



TDHCA Governing Board Single Family Activities Committee Meeting Transcript*

***2:00 p.m.
June 11, 2025***

***Dewitt C. Greer State Highway Building,
Williamson Board Room***

125 E. 11th Street, Austin, TX 78701

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BOARD MEMBERS:

HOLLAND HARPER

LEO VASQUEZ III

KENNY MARCHANT

ANNA MARIA FARIAS

AJAY THOMAS

SPEAKERS:

Abigail Versyp

Bobby Wilkinson

Andre Adams

Megan Sylvester

Brooke Boston

Scott Fletcher

Lisa Johnson

1 **Holland Harper (0:05:13):**

2 Welcome. It's 1400 on June 11th and welcome to the
3 Single-Family Activities Committee, the governing board
4 of the Texas Housing Department of Housing Community
5 Affairs. To my right, I have Ms. Farias. To my left, I
6 have Mr. Marchant and the chairman. We have a quorum.
7 We're rolling forward. I have Abigail Versyp leading
8 the charge. You ready, ma'am?

9

10 **Abigail Versyp (0:05:38):**

11 Yes.

12

13 **Holland Harper (0:05:39):**

14 Let's go.

15

16 **Abigail Versyp (0:05:44):**

17 Hi. Good afternoon. Abigail Versyp, Director of Single
18 Family & Homeless Programs...

19

20 **Holland Harper (0:05:53):**

21 So, Abigail, I understand we have 90 slides. Is that
22 correct today?

23

24

25 **Abigail Versyp (0:06:00):**

26 Not that many slides. I had...

27

28 **Holland Harper (0:06:01):**

29 You don't have 90 slides?

30

31 **Abigail Versyp (0:06:03):**

32 I do not have 90 slides.

33

34 **Holland Harper (0:06:04):**

35 Okay. Scott, you have 90 slides? Oh, okay. Well,

36 Abigail, please come forward.

37

38 **Abigail Versyp (0:06:13):**

39 I don't even have 45 slides.

40

41 **Holland Harper (0:06:15):**

42 Oh, rats.

43

44 **Abigail Versyp (0:06:17):**

45 Thank you. All right. So again, Abigail Versyp,

46 Director of our Single Family and Homelessness Program,

47 thank you for the opportunity to present information

48 about the work of our division at SFHP. We provide

49 meaningful assistance to low-income Texans for their
50 housing needs. We oversee TDHCA's permanent programs
51 that address homelessness. But today we're going to
52 focus on the other side of the shot, our Single-Family
53 Activities. I'm going to begin with an overview of our
54 funding sources and information about the structure of
55 the division. Then I'll follow with more specific
56 information about the Single-Family Programs offered.
57 There is an attachment to your report that also provides
58 a summary of the Single-Family Programs in our oversight
59 for your reference, and you also have your PowerPoint
60 slides. So our main funding source in Single-Family
61 Homeless Programs by far is the U.S. Department of
62 Housing and Urban Development or HUD. HUD funds are
63 distributed to TDHCA directly for our HOME and our
64 Section 8 Programs. Our CDBG funds that we administer
65 for Colonia Self-Help Center Program come to THCA
66 through the Texas Department of Agriculture, who's the
67 state's CDBG grantee, and those funds represent 2.5
68 percent of the state allocation of CDBG funding.

69

70 In addition to our HUD funding, we administer funds
71 under the Texas Housing Trust Fund or Texas HTF. If I
72 say HTF during the course of this presentation, I am

73 talking about the Texas Housing Trust Fund, not the
74 National Housing Trust Fund, which all those funds go to
75 multifamily at this time. The Texas HTF funds are
76 comprised of funds allocated from state general revenue
77 and proceeds from loans made under prior Texas HTF. So
78 this chart is a breakdown of our Single Family funding
79 between HUD funds and state funds. As you can see, HUD
80 provides most of the funds, and the vast majority of HUD
81 funds are for the Section 8 Program and the HOME
82 Program. While we do program, some HOME funds that come
83 to the Department for multifamily, those funds are not
84 represented on this chart. So this only includes the
85 Single-Family share of HOME funds that we have
86 programmed for the upcoming fiscal year.

87

88 This next chart provides a more detailed look at how
89 Single-Family funds are programmed for FY 2026. For
90 Section 8, this number is going to be adjusted because
91 HUD sends us basically a monthly funding update that
92 lets us know how much we need for the month, and that's
93 what they distribute. But this is the estimate that was
94 taken from our Action Plan in the State Low Income
95 Housing Plan or the SLIHP. For HOME and Colonia Self-
96 Help, these amounts are taken from our one-year Action

97 Plan, which should be submitted to HUD soon. It's still
98 in its comment phase. And the numbers for the Texas HTF
99 programs are taken from the State Conference bill. The
100 HTF funds can increase as we receive excess proceeds
101 from loans that exceed the amount that were included in
102 our budget.

103

104 **Holland Harper (0:09:33):**

105 Let's slow down just a hair.

106

107 **Abigail Versyp (0:09:35):**

108 I'm sorry.

109

110 **Holland Harper (0:09:36):**

111 No, no. It's just so in Section 8, we have about \$23
112 million. And the HOME funds we have \$20 million. And
113 the TDA, is that the Colonia?

114

115 **Abigail Versyp (0:09:48):**

116 Well, the HOME we have multiple Home Program activities.
117 So it's, HOME is the combination of HOME HRA, HOME TDRA,
118 HOME CFD, HOME SFD, and HOME HANC.

119

120

121 **Holland Harper (0:10:03):**

122 Okay. And which one does the Colonia hit?

123

124 **Abigail Versyp (0:10:05):**

125 That is CDBG, CSHC.

126

127 **Holland Harper (0:10:08):**

128 Which is not that much money. That's fine.

129

130 **Abigail Versyp (0:10:10):**

131 It is not very much money.

132

133 **Holland Harper (0:10:11):**

134 Got it.

135

136 **Abigail Versyp (0:10:12):**

137 Yeah.

138

139 **Holland Harper (0:10:14):**

140 Okay.

141

142 **Abigail Versyp (0:10:17):**

143 So moving on to funding mechanisms, and this may be a

144 question. Why don't we see awards of HOME funds from

145 the Single-Family Program coming to the Board? Our
146 funds are awarded to subrecipients, or we call them
147 administrators, but they're technically subrecipients.
148 And we use two different funding mechanisms based on the
149 fund, based on the needs of the program. Right now, the
150 only programs that we use contract award for are our
151 HOME Single Family Development Program and our Colonia
152 Self-Help Center Program.

153

154 The reason we use awards for those are because for
155 Colonia Self-Help, we're statutorily required to award
156 contracts. And for HOME Single Family Development, we
157 have to have enough information that it constitutes a
158 ready-to-proceed project in order to enter into a
159 contract. And so we have to do it that way to set aside
160 any funds. So all of our other programs use
161 subrecipients, and those funds are awarded through a
162 reservation system. We do bring a note letter to you
163 every year letting you know how much funding that we
164 would like to commit into the reservation system and
165 seek your approval.

166

167 In order to get access to the reservation system, an
168 organization still has to apply for a reservation

169 agreement. They still have to go through previous
170 participation review. And what the agreement does is it
171 gives them access to a pool of funding that they can use
172 to reserve funds as they have a project that's ready to
173 proceed. While they both go through the vetting
174 process, the only... If there is a reservation
175 agreement, we go through the full, it used to be the
176 IRAC process, but now it's a different process. They
177 get approved, but they just don't come to the Board.
178 And then organizations are allowed to access the
179 funding. So it's a contract that's not really a
180 contract because there's no consideration in it until we
181 have a real project ready to go.

182

183 So when they do have a project to go, they can reserve
184 funds, and then we will review all of the project-
185 specific information. And the Board has delegated
186 authority to staff to executive director or designee to
187 sign that project-specific commitment fund. We have
188 found that the reservation system is really popular with
189 our subrecipients. It allows them to scale up or down
190 if they need to, and they don't have any penalty for
191 failing to meet a performance benchmark. It also allows
192 us to meet our deadline more easily because we know they

193 have a product ready to go before we set any funds aside
194 for them.

195

196 As you can imagine, it takes a lot of hands to
197 administer these programs efficiently. We have a total
198 of 30 staff with one additional vacant position that
199 we're closing. We're grouped by management teams. The
200 program managers for Single Family are Chad Landry, who
201 oversees the HOME Texas HTF and CDBG-funded program, and
202 Andre Adams, who leads the Section 8 team.

203

204 In addition to management of programs, we require a team
205 focused on fiscal and reporting requirements, which is
206 headed up by Jackie Welch. The fiscal and reporting
207 team holds double duty between Single Family Programs
208 and Homelessness Programs, and they also manage our
209 division's strategic planning.

210

211 As our portfolio continued to grow, we found we needed a
212 dedicated staff to oversee our mortgage loan-specific
213 activities, as well as a dedicated person to work out
214 issues with our REO properties that come into our
215 portfolio from time to time. Luis Diaz takes care of

216 these items for us as our Single-Family Loan and Asset
217 Project Manager.

218

219 **Kenny Marchant (0:14:12):**

220 Mr. Chairman.

221

222 **Holland Harper (0:14:14):**

223 Please go ahead, Mr. Marchant.

224

225 **Kenny Marchant (0:14:16):**

226 Can you give me an approximate amount of money that each
227 one of these team leaders manages or...

228

229 **Abigail Versyp (0:14:22):**

230 Oh, number of staff?

231

232 **Kenny Marchant (0:14:26):**

233 Dollars.

234

235 **Abigail Versyp (0:14:28):**

236 I would have to go to the chart and do some quick math.

237

238

239

240 **Holland Harper (0:14:30):**

241 But it's in that chart that you had before by each
242 group. So 20, if you go... Unfortunately, it's pretty
243 small to read your slide.

244

245 **Kenny Marchant (0:14:36):**

246 Yeah. That's what I was having trouble with.

247

248 **Abigail Versyp (0:14:39):**

249 Bear with me, I can help you.

250

251 **Kenny Marchant (0:14:42):**

252 Okay. So it's in these numbers?

253

254 **Holland Harper (0:14:45):**

255 Yeah. So CDBG only has 1.8 million people. Or not CDBG.
256 TBG, which is Colonia has 1.765. Does that look about
257 right?

258

259 **Abigail Versyp (0:14:57):**

260 Yes.

261

262

263

264 **Holland Harper (0:14:57):**

265 And it's got how many staff members on it? 40 and

266 above?

267

268 **Abigail Versyp (0:15:00):**

269 That is under Chad Landry. We have an office of Colonia

270 Initiatives that oversees Colonia Self-Help that has a

271 staff of two, and that's under Chad Landry.

272

273 **Holland Harper (0:15:12):**

274 Okay. So...

275

276 **Abigail Versyp (0:15:14):**

277 And then, so Andre has the 23.7 under Section 8...

278

279 **Holland Harper (0:15:19):**

280 Got you.

281

282 **Abigail Versyp (0:15:20):**

283 And everything else here is under Chad Landry.

284

285 **Holland Harper (0:15:23):**

286 Got you.

287

288 **Kenny Marchant (0:15:24):**

289 And are these, this is the first time I've had any this
290 kind of briefing on this, so forgive me for a couple of
291 these questions.

292

293 **Holland Harper (0:15:32):**

294 That's why we're here, Mr. Marchant.

295

296 **Kenny Marchant (0:15:33):**

297 Are these positions mandated by statute or are they
298 organizational in nature? And are we forced to have
299 certain staff by statute or do they just...

300

301 **Bobby Wilkinson (0:15:49):**

302 Not that I know. Not that I'm aware of them. We have
303 to have staff enough to administer the program, and
304 we're allowed a certain amount to administer the
305 program. We typically don't spend all our admin dollars
306 in a lot of areas and then funnel it back into the
307 program. At least that's the case for I don't know,
308 Community Affairs...

309

310

311

312 **Abigail Versyp (0:16:07):**

313 That is often the case. For example, with our HOME
314 funds, we haven't even begun to touch administration
315 from our '23 or '24 HOME administrative funds. So the
316 last time we took \$5 million from our administrative
317 funds because they were about to expire and pop them
318 into program. We evaluate that from time to time.

319

320 **Kenny Marchant (0:16:26):**

321 Okay. So you accumulate the administrative cost and pop
322 them into projects that you decide are worthy.

323

324 **Bobby Wilkinson (0:16:35):**

325 Yeah. We can't spend it. We don't just hire folks.
326 Sometimes talking to people from other states, they're
327 always like, I don't have enough admin for this program
328 or that program. And I feel almost embarrassed, like,
329 well, we sweep it and put it back into the grant funds
330 because we don't need it all.

331

332 **Kenny Marchant (0:16:49):**

333 Thank you.

334

335

336

337 **Holland Harper (0:16:52):**

338 How do you scorecard this? How do you know if you're
339 winning?

340

341 **Abigail Versyp (0:17:00):**

342 Define winning.

343

344 **Holland Harper (0:17:01):**

345 All right. If we were a business, we'd have a P&L
346 statement, right? We need a black or the red and how
347 much margin are we making? In this case, we have
348 Colonia or I think whichever one. Take Section 8 at \$23
349 million and we're servicing 34 counties, which I know
350 there's more Section 8 than that in the entire state,
351 but this just seems to be your deal. How do you know if
352 you're winning? How do you know if you're... Are
353 people graduating from Section 8 and going to making
354 more money? Are they staying in Section 8 forever? Are
355 people start coming out of that?

356

357 **Abigail Versyp (0:17:37):**

358 Those aren't metrics that we track for Section 8. Many
359 of our Section 8 clientele are persons with

360 disabilities. So that is not data that we track on
361 Section 8. What we look for is compliant expenditure of
362 fund. So I...

363

364 **Holland Harper (0:17:53):**

365 Yeah. But now hold on a second, Ms. Versyp. I mean, I
366 think as the newly appointed chairman of the
367 subcommittee, I'm in the business of wanting to know,
368 are we winning? Are we making the world a better place?
369 That is our job. This is my God and country work. It
370 pays very poorly, but I do it because I want to. We are
371 gifted with a bunch of money to make the world a better
372 place. We've got a score. How are we going to make the
373 world a better place? And how are we going to make sure
374 that we're providing the best services of these dollars,
375 these taxpayer dollars? I don't know every detail of
376 what we've got. Well, you're going to have to help me
377 if we're going to do this more and more to figure out
378 what is winning and are we getting better and are we
379 doing a better job with the money we have to make the
380 world a better place. Please proceed.

381

382

383

384 **Abigail Versyp (0:18:50):**

385 So the answer is rental assistance. We're going to kind
386 of go over our rental assistance programs. As we all
387 know, TDHCA helps renters in a lot of ways. Most of the
388 money for rental assistance at TDHCA goes into
389 developmental multifamily properties. On our side,
390 housing assistance takes two main forms. The first, and
391 by far the largest, is monthly rental subsidy payments.
392 And then secondly, making a unit suitable for persons
393 with disabilities. So our primary means of providing
394 rental assistance and SFHP is our Section 8 Program. We
395 are a PHA. We have a set service area of these 34
396 counties that you had mentioned. This means that our
397 regular program is only offered in these 34 counties.
398 We're not a true balance estate provider. There are
399 still gaps where the Housing Choice Voucher Program
400 isn't available to Texans. But we do play a valuable
401 role in increasing geographic availability of choice
402 vouchers. Section 8 is unique among TDHCA programs
403 because we provide direct services to individual
404 households. We don't act as a pass through entity on
405 these funds as we do with our other funding sources.
406 Right now, we have an award of HCVs of 1539. But when

407 we're looking at Section 8, we have two limitations
408 we're working with.
409
410 One is the number of vouchers that HUD allows us to use,
411 and the other is the amount of funding that HUD will
412 allow us to have. And those two do not meet. So right
413 now, our funding can only fund about 600 to 700
414 vouchers. We also have some specialty vouchers. Those
415 are going to be limited to certain populations, and I'll
416 go over this briefly.

417

418 **Ajay Thomas (0:20:37):**

419 Mr. Chairman, quick question. So along the same lines
420 as the chairman asked before, so the question of how are
421 we winning, if we have because of the special
422 categories, you only have so many vouchers that
423 ultimately get used or?

424

425 **Abigail Versyp (0:20:52):**

426 It's not really because of the special vouchers. It
427 really is about the amount of money that HUD will
428 allocate.

429

430

431 **Ajay Thomas (0:20:57):**

432 Got it. So based on that, let's say. So we have 34
433 counties. You have these many dollars that are going
434 out to these different programs but particularly like
435 Section 8. Do we cross-reference with local housing
436 agencies or the county itself and figure out what is
437 their eligible Section 8 percentage in that county? And
438 are we allocating? Are we targeting the money so that
439 we make sure that in the areas of most need, those
440 dollars are getting allocated to the right place?

441

442 **Abigail Versyp (0:21:25):**

443 Right. Our service area is set. And how much money
444 gets utilized in each county is very dependent on HUD's
445 estimate of how much rent is in a jurisdiction, as well
446 as how much money our tenant makes. So those are
447 calculations that we have no... We can't influence how
448 HUD sets the fair market rent, which is what we use to
449 set our subsidy standard, the amount that we will pay
450 per month at most, right? Most of our families are
451 working, so we're not paying 100 percent of the rent.
452 We're paying some share of the rent, some proportion of
453 the rent. But we don't have control over how that is
454 calculated.

455

456 **Holland Harper (0:22:17):**

457 So, Ms. Versyp, let me ask this question. And I don't
458 want to go down every rabbit hole. We'll be here all
459 day. There's Section 8 all over the United States, all
460 over Texas, right?

461

462 **Abigail Versyp (0:22:25):**

463 Correct.

464

465 **Holland Harper (0:22:25):**

466 I mean, I live in county, 55,000 people, and I'm in the
467 block, but I know Section 8's there.

468

469 **Abigail Versyp (0:22:33):**

470 Oh, yeah, for sure.

471

472 **Holland Harper (0:22:34):**

473 How do we choose who wins a voucher ticket, who doesn't?
474 And why is that separated from the current Section 8
475 programs that are out there? Why is this unique than
476 something else?

477

478

479 **Bobby Wilkinson (0:22:46):**

480 So our 34 county service area, those are counties that
481 don't have housing authorities.

482

483 **Abigail Versyp (0:22:52):**

484 They may have a housing... Right. They don't have a
485 housing authority that provides Section 8 vouchers at
486 all.

487

488 **Bobby Wilkinson (0:22:56):**

489 So that we are the sole Housing Choice Voucher
490 administrator in those 34 counties. We're not quite a
491 balance of state. There are some areas that just don't
492 have anyone administering vouchers.

493

494 **Holland Harper (0:23:08):**

495 Correct.

496

497 **Bobby Wilkinson (0:23:08):**

498 I don't know, maybe Loving County, population 59 people.

499

500 **Abigail Versyp (0:23:11):**

501 Yeah. Maybe...

502

503 **Bobby Wilkinson (0:23:14):**

504 Right.

505

506 **Holland Harper (0:23:16):**

507 But then that blue block looks like Dallas or Dallas

508 County and Tarrant County.

509

510 **Abigail Versyp (0:23:21):**

511 It's areas around Ellis County, Tarrant County. So

512 we're in Ellis County. That's a really common place

513 that our vouchers are used.

514

515 **Holland Harper (0:23:31):**

516 Okay. Please proceed.

517

518 **Abigail Versyp (0:23:32):**

519 So they're kind of on the outskirts of those areas. We

520 do have vouchers that can be used statewide, and we'll

521 kind of talk about which vouchers to use that way, and

522 having to answer questions on how that works with other

523 PHAs that may become involved. So we have, in addition

524 to our regular vouchers, that's our bread and butter, 34

525 county service area standard vouchers, we have special

526 vouchers called mainstream vouchers and near elderly,

527 disabled or NED vouchers. These are HUD voucher types.
528 HUD has created these voucher types. Both of these
529 voucher types assist persons who are non-elderly, who
530 are persons with disabilities. NED vouchers have this
531 extra restriction that says that in order to get one of
532 those, you have to be transitioning from an institution,
533 you have to be at high risk of institutionalization or
534 high risk of homelessness. We use all of these types of
535 vouchers in a special program called Project Access. So
536 I'm going to touch on Project Access in the next slide.
537 But I want to finish up our special voucher. We have
538 VASH vouchers. VASH vouchers are for veterans
539 experiencing homelessness. And the way that those
540 veterans are selected is that a VA Medical Center has to
541 refer them.

542

543 So we have two VA medical centers that refer clients to
544 us. One's in the South Texas system and they serve
545 Kerrville and the other in surrounding areas. And then
546 one is in Houston and those vouchers are used in
547 Galveston County. A small portion of the vouchers in
548 Kerrville are used for project basis.

549

550

551 **Holland Harper (0:25:17):**

552 But what about the rest of them?

553

554 **Abigail Versyp (0:25:18):**

555 At Freedom's Path?

556

557 **Holland Harper (0:25:19):**

558 I mean, what about Dallas or Bonham?

559

560 **Abigail Versyp (0:25:20):**

561 Other PHAs in this are batched. And so we're kind of

562 touching on the, if you're in Houston, the Houston HHA

563 is going to be your batch provider.

564

565 **Bobby Wilkinson (0:25:28):**

566 We're a relatively small player when it comes to housing

567 authorities, right?

568

569 **Abigail Versyp (0:25:32):**

570 Oh, yeah.

571

572 **Bobby Wilkinson (0:25:33):**

573 Dallas, Houston, those are the big ones, right?

574

575 **Abigail Versyp (0:25:36):**

576 Yeah, yeah. I mean, they have thousands of vouchers, if
577 not tens of thousands of vouchers. In Kerrville, that's
578 our only place we have any project-based vouchers. And
579 those are Freedom's Path and those are project-based
580 VASH vouchers. VASH recipients do graduate, and that is
581 a tracked metric. So we know when people were using
582 VASH and they have now graduated and no longer need a
583 choice voucher.

584

585 **Kenny Marchant (0:26:02):**

586 And how much money is that?

587

588 **Abigail Versyp (0:26:04):**

589 The VASH, it's... I can't... I don't have that split,
590 but I can find out how much money. We have about 70
591 VASH vouchers.

592

593 **Kenny Marchant (0:26:12):**

594 Just give me a wild guess.

595

596 (Overlapping conversation.)

597

598

599 **Abigail Versyp (0:26:15):**

600 I would say 70 VASH vouchers at seven times six per
601 month.

602

603 **Kenny Marchant (0:26:20):**

604 42.

605

606 **Abigail Versyp (0:26:22):**

607 Yeah, maybe more.

608

609 **Kenny Marchant (0:26:23):**

610 Is that 42,000?

611

612 **Abigail Versyp (0:26:26):**

613 Yeah, 42,000. Yeah, 70 times. So let's say \$600.

614

615 **Kenny Marchant (0:26:37):**

616 Just trying to get... I'm trying to get my head around
617 how much money we're administrating.

618

619 (Overlapping conversation.)

620

621

622

623 **Abigail Versyp (0:26:43):**

624 I can get those worked out for you by program and how
625 much subsidy we pay per month. That's information I
626 have access to. I just didn't...

627

628 **Kenny Marchant (0:26:49):**

629 Yeah, I'm just trying to figure out how much per person
630 for family is.

631

632 **Abigail Versyp (0:26:53):**

633 Oh, it's dependent on how... It's not a set amount per
634 family. So if the family has zero income, they're going
635 to get more subsidy. If the family has higher income,
636 they're going to get less subsidy because the family is
637 supposed to pay 30 percent of their income. And so we
638 take what we think the rent should cost, we deduct 30
639 percent of their income, and that's what we pay. I
640 mean, there's a little nuance in here, but that's
641 essentially what it is.

642

643 **Kenny Marchant (0:27:18):**

644 Yeah. So the Federal Government, Section 8, provides
645 this money, and it goes to us because we're the state.
646 The other housing agencies, these are people that have

647 fallen between the cracks and they're not covered by any
648 other agency, right?

649

650 **Bobby Wilkinson (0:27:41):**

651 They either don't have a housing authority, or they have
652 a small housing authority that's maybe not as capable of
653 administering the voucher program.

654

655 **Kenny Marchant (0:27:48):**

656 And that's why Section 8 gave us this money to cover
657 that.

658

659 **Bobby Wilkinson (0:27:52):**

660 Yes.

661

662 **Abigail Versyp (0:27:53):**

663 Right.

664

665 **Kenny Marchant (0:27:54):**

666 Okay.

667

668 **Abigail Versyp (0:27:55):**

669 Like normally we wouldn't cover... They asked us to
670 take out this money.

671

672 **Kenny Marchant (0:27:57):**

673 Yeah, yeah. Just... Yeah.

674

675 **Abigail Versyp (0:28:02):**

676 The next vouchers. This is a big chunk of that large
677 amount of money that you saw. This is our emergency
678 housing vouchers. This is about half of our Section 8
679 funding that we have. EHV is a temporary program. It
680 was authorized under American Rescue Plan Act. Funds
681 for that program are expiring. They're ending. We've
682 gotten our final notice. So we hope to be able to
683 continue our emergency housing vouchers through fiscal
684 year 2026. But we are having learning to track and see
685 how much money is being spent per month in this one. We
686 have a set cap. That's how much we get. And we're not
687 going to get a penny more unless there is legislation
688 that grants more money to emergency housing vouchers.
689 So these were vouchers provided to persons experiencing
690 homelessness, at risk of homelessness, or fleeing
691 violence, dating violence, domestic violence. And those
692 will be going away along with essentially half of the
693 money we're using right now for our Section 8 Program.
694 We have a very large EHV Program in proportion to our

695 regular Choice Voucher Program. FYI, this is the last
696 special person vouchers. We requested vouchers. We
697 haven't heard back from them yet.
698
699 So these vouchers are for persons exiting or about to
700 exit foster care that are going to exit either in
701 homelessness or exit being at risk of homelessness.
702 These are term-limited. The Board authorized us to
703 request these. We request them as we have a use that's
704 been referred to us by Department of Family Protective
705 Services. They verify that they're eligible to use
706 these, and then we send a request to HUD for the
707 voucher. Once we have the voucher, we don't have to go
708 through that process. We can just keep recycling it.
709 So once we get our 25 vouchers, we can house these folks
710 a lot more quickly. But initial startup is slow because
711 HUD is going to review every single voucher application.
712 So unrelated to VASH or EHV or FYI, we have a special
713 program called Project Access. Project Access uses our
714 Section 8 HCV, our NED, and our mainstream vouchers to
715 provide a voucher to persons exiting institutions. So
716 these vouchers are available through referral or someone
717 can self-refer. So if we have someone that is a person
718 with a disability living in a nursing facility, that

719 would not be living in that nursing facility but for not
720 being able to afford to live in the community, they can
721 apply for a Project Access voucher.

722

723 Those can be used statewide, and they can use either
724 housing choice, a NED voucher if they're eligible for
725 that, a mainstream voucher if they're eligible for that.
726 Underneath Project Access, we have the Project Access
727 Pilot Program, which does the same thing, but it's
728 restricted solely for those exiting state psychiatric
729 hospitals. So those are all of the voucher types and
730 kind of special initiatives under Section 8 Program that
731 we're able to offer.

732

733 **Kenny Marchant (0:31:33):**

734 And how do those people find you to apply?

735

736 **Abigail Versyp (0:31:36):**

737 A lot of times the local mental health authority will
738 find us. Project Access is for state psychiatric
739 institutions. The state psychiatric hospitals have
740 relocation specialists that are on list and they know
741 that they can submit. When they ask someone that's

742 ready to go, they know they can submit the request to
743 us. It's also on our website, which I know.

744

745 **Kenny Marchant (0:32:01):**

746 Somebody exiting a psychiatric institution probably
747 isn't on the website.

748

749 **Abigail Versyp (0:32:07):**

750 They may not be on the website, but if you're in a state
751 psychiatric institution, you should be working with a
752 social worker. And those social workers should be keyed
753 into the fact that this is available.

754

755 **Kenny Marchant (0:32:17):**

756 So that's a third party, but it's usually a state
757 institution?

758

759 **Abigail Versyp (0:32:21):**

760 Right. Yeah. We usually get third-party referrals for
761 Project Access. We don't get a lot of self-referrals
762 for Project Access.

763

764 **Kenny Marchant (0:32:27):**

765 Okay.

766

767 **Holland Harper (0:32:30):**

768 How many dollars is that? How many dollars is that for
769 the Project Access?

770

771 **Abigail Versyp (0:32:34):**

772 I don't know how many dollars that is.

773

774 **Holland Harper (0:32:35):**

775 Okay. How many dollars...

776

777 **Abigail Versyp (0:32:37):**

778 Again, I can find out how many dollars that is.

779

780 **Holland Harper (0:32:39):**

781 It's okay. You can go... Listen, it's a lot of intel.

782 I am not going to hold you to it. So you said 27

783 ballpark. Just ballpark. What do you think the

784 vouchers in that program are? Just ballpark, guys.

785 Okay.

786

787 **Abigail Versyp (0:32:55):**

788 Okay.

789

790 **Holland Harper (0:32:57):**

791 Who's the biggest user of that product? Is there a
792 region that does the best job of accessing that?

793

794 **Andre Adams (0:33:05):**

795 San Antonio Area and North Central Texas column.

796

797 **Bobby Wilkinson (0:33:11):**

798 Andre, you need to come up and speak.

799

800 **Abigail Versyp (0:33:14):**

801 Please do. Thank you.

802

803 **Holland Harper (0:33:17):**

804 I'll tell you why I do like that program is I know if
805 you live in Houston, you've got 6 million people, or you
806 live in Dallas, Fort Worth, and you have 7.6 million
807 people, or you live in my little, tiny town in northeast
808 Texas. The same kind of different people that need lots
809 of mental health are the same mental people that you see
810 that need a lot of help all the time. One of the things
811 we might think about is how do we work with our sheriff
812 and our local department to key them into this or how do

813 we fix people need more help to get this thing solved.

814 You follow me?

815

816 **Anna Maria Farias (0:33:54):**

817 Mr. Chairman, may I ask a question?

818

819 **Holland Harper (0:33:56):**

820 Please.

821

822 **Anna Maria Farias (0:33:58):**

823 On the San Antonio, when you talk about Access,

824 referral, psychiatric, is these veterans or what kind of

825 patients come that way?

826

827 **Andre Adams (0:34:05):**

828 My name is Andre Adams, Section 8. For the San Antonio

829 area, those are non-veterans. Those are just folks that

830 are transitioning out of nursing facilities. People

831 with disabilities for the most part. We may get a

832 veteran, but what we try and do is refer them to the

833 local veteran commission so we can use that voucher

834 instead of Project Access.

835

836

837 **Anna Maria Farias (0:34:31):**

838 Got you. Okay.

839

840 **Holland Harper (0:34:33):**

841 Thank you, sir.

842

843 **Kenny Marchant (0:34:35):**

844 So it's 133 vouchers statewide per year.

845

846 **Andre Adams (0:34:39):**

847 130.

848

849 **Kenny Marchant (0:34:40):**

850 Yeah. Okay. For the entire state per year for that

851 program.

852

853 **Andre Adams (0:34:48):**

854 That's correct.

855

856 **Kenny Marchant (0:34:49):**

857 Okay.

858

859

860

861 **Leo Vasquez III (0:34:49):**

862 But some of the local housing authorities have their own
863 allocation above and beyond our 130.

864

865 **Kenny Marchant (0:34:57):**

866 Yeah, right. But for these 34 counties that we serve or
867 is that 34 county, is that a constant area that we
868 serve? The 34 county, is that...

869

870 **Holland Harper (0:35:10):**

871 I think Project Access is unique, isn't it?

872

873 **Andre Adams (0:35:13):**

874 Yeah. Project Access is statewide, so we can go
875 anywhere in the states if there's a local housing
876 authority that has that voucher. What we were doing at
877 one time was we had a password. We ran into some
878 problems, so we started the administering ourselves.

879

880 **Abigail Versyp (0:35:29):**

881 So we would grant the voucher, get someone housed and
882 then port them out to another housing authority.

883

884

885 **Holland Harper (0:35:36):**

886 Which would drop down our administration goals.

887

888 **Abigail Versyp (0:35:38):**

889 Right. And then we would recycle that voucher and grant

890 it to someone else. But we ran... We're administering

891 them for at least a year because the only way we get

892 administrative funding is the number of vouchers that

893 we're administering each month. So if we're doing all

894 of the work to create and establish that voucher, we

895 can't necessarily pay for that work if we don't ever

896 administer the voucher. So we're administering them for

897 a year, then we're going to try to get them to another

898 housing authority's role, and then we'll turn that over,

899 voucher over to someone else. But other housing

900 authorities don't have Project Access. This is a TDHCA

901 housing authority.

902

903 **Holland Harper (0:36:18):**

904 Thank you.

905

906 **Leo Vasquez III (0:36:19):**

907 So there are only 130 of these types of vouchers for the

908 entire state effectively?

909

910 **Andre Adams (0:36:27):**

911 There may be a few of the set-aside of mainstream
912 vouchers that the housing authority has applied for.
913 They just don't call it Project Access. So there are a
914 few housing authorities that have mainstream vouchers.

915

916 **Holland Harper (0:36:38):**

917 Is it successful?

918

919 **Andre Adams (0:36:40):**

920 Yes, it is.

921

922 **Holland Harper (0:36:41):**

923 So is it successful? I'm really going down to the last
924 one on the deal with the pilot with the Project Access
925 for persons with state psychiatric hospitals. Is that
926 product successful? Is it providing... Are we helping
927 people? Because if you look at the way our market is,
928 we're not doing a great job for people with mental
929 illness in the state of Texas and it causes lots of
930 problems. Are you having success in that program today?

931

932

933 **Andre Adams (0:37:11):**

934 Yes, we are. As a state hospital, we are 100 percent.

935

936 **Holland Harper (0:37:15):**

937 Okay. Thank you.

938

939 **Kenny Marchant (0:37:18):**

940 What's your demand versus what we're able to deliver?

941

942 **Andre Adams (0:37:23):**

943 There's a small set-aside. So we have 20 vouchers that

944 are set aside, but because they're eligible for the big

945 part of Project Access, there's more of them that are

946 eligible. They do graduate from the program and lease

947 up and move on and those vouchers are recycled.

948

949 **Kenny Marchant (0:37:40):**

950 But what, I guess my question is if you have unlimited

951 funds to administrate this program, what would be the

952 demand for it?

953

954 **Andre Adams (0:37:51):**

955 More mental health.

956

957 **Kenny Marchant (0:37:54):**

958 Yeah. No, like quantity-wise, is there...

959

960 **Leo Vasquez III (0:37:57):**

961 Is there a waiting list?

962

963 **Holland Harper (0:37:59):**

964 1000, 500, a million?

965

966 **Andre Adams (0:38:02):**

967 Not a lot of waiting list.

968

969 **Kenny Marchant (0:38:07):**

970 If we doubled the number that went into here, would the

971 amount of funds outstrip the amount of people you'd be

972 able to place?

973

974 **Andre Adams (0:38:16):**

975 Oh, definitely. I'll definitely say that.

976

977 **Holland Harper (0:38:24):**

978 Any further questions? Ms. Versyp, let's keep going.

979 Thank you.

980

981 **Andre Adams (0:38:29):**

982 Thank you.

983

984 **Abigail Versyp (0:38:32):**

985 Thank you so much, Andre. Our second form of rental
986 assistance is very similar to the Housing Choice Voucher
987 Program, but it's funded through the HOME Program called
988 HOME Tenant-Based Rental Assistance. We don't directly
989 administer this. This works through local subrecipients
990 instead of administering it. You know, we don't have
991 households that apply to us. They apply to our
992 subrecipient using a reservation agreement.

993

994 Subrecipients for TBRA are usually nonprofit
995 organizations. Government agencies are eligible to
996 provide TBRA, even housing authorities. Unlike a
997 regular Section 8 voucher, HOME Tenant-Based Rental
998 Assistance is temporary by federal regulation. We're
999 only allowed to commit funds for 24 months of subsidy at
1000 a time. But if we still have funding remaining,
1001 households can reapply for additional time as funds are
1002 available.

1003

1004 Our program requires that households participate in a
1005 self-sufficiency plan provided by the subrecipient. And
1006 the funding is limited almost always to areas that are
1007 not HOME participating jurisdictions. So we serve more
1008 rural areas with these funds.

1009

1010 TBRA provided under the set-aside for persons with
1011 disabilities may be used in homes participating
1012 jurisdiction, but this is a small percentage of our
1013 funding. By statute, 95 percent of all HOME funds must
1014 be spent in non-participating jurisdiction and at least
1015 5 percent may be utilized anywhere in the state.

1016

1017 Additionally, we must use at least 5 percent of our
1018 funds to assist persons with disabilities anywhere in
1019 the state, including in participating jurisdictions. So
1020 we work to make sure compliance with both of these
1021 requirements by setting aside 5 percent of our HOME
1022 allocation for persons with disabilities' set-aside
1023 activities, and we allow any or all of these funds to be
1024 used in a PJ. We refer to this as the 95/5 rule, even
1025 though it's really two separate rules having to have the
1026 same percentages and can work in tandem with one
1027 another.

1028

1029 The last form of assistance we provide to renters I'm
1030 only going to touch on briefly because I'm going to
1031 touch on it more when we get to assistance for
1032 homeowners, and that is the Amy Young Barrier Removal
1033 Program. This is funded by our Texas Housing Trust Fund
1034 and it provides assistance to renters with grants of up
1035 to \$22,500 for accessibility modifications to the units
1036 that they rent. I just wanted to make sure that the
1037 committee knows that we make this available to renters.

1038

1039 **Holland Harper (0:41:23):**

1040 To rent to the landlord, correct?

1041

1042 **Abigail Versyp (0:41:26):**

1043 It actually is a grant to the household, but the
1044 landlord must agree. The landlord has to agree to
1045 participation. But this is a straight grant. So the
1046 household applies. They receive the accessibility
1047 modification and there's not a follow through period or
1048 something like that.

1049

1050

1051

1052 **Holland Harper (0:41:45):**

1053 Seems odd. You're a landlord and you're required to
1054 meet ADA compliance since 1994.

1055

1056 **Abigail Versyp (0:41:50):**

1057 We see this on Single Family housing. So this is
1058 someone who's living in a Single Family unit or living
1059 in a manufactured housing unit. And when you request a
1060 reasonable accommodation to the landlord, if it's
1061 outside, the landlord has to provide it if it's like a
1062 general property, but if it's the actual unit, the
1063 tenant has to pay for it. So if I need a step-in shower
1064 to make my unit accessible, and the landlord grants me a
1065 reasonable accommodation, I can do that, but it has to
1066 come out of my pocket. Landlords are not required to
1067 make those modifications.

1068

1069 **Holland Harper (0:42:29):**

1070 All right. Let's keep going.

1071

1072 **Abigail Versyp (0:42:33):**

1073 So we're going to move on.

1074

1075

1076 **Megan Sylvester (0:42:36):**

1077 Just a really important clarification. They're not
1078 required unless the property is subject to 504
1079 regulations. So statewide, all the multifamily
1080 properties that TDHCA has after 2001 are subject to 504
1081 regulations.

1082

1083 **Holland Harper (0:42:50):**

1084 Can you identify yourself.

1085

1086 (Overlapping conversation.)

1087

1088 **Megan Sylvester (0:42:52):**

1089 Megan Sylvester, in my role as federal compliance
1090 counsel. I just didn't want that out there that the
1091 landlords didn't have to do that because in our programs
1092 they mostly do.

1093

1094 **Kenny Marchant (0:43:03):**

1095 But we're talking about Single Family, right?

1096

1097 **Abigail Versyp (0:43:07):**

1098 For Amy Young, the renter households that we see, I have
1099 not seen one where they live in a multifamily.

1100

1101 **Kenny Marchant (0:43:14):**

1102 And we don't have any obligation once we've granted the
1103 money to when the tenant leaves to come in and remove.
1104 I mean, we're just handing the money off and somebody
1105 else...

1106

1107 **Abigail Versyp (0:43:25):**

1108 Correct, correct. And the landlord could require the
1109 tenant to remove the modification, but we don't have
1110 additional follow-up money to provide for that.

1111

1112 **Kenny Marchant (0:43:33):**

1113 And how long... And that lasts just as long as it takes
1114 to make that modification, right? Just, if they say,
1115 here's 11 grand, make the modification, we come check
1116 and say it's been made and then we give them the money.
1117 Or we give them the money and...

1118

1119 **Abigail Versyp (0:43:49):**

1120 It's a reimbursement. So it works through a
1121 subrecipient. So let's say nonprofit, Texas Nonprofit
1122 Inc., offers this program in their community. They do
1123 the legwork. They take the application, they bid out

1124 the project, they complete the project. Once the
1125 project is complete, they request the funding from us.
1126 We approve. We make sure the household's eligible. We
1127 make sure that the modification is requested by the
1128 household and necessary.

1129

1130 **Kenny Marchant (0:44:18):**

1131 But this was a... Was this a legislative... This was a
1132 statutory requirement put on us.

1133

1134 **Bobby Wilkinson (0:44:26):**

1135 Amy Young's not in statute.

1136

1137 **Abigail Versyp (0:44:28):**

1138 It's not. We have a rider for it, but we don't have...

1139 It's not a program in statute, no.

1140

1141 **Kenny Marchant (0:44:32):**

1142 Okay.

1143

1144 **Bobby Wilkinson (0:44:32):**

1145 Bootstrap is.

1146

1147

1148 **Abigail Versyp (0:44:33):**

1149 Correct.

1150

1151 **Holland Harper (0:44:35):**

1152 How many dollars are we talking about in this program?

1153

1154 **Abigail Versyp (0:44:37):**

1155 Amy Young? It's about 1.7 per year.

1156

1157 **Holland Harper (0:44:40):**

1158 Total? Everything?

1159

1160 **Abigail Versyp (0:44:41):**

1161 Everything.

1162

1163 **Holland Harper (0:44:41):**

1164 Bootstrap, everything, this, Amy Young, or just this?

1165

1166 (Overlapping conversation.)

1167

1168 **Abigail Versyp (0:44:43):**

1169 Oh, no. Bootstrap is separate from Amy. Bootstrap is

1170 at least 3 million a year in statute. And then Amy

1171 Young is funded through rider and it's about, they're
1172 funding it about 1.7 per year.

1173

1174 **Holland Harper (0:44:56):**

1175 Okay.

1176

1177 **Kenny Marchant (0:44:58):**

1178 Okay. So through a rider. It was put on as a rider to
1179 the appropriations bill. So it, I mean, that's been
1180 there a long time. Hence, you get somebody's name
1181 attached to it.

1182

1183 **Leo Vasquez III (0:45:09):**

1184 So...

1185

1186 **Abigail Versyp (0:45:10):**

1187 Oh, there's an interesting story behind it. Yeah.

1188

1189 **Bobby Wilkinson (0:45:12):**

1190 Yeah. Not a politician. Go ahead.

1191

1192 **Abigail Versyp (0:45:14):**

1193 Amy Young was an advocate for persons with disabilities,
1194 a well-known advocate for persons with disabilities.

1195 And I believe Brooke knows her. And if you would like
1196 to... Thank you, Brooke.

1197

1198 **Brooke Boston (0:45:29):**

1199 Brooke Boston, Deputy Executive Director. Amy Young was
1200 a very outspoken advocate. And we used to have a group
1201 called the Disability Advisory Work Group, who we met
1202 with probably anywhere between monthly and quarterly for
1203 years. And she had been pushing for us to create a
1204 program like this. She passed away right before we
1205 actually passed the program. And that was why we named
1206 it in her honor.

1207

1208 **Kenny Marchant (0:45:52):**

1209 Great. Thank you. Thank you.

1210

1211 **Leo Vasquez III (0:46:01):**

1212 I'm sorry, before we go on. This may be getting too far
1213 into the weeds but in one of my prior roles, and I was
1214 chairman at TDLR, which is in charge of the
1215 Architectural Barriers Act and everything. If we
1216 encounter in all these processes for someone looking for
1217 one of these applications and they're living somewhere
1218 where they should be in compliance with the owner of the

1219 property should have been in compliance with the
1220 Barriers Act and ADA compliance and such, do we have
1221 some sort of referral mechanism to TDLR because they
1222 have an enforcement division on...

1223

1224 **Abigail Versyp (0:46:48):**

1225 We do not have a referral mechanism.

1226

1227 **Leo Vasquez III (0:46:51):**

1228 Even informally? I mean, if something comes up in
1229 your...

1230

1231 **Abigail Versyp (0:46:54):**

1232 We don't have a formal or informal referral mechanism.

1233

1234 **Leo Vasquez III (0:46:58):**

1235 Do we...

1236

1237 **Abigail Versyp (0:46:59):**

1238 Again, almost all clients serve with Amy Young Barrier
1239 Removal Program live in Single Family housing that
1240 wouldn't be subject to those types of regulations.

1241

1242

1243 **Holland Harper (0:47:10):**

1244 The thing that I think is interesting about this is that
1245 we're using federal dollars and state dollars and we're
1246 gifting that to the landlord when it'd be easier to just
1247 require, if you are a person with ADA requirements, to
1248 have that done as a part of our contract.

1249

1250 **Abigail Versyp (0:47:28):**

1251 We don't have a contract with the landlord. So we
1252 haven't... We don't have any affiliation.

1253

1254 **Holland Harper (0:47:33):**

1255 Is it our voucher or is it not our voucher?

1256

1257 **Abigail Versyp (0:47:35):**

1258 No, this is not our voucher.

1259

1260 **Holland Harper (0:47:36):**

1261 This is just a human being...

1262

1263 **Abigail Versyp (0:47:37):**

1264 This is just a private person with a disability living
1265 in a rental unit that is not accessible to meet their
1266 needs.

1267

1268 **Holland Harper (0:47:43):**

1269 Got it. Okay.

1270

1271 **Abigail Versyp (0:47:44):**

1272 Yeah. If we have a voucher holder, that's a very

1273 different discussion.

1274

1275 **Holland Harper (0:47:49):**

1276 Got you. Perfect. Keep going. Thank you.

1277

1278 **Abigail Versyp (0:47:55):**

1279 So the next group of folks that we assist in our Single

1280 Family & Homeless Program Division are those looking to

1281 purchase a home or become homeowners. And we offer some

1282 homebuyer assistance. The photo is one of the homes

1283 that was built under our Single Family Development.

1284 It's a CHDO program. It was completed by Come Dream,

1285 Come Build. They are formerly CDCB and Cameron County.

1286

1287 **Kenny Marchant (0:48:22):**

1288 Are all these means tested?

1289

1290

1291 **Abigail Versyp (0:48:25):**

1292 All of these programs have an income restriction and an
1293 income requirement. And we verify their income prior to
1294 approving them for any assistance. And our income, our
1295 highest income limit is 80 percent AMFI. So some
1296 programs go up to 120 or something like that. But ours,
1297 they have to be actually low income.

1298

1299 So our most successful, most utilized homebuyer program
1300 is our Texas Bootstrap Loan Program. This is for buyers
1301 that are working on Self-Help Housing. Program provides
1302 repayable loans. They are up to \$45,000. They do carry
1303 0 percent interest. The limit for these loan amounts is
1304 set in statute. So Bootstrap is used as part of a
1305 funding stack. It is not ever going to be the only
1306 mortgage loan on a property. It is flexible in how
1307 funds can be utilized. So it allows for construction
1308 loans, purchase of existing mortgage loans. But most of
1309 the Bootstrap administrators use the funds as purchase
1310 money loans after the Self-Help Housing has been
1311 constructed as part of the sale to the qualified buyer.

1312

1313 At this time, all of the active Bootstrap administrators
1314 are affiliated to Habitat for Humanity and they also
1315 usually provide a portion of the mortgage financing.

1316

1317 Since Bootstrap is Self-Help Housing, buyers must
1318 contribute 65 percent of the labor to build the home. A
1319 buyer may be able to use hours contributed by other
1320 people to meet the 65 percent threshold if they are
1321 unable to do that. And that is a very common situation.

1322

1323 While the buyer does have to participate in the
1324 construction, since most Habitat affiliates require the
1325 home to be sold at market value, the buyer doesn't
1326 really achieve spread equity, but they do receive the
1327 reduced interest rate and flexibility and underwriting
1328 requirements that is a true financial benefit for their
1329 contribution of physical labor.

1330

1331 **Bobby Wilkinson (0:50:35):**

1332 I'll just add that we went from 60 percent of AMI to 80
1333 percent last session or two sessions ago.

1334

1335 **Abigail Versyp (0:50:42):**

1336 It was last session.

1337

1338 **Bobby Wilkinson (0:50:43):**

1339 Yeah, but it's been 45,000 cap for a long time and no
1340 movement there right now. Also, Habitat does a frame on
1341 the south steps of the Capitol once a year if y'all want
1342 to go. I burned my forearm out last time so, no.

1343

1344 **Abigail Versyp (0:51:02):**

1345 So next up to assist homebuyers are services offered
1346 through our Colonia Self-Help Centers Program. We offer
1347 an array of services for Colonia residents, including
1348 homebuyers. The Self-Help Center Program is offered in
1349 eight counties. Each county determines how the funds
1350 are going to be presented to Colonia Resident Advisory
1351 Committee and ultimately recommended to the Board for
1352 approval. Homebuyers can be assisted with funds for
1353 public services, which includes, but isn't limited to,
1354 homebuyer and financial literacy training, construction
1355 skills training, and use of a tool lending library as
1356 buyers must provide at least 15 percent of the labor for
1357 construction of their home for homes that they're
1358 purchasing under Colonia Self-Help Center. Funds are
1359 usually provided to the household as a grant, and they
1360 may be combined with other funding sources.

1361

1362 Moving on to HOME Single Family Development. Unlike any
1363 other program offered under SFHP, HOME Single Family
1364 Development provides funding to developers to develop
1365 housing for homeownership. The funds are awarded under
1366 a contract rather than a reservation system. In
1367 addition to funding the development cost, we're then
1368 able to provide both down payment assistance and
1369 permanent financing to the buyer under the program.

1370

1371 We offer that at a 0 percent to 5 percent interest rate
1372 based on what's affordable to the buyer. We've
1373 historically only allowed this activity under the CHDO
1374 set-aside, but in an effort to encourage more robust
1375 participation, the rule's been updated to allow any
1376 developer to apply for funds if they're eligible under
1377 that set-aside. So if we have funds available for this
1378 under general set-aside, they don't necessarily have to
1379 be a CHDO or even a nonprofit.

1380

1381 **Holland Harper (0:52:55):**

1382 Can you describe what a CHDO is for people that don't
1383 live in acronym world?

1384

1385 **Abigail Versyp (0:52:59):**

1386 Yes, I'm sorry. A CHDO is a community housing
1387 development organization. So this is a specific special
1388 type of nonprofit that is in the HOME regulation, and
1389 there are requirements about who can control the CHDO.
1390 For instance, if you're a city and you have a nonprofit,
1391 it's kind of an extension of the city. That nonprofit
1392 can be CHDO because it's under control of the city. So
1393 it's a nonprofit that builds community housing, but it
1394 has additional restrictions. So it's a specialized
1395 nonprofit structure under the HOME regulation.

1396

1397 **Kenny Marchant (0:53:39):**

1398 So how do you define development? Put the water,
1399 sewer...

1400

1401 **Abigail Versyp (0:53:45):**

1402 A development activity, when we're talking about HOME
1403 funds, a development activity is going to be an activity
1404 where for us in Single Family, it's going to be an
1405 activity where the nonprofit or for-profit developer
1406 owns the property during the period of construction and
1407 then sells the property after construction is completed

1408 to an eligible buyer. So it's about ownership of the
1409 property during the development period.

1410

1411 **Holland Harper (0:54:16):**

1412 So I'm going to see if I understand this. I have to be
1413 a CHDO, which means I have to be a housing authority.

1414

1415 **Abigail Versyp (0:54:23):**

1416 No. Housing authorities can't be CHDOs because they are
1417 government organizations.

1418

1419 **Holland Harper (0:54:26):**

1420 So who's a CHDO again?

1421

1422 **Abigail Versyp (0:54:27):**

1423 A CHDO is a nonprofit that meets its quite lengthy list
1424 of requirements on the structure of the organization.

1425

1426 **Bobby Wilkinson (0:54:36):**

1427 They are private nonprofits.

1428

1429 **Abigail Versyp (0:54:38):**

1430 They are private nonprofits.

1431

1432 **Holland Harper (0:54:39):**

1433 So a private nonprofit could be established as the
1434 developer?

1435

1436 **Abigail Versyp (0:54:43):**

1437 Correct.

1438

1439 **Holland Harper (0:54:44):**

1440 Apply for this money which gives a reduced, gives down
1441 payment assistance of up to 10 points and some
1442 significantly better loans for the homebuyer.

1443

1444 **Abigail Versyp (0:54:54):**

1445 It gives a 0 percent interest interim construction loan
1446 to the developer, and then that loan is converted into a
1447 permanent mortgage financing for the household.

1448

1449 **Holland Harper (0:55:03):**

1450 At zero to five points.

1451

1452 **Abigail Versyp (0:55:04):**

1453 At zero to five, yeah.

1454

1455

1456 **Holland Harper (0:55:06):**

1457 Okay. But we only did 10 households in all of fiscal
1458 year '24; is that correct?

1459

1460 **Abigail Versyp (0:55:10):**

1461 That is correct. And we don't... This program has kind
1462 of been utilized in the event that we are unable to
1463 utilize our CHDO set-aside under multifamily
1464 development. So we don't frequently utilize funding for
1465 this activity because we don't have a lot of CHDOs. I
1466 can think of two Single Family CHDO developers at this
1467 point, and one of them got contracts and then elected
1468 not to participate later.

1469

1470 **Holland Harper (0:55:39):**

1471 Is there a reason why you think that people wouldn't
1472 want to do this? Because it's a nonprofit?

1473

1474 **Abigail Versyp (0:55:45):**

1475 I think because we're not allowed to use this money in
1476 participating jurisdictions, so that cuts out Austin,
1477 Dallas, Houston, even Killeen, San Angelo, Waco. And so
1478 we have to find a special nonprofit.

1479

1480 **Bobby Wilkinson (0:56:00):**

1481 PJ is based on population, right? It's 50,000

1482 population. What's the cutoff for?

1483

1484 **Abigail Versyp (0:56:05):**

1485 Oh, for HOME funding?

1486

1487 **Bobby Wilkinson (0:56:07):**

1488 For PJ, just to be a PJ.

1489

1490 **Abigail Versyp (0:56:08):**

1491 Oh, for PJ, it's not really population cutoff. It's

1492 about how much money you would be allocated if you were

1493 a PJ.

1494

1495 **Bobby Wilkinson (0:56:15):**

1496 Okay.

1497

1498 **Abigail Versyp (0:56:16):**

1499 It's HUD's secret sauce.

1500

1501

1502

1503

1504 **Kenny Marchant (0:56:19):**

1505 So this is a HUD program that we get money for or...

1506 This comes out of a blanket funding that we use for this
1507 purpose.

1508

1509 **Abigail Versyp (0:56:34):**

1510 That's correct. So this comes out of our HOME funds.

1511 So we get the big pot of HOME funds, and then we divvy
1512 up how we're going to use it based on the activities
1513 that HUD says are eligible. And this is one activity
1514 that HUD says is eligible.

1515

1516 **Kenny Marchant (0:56:47):**

1517 Well, this is obscure. I can't even... I'm trying to
1518 get my brain around it. The Marchant Family Foundation
1519 comes with CHDO. Is that how you say it?

1520

1521 **Abigail Versyp (0:57:01):**

1522 Yes.

1523

1524 **Kenny Marchant (0:57:02):**

1525 And it buys a lot in Bonham, Texas. But Bonham has a
1526 housing authority, so it can't.

1527

1528 **Abigail Versyp (0:57:08):**

1529 It can build. The nonprofit can be a developer. The
1530 housing authority cannot. So the nonprofit would
1531 actually be the developer.

1532

1533 **Holland Harper (0:57:15):**

1534 So you could... Yes. Okay.

1535

1536 **Abigail Versyp (0:57:19):**

1537 If it's under the CHDO set-aside.

1538

1539 **Bobby Wilkinson (0:57:22):**

1540 How many dollars are for this program?

1541

1542 **Abigail Versyp (0:57:25):**

1543 We don't have funds programmed for this at this time.

1544 From time to time, we use the obligated funds. So

1545 programs that we put into a multifamily NOFA that were

1546 not requested or a deal fell through, and now we have \$2

1547 million in CHDO funds we need to use right now. Those

1548 are the times that we used.

1549

1550

1551

1552 **Holland Harper (0:57:44):**

1553 But, you can't plan for that. That's very difficult to
1554 plan as a developer if money falls out of the sky and
1555 lands in the lap.

1556

1557 **Abigail Versyp (0:57:50):**

1558 Some organizations develop all the time, and so this is
1559 kind of a boon to them. Like the last time we used it
1560 Come Dream, Come Build bought an allocation of new
1561 market tax credits. And so they were able to utilize
1562 our HOME Single Family Development funds in conjunction
1563 with their new market tax credit.

1564

1565 (Overlapping conversation.)

1566

1567 **Holland Harper (0:58:09):**

1568 Which should not have been able to be used for Single
1569 Family housing. But okay, keep going.

1570

1571 **Abigail Versyp (0:58:15):**

1572 I am certainly not an expert on new market tax credits.

1573

1574

1575

1576 **Holland Harper (0:58:19):**

1577 I've done that. Okay. Let's keep going. Okay. This
1578 is interesting. Let's keep going.

1579

1580 **Kenny Marchant (0:58:25):**

1581 Are there specific consultants that access this?

1582

1583 **Abigail Versyp (0:58:29):**

1584 No.

1585

1586 **Kenny Marchant (0:58:30):**

1587 No.

1588

1589 **Abigail Versyp (0:58:30):**

1590 So yeah. No, this doesn't have a consultant network
1591 because it's small and infrequent.

1592

1593 **Kenny Marchant (0:58:36):**

1594 But just occasionally, somebody picks up the phone and
1595 said, Oh, by the way, we're going to have a lot of this
1596 money left. Anybody want it?

1597

1598

1599

1600 **Abigail Versyp (0:58:44):**

1601 Well, we recently received a call from Habitat for
1602 Humanity of San Antonio.

1603

1604 **Kenny Marchant (0:58:50):**

1605 Okay.

1606

1607 **Abigail Versyp (0:58:51):**

1608 And they have a whole bunch of property in Seguin and
1609 they want to develop that property in Seguin for
1610 affordable housing. And so they were inquiring about
1611 whether we have any funding available for them to use
1612 for development. Now we can have that discussion and
1613 say, Okay. Well, go to our executive team and say, hey,
1614 we have some de-obligated funds. Should we put out a
1615 NOFA? It would be competitive for everybody, right?
1616 But in that instance, they needed the money for offside
1617 infrastructure, which we can't pay for. But that's kind
1618 of either we have money that we have to get rid of, or
1619 we have an organization that is ready to develop and
1620 needs funding and reaches out, and we have de-obligated
1621 funding to fund our development.

1622

1623

1624 **Kenny Marchant (0:59:34):**

1625 Yeah. Just in the Single Family residential world, the
1626 term "development" doesn't apply to building a house and
1627 reselling it. Development, it's putting the
1628 infrastructure in so that the house can be built on it.
1629 I mean, that's...

1630

1631 **Abigail Versyp (0:59:53):**

1632 And usually that's what they do. But we're just at this
1633 tiny portion of the funding staff.

1634

1635 **Kenny Marchant (0:59:58):**

1636 Yeah, yeah. And in the grand scheme of things, I'm
1637 spending too much time on this, aren't I?

1638

1639 **Abigail Versyp (1:00:05):**

1640 It's your time, sir.

1641

1642 **Holland Harper (1:00:07):**

1643 But I'll tell you why we, he and I already care about
1644 this because at the end of the day, this is what I
1645 really want for the human beings that live in Texas; I
1646 want them to own their own home and graduate from the
1647 rental program to build equity. That's what I want. So

1648 we're interested in this program a lot because it
1649 changes the dynamics from being a renter. And not
1650 everybody can afford to own a home. It takes
1651 responsibility. And you have to mow the grass and make
1652 sure your gutters are clean and all sorts of things,
1653 right? But this is what I think Mr. Marchant and myself
1654 want, along with other board members up here.

1655

1656 **Abigail Versyp (1:00:38):**

1657 And at 0 percent interest, your mortgage can be much
1658 less than your rent would be, right? So if we're
1659 spending \$900 and \$1,000 on voucher each month, and a
1660 household could buy a home and the payment is \$700 a
1661 month, great, right? Our funding sources sometimes
1662 dictate use of funds, and then the capacity of the
1663 network can dictate use of funds. So we have to be able
1664 to absorb the risk of not using the funds if we put them
1665 in this activity. And if we're at a point where we are
1666 not spending our HOME dollars fast enough, we can't take
1667 those risks because we have to put where it's going to
1668 be used. It's difficult. It's a difficult position.

1669

1670

1671

1672 **Ajay Thomas (1:01:28):**

1673 Is there any way for us to drive people to this program
1674 so that we can leverage those dollars more, right? For
1675 as we, it seems to me like in the state, right?

1676

1677 **Abigail Versyp (1:01:39):**

1678 Because they're getting, in their construction, they're
1679 getting a 0 percent interest rate, right? No interest.
1680 They are getting a developer fee on top of that, which
1681 is included in the sales price. Not only that, let's
1682 say you are in an area of Texas where home values are
1683 very low, and it costs way more to build a house than
1684 the house is worth when you're done. We will write that
1685 business as development subsidy, so that the homeowner
1686 doesn't start their mortgage underwater. This is a very
1687 attractive product, but we haven't found the audience to
1688 use it.

1689

1690 **Kenny Marchant (1:02:21):**

1691 You got 33 million Texans, and we're talking about 10
1692 households here.

1693

1694 **Abigail Versyp (1:02:27):**

1695 I understand that.

1696

1697 **Ajay Thomas (1:02:28):**

1698 Yeah. So how do we... That's the crux of my question.

1699 Like, how do we market this or help identify who can

1700 take advantage of this program so we can drive more

1701 people to it so we can get more households?

1702

1703 **Holland Harper (1:02:42):**

1704 Mr. Thomas, I very, very much value your opinion. But

1705 what I think I want to do, let's earmark this one right

1706 here because I think we're going to have a bunch of

1707 these as Single Family houses. And then I think we're

1708 going to have to come back and say, Okay. How do we

1709 take Single Family housing and stack up all the

1710 resources we have and then target this Board in our

1711 effort to maximize that? And my fear is that one hour

1712 and we're in slide 18, we may never get there.

1713

1714 **Abigail Versyp (1:03:16):**

1715 I'm almost scared to go to the next one. Because this

1716 is part of how we try to fix this. We created this

1717 program where you don't have to be a CHDO. Any

1718 nonprofit can participate. Any unit of local government

1719 can participate. Any public housing authority can

1720 participate. The difference is it's not a development
1721 because the administrator, they become an administrator.
1722 So they're acting as a subrecipient. So this broadens
1723 the net of who can participate. And what this program
1724 does is it allows the subrecipient to work with a
1725 household to identify a piece of real estate to purchase
1726 and then either build a home or place a unit of
1727 manufactured housing on within their area. And we
1728 provide that mortgage loan to the household at as low as
1729 0 percent. It's going to depend on what the family can
1730 afford to pay. And we haven't had uptake on this.

1731

1732 **Holland Harper (1:04:15):**

1733 You haven't had uptake on that?

1734

1735 **Abigail Versyp (1:04:16):**

1736 No, it's... No, we have not.

1737

1738 **Holland Harper (1:04:22):**

1739 Okay.

1740

1741 **Abigail Versyp (1:04:24):**

1742 So this is something, we passed this, we created this

1743 program right before COVID happened. When COVID

1744 happened, interest rates dropped like crazy. So an
1745 affordable mortgage or an affordable mortgage rate
1746 wasn't as much of an incentive as it is right now and
1747 our regular network of HOME Program providers get very
1748 nervous about any retail product. They bring the
1749 welfare person's aid if what we're offering to them is
1750 retail-ish. So we are trying to generate a reasonable
1751 amount of program income from Single Family activities.

1752

1753 **Holland Harper (1:04:58):**

1754 How do you administer this product right now?

1755

1756 **Abigail Versyp (1:05:00):**

1757 You receive a reservation system participation
1758 agreement, and then you are assigned a HOME Performance
1759 Specialist and the HOME Performance Specialist, and our
1760 training staff train you on how to administer this
1761 program. So you would look in your community and I was
1762 thinking kind of like for infill development, right?
1763 I'm city of Anson and I have all these homes that need
1764 to be torn down but there's not any CDBG money to do it
1765 anymore. So I applied at this program. I own these
1766 lots because they were foreclosed on their tax mortgage,
1767 right? I shared all these lots. So I can take these

1768 lots, let people in my community that are low income
1769 know we can build you a house on this lot. If you're
1770 low income and you qualify, you can purchase this piece
1771 of property. We will demolish this substandard
1772 structure. We will build a new home and you'll pay
1773 TDHCA with a mortgage with an interest rate as low as 0
1774 percent.

1775

1776 **Holland Harper (1:06:03):**

1777 How many dollars are you allocated for this?

1778

1779 **Abigail Versyp (1:06:05):**

1780 We have allocated a million dollars for it here and
1781 there. We have not had any activity.

1782

1783 **Holland Harper (1:06:11):**

1784 Okay.

1785

1786 **Abigail Versyp (1:06:14):**

1787 And again we're looking for partners, and we do advocate
1788 we always included in everything that we provide. City
1789 of Dow or Dow Park seems very excited, and we're still
1790 hoping that someone will jump in with both feet because
1791 this could be great.

1792

1793 **Kenny Marchant (1:06:32):**

1794 Up to a million dollars' worth of loans.

1795

1796 **Abigail Versyp (1:06:34):**

1797 Correct.

1798

1799 **Kenny Marchant (1:06:35):**

1800 So that can fund?

1801

1802 **Abigail Versyp (1:06:38):**

1803 Maybe four or five houses. And I think we do have

1804 financial limitations because there are limits on how

1805 much HOME funds that park gets. And a lot of different

1806 ways that are prioritized for using it.

1807

1808 **Kenny Marchant (1:06:48):**

1809 And many times, they've torn down a low-income housing

1810 unit.

1811

1812 **Abigail Versyp (1:06:55):**

1813 I'm from rural Texas and I can say that by the time

1814 something gets into tax foreclosure in my hometown of

1815 Stamford, Texas, that is not a structure that's livable.

1816 That is a structure that will collapse and
1817 (indiscernible).

1818

1819 **Kenny Marchant (1:07:09):**

1820 Yeah, yeah.

1821

1822 **Abigail Versyp (1:07:10):**

1823 And they're like...

1824

1825 **Holland Harper (1:07:16):**

1826 Thank you. Let's keep going. That's a great program.

1827

1828 **Abigail Versyp (1:07:19):**

1829 All right. Homeowner Assistance. So now we have our
1830 renters turned into homebuyers and now we have our
1831 homeowners and sometimes things happen. So Homeowner
1832 Assistance Programs administered by SFHP help people to
1833 rebuild or rehabilitate their homes or make them
1834 accessible for persons with disabilities. We have
1835 several funding sources and I'm going to go through
1836 them. So some of this is information you may have heard
1837 before, so bear with me. So our largest use of HOME
1838 funds in Single Family is for homeowner assistance or
1839 HOME Homeowner Reconstruction Assistance.

1840

1841 So this is again subrecipient administered program. We
1842 completed 107 homes in state fiscal year 2024. The
1843 households have to be low income and the structure for
1844 home has to be so substandard that is need to be
1845 demolished and rebuilt or replaced with a new unit of
1846 manufactured housing. So generally, this is going to
1847 happen on the same site. So I go to 607 Walnut Street.
1848 My house needs to be demolished and rebuilt, and the new
1849 home is built or a new one is placed at 607 Walnut
1850 Street. However, if 607 Walnut Street is in the
1851 floodway, and the city that's working with me has a lot
1852 not in floodway, we can swap and I can deed 607 Walnut
1853 Street to the city as long as it can't be used for
1854 residential housing again, and I can get my home built
1855 on a new lot.

1856

1857 So there are some exceptions to keeping the same house
1858 on sale. HRA funds are usually provided as a grant and
1859 that's going to require the household to live in a home
1860 for five years of continued occupancy after the project
1861 completion. There are times when the assistance is
1862 structured as a loan because HUD regulations from time
1863 to time require a 15-year affordability period.

1864

1865 So if I had to move to a new lot because my lot at 607
1866 Walnut Street was in the floodway, now I have to have a
1867 loan because HUD considers it new construction under
1868 their regulations. And so I have a 15-year deferred
1869 forgivable loan instead of a 5-year grant agreement.

1870

1871 Almost all HRA funds are used in non-PJ areas since only
1872 a small amount of PWD funding is able to be used.
1873 Unlike our other HUD Program offerings, applicants here
1874 are usually small cities and counties. Since they often
1875 don't have capacity to directly administer the funds,
1876 there's a network of grant consulting firms that
1877 specialize in this HOME HRA Program. Those grant
1878 consulting firms are generally procured by the city or
1879 the county and they are paid by HOME administrative
1880 funds granted to the city. So oftentimes, these
1881 programs come at no cost to the city administering other
1882 than the cost of published board information.

1883

1884 Next, for homeowners, we have Amy Young Barrier Removal,
1885 which we already talked about a bit. So if you are a
1886 homeowner, there is something special in Amy Young,
1887 because if you're a landlord, we are not going to pay to

1888 do any kind of repair to a health and safety issue,
1889 right? Your breaker box needs to get fixed; the
1890 landlord has to take care of that. We're only going to
1891 do accessibility modifications. But if you're a
1892 homeowner and you have something seriously wrong, like
1893 you have three broken windows, as long as it's not more
1894 than 25 percent of the project cost, we can use some of
1895 these funds to mitigate these health and safety hazards.
1896 But they are primarily for making modifications for a
1897 person with disability so that their home can be fully
1898 functional for them. Amy Young Barrier Removal is a
1899 straight grant. There is no ongoing monitoring or
1900 affordability requirement. And last year we assisted
1901 194 households. That includes our renters and owners,
1902 but those are largely owners.

1903

1904 **Holland Harper (1:11:45):**

1905 Are these usually going through nonprofits to solve
1906 these problems?

1907

1908 **Abigail Versyp (1:11:53):**

1909 Mm-hmm. Next, we have Colonia Self-Help Center for
1910 homeowners, and it's very similar to Colonia Self-Help
1911 Center for buyers. So I'm not going to get too into

1912 detail, but it can serve both populations, and benefits
1913 of Self-Help Center are direct and indirect. So we can
1914 assist a household directly and say, You need home
1915 rehabilitation. Let's rehabilitate your home. Or we
1916 can say, Your neighborhood needs solid waste pickup
1917 twice a month. So we're going to use our Self-Help
1918 Center money to provide some solid waste pickup so that
1919 we can do some neighborhood cleanups. So Self-Help
1920 Center money is really dictated by what the Self-Help
1921 Center elects to do with it. But these activities do
1922 benefit homeowners in ways other than us funding their
1923 rehabilitation.

1924

1925 So moving on, everybody's favorite home contractor deed.
1926 Our Contractor Deed Program is really, really similar to
1927 our HRA Program that it has the added benefit of
1928 converting a contractor deed between the family and
1929 usually the land developer, unless the land developer
1930 assigned or sold that contract or deed into a mortgage
1931 loan between TDHCA and family. The loans are deferred
1932 forgivable with no interest, and include both the payoff
1933 for the contractor deed and the construction costs.

1934

1935 As with HRA, the home must be in such substandard
1936 condition that it needs to be replaced with a new unit
1937 of housing. The contract for deed set-aside is included
1938 in a budget rider, so it's mandated by legislature. We
1939 haven't processed a contractor deed activity in many
1940 years, but we have recently hired, we've used one of our
1941 temporary positions to hire a contract review
1942 implementation manager to work with nonprofits and
1943 Colonia Self-Help Centers. She has gone to the Colonia
1944 Self-Help Centers, met with them, met with some
1945 nonprofits in our border areas, and we're anticipating
1946 submission of at least 10 contractor deed activities in
1947 the near future. So she's working to help us offset
1948 some of those costs.

1949

1950 (Overlapping conversation.)

1951

1952 **Holland Harper (1:14:05):**

1953 Is this only Colonia, or is it both?

1954

1955 **Abigail Versyp (1:14:07):**

1956 It can be used statewide. It is, but we do target
1957 Colonias because that's what the rider requires. So we
1958 initially say, this money, you can only use it in

1959 Colonia. For the first six months we make it available,
1960 you have to be a Colonia resident. And then after that
1961 it's available statewide.

1962

1963 **Holland Harper (1:14:26):**

1964 How many dollars in this program?

1965

1966 **Abigail Versyp (1:14:28):**

1967 We put \$1 million per year. And then when we don't
1968 utilize that money, we take it and put it into other
1969 more activities. Hopefully, we'll have to put some
1970 money into contract for deed. That is of the program
1971 offerings that we provide right now.

1972

1973 **Holland Harper (1:14:51):**

1974 Board members, do you have any questions for Ms. Versyp?

1975

1976 **Anna Maria Farias (1:14:54):**

1977 Mr. Chairman, when you started, you wanted to... How do
1978 you determine success? And two other problems, when I
1979 ran the housing authority where I grew up, the two where
1980 I was a successor was the Colonias, which by definition,
1981 they live in substandard housing. And when you ask
1982 them, Why would you want to live here instead of, say,

1983 public housing or Section 8, most of the time the
1984 response is absolutely not do I want housing projects.
1985 This is what I can afford for my family for now, but
1986 we're going to get out of this. And I think one of the
1987 prime examples was after 9/11, when some of our
1988 government, when we were going around and we saw a lot
1989 of American flags in the Colonias. And the question
1990 obviously was, Why are they there? And they said,
1991 Because some of our children are soldiers and we're
1992 going to get out of this so that later on I can buy a
1993 bigger trailer home with the amenities, i.e., water,
1994 what have you. The other one where I saw the success
1995 was the farm workers. American citizen farm workers who
1996 worked four or five months in the fields, they come back
1997 home.

1998

1999 And they were the first ones to come to me and says, Ms.
2000 Farias, we no longer need to live in the farm working
2001 housing. We just bought our first house. And having
2002 come from a small town, every time I go back home, sort
2003 of, you keep track of them. And the most successful
2004 kids were the kids that came from the Colonias and the
2005 farm workers, because it was just...

2006

2007 **Holland Harper (1:16:31):**

2008 They didn't have to work.

2009

2010 **Anna Maria Farias (1:16:33):**

2011 They don't work. And of course, we love the elderly

2012 because they pick one third of their Social Security to

2013 keep the housing authority. Otherwise, young moms with

2014 three or four kids do not pay their kind of rent and

2015 they, and the kids by definition are the ones that tend

2016 to break things. It's not their fault; they weren't

2017 taught better. And then you end up paying all that

2018 maintenance and security fees. But Colonias and farm

2019 workers, that's where I found the success.

2020

2021 **Holland Harper (1:17:05):**

2022 Any further questions for Ms. Versyp?

2023

2024 **Leo Vasquez III (1:17:07):**

2025 Just a general question on what can we do better and

2026 what can the Board help get in place to help you all

2027 advertise, get the words out on these types of obscure

2028 programs? Someone said obscure. It just seems like

2029 there should be... Some of these are pretty amazing.

2030 I'm hearing you say that the program's available, but I

2031 would think that they'd be oversubscribed all the time.
2032 How can we get that get to that point to get the word
2033 out? Maybe this is, needs to be easier.

2034

2035 **Abigail Versyp (1:17:54):**

2036 If I can think of it, I've tried it. And that's kind of
2037 a hard thing, right? Because what we do is we tend to
2038 go back to our existing network because they know the
2039 HOME Program, they can do an environmental review,
2040 they're not scared of regulation. But once we get into
2041 mortgage loans, it's just such a sticking point. So I
2042 think getting, if we could get our existing network over
2043 that worry about mortgage loans or worry that they're
2044 not going to have anybody apply because people won't
2045 want to pay, people want a grant, right? That seems to
2046 be the major sticking point that we hear from our
2047 network. We can't sell it without an available product.
2048 And so we have to get a new network in. And I don't
2049 know who that is.

2050

2051 **Holland Harper (1:18:38):**

2052 So I think that the right answer, in this is A, what I
2053 recommend from executive director and yourself is let's
2054 say what can we do to collapse these programs into fewer

2055 programs so we can put more money into it? Because a
2056 million dollars just isn't going to go very far. Not
2057 when we're talking about 33 million Texans. How do we
2058 collapse it into smaller programs? How do we target...
2059 You know, my drive is Single Family homeownership.
2060 That's what my drive is. I think that's the most
2061 important thing. And then what jumps out to me is why
2062 would we not use community banks or a banking
2063 institution to help administer this through? Go ahead.
2064 You've got something to add?

2065

2066 **Abigail Versyp (1:19:27):**

2067 So some of the activities may only be we have to
2068 administer them directly.

2069

2070 **Holland Harper (1:19:33):**

2071 Okay.

2072

2073 **Abigail Versyp (1:19:33):**

2074 Or the statute requires that we have what are called
2075 state recipients with recipient counties or
2076 subrecipients. And Abby's team uses the term
2077 administrators. So except for the development program,

2078 for-profit entities are not eligible to be an
2079 administrator of ours staffed by the statute.

2080

2081 **Holland Harper (1:19:57):**

2082 Okay. Fair enough. But so the same token, if I take
2083 the housing authority of Lamar County and I educate them
2084 on how to run this through and I take the programs, the
2085 vacant lots in my town, it wouldn't be hard. It just,
2086 that doesn't seem very hard. So, I guess, my
2087 recommendation is just when we talk is, how do we
2088 consolidate this to smaller, how do we get this where we
2089 get velocity out there and what's our marketing program
2090 to get this program launched into the system? And if
2091 you don't know, it's okay. We'll come up with, we'll
2092 subcommittee this again and take these in smaller bites
2093 to how to get it out there.

2094

2095 **Abigail Versyp (1:20:45):**

2096 Yeah, I think that the whole swath of programs that we
2097 offer is really expansive. When we get into HOME
2098 dollars, those are kind of the, we're going to make some
2099 affordable houses, right? We're going to make a
2100 affordable housing, create it where it was not there
2101 before. And we are on the Single Family side, we are

2102 usually oversubscribed with what we offer at the end of
2103 the year. So we have to... I want to grow programs; I
2104 want to be mindful of the existing programs that we have
2105 and understand that we will have to cut services to some
2106 folks, which can be set and it depends on our goals and
2107 type where you are and we're open and flexible in
2108 adjusting those.

2109

2110 **Holland Harper (1:21:31):**

2111 I appreciate that.

2112

2113 **Kenny Marchant (1:21:33):**

2114 Mr. Chairman. But at the end of the day, if some of
2115 these programs are not fully subscribed or used at all.
2116 You collapse that money into programs that you can use,
2117 and you can put the money out, right?

2118

2119 **Abigail Versyp (1:21:48):**

2120 Oh, sure, yeah. We can do that.

2121

2122 **Kenny Marchant (1:21:49):**

2123 So these are just a bunch of good ideas. But...

2124

2125

2126 **Abigail Versyp (1:21:53):**

2127 We set money aside and into them, but when the money's
2128 not utilized, they will...

2129

2130 (Overlapping conversation.)

2131

2132 **Kenny Marchant (1:21:58):**

2133 So they're collapsing it themselves.

2134

2135 **Holland Harper (1:22:02):**

2136 They're collapsing and putting it together.

2137

2138 **Kenny Marchant (1:22:03):**

2139 So you're talking about collapsing, make it one big
2140 bucket that you can use.

2141

2142 **Holland Harper (1:22:07):**

2143 I'm not, I'm actually, I looked at that. We probably
2144 have too many. My opinion, we have too many programs,
2145 they are not being marketed well. So if I collapse into
2146 smaller pieces and I focus my energy to get those
2147 dollars pushed to what I want to do with Single Family
2148 homes, then I don't have as many cards to sell to
2149 people. I got a bigger font to say, this equals this

2150 gets you this, or A plus B will get you this. And I can
2151 shoot that if it's nonprofit companies, which housing
2152 authorities would be a great...

2153

2154 **Kenny Marchant (1:22:42):**

2155 Are we going to talk about the Single Family Mortgage
2156 Program separately?

2157

2158 **Holland Harper (1:22:47):**

2159 Yes, yes. That is the main one.

2160

2161 **Abigail Versyp (1:22:50):**

2162 Yeah, I think that's the... I'm just the appetizer.

2163

2164 **Holland Harper (1:22:54):**

2165 Ms. Versyp, thank you very much. We'll do this again
2166 very soon.

2167

2168 So you have 90 slides; is that correct?

2169

2170 **Scott Fletcher (1:23:05):**

2171 I do, but we are not going through all of them.

2172

2173

2174 **Holland Harper (1:23:07):**

2175 Okay. Well, Board members, do you need five minutes?

2176 All right. Let's take five minutes. It is 3:18. We'll

2177 be back at 3:23.

2178

2179 (Background conversation.)

2180

2181 **Holland Harper (1:29:22):**

2182 It's 3:24. Let's get back to work. Mr. Fletcher, tell

2183 us all the good stuff you got in there. You, okay? You

2184 worried?

2185

2186 **Scott Fletcher (1:29:54):**

2187 Good afternoon. Scott Fletcher, Director of Bond

2188 Finance, Texas Department of Housing Community Affairs.

2189 Before I begin, I want to take a moment to say thank you

2190 to you guys. The engagement level of this board, the

2191 support that you guys show has been phenomenal, and it

2192 makes a difference in what we do. And so I want to take

2193 a moment to say thank you even for taking the time to do

2194 this. And I want to reiterate that same thanks to

2195 Bobby. Just incredible support for everything we've

2196 been doing on finance, homeownership, I want to credit

2197 that.

2198

2199 We have 90 slides. But it's really meant to be a
2200 comprehensive look at what we do. In preparing the
2201 presentation, I wanted to make sure we kind of covered
2202 everything. Our programs, how they work, how they fit
2203 together, how they flow, how the dollars move without
2204 getting too deep in the weeds. At the end of the day,
2205 this is your session, so please tell me to move on.
2206 Tell me to go back, ask questions. I'll be as brief or
2207 as thorough as you want me to be.

2208

2209 **Holland Harper (1:31:08):**

2210 How much time do you think you need for 90 slides?

2211

2212 **Scott Fletcher (1:31:13):**

2213 I don't know. I think I kind of think about 30 minutes.

2214 I think I can knock this out in 30 minutes.

2215

2216 **Holland Harper (1:31:24):**

2217 Excellent. Let's go to work. All right.

2218

2219 **Scott Fletcher (1:31:30):**

2220 Starting. Our purpose is really simple. We exist to

2221 help Texas families, individuals of low and moderate

2222 income obtain homeownership. We are a staff on the
2223 finance side, a staff of six. The homeownership side,
2224 staff of five and we'll make this point a little bit
2225 later, but we are 100 percent self-funded. We do not
2226 take a dollar from anyone in the state, the federal
2227 government, locals, we take no dollars from anyone. Our
2228 programs. Homeownership group is this group managed
2229 relationships with lenders, realtors, borrowers and in
2230 partnership with our program administrator, our master
2231 servicer. They are responsible for marketing our
2232 mortgage programs throughout the state. Bond finance in
2233 short, we fund those programs. We administer the
2234 department's Mortgage Revenue Bond Program and the
2235 mortgage lending programs. We're also responsible for
2236 managing the bond indentures. We finance our loans
2237 either through our MRB Program in the form of bond loans
2238 or through our Taxable Mortgage Program, which is
2239 basically selling the mortgage loans, originating
2240 mortgage loans, and selling them to the open market.

2241

2242 All of our loans include some form of down payment
2243 assistance. Even our 0 percent unassisted bond loans
2244 has essentially a rate buyout. So it's dollars that go
2245 in to support that lower rate on the mortgage.

2246

2247 And we also offer mortgage credit certificates. I'm
2248 going to go into all of this stuff in greater detail
2249 later and map out how everything connects later in this
2250 presentation. But this one slide shows everything that
2251 we do.

2252

2253 I'm going to talk about production. This is production
2254 over time. Our programs, just like mortgage market in
2255 general is obviously interest rate dependent. The
2256 higher interest rates go, the more that negatively
2257 impacts affordability for homeowners. And you can see
2258 as rates have increased since 2022, you see a bump in
2259 '23, which we can talk about. But our overall volumes
2260 generally declined over the last three or four years.
2261 However, the demand for bond loans has increased. You
2262 can see that on the right, a lot of volume in '23, a
2263 little bit less than '24. But we're expecting to see a
2264 rebound in the demand for bond loans through this year.
2265 And then you also see what's happened on our TBA loan
2266 volume. We can get into that. Again, welcome to any
2267 questions anytime.

2268

2269

2270 **Kenny Marchant (1:34:13):**

2271 Just please help me understand what a bond loan is and a
2272 TBA loan.

2273

2274 **Scott Fletcher (1:34:18):**

2275 Absolutely, great question. And we go into this a lot
2276 more later. A bond loan is a loan that we fund by
2277 issuing mortgage revenue bonds. That's what we come to
2278 four times a year from the Board to present. We're
2279 issuing bonds and we're going to use those bond proceeds
2280 to make mortgage loans to low-income people.

2281

2282 **Holland Harper (1:34:37):**

2283 And we're issuing about \$250 million a hit; is that
2284 correct?

2285

2286 **Scott Fletcher (1:34:40):**

2287 We have been running kind of in that neighborhood. We
2288 had a little bit smaller issuance in January just
2289 because we had that low volume in '24. But we're kind
2290 of back at that 250 pace. We've been doing a mix of
2291 tax-exempt and taxable for the most part. Obviously, if
2292 we do tax-exempt debt, our borrowing cost is much lower.
2293 We're capped by federal law in terms of how much we can

2294 make on our bond deals at 1.125 percent. And so our
2295 rates are lower. The lower we can get that funding, the
2296 lower we can provide mortgage loans. Why we layer the
2297 taxable then is because we know we only have so much
2298 volume cap and we can get into all of that. I do get
2299 into all of that later, but that's bond loans.

2300

2301 TBA loans are loans where we're basically saying, Hey,
2302 this is where the market is and we're going to provide
2303 down payment assistance on these loans. Where can we
2304 fund these loans, provide a mortgage to a family and
2305 sell it in the open market and cover the cost of that
2306 activity and make a little bit money? And so that's the
2307 difference between the two programs. And it's a great
2308 question and it could lead into the next slide.

2309

2310 **Kenny Marchant (1:35:51):**

2311 The objection is not break-even, but to break-even and
2312 make a little bit.

2313

2314 **Scott Fletcher (1:35:57):**

2315 Because we are 100 self-funded, we don't have the luxury
2316 of doing the loans. Every bond deal that we do, we are
2317 targeting to make, we want to make full spread. We

2318 don't always get that opportunity we have for the last,
2319 since I've been here, we've been very close to full
2320 spread on all of our deals. Our TBA business, I'll
2321 outline and kind of walk through. We have a lot of
2322 opportunities to generate additional revenue off of that
2323 TBA business. But also in generating that additional
2324 revenue off of that business, we can lower that cost for
2325 our mortgage. Our borrowers, we can lower our mortgage
2326 rates to them and we'll go through all of that. But
2327 this is a perfect lead in, Mr. Marchant, to this slide
2328 which shows our rates and you can see our bond-funded
2329 rates. Unassisted loans at 6 percent. Those are flip
2330 flopped. Our targeted area stuff is about a quarter of
2331 a point lower than our non-targeted 3 percent, 4 percent
2332 DPA are the programs that we're offering right now. You
2333 can see the rates that we're offering. The bottom half
2334 of that is the TBA rates and our TBA Programs.
2335
2336 And you can see the rate differential between those.
2337 Those rate differentials will change with mortgage rates
2338 as well. In a low-rate environment, those rate
2339 differentials are not very significant.
2340
2341

2342 **Holland Harper (1:37:21):**

2343 Okay. So what kind of credit score do you have to get
2344 to get this? 620?

2345

2346 **Scott Fletcher (1:37:27):**

2347 We have a minimum 620 without penalty.

2348

2349 **Holland Harper (1:37:29):**

2350 Okay.

2351

2352 **Scott Fletcher (1:37:31):**

2353 And we'll get into all that more. But I did want to
2354 point out those rate differentials. I did want to point
2355 out that you'll notice the more DPA you get, the higher
2356 your rate is going to be. And that has to do with, how
2357 are we going to fund this? And it all gets embedded
2358 into the rate because we, like I said, we cannot do
2359 giveaways. So with that, I'm going to pass the baton to
2360 Lisa. And then I have, obviously...

2361

2362 **Kenny Marchant (1:38:02):**

2363 And I want to ask you a question about this last phrase.

2364 We cannot do giveaways. What's the definition of a

2365 giveaway?

2366

2367 **Scott Fletcher (1:38:10):**

2368 Do a deal where we lose money. We could do giveaways,
2369 but we wouldn't have sustainability program.

2370

2371 **Kenny Marchant (1:38:23):**

2372 Okay. So if you had a big pot of money over here in
2373 reserve and you did a bond program that you had to buy
2374 the rate down, and the only way you could do that was to
2375 go over here and get money out of this big pot and put
2376 over here, could you do that in break-even?

2377

2378 **Scott Fletcher (1:38:43):**

2379 Sure. But we're at the end of the day, we're taking
2380 away from our reserves. And we're going to lower our
2381 parity ratio because we're diminishing our cash position
2382 and our asset position. So everything that we do really
2383 is designed to provide the lowest possible rates that we
2384 can provide and maintain the sustainability so that we
2385 can have this program years from now.

2386

2387

2388

2389

2390 **Ajay Thomas (1:39:05):**

2391 Do we have a target rate on the TBA on the spread that
2392 we want to make? Like, is it capped? Do we just say
2393 this is all we want to make?
2394

2395 **Scott Fletcher (1:39:13):**

2396 Yeah. That's another great question. We're not legally
2397 capped. What we're capped on our rate is just by the
2398 market, right? We can't say we went 10 percent on these
2399 loans, we're going to make four points. Great. But
2400 we'd never make a loan. We could finance. We could say
2401 we're doing 5 percent mortgage loans with 5 percent DPA
2402 and they would go like hotcakes, right? But we could
2403 only do that for so long as we're going to lose money on
2404 every one of those loans. So it is about finding that
2405 margin. So to answer your question, we're working... I
2406 have the metrics on a future slide. We execute every
2407 single TBA trade to be positive on a present value
2408 basis. That may mean that we do have some dollars going
2409 out initially because we have to fund some things. But
2410 eventually, when we look at the math on the down payment
2411 assistance and those dollars coming back, the present
2412 value of those cash flows is positive. And say, Well,
2413 how much should we make? It's really, there are times

2414 where we have more money in a trade and there's times
2415 where we have less money in a trade.

2416

2417 But the bottom line is we are really, sometimes our
2418 margins are really skinny. So most of the stuff I did
2419 made 0.5 percent on the principal, so not a lot of
2420 money, but it's about providing that lowest possible
2421 rate and making it a profitable trade, so we have
2422 sustainability to claim.

2423

2424 **Kenny Marchant (1:40:48):**

2425 Is there a mandated amount for the reserve account?

2426

2427 **Scott Fletcher (1:40:53):**

2428 For what we do on the bond side? Absolutely.

2429

2430 **Kenny Marchant (1:40:56):**

2431 Is that an internal number or is it external?

2432

2433 **Scott Fletcher (1:41:00):**

2434 It's really a market determined number in the sense that
2435 we have to we're making mortgage loans, we're pooling
2436 those into Ginnie Mae that were guaranteed securities
2437 and those are being purchased into our venture. And the

2438 differential between the cash flows that come in on
2439 those mortgage certificates, the Ginnie Mae
2440 certificates, and what we're paying to borrow that money
2441 to fund those loans, that's where our margin comes in.

2442

2443 But in terms of, say, what's the right level of assets
2444 you have to have? The rating agencies, and we'll also
2445 talk about this kind of look at it and say, where are
2446 you? What's your parity ratio? And we'll talk about
2447 parity ratio in a minute. And you want to have that
2448 parity ratio in a place that enables you to access
2449 capital at a reasonable rate. Because if we could run
2450 that parity ratio down, it's going to cost us more.
2451 We're going to lose our ratings.

2452

2453 (Overlapping conversation.)

2454

2455 **Holland Harper (1:41:58):**

2456 Mr. Fletcher, there's a lot of this you're talking about
2457 in the slide deck you're about to present us. Some of
2458 these things you're talking about in the slide deck we
2459 have?

2460

2461

2462 **Scott Fletcher (1:42:08):**

2463 They are. They're perfect questions and it leads into
2464 the next slide.

2465

2466 **Holland Harper (1:42:11):**

2467 Thank you.

2468

2469 **Lisa Johnson (1:42:14):**

2470 Lisa Johnson, Director of Texas Homeownership Program.

2471 We are connected at the hip with bond finance and
2472 grateful for the collaboration that we have. Between
2473 divisions, I'm going to touch on and just kind of
2474 connect the dots about how homeownership division and
2475 bond finance fit together, how closely we work together
2476 and share a little bit more about how we spend the money
2477 that bond finance provides us and protects in a very
2478 real way.

2479

2480 Again, I want to thank you for your interest and your
2481 participation. It means a lot to us that our Board is
2482 engaged and gives us feedback. We don't have all the
2483 answers and we do need additional ideas and try to take
2484 those and put them into the market. So just making the
2485 point further. While bond finance and homeownership

2486 have vastly different day-to-day responsibilities, we do
2487 have the same mindset and goals in mission.

2488

2489 Our goal is to help more Texans obtain the goal of
2490 homeownership that is the American Dream and do so in a
2491 lasting and sustainable way. That phrase drives us with
2492 all the decisions that we make, sustainable way. It is
2493 our responsibility to the state and to the communities
2494 that we serve.

2495

2496 Texas Homeownership is really on the front line and the
2497 direct contact with Texas homebuyers, participating
2498 lenders, and our realtors. We're at the loan level. We
2499 also manage and integrate with our program
2500 administrators, HilltopSecurities and our master
2501 servicers. We currently manage pipelines from four
2502 master servicers. Three of those master servicers have
2503 closed loans with no new reservations coming in and TMS
2504 or the Money Source as our new sole active master
2505 servicer for loan reservations and loan purchases.

2506

2507 Because new borrowers are seeking down payment
2508 assistance every day, our workday homeownership is
2509 extremely fluid and really on demand. It's much like

2510 working in the ER with triage coming in. Our staff's
2511 quick and accurate actions really help TDHCA loans to
2512 close according to guidelines, which is a really big
2513 deal and making them eligible for purchase.

2514

2515 If they don't close according to guidelines, these loans
2516 are purchased and we're not helping homeowners. TDHCA
2517 adheres above all else to statute first, agency
2518 guidelines meaning FHA, VA or USDA or conventional
2519 guidelines and whatever TDHCA overlays we deem necessary
2520 to make sure that our down payment assistance is risk
2521 managed with sustainable homeownership in mind.

2522

2523 So here's how the process works. So it starts and ends
2524 with our participating lenders. They go through a
2525 thorough two-step approval process conducted by the
2526 master servicer. Currently, it's just TMS and TDHCA.
2527 TMS is doing the big lift. They're making sure the
2528 assets are there on these participating lenders. They
2529 have...

2530

2531 **Holland Harper (1:45:47):**

2532 Who is TMS?

2533

2534 **Lisa Johnson (1:45:46):**

2535 "The Money Source". They're our new master servicer and
2536 they're out of Boulder.

2537

2538 **Scott Fletcher (1:45:56):**

2539 They have offices all over the place.

2540

2541 **Lisa Johnson (1:45:58):**

2542 Correct. The Money Source is their name. So The Money
2543 Source is doing the heavy lift on the loan approvals.

2544 TDHCA has a separate loan approval process. Once a
2545 participating lender is approved, they get their initial
2546 training and onboarding and they're charged with
2547 adhering to all these regulations and guidelines for the
2548 loans. If you've ever underwritten a loan or at the FHA
2549 level or USDA level or any of that, their guidelines are
2550 literally this thick. And that is part of their job as
2551 a licensed lender and loan officer to get that right.

2552

2553 Okay. So once all the... Sorry. Once the letters are
2554 approved, they pre-qualify all of our homebuyers. We
2555 take no applications directly from a homebuyer.

2556 Everything goes through a licensed approved lender. And

2557 once that borrower is pre-qualified, just a lender makes
2558 a reservation...

2559

2560 **Holland Harper (1:47:09):**

2561 Ms. Johnson, these are for FHA and VA loans; is that
2562 correct?

2563

2564 **Lisa Johnson (1:47:11):**

2565 We do FHA, VA, USDA, and conventional loans.

2566

2567 **Holland Harper (1:47:17):**

2568 Okay.

2569

2570 **Ajay Thomas (1:47:18):**

2571 FHA is the bulk of it, right?

2572

2573 **Lisa Johnson (1:47:19):**

2574 Yes.

2575

2576 **Ajay Thomas (1:47:20):**

2577 Percentage-wise?

2578

2579 **Lisa Johnson (1:47:22):**

2580 Yep, we'll get into that. I will chart...

2581

2582 **Ajay Thomas (1:47:23):**

2583 90 percent something?

2584

2585 **Lisa Johnson (1:47:24):**

2586 There's 90...

2587

2588 **Scott Fletcher (1:47:26):**

2589 For bond loans, it's 99 percent. On TBA loans, it's
2590 probably at 95 percent.

2591

2592 **Lisa Johnson (1:47:32):**

2593 FHA is the vast majority. And we can talk about why.

2594

2595 **Kenny Marchant (1:47:36):**

2596 And that's you're... And you're selling them into
2597 Ginnie Mae, that Ginnie Mae bond loan?

2598

2599 **Scott Fletcher (1:47:42):**

2600 They go and get a Ginnie Mae pools that we're either
2601 going to purchase which bond loans we purchase or if
2602 it's TBA loans, they don't get sold off.

2603

2604

2605 **Kenny Marchant (1:47:48):**

2606 But you're using FHA underwriting.

2607

2608 **Scott Fletcher (1:47:51):**

2609 Correct. They get it from Ginnie Mae through the HFA.

2610

2611 **Holland Harper (1:47:56):**

2612 And today we have one loan servicer, is that correct,

2613 with TMS?

2614

2615 **Lisa Johnson (1:48:02):**

2616 One active loan servicer with brand new loans that are

2617 being reserved.

2618

2619 **Holland Harper (1:48:05):**

2620 Got you. Okay.

2621

2622 **Lisa Johnson (1:48:07):**

2623 But we still have to manage the pipeline. We have about

2624 44,000 old loans.

2625

2626 **Kenny Marchant (1:48:13):**

2627 And your table funding and the servicing is getting sold

2628 at the table.

2629

2630 **Lisa Johnson (1:48:19):**

2631 We actually don't table fund.

2632

2633 **Kenny Marchant (1:48:20):**

2634 Or do you retain your service?

2635

2636 **Lisa Johnson (1:48:23):**

2637 The lender, our participating lenders, have to table

2638 fund everything and they're (indiscernible).

2639

2640 **Holland Harper (1:48:29):**

2641 Okay. You caught me. I don't know what table funding

2642 is.

2643

2644 **Kenny Marchant (1:48:31):**

2645 Well, I mean you make a loan.

2646

2647 **Holland Harper (1:48:34):**

2648 Yep.

2649

2650 **Kenny Marchant (1:48:36):**

2651 Every month a servicer collects that payment. Just the

2652 taxes and all that. They get three quarters, a half to

2653 three quarters of a point. So if you sell the table, if
2654 you sell the loan at the funding table, you can
2655 recognize up to a half to three quarter point of a
2656 rebate back to you a profit on that loan if you'll
2657 release the servicing with it.

2658

2659 **Holland Harper (1:48:57):**

2660 Okay.

2661

2662 **Kenny Marchant (1:48:58):**

2663 And big companies buy this servicing.

2664

2665 **Holland Harper (1:49:01):**

2666 Just time value money. Just take that right off there.

2667

2668 **Kenny Marchant (1:49:04):**

2669 And so the real question is, do we sell servicing? Do
2670 we keep it? Because that can be a half to three quarter
2671 point.

2672

2673 **Scott Fletcher (1:49:13):**

2674 It's a massive question. And we have, and we do touch
2675 on this later as well. We have \$8.7 billion that Idaho
2676 has a finance association...

2677

2678 **Scott Fletcher (1:49:26):**

2679 It says service.

2680

2681 **Scott Fletcher (1:49:27):**

2682 ...on our behalf. Those are our loans. We take
2683 servicing on those loans. So what you're talking about
2684 is either a retained service model for a service release
2685 model. And what we had with Idaho is a retained
2686 servicing model. So we have an \$8.7 billion portfolio
2687 where we will collect. It ends up being after the 65 or
2688 50 or 37 and a half...

2689

2690 (Overlapping conversation.)

2691

2692 **Kenny Marchant (1:49:50):**

2693 But it's an income flow.

2694

2695 **Scott Fletcher (1:49:50):**

2696 We get cash flows on that to the tune of about one
2697 point, I think I just saw that today was 1.685. That's
2698 for this month is what we have in the bond sales.

2699

2700

2701 **Kenny Marchant (1:50:02):**

2702 And that goes back, does that go into general revenue?

2703 In general.

2704

2705 **Scott Fletcher (1:50:06):**

2706 It goes to the excess revenue. In our books, it goes

2707 into our indentures as excess revenue.

2708

2709 **Bobby Wilkinson (1:50:11):**

2710 Yeah. That's outside of state treasury.

2711

2712 **Kenny Marchant (1:50:15):**

2713 Yeah.

2714

2715 **Holland Harper (1:50:15):**

2716 Yeah.

2717

2718 **Kenny Marchant (1:50:16):**

2719 Okay. I'm sorry that we're skipping ahead. It's a big

2720 amount of money.

2721

2722 (Overlapping conversation.)

2723

2724

2725 **Holland Harper (1:50:21):**

2726 It's a huge amount of money.

2727

2728 **Kenny Marchant (1:50:22):**

2729 It's a massive amount of money that we've decided to use

2730 it a certain way. I'm not being critical the way that

2731 we're using it, but other people use it a different way.

2732 A lot of times you sell that at the closing and you get

2733 an immediate profit or a discount or...

2734

2735 **Scott Fletcher (1:50:42):**

2736 I do love that you're a step ahead of us. So we do

2737 have, with Idaho, we have those retained service model.

2738 We will continue to cash flows as long as that portfolio

2739 is outstanding. With TMS, we have a release model.

2740

2741 **Kenny Marchant (1:50:55):**

2742 And what is the market value of that retained?

2743

2744 **Scott Fletcher (1:50:58):**

2745 It depends on how much market is in the trade, right?

2746

2747

2748

2749 **Kenny Marchant (1:51:02):**

2750 I know it depends on that but just somebody would buy
2751 that servicing, would they not?

2752

2753 **Scott Fletcher (1:51:06):**

2754 Right now, yeah. They're buying it from us. They're
2755 paying us a present value of that service, certainly
2756 discounted, right?

2757

2758 **Kenny Marchant (1:51:16):**

2759 Yeah, I understand.

2760

2761 **Scott Fletcher (1:51:17):**

2762 But we get service through this, and we'll go into all
2763 of that later. But I can show you kind of how the
2764 dollars are coming in.

2765

2766 **Holland Harper (1:51:23):**

2767 Ms. Johnson, please proceed.

2768

2769 **Lisa Johnson (1:51:26):**

2770 So continuing on, once a borrower is pre-qualified at
2771 the lender level, so a participating lender makes a
2772 reservation in the TDHCA lender portal that's managed by

2773 HilltopSecurities. There are program and compliance
2774 administrators. They're checking for compliance of all
2775 of our loans as they come in. These are all second
2776 liens. Zero, as Scott mentioned, 0 percent interest
2777 assistance.

2778

2779 And in some cases, first liens with unassisted, which is
2780 really a lower rate or really a buy down to typically a
2781 more qualified borrower that doesn't need down payment
2782 assistance, but they benefit from a lower rate,
2783 especially in this market. Those rates tend to be lower
2784 than regular market so they're in high demand and
2785 actually directly benefit the borrowers.

2786

2787 The lender must adhere to all guidelines, closes the
2788 loan and the closing packages are sent in to the program
2789 administrator electronically and the master servicer
2790 pretty much simultaneously. And they're looking for
2791 different things on compliance to make sure these loans
2792 are purchasable.

2793

2794 Homeownership works with both entities for stipulations
2795 or, oh, one-offs or a loan was delivered. But there's
2796 this looks weird. We work with the lenders directly to

2797 try to clear any kind of conditions to make the loans
2798 purchasable.

2799

2800 I'd like to acknowledge quickly our small but mighty
2801 staff. Diana Velez is our program manager who she and I
2802 worked with at the Housing Trust Fund; we came up under
2803 Homero Cabello. Rosa Liscano is our marketing
2804 development lead. Rosa and Diana are really, once we
2805 see this presentation, responsible for pulling a lot of
2806 this together in short order. I appreciate them for
2807 doing that.

2808

2809 Dyann Galaviz and Candace Christiansen who came to us
2810 from loan servicing. Candace does all of our loan
2811 servicing just for our loans and she has a lot to do, a
2812 lot of challenges, but we appreciate her. So let's get
2813 into a quick overview of the type of assistance that we
2814 offer and who we're serving.

2815

2816 So the first slide is really the two programs that we
2817 have to offer which are My First Texas Home and My
2818 Choice Home. My First Texas is you must be a first-time
2819 homebuyer to participate in that program and Bob Katzel
2820 and Kate Gayner settled on really the definition of

2821 first-time homebuyer is someone that has not owned and
2822 occupied a primary residence in the past three years.
2823 Different HFAs demonstrate or define that differently,
2824 like how do you improve that.

2825

2826 Bob Katzel says we enjoy the best relief from IRS
2827 scrutiny by using tax returns for that purpose. That's
2828 their opinion. It's debatable whether that's... It's
2829 not a fail-safe thing. We're looking for mortgage
2830 interest paid on the tax return to see if someone's a
2831 first-time homebuyer or not. We do look at additional
2832 measures should other items in the file warrant
2833 scrutiny. We might look at a credit report, we might
2834 look at...

2835

2836 **Holland Harper (1:54:59):**

2837 Just to be clear, if they haven't owned a home in three
2838 years, they're a first-time homeowner?

2839

2840 **Lisa Johnson (1:55:03):**

2841 If they haven't technically owned and paid interest,
2842 they have not owned and occupied a primary residence.

2843

2844

2845 **Holland Harper (1:55:10):**

2846 Okay.

2847

2848 **Kenny Marchant (1:55:11):**

2849 But since you take the standard deduction, you don't

2850 itemize interest anymore. Then you have... You can't

2851 tell anything from them the last five years.

2852

2853 **Lisa Johnson (1:55:23):**

2854 That's exactly right. However, IRS guidelines are very

2855 slow to update to the real world or to the existing

2856 world. And so that's, you do not need an attorney.

2857 That's the interpretation from law and counsel is,

2858 according to code that is...

2859

2860 **Kenny Marchant (1:55:41):**

2861 In this state or just period?

2862

2863 **Lisa Johnson (1:55:43):**

2864 National, the IRS code. But we're able to look at

2865 additional measures should we question if that's true or

2866 not. So we go above and beyond what necessary. Long

2867 story short, My First Texas is a first-time homebuyer

2868 program that is funded through bond loans or combo

2869 loans. Combo loans are TBA loans with mortgage credit
2870 certificates piggybacked together.

2871

2872 You can't have a bond loan and an MCC loan on the same
2873 loan. So that's why it's a TBA loan because they come
2874 from the same source of funds. So they could be
2875 combined. On My First Texas FHA via USDA, they are all
2876 repayable loans. We call them almost like a grandpa
2877 loan. You'll see on the right side or repayable 30
2878 years 0 percent interest second lien. They're always
2879 second liens.

2880

2881 And then when you get to My Choice you could be a first-
2882 time homebuyer, but you don't have to be a first-time
2883 homebuyer. Which we'll get into in a little bit. There
2884 are expanded, which we'll get into in a little bit,
2885 there are expanded benefits or expanded ways that
2886 someone might come and choose My Choice. We have higher
2887 income limits, higher purchase price limits. There are
2888 no tax return requirements on My Choice. It's more like
2889 a portfolio loan.

2890

2891 And it's not beholden to bond rules or IRS rules. And
2892 then the only forgivable functions of the forgivable
2893 loans we do offer currently are under the My Choice.
2894

2895 **Ajay Thomas (1:57:20):**

2896 And we're always giving enough assistance I assume or
2897 require the applicant to give enough down payment to get
2898 out of PMA insurance. So we're always in the second
2899 lien position on a mortgage because what happens if
2900 don't have enough and they have to take a second lien on
2901 the PMA which most banks require, then how does our down
2902 payment loan work?

2903

2904 **Lisa Johnson (1:57:44):**

2905 So our loans are all second liens unless we're in a no
2906 DPA situation where we're in the first lien. So
2907 according to agency guidelines, they're all slightly
2908 different. But FHA, for instance, 3.5 percent is a
2909 standard minimum down payment and they're required to
2910 pay mortgage insurance for the life of the loan. Back
2911 in the day, a long time ago FHA once you got down to
2912 paid down 20 percent of your equity, that went away.
2913 But that's not the case anymore. But that's why some

2914 people pick, even if they're first-time homebuyers, the
2915 conventional loan, because they want that option.

2916

2917 **Kenny Marchant (1:58:25):**

2918 You're not prepaying five points up front anymore and
2919 financing it in?

2920

2921 **Lisa Johnson (1:58:32):**

2922 I'm sorry.

2923

2924 **Kenny Marchant (1:58:34):**

2925 FHA went to a program where you prepaid the premium.

2926

2927 **Lisa Johnson (1:58:38):**

2928 So that's separate from... So there's a minimum down
2929 payment which is 3.5 percent, and there's a lot of rules
2930 about that. It can come from your own funds. It can
2931 come from seller concessions. It can come from the
2932 funds from family members, certain people. It can come
2933 from entities like TDHCA. So that's the down payment
2934 portion. But the mortgage insurance is usually an
2935 upfront for the life of the loan calculation that's
2936 built into the loan amount. So it adds on to the base
2937 loan amount. So it's financed in, but you don't have to

2938 pay it up front in cash. Does that answer your
2939 question?

2940

2941 **Kenny Marchant (1:59:23):**

2942 That isn't actually FHA gets points up front for its
2943 insurance. That's why when you pay FHA loan off, you
2944 can go backing if you didn't live the whole 30 years off
2945 of it.

2946

2947 **Lisa Johnson (1:59:39):**

2948 That's how they fund, that's how they guarantee our
2949 loan. Okay. So let's take a glance at some of the
2950 categories of how this money has been spent. So this
2951 data is from April 2024 through May of 2025. On a
2952 typical month, you'll see about \$109 million worth of
2953 loan activity come through homeownership. Our staff and
2954 program administrators touch about 458 loans every
2955 month. That's what \$209 million kind of translates to.

2956

2957 The average down payment assistance for this period is
2958 \$7,626. And then the gift funds, which we'll touch on a
2959 little bit more, our partnerships with our housing
2960 finance corporations, in addition to assigning bond cap,
2961 some of them add additional gift funds to our offerings.

2962 And that has really helped in a lot of areas. You can
2963 use that as additional down payment so you can lower
2964 payments. It's been really phenomenal.

2965

2966 So as you were asking, probably 98 percent are first-
2967 time homebuyers. And that stat involves not only My
2968 First but also My Choice. So you're thinking, Wow, why
2969 would, I think somebody's asked me recently, why would
2970 somebody pick My Choice? If you're a first-time
2971 homebuyer, why would you, which does come with us a
2972 higher rate. The answer is there could be you make too
2973 much money or plenty of people that strangely make a lot
2974 of money but don't have enough money to buy a house
2975 currently because the market is so expensive. Or
2976 they're buying a house that's more expensive than My
2977 First allows for. That's why that's there.

2978

2979 **Kenny Marchant (2:01:40):**

2980 Do you break these down rural and non-rural?

2981

2982 **Lisa Johnson (2:01:45):**

2983 We don't currently have that data just by rural or not,
2984 but we could probably siphon it through zip codes and
2985 regions. Good question. So the loan types value is 9

2986 percent FHA. VA is the next with 6 percent and then
2987 pretty much split USDA and conventional. New
2988 construction is about 20 percent and regular just rinse
2989 and recycle houses is 80 percent. And property types,
2990 we do more MHUs than anybody. Mostly probably because
2991 we also allow single-wise, but that that number is only
2992 5 percent.

2993

2994 **Ajay Thomas (2:02:31):**

2995 Do we have like a max? What's the maximum price of a
2996 home that would qualify?

2997

2998 **Lisa Johnson (2:02:36):**

2999 We're going to get to that.

3000

3001 **Ajay Thomas (2:02:37):**

3002 Okay. great.

3003

3004 **Lisa Johnson (2:02:40):**

3005 Okay. So this is a quick chart that just shows the top
3006 25 counties by loan volume. You'll see the biggest
3007 counties obviously have the most loan volume. It did
3008 lead me to look at the Panhandle and have a moment of
3009 panic going. We don't have any volume in the Panhandle

3010 and that's not true. This is the Top 25. So we do have
3011 volumes in all these areas. Our programs are statewide
3012 in any county, in any part of the Texas, as long as
3013 you're in Texas. So clearly, we do very well in the
3014 valley. Have a lot of response there. Central Texas up
3015 in Tarrant and all those counties and the Houston area.
3016 And this is really just an extra. It just kind of puts
3017 it together with volume of the different areas. Harris
3018 Bexar, El Paso, all the way down to Montgomery County.

3019

3020 Moving on to household income. This might surprise you,
3021 but our average household income is over 75,000. The
3022 average purchase price is almost 245,000. And then when
3023 you look at the bottom row where it says first-time
3024 homebuyer income limits range, that's the high range.
3025 And these are set by HUD and IRS every year. We just
3026 updated our limits last month so that the range for
3027 income limits for first-time homebuyer's ranges from
3028 98,800, which is balance of state, up to 138,000,
3029 basically.

3030

3031 Purchase price limits go from as high as 545,000 up to
3032 665,000. Those are really big numbers that people are
3033 buying houses, not so much the majority of our loans,

3034 but they're available. And when you look at the tiers,
3035 you see that obviously \$75,000 income range is really
3036 the top. But there are a good amount of loans, people
3037 making upwards of \$120,000 that are able to take
3038 advantage of our loans.

3039

3040 Okay. Top participating lenders. So we talked about
3041 how to become a lender. Currently, this data is about
3042 two weeks old, but we have 127 approved lenders. Since
3043 we've transitioned to TMS or The Money Sources and new
3044 master servicer, we've added seven additional lenders
3045 and AM12. So these are just some of the logos of the
3046 top performers. You'll see some of the big ones you may
3047 know and some that you may not. These are lenders that
3048 are invested in the HFA world and what we do. They're
3049 pretty much specialists in doing something a little bit
3050 different.

3051

3052 **Kenny Marchant (2:05:43):**

3053 Just a quick question. Do they buy reservations?

3054

3055 **Lisa Johnson (2:05:47):**

3056 They don't. I think way, way back that was done. There
3057 were contracts and...

3058

3059 **Kenny Marchant (2:05:55):**

3060 But that's gone. Nobody buys reservations anymore.

3061

3062 **Lisa Johnson (2:06:00):**

3063 Yes. First come, first serve. And it's more manageable

3064 now that Scott has evened things out when it was crazy

3065 and rates were so low and bond was just literally flying

3066 out the door in 20 seconds, and it wasn't benefiting

3067 anybody because the situation was just too up and down.

3068

3069 Okay. Our Housing Finance Corporation partnerships,

3070 which Scott's going to talk about a little bit more, are

3071 really have become such a backbone of providing

3072 additional bond funds for us and really expanding our

3073 reach within the whole state because it gives us

3074 additional monies at the lower rates. And I really

3075 applaud Scott for everything he's done. He's expanded

3076 our list that we currently have and we're still working

3077 on more. These housing finance corporations also, as we

3078 mentioned, some deliver additional gift funds to us and

3079 that really helps supplement.

3080

3081 What you're seeing at the bottom is, I'll show you on
3082 our website here in a minute, is our partnership page
3083 where we are currently building out landing pages for
3084 each one of these partners. And we have about four done
3085 already so that we can link out to the communities, and
3086 we can share data back and forth.

3087

3088 Okay. This is where I'm going to figure out how to do
3089 this. So I wanted to show you this kind of started
3090 because I don't know if the Board has ever seen the
3091 Texas Homebuyer website. It's really the foundation for
3092 all the marketing that we do. We went to this about
3093 three and a half years ago, about four years ago. We
3094 used to be just part of the regular TDHCA website, but
3095 it was apparent that we needed a more robust format.
3096 That while we still clearly brand ourselves as TDHCA, we
3097 needed an additional way to start marketing. So on the
3098 left side, you'll see that that's our homepage and I'm
3099 going to, show you a little quick. Thank you so much.

3100

3101 Okay. So this is the homepage for the Texas program
3102 website. We start our branding. You see the gal with
3103 her two children. We try to repeat that image as often
3104 as we can. You'll see the brochure up here. Just so

3105 people know, we do have competition out in the world.
3106 There's a lot of confusion of having you hit the right
3107 place. So we use this repetitive image to make sure our
3108 people have come to the right place.

3109

3110 The website is designed really in, it's meant to be as
3111 simple as possible. It's not really flashy but it's
3112 meant to be a resource for homebuyers, our lenders, and
3113 our realtors. And so it's subdivided into different
3114 sections. We do have a quick video that you can share
3115 if anybody in the Board says, how do I learn more about
3116 the Texas Homebuyer Program? This is a video that the
3117 team has made sure is on YouTube. It's a great over
3118 explanation about our programs. I'll take you quickly
3119 to the homebuyers page. This is a simple three-step
3120 process.

3121

3122 First thing that we always tell every homebuyer is to
3123 educate yourself. This is a link where they can get to
3124 our primary homebuyer education and we offer additional
3125 homebuyer education as well. We'll talk about that a
3126 little bit more. The second step is you must get pre-
3127 qualified with the TDHCA loan officer and this is what
3128 the recommended steps are. This is what currently a

3129 homebuyer would see if they're going, Okay. I need to
3130 start looking for... I think I know my lender that I've
3131 already think I want to work with... but I need to see if
3132 they're on this list.

3133

3134 You can search by that lender's name, the loan officer's
3135 name or the company's name or even by a county. Or you
3136 can check into, for instance, a loan officer that has
3137 done 50 plus loans with TDHCA. Everybody's got a
3138 different way of thinking about these things and some
3139 people want the top, top lenders, some people want, Hmm,
3140 they're going to be too busy for me. I want to check
3141 this. They have the option to do that.

3142

3143 So we have a brand-new marketing firm that we're working
3144 on an additional really robust things to do with our
3145 lenders. And we'll talk about that real fast on the
3146 lenders page. This is meant to be a quick resource for
3147 them. We have rate sheets, income limits. Our lender
3148 guide is really our guideline guidebook. It's a quick
3149 resource for them to find that.

3150

3151 Then realtors tab is the same. We have marketing at the
3152 bottom for the lenders and realtors. We have marketing

3153 materials that they can grab here, the resources on
3154 targeted areas and non-targeted areas and all those
3155 things. So I could go on and on forever about that.

3156

3157 Realtors, we have a TDHCA DPA specialist designation
3158 that realtors must take our training and then they
3159 become specialists in our programs. We found the need
3160 to make sure that they were trained on our programs
3161 because we got feedback. Myself being a realtor myself,
3162 I hate to say, but there's misnomers and misinformation
3163 that gets put out in the world. And the worst thing we
3164 can hear is, but my realtor said that my loan is
3165 forgivable. My realtor said this and that. So we had
3166 to stop that and say, if you would like to participate
3167 in our programs, you must know what we do first.

3168

3169 Okay. So that's kind of the quick brief synopsis of
3170 that. So please send people to the website whenever you
3171 have somebody that needs to do that.

3172

3173 **Kenny Marchant (2:13:05):**

3174 But you've identified that you're going to do some
3175 remarketing, right?

3176

3177 **Lisa Johnson (2:13:11):**

3178 We are. And that's what...

3179

3180 **Kenny Marchant (2:13:13):**

3181 And you realize that 90 percent of the buyers are

3182 brought to you either by a builder or a realtor.

3183 They're not coming to you. They're not like waking up

3184 in the middle night and saying, Oh, we need to get a

3185 loan. Where shall we get one? Let's go log on to this

3186 website.

3187

3188 **Lisa Johnson (2:13:32):**

3189 Right. That's part of what we're going to talk about

3190 here in a minute of how we get people to realize that

3191 these funds are available. The primary reason, the

3192 primary way of doing that is through our lender network.

3193 They're already in touch with these people. They

3194 already know that you're assessing. Do they need down

3195 payment assistance? Do they need a lower rate to

3196 qualify them? And that's really our primary source.

3197 But there are other ways to reach them. Correct. So

3198 let's go back to... Oh, they don't sit. It just didn't

3199 make it bigger. If you all could still...

3200

3201 **Holland Harper (2:14:41):**

3202 Yeah. From current slide, go to slideshow. Current
3203 slide.

3204

3205 **Lisa Johnson (2:14:47):**

3206 We're supposed to do Shift F5. I did it. This
3207 shouldn't make it bigger. I think let's just keep it.
3208 If you can see it okay. On this page, the Texas
3209 homebuyer informational funnel is part of our new
3210 marketing effort. We have a new marketing firm called
3211 Happy Medium. Happy Medium is our new marketing firm
3212 and they are building out. They're starting by building
3213 out an amazing marketing effort. They have eight years'
3214 experience with Iowa Housing Finance Corporation doing
3215 exactly what we're about to start doing. It starts with
3216 a funnel of information. So homebuyer education is our
3217 key. One area that we need help with is getting more
3218 homeowners into an informational funnel. And not just
3219 we have robust phone calls we get all the time. They're
3220 really rewarding. We hear from homebuyers, they're
3221 confused, they don't know anything about mortgages, they
3222 don't know anything about where I start, they're scared.
3223 They've heard all this information and they're trusting
3224 us to guide them. So we have these great conversations,

3225 we give them great resources, we send them to realtors,
3226 to lenders, but we kind of lose track of them.

3227

3228 And so this is what this is going to solve. The new
3229 marketing firm is building this informational funnel.

3230 It starts with getting a borrower homebuyer to be
3231 interested enough to trust us to opt in to this
3232 informational funnel. And so that's kind of what that
3233 first page looks like. They opt in, there'll be a
3234 landing page on our website that we will drive with
3235 other marketing efforts to get them to that place. And
3236 then what happens next? So they're building an email
3237 drip campaign with different pieces of targeted
3238 information to keep the homebuyer engaged and moving
3239 along so we just don't lose touch with them.

3240

3241 Everything's driven with data analytics. We have a big
3242 robust portal on the back end. Data driven. You can
3243 see what the success is. These are things we've never
3244 had. We've never been able to track what any of our
3245 marketing efforts have done. So this will be great. So
3246 the first-time homebuyer guide is the first thing that
3247 they're going to get. It's meant to be a quick step by

3248 step and really good tips for what next to do. And then
3249 it moves to eligibility quick check tool.

3250

3251 And so again people have always asked us for this.
3252 We've had similar versions, but they weren't robust
3253 enough. We didn't really go far enough, or they weren't
3254 necessarily accurate. So this pre-qualification tool is
3255 going to be kind of two steps. You get some basic
3256 information from the borrower; they are opting in just
3257 enough to see if income-wise, of course they have to be
3258 answering truthfully. If they're not, it's worthless,
3259 just like anything else. But the basic terms like what
3260 is your credit score? Is it 620 or higher? If the
3261 answer is no, they're not going to qualify for anything
3262 for our firm. So these are kind of the beginning
3263 questions.

3264

3265 Is your household income above a certain number for this
3266 purpose? That's just a test. Will this be your primary
3267 residence? If you answered no, later in this process,
3268 the borrower might be eligible for My Choice, but
3269 they're not going to be eligible for My First. So these
3270 are meant to be pre-questions. So once they get past
3271 that and it looks like they're eligible for something,

3272 this is all AI driven and it moves on to, Congrats, you
3273 may be eligible for assistance in purchasing your dream
3274 home by answering these other additional questions, but
3275 it is meant to really funnel them down to a qualified
3276 lead.

3277

3278 And so these leads are going to go to an ambassador
3279 level lender that we're developing. So TDHCA is
3280 developing not just approved lenders, but we're seeking
3281 a certain level of lender that has demonstrated that
3282 they've done marketing on our behalf, that they've gone
3283 to homebuyer fairs, that they have a certain volume,
3284 they're invested in our future.

3285

3286 **Holland Harper (2:19:59):**

3287 Mrs. Johnson.

3288

3289 **Lisa Johnson (2:20:00):**

3290 Yes.

3291

3292 **Holland Harper (2:20:03):**

3293 We have 127 lenders that are authorized to do this,
3294 correct?

3295

3296 **Lisa Johnson (2:20:07):**

3297 Yes.

3298

3299 **Holland Harper (2:20:09):**

3300 And they have to be qualified and audited. And I'm sure

3301 there's every restriction on this. This database and

3302 all the work we're doing there, we're not, we're just

3303 pushing them to the lenders we already have, right?

3304

3305 **Lisa Johnson (2:20:22):**

3306 In order to participate, they must be our participating

3307 lenders.

3308

3309 **Holland Harper (2:20:26):**

3310 That's great. So if we just spent the marketing money

3311 to get to, if we spent marketing dollars out there, web,

3312 Google, social media, just to push in the lenders, why

3313 do you want to put the effort into mining the databases

3314 to push it to lenders when we could just push this

3315 program out there at a high-level marketing campaign and

3316 not get the database level business?

3317

3318 **Lisa Johnson (2:20:54):**

3319 We do want to do both.

3320

3321 **Holland Harper (2:20:55):**

3322 Why do you want to be in the database business? Why do
3323 you want to be in the database business on people
3324 calling versus I'm in Rowlett, I want a VA loan, I have
3325 my marketing team out there campaigning of what that
3326 does to send it to the people in that market?

3327

3328 **Lisa Johnson (2:21:15):**

3329 Right. So from my perspective, it's not wanting to be,
3330 with all this, just like not to be in the data business,
3331 is to use it as a tool to try to get a qualified lead.
3332 Because we've had to a lender that can actually help a
3333 borrower. We've had challenges with when we, as a state
3334 agency we can't steer people to certain lenders as much
3335 as we go, I call this guy, we can't do that. So we have
3336 to be fair and equitable in that way. But we've had
3337 issues with giving the list that exists now. Borrowers
3338 will call lenders and they'll call us back and go, we
3339 didn't get a call back.

3340

3341 **Holland Harper (2:22:07):**

3342 Sure.

3343

3344 **Lisa Johnson (2:22:07):**

3345 They were rude to me, or we get a lot of feedback. And
3346 so we're, our attempt is we'll see if it works. It's
3347 worked for our lenders is to get our precious homebuyers
3348 to somebody that actually cares. And so it's not just
3349 going to be 127 lenders or realtors that are going to be
3350 given these leads. It's going to be our top tier that
3351 get that benefit. You work your way up to that. But
3352 the whole premise, right or wrong, we're going to try it
3353 is to get people actually to the right person.

3354

3355 **Holland Harper (2:22:48):**

3356 But again, we're choosing who the right and wrong is
3357 when we would be better off carpet bombing or marketing
3358 the message across the entire state that these loans are
3359 out there.

3360

3361 **Lisa Johnson (2:22:59):**

3362 There's definitely that...

3363

3364 **Holland Harper (2:23:00):**

3365 And to get those to let the best and the brightest
3366 lenders in the market capitalize on our free marketing
3367 to push the product through the system. That's where I

3368 think that we should be, partially that's where I think
3369 we should be going.

3370

3371 **Lisa Johnson (2:23:13):**

3372 So we are as part of our new marketing firm going to be
3373 doing Google AdWords and things like that to the general
3374 public to drive them to our website so that they can get
3375 to the right. So that's part of it.

3376

3377 **Holland Harper (2:23:28):**

3378 Mr. Lyttle, do you do any social media advertising
3379 money?

3380

3381 **Michael Lyttle (2:23:34):**

3382 For the homebuyer program?

3383

3384 **Holland Harper (2:23:35):**

3385 Yes.

3386

3387 **Michael Lyttle (2:23:35):**

3388 Not very much. No, sir.

3389

3390

3391

3392 **Holland Harper (2:23:37):**

3393 Would you look at it? So we just did a program recently
3394 in a company that we have and for no money. The results
3395 were a 20-time better investment for me than Google.
3396 I'm glad we're not, I'm glad we're not on live stream.

3397

3398 **Lisa Johnson (2:23:54):**

3399 We would love to know whatever resources are out there.
3400 Homeownership has had a very limited budget for years
3401 and years. We've had a \$95,000 budget and that included
3402 for when this website got built. It took all of that
3403 money just to get it together.

3404

3405 **Kenny Marchant (2:24:10):**

3406 What is your budget on this new marketing program?

3407

3408 **Lisa Johnson (2:24:13):**

3409 Well, so part of what we're going to talk about is that
3410 bond finance has set aside over the past few years a
3411 percentage of, you're going to explain it better than
3412 me, a percentage of the bond deals that have been done
3413 in trust, so to speak, to be used for marketing. And so
3414 Scott has given us access, controlled access, to some of
3415 that money. And we're going to have a vastly larger

3416 amount than we've ever had to throw at, at reaching
3417 homebuyers.

3418

3419 **Kenny Marchant (2:24:51):**

3420 Well, I'll join the chairman in his opinion. Nobody
3421 would go about it this way. That's my opinion.

3422

3423 **Holland Harper (2:25:03):**

3424 I really... You're too bright and you're too talented
3425 to try to help bring leads into... If you start
3426 choosing lenders, it's just going to put you in a
3427 position where you can't win. The best thing you can do
3428 is say, I have incredible product. This is my
3429 incredible product. You put that out in a couple places
3430 and let the consumers get to the retailers to get that
3431 product. You're the manufacturer. You're the
3432 manufacturer of the product, you're going to provide
3433 over commercialization of it and you're going to let the
3434 retailers get that out there. Do not try to go direct
3435 to customers. Do not try to help them too much to get
3436 to the retailer. Let the retailer do its job and bad
3437 retailers will fall apart and great retailers will be
3438 successful.

3439

3440 **Lisa Johnson (2:25:55):**

3441 I don't disagree at all. Previous marketing firms that
3442 we've had have advised that TDHCA doesn't have enough
3443 money previously to now to... There's too many people
3444 going after those homebuyers and it costs too much to
3445 try to reach them. That was an old premise before this
3446 new marketing firm or a new budget that we have. So I
3447 agree with you. If we could find a way to do that...

3448

3449 **Holland Harper (2:26:24):**

3450 So I'm being very clear, I think you should stop working
3451 on building a database.

3452

3453 **Kenny Marchant (2:26:28):**

3454 Product, product, product. You get the best product out
3455 there, the lowest interest rate, the best product, the
3456 more giveaway programs and get that into the hands of
3457 the builder, the lender, the realtor...

3458

3459 **Holland Harper (2:26:45):**

3460 They'll do their job.

3461

3462

3463

3464 **Kenny Marchant (2:26:46):**

3465 The percentage of people that go to this website first
3466 and find out about this, then decide, Well, we're going
3467 to go find a house, it's just, to me it's just...

3468

3469 **Lisa Johnson (2:27:01):**

3470 The challenge that I'm not sure how we would get around
3471 is bond counsel requires us to vet lenders to
3472 participate in the program and they have to meet a
3473 standard.

3474

3475 **Holland Harper (2:27:16):**

3476 I don't disagree with anything you're saying there. But
3477 we don't need to be the choosers of what lender goes to
3478 what counsel. We don't need a database to do this. You
3479 are the manufacturer of the product. We are making a
3480 great loan or making available to lenders. All we got
3481 to say is, I make the best toothpaste in the world. I
3482 make the best loan product in the world. I throw a
3483 little bit of market in the top side to get this
3484 together. Then our compliance will make sure that these
3485 lenders, realtors, and rest will do the rest and get out
3486 of the way and let the market do its job.

3487

3488 **Lisa Johnson (2:27:53):**

3489 Tell me, and I agree. Tell me how, if our challenge has
3490 been, or help me. If our challenge has been once a
3491 homebuyer knows that they want to use our program, if
3492 you have a tiny staff, we can only talk to so many
3493 people. As much as we want to, we need some way to
3494 connect them to the right lender. And that's been a
3495 challenge.

3496

3497 **Holland Harper (2:28:19):**

3498 But that's not... The right lender in the market is the
3499 right retailer. It is their job to go find that in the
3500 market to do that.

3501

3502 **Lisa Johnson (2:28:27):**

3503 And they struggle. They struggle with it. And maybe
3504 I'll get to that part here in a second, ahead.

3505

3506 (Overlapping conversation.)

3507

3508 **Ajay Thomas (2:28:35):**

3509 Yeah. I think the point is, if we're the manufacturer
3510 of the product, our job is to get it to the 127 approved
3511 lenders and have them push it, right? And so if they're

3512 pushing the product, then when the application comes in,
3513 they should be in a position, if you're a mortgage
3514 broker or an approved lender should be able to say, Hey,
3515 by the way, are you aware TDHCA has this great program
3516 you would qualify for. And then get out of the way. We
3517 should be out of it. I mean, we shouldn't be, as the
3518 chairman says, it's not our job to find the lender for
3519 them.

3520

3521 **Lisa Johnson (2:29:09):**

3522 No, of course not.

3523

3524 **Holland Harper (2:29:10):**

3525 And if we don't have enough 127, we need to go find
3526 another 127. That is our mission as the manufacturers,
3527 to go find more retailers. We do not need to go do this
3528 since it is not scalable.

3529

3530 **Bobby Wilkinson (2:29:21):**

3531 Sounds like if we're not going to funnel them though,
3532 maybe we should fire some for not returning these phone
3533 calls.

3534

3535

3536 **Lisa Johnson (2:29:26):**

3537 That's the next thing that we're able to look at. We're
3538 finally able to, we have some data with our new master
3539 servicer. They have a lender scorecard on their back
3540 end that tracks their performance. How many loans have
3541 fallen through, how many were canceled, how many had
3542 trouble or whatever. We've never had that data before.
3543 And so that is something we want to do.

3544

3545 **Ajay Thomas (2:29:48):**

3546 Because I do agree with you on this point, I think that
3547 it would be worthwhile to spend the time perhaps like
3548 you're doing with realtors. Make sure they're trained
3549 effectively to market the product. So they understand
3550 we have this program, this is what it's required. Make
3551 sure they're aware of it. If they're an approved
3552 lender, they should be well versed in pushing it. But
3553 then that's all we should be really.

3554

3555 **Holland Harper (2:30:09):**

3556 You could do that for the realtor, and you could bid for
3557 the contractor, but that's it. After that, that's like
3558 an online program. Move on.

3559

3560 **Leo Vasquez III (2:30:19):**

3561 Because I just want to add, I don't believe these
3562 concepts are mutually exclusive. I mean, I love the
3563 manufacturer analogy. And we want to use our wholesale
3564 distributor network out there because theirs should be
3565 way bigger than ours. But at times, people do come
3566 directly to the manufacturer's website and try to check
3567 it out. So we can still do some of these things you're
3568 talking about, but we're going to get much bigger
3569 results using that network of qualified people that are
3570 out there. So it doesn't have to be mutually
3571 exclusive...

3572

3573 **Holland Harper (2:30:54):**

3574 Mr. Chairman, let me put a bow on that one and move on.
3575 If our website has the following, these are the approved
3576 vendors in your market that do this work, let the market
3577 go do the work after that. It's a distributor model,
3578 right? So I've got, I live in Paris, Texas. How many
3579 people do FHA loans in this market? There's not, but
3580 about two in that market. They'll do it. You should
3581 call some people. Then the second side of our line
3582 says, Hey, Bank XYZ is not very good, but Bank ABC is a
3583 five-star rated bank by its customers, not us. Or we

3584 can maybe get to that level, but get out of the business
3585 of trying to choose winners and losers. Let's move on.
3586 Thank you, ma'am.

3587

3588 **Lisa Johnson (2:31:37):**

3589 Yes, sir. I appreciate that. Okay. so these are some
3590 of the things that we're doing to stay competitive.

3591 TDHCA or the homeownership division is, shouldn't have

3592 to say this, but we answer the phone. We have

3593 competitors. There are other HFAs in this world that

3594 other state HFAs don't have. So that is something that

3595 we pride ourselves in. We actually are very responsive.

3596 We get great feedback from, thank you for doing that so

3597 fast. Thank you for solving my problem. That is the

3598 one key component of what we do. We cross market with

3599 The Money Source, our master servicer. We didn't have

3600 much of that before with our previous master servicers.

3601 We do trainings with them. We do also trainings with

3602 Freddie Mac and Fannie Mae that brings in additional

3603 resources and expands our conventional products.

3604

3605 We also are involved in, there are sources, DPA1, HFA1

3606 down payment resource. These are databases that pride

3607 themselves in putting all of the DPA sources in one

3608 place so we make sure all of our data is updated at all
3609 times. We provide marketing materials. When you go to
3610 our website, you can see some of those to all of our
3611 lenders and realtors. Those can be customized for them
3612 to use for marketing. We do a whole bunch of lender and
3613 realtor group trainings and one-on-one trainings.
3614 That's the key to them remaining educated on our
3615 products. We have a virtual video library for lenders
3616 on our website so that they can go back to trainings and
3617 relearn things.

3618

3619 We participate in speaking engagements and homebuyer
3620 fairs throughout the state of Texas. Whenever we have
3621 an opportunity, we're always at those. So we have a
3622 direct interface with the homebuyers and make sure that
3623 our competitors are not just taking full reign with
3624 that. We're starting a new initiative with Corporate
3625 Lunch and Learns. If you know of any corporations, they
3626 don't have to be in Austin. It could be anywhere in
3627 Texas that would benefit from reaching out to their HR
3628 departments. We'd like to do a lunch and learn for
3629 Dell. We'd like to do a lunch and learn for HEB or
3630 whoever those companies are. That's going to be, the

3631 idea is you're reaching gainfully employed individuals
3632 that most likely need our assistance.

3633

3634 **Kenny Marchant (2:34:20):**

3635 Mr. Chairman, can ask a question?

3636

3637 **Holland Harper (2:34:22):**

3638 Please go ahead, Mr. Marchant.

3639

3640 **Kenny Marchant (2:34:26):**

3641 When you say, when you use the word competitor, I
3642 thought we offered a product that no competitor could
3643 offer. So in the truest sense, if there are competitors
3644 then government shouldn't be doing this. It's free
3645 markets providing these loans and there are competitors
3646 who were really focused on competing and we don't need
3647 to be in this business. We're only in this business
3648 because we have a product that will help our first-time
3649 homebuyers or our buyers that no other person can offer.

3650

3651 **Bobby Wilkinson (2:35:14):**

3652 So in the state of Texas, maybe uniquely, we have
3653 another state entity called Texas State Affordable
3654 Housing Corporation. They are public nonprofit. They

3655 are not a state agency. But they do have a governor-
3656 appointed board and they don't do so much of the bond
3657 finance. But they have a pretty large TBA Program.
3658 They tend to always publish the rates 15 minutes after.
3659

3660 **Kenny Marchant (2:35:37):**

3661 Oh, and I apologize. You have talked to me about them
3662 before, Bobby. But I meant competitor meaning not, so
3663 we have an internal competitor in the state. Is that
3664 what we're talking about when we say competitor?

3665

3666 (Overlapping conversation.)

3667

3668 **Bobby Wilkinson (2:35:55):**

3669 Excuse me?

3670

3671 **Kenny Marchant (2:35:56):**

3672 Is that who we're talking about when we're talking
3673 generally about competitor? Okay. I apologize. I was
3674 aware of that entity but I did not know that they were
3675 in the marketplace.

3676

3677

3678

3679 **Lisa Johnson (2:36:18):**

3680 Yes. There's a couple of nonprofits that have similar
3681 offerings and I don't mean it to be anything more than
3682 it is. It just, competition is good. It keeps us
3683 sharp, it keeps us moving. But we have to be aware that
3684 we need to do our best. Okay. What else? Marketing.
3685 We're also going to market to state employees. Again,
3686 trying to reach gainfully employed qualified homebuyers.
3687 Our program is really designed for people that can get a
3688 mortgage loan. It's not somebody that can't get a
3689 mortgage loan, but they just need that extra step. So
3690 that's why we're going to market to state employees. We
3691 do some public relations with DPPA. Michael Weill's
3692 (phonetically spelled) team, Christina, is working on a
3693 Pierce County initiative with their public relations
3694 department. They want to really push what our
3695 relationship is. Again, our new marketing firm and with
3696 our homebuyer eligibility tool, I think that will, that
3697 part of what they're developing. Mr. Holland, the
3698 eligibility tool will help them realize they do qualify
3699 for what they should qualify for. I think that that
3700 will really be good for them.

3701

3702 Okay. And then what else? So the Texas Homeownership
3703 Program, whether somebody comes to us to use our funds
3704 or not, we're an education first initiative program.
3705 That is our mission is all homebuyers, again whether
3706 they use our funds or not, they are prepared for
3707 homeownership. So that is why we're starting a new
3708 initiative with Finally Home, we've had for our primary
3709 homebuyer education provider. They have developed, it's
3710 HUD certified. We haven't had HUD certified before.
3711 Our program now is national standards, which is a real
3712 thing. But it's not HUD certified. It's not, we need
3713 to go to the next level.
3714
3715 Finally Home also has a robust financial literacy course
3716 that's part of our regular homebuyer training. Their
3717 training follows them for the life of the loan. They
3718 can always go back. They have access to counselors.
3719 And TDHCA is going to be providing some scholarships
3720 because this is a paid program to get the homebuyer
3721 education, which a lot of people believe a borrower
3722 should have some skin in the game. But it is on a
3723 sliding scale depending on your income.
3724

3725 Can go as far as low as \$3 to up to \$70 or so. But
3726 TDHCA is going to be able to subsidize that with
3727 scholarships because we were awarded Federal Home Loan
3728 Bank under \$20,000 grant this year. Thank you, Bobby,
3729 for your participation. And that's going to help us
3730 subsidize that and really promote homebuyer education.

3731

3732 To your point, Mr. Holland, I think that's one way we
3733 intend to market to get homebuyers to our program is
3734 market the concept of robust homebuyer education. Get
3735 yourself educated, come to us to follow up. And that's
3736 kind of one way we want to start.

3737

3738 **Holland Harper (2:39:48):**

3739 If I can give you any recommendations, I use more video.
3740 I use social media. I would blanket who I want out
3741 there. I would give a distribution, a retailer network
3742 or whoever has this product out there. I get out of the
3743 database business, spend my money lightly in social
3744 media to get what you want, have more videos of how that
3745 works and then push them back to your website for more
3746 technical data.

3747

3748

3749 **Lisa Johnson (2:40:17):**

3750 I appreciate that. Thank you.

3751

3752 **Holland Harper (2:40:20):**

3753 Thank you very much.

3754

3755 **Lisa Johnson (2:40:22):**

3756 We have a target and we appreciate your input.

3757

3758 **Holland Harper (2:40:24):**

3759 Thank you, ma'am.

3760

3761 **Lisa Johnson (2:40:25):**

3762 Thank you.

3763

3764 (Background conversation.)

3765

3766 **Scott Fletcher (2:40:38):**

3767 So we have a lot to cover so we're going to try and do

3768 it really quickly. We're doing a bond finance

3769 interaction here. It's 4:35. As I said before, bond

3770 finance is entirely self-funded. Everything I'm about

3771 to share is really in context of being sustainable,

3772 furthering our mission sustainably. So we have about \$3

3773 billion in our ventures. The moves that we've made,
3774 things that we're doing, we're focused on creating
3775 efficiencies and optimizing that portfolio. Quick math,
3776 one basis point here is \$3 million. So we can move the
3777 needle on our attention by being more efficient. How we
3778 manage that? We have partners for that.

3779

3780 We issue about current level, \$750 million a year in
3781 mortgage revenue bonds, full spread on a deal, one in
3782 1.8 percent. About \$8 million annually in revenue from
3783 our mortgage revenue activity. Depending on the year,
3784 we're issuing an \$300 million to \$1.2 billion in TBA
3785 loans. Obviously, massive opportunities to create
3786 additional revenue through those programs. We have
3787 opportunities to enhance the financial metrics on our
3788 DPA.

3789

3790 Again, I'm probably spending a little bit too much time
3791 on this slide but the whole driver here is how we
3792 structure our deals, how we price mortgage loans, how we
3793 manage interest rate risk, how we fund and model our
3794 DPAs, how we manage the indentures. It all impacts
3795 bottom line and the ability to provide programs.

3796

3797 Bond indentures, this is nothing you haven't seen
3798 before. But what you will notice on this is really
3799 pointing out how important the DPA is are parity ratios.
3800 My eyes are so bad now but those we need to improve
3801 those parity ratios and we do that through, it's going
3802 to take time because when we issue there's pressure on
3803 our parity ratios but we're going to generate revenue
3804 over time.

3805

3806 Moving on to the snapshot of the indentures, you can
3807 really see the growth of the indentures over the last
3808 several years. Again, related to changes in interest
3809 rates and demand for our bond loans. Roughly \$2.1
3810 billion in growth across both indentures over the last
3811 five years. Again, that's the debt that we issue pull
3812 into Ginnie Mae certificates, and buy those loans into
3813 the indentures.

3814

3815 Good news, bad news. Bad news is that it puts pressure
3816 on our parity ratios. But the good news is that the
3817 long term, it's probably positive for growth which will
3818 eventually show up in those parity ratios.

3819

3820 Highlights. A little bit of a recap from a couple
3821 slides back but \$2.24 billion in issuance over the last
3822 three years. Full spread on that as I said is about, on
3823 our total issuance it's about \$27 million a year.

3824

3825 Transitioning to a single indenture, moving into RMRB
3826 exclusively moving away from our Single Family
3827 indenture. Rationale: It's confusing to have two
3828 indentures. It's inefficient to have two indentures.
3829 We're spreading our parity across two indentures. There
3830 are a lot of reasons why we're making this move. RMRB
3831 was selected because it is the more current and modern
3832 and more flexible of the two indentures that we have.

3833

3834 Finally, our swaps outstanding, we're down to about \$6
3835 million. We'll probably be taking those out at some
3836 point very soon.

3837

3838 **Ajay Thomas (2:44:19):**

3839 Scott, that's more market dictated or risk profile
3840 dictated?

3841

3842 **Scott Fletcher (2:44:23):**

3843 On which part?

3844

3845 **Ajay Thomas (2:44:24):**

3846 The swaps and the variable rate that going down?

3847

3848 **Scott Fletcher (2:44:27):**

3849 These are old, old, old, old, old swaps and they've just

3850 kind of lingered and they're more of a pain right now

3851 than they are a benefit. As we look at our forward

3852 issuance, we have accumulated a lot of volume cap

3853 through our efforts. To the degree that we can continue

3854 to issue tax-exempt debt and keep our financing costs

3855 low, we have plenty of volume cap to do that. Probably

3856 won't be the turn to using variable rate debt.

3857

3858 What's going to happen is if we get to a place where

3859 we're volume cap constrained, where we have to issue

3860 more taxable debt, we would then layer in some sort of

3861 variable rate debt against that to lower our cost of

3862 borrowing. We're not in that situation right now,

3863 unfortunately, because of some of the things we've done.

3864

3865 **Kenny Marchant (2:45:13):**

3866 Mr. Chairman, can I ask you? Are we working towards a

3867 numerical goal of how much we're going to loan? Are we

3868 working towards a goal of how much assistance we're
3869 giving? Because the previous person talked about we
3870 don't have enough education, we don't have... Do we not
3871 have enough demand for our loan product or what is our
3872 goal, what product, what level are we trying to reach?
3873

3874 **Scott Fletcher (2:45:48):**

3875 So we have some constraints in terms of volume, right?
3876 But we've never had any challenges in issuing the
3877 mortgage loans, certainly on bond-funded debt. We're
3878 coming to market, we're issuing. Last year was a slow
3879 year, but we'll call it anywhere between we get Board
3880 approval to issue \$1.1 billion a year will probably be
3881 close to that number. I kind of used an average 750
3882 which is kind of last year's number. But we have demand
3883 for all of that.

3884

3885 Where we want to look is driving as much volume as we
3886 can and keep it affordable. So it is always in a market
3887 situation, right? But we want volume. We want volume
3888 and we're going to be capped in terms of what we can
3889 issue in terms of tax exempt. But we have other
3890 options, right? We can fund with taxable debt, we can
3891 use variable rate, we can...

3892

3893 **Kenny Marchant (2:46:41):**

3894 But is our volume capped on the benefit we provide?

3895 Because if, this couple that wants to buy a house thinks

3896 they need assistance or does need assistance, they go to

3897 a knowledgeable realtors/lender/builder and make the

3898 application. Are they going to be able to get the exact

3899 same loan just by going through traditional FHA loan?

3900 So we're providing X benefit for every loan that we

3901 give.

3902

3903 **Scott Fletcher (2:47:19):**

3904 In terms of how you want to quantify, right? We're

3905 capped because, this is again we're going to go back to

3906 this big context thing, right? The federal government

3907 tax law, 1986 private activity, bond volume cap. That's

3908 what gives us authorization to issue tax-exempt debt.

3909 Because what we do is consider private activity and we

3910 issue private activity bonds with that. So we are given

3911 \$400 million a year from the federal government. Well,

3912 the state of Texas gets a big, that's what's allocated

3913 to us, right? You know that as well as I do a little

3914 bit better.

3915

3916 And then we try and layer an additional volume cap
3917 through some of our programs through our recycling. And
3918 so we're managing volume cap. We have three years to
3919 use our volume cap. In terms of the programs, no one
3920 can go out and get another bond loan in the state of
3921 Texas that's designed for first-time Texas homebuyers
3922 and veterans in the state of Texas. We are that
3923 program. TSAHC has bond loans, but they don't get the
3924 same level of volume cap that we do and don't use it as
3925 well as we do. I'm happy to be on record with that
3926 comment.

3927

3928 **Kenny Marchant (2:48:32):**

3929 And we have incentive to expand from a volume standpoint
3930 to provide a better, lower product.

3931

3932 **Scott Fletcher (2:48:45):**

3933 We will always offer the lowest possible rate that we
3934 can provide based on current market economics. And
3935 there are a lot of layers that we can get into that on
3936 that. But what we, historically, this is one of the
3937 things that we've done, it's one of our accomplishments
3938 here, moving to a continuous lending program.

3939

3940 By moving to a continuous lending program, what we are
3941 no longer doing is saying we just issued debt at 4
3942 percent. We can only do these loans at 5 and 1.8,
3943 right? We move to a continuous lending program where
3944 we're saying, Here's the market rate. If we have that
3945 and a market rate is a point and a half higher than us,
3946 we'll go through all of our volume in two weeks. What
3947 good does that do? Yeah, we made a ton of loans, but
3948 now there are all these other families that don't have
3949 access to our program because we didn't have funds
3950 available. This is about kind of leveling that playing
3951 field. You're not going to get the massive way to cheap
3952 loans. We're kind of, we're managing that with the
3953 market rates and that differential. But we are always
3954 going to be the best rate through our bond loan program.
3955 We are going to be the best rate available that provides
3956 down payment assistance to the...

3957

3958 **Kenny Marchant (2:49:57):**

3959 Why are we retaining servicing and not just selling?

3960 Why are we retaining an interest in all these indentures
3961 that we can just sell off and be rid of?

3962

3963

3964 **Scott Fletcher (2:50:10):**

3965 Sell the assets and the indentures?

3966

3967 **Bobby Wilkinson (2:50:14):**

3968 The service rights, we're making that change.

3969

3970 **Scott Fletcher (2:50:17):**

3971 So we've got, there are two pieces here and this is all

3972 kind of tied.

3973

3974 **Kenny Marchant (2:50:22):**

3975 Because when they default, the default goes to FHA,

3976 right? I mean, they're defaulted on FHA loans.

3977

3978 **Scott Fletcher (2:50:30):**

3979 Correct. But with the retained servicing model, where

3980 we have the \$8.7 billion portfolio that IHFA manages, if

3981 we have a higher delinquency rate or default rate on

3982 that portfolio, we no longer get servicing on those

3983 loans. So we are carrying ongoing risk. Whereas if we

3984 sell that servicing outright, which is our current

3985 model, we get funded up front. And while we do care

3986 that those people are able to retain their homes, we no

3987 longer take financial risk if there's people...

3988

3989 **Kenny Marchant (2:50:55):**

3990 Well, I thought... I'm sorry. So you do sell it but

3991 what are you retaining then?

3992

3993 **Scott Fletcher (2:51:04):**

3994 On the servicing?

3995

3996 **Kenny Marchant (2:51:05):**

3997 Yes.

3998

3999 **Scott Fletcher (2:51:07):**

4000 We were with Idaho. In February, we moved to TMS. The

4001 Idaho model was retained servicing model, which is now

4002 an \$8.7 billion portfolio that we continue to collect

4003 on. We continue to have financial risk on that. We've

4004 moved to TMS, where they are giving a service release

4005 every time of seven months.

4006

4007 **Ajay Thomas (2:51:26):**

4008 But the TMS is the new loans, the existing loans we have

4009 over in Idaho.

4010

4011

4012 **Scott Fletcher (2:51:31):**

4013 Yeah. We can't take those away. We can't just go, okay
4014 now.

4015

4016 **Kenny Marchant (2:51:36):**

4017 So we've moved to the real good part.

4018

4019 **Scott Fletcher (2:51:40):**

4020 All new business is going into a service release model
4021 where we're getting paid up front for that servicing
4022 rather than taking that on...

4023

4024 **Kenny Marchant (2:51:47):**

4025 And liability is gone and which is the most efficient
4026 thing we could...

4027

4028 **Scott Fletcher (2:51:52):**

4029 You could do the math and say you're probably better off
4030 from a present value perspective to do the ongoing
4031 servicing, depending on the interest rates. If you get
4032 a big drop in rates and all of those funds refinance,
4033 now you're just designating...

4034

4035

4036 **Kenny Marchant (2:52:07):**

4037 I'm sorry to take so much time, Mr. Chairman, but I
4038 don't understand how that, how does that fall to the
4039 bottom line to help a first-time homebuyer in Texas.

4040

4041 **Scott Fletcher (2:52:20):**

4042 We're going to cover it, I promise. So accomplishments
4043 very quickly, we've expanded the local HSC Partnership
4044 Program. After this year, we'll have added \$1.3 billion
4045 in volume cap. That's \$1.3 billion in capacity to make
4046 mortgage revenue loans that we did not have previously.
4047 As I mentioned, transitioning to the continuous lending
4048 program. We've initiated volume cap recycling. So far,
4049 we've done \$60 million just in the last five months. By
4050 the end of this year, we'll add \$100 million. That's
4051 another 25 percent on top of what we get from the state
4052 in private activity on volume cap.

4053

4054 So these changes are really material in helping and
4055 strengthening our financial position going forward,
4056 helping our sustainability and helping our ability to
4057 help people.

4058

4059 Initiatives. This is pretty important stuff here. But
4060 we're doing things to improve all the time. But the
4061 biggest one and I want to move forward to it, we'll
4062 cover when we go to TBA and that is enhancement center
4063 TBA Program. I'm going to skip through mortgage bonds
4064 other than just to say, in your chart is a flow of funds
4065 so you can see how the dollars are flowing and see what
4066 the process looks like. I'm happy to answer any
4067 questions but in the interest of time, it's available to
4068 you, you can certainly do follow-ups.

4069

4070 Really important things I want to touch on is provide
4071 the economics on the Mortgage Revenue Bond Program.
4072 Basically though, here's the spread, upper right-hand
4073 side of that is the spread that we're going to take on a
4074 deal. On the last deal that we did 1.12 something, on
4075 the tax-exempt 1.30, on the taxable net around 1.19. So
4076 by layering that taxable, we're not capped on our
4077 margins that we can take on that. So there's one of the
4078 upsides of having taxable paper in the mix.

4079

4080 One thing I want to point out, this is just our buyers.
4081 You'll notice a change on this page. Yeah, change on
4082 this page. Moody's rating is now AA1, was AAA. Moody's

4083 downgraded RMRB, our RMRB venture from AAA to AA1 a few
4084 weeks ago due to two Moody's downgrade of the US
4085 sovereign debt. We're not alone. 31 HFAs were affected
4086 nationally. Reality is Moody's is 14 years late to the
4087 party. S&P did this back in 2011. The SF MRB
4088 indenture, however, did retain its AAA rating because of
4089 the parity ratios within that indenture. Impact I think
4090 is going to be minimal. This is kind of a telegraphed
4091 move. We still have the government guarantee on the
4092 paper and the reality is we probably...

4093

4094 **Ajay Thomas (2:55:45):**

4095 Mr. Chairman, I have a question. So let me ask you
4096 about this downgrade, right? So we're somewhat
4097 shoehorned in because of the volume cap of what we can
4098 actually do or what we recycle and layer in. But if we
4099 wanted to make the policy decision to get more loans out
4100 and we thought we could go taxable, right? The AA1
4101 category just falling to that less impactful because now
4102 we have more room under that category of being AA1 as an
4103 issuer to expand the program than we might have as a AAA
4104 issuer, where you have to meet a certain constraint or
4105 metric?

4106

4107 **Scott Fletcher (2:56:25):**

4108 It's a great question. I look at this and I say, if we
4109 were to move more tax, go into more taxable, we'd layer
4110 taxable in, it increases our cost of issuance.
4111 Certainly, we have the ability to make more margin on
4112 that. But I don't think we're ever going to collateral
4113 at the end of the day. It's US Government guaranteed
4114 debt. And so I think it's going to be hard unless we
4115 can pierce this off. That if we get our parity ratios
4116 up to a place, we do that enough, we generate enough
4117 revenue that our parity ratios are now I think if we get
4118 105, 106 on our parity ratios, we'll pierce this up.

4119

4120 **Ajay Thomas (2:57:09):**

4121 Is it truly for us where the best rate you can get that
4122 makes the decision, or is it the best... It's a very
4123 competitive rate plus terms, that we offer for that down
4124 payment assistance or other things that can get a buyer
4125 into us versus a competitor.

4126

4127 **Scott Fletcher (2:57:32):**

4128 It's both. It's rate and DPA. The reality is we really
4129 are on our bond program, we truly are the only game in
4130 town for that. I think last time TSAHC issued was

4131 February of '24, so about a year and a half ago, \$100
4132 million. And honestly, their PAC bonds sold, order
4133 basis looks like.

4134

4135 **Ajay Thomas (2:58:02):**

4136 And the final question I have is, so you say we could
4137 make extra spread on the taxable, if we issue taxable.
4138 We know we want to make break-even plus a little. And
4139 we've kind of said on the tax-exempt, we make this much,
4140 right? Taxable, we could make more. Could we take what
4141 we make more on the spread and push it back into the
4142 program as opposed to we make money on it?

4143

4144 **Scott Fletcher (2:58:29):**

4145 It's all staying in the program in terms of the revenue
4146 that we generate off of the bond deals. What we can do
4147 is issue more, and there are limits on how much we can
4148 make on our taxable. It has to be based on competitive
4149 market rate. So it's not like we can...

4150

4151 **Ajay Thomas (2:58:49):**

4152 But that doesn't help us buy down the rate or whatever.
4153 We make more spread to make our taxable dollars more
4154 competitive.

4155

4156 **Scott Fletcher (2:58:56):**

4157 And one of the things that we do...

4158

4159 **Bobby Wilkinson (2:58:58):**

4160 We're going to lose the room in seven minutes.

4161

4162 **Scott Fletcher (2:58:59):**

4163 Okay.

4164

4165 **Bobby Wilkinson (2:59:00):**

4166 But we could stay over a little bit. At some point

4167 TEXDOT might kick us out.

4168

4169 **Scott Fletcher (2:59:08):**

4170 Oh, so we can allocate, even though if we did a 75

4171 percent tax-exempt, 25 taxable deal, we can allocate the

4172 interest differently too. So I can say the interest

4173 income is going mostly to the taxable deal. Less of

4174 it's going to the tax-exempt deal. We maintain our

4175 margins and then we can create extra spread by adjusting

4176 how we allocate the principal or the interest.

4177

4178

4179 **Holland Harper (2:59:31):**

4180 Mr. Fletcher, given the amount of time, let's hit the
4181 highlights. We'll have to do this again pretty soon.

4182

4183 **Scott Fletcher (2:59:43):**

4184 TBA loans. I want to go through this really quickly
4185 only because it was a question that you'd asked, Mr.
4186 Harper, regarding our down payment assistance programs.
4187 What this is really showing you mathematically is how
4188 our cash flows look on a trade. We did one bond or one
4189 loan, 6 and 5.8, 2 percent down payment assistance. You
4190 can see we're funding at settlement, but the present
4191 value of that return of DPA is actually positive. So
4192 that's what's driving the TBA. We're doing present
4193 value positive trade every time we do a TBA trade. If
4194 you look at why would we, why did we choose 6 and 5.8,
4195 well, if we go 6.5 percent, we're giving away too much
4196 money, right? We still have a profitable trade, but we
4197 made \$82 instead of \$1100. If we do 6.875 or 6.75,
4198 yeah, we make a bunch of money. But probably no one's
4199 going to do the loan because there's competitors out
4200 there in the north part of Boston, doing similar parts
4201 of the TBA program.

4202

4203 **Kenny Marchant (3:00:53):**

4204 But we're recouping the 2 percent gift to the premium
4205 release.

4206

4207 **Scott Fletcher (3:01:01):**

4208 That's exactly right. We are doing the trade where
4209 we're getting a pay up on the mortgage fund, right? So
4210 in pulling that loan and selling it, we're getting pay
4211 up on that and we're getting our service release. And
4212 you can see the service release varies depending on the
4213 rate of bond, the rate of the mortgage loan and where
4214 we're going to coupon that because we coupon at a 6.5
4215 and a 6.75. At 6 percent, a 7 percent, a 6.75 percent
4216 gets coupon of 6.5 percent. So there's less servicing
4217 on that 6.5 loans, which is why you see only 28 basis
4218 points of service release premium. Whereas on that 6.5
4219 or on that 6 and 5.8, we're making two points in service
4220 release premium.

4221

4222 **Kenny Marchant (3:01:45):**

4223 What if we said we want to assist Panhandle first-time
4224 homebuyers, and we're going to give a 1 percent below
4225 market rate?

4226

4227 **Scott Fletcher (3:01:59):**

4228 We can do that. We'd have to fund it though.

4229

4230 **Kenny Marchant (3:02:02):**

4231 Then we would have to take money out of the reserves and

4232 fund it. But when we funded it, we would be done with

4233 it.

4234

4235 **Scott Fletcher (3:02:10):**

4236 Yeah, the math is the math.

4237

4238 **Kenny Marchant (3:02:12):**

4239 The math is math.

4240

4241 **Scott Fletcher (3:02:13):**

4242 Right. I mean, like I said, we could and I thought we

4243 go to the next one, we see a 5 percent DPA, I'm putting

4244 out \$10,000. I'm getting part of that back by the

4245 payoff in the market because I'm a 7-3/8 coupon in a 6

4246 percent market. Or a 6.5 percent market. So I get

4247 \$10,000. I also get my service release. But I've given

4248 away the 10 down payment assistance. I've given away

4249 the \$4,000 of lender comp. But there's the math. And

4250 so if we wanted to do, if we're not worried about what

4251 that bottom line is, what's coming back in terms of
4252 present value, yeah, we can do that.

4253

4254 **Kenny Marchant (3:02:51):**

4255 Yeah. I'm just wondering, are we statutorily bound to
4256 worry about that number or is it from a reserve
4257 standpoint? I'm trying to figure out just motivation.

4258

4259 **Bobby Wilkinson (3:03:03):**

4260 Like, why we don't spend more under the indenture? We
4261 have a low parity ratio already so.

4262

4263 **Holland Harper (3:03:06):**

4264 So we want a higher parity ratio.

4265

4266 **Scott Fletcher (3:03:11):**

4267 I think you're making a great point in that as we build
4268 this up...

4269

4270 **Kenny Marchant (3:03:16):**

4271 Yeah. Not the whole portfolio, but just set a set-aside
4272 inside like some of these other unique programs that we
4273 have.

4274

4275 **Scott Fletcher (3:03:25):**

4276 But bear in mind, we are self-funded. All of our assets
4277 and liabilities are getting calculated into what that
4278 indenture value, what that indenture parity ratio is. I
4279 don't have a separate little bank account that I can do
4280 giveaways with because at the end of the day, if I'm
4281 going to fund that, it comes out of my assets and my
4282 indenture.

4283

4284 **Kenny Marchant (3:03:45):**

4285 And I'm sorry that this is the thing I'm trying to
4286 understand.

4287

4288 **Scott Fletcher (3:03:50):**

4289 Those are great, great, great questions. The one thing
4290 I want to kind of close out with is where we want to go
4291 with TBA loans? And it speaks, absolutely speaks to
4292 everything that you guys are asking about. We are
4293 analyzing and contemplating moving our pipeline,
4294 hedging, and trading in-house. Whereas right now we're
4295 using a TBA provider where they say, Hey, this is our
4296 pricing sheet. We were willing to buy X loans at these
4297 rates and they take all of the risk, but they also take
4298 all of the reward. And so we are looking at making the

4299 move towards bringing that in-house. And if we talk
4300 about what that means to us, yeah, we're taking on the
4301 financial risk, but we can manage that through hedging.
4302 By taking advantage risk and assuming a fairly
4303 conservative amount of like \$600 million a year in TBA
4304 loans, we'd save about \$750,000 a year in just the
4305 market. We would take the full payout on our pools.
4306 There's probably more analysis to do, but that could be
4307 anywhere from one to two points. So now you're talking
4308 \$3 to \$6 million on that. Basically, generating more
4309 money from the backside of the TBA trade means we can
4310 provide low rates to our borrowers. And that's
4311 ultimately where we're...

4312

4313 **Holland Harper (3:05:16):**

4314 But how long are we holding this risk? We don't hold
4315 that risk very long, do we?

4316

4317

4318 **Scott Fletcher (3:05:19):**

4319 We hold it for 60 days and then you could buy charge of
4320 extension penalty.

4321

4322

4323 **Holland Harper (3:05:25):**

4324 When do you think you'll be finished with that analysis?

4325 When do you think you'll have that analysis put

4326 together?

4327

4328 **Scott Fletcher (3:05:29):**

4329 Matter of weeks.

4330

4331 **Ajay Thomas (3:05:31):**

4332 Yeah, and I think it'll be important, like, even though

4333 it's a short period of time, is to understand the

4334 darkest corner of the room. What's the downside risk if

4335 the hedging isn't working, right?

4336

4337 **Scott Fletcher (3:05:39):**

4338 Yeah.

4339

4340 **Holland Harper (3:05:40):**

4341 Narrow in a bit.

4342

4343 **Scott Fletcher (3:05:42):**

4344 Yeah. And that's again I think we all know the game.

4345 We better win 90 percent of the time, right? And that

4346 90 percent of the time is going to cover the 10 percent

4347 when you don't win. But we're going to bring that in-
4348 house. We're going to manage that in-house. We're
4349 bringing resources in to do that and we prepare for that
4350 through this last legislative session.

4351

4352 **Bobby Wilkinson (3:06:06):**

4353 Yeah. We have in the Appropriations Act and now our
4354 operating budget that y' all will vote on tomorrow
4355 contemplates kind of his enhancements.

4356

4357 **Scott Fletcher (3:06:16):**

4358 I could go on, but I want to say thank you. We kind of
4359 got pushed on time here. I did want to make a point.
4360 We had some people join us. Our new FA. We just closed
4361 a deal yesterday. CSG, this is David Jones. He's the
4362 CFO at CSG Financial Advisors. I can honestly say that
4363 the deal that we just did was the smoothest transaction
4364 I have been involved with since I joined TDHCA two and a
4365 half years, almost three years ago. So kudos to David
4366 and his team. He's certainly available to kind of
4367 introduce himself and his firm. We also have a couple
4368 of our underwriting team here. Jeff Sula with RBC and
4369 Robin Metford from Ramirez. And we wanted to
4370 acknowledge them for being tremendous partners. Part of

4371 this presentation goes through our third-party
4372 partnerships. Those are extremely important in terms of
4373 us moving where we need to go. There's also a big
4374 section on volume cap, how it all works. There's a big
4375 section on our volume cap participation program that we
4376 have with the local HSCs. So there are a lot of moving
4377 parts that we manage with a staff of 11. But that only
4378 speaks to the value of partnerships. Thank you.

4379

4380 **Holland Harper (3:07:48):**

4381 Thank you. What I think we want to do is we're going to
4382 come back in 90 days and do this again. And I'm going
4383 to spend some time with you guys to go. What I'd like
4384 to get to is, A, what's the scorecard for winning?
4385 You're going to keep hearing this from me over and over.
4386 What are we doing to win? What's our vision for the
4387 next three years to get even better and be more
4388 successful? Because at the end of the day, I want
4389 Texans to own homes, build equity, be happy, and be
4390 successful.

4391

4392 **Scott Fletcher (3:08:21):**

4393 And I appreciate that. When I started, actually then a
4394 year after I started, put together a three-year

4395 strategic plan for Bobby, and a lot of the items that
4396 showed up here on accomplishments were on that strategic
4397 plan. A lot of things that we're talking about doing,
4398 taking us to the next level are on that strategic plan.
4399 His support, your support, is enabling us to do that.
4400 And, at the end of the day, I feel honored to be in a
4401 seat where I can have the opportunity to do work that
4402 leverages my background and experience, but also enables
4403 me to work towards my values. And so my motivation
4404 here, I'm not going to be around forever and I want to
4405 leave this place a hell of a lot better than I found it.
4406 And all of this is.

4407

4408 **Holland Harper (3:09:18):**

4409 So, Mr. Fletcher, Mrs. Johnson, you do realize that the
4410 work you do puts people in homes, builds equity, allows
4411 them to have dignity. And that's the whole reason we're
4412 here. That's it. We're here to make the world a better
4413 place.

4414

4415 **Scott Fletcher (3:09:33):**

4416 That is absolutely correct. We can only do that if we
4417 are successful financially. Because we can certainly
4418 put a lot of people in houses that they have to be able

4419 to make that mortgage payment, they have to be able to
4420 afford that house over long term. We can do giveaways
4421 and give away dollars, but that means that there's going
4422 to be less dollars 20 years from now for somebody else
4423 to take advantage of these programs. So we are walking
4424 that fine line between, how much can we give and be
4425 sustainable? We're making one and an eighth on our bond
4426 loans. We're making a 0.5 percent on our TBA loans,
4427 right? Yeah, we could make more money, but we're trying
4428 to walk that fine line between financial responsibility
4429 and providing the best possible access and rates and
4430 assistance to our borrowers. We're all on the same
4431 page.

4432

4433 **Holland Harper (3:10:24):**

4434 Good job. Board members, do you all have any comments
4435 before we close this up?

4436

4437 **Anna Maria Farias (3:10:28):**

4438 Mr. Chairman, I do want to congratulate you and
4439 Congressman Marchant when you had these meetings because
4440 in the two and a half years that I've been here,
4441 oftentimes we hear all the complaints and the barriers
4442 and now, because of the way things are changing, SBA,

4443 HUD, Agriculture, they're starting to cut because the
4444 bottom line is show us the money, show us the results.
4445 And this is the time. And for TDHCA and other big ones
4446 that are really doing good work, you really become like
4447 the mini-HUDs. If you have a problem, you come and it
4448 can be resolved quickly.

4449

4450 You don't have to say, we had a meeting and they told me
4451 they'd get back to me in three months where they have an
4452 acting director and they can't make any decisions. And
4453 the people running it right now, they know that.

4454 They're going slash, slash, slash. We don't need you
4455 because you haven't shown us success. And I think with
4456 everybody's leadership here, you tell us how do we help
4457 all these people in the Colonias and farm workers that
4458 work, work, work, work for a better future for their
4459 kids? And that's where you see a lot of the results.

4460 And those are my comments. Thank you very much for
4461 doing this, sir.

4462

4463 **Holland Harper (3:11:50):**

4464 Thank you.

4465

4466

4467 **Kenny Marchant (3:11:51):**

4468 I have a big thanks. I just want to say big thanks to
4469 Scott for his dedication and his work and putting up
4470 with some of these questions.

4471

4472 **Scott Fletcher (3:12:01):**

4473 I love your questions.

4474

4475 **Holland Harper (3:12:03):**

4476 Given that it's 1707, we've lost a room, we're going to
4477 do this again in 30 or 90 days. I'll spend some time
4478 with us to get ready for what we're going to do to make
4479 it a little better place. And I'll see you guys
4480 tomorrow morning. Thank you.

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