

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FY 2008 TEXAS BOOTSTRAP LOAN PROGRAM
NOTICE OF FUNDING AVAILABILITY**

The Texas Department of Housing and Community Affairs (TDHCA), through its Office of Colonia Initiatives (OCI), is pleased to announce the availability of approximately Six Million Five Hundred Thousand Dollars (\$6,500,000) of State of Texas Housing Trust Funds for the Texas Bootstrap Loan Program.

The purpose of the funding is to purchase land and build new residential or improve existing residential housing through self-help construction methodologies for very low and extremely low income individuals and/or families (Owner-Builders) including persons with special needs. In an effort to attract a diverse group of nonprofit organizations that will serve various populations throughout the state and improve upon the efficiency of the traditional funding method, a reservation system will be initiated with this Notice of Funding Availability (NOFA). The reservation system will be utilized to secure these funds for Owner-Builder Applicants through nonprofit organizations certified by TDHCA as a Nonprofit Owner-Builder Housing Provider (NOHP) that has executed a Loan Origination Agreement in order to ensure compliance with the Texas Bootstrap Loan Program Rules and Guidelines.

In order for a nonprofit organization to be certified by TDHCA as a NOHP, the nonprofit organization must also qualify as a tax-exempt organization listed under Section 501(c)(3) of the Internal Revenue Code of 1986.

Nonprofit Owner-Builder Housing Provider Requirements

Designation as a NOHP and subsequent execution of a Loan Origination Agreement will entitle nonprofits to:

1. Qualify potential Owner-Builders for loans under this program.
2. Assist Owner-Builders in constructing or rehabilitating their home.
3. Possibly originate and/or service loans in compliance with Texas Bootstrap Loan Program Rules and Guidelines.
4. Provide Owner-Builder education classes such as:
 - financial responsibilities of an Owner-Builder, including the consequences of an Owner-Builder's failure to meet those responsibilities;
 - building of housing by Owner-Builders;
 - resources for low-cost building materials available to Owner-Builders; and
 - resources for building assistance available to Owner-Builders.

Section 2306.753(a) of the Texas Government Code directs TDHCA to establish a priority in directing funds to Owner-Builders with an annual income of less than \$17,500. 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 may not exceed a combined \$60,000 per household. An NOHP will only be allowed to have up to ten reservations at any given time. 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.

Owner-Builder Eligibility Requirements

To be eligible for up to a \$30,000 loan from TDHCA, an Owner-Builder:

1. Must not have an annual income that exceeds 60%, 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.
4. Must agree to provide at least 60% of the labor necessary to build or rehabilitate the proposed housing by working through a state certified NOHP; or must agree to provide an amount of labor equivalent to the amount required in connection with building or rehabilitating housing for others through a state certified NOHP.
5. Must not be currently delinquent or in default on any government loan.
6. Must not be currently delinquent or in default on child support payments.
7. Total debt to income ratio cannot exceed 45%.

TDHCA is required under Section 2306.753(d) of the Texas Government Code, to set aside at least two-thirds (\$4,333,333) 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, of the Water Code. The Texas Water Development Board has determined that an economically distressed area which has a median household income that is not greater than 75% of the median state household income which are identified by census tracts. The eligible census tracts are listed at the TDHCA website. The remainder of the funding, one-third (\$2,166,667), will be available statewide.

The amounts available for distribution are as follows:

For Fiscal Year 2008 (September 1, 2007)

\$4,333,333	Economically Distressed Areas (EDA)
\$2,166,667	Balance of State

In order to submit an Owner-Builder loan application for reservation, an NOHP that has received a Program award in the past must be meeting all performance benchmarks as outlined in their current contract, must execute a Loan Origination Agreement with the Department and must attend a Loan Reservation System training provided by the Department.

Reservation System Guidelines

After being certified as an NOHP and executing a Loan Origination Agreement, the nonprofit organization may begin to submit loan applications on behalf of the Owner-Builder Applicant. If more than one Owner-Builder Application is submitted they will be processed in the order entered into the Reservation System.

All Application/Compliance Packages will be reviewed on a first-come, first-served basis. There will be no expedited applications except for an Owner-Builder Applicant with an annual income of less than \$17,500.

The following guidelines are a supplement to the Texas Bootstrap Loan Program Rules and Texas Bootstrap Loan Program Manual. This overview of the Reservation System will assist the NOHP on how to originate loans on behalf of TDHCA under the Texas Bootstrap Loan Program Reservation System.

After the Loan Origination Agreement is executed, the NOHP must register each individual Owner-Builder Applicant into the TDHCA Texas Bootstrap Loan Program Registration System using the TDHCA website. After registering the Owner-Builder Applicant, TDHCA must receive the completed Application/Compliance Package (Exhibit 9 of the Texas Bootstrap Loan Program Manual) within five business days of the date the registration was entered into the system.

TDHCA Office of Colonia Initiatives (OCI) staff will review the Application/Compliance Package within ten business days to ensure that the Owner-Builder Applicant meets all program rules and guidelines. The NOHP will be notified in writing in the form of a Deemed Eligible Letter, that the Owner-Builder Applicant has been deemed eligible and that funds have been reserved for one year from the date of issuance of a Deemed Eligible Letter (Form 10 of the Texas Bootstrap Loan Program Manual).

If TDHCA staff is unable to deem the Owner-Builder Applicant eligible the NOHP will be notified in writing of the reason(s) by either a Notice of Deficiency Letter (Form 13 of the Texas Bootstrap Loan Program Manual) or Applicant Deemed Ineligible Letter (Form 12).

Incomplete Application/Compliance Packages will not be accepted. All incomplete packages will be returned to the NOHP and the reservation will be cancelled. The NOHP must resubmit a new reservation and the Application/Compliance Package to TDHCA in order to be reconsidered for funding.

Maximum reservations allowed at any given time: 10

Performance Benchmarks

Once an Owner-Builder has been deemed eligible and funds have been reserved, depending on the type of loan being requested the NOHP must meet the following performance benchmarks.

If the Owner-Builder Applicant qualifies for the Texas Bootstrap Loan Program, the OCI will issue a deemed eligible letter (pre-approval) which reserves the funds (up to \$30,000 per reservation) for 12 months. The NOHP, in accordance with the Texas Bootstrap Loan Program Rules, will be given a 6% administration fee upon completion of the house and closing of each mortgage loan.

In an effort to expedite expenditures, the NOHP will be required to meet specific performance benchmarks on that home within 12 months of the reservation. If the NOHP fails to meet the required benchmarks, the reservation will be subject to cancellation in accordance with the Loan Origination Agreement. TDHCA may choose to provide one 45-day extension due to extenuating circumstances that were beyond the Owner-Builder's and/or the NOHP's control. If the NOHP cannot meet the required benchmarks after the 45-day extension, the reservation will be cancelled. In order to receive another reservation on the same Owner-Builder Applicant the NOHP will be instructed to submit an updated application to ensure that the Owner-Builder Applicant still meets all Texas Bootstrap Loan Program Rules and Guidelines.

Nonprofit organizations that have been certified as an NOHP and have executed the Loan Origination Agreement with TDHCA may begin submitting Owner-Builder loan applications to TDHCA.

Purchase Money Loan:

- Within 90 days of the respective reservation date the NOHP must have initiated the preconstruction process which includes the homeownership education and counseling programs of the organization.
- Within 180 days of the respective reservation date construction must have started on the unit; and
- Within one year of the respective reservation date the unit must be 100% complete and the purchase money loan must have closed with the Owner-Builder Applicant.

Interim and Residential Construction Loans:

- Within 90 days of the respective reservation date, the loan must close and construction must have started on the unit;
- Within 180 days of the respective reservation date, the unit must be at 40% completion;
- Within 270 days of the respective reservation date, the unit must be at 80% completion; and
- Within one year of the respective reservation date, the unit must be 100% complete and the purchase money loan must have closed with the Owner-Builder Applicant.

The NOHP state certification application may be downloaded from TDHCA's web-site located at <http://www.tdhca.state.tx.us/ocidocs/NOHPApp.doc>.

TDHCA will begin accepting reservations on November 1, 2007, and continue to accept reservations on an ongoing basis until such time as all funding has been committed.

Implementation Workshops

Implementation Workshops on how to access and utilize the reservation system and originate Texas Bootstrap Loan Program Loans will be held at the following locations:

Joe C. Thompson Conference Center Room: 3.108 2405 Robert Dedman Drive Austin, TX 78712 Date: October 10, 2007 Time: 9:00 a.m. to 4:00 p.m.	McAllen City Hall Commissioner's Court 1300 Houston Avenue McAllen, Texas 78501 Date: October 12, 2007 Time: 9:00 a.m. to 4:00 p.m.
Dallas Area Habitat for Humanity 2800 N. Hampton Road Dallas, TX 75212 Date: October 15, 2007 Time: 9:00 a.m. to 4:00 p.m.	TDHCA-State Office Building 5 th Floor Conference Room 401 East Franklin El Paso, Texas 79901 Date: October 18, 2007 Time: 9:00 a.m. to 4:00 p.m.
Port Arthur Housing Authority Conference Room 902 Dequeen Blvd. Port Arthur, Texas 77650 Date: October 23, 2007 Time: 9:00 a.m. to 4:00 p.m.	Webb County Self-Help Center 8116 Highway 359 Laredo, Texas 78043 Date: October 25, 2007 Time: 9:00 a.m. to 4:00 p.m.

All interested parties are encouraged to participate in this program. If you plan on attending a workshop or need more information regarding this NOFA please call Raul Gonzales with the Office of Colonia Initiatives at (800) 462-4251 or you may visit our website at <http://www.tdhca.state.tx.us/oci/index.jsp> or e-mail your request to raul.gonzales@tdhca.state.tx.us.