



Single-Family Activities
Committee Meeting
October 6, 2025

Bond Finance &
Home Ownership

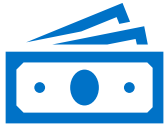
TDHCA Programs



Bond Finance administers the Department's **Mortgage Revenue Bond (MRB)** and **Mortgage Lending Programs** and is responsible for managing the **Bond Indentures**.



TDHCA finances below-market rate mortgage loans to qualified Texas buyers through the **issuance of Mortgage Revenue Bonds (MRBs)** and by **selling mortgage loans in the TBA market** (TBA = To Be Announced) through the Department's Taxable Mortgage Program (TMP).



All TDHCA mortgage loans, regardless of funding source, provide borrowers with some level of **Down Payment Assistance (DPA)**. Our 'unassisted' 0% DPA Bond loans are essentially a rate buydown.

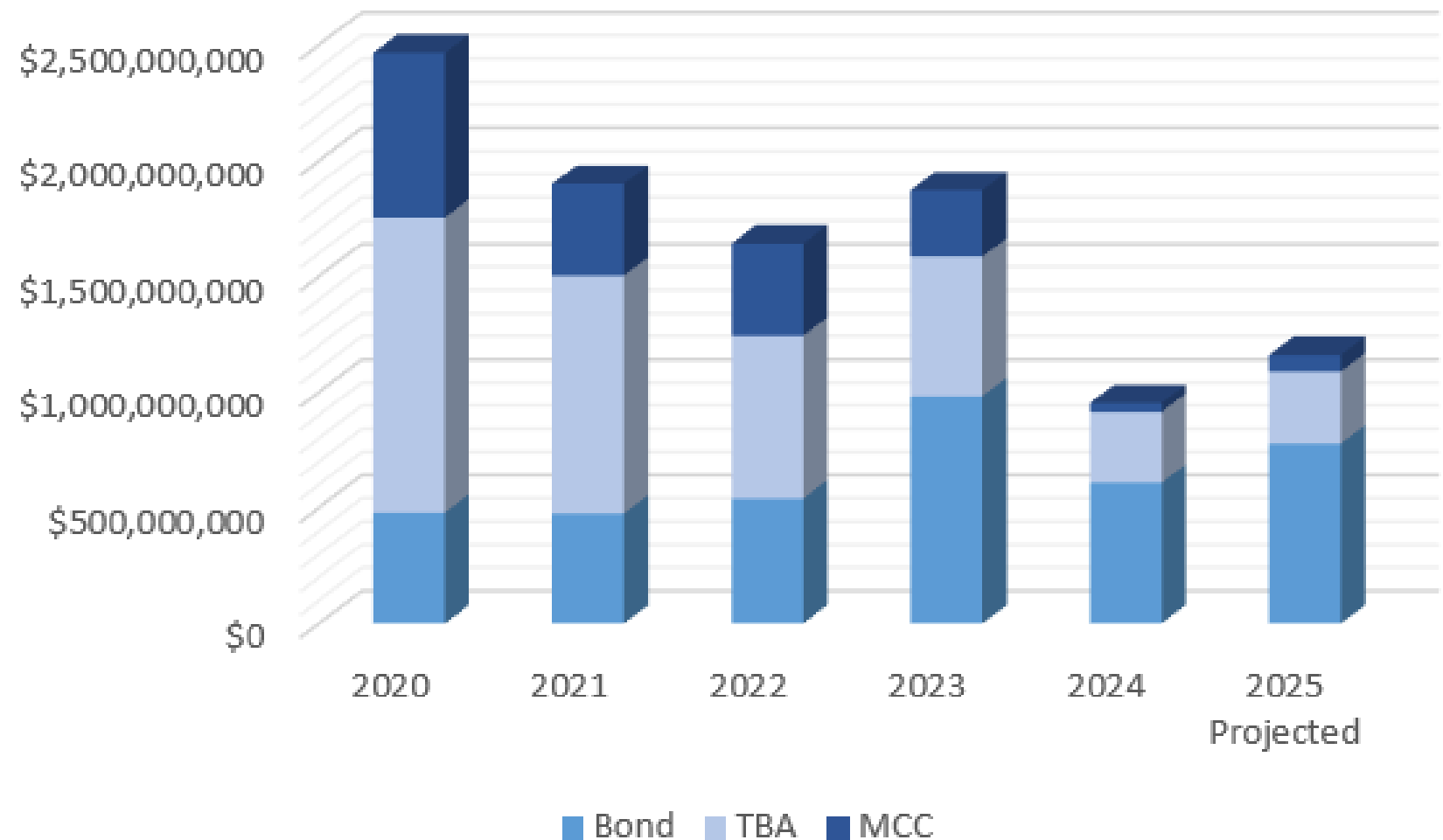


Mortgage Credit Certificates (MCCs) are a homebuyer assistance program designed to help lower-income families afford homeownership by allowing a **dollar-for-dollar tax credit** for some portion of mortgage interest paid per year.



Homeownership manages the loan level interface and **relationships with lenders**, realtors, and borrowers in partnership with the Program Administrator and Master Servicer. Homeownership is responsible for **marketing TDHCA's mortgage programs** throughout the State of Texas.

TDHCA Production by year



Program	2020	2021	2022	2023	2024	2025 Projected
Bond	\$478,337,371	\$473,923,346	\$538,053,306	\$982,587,963	\$606,329,665	\$776,738,380
TBA	\$1,274,614,008	\$1,027,454,063	\$703,235,037	\$601,529,698	\$306,170,503	\$311,106,393
MCC	\$711,244,322	\$397,776,977	\$400,465,444	\$286,756,288	\$38,538,669	\$71,263,516
Total	\$2,464,195,701	\$1,899,154,386	\$1,641,753,787	\$1,870,873,949	\$951,038,837	\$1,159,108,289



Mortgage loan volume tends to be interest rate dependent. TDHCA loan demand is no exception.

Overall loan volume has trended lower in recent years as rising interest rates have negatively impacted affordability.

Bond Finance & Home Ownership

Current TDHCA Mortgage Rates

Texas Department of Housing and Community Affairs



9/29/2025

Borrower Down Payment Assistance

My FIRST Texas Home (MFTH)

First Time Homebuyer- Considers income of all persons who will sign the Deed of Trust (including NPS).
Subject to Recapture tax.

30-Year Deferred Repayable Second Lien	Unassisted No DPA	2% DPA	3% DPA	4% DPA	5% DPA
Bond Funded Loan (FHA, USDA, VA)	5.750%	N/A	6.000%	6.125%	N/A
Targeted Area Bond Funded Loan (FHA, USDA, VA)	5.500%	N/A	5.750%	5.875%	N/A

COMBO: My FIRST Texas Home (MFTH) + MCC **

First Time Homebuyer- Considers income of all persons who will sign the Deed of Trust (including NPS).
20% MCC Credit Rate Subject to Recapture tax ** Military Combo MCC Issuance Fee Waived

30-Year Deferred Repayable Second Lien	Unassisted No DPA	2% DPA	3% DPA	4% DPA	5% DPA
COMBO Funded Loan Non Targeted & Targeted (FHA, USDA, VA)		N/A	N/A	N/A	N/A
3-Year Deferred Forgivable Second Lien					
COMBO Funded Loan Non Targeted & Targeted (FHA, USDA, VA)		N/A	N/A	N/A	N/A

Current TDHCA Mortgage Rates

My CHOICE Texas Home (MCTH) FORGIVABLE

No First Time Homebuyer Requirement - 1003/credit qualifying income. Not subject to recapture tax.

3-Year Deferred Forgivable Second Lien	2% DPA	3% DPA	4% DPA	5% DPA
Government (FHA/USDA/VA)	6.375%	6.625%	6.875%	7.125%
Conventional FNMA HFA Preferred Under 80% AMI	6.750%	7.000%	7.375%	7.750%
Conventional FNMA HFA Preferred Over 80% AMI	6.875%	7.125%	7.500%	7.875%
Conventional FHLMC HFA Advantage Under 80% AMI	6.750%	7.125%	7.375%	7.750%
Conventional FHLMC HFA Advantage Over 80% AMI	6.875%	7.250%	7.500%	7.875%

My CHOICE Texas Home (MCTH) REPAYABLE

No First Time Homebuyer Requirement - 1003/credit qualifying income. Not subject to recapture tax.

30-Year Deferred Repayable Second Lien	2% DPA	3% DPA	4% DPA	5% DPA
Government (FHA/USDA/VA)	6.250%	6.375%	6.500%	6.625%
Conventional FNMA HFA Preferred Under 80% AMI	6.625%	6.750%	6.875%	7.000%
Conventional FNMA HFA Preferred Over 80% AMI	6.750%	6.875%	7.000%	7.125%
Conventional FHLMC HFA Advantage Under 80% AMI	6.500%	6.750%	6.875%	7.000%
Conventional FHLMC HFA Advantage Over 80% AMI	6.625%	6.875%	7.000%	7.125%



Bond Finance

Bond Finance Introduction

TDHCA's Bond Finance Division is entirely self funded, receiving no funds from Federal, State, or Local Governments. Bond Finance makes quarterly contributions to TDHCA to fund the Department's portion of expenses and shared services.

Bond Finance:

- manages over \$3 billion dollars in Bond Indenture Assets & Liabilities
- issues \$750 million annually in Mortgage Revenue Bonds
- finances over \$1 billion mortgage loans for low to moderate-income Texas families annually
- funds over \$50 million in Down Payment Assistance annually
- oversees an \$8.7 billion Mortgage Servicing Rights book

It is imperative that each program not only supports our mission, but is financially viable and sustainable. Bond Finance is committed to enhancing our partnerships and modernizing our approach to optimize our portfolio, create sustainable growth, and expand our impact.

Bond Finance Highlights

- Market Value of Indenture Assets total \$3.2 billion
- DPA Portfolio totals \$372 million
- Mortgage Servicing Rights on \$8.7 billion in mortgage loans generating around 1.6 million in monthly revenue
- Bond Finance is winding down the Single Family MRB Indenture. All future issuance will be in the Residential Mortgage Revenue Bond (RMRB) Indenture



Market Value of Assets

RMRB	\$ 1,726,429,676
SFRMB	\$ 1,490,146,303
TMP/TBA	\$ 7,306,765
	<u>\$ 3,223,882,744</u>

DPA Portfolio







\$ 371,498,974

Mortgage Servicing Rights

MSR \$ 8.67 billion

TDHCA receives monthly fees on MSR portfolio

Bond Finance Accomplishments








-  Expanded the Texas Local HFC partnership program
-  Transitioned to continuous lending in bond program
-  Initiated Volume Cap Recycling
-  Established new Financial Advisor relationship
-  Established new Master Servicer relationship
-  Started Servicer Oversight Initiative



One Billion
in Volume Cap
assigned to TDHCA by
Local HFCs since 2020

TDHCA has recycled
\$60 million
in volume cap since
January 2025

Bond Finance Initiatives

-  Enhance and optimize TBA program
-  Improve internal data & reporting
-  Expand & leverage FHLB Relationship
-  DPA securitization & alternative funding methods
-  Identify CRA lending opportunities
-  Secondary Market Execution to optimize cross calling
-  Expand investor base and direct placement sources



TDHCA
will be a
best-in-class
State Housing
Finance Agency



Mortgage Revenue Bonds

Mortgage Revenue Bond Process



TDHCA issues Mortgage Revenue Bonds (MRBs) to finance below market-rate mortgage loans for qualified, low-to-moderate income, first-time Texas homebuyers and veterans.



Participating Mortgage Lenders originate qualifying mortgage loans which are pooled into GNMA MBS pass-through Certificates (US Govt. Guaranteed) by the Master Servicer.

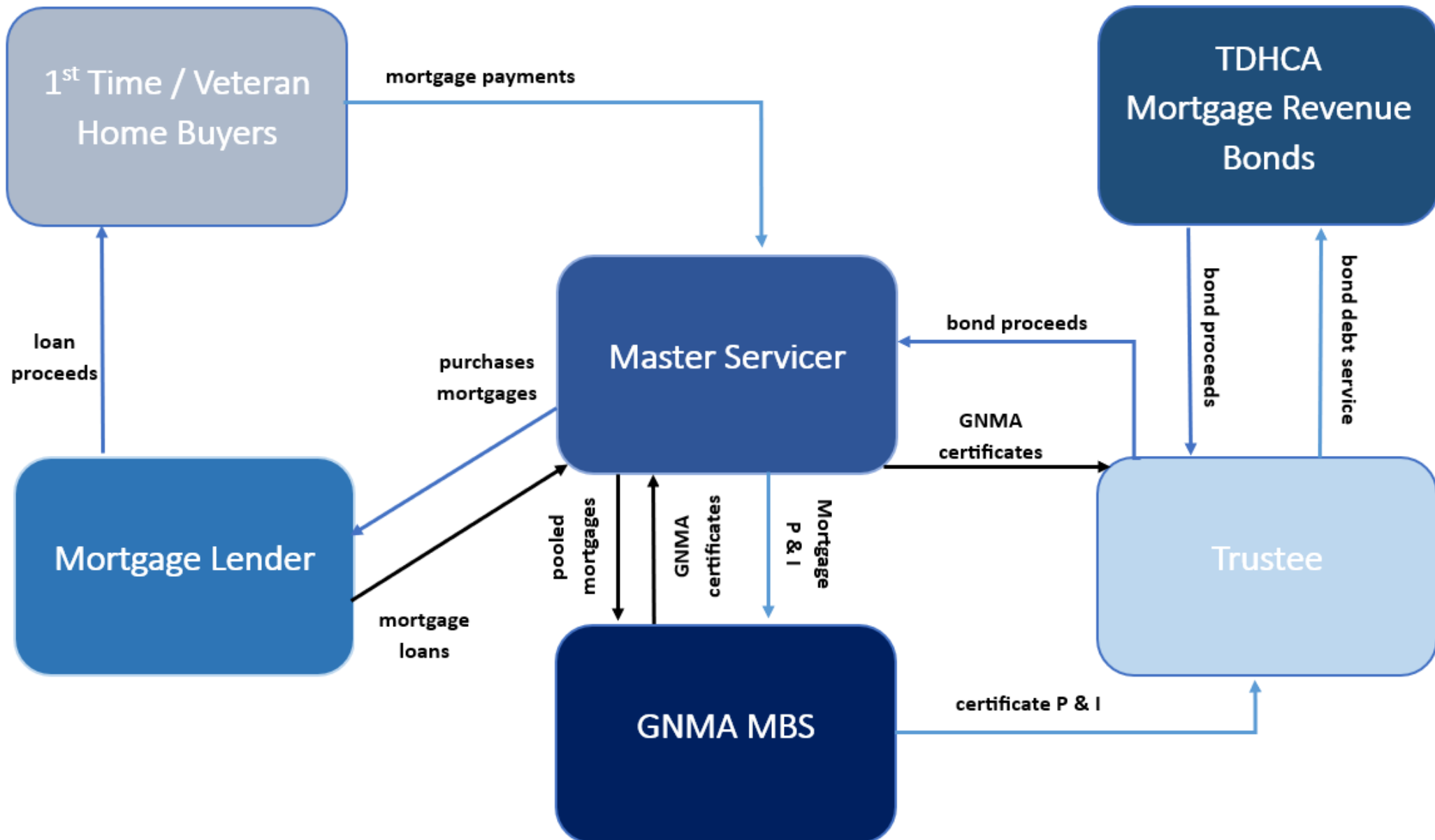


The GNMA certificates are purchased into the indenture by the Trustee using bond proceeds.



GNMA certificates are the collateral for the Mortgage Revenue Bonds. Cashflows from mortgage principal and interest payments flow through the GNMA certificates to make debt service payments on the bonds.

MRB Program Flow of Funds



MRB Economics \$250,000,000 TDHCA RMRB Series 2025 BC

SOURCES OF FUNDS

Par Amount of Bonds
Par Amount of Bonds from Recycled Volume Cap
Bond Premium
Issuer Contribution ⁽¹⁾
TOTAL

2025B	2025C	TOTAL
164,845,000.00	62,500,000.00	227,345,000.00
22,655,000.00	-	22,655,000.00
5,995,815.00	1,116,558.00	7,112,373.00
4,145,141.46	710,328.80	4,855,470.26
197,640,956.46	64,326,886.80	261,967,843.26

USES OF FUNDS

MBS Certificates - 3% DPA
MBS Certificates - 4% DPA
MBS Certificates - No DPA
Second Mortgage Loans
Lender Compensation
Servicing of Seconds
Underwriter Compensation
Costs of Issuance
TOTAL

2025B	2025C	TOTAL
101,250,000.00	33,750,000.00	135,000,000.00
9,375,000.00	3,125,000.00	12,500,000.00
76,875,000.00	25,625,000.00	102,500,000.00
4,550,000.00	-	4,550,000.00
3,750,000.00	1,250,000.00	5,000,000.00
73,750.00	-	73,750.00
1,229,506.46	407,111.80	1,636,618.26
537,700.00	169,775.00	707,475.00
197,640,956.46	64,326,886.80	261,967,843.26

Loan Summary

MBS Certificates - 3% DPA
MBS Certificates - 4% DPA
MBS Certificates - No DPA
MBS Certificates - 3% DPA Targeted Area
MBS Certificates - 4% DPA Targeted Area
MBS Certificates - No DPA Targeted Area

Expected Loan Rate	2025B	2025C	TOTAL
6.49%	84,375,000.00	28,125,000.00	112,500,000.00
6.69%	7,500,000.00	2,500,000.00	10,000,000.00
6.15%	67,500,000.00	22,500,000.00	90,000,000.00
6.34%	16,875,000.00	5,625,000.00	22,500,000.00
6.55%	1,875,000.00	625,000.00	2,500,000.00
6.00%	9,375,000.00	3,125,000.00	12,500,000.00
6.34%	187,500,000.00	62,500,000.00	250,000,000.00

(1) Additional amount not to exceed \$10,000,000 may be used for capitalized interest.

Loan Assumptions

Expected MBS Purchases for Series 2025BC (P111)

Date	Non-Targeted Area			Targeted Area			Total
	Repayable DPA	Repayable DPA	Unassisted	Repayable DPA	Repayable DPA	Unassisted	
DPA	3.00%	4.00%	0.00%	3.00%	4.00%	0.00%	1.820%
Share of Originations	45%	4%	36%	9%	1%	5%	100%
Assumed Rates	6.490%	6.690%	6.150%	6.340%	6.550%	6.000%	6.338%
7/1/2025	\$ 22,500,000	\$ 2,000,000	\$ 18,000,000	\$ 4,500,000	\$ 500,000	\$ 2,500,000	\$ 50,000,000
8/1/2025	22,500,000	2,000,000	18,000,000	4,500,000	500,000	2,500,000	50,000,000
9/1/2025	22,500,000	2,000,000	18,000,000	4,500,000	500,000	2,500,000	50,000,000
10/1/2025	22,500,000	2,000,000	18,000,000	4,500,000	500,000	2,500,000	50,000,000
11/1/2025	22,500,000	2,000,000	18,000,000	4,500,000	500,000	2,500,000	50,000,000
Total	8/31/2025 \$ 112,500,000	\$ 10,000,000	\$ 90,000,000	\$ 22,500,000	\$ 2,500,000	\$ 12,500,000	\$ 250,000,000
DPA	1.82%	3,375,000	400,000	-	675,000	100,000	4,550,000
Lender Comp	2.00%	2,250,000	200,000	1,800,000	450,000	50,000	5,000,000
DPA Servicing	0.05%	56,250	5,000	-	11,250	1,250	73,750
Total Cost	\$ 118,181,250	\$ 10,605,000	\$ 91,800,000	\$ 23,636,250	\$ 2,651,250	\$ 12,750,000	\$ 259,623,750

Yield Assumptions

Yield Summary

DPA

Created as Separate Loan Portfolios

Repayable: Non-interest bearing, due on sale, refi of payoff; repayment is added to loan receipts

Expected annual loss of 0.50% is subtracted from loan receipts

GNMA guaranty fee of .06% is subtracted from loan receipts

Taxable Mortgage Rate

7.07%

	Yield Assumptions		
	Tax-Exempt	Taxable	Aggregate
Weighted Average Maturity	10.5414	7.9601	9.8961
Mortgage loan yield	5.7505%	6.8515%	6.0215%
Bond arbitrage yield	4.6287%	5.5449%	4.8246%
Spread	1.1218%	1.3066%	1.1969%

			Participations*				
			2025B	2025B	2025C	2025C	
Loan Product		Principal	Interest Rate	Tax-Exempt Principal	Tax-Exempt Interest	Taxable Principal	Taxable Interest
25BC	3 Point Repayable DPA	112,500,000	6.490%	75%	72.11%	25%	27.89%
25BC	4 Point Repayable DPA	10,000,000	6.690%	75%	72.11%	25%	27.89%
25BC	Unassisted Loans	90,000,000	6.150%	75%	72.11%	25%	27.89%
25BC	3 Point TA Loans	22,500,000	6.340%	75%	72.11%	25%	27.89%
25BC	4 Point TA Loans	2,500,000	6.550%	75%	72.11%	25%	27.89%
25BC	Unassisted TA Loans	12,500,000	6.000%	75%	72.11%	25%	27.89%
Totals		250,000,000	6.338%				

* Zero participation loans with a future bond series to be determined and finalized (if necessary) upon actual origination.

MOODY'S RATINGS

Rating Action: Moody's Ratings assigns Aaa to TDHCA's Residential Mortgage Revenue Bonds Series 2025B&C; outlook negative

11 Apr 2025

New York, April 11, 2025 -- Moody's Ratings (Moody's) has assigned a rating of Aaa to the proposed Texas Department of Housing and Community Affairs' (TDHCA) \$187.5 million Residential Mortgage Revenue Bonds, Series 2025B (Tax-Exempt)(Non-AMT) and \$62.5 million Residential Mortgage Revenue Bonds, Series 2025C (Taxable). We also maintain Aaa ratings on all outstanding parity debt issued under the Residential Mortgage Revenue Bonds (RMRB) Indenture. The outlook is negative.

RATINGS RATIONALE

The Aaa rating reflects that the RMRB indenture's solid financial performance will continue, as evidenced by its 1.14x (1.03x excluding all second lien loans) program asset-to-debt ratio (PADR), solid though variable margins (8% in fiscal year 2024), and a first lien loan portfolio consisting of high quality Government National Mortgage Association (Ginnie Mae) and Federal National Mortgage Association (Fannie Mae; Aaa negative) mortgage-backed securities (MBS). The strong credit quality is further supported by the RMRB indenture's sound legal structure, cash flow projections that demonstrate sufficiency under all Moody's stress case scenarios and solid management. The active issuance in the RMRB program will likely result in future PADR dilution and pressure on margins, however, the full-spread MBS previously added to the portfolio will boost income.

RATING OUTLOOK

The negative outlook mirrors that of the US Government rating, highlighting the RMRB program's reliance on the US Government as a counterparty for its first lien loan portfolio and the program's 1.03x PADR excluding second lien loans.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

Texas Department of Housing & Community Affairs; Multifamily Multiple MBS; Single Family Multiple MBS

Credit Profile

US\$187.5 mil residential mtg rev bonds ser 2025 B due 06/01/2056		
Long Term Rating	AA+/Stable	New
US\$62.5 mil residential mtg rev bonds ser 2025 C due 06/01/2056		
Long Term Rating	AA+/Stable	New
Texas Dept of Hsg & Comnty Affairs single fam mtg rev rtg bonds ser 2020B due 09/01/2050		
Long Term Rating	AA+/Stable	Affirmed
Texas Dept of Hsg & Comnty Affairs Texas Dept of Hsg & Comnty Affairs resid mtg rev bonds ser 88A		
Long Term Rating	AA+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA+' rating to Texas Department of Housing & Community Affairs' (TDHCA) \$187.5 million series 2025B and \$62.5 million series 2025C residential mortgage revenue bonds (RMRBs).
- At the same time, S&P Global Ratings affirmed its 'AA+' rating on TDHCA's parity debt under the RMRB indenture.
- The outlook is stable.

Security

Bonds issued within the RMRB indenture are limited obligations of TDHCA, payable solely from revenue, assets, and money pledged under the master indenture on a parity basis with parity obligations outstanding under the master indenture.

Pledged assets include revenue, mortgages, mortgage loans, investment securities, money held in the funds (excluding the rebate fund), and other property held under the trust estate. The trust estate currently includes mortgage certificates purchased with prior bond proceeds, guaranteed by Ginnie Mae or Fannie Mae.

According to preliminary transaction documents, TDHCA will use bond proceeds to purchase mortgage-backed securities (MBS), fund loans for down payment and closing cost assistance, pay lender compensation related to mortgage loans, and repay Federal Home Loan Bank of Dallas advances to provide funds for the purchase of MBS and down-payment assistance loans. Ginnie Mae will guarantee the MBS as to timely principal and interest payments.

The bonds will bear interest payable semiannually on Jan. 1 and July 1, starting Jan. 1, 2026. Bonds are subject to special, optional, and mandatory sinking fund redemptions, as described in transaction documents.

Credit overview

The rating reflects our view of the program's:

Moody's Downgrade

Moody's downgraded RMRB from Aaa to Aa1 on May 21, 2025 in sympathy with their downgrade of US Sovereign debt.

SFMRB retained Moody's Aaa rating due to the strength of the Parity Ratio.

This ratings downgrade affected 31 US HFA Issuers.

S&P downgraded the US Sovereign Debt on August 5, 2011. TDHCA's RMRB and SFMRB ratings were accordingly downgraded as well.

MOODY'S RATINGS

Press Release

Moody's downgrades ratings and changes outlooks on 31 Aaa obligors under the US HFA Single-Family and Multifamily Housing Methodologies

Moody's Ratings (Moody's) has downgraded ratings and changed the outlooks on 31 Aaa obligors pursuant to the US HFA Single-Family and Multifamily Housing Methodologies. A summary of the rating changes can be found in the list below.

- To Aa1 stable from Aaa negative
- To Aa1(sf) stable from Aaa(sf) negative
- To Aa1 from Aaa

The rating and outlook changes are driven by the downgrade of the United States government rating to Aa1 with a stable outlook from Aaa with a negative outlook. The programs have a very high proportion of federally guaranteed, federally insured loans or mortgage-backed securities (MBS) collateral along with a relatively lower net program assets-to-debt ratio (PADR) compared to other Aaa-rated peers. Generally, the net PADRs for these programs are between 1.00x - 1.06x or have a downward PADR trajectory towards this range. Any short-term ratings associated with these programs included in this action remain unchanged.

Please click on this link [XXX](#) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

Please click on this link [XXX](#) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Principal Methodologies and Models Used
- State of Obligors



Taxable Mortgage Program (TMP) or
To-Be-Announced (TBA) Program

TDHCA TBA Process



TBA Provider quotes the lock-price for Mortgage-Backed Securities (MBS) to be delivered by the Department in the future



Department uses quoted prices to set mortgage rates and originates loans



Lenders originate loans through the Program Administrator and sell first and second mortgage loans to the Master Servicer



Several times each month, mortgage loans are pooled into MBS

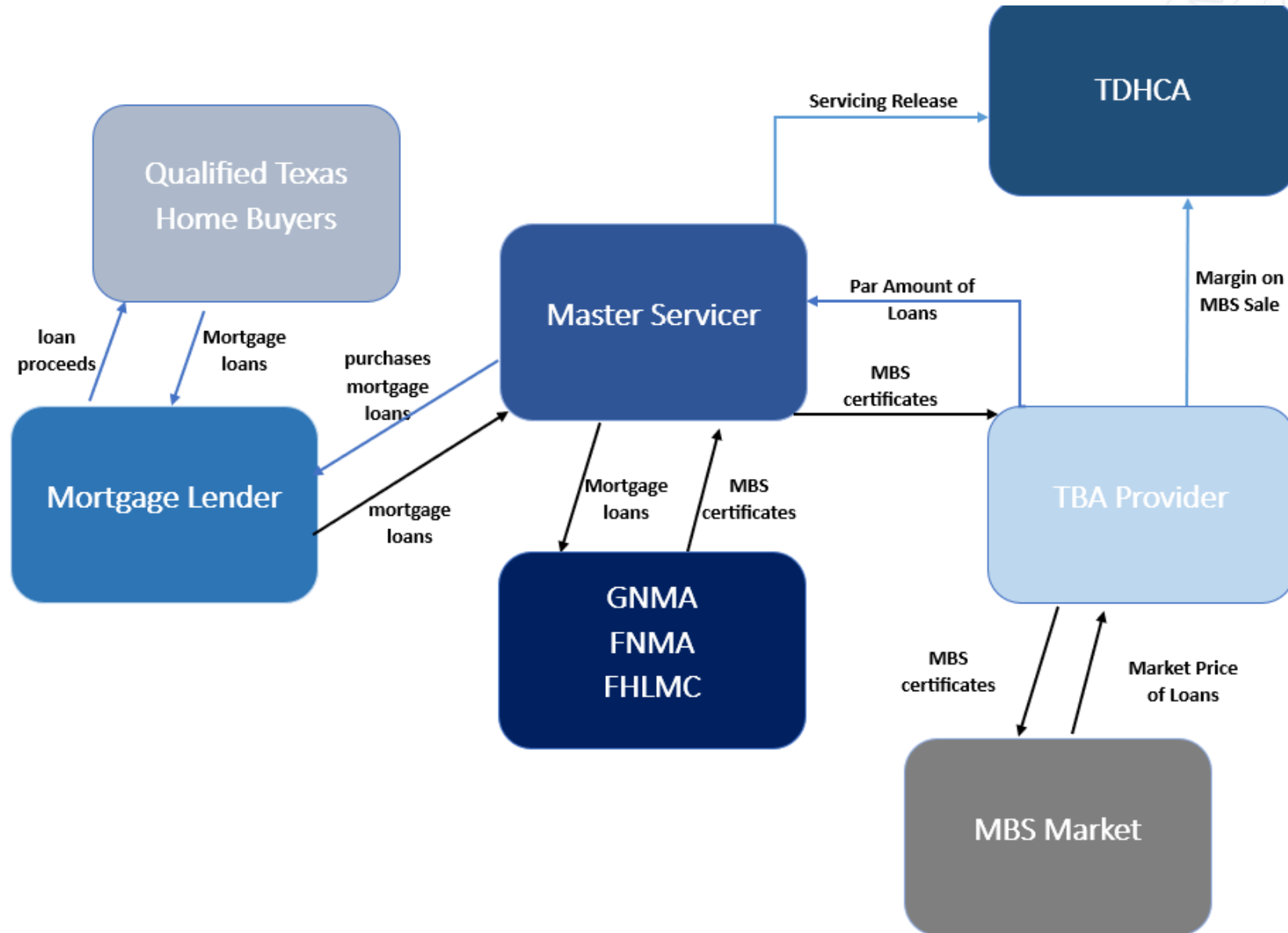


TBA provider purchases the MBS from the Master Servicer and sells the MBS in the market.



TDHCA is paid the margin on the sales proceeds and upfront servicing release from the Master Servicer.

TDHCA TBA Process



TDHCA TBA Economics

Loan Amount: \$200,000

Loan Rate: 6.625%

Repayable DPA: 2%

	Price or Percentage	Dollars	
Loan Amount	100.00000	\$200,000.00	TBA Loan Purchased
45 Day Lock Price of 6% MBS	100.59764	\$201,195.28	
PayUp for 2% Texas DPA Mortgages	1.02344	\$2,046.88	
Hilltop Mark up	-0.125	-\$250.00	
Adjusted 45 Day Rate Lock Price	101.49608	\$202,992.16	TBA Loan Sold
		\$2,992.16	Loan Margin

TDHCA Flow of Funds at Settlement			
TBA Loan Sale Margin	1.49608	\$2,992.16	
Service Release Premium	2.045	\$4,090.00	
2% DPA Assistance	2%	-\$4,000.00	
2% Lender Comp	2%	-\$4,000.00	
Loan Admin Fee	0.05%	-\$100.00	
Net at Settlement		-\$1,017.84	TDHCA Funds
Present Value Return of DPA	54%	\$2,160.00	
Present Value	0.5711%	\$1,142.16	TDHCA Nets

TBA Loan Comparison

Loan Amount: \$200,000

Repayable DPA: 2%

Loan Rate: 6.500%

6.625%

6.750%

	Price or Percentage	Dollars	Price or Percentage	Dollars	Price or Percentage	Dollars
Loan Amount	100.00000	\$200,000.00	100.00000	\$200,000.00	100.00000	\$200,000.00
45 Day Lock Price of 6% MBS	100.59764	\$201,195.28	100.59764	\$201,195.28	102.00391	\$204,007.82
PayUp for 2% Texas DPA Mortgage	1.02344	\$2,046.88	1.02344	\$2,046.88	1.96094	\$3,921.88
Hilltop Mark up	-0.125	-\$250.00	-0.125	-\$250.00	-0.125	-\$250.00
Adjusted 45 Day Rate Lock Price	101.49608	\$202,992.16	101.49608	\$202,992.16	103.83985	\$207,679.70
		\$2,992.16		\$2,992.16		\$7,679.70
TDHCA Flow of Funds at Settlement						
TBA Loan Sale Margin	1.49608	\$2,992.16	1.49608	\$2,992.16	3.83985	\$7,679.70
Service Release Premium	1.515	\$3,030.00	2.045	\$4,090.00	0.288	\$576.00
2% DPA Assistance	2%	-\$4,000.00	2%	-\$4,000.00	2%	-\$4,000.00
2% Lender Comp	2%	-\$4,000.00	2%	-\$4,000.00	2%	-\$4,000.00
Loan Admin Fee	0.05%	-\$100.00	0.05%	-\$100.00	0.05%	-\$100.00
Net at Settlement		-\$2,077.84		-\$1,017.84		\$155.70
Present Value Return of DPA	54%	\$2,160.00	54%	\$2,160.00	54%	\$2,160.00
Present Value		\$82.16		\$1,142.16		\$2,315.70

TBA Loan Comparison

Loan Amount: \$200,000

Repayable DPA: 2%

Loan Rate: 6.625%

5%
7.375%

	Price or Percentage	Dollars	Price or Percentage	Dollars
Loan Amount	100.00000	\$200,000.00	100.00000	\$200,000.00
45 Day Lock Price of 6% MBS	100.59764	\$201,195.28	102.65625	\$205,312.50
PayUp for 2% Texas DPA Mortgage	1.02344	\$2,046.88	2.95313	\$5,906.26
Hilltop Mark up	-0.125	-\$250.00	-0.125	-\$250.00
Adjusted 45 Day Rate Lock Price	101.49608	\$202,992.16	105.48438	\$210,968.76
		\$2,992.16		\$10,968.76

TDHCA Flow of Funds at Settlement				
TBA Loan Sale Margin	1.49608	\$2,992.16	5.48438	\$10,968.76
Service Release Premium	2.045	\$4,090.00	0.808	\$1,616.00
2% DPA Assistance	2%	-\$4,000.00	5%	-\$10,000.00
2% Lender Comp	2%	-\$4,000.00	2%	-\$4,000.00
Loan Admin Fee	0.05%	-\$100.00	0.05%	-\$100.00
Net at Settlement		-\$1,017.84		-\$1,515.24
Present Value Return of DPA	54%	\$2,160.00	54%	\$5,400.00
Present Value		\$1,142.16		\$3,884.76

TDHCA TBA Economics

Loan Amount: \$200,000
 Loan Rate: 6.875%
 Forgivable DPA: 2%

	Price or Percentage	Dollars	
Loan Amount	100.00000	\$200,000.00	TBA Loan Purchased
45 Day Lock Price of 6% MBS	102.00391	\$204,007.82	
PayUp for 2% Texas DPA Mortgag	1.86719	\$3,734.38	
Hilltop Mark up	-0.125	-\$250.00	
Adjusted 45 Day Rate Lock Price	103.7461	\$207,492.20	TBA Loan Sold
		\$7,492.20	Loan Margin

TDHCA Flow of Funds at Settlement			
TBA Loan Sale Margin	3.74610	\$7,492.20	
Service Release Premium	0.878	\$1,756.00	
2% DPA Assistance	2%	-\$4,000.00	
2% Lender Comp	2%	-\$4,000.00	
Loan Admin Fee	0.05%	-\$100.00	
Net at Settlement		\$1,148.20	TDHCA Receives
Present Value Return of DPA	12.500%	\$500.00	
Present Value		\$1,648.20	TDHCA Nets



Down Payment Assistance

Down Payment Assistance

Down Payment Assistance is designed to help homebuyers cover some of the upfront costs associated with purchasing a home and provide a path to homeownership sooner rather than later.

DPA also provides an opportunity to supplement other funding sources and ultimately lower the borrower's monthly payment, supporting sustainability.

DPA funding sources include:

- Indenture excess revenue
- DPA repayments
- Excess servicing income and Mortgage Servicing Release
- Premium on MRB Issuance
- Premium received selling TBA Loans

TDHCA's 'unassisted' or 0% DPA Bond Loans as essentially a rate buy-down. Unassisted loans provide a path to lower interest rates for a generally more qualified homebuyer benefiting them with a lower payment and enhanced sustainability.

TDHCA DPA Programs

Repayable DPA

30-Years | 0% | Non-Amortizing

Forgivable DPA

3-Year | 0% | Non-Amortizing

TDHCA Second Liens are due
upon Refinance or
Repayment of the first lien.



Mortgage Credit Certificates (MCCs)

Mortgage Credit Certificates



Mortgage Credit Certificates are a homebuyer assistance program designed to help low-to-moderate income families afford homeownership.



The program allows homebuyers to claim a **dollar-for-dollar tax credit** for some portion of mortgage interest paid per year. Remaining mortgage interest paid may still be taken as an itemized deduction.



To be eligible, individuals must be a first-time homebuyer or qualified veteran, meet the program's income and purchase price restrictions, and use the home as their primary residence. MCCs generally are subject to the same eligibility and targeted area requirements as Mortgage Revenue Bonds (MRBs).



TDHCA offers MCC only on Combo-Loans provided by the Department.

Mortgage Credit Certificates

MCC Homeowner Calculation

Loan Amount :	\$200,000
Mortgage Interest Rate:	7.125%
Annual Mortgage Interest:	\$14,250
TDHCA MCC Program Credit Rate:	20%
$\$14,250 \times 20\% = \$2,850$	
MCC Tax Credit for Homeowner:	\$2,850

TDHCA typically uses a 20% Credit Rate as MCCs with a Credit Rate higher than 20% cap the Tax Credit for the Homeowner at \$2,000 per year.

TDHCA Benefits

Combo Loans provide TBA Revenue & MCC Fee Revenue

TDHCA Drawbacks

MCC revenue is less than revenue from bond issuance

Sufficiency of Volume Cap

Borrower Benefits

Tax Credit lowers borrowers net interest rate

Helps borrowers qualify for mortgage

Borrower Drawbacks

Borrowers must claim tax credit on tax returns annually

Risks

Changes in Tax Law & Tax Rates

MCC Volume Cap usage

MRB Private Activity Bond Volume Cap is converted to MCC Authority on four-to-one basis ...for each \$1,000,000 of volume cap, \$250,000 of authority can be used.

The tax credit rate utilized determines the dollar amount of loans that can receive the MCC.

At a 25% tax credit rate, MCCs can be issued dollar-for-dollar to the amount of volume cap converted. MCCs can be issued against a greater par amount of loans with a smaller tax credit rate (minimum is 10%) or against a lesser par amount of loans with a higher tax credit rate (maximum is 50%).

MCC Volume Cap Calculation		
Volume Cap	Credit Rate	MCC Authority
\$250,000,000	10%	\$625,000,000
\$250,000,000	15%	\$416,666,667
\$250,000,000	20%	\$312,500,000
\$250,000,000	25%	\$250,000,000
\$250,000,000	30%	\$208,333,333



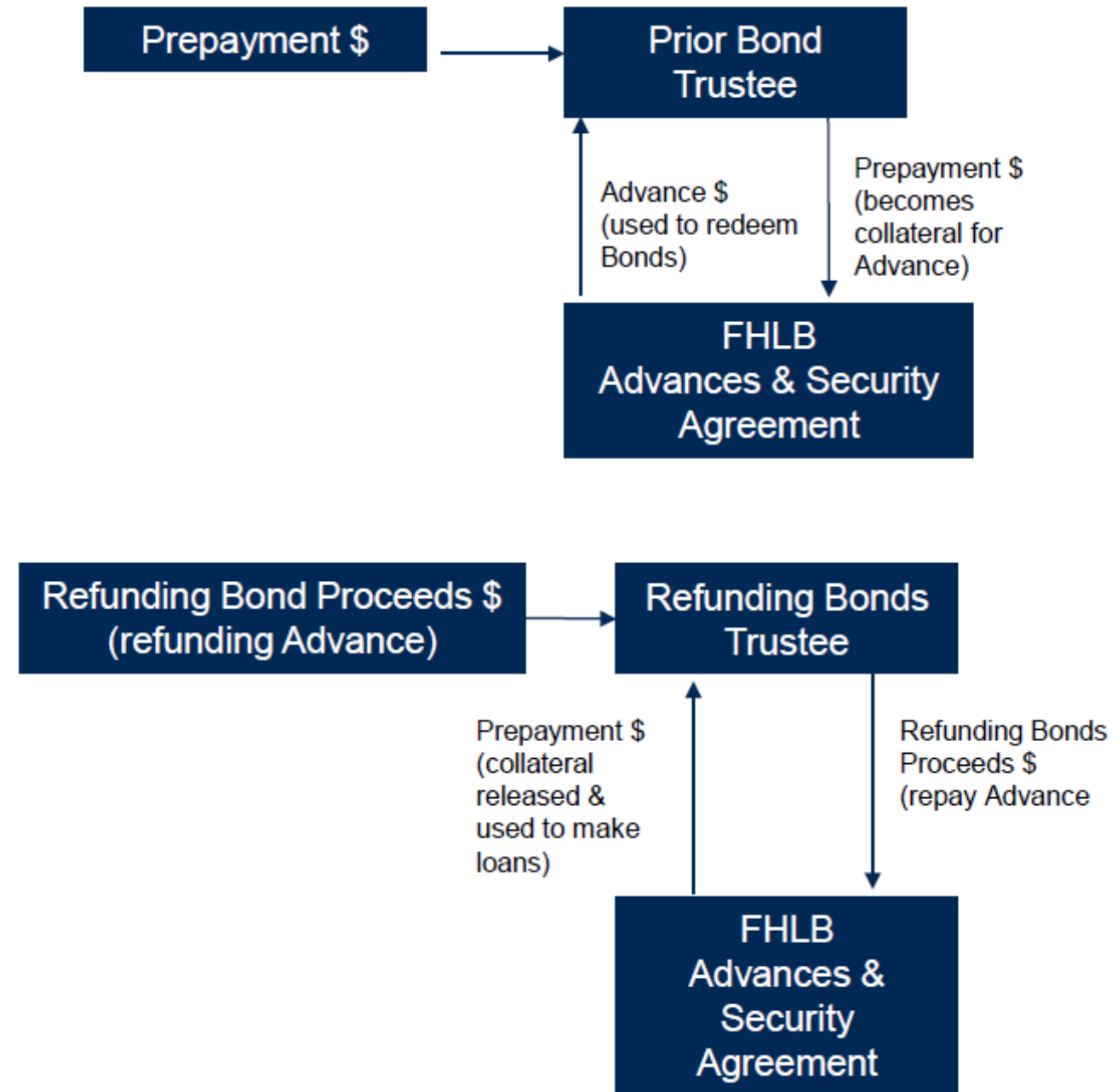
Volume Cap Recycling

Volume Cap Recycling

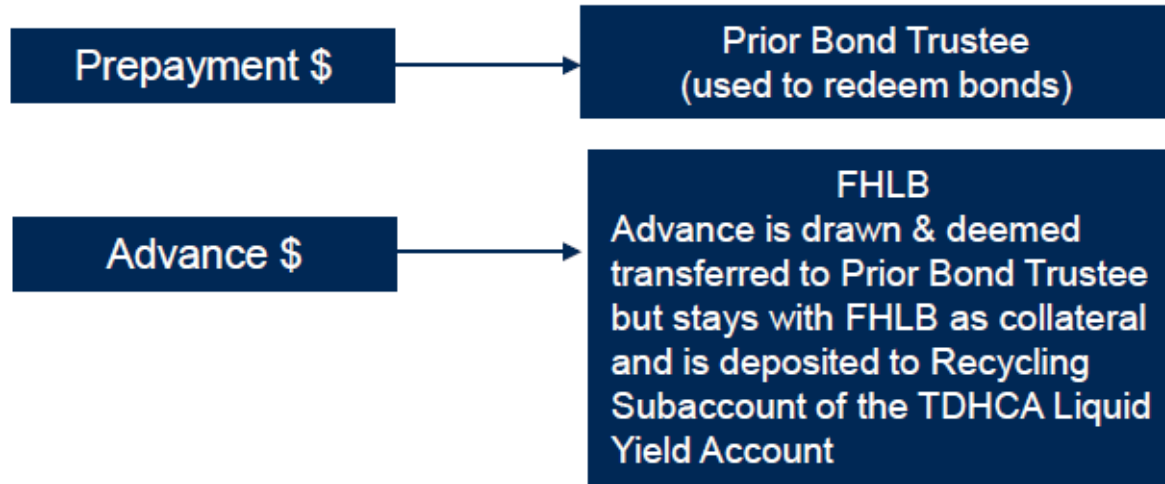
is a way to preserve and recycle prior years tax-exempt private activity bond volume cap which would otherwise expire upon repayment of the financing, resulting in redemption of the bonds.

In a traditional recycling program, mortgage loan repayments and prepayments are deposited into an investment, and a like amount of funds are borrowed to redeem bonds.

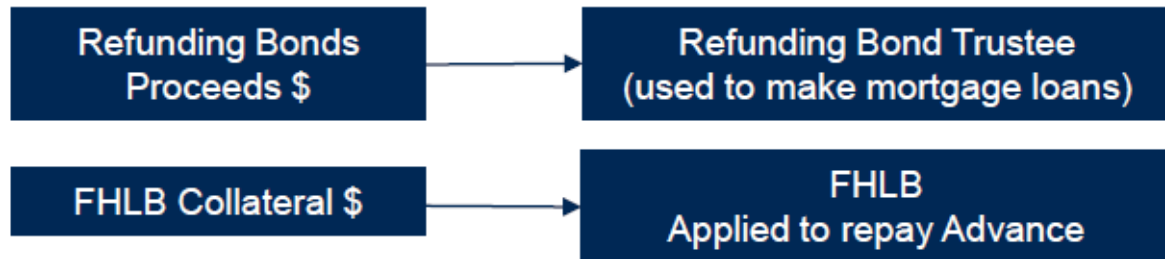
At a later date, tax exempt bonds are issued to repay the borrowed funds, and the funds invested are released to originate new loans.



1. On or before date prepayments are used to redeem bonds



2. On date Refunding Bonds are issued



Both 1 and 2 are deemed transfers. In 1 prepayments held by the Trustee are deemed transferred to FHLB and the Advance from FHLB is deemed transferred to the Trustee to redeem bonds. In 2 Refunding Bond proceeds are deemed transferred from the Trustee to FHLB to repay the Advance in 1 and the amounts in the Recycling Subaccount of the TDHCA Liquid Yield Account are deemed transferred to the Trustee to be used to make mortgage loans.

Volume Cap Recycling

Deemed Transfer

To facilitate the ease of execution and avoid the risk of failed/delayed wires or bond redemptions, TDHCA has adopted a “deemed transfer approach.

Under this approach, funds will be borrowed from FHLB through an advance and immediately deposited into a CD with FHLB, and funds will be “deemed” to transfer back and forth between FHLB and BNY.

Funds will be held in the CD until bonds are issued, at which time the CD matures and is used to repay the advance, and new bond proceeds are deposited into the mortgage loan fund to originate mortgage loans.

As such, funds will have been “deemed” to transfer back and forth between FHLB and BNY.

The cost to TDHCA will be 10 basis points = the spread between the advance and CD interest rates.



Private Activity Bond Volume Cap

Private Activity Bond (PAB) Volume Cap Overview

Tax-exempt financing of “private activities” has been limited by federal law since the passage of the Tax Reform Act of 1986. The IRS establishes a volume cap that limits the amount of Private Activity Bond (PAB) issuance that can take place in a given calendar year. Volume Cap is assigned to each state based on population. Unused volume cap may be carried forward for up to three years.

The 2025 Texas PAB Ceiling amount is \$4,067,808,030. The State of Texas divides its volume cap allocation across five different activities or subceilings as follows:

2025 State Ceiling	Percentage	Volume Cap
Subceiling 1 (MRBs)	32.25%	\$1,311,868,090
Subceiling 2 (State Voted)	10%	\$406,780,803
Subceiling 3 (IDBs)	2%	\$81,356,161
Subceiling 4 (Multifamily)	26.25%	\$1,067,799,608
Subceiling 5 (All Other)	29.50%	\$1,200,003,369
Total	100.00%	\$4,067,808,030

Subceiling 1 – Mortgage Revenue Bonds

Texas allocates 32.25% of volume cap, or \$1,311,868,090 to **‘Sub-Ceiling 1 - Mortgage Revenue Bonds (MRBs)**, which supports Single Family Home Ownership activities. This volume cap is divided among the Texas Department of Housing & Community Affairs (TDHCA), the Texas State Affordable Housing Corporation (TSAHC) and the various Local Housing Finance Corporations (HFCs) as follows:

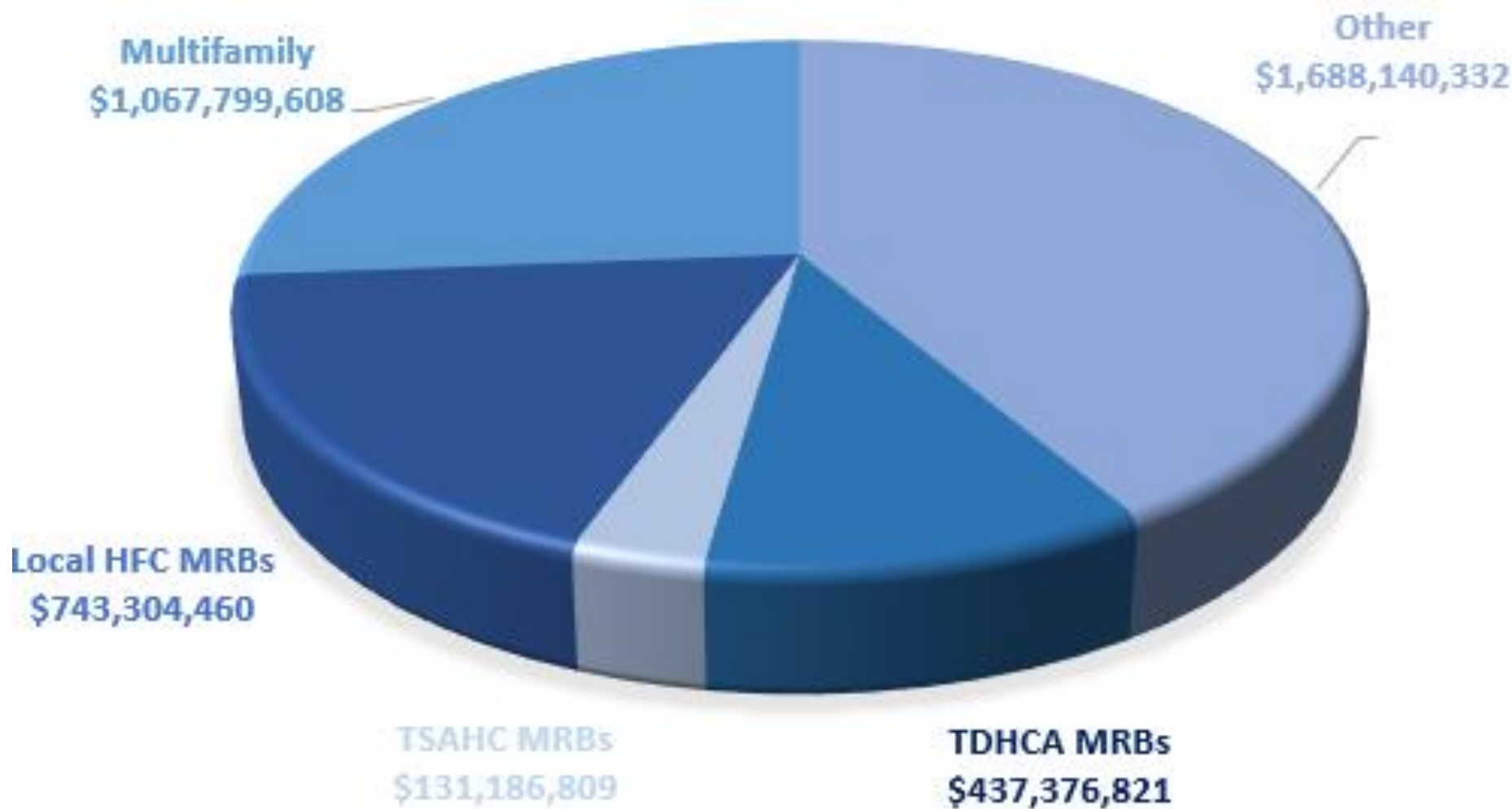
Entity	Percentage	Volume Cap
TDHCA	33.34%	\$437,376,821
TSAHC	10%	\$131,186,809
Local HFCs	56.66%	\$743,304,460
Total	100.00%	\$1,311,868,090

Single Family or MRB volume cap can be used to issue Mortgage Revenue Bonds where bond proceeds are used to fund low-cost mortgage loans to first-time homebuyers and veterans.

MRB volume cap can also be used to fund Mortgage Credit Certificates (MCCs). MCCs are a federal income tax credit for lower-income borrowers which allow a dollar-for-dollar tax credit on some portion of mortgage interest paid.

Texas Private Activity Bond Allocation

The State of Texas will receive \$4,067,808,030 in 2025



Local HFC Volume Cap Assignments

Texas Local Government Code, Chapter 394 (the “Act”) authorizes local HFCs to issue bonds for the purpose of obtaining funds to finance home mortgage loans for persons of low and moderate incomes, however due to the complexity, financial risk, administrative burdens, compliance requirements, and expense of a running a bond program, most opt not to do so.

Section 394.032(e) authorizes HFCs to delegate to TDHCA the authority to act on their behalf in the financing, refinancing, acquisition, leasing, ownership, improvement, and disposal of home mortgages or residential developments, within and outside the jurisdiction of the housing finance corporation, including its authority to issue bonds for those purposes.

Texas Government Code, Chapter 1372, allows HFCs to reserve a portion of the State Ceiling and Section 1372.044 of the Allocation Act authorizes the HFCs to assign their reservation to TDHCA to issue private activity bonds on behalf of the HFC.



Since 2020, numerous local HFCs have assigned their MRB volume cap to TDHCA to ensure that volume cap allocated to their community is utilized as effectively and efficiently as possible within their communities.



Local HFC Partnership Program

HFC Volume Cap Assignments



Local Housing Finance Corporations' (HFCs) mission under State law is to facilitate the financing of housing for low- and moderate-income residents within their jurisdiction.



HFCs may promote single-family homeownership by issuing Mortgage Revenue Bonds, where proceeds are used to provide mortgage loans to low- and moderate-income homebuyers at below-market interest rates.



Mortgage Revenue Bond programs are an important part of the mission, however they are difficult to establish, costly to administer, and arduous to maintain.

HFC Volume Cap Assignments

Many Local Texas HFCs have concluded that the most effective way to promote Single-Family Home Ownership in their jurisdiction is to partner with the Texas Department of Housing and Community Affairs (TDHCA) through the ***assignment of Private Activity Bond Volume Cap.***

TDHCA has an established and extensive Mortgage Revenue Bond program, issuing nearly \$1 Billion in bonds annually to fund My First Texas Home Mortgage Loans and Mortgage Credit Certificates for eligible first-time homebuyers and veterans.

TDHCA's Bond Indentures are approaching \$3 Billion. The Department works hand-in-hand with each HFC to determine the projected loan demand in their jurisdictions and appropriate Volume Cap Assignment amount to ensure ***Volume Cap assigned to your HFC is used where it was intended... in your community.***