** 12 **# Non-Res. Buildings** 1 **# of Floors** 3 **Age:** 0 yrs **Vacant:** N/A at / /

Net Rentable SF: 243,956 **Av Un SF:** 984 **Common Area SF:** 4,307 **Gross Bldg SF:** 248,263

STRUCTURAL MATERIALS

The structures will be wood-framed on concrete slabs on grade. According to the plans provided in the application the exteriors will be comprised of 75% cement fiber siding and 25% 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, individual water heaters, central heating and air conditioning, and 9-foot ceilings.

ONSITE AMENITIES

A 4,307-square foot community building will include activity rooms, management offices, fitness, facilities, a kitchen, restrooms, and a computer/business center. The community building, swimming pool, a mail kiosk, an equipped children's play area, and community gardens are located at the entrance to the property. In addition, a sand volleyball court and perimeter fencing are planned for the site. Stormwater detention, sedimentation, and filtration ponds will occupy the easternmost corner, along with a 324-SF maintenance building.

Uncovered Parking: 320 spaces **Carports:** 205 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Harris Branch Apartments is a 15.5-unit per acre new construction development of 248 units of affordable housing located in far northeast Austin. The development is comprised of 12 evenly distributed, large, three-story, garden style, walk-up residential buildings as follows:

- Five Type 1 buildings with 12 two-bedroom/two-bath units and eight three-bedroom/two-bath units;
- Two Type 2 buildings with 12 two-bedroom/two-bath units and eight three-bedroom/two-bath units;
- Three Type 3 buildings with 12 one-bedroom/one-bath units and eight three-bedroom/two-bath units; and
- Two Type 4 buildings with eight one-bedroom/one-bath units and 12 two-bedroom/twoone-bath units.

(NOTE: The architectural drawings submitted by the Applicant indicate the one-, two-, and three-bedroom unit sizes to be 701, 996, and 1,117 square feet, respectively. However, on January 5, 2006 the architect stated that the unit sizes were to be 701, 1,012, and 1,116 square feet due to subsequent engineering changes. The Applicant and Underwriter have used the most recent unit sizes in the application and in this analysis. Receipt, review, and acceptance of unit floorplans confirming the unit sizes used in this analysis is a condition of this report.

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.

SITE ISSUES

SITE DESCRIPTION

Size: 15 acres 653,400 square feet **Flood Zone Designation:** Zone X

Zoning: MF-2-CO, multifamily residence low-density-conditional overlay

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a flag-shaped parcel located in the far northeast area of the city, approximately ten miles from the central business district. The site is situated on the east side of Dessau Road and was recently annexed and rezoned to a conforming use.

Adjacent Land Uses:

- **North:** single-family residential;
- **South:** undeveloped agricultural land immediately adjacent and Parmer Lane beyond. A veterinary clinic, fast food restaurant, and a gas station fronting Dessau Road are located southwest of the main tract.
- **East:** undeveloped land; and
- **West:** the remaining six acres of the parent 21.27-acre tract immediately adjacent and Dessau Road beyond.

Site Access: Access to the property is from the north or south from Dessau Road, from which the development is to have a single entry. Access to Interstate Highway 35 is 1.5 miles west, which provides connections to all other major roads serving the Austin area.

Public Transportation: Public transportation to the area is provided by the city bus system, with the nearest stop located 0.6 miles northwest on Yager Lane.

Shopping & Services: The site is within 2.2 miles of three major grocery/pharmacies, 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.

Site Inspection Findings: TDHCA staff performed a site inspection on November 15, 2005 and found the location to be acceptable for the proposed development. The inspector noted that a variety of retail establishments exist within two miles of the site.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated May 16, 2005 was prepared by ECS, LLP and contained the following findings and recommendations:

Findings: "This assessment has revealed no evidence of recognized environmental conditions in connection with the property, thus no additional assessment is recommended at this time." (p. 12)

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 100% at 60% option. All 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	$29,880	$34,140	$38,400	$42,660	$46,080	$49,500

MARKET HIGHLIGHTS

A market feasibility study dated May 24, 2005 was prepared by Apartment MarketData Research Services, LLC ("Market Analyst") and highlighted the following findings:

Definition of Primary Market Area (PMA): "For this analysis we utilized a primary market area comprising a 3.86-mile radius surrounding the subject site. In all, this trade area encompasses 46.80 square miles." (p. 26)

Population: The estimated 2004 population of the PMA was 99,725 and is expected to increase by 7.7% to approximately 107,394 by 2009. Within the primary market area there were estimated to be 41,785 households in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 3,313 qualified households in the PMA, based on the current estimate of 41,785 households, the projected annual household growth rate of 3.3%, renter households estimated at 49.3% of the population, income-qualified households estimated at 24.6%, and an annual renter turnover rate of 67.3 % (p. 45). The Market Analyst used an income band of $26,743 to $46,080, which is slightly overstated as the Market Analyst used net rather than gross rents.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	155	5%	123	5%
Resident Turnover	3,158	95%	2,288	95%
Other Sources:	0	0%	0	0%
TOTAL ANNUAL DEMAND	**3,313**	**100%**	**2,411**	**100%**

Ref: p. 45

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 14.5% based upon 3,313 units of demand and 480 unstabilized affordable housing units in the PMA (the subject plus the 232-unit Tuscany Villas development (4% HTC #05435), which has been withdrawn by the applicant since the date of the market study report (p. 46). The Underwriter calculated an inclusive capture rate of 10.3% based upon a revised supply of 248 unstabilized comparable affordable units divided by a lower demand estimate of 2,411 households.

Local Housing Authority Waiting List Information: No information provided.

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 2,265 units in the market area. "Harris Branch Apartments, in comparison to its proposed competition, is well positioned in regard to unit types, sizes, and rental rates. The 'base rent' (street asking rate) for each unit type is less than or equal to comparable market rate projects." (p. 80)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (60%)	$716	$731	$0	$716*	$0
2-Bedroom (60%)	$873	$873	$0	$948*	-$75
3-Bedroom (60%)	$1,004	$1,004	$0	$1,177*	-$173

(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 Underwriter contacted the Market Analyst's six market rent comparable properties to verify the rent data used to compute the estimated market rents and determined that the Market Analyst apparently used the "market" rents instead of the "effective" rents (net of concessions). The effective rents were in many instances $100-$200 lower than the market rents when concessions were factored in. The Underwriter also surveyed the nearest recently-constructed HTC-funded family property (Park at Summer's Grove (fka Century Park), #03459) and was informed that the current rents are $645, $725, and $975 for the one-, two-, and three-bedroom units, respectively.

Primary Market Occupancy Rates: "The current occupancy of the market area is 93.3% as a result of growing demand. Apartments constructed since 1990 report an occupancy rate of 95.5%. Affordable projects also report occupancy of 95.5%" (p. 82). One-bedroom unit occupancy was listed as 93.7%, two-bedroom occupancy at 92.9%, and three-bedroom occupancy at 92.3%.

Absorption Projections: "We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction [resulting in a 12-month lease-up period]." (p. 80)

Known Planned Development: The Market Analyst identified two market rate properties totaling 672 units currently in lease-up, along with two HTC-funded developments in planning (the withdrawn Tuscany Villas application and Cambridge Villas (9% HTC #05080), which was not awarded tax credits) (p. 55).

Effect on Existing Housing Stock: "The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market." (p. 80)

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 for the two- and three-bedroom units are the maximum rents allowed under HTC program guidelines, and are achievable according to the Market Analyst. The Applicant initially used the maximum program rent of $731 for the one-bedroom units, but subsequently reduced the rent to the Market Analyst's estimated market rent of $716. 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.

As discussed above, it appears that the effective rents in the market area may be significantly lower than the Market Analyst's estimated market rents. Therefore, the Underwriter performed an analysis with all of the net rents reduced by $100 and determined that DCR would remain acceptable at 1.11. Another analysis performed using the current effective rents at Park at Summer's Grove (fka Century Park, #03459) ($645, $725, and $975) also yielded an acceptable DCR of 1.13.

Expenses: The Applicant's total expense estimate of $4,388 per unit is 2.7% higher than the Underwriter's database-derived estimate of $4,271 per unit for comparably-sized developments in this area. Each of the Applicant's specific expense line items compare well to the Underwriter's estimates, although the Applicant used TDHCA compliance fees of $15/unit/year instead of the current $40 fee. The Applicant used the TDHCA Region 7 average of $236/unit/year for replacement reserves; the Underwriter used the TDHCA new construction underwriting guideline of $200/unit.

Conclusion: The Applicant's estimated income is consistent with the Underwriter's expectations, total operating expenses are within 5% of the database-derived estimate, and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates the estimated debt coverage ratios (DCR) of 1.32 and 1.35, respectively, slightly exceed the program maximum standard of 1.30. However, due to the Underwriter's concerns regarding the actual achievable effective market rents as discussed above, it is likely that the development's DCR may be lower than 1.30. Furthermore, even if the higher projected rents are achieved, the development would have to incur an additional $264,341 in debt at the proposed terms but as proposed has a larger amount of deferred developer fee which would be absorbed before a gap of funds based reduction in credits would be recommended.

ACQUISITION VALUATION INFORMATION

Land: 21.27 acres	$1,853,042 ($2,765 agricultural valuation)	**Assessment for the Year of:**	2004
Improvements:	$2,375 (fencing)	**Valuation by:**	Travis County Appraisal District
Total Assessed Value:	$5,140	**Tax Rate:**	2.4951

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Commercial contract – unimproved property (+/-15 acres)		
Contract Expiration Date:	2/ 1/ 2006	**Anticipated Closing Date:**	2/ 1/ 2006
Acquisition Cost:	$1,400,000	**Other Terms/Conditions:**	
Seller:	Dessau 21 Ltd., & Dessau 21 MAJ Ltd.	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost of $1,400,000 ($2.14/SF, $93,333/acre, or $5,645/unit) is reasonably substantiated by the prorated tax assessed value of $1,395,706 ($2.00/SF) and is assumed to be reasonable since the acquisition is an arm's-length transaction.

Off-Site Costs: The Applicant initially claimed off-site costs of $396,800 for a wastewater pump station and water and wastewater line extension costs and provided sufficient third party certification through a third party engineer to justify these costs. However, during the evaluation process the Applicant indicated that these costs were no longer required and removed them from the development budget.

Sitework Cost: The Applicant's claimed sitework costs of $7,500 per unit are the within the Department's allowable guidelines for multifamily developments without requiring additional justifying documentation.

Direct Construction Cost: The Applicant revised the construction budget several times during the underwriting process based on discussions regarding their higher than typical costs. The Applicant's final anticipated costs are $882K or 7.9% greater than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and this would suggest that the Applicant's direct construction costs are overstated. The Applicant anticipates that Austin's Smart Growth and Green Building programs will result in higher-than-normal costs, along with hurricane-related increases in building material costs. The Underwriter's estimate is consistent with other recent applications for the Austin area.

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

Conclusion: The Applicant's final proposed 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 is used to calculate eligible basis and estimate the HTC allocation. As a result, an eligible basis of $21,464,476 is used to determine a credit allocation of $755,550 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.

FINANCING STRUCTURE

INTERIM CONSTRUCTION FINANCING

Source:	Wachovia Bank, N.A.	**Contact:**	Omar Chaudhry
Principal Amount:	$15,000,000	**Fee:**	1% ($150,000)
Additional Information:	Construction phase credit enhancement (letter of credit)		

Amortization: N/A yrs **Term:** 2.5 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

INTERIM TO PERMANENT BOND FINANCING

Source: Column Guaranteed LLC **Contact:** Mary Davis

Tax-Exempt Amount: $15,000,000 **Interest Rate:** 5.775%

Additional Information:

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** ☒ LOI ☐ Firm ☐ Conditional

Annual Payment: $1,053,292 **Lien Priority:** 1st **Date:** 12/ 8/ 2005

TAX CREDIT SYNDICATION

Source: MMA Financial, LLC **Contact:** Greg Voyantzie

Net Proceeds: $7,168,000 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 95¢

Commitment: ☒ LOI ☐ Firm ☐ Conditional **Date:** 9/ 8/ 2005

Additional Information:

APPLICANT EQUITY

Amount: $1,340,951 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by TDHCA and publicly offered. Credit enhancement during the 30-month construction and stabilization period will be provided by a letter of credit provided by Wachovia Bank. Column Guaranteed LLC will provide permanent credit enhancement. The financing commitments are consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment indicates a credit price of $0.95, whereas the Applicant's syndication proceeds amount of $7,177,725 as included in the sources and uses of funds statement reflects a credit price of $0.9506. The Underwriter used a net syndication rate of $0.9475 to estimate syndication proceeds of $7,158,980.

Fee Waivers: The Applicant indicated that the development, as a SMART Housing-certified property, will be receiving numerous development fee waivers from the City of Austin, but provided no estimated value for these waivers and did not include them as a source of fund.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,340,951 amount to 48% of the total fees.

Financing Conclusions: Based on the underwriting analysis, the full requested amount ($15,000,000) of the tax-exempt private activity bonds should be issued with an anticipated all-in interest rate of 5.775% and a repayment term and amortization schedule of 30 years. Based on the Applicant's estimate of eligible basis, The HTC allocation should not exceed $755,550 annually for ten years, resulting in syndication proceeds of approximately $7,158,980. The Applicant's deferred developer fee will be increased slightly to $1,359,696, which represents approximately 49% of the eligible fee and which should be repayable from cash flow within four years. Should the Applicant's final direct construction cost be more in line with the Underwriter's estimate, the developer fee deferral would be reduced to $274,866.

As discussed above the development's debt coverage ratio is anticipated to be slightly in excess of the TDHCA maximum guideline of 1.30; however, there is significant concern regarding the achievability of the Applicant's proposed rents. Moreover, with the recommended tax credit allocation amount the anticipated developer fee deferral exceeds the minimum amount of additional debt required ($264,341) to reduce the DCR to 1.30.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and general contractor firm are all related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant, General Partner, and GP of the GP are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- LDG Development/Xpert Construction, a designated guarantor, submitted an unaudited financial statement as of September 2005 reporting total assets of $33.1M and consisting of $1.4M in cash and certificates of deposit, $6.7M in receivables and deposits, $24.3M in real property, $265K in furnishings and equipment, and $489K in business interests. Liabilities totaled $16.3M, resulting in net equity of $16.8M.
- The principals of the General Partner, Chris Dischinger, Mark Lechner, Richard Janson, and Uwe Nahuina, submitted unaudited financial statements as of August and October 2005. Mr. Dischinger and Mr. Lechner are anticipated to be guarantors of the development.

Background & Experience: Multifamily Finance Production 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 Developer and the underlying principals have no previous affordable housing development experience in Texas.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The development could potentially achieve an excessive profit level (i.e., a DCR above 1.30) if the maximum tax credit rents can be achieved in this market.

Underwriter:	*Jim Anderson*	**Date:**	January 9, 2006
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	January 9, 2006

MULTIFAMILY COMPARATIVE ANALYSIS

Harris Branch Apartments, Austin, MFB/4% HTC #05624

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%	52	1	1	701	$800	$716	$37,232	$1.02	$69.00	$48.00
TC 60%	108	2	2	1,012	960	873	94,284	0.86	87.00	55.00
TC 60%	88	3	2	1,116	1,109	1,004	88,352	0.90	105.00	82.00
TOTAL:	248		AVERAGE:	984	$979	$887	$219,868	$0.90	$89.61	$63.11

INCOME				TDHCA	APPLICANT			
Total Net Rentable Sq Ft:	243,956						Comptroller's Region	7
POTENTIAL GROSS RENT				$2,638,416	$2,638,416		IREM Region	Austin
Secondary Income		Per Unit Per Month:	$15.00	44,640	44,640	$15.00	Per Unit Per Month	
Other Support Income:				0	0			
POTENTIAL GROSS INCOME				$2,683,056	$2,683,056			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(201,229)	(201,228)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$2,481,827	$2,481,828			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.28%	$428	0.44	$106,242	$102,000	$0.42	$411	4.11%
Management		4.00%	400	0.41	99,273	99,029	0.41	399	3.99%
Payroll & Payroll Tax		10.47%	1,048	1.07	259,971	246,000	1.01	992	9.91%
Repairs & Maintenance		4.50%	450	0.46	111,582	107,000	0.44	431	4.31%
Utilities		2.06%	206	0.21	51,119	70,000	0.29	282	2.82%
Water, Sewer, & Trash		4.32%	432	0.44	107,186	105,000	0.43	423	4.23%
Property Insurance		2.46%	246	0.25	60,989	74,400	0.30	300	3.00%
Property Tax	2.4951	7.14%	714	0.73	177,188	200,000	0.82	806	8.06%
Reserve for Replacements		2.00%	200	0.20	49,600	58,528	0.24	236	2.36%
Other: spt svcs, compl & audit fees		1.46%	146	0.15	36,140	26,220	0.11	106	1.06%
TOTAL EXPENSES		42.68%	$4,271	$4.34	$1,059,291	$1,088,177	$4.46	$4,388	43.85%
NET OPERATING INC		57.32%	$5,736	$5.83	$1,422,536	$1,393,651	$5.71	$5,620	56.15%
DEBT SERVICE									
First Lien Mortgage (Column)		42.44%	$4,247	$4.32	$1,053,292	$1,052,719	$4.32	$4,245	42.42%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		14.88%	$1,489	$1.51	$369,244	$340,932	$1.40	$1,375	13.74%
AGGREGATE DEBT COVERAGE RATIO					1.35	1.32			
RECOMMENDED DEBT COVERAGE RATIO						1.30			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		6.24%	$5,645	$5.74	$1,400,000	$1,400,000	$5.74	$5,645	5.95%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.29%	7,500	7.62	1,860,000	1,860,000	7.62	7,500	7.91%
Direct Construction		49.96%	45,195	45.94	11,208,276	12,090,200	49.56	48,751	51.41%
Contingency	5.00%	2.91%	2,635	2.68	653,414	697,510	2.86	2,813	2.97%
General Req'ts	6.00%	3.50%	3,162	3.21	784,097	837,012	3.43	3,375	3.56%
Contractor's G & A	2.00%	1.17%	1,054	1.07	261,366	279,004	1.14	1,125	1.19%
Contractor's Profit	6.00%	3.50%	3,162	3.21	784,097	837,012	3.43	3,375	3.56%
Indirect Construction		2.98%	2,692	2.74	667,500	667,500	2.74	2,692	2.84%
Ineligible Costs		2.02%	1,831	1.86	454,200	454,200	1.86	1,831	1.93%
Developer's G & A	2.00%	1.57%	1,421	1.44	352,320	0	0.00	0	0.00%
Developer's Profit	13.00%	10.21%	9,234	9.39	2,290,078	2,799,000	11.47	11,286	11.90%
Interim Financing		6.23%	5,634	5.73	1,397,238	1,397,238	5.73	5,634	5.94%
Reserves		1.43%	1,295	1.32	321,262	200,000	0.82	806	0.85%
TOTAL COST		100.00%	$90,459	$91.96	$22,433,846	$23,518,676	$96.41	$94,833	100.00%
Recap-Hard Construction Costs		*69.32%*	***$62,707***	***$63.75***	***$15,551,248***	***$16,600,738***	***$68.05***	***$66,938***	*70.59%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage (Column)	66.86%	$60,484	$61.49	$15,000,000	$15,000,000	$15,000,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$2,799,000
HTC Syndication Proceeds (MMA)	32.00%	$28,942	$29.42	7,177,725	7,177,725	7,158,980	% of Dev. Fee Deferred
Deferred Developer Fees	5.98%	$5,407	$5.50	1,340,951	1,340,951	1,359,696	49%
Additional (Excess) Funds Req'd	-4.84%	($4,374)	($4.45)	(1,084,830)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$22,433,846	$23,518,676	$23,518,676	$8,260,996

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$45.70	$11,148,639
Adjustments				
Exterior Wall Finish	2.00%		$0.91	$222,973
9-Ft. Ceilings	3.20%		1.46	356,756
Roofing			0.00	0
Subfloor			(0.75)	(182,154)
Floor Cover			2.22	541,582
Porches/Balconies	$20.33	15,773	1.31	320,661
Plumbing	$680	588	1.64	399,840
Built-In Appliances	$1,675	248	1.70	415,400
Stairs	$1,650	96	0.65	158,400
Corridors	$20.33	51,575	4.30	1,048,524
Heating/Cooling			1.73	422,044
Carports	$9.20	41,000	1.55	377,200
Comm &/or Aux Bldgs	$64.74	4,307	1.14	278,835
Fire Sprinkler System	$2.20	243,956	2.20	536,703
SUBTOTAL			65.77	16,045,404
Current Cost Multiplier	1.01		0.66	160,454
Local Multiplier	0.85		(9.87)	(2,406,811)
TOTAL DIRECT CONSTRUCTION COSTS			$56.56	$13,799,047
Plans, specs, survy, bld prm	3.90%		($2.21)	($538,163)
Interim Construction Interes	3.38%		(1.91)	(465,718)
Contractor's OH & Profit	11.50%		(6.50)	(1,586,890)
NET DIRECT CONSTRUCTION COSTS			$45.94	$11,208,276

PAYMENT COMPUTATION

Primary	$15,000,000	Amort	360
Int Rate	5.7750%	DCR	1.35

Secondary	$0	Amort	
Int Rate	0.00%	Subtotal DCR	1.35

Additional		Amort	
Int Rate		Aggregate DCR	1.35

RECOMMENDED FINANCING STRUCTURE APPLICANT'S I

Primary Debt Service	$1,053,292
Secondary Debt Service	18,562
Additional Debt Service	0
NET CASH FLOW	$321,798

Primary	$15,000,000	Amort	360
Int Rate	5.7750%	DCR	1.32

Secondary	$264,341	Amort	360
Int Rate	5.78%	Subtotal DCR	1.30

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.30

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	$2,638,416	$2,717,568	$2,799,096	$2,883,068	$2,969,560	$3,442,534	$3,990,841	$4,626,478	$6,217,600
Secondary Income	44,640	45,979	47,359	48,779	50,243	58,245	67,522	78,277	105,197
Contractor's Profit	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,683,056	2,763,548	2,846,454	2,931,848	3,019,803	3,500,780	4,058,363	4,704,755	6,322,797
Vacancy & Collection Loss	(201,228)	(207,266)	(213,484)	(219,889)	(226,485)	(262,558)	(304,377)	(352,857)	(474,210)
Developer's G & A	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$2,481,828	$2,556,282	$2,632,970	$2,711,959	$2,793,318	$3,238,221	$3,753,986	$4,351,898	$5,848,587
EXPENSES at 4.00%									
General & Administrative	$102,000	$106,080	$110,323	$114,736	$119,326	$145,178	$176,631	$214,899	$318,102
Management	99,029	101999.821	105059.8153	108211.6098	111457.9581	129210.3211	149790.1754	173647.867	233368.2127
Payroll & Payroll Tax	246,000	255,840	266,074	276,717	287,785	350,135	425,992	518,285	767,188
Repairs & Maintenance	107,000	111,280	115,731	120,360	125,175	152,294	185,289	225,433	333,696
Utilities	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Water, Sewer & Trash	105,000	109,200	113,568	118,111	122,835	149,448	181,826	221,219	327,458
Insurance	74,400	77,376	80,471	83,690	87,037	105,894	128,837	156,750	232,028
Property Tax	200,000	208,000	216,320	224,973	233,972	284,662	346,335	421,370	623,730
Reserve for Replacements	58,528	60,869	63,304	65,836	68,469	83,304	101,352	123,310	182,528
Other	26,220	27,269	28,360	29,494	30,674	37,319	45,405	55,242	81,771
TOTAL EXPENSES	$1,088,177	$1,130,714	$1,174,922	$1,220,869	$1,268,621	$1,537,076	$1,862,674	$2,257,634	$3,318,176
NET OPERATING INCOME	$1,393,651	$1,425,568	$1,458,048	$1,491,091	$1,524,697	$1,701,145	$1,891,311	$2,094,265	$2,530,411
DEBT SERVICE									
First Lien Financing	$1,053,292	$1,053,292	$1,053,292	$1,053,292	$1,053,292	$1,053,292	$1,053,292	$1,053,292	$1,053,292
Second Lien	18,562	18,562	18,562	18,562	18,562	18,562	18,562	18,562	18,562
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$321,798	$353,714	$386,194	$419,237	$452,843	$629,291	$819,458	$1,022,411	$1,458,558
DEBT COVERAGE RATIO	1.30	1.33	1.36	1.39	1.42	1.59	1.76	1.95	2.36

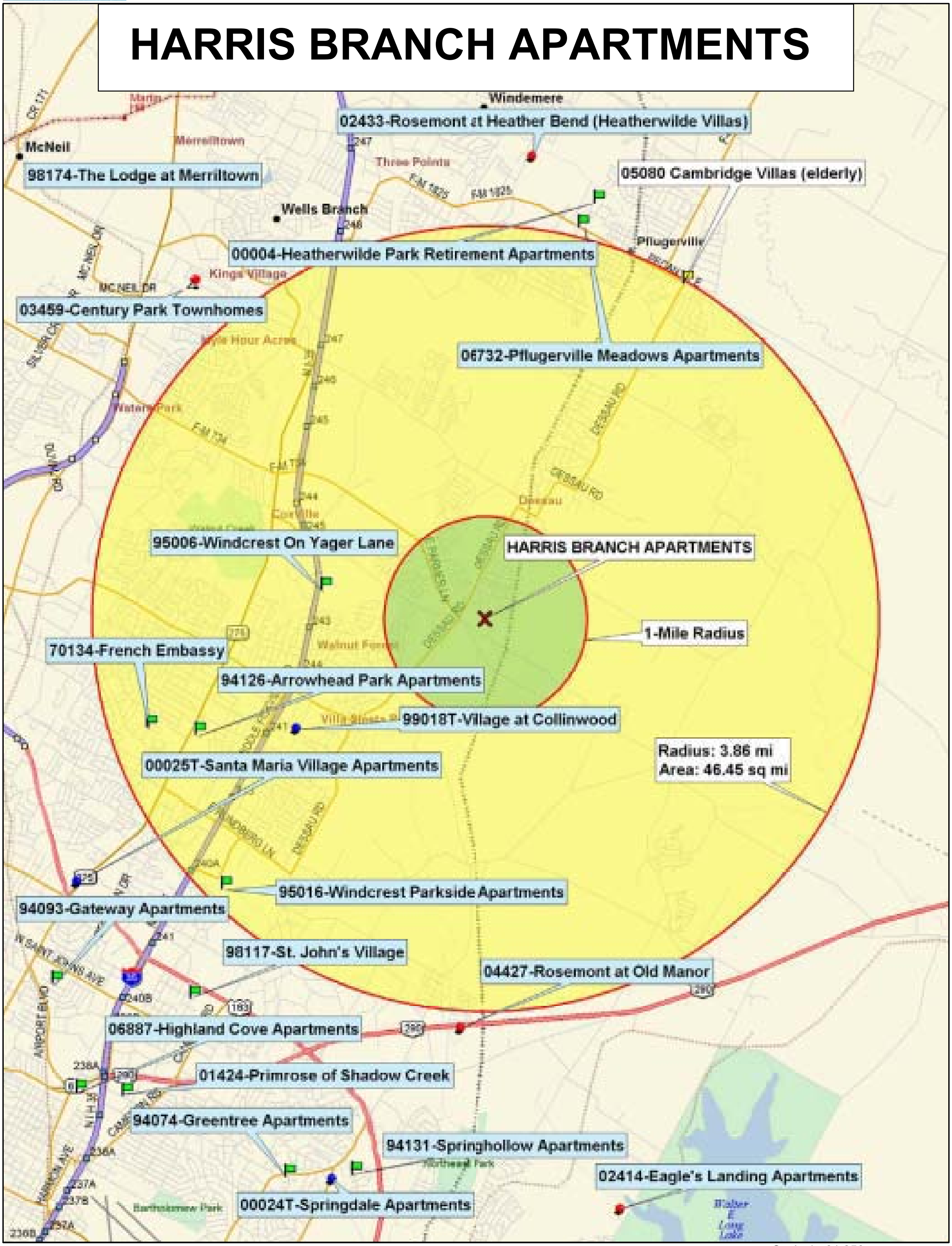
LIHTC Allocation Calculation - Harris Branch Apartments, Austin, MFB/4% HTC #05624

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	$1,400,000	$1,400,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,860,000	$1,860,000	$1,860,000	$1,860,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$12,090,200	$11,208,276	$12,090,200	$11,208,276
(4) Contractor Fees & General Requirements				
Contractor overhead	$279,004	$261,366	$279,004	$261,366
Contractor profit	$837,012	$784,097	$837,012	$784,097
General requirements	$837,012	$784,097	$837,012	$784,097
(5) Contingencies	$697,510	$653,414	$697,510	$653,414
(6) Eligible Indirect Fees	$667,500	$667,500	$667,500	$667,500
(7) Eligible Financing Fees	$1,397,238	$1,397,238	$1,397,238	$1,397,238
(8) All Ineligible Costs	$454,200	$454,200		
(9) Developer Fees				
Developer overhead		$352,320		$352,320
Developer fee	$2,799,000	$2,290,078	$2,799,000	$2,290,078
(10) Development Reserves	$200,000	$321,262		
TOTAL DEVELOPMENT COSTS	$23,518,676	$22,433,846	$21,464,476	$20,258,384

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		$21,464,476	$20,258,384
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$21,464,476	$20,258,384
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$21,464,476	$20,258,384
Applicable Percentage		3.52%	3.52%
TOTAL AMOUNT OF TAX CREDITS		$755,550	$713,095
Syndication Proceeds	**0.9475**	**$7,158,975**	**$6,756,712**

Total Credits (Eligible Basis Method)	**$755,550**	**$713,095**
Syndication Proceeds	**$7,158,975**	**$6,756,712**
Requested Credits	**$755,550**	
Syndication Proceeds	**$7,158,980**	
Gap of Syndication Proceeds Needed	**$8,518,676**	
Credit Amount	**$899,051**	

HARRIS BRANCH APARTMENTS



TN
MN (5.2°E)

Scale 1 : 81,250

1" = 1.28 mi   Data Zoom 11-3

Applicant Evaluation

Project ID # **05624** Name: **Harris Branch Apartments** City: **Austin**

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: 0

Projects grouped by score
- zero to nine: 0
- ten to nineteen: 0
- twenty to twenty-nine: 0

Projects in Material Noncompliance **Yes** ☐ **No** ☑

monitored with a score less than thirty: 0

not yet monitored or pending review: 0

in noncompliance: 0

Projects not reported in application Yes ☐ No ☑

# of projects not reported 0

Portfolio Monitoring		Single Audit		Contract Administration	
Not applicable	☑	Not applicable	☑	Not applicable	☑
Review pending	☐	Review pending	☐	Review pending	☐
No unresolved issues	☐	No unresolved issues	☐	No unresolved issues	☐
Unresolved issues found	☐	Issues found regarding late cert	☐	Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Issues found regarding late audit	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐
		Unresolved issues found that warrant disqualification (Comments attached)	☐		

Reviewed by Patricia Murphy Date 12/20/2005

Multifamily Finance Production		Single Family Finance Production		Real Estate Analysis (Cost Certification and Workout)	
Not applicable	☐	Not applicable	☑	Not applicable	☐
Review pending	☐	Review pending	☐	Review pending	☐
No unresolved issues	☑	No unresolved issues	☐	No unresolved issues	☐
Unresolved issues found	☐	Unresolved issues found	☐	Unresolved issues found	☐
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐
Reviewer	S. Roth	Reviewer	Paige McGilloway	Reviewer	
Date	12/19/2005	Date	12/15/2005	Date	

Community Affairs		Office of Colonia Initiatives		Financial Administration	
No relationship	☑	Not applicable	☐	No delinquencies found	☑
Review pending	☐	Review pending	☐	Delinquencies found	☐
No unresolved issues	☐	No unresolved issues	☐		
Unresolved issues found	☐	Unresolved issues found	☐		
Unresolved issues found that warrant disqualification (Comments attached)	☐	Unresolved issues found that warrant disqualification (Comments attached)	☐		
Reviewer	EEF	Reviewer		Reviewer	Melissa M. Whitehead
Date	12/16/2005	Date		Date	12/20/2005

Executive Director: Edwina Carrington **Executed:** day, December 28, 2005

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Multifamily Finance Production Division

Public Comment Summary

Harris Branch Apartments

Public Hearing

Total Number Attended	1
Total Number Opposed	0
Total Number Supported	0
Total Number Neutral	1
Total Number that Spoke	0

Public Officials Letters Received

Opposition	0
Support	0

General Public Letters and Emails Received

Opposition Total	0
Support	0

Summary of Public Comment

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE BONDS
HARRIS BRANCH APARTMENTS

PUBLIC HEARING

Connolly High School Cafeteria
13212 North Lamar Boulevard
Austin, Texas

November 15, 2005
6:00 p.m.

BEFORE:

AUDREY MARTIN,
ROBBYE G. MEYER, Multifamily Bond Administrator

I N D E X

P R O C E E D I N G S

MS. MARTIN: Good evening. My name is Audrey Martin. I would like to proceed with the public hearing. Let the record show that it is 6:22 p.m. Tuesday, November 15, 2005, and we are at the Connolly High School, located at 13212 North Lamar, Austin, 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 credit 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 January 18, 2006. 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 staff will also accept written comments from the public up to 5:00 p.m. on December 30, 2005.

The bonds will be issued as tax-exempt

multifamily revenue bonds in the aggregate principal amount not to exceed $15 million 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 Issuer.

The proceeds of the bonds will be loaned to Loyola Properties, L.P., 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 248-unit multifamily residential rental development to be constructed on approximately 15 acres of land located at approximately 12317 Dessau Road, Travis County, Texas. The proposed multifamily rental housing community will be initially owned and operated by the borrower or a related person or affiliate thereof.

Okay. Let the record show that there are three people present and no one wishes to make public comment.

This meeting is now adjourned, and the time is now 6:25 p.m.

(Whereupon, at 6:25 p.m., the hearing was concluded.)

C E R T I F I C A T E

IN RE: Harris Branch Apartments

LOCATION: Austin, Texas

DATE: November 15, 2005

I do hereby certify that the foregoing pages, numbers 1 through 5, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Carol Oppenheimer before the Texas Department of Housing and Community Affairs.

11/21/2005
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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MULTIFAMILY FINANCE PRODUCTION DIVISION

2005 Private Activity Multifamily Housing Revenue Bonds

Harris Branch Apartments
12317 Dessau Road
Austin, Texas

Loyola Properties, L.P.
248 Units
Priority 2 – 100% of units will serve 60% AMFI

$15,000,000 Tax Exempt – Series 2006

TABLE OF EXHIBITS

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 18, 2006

Action Item

Inducement resolution for Multifamily Housing Revenue Bonds and Authorization for Filing Applications for Private Activity Bond Authority – 2006 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 2006 Private Activity Bond Program for one (1) application.

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 $402.3 million will be available for the 2006 program year. TDHCA will have approximately $80.5 million set aside for only TDHCA applicants.

Inducement Resolution 06-001 includes one (1) application that was received on or before December 5, 2005. This application will reserve approximately $15 million in 2006 state volume cap. Upon Board approval to proceed, the application will be submitted to the Texas Bond Review Board for placement on the 2006 Waiting List.

The Residences at Sunset Pointe – The proposed development will be located at 5500 Sycamore School Road, Fort Worth, Tarrant County. Demographics for the census tract (1055.10) include AMFI of $69,507; the total population is 3,722; the percent of the population that is minority is 38.96%; the number of owner occupied units is 778; the number renter occupied units is 786 and the number of vacant units is 77. (*)

Recommendation

Approve the Inducement Resolution as presented by staff. 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 for the bond issuance.

(*) Census Information from FFIEC Geocoding for 2005

Texas Department of Housing and Community Affairs

2006 Multifamily Private Activity Bond Program - Waiting List

Application #	Development Information	Units	Bond Amount		Developer Information	Comments
2006-009	The Residences at Sunset Pointe	224	$	15,000,000	Sunset Pointe Housing Partnership, Ltd.	Recommend
	5500 Sycamore School Road				Dan Allgeier	
Priority 1C	City: Fort Worth	General	Score - 52		580 Decker Dr. Suite 208	
	County: Tarrant				Irving, Texas 75026	
	New Construction				(972) 745-0756	
Totals for Recommended Applications		**224**	**$**	**15,000,000**		

RESOLUTION NO. 06-001

RESOLUTION DECLARING INTENT TO ISSUE MULTIFAMILY REVENUE BONDS WITH RESPECT TO RESIDENTIAL RENTAL DEVELOPMENTS; 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, very low and extremely low income and families of moderate income (all as defined in the Act); 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, very low and extremely 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 development 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 multifamily residential rental developments (each a "Development" and collectively, the "Developments") as more fully described in Exhibit A attached hereto. The ownership of each Development 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 Development 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 Development 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 Development will be occupied at all times by eligible tenants, as determined by the Governing Board of the Department (the "Board") pursuant to the Act ("Eligible Tenants"), that the other requirements of the Act and the Department will be satisfied and that its Development 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 Development 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 Development 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 Development 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 Development is not dependent or related to the issuance of Bonds (as defined below) for any other Development and that a separate Application shall be filed with respect to each Development; 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 Development on the terms and conditions hereinafter set forth; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD THAT:

Section 1--Certain Findings. The Board finds that:

(a) each Development is necessary to provide decent, safe and sanitary housing at rentals that individuals or families of low and very low income and families of moderate income can afford;

(b) each Owner will supply, in its Development, well-planned and well-designed housing for individuals or families of low and very low income and families of moderate income;

(c) the financing of each Development is a public purpose and will provide a public benefit;

(d) each Owner is financially responsible; and

(e) each Development will be undertaken within the authority granted by the Act to 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 Development in an aggregate principal amount not to exceed those amounts, corresponding to each respective Development, 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 development 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 Development; (iii) approval by the Bond Review Board, if required; (iv) approval by the Attorney General of the State of Texas (the "Attorney General"); (v) satisfaction of the Board that each Development 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 Development and listed on Exhibit A attached hereto ("Costs of each respective Development") 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 or rehabilitation of its Development, 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 or rehabilitation of its Development; (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 Development will not exceed the amount set forth in Exhibit A which corresponds to its Development.

Section 6--Limited Obligations. The Owner may commence with the acquisition and construction or rehabilitation of its Development, which Development 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 Development 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 Development, 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 Development. Substantially all of the proceeds of the Bonds shall be used to finance the Developments, 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 Development.

Section 9--Costs of Development. The Costs of each respective Development may include any cost of acquiring, constructing, reconstructing, improving, installing and expanding the Development. Without limiting the generality of the foregoing, the Costs of each respective Development 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 Development, administrative expenses and such other expenses as may be necessary or incident to the acquisition, construction, reconstruction, improvement and expansion of the Development, the placing of the Development in operation and that satisfy the Code and the Act. Each Owner shall be responsible for and pay any costs of its Development incurred by it prior to issuance of the Bonds and will pay all costs of its Development 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, 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 Development will be occupied at all times by Eligible Tenants, that all other requirements of the Act will be satisfied and that each Development 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 Bond Review Board, if required, and the Attorney General.

Section 13--Certain Findings. The Board hereby finds, determines, recites and declares that the issuance of the Bonds to provide financing for each Development 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 Development's necessary review and legal documentation for the filing of an Application for the 2006 program year and the issuance of the Bonds, subject to satisfaction of the conditions specified in Section 2(i) and (ii) hereof. The Board further authorizes staff, Bond Counsel and other consultants to re-submit an Application that was withdrawn by an Owner so long as the Application is re-submitted within the current or following program year.

Section 15--Related Persons. The Department acknowledges that financing of all or any part of each Development 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 Development 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 Development 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 of the State of Texas (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 18th day of January, 2006.

[SEAL]

By:__/s/ Elizabeth Anderson______________________
Elizabeth Anderson, Chair

Attest:_/s Kevin Hamby____________________
Kevin Hamby, Secretary

EXHIBIT "A"

Description of each Owner and its Development

Project Name	Owner	Principals	Amount Not to Exceed
The Residences at Sunset Pointe	Sunset Pointe Housing Partnership, Ltd..	NDG-Sunset Pointe, LLC, the General Partner, to be formed, or other entity, the Principals of which will be Robert G. Hoskins and/or Sandra K. Hoskins.	$15,000,000
Costs: (i) acquisition of real property located approximately 50 yards west of the northwest corner of Granbury Road and Sycamore School Road (which is approximately the 5500 block of Sycamore School Road), Fort Worth, Tarrant County, Texas; and (ii) the construction thereon of an approximately 224-unit multifamily residential rental housing project, in the amount not to exceed $15,000,000.			

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
MULTIFAMILY FINANCE DIVISION
PREQUALIFICATION ANALYSIS

The Residences at Sunset Pointe, Fort Worth (#2006-009) Priority 1C

Unit Mix and Rent Schedule

Unit Type	Beds/Bath	# Units	Rents	Unit Size S.F.	Rent/S.F.
60% AMI	1BD/1BA	32	$ 650	850	0.76
60% AMI	2BD/2BA	96	$ 777	1,029	0.76
60% AMI	3BD/2BA	88	$ 897	1,150	0.78
60% AMI	4BD/2BA	8	$ 1,002	1,300	0.77
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
					0.00
Totals		224	$ 2,188,128	237,584	$ 0.77
Averages			$ 814	1,061	

Uses of Funds/Project Costs

	Costs	Per Unit	Per S.F.	Percent
Acquisition	$ 1,575,000	$ 7,031	$ 6.63	0.07
Off-sites	0	0	0.00	0.00
Subtotal Site Costs	$ 1,575,000	$ 7,031	$ 6.63	0.07
Sitework	1,449,000	6,469	6.10	0.07
Hard Construction Costs	10,024,175	44,751	42.19	0.46
General Requirements (6%)	688,391	3,073	2.90	0.03
Contractor's Overhead (2%)	229,464	1,024	0.97	0.01
Contractor's Profit (6%)	688,391	3,073	2.90	0.03
Construction Contingency	557,416	2,488	2.35	0.03
Subtotal Construction	$ 13,636,836	$ 60,879	$ 57.40	0.63
Indirect Construction	1,109,273	4,952	4.67	0.05
Developer's Fee	2,460,158	10,983	10.35	0.11
Financing	2,684,160	11,983	11.30	0.12
Reserves	125,000	558	0.53	0.01
Subtotal Other Costs	$ 6,378,591	$ 28,476	$ 27	$ 0
Total Uses	$ 21,590,427	$ 96,386	$ 90.87	1.00

Applicant - Sources of Funds

Source I	**Net Proceeds**	**Sale Price**	**Applicable Percentage**	
Tax Credits	$ 5,361,550	$0.80	3.55%	
Source II	**Proceeds**	**Rate**	**Amort**	**Annual D/S**
Bond Proceeds	$ 15,000,000	6.00%	30	$1,079,191
Source III	**Proceeds**	**% Deferred**	**Remaining**	
Deferred Developer Fee	$ 1,378,992	56.1%	$1,081,166	
Source IV	**Proceeds**	**Description**		**Annual D/S**
Other				$ -
Total Sources	$ 21,740,542			$1,079,191

TDHCA - Sources of Funds

Source I	**Net Proceeds**	**Sale Price**	**Applicable Percentage**	
Tax Credits	$ 5,361,550	$0.80	3.55%	
Source II	**Proceeds**	**Rate**	**Amort**	**Annual D/S**
Bond Proceeds	$ 15,000,000	6.00%	30	$ 1,079,191
Source III	**Proceeds**	**% Deferred**	**Remaining**	
Deferred Developer Fee	$ 1,228,877	50.0%	$ 1,231,282	
Source IV	**Proceeds**	**Description**		**Annual D/S**
Other	$ -			$ -
Total Sources	$ 21,590,427			$ 1,079,191

Applicant - Operating Proforma/Debt Coverage

			Per S.F.	Per Unit
Potential Gross Income		$2,188,128	$9.21	
Other Income & Loss		40,320	0.17	180
Vacancy & Collection	7.50%	167,136	0.70	746
Effective Gross Income		$2,395,584	10.08	10,695
Total Operating Expenses		$872,286	$3.67	$3,894
Net Operating Income		$1,523,298	$6.41	$6,800
Debt Service		1,079,191	4.54	4,818
Net Cash Flow		$444,107	$1.87	$1,983
Debt Coverage Ratio		1.41		
TDHCA/TSAHC Fees		$0	$0.00	$0
Net Cash Flow		$444,107	$1.87	$1,983
DCR after TDHCA Fees		1.41		
Break-even Rents/S.F.		0.68		
Break-even Occupancy		89.18%		

TDHCA - Operating Proforma/Debt Coverage

			Per S.F.	Per Unit
Potential Gross Income		$2,188,128	$9.21	
Other Income & Loss		40,320	0.17	180
Vacancy & Collection	7.50%	(167,134)	-0.70	-746
Effective Gross Income		2,061,314	8.68	9,202
Total Operating Expenses	42.3%	$872,286	$3.67	$3,894
Net Operating Income		$1,189,028	$5.00	$5,308
Debt Service		1,079,191	4.54	4,818
Net Cash Flow		$109,837	$0.46	$490
Debt Coverage Ratio		1.10		
TDHCA/TSAHC Fees			$0.00	$0
Net Cash Flow		$109,837	$0.46	$490
DCR after TDHCA Fees		1.10		
Break-even Rents/S.F.		0.68		
Break-even Occupancy		89.18%		

Applicant - Annual Operating Expenses

		Per S.F.	Per Unit
General & Administrative Expenses	$66,300	0.28	296
Management Fees	103,066	0.43	460
Payroll, Payroll Tax & Employee Exp.	203,000	0.85	906
Maintenance/Repairs	86,000	0.36	384
Utilities	122,400	0.52	546
Property Insurance	50,000	0.21	223
Property Taxes	154,000	0.65	688
Replacement Reserves	44,800	0.19	200
Other Expenses	42,720	0.18	191
Total Expenses	$872,286	$3.67	$3,894

Staff Notes/Comments

Other expenses include:

supportive service contract fees = $24,000
compliance fees = $6,720
security = $12,000

BOND FINANCE DIVISION

BOARD ACTION REQUEST
January 18, 2006

Action Item

Procurement of Financial Advisory Services.

Required Action

Approve issuing a Request for Qualifications ("RFQ") for Financial Advisors for firms interested in providing financial advisory services for one or more of TDHCA's single family and multifamily mortgage revenue bond new issues and/or refundings.

Background

The Bond Finance Division recommends issuing an RFQ for firms interested in providing financial advisory services from time to time for one or more of its single family mortgage revenue bond issues, single family commercial paper issues, and/or multifamily mortgage revenue bond issues. TDHCA selected its current financial advisor, RBC Dain Rauscher, in 1990 based on a 1990 request for financial advisory services. No solicitations for financial advisory services have been issued in the fourteen years since TDHCA's last request for financial advisory services in 1991.

Bond Finance recommends issuing this RFQ in conjunction with Bond Finance's continuous updating of TDHCA's pool of vendors providing financial services for TDHCA's mortgage revenue bond programs. Since January 2005, TDHCA's Board has selected senior managers and co-senior managers for single family mortgage revenue bonds. Bond Finance's recent procurement activities included reviewing responses from firms interested in providing guaranteed investment contract brokerage services and responses from firms interested in providing swap advisory and monitoring services. TDHCA's Board selected these professionals at its October 13, 2005 meeting.

Bond Finance may recommend to the Board engaging one or more private consultants for advising TDHCA on financial matters contingent upon the responses received. Financial innovations have occurred in the financial and mortgage markets, such as fixed income securitizations, interest rate derivatives (swaps, caps, floors, swaptions, etc.), and the development of a sub-prime mortgage market. The scope of TDHCA's mortgage revenue bond products, services, and operations has also expanded. The attached RFQ for Financial Advisors lists the scope of services requested in connection with this assignment. The consultant(s) will work with the Board of Directors and TDHCA's Staff.

Recommendation

Approve issuing a Request for Qualifications for Financial Advisors for firms interested in providing financial advisory services for one or more of TDHCA's single family and multifamily mortgage revenue bond new issues and/or refundings.

Texas Department of Housing and Community Affairs
Request for Qualifications for Financial Advisory Services

I. Purpose of Request

The Texas Department of Housing and Community Affairs ("TDHCA") is issuing this request for qualifications ("RFQ") from firms interested in providing financial advisory services for one or more of its single family and multifamily mortgage revenue bond new issues and/or refundings. TDHCA anticipates engaging one or more private consultants for advising TDHCA on financial matters concerning TDHCA programs and operations, among other financial matters. The consultant(s) will work with the Board of Directors and TDHCA's staff.

II. Description of the Texas Department of Housing and Community Affairs

TDHCA, a public and official governmental agency of the State of Texas (the "State") and a body corporate and politic, was created pursuant to and in accordance with Chapter 2306, Government Code, as amended from time to time (together with other laws of the State applicable to the Department, the "Act"). TDHCA is the successor agency to the Texas Housing Agency (the "Agency") and the Texas Department of Community Affairs (the "TDCA"), both of which were abolished by the Act and their functions and obligations transferred to TDHCA. One of the purposes of TDHCA is to provide for the housing needs of individuals and families of low, very low, and extremely low income and families of moderate income in the State. Pursuant to the Act, TDHCA may issue bonds, notes, or other obligations to finance or refinance residential housing and to refund bonds previously issued by the Agency, TDHCA, or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of TDHCA.

Governing Board

TDHCA is governed by a governing board (the "Board") consisting of seven public members, appointed by the Governor, with the advice and consent of the State Senate. Board members hold office for six-year staggered terms. Each member serves until his or her successor is appointed and qualified. Each member is eligible for reappointment. Members serve without compensation, but are entitled to reimbursement for actual expenses incurred in performing their duties of office.

III. Major Programs Applicable to the RFQ

1. First Time Home Buyer Program

   The Texas First Time Homebuyer Program provides below market interest rate mortgage loans through a network of participating lenders to eligible families and individuals who are purchasing their first home or who have not owned a home in the past three years. Two types of loans are available under this program. An "Unassisted Rate" loan typically offers our lowest interest rate available and does not provide funds for down payment and closing cost assistance. For borrowers needing assistance with their down payment, an "Assisted Rate" loan is offered to income-eligible borrowers that provides grant funds up to a percentage of the mortgage amount. TDHCA also offers down payment assistance of $5,000, $7,500 and $10,000 based upon geographic location and funding availability. Assisted loans are offered at a slightly higher interest rate.

2. Mortgage Credit Certificate Program

   The Mortgage Credit Certificate Program (the "MCC" Program) helps make ownership of new or existing homes more affordable for low to moderate income households, specifically first-time buyers. A Mortgage Credit Certificate is a tax credit that reduces the federal income taxes of qualified buyers purchasing a qualified residence, thus increasing a family's disposable income. The increased disposable income makes it easier to qualify for a loan and meet mortgage payment requirements because the MCC Program has the effect of reducing the monthly mortgage payment. MCCs may not be used in connection with the refinancing of an existing loan. In order to participate in the program, homebuyers must meet certain eligibility requirements and originate a qualified mortgage loan through a participating lender.

3. Capital Funds Financing Program

   The Capital Fund Financing Program, created by the Quality Housing and Work Responsibility Act of 1998 ("QHWRA"), provides federal grants to Public Housing Authorities ("PHAs") annually to fund the capital improvement of the nations' public housing portfolio. As a result of QHWRA, PHAs may borrow in the bond market to accelerate the rehabilitation of public housing. By raising funds in the capital markets, PHAs with redevelopment needs can fill the gap between anticipated annual capital expenditures and annual appropriation of expected Capital Fund monies.

4. Multifamily Bond Program

   The Department issues tax-exempt and taxable multifamily mortgage revenue bonds to fund loans to for-profit and qualifying nonprofit 501(c)(3) organizations for the acquisition or development of affordable rental units. Applications for financing are submitted to the Multifamily Finance Division for review. A recommendation is made to the TDHCA governing board. Properties financed through the programs are subject to unit set aside restrictions for lower income tenants and persons with special needs, tenant program initiatives, maximum rent limitations, and other requirements as determined by TDHCA and its Board.

IV. Scope of Services

The respondents are expected to provide services as necessary and to assign experienced professionals employed by the company who are best suited to appropriately respond to TDHCA's requirements. TDHCA expects the respondents to provide services related primarily to its single family bond activities ("S"), multifamily bond activities ("M"), and/or both activities ("B").

The scope of services to be provided to TDHCA in connection with this assignment may include, but not be limited to, the following:

1. Advise as to appropriate timing for issuance of debt. (B)
2. Assist with rating agency presentations. (B)
3. Assist with selection of underwriting team, credit enhancement providers, and other professionals. (B)
4. Review, if and when necessary, multifamily application packages (M)
5. Analyze proposed structure, pricing, expenses, and underwriters' compensation. (B)
6. Assist with bond closings. (B)
7. Attend, when necessary, TEFRA hearings. (M)
8. Review of existing debt for refunding opportunities and evaluation of future debt options. (S)
9. Assist, if and when necessary, with multifamily workouts and restructurings (M)

10. Assist with funding process relative to timing and source of funds for single family capital. (S)

11. Identify financing alternatives (various debt structures) and monitor market activity and debt transactions as related to financing needs in order to keep TDHCA current. (B)

12. Review ratings and assist in long-term strategy for rating maintenance and/or upgrade. (B)

13. Provide data and analysis of data concerning mortgage revenue bonds. (B)

14. Advise as to utilization of competitive versus negotiated sales. (B)

15. Review and assist with preparation of institutional investor letters. (M)

16. Cashflow preparation and analysis. (S)

17. Assist with the continuous development and management of the programs described above in Section III. (B)

18. Provide data and analysis of data concerning mortgages and related products. (S)

19. Other mutually agreed upon services. (B)

V. Deadline for Responses And Other Information

Response Due: **Friday, February 24, 2006** **4:00 P.M. C.T.**

No proposal received after the deadline will be considered. Faxed and/or email responses will not be accepted. TDHCA further reserves the right to negotiate individual elements of a firm's proposal.

All responses must be complete on the date submitted. Additional information submitted after the response or separate from the response for purposes of clarification, explanation, interpretation, or annotation will not be considered by TDHCA unless specifically requested by TDHCA and then only to the extent requested.

Also, in releasing this RFQ, TDHCA shall not be obligated to proceed with any action on the RFQ and may decide it is in TDHCA's best interest to refrain from pursuing any selection process. TDHCA reserves and may, at any time, exercise the right to 1) reject any or all responses to this RFQ, or 2) waive, in writing, minor irregularities in submitted responses. Any written waiver exercised under this section will in no way modify any provision of this RFQ.

With the exception of certain written communications allowed under Section X, Financial Advisors, or any representative of the firm, responding to the RFQ must refrain from any contact or communication with members of the Board of Directors or with any TDHCA staff as to the selection of firms pursuant to this RFQ. A DETERMINATION BY THE BOARD THAT A VIOLATION OF THIS POLICY HAS OCCURRED WILL BE GROUNDS FOR DISQUALIFICATION OF A FIRM'S PROPOSAL.

VI. TDHCA Board Review and Oral Presentations

Firms that have responded to this RFQ may be asked to make oral presentations at a meeting of TDHCA's Board. In such event, those firms will be given not less than three (3) business days notice along with the date, time, and place for such oral presentation. The Board will give final approval to the selection of firms.

VII. Delivery of Responses

Please deliver 13 copies to TDHCA's Director of Bond Finance as follows:

Byron V. Johnson
Director of Bond Finance
Texas Department of Housing
and Community Affairs
221 E. 11th Street
P.O. Box 13941
Austin, Texas 78711-3941

VIII. Response Format

- Each question in Section IX should be specifically addressed or the reason no response was given should be indicated.
- Responses should be submitted by individual firms only. No responses should be submitted on a joint basis.
- Responses should be limited to the information requested by TDHCA in this RFQ and should be no longer than 15 pages. Do not submit any additional information, such as attachments or appendices, not requested by TDHCA. TDHCA will consider only the information for which a response has been requested.
- Identify the question being answered in the introduction to each response.

IX. Proposal Content

1. Provide an overview of your firm. Describe, in general terms, your firm's organizational structure and provide the location of your headquarters. (3 points)
2. Has your firm dedicated internal resources for maintaining a specialty group focused solely on serving single family mortgage revenue bonds and/or multifamily mortgage revenue clients? If yes, please provide a brief description. (3 points)
3. If you answered yes to question two, also please specify: (3 points)
   a. How long this group has been operating, and
   b. Number of professionals (analyst level or above, full-time employees) *specializing* in housing finance.

4. Single Family Financial Advisory Experience: For the past three calendar years (**2003, 2004, and 2005**), list in table format the firm's experience as **financial advisor** with negotiated, new money, and refunding single family mortgage revenue bond transactions. **Do not include senior managed, co-senior managed, co-managed, or privately placed mortgage revenue bond transactions in your response to this question.**

   This information should be provided in **table format** with the column headings across the top in order from left to right. Please total each category and/or column by year and show an overall total. Use the column headings provided below for your response. (These items should be included as an attachment or appendix and will not be considered part of the page limitation). (10 points)

   Column Headings

   Date of Issue
   Name of Issuer
   Issue Description
   Issue Amount (Principal Amount ($) and Lendable Proceeds Amount ($))
   Amount of New Money Included in Issue Amount
   Financial Advisory Fee ($)
   Financial Advisory Fee ($/per bond)
   Any Other Fees Outside the Transaction (Swap Fees, etc.)

5. Single Family State Housing Agency Clients. Indicate state housing agencies where your firm currently and actively serves as **financial advisor** for the sale of negotiated, new money, and refunding single family mortgage revenue bond transactions. Indicate when you were hired and provide a reference. Provide each reference's name, title, affiliation, address, and telephone number. Each firm responding shall be deemed to have authorized TDHCA to contact all such state housing agency references. TDHCA also reserves the right to independently contact any other references as deemed necessary. Use the format provided below for your response. **Do not include senior managed, co-senior managed, co-managed, or privately placed mortgage revenue bond transactions in your response to this question.** (10 points)

State HFA	***Role***	***Date Hired***	***Reference***

6. Multifamily Financial Advisory Experience. For the past three calendar years (**2003, 2004, and 2005**), list in table format the firm's experience as a **financial advisor** with negotiated, new money, and refunding multifamily mortgage revenue bond transactions. **Do not include senior managed, co-senior managed, co-managed, or privately placed mortgage revenue bond transactions in your response to this question.**

   This information should be provided in **table format** with the column headings across the top in order from left to right. Please total each category and/or column by year and show an overall total. Use the column headings provided below for your response. (These items should be included as an attachment or appendix and will not be considered part of the page limitation). (10 points)

   Column Headings

   Date of Issue
   Name of Issuer
   Issue Description
   Issue Amount (Principal Amount ($) and Lendable Proceeds Amount ($))

Amount of New Money Included in Issue Amount
Financial Advisory Fee ($)
Financial Advisory Fee ($/per bond)
Any Other Fees Outside the Transaction (Swap Fees, etc.)

7. Multifamily State Housing Agency Clients. Indicate state housing agencies where your firm currently and actively serves as **financial advisor** for the sale of negotiated, new money and refunding single family mortgage revenue bond transactions. Indicate when you were hired and provide a reference. Provide each reference's name, title, affiliation, address, and telephone number. Each firm responding shall be deemed to have authorized TDHCA to contact all such state housing agency references. TDHCA also reserves the right to independently contact any other references as deemed necessary. Use the format provided below for your response. **Do not include senior managed, co-senior managed, co-managed, or privately placed mortgage revenue bond transactions in your response to this question.** (10 points)

State HFA	*Role*	*Date Hired*	*Reference*

8. Quantitative Capabilities. Discuss your firm's computer capabilities in reviewing and structuring housing bond issues and cash flows. Indicate on a percentage basis your firm's use of external consultants to conduct your housing-related quantitative analysis. TDHCA prefers to review cash flow reports prepared using DBC software. Please identify your firm's current housing software. (3 points)

9. Describe your direct experience with the Texas Treasury Safekeeping Trust Company, or similar agencies located in other states. (3 points)

10. Describe your direct experience with the Texas Bond Review Board, or similar agencies located in other states. (3 points)

11. Variable Rate Demand Bonds and Interest Rate Swaps. Describe your firm's experience with Variable Rate Demand Bonds and Interest Rate Swaps for single family and multifamily mortgage revenue bonds. Provide the par/notional amount of such products for which your firm provided financial advisory services during 2003, 2004, and 2005. Use the format provided below for your response. (10 points)

	Single Family		*Multifamily*	
	Variable Rate Demand Bonds	*Interest Rate Swaps*	*Variable Rate Demand Bonds*	*Interest Rate Swaps*
2003	$	$	$	$
2004	$	$	$	$
2005	$	$	$	$
Total	$	$	$	$

12. TDHCA is currently assessing the feasibility of issuing bonds secured by Capital Program Funds received by public housing authorities. Please describe your experience with such financings. (3 points)

13. Compensation. Provide a fee quote, stated in terms of dollars per bond, for the advisory services listed above in Section IV provided in conjunction with an issuance of mortgage revenue bonds. Include all fees and minimum/maximum amounts.

Provide a fee quote, stated in terms of dollars, for any of the advisory services listed above in Section IV not provided in conjunction with an issuance of mortgage revenue bonds or that may otherwise be requested by TDHCA on an ad hoc, as needed basis. Include all fees and minimum/maximum amounts.

If the company proposes that TDHCA bear the costs of incidental expenses associated with its representation of TDHCA, the proposal should clearly state the nature of such incidental expenses and their estimated costs to TDHCA. Please indicate minimum charges on any of the fees. Invoices presented for payment must be itemized and contain details of specific expenses. Reimbursement for time spent traveling will be negotiated with TDHCA. All proposals must include a statement that fee rates are valid for the duration of the contract. Any fees not disclosed will not be considered.

Although TDHCA seeks to minimize transaction costs, submission of the lowest bid may not result in an appointment.

Express your willingness to defer any fees you have proposed. State which fees would be deferred. (10 points)

14. Personnel. Provide the names, office location, and brief resumes (including State of Texas, TDHCA, and other state housing finance agency experience) for the professionals who will be assigned to TDHCA's account. Include their level of responsibility and availability. Describe the professional background of these individuals, in particular their relevant state housing finance experience. List on an individual basis by advisor, other clients served by the personnel assigned to TDHCA's team. Please designate the percentage of work for which each team member will be responsible. (3 points)

15. Financial Condition. Provide a copy of your firm's (the specific entity proposing to serve TDHCA) most recent annual audited financial statements. If applicable, provide a recent copy of your firm's FOCUS I or FOCUS IIa report or provide your capital and net capital calculated as of September 30, 2005 pursuant to SEC Rule 15c3-1. Failure to provide this information may result in the disqualification of your response. (These items should be included as an attachment or appendix and will not be considered part of the page limitation). (10 points)

16. Litigation. Describe any litigation, arbitration, or other actions current, pending, or past against the firm arising from the firm's involvement in municipal or public purpose debt. **Please indicate your willingness to provide additional information on any litigation pending against your firm should TDHCA request it.** (3 points)

X. Program Information

To obtain further information about the TDHCA Single Family Bond Program or this RFQ, please fax your request to the attention of Byron V. Johnson at (512) 475-3362 or visit the Bond Finance Division web page at www.tdhca.state.tx.us. The Bond Finance Division will post questions received and answers on its web page for review by all respondents.

XI. Public Information

Information submitted to TDHCA is public information and is available upon request after the Board has approved the selection of firms for its list of financial advisors in accordance with the Texas Public Information Act, Chapter 552 of the Government Code (the "Act"). A firm submitting any information it considers confidential as to trade secrets or commercial or financial information which it desires not to be disclosed must clearly identify all such information in its proposal. If information so identified by a firm is requested from

TDHCA, the firm will be notified and given an opportunity to present its position to the Texas Attorney General, who shall make the final determination as to whether such information is excepted from disclosure under the Act. Information not clearly identified as confidential will be deemed to be non-confidential and will be made available by TDHCA upon request.

XII. Cost Incurred in Responding

All costs directly or indirectly related to preparation of a response to this RFQ or any oral presentation required to supplement and/or clarify the RFQ which may be required by TDHCA shall be the sole responsibility of and shall be borne by your firm.

XIII. Historically Underutilized Businesses

Since 1992, TDHCA has provided outreach assistance to all vendors interested in doing business with our agency. TDHCA follows the Procurement Manual set forth by the Texas Building and Procurement Commission in all procurement related activities. It is TDHCA's intent to increase the Historically Underutilized Business participation in all facets of procurement. TDHCA encourages all vendors eligible for certification to take part in opportunities with TDHCA.

XIV. Ethics And Disclosure Requirements For External Financial Advisors And Service Providers

During the 78th Legislature, Regular Session, the Texas Legislature passed *Chapter 2263., Ethics And Disclosure Requirements For Outside Financial Advisors And Service Providers* (the "Act"). The Act, under Senate Bill 1059, requires certain actions by governing boards of state entities involved in the management and investment of state funds and adds disclosure requirements for outside financial advisors and service providers.

Texas Department of Housing and Community Affairs
Request for Qualifications for Financial Advisory Services
Scoring Methodology

Question	Possible Points	Question Type	Quartile 1st	2nd	3rd	4th
1	3	Qualitative	Not Applicable			
2	3	Qualitative	Not Applicable			
3	3	Qualitative	Not Applicable			
4	10	Quantitative	10	7.5	5	2.5
5	10	Quantitative	10	7.5	5	2.5
6	10	Quantitative	10	7.5	5	2.5
7	10	Quantitative	10	7.5	5	2.5
8	3	Qualitative	Not Applicable			
9	3	Qualitative	Not Applicable			
10	3	Qualitative	Not Applicable			
11	10	Quantitative	10	7.5	5	2.5
12	3	Qualitative	Not Applicable			
13	10	Quantitative	10	7.5	5	2.5
14	3	Qualitative	Not Applicable			
15	10	Quantitative	10	7.5	5	2.5
16	3	Qualitative	Not Applicable			
Total Points	97					

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
REQUEST FOR QUALIFICATIONS FOR FINANCIAL ADVISORY SERVICES
TIMETABLE

Date			Days from Texas Register Notice Submission to RFQ Response Date	Days from Notice Submission in Texas Marketplace to RFQ Response Date	Days from RFQ Published in Texas Register & Bond Buyer to RFQ Response Date	Days from RFQ Posted on Web Site to RFQ Response Date	Days from RFQ Response Date to Submission to Executive Office
			30	21	21	21	13
January 18	TDHCA Board Meeting	Bond Finance					
January 25	Submit Notice to Texas Register and Bond Buyer	Bond Finance					
February 3	Submit Notice to Texas Marketplace	Bond Finance					
February 3	Post RFQ on TDHCA Website	Bond Finance					
February 3	Notice Published in Texas Register and Bond Buyer	Bond Finance					
February 24	RFQ Responses Due	FA/Bond Finance					
Feb 27 - Mar 3	Review submissions	Bond Finance					
March 9	Submit recommendations for inclusion in board package	Bond Finance					
March 20	TDHCA Board Meeting - Present Recommendations to Finance Committee and Board	Finance Committee/ EPC/BVJ					

FA - Financial Advisors

EPC - Edwina Carrington

BVJ - Byron Johnson

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

January 18, 2006

Action Items

Request for waiver of the Department's Integrated Housing Rule, 10 TAC §1.15, for the Canal Street Apartments.

Required Action

Approve or deny a waiver of the Department's Integrated Housing Rule, 10 TAC §1.15, for the Canal Street Apartments.

Background

In October 2003, the Department's Board awarded $1.25 million in HOME Investment Partnerships Program funds through the CHDO set-aside to New Hope Housing, Inc. for the Canal Street Apartments. The development consists of 133 single-room occupancy (SRO) units in Houston, Texas and was completed in October of 2005.

The Department's participation in the development was limited at that time by two factors. The first was a statutory limitation placed on the use of HOME funds by the Department in local Participating Jurisdictions ("PJs"). Pursuant to 2306.111 of the Texas Government Code, the Department is limited to funding only developments which benefit persons with disabilities in local PJs. The second limitation comes from the Department's administrative rules. Pursuant to 10 TAC §1.15, large developments (50 or more units) shall provide no more than 18 percent of the units of the development set-aside exclusively for people with disabilities. In applying these two limitations staff recommended an award of $1 million to the Development and required 23 units to be reserved for persons with disabilities.

In the October, 2003 meeting the Board modified staff's recommendation for $1million in HOME funds and $250,000 in HTF funds so that the total award of $1.25 million in HOME funds only. This modification was made without correspondingly increasing the number of program units required. The Department also approved a request to increase total funding to $1.5 million in May of 2005. At the time of the Board's increase and subsequent request for increased funding, staff returned to the federal HOME program guidelines and determined that the minimum number of HOME assisted units could remain at 23 based on the application of a unit-by-unit calculation of costs. The U.S. Department of Housing and Urban Development's ("HUD") CPD-98-02 notice clearly states that there are two acceptable methods for calculating the minimum number of HOME assisted units in a development. The calculation of minimum number of units may be performed by either a pro-rated share of the HOME-assisted units (percentage of HOME dollars compared to total development costs), or when units will be non-comparable and a unit-by-unit cost analysis is performed. Staff's original estimates justified the unit-by-unit costs analysis and maintaining the 23 unit set-aside.

After a recent preliminary review by HUD's monitoring staff and a review of new cost estimates, staff now believes that the minimum number of HOME assisted units must be increased. Staff has spoken with our HOME consultants, ICF Inc., and has been advised that we should reapply the pro-rated share calculation. This will require New Hope Housing to increase the number of HOME units to 33 total units. In increasing the number of units receiving HOME funds, this commensurately increases the number of units reserved for persons with disabilities pursuant to the requirement noted above that HOME funds utilized in Participating Jurisdictions may only be allocated for persons with disabilities. By increasing the number of units for persons with disabilities, the percentage of units for persons with disabilities is 24.8% of the total units, a violation of the Integrated Housing Rule.

Staff Recommendation

Staff recommends that the Board approve a wavier of the Department's Integrated Housing Rule, 10 TAC §1.15, for the Canal Street Apartments because this is, in part, a Department error; because we believe HUD will require additional units based on the percentage of HOME funds awarded to the Development, and because the 7% increase in units serving persons with disabilities is a minimal change for the benefit being derived.

If necessary, staff will process a Land Use Restriction Agreement ("LURA") LURA amendment to ensure that the unit restrictions are accurately reflected based on the Board's action.

OFFICE OF COLONIA INITIATIVES

BOARD ACTION REQUEST
JANUARY 18, 2006

Action Item

Request approval of awards of FY 2006 and 2007 Texas Bootstrap Loan Program

Required Action

Review and approve the Recommended Awards

Background

The Texas Bootstrap Loan Program is required under Section 2306.7581 (a-1) of the Texas Government Code, to make available each state fiscal year $3 million for mortgage loans to very low-income families (60% Area Median Family Income) not to exceed $30,000 per unit. This program is a self-help construction program, which is designed to provide very low-income families an opportunity to help themselves attain homeownership or repair their existing home through sweat equity. All participants under this program are required to provide at least 60 percent of labor that is necessary to construct or rehabilitate the home. All applicable building codes and housing standard are adhered to under this program. In addition, nonprofit organizations can combine these funds with other sources such as private lending institutions, local governments, or any other sources. However, all combined repayable loans can not exceed $60,000 per unit.

The Department is required under Section 2306.753 (d) of the Texas Government Code, to set aside at least two-thirds (2/3) of the available funds for owner-builders whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, Water Code. The majority of the counties are located along the Texas-Mexico border region and East Texas. The remainder of the funding, one-third (1/3) will be available statewide.

On September 30, 2005, the Department announced the availability of approximately $6 million from the Housing Trust Fund to implement the FY 2006 and 2007 Texas Bootstrap Loan Program. In addition due to de-obligation of funds from previously awarded Texas Bootstrap Loan Program awards and pursuant to Rider 13 of the General Appropriation Act an additional $673,322.71 has been identified. The Department received twenty-three (23) proposals for funding and over $11 million dollars were requested. Deadline for submission of applications was at 5:00 p.m. on November 18, 2005.

During the month of December 2005, the Department reviewed and scored the applications received.

Recommendation

Request approval to award $6,673,322.71 in Housing Trust Funds and Bond Refinancing Residuals to the following organizations, in order to implement the FY 2006 and 2007 Texas Bootstrap Loan Program to construct and/or rehabilitate single family housing units for very low-income families. Therefore, the Department is recommending seventeen (17) out of the twenty-three (23) applicants based on the following criteria; Operational Capability and Experience, Financial Design, Quality of Program Design, Leveraging of Public/Private Resources, and Underserved Areas or Population.

RECOMMENDING:

2/3 Economically Distressed Areas	Amount Awarded	Admin. Fee	Score	Amount Recommended	# of Units Awarded	County
Lower Valley Housing Corporation	$600,000	$24,000	92	$624,000	30	El Paso
Proyecto Azteca	$600,000	$24,000	92	$624,000	20	Hidalgo
El Paso County Self-Help Center	$480,000	$19,200	85	$499,000	16	El Paso
Alianza Para El Desarrollo Communitario, Inc.	$600,000	$24,0000	82	$624,000	30	El Paso
El Paso Habitat for Humanity	$360,000	$14,400	82	$374,400	12	El Paso
Border Dreams	$600,000	$24,000	81	$624,000	20	Hidalgo
Habitat for Humanity, Victoria and Jim Wells County Habitat for Humanity	$540,000	$21,600	80	$561,600	18	Victoria and Jim Wells
Habitat for Humanity of Laredo, Inc	$510,000	$20,400	78	$530,400	17	Webb
TOTAL	**$4,290,000**	**$171,600**		**$4,461,600**	**163**	

1/3 Statewide Applicants	Amount Awarded	Admin. Fee	Score	Amount Recommended	# of Units Awarded	County
Bryan/College Station Habitat for Humanity	$600,000	$24,000	91	$624,000	20	Brazos
Habitat for Humanity of Greater Georgetown	$180,000	$7,200	85	$187,200	6	Williamson
Habitat for Humanity of San Antonio, Inc.	$300,000	$12,000	80	$312,000	10	Bexar
Waco Habitat for Humanity	$300,000	$12,000	80	$312,000	10	McLennan
Austin and Round Rock Habitat for Humanity	$300,000	$12,000	80	$312,000	10	Travis and Williamson
Dallas Area Habitat for Humanity	$150,000	$6,000	80	$156,000	5	Dallas
HFH of Alvin, Friendswood and Pearland	$60,000	$2,400	76	$62,400	2	Brazoria
North Collin County HFH	$120,000	$4,800	72	$124,800	4	Collin
Fort Worth Area HFH	$116,469.80	$4,852.91	70	$121,322.71	4	Collin, Denton, Ellis, Hunt, Johnson and Rockwall
TOTAL	**$2,126,469.80**	**$85,252.91**		**$2,211,722.71**	**71**	
GRAND TOTAL	**$6,416,469.80**	**$256,852.91**		**$6,673,322.71**	**234**	

The following applicants are not being recommended:

Applicants	Score	Project Location
Community Development Corporation of Brownsville	Disqualified	Cameron
Val Verde County Self-Help Center	75	Val Verde
Midland Habitat for Humanity	61	Midland
Habitat for Humanity of Texas	48	Taylor, Jefferson, Gillespie, Guadalupe, Gregg, Lubbock, and Hays
Habitat for Humanity of North Central Texas, Inc.	53	Collin, Denton, Polk, San Jacinto and Wharton
Habitat for Humanity of Wichita Falls	Disqualified	Wichita

Texas Department of Housing and Community Affairs

RP 36 Executive Order
(relating to preventing, detecting, and eliminating fraud, waste and abuse)

Current Year's Goals and Prior Year's Achievements
for TDHCA Risk Management Program

Texas Department of Housing and Community Affairs
RP 36 Executive Order
(relating to preventing, detecting, and eliminating fraud, waste and abuse)

Current Year's Goals

The RP 36 Team has established the calendar year as its program year and has identified the following goals for the 2006 calendar year:

- RP 36 Survey – To complete and submit a fraud prevention and detection survey to the Governor's Office by January 31, 2006 as part of the Governor's RP36 program. The survey is designed to assist agencies in assessing and reporting their current status in detecting and preventing fraud within their agency.
- Communicating Goals to the Agency - Rollout Meeting for FY06 with Directors, Managers, Facilitators, and RP 36 Team.
- Minimum number of assessments - One assessment for each Division every two months.
- Action Plans/Management Dispositions – That Action Plans be developed to ensure adequate controls are established for all risks identified as unacceptable during the assessments conducted for fiscal year 2005. Alternatively, that process managers provide appropriate input and explanations in instances where they disagree with staff's assessment of risks and/or controls identified during a risk assessment.
- Certification of Controls - Management Attestation/Certification of Adequacy of Controls Over Previously Assessed Processes.
- Establish an Anonymous Reporting Hotline – To contract with a third party for the intake and reporting of fraud, waste, abuse or other illegal acts.

Prior Year's Achievements

The RP 36 Team, a steering/oversight team of senior management appointed by the Executive Director, and the Department achieved the following during fiscal year 2005:

- Expanded considerations of the RP 36 Program that focuses on Waste, Fraud and Abuse, to include operating risks of the Department, i.e. The Risk Management Program.
- Identified the Department's processes and ranked the adverse impact the processes would have on the Department if they were to fail as a high, medium or low impact.
- Developed and adopted a risk assessment methodology.
- Issued a standard operating procedure defining responsibilities for all levels of staff relating to its Risk Management Program.
- Trained twenty-three staff facilitators to assist management and staff in conducting the risk assessments within the Department.
- An executive directive was issued that risk management related responsibilities are included in job descriptions effective the date of the directive and that job descriptions, as they are updated, are to include responsibilities associated with the Risk Management Program.
- Assessed risks associated with 49 of 52 mission critical processes identified by management.
- Issued Risk Management reports to participating staff and management to summarize risks, controls, and opportunities for improvement identified during risk assessment sessions.
- Developed progress status reports to track the status of progress and to help ensure proper accountability for the success of the program.

Texas Department of Housing and Community Affairs

External Audit Results
FYE 8/31/05

∉ ***Communications with Audit Committee Letter***

∉ ***Opinion Audit on FY 2005 Basic Financial Statements***

∉ ***Opinion Audit on FY 2005 Revenue Bond Program Financial Statements***

∉ ***Opinion Audit on FY 2005 Computation of Unencumbered Fund Balances***

∉ ***Report to Management (Management Letter)***

Deloitte.

Deloitte & Touche LLP
JPMorgan Chase Tower
2200 Ross Avenue, Suite 1600
Dallas, TX 75201-6778
USA

Tel: +1 214 840 7000
www.deloitte.com

December 19, 2005

To the Audit Committee of the Board of Trustees of
Texas Department of Housing and Community Affairs:

We have audited the basic financial statements of the Texas Department of Housing and Community Affairs (the "Department") for the year ended August 31, 2005, and have issued our report thereon dated December 19, 2005.

Our professional standards require that we communicate with you concerning certain matters that may be of interest to you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Department is responsible. We have prepared the following comments to assist you in fulfilling that obligation.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND *GOVERNMENT AUDITING STANDARDS*

Our responsibility under auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and *Government Auditing Standards* issued by the Comptroller General of the United States has been described to you in our engagement letter. As described in that letter, those standards require, among other things, that we obtain an understanding of the Department's internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. We have issued a separate report to you, dated December 19, 2005, containing our comments on the Department's internal control.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Department's 2005 financial statements include the allowance for doubtful accounts and accumulated depreciation.

AUDIT ADJUSTMENTS

Our audit was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. In addition, we are obligated by generally accepted auditing standards to inform you of any adjustments arising from the audit that could, in our judgment, either individually or the aggregate, have a significant effect on the Department's financial reporting process.

In addition, we are obligated by generally accepted auditing standards to inform you about uncorrected misstatements (regardless of whether they have a significant effect on the financial reporting process) aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There are no such uncorrected misstatements, since all misstatements detected in our audit have been corrected by management.

SIGNIFICANT ACCOUNTING POLICIES

The Department's significant accounting policies are set forth in Note 1 to the Department's 2005 basic financial statements. However, during the year ended August 31, 2005, the Department implemented Governmental Accounting Standards Board ("GASB") Statement No. 40, *Deposit and Investment Risk Disclosures*—an amendment of GASB Statement No. 3. GASB Statement No. 40 amended the required disclosures as they relate to investment risk. Other than mentioned above, there were no significant changes in previously adopted accounting policies or their application.

ALTERNATIVE ACCOUNTING TREATMENTS

We had no discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions, as well as general accounting policies, related to the year ended August 31, 2005.

OTHER INFORMATION IN THE BASIC FINANCIAL STATEMENTS

When audited financial statements are included in documents containing other information such as the schedules included with the basic financial statements, generally accepted auditing standards require that we read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We have read the other information in the schedules and have inquired as to the methods of measurement and presentation of such information. If we had noted a material inconsistency, or if we had obtained any knowledge of a material misstatement of fact in the other information, we would have discussed this matter with management.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Department's 2005 financial statements. We received the full cooperation of management during our audit.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2005.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

Throughout the year, routine discussions regarding the application of accounting principles or auditing standards were held with management in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions were not held in connection with our retention as auditors.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

In our judgment, we received the full cooperation of the Department's management and staff and had unrestricted access to the Department's senior management in the performance of our audit.

OTHER MATERIAL WRITTEN COMMUNICATIONS

Items that we believe constitute other material written communications between management and us related to the audit for the year ended August 31, 2005, are the following:

- Engagement Letter—April 18, 2005
- Management Representation Letters—December 19, 2005

MANAGEMENT ADVISORY SERVICES

The Department did not engage us to perform any management advisory services during 2005.

We would be pleased to provide you with copies of these communications should you so desire.

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

We will be pleased to discuss this report with you further at your convenience.

Yours truly,

Deloitte + Touche LLP

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BASIC FINANCIAL STATEMENTS
for the year ended August 31, 2005

(With Independent Auditors' Report Thereon)

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

December 12, 2005

The Honorable Rick Perry, Governor
The Honorable Carole Keeton Strayhorn, Texas Comptroller
Mr. John O'Brien, Deputy Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the Annual Financial Report of the Texas Department of Housing and Community Affairs for the year ended August 31, 2005, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

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

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

Sincerely,

Edwina P. Carrington

Edwina P. Carrington, Executive Director

EPC/tt

507 SABINE - SUITE 400 ▪ P.O. BOX 13941 ▪ AUSTIN, TEXAS 78711-3941 ▪ (512) 475-3800

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Basic Financial Statements
for the year ended August 31, 2005

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

Deloitte.

Deloitte & Touche LLP
JPMorgan Chase Tower
2200 Ross Avenue, Suite 1600
Dallas, TX 75201-6778
USA

Tel: +1 214 840 7000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, remaining fund information, and supporting schedules 1A through 1D of the Texas Department of Housing and Community Affairs (the "Department") as of and for the year ended August 31, 2005, as listed in the table of contents. These financial statements and supporting schedules 1A through 1D are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements and supporting schedules based on our audit.

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

As discussed in Note 1 to the financial statements, the financial statements of the Department are intended to present the financial position and results of operations and cash flows of only that portion of the funds of the state of Texas that is attributable to the transactions of the Department.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, major funds, and remaining fund information of the Department, as of August 31, 2005, and the results of its operations and cash flows (where applicable) for the year then ended in conformity with accounting standards generally accepted in the United States of America. Also, in our opinion, schedules 1A through 1D, as listed in the table of contents, present fairly, in all material respects, the information set forth therein.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and supporting schedules 1A through 1D taken as a whole. Supplementary schedules 1 and 2, as listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Department. These financial statements and schedules are also the responsibility of Department management. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2005, on our consideration of the Department's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte + Touche LLP

December 19, 2005

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Texas Department of Housing and Community Affairs' (Department) annual financial report presents management's discussion and analysis of the Department's financial performance during the fiscal year that ended on August 31, 2005. Please read it in conjunction with the Department's financial statements, which follow this section.

Financial Highlights

- The Department's business-type activity net assets decreased $18.5 million and governmental activities net assets decreased $0.4 million.

- The Department's proprietary fund went from Operating Income of $1.2 million to an Operating (Loss) of ($18.3) million. The change was a result of a larger increase in interest and other operating expenses compared to the increase in interest revenue. The change in fair value of investments reversed itself from an unrealized gain of $5.4 million in fiscal year 2004 to an unrealized (loss) of ($13.5) million in fiscal year 2005 or $18.9 million; this accounted for 97% of the operating (loss). There was an increase in expenses, specifically bond interest expense of $8.4 million to $108.1 million due to an increase in bonds outstanding.

- Net Assets in the Department's Governmental Fund decreased from $9.0 million to $8.6 million. The change resulted from a combination of increased revenues and expenditures. The decrease was also attributed to transfers out of excess earned federal funds to the State Comptroller's Office. There was also an additional transfer of unspent Community Development Block Grant funds to the Office of Rural and Community Affairs (ORCA).

- The Department's proprietary fund debt increased $184.1 million to $2.1 billion. Debt issuances and debt retirements totaled $451.8 million and $267.7 million, respectively.

- Loan originations for the year totaled $195.7 million and $9.2 million in the Department's proprietary and governmental funds, respectively.

- The Department entered into three interest rate swap agreements with three different counterparties for a combined notional amount $188.0 million and a fair value of ($9.5) million as of August 31, 2005.

Overview of the Financial Statements

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

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

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

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

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

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

Government-Wide Financial Statements

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

Statements of Net Assets

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

Texas Department of Housing and Community Affairs
Condensed Statement of Net Assets – Governmental Activities
As of August 31, 2005

	Governmental Activities		Increase / (Decrease)	
Assets	2005	2004	Amount	%
Cash & Investments	$ 3,478,348	$ 3,340,628	$ 137,720	4.1
Legislative Appropriations	10,035,348	10,659,878	(624,530)	(5.9)
Federal Receivable	5,289,494	4,909,188	380,306	7.7
Other Intergovernmental Receivables	-	1,423,187	(1,423,187)	(100.0)
Accounts Receivable	259,778	-	259,778	NA
Interfund Receivables	75,149	106,338	(31,189)	(29.3)
Loans and Contracts	102,152,695	99,001,587	3,151,108	3.2
Capital Assets	108,118	137,885	(29,767)	(21.6)
Due from Other Agencies	9,190	160,462	(151,272)	(94.3)
Other Assets	90,223	160,541	(70,318)	(43.8)
Total Assets	121,498,343	119,899,694	1,598,649	1.3
Liabilities				
Accounts Payable	8,966,505	8,306,095	660,410	8.0
Payroll Payable	851,848	849,105	2,743	0.3
Deferred Revenue	102,152,695	100,461,077	1,691,618	1.7
Other Liabilities	929,329	1,272,803	(343,474)	(27.0)
Total Liabilities	112,900,377	110,889,080	2,011,297	1.8
Net Assets				
Invested in Capital Assets	108,118	137,885	(29,767)	(21.6)
Restricted by Grantor	99,319	311,148	(211,829)	(68.1)
Unrestricted	8,390,529	8,561,581	(171,052)	(2.0)
Total Net Assets	$ 8,597,966	$ 9,010,614	$ (412,648)	(4.6)

Net Assets of the Department's governmental funds decreased by 4.6%. The decrease was attributed to a combination of changes in Excess of Revenues over Expenses at the government-wide level. Unrestricted Net Assets primarily consists of a balance in the Housing Trust Fund. Restricted Net Assets represent balances in the Investor Owned Utility Program.

The decrease of Legislative Appropriations resulted primarily from decreases of Manufactured Housing and Earned Federal Fund balances and an increase in benefit receiving accounts.

Other Intergovernmental Receivables decreased to a zero balance in fiscal year 2005. In an effort to meet an early Annual Financial Report deadline as encouraged by the State Comptroller's Office, the Department changed its approach to record accrued expenditures and Other Intergovernmental Receivables. In the past, these accounts were recorded according to the subgrantees' reported expenditures and subsequent payments after year end. Starting in fiscal year 2005, accrued expenditures were estimated on historical data and trends of the programs. The net amounts that the Department owed to the subgrantees and the subgrantees owed to the Department were recorded as Accounts Payable. Therefore, an estimate for accrual of Other Intergovernmental Receivables was not recorded separately in fiscal year 2005.

The Department experienced increases of Loans and Contracts as well as Deferred Revenue. This increase occurred primarily because of the increase of current and non-current program loans, which are funded by state and federal funds. These loans are for the purpose of HOME ($88 million) and Housing Trust Fund ($14 million) program activities.

Accounts Payable experienced an increase during fiscal year 2005. This resulted from an increase in activities at year end for both HOME and Community Services Block Grant programs.

Included in Other Liabilities is the current and non-current portion of Employees' Compensable Leave. It represents unpaid balances of employees' accumulated annual leave.

Business-Type Activities

Texas Department of Housing and Community Affairs
Business-Type Activities – Condensed Statement of Net Assets as of August 31, 2005

	Business-Type Activities		Increase / (Decrease)	
Assets	2005	2004	Amount	%
Cash & Investments	$ 1,417,982,529	1,382,370,290	$ 35,612,239	2.6
Loans and Contracts	1,095,088,378	940,023,428	155,064,950	16.5
Interest Receivable	12,454,068	10,971,487	1,482,581	13.5
Capital Assets	213,233	261,918	(48,685)	(18.6)
Real Estate Owned	57,427	552,282	(494,855)	(89.6)
Deferred Issuance Cost	11,469,566	11,236,074	233,492	(2.1)
Other Assets	2,348,441	1,463,813	884,628	60.4
Total Assets	2,539,613,642	2,346,879,292	192,734,350	8.2
Liabilities				
Bonds/Notes Payable	2,167,498,974	1,957,777,506	209,721,468	10.7
Interest Payable	27,172,715	23,839,835	3,332,880	14.0
Deferred Revenue	10,511,908	10,091,146	420,762	4.2
Other Liabilities	245,413,490	247,603,554	(2,190,064)	(0.9)
Total Liabilities	2,450,597,087	2,239,312,041	211,285,046	9.4
Net Assets				
Invested in Capital Assets	213,233	261,918	(48,685)	(18.6)
Restricted	61,632,463	82,716,596	(21,084,133)	(25.5)
Unrestricted	27,170,859	24,588,737	2,582,122	10.5
Total Net Assets	$ 89,016,555	107,567,251	$ (18,550,696)	(17.2)

Net assets of the Department's proprietary fund decreased $18.6 million, or 17.2% to $89.0 million. The decrease resulted primarily from a decline in earnings from the Department's investments, loans, other programs and an increase in expenses. A decline in the Department's fair value of its investments also contributed to this decrease in net assets. This decline resulted in an unrealized (loss) of ($13.5) million, down $18.9 million from an unrealized gain of $5.4 million. Restricted net assets of the Department's proprietary fund decreased $21.1 million or 25.5%. Unrestricted net assets increased $2.6 million or 10.2%.

Cash and investments increased $35.6 million, or 2.6% to $1.4 billion, as funds were generated from debt issuances, reinvestment of loan repayments, and interest earnings. Program loans receivable (current and non-current) increased $155.0 million, or 16.5% to $1.1 billion, as a result from the origination of $176.7 million and $14.8 million in pay offs of mortgage loans under the Department's Multifamily Program. Total bonds and notes payable (current and non-current) increased $209.7 million, or 10.7% due to new debt issuances associated with the Department's Single Family and Multifamily Programs.

Earnings within the Department's various funds were $106.0 million of which $95.0 million is classified as restricted and $11.0 million as unrestricted.

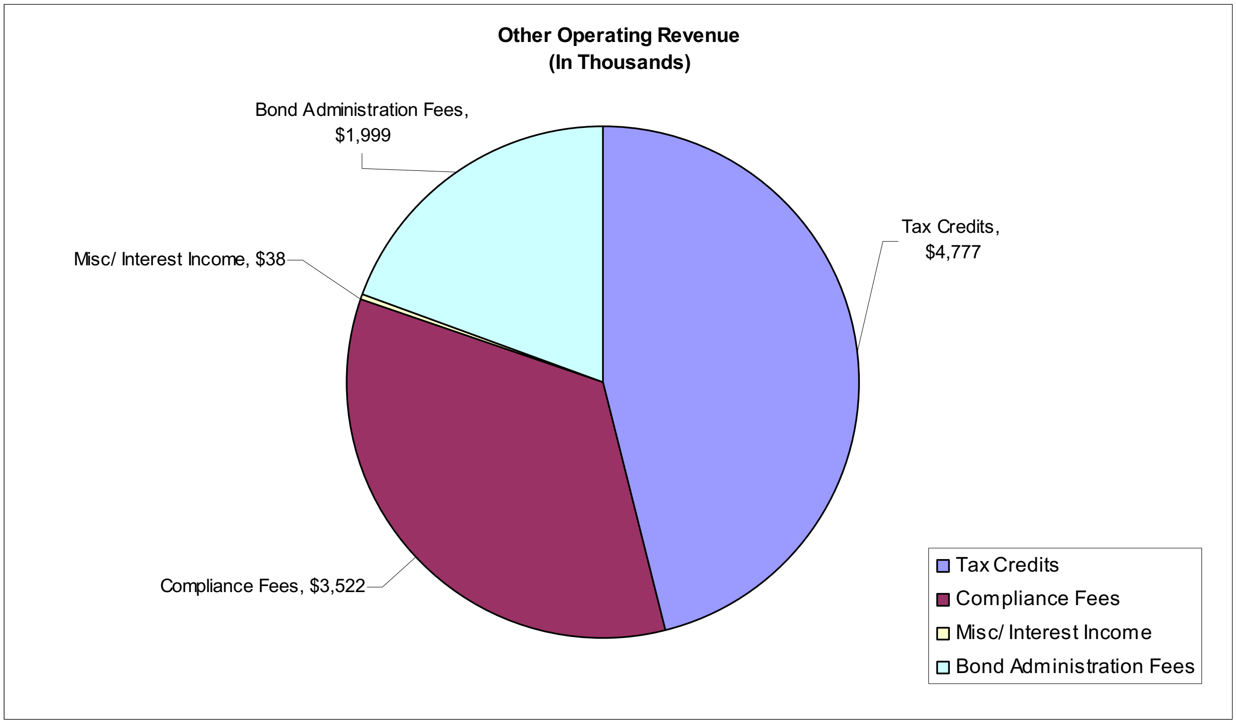
Restricted earnings are composed of $106.2 million in interest and investment income, ($13.5) million in fair value of investments, and $2.3 million in other revenue. Interest and investment income are restricted per bond covenants for debt service. Fair value of investments is an unrealized (loss) due to the fact that the Department holds investments until maturity. Other revenue is predominantly an accounting recognition of fees received in previous years that were deferred when received and are being amortized over a period of time.

Unrestricted earnings are composed of $0.7 million in interest and investment income and $10.3 million in other operating revenue.

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

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

The graph below illustrates the composition of the $10.3 million in other operating revenue, classified as unrestricted earnings, according to the different housing programs.



Statement of Activities

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

A condensed Statement of Activities for the fiscal year ended August 31, 2005 and 2004 is shown in the table below.

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

	Governmental Activities 2005	Governmental Activities 2004	Business-Type Activities 2005	Business-Type Activities 2004	Total 2005	Total 2004
Program Revenues:						
Charges for Services	$ 1,787	3,544	$ 118,838	109,205	$ 120,625	112,749
Operating Grants and Contributions	155,028	126,181	-	-	155,028	126,181
General Revenues	7,148	6,553	(13,053)	3,281	(5,905)	9,834
Total Revenue	163,963	136,278	105,785	112,486	269,748	248,764
Total Expenses	163,903	138,396	124,332	113,744	288,235	252,140
Excess before Transfers	60	(2,118)	(18,547)	(1,258)	(18,487)	(3,376)
Transfers	(469)	2	-	-	(469)	2
Change in Net Assets	$ (409)	$ (2,116)	$ (18,547)	$ (1,258)	$ (18,956)	(3,374)

Governmental Fund Activities

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

Total revenue increased $27.7 million. This increase consisted primarily of increases of $28.8 million in Operating Grants and Contributions and a decrease of Charges for Services of $1.8 million. The increase of Operating Grants and Contributions is a result of increased federal activities in the HOME Program. The decrease of Charges for Services is due to a change in the Department's methodology of depositing Manufactured Housing Licenses, Fees & Permits. The methodology practiced in 2005 required that excess receipts be deposited into the State Comptroller's Office sweep account.

Expenses of the Department's Governmental Activities consisted primarily of Intergovernmental Payments and Public Assistance Payments. The Department distributes program funds to local providers, including local governmental, nonprofit and for-profit organizations, community based organizations and real estate developers. The increase in Expenses is primarily due to a combination of increased activities in the HOME and LIHEAP programs and decreased units in the Section 8 program.

Transfers consisted of the transferring out of earned federal funds collected in excess of appropriation authority to the Comptroller's Office. There was also an additional transfer of unspent Community Development Block Grant funds to the Office of Rural and Community Affairs (ORCA).

Business-Type Activities

Revenues of the Department's Business-type Activities were primarily from charges for services of $118.8 million and a decrease in of fair value of investments of ($13.5 million). Charges for services consist primarily of earned interest income on loans for the three housing lending programs. It also includes program investment income which is earned within the Department's bond programs, the investments and the income of which are restricted to those programs by a pledge to the respective bond indentures. Total revenue decreased $8.9 million which consisted primarily of a decrease in fair value of investments of $18.9 million compared to 2004 and offset by an increase of $9.6 million in interest and investment income.

Expenses of the Department's Business-type Activities consist primarily of interest expense of $108.1 million, which increased $8.4 million. The increase in interest expense is a result of an increase in the Department's debt issued to fund its various Single Family and Multifamily lending programs. The direct expenses also include Administrative Funds, allocations of expenses of Department programs that directly involve the production or monitoring activities associated with the housing programs, as well as certain costs incurred, both internally and externally. Administrative expenses increased $0.4 million to $11.9 million, which was incurred within the Department's Administrative Funds including all other administrative and supportive functions and overhead expenses.

The Department's Business-type Activities expenses of $124.3 million exceeded Charges for Services of $118.8 million by $5.5 million. Charges for Services, primarily interest income on loans and investment income, are intended to cover bond principal and interest expense. The other direct expenses were covered and the difference was covered by prior year available net assets. This income, plus interest earned on loans, produces an adequate amount to pay Department obligations as required by the bond indentures covenants.

The Department's Business-type Activities also generated $0.7 million of unrestricted investment income, which was used primarily to pay administrative costs.

Fund Financial Statements

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

- Governmental fund – The General Revenue Fund is the Department's only Governmental Fund. It is the principal operating fund used to account for the Department's general activities. The financing for this fund is authorized through state legislative appropriations either as committed or collected revenues. Federal and state programs are also reported within this fund.

- Proprietary fund – The Department's activities in its proprietary fund are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of taxable and tax-exempt bonds whose proceeds are used primarily to fund various types of loans to finance low and moderate-income housing.
  This fund also receives fee income from the Multifamily Tax Credit Program and Compliance fees collected for the purpose of covering the operating costs of the Department. The net assets of these funds represent accumulated earnings since their inception and are generally restricted for program purposes or debt service.

Governmental Fund

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

			Increase / (Decrease)	
OPERATING REVENUES	2005	2004	Amount	%
Legislative Appropriations	$ 5,772,113	$ 5,956,505	$ (184,392)	(3.1)
Federal Revenues	151,548,147	122,624,178	28,923,969	23.6
Federal Grant Pass-Through	514,529	395,441	119,088	30.1
State Grant Pass-Through	798,771	966,170	(167,399)	(17.3)
Licenses, Fees and Permits	1,114,504	2,837,929	(1,723,425)	(60.7)
Interest and Investment Income	403,545	162,777	240,768	147.9
Sales of Goods and Services	672,801	706,088	(33,287)	(4.7)
Other Revenue	3,283,150	3,947,227	(664,077)	(16.8)
Total Operating Revenues	164,107,560	137,596,315	26,511,245	19.3
OPERATING EXPENDITURES				
Salaries and Wages	7,626,824	7,734,512	(107,688)	(1.4)
Payroll Related Costs	1,825,848	1,901,866	(76,018)	(4.0)
Professional Fees and Services	874,052	675,767	198,285	29.3
Travel	424,629	425,940	(1,311)	(0.3)
Materials and Supplies	259,755	224,148	35,607	15.9
Communications and Utilities	201,691	248,402	(46,711)	(18.8)
Repairs and Maintenance	107,645	71,188	36,457	51.2
Rentals and Leases	979,733	1,051,186	(71,453)	(6.8)
Printing and Reproduction	76,140	63,561	12,579	19.8
Claims and Judgments	(483,115)	979,864	(1,462,979)	(149.3)
Other Operating Expenditures	303,274	332,769	(29,495)	(8.9)
Capital Outlay	23,190	26,535	(3,345)	(12.6)
Intergovernmental Payments	43,815,657	23,763,732	20,051,925	84.4
Public Assistance Payments	107,701,827	100,810,395	6,891,432	6.8
Total Operating Expenditures	163,737,150	138,309,865	25,427,285	18.4
Excess of Revenues over Expenditures	370,410	(713,550)	1,083,960	(151.9)
Other Financing Sources (Uses)	(468,236)	(2,195,495)	1,727,259	(78.7)
CHANGE IN FUND BALANCE	(97,826)	(2,909,045)	2,811,219	(96.6)
Beginning Fund Balance	9,662,417	11,668,271	(2,005,854)	(17.2)
Appropriations Reinstated (Lapsed)	(145,414)	903,191	(1,048,605)	(116.1)
Ending Fund Balance	$ 9,419,177	$ 9,662,417	$ (243,240)	(2.5)

Revenues of the Department's governmental activities totaled $164.1 million and were generated by federal grants primarily from Low Income Home Energy Assistance Program (LIHEAP), Community Services Block Grant (CSBG) and HOME programs. Expenditures of $163.7 million consisted primarily of Intergovernmental and Public Assistance Payments.

Operating revenues from governmental activities increased by $26.5 million in 2005. The majority of the increase was attributed to the increase in Federal Revenue from the HOME program. It is also attributed to the increase from the LIHEAP Program and a decrease in the Section 8 program. The Department received additional funds from the U.S. Department of Health and Human Services for the LIHEAP Program. The Department also transferred 560 units of the Section 8 Housing Choice Voucher Program and the associated budget authority to the Brazoria Housing Authority.

The decrease in licenses, fees, and permits resulted from a change in the Department's methodology for depositing Manufactured Housing fees. The new methodology transferred excess receipts to the State Comptroller's Office sweep account.

The change to Interest and Investment Income was due to an increase in interest rates and increased cash balance in the State Treasury. Other revenues decreased due to decreased fees collected from HUD for floor plans produced and shipped by the Division and decreased revenues from Investor Owned Utilities.

The Department experienced a similar increase in expenses. It consisted of an increase in Intergovernmental Payments by 84% or $20 million primarily for the HOME Program and an increase in Public Assistance Payments by 6.8%, or $6.9 million. Public Assistance Payments increased in the HOME and LIHEAP programs but decreased in the Section 8 program.

Claims and Judgments decreased $1.5 million. The Department recorded $483,115 as an estimate of potential settlement of disallowed costs pursuant to the administration of the HOME program and was seeking a waiver of the disallowed costs at the time when 2004 reports were issued. The Department has continued communication with HUD, and management believes that HUD will accept one of the options proposed by the Department. Therefore, the accrued contingent loss recorded in 2004 was reversed and negative Claims and Judgments were reflected in 2005. In addition, Manufactured Housing consumer services were reported in the Professional Fees and Services category.

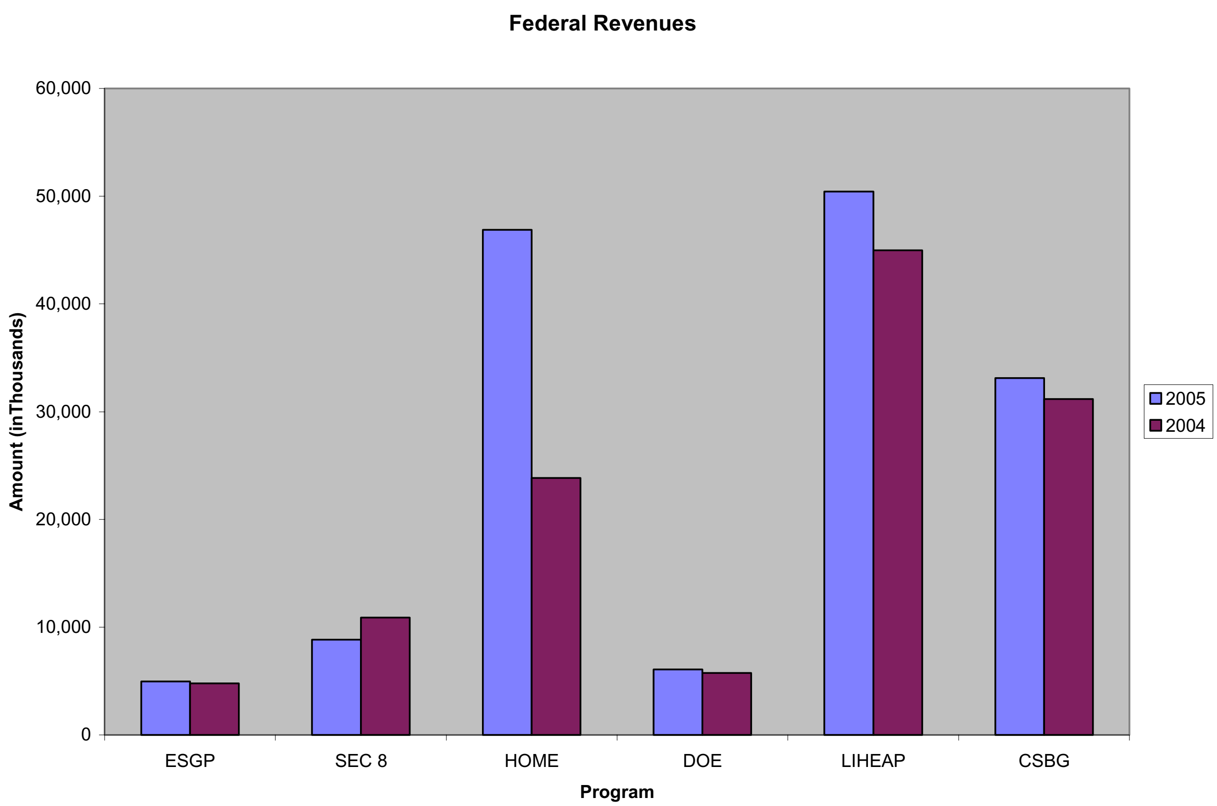
The fiscal year 2005 Transfers Out consisted of the transfer of earned federal funds collected in excess of appropriation authority to the State Comptroller's Office. There was also an additional transfer of an unspent balance to ORCA.

The following graphs illustrate a comparison between fiscal year 2005 and 2004 for Federal Revenues, Intergovernmental Payments, and Public Assistance Payments.

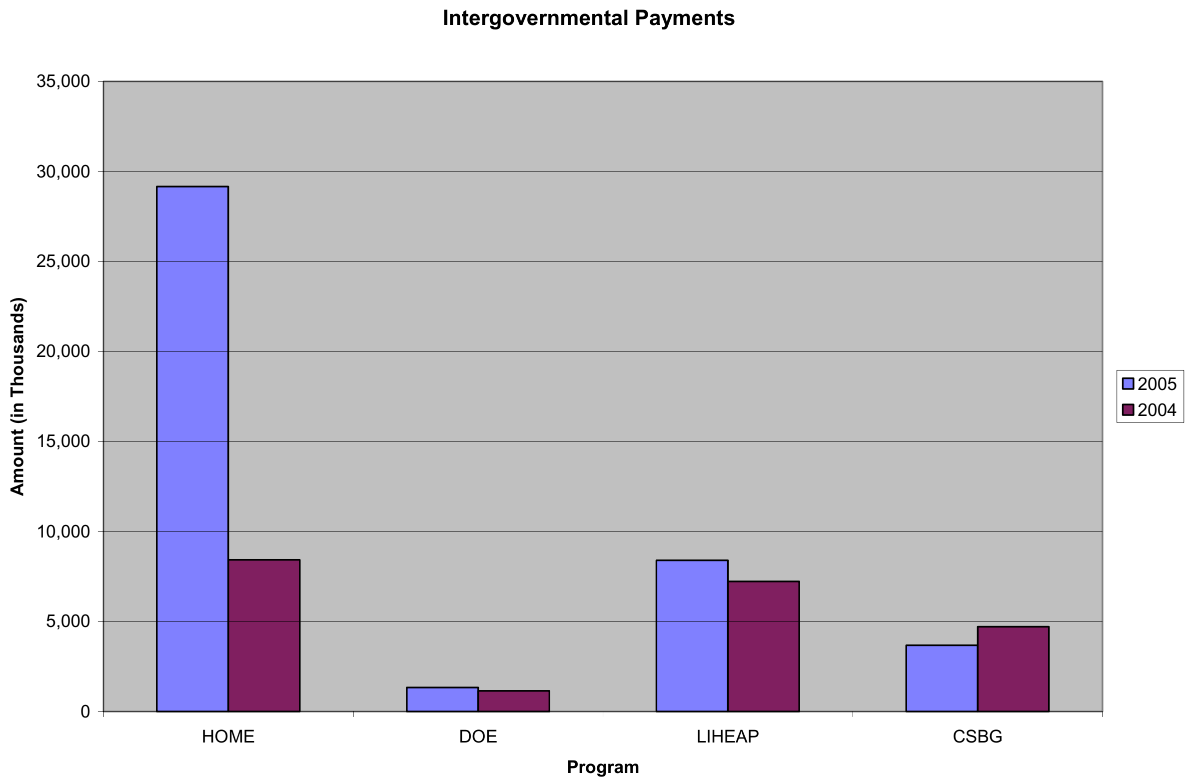
The acronyms used in the graphs are defined as following:

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

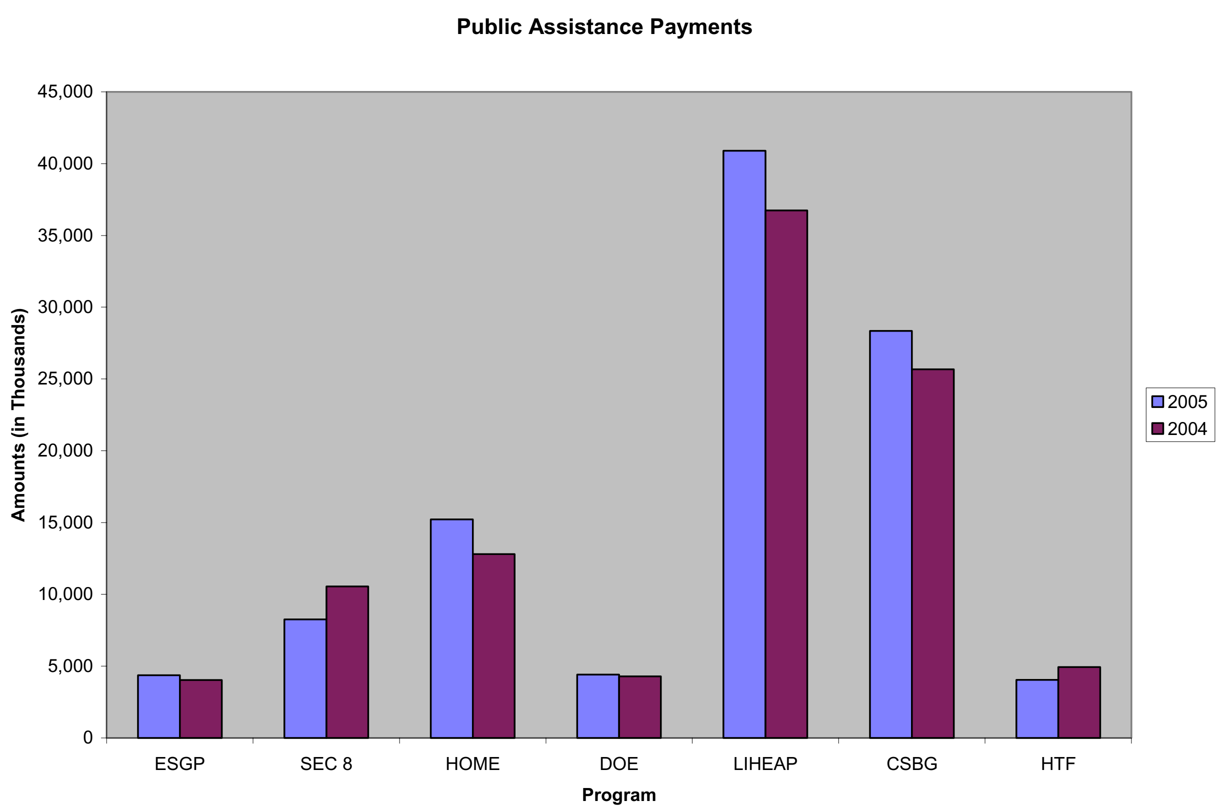
Federal Revenues: Receipts from the State's participation in programs financed with federal funds.



Intergovernmental Payments: Payment of grants to cities, counties, council of governments or other governmental entities.



Public Assistance Payments: Payment of grants to community action groups and organizations for community service programs.



Proprietary Fund

Net assets of the Department's proprietary fund decreased from the August 31, 2004 figures by $18.6 million or 17.3% to $89.0 million. The following table summarizes the Statement of Revenues, Expenses and Changes in Net Assets of the Department's proprietary fund for the fiscal years ended August 31, 2005 and August 31, 2004.

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

			Increase / (Decrease)	
OPERATING REVENUES	2005	2004	Amount	%
Interest and Investment Income	$ 106,872,925	97,230,038	$ 9,642,887	9.9
Net Increase (Decrease) in Fair Value	(13,498,876)	5,373,407	(18,872,283)	(351.2)
Other Operating Revenues	12,648,254	12,317,010	331,244	2.7
Total Operating Revenues	106,022,303	114,920,455	(8,898,152)	(7.7)
OPERATING EXPENSES				
Salaries and Wages	6,086,575	6,374,118	(287,543)	(4.5)
Payroll Related Costs	1,573,803	1,672,378	(99,575)	(5.6)
Professional Fees and Services	1,463,806	1,135,033	328,773	29.0
Travel	253,819	207,373	46,446	22.4
Materials and Supplies	309,893	198,353	111,540	56.2
Communications and Utilities	124,423	107,777	16,646	15.4
Repairs and Maintenance	180,730	144,247	36,483	25.3
Rentals and Leases	1,023,690	923,690	100,000	10.8
Printing and Reproduction	18,009	14,750	3,259	22.1
Depreciation Expense	651,304	638,903	12,401	1.9
Interest	108,097,933	99,720,640	8,377,293	8.4
Bad Debt Expense	815,832	-	815,832	N/A
Other Operating Expenses	3,732,655	2,605,604	1,127,051	43.3
Total Operating Expenses	124,332,472	113,743,866	10,588,606	9.31
Operating Income (Loss)	(18,310,169)	1,176,589	(19,486,759)	(1,656.2)
NONOPERATING REVENUES (EXPENSES) & EXTRAORDINARY ITEMS	(237,254)	(2,435,203)	(2,197,949)	(90.0)
CHANGE IN NET ASSETS	(18,547,423)	(1,258,614)	(17,288,809)	(1,373.6)
Beginning Net Assets,	107,567,251	108,825,865	(1,258,614)	(1.2)
Restatements	(3,273)	-	(3,273)	N/A
Net Assets, as Restated	107,563,978	108,825,865	(1,264,887)	(1.2)
Ending Net Assets	$ 89,016,555	107,567,251	$ (18,550,696)	(17.3)

Interest earned on program loans increased by $5.7 million, or 11.8% due primarily to an increase of $7.5 million or 17.1% within the Department's Multifamily Bond Program, due to higher loan amounts outstanding. The increase was offset by a decrease of $1.7 million or 38.9% within the Single Family Bond Program, due to decreasing balances of higher interest rate loans paid off by consumers.

Investment income increased $3.9 million or 7.9% and reflected higher investment yields for the market overall. The primary increase in investment income was within the Single Family Bond Program funds, which increased $7.3 million or 42.6% but was offset by the Residential Mortgage Revenue Bond Program funds and Single Family Collateralized Home Mortgage Revenue Bond (CHMRB) Program funds, which declined $1.7 million and $1.7 million respectively. The decline in investment income for the Single Family CHMRB programs was due to the sale of the mortgage backed securities.

The following table illustrates the changes in net assets by program of the Department's business-type activities for the fiscal years 2005 and 2004.

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

					Increase / (Decrease)	
Fund		2005	2004		Amount	%
Single Family	$	43,055	57,077	$	(14,022)	(24.7)
RMRB		15,498	19,192		(3,694)	(19.3)
CHMRB		1,716	2,288		(572)	(25.0)
Multifamily		757	629		(433)	(36.4)
1993 SF CHMRB		190	1,190		(2,082)	(91.6)
1994 / 1995 SF CHMRB		411	2,272		(218)	(34.7)
Commercial Paper		6	68		(62)	(91.1)
General Funds		15,010	13,944		1,066	7.6
Housing Trust Fund		11,765	11,527		238	2.1
Administration Fund		(57)	(47)		(10)	21.2
Compliance Programs		127	(85)		212	249.4
Housing Initiatives		539	(488)		1,027	210.5
Total	$	89,017	107,567	$	(18,550)	(17.3)

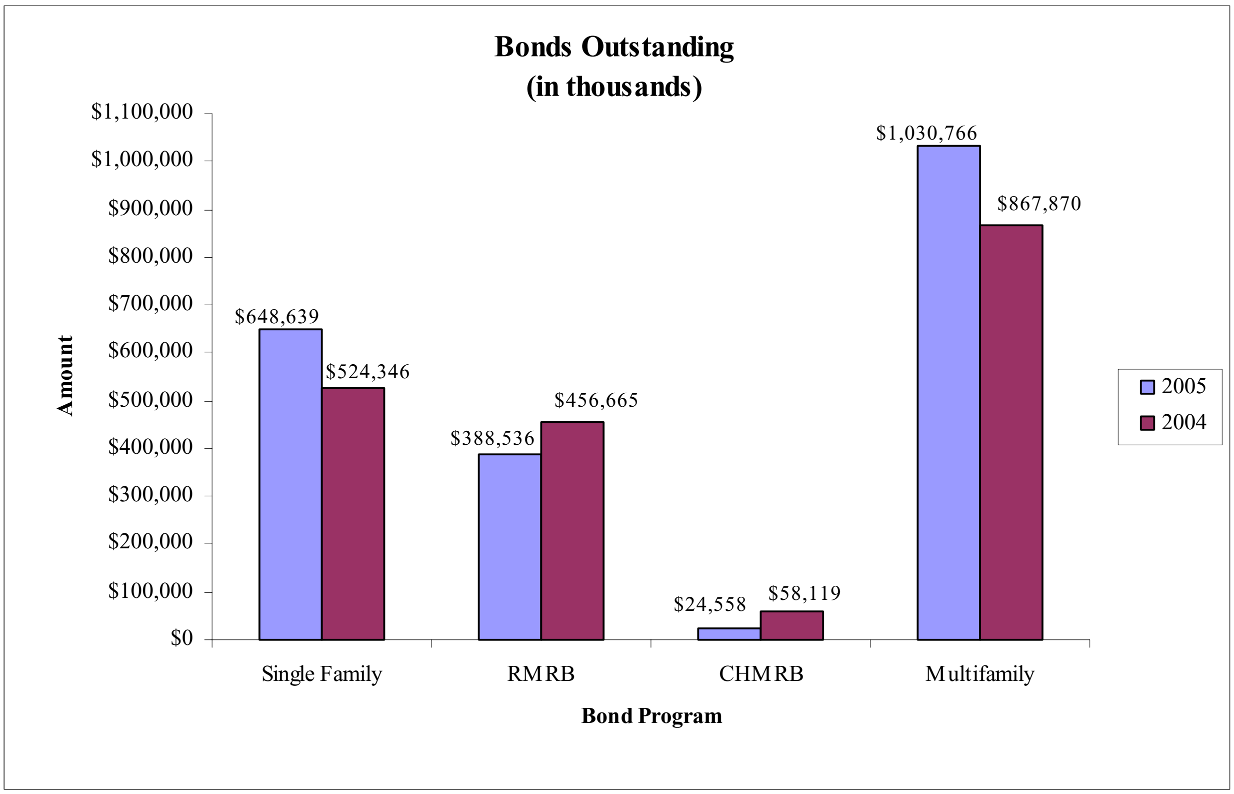
The net assets in the Housing Initiatives increased $1.0 million or 210.5% during fiscal year 2005 as a result of surplus equity after the operating transfers to offset administrative costs.

The net assets of the Single Family Bond Program decreased by $14.0 million or 24.7%, primarily due to a decrease in interest and investment income, decrease in fair value in investments and increase in interest expense. The net assets of the Residential Mortgage Revenue Bonds (RMRB) decreased by $3.7 million due to the net effect of a $3.7 million adjustment to fair value of investments, a decrease in investment income, and an increase in interest expense.

Department Debt

The Department's new debt issuances during fiscal year 2005 totaled $451.8 million. The Single Family program issued $275.1 million in bonds and the Multi-Family Bond Program issued $176.7 million. The Department also had $267.7 million in debt retirement during the year primarily due to consumer refinancing and paying off of original loans. The net result was an increase in bonds payable of $185.5 million to $2.1 billion of which $13.9 million is due within one year. For additional information, see Note 12, Bond Indebtedness, and supplementary bond information schedules.

The following graph will illustrate a comparison of bonds outstanding between fiscal year 2005 and 2004 per bond program.



Request for Information

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

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I
STATEMENT OF NET ASSETS - GOVERNMENT WIDE
As of August 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash on Hand	$ -	$ 200	$ 200
Cash in Bank	20,000	118,071	138,071
Cash in State Treasury	-	925,920	925,920
Cash Equivalents	-	24,739,403	24,739,403
Restricted:			
Cash and Cash Equivalents (Note 3):			
Cash in Bank	-	11,919,756	11,919,756
Cash in State Treasury	3,458,348	-	3,458,348
Cash Equivalents	-	140,402,586	140,402,586
Restricted Short-term Investments (Note 3)	-	203,359,954	203,359,954
Loans and Contracts	-	7,499,529	7,499,529
Interest Receivable	-	12,384,440	12,384,440
Federal Receivable	5,289,494	-	5,289,494
Legislative Appropriations	10,035,348	-	10,035,348
Receivables From:			
Interest Receivable	85,022	69,628	154,650
Accounts Receivable	259,778	1,158,660	1,418,438
Interfund Receivable (Note 7)	75,149	-	75,149
Due From Other Agencies (Note 7)	9,190	-	9,190
Consumable Inventories	5,201	5,213	10,414
Loans and Contracts	2,370,412	841,964	3,212,376
Other Current Assets	-	1,184,568	1,184,568
Total Current Assets	21,607,942	404,609,892	426,217,834
Non-Current Assets:			
Loans and Contracts	-	4,828,822	4,828,822
Capital Assets (Note 2):			
Depreciable:			
Furniture & Equipment	1,659,127	1,388,880	3,048,007
Accumulated Depreciation	(1,551,009)	(1,175,647)	(2,726,656)
Restricted Assets:			
Investments (Note 3)	-	1,036,516,639	1,036,516,639
Loans and Contracts	99,782,283	1,081,918,063	1,181,700,346
Other Non-Current Assets:			
Deferred Issuance Cost, net (Note 12)	-	11,469,566	11,469,566
Real Estate Owned, net	-	57,427	57,427
Total Non-Current Assets	99,890,401	2,135,003,750	2,234,894,151
Total Assets	$ 121,498,343	$ 2,539,613,642	$ 2,661,111,985

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I (Continued)
STATEMENT OF NET ASSETS - GOVERNMENT WIDE
As of August 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable	$ 8,966,505	$ 913,994	$ 9,880,499
Accrued Bond Interest Payable	-	27,172,715	27,172,715
Payroll Payable	851,848	-	851,848
Interfund Payable (Note 7)	-	75,149	75,149
Deferred Revenues	102,152,695	10,511,908	112,664,603
Employees Compensable Leave (Note 5)	722,252	366,538	1,088,790
Notes and Loans Payable (Note 4)	-	75,000,000	75,000,000
Revenue Bonds Payable (Notes 5 & 12)	-	13,871,000	13,871,000
Other Current Liabilities	-	7,463,898	7,463,898
Total Current Liabilities	112,693,300	135,375,202	248,068,502
Non-Current Liabilities:			
Employee Compensable Leave (Note 5)	207,077	135,853	342,930
Revenue Bonds Payable (Notes 5 & 12)	-	2,078,627,974	2,078,627,974
Other Non-Current Liabilities	-	236,458,058	236,458,058
Total Non-Current Liabilities	207,077	2,315,221,885	2,315,428,962
Total Liabilities	112,900,377	2,450,597,087	2,563,497,464
NET ASSETS			
Invested in Capital Assets	108,118	213,233	321,351
Restricted:			
For Single Family Bonds	-	61,221,900	61,221,900
For MultiFamily Bonds	-	410,563	410,563
By Grantor	99,319	-	99,319
Unrestricted	8,390,529	27,170,859	35,561,388
Total Net Assets	$ 8,597,966	$ 89,016,555	$ 97,614,521

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT II
STATEMENT OF ACTIVITIES - GOVERNMENT WIDE
For the Year Ended August 31, 2005

		Program Revenues		Net (Expenses) Revenue and Changes in Net Assets – Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**2005 Total**
Primary Government						
Governmental Activities:						
Manufactured Housing	$ 4,752,938	$ 1,679,042	$ -	$ (3,073,896)	$ -	$ (3,073,896)
HOME Investment in Affordable Housing	47,081,690	-	47,478,784	397,094	-	397,094
Energy Assistance	58,527,672	-	58,405,841	(121,831)	-	(121,831)
Community Services	38,466,466	13,931	38,506,958	54,423	-	54,423
Section 8	9,042,958	-	8,847,776	(195,182)	-	(195,182)
Housing Trust Fund	4,104,493	-	921,394	(3,183,099)	-	(3,183,099)
Administration	1,927,156	94,332	867,481	(965,343)	-	(965,343)
Total Governmental Activities	163,903,373	1,787,305	155,028,234	(7,087,834)	-	(7,087,834)
Business-type Activities:						
Single Family Bonds	61,274,798	56,386,845	-	-	(4,887,953)	(4,887,953)
Multifamily Bonds	51,173,399	52,115,199	-	-	941,800	941,800
Housing Trust Fund Program	6,468	38,111	-	-	31,643	31,643
Administration	11,877,808	10,297,914	-	-	(1,579,894)	(1,579,894)
	124,332,473	118,838,069	-	-	(5,494,404)	(5,494,404)
Total Primary Government	$ 288,235,846	$ 120,625,374	$ 155,028,234	$ (7,087,834)	$ (5,494,404)	$ (12,582,238)

General Revenues:	Governmental Activities	Business-type Activities	2005 Total
Original Appropriations	$ 4,951,058	$ -	$ 4,951,058
Additional Appropriations	821,055	-	821,055
Interest & Other Investment Income	280,921	683,111	964,032
Other Revenues	1,238,986	-	1,238,986
Appropriations Reinstated (Lapsed)	(145,414)	-	(145,414)
Net Decrease in Fair Value of Investments	-	(13,498,876)	(13,498,876)
Legislative Transfers In	539	-	539
Legislative Transfers (Out)	(468,775)	-	(468,775)
Gain on sale of Investments	-	1,275,712	1,275,712
Extraordinary Item (loss on early extinguishment of debt)	-	(1,512,966)	(1,512,966)
Total General Revenues and Transfers	6,678,370	(13,053,019)	(6,374,649)
Change in Net Assets	(409,464)	(18,547,423)	(18,956,887)
Net Assets, September 1, 2004	9,010,614	107,567,251	116,577,865
Restatement (Note 14)	(3,184)	(3,273)	(6,457)
Net Assets, September 1, 2004, as Restated	9,007,430	107,563,978	116,571,408
Net Assets - August 31, 2005	$ 8,597,966	$ 89,016,555	$ 97,614,521

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT III
COMBINED BALANCE SHEET - GOVERNMENTAL FUND
As of August 31, 2005 with comparative totals for 2004

	2005 Total	2004 Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3):		
Cash in Bank	$ 20,000	$ 20,000
Cash in State Treasury	-	1,459,490
Restricted:		
Cash and Cash Equivalents (Note 3):		
Cash in State Treasury	3,458,348	1,861,138
Federal Receivable	5,289,494	4,909,188
Legislative Appropriations	10,035,348	10,659,878
Accounts Receivable	259,778	-
Receivables From:		
Other Intergovernmental	-	1,423,187
Interest	85,022	152,330
Interfund Receivable (Note 7)	75,149	407,360
Due From Other Agencies (Note 7)	9,190	160,462
Consumable Inventories	5,201	8,211
Restricted - Loans and Contracts	2,370,412	2,352,463
Total Current Assets	21,607,942	23,413,707
Non-Current Assets:		
Restricted - Loans and Contracts	99,782,283	96,649,124
Total Non-Current Assets	99,782,283	96,649,124
Total Assets	121,390,225	120,062,831
LIABILITIES		
Current Liabilities:		
Payables From:		
Accounts Payable	8,966,505	8,306,095
Payroll Payable	851,848	849,105
Claims and Judgments Payable	-	483,115
Interfund Payable	-	301,022
Deferred Revenues	102,152,695	100,461,077
Total Liabilities	111,971,048	110,400,414
FUND FINANCIAL STATEMENT-FUND BALANCES		
Fund Balances:		
Reserved for:		
Encumbrances	8,722,111	9,487,602
Inventories	5,201	8,211
Imprest	20,000	20,000
Unreserved/Undesignated	671,865	146,604
Total Fund Balances as of August 31	9,419,177	9,662,417
NOTE: Amounts reported for governmental activities in the statement of net assets are different because:		
Capital net assets net of accumulated depreciation used in governmental activities are not financial resources and therefore not reported in the funds.	108,118	137,885
Long term liabilities relating to employees compensable leave are not due and payable in the current year therefore are not reported in the funds.	(929,329)	(789,688)
Eliminate within the Governmental Funds		
Interfund Receivables	-	(301,022)
Interfund Payables	-	301,022
NET ASSETS AS OF AUGUST 31	$ 8,597,966	$ 9,010,614

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT IV
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
Year Ended August 31, 2005 with comparative totals for 2004

	2005 Total	2004 Total
REVENUES		
Legislative Appropriations:		
Original Appropriations (GR)	$ 4,951,058	$ 5,075,322
Additional Appropriations (GR)	821,055	881,183
Federal Revenue (PR-OP G/C)	151,548,147	122,624,178
Federal Revenue Grant Pass-Thru Revenue(PR-OP G/C)	514,529	395,441
State Grant Pass-Through Revenue (PR-OP G/C)	798,771	966,170
Licenses, Fees & Permits (PR-C/S)	1,114,504	2,837,929
Interest and Other Investment Income (PR-OP G/C)	122,624	-
Interest and Other Investment Income (GR)	280,921	162,777
Sales of Goods and Services (PR-C/S)	672,801	706,088
Other (PR-OP G/C)	2,044,164	2,086,827
Other (GR)	1,238,986	1,860,400
Total Revenues	164,107,560	137,596,315
EXPENDITURES		
Salaries and Wages	7,626,824	7,734,512
Payroll Related Costs	1,825,848	1,901,866
Professional Fees and Services	874,052	675,767
Travel	424,629	425,940
Materials and Supplies	259,755	224,148
Communication and Utilities	201,691	248,402
Repairs and Maintenance	107,645	71,188
Rentals & Leases	979,733	1,051,186
Printing and Reproduction	76,140	63,561
Claims and Judgments	(483,115)	979,864
Intergovernmental Payments	43,815,657	23,763,732
Public Assistance Payments	107,701,827	100,810,395
Other Expenditures	303,274	332,769
Capital Outlay	23,190	26,535
Total Expenditures	163,737,150	138,309,865
Excess (Deficiency) of Revenues Over (Under) Expenditures	370,410	(713,550)
OTHER FINANCING SOURCES (USES)		
Transfers Out	(180,053)	(2,197,016)
Legislative Transfers In (Note 7)	539	1,521
Legislative Transfers Out (Note 7)	(288,722)	-
Total Other Financing (Uses)	(468,236)	(2,195,495)
Net Change in Fund Balances	(97,826)	(2,909,045)
FUND FINANCIAL STATEMENT-FUND BALANCES		
Fund Balances--Beginning	9,662,417	11,668,271
Appropriations Reinstated (Lapsed)	(145,414)	903,191
Fund Balances - August 31	$ 9,419,177	$ 9,662,417

See accompanying notes to the financial statements.

EXHIBIT IV (Continued)
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
Year Ended August 31, 2005 with comparative totals for 2004

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

	2005 Total	2004 Total
Net Change in Fund Balances (Exhibit IV)	$ (97,826)	$ (2,909,045)
Appropriations Reinstated (Lapsed) (Exhibit IV)	(145,414)	903,191
Changes in Fund Balances	(243,240)	(2,005,854)
Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because of the adjustments to:		
- capital outlay expense	23,190	26,535
- capital asset contribution	-	504
- depreciation expense	(49,773)	(57,478)
- payroll expense due to Compensable Leave	(139,641)	(55,672)
- interagency transfer of assets	-	(24,111)
Changes in Net Assets, August 31 (Exhibit II)	$ (409,464)	$ (2,116,076)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V
STATEMENT OF NET ASSETS - PROPRIETARY FUND
As of August 31, 2005 with comparative totals for 2004

	2005 Total	2004 Total
ASSETS		
Current Assets:		
Cash and Cash Equivalents (Note 3)		
Cash on Hand	$ 200	$ 200
Cash in Bank	118,071	776,217
Cash in State Treasury	925,920	1,704,342
Cash Equivalents	24,739,403	20,936,488
Restricted Assets:		
Cash and Cash Equivalents (Note 3)		
Cash in Bank	11,919,756	2,698,944
Cash Equivalents	140,402,586	174,449,858
Short-term Investments (Note 3)	203,359,954	137,859,497
Loans and Contracts	7,999,529	7,134,370
Interest Receivable	12,384,440	10,903,667
Receivable:		
Interest Receivable	69,628	67,820
Accounts Receivable	1,158,660	587,422
Consumable Inventories	5,213	8,211
Loans and Contracts	841,964	176,014
Other Current Assets	1,184,568	868,180
Total Current Assets	405,109,892	358,171,230
Non-Current Assets		
Loans and Contracts	4,828,822	4,590,380
Capital Assets: (Note 2)		
Non-Depreciable		
Other Capital Assets	-	3,273
Depreciable		
Furniture and Equipment	1,388,880	1,349,686
Less: Accumulated Depreciation	(1,175,647)	(1,091,041)
Restricted Assets:		
Investments (Note 3)	1,036,516,639	1,043,944,744
Loans and Contracts	1,081,418,063	928,122,664
Other Non-current Assets		
Deferred Issuance Cost, net (Note 12)	11,469,566	11,236,074
Real Estate Owned, net	57,427	552,282
Total Non-Current Assets	2,134,503,750	1,988,708,062
Total Assets	$ 2,539,613,642	$ 2,346,879,292

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V (Continued)
STATEMENT OF NET ASSETS - PROPRIETARY FUND
As of August 31, 2005 with comparative totals for 2004

	2005 Total	2004 Total
LIABILITIES		
Current Liabilities		
Payables:		
Accounts Payable	$ 913,994	$ 901,763
Accrued Bond Interest Payable	27,172,715	23,839,835
Interfund Payable (Note 7)	75,149	106,338
Deferred Revenues	10,511,908	10,091,146
Employee's Compensable Leave (Note 5)	366,538	476,918
Notes and Loans Payable (Note 4)	75,000,000	50,777,000
Revenue Bonds Payable (Notes 5 & 12)	13,871,000	26,133,000
Other Current Liabilities	7,463,898	5,946,083
Total Current Liabilities	135,375,202	118,272,083
Non-Current Liabilities		
Employee's Compensable Leave (Note 5)	135,853	127,954
Revenue Bonds Payable (Notes 5 & 12)	2,078,627,974	1,880,867,506
Other Non-Current Liabilities	236,458,058	240,044,498
Total Non-Current Liabilities	2,315,221,885	2,121,039,958
Total Liabilities	2,450,597,087	2,239,312,041
NET ASSETS		
Invested in Capital Assets	213,233	261,918
Restricted:		
For Single Family Bonds	61,221,900	82,087,709
For Multifamily Bonds	410,563	628,887
Unrestricted	27,170,859	24,588,737
Total Net Assets	$ 89,016,555	$ 107,567,251

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND
Year Ended August 31, 2005 with comparative totals for 2004

	2005 Total	2004 Total
OPERATING REVENUES		
Interest and Investment Income	$ 106,872,925	$ 97,230,038
Net Increase (Decrease) in Fair Value	(13,498,876)	5,373,407
Other Operating Revenues	12,648,254	12,317,010
Total Operating Revenues	106,022,303	114,920,455
OPERATING EXPENSES		
Salaries and Wages	6,086,575	6,374,118
Payroll Related Costs	1,573,803	1,673,378
Professional Fees and Services	1,463,806	1,135,033
Travel	253,819	207,373
Materials and Supplies	309,893	198,353
Communications and Utilities	124,423	107,777
Repairs and Maintenance	180,730	144,247
Rentals and Leases	1,023,690	923,690
Printing and Reproduction	18,009	14,750
Depreciation and Amortization	651,304	638,903
Interest	108,097,933	99,720,640
Bad Debt Expense	815,832	-
Other Operating Expenses	3,732,655	2,605,604
Total Operating Expenses	124,332,472	113,743,866
Operating Income/ (Loss)	(18,310,169)	1,176,589
NONOPERATING REVENUES (EXPENSES)		
Gain on Sale of Investments	1,275,712	-
Total Non-Operating Revenues (Expenses)	1,275,712	-
Income/(Loss) before Other Revenues, Expenses, Gains, Losses and Transfers	(17,034,457)	1,176,589
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS		
Extraordinary Items (Note 15)	(1,512,966)	(2,434,772)
Transfers (Out)	-	(431)
CHANGE IN NET ASSETS	(18,547,423)	(1,258,614)
Net Assets, Beginning of Year	107,567,251	108,825,865
Restatements (Note 14)	(3,273)	-
Net Assets, Beginning of Year, as Restated	107,563,978	108,825,865
NET ASSETS, As of Year End	$ 89,016,555	$ 107,567,251

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended August 31, 2005 with comparative totals for 2004

	2005 Total	2004 Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from Loan Programs	$ 89,188,633	$ 205,314,209
Proceeds from Other Revenues	13,186,613	11,092,005
Payments to Suppliers for Goods/Services	(8,774,550)	(6,333,512)
Payments to Employees	(7,782,860)	(8,093,986)
Payments for Loans Provided	(195,748,839)	(262,976,971)
Net Cash (Used for) Operating Activities	(109,931,003)	(60,998,255)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Debt Issuance	488,925,700	605,884,675
Proceeds (Payments) from Transfers from (to) Other Funds	-	(431)
Payments to/from Other Funds	(29,929)	(186,308)
Payments of Principal on Debt Issuance	(279,661,046)	(439,710,840)
Payments of Interest	(103,985,449)	(99,257,471)
Payments for Other Cost of Debt	(1,897,390)	(2,388,612)
Net Cash Provided by Noncapital Financing Activities	103,351,886	64,341,013
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for Additions to Capital Assets	(49,600)	(47,987)
Net Cash (Used for) Capital Activities	(49,600)	(47,987)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	1,417,847,696	1,212,202,194
Proceeds from Interest/Invest. Income	55,367,267	54,097,105
Payments to Acquire Investments	(1,489,046,359)	(1,259,493,391)
Net Cash Provided from (Used for) Investing Activities	(15,831,396)	6,805,908
Increase (Decrease) in Cash/Cash Equivalents	(22,460,113)	10,100,679
Cash/Cash Equivalents, Beginning of Year	200,566,049	190,465,370
Cash/Cash Equivalents, End of Year	$ 178,105,936	$ 200,566,049

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII (Continued)
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended August 31, 2005 with comparative totals for 2004

	2005 Total	2004 Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (18,310,169)	$ 1,176,589
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Amortization and Depreciation	651,304	638,903
Provision for Uncollectibles	815,832	(1,114,556)
Operating Income and Cash Flow Categories		
Classification Differences	62,530,594	37,893,289
Changes in Assets and Liabilities:		
(Increase) in Receivables	(571,238)	(130,717)
(Increase) in Accrued Interest Receivable	(1,480,928)	(929,691)
(Increase) in Loans / Contracts	(155,064,950)	(168,317,259)
Decrease in Property Owned	494,855	204,078
(Increase) Decrease in Acquisition Costs	(233,492)	143,247
Change in Other Assets and Liabilities, net	(2,516,453)	69,386,405
Increase (Decrease) in Deferred Revenues	420,762	(471,348)
Increase in Accrued Interest Payable	3,332,880	522,805
Total Adjustments	(91,620,834)	(62,174,844)
Net Cash (Used for) Operating Activities	$ (109,931,003)	$ (60,998,255)

NON CASH TRANSACTIONS
Increase (Decrease) in Fair Value of Investments for 2005 was $(13,498,876) and $5,373,407 for 2004

Loans and the related properties acquired were transferred to real estate owned in the amount of $195,954 for 2005 and $208,397 for 2004

EXHIBIT VIII

COMBINED STATEMENT OF FIDUCIARY NET ASSETS

As of August 31, 2005 with comparative totals for 2004

AGENCY FUND	2005 Total	2004 Total
ASSETS		
Current Assets:		
Restricted:		
Cash in State Treasury	$ 6,104	$ 11,868
Total Current Assets	6,104	11,868
Total Assets	$ 6,104	$ 11,868
LIABILITIES		
Current Liabilities:		
Funds Held for Others	$ 6,104	$ 11,868
Total Current Liabilities	6,104	11,868
Total Liabilities	$ 6,104	$ 11,868

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

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

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

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

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

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

FUND STRUCTURE

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

Governmental Fund Types & Government-wide Adjustment Fund Types

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

Capital Assets Adjustment Fund and Long-Term Liabilities Adjustment Fund
These fund types are used to convert governmental fund types from modified accrual to full accrual. Capital Assets and Long-Term Liabilities of the government are reported in the Government-wide Statements.

Proprietary Fund Types

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

Fiduciary Fund Types

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

Basis of Accounting

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

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

Governmental adjustment fund types that will build the Government-wide Financial Statements are accounted for using the accrual method of accounting. This includes unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, capital assets and accumulated depreciation. The activity will be recognized in these funds.

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

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

BUDGET AND BUDGETARY ACCOUNTING

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

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

ASSETS, LIABILITIES AND FUND BALANCES/NET ASSETS

Assets

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

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

The Department has reported all investment securities at fair value as of August 31, 2005 with exception of some money market investments and nonparticipating interest-earning investments contracts which are reported at amortized cost provided that the fair value of these investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

Changes in the fair value are reported in the Combined Statement of Revenues, Expenses, and Changes in Net Assets as "Net Increase (Decrease) in the Fair Value of Investments."

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

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

Capital Assets
Assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost if purchased or at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset (3, 5 or 6 years) using the straight-line method.

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

Loans and Contracts
Loans and contracts consist of loans in the General Fund made from state and federal funds for the purpose of Single Family loans and Multifamily development loans from the Housing Trust Fund and the HOME Program.

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

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

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

Allowance for Estimated Losses on Loans and Foreclosed Properties
The allowance for estimated losses on loans is calculated for future charge-offs on Single Family and Multifamily loans. The allowance for estimated losses on real estate owned is calculated for future charge-offs on foreclosed Single Family loans.

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

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

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

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

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

Liabilities

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

Deferred Revenues
Deferred Revenues in the governmental fund represent a liability to our funding agencies for the amount of Loans and Contracts outstanding. These deferred revenues are classified as current liabilities in accordance with GAAP. The deferred revenues in the proprietary fund represent fees such as commitment fees and compliance fees that are deferred upon receipt and amortized over a period of time.

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

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

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

Fund Balance/Net Assets

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

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

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

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

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

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

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

Interfund Transactions and Balances

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

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

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

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

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2005, is presented below:

	PRIMARY GOVERNMMENT				
Governmental Activities:	**Balance 09/01/04**	*** Adjustments**	**Additions**	**Deletions**	**Balance 08/31/05**
Non-Depreciable Assets:					
Other Capital Assets, Net	$ 3,184	$ (3,184)	$ -	$ -	$ -
Depreciable Assets:					
Furniture and Equipment	1,653,428	-	23,190	(17,491)	1,659,127
Less Accumulated Depreciation for:					
Furniture and Equipment	(1,518,727)	-	(49,773)	17,491	(1,551,009)
Depreciable Assets, Net	134,701	-	(26,583)	-	108,118
Governmental Activities Capital Assets, Net:	$ 137,885	$ (3,184)	$ (26,583)	$ -	$ 108,118

	PRIMARY GOVERNMMENT				
Business-Type Activities:	**Balance 09/01/04**	*** Adjustments**	**Additions**	**Deletions**	**Balance 08/31/05**
Non-Depreciable Assets:					
Other Capital Assets, Net	$ 3,273	$ (3,273)	$ -	$ -	$ -
Depreciable Assets:					
Furniture and Equipment	1,349,686	-	49,600	(10,406)	1,388,880
Less Accumulated Depreciation for:					
Furniture and Equipment	(1,091,041)	-	(95,012)	10,406	(1,175,647)
Depreciable Assets, Net	258,645	-	(45,412)	-	213,233
Business-Type Activities Capital Assets, Net:	$ 261,918	$ (3,273)	$ (45,412)	$ -	$ 213,233

*Due to the changes in State Property Accounting (SPA) requirements related to depreciation of Library Books and Reference Materials, such publications are no longer capitalized and depreciated. This adjustment is due to the disposal of said publications in fiscal year 2005.

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

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

Deposits of Cash in Bank
As of August 31, 2005, the carrying amount of deposits was $12,057,827.

Governmental Funds Current Assets Cash in Bank	$ 20,000
Proprietary Funds Current Assets Cash in Bank	
Texas Treasury Safekeeping Trust	118,071
Demand Deposits	
Proprietary Funds Current Assets Restricted Cash in Bank	
Texas Treasury Safekeeping Trust	317,354
Cash in Bank - AFR	$12,057,827

At August 31, 2005, the Department's cash and deposits in the State Treasury amounted to $4,384,268. Of that amount, $4,384,268 was fully collateralized by securities held with a trustee in the State's name, as reported to the Department by the Comptroller of Public Accounts of the State of Texas.

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

At August 31, 2005, the fair values of investments as of the balance sheet date (including both short-term and long-term) are shown below.

Government and Business Type Activities	**Carrying Value**	**Fair Value**
U.S. Government		
U.S. Treasury Securities	$ 29,231,154	$ 29,724,668
U.S. Government Agency Obligations	756,288,080	766,354,847
Repurchase Agreements (TTSTC)	88,447,144	88,447,144
Fixed Income Money Markets	65,148,686	65,148,686
Commercial Paper	11,361,953	11,361,953
Misc (Investment Agreements/GICs)	443,981,284	443,981,284
Total	$ 1,394,458,301	$ 1,405,018,582

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

Credit Risk

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

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

As of August 31, 2005, the Department's credit quality distribution for securities with credit risk exposure was as follows.

Moody's

Fund Type	GAAP Fund	Investment Type	Not Rated	Aaa	Aa	A
05	9999	U.S. Government Agency Obligations		$57,089,018		
05	9999	Repurchase Agreements (TTSTC)	$88,447,144			
05	9999	Fixed Income Money Markets		$65,148,686		
05	9999	Misc (Investment Agreements/GICs)	$443,981,284			
			Not Rated	**P-1**	**P-2**	**P-3**
05	9999	Commercial Paper		$11,361,953		

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	Not Rated	AAA	AA	A
05	9999	U.S. Government Agency Obligations		$57,089,018		
05	9999	Repurchase Agreements (TTSTC)	$88,447,144			
05	9999	Misc (Investment Agreements/GICs)	$443,981,284			
			Not Rated	**AAA-M**	**AA-M**	**A-M**
05	9999	Fixed Income Money Markets		$65,148,686		
			Not Rated	**A-1**	**A-2**	**A-3**
05	9999	Commercial Paper		$11,361,953		

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Con't

Fitch

Fund Type	GAAP Fund	Investment Type	Note Rated	AAA	AA	A
05	9999	U.S. Government Agency Obligations		$57,089,018		
05	9999	Repurchase Agreements (TTSTC)	$88,447,144			
05	9999	Misc (Investment Agreements/GICs)	$443,981,284			
			Not Rated	**F-1**	**F-2**	**F-3**
05	9999	Fixed Income Money Markets	$31,223,384	$33,925,302		
05	9999	Commercial Paper		$11,361,953		

A total of $738,990,497 was not subject to credit risk disclosure due to their explicit guarantee by the U.S. Government which is composed of $29,724,668 in U.S. Treasury securities and $709,265,829 in U.S. Government Agency obligations issued by the Government National Mortgage Association.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2005, the Department's concentration of credit risk is as follows.

Fund Type	GAAP Fund	Issuer	Carrying Value	% of total portfolio
05	9999	Bayerische Landesbank	$82,665,274	5.93%
05	9999	Paribas Corp	$88,447,144	6.30%
05	9999	Transamerica Life	$206,823,067	14.72%

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

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

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

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

		Remaining Maturity (in months)			
Government and Business Type Activities	**Fair Value**	**12 months or less**	**13 to 24 months**	**25 to 60 months**	**More than 60 months**
U.S. Treasury Securities	$ 29,724,668	1,592,998	24,349,975		3,781,695
U.S. Government Agency Obligations	766,354,847	1,144,446	10,150,895		755,059,506
Repurchase Agreements (TTSTC)	88,447,144	88,447,144			
Fixed Income Money Markets	65,148,686	65,148,686			
Commercial Paper	11,361,953	11,361,953			
Misc(Investment Agreements/GICs)	443,981,284	200,622,510	204,237,159	143,887	38,977,728
Total	$ 1,405,018,582	368,317,737	238,738,029	143,887	797,818,929

Highly Sensitive Investments
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to the changes in interest rates. The Department does not make it a common practice to sell these investments. Any fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2005, the Department holds $766,354,847 in mortgage backed securities.

NOTE 4: SHORT-TERM DEBT

Business-Type Activities	Balance 9/1/04	Additions	Deletions	Balance 8/31/05
Commercial Paper	$ 50,777,000	36,223,000	12,000,000	$ 75,000,000

The Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department.

NOTE 5: SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities

During the year ended August 31, 2005, the following changes occurred in liabilities.

Governmental Activities	Balance 9/1/04	Additions	Reductions	Balance 8/31/05	Amounts Due Within One Year
Compensable Leave	$ 789,688	722,252	582,611	$ 929,329	$ 722,252
Total Governmental Activities	$ 789,688	722,252	582,611	$ 929,329	$ 722,252

Business-Type Activities					
Revenue Bonds Payable	$ 1,907,000,506	454,602,608	269,104,140	$ 2,092,498,974	$13,871,000
Compensable Leave	604,872	366,538	469,019	502,391	366,538
Total Business-Type Activities	$ 1,907,605,378	454,969,146	269,573,159	$2,093,001,365	$14,237,538

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

Other Non-current Liabilities
Other non-current liabilities totaling $236,458,058 primarily account for funds due to developers as a result of Multifamily bond proceeds. These proceeds are conduit debt issued on behalf of the developer for the purpose of Multifamily developments and are held by the trustee. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

NOTE 6: OPERATING LEASE OBLIGATIONS

The Department's five-year operating lease on its current office space at 507 Sabine expires on December 31, 2005. The Department's new (state owned) site is located at 221 E. 11th Street in Austin, beginning December 5, 2005.

Year Ended August 31, 2005	Governmental Activities	Business-Type Activities	Total
2006 (Future Year 1)	$ 274,005	$ 296,838	$ 570,843
Total Minimum Future Lease Rental Payments	$ 274,005	$ 296,838	$ 570,843

NOTE 7: INTERFUND BALANCES / ACTIVITIES

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

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

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

Individual balances and activity at August 31, 2005, follows:

Fund	Current Interfund Receivable	Current Interfund Payable
General Fund (01)		
General Revenue (0001)	$ 38,313	-
Consolidated Federal (0127)	36,836	-
Enterprise Fund (05, 0896)	-	$ 75,149
Total Interfund Receivable/ Payable (Exhibit I & Exhibit III)	$ 75,149	$ 75,149

The Department has no Non-Current Interfund Receivables or Interfund Payables.

Fund	Due From Other Agencies	Due To Other Agencies	Source
General Fund (01)			
Appd Fund 0001, D23 Fund 0077			
(Agency 907, D23 Fund 0515)	$ 9,190		State P-T
Total Due From Other Agencies (Exh I)	$ **9,190**		

Fund	Legislative Transfers In	Legislative Transfers Out
General Fund (01)		
Appd Fund 0001, D23 Fund 0001	$ (11,385)	
Appd Fund 0001, D23 Fund 0066	11,088	
Appd Fund 0001, D23 Fund 0088	836	$ 288,722
Total Legislative Transfers (Exh II)	**$ 539**	**$ 288,722**

NOTE 8: CONTINGENT LIABILITIES

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

NOTE 9: CONTINUANCE SUBJECT TO REVIEW

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

NOTE 10: RISK FINANCING AND RELATED INSURANCE

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

The Department's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. The Department incurred no claims liability during fiscal years 2004 and 2005.

NOTE 11: SEGMENT INFORMATION FOR ENTERPRISE FUND

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

CONDENSED STATEMENT OF NET ASSETS

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds	Single Family CHMRB Series 1993 Funds	Single Family CHMRB 1994 & 1995 Funds
Restricted Assets:					
Current Assets	$144,040,074	$ 28,003,380	$ 708,781	$ 756,765	$ 48,786
Other Assets	567,780,850	385,189,378	22,598,066	-	3,659,847
Total Assets	711,820,924	413,192,758	23,306,847	756,765	3,708,633
Liabilities:					
Current Liabilities	23,656,571	13,988,144	532,678	5	18,229
Long Term Liabilities	645,109,146	383,706,926	21,058,205	-	3,500,000
Total Liabilities	668,765,717	397,695,070	21,590,883	5	3,518,229
Net Assets:					
Total Restricted Net Assets	$ 43,055,207	$ 15,497,688	$ 1,715,964	$ 756,760	$ 190,404

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

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds	Single Family CHMRB Series 1993 Funds	Single Family CHMRB 1994 & 1995 Funds
Operating Revenues:					
Interest and Investment Income	$ 27,132,001	$ 23,650,616	$ 1,750,763	$ 246,660	$ 756,834
Net Increase (Decrease) in Fair Value	(6,597,335)	(3,692,373)	(917,004)	(804,221)	(1,487,943)
Other Operating Revenues	591,432	734,800	178,742	-	-
Operating Expenses	(33,006,631)	(23,629,592)	(1,656,358)	(127,629)	(897,577)
Depreciation and Amortization	(278,203)	(246,494)	(13,121)	(693)	(3,008)
Operating Income (Loss)	(12,158,736)	(3,183,043)	(656,978)	(685,883)	(1,631,694)
Nonoperating Revenues (Expenses):					
Other Nonoperating Revenues (Expenses):					1,275,712
Extraordinary Items	(843,288)	(249,903)	82,583	(5,541)	(464,693)
Transfers	(1,019,796)	(261,477)	2,698	257,735)	(1,261,347)
Changes in Net Assets	(14,021,820)	(3,694,423)	(571,697)	(433,689)	(2,082,022)
Net Assets, September 1, 2004	57,077,027	19,192,111	2,287,661	1,190,449	2,272,426
Net Assets, August 31, 2005	$ 43,055,207	$ 15,497,688	$ 1,715,964	$ 756,760	$ 190,404

NOTE 11: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd.

CONDENSED STATEMENT OF CASH FLOWS

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds	Single Family CHMRB Series 1993 Funds	Single Family CHMRB 1994 & 1995 Funds
Net Cash Provided (Used) By:					
Operating Activities	$ 9,314,586	$ 144,023	$ (26,855)	$ 71,356	$ (100,282)
Noncapital Financing Activities	94,197,002	(91,777,588)	(7,563,877)	(11,522,766)	(18,115,079)
Investing Activities					
Net Increase (Decrease)	(146,785,659)	78,654,355	7,311,921	11,231,586	17,767,328
Beginning Cash and Cash Equivalents	92,153,013	25,588,829	864,950	974,775	468,918
Ending Cash and Cash Equivalents	$ 48,878,942	$ 12,609,619	$ 586,139	$ 754,951	$ 20,885

NOTE 12: BONDED INDEBTEDNESS

The Department has 105 bond issues outstanding at August 31, 2005. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 1-A, 1-B, 1-C, 1-D, 1-E and 1-F.)

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

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

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

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

NOTE 12: BONDED INDEBTEDNESS Cont'd

Deferred issuance costs at August 31, 2005, consist of the following:

		Amount
Deferred Issuance Costs at August 31, 2005	$	35,027,631
Less Accumulated Amortization		(23,558,065)
Deferred Issuance Costs, net	$	11,469,566

CHANGES IN BONDS PAYABLE (amounts in thousands)

Description		Bonds Outstanding 9/1/04	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extin-guished		Bonds Outstanding 8/31/05		Amounts Due Within One Year
Single Family	$	523,185	275,070	3,635	147,845	$	646,775	$	3,530
RMRB		454,730	-	4,970	62,995		386,765		6,085
CHMRB		26,400	-	-	5,800		20,600		-
SF CHMRB		31,105	-	-	27,605		3,500		-
Multifamily		871,585	176,730	3,178	11,633		1,033,504		4,256
Total Principal	$	1,907,005	451,800	11,783	255,878	$	2,091,144	$	13,871
Net Deferred Amt due to Refund		(3,112)					(2,155)		
Unamortized Premium		7,703					7,568		
Unamortized Refunding (Loss)		(4,595)					(4,059)		
Total	$	1,907,001				$	2,092,498		

VARIABLE TO FIXED INTEREST RATE SWAP

OBJECTIVE

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

NOTE 12: BONDED INDEBTEDNESS Cont'd

TERMS AND FAIR VALUE

The terms, including the fair value of the outstanding swaps as of August 31, 2005 are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
UBS AG	$53,000,000	$(3,012,987)	9/1/04	3.843 %	63% of LIBOR + .30%	9/1/34 (a)
Goldman Sachs	35,000,000	(1,581,601)	1/1/05	3.6125 %	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	3/1/35 (b)
Bear Stearns	100,000,000	(4,940,546)	8/1/05	3.99 %	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	9/1/36 (c)
Total	$188,000,000	$(9,535,134)				

a. The swap agreement is subject to optional early termination, at par value, starting on March 1, 2015 and semiannually thereafter. The maximum notional amount subject to early termination equals 60% of the current notional amount.
b. The swap agreement is subject to optional early termination, at par value, starting on September 1, 2014 and semiannually thereafter. The maximum notional amount subject to early termination equals 60% of the applicable notional amount through September 1, 2023 and 100% of the applicable notional amount thereafter.
c. The swap agreement is subject to optional early termination, at par value, from prepayments at any time with a ten business day notice.

CREDIT RISK

As of August 31, 2005, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps have negative fair values. If interest rates change and the fair value of the swaps become positive, the department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral agreements and insurance policies with the counterparties. The credit ratings for the counterparties are as follows.

Counterparty	Standard & Poor's	Moody's	Fitch
UBS AG	AA+	Aa2	AA+
Goldman Sachs Capital Markets, LP	Not Rated	Aa3	AA-
Bear Stearns Financial Products, Inc.	AAA	Not Rated	Not Rated

BASIS RISK

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

ROLLOVER RISK

The Department is exposed to rollover risk on swap agreements which mature or may be terminated prior to the maturity of the associated debt. The following debt is exposed to rollover risk if the option for early termination is executed:

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

NOTE 12: BONDED INDEBTEDNESS Cont'd

SWAP PAYMENTS AND ASSOCIATED DEBT

Using rates as of August 31, 2005, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending August 31	Principal	Interest	Swaps, Net	Total
2006	$	$ 4,198,626	$ 2,278,905	$ 6,477,531
2007	885,000	4,579,948	2,512,348	7,977,296
2008	1,820,000	4,545,905	2,491,508	8,857,413
2009	1,895,000	4,498,985	2,462,783	8,856,768
2010	1,970,000	4,450,216	2,432,927	8,853,143
2011-2015	13,115,000	21,441,229	11,670,045	46,226,274
2016-2020	30,000,000	18,770,059	10,187,724	58,957,783
2021-2025	36,750,000	14,634,980	7,960,220	59,345,200
2026-2030	42,615,000	9,725,616	5,304,701	57,645,317
2031-2035	50,700,000	3,851,026	2,118,108	56,669,134
2036-2037	8,250,000	208,973	127,932	8,586,905
Total	$ 188,000,000	$ 90,905,563	$ 49,547,201	$ 328,452,764

NOTE 13: SUBSEQUENT EVENTS

On September 29, 2005, the Department issued $16,100,000 in multifamily revenue bonds (Canal Place) made up as follows:

$ 15,000,000 MF 2005 Series A
$ 1,100,000 MF 2005 Series B

On December 15, 2005, the Department issued $5,320,000 in multifamily revenue bonds (Coral Hills) made up as follows:

$ 5,320,000 MF 2005 Series A

The multifamily bonds are issued for the primary purpose to finance the acquisition, construction and equipping of multifamily residential rental developments. Canal Place and Coral Hills will be located in Houston, Texas.

On December 15, 2005, the Department issued $38,195,000 in single family revenue bonds made up as follows:

$ 25,495,000 SF 2005 Series B (AMT)
$ 8,970,000 SF 2005 Series C
$ 3,730,000 SF 2005 Series D (AMT)

The Series 2005B (AMT) will be used for the purpose of refunding and redeeming all of the Department's outstanding, Single Family Mortgage Revenue Bonds, 1995 Series A-1. The proceeds of the Series C bonds will be used for the purpose of refunding and redeeming all of the Department's outstanding Taxable Single Family Mortgage Revenue Refunding Bonds, 1995 Series C-1. The Series D bonds are being issued for the primary purpose of providing funds for the purchase of mortgage-backed, pass-through certificates backed by qualifying FHA-insured or VA or RHS-guaranteed mortgage loans, or conventional mortgage loans made to eligible borrowers for single family residences located in the State of Texas.

NOTE 14: RESTATEMENT OF FUND BALANCES / NET ASSETS

During fiscal year 2005, one adjustment was made which required the restatement of the amounts in fund balances and fund equity as shown and discussed below:

	General Funds	Enterprise Funds	Totals
Fund Bal/Equity August 31, 2004	$9,010,614	$107,567,251	$116,577,865
Restatement:			
(a)	(3,184)	(3,273)	(6,457)
Net Restatement	**(3,184)**	**(3,273)**	**(6,457)**
Fund Bal/Equity Sept. 1, 2004 as Restated	$9,007,430	$107,563,978	$116,571,408

(a) Due to the changes in State Property Accounting (SPA) requirements related to depreciation of Library Books and Reference Materials, such publications are no longer capitalized and depreciated. This adjustment is due to the disposal of said publications in fiscal year 2005. (See Note 2)

NOTE 15: SPECIAL OR EXTRAORDINARY ITEMS

The Department recognized a $1,512,966 loss due to accelerated amortization of deferred bond expenses as a result of early extinguishment of debt. This was primarily due to mortgage prepayments and the related bonds that were subsequently called.

Description of Issue	(Gain)Loss on Early Extinguishment of Debt
1995 Single Family Series AB	$107,451
1996 Single Family Series ABC	120,299
1996 Single Family Series DE	285,958
1997 Single Family Series ABC	92,667
1997 Single Family Series DEF	251,932
2004 Single Family Series AB	(11,987)
2002 Single Family Series ABCD	(76,490)
1995 Single Family Series C	73,459
1998 RMRB Series AB	90,798
1999 RMRB Series A	43,541
1999 RMRB Series BCDE	(17,228)
2000 RMRB Series A	63,355
2000 RMRB Series BCDE	59,474
2001 RMRB Series ABCDE	16,570
2002 RMRB Series A	3,447
2003 RMRB Series A	(10,052)
1992 Coll Home Mtg Rev Bonds, Series C	(82,583)
1993 SF MRB CHMRB Series ABCDE	5,541
1994 SF MRB CHMRB Series ABC	464,693
1984 MF Series AB (Summer Bend)	32,147
2005 MF Series (Tower Ridge)	(26)
Total Loss on Early Extinguishment of Debt	$ 1,512,966

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-A
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2005
(Amounts in Thousands)

Description of Issue		Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat. First Year	Scheduled Mat. Last Year	First Call Date
1995 Single Family Series A	$	85,760	4.15%	6.15%	1997	2027	09/01/2005
1995 Single Family Series C		71,760	6.44%	7.76%	2006	2017	09/01/2005
1996 Single Family Series A		15,000	4.50%	6.30%	2001	2028	09/01/2006
1996 Single Family Series B		42,140	5.50%	6.00%	2011	2017	09/01/2006
1996 Single Family Series D		70,760	5.45%	6.25%	2021	2028	09/01/2006
1996 Single Family Series E		98,730	3.90%	6.00%	1997	2017	09/01/2006
1997 Single Family Series A		44,465	5.25%	5.80%	2013	2029	09/01/2007
1997 Single Family Series B		9,510	5.45%	5.45%	2019	2019	09/01/2007
1997 Single Family Series C		25,525	6.80%	6.80%	2029	2029	09/01/2007
1997 Single Family Series D		44,795	5.65%	5.70%	2029	2029	09/01/2007
1997 Single Family Series F		20,000	6.77%	6.77%	2029	2029	09/01/2007
2002 Single Family Series A (Jr. Lien)		10,000	7.01%	7.01%	2025	2026	09/01/2012
2002 Single Family Series A		38,750	5.45%	5.55%	2023	2034	03/01/2012
2002 Single Family Series B		52,695	5.35%	5.55%	2033	2033	03/01/2012
2002 Single Family Series C		12,950	2.80%	5.20%	2004	2017	03/01/2012
2002 Single Family Series D		13,605	2.00%	4.50%	2003	2012	03/01/2012
2004 Single Family Series A		123,610	2.00%	4.70%	2006	2035	03/01/2013
2004 Single Family Series B		53,000	VAR - Weekly		2015	2034	03/01/2015 (h)
2004 Single Family Series A (Jr. Lien)		4,140	VAR - Weekly		2036	2036	09/01/2036 (h)
2004 Single Family Series C		41,245	4.30%	4.80%	2019	2036	09/01/2014
2004 Single Family Series D		35,000	VAR - Weekly		2035	2035	(i)
2004 Single Family Series E		10,825	2.45%	4.30%	2006	2013	09/01/2014
2004 Single Family Series F		88,000	1.95%	1.95%	2037	2037	08/03/2005
2005 Single Family Series A		100,000	VAR - Weekly		2007	2036	(i)
1998 RMRB Series A		102,055	4.05%	5.35%	2002	2031	01/01/2009
1998 RMRB Series B		14,300	5.30%	5.30%	2022	2022	01/01/2009
1999 RMRB Series A		25,615	4.80%	5.50%	2018	2021	01/01/2009
1999 RMRB Series B-1		52,260	6.32%	7.10%	2021	2032	07/01/2009
1999 RMRB Series C		12,150	5.05%	6.25%	2003	2024	07/01/2009
1999 RMRB Series D		26,355	4.30%	6.25%	2000	2021	07/01/2009
2000 RMRB Series A		50,000	5.10%	6.30%	2003	2031	07/01/2010
2000 RMRB Series B		82,975	5.70%	5.70%	2005	2033	07/01/2010
2000 RMRB Series C		13,675	5.82%	5.85%	2011	2025	07/01/2010
2000 RMRB Series D		18,265	4.55%	5.85%	2003	2020	07/01/2010
2000 RMRB Series E		10,000	7.45%	7.45%	2033	2033	07/01/2010
2001 RMRB Series A		52,715	3.15%	5.70%	2004	2033	07/01/2011
2001 RMRB Series B		15,585	5.00%	5.25%	2011	2022	07/01/2011
2001 RMRB Series C		32,225	2.55%	4.63%	2003	2015	07/01/2011
2001 RMRB Series D		300	5.35%	5.35%	2008	2033	07/01/2011
2002 RMRB Series A		42,310	2.25%	5.35%	2004	2034	07/01/2012
2003 RMRB Series A		73,630	1.70%	5.00%	2005	2034	01/01/2013
1992 Coll Home Mtg Rev Bonds, Series C		72,700	3.48%	10.27%	2024	2024	05/04/1995
1993 SF MRB CHMRB Series A		11,695	5.85%	5.85%	2025	2025	11/01/2004
1993 SF MRB CHMRB Series B		15,000	6.62%	6.62%	2025	2025	11/01/2004
1993 SF MRB CHMRB Series C		15,000	6.68%	6.68%	2025	2025	11/01/2004
1993 SF MRB CHMRB Series D		8,000	6.76%	6.76%	2025	2025	11/01/2004
1993 SF MRB CHMRB Series E		8,780	6.85%	6.85%	2025	2025	11/01/2004
1994 SF MRB CHMRB Series A		35,395	6.85%	6.85%	2026	2026	02/22/2005
1994 SF MRB CHMRB Series B		33,385	6.40%	6.40%	2026	2026	04/26/2005
1994 SF MRB CHMRB Series C		15,360	6.25%	6.25%	2026	2026	06/27/2005
1995 SF MRRB CHMRB Series A		5,825	6.26%	6.26%	2015	2015	02/22/2005
TOTAL SINGLE FAMILY & RMRB BONDS	$	1,957,820					

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-A
MISCELLANEOUS BOND INFORMATION (Continued)
For the fiscal year ended August 31, 2005
(Amounts in Thousands)

					Scheduled Mat.		First
		Bonds Issued	Range Of		First	Last	Call
Description of Issue		To Date	Interest Rates		Year	Year	Date
1984 MF Private Placement (Summerbend)	$	10,100	VAR - Weekly (a)		1985	2022	09/01/1986
1987 MF Series (South Texas Rental Housing)		1,400	9.50%	9.50%	1988	2012	02/01/1988
1993 MF Series A/B (RemHill/HighPt)		26,370	VAR - Weekly		2023	2023	02/01/2000
1993 Res Ren Project Revenue Bonds		16,775	3.30%	5.80%	1994	2024	01/01/2004
1996 MF Series A/B (Brighton's Mark)		10,174	6.13%	6.13%	2026	2026	01/01/2003
1996 MF Series A/B (Las Colinas)		15,469	5.65%	5.65%	2026	2026	01/01/2003
1996 MF Series A/B (Braxton's Mark)		14,867	5.81%	5.81%	2026	2026	01/01/2003
1996 MF Series A-D (DFW Pool)		22,150	6.00%	10.00%	1997	2026	07/01/2006
1996 MF Series A-D (Harbors/Plumtree)		13,050	5.90%	10.00%	1997	2026	07/01/2006
1996 MF Series A/B (NHP Foundation)		27,560	5.50%	6.40%	1997	2027	07/01/2007
1997 MF Series A (Meadow Ridge)		13,575	5.05%	5.55%	2001	2030	02/01/2001
1998 MF Series A (Pebble Brook)		10,900	4.95%	5.60%	2001	2030	06/01/2001
1998 MF Series A-C (Residence Oaks)		8,200	5.98%	7.18%	2001	2030	05/01/2001
1998 MF Series A (Volente Project)		10,850	5.00%	5.63%	2001	2031	07/01/2001
1998 MF Series A (Dallas Oxford Refndg)		10,300	7.25%	7.25%	2018	2018	01/01/2004
1998 MF Series A/B (Greens of Hickory Trial)		13,500	5.20%	6.03%	2001	2030	09/01/2008
1999 MF Series A-C (Mayfield)		11,445	5.70%	7.25%	2001	2031	05/01/2002
1999 MF Series A (Woodglen Village)		10,660	7.38%	8.25%	2002	2039	12/01/2016
2000 MF Series A (Timber Point Apts)		8,100	VAR - Weekly		2003	2032	07/01/2000 (b)
2000 MF Series A/B (Oaks at Hampton)		10,060	7.20%	9.00%	2002	2040	03/01/2017 (b)
2000 MF Series A (Deerwood Apts)		6,435	5.25%	6.40%	2003	2032	06/01/2010
2000 MF Series A (Creek Point Apts)		7,200	VAR - Weekly		2004	2032	07/01/2000 (b)
2000 MF Series A/B (Parks @ Westmoreland)		9,990	7.20%	9.00%	2002	2040	07/01/2017 (b)
2000 MF Series A (Honeycreek)		20,485	7.63%	8.15%	2004	2035	06/30/2007
2000 MF Series A-C (Highland Meadow Apts)		13,500	6.75%	8.00%	2004	2033	05/01/2019
2000 MF Series A/B (Greenbridge)		20,085	7.40%	10.00%	2003	2040	03/01/2014
2000 MF Series A-C (Collingham Park)		13,500	6.72%	7.72%	2004	2033	05/01/2019
2000 MF Series A/B (Williams Run)		12,850	7.65%	9.25%	2002	2040	01/01/2011
2000 MF Series A/B (Red Hills Villas)		10,300	8.40%	9.50%	2003	2040	12/01/2017
2001 MF Series A (Bluffview Senior Apts)		10,700	7.65%	7.65%	2003	2041	05/01/2018
2001 MF Series A (Knollwood Villas Apts)		13,750	7.65%	7.65%	2003	2041	05/01/2018
2001 MF Series A (Skyway Villas)		13,250	6.00%	6.50%	2005	2034	12/01/2011
2001 MF Series A/B (Cobb Park)		7,785	6.77%	6.77%	2003	2041	07/01/2018
2001 MF Series A (Greens Road Apts.)		8,375	5.30%	5.40%	2004	2034	12/01/2011
2001 MF Series A/B (Meridian Apts.)		14,310	5.45%	6.85%	2004	2034	12/01/2011
2001 MF Series A/B (Wildwood Apts.)		14,365	5.45%	6.75%	2004	2034	12/01/2011
2001 MF Series A-C (Fallbrook Apts.)		14,700	6.06%	6.78%	2005	2034	01/01/2012
2001 MF Series A (Oak Hollow Apts.)		8,625	7.00%	7.90%	2003	2041	11/01/2018
2001 MF Series A/B (Hillside Apts.)		12,900	7.00%	9.25%	2003	2041	11/01/2018
2002 MF Series A (Millstone Apts.)		12,700	5.35%	5.86%	2005	2035	06/01/2012
2002 MF Series A (Sugar Creek Apts.)		11,950	6.00%	6.00%	2004	2042	01/01/2016
2002 MF Series A (West Oaks Apts.)		10,150	7.15%	7.50%	2004	2042	12/01/2018
2002 MF Series A (Park Meadows Apts)		4,600	6.53%	6.53%	2004	2034	05/01/2012
2002 MF Series A (Clarkridge Villas Apts)		14,600	7.00%	7.00%	2004	2042	08/01/2019
2002 MF Series A (Hickory Trace Apts)		11,920	7.00%	7.00%	2004	2042	12/01/2019
2002 MF Series A (Green Crest Apts)		12,500	7.00%	7.00%	2004	2042	11/01/2019
2002 MF Series A/B (Ironwood Crossing)		16,970	5.50%	8.75%	2005	2042	10/01/2027
2002 MF Series A (Woodway Village Apts)		9,100	4.95%	5.20%	2006	2023	01/01/2013
2003 MF Series A/B (Reading Road)		12,200	VAR - Weekly		2007	2036	01/01/2004 (b)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-A
MISCELLANEOUS BOND INFORMATION (Continued)
For the fiscal year ended August 31, 2005
(Amounts in Thousands)

Description of Issue	Bonds Issued To Date	Range Of Interest Rates		Scheduled Mat. First Year	Scheduled Mat. Last Year	First Call Date
2004 MF Series A/B (Century Park)	13,000	VAR - Weekly (e)		2007	2037	05/01/2007 (b)
2004 MF Series A (Addison Park)	14,000	VAR - Weekly (d)		2007	2044	01/01/2007 (b)
2004 MF Series A/B (Veterans Memorial)	16,300	6.60%	8.50%	2006	2044	03/01/2006 (b)
2004 MF Series A (Rush Creek)	10,000	5.38%	6.70%	2006	2044	03/01/2021
2004 MF Series A (Humble Park)	11,700	6.60%	6.60%	2007	2041	07/01/2021
2004 MF Series A (Chisholm Trail)	12,000	VAR - Weekly (c)		2006	2037	10/15/2006 (b)
2004 MF Series A (Evergreen @ Plano)	14,750	5.25%	6.55%	2007	2044	06/1/2021
2004 MF Series A (Montgomery Pines)	12,300	VAR - Weekly		2006	2037	12/15/2006 (b)
2004 MF Series A (Bristol)	12,625	VAR - Weekly		2007	2037	06/15/2007 (b)
2004 MF Series A (Pinnacle)	14,500	VAR - Weekly (d)		2007	2044	09/01/2007 (b)
2004 MF Series A (Tranquility Bay)	14,350	VAR - Weekly (d)		2007	2044	06/01/2021 (g)
2004 MF Series A (Sphinx @ Delafield)	11,380	5.05%	5.35%	2006	2044	07/20/2014
2004 MF Series A (Churchill @ Pinnacle)	10,750	5.25%	6.55%	2007	2044	9/1/2021 (g)
2004 MF Series A/B (Post Oak East)	13,600	VAR - Weekly		(f)	2037	(f)
2004 MF Series A (Village Fair)	14,100	5.00%	6.50%	2007	2044	12/1/2021
2005 MF Series A (Pecan Grove)	14,030	5.00%	6.50%	2007	2045	1/1/2022
2005 MF Series A (Prairie Oaks)	11,050	4.75%	6.50%	2007	2045	1/1/2022
2005 MF Series A (Port Royal)	12,200	5.00%	6.50%	2007	2045	2/1/2022
2005 MF Series A (Del Rio)	11,490	5.00%	6.50%	2007	2045	2/1/2022
2005 MF Series A (Atascocita Pines)	11,900	VAR - Weekly (d)		2007	2037	(h)
2005 MF Series A (Tower Ridge)	15,000	VAR - Weekly (c)		2009	2038	(h)
2005 MF Series A (Alta Cullen)	14,000	5.89%	6.60%	2007	2045	6/1/2022
2005 MF Series A (Lafayette Village)	14,100	VAR - Weekly		2008	2038	n/a
2005 MF Series A (Prairie Ranch)	12,200	4.85%	4.85%	2007	2045	12/20/2015
2005 MF Series A (St Augustine)	7,650	VAR - Weekly		2009	2038	n/a
2005 MF Series A (Park Manor)	10,400	5.00%	6.40%	2008	2045	9/1/2022
2005 MF Series A (Mockingbird)	14,360	6.40%	6.40%	2007	2045	8/1/2022
2005 MF Series A (Chase Oaks)	14,250	5.05%	5.05%	2007	2035	(j)
TOTAL MULTIFAMILY BONDS	$ 1,154,395					
TOTAL BONDS ISSUED	**$ 3,112,215**					

FOOTNOTES:

(a) Variable rate equal to 80% of the trustee bank's prime rate, subject to a maximum (15%) and minimum (8%) yield.

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

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

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-B
CHANGES IN BOND INDEBTEDNESS
For the fiscal year ended August 31, 2005

Description of Issue	Bonds Outstanding 9/1/04	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2005	Amounts Due Within One Year
1995 Single Family Series A	39,200,000			9,450,000	29,750,000	
1995 Single Family Series C	14,680,000			1,765,000	12,915,000	
1996 Single Family Series A	9,975,000			1,100,000	8,875,000	
1996 Single Family Series B	2,330,000			2,330,000		
1996 Single Family Series D	35,050,000			6,275,000	28,775,000	
1996 Single Family Series E	28,075,000		1,385,000	4,775,000	21,915,000	1,265,000
1997 Single Family Series A	41,280,000			11,105,000	30,175,000	
1997 Single Family Series B	9,510,000			2,180,000	7,330,000	
1997 Single Family Series C	2,070,000			2,070,000		
1997 Single Family Series D	29,405,000			11,350,000	18,055,000	
1997 Single Family Series F	8,155,000			2,530,000	5,625,000	
2002 Single Family Series A (Jr. Lien)	9,945,000				9,945,000	
2002 Single Family Series A	38,410,000			840,000	37,570,000	
2002 Single Family Series B	51,605,000		860,000	2,985,000	47,760,000	905,000
2002 Single Family Series C	12,830,000		430,000	280,000	12,120,000	450,000
2002 Single Family Series D	9,915,000		960,000	685,000	8,270,000	910,000
2004 Single Family Series A	123,610,000			125,000	123,485,000	
2004 Single Family Series B	53,000,000				53,000,000	
2004 Single Family Series A (Jr. Lien)	4,140,000				4,140,000	
2004 Single Family Series C		41,245,000			41,245,000	
2004 Single Family Series D		35,000,000			35,000,000	
2004 Single Family Series E		10,825,000			10,825,000	
2004 Single Family Series F		88,000,000		88,000,000		
2005 Single Family Series A		100,000,000			100,000,000	
1998 RMRB Series A	71,170,000		1,620,000	16,805,000	52,745,000	1,330,000
1998 RMRB Series B	11,930,000			3,285,000	8,645,000	
1999 RMRB Series A	9,730,000			1,945,000	7,785,000	
1999 RMRB Series B-1	37,045,000			6,845,000	30,200,000	
1999 RMRB Series C	5,585,000			1,105,000	4,480,000	
1999 RMRB Series D						
2000 RMRB Series A	27,755,000		325,000	5,700,000	21,730,000	280,000
2000 RMRB Series B	70,605,000			7,585,000	63,020,000	0
2000 RMRB Series C	10,905,000			1,325,000	9,580,000	
2000 RMRB Series D	12,255,000		660,000	2,165,000	9,430,000	620,000
2000 RMRB Series E	2,515,000			2,515,000		
2001 RMRB Series A	46,545,000		765,000	5,185,000	40,595,000	730,000
2001 RMRB Series B	13,925,000			1,245,000	12,680,000	
2001 RMRB Series C	19,540,000		1,480,000	3,215,000	14,845,000	1,270,000
2001 RMRB Series D	235,000				235,000	
2002 RMRB Series A	41,385,000		120,000	2,205,000	39,060,000	660,000
2003 RMRB Series A	73,605,000			1,870,000	71,735,000	1,195,000
1992 Coll Home Mtg Rev Bonds, Series C	26,400,000			5,800,000	20,600,000	
1993 SF MRB CHMRB Series A	3,335,000			3,335,000		
1993 SF MRB CHMRB Series B	3,060,000			3,060,000		
1993 SF MRB CHMRB Series C	2,770,000			2,770,000		
1993 SF MRB CHMRB Series D	1,200,000			1,200,000		
1993 SF MRB CHMRB Series E	1,235,000			1,235,000		
1994 SF MRB CHMRB Series A	7,960,000			7,960,000		
1994 SF MRB CHMRB Series B	7,740,000			7,740,000		
1994 SF MRB CHMRB Series C	3 805 000			305 000	3 500 000	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-B
CHANGES IN BOND INDEBTEDNESS (Continued)
For the fiscal year ended August 31, 2005

Description of Issue	Bonds Outstanding 9/1/04	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2005	Amounts Due Within One Year
1996 MF Series A/B (Braxton's Mark)	14,273,700				14,273,700	
1996 MF Series A-D (Harbors/Plumtree)	11,600,000		240,000		11,360,000	255,000
1998 MF Series A (Pebble Brook Apartments)	10,405,000		160,000		10,245,000	170,000
1998 MF Series A-C (Residence at the Oaks)	7,811,000		128,000		7,683,000	134,000
1998 MF Series A (Volente Project)	10,330,000		160,000		10,170,000	165,000
1998 MF Series A (Dallas Oxford Rfdg)	10,300,000				10,300,000	
1998 MF Series A/B (Greens of Hickory Trail)	12,940,000		185,000		12,755,000	210,000
1999 MF Series A-C (Mayfield)	10,970,000		177,000		10,793,000	187,000
1999 MF Series A (Woodglen Village)	10,558,084		52,801		10,505,283	57,000
2000 MF Series A (Timber Point Apts)	8,000,000		100,000		7,900,000	0
2000 MF Series A/B (Oaks @ Hampton)	9,941,531		57,044		9,884,487	62,000
2000 MF Series A (Deerwood Apts)	6,320,000		75,000		6,245,000	85,000
2000 MF Series A (Creek Point Apts)	7,100,000			315,000	6,785,000	0
2000 MF Series A/B (Parks @ Westmoreland)	9,888,432		55,918		9,832,514	61,000
2000 MF Series A (Honeycreek)	20,475,980		112,822		20,363,158	122,000
2000 MF Series A-C (Highland Meadow Apts)	12,500,000		69,000	1,272,000	11,159,000	137,000
2000 MF Series A/B (Greenbridge)	19,972,362		81,306		19,891,056	92,000
2000 MF Series A-C (Collingham Park)	13,428,000		151,000		13,277,000	162,000
2000 MF Series A/B (Williams Run)	12,620,262		43,046		12,577,216	112,000
2000 MF Series A/B (Red Hills Villas)	10,231,786		44,362		10,187,424	49,000
2001 MF Series A (Bluffview Senior Apts)	10,642,284		47,278		10,595,006	51,000
2001 MF Series A (Knollwood Villas Apts)	13,675,833		60,754		13,615,079	66,000
2001 MF Series A (Skyway Villas)	13,250,000		135000		13,115,000	185,000
2001 MF Series A/B (Cobb Park)	7,753,877		31,705		7,722,172	35,000
2001 MF Series A (Greens Road Apts.)	8,375,000		100,000		8,275,000	105,000
2001 MF Series A/B (Meridian Apts.)	14,310,000		90,000		14,220,000	160,000
2001 MF Series A/B (Wildwood Apts.)	14,365,000		85,000		14,280,000	165,000
2001 MF Series A-C (Fallbrook Apts.)	14,700,000		86,000		14,614,000	180,000
2001 MF Series A (Oak Hollow Apts.)	8,594,727		42,357	430,000	8,122,370	44,000
2001 MF Series A/B (Hillside Apts.)	12,860,520		57,070		12,803,450	63,000
2002 MF Series A (Millstone Apts.)	12,700,000		80,000		12,620,000	165,000
2002 MF Series A (Sugar Creek Apts.)	11,920,000		65,000		11,855,000	70,000
2002 MF Series A (West Oaks Apts.)	10,119,718		47,885	395,807	9,676,026	50,000
2002 MF Series A (Park Meadows Apts.)	4,600,000		50,000		4,550,000	55,000
2002 MF Series A (Clarkridge Villas Apts)	14,600,000		68,931		14,531,069	74,000
2002 MF Series A (Hickory Trace Apts)	11,920,000		46,624		11,873,376	60,000
2002 MF Series A (Green Crest Apts)	12,500,000		48,892		12,451,108	63,000
2002 MF Series A/B (Iron Wood Crossing)	16,970,000				16,970,000	51,000
2002 MF Series A (Woodway Village Apts)	9,100,000				9,100,000	105,000
2003 MF Series A/B (Reading Road)	12,200,000				12,200,000	
2003 MF Series A/B (North Vista Apts)	14,000,000				14,000,000	
2003 MF Series A/B (West Virginia Apts)	9,450,000				9,450,000	
2003 MF Series A/B (Sphinx@Murdeaux)	15,085,000		70,000		15,015,000	140,000
2003 MF Series A/B (Primrose Houston)	16,900,000				16,900,000	11,000
2003 MF Series A/B (Timber Oaks Apts)	13,200,000		3,748		13,196,252	47,000
2003 MF Series A/B (Ash Creek Apts)	16,375,000				16,375,000	
2003 MF Series A/B (Peninusula Apts)	12,400,000				12,400,000	
2003 MF Series A (Evergreen @ Mesquite)	11,000,000				11,000,000	41,000
2003 MF Series A/B (Arlington Villas)	17 100 000				17 100 000	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-B
CHANGES IN BOND INDEBTEDNESS (Continued)
For the fiscal year ended August 31, 2005

Description of Issue		Bonds Outstanding 9/1/04	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 1/0/1900		Amounts Due Within One Year
2004 MF Series A (Montgomery Pines)		12,300,000				12,300,000		
2004 MF Series A (Bristol)		12,625,000				12,625,000		
2004 MF Series A (Pinnacle)		14,500,000				14,500,000		
2004 MF Series A (Tranquility Bay)		14,350,000				14,350,000		
2004 MF Series A (Sphinx @ Delafield)		11,380,000				11,380,000		50,000
2004 MF Series A (Churchill @ Pinnacle)		10,750,000.00				10,750,000		
2004 MF Series A/B (Post Oak East)		13,600,000				13,600,000		
2004 MF Series A (Village Fair)			14,100,000			14,100,000		
2005 MF Series A (Pecan Grove)			14,030,000			14,030,000		
2005 MF Series A (Prairie Oaks)			11,050,000			11,050,000		
2005 MF Series A (Port Royal)			12,200,000			12,200,000		
2005 MF Series A (Mission Del Rio)			11,490,000			11,490,000		
2005 MF Series A (Atascocita)			11,900,000			11,900,000		
2005 MF Series A (Tower Ridge)			15,000,000			15,000,000		
2005 MF Series A (Alta Cullen)			14,000,000			14,000,000		
2005 MF Series A (Lafayette Village)			14,100,000			14,100,000		
2005 MF Series A (Prairie Ranch)			12,200,000			12,200,000		
2005 MF Series A (St. Augustine)			7,650,000			7,650,000		
2005 MF Series A (Park Manor)			10,400,000			10,400,000		
2005 MF Series A (Providence @ Mockingbird)			14,360,000			14,360,000		
2005 MF Series A (Plaza Chase Oaks)			14,250,000			14,250,000		
TOTAL MULTIFAMILY BONDS	$	871,585,439	176,730,000	3,178,239	11,632,807	1,033,504,393		4,256,000
TOTAL BONDS	**$**	**1,907,005,439**	**451,800,000**	**11,783,239**	**255,877,807**	**2,091,144,393**	(b)	**13,871,000**

FOOTNOTES:
(a) Bond Accretions
(b) Bonds Outstanding balance at 8/31/05 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$	2,091,144,393
Unamortized (Discount)/Premium:		
Single Family		4,277,286
RMRB		3,416,151
CHMRB		458,204
Multi-Family		(583,601)
Unamortized Deferred Gain/(Loss) on Refunding:		
Single Family		(2,413,139)
RMRB		(1,645,600)
Deferred Amount on Refunding		(2,154,720)
Bonds Outstanding per Exhibit III	$	**2,092,498,974**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2005
(Amounts in Thousands)

DESCRIPTION		2006	2007	2008	2009
1995 SINGLE FAMILY, SERIES A	Principal				
1995 SINGLE FAMILY, SERIES A	Interest	1,830	1,830	1,830	1,830
1995 SINGLE FAMILY, SERIES C	Principal				
1995 SINGLE FAMILY, SERIES C	Interest	1,002	1,002	1,002	1,002
1996 SINGLE FAMILY, SERIES A	Principal				
1996 SINGLE FAMILY, SERIES A	Interest	559	559	559	559
1996 SINGLE FAMILY, SERIES B	Principal				
1996 SINGLE FAMILY, SERIES B	Interest				
1996 SINGLE FAMILY, SERIES D	Principal				
1996 SINGLE FAMILY, SERIES D	Interest	1,794	1,794	1,794	1,794
1996 SINGLE FAMILY, SERIES E	Principal	1,265	1,315	1,365	1,435
1996 SINGLE FAMILY, SERIES E	Interest	1,229	1,159	1,085	1,006
1997 SINGLE FAMILY, SERIES A	Principal				
1997 SINGLE FAMILY, SERIES A	Interest	1,750	1,750	1,750	1,750
1997 SINGLE FAMILY, SERIES B	Principal				
1997 SINGLE FAMILY, SERIES B	Interest	399	399	399	399
1997 SINGLE FAMILY, SERIES C	Principal				
1997 SINGLE FAMILY, SERIES C	Interest				
1997 SINGLE FAMILY, SERIES D	Principal				
1997 SINGLE FAMILY, SERIES D	Interest	1,025	1,025	1,025	1,025
1997 SINGLE FAMILY, SERIES F	Principal				
1997 SINGLE FAMILY, SERIES F	Interest	381	381	381	381
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	Principal				
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	Interest	697	697	697	697
2002 SINGLE FAMILY, SERIES A	Principal				
2002 SINGLE FAMILY, SERIES A	Interest	2,068	2,068	2,068	2,068
2002 SINGLE FAMILY, SERIES B	Principal	905	960	1,015	1,080
2002 SINGLE FAMILY, SERIES B	Interest	2,559	2,509	2,456	2,399
2002 SINGLE FAMILY, SERIES C	Principal	450	470	500	525
2002 SINGLE FAMILY, SERIES C	Interest	574	557	537	515
2002 SINGLE FAMILY, SERIES D	Principal	910	945	970	1,000
2002 SINGLE FAMILY, SERIES D	Interest	298	266	232	193
2004 SINGLE FAMILY, SERIES A	Principal		1,640	3,340	4,000
2004 SINGLE FAMILY, SERIES A	Interest	5,508	5,476	5,397	5,289
2004 SINGLE FAMILY, SERIES B	Principal				
2004 SINGLE FAMILY, SERIES B	Interest	1,283	1,283	1,283	1,283
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)	Principal				
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)	Interest	148	148	148	148
2004 SINGLE FAMILY, SERIES C	Principal		280	570	595
2004 SINGLE FAMILY, SERIES C	Interest	1,974	1,967	1,939	1,909
2004 SINGLE FAMILY, SERIES D	Principal				
2004 SINGLE FAMILY, SERIES D	Interest	889	889	889	889
2004 SINGLE FAMILY, SERIES E	Principal		1,345	1,105	1,140
2004 SINGLE FAMILY, SERIES E	Interest	385	358	328	294
2004 SINGLE FAMILY, SERIES F	Principal				
2004 SINGLE FAMILY, SERIES F	Interest				
2005 SINGLE FAMILY,SERIES A	Principal		885	1,820	1,895
2005 SINGLE FAMILY,SERIES A	Interest	2,027	2,408	2,374	2,327
Total Single Family Bonds		31,909	36,365	38,858	39,427

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2005
(Amounts in Thousands)

2010	2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-45	TOTAL REQUIRED
				29,750				29,750
1,830	9,150	9,150	9,150	2,737				39,337
	1,960	10,955						12,915
1,002	4,934	883						10,827
				8,875				8,875
559	2,795	2,795	2,795	1,680				12,860
			540	28,235				28,775
1,794	8,970	8,970	8,839	5,105				40,854
1,520	775	14,240						21,915
921	4,270	1,317						10,987
				30,175				30,175
1,750	8,750	8,750	8,750	7,004				42,004
		7,330						7,330
399	1,995	1,403						5,393
				18,055				18,055
1,025	5,125	5,125	5,125	3,836				24,336
				5,625				5,625
381	1,905	1,905	1,905	1,520				9,140
			2,445	7,500				9,945
697	3,485	3,485	3,399	266				14,120
		5,270	12,990	10,460	8,850			37,570
2,068	10,340	9,917	7,041	3,664	827			42,129
1,145	4,715	4,445	5,685	15,370	12,440			47,760
2,339	10,831	9,679	8,326	5,611	908			47,617
555	5,580	4,040						12,120
491	1,822	205						4,701
1,045	3,400							8,270
150	156							1,295
3,670	20,805	15,265	18,420	22,345	28,990	5,010		123,485
5,156	23,320	19,475	15,511	10,625	4,602			100,359
	895	9,925	11,965	14,510	15,705			53,000
1,283	6,415	5,783	4,475	2,894	971			26,953
						4,140		4,140
148	740	740	740	740	740	216		4,656
615	3,765	6,170	8,580	8,355	11,010	1,305		41,245
1,879	8,882	7,704	5,939	3,942	1,581	14		37,730
	1,125	6,590	8,380	8,165	10,740			35,000
889	4,438	3,944	2,998	1,958	779			18,562
1,190	5,460	585						10,825
254	546	44						2,209
1,970	11,095	13,485	16,405	19,940	24,255	8,250		100,000
2,279	10,590	9,043	7,163	4,875	2,095	210		45,391
39,004	189,034	208,617	177,566	283,817	124,493	19,145		1,188,235

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2005
(Amounts in Thousands)

DESCRIPTION		2006	2007	2008	2009
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	1,330	1,385	1,440	1,510
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	2,685	2,625	2,560	2,491
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal				
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	458	458	458	458
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal				
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	399	399	399	399
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES B-1	Principal				
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES B-1	Interest	1,994	1,994	1,994	1,994
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal				
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	280	280	280	280
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	280	300	315	335
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,348	1,333	1,316	1,297
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal				
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	3,652	3,652	3,652	3,652
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal				
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	559	559	559	559
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Principal	620	645	685	725
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Interest	485	454	422	387
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES E	Principal				
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES E	Interest				
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	730	785	835	870
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	2,186	2,148	2,107	2,063
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal				
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	653	653	653	653
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal	1,270	1,320	1,380	1,440
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	598	551	498	441
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Principal			5	10
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Interest	13	13	13	12
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	660	680	710	740
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	2,027	1,997	1,966	1,932
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	1,195	1,225	1,260	1,295
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	3,249	3,541	3,329	3,279
Total Residential Mtg Revenue Bonds		26,671	26,997	26,836	26,822
1992 COLL HOME MTG REV BONDS, SERIES C	Principal				
1992 COLL HOME MTG REV BONDS, SERIES C	Interest	1,402	1,402	1,402	1,402
Total Coll Home Mtg Revenue Bonds		1,402	1,402	1,402	1,402
1993 SF MRB CHMRB, SERIES A	Principal				
1993 SF MRB CHMRB, SERIES A	Interest				
1993 SF MRB CHMRB, SERIES B	Principal				
1993 SF MRB CHMRB, SERIES B	Interest				
1993 SF MRB CHMRB, SERIES C	Principal				
1993 SF MRB CHMRB, SERIES C	Interest				
1993 SF MRB CHMRB, SERIES D	Principal				
1993 SF MRB CHMRB, SERIES D	Interest				
1993 SF MRB CHMRB, SERIES E	Principal				
1993 SF MRB CHMRB, SERIES E	Interest				
Total Single Family MRB 1993 CHMRB Bonds					

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2005
(Amounts in Thousands)

2010	2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-45	TOTAL REQUIRED
1,585		10,355		20,185	14,955			52,745
2,417	11,860	10,684	9,145	8,544	258			53,269
			8,645					8,645
458	2,290	2,290	692					7,562
		4,205	3,580					7,785
399	1,995	1,557	62					5,609
			10,985		19,215			30,200
1,994	9,970	9,970	6,720	6,070	2,235			44,935
			4,480					4,480
280	1,400	1,400	1,073					5,273
		5,230			15,270			21,730
1,286	6,430	5,929	4,810	4,810	804			29,363
			12,000		51,020			63,020
3,652	18,260	18,260	18,144	14,770	6,282			93,976
		5,905	3,675					9,580
559	2,795	2,738	931					9,259
780	4,765	1,210						9,430
349	1,057	305						3,459
925	1,555	2,035	7,630	14,215	11,015			40,595
2,016	9,734	9,223	8,200	5,065	976			43,718
	4,185	5,680	2,815					12,680
653	2,784	1,545	162					7,756
1,510	7,925							14,845
379	856							3,323
10	45	40	45	45	35			235
12	51	39	27	14	3			197
765	4,405	5,510	6,900	9,985	8,705			39,060
1,896	8,857	7,581	5,980	3,767	879			36,882
1,335	7,545	9,695	12,735	17,740	17,710			71,735
3,226	15,212	13,211	10,567	6,808	1,903			64,325
26,486	123,976	134,597	140,003	112,018	151,265			795,671
			20,600					20,600
1,402	7,010	7,010	5,605					26,635
1,402	7,010	7,010	26,205					47,235

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2005
(Amounts in Thousands)

DESCRIPTION		2006	2007	2008	2009
1994 SF MRB CHMRB, SERIES A	Principal				
1994 SF MRB CHMRB, SERIES A	Interest				
1994 SF MRB CHMRB, SERIES B	Principal				
1994 SF MRB CHMRB, SERIES B	Interest				
1994 SF MRB CHMRB, SERIES C	Principal				
1994 SF MRB CHMRB, SERIES C	Interest	219	219	219	219
Total Single Family MRB 1994 CHMRB Bonds		219	219	219	219
1984 MF PRIVATE PLACEMENT (SUMMERBEND)	Principal				
1984 MF PRIVATE PLACEMENT (SUMMERBEND)	Interest				
1987 MF SERIES (SOUTH TEXAS RENTAL HOUSING)	Principal	77	84	93	102
1987 MF SERIES (SOUTH TEXAS RENTAL HOUSING)	Interest	70	63	54	45
1993 MF SERIES A&B (REM HILL/HIGH PT)	Principal				
1993 MF SERIES A&B (REM HILL/HIGH PT)	Interest	1,750	1,750	1,750	1,750
1996 MF SERIES A&B (BRIGHTON'S MARK)	Principal				
1996 MF SERIES A&B (BRIGHTON'S MARK)	Interest	495	495	495	495
1996 MF SERIES A&B (MARKS OF LAS COLINAS)	Principal				
1996 MF SERIES A&B (MARKS OF LAS COLINAS)	Interest	840	840	840	840
1996 MF SERIES A&B (BRAXTON'S MARK)	Principal				
1996 MF SERIES A&B (BRAXTON'S MARK)	Interest	829	829	829	829
1996 MF SERIES A-D (HARBORS/PLUMTREE)	Principal	255	275	295	315
1996 MF SERIES A-D (HARBORS/PLUMTREE)	Interest	791	774	755	734
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	Principal	170	180	190	205
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	Interest	562	553	544	535
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	Principal	134	141	151	159
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	Interest	457	448	440	430
1998 MF SERIES (VOLENTE PROJECT)	Principal	165	175	185	190
1998 MF SERIES (VOLENTE PROJECT)	Interest	563	554	545	536
1998 MF SERIES (DALLAS-OXFORD RFDG)	Principal				
1998 MF SERIES (DALLAS-OXFORD RFDG)	Interest	747	747	747	747
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	Principal	210	220	240	250
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	Interest	681	668	654	640
1999 MF SERIES A-C (MAYFIELD)	Principal	187	199	209	222
1999 MF SERIES A-C (MAYFIELD)	Interest	607	599	587	575
1999 MF SERIES (WOODGLEN VILLAGE)	Principal	57	61	66	71
1999 MF SERIES (WOODGLEN VILLAGE)	Interest	773	769	764	759
2000 MF SERIES (TIMBER POINT APTS)	Principal				
2000 MF SERIES (TIMBER POINT APTS)	Interest	199	199	199	199
2000 MF SERIES A&B (OAKS AT HAMPTON)	Principal	62	68	75	82
2000 MF SERIES A&B (OAKS AT HAMPTON)	Interest	715	710	703	696
2000 MF SERIES (DEERWOOD APTS)	Principal	85	85	95	95
2000 MF SERIES (DEERWOOD APTS)	Interest	392	387	383	377
2000 MF SERIES (CREEK POINT APTS)	Principal				
2000 MF SERIES (CREEK POINT APTS)	Interest	171	171	171	171
2000 MF SERIES PARKS AT (WESTMORELAND)	Principal	61	67	73	80
2000 MF SERIES PARKS AT (WESTMORELAND)	Interest	835	829	823	816
2000 MF SERIES (HONEY CREEK)	Principal	122	131	142	153
2000 MF SERIES (HONEY CREEK)	Interest	1,548	1,539	1,529	1,517
2000 A/C MF SERIES (HIGHLAND MEADOWS)	Principal	137	145	155	166
2000 A/C MF SERIES (HIGHLAND MEADOWS)	Interest	751	742	732	721
2000 A&B MF SERIES (GREENBRIDGE)	Principal	92	119	109	127
2000 A&B MF SERIES (GREENBRIDGE)	Interest	1,469	1,459	1,451	1,441
2000 A/C MF SERIES (COLLINGHAM PARK)	Principal	162	172	182	208
2000 A/C MF SERIES (COLLINGHAM PARK)	Interest	890	877	864	850

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2005
(Amounts in Thousands)

2010	2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-45	TOTAL REQUIRED
				3,500				3,500
219	1,095	1,095	1,095	250				4,630
219	1,095	1,095	1,095	3,750				8,130
112	305							773
35	37							304
			11,390					11,390
1,750	8,750	8,750	4,366					30,616
				8,075				8,075
495	2,475	2,475	2,475	495				10,395
				14,870				14,870
840	4,200	4,200	4,200	843				17,643
				14,274				14,274
829	4,145	4,145	4,145	837				17,417
335	2,040	2,845	4,010	990				11,360
712	3,179	2,353	1,178	54				10,530
215	1,295	1,785	2,440	3,365	400			10,245
524	2,430	2,016	1,445	654	12			9,275
169	571				6,358			7,683
420	1,958	1,905	1,905	1,905	97			9,965
215	1,290	1,775	2,430	3,360	385			10,170
524	2,423	2,003	1,423	621	7			9,199
		10,300						10,300
747	3,735	1,988						9,458
270	1,660	2,260	3,055	4,110	480			12,755
624	2,856	2,347	1,666	747	8			10,891
235	1,396	1,852	2,458	3,264	771			10,793
562	2,587	2,125	1,517	706	24			9,889
76	477	691	996	1,439	2,079	4,492		10,505
753	3,671	3,458	3,150	2,708	2,068	1,056		19,929
					7,900			7,900
199	995	995	995	995	417			5,392
89	559	800	1,146	1,642	2,350	3,012		9,885
689	3,329	3,090	2,744	2,248	1,539	528		16,991
105	235	1,305			4,240			6,245
372	1,786	1,770	1,355	1,355	681			8,858
					6,785			6,785
171	855	855	855	855	370			4,645
87	544	778	1,114	1,594	2,281	3,153		9,832
809	3,916	3,639	3,242	2,675	1,861	701		20,146
165	1,042	1,524	2,229	3,259	11,596			20,363
1,505	7,302	6,817	6,108	5,072	3,466			36,403
177	1,089	1,511	2,112	2,943	2,724			11,159
710	3,347	2,920	2,325	1,493	378			14,119
137	860	1,245	1,799	2,603	3,762	5,440	3,598	19,891
1,432	6,982	6,597	6,038	5,230	4,063	2,373	21	38,556
230	1,376	1,854	2,519	3,444	3,130			13,277
905	4,243	3,659	2,868	1,789	401			17,346

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2005
(Amounts in Thousands)

DESCRIPTION		2006	2007	2008	2009
2000 A&B MF SERIES (WILLIAMS RUN)	Principal	112	78	84	91
2000 A&B MF SERIES (WILLIAMS RUN)	Interest	956	950	944	937
2000 A&B MF SERIES (RED HILLS VILLAS)	Principal	49	54	59	65
2000 A&B MF SERIES (RED HILLS VILLAS)	Interest	857	852	847	841
2001A MF SERIES (BLUFFVIEW SR. APTS.)	Principal	51	55	59	64
2001A MF SERIES (BLUFFVIEW SR. APTS.)	Interest	909	905	900	894
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	Principal	66	71	77	82
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	Interest	1,174	1,168	1,162	1,156
2001A MF SERIES (SKYWAY VILLAS)	Principal	185	195	205	215
2001A MF SERIES (SKYWAY VILLAS)	Interest	725	715	705	694
2001A MF SERIES (COBB PARK)	Principal	35	38	42	46
2001A MF SERIES (COBB PARK)	Interest	611	608	604	599
2001 MF SERIES (GREENS ROAD APTS.)	Principal	105	110	120	130
2001 MF SERIES (GREENS ROAD APTS.)	Interest	441	435	429	422
2001 MF SERIES (MERIDIAN APTS.)	Principal	160	175	185	200
2001 MF SERIES (MERIDIAN APTS.)	Interest	827	815	803	791
2001 MF SERIES (WILDWOOD APTS.)	Principal	165	175	190	205
2001 MF SERIES (WILDWOOD APTS.)	Interest	817	806	794	781
2001 A/C MF SERIES (FALLBROOK APTS.)	Principal	180	193	206	220
2001 A/C MF SERIES (FALLBROOK APTS.)	Interest	887	875	861	847
2001 MF SERIES (OAK HOLLOW APTS.)	Principal	44	47	50	54
2001 MF SERIES (OAK HOLLOW APTS.)	Interest	567	564	561	557
2001 A/B MF SERIES (HILLSIDE APTS.)	Principal	63	69	75	83
2001 A/B MF SERIES (HILLSIDE APTS.)	Interest	1,012	1,006	1,000	992
2002 MF SERIES (MILLSTONE APTS.)	Principal	165	180	195	205
2002 MF SERIES (MILLSTONE APTS.)	Interest	690	680	670	659
2002 MF SERIES (SUGAR CREEK APTS.)	Principal	70	70	80	85
2002 MF SERIES (SUGAR CREEK APTS.)	Interest	710	705	701	696
2002 MF SERIES (WEST OAKS APTS.)	Principal	50	53	57	62
2002 MF SERIES (WEST OAKS APTS.)	Interest	724	720	716	711
2002 MF SERIES (PARK MEADOWS APTS.)	Principal	55	60	60	70
2002 MF SERIES (PARK MEADOWS APTS.)	Interest	295	292	288	283
2002 SERIES (CLARKRIDGE VILLAS APTS)	Principal	74	79	85	91
2002 SERIES (CLARKRIDGE VILLAS APTS)	Interest	1,014	1,009	1,003	997
2002 SERIES A (HICKORY TRACE APTS)	Principal	60	64	69	74
2002 SERIES A (HICKORY TRACE APTS)	Interest	829	825	820	815
2002 SERIES A (GREEN CREST APTS)	Principal	63	67	72	77
2002 SERIES A (GREEN CREST APTS)	Interest	869	865	860	855
2002 SERIES A/B (IRON WOOD CROSSING)	Principal	51	67	73	79
2002 SERIES A/B (IRON WOOD CROSSING)	Interest	1,220	1,215	1,209	1,202
2002 SERIES A (WOODWAY VILLAGE)	Principal	105	115	125	135
2002 SERIES A (WOODWAY VILLAGE)	Interest	466	461	455	449
2003 SERIES A/B (READING ROAD)	Principal		120	120	220
2003 SERIES A/B (READING ROAD)	Interest	395	394	391	386
2003 SERIES A/B (NORTH VISTA)	Principal		200	210	215
2003 SERIES A/B (NORTH VISTA)	Interest	699	694	685	676
2003 SERIES A/B (WEST VIRGINIA)	Principal		135	145	150
2003 SERIES A/B (WEST VIRGINIA)	Interest	472	469	463	456
2003 SERIES A/B (SPHINX @ MURDEAUX)	Principal	140	160	165	170
2003 SERIES A/B (SPHINX @ MURDEAUX)	Interest	1,987	1,993	1,998	2,005
2003 SERIES A/B (PRIMROSE HOUSTON)	Principal	11	71	77	83
2003 SERIES A/B (PRIMROSE HOUSTON)	Interest	1,164	1,161	1,155	1,148

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2005
(Amounts in Thousands)

2010	2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-45	TOTAL REQUIRED
98	622	910	1,334	1,952	2,858	4,184	254	12,577
930	4,520	4,229	3,803	3,182	2,269	934	4	23,658
71	450	651	942	1,363	1,970	2,849	1,667	10,190
834	4,067	3,839	3,509	3,032	2,342	1,344	44	22,408
69	435	637	929	1,357	1,983	2,896	2,060	10,595
889	4,342	4,114	3,782	3,297	2,590	1,557	117	24,296
89	560	818	1,194	1,745	2,550	3,721	2,642	13,615
1,149	5,625	5,354	4,959	4,382	3,540	2,308	151	32,128
230	1,340	1,765	2,320	3,065	3,595			13,115
682	3,207	2,780	2,214	1,461	469			13,652
51	324	468	666	979	1,417	2,049	1,607	7,722
595	2,901	2,746	2,524	2,200	1,731	1,052	100	16,271
135	825	1,110	1,505	2,060	2,175			8,275
415	1,954	1,699	1,353	879	244			8,271
215	1,315	1,920	2,555	3,430	4,065			14,220
777	3,643	3,120	2,439	1,619	523			15,357
220	1,355	1,945	2,545	3,420	4,060			14,280
767	3,588	3,064	2,434	1,616	524			15,191
235	1,424	1,919	2,587	3,487	4,163			14,614
831	3,909	3,406	2,729	1,815	592			16,752
58	357	507	723	1,020	1,445	2,049	1,768	8,122
553	2,697	2,548	2,334	2,035	1,609	1,006	135	15,166
90	554	785	1,115	1,578	2,239	3,173	2,980	12,804
984	4,802	4,540	4,169	3,640	2,892	1,830	243	27,110
215	1,270	1,655	2,165	2,840	3,730			12,620
647	3,043	2,645	2,128	1,438	535			13,135
90	565	215					10,680	11,855
691	3,361	3,215	3,205	3,205	3,205	3,205	855	23,754
66	411	588	840	1,199	1,713	2,446	2,191	9,676
706	3,446	3,261	2,995	2,616	2,072	1,299	176	19,442
70	440	600	830	1,145	1,220			4,550
279	1,314	1,146	916	595	166			5,574
98	605	858	1,217	1,725	2,445	3,466	3,788	14,531
990	4,835	4,581	4,221	3,710	2,984	1,958	405	27,707
79	489	693	982	1,391	1,973	2,797	3,202	11,873
810	3,953	3,747	3,457	3,045	2,460	1,633	365	22,759
83	512	727	1,030	1,459	2,069	2,933	3,359	12,451
849	4,146	3,931	3,625	3,193	2,580	1,711	383	23,867
87	568	877	1,312	1,862	2,639	3,742	5,613	16,970
1,195	5,839	5,527	5,090	4,536	3,754	2,646	692	34,125
140	825	1,115	6,540					9,100
442	2,095	1,856	909					7,133
130	1,060	1,520	1,905	2,630	3,600	895		12,200
380	1,805	1,608	1,340	975	481	22		8,177
230	1,335	1,720	2,280	2,975	3,910	925		14,000
666	3,164	2,790	2,284	1,621	750	22		14,051
155	895	1,155	1,535	2,015	2,640	625		9,450
450	2,135	1,884	1,545	1,095	507	13		9,489
180	1,025	1,300	1,655	2,090	2,670	3,410	2,050	15,015
2,013	8,803	3,113	2,765	2,316	1,742	998	157	29,890
90	578	865	1,265	1,784	2,516	9,560		16,900
1,141	5,581	5,295	4,901	4,389	3,668	472		30,075

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DESCRIPTION		2006	2007	2008	2009
2003 SERIES A/B (TIMBER OAKS)	Principal	47	51	56	61
2003 SERIES A/B (TIMBER OAKS)	Interest	934	930	925	920
2003 SERIES A/B (ASH CREEK APTS)	Principal		59	76	83
2003 SERIES A/B (ASH CREEK APTS)	Interest	1,100	1,098	1,092	1,086
2003 SERIES A/B (PENINSULA APTS)	Principal		80	160	170
2003 SERIES A/B (PENINSULA APTS)	Interest	647	645	639	632
2003 SERIES (EVERGREEN @ MESQUITE)	Principal	41	103	110	117
2003 SERIES (EVERGREEN @ MESQUITE)	Interest	756	751	744	737
2003 SERIES A/B (ARLINGTON VILLAS)	Principal		46	74	80
2003 SERIES A/B (ARLINGTON VILLAS)	Interest	452	452	450	447
2003 SERIES A/B (PARKVIEW TWNHMS)	Principal	45	73	79	86
2003 SERIES A/B (PARKVIEW TWNHMS)	Interest	1,125	1,119	1,112	1,105
2003 SERIES (NHP-ASMARA)REFUNDING	Principal		490	520	555
2003 SERIES (NHP-ASMARA)REFUNDING	Interest	756	756	744	732
2004 SERIES A/B (TIMBER RIDGE)	Principal		18	37	40
2004 SERIES A/B (TIMBER RIDGE)	Interest	513	512	510	507
2004 SERIES A/B (CENTURY PARK)	Principal		65	150	160
2004 SERIES A/B (CENTURY PARK)	Interest	774	774	767	758
2004 SERIES A (ADDISON PARK)	Principal		60	70	75
2004 SERIES A (ADDISON PARK)	Interest	409	408	407	404
2004 SERIES A/B (VETERANS MEMORIAL)	Principal	34	73	79	86
2004 SERIES A/B (VETERANS MEMORIAL)	Interest	1,100	1,094	1,088	1,081
2004 SERIES (RUSH CREEK)	Principal	4	52	55	59
2004 SERIES (RUSH CREEK)	Interest	670	668	664	660
2004 SERIES (HUMBLE PARK)	Principal		90	100	110
2004 SERIES (HUMBLE PARK)	Interest	772	770	764	757
2004 SERIES (CHISHOLM TRAIL)	Principal		130	135	145
2004 SERIES (CHISHOLM TRAIL)	Interest	308	308	304	301
2004 SERIES (EVERGREEN @ PLANO)	Principal		13	80	85
2004 SERIES (EVERGREEN @ PLANO)	Interest	966	966	962	957
2004 SERIES (MONTGOMERY PINES)	Principal		145	155	160
2004 SERIES (MONTGOMERY PINES)	Interest	316	315	311	307
2004 SERIES (BRISTOL)	Principal		75	160	170
2004 SERIES (BRISTOL)	Interest	324	324	322	317
2004 SERIES (PINNACLE)	Principal				
2004 SERIES (PINNACLE)	Interest	373	373	373	373
2004 SERIES (TRANQUILITY BAY)	Principal		45	81	86
2004 SERIES (TRANQUILITY BAY)	Interest	775	774	770	766
2004 SERIES (SPHINX @ DELAFIELD)	Principal	50	95	100	110
2004 SERIES (SPHINX @ DELAFIELD)	Interest	597	593	588	583
2004 SERIES (CHURCHILL @ PINNACLE)	Principal			57	61
2004 SERIES (CHURCHILL @ PINNACLE)	Interest	704	704	702	698
2004 SERIES A/B (POST OAK EAST)	Principal				
2004 SERIES A/B (POST OAK EAST)	Interest	668	668	668	668
2004 SERIES A (VILLAGE FAIR)	Principal		50	80	85
2004 SERIES A (VILLAGE FAIR)	Interest	917	915	910	905
2005 SERIES A (PECAN GROVE)	Principal		44	79	84
2005 SERIES A (PECAN GROVE)	Interest	912	911	831	902
2005 SERIES A (PRAIRIE OAKS)	Principal		34	62	66
2005 SERIES A (PRAIRIE OAKS)	Interest	718	718	714	710
2005 SERIES A (PORT ROYAL)	Principal		32	68	73
2005 SERIES A (PORT ROYAL)	Interest	793	792	789	784

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SCHEDULE 1-C
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(Amounts in Thousands)

2010	2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-45	TOTAL REQUIRED
67	438	677	1,045	1,518	2,126	2,976	4,134	13,196
915	4,471	4,228	3,857	3,383	2,772	1,917	583	25,835
90	576	858	1,216	1,702	2,381	9,334		16,375
1,079	5,267	4,988	4,636	4,158	3,487	642		28,633
180	1,070	1,440	9,300					12,400
623	2,971	2,652	1,838					10,647
125	759	1,043	1,436	1,974	2,717	1,349	1,226	11,000
729	3,503	3,211	2,806	2,250	1,484	720	196	17,887
87	558	835	1,231	1,744	2,461	9,984		17,100
444	2,167	2,044	1,876	1,686	1,425	324		11,767
94	610	928	1,319	1,833	2,548	3,540	5,445	16,600
1,098	5,346	5,028	4,635	4,119	3,401	2,403	847	31,338
585	3,510	4,700	6,305	8,445	6,390			31,500
718	3,363	2,885	2,251	1,399	317			13,921
42	263	371	526	745	1,055	4,403		7,500
503	2,459	2,339	2,188	1,978	1,677	426		13,612
175	1,035	1,420	1,950	2,655	3,610	1,780		13,000
749	3,574	3,217	2,731	2,060	1,150	131		16,685
80	515	760	1,130	1,660	2,460	3,645	3,545	14,000
402	1,970	1,880	1,747	1,550	1,259	826	218	11,480
94	609	913	1,277	1,774	2,467	3,428	5,466	16,300
1,073	5,225	4,921	4,553	4,053	3,358	2,392	874	30,812
63	386	541	754	1,053	1,471	2,055	3,507	10,000
656	3,209	3,056	2,840	2,539	2,119	1,533	586	19,200
110	685	955	1,335	1,840	2,540	3,505	430	11,700
749	3,623	3,355	2,985	2,466	1,754	771	9	18,775
155	935	1,290	1,780	2,430	3,340	1,660		12,000
297	1,419	1,279	1,086	822	460	55		6,639
91	554	767	1,065	1,477	2,048	2,837	5,733	14,750
951	4,656	4,440	4,141	3,729	3,155	2,359	1,051	28,333
170	1,025	1,375	1,840	2,480	3,320	1,630		12,300
303	1,444	1,293	1,091	820	454	53		6,707
180	1,075	1,440	1,915	2,555	3,400	1,655		12,625
313	1,487	1,331	1,119	838	463	55		6,893
						14,500		14,500
373	1,865	1,865	1,865	1,865	1,865	673		11,863
92	561	776	1,071	1,482	2,047	2,833	5,276	14,350
762	3,721	3,542	3,295	2,952	2,480	1,826	790	22,453
110	670	880	1,155	1,510	1,995	2,510	2,195	11,380
577	2,794	2,601	2,350	2,011	1,560	972	244	15,470
65	401	554	767	1,065	1,476	2,046	4,258	10,750
694	3,398	3,241	3,028	2,729	2,314	1,741	814	20,767
						13,600		13,600
668	3,340	3,340	3,340	3,340	3,340	1,342		21,382
91	553	766	1,059	1,463	2,024	2,798	5,131	14,100
899	4,396	4,183	3,888	3,482	2,918	2,139	989	26,541
90	547	758	1,048	1,447	2,003	2,771	5,159	14,030
896	4,380	4,171	3,880	3,479	2,926	2,159	1,039	26,486
71	432	596	824	1,141	1,577	2,182	4,065	11,050
706	3,447	3,281	3,052	2,736	2,295	1,689	794	20,860
78	473	655	904	1,252	1,732	2,395	4,538	12,200
779	3,809	3,627	3,376	3,026	2,543	1,877	902	23,097

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

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SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
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(Amounts in Thousands)

DESCRIPTION		2006	2007	2008	2009
2005 SERIES A (MISSION DEL RIO)	Principal		31	64	69
2005 SERIES A (MISSION DEL RIO)	Interest	747	746	743	738
2005 SERIES A (ATASCOCITA)	Principal				143
2005 SERIES A (ATASCOCITA)	Interest	310	309	309	308
2005 SERIES A (TOWER RIDGE)	Principal				100
2005 SERIES A (TOWER RIDGE)	Interest	358	377	377	377
2005 SERIES A (ALTA CULLEN)	Principal			61	78
2005 SERIES A (ALTA CULLEN)	Interest	924	924	922	917
2005 SERIES A (LAFAYETTE VILLAGE)	Principal				178
2005 SERIES A (LAFAYETTE VILLAGE)	Interest	367	367	367	365
2005 SERIES A (PRAIRIE RANCH)	Principal			150	115
2005 SERIES A (PRAIRIE RANCH)	Interest	444	592	589	583
2005 SERIES A (ST. AUGUSTINE)	Principal				
2005 SERIES A (ST. AUGUSTINE)	Interest	197	197	197	197
2005 SERIES A (PARK MANOR)	Principal				58
2005 SERIES A (PARK MANOR)	Interest	857	830	666	664
2005 SERIES A (PROVIDENCE @ MOCKINGBIRD)	Principal			80	85
2005 SERIES A (PROVIDENCE @ MOCKINGBIRD)	Interest	919	919	916	911
2005 SERIES A (PLAZA CHASE OAKS)	Principal		95	236	248
2005 SERIES A (PLAZA CHASE OAKS)	Interest	720	719	709	697
Total Multi-Family Bonds		65,930	68,374	69,187	69,883
Total		126,131	133,357	136,502	137,753
Less Interest		112,260	112,305	110,828	109,681
Total Principal		13,871	21,052	25,674	28,072

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2005
(Amounts in Thousands)

2010	2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-45	TOTAL REQUIRED
73	446	617	852	1,179	1,632	2,255	4,272	11,490
734	3,588	3,416	3,178	2,850	2,396	1,768	849	21,753
153	915	1,236	1,675	2,275	3,104	2,399		11,900
305	1,458	1,321	1,137	886	545	112		7,000
100	500	900	1,700	2,400	3,600	5,700		15,000
374	1,831	1,753	1,604	1,354	1,000	370		9,775
83	509	708	983	1,367	1,899	2,640	5,672	14,000
912	4,466	4,266	3,989	3,603	3,068	2,324	1,219	27,534
189	1,129	1,511	2,021	2,707	3,624	2,741		14,100
361	1,723	1,554	1,331	1,029	625	128		8,217
125	710	915	1,195	1,545	1,920	2,440	3,085	12,200
577	2,790	2,596	2,346	2,018	1,605	1,085	427	15,652
						7,650		7,650
197	985	985	985	985	985	594		6,504
62	376	516	710	977	1,344	1,849	4,508	10,400
660	3,234	3,092	2,898	2,632	2,265	1,759	1,057	20,614
91	552	759	1,044	1,437	1,979	2,722	5,611	14,360
905	4,428	4,221	3,932	3,539	2,995	2,247	1,207	27,139
261	1,523	1,958	9,929					14,250
684	3,206	2,769	1,647					11,151
69,950	348,767	354,382	369,161	352,475	321,257	265,709	149,258	2,504,333
137,061	669,882	705,701	714,030	752,060	597,015	284,854	149,258	4,543,604
108,428	520,104	465,270	392,500	282,095	151,924	68,520	18,543	2,452,458
28,633	149,778	240,431	321,530	469,965	445,091	216,334	130,715	2,091,146

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
Schedule 1-D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE - REVENUE BONDS
For the Fiscal Year Ended August 31, 2005
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2005			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
1995 Single Family Series A	11,113	183		1,966
1995 Single Family Series C	2,042	31		1,035
1996 Single Family Series A	1,377	31		594
1996 Single Family Series B	2,884	61		3
1996 Single Family Series D	7,384	122		1,886
1996 Single Family Series E	5,607	92	1,385	1,351
1997 Single Family Series A	13,323	244		1,955
1997 Single Family Series B	2,457	31		459
1997 Single Family Series C	2,347	31		
1997 Single Family Series D	13,568	244		1,252
1997 Single Family Series F	3,084	61		423
2002 Single Family Series A	1,117	31		2,076
2002 Single Family Series A Junior Lien				697
2002 Single Family Series B	3,539	61	860	2,651
2002 Single Family Series C			430	591
2002 Single Family Series D	280		960	332
2004 Single Family Series A	685			5,512
2004 Single Family Series B	125			1,109
2004 Single Family Series A Jr Lien				108
2004 Single Family Series C				1,664
2004 Single Family Series D				649
2004 Single Family Series E				324
2004 Single Family Series F	104,634	1,831		1,225
2005 Single Family Series A				949
Total Single Family Bonds	175,566	3,054	3,635	28,811
1998 RMRB Series A	23,145	269	1,620	3,235
1998 RMRB Series B	4,504	52		559
1999 RMRB Series A	2,677	31		451
1999 RMRB Series B-1	9,284	104		2,246
1999 RMRB Series C	1,349	10		318
1999 RMRB Series D				
2000 RMRB Series A	7,895	93	325	1,574
2000 RMRB Series B	10,511	124		3,909
2000 RMRB Series C	1,813	21		597
2000 RMRB Series D	2,897	31	660	570
2000 RMRB Series E	3,247	31		83
2001 RMRB Series A	7,136	83	765	2,384
2001 RMRB Series B	1,489	10		688
2001 RMRB Series C	4,434	52	1,480	722
2001 RMRB Series D				13
2002 RMRB Series A	2,937	31	120	2,112
2003 RMRB Series A	4,065	93		3,478
Total Residential Mtg Revenue Bonds	87,383	1,035	4,970	22,939
1992 Coll Home Mtg Rev Bds Series C	7,718	44		1,651
Total Coll Home Mtg Revenue Bonds	7,718	44		1,651
1993 SF MRB CHMRB Series A	3,404	3		31
1993 SF MRB CHMRB Series B	3,124	3		31
1993 SF MRB CHMRB Series C	2,827	2		29
1993 SF MRB CHMRB Series D	1,225	1		13
1993 SF MRB CHMRB Series E	1,267	1		13
Total Single Family MRB 1993 CHMRB	11,847	10		117
1994 SF MRB CHMRB Series A	8,328	69		235
1994 SF MRB CHMRB Series B	8,100	67		304
1994 SF MRB CHMRB Series C	327	4		221
Total Single Family MRB 1994 CHMRB	16,755	140		760
1995 SF MRRB CHMRB Series A	7			
Total Single Family MRB 1995 CHMRB	7			

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
Schedule 1-D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE - REVENUE BONDS (Continued)
For the Fiscal Year Ended August 31, 2005
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2005			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
1996 MF Series A/B (Brighton's/Las Colinas)	1,387	6		1,354
1996 MF Series A-D (DFW Pool)				
1984 MF Private Placement (Summerbend)	8,464			264
1996 MF Series A/B (Braxton's Mark)	863	3		841
1993 MF Series A&B (RemHill/HighPt Ref)	1,346	5		240
1987 MF Series (South Texas Rental Housing)	100		70	77
1998 MF Series (Dallas Oxford Refndg)	771			747
1996 MF Series A-D (Harbors/Plumtree)	834		240	804
1996 MF Series A/B (NHP Foundation)				
1997 MF Series (Meadow Ridge)				
1998 MF Series (Pebble Brook)	568		160	568
1998 MF Series A-C (Residence Oaks)	484		128	464
1998 MF Series (Volente Project)	597		160	571
1998 MF Series (Greens of Hickory Trail)	707		185	687
1999 MF Series A-C (Mayfield)	630		177	619
1999 MF Series (Woodglen Village)	788		53	777
2000 MF Series (Timber Point Apts)	177		100	169
2000 MF Series (Oaks at Hampton)	730		57	720
2000 MF Series (Deerwood Apts)	401		75	395
2000 MF Series (Creek Point Apts)	461			146
2000 MF Series A/B (Parks @ Westmoreland)	716		56	716
2000 MF Series (Honeycreek)	1,557		113	1,557
2000 MF Series A-C (Highland Meadow Apts)	2,120		69	834
2000 MF Series A/B (Greenbridge)	1,110		81	1,110
2000 MF Series A-C (Collingham Park)	916		151	902
2000 MF Series A/B (Williams Run)	962		43	962
2000 MF Series A/B (Red Hills Villas)	756		44	746
2001 MF Series (Bluffview Senior Apts)	818		47	807
2001 MF Series (Knollwood Villas Apts)	1,051		61	1,037
2001 MF Series (Skyway Villas)	747		135	734
2001 MF Series A/B (Cobb Park)	586		32	578
2001 MF Series (Greens Road Apts.)	454		100	446
2001 MF Series A/B (Meridian Apts.)	875		90	836
2001 MF Series A/B (Wildwood Apts.)	867		85	824
2001 MF Series A-C (Fallbrook Apts.)	913		86	898
2001 MF Series (Oak Hollow Apts.)	1,026		42	587
2001 MF Series A/B (Hillside Apts.)	919		57	906
2002 MF Series (Millstone Apts.)	711		80	698
2002 MF Series (Sugar Creek Apts.)	735		65	714
2002 MF Series (West Oaks Apts.)	1,121		48	715
2002 MF Series (Park Meadows Apts)	304		50	299
2002 MF Series (Clarkridge Villas Apts)	1,034		69	1,019
2002 MF Series (Hickory Trace Apts)	845		47	833
2002 MF Series (Green Crest Apts)	886		49	873
2002 MF Series A/B (Ironwood Crossing)	1,239			1,222
2002 MF Series (Woodway Village Apts)	478			469
2003 MF Series A/B (Reading Road)	370			359
2003 MF Series A/B (North Vista Apts)	713			699
2003 MF Series A/B (West Virginia Apts)	481			472
2003 MF Series A/B (Sphinx @ Murdeaux)	876		70	733
2003 MF Series A/B (Primrose Houston School)	1,010			993
2003 MF Series A/B (Timber Oaks Apts)	950		4	937
2003 MF Series A/B (Ash Creek Apts)	953			950
2003 MF Series A/B (Peninsula Apts)	659			647
2003 MF Series A (Evergreen @ Mesquite)	842			831
2003 MF Series A/B (Arlington Villas)	394			377
2003 MF Series A/B (Parkview Townhomes)	1,143			1,126
2003 MF Series (NHP-Asmara/Refunding)	1,601	5		652
2004 MF Series A/B (Timber Ridge)	497	5		489
2004 MF Series A/B (Century Park)	714			701

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
Schedule 1-D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE - REVENUE BONDS (Continued)
For the Fiscal Year Ended August 31, 2005
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2005			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2004 MF Series A (Addison Park)	368			354
2004 MF Series A/B (Veterans Memorial)	1,116			1,101
2004 MF Series (Rush Creek)	570			560
2004 MF Series (Humble Park)	784	3		772
2004 MF Series (Chisholm Trail)	253			253
2004 MF Series (Evergreen @ Plano)	774			774
2004 MF Series (Montgomery Pines)	260			259
2004 MF Series (Bristol)	266			266
2004 MF Series (Pinnacle)	306			306
2004 MF Series (Tranquility Bay)	715			715
2004 MF Series (Sphinx @ Delafield)	597			597
2004 MF Series (Churchill @ Pinnacle)	564			564
2004 MF Series A/B (Post Oak East)	290			290
2004 MF Series A (Village Fair)	486			486
2005 MF Series A (Pecan Grove)	417			417
2005 MF Series A (Prairie Oaks)	312			312
2005 MF Series A (Port Royal)	351			351
2005 MF Series A (Mission Del Rio)	330			330
2005 MF Series A (Atascocita)	120			120
2005 MF Series A (Tower Ridge)	150			150
2005 MF Series A (Alta Cullen)	298			298
2005 MF Series A (Lafayette Village)	74			74
2005 MF Series A (Prairie Ranch)	69			69
2005 MF Series A (St. Augustine)	9			9
2005 MF Series A (Park Manor)	12			12
2005 MF Series A (Prov Mockingbird)	3			3
2005 MF Series A (Plaza Chase Oaks)	2			2
Total Multifamily Bonds	63,753	27	3,179	50,175
Total	363,029	4,310	11,784	104,453

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-E
DEFEASED BONDS OUTSTANDING
For the fiscal year ended August 31, 2005

Description of Issue	Year Refunded	Par Value Outstanding
Business-Type Activities		
1996 MF SERIES A/B (NHP FOUNDATION)	2003	$ 24,525,000
Total Business-Type Activities		$ 24,525,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-F
EARLY EXTINGUISHMENT AND REFUNDING
For the fiscal year ended August 31, 2005

			For Refunding Only		
Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
Business-Type Activities					
1995 Single Family Series A	Early Extinguishment	$ 9,450,000			
1995 Single Family Series C	Early Extinguishment	1,765,000			
1996 Single Family Series A	Early Extinguishment	1,100,000			
1996 Single Family Series B	Early Extinguishment	2,330,000			
1996 Single Family Series D	Early Extinguishment	6,275,000			
1996 Single Family Series E	Early Extinguishment	4,775,000			
1997 Single Family Series A	Early Extinguishment	11,105,000			
1997 Single Family Series B	Early Extinguishment	2,180,000			
1997 Single Family Series C	Early Extinguishment	2,070,000			
1997 Single Family Series D	Early Extinguishment	11,350,000			
1997 Single Family Series F	Early Extinguishment	2,530,000			
2002 Single Family Series A	Early Extinguishment	840,000			
2002 Single Family Series B	Early Extinguishment	2,985,000			
2002 Single Family Series C	Early Extinguishment	280,000			
2002 Single Family Series D	Early Extinguishment	685,000			
2004 Single Family Series A	Early Extinguishment	125,000			
2004 Single Family Series F	Early Extinguishment	88,000,000			
1998 RMRB Series A	Early Extinguishment	16,805,000			
1998 RMRB Series B	Early Extinguishment	3,285,000			
1999 RMRB Series A	Early Extinguishment	1,945,000			
1999 RMRB Series B-1	Early Extinguishment	6,845,000			
1999 RMRB Series C	Early Extinguishment	1,105,000			
2000 RMRB Series A	Early Extinguishment	5,700,000			
2000 RMRB Series B	Early Extinguishment	7,585,000			
2000 RMRB Series C	Early Extinguishment	1,325,000			
2000 RMRB Series D	Early Extinguishment	2,165,000			
2000 RMRB Series E	Early Extinguishment	2,515,000			
2001 RMRB Series A	Early Extinguishment	5,185,000			
2001 RMRB Series B	Early Extinguishment	1,245,000			
2001 RMRB Series C	Early Extinguishment	3,215,000			
2002 RMRB Series A	Early Extinguishment	2,205,000			
2003 RMRB Series A	Early Extinguishment	1,870,000			

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-F (Continued)
EARLY EXTINGUISHMENT AND REFUNDING
For the fiscal year ended August 31, 2005

			For Refunding Only		
Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	5,800,000			
1993 SF MRB CHMRB Series A	Early Extinguishment	3,335,000			
1993 SF MRB CHMRB Series B	Early Extinguishment	3,060,000			
1993 SF MRB CHMRB Series C	Early Extinguishment	2,770,000			
1993 SF MRB CHMRB Series D	Early Extinguishment	1,200,000			
1993 SF MRB CHMRB Series E	Early Extinguishment	1,235,000			
1994 SF MRB CHMRB Series A	Early Extinguishment	7,960,000			
1994 SF MRB CHMRB Series B	Early Extinguishment	7,740,000			
1994 SF MRB CHMRB Series C	Early Extinguishment	305,000			
1984 MF Private Placement (Summerbend)	Early Extinguishment	8,120,000			
1993 MF Series A/B (RemHill/HighPt)	Early Extinguishment	1,100,000			
2000 MF Series A (Creek Point Apts)	Early Extinguishment	315,000			
2000 MF Series A-C (Highland Meadow Apts)	Early Extinguishment	1,272,000			
2001 MF Series A (Oak Hollow Apts.)	Early Extinguishment	430,000			
2002 MF Series A (West Oaks Apts.)	Early Extinguishment	395,807			
Total Business-Type Activities		$ 255,877,807	$ -	$ -	$ -

Deloitte.

Deloitte & Touche LLP
JPMorgan Chase Tower
2200 Ross Avenue, Suite 1600
Dallas, TX 75201-6778
USA

Tel: +1 214 840 7000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the basic financial statements of the Texas Department of Housing and Community Affairs (the "Department") as of and for the year ended August 31, 2005, and have issued our report thereon dated December 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that errors or misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, including the Public Funds Investment Act (§2256, Texas Government Code), regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP

December 19, 2005

(e) Variable rate series and fixed rate series-variable rate could change to fixed rate provided the conversion option is exercised.

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

(g) 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.

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

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

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

Texas Department of Housing and Community Affairs– Revenue Bond Program

Financial Statements as of and for the Year Ended August 31, 2005, and Independent Auditors' Report

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS—REVENUE BOND PROGRAM

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Deloitte.

Deloitte & Touche LLP
JPMorgan Chase Tower
2200 Ross Avenue, Suite 1600
Dallas, TX 75201-6778
USA

Tel: +1 214 840 7000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of Texas Department of Housing and Community Affairs - Revenue Bond Enterprise Fund (the "Fund" or "Bond Program") as of August 31, 2005, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended and supporting schedules 3 through 8 (supplementary information on pages 43 to 69). These financial statements and supporting schedules are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audit.

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

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Texas Department of Housing and Community Affairs - Revenue Bond Enterprise Fund at August 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, schedules 3 through 8 (supplementary information on pages 43 to 69) present fairly, in all material respects, the information set forth therein.

Management's Discussion and Analysis (on pages 3 to 8) is not a required part of the financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and schedules 3 through 8 (on pages 43 to 69) taken as a whole. The supplementary information by bond program, included as Schedules 1 and 2, listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. These schedules are also the responsibility of the Fund's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte + Touche LLP

December 19, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Texas Department of Housing and Community Affairs' Revenue Bond Program ("Bond Program") annual financial report presents management's discussion and analysis of the Department's financial performance during the fiscal year that ended on August 31, 2005. Please read it in conjunction with the Department's Bond Program financial statements, which follow this section.

Financial Highlights

- The Bond Program's net assets decreased by $20 million. This was primarily as a result of the change in fair value of investments as explained below.

- The Bond Program had a decrease in Operating Income of $22.6 million to ($22.1 million). The change in operating income was a result of different factors. The change in fair value of investments decreased from a gain of $5.4 million in fiscal year 2004 to a loss of $13.5 million in fiscal year 2005, or $18.9 million, which accounted for 85.5% of the decrease in operating income. There was an increase in expenses, particularly bond interest expense, of $8.4 million to $108.1 million.

- The Bond Program's debt outstanding of $2.1 billion as of August 31, 2005, increased $184.1 million. Debt issuances and debt retirements totaled $451.8 million and $267.7 million, respectively.

- Loan originations for the year totaled $194.2 million in the Bond Program.

- The Department entered into three interest rate swap agreements with three different counterparties for a combined notional amount of $188.0 million and a fair value of ($9.5) million as of August 31, 2005.

Financial Statements

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

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

Financial Analysis of the Revenue Bond Program

Bond Program—Condensed Statement of Net Assets

	Bond Program - August 31,		Increase (Decrease)	
	2005	2004	Amount	Percentage
ASSETS:				
Cash and investments	$ 1,404,188,895	$ 1,369,930,499	$ 34,258,396	2.50 %
Loans, contracts, and notes receivable	1,089,417,592	935,257,034	154,160,558	16.48 %
Interest receivable	12,401,510	10,919,756	1,481,754	13.57 %
Capital assets and inventory	159,613	219,983	(60,370)	(27.44)%
Real estate owned	57,427	552,282	(494,855)	(89.60)%
Deferred issuance cost	11,469,566	11,236,074	233,492	2.08 %
Other assets	1,184,567	871,391	313,176	35.94 %
Total assets	2,518,879,170	2,328,987,019	189,892,151	8.15 %
LIABILITIES:				
Bonds/notes payable	2,167,498,974	1,957,777,506	209,721,468	10.71 %
Interest payable	27,172,715	23,839,835	3,332,880	13.98 %
Deferred revenue	2,950,225	3,858,362	(908,137)	(23.54)%
Other liabilities	244,615,793	246,850,870	(2,235,077)	(0.91)%
Total liabilities	2,442,237,707	2,232,326,573	209,911,134	9.40 %
NET ASSETS:				
Invested in capital assets	154,401	219,983	(65,582)	(29.81)%
Restricted	61,632,463	82,716,596	(21,084,133)	(25.49)%
Unrestricted	14,854,599	13,723,867	1,130,732	8.24 %
Total net assets	$ 76,641,463	$ 96,660,446	$ (20,018,983)	(20.71)%

Net assets of the Bond Program decreased $20 million, or 20.71%, to $76.6 million. The net decrease primarily resulted from a decrease in fair value of investments of the Bond Program's investments and an increase in expenses particularly interest expense. Restricted net assets of the Bond Program decreased $21.1 million, or 25.5%. Unrestricted net assets increased $1.1 million or 7.6%.

Cash and investments increased $34.3 million, or 2.5%, to $1.4 billion, since funds were generated from debt issuances, reinvestment of loan repayments and interest earnings. The Bond Program loans receivable (current and non-current) increased $154.2 million, or 16.5%, to $1.1 billion, due primarily to $176.7 million worth of mortgage loans originated under the Multifamily Program. Total bonds and notes payable (current and non-current) increased $209.7 million, or 10.7%, due to new debt issuances associated with the Bond Program's Single Family and Multifamily Programs.

A comparison between 2005 and 2004 for the Statement of Revenues, Expenses, and Changes in Net Assets is as follows:

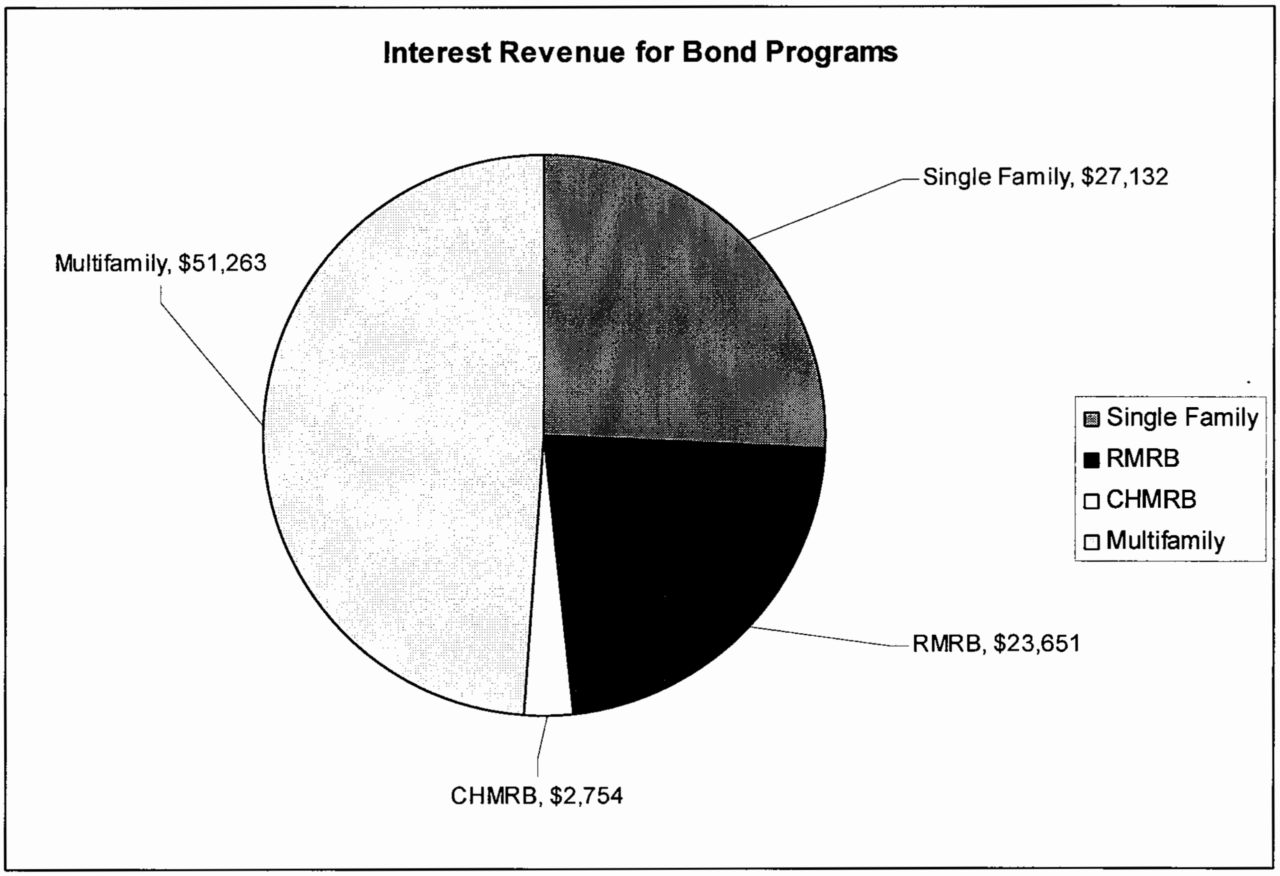
Statement of Revenues, Expenses, and Changes in Net Assets

	2005	2004	Increase (Decrease) Amount	Increase (Decrease) Percentage
OPERATING REVENUES:				
Interest and investment income	$ 106,544,886	$ 97,075,800	$ 9,469,086	9.75%
Net increase (decrease) in fair value	(13,498,876)	5,373,407	(18,872,283)	(351.22)%
Other operating revenues	4,311,029	5,970,560	(1,659,531)	(27.80)%
Total operating revenues	97,357,039	108,419,767	(11,062,728)	(10.20)%
OPERATING EXPENSES:				
Salaries and wages	3,103,499	3,262,641	(159,142)	(4.88)%
Payroll-related costs	1,492,744	983,865	508,879	51.72 %
Professional fees and services	822,771	372,314	450,457	120.99 %
Travel	111,431	86,936	24,495	28.18 %
Materials and supplies	159,403	108,647	50,756	46.72 %
Communications and utilities	71,014	58,143	12,871	22.14 %
Repairs and maintenance	109,661	100,024	9,637	9.63 %
Rentals and leases	499,963	406,854	93,109	22.89 %
Printing and reproduction	12,707	7,403	5,304	71.65 %
Depreciation expense	639,703	628,532	11,171	1.78 %
Interest	108,097,933	99,720,640	8,377,293	8.40 %
Bad Debt Expense	815,832		815,832	
Other operating expenses	3,497,608	2,182,175	1,315,433	60.28 %
Total operating expenses	119,434,269	107,918,174	11,516,095	10.67 %
OPERATING INCOME (LOSS)	(22,077,230)	501,593	(22,578,823)	(4501.42)%
NONOPERATING REVENUES (EXPENSES) AND EXTRAORDINARY ITEMS	2,061,520	(909,715)	2,971,235	(326.61)%
CHANGE IN NET ASSETS	(20,015,710)	(408,122)	(19,607,588)	4804.34 %
BEGINNING NET ASSETS	96,660,446	97,068,568	(408,122)	(0.42)%
RESTATEMENT	(3,273)		(3,273)	
NET ASSETS—As restated	96,657,173	97,068,568	(411,395)	(0.00)
ENDING NET ASSETS	$ 76,641,463	$ 96,660,446	$ (20,018,983)	(20.71)%

Net assets of the Bond Program decreased from the August 31, 2004 amount by $20 million, or 20.71%, to $76.6 million.

Earnings within the Bond Program's various bond indentures were $97.4 million, of which $95.0 million is classified as restricted and $2.4 million, as unrestricted. Restricted earnings are composed of $106.2 million in interest and investment income, ($13.5) million in fair value of investments and $2.3 million in other revenue. Interest and investment income is restricted per bond covenants for debt service, fair value in investments is an unrealized loss due to the fact that the Bond Program holds investments until maturity, and other revenue is predominantly an accounting recognition of fees received in previous years that were deferred when received and are being amortized over a period of time. Unrestricted earnings are composed of $0.4 million, in interest and investment income and $2.0 million in other operating revenue.

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



Revenues of the Bond Program were interest and investment income of $106.5 million and a decrease in fair value of investments of ($13.5) million. Earned interest income consists primarily of interest earned on loans under the various lending programs within the Bond Program. Investment income consists of earned interest on the various investments held within the different bond indentures of the Bond Program. Interest and investment income are restricted to the specific bond indentures to pay debt service. Total revenue decreased $11.1 million, which consisted primarily of the decrease in fair value of investments from a gain of $5.4 million in fiscal year 2004 to a (loss) of ($13.5) million in fiscal year 2005.

Interest earned on program loans increased by $5.7 million, or 11.8%, due primarily to an increase of $7.5 million, or 17.05%, within the Bond Program's Multifamily Program, due to higher loan amounts outstanding. The increase was offset by a decrease of $1.7 million, or 38.94%, within the Single Family Bond Program, due to decreasing balances of higher interest rate loans.

Investment income increased $4.1 million, or 9.2%, and reflected higher investment yields. The primary increase in investment income was within the Single Family Bond Program funds, which increased $7.3 million, or 42.6%, and the Residential Mortgage Revenue Bond Program (RMRB) funds, which decreased $1.7 million, or 6.8%.

Expenses of the Bond Program consist primarily of interest expense of $108.1 million, which increased $8.4 million, or 8.4%, on the Bond Program's debt incurred to fund its various lending programs.

The Bond Program also generated $0.3 million of unrestricted investment income, which was used primarily to partially offset its administrative costs.

The changes in net assets by bond indenture for the Bond Program for fiscal years 2005 and 2004 are as follows:

Changes in Net Assets by Fund Groups, Year Ended September 30,
(Amounts in thousands)

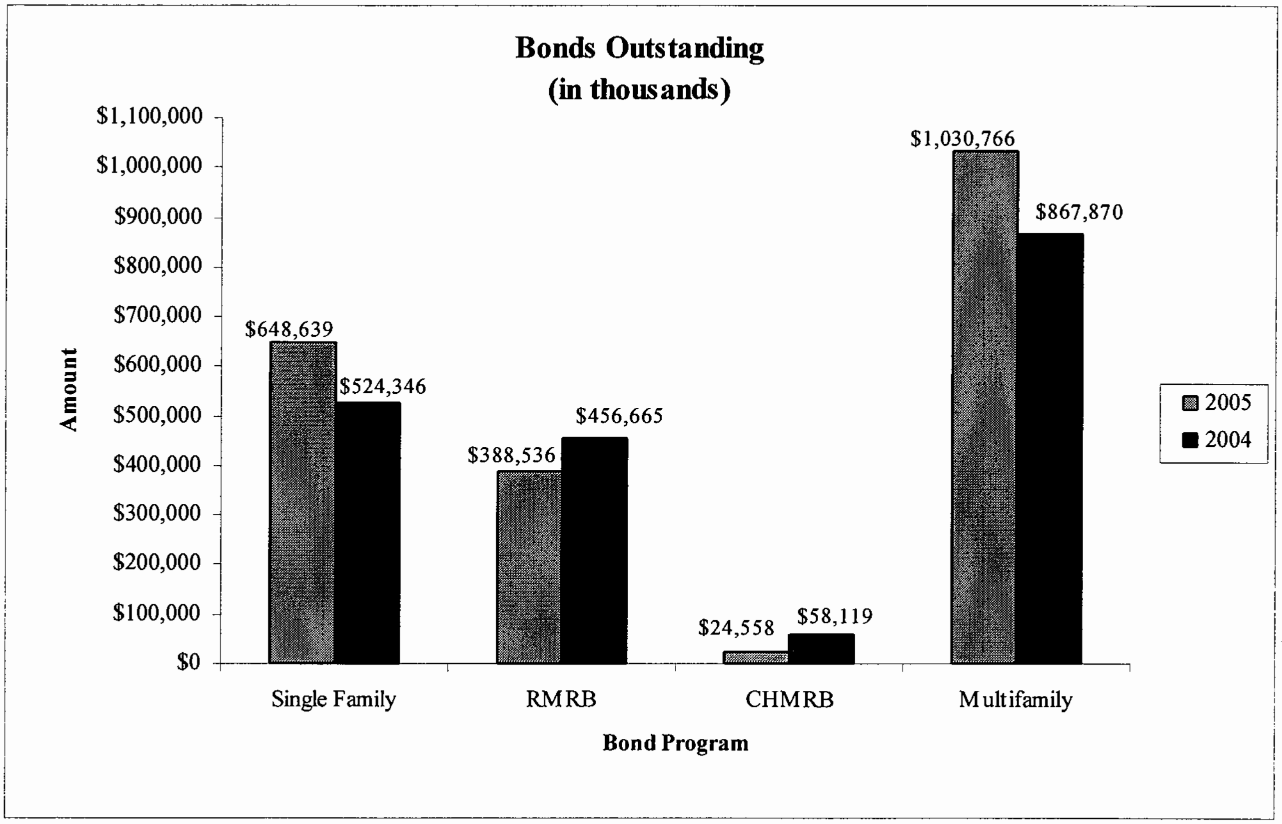
			Increase (Decrease)	
Fund	**2005**	**2004**	**Amount**	**Percentage**
Single Family	$43,055	$57,077	$ (14,022)	(24.6)%
RMRB	15,498	19,192	(3,694)	(19.2)%
Collateralized Home Mtg Revenue Bond (CHMRB)	1,716	2,288	(572)	(25.0)%
Multifamily	411	629	(218)	(34.7)%
1993 SF CHMRB	757	1,190	(433)	(36.4)%
1994/1995 SF CHMRB	190	2,272	(2,082)	(91.6)%
Commercial paper	6	68	(62)	(91.2)%
General funds	15,009	13,944	1,065	7.6 %
Total	$76,642	$96,660	$ (20,018)	(20.7)%

Net assets of the Single Family Bond Programs decreased by 14 million, or 24.6%; primarily due to a decrease of $8.7 million to the fair value of investments and an increase in interest expense of $6.9 million. In the same manner, the net assets of the Residential Mortgage Revenue Bonds decreased by $3.7 million due to a decrease of $7.8 million to fair value of investments and a decrease in interest expense of $4 million.

Bond Program Debt

The Bond Program's new debt issuances during fiscal year 2005 totaled $451.8 million. The Single Family Program issued $275.1 million in bonds, and the Multi-Family Bond Program issued $176.7 million. The Bond Program also had $267.7 million in debt retirement during the year primarily due to consumer refinancing and paying off original loans. The net result was an increase in bonds payable of $185.5 million to $2.1 billion of which $13.9 million is due within one year. For additional information, see Note 9, Bonds Payable, and supplementary bond information schedules.

The following graph will illustrate a comparison of bonds outstanding between fiscal year 2005 and 2004 per bond program:



Request for Information

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS—REVENUE BOND PROGRAM

STATEMENT OF NET ASSETS
AS OF AUGUST 31, 2005

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents:	
Cash on hand	$ 200
Cash in bank	49,371
Cash in state treasury	548,175
Cash equivalents	11,392,215
Restricted assets:	
Cash and cash equivalents:	
Cash in bank	11,919,756
Cash equivalents	140,402,586
Short-term investments	203,359,954
Loans and contracts	7,499,529
Notes receivable	500,000
Interest receivable	12,401,510
Consumable inventories	5,213
Other current assets	1,184,567
Total current assets	389,263,076
NONCURRENT ASSETS:	
Capital assets	
Depreciable:	
Furniture and equipment	1,236,445
Less accumulated depreciation	(1,082,044)
Restricted assets:	
Investments	1,036,516,639
Loans and contracts	1,081,418,061
Other noncurrent assets:	
Deferred bond issuance cost—net	11,469,566
Real estate owned—net	57,427
Total noncurrent assets	2,129,616,094
TOTAL ASSETS	2,518,879,170

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM

STATEMENT OF NET ASSETS AS OF AUGUST 31, 2005

LIABILITIES

CURRENT LIABILITIES:	
Payables:	
Accounts payable	$ 269,731
Accrued bond interest payable	27,172,715
Interfund payables	75,149
Deferred revenues	2,950,225
Employees' compensable leave	293,231
Notes and loans payable	75,000,000
Revenue bonds payable	13,871,000
Other current liabilities	7,424,847
Total current liabilities	127,056,898
NONCURRENT LIABILITIES:	
Employees' compensable leave	108,682
Revenue bonds payable	2,078,627,974
Other noncurrent liabilities	236,444,153
Total noncurrent liabilities	2,315,180,809
TOTAL LIABILITIES	2,442,237,707
NET ASSETS:	
Invested in capital assets	154,401
Restricted for debt service	61,632,463
Unrestricted	14,854,599
TOTAL NET ASSETS	$ 76,641,463

See accompanying notes to the financial statements.

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS—REVENUE BOND PROGRAM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2005

OPERATING REVENUES:	
Interest and investment income	$ 106,544,886
Net decrease in fair value of investments	(13,498,876)
Other operating revenues	4,311,029
Total operating revenues	97,357,039
OPERATING EXPENSES:	
Salaries and wages	3,103,499
Payroll-related costs	1,492,744
Professional fees and services	822,771
Travel	111,431
Materials and supplies	159,403
Communications and utilities	71,014
Repairs and maintenance	109,661
Rentals and leases	499,963
Printing and reproduction	12,707
Depreciation and amortization	639,703
Interest	108,097,933
Other operating expenses	4,313,440
Total operating expenses	119,434,269
OPERATING (LOSS)	(22,077,230)
NONOPERATING REVENUES AND EXPENSES:	
Gain on Sale of Investments	1,275,712
Total nonoperating revenues and expenses	1,275,712
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS:	
Extraordinary items (loss on early extinguishment of debt)	(1,512,966)
Transfers in	2,298,774
Total other revenues, expenses, gains, losses, and transfers	785,808
CHANGE IN NET ASSETS	(20,015,710)
NET ASSETS—September 1, 2004	96,660,446
Restatement	(3,273)
NET ASSETS—September 1, 2004, as Restated	96,657,173
NET ASSETS—August 31, 2005	$ 76,641,463

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Proceeds from loan programs	$ 88,531,154
Proceeds from other revenues	4,107,829
Payments to suppliers for goods/services	(7,058,688)
Payments to employees	(4,678,228)
Payments for loans provided	(194,217,718)
Net cash used in operating activities	(113,315,651)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from debt issuance	488,925,700
Payments for other costs of debt	(1,897,390)
Transfers from other funds	2,298,774
Payments to other funds	(29,929)
Payments of principal on debt	(279,661,046)
Payments of interest	(103,985,449)
Net cash provided by noncapital financing activities	105,650,660
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES—Payments for additions to capital assets	(21,101)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	1,417,847,696
Proceeds from interest and investment income	55,070,802
Payments to acquire investments	(1,489,046,361)
Net cash used in investing activities	(16,127,863)
DECREASE IN CASH AND CASH EQUIVALENTS	(23,813,955)
CASH AND CASH EQUIVALENTS—Beginning of year	188,126,258
CASH AND CASH EQUIVALENTS—End of year	$ 164,312,303

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS—REVENUE BOND PROGRAM

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2005

RECONCILIATION OF CASH FROM OPERATING ACTIVITIES TO OPERATING INCOME:	
Operating (loss)	$ (22,077,230)
Adjustments to reconcile operating income to net cash used in operating activities:	
Amortization and depreciation	639,703
Provision for estimated losses	815,832
Operating income and cash flow categories—classification differences	62,818,714
Changes in assets and liabilities:	
Increase in accrued interest receivable	(1,481,754)
Increase in loans	(154,160,558)
Increase in property owned	494,855
Decrease in mortgage loan acquisition costs	(233,492)
Decrease in deferred revenues	(908,137)
Increase in other assets and liabilities—net	(2,556,464)
Increase in accrued interest payable	3,332,880
NET CASH USED IN OPERATING ACTIVITIES	$(113,315,651)
NON CASH TRANSACTIONS	
Net Change in Fair Value of Investments	(13,498,876)

During 2005, loans totaling $195,954 were foreclosed, and the related properties acquired were transferred to real estate owned.

See accompanying notes to the financial statements.

(Concluded)

1. GENERAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

- *Collateralized Home Mortgage Revenue Bond Program—Series 1994 and 1995 (Convertible Option Bonds "COBs")*—On November 1, 1994, the Department issued Single-Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program), Series 1994, in the amount of $84,140,000. This bond program was issued as a Private Placement Memorandum with Federal National Mortgage Association ("FNMA"). The Series 1994 and 1995 COBs were issued to provide funds for the purchase of mortgage-backed, pass-through certificates backed by qualifying Federal Housing Administration (FHA)-insured, Veteran's Administration (VA)-guaranteed, Farmer's Home Administration (FmHA)-guaranteed mortgage loans, or conventional mortgage loans acceptable for pooling by FNMA, made to eligible borrowers for single-family residences.

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

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

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

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

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

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

   The Program has reported all investment securities at fair value as of August 31, 2005, with the exception of certain money market investments and nonparticipating interest-earning investment contracts, which are reported at amortized cost (historical cost adjusted for amortization of premiums and accretion of discounts), provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors (see Note 3).

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

c. *Mortgage-Backed Securities*—The Program's portfolio of mortgage-backed securities consists of pools of mortgage loans exchanged for mortgage-backed securities or mortgage pass-through certificates.

d. *Note Receivable*—The note receivable represents a short-term receivable from a third party. It is due and payable in November, 2005.

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

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

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

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

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

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

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

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

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

k. *Restricted Net Assets*—The net assets of the Program are restricted for various purposes of the bond trust indentures.

l. *Invested in Capital Assets*—This component of net assets consists of capital assets, net of accumulated depreciation.

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

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

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

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

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

2. CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2005, is presented below:

Program Activities	Balance 09/01/04	* Adjustments	Additions	Deletions	Balance 08/31/05
Non-Depreciable Assets					
Other Capital Assets, Net	$ 3,273	$ (3,273)	$ -	$ -	$ -
Depreciable Assets					
Furniture and Equipment	1,225,750	-	21,101	(10,406)	1,236,445
Less Accumulated Depreciation for Furniture and Equipment	(1,009,040)	-	(83,410)	10,406	(1,082,044)
Depreciable Assets, Net	216,710	-	(62,309)	-	154,401
Program Activities Capital Assets, Net	$ 219,983	$ (3,273)	$ (62,309)	$ -	$ 154,401

*Due to the changes in State Property Accounting (SPA) requirements related to depreciation of Library Books and Reference Materials, such publications are no longer capitalized and depreciated. This adjustment is due to the disposal of said publications in fiscal year 2005.

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

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

Deposits of Cash in Bank
As of August 31, 2005, the carrying amount of deposits was $11,969 (in thousands).

Program Funds Current Assets Cash in Bank	
Texas Treasury Safekeeping Trust (TTSTC)	$ 49
Demand Deposits	
Program Funds Current Assets Restricted Cash in Bank	
Texas Treasury Safekeeping Trust	317
Demand Deposits	11,603
Cash in Bank	$ 11,969

At August 31, 2005, the Program's cash and deposits in the State Treasury amounted to $548,175. Of that amount, $548,175 was fully collateralized by securities held with a trustee in the State's name, as reported to the Department by the Comptroller of Public Accounts of the State of Texas.

Investments

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

At August 31, 2005, the fair values of investments as of the balance sheet date (including both short-term and long-term) are shown below (in thousands).

Program Activities	**Carrying Value**	**Fair Value**
U.S. Government Treasury Securities	$ 29,231	$ 29,724
U.S. Government Agency Obligations	756,288	766,355
Repurchase Agreements (TTSTC)	75,100	75,100
Fixed Income Money Markets	65,149	65,149
Commercial Paper	11,362	11,362
Misc (Investment Agreements/GICs)	443,981	443,981
Total	$ 1,381,111	$ 1,391,671

Credit Risk

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

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

As of August 31, 2005, the Program's credit quality distribution for securities with credit risk exposure was as follows (in thousands).

Moody's

Investment Type	Not Rated	Aaa
U.S. Government Agency Obligations		$ 57,089
Repurchase Agreements (TTSTC)	$ 75,100	
Fixed Income Money Markets		$ 65,149
Misc (Investment Agreements/GICs)	$ 443,981	

	Not Rated	P-1
Commercial Paper		$ 11,362

Standard & Poor's

Investment Type	Not Rated	AAA
U.S. Government Agency Obligations		$ 57,089
Repurchase Agreements (TTSTC)	$ 75,100	
Fixed Income Money Markets		$ 65,149
Misc (Investment Agreements/GICs)	$ 443,981	

	Not Rated	AAA-M
Fixed Income Money Markets		$ 65,149

	Not Rated	A-1
Commercial Paper		$ 11,362

Fitch

Investment Type	Not Rated	AAA
U.S. Government Agency Obligations		$ 57,089
Repurchase Agreements (TTSTC)	$ 75,100	
Misc (Investment Agreements/GICs)	$ 443,981	

	Not Rated	F-1
Fixed Income Money Markets	$ 31,223	$ 33,925
Commercial Paper		$ 11,362

A total of $738,990,497 was not subject to credit risk disclosure due to their explicit guarantee by the U.S. Government which is composed of $29,724,668 in U.S. Treasury securities and $709,265,829 in U.S. Government Agency obligations issued by the Government National Mortgage Association.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2005, the Department's concentration of credit risk is as follows (in thousands).

Issuer	Carrying Value	% of Total Portfolio
Bayerische Landesbank	$ 82,665	5.93%
Paribas Corp	$ 75,100	6.30%
Transamerica Life	$ 206,823	14.72%

Interest Rate Risk

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

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

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

Program Activities	Fair Value	12 months or less	13 to 24 months	25 to 60 months	More than 60 months
U.S. Treasury Securities	$ 29,724	$ 1,593	$ 24,350	$ -	$ 3,781
U.S. Government Agency Obligations	766,355	1,144	10,151		755,060
Repurchase Agreements (TTSTC)	75,100	75,100			
Fixed Income Money Markets	65,149	65,149			
Commercial Paper	11,362	11,362			
Misc (Investment Agreements/GICs)	443,981	200,622	204,237	144	38,978
Total	$ 1,391,671	$ 354,970	$ 238,738	$ 144	$ 797,819

Highly Sensitive Investments

Mortgage backed securities: These securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to the changes in interest rates. The Department does not make it a common practice to sell these investments. Any fluctuation in fair value generates an unrealized gain or loss which would be recorded in the financial statements. As of August 31, 2005, the Department holds $766,354,847 in mortgage backed securities.

4. SHORT-TERM DEBT(in thousands)

Program Activities	Balance 09/01/04	Additions	Deletions	Balance 08/31/05
Commercial Paper	$ 50,777	36,223	12,000	$ 75,000

The Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department.

5. SUMMARY OF LONG TERM LIABILITIES

Employees' Compensable Leave

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

Other Non-current Liabilities

Other non-current liabilities totaling $236,444,153 primarily account for funds due to developers as a result of Multifamily bond proceeds. These proceeds are conduit debt issued on behalf of the developer for the purpose of Multifamily developments and are held by the trustee. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

6. RESTRICTED ASSETS

Cash in bank, cash equivalents, short-term investments, loans and contracts, interest receivable and investments (which include mortgage-backed securities) totaling $2.5 billion are restricted by the trust indentures of the related bonds and collateralized mortgage obligations. The trust indentures of the Department also require the establishing of accounts for the segregation of assets and restricting the use of bond proceeds, and other funds in connection with each bond program. Such restricted assets, primarily investments, at August 31, 2005, are as follows (in thousands):

Program	Mortgage and Debt Service Reserve	Unspent Bond Proceeds	Revenue Account	Self-Insurance	Rebate Account
Single-family	$ 1,236	$ 227,090	$ 39,525	$ 1,500	$ 461
RMRB		18,098	14,652	401	2,110
CHMRB			1,195		
Multifamily	2,084	50,780	40,533		
93 SF CHMRB			747		8
Commercial Paper					215
Total	$ 3,320	$ 295,968	$ 96,652	$ 1,901	$ 2,794

Additionally, deferred issuance costs and real estate owned totaling $11.5 million and $57,000, respectively, are also restricted.

7. LOANS RECEIVABLE

Loans receivable as of August 31, 2005, consisted of the following (in thousands):

Single-family loans	$ 57,786
Multifamily loans	1,031,043
RMRB (1987 Series A) single-family loans	1,829
Miscellaneous loans	3,086
Total loans	1,093,744
Deferred commitment fees, net of accumulated amortization of $38,916 in 2005	(1,481)
Allowance for estimated loan losses	(3,345)
Total	$ 1,088,918

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

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

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

The single-family trust indenture requires the Department to obtain and maintain mortgage pool insurance on loans collateralizing each series of bonds issued under that trust indenture. Except with respect to four series, the requirement has been satisfied by purchasing and maintaining a mortgage pool insurance policy for each bond series. For loans collateralizing the other four series of bonds, the Department has entered into Mortgage Pool Self-Insurance Fund Agreements ("Agreements") with the trustee. The funding requirements of these Agreements have been met as of August 31, 2005.

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

The activity in the allowance for estimated loan losses is as follows (in thousands):

Balance at beginning of year	$ 2,593
Provision for estimated losses on loans	752
Balance at end of year	$ 3,345

8. REAL ESTATE OWNED

Real estate owned for the Program was as follows (in thousands):

Real estate owned	$ 552
Allowance for estimated losses	(495)
Real estate owned—net	$ 57

The activity in the allowance for estimated losses was as follows (in thousands):

Balance at beginning of year	$ 26
Amounts charged off	(437)
Provision for losses on real estate owned	(84)
Balance at end of year	$ (495)

The provision for loss on real estate owned was recorded to adjust real estate owned to the estimated fair value less estimated costs of disposal.

9. BONDS PAYABLE

Bonds payable activity for the year ended August 31, 2005, consisted of the following (in thousands):

	Original Face Amount	Balance September 1, 2004	Additions/ Accretions	Maturities/ Prepayments	Balance August 31, 2005	Final Maturity Date	Amounts Due Within One Year
Single-family:							
1995 Series A—4.15% to 6.15%	$ 85,760	$ 39,200	$	$ 9,450	$ 29,750	2027	$
1995 Series C—6.44% to 7.76%	71,760	14,680		1,765	12,915	2017	
1996 Series A—4.5% to 6.3%	15,000	9,975		1,100	8,875	2028	
1996 Series B—5.5% to 6%	42,140	2,330		2,330		2017	
1996 Series D—5.45% to 6.25%	70,760	35,050		6,275	28,775	2028	
1996 Series E—3.9% to 6%	98,730	28,075		6,160	21,915	2017	1,265
1997 Series A—5.25% to 5.80%	44,465	41,280		11,105	30,175	2029	
1997 Series B—5.45%	9,510	9,510		2,180	7,330	2019	
1997 Series C—6.80%	25,525	2,070		2,070		2029	
1997 Series D—5.65% to 5.70%	44,795	29,405		11,350	18,055	2029	
1997 Series F—6.77%	20,000	8,155		2,530	5,625	2029	
2002 Series A—7.01%	100,000	9,945			9,945	2026	
2002 Series A—5.45% to 5.55%	38,750	38,410		840	37,570	2034	
2002 Series B—5.35% to 5.55%	52,695	51,605		3,845	47,760	2033	905
2002 Series C—2.80% to 5.20%	12,950	12,830		710	12,120	2017	450
2002 Series D—2.0% to 4.5%	13,605	9,915		1,645	8,270	2012	910
2004 Series A—2.0% to 4.7%	123,610	123,610		125	123,485	2035	
2004 Series B—variable rate	53,000	53,000			53,000	2034	
2004 Series A—variable rate	4,140	4,140			4,140	2036	
2004 Series C—4.3% to 4.8%	41,245		41,245		41,245	2036	
2004 Series D—variable rate	35,000		35,000		35,000	2035	
2004 Series E—2.45% to 4.3%	10,825		10,825		10,825	2013	
2004 Series F—1.95%	88,000		88,000	88,000		2037	
2005 Series A—variable rate	100,000		100,000		100,000	2036	
Total principal amount		523,185	$275,070	$ 151,480	646,775		$3,530
Unamortized premium		3,827			4,277		
Unamortized discount and losses on refundings		(2,666)			(2,413)		
Total single-family		$524,346			$648,639		

	Original Face Amount	Balance September 1, 2004	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2005	Final Maturity Date	Amounts Due Within One Year
RMRB:							
1998 Series A—4.05% to 5.35%	$102,055	$ 71,170	$	$18,425	$ 52,745	2031	1,330
1998 Series B—5.30%	14,300	11,930		3,285	8,645	2022	
1999 Series A—4.80% to 5.50%	25,615	9,730		1,945	7,785	2021	
1999 Series B-1—6.32% to 5.50%	52,260	37,045		6,845	30,200	2032	
1999 Series C—5.05% to 6.25%	12,150	5,585		1,105	4,480	2024	
1999 Series D—4.30% to 6.25%	26,355					2021	
2000 Series A—5.10% to 6.30%	50,000	27,755		6,025	21,730	2031	280
2000 Series B—5.70%	82,975	70,605		7,585	63,020	2033	
2000 Series C—5.85% to 5.82%	13,675	10,905		1,325	9,580	2025	
2000 Series D—4.55% to 5.85%	18,265	12,255		2,825	9,430	2020	620
2000 Series E—7.45%	10,000	2,515		2,515		2033	
2001 Series A—3.15% to 5.70%	52,715	46,545		5,950	40,595	2033	730
2001 Series B—5.0% to 5.25%	15,585	13,925		1,245	12,680	2022	
2001 Series C—2.55% to 4.63%	32,225	19,540		4,695	14,845	2015	1,270
2001 Series D—5.35%	300	235			235	2033	
2002 Series A—2.25% to 5.35%	42,310	41,385		2,325	39,060	2034	660
2003 Series A—1.70% to 5.00%	73,630	73,605		1,870	71,735	2034	1,195
Total principal amount		454,730	$	$67,965	386,765		$ 6,085
Unamortized premium		3,864			3,416		
Unamortized discount and loss on refundings		(1,929)			(1,645)		
Total RMRB		$456,665			$388,536		
CHMRB:							
1992 Series C—linked rate averaging 6.90%	$ 72,700	$ 26,400		$ 5,800	$ 20,600	2024	
Total principal		26,400		$ 5,800	20,600		
Plus unamortized premium		614			458		
Total CHMRB		$ 27,014			$ 21,058		
SF MRB CHMRB:							
1993 Series A—5.85%	$ 11,695	$ 3,335		$ 3,335	$	2025	
1993 Series B—6.62%	15,000	3,060		3,060		2025	
1993 Series C—6.68%	15,000	2,770		2,770		2025	
1993 Series D—6.76%	8,000	1,200		1,200		2025	
1993 Series E—6.85%	8,780	1,235		1,235		2025	
1994 Series A—6.85%	35,395	7,960		7,960		2026	
1994 Series B—6.4%	33,385	7,740		7,740		2026	
1994 Series C—6.25%	5,825	3,805		305	3,500	2026	
Total SF MRB CHMRB		$		$27,605	$ 3,500		

	Original Face Amount	Balance September 1, 2004	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2005	Final Maturity Date	Amounts Due Within One Year
Multifamily:							
1984 Series (Allied Bank Private Placement—Summer Bend at Las Colinas)—variable rate currently at 8%	$10,100	$ 8,120	$	$ 8,120	$	2022	$
1987 Series (South Texas Rental Housing)—9.5%	1,400	843		70	773	2012	77
1993 Series A and B Refunding (High Point III Development/ Remington Hill Development)	26,370	12,490		1,100	11,390	2023	
1996 Series A and B (Brighton's Mark)—6.13%	9,748	8,075			8,075	2026	
1996 Series A and B (Marks of Las Colinas)—5.56%	14,870	14,870			14,870	2026	
1996 Series A and B (Braxton's Mark)—5.81%	14,274	14,274			14,274	2026	
1996 Series A, B, C and D (Harbors and Plumtree)—5.9% to 10%	13,050	11,600		240	11,360	2026	255
1998 Series (Pebble Brook)—4.95% to 5.60%	10,900	10,405		160	10,245	2030	170
1998 Series A, B and C (Residence Oaks)—5.98% to 7.18%	8,200	7,811		128	7,683	2030	134
1998 Series (Volente)—5.00% to 5.63%	10,850	10,330		160	10,170	2031	165
1998 Series (Dallas—Oxford Rfdg.)—7.25%	10,300	10,300			10,300	2018	
1998 Series (Greens)—5.2% to 6.03%	13,500	12,940		185	12,755	2030	210
1999 Series (Mayfield)—5.7% to 7.25%	11,445	10,970		177	10,793	2031	187
1999 Series (Woodglen Village)—7.38% to 8.25%	10,660	10,558		53	10,505	2039	57
2000 Series (Timber Point)—variable rate	8,100	8,000		100	7,900	2032	
2000 Series (Oaks @ Hampton)—7.20% to 9.00%	10,060	9,942		57	9,885	2040	62
2000 Series (Deerwood)—5.25% to 6.40%	6,435	6,320		75	6,245	2032	85
2000 Series (Creek Point)—variable rate	7,200	7,100		315	6,785	2032	
2000 Series A/B (Parks @ Westmoreland—7.20% to 9.00%	9,990	9,888		56	9,832	2040	61
2000 Series (Honeycreek)—7.63% to 8.15%	20,485	20,476		113	20,363	2035	122
2000 MF Series A-C (Highland Meadow Apts)—6.75% to 8%	13,500	12,500		1,341	11,159	2033	137
2000 MF Series A/B (Greenbridge)—7.4% to 10%	20,085	19,972		81	19,891	2040	92
2000 MF Series A-C (Collingham Park)—6.72% to 7.72%	13,500	13,428		151	13,277	2033	162
2000 MF Series A/B (Williams Run)—7.65% to 9.25%	12,850	12,620		43	12,577	2040	112
2000 MF Series A/B (Red Hills Villas) - 8.4% to 9.5%	10,300	10,232		44	10,188	2040	49
2001 MF Series (Bluffview Senior Apts)—7.65%	10,700	10,642		47	10,595	2041	51
2001 MF Series (Knollwood Villas Apts)—7.65%	13,750	13,676		61	13,615	2041	66
2001 MF Series (Skyway Villas)—6.0% to 6.5%	13,250	13,250		135	13,115	2034	185

(Continued)

	Original Face Amount	Balance September 1, 2004	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2005	Final Maturity Date	Amounts Due Within One Year
2001 MF Series A/B (Cobb Park)—6.77%	$ 7,785	$ 7,754	$	$ 32	$ 7,722	2041	$ 35
2001 MF Series A (Greens Road Apts)—5.3% to 5.4%	8,375	8,375		100	8,275	2034	105
2001 MF Series A (Meridian Apts)—5.45% to 6.85%	14,310	14,310		90	14,220	2034	160
2001 MF Series A (Wildwood Apts)—5.45% to 6.75	14,365	14,365		85	14,280	2034	165
2001 MF Series A-C (Fallbrook Apts)—6.06% to 6.78%	14,700	14,700		86	14,614	2034	180
2001 MF Series A (Oak Hollow Apts)—7.0% to 7.9%	8,625	8,595		472	8,123	2041	44
2001 MF Series A/B (Hillside Apts)—7.0% to 9.25%	12,900	12,861		57	12,804	2041	63
2002 MF Series A (Millstone Apts)—5.35% to 5.86%	12,700	12,700		80	12,620	2035	165
2002 MF Series A (Sugar Creek Apts)—6.0%	11,950	11,920		65	11,855	2042	70
2002 MF Series A (West Oaks Apts)—7.15% to 7.5%	10,150	10,120		444	9,676	2042	50
2002 MF Series A (Park Meadows Apts)—6.53%	4,600	4,600		50	4,550	2034	55
2002 MF Series A (Clarkridge Villas Apts)—7.0%	14,600	14,600		69	14,531	2042	74
2002 MF Series A (Hickory Trace Apts)—7.0%	11,920	11,920		47	11,873	2042	60
2002 MF Series A (Green Crest Apts)—7.0%	12,500	12,500		49	12,451	2042	63
2002 MF Series A/B (Ironwood Crossing)—5.5% to 8.75%	16,970	16,970			16,970	2042	51
2002 MF Series A/B (Woodway Village Apts)—4.9% to 5.2%	9,100	9,100			9,100	2023	105
2003 MF Series A/B (Reading Road Apts)—Variable not to exce	12,200	12,200			12,200	2036	
2003 MF Series A/B (North Vista Apts)—4.1% to 5.41%	14,000	14,000			14,000	2036	
2003 MF Series A/B (West Virginia Apts)—4.15% to 5.41%	9,450	9,450			9,450	2036	
2003 MF Series A/B (Sphinx @ Murdeaux)—3.55% to 5.0%	15,085	15,085		70	15,015	2042	140
2003 MF Series A/B (Primrose Houston School)—5.5% to 8.0%	16,900	16,900			16,900	2036	11
2003 MF Series A/B (Timber Oaks Apts)—6.75 to 8.75%	13,200	13,200		4	13,196	2043	47
2003 MF Series A/B (Ash Creek Apts)—5.6% to 15.0%	16,375	16,375			16,375	2036	
2003 MF Series A/B (Peninsula Apts)—4.25 to 5.3%	12,400	12,400			12,400	2024	
2003 MF Series A/B (Evergreen @ Mesquite)—6.6% to 8.0%	11,000	11,000			11,000	2043	41
2003 MF Series A/B (Arlington Villas Apts)—Variable rate	17,100	17,100			17,100	2036	
2003 MF Series A/B (Parkview Twnhms Apts)—6.6% to 8.5%	16,600	16,600			16,600	2043	45

(Continued)

	Original Face Amount	Balance September 1, 2004	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2005	Final Maturity Date	Amounts Due Within One Year
2003 MF Series A (NHP-Asmara Apts) Refunding—Variable rate	31,500	31,500			31,500	2033	
2004 MF Series A/B (Timber Ridge Apts)—5.75% to 8.0%	$ 7,500	$ 7,500	$	$	$ 7,500	2037	$
2004 MF Series A/B (Century Park Apts)—Variable rate	13,000	13,000			13,000	2037	
2004 MF Series A (Addison Park Apts)—Variable rate	14,000	14,000			14,000	2044	
2004 MF Series A/B (Veterans Memorial Apts)—6.6% to 8.5%	16,300	16,300			16,300	2044	34
2004 MF Series A (Rush Creek Apts)—5.38% to 6.7%	10,000	10,000			10,000	2044	4
2004 MF Series A (Humble Park Apts)—5.38% to 6.7%	11,700	11,700			11,700	2041	
2004 MF Series A (Chisholm Trail Apts)—Variable rate	12,000	12,000			12,000	2037	
2004 MF Series A (Evergreen @ Plano Apts)—5.25% to 6.55%	14,750	14,750			14,750	2044	
2004 MF Series A (Montgomery Pines Apts)—Variable rate	12,300	12,300			12,300	2037	
2004 MF Series A (Bristol Apts)—Variable rate	12,625	12,625			12,625	2037	
2004 MF Series A (Pinnacle Apts)—Variable rate	14,500	14,500			14,500	2044	
2004 MF Series A (Tranquility Bay Apts)—Variable rate	14,350	14,350			14,350	2044	
2004 MF Series A (Sphinx @ Delafield Apts)—5.05% to 5.35%	11,380	11,380			11,380	2044	50
2004 MF Series A (Churchill @ Pinnacle Apts)—5.25% to 6.55%	10,750	10,750			10,750	2044	
2004 MF Series A/B (Post Oak East Apts)—Variable rate	13,600	13,600			13,600	2037	
2004 MF A Series (Village Fair Apts)—5.0% to 6.5%	14,100		14,100		14,100	2044	
2005 MF A Series (Pecan Grove Apts)—5.0% to 6.5%	14,030		14,030		14,030	2045	
2005 MF Series A (Prairie Oaks Apts)—4.75% to 6.5%	11,050		11,050		11,050	2045	
2005 MF Series A (Port Royal Apts)—5.0% to 6.5%	12,200		12,200		12,200	2045	
2005 MF Series A (Del Rio Apts)—5.0% to 6.5%	11,490		11,490		11,490	2045	
2005 MF Series A (Atascocita Pines Apts)—Variable rate	11,900		11,900		11,900	2037	
2005 MF Series A (Tower Ridge Apts)—Variable rate	15,000		15,000		15,000	2038	
2005 MF Series A (Alta Cullen Apts)—5.89% to 6.6%	14,000		14,000		14,000	2045	
2005 MF Series A (Lafayette Village Apts)—Variable rate	14,100		14,100		14,100	2038	
2005 MF Series A (Prairie Ranch Apts)—4.85%	12,200		12,200		12,200	2045	
2005 MF Series A (St. Augustine Apts)—Variable rate	7,650		7,650		7,650	2038	
2005 MF Series A (Park Manor							

(Continued)

	Original Face Amount	Balance September 1, 2004	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2005	Final Maturity Date	Amounts Due Within One Year
2005 MF Series A (Park Manor Apts)—5.0% to 6.4%	10,400		10,400		10,400	2045	
2005 MF Series A (Mockingbird Apts)—6.4	14,360		14,360		14,360	2045	
2005 MF Series A (Chase Oaks Apts)—5.05%	14,250		14,250		14,250	2035	
Total principal amount		871,587	$176,730	14,812	1,033,504		$4,256
Net deferred amount on refunding		(3,112)			(2,155)		
Unamortized discount		(603)			(583)		
Total multifamily		867,872			1,030,766		
Total		$1,907,001			$2,092,499		

(Concluded)

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

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

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

Bond contractual maturities (principal only) at August 31, 2005, are as follows (in thousands):

Description	2006	2007	2008	2009	2010	2011 to 2015	2016 to 2020
Single-family	$ 3,530	$ 7,840	$ 10,685	$ 11,670	$ 11,710	$ 59,575	$ 98,300
RMRB	6,085	6,340	6,630	6,925	6,910	30,425	49,865
CHMRB							
Multifamily	4,256	6,872	8,359	9,477	10,013	59,778	92,266
Total	$ 13,871	$ 21,052	$ 25,674	$ 28,072	$ 28,633	$ 149,778	$ 240,431

Description	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	2041 to 2045	Total
Single-family	$ 85,410	$227,360	$111,990	$ 18,705	$	$ 646,775
RMRB	73,490	62,170	137,925			386,765
CHMRB	20,600	3,500				24,100
Multifamily	142,030	176,935	195,176	197,629	130,715	1,033,506
Total	$321,530	$469,965	$445,091	$216,334	$130,715	$ 2,091,146

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

Bond maturities (principal and interest) at August 31, 2005, are as follows (in thousands):

Description	2006	2007	2008	2009	2010	2011 to 2015	2016 to 2020
Single-family	$ 31,909	$ 36,365	$ 38,858	$ 39,427	$ 39,004	$ 189,034	$ 208,617
RMRB	26,671	26,997	26,836	26,822	26,486	123,976	134,597
CHMRB	1,621	1,621	1,621	1,621	1,621	8,105	8,105
Multifamily	65,930	68,374	69,187	69,883	69,950	348,767	354,382
Total	$126,131	$133,357	$136,502	$137,753	$137,061	$ 669,882	$ 705,701

Description	2021 to 2025	2026 to 2030	2031 to 2035	2036 to 2040	2041 to 2045	Total
Single-family	$177,566	$283,817	$124,493	$ 19,145	$	$ 1,188,235
RMRB	140,003	112,018	151,265			795,671
CHMRB	27,300	3,750				55,365
Multifamily	369,161	352,475	321,257	265,709	149,258	2,504,333
Total	$714,030	$752,060	$597,015	$284,854	$149,258	$ 4,543,604

Deferred issuance costs at August 31, 2005, consist of the following (in thousands):

Deferred issuance costs	$ 35,028
Less accumulated amortization	(23,558)
	$ 11,470

10. EMPLOYEE BENEFITS

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

Funding Policy—Under provisions in State law, plan members are required to contribute 6% of their annual covered salary, and the Department contributes an amount equal to 6% of the Department's covered payroll. The Department's contributions to the System for the years ending August 31, 2005, 2004 and 2003 were $784,304, $775,708, and $882,122, respectively, equal to the required contributions for each year.

11. SEGMENT FINANCIAL DATA

Segment financial data of the Program's direct-debt activities at August 31, 2005, and for the year then ended are follows (in thousands):

	Single-Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds	Single-Family CHMRB Series 1993 Funds	Single-Family CHMRB 1994 and 1995 Funds
CONDENSED STATEMENT OF NET ASSETS:					
Restricted assets:					
Current assets	$144,040	$ 28,004	$ 709	$ 757	$ 48
Other assets	567,781	385,189	22,598		3,660
Total assets	711,821	413,193	23,307	757	3,708
Liabilities:					
Current liabilities	23,657	13,988	533		18
Long-term liabilities	645,109	383,707	21,058		3,500
Total liabilities	668,766	397,695	21,591		3,518
NET ASSETS—Restricted net assets	$ 43,055	$ 15,498	$ 1,716	$ 757	$ 190
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS:					
Operating revenues:					
Interest and investment income	$ 27,132	$ 23,651	$ 1,751	$ 247	$ 757
Net increase (decrease) in fair value	(6,597)	(3,692)	(917)	(804)	(1,488)
Other operating revenues	591	735	178		
Operating expenses	(33,007)	(23,630)	(1,656)	(128)	(898)
Depreciation and amortization	(278)	(247)	(13)	(1)	(3)
Operating income (loss)	(12,159)	(3,183)	(657)	(686)	(1,632)
Non-operating revenues (expenses)—other non-operating revenues (expenses):					1,276
Special and extraordinary items	(843)	(250)	82	(5)	(465)
Transfers out	(1,020)	(261)	3	258	(1,261)
Change in net assets	(14,022)	(3,694)	(572)	(433)	(2,082)
Net assets—September 1, 2004	57,077	19,192	2,288	1,190	2,272
Net assets—August 31, 2005	$ 43,055	$ 15,498	$ 1,716	$ 757	$ 190
CONDENSED STATEMENT OF CASH FLOWS:					
Net cash provided by (used in):					
Operating activities	$ 9,315	$ 144	$ (27)	$ 71	$ (100)
Noncapital financing activities	94,197	(91,777)	(7,564)	(11,523)	(18,115)
Investing activities	(146,786)	78,654	7,312	11,232	17,767
Cash and cash equivalents—September 1, 2004	92,153	25,589	865	975	469
Cash and cash equivalents—August 31, 2005	$ 48,879	$ 12,610	$ 586	$ 755	$ 21

12. BONDED INDEBTEDNESS

The Department has 105 bond issues outstanding at August 31, 2005. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 3-8.)

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

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

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

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

CHANGES IN BONDS PAYABLE (amounts in thousands)

Description	Bonds Outstanding 9/1/2004	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2005	Amounts Due Within One Year
Single-family	$ 523,185	$ 275,070	$ 3,635	$ 147,845	$ 646,775	$ 3,530
RMRB	454,730		4,970	62,995	386,765	6,085
CHMRB	26,400			5,800	20,600	
SF CHMRB	31,105			27,605	3,500	
Multifamily	871,585	176,730	3,178	11,633	1,033,504	4,256
Total Principal	$ 1,907,005	$ 451,800	$ 11,783	$ 255,878	$ 2,091,144	$ 13,871
Net Deferred Amount Due to Refunding	(3,112)				(2,155)	
Unamortized Premium	7,703				7,568	
Unamortized Refunding (Loss)	(4,595)				(4,059)	
Total	$ 1,907,001				$ 2,092,498	

VARIABLE TO FIXED INTEREST RATE SWAP

OBJECTIVE

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

TERMS AND FAIR VALUE

The terms, including the fair value of the outstanding swaps as of August 31, 2005 are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
UBS AG	$53,000,000	$(3,012,987)	9/1/04	3.843 %	63% of LIBOR + .30%	9/1/34 (a)
Goldman Sachs Capital Markets, LP	35,000,000	(1,581,601)	1/1/05	3.6125 %	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	3/1/35 (b)
Bear Stearns Financial Products, Inc.	100,000,000	(4,940,546)	8/1/05	3.99 %	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	9/1/36 (c)
Total	$188,000,000	$(9,535,134)				

a. The swap agreement is subject to optional early termination, at par value, starting on March 1, 2015 and semiannually thereafter. The maximum notional amount subject to early termination equals 60% of the current notional amount.

b. The swap agreement is subject to optional early termination, at par value, starting on September 1, 2014 and semiannually thereafter. The maximum notional amount subject to early termination equals 60% of the applicable notional amount through September 1, 2023 and 100% of the applicable notional amount thereafter.

c. The swap agreement is subject to optional early termination, at par value, from prepayments at any time with a ten business day notice.

CREDIT RISK

As of August 31, 2005, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps have negative fair values. If interest rates change and the fair value of the swaps become positive, the department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral agreements and insurance policies with the counterparties. The credit ratings for the counterparties are as follows.

Counterparty	Standard & Poor's	Moody's	Fitch
UBS AG	AA+	Aa2	AA+
Goldman Sachs Capital Markets, LP	Not Rated	Aa3	AA-
Bear Stearns Financial Products, Inc.	AAA	Not Rated	Not Rated

BASIS RISK

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

ROLLOVER RISK
The Department is exposed to rollover risk on swap agreements which mature or may be terminated prior to the maturity of the associated debt. The following debt is exposed to rollover risk if the option for early termination is executed:

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

SWAP PAYMENTS AND ASSOCIATED DEBT
Using rates as of August 31, 2005, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

Fiscal Year Ending August 31	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate Swaps, Net	Total
2006	$	$ 4,198,626	$ 2,278,905	$ 6,477,531
2007	885,000	4,579,948	2,512,348	7,977,296
2008	1,820,000	4,545,905	2,491,508	8,857,413
2009	1,895,000	4,498,985	2,462,783	8,856,768
2010	1,970,000	4,450,216	2,432,927	8,853,143
2011-2015	13,115,000	21,441,229	11,670,045	46,226,274
2016-2020	30,000,000	18,770,059	10,187,724	58,957,783
2021-2025	36,750,000	14,634,980	7,960,220	59,345,200
2026-2030	42,615,000	9,725,616	5,304,701	57,645,317
2031-2035	50,700,000	3,851,026	2,118,108	56,669,134
2036-2037	8,250,000	208,973	127,932	8,586,905
Total	$ 188,000,000	$ 90,905,563	$ 49,547,201	$ 328,452,764

13. COMMITMENTS AND CONTINGENCIES

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

14. RISK FINANCING AND RELATED INSURANCE ISSUES

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

15. SUBSEQUENT EVENTS

On September 29, 2005, the Department issued $16,100,000 in multifamily revenue bonds (Canal Place) made up as follows:

$ 15,000,000	MF 2005 Series A
$ 1,100,000	MF 2005 Series B

On December 15, 2005, the Department issued $5,320,000 in multifamily revenue bonds (Coral Hills) made up as follows:

$ 5,320,000	MF 2005 Series A

The multifamily bonds are issued for the primary purpose to finance the acquisition, construction and equipping of multifamily residential rental developments. Canal Place and Coral Hills will be located in Houston, Texas.

On December 15, 2005, the Department issued $38,195,000 in single family revenue bonds made up as follows:

$ 25,495,000	SF 2005 Series B (AMT)
$ 8,970,000	SF 2005 Series C
$ 3,730,000	SF 2005 Series D (AMT)

The Series 2005B (AMT) will be used for the purpose of refunding and redeeming all of the Department's outstanding, Single Family Mortgage Revenue Bonds, 1995 Series A-1. The proceeds of the Series C bonds will be used for the purpose of refunding and redeeming all of the Department's outstanding Taxable Single Family Mortgage Revenue Refunding Bonds, 1995 Series C-1. The Series D bonds are being issued for the primary purpose of providing funds for the purchase of mortgage-backed, pass-through certificates backed by qualifying FHA-insured or VA or RHS-guaranteed mortgage loans, or conventional mortgage loans made to eligible borrowers for single family residences located in the State of Texas.

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM

SCHEDULE 1

SUPPLEMENTAL SCHEDULE—STATEMENT OF NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY
AS OF AUGUST 31, 2005

ASSETS	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	1993 CHMRB Program	1994/1995 CHMRB Program	Commercial Paper Program	Operating Fund	Total
CURRENT ASSETS:									
Cash and cash equivalents:									
Cash on hand	$	$	$	$	$	$	$	$ 200	$ 200
Cash in bank								49,371	49,371
Cash in state treasury								548,175	548,175
Cash equivalents								11,392,215	11,392,215
Restricted assets:									
Cash and cash equivalents:									
Cash in bank	319,667	1,660		11,598,429					11,919,756
Cash equivalents	48,559,276	12,607,959	586,140	77,658,460	754,951	20,884	214,916		140,402,586
Short-term investments	90,201,242	12,957,372		25,201,340			75,000,000		203,359,954
Loans and contracts	3,037,961	86,643		4,256,000				118,925	7,499,529
Notes Receivable								500,000	500,000
Interest receivable	1,904,158	2,349,746	122,642	7,897,904	77	27,905	82,008		12,384,440
Receivable:									
Interest receivable								17,070	17,070
Consumable inventories								5,213	5,213
Other current assets	17,770			1,089,736	1,737	(3)		75,327	1,184,567
Total current assets	144,040,074	28,003,380	708,782	127,701,869	756,765	48,786	75,296,924	12,706,496	389,263,076
NONCURRENT ASSETS:									
Other receivables									
Capital assets:									
Nondepreciable:									
Other capital assets									
Depreciable:									
Furniture and equipment								1,236,445	1,236,445
Less accumulated depreciation								(1,082,044)	(1,082,044)
Restricted assets:									
Investments	510,252,726	379,655,083	22,433,228	120,571,952		3,603,650			1,036,516,639
Loans, contracts and notes receivable	50,719,909	1,698,589		1,026,034,015				2,965,548	1,081,418,061
Other noncurrent assets:									
Deferred issuance cost—net	6,750,388	3,836,106	164,836	662,038		56,197	1		11,469,566
Real estate owned—net	57,827	(400)							57,427
Total noncurrent assets	567,780,850	385,189,378	22,598,064	1,147,268,005		3,659,847	1	3,119,949	2,129,616,094
TOTAL ASSETS	$711,820,924	$413,192,758	$23,306,846	$1,274,969,874	$ 756,765	$ 3,708,633	$75,296,925	$15,826,445	$2,518,879,170

SUPPLEMENTAL SCHEDULE—STATEMENT OF NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY
AS OF AUGUST 31, 2005

LIABILITIES	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	1993 CHMRB Program	1994/1995 CHMRB Program	Commercial Paper Program	Operating Fund	Total
CURRENT LIABILITIES:									
Payables:									
Accounts payable	$ 7,905	$ 660	$	$	$ 5	$	$	$ 261,161	$ 269,731
Accrued bond interest payable	14,967,908	3,478,412	54,517	8,577,519		18,229	76,130		27,172,715
Due to other funds								75,149	75,149
Deferred revenues	1,210,816	1,265,173	474,236						2,950,225
Employee's compensable leave								293,231	293,231
Notes and loans payable							75,000,000		75,000,000
Revenue bonds payable	3,530,000	6,085,000		4,256,000					13,871,000
Other current liabilities	3,939,942	3,158,899	3,925	75,360			214,917	31,804	7,424,847
Total current liabilities	23,656,571	13,988,144	532,678	12,908,879	5	18,229	75,291,047	661,345	127,056,898
NONCURRENT LIABILITIES:									
Employee's compensable leave								108,682	108,682
Revenue bonds payable	645,109,146	382,450,551	21,058,204	1,026,510,073		3,500,000			2,078,627,974
Other noncurrent liabilities		1,256,376		235,140,359				47,418	236,444,153
Total noncurrent liabilities	645,109,146	383,706,927	21,058,204	1,261,650,432		3,500,000		156,100	2,315,180,809
TOTAL LIABILITIES	$668,765,717	$397,695,071	$21,590,882	$1,274,559,311	$ 5	$ 3,518,229	$75,291,047	$ 817,445	$2,442,237,707
NET ASSETS									
INVESTED IN CAPITAL ASSETS	$	$	$	$	$	$	$	$ 154,401	$ 154,401
RESTRICTED	43,055,207	15,497,687	1,715,964	410,563	756,760	190,404	5,878		61,632,463
UNRESTRICTED								14,854,599	14,854,599
TOTAL NET ASSETS	$ 43,055,207	$ 15,497,687	$ 1,715,964	$ 410,563	$ 756,760	$ 190,404	$ 5,878	$15,009,000	$ 76,641,463

See accompanying independent auditors' report.

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS—REVENUE BOND PROGRAM

SCHEDULE 2

SUPPLEMENTAL SCHEDULE—STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY FOR THE YEAR ENDED AUGUST 31, 2005

	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	1993 CHMRB Program	1994/1995 CHMRB Program	Commercial Paper Program	Operating Fund	Total
OPERATING REVENUES:									
Interest and investment income	$27,132,001	$23,650,616	$1,750,763	$51,263,059	$ 246,660	$ 756,834	$1,389,881	$ 355,072	$106,544,886
Net increase (decrease) in fair value	(6,597,335)	(3,692,374)	(917,004)		(804,221)	(1,487,942)			(13,498,876)
Other operating revenues	546,546	734,800	178,742	852,140				1,998,801	4,311,029
Total operating revenues	21,081,212	20,693,042	1,012,501	52,115,199	(557,561)	(731,108)	1,389,881	2,353,873	97,357,039
OPERATING EXPENSES:									
Salaries and wages								3,103,499	3,103,499
Payroll related costs								1,492,744	1,492,744
Professional fees and services	211,823	20,400	1,000		9,000	128,000	78,142	374,406	822,771
Travel								111,431	111,431
Materials and supplies								159,403	159,403
Communications and utilities								71,014	71,014
Repairs and maintenance								109,661	109,661
Rentals and leases								499,963	499,963
Printing and reproduction								12,707	12,707
Depreciation and amortization	278,203	246,495	13,121	14,772	693	3,009		83,410	639,703
Interest	30,232,379	22,841,415	1,625,578	51,146,108	118,132	760,425	1,373,896		108,097,933
Other operating expenses	2,517,544	767,776	29,781	12,519	496	9,152	8,339	967,833	4,313,440
Total operating expenses	33,239,949	23,876,086	1,669,480	51,173,399	128,321	900,586	1,460,377	6,986,071	119,434,269
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS	(12,158,737)	(3,183,044)	(656,979)	941,800	(685,882)	(1,631,694)	(70,496)	(4,632,198)	(22,077,230)
NONOPERATING REVENUES AND EXPENSES:									
Gain on Sale of Investments						1,275,712			1,275,712
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS:									
Extraordinary items	(843,288)	(249,903)	82,583	(32,123)	(5,542)	(464,693)			(1,512,966)
Transfers in (out)	(1,019,795)	(261,477)	2,699	(1,128,001)	257,735	(1,261,347)	8,339	5,700,621	2,298,774
CHANGE IN NET ASSETS	(14,021,820)	(3,694,424)	(571,697)	(218,324)	(433,689)	(2,082,022)	(62,157)	1,068,423	(20,015,710)
NET ASSETS—September 1, 2004	57,077,027	19,192,111	2,287,661	628,887	1,190,449	2,272,426	68,035	13,943,850	96,660,446
Restatements								(3,273)	(3,273)
NET ASSETS—September 1, 2004, as Restated	57,077,027	19,192,111	2,287,661	628,887	1,190,449	2,272,426	68,035	13,940,577	96,657,173
NET ASSETS—August 31, 2005	$43,055,207	$15,497,687	$1,715,964	$ 410,563	$ 756,760	$ 190,404	$ 5,878	$15,009,000	$ 76,641,463

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM

SCHEDULE 3

MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2005
(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest Rates		Schedule Maturities First Year	Schedule Maturities Last Year	First Call Date	
1995 Single Family Series A	$ 85,760	4.15%	6.15%	1997	2027	09/01/2005	
1995 Single Family Series C	71,760	6.44%	7.76%	2006	2017	09/01/2005	
1996 Single Family Series A	15,000	4.50%	6.30%	2001	2028	09/01/2006	
1996 Single Family Series B	42,140	5.50%	6.00%	2011	2017	09/01/2006	
1996 Single Family Series D	70,760	5.45%	6.25%	2021	2028	09/01/2006	
1996 Single Family Series E	98,730	3.90%	6.00%	1997	2017	09/01/2006	
1997 Single Family Series A	44,465	5.25%	5.80%	2013	2029	09/01/2007	
1997 Single Family Series B	9,510	5.45%	5.45%	2019	2019	09/01/2007	
1997 Single Family Series C	25,525	6.80%	6.80%	2029	2029	09/01/2007	
1997 Single Family Series D	44,795	5.65%	5.70%	2029	2029	09/01/2007	
1997 Single Family Series F	20,000	6.77%	6.77%	2029	2029	09/01/2007	
2002 Single Family Series A (Jr. Lien)	10,000	7.01%	7.01%	2025	2026	09/01/2012	
2002 Single Family Series A	38,750	5.45%	5.55%	2023	2034	03/01/2012	
2002 Single Family Series B	52,695	5.35%	5.55%	2033	2033	03/01/2012	
2002 Single Family Series C	12,950	2.80%	5.20%	2004	2017	03/01/2012	
2002 Single Family Series D	13,605	2.00%	4.50%	2003	2012	03/01/2012	
2004 Single Family Series A	123,610	2.00%	4.70%	2006	2035	03/01/2013	
2004 Single Family Series B	53,000	VAR - Weekly		2015	2034	03/01/2015	(g)
2004 Single Family Series A (Jr. Lien)	4,140	VAR - Weekly		2036	2036	09/01/2036	(g)
2004 Single Family Series C	41,245	4.30%	4.80%	2019	2036	09/01/2014	
2004 Single Family Series D	35,000	VAR - Weekly		2035	2035	(h)	
2004 Single Family Series E	10,825	2.45%	4.30%	2006	2013	09/01/2014	
2004 Single Family Series F	88,000	1.95%	1.95%	2037	2037	08/03/2005	
2005 Single Family Series A	100,000	VAR - Weekly		2007	2036	(h)	
1998 RMRB Series A	102,055	4.05%	5.35%	2002	2031	01/01/2009	
1998 RMRB Series B	14,300	5.30%	5.30%	2022	2022	01/01/2009	
1999 RMRB Series A	25,615	4.80%	5.50%	2018	2021	01/01/2009	
1999 RMRB Series B-1	52,260	6.32%	7.10%	2021	2032	07/01/2009	
1999 RMRB Series C	12,150	5.05%	6.25%	2003	2024	07/01/2009	
1999 RMRB Series D	26,355	4.30%	6.25%	2000	2021	07/01/2009	
2000 RMRB Series A	50,000	5.10%	6.30%	2003	2031	07/01/2010	
2000 RMRB Series B	82,975	5.70%	5.70%	2005	2033	07/01/2010	
2000 RMRB Series C	13,675	5.82%	5.85%	2011	2025	07/01/2010	
2000 RMRB Series D	18,265	4.55%	5.85%	2003	2020	07/01/2010	
2000 RMRB Series E	10,000	7.45%	7.45%	2033	2033	07/01/2010	
2001 RMRB Series A	52,715	3.15%	5.70%	2004	2033	07/01/2011	
2001 RMRB Series B	15,585	5.00%	5.25%	2011	2022	07/01/2011	
2001 RMRB Series C	32,225	2.55%	4.63%	2003	2015	07/01/2011	
2001 RMRB Series D	300	5.35%	5.35%	2008	2033	07/01/2011	
2002 RMRB Series A	42,310	2.25%	5.35%	2004	2034	07/01/2012	
2003 RMRB Series A	73,630	1.70%	5.00%	2005	2034	01/01/2013	
1992 Coll Home Mtg Rev Bonds, Series C	72,700	3.48%	10.27%	2024	2024	05/04/1995	
1993 SF MRB CHMRB Series A	11,695	5.85%	5.85%	2025	2025	11/01/2004	
1993 SF MRB CHMRB Series B	15,000	6.62%	6.62%	2025	2025	11/01/2004	
1993 SF MRB CHMRB Series C	15,000	6.68%	6.68%	2025	2025	11/01/2004	
1993 SF MRB CHMRB Series D	8,000	6.76%	6.76%	2025	2025	11/01/2004	
1993 SF MRB CHMRB Series E	8,780	6.85%	6.85%	2025	2025	11/01/2004	
1994 SF MRB CHMRB Series A	35,395	6.85%	6.85%	2026	2026	02/22/2005	
1994 SF MRB CHMRB Series B	33,385	6.40%	6.40%	2026	2026	04/26/2005	
1994 SF MRB CHMRB Series C	15,360	6.25%	6.25%	2026	2026	06/27/2005	
1995 SF MRRB CHMRB Series A	5,825	6.26%	6.26%	2015	2015	02/22/2005	
TOTAL SINGLE FAMILY & RMRB BONDS	$ 1,957,820						

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM

SCHEDULE 3

MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2005
(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest	Rates	Schedule Maturities First Year	Last Year	First Call Date	
1984 MF Private Placement (Summerbend)	$ 10,100	VAR - Weekly		1985	2022	09/01/1986	
1987 MF Series (South Texas Rental Housing)	1,400	9.50%	9.50%	1988	2012	02/01/1988	
1993 MF Series A/B (RemHill/HighPt)	26,370	VAR - Weekly		2023	2023	02/01/2000	
1993 Res Ren Project Revenue Bonds	16,775	3.30%	5.80%	1994	2024	01/01/2004	
1996 MF Series A/B (Brighton's Mark)	10,174	6.13%	6.13%	2026	2026	01/01/2003	
1996 MF Series A/B (Las Colinas)	15,469	5.65%	5.65%	2026	2026	01/01/2003	
1996 MF Series A/B (Braxton's Mark)	14,867	5.81%	5.81%	2026	2026	01/01/2003	
1996 MF Series A-D (DFW Pool)	22,150	6.00%	10.00%	1997	2026	07/01/2006	
1996 MF Series A-D (Harbors/Plumtree)	13,050	5.90%	10.00%	1997	2026	07/01/2006	
1996 MF Series A/B (NHP Foundation)	27,560	5.50%	6.40%	1997	2027	07/01/2007	
1997 MF Series A (Meadow Ridge)	13,575	5.05%	5.55%	2001	2030	02/01/2001	
1998 MF Series A (Pebble Brook)	10,900	4.95%	5.60%	2001	2030	06/01/2001	
1998 MF Series A-C (Residence Oaks)	8,200	5.98%	7.18%	2001	2030	05/01/2001	
1998 MF Series A (Volente Project)	10,850	5.00%	5.63%	2001	2031	07/01/2001	
1998 MF Series A (Dallas Oxford Refndg)	10,300	7.25%	7.25%	2018	2018	01/01/2004	
1998 MF Series A/B (Greens of Hickory Trial)	13,500	5.20%	6.03%	2001	2030	09/01/2008	
1999 MF Series A-C (Mayfield)	11,445	5.70%	7.25%	2001	2031	05/01/2002	
1999 MF Series A (Woodglen Village)	10,660	7.38%	8.25%	2002	2039	12/01/2016	
2000 MF Series A (Timber Point Apts)	8,100	VAR - Weekly		2003	2032	07/01/2000	(a)
2000 MF Series A/B (Oaks at Hampton)	10,060	7.20%	9.00%	2002	2040	03/01/2017	(a)
2000 MF Series A (Deerwood Apts)	6,435	5.25%	6.40%	2003	2032	06/01/2010	
2000 MF Series A (Creek Point Apts)	7,200	VAR - Weekly		2004	2032	07/01/2000	(a)
2000 MF Series A/B (Parks @ Westmoreland)	9,990	7.20%	9.00%	2002	2040	07/01/2017	(a)
2000 MF Series A (Honeycreek)	20,485	7.63%	8.15%	2004	2035	06/30/2007	
2000 MF Series A-C (Highland Meadow Apts)	13,500	6.75%	8.00%	2004	2033	05/01/2019	
2000 MF Series A/B (Greenbridge)	20,085	7.40%	10.00%	2003	2040	03/01/2014	
2000 MF Series A-C (Collingham Park)	13,500	6.72%	7.72%	2004	2033	05/01/2019	
2000 MF Series A/B (Williams Run)	12,850	7.65%	9.25%	2002	2040	01/01/2011	
2000 MF Series A/B (Red Hills Villas)	10,300	8.40%	9.50%	2003	2040	12/01/2017	
2001 MF Series A (Bluffview Senior Apts)	10,700	7.65%	7.65%	2003	2041	05/01/2018	
2001 MF Series A (Knollwood Villas Apts)	13,750	7.65%	7.65%	2003	2041	05/01/2018	
2001 MF Series A (Skyway Villas)	13,250	6.00%	6.50%	2005	2034	12/01/2011	
2001 MF Series A/B (Cobb Park)	7,785	6.77%	6.77%	2003	2041	07/01/2018	
2001 MF Series A (Greens Road Apts.)	8,375	5.30%	5.40%	2004	2034	12/01/2011	
2001 MF Series A/B (Meridian Apts.)	14,310	5.45%	6.85%	2004	2034	12/01/2011	
2001 MF Series A/B (Wildwood Apts.)	14,365	5.45%	6.75%	2004	2034	12/01/2011	
2001 MF Series A-C (Fallbrook Apts.)	14,700	6.06%	6.78%	2005	2034	01/01/2012	
2001 MF Series A (Oak Hollow Apts.)	8,625	7.00%	7.90%	2003	2041	11/01/2018	
2001 MF Series A/B (Hillside Apts.)	12,900	7.00%	9.25%	2003	2041	11/01/2018	
2002 MF Series A (Millstone Apts.)	12,700	5.35%	5.86%	2005	2035	06/01/2012	
2002 MF Series A (Sugar Creek Apts.)	11,950	6.00%	6.00%	2004	2042	01/01/2016	
2002 MF Series A (West Oaks Apts.)	10,150	7.15%	7.50%	2004	2042	12/01/2018	
2002 MF Series A (Park Meadows Apts)	4,600	6.53%	6.53%	2004	2034	05/01/2012	
2002 MF Series A (Clarkridge Villas Apts)	14,600	7.00%	7.00%	2004	2042	08/01/2019	
2002 MF Series A (Hickory Trace Apts)	11,920	7.00%	7.00%	2004	2042	12/01/2019	
2002 MF Series A (Green Crest Apts)	12,500	7.00%	7.00%	2004	2042	11/01/2019	
2002 MF Series A/B (Ironwood Crossing)	16,970	5.50%	8.75%	2005	2042	10/01/2027	
2002 MF Series A (Woodway Village Apts)	9,100	4.95%	5.20%	2006	2023	01/01/2013	

(Continued)

MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2005
(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest	Range of Rates	Schedule Maturities First Year	Schedule Maturities Last Year	First Call Date	
2003 MF Series A/B (Reading Road)	12,200	VAR - Weekly		2007	2036	01/01/2004	(a)
2003 MF Series A/B (North Vista Apts)	14,000	4.10%	5.41%	2006	2036	06/01/2013	
2003 MF Series A/B (West Virginia Apts)	9,450	4.15%	5.41%	2006	2036	06/01/2013	
2003 MF Series A/B (Sphinx @ Murdeaux)	15,085	3.55%	5.00%	2005	2042	06/20/2013	
2003 MF Series A/B (Primrose Houston School)	16,900	5.50%	8.00%	2006	2036	07/01/2003	(a)
2003 MF Series A/B (Timber Oaks Apts)	13,200	6.75%	8.75%	2005	2043	06/01/2020	
2003 MF Series A/B (Ash Creek Apts)	16,375	5.60%	15.00%	2006	2036	10/01/2003	(a)
2003 MF Series A/B (Peninsula Apts)	12,400	4.25%	5.30%	2007	2024	10/01/2013	
2003 MF Series A (Evergreen @ Mesquite)	11,000	6.60%	8.00%	2006	2043	09/01/2020	
2003 MF Series A/B (Arlington Villas)	17,100	VAR - Weekly (c)		2007	2036	01/01/2007	(a)
2003 MF Series A/B (Parkview Twnhms)	16,600	6.60%	8.50%	2006	2043	12/01/2020	
2003 MF Series A (NHP-Asmara) Refunding	31,500	VAR - Weekly		2007	2033	07/01/2007	(a)
2004 MF Series A/B (Timber Ridge)	7,500	5.75%	8.00%	2007	2037	03/01/2007	(a)
2004 MF Series A/B (Century Park)	13,000	VAR - Weekly (d)		2007	2037	05/01/2007	(a)
2004 MF Series A (Addison Park)	14,000	VAR - Weekly (c)		2007	2044	01/01/2007	(a)
2004 MF Series A/B (Veterans Memorial)	16,300	6.60%	8.50%	2006	2044	03/01/2006	(a)
2004 MF Series A (Rush Creek)	10,000	5.38%	6.70%	2006	2044	03/01/2021	
2004 MF Series A (Humble Park)	11,700	6.60%	6.60%	2007	2041	07/01/2021	
2004 MF Series A (Chisholm Trail)	12,000	VAR - Weekly (b)		2006	2037	10/15/2006	(a)
2004 MF Series A (Evergreen @ Plano)	14,750	5.25%	6.55%	2007	2044	06/1/2021	
2004 MF Series A (Montgomery Pines)	12,300	VAR - Weekly		2006	2037	12/15/2006	(a)
2004 MF Series A (Bristol)	12,625	VAR - Weekly		2007	2037	06/15/2007	(a)
2004 MF Series A (Pinnacle)	14,500	VAR - Weekly (c)		2007	2044	09/01/2007	(a)
2004 MF Series A (Tranquility Bay)	14,350	VAR - Weekly (c)		2007	2044	06/01/2021	(f)
2004 MF Series A (Sphinx @ Delafield)	11,380	5.05%	5.35%	2006	2044	07/20/2014	
2004 MF Series A (Churchill @ Pinnacle)	10,750	5.25%	6.55%	2007	2044	9/1/2021	(f)
2004 MF Series A/B (Post Oak East)	13,600	VAR - Weekly		(e)	2037	(e)	
2004 MF Series A (Village Fair)	14,100	5.00%	6.50%	2007	2044	12/1/2021	
2005 MF Series A (Pecan Grove)	14,030	5.00%	6.50%	2007	2045	1/1/2022	
2005 MF Series A (Prairie Oaks)	11,050	4.75%	6.50%	2007	2045	1/1/2022	
2005 MF Series A (Port Royal)	12,200	5.00%	6.50%	2007	2045	2/1/2022	
2005 MF Series A (Del Rio)	11,490	5.00%	6.50%	2007	2045	2/1/2022	
2005 MF Series A (Atascocita Pines)	11,900	VAR - Weekly (c)		2007	2037	(g)	
2005 MF Series A (Tower Ridge)	15,000	VAR - Weekly (b)		2009	2038	(g)	
2005 MF Series A (Alta Cullen)	14,000	5.89%	6.60%	2007	2045	6/1/2022	
2005 MF Series A (Lafayette Village)	14,100	VAR - Weekly		2008	2038	n/a	
2005 MF Series A (Prairie Ranch)	12,200	4.85%	4.85%	2007	2045	12/20/2015	
2005 MF Series A (St Augustine)	7,650	VAR - Weekly		2009	2038	n/a	
2005 MF Series A (Park Manor)	10,400	5.00%	6.40%	2008	2045	9/1/2022	
2005 MF Series A (Mockingbird)	14,360	6.40%	6.40%	2007	2045	8/1/2022	
2005 MF Series A (Chase Oaks)	14,250	5.05%	5.05%	2007	2035	(i)	
TOTAL MULTIFAMILY BONDS	$1,154,395						
TOTAL BONDS ISSUED	$3,112,215						

(Concluded)

FOOTNOTES:

a. The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the Variable rate equal to 80% of the trustee bank's prime rate, subject to a maximum (15%) and minimum (8%) yield.

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

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

d. Variable rate series and fixed rate series-variable rate could change to fixed rate provided the conversion option is exercised.

e. No set amortization, per trustee, amortization will occur in $100,000 denominations when the amount in the principal reserve fund

f. 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

g. The Bonds shall be subject to redemption prior to maturity, after giving the required notice, as follows: During the variable interest rate period

h. The Series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indendure, as follows:

i. The bonds are subject to redemption at the option of the Issuer, at the direction of the Borrower, in whole or in part on the first day of any month,

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM

SCHEDULE 4

CHANGES IN BOND INDEBTEDNESS
AS OF AUGUST 31, 2005

Description of Issue	Bonds Outstanding September 1, 2004	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2005	Amounts Due Within One Year
1995 Single Family Series A	$ 39,200,000			$ 9,450,000	$ 29,750,000	
1995 Single Family Series C	14,680,000			1,765,000	12,915,000	
1996 Single Family Series A	9,975,000			1,100,000	8,875,000	
1996 Single Family Series B	2,330,000			2,330,000		
1996 Single Family Series D	35,050,000			6,275,000	28,775,000	
1996 Single Family Series E	28,075,000		1,385,000	4,775,000	21,915,000	1,265,000
1997 Single Family Series A	41,280,000			11,105,000	30,175,000	
1997 Single Family Series B	9,510,000			2,180,000	7,330,000	
1997 Single Family Series C	2,070,000			2,070,000		
1997 Single Family Series D	29,405,000			11,350,000	18,055,000	
1997 Single Family Series F	8,155,000			2,530,000	5,625,000	
2002 Single Family Series A (Jr. Lien)	9,945,000				9,945,000	
2002 Single Family Series A	38,410,000			840,000	37,570,000	
2002 Single Family Series B	51,605,000		860,000	2,985,000	47,760,000	905,000
2002 Single Family Series C	12,830,000		430,000	280,000	12,120,000	450,000
2002 Single Family Series D	9,915,000		960,000	685,000	8,270,000	910,000
2004 Single Family Series A	123,610,000			125,000	123,485,000	
2004 Single Family Series B	53,000,000				53,000,000	
2004 Single Family Series A (Jr. Lien)	4,140,000				4,140,000	
2004 Single Family Series C		41,245,000			41,245,000	
2004 Single Family Series D		35,000,000			35,000,000	
2004 Single Family Series E		10,825,000			10,825,000	
2004 Single Family Series F		88,000,000		88,000,000		
2005 Single Family Series A		100,000,000			100,000,000	
1998 RMRB Series A	71,170,000		1,620,000	16,805,000	52,745,000	1,330,000
1998 RMRB Series B	11,930,000			3,285,000	8,645,000	
1999 RMRB Series A	9,730,000			1,945,000	7,785,000	
1999 RMRB Series B-1	37,045,000			6,845,000	30,200,000	
1999 RMRB Series C	5,585,000			1,105,000	4,480,000	
1999 RMRB Series D						
2000 RMRB Series A	27,755,000		325,000	5,700,000	21,730,000	280,000
2000 RMRB Series B	70,605,000			7,585,000	63,020,000	
2000 RMRB Series C	10,905,000			1,325,000	9,580,000	
2000 RMRB Series D	12,255,000		660,000	2,165,000	9,430,000	620,000
2000 RMRB Series E	2,515,000			2,515,000		
2001 RMRB Series A	46,545,000		765,000	5,185,000	40,595,000	730,000
2001 RMRB Series B	13,925,000			1,245,000	12,680,000	
2001 RMRB Series C	19,540,000		1,480,000	3,215,000	14,845,000	1,270,000
2001 RMRB Series D	235,000				235,000	
2002 RMRB Series A	41,385,000		120,000	2,205,000	39,060,000	660,000
2003 RMRB Series A	73,605,000			1,870,000	71,735,000	1,195,000
1992 Coll Home Mtg Rev Bonds, Series C	26,400,000			5,800,000	20,600,000	
1993 SF MRB CHMRB Series A	3,335,000			3,335,000		
1993 SF MRB CHMRB Series B	3,060,000			3,060,000		
1993 SF MRB CHMRB Series C	2,770,000			2,770,000		
1993 SF MRB CHMRB Series D	1,200,000			1,200,000		
1993 SF MRB CHMRB Series E	1,235,000			1,235,000		
1994 SF MRB CHMRB Series A	7,960,000			7,960,000		
1994 SF MRB CHMRB Series B	7,740,000			7,740,000		
1994 SF MRB CHMRB Series C	3,805,000			305,000	3,500,000	
TOTAL SINGLE FAMILY BONDS	1,035,420,000	275,070,000	8,605,000	244,245,000	1,057,640,000	9,615,000

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM

SCHEDULE 4

CHANGES IN BOND INDEBTEDNESS
AS OF AUGUST 31, 2005

Description of Issue	Bonds Outstanding September 1, 2004	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2005	Amounts Due Within One Year
1984 MF Private Placement (Summerbend)	$ 8,120,000			$ 8,120,000		
1987 MF Series (South Texas Rental Housing)	842,831		69,695		773,136	77,000
1993 MF Series A/B (Rem Hill/High Pt)	12,490,000			1,100,000	11,390,000	
1996 MF Series A/B (Brighton's Mark)	8,075,000				8,075,000	
1996 MF Series A/B (Las Colinas)	14,869,512				14,869,512	
1996 MF Series A/B (Braxton's Mark)	14,273,700				14,273,700	
1996 MF Series A-D (Harbors/Plumtree)	11,600,000		240,000		11,360,000	255,000
1998 MF Series A (Pebble Brook Apartments)	10,405,000		160,000		10,245,000	170,000
1998 MF Series A-C (Residence at the Oaks)	7,811,000		128,000		7,683,000	134,000
1998 MF Series A (Volente Project)	10,330,000		160,000		10,170,000	165,000
1998 MF Series A (Dallas Oxford Rfdg)	10,300,000				10,300,000	
1998 MF Series A/B (Greens of Hickory Trail)	12,940,000		185,000		12,755,000	210,000
1999 MF Series A-C (Mayfield)	10,970,000		177,000		10,793,000	187,000
1999 MF Series A (Woodglen Village)	10,558,084		52,801		10,505,283	57,000
2000 MF Series A (Timber Point Apts)	8,000,000		100,000		7,900,000	
2000 MF Series A/B (Oaks @ Hampton)	9,941,531		57,044		9,884,487	62,000
2000 MF Series A (Deerwood Apts)	6,320,000		75,000		6,245,000	85,000
2000 MF Series A (Creek Point Apts)	7,100,000			315,000	6,785,000	
2000 MF Series A/B (Parks @ Westmoreland)	9,888,432		55,918		9,832,514	61,000
2000 MF Series A (Honeycreek)	20,475,980		112,822		20,363,158	122,000
2000 MF Series A-C (Highland Meadow Apts)	12,500,000		69,000	1,272,000	11,159,000	137,000
2000 MF Series A/B (Greenbridge)	19,972,362		81,306		19,891,056	92,000
2000 MF Series A-C (Collingham Park)	13,428,000		151,000		13,277,000	162,000
2000 MF Series A/B (Williams Run)	12,620,262		43,046		12,577,216	112,000
2000 MF Series A/B (Red Hills Villas)	10,231,786		44,362		10,187,424	49,000
2001 MF Series A (Bluffview Senior Apts)	10,642,284		47,278		10,595,006	51,000
2001 MF Series A (Knollwood Villas Apts)	13,675,833		60,754		13,615,079	66,000
2001 MF Series A (Skyway Villas)	13,250,000		135,000		13,115,000	185,000
2001 MF Series A/B (Cobb Park)	7,753,877		31,705		7,722,172	35,000
2001 MF Series A (Greens Road Apts.)	8,375,000		100,000		8,275,000	105,000
2001 MF Series A/B (Meridian Apts.)	14,310,000		90,000		14,220,000	160,000
2001 MF Series A/B (Wildwood Apts.)	14,365,000		85,000		14,280,000	165,000
2001 MF Series A-C (Fallbrook Apts.)	14,700,000		86,000		14,614,000	180,000
2001 MF Series A (Oak Hollow Apts.)	8,594,727		42,357	430,000	8,122,370	44,000
2001 MF Series A/B (Hillside Apts.)	12,860,520		57,070		12,803,450	63,000
2002 MF Series A (Millstone Apts.)	12,700,000		80,000		12,620,000	165,000
2002 MF Series A (Sugar Creek Apts.)	11,920,000		65,000		11,855,000	70,000
2002 MF Series A (West Oaks Apts.)	10,119,718		47,885	395,807	9,676,026	50,000
2002 MF Series A (Park Meadows Apts.)	4,600,000		50,000		4,550,000	55,000
2002 MF Series A (Clarkridge Villas Apts)	14,600,000		68,931		14,531,069	74,000
2002 MF Series A (Hickory Trace Apts)	11,920,000		46,624		11,873,376	60,000
2002 MF Series A (Green Crest Apts)	12,500,000		48,892		12,451,108	63,000
2002 MF Series A/B (Iron Wood Crossing)	16,970,000				16,970,000	51,000
2002 MF Series A (Woodway Village Apts)	9,100,000				9,100,000	105,000
2003 MF Series A/B (Reading Road)	12,200,000				12,200,000	
2003 MF Series A/B (North Vista Apts)	14,000,000				14,000,000	
2003 MF Series A/B (West Virginia Apts)	9,450,000				9,450,000	
2003 MF Series A/B (Sphinx@Murdeaux)	15,085,000		70,000		15,015,000	140,000
2003 MF Series A/B (Primrose Houston)	16,900,000				16,900,000	11,000

(Continued)

CHANGES IN BOND INDEBTEDNESS
AS OF AUGUST 31, 2005

Description of Issue	Bonds Outstanding September 1, 2004	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2005	Amounts Due Within One Year
2003 MF Series A/B (Timber Oaks Apts)	$ 13,200,000		$ 3,748		$ 13,196,252	$ 47,000
2003 MF Series A/B (Ash Creek Apts)	16,375,000				16,375,000	
2003 MF Series A/B (Peninusula Apts)	12,400,000				12,400,000	
2003 MF Series A (Evergreen @ Mesquite)	11,000,000				11,000,000	41,000
2003 MF Series A/B (Arlington Villas)	17,100,000				17,100,000	
2003 MF Series A/B (Parkview Twnhms)	16,600,000				16,600,000	45,000
2003 MF Series A (NHP-Asmara) Refunding	31,500,000				31,500,000	
2004 MF Series A/B (Timber Ridge)	7,500,000				7,500,000	
2004 MF Series A/B (Century Park)	13,000,000				13,000,000	
2004 MF Series A (Addison Park)	14,000,000				14,000,000	
2004 MF Series A/B (Veterans Memorial)	16,300,000				16,300,000	34,000
2004 MF Series A (Rush Creek)	10,000,000				10,000,000	4,000
2004 MF Series A (Humble Park)	11,700,000				11,700,000	
2004 MF Series A (Chisholm Trail)	12,000,000				12,000,000	
2004 MF Series A (Evergreen @ Plano)	14,750,000				14,750,000	
2004 MF Series A (Montgomery Pines)	12,300,000				12,300,000	
2004 MF Series A (Bristol)	12,625,000				12,625,000	
2004 MF Series A (Pinnacle)	14,500,000				14,500,000	
2004 MF Series A (Tranquility Bay)	14,350,000				14,350,000	
2004 MF Series A (Sphinx @ Delafield)	11,380,000				11,380,000	50,000
2004 MF Series A (Churchill @ Pinnacle)	10,750,000				10,750,000	
2004 MF Series A/B (Post Oak East)	13,600,000				13,600,000	
2004 MF Series A (Village Fair)		14,100,000			14,100,000	
2005 MF Series A (Pecan Grove)		14,030,000			14,030,000	
2005 MF Series A (Prairie Oaks)		11,050,000			11,050,000	
2005 MF Series A (Port Royal)		12,200,000			12,200,000	
2005 MF Series A (Mission Del Rio)		11,490,000			11,490,000	
2005 MF Series A (Atascocita)		11,900,000			11,900,000	
2005 MF Series A (Tower Ridge)		15,000,000			15,000,000	
2005 MF Series A (Alta Cullen)		14,000,000			14,000,000	
2005 MF Series A (Lafayette Village)		14,100,000			14,100,000	
2005 MF Series A (Prairie Ranch)		12,200,000			12,200,000	
2005 MF Series A (St. Augustine)		7,650,000			7,650,000	
2005 MF Series A (Park Manor)		10,400,000			10,400,000	
2005 MF Series A (Providence @ Mockingbird)		14,360,000			14,360,000	
2005 MF Series A (Plaza Chase Oaks)		14,250,000			14,250,000	
TOTAL MULTIFAMILY BONDS	871,585,439	176,730,000	3,178,239	11,632,807	1,033,504,393	4,256,000
TOTAL BONDS	$ 1,907,005,439	$ 451,800,000	$11,783,239	$255,877,807	$2,091,144,393	$13,871,000

FOOTNOTES:
(a) Bond Accretions
(b) Bonds Outstanding balance at August 31, 2005 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$ 2,091,144,393
Unamortized (Discount) Premium:	
Single Family	4,277,286
RMRB	3,416,151
CHMRB	458,204
Multi-Family	(583,601)
Unamortized Deferred Gain (Loss) on Refunding:	
Single Family	(2,413,139)
RMRB	(1,645,600)
Deferred Amount on Refunding	(2,154,720)
Bonds Outstanding per Exhibit I	$ 2,092,498,974

(Concluded)

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

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST) AS OF AUGUST 31, 2005 (Amounts in thousands)

Description		2006	2007	2008	2009	2010
1995 Single Family, Series A	Principal					
1995 Single Family, Series A	Interest	$ 1,830	$ 1,830	$ 1,830	$ 1,830	$ 1,830
1995 Single Family, Series C	Principal					
1995 Single Family, Series C	Interest	1,002	1,002	1,002	1,002	1,002
1996 Single Family, Series A	Principal					
1996 Single Family, Series A	Interest	559	559	559	559	559
1996 Single Family, Series B	Principal					
1996 Single Family, Series B	Interest					
1996 Single Family, Series D	Principal					
1996 Single Family, Series D	Interest	1,794	1,794	1,794	1,794	1,794
1996 Single Family, Series E	Principal	1,265	1,315	1,365	1,435	1,520
1996 Single Family, Series E	Interest	1,229	1,159	1,085	1,006	921
1997 Single Family, Series A	Principal					
1997 Single Family, Series A	Interest	1,750	1,750	1,750	1,750	1,750
1997 Single Family, Series B	Principal					
1997 Single Family, Series B	Interest	399	399	399	399	399
1997 Single Family, Series C	Principal					
1997 Single Family, Series C	Interest					
1997 Single Family, Series D	Principal					
1997 Single Family, Series D	Interest	1,025	1,025	1,025	1,025	1,025
1997 Single Family, Series F	Principal					
1997 Single Family, Series F	Interest	381	381	381	381	381
2002 Single Family, Series A Junior Lien	Principal					
2002 Single Family, Series A Junior Lien	Interest	697	697	697	697	697
2002 Single Family, Series A	Principal					
2002 Single Family, Series A	Interest	2,068	2,068	2,068	2,068	2,068
2002 Single Family, Series B	Principal	905	960	1,015	1,080	1,145
2002 Single Family, Series B	Interest	2,559	2,509	2,456	2,399	2,339
2002 Single Family, Series C	Principal	450	470	500	525	555
2002 Single Family, Series C	Interest	574	557	537	515	491
2002 Single Family, Series D	Principal	910	945	970	1,000	1,045
2002 Single Family, Series D	Interest	298	266	232	193	150
2004 Single Family, Series A	Principal		1,640	3,340	4,000	3,670
2004 Single Family, Series A	Interest	5,508	5,476	5,397	5,289	5,156
2004 Single Family, Series B	Principal					
2004 Single Family, Series B	Interest	1,283	1,283	1,283	1,283	1,283
2004 Single Family, Series A (Junior Lien)	Principal					
2004 Single Family, Series A (Junior Lien)	Interest	148	148	148	148	148
2004 Single Family, Series C	Principal		280	570	595	615
2004 Single Family, Series C	Interest	1,974	1,967	1,939	1,909	1,879
2004 Single Family, Series D	Principal					
2004 Single Family, Series D	Interest	889	889	889	889	889
2004 Single Family, Series E	Principal		1,345	1,105	1,140	1,190
2004 Single Family, Series E	Interest	385	358	328	294	254

SCHEDULE 5

2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-2045	Total Required
			29,750				29,750
$ 9,150	$ 9,150	$ 9,150	2,737				39,337
1,960	10,955						12,915
4,934	883						10,827
			8,875				8,875
2,795	2,795	2,795	1,680				12,860
		540	28,235				28,775
8,970	8,970	8,839	5,105				40,854
775	14,240						21,915
4,270	1,317						10,987
			30,175				30,175
8,750	8,750	8,750	7,004				42,004
	7,330						7,330
1,995	1,403						5,393
			18,055				18,055
5,125	5,125	5,125	3,836				24,336
			5,625				5,625
1,905	1,905	1,905	1,520				9,140
		2,445	7,500				9,945
3,485	3,485	3,399	266				14,120
	5,270	12,990	10,460	8,850			37,570
10,340	9,917	7,041	3,664	827			42,129
4,715	4,445	5,685	15,370	12,440			47,760
10,831	9,679	8,326	5,611	908			47,617
5,580	4,040						12,120
1,822	205						4,701
3,400							8,270
156							1,295
20,805	15,265	18,420	22,345	28,990	5,010		123,485
23,320	19,475	15,511	10,625	4,602			100,359
895	9,925	11,965	14,510	15,705			53,000
6,415	5,783	4,475	2,894	971			26,953
					4,140		4,140
740	740	740	740	740	216		4,656
3,765	6,170	8,580	8,355	11,010	1,305		41,245
8,882	7,704	5,939	3,942	1,581	14		37,730
1,125	6,590	8,380	8,165	10,740			35,000
4,438	3,944	2,998	1,958	779			18,562
5,460	585	0	0	0			10,825
546	44	0	0	0			2,209

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

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2005
(Amounts in thousands)

Description		2006	2007	2008	2009	2010
2004 Single Family, Series F	Principal					
2004 Single Family, Series F	Interest					
2005 Single Family, Series A	Principal		885	1,820	1,895	1,970
2005 Single Family, Series A	Interest	2,027	2,408	2,374	2,327	2,279
Total Single Family Bonds		31,909	36,365	38,858	39,427	39,004
1998 RMRB Series A	Principal	1,330	1,385	1,440	1,510	1,585
1998 RMRB Series A	Interest	2,685	2,625	2,560	2,491	2,417
1998 RMRB Series B	Principal					
1998 RMRB Series B	Interest	458	458	458	458	458
1999 RMRB Series A	Principal					
1999 RMRB Series A	Interest	399	399	399	399	399
1999 RMRB Series B-1	Principal					
1999 RMRB Series B-1	Interest	1,994	1,994	1,994	1,994	1,994
1999 RMRB Series C	Principal					
1999 RMRB Series C	Interest	280	280	280	280	280
2000 RMRB Series A	Principal	280	300	315	335	
2000 RMRB Series A	Interest	1,348	1,333	1,316	1,297	1,286
2000 RMRB Series B	Principal					
2000 RMRB Series B	Interest	3,652	3,652	3,652	3,652	3,652
2000 RMRB Series C	Principal					
2000 RMRB Series C	Interest	559	559	559	559	559
2000 RMRB Series D	Principal	620	645	685	725	780
2000 RMRB Series D	Interest	485	454	422	387	349
2000 RMRB Series E	Principal					
2000 RMRB Series E	Interest					
2001 RMRB Series A	Principal	730	785	835	870	925
2001 RMRB Series A	Interest	2,186	2,148	2,107	2,063	2,016
2001 RMRB Series B	Principal					
2001 RMRB Series B	Interest	653	653	653	653	653
2001 RMRB Series C	Principal	1,270	1,320	1,380	1,440	1,510
2001 RMRB Series C	Interest	598	551	498	441	379
2001 RMRB Series D	Principal			5	10	10
2001 RMRB Series D	Interest	13	13	13	12	12
2002 RMRB Series A	Principal	660	680	710	740	765
2002 RMRB Series A	Interest	2,027	1,997	1,966	1,932	1,896
2003 RMRB Series A	Principal	1,195	1,225	1,260	1,295	1,335
2003 RMRB Series A	Interest	3,249	3,541	3,329	3,279	3,226
Total Residential Mtg Revenue Bonds		26,671	26,997	26,836	26,822	26,486
1992 Coll Home Mtg Rev Bonds, Series C	Principal					
1992 Coll Home Mtg Rev Bonds, Series C	Interest	1,402	1,402	1,402	1,402	1,402
Total Coll Home Mtg Revenue Bonds		1,402	1,402	1,402	1,402	1,402
1993 SF MRB CHMRB, Series A	Principal					
1993 SF MRB CHMRB, Series A	Interest					

SCHEDULE 5

2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-2045	Total Required
0	0	0	0	0			
0	0	0	0	0			
11,095	13,485	16,405	19,940	24,255	8,250		100,000
10,590	9,043	7,163	4,875	2,095	210		45,391
189,034	208,617	177,566	283,817	124,493	19,145		1,188,235
0	10,355	0	20,185	14,955	0	0	52,745
11,860	10,684	9,145	8,544	258	0	0	53,269
0	0	8,645	0	0	0	0	8,645
2,290	2,290	692	0	0	0	0	7,562
0	4,205	3,580	0	0	0	0	7,785
1,995	1,557	62	0	0	0	0	5,609
0	0	10,985	0	19,215	0	0	30,200
9,970	9,970	6,720	6,070	2,235	0	0	44,935
0	0	4,480	0	0	0	0	4,480
1,400	1,400	1,073	0	0	0	0	5,273
0	5,230	0	0	15,270	0	0	21,730
6,430	5,929	4,810	4,810	804	0	0	29,363
0	0	12,000	0	51,020	0	0	63,020
18,260	18,260	18,144	14,770	6,282	0	0	93,976
0	5,905	3,675	0	0	0	0	9,580
2,795	2,738	931	0	0	0	0	9,259
4,765	1,210	0	0	0	0	0	9,430
1,057	305	0	0	0	0	0	3,459
0	0	0	0	0	0	0	
0	0	0	0	0	0	0	
1,555	2,035	7,630	14,215	11,015	0	0	40,595
9,734	9,223	8,200	5,065	976	0	0	43,718
4,185	5,680	2,815	0	0	0	0	12,680
2,784	1,545	162	0	0	0	0	7,756
7,925	0	0	0	0	0	0	14,845
856	0	0	0	0	0	0	3,323
45	40	45	45	35	0	0	235
51	39	27	14	3	0	0	197
4,405	5,510	6,900	9,985	8,705	0	0	39,060
8,857	7,581	5,980	3,767	879	0	0	36,882
7,545	9,695	12,735	17,740	17,710	0	0	71,735
15,212	13,211	10,567	6,808	1,903			64,325
123,976	134,597	140,003	112,018	151,265			795,671
0	0	20,600	0	0	0	0	20,600
7,010	7,010	5,605	0	0			26,635
7,010	7,010	26,205	0	0			47,235

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

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2005
(Amounts in thousands)

Description		2006	2007	2008	2009	2010
1993 SF MRB CHMRB, Series B	Principal					
1993 SF MRB CHMRB, Series B	Interest					
1993 SF MRB CHMRB, Series C	Principal					
1993 SF MRB CHMRB, Series C	Interest					
1993 SF MRB CHMRB, Series D	Principal					
1993 SF MRB CHMRB, Series D	Interest					
1993 SF MRB CHMRB, Series E	Principal					
1993 SF MRB CHMRB, Series E	Interest					
Total Single Family MRB 1993 CHMRB Bonds		0	0	0	0	0
1994 SF MRB CHMRB, Series A	Principal					
1994 SF MRB CHMRB, Series A	Interest					
1994 SF MRB CHMRB, Series B	Principal					
1994 SF MRB CHMRB, Series B	Interest					
1994 SF MRB CHMRB, Series C	Principal					
1994 SF MRB CHMRB, Series C	Interest	219	219	219	219	219
Total Single Family MRB 1994 CHMRB Bonds		219	219	219	219	219
1984 MF Private Placement (Summerbend)	Principal					
1984 MF Private Placement (Summerbend)	Interest					
1987 MF Series (South Texas Rental Housing)	Principal	77	84	93	102	112
1987 MF Series (South Texas Rental Housing)	Interest	70	63	54	45	35
1993 MF Series A&B (Rem Hill/High Pt)	Principal					
1993 MF Series A&B (Rem Hill/High Pt)	Interest	1,750	1,750	1,750	1,750	1,750
1996 MF Series A&B (Brighton's Mark)	Principal					
1996 MF Series A&B (Brighton's Mark)	Interest	495	495	495	495	495
1996 MF Series A&B (Marks Of Las Colinas)	Principal					
1996 MF Series A&B (Marks Of Las Colinas)	Interest	840	840	840	840	840
1996 MF Series A&B (Braxton's Mark)	Principal					
1996 MF Series A&B (Braxton's Mark)	Interest	829	829	829	829	829
1996 MF Series A-D (Harbors/Plumtree)	Principal	255	275	295	315	335
1996 MF Series A-D (Harbors/Plumtree)	Interest	791	774	755	734	712
1998 MF Series A (Pebble Brook Apartments)	Principal	170	180	190	205	215
1998 MF Series A (Pebble Brook Apartments)	Interest	562	553	544	535	524
1998 MF Series A-C (Residence At The Oaks)	Principal	134	141	151	159	169
1998 MF Series A-C (Residence At The Oaks)	Interest	457	448	440	430	420
1998 MF Series A (Volente Project)	Principal	165	175	185	190	215
1998 MF Series A (Volente Project)	Interest	563	554	545	536	524
1998 MF Series A (Dallas-Oxford Rfdg)	Principal					
1998 MF Series A (Dallas-Oxford Rfdg)	Interest	747	747	747	747	747
1998 MF Series A&B (Greens Of Hickory Trail)	Principal	210	220	240	250	270
1998 MF Series A&B (Greens Of Hickory Trail)	Interest	681	668	654	640	624
1999 MF Series A-C (Mayfield)	Principal	187	199	209	222	235
1999 MF Series A-C (Mayfield)	Interest	607	599	587	575	562
1999 MF Series A (Woodglen Village)	Principal	57	61	66	71	76
1999 MF Series A (Woodglen Village)	Interest	773	769	764	759	753

SCHEDULE 5

2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-2045	Total Required
							0
0	0	0	0	0			0
0	0	0	0	0	0	0	
0	0	0	0	0	0	0	
0	0	0	0	0	0	0	
0	0	0	0	0	0	0	
0	0	0	3,500	0	0	0	3,500
1,095	1,095	1,095	250	0			4,630
1,095	1,095	1,095	3,750	0			8,130
0	0	0	0	0	0	0	
0	0	0	0	0	0	0	
305	0	0	0	0	0	0	773
37	0	0	0	0	0	0	304
0	0	11,390	0	0	0	0	11,390
8,750	8,750	4,366	0	0	0	0	30,616
0	0	0	8,075	0	0	0	8,075
2,475	2,475	2,475	495	0	0	0	10,395
0	0	0	14,870	0	0	0	14,870
4,200	4,200	4,200	843	0	0	0	17,643
0	0	0	14,274	0	0	0	14,274
4,145	4,145	4,145	837	0	0	0	17,417
2,040	2,845	4,010	990	0	0	0	11,360
3,179	2,353	1,178	54	0	0	0	10,530
1,295	1,785	2,440	3,365	400	0	0	10,245
2,430	2,016	1,445	654	12	0	0	9,275
571	0	0	0	6,358	0	0	7,683
1,958	1,905	1,905	1,905	97	0	0	9,965
1,290	1,775	2,430	3,360	385	0	0	10,170
2,423	2,003	1,423	621	7	0	0	9,199
0	10,300	0	0	0	0	0	10,300
3,735	1,988	0	0	0	0	0	9,458
1,660	2,260	3,055	4,110	480	0	0	12,755
2,856	2,347	1,666	747	8	0	0	10,891
1,396	1,852	2,458	3,264	771	0	0	10,793
2,587	2,125	1,517	706	24	0	0	9,889
477	691	996	1,439	2,079	4,492	0	10,505
3,671	3,458	3,150	2,708	2,068	1,056	0	19,929

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

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2005
(Amounts in thousands)

Description		2006	2007	2008	2009	2010
2000 MF Series A (Timber Point Apts)	Principal					
2000 MF Series A (Timber Point Apts)	Interest	199	199	199	199	199
2000 MF Series A&B (Oaks At Hampton)	Principal	62	68	75	82	89
2000 MF Series A&B (Oaks At Hampton)	Interest	715	710	703	696	689
2000 MF Series A (Deerwood Apts)	Principal	85	85	95	95	105
2000 MF Series A (Deerwood Apts)	Interest	392	387	383	377	372
2000 MF Series A (Creek Point Apts)	Principal					
2000 MF Series A (Creek Point Apts)	Interest	171	171	171	171	171
2000 MF Series A&B (Parks At Westmoreland)	Principal	61	67	73	80	87
2000 MF Series A&B (Parks At Westmoreland)	Interest	835	829	823	816	809
2000 MF Series A (Honey Creek)	Principal	122	131	142	153	165
2000 MF Series A (Honey Creek)	Interest	1,548	1,539	1,529	1,517	1,505
2000 MF Series A-C (Highland Meadows)	Principal	137	145	155	166	177
2000 MF Series A-C (Highland Meadows)	Interest	751	742	732	721	710
2000 MF Series A&B (Greenbridge)	Principal	92	119	109	127	137
2000 MF Series A&B (Greenbridge)	Interest	1,469	1,459	1,451	1,441	1,432
2000 MF Series A-C (Collingham Park)	Principal	162	172	182	208	230
2000 MF Series A-C (Collingham Park)	Interest	890	877	864	850	905
2000 MF Series A&B (Williams Run)	Principal	112	78	84	91	98
2000 MF Series A&B (Williams Run)	Interest	956	950	944	937	930
2000 MF Series A&B (Red Hills Villas)	Principal	49	54	59	65	71
2000 MF Series A&B (Red Hills Villas)	Interest	857	852	847	841	834
2001 MF Series A (Bluffview Sr. Apts.)	Principal	51	55	59	64	69
2001 MF Series A (Bluffview Sr. Apts.)	Interest	909	905	900	894	889
2001 MF Series A (Knollwood Villas Apts)	Principal	66	71	77	82	89
2001 MF Series A (Knollwood Villas Apts)	Interest	1,174	1,168	1,162	1,156	1,149
2001 MF Series A (Skyway Villas)	Principal	185	195	205	215	230
2001 MF Series A (Skyway Villas)	Interest	725	715	705	694	682
2001 MF Series A&B (Cobb Park)	Principal	35	38	42	46	51
2001 MF Series A&B (Cobb Park)	Interest	611	608	604	599	595
2001 MF Series A (Greens Road Apts.)	Principal	105	110	120	130	135
2001 MF Series A (Greens Road Apts.)	Interest	441	435	429	422	415
2001 MF Series A&B (Meridian Apts.)	Principal	160	175	185	200	215
2001 MF Series A&B (Meridian Apts.)	Interest	827	815	803	791	777
2001 MF Series A&B (Wildwood Apts.)	Principal	165	175	190	205	220
2001 MF Series A&B (Wildwood Apts.)	Interest	817	806	794	781	767
2001 MF Series A-C (Fallbrook Apts.)	Principal	180	193	206	220	235
2001 MF Series A-C (Fallbrook Apts.)	Interest	887	875	861	847	831
2001 MF Series A (Oak Hollow Apts.)	Principal	44	47	50	54	58
2001 MF Series A (Oak Hollow Apts.)	Interest	567	564	561	557	553
2001 MF Series A&B (Hillside Apts.)	Principal	63	69	75	83	90
2001 MF Series A&B (Hillside Apts.)	Interest	1,012	1,006	1,000	992	984
2002 MF Series A (Millstone Apts.)	Principal	165	180	195	205	215
2002 MF Series A (Millstone Apts.)	Interest	690	680	670	659	647

SCHEDULE 5

2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-2045	Total Required
0	0	0	0	7,900	0	0	7,900
995	995	995	995	417	0	0	5,392
559	800	1,146	1,642	2,350	3,012	0	9,885
3,329	3,090	2,744	2,248	1,539	528	0	16,991
235	1,305	0	0	4,240	0	0	6,245
1,786	1,770	1,355	1,355	681	0	0	8,858
0	0	0	0	6,785	0	0	6,785
855	855	855	855	370	0	0	4,645
544	778	1,114	1,594	2,281	3,153	0	9,832
3,916	3,639	3,242	2,675	1,861	701	0	20,146
1,042	1,524	2,229	3,259	11,596	0	0	20,363
7,302	6,817	6,108	5,072	3,466	0	0	36,403
1,089	1,511	2,112	2,943	2,724	0	0	11,159
3,347	2,920	2,325	1,493	378	0	0	14,119
860	1,245	1,799	2,603	3,762	5,440	3,598	19,891
6,982	6,597	6,038	5,230	4,063	2,373	21	38,556
1,376	1,854	2,519	3,444	3,130	0	0	13,277
4,243	3,659	2,868	1,789	401	0	0	17,346
622	910	1,334	1,952	2,858	4,184	254	12,577
4,520	4,229	3,803	3,182	2,269	934	4	23,658
450	651	942	1,363	1,970	2,849	1,667	10,190
4,067	3,839	3,509	3,032	2,342	1,344	44	22,408
435	637	929	1,357	1,983	2,896	2,060	10,595
4,342	4,114	3,782	3,297	2,590	1,557	117	24,296
560	818	1,194	1,745	2,550	3,721	2,642	13,615
5,625	5,354	4,959	4,382	3,540	2,308	151	32,128
1,340	1,765	2,320	3,065	3,595	0	0	13,115
3,207	2,780	2,214	1,461	469	0	0	13,652
324	468	666	979	1,417	2,049	1,607	7,722
2,901	2,746	2,524	2,200	1,731	1,052	100	16,271
825	1,110	1,505	2,060	2,175	0	0	8,275
1,954	1,699	1,353	879	244	0	0	8,271
1,315	1,920	2,555	3,430	4,065	0	0	14,220
3,643	3,120	2,439	1,619	523	0	0	15,357
1,355	1,945	2,545	3,420	4,060	0	0	14,280
3,588	3,064	2,434	1,616	524	0	0	15,191
1,424	1,919	2,587	3,487	4,163	0	0	14,614
3,909	3,406	2,729	1,815	592	0	0	16,752
357	507	723	1,020	1,445	2,049	1,768	8,122
2,697	2,548	2,334	2,035	1,609	1,006	135	15,166
554	785	1,115	1,578	2,239	3,173	2,980	12,804
4,802	4,540	4,169	3,640	2,892	1,830	243	27,110
1,270	1,655	2,165	2,840	3,730	0	0	12,620
3,043	2,645	2,128	1,438	535	0	0	13,135

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

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2005
(Amounts in thousands)

Description		2006	2007	2008	2009	2010
2002 MF Series A (Sugar Creek Apts.)	Principal	70	70	80	85	90
2002 MF Series A (Sugar Creek Apts.)	Interest	710	705	701	696	691
2002 MF Series A (West Oaks Apts.)	Principal	50	53	57	62	66
2002 MF Series A (West Oaks Apts.)	Interest	724	720	716	711	706
2002 MF Series A (Park Meadows Apts.)	Principal	55	60	60	70	70
2002 MF Series A (Park Meadows Apts.)	Interest	295	292	288	283	279
2002 MF Series A (Clarkridge Villas Apts)	Principal	74	79	85	91	98
2002 MF Series A (Clarkridge Villas Apts)	Interest	1,014	1,009	1,003	997	990
2002 MF Series A (Hickory Trace Apts)	Principal	60	64	69	74	79
2002 MF Series A (Hickory Trace Apts)	Interest	829	825	820	815	810
2002 MF Series A (Green Crest Apts)	Principal	63	67	72	77	83
2002 MF Series A (Green Crest Apts)	Interest	869	865	860	855	849
2002 MF Series A/B (Iron Wood Crossing)	Principal	51	67	73	79	87
2002 MF Series A/B (Iron Wood Crossing)	Interest	1,220	1,215	1,209	1,202	1,195
2002 MF Series A (Woodway Village)	Principal	105	115	125	135	140
2002 MF Series A (Woodway Village)	Interest	466	461	455	449	442
2003 MF SERIES A/B (READING ROAD)	Principal		120	120	220	130
2003 MF SERIES A/B (READING ROAD)	Interest	395	394	391	386	380
2003 MF Series A/B (North Vista)	Principal		200	210	215	230
2003 MF Series A/B (North Vista)	Interest	699	694	685	676	666
2003 MF Series A/B (West Virginia)	Principal		135	145	150	155
2003 MF Series A/B (West Virginia)	Interest	472	469	463	456	450
2003 MF Series A/B (Sphinx @ Murdeaux)	Principal	140	160	165	170	180
2003 MF Series A/B (Sphinx @ Murdeaux)	Interest	1,987	1,993	1,998	2,005	2,013
2003 MF Series A/B (Primrose Houston)	Principal	11	71	77	83	90
2003 MF Series A/B (Primrose Houston)	Interest	1,164	1,161	1,155	1,148	1,141
2003 MF Series A/B (Timber Oaks)	Principal	47	51	56	61	67
2003 MF Series A/B (Timber Oaks)	Interest	934	930	925	920	915
2003 MF Series A/B (Ash Creek Apts)	Principal		59	76	83	90
2003 MF Series A/B (Ash Creek Apts)	Interest	1,100	1,098	1,092	1,086	1,079
2003 MF Series A/B (Peninsula Apts)	Principal		80	160	170	180
2003 MF Series A/B (Peninsula Apts)	Interest	647	645	639	632	623
2003 MF Series A (Evergreen @ Mesquite)	Principal	41	103	110	117	125
2003 MF Series A (Evergreen @ Mesquite)	Interest	756	751	744	737	729
2003 MF Series A/B (Arlington Villas)	Principal		46	74	80	87
2003 MF Series A/B (Arlington Villas)	Interest	452	452	450	447	444
2003 MF Series A/B (Parkview Twnhms)	Principal	45	73	79	86	94
2003 MF Series A/B (Parkview Twnhms)	Interest	1,125	1,119	1,112	1,105	1,098
2003 MF Series A (Nhp-Asmara)Refunding	Principal		490	520	555	585
2003 MF Series A (Nhp-Asmara)Refunding	Interest	756	756	744	732	718
2004 MF Series A/B (Timber Ridge)	Principal		18	37	40	42
2004 MF Series A/B (Timber Ridge)	Interest	513	512	510	507	503
2004 MF Series A/B (Century Park)	Principal		65	150	160	175
2004 MF Series A/B (Century Park)	Interest	774	774	767	758	749

SCHEDULE 5

2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-2045	Total Required
565	215	0	0	0	0	10,680	11,855
3,361	3,215	3,205	3,205	3,205	3,205	855	23,754
411	588	840	1,199	1,713	2,446	2,191	9,676
3,446	3,261	2,995	2,616	2,072	1,299	176	19,442
440	600	830	1,145	1,220	0	0	4,550
1,314	1,146	916	595	166	0	0	5,574
605	858	1,217	1,725	2,445	3,466	3,788	14,531
4,835	4,581	4,221	3,710	2,984	1,958	405	27,707
489	693	982	1,391	1,973	2,797	3,202	11,873
3,953	3,747	3,457	3,045	2,460	1,633	365	22,759
512	727	1,030	1,459	2,069	2,933	3,359	12,451
4,146	3,931	3,625	3,193	2,580	1,711	383	23,867
568	877	1,312	1,862	2,639	3,742	5,613	16,970
5,839	5,527	5,090	4,536	3,754	2,646	692	34,125
825	1,115	6,540	0	0	0	0	9,100
2,095	1,856	909	0	0	0	0	7,133
1,060	1,520	1,905	2,630	3,600	895	0	12,200
1,805	1,608	1,340	975	481	22	0	8,177
1,335	1,720	2,280	2,975	3,910	925	0	14,000
3,164	2,790	2,284	1,621	750	22	0	14,051
895	1,155	1,535	2,015	2,640	625	0	9,450
2,135	1,884	1,545	1,095	507	13	0	9,489
1,025	1,300	1,655	2,090	2,670	3,410	2,050	15,015
8,803	3,113	2,765	2,316	1,742	998	157	29,890
578	865	1,265	1,784	2,516	9,560	0	16,900
5,581	5,295	4,901	4,389	3,668	472	0	30,075
438	677	1,045	1,518	2,126	2,976	4,134	13,196
4,471	4,228	3,857	3,383	2,772	1,917	583	25,835
576	858	1,216	1,702	2,381	9,334	0	16,375
5,267	4,988	4,636	4,158	3,487	642	0	28,633
1,070	1,440	9,300	0	0	0	0	12,400
2,971	2,652	1,838	0	0	0	0	10,647
759	1,043	1,436	1,974	2,717	1,349	1,226	11,000
3,503	3,211	2,806	2,250	1,484	720	196	17,887
558	835	1,231	1,744	2,461	9,984	0	17,100
2,167	2,044	1,876	1,686	1,425	324	0	11,767
610	928	1,319	1,833	2,548	3,540	5,445	16,600
5,346	5,028	4,635	4,119	3,401	2,403	847	31,338
3,510	4,700	6,305	8,445	6,390	0	0	31,500
3,363	2,885	2,251	1,399	317	0	0	13,921
263	371	526	745	1,055	4,403	0	7,500
2,459	2,339	2,188	1,978	1,677	426	0	13,612
1,035	1,420	1,950	2,655	3,610	1,780	0	13,000
3,574	3,217	2,731	2,060	1,150	131	0	16,685

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

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2005
(Amounts in thousands)

Description		2006	2007	2008	2009	2010
2004 MF Series A (Addison Park)	Principal		60	70	75	80
2004 MF Series A (Addison Park)	Interest	409	408	407	404	402
2004 MF Series A/B (Veterans Memorial)	Principal	34	73	79	86	94
2004 MF Series A/B (Veterans Memorial)	Interest	1,100	1,094	1,088	1,081	1,073
2004 MF Series A (Rush Creek)	Principal	4	52	55	59	63
2004 MF Series A (Rush Creek)	Interest	670	668	664	660	656
2004 MF Series A (Humble Park)	Principal		90	100	110	110
2004 MF Series A (Humble Park)	Interest	772	770	764	757	749
2004 MF Series A (Chisholm Trail)	Principal		130	135	145	155
2004 MF Series A (Chisholm Trail)	Interest	308	308	304	301	297
2004 MF Series A (Evergreen @ Plano)	Principal		13	80	85	91
2004 MF Series A (Evergreen @ Plano)	Interest	966	966	962	957	951
2004 MF Series A (Montgomery Pines)	Principal		145	155	160	170
2004 MF Series A (Montgomery Pines)	Interest	316	315	311	307	303
2004 MF Series A (Bristol)	Principal		75	160	170	180
2004 MF Series A (Bristol)	Interest	324	324	322	317	313
2004 MF Series A (Pinnacle)	Principal					
2004 MF Series A (Pinnacle)	Interest	373	373	373	373	373
2004 MF Series A (Tranquility Bay)	Principal		45	81	86	92
2004 MF Series A (Tranquility Bay)	Interest	775	774	770	766	762
2004 MF Series A (Sphinx @ Delafield)	Principal	50	95	100	110	110
2004 MF Series A (Sphinx @ Delafield)	Interest	597	593	588	583	577
2004 MF Series A (Churchill @ Pinnacle)	Principal			57	61	65
2004 MF Series A (Churchill @ Pinnacle)	Interest	704	704	702	698	694
2004 MF Series A/B (Post Oak East)	Principal					
2004 MF Series A/B (Post Oak East)	Interest	668	668	668	668	668
2004 MF Series A (Village Fair)	Principal		50	80	85	91
2004 MF Series A (Village Fair)	Interest	917	915	910	905	899
2005 MF Series A (Pecan Grove)	Principal		44	79	84	90
2005 MF Series A (Pecan Grove)	Interest	912	911	831	902	896
2005 MF Series A (Prairie Oaks)	Principal		34	62	66	71
2005 MF Series A (Prairie Oaks)	Interest	718	718	714	710	706
2005 MF Series A (Port Royal)	Principal		32	68	73	78
2005 MF Series A (Port Royal)	Interest	793	792	789	784	779
2005 MF Series A (Mission Del Rio)	Principal		31	64	69	73
2005 MF Series A (Mission Del Rio)	Interest	747	746	743	738	734
2005 MF Series A (Atascocita Pines)	Principal				143	153
2005 MF Series A (Atascocita Pines)	Interest	310	309	309	308	305
2005 MF Series A (Tower Ridge)	Principal				100	100
2005 MF Series A (Tower Ridge)	Interest	358	377	377	377	374
2005 MF Series A (Alta Cullen)	Principal			61	78	83
2005 MF Series A (Alta Cullen)	Interest	924	924	922	917	912
2005 MF Series A (Lafayette Village)	Principal				178	189
2005 MF Series A (Lafayette Village)	Interest	367	367	367	365	361

SCHEDULE 5

2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-2045	Total Required
515	760	1,130	1,660	2,460	3,645	3,545	14,000
1,970	1,880	1,747	1,550	1,259	826	218	11,480
609	913	1,277	1,774	2,467	3,428	5,466	16,300
5,225	4,921	4,553	4,053	3,358	2,392	874	30,812
386	541	754	1,053	1,471	2,055	3,507	10,000
3,209	3,056	2,840	2,539	2,119	1,533	586	19,200
685	955	1,335	1,840	2,540	3,505	430	11,700
3,623	3,355	2,985	2,466	1,754	771	9	18,775
935	1,290	1,780	2,430	3,340	1,660	0	12,000
1,419	1,279	1,086	822	460	55	0	6,639
554	767	1,065	1,477	2,048	2,837	5,733	14,750
4,656	4,440	4,141	3,729	3,155	2,359	1,051	28,333
1,025	1,375	1,840	2,480	3,320	1,630	0	12,300
1,444	1,293	1,091	820	454	53	0	6,707
1,075	1,440	1,915	2,555	3,400	1,655	0	12,625
1,487	1,331	1,119	838	463	55	0	6,893
0	0	0	0	0	14,500	0	14,500
1,865	1,865	1,865	1,865	1,865	673	0	11,863
561	776	1,071	1,482	2,047	2,833	5,276	14,350
3,721	3,542	3,295	2,952	2,480	1,826	790	22,453
670	880	1,155	1,510	1,995	2,510	2,195	11,380
2,794	2,601	2,350	2,011	1,560	972	244	15,470
401	554	767	1,065	1,476	2,046	4,258	10,750
3,398	3,241	3,028	2,729	2,314	1,741	814	20,767
0	0	0	0	0	13,600	0	13,600
3,340	3,340	3,340	3,340	3,340	1,342	0	21,382
553	766	1,059	1,463	2,024	2,798	5,131	14,100
4,396	4,183	3,888	3,482	2,918	2,139	989	26,541
547	758	1,048	1,447	2,003	2,771	5,159	14,030
4,380	4,171	3,880	3,479	2,926	2,159	1,039	26,486
432	596	824	1,141	1,577	2,182	4,065	11,050
3,447	3,281	3,052	2,736	2,295	1,689	794	20,860
473	655	904	1,252	1,732	2,395	4,538	12,200
3,809	3,627	3,376	3,026	2,543	1,877	902	23,097
446	617	852	1,179	1,632	2,255	4,272	11,490
3,588	3,416	3,178	2,850	2,396	1,768	849	21,753
915	1,236	1,675	2,275	3,104	2,399	0	11,900
1,458	1,321	1,137	886	545	112	0	7,000
500	900	1,700	2,400	3,600	5,700	0	15,000
1,831	1,753	1,604	1,354	1,000	370	0	9,775
509	708	983	1,367	1,899	2,640	5,672	14,000
4,466	4,266	3,989	3,603	3,068	2,324	1,219	27,534
1,129	1,511	2,021	2,707	3,624	2,741	0	14,100
1,723	1,554	1,331	1,029	625	128	0	8,217

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

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2005
(Amounts in thousands)

Description		2006	2007	2008	2009	2010
2005 MF Series A (Prairie Ranch)	Principal			150	115	125
2005 MF Series A (Prairie Ranch)	Interest	444	592	589	583	577
2005 MF Series A (St. Augustine)	Principal					
2005 MF Series A (St. Augustine)	Interest	197	197	197	197	197
2005 MF Series A (Park Manor)	Principal				58	62
2005 MF Series A (Park Manor)	Interest	857	830	666	664	660
2005 MF Series A (Providence @ Mockingbird)	Principal			80	85	91
2005 MF Series A (Providence @ Mockingbird)	Interest	919	919	916	911	905
2005 MF Series A (Plaza Chase Oaks)	Principal		95	236	248	261
2005 MF Series A (Plaza Chase Oaks)	Interest	720	719	709	697	684
Total Multi-Family		65,930	68,374	69,187	69,883	69,950
Total		126,131	133,357	136,502	137,753	137,061
Less Interest		112,260	112,305	110,828	109,681	108,428
Total Principal		$ 13,871	$ 21,052	$ 25,674	$ 28,072	$ 28,633

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

SCHEDULE 5

2011-15	2016-20	2021-25	2026-30	2031-35	2036-40	2041-2045	Total Required
710	915	1,195	1,545	1,920	2,440	3,085	12,200
2,790	2,596	2,346	2,018	1,605	1,085	427	15,652
0	0	0	0	0	7,650	0	7,650
985	985	985	985	985	594	0	6,504
376	516	710	977	1,344	1,849	4,508	10,400
3,234	3,092	2,898	2,632	2,265	1,759	1,057	20,614
552	759	1,044	1,437	1,979	2,722	5,611	14,360
4,428	4,221	3,932	3,539	2,995	2,247	1,207	27,139
1,523	1,958	9,929	0	0	0	0	14,250
3,206	2,769	1,647	0	0			11,151
348,767	354,382	369,161	352,475	321,257	265,709	149,258	2,504,333
669,882	705,701	714,030	752,060	597,015	284,854	149,258	4,543,604
520,104	465,270	392,500	282,095	151,924	68,520	18,543	2,452,458
$149,778	$240,431	$321,530	$469,965	$445,091	$216,334	$130,715	$2,091,146

(Concluded)

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2005
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2005			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
1995 Single Family Series A	$ 11,113	$ 183	$	$ 1,966
1995 Single Family Series C	2,042	31		1,035
1996 Single Family Series A	1,377	31		594
1996 Single Family Series B	2,884	61		3
1996 Single Family Series D	7,384	122		1,886
1996 Single Family Series E	5,607	92	$ 1,385	1,351
1997 Single Family Series A	13,323	244		1,955
1997 Single Family Series B	2,457	31		459
1997 Single Family Series C	2,347	31		
1997 Single Family Series D	13,568	244		1,252
1997 Single Family Series F	3,084	61		423
2002 Single Family Series A	1,117	31		2,076
2002 Single Family Series A Junior Lien				697
2002 Single Family Series B	3,539	61	$ 860	2,651
2002 Single Family Series C			$ 430	591
2002 Single Family Series D	280		$ 960	332
2004 Single Family Series A	685			5,512
2004 Single Family Series B	125			1,109
2004 Single Family Series A Jr Lien				108
2004 Single Family Series C				1,664
2004 Single Family Series D				649
2004 Single Family Series E				324
2004 Single Family Series F	104,634	1,831		1,225
2005 Single Family Series A				949
Total Single Family Bonds	175,566	3,054	$ 3,635	28,811
1998 RMRB Series A	23,145	269	$ 1,620	3,235
1998 RMRB Series B	4,504	52		559
1999 RMRB Series A	2,677	31		451
1999 RMRB Series B-1	9,284	104		2,246
1999 RMRB Series C	1,349	10		318
1999 RMRB Series D				
2000 RMRB Series A	7,895	93	$ 325	1,574
2000 RMRB Series B	10,511	124		3,909
2000 RMRB Series C	1,813	21		597
2000 RMRB Series D	2,897	31	$ 660	570
2000 RMRB Series E	3,247	31		83
2001 RMRB Series A	7,136	83	$ 765	2,384
2001 RMRB Series B	1,489	10		688
2001 RMRB Series C	4,434	52	$ 1,480	722
2001 RMRB Series D				13
2002 RMRB Series A	2,937	31	$ 120	2,112
2003 RMRB Series A	4,065	93		3,478
Total Residential Mtg Revenue Bonds	87,383	1,035	$ 4,970	22,939
1992 Coll Home Mtg Rev Bds Series C	7,718	44		1,651
Total Coll Home Mtg Revenue Bonds	7,718	44		1,651

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM

SCHEDULE 6

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2005
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2005			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
1993 SF MRB CHMRB Series A	3,404	3		31
1993 SF MRB CHMRB Series B	3,124	3		31
1993 SF MRB CHMRB Series C	2,827	2		29
1993 SF MRB CHMRB Series D	1,225	1		13
1993 SF MRB CHMRB Series E	1,267	1		13
Total Single Family MRB 1993 CHMRB]	11,847	10		117
1994 SF MRB CHMRB Series A	8,328	69		235
1994 SF MRB CHMRB Series B	8,100	67		304
1994 SF MRB CHMRB Series C	327	4		221
Total Single Family MRB 1994 CHMRB	16,755	140		760
1995 SF MRRB CHMRB Series A	7			
Total Single Family MRB 1995 CHMRB	7			
1996 MF Series A/B (Brighton's/Las Colinas)	1,387	6		1,354
1996 MF Series A-D (DFW Pool)				
1984 MF Private Placement (Summerbend)	8,464			264
1996 MF Series A/B (Braxton's Mark)	863	3		841
1993 MF Series A&B (RemHill/HighPt Ref)	1,346	5		240
1987 MF Series (South Texas Rental Housing)	100		$ 70	77
1998 MF Series (Dallas Oxford Refndg)	771			747
1996 MF Series A-D (Harbors/Plumtree)	834		$ 240	804
1996 MF Series A/B (NHP Foundation)				
1997 MF Series (Meadow Ridge)				
1998 MF Series (Pebble Brook)	568		$ 160	568
1998 MF Series A-C (Residence Oaks)	484		$ 128	464
1998 MF Series (Volente Project)	597		$ 160	571
1998 MF Series (Greens of Hickory Trail)	707		$ 185	687
1999 MF Series A-C (Mayfield)	630		$ 177	619
1999 MF Series (Woodglen Village)	788		$ 53	777
2000 MF Series (Timber Point Apts)	177		$ 100	169
2000 MF Series (Oaks at Hampton)	730		$ 57	720
2000 MF Series (Deerwood Apts)	401		$ 75	395
2000 MF Series (Creek Point Apts)	461			146
2000 MF Series A/B (Parks @ Westmoreland)	716		$ 56	716
2000 MF Series (Honeycreek)	1,557		$ 113	1,557
2000 MF Series A-C (Highland Meadow Apts)	2,120		$ 69	834
2000 MF Series A/B (Greenbridge)	1,110		$ 81	1,110
2000 MF Series A-C (Collingham Park)	916		$ 151	902
2000 MF Series A/B (Williams Run)	962		$ 43	962
2000 MF Series A/B (Red Hills Villas)	756		$ 44	746
2001 MF Series (Bluffview Senior Apts)	818		$ 47	807
2001 MF Series (Knollwood Villas Apts)	1,051		$ 61	1,037

(Continued)

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2005
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2005			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
2001 MF Series (Skyway Villas)	747		$ 135	734
2001 MF Series A/B (Cobb Park)	586		$ 32	578
2001 MF Series (Greens Road Apts.)	454		$ 100	446
2001 MF Series A/B (Meridian Apts.)	875		$ 90	836
2001 MF Series A/B (Wildwood Apts.)	867		$ 85	824
2001 MF Series A-C (Fallbrook Apts.)	913		$ 86	898
2001 MF Series (Oak Hollow Apts.)	1,026		$ 42	587
2001 MF Series A/B (Hillside Apts.)	919		$ 57	906
2002 MF Series (Millstone Apts.)	711		$ 80	698
2002 MF Series (Sugar Creek Apts.)	735		$ 65	714
2002 MF Series (West Oaks Apts.)	1,121		$ 48	715
2002 MF Series (Park Meadows Apts)	304		$ 50	299
2002 MF Series (Clarkridge Villas Apts)	1,034		$ 69	1,019
2002 MF Series (Hickory Trace Apts)	845		$ 47	833
2002 MF Series (Green Crest Apts)	886		$ 49	873
2002 MF Series A/B (Ironwood Crossing)	1,239			1,222
2002 MF Series (Woodway Village Apts)	478			469
2003 MF Series A/B (Reading Road)	370			359
2003 MF Series A/B (North Vista Apts)	713			699
2003 MF Series A/B (West Virginia Apts)	481			472
2003 MF Series A/B (Sphinx @ Murdeaux)	876		$ 70	733
2003 MF Series A/B (Primrose Houston School)	1,010			993
2003 MF Series A/B (Timber Oaks Apts)	950		$ 4	937
2003 MF Series A/B (Ash Creek Apts)	953			950
2003 MF Series A/B (Peninsula Apts)	659			647
2003 MF Series A (Evergreen @ Mesquite)	842			831
2003 MF Series A/B (Arlington Villas)	394			377
2003 MF Series A/B (Parkview Townhomes)	1,143			1,126
2003 MF Series (NHP-Asmara/Refunding)	1,601	5		652
2004 MF Series A/B (Timber Ridge)	497	5		489
2004 MF Series A/B (Century Park)	714			701
2004 MF Series A (Addison Park)	368			354
2004 MF Series A/B (Veterans Memorial)	1,116			1,101
2004 MF Series (Rush Creek)	570			560
2004 MF Series (Humble Park)	784	3		772
2004 MF Series (Chisholm Trail)	253			253
2004 MF Series (Evergreen @ Plano)	774			774
2004 MF Series (Montgomery Pines)	260			259
2004 MF Series (Bristol)	266			266
2004 MF Series (Pinnacle)	306			306
2004 MF Series (Tranquility Bay)	715			715
2004 MF Series (Sphinx @ Delafield)	597			597
2004 MF Series (Churchill @ Pinnacle)	564			564
2004 MF Series A/B (Post Oak East)	290			290
2004 MF Series A (Village Fair)	486			486
2005 MF Series A (Pecan Grove)	417			417
2005 MF Series A (Prairie Oaks)	312			312
2005 MF Series A (Port Royal)	351			351

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM

SCHEDULE 6

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2005
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2005			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
2005 MF Series A (Mission Del Rio)	330			330
2005 MF Series A (Atascocita)	120			120
2005 MF Series A (Tower Ridge)	150			150
2005 MF Series A (Alta Cullen)	298			298
2005 MF Series A (Lafayette Village)	74			74
2005 MF Series A (Prairie Ranch)	69			69
2005 MF Series A (St. Augustine)	9			9
2005 MF Series A (Park Manor)	12			12
2005 MF Series A (Prov Mockingbird)	3			3
2005 MF Series A (Plaza Chase Oaks)	2			2
Total Multifamily Bonds	63,753	27	3,179	50,175
Total	$ 363,029	$ 4,310	$ 11,784	$ 104,453

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM

SCHEDULE 7

MISCELLANEOUS BOND INFORMATION—DEFEASED BONDS OUTSTANDING
AS OF AUGUST 31, 2005

Description of Issue	Year Refunded	Par Value Outstanding
Business-Type Activities		
1996 MF SERIES A/B (NHP FOUNDATION)	2003	$ 24,525,000
Total Business-Type Activities		$ 24,525,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS— REVENUE BOND PROGRAM

SCHEDULE 8

MISCELLANEOUS BOND INFORMATION—EARLY EXTINGUISHMENT AND REFUNDING
AS OF AUGUST 31, 2005

Description of Issue	Category	Amount Extinguished or Refunded	For Refunding Only: Refunding Issue Par Value	For Refunding Only: Cash Flow Increase (Decrease)	For Refunding Only: Economic Gain/ (Loss)
Business-Type Activities:					
1995 Single Family Series A	Early Extinguishment	$ 9,450,000			
1995 Single Family Series C	Early Extinguishment	1,765,000			
1996 Single Family Series A	Early Extinguishment	1,100,000			
1996 Single Family Series B	Early Extinguishment	2,330,000			
1996 Single Family Series D	Early Extinguishment	6,275,000			
1996 Single Family Series E	Early Extinguishment	4,775,000			
1997 Single Family Series A	Early Extinguishment	11,105,000			
1997 Single Family Series B	Early Extinguishment	2,180,000			
1997 Single Family Series C	Early Extinguishment	2,070,000			
1997 Single Family Series D	Early Extinguishment	11,350,000			
1997 Single Family Series F	Early Extinguishment	2,530,000			
2002 Single Family Series A	Early Extinguishment	840,000			
2002 Single Family Series B	Early Extinguishment	2,985,000			
2002 Single Family Series C	Early Extinguishment	280,000			
2002 Single Family Series D	Early Extinguishment	685,000			
2004 Single Family Series A	Early Extinguishment	125,000			
2004 Single Family Series F	Early Extinguishment	88,000,000			
1998 RMRB Series A	Early Extinguishment	16,805,000			
1998 RMRB Series B	Early Extinguishment	3,285,000			
1999 RMRB Series A	Early Extinguishment	1,945,000			
1999 RMRB Series B-1	Early Extinguishment	6,845,000			
1999 RMRB Series C	Early Extinguishment	1,105,000			
2000 RMRB Series A	Early Extinguishment	5,700,000			
2000 RMRB Series B	Early Extinguishment	7,585,000			
2000 RMRB Series C	Early Extinguishment	1,325,000			
2000 RMRB Series D	Early Extinguishment	2,165,000			
2000 RMRB Series E	Early Extinguishment	2,515,000			
2001 RMRB Series A	Early Extinguishment	5,185,000			
2001 RMRB Series B	Early Extinguishment	1,245,000			
2001 RMRB Series C	Early Extinguishment	3,215,000			
2002 RMRB Series A	Early Extinguishment	2,205,000			
2003 RMRB Series A	Early Extinguishment	1,870,000			
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	5,800,000			
1993 SF MRB CHMRB Series A	Early Extinguishment	3,335,000			
1993 SF MRB CHMRB Series B	Early Extinguishment	3,060,000			
1993 SF MRB CHMRB Series C	Early Extinguishment	2,770,000			
1993 SF MRB CHMRB Series D	Early Extinguishment	1,200,000			
1993 SF MRB CHMRB Series E	Early Extinguishment	1,235,000			
1994 SF MRB CHMRB Series A	Early Extinguishment	7,960,000			
1994 SF MRB CHMRB Series B	Early Extinguishment	7,740,000			
1994 SF MRB CHMRB Series C	Early Extinguishment	305,000			
1984 MF Private Placement (Summerbend)	Early Extinguishment	8,120,000			
1993 MF Series A/B (RemHill/HighPt)	Early Extinguishment	1,100,000			
2000 MF Series A (Creek Point Apts)	Early Extinguishment	315,000			
2000 MF Series A-C (Highland Meadow Apts)	Early Extinguishment	1,272,000			
2001 MF Series A (Oak Hollow Apts.)	Early Extinguishment	430,000			
2002 MF Series A (West Oaks Apts.)	Early Extinguishment	395,807			
Total Business-Type Activities		$255,877,807	$	$	$

Texas Department of Housing and Community Affairs– Housing Finance Division

Computation of Unencumbered Fund Balances as of August 31, 2005, and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying Computation of Unencumbered Fund Balances (the "Computation") of the Texas Department of Housing and Community Affairs—Housing Finance Division (the "Division") as of August 31, 2005. The Computation is the responsibility of Division management. Our responsibility is to express an opinion based on our audit.

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

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

In our opinion, the aforementioned Computation presents fairly, in all material respects, the unencumbered fund balances of the Division as of August 31, 2005, in conformity with the criteria specified by management of the Division for compliance with the computations described in the Texas Government Code, Sections 2306.204 and 2306.205, as set forth in Note 2 to the Computation.

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

Deloitte & Touche LLP

December 19, 2005

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION

COMPUTATION OF UNENCUMBERED FUND BALANCES
AS OF AUGUST 31, 2005
(Dollars in thousands)

	SFMRB Program	RMRB Program	CHMRB Program	M/F Program	1993 SF CHMRB Program	1994/1995 SF CHMRB Program	Commercial Paper Program	Operating Fund	
BOND LIABILITIES:									
Bonds payable/commercial paper notes payable	$646,775	$386,765	$20,600	$1,033,504	$ -	$ 3,500	$75,000	$ -	
Accrued interest payable on bonds	14,192	3,478	55	8,578		18	76		
TOTAL	$660,967	$390,243	$20,655	$1,042,082	$ -	$ 3,518	$75,076	$ -	
ASSET TEST RATIO	102%	102%	102%	100%	100%	100%	100%		
QUALIFYING ASSETS:									
Cash and temporary investments	$ 48,879	$ 12,610	$ 586	$ 89,257	$ 755	$ 21	$ 215	$11,990	
Investments at fair value	241,380	31,369	2,525	119,473		3,604	75,000		
Mortgage-backed securities at fair value	359,074	361,244	19,908	26,300					
Less fair value adjustment	(2,249)	(7,192)	(1,119)						
Unamortized premium/discount	2,363	1,828	148	6					
Loans/notes receivable—net	54,443	1,828		1,033,423				3,584	
Real estate owned—net	58								
Accrued interest receivable	1,904	2,350	123	7,898		28	82	17	
Subtotal	705,852	404,037	22,171	1,276,357	755	3,653	75,297	15,591	
LESS RESTRICTIONS:									
Self-insurance fund	1,500	401							
Operating reserve fund	871	346	10	696	3	46	29	767	
Debt service fund	4,909	20		7,936		21		42	
Rebate payable	410	2,045					215		
Due to lenders/other departments				235,140				105	
Housing assistance programs	15,743	3,529							
Board/department restrictions					72			11,392	
Amounts reserved for special redemptions subsequent to August 31, 2005	4,894				680				
Subtotal	28,327	6,341	10	243,772	755	67	244	12,306	
Total qualifying assets less restrictions	677,525	397,696	22,161	1,032,585		3,586	75,053	3,285	
LESS ASSET TEST REQUIREMENT	674,186	398,048	21,068	1,042,082		3,518	75,076		
AMOUNT NEEDED TO MEET ASSET TEST REQUIREMENT		352		9,497			23	(3,285)	TOTAL
UNENCUMBERED FUND BALANCES	$ 3,339	$ -	$ 1,093	$ -	$ -	$ 68	$ -	$ -	$4,500

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS—HOUSING FINANCE DIVISION

NOTES TO THE COMPUTATION OF UNENCUMBERED FUND BALANCES AS OF AUGUST 31, 2005 (Dollars in thousands)

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

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

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

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

- *General—Single-Family*—Since 1979, the year of creation of the Texas Housing Agency (the "Agency"), a predecessor to the Department, through August 31, 2005, the Agency or the Department has issued 27 series of Residential Mortgage Revenue Bonds, 38 series of Single-Family Mortgage Revenue Bonds, 4 series of Junior Lien Single-Family Mortgage Revenue Refunding Bonds, 10 series of GNMA/FNMA Collateralized Home Mortgage Revenue Bonds, 11 series of Collateralized Home Mortgage Revenue Bonds, and 2 series of Government National Mortgage Association ("GNMA") Collateralized Home Mortgage Revenue Bonds. As of August 31, 2005, the outstanding principal amount of bonded indebtedness of the Department for single-family housing purposes was $1,057,640.

- *General—Multifamily*—The Department and the Agency have issued 160 multifamily housing revenue bonds, which have been issued pursuant to separate trust indentures and are secured by individual trust estates, which are separate and distinct from each other. As of August 31, 2005, 84 series were outstanding, with an aggregate outstanding principal amount of $1,033,504.

- *Single-Family Mortgage Revenue Bonds ("SFMRBs")*—The Department has issued 38 series of Single-Family Mortgage Revenue and Refunding Bonds under a Single-Family Mortgage Revenue Bond Trust Indenture, dated as of October 1, 1980, and 42 indentures supplemental thereto, which are secured on an equal and ratable basis by the trust estate established by the SFMRB Indenture. As of August 31, 2005, 19 series were outstanding, with an aggregate outstanding principal amount totaling $632,690.

- *Junior Lien Bonds*—The Department has issued four series of its Junior Lien Single-Family Mortgage Revenue Refunding Bonds (the "Junior Lien Bonds") pursuant to a Junior Lien Trust Indenture, as supplemented by the First Supplemental Junior Lien Trust Indenture and the Second Supplemental Junior Lien Trust Indenture, each dated as of May 1, 1994, the Third Supplemental Junior Lien Trust Indenture dated as of March 27, 2002; and the Fourth Supplemental Junior Lien Trust Indenture dated as of April 1, 2004, by and between the Department and J.P. Morgan Trust Company, Texas, NA, as trustee. The Junior Lien Bonds are secured on an equal and ratable basis with each other and on a subordinated basis to the SFMRBs by the trust estate held under the SFMRB Indenture. As of August 31, 2005, two series are outstanding, with an aggregate outstanding principal of $14,085.

- *Residential Mortgage Revenue Bonds ("RMRBs")*—As of August 31, 2005, the Department has issued 27 series of Residential Mortgage Revenue and Refunding Bonds pursuant to the Residential Mortgage Revenue Bond Trust Indenture and 24 separate Series Supplements, which are secured on an equal and ratable basis by the trust estate established by the RMRB Indenture. As of August 31, 2005, 15 series were outstanding, with an aggregate outstanding principal amount of $386,765.

- *Collateralized Home Mortgage Revenue Bonds ("CHMRBs")*—The Department has issued 11 series of Collateralized Home Mortgage Revenue Bonds pursuant to the Collateralized Home Mortgage Revenue Bond Master Indenture and six separate Series Supplements, which are secured on an equal and ratable basis by the trust estate established by such trust indentures. As of August 31, 2005, one series of CHMRBs was outstanding, with an aggregate outstanding principal amount of $20,600.

- *Single-Family Collateralized Home Mortgage Revenue Bonds—1993 ("SFCHMRB—1993")*—The Department has issued five series of Single-Family Mortgage Revenue Bonds under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture dated as of November 1, 1993, amended as of February 1, 1995, by and between the Department and J.P. Morgan Trust Company, Texas, NA, as trustee. As of August 31, 2005, no series of the SFCHMRB—1993s was outstanding.

- *Single-Family Collateralized Home Mortgage Revenue Bonds—1994 ("SFCHMRB—1994")—* The Department has issued three series of Single-Family Mortgage Revenue Bonds in 1994 and 1995 under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Master Trust Indenture dated as of November 1, 1994, supplemented by a First Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture dated as of November 1, 1994, as amended as of February 1, 1995, by and between the Department and J.P. Morgan Trust Company, Texas, NA, as trustee. As of August 31, 2005, one series of the SFCHMRB—1994s was outstanding, with an aggregate outstanding principal amount of $3,500.

- *Single-Family Collateralized Home Mortgage Revenue Bonds—1995 ("SFCHMRB—1995")—* The Department has issued two series of single family mortgage revenue refunding bonds in 1995 for the purpose of refunding certain notes that previously refunded certain bonds outstanding, under a GNMA/FNMA Collateralized Home Mortgage Revenue Bond Master Trust Indenture, First Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture and Second Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture, each dated as of November 1, 1994, each amended as of February 1, 1995, and each by and between the Department and J.P. Morgan Trust Company, Texas, NA, as trustee. As of August 31, 2005, no series of SFCHMRB—1995s was outstanding.

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

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

2. BASIS OF PRESENTATION

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

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

The unencumbered fund balances of the Department represent qualifying assets less restrictions in excess of a percentage (the "Asset Test Ratio") of the total bond liabilities specified in the respective bond trust indentures. Unencumbered fund balances cannot be less than zero.

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

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

- The bonds and commercial paper notes payable represent the contractual balance of bonds and commercial paper notes outstanding at August 31, 2005. Where the bonds are concerned, the amount excludes unamortized bond premiums or discounts.

- Accrued interest on bonds and commercial paper notes payable represents contractual interest due on outstanding balances at August 31, 2005.

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

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

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

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

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

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

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

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

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

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

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

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

- Operating reserve fund represents a restriction of approximately six months' operating expenses of the related bond programs. The single-family operating reserve also includes an estimate for 2005 cost of issuance.

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

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

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

- Amounts reserved for Housing Assistance Programs represent amounts that are restricted for certain Department programs as designated by the Governing Board and respective bond trust indentures and therefore are not available for any other purpose as of August 31, 2005.

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

- Amounts reserved for special redemptions subsequent to August 31, 2005, represent amounts calculated for the redemption of bonds (debt service) according to provisions stipulated in each bond series' respective supplemental indenture.

NOTES TO THE COMPUTATION OF UNENCUMBERED FUND BALANCES
AS OF AUGUST 31, 2005
(Dollars in thousands)

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

	Single-Family Program
Mortgage/housing development:	
Down Payment Assistance Program	$ 532
REO Foreclosure Expense for Special Loan Programs	43
1991 Series A:	
Self-help/HCA&IL Prog	446
1994 Series A Jr. Lien Mortgage Loan Revenue (designated for future DPAP)	1,845
1994 Series A Jr. Lien Acquisition:	
Down Payment Assistance	19
Mortgage Loan Rate Buydown Prog	175
1996 Series A-C Special Mortgage Loan Fund (designated for P57A)	567
1996 Series D&E Special Mortgage Loan Fund (designated for P57A)	219
1997 Series D-F Special Mortgage Loan Fund (designated for P57A)	157
2002 Jr. Lien Acquisition Fund Account	53
2002 Jr. Lien Preservation Program	9
2002 Jr. Lien Bootstrap	939
2002 Jr. Lien Down Payment Assistance	68
2002 A-C Special Mortgage Loan Fund	1,199
2002 A-C Servicing Release Premium Fund (designated for SF Debt Service)	4
2002 A-C Down Payment Assistance Program	549
2002 Series A-C Buydown Account	325
2002 Series A-C Lender Incentive	102
2004 Jr. Lien Acquisition Fund Account	3,848
2004 Series AB SRP Fund (designated for SF Debt Service)	852
2004 CDE Special Mortgage Loan Fund	3,391
2004 Series CDE SRP Fund (designated for SF Debt Service)	400
2005 Series a SRP Fund (designated for SF Debt Service)	1
	$ 15,743

	RMRB Program
1998 A/B RMRB Special Mortgage Loan Fund	$ 1,297
2000 B-E Servicing Release Premium Fund (designated for RMRB Debt Service)	547
2000 B-E Buydown Fund (designated for P56)	407
2001 A-C RMRB Servicing Release Premium Fund (designated for RMRB Debt Service)	80
2001 DE RMRB Servicing Release Premium Fund (designated for RMRB Debt Service)	3
2001 ABC Special Mortgage Loan Fund (designated for P59)	97
2001 DE Special Mortgage Loan Fund (designated for P59)	131
2002 A Down Payment Assistance	257
2002 A Servicing Release Premium Fund (designated for RMRB Debt Service)	70
2003 A Down Payment Assistance	594
2003 A Servicing Release Program Fund (designated for RMRB Debt Service)	46
	$ 3,529

NOTES TO THE COMPUTATION OF UNENCUMBERED FUND BALANCES
AS OF AUGUST 31, 2005
(Dollars in thousands)

As of 2005, the following additional restrictions existed:

	Operating Fund
Pending arbitrage computation	$ -
Residual—CMO Defeasance	642
90 CHMRB/Colonias Contract for Deed	332
90 CHMRB/Colonias Contract for Deed—Interest	129
90 CHMRB/Colonias Contract for Deed (SB 867 Reserve)	363
Bond Refinancing Residuals/Bootstrap	259
Arkansas Development Finance Authority/Below Market Interest Rate Program	1,123
Multi-Family Housing Preservation	314
Bond Programs/COI	94
Colonias project/bond contingency reserve	2,623
Future operating and general contingencies	2,601
2003 Mortgage Credit Certificate Program	504
Bond Programs/Marketing	92
94 SF CHMRB Residual/Bootstrap	1,172
M/F bond issuance fees reserved for HTF and/or other program use	1,144
	$ 11,392

* * * * * *

Texas Department of Housing and Community Affairs

Report to Management
Year Ended August 31, 2005

Deloitte.

Deloitte & Touche LLP
JPMorgan Chase Tower
2200 Ross Avenue, Suite 1600
Dallas, TX 75201-6778
USA

Tel: +1 214 840 7000
www.deloitte.com

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

In planning and performing our audit of the basic financial statements of the Texas Department of Housing and Community Affairs ("TDHCA") for the year ended August 31, 2005 (on which we have issued our report dated December 19, 2005), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on TDHCA's internal control. Our consideration of the internal control would not necessarily disclose all matters in TDHCA's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A description of the responsibility of management for establishing and maintaining the internal control, and the objectives of and inherent limitations in such a structure, is set forth in the attached Appendix and should be read in conjunction with this report. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving TDHCA's internal control and its operations that we consider to be material weaknesses as defined above.

The recommendations included in the Exhibit concern administrative and operating matters that resulted from our observations during our audit and are not based on a special study.

This report is intended for the information and use of the Board of Directors and is not intended to be and should not be used by anyone other than those specified parties. We would be pleased to discuss these observations with you and to assist you in implementing them.

Deloitte + Touche LLP

December 19, 2005

EXHIBIT

NEW ACCOUNTING PRONOUNCEMENTS

GASB 42: CAPITAL ASSET IMPAIRMENT

Observation

The GASB has also issued Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*" ("GASB 42"), which will be effective for TDHCA in the fiscal year 2006. GASB 42 requires that state and local governments report the effects of capital asset impairments in the financial statements when impairments, which are determined to be other than temporary, occur. Impairments of capital assets can occur under the following circumstances: changes in the utility of the asset, physical damage, and changes in legal or environmental laws and regulations, technological changes or obsolescence, changes in the manner or duration of use, or construction stoppages.

GASB 46: RESTRICTED NET ASSETS

Observation

The GASB issued Statement No. 46 ("GASB 46"), "*Net Assets Restricted by Legislation, an Amendment of GASB 34*", which will also be effective for the Department in fiscal year 2006. GASB 46 clarifies the definition set forth by GASB 34 as it relates to "restricted net assets" in the financial statements. The restriction should be legally enforceable and mandated by parties external to the entity (citizens, judiciary.)

GASB 47: ACCOUNTING FOR TERMINATION BENEFITS

Observation

The GASB issued Statement No. 47 ("GASB 47"), "*Accounting for Termination Benefits*". This is effective for the Department in two parts: (1) for those benefits that relate to other post-employment benefits, the Department is to implement at the same time as GASB 45 and (2) for other termination benefits, the effective date will be in fiscal year 2006 for the Department. This statement defines the accounting for voluntary and involuntary termination benefits (i.e. early retirement incentives). For voluntary termination benefits, an accrual of these costs is warranted when the termination terms have been accepted by the employee and the costs can be estimated. For involuntary termination occurrences, the liability should be recorded when the termination costs, such as severance, can be estimated and a plan for involuntary termination has been approved by the Department. The plan for involuntary termination should include the number and classes of employees affected, employee location, date of proposed termination, and types of benefits that are expected to be paid to terminated employees.

Recommendation

Begin reviewing GASB Statements No. 42, 46 and 47 and their implications to determine the potential impact on the TDHCA's financial statements.

Management's Response

Management will proactively review GASB Statements No. 42, 46 and 47 for their potential implications for TDHCA's financial statements.

APPENDIX

MANAGEMENT'S RESPONSIBILITY FOR AND THE OBJECTIVES AND LIMITATIONS OF THE INTERNAL CONTROL

The following comments concerning management's responsibility for internal control and the objectives of and the inherent limitations in the internal control are adapted from the Statements on Auditing Standards of the American Institute of Certified Public Accountants.

Management's Responsibility

Management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control, policies and procedures.

Objectives

The objectives of internal control are to provide management with reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Limitations

Because of inherent limitations in any internal control, errors or fraud nevertheless may occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

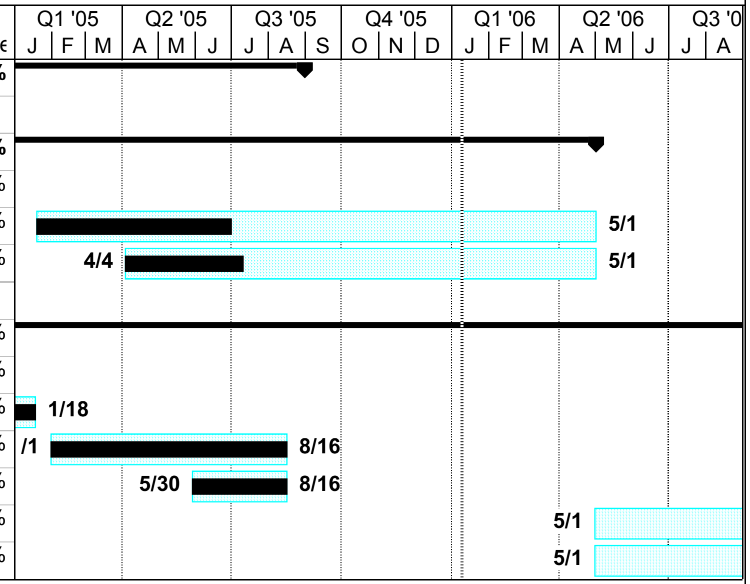
Texas Department of Housing and Community Affairs

Status of Central Database
as of December 15, 2005

- ***Summary Project Plan/Status***
- ***Issues/Risk Management***
- ***Status of Funds***
- ***Central Database Systems Maintenance Detail***

TDHCA Central Database
Summary Project Plan/Status
As of December 15, 2005

ID	Task Name	Start	Finish	% Complete
1	**FY 2005 CMTS ENHANCEMENTS CONTRACTED SERVI**	**Mon 10/25/04**	**Wed 8/31/05**	**100%**
15				
16	**PROGRAM MONITORING MODULE**	**Mon 11/3/03**	**Mon 5/1/06**	**33%**
17	Program Monitoring Specifications	Mon 11/3/03	Fri 12/5/03	100%
18	Development	Thu 1/20/05	Mon 5/1/06	35%
19	Functional Planning and Deployment	Mon 4/4/05	Mon 5/1/06	25%
20				
21	**MULTIFAMILY MODULE**	Mon 12/8/03	Fri 8/31/07	37%
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	Tue 8/16/05	100%
25	Functional Planning and Deployment (Release 1)	Mon 5/30/05	Tue 8/16/05	100%
26	Module Release 2 Development	Mon 5/1/06	Fri 8/31/07	0%
27	Functional Planning and Deployment (Release 2)	Mon 5/1/06	Fri 8/31/07	0%



Project: Central Database
Save Date: Mon 1/9/06

Module Duration | Rolled-up Task | Progress

1 **FY 2005 CMTS ENHANCEMENTS CONTRACTED SERVICES**

12/15/2005 - The FY 2005 CMTS Enhancements project was completed on 8/31/2005. The completed subprojects consist of the following:

- 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
- Additional HSR Reports
- Review Processing Enhancements
- Report Enhancements
- Email Notification

There were some changes from the original list of subprojects. The changes occurred because of 1) shifting business team priorities and 2) incorporation of the Master Screen and Address Search Enhancements in the Multifamily Module Release 1, which was deployed on 8/16/2005.

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 $103,570

16 **PROGRAM MONITORING MODULE**

12/15/2005 - The release date of the Program Monitoring module has been delayed until May 1, 2006. Due to a higher priority PMC project request (IRS 8823 mandated reporting changes), ISD reassigned a developer resource. The developer will be reassigned to the PM Module upon completion of the 8823 changes in February 2006.

In September and October 2005, Hurricane Katrina and Rita also impacted project management oversight on the PM Module. Additionally, the composition of the business team has changed.

Program Monitoring Module development is now on track. Project team meetings and work sessions are being held on a regular basis to 1) monitor status of project and 2) make required updates to system specifications based on changes in Program Monitoring business processes since PMC approved the specifications in December 2003. ISD management is confident the PM Module will be delivered in May, and then work will begin on the final part of the CDB project: Multifamily Module Release 2.

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.

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
12/15/2005 **-** Multifamily Module Release 1 (MFR1) was successfully deployed on August 16, 2005. Also on August 16, 2005, the Multifamily Module Project team met to discuss the future direction of the Multifamily Module. Several alternatives were discussed. The recommendation of the project team was to move forward with in-house development for the remainder of the Central Database project. The final CDB module would be the Multifamily Module Release 2 (MFR2), which will include functionality originally intended for the Application Module. The project team planned for work to begin on MFR2 in the September-October 2005 timeframe.

In September and October 2005 Hurricanes Katrina and Rita impacted TDHCA staff resources. This affected staff availability, and opportunities to make progress on MFR2 were missed. CDB technical team developer resources have since been working on the IRS 8823 project, the Program Monitoring Module, and other maintenance and approved enhancements.

The technical team plans to begin work on MFR2 after the Program Monitoring Module is in production, which is now anticipated to be delivered in Spring 2006. The MFR2 project will be scheduled around business team availability. At that time the majority of resources will be working on MFR2 with only a very limited percentage of resources working on Central Database maintenance. Change control on new CDB enhancement requests outside of MFR2 will be important.

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.

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.

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.

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 $58,997 (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.

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.

TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS
CENTRAL DATABASE PROJECT - ISSUES/RISKS MANAGEMENT
As of December 15, 2005

The following issues have been prioritized for resolution.

Iss. Ref.	Issues/Risks	Impact/Potential Impact	Status
1	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.	12/15/05: The SOP has been approved by the appropriate directors. The SOP requires edits for format before being re-routed for approval by Executive. 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. 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. 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. 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.

Texas Department of Housing and Community Affairs
Status of Funds as of December 15, 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	-	(123,905)	(123,905)
Computer Software	-	(32,756)	(32,756)
Subtotal	-	(156,661)	(156,661)
Total, Appropriation Balance - Note A	-	103,339	103,339

	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)	(91,801)	(226,676)
Subtotal	(134,875)	(91,801)	(226,676)
Payables at 8/31/05		(11,769)	(11,769)
Lapsed Appropriations	(125)		(125)
Total, Appropriation Balance - Note B.	$ -	$ 6,430	$ 6,430

Note A. - The agency will not expend the appropriation balance of $103,339 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 is a $6,430 balance of unexpended funds 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 December 15, 2005

The table below summarizes CDB maintenance work completed and in progress by technical staff from July 21, 2005 through December 15, 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).

Central Database technical team 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) CDB enhancements to aid in disaster relief efforts, 2) end-user CDB system support, 3) database performance tuning and DBA support of the PeopleSoft 8.8 and other non-CDB projects, and 4) Manufactured Housing Web (MHWeb) system maintenance.

A total of $22,173 has been expended in contract programming services for maintenance, $42,735 has been expended on 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.	5 (238 hours)	7 (340 hours)	∉ 4 Contract System and 1 CMTS change requests completed totaling 238 hours ∉ 4 Contract System change requests totaling 280 hours ∉ 1 CMTS change requests totaling 60 hours ∉ Additional 9 change requests in process of being submitted
Bug Fixes – Completed CDB system problems, reported by business staff or the technical team.	38 (70.45 hours)	68	∉ 38 bugs completed totaling 70.45 hours ∉ 68 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.	92 (46 hours)	20	∉ 92 work orders completed totaling 46 hours ∉ 20 work orders in progress
Reports – Completed report requests or views that facilitate **adhoc reporting**.	9 (20.75 hours)	3	∉ 9 report requests completed totaling 20.75 hours ∉ 3 report requests in progress

Texas Department of Housing and Community Affairs

Status of Prior Audit Issues

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
370	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.	Px	09/27/05	11/30/05
			Px	12/16/05	01/31/06

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: 12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

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. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
371	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.	Px	09/27/05	11/30/05
			Px	12/16/05	01/31/06

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: 12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including project description and classification, and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
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 Px Px	08/02/05 09/27/05 12/16/05	 11/30/05 01/31/06

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: 12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including noise assessment information and support documentation checklist and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

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 Codes*	Status Date	Target 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 Px Px	08/02/05 09/27/05 12/16/05	 11/30/05 01/31/06

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 provide 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: 12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including project description, ERR file, and classification and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
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 Px Px	08/02/05 09/27/05 12/16/05	 11/30/05 01/31/06

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: 12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures to include additional Noise Assessment and Historic Preservation information and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

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. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
375	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.	Px	09/27/05	11/30/05
			Px	12/16/05	01/31/06

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: 12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including evaluations of project alternatives and recommended modifications when minimizing adverse effects of the project and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
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 Px Px	08/02/05 09/27/05 12/16/05	 11/30/05 01/31/06

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: 12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including use of HUD forms and systemic monitoring and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
377	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 Px Px	08/02/05 09/27/05 12/16/05	 11/30/05 01/31/06

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: 12/16/05 - PMC continues to work with HUD Environmental Officials to finalize the Environmental Manual for HUD approval.

09/27/05 - On 8/22/05 HUD requested the Department revise the current environmental clearance procedures, including when the Department will use a tiering approach and to clarify when the Department performs the responsibilities of HUD vs. when the Department performs the obligations of the Responsible Entity (RE).

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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
381	07/29/05 SAO	The Housing Trust Fund and HOME Investment Partnerships Programs at TDHCA HOME and Housing Trust Fund programs during the fiscal years 2000 - 2004. Monitored processes, contract awards, and compliance with appropriation riders related to fiscal years 2003-2004. Housing needs assessment and awards process covered fiscal years 2000-2004.	Px Tx	07/29/05 01/03/06	11/30/05

Division: Multifamily Finance Production

Issue: Chapter 2
The Department awarded HOME funds in accordance with federal requirements. 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. The Department had approximately $839,000 in funds from Housing Trust Fund that were not awarded in fiscal year 2004.

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.

Status: 01/03/06 – The Department continues to work closely with the nonprofit and for profit development community, local governments and housing advocates to increase the number of qualified applicants for the HTF. The Department has also implemented a 2006 Rule that governs the Housing Trust Fund (HTF) in a manner that excludes any policy that will limit the number of qualified applicants for the HTF Programs. However, it should be noted that the primary limitation on increasing applicants is the Regional Allocation Formula (RAF), which creates funding targets in some regions that are essentially so small that they are impractical to produce affordable housing. The RAF is statutory and still in effect. Therefore, further efforts to increase participation may be limited.

07/29/05 - The Department has worked closely with the nonprofit and for profit development community, local governments and housing advocates towards this goal of increasing the number of qualified applicants for the Housing Trust Fund. The Department is continuing to evaluate the program and its subscribership as it generates the 2006 HTF Rule.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
382	07/29/05 SAO	The Housing Trust Fund and HOME Investment Partnerships Programs at TDHCA HOME and Housing Trust Fund programs during the fiscal years 2000 - 2004. Monitored processes, contract awards, and compliance with appropriation riders related to fiscal years 2003-2004. Housing needs assessment and awards process covered fiscal years 2000-2004.	Px Tx Ix	07/29/05 09/27/05 10/28/05	08/31/05 09/30/05

Division: Multifamily & PMC

Issue: Chapter 3
The Department did not always comply with contract award requirements for the HOME and Housing Trust Fund programs. Specifically: (1) the Department did not score the cost-effectiveness or leveraging of federal resources, required under the Texas Government Code, Section 2306.203, associated with all of the Housing Trust Fund rental development applications tested. (2) In fiscal year 2004, multifamily applications relating to $2.2 million in awards requested from the HOME program did not included scoring criteria that considered the Department's Consolidated Plan and the extent to which individuals and families with very low incomes are served by the applicants.

Improvements should be made in the Department's risk assessment process for the HOME program to include documenting the weights it applies to the risk criteria that identify contractors for monitoring visits. The weights varied according to considerations that were not documented.

Status: 10/28/05 - The Portfolio Management and Compliance Division ensures that all weights used for risk assessment to select contractors for monitoring visits are properly documented and justified.

09/27/05 - The Portfolio Management and Compliance Division will ensure that all weights used for risk assessment to select contractors for monitoring visits are properly documented and justified with the completion of the next risk assessment.

07/29/05 -(1)The Department amended its review and scoring process for Housing Trust Fund (HTF) rental development applications for the 2005 funding round to include consideration of cost effectiveness and leveraging of federal resources. (2)The Department disagrees with this portion of the audit finding. The Department includes the Consolidated Plan and the extent to which very-low income populations are served as threshold criteria of all HOME applications. Furthermore, the HOME rental develop program was an open application cycle, which do not rank or score applicants, but rather consider and evaluate for threshold criteria on a first come, first serve basis. (3)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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
383	07/29/05 SAO	The Housing Trust Fund and HOME Investment Partnerships Programs at TDHCA HOME and Housing Trust Fund programs during the fiscal years 2000 - 2004. Monitored processes, contract awards, and compliance with appropriation riders related to fiscal years 2003-2004. Housing needs assessment and awards process covered fiscal years 2000-2004.	Px Dx Ix	07/29/05 09/27/05 10/28/05	

Division: PMC & ISD

Issue: Chapter 4

(1) A data integrity issue was noted within the Department's contract system. Funds were awarded and spent from a region in the contract system labeled as "Unknown." The Department should correct the invalid data and ensure that data is reviewed before and after it is loaded into the contract system.

(2) Access issues were identified that should be corrected, which give users too much control within the HOME contracting process and increase the risk of unauthorized payments. (2a) The Department's user account administrator for its contract system is also its user account administrator for the HUD's Integrated Disbursement and Information System (IDIS), which allow this individual to create new contracts in the Contract System and initiate and approve drawdowns of federal funds from IDIS. These responsiblities should be separated. (2b) Three individuals can both initiate and approve draw downs of HOME funds from IDIS; one who does not work for the Department and two who have supervisory duties in the Department's accounting department. The Department should ensure that no staff members have the capability to both initiate and approve drawdowns of HOME funds from IDIS, and 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.

Status: 10/28/05 - All issues have been implemented. HUD has reassigned the IDIS administrator role to another PMC employee.

09/27/05 - All issues except for the IDIS administrator role have been completed. PMC has requested that HUD IDIS personnel assign the IDIS administrator role to another PMC employee. PMC is waiting for HUD to complete the request.

07/29/05 - (1)The funds attributed to the "Unknown" region has now been corrected. (2a)The same individual will no longer have the administrator role for both the contract system and for IDIS. A request to HUD to assign another employee to be the IDIS administrator has been made, which is pending processing by HUD. (2b) The three individuals no longer have the capability to both initiate and approve draw downs of HOME funds from IDIS. IDIS access rights have been reviewed and corrections have been made to ensure that proper rights are assigned only to current Department staff. The Department's IDIS Administrator will periodically review IDIS access rights to ensure that proper rights are assigned.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
385	08/05/05 IA	PMC - Subrecipient Monitoring - Risk Assessment, Rpt. No. 1003.30 To ensure PMC's risk assessment process provides reasonable assurance that high risk contractor's are identified for field monitoring purposes.	Px Px Ix	08/12/05 09/27/05 10/28/05	09/30/05 09/30/05

Division: Portfolio Management & Compliance

Issue: Complete Population - The population of contracts considered in Portfolio Management and Compliance's (PMC) risk assessment process does not include Housing Trust Fund Multifamily Development contracts, which are subject to monitoring by PMC.

Management should include Housing Trust Fund contracts in its risk assessment process.

Status: 10/28/05 - All HTF contracts entered correctly and completely in the Department's Central Database were included in the population used in the last risk assessment.

09/27/05 - The population for assessing risk will be generated from contracts entered and tracked in the Department's Central Database. Since HTF contracts will now be entered in the Database by Multifamily Production, they will automatically be included in future risk assessments.

08/12/05 - 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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
386	08/05/05 IA	PMC - Subrecipient Monitoring - Risk Assessment, Rpt. No. 1003.30 To ensure PMC's risk assessment process provides reasonable assurance that high risk contractor's are identified for field monitoring purposes.	Px Px Ix	08/12/05 09/27/05 10/28/05	09/30/05 09/30/05

Division: Portfolio Management & Compliance

Issue: 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.

The Department should allocate limited field monitoring resources to the Department’s highest risk contracts and reconsider whether scheduling monitoring visits by region and proximity are appropriate strategies for the effective use of Department resources. Reasons for scheduling a field monitoring visit should be thoroughly documented to enable the monitor to effectively plan and conduct the monitoring visit. Finally, data quality controls over the field monitoring database should be established to ensure complete and accurate data for management decision making purposes and performance reporting.

Status: 10/28/05 - PMC is scheduling contracts for monitoring visits primarily based on assessment of high risk. Any deviation from this process (i.e., complaint, HUD request, Executive request, etc.) will be thoroughly documented and justified.

09/27/05 - PMC will continue to schedule contracts for monitoring visits primarily based on assessment of highest risk. Any deviation from this process (i.e., complaint, HUD request, Executive request, etc.) will be thoroughly documented and justified.

08/12/05 - 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. Justification for scheduling a field visit will be more fully documented and included with the monitoring working papers. Monitoring reports will be reviewed and analyzed monthly by management to ensure that complete and accurate data is maintained in the monitoring database.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
387	08/05/05 IA	PMC - Subrecipient Monitoring - Risk Assessment, Rpt. No. 1003.30 To ensure PMC's risk assessment process provides reasonable assurance that high risk contractor's are identified for field monitoring purposes.	Px Px Ix	08/12/05 09/27/05 10/28/05	09/30/05 09/30/05

Division: Portfolio Management & Compliance

Issue: Reasonableness of Risk Factors

Management has not maintained documentation supporting progression of the methodology, the changes made, or their evaluations of the effect of the changes. Management should continue to search for the right combination of risk factors and weights to effectively identify high risk contracts; 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; and assess the outcomes of those changes to better determine the effectiveness of the risk assessment process. 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.

Risk factors used in the two most recent risk assessments appeared 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 a subrecipient's prior history of non-compliance and prior non-performance should also be considered.

Status: 10/28/05 - PMC is documenting and tracking all scores and weights. Performance-related risk factors along with inherent-related risk factors were included in the last risk assessment. An analysis will be conducted to determine the reasonableness and effectiveness of the risk factors.

09/30/05 - PMC will document and track all scores and weights, including the resulting effects. An analysis will be conducted to determine the reasonableness and effectiveness of the risk factors. Performance-related risk factors along with inherent-related risk factors will be included with the next risk assessment.

08/12/05 - 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). 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.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
388	08/05/05	PMC - Subrecipient Monitoring - Risk Assessment, Rpt. No. 1003.30	Px	08/12/05	09/30/05
	IA	To ensure PMC's risk assessment process provides reasonable assurance that high risk contractor's are identified for field monitoring purposes.	Px	09/27/05	09/30/05
			Px	10/28/05	11/30/05
			Px	12/21/05	12/31/05

Division: Portfolio Management & Compliance

Issue: Risk Assessment Internal Controls - A formal system of internal control over the risk assessment process has not been established. Notably absent are formal standard operating policies and procedures and a current supporting process flowchart. Additionally, procedures are not in place to ensure that the Department's employees comply with the related procedures.

Management should develop a formal system of internal control over the risk assessment process; maintain and enforce, at a minimum, related standard operating procedures and process flow charts required by the Department-wide SOP 1100.09, Internal Control. The standard operating procedures should be developed in accordance with the Department's standards prescribed by SOP 1100.01, Standard Operating Procedure (SOP) System. Management should 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.

Status: 12/21/05 - A draft copy of the Standard Operating Procedures are currently being submitted for review and approval by management.

10/28/05 - Target date extended through November 2005. No other change in status.

09/27/05 - Standard Operating Procedures (SOPs) for the risk assessment process will be updated, strengthened and formalized. Management review and approval will be required before implementation.

08/12/05 - 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. Procedures will include responsible staff and deadlines. Management review and approval will be required before implementation.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
389	09/23/05 IA	PMC - Subrecipient Monitoring - Single Audit, Rpt. No. 1003.20 To ensure PMC's single audit review process provides reasonable assurance that a complete population of single audits are reviewed in complinace with state and federal regulations.	Px Ix	09/23/05 12/16/05	12/31/05

Division: Portfolio Management & Compliance

Issue: Audit findings are not forwarded to and considered by staff responsible for performing risk assessments of subrecipients for the purposes of identifying high risk subrecipients that warrant greater monitoring attention or an on-site field monitoring visit (see related Internal Audit report, Portfolio Management and Compliance, Subrecipient Monitoring – Risk Assessment, Rep. No. 1003.30, dated August 5, 2005). Also noted was that the Department, when acting as the Coordinating Agency under UGMS, does not distribute the management decision letter to other affected state awarding agencies.

Status: 12/16/05 - Single Audit information is now instituted within the Risk Assessment. In addition, if the Single Audit identifies a HOME finding, the finding is routed to management on a standardized form to determine the appropriate action, i.e. a scheduled onsite visit or a follow-up letter to the subrecipient. When designated the Coordinating Agency under UGMS, PMC will forward the management decision letter to other affected state awarding agencies.

09/23/05 - PMC will consider the use of single audit information in the risk assessment process. When designated State Coordinating Agency, PMC currently forwards management decision letters to other state agencies only upon request. In the future, PMC will also incorporate language into its management decision letter requiring each administrator to forward a copy of the TDHCA decision letter to other state funding agencies.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
390	09/23/05 IA	PMC - Subrecipient Monitoring - Single Audit, Rpt. No. 1003.20 To ensure PMC's single audit review process provides reasonable assurance that a complete population of single audits are reviewed in complinace with state and federal regulations.	Px Ix	09/23/05 12/16/05	10/31/05

Division: Portfolio Management & Compliance

Issue: PMC relies on the independent certified public accountant that performs the subsequent year's single audit to follow-up and verify that corrective actions have been taken on audit findings noted in a subrecipient's single audit report. However, follow-up verification normally does not occur until the subsequent year's audit, which could be well in excess of a year since the audits are not due to the Department until 30 days after they are released or nine months after a subrecipient's fiscal year end.

There may be audit findings of such significance that they warrant more immediate attention. PMC has not established formal policies to address circumstances when a significant audit finding may warrant more immediate attention. Additionally, the results of single audits are not considered in the PMC risk assessment process used to schedule field monitoring visits. These visits may be warranted to verify a corrective action has been taken.

Status: 12/16/05 - PMC has instituted procedures requiring a management review of all HOME Single Audit findings. A standardized form relating to findings, has been developed which is to be forwarded to management for review to determine appropriate action, i.e. a scheduled onsite visit or a follow-up letter to the subrecipient.

09/23/05 - PMC procedures will be revised to formally require management review of all single audits with findings directly related to TDHCA programs or issues related to fraud, waste or abuse of funds. Management may schedule an immediate monitoring review if needed.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
391	09/23/05 IA	PMC - Subrecipient Monitoring - Single Audit, Rpt. No. 1003.20 To ensure PMC's single audit review process provides reasonable assurance that a complete population of single audits are reviewed in complinace with state and federal regulations.	Px Ix	09/23/05 12/16/05	10/31/05

Division: Portfolio Management & Compliance

Issue: Twenty-three single audit files were selected for audit tests. Eight of the files included findings which require that the Department issue a management decision within six months of the receipt of the single audit file. Three of the eight management decision letters were not issued within the six month time period. Two of the three letters were issued less than one month late. The third letter was issued almost two months late.

The delays in issuing management decision letters relate to PMC's efforts to work with subrecipients to satisfy their reporting requirements to the Department. In our review of the single audit files, PMC did not consistently document information requests from the subrecipients, which made it difficult to assess if the delays in issuing management decisions were the direct result of a subrecipient's lack of responsiveness or for other reasons.

Status: 12/16/05 - PMC has implemented the maintance of a Communication Log to document information requests. A copy of the log is placed in each subrecipient contract file.

09/23/05 - PMC will issue decision letters to subrecipients within the six month period allowed. A communication log will be maintained in each file to document attempted contacts, telephone calls and other relevant communications.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
392	09/23/05 IA	PMC - Subrecipient Monitoring - Single Audit, Rpt. No. 1003.20 To ensure PMC's single audit review process provides reasonable assurance that a complete population of single audits are reviewed in complinace with state and federal regulations.	Px Ix	09/23/05 12/16/05	09/30/05

Division: Portfolio Management & Compliance

Issue: PMC uses checklists to ensure completeness of its single audit reviews. The checklists thoroughly address the requirements of a single audit review and includes a signature block for review by someone other than the preparer to ensure that they are properly completed. However, of the 23 files selected for testing, 9 of the checklists were not signed by the reviewer. Additionally, one file did not include a checklist and another file could not be located. It was also noted that 12 of the 20 checklists signed by the reviewer were incomplete.

Status: 12/16/05 - A peer review signature line added to the Single Audit review checklist ensures files are periodically reviewed for completeness and accuracy.

09/23/05 - A peer review process will be incorporated to verify that checklists have been completed and signed. A peer review signature line will be added to the checklists.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
393	09/23/05 IA	PMC - Subrecipient Monitoring - Single Audit, Rpt. No. 1003.20 To ensure PMC's single audit review process provides reasonable assurance that a complete population of single audits are reviewed in complinace with state and federal regulations.	Px Ix	09/23/05 12/16/05	11/30/05

Division: Portfolio Management & Compliance

Issue: Several opportunities for efficiencies were noted: (1) PMC reviews all single audit reports received. The Department is only required to review single audit reports that include findings that relate to awards it makes to subrecipients. The Department, when designated as the State Coordinating Agency, is also responsible for conducting desk reviews of state single audit reports and providing the results to other state awarding agencies. Of 23 single audit files selected for testing, eight included findings requiring a review by the Department. The Department was the State Coordinating agency for one of the eight files and for another three files, which total 11 of the 23 files that the Department was required to review. Accordingly, 12 of 23 files reviewed by PMC were not necessary for purposes of ensuring compliance with the single audit requirements. (2) As a State Coordinating Agency, the Department is required to coordinate management decisions for only those audit findings that affect the state programs of more than one agency. Accordingly, the Department as a State Coordinating Agency should not be reviewing findings that affect only one state agency, which is the responsibility of the affected agency. (3) PMC uses an extended single audit checklist, which has over 110 different considerations, in instances where the single audit report has findings directly related to an award made by the Department and in instances where the Department is serving as the State Coordinating Agency. The great majority of these considerations relate to the quality of the audit reprot and wheher it was prepared in accordance with applicable requirements and standards. A review of this nature is not required by the Department.

Status: 12/16/05 - (1) The checklist determining if an OMB A-133 and/or UGMS review is required by the Department has been streamlined. (2) The Department no longer reviews non-HOME findings. (3) PMC has reduced the extended single audit checklist.

09/23/05 - In an effort to streamline current processes, PMC will incorporate these recommendations into its current procedures. Procedures and checklists will be reviewed and revised as appropriate.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
394	09/23/05 IA	PMC - Subrecipient Monitoring - Single Audit, Rpt. No. 1003.20 To ensure PMC's single audit review process provides reasonable assurance that a complete population of single audits are reviewed in complinace with state and federal regulations.	Px Px	09/23/05 12/16/05	12/31/05 05/01/06

Division: Portfolio Management & Compliance

Issue: PMC does not have a management information system that accumulates and provides necessary information to effectively and efficiently fulfill its single audit responsibilities. The population of subrecipients considered for single audit processing is derived from two different program systems. Without a single integrated information system for processing single audits, single audit staff have considerable difficulty accumulating basic information in a single location to enable them to effectively fulfill their job responsibilities.

Status: 12/16/05 - Staff continues to work with the Information Systems Division to assist in development of the Program Monitoring (PM) Module.

09/23/05 - The Program Monitoring Module project team, composed of staff from PMC and ISD, will ensure that the PM Module addresses the more advanced single audit information needs and that the project deliverables include a simple Community Affairs (CA) contract interface (from the CA Contract System to the TDHCA Contract System), so the PMC staff can use the PM Module for HOME and CA contracts.

Texas Department of Housing and Community Affairs

Status of Internal/External Audits

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION - STATUS OF INTERNAL/EXTERNAL AUDITS
December 31, 2005

External Audits/Reviews	Scope	Stage	Comments
Deloitte & Touche	Annual Opinion Audits: ∉ Consolidated Financial Statements for the FYE August 31, 2005 ∉ Revenue Bond Enterprise Fund for the FYE August 31, 2005	Completed	
KPMG	Statewide Federal Single Audit for FYE August 31, 2005 (SAO contract with KPMG)	Reporting	Estimated Completion Date – February 2006

FY 2006 Audit Plan (Approved by Governing Board October 13, 2005)		Stage	Comments
Internal Audits/Reviews	**Scope**		
Subrecipient Monitoring	**Subrecipient Monitoring Processes** - 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 by complementing the following subrecipient monitoring internal audits:		
	∉ PMC - Draw Process	Understanding	In progress; planned for completion in April 2006.
	∉ Office of Colonia Initiatives - Draw Process	Understanding	In progress; planned for completion in April 2006.
	∉ Office of Colonia Initiatives - Contract Oversight and Management	Understanding	In progress; planned for completion in March 2006.
	∉ PMC - On-site Monitoring Visits	Pending	Inception planned for Jan. 2006 to be completed May 2006.
	∉ Energy Assistance - Monitoring	Pending	Inception planned for April 2006 to be completed August 2006.
			Two related reports recently released include: *PMC – Risk Assessment, Rpt. No. 1003.30*, released Aug. 2005 and *PMC – Single Audit, Rpt. No. 1003.20*, released Sept. 2005.
Homeowners' Recovery Trust Fund	To determine whether the Manufactured Housing Division administers the Homeowners' Recovery Trust Fund (HORTF) in accordance with applicable laws and regulations.	Pending	Inception planned for Jan. 2006 to be completed May 2006.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION - STATUS OF INTERNAL/EXTERNAL AUDITS
December 31, 2005

FY 2006 Audit Plan (Approved by Governing Board October 13, 2005)		**Stage**	**Comments**
Internal Audits/Reviews	**Scope**		
Risk Management Program	To facilitate and to provide expertise, knowledge, experience and objective, independent input into the Department's Fraud, Waste and Abuse Detection and Prevention Program.	On-going	Goals for current year and discussion regarding report to the Governor's Office, due in Jan.31, 2006, planned for discussion at Jan. 2006 Audit Committee meeting.
Quality Assurance Review	To have a Peer Review/Quality Assurance Review (QAR) of TDHCA's Internal Audit Division pursuant to professional standards and Texas Government Code §2107.007, as arranged through the State Agency Internal Audit Forum QAR program.	Pending	Planned for Aug./Sept. 2006.
Central Database Steering Committee	To continue 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.	On-going	Status of project as of 12/15/05 planned for discussion at Jan. 2006 Audit Committee meeting.
Coordinate External Auditors	To coordinate and assist external auditors. Beyond typical coordination and assistance, one internal audit staff member is being allocated up to three months, to the extent the external auditors can use the assistance, as a strategy to reduce external audit fees and to enhance Internal Audit's knowledge of the Department accounting systems and financial reporting process.	Periodic	Two draft findings have been issued on the Section 8 program are due to KPMG on 12/2/05: ∉ Annual update of Utility Allowance Schedule 4.5 months past due. Cost questioned - $668,918. Director of EA Sec. 8 program hopeful .information from HUD might preclude finding. ∉ Three data entry errors noted in the review of 40 Form HUD-50058, *Family Report*, forms.
Tracking Status of Prior Audit Issues	To track the status of prior audit issues for management/board report purposes.	On-going	Status of prior audit issues as of 12/16/05 planned for discussion at Jan. 2006 Audit Committee meeting.
FY 2007 Annual Audit Plan	To develop an annual audit plan for FY 2007 pursuant to the Texas Internal Auditing Act.	Pending	Inception planned in July 2006 to be completed by end of August 2006.

LEGAL SERVICES DIVISION
BOARD ACTION REQUEST
January 18, 2006

Action Item

Approve or reject general terms of a settlement agreement offered in *TP Seniors Ltd. v. TDHCA* filed in State District Court in Travis County and if approved authorize the Executive Director to execute settlement documents.

Requested Action

Provide direction for staff in settlement discussions in ongoing litigation regarding the 2005 tax credit award cycle in the above referenced lawsuit.

Background and Recommendations

TP Seniors Ltd. filed legal action in district court in Travis County Texas after the project did not receive an award of tax credits. The claim generally centers around the Board's authority to grant an appeal on another application by the name of Olive Grove, Project #05198. In that appeal, the staff had recommended to the board that the neighborhood association had not properly annexed property that included the Olive Grove development site and should be denied the QCP points removing them from the recommended funding list.. The attorney for Olive Grove presented additional documentation and discussed the issue during public comment answering questions for the board.

After reviewing staff recommendation and listening to the parties present the issues, the Board voted to accept the appeal and over-rule staff, thereby awarding the QCP points requested to Olive Grove. This action placed Olive Grove ahead of TP Seniors. TP Seniors sought forward commitments from the Board at a later date, but the board took no action on the forward commitments. TP Seniors prepared to litigate its claims.

TP Seniors sought either a temporary injunction or a temporary restraining order in the courts. The judge denied the motion. Scheduled depositions were delayed and counsel for both parties discussed settlement in a conference call.

TP Seniors has offered to end all claims against TDHCA in exchange for forward commitments from the 2006 tax credit cycle. The Board was briefed on the talks at the last Board meeting but could not take action as it was not sufficiently posted and no new issues have come forward since that time. As the Plaintiff has asked for a response to guide their future direction, staff is bringing forward the offer in public session.

As we do not have absolute terms other than the request for forward commitments, if the Board chooses to settle the matter, the staff requests the authority to negotiate the final terms based on Board guidance.

Staff Recommendation: Staff recommends that the Board reject the offer of settlement at this time.

TEXAS
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

January 11, 2006

Elizabeth Anderson, Chair, and members of the TDHCA Governing Board

Re: Letter of Resignation

Dear Ms. Anderson and Board Members:

It is with great emotion that I officially tender this letter of resignation as executive director, effective March 17, 2006. My last day in the office will be February 17.

Since I was hired in February 2002, the Board, staff, and I have taken great strides toward making TDHCA a model state housing finance and community assistance agency. I feel that we achieved our collective goal of establishing a state agency built on the twin foundations of transparency and accountability.

We have often been referred to as a "turnaround" agency, and I take great pride each time I hear this. What began with our successful review by the Sunset Advisory Commission in 2003 and ended in the largest evacuee relocation effort in our nation's history has been a marvelous and richly rewarding professional experience.

Having fulfilled many of the goals I have set for myself and the agency, I find it time to take the next step in my career. I value and am thankful for all the support you, the Board, and the Governor's Office have provided me over the years, and I am certain that the next executive director will lead TDHCA effectively into the future. I wish you all success, and please know that the work you and the Board do on behalf of the state is appreciated and makes a critical difference each day in the lives of low income Texans.

Sincerely,

Edwina P. Carrington

Edwina P. Carrington
TDHCA Executive Director

221 EAST 11th • P.O. BOX 13941 • AUSTIN, TEXAS 78711-3941 • (800) 525-0657 • (512) 475-3800

Texas Department of Housing and Community Affairs
Job Description

Employee:
State Classification: N/A
Working Title: Executive Director
Group: N/A **Division:** N/A
[X] **Regular Full Time** [ ] **Regular Part Time** [ ] **Temporary Full Time** [ ] **Temporary Part Time**

Social Security:
Class #: E078 (Exempt)
Employees Supervised: 7
Section: N/A

Supervisor Name: TDHCA Governing Board

Date Prepared: January 9, 2005

↓To be completed by Human Resources Office↓

FLSA Status
- ☐ Covered
- ☐ Exemption
  - ☐ Executive
  - ☐ Professional
  - ☐ Administrative

Job Category
- ☐ A - Officials and Administrators
- ☐ P - Professionals
- ☐ T - Technicians
- ☐ Q - Para-Professionals
- ☐ C - Administrative Support

GENERAL DESCRIPTION:

With the approval of the Governor, the Executive Director (Director) of the Texas Department of Housing and Community Affairs (TDHCA) is employed by the TDHCA Governing Board (Board) and serves at the pleasure of the Board. The Director:

- Performs highly responsible professional administrative and organizational duties for the work of TDHCA operations as set forth by Chapter 2306, Texas Government Code, and other relevant statutes. This work involves interpreting, administering, and directing the enforcement of all laws, rules, regulations and statutes regarding agency operations; establishing agency goals, strategic plans, objectives, standards, and procedures aligned with policy guidance and direction from the Board; and appointing and removing personnel employed by TDHCA.
- Organizes and oversees the work of TDHCA with exemplary leadership and sound organizational management that promotes efficient and effective operations.
- Assists the Governor and legislature in coordinating federal and state housing programs.
- Develops and implements operational and administrative policies established by the Board defining the responsibilities of TDHCA divisions, procedures, rules and regulations; establishes priorities, standards and performance measures that determine progress in meeting TDHCA goals; establishes and maintains internal systems for monitoring, control and reporting.
- Through leadership, example and daily conduct, promotes and ensures integrity, security, honesty, and fairness in the operation and administration of TDHCA.

ESSENTIAL FUNCTIONS:

- Directs the management of operations and activities of TDHCA in accordance with state and federal laws, rules, regulations and statutes; establishes and enforces TDHCA goals, objectives, standards, operating policies, procedures, rules, regulations and methods.
- Establishes strong relationships and coordinates TDHCA operations with federal, state and local government officials and agencies, as well as private sector organizations, whose cooperation and support are important to TDCHA programs.
- Provides proactive leadership, direction, guidance and assistance to division directors and other key TDHCA staff in day-to-day operations and periodically reviews procedures to make certain that they are efficient, effective and responsive to the needs of the TDHCA and its constituents.
- Adapts TDHCA methods and procedures to meet legislative changes and changes in operating needs; oversees the development and submission of the biennial legislative appropriation request and the annual operating budget; monitors the administration, management and execution of operating and capital budgets entrusted to TDHCA.
- Directs the implementation of administrative and personnel policies into operations, financing, program documents, rules, procedures, and public relations of TDHCA.
- Oversees and directs statewide housing assistance, community services and energy assistance programs.
- Implements reporting systems to ensure that internal controls are in place and functioning; directs the development, administration and reporting of TDHCA's Fraud, Waste and Abuse Prevention and Detection program.
- Responds to requests from the Governor's office, legislature, Board, various state and federal agencies, community agencies, and local officials.
- Insures that the Board is kept fully informed and has timely and adequate information necessary to provide guidance on significant policy and program issues, and to make proper decisions in the conduct of TDHCA business.

- Provides leadership to TDHCA personnel by way of making timely decisions; building strong working relationships; supporting and monitoring employee development; guidance, coaching and mentoring to TDHCA senior management on leadership and management issues; and ensuring compliance with applicable personnel policies and procedures.
- Oversees the development and implementation of TDHCA's business plans and related policies, including its strategic plan, goals and objectives.
- Works effectively with and represents TDHCA with the Governor's office, members of the state leadership, legislature, other state agencies, the media, stakeholders, the public and other agencies or organizations.
- Provides professional leadership and management exemplifying the Department's core mission and values of integrity, transparency, responsiveness, innovation, fiscal accountability, customer service, results orientation, teamwork, stakeholder inclusion and excellence and ensuring those values are incorporated in all aspects of TDHCA's decision-making and culture.
- Performs other functions as assigned by the Board or the Governor.

KNOWLEDGE, SKILLS AND ABILITIES:

- Excellent oral and written communication skills, including the proactive use of communications as an effective tool in furthering TDHCA's mission, and ability to communicate ideas, direction and guidance clearly and concisely.
- Proven ability to establish and maintain effective working relationships with and skill representing TDHCA before high-level federal and state government executive and legislative officials and agencies, business and industry stakeholders, private sector organizations and the public.
- Knowledge of laws and regulation relating to the management of state agencies.
- Working knowledge of budgeting, personnel and contract management, strategic planning, and financial and accounting controls.
- Strong diplomatic and consensus building skills that bring Board, TDHCA staff, federal and state government officials and agencies and private sector organizations to shared goals and purposes.
- Skill to establish and enforce goals, objectives, standards, methods, policies and procedures in accordance with state and federal statutes, rules and regulations; ability to understand and apply policies, procedures and methods, demonstrating analytical skills and sound judgment
- Ability to play a hands-on role in program planning and analysis, administration and supervision as necessary to fulfill TDHCA's mission.
- Significant and progressive experience in the public sector, general knowledge of federal housing programs' rules and regulations and experience in dealing with federal and local officials.
- Outstanding interpersonal and relationship building skills; ability to lead a wide range of diverse and assertive personalities
- Ability to manage a wide range of functions in a medium-sized organization.
- Excellent leadership and management abilities and ability to instill confidence, motivate and empower TDHCA staff to perform at ultimate capabilities
- Excellent ability to initiate, organize and develop plans and procedures for implementing and managing complex programs, including the ability to mobilize TDHCA resources to undertake collaborative and creative solutions.
- Demonstrated ability to recognize the expectations of the Board and TDHCA staff, to follow through on issues in a timely manner and to keep others informed as appropriate.

EDUCATION/EXPERIENCE:

- Graduation from an accredited college with major course work in finance, business administration, public administration, or a related field.
- Extensive experience in business or public administration, including policy development, financial management, strategic planning, personnel leadership and management, and legislative and stakeholder relations.
- At least ten years of progressive experience in business, housing and/or public finance, real estate or public administration with a minimum of three years in a policy or upper level managerial position.
- General knowledge of the laws and procedures for financing and the administration of state housing programs; working knowledge of HUD programs.
- Extensive experience dealing with state and local elected officials, the media, and public interest groups.

OTHER:

Must be willing to work in a non-smoking environment and adhere to all applicable Department safety rules and policies. Must be willing to work without regard to normal business hours and travel as required in a complex, fast-paced environment

The Texas Department of Housing and Community Affairs is an Equal Employment Opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, veteran status, age or disability in employment or provision of services. Applicants should communicate requests for reasonable accommodations.

EXECUTIVE OFFICE

BOARD ACTION REQUEST
January 18, 2006

Action Item

Determine the process to provide notice, advertise or otherwise inform the public about the vacancy and hiring of the TDHCA Executive Director position.

Required Action

Approval of process to provide public notice regarding the vacancy and hiring of a new Executive Director for TDHCA.

Background

With the resignation of the TDHCA Executive Director Edwina Carrington, the Board is sitting as a committee of the whole to hire the new executive director. Part of the process of hiring an executive director is the mechanism by which the position is defined, advertised and the budget to be expended in seeking the executive director. There are several options including hiring of an outside consultant, placement of ads in trade publications and other vehicles including websites and electronic boards.

Recommendation

No recommendation is provided but staff will be available to answer questions.

EXECUTIVE OFFICE

BOARD ACTION REQUEST
January 18, 2006

Action Item

Appointment of Interim executive Director during transition period.

Required Action

Appointment of an Interim Executive Director to serve during the transitional period prior to the hiring of a full time Executive Director.

Background

State law under §2306.038 requires the Board to set up a procedure to designate an acting director in the event of absence or disability of the director. Currently the department does not have a Deputy Executive Director in place. The Executive Director is not expected to leave prior to the February Board meeting. However, appointment of an acting director at this time will facilitate a smooth transition during the current executive director's departure period and allow preparation for the interim period prior to the selection of a new executive director.

Recommendation

No recommendation is provided but staff will be available to answer questions.

STATE OF TEXAS
OFFICE OF THE GOVERNOR

RICK PERRY
GOVERNOR

January 10, 2006

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
2:15 Pm O'CLOCK
[...] 10 2006
Roger Williams
Secretary of State

The Honorable Roger Williams
Secretary of State
State Capitol Room 1E.8
Austin, Texas 78701

Dear Mr. Secretary:

Pursuant to his powers as the chief executive officer and governor of the State of Texas, Rick Perry has issued the following order:

Executive Order No. RP-54 relating to disaster recovery..

The official copy of this order is attached to this letter of transmittal.

Respectfully submitted,

Gregory S. Davidson
Executive Clerk to the Governor

GSD/gsd

Attachment

Executive Order

BY THE
GOVERNOR OF THE STATE OF TEXAS

Executive Department
Austin, Texas
January 10, 2006

EXECUTIVE ORDER
RP 54

Relating to disaster recovery.

WHEREAS, Hurricane Katrina, a disaster in sister states, created an emergency disaster and emergency conditions for the people in the State of Texas beginning September 1, 2005; and

WHEREAS, Hurricane Rita struck the State of Texas on September 24, 2005, causing massive destruction in South and East Texas; and

WHEREAS, Texas Railroad Commissioner Michael Williams, in his role as leading the state's long-term relief efforts in regards to Hurricanes Katrina and Rita, has requested that I issue an executive order to further aid in the disaster recovery effort in order to continue to address the emergency conditions created by the disasters; and

WHEREAS, I do hereby certify that Hurricanes Katrina and Rita continue to create an emergency disaster and emergency conditions for the people in the State of Texas; and

WHEREAS, pursuant to the Texas Disaster Act of 1975, the governor is responsible for meeting the dangers to the state and people presented by disasters; and

WHEREAS, under Chapter 418 of the Texas Government Code, the governor is expressly authorized to issue executive orders declaring a state of disaster;

NOW THEREFORE, in accordance with the authority vested in me by Section 418.014 of the Texas Government Code, I do hereby declare a state of disaster for purposes of disaster recovery and response and direct that all necessary measures, both public and private as authorized under Section 418.015 of the Texas Government Code, be implemented to meet the disaster.

As provided in Section 418.016 of the Texas Government Code, all rules and regulations that may inhibit or prevent prompt response to this threat are suspended for the duration of the incident.

FURTHER, I hereby order that all actions taken pursuant to this executive order shall be preauthorized by the State Director of Homeland Security.

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
2:15pm O'CLOCK

JAN 10 2006

This executive order supersedes all previous orders in conflict or inconsistent with its terms and shall remain in effect and in full force until it expires by statute or it is modified, amended, rescinded, or superseded by me or by a succeeding Governor.

Given under my hand this the
10th day of January, 2006.

Rick Perry
RICK PERRY
Governor

Attested by:

Roger Williams
ROGER WILLIAMS
Secretary of State

FILED IN THE OFFICE OF THE
SECRETARY OF STATE
2:15pm O'CLOCK
JAN 10 2006

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Texas Bootstrap Loan Program
Notice of Funding Availability (NOFA)

Texas Bootstrap Loan Program NOFA

The Texas Department of Housing and Community Affairs (TDHCA), through its Office of Colonia Initiatives (OCI), is pleased to announce the availability of approximately **One Million Eight Hundred Thousand Dollars ($1,800,000)** of State of Texas Housing Trust Funds to organizations assisting individuals or families that were victims of Hurricane Rita to purchase or refinance real property on which to build new residential or improve existing residential housing through self-help construction for very low and extremely low income individuals and/or families (owner-builders); including persons with special needs. We believe it is important to spread these funds in a fair manner that ensures they are deployed quickly and administered easily. We need to ensure these dedicated funds are distributed to all effected areas, but will target a higher proportion to those areas most directly and extensively impacted by Hurricane Rita.

TDHCA administers the Texas Bootstrap Loan Program (the "Program") by working a nonprofit organization certified by TDHCA as a Nonprofit Owner-Builder Housing Programs (NOHP) as described in Subchapter FF, Section 2306.755 of the Texas Government Code.

To be eligible for state certification, TDHCA may certify NOHP's operated by a tax-exempt organization listed under Section 501(C)(3), Internal Revenue Code of 1986 to:

(1) qualify potential owner-builders for loans under this subchapter;
(2) provide owner-builder education classes such as;
    (a) financial responsibilities of an owner-builder under this subchapter, including the consequences of an owner-builder's failure to meet those responsibilities;
    (b) building of housing by owner-builders;
    (c) resources for low-cost building materials available to owner-builders; and
    (d) resources for building assistance available to owner-builders.
(3) assist owner-builders in building housing; and
(4) originate or service loans made by the TDHCA under this subchapter.

In an effort to encourage the production of affordable housing for individuals and families of very low income, TDHCA is directing these funds through waivers and authorizations provided by the Governor and TDHCA Board of Directors. The maximum amount of funding per organization may be up to $750,000. The maximum loan amount using TDHCA funds may not exceed $30,000 per owner-builder. The total amount of loans made with TDHCA and any other source combined may not exceed $60,000 per household. Projects utilizing additional non-TDHCA resources will be required to provide additional documentation identifying the sources of these additional funds and information about their rates and terms.

To be eligible for a loan, an owner-builder:

(1) may not have an annual income that exceeds **60 percent**, as determined by TDHCA, of the greater of the state or local Area Median Family Income (AMFI), when combined with the income of any person who resides with the owner-builder;
(2) must have resided in this state for the preceding six months;
(3) must have successfully completed an owner-builder education class; and
(4) must agree to:
    (A) provide at least **60 percent** of the labor necessary to build or rehabilitate the proposed housing by working through a state certified NOHP; or
    (B) provide an amount of labor equivalent to the amount required in connection with building or rehabilitating housing for others through a state certified NOHP;
    (C) TDHCA may select a NOHP to certify the eligibility of owner-builders to receive a loan. A state certified NOHP selected by TDHCA shall use the eligibility requirements established by TDHCA to certify the eligibility of an owner-builder for the program.

All of these funds must be allocated to owner-builders whose property is located in a county determined to be in a Federal Disaster Area due to Hurricane Rita. These counties include Angelina, Chambers, Hardin, Jasper, Jefferson, Liberty, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler and Walker Counties.

General Information for NOFA:

Applications meeting threshold criteria will be evaluated and scored within categories, including but not limited to Operational Capacity and Experience, Financial Design, Quality of Program Design, Leveraging of Public and Private Resources, and serving Underserved Areas and Population. Applications will then be selected based on program scoring criteria, underwriting criteria, and geographic dispersion. TDHCA desires to select a diverse group of state certified NOHP's that will serve various populations throughout the state.

Applicants who have received a Texas Bootstrap Loan Program award in the past must have expended and/or have under construction 50% of their previous award to be considered under this NOFA as December 31, 2005.

The NOHP state certification application can be downloaded from TDHCA's web-site located at *http://www.tdhca.state.tx.us/oci/documents/NOHPCertificationWebsite.pdf.* In addition, applicants for this program are encouraged to download the **Texas Bootstrap Loan Program** application from TDHCA's web-site located at *http://www.tdhca.state.tx.us/oci/bootstrap.jsp*. Applicants may also request a hard copy version of the application. Application packages will be transmitted via first class U.S. Postal Service unless applicants request transmittal via overnight courier and provide the name and account number of their desired courier.

TDHCA's Board of Directors and/or Executive Director reserve the right to change the award amount, and to award less than the requested amount.

The Department will begin accepting applications on December 30, 2005, and continue to accept applications from 8 a.m. to 5 p.m. each business day, excluding federal and state holidays, on an ongoing basis until such time as all funding has been committed, or until the current state fiscal year ends on August 31, 2006.

FAXED APPLICATIONS WILL NOT BE ACCEPTED.

All interested parties are encouraged to participate in this program. **Applications will be available on December 30, 2005.** Technical assistance for this application will be available beginning December 30, 2005. For additional information or to request an application package, please call Raul Gonzales with the Office of Colonia Initiatives at (800) 462-4251, check TDHCA's web-site at **www.tdhca.state.tx.us** or e-mail your request to **raul.gonzales@*tdhca.state.tx.us*.** Please direct your applications to:

Texas Department of Housing and Community Affairs
ATTN: Office of Colonia Initiatives
Post Office Box 13941
Austin, Texas 78711-3941
Or by courier to:
221 East 11th Street
Austin, Texas 78701

Texas Department of Housing and Community Affairs
HOME Investment Partnerships Program
Notice of Funding Availability
Hurricane Rita Disaster Relief

The Texas Department of Housing and Community Affairs (Department) announces the availability of approximately $8,300,000 for the Hurricane Rita Disaster Relief funding cycle for the HOME Investment Partnerships Program (HOME). The availability and use of these funds is subject to the State HOME Rules (10 TAC Chapter 53) and the Federal HOME regulations governing the HOME Program (24 CFR Part 92). Please note that some HOME Program requirements have been waived for participating jurisdictions in Presidentially declared disaster areas due to Hurricane Rita.

ALLOCATION OF HURRICANE RITA DISTASTER RELIEF FUNDS

The Texas Government Code, Section 2306.111(c), requires that TDHCA allocate no less than 95% of HOME Program Funds to applicants which serve households located in a nonparticipating jurisdiction (non-PJ). The remaining five percent of the HOME Program funds may be allocated to applicants in a participating jurisdiction (PJ), only if the applicant serves 100% persons with disabilities. However, this requirement has been waived by the Governor in an effort to facilitate efforts to serve the critical housing needs of those affected by Hurricane Rita.

ELIGIBLE APPLICANTS

Only the following identified Texas Counties, as declared by the Governor, affected by Hurricane Rita are eligible to apply for funds:

1. Angelina
2. Brazoria
3. Chambers
4. Fort Bend
5. Galveston
6. Hardin
7. Harris
8. Jasper
9. Jefferson
10. Liberty
11. Montgomery
12. Nacogdoches
13. Newton
14. Orange
15. Polk
16. Sabine
17. San Augustine
18. San Jacinto
19. Shelby
20. Trinity
21. Tyler
22. Walker

CONTRACT TERM

The Contract period for the written agreement with the Department will be for 12 months.

MAXIMUM CONTRACT AMOUNTS

The $500,000 maximum award amount has been waived given the Governor's declaration. Based on the amount of funding being made available, a proposed tier system for distributing the funds is provided below:

Proposed Tier System for Distributing HOME Disaster Relief Funds

Methodology

The most recent reported data from the State of Texas State Operations Center (SOC) on Hurricane Rita damage was used to rank each county based on its relative share of damaged dwellings in the 22 county[1] disaster area (Table 1). Using this table and a map of the disaster area, a three tier system was developed to determine each county's maximum award amount. The tier breakdown is as follows:

- Tier 1: Counties with more than 20 percent of the reported damage in the region.
- Tier 2: Counties with between 1 percent and 20 percent of the reported damage in the region.
- Tier 3: Counties with less than 1 percent of the reported damage in the region.

The relative levels of poverty and low income households in the disaster area's counties were also reviewed. While there were slight variances between counties, these differences did not appear significant enough to warrant inclusion in a more complicated tier categorization formula. These percentages are also shown in Table 1.

Table 1. County Tier Distribution Based on Reported Damage by County

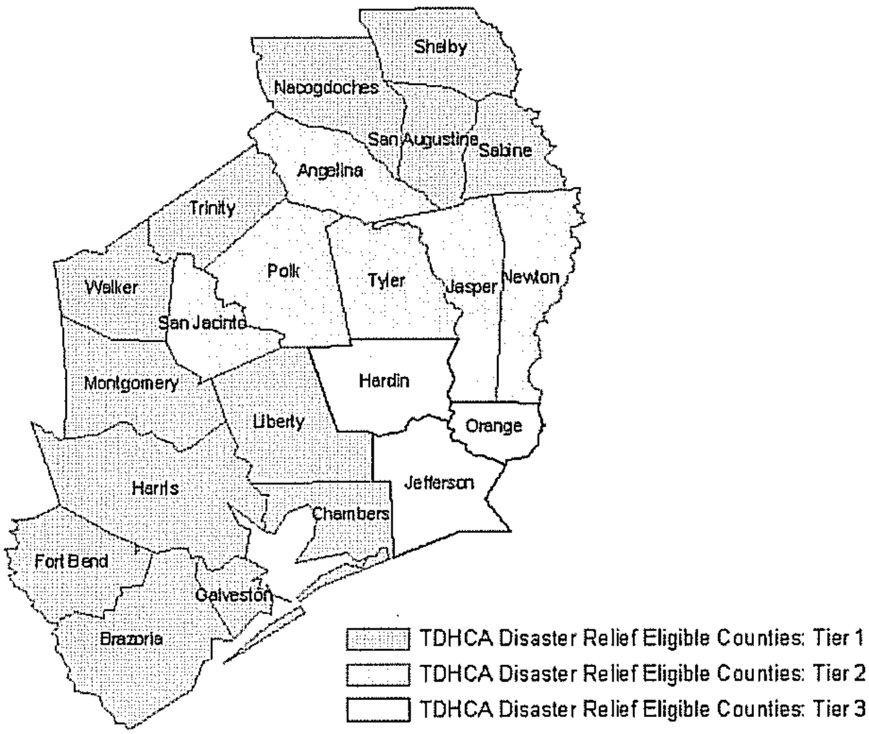
	Col. 1	*Col. 2*	*Col. 3.*			General Need Indicators	
Disaster County	Single Family Dwellings Destroyed	Single Family Dwellings w/ Major Damage	Total Single Family Dwellings Damaged *(Col. 1 +2)*	% of Damaged Dwellings in Disaster Area *(Col. 3/ Col. 3 Ttl.)*	Tier	% of Total Households in Poverty	% of Households w/ Incomes < 50% AMFI
Orange	3,600	9,000	12,600	36.08%	1	11.39%	23.46%
Hardin	6,050	4,440	10,490	30.04%	1	8.77%	20.45%
Jefferson	1,001	7,256	8,257	23.64%	1	14.58%	27.24%
San Jacinto	250	500	750	2.15%	2	15.08%	27.19%
Jasper	33	534	567	1.62%	2	15.03%	26.25%
Tyler	150	375	525	1.50%	2	12.59%	23.69%
Newton	55	355	410	1.17%	2	15.51%	27.85%
Angelina	35	330	365	1.05%	2	12.37%	23.22%
Polk	29	329	358	1.03%	2	13.29%	23.76%
Chambers	7	134	141	0.40%	3	8.32%	23.21%
Liberty	7	127	134	0.38%	3	11.14%	30.76%
Sabine	20	94	114	0.33%	3	11.76%	26.05%
Trinity	15	80	95	0.27%	3	13.17%	28.59%
Harris	16	27	43	0.12%	3	12.10%	24.25%
Nacogdoches	1	34	35	0.10%	3	15.52%	31.19%
Montgomery	4	25	29	0.08%	3	7.14%	19.16%
San Augustine	0	5	5	0.01%	3	15.62%	28.14%
Shelby	0	3	3	0.01%	3	14.88%	26.77%
Brazoria*	-	-	-	0.00%	3	8.08%	22.24%
Fort Bend*	-	-	-	0.00%	3	5.48%	13.24%
Galveston*	-	-	-	0.00%	3	10.13%	24.96%
Walker*	-	-	-	0.00%	3	10.62%	28.17%
Total	11,273	23,648	34,921				

[1] "Impact Areas" listed in the State of Texas, State Operations Center (SOC), Subject: Hurricane Rita, Situation Report # 40.

*These counties did not reply to SOC survey.
Source: State of Texas, State Operations Center (SOC), Subject: Hurricane Rita, Situation Report # 40, Date and Time Covered: Tuesday, December 13, 2005, 1:00 p.m. through Friday, December 16, 2005, 1:00 p.m.

Figure 1 shows the resulting geographic boundaries of the proposed tier system. From the location of the non-reporting counties from the SOC survey, it appears that their non-reporting status is consistent with relatively low levels of damage.

Figure 1. Map of County Tier Distribution Based on Reported Damage by County



Funding Distribution

- Tier 1 Up to $2 million each for Hardin, Jefferson, and Orange Counties ($6 million total)
- Tier 2 Up to $300,000 each for Angelina, Jasper, Newton, Polk, San Jacinto and Tyler Counties ($1.8 million total)
- Tier 3 Up to $150,000 each for the remaining counties ($500,000 total)

DESCRIPTION OF ACTIVITIES

Owner Occupied Housing Assistance (OCC), rehabilitation or reconstruction cost assistance, is provided to homeowners affected by Hurricane Rita for the repair or reconstruction of their existing home. The home must be the principal residence of the homeowner.

Assistance will be provided in the form of a grant for individuals at or below 30% AMFI. For individuals between 31% and 50% AMFI, assistance will be in the form of a five year deferred forgivable loan. For those individuals at 51% AMFI or above, assistance will be in the form of a 0%, thirty year repayable loan.

At the completion of the assistance, all properties must meet all applicable codes and standards, as specified in the application guide. In addition, all 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). If a home is reconstructed, the applicant must also ensure compliance with the universal design features in new construction, established by §2306.514, Texas Government Code, required for any applicants utilizing federal or state money administered by the Department in the construction of single family homes.

REVIEW OF APPLICATIONS

HOME project funds will be awarded per State of Texas HOME Program Rules, 10 TAC 53. General Selection Criteria is listed in the State of Texas HOME Program Rules, 10 TAC 53 and forms the basis for the State's development of scoring criteria for each Activity. Scoring criteria may include the implementation of various bills, riders, and agency goals, which will be defined in the application process. The Department will conduct the review and scoring of all applications and make recommendations for funding.

SELECTION PROCESS

All applications for funds will be reviewed to ensure that all threshold requirements are met and the application meets all eligibility requirements. Application deficiencies may be cleared through the application deficiency process. Applications will be selected on a first come, first served basis based on the proposed tiered county distribution process. Funding recommendations will not be presented to the Board for approval. The Department's Board has granted the Executive Director authority to approve or deny funding recommendations as it relates to funding applications under this cycle.

APPLICATION PROCEDURES, FINAL FILING

The HOME Application Guide will be available on the Department's website at www.tdhca.state.tx.us or you may call (512) 475-3993 to request an application copy. Applications must be on forms provided by the Department, and cannot be altered or modified and must be in final form before submitting them to the Department.

A complete application should be submitted when the Applicant is ready to administer a program. Applications will be accepted on an ongoing basis until such time as all funding has been committed, or February 28, 2006. Applications will be accepted, reviewed and recommended to the Department's Executive Director for approval. Applications will be accepted in accordance with Department's process for handling Open Cycle Applications detailed at §53.58 of the HOME Rule.

Applications mailed via the U.S. Postal Service must be mailed to:
Texas Department of Housing & Community Affairs
Single Family Finance Production Division
P.O. Box 13941
Austin, Texas 78711-3941

Applications mailed by private carrier or hand-delivered will be received at the physical address of:
Texas Department of Housing & Community Affairs
Single Family Finance Production Division
221 East 11th Street
Austin, Texas 78701

If an application contains deficiencies which, in the determination of Department staff, require clarification or correction of information submitted at the time of application, staff may request clarification or correction of such deficiencies in accordance with 10 TAC 53.58(b). The Department 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.

An applicant may appeal decisions made by the Department in accordance with 10 TAC §§1.7-1.8.

This NOFA does not include text of the various applicable regulatory provisions that may be important to the HOME Program. For proper completion of the application, the Department strongly encourages potential applicants to review the State and Federal regulations and to attend application training workshops.

APPLICATION WORKSHOPS
The Department will present one-day HOME Program Application Workshops that will provide an overview of the HOME Program, application preparation and submission, evaluation criteria and information about the major Federal and State requirements that may affect a HOME project. The HOME Application Workshop schedule and registration will be posted on the Department's website at www.tdhca.state.tx.us.

RESOLUTION REQUIREMENTS
The Department requires that all applications submitted must include a resolution from the applicant's direct governing body (Board of Directors) authorizing the submission of the application.

AUDIT REQUIREMENTS
An applicant is not eligible to apply for funds or any other assistance from the Department unless a past audit or Audit Certification Form has been submitted to the Department in a satisfactory format on or before the application deadline for funds or other assistance per 10 TAC §1.3(b). This is a threshold requirement outlined in the application, therefore applications that have outstanding past audits will be disqualified. Staff will not recommend applications for funding to the Department's Governing Board unless all unresolved audit findings, questions or disallowed costs are resolved per 10 TAC §1.3(c).

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
January 18, 2005

Action Items

Request approval for TDHCA to be the sponsoring agency for the Texas Association of REALTORS Housing Opportunity Fund (TARHOF) License Plate Program.

Required Action

Approve request for TDHCA to be the sponsoring agency for the Texas Association of REALTORS Housing Opportunity Fund License Plate Program.

Background and Recommendations

On December 7, 2004, the Texas Department of Housing and Community Affairs (TDCHA) entered into a partnership with the Texas Association of REALTORS (TAR) and Fannie Mae as a means of helping more Texans become first time homeowners. Through this partnership, a continuing education initiative: United Texas: Housing Initiatives That Work was developed to help the 70,000 REALTORS in Texas learn more about the mortgage industry, programs available for first time homebuyers and low cost mortgage financing. To date, several thousand REALTORS across the state have taken the continuing education course.

In an effort to fund and support affordable housing initiatives in Texas, TAR has approached the Department and requested our support to help establish the Texas Association of REALTORS Housing Opportunity Foundation (TARHOF) through the sale of specialty license plates. The purpose of TARHOF is to provide financial support to groups, organizations or individuals that:

1) Create or encourage affordable housing and homeownership in Texas for individuals and families with moderate and low incomes;
2) Promote affordable housing for individuals and families in Texas with moderate to low income;
3) Educate individuals and families with moderate to low incomes about affordable housing opportunities in Texas;
4) Provide assistance to individuals or families with moderate to low incomes in obtaining homeownership; or
5) Support research of affordable housing issues.

In an effort to accomplish this fund, TAR is requesting TDHCA serve as a nominating agency so that they may seek approval from the Texas Department of Transportation (TxDOT) for a specialty Texas REALTOR license plate. To secure TxDOT approval, TAR needs a nominating state agency. Only those state agencies on TxDOT's approved list may nominate. TDHCA is on the list. Upon approval of the license plate by TxDOT, TAR will deposit $15,000 with TxDOT to get this program started. TxDOT will hold the deposit until 3,500 Texas Realtor license plates are sold.

Specialty license plates in Texas cost $30. Once TAR gains approval from TxDOT, $22 out of $30 will go to an IRS approved 501(c)3 (TARHOF). The remaining $8 of each plate sold goes to TxDOT. As the nominating agency for this license plate, TDHCA will be required to set up an escrow account to receive funds from the proceeds of the license plate sales. The money in the account will be drawn upon periodically to fund affordable housing efforts through TARHOF.

Recommendation

Staff requests approval for TDHCA to be the sponsoring agency for the Texas Association of REALTORS Housing Opportunity Fund License Plate Program.

TEXAS ASSOCIATION OF REALTORS®

December 5, 2005

Edwina Carrington
Executive Director
Texas Department of Housing & Community Affairs
Austin, Texas

DEC 0 7 2005

Dear Edwina:

Now that the year is drawing to a close, I hope you've had a productive and rewarding 2005. We have certainly enjoyed our relationship with the Texas Department of Housing & Community Affairs, and have been proud to promote TDHCA's Texas First Time HomeBuyer Program to Texas REALTORS® as part of our popular *United Texas: Housing Initiatives That Work* course. We appreciate all your help with this course, which as you know informs Texas REALTORS® about various programs, such as TDHCA's, that can help more Texans become first-time homeowners.

We also are getting the word out to our 80,000 members about your new Loan Star Mortgage Program, with an article in the current (December) issue of *Texas REALTOR®* magazine.

I'm writing today to ask a favor—one that is mutually beneficial. We are seeking approval from the Texas Department of Transportation for a specialty Texas REALTOR® license plate. To secure TxDOT approval, we need a nominating state agency. Only those state agencies on TxDOT's approved list may nominate. Fortunately, TDHCA is on that list. We're delighted, because TDHCA's mission and the mission of this new program go hand in hand.

Specialty license plates in Texas cost $30. If ours gains TxDOT approval, $22 out of $30 for each plate sold will go to an IRS-approved 501(c)(3) charity we've established, the Texas Association of REALTORS® Housing Opportunity Foundation (TARHOF). The remaining $8 of each plate sold goes to TxDOT. TARHOF's Board of Directors will disburse all funds to support affordable-housing causes.

Should TDHCA agree to be our nominating state agency, which we are counting on, your role would be to simply maintain an escrow account that collects proceeds from the license plate sales. My understanding is that the money would periodically be transferred from the escrow account over to TARHOF. This is a procedure that TxDOT requires. Should you have any questions about how this works, you may want to contact TxDOT's Linda Butler directly at 465-7603.

We're confident that this new program, with only very minimal support from TDHCA, will generate significant funding for bona fide charitable affordable-housing projects in Texas. Thank you for considering our request to be the official nominating state agency for this worthy endeavor.

Sincerely,

Benny McMahan
President/CEO
Texas Association of REALTORS®

1115 San Jacinto Blvd., Ste. 200
Austin, Texas 78701-1906
Toll Free: 800.873.9155
www.TexasRealtors.com

P.O. Box 2246
Austin, Texas 78768-2246
512.480.8200
Fax: 512.370.2390

Background

Texas REALTOR® license plate project

- Galveston REALTOR® Gordon Robinson first presented the idea for a Texas REALTOR® specialty license plate to the Member Benefits Task Force at the 2005 TAR Winter Meeting in Austin. He is a former Texas Department of Transportation (TxDOT) employee. Seven months later, at the 2005 Texas REALTORS® Convention and Trade Expo in Corpus Christi, the Member Benefits Committee heard a follow-up report from TAR staff member Jennifer Idol. She is a production artist in TAR's Communications & Marketing Department. At the committee meeting in Corpus, members reviewed a preliminary license plate design and heard some of the TxDOT requirements to apply for a specialty plate.

- All specialty license plates in Texas must be approved by TxDOT. Last year, three of approximately 150 applications were approved. TxDOT decision-makers meet twice a year, and our insider source indicates they are meeting again in December 2005. After that, they won't meet again until sometime in spring or summer 2006.

- The Internal Revenue Service's recent designation of the Texas Association of REALTORS® Housing Opportunity Foundation (TARHOF) as a 501(c)(3) charity, which took three years to secure, greatly improves our chances with TxDOT. Funds from the Texas Cares downpayment-assistance program also feed into TARHOF.

- In addition to having a 501(c)(3) charity designated to receive proceeds from the sale of the specialty license plates, we also need a nominating state agency. The nominating state agency must be on the TxDOT-approved list. We believe the Texas Department of Housing & Community Affairs (TDHCA) represents our ideal nominating state agency, due to its related mission with TARHOF—promoting and providing affordable housing opportunities for Texans. TDHCA is on the TxDOT-approved list.

- Specialty license plates cost $30. TxDOT sends $22 from each sale to the nominating state agency, which holds the money in escrow. Several times a year, the state agency transfers the accumulated funds over to the designated charity, which in our case would be TARHOF. On a periodic basis, the TARHOF Board of Directors would decide how best to spend the money to promote and provide affordable housing opportunities for Texans. TxDOT keeps the remaining $8 per license plate sold and credits the county in which the purchaser resides with $.50 to defray local administrative costs.

- If our specialty license plate is approved, TAR would pay a $15,000 deposit to TxDOT. Once 3,500 plates are sold, the deposit would be repaid.

- Ensuring that only REALTOR® members can obtain the license plates is important. Our contact at TxDOT has assured us that TxDOT personnel will contact our membership department to verify that all purchasers are members in good standing. We also plan to set up an Internet-based member verification tool for TxDOT use. Once purchased, specialty plates must be renewed every year. Renewals will re-trigger the member-verification process. The maximum length of time anyone could legally hold a Texas REALTOR® license plate without renewal and re-verification would be 13 months.

- This project presents an excellent fit with our Texas REALTOR® pride campaign, and would provide new opportunities to further leverage the Texas REALTORS® brand. For example, consumers hear the "I am a Texas REALTOR®" radio spot, and then see an "I am a Texas REALTOR®" license plate. They make the connection that Texas REALTORS® are not only tops in the real estate profession—they're also deeply involved in making Texas a better place to live.

TEXAS ASSOCIATION OF REALTORS®

SPECIAL RESOLUTION
January 9, 2006

WHEREAS, the Texas Department of Housing & Community Affairs and Texas Association of REALTORS® both promote and foster affordable housing opportunities for more Texans;

WHEREAS, the two organizations have demonstrated this vision through action, by working together to train Texas REALTORS® about the various local, state, and federal programs that can help make homeownership in Texas more affordable;

WHEREAS, the Texas Association of REALTORS® has recently created and supports a related, but separate, charitable corporation known as the Texas Association of REALTORS® Housing Opportunity Foundation, a 501(c)(3) charity, which was created for the purpose of supporting affordable housing opportunities in Texas;

WHEREAS, Texas REALTORS® have identified a new way to assist in providing funds to this charitable foundation, through the Texas Department of Transportation's specialty license plate program;

WHEREAS, the Texas Department of Transportation's approval of the Texas REALTORS® license plate project requires the consent and participation of a nominating state agency;

WHEREAS, the Texas Department of Housing & Community Affairs is on the Texas Department of Transportation's list of eligible nominating state agencies;

WHEREAS, this project will benefit Texans by supporting bona fide affordable housing programs and causes in Texas;

WHEREAS, the Texas Association of REALTORS® governing board, on Dec. 1, 2005, affirmed its strong desire to move forward with the Texas REALTORS® license plate project;

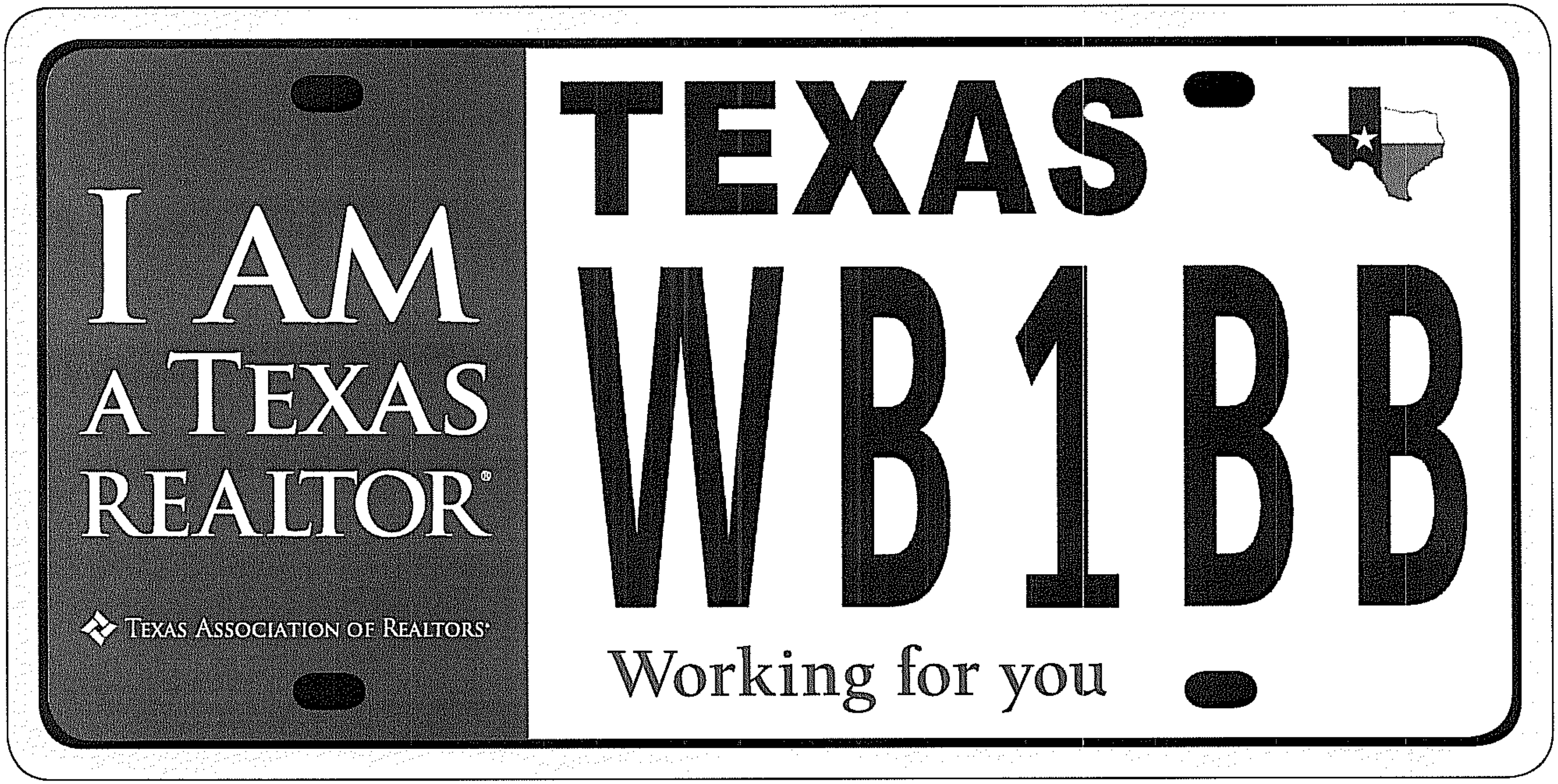
THEREFORE, BE IT RESOLVED, that the Texas Association of REALTORS® formally requests the Texas Department of Housing & Community Affairs to be the nominating state agency for this worthwhile endeavor.

Respectfully submitted,

Dennis Patillo
Chairman of the Board
Texas Association of REALTORS®

1115 San Jacinto Blvd., Ste. 200
Austin, Texas 78701-1906
Toll Free: 800.873.9155
www.TexasRealtors.com

P.O. Box 2246
Austin, Texas 78768-2246
512.480.8200
Fax: 512.370.2390


I AM
A TEXAS
REALTOR®
TEXAS ASSOCIATION OF REALTORS®
TEXAS
WB1BB
Working for you

FINANCIAL ADMINISTRATION DIVISION
BOARD ACTION REQUEST
January 18, 2006

Action Item

Review and approval of purchase of HAPPY Housing Pro Software for the Department's Section 8 Program.

Required Action

Staff recommends Board approval of the purchase of the HAPPY Housing Pro Software.

Background

In April 2004, the Texas Department of Housing and Community Affairs (the Department) conducted a Section 8 Systems Planning Project. The project was to evaluate and assess the current systems and decide if they were adequate. As a result, the team prepared a questionnaire that was sent to other state-wide public housing authorities (PHAs) to determine the types of software used for their Section 8 program(s). The survey showed the majority of responding PHAs used HAPPY Housing Pro software. In July 2004, the project team determined that HAPPY, or a similar OTS (off-the-shelf) package, could meet the requirements/needs of the Department's Section 8 program.

The Department made a capital budget request based on the quote obtained from HAPPY as a part of the evaluation process. The 79th Texas Legislature approved the Department's capital budget request of $65,000 for this project in the FY2006-07 Biennial Operating Plan (BOP) and Legislative Appropriations Request (LAR). The Department issued a Request for Offer (RFO) and conducted a thorough evaluation and scoring process of the RFO responses. HAPPY Software's RFO response met or exceeded the requirements set forth in the RFO.

Addendum

The following is a listing of benefits the Department will realize if it awards the project contract to HAPPY Software:

- Consolidation of three separate Section 8 systems that are currently in use and maintained by Department Information Systems (IS) staff;

- A low cost purchase price for the software system that will allow for a more efficient use of TDHCA IS resources;

- There is a low-cost yearly maintenance and support fee that covers ongoing technical support, system upgrades and compliance with HUD requirements;

- Standard Section 8 software that is respected throughout the industry;

- Ability to interface with the Department's financial accounting software (PeopleSoft), which will eliminate the redundant dual entry methods used in the current systems;

- Low-cost, stable server and operating system implementation due to the Windows based architecture used in the HAPPY Software Housing Pro Software.

Some of the specific Section 8 programmatic benefits of purchasing HAPPY Housing Pro Software are:

- ➢ The Section 8 program staff currently enters tenant data into three different systems, Genesis, Section 8 Voucher Application and the Department's 50058 system. With HAPPY software, staff will enter client data into one system, cutting processing time in half;

- ➢ HAPPY allows for the accurate storage of historical data. The current Genesis system currently overwrites tenant information with the data entry of every new contract renewal. When staff makes a data entry error, they cannot correct the error without assistance from Information Systems staff, often causing delays in processing payments to landlords. Having one system reduces time spent on data entry allowing staff to focus on assisting local operators to submit quality tenant eligibility information with fewer errors in a timely manner;

- ➢ HAPPY calculates eligibility certification and prints every document required in tenant file, eliminating hand written forms. It also does real-time error checking in HUD's MTCS 50058 system, maintaining accurate contract renewal information which keeps Section Eight Management Assessment Program (SEMAP) scores high;

- ➢ Happy maintains rent reasonable and waiting list databases and maintains statistical reports needed for PHA Plan;

- ➢ Happy maintains inactive applicant list for audit and historical purposes and prints custom letters on agency letterhead.

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

Memorandum

To: Edwina Carrington

From: Gordon Anderson

cc: Bill Dally, Michael Lyttle

Date: November 29, 2005

Re: TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for November 2005. The information provided focuses primarily on activities Executive and staff has taken on voluntarily, as opposed to those mandated by the Legislature (i.e., tax credit hearings, TEFRA hearings, etc.). This list may not account for every activity undertaken by staff, as there may be a limited number of events not brought to my attention.

For brevity sake, the chart provides the name of the event, its location, the date of the event, division(s) participating in the event, and an explanation of what role staff played in the event. Should you wish to obtain additional details regarding these events, I will be happy to provide you with this information.

TDHCA Outreach Activities, November 2005

A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public

Event	Location	Date	Division	Purpose
Colonia Model Subdivision application workshop	Harlingen	November 1	Single Family	Training
Es Tu Capitolio taping for Univision television	Austin	November 2	Office of Colonia Initiatives, Policy & Public Affairs	Television Interview, Presentation
HOME Wednesday Workshop	Austin	November 2	Portfolio Management & Compliance	Training
"United Texas – Housing Initiatives that Work"	Longview	November 3	Single Family	Training
Coldwell Banker Sales Rally	Austin	November 3	Single Family	Exhibitor
TMHA San Antonio chapter meeting	San Antonio	November 3	Manufactured Housing	Presentation
Colonia Model Subdivision application workshop	El Paso	November 3	Single Family	Training
TSAHC Board Meeting	Austin	November 4	Policy & Public Affairs	Monitoring
ARCIT Meeting	Austin	November 7	Policy & Public Affairs	Presentation
Colonia Model Subdivision application workshop	Laredo	November 8	Single Family	Training
Colonia Model Subdivision application workshop	Del Rio	November 9	Single Family	Training
Briefing with Bee County officials on affordable housing	Beeville	November 9	Policy & Public Affairs	Briefing
FEMA Planning Meeting	Austin	November 9	Policy & Public Affairs	Meeting
Hearing on 2006 SLIHP	Austin	November 10	Board, Executive, Policy & Public Affairs	Public Hearings
V.G. Young Institute on County Government	College Station	November 15	Manufactured Housing	Presentation
FEMA Planning Meeting	Austin	November 15	Policy & Public Affairs	Meeting
Senate Finance Hearing	Beaumont	November 16	Board, Executive, Office of Colonia Initiatives, Policy & Public Affairs	Testimony, Monitoring
Canal Street SRO grand opening	Houston	November 17	Board, Executive	Remarks, Participant
PIAC Meeting	Austin	November 17	Policy & Public Affairs	Meeting
First Time Homebuyer Information Forum	Houston	November 19	Single Family	Presentation
Envision Central Texas	Creedmoor	November 19	Policy & Public Affairs	Attendee
Meeting with staff of Lieutenant Governor's Office	Austin	November 21	Policy & Public Affairs	Meeting
HOME Single Family application round table	Austin	November 30	Single Family	Training

Memorandum

To: Edwina Carrington

From: Gordon Anderson

cc: Bill Dally, Michael Lyttle

Date: January 10, 2006

Re: TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for December 2005. The information provided focuses primarily on activities Executive and staff has taken on voluntarily, as opposed to those mandated by the Legislature (i.e., tax credit hearings, TEFRA hearings, etc.). This list may not account for every activity undertaken by staff, as there may be a limited number of events not brought to my attention.

For brevity sake, the chart provides the name of the event, its location, the date of the event, division(s) participating in the event, and an explanation of what role staff played in the event. Should you wish to obtain additional details regarding these events, I will be happy to provide you with this information.

TDHCA Outreach Activities, December 2005

A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public

Event	Location	Date	Division	Purpose
"Fraud Prevention in Texas Government" conference	Austin	December 6	Internal Audit	Panelist
Interagency Council for Healthy Families meeting	Austin	December 6	Policy & Public Affairs	Participant
FEMA housing conference	Austin	December 7	Policy & Public Affairs	Panelist
ORCA/TDHCA RAF briefing	Austin	December 7	Policy & Public Affairs	Briefing
Manufactured Housing Proposed Rule,	Austin	December 9	Manufactured Housing, Policy & Public Affairs	Public Hearing
LBB presentation on Bond Programs	Austin	December 9	Bond Finance, Multifamily, Policy & Public Affairs	Presentation
2006 Real Estate Analysis Rules and Guidelines	Austin	December 13	Real Estate Analysis	Public Meeting
Texas Mortgage Broker Networking seminar	Dallas	December 15	Single Family	Presentation, Exhibitor
LBB presentation on Compliance, Housing Research Center	Austin	December 20	Portfolio Management & Compliance, Policy & Public Affairs	Presentation

M E M O R A N D U M

TO: Edwina Carrington, Executive Director

FROM: Michael Lyttle, Director of Policy & Public Affairs

RE: Response to Board Member Query for Executive Directors Report in January 2006 TDHCA Board Meeting

DATE: January 10, 2006

During the TDHCA board meeting of December 14, 2005, Vice Chairman Conine asked staff to report back to him with information regarding vacancy status of TDHCA multifamily units set aside for persons with disabilities.

Since publication of the 2002 Qualified Allocation Plan, which was the first year requiring Section 504 compliance, 291 units have been constructed or adapted for persons with disabilities. Of those units, 259 are currently occupied and 32 are vacant, making 89% of the “504 units” occupied.

MULTIFAMILY FINANCE PRODUCTION DIVISION
QUARTERLY REPORT OF CHANGES IN OWNERSHIP
(Covers changes from last report on October 13, 2005 through December 22, 2005)

Dev. No.	Date Approved	Development	City	County	Region	Entity Departing (GP=general partner, O=owner, SLP=special limited partner, D=developer)	New Member or Owner	Type of Ownership Change (S=sale. FS=sale involving foreclosure. R=restructure. D=default/removal of GP. NC=name change. L=change of limited partner). O=other change
01466	9/28/05	Copperwood Ranch	Houston	Harris	6	Copperwood Esperanza, LLC (GP)	Harris County Housing Authority (HCHA) (GP)	R - New GP replaced original GP, in an HCHA purchase of the property.
06547	9/28/05	Parkwood Place	Plano	Collin	3	NA	Steadfast Affordable Housing, Inc. (Buyer & 100% Shareholder)	S - Shareholders of Steadfast Affordable Housing, Inc. (Rodney Emery) purchased 100% of the stock of the owner's principal, LNR
02461	9/30/05	Woodway Square	Austin	Travis	7	Blazer Land, LLC (GP)	Blazer Realty, LLC (GP)	R - New GP replaced original GP. New GP has same member as original GP.
05080	10/6/05	Cambridge Villas	Pflugerville	Travis	7	NA	Encinas Group of Texas, Inc. (SLP)	R - The original developer and guarantor was given an additional position as a "Class C Limited Partner.
04222	10/10/05	Primrose at Highland	Dallas	Dallas	3	Housing Services, Inc. (Co-GP) nonprofit	SHC Development, LLC (Co-GP)	R - A nonprofit co-general partner replaced the original nonprofit Co-GP.
94110	10/12/05	Windcrest West Road	Houston	Harris	6	Windcrest/West, Ltd. (O) (Charles B. Palmer, America's Preferred Homes, principal)	Houston Windcrest West Road I, L.P. (O), On Track Ministries (GP), Robert Turner (guarantor)	D - America's Preferred Homes (Charles Palmer represented by Robert Bobinchuck) was owner. Syndicator replaced owner with a nonprofit GP
95009	10/12/05	Mission Woods	Spring	Harris	6	Windcrest/Spring, Ltd. (O) (Charles B. Palmer, America's Preferred Homes, principal)	Spring Windcrest Spring I, L.P. (O), On Track Ministries (GP), Robert Turner (guarantor)	D - America's Preferred Homes (Charles Palmer represented by Robert Bobinchuck) was owner. Syndicator replaced owner with a nonprofit GP
96042	10/12/05	Mission Village	Lubbock	Lubbock	1	Windcrest/Lubbock, Ltd. (O) (Charles B. Palmer, America's Preferred Homes, principal)	Lubbock Windcrest Village I, L.P. (O), On Track Ministries (GP), Robert Turner (guarantor)	D - America's Preferred Homes (Charles Palmer represented by Robert Bobinchuck) was owner. Syndicator replaced owner with a nonprofit GP with operations guaranteed by Robert Turner &
97058	10/12/05	Mission Square	Lubbock	Lubbock	1	Estacado Housing, Ltd. (O) (Charles B. Palmer, America's	Lubbock Windcrest Estacado I, L.P. (O), On Track Ministries	D - America's Preferred Homes (Charles Palmer represented by Robert Bobinchuck) was owner.
02043	10/14/05	King's Crossing	Kingsville	Kleburg	10	Housing Associates (Co-GP)	Kingsville Affordable Housing, Inc. (Co-GP)	R - A nonprofit co-general partner replaced one of two original Co-GPs.
01162	10/220/05	Town Park	Houston	Harris	6	Tasek Management (GP)	Alix Capital Investments, Inc. (GP)	R - A single-asset entity replaced the original GP. Both the original and successor GPs are owned by the same owner.

PROCESS RELATING TO 4% HOUSING TAX CREDIT APPLICATIONS OBTAINING NEW BOND RESERVATION DOCKET NUMBERS

This document is provided to give direction to Tax-Exempt Bond Development applicants as defined in §50.3(82) (and further described in §50.12) of the 2006 Qualified Allocation Plan and Rules (QAP). These are applications for which a 4% housing tax credit application associated with tax-exempt bonds has been submitted to the Texas Department of Housing and Community Affairs (the Department). In particular, this document describes the process the Tax-Exempt Bond Development applicants must follow if they have submitted an Application for tax credits associated with a given Bond Review Board (BRB) reservation docket number ("docket number") and subsequently withdraw that docket number and are reissued a new docket number.

Upon withdrawal of a reservation from the BRB, the applicant must notify the Department. To the extent that a Determination Notice has been issued, the Department will rescind that Determination Notice such that no Determination Notice remains outstanding without a docket number. During this period for which there is no assigned Determination Notice, the Department will proceed with processing of all other applications. As it relates to §50.9(j)(2) of the QAP, relating to capture rate, it should be noted that the newly assigned docket number (not the original docket number) will be the docket number utilized in determining a conflict. It is possible that due to other application and/or allocation activity in a given geographical area, the capture rate or market demand may change.

One of the following two scenarios will apply to an application requesting a Determination Notice for a development which has previously submitted a complete application:

Option 1: If the new docket number is issued not more than six months from the date the original bond application is withdrawn from the BRB, the docket number is from the same program year as the original docket number and the application remains unchanged, then the Applicant need only submit the attached certification. This means that at a minimum, the following can not have changed: site control, total number of units, unit mix (bedroom sizes and income restrictions), design/site plan documents, financial structure including bond and housing tax credit amounts, development costs, rent schedule, operating expenses, sources and uses, ad valorem tax exemption status, target population, scoring criteria (TDHCA issues) or BRB priority status including the effect on the inclusive capture rate. Note that the entities involved in the applicant entity and developer can not change; however, the certification can be submitted even if the lender, syndicator or issuer changes, as long as the financing structure and terms remain unchanged. Notifications under §50.9(h)(8) are not required to be reissued. In the event that the Department's Board has already approved the application for tax credits, the application is not required to be presented to the Board again and a revised Determination Notice will be issued once notice of the assignment of a new docket number has been provided to the Department and the Department has confirmed that the capture rate and market demand remain acceptable. In the event that the Department's Board has not yet approved the application, the application will continue to be processed and ultimately provided to the Board for consideration. This certification must be submitted no later than thirty days after the date the Bond Review Board issues the new docket number and no later than thirty days before the anticipated closing.

Option 2: If the new docket number is issued more than six months after the date the original bond application is withdrawn from the BRB, or if the new docket number is issued in a different program year than the program year under which the original docket number was issued, or if the application does include changes, a new tax credit application, in its entirety, must be submitted to the Department and undergo the formal review process including Board approval, regardless of any prior Board approval. Third party reports (market study, environmental studies, property condition assessment, appraisals, etc.) must meet the requirements of the current QAP; if the QAP permits it, an update in lieu of an entirely new report is acceptable. For all applications submitting a new application, a new application number will be assigned and an application fee must be submitted again; do not use the previously assigned application number on submission documents. Further, for all applications submitting a new application, the timeframe for submission is that in §50.12(a)(2) of the 2006 QAP.

CERTIFICATION FOR 4% HOUSING TAX CREDIT APPLICANTS OBTAINING A NEW BOND RESERVATION DOCKET NUMBER

Development Name:	______________________	Application #:	______________________
Site Address:	______________________	Site City:	______________________
Applicant Legal Name:	______________________	Applicant Contact:	______________________

On behalf of the Applicant and all affiliates of the Applicant (hereinafter "Applicant") as defined in the Qualified Application Plan Section 50.3(2) as published in 10 Texas Administrative Code §50.3(2), I hereby certify that the information contained in our original application to the Texas Department of Housing and Community Affairs for Housing Tax Credits has not changed. I certify that, as it regards the Application named above, the following, at a minimum, have not changed: site control, total number of units, unit mix (bedroom sizes and income restrictions), design/site plan documents, financial structure including bond and housing tax credit amounts, development costs, rent schedule, operating expenses, sources and uses, ad valorem tax exemption status, target population, scoring criteria (TDHCA issues) or BRB priority status including the effect on the inclusive capture rate. I certify that the entities involved in the applicant entity and developer have not changed and further certify that if the lender, syndicator or issuer have changed, the financing structure and terms remains unchanged.

Applicant acknowledges that all representations, undertakings, and commitments made by Applicant in the original application process for a Development, whether with respect to Threshold Criteria, or otherwise, shall still 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 in the original application are enforceable by the Texas Department of Housing and Community Affairs and the tenants of the Development, including enforcement by administrative penalties for failure to perform, in accordance with the LURA. The Applicant hereby asserts that the information contained in the original application as required or deemed necessary by the materials governing the Housing Tax Credit Program are true and correct.

By: ______________________________ ____________ Its: ______________________________

Signature of Applicant/Owner *Date*

____

Printed Name

STATE OF: ______________________

COUNTY OF: ______________________

I, the undersigned, a notary public in and for said County, in said State, do hereby certify that ______________________________________ , whose name is signed to the foregoing statement, and who is known to be one in the same, has acknowledged before me on this date, that being informed of the contents of this statement, executed the same voluntarily on the date same foregoing statement bears.

Given under my hand and official seal this ___ day of ______________________, _____. (seal)

______________________________________ ____________________

Notary Public Signature *Commission Expires*