Texas Department of Housing and Community Affairs

Supplemental Board Book

Thursday, January 15, 2026

10:00 AM

Dewitt C. Greer State Highway Building
Williamson Board Room
125 E. 11th Street
Austin, TX 78701

Governing Board

Leo Vasquez III, Chair
Kenny Marchant, Vice-Chair
Ajay Thomas, Member
Anna Maria Farias, Member
Holland Harper, Member
Cindy Conroy, Member

Texas Department of Housing and Community Affairs
Programmatic Impact Fiscal Year 2025

CY25 9% LIHTC Program

- Total Applications Rec'd: 97
- Total Market Rate Units Proposed: 300
- Total Low-Income Units Proposed: 6,864
- Total HTCs Requested: $154,973,052

Construction Type:

- Total Proposed New Construction Projects: 74
- Total Proposed Reconstruction Projects: 6
- Total Proposed Rehab Projects: 17

CY25 4% LIHTC Program

Active or Approved Applications:

- Total Applications: 41
- Total Units Proposed: 8,382

Closed Applications:

- Total Applications: 16
- Number of Low-Income Units Proposed: 3,389

Construction Type

- Total Proposed New Construction Projects: 28
- Total Proposed Rehab/Reconstruction Projects: 29

Owner Financing and Down Payment

- 30-year, fixed interest rate mortgage loans
- Mortgage credit certificates
- Down payment, closing cost assistance
- Homebuyer education

Programs:

- Single Family Homeownership

Expended Funds: $1,112,327,283
Total Households Served: 4,683

Energy Related Assistance

- Utility bill payment assistance
- Energy consumption education
- Weatherization for energy efficiency

Programs:

- Comprehensive Energy Assistance Program (CEAP)
- Weatherization Assistance Program (WAP)

Expended CEAP Funds: $195,742,052
Total Households Served: 131,518

Homelessness Services

- Shelter building rehabilitation, conversion, operations
- Essential services e.g., health services, transportation, job training, employment services

Programs:

- Emergency Solutions Grant Program (ESG)
- Homeless Housing and Services Program (HHSP)

Expended Funds: $16,525,967
Total Individuals Served: 41,863

Rental Assistance

- Short, long term rent payment help
- Assistance linked with services, Transitional assistance

Programs:

- Tenant-Based Rental Assistance (TBRA)
- Section 8 Housing Choice Vouchers
- Section 811

Expended Funds: $37,682,484
Total Households Served: 3,689

Owner Rehabilitation Assistance

- Home rehabilitation, reconstruction
- Manufactured housing unit replacement
- Accessibility modifications e.g., ramp, grab bar installation

Programs:

- Homeowner Reconstruction Assistance Program (HRA)*
- Amy Young Barrier Removal Program Expended Funds: $21,447,545
  Total Households Served: 202

Supportive Services

Provides administrative support for essential services for low-income individuals through Community Action Agencies

Program:

- Community Services Block Grant Program (CSBG)

Expended Funds: $35,631,054
Total Individuals Served: 282,211

Single Family Development

- Single family development, reconstruction, rehabilitation
- NSP, Do-it-yourself, "sweat equity" construction (bootstrap), rehabilitation, Contract for Deed refinance

Programs:

- Single Family Development Program (SFD)*
- Contract for Deed (CFD)

Expended Funds: $2,533,190
Total Households Served: 52

Total Expended Funds: $1,780,217,549
Total Households Served: 484,392

All FY2025 data as reported in TDHCA's 2025 performance measures.

Note: Some households may have been served by more than one TDHCA program. For some programs, allocation is used as a proxy for expenditures. Because of timing of funds request, the funds expended for the quarter may be readjusted substantially by year end.

Reporting Period: 9/1/2024-8/31/2025 (4% Program figures as of 9/5/2025; 9% LIHTC Program figures as of 6/27/2025)

* Administered through the federally funded HOME Investment Partnerships Program

CALL TO ORDER

ROLL CALL

CERTIFICATION OF QUORUM

Pledge of Allegiance - I pledge allegiance to the flag of the United States of America, and to the republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

Texas Allegiance - Honor the Texas flag; I pledge allegiance to thee, Texas, one state under God, one and indivisible.

CONSENT AGENDA

Items on the Consent Agenda may be removed at the request of any Board member and considered at another appropriate time on this agenda. Placement on the Consent Agenda does not limit the possibility of any presentation, discussion or approval at this meeting. Under no circumstances does the Consent Agenda alter any requirements under Chapter 551 of the Tex. Gov't Code, Texas Open Meetings Act. Action may be taken on any item on this agenda, regardless of how designated.

ASSET MANAGEMENT

1. Presentation, discussion, and possible action regarding an increase to the Housing Tax Credit amount for Bridge at Loyola (HTC #19418) — Rosalio Banuelos

LEGAL

2. Presentation, discussion, and possible action on recommendation to adopt an Agreed Final Order assessing an administrative penalty relating to Reading Park Apartments (HTC 02462 / Bond MF064 / HTF 853336 / CMTS 3321) — Sascha Stremler

RULES

3. Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.3, Sick Leave Pool and Family Leave Pool, and directing its publication for public comment in the Texas Register — Brooke Boston

4. Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, including §§21.1 through 21.6, and directing its publication for public comment in the Texas Register — Brooke Boston

5.	Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 25, Colonia Self-Help Center Program Rule, including §§25.1 through 25.10, and directing its publication for public comment in the Texas Register	Brooke Boston
6.	Presentation, discussion, and possible action on the proposed repeal of 10 TAC Chapter 13, the Multifamily Direct Loan Rule, proposed new 10 TAC Chapter 13, Multifamily Direct Loan Rule, and directing their publication for public comment in the Texas Register	Connor Jones
7.	Presentation, discussion, and possible action on the proposed repeal of 10 TAC §10.802, Written Policies and Procedures; proposed new 10 TAC §10.802, Written Policies and Procedures; and directing their publication for public comment in the Texas Register	Jeremy Stremler
8.	Presentation, discussion, and possible action on the draft 2026 State of Texas Low Income Housing Plan and Annual Report; proposed repeal of 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.23 concerning State of Texas Low Income Housing Plan and Annual Report; proposed new 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.23 concerning State of Texas Low Income Housing Plan and Annual Report; and directing their publication for public comment in the Texas Register	Jeremy Stremler
9.	Presentation, discussion, and possible action on an order proposing amendments to 10 TAC Chapter 10, Subchapter F, §10.601 Compliance Monitoring Objectives and Applicability; §10.607 Reporting Requirements; §10.611 Determination, Documentation and Certification of Annual Income; §10.613 Lease Requirements; §10.614 Utility Allowances; §10.621 Property Condition Standards; §10.622 Special Rules Regarding Rents and Rent Limit Violations; and Figure §10.625 and directing its publication for public comment in the Texas Register	Wendy Quackenbush
10.	Presentation, discussion, and possible action on the proposed amendments to 10 TAC Chapter 10 Subchapter E, Post Award and Asset Management Requirements, §10.400 Purpose, §10.401 Housing Tax Credit and Tax Exempt Bond Developments, §10.405 Amendments and Extensions, and §10.406 Ownership Transfers, §10.407 Right of First Refusal, §10.408 Qualified Contract Requirements, and directing their publication for public comment in the Texas Register	Rosalio Banuelos
11.	Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.12, Negotiated Rulemaking, and directing its publication for public comment in the Texas Register	Brooke Boston

12.	Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.13, Contested Case Hearing Procedures, and directing its publication for public comment in the Texas Register	Brooke Boston
13.	Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.17, Alternative Dispute Resolution, and directing its publication for public comment in the Texas Register	Brooke Boston
14.	Presentation, discussion, and possible action on an order proposing the repeal of 10 TAC Chapter 27, Texas First Time Homebuyer Program Rule; an order proposing new 10 TAC Chapter 27, Texas First Time Homebuyer Program Rule; and directing their publication for public comment in the Texas Register	Brooke Boston
15.	Presentation, discussion, and possible action on an order proposing the repeal of 10 TAC Chapter 28, Taxable Mortgage Program; an order proposing new 10 TAC Chapter 28, Taxable Mortgage Program; and directing their publication for public comment in the Texas Register	Brooke Boston
16.	Presentation, discussion, and possible action on an order proposing the amendment of 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.4, Protest Procedures for Contractors, and directing its publication for public comment in the Texas Register	Brooke Boston
17.	Presentation, discussion, and possible action on an order proposing the amendment of 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.5, Waiver Applicability in the Case of State or Federally Declared Disasters, and directing its publication for public comment in the Texas Register	Brooke Boston
18.	Presentation, discussion, and possible action on proposing the repeal and proposed adoption of new 10 TAC Chapter 7 Subchapter A, General Policies and Procedures; 10 TAC Chapter 7 Subchapter C, Emergency Solutions Grants (ESG), §§7.31-7.43 and directing their publication in the Texas Register for public comment.	Rosy Falcon
19.	Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC §2.302 Administrative Penalty Process; an order adopting a replacement version of the rule; and directing publication in the Texas Register	Sascha Stremler

20. Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 2, Debarment from Participation in Programs Administered by the Department, §2.401 General; an order adopting the replacement version of the rule; and directing publication in the Texas Register — Sascha Stremler

21. Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.401 Effective Date and Definitions; an order adopting new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.401 Effective Date and Definitions; and directing their publication in the Texas Register — Brooke Boston

22. Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.403 Single Audit Requirements; an order adopting new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.403 Single Audit Requirements; and directing their publication in the Texas Register — Brooke Boston

23. Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.406 Fidelity Bond Requirements; an order adopting new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.406 Fidelity Bond Requirements; and directing their publication in the Texas Register — Brooke Boston

CONSENT AGENDA REPORT ITEMS

24. Media Analysis and Outreach Report, November 2025 — Michael Lyttle

25. Media Analysis and Outreach Report, December 2025 — Michael Lyttle

ACTION ITEMS

Executive Session: the Chair may call an Executive Session at this point in the agenda in accordance with the below-cited provisions

EXECUTIVE

26. Executive Director's Report — Bobby Wilkinson

FUNDING ANNOUNCEMENTS AND AWARDS

27. Presentation, discussion, and possible action regarding the Issuance of a Multifamily Housing Governmental Note (Fiji Lofts) Series 2026 Resolution No. 26-009 and an increase to the Housing Tax Credit amount — Teresa Morales

28. Presentation, discussion, and possible action regarding the approval for publication in the Texas Register of the 2026-2 Multifamily Direct Loan Notice of Funding Availability — Connor Jones

ACTION REPORT ITEMS

29. Presentation and discussion regarding the pending issuance of Texas Department of Housing and Community Affairs Residential Mortgage Revenue Bonds, Series 2026 A (Non-AMT) — Scott Fletcher

30. Report regarding a Request for Proposal for Underwriters issued by the Texas Department of Housing and Community Affairs — Scott Fletcher

31. Report relating to the 2025 Non-competitive 4% Housing Tax Credit Program and a preliminary 2026 Program forecast. — Jonathan Galvan

ASSET MANAGEMENT

32. Presentation, discussion, and possible action regarding a Material Amendment to the Land Use Restriction Agreement for Ekos City Heights (HTC #20701) — Rosalio Banuelos

33. Presentation, discussion, and possible action regarding a Material Amendment to the Application for Cady Lofts (HTC #22274 / HOME ARP #23709) — Rosalio Banuelos

RULES

34. Presentation, discussion, and possible action on an order proposing the amendment of 10 TAC Chapter 10, Uniform Multifamily Rules, Subchapter F Compliance Monitoring, §10.612 Tenant File Requirements; an order proposing new §10.628 Verification of Occupant Legal Status for HOME and NHTF Developments; and directing their publication for public comment in the Texas Register — Brooke Boston

35. Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 12, concerning the Multifamily Housing Revenue Bond Rules, and an order adopting new 10 TAC Chapter 12 concerning the Multifamily Housing Revenue Bond Rules, and directing the publication in the Texas Register — Teresa Morales

36. Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.410 Determination of Alien Status for Program Beneficiaries; an order adopting new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.410 Determination of Alien Status for Program Beneficiaries; and directing their publication in the Texas Register — Brooke Boston

MULTIFAMILY FINANCE

37. Presentation, discussion, and possible action on a request for an extension of the previously approved deadline to Place in Service for Bailey at Berkman — Josh Goldberger

38. Presentation, discussion, and possible action on a request for an extension of the previously approved deadline to Place in Service for Bailey at Stassney — Josh Goldberger

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS

The Board may go into Executive Session Pursuant to Tex. Gov't Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee;

Pursuant to Tex. Gov't Code §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer;

Pursuant to Tex. Gov't Code §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code Chapter 551; including seeking legal advice in connection with a posted agenda item;

Pursuant to Tex. Gov't Code §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person; and/or

Pursuant to Tex. Gov't Code §2306.039(c) the Department's internal auditor, fraud prevention coordinator or ethics advisor may meet in an executive session of the Board to discuss issues related to fraud, waste or abuse.

OPEN SESSION

If there is an Executive Session, the Board will reconvene in Open Session. Except as specifically authorized by applicable law, the Board may not take any actions in Executive Session.

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.texas.gov or contact Michael Lyttle, 512-475-4542, TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information. If you would like to follow actions taken by the Governing Board during this meeting, please follow TDHCA account (@tdhca) on X (Twitter).

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Nancy Dennis, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least five days before the meeting so that appropriate arrangements can be made. Non-English speaking individuals who require interpreters for this meeting should contact Danielle Leath, 512-475-4606, at least five days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Danielle Leath, al siguiente número 512-475-4606 por lo menos cinco días antes de la junta para hacer los preparativos apropiados.

There is not a remote online or telephone option for public participation in this meeting, so those wishing to make public comment during the meeting must appear in person. This meeting will, however, be streamed online for public viewing.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1305 **Agenda Date:** 1/15/2026 **Agenda #:** 1.

Presentation, discussion, and possible action regarding an increase to the Housing Tax Credit amount for Bridge at Loyola (HTC #19418)

RECOMMENDED ACTION

WHEREAS, Bridge at Loyola (the Development) received a 4% Housing Tax Credit (HTC) award in 2019 and a Tax Credit Assistance Program (TCAP) loan for the construction of 204 units, of which 200 are low-income units, for the general population in Austin, Travis County;

WHEREAS, construction of the Development has been completed, and Bridge at Loyola Lofts, LP (the Development Owner or Owner) requests, at cost certification, to increase the annual HTC amount from $1,475,411, the amount reflected in the Determination Notice, to $1,882,292, which was adjusted to $1,874,395 in the Department's analysis, and the adjusted amount represents an increase of 27.04% ($398,984) from the amount in the Determination Notice;

WHEREAS, §42(m)(2) of the Internal Revenue Code allows an increase of tax credits for a bond financed project when the increase is determined necessary as demonstrated through the submission of the cost certification package;

WHEREAS, 10 TAC §10.401(d) requires approval by the Board if an increase to the amount of tax credits exceeds 120% of the amount of credit reflected in the Determination Notice; and

WHEREAS, a review of the cost certification package submitted by the Development Owner supports the need for the additional tax credits, and staff has determined that the increase is necessary for the viability of the transaction;

NOW, therefore, it is hereby

RESOLVED, that the housing tax credit increase for Bridge at Loyola to $1,874,395 annually is approved as presented to this meeting, and the Executive Director and his designees are each authorized, directed, and empowered to take all necessary action to effectuate the foregoing.

BACKGROUND

Bridge at Loyola received a 4% HTC award in 2019 and a TCAP loan for new construction of 204 units, of which 200 are low-income units, for the general population in Austin, Travis County. On October 14, 2019, a Determination Notice was issued with an approved annual tax credit

amount of $1,475,411. The residential buildings in the Development placed in service between May 31, 2022, and November 1, 2022, and the cost certification documentation is currently under review by the Department.

The cost certification documentation requests an annual tax credit amount of $1,882,292. However, the recommended annual HTC amount is $1,874,395, which represents an increase of $398,984 (27.04%) from the amount reflected in the Determination Notice, $1,475,411. Through the cost certification review process, George Currall, the representative for the Development Owner, explained that the Development incurred increased costs during construction.

A comparison of the development costs from the time of the Application in 2019 to Cost Certification indicates that total development costs increased approximately $4,673,484 (10.32%), from $45,298,917 to $49,972,401. The Owner indicated that the cost overruns stem primarily from a 14-month delay in unit delivery, driven by three major construction challenges: water line location and correction issues, delays in transformer delivery, installation, and inspection, and electric metering permit delays. Also, due to the Consolidated Appropriations Act of 2021 and a supplemental bond issuance for the Development, the tax credit percentage increased from 3.42% at application to 4.00% at the time of cost certification.

Staff's analysis of this transaction at cost certification has concluded that the Development supports an annual tax credit allocation of $1,874,395, and that the increase is necessary for the financial feasibility of the project and its viability as a qualified low-income housing project throughout the credit period. This results in a 27.04% increase from $1,475,411, the original annual HTC amount in the Determination Notice. In accordance with 10 TAC §10.401(d), Board approval is required because the requested tax credit amount exceeds 120% of the HTC amount reflected in the Determination Notice. The Development Owner will be required to submit the Tax-Exempt Bond Credit Increase Request Fee required in 10 TAC §11.901(8) for the increase to the HTC amount prior to issuance of Forms 8609. Additionally, all required pending documentation for the cost certification review must be provided for the issuance of 8609s.

Staff recommends approval of the increase in the tax credit award as presented herein.

UNIT MIX/RENT SCHEDULE

Bridge at Loyola, Austin, # 19418

LOCATION DATA	
CITY:	Austin
COUNTY:	Travis
PROGRAM REGION:	7

UNIT DISTRIBUTION					
# Beds	# Units	% Total		Income	# Units
Eff				20%	0
1	19	9.3%		30%	0
2	79	38.7%		40%	32
3	90	44.1%		50%	0
4	16	7.8%		60%	136
TOTAL	204	100.0%		70%	0
				80%	32
				MR	4
				TOTAL	204
			Average Income:		60.00%

Applicable Programs
4% Housing Tax Credits
HOME

PRO FORMA ASSUMPTIONS	
REVENUE GROWTH:	2.00%
EXPENSE GROWTH:	3.00%
HIGH COST ADJUSTMENT:	130%
APPLICABLE FRACTION:	98.01%
APP % - ACQUISITION:	
APP % - CONSTRUCTION:	4.00%
AVERAGE SF	1,043

UNIT MIX / MONTHLY RENT SCHEDULE

HTC		TDHCA Direct Loan Program		Unit Mix				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS					TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Tenant Pd UA's (Verified)	Max Net Program Rent	Delta to Max Program	Rent per NRA	Net Rent per Unit		Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent per NRA	Delta to Max Program	Market Rent	Rent per NRA	TDHCA Savings to Market
TC40%	$876	LH/50%	$1,095	2	1	1	666	$876	$103	$773	$69	$1.26	$842		**$1,684**	**$1,546**	$773	$1.16	$0		0.00	
TC40%	$876	HH/60%	$1,386	1	1	1	666	$876	$103	$773	$69	$1.26	$842		**$842**	**$773**	$773	$1.16	$0		0.00	
TC60%	$1,314	HH/60%	$1,386	13	1	1	666	$1,314	$103	$1,211	$103	$1.97	$1,314		**$17,082**	**$15,743**	$1,211	$1.82	$0		0.00	
TC80%	$1,753	0%		2	1	1	666	$1,753	$103	$1,650	$137	$2.68	$1,787		**$3,574**	**$3,300**	$1,650	$2.48	$0		0.00	
MR		0%		1	1	1	666	$0	$0		NA	$1.67	$1,113		**$1,113**	**$1,113**	$1,113	$1.67	NA	$1,113	1.67	$0
TC40%	$1,052	LH/50%	$1,315	6	2	2	938	$1,052	$123	$929	$82	$1.08	$1,011		**$6,066**	**$5,574**	$929	$0.99	$0		0.00	
TC40%	$1,052	HH/60%	$1,626	4	2	2	938	$1,052	$123	$929	$82	$1.08	$1,011		**$4,044**	**$3,716**	$929	$0.99	$0		0.00	
TC40%	$1,052	HH/60%	$1,626	2	2	2	1,012	$1,052	$123	$929	$82	$1.00	$1,011		**$2,022**	**$1,858**	$929	$0.92	$0		0.00	
TC60%	$1,578	0%		22	2	2	938	$1,578	$123	$1,455	$123	$1.68	$1,578		**$34,716**	**$32,010**	$1,455	$1.55	$0		0.00	
TC60%	$1,578	HH/60%	$1,626	21	2	2	938	$1,578	$123	$1,455	$123	$1.68	$1,578		**$33,138**	**$30,555**	$1,455	$1.55	$0		0.00	
TC60%	$1,578	HH/60%	$1,626	2	2	2	1,012	$1,578	$123	$1,455	$123	$1.56	$1,578		**$3,156**	**$2,910**	$1,455	$1.44	$0		0.00	
TC60%	$1,578	0%		2	2	2	938	$1,578	$123	$1,455	$123	$1.68	$1,578		**$3,156**	**$2,910**	$1,455	$1.55	$0		0.00	
TC60%	$1,578	0%		8	2	2	1,012	$1,578	$123	$1,455	$123	$1.56	$1,578		**$12,624**	**$11,640**	$1,455	$1.44	$0		0.00	
TC80%	$2,104	0%		8	2	2	938	$2,104	$123	$1,981	$164	$2.29	$2,145		**$17,160**	**$15,848**	$1,981	$2.11	$0		0.00	
TC80%	$2,104	0%		3	2	2	1,012	$2,104	$123	$1,981	$164	$2.12	$2,145		**$6,435**	**$5,943**	$1,981	$1.96	$0		0.00	
MR		0%		1	2	2	1,012	$0	$0		NA	$1.32	$1,336		**$1,336**	**$1,336**	$1,336	$1.32	NA	$1,336	1.32	$0
TC40%	$1,215	0%		8	3	2	1,132	$1,215	$141	$1,074	$95	$1.03	$1,169		**$9,352**	**$8,592**	$1,074	$0.95	$0		0.00	
TC40%	$1,215	HH/60%	$1,940	1	3	2	1,132	$1,215	$141	$1,074	$95	$1.03	$1,169		**$1,169**	**$1,074**	$1,074	$0.95	$0		0.00	
TC40%	$1,215	LH/50%	$1,518	5	3	2	1,138	$1,215	$141	$1,074	$95	$1.03	$1,169		**$5,845**	**$5,370**	$1,074	$0.94	$0		0.00	
TC60%	$1,822	0%		36	3	2	1,132	$1,822	$141	$1,681	$143	$1.61	$1,824		**$65,664**	**$60,516**	$1,681	$1.48	$0		0.00	
TC60%	$1,822	HH/60%	$1,940	1	3	2	1,132	$1,822	$141	$1,681	$143	$1.61	$1,824		**$1,824**	**$1,681**	$1,681	$1.48	$0		0.00	
TC60%	$1,822	0%		2	3	2	1,138	$1,822	$141	$1,681	$143	$1.60	$1,824		**$3,648**	**$3,362**	$1,681	$1.48	$0		0.00	
TC60%	$1,822	0%		1	3	2	1,148	$1,822	$141	$1,681	$143	$1.59	$1,824		**$1,824**	**$1,681**	$1,681	$1.46	$0		0.00	
TC60%	$1,822	HH/60%	$1,940	6	3	2	1,138	$1,822	$141	$1,681	$143	$1.60	$1,824		**$10,944**	**$10,086**	$1,681	$1.48	$0		0.00	
TC60%	$1,822	0%		1	3	2	1,148	$1,822	$141	$1,681	$143	$1.59	$1,824		**$1,824**	**$1,681**	$1,681	$1.46	$0		0.00	
TC60%	$1,822	0%		12	3	2	1,138	$1,822	$141	$1,681	$143	$1.60	$1,824		**$21,888**	**$20,172**	$1,681	$1.48	$0		0.00	
TC80%	$2,430	0%		9	3	2	1,132	$2,430	$141	$2,289	$191	$2.19	$2,480		**$22,320**	**$20,601**	$2,289	$2.02	$0		0.00	
TC80%	$2,430	0%		7	3	2	1,138	$2,430	$141	$2,289	$191	$2.18	$2,480		**$17,360**	**$16,023**	$2,289	$2.01	$0		0.00	
MR		0%		1	3	2	1,132	$0	$0		NA	$1.82	$2,058		**$2,058**	**$2,058**	$2,058	$1.82	NA	$2,058	1.82	$0
TC40%	$1,355	LH/50%	$1,693	1	4	2	1,423	$1,355	$164	$1,191	$107	$0.91	$1,298		**$1,298**	**$1,191**	$1,191	$0.84	$0		0.00	
TC40%	$1,355	HH/60%	$2,144	2	4	0	1,423	$1,355	$164	$1,191	$107	$0.91	$1,298		**$2,596**	**$2,382**	$1,191	$0.84	$0		0.00	
TC60%	$2,032	0%		9	4	0	1,423	$2,032	$164	$1,868	$161	$1.43	$2,029		**$18,261**	**$16,812**	$1,868	$1.31	$0		0.00	
TC80%	$2,710	0%		3	4	0	1,423	$2,710	$164	$2,546	$214	$1.94	$2,760		**$8,280**	**$7,638**	$2,546	$1.79	$0		0.00	
MR		0%		1	4	0	1,423	$0	$0		NA	$1.21	$1,722		**$1,722**	**$1,722**	$1,722	$1.21	NA	$1,722	1.21	$0
TOTALS / AVERAGES:				**204**			**212,812**				**$130**	**$1.63**	**$1,696**		**$346,025**	**$319,417**	**$1,566**	**$1.50**	**$0**	**$31**	**$0.03**	**($1,535)**
ANNUAL POTENTIAL GROSS RENT:															**$4,152,300**	**$3,833,004**						

PRO FORMA ANALYSIS & DEVELOPMENT COSTS

					TDHCA CC	TDHCA -Prior	% DIFF	APP - Closing	Owner CC	$ DIFF				
POTENTIAL GROSS RENT					$3,833,004	$3,089,820	8%	$2,971,812	$4,152,300	$319,296				
Secondary Income			Per Unit/Month	$5.00	$12,240	$48,960	-2%	$48,960	$12,000	($240)		$4.90	Per Unit Per Month	
Other Income:	-						#DIV/0!	$0	$0	$0		$0.00	Per Unit Per Month	$4.90
Other Income:	-						#DIV/0!	$0	$0	$0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$3,845,244	$3,138,780	8%	$3,020,772	$4,164,300	$319,056				
Vacancy & Collection Loss			% of PGI	-7.5%	($288,393)	(235,409)	8%	(226,558)	(312,323)	($23,929)		-7.5%	% of PGI	
EO/Non-Rental Units/Concessions					$0	-	#DIV/0!	-	-	$0				
EFFECTIVE GROSS INCOME					$3,556,851	$2,903,372	8.30%	$2,794,214	$3,851,978	$295,127				
EXPENSES		% of EGI	Per Unit	Per SF							Per SF	Per Unit	% of EGI	
General & Administrative		2.12%	$370	$0.35	$75,455	$84,855	156%	$91,200	$193,350	$117,895	$0.91	$948	5.02%	
Management		5.00%	$872	$0.84	$177,843	$145,169	-13%	$111,900	$154,079	($23,764)	$0.72	$755	4.00%	
Payroll & Payroll Tax		13.01%	$2,268	$2.17	$462,609	$285,600	3%	$285,600	$474,300	$11,691	$2.23	$2,325	12.31%	
Repairs & Maintenance		5.14%	$896	$0.86	$182,790	$122,400	12%	$173,400	$204,200	$21,410	$0.96	$1,001	5.30%	
Electric/Gas		1.81%	$315	$0.30	$64,295	$60,475	39%	$34,064	$89,250	$24,955	$0.42	$438	2.32%	
Water, Sewer, & Trash		8.95%	$1,561	$1.50	$318,392	$58,332	-62%	$57,736	$119,900	($198,492)	$0.56	$588	3.11%	
Property Insurance		4.02%	$701	$0.67	$142,919	$59,152	16%	$63,444	$166,085	$23,166	$0.78	$814	4.31%	
Property Tax	0%	0.00%	$0	$0.00	$0	$0	#DIV/0!	$0	$0	$0	$0.00	$0	0.00%	
Reserve for Replacements		1.43%	$250	$0.24	$51,000	$51,000	0%	$51,000	$51,000	$0	$0.24	$250	1.32%	
Cable TV		0.00%	$0	$0.00	$0	$0	#DIV/0!	$0	$0	$0	$0.00	$0	0.00%	
Supportive service contract fees		0.57%	$100	$0.10	$20,400	$20,400	-5%	$20,400	$19,300	($1,100)	$0.09	$95	0.50%	
TDHCA Compliance fees		0.22%	$39	$0.04	$8,000	$10,278	0%	$8,782	$8,000	$0	$0.04	$39	0.21%	
TDHCA Bond Administration Fees (TDHCA as Bond Issuer Only)		0.00%	$0	$0.00	$0	$4,918	#DIV/0!	$4,918	$0	$0	$0.00	$0	0.00%	
Security		2.19%	$382	$0.37	$78,000	$0	34%	$0	$104,300	$26,300	$0.49	$511	2.71%	
Other		0.10%	$17	$0.02	$3,500	$0	0%	$0	$3,500	$0	$0.02	$17	0.09%	
TOTAL EXPENSES		44.57%	$7,771	$7.45	$1,585,203	$902,579	0.1%	$902,444	$1,587,264	$2,061	$7.46	$7,781	41.21%	
NET OPERATING INCOME		55.43%	$9,665	$9.26	$1,971,648	$2,000,793	14.9%	$1,891,770	$2,264,714	$293,066	$10.64	$11,102	58.79%	
DEBT														
First Lien: Freddie TEL					$1,368,020	$1,448,284	3%	$1,448,405	$1,411,796	$43,776				
Other: Texas Department of Housing and Community Affairs					$189,658	$189,658	0%	$189,658	$189,658	$0				
TOTAL DEBT SERVICE					$1,557,678	$1,637,942	3%	$1,638,063	$1,601,454	$43,776				
NET CASH FLOW					$413,970	$362,851	60%	$253,707	$663,259	$249,290				
AGGREGATE DEBT COVERAGE RATIO					1.27	1.22		1.15	1.41					
RECOMMENDED DEBT COVERAGE RATIO					1.27									
CONSTRUCTION COST		% of TOTAL	Per Unit	Per SF	TDHCA CC	TDHCA -Prior		APP - Closing	Owner CC		Per SF	Per Unit	% of TOTAL	
Land Acquisition		6.77%	$15,809	$15.15	$3,225,000	$2,975,000	0%	$2,975,000	$3,225,000	$0	$15	$15,809	6.45%	
Building Acquisition		0.00%	$0	$0.00	$0	$0	#DIV/0!	$0	$0	$0	$0	$0	0.00%	
Closing costs & acq. legal fees		0.22%	$503	$0.48	$102,571	$0	0%	$0	$102,571	$0	$0	$503	0.21%	
Off-Sites		0.56%	$1,308	$1.25	$266,761	$345,000	0%	$345,000	$266,761	$0	$1	$1,308	0.53%	
Sitework		8.97%	$20,957	$20.09	$4,275,257	$3,993,240	0%	$3,993,240	$4,275,257	($0)	$20	$20,957	8.56%	
Site Amenities						$700,000		$700,000						
Structured Parking						$1,175,000	#DIV/0!	$1,175,000		$0				
Building Costs		38.23%	$89,306	$85.61	$18,218,399	$17,000,513	0%	$17,000,513	$18,218,400	$0	$86	$89,306	36.46%	
Contingency						$1,260,688	#DIV/0!	$1,260,688		$0				
Contractor's Fees		6.69%	$15,620	$14.97	$3,186,459	$3,249,925	53%	$3,249,925	$4,863,816	$1,677,358	$23	$23,842	9.73%	
Indirect Construction		7.43%	$17,346	$16.63	$3,538,557	$3,364,800	0%	$3,364,800	$3,538,557	$0	$17	$17,346	7.08%	
Developer's Fees	14.98%	10.06%	$23,490	$22.52	$4,792,000	$4,787,000	0%	$4,787,000	$4,792,000	$0	$23	$23,490	9.59%	
Financing		19.29%	$45,074	$43.21	$9,195,052	$5,831,543	0%	$5,831,543	$9,195,052	$0	$43	$45,074	18.40%	
Reserves		1.80%	$4,201	$4.03	$857,000	$1,162,007	74%	$1,162,007	$1,494,987	$637,987	$7	$7,328	2.99%	
TOTAL COST		100%	$233,613	$224	$47,657,056	$45,844,716	5%	$45,844,716	$49,972,401	$2,315,345	$235	$244,963	100%	
Construction Cost Recap		**47.76%**	**$111,571**	**$106.95**	**$22,760,418**				**$22,760,418**		**$106.95**	**$111,571**	**45.55%**	
SOURCES OF FUNDS										% TDC	RECOMMENDED			
First Lien: Freddie TEL		54%	$126,554	$121	$25,817,000	$26,820,000	4%	$26,820,000	$25,817,000	54%	$25,817,000	Developer Fee Available		
Other: Texas Department of Housing and Community Affairs		8%	$19,608	$19	$4,000,000	$4,000,000	0%	$4,000,000	$4,000,000	8%	4,000,000	$4,792,000		
HTC Equity: RBC Tax Credit Equity, LLC		35%	$82,685	$79	$16,867,700	$13,277,374	-19%	$13,342,196	$15,765,011	35%	16,867,700			
Austin Affordable Housing Corporation, a Texas nonprofit corporation		0%	$0	$0	$100		#DIV/0!		$100	0%	100			
NRP Bridge at Loyola Lofts SPE SLP LLC, a Delaware limited liability compa		0%	$0	$0	$100		#DIV/0!		$100	0%	100			
NRP Affordable Subsidary II LLC		2%	$3,676	$4	$750,000	$0	#DIV/0!	$0	$750,000	2%	750,000	% of Dev. Fee Deferred		
Deferred Developer Fee: NRP Loan Star Development LLC (70%); Austin Af		0%	$1,089	$1	$222,157	$1,747,342	-108%	$1,682,520	$3,640,190	0%	222,157	5%		
Additional (Excess) Funds Req'd		0%	($0)	($0)	($0)	($0)	70%	$0	($0)	0%	0	15-Yr Cumulative Cash Flow		
TOTAL SOURCES					$47,657,056	$45,844,716	-9%	$45,844,716	$49,972,401	100%	$47,657,056	$8,894,054		

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Bridge at Loyola, Austin, # 19418

PROPOSED PAYMENT COMPUTATION

First Lien: Freddie TEL	$25,817,000	Amort	420
Int Rate	3.98%	DCR	1.44
Other: Texas Department of Housing and Community Affairs	$4,000,000	Amort	360
Int Rate	2.50%	DCR	1.27
Other:	$0	Amort	0
Int Rate	0.00%	DCR	1.27

RECOMMENDED FINANCING STRUCTURE: TDHCA NOI

First Lien: Freddie TEL	$1,368,020
Other: Texas Department of Housing and Community Affairs	189,658
Other:	0
TOTAL DEBT SERVICE	**$1,557,678**

First Lien: Freddie TEL	$25,817,000	Amort	420
Int Rate	3.98%	DCR	1.44
Other: Texas Department of Housing and Community Affairs	$4,000,000	Amort	360
Int Rate	2.50%	Aggregate DCR	1.27
Other:	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.27

LONG TERM OPERATING PRO FORMA

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 25	YEAR 30	YEAR 35	YEAR 40
EFFECTIVE GROSS INCOME	$3,556,851	$3,627,988	$3,700,547	$3,774,558	$3,850,050	$4,250,766	$4,693,189	$5,181,660	$5,720,971	$6,316,414	$6,973,832	$7,699,674
LESS: TOTAL EXPENSES	1,585,203	1,630,981	1,678,096	1,726,589	$1,776,499	2,048,824	$2,363,418	2,726,898	3,146,923	3,632,358	4,193,467	4,842,132
NET OPERATING INCOME	**$1,971,648**	**$1,997,007**	**$2,022,451**	**$2,047,970**	**$2,073,551**	**$2,201,941**	**$2,329,771**	**$2,454,762**	**$2,574,049**	**$2,684,057**	**$2,780,365**	**$2,857,542**
LESS: DEBT SERVICE	1,557,678	1,557,678	1,557,678	1,557,678	1,557,678	1,557,678	1,557,678	1,557,678	1,557,678	1,557,678	1,557,678	1,557,678
NET CASH FLOW	**$413,970**	**$439,329**	**$464,774**	**$490,292**	**$515,873**	**$644,264**	**$772,093**	**$897,084**	**$1,016,371**	**$1,126,379**	**$1,222,687**	**$1,299,864**
CUMULATIVE NET CASH FLOW	$413,970	$853,299	$1,318,073	$1,808,365	$2,324,237	$5,288,608	$8,894,054	$13,131,152	$17,977,372	$23,393,778	$29,321,082	$35,674,932
DEFERRED DEVELOPER FEE BALANCE	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
DCR ON UNDERWRITTEN DEBT (Must-Pay	1.27	1.28	1.30	1.31	1.33	1.41	1.50	1.58	1.65	1.72	1.78	1.83
EXPENSE/EGI RATIO	44.57%	44.96%	45.35%	45.74%	46.14%	48.20%	50.36%	52.63%	55.01%	57.51%	60.13%	62.89%

HTC ALLOCATION ANALYSIS - Bridge at Loyola, Austin, # 19418

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$3,225,000	$3,225,000		
Purchase of buildings	$0	$0		
Closing costs & Acq. Legal Fees	$102,571	$102,571		
Off-Site Improvements	$266,761	$266,761		
Sitework	$4,275,257	$4,275,257	$4,275,257	$4,275,257
Building Costs	$18,218,400	$18,218,399	$18,173,929	$18,173,928
Contingency	$0	$0		
Contractor's Fees	$4,863,816	$3,186,459	$3,142,886	$3,142,886
Indirect Construction	$3,538,557	$3,538,557	$3,066,602	$3,066,602
Interim Financing	$9,195,052	$9,195,052	$3,326,923	$3,326,923
Developer Fees				
Developer Fees	$4,792,000	$4,792,000	$4,792,000	$4,792,000
Development Reserves	$1,494,987	$857,000		
TOTAL DEVELOPMENT COSTS	$49,972,401	$47,657,056	$36,777,597	$36,777,597

Deduct from Basis:				
Describe:				
Describe:				
Describe:				
Describe:				
Describe:			$0	$0
TOTAL ELIGIBLE BASIS			$36,777,597	$36,777,597
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			$47,810,876	$47,810,876
Applicable Fraction			98.01%	98.01%
TOTAL QUALIFIED BASIS			$46,859,880	$46,859,879
Applicable Percentage			4.00%	4.00%
TOTAL AMOUNT OF TAX CREDITS			$1,874,395	$1,874,395

Syndication Rate	**0.8999**	**$16,867,701**	**$16,867,701**
Total Tax Credits (Eligible Basis Method)		**$1,874,395**	**$1,874,395**
Syndication Proceeds		**$16,867,701**	**$16,867,701**
Requested Tax Credits		**$1,882,292**	
Syndication Proceeds		**$16,938,765**	
Gap of Syndication Proceeds Needed		**$17,089,856**	
Total Tax Credits (Gap Method)		**$1,899,082**	
Recommended Tax Credits		**1,874,395**	
Syndication Proceeds		**$16,867,700**	

the NRP group

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September 9th, 2025

Ms. Lucy Weber
Asset Manager | Region 3
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Re: Bridge at Loyola – HTC #19418
Request for Additional Credits

Dear Ms. Weber:

I am writing on behalf of Bridge at Loyola Lofts, LP. regarding TDHCA Application #19418 (Bridge at Loyola Lofts), a 4% Tax Credit Development recently built in Austin, Texas. We respectfully request an increase in the tax credits awarded for this development due to the significant cost overruns stemming from construction delays.

As shown in Exhibit 9A of the Cost Certification, the development qualifies for credits totaling $1,881,972, representing a 27.56% increase over the original Determination Notice amount of $1,475,411. This increase reflects significant hard cost overruns totaling approximately $2 million.

The cost overruns stem primarily from a 14-month delay in unit delivery, driven by three major construction challenges:

1. Water line location and correction issues
2. Delays in transformer delivery, installation, and inspection
3. Electric metering permit delays

These delays materially impacted the qualified basis of the project. Our accountant, Novogradac, has reviewed and certified the additional costs and their contribution to the qualified basis.

In accordance with Subchapter E, Section 11.901(7) of the 2019 QAP, we are prepared to submit a check for $16,262.54 upon request, representing 4% of the increased credit amount ($406,564 in additional credits per year x .04).

We appreciate your consideration and welcome any questions or requests for further information.

Sincerely,

George Currall
Authorized Representative, Bridge at Loyola Lofts, LP.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1286 **Agenda Date:** 1/15/2026 **Agenda #:** 2.

Presentation, discussion, and possible action on recommendation to adopt an Agreed Final Order assessing an administrative penalty relating to Reading Park Apartments (HTC 02462 / Bond MF064 / HTF 853336 / CMTS 3321)

RECOMMENDED ACTION

WHEREAS, Reading Park Apartments (HTC 02462 / HTF 853336 / BOND MF064 / CMTS 3321), owned by Reading Road Apartments, L.P., had uncorrected compliance findings relating to the applicable land use restriction agreements and the associated statutory and rule requirements;

WHEREAS, TDHCA identified findings of noncompliance during its regularly scheduled 2025 National Standards for the Physical Inspection of Real Estate (NSPIRE) inspection at Reading Park, and referred that noncompliance for an administrative penalty when it was not timely corrected;

WHEREAS, corrective documentation and associated acknowledgments were uploaded on July 16, 2025 and August 18, 2025, after intervention by the Enforcement Committee;

WHEREAS, an Enforcement Committee informal conference was held on December 16, 2025, and Owner agreed, subject to Board approval, to enter into an Agreed Final Order assessing an administrative penalty of $3,750.00; and

WHEREAS, staff has based its recommendations for an Agreed Final Order on the Department's rules for administrative penalties and an assessment of each and all of the statutory factors to be considered in assessing such penalties, applied specifically to the facts and circumstances present in this case.

NOW, therefore, it is hereby

RESOLVED, that an Agreed Final Order assessing an administrative penalty of $3,750.00, substantially in the form presented at this meeting, and authorizing any non-substantive technical corrections, is hereby adopted as the order of this Board.

BACKGROUND

PROPERTY INFORMATION: Reading Park received an allocation of 4% Low Income Housing Tax Credits, multifamily housing revenue bonds, and a Housing Trust Fund (HTF) loan during 2002 and 2003, to build and operate 252 units in Rosenburg, Fort Bend County, with two units restricted at 30% AMI, and the remainder restricted at 60% AMI. There are 27 buildings.
The HTC, Bond, and HTF LURAs expire in 2033, 2034, and 2059, respectively.

OWNERSHIP AND PROPERTY MANAGEMENT: Reading Park is owned by Reading Road Apartments, L.P. Its general partner is ultimately controlled by On Track Ministries Inc., a Texas 501c3 nonprofit corporation (OTM), which is controlled by a board of directors, including: Cliff

McDaniel, Clay McDaniel, David Dominy, Helen Harris, and Harvey Owen. Its limited partner, which has primary control authority, is AH Housing Fund 1131, LP., a Nevada limited partnership, ultimately controlled by April Housing and Blackstone, via a series of pass-through entities. Brian Kim, John Prete, and Tom Jack are on the board of directors for the limited partner's parent company, and Katherine Vance of April Housing is the primary owner contact in CMTS. AOG Living is the property management Company, and is unaffiliated with ownership. Patricia Murphy acts as consultant for OTM for compliance monitoring matters, and is unaffiliated with ownership.

REFERRED VIOLATIONS SUBJECT TO ADMINISTRATIVE PENALTIES:

1. **National Standards for the Physical Inspection of Real Estate (NSPIRE).** TDHCA conducted a physical inspection on April 2, 2025, and the Compliance Division set a corrective action deadline of July 7, 2025. The property submitted a timely response for all life threatening deficiencies, but failed to submit a response for the rest of the deficiencies cited by TDHCA. The unresolved deficiencies were referred to the Enforcement Committee (the Committee) on July 14, 2025. Further corrective documentation and associated acknowledgments were then submitted on July 16, 2025 and August 18, 2025, after intervention by the Committee, resolving all noncompliance. A list of referred noncompliance is attached to the Agreed Final Order. An informal conference was rescheduled to December 16, 2025, prioritizing other properties since this referral was minor and the noncompliance was resolved quickly.

FACTORS CONSIDERED TO DETERMINE ADMINISTRATIVE PENALTY: The Committee analyzed the required statutory factors for determining an appropriate administrative penalty as follows:

1. **The seriousness, extent, and gravity of the violations, and whether a hazard is posed to the health, safety, or economic welfare of the public:** There are no economic hazards for the public, and most of the referred physical deficiencies are minor. The damaged refrigerator door seals are an energy efficiency violation, and all of the gaskets showed deterioration in the same location, suggesting a weak point that is deteriorating over time. The cockroaches in two units are serious, but this finding was only cited in two unconnected units, indicating a housekeeping issue by the affected tenants. The broken self-closing door mechanism is serious, but again, was only cited for one unit, suggesting either an isolated faulty hinge or tenant tampering. The door did close and lock, but the self-closing mechanism was not functioning, so the safety hazard presented is minor. The loose toilet bases are potentially serious violations, and are new to the NSPIRE inspection protocol; this was not a finding under the prior Uniform Physical Condition Standards (UPCS) inspection protocol. There is a potential risk of injury if a tenant slips on a loose toilet, but the most likely potential impact is that loose toilet bolts can cause wax seal deterioration, leading to eventual problems for lower units if dirty water leaks go undetected. There were no findings relating to leaks or mold, so this is more of a future possibility rather than an existing hazard.

2. **History of previous violations:** Other properties for both OTM and April Housing have

been referred during the past three years, but those referrals were minor and were resolved quickly without penalty assessment.

OTM was considered for debarment in December of 2024, after The Life at Timber Ridge Apartments (HTC 01101 / CMTS 343) and The Life at Timber Ridge II Apartments (HTC 03456 / Bond 03456B / CMTS 3411) were foreclosed by the mortgage lender, thereby eliminating TDHCA's HTC and Bond LURA's. April Housing / Blackstone was not associated with these properties. The special limited partner, Olive Tree Multifamily Manager LLC and Ian Bel, had primary control and was debarred for 3 years during at the TDHCA Board meeting on December 12, 2024, but OTM appealed to the Board, arguing that it did not have control authority, and was therefore not responsible for the foreclosures. OTM was not debarred, and it has been referred for an administrative penalty twice since it was considered for debarment. The first such referral was for Town Parc at Tyler (HTC 02110 / CMTS 3250), which was referred in January 2025. However, Town Parc at Tyler had submitted timely corrections for life-threatening noncompliance, and there were only three referred deficiencies: two damaged refrigerator gaskets and one damaged toilet in a unit that had another toilet. The Compliance and Legal Divisions reviewed the matter and agreed to close that referral informally despite OTM's debarment board item in December 2024, since the unresolved noncompliance was minor, and corrections were quickly submitted after referral. The second OTM referral is under consideration today.

3. **Efforts made to correct the violations:** Failure to calendar and track deadlines is the primary problem for this referral, and is a repeated issue. Like with Town Parc at Tyler above, Reading Park also submitted timely corrections for life threatening deficiencies, but failed to submit corrections for the rest of the deficiencies until it was referred for an administrative penalty. Owner representatives state that all deficiencies were corrected before the corrective action deadline of July 7, 2025, but that staff had accidentally failed to submit corrective documentation. Final corrective documentation and associated acknowledgments were uploaded on July 16, 2025 and August 18, 2025, after intervention by the Enforcement Committee.

4. **Any other matters that justice may require:** Both OTM and April Housing / Blackstone have very large ownership portfolios, with 157 TDHCA properties for the OTM portfolio, and 46 TDHCA properties for the April Housing / Blackstone portfolio. During the informal conference, it was suggested that the primary reason corrections were not timely submitted for Reading Park was because Patricia Murphy did not have CMTS access due to a mistake. However, these are significant portfolio sizes, and the Committee questioned why such large owners would solely rely upon one consultant; surely there must be multiple eyes on the portfolio to mitigate risks. It is crucial to ensure complete and timely resolution of all TDHCA noncompliance, even when it is not major noncompliance.

OTM, April Housing/Blackstone, and AOG Living appear to be taking this matter seriously, with senior staff and executives for all organizations attending the informal conference. Each has implemented changes to prevent recurrence:

a. April Housing has implemented flags, alerts, and internal trackers to ensure that it is aware and escalating matters with property management if a deadline is approaching and corrections have not been submitted.

b. OTM hired Patricia Murphy as a consultant in December 2023, to help OTM prevent future compliance problems with TDHCA. Ms. Murphy performs weekly CMTS reviews of the entire OTM portfolio to track new deadlines, and she previews corrective submissions prior to submission to TDHCA. OTM accidentally did not grant her CMTS access to Reading Park, a problem that has been resolved by performing a full property reconciliation and implementing procedures to add access for Ms. Murphy after any future acquisitions.

c. AOG Living has adjusted its internal controls, adding calendar reminders and more CMTS administrators. It is also performing supervisory reviews before uploading corrections to CMTS.

5. **Amount necessary to deter future violations:** The referred noncompliance for Reading Park does not support a large administrative penalty since it is less serious and the actual dates of correction were within the corrective action period, but Reading Park failed to submit timely corrective documentation to TDHCA despite having a large and sophisticated ownership structure, with an extensive TDHCA property portfolio. Failure to submit complete and timely corrective documentation wastes limited TDHCA staff time that would be better allocated elsewhere, and it is appropriate to recommend an administrative penalty here even though the referred noncompliance is minor. In light of the above factors, the Committee recommends an Agreed Final Order assessing administrative penalties of $3,750.00. There is no recommended forgivable or probated portion to the administrative penalty.

RECOMMENDATION: Accordingly, after consideration of all appropriate factors, the Enforcement Committee and Executive Director recommend an Agreed Final Order for an administrative penalty in the amount of $3,750.00 against Reading Road Apartments, L.P.

ENFORCEMENT ACTION AGAINST	§	BEFORE THE
READING ROAD APARTMENTS, L.P. WITH	§	TEXAS DEPARTMENT OF
RESPECT TO READING PARK APARTMENTS	§	HOUSING AND COMMUNITY
(HTC 02462 / HTF 853336 /	§	AFFAIRS
BOND MF064 / CMTS 3321)	§	

AGREED FINAL ORDER

General Remarks and official action taken:

On this 15th day of January, 2026, the Governing Board (Board) of the Texas Department of Housing and Community Affairs (TDHCA or Department) considered the matter of whether enforcement action should be taken against **READING ROAD APARTMENTS, L.P.,** a Texas limited partnership (Respondent).

This Agreed Order is executed pursuant to the authority of the Administrative Procedure Act (APA), Tex. Gov't Code §2001.056, which authorizes the informal disposition of contested cases. In a desire to conclude this matter without further delay and expense, the Board and Respondent agree to resolve this matter by this Agreed Final Order. The Respondent agrees to this Order for the purpose of resolving this proceeding only and without admitting or denying the findings of fact and conclusions of law set out in this Order.

Upon recommendation of the Enforcement Committee, the Board makes the following findings of fact and conclusions of law and enters this Order:

WAIVER

Respondent acknowledges the existence of their right to request a hearing as provided by Tex. Gov't Code §2306.044, and to seek judicial review, in the District Court of Travis County, Texas, of any order as provided by Tex. Gov't Code §2306.047. Pursuant to this compromise and settlement, Respondent waives those rights and acknowledges the jurisdiction of the Board over Respondent.

FINDINGS OF FACT (FOF)

Jurisdiction:

1. During 2002 and 2003, Respondent received an allocation of 4% Low Income Housing Tax Credits, multifamily housing revenue bonds, and a Housing Trust Fund (HTF) loan to build and operate Reading Park Apartments (HTC 02462 / HTF 853336 / Bond MF064 / CMTS 3321) (the Property).

2. Respondent signed three land use restriction agreements (collectively, the LURAs):

    a. In connection with the tax credit funding, Respondent signed a Declaration of Land Use Restrictive Covenants Land Use Restriction Agreement for Low-Income Housing Tax Credits (HTC LURA) regarding the Property. The HTC LURA was dated as of September 29, 2004, filed of record at Document Number 2004131102 of the Official Public Records of Real Property of Fort Bend County, Texas (the Records); and

    b. In connection with the Bond funding, Respondent signed a Regulatory and Land Use Restriction Agreement (Bond LURA) regarding the Property. The Bond LURA was dated as of February 1, 2003, filed of record at Document Number 2003019032 of the Records; and

    c. In connection with the HTF funding, Respondent signed a Regulatory and Land Use Restriction Agreement (HTF LURA) regarding the Property. The Bond LURA was dated as of October 31, 2004, filed of record at Document Number 2004133375 of the Records.

3. Respondent is subject to the regulatory authority of TDHCA.

Compliance Violations[1]:

4. The Department conducted a National Standards for the Physical Inspection of Real Estate (NSPIRE) inspection at the Property on April 2, 2025. The inspection report at Exhibit 1 showed numerous property condition violations, a violation of 10 TAC § 10.621 (Property Condition Standards). The Department issued a notification of noncompliance setting a corrective action deadline of July 7, 2025, but Respondent failed to submit complete corrections and the TDHCA Compliance Division referred the unresolved noncompliance for an administrative penalty. Further corrective documentation and associated acknowledgments were received on July 16, 2025 and August 18, 2025, after intervention by the Enforcement Committee.

[1] Within this Agreed Final Order, all references to violations of TDHCA Compliance Monitoring rules at 10 TAC Chapter 10 refer to the versions of the code in effect at the time of the compliance monitoring reviews and/or inspections that resulted in recording each violation. All past violations remain violations under the current code and all interim amendments.

5. All violations listed above are considered resolved at the time of this Order.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503 and 10 TAC Chapter 2.

2. Respondent is a housing sponsor, as that term is defined in Tex. Gov't Code §2306.004(14).

3. Pursuant to IRC §42(m)(1)(B)(iii), housing credit agencies are required to monitor for noncompliance with all provisions of the IRC and to notify the Internal Revenue Service of such noncompliance.

4. Pursuant to Tex. Gov't Code Chapter 2306, Subchapter DD and Tex. Gov't Code §2306.185, TDHCA is authorized to make Housing Tax Credit Allocations for the State of Texas and is required to monitor to ensure compliance.

5. Pursuant to 10 TAC §10.621(a), TDHCA has adopted HUD's NSPIRE protocol as the standard for its physical inspections.

6. Respondent violated 10 TAC §10.621 at the Property in 2025 and I.R.C. §42, as amended, by failing to comply with NSPIRE requirements when violations were discovered and not timely corrected.

7. Because Respondent is a housing sponsor with respect to the property, and has violated TDHCA rules, the Board has personal and subject matter jurisdiction over Respondent pursuant to Tex. Gov't Code §2306.041 and Tex. Gov't Code §2306.267.

8. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.

9. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code §2306.053 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to Tex. Gov't Code §2306.041.

10. An administrative penalty of $3,750.00 is an appropriate penalty in accordance with 10 TAC Chapter 2.

Based upon the foregoing findings of fact and conclusions of law, and an assessment of the factors set forth in Tex. Gov't Code §2306.042 to be considered in assessing such penalties as applied specifically to the facts and circumstances present in this case, the Governing Board of the Texas Department of Housing and Community Affairs orders the following:

IT IS HEREBY ORDERED that Respondent are assessed a collective administrative penalty in the amount of $3,750.00.

IT IS FURTHER ORDERED that Respondent shall pay and are hereby directed to pay the $3,750.00 administrative penalty by check payable to the Texas Department of Housing and Community Affairs on or before February 16, 2026, to the following address:

If via overnight mail (FedEx, UPS):	**If via USPS:**
TDHCA Attn: Ysella Kaseman 221 E 11th St Austin, Texas 78701	TDHCA Attn: Ysella Kaseman P.O. Box 13941 Austin, Texas 78711

IT IS FURTHER ORDERED that Respondent shall follow the requirements of 10 TAC §10.406, and obtain approval from the Department prior to consummating a sale of the property, if contemplated.

IT IS FURTHER ORDERED that the terms of this Agreed Final Order shall be published on the TDHCA website.

[Remainder of page intentionally blank]

Approved by the Governing Board of TDHCA on January 15, 2026.

By: _____
Name: Leo Vasquez
Title: Chair of the Board of TDHCA

By: _____
Name: James "Beau" Eccles
Title: Secretary of the Board of TDHCA

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this 15th day of January, 2026, personally appeared Leo Vasquez, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

_____
Notary Public, State of Texas

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

Before me, the undersigned notary public, on this 15th day of January, 2026, personally appeared James "Beau" Eccles, proved to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

(Seal)

_____
Notary Public, State of Texas

STATE OF TEXAS §
§
COUNTY OF _____§

BEFORE ME, _____ *(notary name)*, a notary public in and for the State of _____, on this day personally appeared Cliff McDaniel, known to me or proven to me through *circle one: personally known / driver's license / passport* to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

1. My name is Cliff McDaniel, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
2. I am an authorized representative for Respondent, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized to execute this document.
3. The Taxpayer ID for Reading Road Apartments, L.P. is _____.
4. The mailing address for Reading Road Apartments, L.P. is _____.
5. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Governing Board of the Texas Department of Housing and Community Affairs.

READING ROAD APARTMENTS, L.P., a Texas limited partnership

OTM READING ROAD GP, LLC, a Texas limited liability company, its general partner

ON TRACK MINISTRIES, INC., a Texas nonprofit corporation, its sole member

By: _____

Name: Cliff McDaniel

Title: _____

STATE OF TEXAS §
§
COUNTY OF _____§

BEFORE ME, _____ *(notary name)*, a notary public in and for the State of _____, on this day personally appeared _____ *(signatory's name)*, known to me or proven to me through *circle one: personally known / driver's license / passport* to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, who being by me duly sworn, deposed as follows:

6. My name is _____ *(signatory's name)*, I am of sound mind, capable of making this statement, and personally acquainted with the facts herein stated.
7. I am an authorized representative for Respondent, which is subject to a Land Use Restriction Agreement monitored by the TDHCA in the State of Texas, and I am duly authorized to execute this document.
8. The Taxpayer ID for Reading Road Apartments, L.P. is _____.
9. The mailing address for Reading Road Apartments, L.P. is _____.
10. Respondent knowingly and voluntarily enters into this Agreed Final Order, and agrees with and consents to the issuance and service of the foregoing Agreed Order by the Governing Board of the Texas Department of Housing and Community Affairs.

READING ROAD APARTMENTS, L.P., a Texas limited partnership

AH Housing Fund 1131, LP, a Nevada limited partnership, its limited partner

AZTEC SHF GP OWNER LLC, a Delaware limited liability corporation, its general partner

AZTEC GP MASTER HOLDCO LLC, a Delaware limited liability corporation, its sole member

AZTEC GP HOLDCO LLC, a Delaware limited liability corporation, its sole member

AZTEC RE PARENT LLC, a Delaware limited liability corporation, its sole member

By: _____

Name: _____

Title: _____

Given under my hand and seal of office this _____ day of _____, 2026.

_____

Signature of Notary Public

_____

Printed Name of Notary Public

NOTARY PUBLIC IN AND FOR THE STATE OF _____

My Commission Expires:_____

Exhibit 1

NSPIRE Inspection Report
(see attached)

Corrective documentation was not submitted timely for the deficiencies listed in the attached report, and those deficiencies were referred for an administrative penalty. Deficiencies with timely submitted corrective documentation are not included in the attached report.

Bldg	Apt	Location	Result	Notes	Severity	Corrected Date
5	502	Kitchen	Evidence of cockroaches (Live, Dead, or Other Evidence)	There is visible evidence of roaches.	Mod	5/7/2025
16	1607	Bathroom 2	Extensive cockroach infestation (Live cockroaches in 2+ Rooms)	Multiple live roaches observed.	Severe	4/3/2025
2	204	Kitchen	Refrigerator door seal is damaged	The gasket on the refrigerator is damaged.	Mod	4/30/2025
5	502	Kitchen	Refrigerator door seal is damaged	The gasket on the refrigerator is damaged.	Mod	5/7/2025
6	602	Kitchen	Refrigerator door seal is damaged	The gasket on the refrigerator is damaged.	Mod	5/7/2025
10	1006	Kitchen	Refrigerator door seal is damaged	The gasket on the refrigerator is damaged.	Mod	5/10/2025
11	1101	Kitchen	Refrigerator door seal is damaged	The gasket on the refrigerator is damaged.	Mod	5/10/2025
11	1105	Kitchen	Refrigerator door seal is damaged	The gasket on the refrigerator is damaged.	Mod	5/10/2025
14	1406	Kitchen	Refrigerator door seal is damaged	The gasket on the refrigerator is damaged.	Mod	5/10/2025
22	2205	Alternate Location	A passage door component is damaged/missing/inoperable	Self-closing main entry door not closing	Low	5/14/2025
1	105	Bathroom 2	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	4/30/2025
1	106	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	4/30/2025
2	204	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	4/30/2025
3	303	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	4/30/2025

3	304	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	5/7/2025
4	402	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	5/7/2025
6	605	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	5/7/2025
7	704	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	5/7/2025
9	904	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	5/10/2025
10	1005	Bathroom 2	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	5/10/2025
10	1006	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	5/10/2025
13	1303	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	5/10/2025
16	1607	Bathroom 2	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	5/10/2025
17	1702	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	5/10/2025
20	2006	Bathroom 1	Toilet is not secured at base/loose	The base of the toilet is not secured to the floor properly.	Mod	5/14/2025

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1227 **Agenda Date:** 1/15/2026 **Agenda #:** 3.

Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.3, Sick Leave Pool and Family Leave Pool, and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Tex. Gov't Code §2001.039 requires state agencies to review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist;

WHEREAS, staff has assessed 10 TAC §1.3, Sick Leave Pool and Family Leave Pool, and confirms that the reasons for the initial adoption of this rule continue to exist, which is to comply with statutory requirements upon agencies to provide in rule a sick leave pool and family leave pool policy;

WHEREAS, staff has evaluated the rule and recommends that no changes to the rule as currently in effect are necessary, and staff is requesting Board approval to submit the proposed readoption of the rule as required by Tex. Gov't Code §2001.039 for a public comment period as part of the four-year rule review process; and

WHEREAS, such proposed action will be published in the *Texas Register* for public comment from February 6, 2026 through March 8, 2026, and subsequently returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action herein in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

The Department last performed a Four-Year rule review on 10 TAC §1.3, Sick Leave Pool and Family Leave Pool, in January 2022. Therefore, under Tex. Gov't Code §2001.039, which requires that state agencies review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist, the rule is due to be evaluated in 2026. Staff has

determined that there is a continuing need for this rule to exist and that no revisions are warranted. The Secretary of State requires that even when no revisions are proposed, the rule be released for a public comment period. Therefore, the rule will be made available for public comment from February 6, 2026, through March 8, 2026, and returned to the Board for final approval.

Note that while the submission to the *Texas Register* does not require the text of the rule to be included in the submission or publication, staff has included the text of the rule for the Board's convenience.

Attachment 1: Notice of Proposed Rule Review for 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.3, Sick Leave Pool and Family Leave Pool

The Texas Department of Housing and Community Affairs (the Department) files this notice of rule review for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, 10 TAC §1.3, Sick Leave Pool and Family Leave Pool. The purpose of the proposed action is to conduct a rule review in accordance with Tex. Gov't Code §2001.039, which requires a state agency to review its rules every four years.

The Department has determined that there continues to be a need for this rule, which is to comply with statutory requirements upon agencies to provide in rule a sick leave pool and family leave pool policy. The Department has also determined that no changes to this rule are necessary. This rule proposed for readoption will be noted in the Texas Register's Review of Agency Rules section without publication of the text.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the rule review, and also requests information related to the cost, benefit, or effect of the rule and any applicable data, research, or analysis from any person required to comply with the rule or any other interested person. All comments or questions in response to this notice of rule review may be submitted in writing from February 6, 2026, through March 8, 2026. Written comments may be submitted to Brooke Boston by email to bboston@tdhca.texas.gov <mailto:bboston@tdhca.texas.gov>. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m. Austin local time, March 8, 2026.

Attachment 2: Text of Rule as Currently in Effect for 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.3, Sick Leave Pool and Family Leave Pool

(a) A sick leave pool is established to help alleviate hardship caused to an employee and employee's immediate family if a catastrophic illness or injury forces the employee to exhaust all accrued paid leave time earned by that employee and to lose compensation from the state.
(b) A family leave pool is established to help alleviate hardship caused to an employee and employee's immediate family if they are caring for a seriously ill family member or the employee, including pandemic-related illnesses or complications caused by a pandemic or are bonding with and caring for children during a child's first year following birth, adoption, or

foster placement which forces the employee to exhaust all accrued paid leave time earned by that employee and to lose compensation from the state.
(c) The Department's Human Resources Director is designated as the pool administrator to both pools.
(d) The pool administrator will recommend a policy, operating procedures, and forms for the administration of this section to the Executive Director for inclusion in the Department's Personnel Policies and Procedures Manual.
(e) Operation of both pools shall be consistent with Tex. Gov't Code, Chapter 661, as amended.

File #: 1228 **Agenda Date:** 1/15/2026 **Agenda #:** 4.

Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, including §§21.1 through 21.6, and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Tex. Gov't Code §2001.039 requires state agencies to review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist;

WHEREAS, staff has assessed 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, including §§21.1 through 21.6, and confirms that the reasons for the initial adoption of this rule continue to exist: to comply with Tex. Gov't Code §2306.187, which requires that the Department develop and adopt rules relating to Minimum Energy Efficiency requirements for new construction, reconstruction, and rehabilitation activities in Single Family Programs;

WHEREAS, staff has evaluated the rule and recommends that no changes to the rule as currently in effect are necessary, and staff is requesting Board approval to submit the proposed readoption of the rule as required by Tex. Gov't Code §2001.039 for a public comment period as part of the four-year rule review process; and

WHEREAS, such proposed action will be published in the *Texas Register* for public comment from February 6, 2026, through March 8, 2026, and subsequently returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action herein in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

The Department last performed a Four-Year rule review on 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, including §§21.1 through 21.6,

in January 2022. Therefore, under Tex. Gov't Code §2001.039, which requires that state agencies review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist, the rule is due to be evaluated in 2026. Staff has determined that there is a continuing need for this rule to exist and that no revisions are currently warranted. The Secretary of State requires that even when no revisions are proposed, the rule be released for a public comment period. Therefore, the rule will be made available for public comment from February 6, 2026, through March 8, 2026, and returned to the Board for final approval.

Note that while the submission to the *Texas Register* does not require the text of the rule to be included in the submission or publication, staff has included the text of the rule for the Board's convenience.

Attachment 1: Notice of Proposed Rule Review for 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, including §§21.1 through 21.6

The Texas Department of Housing and Community Affairs (the Department) files this notice of rule review for 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, including §§21.1 through 21.6. The purpose of the proposed action is to conduct a rule review in accordance with Tex. Gov't Code §2001.039, which requires a state agency to review its rules every four years.

The Department has determined that there continues to be a need for this rule to comply with Tex. Gov't Code §2306.187, which requires that the Department develop and adopt rules relating to Minimum Energy Efficiency requirements for new construction, reconstruction, and rehabilitation activities in Single Family Programs. The Department has also determined that no changes to this rule are necessary. This rule proposed for readoption will be noted in the Texas Register's Review of Agency Rules section without publication of the text.

REQUEST FOR PUBLIC COMMENT. The Department requests comments on the rule review. All comments or questions in response to this notice of rule review may be submitted in writing from February 6, 2026, through March 8, 2026. Written comments may be submitted to Brooke Boston by email to bboston@tdhca.texas.gov <mailto:bboston@tdhca.texas.gov>. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m. Austin local time, March 8, 2026.

Attachment 2: Text of Rule as Currently in Effect for 10 TAC Chapter 21, Minimum Energy Efficiency Requirements for Single Family Construction Activities, including §§21.1 through 21.6

§21.1 Purpose
(a) Tex. Gov't Code, §2306.187 requires that the Department develop and adopt rules relating to Minimum Energy Efficiency requirements for new construction, reconstruction, and rehabilitation activities in Single Family Programs.

(b) This chapter describes the Minimum Energy Efficiency Requirements for all single family construction activities, which includes the Department's HOME Investments Partnership Program (HOME), Texas Housing Trust Fund (Texas HTF), Neighborhood Stabilization Program (NSP), Office of Colonia Initiatives (OCI) Programs, and other single family Programs as developed by the Department.

§21.2 General Requirements

Unless otherwise noted, this chapter only applies to single family Programs. Program rules may impose additional requirements related to any provision of this chapter. Elements of local residential building codes that require a greater degree of energy efficiency than this chapter, in part or in whole, shall also be followed.

§21.3 Definitions

(a) Any capitalized terms that are defined in Tex. Gov't Code Chapter 2306, and Chapter 1 of this title (relating to Administration), Chapter 2 of this title (relating to Enforcement), Chapter 20 of this title (relating to Single Family Programs Umbrella Rule), or other applicable Department Program Rule, have, when capitalized, the meanings ascribed to them therein.

(b) The following words and terms, when used in this chapter, shall have the following meanings, unless the context or the Notice of Funding Availability (NOFA) indicates otherwise.

(1) ENERGY STAR Certified Appliances, Equipment, and Products--Labeled appliances, equipment, and products that are independently certified to save energy without sacrificing features or functionality, meeting the U.S. EPA's specifications for energy efficiency and performance.

(2) ENERGY STAR Certified Home--A new construction home that has earned the ENERGY STAR label and has undergone a process of inspections, testing, and verification to meet requirements set forth by the U.S. EPA.

(3) ENERGY STAR Certified Manufactured Housing Unit--A manufactured home that has been designed, produced, and installed by the home manufacturer to meet ENERGY STAR requirements for energy efficiency.

(4) RESNET--Residential Energy Services Network. RESNET is an independent, nonprofit organization established in 1995 to help homeowners reduce the cost of their utility bills by making their homes more energy efficient. RESNET-certified Home Energy Systems Raters are required to inspect, test, and verify homes for ENERGY STAR certification.

(5) U.S. EPA--United States Environmental Protection Agency.

(6) WaterSense Labeled Fixtures--Labeled products that are backed by independent, third-party testing and certification, meeting the U.S. EPA's specifications for water efficiency and performance.

§21.4 New Construction and Reconstruction Activities

a) Single family residential dwellings, as defined in §388.002 of the Texas Health and Safety Code, that are newly constructed or reconstructed shall comply with the more stringent of §388 of the Health and Safety Code (Texas Building Energy Performance Standards), or the standards adopted by the local jurisdiction.

(b) Effective September 1, 2016, the Texas State Energy Conservation Office adopted the 2015 International Residential Code (Chapter 11) as the state-mandated energy code for all residential construction, which includes one- and two-family residences of three stories or less above grade.

(c) For federally-funded single family residential dwellings for which funds are committed on or

after November 28, 2024, and that are covered under FR-6271-N-03 (inclusive of the HOME program, but excluding CDBG) housing must comply with the 2021 International Energy Conservation Code (IECC); or must comply with a federally approved alternative compliance pathway.

§21.5 Manufactured Housing Unit Activities

(a) All Manufactured Housing Units installed as replacement for sub-standard housing shall be ENERGY STAR certified; or

(b) In cases where the type of product is not ENERGY STAR, or if ENERGY STAR products are not reasonably available due to supply shortages or cost limitations, Administrators may select the highest rated product available, so long as the product delivers at least 10% energy savings in comparison to products meeting the minimum code.

§21.6 Rehabilitation Activities

(a) All Rehabilitation activities shall comply with this chapter.

(b) Certifications of compliance with this chapter shall be conducted by the Administrator or a code or other qualified inspector for release of final payment from the Department as outlined in the Program Rule. Inspectors selected by the Administrator to verify compliance with this chapter must be certified by the Administrator to have sufficient professional certifications, relevant education, or experience in a field directly related to home inspection, which may include, but is not limited to, installing, servicing, repairing or maintaining the structural, mechanical, plumbing, and electrical systems found in Single Family Housing Units.

(c) If the proposed scope of work or the awarded construction contract for the Rehabilitation of an existing single family residential unit includes an item described in paragraphs (1) - (10) of this subsection, the specific requirement so noted in paragraphs (1) - (10) of this subsection shall apply:

(1) Replacement or installation of central heating and cooling equipment and appliances shall be installed in accordance with the manufacturer's instructions and the requirements of Chapter 14 of the 2015 International Residential Code;

(2) Replacement or installation of duct systems serving heating, cooling, and ventilation equipment shall be installed in accordance with the provisions of Chapter 16 of the 2015 International Residential Code;

(3) If central heating and cooling equipment is replaced or installed, attic insulation shall be installed or increased according to Chapter 11, Figure N1102.1.2 of the 2015 International Residential Code, including insulation covering the top plates of exterior walls. Eave baffles and access hatches shall be installed as specified in Chapter 11, Sections N1102.2.3- N1102.2.4 of the 2015 International Residential Code;

(4) If ductless heating and cooling systems (also known as mini-split, multi-split, or variable refrigerant flow (VRF) heat pump systems) are replaced or installed, they shall be ENERGY STAR certified;

(5) If exhaust fans are replaced or installed in bathrooms or kitchens, they shall be ENERGY STAR certified and installed in accordance with Chapter 15 of the 2015 International Residential Code;

(6) If windows are installed, they shall be ENERGY STAR certified windows, meeting the U-factor and Solar Heat Gain Coefficient for the climate zone of the dwelling as identified in Chapter 11, Table N1102.1.2 of the 2015 International Residential Code;

(7) If doors are installed, they shall be ENERGY STAR certified doors;

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(8) Electrical fixtures, equipment, and appliances that are replaced or installed, where applicable, shall be ENERGY STAR certified products;
(9) Plumbing fixtures that are replaced or installed, where applicable, shall be WaterSense labeled products; and
(10) Domestic water heaters, storage and tankless, when replaced or installed, shall meet the Federal Energy Conservation Standards required by 10 CFR §430.32, as they may be revised from time to time.

File #: 1229 **Agenda Date:** 1/15/2026 **Agenda #:** 5.

Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 25, Colonia Self-Help Center Program Rule, including §§25.1 through 25.10, and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Tex. Gov't Code §2001.039 requires state agencies to review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist;

WHEREAS, staff has assessed 10 TAC Chapter 25, Colonia Self-Help Center Program Rule, including §§25.1 through 25.10, and confirms that the reasons for the initial adoption of this rule continue to exist, which is to establish the requirements governing the Colonia Self-Help Centers, created pursuant to Subchapter Z of Chapter 2306 of the Tex. Gov't Code;

WHEREAS, staff has evaluated the rule and recommends that no changes to the rule are necessary, and staff is requesting Board approval to submit the proposed readoption of the rule as required by Tex. Gov't Code §2001.039 for a public comment period as part of the four-year rule review process; and

WHEREAS, such proposed action will be published in the *Texas Register* for public comment from February 6, 2026, through March 8, 2026, and subsequently returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action herein in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

The Department last performed a Four-Year rule review on 10 TAC Chapter 25, Colonia Self-Help Center Program Rule, including §§25.1 through 25.10, in January 2022. Therefore, under Tex.

Gov't Code §2001.039, which requires that state agencies review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist, the rule is due to be evaluated in 2026. Staff has determined that there is a continuing need for this rule to exist and that no revisions are warranted. The Secretary of State requires that even when no revisions are proposed, the rule be released for a public comment period. Therefore, the rule will be made available for public comment from February 6, 2026, through March 8, 2026, and returned to the Board for final approval.

Note that while the submission to the *Texas Register* does not require the text of the rule to be included in the submission or publication, staff has included the text of the rule for the Board's convenience.

Attachment 1: Notice of Proposed Rule Review for 10 TAC Chapter 25, Colonia Self-Help Center Program Rule, including §§25.1 through 25.10

The Texas Department of Housing and Community Affairs (the Department) files this notice of rule review for 10 TAC Chapter 25, Colonia Self-Help Center Program Rule, including §§25.1 through 25.10. The purpose of the proposed action is to conduct a rule review in accordance with Tex. Gov't Code §2001.039, which requires a state agency to review its rules every four years.

The Department has determined that there continues to be a need for this rule, which is to establish the requirements governing the Colonia Self-Help Centers, created pursuant to Subchapter Z of Chapter 2306 of the Tex. Gov't Code. The Department has also determined that no changes to this rule are necessary. This rule proposed for readoption will be noted in the Texas Register's Review of Agency Rules section without publication of the text.

REQUEST FOR PUBLIC COMMENT. The Department requests comments on the rule review. All comments or questions in response to this notice of rule review may be submitted in writing from February 6, 2026, through March 8, 2026. Written comments may be submitted to Brooke Boston by email to bboston@tdhca.texas.gov <mailto:bboston@tdhca.texas.gov>. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m. Austin local time, March 8, 2026.

Attachment 2: Text of Rule as Currently in Effect for which is to establish the requirements governing the Colonia Self-Help Centers, created pursuant to Subchapter Z of Chapter 2306 of the Tex. Gov't Code

§25.1 Purpose and Services

The purpose of this Chapter is to establish the requirements governing the Colonia Self-Help Centers, created pursuant to Subchapter Z of Chapter 2306 of the Tex. Gov't Code, Chapter 1 of this title (relating to Administration), Chapter 2 of this title (relating to Enforcement), Chapter 20 of this title (relating to Single Family Programs Umbrella Rule), Chapter 21 of this title (relating to Minimum Energy Efficiency Requirements), and including the use and administration of all funds provided to the Texas Department of Housing and Community Affairs

(the Department) by the legislature of the annual Texas Community Development Block Grant (CDBG) allocation from the U.S. Department of Housing and Urban Development (HUD). Colonia Self-Help Centers are designed to assist individuals and families of low- income and very low-income to finance, refinance, construct, improve, or maintain a safe, suitable home and otherwise improve living conditions in the designated Colonia service areas or in another area the Department has determined is suitable.

§25.2 Definitions

The following words and terms, when used in this Chapter, shall have the following meanings unless the context or the Notice of Funding Availability (NOFA) indicates otherwise. Other definitions may be found in Chapter 2306 of the Tex. Gov't Code, Chapter 1 of this title (relating to Administration), Chapter 2 of this title (relating to Enforcement), Chapter 20 of this title (relating to Single Family Programs Umbrella Rule), and Chapter 21 of this title (relating to Minimum Energy Efficiency Requirements). Common definitions used under the CDBG Program are incorporated herein by reference.

(1) Beneficiary--A person or family benefiting from the Activities of a Colonia Self-Help Center Contract.

(2) Colonia Resident Advisory Committee (C-RAC)--As established by Tex. Gov't Code §2306.584, advises the Department's Governing Board regarding the needs of Colonia residents, appropriate and effective programs that are proposed or operated through the CSHCs, and activities that may be undertaken through the CSHCs to better serve the needs of Colonia residents.

(3) Colonia Self-Help Center (CSHC)--Those centers established by the Department through its authority under Tex. Gov't Code §2306.582.

(4) Colonia Self-Help Center Provider--An organization with which the Administrator has an executed Contract to administer Colonia Self-Help Center Activities.

(5) Community Action Agency--A political subdivision, combination of political subdivisions, or nonprofit organization that qualifies as an eligible entity under 42 U.S.C. §9902.

(6) Contract Budget--An exhibit in the Contract which specifies in detail the Contract funds by budget category, which is used in the Draw process. The budget also includes all other funds involved that are necessary to complete the Performance Statement specifics of the Contract.

(7) Direct Delivery Costs--Soft costs related to and identified with a specific housing unit. Eligible Direct Delivery Costs include:

(A) Preparation of work write-ups, work specifications, and cost estimates;

(B) Legal fees, recording fees, architectural, engineering, or professional services required to prepare plans, drawings or specifications directly attributable to a particular housing unit;

(C) Home inspections, inspections for lead-based paint, asbestos, termites, and interim inspections; and

(D) Other costs as approved in writing by the Department.

(8) Housing Assistance Guidelines (HAG)--The guidelines provided by the Unit of General Local Government that outline the process and procedures used to administer and implement the Colonia Self-Help Center Program. These guidelines cannot conflict with state statute, program rules, regulations and/or contract requirements.

(9) Implementation Manual--A set of guidelines designed by the Department as an implementation tool for the Administrator and/or Colonia Self-Help Center Subawardee that have been awarded Community Development Block Grant Funds, which provides terms,

regulations, procedures, forms, and attachments.
(10) Income Eligible Household--Household income does not exceed the limits established below:
(A) Extremely Low Income--Households whose annual incomes do not exceed 30% of the Area Median Family Income in accordance with the current CDBG Program Income Limits, as defined by HUD;
(B) Low Income--Households whose annual incomes do not exceed 50% of the Area Median Family Income in accordance with the current CDBG Program Income Limits, as defined by HUD; and
(C) Moderate Income--Households whose annual incomes do not exceed 80% of the Area Median Family Income in accordance with the current CDBG Program Income Limits, as defined by HUD.
(11) M Number--a several digit identification number, preceded by the letter "M" and assigned by the Texas Water Development Board to colonias that have been identified by the Office of the Attorney General of Texas.
(12) New Construction--A Single Family Housing Unit that is newly built by certified Community Housing Development Organizations (CHDOs) or Community Based Development Organizations (CBDOs) on a previously vacant lot that will be occupied by an Income Eligible Household.
(13) Performance Statement--An exhibit in the Contract which specifies in detail the scope of work to be performed.
(14) Public Service Activities--Activities other than New Construction, Reconstruction, and Rehabilitation activities that are provided by a Colonia Self-Help Center to benefit Colonia residents. These include, but are not limited to, construction skills classes, solid waste removal, tool lending library, technology classes, home ownership classes and technology access.
(15) Reconstruction--The demolition and rebuilding of a Single Family Housing Unit on the same lot in substantially the same manner. The number of housing units may not be increased or decreased; however, the number of rooms may be increased or decreased dependent on the number of Household members living in the Single Family Housing Unit at the time of Application. Reconstruction of residential structures also permits replacing an existing substandard Manufactured Housing Unit with a new, site- built housing unit or a new Manufactured Housing Unit.
(16) Rehabilitation--The improvement or modification of an existing Single Family Housing Unit that is not a Manufactured Housing Unit through an alteration, addition, or enhancement on the same lot.
(17) Unit of General Local Government (UGLG)--A city, town, county, or other general purpose political subdivision of the state.
§25.3 Eligible and Ineligible Activities
(a) A CSHC may only serve Income Eligible Households in the targeted Colonias by:
(1) Providing assistance in obtaining Loans or grants to build a home;
(2) Teaching construction skills necessary to repair or build a home;
(3) Providing model home plans;
(4) Operating a program to rent or provide tools for home construction and improvement for the benefit of property owners in Colonias who are building or repairing a residence or installing necessary residential infrastructure;
(5) Assisting to obtain, construct, access, or improve the service and utility infrastructure

designed to service residences in a Colonia, including potable water, wastewater disposal, drainage, streets, and utilities;
(6) Surveying or platting residential property that an individual purchased without the benefit of a legal survey, plat, or record;
(7) Providing Housing Counseling related to all applicable single family activities that take place on or after August 1, 2020, and that satisfies HUD Counseling Requirements in 24 CFR Part 214;
(8) Applying for Grants and Loans to provide housing and other needed community improvements;
(9) Providing other services that the CSHC, with the approval of the Department, determines are necessary to assist Colonia residents in improving their physical living conditions such as Rehabilitation, Reconstruction, and New Construction, including help in obtaining suitable alternative housing outside of a Colonia area;
(10) Providing assistance in obtaining Loans or grants to enable an Income Eligible Household to acquire fee simple title to property that originally was purchased under a Contract for Deed, contract for sale, or other executory contract;
(11) Providing title-related services for unrecorded Contracts for Deed, clouded titles, property transfers, intestate estates, and other title ownership matters;
(12) Providing access to computers, the internet and computer training;
(13) Providing monthly programs to educate Income Eligible Households on their rights and responsibilities as property owners;
(14) Assisting with measures to secure employment;
(15) Assisting with establishment or expansion of a small business;
(16) Assisting with development of professional skills; and
(17) Education in management of personal finances and achieving financial literacy.
(b) Ineligible Activities include:
(1) Rehabilitation (excluding Reconstruction) of an MHU; and
(2) Any Activity not allowed by the Housing and Community Development Act of 1974 (42 U.S.C. §§5301, et seq.).
(c) A CSHC will only provide grants, financing, or Mortgage Loan services for New Construction, Reconstruction, and Rehabilitation of a home in a Colonia that is connected to a Department-approved source of potable water and wastewater disposal.
§25.4 Colonia Self-Help Centers Establishment
(a) Pursuant to Section 2306.582 of the Tex. Gov't Code, the Department has established CSHCs in Cameron (also serves Willacy), El Paso, Hidalgo, Maverick, Nueces, Starr, Val Verde, and Webb Counties.
(b) The Department has designated:
(1) Appropriate staff in the Department who are designated to assist the CSHCs in understanding the requirements of the Program, provide training, and access CDBG funding to enable the CSHCs to carry out Programs;
(2) Five Colonias in each service area are to be identified by the UGLG to receive concentrated attention from the CSHCs in consultation with the C-RAC; and
(3) A geographic area for the services provided by each CSHC.
(c) The Department shall make a reasonable effort to secure:
(1) Contributions, services, facilities, or operating support from the county commissioner's court of the county in which a CSHC is located which it serves to support the operation of that

CSHC; and
(2) An adequate level of CDBG funds to provide each CSHC with funds for low interest Mortgage financing, Grants for Self-Help Programs, a revolving loan fund for septic tanks, a tool lending program, and other Activities the Department determines are necessary.
(d) Consistent with federal rules and regulations, as provided for in the General Appropriations Act, the CSHC in El Paso shall provide technology and computer access to residents of targeted colonias. Any CSHC may establish a technology center to provide internet access to Colonia residents.
§25.5 Allocation, Deobligation and Termination, and Reobligation
(a) Allocation.
(1) The Department distributes CSHC funds to UGLGs from the 2.5% set-aside appropriated to the Department from the annual CDBG allocation to the state of Texas.
(2) The Department shall allocate no more than $1 million per CSHC award except as provided by this chapter. If there are insufficient funds available from any specific program year to fully fund an Application, the awarded Administrator may accept the amount available at that time and wait for the remaining funds to be committed upon the Department's receipt of the CDBG set-aside allocation from the next program year.
(3) A baseline award will first be calculated for a CSHC beginning at $500,000 (or a lesser amount as provided for in paragraph (2) of this subsection). The Department will add to the baseline award up to an additional $100,000 for each Expenditure Threshold that has been met on the current CSHC Contract, as defined in §25.10 of this chapter (relating to Expenditure Thresholds and Closeout Requirements). An additional amount up to $100,000 may be added for an accepted Application submitted by the deadline. An Administrator may request that the Board add additional funds to a baseline award, despite the failure to meet one or more Expenditure Thresholds. To add funds to a CSHC Contract being considered for award, the Board must find that the failure to meet each Expenditure Threshold requirement was principally related to factors beyond the control of the Administrator. If the Board decides to award these additional funds in whole or in part, it must also determine that the award of these funds to the Administrator does not create a substantial risk to the State of recapture of CDBG funds by HUD.
(b) Deobligation and Termination.
(1) At any point in which an Administrator has missed one of the Expenditure Thresholds required in §25.10 of this chapter, the Department will send a notification of possible deobligation. An Administrator will have the opportunity to submit a mitigation plan that outlines how it will bring the Contract back into compliance, and how it will ensure that subsequent Expenditure Thresholds can be achieved. If the Department approves the mitigation plan, it will take no further action on deobligation at that time. If the Department receives no response, or if the mitigation plan is insufficient to be approved by the Department, the Department will send notice to the Administrator and the UGLG official to announce the initiation of deobligation proceedings and to identify the Administrator's rights under Tex. Gov't Code, Chapter 2105 and 10 TAC §1.411 (relating to Administration of Block Grants under Chapter 2105 of the Tex. Gov't Code). Approval of such action will be presented to the Department's Board.
(2) At any point in which the Department has determined that a Contract should be terminated for violation of program requirements, the Department will send a notification of possible

termination of Contract. A Subrecipient will have the opportunity to submit a mitigation plan that outlines how it will bring the Contract back into compliance. If the Department approves the mitigation plan, it will take no further action on termination at that time. If the Department receives no response, or if the mitigation plan is insufficient to be approved by the Department, the Department will send notice to the Administrator and the UGLG official to announce the initiation of deobligation proceedings and to identify the Administrator's rights under Tex. Gov't Code, Chapter 2105 and 10 TAC §1.411. Approval of such action will be presented to the Department's Board.

(3) During the time that a deobligation or termination process is pending, the Department may reduce an Administrator's Contract by up to 24.99% of the Contract and may publish a Request for Administrators (RFA) to identify another UGLG to implement the CSHC Program in the affected service area. No award to a respondent of an RFA will be made in an amount greater than 24.99% of the original Administrator's Contract until the process provided by Tex. Gov't Code, Chapter 2105 has been completed. Once that process is completed, an Administrator awarded a Contract through the RFA may receive up to the maximum award available, subject to funding availability.

(c) Reobligation.

(1) When funds become available from the proceedings of subsection (b) of this section, they will be held for a period of at least 90 days while an RFA for the service area is initiated. Unless debarred by HUD or the Department, a prior Administrator is not precluded from applying under an RFA for this service area.

(2) In all cases, funds for a given service area will continue to be allocated to that service area unless no acceptable respondents are identified. Only in such cases that no qualified provider can be identified for a given service area will funds available for that area be reissued to other CSHC Contracts for other service areas.

§25.6 Colonia Self-Help Center Application Requirements

(a) At least three months prior to the expiration of its current Contract, or when 90% of the funds under the current Contract have been expended, whichever comes first, the current Administrator may submit its Application to the Department.

(b) The Department will prioritize funding to CSHCs whose Contracts are reaching expiration before funding CSHCs that are requesting additional funding for an existing Contract that is not nearing expiration. Among all other non-expiring Applications, the Department shall review Applications on a first-come, first-served basis. Recommendations for award will be made until all CSHC funds for the current program year and deobligated CSHC funds are committed.

(c) Each Application must utilize the Department's forms and documents where applicable, and include:

(1) Evidence of the submission of the Administrator's current Single Audit, if applicable;

(2) A Colonia identification form and the M number assigned by the Texas Water Development Board for each Colonia to be served, including all required documentation as identified on the form;

(3) A boundary map for each of the five designated Colonias;

(4) A description of the method of implementation. For each Colonia to be served by the CSHC, the Administrator shall describe the services and Activities to be delivered;

(5) A proposed Performance Statement which must include the number of Colonia residents estimated to be assisted from each Activity, the Activities to be performed (including all Sub-

Activities under each budget line item), and the corresponding budget;
(6) A proposed Contract Budget which must adhere to the following limitations:
(A) The Administration line item may not exceed 15% of the total Contract;
(B) The Public Services Activities line item must be at least 8% but not more than 10% of the total Contract;
(C) For UGLGs self-administering the Program, Direct Delivery Costs for all New Construction and Reconstruction Activities cannot exceed 10% per unit provided by the CSHC Program. Direct Delivery Costs for Rehabilitation are limited to 15% per unit provided by the CSHC Program;
(7) The CSHC's Proposed Housing Assistance Guidelines, which must include an Affirmative Fair Housing Marketing Plan as described under Chapter 20 of this title and all program parameters for Rehabilitation, Reconstruction, or New Construction;
(8) Evidence of model subdivision rules adopted by the County;
(9) Written policies and procedures, as applicable, for:
(A) Solid waste removal;
(B) Construction skill classes;
(C) Homeownership classes;
(D) Technology access, including any technology hardware inventory purchased with CSHC funds;
(E) Homeownership assistance; and/or
(F) Tool lending library, including any library inventory purchased with CSHC funds. All CSHCs are required to operate a tool lending library;
(10) Authorized signatory form and direct deposit authorization;
(11) UGLG resolution authorizing the submission of the Application and appointing the primary signatory for all Contract documents;
(12) Acquisition report (even if there is no acquisition activity);
(13) Certification of exemption for HUD funded projects;
(14) Initial disclosure report for the Texas Department of Agriculture;
(15) All forms required for a Previous Participation Review under §1.302 of this title (relating to Previous Participation Reviews for Department Program Awards Not Covered by §1.301 of this Subchapter); and
(16) All forms required by §20.8 of this title (relating to Fair Housing, Affirmative Marketing and Reasonable Accommodations).
(d) Upon receipt of the Application, the Department will perform an initial review to determine whether the Application is complete and that each Activity meets a national objective as required by §104(b)(3) of the Housing and Community Development Act of 1974 (42 U.S.C. 5304(b)(3)).
(e) The Department may reduce the funding amount requested in the Application in accordance with §25.5(a) of this chapter. Should this occur, the Department shall notify the appropriate Administrator before the Application is submitted to C-RAC for review, comments and approval. The Department and the Administrator will work together to jointly agree on the performance measures and proposed funding amounts for each Activity.
(f) The Department shall execute a four-year Contract with the Administrator, unless the award is for more than the Administrator's proportional allocation. If the Administrator requirements are completed prior to the end of the Contract Term, the Administrator may submit a new

Application. Contract extensions may be granted for up to six months by the Department.
(g) The Department may decline to fund any Application if the Activities do not, in the Department's sole determination, represent a prudent use of CSHC funds. The Department is not obligated to proceed with any action pertaining to any Application which is received, and may decide it is in the Department's best interest to refrain from pursuing any selection process.
§25.7 Colonia Resident Advisory Committee Duties and Award of Contracts
(a) The Board shall appoint one committee member to represent each of the counties in which a CSHC is located to serve on the C-RAC. The members of the C-RAC shall be selected from lists of candidates submitted to the Department by local nonprofit organizations and the Commissioners Court of the county in which a CSHC is located. Each committee member:
(1) Must be a resident of a Colonia in the county the member represents;
(2) May not be a board member, contractor, or employee of the Administrator;
(3) May not have any ownership interest in an entity that is awarded a Contract under this chapter; and
(4) May not be listed on the federal or state suspended or debarment list and must not be in default on any Department obligation.
(b) The C-RAC members' terms will expire every four years. C-RAC members may be reappointed by the Board; however, the Board shall review and reappoint members at least once every four years. In the event that a C-RAC member is unable to complete the four-year Contract Term, Counties may propose an eligible candidate to be appointed by the Board to fulfill the remainder of the term.
(c) The Department may also select to have an alternate member from the list for each county in the event that the primary member is unable to attend meetings.
(d) The C-RAC shall advise the Board regarding:
(1) The housing needs of Colonia residents;
(2) Appropriate and effective programs that are proposed or are operated through the CSHCs; and
(3) Activities that might be undertaken through the CSHCs to serve the needs of Colonia residents.
(e) The C-RAC shall advise the Office of Colonia Initiatives as provided by §775.005 of the Tex. Gov't Code.
(f) Award of Contracts.
(1) The Department will schedule C-RAC meetings for the review of satisfactorily completed CSHC applications from Administrators. The C-RAC shall meet no less than 30 days prior to the board meeting at which the Board is scheduled to award a CSHC Contract, and may meet at other times as needed.
(2) Any Administrator whose Application is being considered at the C-RAC meeting must be present to answer questions that C-RAC may have.
(3) After the C-RAC makes a recommendation on an Application, the recommendation will then proceed through the Department's award process.
(g) Reimbursement to C-RAC members for their reasonable travel expenses in the manner provided by §25.9(1) of this chapter (relating to Administrative Thresholds) shall be paid by the Administrator or Administrators whose Applications were considered at the meeting.
§25.8 Colonia Self-Help Center Contract Operation and Implementation

(a) The Department shall contract with an UGLG for the operation of a CSHC. The UGLG may subaward the activity to a Nonprofit Organization, Community Action Agency, or Housing Authority that has demonstrated the ability to carry out all or part of the functions of a CSHC. The UGLG must perform the requirements of a pass-through entity, as further described in 2 CFR §200.332 and TxGMS.
(b) The Administrator is required to complete an environmental review in accordance with 24 CFR Part 58, and receive the Authority to Use Grant Funds from the Department before:
(1) Any commitment of CDBG funds (i.e., execution of a legally binding Agreement and expenditure of CDBG funds) for Activities other than those that are specifically exempt from environmental review; and
(2) Any commitment of non-CDBG funds associated with the scope of work in the Contract that would have an adverse environmental impact (i.e., demolition, excavating, etc.) or limit the choice of alternatives (i.e., acquisition of real property, Rehabilitation of buildings or structures, etc.).
(c) Request for Payments. The Administrator shall submit a properly completed request for reimbursement, as specified by the Department, at a minimum on a quarterly basis; however, the Department reserves the right to request more frequent reimbursement requests as it deems appropriate. The Department shall determine the reasonableness of each amount requested and shall not make disbursement of any such payment request until the Department has reviewed and approved such request. Payments under the Contract are contingent upon the Administrator's full and satisfactory performance of its obligations under the Contract. The Department may reduce a request for payment if documentation is insufficient or the performance is unsatisfactory.
(1) $2,500 is the minimum amount for a Draw to be processed, unless it is the final Draw request. If an Administrator fails to submit a draw for 12 consecutive months the Contract may be subject to termination for failure to meet the Contract obligations.
(2) Draw requests will be reviewed to comply with all applicable laws, rules and regulations. The Administrator is responsible for maintaining a complete record of all costs incurred in carrying out the Activities of the Contract.
(3) Draw requests for all housing Activities will only be reimbursed upon satisfactory completion of types of Activities (e.g., all plumbing completed, entire roof is completed, etc.), consistent with the construction contract.
(4) The Administrator will be the principal contact responsible for reporting to the Department and submitting Draw requests.
(d) Reporting. The Administrator shall submit to the Department reports on the operation and performance of the Contract on forms as prescribed by the Department. Quarterly Reports shall be due no later than the tenth calendar day of the month after the end of each calendar quarter. The Administrator shall maintain and submit to the Department up-to-date accomplishments in quarterly reports identifying quantity and cumulative data including the expended funds, Activities completed and total number of Beneficiaries. Processing of draws may be suspended until the Administrator's quarterly reports are submitted and approved by the Department. If an Administrator fails to submit Activity data within a 24-consecutive-month period, the Contract may be subject to termination for failure to meet the Contract obligations.
(e) Amendments. The Department's executive director or its designee, may authorize, execute, and deliver amendments to any Contract.

(1) One Contract Extension of no more than six months may be granted beyond the four-year Contract period.
(2) Changes in Beneficiaries. Any changes to increase contractual deliverables and Beneficiaries shall require a Contract amendment.
(3) The Department, at its discretion and in coordination with an Administrator, may increase a Contract Budget amount and the number of Activities and Beneficiaries to be assisted based on the availability of CSHC funds, the exemplary performance in the implementation of an Administrator's current Contract, and the time available in the four-year Contract period. Upon Board approval, the cap on the maximum Contract amount may be exceeded if the terms of this paragraph are met by the Administrator.
(f) Participating Households must provide at least 15% of the labor necessary to construct or Rehabilitate the Single Family Housing Unit by contributing the labor personally and/or through non-contract labor assistance from family, friends, or volunteers. Volunteer hours at the CSHC may also fulfill the 15% labor requirement.
(g) Program funds can be used for Rehabilitation, Reconstruction, or New Construction. Assistance may be provided in the form of a grant or a forgivable loan to the household. Additional funds from other sources may be leveraged with Program funds. Program funds cannot exceed the following limits:
(1) Program funds for Rehabilitation cannot exceed $75,000 in Program funds per unit per Income Eligible Household.
(2) Program funds for Reconstruction or New Construction cannot exceed $100,000 in Program funds per unit per Income Eligible Household.
(3) An additional $5,000 in Program funds is available for properties with non-functioning and/or unpermitted cesspools or septic tanks that need replacement with an appropriately sized on-site sewage facility, or connection to a Department-approved source of potable water and wastewater disposal.
(h) All Direct Delivery Costs must be eligible and based on actual expenses for the specific housing unit. Subawardees acting on behalf of an UGLG shall incorporate Direct Delivery Costs into its bid proposals.
(i) Prior to Department approval of CSHC construction activity, the CSHC must document that existing on-site sewage facilities (septic systems) have been inspected by a Texas Commission on Environmental Quality-authorized agent to determine if the system is in substantial compliance with Health & Safety Code, Chapter 366 and the rules adopted under that chapter. Cesspools that have not been previously permitted are unacceptable and must be replaced by an appropriately sized on-site sewage facility or the home must be connected to a Department-approved source of potable water and wastewater disposal.
(j) New Construction, Reconstruction, and Rehabilitation activities. An Administrator under the CSHC Program must adhere to the Inspection Requirements for Construction Activities under Chapter 20 of this title and the Minimum Energy Efficiency Requirements for Single Family Construction Activities under Chapter 21 of this title.
(1) New Construction Requirements.
(A) No initial inspection is required, however building construction plans must be submitted to the Department for approval.
(B) A Certificate of Occupancy is acceptable confirmation of meeting construction requirements. If the activity occurs in a jurisdiction that does not issue Certificates of

Occupancy, a Qualified Inspector shall inspect the property applying all applicable construction standards and forms prescribed by the Department.
(2) Reconstruction Requirements.
(A) The initial inspection must identify all substandard conditions as described by Texas Minimum Construction Standards (TMCS) and any health or safety concerns that are beyond repair; confirm that a governmental entity has condemned the unit; or identify the unit as an MHU that will not be rehabilitated. The work write-up and cost estimate shall address all substandard conditions in sufficient detail to justify the need for reconstruction.
(B) A Certificate of Occupancy is acceptable confirmation of meeting construction requirements. If the activity occurs in a jurisdiction that does not issue Certificates of Occupancy, a Qualified Inspector shall inspect the property applying all applicable construction standards and forms prescribed by the Department.
(C) Administrator must demonstrate compliance with §2306.514 Tex. Gov't Code, "Construction Requirements for Single Family Affordable Housing".
(3) Rehabilitation Requirements.
(A) The initial inspection must identify all substandard conditions as described by TMCS and any health or safety concerns. The work write-up and cost estimate shall address all substandard conditions in sufficient detail.
(B) The final inspection shall document that all elements incorporated into the contracted work-write up have been addressed satisfactorily prior to the final draw request.
(k) Primary residences being assisted with any construction activities (Rehabilitation, Reconstruction and New Construction) must:
(1) Comply with adopted Model Subdivision Rules for the county in which assistance is being provided; and
(2) Have only one Single Family Housing Unit per property that is being used as living space. If additional structures are located on the same property and utilized for living space, temporarily or otherwise, this property is not eligible. Relocation assistance is not an eligible expense under the CSHC Program.
(l) The Administrator's initial HAG, as well as any amendments to the HAG, shall be approved by commissioners' court and the Department prior to implementation.
(m) Residents shall have access to all Public Service Activities identified in the Contract on at least one weekday each week, for a period long enough to provide access to activities after the typical workday.
(n) The purchase of new tools, new computers and computer equipment, if included in the approved budget, shall occur within the first 24 months of the Contract Term. Purchase of these items after 24 months must be approved by the Department in writing prior to purchase.
§25.9 Administrative Thresholds
Administrative Draw request. Administrative Draw requests are funded out of the portion of the Contract budget specified for administrative cost (administration line item of the Contract budget). These costs are not directly associated with an Activity. The administration line item will be disbursed as described in paragraphs (1) - (8) of this section:
(1) Threshold 1. The initial administrative Draw request allows up to 10% of the administration line item may be drawn down prior to the start of any project Activity included in the Performance Statement of the Contract (provided that all Pre-Draw requirements, as described in the Contract, for administration have been met). Subsequent administrative funds will be

reimbursed in proportion to the percentage of the work that has been completed as identified in paragraphs (2) - (8) of this section.
(2) Threshold 2. Up to an additional 15% (25% of the total) of the administration line item to be drawn down after a start of project Activity has been demonstrated. For the purposes of this threshold, if Davis- Bacon labor standards are required for a given Program Activity, the "start of project Activity" is evidenced by the submission of a start of construction form. If labor standards are not required on a given project Activity that has commenced (and for which reimbursement is being sought), the submission of a Draw request that includes sufficient back-up documentation for expenses of non- administrative project Activities evidences a start of project Activity. Direct Delivery Costs charges will not constitute a start of project Activity.
(3) Threshold 3. Up to an additional 25% (50% of the total) of the administration line item may be drawn down after compliance with the 20-month threshold requirement has been demonstrated as described in §25.10 of this chapter (relating to Expenditure Thresholds and Closeout Requirements).
(4) Threshold 4. Up to an additional 25% (75% of the total) of the administration line item may be drawn down after compliance with the 32-month threshold requirement has been demonstrated as described in §25.10 of this chapter.
(5) Threshold 5. Up to an additional 15% (90% of the total) of the administration line item may be drawn down after compliance with the 44-month threshold requirement has been demonstrated as described in §25.10 of this chapter.
(6) Threshold 6. Up to an additional 5% (95% of the total) of the administration line item may be drawn down upon receipt of all required close-out documentation.
(7) Threshold 7. The final 5% (100% of the total), less any administrative funds reserved for audit costs as noted on the Project Completion Report of the administration line item, may be drawn down following receipt of the programmatic close-out letter issued by Department.
(8) Threshold 8. Any funds reserved for audit costs will be released upon completion and submission of an acceptable audit. Only the portion of audit expenses reasonably attributable to the Contract is eligible.
§25.10 Expenditure Thresholds and Closeout Requirements
(a) Administrators must meet the expenditure threshold requirements described in paragraphs (1) - (4) of this subsection. If an Administrator fails to expend and submit expenditure documentation by the due date, the deobligation process outlined in §25.5 of this chapter (relating to Allocation, Deobligation and Termination, and Reobligation) may be initiated. A Contract may also be subject to termination for failure to meet the Contract obligations, and the Department may elect not to provide future funds to the Administrator. In such cases, the Administrator will be notified in writing of the processes described in Tex. Gov't Code, Chapter 2105 and §1.411 of this title (relating to Administration of Block Grants under Chapter 2105 of the Tex. Gov't Code). These thresholds will be proportionally reduced when the Contract Term is less than four years, although if reasonable for the proposed Activities the Department may allow a longer proportional period for the Environmental Assessment and the 30% reimbursement request.
(1) Six-Month Threshold. An Environmental Assessment that meets the environmental clearance requirements of the Contract must be submitted to the Department within six months from the start date of the Contract;
(2) Twenty-Month Threshold. The Administrator must have expended and submitted for

reimbursement to the Department at least 30% of the total CSHC funds awarded within 20 months from the start date of the Contract;
(3) Thirty-two-Month Threshold. The Administrator must have expended and submitted for reimbursement to the Department at least 60% of the total CSHC funds awarded within 32 months from the start date of the Contract; and
(4) Forty-four-Month Threshold. The Administrator must have expended and submitted for reimbursement to the Department at least 90% of the total CSHC funds awarded within 44 months from the start date of the Contract.
(b) For purposes of meeting a threshold in this section, "expended and submitted" means that a Draw request was received by the Department, is complete, and all costs needed to meet a threshold are adequately supported. The Department will not be liable for a threshold violation if a Draw request is not received by the threshold date.
(c) The final Draw Request and complete closeout documents must be submitted no later than 60 days after the end of the Contract Term. If closeout documents are not received by this deadline, the remaining Contract balance may be subject to deobligation as the Department's liability for such costs will have expired. If an Administrator has reserved funds in the project completion report for a final Draw Request, the Administrator has 90 days after the end of the Contract Term to submit the final Draw Request, with the exception of the Department's portion of audit costs which may be reimbursed upon submission of the final Single Audit, but no later than one year after the end of the Contract Term.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1245 **Agenda Date:** 1/15/2026 **Agenda #:** 6.

Presentation, discussion, and possible action on the proposed repeal of 10 TAC Chapter 13, the Multifamily Direct Loan Rule, proposed new 10 TAC Chapter 13, Multifamily Direct Loan Rule, and directing their publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, the Texas Department of Housing and Community Affairs (the Department) is authorized to administer Direct Loan Program Funds pursuant to Tex. Gov't Code Ch. 2306, Subchapter I, Housing Finance Division: General Provisions;

WHEREAS, the Department plans to administer the fund sources used in making these awards of loans and grants in a specific manner that necessitates this Multifamily Direct Loan Rule;

WHEREAS, pursuant to Tex. Gov't Code §2306.053 the Department is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, such proposed rulemaking will be published for public comment in compliance with the State Administrative Procedures Act in the *Texas Register* from January 30, 2026, through March 3, 2026, and subsequently returned to the Board for final adoption; and

WHEREAS, public comment, for purposes of the Citizen Participation Plan requirements in 24 CFR §91.105, will be accepted between January 30, 2026, through March 3, 2026;

NOW, therefore, it is hereby

RESOLVED, that the proposed repeal of 10 TAC Chapter 13, and proposed new 10 TAC Chapter 13, Multifamily Direct Loan Rule, together with the preambles presented to this meeting, are hereby approved for publication in the *Texas Register* for public comment; and

FURTHER RESOLVED, that the Executive Director and his designees be and each of them are hereby authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed repeal and proposed new Multifamily Direct Loan Rules, together with the changes, if any, made at this meeting and the preambles, in the form presented to this meeting, to be published in the Texas Register for public comment and, in connection therewith, make such non-substantive technical corrections, including any required revisions to the preambles, as they may deem necessary to effectuate the foregoing

BACKGROUND

Attached to this Board Action Request is the staff draft of the proposed 2026 Multifamily Direct Loan Rule (MFDL Rule), which reflects staff's recommendations for the Board's consideration. The attached MFDL Rule identifies the differences between the existing MFDL Rule in Texas Administrative Code and the proposed 2024 MFDL Rule in blackline format. The MFDL Rule submitted to the *Texas Register* will be a proposed new version of the 2026 MFDL Rule, and will not identify the changes between 2024 and 2026. The Department's Public Comment page will also include a blackline version of the proposed 2026 MFDL Rule as approved by the Board to facilitate stakeholders' engagement with the changes.

This rule is primarily being updated in response to changes made at the federal level to programs that the Department administers. Specifically, recent changes to the HOME Final Rule necessitate that the Department update the MFDL Rule to allow for greater flexibility regarding Utility Allowances at HOME-assisted properties that are subject to the 2025 HOME Final Rule. Other changes are proposed to clarify post award requirements and pre- and post-loan closing amendments in order to respond to some of the questions stakeholders have had since 2024.

Upon Board approval, the proposed 2026 MFDL Rule will be posted to the Department's website and published in the *Texas Register*. Public comment, in accordance with the Citizen Participation Plan requirements in 24 CFR §91.105, will be accepted between January 30, 2026, through March 3, 2026. In compliance with the State Administrative Procedures Act, public comment will be accepted upon the rule's publication in the Texas Register from January 30, 2026, through March 3, 2026.

Staff will consider and prepare reasoned responses to public comment as part of the final action on the MFDL Rule that is expected to be brought before the Board on April 9, 2026, for approval, adoption, and subsequent publication in the *Texas Register*.

Attachment A: Preamble, including required analysis, for proposed repeal of 10 TAC Chapter 13, Multifamily Direct Loan Rule

The Texas Department of Housing and Community Affairs (the Department) proposes the repeal of 10 TAC Chapter 13, Multifamily Direct Loan Rule, §§ 13.1 through 13.13. The purpose of the proposed repeal is to provide for clarification of the existing rule through new rulemaking action.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the proposed repeal would be in effect:

1. The proposed repeal does not create or eliminate a government program, but relates to the repeal, and simultaneous readoption of rules, with changes, regarding an existing activity: administration of the Multifamily Direct Loan Program.

2. The proposed repeal does not require a change in work that would require the creation of

new employee positions, nor is the proposed repeal significant enough to reduce work load to a degree that any existing employee positions are eliminated.

3. The proposed repeal does not require additional future legislative appropriations.

4. The proposed repeal does not result in an increase in fees paid to the Department nor in a decrease in fees paid to the Department.

5. The proposed repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The proposed action will repeal an existing regulation, but is associated with a simultaneous readoption making changes to an existing activity: administration of the Multifamily Direct Loan Program.

7. The proposed repeal will not increase or decrease the number of individuals subject to the rule's applicability

8. The repeal will not negatively or positively affect this state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated this proposed repeal and determined that the proposed repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The proposed repeal does not contemplate or authorize a taking by the Department, therefore no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6). The Department has evaluated the proposed repeal as to its possible effects on local economies and has determined that for the first five years the proposed repeal would be in effect there would be no economic effect on local employment; therefore no local employment impact statement is required to be prepared.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the proposed repeal is in effect, the public benefit anticipated as a result of the repealed section would be increased clarity and improved access to the Multifamily Direct Loan funds. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the proposed repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT. The Department requests comments on the proposed repeal. The public comment period will be held January 30, 2026, through March 3, 2026, to receive input on the proposed repealed sections. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Priscilla Stevenson, Multifamily Direct Loan Program Specialist, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941 or email priscilla.stevenson@tdhca.state.tx.us ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M. Austin

local (Central) time March 3, 2026.

STATUTORY AUTHORITY. The proposed repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed repealed sections affect no other code, article, or statute.

10 TAC Chapter 13, Multifamily Direct Loan Rule

§13.1 Purpose

§13.2 Definitions

§13.3 General Loan Requirements

§13.4 Set-Asides, Regional Allocation, and NOFA Priorities

§13.5 Application and Award Process

§13.6 Scoring Criteria

§13.7 Maximum Funding Requests and Minimum Number of MFDL Units

§13.8 Loan Structure and Underwriting Requirements

§13.9 Construction Standards

§13.10 Development and Unit Requirements

§13.11 Post-Award Requirements

§13.12 Pre-Closing Amendments to Direct Loan Terms

§13.13 Post-Closing Amendments to Direct Loan Terms

Attachment B: Preamble, including required analysis, for proposed new 10 TAC Chapter 13, Multifamily Direct Loan Rule

The Texas Department of Housing and Community Affairs (the Department) proposes new 10 TAC Chapter 13, Multifamily Direct Loan Rule, §§ 13.1 through 13.13. The purpose of the proposed new sections is to gain consistency with federal rules.

Tex. Gov't Code §2001.0045(b) does not apply to the rule proposed for action because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the proposed new rule would be in effect:

1. The proposed rule does not create or eliminate a government program, but relates to the readoption of this rule, with changes, to an existing activity: administration of the Multifamily Direct Loan Program.

2. The proposed new rule does not require a change in work that would require the creation of

new employee positions nor are the rule changes significant enough to reduce work load to a degree that eliminates any existing employee positions.

3. The proposed rule changes do not require additional future legislative appropriations.

4. The proposed rule changes will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The proposed rule is not creating a new regulation, except that it is replacing a rule being repealed simultaneously to provide for revisions.

6. The proposed rule will not expand, limit, or repeal an existing regulation.

7. The proposed rule will not increase or decrease the number of individuals subject to the rule's applicability; and

8. The proposed rule will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002. The Department, in drafting this proposed rule, has attempted to reduce any adverse economic effect on small or micro-business or rural communities while remaining consistent with the statutory requirements of Tex. Gov't Code §2306.111.

1. The Department has evaluated this rule and determined that none of the adverse effect strategies outlined in Tex. Gov't Code §2006.002(b) are applicable.

2. This rule relates to the procedures for multifamily direct loan applications and award through various Department fund sources. Other than in the case of a small or micro-business that is an applicant for such a loan product, no small or micro-businesses are subject to the rule. It is estimated that approximately 200 small or micro-businesses are such applicants; for those entities the new rule does not result in a negative impact for those small or micro-businesses. There are not likely to be any rural communities subject to the proposed rule because this rule is applicable only to direct loan applicants for development of properties, which are not generally municipalities. The fee for applying for a Multifamily Direct Loan product is $1,000, unless the Applicant is a nonprofit that provides supportive services or the Applicant is applying for Housing Tax Credits in conjunction with Multifamily Direct Loan funds, in which case the application fee may be waived. These fee costs are not inclusive of external costs required by the basic business necessities underlying any real estate transaction, from placing earnest money on land, conducting an Environmental Site Assessment, conducting a market study, potentially retaining counsel, hiring an architect and an engineer to construct basic site designs and elevations, and paying any other related, third-party fees for securing the necessary financing to construct multifamily housing.

There are 1,363 rural communities potentially subject to the proposed rule for which the economic impact of the rule is projected to be $0. 10 TAC Chapter 13 places no financial burdens on rural communities, as the costs associated with submitting an Application are born entirely by private parties. In an average year the volume of applications for MFDL resources that are located in rural areas is approximately ten. In those cases, a rural community securing a loan will experience an economic benefit, including, potentially, increased property tax revenue from a multifamily Development.

3. The Department has determined that because there are rural MFDL awardees, this program helps promote construction activities and long term tax base in rural areas of Texas. Aside from the fees and costs associated with submitting an Application, there is a probable positive economic effect on small or micro-businesses or rural communities that receive MFDL awards and successfully use those awards to construct multifamily housing, although the specific impact is not able to be quantified in advance.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The proposed rule does not contemplate or authorize a taking by the Department, therefore no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the rule as to its possible effects on local economies and has determined that for the first five years the rule will be in effect the proposed rule may provide a possible positive economic effect on local employment in association with this rule since MFDL Developments, layered with housing tax credits, often involve a typical minimum investment of $10 million in capital, and more commonly an investment from $20 million to $30 million. Such a capital investment has direct, indirect, and induced effects on the local and regional economies and local employment. However, because the exact location of where program funds or developments are directed is not determined in rule, and is driven by real estate demand, there is no way to predict during rulemaking where these positive effects may occur. Furthermore, while the Department believes that any and all impacts are positive, that impact is not able to be quantified for any given community until MFDL awards and LIHTCs are actually awarded to a proposed Development, given the unique characteristics of each proposed multifamily Development.

Texas Gov't Code §2001.022(a) states that this "impact statement must describe in detail the probable effect of the rule on employment in each geographic region affected by this rule…" Considering that significant construction activity is associated with any MFDL Development layered with LIHTC and each apartment community significantly increases the property value of the land being developed, there are no probable negative effects of the new rule on particular geographic regions. If anything, positive effects will ensue in those communities where developers receive MFDL awards.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the new sections are in effect, the public benefit anticipated as a result of the new sections will be improved clarity of program requirements in multiple sections, codification in rule practices of the Department, and changed citations to align with changes to other multifamily rules. There will not be any economic cost to any individuals required to comply with the new sections because this rule does not have any new requirements that are not required by changes to federal law that would cause additional costs to applicants.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new sections are in effect, enforcing or administering the new sections does not have any foreseeable implications related to costs or revenues of the state or local governments because it does not have any new requirements

that would cause additional costs to applicants.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the rule and also requests information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period will be held January 30, 2026, through March 3, 2026, to receive input on the proposed action. Comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Priscilla Stevenson at priscilla.stevenson@tdhca.texas.gov. ALL COMMENTS AND INFORMATION MUST BE RECEIVED BY 5:00 p.m., Austin local (Central) time, March 3, 2026.

STATUTORY AUTHORITY. The new sections are proposed pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed new sections affect no other code, article, or statute.

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CHAPTER 13 MULTIFAMILY DIRECT LOAN RULE

§13.1. Purpose.

(a) Authority. The rules in this chapter apply to the funds provided to Multifamily Developments through the Multifamily Direct Loan Program (MFDL or Direct Loan Program) by the Texas Department of Housing and Community Affairs (the Department). Notwithstanding anything in this chapter to the contrary, loans and grants issued to finance the development of multifamily rental housing are subject to the requirements of the laws of the State of Texas, including but not limited to Tex. Gov't Code, Chapter 2306, and federal law pursuant to the requirements of Title II of the Cranston-Gonzalez National Affordable Housing Act, Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008 - Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes, Section 1497 of the Dodd-Frank Wall Street Reform and Consumer Protection Act: Additional Assistance for Neighborhood Stabilization Programs, Title I of the Housing and Economic Recovery Act of 2008, Section 1131 (Public Law 110-289), and the implementing regulations 24 CFR Parts 91, 92, 93, and 570 as they may be applicable to a specific fund source. The Department is authorized to administer Direct Loan Program funds pursuant to Tex. Gov't Code, Chapter 2306.

(b) General. This chapter applies to Applications submitted for, and award of, MFDL funds by the Department and establishes the general requirements associated with the application and award process for such funds. Applicants pursuing MFDL assistance from the Department are required to certify, among other things, that they have familiarized themselves with all applicable rules that govern that specific program including, but not limited to this chapter, Chapter 1 of this title (relating to Administration), Chapter 2 of this title (relating to Enforcement), Chapter 10 of this title (relating to Uniform Multifamily Rules), Chapter 11 of this title (relating to Qualified Allocation Plan (QAP)), and Chapter 12 of this title (relating to Multifamily Housing Revenue Bond Rules) as applicable. The Applicant is also required to certify that it is familiar with the requirements of any other federal, state, or local financing sources that it identifies in its Application. Any conflict with rules, regulations, or statutes will be resolved on a ~~case by case~~case-by-case basis that allows for compliance with all requirements. Conflicts that cannot be resolved may result in Application ineligibility, with the right to an Appeal as provided in 10 TAC §1.7 of this title (relating to Appeals Process) or 10 TAC §11.902 of this title (relating to Appeals Process for the Housing Tax Credit program), as applicable.

(c) Waivers. Requests for waivers of any program rules or requirements must be made in accordance with 10 TAC §11.207 of this title (relating to Waiver of Rules), as limited by the rules in this chapter. Waiver requirements are provided in paragraphs (1) through (3) of this subsection:

(1) Rule Waivers and NOFA Amendments prior to Construction Completion.~~ ~~For Direct Loan Developments, an Applicant may request, at the latest at Application submission, that the Department amend its NOFA, amend its Consolidated Plan or One Year Action Plan, or ask HUD to grant a waiver of its regulations, if such request will not impact the timing of the

Application's review, nor alter the scoring or satisfaction of threshold requirements for the Housing Tax Credits or other Department resources. ~~-~~Such requests will be presented to the Department's Board. The Board may not waive rules that are federally required, or that have been incorporated as a required part of the Department's Consolidated Plan or One Year Action Plan (OYAP) to the U.S. Department of Housing and Urban Development (HUD), unless those Plans are so amended by the earlier of a date the NOFA is~~is~~ closed or by an earlier date that is identified by the Board. ~~–~~Such items include §13.8 of this chapter, relating to Loan Structure and Underwriting Requirements, the interest rate published in the NOFA, the maximum subsidy limits as published in the NOFA, the priorities listed in the NOFA, the eligibility requirements of applicants described in rule or the NOFA, scoring, and the tiebreaker procedure. ~~–~~Prior to Contract, except as otherwise described in rule, the Application Acceptance Date will then be the date the Department completes the amendment process or receives a waiver from HUD, if funds are still available in the NOFA. After Contract, but prior to Construction Completion staff will not recommend a waiver or NOFA Amendment;

(2) Build America, Buy America (BABA) Waiver. If the Applicant intends to request a waiver of BABA, such request must be submitted no later than the date on which the Application is submitted. The Department will submit this waiver request to HUD. This waiver, if granted by HUD the earlier of 90 days before the NHTF Commitment deadline or one year from Board Award, will not require the Development to receive a new Application Acceptance Date; ~~(2) **Utility Allowance Waivers with Project-Based Vouchers.** Upon request before or with the submittal of the Application or at the time the Application is amended to reflect the vouchers, for Developments that are layered with Project-Based Vouchers awarded under 24 CFR Part 983 from a Housing Authority that is not Moving to Work Housing Authority, Department staff will submit a waiver to the Office of Community Planning and Development at HUD to allow the Development to use the Public Housing Utility Allowance. For Project-Based Vouchers from a Housing Authority that is a Moving to Work Housing Authority, the Applicant must have the Moving to Work Housing Authority obtain this waiver from the appropriate HUD office or agree that the Development will be all bills paid before Contract Execution. These waivers, if granted by HUD,will not require the Development to receive a new Application Acceptance Date; and~~

~~-~~(3) Waivers under Closed NOFAs. The Board may not waive any portion of a closed NOFA prior to Construction Completion. Thereafter, the Board may only waive any portion of a closed NOFA as part of an approved Asset Management Division work out. Allowable Post-Closing Amendments are described in 10 TAC §13.13 of this chapter (relating to Post-Closing Amendments to Direct Loan Terms).

(d) Eligibility and Threshold Requirements. Applications for Multifamily Direct Loan funds must meet all applicable eligibility and threshold requirements of Chapter 11 of this title (relating to the Qualified Allocation Plan (QAP)), unless otherwise excepted in this rule or NOFA.

§13.2. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise. Any capitalized terms not specifically mentioned in this section shall have the meaning as defined in Tex. Gov't Code, Chapter 2306; §§141, 142, and 145 of the Internal Revenue Code; 24 CFR Parts 91, 92, and 93; 2 CFR Part 200; and 10 TAC Chapters 1 of this title regarding Administration, 2 of this title regarding Enforcement, 10 of this title regarding Uniform Multifamily Rules, and 11 of this title regarding the Qualified Allocation Plan.

(1) Application Acceptance Date--The date the MFDL Application is considered received by the Department as described in this cchapter, Cchapter 11 of this title, or in the NOFA.

(2) Community Housing Development Organization (CHDO)--A private nonprofit organization with experience developing or owning affordable rental housing that meets the requirements in 24 CFR Part 92 for purposes of receiving HOME Investment Partnerships Program (HOME) funds under the CHDO Set-Aside. A member of a CHDO's board cannot be a Principal of the Development beyond their role as a board member of the CHDO or be an employee of the development team, and may not receive financial benefit other than reimbursement of expenses from the CHDO (e.g., a voting board member cannot also be a paid executive). A CHDO's service area may not be the entire state; however, a CHDO that services the entire state, minus one Metropolitan Area, may qualify.

(3) Construction Completion or Development Period--The Development Period is the time allowed to complete construction, which includes, without limitation, that necessary title transfer requirements and construction work has been fully performed, the certificate(s) of occupancy (if New Construction or reconstruction), Certificate of Substantial Completion (AIA Form G704), Form HUD-92485 (for instances in which a federally insured HUD loan is utilized), or equivalent notice has been issued, and that all deficiencies have been corrected. It includes the construction term, but could be longer.

(4) Deobligated Funds--The funds released by the Development Owner or recovered by the Department canceling a Contract or award involving some or all of a contractual financial obligation between the Department and a Development Owner or Applicant.

(5) Federal Affordability Period--The period commencing on the later of the date after Construction Completion and after all Direct Loan funds have been disbursed for the project, or the date of Project Completion as defined in 24 CFR §92.2 or §93.3, as applicable, and ending on the date which is the required number of years as defined by the federal program.

(6) HOME--the HOME Investment Partnership Program, authorized by Title II of the Cranston-Gonzalez National Affordable Housing Act,

(7) HOME Match-Eligible Unit--A Unit in the Development that is not assisted with HOME Program funds, but would qualify as eligible for Match under 24 CFR Part 92. The restrictions on Qualified Units combined with Project Based Vouchers subject to the 2013 HOME Final Rule also apply to HOME Match Units subject to the 2013 HOME Final Rule. Unless otherwise identified by the provisions in the NOFA, TCAP RF and matching contribution on TCAP-RF, NSP and NHTF Developments must meet all criteria to be classified as HOME-Match Eligible Units.

(8) Housing Contract System (HCS)--The electronic information system established by the Department for tracking, funding, and reporting Department Contracts and Developments. The HCS is primarily used by the Department for Direct Loan Programs administered by the Department.

(9) Land Use Restriction Agreement (LURA) Term--The period commencing on the effective date of the LURA and ending on the date which, at a minimum, is the greater of the loan term or 30 years. The LURA may include the Federal Affordability Period, in addition to the State Affordability Period requirements and State restrictive criteria.

(10) Matching Contribution (Match)--A contribution to a Development from nonfederal sources that may be in one or more of the forms provided in subparagraphs (A) through (E) of this paragraph:

(A) Cash contribution (grant), except for cash contributions made by investors in a limited partnership or other business entity subject to pass through tax benefits in a tax credit transaction or owner equity (including Deferred Developer Fee and General Partner advances);

(B) Reduced fees or donated labor from certain eligible contractors, subcontractors, architects, attorneys, engineers, excluding any contributions from a party related to the Developer or Owner;

(C) Net present value of yield foregone from a below market interest rate loan as described in HUD Community Planning and Development (CPD) Notice 97-03 or subsequent HUD written guidance;

(D) Waived or reduced fees or taxes from cities or counties not related to the Applicant in connection with the proposed Development. In accordance with 24 CFR §92.219(b)(2)(iv), this form of Match is not available for a Development that is not assisted with HOME funds; or

(E) Donated land or land sold by an unrelated third party at a price below market value, as evidenced by a third party appraisal.

(11) NHTF--National Housing Trust Fund.

(12) NOFA--Notice of Funding Availability.

(13) NSP--Neighborhood Stabilization Program.

(14) Qualifying Unit--means a Unit designated for Multifamily Direct Loan use and occupancy in compliance with State and federal regulations, as set forth in the Contract. For Developments subject to the 2013 HOME final rule, unless the Development is all-bills paid, Qualifying Units may not also have a Project-Based Voucher issued under 24 CFR Part 983, unless the Application contains permission from the Public and Indian Housing Division of HUD for the layered units to use a utility allowance that is not the Public Housing Utility Allowance, or the Applicant has received permission from the Community Planning and Development Division of HUD for the layered units to use the Public Housing Utility Allowance.

(15) Relocation Plan--A residential anti-displacement and relocation assistance plan and budget in an Application that addresses residential and non-residential displacement and complies with the Uniform Relocation Assistance and Real Property Act as implemented at 49 CFR Part 24, HUD Handbook 1378, and the TDHCA Relocation Handbook. Additionally, some HOME and NSP funded Developments must comply with Section 104(d) of the Housing and Community Development Act of 1974 (as amended), and 24 CFR Part 42 (as modified for NSP and HOME American Rescue Plan (ARP) funds), which requires a one-for-one replacement of occupied and vacant, occupiable low- and moderate-income dwelling units demolished or converted. Guidance is on the Department's website at https://www.tdhca.state.tx.us/multifamily/home/index.htm. The Relocation Plan must be in form and substance consistent with requirements of the Department.

(16) Section 234 Condominium Housing Basic Mortgage Limits (Section 234 Condo Limits)--The per-unit subsidy limits for all MFDL funding. These limits take into account whether or not a Development is elevator served and any local conditions that may make development of multifamily housing more or less expensive in a given metropolitan statistical area. If the high cost percentage adjustment applicable to the Section 234 Condo Limits for HUD's Fort Worth Multifamily Hub is applicable for all Developments that TDHCA finances through the MFDL Program, then confirmation of that applicability will be included in the applicable NOFA.

(17) Site and Neighborhood Standards--HUD requirements for New Construction or reconstruction Developments funded by NHTF (24 CFR §93.150) or New Construction Developments funded by HOME (24 CFR §92.202). Proposed Developments must provide evidence that the Development will comply with these federal regulations in the Application. Guidance for successful submissions is provided on the Department website at https://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm. Applications that are unable to comply with requirements in 24 CFR §983.57(e)(2) and (3) will not be eligible for HOME or NHTF.

(18) State Affordability Period--The LURA Term as described in the MFDL contract and loan documents and as required by the Department in accordance with ~~the~~ Chapter 2306, Texas Gov't Code which may be an additional period after the Federal Affordability Period.

(19) Surplus Cash--Except when the first lien mortgage is a federally insured HUD mortgage that is subject to HUD's surplus cash definition, Surplus Cash is any cash remaining:

(A) After the payment of:

(i) All sums due or currently required to be paid under the terms of any superior lien;

(ii) All amounts required to be deposited in the reserve funds for replacement;

(iii) Operating expenses actually incurred by the borrower for the Development during the period with an appropriate adjustment for an allocable share of property taxes and insurance premiums;

(iv) Recurring maintenance expenses actually incurred by the borrower for the Development during the period; and

(v) All other obligations of the Development approved by the Department; and

(B) After the segregation of an amount equal to the aggregate of all special funds required to be maintained for the Development; and

(C) Excluding payment of:

(i) All sums due or currently required to be paid under the terms of any subordinate liens against the property;

(ii) Any development fees that are deferred including those in eligible basis; and

(iii) Any payments or obligations to the borrower, ownership entities of the borrower, related party entities; any payment to the management company exceeding 5% of the effective gross income; incentive management fee; asset management fees; or any other expenses or payments that shall be negotiated between the Department and the borrower.

(20) TCAP Repayment Funds (TCAP RF)--~~(TCAP RF)~~ ~~t~~The Tax Credit Assistance Payment program funds.

§13.3. General Loan Requirements.

(a) Funding Availability. Direct Loan funds may be made available through a NOFA or other similar governing document that includes the method for applying for funds and funding requirements.

(b) Oversourced Developments. A Direct Loan request may be reduced or not recommended if the Department's Underwriting Report concludes the Development does not need all or part of the MFDL funds requested in the Application because it is oversourced, and for which a timely appeal has been completed, as provided in 10 TAC §1.7 of this title (relating to Appeals Process) or 10 TAC §11.902 of this title (relating to Appeals Process for Competitive HTC Applications), as applicable.

(c) Funding Sources. Direct Loan funds are composed of annual HOME and National Housing Trust Fund (NHTF) allocations from HUD and associated Program Income, repayment of TCAP or TCAP RF loans, HOME Program Income, NSP Program Income (NSP PI or NSP), and any other similarly encumbered funding that may become available, except as otherwise noted in this chapter. Similar funds include any funds that are identified by the Board to be loaned or granted for the development of multifamily property and are not governed by another chapter in this title, with the exception of State funds appropriated for a specific purpose.

(d) Eligible and Ineligible Activities.

(1) Eligible Activities. Direct Loan funds may be used for the predevelopment, acquisition, New Construction, reconstruction, Adaptive Reuse, rehabilitation, or preservation of affordable housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, or operating cost reserves, subject to applicable HUD guidance. Other expenses, such as financing costs, relocation expenses of any displaced persons, families, businesses, or organizations may be included. MFDL funds may be used to assist Developments previously awarded by the Department when approved by specific action of the Board. Eligible Activities may have fund source restrictions or may be restricted by a NOFA.

(2) Ineligible Activities. Direct Loan funds may not be awarded to a Development:

(A) Layered with Housing Tax Credits that have elected the income averaging election under Section 42(g)(1)(C) of the Internal Revenue Code that have more than 15% of the Units designated as Market Rate Units;

(B) In which the Applicant will not be directly leasing Units to residents, except as specifically described in the NOFA;

(C) Applicants applying for HOME or NSP funds may not commit any choice limiting activities as defined by HUD in 24 CFR Part 58 prior to obtaining environmental

clearance, and will be subject to termination of the Direct Loan award if such action is undertaken. For an Applicant applying for NHTF funds, choice limiting activities prior to full execution of a Contract with the Department are not prohibited, but the eligibility of costs associated with these activities will be impacted in keeping with 24 CFR §93.201(h) and all applicable federal regulations. Furthermore, certain activities which prohibit environmental mitigation may cause the Development to be ineligible and will cause the termination of the Direct Loan award.

(e) Ineligible Costs. All costs associated with the Development and known by the Applicant must be disclosed as part of the Application. Other federal funds will be included in the Final Direct Loan Eligible Costs located in Table 1 of the Direct Loan Calculator as part of the required per-unit subsidy limit calculation. Costs ineligible for reimbursement with Direct Loan funds in accordance with 24 CFR Parts 91, 92, 93, and 570, and 2 CFR Part 200, as federally required or identified in the NOFA, include, but are not limited to:

(1) Offsite costs;

(2) Stored Materials;

(3) Site Amenities, such as swimming pools and decking, landscaping, playgrounds, and athletic courts;

(4) The purchase of equipment required for construction;

(5) Furnishings and Furniture, Fixtures and Equipment (FF&E) required for the Development;

(6) Detached Community Buildings;

(7) Carports and/or parking garages, unless attached as a feature of the Unit;

(8) Commercial Space costs;

(9) Personal Property Taxes;

(10) TDHCA fees;

(11) Syndication and organizational costs;

(12) Reserve Accounts, except Initial Operating Deficit Reserve Accounts;

(13) Delinquent fees, taxes, or charges;

(14) Costs incurred more than 24 months prior to the effective date of the Direct Loan Contract, unless the Application is awarded TCAP RF, and if specifically allowed by the

Board;

(15) Costs that have been allocated to or paid by another fund source (except for soft costs that are attributable to the entire project as specifically identified in the applicable federal rule, or for TCAP RF if specifically allowed by the NOFA), including but not limited to, contingency, including soft cost contingency, and general partner loans and advances;

(16) Deferred Developer Fee;

(17) Texas Bond Review Board (BRB) fees;

(18) Community Facility spaces that are not for the exclusive use of tenants and their guests;

(19) The portion of soft costs that are allocated to support ineligible hard costs;

(20) Other costs limited by Award or NOFA, or as established by the Board;

(21) Interest on Construction Loans; and

(22) Acquisition that occurred before the Application Acceptance Date and environmental clearance for HOME and NSP projects. For NHTF, acquisition that occurred prior to Contract signing.

§13.4. Set-Asides, Regional Allocation, and NOFA Priorities.

(a) Set-Asides. Specific types of Activities or Developments for which a portion of MFDL funds may be reserved in a NOFA will be grouped in categories called Set-Asides. Not all Set-Asides will be available in every NOFA, and the Board may approve Set-Asides not described in this section. The amount of a single award may be credited to multiple Set-Asides, in which case the credited portion of funds may be repositioned into an oversubscribed Set-Aside prior to a defined collapse deadline. Applications under any and all Set-Asides may or may not be layered with other Department Multifamily programs except as provided in this section or as determined by the Board to address unique circumstances not addressed by these rules.

-(~~A~~1) General / Soft Repayment Set-Aside.

(~~A~~i) Applicants seeking to qualify for NHTF under this set-aside must propose Developments in which all Units assisted with MFDL funds are available for households earning the greater of the poverty rate or 30% AMI, and have rents no higher than the rent limits for extremely low-income tenants in 24 CFR §93.302(b).

(B~~ii~~) Applicants seeking to qualify for HOME under this set-aside must propose

Developments in which all Units assisted with MFDL funds are available to households earning no more than 80% AMI and have rents no higher than the rent limits under 24 CFR §92.2.

(Ciii) A portion of the General / Soft Repayment Set-Aside may be reallocated into the CHDO Set-Aside in order to fully fund a CHDO award that exceeds the remaining amount in the CHDO Set-Aside.

(2B) CHDO Set-Aside. Unless waived or reduced by HUD, a portion of the Department's annual HOME allocation will be set aside for eligible CHDOs meeting the requirements of the definition of Community Housing Development Organization in 24 CFR §92.2 and 10 TAC §13.2(2) of this chapter. Applicants under the CHDO Set-Aside must be proposing to develop housing on Development Sites located outside Participating Jurisdictions (PJ), unless the award is made within a Persons with Disabilities (PWD) Set-Aside, or the requirement under Tex. Gov't Code §2306.111(c)(1) has been waived by the Governor. A grant for CHDO operating expenses may be awarded in conjunction with an award of MFDL funds under this Set-Aside, if no other CHDO operating grants have been awarded to the Applicant in the same Calendar year, in accordance with 24 CFR §92.208. Applications under the CHDO Set-Aside may not have a for-profit special limited partner within the ownership organization chart.

(b) Regional Allocation and Collapse. All funds subject to Tex. Gov't Code §2306.111 or as described to HUD in planning documents will be allocated to regions and potentially subregions based on a Regional Allocation Formula (RAF) within the applicable Set-Asides (unless the funds have already been through a RAF of the annual NOFA and/or Special Purpose NOFA). The RAF methodology may differ by fund source. HOME funds will be allocated in accordance with Tex. Gov't Code Chapter 2306. The end date and Application Acceptance Date for the regionally allocated funds will be identified in the NOFA but in no instance shall it be less than 30 days from the date a link to the Board approved NOFA or NOFA Amendment is published on the Department's website.

(1) After funds have been made available regionally and the period for regional allocation has expired, remaining funds within each respective Set-Aside may collapse and be pooled together on a date identified in the NOFA. All Applications received prior to these collapse dates will continue to hold their priority unless they are withdrawn, terminated, suspended, or funded.

(2) Funds remaining after expiration of the Set-Asides on the end date identified in the NOFA, which have not been requested in the form of a complete Application, may be collapsed and pooled together to be made available statewide on a first-come first-served basis to Applications submitted after the collapse dates, as further described in the NOFA.

(3) In instances where the RAF would result in regional or subregional allocations insufficient to fund an Application, the Department may use an alternative method of

distribution, including an early collapse, revised formula or other methods as approved by the Board, and reflected in the NOFA.

(c) Notice of Funding Availability (NOFA). MFDL funds will be distributed pursuant to the terms of a published NOFA that provides the specific collapse dates and deadlines as well as Set-Aside and RAF amounts applicable to each NOFA, along with scoring criteria, priorities, award limits, and other Application information. Set-asides, RAFs, and total funding amounts may increase or decrease in accordance with the provisions herein without further Board action as authorized by the Board.

§13.5. Application and Award Process.

(a) Applications. MFDL Applicants must follow the applicable requirements in 10 TAC Chapter 11, Subchapter C (relating to Application Submission Requirements, Ineligibility Criteria, Board Decisions and Waiver of Rules) and the Notice of Funding Availability for which the Application is submitted.

(b) Application Acceptance Date. Applications will be considered received on the business day of receipt, unless a different time period is described in the Department's rules or NOFA. If an Application is received after 5:00 p.m., Austin local time, it will be determined to have been received on the following business day. Applications received on a non-business day will be considered received on the next day the Department is open. Applications will be considered complete at the time all Application materials, required third party reports and application fee(s) are received by the Department. Within certain Set-Asides or priorities, the date of receipt may be fixed, regardless of the earlier actual date a complete Application is received, if so specified in the Department's rules or NOFA. If multiple Applications have the same Application Acceptance Date, in the same region or subregion (as applicable), within the same Set-Aside, and for 9%, then score and tiebreaker factors, as described in 10 TAC §11.7 of this title (relating to Tie Breaker Factors) will be used to determine the Application's rank, unless another priority is described in the NOFA.

(c) Market Analysis. Applications proposing Rehabilitation that request MFDL as the only source of Department funding may be exempted from the Market Analysis requirement in 10 TAC §11.205(2) (relating to Required Third Party Reports) if the Development's rent rolls for the most recent six months reflect occupancy of at least 80% of all Units.

(d) Required Site Control Agreement Provisions. All Applicants for MFDL funds must include the following provisions in the purchase contract or site control agreement if the subject property is not already owned by the Applicant:

(1) "Notwithstanding any other provision of this Contract, Purchaser shall have no obligation to purchase the Property, and no transfer of title to the Purchaser may occur,

unless and until the Department has provided Purchaser and/or Seller with a written notification that: (A) It has completed a federally required environmental review and its request for release of federal funds has been approved and, subject to any other Contingencies in this Contract, (i) the purchase may proceed, or (ii) the purchase may proceed only if certain conditions to address issues in the environmental review shall be satisfied before or after the purchase of the property; or (B) It has determined that the purchase is exempt from federal environmental review and a request for release of funds is not required."; and

(2) "The Buyer does not have the power of eminent domain relating to the purchase and acquisition of the Property. The Buyer may use federal funds from the U.S. Department of Housing and Urban Development (HUD) to complete this purchase. HUD will not use eminent domain authority to condemn the Property. All parties entered this transaction voluntarily and the Buyer has notified the Seller of what it believes the value of the Property to be in accordance with 49 CFR Part 24 Appendix A. If negotiations between both parties fail, Buyer will not take further action to acquire the Property."

(e) Oversubscribed Funds for Competitive HTC-Layered Applications. Should MFDL funds be oversubscribed in a Set-Aside or for a fund source that has geographic limitations within a Set-Aside, Applications concurrently requesting Competitive HTC will be notified and may amend their Application to accommodate another fund source and make changes that still meet threshold requirements in 10 TAC Chapters 11 and 13 of this title, if such changes do not impact scoring under 10 TAC §11.9 (relating to Competitive HTC Selection Criteria). The Department will provide notice to all impacted Applicants in the case of over-subscription, which will include a deadline by which the Applicant must respond to the Department. Multiple Applications from a single or affiliated Applicants do not constitute oversubscription, and the Applicant(s) will not be able to amend their Applications as described in this subsection. If MFDL funds become available between the Market Analysis Delivery Date, and the date of the Department's Board meeting at which final Competitive HTC awards are made, the MFDL funds will not be reserved for Competitive HTC-layered Applications, unless the reservation is described in the NOFA.

(f) Availability of funds for Non-Competitive HTC-layered Applications. If an Application requesting layered Non-Competitive HTC and Direct Loan funds is terminated under 10 TAC §11.201(2)(E) (relating to Withdrawal of Certificate of Reservation), the Application will receive a new Application Acceptance Date for purposes of Direct Loan funds upon submission to the Department of the new Certificate of Reservation if the Board has not made an award. Direct Loan funds will not be reserved for terminated Applications, and may not be available for the Application with a new Reservation.

(g) Eligibility Criteria and Determinations.

——(1) The Department will evaluate Applications received under a NOFA for eligibility and threshold pursuant to the requirements of this chapter and Chapter 11 of this title (relating to the Qualified Allocation Plan). The Department may terminate the Application if there

are changes at any point prior to MFDL loan closing that would have had an adverse effect on the score and ranking order of the Application that would have resulted in the Application not being recommended for an award or being ranked below another Application received prior to the subject Application.

(2) Applicants requesting MFDL as the only source of Department funds must be able to demonstrate that a Principal of the Developer, Development Owner, or General Partner has previously developed and placed into service a minimum of 50 multifamily housing units. -It is the Applicant's responsibility to identify and submit sufficient evidence of this experience in the Application.– If the Department determines that the evidence submitted is not substantial, additional evidence may be submitted through the Administrative Deficiency process, if it is available.– If the Applicant is unable to provide satisfactory evidence, the Applicant will be ineligible for funding.

–**(h) Effective rules and contractual terms.** The contractual terms of an award will be governed by and reflect the rules in effect at the time of Application; however, any changes in federal requirements will be reflected in the contractual terms. Further provided that,~~, that~~ if after award, but prior to execution of such Contract, there are new rules in effect, the Direct Loan awardee may elect to be governed by the new rules, provided the Application would continue to have been eligible for award under the rules and NOFA in effect at the time of Application.

§13.6. Scoring Criteria and Tie Breaker Factors.

(a) Scoring. The scoring items used to calculate the score for a Competitive HTC-Layered Application will be utilized for scoring for an MFDL Application, and evaluated in the same manner. For all other Applications, the Tie Breaker described below will be utilized to determine which Applications to recommend for an award if multiple Applications are given the same Application Acceptance Date within the same Set-Aside and with the same Priority as described in the NOFA.

-**(b) Tie Breaker**. In the event that two or more Applications receive the same Application Acceptance Date, within the same Set-Aside and having the same Priority, staff will utilize the Tie Breaker Factors established in §11.7, unless another tie-breaker is described in the NOFA.

§13.7. Maximum Funding Requests and Minimum Number of MFDL Units.

(a) Maximum Funding Request. The maximum funding request for an Application will be identified in the NOFA, and may vary by development type, set-aside, Priority, or fund source.

(b) Maximum New Construction or Reconstruction Per-Unit Subsidy Limits. The per-Unit subsidy limit for a Development will be determined by the Department as the Section 234 Condo limits with the applicable ~~high-cost~~high-cost percentage adjustment in effect at the start

date of the NOFA, which are the maximum MFDL eligible cost ~~cost~~ per-Unit subsidy limits that an Applicant may use to determine the amount of MFDL funds combined with other federal funds that may subsidize a Unit.

(c) Maximum Rehabilitation Per-Unit Subsidy Limits. The MFDL eligible cost per-Unit to rehabilitate a Development may not exceed the HUD 221(d)(4) statutory limits, subject to high cost factors as published in the NOFA.

(d) Minimum Number of MFDL Units. The minimum required number of MFDL Units will be determined by the MFDL per-Unit subsidy limits and the cost allocation analysis, which will ensure that the amount of MFDL Units as a percentage of total Units is equal to or greater than the percentage of MFDL funds requested as a percentage of total eligible MFDL Development costs.~~.~~

§13.8 Loan Structure and Underwriting Requirements

(a) Loan Structures. Loan structures must meet the criteria described in this section and as further described in a NOFA. The interest rate, amortization period, and term for the loan will be approved by the Board at the time of award, and can only be amended prior to loan closing by the process in 10 TAC §13.12 (relating to Pre-Closing Amendments to Direct Loan Terms).

(b) Criteria for Construction-to-Permanent Loans. Direct Loans awarded through the Department must adhere to the criteria as identified in paragraphs (1) - (7) of this subsection if being requested as construction-to-permanent loans, for which the interest rate will be specified in the NOFA and approved by the Board:

(1) The construction term for MFDL loans shall generally be coterminous with any superior construction loan~~(s)~~, but no greater than 36 months. In the event the MFDL loan is the only loan with a construction term or is the superior construction loan, the construction term may be up to 36 months.~~–~~ Shorter timeframes may be required to meet federal project completion or expenditure deadlines;

(2) No interest will accrue during the construction term; the Department may extend the Development Period without extending the construction term if the first lien permanent lender does not extend its loan term, or if the Development Period is approved by the Board to be over 36 months;

(3) The loan term shall be no less than 15 years and no greater than 40 years, and the amortization period shall be between 30 to 40 years. The Department's loan must mature at the same time or within six months of the shortest term of any senior debt, so long as neither exceeds 40 years. The permanent loan term generally commences following the end of the construction term;

(4) Loans shall be secured with a deed of trust with a ~~permanent~~ lien position, and for loans with monthly or annual payment provisions, a repayment position that is superior to any other sources for financing including hard repayment debt that is in an amount less than or equal to the Direct Loan amount and superior to any other sources that have soft repayment structures, non-amortizing notes, have deferred forgivable provisions, or in which the lender has an identity of interest with any member of the Development Team. Parity liens may only be considered with federal loan funds from USDA Rural Development;

~~–~~(5) In general, up to 50% of the MFDL loan may be advanced at loan closing, should there be sufficient eligible costs to reimburse that amount; however, this amount may be proportionally exceeded for a Development being awarded additional MFDL funds, if the Development is past 50% at loan closing, so long as the required Mid-Construction Inspection has been completed. In all cases, at least 10% of the funds will be reserved for the final Draw. Requests for funding at loan closing must be received by the Department at least 45 days prior to the closing.~~-~~

(c) Criteria for Construction Only Loans. MFDL Loans through the Department must adhere to the following criteria as identified in paragraphs (1) - (~~3~~2) of this subsection if being requested as construction only loans:

(1) The term of the construction loan shall generally be coterminous with any superior construction loan(s), but no greater than 36 months. In the event that the MFDL loan is the only construction loan or is the superior construction loan, the term may not exceed 36 months.~~–~~ Shorter timeframes may be required to meet federal project completion or expenditure deadlines; and

(2) Loans shall be secured with a deed of trust that is superior to any other sources for financing, including hard repayment debt that is in an amount less than or equal to the Direct Loan amount and superior to any other sources that have soft repayment structures, non-amortizing notes, have deferred forgivable provisions, or in which the lender has an identity of interest with any member of the Development Team.

(d) Criteria for Permanent Refinance Loans. If 90% of the Department's loan will repay existing debt, the first payment will be due the month after the month of loan closing; 90% of the loan may be advanced at loan closing, unless the Board approves another date.

(e) Evaluations. All Direct Loan Applicants in which third-party financing entities are part of the sources of funding must include a pro forma and lender approval letter evidencing review of the Development and the Principals, as described in 10 TAC §11.9(f)(1) of this title (relating to Competitive HTC Selection Criteria). Where no third-party financing exists, the Department reserves the right to procure a third-party evaluation which will be required to be prepaid by the Applicant.

(fe) Pass-Through Loans. Department funds may not be used as pass-through financing. The Department's Borrower must be the Development Owner.

§13.9. Construction Standards.

All Developments financed with Direct Loans will be required to meet at a minimum the applicable requirements in Chapter 11 of this title (relating to the Qualified Allocation Plan). In addition, Developments must meet all applicable state and local codes, ordinances, and standards; the 2021 International Existing Building Code (IEBC) or International Building Code (IBC), as applicable. Should IEBC be more restrictive than local codes, or should local codes not exist, then the Development must meet the requirements imposed by IEBC or IBC, as applicable. Developments must also meet the requirements in paragraphs (1) - (5) of this section:

(1) Third-Party Recommendations. Recommendations made in the Environmental Site Assessment (§11.305 of this title) and any Scope of Work and Cost Review (§11.306 of this title) with respect to health and safety issues, life expectancy of major systems (structural support; roofing; cladding and weatherproofing; plumbing; electrical; and heating, ventilation, and air conditioning) must be implemented;

(2) Lead and Asbestos Testing. For properties originally constructed prior to 1978, the Scope of Work and Cost Review must be provided to the party conducting the lead-based paint and/or asbestos testing, and the Development Owner must implement the mitigation recommendations of the testing report;

(3) Broadband Infrastructure. The broadband infrastructure requirements described in 24 CFR §92.251(a)(2)(vi) or (b)(1)(x) for HOME, NSP, or TCAP RF; or 24 CFR §93.301(a)(2)(vi) or 24 CFR §93.301(b)(2)(vi) for NHTF, as applicable;

(4) Properties in Catastrophe Areas. Developments located in the designated catastrophe areas specified in 28 TAC §5.4008 must comply with 28 TAC §5.4012 (relating to Applicable Building Code Standards in Designated Catastrophe Areas for Structures Constructed, Repaired or to Which Additions Are Made On and After April 1, 2020); and

(5) Minimum Construction Standards. Rehabilitation Developments funded with federal sources may also be required to meet Minimum Rehabilitation Standards, as required by HUD. Rehabilitation Developments funded by the Nnational Housing Trust Fund are required to meet the Multifamily Minimum Rehabilitation Standards approved by HUD, as posted on the Department's website at https://www.tdhca.state.tx.us/multifamily/home/index.htm, in addition to the Department's rules and NOFA requirements.

§13.10. Development and Unit Requirements.

(a) Proportionality. The bedroom/bathroom/amenities and square footages for Direct Loan Units must be comparable to the bedroom/bathroom/amenities and square footages for the total number of Units in the Development based on the amount of Direct Loan funds requested as a percentage of total MFDL eligible costs. As a result of this requirement, the Department will use the Proration Method as the Cost Allocation Method in accordance with HUD CPD Notice 16-15, except as described in subsection (b) of this section. Additionally, the amount of Direct Loan funds requested cannot exceed the per-unit subsidy limit described in this chapter or in the applicable NOFA. Direct Loan Units must be provided as a percentage of each Unit Type, in proportion to the percentage of total costs included in the Direct Loan.

(b) Floating Units. Floating Direct Loan Units and Match Units may only float among the Units as described in the Direct Loan Contract and Direct Loan LURA. The possibility of a designation of a Direct Loan Unit or Match Unit must be reflected in the Household's lease.

(1) For HOME, NSP, and TCAP RF, Direct Loan Units must float throughout the Development unless the Development also contains public housing Units that will receive Operating Fund or Capital Fund assistance under Section 9 of the 1937 Act as defined in 24 CFR §5.100.

(2) For NHTF, Direct Loan Units must float throughout the Development, except as prohibited by 24 CFR §93.203, concerning public housing units.

(c) Unit Match Requirements.

(1) For a Development funded with NSP and/or NHTF, a required matching contribution will result in at least one HOME Match-Eligible Unit, in addition to the NSP and/or NHTF Units.

(2) For a Development funded with HOME, a required matching contribution may or may not result in a HOME Match-Eligible Unit, beyond the Department's HOME assisted Units.

(3) For a Development funded with TCAP RF in the annual NOFA, a matching contribution in addition to the Match that the Department counts from the TCAP RF investment will result in some amount of TCAP RF assisted Units being considered HOME Match-Eligible Units.

(d) Minimum Affordability Period. The minimum affordability period for all Direct Loan Units awarded under a NOFA will match the greater of the term of the loan, or 30 years unless a lesser period is approved by the Board. The Department reserves the right to extend the Affordability Period for Developments that fail to meet Program requirements.

(e) Restricted Units. If the Department is the only source of permanent funding for the Development by virtue of equity from HTC and MFDL funding, all Units must be income and rent restricted under a combination of HTC and Direct Loan LURAs, regardless of the amount of deferred Developer Fee as a permanent source. If the MFDL funding is the only source of

permanent funding for the Development, all Units must be income and rent restricted by the Direct Loan LURA, and all costs must be MFDL eligible, regardless of the amount of deferred Developer Fee as a permanent source.

(f) Income Levels Committed at Time of Application. If the Direct Loan funds are used in a Competitive or non-Competitive HTC-Layered Development that is electing Income Averaging to qualify under IRC §42, the Direct Loan Units required by the LURA must continue to be provided at the income levels committed at the time of Application. Direct Loan Unit designations may not change to meet Income Averaging requirements.

(g) Mandatory Development Features. Development features described under 10 TAC §11.101(b)(4) (relating to Mandatory Development Amenities) may be selected to meet federal or state requirements, without a change to the number or description of features (e.g. selection of Broadband).

(h) Designation of Direct Loan Units and HOME Match Units. For a Development with fixed Units the Contract and the LURA will describe the Direct Loan Units and HOME Match Units by Unit Number or Property Address, as applicable. For a Development with floating Units the Contract and the LURA will describe the Direct Loan Units and HOME Match Units by Unit Type and Income and Rent Restrictions, as applicable, and the Owner must designate the Units as further described in §13.11(c)(11) of this Chapter.

§13.11. Post-Award Requirements.

(a) Direct Loan awardees must satisfactorily complete the Post-Award Requirements identified in this section after the Board approval date.

(b) If a Direct Loan award is declined by the Direct Loan awardee and returned after Board approval, or if the Direct Loan awardee or Affiliates fail to timely enter into the Contract, close the loan, begin and complete construction, or leave a portion of the Direct Loan award unexpended, penalties may apply under 10 TAC §11.9(f) (relating to Competitive HTC Selection Criteria), and/or the Department may prohibit the Applicant and all Affiliates from applying for MFDL funds for a period of two years.

(c) Benchmarks. Extensions to the benchmarks in paragraphs (1) – (8) of this subsection may only be approved by the Executive Director or authorized designee in accordance with §13.12 or §13.13 of this chapter (relating to Pre-Closing and Post-Closing Amendments), as applicable.

(1) Environmental Clearance. In order to obtain environmental clearance required by the National Environmental Policy Act (NEPA) and other related Federal and state environmental laws (if applicable), Direct Loan Applicants, including those previously awarded HTC, must submit a fully completed environmental review, including any applicable reports to the Department within 90 days of the Application Acceptance Date.

This includes required environmental clearance for FHA and HUD funding. If the NOFA is still open, a new Application Acceptance Date may be given if this Benchmark is not met.

(2) Contract Execution. After a Development receives environmental clearance (if applicable), the Department will draft a Contract to be emailed to the Direct Loan awardee. Direct Loan awardees must execute and return a Contract to the Department within 30 calendar days after receipt of the Contract or the Department may terminate the award.

(3) Loan Closing and Construction Commencement. Loan closing must occur and construction must begin on or before the dates described in the Contract. If construction has not commenced within 12 months of the Contract Effective Date, the award may be terminated.

(4) Loan Closing. In preparation for closing any Direct Loan, the Development Owner must submit the items described in subparagraphs (A) - (F) of this paragraph. Providing incomplete documents, or not responding timely to subsequent Department requests for materials needed to facilitate closing, may significantly delay closing. Any request to change the financing structure of the Development, or the ownership structure, will in most cases extend the amount of time it will take for the Department to meet closing timelines, and may move prioritization of the closing below that of other Developments.

(A) Documentation of the prior closing or concurrent closing with all sources of funds necessary for the long-term financial feasibility of the Development.

(B) Due diligence items determined by the Department to be prudent and necessary to meet the Department's rules and to secure the interests of the Department, as requested by Staff.

(C) When Department funds have a first lien position during the construction term, or if the Development is a public work under state law, assurance of completion of the Development in the form of payment and performance bonds in the full amount of the construction contract or equivalent guarantee as allowable under state law in the sole determination of the Department is required. Development Owners utilizing the USDA §515 program for a Development that is not a public work are exempt from this requirement, but must meet the alternative requirements set forth by USDA.

(D) Documentation required for preparation of closing loan documents includes, but is not limited to:

(i) Substantially final information necessary for REA staff to reevaluate the transaction prior to loan closing, including but not limited to a substantially final development cost schedule, sources and uses, operating pro forma, annual operating expenses, rent schedule, updated written financial commitments or term sheets, and any additional financing exhibits that have changed since the time of

Application;

(ii) Substantially final Draft Owner/General Contractor agreement and draft Owner/Architect agreement prior to closing with final executed copies required by the day of closing;

(iii) Survey of the Property that includes a certification to the Department, Development Owner, Title Company, and other lenders;

(iv) Plans and specifications for review by the Department's inspection staff. Inspection staff will issue a plan review letter that is intended to assist in identifying early concerns associated with the Department's final construction requirements; and

(v) If layered with Housing Tax Credits, a substantially final draft limited partnership agreement between the General Partner and the tax credit investor entity.

(E) If required by the fund source, prior to Contract Execution unless an earlier period is described in Chapters 10, 11, or 12 of this title, the Development Owner must provide verification of:

(i) Environmental clearance from the Department or HUD, as applicable;

(ii) Site and Neighborhood clearance from the Department;

(iii) Documentation necessary to show compliance with the Uniform Relocation Assistance and Property Act and any other relocation requirements that may apply;

(iv) Title Insurance Commitment or Policy showing the Department as Lender, with copies of all Schedule B documents; and

(v) Any other documentation that is necessary or prudent to meet program requirements or state or federal law in the sole determination of the Department.

(F) The Direct Loan Contract as executed, which will be drafted by the Department's counsel or its designee for the Department. No changes proposed by the Developer or Developer's counsel will be accepted unless approved by the Department's Legal Division or its designee.

(6) Loan Documents. The Development Owner is required to execute all loan closing documents required by and in the form and substance acceptable to the Department's Legal Division.

(A) Loan closing documents include but are not limited to a promissory note, deed of

trust, construction loan agreement (if the proceeds of the loan are to be used for construction), LURA, Architect and/or licensed engineer certification of understanding to complete environmental mitigation if such mitigation is identified in HUD's environmental clearance or the Underwriting Report and assignment and security instruments whereby the Developer, the Development Owner, and/or any Affiliates (if applicable) grants the Department their respective right, title, and interest in and to other collateral, including without limitation the Owner/Architect agreement and the Owner/General Contractor agreement, to secure the payment and performance of the Development Owner's obligations under the loan documents. Additional loan terms and conditions may be imposed by the loan closing documents.

(B) Loan terms and conditions may vary based on the type of Development, Real Estate Analysis Underwriting Report, and the Set-Aside under which the award was made.

(7) Quarterly Construction Status Reports. The Development Owner is required to submit quarterly Construction Status Reports to the Asset Management Division as described and by the deadlines specified in 10 TAC §10.401(e) of this title (relating to Construction Status Report).

(8) Mid-Construction Development Inspection Letter. In addition to any other obligations required as the result of any other Department funding sources, the Development Owner must submit a Mid-Construction Development Inspection Request once the Development has met at least 25% construction completion as indicated on the G703 Continuation Sheet or HUD equivalent form. Department inspection staff will issue a Mid-Construction Development Inspection Letter that confirms work is being done in accordance with the applicable codes, the construction contract, and construction documents.

(9) Construction Completion. Construction must be completed, as reflected by the Development's certificate(s) of occupancy (if new construction and/or reconstruction) and Certificate of Substantial Completion (AIA Form G704) or Form HUD-92485 for instances in which a federally insured HUD loan is being utilized, within the construction term of any superior construction loan(s) or up to 36 months of the actual loan closing date if no superior construction loan(s) exists, unless a shorter timeline is necessitated by the federal funding source.

(-10) Closed Final Development Inspection Letter. The Closed Final Development Inspection Letter must be issued by the Department within 36 months of loan closing, unless a shorter timeline is necessitated by the federal funding source. This letter will verify committed amenities have been provided and confirm compliance with all applicable accessibility requirements; this letter may include deficiencies that require resolution. The Closed Final Development Inspection may be conducted concurrently with a NSPIRE inspection. However, any letters associated with an NSPIRE- inspection will not satisfy the Closed Final Development Inspection Letter required by this subsection.

(11) Initial Occupancy. Initial occupancy and for floating Units designation of ~~all MFDL assisted Units~~NHTF Units by and for eligible households shall occur within~~-~~ 120 days, or for all other MFDL assisted Units or HOME Match Units, within six months of the final Direct Loan draw. Requests to extend the initial occupancy period must be accompanied by documentation of marketing efforts and a marketing plan. The marketing plan may be submitted to HUD for final approval, if required by the MFDL fund source.

(12) Per Unit Repayment. Repayment may be required on a per Unit basis for Units that have not been rented to eligible households within 120 days or ~~-~~18 months of the final Direct Loan draw, depending on the fund source.

(13) Termination and Repayment for Failure to Complete. Termination of the Direct Loan award and repayment of all disbursed funds will be required for any Development that is not completed within four years of the effective date of a Direct Loan Contract.

(14) Disbursement of Funds. The Borrower must comply with the requirements in subparagraphs (A) - (K) of this paragraph in order to receive a disbursement of funds to reimburse eligible costs incurred. Submission of documentation related to the Borrower's compliance with these requirements is required with a request for disbursement:

(A) All requests for disbursement must be submitted using the MFDL draw workbook or such other format as the Department may require;

(B) Documentation of the total construction costs incurred and costs incurred since the last disbursement of funds must be submitted. Such documentation must be signed by the General Contractor and certified by the Development architect and is generally in the form of an AIA Form G702/~~-~~G703 or HUD equivalent form;

(C) Disbursement requests must include a down-date endorsement to the Direct Loan (mortgagee) title policy or Nothing Further Certificate that includes a title search through the date of the Architect's signature on AIA form G702 or HUD equivalent form. For release of retainage, the down-date endorsement to the Direct Loan title policy or Nothing Further Certificate must be dated at least 30 calendar days after the date of the completion as certified on the Certificate of Substantial Completion (AIA Form G704) with $0 as the work remaining to be completed. If AIA Form G704 or HUD equivalent form indicates an amount of work remaining to be completed, the Architect must provide confirmation that all work has been completed. Disbursement requests for acquisition and closing costs are exempt from this requirement;

(D) Table Funding (the wiring of Direct Loan funds to the title company at loan closing) may be permitted at the time of closing, for disbursement of funds related to eligible acquisition costs and eligible soft~~s~~ costs incurred, and in an amount not to exceed 50% of the total funds. Table Funding must be requested in writing at least 30 calendar days prior to the anticipated closing date, and will not be considered unless the Direct Loan

Contract has been executed and all necessary documentation has been submitted to and accepted by the Department at least 10 calendar days prior to the anticipated closing date;

(E) At least 50% of Direct Loan funds (except as otherwise allowed for Permanent Refinance Loans described in 10 TAC §13.8(e)) will be withheld from the initial disbursement of loan funds to allow for periodic disbursements;

(F) The initial draw request for the Development (excluding Table Funding) must be entered into the Department's Housing Contract System no later than 180 days after loan closing~~, and may not be submitted prior to submission of all architectural drawings~~;

~~-~~(G) Developer Fee disbursement shall be limited by subparagraph (I) of this paragraph and is further conditioned upon clauses (i) - (iii), as applicable:

(i) For Developments in which the loan is secured by a first lien deed of trust against the Property, 75% shall be disbursed in accordance with percent of construction completed. 75% of the total allowable fee will be multiplied by the percent completion, as documented by the construction contract and as may be verified by an inspection by the Department. The remaining 25% shall be disbursed at the time of release of retainage; or

(ii) For Developments in which the loan is not secured by a first lien deed of trust or the Development is also utilizing Housing Tax Credits, Developer Fees will not be reimbursed by the Department, except as follows. If all other lenders and the syndicator in a Housing Tax Credit Development (if applicable) provide written confirmation that they do not have an existing or planned agreement to govern the disbursement of Developer Fees and expect that Department funds shall be used to fund Developer Fees, they shall be reimbursed in the same manner as described in subparagraph (A) of this paragraph; and

(iii) The Department may reasonably withhold any disbursement in accordance with the Loan Documents and if it is determined that the Development is not progressing as reasonably necessary to meet the benchmarks for the timely completion of construction of the Development as set forth in the loan documents, or that cost overruns have put the Development Owner's ability to repay its Direct Loan or complete the construction at risk in accordance with the terms of the loan documents and within budget. If disbursement has been withheld under this subsection, the Development Owner must provide evidence to the satisfaction of the Department that the Development will be timely completed and occupied in order to continue receiving funds. If disbursement is withheld for any reason, disbursement of any remaining Developer Fee will be made only after construction of the Development has been completed, and all requirements for expenditure and occupancy have been met;

(H) Expenditures must be allowable and reasonable in accordance with federal and state rules and regulations. The Department shall review each expenditure requested for reasonableness. The Department may request the Development Owner make modifications to the disbursement request and is authorized to modify the disbursement procedures set forth herein and to establish such additional requirements for payment of Department funds to Development Owner as may be necessary or advisable for compliance with all program requirements;

~~-~~(I) Following 50% construction completion, any funds will be released in accordance with the percentage of construction completion as documented on AIA Form G702/703 or HUD equivalent form. 10% of requested Hard Costs will be retained and will not be released until the final draw request. If the Development is receiving funds from more than one MFDL source, the retainage requirement will apply to each fund source individually.

(J) All of the items described in clauses (i) - (ix~~viii~~) of this subparagraph are required in order to approve the final draw request. The Executive Director or authorized designee may for good cause allow for the final draw to be released prior to the receipt of the items unless prohibited by state or federal statute. Such allowances are not guaranteed:

(i) Fully executed Certificate of Substantial Completion (AIA Form G704) or Form HUD-92485 (for instances in which a federally insured HUD loan is being utilized) with $0 as the cost estimate of work that is incomplete. If AIA Form G704 or Form HUD-92485 indicates an amount of work remaining to be completed, the Architect must provide confirmation that all work has been completed;

(ii) A down date endorsement to the Direct Loan title policy or Nothing Further Certificate dated at least 30 calendar days after the date of completion as certified on the Certificate of Substantial Completion (AIA Form G704) or Form HUD-92485;

(iii) For Developments not layered with Housing Tax Credits, a Closed Final Development Inspection Letter from the Department;

(iv) For NHTF Developments layered with HTCs, a separate, additional cost certification form completed by an independent, licensed, certified public accountant of all Development costs (including project costs), subject to the conditions and limitations set forth in the executed Direct Loan Contract, commonly known as a cost certification;

(v) For Developments subject to the Davis-Bacon Act, written documentation ~~from the Department~~that the Department's Notice to Proceed ~~that serves to lock in the Department of Labor's worker prevailing wage mandates at the development and authorizes start of construction~~ was sent and final wage compliance report was received and approved, or confirmation that HUD or other entity maintains Davis-

Bacon oversight;

(vi) Certificate(s) of Occupancy (for New Construction or Reconstruction Units);

(vii) Development completion reports, which includes, but is not limited to, documentation of full compliance with the Uniform Relocation Act/104(d), Match Documentation requirements, and Section 3 of the Housing and Urban Development Act of 1968, as applicable to the Development, and any other applicable requirement;

(viii) If applicable to the Development, certification from Architect or a licensed engineer that all HUD environmental mitigation conditions have been met; and

(ix) evidence of Match being credited to the Development.

(K) No disbursement of funds will be approved without receipt of all closing documents in the form and substance required by the Department's Legal Division;

(L) The final draw request must be submitted within the Development Period~~construction term as determined in accordance with 10 TAC §13.8(c)(1) or (d)(1) as applicable, unless the construction term has been extended in accordance with 10 TAC §13.12 or 10 TAC §13.13 of this chapter, as applicable~~; ~~and~~

(M) Annually, Borrowers must submit at least one draw, and may not submit more than four draws, unless previously approved by the Executive Director or designee for good cause; and

(N) If allowed by NOFA, requests for draws to be disbursed at the time of closing (i.e., table funding) must be received by the Department at least 45 days prior to the closing of the MFDL loan.~~.~~

(15) Annual Audits and Cost Certifications under 24 CFR §93.406(b).

(A) Annual Audits under 24 CFR §93.406(b). Unless otherwise directed by the Department, the Development Owner shall arrange for the performance of an annual financial and compliance audit of funds received and performances rendered under the Direct Loan Contract, subject to the conditions and limitations set forth in the executed Direct Loan Contract. All approved audit reports will be made available for public inspection within 30 days after completion of the audit.

(B) Cost Certifications under 24 CFR §93.406(b).

(i) Non-HTC-Layered Developments. Within 180 calendar days of the later of all title transfer requirements and construction work having been performed, as reflected

by the Development's Certificate(s) of Occupancy (if New Construction) or Certificate of Substantial Completion (AIA Form G704 or HUD equivalent form), or when all modifications required as a result of the Department's Final Construction Inspection are cleared as evidenced by receipt of the Closed Final Development Inspection Letter, the Development Owner will submit to the Department a cost certification done by an independent licensed certified public accountant of all Development costs (including project NHTF eligible costs), subject to the conditions and limitations set forth in the executed Direct Loan Contract.

(ii) HTC-Layered Developments. With the Cost Certification required by the Low Income Housing Tax Credit Program, the Development Owner must submit to the Department a cost certification completed by an independent licensed certified public accountant of all Development costs (including NHTF project eligible costs), subject to the conditions and limitations set forth in the executed Direct Loan Contract.

§13.12. Pre-Closing Amendments to Direct Loan Terms.

(a) Closing Memo to Underwriting Report. Any changes to the total development cost, expenses, income, and/or other sources of funds from time of the publication of the initial Underwriting Report at the time of award to the time of loan closing, if the type or amount of the sources and uses have changed, must be reevaluated by the Real Estate Analysis division, which will typically publish a Closing Memo to the Underwriting Report. The Report may recommend changes to the principal amount and/or the repayment structure for the Multifamily Direct Loan pursuant to §11.302 of this title (relating to Underwriting Rules and Guidelines), except that the change must have been an available option in the rule or NOFA (as applicable), and may not be made to awards that were competitively scored to the extent that change would have caused the Development to lose points. This will allow the Department to uphold the competitive process, mitigate any increased risk, and to ensure that the Development is not oversubsidized. Where the Department determines such risk is not adequately mitigated, the award may be terminated or reconsidered by the Board. If the changes cause the total Debt Coverage Ratio (DCR) to no longer comply with 10 TAC §11.302 of this title (relating to Underwriting Rules and Guidelines), the award may be subject to termination. The Department may require the Closing Memo to be completed before providing a Contract to the Development Owner.

(b) Executive Approval Required Pre-Closing. The Executive Director or authorized designee may approve amendments to loan terms prior to closing as described in paragraphs (1) - (6) of this subsection. Under no circumstances may an amendment cause the Department to violate or be at risk of violating a federal requirement or deadline.

(1) Extensions to the loan closing date required in 10 TAC §13.11(c)(4) of this chapter

(relating to Post-Award Requirements) may be approved prior to closing. An Applicant must submit sufficient evidence documenting good cause, including but not limited to, documented delays caused by circumstances outside the control of the applicant or constraints in arranging a multiple fund source closing.

(2) Changes to the construction term and/or loan maturity date to accommodate the requirements of other lenders or to maintain parity of term may be approved prior to closing.

(3) Extensions to the Construction Completion date or date of receipt of a Closed Final Development Inspection Letter required in 10 TAC §13.11(c)(~~8~~10) of this chapter may be requested but generally are not approved prior to initial loan closing. Extensions under this paragraph are determined based on documentation that the extension is necessary to complete construction and that there is good cause for the extension.

(4) Only to the extent determined necessary by Real Estate Analysis to maintain financial feasibility, changes to the amortization period (not to exceed 40 years) or interest rate (to not less than the minimum specified in rule or NOFA) may be approved if such changes continue to meet all requirements of Chapter 11, Chapter 13, and the NOFA.

(5) Decreases in the Direct Loan amount, provided the decrease does not jeopardize the financial viability of the Development in the determination of Real Estate Analysis may be approved prior to closing, though the Development Owner may be subject to penalties as further described in 10 TAC §13.11 of this chapter (relating to Post-Award Requirements). Increases will not generally be approved unless the Applicant applies for the additional funding under an open NOFA.

(6) Changes to other loan terms or requirements that would not require a waiver, as necessary to facilitate the loan closing without exposing the Department to undue financial risk.

(c) Board Approval Required Pre-Closing. Board approval is necessary for any other changes prior to closing.

§13.13. Post-Closing Amendments to Direct Loan Terms.

(a) Good Cause Extensions. The Executive Director or authorized designee may approve extensions ~~of up to 12 months~~ under 10 TAC §13.11(c)(1~~7~~) - (8) ~~or (14)(L) of this chapter (relating to Post-Award Requirements)~~ based on documentation that there is good cause for the extension and the extension would not cause the Department to violate or be at risk of violating a federal requirement or deadline.

(b) Amendments to MFDL Awards. Except in cases of Force Majeure, changes to terms of awards subject to mandatory HUD reporting requirements will only be processed after the Construction Completion is reported to the federal oversight entity as completed, and the last of the MFDL funds have been drawn.

(c) Executive Amendments. The Executive Director or authorized designee may approve amendments to loan terms post-closing as described in paragraphs (1) - (3) of this subsection. Board approval is necessary for any other changes post-closing.

(1) Changes in Terms. Changes to the amortization or maturity date to accommodate the requirements of other lenders or maintain parity of term may be approved post-closing, provided the changes result in the Direct Loan continuing to meet the requirements of 10 TAC §13.8(c)(1) and (3) of this chapter (relating to Loan Structure and Underwriting Requirements), and NOFA requirements.

(2) Post-Closing Subordinations or Re-subordinations of MFDL Liens where no Ownership Transfer is Occurring. Re-subordination of the Direct Loan in conjunction with refinancing may be approved post-closing, provided the conditions in subparagraphs (A) - (F~~E~~) of this paragraph are met:

(A) The Borrower is current with loan payments to the Department, and no notice has been given of any Event of Default on any MFDL loan. Histories of late or non-payment on any other MFDL loan may result in denial of the request;

(B) The refinance does not propose payment to any of the Development Owner or Developer parties (including the Limited Partners);

(C) A proposal for partial repayment of the MFDL lien is made with the request, but this is not required if the Borrower is proposing to apply at least $35,000 a Unit to property improvements;

(D) The loan documents do not state that the MFDL lien is due upon refinance;

(~~D~~E) The new superior lien is in an amount that is equal to or less than the original senior lien and does not negatively affect the financial feasibility of the Development.

(i) For purposes of this section, a negative effect on the financial feasibility of the Development shall mean a reduction in the total Debt Coverage Ratio (DCR) of more than 0.05, or if the DCR no longer meets the requirements of 10 TAC §11.302 of this title; and

(ii) Changes to accommodate refinancing with a new superior lien that is in an amount that exceeds the original senior lien and which will be directly applied to property improvements, as evidenced by the loan or security agreements (exclusive

of fees associated with the refinance and any required reserves), will be considered on a case by case basis; and

(FE) The subordination or re-subordination request does not include a request to subordinate or resubordinate any MFDL LURA, with the exception of partial subordination or re-subordination of receivership rights (subject to the proposed receiver entity or Affiliate not having been Debarred by the Department or on the Federal Suspended or Debarred Listing).

(3) Workout Arrangements. Changes required to the Department's loan terms or amounts that are part of an approved Asset Management Division work-out arrangement may be approved after Construction Completion.

(d) Contract Assignments and Assumptions of MFDL Liens. The Executive Director or authorized designee may approve the Contract Assignment and Assumption of MFDL Liens following approval of an Ownership Transfer request if the conditions in paragraphs (1) - (3) of this subsection are met and the conditions in (c)(2) of this section are met:

(1) The assignment or assumption is not prohibited by the Contract, Loan Documents, or regulations and the loan documents do not state that the MFDL loan is due upon sale, transfer, or refinance;

(2) The assignment or assumption request is based on either subparagraph (A) or (B) of this paragraph:

(A) There are insufficient funds available in the transaction to fully repay the Direct Loan at the time of acquisition, for which Deferred Developer Fee, Development Owner or Affiliate Contributions, or other similar liabilities will not be considered in determining whether the Direct Loan could be repaid at the time of acquisition; or

(B) The new superior lien will be directly applied to property improvements as evidenced by the loan or security agreements, exclusive of fees associated with the new financing and any required reserves; and

(3) The corresponding Ownership Transfer has been approved in accordance with all requirements in 10 TAC §10.406 of this title (relating to Ownership Transfers), and no prospective Owner including any person, or affiliate, as those terms are defined in 2 CFR Part 180 and 2 CFR Part 2424, Subpart I, has been subject to state Debarment or are on the Federal Suspended or Debarred Listing. This includes Board Members and Limited Partners.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1246 **Agenda Date:** 1/15/2026 **Agenda #:** 7.

Presentation, discussion, and possible action on the proposed repeal of 10 TAC §10.802, Written Policies and Procedures; proposed new 10 TAC §10.802, Written Policies and Procedures; and directing their publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, staff proposes changes to 10 TAC §10.802, Written Policies and Procedures to incorporate changes made by the U.S. Department of Housing and Urban Development (HUD) to 24 CFR Part 92 by the 2025 HOME Final Rule;

WHEREAS, the proposed changes to 10 TAC §10.802 clarify notification requirements to tenants that reside in units governed under the HOME program, and revise the number of methods of contact for a HOME property that must be in a Developments Written Policies and Procedures;

WHEREAS, staff is also recommending a change to the means by which a property owner with multifamily development loan funds which utilize Contracts, can effectuate a tenant leasing preference that is not required by the Department or another fund source, but impacts Department units, to make this process less onerous; and

WHEREAS, such proposed rulemaking will be published in the *Texas Register* to receive public comment from January 30, 2026, to March 3, 2026, and returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees, be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed repeal of 10 TAC §10.802 Written Policies and Procedures, and the proposed new 10 TAC §10.802 Written Policies and Procedures, are approved for publication in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing, including the preparation of the subchapter specific preambles and any requested changes to the preambles.

BACKGROUND

The purpose of the changes proposed to 10 TAC §10.802 is to comply with the HOME final rule published in the Federal Register on January 6, 2025. The final rule was originally scheduled to take effect February 5, 2025; however, on February 3, 2025, HUD delayed the effective date of the HOME Final Rule until April 20, 2025, consistent with the President's January 20, 2025, memorandum titled "Regulatory Freeze Pending Review." The compliance dates detailed in various paragraphs of 24 CFR §92.3 of the HOME Final Rule are being revised to April 30, 2026, to ensure participating jurisdictions have a 1-year compliance period, as originally described in the HOME Final Rule.

Staff are proposing these changes now in order to have the necessary changes in effect by April 30, 2026, deadline to be in compliance with the HOME final rule.

Changes to the Written Policies and Procedures rule require a development owner to:

- Addition at §10.802(g)(2)(E) - Provide non-renewal and termination notices to TDHCA before delivering them to tenants of HOME units, HOME match units, and TCAP-RF units used as HOME match units.

- Addition at §10.802(k) - Requires Developments funded via Direct Loan and that have HOME Match units to list at least two methods to contact the property in the Development's written policies and procedures.

Additionally, one other change is being made. Over the last two years the Department has consistently been asked by one supportive housing developer to change §10.802(b)(2)(A) of this rule so that the process for a property that wants to put in place a voluntary preference tied to another non-Department funding source is less challenging. Currently when a property wants to add a voluntary preference (such as for homeless families) they must get Department permission and have it recorded in the Land Use Restriction Agreement (LURA). This is because Section 2306.185(d) of the Tex. Gov't Code, requires that a LURA have provisions that allow Section 2306.269 (concerning tenant selection criteria) to be enforceable by third-parties. The Owner has represented that a LURA amendment is a time-consuming process that requires the Developer to get concurrence from all parties to the transaction including lenders and investors and can take up to a year to effectuate.

This rule is in place to ensure that there is a written agreement between the property and the Department relating to tenant preferences as required by federal funding requirements, and to ensure that properties are not applying preferences without Department authority which may be in conflict in some cases with fair housing laws and IRS general public use rules. It should be noted that the Department does not enforce the Fair Housing Act in Texas, but rather Texas Workforce Commission does so. Staff feels strongly that all such preferences still must require Department authorization and that they be in a written agreement, however staff is suggesting a revision that this agreement may be a Contract between the Department and the Owner so long as the Contract is in effect.

Upon Board approval, the proposed rule actions will be published in the *Texas Register* and released for public comment from January 30, 2026, to March 3, 2026. Behind the preamble is a copy of the rule in blackline form reflecting the changes being proposed from the current version of the rule.

Attachment A: Preamble, including required analysis, for the proposed repeal of 10 TAC Chapter 10, Subchapter G, §10.802 Written Policies and Procedures

The Texas Department of Housing and Community Affairs (the Department) proposes the repeal of 10 TAC Chapter 10, Subchapter G, Section 10.802 Written Policies and Procedures. The purpose of the proposed repeal is to eliminate an outdated rule and replace it simultaneously with a new rule that addresses new federal HOME regulations.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.
Mr. Bobby Wilkinson has determined that, for the first five years the repeal would be in effect:

1. The repeal does not create or eliminate a government program but relates to changes to an existing activity: the administration of the HOME Program.

2. The repeal does not require a change in work that creates new employee positions nor does it create savings that would allow for a reduction in employee positions.

3. The repeal does not require additional future legislative appropriations.

4. The repeal will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The repeal is not considered to expand an existing regulation.

7. The repeal does not increase the number of individuals subject to the rule's applicability.

8. The repeal will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.
The Department has evaluated the repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The repeal does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the repeal as to its possible effects on local economies and has determined that for the first five years the repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the changed sections would be an updated and more germane rule. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT. The Department requests comments on the repeal of the rule. The public comment period will be held January 30, 2026 to March 3, 2026, to receive input on the proposed action. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Housing Resource Center, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941 or email Jeremy.stremler@tdhca.texas.gov. ALL COMMENTS AND INFORMAITON MUST BE RECEIVED BY 5:00 P.M. Central time March 3, 2026.

STATUTORY AUTHORITY. The repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the repeal affects no other code, article, or statute.

§10.802. Written Policies and Procedures

Attachment B: Preamble, including required analysis, for the proposed new 10 TAC Chapter 10, Subchapter G, §10.802 Written Policies and Procedures

The Texas Department of Housing and Community Affairs (the Department) proposes new 10 TAC Chapter 10, Subchapter G, §10.802 Written Policies and Procedures. The purpose of the proposed new section is to bring the rule up to date by including updates from the new federal HOME final rule and clarifying and correcting language.

Tex. Gov't Code §2001.0045(b) does not apply to the rule proposed for repeal because there are no additional costs associated with this action. No additional funds will be needed to implement this rule.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.
Mr. Bobby Wilkinson has determined that, for the first five years the new sections would be in effect:

1. The rule does not create or eliminate a government program but relates to changes to an existing activity: the administration of the HOME Program.

2. The rule does not require a change in work that creates new employee positions nor does it create savings that would allow for a reduction in employee positions.

3. The new section will not require additional future legislative appropriations.

4. The new section will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The new section is not creating a new regulation.

6. The new section does expand on an existing regulation.

7. The new section does not increase the number of individuals subject to the rule's applicability.

8. The new section will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.
The Department has evaluated the new section and determined that it will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The new section does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.
d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the new section as to its possible effects on local economies and has determined that for the first five years the new section would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section would be a rule compliant with the federal regulations for the HOME Program. There will not be economic costs to individuals required to comply with the new section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new section is in effect, enforcing or administering the sections will have no economic costs.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the rule and also requests information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period will be held from January 30, 2026 to March 3, 2026. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Housing Resource Center, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, or by email to Jeremy.stremler@tdhca.texas.gov. ALL COMMENTS AND INFORMAITON MUST BE RECEIVED BY 5:00 pm Central time, March 3, 2026.

STATUTORY AUTHORITY. The rule action is proposed pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed new section affects no other code, article, or statute.

10 TAC Chapter 10, Subchapter G, §10.802 Written Policies and Procedures

§10.802. Written Policies and Procedures.

(a) The purpose of this section is to outline the policies and/or procedures of the Department (also called tenant section criteria) that are required to have written documentation. If an Owner fails to have such Written Policies and Procedures, or fails to follow their Written Policies and Procedures it will be handled as an Event of Noncompliance as further provided in §10.803 of this subchapter (relating to Compliance and Events of Noncompliance).

(1) Owners must inform applicants/tenants in writing, at the time of application, or at the time of other actions described in this section, that such policies/procedures as described in this section are available, and that the Owner will provide copies upon request to applicants/tenants or their representatives.

(2) The Owner must have all policies and related documentation required by this section and the TDHCA form based on HUD form 5380 "Notice of Occupancy Rights under the Violence Against Women Act" and the HUD form 5382 "Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking and Alternate Documentation" available in the leasing office and anywhere else where applications are taken; Developments that accept electronic applications must maintain on their website these Written Policies and Procedures and the same noted forms.

(3) All policies must have an effective date. Any changes made to the policies require a new effective date, and a notice regarding the availability of new policies must be communicated to tenants in writing. Acceptable forms of notification in writing are:

(A) Written notice to each household through an active communications portal or online rental payment portal, if either are used at the Development;

(B) written notice via hard copy placed on the door to each occupied Unit;

(C) a notice online on the Development's website, if the Development has one; or

(D) a hard copy notice posted in the leasing office's public area for at least 30 calendar days.

(4) In general, policies addressing credit, criminal history, and occupancy standards cannot be applied retroactively. Tenants who already reside in the Development or applicants on the waitlist at the time new or revised tenant selection criteria are applied, and who are otherwise in good standing under the lease or waitlist, must not receive notices of termination or non-renewal based solely on their failure to meet the new or revised tenant selection criteria or be passed over on the waitlist. However, criteria related to program eligibility may be applied retroactively when a

market rate development receives a new award of tax credits, federal, or state funds and a household is not eligible under the new program requirements, or when prior criteria violate federal or state law.

(b) Tenant Selection Criteria. A Development Owner must maintain current and prior versions of the written Tenant Selection Criteria, for the longer of the records retention period that applies to the program, or for as long as tenants who were screened under the historical criteria are occupying the Development.

(1) The criteria identified by a Development must be reasonably related to an applicant's ability to perform under the lease (for a Development with MFDL funding this means to pay the rent, not to damage the housing, and not to interfere with the rights and quiet enjoyment of other tenants) and include at a minimum:

(A) Requirements that determine an applicant's basic eligibility for the Development, including any preferences, restrictions (such as the Occupancy Standard Policy), the Waitlist Policy, Changes in Housing Designation Policy, low income unit designations utilized, and any other tenancy requirements. Any restrictions on student occupancy and any exceptions to those restrictions, as documented in the tenant file as provided for in 10 TAC §10.612(b)(2) of this chapter (relating to Tenant File Requirements) must be stated in the policies;

(B) Applicant screening criteria, including what applicant attributes are screened and what scores or findings would result in ineligibility;

(C) The following statement: Screening criteria will be applied in a manner consistent with all applicable laws, including the Texas and Federal Fair Housing Acts, the Federal Fair Credit Reporting Act, program guidelines, and TDHCA's rules;

(D) Specific age requirements if the Development is operating as an Elderly Property either under the Housing for Older Persons Act of 1995 as amended (HOPA), or the age related eligibly criteria required by its use of federal funds.

(2) The criteria must not:

(A) Include limitations unless it is in a recorded LURA that has been approved by the Department;

(B) Include preferences for admission, unless it is:

(i) in a recorded LURA or Contract that ~~which~~ has been approved by the Department (preferences are required to be in a written agreement (i.e. a LURA or Contract)),

(ii) when a Development has federal or state funding, except for the preference allowed by paragraph (3) of this subsection~~)~~,

(iii) is required by a program in which the Owner is participating that~~which~~ requires the preference, or

(iv) is allowed by paragraph (3) of this subsection.

(v) Owners that include preferences in their leasing criteria due to other federal financing must provide to the Department either written approval from HUD, USDA, or VA for such preferences, or identify the statute, written agreement, or federal guidance documentation that permits the adoption of this preference.

(vi) A preference may be required to be in a LURA as a result of a subordination agreement, Rider, or other similar instrument, that the Department is requested to execute with another funding source;

(C~~B~~) Exclude an individual or family from admission to the Development solely because the household participates in the HOME Tenant Based Rental Assistance Program, the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S.C. §1-437), or other federal, state, or local government rental assistance program. If an Owner adopts a minimum income standard for households participating in a voucher program, it is limited to the greater of a monthly income of 2.5 times the household's share of the total monthly rent amount or $2,500 annually; or

(D~~C~~) In accordance with VAWA, deny admission on the basis that the applicant has been a victim of domestic violence, dating violence, sexual assault, or stalking.

(3) If the Development is funded with HOME, HOME ARP, TCAP RF, NHTF, or NSP funds, in accordance with 24 CFR §93.356 and 24 CFR §92.359, the criteria may have a preference for persons who have experienced domestic violence, dating violence, sexual assault, or stalking.

(4) Occupancy Standard Policy.

(A) If the Development restricts the number of occupants in a Unit in a more restrictive manner than found in Section 92.010 of the Texas Property Code, the Occupancy Standard Policy must allow at least two persons per Bedroom plus one additional person per Unit. An Efficiency Unit that is greater than 600 square feet, must also have an Occupancy Standard Policy of at least three persons per Unit. In an SRO or in an Efficiency that is less than 600 square feet, the Occupancy Standard Policy must allow at least two persons per Unit. Supportive housing or transitional housing Developments where all Units in the Development are SROs or Efficiencies,

are not required by the Department to have an Occupancy Standard Policy, except as required for the 811 PRA Program or as reflected in the Development's LURA.

(B) A Development may adopt a more restrictive standard than described in subparagraph (A) of this paragraph, if the Development is required to utilize a more restrictive standard by a local governmental entity, or a federal funding source. However, the Development must have this information available onsite for Department review.

(C) Except for an Elderly Development that meets the requirements of the Housing for Older Persons Act exception under the Fair Housing Act, the Occupancy Standard Policy must state that children that join the household after the start of a lease term will not cause a household to be in violation of the lease.

(c) Reasonable Accommodations Policy. Owners must maintain a written Reasonable Accommodations policy. The policy must be maintained at the Development. Owners are responsible for ensuring that their employees and contracted third party management companies are aware of and comply with the reasonable accommodation policy.

(1) The policy must provide:

(A) Information on how an applicant or current resident with a disability may request a reasonable accommodation;

(B) How transfers related to a reasonable accommodation will be addressed; and

(C) A timeframe in which the Owner will respond to a request that is compliant with §1.204(b)(3) and (d) of this title (relating to Reasonable Accommodations).

(2) The policy must not:

(A) Require a household to make a reasonable accommodation request in writing;

(B) Require a household whose need is readily apparent to provide third party documentation of a disability;

(C) Require a household to provide specific medical or disability information other than the disability verification that may be requested to verify eligibility for reasonable accommodation;

(D) Exclude a household with person(s) with disabilities from admission to the Development because an accessible unit is not currently available; or

(E) Require a household to rent a unit that has already been made accessible.

(d) Waitlist Policy. Owners must maintain a written waitlist policy, regardless of current Unit availability. The policy must be maintained at the Development. The policy must include procedures the Development uses in:

(1) Opening, closing, and selecting applicants from the waitlist, including but not limited to the requirements in §10.615(b) of this title (relating to Elections under IRC §42(g) and Additional Income and Rent Restrictions for HTC, Exchange, and TCAP Developments);

(2) Determining how lawful preferences are applied; and

(3) Procedures for prioritizing applicants needing accessible Units in accordance with 24 CFR §8.27, and Chapter 1, Subchapter B of this title (relating to Accessibility and Reasonable Accommodations).

(e) Changes in Household Designation Policy. This is applicable if a Development has adopted a policy in accordance with §10.611(c) of this subchapter (relating to Determination, Documentation and Certification of Annual Income).

(f) Denied Application Policies. Owners must maintain a written policy regarding the procedures they will follow when denying an application and when notifying denied applicants of their rights.

(1) The policy must address the manner by which rejections of applications will be handled, including timeframes and appeal procedures, if any.

(2) Within seven days after the determination is made to deny an application, the owner must provide any rejected or ineligible applicant that completed the application process a written notification of the grounds for rejection. The written notification must include:

(A) The specific reason for the denial and reference the specific leasing criteria upon which the denial is based;

(B) Contact information for any third parties that provided the information on which the rejection was based and information on the appeals process, if one is used by the Development. An appeals procedure is required for HOME Developments that are owned by Community Housing Development Organizations, and Units at Developments that lease Units under the Department's Section 811 PRA program. The appeals process must provide a 14-day period for the applicant to contest the reason for the denial, and comply with other requirements of the HUD Handbook 4350.3 4-9; and

(C) The TDHCA form based on HUD form 5380 "Notice of Occupancy Rights under the Violence Against Women Act" and the HUD form 5382 "Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking and Alternate Documentation."

(3) The Development must keep and may periodically be requested to submit to the Department a log of all denied applicants that completed the application process to include:

(A) Basic household demographic and rental assistance information, if requested during any part of the application process; and

(B) The specific reason for which an applicant was denied.

(4) If an 811 applicant is being denied, within three calendar days of the denial the Department's 811 PRA Program point of contact must be notified and provided with a copy of the written notice that was provided to the applicant.

(g) Non-renewal and/or Termination Notices. A Development Owner must maintain a written policy regarding procedures for providing households non-renewal and termination notices.

(1) The O~~e~~wner must provide in any non-renewal or termination notice, a specific and lawful reason for the termination or non-renewal.

(2) The notification must:

(A) Be delivered as required under applicable program rules and the lease. For HOME, HOME ARP, TCAP RF, NHTF, NSP, HTC, TCAP, ERA, and Exchange Developments, see 10 TAC §10.613(a) - (b) of this chapter (relating to Lease Requirements). For Section 811 PRA, see 24 CFR §247.4(a) - (f);

(B) Include the TDHCA form based on HUD form 5380 "Notice of Occupancy Rights under the Violence Against Women Act" and the HUD form 5382 "Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking and Alternate Documentation." To avoid providing applicants and residents with duplicate information, TDHCA administered Developments layered with other federal funds are permitted to amend the TDHCA VAWA forms to incorporate requirements of other funders. However, none of the information included in the TDHCA created form may be omitted;

(C) State how a person with a disability may request a reasonable accommodation in relation to such notice; ~~and~~

(D) Include information on the appeals process if one is used by the Development (this process is required under some LURAs, for HOME Developments that are owned or sponsored by Community Housing Development Organizations, and for 811 PRA units); and.

(E) For Units subject to the 2025 HOME Final Rule as identified in §10.601(g), of this chapter relating to 2025 HOME Final Rule applicability,

1. Such notice should be provided in a translated format when needed to ensure meaningful access for limited English proficient (LEP) persons; and

2. Be provided to TDHCA within the timeframe identified in §10.613(o)(4) if this chapter, relating to Notices to Vacate.

(h) At the time of application Owners must provide each adult in the household the TDHCA form based on HUD form 5380 "Notice of Occupancy Rights under the Violence Against Women Act" and the HUD form 5382 "Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking and Alternate Documentation." To avoid providing applicants and residents with duplicate information, TDHCA administered Developments layered with other federal funds are permitted to amend the TDHCA VAWA forms to incorporate requirements of other funders. However, none of the information included in the TDHCA created form may be omitted.

(i) Policies and procedures will be reviewed periodically by the Department's Fair Housing staff, as a result of complaints, or through an owner initiated written policies and procedures review. Owners may request a review of the written policies and procedures for a portfolio of Developments by submitting a request to fair.housing@tdhca.state.tx.us. After review by the Department, an Owner may make non-substantive changes to the policies.

(j) A Development Owners must allow applicants to submit applications via mail and at the Development site or leasing office; if the Development is electronically equipped, the Development may also allow applications to be submitted via email, website form, or fax. The Development's tenant selection criteria must state available alternate means of submission and include address, email, or other necessary contact information on the form or its attached leasing criteria.

(k) If the Development has ever been funded via Direct Loan or has HOME Match units, the Development's written policies and procedures must list at least two methods to contact the Development.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1247 **Agenda Date:** 1/15/2026 **Agenda #:** 8.

Presentation, discussion, and possible action on the draft 2026 State of Texas Low Income Housing Plan and Annual Report; proposed repeal of 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.23 concerning State of Texas Low Income Housing Plan and Annual Report; proposed new 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.23 concerning State of Texas Low Income Housing Plan and Annual Report; and directing their publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, Tex. Gov't Code §2306.0721 requires that the Department produce a state low income housing plan, and Tex. Gov't Code §2306.0722 requires that the Department produce an annual low income housing report;

WHEREAS, Tex. Gov't Code §2306.0723 requires that the Department consider the annual low income housing plan and report to be a rule;

WHEREAS, the draft 2026 State of Texas Low Income Housing Plan and Annual Report (SLIHP) has been developed as a proposed rule, by reference, and must be published for public comment;

WHEREAS, 10 TAC §1.23, which adopts the SLIHP by reference, is required to be repealed and replaced to reflect the updated SLIHP; and

WHEREAS, upon authorization of this item, the proposed rule action will be published in the *Texas Register* for public comment from February 6, 2026, through March 8, 2026;

NOW, therefore, it is hereby

RESOLVED, that staff is hereby directed to cause the draft 2026 State of Texas Low Income Housing Plan and Annual Report, in the form presented to this meeting, together with such grammatical and non-substantive technical corrections as they may deem necessary or advisable, to be published online for public comment, a notice of which will be published in the *Texas Register*, and in connection therewith, to make such non-substantive grammatical and technical changes as they deem necessary or advisable; and

FURTHER RESOLVED, that the Executive Director and his designees be and each of them are hereby authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed repeal and proposed new 10 TAC §1.23, State of Texas Low Income Housing Plan and Annual Report, in the form presented to this meeting to be published in the *Texas Register* for review and public comment, and in connection therewith, to make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any

changes required to the preambles.

BACKGROUND

The Texas Department of Housing and Community Affairs (TDHCA or the Department) is required to prepare and submit to the Board not later than March 18 of each year an annual report of the Department's housing activities for the preceding year. This State of Texas Low Income Housing Plan and Annual Report (SLIHP) must be submitted annually to the Governor, Lieutenant Governor, Speaker of the House, and legislative oversight committee members not later than 30 days after the Board receives and approves the final SLIHP. The document offers a comprehensive reference on statewide housing needs, housing resources, and strategies for funding allocations. It reviews TDHCA's housing programs, current and future policies, resource allocation plans to meet state housing needs, and reports on performance during the preceding state fiscal year (September 1, 2024, through August 31, 2025). It should be noted that for many of the programs represented in the SLIHP, federal funding entities require program-specific planning documents; in those cases, the planning document for the program as submitted to the federal oversight agency is the governing plan.

Proposed Rule and Public Comment

Tex. Gov't Code §2306.0723 requires that the Department consider the SLIHP to be a rule and in developing the SLIHP, the Department is required to follow rulemaking procedures required by Texas Government Code, Chapter 2001. Attachments A and B provided under this item propose the repeal and new replacement of 10 TAC §1.23, State of Texas Low Income Housing Plan and Annual Report, which adopts the SLIHP by reference, and directs their publication for public comment in the *Texas Register.* The proposed repeal and proposed new rule will be made available for 30 days of public comment from Friday, February 6, 2026, through Sunday, March 8, 2026.

Draft 2026 SLIHP and Public Comment

The draft 2026 SLIHP will be made available for 30 days of public comment from Friday, January 16, 2026, through Monday, February 16, 2026, at 5:00 pm Austin local time. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Housing Resource Center, SLIHP Comments, P.O. Box 13941, Austin, Texas 78711-3941 or by email to the following address: info@tdhca.texas.gov. A public hearing for the draft 2026 SLIHP will be held at the following time and location:

Tuesday, February 10, 2026
2:00 p.m.
Stephen F. Austin Building Room 172
1700 N Congress Ave,
Austin, TX 78701

The full text of the draft 2026 SLIHP may be viewed at the Department's website at either of the following two locations: TDHCA Public Comment Center: <https://www.tdhca.texas.gov/tdhca-public-comment-center> or TDHCA Board Meeting Information Center: <https://www.tdhca.texas.gov/tdhca-board-meeting-information-center> The public may also receive a copy of the draft 2026 SLIHP by contacting the Department's Housing Resource Center at (512) 475-3976.

All HUD Comprehensive Housing Affordability (CHAS) data in the document is still utilizing the 2017-2021 dataset. Per HUD's data update schedule the 2018-2022 dataset should have been published in September 2025, but data was never released. Due to the government shutdown all data releases were halted. Staff anticipate new data being released after the shutdown ended and should have new CHAS data for the final version of the SLIHP prior to the document being finalized in March.

If there are no substantive changes needed based on public comment, staff will finalize the SLIHP and distribute it to the Texas Governor, Lieutenant Governor, Speaker of the House, and legislative oversight committee members prior to the March 18th deadline without a need for further board approval. It is expected that the final SLIHP rule action will be presented to the Board for approval at the board meeting on Thursday, April 9, 2026.

Attachment A: Preamble, including required analysis, for proposed repeal of 10 TAC §1.23 State of Texas Low Income Housing Plan and Annual Report (SLIHP)

The Texas Department of Housing and Community Affairs (the Department) proposes the repeal of 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.23, State of Texas Low Income Housing Plan and Annual Report (SLIHP). The purpose of the proposed repeal is to eliminate an outdated rule while adopting a new updated rule under separate action, in order to adopt by reference the 2026 SLIHP.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the proposed repeal would be in effect:

1. The proposed repeal does not create or eliminate a government program, but relates to the repeal, and simultaneous adoption by reference the 2026 SLIHP, as required by Tex. Gov't Code §2306.0723.

2. The proposed repeal does not require a change in work that would require the creation of new employee positions, nor is the proposed repeal significant enough to reduce work load to a degree that any existing employee positions are eliminated.

3. The proposed repeal does not require additional future legislative appropriations.

4. The proposed repeal does not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The proposed repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The proposed action will repeal an existing regulation, but is associated with a simultaneous readoption in order to adopt by reference the 2026 SLIHP.

7. The proposed repeal will not increase or decrease the number of individuals subject to the rule's applicability.

8. The proposed repeal will not negatively or positively affect this state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.
The Department has evaluated this proposed repeal and determined that the proposed repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The proposed repeal does not contemplate nor authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).
The Department has evaluated the proposed repeal as to its possible effects on local economies and has determined that for the first five years the proposed repeal would be in effect there would be no

economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the proposed repeal is in effect, the public benefit anticipated as a result of the repealed section would be an updated more germane rule that will adopt by reference the 2026 SLIHP. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the proposed repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT. The 30-day public comment period for the rule will be held Friday, February 6, 2026, to Sunday, March 8, 2026, to receive input on the proposed repealed section. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Housing Resource Center, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, or email info@tdhca.texas.gov. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Austin local (Central) time, Sunday, March 8, 2026.

STATUTORY AUTHORITY. The proposed repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed repealed section affects no other code, article, or statute.

10 TAC §1.23 State of Texas Low Income Housing Plan and Annual Report (SLIHP)
Attachment B: Preamble for proposed new 10 TAC §1.23 State of Texas Low Income Housing Plan and Annual Report (SLIHP)

The Texas Department of Housing and Community Affairs (the Department) proposes new 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.23 State of Texas Low Income Housing Plan and Annual Report (SLIHP). The purpose of the proposed new section is to provide compliance with Tex. Gov't Code §2306.0723 and to adopt by reference the 2026 SLIHP, which offers a comprehensive reference on statewide housing needs, housing resources, and strategies for funding allocations. The 2026 SLIHP reviews TDHCA's housing programs, current and future policies, resource allocation plans to meet state housing needs, and reports on performance during the preceding state fiscal year (September 1, 2024, through August 31, 2025).

Tex. Gov't Code §2001.0045(b) does not apply to the rule proposed for action because it is exempt under item (c)(9) because it is necessary to implement legislation. Tex. Gov't Code §2306.0721 requires that the Department produce a state low income housing plan, and Tex. Gov't Code §2306.0722 requires that the Department produce an annual low income housing report. Tex. Gov't Code §2306.0723 requires that the Department consider the annual low income housing report to be a rule. This rule provides for adherence to that statutory requirement. Further no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the proposed new rule would be in effect:

1. The proposed new rule does not create or eliminate a government program, but relates to the adoption, by reference, of the 2026 SLIHP, as required by Tex. Gov't Code §2306.0723.

2. The proposed new rule does not require a change in work that would require the creation of new employee positions, nor are the rule changes significant enough to reduce work load to a degree that eliminates any existing employee positions.

3. The proposed new rule changes do not require additional future legislative appropriations.

4. The proposed new rule changes will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The proposed new rule is not creating a new regulation, except that it is replacing a rule being repealed simultaneously to provide for revisions.

6. The proposed new rule will not expand, limit, or repeal an existing regulation.

7. The proposed new rule will not increase or decrease the number of individuals subject to the rule's applicability.

8. The proposed new rule will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002. The Department, in drafting this proposed rule, has attempted to reduce any adverse economic effect on small or micro-business or rural communities while remaining consistent with the statutory requirements of Tex. Gov't Code §2306.0723.

1. The Department has evaluated this rule and determined that none of the adverse effect strategies outlined in Tex. Gov't Code §2006.002(b) are applicable.

2. There are no small or micro-businesses subject to the proposed rule for which the economic impact of the rule is projected to be null. There are no rural communities subject to the proposed rule for which the economic impact of the rule is projected to be null.

3. The Department has determined that because the proposed rule will adopt by reference the 2025 SLIHP, there will be no economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The proposed rule does not contemplate nor authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).
The Department has evaluated the rule as to its possible effects on local economies and has determined that for the first five years the rule will be in effect the proposed rule has no economic effect on local employment because the proposed rule will adopt by reference the 2026 SLIHP; therefore, no local employment impact statement is required to be prepared for the rule.

Tex. Gov't Code §2001.022(a) states that this "impact statement must describe in detail the probable effect of the rule on employment in each geographic region affected by this rule…" Considering that the proposed rule will adopt by reference the 2026 SLIHP there are no "probable" effects of the new rule on particular geographic regions.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section will be an updated and more germane rule that will adopt by reference the 2026 SLIHP, as required by Tex. Gov't Code §2306.0723. There will not be any economic cost to any individuals required to comply with the new section because the adoption by reference of prior year SLIHP documents has already been in place through the rule found at this section being repealed.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new section is in effect, enforcing or administering the new section does not have any foreseeable implications related to costs or revenues of the state or local governments because the new rule will adopt by reference the 2026 SLIHP.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the rule and also requests information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person

required to comply with the proposed rule or any other interested person. The 30-day public comment period for the rule will be held Friday, February 6, 2025, to Sunday, March 8, 2026, to receive input on the new proposed section. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Housing Resource Center, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941 or email info@tdhca.texas.gov. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Austin local (Central) time, Sunday, March 8, 2026.

STATUTORY AUTHORITY. The new section is proposed pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed new section affects no other code, article, or statute.

§1.23 State of Texas Low Income Housing Plan and Annual Report (SLIHP)

The Texas Department of Housing and Community Affairs (TDHCA or the Department) adopts by reference the 2026~~5~~ State of Texas Low Income Housing Plan and Annual Report (SLIHP). The full text of the 2026~~5~~ SLIHP may be viewed at the Department's website: www.tdhca.texas.gov. The public may also receive a copy of the 2026~~5~~ SLIHP by contacting the Department's Housing Resource Center at (512) 475-3976.



DRAFT 2026 State of Texas Low Income Housing Plan and Annual Report

Draft as submitted to the TDHCA Board on January 15, 2026

Prepared by:

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SECTION 1: INTRODUCTION

The Texas Department of Housing and Community Affairs (TDHCA or the Department) is the State of Texas' lead agency responsible for affordable housing, community and energy assistance programs, colonia activities, homelessness activities and regulation of the state's manufactured housing industry. TDHCA offers a range of housing assistance programs for lower income Texans with services ranging from homelessness prevention to homeownership.

This section is organized as follows:

- Institutional Structure
- Agency Mission and Charge
- Administrative Structure
- 2026 State of Texas Low Income Housing Plan and Annual Report (SLIHP) Overview

INSTITUTIONAL STRUCTURE

In 1991, the 72nd Texas Legislature created the Texas Department of Housing and Community Affairs. The Department's enabling statute, Tex. Gov't Code Chapter 2306, combined programs from the Texas Housing Agency, the Texas Department of Community Affairs, and the Community Development Block Grant (CDBG) Program from the Texas Department of Commerce.

On September 1, 1992, two programs were transferred to TDHCA from the Texas Department of Human Services: the Low Income Home Energy Assistance Program (LIHEAP) and the Emergency Nutrition and Temporary Emergency Relief Program (ENTERP). LIHEAP remains at the Department, but ENTERP was discontinued in 2006. Effective September 1, 1995, in accordance with House Bill 785 from the 74th Texas Legislature, the regulation of manufactured housing was transferred to the Department. In accordance with House Bill 7 from the 77th Texas Legislature, effective September 1, 2002, the CDBG and Local Government Services programs were transferred to the newly-created Office of Rural Community Affairs, now the Trade and Business Development Division, within the Texas Department of Agriculture (TDA). TDHCA, through an interagency agreement with TDA, administers 2.5% of the CDBG funds to be used for colonia Self-Help Centers (SHCs) along the Texas-Mexico border. Effective September 1, 2002, in accordance with Senate Bill 322 from the 77th Texas Legislature, the Manufactured Housing Division became an independent entity that is administratively attached to TDHCA. Effective July 1, 2011, the CDBG Disaster Recovery Programs were transferred from TDHCA to the Texas General Land Office. In 2020, the Department was designated by Governor Greg Abbott to serve as the recipient agency for CDBG funds under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In 2021, TDHCA received significant COVID pandemic response funding through existing programs, as well as several new programs, which are outlined in Section 5.

AGENCY MISSION AND CHARGE

The mission of TDHCA is to administer its assigned programs efficiently, transparently, and lawfully, to invest its resources strategically, and to develop high quality affordable housing, which allows Texas' communities to thrive.

TDHCA accomplishes this mission by administering a variety of housing and community affairs programs primarily for households whose incomes are low to moderate as determined by either Area Median Family Income (AMFI), Area Median Income (AMI), or the federal poverty level. A major function of TDHCA is to act as a conduit for federal resources and grant funds for housing and community services, including serving as a Public Housing Authority (PHA). Since several major housing programs require the participation of private investors and private lenders, TDHCA also operates as a Housing Finance Agency (HFA). With a few limited exceptions, TDHCA does not assist individuals or households directly with its permanent programs (although several of TDHCA's larger pandemic programs assisted households directly). Rather, TDHCA awards funds and other assistance to local organizations, who utilize this assistance to meet local needs in accordance with applicable state and federal laws, rules, and regulations and contractual terms.

More specific policy directives are provided in Tex. Gov't Code §2306.002:

> (a) The legislature finds that:
>
> (1) every resident of this state should have a decent, safe and affordable living environment;
>
> (2) government at all levels should be involved in assisting individuals and families of low income in obtaining a decent, safe, and affordable living environment; and
>
> (3) the development and diversification of the economy, the elimination of unemployment or underemployment, and the development or expansion of commerce in this state should be encouraged.
>
> (b) The highest priority of the department is to provide assistance to individuals and families of low and very low income who are not assisted by private enterprise or other governmental programs so that they may obtain affordable housing or other services and programs offered by the department.

Agencies that provide the Department funds to meet legislative goals include: the U.S. Department of Housing and Urban Development (HUD), U.S. Department of the Treasury (Treasury), U.S. Department of Health and Human Services (USHHS), U.S. Department of Energy (DOE), and State of Texas General Revenue funds. TDHCA administers two federal Low Income Housing Tax Credit (LIHTC) programs, a competitive 9% Housing Tax Credit (HTC) Program and a non-competitive 4% HTC Program paired with Private Activity Bonds (PAB). TDHCA utilizes private sector financing mechanisms to assist in the acquisition, construction and rehabilitation of multifamily development across the state. With these resources, TDHCA strives to promote sound housing policies by leveraging state and local resources to ensure the stability and continuity of services through a fair, nondiscriminatory, and open process. TDHCA ensures that any programs it administers that are subject to the requirement to affirmatively further fair housing remain in compliance with applicable regulations. Due to the great amount of need in proportion to the federal and state funding

available, the Department strives to provide the most benefit to the people of Texas by effectively managing limited resources.

TDHCA is one organization in a network of housing and community services providers located throughout Texas. This document focuses on programs within TDHCA's oversight, which are intended to work either in cooperation with or as complements to the funding and services provided by other organizations.

ADMINISTRATIVE STRUCTURE

Department programs are grouped into the following divisions:

- The Community Affairs Division administers the Community Services Block Grant (CSBG) Program, the Comprehensive Energy Assistance Program (CEAP), and the Weatherization Assistance Program (WAP).
- The Community Development Block Grant Division (CDBG) was established in 2020 in response to the CDBG CARES Act (CDBG-CV) funds being directed to TDHCA for administration. CDBG has administered and successfully implemented the Texas Emergency Rental Assistance Program (TERAP), the Texas Emergency Mortgage Assistance Program (TEMAP), Food Bank Reimbursement Assistance (FBRA), Relief to Providers of Assistance for Persons with Disabilities, and the Legal Services for Persons with Disabilities. The two program activities still being administered are the Community Resiliency Program (CRP) and the Legal Services for Persons with Disabilities.
- The HOME American Rescue Plan (HOME-ARP) Division was established in 2021 in response to the COVID-19 pandemic to administer HOME-ARP funds to assist individuals or households who are homeless, at-risk of homelessness, and other vulnerable populations.
- The Housing Stability Services Division (HSS) was established in 2021 in response to the COVID-19 pandemic and administers the Housing Stabilization Services (HSS) Program. The program is funded by the U.S. Department of Treasury through the Emergency Rental Assistance (ERA1 and ERA2) which allows a portion of the funds to be utilized for housing stability services.
- The Manufactured Housing Division administers the Texas Manufactured Housing Standards Act. The Manufactured Housing Division is administratively attached to TDHCA, although it operates independently with its own executive director and governing board.
- The Multifamily Finance Division administers two federal Low Income Housing Tax Credit (LIHTC) programs, the competitive 9% Housing Tax Credit (HTC) Program and the 4% HTC program in conjunction with the Bond Finance Division. In addition, the division operates the Multifamily Direct Loan (MF Direct Loan) program, which is funded using several federal programs such as the HOME Investment Partnership Program and the national Housing Trust Fund.
- The Multifamily Bond Division administers the 4% HTC Program and the Multifamily Bond Program.

- The Section 811 Project Rental Assistance (Section 811 PRA) Division administers the Section 811 PRA Program which provides project-based rental assistance to multifamily properties for them to serve low-income persons with disabilities.
- The Single Family and Homeless Programs Division (SFHP) administers Single Family HOME Investment Partnerships (HOME) Program activities, including Contract for Deed (CFD), Single Family Development (SFD), Tenant-Based Rental Assistance (TBRA), Homeowner Reconstruction Assistance (HRA), and Homebuyer Assistance with New Construction (HANC). The SFHP Division also administers the Texas Housing Trust Fund (Texas HTF) programs, the Office of Colonia Initiatives (OCI) Colonia Self-Help Centers (CSHC) program, and the Neighborhood Stabilization Program (NSP). Texas HTF programs include the Amy Young Barrier Removal (AYBR) Program and the Texas Bootstrap Loan (Bootstrap) Program. The Division, through the OCI, includes a Border Field Officer (BFO) and the Administrator of the OCI, who act as liaisons between the Department and the nonprofit organizations and units of local government that administer the CSHC Program and other Department programs along the Texas-Mexico border, and may work in field offices. The OCI provides technical assistance to nonprofits, for-profits, units of local government, community organizations, and colonia residents along the 150-mile Texas-Mexico border region. Homelessness programs administered by this division include the Emergency Solutions Grants (ESG) Program, the Homeless Housing and Services Program (HHSP), and the Ending Homelessness Fund (EH Fund). The SFHP Division also oversees TDHCA's public housing authority, which receives funding for the Housing Choice Voucher (HCV) Program from HUD for counties included in TDHCA's Public Housing Authority (PHA) Plan. The HCV Program provides rental assistance payments on behalf of low-income individuals and families, including older Texans and persons with disabilities. TDHCA's allocation of Emergency Housing Vouchers (EHV) are also overseen in this area.
- The Homeowner Assistance Fund Program (HAF) Division was established in 2021 in response to the COVID-19 pandemic to administer the HAF funds for preventing mortgage delinquencies, defaults, foreclosures, loss of utilities and displacement. The closing of the program to new applications occurred October 10, 2023.
- The Homeowner Assistance Fund (HAF) Subrecipient Activities Division was established in 2022 in response to the COVID-19 pandemic, and administered a portion of the HAF funds that were provided to local organizations for intake centers, housing counseling, and legal services; all service delivery under this program is completed.
- The TDHCA Homeownership Division offers the My First Texas Home (MFTH) Program, My Choice Texas Home (MCTH) Program, Texas Mortgage Credit Certificate (TX MCC) Program and Texas Statewide Homebuyer Education Program (TSHEP), also known as Texas Homebuyer U (TXHBU).
- The Texas Rent Relief Division (TRR) was newly created in 2021 in response to the COVID-19 pandemic and administered Treasury Emergency Rental Assistance (ERA) funds for the State of Texas. TRR closed in the summer of 2023 after distributing over $2.1 billion in temporary federal rent and utility assistance to more than 324,000 Texas households impacted by the COVID-19 pandemic.

TDHCA administers most of its programs and services through a network of local governments, organization administrators, property owners, and developers across Texas and, until the COVID-19 pandemic, generally had not provided assistance directly to individuals. Exceptions included the HCV and Section 811 PRA programs. Since the receipt of significant pandemic funds, the HAF and Texas Rent Relief Programs also have served households directly. Detailed descriptions of these programs including eligibility information are available in Section 4, Action Plan and Section 5, Pandemic Response.

Additionally, several Divisions within TDHCA are involved in supporting program requirements and in the administration of the Department as a whole, but do not administer specific programs:

- The Asset Management Division is responsible for monitoring and processing all post-award activities for multifamily developments funded by the Department. The Asset Management Division also works with owners and with other divisions within the Department to resolve regulatory and financial issues on those properties.
- The Bond Finance Division finances the activities of the Texas Homeownership Division through the issuance of single family mortgage revenue bonds, and the forward sale of mortgage-backed securities.
- The Compliance Division monitors properties and subrecipients to ensure compliance with federal and state regulations by using various oversight measures including onsite monitoring visits and desk reviews. Key compliance monitoring requirements for housing activities include ensuring that units are leased to income qualified households, that rents are properly restricted and that developments funded through the Department are accessible to persons with disabilities and in compliance with property condition standards. Compliance on non-housing activities (such as CEAP) include ensuring household eligibility, adherence to program regulations, and appropriate expenditure of funds.
- The Division of Policy and Public Affairs disseminates Department information to the public and serves as the Department's liaison with industry stakeholders, advocacy groups, and the executive and legislative branches of local, state, and federal government.
- The Housing Resource Center is established by the Department's governing statute. The division assists the general public in locating appropriate service providers in their community. The division is also responsible for plans and reports that TDHCA is required to submit to receive funding from both the state and federal government. These policy documents are integral components of the strategic planning process that determine the direction of housing policy for the State of Texas. Fair Housing activities are coordinated and administered under the Housing Resource Center as well as the coordination of activities of the Texas Interagency Council for the Homeless and Housing and Health Services Coordination Council.
- The Loan Servicing Division performs loan servicing functions and provides support functions to other areas related to the Department's single family and multifamily loan portfolios. The Loan Servicing Division also performs loss mitigation functions related to

the single-family loan portfolio, excluding those loans originated through the Texas Homeownership Division.

- The Program Services Section is responsible for the adherence, processing and completion of cross-cutting federal and departmental requirements for programs administered by the Department, including environmental clearances, single-family loan closing, multifamily loan closing, and the commitment and disbursement of state and federal funds.
- The Real Estate Analysis Division provides the TDHCA Board and staff with comprehensive analytical reports necessary to make well-informed financial decisions for funding of affordable multifamily housing developments.
- Other divisions that are involved in TDHCA's internal management include Financial Administration, Human Resources, Information Systems, Internal Audit, and Legal. Additionally, the Department is responsible for the licensing of Migrant Labor Housing Facilities and performs this work in collaboration with the Texas Workforce Commission.

2026 STATE OF TEXAS LOW INCOME HOUSING PLAN AND ANNUAL REPORT OVERVIEW

The 2025 State of Texas Low Income Housing Plan and Annual Report (SLIHP) is prepared annually in accordance with Tex. Gov't Code §§2306.072-2306.0724, which require that TDHCA provide a comprehensive statement of activities in the preceding year, an overview of statewide housing needs, and a resource allocation plan to meet Texas' housing needs. The SLIHP is adopted by reference annually in 10 Texas Administrative Code (TAC) §1.23. The SLIHP offers policy makers, affordable housing providers, and local communities a comprehensive reference on statewide housing needs and housing resources. The format is intended to help these entities measure housing needs, understand general housing issues, formulate policies and identify available resources. As such, the SLIHP is a working document and its annual changes reflect changes in programs or funding amounts, policy changes, statutory guidance and input received throughout the year.

The SLIHP is organized into eight sections and appendices:

- Section 1: Introduction - An overview of TDHCA and the SLIHP;
- Section 2: Housing Analysis - An analysis of statewide and regional demographic information, housing characteristics, and housing needs;
- Section 3: Annual Housing Report - A comprehensive statement of activities for State Fiscal Year (SFY) 2025, including actual numbers served and a discussion of TDHCA's goals;
- Section 4: Action Plan - A description of TDHCA's program descriptions and plans, resource allocations, policy initiatives, special needs, and goals;

- Section 5: Pandemic Response and Other Initiatives - An overview of the federal funds allocated and corresponding TDHCA programs developed in order to prepare for and respond to the COVID-19 pandemic;
- Section 6: Public Participation - Information on the SLIHP preparation and a summary of public comment;
- Section 7: Colonia Action Plan - A biennial plan for 2026-2027 which discusses housing and community development needs in the colonias, describes TDHCA's policy goals, summarizes the strategies and programs designed to meet these goals, and describes projected outcomes to support the improvement of living conditions of residents of colonias;
- Section 8: Texas State Affordable Housing Corporation (TSAHC) Plan - This section outlines TSAHC's plans and programs for 2026 and is included in accordance with Tex. Gov't Code §2306.0721(g);
- Appendix A: TDHCA's enabling statute and Tex. Gov't Code Chapter 2306;
- Appendix B: Housing Analysis Regional Tables;
- Appendix C: Subrecipient Tables for Community Affairs Programs and Homelessness Programs;
- Appendix D: Bibliography;
- Appendix E: Acronyms, and
- Appendix F: Qualified Allocation Plan Timeline.

Requirements of Tex. Gov't Code §§2306.072(c)(6), 2306.072(c)(8), and 2306.0724 are fulfilled through TDHCA's annually produced Housing Sponsor Report that provides property and occupant profiles of developments that have received assistance from the Department.

Requirements of Tex. Gov't Code §2306.072(c)(1) are fulfilled through Basic Financial Statements and the Operating Budget produced by TDHCA's Financial Administration Division.

Requirements of Tex. Gov't Code §§2306.0721(c)(4) and 2306.0721(c)(10) are fulfilled via Help for Texans online database which offers a description of TDHCA's housing programs and other state and federal housing and housing-related programs.

SECTION 2: HOUSING ANALYSIS

This section of the SLIHP contains an overview of the affordable housing needs in the State and an estimate and analysis of the housing need in each of the state's thirteen service regions.

This section of the SLIHP includes the following information per Tex. Gov't Code §2306.0721:

- An estimate and analysis of the size and the different housing needs of special populations in each uniform service region as required by Tex. Gov't Code §2306.0721(c)(1)(A-G).
- An estimate of the number of federally assisted housing units available for individuals and families of low and very low income and individuals with special needs in each uniform state service region as required by Tex. Gov't Code §2306.0721(c)(3).
- An estimate and analysis of the housing supply in each uniform state service region as required by Tex. Gov't Code §2306.0721(c)(9).
- Information regarding foreclosures of residential property in this state, including the number and geographic location of those foreclosures as required by Tex. Gov't Code §2306.0721(c)(13-a).

This section is organized as follows:

- Data Sources and Limitations
- State of Texas Demographic Overview
- Special Needs Populations
- Housing Assessment
- Local Assessment of Need

DATA SOURCES AND LIMITATIONS

Major data sources for the SLIHP include the U.S. Census Bureau's decennial Census and American Community Survey (ACS) as well as the U.S. Department of Housing and Urban Development's (HUD) Comprehensive Housing Affordability Strategy (CHAS) data. The SLIHP also cites reliable, publicly accessible plans and reports to capture specific housing needs across the state's 13 uniform service regions. The following subsection discusses the advantages and limitations of using these data sources.

The decennial census, which is mandated by the U.S. Constitution, conducts a direct count of everyone in the United States every 10 years. Unlike the decennial census, the ACS derives demographic, social, housing, and economic estimates from a sample population, which represents only a fraction of the total US population. ACS 5-Year Estimates aggregate survey data from US households over a 5-year period. This increases the survey's sample size, which reduces the margin of error (the difference between an estimate and its upper or lower confidence bounds) for ACS estimates. By sampling the US population over five continuous years, the ACS 5-Year Estimates reflect recent, although not immediate, changes in the characteristics of various geographic areas.

The Census Bureau also conducts ACS 1-Year Estimates for each calendar year. Although ACS 1-Year Estimates more accurately predict year-to-year demographic changes, they also have larger margins of error due to smaller sample sizes. In order to eliminate large margins of error, the Census Bureau only publishes 1-Year estimates for geographic areas with a population of 65,000 or more. According to the 2019-2023 ACS 5-Year Estimates, 200 of Texas' 254 counties have a population less than 65,000 people, making them ineligible for ACS 1-Year Estimates. Since the SLIHP requires reliable, statewide housing data, ACS 5-Year Estimates provide the best method for approximating comparable demographic changes in the state of Texas.

The latest ACS 5-Year estimates cover the years from 2019-2023, while the latest 1-Year estimates cover the year 2023. For this reason, neither 5-Year nor 1-Year estimates reflect recent demographic and economic changes in relation to the COVID-19 pandemic. To address the possible effects of the COVID-19 pandemic on TDHCA's special populations, the SLIHP will cite additional reports from reputable public sources where appropriate.

Every year, HUD utilizes ACS 5-Year and ACS 1-Year Estimates to produce CHAS data. This data classifies ACS survey households into five relative income categories based on HUD Area Median Family Income (HAMFI). HUD develops HAMFI by estimating Median Family Income (MFI) for metropolitan areas and non-metropolitan counties (as defined by HUD). HUD then adjusts HAMFI figures to account for factors such as family size, rental rates, and high median incomes for each income classification. This new, adjusted measure is referred to simply as Area Median Family Income (AMFI). The five income classifications based on this measure are:

- Extremely Low Income (ELI): At or below 30% AMFI;
- Very Low Income (VLI): 31-50% AMFI;
- Low Income (LI): 51-80% AMFI;
- Moderate Income (MI): 81-100% AMFI; and
- Above 100% AMFI.

HUD uses these income levels to develop income limits which determine eligibility for HUD assisted housing programs, including the Section 8 Housing Choice Voucher (HCV) Program and Section 811 Project Rental Assistance (Section 811 PRA) Program. Some non-HUD housing assistance programs, such as the Internal Revenue Service's Low Income Housing Tax Credit (LIHTC or HTC) Program, also utilize HUD income limits to determine eligibility. Note that each program incorporates its own guidelines and adjustments to HUD income limits. Exact income limits may vary amongst different programs even when operated in the same geographic area.

HUD income limits not only provide a national reference for housing eligibility, they also establish a reliable, uniform method for estimating local and regional housing affordability. Generally, affordability is measured by comparing local housing cost to AMFI. HUD defines affordable housing as housing for which a household does not pay more than 30% of its income for gross housing costs including utilities. It is also important to compare the housing costs of families at each income level to determine where the state's housing resources should be utilized. Since CHAS contains micro-data, at the household level, on incomes and housing cost, it facilitates geographic comparisons of various housing trends.

Due to rounding required by the Census Bureau, some totals presented in tables using CHAS data may not match the sum of all rows or columns. HUD suggests using the largest geographies and summary levels where possible to ensure accuracy, so total lines may come from a higher-level summary. For example, in a table reporting the breakdown of Texas households by CHAS AMFI income categories, the total number of households may be a pre-summed and pre-rounded figure supplied by HUD, whereas the figures for each AMFI category may be summed individually. The pre-summed and pre-rounded figures supplied by HUD may not match the sum of the income category figures.

The information provided in this section should be considered within the context of its limitations. For example, the most reliable data available on persons experiencing homelessness, particularly those who are unsheltered, is the annual Point in Time (PIT) count. The PIT count is conducted by Continuum of Care (CoC) Program organizations funded by HUD. Each CoC organization counts the number of persons experiencing homelessness (sheltered and unsheltered) within its assigned locality on a single night in January. CoC organizations that provide beds and housing units for persons experiencing homelessness gather data on the sheltered homeless population; however, to gather data on the unsheltered population, the PIT count relies on volunteers locating and interviewing or observing persons experiencing homelessness. This methodology may exclude individuals who do not wish to speak with volunteers or those who find informal shelter, such as staying on a friend's couch. In addition, PIT count data are not available at the county level. This is a common issue in regard to special needs populations. County level data are similarly not available for persons experiencing substance use disorders, and residents of colonias. For these populations, analysis is only available at the state or local level.

Many facets of housing need, especially those tied to localized conditions, are not captured when data are aggregated into statewide, regional, or even county totals. The Department recognizes that the most accurate assessment of housing need can best be found at the local level based on the direct experience of local households and those who work to assist low- and moderate-income households. Alternative methods, such as detailed on-location assessments by professionals skilled at reviewing such matters, might be used, but the Department lacks the resources to obtain such data through third parties or to compile it directly.

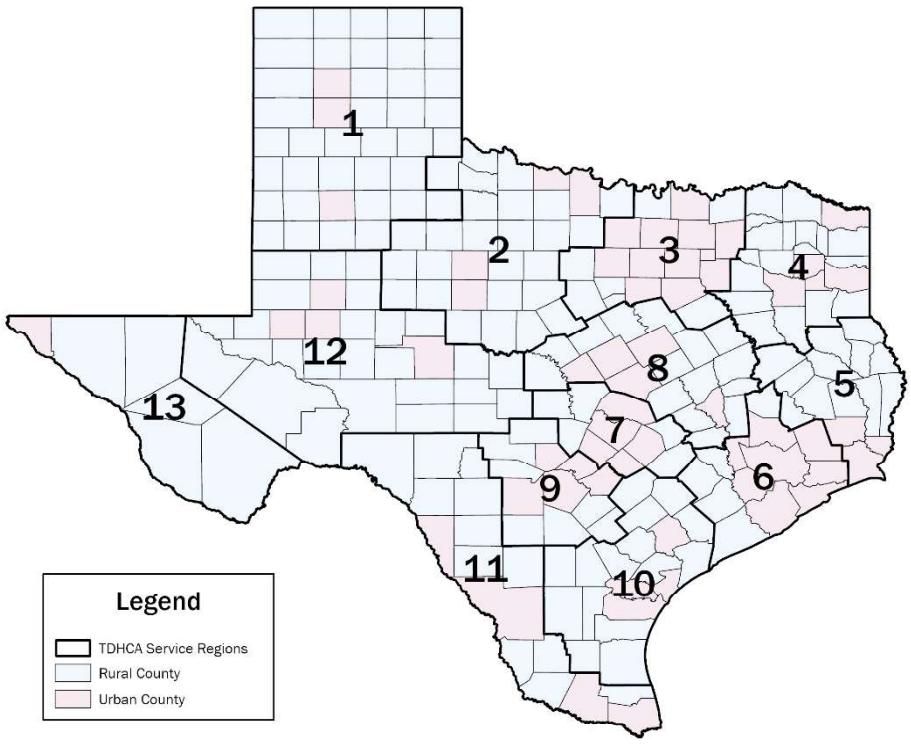
Rural areas also present challenges regarding data accuracy and reliability. In counties with a small population, the margin of error in ACS datasets can be very high. For example, according to the 2019-2023 ACS 5-Year Estimates, Loving County has a population of 54, but a margin of error of 34. This means that there is a 90% certainty that the population of Loving County is between 20 and 88. None of the counties with a population over 7,500 (181 counties) have a margin of error in the 2019-2023 ACS 5-Year Estimates total population figures, meaning those estimates are more precise.

Margins of error are less of a concern when analyzing data for larger geographies, such as county-level as opposed to census tract or place-level data. However, this can also distort the housing needs of rural communities. If a small, rural community has a particularly high rate of substandard housing (e.g. housing lacking plumbing or kitchen facilities), but a larger urban community in the same county has a particularly low rate of substandard housing, the need of the smaller, rural community could be masked when looking at the county level.

TDHCA SERVICE REGIONS AND URBAN/RURAL DESIGNATIONS

For the purposes of analysis in the SLIHP, urban and rural designations will be determined at the county level. County level data allow the affordable housing need data in the Housing Analysis chapter to be compared accurately to the Department's program reporting in the Annual Housing Report chapter. The Annual Housing Report chapter is based on county level data due to the reporting requirements of the Department's programs. In addition, county-level analysis aligns with TDHCA's 13 State Service Regions (regions). Each region is split into its rural and urban counties to create 26 urban and rural subregions.

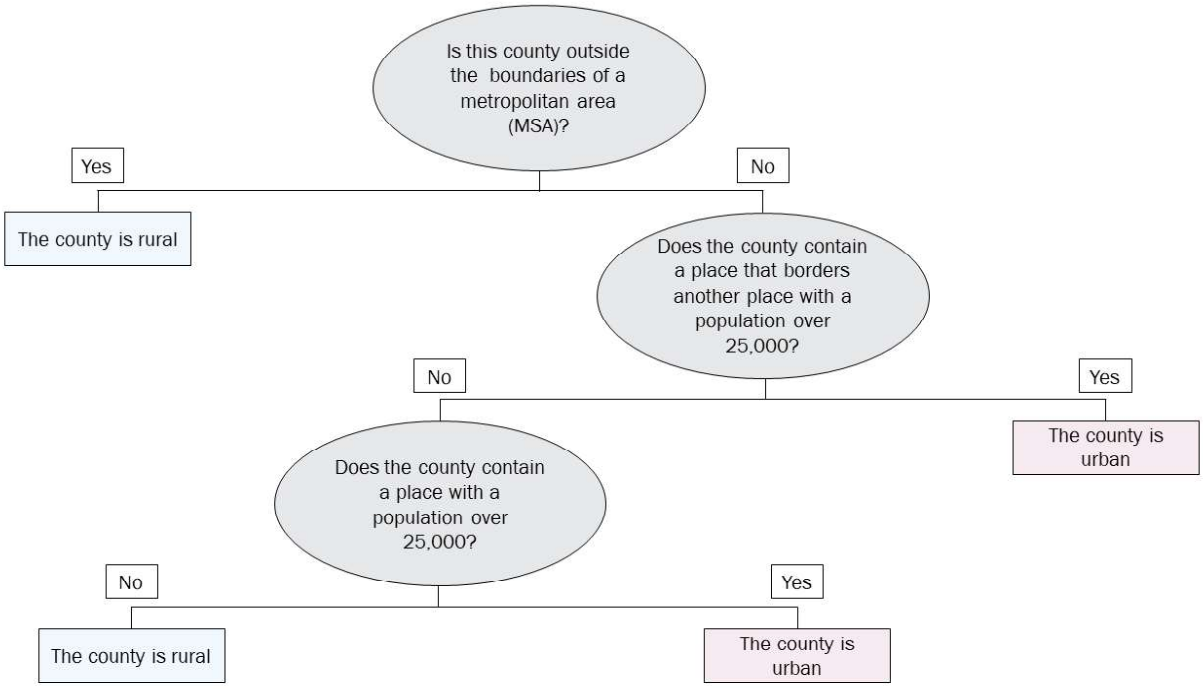
TDHCA Service Regions with 2026 Urban and Rural Counties



Source: U.S. Census Bureau, TIGER Data
Disclaimer: This map is not a survey product, boundaries, distances, and scale are approximate only

Urban counties are defined as counties within Metropolitan Statistical Areas (MSAs) determined by the U.S. Office of Management and Budget (OMB) that also contain urban places. Rural counties are defined as counties that are non-MSA counties or MSA counties that contain only rural places per Tex. Gov't Code §2306.004(28-a). The Census Bureau defines a place as a concentration of population which has a name, is locally recognized, and is not part of any other place. This includes both incorporated places, which are legally defined, and Census Designated Places, which have recognizable names but no legal definition. For further detail regarding urban and rural definitions,

please see the Regional Allocation Formula Methodology posted to the TDHCA public Web site's Annual or Biennial Plans and Reports page, available here: https://www.tdhca.texas.gov/housing-resource-center-plans-and-reports.



*The flowchart above depicts the process in which TDHCA designates a county as being either rural or urban

STATE OF TEXAS DEMOGRAPHIC CHARACTERISTICS

Urban and Rural Poverty

By using the Census Bureau's 2019-2023 ACS 5-Year Estimates, it is possible to compare statewide and national population trends. This can help determine how housing need across the state may differ or correspond with housing need across the country. Currently, Texas has approximately 29,640,343 people, which is about 8.9% of the US population. Texas' population primarily resides in urban counties (26,333,678 people), with the remaining people residing in rural counties. For additional context, the 2020 Decennial Census lists Texas' population as 29,145,505.

Population Residing in Rural and Urban Counties, Texas

State	Rural	Urban	Total
Total	3,306,665	26,333,678	29,640,343
Percent	11.16%	88.84%	100%

Source: Population from 2019-2023 American Community Survey, Table DP05. 2026 RAF Urban-Rural Counties.

Population differences between the state's urban and rural counties also affect the relative location of economic need. Currently, it is estimated that there are 4,005,417 Texans living under the federal poverty line of $32,150 for a family of four. After accounting for ACS ineligible populations, the state's poverty rate (persons in poverty/total population) equals 13.9%. Meanwhile, the poverty rate in the United States currently is 12.44% (40,390,045 people in poverty). In the state's rural counties, there are 505,238 people below the poverty line for a rural poverty rate of 16.06%; there are 3,500,179 people living below the poverty line in the state's urban counties for an urban poverty rate of 13.53%. Taken together, this indicates that, while a vast majority (87.4%) of Texans living under the poverty line reside in urban counties, rural Texans are still more likely to live under the poverty line than urban Texans.

Population under the Poverty Line in Urban and Rural Counties, Texas

State	Rural		Urban		Total	
Total	505,238	12.61%	3,500,179	87.39%	4,005,417	100%
Poverty Rate	16.06%		13.53%		13.80%	

Source: 2019-2023 American Community Survey, Table DP05. 2026 RAF Urban-Rural Counties.
* Poverty Rate calculated using ACS population for which poverty status is determined. The above poverty rate should not be compared to raw or total population estimates.

Race, Ethnicity, and Poverty Status

Texas mirrors the US closely in terms of racial demographics but differs according to ethnicity. The Census Bureau defines race as self-identification with one or more of 5 groups (white, Black or African American, American Indian and Alaskan Native, Asian, and Native Hawaiian and Other Pacific Islander), while ethnicity is self-identification as Hispanic or Latino. The following table shows the racial breakdown of the Texas population compared with the US population.

Texas and US Population by Race

Race	Texas Population	% of Texas Population	US Population	% of US Population
White alone	15,984,990	53.9%	210,875,446	63.4%
Black or African American alone	3,626,137	12.2%	41,070,890	12.4%
American Indian and Alaskan Native alone	190,706	0.6%	2,924,996	0.9%
Asian alone	1,581,798	5.3%	19,352,659	5.8%
Native Hawaiian and Other Pacific Islander alone	29,841	0.1%	629,292	0.2%
Some Other Race alone	2,540,808	8.6%	21,940,536	6.6%
Two or More Races	5,686,063	19.2%	35,593,721	10.7%
Total	29,640,343	100.0%	332,387,540	100.0%

Source: 2019-2023 American Community Survey, Table DP05.

Texas and US Population by Ethnicity

Ethnicity	Texas Population	% of Texas Population	US Population	% of US Population
Hispanic or Latino	11,697,134	39.5%	63,131,589	19.0%
Not Hispanic or Latino	17,943,209	60.5%	269,255,951	81.0%
Total	29,640,343	100.0%	332,387,540	100.0%

Source: 2019-2023 American Community Survey, Table DP05.

Texas diverges from national trends in terms of ethnicity. While 19.0% of Americans identify as ethnically Hispanic, that percentage reaches to 39.5% of Texans, a 20.5% difference. In fact, Texans account for 18.5% of the Hispanic population in the United States. This is mirrored in the percentage of Non-Hispanic, White only persons in the U.S. and Texas; where 58.2% of Americans identify as Non-Hispanic and White, 39.9% of Texans identify as Non-Hispanic White, 18.3% fewer. Persons identifying as White only and Non-Hispanic are not the majority in Texas, which is the case in only Georgia (49.8%), Maryland (47.4% Non-Hispanic White); Texas (40.1%); New Mexico (36.5%); Nevada (46.0%); California (34.6%); and Hawaii (21.1%).

According to 2019-2023 ACS Estimates, poverty status varies significantly between ethnic and racial groups. In Texas, 43.2% of persons below the poverty line are White, while 50.3% of Americans below the poverty line are White. However, since White individuals make up a significant majority of the population in both Texas and the United States, this percentage is lower than would be expected if poverty rates were equal amongst all races. Similarly, Black or African American individuals comprise 20.8% of persons below the poverty line in the United States and 16.5% of persons below the poverty line in Texas, but since Black or African American individuals make up 12.4% of the US population and 12.2% of the Texas population these poverty numbers are disproportionally high. This shows that Black or African American individuals are more likely than White individuals to live below the poverty line in both Texas and the United States. Except for White and Asian Texans, this trend

also occurs across all other racial groups in Texas, as the poverty percentage for each racial group outpaces the group's proportion to the general population.

For this reason, the poverty rate within each racial and ethnic group more clearly demonstrates inequalities in income. This rate (total individuals in poverty of group/total individuals in group) shows how some racial and ethnic groups are more likely to experience poverty than others. The poverty rates for each racial and ethnic group in Texas can be found in the tables below. In Texas, Non-white Hispanic individuals and individuals who identified as Some Other Race were most likely to live below the poverty line, while Asian individuals and White, Non-Hispanic individuals were the least likely to live below the poverty line.

Percentage of Each Racial Demographic in Poverty (Poverty Rate)

Race	Texas Population	US Population	Difference
White (alone)	11.1%	9.9%	1.2%
Black or African American (alone)	18.9%	21.3%	-2.4%
American Indian and Alaska Native (alone)	15.6%	21.8%	-6.2%
Asian (alone)	9.1%	9.9%	-0.8%
Native Hawaiian and Other Pacific Islander (alone)	17.9%	6.7%	11.2%
Some Other Race (alone)	19.5%	18.2%	1.3%
Two or More Races	17.0%	14.7%	2.3%

2019-2023 American Community Survey, Table DP05.

Percentage of Each Ethnic Demographic in Poverty (Poverty Rate)

Ethnicity	Texas Population	US Population	Difference
Hispanic or Latino	18.7%	16.9%	1.8%
Not Hispanic or Latino	10.6%	11.4%	-0.8%
Not Hispanic or Latino - White Alone	8.3%	9.2%	-0.9%

2019-2023 American Community Survey, Table DP05.

Within group poverty rates are important to note because housing challenges are both a cause and an effect of poverty (Harvard Joint Center for Housing Studies, 2023). Lack of adequate housing can exacerbate existing economic inequalities between racial/ethnic groups. Research from the National Academy for State Health Policy suggests that access to safe, affordable homes can lead to numerous positive outcomes for families, including improved health, education, incomes, and inter-generational wealth (NASHP, 2021). This means that access to adequate housing may help lessen the high rates of poverty experienced by certain racial and ethnic groups.

Age and Housing Need

Age is an important factor in the planning and construction of low-income housing. New families increase the demand for housing space, so an influx of young to midcareer adults could create housing shortages. Conversely, an aging population could both increase demand for senior living facilities and increase the supply of housing as older individuals move out of conventional housing units. Therefore, it is important to note that Texas has a larger percentage of children under 18 and a smaller percentage of persons over age 65 than the United States. 25.2% of Texans are under 18

years old, compared with 22.2% for all Americans. While 16.8% of Americans are over the age of 65, only 13.2% of Texans fall into this age group. These demographic factors contribute to a median age of 35.5 years in Texas, while the median age of the national population is 38.7 years, a difference of 3.2 years.

As the baby boomer generation moves into retirement and the large millennial generation comes of age, Texas will serve as a prime example of wider demographic trends. With greater demand for housing and urban housing prices increasing, the Harvard Joint Center for Housing Studies predicts that households will struggle to find affordable housing in the nation's largest metro areas (Harvard Joint Center for Housing Studies, 2025). Since Texas contains three of the United States' ten most populous cities, the Texas Tribune reports that Texas will face a similar housing affordability crisis in the coming years (Fechter, 2025).

SPECIAL NEEDS POPULATIONS

Tex. Gov't Code §2306.0721(c)(1) requires the Department to include in the SLIHP an estimate and analysis of the size and the different housing needs of the following populations in each uniform state service region:

- Individuals and families of moderate, low, very low, and extremely low income;
- Individuals with special needs;
- Homeless individuals;
- Veterans;
- Farmworkers;
- Youth who are aging out of foster care;
- Homeless youth, as defined by Section 2306.1101, and other individuals older than 18 years of age and younger than 25 years of age who are homeless; and
- Elderly individuals.

"Individual with special needs" is defined by §2306.511 as an individual who:

1. Is considered to be an individual having a disability under a state or federal law;
2. Is elderly;
3. Is designated by the board as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise; or
4. Is legally responsible for caring for an individual described by Subdivision (1), (2), or (3) and meets the income guidelines established by the board.

Following these guidelines, this section will provide the required population estimate and analysis of housing needs of Department-identified special needs populations as follows:

- elderly persons;
- farmworkers;
- Individuals and families of moderate, low, very low, and extremely low income;
- persons experiencing homelessness;
- youth experiencing homelessness (<25 years of age);
- persons living with HIV/AIDS and their families;
- persons with disabilities (mental, physical, and developmental);
- persons with substance use disorders;

- persons with Violence Against Women Act (VAWA) protections;
- residents of Colonias;
- residents of public housing;
- veterans and wounded warriors; and
- youth aging out of foster care.

As discussed in the Data Sources and Limitations subsection, some data for persons with special needs are only available at the state level, while others can only be assembled from local organizations. Like any data source, scale of analysis will affect what conclusions can be drawn from these sources. For information regarding TDHCA activities and programs addressing special needs populations, see the Action Plan section (Section 4).

Elderly Persons

For most HUD programs, HUD defines an "elderly person," according to 24 CFR §5.100, as an individual who is at least 62 years of age. Additionally, HUD's Section 202 program defines "frail elderly" in 24 CFR §891.205 as a person who is 62 years of age or more and unable to perform at least three "activities of daily living, comprising of eating, bathing, grooming, dressing or home management activities."

The Population Reference Bureau predicts that the number of Americans over the age of 65 will grow from 58 million in 2022 to 82 million in 2050 (PRB, 2024). This growth could have wide-ranging effects on the U.S. housing market, as aging homeowners increasingly choose to reside in their homes, rather than move to a multi-family unit or assisted living facility. In 2018, this phenomenon, referred to as 'aging-in-place,' kept about 1.6 million houses off the market, accounting for more than 34% of the United States' current long-term shortfall of 4.7 million housing units (U.S. Chamber of Commerce, 2025). With the cost of new homes increasing, higher interest rates and the supply of existing homes dwindling, many young adults have chosen to forego home ownership due to the high outstanding costs, creating a demographic inversion (meaning more housing stock is owned by older populations rather than younger) in rates of homeownership amongst different age groups (Isom, 2024).

Elderly populations have a range of unique housing needs. First, elderly populations have higher housing cost-burdens (expenditures including housing and utilities that exceed 30% of income) than the general population. Households experiencing cost burden are often forced to cut back sharply on other necessities including out of pocket medical costs and food. (Harvard Joint Center for Housing Studies, 2025). Recent studies by the Harvard Joint Center for Housing Studies estimate that 34% of older households, 12.4 million, were cost burdened with more than half of these households paying over 50% of their income for housing making them severely cost burdened. Fifty eight percent of older renters were cost-burdened in 2023 and between 2019 and 2023 the rate of cost-burdened older homeowners rose from 24 percent to almost 28 percent. (Harvard Joint Center for Housing Studies, 2025).

Since many elderly individuals live on fixed incomes, it is common for cost-burdens to increase with age; however, 'worst-case' housing needs arise when elderly household incomes fall far below AMFI,

especially in high-growth metropolitan areas. The US Census Bureau defines worst case needs as VLI renter households who do not receive government housing assistance and who pay more than one-half of their income for rent, live in severely inadequate conditions, or both. While other demographic groups have experienced declining worst case needs in recent years, HUD notes that the number of elderly households with worst case needs has continued to grow over the past decade. For this reason, HUD predicts that elderly households will be "a key demographic facing housing problems in the years to come" (HUD, 2019)

Not only do excessive cost-burdens affect quality of life, but they also prevent elderly populations from accessing adequate housing. A recent report by the University of Pennsylvania's Actionable Intelligence for Social Policy initiative discovered that the population experiencing homelessness above the age of 65 is expected to increase significantly by 2030, as younger baby boomers continue to face difficulties finding housing (Culhane et al., 2019). The authors note that if the housing needs of this population are not sufficiently met, then greater financial strain will be placed on existing shelters, hospitals, and nursing homes.

This need is reflected in the 2019-2023 ACS Estimates for the state of Texas. While 10.0% of Texans 18 to 64 years old have a disability, 35.4% of Texans 65 and older have a disability. In addition, the ACS estimates that older households tend to live in older homes: 27.1% of Texan householders aged 65 years and older lived in housing stock built before 1970 compared to 18.2% among householders younger than 65 years old.

Although HUD's definition for 'Elderly Person Household' involves persons at least 62 years of age, definitions may vary across data sources and assistance programs available to elderly persons. Due to census data availability, the following analysis will be conducted looking at persons 65 years of age or older.

According to the table below, approximately 83.9% of Texans aged 65 and older live in urban areas. Texans aged 65 and older who live in rural areas may face difficulty accessing health and other services because they live at greater distances from health facilities, community centers, and other amenities.

Elderly Persons (aged 65 years old and over), Texas

State	Rural Elderly Persons	Urban Elderly Persons	Total Elderly Persons	Total Population	Percent Elderly of Statewide Population
Total	627,407	3,278,138	3,905,545	29,640,343	13.2%

Source: 2019-2023 American Community Survey, Table DP05.

Regional Analysis

While the percentage population of individuals who are 65 years or older is higher in rural counties than in urban counties for all regions, the total number of individuals aged 65 years or older is higher in urban counties for most regions. The regions with the highest percentage population of individuals 65 years or older also happen to be the only regions where the majority of individuals aged 65 years or older reside in rural counties. In northeast Texas, Region 4's population has 18.5% persons over the age of 65, the highest among all regions, and 55.4% of those individuals 65 years or older reside in rural counties. Regions 2 and 5 have the second and third highest percentage population of

individuals 65 years or older (17.7% and 17.4% respectively) and the first and third highest percentage of individuals 65 years or older residing in rural counties (52.5% and 53.8% respectively.)

The subregion with the largest percentage of individuals 65 years or older is the rural subregion of Region 7 in central Texas, where 26.1% of rural residents are 65 years or older. As noted previously, rural elderly residents may face increased difficulty accessing services due to decreased development density and travel challenges.

Regions 3 and 6 together account for 48.8% of the states' elderly residents, or 1,904,003 individuals. The urban counties of Regions 3 and 6, a total of 20 counties encompassing the majority of the Houston-The Woodlands-Sugar Land and Dallas-Fort Worth-Arlington MSAs, account for 46.5% of the states' elderly population. However, the urban counties of Region 3 and Region 6 account for 51.2% of the population of the State of Texas. This means that proportionally the elderly population of these subregions is lower than expected. 12.1% of Region 6's residents are at least 65 years old, the lowest proportion of all regions followed by Regions 3 (12.2%), 11 (12.2%) and7 (12.4%) and.

Farmworkers

As one of the top five states in agricultural production, Texas leads the nation in the number of farms and ranches, with 230,662 farms and ranches covering over 125.4 million acres (USDA, 2022). According to the Texas Workforce Commission, the number of agriculture and forestry workers in 2022 declined by 1.9% since 2019 from 58,837 to 57,740 workers who were employed in the Ag, Forestry, Fishing & Hunting industries (Texas Workforce Commission, 2025). In Texas and across the nation, the agricultural industry has been using fewer and fewer workers in recent decades as farming methods have become more efficient. For this reason, Texas employs relatively few agricultural workers relative to the scale of its agricultural production; however, due to the food demands of a growing population, it is expected that demand for agricultural workers will continue to increase faster than many other professions. From 2020 to 2030, it is estimated that agricultural jobs in Texas will increase by 10.3% to 65,406 jobs total (Texas Workforce Commission, 2023).

Given that most farmworkers live in rural areas, and many migrate between different farms over the course of several seasons, it is difficult to collect and aggregate farmworker data according to specific geographies. This means that most statewide and county data must be estimated from existing data sources, which may take organizations years to compile and analyze. For this reason, the following analysis at the state, regional, and county level may not reflect current trends.

The 2022 USDA Census, which is conducted every five years and surveys all US agricultural producers with annual sales over $1,000, reports that 7,444 migrant farmworkers worked on Texas' farms in 2022. The USDA Census defines a migrant worker as "a farm worker whose employment required travel that prevented the migrant worker from returning to his/her permanent place of residence on the same day." Since the USDA does not report all of its county level farmworker data in order to preserve the identity of participating farm operations, it is not currently possible to provide a regional breakdown of farmworker populations.

Individuals and Families of Moderate, Low, Very Low, and Extremely Low Income

For some federal programs that the Department administers, the indicator of 125% of the poverty line is used to indicate need. The U.S. Census Bureau sets the poverty threshold by calculating the income needed for a family to buy necessary goods. The 2025 poverty income guideline for a family of four is $32,150. In 2024, that amount was $31,200 (USHHS, 2025).

According to the 2019-2023 American Community Survey, 5,263,515 individuals in Texas live below 125% of the poverty line. Urban counties tend to have higher numbers of people below 125% of poverty, but also tend to have lower poverty rates than rural counties.

Individuals Below 125% of Poverty, Texas

Individuals	Rural	Urban	Texas
Individuals below 125% of poverty	670,991	4,592,524	5,263,515
Total Population for whom Poverty Status is Determined	3,145,684	25,871,241	29,016,925
125% of poverty rate	21.3%	17.8%	18.1%

Source: 2019-2023 American Community Survey, Table S1701.

While federal poverty thresholds remain constant across the United States, HUD adjusts for local cost of living by calculating income groups based on AMFI. Since these income groups more accurately reflect local needs, HUD utilizes them to determine eligibility for numerous federal programs. This subsection will reference these income groups to evaluate income trends across the state. More information about HUD income levels can be found in the Data Sources and Limitations subsection.

Households by Income Group, Texas

Area	ELI Households	VLI Households	LI Households	MI Households	Households >100% AMFI	Total Households
Rural	155,769	148,863	208,946	119,897	579,653	1,213,128
Urban	1,124,220	1,026,485	1,510,395	924,049	4,441,015	9,026,164
Total	1,279,989	1,175,348	1,719,341	1,043,946	5,020,668	10,239,292

Source: 2017-2021 CHAS, Table 8.

HUD's definition for low income (LI) is less than or equal to 80% AMFI. According to the above table, 40.8% of all Texas households are in or below the LI category. Meeting the needs of this large portion of the State's households is TDHCA's primary focus.

Regional Analysis

In general, rural residents are more likely to have lower incomes than urban residents; whereas 42.3% of rural Texas households have incomes less than or equal to 80% AMFI, 40.6% of urban households and 40.8% of total Texas households have incomes less than or equal to 80% AMFI. All three percentages decreased one and a half percentage points or more compared to the previous year's data. While rural/urban location does correlate with income level, an even stronger relationship can be found between income level and type of tenure. Renter households are far more likely to have lower incomes than owner households; whereas 58.5% of renter households in Texas have incomes less

than or equal to 80% AMFI, that percent drops by almost half to 30.1% for owner households. In every single region, the majority of renter households (>50% of total population) have incomes less than or equal to 80% AMFI.

Region 11 is the region with the largest proportion of total households in the ELI and VLI income groups at 19.1% and 14.9% respectively. Region 13 follows Region 11 with 14.9% of the region's households in the ELI category and the second largest proportion of VLI households with 12.8%. By comparison, 12.5% of the state's households are ELI and 11.5% are in the VLI category. Region 11 is the only region where the majority of its households have incomes less than or equal to 80% AMFI (50.7%). Region 13 has the next highest percentage at 45.1%. These percentages drastically increase when looking at renter households—66.5% of Region 11 renter households and 62.6% of Region 5 renter households have incomes less than or equal to 80% AMFI. Region 11 has the highest percentage of ELI and VLI renter households with 49.5%. Regions 11 and 13 contain the majority of Texas' border counties.

Regions 1, 3, 7, 8, 9, and 12 have a higher rate of households with incomes less than or equal to 80% AMFI in their urban counties. While all other regions have higher low-income rates in their rural rather than urban counties, Region 13 has the greatest difference between these two rates (44.8% of urban residents and 53.2% of rural residents). This indicates that rural households in Region 13 tend to be significantly lower income than the region's urban households. However, only 3.2% of Region 13's households reside in rural counties, meaning that the absolute number of rural low income households in Region 13 is relatively low.

Region 3 has the smallest proportion of ELI households to regional population at 11.0%. Only 11.0% of Region 3's urban households are ELI, which marks the lowest urban ELI rate amongst all regions. For rural households, Region 7 has the lowest ELI rate at 9.2% of rural households.

Region 6 has the largest number of ELI households of any region at 313,945 (24.5% of the states' total ELI population), followed by Region 3 (312,625, 24.4% of the states' total ELI population). The urban counties of Regions 3 and 6 alone account for 48.9% of the states' total ELI households.

The percentage of households in each region below 125% of poverty follows a similar pattern to that of ELI households. Region 11 has by far the highest rate of households below 125% of poverty at 33.8%. The next highest regional rate is in Region 13, 25.7%. Region 7 has the lowest rate at 13.1%, followed by Region 3 at 14.6%.

Persons Experiencing Homelessness

Homelessness is defined in a variety of ways. While the definitions of homelessness are intricate and varied, the federal HEARTH Act of 2009 expanded the definition of homelessness from persons lacking a nighttime residence to include persons who will imminently lose their housing and have no subsequent residence identified. HUD's definition of "homeless" is persons sleeping in emergency shelters, in transitional housing, on the streets, in campsites, under bridges, in abandoned lots and in other places not intended for human habitation.

According to the 2024 HUD Annual Homeless Assessment Report to Congress (AHAR), homelessness increased by 18% nationally between 2023 and 2024 (HUD, December 2024). HUD's point-in-time

count estimates that 771,480 persons experienced homelessness over the course of one night in January 2024. Of these individuals, 512,007 (66.4%) were in households without children, 259,473 (33.6%) in households with at least one adult and one child, and 2,698 (<1%) in households with only children under 18 years of age. The 2024 assessment was carried out in January of 2024.

Texas reported 27,987 persons, it continues to have a rate of homelessness that falls well below the national average of 23 per 10,000 people. The rate of homelessness in Texas is half the national average at 10 per 10,000 people. Between 2023 and 2024, the number of persons experiencing homelessness in Texas increased by 2.2% between 2007 and 2024, Texas saw a 29.7% decrease in the number of persons experiencing homelessness (11,801 individuals). In the same time period, Texas also had a decrease in the number of persons experiencing homelessness as individuals (4,658 individuals or 17.7%) and a decrease in homeless family households (1,905 or 49.6%) (HUD, December 2024).

The table below is a count compiled by HUD of sheltered and unsheltered persons experiencing homelessness by subpopulation in Texas.

Homeless Populations, Texas

Homeless Subpopulations	Sheltered	Unsheltered	Total
Chronically Homeless	1,851	3,342	5,193
Veterans	1,123	714	1,837

Source: HUD, 2024.

Youth Experiencing Homelessness

In 2019, the 86 (R) Texas Legislative Session passed House Bill (HB) 2564, which amended Tex. Gov't Code §2306.0721 (c) to include homeless youth as a population with special housing needs within the State's Low Income Housing Plan. HB2564 defines homeless youth as any individual younger than 25 years of age who is homeless. HUD's PIT Count data shows that that there were 205,878 youth experiencing homelessness nationwide on a single night in January 2024.

According to HUD's 2024 Annual Homeless Assessment Report to Congress, unaccompanied homeless youth or children (under 18) "are people in households with only children under the age of 18 who are not part of a family with children or accompanied by their parent or guardian during their experience of homelessness" the same report defines unaccompanied Youth (18-24) as "young adults in households without children who are not part of a family with children or accompanied by their parent or guardian during their episode of homelessness."(HUD, December 2024). Under these definitions, the PIT Count reported that there were 38,170 unaccompanied youth or children experiencing homelessness in the United States on a single night in January 2024.

Since PIT Counts cover only a single night in January, they represent a time-limited snapshot of homelessness in the United States. For this reason, it is useful to integrate a variety of sources into any report on youth homelessness. Each year, the National Center for Homeless Education, in

conjunction with the Department of Education, aggregates Federal data on public school students who experienced homelessness during the school year. The most recent report estimates that 1,202,652 (2.4%) out of 49,634,110 public school students experienced homelessness in the United States during the 2021-2022 school year (NCHE, 2022). Of these students, 110,664 (9.2%) were unaccompanied, 15,831 (1.3%) were migratory, and 235,915 (19.6%) were students with disabilities. This report does not include students who experience homelessness over school breaks, or youth who are not enrolled in public schools, which means that the report does not account for the entirety of this special population.

Of the 27,987 persons experiencing homelessness in Texas on a given night in January, 5,869 (21.0%) were reported to be youth (<25 years of age). 4,848 of these youth were sheltered in temporary or transitory housing, while 1,021 were unsheltered. The 2024 PIT Count also estimated that 1,355 (23.1%) of youth experiencing homelessness in Texas were unaccompanied, while 221 (3.8%) of youth experiencing homelessness were parenting other youth. The NCHE estimates that there were 97,279 students experiencing homelessness in Texas during the 2021-2022 school year. This represents an increase over the 93,096 students reported during 2020-2021 school year. Of the 97,279 students experiencing homelessness in Texas during 2021-2022, 15,995 (16.4%) were unaccompanied, 752 (0.8%) were migratory, and 15,312 (15.7%) were students with disabilities.

Homeless Youth Subpopulations, Texas

Homeless Youth Subpopulations	Sheltered	Unsheltered	Total
Unaccompanied Youth	850	505	1,355
Under 18 years old	88	65	153
18-24 years old	762	440	1,202
Parenting Youth	204	17	221
Children of Parenting Youth	292	30	322

Source: HUD, 2024.

Persons Living with HIV/AIDS and their Families

Human Immunodeficiency Virus (HIV) is the virus that causes Acquired Immunodeficiency Syndrome (AIDS). HIV infects cells and attacks the immune system, which weakens the body and makes it especially susceptible to other infections and diseases. Due to increased medical costs and/or the loss of the ability to work, people with HIV/AIDS may be at risk of losing their housing arrangements.

Effective treatment has extended the lifespans of persons with HIV so that, despite increasing numbers of persons with HIV, fewer are dying from HIV-related causes (DSHS, 2020). As of the 2021 DSHS HIV Surveillance Report the rate of new HIV diagnoses in Texas has decreased from 15.7 in 100,000 people to 14.5 in 100,000 people in 2019 (DSHS, 2021). There were approximately 5,231 new diagnoses of HIV in Texas from December 31, 2019 to December 31, 2021 (DSHS, 2022).

Persons with HIV/AIDS, Texas

State	Persons with HIV/AIDS – 2021, Rural	Persons with HIV/AIDS – 2021, Urban	Total Persons with HIV/AIDS*, 2021	2019-2023 Total Population	Percent of Persons with HIV/AIDS to Statewide Population
Total	5,017	93,837	98,854	29,640,343	0.334%

Source: DSHS, 2022; 2019-2023 American Community Survey, Table DP05.

*Does not include 3,946 people (4.0% of all persons living with HIV/AIDS in the State of Texas) counted in Texas Department of Criminal Justice (TDCJ) facilities, Federal Prison facilities, and Federal Immigration and Customs Enforcement (ICE) facilities that are not attributed to a geographic area.

Note: Figures do not include those unaware of their HIV infection or those who tested HIV positive solely through an anonymous HIV test. Cases are geographically associated with the individual's residence at HIV or AIDS diagnosis.

Regional Analysis

The 2021 HIV Surveillance Report (released in 2022) indicates that over two thirds (69.3%) of all persons in Texas with HIV diagnoses live in the urban counties of Region 3 and Region 6, which contain the Dallas-Ft. Worth and Houston-Sugarland-Galveston MSAs. Not including those with HIV diagnoses in TDCJ facilities, Federal Prison facilities, and ICE facilities, 0.45% of people in Region 3 and 0.48% of people in Region 6 have HIV/AIDS compared to Texas' 0.34%. Only Regions 3 and 6 surpass the state percentage of population with HIV/AIDS. The remaining regions' percentages of persons living with HIV/AIDS range from 0.05% in Region 13 to 0.32% in Region 7. Region 3 has the largest population of persons living with HIV/AIDS among all regions at 35,005 individuals, which is 35.4% of all persons living with HIV/AIDS in the State of Texas.

The vast majority (95.0%) of persons with HIV diagnoses who are attributed to a geographic region in Texas live in urban counties, where services including healthcare are more readily available. Of the total Texas population residing in urban counties, 0.38% have an HIV diagnosis, not including those with HIV diagnoses in TDCJ facilities, Federal Prison facilities, and ICE facilities. Only the urban subregions of Region 3 and Region 6 surpass this subregional rate with 0.44% and 0.48% of their urban population respectively. Over a quarter (26.5%) of all persons with HIV diagnoses that live in a rural region live in Region 4, followed by Region 5 with 15.1%. 0.24% of all residents of rural Region 4 counties are living with HIV/AIDS, the highest rate among all rural subregions followed by Region 5 (0.20%) and Region 6 (0.16%).

Persons with Disabilities (Mental, Physical, and Developmental)

According to the Americans with Disabilities Act of 1990, 28 CFR §35.108, a disability means "a physical or mental impairment that substantially limits one or more of the major life activities of such individual." The act describes many different major life activities, but they include activities like caring for oneself, performing manual tasks, interacting with others, working, or operating major bodily functions.

The following table indicates that a higher percentage of rural Texans live with disabilities than urban Texans. This corresponds with national trends (Crankshaw, United States Census Bureau, 2023).

Persons with Disabilities, Texas

State Population	Rural	Urban	Total
Persons with Disabilities	524,032	2,967,266	3,491,298
Total Civilian Non-institutionalized	3,172,406	25,985,539	29,157,945
Percent	16.5%	11.4%	12.0%

Source: 2019-2023 American Community Survey, Table S1810.Persons with Disabilities as a percentage of Total Population, Texas

Age	Population with a Disability	Total Civilian Non-Institutionalized Population	Persons with a Disability as a Percentage of Total Civilian Non-Institutionalized Population
Under 5 years	13,225	1,928,143	0.69%
5 to 17 years	344,237	5,545,851	6.21%
18 to 34 years	501,840	6,950,711	7.22%
35 to 64 years	1,281,467	10,916,891	11.74%
65 to 74 years	633,995	2,370,207	26.75%
>75 years	716,534	1,446,142	49.55%
Total	3,491,298	29,157,945	11.97%

Source: 2019-2023 American Community Survey, Table S1810.

Regional Analysis

Rural subregions have higher rates of disability than urban subregions in every TDHCA service region. Urban counties generally have more persons with disability overall. Regions 2 and 5 are the only regions that have a greater number of persons with disabilities in their rural counties than in their urban counties. 17.6% of the population of Region 5 has a disability, the largest percentage in the State followed by Region 2 at 17.0%.

The urban counties of Regions 3 and 6 combined account for 44.1% of all persons with disabilities in the State. However, Regions 3 and 6 account for 53.2% of the state's civilian, non-institutionalized population, so this is a relatively low rate. In fact, Regions 3 and 7 have the lowest percentage population of persons with disability at 10.3%, along with Region 7 which has a rate of 10.4%. Regions 3, 6, and 7 contain the cities of Dallas-Fort Worth, Houston, and Austin respectively. Despite representing the greater number of persons with disabilities in Texas, these cities proportionally contain fewer of the State's persons with disabilities.

Persons with Substance Use Disorders

According to U.S. Substance Abuse and Mental Health Services Administration's 2023 National Survey on Drug Use and Health (NSDUH), 9.62% of Americans over the age of 18 meet the criteria for drug use disorder. This is compared with 7.48% of Texans over the age of 18. Due to increasing rates of opioid misuse in the United States, the U.S. Department of Health and Human Services determined that opioid misuse constituted a public health emergency in 2017. The NSDUH reports that 1.93% of

American adults and 1.84% of Texan adults abuse or are dependent upon painkillers, which are commonly associated with the opioid crisis.

Persons with Violence Against Women Act (VAWA) Protections

Persons with VAWA protections include survivors of domestic violence, dating violence, sexual assault, or stalking. Many survivors of domestic violence who are living in poverty are often forced to choose between staying in abusive relationships and becoming homeless. For many survivors, concerns over their ability to provide housing for themselves and their children are a significant reason for staying in or returning to an abusive relationship. Access to resources that increase economic stability are essential in rebuilding a life after abuse. Housing is a constant need for survivors of domestic violence.

On September 4th 2024, the National Network to End Domestic Violence conducted its National Census of Domestic Violence Services, which collects information on the services provided by domestic violence programs across the United States each year. During the census, 1,741 domestic violence programs served a reported 79,088 people nationally with 50,188 (63.5%) of those served receiving some form of housing assistance. 68% of programs provided some form of emergency shelter during the day and 37% of programs provided transitional and other housing assistance. Programs also reported 14,095 unmet requests for assistance, of which 60% were for housing (National Network to End Domestic Violence, 2025).

The Bureau of Justice Statistics (BJS) estimates that there were 629,820 cases of intimate partner violence committed nationally in 2023 for a rate of 2.2 per every 1,000 people over the age of 12 (Bureau of Justice Statistics, 2024). The BJS further estimates that only 47.2% of these crimes were reported and only 22.6% of intimate partner violence victims received assistance from a victim-service agency in 2023. Additionally, the BJS estimates that 481,020 cases of rape/sexual assault occurred in 2023 with only 46.0% of victimizations being reported.

According to the Texas Council on Family Violence's (TCFV) 2019 State Plan, Texas' 79 Health and Human Services funded programs served 71,500 survivors of domestic and family violence in 2018 (Texas Council on Family Violence, November 2019). In interviews with 150 survivors in seven different regions, TCFV found that 71.4% of survivors needed help looking for housing and 32.7% of survivors needed help keeping their current housing. Despite this, TCFV notes that 47% of persons calling for family violence shelter will hear that there is insufficient space to house them. HUD's 2019 PIT Count estimates that 9.7% of persons experiencing homelessness in Texas during one night in January were victims of domestic violence (2,513 people). TCFV interviews showed that 90.7% of survivors had experienced homelessness due to domestic violence at least once in their lives, over 45% had been homeless twice or more, and 34% had been homeless once or twice due to reasons unrelated to family violence.

The Texas Department of Public Safety reports that the total number of Texas family violence incidents in 2025 was 234,265. This represented a 7.8% increase when compared to 2024. The table below shows total incidents of domestic violence in Texas in calendar year 2025. One incident can involve multiple victims, and one victim can experience multiple incidents.

Incidences of Family Violence and Sexual Assaults, Texas

Area	Family Violence Incidents*	Incidence Rate (per 1,000 people)
Rural	20,812	6.29
Urban	213,434	8.10
Texas**	234,265	7.90

Source: Texas Department of Public Safety, 2025
**Detail data does not necessarily add up to DPS totals for the year

Residents of Colonias

Colonias are substandard housing developments mainly found along the Texas-Mexico border. These developments lack basic services such as drinking water and sewage treatment. Several state agencies, including TDHCA, work to address barriers in colonia communities.

The definition of colonia differs among the agencies working to address colonia issues. According to Tex. Gov't Code §2306.581, TDHCA's enabling statute, 'colonia' means a geographic area located in a county some part of which is within 150 miles of the international border of this state, consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood, and: "has a majority population composed of individuals and families with low income and very low income, based on the federal OMB poverty index and meets the qualifications of an economically distressed area under Section 17.921, Water Code; or has the physical and economic characteristics of a colonia, as determined by the department."

Since 1995, Tex. Local Gov't Code Chapter 232, Subchapter B has required that new subdivisions provide infrastructure, such as utilities, roads, and drainage to residents. Subchapter B currently applies to the 28 counties of which any part is located within 50 miles of the Mexican border and Nueces County. Subchapter B requires that counties to which it applies adopt and enforce the Model Subdivision Rules of the Texas Water Development Board (TWDB), and restrict the sale and advertising of lots that lack (or lack the guarantee of) water and sewer infrastructure, unless the seller resides on the lot.

Differing definitions make it difficult to estimate the population of the state's colonias. Oftentimes, reports utilize population figures for Economically Distressed Areas (EDAs) as estimates for colonia populations. This is because the TWDB also requires that counties adopt the model subdivision rules in order to qualify for their Economically Distressed Areas Program (EDAP), a program designed to assist local government in providing water and sewer facilities to needy residential areas such as colonias. EDAP eligible cities and counties must contain an EDA, as established by Tex. Water Code §17.921. The TWDB defines a colonia as a type of EDA with 11 or more dwellings that is located in a county any part of which is within 50 miles of an international border; or located in a county any part of which is within 100 miles of an international border; and that contains the majority of the area of a municipality with a population of more than 250,000 as per Tex. Gov't Code §775.001(2). The TWDB also utilizes a separate definition for 'nonborder colonias,' which applies to subdivisions located greater than 150 miles from the international border of the state. Therefore, since the Tex. Water Code's definition for a colonia (and EDAs more generally) do not set requirements for distance from

the Texas-Mexico border, TWDB population estimates for EDAs or colonias do not necessarily align with the TDHCA definition of colonia, which is limited to counties that are 150 miles from the Texas-Mexico border.

As such, reporting agencies can arrive at different estimates for the number of people living in colonias depending on which definitions they utilize. A 2014 assessment by the Texas Office of the Secretary of State's Colonia Initiatives Program, which utilizes a similar definition to TDHCA, found that the six Texas counties (El Paso, Maverick, Webb, Starr, Hidalgo, and Cameron) with the largest colonia populations contain 1,854 colonias with a population of 369,482. Population numbers in this assessment were validated in several ways: by 2010 census data, by city and county figures, and (in some cases) by colonia ombudsperson site visits.

Colonia Resident Population Estimates, Texas

Region	County	Number of Colonias	Estimated Colonia Population
11	Cameron	196	56,005
11	Hidalgo	937	150,235
11	Maverick	74	23,295
11	Starr	256	34,143
11	Webb	62	15,222
13	El Paso	329	90,582
	Total	1,854	369,482

Source: Texas Office of the Secretary of State, 2014.

Conversely, a 2015 Federal Reserve Bank of Dallas report estimates that 500,000 people live in 2,294 colonias in Texas (Federal Reserve Bank of Dallas, April 2015). This is likely based on a previous 2003 Texas Water Development Board assessment.

Residents of Public Housing

Public housing authorities administer a variety of programs for low-income families, aging Texans, and persons with disabilities. These programs range from housing choice voucher administration to public housing construction and rehabilitation. While housing choice vouchers provide rental subsidies for households living in private rental units, public housing units offer affordable low-income housing that is managed directly by the public housing authority.

The Fiscal Year 2023 HUD budget awarded $5.1 billion in operating grants and $3.2 billion in capital grants to the Public Housing Fund which in addition to smaller amounts of additional funding equals an $8.51 billion total. The National Association of Housing and Redevelopment Officials estimates that as of 2024 the Capital Fund backlog is close to $90 billion (NAHRO, 2025).

To begin to address this significant need for rehabilitation of its public housing stock, HUD created the Rental Assistance Demonstration (RAD). RAD allows PHAs to leverage public and private debt and equity to rehabilitate their properties while the units continue to remain affordable to low-income households. According to HUD, Texas PHAs have converted 142 projects covering 19,312 housing units under the RAD program. It is not uncommon for RAD conversion properties to access TDHCA resources including the Housing Tax Credit Program.

Public Housing Authority Units, Texas

State	Rural	Urban	Total Units
Total	13,728	25,164	38,892

Source: HUD, 2024.

*Seven PHA units did not have County designations and were therefore left out of the Rural and Urban analysis

Regional Analysis

The majority of the State's PHA units are in urban counties, 63.4%. Region 9 has 17.9% of the State's PHA units, the highest percentage of any region, followed by Region 3 at 14.0%. Region 13 has the smallest share of the State's PHA units at 0.3%, followed by Region 12 at 2.7%. Additional regional analysis of subsidized multifamily units, including PHA units, is available in the Housing Assessment portion of this section, under the Statewide Assisted Housing Inventory.

Veterans

According to the Texas Veterans Commission, the two key factors which continue to increase the demand for veterans' services in Texas are force reductions, which produce a surge of service members departing the military, and a large aging population of veterans, specifically from the WWII, Korea, and Vietnam eras. The current median age for veterans in the United States is 64 compared with 44 for all non-veterans (U.S. Department of Veteran's Affairs, 2018). Age also contributes to the higher rate of veterans living with disabilities (30.1%) than the non-veteran population (14.8%). As these generations of veterans age, need for veterans services continues to grow (Texas Veterans Commission, 2014).

Veterans face a host of challenges when transitioning back to civilian life. According to ACS data about 1.2 million veterans live in poverty nationwide. On a single night in January 2024, there were 32,882 veterans experiencing homelessness in the United States, and nearly all (98%) were homeless in households without children. Between 2023 and 2024, homelessness among veterans decreased by 7.6% (or 2,692 individuals) nationwide. *<January 2025 numbers expected to be released by early Jan 2026 and anticipated to be included in Feb 2026 final SLIHP edition>*

The 2019-2023 ACS estimates that there are 1,408,009 veterans in Texas, representing 6.4% of the Texas civilian population over age 18. HUD's 2024 PIT Count reported that there were 1,837 veterans experiencing homelessness in Texas over a single night in January 2024 (HUD, December 2024). Veterans accounted for 6.6% of the homeless population in Texas. This is a slight decrease from 2023, when 7.4% of the adult population experiencing homelessness counted on a single night in January consisted of veterans (HUD, December 2023). Between 2023 and 2024, Texas had a decrease in veterans experiencing homelessness of 325 individuals or a 9.8% decrease.

Veterans, Texas

State	Rural Veterans	Urban Veterans	Total Veterans	2019-2023 Civilian Population over 18 years	Percent Veterans of Population Over 18 Years
Total	189,010	1,218,999	1,408,009	22,039,680	6.4%

Source: 2019-2023 American Community Survey, Table S2101.

Regional Analysis

10.9% of Region 8's civilian population over 18 years old are veterans, the highest percentage among all regions followed closely by Region 9 at 10.1%. Region 8 contains Fort Hood in Killeen and Region 9 contains Joint Base San Antonio, which includes Fort Sam Houston, Lackland Air Force Base, and Randolph Air Force Base. While a greater number of veterans live in urban counties (86.6% of the State total), rural counties have a higher percentage of their population that are veterans (7.5% vs. 6.2%).

Region 3 has the largest veteran population of all regions, 350,429 or 24.9% of all Texas veterans. Region 6 has 270,180, or 19.3% of all Texas veterans. Considering that Regions 3 and 6 account for 28.0% and 25.2% of the state's total civilian non-institutionalized population respectively, this is approximately the number of veterans you would expect to be present in these two regions.

Region 12 has the smallest share of the State's veteran population at 1.9% while Region 11 has the lowest percentage of its regional population who are veterans at 3.6%.

Youth Aging Out of Foster Care

In Texas, youth in the foster care system age out at 18 years old (although under a variety of programs, youth may be able to receive ongoing assistance until age 24). In 2025, 825 Texas youth were emancipated from foster care, with some youth receiving assistance and services to help them transition to adulthood and some youth ceasing continued contact with the child welfare system once they left foster care (Texas DFPS, 2024). According to the Annie E. Casey Foundation, "Twenty-five percent of youth who had been in foster care at age 17 and surveyed at age 21 said that they had been homeless at some point in the last two years." The same study found that "just 71% of youth who were in foster care at age 17 had earned their high school diploma or GED by age 21 (only 2% had earned an associate's degree; zero had earned a bachelor's degree or higher)." This study also found that youth who were in foster care were more likely to be incarcerated, unemployed and more likely to become early parents than young people without foster care experience. (Annie E. Casey Foundation, 2025)

These factors combine to make homelessness a real possibility for many youth that age out of foster care. Foster care alumni may benefit most from housing tied with other services, such as education, financial literacy, and services to facilitate connections for emotional support. The Texas Department of Family and Protective Services (DFPS) has a program that may allow youth to stay in foster care until age 21 while they pursue an education or a job. DFPS provides various services to help these youth learn to live successfully on their own. Further, Texas provides healthcare to children in foster care and to youth who age out of care up to the month of their 26th birthday.

Youth Aging Out of Foster Care, Texas SFY 2024

State	Rural	Urban	Total
Total	156	669	825

Source: Texas Department of Family and Protective Services, 2025

Regional Analysis

Because the number of youth aging out of foster care is small compared with the population of the State, the percentage of each region's population that are youth aging out of foster care varies by only thousandths of a percentage. 0.0116% of the population of Region 2 are youth aging out of foster care, the highest percentage among all regions. Region 13 has the lowest percentage—only 0.0017% of the region's population are youth aging out of foster care.

Region 3 contains 20.0% of all youth aging out of foster care in Texas, the largest share of all regions. The urban counties of Regions 3 and 6 account for 37.7% of all youth aging out of foster care in the State of Texas. Region 12 has the smallest portion of State youth aging out of foster care at 2.1%.

Despite only 9.2% of all Texas residents of urban counties being in Region 9, 14.4% of all youth aging out of foster care living in urban counties reside in Region 9.

HOUSING ASSESSMENT

The SLIHP's annual housing assessment aggregates data on the adequacy, affordability, and availability of the state's current housing supply. It does this by utilizing HUD's most recent CHAS data to show various housing conditions by income category. While this section covers the entire state, a separate housing assessment for each of the state's 13 uniform service regions can be found in the appendices.

Housing Needs

When analyzing local housing markets and developing strategies for meeting housing problems, HUD suggests that government agencies take several different factors into account. These factors include the physical condition of a housing unit, how much a household spends on housing costs (measured by Housing Cost Burden), and whether or not the unit is overcrowded. The following table reveals the number and percentage of households with at least one housing problem by income category and household type.

Households with One or More Housing Problems, Texas

Income Categories	Renter At least one problem	Renter Total Households	Renter % with at least one problem	Owner At least one problem	Owner Total Households	Owner % with at least one problem	Total Households
ELI	628,877	792,519	79.4%	351,316	487,470	72.1%	1,279,989
VLI	543,910	637,259	85.4%	285,754	538,089	53.1%	1,175,348
LI	462,822	821,454	56.3%	336,868	897,887	37.5%	1,719,341
MI	112,560	425,732	26.4%	158,412	618,214	25.6%	1,043,946
>100% AMFI	111,782	1,171,289	9.5%	300,162	3,849,379	7.8%	5,020,668
Total	1,859,979	3,848,290	48.3%	1,432,535	6,391,064	22.4%	10,239,350

Source: 2017-2021 CHAS, Table 1 and Table 8.

Of renter households, those in the VLI category are the most likely to have at least one housing problem. Of owner households, those in the ELI category are the most likely to have at least one housing problem. Overall, renters are more likely than owners to have at least one housing problem.

Physical Inadequacy (Lack of Kitchen and Plumbing Facilities)

HUD's CHAS data tracks the physical inadequacy of units by reporting on the number of units in each county that lack complete kitchen and/or plumbing facilities. Although there may be other ways to measure physical inadequacy, the lack of plumbing and/or kitchen facilities mark severely inadequate housing (HUD, 2020). TDHCA's Minimum Construction standards, which serve as the starting point for the rehabilitation of single-family homes, defines homes without kitchen or plumbing facilities as 'substandard condition' (TDHCA, 2015). Specifically, substandard conditions, such as lack of plumbing and/or kitchen facilities "threaten the health and/or safety of the occupant."

The following table shows the breakdown of households living in housing units that lack complete kitchen or plumbing facilities.

Number of Occupied Units Lacking Kitchen and/or Plumbing Facilities by Income Category, Texas

Income Categories	Renter Households lacking kitchen or plumbing	Total Renter Households	% of renters lacking kitchen/plumbing in income category	Owner Households Lacking Kitchen or Plumbing	Total Owner Households	% of owner lacking kitchen/plumbing in income category
ELI	21,158	792,519	2.7%	10,652	487,470	2.2%
VLI	13,087	637,259	2.1%	5,800	538,089	1.1%
LI	10,762	821,454	1.3%	7,925	897,887	0.9%
MI	4,036	425,732	0.9%	3,596	618,214	0.6%
>100% AMFI	11,290	1,171,289	1.0%	14,127	3,849,379	0.4%
Total	60,377	3,848,290	1.6%	42,144	6,391,064	0.7%

Source: 2017-2021 CHAS, Table 3 and Table 8.

Out of the total count of physically inadequate occupied housing units, 21.1% are occupied by ELI renter households and 10.4% are occupied by ELI owner households. A greater number of renters with incomes less than or equal to 100% AMFI lack kitchen or plumbing compared to owners, while a greater number of owners with incomes greater than 100% AMFI lack kitchen or plumbing compared to renters. However, the rate of households in each income category that lack plumbing or kitchen facilities decreases as income increases. While the percentage of ELI owner and renter households who lack complete kitchen or plumbing facilities are similar, for all other income categories rates of physical inadequacy are higher among renter households.

Regional Analysis

Region 10 has the highest rates of physical inadequacy among all regions with 1.8% of its households lacking kitchen or plumbing facilities. The region with the next highest rate of physical inadequacy is Region 11 at 1.5%. ELI renter households in Regions 10 have the highest rate of households lacking complete plumbing or kitchen facilities at 4.5%. Region 4 has the highest rate of physical inadequacy for rental households, at 2.9% followed by Region 10 at 2.7%.

Region 3 has the lowest rate of physical inadequacy at 0.8% while Regions 6, 7, and 13 have the second lowest rate at 0.9%. All of these regions have low overall rates due to low levels of physical inadequacy in their urban areas. Overall, the rate of physical inadequacy is higher in rural counties than in urban counties (1.5% and 0.9% of total rural and urban households, respectively). Region 11 has the smallest difference between urban and rural rates of physical inadequacy with 1.5% of urban and 1.6% of rural households lacking a complete kitchen or plumbing. Region 13 has the largest difference between urban and rural rates of physical inadequacy; while 0.9% of urban households in Region 13 lack complete kitchen or plumbing, 1.7% of rural households have the same issues.

Housing Cost Burden

A household is defined as experiencing housing cost burden when a household pays more than 30% of its gross income for housing costs including utilities. When so much income is spent on housing, other basic household needs may suffer. The following table shows the breakdown of households experiencing housing cost burden and does not include data for households for which housing cost burden could not be calculated.

Number of Households with Housing Cost Burden by Income Category, Texas

Income Categories	Renters with Cost Burden	Total Renter Households	% of Renter Households with Cost Burden	Owners with Cost Burden	Total Owner Households	% of Owners with cost burden
ELI	611,980	792,519	77.2%	340,112	487,470	69.8%
VLI	522,557	637,259	82.0%	264,759	538,089	49.2%
LI	409,431	821,454	49.8%	293,885	897,887	32.7%
MI	82,683	425,732	19.4%	131,598	618,214	21.3%
>100% AMFI	47,463	1,171,289	4.1%	207,547	3,849,379	5.4%
Total	1,674,114	3,848,290	43.5%	1,237,901	6,391,064	19.4%

Source: 2017-2021 CHAS, Table 8.

VLI renter households have the highest rate of households experiencing cost burden at 82.0% of all VLI renter households. ELI renter households have the largest absolute number of households experiencing cost burden with 611,980 households. This is a larger population than renter and owner households with incomes greater than 100% AMFI experiencing cost burden combined, 255,010 households. While the absolute number of total cost burdened households increased from the previous 2016-2020 CHAS data, the number of cost burdened ELI and VLI households decreased. The percentage of housing cost burdened households decreased in all income brackets except for ELI households.

For renters, cost burden is heavily concentrated in the lowest income categories. Cost burdened renter households are 36.6% ELI, 31.2% VLI, 24.5% LI, and just 7.7% are MI and above. Cost burdened owners are 27.5% ELI, 21.4% VLI, 23.7% LI, and 27.4% MI and above. This could possibly be because there are more owner households in the higher income categories when compared with renting. As such, higher income groups comprise a larger portion of cost burdened homeowners.

For ELI, VLI, and LI households, renters are more likely to experience cost burden than owners. For MI households and households with incomes greater than 100% AMFI, owners are more likely to experience cost burden.

Regional Analysis

Region 13 has the highest rates of housing cost burden among all regions with 30.4% of households paying more than 30% of their income in housing costs. Regions 6 and 7 have the next highest rate at 29.7%. Regions 3, 6, 7, 8, and 9 all have rates between 28% and 30%.

Region 2 possesses the lowest rate of cost burdened households in the state at 22.6%. Region 12 has the next lowest rate at 22.9%. It is worth noting that these two regions abut one another, which could mean that similar geographic and economic factors are lessening cost-burden across these two regions.

Region 7 has the highest rates of cost burden for ELI and VLI households. This is likely due to rapidly increasing housing costs in the Austin-Round Rock MSA (City of Austin 2020). Region 7 has the highest rate of cost burdened MI renter households at 27.1%; meanwhile, Region 6 has the highest rate of cost burdened households above 100% AMFI at 5.0%.

Very Low Income renter households in Region 3 has the highest rate of households experiencing cost burden at 85.9%. Renter households in Region 6 and Region 9 have the next highest rates at 84.5% and 84.2% respectively. In general, housing cost burden increased amongst all households in the latest CHAS data release.

Housing cost burden is more prevalent in urban areas than in rural; 29.3% of total urban households and 21.7% of total rural households experience cost burden. Regions 8 and 13 have the highest rates of cost burden among urban subregions; 31.9% of urban households in Region 8 and 30.7% of urban households in Region 13 experience cost burden. Regions 6 and 3 have the highest rates of cost burden among rural subregions; 26.2% of rural households in Region 6 and 24.2% of rural households in Region 3 experience cost burden.

OVERCROWDING

Overcrowded housing conditions occur when a residence accommodates more than one person per each room in the dwelling. Overcrowding may indicate a general lack of affordable housing in a community because households may choose to share space, rather than pay for expensive housing or move to areas with more affordable housing. The following chart shows the percentage of households experiencing overcrowding in each income category.

Number of Households Experiencing Overcrowding by Income Group, Texas

Income Categories	Over-crowded Renters	Total Renter Households	% of Renters with Overcrowding	Over-crowded Owners	Total Owner House-holds	% of Owners with Overcrowding
ELI	72,776	792,519	9.2%	19,692	487,470	4.0%
VLI	63,319	637,259	9.9%	28,643	538,089	5.3%
LI	64,581	821,454	7.9%	44,257	897,887	4.9%
MI	28,675	425,732	6.7%	25,581	618,214	4.1%
>100% AMFI	56,854	1,171,289	4.9%	81,800	3,849,379	2.1%
Total	286,160	3,848,290	7.4%	199,939	6,391,064	3.1%

Source: 2017-2021 CHAS, Table 10 and Table 8.

Generally, lower income households experience overcrowding at a higher rate than higher income households. However, unlike households lacking complete plumbing or kitchen facilities, and similar to recent trends amongst cost burdened households, overcrowding peaks at the VLI income level. This is likely because VLI households are more likely to have more household members, increasing the likelihood for overcrowding.

Overcrowding also decreases more significantly as income increases beyond the 50% AMFI income level for both owner and renter households. This is likely because higher income households can more easily find and afford houses with sufficient space. For all income categories, renter households have higher rates of overcrowding than owner households.

Regional Analysis

Region 11 has the highest rate of overcrowding among all regions with 11.0% of total households experiencing overcrowding. Unlike rates of physical inadequacy and housing cost burden, Region 11 has the highest rates of overcrowding regardless of income category, owner or renter status, or urban or rural area. The total rate of overcrowding among all households in Region 11 (11.0%) is twice as high as the region with the next highest rate of overcrowding, Region 13 at 5.5%. It's worth noting that Regions 11 and 13 contain the vast majority of Texas' border counties, which seems to indicate that geography plays at least some role in rates of overcrowding. On the other hand, Region 2 has the lowest regional rate of overcrowding, 2.4% of all households. Region 2 also has the lowest rate of overcrowding and second lowest rate of overcrowding across all renter and owner income categories.

Rates of overcrowding are relatively close in urban and rural counties. The largest difference between the urban and rural rate is in Region 11, where 9.0% of rural and 11.4% of urban households experience overcrowding. While the statewide urban rate (4.8%) is slightly higher than the statewide rural rate (4.3%), there is not a distinguishable pattern regarding urban vs. rural overcrowding across regions.

Housing Supply

During the 5-year ACS estimate (2019-2023), approximately 67.7% of occupied housing units in Texas were single-unit homes, and nearly all of these single-unit homes (96.0%) were single family detached structures. Multifamily structures comprise roughly 32.3% of Texas' housing units: 1.9% in developments of 2 units; 3.3% in developments with 3 or 4 units; 10.5% in developments with 5 to 19 units; and 9.6% in developments of over 20 units. The remaining 7.0% of units were manufactured homes and other units such as boats or RVs.

Physical Housing Characteristics for Occupied Units, Texas

Housing Characteristics	Rural Units	Urban Units	Total Units	Percent of Total
1 unit	1,091,539	6,925,362	8,016,901	67.4%
2 units	30,649	189,003	219,652	1.8%
3 or 4 units	35,624	367,192	402,816	3.4%
5 to 19 units	47,947	1,157,377	1,205,324	10.1%
20+ units	31,067	1,208,369	1,239,436	10.4%
Mobile homes	252,642	525,269	777,911	6.5%
Other types of housing	7,540	21,228	28,768	0.2%
Total	1,497,008	10,393,800	11,890,808	100.0%

Source: 2019-2023 American Community Survey, Table DP04.

*The "Other types of housing" category is for living quarters occupied as housing units that do not fit in the previous categories. Examples that fit in the "other" category are houseboats, railroad cars, campers, and vans.

The table below shows occupied and vacant housing. In areas of high vacancy, this can create a problem if those units are substandard, contributing to blight and unsafe housing conditions. In areas of very low vacancy, this can create a high demand for units, driving up rental costs. Rural areas experienced lower levels of occupancy than urban areas. The statewide occupancy rate was 89.6%.

Housing Occupancy, Texas

State	Renter Occupied Housing Units	Owner Occupied Housing Units	Vacant Housing Units	Percent of Total Units that are Occupied
Rural	328,288	888,619	280,101	81.3%
Urban	3,695,223	5,835,110	863,467	91.7%
Total	4,023,511	6,723,729	1,143,568	90.4%

Source: 2019-2023 American Community Survey, Table DP04.

Regional Analysis

Region 5 has the lowest regional occupancy rate of all regions at 82.0%. Region 10 has the lowest occupancy rate among urban subregions (84.9%), but Region 13 has the lowest occupancy rate among rural subregions (74.9%).

Region 7 has the highest overall occupancy rate of all regions at 93.6% of units occupied. Region 7's urban counties have the highest occupancy rate of any subregion (94.7%) followed closely by the urban counties of Region 3 (93.1%). Region 3 had the highest occupancy rate of all rural subregions at 85.6% occupancy.

STATEWIDE ASSISTED HOUSING INVENTORY

The following table shows the number of units in Texas financed or subsidized through state and federal sources, including TDHCA, the U.S. Department of Housing and Urban Development (HUD), and the U.S. Department of Agriculture (USDA).

TDHCA units include all program units, regardless of occupancy, in the active TDHCA Multifamily portfolio. HUD Units include units funded through the Section 202 Supportive Housing for the Elderly Program, the Section 811 Supportive Housing for Persons with Disabilities Program, the Section 236 Preservation Program, and the Section 8 Project-Based Rental Assistance Program administered by HUD's Office of Multifamily Housing. PHA Units include units funded through the Moderate Rehabilitation Program and Public Housing Program administered by local PHAs. HCVs include both tenant- and project-based vouchers administered by local PHAs. USDA units include those funded through the Section 514 Farm Labor Housing Program and the Section 515 Rural Rental Housing Program.

Because some developments layer funding from multiple sources, there may be double counting. The table does not include local Housing Finance Corporations (HFCs), a category which encompasses the Texas State Affordable Housing Corporation (TSAHC). Detail on these units is available in the TSAHC Annual Action Plan (Section 7 of this document).

Because this is a count of subsidized units, the unit total only includes those units that have income restrictions, and does not include market-rate units that may incidentally have affordable rents available in some developments. Housing Choice Vouchers are included in the count as they can subsidize the rent of market rate units and voucher holders are required to meet income restrictions. TDHCA units represent the active multifamily units as taken from TDHCA's internal Central Database in November 2025 HUD units, Housing Choice Vouchers, and Public Housing Authority unit data were obtained from HUD's 2025 Picture of Subsidized Households county-level dataset available on HUD's Office of Policy Development and Research webpage. USDA subsidized unit data for active projects as of August 21, 2025, were taken from USDA's Rural Development Datasets webpage.

Subsidized Units, Texas

Multifamily Units	State	Percent of State Inventory
TDHCA Units	341,430	53.22%
HUD Units	59,831	9.33%
PHA Units	38,892	6.06%
Housing Choice Vouchers	179,583	27.99%
USDA Units	21,780	3.40%
Total	641,516	100.0%

Source: TDHCA 2025; HUD 2025; U.S. Department of Agriculture 2025.

Regional Analysis

The urban counties of Regions 3 and 6 account for 43.0% of all assisted multifamily units in the State of Texas (275,799 units). Region 3 has the overall greatest share of the State's subsidized units at 24.5%, followed by Region 6 with 19.9%. Region 12 has the smallest share of the state's subsidized multifamily units at 2.0%, followed by Region 2 with 2.4%. Regions 2 and 4 have 48.6% and 46.6% of their total subsidized units located in their rural counties, the highest rural unit percentages of all regions. Overall, most regions had a majority of their subsidized units located in urban areas. 8.8% of all housing units in Region 13 are subsidized units, the highest percentage of any region. 10.2% of all housing units in the urban counties of Region 5 are subsidized units, the highest percentage among all subregions. 6.9% of the rural housing units in Region 11 are subsidized, the highest percentage amongst all subregions. Overall, 5.4% of all housing units in the state are subsidized with 5.5% of urban housing units being subsidized and 4.9% of rural housing units being subsidized.

FORECLOSURES

Foreclosures can affect the availability and affordability of local housing stocks. Foreclosures, particularly if concentrated in one area or in a weak market neighborhood, can lead to declining property values and physical deterioration from long periods of vacancy or lack of maintenance (Lincoln Land Institute, 2014). Foreclosed homes may be in worse condition than owner-occupied properties, which may suggest higher rates of substandard housing in areas with large numbers of foreclosures. While foreclosures may increase the local available housing stock, rapid increases in housing stock can put downward pressure on local home prices. If foreclosures become a sizable share of home sales, that could affect the value of all available homes in one area, not just those that went through foreclosure (Immergluck, 2016). This can make additional households more susceptible to foreclosure as homes become more difficult to sell or refinance, a phenomenon known as foreclosure contagion.

Altogether, foreclosures were up from SFY 2024, a 63.1% increase from 20,689 to 33,754. Last year there was a decrease of foreclosures from SFY 2023 to SFY 2024, which was a 17.8% decrease from 25,160 foreclosures to 20,689.

Foreclosures, Texas SFY 2025

State	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2025 Total	2024 Total	2023 Total
Rural	666	576	820	803	2,865	1,688	1,866
Urban	6,230	7,584	8,768	8,307	30,889	19,001	23,294
Total	6,896	8,160	9,588	9,110	33,754	20,689	25,160

Source: RealtyTrac, 2025.

Regional Analysis

Regions 3 and 6 account for 58.1% of total State foreclosures in SFY 2024 (35.3% in Region 6, 22.8% in Region 3). The next highest regional share of State foreclosures is in Region 9, which had 11.5% of

the State total. Each of the remaining regions range from 0.9% (Region 13) to 5.9% (Region 11) of all Texas foreclosures.

The rural counties of Region 10 account for 21.8% of all rural foreclosures (626 foreclosures). Region 8 (17.8%) and Region 4 (16.4%) both accounted for large portions of the state's rural foreclosures. Meanwhile, the largest percentages of urban foreclosures occurred in Regions 6 (35.3%) and Region 3 (22.8%).

HOUSING AFFORDABILITY

The following tables compare demand and supply of affordable housing. They cross tabulate the number of households and housing units in different affordability categories by tenure (meaning whether the household is a renter or owner household). In the tables, rental unit affordability depends on gross rent and owner unit affordability depends on the home value. All units reported in the following tables have complete kitchen and plumbing facilities. Higher income households often reside in units that could be affordable to the lowest income households, so there are fewer units available at a cost that is affordable to lower income households. For example, 1,016,735 renter households in Texas with incomes greater than 80% AMFI occupy rental units that would be affordable to renter households with incomes less than or equal to 80% AMFI (see tables below). Renter households in this category can afford rental units in any of the defined affordability categories. Therefore, renter households that are not ELI, VLI, or LI, often limit the supply of affordable rental housing units available to those lower income renter households.

The following tables describe the housing market interaction of various income groups and housing costs. The tables illustrate the housing market mismatch between housing units and income groups. Owner households with incomes greater than 100% AMFI occupy 37.7% of homes affordable to ELI and VLI owner households. Only 21.8% of ELI renter households are living in rental units affordable to renter households in that income bracket, which implies that the remaining 778.2% of ELI renter households may be experiencing housing cost burden. This is supported by the cost burden statistics previously discussed, where 77.2% of ELI renter households were found to be experiencing cost burden. However, the mismatch displayed in these tables is not the only factor in cost burden. Only 14.0% of LI renter households (incomes of 50-80% AMFI) are in units that are affordable to households with incomes greater than 80% AMFI, above the LI income bracket. However, 49.8% of LI renter households experience housing cost burden. This indicates that other factors besides rental affordability can cause housing cost burden, such as utilities and fees. It also suggests that a number of LI renter households may reside on the lower end of the income category (50% AMFI) than near the top (80% AMFI).

Occupied Rental Units by Affordability and Income Group of Renter Household, Texas

Unit Rent Affordability	ELI Renter Households	VLI Renter Households	LI Renter Households	MI Renter Households	Renter Households with incomes >100% AMFI	Total Renter Occupied Units
Rental Units Affordable to ELI HHs	172,874	62,214	50,058	24,315	55,010	364,464
Rental Units Affordable to VLI HHs	192,924	159,388	147,595	53,823	89,915	643,735
Rental Units Affordable to LI HHs	331,386	343,376	497,787	254,580	539,092	1,966,142
Rental Units Affordable to MI HHs and HHs with incomes greater than 100% AMFI	74,310	59,143	115,244	88,965	475,920	813,557
Total Renter Households	792,519	637,259	821,454	425,732	1,171,289	3,848,290

Source: 2017-2021 CHAS, Table 15C.

Percent of Occupied Rental Units by Affordability and Income Group of Renter Household, Texas

Unit Rent Affordability	% of ELI Renter Households	% of VLI Renter Households	% of LI Renter Households	% of MI Renter Households	% of Renter Households with incomes >100% AMFI
Rental Units Affordable to ELI HHs	21.8%	9.8%	6.1%	5.7%	4.7%
Rental Units Affordable to VLI HHs	24.3%	25.0%	18.0%	12.6%	7.7%
Rental Units Affordable to LI HHs	41.8%	53.9%	60.6%	59.8%	46.0%
Rental Units Affordable to MI HHs and HHs with incomes >100% AMFI	9.4%	9.3%	14.0%	20.9%	40.6%

Source: 2017-2021 CHAS, Table 15C.Owner Occupied Housing Units by Affordability and Income Group of Owner Household, Texas

Home Value Affordability	ELI Owner Households	VLI Owner Households	LI Owner Households	MI Owner Households	Owner Households with incomes >100% AMFI	Total Owner Occupied Units
Homes Affordable to ELI and VLI HHs	269,329	305,754	432,900	250,206	762,072	2,020,204
Homes Affordable to LI HHs	108,777	132,156	269,576	211,717	1,144,342	1,866,576
Homes Affordable to MI HHs	35,841	40,085	80,978	68,169	619,977	844,892
Homes Affordable to HHs with Incomes >100% AMFI	62,887	54,339	106,522	84,636	1,308,856	1,617,199
Total Owner Households	487,470	538,089	897,887	618,214	3,849,379	6,391,064

Source: 2017-2021 CHAS, Table 15A and Table 15B.

Percent of Owner Occupied Housing Units by Affordability and Income Group of Owner Household, Texas

Home Value Affordability	% of ELI Owner Households	% of VLI Owner Households	% of LI Owner Households	% of MI Owner Households	% of Owner Households with incomes >100% AMFI
Homes Affordable to ELI and VLI HHs	55.3%	56.8%	48.2%	40.5%	19.8%
Homes Affordable to LI HHs	22.3%	24.6%	30.0%	34.2%	29.7%
Homes Affordable to MI HHs	7.4%	7.4%	9.0%	11.0%	16.1%
Homes Affordable to HHs with Incomes >100% AMFI	12.9%	10.1%	11.9%	13.7%	34.0%

Source: 2017-2021 CHAS, Table 15A and Table 15B.

LOCAL ASSESSMENT OF NEED

TDHCA acknowledges that the greatest understanding of housing needs is found at the local level. TDHCA continuously strives to improve the methods it uses to identify regional affordable housing needs.

PUBLIC ASSISTANCE REQUEST INVENTORY

TDHCA compiles an inventory of communication from members of the general public using the following contact methods:

- calls made to TDHCA's Automated Call Distribution line (toll free 800-525-0657 or 512-475-3800);
- emails sent to TDHCA's general mailbox (info@tdhca.texas.gov);
- letters mailed to the agency's mailing address (PO Box 13941, Austin, TX 78711); and;
- web searches for assistance through the Department's Help for Texans website at https://www.tdhca.texas.gov/help-for-texans. The first three methods allow TDHCA staff to provide individualized assistance to members of the public. The fourth method is automated and does not entail individual attention for the requestor. This means that data collected through the fourth method may not accurately reflect assistance requests, as it could include miscellaneous or non-request related searches. For this reason, online search request data varies significantly from year to year.

Below are explanations of types of requests received:

1. Barrier Removal: modifications to improve accessibility for persons with disabilities.

2. Emergency Assistance: short-term rental payments, often used to prevent eviction and various social services for poverty-level households.

3. Foreclosure Prevention: addresses problems with banks or servicers or problems making mortgage payments. This type of request was only captured through calls, emails or direct mail and not through web requests. (Please note that TDHCA does not provide mediation with banks or servicers or mortgage assistance payments.)

4. Homebuyer Assistance and Education: down payment assistance, low-interest loans, mortgage credit certificates, and education for first-time homebuyers on the process and responsibilities for buying and owning a home. In the below tables and charts, Homebuyer Assistance and Education is shortened to Homebuyer.

5. Legal Assistance: landlord/tenant disputes, contract for deed issuances and other legal matters. This type of request was only captured through calls, emails, or direct mail and not through web requests. (Please note that TDHCA does not provide legal assistance to the public.)

6. Other Housing-Related Assistance: referrals to realtors, sewer connections, homeowner associations and other general questions about housing. This type of request was only

captured through calls, emails or direct mail and not through web requests. (Please note that TDHCA does not have jurisdiction over the issues in "Other Housing-Related Assistance.")

7. Rental Assistance: longer-term rental assistance, such as subsidized rent in a market-rate apartment or lower rents in reduced-rent apartments.

8. Repair Assistance: owner-occupied home repairs.

9. Utility Assistance: utility payment needs, possibly to prevent utilities from being disconnected.

10. Weatherization: weatherization to increase energy efficiency and decrease utility use.

For all requests except Legal Assistance and Other Housing-Related Assistance, TDHCA usually responds by referring the requestor to local agencies funded through TDHCA that provide help with these services. For Legal Assistance and Other Housing-Related Assistance, staff refers the public to local Legal Aids, nonprofits, or other state agencies. While the majority of TDHCA's programs do not typically serve individuals directly, there are two exceptions for non-pandemic response programs: the HCV and Section 811 PRA Programs, which TDHCA administers for certain areas in the state.

Personal Requests for Assistance, SFY 2025

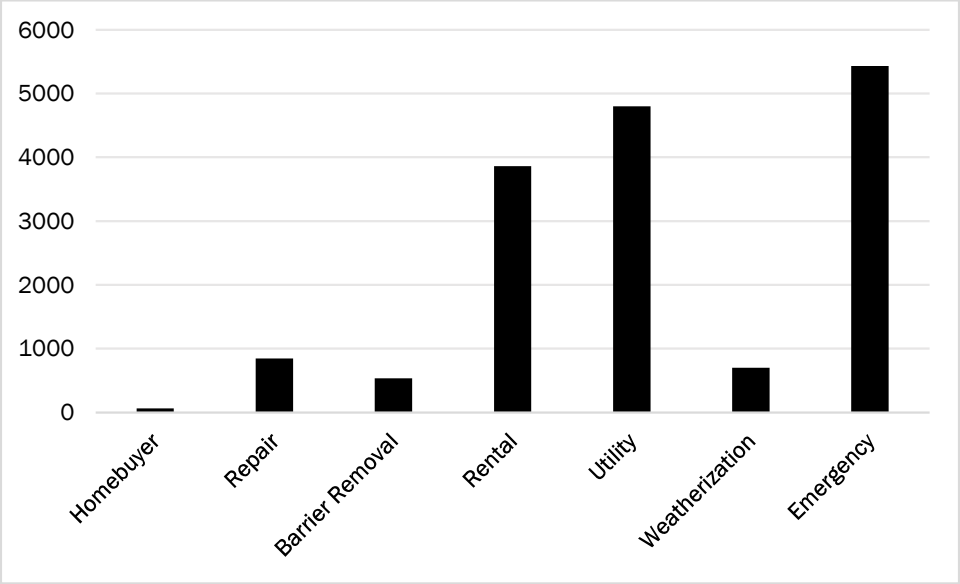
Type of Requests	Personal Requests for Assistance
Barrier Removal	537
Emergency	5,432
Homebuyer	65
Rental Assistance	3,860
Repair	846
Utility	4,801
Weatherization	700
Total	16,241

Source: TDHCA Personal Requests for Assistance, 2025.

TDHCA's Help for Texans page had 477,661 active users visit the page between 9/1/2024 and 8/31/2025.

Personal Requests for Assistance, SFY 2025

Overall, the most common requests, as seen in the chart above, are for emergency assistance, followed by utility assistance and rental assistance. For requests that require personal contact with TDHCA staff, as seen in the bar chart below, the most common request is emergency assistance, followed by utility and rental assistance. Due to the results of the COVID-19 pandemic, TDHCA saw increased requests for emergency, utility, and rental assistance compared to previous years.



Source: TDHCA Public Assistance Inventory, Personal Requests, 2025.

SECTION 3: ANNUAL LOW-INCOME HOUSING REPORT

This section of the SLIHP highlights TDHCA's activities and achievements during the preceding fiscal year and provides detailed analysis of funding and households or individuals served through TDHCA's programs. The analysis is provided at the State level and within each of the 13 State Service Regions (Regions) TDHCA uses for planning and allocation purposes.

This section of the SLIHP includes the following information per Tex. Gov't Code §2306.072:

- The Operating and Financial Statements for the Texas Department of Housing and Community Affairs (TDHCA or Department) for State Fiscal Year 2025 as required by Tex. Gov't Code §2306.072(c)(1).
- Description of TDHCA activities during the preceding year that served to address housing and community service needs as required by Tex. Gov't Code §2306.072(c)(2)(A-C).
- TDHCA activities described by region as required by Tex. Gov't Code §2306.072(c)(5).
- An analysis of the sources, uses and geographic distribution of housing tax credits as required by Tex. Gov't Code §2306.072(c)(7).
- Description of housing opportunities offered by TDHCA's multifamily development inventory as required by Tex. Gov't Code §2306.072(c)(6)(A-J), §2306.072(c)(8), and §2306.0724(a).
- The amount of funds allocated to state service subregions and allocation targets under the Regional Allocation Formula (RAF) as required by Tex. Gov't Code §§2306.111(e)(2) and 2306.111(f).

This section is organized as follows:

- Operating and Financial Statements
- Statement of Activities
    - Funding and Households and Individuals Served by Activity and Program
    - Funding and Households and Individuals Served by Income Group
    - Racial and Ethnic Composition of Households and Individuals Receiving Assistance
    - Progress in Meeting TDHCA Housing and Community Service Goals
- Statement of Activities by Uniform State Service Region
- Housing Sponsor Report Analysis
- Geographic Distribution of Housing Tax Credits

For general information about each region, including housing needs and housing supply, please see the Housing Analysis section of this document. Please note that statistics in this section are based on definitions used for the Department's legislative performance measures with two exceptions. Data reported in the Geographic Distribution of Housing Tax Credits section are based on Housing Tax Credit awards. Racial and ethnic data reported for Housing Tax Credit, Multifamily Direct Loan and Multifamily Bond properties are based on the entire portfolio of active TDHCA-assisted properties.

OPERATING AND FINANCIAL STATEMENTS

TDHCA's Operating Budgets and Basic Financial Statements are prepared and maintained by the Financial Administration Division. Find these reports at:
https://www.tdhca.texas.gov/programs/financial-administration-division

Statement of Activities

The programs and dollar amounts discussed in this chapter do not include new pandemic response funding. Please see the Pandemic Response and Other Initiatives Section (Section 5) for pandemic related programs and funding. The Department has numerous housing programs that provide an array of services. Housing programs are split into renter and owner activities.

Included in the renter category are households participating in TDHCA's HOME Investment Partnerships Program (HOME) Tenant-Based Rental Assistance (TBRA) Program, Section 8 Housing Choice Voucher (HCV) Program, and Section 811 Project Rental Assistance (Section 811 PRA) Program, as well as households residing in TDHCA-funded or assisted multifamily properties. These multifamily properties have received funding or assistance through one or more of the following TDHCA programs: the 9% and 4% Housing Tax Credit (HTC) Programs, Multifamily Direct Loan (MF Direct Loan) Program, and/or Multifamily Bond (MF Bond) Program. The MF Direct Loan Program combines HOME funds, Tax Credit Assistance Program Repayment Funds (TCAP RF), Neighborhood Stabilization Program Round 1 Program Income (NSP1 PI), and National Housing Trust Fund (NHTF) funds to support the development of affordable rental housing. HOME funds utilized for renter new construction and rehabilitation activities available through MF Direct Loan are reported under MF Direct Loan throughout this section. Renter activities through these programs include:

- New construction activities that support multifamily development.
- Rehabilitation construction activities that support the acquisition, rehabilitation, and preservation of multifamily units.
- Tenant- and project-based rental payment assistance that supports lower income Texans.

TDHCA homeowner assistance is offered through several programs. The My Choice Texas Home Program, My First Texas Home Program, and Texas Mortgage Credit Certificate Program utilize private sector mechanisms and federally authorized resources to make homeownership more affordable to low- and moderate-income households. The HOME Program offers the Homeowner Rehabilitation Assistance Program, Homebuyer Assistance with New Construction or Rehabilitation Program (HANC), Contract for Deed Program (CFD), and Single Family Development Program. The State Housing Trust Fund (HTF) administers the Texas Bootstrap Program and Amy Young Barrier Removal Program. Owner activities through these programs include:

- Single-family development that includes funding for Community Housing Development Organizations (CHDOs), nonprofit organizations, and other housing organizations to support the development of single-family housing.
- Single-family financing and homebuyer assistance that helps households purchase a home through such activities as mortgage financing and down payment assistance.

- Single-family owner-occupied assistance that helps existing homeowners who need home rehabilitation and reconstruction assistance, including accessibility modifications made for persons with disabilities.

Community Affairs programs include the Comprehensive Energy Assistance Program (CEAP), Community Services Block Grant (CSBG) Program, and Weatherization Assistance Program (WAP). Activities through these programs include:

- Energy related assistance such as utility payment assistance or weatherization assistance that decrease energy costs.
- Supportive and poverty prevention services.

Homelessness programs include the Emergency Solutions Grants (ESG) Program, Homeless Housing and Services Program (HHSP), and Ending Homelessness Fund (EH Fund). Activities associated with these programs are grouped together under "homeless services."

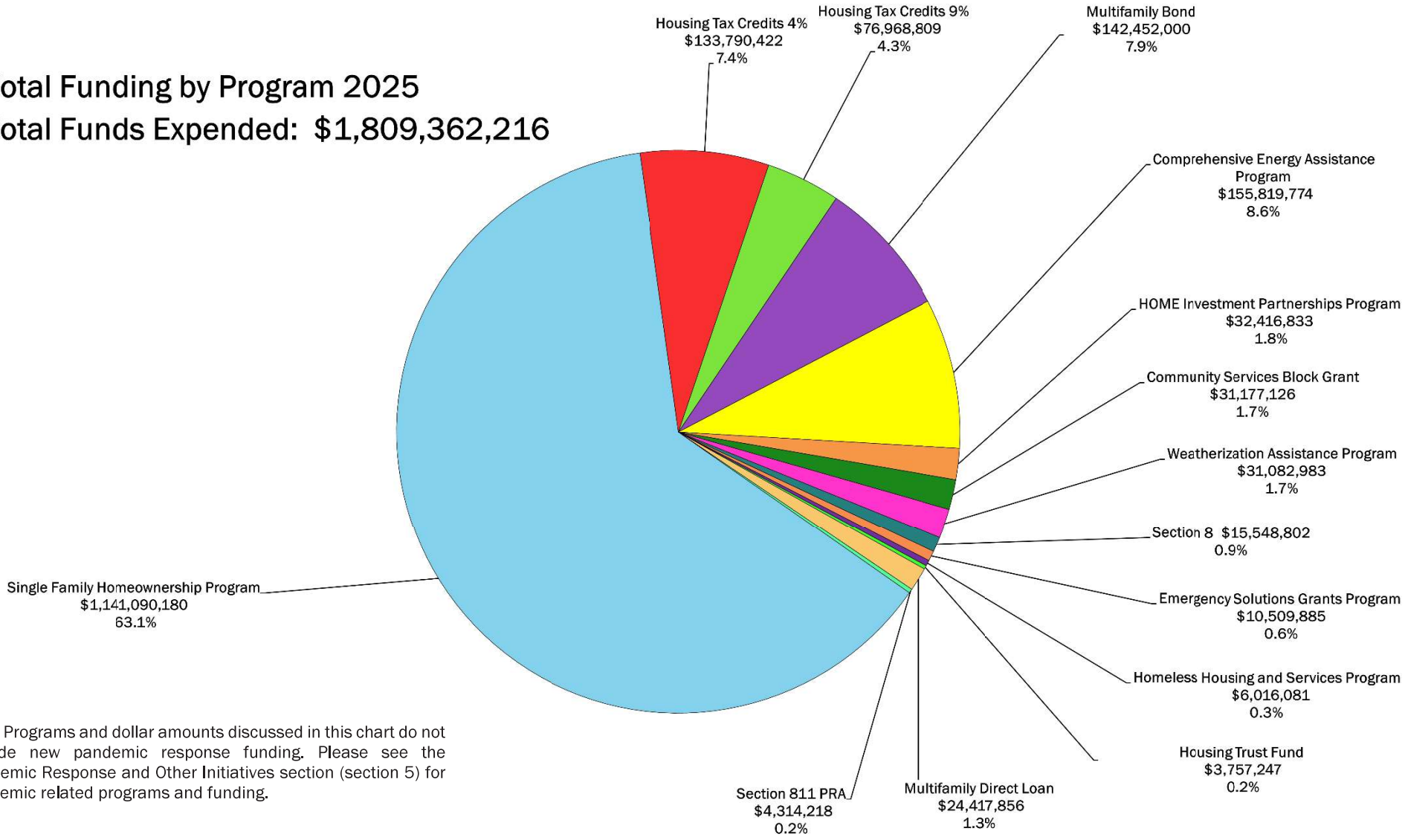
Funding and Households/Individuals Served by Activity and Program

For the state and for each region, a description of funding and the actual number of persons or households served for each program is provided.

In FY 2025, TDHCA expended or issued $1,809,362,216 in total funds and tax credit assistance. The vast majority of these funds derive from federal/federally-authorized resources or market-based loan mechanisms. Programs with state sources of funding, which include HTF programs and the HHSP, comprised .54% of total FY 2025 funding. In the following chart and tables, HCV Program data may include participants that have been ported to another Public Housing Authority (PHA), yet still receive TDHCA assistance. Figures for the HOME Investment Partnerships Program include only single family HOME activities. Multifamily HOME funds are included in the number for the Multifamily Direct Loan activity.

TDHCA funding and assistance for activities predominantly benefited extremely low-, very low- and low-income individuals. The following chart and tables display the distribution of this funding and assistance by program:

Total Funding by Program 2025
Total Funds Expended: $1,809,362,216



*The Programs and dollar amounts discussed in this chart do not include new pandemic response funding. Please see the Pandemic Response and Other Initiatives section (section 5) for pandemic related programs and funding.

Total Funding by Program, FY 2025

Program	Funds	Percent
Single Family Homeownership Program	$1,141,090,180	63.07%
Housing Tax Credits 4%	$133,790,422	7.39%
Housing Tax Credits 9%	$76,968,809	4.25%
Multifamily Bond	$142,452,000	7.87%
Comprehensive Energy Assistance Program	$155,819,774	8.61%
HOME Investment Partnerships Program	$32,416,833	1.79%
Community Services Block Grant	$31,177,126	1.72%
Weatherization Assistance Program	$31,082,983	1.72%
Section 8	$15,548,802	0.86%
Emergency Solutions Grants Program	$10,509,885	0.58%
Homeless Housing and Services Program	$6,016,081	0.33%
Housing Trust Fund	$3,757,247	0.21%
Multifamily Direct Loan	$24,417,856	1.35%
Section 811 PRA	$4,314,218	0.24%
Total	$1,809,362,216	100.00%

Funding and Households/Individuals Served by Activity, FY 2025, All Activities

Activity	Expended Funds	% of Total Committed Funds	Number of Households/ Individuals Served	% of Total Households/ Individuals Served
Rental Assistance	$32,630,090	1.80%	3,333	0.89%
Renter New Construction	$244,801,681	13.53%	12,756	3.39%
Renter Rehab Construction	$132,827,406	7.34%	7,244	1.93%
Owner Financing & Down Payment	$1,141,090,180	63.07%	4,683	1.25%
Owner Rehabilitation Assistance	$21,284,111	1.18%	202	0.05%
Single Family Development	$2,122,900	0.12%	48	0.01%
Energy Related Assistance	$186,902,757	10.33%	83,225	22.13%
Supportive Services	$31,177,126	1.72%	222,641	59.21%
Homeless Services	$16,525,966	0.91%	41,863	11.13%
Total	$1,809,362,216	100.00%	375,995	100.00%

The following tables detail households served and expended funds by activity and program for all housing programs.

HOME and HTF administer programs that fall under multiple activity categories. The HOME TBRA Program falls under “Rental Assistance.” HOME multifamily funds are expended through and reported under the MF Direct Loan program, falling under “Rental New Construction” and “Rental Rehabilitation.” The HOME HANC Program falls under “Owner Financing and Down Payment.” The HOME CFD and HOME HRA Programs fall under “Owner Rehabilitation Assistance.” The HOME Single Family Development Program falls under “Single Family Development.” HTF’s Amy Young Barrier Removal Program falls under “Owner Rehabilitation Assistance,” and the Texas Bootstrap Loan Program falls under “Single Family Development.” HOME and HTF data reflect activities closed during the fiscal year and the total funding associated with each household served through closed activities.

Most MF Direct Loan and all MF Bond-funded rental development units also receive tax credits. If a property was funded by multiple programs, the number of households served will only appear in the tax credit household columns. This prevents double counting the number of households served. The 9% HTCs refer to the annual per capita allocation of tax credits that Texas receives from the IRS. In addition to this annual per capita allocation, the IRS allows states to provide tax credits, with a somewhat lesser value, to developments financed with Private Activity Bonds (PAB) if the PAB developments meet HTC Program requirements; these tax credits are referred to as 4% HTCs.

Figures for housing programs are generally based on performance measures reported to the Legislative Budget Board (LBB) and generally mirror performance measure definitions. However, due to timing SLIHP figures may not match those reported to the LBB.

Funding and Households Served by Housing Activity and Program, FY 2025

Households Served by Activity and Housing Program, FY 2025

Activity	SF Homeownership	HOME	HTF	9% HTC	4% HTC	MF Bond*	MF Direct Loan*	Section 8 HCV	Section 811 PRA	Total**
Rental Assistance	0	1,664	0	0	0	0	0	1,227	442	3,333
Rental New Construction	0	0	0	3,285	8,798	476	197	0	0	12,083
Rental Rehabilitation	0	0	0	1,269	5,343	632	0	0	0	6,612
Owner Financing & Down Payment	4,683	0	0	0	0	0	0	0	0	4,683
Owner Rehabilitation Assistance	0	124	78	0	0	0	0	0	0	202
Single Family Development	0	0	48	0	0	0	0	0	0	48
Total	4,683	1,788	126	4,554	14,141	1,108	197	1,227	442	26,961

*Note that all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. **MF Bond and MF Direct Loan are included in 9% and 4% HTC figures and will not be included in HH totals.

Funding by Housing Activity and Program, FY 2025*

	Rental Assistance	Rental New Construction	Rental Rehabilitation	Owner Financing & Down Payment	Owner Rehabilitation Assistance	Single Family Development	Total
SF Homeownership	$0	$0	$0	$1,141,090,180	$0	$0	$1,141,090,180
HOME	$12,767,070	$0	$0	$0	$19,649,763	$0	$32,416,833
HTF	$0	$0	$0	$0	$1,634,347	$2,122,900	$3,757,247
9% HTC	$0	$62,252,874	$14,715,935	$0	$0	$0	$76,968,809
4% HTC	$0	$87,038,951	$46,751,471	$0	$0	$0	$133,790,422
MF Bond	$0	$71,092,000	$71,360,000	$0	$0	$0	$142,452,000
MF Direct Loan	$0	$24,417,856	$0	$0	$0	$0	$24,417,856
Section 8 HCV	$15,548,802	$0	$0	$0	$0	$0	$15,548,802
Section 811 PRA	$4,314,218	$0	$0	$0	$0	$0	$4,314,218
Total	$32,630,090	$244,801,681	$132,827,406	$1,141,090,180	$21,284,111	$2,122,900	$1,574,756,367

*Note that this table only depicts funding for TDHCA housing activities and programs. It does not include TDHCA's Community Affairs and homelessness programs.

The following tables detail households and individuals served and funds expended by activity and program for Community Affairs programs and Homelessness programs.

ESG, CSBG, and HHSP report the number of individuals served; CEAP and WAP report based on the number of households served. Although each household can contain multiple individuals, the following totals are calculated by adding households and individuals served together. The number of individuals served through CSBG reflects the number of persons served directly with CSBG funding.

Figures for Community Affairs programs and homelessness programs are based on performance measures reported to the LBB and generally mirror performance measure definitions for those programs. However, due to the different timing of these reports, SLIHP figures may not match those eventually reported to the LBB.

Funding and Households (HH)/Individuals (IND) Served by Community Affairs Programs and Homelessness Programs, FY 2025

Households/Individuals Served by Activity and Community Affairs Programs and Homelessness Programs, FY 2025

Activity	ESG (IND)	CSBG (IND)	CEAP (HH)	WAP (HH)	HHSP (IND)	Total
Energy Related Assistance	0	0	81,424	1,801	0	83,225
Supportive Services	0	222,641	0	0	0	222,641
Homeless Services	32,260	0	0	0	9,603	41,863
Total	32,260	222,641	81,424	1,801	9,603	347,729

Funding by Activity Community Affairs Programs and Homelessness Programs, FY 2025

Activity	ESG	CSBG	CEAP	WAP	HHSP	Total
Energy Related Assistance	$0	$0	$155,819,774	$31,082,983	$0	$186,902,757
Supportive Services	$0	$31,177,126	$0	$0	$0	$31,177,126
Homeless Services	$10,509,885	$0	$0	$0	$6,016,081	$16,525,966
Total	$10,509,885	$31,177,126	$155,819,774	$31,082,983	$6,016,081	$234,605,848

Funding and Households and Individuals Served by Income Group

The SLIHP uses the following subcategories to refer to the needs of households or persons within specific income groups.

- Extremely Low Income (ELI): At or below 30% Area Median Family Income (AMFI)
- Very Low Income (VLI): Greater than 30% and less than or equal to 60% AMFI
- Low Income (LI): Greater than 60% and less than or equal to 80% AMFI
- Moderate Income (MI) and Up: Greater than 80% AMFI

The vast majority of households and individuals served through CEAP, CSBG, ESG, HHSP, and WAP earn less than or equal to 30% AMFI. However, some of the Department's programs, including CEAP, CSBG, and WAP, utilize federal poverty guidelines to administer funds. These guidelines do not translate exactly to AMFI based income levels. For this reason, data from these programs are reported in the VLI category, resulting in the VLI category having a significantly larger amount of total expended funds and households/individuals served than other income categories.

HOME funds utilized through the MF Direct Loan program are reported under MF Direct Loan throughout this section. For 811 programs, payment schedule delays may result in inexact expenditure estimates at the time of data collection.

In the following tables, households and individuals have been added together for totals, though one household can contain multiple individuals. In total, TDHCA programs served 111,491 households in addition to 264,504 Individuals.

FUNDING AND HOUSEHOLDS/PERSONS SERVED BY INCOME CATEGORY, FY 2025

Income Category	Expended Funds	% of Total Expended Funds ***	Number of Households/ Individuals Served***	% of Total Households/ Individuals Served
ELI (≤30% AMFI)	$58,555,957	3.2%	3,845	1.0%
VLI (>30%, ≤60% AMFI)	$896,837,031	49.6%	368,233	97.9%
LI (>60%, ≤80% AMFI)	$463,512,681	25.6%	2,496	0.7%
MI (>80% AMFI)	$390,825,424	21.6%	1,421	0.4%
Total	$58,555,957	3.2%	3,845	1.0%

Households Served by Income Category and Housing Program, FY 2025**

Income Category	SF Home-ownership	HOME	HTF	9% HTC	4% HTC	MF Bond*	MF Direct Loan*	Section 8 HCV	Section 811 PRA	Total
ELI (≤30% AMFI)	32	1,210	36	497	547	0	39	1,042	442	3,845
VLI (>30%, ≤60% AMFI)	1,426	525	53	4,023	13,029	1,108	158	182	0	20,504
LI (>60%, ≤80% AMFI)	1,808	53	33	34	565	0	0	3	0	2,496
MI (>80% AMFI)	1,417	0	4	0	0	0	0	0	0	1,421
Total	4,683	1,788	126	4,554	14,141	1,108	197	1,227	442	28,266

*Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Section 8 income categories are based on the household's current income. Income at move in will always be below 50% AMFI.

**Any variation in Household/Individual counts and/or funding amounts are due to subrecipient data reporting errors.

Funding by Income Category and Housing Program, FY 2025**

Income Category	ELI (<30% AMFI)	VLI (>30%, <60% AMFI)	LI (>60%, <80% AMFI)	MI (>80% AMFI)	No AMFI	Total
SF Homeownership	$5,979,665	$293,551,986	$450,807,301	$390,751,228	$0	$1,141,090,180
HOME	$15,649,568	$11,944,443	$4,822,822	$0	$0	$32,416,833
HTF	$765,194	$1,669,208	$1,248,648	$74,196	$0	$3,757,247
9% HTC	$8,487,225	$67,786,776	$694,808	$0	$0	$76,968,809
4% HTC	$5,114,087	$122,741,459	$5,934,876	$0	$0	$133,790,422
MF Bond	$0	$142,452,000	$0	$0	$0	$142,452,000
MF Direct Loan	$4,341,739	$20,076,117	$0	$0	$0	$24,417,856
Section 8	$13,904,261	$1,640,315	$4,226	$0	$0	$15,548,802
Section 811	$4,314,218	$0	$0	$0	$0	$4,314,218
Total	$58,555,957	$661,862,305	$463,512,681	$390,825,424	$0	$1,574,756,367

**Any variation in Household/Individual counts and/or funding amounts are due to subrecipient data reporting errors.

As previously discussed, the vast majority of households and individuals served through CEAP, CSBG, ESG, HHSP, and WAP earn less than or equal to 30% AMFI. Since federal poverty guidelines do not align exactly with AMFI-based income categories, assistance for these programs is reported as serving persons in the VLI category. Please note that due to federal exceptions provided in relation to receipt of CARES Act funding, CSBG's eligibility threshold was temporarily increased to 200% of the federal poverty line. Many programs still serve households and individuals that reside well below 200% of the poverty line. In order to represent the households and individuals receiving assistance through Community Affairs programs and Homelessness programs more accurately, the ELI and VLI categories have been combined in the following tables.

Households and Individuals Served by Income Group and Community Affairs Programs and Homelessness Programs, FY 2025

Income Category	ESG (IND)	CSBG (IND)	CEAP (HH)	WAP (HH)	HHSP (IND)	Total
ELI and VLI (≤60% AMFI)	32,260	222,641	81,424	1,801	9,603	347,729
LI (>60%, ≤80% AMFI)	0	0	0	0	0	0
MI (>80% AMFI)	0	0	0	0	0	0
Total	0	0	0	0	0	0

Funding by Income Group and Community Affairs Programs and Homelessness Programs, FY 2025

Income Category	ESG	CSBG	CEAP	WAP	HHSP	Total
ELI and VLI (≤ 60% AMFI)	$10,509,885	$31,177,126	$155,819,774	$31,082,983	$6,016,081	$234,605,848
LI (>60%, ≤80% AMFI)	$0	$0	$0	$0	$0	$0
MI (>80% AMFI)	$0	$0	$0	$0	$0	$0
Total	$10,509,885	$31,177,126	$155,819,774	$31,082,983	$6,016,081	$234,605,848

Racial and Ethnic Composition of Households and Individuals Receiving Assistance

As required by Tex. Gov't Code §2306.072(c)(5), TDHCA reports on the racial and ethnic composition of individuals and families receiving assistance. For most programs, these demographic categories are delineated according to the standards set by the U.S. Census Bureau. In the American Community Survey (ACS) data, race is broken down into the following categories: American Indian or Alaska Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, White, Some Other Race, or Two or More Races. As ethnic origin is considered to be a separate concept from racial identity, the Hispanic or Latino population is presented separately. Persons of Hispanic or Latino origin may fall under any of the racial classifications provided.

Regional analyses of this racial and ethnic data for housing programs are included in the Statement of Activities by Uniform State Service Region section that follows. Racial and ethnic data for Community Affairs and Homelessness programs are not available at a regional level because coverage areas for program subrecipients may cross multiple regions, but detailed information on Community Affairs subrecipients is available in Appendix C of this document. Note that the Census Bureau collects racial and ethnic data by individual, while many of the Department's programs collect this information by head of household. In addition, programs vary in the race details they collect and report. For instance, Bootstrap Loan and CEAP combine race and ethnicity into one category for reporting purposes. Demographics are not reported for some CSBG recipients. Households without reported data will be grouped under "unknown." For the purposes of program reporting, individuals identifying as Two or More Races are grouped under "other."

Racial Composition of the State of Texas

Race	Individuals	Percent
American Indian or Alaska Native	190,706	0.6%
Asian	1,581,798	5.3%
Black or African American	3,626,137	12.2%
Native Hawaiian or Other Pacific Islander	29,841	0.1%
White	15,984,990	53.9%
Some Other Race	2,540,808	8.6%
Two or More Races	5,686,063	19.2%
Total	29,640,343	100.0%

Ethnic Composition of the State of Texas

Ethnicity	Individuals	Percent
Hispanic or Latino	11,697,134	39.5%
Not Hispanic or Latino	17,943,209	60.5%
Total Population	11,832,668	39.9%

Source: 2019-2023 American Community Survey 5-Year Estimates, Table DP05.

Housing Programs

This section groups racial and ethnic data on housing programs into two general categories: Renter Programs and Homeowner Programs.

Renter Programs

The following tables depict the racial and ethnic composition of households receiving assistance from all TDHCA renter programs, which include the HCV, HOME TBRA, and Section 811 PRA.

Racial and ethnic data for active TDHCA-funded and assisted multifamily properties are collected from the reported head of household data. Active properties are those properties that are still in their affordability period and therefore still monitored by TDHCA. A detailed breakdown of race and ethnicity by property for the HTC program can be found in the Housing Sponsor Report. It should be noted that household member data are based on voluntary reporting and will not reflect or represent all units financed or assisted by TDHCA. As a result, the following charts present a picture of race and ethnicity based on properties that may have reported at the time of data gathering and may not represent actual percentages.

Racial Composition Renter Program Households. FY 202

5

Race	HHs	Percent
American Indian or Alaska Native	2,267	0.3%
Asian/ Native Hawaiian or Other Pacific Islander	10,171	1.4%
Black or African American	210,019	29.4%
White	305,686	42.9%
Other	185,014	25.9%
Total	713,157	100.0%

Ethnic Composition of Renter Program Households, FY 2025

Ethnicity	HHs	Percent
Hispanic or Latino	267,904	37.6%
Not Hispanic or Latino	304,315	42.7%
Unknown	140,870	19.8%
Total	713,089	100.0%

Homeowner Programs

The following charts depict the racial and ethnic composition of households receiving assistance from all TDHCA homeowner programs.

Racial Composition of HOME and HTF Programs-Assisted Owner Households, FY 2025

Race	HHs	Percent
American Indian or Alaska Native	2	0.8%
Asian/Pacific Islander	4	1.6%
Black or African American	70	28.0%
White	148	59.2%
Other	25	10.0%
Unknown	1	0.4%
Total	250	100.0%

Ethnic Composition of HOME and HTF Programs-Assisted Owner Households, FY 2025

Ethnicity	HHs	Percent
Hispanic or Latino	102	40.8%
Not Hispanic or Latino	1	0.4%
Total	147	58.8%

Racial Composition of Single Family Homeownership Assisted Households. FY 2025

Race	HHs	Percent
American Indian or Alaska Native	34	0.7%
Asian	61	1.3%
Black or African American	339	7.2%
Native Hawaiian or Other Pacific Islander	23	0.5%
White	3,480	74.3%
Other	248	5.3%
Unknown	498	10.6%
Total	4,683	100.0%

Ethnic Composition of Single Family Homeownership Assisted Households, FY 2025

Ethnicity	HHs	Percent
Hispanic or Latino	2759	58.9%
Not Hispanic or Latino	1403	30.0%
Unknown	521	11.1%
Total	4683	100.0%

The available data demonstrates that TDHCA's housing programs serve higher percentages of minority populations compared to the general racial and ethnic composition of the State of Texas. This is accurate even though racial composition data previously discussed for the State of Texas is reported by individuals and many of TDHCA's programs report by household. For instance, those TDHCA programs which serve renters and homeowner programs serve higher percentages of Black or African American and Hispanic or Latino households than the percentage of those populations in the State of Texas.

Community Affairs Programs

While Community Affairs programs allocate funding to subrecipient entities covering all 254 counties in Texas, their service areas differ from the TDHCA state service regions, covering only part of a region or spanning across two or more uniform TDHCA state service regions. Racial data for these programs are reported by entity rather than by region. Racial and ethnic composition for the state is available, but because this data does not align with regional boundaries, regional and subregional data are not available. Racial and ethnic composition of all households in the state served by Community Affairs programs in FY 2025 is reported in this section. Detailed information on subrecipients by allocation and county, including maps of subrecipient service areas, is available in Appendix C of this document. Due to the data reporting techniques of WAP and CEAP, race and ethnicity are combined into one category, and Asian and Native Hawaiian or Other Pacific Islander are also combined into one category. Note that some entities may have served a slightly different set of counties under different contracts and may have served the same county in different periods within the fiscal year.

For the following WAP data, performance figures represent the number of weatherization units from the Department's Department of Energy (DOE) and Low Income Housing Energy Assistance Program (LIHEAP) Weatherization programs. Units receiving both DOE and LIHEAP funding may be double counted.

The following data is reported by TDHCA subrecipients. Delays in reporting can lead to increased or decreased totals compared to previous state fiscal years.

Racial and Ethnic Composition of WAP-Assisted Households, FY 2025

Ethnicity	Race	HHs	Percent
Hispanic or Latino	-	897	49.8%
-	American Indian/Alaskan Native	4	0.2%
-	Asian or Pacific Islander	46	2.6%
-	Black or African American	831	46.1%
-	White	808	44.9%
	Other/Unknown	112	6.2%
	Total	1,801	100.0%

Racial and Ethnic Composition of CEAP-Assisted Households, FY 2025

Ethnicity	Race	HHs	Percent
Hispanic or Latino	-	36,703	45.1%
-	American Indian or Alaska Native	343	0.3%
-	Asian or Pacific Islander	2,166	1.8%
-	Black or African American	43,910	37.2%
-	White	32,104	27.2%
-	Other	2,901	2.5%
	Total	81,424	100.0%

Racial Composition of CSBG-Assisted Individuals, FY 2025

Race	Individuals	Percent
American Indian or Alaska Native	1,075	0.5%
Asian or Pacific Islander	1,469	0.7%
Black or African American	60,483	27.2%
White	143,091	64.3%
Other	14,230	6.4%
Unknown	2,293	1.0%
Total	222,641	100.0%

Ethnic Composition of CSBG-Assisted Individuals, FY 2025

Ethnicity	Individuals	Percent
Hispanic or Latino	124,263	55.8%
Not Hispanic or Latino	96,840	43.5%
Unknown	1,538	0.7%
Total	222,641	100.0%

Homelessness Programs

TDHCA's Homelessness programs allocate funding to subrecipients with service areas that span two or more uniform TDHCA state service regions, so racial data for these programs are reported by entity rather than by region. Racial and ethnic composition for the state is available, but because this data does not align with regional boundaries, regional data are not available. The racial and ethnic composition of all households in the state served by Homelessness programs in FY 2025 is reported in this section. Detailed information on subrecipients by allocation and county, including maps of subrecipient service areas, is available in Appendix C of this document.

ESG and HHSP report race and ethnicity as two separate categories. Note that some entities may have served a slightly different set of counties under different contracts and may have served the same county in different periods within the fiscal year. These reporting differences mean that the race and ethnicity totals may not match for ESG and HHSP funds. Detailed information on subrecipients by allocation and county, including maps of subrecipient service areas, is available in Appendix C of this document.

The following data is reported by TDHCA subrecipients. Delays in reporting can lead to increased or decreased totals compared to previous state fiscal years. Additionally, individuals may be counted more than once if they access more than one service or request assistance from more than one subrecipient within the same state fiscal year.

Racial Composition of ESG-Assisted Individuals, FY 2025

Race	Individuals	Percent
American Indian or Alaska Native	334	0.9%
Asian	170	0.5%
Black or African American	13,121	36.4%
Native Hawaiian or Other Pacific Islander	161	0.4%
White	15,583	43.2%
Unknown	3,016	8.4%
Total	36,066	100.0%

Ethnic Composition of ESG-Assisted Individuals, FY 2025

Ethnicity	Individuals	Percent
Hispanic or Latino	10,390	32.2%
Not Hispanic or Latino	21,551	66.8%
Unknown	319	1.0%
Total	32,260	100.0%

HHSP provides funds to large metropolitan areas to provide services to homeless individuals and families, including case management, housing placement and retention, and construction. Beginning in 2010, TDHCA distributed these funds to be administered in cities with populations larger than 285,500 persons and per the latest U.S. Census data this is currently the nine largest cities in Texas. Cities may either use these funds themselves or may elect to subgrant some or all of the funds to one or more organizations serving their community whose mission includes serving homeless individuals and families with appropriate services targeted towards eliminating or preventing the condition of homelessness. In the following tables, racial and ethnic totals may not match as totals are approximate.

Racial Composition of HHSP-Assisted Individuals, FY 2025

Race	Individuals	Percent
American Indian or Alaska Native	105	1.1%
Asian	69	0.7%
Black or African American	4,721	49.0%
Native Hawaiian or Other Pacific Islander	35	0.4%
White	3,222	33.5%
Unknown	1,478	15.3%
Total	9,630	100.0%

Ethnic Composition of HHSP-Assisted Individuals, FY 2025

Ethnicity	Individuals	Percent
Hispanic or Latino	3,218	33.5%
Not Hispanic or Latino	6,069	63.2%
Unknown	316	3.3%
Total	9,603	100.0%

Progress in Meeting TDHCA Housing and Community Service Goals

The goals established in the Department's Legislative Appropriations Request, the Riders from the General Appropriations Act and Texas state statute collectively guide TDHCA's annual activities, either through the establishment of objective performance measures or reporting requirements.

The following five goals are established by the Department's performance measures:

1. Increase and preserve the availability of safe, decent, and affordable housing for very low-, low-, and moderate-income persons and families.

2. Promote improved housing conditions for extremely low-, very low-, and low-income households by providing information and technical assistance.

3. Improve living conditions for the poor and homeless and reduce the cost of home energy for very low-income Texans.

4. Ensure compliance with the TDHCA's federal and state program mandates.

5. Protect the public by regulating the manufactured housing industry in accordance with state and federal laws.

Beyond these established reporting goals, the Department sets policy initiatives and efforts to address special needs populations and incorporates recommendations on how to improve the coordination of the Department services, also described in Section 4: Action Plan.

Performance in Addressing Housing Needs

The true need for safe, affordable housing for low-income Texans can be difficult to succinctly quantify. The U.S. Department of Housing and Urban Development (HUD) Comprehensive Housing Affordability Strategy (CHAS) data provide a snapshot of that need, as shown in Section 2 Housing Analysis. CHAS data indicate that there are approximately 1,635,609 renter households with incomes less than or equal to 80% AMFI with housing problems and 973,938 owner households with incomes less than or equal to 80% AMFI with housing problems, such as a cost burden, lack of kitchen or plumbing, and overcrowding. These 2,609,547 households equate to 25.5% of all households in Texas.

It should be noted that TDHCA's programs do not always result in a reduction in households with housing needs as defined by HUD, as TDHCA programs may target other housing needs, such as accessibility and utility concerns. Additionally, CHAS data estimates from HUD cover a five year period in the past, which means that these estimates do not always reflect current changes in housing need.

Looking across TDHCA's entire portfolio of programs that serve and collect data based on households, rather than individuals, TDHCA served 152,684 low income households below 80% AMFI. This accounts for nearly 3.7% of the state's low income households estimated in the 2017-2021 CHAS data.

TDHCA housing assistance programs are targeted to assist renter and owner households with incomes less than or equal to 80% AMFI with housing problems. In FY 2025 TDHCA's housing regularly allocated programs served 21,189, or .51% of Texas households with incomes less than or equal to 80% AMFI with at least one housing problem.

Community Affairs programs address a variety of needs through activities categorized as either energy assistance or supportive services. Total assistance provided through TDHCA Community Affairs Programs served 83,225 households and 264,504 individuals in FY 2025. Due to different eligibility and reporting requirements across CSBG, CEAP, and WAP funds, it's necessary to evaluate performance via different measures for each program. Although Community Affairs programs utilize various percentages of the federal poverty line to determine eligibility, households served by WAP and CEAP are placed in the VLI category in the SLIHP. According to this metric, WAP and CEAP served 83,225 VLI households in FY 2025, which represents 5.4% of the 2,455,337 ELI and VLI households in Texas. CSBG reports based on the number of individuals served and calculates income eligibility at 125% of the federal poverty line. According to the 2018-2022 ACS, there are 5,263,515 individuals living below 125% of the poverty line in Texas. In FY 2025, CSBG served 222,641 or 4.2% of these Texans.

Homelessness programs, which include ESG and HHSP, serve individuals at risk of or currently experiencing homelessness. A comprehensive dataset representing this population is not readily available, as HUD relies on Point-in-Time (PIT) counts to estimate the prevalence of homelessness. According to the 2019-2023 ACS, there are 4,005,417 individuals in Texas at or below 100% of the poverty level, which is a factor in homelessness program funding allocation formulas. Homelessness programs served 41,863 individuals or 1.0% of individuals below the poverty level. Not all persons below poverty are eligible for homelessness assistance.

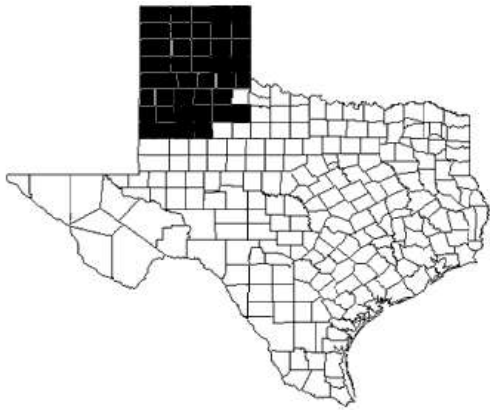
STATEMENT OF ACTIVITIES BY STATE SERVICE REGION

This section describes TDHCA's FY 2025 activities by State Service region. The regional tables do not include information for WAP, CEAP, ESG, CSBG, and HHSP because, as noted previously, funds are provided to subrecipient organizations whose coverage areas do not align with regional boundaries. Additionally, for purposes of reporting, Office of Colonia Initiatives (OCI) data does not appear as an independent category, but rather the data is grouped under their respective funding sources. For example, Bootstrap, though administered by OCI, is funded and reported under HTF. HOME funding for new construction and rehabilitation of renter housing is funneled through and reported under MF Direct Loan.

As required by Tex. Gov't Code §2306.072(c)(5), TDHCA reports on the racial composition of individuals and households receiving assistance. Because TDHCA does not accept applications directly from applicants for a majority of its programs, the Department is unable to report on the racial and ethnic composition of applicants, but only those that receive assistance. The racial and ethnic composition reflects actual households served in FY 2025. Single Family Homeownership, HOME, HTF, Section 811 PRA, and HCV program awards are the same as the actual households served in FY 2025. HTC, MF Direct Loan, and MF Bond program awards represent a commitment made in FY 2025 to serve households. Racial and ethnic data for the latter programs represent the entire Department portfolio, meaning households served in FY 2025 with previous years' awards. Therefore, the racial and ethnic table totals may not correlate with the activity type or income group tables for each region.

Regional information has been organized into two broad categories of housing activity type: Renter Programs and Homeowner Programs. For more information on the housing activity types and racial reporting categories, please see the "Statement of Activities" section.

REGION 1



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	0	0%	0	0%
	Asian or Pacific Islander	0	0%	9	6%
	Black or African American	0	0%	10	7%
	Other	1	50%	2	1%
	Unknown	0	0%	129	86%
	White	1	50%	0	0%
by Ethnicity	Hispanic or Latino	1	50%	89	59%
	Not Hispanic or Latino	1	50%	52	35%
	Unknown	0	0%	9	6%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

FY 2025 Funding/HHs Served by Activity Type

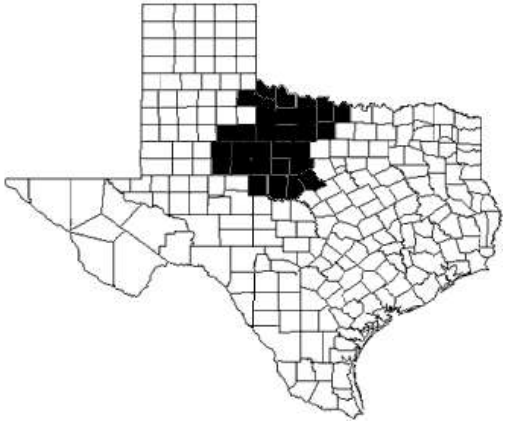
	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$27,530,811	150	$297,539	2	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$0	-	$0	-	$274,055	24	$3,073,965	387	$12,500,000	-	$0	-	$291,503	26	$0	-
Total	$27,530,811	150	$297,539	2	$0	-	$274,055	24	$3,073,965	387	$12,500,000	-	$0	-	$291,503	26	$0	-

FY 2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$459,380	4	$148,970	1	$0	-	$22,838	2	$306,487	37	$0	-	$0	-	$268,584	23	$0	-
VLI	$10,013,078	61	$148,569	1	$0	-	$251,217	22	$2,767,478	350	$12,500,000	-	$0	-	$22,919	3	$0	-
LI	$8,528,659	43	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
>=MI	$8,529,694	42	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$27,530,811	150	$297,539	2	$0	-	$274,055	24	$3,073,965	387	$12,500,000	-	$0	-	$291,503	26	$0	-

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 2



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	0	0%	1	1%
	Asian or Pacific Islander	0	0%	4	6%
	Black or African American	1	100%	2	3%
	Other	0	0%	2	3%
	Unknown	0	0%	62	87%
	White	0	0%	0	0%
by Ethnicity	Hispanic or Latino	0	0%	22	31%
	Not Hispanic or Latino	1	100%	45	63%
	Unknown	0	0%	4	6%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

FY 2025 Funding/HHs Served by Activity Type

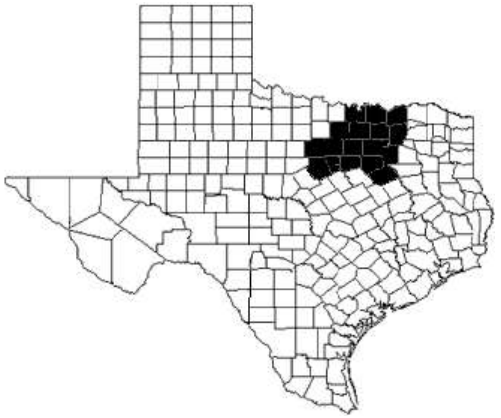
	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$13,118,774	71	$0	-	$45,000	1	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$937,663	136	$0	-	$900,000	43	$0	-	$0	-	$0	-	$41,738	5	$0	-
Total	$13,118,774	71	$937,663	136	$45,000	1	$900,000	43	$0	-	$0	-	$0	-	$41,738	5	$0	-

FY 2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$0	-	$833,543	115	$0	-	$62,791	3	$0	-	$0	-	$0	-	$41,738	5	$0	-
VLI	$3,357,934	22	$102,210	20	$0	-	$837,209	40	$0	-	$0	-	$0	-	$0	-	$0	-
LI	$3,604,078	19	$1,910	1	$45,000	1	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
>=MI	$6,156,762	30	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$13,118,774	71	$937,663	136	$45,000	1	$900,000	43	$0	-	$0	-	$0	-	$41,738	5	$0	-

*Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 3



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	0	0%	8	1%
	Asian or Pacific Islander	2	10%	199	18%
	Black or African American	7	33%	112	10%
	Other	0	0%	129	12%
	Unknown	0	0%	638	58%
	White	12	57%	9	1%
by Ethnicity	Hispanic or Latino	7	33%	479	44%
	Not Hispanic or Latino	14	67%	395	36%
	Unknown	0	0%	221	20%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

FY 2025 Funding/HHs Served by Activity Type

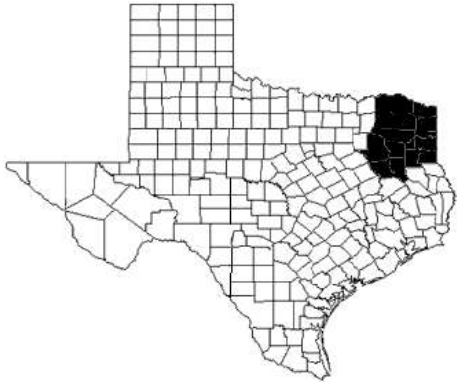
	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$305,045,829	1,095	$164,098	1	$737,435	20	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$4,497,561	491	$0	-	$12,544,590	694	$32,170,749	3,249	$86,952,000	-	$3,400,000	-	$8,417,913	578	$1,488,079	142
Total	$305,045,829	1,095	$4,661,659	492	$737,435	20	$12,544,590	694	$32,170,749	3,249	$86,952,000	-	$3,400,000	-	$8,417,913	578	$1,488,079	142

FY 2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$1,165,732	5	$3,756,484	339	$65,984	4	$1,658,660	89	$901,756	94	$0	-	$0	-	$7,804,567	520	$1,473,421	141
VLI	$69,997,717	295	$902,287	150	$356,451	9	$10,320,497	577	$31,268,993	3,155	$86,952,000	-	$3,400,000	-	$613,346	58	$14,658	1
LI	$121,963,981	433	$2,888	3	$315,000	7	$565,433	28	$0	-	$0	-	$0	-	$0	-	$0	-
>=MI	$111,918,399	362	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$305,045,829	1,095	$4,661,659	492	$737,435	20	$12,544,590	694	$32,170,749	3,249	$86,952,000	-	$3,400,000	-	$8,417,913	578	$1,488,079	142

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 4



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	0	0%	1	1%
	Asian or Pacific Islander	0	0%	7	6%
	Black or African American	31	48%	11	9%
	Other	1	2%	2	2%
	Unknown	0	0%	96	82%
	White	32	50%	0	0%
by Ethnicity	Hispanic or Latino	7	11%	26	22%
	Not Hispanic or Latino	57	89%	85	73%
	Unknown	0	0%	6	5%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

FY 2025 Funding/HHs Served by Activity Type

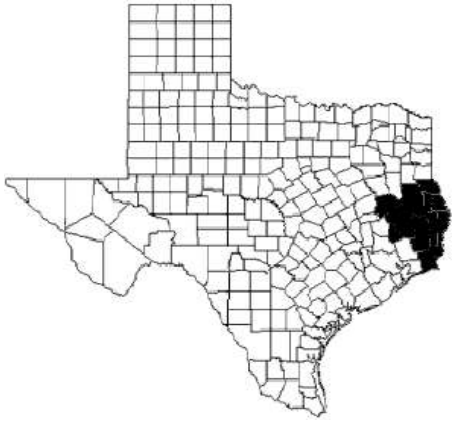
	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$24,582,529	117	$8,205,351	54	$182,379	10	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$734,829	135	$0	-	$6,022,332	396	$740,563	100	$0	-	$0	-	$78,788	8	$0	-
Total	$24,582,529	117	$8,940,180	189	$182,379	10	$6,022,332	396	$740,563	100	$0	-	$0	-	$78,788	8	$0	-

FY 2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$86,798	1	$2,644,279	91	$69,173	4	$564,042	37	$0	-	$0	-	$0	-	$71,103	7	$0	-
VLI	$5,991,503	36	$4,413,100	86	$64,322	3	$5,458,290	359	$740,563	100	$0	-	$0	-	$7,685	1	$0	-
LI	$11,089,888	49	$1,882,801	12	$34,364	2	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
>=MI	$7,414,340	31	$0	-	$14,520	1	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$24,582,529	117	$8,940,180	189	$182,379	10	$6,022,332	396	$740,563	100	$0	-	$0	-	$78,788	8	$0	-

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 5



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	0	0%	2	2%
	Asian or Pacific Islander	1	7%	14	14%
	Black or African American	12	80%	14	14%
	Other	0	0%	2	2%
	Unknown	0	0%	71	69%
	White	2	13%	0	0%
by Ethnicity	Hispanic or Latino	0	0%	28	27%
	Not Hispanic or Latino	15	100%	63	61%
	Unknown	0	0%	12	12%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

FY 2025 Funding/HHs Served by Activity Type

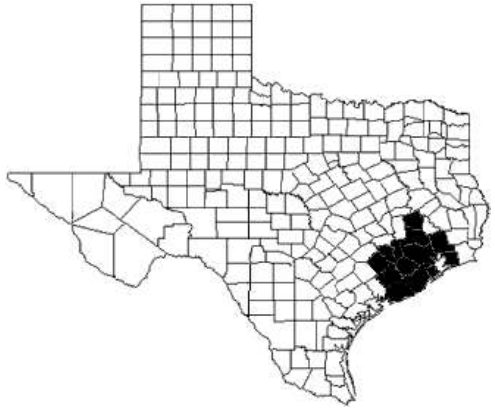
	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$18,574,016	103	$962,867	6	$190,293	9	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$576,120	86	$0	-	$360,946	32	$0	-	$0	-	$502,366	31	$98,885	11	$0	-
Total	$18,574,016	103	$1,538,987	92	$190,293	9	$360,946	32	$0	-	$0	-	$502,366	31	$98,885	11	$0	-

FY 2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$127,645	1	$613,484	58	$0	-	$33,839	3	$0	-	$0	-	$0	-	$78,486	8	$0	-
VLI	$5,810,913	39	$592,938	27	$108,277	5	$327,107	29	$0	-	$0	-	$502,366	-	$20,399	3	$0	-
LI	$8,380,292	43	$332,565	7	$67,000	3	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
>=MI	$4,255,166	20	$0	-	$15,016	1	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$18,574,016	103	$1,538,987	92	$190,293	9	$360,946	32	$0	-	$0	-	$502,366	-	$98,885	11	$0	-

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 6



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	0	0%	8	1%
	Asian or Pacific Islander	0	0%	100	13%
	Black or African American	6	35%	103	13%
	Other	1	6%	32	4%
	Unknown	0	0%	543	69%
	White	10	59%	3	0%
by Ethnicity	Hispanic or Latino	8	47%	444	56%
	Not Hispanic or Latino	9	53%	264	33%
	Unknown	0	0%	81	10%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

FY 2025 Funding/HHs Served by Activity Type

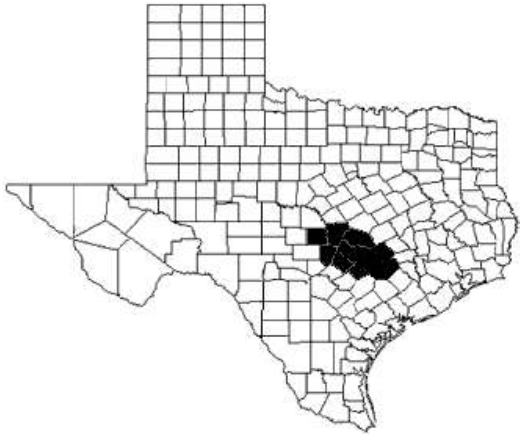
	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$197,766,716	789	$1,466,935	9	$360,000	8	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$1,183,075	161	$0	-	$16,165,196	1,065	$24,005,811	2,552	$43,000,000	-	$6,480,000	-	$4,479,953	369	$666,980	91
Total	$197,766,716	789	$2,650,011	170	$360,000	8	$16,165,196	1,065	$24,005,811	2,552	$43,000,000	-	$6,480,000	-	$4,479,953	369	$666,980	91

FY 2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$871,200	3	$1,235,594	133	$0	-	$1,831,608	122	$1,259,822	128	$0	-	$3,480,000	-	$3,724,752	290	$666,980	91
VLI	$39,134,644	188	$1,257,511	33	$180,000	4	$14,333,588	943	$21,510,466	2,377	$43,000,000	-	$3,000,000	-	$755,201	79	$0	-
LI	$74,972,831	302	$156,906	4	$180,000	4	$0	-	$1,235,523	47	$0	-	$0	-	$0	-	$0	-
>=MI	$82,788,041	296	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$197,766,716	789	$2,650,011	170	$360,000	8	$16,165,196	1,065	$24,005,811	2,552	$43,000,000	-	$6,480,000	-	$4,479,953	369	$666,980	91

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 7



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	1	8%	1	0%
	Asian or Pacific Islander	1	8%	30	11%
	Black or African American	2	17%	16	6%
	Other	4	33%	6	2%
	Unknown	0	0%	212	79%
	White	4	33%	2	1%
by Ethnicity	Hispanic or Latino	5	42%	133	50%
	Not Hispanic or Latino	7	58%	113	42%
	Unknown	0	0%	21	8%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

FY 2025 Funding/HHs Served by Activity Type

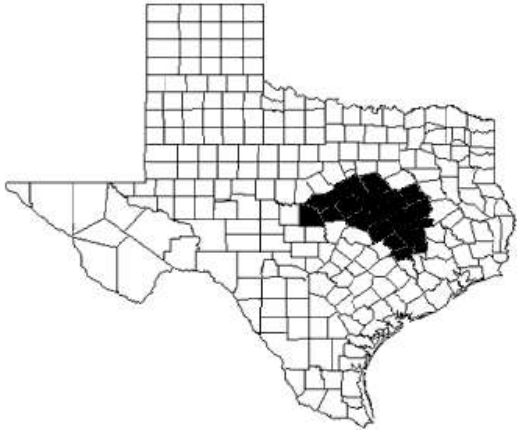
	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$82,973,183	267	$1,292,597	8	$89,470	4	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$681,188	70	$0	-	$9,241,423	539	$36,599,787	3,749	$0	-	$0	-	$597,593	47	$1,444,547	119
Total	$82,973,183	267	$1,973,785	78	$89,470	4	$9,241,423	539	$36,599,787	3,749	$0	-	$0	-	$597,593	47	$1,444,547	119

FY 2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$1,156,295	4	$1,173,025	52	$89,470	4	$967,907	56	$963,231	110	$0	-	$0	-	$555,523	42	$1,401,826	116
VLI	$20,812,947	76	$793,074	25	$0	-	$8,144,141	477	$33,453,650	3,639	$0	-	$0	-	$42,070	5	$42,721	3
LI	$33,882,035	108	$7,687	1	$0	-	$129,375	6	$2,182,906	-	$0	-	$0	-	$0	-	$0	-
>=MI	$27,121,906	79	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$82,973,183	267	$1,973,785	78	$89,470	4	$9,241,423	539	$36,599,787	3,749	$0	-	$0	-	$597,593	47	$1,444,547	119

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 8



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	0	0%	2	1%
	Asian or Pacific Islander	0	0%	63	22%
	Black or African American	3	23%	32	11%
	Other	2	15%	10	4%
	Unknown	0	0%	172	61%
	White	8	62%	2	1%
by Ethnicity	Hispanic or Latino	7	54%	97	35%
	Not Hispanic or Latino	6	46%	132	47%
	Unknown	0	0%	52	19%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

FY 2025 Funding/HHs Served by Activity Type

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$59,995,605	281	$1,276,586	8	$225,000	5	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$122,899	31	$0	-	$5,705,573	371	$3,622,873	390	$0	-	$4,490,490	-	$415,948	42	$0	-
Total	$59,995,605	281	$1,399,485	39	$225,000	5	$5,705,573	371	$3,622,873	390	$0	-	$4,490,490	-	$415,948	42	$0	-

FY 2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$94,627	1	$241,048	24	$0	-	$873,016	53	$192,233	20	$0	-	$0	-	$405,829	40	$0	-
VLI	$15,797,188	88	$516,012	11	$180,000	4	$4,832,557	318	$3,360,164	362	$0	-	$4,490,490	-	$10,119	2	$0	-
LI	$23,845,934	108	$642,425	4	$45,000	1	$0	-	$70,476	8	$0	-	$0	-	$0	-	$0	-
>=MI	$20,257,856	84	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$59,995,605	281	$1,399,485	39	$225,000	5	$5,705,573	371	$3,622,873	390	$0	-	$4,490,490	-	$415,948	42	$0	-

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 9



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	0	0%	5	1%
	Asian or Pacific Islander	0	0%	63	12%
	Black or African American	2	11%	30	6%
	Other	4	22%	13	2%
	Unknown	0	0%	429	79%
	White	12	67%	3	1%
by Ethnicity	Hispanic or Latino	13	72%	344	63%
	Not Hispanic or Latino	5	28%	146	27%
	Unknown	0	0%	53	10%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

FY 2025 Funding/HHs Served by Activity Type

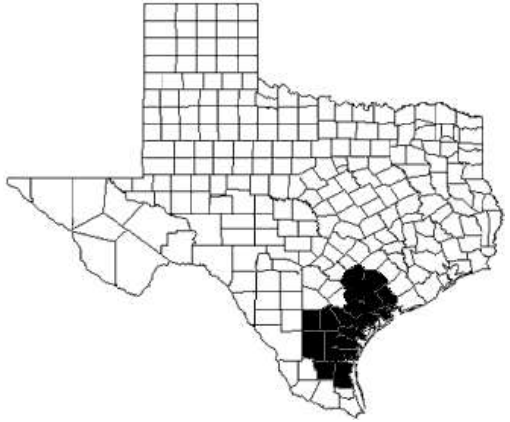
	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$129,066,645	543	$1,823,885	11	$212,802	7	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$3,203,447	432	$0	-	$3,161,750	140	$25,161,215	2,744	$0	-	$1,000,000	-	$674,905	93	$400,733	47
Total	$129,066,645	543	$5,027,332	443	$212,802	7	$3,161,750	140	$25,161,215	2,744	$0	-	$1,000,000	-	$674,905	93	$400,733	47

FY 2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$587,725	4	$3,072,598	305	$22,500	1	$299,260	13	$1,149,232	120	$0	-	$300,000	-	$531,457	65	$374,101	45
VLI	$37,645,131	183	$1,103,323	123	$32,802	2	$2,862,490	127	$21,566,012	2,624	$0	-	$700,000	-	$139,222	25	$26,632	2
LI	$54,752,001	222	$851,410	15	$157,500	4	$0	-	$2,445,970	-	$0	-	$0	-	$0	-	$0	-
>=MI	$36,081,788	134	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$4,226	3	$0	-
Total	$129,066,645	543	$5,027,332	443	$212,802	7	$3,161,750	140	$25,161,215	2,744	$0	-	$1,000,000	-	$674,905	93	$400,733	47

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 10



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	0	0%	2	2%
	Asian or Pacific Islander	0	0%	5	5%
	Black or African American	2	10%	3	3%
	Other	3	15%	0	0%
	Unknown	0	0%	80	88%
	White	15	75%	1	1%
by Ethnicity	Hispanic or Latino	15	75%	51	56%
	Not Hispanic or Latino	5	25%	38	42%
	Unknown	0	0%	2	2%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

FY 2025 Funding/HHs Served by Activity Type

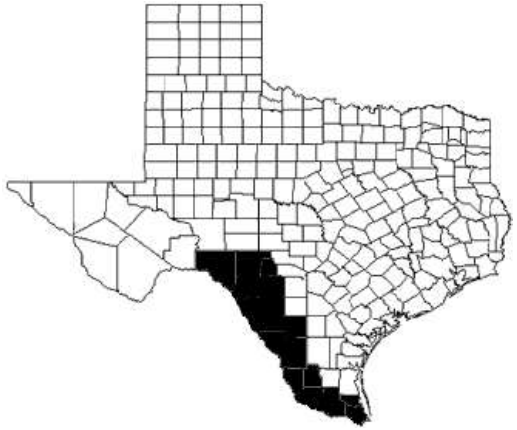
	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$19,209,983	91	$2,492,241	15	$202,500	5	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$176,339	31	$0	-	$5,824,432	308	$1,171,247	168	$0	-	$6,275,000	-	$420,684	44	$90,560	13
Total	$19,209,983	91	$2,668,580	46	$202,500	5	$5,824,432	308	$1,171,247	168	$0	-	$6,275,000	-	$420,684	44	$90,560	13

FY 2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$0	-	$635,275	24	$22,500	1	$416,608	22	$0	-	$0	-	$6,275,000	-	$391,330	38	$90,560	13
VLI	$5,490,302	30	$1,534,428	19	$90,000	2	$5,407,824	286	$1,171,247	168	$0	-	$0	-	$29,354	6	$0	-
LI	$6,067,855	30	$498,877	3	$90,000	2	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
>=MI	$7,651,826	31	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$19,209,983	91	$2,668,580	46	$202,500	5	$5,824,432	308	$1,171,247	168	$0	-	$6,275,000	-	$420,684	44	$90,560	13

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 11



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	0	0%	0	0%
	Asian or Pacific Islander	0	0%	34	5%
	Black or African American	0	0%	0	0%
	Other	8	32%	9	1%
	Unknown	0	0%	620	94%
	White	17	68%	0	0%
by Ethnicity	Hispanic or Latino	25	100%	617	93%
	Not Hispanic or Latino	0	0%	21	3%
	Unknown	0	0%	25	4%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

FY 2025 Funding/HHs Served by Activity Type

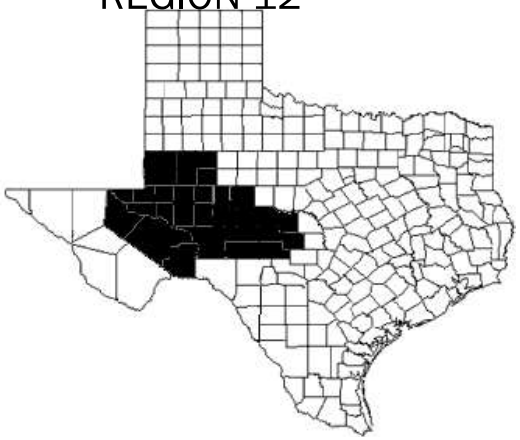
	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$148,367,114	663	$1,208,695	8	$420,844	17	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$64,752	17	$0	-	$9,986,052	541	$0	-	$0	-	$2,270,000	-	$12,480	1	$168,243	21
Total	$148,367,114	663	$1,273,447	25	$420,844	17	$9,986,052	541	$0	-	$0	-	$2,270,000	-	$12,480	1	$168,243	21

FY 2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$1,100,068	7	$661,433	16	$180,896	8	$1,078,257	57	$0	-	$0	-	$561,739	-	$12,480	1	$168,243	21
VLI	$46,175,381	236	$317,245	7	$239,948	9	$8,907,795	484	$0	-	$0	-	$1,708,261	-	$0	-	$0	-
LI	$57,189,483	248	$294,769	2	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
>=MI	$43,902,182	172	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$148,367,114	663	$1,273,447	25	$420,844	17	$9,986,052	541	$0	-	$0	-	$2,270,000	-	$12,480	1	$168,243	21

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 12



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	1	4%	1	1%
	Asian or Pacific Islander	0	0%	8	7%
	Black or African American	4	16%	3	3%
	Other	1	4%	23	21%
	Unknown	0	0%	72	67%
	White	19	76%	1	1%
by Ethnicity	Hispanic or Latino	19	76%	74	69%
	Not Hispanic or Latino	6	24%	18	17%
	Unknown	0	0%	16	15%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

2025 Funding/HHs Served by Activity Type

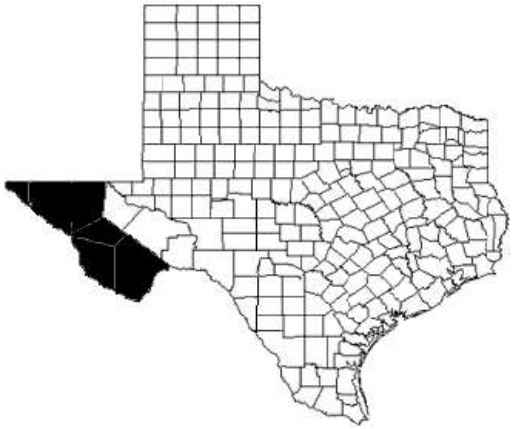
	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$26,381,572	108	$0	-	$764,918	25	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$501,345	74	$0	-	$3,367,536	151	$0	-	$0	-	$0	-	$14,530	2	$0	-
Total	$26,381,572	108	$501,345	74	$764,918	25	$3,367,536	151	$0	-	$0	-	$0	-	$14,530	2	$0	-

2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$0	-	$400,884	51	$134,995	6	$341,212	15	$0	-	$0	-	$0	-	$14,530	2	$0	-
VLI	$5,487,142	27	$100,461	23	$337,500	11	$3,026,324	136	$0	-	$0	-	$0	-	$0	-	$0	-
LI	$10,960,198	45	$0	-	$269,983	7	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
>=MI	$9,934,232	36	$0	-	$22,440	1	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$26,381,572	108	$501,345	74	$764,918	25	$3,367,536	151	$0	-	$0	-	$0	-	$14,530	2	$0	-

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

REGION 13



Funding/HH Served by Race and Ethnicity*

		HOME and HTF Owner Programs		SF Homeownership Programs*	
		HH	%	HH	%
by Race	American Indian or Alaskan Native	0	0%	3	1%
	Asian or Pacific Islander	0	0%	23	6%
	Black or African American	0	0%	3	1%
	Other	0	0%	18	4%
	Unknown	0	0%	356	88%
	White	17	100%	2	0%
by Ethnicity	Hispanic or Latino	17	100%	355	88%
	Not Hispanic or Latino	0	0%	31	8%
	Unknown	0	0%	19	5%

*Racial and ethnic breakdown of HTC properties can be found in the Housing Sponsor Report

2025 Funding/HHs Served by Activity Type

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
Owner Programs	$88,477,403	405	$310,171	2	$326,606	15	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Renter Programs	$0	-	$0	-	$0	-	$3,414,924	250	$4,101,001	466	$0	-	$0	-	$3,882	1	$55,076	9
Total	$88,477,403	405	$310,171	2	$326,606	15	$3,414,924	250	$4,101,001	466	$0	-	$0	-	$3,882	1	$55,076	9

2025 Funding/HH Served by Income Category

	SF Homeownership		HOME		HTF		HTC 9%		HTC 4%		MF Bond**		MF Direct Loan**		Section 8 HCV		Section 811	
	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH	Funds	HH
ELI	$330,195	2	$159,587	1	$179,676	8	$337,187	25	$341,326	38	$0	-	$0	-	$3,882	1	$55,076	9
VLI	$27,838,106	145	$0	-	$79,909	4	$3,077,737	225	$3,759,675	428	$0	-	$0	-	$0	-	$0	-
LI	$35,570,066	158	$150,584	1	$44,801	2	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
>=MI	$24,739,036	100	$0	-	$22,220	1	$0	-	$0	-	$0	-	$0	-	$0	-	$0	-
Total	$88,477,403	405	$310,171	2	$326,606	15	$3,414,924	250	$4,101,001	466	$0	-	$0	-	$3,882	1	$55,076	9

**Please note all properties funded in FY25 through MF Bond and MF Direct Loan also received funding through the 9% or 4% HTC Programs. Households served will only be listed in the 9% or 4% tax credit household columns in order to prevent double counting.

HOUSING SPONSOR REPORT ANALYSIS

Tex. Gov't Code §2306.072 and §2306.0724 requires the Department to provide property and occupant profiles for multifamily properties with 20 or more units receiving assistance from TDHCA. This report compiled annually includes the contact information for each property, the total number of units, the number of accessible units, the rents for units by type, the racial composition for the property, the number of units occupied by individuals receiving supported housing assistance, the number of units occupied delineated by income group, and a statement as to whether a fair housing agency or federal court found fair housing violations at the property. TDHCA is notified of Fair Housing violations that have been filed with the Texas Workforce Commission, HUD, and the U.S. Department of Justice through its Previous Participation reviews, required reporting by monitored properties, and through the Texas Workforce Commission.

Because of the extensive nature of the information, TDHCA provides this report under a separate publication: the TDHCA Housing Sponsor Report (HSR). The HSR includes an analysis of the collected information, as well as the information submitted by each property. In addition, in fulfillment of Tex. Gov't Code §2306.072(c)(8), the HSR contains a list of average rents sorted by Texas county based on housing sponsor report responses from TDHCA-funded properties.

For more information and a copy of this report, please contact the TDHCA Housing Resource Center at (800) 525-0657 or visit https://www.tdhca.texas.gov/housing-resource-center-plans-and-reports.

GEOGRAPHIC DISTRIBUTION OF HOUSING TAX CREDITS

Tex. Gov't Code §2306.111(d) requires that TDHCA use a Regional Allocation Formula (RAF) to allocate its 9% HTCs to the Uniform State Service Regions it uses for planning purposes. Because of the level of funding and the impact of this program in financing the multifamily development of affordable housing across the state, this section of the SLIHP discusses the geographical distribution of HTCs.

The Department allocated $219,405,696 in 4% and 9% HTCs during SFY 2025, which represents a one year value. Information on these awards, as well as the entire HTC inventory, can be found on the HTC Program's webpage at https://www.tdhca.texas.gov/programs/multifamily-housing-programs.

Region	All HTCs	% of all HTCs	9% HTC s	% of all 9% HTCs	4% HTC s	% of all 4% HTCs
1	$4,841,910	2.21%	$3,293,517	3.38%	$1,548,393.00	1.27%
2	$2,234,841	1.02%	$2,234,841	2.29%	$-	0.00%
3	$65,161,652	29.70%	$20,863,162	21.39%	$44,298,490.00	36.35%
4	$4,343,153	1.98%	$4,343,153	4.45%	$-	0.00%
5	$4,923,969	2.24%	$4,278,825	4.39%	$645,144.00	0.53%
6	$45,248,160	20.62%	$20,800,795	21.33%	$24,447,365.00	20.06%
7	$37,531,039	17.11%	$8,840,169	9.06%	$28,690,870.00	23.54%
8	$8,655,000	3.94%	$8,655,000	8.87%	$-	0.00%
9	$29,974,685	13.66%	$7,728,701	7.92%	$22,245,984.00	18.25%
10	$3,206,471	1.46%	$3,206,471	3.29%	$-	0.00%
11	$9,034,816	4.12%	$9,034,816	9.26%	$-	0.00%
12	$1,125,000	0.51%	$1,125,000	1.15%	$-	0.00%
13	$3,125,000	1.42%	$3,125,000	3.20%	$-	0.00%
Total	$219,405,696	100.00%	$97,529,450	100.00%	$121,876,246	100.00%

The table above shows the funding distribution of 2025 awards by region and includes the variations between the actual distribution and the 9% HTC RAF targets. Data for 9% and 4% HTC are as of November 2025. The Department plans the credit distributions to match the HTC RAF targets as closely as possible; the RAF targets apply to the 9% HTC program. To that end, as many whole awards as possible are made in each Uniform State Service Region's urban and rural sub-regions based on the RAF target for each. The total remainder in each region is then collapsed into a statewide pool. The most under-served sub-regions are ranked and, if possible, additional awards are made from the statewide pool. If a region does not have enough qualified applications to meet its regional credit distribution target, then those credits will collapse to the statewide pool of remaining credits.

Additional guidance and resources can be found off TDHCA's Multifamily Competitive (9%) Housing Tax Credits webpage: https://www.tdhca.texas.gov/competitive-9-housing-tax-credits. Off this page is link to a map with information on the properties' locations relative to census tracts.

SECTION 4: ACTION PLAN

In response to the needs identified in the Housing Analysis, this Plan outlines Texas Department of Housing and Community Affairs' (TDHCA or the Department) course of action designed to address those underserved needs.

This section of the SLIHP includes the following information per Tex. Gov't Code §2306.072 and §2306.0721:

- A description of methods to use all available housing resources to address the housing needs of special needs populations by establishing funding levels for all housing-related programs as required by Tex. Gov't Code §2306.0721(c)(2).
- A comprehensive statement of the activities of the Department during the preceding year to address the needs of special needs populations as required by Tex. Gov't Code §2306.072(c)(2)(D).
- A description of state programs that govern the use of all available housing resources as required by Tex. Gov't Code §2306.0721(c)(4).
- A resource allocation plan targeting all available housing resources to individuals and families of low and very low income and special needs populations as required by Tex. Gov't Code §2306.0721(c)(5).
- Strategies to provide housing for individuals and families with special needs as required by Tex. Gov't Code §2306.0721(c)(7).
- A description of the Department's efforts to encourage incorporation of energy efficient construction and appliances in housing units as required by Tex. Gov't Code §2306.0721(c)(8).
- Strategies for meeting rural housing needs as required by Tex. Gov't Code §2306.0721(c)(11).
- An explanation of TDHCA's Regional Allocation Formula (RAF) as required by Tex. Gov't Code §2306.111(e)(1)

This section is organized as follows:

- 2026 TDHCA Programs: Description of TDHCA's programs organized by division including funding source, administrator, purpose, targeted population, allocation, budget, and contact information.
- Regional Allocation Plans: Distribution of TDHCA's resources across the 13 State Service Regions.
- Policy Initiatives: A brief overview of policy initiatives for TDHCA including Fair Housing and Disaster Recovery.
- Special Needs Populations: Populations that have unique needs related to housing.

2026 TDHCA PROGRAMS

TDHCA's programs govern the use of available resources to meet the housing needs of low-income Texans. Program descriptions include information on funding sources, recipients, targeted beneficiaries, set-asides and special initiatives.

Shortly after the beginning of the pandemic the United States federal government began enacting legislation aimed at helping renters and homeowners. On March 27, 2020, The Coronavirus Aid Relief and Economic Security Act (CARES Act), a $2.2 trillion Federal stimulus bill was passed. On December 28, 2020, the $920 billion Consolidated Appropriations Act was passed. A third bill, the $1.9 trillion dollar American Rescue Plan (ARP), passed on March 11, 2021. On April 2, 2020, TDHCA began receiving federal funds allocated to combat the COVID-19 pandemic. In total since that time TDHCA has been awarded $4,629,321,498 in temporary and pandemic program funds.

TDHCA has used these federal funds to combat the COVID-19 pandemic by creating new programs and supplementing programs which were already in place. See Section 5 Pandemic Response for more information on TDHCA programs that utilized the above funding.

The following is a list of TDHCA programs and activities organized by division inclusive of pandemic response assistance, however pandemic programs that are no longer available are noted if Completed:

Community Affairs

- Community Services Block Grant (CSBG) Program
- Comprehensive Energy Assistance Program (CEAP)
- Weatherization Assistance Program (WAP)
- Low Income Household Water Assistance Program (LIHWAP) - Completed

Community Development Block Grant CARES Act Assistance

- Texas Emergency Rental Assistance Program (TERAP) - Completed
- Texas Emergency Mortgage Assistance Program (TEMAP) - Completed
- Food Bank Reimbursement Assistance - Completed
- Assistance for Persons with Disabilities - Completed
- Legal Services for Persons with Disabilities
- Community Resiliency Program

HOME American Rescue Plan (HOME-ARP)

Housing Stabilization Services (HSS) - Completed

Manufactured Housing

Multifamily Finance

- Housing Tax Credit (HTC) Program
- Multifamily Bond (MF Bond) Program
- Multifamily Direct Loan (MF Direct Loan) Program
- National Housing Trust Fund (NHTF)

Section 811 Project Rental Assistance

Single Family and Homeless Programs

- Emergency Solutions Grants (ESG) Program
- Emergency Solutions Grant CARES (ESG-CARES) Program - Completed
- Homeless Housing and Services Program (HHSP)
- Ending Homelessness Fund (EH Fund)
- HOME Tenant-Based Rental Assistance (TBRA)
- HOME Contract for Deed (CFD)
- HOME Homebuyer Assistance with New Construction or Rehabilitation (HANC)
- HOME Single Family Development (SFD)
- HOME Homeowner Reconstruction Assistance (HRA)
- Neighborhood Stabilization Program (NSP)
- Colonia Self-Help Center (CSHC) Program
- Texas Housing Trust Fund Program
- Texas Bootstrap Loan (Bootstrap) Program
- Amy Young Barrier Removal (AYBR) Program
- Section 8 Housing Choice Voucher (HCV) Program
- Section 8 Emergency Housing Voucher (EHV) Program
- Section 8 Mainstream Voucher Program (MVP)
- Section 8 Veterans Assistance Supportive Housing (VASH) Program

Texas Homeowner Assistance Fund (TxHAF) - Completed

Texas Homeownership

- My First Texas Home (MFTH) Program
- My Choice Texas Home (MCTH) Program
- TEXAS Mortgage Credit Certificate (TX MCC) Program
- Texas Statewide Homebuyer Education Program (TSHEP)
- Texas Homebuyer U (TXHBU)

Texas Rent Relief (TRR) - Completed

Community Affairs

The Community Affairs Division offers the Community Services Block Grant (CSBG) Program, Comprehensive Energy Assistance Program (CEAP), and Weatherization Assistance Program (WAP).

Community Services Block Grant Program (CSBG)

The CSBG Program receives funds from the U.S. Department of Health and Human Services (USHHS) for CSBG-eligible entities to receive administrative support funds and for them to provide program funds that offer emergency and poverty-related assistance to income-eligible persons.

Ninety percent of the annual CSBG funds must be provided to eligible entities as defined under Section 673 of the CSBG Act to provide services to low-income individuals. These eligible entities are an established network of private nonprofit entities or units of local government that have each been designated by the Governor as the CSBG-eligible entity for a specified geographic area. TDHCA administers the program through a network of 38 CSBG eligible entities. Persons with incomes at or below 200% of the current federal income poverty guidelines issued annually by USHHS are eligible for the program (the level was raised to 200% of poverty for the CSBG CARES funds). Each CSBG eligible entity decides, through a needs assessment and strategic planning process, how the funds for their specific service area will be used. There is localized flexibility in the use and programming of funds and CSBG eligible entities do not all offer the same programs and services.

Allocations to CSBG-eligible entities are primarily based on two factors: (1) the number of persons living in poverty within the designated service delivery area for each organization and (2) a calculation of inverse population density.

Up to 5% of the State's CSBG allocation may be used for discretionary activities. Current discretionary activities include (1) providing assistance to CSBG eligible entities in a variety of ways to improve performance such as meeting CSBG Organizational Standards; (2) supporting assessment, training and technical assistance needs of the CSBG-eligible entities; (3) supporting the state's homelessness coordination in the Balance of State; (4) providing funding to organizations that assist previously incarcerated individuals in obtaining rental housing and other housing related reentry activities; (5) providing funding to organizations that administer employment and education assistance and services for Native American and migrant and seasonal farm worker populations; (6) setting aside funds for disaster recovery immediate response; and (7) supporting other eligible discretionary activities as authorized by the Department's Board. No more than 5% of the CSBG allocation may be used for administrative purposes by the state. If the full 5% is not needed for administrative purposes, the remainder may be used on a discretionary basis.

CSBG funding for FY 2026 is not known at this time, and will depend on federal funding levels. CSBG planning figures for 2026 are based on funding for 2025 which was $36,894,940.

Contact: For assistance, individuals should contact the local CSBG eligible entity for their county directly, which can be found online at https://www.tdhca.texas.gov/help-for-texans by selecting Emergency & Homeless Services or by calling the Housing Resource Center at 800-525-0657. Program administrators who need more information may call Karen Keith, Community Affairs Division, at 512-475-0471.

Online Documents: The CSBG State Plan and other guidance may be accessed at the TDHCA website at https://www.tdhca.texas.gov/community-services-block-grant-csbg.

Funding Source: USHHS

Type of Assistance: Broad array of services to alleviate the conditions and causes of poverty.

Recipients: Eligible entities as defined in the CSBG Act

Targeted Beneficiaries: Persons at or below 200% of the federal poverty guidelines

Comprehensive Energy Assistance Program (CEAP)

CEAP is funded by the USHHS' Low Income Home Energy Assistance Program (LIHEAP). The purpose of CEAP is to provide energy assistance to income-eligible households. TDHCA administers the program through a network of 35 CEAP subrecipients. The subrecipients consist of private nonprofit entities and units of local government. The CEAP subrecipients make energy payments for eligible households to energy companies through a vendor agreement with energy providers.

Eligible households may be assisted with Utility Assistance and Crisis Assistance benefits, which are the two CEAP assistance components. Benefits are determined on a sliding scale based on income, household size and Federal Poverty Income levels. The Crisis Component is designed to provide one-time energy assistance to households during a disaster such as extreme temperatures or a presidentially declared disaster. A utility disconnection notice may constitute a Crisis in combination with extreme temperatures or a declared disaster.

The targeted beneficiaries of CEAP in Texas are households with an income at or below 150% of federal poverty guidelines, with priority given to the elderly; persons with disabilities; families with young children; households with the highest energy costs or needs in relation to income (highest home energy burden); and households with high energy consumption.

The allocation formula for CEAP uses the following five factors and corresponding weights to distribute its funds by county: non-elderly poverty household factor (40%); elderly poverty household factor (40%); inverse poverty household density factor (5%); median income variance factor (5%); and weather factor (10%).

CEAP funding for FY 2026 is unknown at this time, and will depend on federal funding levels. CEAP Planning figures for 2026 are based on funding for 2025 which was $186,505,038.

Contact: To connect to the local CEAP provider, persons needing assistance may go online at https://www.tdhca.texas.gov/help-for-texans or call 1-877-399-8939 from a landline phone. Program administrators can call Isela Dove, Community Affairs Division, at 512-475-4049.

Online documents: The Energy Assistance Plan and other guidance may be accessed online at https://www.tdhca.texas.gov/comprehensive-energy-assistance-program-ceap.

Funding Source: USHHS

Type of Assistance: Energy Assistance

Recipients: Private nonprofits and units of local government

Targeted Beneficiaries: Households with income at or below 150% of federal poverty guidelines

Weatherization Assistance Program (WAP)

WAP is funded by the U.S. Department of Energy (DOE) and USHHS' LIHEAP grant. WAP allocates funding to help low-income households control energy costs through the installation of weatherization (energy-efficient) measures and energy conservation education. The Department administers WAP through a network of 20 WAP subrecipients. The subrecipients consist of private nonprofit entities and units of local government. Typical weatherization measures include attic and wall insulation, weather-stripping and air sealing measures, heating and cooling unit repair and/or replacement, replacement of inefficient appliances such as refrigerators and minor repairs to allow energy efficient measures to be installed in the household.

The targeted beneficiaries of WAP in Texas are households with an income at or below 150% of federal poverty for the LIHEAP WAP and 200% of federal poverty for DOE WAP, with priority given to the elderly; persons with disabilities; families with young children; households with the highest energy costs or needs in relation to income (highest home energy burden); and households with high energy consumption.

The allocation formula for WAP uses the following five factors and corresponding weights to allocate its funds by county: non-elderly poverty household factor (40%); elderly poverty household factor (40%); inverse poverty household density factor (5%); median income variance factor (5%); and weather factor (10%).

Projected WAP funding for FY 2026 is unknown at this time and will depend on federal funding levels. WAP funding levels for FY 2026 are based on 2025 federal funding which for LIHEAP was $15,840,270 and for DOE was $9,715,534.

Contact: To connect directly to a local WAP provider, call 211 or 1-888-606-8889, or go online to https://www.tdhca.texas.gov/help-for-texans. Program administrators can call Evan Brown, Community Affairs Division at 512-475-4008.

Online Documents: The Weatherization Assistance State Plan and other guidance may be accessed from the TDHCA website at https://www.tdhca.texas.gov/weatherization-assistance-program.

Funding Sources: DOE and USHHS

Type of Assistance: Household Weatherization Assistance

Recipients: Private nonprofits and units of local government

Targeted Beneficiaries: Households with income at or below 150% of federal poverty guidelines for the LIHEAP WAP and 200% of federal poverty for DOE WAP

Community Development Block Grant (CDBG) CARES Act Assistance

Through the CARES Act TDHCA was awarded $141,846,258 in CDBG to assist households impacted by the pandemic.

See Section 5 Pandemic Response for further information.

Home American Rescue Plan (HOME-ARP)

Through the American Rescue Plan Act $133,474,575 has been directed through the HOME-ARP Program for activities to support qualified populations, which includes persons experiencing or at-risk of homelessness.

See Section 5 Pandemic Response for further information.

Housing Stability Services (HSS)

See Section 5 Pandemic Response for further information.

Manufactured Housing

The Manufactured Housing Division regulates the manufactured housing industry in Texas by ensuring that manufactured homes are well constructed, safe and correctly installed. This division provides consumers with fair and effective remedies; and provides economic stability to manufacturers, retailers, installers and brokers. The Manufactured Housing Division licenses manufactured housing professionals and maintains records of the ownership, location, real or personal property status and lien status (on personal property homes) on manufactured homes. It also records tax liens on manufactured homes. Because of its regulatory nature, the Manufactured Housing Division has its own governing board and executive director.

The Manufactured Housing Division records ownership of approximately 60,000 homes per year and conducts approximately 20,000 inspections per year. Relying on a team of trained inspectors stationed throughout Texas, the Division inspects manufactured homes for warranty issues, habitability and proper installation statewide. The Manufactured Housing Division handles more than 80,000 incoming calls and assists approximately 2,300 walk-in customers per year in its customer service center and investigates approximately 685 consumer complaints a year.

> **Contact:** Texas Department of Housing and Community Affairs, Manufactured Housing Division
>
> PO Box 12489
>
> Austin, TX 78711-2489
>
> (512) 475-2200 or 1-800-500-7074
>
> https://www.tdhca.texas.gov/mh

Multifamily Finance

The Multifamily Finance Division administers the Housing Tax Credit (HTC) Program and the Multifamily Direct Loan (MF Direct Loan) Program. Multifamily Bond (MF Bond) Program funds, administered within the Bond Finance Division of the Department, are layered with HTCs and frequently MF Direct Loan funds; therefore the MF Bond Program will be described in this section.

Housing Tax Credit Program (HTC)

The HTC Program receives authority from the U.S. Department of the Treasury to provide tax credits to nonprofit and for-profit developers. The tax credits are sold to investors, creating equity that decreases the need to incur and service debt; the equity generated through that sale allows the

property owners to lease units to low income households at reduced rents. The targeted beneficiaries of the program are very low-income and extremely low-income families at or below 80% of the AMFI, with 60% AMFI being the most common restriction. The HTC Program was created by the Tax Reform Act of 1986 and is governed by the Internal Revenue Code of 1986 (Code), as amended, 26 USC §42. There are two different housing tax credit programs: the 9% Competitive HTC Program and the 4% Non-competitive HTC Program. Under the Competitive HTC Program, the Code authorizes 9% tax credits in the amount of approximately $3.00 per capita of the state population, although the federal One Big Beautiful Bill Act provides for a permanent increase of 12% from previous funding levels starting in 2026. TDHCA is the only entity in the state with the authority to allocate HTCs under these programs. As required by the Code and Texas statute, TDHCA develops the HTC Program Qualified Allocation Plan (QAP), which establishes the scoring process and threshold requirements relating to an allocation of housing tax credits. Pursuant to Tex. Gov't Code §2306.6724(c), the Governor shall approve, reject, or modify and approve the Board adopted QAP not later than December 1 of each year.

Fifteen percent of the 9% HTCs under the state ceiling are divided among two statutorily created set-asides that are used to preserve existing affordable housing that is at-risk of losing its affordability. The remainder of the credits are distributed on a regional basis according to the Regional Allocation Formula (RAF) pursuant to Tex. Gov't Code §2306.111(d)(3) and §2306.1115. The HTC RAF can be found in the TDHCA Allocation Plan section of this Action Plan. These credits are awarded through a competitive application process where each application is scored based on certain selection criteria reflected in the QAP. Moreover, there are eligibility and threshold requirements that must be met pursuant to the QAP. Once reviews and underwriting of the highest scoring applications have been completed, the Board considers the recommendations of TDHCA staff and determines a final award list. The 9% Competitive HTC Program has an annual application cycle with pre-applications submitted in January, full applications submitted by March, and awards made by the end of July.

The estimated HTC state housing credit ceiling amount for FY 2025 is $88,459,573. Because these credits are claimed each year for ten consecutive years their value (without adjustment for effective tax rates, anticipated depreciation, and other passive gains and losses, or net present value) is roughly ten times that amount.

Under the 4% Non-competitive program, HTCs are awarded to developments that use tax-exempt bonds as a key component of their financing. These tax credit awards are made independent of the annual state housing credit ceiling and are not subject to the RAF. The applications are subject to the eligibility, threshold and underwriting requirements pursuant to the QAP; however, because the credits associated with these applications do not come from the state housing credit ceiling, the application process is considered non-competitive and the scoring criteria identified in the QAP are not applicable. Applications under this program are accepted throughout the year.

Eligible activities under the HTC Program include the new construction, reconstruction, adaptive reuse of existing structures, or acquisition and rehabilitation of residential units that will be required to maintain affordable rents for an extended period of time. Rehabilitation developments must meet a minimum threshold for rehabilitation costs per unit. The minimum threshold varies depending on both the age of the property and the other financing involved in the development and are further identified in 10 TAC §11.101(b)(3).

In an effort to promote greater energy efficiency, the HTC Program requires developments to adhere to the statewide energy code and provide Energy Star Rated (or equivalent) appliances. There are

also additional incentives for the use of energy-efficient, alternative construction materials and green building initiatives.

Multifamily Bond Program

Multifamily Bond (MF Bond) Program funds and Non-competitive 4% Housing Tax Credits (HTC), are administered within the Multifamily Bond Division of the Department. These funds can be layered with MF Direct Loan funds.

TDHCA issues tax-exempt multifamily bonds under its Private Activity Bond (PAB) Program to provide loans for the development of affordable rental housing to nonprofit and for-profit developers who assist very low- to moderate-income Texans. The authority to issue PABs is derived from the Internal Revenue Code and the state's PAB program is administered by the Texas Bond Review Board (BRB). Pursuant to Tex. Gov't Code Chapter 1372, approximately 26.25% of the annual tax-exempt volume cap is set aside for multifamily developments and available to various issuers, of which TDHCA is one, to finance multifamily developments. Of this amount, 20%, or approximately $190 million, will be made available exclusively to TDHCA. On August 15 of each year, any allocations in the sub-ceilings of the PAB Program that have not been reserved by other issuers collapse into one allocation pool. This is an opportunity for TDHCA to apply for additional allocation, for identified projects, which allows TDHCA to issue multifamily bonds in excess of its set-aside for a calendar year.

Issuers submit applications on behalf of development owners to the BRB, utilizing the lottery process or through the waiting list established by the issuer. Eligible bond issuers in the state include TDHCA, Texas State Affordable Housing Corporation (TSAHC), and various local issuers, which include Housing Finance Corporations and Public Facility Corporations. Applications submitted to TDHCA under its PAB program are scored and underwritten based on criteria identified in the Multifamily Housing Revenue Bond Rules, the Qualified Allocation Plan, and Chapter 2306.

TDHCA accepts applications throughout the year. Developments that receive 50% or more of their funding from the proceeds of tax-exempt bonds under the PAB program are also eligible to apply for 4% Non-competitive HTCs.

In line with the Department's energy efficiency efforts, the MF Bond Program requires applicants to adhere to the statewide energy code and provide Energy Star Rated (or equivalent) appliances.

Multifamily Direct Loan Program

The Multifamily Finance Division awards HOME, Tax Credit Assistance Program Repayment Funds (TCAP RF) as available, Neighborhood Stabilization Program Round 1 Program Income (NSP1 PI) as available, and National Housing Trust Fund (NHTF) funds to eligible applicants for the development of affordable rental housing. Owners are required to make the units available to Extremely Low-, Very Low- and Low-Income families and must meet long-term rent restrictions. These funds are awarded as specified in published rules and Notices of Funding Availability (NOFAs) by TDHCA and are available to for-profit and nonprofit developers.

HOME funds come from annual formula grant allocations from HUD and program income from repayable multifamily loans. HOME funds can serve households earning up to 80% AMFI. Applicants for HOME funds under the MF Direct Loan program can be for-profit and nonprofit developers. It is anticipated that approximately $25 million in HOME funds will be available in the annual NOFA for SFY 2026. In general, HOME funds may only be used in parts of the state that do not receive their own allocation from HUD, although certain COVID-impacted developments may qualify for a waiver of this requirement.

National Housing Trust Fund

National Housing Trust Fund (NHTF) is a program for states that was created under the Housing and Economic Recovery Act of 2008 (HERA). NHTF funding comes from a small percentage of the Federal Home Loan Mortgage Corporation's (Freddie Mac) and the Federal National Mortgage Association's (Fannie Mae) new business purchases annually, rather than from appropriations. HUD determines NHTF formula allocation amounts for each state based on several factors, but primarily the shortage of rental units affordable and available to households with extremely low income. For SFY 2025, TDHCA anticipates making available approximately $16,000,000 in NHTF funds statewide through the NOFA for eligible new construction, rehabilitation, and refinance with rehabilitation activities. NHTF has similar long-term requirements to HOME funds, except households to be served must have incomes at or below the greater of either 30% AMFI or the federal poverty line.

Neighborhood Stabilization Program

Program Income (NSP1-PI) is income generated by the receipt of loan payments under the original NSP. No funds were available during SFY 2025, and the Department does not anticipate any NSP1-PI to be available in SFY 2026. The NSP1-PI funds are for infill new construction or foreclosed developments in targeted areas of the state, and generally follow the same long-term requirements as HOME.

Tax Credit Assistance Program (TCAP)

TCAP was a program created through the American Recovery and Reinvestment Act of 2009 that was successfully completed in 2012 with full reports in the 2013 SLIHP. Repayment Funds (RF) are income from TCAP loans received after the grant was closed out in March 2012, now called TCAP RF. TCAP RF funds have been awarded through NOFAs in SFY 2015 through SFY 2021, and SFY 2024, and is anticipating making awards in SFY 2026. The Department has made those funds available statewide to create a continuing source of funds that will further the Department's mission to create more affordable housing. TCAP-RF funds are also used as HOME match.

Contact: For a list of HTC, MF Bond, and MF Direct Loan properties funded through TDHCA, see the online inventory at https://www.tdhca.texas.gov/sites/default/files/multifamily/docs/240730-HTCPropertyInventory.xlsx For a list of apartment vacancies in your area, contact TDHCA by phone at 1-800-525-0657 or online at https://www.tdhca.texas.gov/help-for-texans. For more information on the 9% Competitive HTC Program contact Cody Campbell at (512) 475-1676. For more information on the MF Bond and 4% HTC Programs contact Teresa Morales at (512) 475-3344. For more information on the MF Direct Loan program contact Connor Jones at (512) 475-3986.

Online documents: The HTC Program QAP and Multifamily Direct Loan Rules, and Multifamily Housing Revenue Bond Rules may be accessed from the TDHCA website at https://www.tdhca.texas.gov/multifamily-programs-qap-nofas-and-rules.

Funding Source: U.S. Internal Revenue Service (IRS) and HUD

Type of Assistance: HTCs, PABs along with HOME, NSP, TCAP RF, and NHTF loans

Recipients: For-profit entities, nonprofit organizations and CHDOs

Targeted Beneficiaries: AMFI levels are set by program rules and NOFAs, and will vary from 30% AMFI to 80% AMFI, depending on the program.

Section 811 Project Rental Assistance Program

The Section 811 Project Rental Assistance (Section 811 PRA) program provides project-based rental assistance for extremely low-income persons with disabilities linked with voluntary long-term services. The program is made possible through a partnership between TDHCA, the Texas Health and Human Services Commission, (Texas HHSC), the Department of Family and Protective Services (DFPS), local disability service organizations, and participating multifamily properties.

Project rental assistance can be applied to new or existing multifamily developments owned by a nonprofit or private entity with at least five housing units that have received funding through TDHCA's Multifamily Housing programs.

The program is limited to households with a member that meets one of the Target Population definitions and are eligible to receive services through one of the eligible disability service organizations contracted with Texas HHSC or directly through DFPS. Each eligible household must include a qualified member of one of the Target Populations that will be at least 18 years of age and under age 62 at the time of application and admission. All Target Populations are eligible for community-based, long-term care services as provided through Medicaid waivers, Medicaid state plan options, or state funded services and have been referred to TDHCA through their Section 811 Referral Agent.

Target Populations:

- Persons with Disabilities exiting, or having exited within the previous 12 months prior to submitting an application, Intermediate Care Facilities for Individuals with Intellectual Disabilities and Nursing Facilities
- Persons with Serious Mental Illness eligible for services through a Local Mental Health Authority or Behavioral Health Authority

- Youth or Young Adults with Disabilities Exiting Foster Care

The program is limited to properties located in the following Metropolitan Statistical Areas (MSAs):

- Austin-Round Rock
- Brownsville-Harlingen
- Corpus Christi
- Dallas-Fort Worth-Arlington
- El Paso
- Houston-The Woodlands-Sugar Land
- McAllen-Edinburg-Mission
- San Antonio-New Braunfels

The Section 811 PRA Program received a total award of $12,342,000 for HUD PY 2012, $12,000,000 for HUD PY 2013, $6,982,087 for HUD PY 2019, and an additional $8,000,000 for HUD PY 2023. The program helps extremely low-income individuals with disabilities and their families by providing between 500 and 700 new integrated supportive housing units.

Contact: For individuals, or their local service professionals who are interested in accessing a unit through the Section 811 PRA Program, contact Kaitlin Devlin at (512) 936-7796. General program information about the Section 811 PRA Program can be found at: https://www.tdhca.texas.gov/programs/section-811-project-rental-assistance-program.

Online documents: Resource documents for participating multifamily developments can be found by visiting: https://www.tdhca.texas.gov/programs/section-811-project-rental-assistance-program.

Funding Source: HUD

Type of Assistance: Project-Based Rental Assistance

Eligible Properties: New or existing multifamily developments owned by a nonprofit or private entity with at least 5 housing units that have received funding through TDHCA's Multifamily Housing programs.

Targeted Beneficiaries: The program is limited to individuals who are part of one of the Target Populations and eligible for services through one of the Texas HHSC or DFPS agencies participating in the program. Each eligible household must have a qualified member of a Target Population that will be at least 18 years of age and under the age of 62 and is at or below the Extremely Low Income Limit at the time of admission. The program is only available in limited areas.

Single Family and Homeless Programs

The Single Family and Homeless Programs Division covers a continuum spanning from homelessness to rental assistance to home ownership, from both federal and state funding sources, including funds from the U.S. Department of Housing and Urban Development, the Texas Housing Trust Fund (Texas HTF), General Revenue appropriations, and donations made to the Ending Homelessness Fund.

- The Emergency Solutions Grants (ESG) Program and the HOME Program share common federal oversight through HUD's Office of Community Planning and Development (CPD) and are HUD funded programs.
- The Colonia Self-Help Center (CSHC) Program, administered under SFHP's Office of Colonia Initiatives (OCI), is funded by the Community Development Block Grant (CDBG) and also overseen by HUD CPD. CSHC is provided through a partnership with the Texas Department of Agriculture (TDA).
- The Section 8 Program, including the Housing Choice Voucher (HCV), Emergency Housing Voucher (EHV), Non-Elderly Disabled (NED), Mainstream Voucher (MVP), Veterans Assistance Supportive Housing (VASH) and Foster Youth to Independence (FYI) programs are HUD funded programs overseen by HUD's Office of Public and Indian Housing (PIH).
- The Amy Young Barrier Removal (AYBR) Program and the Texas Bootstrap Loan (Bootstrap) Program are funded through the Texas HTF.
- The Homeless Housing and Services Program (HHSP) is funded with General Revenue and includes a general and a youth set-aside.
- The Ending Homelessness (EH) Fund is funded through voluntary contributions made when renewing vehicle registrations, and the fund is held outside of the State Treasury.

Emergency Solutions Grants Program (ESG)

ESG is funded through HUD. TDHCA uses the HUD funding to award grants to units of general local government and private nonprofit entities that provide persons experiencing homelessness and at risk of homelessness the services necessary to quickly regain stability in permanent housing. ESG funds may be utilized for the payment of certain expenses related to operating emergency shelters; essential services related to emergency shelters and street outreach for persons experiencing homelessness; and, homelessness prevention and rapid re-housing assistance such as rental and utility assistance.

TDHCA programs its ESG funds regionally for each of the HUD-designated Continuum of Care (CoC) Regions according to a combination of the region's proportionate share of a number of factors. The factors may include total population, number of persons experiencing homelessness based on the Point-in-Time count submitted to HUD by the CoCs; persons living in poverty; renters with incomes less than 30% AMI that experience cost burden; the amount of ESG funding received by federal and state funding streams in the past year; and other factors as listed in the administrative rules governing the ESG Program.

ESG funds were available to eligible existing subrecipients through continuing awards, with additional funds made available to subrecipients under a competitive application cycle to provide

street outreach, emergency shelter, rapid-rehousing, homelessness prevention, data collection and administration.

Summary of ESG Program Funding for Fiscal Year 2026

ESG funding for Federal Fiscal Year (FFY) 2024 is $9,723,237and was made available during State Fiscal Year (SFY) 2025. Funding for FFY 2025 is $10,308,471 and will be made available during State Fiscal Year (SFY) 2026.

Contact: Individuals seeking assistance may search for providers in their area online at https://www.tdhca.texas.gov/help-for-texans or by calling the Housing Resource Center at 800-525-0657. Organizations interested in becoming subrecipients may call Rosy Falcon, Single Family and Homeless Programs Division, at (512) 475-3975 or by email HomlessPrograms@tdhca.texas.gov

Online documents: See the State of Texas Consolidated Plan: One Year Action Plan at https://www.tdhca.texas.gov/housing-resource-center-annual-or-biennial-plans-and-reports.pdf for further details on ESG.

Funding Source: HUD

Type of Assistance: Grants

Recipients: Local governments and nonprofit entities

Targeted Beneficiaries: Persons experiencing homelessness or those at risk of homelessness; persons at-risk of homelessness who receive homelessness prevention assistance must have incomes less than 30% AMI.

Homeless Housing and Services Program (HHSP)

HHSP was established by the 81st Texas Legislature and codified in statute (Tex. Gov't Code §2306.2585) by the 82nd Legislature. HHSP funds are for the purpose of assisting major urban areas identified in statute in providing housing and services to individuals and families experiencing homelessness, as well as providing local programs to prevent and eliminate homelessness. The assistance includes services to individuals and families experiencing homelessness, including the construction of shelter facilities, direct services related to housing placement, homelessness prevention, housing retention and rental assistance. Funds are either provided to the local jurisdiction or to one local organization designated by the local jurisdiction.

Summary of HHSP Program Funding for Fiscal Year 2026

The 89th Legislature appropriated approximately $6.3 million in General Revenue funds for the 2026-2027 biennium for HHSP general set-aside funds, and an additional $3 million in General Revenue funds for HHSP specifically set-aside for youth experiencing homelessness. For SFY2026, approximately $4.7 million dollars in general set-aside funds and $1.5 million dollars in youth set-aside funds was allocated to cities with a population over 285,500 as required by statute. Allocation among the subrecipients is based on total population, percentage of persons in poverty, population of persons with disabilities, incidents of family violence, and the Point-In-Time count of veterans, unaccompanied youth, parenting youth, children of parenting youth, and overall number of persons experiencing homelessness. The cities which are eligible, as of the date of this plan, to participate in

HHSP include Arlington, Austin, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Plano, and San Antonio.

The Veterans Transitional Housing Pilot Program, created by the 88*th* Texas Legislature, designates $400,000 of Homeless Housing and Services Program (HHSP) funds for each year of the biennium to address the housing needs of veterans experiencing or at-risk of homelessness in four areas of the State. The assistance includes interim housing, physical and mental health services, literacy training, job training, family counseling, credit counseling, education services, and other services designed to prevent homelessness. TDHCA used the Point-In-Time count of unhoused veterans to identify Austin, Dallas, Houston, and San Antonio as the four areas of the state with the highest population of the targeted population.

Contact: HHSP Subrecipients may be found by calling the Housing Resource Center at 800-525-0657. Program administrators may contact Rosy Falcon, Single Family and Homeless Programs Division, at (512) 475-3975.

Online documents: More HHSP information may be accessed online at https://www.tdhca.texas.gov/homeless-housing-services-program-hhsp..

Funding Source: State General Revenue Funds

Type of Assistance: Grants

Recipients: Local governments or designated nonprofit entities in the State's municipalities with a population of 285,500 or more: Arlington, Austin, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Plano, and San Antonio

Targeted Beneficiaries: Persons experiencing homelessness and those at risk of homelessness, with moderate income level pursuant to Tex. Gov't Code §2306.152

Ending Homelessness (EH) Fund

The EH Fund was established by the 85th Texas Legislature by creating the opportunity for a voluntary contribution to be made when renewing the registration of a motor vehicle. The Ending Homelessness Fund is a trust fund outside the State Treasury, held by the Comptroller of Public Accounts and administered by TDHCA. Eligible activities under the EH Fund include any activities eligible under the ESG or HHSP Programs.

Summary of Ending Homelessness Fund for Fiscal Year 2026

The contributions to the EH Fund are entirely voluntary and averaged $19,301 per month in fiscal year 2025. Funding for fiscal year 2026 is estimated to be $310,292, assuming the current contribution level is maintained. The Department makes the EH Fund available exclusively to counties and municipalities for the purpose of combating homelessness. Each biennium, the Department will publish an EH Fund Plan, approved by the Board, which outlines eligible activities and identifies the funding priorities among activities and Subrecipients.

Contact: Interested parties regarding the Ending Homelessness Fund may call Rosy Falcon, Single Family and Homeless Programs Division, at (512) 475-3975 or by email at HomlessPrograms@tdhca.texas.gov

Online documents: https://www.tdhca.texas.gov/ending-homelessness-fund

Funding Source: Voluntary donations

Recipients: Cities and counties in accordance with Tex. Transp. Code §502.415(f)

Targeted Beneficiaries: Persons experiencing homelessness or those at risk of homelessness; persons at-risk of homelessness who receive homelessness prevention assistance with moderate income level pursuant to Tex. Gov't Code §2306.152 if used in conjunction with HHSP, or with income less than 30% AMFI if used in conjunction with ESG

HOME Investment Partnerships Program

HOME is authorized under the Cranston-Gonzalez National Affordable Housing Act (42 USC § 12701, et. seq.) and TDHCA receives its HOME funding from HUD.

The purpose of the HOME Program is to expand the supply of decent, safe, and affordable housing for extremely low-, very low- and low-income households and to alleviate the problems of excessive rent burdens, barriers to homeownership, and deteriorating housing stock. HOME strives to meet both the short-term goal of increasing the supply and the availability of affordable housing and the long-term goal of building partnerships between state and local governments and private and nonprofit organizations to strengthen their capacity to meet the diverse affordable housing needs of lower income Texans. To achieve this purpose, HOME provides loans and grants through units of general local government, public housing authorities, CHDOs, nonprofit organizations and other qualified entities to provide assistance to eligible households. Some annual HOME funds awarded by HUD are set aside for specific activities under the Department's One Year Action Plan; those funds not in such set-asides are made available on a regional basis utilizing the Regional Allocation Formula (RAF). The HOME RAF can be found in the TDHCA Allocation Plan section of this Action Plan chapter. TDHCA also periodically releases deobligated and program income funds for programmatic activity that is not subject to the RAF. TDHCA provides technical assistance to all recipients of the HOME Program to ensure that participants meet and follow state implementation guidelines and federal regulations.

According to Tex. Gov't Code §2306.111, in administering HOME funds, the Department shall expend 95% of these funds for the benefit of non-participating small cities and rural areas that do not qualify to receive funds under the Act directly from HUD. This directs HOME funds into rural Texas. As established in Tex. Gov't Code §2306.111(c) and subject to the submission of qualified applications, 5% of the annual HOME allocation and 5% of program income shall be allocated for applications serving persons with disabilities living in any part of the state (called the Persons with Disabilities (PWD) Set-Aside). Federal regulations require a minimum of 15% of the annual HOME allocation be reserved for Community Housing Development Organizations (CHDOs). CHDO set-aside projects are owned, developed, or sponsored by the CHDO and result in the development of multifamily rental units or units for single-family homeownership. In energy efficiency efforts, HOME requires awardees to adhere to the Department's energy efficiency rules.

Tenant-Based Rental Assistance

Tenant-Based Rental Assistance (TBRA) provides rental subsidy and, security and utility deposit assistance. This program allows the subrecipient to provide the assisted tenant with funds to live in any dwelling unit with a right to continued assistance, in accordance with written tenant selection

policies, for a period not to exceed 24 months. If available, additional funds may be set-aside to provide assistance for up to 60 months for individuals that meet certain program requirements. A HOME-assisted tenant must also participate in a self-sufficiency program. This program may be utilized to address housing issues arising from declared disasters, as well as for assistance provided under the PWD set-aside. These funds are made available as specified in published rules and NOFAs.

Contract for Deed

The Contract for Deed (CFD) activity provides funds to households for the acquisition or the refinancing of their contract for deed, replacing it with a mortgage loan secured by a deed of trust. Assistance is provided in conjunction with the reconstruction of the housing unit. The newly constructed home must be the principal residence of the homebuyer. At completion of construction activities, all properties must meet the International Residential Code, the Department's Energy Efficiency rules, local building codes, zoning ordinances, local construction requirements, and comply with the universal design features in new construction, established by Tex. Gov't Code §2306.514. The terms of the CFD loan through the Department are often more favorable than the household's previous loan term. These funds are made available as specified in published rules and Notices of Funding Availability (NOFAs).

HOME Homebuyer Assistance with New Construction

The Homebuyer Assistance with New Construction (HANC) activity offers low-interest loans for the construction of single-family housing not currently owned and/or occupied by an eligible homebuyer. The loan may also include funds for the acquisition of real property and associated closing costs. The newly constructed home must be the principal residence of the homebuyer. At completion of construction activities, all properties must meet the International Residential Code, the Department's Energy Efficiency rules, local building codes, zoning ordinances, local construction requirements, and must comply with the universal design features in new construction, established by Tex. Gov't Code §2306.514. These funds are made available as specified in published rules and Notices of Funding Availability (NOFAs).

Single Family Development

Single Family Development (SFD) is a CHDO set-aside activity. CHDO activities include acquisition and new construction of affordable single family housing which must be sold to households at or below 80% AMFI. The newly constructed home must be the principal residence of the homebuyer. At completion of construction activities, all properties must meet the International Residential Code, the Department's Energy Efficiency rules, local building codes, zoning ordinances, local construction requirements, and must comply with the universal design features in new construction, established by Tex. Gov't Code §2306.514. CHDOs can also apply for homebuyer assistance if their organization is the developer of the single family housing project. These funds are made available as specified in published rules and NOFAs.

Homeowner Reconstruction Assistance

The Homeowner Reconstruction Assistance (HRA) activity offers grants or zero-interest deferred forgivable loans for reconstruction or new construction of dilapidated housing units to homeowners. The existing and the reconstructed home must be the principal residence of the homeowner. At the

completion of construction activities, all properties must meet the International Residential Code, the Department's Energy Efficiency rules, local building codes, zoning ordinances, local construction requirements, and must comply with the universal design features in new construction, established by Tex. Gov't Code §2306.514.

This program may be utilized to address housing issues arising from declared disasters, as well as for assistance provided under the PWD set-aside. These funds are awarded as specified in published rules and NOFAs.

Summary of HOME Program Funding

The HOME Allocation from HUD for Federal Fiscal Year (FFY) 2024 is $33,936,409.42 and was made available during State Fiscal Year (SFY) 2025. $12,635,941.19 in HOME program income was available in the FFY 2024 allocation. From these funds, an estimated $36.8M will be made available for the Single Family Activities described, with the remainder programmed for the Multifamily Direct Loan Program. Funding for FFY 2025 is $35,629,832.41 and will be made available during State Fiscal Year (SFY) 2026.

Contact: Individuals seeking assistance may search for local providers in their area online at https://www.tdhca.texas.gov/help-for-texans or by calling the Housing Resource Center at 800-525-0657. Program administrators can call the Single Family and Homeless Programs Division by email at HOME@tdhca.texas.gov.

Online documents: See the State of Texas Consolidated Plan: One Year Action Plan at https://www.tdhca.texas.gov/housing-resource-center-annual-or-biennial-plans-and-reports for further details on the HOME Program. The HOME Program Rule may be accessed from the TDHCA website at https://www.tdhca.texas.gov/programs/home-investment-partnerships-program.

Funding Source: HUD

Type of Assistance: Loans and grants

Recipients: Local service providers including units of local government, public housing authorities, nonprofit organizations, CHDOs, and other qualified entities

Targeted Beneficiaries: Maximum AMFI levels are set by program rules and NOFAs and will vary from 30% AMFI to 80% AMFI, depending on the program.

Colonia Self-Help Center Program

The Division, through the Office of Colonia Initiatives (OCI), acts as a liaison between the Department and the nonprofit organizations and units of local government that administer the Colonia Self-Help Center (CSHC) Program and other Department programs along the Texas-Mexico border, and work in field offices. The OCI provides technical assistance to nonprofits, for-profits, units of local government, community organizations, and colonia residents along the 150-mile Texas-Mexico border region.

Colonia Self-Help Centers were established in Cameron/Willacy, El Paso, Hidalgo, Starr, and Webb counties per Tex. Gov't Code §2306.582 to provide concentrated attention to five colonias in each county. The Department also established Colonia Self-Help Centers in Maverick and Val Verde counties due to their large population of residents of colonias and their designation as economically

distressed counties. HB 2893 (87th Regular Session), added Nueces County to the listing of counties in which TDHCA must establish a Colonia Self-Help Center. The operation of the CSHC Program is funded through a 2.5% set-aside from the Community Development Block Grant (CDBG) Program, a federal entitlement program administered by the Texas Department of Agriculture. Operation of the CSHC Program in each county is managed by a local nonprofit organization, Community Action Agency (CAA), or local unit of government that has demonstrated capacity to operate a Colonia SHC and been selected by the county.

The CSHC Program provides concentrated on-site assistance to low- and very low-income individuals and families in a variety of ways to improve living conditions, including financing or refinancing of a safe, suitable home and credit and debt counseling. The CSHC Program also offers housing rehabilitation, reconstruction, new construction, surveying and platting, and construction skills training. Lastly, the CSHC Program operates tool libraries to support self-help construction by residents of colonias.

Estimated funding for Federal Fiscal Year (FFY) for the 2025 Colonia SHC Program is $1,779,457 and will be made available during State Fiscal Year (SFY) 2026. More detail may be found in Section 6: Colonia Action Plan.

Contact: Albert Alvidrez at (915) 834-4925 or albert.alvidrez@tdhca.texas.gov

Online documents: https://www.tdhca.texas.gov/programs/colonia-self-help-center-program-shc

Funding Source: HUD

Type of Assistance: Grants and forgivable loans

Recipients: Units of local government, nonprofit organizations, Public Housing Authorities, and CAAs

Targeted Beneficiaries: Households at or below 80% AMFI within targeted colonias

Texas Housing Trust Fund Program

The Texas Housing Trust Fund (Texas HTF) receives general revenue appropriations funding from the State of Texas, including the use of loan repayments from previous projects funded with Texas HTF allocations. Funding is awarded as loans or grants to nonprofits, units of local government, councils of government, local mental health authorities, public agencies and public housing authorities. The targeted beneficiaries of the program are low-, very low- and extremely low-income households. During the Regular Session of the 89th Legislature, the Department was appropriated General Revenue for the Texas HTF in the amount of $10,058,675 for the 2026-2027 biennium. The 2026-2027 Texas Housing Trust Fund Biennial Plan was presented and approved by the Department's Governing Board at the board meeting of September 4, 2025, and was submitted to appropriate legislative offices as required by the Texas Government Code.

Texas Bootstrap Loan Program

Known as the Owner-Builder Loan Program in Tex. Gov't Code §2306.751, the Texas Bootstrap Loan (Bootstrap) Program provides loans to eligible applicants in any area of the state to purchase or refinance real property on which to build new residential housing, construct new residential housing

or improve existing residential housing through sweat-equity. Overseen by eligible administrators of nonprofit owner-builder housing programs, who may be Colonia Self-Help Centers or other nonprofit organizations, the Owner-Builders must provide a minimum of 65% of the labor required to build or rehabilitate the home. Tex. Gov't Code §2306.753(a) directs TDHCA to prioritize assisting Owner-Builders with an annual income of less than $17,500. The maximum Bootstrap Program loan amount per Owner-Builder is $49,500. A portion, but not more than 10%, of annual funding for the Bootstrap Program may be made available to organizations providing capacity building services to increase and expand the utilization of the Bootstrap Program.

Bootstrap Program funding for FY 2025-2026 is an estimated $3.3M per year, inclusive of administration funds, with additional funds made available through repayment of prior loans made under the Bootstrap Program.

Contact: Single Family and Homeless Programs Division at or bootstrap@tdhca.texas.gov

Online documents: https://www.tdhca.texas.gov/texas-bootstrap-loan-program

Funding Source: Texas HTF

Type of Assistance: Amortizing repayable loans at 0% interest

Recipients: Nonprofit organizations and Colonia Self-Help Centers

Targeted Beneficiaries: Households at or below 80% AMFI

Amy Young Barrier Removal Program

The Amy Young Barrier Removal (AYBR) Program awards grants to units of local government and private nonprofit of up to $24,750 to persons with disabilities at or below 80% AMFI for accessibility modifications, to eliminate life-threatening hazards and correct unsafe conditions. Modifications may include, but are not limited to, installing handrails; ramps, buzzing or flashing devices; accessible door and faucet handles; shower grab bars and shower wands; accessible showers, toilets and sinks; and door widening and counter adjustments.

AYBR Program funding for FY 2025-2026 is estimated to be $1.7M per year, inclusive of administration funds, with additional funds made available through repayment of prior loans made under Texas HTF Programs (excluding Bootstrap Program repayment).

Contact: Single Family and Homeless Programs Division at htf@tdhca.texas.gov

Online documents: https://www.tdhca.texas.gov/amy-young-barrier-removal-program

Funding Source: Texas HTF

Type of Assistance: Grants

Recipients: Units of local government, non-profit organizations, for-profit organizations, and Public Housing Authorities

Targeted Beneficiaries**:** 80% AMFI

Section 8 Housing Choice Voucher Program

TDHCA serves as a public housing authority and receives funding for the Housing Choice Voucher (HCV) Program from HUD for counties included in TDHCA's Public Housing Authority (PHA) Plan. The HCV Program provides rental assistance payments on behalf of low-income individuals and families, including older Texans and persons with disabilities.

Eligibility for the HCV is determined by the PHA based on the total annual gross income and family size and is limited to US citizens and specified categories of non-citizens who have eligible immigration status. Eligible households must have a gross income that does not exceed 50% of HUD's median income for the county or metropolitan area in which the family chooses to live. HUD requires 75% of all new voucher holders to the program to be at or below 30 of the area median income. Median income levels are published by HUD and vary by location. Several factors for eligibility consist of household's income, size and composition, citizenship or satisfactory immigrant status, assets and medical and childcare expenses.

TDHCA's total voucher allocation allows for 1,539 HCVs; however, budgetary constraints limit voucher issuance to those that are able to be fully supported by available funds. The program administered approximately 600-700 vouchers in its service area for HCV, which includes all or parts of 34 counties, that are not served by local or regional housing voucher programs.

Up to 205 of TDHCA's vouchers, whether HCV, Mainstream (MSV), or Near Elderly Disabled (NED) vouchers, are authorized to be utilized anywhere in the state for the Project Access Program, which assists low-income persons with disabilities in transitioning from institutions into the community by providing access to affordable housing to live independently in the community. Aside from serving a special population, Mainstream vouchers (MVP) are administered using the same rules as the other housing choice voucher programs.

The Department also administers its remaining Emergency Housing vouchers (EHV) throughout scattered areas of the state of Texas where eligible populations have the greatest need. EHVs have been used to provide vouchers to 798 families, and the EHV Program is now retracting and is expected to end in calendar year 2026, with the final funding allocation. The EHVs were provided to help assist individuals and families who are (1) homeless, (2) at risk of homelessness, (3) fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking, or (4) recently homeless.

The Department administers 70 Veterans Assistance Supportive Housing (VASH) vouchers in coordination with the Veterans Administration Medical Centers (VAMCs) in Kerr County, Kerrville and Galveston County. The initiative is a collaboration between TDHCA, the U.S. Department of Veterans Affairs (VA), and property owners. Additional counties may be added to the service area as more VAMCs elect to participate in VASH, or to expand their existing service area.

The Department also administers Foster Youth to Independence (FYI) Vouchers statewide in collaboration with the Texas Department of Family and Protective Services (DFPS). The Department may request up to 25 FYI Vouchers for eligible youth referred by DFPS on an as-needed basis.

HCV Program funding for FY 2025 is approximately $7.9 million, excluding EHV. For 2025, funds are awarded monthly based on the number of leased Section 8 Vouchers as shown in HUDs Voucher Management System (VMS).

> **Contact:** Individuals needing assistance with the HCV Program should email phainfo@tdhca.texas.gov. Individuals seeking other forms of local rental assistance may find

other Housing Choice Voucher providers online at: https://www.tdhca.texas.gov/help-for-texans by selecting "Rent Help" or by calling the Housing Resource Center at 800-525-0657.

Online documents: Additional documentation, including the Housing Choice Voucher Plan, may be accessed at the TDHCA website at https://www.tdhca.texas.gov/programs/housing-choice-voucher-section-8-housing.

Funding Source: HUD

Type of Assistance: Grant, rental subsidy

Recipients: Households at or below 50% AMFI

Texas Homeownership Division

The Texas Homeownership Division offers the My First Texas Home (MFTH) Program, My Choice Texas Home (MCTH) Program, Texas Mortgage Credit Certificate (TX MCC) Program, and the Texas Statewide Homebuyer Education Program (TSHEP), also known as the Texas Homebuyer U (TXHBU).

My First Texas Home Program

The MFTH Program is funded through (i) the sale of mortgage backed securities (created by pooling mortgage loans originated through the MFTH Program) to third party investors and (ii) the sale of tax-exempt and taxable single family mortgage revenue bonds. The Program is offered on a first-come, first-served basis through a network of participating lenders. The Program provides homeownership opportunities by offering competitive interest rate mortgage loans and down payment assistance for qualified individuals and families whose gross annual household income does not exceed 115% AMFI (100% for households of 2 persons or less), based on HUD and IRS adjusted income and purchase price limits, or 140% AMFI (120% for households of 2 persons or less) if in a targeted area. The purchase price of the home must not exceed stipulated maximum purchase price limits as required by Internal Revenue Code. A minimum of 30% of tax-exempt mortgage revenue bond funds are made available to assist Texans earning less than or equal to 80% AMFI. The Department intends originate and pool MFTH mortgage loans; some will be sold, on the Department's behalf, to third party investors, while others will secure single family mortgage revenue bonds.

Income and purchase price limits for the program will continue to align with those set by the Internal Revenue Code for tax exempt bond eligibility. These limits are based on income categories determined by HUD. Eligible borrowers must be first-time homebuyers; a first-time homebuyer is anyone who has not had an ownership interest in a primary residence within the last three years. Certain exceptions to the first-time homebuyer requirement, income ceiling, and maximum purchase price limitations apply in targeted areas and/or to qualified Veterans. Targeted areas are defined as qualified census tracts in which 70% or more of the families have an income at or below 80% of the statewide median income and/or are areas of chronic economic distress as designated by the state and approved by the Secretaries of Treasury and HUD, respectively. The Qualified Veterans Exemption to the first-time homebuyer requirement applies to a veteran who has been honorably discharged and has not previously received financing as a first-time homebuyer through a single family mortgage revenue bond program.

MFTH Program funding for FY 2026 is dependent, in part, on continuation of federal authority, but is projected to be $1,000,000,000.

Contact: For individuals seeking assistance, call 1-800-792-1119 or go to www.thetexashomebuyerprogram.com to view Frequently Asked Questions and search for Participating Lenders. Mortgage Companies or Banks interested in becoming a participating lender should email the Texas Homeownership Division at txhomebuyer@tdhca.texas.gov

Online documents: www.thetexashomebuyerprogram.com

Funding Source: Sale of Mortgage Backed Securities into the secondary market; Single Family Mortgage Revenue Bonds

Type of Assistance: 30-year fixed-rate mortgage loan financing at competitive interest rates, with the option of down payment assistance in a second lien

Administrators: Participating mortgage lenders

Recipients: Households that are able to qualify for a mortgage loan who earn up to 115% AMFI who meet program guidelines, or 140% AMFI who meet program guidelines in a targeted area

My Choice Texas Home Program

The MCTH is funded through the sale of mortgage backed securities (created by pooling mortgage loans originated through the MCTH Program) to third party investors. The program is open to first time and non-first time homebuyers, on a first-come, first-served basis through a network of participating mortgage lenders. The program provides homeownership opportunities by offering competitive interest rate mortgage loans and down payment assistance for qualified individuals and families whose gross annual household income does not exceed: 80% AMFI for the Fannie Mae HFA Preferred Conventional loan product; 125% AMFI (for FHA, VA, USDA Government loan products if in non-targeted areas, or 140% AMFI for FHA, VA, USDA Government loans products if in a targeted area. The purchase price of the home must not exceed established purchase price limits.

MCTH Program funding for FY 2026 is projected to be $900,000,000.

Contact: For individuals seeking assistance, call 1-800-792-1119 or go to www.thetexashomebuyerprogram.com to view Frequently Asked Questions and search for Participating Lenders. Mortgage Companies or Banks interested in becoming a participating lender should email the Texas Homeownership Division at txhomebuyer@tdhca.texas.gov

Online documents: www.thetexashomebuyerprogram.com

Funding Source: Sale of Mortgage Backed Securities into the secondary market

Type of Assistance: 30-year fixed-rate mortgage loan financing at competitive interest rates, with down payment assistance in a second lien

Administrators: Participating mortgage lenders

Recipients: Households that are able to qualify for a mortgage loan who earn up to 125% AMFI who meet program guidelines, or 140% AMFI who meet program guidelines in a targeted area

Texas Mortgage Credit Certificate

TDHCA has the ability to issue Mortgage Credit Certificates (MCCs) through its tax-exempt bond authority. An MCC provides first-time homebuyers a federal income tax credit, reducing the homebuyer's potential federal income tax liability. The homebuyer can convert a portion of their annual mortgage interest into a direct income tax credit on their U.S. individual income tax return. The credit may be applied for the life of the loan, as long as the home remains the borrower's primary residence. The Department's MCC Program is currently tiered by purchase price to provide the most efficient use of private activity bond cap and ensure borrowers receive the most financial benefit possible. The individual benefit borrowers can potentially receive is based on the interest rate and the outstanding mortgage amount. MCCs with a credit rate greater than 20% have an annual maximum credit of $2,000. MCCs at or below a 20% MCC credit rate have no annual maximum. The credit cannot be greater than the annual federal income tax liability, after all other credits and deductions have been taken into account. MCC tax credits in excess of a borrower's current year tax liability may be carried forward for use during the subsequent three years.

The TX MCC Program provides homeownership opportunities for qualified individuals and families whose gross annual household income does not exceed 115% AMFI (100% for households of 2 persons or less), based on IRS adjusted income limits, or 140% AMFI (120% for households of 2 persons or less) if in a targeted area. In order to participate in the TX MCC Program, homebuyers must meet certain eligibility requirements and obtain a mortgage loan through a participating lender. The mortgage loan used in conjunction with the TX MCC Program may be underwritten utilizing Federal Housing Administration (FHA), VA, U.S. Department of Agriculture's Rural Housing Service, or conventional guidelines at prevailing market rates.

A TX MCC may be combined with a taxable mortgage loan product, subject to availability. All borrowers must meet restrictive eligibility requirements of the TX MCC Program.

TX MCC funding for FY 2026 is dependent on continuation of federal authority, but is projected to be $250,000,000.

Contact: For individuals seeking assistance, call 1-800-792-1119 or go to www.thetexashomebuyerprogram.com to view Frequently Asked Questions and search for Participating Lenders. Mortgage Companies or Banks interested in becoming a participating lender should email the Texas Homeownership Division at txhomebuyer@tdhca.texas.gov

Online documents: www.thetexashomebuyerprogram.com

Funding Source: Conversion of single family private activity bond authority

Type of Assistance: Individual tax credit that offsets federal income tax liability

Administrators: Participating mortgage lenders

Recipients: Households that are able to qualify for a mortgage loan who earn up to 115% AMFI who meet program guidelines, or 140% AMFI who meet program guidelines in a targeted area

Texas Statewide Homebuyer Education Program

The 75th Texas Legislature passed HB 2577, which charged TDHCA with the development and implementation of a statewide homebuyer education program to provide information and counseling to prospective homebuyers. In 1999, TDHCA created TSHEP to fulfill this mandate. The program

leverages the delivery of comprehensive homebuyer education by providing online resources and training to homebuyers.

Currently the program has partnered with Finally Home to expand homebuyer education throughout the State of Texas. A list of certified homebuyer education providers along with pertinent program information will continue to be made available and periodically updated on TDHCA's website in addition to Texas Homebuyer U for any individual seeking homebuyer education and counseling services.

Projected TSHEP funding for FY 2026: $50,000

Contact: Individuals seeking homebuyer classes may search for providers in their area online at www.thetexashomebuyerprogram.com/counselors/counselor-list. For more information on TSHEP call TDHCA at 1-800-792-1119.

Funding Source: State funds

Type of Assistance: Referral services

Recipients: Local nonprofit homebuyer education providers or prospective providers

Targeted Beneficiaries: No AMFI limits

Texas Homeowner Assistance Fund (TXHAF)

See Section 5 Pandemic Response for further information.

Texas Rent Relief (TRR)

See Section 5 Pandemic Response for further information.

TDHCA ALLOCATION PLANS

The Department has developed allocation formulas for many TDHCA programs in order to target available housing resources to the neediest households in each uniform state service region. These formulas are based on objective measures of need ensuring an equitable distribution of funding.

Regional Allocation Formula

Tex. Gov't Code §2306.111(d) and §2306.1115 require that TDHCA use a Regional Allocation Formula (RAF) to allocate its HOME, HTC, and HTF funding when programs are funded above a certain amount. This RAF measures the affordable housing need, available resources and other factors determined by the Department to be relevant to the equitable distribution of housing funds in 13 State Service Regions used for planning purposes. Tex. Gov't Code §2306.111(d) requires that the TDHCA RAF consider rural and urban areas in its distribution of program funding. Because of this, allocations for the HOME, HTC, and HTF programs are allocated by rural and urban areas within each region.

As a dynamic measure of need, the RAF is revised annually to reflect updated demographic and resource data, respond to public comment, and better assess regional housing needs and available resources. The RAF is released annually for public comment. Slightly modified versions of the RAF are used for Single Family HOME, Multifamily HOME, HTC, and HTF because the programs have different eligible activities, households and geographical service areas.

The RAF uses the following data from the Census Bureau's latest ACS 5-Year Estimates to calculate the regional need and availability distribution:

- Need factors:
    - 200% of Poverty: Number of persons in the region who live at or under 200% of the poverty line
    - Cost Burden: Number of households with a ratio of monthly gross rent or mortgage payment to monthly household income that exceeds 30%
    - Overcrowded Units: Number of occupied units with more than one person per room.
    - Lack of Kitchen: Number of households lacking kitchen facilities
    - Lack of Plumbing: Number of households lacking plumbing facilities
- Availability factor:
    - Unoccupied Housing Units: Number of vacant units available for rent or for sale
- Regional Coverage Factor:
    - Inverse population density: the amount of land per person in each subregion

The provided RAF tables are example amounts only. The final allocation amounts are calculated by the program area staff following the TDHCA Governing Board's approval of the RAF Methodology for the next state fiscal year. Further, even when final allocation amounts are made available, other

planning considerations further alter the applicability of the RAF and/or the amounts. To the extent funds received/proposed to be used are below the statutory minimum for any program/activity, or if the proposed activities fall into a statutory exception, the RAF will not be used.

HOME Program Regional Allocation Formula

The HOME RAF is specific to the HOME Program's activities. First, because HOME assists homeowners and renters, homeowner data and renter data is used in the RAF to calculate need and availability factors. HOME single-family activities and multifamily activities are measured by different variables. Because HOME offers single-family rehabilitation, lack of kitchen and lack of plumbing are included in the HOME Single Family RAF to measure housing need. Since HOME Single Family programs are typically scattered site and predominately located in rural areas of the state, a Regional Coverage Factor takes into account the smaller populations of rural areas as well as scattered locations of single family projects, instead of relying solely on population as an absolute.

Secondly, Tex. Gov't Code §2306.111 dictates that the Department shall expend 95% of its HOME funds for the benefit of non-Participating Jurisdictions that do not qualify to receive funds directly from HUD. Therefore, housing need and availability in the cities and counties that are Participating Jurisdictions are not included in the state's RAF. The RAF prioritizes funding opportunities for all HOME-funded activities with some exceptions for federal and state mandated set-asides including CHDO Operating Expenses, housing programs for Persons with Disabilities, and the Contract for Deed Program. The following tables provide examples for the combined regional funding distribution for all of the HOME activities distributed under the RAF, such as the CHDO developments, rental housing development, and various single-family activities.

These tables do not reflect funds available for FY2026. They are examples only.

Example HOME Single Family Program 2026 RAF

Region	Large MSA within Region for Geographical Reference	Example Regional Funding Amount	Example Regional Funding %	Example Rural Funding Amount	Example Urban Funding Amount
1	Lubbock	$861,555.29	5.7%	$699,824.67	$161,730.62
2	Abilene	$744,595.49	4.9%	$573,831.98	$170,763.51
3	Dallas/Fort Worth	$3,068,916.82	20.2%	$456,036.82	$2,612,879.99
4	Tyler	$1,553,707.39	10.2%	$969,249.32	$584,458.07
5	Beaumont	$963,950.08	6.3%	$710,600.46	$253,349.63
6	Houston	$994,530.36	6.5%	$343,756.11	$650,774.25
7	Austin/Round Rock	$326,059.19	2.1%	$226,059.19	$100,000.00
8	Waco	$1,187,198.79	7.8%	$526,381.00	$660,817.79
9	San Antonio	$842,252.81	5.5%	$344,177.57	$498,075.25
10	Corpus Christi	$829,777.12	5.4%	$543,360.86	$286,416.26
11	Brownsville/Harlingen	$1,083,089.02	7.1%	$583,831.82	$499,257.20
12	San Angelo	$929,466.59	6.1%	$575,294.08	$354,172.51
13	El Paso	$1,843,124.87	12.1%	$1,511,858.89	$331,265.98
	Total	$15,000,000.00	100.00%	$8,064,262.77	$7,163,961.05

Example HOME Multifamily Program 2025 RAF

Region	Large MSA within Region for Geographical Reference	Example Regional Funding Amount	Example Regional Funding %	Example Rural Funding Amount	Example Urban Funding Amount
1	Lubbock	$537,573.77	4.3%	$429,956.26	$107,617.50
2	Abilene	$487,962.72	3.9%	$386,498.45	$101,464.26
3	Dallas/Fort Worth	$2,979,857.04	23.8%	$461,585.52	2,518,271.52
4	Tyler	$1,526,664.49	12.2%	$1,031,095.65	$495,568.84
5	Beaumont	$894,660.89	7.2%	$754,557.48	$140,103.41
6	Houston	$1,028,791.56	8.2%	$309,270.04	$719,521.52
7	Austin/Round Rock	$10,510.54	0.1%	$195,584.75	$(185,074.21)
8	Waco	$1,304,437.82	10.4%	$470,324.26	$834,113.56
9	San Antonio	$845,639.76	6.8%	$323,741.58	$521,898.18
10	Corpus Christi	$609,406.39	4.9%	$463,703.10	$145,703.29
11	Brownsville/Harlingen	$1,219,308.95	9.8%	$595,768.12	$623,540.84
12	San Angelo	$573,204.60	4.6%	$246,649.95	$326,554.64
13	El Paso	$481,981.47	3.9%	$41,529.71	$440,451.76
	Total	$12,500,000.00	100.00%	5,710,264.88	$6,789,735.12

Texas Housing Trust Fund Program Regional Allocation Formula

According to Tex. Gov't Code §2306.111(d-1)(3), the RAF does not apply to activities with less than $3,000,000 of funding. The Texas Bootstrap Loan Program has not received more than $3,000,000. Tex. Gov't Code §2306.111(d-1)(2) also dictates that the RAF does not apply to activities primarily designed to serve persons with disabilities, and therefore the Amy Young Barrier Removal Program is exempt from the RAF. However, a regional dispersion may be utilized when releasing Amy Young Barrier Removal Program funds through the reservation system to ensure that all rural and urban areas of the state have an opportunity to access funds. No Texas HTF funds are subject to the RAF for SFY 2026.

Housing Tax Credit Regional Allocation Formula

In accordance with Tex. Gov't Code §§2306.111(d) and 2306.1115, TDHCA allocates HTC Program funds to each State Service Region using a need-based formula developed by the Department. For HTC, because the program only assists renters, only renter data was used in the RAF.

The HTC RAF provides for a minimum of $600,000 in each rural and urban state service region, and the HTC allocation methodology ensures that a minimum of 20% of the state's tax credit amount is awarded to rural areas.

Example Housing Tax Credit Program 2026 RAF

Region	Place for Geographical Reference	Example Regional Funding Amount	Example Regional Funding %	Example Rural Funding Amount	Example Urban Funding Amount
1	Lubbock	$1,762,092.89	2.7%	$639,295.73	$1,122,797.17
2	Abilene	$1,234,746.54	1.9%	$600,000.00	$634,746.54
3	Dallas/Fort Worth	$15,113,780.02	23.3%	$627,191.31	$14,486,588.72
4	Tyler	$2,335,926.21	3.6%	$1,375,085.83	$960,840.38
5	Beaumont	$1,859,927.06	2.9%	$1,013,298.24	$846,628.83
6	Houston	$15,085,408.32	23.2%	$600,000.00	$14,485,408.32
7	Austin/Round Rock	$5,690,361.20	8.8%	$600,000.00	$5,090,361.20
8	Waco	$3,253,848.69	5.0%	$630,687.15	$2,623,161.54
9	San Antonio	$5,859,247.76	9.0%	$600,000.00	$5,259,247.76
10	Corpus Christi	$1,637,969.53	2.5%	$624,987.65	$1,012,981.88
11	Brownsville/Harlingen	$6,459,874.60	9.9%	$758,520.72	$5,701,353.89
12	San Angelo	$1,554,828.89	2.4%	$600,000.00	$954,828.89
13	El Paso	$3,151,988.29	4.8%	$600,000.00	$2,551,988.29
	Total	$65,000,000.00	100.0%	$9,269,066.61	$55,730,933.39

Further, TDHCA is required by §42(m)(1) of the Internal Revenue Code and Tex. Gov't Code §2306.6702 to develop an annual Qualified Allocation Plan (QAP) to establish the procedures and requirements relating to the allocation of Housing Tax Credits. The QAP is revised annually in a process that involves public input, Board approval and ultimately approval by the Governor. Under the competitive HTC program, to be considered for an award of housing tax credits, an application must be submitted to TDHCA during the annual application acceptance period as published in the QAP. All applications must provide the required fee, application and supporting documentation as required by the QAP and the Department's rules, as well as meeting all eligibility and threshold requirements.

For more information on the RAF and further description of the formula, please contact the Housing Resource Center at (512) 475-3976.

POLICY INITIATIVES

The mission of the Texas Department of Housing and Community Affairs is to administer its assigned programs efficiently, transparently, and lawfully and to invest its resources strategically and develop high quality affordable housing which allows Texas communities to thrive. In addition to the goals established by the Department's Legislative Appropriations Request, the Riders in the General Appropriations Act and state law, TDHCA continues to search for new ways to meet its mission. The following are policy initiatives for TDHCA. A vast amount of TDHCA's efforts since March 2020 has gone toward expanding existing programs and establishing new programs to deliver assistance to communities and households affected by the pandemic.

Fair Housing

Through education, outreach, training, program administration, monitoring, and rule provision, TDHCA works to ensure that its housing and assistance programs are compliant with HUD's requirements and regulations regarding fair housing.

Education, Outreach, and Training

The Texas Workforce Commission's (TWC) Civil Rights Division (CRD) is tasked with enforcing the State of Texas's Fair Housing Act, which was passed in 1989 and prohibits discrimination based on race, color, national origin, sex, religion, familial status, and disabilities in homeownership or rental housing opportunities. TDHCA works with TWC to ensure that prospective applicants and residents are aware of TWC's complaint process and that owners and management agents operating TDHCA properties and programs are aware of their responsibilities under the Federal and State Fair Housing Act. TWC offers free fair housing training. TDHCA staff also offers webinar training opportunities throughout the year, and more tailored training upon request to help ensure equal access to TDHCA programs.

Each April, in celebration of Fair Housing Month, TDHCA and TWC collaborate to present an online webinar series providing an overview of Fair Housing and other topics such as the basics of the reasonable accommodation process and guidance on assistance animals. Materials presented at these annual webinars are available on TDHCA's Fair Housing webpages at https://www.tdhca.texas.gov/fair-housing-presentations and on the Department's YouTube channel.

In 2025, TDHCA's Fair Housing team produced a suite of tools to make it easier and faster for TDHCA-monitored properties to remain complaint with TDHCA and HUD rules and with the Fair Housing Act. These tools include several interactive checklists that let property managers and compliance staff answer a series of yes/no questions to identify common issues and areas of non-compliance in their tenant selection criteria and affirmative marketing plans. Also released in 2025 is a new map that provides property managers with a safe harbor determination of least likely to apply populations for their affirmative marketing plans. Those tools can be found on TDHCA's Fair Housing webpages at https://www.tdhca.texas.gov/fair-housing-toolkits-sample-forms-and-downloads and the affirmative marketing tool can be found at https://www.tdhca.texas.gov/MF-Affirmative-Marketing-Tool.

TDHCA's Fair Housing team provides approval for and maintains a list of Certified Fair Housing training providers. The list of these approved trainers is available on the Department's website and is used by Development Owners, managers, architects and engineers as it relates to multifamily residential rental developments awarded under the Department's Housing Tax Credit Program or other multifamily loan programs. Certified Fair Housing training providers may be approved for a period of two years, after which they must re-submit their qualifications for subsequent approval by Fair Housing staff. The list of approved trainers is on TDHCA's Fair Housing webpage at https://www.tdhca.texas.gov/fair-housing-training.

The Department's Language Access Plan is revised biennially and defines the actions to be taken by the Department to ensure meaningful access to agency services, programs, and activities for persons who have Limited English Proficiency. The agency contracts with third-party translation and interpreting services through two vendors available on an as-needed basis. Those who are unable to

speak, read, write, or understand the English language may call the Department to request translation assistance with any document, event or other information from the Department.

Program Administration and Monitoring

Annually TDHCA's Fair Housing team examines HUD's Fair Market Rents (FMRs) and Small Area Fair Market Rents (SAFMRs) to determine if payment standards in the Department's Housing Choice Voucher (HCV) Program service area may need to be adjusted to expand tenant housing choices. In areas where market rents are high and there is high demand for rental units, it can be challenging for a voucher holder to find a unit. The establishment of the Department's HCV payment standards are important because it determines whether a household will be able to find a unit they can afford with the voucher the Department issues.

The Fair Housing team has assumed the role of reviewing the Written Policies and Procedures and Affirmative Marketing Plans of multifamily properties that are monitored by TDHCA. These reviews are conducted on a 5-year schedule and may also be required based on complaints received about the properties.

The Department is also the lead agency in generating the State's comprehensive five-year fair housing planning document called the Analysis of Impediments to Fair Housing Choice (AI) The Fair Housing team is in charge of this process and coordinates with other agencies receiving HUD Community Planning and Development funds to produce the required analysis. The Fair Housing team visited locations across the State in order to garner input and identify impediments to fair housing choice and elicited extensive input and comment for the 2024 AI. The next AI is tentatively scheduled to be due in late 2029 and the Fair Housing team will continue to play the lead role in its production. The current AI can be found at https://www.tdhca.texas.gov/state-texas-analysis-impediments-ai-fair-housing-choice.

Homeless Individual Camping (HIC) Plans

During the 87th Regular Legislative Session, the Texas Legislature passed HB 1925 which established prohibitions on camping in public places, created a criminal offense in Texas Penal Code for prohibited camping, and established new Subchapter PP of Chapter 2306 of the Texas Government Code, entitled Property Designated by Political Subdivision for Camping by Homeless Individuals.

This addition to the Texas Government Code provides that a political subdivision may not designate a property to be used by homeless individuals to camp unless the Texas Department of Housing and Community Affairs (TDHCA) has approved a plan submitted by the political subdivision. TDHCA has established rules and procedures for how local municipalities can submit HIC Plans.

To date no HIC Plans have been submitted to TDHCA for approval. More information on HIC Plans can be found at https://www.tdhca.texas.gov/homeless-individual-camping-hic-plans

Disaster Recovery

TDHCA does not receive funds designated for disaster relief, but as available, may provide deobligated, discretionary, or other funds for disaster relief support. TDHCA's practice is to maintain a HOME Disaster Relief (HOME DR) fund balance of $1 million from deobligated funds and program income whenever possible. Additionally, a portion of CSBG Discretionary funds are typically held through a portion of the year should a Community Action Agency need additional funds to respond to a disaster in their coverage area. As with all TDHCA programs, funding for the Department's disaster relief activities is subject to availability. All activities supported through TDHCA funding must follow applicable program rules, including but not limited to eligible applicants, beneficiaries, activities, etc., unless otherwise waived.

SPECIAL NEEDS POPULATIONS

Elderly Persons

The MF Direct Loan Program, HTC Program, and MF Bond Program require owners to provide resident supportive services for the benefit of the residents.

CSBG eligible entities operate programs targeting the elderly. Such programs include Meals-on-Wheels, congregate meal programs, senior activity centers and home care services.

The Department's CEAP and WAP give preference to the elderly as well as other special needs and priority populations. Subrecipients must conduct outreach activities for these special needs populations.

Homeowner Reconstruction Assistance, offered through the HOME Program, and the Amy Young Barrier Removal Program, funded with the Texas Housing Trust Fund, provide funds for the repair and rehabilitation of homes owned by low-income households. Many of the assisted households are aging Texans, thereby facilitating their ability to remain in their communities, keep existing social networks intact, and decrease dependence on institutional assistance.

Farmworkers

TDHCA addresses farmworker issues by licensing and inspecting migrant labor housing facilities and conducting periodic studies on farmworker needs. In addition, the CSBG and HTC programs serve or prioritize funding for farmworkers.

The QAP, which governs the Competitive 9% HTC Program, offers points in the scoring criteria for developments that propose to set aside 5% of the units for persons with special needs. One of the nine special needs categories for the HTC Program is farmworkers.

In addition, the CSBG and HTC Programs serve or prioritize funding for education and employment assistance and services for Native American and migrant and seasonal farmworkers. TDHCA set aside a portion of its Program Year 2025 CSBG state discretionary funds to fund educational and employment opportunities for migrant and seasonal farmworker and Native American populations.

Persons Experiencing Homelessness

While the HTC Program is well-known and primarily used for the construction, acquisition and/or rehabilitation of housing that serves the general population or elderly populations, it also is used to develop permanent supportive housing for homeless populations. Each year several awards are made to such developments. Moreover, the QAP, which governs the Competitive 9% HTC Program, offers points in the scoring criteria for developments that propose to set aside 5% of the units for persons with special needs. One of the nine special needs categories for the HTC Program is homeless populations. The QAP also offers points for Development that set aside an additional 2% of the total Units to Persons referred from the Continuum of Care or local homeless service providers to be made available for those experiencing homelessness; to garner these points developments cannot reject an applicant for reasons of credit history or prior rental payment history.

TDHCA administers the CSBG Program, CEAP, LIHWAP, ESG, HHSP, HSS, EHV, and HOME-ARP to serve persons at risk of homelessness or experiencing homelessness.

The Ending Homelessness Fund, established by the 85th Texas Legislature, is currently utilized to supplement existing efforts to combat homelessness. Once the EH Fund reaches an adequate level of funds to support an autonomous program the Department will publish an EH Fund Plan. l

During the 81st legislature, the Homeless and Housing Services Program (HHSP) was created; it operates under two separate set-asides. The general HHSP set-aside funds homeless prevention and response services. The youth set-aside funds services designated to combat homelessness among youth and young adults under the age of 25.

During the 88th Legislature, $1M was appropriated in a one-time supplemental appropriation to address youth homelessness in Fort Bend County. These funds are used to fund a transitional housing program, rental assistance, case management, and other services meant to address the needs of youth and young adults experiencing homelessness. Persons Living With HIV/AIDS and Their Families

The QAP, which governs TDHCA's Competitive 9% HTC program, offers points in the scoring criteria for developments that propose to set aside 5% of the units for persons with special needs; one of the nine special needs categories for the HTC Program is persons with HIV/AIDS.

Persons with Disabilities (Mental, Physical, and Developmental)

TDHCA plays an active role in the Housing and Health Services Coordination Council (HHSCC) which provides critical input on behalf of people with disabilities. TDHCA's involvement with this group is described in the "Community Involvement" section of the Public Participation section of this document. In addition to its relationships with the HHSCC, the Department is also an active member of the Statewide Behavioral Health Coordinating Council. The Department shows its commitment to reducing impediments to affordable housing for persons with disabilities in a variety of programs, policies, and rules designed to reach persons with disabilities across the state.

ESG Subrecipients may choose to prioritize certain subpopulations to serve with their ESG state funds. TDHCA awards more points to applicants for competitive funds whose ESG programs would serve subpopulations that typically have higher barriers to obtaining and maintaining housing, which includes persons experiencing chronic homelessness, for which the definition includes a disabling condition; persons experiencing severe mental illness; and persons with substance abuse disorders.

TDHCA is one of 31 states awarded funds by HUD for the Section 811 PRA Program. TDHCA was awarded the full amount requested for HUD's 2012, 2013, and 2019 rounds. These three grants provide project-based rental assistance for extremely low-income persons with disabilities in eight MSAs in Texas, including Austin-Round Rock; Brownsville-Harlingen; Corpus Christi, Dallas-Fort Worth-Arlington; El Paso; Houston-The Woodlands-Sugar Land; McAllen-Edinburg-Mission; and San Antonio-New Braunfels. Eligible households must include a member of one of the following Target Populations: 1) Persons Exiting Nursing Facilities 2) Persons Exiting Intermediate Care Facilities for People with Intellectual and Developmental Disabilities 3) Youth and Young Adults Exiting Foster Care with Disabilities; and 4) Persons with Serious Mental Illness. The purpose of this program is to provide long-term project-based rental assistance contracts for affordable housing units set aside for extremely low-income persons with disabilities. TDHCA entered into an Inter-Agency Agreement with Texas HHSC and DFPS, which was a requirement of the Section 811 PRA grant application. This Inter-Agency Agreement outlines the targeted populations for the Section 811 PRA Program, methods of outreach and referral and commitments of availability of services from Texas HHSC and DFPS contractors.

Highlights specific to Multifamily Properties:

- The MF Direct Loan Program, HTC Program, and MF Bond Program rental developments must conform to Section 504 standards, which require that at least 5% of the development's units be accessible for persons with physical disabilities and at least 2% of the units be accessible for person with hearing and visual impairments. The 2022 QAP requires some otherwise exempt Developments to comply with Fair Housing accessibility requirements.
- Tex. Gov't Code Chap. 2306 and TDHCA's QAP require all TDHCA Multifamily properties funded after September 1, 2001, to operate in compliance with Section 504 of the Rehabilitation Act of 1973. Owners are required to pay for reasonable accommodations/modifications requested by persons with a disability. TDHCA's Fair Housing Team and Compliance Division have produced a Tenant Rights and Resources Guide for TDHCA Monitored Properties that highlights rights to reasonable accommodations and ways to file discrimination complaints in the state of Texas.
- The QAP includes a requirement that TDHCA Multifamily units originally occupied on or after March 13, 1991, meet certain standards for visitability. The standards are designed so that residents who do not require a fully accessible unit will be able to use it, and residents of all units will be able to have visitors with mobility disabilities.

In addition, advocates for the aging and persons with disabilities continue to stress the importance that these populations have the ability to live independently and remain in their own homes and communities. Advocates consider access to rehabilitation funds for accessibility modifications of single-family housing a priority. Through the Amy Young Barrier Removal Program, the rehabilitation funds perform minor physical modifications such as the installation of handrails, grab bars, and ramps, as well as the construction of wheelchair-accessible bathrooms and kitchens, thus making existing units livable and providing a cost-effective and consumer-driven alternative to institutionalization. Likewise, the availability of rental vouchers that provide options beyond institutional settings is a high priority. Since many persons with disabilities and older Texans live on fixed incomes, such as Supplemental Security Income, another recognized need is deeply affordable rents.

As established in Tex. Gov't Code §2306.111(c) and subject to the submission of qualified applications, 5% of the annual HOME Program allocation, including 5% of HOME Program Income, is allocated for serving persons with disabilities living in any part of the state. The 2025 HOME Investment Partnerships Program Persons with Disabilities Set-Asides Reservation System NOFA allows administrators to provide tenant-based rental assistance and homeowner reconstruction assistance under the Persons with Disabilities Set-Aside. Furthermore, construction activities for single family housing allowed for an increased budget for accessibility features requested by households for accessibility modifications.

Priority for energy assistance through CEAP and WAP are given to persons with disabilities as well as other special needs and prioritized groups. Local providers must implement special outreach efforts for these special needs populations. In addition, five million in CDBG CARES funding has been targeted for providers and facilities that assist persons with disabilities.

The CSBG funded Reentry Assistance Pilot Program assists previously incarcerated individuals to obtain rental housing through landlord incentives, payment of security deposits and other reentry activities related to housing. These services enable this population to regain entry to their communities with the use of CSBG state discretionary funds.

Integrated Housing Rule

Integrated housing, as defined by SB 367 and passed by the 77th Texas Legislature, is "housing in which a person with a disability resides or may reside that is found in the community but that is not exclusively occupied by persons with disabilities and their care providers." The Department, with the assistance of the TDHCA Disability Advisory Workgroup, developed an integrated housing rule to address this concern. The Integrated Housing Rule, for use by all Department housing programs, was updated in March 2021, found at 10 TAC §1.15, and is summarized as follows:

A household with disabilities is a household composed of one or more persons, at least one of whom is an individual who is determined to have a physical or mental impairment that substantially limits one or more major life activities; or having a record of such an impairment; or being regarded as having such an impairment.

A housing development may not restrict occupancy solely to households with disabilities unless required by a federal funding source.

- Large housing developments (50 units or more) shall provide no more than 25% of the units of the development set aside exclusively for households with disabilities. The units must be dispersed throughout the development.
- Small housing developments (less than 50 units) shall provide no more than 36% of the units of the development set aside exclusively for households with disabilities. These units must be dispersed throughout the development.
- Set-aside percentages outlined previously refer only to the units that are to be solely restricted for households with disabilities. This section does not prohibit a property from having a higher percentage of occupants with disabilities.
- Property owners may not market a housing development entirely, nor limit occupancy to, households with disabilities.

Exceptions to the rule are made for rental transitional housing, shelters and rental or ownership of scattered site single family developments with no more than four units per non-adjacent lot, and for cases in which the TDHCA Board provides a waiver and affirms that the waiver of the rule is necessary to serve a population or subpopulation that would not be adequately served without the waiver, and that the Development, even with the waiver, does not substantially deviate from the principle of Integrated Housing.

Persons with Substance Use Disorders

TDHCA addresses the needs of persons with alcohol and substance use issues through the ESG, HTC, HSS, and HTC programs.

The HTC Program QAP offers points in the scoring criteria for developments that propose to set aside 5% of the units for persons with special needs. One of the nine special needs categories for the HTC Program is persons with alcohol and substance use disorders.

TDHCA addresses the needs of persons with alcohol and substance use issues through the HTC and ESG programs.

Additionally, ESG Subrecipients may choose to prioritize certain subpopulations to serve with their ESG state funds. During the ESG funding cycle, TDHCA awards more points to applicants for competitive funds whose ESG programs would serve subpopulations that typically have higher barriers to obtaining and maintaining housing, including persons with substance use disorders.

Persons with Violence Against Women Act (VAWA) Protections

The QAP, which governs the Competitive 9% HTC program, offers points in the scoring criteria for developments that propose to set aside 5% of the units for persons with special needs. One of the nine special needs categories for the HTC Program is persons protected by the VAWA.

The Texas HHS Family Violence Program provides emergency shelter and support services to victims and their children, educates the public, and provides training and prevention support to various agencies. Services can include hotline services, information and referral, counseling, assistance in obtaining medical care and employment, and transportation services.

ESG Subrecipients may choose to prioritize certain subpopulations to serve with their ESG program, including survivors of domestic violence. The State ESG program typically funds a number of programs serving survivors of domestic violence because many shelters in Texas serve that subpopulation and in the competition for funds, their applications have scored competitively.

The allocation formula for HHSP funds includes incidents of family violence, as determined by reports from local police departments, in assessing the amount of funds received by each community. This increases HHSP funding available in communities with disproportionate instances of family violence.

Residents of Colonias

The OCI, HOME, Texas HTF, and HTC programs provide incentives to serve or prioritize the special needs of colonia residents.

The QAP, which governs the Competitive 9% HTC Program, offers points in the scoring criteria for developments that propose to set aside 5% of the units for persons with special needs. One of the nine special needs categories for the HTC Program is colonia residents. In addition, the QAP offers points for developments located in underserved areas, which includes colonias.

The HOME Program administers the Contract for Deed activity to assist households with the acquisition of property held in an executor contract for conveyance, also known as a contract for deed. This instrument was prevalent in colonia areas, and funding for the CFD is initially set-aside for colonia residents for a minimum of 60 days before being made available outside of colonias. CFD assistance providers may also provide refinancing of loan terms in conjunction with providing funds for the reconstruction of substandard units.

In 1996, TDHCA created the OCI in an effort to place greater emphasis on addressing the needs of persons residing in colonias. The OCI is charged with implementing some of the Department's legislative initiatives and programs involving border and colonia issues. The fundamental goal of the OCI is to improve the living conditions and lives of border and colonia residents and to educate the public regarding the services that the Department has to offer. The OCI provides technical assistance to colonia residents and the entities that serve them. The OCI is instrumental in facilitating the success of the Colonia Self-Help Centers.

Residents of Public Housing

The HTC Program is consistently used for the redevelopment of public housing authority property, which is mostly being accomplished through HUD's Rental Assistance Demonstration Program (RAD).

TDHCA believes that the future success of Public Housing Authorities (PHAs) will center on ingenuity in program design, maximizing resources, emphasis on resident participation towards economic self-sufficiency and partnerships with other organizations to address the needs of this population. While TDHCA does not have any direct or indirect jurisdiction over the management or operations of public housing authorities, it does maintain a relationship with these service providers, and PHAs can access HOME funding for single family activities including Homeowner Reconstruction Assistance, Homebuyer Assistance with New Construction, and Tenant-Based Rental Assistance.

Veterans and Wounded Warriors

The QAP, which governs the 9% Competitive HTC program, offers points in the scoring criteria for developments that propose to set aside 5% of the units for persons with special needs. One of the nine special needs categories for the HTC Program is veterans and wounded warriors. In addition, the QAP requires that development owners affirmatively market to veterans.

In addition to operating a project-based Veterans Assistance Supportive Housing (VASH) contract in Kerrville, TDHCA also administers tenant-based VASH vouchers in the Fort Bend and Galveston jurisdictional area. The initiative is a collaboration between TDHCA and the U.S. Department of Veterans Affairs (VA).

ESG Subrecipients may choose to prioritize certain subpopulations to serve with their ESG state funds. TDHCA awards more points to applicants whose ESG programs would serve subpopulations that typically have higher barriers to obtaining and maintaining housing, including veterans.

Youth and Young Adults Aging Out of Foster Care

Under the HTC Program, full-time, income eligible students are eligible to live in a tax credit property if he or she was previously under the care and placement of a foster care agency.

The Department is one of 31 states awarded funds for the Section 811 PRA Program by HUD. The purpose of this program is to provide long-term project-based rental assistance for extremely low-income persons with disabilities. Youth and young adults exiting foster care with disabilities are one of the target populations for this grant.

ESG Subrecipients may choose to prioritize certain subpopulations to serve with their ESG state funds. During the ESG funding cycle, TDHCA awards more points to applicants whose ESG programs would serve subpopulations that typically have higher barriers to obtaining and maintaining housing, including unaccompanied youth, parenting youth, and children of parenting youth. While the funds are not set-aside for youth aging out of foster care, incentivizing provision of services to youth populations includes youth aging out of foster care.

Youth Experiencing Homelessness

In 2019, the 86 (R) Texas Legislative Session passed House Bill (HB) 2564, which amended Tex. Gov't Code §2306.0721 (c) to include homeless youth as a population with special housing needs within the State's Low Income Housing Plan. HB2564 defines homeless youth as any individual younger than 25 years of age who is homeless. TDHCA administers the CSBG Program, ESG Program, Housing Stability Services, EH Fund, and HHSP programs to serve persons at risk of homelessness or experiencing homelessness. These programs can also serve youth experiencing homelessness as defined by Tex. Gov't Code §2306.0721(c)(2).

Additionally, the legislature appropriated $6,299,984 annually in funding to the HHSP Program for the 2025-2026 biennium. These funds are allocated to HHSP subrecipients and may be utilized to provide services, including case management, emergency shelter, street outreach, and transitional living to unaccompanied homeless youth and young adults aged 24 or younger.

SECTION 5: PANDEMIC RESPONSE AND OTHER INITIATIVES

On March 4, 2020, the Texas Department of State Health Services announced Texas' first positive COVID-19 case. According to the Texas Department of State Health Services as of August 28, 2023, Texas has recorded 8,726,250 cases of COVID-19 and 92,754 COVID-19 related deaths. In a May 15, 2023 Press Release Governor Abbott renewed the disaster proclamation issued on March 13, 2020, certifying under Section 418.014 of the Texas Government Code that the novel coronavirus (COVID- 19) poses an imminent threat of disaster for all counties in the State of Texas. According to the Harvard Joint Center on Housing Policy the COVID-19 pandemic impacted already vulnerable renters and homeowners by increasing the number of individuals that are both behind on housing payments and the number of individuals that have incurred a loss of income during the pandemic (Harvard Joint Center for Housing Studies, 2021).

FEDERAL FUNDING

Shortly after the beginning of the pandemic the federal government began enacting legislation aimed at helping renters and homeowners. On March 27, 2020, the Coronavirus Aid Relief and Economic Security Act (CARES),–a $2.2 trillion Federal stimulus bill–was passed. On December 28, 2020, the $920 billion Consolidated Appropriations Act was passed. The final bill during SFY 2021, the $1.9 trillion dollar American Rescue Plan (ARP), passed on March 11, 2021. On April 2, 2020, TDHCA began receiving federal funds allocated to combat the COVID-19 pandemic. Additionally, under the Infrastructure Investment and Jobs Act (IIJA) two further allocations of funds were received as reflected below. In addition, the chart below includes funding provided through the Continuing Appropriations Act of 2023. In total, TDHCA has been allocated or reprogrammed pandemic or other temporary funds totaling $4,629,321,498, which are listed below. TDHCA has used these federal funds to combat the COVID-19 pandemic by creating new programs and providing supplemental allocations to existing programs. Please see previous SLIHPs for information regarding previous pandemic response funding.

TDHCA PANDEMIC RESPONSE PROGRAMS					
Program	Division	Availability/Eligibility	Served to date (09/04/25)	Total Program Funding	Expended Funding
CARES ACT					
CDBG CARES – Phases I, II and III	CDBG CARES	Income Eligibility: For households at or below 80% of AMI.	3,533,842 persons	$141,846,258	$121,238,509 (85.47%)
CORONAVIRUS RELIEF BILL – PART OF THE CONSOLIDATED APPROPRIATIONS ACT OF 2021					
Emergency Rental Assistance 1 & 2 (Texas Rent Relief Program)	Texas Rent Relief	Available statewide. Income Eligibility: For households at or below 80% AMI.	324,146 Households	$2,466,516,459	$2,464,731,010 (99.93%)
Housing Stability Services (ERA1 & ERA2)	HSS Division	Available statewide. Income Eligibility: For households at or below 80% AMI.	135,680 Households	$220,546,004	$210,555,360 (95.47%)
AMERICAN RESCUE PLAN (ARP) – Public Law 117-2					
HOME-ARP	HOME ARP	Household Eligibility: For homeless, at risk of homelessness, those fleeing Domestic Violence, or others with housing instability.	331 Units	$133,474,575	$43,687,605 (33%)
Homeowner Assistance Fund (HAF)	Homeownership	Households with incomes equal to or less than	58,536 households	$842,214,006	$840,302,409 (99.77%)

		the greater of (i) 100% of AMI or (ii) 100% of national median income.			
Emergency Housing Vouchers (EHV)	Section 8	Income Eligibility: Not to exceed 50% of AMI	808 Housed	$11,490,348	$21,108,122.21 (183.70%)
Infrastructure Investment and Jobs Act – Public Law 117-58					
LIHEAP	Community Affairs	Available statewide Income Eligibility: 150% of poverty	45,394 persons	$32,348,848	$24,808,575 (76.69%)
BIL WAP	Community Affairs	Income Eligibility: 200% of poverty	787 Units	$173,162,598	$19,208,270 (11.09%)

*All dollar amounts represented are as of September 4, 2025.

CLOSED/COMPLETED PROGRAMS					
LIHEAP CARES	Community Affairs	Available statewide Income Eligibility: 150% of poverty	181,215 persons	$94,023,896	$63,898,418 (68%)
LIHEAP ARP	Community Affairs	Available statewide Income Eligibility: 150% of poverty	194,061 persons	$134,407,308	$132,058,416 (98.25%)
Low-Income Household Water Assistance Program (LIHWAP1)	Community Affairs	Geography: Statewide Income Eligibility: 150% Poverty	183,687 persons	$51,801,876	$47,557,420 (91.81%)
LIHWAP2	Community Affairs	Income Eligibility: TBD	96,691 persons	$40,597,082	$37,992,947 (93.41%)

CSBG CARES	Community Affairs	Available statewide Income Eligibility: 200% of poverty (normally is 125%)	146,462 persons	$48,102,282	$47,942,629 (99.67%)
Housing Choice Voucher Program Admin	Section 8	Used to incentivize landlords to accept voucher holders.	159 Landlords	$258,139	$83,700 Landlord Payment (32.42%)
Housing Choice Voucher Program MVP	Section 8	Provided 15 additional vouchers. Income Eligibility: Not to exceed 50% of AMI	15 families	$110,302	$53,664 (48.65%)
HAF Subrecipient Activities	HAF	Households with incomes equal to or less than the greater of (i) 100% of AMI or (ii) 100% of national median income.	9,132 Households	$15,953,990 (subset of funds from HAF)	$15,899,524 (99.66%)
ESG CARES – Phase I & II	SFHP	Income Eligibility: 50% AMI for homeless prevention	98,805 persons	$103,646,620	$103,539,918.17 (99.90%)
Continuing Appropriations Act, 2023 – Public Law 117-180					
LIHEAP (23CR) Supplemental Funding	Community Affairs	Available statewide Income Eligibility: 150% of poverty	193,639 persons	$84,732,886	$77,451,844 (91.41%)
LIHEAP (23CR) Supplemental Disaster Funding	Community Affairs	Available statewide Income Eligibility: 150% of poverty	79,701 Persons	$55,322,964	$44,530,529 (80.96%)

*All dollar amounts represented are as of September 4, 2025.

TDHCA DIVISION PANDEMIC RESPONSE AND OTHER INITIATIVES

Community Affairs Division

The Community Affairs Division administers the Community Services Block Grant (CSBG) Program, the Comprehensive Energy Assistance Program (CEAP), and the Weatherization Assistance Program (WAP).

Comprehensive Energy Assistance Program (CEAP)

TDHCA's CEAP program was allocated additional funds from USHHS from the following:

- Infrastructure Investment and Jobs Act (IIJA), 2025-$6,592,575

CEAP IIJA funds have been distributed among the same subrecipients as the regular CEAP funds. Subrecipients have until September 30, 2026, to spend these additional CEAP funds.

Infrastructure Investment and Jobs Act (IIJA) DOE WAP

In November 2021, the Infrastructure Investment and Jobs Act was signed into law. Under the IIJA, TDHCA was awarded $173,162,598 for its Weatherization Assistance Program (WAP) funded through the Department of Energy. The program began July 1, 2023, and is expected to end June 30, 2029. The program will be delivered by the existing WAP network of 21 service providers with the possible addition of a statewide or regional service provider. The targeted beneficiaries are households at or below 200% of the Federal Poverty Guidelines with priority given to the elderly; persons with disabilities; families with young children; households with the highest energy costs or needs in relation to income (highest home energy burden); and households with high energy consumption.

Community Development Block Grant (CDBG) CARES Act Assistance

On June 15, 2020, Governor Greg Abbott identified TDHCA as the designated agency to receive all CDBG CARES Act (also referred to as CDBG-CV) funding allocated to the State of Texas. TDHCA received a total of $141,846,258 in CDBG CARES Act funding. CDBG-CV funds have been used for Mortgage Assistance for both Rural and Balance of State (TEMAP), Rental Assistance for Entitlement communities (TERAP), Food Bank Distribution Assistance (Food Bank), Relief to Providers of Persons with Disabilities (Relief to Providers), and Legal Services for Persons with Disabilities (Legal Services). The remaining funds are being used for the Community Resiliency Program (CRP) and continuing Legal Services. Assisted households must be at or below 80% of Area Median Income (AMI) and must have been economically affected by the Coronavirus pandemic.

TDHCA will ensure through its contracts that $40,000,886 (the amount of its first allocation) will be provided to non-entitlement units of general local government (UGLG) or will be provided to participants (regional organizations which include private non-profits serving more than one county, community action agencies, or regional councils of governments) who will in turn assist households located in non-entitlement communities. Non-entitlement units of government are cities with populations of less than 50,000 (except cities that are designated principal cities of Metropolitan Statistical Areas), and counties with populations of less than 200,000.

Mortgage Assistance (TEMAP)

The Texas Emergency Mortgage Assistance Program (TEMAP) was initially funded with $26,024,125 of CDBG CARES Act funds, and was distributed through a competitive NOFA allocation. TEMAP was developed to help with mortgage assistance (up to six months, including arrears) to income-eligible homeowners who have been economically impacted by COVID-19 to help provide housing stability during the pandemic. The program has been completed. The final funded amount, including a refund after the program was over, was $20,484,256.75.

Rental Assistance for Entitlements (TERAP)

The Texas Emergency Rental Assistance Program (TERAP) was funded with $32,712,577 of CDBG CARES Act funds which were directly committed to an estimated 54 entitlement communities that already had an existing COVID rental assistance program. TERAP was developed to help with rental assistance (up to six months, including arrears) to income-eligible households impacted by COVID-19 to help provide housing stability during the pandemic. Funds were also used for eviction diversion, which provides rental assistance to tenants who have been sued for eviction. The program has been completed. The final funded amount, including two refunds after the program was over, was $29,128,955.78.

Food Bank Distribution Assistance (FOOD BANK)

The CDBG CARES Food Bank program was funded with $30,000,000. Funds provide assistance to eligible food bank providers that have been economically impacted by COVID-19. Funds were used to reimburse food banks for bulk food purchases to be distributed statewide. Funds dedicated to this activity were deployed to address statewide food and nutrition needs through Feeding Texas, a network of food banks and other hunger-relief organizations covering the entire state of Texas. Funding for this activity was used for bulk food purchase as well as to provide funds for equipment, supplies, and materials necessary to carry out the public service in response to the effects of the Coronavirus pandemic. The program has been completed.

Relief to Providers of Persons with Disabilities (RELIEF TO PROVIDERS)

The CDBG CARES Relief to Providers program was funded with $5,000,000. Relief to Providers was developed to help providers continue serving residential persons with disabilities during the Coronavirus pandemic by reimbursing for allowable expenses undertaken to prevent, prepare for, or respond to COVID-19. The program began in the summer of 2021, and all assistance funds have been disbursed. The final funded amount was $3,304,982, and the program has been completed.

Legal Services for Persons with Disabilities (LEGAL SERVICES)

The CDBG CARES Legal Services program was initially funded with $445,000. The funds provide legal services assistance for persons with disabilities to obtain or retain housing as a result of COVID-19. Legal services include legal advice and legal representation by licensed attorneys in good standing with the State Bar of Texas through both allowing reimbursement of eligible expenses for providers of persons with disabilities, and through a contracted provider of legal services for persons with disabilities. The final funded amount has been increased to $620,000 and the program is ongoing.

Community Resiliency Program (CRP)

The CDBG CARES CRP was initially funded with $38,180,317 of CDBG-CV, and has been released through a competitive NOFA process. CRP was developed to help provide assistance to low- and moderate-income persons, as well as to rural and small metro communities to create, expand, or enhance public facilities that provide medical care, social services, and/or emergency non-congregate housing to prevent the transmission of COVID-19, or assist in response to future pandemics, and allow for adequate social distancing or remote access. Funds allow non-entitlement communities to make improvements to facilities to address gaps in future pandemic emergency response capacity. Funding has been made available for the CDBG eligible activity of public facilities and improvements, which may consist of acquisition, rehabilitation, or construction of public facilities such as homeless shelters, domestic violence shelters, health clinics, emergency medical stations, and senior centers. Also eligible under this activity is the purchase of publicly owned, mobile health clinics, and emergency medical services vehicles to support the activities. All contracts are made with Non-Entitlement Communities. CRP is currently funded for $50,234,785.31.

Total CDBG Funding		
Program	Funds	Percent
TEMAP	$20,484,257	15.31%
TERAP	$29,128,956	21.78%
Food Bank	$30,000,000	22.43%
Relief to Providers	$3,304,982	2.47%
Legal Services	$620,000	0.46%
CRP	$50,234,785	40.46%
Total*	$133,772,980	100.00%

* Amount reflects total program amount received less admin.

Single Family and Homeless Programs

During SFY 2025 TDHCA's Single Family and Homeless Programs Division offered, Section 8 emergency Housing Vouchers (EHVs) authorized by the American Rescue Plan Act (ARPA) and Section 8 Mainstream Vouchers (MSVs) authorized by the Coronavirus Aid Relief and Economic Security Act (CARES.)

Section 8 Housing Choice Voucher Program

HCV Section 8 Program - Mainstream Vouchers (MVP)

The MVP vouchers are tenant-based vouchers that serve non-elderly person(s) with a disability transitioning from a nursing facility, intermediate care facility, Texas state psychiatric hospital, or board and care facility.

HCV Section 8 Program - Emergency Housing Vouchers (EHV)

TDHCA received $11,490,348 in ARP Act funding to support 798 Emergency Housing Vouchers. The EHV program provides rental assistance to individuals and families who are experiencing homelessness; at risk of experiencing homelessness; fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking; or were recently homeless

and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability. Assistance under the EHV program is anticipated to end in calendar year 2026, as the final allocation of funds has been established.

HOME American Rescue Plan (HOME-ARP)

The American Rescue Plan Act of 2021 established HOME-ARP based on the framework of the HOME annual program, with certain flexibilities and waivers and additional regulations to create new activities. One of the reasons HOME-ARP was created was to serve specific populations called qualifying populations. These include:

- Households that are experiencing homelessness, per 24 CFR §91.5;
- Households at-risk of homelessness, per 24 CFR §91.5;
- Households with at-risk of homelessness criteria, with waiver to allow for income up to 50% AMI, per HUD CPD Notice 21-10;
- Households fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking, per HUD 24 CFR §5.2003;
- Households with 30% AMI with severe housing cost burden defined as paying more than 50% of monthly household income toward housing costs, per HUD CPD Notice 21-10;
- Households who have qualified as homeless previously, are currently housed with temporary/emergency assistance, and who need additional housing assistance or supportive services to avoid a return to homelessness, per HUD CPD Notice 21-10; or
- Veterans (and their families) that meet one of the above definitions.

TDHCA was allocated a one-time allocation of $132,969,147 in HOME-ARP funds by HUD, which was adjusted to $133,474,575 after reallocations and adjustments to HUD's allocation formula. After a public outreach and comment period, TDHCA programmed funds into the development of affordable rental housing, Non-Congregate Shelters (NCS), and Non-Profit Operating/Non-Profit Capacity Building (NCO) related to HOME-ARP rental or NCS development. The increase in HOME-ARP funds and additional descriptions of targeting for the NCO and NCS funds were incorporated into subsequent plan amendments which also had appropriate comment periods. TDHCA's HOME-ARP Allocation Plan, as amended, is available online at https://www.tdhca.texas.gov/home-arp-program-guidance-and-regulations.

Rental housing development had a requirement that qualified populations only pay 30% of their income toward rent. To offset this potential loss in rental income, HOME-ARP offered a unique financial structure, including, but not limited to, no subsidy per unit limit and an option for capitalized operating cost assistance reserve.

NCS is a new activity under HOME-ARP. As with all shelters, NCS does not require occupants to sign a lease or occupancy agreement and is meant for temporary stays. NCS is unique in that the shelters offer private units or rooms to households with a sanitary facility in each unit. In Allocation Plan amendments, TDHCA clarified that NCS funds are only to be made available to organizations that received an NCO award.

NCO was also a new activity under HOME-ARP. This funding provided for two types of assistance: general operating and capacity building for a nonprofit that is undertaking rental or NCS

development. Nonprofit general operating costs are mirrored on the community housing development organization (CHDO) operating costs under the HOME annual program. However, nonprofit operating costs for HOME-ARP were available for eligible nonprofits that do not necessarily qualify as a CHDO. Eligible costs include, but are not limited to, payroll for existing staff, training, equipment, and operating/overhead to support general operating. Nonprofit capacity building costs are reasonable and necessary operating costs that will result in expansion or improvement of an organization's ability to successfully carry out rental or NCS development. Eligible costs include, but are not limited to, payroll for new hires, training, equipment, and technical assistance or consultants. In Allocation Plan amendments, TDHCA clarified that NCO was targeted to Texas areas with high rates of unsheltered homelessness and high costs of living, and to nonprofits that are in good standing and have prior experience with innovative shelter or homeless services.

Use of HOME-ARP Funding

Activity	Amended Allocation Amounts	Awarded/Reserved*	Contracted as of State Fiscal Year 2025
Non-Congregate Shelters	$64,005,338		$0
Affordable Rental Housing	$53,175,613	$53,175,613	$53,175,613
Non-Profit Operating/Non-Profit Capacity Building for nonprofits to develop Non-Congregate Shelter	$3,974,229	$3,224,229	$3,224,229

TDHCA released $10,000,000 in a rental set-aside for direct awards to qualifying National Housing Trust Fund (NHTF) Developments, created to preserve existing TDHCA investments in NHTF-funded developments in 2020 and 2021 that may otherwise be at risk of not being financially feasible; the set-aside was released in an Invitation to Apply and sent directly to eligible applicants. The rest of the funds for rental development were released via a Notice of Funding Availability (NOFA) in December 2022 for competitive applications. Originally $3,324,229 in NCO was also programmed to support rental housing development; NCO to support rental development was transferred directly into the rental development activity due to the high competition for the development funds. Over $114 million was requested for approximately $51 million in funding in the 2023-2 HOME-ARP Rental NOFA.

In the state fiscal years 2023 and 2024, TDHCA contracted approximately $53.1 for 331 HOME-ARP units in 12 rental developments. Three of the 12 developments have completely drawn their HOME-ARP funding, completed construction, and are occupied with residents.

In state fiscal year 2024, TDHCA released the HOME-ARP NCO Invitation to Apply, targeted in areas that met criteria demonstrating need for at least a medium-scale (50 units) NCS. TDHCA awarded an eligible organization approximately $3.2 million in NCO funds. TDHCA also released a 2025 NCO NOFA for $750,000 for areas that showed an increase of 30% or more in housing costs between 2021-2025 and with rents that were in the top 20% of the state for a one-bedroom apartment. Eight NCO Applications were received for a total of approximately $5.6 million in requested NCO funds.

Finally, in state fiscal year 2024, TDHCA released the 2024 HOME-ARP NCS Invitation to Apply (ITA). The NCS ITA, as amended, released $64,005,338 for acquisition, construction, reconstruction or rehabilitation of HOME-ARP NCS. NCS was made available by invitation to NCO awardees, per the HOME-ARP Allocation Plan as amended. More information about TDHCA's HOME-ARP can be found online at https://www.tdhca.texas.gov/programs/home-american-rescue-plan.

Texas Rent Relief (TRR) and Housing Stability Services (HSS)

The Department received $1,308,110,630 in Emergency Rental Assistance (ERA) funding from the Consolidated Appropriations Act, 2021, and $1,079,786,857 in ERA funding from the American Rescue Plan Act of 2021, for a total of $2,387,897,487. The Department received an additional $299,164,977 in ERA funds, bringing the total program funding to $2,687,062,464 as of August 2025. The Department of the Treasury administers the program at the federal level. Funds from the Consolidated Appropriations Act of 2021 are categorized as Emergency Rental Assistance 1 (ERA 1) and funds from the American Rescue Plan Act of 2021 are categorized as Emergency Rental Assistance 2 (ERA 2); however, Treasury administers the funds as one program. ERA1 and ERA2 funds were used to fund three programs in three divisions – the Texas Rent Relief Program, the Housing Stability Services Program, and the Multifamily Direct Loan Program.

Texas Rent Relief Program

The Texas Rent Relief division administered the Texas Rent Relief Program (TRR). TRR was developed to help income-eligible Texas renters affected by the COVID-19 pandemic pay rent and utility bills (including past due rent and utilities), keeping tenants housed and helping landlords recoup or avoid losses due to the pandemic.

Of the $2,687,062,464 in ERA funds administered by TDHCA, $2,460,666,459 has been allocated to TRR. As of August 2023, TRR disbursed $2,217,691,016 in direct rental and utility assistance to 324,146 households across Texas. The program has now ended.

Ten percent of TRR funds were set aside for eviction diversion activities and were referred to as the Texas Eviction Diversion Program (TEDP). In partnership with the Supreme Court of Texas, the Office for Court Administration, and the Office of the Governor, TEDP allowed courts to pause eviction cases while tenants and landlords applied for TRR assistance, made lump sum payments to landlords for past-due rent and late fees for allowing tenants to remain in their homes, and kept evictions off tenants' records. Along with the rest of TRR, TEDP has now ended. Through TEDP, more than 25,000 renter households received over $243 million in assistance, had their evictions stopped, and had their court records made confidential.

Housing Stability Services

The Housing Stability Services (HSS) Program was developed to help support housing stability and eviction diversion services benefitting income-eligible Texas renters affected due to or during the COVID-19 pandemic. HSS aims to benefit income-eligible renter households or households experiencing or at risk of homelessness. HSS funds are distributed to local communities or nonprofits throughout the state in order to provide eligible Texans with a variety of services that help households maintain or obtain stable housing. Service categories include: legal, outreach, shelter, community, and services offered at permanent supportive housing properties.

A total of $220,546,005 was allocated to the HSS Program. The HSS Program was developed to help support housing stability and eviction diversion services benefitting income-eligible Texas renters affected by the COVID-19 pandemic.

Under TDHCA's HSS program, TDHCA contracted with the Texas Access to Justice Foundation (TAJF), which works in close partnership with the Supreme Court of Texas and the Texas Office of Court

Administration. TAJF was awarded approximately $51 million in ERA1 and ERA2 HSS funds to deliver legal services through a network of eleven subcontracted legal service providers in Texas, primarily legal aid providers, who are providing three main services:

1. No-cost Legal Services Activities and Brief Services throughout Texas, including representation in court and/or administrative proceedings, with emphasis on areas with the highest rates of eviction and/or highest rates of renters living in poverty;
2. Housing Stability Clinics staffed with attorneys, support staff and pro bono volunteers, as appropriate, to assist eligible households by providing essential housing information and legal advice; and
3. Assistance in completing applications for the Texas Rent Relief Program and Texas Eviction Diversion Program.

TDHCA also awarded HSS funds to 27 organizations across the state to provide eligible housing stabilization services and to enable eligible households impacted by the pandemic to maintain or obtain stable housing. Essential services to unsheltered persons and services to eligible households will be provided through a variety of avenues including outreach services, shelter services, community services, and services offered at permanent supportive housing properties.

Other Affordable Rental Housing

On July 27, 2022, Treasury released guidance through its Frequently Asked Questions document confirming that a grantee may use any of its ERA2 funds that are unobligated on October 1, 2022, for "affordable rental housing and eviction prevention purposes, as defined by the Secretary, so long as the grantee has obligated at least 75% of its ERA2 funds eligible expenses." Funds used for this purpose must serve households with up to 50% of Area Median Income and the property must have a land use restriction agreement (LURA) preserving the federal affordability period for twenty years. The state affordability period will be for a period of at least ten additional years.

TDHCA has dedicated $5,850,000 in ERA2 funds for the Multifamily Division to fund Multifamily Direct Loans (MFDL). Specifically, the division has used it as gap financing to cover requests for loans that exceeded other funds available.

As of August 2025, TDHCA has expended all $5.85 million in ERA2 funds obligated for affordable housing development - $1.55 million for Freedom's Path at Waco, and $4.3 million for Inn Town Lofts in Lubbock.

Total ERA Funding by Program		
Program	Funds	Percent
Texas Rent Relief Program	$2,460,666,459.20	91.57%
Housing Stabilization Services	$220,546,004.58	8.21%
Other Affordable Rental Housing	$5,850,000.00	0.22%
Total	$ 2,687,062,463.78	100.00%

Homeowner Assistance Fund (TXHAF) and HAF Subrecipient Activities

The Department received $842,214,006 in funding from the American Rescue Plan Act of 2021. The U.S. Department of the Treasury administers the program at the federal level. TXHAF funds were used to fund – the Texas Homeowner Assistance Fund (TXHAF) and HAF Subrecipient Activities.

Texas Homeowner Assistance Fund

The Texas Homeowners Assistance (TXHAF) Program provided financial assistance to qualified Texas homeowners who had fallen behind on their mortgage and related expenses due to the COVID-19 pandemic.

TXHAF provided eligible homeowners with up to $65,000 of assistance for past due mortgages, past due property taxes, insurance, Homeowner Association (HOA) fees, and utilities. Assistance was structured as a non-recourse grant to the homeowner. Payments were made directly to the mortgage servicer, property charge payee, or utility provider.

HAF Subrecipient Activities

The Homeowner Assistance Fund (HAF) Subrecipient Activities Division was established in 2022 in response to the COVID-19 pandemic, and administered a portion of the HAF funds that were provided to local organizations for intake centers, housing counseling, and legal services.

The TXHAF program is now closed and is in the process of completing closeout activities.

SECTION 6: PUBLIC PARTICIPATION

The Texas Department of Housing and Community Affairs (TDHCA or the Department) strives to obtain public input to make informed decisions regarding the development of policy, the design of programs, and the use and allocation of limited resources. This section outlines how the public contributes to the preparation of the SLIHP and includes information about the public comment process.

This section of the SLIHP includes the following information per Tex. Gov't Code §2306.072 and §2306.0721:

- An explanation of efforts and activities that ensure the participation and involvement of individuals of low income and their community-based institutions in Department programming and planning as required by Tex. Gov't Code §2306.072(c)(3-4).
- A summary of public comments received in regards to the State of Texas Low Income Housing Plan and Annual Report as required by Tex. Gov't Code §2306.0721(c)(13).

This section is organized as follows:

- Community Involvement: Discusses interagency collaboration and engagement of stakeholders on specific issues.
- Participation in TDHCA Programs: Discusses efforts to ensure that individuals of low income and community-based institutions participate in TDHCA programs.
- Public Participation in Program Planning: Discusses affirmative efforts to ensure the involvement of individuals of low income and community-based institutions in the allocation of funds and the planning process.
- Preparation of the SLIHP: Information on the SLIHP preparation and a summary of public comment.

COMMUNITY INVOLVEMENT

TDHCA's participation in numerous committees, workgroups, and councils keep the Department apprised of additional resources and collaborations for affordable housing and community affairs related activities. Relationships with federal, state, and local government entities ensure that agencies in the state of Texas coordinate housing and services to most efficiently and effectively serve all Texans. This collaboration results in recommendations on how to improve the coordination of the Department's services to serve lower income Texans, including special needs populations. The Department addresses and incorporates these recommendations into its programs and outreach as appropriate throughout the year. Furthermore, the recommendations incorporated in TDHCA's programs are consistent with planning documents, such as the Consolidated Plan, that the Department submits to the U.S. Department of Housing and Urban Development (HUD). In addition to this collaboration, TDHCA's involvement in the community allows the Department to closely monitor and proactively pursue available federal funding opportunities to ensure that Texas can access additional affordable housing funds.

TDHCA has staff committed to several State advisory workgroups and committees. Many of these committees and workgroups include members from the public and private sectors. These groups include, but are not limited to:

Workgroup/Committees	Lead agency
Community Reinvestment Workgroup	Texas Comptroller
Community Resource Coordination Groups (CRCG)	Texas Health and Human Services
Colonia Residents Advisory Committee (C-RAC)	TDHCA
Disability Advisory Workgroup (DAW)	TDHCA
Housing and Health Services Coordination Council (HHSCC)	TDHCA
Interagency Coordinating Group	OneStar Foundation
Reentry Task Force	Texas Department of Criminal Justice
Statewide Behavioral Health Coordinating Council (SBHCC)	Texas Health and Human Services
Texas Interagency Council for the Homeless (TICH)	TDHCA
Texas Coordinating Council for Veteran Services	Texas Veterans Commission
Weatherization Assistance Program Planning Advisory Committee (WAP PAC)	TDHCA

TDHCA's workgroups and coordination groups for which it is the lead agency are discussed in this section, listed alphabetically.

Colonia Residents Advisory Committee (C-RAC)

C-RAC is a committee of colonias residents appointed by the TDHCA Governing Board, which advises the Department on the needs of colonias residents and the types of programs and activities, which should be undertaken through the Colonia Self-Help Center (CSHC) Program. In consultation with C-RAC and the units of local government that administers the CSHC Program, the Department designates up to five colonias in each county as eligible beneficiaries of the CSHC Program. Each county nominates two candidates to be members of the C-RAC who are residents of a colonia in the county the member represents to serve on the committee for four years. The C-RAC reviews CSHC

Program proposals and may make recommendations on contracts for the CHSC Program to the Department before the proposal is considered for an award by the TDHCA Governing Board.

Disability Advisory Workgroup (DAW)

TDHCA believes that consultation with community advocates, funding recipients, potential applicants for funding, and subject matter experts from other state agencies is an essential prerequisite to the development of effective policies, programs and rules. Providing services and housing to persons with disabilities presents unique challenges and opportunities. In order to augment TDHCA's formal public comment process, a workgroup is utilized, convened as the need arises, affording staff the opportunity to interact with and receive input more informally and in greater detail from various stakeholders and to get feedback on designing and planning more successful programs for persons with disabilities. TDHCA hosts the DAW to gather input on how TDHCA's programs can most effectively serve persons with disabilities. These ad hoc meetings are open attendance and advertised through the TDHCA website, social media, and email lists. Anyone may join TDHCA email lists by visiting http://maillist.tdhca.state.tx.us/list/area.html;jsessionid=A8FD9EC72AC7F397B4591205EA8DF27F?lui=f9mu0g2g&mContainer=2&mOwner=G382s2w2r2p.

Housing and Health Services Coordination Council (HHSCC)

HHSCC is codified in Texas Government Code §2306.1091. The purpose of HHSCC is to increase state efforts to offer Service-Enriched Housing (SEH) through increased coordination of housing and health services. HHSCC seeks to improve interagency understanding and increase the number of staff in state housing and health services agencies that are conversant in both housing and health services.

HHSCC is composed of 17 members: eight members appointed by the Governor, and nine State agency representative members. The Executive Director of TDHCA serves as the HHSCC Chair and TDHCA staff supports HHSCC activities. A list of HHSCC members can be found on TDHCA's website here: https://www.tdhca.texas.gov/hhscc-council-members.

Council members meet quarterly and provide direction to the staff to prepare a Biennial Report of Findings and Recommendations that is submitted to the Legislative Budget Board and the Office of the Governor on August 1 each even numbered year. This Report along with a Biennial Plan is available to the public on the TDHCA website at https://www.tdhca.texas.gov/hhscc-reports. Meetings are open to the public. Notice is given to the public in the *Texas Register*, on TDHCA's Web Site, through an email list, and social media. Anyone may join TDHCA email lists by visiting this site: http://maillist.tdhca.state.tx.us/list/area.html;jsessionid=A8FD9EC72AC7F397B4591205EA8DF27F?lui=f9mu0g2g&mContainer=2&mOwner=G382s2w2r2p.

Texas Interagency Council for the Homeless (TICH)

The TICH was created in 1989 to coordinate the State's homeless resources and services, and its charge was reinforced by the 84th Texas Legislature (2015) Senate Bill (SB) 607. The TICH consists of representatives from nine state agencies that serve persons who are experiencing homelessness or are at-risk of homelessness. Membership also includes representatives appointed by the Office of the Governor, the Lieutenant Governor and the speaker of the house. The TICH receives no direct funding and has no full-time staff, but receives facilitation and advisory support from TDHCA. The TICH's major mandates include:

- evaluating and helping coordinate the delivery of services for persons experiencing homelessness in Texas;
- increasing the flow of information among service providers and appropriate authorities;
- providing technical assistance to TDHCA in assessing the need for housing for people with special needs; and
- maintaining a central resource and information center for persons experiencing homelessness.

The TICH submits annual progress reports to the governing bodies of the agencies represented on the council. All previous annual reports are available off the TICH website at: https://www.tdhca.texas.gov/programs/texas-interagency-council-homeless

Weatherization Assistance Program Planning Advisory Committee (WAP PAC)

The Weatherization Assistance Program Policy Advisory Council (PAC) is a four member council which represents organizations and agencies by providing balance, background, and sensitivity with respect to solving the problems of low-income persons, including weatherization and energy conservation problems.

For each program's state plan (i.e., LIHEAP, DOE WAP, and CSBG), the network of subrecipients as well as the public are invited to participate and comment on each plan to make improvements to each of the programs. Public participation can occur in writing or verbally at a public hearing.

Additionally, the PAC currently has four slots and is representative of organizations and agencies and provides balance, background, and sensitivity with respect to solving the problems of low-income persons, including weatherization and energy conservation problems.

The PAC meets annually at the end of the public hearing period to discuss the DOE plan and comments received. Two of the slots, filled by the PAC members from Combined Community Action and the Greater East Texas Community Action Program, represent the low-income, elderly, and disabled population. The third slot, filled by the PAC member from the Health and Human Services Commission, represents the low-income, elderly and persons with disabilities. A fourth slot representing Native Americans is occupied by a member of the Ysleta Del Sur Pueblo Tigua Indian Reservation.

PARTICIPATION IN TDHCA PROGRAMS

Texas is economically, geographically, and demographically diverse. In recognition of the state's diverse housing needs, TDHCA establishes its criteria for distributing funds based on the priorities laid-out in TDHCA's governing statute. It is incumbent upon TDHCA to increase the public's awareness of available funding opportunities so that its funds will reach those in need across the state.

Below are the approaches taken by TDHCA to achieve this end.

- Throughout the year, TDHCA staff reaches out to interested parties at informational workshops, roundtables, conferences, and real estate, lending, and property events across the state to share information about TDHCA programs. Organizations interested in becoming affordable housing providers are actively encouraged to contact TDHCA for further technical assistance in accessing TDHCA programs.
- The Division of Policy and Public Affairs performs two key functions through two intertwined sections: legislative affairs and communications/marketing. The Legislative Affairs section is TDHCA's main link between the Department and the Office of the Governor, members of the Texas Legislature and Texas Congressional delegation, state and federal agencies, and housing and community service organizations throughout the state. It is responsible for assisting the Department's leadership in the development and implementation of policy related to legislative mandates. The Communications/Marketing section is responsible for producing news releases and outreach and educational materials, responding to inquiries from the news media and coordinating TDHCA's social media activities.

- The Public Comment Center is designed to enhance public participation by making the public comment process easier and more transparent for those interested in commenting on Department rules and programs. The Public Comment Center can be found at https://www.tdhca.texas.gov/tdhca-public-comment-center.
- The TDHCA website, through its provision of timely information to consumers, is one of the Department's most successful outreach tools. It is also a key resource for affordable housing and community services programs, and fair housing information and resources. The Help for Texans online database provides a statewide resource for individuals and households seeking assistance. The Help for Texans online database provides contact information for housing and housing-related programs funded or operated by TDHCA and other housing service providers. Help for Texans is available at https://www.tdhca.texas.gov/help-for-texans.
- TDHCA also operates voluntary email distribution lists, where subscribed individuals and entities can receive email updates on general TDHCA information, program-specific announcements, compliance related communications, and trainings. TDHCA maintains a Fair Housing email list to encourage public participation from community-based, legal aid, fair housing enforcement, housing advocacy, and other external groups. The email list also provides a way for individuals who are not a member of a stakeholder organization to learn about and engage with Fair Housing topics.
- TDHCA uses online forums and surveys to encourage topical discussions and gather feedback on proposed policies, rules, plans, reports, or other activities. Forums and/or surveys have been used to gather input on the Housing Tax Credit Program's Qualified Allocation Plan, the Regional Allocation Formula, the legislatively required Report on Homelessness Among Veterans, the proposed policy changes for the Amy Young Barrier Removal Program, and the rules for a variety of TDHCA programs.
- TDHCA is involved with a wide variety of committees and workgroups, listed in the Community Involvement section at the beginning of this chapter, which serve as valuable resources to gather input from people working at the local level. These groups share information on affordable housing needs and available resources so that TDHCA can prioritize these needs.
- Department staff will continue to engage stakeholders, including developers, residents, nonprofits, advocates, and other governmental entities, throughout FY 2026. Opportunities for engagement will include both online discussion forums and public roundtables and hearings (virtually as needed). For example, the Multifamily Finance Division staff will engage stakeholders especially as it relates to writing the 2026 multifamily rules for the Multifamily Direct Loan and Housing Tax Credit programs. In addition to creating an online forum in which stakeholders can register their opinions on ideas and on questions posted by staff, Multifamily Finance Division staff will continue to hold public roundtables, where particular aspects of the rules can be discussed in an open setting.

PUBLIC PARTICIPATION IN PROGRAM PLANNING

The Department values and relies on community input to direct resources to meet its goals and objectives. In an effort to provide the public with an opportunity to more effectively give input on the Department's policies, rules, planning documents, and programs, the Department holds round tables, public hearings, and program workshops throughout the year. Furthermore, TDHCA's Governing Board accepts public comment on program and policy agenda items at monthly Board Meetings. The Board offers an opportunity for comment to be heard on any topic at the end of each Board meeting.

The Department ensures that all programs follow the public participation and public hearing requirements as outlined in the Texas Government Code and in federal program requirements. Hearing locations are accessible to all who choose to attend and are held at times accessible to both working and non-working persons. TDHCA staff coordinates translation services, the provision of auxiliary aids, and other accommodations as requested to ensure equal access and opportunity to the public. The Department maintains voluntary email distribution lists, which it uses to notify all interested parties of public hearing and public comment periods. Additionally, pertinent information is posted as an announcement in the *Texas Register*, on TDHCA's website, Twitter feed, and Facebook page. The Department seeks to ensure the involvement of individuals of lower incomes in the allocation of funds and in the planning process by organizing regular meetings that include community-based institutions and consumers, workgroups, and councils listed in the Action Plan. Participation and comments are encouraged and can be submitted either at a public hearing or in writing via mail, fax, or email.

Preparation of the SLIHP

Tex. Gov't Code §2306.0722 mandates that the Department meet with various organizations concerning the prioritization and allocation of the Department's housing resources prior to preparation of the SLIHP. As this is a working document, there is no time at which the SLIHP is static. Throughout the year, research was performed to analyze housing needs across the State. Focus meetings were held to discuss ways to prioritize funds to meet specific needs, and public comment was received at program-level public hearings as well as at Governing Board Meetings.

The Department met with various organizations concerning the prioritization and allocation of the Department's resources and all forms of public input were taken into account in its preparation. Several program areas conducted virtual workgroups, roundtables, online forums, and public hearings in order to receive input that impacted policy and shaped the direction of TDHCA programs.

PUBLIC COMMENT PERIOD AND PUBLIC HEARING

A 30-day public comment period for the SLIHP will be held from Friday, January 16, 2026, through Monday, February 16, 2026, at 5:00 p.m. Austin local time. A public hearing will be held on Tuesday, February 10, 2026, at 2:00 p.m. Stephen F. Austin Building, Room 172, 1700 N. Congress Ave, Austin, Texas 78701. A 30 day public comment period for the SLIHP Rule will be held from Friday, February 6 to Sunday, March 8 at 5:00 pm Austin local time.

SECTION 7: 2026-2027 COLONIA ACTION PLAN

This section of the SLIHP includes the following information per Tex. Gov't Code §2306.0721:

A biennial action plan for colonias, which discusses housing and community development needs in the colonias, describes TDHCA's policy goals, and summarizes the strategies and programs designed to meet these goals and describes projected outcomes to support the improvement of living conditions of colonia residents as required by Tex. Gov't Code §2306.0721(c)(12)(A-B).

- This section is organized as follows:
- Policy Goals
- Overview
- Population and Poverty
- Housing
- Colonia Beneficiaries
- Colonia Self-Help Centers
- Office of Colonia Initiatives

POLICY GOALS

In 1996, TDHCA established the Office of Colonia Initiatives (OCI) to administer and coordinate efforts to enhance living conditions in colonias along the 150-mile Texas-Mexico border region. OCI's fundamental goal is to improve the living conditions of colonia residents and to educate the public regarding the services offered by the Department.

The OCI was created to do the following:

- Expand housing opportunities to colonia residents living along the Texas-Mexico border.
- Increase knowledge and awareness of programs and services available through the Department.
- Implement initiatives that promote improving the quality of life of colonia residents and border communities.
- Train and increase the capacity of organizations that serve the targeted colonia population.
- Develop cooperative working relationships between other state, federal and local organizations to leverage resources and exchange information.
- Promote comprehensive planning of communities along the Texas-Mexico border to meet current and future community needs.

OVERVIEW

The US-Mexico border region has hundreds of rural subdivisions called colonias, which are characterized by high levels of poverty and substandard living conditions. Several different definitions of colonias are used by various funding sources and agencies due to differing mandates. Generally, these definitions include the concepts that colonias are rural and lacking services such as

public water and wastewater systems, paved streets, drainage and safe and sanitary housing. Colonias are mostly unincorporated communities located along the US-Mexico border in the states of California, Arizona, New Mexico and Texas, with the vast majority located in Texas.

Many colonias have been in existence for more than 50 years. A few colonia developments began as small communities of farm laborers employed by a single rancher or farmer while others originated as town sites established by land speculators as early as the 1900s. A majority of the colonias, however, emerged in the 1950s as developers discovered a large market of aspiring homebuyers who could not afford to purchase in cities or who did not have access to conventional financing mechanisms.

POPULATION AND POVERTY

An estimated 500,000 people live in 2,294 colonias in Texas, of which more than 40% live below the poverty line, and an additional 20% live at or just above the poverty line (Federal Reserve Bank of Dallas, April 2015). Additional information regarding colonia population estimates can be found in the Housing Analysis section of this document (Section 2). Based on a 2014 assessment by the Texas Office of the Secretary of State's Colonia Initiatives Program, six Texas counties (El Paso, Maverick, Webb, Starr, Hidalgo, and Cameron) have the largest population of colonias and are home to an estimated 369,500 people (Texas Office of the Secretary of State, 2014). Population numbers in this assessment were validated in several ways: by 2010 census data, by city and county figures, and (in some cases) by colonia ombudspersons conducting site visits.

The American Community Survey's 2016-2020 data placed the median household income for Texas at $63,826. Median household income for the Texas-Mexico border counties range under the statewide figure greatly, from $22,716 in Presidio County, to $50,296 in Webb County. Median Owner-occupied home values for the Texas-Mexico border counties also vary greatly under the statewide figure of $187,200, from $54,500 in Hudspeth County, to $135,000 in Webb County.

The particular need for affordable housing in the border region can be largely attributed to the poverty level of the rapidly growing population. Counties along the Texas-Mexico border shoulder some of the highest poverty rates in the state. According to 2016-2020 American Community Survey, the poverty level in the State of Texas is 14.2%, while the four counties with the greatest number of colonias have the following poverty rates: Zapata 24.3%, Willacy 22.7%, Starr 30.8%, and Hidalgo 25.5%.

HOUSING

Many colonias are located along the border region, usually beyond the city limits. The classic hallmarks of colonias include limited infrastructure and a high level of substandard housing, including self-built homes, structures not primarily intended for residential use, and homes with extensions and modifications, often added on a self-help basis, which may not be secure or safe. Since 1995, colonias are required to have infrastructure per the State's model subdivision rules. These post-1995 colonias are often larger subdivisions, although they share some of the worst housing characteristics in common with the colonias expansion of the 1980s (Ward et al., 2012).

Owner-builder construction in the colonias faces even more obstacles. First, federal rules, such as those that govern the HOME Investment Partnerships Program, prohibit the use of affordable housing funds to acquire land unless the affordable structure is built within 12 months. Second,

lenders are typically reluctant to lend funds for owner-builder construction because these borrowers may have little or no collateral. Third, owner-builders may not be sufficiently skilled and may end up building substandard housing without appropriate supervision or guidance. Thus, Colonia Self-Help Centers are afforded the opportunity to participate in the Texas Bootstrap Loan Program, and the OCI will provide direct guidance and technical assistance in the application and administration of these funds for the Centers.

COLONIA BENEFICIARIES

The following table displays the total number of beneficiaries served by the Department's Colonia Self-Help Center (SHC) Program for open contracts as of July 2025. This data is reported by participating counties and provides a representation of the acute need for housing-related assistance. Each administrator conducts its own needs assessment, holds a public hearing and establishes the activities to be performed under the Colonia SHC Program. Approximately 87% of beneficiaries are of low- to moderate-income. OCI anticipates that the number of beneficiaries served in the table below will be similar throughout the remainder of the 2026-2027 biennium.

Colonia Self-Help Centers Open Contracts as of July 2025

County	Total Population Beneficiaries	Moderate-Income Beneficiaries
Cameron/Willacy	3,955	2,986
El Paso	3,513	3,513
Hidalgo	1,750	1,750
Maverick	8,996	5,133
Nueces	1,145	1,070
Starr	0	0
Val Verde	4,938	4,938
Webb	11,682	11,682
Total	35,979	31,072

The activities performed under the Colonia SHC Program include homeownership classes, operating a tool lending library, construction skills classes, solid waste cleanup campaigns, technology access, utility connections, rehabilitation, reconstruction and new construction. OCI anticipates that the percentages of funding by activity in the table below will be similar throughout the remainder of the 2026-2027 biennium.

Colonia Self-Help Center Activities for Open Contracts as of July 2025

Activity	Funding	Percentage
Administration	$1,433,487	15%
Construction	$7,175,000	75%
Public Service	$948,092	10%
Total	$9,556,579	100%

TDHCA, through its OCI, administers the Colonia Self-Help Center (SHC) program designed to improve the lives of colonia residents. This action plan outlines how the CSHC program and various initiatives are being implemented for FY 2026 and 2027.

FY 2026–FY 2027 Colonia Self-Help Center Funding

Program	Funding for FY 2025	Funding for FY 2026	Estimated Funding for FY 2027
Colonia Self-Help Center Program	$1,779,457	$2,235,349	$1,779,457

COLONIA SELF-HELP CENTERS

Tex. Gov't Code §§2306.581 - §2306.590, as amended, direct TDHCA to establish Colonia SHCs in Cameron/Willacy, Hidalgo, Starr, Webb, and El Paso, and Nueces counties. The Colonia Self-Help Center Program also allows the Department to establish a Colonia SHC in a county designated as an economically distressed area, such as in Maverick and Val Verde counties. Each county identifies five colonias to receive concentrated assistance. The operation of the Colonia SHCs may be managed by a local nonprofit organization, local community action agency, local unit of government, or local public housing authority that has demonstrated the capacity to operate a center.

The Colonia SHCs provide concentrated on-site technical assistance to low- and very low-income individuals and families. Assistance includes housing, community development, infrastructure improvements, outreach and education housing rehabilitation; new construction; surveying and platting; construction skills training; tool library access for self-help construction; housing finance; credit and debt counseling; infrastructure constructions and access; contract for deed conversions; and capital access for mortgages to improve the quality of life for colonia residents. The OCI provides technical assistance to the counties and Colonia SHCs.

The Colonia SHC Program serves 40 colonias. The total number of beneficiaries for all SHCs is approximately 25,057 residents. The Department contracts with the counties, who then subcontract with nonprofit organizations to administer the Colonia SHC Program or specific activities offered under the Program. The counties oversee the implementation of contractual responsibilities and ensure accountability. County officials conduct a needs assessment to prioritize needed services within the colonias and then publish a Request for Proposal (RFP) in search of capable entities to provide these services.

The Colonia Resident Advisory Committee (C-RAC) is a committee of colonia residents appointed by the TDHCA Governing Board which advises the Department on the needs of colonia residents and the types of programs and activities which should be undertaken by the Colonia SHCs. In consultation with C-RAC and the appropriate unit of local government, the Department designates up to five colonias in each county to receive concentrated attention from the Colonia SHCs. Each county nominates two colonia residents who reside in colonias from the same county as the Colonia SHC to serve on the committee. The C-RAC reviews the county proposals and may make recommendations on contracts before they are considered for award by the Board.

The operations of the Colonia SHCs are funded by HUD through the Texas Community Development Block Grant (CDBG) Program 2.5% set-aside, which is approximately $1.7 million per year. The CDBG funds are transferred to the Department through a memorandum of understanding with the Texas Department of Agriculture. Only units of local government are eligible to receive CDBG funds and the Department enters into contracts with each participating unit of general local government to implement the Colonia SHC Program. The Department provides administrative and general oversight

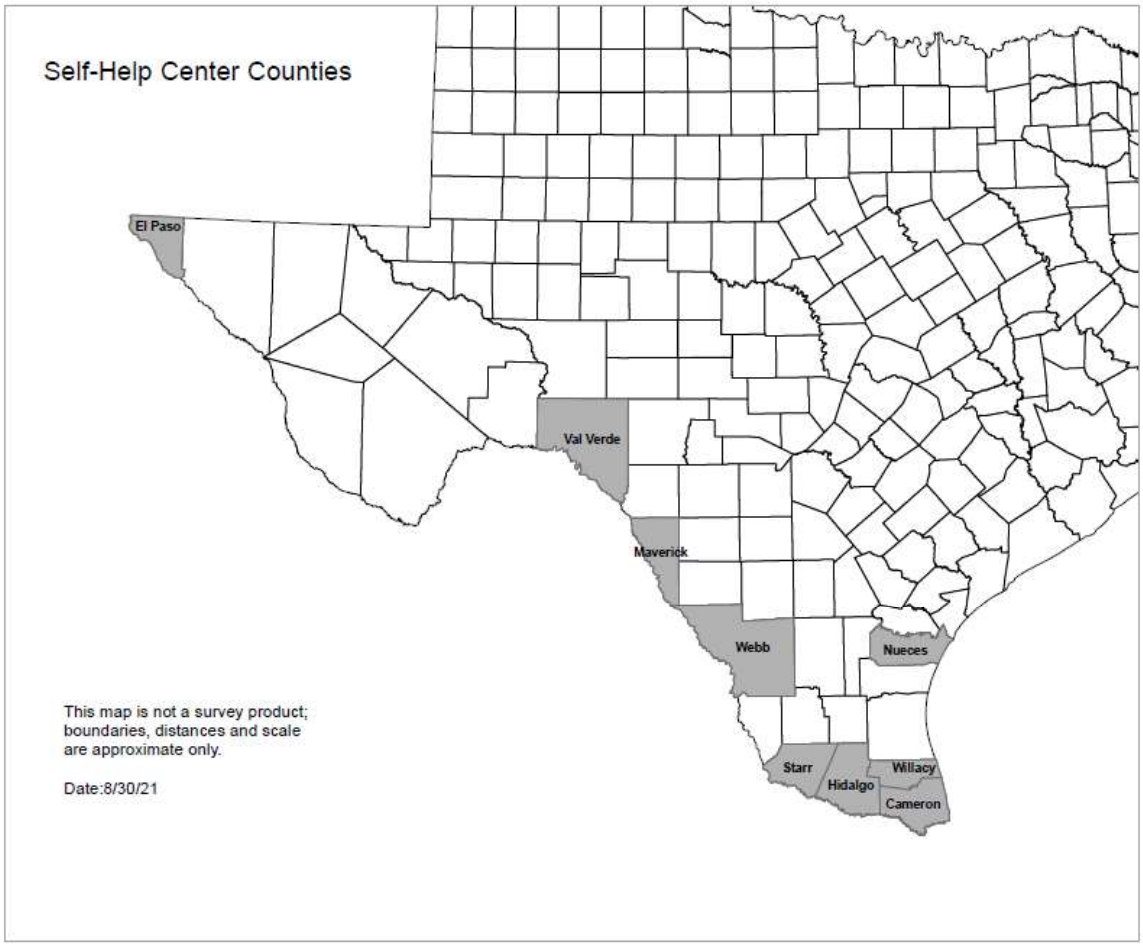
to ensure programmatic and contract compliance. Colonia SHCs are encouraged to seek funding from other sources to help them achieve their goals and performance measures.

OFFICE OF COLONIA INITIATIVES

OCI includes dedicated staff who work closely with CSHCs and other organizations along the Texas-Mexico border to act as a liaison between nonprofit organizations and units of local government. The OCI provides technical assistance to nonprofits, for-profits, units of local government, community organizations and colonia residents along the 150-mile Texas-Mexico border region.

For organizations, this includes providing guidance on program rules, reviewing funding draw submissions, analyzing policies and procedures, conducting workshops and trainings, performing inspections, reviewing loan applications and assuring general compliance with any program requirements. For colonia residents, this includes providing information and resources related to TDHCA programs and referrals to other housing programs, social services, manufactured housing, debt and financial counseling, legal, homeownership and directory assistance to other local, state and national programs. Lastly, the OCI and the Colonia SHCs will provide 3,600 targeted technical assistance to individual colonia residents through the Colonia SHC Program as a whole.

Colonia Self-Help Centers



SECTION 8: TSAHC 2026 ACTION PLAN

TSAHC's approved plan will appear in the final version of the 2026 SLIHP

APPENDIX A: LEGISLATIVE REQUIREMENTS FOR THE STATE OF TEXAS LOW INCOME HOUSING PLAN AND ANNUAL REPORT

SEC. 2306.072. ANNUAL LOW INCOME HOUSING REPORT

(a) Not later than March 18 of each year, the director shall prepare and submit to the board an annual report of the department's housing activities for the preceding year.

(b) Not later than the 30th day after the date the board receives and approves the report, the board shall submit the report to the governor, lieutenant governor, speaker of the House of Representatives, and member of any legislative oversight committee.

(c) The report must include:

(1) a complete operating and financial statement of the department;

(2) a comprehensive statement of the activities of the department during the preceding year to address the needs identified in the state low income housing plan prepared as required by Section 2306.0721, including:

(A) a statistical and narrative analysis of the department's performance in addressing the housing needs of individuals and families of low and very low income;

(B) the ethnic and racial composition of individuals and families applying for and receiving assistance from each housing-related program operated by the department;

(C) the department's progress in meeting the goals established in the previous housing plan, including goals established with respect to the populations described by Section 2306.0721(c)(1); and

(D) recommendations on how to improve the coordination of department services to the populations described by Section 2306.0721(c)(1);

(3) an explanation of the efforts made by the department to ensure the participation of individuals of low income and their community-based institutions in department programs that affect them;

(4) a statement of the evidence that the department has made an affirmative effort to ensure the involvement of individuals of low income and their community-based institutions in the allocation of funds and the planning process;

(5) a statistical analysis, delineated according to each ethnic and racial group served by the department, that indicates the progress made by the department in implementing the state low income housing plan in each of the uniform state service regions;

(6) an analysis, based on information provided by the fair housing sponsor reports required under Section 2306.0724 and other available data, of fair housing opportunities in each housing development that receives financial assistance from the department that includes the following information for each housing development that contains 20 or more living units:

(A) the street address and municipality or county in which the property is located;

(B) the telephone number of the property management or leasing agent

(C) the total number of units, reported by bedroom size;

(D) the total number of units, reported by bedroom size, designed for individuals who are physically challenged or who have special needs and the number of these individuals served annually;

(E) the rent for each type of rental unit, reported by bedroom size;

(F) the race or ethnic makeup of each project;

(G) the number of units occupied by individuals receiving government-supported housing assistance and the type of assistance received;

(H) the number of units occupied by individuals and families of extremely low income, very low income, low income, moderate income, and other levels of income;

(I) a statement as to whether the department has been notified of a violation of the fair housing law that has been filed with the United States Department of Housing and Urban Development, the Commission on Human Rights, or the United States Department of Justice; and

(J) a statement as to whether the development has any instances of material noncompliance with bond indentures or deed restrictions discovered through the normal monitoring activities and procedures that include meeting occupancy requirement or rent restrictions imposed by deed restriction or financing agreements;

(7) a report on the geographic distribution of low income housing tax credits, the amount of unused low income housing tax credits, and the amount of low income housing tax credits received from the federal pool of unused funds from other states; and

(8) a statistical analysis, based on information provided by the fair housing sponsor reports required by Section 2306.0724 and other available date, of average rents reported by county.

SEC. 2306.0721. LOW INCOME HOUSING PLAN

(a) Not later than March 18 of each year, the director shall prepare and submit to the board an integrated state low income housing plan for the next year.

(b) Not later than the 30th day after the date the board receives and approves the plan, the board shall submit the plan to the governor, lieutenant governor, and the speaker of the house of representatives.

(c) The plan must include:

(1) an estimate and analysis of the size and the different housing needs of the following populations in each uniform state service region:

(A) individuals and families of moderate, low, very low, and extremely low income;

(B) individuals with special needs;

(C) homeless individuals;

(D) veterans;

(E) farmworkers;

(F) youth who are aging out of foster care;

(G) Homeless youth, as defined by Section 2306.1101, and other individuals older than 18 years of age and younger than 25 years of age who are homeless; and

(H) elderly individuals;

(2) a proposal to use all available housing resources to address the housing needs of the populations described by Subdivision (1) by establishing funding levels for all housing-related programs;

(3) an estimate of the number of federally assisted housing units available for individuals and families of low and very low income and individuals with special needs in each uniform state service region;

(4) a description of state programs that govern the use of all available housing resources;

(5) a resource allocation plan that targets all available housing resources to individuals and families of low and very low income and individuals with special needs in each uniform state service region;

(6) a description of the department's efforts to monitor and analyze the unused or underused federal resources of other state agencies for housing-related services and services for homeless individuals and the department's recommendations to ensure the full use by the state of all available federal resources for those services in each uniform state service region;

(7) strategies to provide housing for individuals and families with special needs in each uniform state service region;

(8) a description of the department's efforts to encourage in each uniform state service region the construction of housing units that incorporate energy efficient construction and appliances;
(9) an estimate and analysis of the housing supply in each uniform state service region
(10) an inventory of all publicly and, where possible, privately funded housing resources, including public housing authorities, housing finance corporations, community housing development organizations, and community action agencies;
(11) strategies for meeting rural housing needs;
(12) a biennial action plan for colonias that:
(A) addresses current policy goals for colonia programs, strategies to meet the policy goals, and the projected outcomes with respect to the policy goals;
(B) includes information on the demand for contract-for-deed conversions, services from self-help centers, consumer education, and other colonia resident services in counties some part of which is within 150 miles of the international border of the state;
(13) a summary of public comments received at a hearing under this chapter or from another source that concern the demand for colonia resident services described by Subdivision (12); and
(13-a) information regarding foreclosures of residential property in this state, including the number and geographic location of those foreclosures.

(d) The priorities and policies in another plan adopted by the department must be consistent to the extent practical with the priorities and policies established in the state low income housing plan.

(e) To the extent consistent with federal law, the preparation and publication of the state low income housing plan shall be consistent with the filing and publication deadlines required of the department for the consolidated plan.

(f) The director may subdivide the uniform state serve regions as necessary for purposes of the state low income housing plan.

(g) The department shall include the plan developed by the Texas State Affordable Housing Corporation under Section 2306.566 in the department's resource allocation plan under Subsection (c)(5).

SEC. 2306.0722. PREPARATION OF PLAN AND REPORT

(a) Before preparing the annual low income housing report under Section 2306.072 and the state low income housing plan under Section 2306.0721, the department shall meet with regional planning commissions created under Chapter 391, Local Government Code, representatives of groups with an interest in low income housing, nonprofit housing organizations, managers, owners, and developers of affordable housing, local government officials, residents of low income housing, and members of the Colonia Resident Advisory Committee. The department shall obtain the comments and suggestions of the representatives, officials, residents, and members about the prioritization and allocation of the department's resources in regard to housing.
(b) In preparing the annual report under Section 2306.072 and the state low income housing plan under Section 2306.0721, the director shall:
(1) coordinate local, state, and federal housing resources, including tax exempt housing bond financing and low income housing tax credits;
(2) set priorities for the available housing resources to help the neediest individuals;
(3) evaluate the success of publicly supported housing programs

(4) survey and identify the unmet housing needs of individuals the department is required to assist;
(5) ensure that housing programs benefit an individual without regard to the individual's race, ethnicity, sex, or national origin;
(6) develop housing opportunities for individuals and families of low and very low income and individuals with special housing needs;
(7) develop housing programs through an open, fair, and public process;
(8) set priorities for assistance in a manner that is appropriate and consistent with the housing needs of the populations described by Section 2306.0721(c)(1);
(9) incorporate recommendations that are consistent with the consolidated plan submitted annually by the state to the Unites States Department of Housing and Urban Development;
(10) identify the organizations and individuals consulted by the department in preparing the annual report and state low income housing plan and summarize and incorporate comments and suggestions provided under Subsection (a) as the board determines to be appropriate;
(11) develop a plan to respond to changes in federal funding and programs for the provision of affordable housing;
(12) use the following standardized categories to describe the income of program applicants and beneficiaries:
    i. 0 to 30 percent of area median income adjust for family size;
    ii. more than 30 to 60 percent of area median income adjusted for family size;
    iii. more than 60 to 80 percent of area median income adjusted for family size;
    iv. more than 80 to 115 percent of area median income adjusted for family size; or
    v. more than 115 percent of area median income adjusted for family size;
(13) use the most recent census data combined with existing data from local housing and community service providers in the state, including public housing authorities, housing finance corporations, community housing development organizations, and community action agencies; and
(14) provide the needs assessment information compiled for report and plan to the Texas State Affordable Housing Corporation.

SEC. 2306.0723. PUBLIC PARTICIPATION REQUIREMENTS

The Department shall consider the annual low income housing report to be a rule and in developing the report shall follow rulemaking procedures required by Chapter 2001.

SEC. 2306.0724. FAIR HOUSING SPONSOR REPORT

(a) The Department shall require the owner of each housing development that receives financial assistance from the Department and that contains 20 or more living units to submit an annual fair housing sponsor report. The report must include the relevant information necessary for the analysis required by Section 2306.072(c)(6). In compiling the information for the report, the owner of each housing development shall use data current as of January 1 of the reporting year.
(b) The Department shall adopt rules regarding the procedure for filing the report.
(c) The Department shall maintain the reports in electronic and hard-copy formats readily available to the public at no cost.
(d) A housing sponsor who fails to file a report in a timely manner is subject to the following sanctions, as determined by the Department:
    (1) denial of a request for additional funding; or

(2) an administrative penalty in an amount not to exceed $1,000, assessed in the manner provided for an administrative penalty under Section 2306.6023.

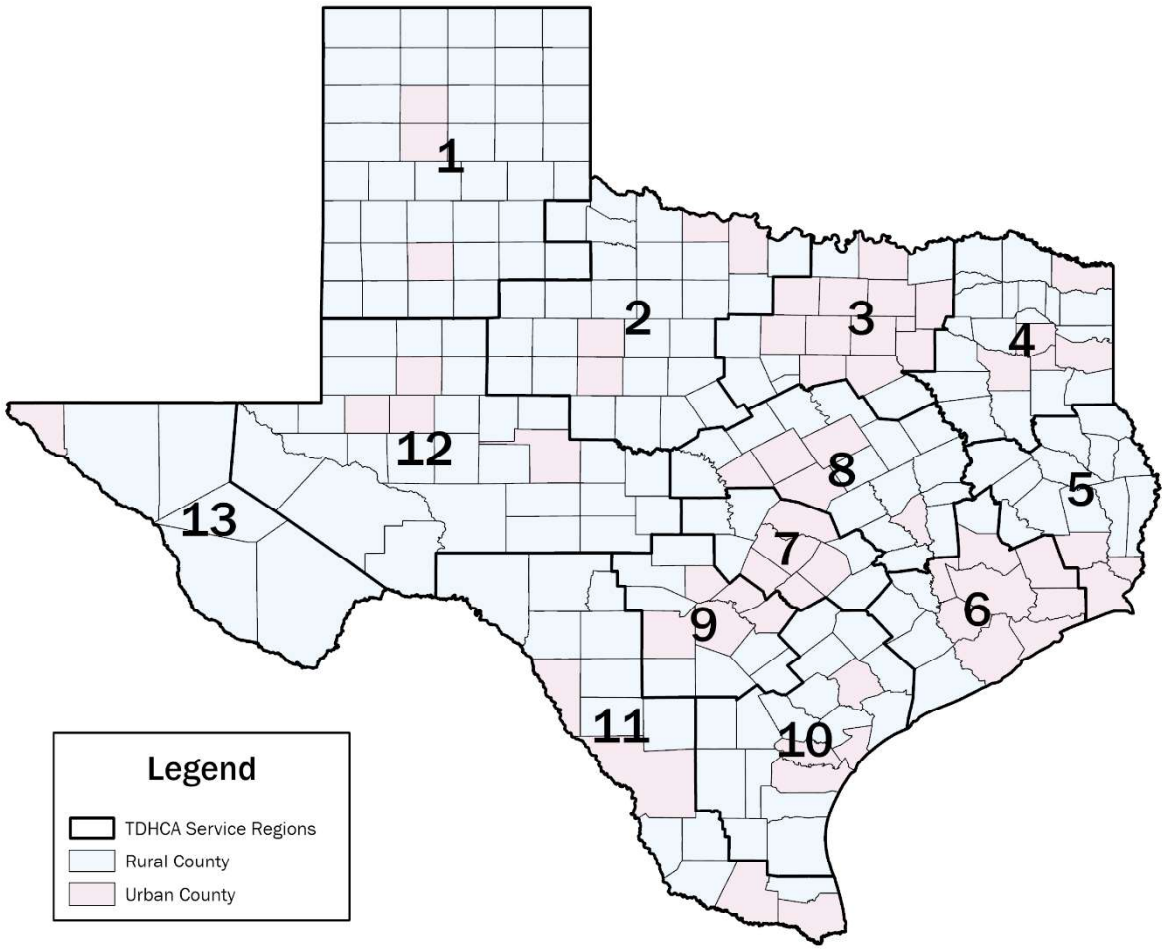
APPENDIX B: HOUSING ANALYSIS REGIONAL TABLES

The following notes apply to all Housing Analysis Regional Tables.

- Due to limitations of available data, only civilian, non-institutionalized persons with a disability are counted for each region's persons with disability population count. Statistics for total civilian non-institutionalized population are pulled from the 2018-20222019-2023 ACS, Table S1810 and available at the state or county level on the Census Bureau's data website (https://data.census.gov/).
- The figures reported for Persons with HIV/AIDS do not include those unaware of their HIV infection, or those who tested positive for HIV solely through an anonymous HIV test. In addition, 3,946 counted in Texas Department of Criminal Justice facilities, Federal Prison facilities, and Federal Immigration and Customs Enforcement facilities are not attributed to a geographic area and are only present in the total statewide figure.
- Veteran populations are compared to civilian population 18 years old and over. Statistics for total civilian population 18 years and over are pulled from the 2018-20222019-2023 ACS, Table S2101 and available at the state or county level on the Census Bureau's data website (https://data.census.gov/).
- Housing units reported in the 'Other' category under Physical Housing Characteristics of Housing Units can include any living quarters occupied as a housing unit that does not fit in the other categories. Examples that fit in the 'Other' category are houseboats, railroad cars, campers and vans.

For reference, a map and list of all Texas counties grouped by region with urban/rural designation has been included preceding the Housing Analysis Regional Tables.

TDHCA Service Regions



TDHCA Counties by Region with 2025 Urban/Rural Designation

Region 1	Region 2	Region 3	Region 4	Region 5	Region 6	Region 7	Region 8	Region 9	Region 10	Region 11	Region 12	Region 13
Armstrong	Archer	Collin	Anderson	Angelina	Austin	Bastrop	Bell	Atascosa	Aransas	Cameron	Andrews	Brewster
Bailey	Baylor	Cooke	Bowie	Hardin	Brazoria	Blanco	Bosque	Bandera	Bee	Dimmit	Borden	Culberson
Briscoe	Brown	Dallas	Camp	Houston	Chambers	Burnet	Brazos	Bexar	Brooks	Edwards	Coke	El Paso
Carson	Callahan	Denton	Cass	Jasper	Colorado	Caldwell	Burleson	Comal	Calhoun	Hidalgo	Concho	Hudspeth
Castro	Clay	Ellis	Cherokee	Jefferson	Fort Bend	Fayette	Coryell	Frio	DeWitt	Jim Hogg	Crane	Jeff Davis
Childress	Coleman	Erath	Delta	Nacogdoches	Galveston	Hays	Falls	Gillespie	Duval	Kinney	Crockett	Presidio
Cochran	Comanche	Fannin	Franklin	Newton	Harris	Lee	Freestone	Guadalupe	Goliad	La Salle	Dawson	
Collingsworth	Cottle	Grayson	Gregg	Orange	Liberty	Llano	Grimes	Karnes	Gonzales	Maverick	Ector	
Crosby	Eastland	Hood	Harrison	Polk	Matagorda	Travis	Hamilton	Kendall	Jackson	Real	Gaines	
Dallam	Fisher	Hunt	Henderson	Sabine	Montgomery	Williamson	Hill	Kerr	Jim Wells	Starr	Glasscock	
Deaf Smith	Foard	Johnson	Hopkins	San Augustine	Walker		Lampasas	Medina	Kenedy	Uvalde	Howard	
Dickens	Hardeman	Kaufman	Lamar	San Jacinto	Waller		Leon	Wilson	Kleberg	Val Verde	Irion	
Donley	Haskell	Navarro	Marion	Shelby	Wharton		Limestone		Lavaca	Webb	Kimble	
Floyd	Jack	Palo Pinto	Morris	Trinity			Madison		Live Oak	Willacy	Loving	
Garza	Jones	Parker	Panola	Tyler			McLennan		McMullen	Zapata	Martin	
Gray	Kent	Rockwall	Rains				Milam		Nueces	Zavala	Mason	
Hale	Knox	Somervell	Red River				Mills		Refugio		McCulloch	
Hall	Mitchell	Tarrant	Rusk				Robertson		San Patricio		Menard	
Hansford	Montague	Wise	Smith				San Saba		Victoria		Midland	
Hartley	Nolan		Titus				Washington				Pecos	
Hemphill	Runnels		Upshur								Reagan	
Hockley	Scurry		Van Zandt								Reeves	
Hutchinson	Shackelford		Wood								Schleicher	
King	Stephens										Sterling	
Lamb	Stonewall										Sutton	
Lipscomb	Taylor										Terrell	
Lubbock	Throckmorton										Tom Green	
Lynn	Wichita										Upton	
Moore	Wilbarger										Ward	
Motley	Young										Winkler	
Ochiltree												
Oldham												
Parmer												
Potter												
Randall												
Roberts												
Sherman												
Swisher												
Terry												
Wheeler												
Yoakum												

Legend:
Urban County
Rural County

Region 1		Rural	Urban	Total	Source
Individuals		293,894	575,058	868,952	2019-2023 ACS, DP05
Households	Owner	73,041	130,797	203,838	2019-2023 ACS, DP04
	Renter	30,404	91,369	121,773	
Elderly Persons (65 years+)		46,345	79,875	126,220	2019-2023 ACS, DP05
Persons with Disabilities		39,063	73,161	112,224	2019-2023 ACS, S1810
Persons with HIV/AIDS		266	1063	1,329	Texas DSHS, 2022
Incidents of Family Violence		1,324	7,410	8,734	Texas DPS, 2025
Veterans		11,728	28,610	40,338	2019-2023 ACS, S2101
Youth Aging out of Foster Care		21	45	66	Texas DFPS, 2025
Individuals Below 125% Poverty		58,797	114,575	173,372	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	11,287	30,470	41,757	2017-2021 CHAS, 8
	30-50%AMFI	12,174	25,775	37,949	
	50-80%AMFI	19,479	37,340	56,819	
	80-100%AMFI	11,322	21,680	33,002	
	Over100%AMFI	48,288	101,025	149,313	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	300	630	930	2017-2021 CHAS, 3
	30-50%AMFI	296	544	840	
	50-80%AMFI	207	375	582	
	80-100%AMFI	165	195	360	
	Over100%AMFI	345	380	725	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	7,143	23,180	30,323	2017-2021 CHAS, 8
	30-50%AMFI	5,527	17,850	23,377	
	50-80%AMFI	4,085	13,945	18,030	
	80-100%AMFI	1,281	3,394	4,675	
	Over100%AMFI	866	4,135	5,001	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	534	1,250	1,784	2017-2021 CHAS, 10
	30-50%AMFI	695	1,139	1,834	
	50-80%AMFI	803	1,688	2,491	
	80-100%AMFI	502	925	1,427	
	Over100%AMFI	1,381	1,780	3,161	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	129,694	246,738	376,432	2019-2023 ACS, DP04
	1unit	105,736	173,290	279,026	
	2units	2,025	6,950	8,975	
	3or4units	3,323	8,362	11,685	
	5to19units	4,462	23,186	27,648	
	20+units	1,564	19,576	21,140	
	Mobile home	12,345	15,027	27,372	
	Other	239	347	586	
Housing Occupancy	Occupied Units	103,445	222,166	325,611	2019-2023 ACS, DP04
	Vacant Units	26,249	24,572	50,821	
	Total	5,461	12,842	18,303	
Subsidized Multifamily Units	TDHCA Units	1,737	5,811	7,548	TDHCA Central Database, 2025
	HUD Units	633	1,367	2,000	HUD, 2024
	PHA Units	999	418	1,417	HUD, 2024
	USDA Units	927	71	998	USDA, 2025
	HCVs	1,165	5,175	6,340	HUD, 2024
Foreclosures		88	582	670	RealtyTrac, 2025

Region 2		Rural	Urban	Total	Source
Individuals		248,160	304,471	552,631	2019-2023 ACS, DP05
Households	Owner	71,267	70,875	142,142	2019-2023 ACS, DP04
	Renter	24,981	42,705	67,686	
Elderly Persons (65 years+)		51,272	46,413	97,685	2019-2023 ACS, DP05
Persons with Disabilities		45,660	42,488	88,148	2019-2023 ACS, S1810
Persons with HIV/AIDS		228	410	638	Texas DSHS, 2022
Incidents of Family Violence		1,550	2,378	3,928	Texas DPS, 2025
Veterans		14,856	22,150	37,006	2019-2023 ACS, S2101
Youth Aging out of Foster Care		22	42	64	Texas DFPS, 2025
Individuals Below 125% Poverty		45,320	52,827	98,147	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	10,205	13,750	23,955	2017-2021 CHAS, 8
	30-50%AMFI	12,715	12,485	25,200	
	50-80%AMFI	16,460	19,065	35,525	
	80-100%AMFI	10,323	11,880	22,203	
	Over100%AMFI	43,540	54,185	97,725	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	386	464	850	2017-2021 CHAS, 3
	30-50%AMFI	374	180	554	
	50-80%AMFI	292	345	637	
	80-100%AMFI	123	119	242	
	Over100%AMFI	303	199	502	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	6,706	9,860	16,566	2017-2021 CHAS, 8
	30-50%AMFI	5,655	7,815	13,470	
	50-80%AMFI	3,614	6,289	9,903	
	80-100%AMFI	1,026	2,164	3,190	
	Over100%AMFI	1,102	2,000	3,102	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	152	450	602	2017-2021 CHAS, 10
	30-50%AMFI	293	372	665	
	50-80%AMFI	514	560	1,074	
	80-100%AMFI	189	264	453	
	Over100%AMFI	1,311	884	2,195	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	122,939	129,459	252,398	2019-2023 ACS, DP04
	1unit	96,316	96,524	192,840	
	2units	3,603	3,566	7,169	
	3or4units	2,851	4,999	7,850	
	5to19units	3,032	11,698	14,730	
	20+units	1,831	5,683	7,514	
	Mobilehome	14,691	6,753	21,444	
	Other	615	236	851	
Housing Occupancy	OccupiedUnits	96,248	113,580	209,828	2019-2023 ACS, DP04
	VacantUnits	28,242	16,159	44,401	
Subsidized Multifamily Units	Total	7,415	7,827	15,242	
	TDHCAUnits	1,797	2,970	4,767	TDHCA Central Database, 2025
	HUDUnits	566	746	1,312	HUD, 2024
	PHAUnits	2671	1151	3,822	HUD, 2024
	USDAUnits	1353	222	1575	USDA, 2025
	HCVs	1,028	2,738	3,766	HUD, 2024
Foreclosures		84	355	439	RealtyTrac, 2025

Region 3		Rural	Urban	Total	Source
Individuals		278,605	7,947,543	8,226,148	2019-2023 ACS, DP05
Households	Owner	75,222	1,731,960	1,807,182	2019-2023 ACS, DP04
	Renter	28,187	1,147,243	1,175,430	
Elderly Persons (65 years+)		53,582	951,094	1,004,676	2019-2023 ACS, DP05
Persons with Disabilities		40,798	803,371	844,169	2019-2023 ACS, S1810
Persons with HIV/AIDS		321	34,684	35,005	Texas DSHS, 2022
Incidents of Family Violence		1,530	57,241	58,771	Texas DPS, 2025
Veterans		16,602	333,827	350,429	2019-2023 ACS, S2101
Youth Aging out of Foster Care		7	158	165	Texas DFPS, 2025
Individuals Below 125% Poverty		47,874	1,117,297	1,165,171	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	10,800	301,825	312,625	2017-2021 CHAS, 8
	30-50%AMFI	10,965	302,175	313,140	
	50-80%AMFI	16,630	467,715	484,345	
	80-100%AMFI	9,705	293,835	303,540	
	Over100%AMFI	50,810	1,378,550	1,429,360	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	294	7,125	7,419	2017-2021 CHAS, 3
	30-50%AMFI	119	4,335	4,454	
	50-80%AMFI	338	3,996	4,334	
	80-100%AMFI	133	1,693	1,826	
	Over100%AMFI	373	5,549	5,922	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	7,640	234,500	242,140	2017-2021 CHAS, 8
	30-50%AMFI	6,155	221,690	227,845	
	50-80%AMFI	6,139	210,424	216,563	
	80-100%AMFI	1,419	68,465	69,884	
	Over100%AMFI	2,569	77,943	80,512	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	580	21,324	21,904	2017-2021 CHAS, 10
	30-50%AMFI	469	24,328	24,797	
	50-80%AMFI	608	28,994	29,602	
	80-100%AMFI	376	14,658	15,034	
	Over100%AMFI	1,749	31,813	33,562	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	120,799	3,091,029	3,211,828	2019-2023 ACS, DP04
	1unit	88,511	2,040,477	2,128,988	
	2units	2,377	39,077	41,454	
	3or4units	2,551	106,225	108,776	
	5to19units	4,624	380,464	385,088	
	20+units	3,687	420,243	423,930	
	Mobilehome	18,649	101,005	119,654	
	Other	400	3,538	3,938	
Housing Occupancy	OccupiedUnits	103,409	2,879,203	2,982,612	2019-2023 ACS, DP04
	VacantUnits	17,390	211,826	229,216	
Subsidized Multifamily Units	Total	4,955	152,381	157,336	
	TDHCAUnits	1,445	84,066	85,511	TDHCA Central Database, 2025
	HUDUnits	826	8,905	9,731	HUD, 2024
	PHAUnits	660	4786	5,446	HUD, 2024
	USDAUnits	786	2928	3714	USDA, 2025
	HCVs	1,238	51,696	52,934	HUD, 2024
Foreclosures		218	7,482	7,700	RealtyTrac, 2025

Region 4		Rural	Urban	Total	Source
Individuals		597,208	566,643	1,163,851	2019-2023 ACS, DP05
Households	Owner	166,556	137,954	304,510	2019-2023 ACS, DP04
	Renter	54,882	66,838	121,720	
Elderly Persons (65 years+)		119,536	96,168	215,704	2019-2023 ACS, DP05
Persons with Disabilities		99,063	79,172	178,235	2019-2023 ACS, S1810
Persons with HIV/AIDS		1,372	1,428	2,800	Texas DSHS, 2022
Incidents of Family Violence		3,042	4,516	7,558	Texas DPS, 2025
Veterans		38,907	29,980	68,887	2019-2023 ACS, S2101
Youth Aging out of Foster Care		23	21	44	Texas DFPS, 2025
Individuals Below 125% Poverty		116,059	105,308	221,367	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	28,825	21,655	50,480	2017-2021 CHAS, 8
	30-50%AMFI	28,905	20,045	48,950	
	50-80%AMFI	41,090	27,840	68,930	
	80-100%AMFI	23,140	18,085	41,225	
	Over100%AMFI	117,370	88,955	206,325	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	1,482	564	2,046	2017-2021 CHAS, 3
	30-50%AMFI	928	325	1,253	
	50-80%AMFI	664	414	1,078	
	80-100%AMFI	194	219	413	
	Over100%AMFI	773	445	1,218	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	18,788	15,240	34,028	2017-2021 CHAS, 8
	30-50%AMFI	15,194	11,835	27,029	
	50-80%AMFI	11,633	10,025	21,658	
	80-100%AMFI	2,763	3,029	5,792	
	Over100%AMFI	3,917	3,204	7,121	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	1,188	1,004	2,192	2017-2021 CHAS, 10
	30-50%AMFI	1,168	878	2,046	
	50-80%AMFI	1,782	1,140	2,922	
	80-100%AMFI	848	699	1,547	
	Over100%AMFI	3,718	1,990	5,708	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	264,273	239,027	503,300	2019-2023 ACS, DP04
	1unit	191,947	166,647	358,594	
	2units	4,993	9,212	14,205	
	3or4units	5,631	7,367	12,998	
	5to19units	7,449	15,718	23,167	
	20+units	4,332	9,815	14,147	
	Mobilehome	48,016	29,508	77,524	
	Other	1,905	760	2,665	
Housing Occupancy	OccupiedUnits	221,438	204,792	426,230	2019-2023 ACS, DP04
	VacantUnits	42,835	34,235	77,070	
Subsidized Multifamily Units	Total	12,392	14,191	26,583	
	TDHCAUnits	4,441	6,014	10,455	TDHCA Central Database, 2025
	HUDUnits	1040	1,727	2,767	HUD, 2024
	PHAUnits	1895	311	2,206	HUD, 2024
	USDAUnits	2630	828	3458	USDA, 2025
	HCVs	2,386	5,311	7,697	HUD, 2024
Foreclosures		470	591	1,061	RealtyTrac, 2025

Region 5		Rural	Urban	Total	Source
Individuals		374,422	396,058	770,480	2019-2023 ACS, DP05
Households	Owner	101,680	99,748	201,428	2019-2023 ACS, DP04
	Renter	40,801	47,495	88,296	
Elderly Persons (65 years+)		72,079	61,900	133,979	2019-2023 ACS, DP05
Persons with Disabilities		71,200	59,733	130,933	2019-2023 ACS, S1810
Persons with HIV/AIDS		760	1,223	1,983	Texas DSHS, 2022
Incidents of Family Violence		2,388	4,558	6,946	Texas DPS, 2025
Veterans		23,246	20,199	43,445	2019-2023 ACS, S2101
Youth Aging out of Foster Care		13	8	21	Texas DFPS, 2025
Individuals Below 125% Poverty		89,359	81,829	171,188	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	19,200	19,415	38,615	2017-2021 CHAS, 8
	30-50%AMFI	19,100	15,485	34,585	
	50-80%AMFI	23,910	22,230	46,140	
	80-100%AMFI	13,445	14,960	28,405	
	Over100%AMFI	59,810	71,855	131,665	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	722	475	1,197	2017-2021 CHAS, 3
	30-50%AMFI	416	169	585	
	50-80%AMFI	333	260	593	
	80-100%AMFI	50	155	205	
	Over100%AMFI	406	475	881	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	12,985	12,550	25,535	2017-2021 CHAS, 8
	30-50%AMFI	9,308	8,410	17,718	
	50-80%AMFI	6,545	6,874	13,419	
	80-100%AMFI	1,660	2,585	4,245	
	Over100%AMFI	1,423	2,359	3,782	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	1,005	639	1,644	2017-2021 CHAS, 10
	30-50%AMFI	1,111	634	1,745	
	50-80%AMFI	1,479	850	2,329	
	80-100%AMFI	617	315	932	
	Over100%AMFI	2,198	1,550	3,748	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	181,562	171,718	353,280	2019-2023 ACS, DP04
	1unit	117,794	123,952	241,746	
	2units	3,649	3,093	6,742	
	3or4units	3,663	4,640	8,303	
	5to19units	6,242	16,596	22,838	
	20+units	4,657	6,885	11,542	
	Mobilehome	44,387	15,681	60,068	
	Other	1,170	871	2,041	
Housing Occupancy	OccupiedUnits	142,481	147,243	289,724	2019-2023 ACS, DP04
	VacantUnits	39,081	24,475	63,556	
Subsidized Multifamily Units	Total	9,867	17,513	27,380	
	TDHCAUnits	3,308	6,875	10,183	TDHCA Central Database, 2025
	HUDUnits	1030	3,357	4,387	HUD, 2024
	PHAUnits	1614	783	2,397	HUD, 2024
	USDAUnits	1056	166	1222	USDA, 2025
	HCVs	2,859	6,332	9,191	HUD, 2024
Foreclosures		306	435	741	RealtyTrac, 2025

Region 6		Rural	Urban	Total	Source
Individuals		207,665	7,216,019	7,423,684	2019-2023 ACS, DP05
Households	Owner	51,036	1,574,451	1,625,487	2019-2023 ACS, DP04
	Renter	24,141	1,004,783	1,028,924	
Elderly Persons (65 years+)		35,831	863,496	899,327	2019-2023 ACS, DP05
Persons with Disabilities		27,372	737,073	764,445	2019-2023 ACS, S1810
Persons with HIV/AIDS		329	33,760	34,089	Texas DSHS, 2022
Incidents of Domestic Violence		1,430	65,881	67,311	Texas DPS, 2025
Veterans		10,765	260,960	271,725	2019-2023 ACS, S2101
Youth Aging out of Foster Care		3	143	146	Texas DFPS, 2025
Individuals Below 125% Poverty		42,373	1,261,603	1,303,976	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	10,630	303,315	313,945	2017-2021 CHAS, 8
	30-50%AMFI	7,690	278,360	286,050	
	50-80%AMFI	13,075	391,990	405,065	
	80-100%AMFI	7,335	244,530	251,865	
	Over100%AMFI	32,565	1,229,770	1,262,335	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	359	6,480	6,839	2017-2021 CHAS, 3
	30-50%AMFI	228	3,450	3,678	
	50-80%AMFI	175	4,120	4,295	
	80-100%AMFI	53	1,504	1,557	
	Over100%AMFI	305	5,610	5,915	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	7,240	232,535	239,775	2017-2021 CHAS, 8
	30-50%AMFI	4,240	198,295	202,535	
	50-80%AMFI	4,435	174,415	178,850	
	80-100%AMFI	1,245	54,450	55,695	
	Over100%AMFI	1,520	68,704	70,224	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	324	25,060	25,384	2017-2021 CHAS, 10
	30-50%AMFI	543	26,329	26,872	
	50-80%AMFI	735	29,435	30,170	
	80-100%AMFI	219	14,274	14,493	
	Over100%AMFI	1,234	32,759	33,993	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	90,195	2,810,923	2,901,118	2019-2023 ACS, DP04
	1unit	60,488	1,846,259	1,906,747	
	2units	1,973	34,013	35,986	
	3or4units	2,694	82,426	85,120	
	5to19units	6,122	327,095	333,217	
	20+units	3,855	393,259	397,114	
	Mobilehome	14,689	122,318	137,007	
	Other	374	5,553	5,927	
Housing Occupancy	OccupiedUnits	75,177	2,579,234	2,654,411	2019-2023 ACS, DP04
	VacantUnits	15,018	231,689	246,707	
	Total	4,187	123,418	127,605	
Subsidized Multifamily Units	TDHCAUnits	1,688	76,123	77,811	TDHCA Central Database, 2025
	HUDUnits	794	11,798	12,592	HUD, 2024
	PHAUnits	371	3085	3,456	HUD, 2024
	USDAUnits	702	2339	3041	USDA, 2025
	HCVs	632	30,073	30,705	HUD, 2024
Foreclosures		134	11,779	11,913	RealtyTrac, 2025

Region 7		Rural	Urban	Total	Source
Individuals		127,624	2,357,497	2,485,121	2019-2023 ACS, DP05
Households	Owner	39,848	558,660	598,508	2019-2023 ACS, DP04
	Renter	11,543	389,989	401,532	
Elderly Persons (65 years+)		33,336	275,465	308,801	2019-2023 ACS, DP05
Persons with Disabilities		20,866	233,012	253,878	2019-2023 ACS, S1810
Persons with HIV/AIDS		155	7,110	7,265	Texas DSHS, 2022
Incidents of Family Violence		691	16,475	17,166	Texas DPS, 2025
Veterans		9,189	109,728	118,917	2019-2023 ACS, S2101
Youth Aging out of Foster Care		7	34	41	Texas DFPS, 2025
Individuals Below 125% Poverty		18,057	290,650	308,707	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	4,285	102,485	106,770	2017-2021 CHAS, 8
	30-50%AMFI	4,605	92,570	97,175	
	50-80%AMFI	7,870	154,850	162,720	
	80-100%AMFI	4,895	91,455	96,350	
	Over100%AMFI	25,130	421,155	446,285	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	124	2,090	2,214	2017-2021 CHAS, 3
	30-50%AMFI	110	1,300	1,410	
	50-80%AMFI	49	1,415	1,464	
	80-100%AMFI	90	830	920	
	Over100%AMFI	234	2,020	2,254	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	2,935	82,585	85,520	2017-2021 CHAS, 8
	30-50%AMFI	2,640	69,485	72,125	
	50-80%AMFI	2,840	66,415	69,255	
	80-100%AMFI	1,144	17,725	18,869	
	Over100%AMFI	1,328	22,530	23,858	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	43	7,445	7,488	2017-2021 CHAS, 10
	30-50%AMFI	195	6,625	6,820	
	50-80%AMFI	453	7,300	7,753	
	80-100%AMFI	154	3,552	3,706	
	Over100%AMFI	663	8,239	8,902	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	67,393	1,001,295	1,068,688	2019-2023 ACS, DP04
	1unit	51,236	629,711	680,947	
	2units	1,318	22,447	23,765	
	3or4units	1,424	29,693	31,117	
	5to19units	1,758	116,378	118,136	
	20+units	1,168	157,093	158,261	
	Mobilehome	10,114	43,283	53,397	
	Other	375	2,690	3,065	
Housing Occupancy	OccupiedUnits	51,391	948,649	1,000,040	2019-2023 ACS, DP04
	VacantUnits	16,002	52,646	68,648	
	Total	2,461	64,361	66,822	
Subsidized Multifamily Units	TDHCAUnits	1,061	49,458	50,519	TDHCA Central Database, 2025
	HUDUnits	142	4,518	4,660	HUD, 2024
	PHAUnits	265	1028	1,293	HUD, 2024
	USDAUnits	562	784	1346	USDA, 2025
	HCVs	431	8,573	9,004	HUD, 2024
Foreclosures		118	1,786	1,904	RealtyTrac, 2025

Region 8		Rural	Urban	Total	Source
Individuals		289,642	987,438	1,277,080	2019-2023 ACS, DP05
Households	Owner	83,360	199,920	283,280	2019-2023 ACS, DP04
	Renter	26,362	157,264	183,626	
Elderly Persons (65 years+)		61,167	120,932	182,099	2019-2023 ACS, DP05
Persons with Disabilities		46,894	129,407	176,301	2019-2023 ACS, S1810
Persons with HIV/AIDS		420	1,492	1,912	Texas DSHS, 2022
Incidents of Family Violence		3,862	5,271	9,133	Texas DPS, 2025
Veterans		17,567	85,087	102,654	2019-2023 ACS, S2101
Youth Aging out of Foster Care		27	29	56	Texas DFPS, 2025
Individuals Below 125% Poverty		50,471	204,258	254,729	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	11,750	46,010	57,760	2017-2021 CHAS, 8
	30-50%AMFI	12,350	37,735	50,085	
	50-80%AMFI	17,940	56,400	74,340	
	80-100%AMFI	10,105	33,520	43,625	
	Over100%AMFI	51,215	166,545	217,760	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	422	620	1,042	2017-2021 CHAS, 3
	30-50%AMFI	255	585	840	
	50-80%AMFI	319	430	749	
	80-100%AMFI	123	254	377	
	Over100%AMFI	475	945	1,420	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	7,833	36,050	43,883	2017-2021 CHAS, 8
	30-50%AMFI	5,903	28,290	34,193	
	50-80%AMFI	4,387	26,390	30,777	
	80-100%AMFI	1,048	8,205	9,253	
	Over100%AMFI	1,491	9,455	10,946	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	413	1,755	2,168	2017-2021 CHAS, 10
	30-50%AMFI	784	1,824	2,608	
	50-80%AMFI	699	2,740	3,439	
	80-100%AMFI	481	1,672	2,153	
	Over100%AMFI	1,702	3,500	5,202	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	135,753	397,152	532,905	2019-2023 ACS, DP04
	1unit	99,270	264,344	363,614	
	2units	2,964	17,859	20,823	
	3or4units	2,877	23,361	26,238	
	5to19units	2,471	39,438	41,909	
	20+units	1,971	27,809	29,780	
	Mobilehome	25,457	23,432	48,889	
	Other	743	909	1,652	
Housing Occupancy	OccupiedUnits	109,722	357,184	466,906	2019-2023 ACS, DP04
	VacantUnits	26,031	39,968	65,999	
Subsidized Multifamily Units	Total	6,374	20,176	26,550	
	TDHCAUnits	2,093	7,689	9,782	TDHCA Central Database, 2025
	HUDUnits	400	1,815	2,215	HUD, 2024
	PHAUnits	1545	1891	3,436	HUD, 2024
	USDAUnits	1440	842	2282	USDA, 2025
	HCVs	896	7,939	8,835	HUD, 2024
Foreclosures		511	733	1,244	RealtyTrac, 2025

Region 9		Rural	Urban	Total	Source
Individuals		236,354	2,489,654	2,726,008	2019-2023 ACS, DP05
Households	Owner	65,778	566,914	632,692	2019-2023 ACS, DP04
	Renter	20,911	338,820	359,731	
Elderly Persons (65 years+)		50,184	334,504	384,688	2019-2023 ACS, DP05
Persons with Disabilities		35,297	357,498	392,795	2019-2023 ACS, S1810
Persons with HIV/AIDS		279	7,642	7,921	Texas DSHS, 2022
Incidence of Family Violence		1,172	21,694	22,866	Texas DPS, 2025
Veterans		17,789	187,804	205,593	2019-2023 ACS, S2101
Youth Aging out of Foster Care		11	108	119	Texas DFPS, 2025
Individuals Below 125% Poverty		38,981	438,815	477,796	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	9,040	111,155	120,195	2017-2021 CHAS, 8
	30-50%AMFI	8,730	97,170	105,900	
	50-80%AMFI	12,825	147,040	159,865	
	80-100%AMFI	8,200	87,205	95,405	
	Over100%AMFI	44,670	426,735	471,405	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	374	2,545	2,919	2017-2021 CHAS, 3
	30-50%AMFI	210	1,510	1,720	
	50-80%AMFI	170	1,390	1,560	
	80-100%AMFI	65	475	540	
	Over100%AMFI	313	2,320	2,633	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	5,870	80,780	86,650	2017-2021 CHAS, 8
	30-50%AMFI	4,435	67,710	72,145	
	50-80%AMFI	4,035	64,735	68,770	
	80-100%AMFI	1,505	19,105	20,610	
	Over100%AMFI	1,850	24,995	26,845	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	514	7,165	7,679	2017-2021 CHAS, 10
	30-50%AMFI	763	6,973	7,736	
	50-80%AMFI	695	8,545	9,240	
	80-100%AMFI	517	3,885	4,402	
	Over100%AMFI	1,928	9,909	11,837	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	101,735	987,565	1,089,300	2019-2023 ACS, DP04
	1unit	69,462	678,453	747,915	
	2units	1,487	15,725	17,212	
	3or4units	2,438	38,613	41,051	
	5to19units	2,911	116,446	119,357	
	20+units	1,865	93,880	95,745	
	Mobilehome	23,003	43,091	66,094	
	Other	569	1,357	1,926	
Housing Occupancy	OccupiedUnits	86,689	905,734	992,423	2019-2023 ACS, DP04
	VacantUnits	15,046	81,831	96,877	
	Total	3,581	63,943	67,524	
Subsidized Multifamily Units	TDHCAUnits	1,688	35,510	37,198	TDHCA Central Database, 2025
	HUDUnits	390	4,337	4,727	HUD, 2024
	PHAUnits	399	6553	6,952	HUD, 2024
	USDAUnits	562	272	834	USDA, 2025
	HCVs	542	17,271	17,813	HUD, 2024
Foreclosures		193	3,682	3,875	RealtyTrac, 2025

Region 10		Rural	Urban	Total	Source
Individuals		238,309	538,078	776,387	2019-2023 ACS, DP05
Households	Owner	59,234	126,748	185,982	2019-2023 ACS, DP04
	Renter	26,413	74,398	100,811	
Elderly Persons (65 years+)		41,882	87,839	129,721	2019-2023 ACS, DP05
Persons with Disabilities		36,540	79,761	116,301	2019-2023 ACS, S1810
Persons with HIV/AIDS		377	877	1,254	Texas DSHS, 2022
Incidence of Family Violence		1,480	7,317	8,797	Texas DPS, 2025
Veterans		12,258	34,981	47,239	2019-2023 ACS, S2101
Youth Aging out of Foster Care		9	18	27	Texas DFPS, 2025
Individuals Below 125% Poverty		51,531	112,867	164,398	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	12,194	26,315	38,509	2017-2021 CHAS, 8
	30-50%AMFI	9,897	22,140	32,037	
	50-80%AMFI	14,399	31,390	45,789	
	80-100%AMFI	7,518	17,605	25,123	
	Over100%AMFI	38,120	100,875	138,995	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	439	1,285	1,724	2017-2021 CHAS, 3
	30-50%AMFI	393	540	933	
	50-80%AMFI	427	545	972	
	80-100%AMFI	28	240	268	
	Over100%AMFI	382	640	1,022	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	7,540	18,830	26,370	2017-2021 CHAS, 8
	30-50%AMFI	4,806	13,334	18,140	
	50-80%AMFI	2,918	13,735	16,653	
	80-100%AMFI	651	4,290	4,941	
	Over100%AMFI	923	5,474	6,397	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	808	1,160	1,968	2017-2021 CHAS, 10
	30-50%AMFI	502	1,103	1,605	
	50-80%AMFI	1,011	2,210	3,221	
	80-100%AMFI	388	830	1,218	
	Over100%AMFI	1,391	2,785	4,176	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	108,780	238,096	346,876	2019-2023 ACS, DP04
	1unit	80,092	162,240	242,332	
	2units	2,376	6,904	9,280	
	3or4units	3,186	12,808	15,994	
	5to19units	4,015	25,877	29,892	
	20+units	2,494	13,866	16,360	
	Mobilehome	16,053	15,428	31,481	
	Other	564	973	1,537	
Housing Occupancy	OccupiedUnits	85,647	201,146	286,793	2019-2023 ACS, DP04
	VacantUnits	23,133	36,950	60,083	
Subsidized Multifamily Units	Total	6,962	15,077	22,039	
	TDHCAUnits	1,923	6,313	8,236	TDHCA Central Database, 2025
	HUDUnits	853	2,665	3,518	HUD, 2024
	PHAUnits	1426	965	2,391	HUD, 2024
	USDAUnits	908	350	1258	USDA, 2025
	HCVs	1,852	4,784	6,636	HUD, 2024
Foreclosures		626	672	1,298	RealtyTrac, 2025

Region 11		Rural	Urban	Total	Source
Individuals		209,474	1,629,614	1,839,088	2019-2023 ACS, DP05
Households	Owner	46,151	330,258	376,409	2019-2023 ACS, DP04
	Renter	19,952	167,197	187,149	
Elderly Persons (65 years+)		29,894	194,687	224,581	2019-2023 ACS, DP05
Persons with Disabilities		33,637	203,155	236,792	2019-2023 ACS, S1810
Persons with HIV/AIDS		272	3,043	3,315	Texas DSHS, 2022
Incidents of Family Violence		1,154	14,556	15,710	Texas DPS, 2025
Veterans		7,669	38,605	46,274	2019-2023 ACS, S2101
Youth Aging out of Foster Care		8	32	40	Texas DFPS, 2025
Individuals Below 125% Poverty		73,683	529,235	602,918	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	17,525	85,645	103,170	2017-2021 CHAS, 8
	30-50%AMFI	12,409	68,170	80,579	
	50-80%AMFI	13,130	76,975	90,105	
	80-100%AMFI	7,680	43,040	50,720	
	Over100%AMFI	31,880	184,325	216,205	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	618	2,490	3,108	2017-2021 CHAS, 3
	30-50%AMFI	104	1,530	1,634	
	50-80%AMFI	128	1,200	1,328	
	80-100%AMFI	195	400	595	
	Over100%AMFI	283	1,200	1,483	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	10,654	60,270	70,924	2017-2021 CHAS, 8
	30-50%AMFI	4,417	36,440	40,857	
	50-80%AMFI	2,814	21,290	24,104	
	80-100%AMFI	829	5,615	6,444	
	Over100%AMFI	518	7,025	7,543	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	1,680	13,565	15,245	2017-2021 CHAS, 10
	30-50%AMFI	1,549	9,345	10,894	
	50-80%AMFI	1,321	9,705	11,026	
	80-100%AMFI	769	5,760	6,529	
	Over100%AMFI	2,146	13,675	15,821	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	81,284	566,723	648,007	2019-2023 ACS, DP04
	1unit	60,594	383,858	444,452	
	2units	2,333	20,619	22,952	
	3or4units	2,868	28,383	31,251	
	5to19units	2,406	33,823	36,229	
	20+units	1,623	27,027	28,650	
	Mobilehome	11,273	70,774	82,047	
	Other	187	2,239	2,426	
Housing Occupancy	OccupiedUnits	66,103	497,455	563,558	2019-2023 ACS, DP04
	VacantUnits	15,181	69,268	84,449	
Subsidized Multifamily Units	Total	5,639	38,612	44,251	
	TDHCAUnits	1,665	16,842	18,507	TDHCA Central Database, 2025
	HUDUnits	356	2,944	3,300	HUD, 2024
	PHAUnits	1041	3881	4,922	HUD, 2024
	USDAUnits	533	789	1322	USDA, 2025
	HCVs	2,044	14,156	16,200	HUD, 2024
Foreclosures		60	1,921	1,981	RealtyTrac, 2025

Region 12		Rural	Urban	Total	Source
Individuals		182,549	459,330	641,879	2019-2023 ACS, DP05
Households	Owner	48,986	118,120	167,106	2019-2023 ACS, DP04
	Renter	16,506	59,486	75,992	
Elderly Persons (65 years+)		26,965	54,579	81,544	2019-2023 ACS, DP05
Persons with Disabilities		23,580	53,449	77,029	2019-2023 ACS, S1810
Persons with HIV/AIDS		176	485	661	Texas DSHS, 2022
Incidents of Family Violence		1,148	5,045	6,193	Texas DPS, 2025
Veterans		7,189	19,764	26,953	2019-2023 ACS, S2101
Youth Aging out of Foster Care		4	13	17	Texas DFPS, 2025
Individuals Below 125% Poverty		32,647	72,334	104,981	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	8,073	19,780	27,853	2017-2021 CHAS, 8
	30-50%AMFI	8,138	17,450	25,588	
	50-80%AMFI	10,268	27,750	38,018	
	80-100%AMFI	5,360	17,774	23,134	
	Over100%AMFI	32,715	86,465	119,180	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	172	545	717	2017-2021 CHAS, 3
	30-50%AMFI	178	445	623	
	50-80%AMFI	113	234	347	
	80-100%AMFI	14	105	119	
	Over100%AMFI	369	460	829	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	5,064	13,584	18,648	2017-2021 CHAS, 8
	30-50%AMFI	3,410	10,244	13,654	
	50-80%AMFI	2,560	11,150	13,710	
	80-100%AMFI	503	3,515	4,018	
	Over100%AMFI	569	2,940	3,509	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	466	1,070	1,536	2017-2021 CHAS, 10
	30-50%AMFI	222	1,035	1,257	
	50-80%AMFI	487	1,525	2,012	
	80-100%AMFI	194	1,019	1,213	
	Over100%AMFI	1,150	3,565	4,715	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	79,694	193,263	272,957	2019-2023 ACS, DP04
	1unit	60,965	129,399	190,364	
	2units	1,377	2,347	3,724	
	3or4units	1,682	5,608	7,290	
	5to19units	2,204	18,984	21,188	
	20+units	1,660	14,728	16,388	
	Mobilehome	11,474	20,867	32,341	
	Other	332	1,330	1,662	
Housing Occupancy	OccupiedUnits	65,492	177,606	243,098	2019-2023 ACS, DP04
	VacantUnits	14,202	15,657	29,859	
Subsidized Multifamily Units	Total	3,804	8,843	12,647	
	TDHCAUnits	1,490	4,589	6,079	TDHCA Central Database, 2025
	HUDUnits	361	1,268	1,629	HUD, 2024
	PHAUnits	757	287	1,044	HUD, 2024
	USDAUnits	560	0	560	USDA, 2025
	HCVs	636	2,699	3,335	HUD, 2024
Foreclosures		54	556	610	RealtyTrac, 2025

Region 13		Rural	Urban	Total	Source
Individuals		22,759	866,275	889,034	2019-2023 ACS, DP05
Households	Owner	6,460	188,705	195,165	2019-2023 ACS, DP04
	Renter	3,205	107,636	110,841	
Elderly Persons (65 years+)		5,334	111,186	116,520	2019-2023 ACS, DP05
Persons with Disabilities		4,062	115,986	120,048	2019-2023 ACS, S1810
Persons with HIV/AIDS		31	398	429	Texas DSHS, 2022
Incidents of Family Violence		41	1,092	1,133	Texas DPS, 2025
Veterans		1,245	47,304	48,549	2019-2023 ACS, S2101
Youth Aging out of Foster Care		1	18	19	Texas DFPS, 2025
Individuals Below 125% Poverty		5,839	210,926	216,765	2019-2023 ACS, S1701
Households by Income Group	0-30%AMFI	1,955	42,400	44,355	2017-2021 CHAS, 8
	30-50%AMFI	1,185	36,925	38,110	
	50-80%AMFI	1,870	49,810	51,680	
	80-100%AMFI	869	28,480	29,349	
	Over100%AMF	3,540	130,575	134,115	
Number of Units Lacking Kitchen and/or Plumbing by Income Category	0-30%AMFI	135	670	805	2017-2021 CHAS, 3
	30-50%AMFI	8	355	363	
	50-80%AMFI	23	725	748	
	80-100%AMFI	-	210	210	
	Over100%AMF	8	605	613	
Number of Households with Housing Cost Burden by Income Category	0-30%AMFI	1,125	30,605	31,730	2017-2021 CHAS, 8
	30-50%AMFI	488	23,740	24,228	
	50-80%AMFI	169	21,455	21,624	
	80-100%AMFI	130	6,535	6,665	
	Over100%AMFI	60	6,110	6,170	
Number of Households Experiencing Overcrowding by Income Category	0-30%AMFI	79	2,795	2,874	2017-2021 CHAS, 10
	30-50%AMFI	123	2,960	3,083	
	50-80%AMFI	14	3,545	3,559	
	80-100%AMFI	44	1,105	1,149	
	Over100%AMF	84	5,550	5,634	
Physical Housing Characteristics for Housing Units (Number of Units in Structure)	Total	13,214	317,665	330,879	2019-2023 ACS, DP04
	1unit	9,124	226,738	235,862	
	2units	228	7,929	8,157	
	3or4units	553	14,130	14,683	
	5to19units	363	31,891	32,254	
	20+units	300	18,436	18,736	
	Mobilehome	2,518	18,201	20,719	
	Other	128	340	468	
Housing Occupancy	OccupiedUnits	9,847	292,580	302,427	2019-2023 ACS, DP04
	VacantUnits	3,367	25,085	28,452	
	Total	689	28,545	29,234	
Subsidized Multifamily Units	TDHCAUnits	235	14,599	14,834	TDHCA Central Database, 2025
	HUDUnits	0	6,993	6,993	HUD, 2024
	PHAUnits	85	25	110	HUD, 2024
	USDAUnits	146	24	170	USDA, 2025
	HCVs	223	6,904	7,127	HUD, 2024
Foreclosures		3	315	318	RealtyTrac, 2025

APPENDIX C: RACIAL AND ETHNIC COMPOSITION OF HOUSEHOLDS AND INDIVIDUALS RECEIVING ASSISTANCE THROUGH COMMUNITY AFFAIRS PROGRAMS OR HOMELESSNESS PROGRAMS

TDHCA's Community Affairs programs and Homelessness programs allocate funding to subrecipient entities with service areas that span two or more uniform TDHCA state service regions, so racial data for these programs are reported by entity rather than by region. For the purpose of this report, all counties served will be grouped by subrecipients.

Due to the data reporting techniques of the Weatherization Assistance Program (WAP), Comprehensive Energy Assistance Program (CEAP) and Community Services Block Grant (CSBG) race and ethnicity are combined into one category, and Asian and Native Hawaiian/Other Pacific Islander are also combined into one category. Note that some entities may have served a slightly different set of counties under different contracts and may have served the same county in different periods within the fiscal year.

Negative amounts in the following tables reflect adjustments from figures previously submitted from Subrecipients to TDHCA in monthly and annual performance reports.

Racial and Ethnic Composition of Households Receiving WAP Assistance by Subrecipient Statewide, SFY 20242025

WAP Subrecipient	Counties Served	Expended	Households Served	American Indian/Alaskan Native	Asian/Pacific Islander	Black	White	Unknown	Other	Hispanic
Alamo Area Council of Governments	ATASCOSA,BANDERA,BEXAR,COMAL,FRIO,GILLESPIE,GUADALUPE,KARNES,KENDALL,KERR,MEDINA,WILSON	$398,898.83	21	0	0	5	16	0	0	38
BakerRipley	HARRIS	$2,948.00	101	0	9	57	22	0	13	12
Brazos Valley Community Action Programs	BRAZOS,BURLESON,GRIMES,LEON,MADISON,MONTGOMERY,ROBERTSON,WALKER,WALLER,WASHINGTON	$-	4	0	0	3	1	0	0	0
City of Fort Worth	TARRANT	$-	25	0	0	15	8	0	2	11
Combined Community Action, Inc.	AUSTIN,BASTROP,BLANCO,CALDWELL,COLORADO,FAYETTE,FORT BEND,HAYS,LEE	$36,817.22	22	0	0	14	8	0	0	5
Community Action Corporation of South Texas	BROOKS,CAMERON,DUVAL,HIDALGO,JIM HOGG,JIM WELLS,KENEDY,KLEBERG,SAN PATRICIO,STARR,WEBB,WILLACY,ZAPATA	$126,975.75	3	0	0	0	1	0	2	88
Community Council of South Central Texas, Inc.	BREWSTER,CRANE,CULBERSON,DIMMIT,EDWARDS,HUDSPETH,JEFF DAVIS,KINNEY,LA SALLE,MAVERICK,PECOS,PRESIDIO,REAL,TERRELL,UVALDE,VAL VERDE,ZAVALA	$35,871.77	2	0	0	0	2	0	0	22
Concho Valley Community Action Agency	COKE,COLEMAN,CONCHO,CROCKETT,IRION,KIMBLE,MCCULLOCH,MENARD,REAGAN,RUNNELS,SCHLEICHER,STERLING,SUTTON,TOM GREEN	$-	2	0	0	0	2	0	0	11
Crossroads Community Action	ARANSAS,BEE,BRAZORIA,CALHOUN,DE WITT,GOLIAD,GONZALES,JACKSON,LAVACA,LIVE OAK,MATAGORDA,MCMULLEN,REFUGIO,VICTORIA,WHARTON	$91,698.20	3	0	0	1	2	0	0	3

Economic Opportunities Advancement Corporation of PR XI	BOSQUE,ELLIS,FALLS,FREESTONE,HILL,JOHNSON,LIMESTONE,MCLENNAN,NAVARRO	$-	22	0	0	5	17	0	0	1
El Paso Community Action Program, Project Bravo, Inc.	EL PASO	$205,839.92	37	0	0	0	37	0	0	0
Greater East Texas Community Action Program (GETCAP)	ANDERSON,ANGELINA,CHAMBERS,CHEROKEE,GALVESTON,GREGG,HARDIN,HARRISON,HENDERSON,HOUSTON,JASPER,JEFFERSON,KAUFMAN,LIBERTY,NACOGDOCHES,NEWTON,ORANGE,PANOLA,POLK,RUSK,SABINE,SAN AUGUSTINE,SAN JACINTO,SHELBY,SMITH,TRINITY,TYLER,UPSHUR,VAN ZANDT,WOOD	$-	45	0	0	25	18	0	2	2
Hill Country Community Action Association, Inc.	BELL,BURNET,CORYELL,ERATH,HAMILTON,LAMPASAS,LLANO,MASON,MILAM,MILLS,SAN SABA,SOMERVELL,WILLIAMSON	$-	15	0	0	2	13	0	0	0
Nueces County Community Action Agency	NUECES	$-	3	0	0	2	1	0	0	5
Panhandle Community Services	ARMSTRONG,BRISCOE,CARSON,CASTRO,CHILDRESS,COLLINGSWORTH,DALLAM,DEAF SMITH,DONLEY,GRAY,HALL,HANSFORD,HARTLEY,HEMPHILL,HUTCHINSON,LIPSCOMB,MOORE,OCHILTREE,OLDHAM,PARMER,POTTER,RANDALL,ROBERTS,SHERMAN,SWISHER,WHEELER	$-	20	0	0	5	15	0	0	20
Rolling Plains Management Corporation	ARCHER,BAYLOR,BROWN,CALLAHAN,CLAY,COMANCHE,COTTLE,EASTLAND,FOARD,HARDEMAN,HASKELL,HOOD,JACK,JONES,KENT,KNOX,MONTAGUE,PALO PINTO,PARKER,SHACKELFORD,STEP	$-	118	0	0	8	100	0	10	11

	HENS,STONEWALL,TAYLOR,THROCKMORTON,WICHITA,WILBARGER,WISE,YOUNG									
South Plains Community Action Association, Inc.	BAILEY,COCHRAN,CROSBY,DICKENS,FLOYD,GARZA,HALE,HOCKLEY,KING,LAMB,LUBBOCK,LYNN,MOTLEY,TERRY,YOAKUM	$70,600.75	10	0	0	1	8	0	1	10
Texoma Council of Governments	BOWIE,CAMP,CASS,COLLIN,COOKE,DELTA,DENTON,FANNIN,FRANKLIN,GRAYSON,HOPKINS,HUNT,LAMAR,MARION,MORRIS,RAINS,RED RIVER,ROCKWALL,TITUS	$-	18	0	0	7	11	0	0	0
Travis County	TRAVIS	$-	14	0	2	5	5	0	2	5
West Texas Opportunities, Inc.	ANDREWS,BORDEN,DAWSON,ECTOR,FISHER,GAINES,GLASSCOCK,HOWARD,LOVING,MARTIN,MIDLAND,MITCHELL,NOLAN,REEVES,SCURRY,UPTON,WARD,WINKLER	$-	0	0	0	0	0	0	0	2

*****The WAP program does not report race and ethnicity separately. This may result in a lower number of Hispanic households served reported.

Racial and Ethnic Composition of Households Receiving CEAP Assistance by Subrecipient Statewide, FY 20242025

CEAP Subrecipient	Counties Served	Expended	Households Served	American Indian/Alaskan Native	Asian/Pacific Islander	Black	Hispanic	White	Other
Aspermont Small Business Development Center, Inc.	HASKELL,JONES,KENT,KNOX,STONEWALL,THROCKMORTON	$912,760.28	317	1	2	57	226	249	8
BakerRipley	BRAZORIA,GALVESTON,HARRIS	$25,786,313.00	14,380	37	1,228	9,346	1,050	2,597	1,172
Bexar County Community Resources	BEXAR	$9,702,701.78	1,819	-	19	1,063	5,950	556	181
Brazos Valley Community Action Programs	BRAZOS,BURLESON,GRIMES,LEON,MADISON,MONTGOMERY,ROBERTSON,WALKER,WALLER,WASHINGTON	$5,525,037.75	6,901	27	57	4,341	1,178	2,476	-
City of Fort Worth	TARRANT	$5,344,994.89	2,959	23	112	1,943	219	725	156
City of Lubbock	LUBBOCK	$1,909,515.75	853	6	8	589	697	220	30
Combined Community Action, Inc.	AUSTIN,BASTROP,COLORADO,FAYETTE,FORT BEND,LEE	$1,788,419.65	1,327	2	20	695	-	572	38
Community Action Corporation of South Texas	BEE,BROOKS,CAMERON,DUVAL,JIM WELLS,SAN PATRICIO,WILLACY	$6,394,127.95	90	6	1	15	4,024	27	41
Community Action Inc. of Central Texas	BLANCO,CALDWELL,HAYS	$1,137,718.07	1,073	6	7	155	-	869	36
Community Council of	ATASCOSA,BANDERA,BREWSTER,CO	$6,450,317.54	713	11	5	125	3,567	546	26

South Central Texas, Inc.	MAL,CULBERSON, DIMMIT,EDWARDS ,FRIO,GILLESPIE,G UADALUPE,HUDSP ETH,JEFF DAVIS,KARNES,KE NDALL,KERR,KINN EY,LA SALLE,LIVE OAK,MAVERICK,M CMULLEN,MEDINA ,PRESIDIO,REAL,U VALDE,VAL VERDE,WILSON,ZA VALA								
Community Services of Northeast Texas, Inc.	BOWIE,CAMP,CAS S,DELTA,FRANKLI N,HOPKINS,LAMA R,MARION,MORRI S,RAINS,RED RIVER,TITUS	$2,996,392.57	1,783	10	2	1,224	14	527	20
Concho Valley Community Action Agency	COKE,CONCHO,CR OCKETT,IRION,KIM BLE,MENARD,REA GAN,SCHLEICHER, STERLING,SUTTON ,TOM GREEN	$2,051,024.29	721	-	1	104	523	593	23
Cornerstone Community AA	BROWN,CALLAHA N,COLEMAN,COMA NCHE,EASTLAND, MCCULLOCH,RUN NELS	$1,082,237.49	460	3	8	51	173	384	14
Crossroads Community Action	ARANSAS,CALHOU N,DE WITT,GOLIAD,GON ZALES,JACKSON,L AVACA,REFUGIO,VI CTORIA	$1,150,044.16	1,228	7	8	359	-	821	33

Dallas County Department of Health and Human Services	DALLAS	$13,758,615.87	9,010	21	169	7,127	-	1,654	39
Economic Action Committee of The Gulf Coast	MATAGORDA,WHARTON	$731,336.85	462	-	2	247	-	212	1
Economic Opportunities Advancement Corporation of PR XI	BOSQUE,ELLIS,FALLS,FREESTONE,HILL,LIMESTONE,MCLENNAN,NAVARRO	$2,949,867.04	1,827	6	5	1,381	287	384	51
El Paso Community Action Program, Project Bravo, Inc.	EL PASO	$7,238,252.76	344	20	24	164	7,244	90	46
Greater East Texas Community Action Program (GETCAP)	ANDERSON,ANGELINA,CHAMBERS,CHEROKEE,GREGG,HARDIN,HENDERSON,HOUSTON,JEFFERSON,KAUFMAN,LIBERTY,NACOGDOCHES,ORANGE,POLK,RUSK,SAN JACINTO,SMITH,TRINITY,VAN ZANDT,WOOD	$12,531,618.88	8,424	17	106	6,259	-	1,907	135
Hidalgo County, Texas-County of Hidalgo Community Service Agency	HIDALGO	$7,909,744.21	7,006	3	5	17	-	6,934	47

Hill Country Community Action Association, Inc.	BELL,CORYELL,HAMILTON,LAMPASAS,LLANO,MASON,MILAM,MILLS,SANSABA	$2,146,769.65	1,337	8	8	418	-	844	59
Kleberg County Human Services	KENEDY,KLEBERG	$1,308,309.86	224	-	-	36	542	164	24
Nueces County Community Action Agency	NUECES	$1,985,970.55	373	2	4	255	1,743	96	16
Opportunities for Williamson and Burnet Counties	BURNET,WILLIAMSON	$1,329,895.65	839	3	30	244	174	524	38
Panhandle Community Services	ARMSTRONG,BRISCOE,CARSON,CASTRO,CHILDRESS,COLLINGSWORTH,DALLAM,DEAF SMITH,DONLEY,GRAY,HALL,HANSFORD,HARTLEY,HEMPHILL,HUTCHINSON,LIPSCOMB,MOORE,OCHILTREE,OLDHAM,PARMER,POTTER,RANDALL,ROBERTS,SHERMAN,SWISHER,WHEELER	$3,383,598.44	1,376	25	14	475	1,202	806	56
Pecos County Community Action Agency	CRANE,PECOS,TERRELL	$706,334.73	54	-	2	7	452	45	-
Rolling Plains Management Corporation	ARCHER,BAYLOR,CLAY,COTTLE,FOARD,HARDEMAN,JACK,MONTAGUE,SHA	$3,552,299.08	1,845	11	9	593	259	1,147	85

	CKELFORD,STEPHENS,TAYLOR,WICHITA,WILBARGER,YOUNG								
South Plains Community Action Association, Inc.	BAILEY,COCHRAN,CROSBY,DICKENS,FLOYD,GARZA,HALE,HOCKLEY,KING,LAMB,LYNN,MOTLEY,TERRY,YOAKUM	$2,256,156.70	1,554	1	-	122	-	1,420	11
South Texas Development Council	JIM HOGG,STARR,ZAPATA	$580,138.81	197	-	1	-	403	196	-
Texas Neighborhood Services	ERATH,HOOD,JOHNSON,PALO PINTO,PARKER,SOMERVELL,WISE	$1,252,472.56	1,188	9	4	107	-	1,048	20
Texoma Council of Governments	COLLIN,COOKE,DENTON,FANNIN,GRAYSON,HUNT,ROCKWALL	$5,331,553.17	3,853	34	213	1,951	271	1,455	200
Travis County	TRAVIS	$6,882,067.67	3,821	31	88	2,527	2,468	966	209
Tri-County Community Action, Inc.	HARRISON,JASPER,NEWTON,PANOLA,SABINE,SAN AUGUSTINE,SHELBY,TYLER,UPSHUR	$2,220,452.44	1,912	4	1	1,380	3	489	38
Webb County Community Action Agency	WEBB	$1,897,528.28	16	-	1	2	2,285	9	4
West Texas Opportunities, Inc.	ANDREWS,BORDEN,DAWSON,ECTOR,FISHER,GAINES,GLASSCOCK,HOWARD,LOVING,MARTIN,MIDLAND,MITCHELL,NOLAN,REEVE	$3,635,185.87	1,138	9	2	531	1,749	552	44

S,SCURRY,UPTON, WARD,WINKLER	

*The CEAP program does not report race and ethnicity separately. This may result in a lower number of Hispanic households served reported.

Racial and Ethnic Composition of Individuals Receiving CSBG Assistance by Subrecipient, Statewide FY 20242025

CSBG Subrecipient	Counties Served	Expended	Individuals Served	American Indian/Alaskan Native	Asian/Pacific Islander	Black	White	Other/Unknown	Hispanic	Non-Hispanic	Ethnicity Unknown
Adults and Youth United Development Association, Inc.	EL PASO	$62,716.80	45	-	-	-	-	45	38	-	-
Aspermont Small Business Development Center, Inc.	HASKELL,JONES,KENT,KNOX,STONEWALL,THROCKMORTON	$156,364.41	1,427	11	3	145	980	-	703	732	-
Brazos Valley Community Action Programs	BRAZOS,BURLESON,CHAMBERS,GRIMES,LEON,LIBERTY,MADISON,MONTGOMERY,ROBERTSON,WALKER,WALLER,WASHINGTON	$1,370,332.08	9,391	46	81	5,138	3,736	12	1,903	7,467	-
Cameron and Willacy Counties Community Projects, Inc.	CAMERON,WILLACY	$830,997.89	1,191	-	3	12	1,176	-	1,169	22	-

City of Austin, Austin Public Health	TRAVIS	$1,167,872.15	665	6	2	291	311	-	295	372	-
City of Fort Worth	TARRANT	$1,455,819.94	8,532	63	247	5,405	1,839	44	1,371	7,194	-
City of San Antonio, The Department of Human Services	BEXAR	$1,994,118.80	38,490	400	199	6,200	26,243	429	29,810	8,765	-
Combined Community Action, Inc.	AUSTIN,BASTROP,COLORADO,FAYETTE,FORT BEND,LEE,WHARTON	$543,308.11	2,586	6	44	1,321	1,071	-	610	1,976	-
Community Action Corporation of South Texas	BEE,BROOKS,DUVAL,JIM WELLS,KENEDY,KLEBERG,SAN PATRICIO	$405,907.73	11,186	10	15	54	10,946	-	10,959	228	-
Community Action Inc. of Central Texas	BLANCO,CALDWELL,HAYS	$385,977.90	2,707	24	15	393	2,112	-	1,827	883	-

Community Action Social Services & Education, Inc.	MAVERICK	$179,240.77	119	-	-	-	119	-	119	-	-
Community Council of Greater Dallas, Inc.	DALLAS	$2,410,703.34	687	-	4	421	221	11	242	432	-
Community Council of South Central Texas, Inc.	ATASCOSA,BANDERA,BREWSTER,COMAL,CULBERSON,DIMMIT,EDWARDS,FRIO,GILLESPIE,GUADALUPE,HUDSPETH,JEFF DAVIS,KARNES,KENDALL,KERR,KINNEY,LA SALLE,LIVE OAK,MCMULLEN,MEDINA,PRESIDIO,REAL,UVALDE,VAL VERDE,WILSON,ZAVALA	$854,321.19	8,075	22	9	281	7,632	-	6,816	1,259	-
Community Services of Northeast Texas, Inc.	BOWIE,CAMP,CASS,DELTA,FRANKLIN,HOPKINS,LAMAR,MARION,MORRIS,RAINS,RED RIVER,TITUS	$324,840.04	3,175	14	3	2,189	851	5	430	2,734	-

Community Services, Inc.	ANDERSON,COLLIN,DENTON,ELLIS,HENDERSON,HUNT,KAUFMAN,NAVARRO,ROCKWALL,VAN ZANDT	$1,394,385.75	857	2	1	316	405	96	138	619	-
Concho Valley Community Action Agency	COKE,CONCHO,CROCKETT,IRION,KIMBLE,MENARD,REAGAN,SCHLEICHER,STERLING,SUTTON,TOM GREEN	$268,408.03	2,848	1	1	200	2,476	-	1,894	955	-
Cornerstone Community AA	BROWN,CALLAHAN,COLEMAN,COMANCHE,EASTLAND,MCCULLOCH,RUNNELS	$112,272.68	1,651	4	6	140	1,400	6	530	1,116	-

Crossroads Community Action	ARANSAS,CALHOUN,DEWITT,GOLIAD,GONZALES,JACKSON,LAVACA,REFUGIO,VICTORIA	$288,076.46	2,619	12	8	633	1,823	4	1,598	1,016	-
Economic Action Committee of The Gulf Coast	MATAGORDA	$146,043.74	1,011	-	3	532	465	2	418	627	-
Economic Opportunities Advancement Corporation of PRXI	BOSQUE,FALLS,FREESTONE,HILL,LIMESTONE,MCLENNAN	$529,872.63	6,093	6	4	3,920	1,751	89	1,339	4,719	-
El Paso Community Action Program, Project Bravo, Inc.	EL PASO	$1,269,745.54	15,053	57	29	419	14,376	-	14,431	662	-

Family Service Association of San Antonio, Inc.	ATASCOSA,BANDERA,BEXAR,COMAL,DIMMIT,FRIO,KARNES,KENDALL,LA SALLE,MEDINA,REAL,UVALDE,WILSON,ZAVALA	$129,419.57	62	-	-	-	62	-	62	-	-
Greater East Texas Community Action Program (GETCAP)	ANGELINA,CHEROKEE,GREGG,HOUSTON,NACOGDOCHES,POLK,RUSK,SAN JACINTO,SMITH,TRINITY,WOOD	$629,885.51	18,399	40	168	13,719	3,723	-	1,344	17,093	-
Guadalupe Economic Services Corp	LUBBOCK	$533,019.95	612	17	7	243	276	3	375	235	-
Gulf Coast Community Services Association, Inc.	BRAZORIA,GALVESTON,HARRIS	$6,420,909.16	4,922	34	51	2,977	1,441	10	1,626	3,288	-

Hidalgo County, Texas-County of Hidalgo Community Service Agency	HIDALGO	$1,805,990.48	19,078	12	5	74	18,871	-	18,851	282	-
Hill Country Community Action Association, Inc.	BELL,CORYELL,HAMILTON,LAMPASAS,LLANO,MASON,MILAM,MILLS,SAN SABA	$572,429.69	2,823	12	6	989	1,579	-	837	2,004	-
Nueces County Community Action Agency	NUECES	$292,716.72	1,488	1	-	150	1,322	1	1,259	229	-
Opportunities for Williamson and Burnet Counties	BURNET,WILLIAMSON	$251,485.31	2,670	21	61	814	1,305	108	881	1,626	-
Opportunity Center for the Homeless	EL PASO	$105,154.70	184	-	-	-	184	-	182	2	-
Panhandle Community Services	ARMSTRONG,BRISCOE,CARSON,CASTRO,CHILDRESS,COLLINGSWOR	$604,014.11	8,508	82	58	1,666	6,329	-	4,261	4,251	-

	TH,DALLAM,DEAF SMITH,DONLEY,GRAY,HALL,HANSFORD,HARTLEY,HEMPHILL,HUTCHINSON,LIPSCOMB,MOORE,OCHILTREE,OLDHAM,PARMER,POTTER,RANDALL,ROBERTS,SHERMAN,SWISHER,WHEELER										
Pecos County Community Action Agency	CRANE,PECOS,TERRELL	$79,495.15	1,450	-	6	16	1,419	-	1,279	167	-
Rolling Plains Management Corporation	ARCHER,BAYLOR,CLAY,COTTLE,FOARD,HARDEMAN,JACK,MONTAGUE,SHACKELFORD,STEPHENS,TAYLOR,WICHITA,WILBARGER,YOUNG	$359,775.28	4,927	28	12	1,337	2,493	17	1,577	3,189	-

South East Texas Regional Planning Commission	HARDIN,JEFFERSON,ORANGE	$483,420.13	383	2	1	210	154	-	38	344	-
South Plains Community Action Association, Inc.	BAILEY,COCHRAN,CROSBY,DICKENS,FLOYD,GARZA,HALE,HOCKLEY,KING,LAMB,LYNN,MOTLEY,TERRY,YOAKUM	$207,479.94	3,839	2	-	274	3,494	-	3,010	829	-
South Texas Development Council	JIM HOGG,STARR,ZAPATA	$154,740.72	1,205	-	-	-	1,205	-	1,203	2	-
Tender Loving Care Center for Children	HARDIN,JEFFERSON,ORANGE	$90,146.06	19	-	-	18	1	-	-	-	-
Texas Native Health	COLLIN, DALLAS, DENTON, ELLIS, HOOD, JOHNSON, KAUFMAN, PARKER,ROCKW	$22,086.31	-	-	-	-	-	-	-	-	-

	ALL,TARRANT,WISE										
Texas Neighborhood Services	ERATH,HOOD,JOHNSON,PALO PINTO,PARKER,SOMERVELL,WISE	$472,020.89	8,479	50	29	905	5,689	785	1,232	6,470	-
Texoma Council of Governments	COOKE,FANNIN,GRAYSON	$300,825.32	9,921	68	379	5,177	3,452	116	1,059	8,830	-
Tri-County Community Action, Inc.	HARRISON,JASPER,NEWTON,PANOLA,SABINE,SAN AUGUSTINE,SHELBY,TYLER,UPSHUR	$344,856.76	3,674	10	1	2,536	946	-	142	3,538	-
Webb County Community Action Agency	WEBB	$443,505.97	3,442	-	6	8	2,916	510	2,907	26	-
West Texas Opportunities, Inc.	ANDREWS,BORDEN,DAWSON,ECTOR,FISHER,GAINES,GLASSCOCK,HOWARD,LOVING,MARTIN,MIDLAND,MITCHELL,NOLAN,REEVES,SCURRY,UPTON,WARD,WINKLER	$722,422.07	8,148	12	2	1,360	6,297	-	5,498	2,657	-

Racial and Ethnic Composition of Individuals Receiving ESG Assistance by Subrecipient Statewide, FY 2025

ESG Subrecipient	Counties Served	Amount Drawn*	Beneficiaries	American Indian/Alaskan Native	Asian	Black	Native Hawaiian /Pacific Islander	White	Race Unknown	Hispanic	Non Hispanic
Advocacy Outreach	BASTROP	$181,564.32	270	4	1	111	3	142	10	90	170
Alliance of Community Assistance Ministries, Inc.	FORT BEND, HARRIS, MONTGOMERY	$227,521.03	101	-	-	74	-	27	-	27	74
Ark-Tex Council of Governments	CASS, HOPKINS, FRANKLIN, BOWIE, LAMAR, RED RIVER, TITUS, DELTA	$83,480.40	35	-	-	28	-	7	-	-	35
Austin Street Center	COLLIN, DALLAS	$310,980.52	2,089	12	13	1,334	5	579	146	220	1,866
Austin Street Center	DALLAS	$133,596.94	1,335	4	4	851	3	376	97	215	1,118
Bay Area Turning Point, Inc.	FORT BEND, HARRIS, MONTGOMERY	$235,681.19	390	3	2	247	2	67	69	83	306
Beat AIDS Coalition Trust	BEXAR	$203,907.79	17	-	1	3	-	13	-	8	9
Bridge Steps dba The Bridge	DALLAS	$615,089.00	138	4	-	94	-	34	6	9	129
Catholic Charities of the Rio Grande Valley	CAMERON, WILLACY	$57,035.02	64	-	-	-	-	64	-	64	-
Center for Survivors of Torture	TRAVIS	$85,000.00	102	4	13	44	19	22	-	50	52
Center for Transforming Lives	TARRANT	$147,375.98	57	-	-	48	-	3	6	7	50
City House, Inc.	COLLIN, DALLAS	$68,018.00	17	-	-	13	-	4	-	-	17
City House, Inc.	DALLAS	$17,801.59	56	-	-	41	-	15	-	9	47

City of Amarillo	ARMSTRONG, RANDALL, POTTER	$133,081.42	104	-	-	21	1	82	-	18	86
Comal County Family Violence Shelter, Inc.	COMAL, GUADALUPE	$271,754.42	251	3	-	59	1	166	22	102	129
Concho Valley Community Action Agency	KIMBLE, STERLING, MENARD, SUTTON, CROCKETT, TOM GREEN, CONCHO, IRION, SCHLEICHER, COKE	$9,013.31	-	-	-	-	-	-	-	-	-
Corpus Christi Hope House, Inc.	NUECES	$76,411.00	147	-	-	20	-	127	-	82	65
Covenant House Texas	HARRIS	$158,277.18	162	1	-	132	1	28	-	15	147
Crossroads Community Action	CALHOUN, JACKSON	$61,958.76	71	-	-	27	-	43	1	22	49
Crossroads Community Action	DE WITT, GOLIAD, REFUGIO, ARANSAS, GONZALES, CALHOUN, JACKSON, VICTORIA, LAVACA	$296,522.43	288	-	-	92	-	195	1	142	146
Crossroads Community Action	REFUGIO, DE WITT, GOLIAD, ARANSAS, GONZALES, VICTORIA, CALHOUN, JACKSON, LAVACA	$53,153.05	66	-	-	21	-	45	-	24	42

Denton County Friends of the Family, Inc.	DENTON	$346,507.07	548	15	7	238	2	139	147	105	311
El Paso Human Services, Inc.	EL PASO	$202,009.37	116	3	1	20	-	92	-	82	34
Families In Crisis, Inc.	BELL	$397,828.41	1,391	12	9	762	9	580	19	179	1,212
Family Crisis Center, Inc.	CAMERON, WILLACY	$157,972.20	103	3	1	4	1	94	-	93	10
Family Violence Prevention Services, Inc.	BEXAR	$282,159.10	929	-	7	186	6	730	-	616	313
Friendship of Women, Inc.	CAMERON	$130,174.37	209	-	-	14	-	195	-	195	14
Harmony Community Development Corporation	DALLAS	$42,969.56	13	-	-	11	-	2	-	1	12
Haven for Hope of Bexar County	BEXAR	$196,594.72	4,174	35	23	960	6	970	2,180	2,048	2,052
Hope's Door	DALLAS	$15,170.49	15	-	-	9	-	6	-	3	12
HTX H.O.P.E. Haven	FORT BEND, HARRIS, MONTGOMERY	$27,701.57	759	10	12	351	4	382	-	135	624
La Posada Providencia	CAMERON, HIDALGO	$223,897.65	843	-	-	6	58	779	-	824	17
Loaves and Fishes of the Rio Grande Valley, Inc.	CAMERON, WILLACY	$120,967.06	233	-	11	18	-	204	-	156	77
Magnificat Houses, Inc.	HARRIS	$4,504.00	132	7	-	77	2	46	-	20	112
Mid-Coast Family Services, Inc.	CALHOUN, JACKSON	$-	-	-	-	-	-	-	-	-	-
Mid-Coast Family Services, Inc.	DE WITT, GOLIAD, REFUGIO, GONZALES, CALHOUN, JACKSON, VICTORIA, LAVACA	$402,144.57	809	5	8	202	1	593	-	462	347
Mid-Coast Family Services, Inc.	DE WITT, GOLIAD, REFUGIO, GONZALES,	$51,888.56	140	2	-	35	-	103	-	69	71

	VICTORIA, CALHOUN, JACKSON, LAVACA										
Mid-Coast Family Services, Inc.	JACKSON, CALHOUN	$130,276.16	260	2	1	76	-	181	-	139	121
NB Housing Partners	COMAL, GUADALUPE	$105,547.69	176	5	1	28	-	142	-	76	100
NorTex Regional Planning Commission	MONTAGUE	$2,875.79	4	1	-	-	-	3	-	-	4
NorTex Regional Planning Commission	THROCKMORTON, BAYLOR, CHILDRESS, MONTAGUE, PALO PINTO, CLAY, FOARD, HARDEMAN, ARCHER, STEPHENS, JACK, COTTLE	$105,407.32	185	-	-	91	-	94	-	39	146
NorTex Regional Planning Commission	THROCKMORTON, CHILDRESS, BAYLOR, MONTAGUE, CLAY, FOARD, HARDEMAN, PALO PINTO, ARCHER, STEPHENS, JACK, COTTLE	$13,196.45	27	3	-	11	-	13	-	2	25
NorTex Regional Planning Commission	THROCKMORTON, WICHITA, BAYLOR, CHILDRESS, MONTAGUE, CLAY, FOARD, HARDEMAN,	$15,597.83	35	-	-	13	-	22	-	7	28

	PALO PINTO, STEPHENS, ARCHER, JACK, COTTLE										
Project Vida	EL PASO	$152,271.97	89	-	1	13	-	75	-	71	18
Randy Sams Outreach Shelter	CASS, HOPKINS, MARION, UPSHUR, FRANKLIN, BOWIE, MORRIS, CAMP, HARRISON, LAMAR, RED RIVER, TITUS	$136,587.37	435	3	2	141	-	276	13	13	412
SafeHaven of Tarrant County	TARRANT	$111,612.95	1,338	43	11	867	7	452	26	324	1,007
Salvation Army (Amarillo)	ARMSTRONG, RANDALL, POTTER	$15,630.89	8	3	-	5	-	1	-	5	3
Salvation Army (Arlington)	TARRANT	$140,778.18	159	1	-	135	-	24	-	10	149
Salvation Army (Coastal Bend)	SAN PATRICIO, JIM WELLS, NUECES, LIVE OAK, BEE, KLEBERG	$322,469.00	1,018	10	2	142	2	861	1	638	375
Salvation Army (Coastal Bend)	SAN PATRICIO, NUECES, JIM WELLS, LIVE OAK, KLEBERG, BEE	$11,919.05	89	-	-	13	-	76	-	45	44
Salvation Army (Fort Worth) Mabee Center	TARRANT	$254,210.77	402	1	-	251	-	150	-	65	337
Salvation Army (Houston)	FORT BEND, HARRIS, MONTGOMERY	$55,804.66	64	-	-	42	-	9	13	8	20

Salvation Army (Midland)	ANDREWS, HOWARD, WARD, ECTOR, UPTON, WINKLER, CRANE, MARTIN, DAWSON	$93,592.00	604	2	1	124	2	400	75	189	415
Salvation Army (Midland)	MIDLAND	$23,398.00	2,020	2	2	628	-	1,388	-	624	1,396
Salvation Army (Sherman)	COOKE, FANNIN, GRAYSON	$50,652.92	1,551	2	-	622	-	927	-	149	1,402
Salvation Army (Temple)	BELL	$95,980.33	380	21	2	174	2	203	-	127	253
Salvation Army (Temple)	HAMILTON, CORYELL, BELL, LAMPASAS	$411,948.02	873	29	10	410	6	444	2	204	669
Salvation Army (Waco)	MCLENNAN	$135,784.44	1,137	30	1	592	6	501	8	192	939
San Antonio Metropolitan Ministry Inc.	BEXAR	$65,785.21	30	-	-	4	-	22	4	20	10
Sarah's House	HARRIS	$289,827.90	303	-	14	155	-	125	9	94	209
Spring Branch Community Health Center	FORT BEND, HARRIS, MONTGOMERY	$23,552.77	70	-	-	40	-	20	10	30	40
Tarrant County Hands of Hope	TARRANT	$56,494.66	343	-	-	208	-	135	-	43	300
Texoma Family Shelter, Inc.	COOKE, GRAYSON	$5,574.23	23	-	-	16	-	7	-	-	23
The Bridge Over Troubled Water, Inc.	HARRIS	$129,094.40	94	-	-	45	-	49	-	29	65
The SAFE Alliance	TRAVIS	$405,211.08	478	3	1	170	-	228	76	233	235
Thrive Youth Center, Inc	BEXAR	$59,641.50	281	-	6	55	8	211	1	147	134
Transcend STEM Education	KAUFMAN, VAN ZANDT, SMITH	$88,020.19	93	8	-	65	-	20	-	8	85
Twin City Mission, Inc.	BRAZOS, BURLESON,	$202,978.55	2,642	33	2	1,200	2	1,367	41	497	2,145

	LEON, ROBERTSON, GRIMES, MILAM, MADISON										
Twin City Mission, Inc.	LEON	$3,822.53	2	-	-	-	-	2	-	1	1
Under 1 Roof	COLLIN, DALLAS	$164,240.27	149	-	-	118	-	31	-	24	125
Under 1 Roof	DALLAS	$50,082.35	37	-	-	30	-	7	-	4	33
West Houston Assistance Ministries, Inc.	HARRIS	$288,455.82	631	5	-	457	2	142	25	131	500
Youth and Family Alliance dba Lifeworks	TRAVIS	$261,849.47	56	-	-	27	-	21	8	27	28

*ESG subrecipients report based on the amount drawn. The amount of money drawn in a state fiscal year does not directly correlate to the number of individuals served during the same state fiscal year.

Racial and Ethnic Composition of Individuals Receiving HHSP Assistance by Subrecipient Statewide, FY 2024

HHSP Subrecipient	Counties Served	Expended	Individuals Served	American Indian or Alaskan Native	Asian	Black	Pacific Islander or Native Hawaiian	White	Unknown /Other	Hispanic	Non Hispanic	Ethnicity Unknown
City of Amarillo	POTTER	$33,574.42	51	1	-	13	-	37	1	12	39	-
City of Arlington	TARRANT	$248,261.20	89	-	-	74	1	14	1	-	89	-
City of Austin	WILLIAMSON, HAYS, TRAVIS	$542,453.24	862	11	6	439	5	270	180	333	512	17
City of Dallas	COLLIN, DALLAS, DENTON	$972,918.26	709	12	4	469	1	143	97	53	656	-
City of El Paso	EL PASO, HUDSPETH	$547,255.49	297	1	-	43	-	250	4	240	55	2
City of Fort Worth	PARKER, TARRANT, DENTON	$645,360.99	118	1	1	69	-	47	2	11	107	-
City of Houston	FORT BEND, HARRIS	$1,664,743.28	3,176	22	20	2,350	5	502	324	225	2,705	246
City of Plano	COLLIN	$159,881.59	29	-	-	21	-	8	-	-	29	-
City of San Antonio	BEXAR, COMAL, ATASCOSA	$203,090.33	145	3	1	46	-	93	6	76	67	2
Haven for Hope of Bexar County	BEXAR, COMAL, ATASCOSA	$998,542.00	4,116	54	36	1,189	23	1,856	1,071	2,267	1,800	49

APPENDIX D: BIBLIOGRAPHY

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APPENDIX E: ACRONYMS

ACRONYM	NAME
ACS	American Community Survey
AFFH	Affirmatively Furthering Fair Housing
AI	Analysis of Impediments to Fair Housing Choice
AIDS	Acquired Immunodeficiency Syndrome
AMFI	Area Median Family Income
AMI	Area Median Income
ARP	American Rescue Plan
AYBR	Amy Young Barrier Removal
BRB	Bond Review Board
CAA	Community Action Agencies
CAA	Consolidated Appropriations Act
CARES/CV	Coronavirus Aid, Relief, and Economic Security Act
CDBG	Community Development Block Grant
CEAP	Comprehensive Energy Assistance Program
CFD	Contract for Deed
CHAS	Comprehensive Housing Affordability Strategy
CHDO	Community Housing Development Organization
CoC	Continuum of Care
CPD	Community Planning and Development
C-RAC	Colonia Resident Advisory Committee
CRCG	Community Resource Coordination Groups
CSBG	Community Service Block Grant
DAW	Disability Advisory Workgroup
DFPS	Texas Department of Family Protective Services
DOE	U.S. Department of Energy
DSHS	Texas Department of State Health Services
EDA	Economically Distressed Areas
EDAP	Economically Distressed Areas Program
EH Fund	Ending Homelessness Fund
EHCV	Emergency Housing Choice Voucher
ELI	Extremely Low Income
ENTERP	Emergency Nutrition and Temporary Emergency Relief Program
ESG	Emergency Solutions Grant
ERA	Emergency Rental Assistance Program
FY	Fiscal Year (referring to State Fiscal Year)
FHA	Federal Housing Administration
FHAP	Fair Housing Assistance Program
FHIP	Fair Housing Initiative Program

Fannie Mae	Federal National Mortgage Association
Freddie Mac	Federal Home Loan Mortgage Corporation
FMR	Fair Market Rent
FYSB	Family and Youth Services Bureau
GOBPP	Governor's Office of Budget, Planning and Policy
HAF	Homeowner Assistance Fund
HAMFI	HUD Area Median Family Income
HANC	Homebuyer Assistance with New Construction
HB	House Bill
HBA	Homebuyer Assistance
HCV	Section 8 Housing Choice Voucher
HERA	Housing and Economic Recovery Act
HFC	Housing Finance Corporation
HH	Household
HHSCC	Housing and Health Services Coordination Council
HHSP	Homeless Housing and Services Program
HIC	Housing Inventory Count
HICP	Homeless Individual Camping Plans
HIV	Human Immunodeficiency Virus
HMIS	Homeless Management Information Systems
HOME	HOME Investment Partnerships Program
HOME-ARP	HOME American Rescue Plan
HOPWA	Housing Opportunities for Persons with AIDS
HRA	Homeowner Rehabilitation Assistance
HSR	Housing Sponsor Report
HSS	Housing Stability Services
HTC	Housing Tax Credit
HTF	Housing Trust Fund
HUD	U.S. Department of Housing and Urban Development
IA	Individual Assistance
ICE	Federal Immigration and Customs Enforcement
IND	Individual
IRS	Internal Revenue Service
JHSWG	Joint Housing Solutions Working Group
LBB	Legislative Budget Board
LEP	Limited English Proficiency
LI	Low Income
LIHEAP	Low Income Home Energy Assistance Program
LIHTC	Low Income Housing Tax Credit
LIHWAP	Low Income Household Water Assistance Program
MCC	Mortgage Credit Certificate
MCTH	My Choice Texas Home

MF Bond	Multifamily Bond
MF Direct Loan	Multifamily Direct Loan
MFTH	My First Texas Home
MI	Moderate Income
MSA	Metropolitan Statistical Areas
MSFW	Migrant Seasonal Farmworker
NHTF	National Housing Trust Fund
NOFA	Notice of Funding Availability
NOHP	Nonprofit Owner-Builder Housing Provider
NSP	Neighborhood Stabilization Program
NSP1 PI	Neighborhood Stabilization Program Round 1 Program Income
OCI	Office of Colonia Initiatives
OMB	U.S. Office of Management and Budget
PAB	Private Activity Bond
PAL	Preparation for Adult Living
PHA	Public Housing Authority
PMSA	Primary Metropolitan Statistical Area
PWD	Persons with Disabilities
PY	HUD Program Year (2/1 - 1/31)
QAP	Qualified Allocation Plan
RAF	Regional Allocation Formula
RF	Repayment Funds
RFP	Request for Proposal
SEH	Service-Enriched Housing
SB	Senate Bill
SBHCC	Statewide Behavioral Health Coordinating Council
Section 811 PRA	Section 811 Project Rental Assistance
SFD	Single Family Development
SFY	State Fiscal Year
SHC	Self-Help Center
SILC	Texas State Independent Living Council
SLIHP	State Low Income Housing Plan and Annual Report
TAC	Texas Administrative Code
TBRA	Tenant-Based Rental Assistance
TCAP	Tax Credit Assistance Program
TCAP RF	Tax Credit Assistance Program Repayment Funds
TDA	Texas Department Agriculture
TDCJ	Texas Department of Criminal Justice
TDHCA	Texas Department of Housing and Community Affairs
TEDP	Texas Eviction Diversion Program
TEMAP	Texas Emergency Mortgage Assistance Program
TERAP	Texas Emergency Rental Assistance Program

Texas HHS	Texas Health and Human Services
THN	Texas Homeless Network
TICH	Texas Interagency Council for the Homeless
TRRP	Texas Rent Relief Program
TSAHC	Texas State Affordable Housing Corporation
TSHEP	Texas Statewide Homebuyer Education Program
TVC	Texas Veterans Commission
TWC	Texas Workforce Commission
TWDB	Texas Water Development Board
TXHBU	Texas Homebuyer U
TX MCC	Texas Mortgage Credit Certificate
USDA	U.S. Department of Agriculture
USHHS	U.S. Department of Health and Human Services
VA	U.S. Department of Veterans Affairs
VASH	Veterans Affairs Supportive Housing
VAWA	Violence Against Women Act
VLI	Very Low Income
WAP	Weatherization Assistance Program
WAP PAC	Weatherization Assistance Program Planning Advisory Committee

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1250 **Agenda Date:** 1/15/2026 **Agenda #:** 9.

Presentation, discussion, and possible action on an order proposing amendments to 10 TAC Chapter 10, Subchapter F, §10.601 Compliance Monitoring Objectives and Applicability; §10.607 Reporting Requirements; §10.611 Determination, Documentation and Certification of Annual Income; §10.613 Lease Requirements; §10.614 Utility Allowances; §10.621 Property Condition Standards; §10.622 Special Rules Regarding Rents and Rent Limit Violations; and Figure §10.625 and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Housing and Urban Development (HUD) published program updates to the HOME Investment Partnerships Program (HOME Final rule) on May 24, 2024, with an implementation date of April 30, 2026, and the current rule relating to applicability of compliance is in need of revisions to ensure federal guidance requirements related to the HOME, TCAP-RF and HOME Match developments are clearly described in the Department's monitoring;

WHEREAS, staff proposes a new requirement for Owners to report within twenty-four hours any non-operational elevator to the Department to ensure an elevator repair is timely completed;

WHEREAS, staff proposes amending the current Compliance rule to add new requirements for Developments monitored and inspected by the Department; and

WHEREAS, such proposed amendments will be published in the *Texas Register* for public comment from January 30, 2026, to March 3, 2026, and subsequently returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them are hereby authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action, together with the preambles in the form presented to this meeting, to be published in the *Texas Register* for public comment and, in connections, as they may deem necessary to effectuate the forgoing, including the preparation and requested revisions to the subchapter specific preambles.

BACKGROUND

Tex. Gov't Code §2306.053 provides for the Department to administer federal housing, community affairs, and community development programs, including the low-income housing tax credit program. The Compliance Division and its Rules, as a whole, are an integral part of monitoring the Department's federal housing programs, assisting in: reviewing and ensuring long-term affordability, compliance and safety of multifamily rental housing Developments in the Department's portfolio as required under Tex. Gov't Code §§2306.185 and 2306.186; performing the functions of monitoring compliance as required under §§2306.6719; and performing essential functions required under various federal program (HOME, ERA, HOME-Match, HOME-ARP, NSP, NHTF, TCAP-RF, Exchange, TCAP, Bond, 811 PRA) rules and under Section 42 of the Internal Revenue Code.

Housing and Urban Development (HUD) published a new HOME Final rule that must be implemented no later than April 30, 2026. The changes include significant revisions to tenant protections, utility allowances, rent increases, reporting requirements for multifamily developments that have contracts executed on or after April 30, 2026. Owners of existing HOME, TCAP-RF and HOME-Match developments will have the opportunity to execute an amendment if they choose to opt-in to the entirety of the new rule (to the extent allowed under federal and state law).

The proposed draft of the Compliance Monitoring Rules reflects staff's recommendations for the Board's consideration. Behind the proposed preamble for the proposed rule action is the rule shown in its blackline form reflecting changes to the rule that is proposed for an amendment.

Only the sections noted in the recitals and proposed for action will be published in the *Texas Register* for public comment. Proposed substantive changes are explained below.

Upon Board approval, the proposed sections of the rule will be posted on the Department's website and published in the *Texas Register*. Public comment will be accepted from January 30, 2026, through March 3, 2026. The Compliance Monitoring Rules, after consideration for public comment, will be brought before the Board at the May 2026, Board meeting, for final approval and subsequently published in the *Texas Register* for adoption.

Summary of Proposed Changes:

§10.601 Compliance Monitoring Objectives and Applicability. Adds that HOME, TCAP-RF and Developments with HOME Match Units are subject to the new HOME Final rule if they have a contract executed on or after April 30, 2026. Additionally, notifies Owners that they have the opportunity to opt-in to the entirety of the rule, to the extent allowed under federal and state law, through an approved executed amendment to the Contract, LURA, and Loan Documents, as applicable.

§10.607 Reporting Requirements. Clarifies that any ownership or management change to a Development subject to the new HOME Final rule must notify tenants in writing of such change within five (5) business days.

§10.611 Determination, Documentation and Certification of Annual Income. Codifies Bond low-income units may use the Asset Certification form to document household assets when family assets are at or below the threshold. Also, clarifies the circumstances in which the Department will accept the income certification done by a Housing Authority.

§10.613 Lease Requirements. Incorporates the requirement that developments subject to the 2025 HOME Final rule are prohibited from locking out or threatening to lock out any tenants including seizing property for

non-payment of rent, etc. Also prohibits Owners from requiring surety bonds or, security deposit insurance be used in lieu of or in addition to security deposits. Security deposits must be refundable and may not exceed the cost of two months of rent. Lease template must be submitted and approved by the Department via email and must provide tenants more than one method to communicate with the Owner and management company. Additionally, any notice to vacate must be submitted to the Department either upon issuance or no later than 14 days after the notice is issued based on the circumstances.

§10.614 Utility Allowances. Allows Developments subject to the 2025 HOME Final rule to use the Public Housing Authority schedule to establish a utility allowance.

§10.621 Property Condition Standards. Adds the requirement that Developments with non-operable elevators must notify the Department within 24 hours.

§10.622 Special Rules Regarding Rents and Rent Limit Violations. Clarifies Developments subject to the, that a household's income that exceeds the program 80% income limit at recertification is subject to the HTC rent limit Prohibits Owners from refusing to accept rent if payment is made on time and in full and to cut off utilities during the greater of the time period required by the applicable federal program or under state law. Also, clarifies the over-income rules when an MFDL Development, has LIHTC and Market Rate Units. Requires Developments subject to the 2025 Final Rule to provide tenants a 60-day written notice before implementing a rent increase.

Figure §10.625. Refines the language by removing the words quarterly reports. Added an Event of Noncompliance for Owners that refuse to accept rent if the payment is made on time and in full or that cut off utilities during the greater of the time period required by the applicable federal program or under state law.

Attachment A: Preamble and proposed amendments to §10.601 Compliance Monitoring Objectives and Applicability; §10.607 Reporting Requirements; §10.611 Determination, Documentation and Certification of Annual Income; §10.613 Lease Requirements; §10.614 Utility Allowances; §10.621 Property Condition Standards; §10.622 Special Rules Regarding Rents and Rent Limit Violations; and Figure §10.625

The Texas Department of Housing and Community Affairs (the Department) proposes amendments to §10.601 Compliance Monitoring Objectives and Applicability; §10.607 Reporting Requirements; §10.613 Lease Requirements; §10.614 Utility Allowances; §10.621 Property Condition Standards; §10.622 Special Rules Regarding Rents and Rent Limit Violations; and Figure §10.625. The amendments will add new program requirements to developments that are subject to the new HOME Final rule. Additionally, the amendments will clarify that non-operable elevators must be reported to the Department within 24 hours and rent payment made on time and in full must be accepted.

FISCAL NOTE. Mr. Bobby Wilkinson, Executive Director, has determined that, for each year of the first five years the amendment to the rule is in effect, enforcing or administering the amendment does not have any foreseeable implications related to costs or revenues of the state or local governments.

GOVERNMENT GROWTH IMPACT STATEMENT. Mr. Wilkinson also has determined that, for the first five years the amendment would be in effect:

1. The proposed amendment to the rule will not create or eliminate a government program;

2. The proposed amendment to the rule will not require a change in the number of employees of the Department;

3. The proposed amendment to the rule will not require additional future legislative appropriations;

4. The proposed amendment to the rule will result in neither an increase nor a decrease in fees paid to the Department;

5. The proposed amendment to the rule will not create a new regulation;

6. The proposed amendment to the rule will not repeal an existing regulation;

7. The proposed amendment to the rule will not increase or decrease the number of individuals subject to the rule's applicability; and

8. The proposed amendment to the rule will neither positively nor negatively affect this state's economy.

PUBLIC BENEFIT/COST NOTE. Mr. Wilkinson also has determined that, for each year of the first five years the amendment to the rule is in effect, the public benefit anticipated as a result of the action will be a rule in compliance with the new HOME Final rule. There will not be any economic cost to any individual required to comply with the amendment.

ADVERSE IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES. The Department has determined that there will be no economic effect on small or micro-businesses or rural communities.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the proposed amendment and also requests information related to the cost, benefit, or effect of the proposed amendment, including any applicable data, research, or analysis from any person required to comply with the proposed amendment or any other interested person. The public

comment period will be held from January 30, 2026 to March 3, 2026, to receive comments on the proposed action. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Wendy Quackenbush, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, or email wendy.quackenbush@tdhca.texas.gov. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m. Austin local (Central) time, March 3, 2026.

STATUTORY AUTHORITY. The proposed amendment is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed amendment affects no other code, article, or statute.

§10.601. Compliance Monitoring Objectives and Applicability.

(a) The objectives of the Department in performing regular monitoring of affordable rental housing are:

(1) To provide for monitoring that meets applicable requirements of:

(A) The U.S. Department of Housing and Urban Development (HUD);

(B) The U.S. Department of the Treasury (Treasury);

(C) The Internal Revenue Service (the IRS); and

(D) Applicable state laws and rules;

(2) To enable the Department to report information to HUD, Treasury, the IRS, and the Governing Board, as required, regarding the condition and operations of such developments;

(3) To enable the Department to communicate with responsible persons regarding the condition and operation of their developments and understand clearly, with a documented record, how they are performing in meeting their obligations;

(4) To identify matters of noncompliance so that they can be appropriately addressed and to assist in targeting issues that may require compliance assistance education;

(5) To ensure that responsible persons understand the compliance status of their developments and the implications of such status;

(6) To articulate and communicate clear standards to promote the maintenance and operation of such developments in a manner that meets the high standards of the Department's affordable rental programs; and

(7) To provide a transparent system whereby all interested parties, including residents, community organizations, local governmental entities, and the affordable housing industry, may find accountability, consistency, and an awareness of the high quality standards of affordable housing in the State of Texas.

(b) This subchapter applies to the monitoring of affordable rental housing under the programs described in paragraphs (1) - (11) of this subsection:

(1) The Housing Tax Credit Program (HTC);

(2) The HOME Investment Partnerships Program (HOME), inclusive of HOME Match Units;

(3) The Tax Exempt Bond Program, inclusive of 501c3 bonds-(Bond);

(4) The Texas Housing Trust Fund Program (HTF, SHTF, or THTF), inclusive of Preservation;

(5) The Tax Credit Assistance Program (TCAP);

(6) The Tax Credit Exchange Program (Exchange);

(7) The Neighborhood Stabilization Program (NSP);

(8) Section 811 Project Rental Assistance (811 PRA or 811) Program;

(9) Tax Credit Assistance Program Repayment Funds (TCAP RF);

(10) The National Housing Trust Fund (NHTF)

(11) HOME American Rescue Plan (HOME-ARP); and

(12) Emergency Rental Assistance (ERA).

(c) Monitoring activity evaluates the physical condition of the Developments and whether they are being operated in documented compliance with program requirements.

(d) The results of the Department's monitoring activities will be documented and, communicated to the owner in writing within 90 days of the monitoring visit.

(e) The Department may contract with an independent third party to monitor a Development during its construction or rehabilitation and during its operation for compliance with any conditions imposed by the Department in connection with the award of any Department funds, including allocations of housing tax credits, and appropriate state and federal laws, rules, regulations, orders, and other applicable legal requirements.

(f) The capitalized terms or phrases used herein are defined in this title. Any other capitalized terms in this subchapter shall have the meaning as defined in Tex. Gov't Code Chapter 2306, Internal Revenue Code (the Code) §42, the HOME Final Rule, and other federal or Department rules, as applicable. Defined terms, when not capitalized, are to be read in context and construed according to common usage.

(g) A Development with one or more HOME, TCAP-RF or HOME Match Units is subject to the 2025 HOME Final rule if a Contract with the Department is executed by both Parties on or after April 30, 2026; a Development with HOME, TCAP-RF and HOME Match Units with a Contract or a LURA executed prior to April 30, 2026, that has executed the applicable amendment(s) to opt-in the entirety of rule (to the extent allowed under federal or state law determined by the Department's Legal Division) are also subject to the HOME Final Rule. A Development with one or more NSP Units with a Contract executed on or after April

30, 2026, may be subject to elements of the HOME Final rule as further described in the Department's Consolidated Plan Amendment, and as outlined in the Contract and the LURA. A Development with one or more NSP Units with a Contract executed prior to April 30, 2026, that also has one or more Units subject to the 2025 HOME Final Rule may be allowed to opt into elements of the HOME Final rule, as determined by the Department's Legal Division.

§10.607. Reporting Requirements.

(a) The Department requires reports to be submitted electronically through CMTS and in the format prescribed by the Department. The Electronic Compliance Reporting Filing Agreement and the Owner's Designation of Administrator of Accounts forms must be emailed to cmts.requests@tdhca.texas.gov for:

(1) 9% Housing Tax Credit Developments - no later than the 10% Test;

(2) 4% Housing Tax Credit Developments - no later than Post Bond Closing Documentation Requirements;

(3) For all other rental Developments - no later than September 1st of the year following the award; or

(4) For all rental Developments that have received Department approval of Ownership transfer - no later than 10 days following the completion of Ownership transfer.

(b) Each Development is required to submit an Annual Owner's Compliance Report (AOCR). Depending on the Development, some or all of the Report must be submitted. The first AOCR is due the second year following the award in accordance with the deadlines set out in subsection (e) of this section. Example 607(1): A Development was allocated Housing Tax Credits in July 2022. The first report is due April 30, 2024, even if the Development has not yet commenced leasing activities.

(c) The AOCR is comprised of four parts:

(1) Part A "Owner's Certification of Program Compliance." All Owners must annually certify compliance with applicable program requirements. The AOCR Part A shall include answers to all questions required by the U. S. Department of the Treasury to be addressed, including those required by Treasury Regulation 1.42-5(b)(1) or the applicable program rules;

(2) Part B "Unit Status Report." All Developments must annually report and certify the information related to individual household income, rent, certification dates and other necessary data to ensure compliance with applicable program regulations. In addition, Owners are required to report on the race and ethnicity, family composition, age, use of rental assistance, disability status, and monthly rental payments of individuals and families applying for and receiving assistance or if the household elects not to disclose the information, such election;

(3) Part C "Housing for Persons with Disabilities." The Department is required to establish a system that requires Owners of state or federally assisted housing Developments with 20 or more housing Units to

report information regarding housing Units designed for persons with disabilities. The certified answers to the questions on Part C satisfy this requirement; and

(4) Part D "Form 8703." Tax exempt bond properties funded by the Department must file Form 8703 each calendar year of the qualified project period. The form is due to the IRS by March 31 after the close of the calendar year for which the certification is made. The Department requires Tax Exempt Bond Development Owners to submit a copy of the filed Form 8703 for the preceding calendar year.

(d) The Owner is required to report certain financial information to the Department electronically through CMTS. If supplemental information is required, it must be uploaded to the Development's CMTS account. "Annual Owner's Financial Certification" (formerly Part D of the AOCR). Developments funded by the Department must annually provide and certify to the data represented in the Annual Owner's Financial Certification (AOFC).

(e) Parts A, B, C, and D of the AOCR and the AOFC must be provided to the Department no later than April 30th of each year, reporting data current as of December 31st of the previous year (the reporting year).

(f) Periodic Unit Status Reports. All Developments must submit a Quarterly Unit Status Report to the Department through the Compliance Monitoring and Tracking System. Quarterly reports are due in January, April, July, and October on the 10th day of the month. The report must report occupancy as of the last day of the previous month for the reporting period. For example, the report due October 10th should report occupancy as of September 30th of the preceding month. The first quarterly report is due on the first quarterly reporting date after leasing activity commences. Failure to report occupancy timely will result in a finding of noncompliance.

(g) Owners are encouraged to continuously maintain current resident data in the Department's CMTS. Under certain circumstances, such as in the event of a natural disaster, the Department may alter the reporting schedule and require all Developments to provide current occupancy data through CMTS.

(h) All rental Developments funded or administered by the Department will be required to submit an accurate Unit Status Report prior to a monitoring review and/or a physical inspection.

(i) Housing Tax Credit and Tax Credit Exchange Developments must submit IRS Form(s) 8609 with Part II complete through CMTS by the second monitoring review. If an owner elects to group buildings together into one or more multiple building projects, the owner must attach a statement identifying the buildings within the project.

(j) Within six (6) months but at least 90 days prior to the end of the Affordability Period and/or the end of the Land Use Restriction Term, the Owner must provide written notice to the current tenants and applicants. If the Development Owner has been approved for new funding, through the Department, and/or awarded new credits such notice is not required. The Notice must contain the following: proposed new rents, any rehabilitation plans and information on how to access the Departments Vacancy Clearinghouse to locate other affordable housing options.

(k) For Developments subject to the 2025 HOME Final Rule, within five (5) business days of a change to the Development Owner or management company, the new Owner or management company shall issue a written notice to all households of such a change.

§10.611. Determination, Documentation, and Certification of Annual Income.

(a) For all rental programs administered by the Department, annual income shall be determined by the Development Owner consistent with the Section 8 Program administered by HUD, using the definitions of annual income described in 24 CFR §5.609 as further described in the HUD Handbook 4350.3, as amended from time to time. For the Housing Tax Credit program, where there is a conflict between the HUD Handbook 4350.3 and the IRS Guide for Completing IRS Form 8823, the IRS guidance will be controlling. For the BOND program, documentation of income and assets shall be determined in accordance with the HUD Handbook 4350.3 or the IRS guidance for the §42 Housing Tax Credit program (if applicable). At the time of program designation as a low income household, Owners must certify and document household income. In general, all low income households must be certified prior to move in. Certification and documentation of household income is an Owner's responsibility, even if the Owner is using the services of a manager or management company to handle tenant intake and leasing. Accordingly, Owners should ensure that they hire competent and properly trained managers or management companies and that they exercise appropriate oversight of any managers or management companies.

(b) For every certification, requiring verification of income and assets, of a household residing in a HOME, NHTF, NSP, TCAP RF, or HOME-ARP assisted Unit, Owners must examine at least two months (60 days) of source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation). Qualified populations in HOME-ARP Units may not need to meet an income requirement upon move-in, but will have their income verified to determine rental portion of payment.

(c) Department administered programs are permitted to utilize the Section 8 Verification of income process, available on the Department website, for the verification of household income at initial or subsequent annual certifications for households currently utilizing a tenant based Housing Choice Voucher or project-based Housing Choice Voucher issued under 24 CFR Part 983. This permission is removed if any entity that is in the Control of the operation of the Development or is in any way associated with the certifying Housing Authority. ~~This permission is only granted for households that currently are utilizing a Housing Choice Voucher~~. No other means tested verifications are allowable.

(d) A household's lowest designation, as recorded on the Income Certification, at the time of move in, cannot be increased unless the household was found to never have income qualified for the Unit, no longer income qualifies for the Unit, or program rules required the change. In addition, a household's low income status cannot be removed because of an increase in income at recertification unless the increase causes the Unit to go over income as defined in §10.615 of this subchapter (relating to Elections under IRC §42(g) and Additional Income and Rent Restrictions for HTC, Exchange, and TCAP Developments), IRC §42(g), or the HOME Final Rule.

(e) For all programs, for every certification that requires verification of income and assets, those verifications must be dated within 120 days of the certification effective date. The only exceptions are lifetime benefits (e.g. pension, annuities, Social Security).

§10.613. Lease Requirements.

(a) Eviction and/or termination of a lease. HTC, TCAP, and Exchange Developments must specifically state in the lease or in an addendum attached to the lease that evictions or terminations of tenancy for other than good cause are prohibited. To terminate tenancy, the Owner must serve written notice to the tenant specifying the grounds for the action. For nonpayment of rent, HTC, TCAP, Exchange, and NHTF Developments require a thirty (30) day written notice. If the CARES Act is modified to eliminate the 30-day notice requirement, HUD or Treasury requirements will supersede this 30-day notice requirement for nonpayment of rent.

(b) HOME, ERA, TCAP RF, NHTF, NSP, and HOME-ARP Developments are prohibited from evicting low income residents or refusing to renew a lease except for serious or repeated violations of the terms and conditions of the lease, for violations of applicable federal, state or local law, for completion of the tenancy period for Transitional Housing (if applicable), for households that were found to never have income qualified for the highest income designation under the program or for other good cause. It must be specifically stated in the lease or in an addendum attached to the lease that evictions or non-renewal of leases for other than good cause are prohibited (24 CFR §92.253 and 24 CFR §93.303). Owners must also comply with all other lease requirements and prohibitions stated in 24 CFR §92.253 or 24 CFR §93.303, as applicable. To terminate or refuse to renew tenancy in HOME, TCAP RF, NSP, and HOME-ARP Developments, the Owner must serve written notice to the tenant specifying the grounds for the action at least 30 days before the termination of tenancy. For HOME-ARP, Owners may not terminate the tenancy or refuse to renew the lease of the Qualifying Household in any Unit that is supported by capitalized operating costs because of the household's inability to pay rent of more than 30 percent of the qualifying household's income toward rent during the longer of the federal affordability period or the time period identified in the Contract.

(c) In accordance with the Violence Against Women Act, an incident of actual or threatened domestic violence, dating violence, sexual assault, or stalking against the documented victim of such actual or threatened domestic violence, dating violence, sexual assault, or stalking shall not be construed as a serious or repeated violation of a lease or good cause for termination of tenancy of the victim(s). Additionally, it shall not be construed as a serious or repeated violation of a lease or action eligible for termination of tenancy if a person has opposed any act or practice made unlawful by the Violence Against Women Act 2022, or because that person testified, assisted, or participated in any matter covered by the Violence Against Women Act 2022.

(d) A Development must use a lease or lease addendum that requires households to report changes in student status; this does not apply for NHTF Units when NHTF Units are fixed and not layered with HTC or another program with a student rule, or when NHTF Units are floating but under the LURA cannot be layered with HTC or another program with a student rule.

(e) Owners of HTC, TCAP, ~~and~~ Exchange Developments and Developments subject to the 2025 HOME Final Rule ~~Developments~~ are prohibited from locking out or threatening to lock out any Development resident, except by judicial process, unless the exclusion is necessary for the purpose of performing repairs or construction work, or in cases of emergency. Owners are further prohibited from seizing or threatening to

seize the personal property of a resident except by judicial process unless the resident has abandoned the premises. These prohibitions must be included in the lease or lease addendum.

(f) For HOME, TCAP, TCAP RF, NHTF, 811 PRA, NSP, ERA and HOME-ARP Developments, properties that were initially built for occupancy prior to 1978 must include in their lease or lease addendum a Lead Warning Statement. To demonstrate compliance, the Department will monitor that all households at HOME, TCAP, TCAP RF, NHTF, NSP, ERA, and HOME-ARP Developments have signed the Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards. (24 CFR §92.355, 24 CFR §93.361 and §570.487(c), and Section 1018 of Title X, as applicable). The addendum and disclosure are not required if all lead has been certified to have been cleared from the Development in accordance with 24 CFR §35.130, and the Owner has the required certification in its on-site records.

(g) An Owner may bifurcate a lease to terminate the tenancy of an individual who is a tenant or lawful occupant and engages in criminal activity directly relating to domestic violence, dating violence, sexual assault, or stalking against another lawful occupant living in the Unit or other affiliated individual as defined in the VAWA ~~2013~~2022 and as further described in 24 CFR §5.2003 or subsequent federal regulation, and also for HOME ARP QP households persons described under 22 U.S.C. 7102.

(h) All NHTF, TCAP RF, NSP, HOME, ERA, and HOME-ARP Developments for which the C~~c~~ontract is executed on or after December 16, 2016, must use the Department created VAWA lease addendum which provides the ability for the tenant to terminate the lease without penalty if the Department determines that the tenant qualifies for an emergency transfer under 24 CFR §5.2005(e). 811 PRA Units are prohibited from using the expired 2005 VAWA lease addendum. After OMB approval of a VAWA lease addendum, all 811 PRA households must have a valid and executed VAWA lease addendum. For the 811 PRA program certain addenda for the HUD model lease may be required such as Lead Based Paint Disclosure form, house rules, and pet rules. No other attachments to the lease are permissible without approval from the Department's 811 PRA staff.

(i) Leasing of HOME, TCAP RF, or NHTF Units to an organization that, in turn, rents those Units to individuals is not permissible for Developments with C~~c~~ontracts dated on or after August 23, 2013. Leases must be between the Development and an eligible household. NSP and HOME-ARP Developments may only utilize Master Leases, if specifically allowed in the Development's LURA.

(j) Housing Tax Credit, TCAP, and Exchange Units leased to an organization through a supportive housing program where the owner receives a rental payment for the Unit regardless of physical occupancy will be found out of compliance if the Unit remains vacant for over 60 days. The Unit will be found out of compliance under the Event of Noncompliance "Violation of the Unit Vacancy Rule."

(k) It is a Development Owner's responsibility at all times to know what it has agreed to provide by way of common amenities, Unit amenities, and services.

(l) A Development Owner shall post in a common area of the leasing office a copy and provide each household, during the application process and upon a subsequent change to the items described in paragraph (2) of this subsection, the brochure made available by the Department, A Tenant Rights and Resources Guide, which includes:

(1) Information about Fair Housing and tenant choice;

(2) Information regarding common amenities, Unit amenities, and services;

(3) A certification that a representative of the household must sign prior to, but no more than 120 days prior to, the initial lease execution acknowledging receipt of this brochure;

(4) In the event this brochure is not provided timely or the household does not certify to receipt of the brochure, correction will be achieved by providing the household with the brochure and receiving a signed certification that it was received; and

(5) A Development Owner must state in the Tenant Rights and Resources Guide if part or all of the Development Site is located in the 100 year floodplain. Developments where all or part of the Development Site is located in a 100 year floodplain where the latest award from the Department is after 2019, under a Project-Based Voucher HAP Contract or 811 PRA Use Agreement with the Department, within any federal affordability period (including a HOME Match affordability period), that have a loan with the Department with an outstanding loan balance, or that has flood insurance as a contractual requirement or requirement in its LURA must maintain flood insurance, and provide evidence to the Department upon request.

(m) For Section 811 PRA Units, Owners must use the HUD Model lease, HUD form 92236-PRA.

(n) Except as identified in federal or state statute or regulation for Direct Loans, or as otherwise identified in this Chapter, the Department does not determine if an Owner has good cause or if a resident has violated the lease terms. Challenges to evictions or terminations of tenancy must be determined by a court of competent jurisdiction or an agreement of the parties (including an agreement made in arbitration), and the Department will rely on that determination.

(o) A Development- subject to the 2025 HOME Final Rule must comply with all provisions outlined within this section and the following:

(1) Surety bonds, security deposit insurance, and instruments similar to surety bonds or security deposit insurance may not be used in lieu of or in addition to a security deposit for any Unit in a Development with floating Units or for fixed Units in the Designated Units. All security deposits must be fully refundable and may not be greater than two months' rent.

(2) A Designated Unit must use the HOME tenancy addendum published by HUD. If HUD does not publish a tenancy addendum, then the Department's version must be used.

(3) Leases for Designated Units:
(A) A copy of the lease template must be submitted to the Department prior to being implemented or upon any revision;-
(B) The lease must provide more than one method to communicate directly with the Owner and the property management, including in person, by telephone, email or through a web portal;
(C) For a Development with one or more floating Units, if the Development is not using the same lease template for all Units in the Development, the lease must provide the provisions that will go into effect upon the Unit becoming a Designated Unit; and-

(D) The lease must provide the following Department contact information: mail: TDHCA P.O. Box 13941 Austin, TX 78711 phone: 512-475-3800 email:info@tdhca.texas.gov.

(4) All Notices to Vacate must be submitted to the Department no later than 14 days after the notice is issued (in the case of a 30-day notice). In cases where a shorter Notice to Vacate is issued due to imminent threats to other tenants, employees, or property, a copy of the notice must be provided to the Department upon issuance.

(p) For all Developments that have or had direct loan funds from the Department, surety bonds, security deposit insurance, and instruments similar to surety bonds or security deposit insurance may not be used in lieu of or in addition to a security deposit for any Unit in a Development with floating Units or for fixed Units in the Designated Units.

§10.614. Utility Allowances.

(a) Purpose. The purpose of this section is to provide the guidelines for calculating a Utility Allowance under the Department's multifamily programs. The Department will cite noncompliance and/or not approve a Utility Allowance if it is not calculated in accordance with this section. An Owner~~s are~~ is required to comply with the provisions of this section as well as any existing federal or state program guidance.

(b) Definitions. The following words and terms, when used in this section, shall have the following meanings, unless the context clearly indicates otherwise. Other capitalized terms used in this section herein have the meanings assigned in Chapters 1, 2, 10, 11, 12, and 13 ~~and 12~~ of this title.

(1) Building Type. The HUD Office of Public and Indian Housing (PIH) characterizes building and unit configurations for HUD programs. The Department will defer to the guidance provided by HUD found at: http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_11608.pdf (or successor Uniform Resource Locator (URL)) when making determinations regarding the appropriate building type(s) at a Development.

(2) Power to Choose. The Public Utility Commission of Texas database of retail electric providers in the areas of the state where the sale of electricity is open to retail competition: http://www.powertochoose.org/ (or successor URL). In areas of the state where electric service is deregulated, the Department will verify the availability of residential service through Power to Choose. If the Utility Provider is not listed as a provider of residential service in the Development's ZIP code for an area that is deregulated, the request will not be approved. It is the Owner's responsibility to ensure that a Development in a deregulated area, but within the boundaries of a regulated municipality, is using the appropriate provider.

(3) Component Charges. The actual cost associated with the billing of a residential utility. Each Utility Provider may publish specific utility service information in varying formats depending on the service area. Such costs include, but are not limited to:

(A) Rate(s). Any cost incurred for the actual unit of measure for the utility (e.g., base cost per kilowatt hour for electricity, TDU delivery charges, rate per gallon of water, etc.);

(B) Fees. The cost associated with a residential utility that is incurred regardless of the amount of the utility the household consumes (e.g., Customer Charge);

(C) Taxes. Taxes for electricity and gas are regulated by the Texas Comptroller of Public Accounts and can be found http://comptroller.texas.gov/ (or successor URL). Local Utility Providers have control of the tax structure related to water, sewer and trash. To identify if taxes are imposed for these utilities, obtain documentation directly from the Utility Provider.

(4) Multifamily Direct Loan (MFDL). Funds provided through the HOME, NSP, NHTF, TCAP RF, HOME-ARP, ERA, or other program available through the Department, local political subdivision, or administrating agency for multifamily development that require a Utility Allowance. MFDLs may also include deferred forgivable loans or other similar direct funding, regardless if it is required to be repaid. Housing Tax Credits, Tax Exempt Bonds, CDBG, and Project Based Vouchers are not MFDLs.

(5) Renewable Source. Energy produced from energy property described in IRC §48 or IRC §45(d)(1) through (4), (6), (9), or (11). The manner in which a resident is billed is limited to the rate at which the local Utility Provider would have charged the residents for the utility if that entity had provided it to them, and as may be further limited by the Texas Utilities Code or by regulation.

(6) Submetered Utility. A utility purchased from or through a local Utility Provider by the building Owner where the resident is billed directly by Owner of the building or to a third party billing company and the utility is:

(A) Based on the residents' actual consumption of that utility and not an allocation method or Ratio Utility Billing System (RUBS);

(B) The rate at which the utility is billed does not exceed the rate incurred by the building Owner for that utility; and

(C) Tenants receiving a tenant-based Housing Choice Voucher or residing in a Housing Tax Credit Development may not be charged a service fee for submetered utilities. For MFDL Developments where tenants are being charged a service fee for submetered utilities, the fee must either be included in the Utility Allowance or be included in the gross rent calculation as a mandatory fee.

(7) Utility Allowance. An estimate of the expected monthly cost of any utility for which a resident is financially responsible, other than telephone, cable television, or internet. A utility allowance is considered implemented once the Unit Status Report is updated and rents are restricted.

(A) For HTC, TCAP, Exchange buildings, Bonds, and THTF include:

(i) Utilities paid by the household directly to the Utility Provider;

(ii) Submetered Utilities; and

(iii) Renewable Source Utilities.

(B) For a Development with an MFDL, unless otherwise prescribed in the program's Regulatory Agreement, include all utilities regardless of how they are paid.

(8) Utility Provider. The company that provides residential utility service (e.g., electric, gas, water, wastewater, and/or trash) to the buildings. If the Utility Provider offers more than one rate plan, the plan selected must be available to all households in the building.

(c) Methods. The following options are available to establish a Utility Allowance for all programs except most Developments funded with MFDL funds, which are addressed in subsection (d) of this section. A Development with HOME-ARP Units or Units subject to the 2025 HOME Final Rule, and that does not have Units subject to the 2013 HOME Rule, may use methods in this subsection or subsection (d) of this ~~section, but~~section, but cannot combine two methods in one building.

(1) Rural Housing Services (RHS) buildings or buildings with RHS assisted residents. The applicable Utility Allowance for the Development will be determined under the method prescribed by the RHS (or successor agency). No other utility method described in this section can be used by RHS buildings or buildings with RHS assisted residents.

(2) HUD-Regulated buildings layered with any Department program. If neither the building nor any resident in the building receives RHS rental assistance payments, and the rents and the Utility Allowances of the building are regulated by HUD (HUD-regulated building), the applicable Utility Allowance for all rent restricted Units in the building is the applicable HUD Utility Allowance. No other utility method described in this section can be used by HUD-regulated buildings. Unless further guidance is received from the U.S. Department of Treasury or the Internal Revenue Service (IRS), the Department considers Developments awarded an MFDL (e.g., HOME) to be HUD-Regulated buildings.

(3) Other Buildings. For all other rent-restricted Units, Development Owners must use one of the methods described in subparagraphs (A) - (E) of this paragraph:

(A) Public Housing Authority (PHA). The Utility Allowance established by the applicable PHA for the Housing Choice Voucher Program. The Department will utilize the Texas Local Government Code, Chapter 392 to determine which PHA is the most applicable to the Development.

(i) If the PHA publishes different schedules based on Building Type, the Owner is responsible for implementing the correct schedule based on the Development's Building Type(s). Example 614(1): The applicable PHA publishes a separate Utility Allowance schedule for Apartments (5+ units), one for Duplex/Townhomes and another for Single Family Homes. The Development consists of 20 buildings, 10 of which are Apartments (5+ units) and the other 10 buildings are Duplexes. The Owner must use the correct schedule for each Building Type.

(ii) In the event the PHA publishes a Utility Allowance schedule specifically for energy efficient units, and the Owner desires to use such a schedule, the Owner must demonstrate that the building(s) meet the housing authority's specifications for energy efficiency once every five years.

(iii) If the applicable PHA allowance lists flat fees for any utility, those flat fees must be included in the calculation of the Utility Allowance if the resident is responsible for that utility.

(iv) If the individual components of a Utility Allowance are not in whole number format, the correct way to calculate the total allowance is to add each amount and then round the total up to the next whole dollar. Example 614(2): Electric cooking is $8.63, Electric Heating is $5.27, Other Electric is $24.39, Water and Sewer is $15. The Utility Allowance in this example is $54.00. If the PHA schedule reflects a rounded amount, then the PHA method of rounding should be used.

(v) If an Owner chooses to implement a methodology as described in subparagraph (B), (C), (D), or (E) of this paragraph, for Units occupied by Section 8 voucher holders, the Utility Allowance remains the applicable PHA Utility Allowance established by the PHA from which the household's voucher is received.

(vi) If the Development is located in an area that does not have a municipal, county, or regional housing authority that publishes a Utility Allowance schedule for the Housing Choice Voucher Program, Owners must select an alternative methodology, unless the building(s) is located in the published Housing Choice Voucher service area of:

(I) A Council of Government created under Texas Local Government Code, Chapter 303, that operates a Housing Choice Voucher Program;

(II) The Department's Housing Choice Voucher Program; or

(III) Another PHA which publishes a separate utility allowance schedule specific to the Development's location.

(B) Written Local Estimate. The estimate must come from the local Utility Provider, be signed by the Utility Provider representative, and specifically include all Component Charges for providing the utility service.

(C) HUD Utility Schedule Model. The HUD Utility Schedule Model and related resources can be found at http://www.huduser.gov/portal/resources/utilallowance.html (or successor URL). Each item on the schedule must be displayed out two decimal places. The total allowance must be rounded up to the next whole dollar amount. The Component Charges used can be no older than those in effect 60 days prior to the beginning of the 90 day period described in subsection (f)(3) of this section related to Effective Dates.

(i) The allowance must be calculated using the MS Excel version available at http://www.huduser.org/portal/resources/utilmodel.html (or successor URL), as updated from time to time, with no changes or adjustments made other than entry of the required information needed to complete the model.

(ii) In the event that the zip code for the Development is not listed in "Location" tab of the workbook, the Department will default to the PHA code from the PHA that is closest in distance

to the Development using online mapping tolls (e.g. Google Maps). If neither the zip code nor the PHA code is listed, a zip code that borders the Development's zip code will be used The Department will obtain the PHA codes from https://www.hud.gov/sites/dfiles/PIH/documents/PHA_Contact_Report_TX.pdf (or successor Uniform Resource Locator (URL)).

(iii) Green Discount. If the Owner elects any of the Green Discount options for a Development, documentation to evidence that the units and the buildings meet the Green Discount standard as prescribed in the model is required for the initial approval and every subsequent annual review. Energy Star certifications will require the certificates for each Unit at the time of the initial Utility Allowance review and a letter from a properly licensed engineer annually thereafter. The engineer letter will be accepted for a period of five (5) years and must be updated thereafter.

(I) In the event the allowance is being calculated for an application of Department funding (e.g., 9% Housing Tax Credits), upon request, the Department will provide both the Green Discount and the non-Green Discount results for application purposes.

(II) At lease up, the owner may use the utility allowance taking into consideration the green discount if they obtain written documentation from a qualified professional (e.g., a qualified energy efficiency consultant) indicating that the Units and buildings will meet the qualifications for the Green Discount within six months of the placed in service date or for MFDL within six months of the construction completion date.

(iv) Do not take into consideration any costs (e.g., penalty) or credits that a consumer would incur because of their actual usage. Example 614(3): The Electric Fact Label for ABC Electric Utility Provider provides a Credit Line of $40 per billing cycle that is applied to the bill when the usage is greater than 999 kWh and less than 2000 kWh. Example 614(4): A monthly minimum usage fee of $9.95 is applied when the usage is less than 1000 kWh in the billing cycle. When calculating the allowance, disregard these types of costs or credits.

(D) Energy Consumption Model. The model must be calculated by a properly licensed mechanical engineer. The license of the engineer must be submitted along with the model. The individual must not be related to the Owner within the meaning of §267(b) or §707(b) of the Code. The utility consumption estimate must, at minimum, take into consideration specific factors that include, but are not limited to, Unit size, building type and orientation, design and materials, mechanical systems, appliances, characteristics of building location, and available historical data. Component Charges used must be no older than those in effect 60 days prior to the beginning of the 90 day period described in subsection (f)(3) of this section related to Effective Dates; and

(E) An allowance based upon an average of the actual use of similarly constructed and sized Units in the building using actual utility usage data and Component Charges, provided that the Development Owner has the written permission of the Department. This methodology is referred to as the "Actual Use Method." For a Development Owner to use the Actual Use Method they must:

(i) Provide a minimum sample size of usage data for at least five Continuously Occupied Units of each Unit Type or 20% of each Unit Type, whichever is greater. If there are less than five Units of any Unit Type, data for 100% of the Unit Type must be provided; and

(ii) Upload the information in subclauses (I) - (IV) of this clause to the Development's CMTS account no later than the beginning of the 90 day period after which the Owner intends to implement the allowance, reflecting data no older than 60 days prior to the 90 day implementation period described in described in subsection (f)(3) of this section related to Effective Dates.

(I) An Excel spreadsheet listing each Unit for which data was obtained to meet the minimum sample size requirement of a Unit Type, the number of bedrooms, bathrooms and square footage for each Unit, the household's move-in date, the utility usage (e.g., actual kilowatt usage for electricity) for each month of the 12 month period for each Unit for which data was obtained, and the Component Charges in place at the time of the submission;

(II) All documentation obtained from the Utility Provider (or billing entity for the utility provider) and/or copies of actual utility bills gathered from the residents, including all usage data not needed to meet the minimum sample size requirement and any written correspondence from the utility provider;

(III) The rent roll showing occupancy as of the end of the month for the month in which the data was requested from the utility provider; and

(IV) Documentation of the current Utility Allowance used by the Development.

(iii) Upon receipt of the required information, the Department will determine if the Development Owner has provided the minimum information necessary to calculate an allowance using the Actual Use Method. If so, the Department shall calculate the Utility Allowance for each bedroom size using the guidelines described in subclauses (I) - (V) of this clause;

(I) If data is obtained for more than the sample requirement for the Unit Type, all data will be used to calculate the allowance;

(II) If more than 12 months of data is provided for any Unit, only the data for the most current 12 will be averaged;

(III) The allowance will be calculated by multiplying the average units of measure for the applicable utility (i.e., kilowatts over the last 12 months by the current rate) for all Unit Types within that bedroom size. For example, if sufficient data is supplied for 18 two bedroom/one bath Units, and 12 two bedroom/two bath Units, the data for all 30 Units will be averaged to calculate the allowance for all two bedroom Units;

(IV) The allowance will be rounded up to the next whole dollar amount. If allowances are calculated for different utilities, each utility's allowance will be rounded up to the next whole dollar amount and then added together for the total allowance; and

(V) If the data submitted indicates zero usage for any month, the data for that Unit will not be used to calculate the Utility Allowance.

(iv) The Department will complete its evaluation and calculation within 45 days of receipt of all the information requested in clause (ii) of this subparagraph;

(d) In accordance with 24 CFR §§92.252 and 93.302, for an MFDL in which the Department is the funding source, the Utility Allowance will be established in the following manner:

(1) For Developments with fixed MFDL Units, only one utility allowance may be used in buildings with MFDL units. For Developments with floating MFDL Units, only one utility allowance may be used for the entire Development.

(2) For Developments that, as a result of funding, must calculate the Utility Allowance under HUD Multifamily Notice H-2015-4, as revised from time to time, the applicable Utility Allowance for all rent restricted Units in the building is the applicable Utility Allowance calculated under that Notice. No other utility method described in this section can be used.

(3) Other Buildings. The Utility Allowance may be initiated by the Owner using the methodologies described in subsection (c)(3)(B), (C), (D), or (E) of this section related to Methods. Buildings for which the only source of MFDL funding is HOME-ARP and which contain no ~~HOME-Match Units~~Units subject the 2013 HOME Rule may calculate the Utility Allowance using the methodology described in subsection (c)(3)(A) of this section. A Development that is subject to the 2025 HOME Final Rule may also use the methodology described in subsection (c)(3)(A) of this section, if the Development does not also contain Units subject to the 2013 HOME rule. The methodology must be annually reviewed and approved by the Department.

(4) If a request is not received by October 1st, the Department will calculate the Utility Allowance using the HUD Utility Schedule Model. For property specific data, the Department will use:

(A) The information submitted in the Annual Owner's Compliance Report;

(B) Monitor Review Questionnaires submitted with prior monitoring reviews; or

(C) The owner may be contacted and required to complete the Utility Allowance Questionnaire. In such case, a five day period will be provided to return the completed questionnaire.

(D) Utilities will be evaluated in the following manner:

(i) For regulated utilities, the Department will contact the Utility Provider directly and apply the Component Charges in effect no later than 60 days before the allowance will be effective.

(ii) For deregulated utilities:

(I) The Department will use the Power to Choose website and search available Utility Providers by ZIP code;

(II) The plan chosen will be the median cost per kWh based on average price per kWh for the average monthly use of 1000 kWh of all available plans; and

(III) The actual Component Charges from the plan chosen in effect no later than 60 days before the allowance will be effective will be entered into the Model.

(E) The Department will notify the Owner contact in CMTS of the new allowance and, if requested, provide the backup for how the allowance was calculated. The owner will be provided a five day period to review the Department's calculation and note any errors. Only errors related to the physical characteristics of the building(s) and utilities paid by the residents will be reconsidered; the utility plan and Utility Provider selected by the Department and Component Charges used in calculating the allowance will not be changed. During this five day period, the owner also has the opportunity to submit documentation and request use of any of the available Green Discounts.

(F) The allowance must be implemented for rent due in all program Units thirty days after the Department notifies the Owner of the allowance.

(5) Buildings in which there are Units under an MFDL program are considered HUD-Regulated buildings and the applicable Utility Allowance for all rent restricted Units in the building is the Utility Allowance calculated under the MFDL program. If the Department is the awarding entity, no other utility method described in this section can be used. If the Department is not the awarding jurisdiction, Owners are required to obtain, annually, the Utility Allowance established by the awarding jurisdiction, and to document all efforts to obtain such allowance to evidence due diligence in the event that the jurisdiction is nonresponsive. In such an event, provided that sufficient evidence of due diligence is demonstrated, the Department, in its sole discretion, may allow for the use of the methods described in subsection (c)(3)(B), (C), (D) or (E) of this section related to Methods to calculate and establish its utility allowance.

(e) Acceptable Documentation. For the Methods where utility specific information is required to calculate the allowance (e.g., base charges, cost per unit of measure, taxes) Owners should obtain documentation directly from the Utility Provider and/or Regulating State Agency. Any Component Charges related to the utility that are published by the Utility Provider and/or Regulating State Agency must be included. In the case where a utility is billed to the Owner of the building(s) and the Owner is billing residents through a third party billing company, the Component Charges published by the Utility Provider and not the third party billing company will be used.

(f) Changes in the Utility Allowance. An Owner may not change Utility Allowance methods, start or stop charging residents for a utility without prior written approval from the Department. Example 614(5): A Housing Tax Credit Development has been paying for water and sewer since the beginning of the Compliance Period. In year eight, the Owner decides to require residents to pay for water and sewer. Prior

written approval from the Department is required. Any such request must include the Utility Allowance Questionnaire found on the Department's website and supporting documentation. Developments may not start or stop charging residents for a utility during a lease term.

(1) The Department will review all requests, with the exception of the methodology prescribed in subsection (c)(3)(E) of this section related to Methods, within 90 days of the receipt of the request.

(2) If the Owner fails to post the notice to the residents and simultaneously submit the request to the Department by the beginning of the 90 day period, the Department's approval or denial will be delayed for up to 90 days after Department notification. Example 614(6): The Owner has chosen to calculate the electric portion of the Utility Allowance using the written local estimate. The annual letter is dated July 5, 2022, and the notice to the residents was posted in the leasing office on July 5, 2022. However, the Owner failed to submit the request to the Department for review until September 15, 2022. Although the Notice to the Residents was dated the date of the letter from the utility provider, the Department was not provided the full 90 days for review. As a result, the allowance cannot be implemented by the owner until approved by the Department.

(3) Effective dates. If the Owner uses the methodology as described in subsection (c)(3)(A) of this section related to Methods, no posting is required, and any changes to the allowance can be implemented immediately, but must be implemented for rent due at least 90 days after the change. For methodologies as described in subsection (c)(3)(B), (C), (D) and (E) of this section related to Methods, the allowance cannot be implemented until the estimate is submitted to the Department and is made available to the residents by posting in a common area of the leasing office at the Development. This action must be taken by the beginning of the 90 day period in which the Owner intends to implement the Utility Allowance. Nothing in this section prohibits an Owner from reducing a resident's rent prior to the end of the 90 day period when the proposed allowance would result in a gross rent issue. 202406009-1.pdf

(g) Requirements for Annual Review.

(1) RHS and HUD-Regulated Buildings. Owners must demonstrate that the utility allowance has been reviewed annually and in accordance with the RHS or HUD regulations.

(2) Buildings using the PHA Allowance. Owners are responsible for periodically determining if the applicable PHA released an updated schedule to ensure timely implementation. When the allowance changes or a new allowance is made available by the PHA, it can be implemented immediately, but must be implemented for rent due 90 days after the PHA published effective date.

(3) Written Local Estimate, HUD Utility Model Schedule and Energy Consumption Model. Owners must update the allowance once a calendar year. The update and all back up documentation required by the method must be submitted to the Department no later than October 1st of each year. However, Owners are encouraged to submit prior to the deadline to ensure the Department has time to review. At the same time the request is submitted to the Department, the Owner must post, at the Development, the Utility Allowance estimate in a common area of the leasing office where such notice is unobstructed and visible in plain sight. The Department will review the request for compliance with all applicable

requirements and reasonableness. If, in comparison to other approved Utility Allowances for properties of similar size, construction and population in the same geographic area, the allowance does not appear reasonable or appears understated, the Department may require additional support and/or deny the request. With the exception of MFDL developments, if an Owner fails to submit for annual review during the calendar year, the Development's Utility Allowance will default to the applicable PHA allowance. If the Development is located in an area that does not have a PHA, the Development fails to have a properly calculated Utility Allowance. The Utility Allowance for MFDL Developments that fail to submit for annual review will be calculated pursuant to subsection (d) of this section.

(4) Actual Use Method. Owners must update the allowance once a calendar year. The update and all back up documentation required by the method must be submitted to the Department no later than August 1st of each year. However, Owners are encouraged to submit prior to the deadline to ensure the Department has time to review. With the exception of MFDL developments, if an Owner fails to submit for annual review during the calendar year, the Development's Utility Allowance will default to the applicable PHA allowance. If the Development is located in an area that does not have a PHA, the Development fails to have a properly calculated Utility Allowance. The Utility Allowance for MFDL Developments that fail to submit for annual review will be calculated using the HUD Utility Model Schedule.

(h) For Owners participating in the Department's Section 811 Project Rental Assistance (PRA) Program, the Department's 811 division staff will approve the Utility Allowance for all 811 Units. On an annual basis, the Owner is responsible for submitting a Utility Allowance to the Department's 811 division for review. Once approved, the 811 division will provide the Owner with a property-specific rent schedule containing the approved Utility Allowance. The allowance listed on the rent schedule only applies to 811 PRA Units, not the entire building, and is the only allowance approved for use on 811 PRA Units. Failure to obtain an updated rent schedule for changes in utility allowances and gross rents will result in noncompliance and will require the Department to monitor tenant rents using the current approved rent schedule.

(i) Combining Methods. In general, Owners may combine any methodology described in this section for each utility service type paid directly by the resident and not by or through the Owner of the building (e.g., electric, gas). For example, if residents are responsible for electricity and gas, an Owner may use the appropriate PHA allowance to determine the gas portion of the allowance and use the Actual Use Method to determine the electric portion of the allowance. RHS and certain HUD-Regulated buildings (e.g., buildings with MFDL funds) are not allowed to combine methodologies.

(j) The Owner shall maintain and make available for inspection by the resident all documentation, including, but not limited to, the data, underlying assumptions and methodology that was used to calculate the allowance. Records shall be made available at the resident manager's office during reasonable business hours or, if there is no resident manager, at the dwelling Unit of the resident at the convenience of both the Owner and resident.

(k) Utility Allowances for Applications.

(1) If the application includes RHS assisted buildings or tenants, the utility allowance is prescribed by the RHS program. No other method is allowed.

(2) If the application includes HUD-Regulated buildings for HUD programs other than an MFDL program the applicable Utility Allowance for all rent restricted Units in the building is the applicable HUD Utility Allowance. No other utility method is allowed.

(3) If the application includes MFDL funds from the Department, Applicants may calculate the utility allowance in accordance with subsection (c)(3)(B), (C), (D) or (E) of this section related to Methods. A Development with HOME-ARP Units that is subject to the 2025 HOME Final Rule may use subsection (c)(3)(A) of this section, if the Development does not also contain one or more Units subject to the 2013 HOME Final Rule. Applicants must submit their utility allowance to the Compliance Division prior to full application submission. In the event that the application has an MFDL from the Department, and receives federal funds from a unit of local government, the Department will require the use of the allowance approved by the Department. ~~HOME-ARP may use subsection (c)(3)(A) of this section.~~

(4) If the application includes federal funds from a unit of local government but no MFDL from the Department, Applicants are required to request in writing the Utility Allowance from the awarding jurisdiction. If the awarding jurisdiction does not respond or requests the Department calculate the allowance, the Department will establish the initial Utility Allowance in accordance with subsection (d)(3) of this section.

(5) For all other applications, Applicants may calculate the utility allowance in accordance with subsection (c)(3)(A), (B), (C), (D), or (E) of this section related to Methods. If using the method described in subsection (c)(3)(B), (C), (D), or (E) of this section, applicants must submit their utility allowance to the Compliance Division prior to full application submission.

(A) Upon request, the Compliance Division will calculate or review an allowance for application. The request must be submitted to the Compliance Division no later than 21 days, but no earlier than 90 days, from when the application is due.

(B) Example 614(7): An application for a 9% HTC is due March 1, 2022. The applicant would like Department approval to use an alternative method by February 15, 2022. The request must be submitted to the Compliance Division no later than January 25, 2022, three weeks before February 15, 2022.

(C) Example 614(8): An Applicant intends to submit an application for a 4% HTC with Tax Exempt Bonds on August 11, 2022, and would like to use an alternative method. Because approval is needed prior to application submission, the request can be submitted no earlier than May 13, 2022, (90 days prior to August 11, 2022) and no later than July 21, 2022, (21 days prior to August 11, 2022).

(D) Any requests for new resources (either additional funds or tax credits) on a Development with an existing Department LURA must use the method that is in effect on the existing Development. If the Owner wishes to change or if for an MFDL application is required to change the methods for the purposes of the application, a request for the existing Development must first be submitted to the Compliance Division for approval.

(6) All Utility Allowance requests related to applications of funding must:

(A) Be submitted directly to UA-Application@tdhca.texas.gov. Requests not submitted to this email address will not be recognized.

(B) Include the "Utility Allowance Questionnaire for Applications" along with all required back up based on the method. If back-up is not submitted the Utility Allowance will be calculated using the HUD Utility Schedule Model as described in subsection (d)(3) of this section.

(l) If Owners want to change to a utility allowance other than what was used for underwriting the Owner must submit Utility Allowance documentation for Department approval, at minimum, 90 days prior to the commencement of leasing activities. The Owner is not required to review the utility allowances, or implement new utility allowances, until the building has achieved 90% occupancy for a period of 90 consecutive days or the end of the first year of the Credit Period (if applicable), whichever is earlier. Once a request to change the utility allowance is approved or implemented, the utility allowance used at underwriting is no longer valid.

(m) Department review and approval of Renewable Sources (e.g. solar):

(1) Methods outlined in subsection (c)(3)(A), (B), (C), (D) and (E) of this section are allowable if the Utility Provider or PHA publishes a rate plan or schedule specific to Renewable Sources. The method outlined in subsection (c)(3)(E) of this section is allowable only after occupancy is established as outlined in subsection (c)(3)(E) of this section.;

(2) Only buildings benefitting from Renewable Sources can use a Renewable Source utility allowance;

(3) Tenants (not Owners) must benefit from the Renewable Source in a manner that is not a discount or credit. To evidence the benefit, 20% of current tenant bills must be submitted with the request; and.

(4) An Owners must submit both the Renewable Source allowance and the non-Renewable Source allowance for approval regardless of methodology or current occupancy. If the Renewable Source is damaged or inoperable for more than 30 days, the non-Renewable Source allowance must be implemented. At the time of the first review or the first annual utility allowance review, whichever is first, the Owner must be able to demonstrate with tenant bills that the tenants are benefitting from the Renewable Source; otherwise the non-Renewable allowance must be used.

(n) The Department reserves the right to outsource to a third party the review and approval of all or any Utility Allowance requests to use the Energy Consumption Model or when review requires the use of expertise outside the resources of the Department. In accordance with Treasury Regulation §1.42-10(c) any costs associated with the review and approval shall be paid by the Owner.

(o) All requests described in this subsection must be complete and uploaded directly to the Development's CMTS account using the "Utility Allowance Documents" in the type field and "Utility Allowance" as the TDHCA Contact. The Department will not be able to approve requests that are incomplete and/or are not submitted correctly.

§10.621. Property Condition Standards.

(a) All Developments funded by the Department must be decent, safe, sanitary, in good repair, and suitable for occupancy throughout the Affordability Period. The Department will use HUD's National Standards for the Physical Inspection of Real Estate (NSPIRE) to determine compliance with property condition standards. In addition, Developments must comply with all local health, safety, and building codes. Timelines for correcting deficiencies under the NSPIRE standards are as follows:

(1) Life-Threatening and Severe deficiencies must be corrected within 24 hours.

(2) Moderate deficiencies must be corrected within 30 days.

(3) Low deficiencies must be corrected within 60 days.

(b) HTC Development Owners are required by Treasury Regulation §1.42-5 to report (through the Annual Owner's Compliance Report) any local health, safety, or building code violations. HTC Developments that fail to comply with local codes shall be reported to the IRS.

(c) The Department is required to report any HTC Development that fails to comply with any requirements of the NSPIRE or local codes at any time during the compliance period to the IRS on IRS Form 8823. Accordingly, the Department will submit IRS Form 8823 for any NSPIRE violation.

(d) Acceptable evidence of correction of deficiencies is a certification from an appropriate licensed professional that the item now complies with the inspection standard or other documentation that will allow the Department to reasonably determine when the repair was made and whether the repair sufficiently corrected the violation(s) of NSPIRE standards. Acceptable documentation includes: copies of work orders (listing the deficiency, action taken or repairs made to correct the deficiency, date of corrective action, and signature of the person responsible for the correction), invoices (from vendors, etc.), or other proof of correction. Photographs are not required but may be submitted if labeled and only in support of a work order or invoice. The Department will determine if submitted materials satisfactorily document correction of noncompliance.

(e) Selection of Units for Inspection.

(1) Vacant Units will not be inspected (alternate Units will be selected) if a Unit has been vacant for fewer than 30 days.

(2) Units vacant for more than 30 days are assumed to be ready for occupancy and may be inspected. No deficiencies will be cited for inspectable items that require utility service, if utilities are turned off and the inspectable item is present and appears to be in working order.

(f) The Department will consider a request for review of a NSPIRE score using a process similar to the process established by the U. S. Department of Housing and Urban Development Real Estate Assessment Center. The request must be submitted in writing within 45 calendar days of receiving the initial NSPIRE inspection report and score. The request must be accompanied by evidence that supports the claim, which

if corrected will result in a significant improvement in the overall score of the property. Upon receipt of this request from the Owner the Department will review the inspection and evidence. If the Department's review determines that an objectively verifiable and material error (or errors) or adverse condition(s) beyond the Owner's control has been documented and that it is likely to result in a significant improvement in the Development's overall score, the Department will take one or a combination of the following actions:

(1) Undertake a new inspection;

(2) Correct the original inspection; or

(3) Issue a new physical condition score.

(g) The responsibility rests with the Owner to demonstrate that an objectively verifiable and material error (or errors) or adverse conditions occurred in Department's inspection through submission of materials, which if corrected will result in a significant improvement in the Development's overall score. To support its request for a technical review of the physical inspection results, the Owner may submit photographic evidence, written material from an objective source with subject matter expertise that pertains to the item being reviewed such as a local fire marshal, building code official, registered architect, or professional engineer, or other similar third party-documentation.

(h) Examples of items that can be adjusted include, but are not limited to:

(1) Building Data Errors--The inspection includes the wrong building or a building that is not owned by the Development.

(2) Unit Count Errors--The total number of units considered in scoring is incorrect as reported at the time of the inspection.

(3) Non-Existent Deficiency Errors--The inspection cites a deficiency that did not exist at the time of the inspection.

(4) Local Conditions and Exceptions--Circumstances include inconsistencies between local code requirements and the NSPIRE inspection protocol, such as conditions permitted by local variance or license (e.g., child guards allowed on sleeping room windows by local building codes) or preexisting physical features that do not conform to or are inconsistent with the Department's physical condition protocol.

(5) Ownership Issues--Items that were captured and scored during the inspection that are not owned and not the responsibility of the Development. Examples include sidewalks, roads, fences, retaining walls, and mailboxes owned and maintained by adjoining properties or the city/county/state and resident-owned appliances that are not maintained by the Owner. However, if the Owner has an agreement with the city/county/state for the responsibility of maintenance on accessible routes including sidewalks, then the Owner will be responsible for any repairs.

(6) Modernization Work In Progress--Developments undergoing extensive modernization work in progress, underway at the time of the physical inspection, may qualify for an adjustment. All elements

of the Unit that are not undergoing modernization at the time of the inspection (even if modernization is planned) will be subject to the Department's physical inspection protocol without adjustment. Any request for a technical review process for modernization work in progress must include proof the work was contracted before any notice of inspection was issued by the Department.

(i) Examples of items that cannot be adjusted include, but are not limited to:

(1) Deficiencies that were repaired or corrected during or after the inspection; or

(2) Deficiencies recorded with no associated point loss (for example, inoperable smoke detectors) or deficiencies for survey purposes only (for example, fair housing accessibility).

(j) All Life-Threatening and Severe deficiencies must be corrected within 24 hours. Project Owner's Certification That All Life Threatening and Severe Deficiencies Have Been Corrected must be completed and uploaded to CMTS within 72 hours (three Department business days).

(k) An Owner must report to the Department any non-operable elevators within 24 hours using the Department's form, which is posted on the website.

§10.622. Special Rules Regarding Rents and Rent Limit Violations.

(a) Rent or Utility Allowance Violations of the maximum allowable limit for the HTC, TCAP, and Exchange programs. Under the HTC, TCAP, and Exchange programs, the amount of rent paid by the household plus an allowance for utilities, plus any mandatory fees, cannot exceed the maximum applicable limit (as determined by the minimum set-aside elected by the Owner) published by the Department. If it is determined that an HTC Development, during the Compliance Period, collected rent in excess of the rent limit established by the minimum set-aside, the Owner must correct the violation by reducing the rent charged. The Department will report the violation as corrected on January 1st of the year following the violation. The refunding of overcharged rent does not avoid the disallowance of the credit by the IRS.

(b) Rent or Utility Allowance Violations of additional rent restrictions under the HTC, TCAP, and Exchange programs. If Owners agreed to additional rent and occupancy restrictions, the Department will monitor to confirm compliance. If noncompliance is discovered, the Department will require the Owner to refund or credit the affected residents the amount of rent that was overcharged. The Owner must obtain in writing, from the household, the election to receive a full refund check or to have the entire overpaid amount credited to their household's account. In the absence of a household's election, a full refund check must be presented to the household within thirty days.

(c) Rent Violations of the maximum allowable limit due to application fees. Under the HTC, TCAP, and Exchange programs, Owners may not charge tenants any overhead costs as part of the application fee. Owners must only charge the actual cost for application fees as supported by invoices from the screening company the Owner uses.

(1) The amount of time Development staff spends checking an applicant's income, credit history, and landlord references may be included in the Development's application fee. Development Owners may add up to $5.50 per Unit for their other out-of-pocket costs for processing an application without providing documentation. The $5.50 will be adjusted annually based on the Cost of Living increased published by the Social Security Administration. Example 622(1): A Development's out-of-pocket cost for processing an application is $17.00 per adult. The property may charge $22.50 for the first adult and $17.00 for each additional adult.

(2) Documentation of Development costs for application processing or screening fees must be made available during monitoring reviews or upon request. The Department will review application fee documentation during monitoring reviews. If the Development pays a flat monthly fee to a third party for credit or criminal background checks, Owners must calculate the appropriate fee to be charged applicants by using the total number of applications processed, not just approved applications. Developments that pay a flat monthly fee must determine the appropriate application fee at least annually based on the prior year's activity. If the Department determines from a review of the documentation that the Owner has overcharged residents an application fee or collected impermissible deposits, the noncompliance will be reported to the IRS on Form 8823 under the category "gross rent(s) exceeds tax credit limits." The noncompliance will be corrected on January 1st of the next year.

(3) Owners are not required to refund the overcharged fee amount. To correct the issue, Owners must reduce the application fee for prospective applicants. Once the fee is reduced for prospective applicants, the Department will report the affected Units back in compliance on January 1st of the year after they were overcharged the application fee or an impermissible deposit.

(4) Throughout the Affordability Period, Owners may not charge a deposit or any type of fee (other than an application fee) for a household to be placed on a waiting list.

(d) Rent or Utility Allowance Violations on MFDL programs. The amount of rent paid by the household plus an allowance for utilities, plus any mandatory fees and any rental assistance (unless otherwise described in the LURA) cannot exceed the designated applicable limit published by the Department. If it is determined that the Development collected rent in excess of the allowable limit, the Department will require the Owner to refund or credit the affected residents the amount of rent that was overcharged. The Owner must obtain in writing, from the household, the election to receive a full refund check or to have the entire overpaid amount credited to their household's account. In the absence of a household's election, a full refund check must be presented to the household within thirty days.

(e) Rent or Utility Allowance Violations on HTC, TCAP, and Exchange Developments after the Compliance Period, HTC, TCAP, and Exchange Developments for three years after the LURA is released as a result of a foreclosure or deed in lieu of foreclosure (as applicable), BOND Developments, and THTF Developments. The amount of rent paid by the household plus an allowance for utilities, plus any mandatory fees cannot exceed the designated applicable limit published by the Department. If it is determined that the Development collected rent in excess of the allowable limit, the Department will require the Owner to refund or credit the affected residents the amount of rent that was overcharged. The Owner must obtain in writing, from the household, the election to receive a full refund check or to have the entire overpaid

amount credited to their household account. In the absence of a tenant election, a full refund check must be presented to the household within thirty days.

(f) Trust Account to be established. If the Owner is required to refund rent under subsection (b), (d) or (e) of this section and cannot locate the resident, the excess monies must be deposited into a trust account for the household. If the violation effects multiple households, the Owner may set up a single account with all of the unclaimed funds. The account must remain open for the shorter of a four year period, until all funds are claimed, or the expiration of the Extended Use Agreement. If funds are not claimed after the required period, the unclaimed funds must be remitted to the Texas Comptroller of Public Accounts Unclaimed Property Holder Reporting Section to be disbursed as required by Texas unclaimed property statutes. All unclaimed property remissions to the Comptroller must be broken out by individuals and particular amounts.

(g) Rent Adjustments for HOME, TCAP RF, and HOME-ARP ~~Developments~~Units:

(1) 100% HOME/TCAP-RF/HOME-ARP assisted Developments and that contain no HTC Units. If a household's income exceeds 80% at recertification, the Owner must charge a gross rent equal to 30% of the household's adjusted income;

(2) HOME/TCAP-RF/HOME-ARP ~~Developments~~ Units in Developments with any Market Rate Units and where the Unit is not layered with HTC. If a household's income exceeds 80% at recertification, the Owner must charge a gross rent equal to the ~~lesser~~ least of 30% of the household's adjusted income, ~~or~~ the comparable Market rent, or the rent being charged for the same Unit Type on a Market Rate Unit; and

(3) HOME/TCAP-RF/HOME-ARP ~~Developments~~ Units layered with ~~other Department affordable housing programs~~HTC Units. If a household's income exceeds 80% at recertification, the O~~o~~wner must charge a gross rent equal to ~~the lesse~~ or less than the applicable HTC limit.~~r of 30% of the household's adjusted income or the rent allowable under the other Program.~~

(h) Rent Adjustments for HOME-ARP Qualified Populations:

(1) Units restricted for occupancy by Qualifying Populations with incomes equal to or less than 50% will have gross rents equal to the lesser of 30% of the adjusted income of the household, or the Low HOME rent limit with adjustments for number of bedrooms in the unit.

(2) Units restricted for occupancy by Qualifying Populations with incomes greater than 50% of median income but at or below 80% of the median income must pay rent not greater than the rent specified in 24 CFR §92.252(a), high HOME rent.

(3) Units restricted for occupancy by Qualifying Populations with incomes greater than 80% of median income will follow the rent adjustments of subsection (g) of this section.

(i) Employee Occupied Units (HTC, TCAP, Exchange, and ~~T~~HTF Developments). IRS Revenue Rulings 92-61, 2004-82 and Chief Counsel Advice Memorandum POSTN-111812-14 provide guidance on employee occupied units. In general, employee occupied units are considered facilities reasonably required for the project(s) and not residential rental units. Since the building's applicable fraction is calculated using the residential rental units/space in a building, employee occupied units are taken out of both the numerator and the denominator.

(j) Owners of HOME, NSP, TCAP-RF, NHTF, and HOME-ARP must comply with §10.403 of this chapter (relating to Review of Annual HOME, NSP, TCAP-RF, and National Housing Trust Fund Rents) which requires annual rent review and approval by the Department's Asset Management Division or Department-procured vendor. Failure to do so will result in an Event of Noncompliance.

(k) Owners are not permitted to increase the household portion of rent more than once during a 12 month period, even if there are increases in rent limits or decreases in utility allowances, unless the Unit or household is governed by a federal housing program that requires such changes or the household transfers to a Unit with additional Bedrooms. If it is determined that the Development increases rent more than once in a 12-month period, the Department will require the Owner to refund or credit the affected household. The Owner must obtain in writing, from the household, the election to receive a full refund check or to have the entire overpaid amount credited to their household account. In the absence of a tenant election, a full refund check must be presented to the household.

(l) If an Owner is increasing a household's rent $75 or more per month, the Owner is required to provide the household a 75-day written notice of such increase, unless the Unit or household is governed by a federal housing program that allows for such a change. If an Owner increases the household's rent $75 or more without providing a 75-day notice, any amounts in excess of $75 per month must be refunded or credited to the affected household(s). The Owner must obtain in writing, from the household, the election to receive a full refund check or to have the entire overpaid amount credited to their household account. In absence of a tenant election, a full refund check must be presented to the household.

(m) A Development subject to the 2025 HOME Final Rule that contains one or more floating Units must provide all households a 60-day written notice before implementing any rent increase. A Development with Units subject to the 2025 HOME Final Rule with one or more fixed Units must provide a 60-day written notice to the Designated Units. If an Owner increases the household's rent without providing a 60-day notice, any increases must be refunded or credited to the affected household(s). The Owner must obtain in writing, from the household, the election to receive a full refund check or to have the entire overpaid amount credited to their household account. In absence of a tenant election, a full refund check must be presented to the household.

(~~m~~n) An Owner~~s~~ must provide an option to pay rent in a manner that does not involve additional out of pocket costs to the household.

(o) An Owner may not refuse to accept rental payment made on time and in full.

(p) An Owner that controls utilities, may not stop service on utilities during the longer of the required period identified by the applicable federal program, or as directed by state law.

Figure: 10 TAC §10.625

Noncompliance Event	Program(s)	If HTC, on Form 8823?
Violations of the National Standards for the Physical Inspection of Real Estate or Local Codes	All Programs	Yes
Noncompliance related to Affirmative Marketing Requirements	All Programs	No
Development is not available to the general public because of leasing issues	HTC, TCAP, and Exchange	Yes
TDHCA has received notice of possible Fair Housing Act Violation from HUD or DOJ and reported general public use violation in accordance with IRS 8823 Audit Guide Chapter 13	HTC	Yes
TDHCA has referred unresolved Fair Housing Design and Construction issue or other Fair Housing noncompliance to the Texas Workforce Commission	All programs	No
Development has gone through a deed in lieu of foreclosure or foreclosure	All programs	Yes
Development is never expected to comply due to failure to report or allow monitoring	All programs	Yes
Owner did not allow on-site monitoring or physical inspection and/or failed to notify residents resulting in inspection cancelation	All programs	Yes
LURA not in effect	All programs	Yes
Project failed to meet minimum set aside	HTC, TCAP, Exchange and Bonds	Yes
No evidence of, or failure to certify to material participation of a non-profit or HUB, if required by LURA	HTC, TCAP and Exchange	Yes, if non-profit issue, No, if HUB issue
Development failed to meet additional state required rent and occupancy restrictions	All programs	No
Noncompliance with social service requirements	All programs	No
Development failed to provide housing to the elderly as promised at application	All programs	No

Failure to provide special needs housing as required by LURA	All programs	No
Changes in Eligible Basis or Applicable percentage	HTC, TCAP, and Exchange	Yes
Failure to submit all or parts of the Annual Owner's Compliance Report	All programs	Yes for part A, No for other parts
Failure to submit ~~quarterly~~ reports or notices as required by §10.607 of this subchapter	All programs	No
Noncompliance with utility allowance requirements described in §10.614 of this subchapter and/or Treasury Regulation §1.42-10	All programs	Yes if rent exceeds limit, no if related to noncompliance with other requirements, such as posting, updating etc.
Noncompliance with lease requirements described in §10.613 and/or §10.624 of this subchapter	All programs	No
Asset Management Division has reported that Development has failed to establish and maintain a reserve account in accordance with §10.404 of this Chapter	All programs	No
Failure to provide a notary public as promised at application	HTC, TCAP, and Exchange	No
Violation of the Unit Vacancy Rule	HTC, TCAP, and Exchange	Yes
Casualty Loss	All programs	Yes
Failure to provide monitoring and/or physical inspection documentation	All programs	No
Failure to provide amenity as required by LURA	All programs	No

Failure to pay asset management, compliance monitoring or other required fee	HTC, TCAP, ERA, Bond, NHTF, TCAP-RF, Exchange, HOME-ARP, HOME Match, and HOME/NSP Developments committed funds after August 23, 2013	No
Change in ownership without Department approval (other than removal of a general partner in accordance with §10.406 of this chapter)	All programs	No
Noncompliance with written policy and procedure requirements	All programs	No, unless finding is because Owner refused to lease to Section 8 households
Program Unit not leased to Low-Income household/ Household income above income limit upon initial Occupancy	All programs	Yes
Program unit occupied by nonqualified students	HTC, TCAP, and Exchange during the Compliance Period, Bond, HOME, 811 PRA, and HOME-ARP Developments	Yes
Low Income Units used on a transient basis	HTC, TCAP, Exchange and Bond	Yes
Violation of the Available Unit Rule	All programs, but only during the Compliance Period for HTC, TCAP, and Exchange	Yes

Gross rent exceeds the highest rent allowed under the LURA or other deed restriction	All programs	Yes
Failure to provide Tenant Income Certification and documentation	All programs	Yes
Unit not available for rent	All programs	Yes
Failure to collect data required by §10.612	All programs	No
Development evicted or terminated the tenancy of a low-income tenant for other than good cause	HTC, TCAP, Exchange, HOME, HOME- ARP, ERA, HOME Match, TCAP- RF, NHTF, and NSP	Yes
Household income increased above 80 percent at recertification and Owner failed to properly determine rent	HOME, TCAP-RF, HOME Match, ERA, and HOME ARP	No
Violation of the Integrated Housing Rule	All programs	No
Failure to resolve final construction deficiencies within the corrective action period	All programs	No
Noncompliance with the required accessibility requirements such as §504 of the Rehabilitation Act of 1973, the 2010 ADA standards as modified in the Department rules, or other accessibility related requirements of a Department rule, or as reflected in a Contract or LURA	All programs	No
Noncompliance with the notice to the Department requirements described in §10.609 of this subchapter	All programs	No
Failure to reserve Units for Section 811 participants	811 PRA	No
Failure to notify the Department of the availability of units, notices of termination, and outcomes of referred applications as described in accordance with §8.6 of this title.	811 PRA	No
Owner failed to check required criminal history	811 PRA	No
Failure to properly use or document Enterprise Income Verification System as required for 811 PRA	811 PRA	No
Failure to provide or document HUD forms required for Section 811 PRA	811 PRA	No

Accepted funding that limits Section 811 participation	811 PRA	No
Failure to document, calculate, or collect income and/or rent as required	811 PRA, HOME ARP	No
Failure to use HUD model lease or HUD Tenant Addendum, as required by the federal program	811 PRA, a Development subject to the 2025 HOME Final Rule, a Development with Department issued Project-Based Vouchers	No
Failure to meet, maintain, or disperse Section 811 units	811 PRA	No
Failure to conduct interim certifications	811 PRA	No
Failure to conduct annual income recertification	811 PRA	No
Asset Management Division has reported that Owner has failed to submit rents on an annual basis in accordance with §10.403 of this chapter	HOME, NSP, TCAP RF, HOME Match, HOME-ARP, and NHTF	No
Failure to document or comply with eligibility requirements for 811 PRA	811 PRA	No
Noncompliance with CHDO Requirements	HOME	No
Failure to disperse unit designations across all Uunit Ttypes – Average Income only	HTC, TCAP and Exchange	No
Household income designations was improperly changed or removed	All programs	No
Failure to maintain the specific unit mix required in the Contract or Land Use Restriction Agreement (LURA)	HOME, HOME-ARP, ERA, HOME Match, 811 PRA, TCAP-RF, HTF, and NHTF	No
Increased a household's rent more than one time during a 12-month period	All programs	No
Failure to issue a notice of rent increase in accordance with §10.622 of this subchapter	All programs	No
Failure to market to veterans and/or Public Housing Authority (PHA) waitlist as required in the LURA or application	All programs	No
Failure to include veteran statement in the application	All programs	No
Failure to accept rent that was paid on time and in full	All programs	No

Terminated utilities controlled by the Development Owner during a period prohibited by the applicable federal program or under state law	All programs	No
Failure to calculate, charge, collect, or refund a security or pet deposit as required for 811 PRA	811 PRA	No
A fee or deposit was charged that is impermissible for 811 PRA	811 PRA	No
Failure to issue utility allowance reimbursement in accordance with Section 811 only	811 PRA	No
Failure to provide or document initial or reminder notices for recertification as required for 811 PRA	811 PRA	No

Failure to document or comply with unit inspection file requirements for 811 PRA	811 PRA	No
Failure to conduct move-in or initial certification for 811 PRA	811 PRA	No
Failure to provide or document notice of change in tenant rent or utility reimbursement for 811 PRA	811 PRA	No
Failure to document or comply with move-out requirements for 811 PRA	811 PRA	No
Failure to conduct a transfer, gross rent change, move-out, change in household or Non-interim certification as required for 811 PRA	811 PRA	No
Failure to terminate assistance or tenancy as required for 811 PRA	811 PRA	No

Failure to submit completed IRS Form(s) 8609 with Part II completed by the second monitoring review	HTC, Exchange, and TCAP	No
Failure to provide notice to applicants and households prior to the LURA term ending	All programs	No
Failure to maintain and/or provide evidence of insurance, including but not limited to, builder's risk during construction, property insurance, general liability, fidelity bonds, and flood insurance, as applicable	All programs	No
Failure to timely pay all property taxes, or maintain applicable exemptions to limit property taxes, resulting in a property tax lien and/or property tax suit	HOME, HOME-ARP, ERA, TCAP, TCAP-RF, NHTF, and NSP	No
Failure to display Fair Housing poster as required for 811 PRA	811 PRA	No
Failure to respond to a reasonable accommodation request per 10 TAC §1.204(d)	All programs	No
Failure to document or comply with occupancy requirements for 811 PRA	811 PRA	No
Noncompliance with the Mitigation for Schools requirement of the LURA or application	All programs	No

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1252 **Agenda Date:** 1/15/2026 **Agenda #:** 10.

Presentation, discussion, and possible action on the proposed amendments to 10 TAC Chapter 10 Subchapter E, Post Award and Asset Management Requirements, §10.400 Purpose, §10.401 Housing Tax Credit and Tax Exempt Bond Developments, §10.405 Amendments and Extensions, and §10.406 Ownership Transfers, §10.407 Right of First Refusal, §10.408 Qualified Contract Requirements, and directing their publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, staff has identified changes to 10 TAC Chapter 10 Subchapter E, Post Award and Asset Management Requirements, that are needed to: clarify language or processes; add a requirement for construction inspection reports to be submitted directly to staff by the Development Owner's Third Party inspector or by the third party lender or investor; remove the experience requirement to agree with a change to 10 TAC §11.204 of the Qualified Allocation Plan; add amendments to Contracts to the rules; identify when an expiration of the target populations for the elderly restrictions can be processed as a non-material LURA amendment; identify requests to opt into the 2025 HOME final rule as a non-material amendment to the Contract; add requirements for material LURA amendment requests that pertain to a right enforceable by a tenant or other third; add a requirement that for Developments subject to the 2025 update to 24 CFR 92 (HOME final rule), the Department and households must be notified at least 30 days prior to a foreclosure and that the notification must include information regarding the rent/income requirements post foreclosure for Developments; add a requirement for Community Housing Development Organization (CHDO) to renew their certification for ownership transfers that occur after April 30, 2026; identify that for ownership transfers, additional notification requirements may apply under 10 TAC §10.607 relating to Reporting Requirements; identify the Right of First Refusal requirements for a Multifamily Direct Loan LURA when the property is subject to the 2025 HOME final rule as identified in 10 TAC §10.601(g) relating to Compliance Monitoring Objectives and Applicability;

WHEREAS, staff has not identified substantive changes needed to §§10.400 and 10.408, but these sections are presented to comply with the four-year rule review requirement specified in Tex. Gov't Code §2001.039; and

WHEREAS, such proposed rulemaking will be published in the *Texas Register* for public comment from January 30, 2026, through March 3, 2026, and subsequently returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them are hereby authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed amendments of §10.401 Housing Tax Credit and Tax Exempt Bond Developments, §10.405 Amendments and Extensions, §10.406 Ownership Transfers, and §10.407 Right of First Refusal, and to include §10.400 Purpose and §10.408 Qualified Contract Requirements, together with the preambles in the form presented to this meeting, to be published in the *Texas Register* for public comment and, in connection therewith, make such non-substantive technical corrections, or preamble-related corrections, as they may deem necessary to effectuate the foregoing, including the preparation and requested revisions to the subchapter specific preambles.

BACKGROUND

Tex. Gov't Code §2306.053 provides for the Department to administer federal housing, community affairs, or community development programs, including the low-income housing tax credit program. The Asset Management Division and its Rules, as a whole, are an integral part of administering the Department's federal housing programs, assisting in reviewing and ensuring the long-term affordability and safety of multifamily rental housing Developments in the Department's portfolio as required under Tex. Gov't Code §§2306.185 and 2306.186, performing the functions of processing amendments and ownership transfers as required under Tex. Gov't Code §§2306.6712 and 2306.6713, and performing essential functions required under various federal program (HOME, HOME-ARP, NSP, NHTF, Exchange, TCAP) rules and under Section 42 of the Internal Revenue Code.

Behind the proposed preamble for the proposed new action, a draft of the proposed amendments is shown in its blackline form reflecting changes to the rules that are proposed for amendment.

The proposed amendments to six sections of the 2026 Post Award and Asset Management Requirements reflects staff's recommendations for the Board's consideration. The more significant changes to specific sections are summarized below. Changes made only for purposes of correcting previous grammatical errors or spacing, re-numbering, re-aligning requirements with updated references to sections elsewhere in rule, removing redundancies, or updating rules to reflect current Department processes that do not signal a change in policy or practice are not specifically discussed.

Upon Board approval, the proposed amendments to the Asset Management Rules will be posted to the Department's website and published in the *Texas Register*. Public comment will be accepted from January 30, 2026, through March 3, 2026. The proposed amendments to the Asset Management Rules, after consideration of public comment, are anticipated to be brought before the Board in April 2026 for final approval and subsequently published in the *Texas Register* for adoption.

Summary of Proposed Changes: Most of the changes proposed by staff are clarifying in nature; however, this section outlines the more significant recommendations made by staff.

1. §10.400 Purpose. No substantive amendments are proposed to this section, but the section is added for public comment to meet the four-year rule review requirement specified in Tex. Gov't Code §2001.039.

2. §10.401 Housing Tax Credit and Tax Exempt Bond Developments. In §10.401(b) Construction Status Report, a requirement was added to have construction inspections submitted directly to the Department by the Development Owner's Third Party inspector or by the Third Party lender or investor.

3. §10.405 Amendments and Extensions. A revision was made to §10.405(a)(2)(E) to be consistent with the removal of the experience requirement from §11.204. Contracts amendments were added to the LURA amendment section. 10.405(b(1)(F) was added to specify that a request submitted within one year of the expiration of the Elderly restrictions would be a non-material amendment to the LURA if the Development Owner certifies that the Development still qualifies as Elderly. 10.405(b(1)(G) was added to identify that a request to opt into the updated 24 CFR Part 92 (2025 HOME final rule) in accordance with §10.601(g) of this chapter pertaining to Compliance Monitoring Objectives and Applicability. 10.405(b(3) was amended to specify that if the amendment pertains to a right enforceable by a tenant or other third party, then the Development Owner must explain why performance of the original condition is impossible or demonstrate that Development would no longer be financially feasible, in accordance with the rules adopted in Chapter 11 Subchapter D of this part relating to Underwriting and Loan Policy. 10.405(b)(6) added clarification that a Contract Amendment or an amendment to the Loan Documents may be needed for some Programs as for some Programs if determined by the Department's Legal Division.

4. §10.406 Ownership Transfers. In §10.406(b), a change was added that requires Developments that are subject to the 2025 HOME final rule to notify both the Department and households at least 30 days prior to a foreclosure and to specify that the notification must include information regarding the applicable rent/income requirements post foreclosure. A change was added to §10.406(f)(2) that requires a Community Housing Development Organization (CHDO) to renew their certification using the new certification package that includes the 2025 HOME final rule requirements. §10.406(h)(9) added clarification that additional notification requirements may apply under §10.607 of this chapter pertaining to Reporting Requirements.

5. §10.407 Right of First Refusal. §10.407(a)(1)(D) was added to state that the Right of First Refusal process will not be required when the Multifamily Direct Loan LURA requires a new Owner to be a CHDO, but the Development subject to the 2025 HOME final rule as identified in §10.601(g) of this chapter pertaining to Compliance Monitoring Objectives and Applicability, and the Development Owner is selling or conveying the Development to another CHDO approved by the Department. §10.407(d)(4) was added to state that if a Multifamily Direct Loan LURA for a property is subject to the 2025 HOME final rule as identified in §10.601(g) of this chapter pertaining to Compliance Monitoring Objectives and

Applicability, then a CHDO approved by the Department may submit an offer to purchase the property.

6. §10.408 Qualified Contract Requirements. No substantial amendments are proposed to this section, but the section is added for public comment to meet the four-year rule review requirement specified in Tex. Gov't Code §2001.039.

Attachment 1: Preamble, including required analysis, for proposed amendments to 10 TAC Chapter 10, Subchapter E, §10.400 Purpose; §10.401 Housing Tax Credit and Tax Exempt Bond Developments; §10.405 Amendments and Extensions; and §10.406 Ownership Transfers (§2306.6713); §10.407 Right of First Refusal; and §10.408 Qualified Contract Requirements

The Texas Department of Housing and Community Affairs (the Department) proposes amendments to 10 TAC Chapter 10, Subchapter E, §10.400 Purpose, §10.401 Housing Tax Credit and Tax Exempt Bond Developments, §10.405 Amendments and Extensions, §10.406 Ownership Transfers, §10.407 Right of First Refusal, and §10.408 Qualified Contract Requirements. The purpose of the proposed amendments is to make corrections to gain consistency across other sections of rule, clarify existing language and processes that will ensure accurate processing of post award activities, and to communicate more effectively with multifamily Development Owners regarding their responsibilities after funding or award by the Department.

Tex. Gov't Code §2001.0045(b) does not apply to the rule proposed for action because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

1. Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the amendments would be in effect, the amendments do not create or eliminate a government program, but relate to changes to an existing activity, concerning the post award activities of Low Income Housing Tax Credit (LIHTC) and other Department-funded multifamily Developments.

2. The amendments do not require a change in work that would require the creation of new employee positions, nor are the amendments significant enough to reduce work load to a degree that any existing employee positions are eliminated.

3. The amendments do not require additional future legislative appropriations.

4. The amendments do not result in an increase in fees paid to the Department or in a substantial decrease in fees paid to the Department.

5. The amendments are not creating a new regulation, but propose revisions to provide additional clarification. The purpose of the amendment to §10.401(b) is to ensure that Third Party construction inspections are not altered by other parties. The amendments to §10.405 are to be consistent with the removal of the experience requirement from §11.204 of the Qualified Allocation Plan; to add amendments to Contracts; to identify when an amendment to the LURA for an expiration of an Elderly restriction can be considered non-material; to identify that a request to opt into the updated 24 CFR Part 92 (2025 HOME final rule) in accordance with §10.601(g) of this chapter pertaining to Compliance Monitoring Objectives and Applicability would be a non-material amendment to the Contract; and require Development Owners to provide an explanation when a LURA amendment pertains to a right enforceable by a tenant or other third party. The amendments to §10.406(b) are to meet the requirement in the 2025 HOME final rule that requires tenants to be notified within 30 calendar days prior to a foreclosure and to require the notification to include the rent/income requirements post foreclosure; to require a Community Housing Development Organization (CHDO) to renew their certification using the new certification package that includes the 2025 HOME final rule requirements; and to add clarification that additional notification requirements may apply under §10.607 of this Chapter pertaining to Reporting Requirements. The amendments to §10.407 are to state that the right of first refusal process will not be required when the Multifamily Direct Loan LURA requires a new Owner to be a CHDO, but the Development is subject to the 2025 HOME final rule as identified in §10.601(g) of this chapter pertaining to Compliance Monitoring Objectives and Applicability, and the Development Owner is selling or conveying the Development to another CHDO approved by the Department, and to state that if a Multifamily Direct Loan LURA requires

a 60-day posting and is subject to the 20205 HOME final rule as identified in §10.601(g) of this chapter pertaining to Compliance Monitoring Objectives and Applicability, then a CHDO approved by the Department may submit an offer to purchase the property. The purpose of including §§10.400 and 10.408 are to allow public comment on these sections to meet the four-year rule review requirement specified in Tex. Gov't Code §2001.039.

6. The amendments will not repeal an existing regulation.

7. The amendments will not increase or decrease the number of individuals subject to the rule's applicability.

8. The amendments will not negatively or positively affect this state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

1. The Department has evaluated this rule and determined that none of the adverse effect strategies outlined in Tex. Gov't Code §2006.002(b) are applicable.

2. This rule relates to the procedures for the handling of post award and asset management activities of multifamily Developments awarded funds through various Department programs. Other than in the case of a small or micro-business that is an owner or a party to one of the Department's properties, no small or micro-businesses are subject to the rule. If a small or micro-business is such an owner or participant, the new rule provides for a more clear, transparent process for doing so and do not result in a negative impact for those small or micro-businesses. There are not likely to be any rural communities subject to the amendments because this rule is applicable only to the owners or operators of properties in the Department's portfolio, not municipalities.

3. The Department has determined that because this rule relates only to the process in use for the post award and asset management activities of the Department's portfolio, there will be no economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The amendments do not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the rule as to its possible effects on local economies and has determined that for the first five years the rule will be in effect there will be no economic effect on local employment, because this rule only provides for administrative processes required of properties in the Department's portfolio. No program funds are channeled through this rule, so no activities under this rule would support additional local employment opportunities. Alternatively, the rule would also not cause any negative impact on employment. Therefore, no local employment impact statement is required to be prepared for the rule.

Texas Gov't Code §2001.022(a) states that this "impact statement must describe in detail the probable effect of the rule on employment in each geographic region affected by this rule…" Considering that no impact is expected on a statewide basis, there are also no "probable" effects of the new rule on particular geographic regions.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the amendments are in effect, the benefit anticipated as a result of the amended sections would be increased clarity and consistency across rule sections. There will not be economic costs to individuals required to comply with the amendment.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the amendments are in effect, enforcing or administering the amendments does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the rule and also requests information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period will be held January 30, 2026, to March 3, 2026, to receive input on the proposed amended sections. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Lee Ann Chance, Asset Management Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941 or email to leeann.chance@tdhca.texas.gov. ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M., Central Time, on March 3, 2026.

STATUTORY AUTHORITY. The proposed amendments are made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed amendments affect no other code, article, or statute.

Sections of the Post Award and Asset Management Requirements Proposed for Amendment

§10.400. Purpose.

(a) The purpose of this subchapter is to establish the requirements governing the post award and asset management activities associated with awards of multifamily Development assistance pursuant to Tex. Gov't Code, Chapter 2306 and its regulation of multifamily funding provided through the Texas Department of Housing and Community Affairs (the "Department") as authorized by the legislature. This subchapter is designed to ensure that Developers and Development Owners of low-income Developments that are financed or otherwise funded through the Department maintain safe, decent and affordable housing for the term of the affordability period. Therefore, unless otherwise indicated in the specific section of this subchapter, any uncorrected issues of noncompliance outside of the corrective action period or outstanding fees (related to the Development subject to the request) owed to the Department must be resolved to the satisfaction of the Department before a request for any post award activity described in this subchapter will be acted upon. Non-compliance issues that cannot be corrected will be taken into account and will be reviewed by Asset Management staff to determine if additional action is required by the Development Owner.

(b) The capitalized terms in this subchapter shall have the meaning as defined in this title in Chapter 1 relating to Administration, Chapter 2 relating to Enforcement, Chapter 10 relating to Uniform Multifamily Rules, Chapter 11 relating to the Qualified Action Plan (QAP), Chapter 12 relating to the Multifamily Housing Revenue Bond Rules, Chapter 13 relating to the Multifamily Direct Loan Rule, Tex. Gov't Code Chapter 2306, Internal Revenue Code (the Code) §42, the applicable HOME ~~Final~~ Rule, the NHTF Interim Rule, and other federal or Department rules, as applicable.

§10.401. Housing Tax Credit and Tax Exempt Bond Developments.

(a) 10% Test (Competitive HTC Only). No later than July 1 of the year following the submission of the Carryover Allocation Agreement or as otherwise specified in the applicable year's Qualified Allocation Plan, documentation must be submitted to the Department verifying that the Development Owner has expended more than 10% of the Development Owner's reasonably expected basis, pursuant to §42(h)(1)(E)(i) and (ii) of the Code and Treasury Regulations, 26 CFR §1.42-6. The Development Owner must submit, in the form prescribed by the Department, documentation evidencing paragraphs (1) - (7) of this subsection, along with all information outlined in the Post Award Activities Manual. Satisfaction of the 10% Test will be contingent upon the submission of the items described in paragraphs (1) - (7) of this subsection as well as all other conditions placed upon the Application in the Commitment. Requests for an extension will be reviewed on a case by case basis as addressed in §10.405(c) of this subchapter and §11.2 of this title, as applicable, and a point deduction evaluation will be completed in accordance with Tex. Gov't Code §2306.6710(b)(2) and §11.9(f) of this title. Documentation to be submitted for the 10% Test includes:

(1) An Independent Accountant's Report and Taxpayer's Basis Schedule form. The report must be prepared on the accounting firm's letterhead and addressed to the Development Owner or an Affiliate of the Development Owner. The Independent Accountant's Report and Taxpayers

Basis Schedule form must be signed by the Development Owner. If, at the time the accountant is reviewing and preparing their report, the accountant has concluded that the taxpayer's reasonably expected basis is different from the amount reflected in the Carryover Allocation agreement, then the accountant's report should reflect the taxpayer's reasonably expected basis as of the time the report is being prepared;

(2) Any conditions of the Commitment or Real Estate Analysis underwriting report due at the time of 10% Test submission;

(3) Evidence that the Development Owner has purchased, transferred, leased, or otherwise has ownership of the Development Site and a current title policy. The Development Site must be identical to the Development Site that was submitted at the time of Application submission. For purposes of this paragraph, any changes to the Development Site acreage between Application and 10% Test must be addressed by written explanation or, as appropriate, in accordance with §10.405 of this subchapter (relating to Amendments and Extensions);

(4) A current survey or plat of the Development Site, prepared and certified by a duly licensed Texas Registered Professional Land Surveyor. The survey or plat must clearly delineate the flood plain boundary lines and show all easements and encroachments;

(5) For New Construction, Reconstruction, and Adaptive Reuse Developments, a certification from a Third Party civil engineer or architect stating that all necessary utilities will be available at the Development Site and that there are no easements, licenses, royalties, or other conditions on or affecting the Development that would materially or adversely impact the ability to acquire, develop, and operate as set forth in the Application. Copies of supporting documents may be required by the Department;

(6) For the Development Owner and on-site or regional property manager, training certificate(s) from a Department approved "property owner and manager Fair Housing trainer" showing that a controlling Principal in the Development Owner structure and an on-site or regional property manager attended and passed at least five hours of Fair Housing training. For architects and engineers, training certificate(s) from a Department approved "architect and engineer Fair Housing trainer" showing that the lead architect or engineer responsible for certifying compliance with the Department's accessibility and construction standards has attended and passed at least five hours of Fair Housing training. Certifications required under this paragraph must not be older than three years from the date of submission of the 10% Test Documentation, and must verify that all parts or phases of the offered training have been completed; two certificates supplied for the same part or phase of an offered training will not be counted towards the five hour required minimum, even if they were attended on different dates; and

(7) A Certification from the lender and syndicator identifying all known Guarantors. If identified Guarantors have changed from the Guarantors or Principals identified at the time of Application, a non-material amendment may be required in accordance with §10.405 of this subchapter (relating to Amendments and Extensions), and the new Guarantors or Principals must be reviewed in accordance with Chapter 1, Subchapter C of this title (relating to Previous Participation and Executive Award Review and Advisory Committee).

(8) Evidence of submission of the CMTS Filing Agreement pursuant to §10.607(a) of this title (relating to Reporting Requirements).

(b) Construction Status Report (All Multifamily Developments). All multifamily Developments must submit a construction status report. Construction status reports shall be due by the tenth day of the month following each reporting quarter's end (January, April, July, and October) and continue on a quarterly basis until the entire Development is complete as evidenced by one of the following: Certificates of occupancy for each building, the Architect's Certificate(s) of Substantial Completion (AIA Document G704 or equivalent form) for the entire Development, the final Application and Certificate for Payment (AIA Document G702 and G703), or an equivalent form approved for submission by the construction lender and/or investor. For Competitive Housing Tax Credit Developments, the initial report is due by October 10th following the year of award (this includes Developments funded with HTC and TDHCA Multifamily Direct Loans), and for Developments awarded under the Department's Multifamily Direct Loan programs only, the initial report is due by the 90th calendar day after loan closing. For Tax Exempt Bond Developments, the initial construction status report must be submitted as part of the Post Bond Closing Documentation and is due by the 60th calendar day following closing on the bonds. A Construction Status Report not submitted by the due date will incur an extension fee in accordance with §11.901 of this title (relating to Fee Schedule). The initial report for all multifamily Developments shall consist of the items identified in paragraphs (1) - (6) of this subsection, unless stated otherwise. All subsequent reports shall contain items identified in paragraphs (4) - (6) of this paragraph and must include any changes or amendments to items in paragraphs (1) - (3) if applicable:

(1) The executed partnership agreement with the investor or, for Developments receiving an award only from the Department's Direct Loan Program, other documents setting forth the legal structure and ownership. If identified Guarantors or Principals of a Guarantor entity were not already identified as a Principal of the Owner, Developer, or Guarantor at the time of Application, a non-material amendment must be requested in accordance with §10.405 of this subchapter, and the new Guarantors and all of its Principals, as applicable, must be reviewed in accordance with Chapter 1, Subchapter C of this title (relating to Previous Participation and Executive Award Review and Advisory Committee);

(2) The executed construction contract for the General Contractor, prime subcontractor(s) and Affiliates or Related Party subcontractor(s);

(3) The construction loan agreement. If the loan has not closed, the anticipated closing date must be provided and, upon closing, the agreement must be provided to the Department;

(4) The most recent Application and Certificate for Payment (AIA Document G702 and G703) certified by the Architect of Record (or equivalent form approved for submission by the construction lender and/or investor) for the General Contractor, prime subcontractor(s) and Affiliates or Related Party subcontractor(s);

(5) All Third Party construction inspection reports not previously submitted. If the lender and/or investor does not require third party construction inspection reports, the Development Owner must hire a Tthird Ppparty inspector to perform these inspections on a quarterly basis, and the Third Party inspector, or Third Party lender or investor, must and submit the inspection reports to the Department. Third Party construction inspection reports must include, at a minimum, the

date construction started (initial submission only), a discussion of site conditions as of the date of the site visit, current photographs of the construction site and exterior and interior of buildings, an estimated percentage of construction completion as of the date of the site visit, identification of construction delays and other relevant progress issues, if any, and the anticipated construction completion date; and

(6) Minority Owned Business Report (HTC only) showing the attempt to ensure that at least 30% of the construction and management businesses with which the Applicant contracts in connection with the Development are Minority Owned Businesses as required and further described in Tex. Gov't Code §2306.6734.

(c) LURA Origination.

(1) The Development Owner must request origination of the HTC LURA as directed in the Post Award Activities Manual. The Department will draft a LURA for the Development Owner that will impose the income and rent restrictions identified in the Development's final underwriting report and other representations made in the Application, including but not limited to specific commitments to provide tenant services, to lease to Persons with Disabilities, and/or to provide specific amenities. After origination, the Department executed LURA and all exhibits and addendums will be sent to the Development Owner to execute and record in the real property records for the county in which the Development is located. A copy of the fully executed, recorded LURA must be returned to the Department no later than the end of the first year of the Credit Period. In general, no Housing Tax Credits are allowed to be issued for a building unless there is a properly executed and recorded LURA in effect at the end of the first year of the Credit Period. Nothing in this section negates a Development Owner's responsibility for full compliance with §42(h)(6) of the Code. The Department will not issue IRS Form(s) 8609 until it receives a copy of the fully executed, recorded LURA.

(2) LURAs for Direct Loan awardees will be prepared by the Department's Legal Division and executed at loan closing.

(d) Cost Certification (Competitive and Non-Competitive HTC, and related activities only). The Department conducts a feasibility analysis in accordance with §42(m)(2)(C)(i)(III) of the Code and Chapter 11, Subchapter D of this title (relating to Underwriting and Loan Policy) to make a final determination on the allocation of Housing Tax Credits. For Non-Competitive HTC Developments, the amount of tax credits reflected in the IRS Form(s) 8609 may be greater or less than the amount set forth in the Determination Notice based upon the Department's determination as of each building's placement in service. Any increase of tax credits will only be permitted if it is determined necessary by the Department, as required by §42(m)(2)(D) of the Code through the submission of the Cost Certification package. Increases to the amount of tax credits that exceed 120% of the amount of credits reflected in the Determination Notice must be approved by the Board. Increases to the amount of tax credits that do not exceed 120% of the amount of credits reflected in the Determination Notice may be approved administratively by the Executive Director or designee. All credit increases are subject to the Tax-Exempt Bond Credit Increase Request Fee as described in Chapter 11, Subchapter E of this Part (relating to Fee Schedule, Appeals, and other Provisions). The requirements for cost certification include those identified in paragraphs (1) - (3) of this subsection.

(1) For Competitive HTC Developments, Development Owners must file cost certification documentation no later than January 15 following the first year of the Credit Period, as defined in §42(f)(1) of the Code. For Tax-Exempt Bond Developments, Development Owners must file cost certification documentation no later than May 15 following the first year of the Credit Period.

(2) The Department will evaluate the cost certification documentation and notify the Development Owner of any additional required documentation needed to complete the review. The Department reserves the right to request additional documents or certifications as it deems necessary or useful in the determination of the Development's eligibility for a final Housing Tax Credit allocation amount. Any communication issued to the Development Owner pertaining to the cost certification documentation may also be sent to the syndicator. In accordance with Tex. Gov't Code §2306.6724(g), IRS Form(s) 8609 will be issued no later than the 120th day following the date on which the Department receives a complete cost certification package, and the Development Owner has fulfilled any requests for information.

(3) The cost certification package must meet the conditions as stated in subparagraphs (A) - (G) of this paragraph. The Development Owner has:

(A) Provided evidence that all buildings in the Development have been placed in service by:

(i) December 31 of the year the Commitment was issued;

(ii) December 31 of the second year following the year the Carryover Allocation Agreement was executed; or

(iii) the approved Placed in Service deadline;

(B) Provided a complete final cost certification package in the format prescribed by the Department. As used herein, a complete final cost certification package means a package that meets all of the Department's criteria with all required information and exhibits listed in clauses (i) - (xxxiv) of this subparagraph, and pursuant to the Post Award Activities Manual. If any item on this list is determined to be unclear, deficient, or inconsistent with the cost certification review completed by the Department, a Request for Information (RFI) will be sent to the Development Owner. Requirements include:

(i) Owner's signed and notarized Statement of Certification verifying the CPA firm's licenses and validity, including any restrictions;

(ii) Owner Summary & Organization Charts for the Owner, Developer, and Guarantors;

(iii) Evidence of Qualified Nonprofit or CHDO Participation;

(iv) Certification and evidence of Historically Underutilized Business (HUB) Participation;

(v) Development Team List;

(vi) Development Summary with Architect's Certification;

(vii) Development Change Documentation;

(viii) As Built Survey;

(ix) A copy of the fully executed Closing Statement for each parcel of land and/or buildings purchased and included in the Development;

(x) Development Owner's Title Policy for the Development;

(xi) Title Policy Update;

(xii) Placement in Service;

(xiii) Evidence of Placement in Service;

(xiv) Architect's Certification of Completion Date and Date Ready for Occupancy (for Developments located in areas where Certificates of Occupancy (COs) are not issued by a local government or rehabilitation Developments that cannot provide COs);

(xv) Auditor's Certification of Acquisition/Rehabilitation Placement in Service Election;

(xvi) Independent Auditor's Report;

(xvii) Independent Auditor's Report of Bond Financing;

(xviii) Development Cost Schedule;

(xix) Contractor's Application for Final Payment (G702/G703) for the General Contractor, all prime subcontractors, Affiliated Contractors, and Related Party Contractors;

(xx) Additional Documentation of Offsite Costs;

(xxi) Rent Schedule;

(xxii) Utility Allowances;

(xxiii) Annual Operating Expenses;

(xxiv) 30 Year Rental Housing Operating Pro Forma;

(xxv) Current Operating Statement in the form of a trailing twelve month statement;

(xxvi) Current Rent Roll;

(xxvii) Summary of Sources and Uses of Funds;

(xxviii) Final Limited Partnership Agreement with all amendments and exhibits;

(xxix) All Loan Agreements and Promissory Notes (except for Agreements and Notes issued directly by the Department);

(xxx) Architect's Certification of Accessibility Requirements;

(xxxi) Development Owner Assignment of Individual to Compliance Training;

(xxxii) TDHCA Compliance Training Certificate (not older than two years from the date of cost certification submission);

(xxxiii) TDHCA Final Inspection Clearance Letter or evidence of submitted final inspection request to the Compliance Division (IRS Form(s) 8609 will not be issued without a TDHCA Final Inspection Clearance Letter); and

(xxxiv) Other Documentation as Required, including but not limited to conditions to be satisfied at cost certification as reflected in the Development's latest Underwriting Report;

(C) Informed the Department of and received written approval for all amendments, extensions, and changes in ownership relating to the Development in accordance with §10.405 of this subchapter (relating to Amendments and Extensions) and §10.406 of this subchapter (relating to Ownership Transfers (§2306.6713));

(D) Paid all applicable Department fees, including any past due fees;

(E) Met all conditions noted in the Department underwriting report, Determination Notice, and Commitment;

(F) Corrected all issues of noncompliance, including but not limited to noncompliance status with the LURA (or any other document containing an Extended Low-income Housing Commitment) or the program rules in effect for the subject Development, as described in this chapter. Developments in the corrective action period and/or with any uncorrected issues of noncompliance outside of the corrective action period will not be issued IRS Form(s) 8609s until all events of noncompliance are corrected or otherwise approved by the Executive Director or designee; and

(G) Completed an updated underwriting evaluation in accordance with Chapter 11, Subchapter D of this Part based on the most current information at the time of the review.

§10.405. Amendments and Extensions.

(a) Amendments to Housing Tax Credit (HTC) Application or Award Prior to Land Use Restriction Agreement (LURA) recording or amendments that do not result in a change to the LURA (§2306.6712). The Department expects the Development Owner to construct or rehabilitate, operate, and own the Development consistent with the representations in the Application. The Department must receive notification of any amendments to the Application. Regardless of development stage, the Board shall re-evaluate a Development that undergoes a material change, as

identified in paragraph (3) of this subsection at any time after the initial Board approval of the Development (§2306.6731(b)). The Board may deny an amendment request and subsequently may rescind any Commitment or Determination Notice issued for an Application, and may reallocate the credits to other Applicants on the waiting list.

(1) Requesting an amendment. The Department shall require the Applicant to file a formal, written request for an amendment to the Application. Such request must include a detailed explanation of the amendment request and other information as determined to be necessary by the Department, and the applicable fee as identified in Chapter 11, Subchapter E of this title (relating to Fee Schedule, Appeals, and other Provisions) in order to be received and processed by the Department. Department staff will evaluate the amendment request to determine if the change would affect an allocation of Housing Tax Credits by changing any item that received points, by significantly affecting the most recent underwriting analysis, or by materially altering the Development as further described in this subsection.

(2) Notification Items. The Department must be notified of the changes described in subparagraphs (A) - (F) of this paragraph. The changes identified are subject to staff agreement based on a review of the amendment request and any additional information or documentation requested. Notification items will be considered satisfied when an acknowledgment of the specific change(s) is received from the Department and include:

(A) Changes to Development Site acreage required by the City or other local governmental authority, or changes resulting from survey discrepancies, as long as such change does not also result in a modification to the residential density of more than 5%;

(B) Minor modifications to the site plan that will not significantly impact development costs, including, but not limited to, relocation or rearrangement of buildings on the site (as long as the number of residential and non-residential buildings remains the same), and movement, addition, or deletion of ingress/egress to the site;

(C) Increases or decreases in net rentable square footage or common areas that do not result in a material amendment under paragraph (4) of this subsection;

(D) Changes in amenities that do not require a change to the recorded LURA and do not negatively impact scoring, including changes to outdated amenities that could be replaced by an amenity with equal benefit to the resident community;

(E) Changes in Developers or Guarantors (notifications for changes in Guarantors that are also the General Contractor or are only providing guaranties during the construction period are not required) with no new Principals (who were not previously checked by Previous Participation review ~~that retain the natural person(s) used to meet the experience requirement in Chapter 11 of this title (relating to Qualified Allocation Plan)~~); and

(F) Any other amendment not identified in paragraphs (3) and (4) of this subsection.

(3) Non-material amendments. The Executive Director or designee may administratively approve all non-material amendments, including, but not limited to:

(A) Any amendment that is determined by staff to exceed the scope of notification acknowledgement, as identified in paragraph (2) of this subsection but not to rise to a material alteration, as identified in paragraph (4) of this subsection;

(B) Changes in Developers or Guarantors (excluding changes in Guarantors that are also the General Contractor or are only providing guaranties during the construction period) not addressed in §10.405(a)(2)(E). Changes in Developers or Guarantors will be subject to Previous Participation requirements as further described in Chapter 11 of this title and the credit limitation described in §11.4(a) of this title; and

(C) For Exchange Developments only, requests to change elections made on line 8(b) of the IRS Form(s) 8609 to group buildings together into one or more multiple building projects. The request must include an attached statement identifying the buildings in the project. The change to the election may only be made once during the Compliance Period.

(4) Material Aamendments. Amendments considered material pursuant to this paragraph must be approved by the Board. When an amendment request requires Board approval, the Development Owner must submit the request and all required documentation necessary for staff's review of the request to the Department at least 45 calendar days prior to the Board meeting in which the amendment is anticipated to be considered. Before the 15th day preceding the date of Board action on the amendment, notice of an amendment and the recommendation of the Executive Director and Department staff regarding the amendment will be posted to the Department's website and the Applicant will be notified of the posting (§2306.6717(a)(4)). Material Amendment requests may be denied if the Board determines that the modification proposed in the amendment would materially alter the Development in a negative manner or would have adversely affected the selection of the Application in the Application Round. Material alteration of a Development includes, but is not limited to:

(A) A significant modification of the site plan;

(B) A modification of the number of Units or bedroom mix of Units;

(C) A substantive modification of the scope of tenant services;

(D) A reduction of 3% or more in the square footage of the Units or common areas;

(E) A significant modification of the architectural design of the Development;

(F) A modification of the residential density of at least 5%;

(G) A request to implement a revised election under §42(g) of the Code prior to filing of IRS Form(s) 8609;

(H) Exclusion of any requirements as identified in Chapter 11, Subchapter B of this title (relating to Site and Development Requirements and Restrictions) and Chapter 11, Subchapter C of this title (relating to Application Submission Requirements, Ineligibility Criteria, Board Decisions and Waiver of Rules); or

(I) Any other modification considered material by the staff and therefore required to be presented to the Board as such.

(5) Amendment requests will be denied if the Department finds that the request would have changed the scoring of an Application in the competitive process such that the Application would not have received a funding award or if the need for the proposed modification was reasonably foreseeable or preventable by the Applicant at the time the Application was submitted, unless good cause is found for the approval of the amendment.

(6) This section shall be administered in a manner that is consistent with §42 of the Code. If a Development has any uncorrected issues of noncompliance outside of the corrective action period (other than the provision being amended) or otherwise owes fees to the Department, such non-compliance or outstanding payment must be resolved to the satisfaction of the Department before a request for amendment will be acted upon.

(7) In the event that an Applicant or Developer seeks to be released from the commitment to serve the income level of tenants identified in the Application and Credit Underwriting Analysis Report at the time of award and as approved by the Board, the procedure described in subparagraphs (A) and (B) of this paragraph will apply to the extent such request is not prohibited based on statutory and/or regulatory provisions:

(A) For amendments that involve a reduction in the total number of Low-Income Units, or a reduction in the number of Low-Income Units at any rent or income level, as approved by the Board, evidence noted in either clause (i) or (ii) of this subparagraph must be presented to the Department to support the amendment:

(i) In the event of a request to implement (rent to a household at an income or rent level that exceeds the approved AMI limits established by the minimum election within the Development's Application or LURA) a revised election under §42(g) of the Code prior to an Owner's submission of IRS Form(s) 8609 to the IRS, Owners must submit updated information and exhibits to the Application as required by the Department; or

(ii) For all other requests for reductions in the total number of Low-Income Units or reductions in the number of Low-Income Units at any rent or income level, prior to issuance of IRS Form(s) 8609 by the Department, the lender and syndicator must submit written confirmation that the Development is infeasible without the adjustment in Units. The Board may or may not approve the amendment request; however, any affirmative recommendation to the Board is contingent upon concurrence from Department staff that the Unit adjustment is necessary for the continued financial feasibility of the Development; and

(B) If it is determined by the Department that the loss of low-income targeting points would have resulted in the Application not receiving an award in the year of allocation, and the amendment is approved by the Board, the approved amendment will carry a penalty that prohibits the Applicant and all Persons or entities with any ownership interest in the Application (excluding any tax credit purchaser/syndicator), from participation in the Housing Tax Credit Program (for both the Competitive Housing Tax Credit Developments

and Tax-Exempt Bond Developments) for 24 months from the time that the amendment is approved.

(b) Amendments to Contracts and LURAs. Department approval shall be required for any amendment to a LURA in accordance with this section. An amendment request shall be submitted in writing, containing a detailed explanation of the request, the reason the change is necessary, the good cause for the change, financial information related to any financial impact on the Development, information related to whether the necessity of the amendment was reasonably foreseeable at the time of application, and other information as determined to be necessary by the Department, along with any applicable fee as identified in Chapter 11, Subchapter E of this title (relating to Fee Schedule, Appeals, and other Provisions). The Department may order or require the Development Owner to order a Market Study or appraisal at the Development Owner's expense. If a Development has any uncorrected issues of noncompliance outside of the corrective action period (other than the provision being amended) or otherwise owes fees to the Department, such non-compliance or outstanding payment must be resolved to the satisfaction of the Department~~,~~ before a request for amendment will be acted upon. The Department will not approve changes that would violate state or federal laws including the requirements of §42 of the Code, 24 CFR Part 92 (HOME Final Rule), 24 CFR Part 93 (NHTF Interim Rule), Chapter 1 of this title (relating to Administrative Requirements), Chapter 11 of this title (relating to Qualified Allocation Plan), Chapter 12 of this title (relating to Multifamily Housing Revenue Bond Rules), Chapter 13 of this title (relating to Multifamily Direct Loan Rule), Tex. Gov't Code, Chapter 2306, and the Fair Housing Act. For Tax-Exempt Bond Developments, compliance with their Regulatory Agreement and corresponding bond financing documents. Prior to staff taking a recommendation to the Board for consideration, the procedures described in paragraph (3) of this subsection must be followed.

(1) Non-Material LURA Amendments. The Executive Director or designee may administratively approve all LURA amendments not defined as Material LURA Amendments pursuant to paragraph (2) of this subsection. A non-material LURA amendment may include but is not limited to:

(A) HUB participation removal. Removal of a HUB participation requirement will only be processed as a non-material LURA amendment after the issuance of IRS Form(s) 8609 and requires that the Department find that:

(i) The HUB is requesting removal of its own volition or is being removed as the result of a default under the organizational documents of the Development Owner;

(ii) the participation by the HUB has been substantive and meaningful, or would have been substantive or meaningful had the HUB not defaulted under the organizational documents of the Development Owner, enabling it to realize not only financial benefit but to acquire skills relating to the ownership and operating of affordable housing; and

(iii) where the HUB will be replaced as a general partner or special limited partner that is not a HUB and will sell its ownership interest, an ownership transfer request must be submitted as described in §10.406 of this subchapter;

(B) A change resulting from a Department work out arrangement as recommended by the Department's Asset Management Division;

(C) A change in the Right of First Refusal period as described in amended §2306.6726 of the Tex. Gov't Code;

(D) Where the Board has approved a de minimis modification of the Unit Mix or bedroom mix of Units to increase the Development's accessibility;

(E) In accordance with HOMEFires, Vol. 17 No. 1 (January 2023, as may be amended from time to time) bifurcation of the term of a HOME or NSP LURA with the Department that requires a longer affordability period than the minimum federal requirement, into a federal and state affordability period; ~~or~~

(F) A change in Target Population if the Elderly restrictions in the LURA expired at the end of the Compliance Period or the Federal Affordability Period (as applicable), and the amendment is requested within one year of expiration and contains a certification from the Development Owner that the Development still qualifies as Elderly;

(G) Amendments necessary to opt into the 2025 HOME final rule in accordance with §10.601(g) of this c~~C~~hapter, relating to the 2025 HOME final rule; or

(~~F~~H) A correction of error.

(2) Material LURA Amendments. Development Owners seeking LURA amendment requests that require Board approval must submit the request and all required documentation necessary for staff's review of the request to the Department at least 45 calendar days prior to the Board meeting at which the amendment is anticipated to be considered. Before the 15th day preceding the date of Board action on the amendment, notice of an amendment and the recommendation of the Executive Director and Department staff regarding the amendment will be posted to the Department's website and the Applicant will be notified of the posting (§2306.6717(a)(4)). The Board must consider the following material LURA amendments:

(A) Reductions to the number of Low-Income Units;

(B) Changes to the income or rent restrictions;

(C) Changes to the Target Population;

(D) The removal of material participation by a Nonprofit Organization as further described in §10.406 of this subchapter;

(E) The removal of material participation by a HUB prior to filing of IRS Form(s) 8609;

(F) Any amendment that ~~affects~~ pertains to a right enforceable by a tenant or other third party under the LURA; or

(G) Any LURA amendment deemed material by the Executive Director.

(3) Prior to staff taking a recommendation to the Board for consideration, the Development Owner must provide reasonable notice and hold a public hearing regarding the requested amendment(s) at least 20 business days prior to the scheduled Board meeting where the request will be considered. A Development Owners ~~will be~~is required to submit a copy of the notification with the amendment request. If the amendment pertains to a right enforceable by a tenant or other third party, the Development Owner must explain why performance of the original condition is impossible or demonstrate that Development would no longer be financially feasible, in accordance with the rules adopted in Chapter 11 Subchapter D of this part relating to Underwriting and Loan Policy. If a LURA amendment is requested prior to issuance of IRS Form(s) 8609 by the Department, notification must be provided to the recipients described in subparagraphs (A) - (E) of this paragraph. If an amendment is requested after issuance of IRS Form(s) 8609 by the Department, notification must be provided to the recipients described in subparagraph (A) - (B) of this paragraph. Notifications include:

(A) Each tenant of the Development;

(B) The current lender(s) and investor(s);

(C) The State Senator and State Representative of the districts whose boundaries include the Development Site;

(D) The chief elected official for the municipality (if the Development Site is within a municipality or its extraterritorial jurisdiction); and

(E) The county commissioners of the county in which the Development Site is located (if the Development Site is located outside of a municipality).

(4) Contents of Notification. The notification must include, at a minimum, all of the information described in subparagraphs (A) - (D) of this paragraph:

(A) The Development Owner's name, address and an individual contact name and phone number;

(B) The Development's name, address, and city;

(C) The change(s) requested; and

(D) The date, time, and location of the public hearing where the change(s) will be discussed.

(5) Verification of public hearing. Minutes of the public hearing and attendance sheet must be submitted to the Department within three business days after the date of the public hearing.

(6) Approval. Once the LURA Amendment has been approved administratively or by the Board, as applicable, Department staff will provide the Development Owner with a LURA amendment for execution and recording in the county where the Development is located. For some Programs, a Contract Amendment or amendment to the Loan Documents may also be needed, in the determination of the Department's Legal Division.

(c) HTC Extensions. Extensions must be requested if the original deadline associated with Carryover, the 10% Test (including submission and expenditure deadlines), construction status reports, or cost certification requirements will not be met. Extension requests submitted at least 30 calendar days in advance of the applicable original deadline will not be required to submit an extension fee as described in §11.901 of this title. Any extension request submitted fewer than 30 days in advance of the applicable original deadline or after the original deadline will not be processed unless accompanied by the applicable fee. Extension requests will be approved by the Executive Director or designee, unless, at staff's discretion it warrants Board approval due to extenuating circumstances stated in the request. The extension request must specify a requested extension date and the reason why such an extension is required. If the Development Owner is requesting an extension to the Carryover submission or 10% Test deadline(s), a point deduction evaluation will be completed in accordance with Tex. Gov't Code, §2306.6710(b)(2), and §11.9(f) of this title (relating to Factors Affecting Scoring and Eligibility in current and future Application Rounds). Therefore, the Development Owner must clearly describe in their request for an extension how the need for the extension was beyond the reasonable control of the Applicant/Development Owner and could not have been reasonably anticipated. Carryover extension requests will not be granted an extended deadline later than December 1st of the year the Commitment was issued.

§10.406. Ownership Transfers (§2306.6713).

(a) Ownership Transfer Notification. All multifamily Development Owners must provide written notice and a completed Ownership Transfer packet, if applicable, to the Department at least 45 calendar days prior to any sale, transfer, or exchange of the Development or any portion of or Controlling interest in the Development. Except as otherwise provided herein, the Executive Director's prior written approval of any such transfer is required. The Executive Director may not unreasonably withhold approval of the transfer requested in compliance with this section.

(b) Exceptions. The exceptions to the ownership transfer process in this subsection are applicable.

(1) A Development Owner shall be required to notify the Department but shall not be required to obtain Executive Director approval when the transferee is an Affiliate of the Development Owner with no new Principals, or the transferee is a Related Party who does not Control the Development and the transfer is being made for estate planning purposes.

(2) Transfers that are the result of an involuntary removal of the general partner by the investment limited partner do not require advance approval, but must be reported to the Department as soon as possible due to the sensitive timing and nature of this decision. In the event the investment limited partner has proposed a new general partner or will permanently replace the general partner, a full Ownership Transfer packet must be submitted.

(3) Changes to the investment limited partner, non-Controlling limited partner, or other non-Controlling partners affiliated with the investment limited partner do not require Executive Director approval. A General Partner's acquisition of the interest of the investment limited partner does not require Executive Director approval, unless some other change in ownership is occurring as part of the same overall transaction.

(4) Changes resulting from foreclosure do not require advance approval but acquiring parties must notify the Department as soon as possible of the revised ownership structure and ownership contact information.

(5) Changes resulting from a deed-in-lieu of foreclosure do not require Executive Director approval. However, advance notification must be provided to both the Department and to the tenants at least 30 days prior to finalizing the transfer. This notification must include information regarding the applicable rent/income requirements post deed-in-lieu of foreclosure.

(6) Changes resulting from a foreclosure do not require Executive Director approval. However, a Development that is subject to the 2025 HOME final rule as described in §10.601(g) of this chapter must provide advance notification to both the Department and to all households at least 30 days prior to the foreclosure sale. This notification must include information regarding the applicable rent/income requirements post foreclosure.

(c) General Requirements.

(1) Any new Principal in the ownership of a Development must be eligible under §11.202 of Subchapter C (relating to Ineligible Applicants and Applications). In addition, Persons and Principals will be reviewed in accordance with Chapter 1, Subchapter C of this title (relating to Previous Participation and Executive Award Review and Advisory Committee).

(2) Changes in Developers or Guarantors must be addressed as non-material amendments to the application under §10.405 of this Subchapter.

(3) To the extent an investment limited partner or its Affiliate assumes a Controlling interest in a Development Owner, such acquisition shall be subject to the Ownership Transfer requirements set forth herein. Principals of the investment limited partner or Affiliate will be considered new Principals and will be reviewed as stated under paragraph (1) of this subsection.

(4) Simultaneous transfer or concurrent offering for sale of the General Partner's and Limited Partner's control and interest will be subject to the Ownership Transfer requirements set forth herein and will trigger a Right of First Refusal, if applicable.

(5) Any initial operating, capitalized operating, or replacement reserves funded with an allocation from the HOME American Rescue Plan (HOME-ARP) and Special Reserves required by the Department must remain with the Development.

(d) Transfer Actions Warranting Debarment. If the Department determines that the transfer, involuntary removal, or replacement was due to a default by the General Partner under the Limited Partnership Agreement, or other detrimental action that put the Development at risk of failure or the Department at risk for financial exposure as a result of non-compliance, staff will refer the matter to the Enforcement Committee for debarment consideration pursuant to §2.401 of this title (relating to Enforcement, Debarment from Participation in Programs Administered by the Department). In addition, a record of transfer involving Principals in new proposed awards will be reported and may be taken into consideration in accordance with Chapter 1, Subchapter C of this title (relating to Previous Participation and Executive Award Review and Advisory Committee), prior to recommending any new financing or allocation of credits.

(e) Transfers Prior to 8609 Issuance or Construction Completion. Prior to the issuance of IRS Form(s) 8609 (for Housing Tax Credits) or the completion of construction (for all Developments funded through other Department programs), an Applicant may request a change to its ownership structure to add Principals or to remove Principals provided not all controlling Principals identified in the Application will be removed. The party(ies) reflected in the Application as having Control must remain in the ownership structure and retain Control, unless approved otherwise by the Executive Director. A development sponsor, General Partner or Development Owner may not sell the Development in whole or voluntarily end their Control prior to the issuance of 8609s. In addition, for Competitive HTC Developments, changes in the ownership structure for the addition of a public facility corporation, a housing finance corporation, or a public housing authority prior to the issuance of 8609s that will result in a 100% property tax exemption that was not previously reflected in the Application, require a resolution of support from the municipality, or if the Development is not within a municipality or its Extra Territorial Jurisdiction (ETJ), a resolution of support from the commissioners court.

(f) Nonprofit Organizations. If the ownership transfer request is to replace a nonprofit organization within the Development ownership entity, the replacement nonprofit entity must adhere to the requirements in paragraph (1) or (2) of this subsection.

(1) If the LURA requires ownership or material participation in ownership by a Qualified Nonprofit Organization, and the Development received Tax Credits pursuant to §42(h)(5) of the Code, the transferee must be a Qualified Nonprofit Organization that meets the requirements of §42(h)(5) of the Code and Tex. Gov't Code §2306.6706, if applicable, and can demonstrate planned participation in the operation of the Development on a regular, continuous, and substantial basis.

(2) If the LURA requires ownership or material participation in ownership by a nonprofit organization or CHDO, the Development Owner must show that the transferee is a nonprofit organization or CHDO, as applicable, that complies with the LURA. If the transferee has been certified as a CHDO by TDHCA prior to 2016 or has not previously been certified as a CHDO by TDHCA, a new CHDO certification package must be submitted for review. If the transferee was certified as a CHDO by TDHCA after 2016, provided no new federal guidance or rules concerning CHDO have been released and the proposed ownership structure at the time of review meets the requirements in 24 CFR Part 92, the CHDO may instead submit a CHDO Self-Certification form with the Ownership Transfer package. However, for ownership transfers that occur on or after April 30, 2026, the Department will require the CHDO to renew their certification using the new certification package that will include the 2025 HOME final rule requirements.

(3) Exceptions to paragraphs (1) and (2) of this subsection may be made on a case by case basis if the Development (for MFDL) is past its Federal Affordability Period or (for HTC Developments) is past its Compliance Period, was not reported to the IRS as part of the Department's Nonprofit Set Aside in any HTC Award year, and follows the procedures outlined in §10.405(b)(1) - (5) of this subchapter. The Board must find that:

(A) The selling nonprofit is acting of its own volition or is being removed as the result of a default under the organizational documents of the Development Owner;

(B) The participation by the nonprofit was substantive and meaningful during the full term of the Compliance Period but is no longer substantive or meaningful to the operations of the Development; and

(C) The proposed purchaser is an affiliate of the current Owner or otherwise meets the Department's standards for ownership transfers.

(g) Historically Underutilized Business (HUB) Organizations. If a HUB is the general partner or special limited partner of a Development Owner and it determines to sell its ownership interest, after the issuance of IRS Form(s) 8609, the purchaser of that partnership interest or the general or special limited partner is not required to be a HUB as long as the LURA does not require it or the procedure described in §10.405(b)(1) of this chapter (relating to Non-Material LURA Amendments) has been followed and approved. The removal of a HUB requirement prior to filing of IRS Form(s) 8609 is subject to the procedure described in §10.405(b)(2) of this Chapter (relating to Material LURA Amendments).

(h) Documentation Required. A Development Owner must submit documentation requested by the Department to enable the Department to understand fully the facts and circumstances pertaining to the transfer and the effects of approval or denial. Documentation must be submitted as directed in the Post Award Activities Manual, which includes but is not limited to:

(1) A written explanation outlining the reason for the request;

(2) Ownership transfer information, including but not limited to the type of sale, terms of any new financing introduced as a result of the transfer, amount of Development reserves to transfer in the event of a property sale, and the prospective closing date;

(3) Pre- and post-transfer organizational charts with TINs of each organization down to the level of natural persons in the ownership structure as described in §11.204(12)(B) of Subchapter C of this title (relating to Required Documentation for Application Submission);

(4) A list of the names and contact information for transferees and Related Parties;

(5) Previous Participation information for any new Principal as described in §11.204(12)(C) of this title (relating to Required Documentation for Application Submission);

(6) Agreements among parties associated with the transfer;

(7) Owners Certifications with regard to materials submitted as further described in the Post Award Activities Manual;

(8) Detailed information describing the organizational structure, experience, and financial capacity of any party holding a controlling interest in any Principal or Controlling entity of the prospective Development Owner;

(9) Evidence and certification that the tenants in the Development have been notified in writing of the proposed transfer at least 30 calendar days prior to the date the transfer is approved by the Department. The ownership transfer approval letter will not be issued until this 30-day

period has expired. Additional notification requirements may apply under 10 TAC §10.607, relating to Reporting Requirements; and

(10) Any required exhibits and the list of exhibits related to specific circumstances of transfer or Ownership as detailed in the Post Award Activities Manual.

(i) Once the Department receives all necessary information under this section and as required under the Post Award Activities Manual, staff shall initiate a qualifications review of a transferee, in accordance with Chapter 1, Subchapter C of this title (relating to Previous Participation and Executive Award Review and Advisory Committee), to determine the transferee's past compliance with all aspects of the Department's programs, LURAs and eligibility under this chapter and §11.202 of this title (relating to Ineligible Applicants and Applications).

(j) Credit Limitation. As it relates to the Housing Tax Credit amount further described in §11.4(a) of this title (relating to Tax Credit Request and Award Limits), the credit amount will not be applied in circumstances described in paragraphs (1) and (2) of this subsection:

(1) In cases of transfers in which the syndicator, investor or limited partner is taking over ownership of the Development and not merely replacing the general partner; or

(2) In cases where the general partner is being replaced if the award of credits was made at least five years prior to the transfer request date.

(k) Penalties, Past Due Fees, and Underfunded Reserves. The Development Owner must comply with any additional documentation requirements as stated in Subchapter F of this chapter (relating to Compliance Monitoring) and Subchapter G of this chapter (relating to Affirmative Marketing Requirements and Written Policies and Procedures). The Development Owner on record with the Department will be liable for any penalties or fees imposed by the Department (even if such penalty can be attributable to the new Development Owner) unless an ownership transfer has been approved by the Department. In the event a transferring Development has a history of uncorrected UPCS or NSPIRE violations, ongoing issues related to keeping housing sanitary, safe, and decent, an account balance below the annual reserve deposit amount as specified in §10.404(a) (relating to Replacement Reserve Accounts), or that appears insufficient to meet capital expenditure needs as indicated by the number or cost of repairs included in a PNA or SCR, the prospective Development Owner may be required to establish and maintain a replacement reserve account or increase the amount of regular deposits to the replacement reserve account by entering into a Reserve Agreement with the Department. The Department may also request a plan and timeline relating to needed repairs or renovations that will be completed by the departing and/or incoming Owner as a condition to approving the Transfer. A PNA or SCR may be requested if one has not already been received under §10.404 of this section (relating to Reserve Accounts).

(l) Ownership Transfer Processing Fee. The ownership transfer request must be accompanied by the corresponding ownership transfer fee as outlined in §11.901 of this title (relating to Fee Schedule).

§10.407. Right of First Refusal.

(a) General. This section applies to Development Owners that agreed to offer a Right of First Refusal (ROFR) to a Qualified Entity or as applicable a Qualified Nonprofit Organization, as memorialized in the applicable LURA. For the purposes of this section, a Qualified Nonprofit Organization also includes an entity 100% owned by a Qualified Nonprofit Organization pursuant to §42(h)(5)(C) of the Code and operated in a similar manner. The purpose of this section is to provide administrative procedures and guidance on the process and valuation of properties under the LURA. All requests for ROFR submitted to the Department, regardless of existing regulations, must adhere to this process.

(1) The Development Owner may market the Property for sale and enter into an agreement to sell the Property to a Qualified Entity, or as applicable a Qualified Nonprofit Organization without going through the ROFR process outlined in this section, unless otherwise restricted or prohibited and only in the following circumstances:

(A) The LURA includes a 90-day ROFR and the Development Owner is selling to a Qualified Nonprofit Organization;

(B) The LURA includes a two-year ROFR and the Development Owner is selling to a Qualified Nonprofit Organization that meets the definition of a Community Housing Development Organization (CHDO) under 24 CFR Part 92, as approved by the Department; ~~or~~

(C) The LURA includes a 180-day ROFR, and the Development Owner is selling to a Qualified Entity that meets the definition of a CHDO under 24 CFR Part 92, or to an entity that includes a CHDO as one of its controlling members, as approved by the Department, or to the public housing authority or public facility corporation that owns the fee title to the Development Owner's leasehold estate; or

(D) The Multifamily Direct Loan LURA requires a new Owner to be a qualified CHDO or has a ROFR Period for purchase by a CHDO, ~~but~~and the Development is subject to the 2013 or 2025 HOME final rule, and the Development Owner is selling or conveying the Development to another CHDO approved by the Department. The entity will have to be structured in accordance with the applicable HOME rule, and the requirements in Chapter 13 of this title.

(2) A ROFR request must be made in accordance with the LURA for the Development. If there is a conflict between the Development's LURA and this subchapter, every effort will be made to harmonize the provisions. If the conflict cannot be resolved, requirements in the LURA will supersede this subchapter. If there is a conflict between the Development's LURA and Tex. Gov't Code Chapter 2306, every effort will be made to harmonize the provisions. A Development Owner may request a LURA amendment to make the ROFR provisions in the LURA consistent with Tex. Gov't Code Chapter 2306 at any time.

(3) If a LURA includes the ROFR provision, the Development Owner may not request a Preliminary Qualified Contract (if such opportunity is available under the applicable LURA and §10.408 of this Subchapter) until the requirements outlined in this section have been satisfied.

(4) The Department reviews and approves all ownership transfers pursuant to §10.406 of this subchapter. Thus, if a proposed purchaser is identified by the Owner in accordance with paragraph (1) of this subsection or in the ROFR process, the Development Owner and proposed

purchaser must complete the ownership transfer process. A Development Owner may not transfer a Development to a Qualified Nonprofit Organization or Qualified Entity that is considered an ineligible entity under the Department's rules. In addition, ownership transfers to a Qualified Entity or as applicable a Qualified Nonprofit Organization pursuant to the ROFR process are subject to Chapter 1, Subchapter C of this title (relating to Previous Participation and Executive Award Review and Advisory Committee).

(5) Satisfying the ROFR requirement does not terminate the LURA or the ongoing application of the ROFR requirement to any subsequent Development Owner.

(6) If there are multiple buildings in the Development, the end of the 15th year of the Compliance Period will be based upon the date the last building(s) began their credit period(s). For example, if five buildings in the Development began their credit periods in 2007 and one in 2008, the 15th year would be 2022. The ROFR process is triggered upon:

(A) The Development Owner's determination to sell the Development to an entity other than as permitted in paragraph (1) of this subsection; or

(B) The simultaneous transfer or concurrent offering for sale of a General Partner's and limited partner's interest in the Development Owner's ownership structure.

(7) The ROFR process is not triggered if a Development Owner seeks to transfer the Development to a newly formed entity:

(A) That is under common control with the Development Owner; and

(B) The primary purpose of the formation of which is to facilitate the financing of the rehabilitation of the Development using assistance administered through a state financing program.

(8) This section applies only to a Right of First Refusal memorialized in the Department's LURA. This section does not authorize a modification of any other agreement between the Development Owner and a Qualified Nonprofit Organization or Qualified Entity. The enforceability of a contractual agreement between the Development Owner and a Qualified Nonprofit Organization or Qualified Entity may be impacted by the Development Owner's commitments at Application and recorded LURA.

(b) Right of First Refusal Offer Price. There are two general expectations of the ROFR offer price identified in the outstanding LURAs. The descriptions in paragraphs (1) and (2) of this subsection do not alter the requirements or definitions included in the LURA but provide further clarification as applicable:

(1) Fair Market Value is established using either a current appraisal (completed within three months prior to the ROFR request and in accordance with §11.304 of this title (relating to Appraisal Rules and Guidelines)) of the Property or an executed purchase offer that the Development Owner would like to accept. In either case the documentation used to establish Fair Market Value will be part of the ROFR property listing on the Department's website. The purchase offer must contain specific language that the offer is conditioned upon satisfaction of

the ROFR requirement. If a subsequent ROFR request is made within six months of the previously approved ROFR posting, the lesser of the prior ROFR posted value or new appraisal/purchase contract amount must be used in establishing Fair Market Value;

(2) Minimum Purchase Price, pursuant to §42(i)(7)(B) of the Code, is the sum of the categories listed in subparagraphs (A) and (B) of this paragraph:

(A) The principal amount of outstanding indebtedness secured by the project (other than indebtedness incurred within the five year period immediately preceding the date of said notice); and

(B) All federal, state, and local taxes incurred or payable by the Development Owner as a consequence of such sale. If the Property has a minimum Applicable Fraction of less than one, the offer must take this into account by multiplying the purchase price by the applicable fraction and the fair market value of the non-Low-Income Units. Documentation submitted to verify the Minimum Purchase Price calculation will be part of the ROFR property listing on the Department's website.

(c) Required Documentation. Upon establishing the ROFR offer price, the ROFR process is the same for all types of LURAs. To proceed with the ROFR request, documentation must be submitted as directed in the Post Award Activities Manual, which includes:

(1) ROFR fee as identified in §11.901 of this title (relating to Fee Schedule);

(2) A notice of intent to the Department;

(3) Certification that the Development Owner has provided, to the best of their knowledge and ability, a notice of intent to all additional required persons and entities in subparagraph (A) of this paragraph and that such notice includes, at a minimum the information in subparagraph (B) of this paragraph;

(A) Copies of the letters or emailed notices provided to all persons and entities listed in clauses (i) to (vi) of this subparagraph as required by this paragraph and applicable to the Development at the time of the submission of the ROFR documentation must be attached to the Certification:

(i) All tenants and tenant organizations, if any, of the Development;

(ii) Mayor of the municipality (if the Development is within a municipality or its extraterritorial jurisdiction);

(iii) All elected members of the Governing Body of the municipality (if the Development Site is within a municipality or its extraterritorial jurisdiction);

(iv) Presiding officer of the Governing Body of the county in which the Development is located;

(v) The local housing authority, if any; and

(vi) All prospective buyers maintained on the Department's list of prospective buyers.

(B) Letters must include, at a minimum, all of the information required in clauses (i) to (vii) of this subparagraph and must not contain any statement that violates Department rules, statute, Code, or federal requirements:

(i) The Development's name, address, city, and county;

(ii) The Development Owner's name, address, individual contact name, phone number, and email address;

(iii) Information about tenants' rights to purchase the Development through the ROFR;

(iv) The length of the ROFR posting period;

(v) The ROFR offer price;

(vi) A physical description of the Development, including the total number of Units and total number of Low-Income Units; and

(vii) Contact information for the Department staff overseeing the Development's ROFR application.

(4) Documentation evidencing any contractual ROFR between the Development Owner and a Qualified Nonprofit Organization or Qualified Entity, along with evidence that such Qualified Nonprofit Organization or Qualified Entity is in good standing in the state of its organization;

(5) Documentation verifying the ROFR offer price of the Property:

(A) If the Development Owner receives an offer to purchase the Property from any buyer other than a Qualified Entity or Qualified Nonprofit Organization that the Development Owner would like to accept, the Development Owner may execute a sales contract, conditioned upon satisfaction of the ROFR requirement, and submit the executed sales contract to establish fair market value; or

(B) If the Development Owner chooses to establish fair market value using an appraisal, the Development Owner must submit an appraisal of the Property completed during the last three months prior to the date of submission of the ROFR request, establishing a value for the Property in compliance with Chapter 11, Subchapter D of this title (relating to Underwriting and Loan Policy) in effect at the time of the request. The appraisal should take into account the existing and continuing requirements to operate the Property under the LURA and any other restrictions that may exist. Department staff will review all materials within 30 calendar days of receipt. If, after the review, the Department does not agree with the fair market value proposed in the Development Owner's appraisal, the Department may order another appraisal at the Development Owner's expense; or

(C) If the LURA requires valuation through the Minimum Purchase Price calculation, submit documentation verifying the calculation of the Minimum Purchase Price as described in subsection (b)(2) of this section regardless of any existing offer or appraised value;

(6) Description of the Property, including all amenities;

(7) Copies of all documents imposing income, rental and other restrictions (non-TDHCA), if any, applicable to the operation of the Property;

(8) A current title commitment or policy not older than six months prior to the date of submission of the ROFR request or the most recent title policy along with a title endorsement or nothing further certificate not older than six months prior to the date of submission of the ROFR request;

(9) The most recent Physical Needs Assessment, pursuant to Tex. Gov't Code §2306.186(e) conducted by a Third-Party. If the PNA/SCR identifies the need for critical repairs that significantly impact habitability and tenant safety, the identified repairs and replacements must be resolved to the satisfaction of the Department before the Development will be considered eligible to proceed with a Right of First Refusal Request;

(10) Copy of the monthly operating statements, including income statements and balance sheets for the Property for the most recent 12 consecutive months (financial statements should identify amounts held in reserves);

(11) The three most recent consecutive annual operating statements (audited would be preferred);

(12) Detailed set of photographs of the Property, including interior and exterior of representative units and buildings, and the Property's grounds;

(13) Current and complete rent roll for the Property; and

(14) If any portion of the land or improvements is leased for other than residential purposes, copies of the commercial leases.

(d) Posting and offers. Within 30 business days of receipt of all required documentation, the Department will review the submitted documents and notify the Development Owner of any deficiencies. During that time, the Department will notify any Qualified Entity or as applicable any Qualified Nonprofit Organization identified by the Development Owner as having a contractual ROFR of the Development Owner's intent to sell. Once any deficiencies are resolved and the Development Owner and Department come to an agreement on the ROFR offer price of the Property, the Department will list the Property for sale on the Department's website and notify entities registered to the email list maintained by the Department of the availability of the Property at a price as determined under this section. The Department will notify the Development Owner when the Property has been listed. The ROFR posting period commences on the date the Property is posted for sale on the Department's website. During the ROFR posting period, a Qualified Nonprofit Organization or Qualified Entity can submit an offer to purchase as follows:

(1) if the LURA requires a 90-day ROFR posting period with no priority for any particular kind of Qualified Nonprofit Organization or tenant organization, any Qualified Nonprofit Organization or tenant organization may submit an offer to purchase the property; or

(2) If the LURA requires a two-year ROFR posting period, a Qualified Nonprofit Organization may submit an offer to purchase the Property as follows:

(A) During the first six months of the ROFR posting period, only a Qualified Nonprofit Organization that is a Community Housing Development Organization (CHDO) under 24 CFR Part 92, or that is 100% owned by a CHDO, as approved by the Department, may submit an offer;

(B) During the next six months of the ROFR posting period, only a Qualified Nonprofit Organization as described by Tex. Gov't Code §2306.6706, or that is 100% owned by Qualified Nonprofit Organization as described by Tex. Gov't Code §2306.6706, or a tenant organization may submit an offer; and

(C) During the final 12 months of the ROFR posting period, any Qualified Nonprofit Organization may submit an offer; or

(3) If the LURA requires a 180-day ROFR posting period, a Qualified Entity may submit an offer to purchase the Property consistent with the subparagraphs of this paragraph.

(A) During the first 60 days of the ROFR posting period, only a Qualified Entity that is:

(i) a CHDO under 24 CFR Part 92, or to an entity that includes a CHDO as one of its controlling members or general partners, as approved by the Department, may submit an offer. In accordance with 24 CFR Part 92, Developments committed HOME CHDO funding on or after August 23, 2013, and still within the Federal Affordability Period must have a CHDO or its wholly owned entity (as applicable) as its only controlling entities and no other entities are eligible;

(ii) if the public housing authority or public facility corporation owns the fee title to the Development Owner's leasehold estate:

(I) a public housing authority; or

(II) a public facility corporation created by a public housing authority under Chapter 303, Local Government Code; or

(iii) controlled by an entity described by either clause (i) or (ii) of this subparagraph.

(B) During the second 60 days of the ROFR posting period, only a Qualified Entity as described by Tex. Gov't Code §2306.6706, or that is controlled by Qualified Entity as described by Tex. Gov't Code §2306.6706, or a tenant organization such may submit an offer.

(C) During the final 60 days of the ROFR posting period, any Qualified Entity may submit an offer.

(4) If the Multifamily Direct Loan LURA for a property funded out of the CHDO set-aside and subject to the 2025 HOME final rule requires a 60-day ROFR posting period, a CHDO approved by the Department may submit an offer to purchase the property.

(45) If the LURA does not specify a required ROFR posting timeframe or is unclear on the required ROFR posting timeframe and the required ROFR value is determined by the Minimum Purchase Price method, any Development that received a tax credit allocation prior to September 1, 1997, is required to post for a 90-day ROFR period, and any Development that received a tax credit allocation on or after September 1, 1997, and until September 1, 2015, is required to post for a two year ROFR, unless the LURA is amended under §10.405(b), or after September 1, 2015, is required to post for a 180-day ROFR period as described in Tex. Gov't Code, §2306.6726.

(e) Acceptance of offers. A Development Owner may accept or reject any offer received during the ROFR posting period; provided however, that to the extent the LURA gives priority to certain classifications of Qualified Nonprofit Organizations or Qualified Entities to make offers during certain portions of the ROFR posting period, the Development Owner can only negotiate a purchase contract with such classifications of entities during their respective periods. For example, during the CHDO priority period, the Development Owner may only accept an offer from and enter into negotiations with a Qualified Nonprofit Organization or Qualified Entity in that classification. A property may not be transferred under the ROFR process for less than the Minimum Purchase Price, but if the sequential negotiation created by statute yields a higher price, the higher price is permitted.

(f) Satisfaction of ROFR.

(1) A Development Owner that has posted a Property under the ROFR process is deemed to have satisfied the ROFR requirements in the following circumstances:

(A) The Development Owner does not receive any bona fide offers at or above the posted ROFR offer price (or, in the case of a posted minimum purchase price, at the price yielded by the sequential negotiation) from a Qualified Nonprofit Organization or Qualified Entity during the required ROFR posting period;

(B) A bona fide offer from a Qualified Nonprofit Organization or Qualified Entity is received at or above the posted ROFR offer price (or, in the case of a posted minimum purchase price, at the price yielded by the sequential negotiation), the Development Owner accepts the offer, the Qualified Nonprofit Organization or Qualified Entity fails to close the purchase, the failure is determined to not be the fault of the Development Owner, and the Development Owner received no other bona fide offers from a Qualified Nonprofit Organization or Qualified Entity during the required ROFR posting period;

(C) A bona fide offer from a Qualified Nonprofit Organization or Qualified Entity is received at or above the posted ROFR offer price (or, in the case of a posted minimum purchase price, at the price yielded by the sequential negotiation), the Qualified Nonprofit Organization or Qualified Entity is not approved by the Department during the ownership transfer review due to issues identified during the Previous Participation Review process pursuant to Chapter 1, Subchapter C of this title (relating to Previous Participation and Executive Award Review and Advisory Committee), and the Development Owner received no other bona fide offers at or above the posted ROFR offer price (or, in the case of a posted

minimum purchase price, at the price yielded by the sequential negotiation) from a Qualified Nonprofit Organization or Qualified Entity during the required ROFR posting period; or

(D) An offer from a Qualified Nonprofit Organization or Qualified Entity is received at a price below the posted ROFR offer price, and the Development Owner received no other bona fide offers from a Qualified Nonprofit Organization or Qualified Entity during the required ROFR posting period at or above the posted ROFR offer price; or

(2) A Development Owner with a LURA that identifies a specific Qualified Nonprofit Organization or Qualified Entity to be the beneficiary of the ROFR will satisfy the ROFR if:

(A) The identified beneficiary is in existence and conducting business;

(B) The Development Owner offers the Development to the identified beneficiary pursuant to the terms of the ROFR;

(C) If the ROFR includes a priority for a certain type of Qualified Entity (such as a CHDO) to have the first opportunity make an offer to acquire the Development, the identified beneficiary meets such classification; and

(D) The identified entity declines to purchase the Development in writing, and such evidence is submitted to and approved by the Department.

(g) Non-Satisfaction of ROFR. A Development Owner that has posted a Property under the ROFR process does not satisfy the ROFR requirements in the following circumstances:

(1) A bona fide offer from a Qualified Nonprofit Organization or Qualified Entity is received at or above the posted ROFR offer price (or, in the case of a posted minimum purchase price, at the price yielded by the sequential negotiation), and the Development Owner does not accept the offer;

(2) The LURA identifies a specific Qualified Nonprofit Organization or Qualified Entity to be the beneficiary of the ROFR, and such entity no longer exists or is no longer conducting business and the Development Owner received other bona fide offers at or above the posted ROFR offer price (or, in the case of a posted minimum purchase price, at the price yielded by the sequential negotiation) from a Qualified Nonprofit Organization or Qualified Entity during the ROFR posting period and fails to accept any of such other offers;

(3) A bona fide offer from a Qualified Nonprofit Organization or Qualified Entity is received at or above the posted ROFR offer price (or, in the case of a posted minimum purchase price, at the price yielded by the sequential negotiation), the Development Owner accepts the offer, the Qualified Nonprofit Organization or Qualified Entity fails to close the purchase, the failure is determined to not be the fault of the Development Owner, the Development Owner received other bona fide offers from a Qualified Nonprofit Organization or Qualified Entity during the ROFR posting period and then fails to accept any of such other offers;

(4) A bona fide offer from a Qualified Nonprofit Organization or Qualified Entity is received at or above the posted ROFR offer price (or, in the case of a posted minimum purchase price, at the

price yielded by the sequential negotiation), the Development Owner accepts the offer, the Qualified Nonprofit Organization or Qualified Entity fails to close the purchase, and such failure is determined to be the fault of the Development Owner;

(5) A bona fide offer from a Qualified Nonprofit Organization or Qualified Entity is received at or above the posted ROFR offer price (or, in the case of a posted minimum purchase price, at the price yielded by the sequential negotiation), the Qualified Nonprofit Organization or Qualified Entity is not approved by the Department during the ownership transfer review due to issues identified during the Previous Participation Review process pursuant to Chapter 1, Subchapter C of this title (relating to Previous Participation and Executive Award Review and Advisory Committee), the Development Owner received other bona fide offers from a Qualified Nonprofit Organization or Qualified Entity during the ROFR posting period and fails to accept any of such other offers; or

(6) An offer from a Qualified Nonprofit Organization or Qualified Entity is received at a price below the posted ROFR offer price, the Development Owner received other bona fide offers from a Qualified Nonprofit Organization or Qualified Entity during the ROFR posting period at or above the posted ROFR offer price (or, in the case of a posted minimum purchase price, at the price yielded by the sequential negotiation), and the Development Owner fails to accept any of such offers.

(h) Activities Following ROFR.

(1) If a Development Owner satisfies the ROFR requirement pursuant to subsection (f)(1) - (2) of this section, it may request a Preliminary Qualified Contract (if such opportunity is available under §10.408 of this Subchapter) or proceed with the sale to an entity that is not a Qualified Nonprofit Organization or Qualified Entity at or above the ROFR offer price (or, in the case of a posted minimum purchase price, at the price yielded by the sequential negotiation).

(2) Following notice that the ROFR requirement has been met, if the Development Owner does not post the Property for Qualified Contract in accordance with §10.408 of this Subchapter or sell the Property to an entity that is not a Qualified Nonprofit Organization or Qualified Entity within 24 months of the Department's written indication that the ROFR has been satisfied, the Development Owner must follow the ROFR process for any subsequent transfer.

(3) If the Department determines that the ROFR requirement has not been met during the ROFR posting period, the Owner may not re-post under this provision at a ROFR offer price that is higher than the originally posted ROFR offer price until 24 months has expired from the Department's written indication that the ROFR has not been satisfied. The Development Owner may market the Property for sale and sell the Property to a Qualified Nonprofit Organization or Qualified Entity during this 24-month period in accordance with subsection (a)(1) of this section.

(i) Sale and closing.

(1) Prior to closing a sale of the Property, the Development Owner must obtain Department approval of the transfer through the ownership transfer process in accordance with §10.406 of this Subchapter (relating to Ownership Transfers (§2306.6713)). The request should include,

among other required transfer documents outlined in the Post Award Activities Manual, the final sales contract with all amendments.

(2) If the closing price is materially less than the ROFR offering price or the terms and conditions of the sale change materially from what was submitted in the ROFR posting, in the Department's sole determination, the Development Owner must go through the ROFR process again with a revised ROFR offering price equal to the reduced closing price or adjusted terms and conditions based upon the revised terms, before disposing of the Property.

(j) Appeals. A Development Owner may appeal a staff decision in accordance with §11.902 of this title (relating to Appeals Process).

§10.408. Qualified Contract Requirements.

(a) General. Pursuant to §42(h)(6) of the Code, after the end of the 14th year of the Compliance Period, the Development Owner of a Development utilizing Housing Tax Credits can request that the allocating agency find a buyer at the Qualified Contract Price. If a buyer cannot be located within one year, the Extended Use Period will expire. This section of this subchapter provides the procedures for the submittal and review of a Qualified Contract Request.

(b) Eligibility. Development Owners who received an award of credits on or after January 1, 2002, are not eligible to request a Qualified Contract prior to the 30 year anniversary of the date the property was placed in service (§2306.185); if the property's LURA indicates a commitment to an Extended Use Period beyond 30 years, the Development Owner is not eligible to request a Qualified Contract until the expiration of the Extended Use Period. Development Owners awarded credits prior to 2002 may submit a Qualified Contract Request at any time after the end of the year preceding the last year of the Initial Affordability Period, provided it is not precluded by the terms of the LURA, following the Department's determination that the Development Owner is eligible. The Initial Affordability Period starts concurrently with the credit period, which begins at placement-in-service or is deferred until the beginning of the next tax year, if there is an election. Unless the Development Owner has elected an Initial Affordability Period longer than the Compliance Period, as described in the LURA, this can commence at any time after the end of the 14th year of the Compliance Period. References in this section to actions which can occur after the 14th year of the Compliance Period shall refer, as applicable, to the year preceding the last year of the Initial Affordability Period, if the Development Owner elected an Initial Affordability Period longer than the Compliance Period.

(1) If there are multiple buildings placed in service in different years, the end of the Initial Affordability Period will be based upon the date the last building placed in service. For example, if five buildings in the Development began their credit periods in 2005 and one began in 2006, the 15th year would be 2020.

(2) If a Development received an allocation in multiple years, the end of the Initial Affordability Period will be based upon the last year of a multiple allocation. For example, if a Development received its first allocation in 2004 and a subsequent allocation and began the credit period in 2006, the 15th year would be 2020.

(c) Preliminary Qualified Contract Request. All eligible Development Owners must file a Preliminary Qualified Contract Request.

(1) In addition to determining the basic eligibility described in subsection (b) of this section, the pre-request will be used to determine that:

(A) The Development does not have any uncorrected issues of noncompliance outside the corrective action period;

(B) There is a Right of First Refusal (ROFR) connected to the Development that has been satisfied; and

(C) The Compliance Period under the LURA has expired; and

(2) In order to assess the validity of the pre-request, the Development Owner must submit:

(A) Preliminary Request Form;

(B) Qualified Contract Pre-Request fee as outlined in §11.901 of this title (relating to Fee Schedule);

(C) Copy of all regulatory agreements or LURAs associated with the Property (non-TDHCA); and

(D) Copy of a Physical Needs Assessment (PNA), conducted by a Third Party, that is no more than 12 months older than the request date. If the PNA identifies the need for critical repairs that significantly impact habitability and tenant safety, the identified repairs and replacements must be resolved to the satisfaction of the Department before the Development will be considered eligible to submit a Qualified Contract Request.

(3) The pre-request will not bind the Development Owner to submit a Qualified Contract Request and does not start the One Year Period (1YP). A review of the pre-request will be conducted by the Department within 90 days of receipt of all documents and fees described in paragraph (2) of this subsection. If the Department determines that this stage is satisfied, a letter will be sent to the Development Owner stating that they are eligible to submit a Qualified Contract (QC) Request.

(d) Qualified Contract Request. A Development Owner may file a QC Request any time after written approval is received from the Department verifying that the Development Owner is eligible to submit the Request.

(1) Documentation that must be submitted with a Request is outlined in subparagraphs (A) - (P) of this paragraph:

(A) A completed application and certification;

(B) The Qualified Contract price calculation worksheets completed by a licensed Third-Party certified public accountant (CPA). The CPA shall certify that they have reviewed annual partnership tax returns for all years of operation, loan documents for all secured debt, and

partnership agreements. They shall also certify that they are not being compensated for the assignment based upon a predetermined outcome;

(C) A thorough description of the Development, including all amenities;

(D) A description of all income, rental and other restrictions (non-TDHCA), if any, applicable to the operation of the Development;

(E) A current title report;

(F) A current appraisal with the effective date within six months of the date of the QC Request and consistent with Chapter 11, Subchapter D of this title (relating to Underwriting and Loan Policy);

(G) A current Phase I Environmental Site Assessment (and Phase II, if necessary) with the effective date within six months of the date of the QC Request and consistent with Chapter 11, Subchapter D of this title;

(H) A copy of the most recent Physical Needs Assessment of the property conducted by a Third Party, if different from the assessment submitted during the preliminary qualified contract request, consistent with Chapter 11, Subchapter D of this title;

(I) A copy of the monthly operating statements for the Development for the most recent 12 consecutive months;

(J) The three most recent consecutive annual operating statements (audited would be preferred) for the Development;

(K) A detailed set of photographs of the Development, including interior and exterior of representative units and buildings, and the property's grounds;

(L) A current and complete rent roll for the Development;

(M) A certification that all tenants in the Development have been notified in writing of the request for a Qualified Contract. A copy of the letter used for the notification must also be included;

(N) If any portion of the land or improvements is leased, copies of the leases;

(O) The Qualified Contract Fee as identified in §11.901 of this title (relating to Fee Schedule); and

(P) Additional information deemed necessary by the Department.

(2) Unless otherwise directed by the Department pursuant to subsection (g) of this section, the Development Owner shall contract with a broker to market and sell the Property. The Department may, at its sole discretion, notify the Owner that the selected Broker is not approved by the Department. The fee for this service will be paid by the seller, not to exceed 6% of the QC Price.

(3) Within 90 days of the submission of a complete Request, the Department will notify the Development Owner in writing of the acceptance or rejection of the Development Owner's QC Price calculation. The Department will have one year from the date of the acceptance letter to find a Qualified Purchaser and present a QC. The Department's rejection of the Development Owner's QC Price calculation will be processed in accordance with subsection (e) of this section and the 1YP will commence as provided therein.

(e) Determination of Qualified Contract Price. The QC Price calculation is not the same as the Minimum Purchase Price calculation for the ROFR. The CPA contracted by the Development Owner will determine the QC Price in accordance with §42(h)(6)(F) of the Code taking the following into account:

(1) Outstanding indebtedness secured by, or with respect to, the building;

(2) Distributions to the Development Owner of any and all cash flow, including incentive management fees, capital contributions not reflected in outstanding indebtedness or adjusted investor equity, and reserve balance distributions or future anticipated distributions, but excluding payments of any eligible deferred developer fee. These distributions can only be confirmed by a review of all prior year tax returns for the Development;

(3) All equity contributions will be adjusted based upon the lesser of the consumer price index or 5% for each year, from the end of the year of the contribution to the end of year fourteen or the end of the year of the request for a QC Price if requested at the end of the year or the year prior if the request is made earlier than the last month of the year; and

(4) These guidelines are subject to change based upon future IRS Rulings and/or guidance on the determination of Development Owner distributions, equity contributions and/or any other element of the QC Price.

(f) Appeal of Qualified Contract Price. The Department reserves the right, at any time, to request additional information to document the QC Price calculation or other information submitted. If the documentation does not support the price indicated by the CPA hired by the Development Owner, the Department may engage its own CPA to perform a QC Price calculation and the cost of such service will be paid for by the Development Owner. If a Development Owner disagrees with the QC Price calculated by the Department, a Development Owner may appeal in writing in accordance with §11.902 of this title (relating to Appeals Process). A meeting will be arranged with representatives of the Development Owner, the Department and the CPA contracted by the Department to attempt to resolve the discrepancy. The 1YP will not begin until the Department and Development Owner have agreed to the QC Price in writing. Further appeals can be submitted in accordance with §11.902 of this title (relating to Appeals Process) and Tex. Gov't Code §2306.0321 and §2306.6715.

(g) Marketing of Property. By submitting a Request, the Development Owner grants the Department the authority to market the Development and provide Development information to interested parties. Development information will consist of pictures of the Development, location, amenities, number of Units, age of building, etc. Development Owner or broker contact information will also be provided to interested parties. The Development Owner is responsible for providing staff any requested information to assist with site visits and inspections. Marketing of the Development will continue until such time that a Qualified Contract is presented or the 1YP has expired.

Notwithstanding subsection (d)(2) of this section, the Department reserves the right to contract directly with a Third Party in marketing the Development. Cost of such service, including a broker's fee, will be paid for by the existing Development Owner. The Department must have continuous cooperation from the Development Owner. Lack of cooperation will cause the process to cease and the Development Owner will be required to comply with requirements of the LURA for the remainder of the Extended Use Period. Responsibilities of the Development Owner include but are not limited to the items described in paragraphs (1) - (3) of this subsection. The Development Owner must:

(1) Allow access to the Property and tenant files;

(2) Keep the Department informed of potential purchasers; and

(3) Notify the Department of any offers to purchase.

(h) Presentation of a Qualified Contract. If the Department finds a Qualified Purchaser willing to present an offer to purchase the property for an amount at or above the QC Price, the Development Owner may accept the offer and enter into a commercially reasonable form of earnest money agreement or other contract of sale for the property and provide a reasonable time for necessary due diligence and closing of the purchase. If the Development Owner chooses not to accept the QC offer that the Department presents, the QC request will be closed and the possibility of terminating the Extended Use Period through the Qualified Contract process is eliminated; the Property remains bound by the provisions of the LURA for the remainder of the Extended Use Period. If the Development Owner decides to sell the development for the QC Price pursuant to a QC, the purchaser must complete all requirements of an ownership transfer request and be approved by the Department prior to closing on the purchase, but the consummation of such a sale is not required for the LURA to continue to bind the Development for the remainder of the Extended Use Period.

(1) The Department will attempt to procure a QC only once during the Extended Use Period. If the transaction closes under the contract, the new Development Owner will be required to fulfill the requirements of the LURA for the remainder of the Extended Use Period.

(2) If the Department fails to present a QC before the end of the 1YP, the Department will file a release of the LURA and the Development will no longer be restricted to low-income requirements and compliance. However, in accordance with §42(h)(6)(E)(ii) of the Code, for a three-year period commencing on the termination of the Extended Use Period, the Development Owner may not evict or displace tenants of Low-Income Units for reasons other than good cause and will not be permitted to increase rents beyond the maximum tax credit rents. Additionally, the Development Owner should submit to the Department a request to terminate the LURA and evidence, in the form of a signed certification and a copy of the letter, to be approved by the Department, that the tenants in the Development have been notified in writing that the LURA will be terminated and have been informed of their protections during the three-year time frame.

(3) Prior to the Department filing a release of the LURA, the Development Owner must correct all instances of noncompliance at the Development.

(i) Compliance Monitoring during Extended Use Period. For Developments that continue to be bound by the LURA and remain affordable after the end of the Compliance Period, the Department will monitor in accordance with the applicable requirements in Subchapters F and G of this chapter (relating to Uniform Multifamily Rules).

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1275 **Agenda Date:** 1/15/2026 **Agenda #:** 11.

Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.12, Negotiated Rulemaking, and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Tex. Gov't Code §2001.039 requires state agencies to review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist;

WHEREAS, staff has assessed 10 TAC §1.12, Negotiated Rulemaking, and confirms that the reasons for the initial adoption of this rule continue to exist, which is to satisfy Tex. Gov't Code §2306.082, which requires the Department to encourage negotiated rulemaking;

WHEREAS, staff has evaluated the rule and recommends that no changes to the rule as currently in effect are necessary, and as such staff is requesting Board approval to submit the proposed readoption of the rule as required by Tex. Gov't Code §2001.039 for a public comment period as part of the four-year rule review process; and

WHEREAS, such proposed action will be published in the *Texas Register* for public comment from February 6, 2026, through March 8, 2026, and subsequently returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action herein in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

The Department last amended 10 TAC §1.12, Negotiated Rulemaking, in April 2022. Therefore, under Tex. Gov't Code §2001.039, which requires that state agencies review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist, the rule is

due to be evaluated in 2026. Staff has determined that there is a continuing need for this rule to exist and that no revisions are currently warranted. The Secretary of State requires that even when no revisions are proposed, the rule be released for a public comment period. Therefore, the rule will be made available for public comment from February 6, 2026, through March 8, 2026, and returned to the Board for final approval.

Note that while the submission to the *Texas Register* does not require the text of the rule be included in the submission or publication, staff has included the text of the rule for the Board's convenience.

Attachment 1: Notice of Proposed Rule Review for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.12 Negotiated Rulemaking

The Texas Department of Housing and Community Affairs (the Department) files this notice of rule review for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.12 Negotiated Rulemaking. The purpose of the proposed action is to conduct a rule review in accordance with Tex. Gov't Code §2001.039, which requires a state agency to review its rules every four years.

At this time, the Department has determined that there continues to be a need for this rule, which is to satisfy Tex. Gov't Code, §2306.082, which requires the Department to encourage negotiated rulemaking. The Department has also determined that no changes to this rule as currently in effect are necessary. This rule proposed for readoption will be noted in the Texas Register's Review of Agency Rules section without publication of the text.

REQUEST FOR PUBLIC COMMENT. All comments or questions in response to this notice of rule review may be submitted in writing from February 6, 2026, through March 8, 2026. Written comments may be submitted to Brooke Boston, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, Texas 78711-3941, or by email to bboston@tdhca.state.tx.us <mailto:bboston@tdhca.state.tx.us>. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m. Austin local time, March 8, 2026.

Attachment 2: Text of Rule as Currently in Effect for 10 TAC §1.12, Negotiated Rulemaking

(a) Purpose. In accordance with Tex. Gov't Code §2306.082, the Department encourages the use of negotiated rulemaking procedures for the adoption of Department rules. Tex. Gov't Code Chapter 2008 describes the procedures for negotiated rulemaking including appointment of a convener; publishing notice of proposed negotiated rulemaking and requesting comments on the proposal; appointing a negotiated rulemaking committee; appointing an impartial third party facilitator; and proposing the resulting draft rule for public comment.

(b) Request for Negotiated Rulemaking Process.

(1) Any person or organization that would like for the Department to use negotiated rulemaking for the adoption of a Department rule may submit such a request to the Department's Board

Secretary. The proposal must identify: the rule proposed for negotiated rulemaking, potential participants for the negotiated rulemaking committee, possible third party facilitators, and a suggested timeline for the process. The Department may also on its own propose to use negotiated rulemaking.
(2) In determining whether a proposed negotiated rulemaking is appropriate in a particular situation, the Department and interested parties may consider any relevant factors, including:
(A) The number of identifiable interests that would be significantly affected by the proposed rule;
(B) The probability that those interests would be adequately represented in a negotiated rulemaking;
(C) The probable willingness and authority of the representatives of affected interests to negotiate in good faith;
(D) The probability that a negotiated rulemaking committee would reach a unanimous or a suitable general consensus on the proposed rule;
(E) The probability that negotiated rulemaking will not unreasonably delay notice and eventual adoption of the proposed rule;
(F) The adequacy of agency and public resources to participate in negotiated rulemaking; and
(G) The probability that the negotiated rulemaking committee will provide a balanced representation among all interested and affected parties. (Tex. Gov't Code §2008.052(d)).
(3) The Department generally will respond to the request within seven calendar days. If the negotiated rulemaking is not pursued, the Department will provide the party making the request with an explanation for the basis of the decision.
(c) If the Department decides to proceed with a negotiated rulemaking, it shall follow the process outlined in Tex. Gov't Code Chapter 2008 and costs associated with the negotiated rulemaking process will be handled as specified in Tex. Gov't Code §2008.003.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1276 **Agenda Date:** 1/15/2026 **Agenda #:** 12.

Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.13, Contested Case Hearing Procedures, and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Tex. Gov't Code §2001.039 requires state agencies to review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist;

WHEREAS, staff has assessed 10 TAC §1.13, Contested Case Hearing Procedures, and confirms that the reasons for the initial adoption of this rule continue to exist, which is to provide procedures for contested case hearings;

WHEREAS, staff has evaluated the rule and recommends that no changes to the rule as currently in effect are necessary, and as such staff is requesting Board approval to submit the proposed readoption of the rule as required by Tex. Gov't Code §2001.039 for a public comment period as part of the four-year rule review process; and

WHEREAS, such proposed action will be published in the *Texas Register* for public comment from February 6, 2026, through March 8, 2026, and subsequently returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action herein in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

The Department last amended 10 TAC §1.13, Contested Case Hearing Procedures, in May 2022. Therefore, under Tex. Gov't Code §2001.039, which requires that state agencies review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist, the rule is due to be evaluated in 2026. Staff has determined that there is a continuing need for

this rule to exist which is to provide procedures for contested case hearings. This section does not apply to matters such as appeals to the Board of staff decisions or waivers, and this section does not in itself create any right to a contested case hearing, but merely provides the process to be used for contested case hearings that are otherwise expressly provided for by law or rule. Staff has also concluded that no revisions are currently warranted. The Secretary of State requires that even when no revisions are proposed, the rule be released for a public comment period. Therefore, the rule will be made available for public comment from February 6, 2026, through March 8, 2026, and returned to the Board for final approval.

Note that while the submission to the *Texas Register* does not require the text of the rule be included in the submission or publication, staff has included the text of the rule for the Board's convenience.

Attachment 1: Notice of Proposed Rule Review for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.13, Contested Case Hearing Procedures

The Texas Department of Housing and Community Affairs (the Department) files this notice of rule review for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.13, Contested Case Hearing Procedures. The purpose of the proposed action is to conduct a rule review in accordance with Tex. Gov't Code §2001.039, which requires a state agency to review its rules every four years.

At this time, the Department has determined that there continues to be a need for this rule, which is to provide procedures for contested case hearings. The Department has also determined that no changes to this rule as currently in effect are necessary. This rule proposed for readoption will be noted in the Texas Register's Review of Agency Rules section without publication of the text.

REQUEST FOR PUBLIC COMMENT. All comments or questions in response to this notice of rule review may be submitted in writing from February 6, 2026, through March 8, 2026. Written comments may be submitted to Brooke Boston, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, Texas 78711-3941, or by email to bboston@tdhca.state.tx.us <mailto:bboston@tdhca.state.tx.us>. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m. Austin local time, March 8, 2026.

Attachment 2: Text of Rule as Currently in Effect for 10 TAC §1.13, Contested Case Hearing Procedures

(a) Purpose. The purpose of this section is to provide procedures for contested case hearings. This section does not apply to matters such as appeals to the Board of staff decisions or waivers, and this section does not in itself create any right to a contested case hearing, but

merely provides the process to be used for contested case hearings that are otherwise expressly provided for by law or rule.
(b) SOAH Designation. The Governing Board (the Board) of the Texas Department of Housing and Community Affairs (the Department) designates the State Office of Administrative Hearings (SOAH) to hold all contested case hearings on the Board's behalf.
(c) Initiation of Hearing.
(1) Upon request from the Board or upon receipt of a pleading or other document that is intended to initiate a contested case proceeding, the Department shall determine if a contested case hearing is indicated under the relevant statutory provisions and rules. If so, staff will mark the file as a pending proceeding and refer the matter to SOAH for hearing generally within 45 calendar days, or such other lesser time as an applicable state or federal statute, rule, or regulation may require. The Department will notify the opposing party of any delay.
(2) SOAH shall acquire jurisdiction over a case when the Department completes and files a Request to Docket Case form or other form acceptable to SOAH, together with the notice of report to the Board required under Tex. Gov't. Code §2306.043 or other pertinent documents giving rise to the case. Once SOAH acquires jurisdiction, all subsequent documents created, sent, or received in connection with the proceeding that SOAH requires to be filed with it are to be filed with SOAH, with appropriate service upon the opposing party in accordance with this section and the rules of SOAH.
(3) Except upon a showing of good cause or as an applicable statute or federal regulation may require, all contested case hearings in which the Department is a party shall be held at the location so determined by SOAH.
(4) Nothing in this subchapter shall in any way limit, alter, or abridge the ability of the Department to enter into mediation or alternative dispute resolution at any time prior to or after the holding of the administrative hearing but prior to the adoption by the Board of a final order.
(d) Service of Notice of Hearing, Pleadings and Other Documents on Parties.
(1) Service of a notice of hearing or of pleadings or other documents shall be made electronically using the EFileTexas system (found at efiletexas.gov). If EFileTexas is not available to a party, hand delivery, courier-receipted delivery, regular first class mail or certified mail to the party's last known address as shown on the Department's records, in accordance with §1.22 of this Title (relating to Providing Contact Information to the Department) shall be used.
(2) Service of pleadings and other documents shall be made in any manner provided for in SOAH rules.
(e) Proposal for Decision.
(1) After the conclusion of a hearing, the Administrative Law Judge (ALJ) shall prepare and serve on the parties a proposal for decision that includes the ALJ's findings of fact and conclusions of law, as modified by the ALJ's addressing of any exceptions and replies to exceptions timely filed with the ALJ in accordance with Tex. Gov't. Code §2001.062 and SOAH rules. The Executive Director shall place the proposal for decision and a proposed final order on the Board's agenda for discussion and possible action at a subsequent meeting of the Board.
(2) At a meeting of the Board where the proposed final order may be adopted, parties may provide testimony based on the record only, for changes to the proposal for decision or the proposed final order. No new evidence shall be submitted at the Board meeting. The Board may, on its own motion, remand to SOAH for any additional fact finding it determines is

necessary, or, the Board may change a finding of fact or conclusion of law made by the ALJ, but only for reasons stated in Tex. Gov't. Code §2001.058(e). The Board may adopt a final order if it finds that the findings of fact and conclusions of law are supported by the evidence. Motions for rehearing may be filed and served in accordance with the Tex. Gov't. Code Chapter 2001 and the rules of SOAH.

(f) Disposition of Contested Cases on a Default Basis.

(1) In contested cases where the party not bearing the burden of proof at the hearing fails to appear, the ALJ may issue an order finding that adequate notice has been given, deeming factual allegations in the notice of hearing admitted, if appropriate, conditionally dismissing the case from the SOAH docket, and conditionally remanding the case to TDHCA for disposition on a default basis. Pursuant to SOAH rules, a party has 15 calendar days after the issuance of a conditional order of dismissal and remand to file with SOAH a motion to set aside the order of dismissal and remand. On the sixteenth day after issuance, if no motion to set aside has been timely filed or if such a motion to set aside is not granted within the time limits provided for in SOAH's rules, the conditional order of dismissal and remand becomes final.

(2) When the order of dismissal and remand is final, the Executive Director shall prepare a proposed order for the Board's action containing findings of fact, as set forth in the notice of hearing, conclusions of law, and granting the relief requested by staff. The matter shall be placed on the Board's agenda for discussion and possible action at a subsequent meeting. Although public testimony is allowed, argument and evidence on the merits will not be considered at the Board meeting. Motions for rehearing shall be filed and served in accordance with Tex. Gov't. Code Chapter 2001 and the rules of SOAH.

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Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1277 **Agenda Date:** 1/15/2026 **Agenda #:** 13.

Presentation, discussion, and possible action on the statutory four-year rule review and order of proposed readoption for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.17, Alternative Dispute Resolution, and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Tex. Gov't Code §2001.039 requires state agencies to review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist;

WHEREAS, staff has assessed 10 TAC §1.17, Alternative Dispute Resolution, and confirms that the reasons for the initial adoption of this rule continue to exist, which is to satisfy Tex. Gov't Code §2306.082, which requires the Department to encourage the use of alternative dispute resolution procedures;

WHEREAS, staff has evaluated the rule and recommends that no changes to the rule as currently in effect are necessary, and as such staff is requesting Board approval to submit the proposed readoption of the rule as required by Tex. Gov't Code §2001.039 for a public comment period as part of the four-year rule review process; and

WHEREAS, such proposed action will be published in the *Texas Register* for public comment from February 6, 2026, through March 8, 2026, and subsequently returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action herein in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

The Department last amended 10 TAC §1.17, Alternative Dispute Resolution, in April 2022. Therefore, under Tex. Gov't Code §2001.039, which requires that state agencies review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist,

the rule is due to be evaluated in 2026. Staff has determined that there is a continuing need for this rule to exist and that no revisions are currently warranted. The Secretary of State requires that even when no revisions are proposed, the rule be released for a public comment period. Therefore, the rule will be made available for public comment from February 6, 2026, through March 8, 2026, and returned to the Board for final approval.

Note that while the submission to the *Texas Register* does not require the text of the rule be included in the submission or publication, staff has included the text of the rule for the Board's convenience.

Attachment 1: Notice of Proposed Rule Review for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.17, Alternative Dispute Resolution

The Texas Department of Housing and Community Affairs (the Department) files this notice of rule review for 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.17, Alternative Dispute Resolution. The purpose of the proposed action is to conduct a rule review in accordance with Tex. Gov't Code §2001.039, which requires a state agency to review its rules every four years.

At this time, the Department has determined that there continues to be a need for this rule, which is to satisfy Tex. Gov't Code, §2306.082, which requires the Department to encourage alternative dispute resolution procedures. The Department has also determined that no changes to this rule as currently in effect are necessary. This rule proposed for readoption will be noted in the Texas Register's Review of Agency Rules section without publication of the text.

REQUEST FOR PUBLIC COMMENT. All comments or questions in response to this notice of rule review may be submitted in writing from February 6, 2026, through March 8, 2026. Written comments may be submitted to Brooke Boston, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, Texas 78711-3941, or by email to bboston@tdhca.state.tx.us <mailto:bboston@tdhca.state.tx.us>. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m. Austin local time, March 8, 2026.

Attachment 2: Text of Rule as Currently in Effect for 10 TAC §1.17, Alternative Dispute Resolution

(a) Purpose. In accordance with Tex. Gov't Code, §2306.082, and as authorized by Tex. Gov't Code, §2009.051(c), the Department encourages the use of appropriate Alternative Dispute Resolution ("ADR") procedures under Tex. Gov't Code, Chapter 2009 to assist in the fair and expeditious resolution of internal and external disputes under the Department's jurisdiction. These ADR procedures are intended to work in conjunction with the guidelines and rules of the State Office of Administrative Hearings found at Tex. Gov't Code, Chapter 2001; 1 TAC Part 7,

Chapter 155; and with Chapter 154, Civil Practice and Remedies Code.
(b) Definitions. For purposes of this rule, terms used herein shall have the following meaning:
(1) Alternative Dispute Resolution ("ADR")--a procedure or combination of procedures described in Chapter 154, Civil Practice and Remedies Code.
(2) Dispute Resolution Coordinator--One or more trained persons employed by the Department, who may not be in the Legal Division, designated by the Executive Director to coordinate and process requests for the ADR procedures.
(3) Mediation--a dispute resolution procedure in which an impartial person, the mediator, facilitates communication between the parties to promote reconciliation, settlement, or understanding among them. The mediator may not impose his or her own judgment on the issues for that of the parties (§154.023(a) and (b), Texas Civil Practice and Remedies Code).
(4) Impartial third party--A person who meets the qualifications and conditions of Tex. Gov't Code §2009.053. An Impartial Third Party must possess the qualifications required under the Texas Civil Practice and Remedies Code §154.052 (a minimum of 40 classroom hours of training in dispute resolution techniques), is subject to the standards and duties prescribed by Texas Civil Practice and Remedies Code §154.053 and has the qualified immunity prescribed by Texas Civil Practice and Remedies Code §154.055 for volunteer third parties not receiving compensation in excess of expenses, if applicable. (Tex. Gov't Code §2009.053(d)).
(c) Preliminary Considerations.
(1) The Department encourages communication between Department staff and applicants to the Department programs, and other interested persons, to exchange information and informally resolve disputes.
(2) The Department has appeal procedures found at 10 TAC §1.7, and at 10 TAC §10.902. ADR procedures supplement and do not limit any available procedure for the resolution of disputes (Tex. Gov't Code §2009.052(a)). Pursuing an ADR procedure does not suspend or delay application, appeal, or other deadlines. For example, if a tax credit applicant desires to appeal a Department decision using the procedures promulgated under §2306.6715 and also desires to pursue an ADR procedure, the applicant may independently pursue the two procedures. Each procedure will proceed independently of the other. However, ADR does not suspend any statutory deadlines or grant any additional authority to resolve issues beyond statute.
(3) Consistent with Tex. Gov't Code §2306.082(e), the ADR procedure must be requested before the Department's Board makes a final decision on an issue.
(4) Consistent with Tex. Gov't Code §2306.082(f), the ADR procedure may not be used to unnecessarily delay an appeal proceeding, or other deadline.
(d) Appropriateness of ADR
(1) Assessment of the Dispute. In determining whether an ADR procedure is appropriate, the parties to the dispute, including the Department, should consider the following factors:
(A) whether direct discussions and negotiations between the parties have been unsuccessful and/or the parties believe there is a misunderstanding involving the facts or interpretations that could be improved with the assistance of an Impartial Third Party;
(B) whether the use of ADR potentially could use fewer resources and take less time than other available procedures, and that there is a reasonable likelihood that the use of ADR will result in an agreement to resolve the dispute;
(C) whether there is a reasonable likelihood that the use of ADR will result in an agreement to resolve the dispute, and there are potential remedies or solutions that are only available

through ADR; and/or
(D) whether the need for a final decision with precedential value is less important than other considerations. (Nothing herein should be construed as creating a presumption that a final decision establishes binding precedent in any given manner).
(2) The parties may also consider additional factors found in the State Office of Administrative Hearings' ADR Model Guidelines for assessing whether a dispute is appropriate for mediation.
(3) Independent of any proposal from interested parties outside the Department, the Department may propose using ADR procedures to interested parties to try to resolve a dispute.
(e) ADR Process
(1) Any applicant for Department programs or other interested person may request the use of an ADR procedure to attempt to resolve a dispute with the Department. The ADR request must be submitted in writing to the Department's Dispute Resolution Coordinator at the mailing address or email address listed on the Department's website. The request for ADR must state the nature of the dispute, the parties involved, any pertinent or impending deadlines, whether all parties agree to refer the dispute to ADR, proposed times and locations, and the preferred type of ADR procedure.
(2) If an applicant or other interested person is uncertain whether to propose the possible use of ADR or is uncertain about any particular aspect of a possible proposal, they should contact the Department's Dispute Resolution Coordinator to discuss the matter.
(3) The ADR Coordinator will notify the person requesting the ADR procedure that an ADR decision is not binding on the state and that the Department will mediate in good faith.
(4) The ADR Coordinator will provide copies of the request received, and all other materials received, to any other parties to the dispute.
(5) The Dispute Resolution Coordinator shall provide a copy of the ADR request to the Executive Director and General Counsel and other applicable internal parties.
(6) The Dispute Resolution Coordinator will assess whether ADR would assist in fairly and expeditiously resolving the dispute and will notify all affected parties within seven calendar days of receiving an ADR request of one of the following determinations:
(A) If the parties, including the Department, cannot agree on whether an ADR procedure should be used or on the particulars of the ADR procedure, the Dispute Resolution Coordinator will notify both parties that agreement to utilize ADR could not be reached;
(B) If the Dispute Resolution Coordinator determines not to refer the dispute to ADR, the Dispute Resolution Coordinator shall state the reasons in writing; or
(C) If the Dispute Resolution Coordinator decides to refer the dispute to ADR, the date for the selected ADR process will be included in the notice.
(f) Selection of Mediator or Impartial Third Party.
(1) The Department designates the State Office of Administrative Hearings ("SOAH") as the primary mediator for Department ADR requests as required by Tex. Gov't Code §2306.082(b).
(2) If the Department and SOAH agree to utilize an Impartial Third Party other than one so designated through SOAH, an Impartial Third Party will be identified.
(3) The selection of an Impartial Third Party is subject to the approval of the parties to the dispute. If the parties do not suggest potential third parties, the Dispute Resolution Coordinator will provide a list of potential third parties from which to choose. If all parties agree to use an Impartial Third Party who charges for ADR services, then the costs for the Impartial Third Party

shall be apportioned equally among all parties, unless otherwise agreed by the parties.
(g) Voluntary Agreement. All parties participating must have the authority to reach an agreement to make a final recommendation to resolve the dispute. The Executive Director will abide by an agreed upon solution to the dispute and either approve that agreement or offer that recommendation to the Board, if Board authorization is needed. The decision to reach agreement is voluntary. If the parties reach a resolution and execute a written agreement, the agreement is enforceable in the same manner as any other written agreement of the same nature with the State. A written agreement to which the Department is a signatory resulting from an ADR procedure must be approved by the appropriate authority.
(h) A written agreement to which the Department is a signatory resulting from an ADR procedure is subject to Tex. Gov't Code Chapter 552 concerning open records.
(i) Confidentiality of Records and Communications. The confidentiality of the communications, records, conduct, and demeanor of an impartial third party and parties in an ADR procedure are governed by Tex. Gov't Code §2009.054.
(j) The Department may share the results of its ADR process with other governmental bodies, and with the Center for Public Policy Dispute Resolution at the University of Texas School of Law, which may collect and analyze the information and report its conclusions and useful information to governmental bodies and the legislature.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1278 **Agenda Date:** 1/15/2026 **Agenda #:** 14.

Presentation, discussion, and possible action on an order proposing the repeal of 10 TAC Chapter 27, Texas First Time Homebuyer Program Rule; an order proposing new 10 TAC Chapter 27, Texas First Time Homebuyer Program Rule; and directing their publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Tex. Gov't Code §2001.039 requires state agencies to review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist and this rule was last considered in March 2022;

WHEREAS, staff has assessed 10 TAC Chapter 27, Texas First Time Homebuyer (FTHB) Program Rule, and confirms that the reasons for the initial adoption of this rule continue to exist, which is to provide guidance relating to the Texas First Time Homebuyer Program;

WHEREAS, staff has evaluated the rule and the rule is in need of a revision to reflect a new policy relating to lien status of Department loans; and

WHEREAS, such proposed rulemaking will be published in the *Texas Register* for public comment to be received from February 6, 2026, to March 8, 2026, and returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action herein in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

This rule lays out the parameters for administration of the Texas First Time Homebuyer Program. As part of the rule's four year rule review, it has been identified by staff as needing revisions. There have recently been instances where the Department's lien status on loans in the portfolio has been jeopardized by lien holders with smaller liens, such as liens held by Home Owner Associations (HOAs). When those lien holders pursue foreclosure it puts the Department's larger loan at risk of non-repayment.

To prevent this from occurring a policy has been drafted in the rule that specifies that a loan made by the Department must be: 1) first lien if it is the largest loan; or 2) the Department may accept a subordinate lien position if the original principal amount of the leveraged Mortgage Loan is at least 55% of the combined repayable or amortized loans (however, liens related to other subsidized funds provided in the form of grants and non-amortizing mortgage loans, such as deferred payment or forgivable loans, must be subordinate to the Department's mortgage); and For real property encumbered by deed restrictions governed by a property owners' association or homeowners' association, the association shall subordinate its assessment liens in the deed restrictions to the Department's Mortgage Loan.

Upon Board approval, the proposed rule actions will be published in the *Texas Register* and released for public comment from February 6, 2026, to March 8, 2026. Behind the preamble is a copy of the rule in blackline form reflecting the changes being proposed from the current version of the rule.

Attachment 1: Preamble, including required analysis, for the proposed repeal of 10 TAC Chapter 27, Texas First Time Homebuyer Program Rule

The Texas Department of Housing and Community Affairs (the Department) proposes the repeal of 10 TAC Chapter 27, Texas First Time Homebuyer Program Rule. The purpose of the proposed repeal is to eliminate an outdated rule while adopting a new updated rule under separate action.

Tex. Gov't Code §2001.0045(b) does not apply to the rule proposed for repeal because there are no costs associated with the repeal.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

1. Robert Wilkinson, Executive Director, has determined that, for the first five years the repeal will be in effect, the repeal does not create or eliminate a government program, but relates to the repeal, and simultaneous proposed adoption making changes to the rule governing the Texas First Time Homebuyer Program Rule.

2. The repeal does not require a change in work that will require the creation of new employee positions, nor will the repeal reduce work load to a degree that any existing employee positions

are eliminated.

3. The repeal does not require additional future legislative appropriations.

4. The repeal does not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The action will repeal an existing regulation, but is associated with a simultaneous readoption making changes to the existing procedures for the Texas First time Homebuyer Program.

7. The repeal will not increase or decrease the number of individuals subject to the rule's applicability.

8. The repeal will not negatively or positively affect this state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated this repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The repeal does not contemplate nor authorize a taking by the Department, therefore no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the repeal as to its possible effects on local economies and has determined that for the first five years the repeal will be in effect there will be no economic effect on local employment; therefore no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the repealed section would be an updated rule that better protects the Department's liens on applicable properties. There will be no economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT. The Department requests comments on the repeal. The public comment period will be held February 6, 2026, to March 8, 2026, to receive input on the proposed actions. Comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Brooke Boston at brooke.boston@tdhca.texas.gov. ALL COMMENTS AND INFORMATION MUST BE RECEIVED BY 5:00 p.m., Austin local (Central) time, March 8, 2026.

STATUTORY AUTHORITY. The repeal is proposed pursuant to Tex. Gov't Code §2306.053, which

authorizes the Department to adopt rules. Except as described herein the proposed repealed sections affect no other code, article, or statute.

10 TAC Chapter 27, Texas First Time Homebuyer Program Rule

§27.1 Purpose

§27.2 Definitions

§27.3 Restrictions on Residences Financed and Applicant

§27.4 Occupancy and Use Requirements

§27.5 Application Procedure and Requirements for Commitments by Mortgage Lenders

§27.6 Criteria for Approving Participating Mortgage Lenders

§27.7 Resale of the Residence

§27.8 Conflicts with Bond Indentures and Applicable Law

§27.9 Waiver

Attachment B: Preamble, including required analysis, for proposed new 10 TAC Chapter 27, Texas First Time Homebuyer Program Rule

The Texas Department of Housing and Community Affairs (the Department) proposes new 10 TAC Chapter 27, Texas First Time Homebuyer Program Rule. The purpose of the proposed new rule is to make changes that address lien status for homes purchased under the program. There have recently been instances where the Department's lien status on loans in the portfolio has been jeopardized by lien holders with smaller liens; when those lien holders pursue foreclosure it puts the Department's larger loan at risk of non-repayment.

To prevent this from occurring a policy has been drafted in the rule that specifies that a loan made by the Department must be: 1) first lien if it is the largest loan; or 2) the Department may accept a subordinate lien position if the original principal amount of the leveraged Mortgage Loan is at least 55% of the combined repayable or amortized loans (however, liens related to other subsidized funds provided in the form of grants and non-amortizing mortgage loans, such as deferred payment or forgivable loans, must be subordinate to the Department's mortgage); and 3) For real property encumbered by deed restrictions governed by a property owners' association or homeowners' association, the association shall subordinate its assessment liens in the deed restrictions to the Department's Mortgage Loan.

Tex. Gov't Code §2001.0045(b) does not apply to the rule being adopted, because it meets the exceptions described under items (c)(4) and (9) of that section. The rules relate to a program through which the Department accesses federal bond authority to provide affordable housing opportunities to low income Texans under Treasury Regulations §143. The rule also ensures compliance with Tex. Gov't Code, Subchapter MM, Texas First-Time Homebuyer Program. Even though excepted, it should be noted that no costs are associated with this action that would have prompted a need to be offset.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Robert Wilkinson, Executive Director, has determined that, for the first five years the new rule will be in effect:

1. The new rule does not create or eliminate a government program, but relates to the readoption of this rule which makes changes to the rules that govern the Texas First Time Homebuyer Program.

2. The new rule does not require a change in work that would require the creation of new employee positions, nor will it reduce work load to a degree that eliminates any existing employee positions.

3. The new rule changes do not require additional future legislative appropriations.

4. The new rule will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The new rule is not creating a new regulation, except that it is replacing a rule being repealed simultaneously to provide for revisions.

6. The rule will not limit, expand or repeal an existing regulation but merely revises a rule.

7. The new rule does not increase or decrease the number of individuals to whom this rule applies; and

8. The new rule will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

1. The Department has evaluated this rule and determined that none of the adverse effect strategies outlined in Tex. Gov't Code §2006.002(b) are applicable.

2. This rule relates to the general program guidelines for the First Time Homebuyer Program. The beneficiaries of this program are individual households, therefore no small or micro-businesses are subject to the rule.

3. The Department has determined that because this rule relates only to a revision to a rule that applies to a program for which individual households are the beneficiaries, there will be no economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The new rule does not contemplate nor authorize a taking by the Department, therefore no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the rule as to its possible effects on local economies and has determined that for the first five years the rule will be in effect the new rule has no economic effect on local employment because this rule relates to homebuyer assistance to individual households, not limited to any given community or area within the state; therefore no local

employment impact statement is required to be prepared for the rule.

Texas Gov't Code §2001.022(a) states that this "impact statement must describe in detail the probable effect of the rule on employment in each geographic region affected by this rule…" Considering that the rule relates only to the continuation of the rules in place there are no "probable" effects of the new rule on particular geographic regions.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the new sections are in effect, the public benefit anticipated as a result of the proposed new rule will be a more updated rule better protecting the Department's lien status. There will be no economic cost to any individuals required to comply with the proposed new rule because the activities described by the rule has already been in existence.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new sections are in effect, enforcing or administering the new sections does not have any foreseeable implications related to costs or revenues of the state or local governments as this rule relates only to a process that already exists and is not being significantly revised.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the rule and also requests information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period will be held February 6, 2026, to March 8, 2026, to receive input on the proposed actions. Comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Brooke Boston at brooke.boston@tdhca.texas.gov. ALL COMMENTS AND INFORMATION MUST BE RECEIVED BY 5:00 p.m., Austin local (Central) time, March 8, 2026.

STATUTORY AUTHORITY. The rule review is adopted pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed new sections affect no other code, article, or statute.

CHAPTER 27 TEXAS FIRST TIME HOMEBUYER PROGRAM RULE

§27.1 Purpose

(a) The purpose of the Texas First Time Homebuyer Program is to facilitate the origination of single-family Mortgage Loans for eligible first time Homebuyers, and to make available down payment and closing cost assistance to eligible Homebuyers. The Texas First Time Homebuyer Program is administered in accordance with Texas Government Code, Chapter 2306. Chapter 20 of this title (relating to the Single Family Programs Umbrella Rule) does not apply to the activities under this chapter, except if these activities are combined with activities subject to Chapter 20 of this title.

(b) Assistance under this Program is dependent, in part, on the availability of funds. The Department may cease offering all or a part of the assistance available under the program at any time and in its sole discretion.

§27.2 Definitions

The following words and terms, when used in this chapter, shall have the following meanings unless the context or the Participation Packet indicates otherwise. Other definitions may be found in Texas Government Code, Chapter 2306; Chapter 1 of this title (relating to Administration); and Chapter 2 of this title (relating to Enforcement).
(1) Applicable Median Family Income--The Department's determination, as permitted by Texas Government Code, §2306.123, of the median income of an individual or family for an area using a source or methodology acceptable under federal law or rule. The Applicable Median Family Income, as updated from time to time, may be found on the Department's website in the "Combined Income and Purchase Price Limits Table."
(2) Applicant--A person or persons applying for financing of a Mortgage Loan under the Program.
(3) Areas of Chronic Economic Distress--Those areas in the state, whether one or more, designated from time to time as areas of chronic economic distress by the state and approved by the U.S. Secretaries of Treasury and Housing and Urban Development, respectively, pursuant to §143(j) of the Code.
(4) Average Area Purchase Price--With respect to a Residence financed under the Program, the average purchase price of single-family residences in the statistical area in which the Residence is located which were purchased during the most recent twelve (12) month period for which statistical information is available, as determined in accordance with §143(e) of the Code.
(5) Code--The Internal Revenue Code of 1986, as amended from time to time.
(6) Contract for Deed Exception--The exception for certain Mortgage Loan eligibility requirements, as provided in the Master Mortgage Origination Agreement, available with respect to a principal residence owned under a contract for deed by a person whose family income is not more than 50% of the area's Applicable Median Family Income.
(7) Federal Housing Administration--A division of the U.S. Department of Housing and Urban Development, also known as FHA.
(8) First Time Homebuyer--A person who has not owned a home during the three (3) years preceding the date on which an application under this program is filed. A person will be considered to have owned a home if the person had a present ownership interest in a home during the three (3) years preceding the date on which the application was filed. In the event there is more than one person applying with respect to a home, each Applicant must separately meet this three year requirement.
(9) Homebuyer--An Applicant that is approved by the Program and purchases a Residence.
(10) Master Mortgage Origination Agreement--The contract between the Department and a Mortgage Lender, together with any amendments thereto, setting forth certain terms and conditions relating to the

origination and sale of Mortgage Loans by the Mortgage Lender and the financing of such Mortgage Loans by the Department.
(11) Mortgage Lender--the entity, as defined in §2306.004 of the Tex. Gov't Code, that is participating in the Program and signatory to the Master Mortgage Origination Agreement.
(12) Participation Packet--The application submitted to the Department by the proposed Mortgage Lender to participate in the Program.
(13) Program--The Texas First Time Homebuyer Program.
(14) Purchase Price Limit--The Purchase Price Limits published and updated from time to time in the "Combined Income and Purchase Price Limits Table" found on the Department's website equal to 90% of the Average Area Purchase Price, subject to certain exceptions for Targeted Area Loans.
(15) Qualified Veteran Exemption to First Time Homebuyer Requirement--A qualified veteran who has not previously received financing as a First Time Homebuyer through a single family mortgage revenue bond program is exempt from the requirement to be a First Time Homebuyer. The veteran must certify that he or she has not previously obtained a Mortgage Loan financed by single family mortgage revenue bonds, and is utilizing the veteran exception set forth in §143(d)(2)(D) of the IRS Code. Qualified veterans must also complete a worksheet evidencing qualification as a veteran and provide copies of discharge papers.
(16) Regulations--The applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.
(17) Residence--A dwelling in Texas in which an Applicant intends to reside as the Applicant's principal living space. This is intended to have the same meaning as Home as defined in §2306.1071 of the Tex. Gov't Code.
(18) Rural Housing Service--A division of the United States Department of Agriculture, also known as RHS.
(19) Targeted Area--A qualified census tract, as determined in accordance with §6(a)103A-(2)(b)(4) of the Regulations or any successor regulations thereto, or an Area of Chronic Economic Distress. Applicants purchasing in Targeted Areas may have higher income and purchase price limits as set forth in the "Combined Income and Purchase Price Limits Table" found on the Department's website.
(20) Targeted area exemption to First time Homebuyer Requirement--Applicants purchasing homes in targeted areas financed through the program are exempt from the requirement to be a First Time Homebuyer and income and purchase price limits may be higher as found in the "Combined Income and Purchase Price Limits Table" located on the Department's website.
(21) United States Department of Veterans Affairs--Also known as VA.

§27.3 Restrictions on Residences Financed and Applicant

(a) Type of Residence and Number of Units. To be eligible for assistance under the Program an Applicant must apply with respect to a Residence that is either a new or existing single family residence, new or existing condominium or townhome, or manufactured housing that has been converted to real property in accordance with the Texas Occupations Code, Chapter 1201 or FHA guidelines, as required by the Department. A duplex may be financed under the Program as long as one unit of the duplex is occupied by the Applicant as his or her Residence, and the duplex was first occupied for residential purposes at least five years prior to the closing of the Mortgage Loan.
(b) Homebuyer Education. Each Applicant must complete a Department approved pre-purchase homebuyer education course.
(c) Income Limits. An Applicant applying for a Mortgage Loan must meet Applicable Median Family Income requirements.
(d) Down Payment Assistance. An Applicant meeting the Applicable Median Family Income requirements in subsection (c) of this section may qualify for down payment and closing cost assistance in connection with the Mortgage Loan on a first come, first served basis, subject to availability of funds.

(e) Residential Property Standards. The Residence must meet all standards required by the State of Texas, local jurisdiction, and as required by the Federal Mortgage Lender.
(f) Lien Position Requirements.
(1) A Mortgage Loan made by the Department shall be secured by a first lien on the real property if the Department's Mortgage Loan is the largest Mortgage Loan secured by the real property; or
(2) The Department may accept a subordinate lien position if the original principal amount of the leveraged Mortgage Loan is at least 55% of the combined repayable or amortized loans; however, liens related to other subsidized funds provided in the form of grants and non-amortizing Mortgage Loans, such as deferred payment or Forgivable Loans, must be subordinate to the Department's payable Mortgage Loan; and
(3) For real property encumbered by deed restrictions governed by a property owners' association or homeowners' association, the association shall subordinate its assessment liens in the deed restrictions to the Department's Mortgage Loan.

§27.4 Occupancy and Use Requirements

(a) Occupancy requirement. The Homebuyer must occupy the property within a reasonable time (not to exceed 60 days) after the date of closing as his or her Residence.
(b) Use for a business. Homebuyer may not use more than 15% of the Residence in a trade or business (including childcare services) on a regular basis for compensation. If the Residence is to be used, in part, for a trade or business, a schematic drawing from an appraiser must be provided.
(c) Homebuyer may not use the Residence, or any part thereof, as an investment property, rental property, vacation or second home, or recreational home, and shall continue to occupy the Residence as Homebuyer's principal living space, unless waived by the Executive Director or their designee, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Homebuyer's control.

§27.5 Application Procedure and Requirements for Commitments by Mortgage Lenders

(a) An Applicant seeking assistance under the Program must first contact a participating Mortgage Lender. A list of participating Mortgage Lenders may be obtained on the Department's website or by contacting the Department.
(b) Applicant shall complete an application with a participating Mortgage Lender.
(c) Application Fees. Fees that may be collected by the Mortgage Lender from the Applicant relating to a Mortgage Loan include:
(1) an appropriate, as determined by the Department, origination fee and/or buyer/seller points; and
(2) all usual and reasonable settlement or financing costs that are permitted to be so collected by FHA , RHS, VA, Freddie Mac or Fannie Mae, as applicable, and other applicable laws, but only to the extent such charges do not exceed the usual and reasonable amounts charged in the area in which the Residence is located. Such usual and reasonable settlement or financing costs shall include an application fee as determined by the Department, the total estimated costs of a credit report on the Applicants and an appraisal of the property to be financed with the Mortgage Loan, title insurance, survey fees, credit reference fees, legal fees, appraisal fees and expenses, credit report fees, FHA insurance premiums, private Mortgage guaranty insurance premiums, VA guaranty fees, VA funding fees, RHS guaranty fees, hazard or flood insurance premiums, abstract fees, tax service fees, recording or registration fees, escrow fees, and file preparation fees.
(d) The Department will determine from time to time, a schedule of fees and charges necessary for expenses and reserves of the housing finance division as set forth in a Board resolution.

(e) The Mortgage Lender must register the Mortgage Loan in accordance with the Department's published procedures.

§27.6 Criteria for Approving Participating Mortgage Lenders

(a) To be approved by the Department for participation in the program, a Mortgage Lender must meet the requirements in the Participation Packet to be a qualified Mortgage Lender as specified by:
(1) FHA;
(2) RHS;
(3) VA; or
(4) be a lender currently participating in the conventional home lending market for loans originated in accordance with Fannie Mae's and/or Freddie Mac's requirements.
(b) As a condition for participation in the Program, a qualified Mortgage Lender must:
(1) agree to originate Mortgage Loans and assign those loans and related Mortgages and servicing to the Department's master servicer;
(2) originate, process, underwrite, close and fund originated loans; and
(3) be an approved Mortgage Lender with the Program's master servicer.

§27.7 Resale of the Residence

Mortgage Loans that are financed with the proceeds of tax-exempt bonds, or for which a Mortgage Credit Certificate has been or will be issued, will be subject to federal income tax recapture provisions. Assumption of a Mortgage Loan is allowed under the Program if the new owner meets the Program requirements at the time of the sale of the Residence.

§27.8 Conflicts with Bond Indentures and Applicable Law

All assistance provided under the Program is funded through or facilitated by the Department's mortgage revenue bond indentures and is subject to changes in the mortgage revenue bond indentures and applicable law. If there is a conflict between this chapter and any bond indenture or applicable law regarding the use of the funds from mortgage revenue bonds, the mortgage revenue bond indenture or applicable law shall control.

§27.9 Waiver

The Board, in its discretion and within the limits of federal and state law, may waive any one or more of the rules governing this Program, except 10 TAC §27.8, if the Board finds that waiver is appropriate to fulfill the purposes or polices of Texas Government Code, Chapter 2306.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1279 **Agenda Date:** 1/15/2026 **Agenda #:** 15.

Presentation, discussion, and possible action on an order proposing the repeal of 10 TAC Chapter 28, Taxable Mortgage Program; an order proposing new 10 TAC Chapter 28, Taxable Mortgage Program; and directing their publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Tex. Gov't Code §2001.039 requires state agencies to review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist and this rule was last considered in March 2022;

WHEREAS, staff has assessed 10 TAC Chapter 28, Taxable Mortgage Program, and confirms that the reasons for the initial adoption of this rule continue to exist, which is to provide guidance relating to the Taxable Mortgage Program;

WHEREAS, staff has evaluated the rule and the rule is in need of a revision to reflect a new policy relating to lien status of Department loans; and

WHEREAS, such proposed rulemaking will be published in the *Texas Register* for public comment to be received from February 6, 2026, to March 8, 2026, and returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action herein in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

This rule lays out the parameters for administration of the Taxable Mortgage Program. As part of the rule's four year rule review, it has been identified by staff as needing revisions. There

have recently been instances where the Department's lien status on loans in the portfolio has been jeopardized by lien holders with smaller liens, such as liens held by Home Owner Associations (HOAs). When those lien holders pursue foreclosure it puts the Department's larger loan at risk of non-repayment.

To prevent this from occurring a policy has been drafted in the rule that specifies that a loan made by the Department must be: 1) first lien if it is the largest loan; or 2) the Department may accept a subordinate lien position if the original principal amount of the leveraged Mortgage Loan is at least 55% of the combined repayable or amortized loans (however, liens related to other subsidized funds provided in the form of grants and non-amortizing mortgage loans, such as deferred payment or forgivable loans, must be subordinate to the Department's mortgage); and 3) For real property encumbered by deed restrictions governed by a property owners' association or homeowners' association, the association shall subordinate its assessment liens in the deed restrictions to the Department's Mortgage Loan.

Upon Board approval, the proposed rule actions will be published in the *Texas Register* and released for public comment from February 6, 2026, to March 8, 2026. Behind the preamble is a copy of the rule in blackline form reflecting the changes being proposed from the current version of the rule.

Attachment 1: Preamble, including required analysis, for the proposed repeal of 10 TAC Chapter 28, Taxable Mortgage Program

The Texas Department of Housing and Community Affairs (the Department) proposes the repeal of 10 TAC Chapter 28, Taxable Mortgage Program. The purpose of the proposed repeal is to eliminate an outdated rule while adopting a new updated rule under separate action.

Tex. Gov't Code §2001.0045(b) does not apply to the rule proposed for repeal because there are no costs associated with the repeal.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

1. Robert Wilkinson, Executive Director, has determined that, for the first five years the repeal will be in effect, the repeal does not create or eliminate a government program, but relates to the repeal, and simultaneous proposed adoption making changes to the rule governing the Taxable Mortgage Program.

2. The repeal does not require a change in work that will require the creation of new employee positions, nor will the repeal reduce work load to a degree that any existing employee positions are eliminated.

3. The repeal does not require additional future legislative appropriations.

4. The repeal does not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The action will repeal an existing regulation, but is associated with a simultaneous readoption making changes to the existing procedures for the Taxable Mortgage Program.

7. The repeal will not increase or decrease the number of individuals subject to the rule's applicability.

8. The repeal will not negatively or positively affect this state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated this repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The repeal does not contemplate nor authorize a taking by the Department, therefore no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the repeal as to its possible effects on local economies and has determined that for the first five years the repeal will be in effect there will be no economic effect on local employment; therefore no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the repealed section would be an updated rule that better protects the Department's liens on applicable properties. There will be no economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT. The Department requests comments on the repeal. The public comment period will be held February 6, 2026, to March 8, 2026, to receive input on the proposed action. Comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Brooke Boston at brooke.boston@tdhca.texas.gov. ALL COMMENTS AND INFORMATION MUST BE RECEIVED BY 5:00 p.m., Austin local (Central) time, March 8, 2026.

STATUTORY AUTHORITY. The repeal is proposed pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed repealed sections affect no other code, article, or statute.

10 TAC Chapter 28, Taxable Mortgage Program

§28.1 Purpose

§28.2 Definitions

§28.3 Restrictions on Residences Financed and Applicant

§28.4 Occupancy and Use Requirements

§28.5 Application Procedure and Requirements for Commitments by Mortgage Lenders

§28.6 Criteria for Approving Participating Mortgage Lenders

§28.7 Resale of the Residence

§28.8 Conflicts with Bond Indentures and Applicable Law

§28.9 Waiver

Attachment B: Preamble, including required analysis, for proposed new 10 TAC Chapter 28, Taxable Mortgage Program Rule

The Texas Department of Housing and Community Affairs (the Department) proposes new 10 TAC Chapter 28, Taxable Mortgage Program Rule. The purpose of the proposed new rule is to make changes that address lien status for homes purchased under the program. There have recently been instances where the Department's lien status on loans in the portfolio has been jeopardized by lien holders with smaller liens; when those lien holders pursue foreclosure it puts the Department's larger loan at risk of non-repayment.

To prevent this from occurring a policy has been drafted in the rule that specifies that a loan made by the Department must be: 1) first lien if it is the largest loan; or 2) the Department may accept a subordinate lien position if the original principal amount of the leveraged Mortgage Loan is at least 55% of the combined repayable or amortized loans (however, liens related to other subsidized funds provided in the form of grants and non-amortizing mortgage loans, such as deferred payment or forgivable loans, must be subordinate to the Department's mortgage); and 3) For real property encumbered by deed restrictions governed by a property owners' association or homeowners' association, the association shall subordinate its assessment liens in the deed restrictions to the Department's Mortgage Loan.

Tex. Gov't Code §2001.0045(b) does apply to the rule being adopted and no exceptions apply. However, no costs are associated with this action that would have prompted a need to be offset.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Robert Wilkinson, Executive Director, has determined that, for the first five years the proposed new rule will be in effect:

1. The new rule does not create or eliminate a government program, but relates to the readoption of this rule which makes changes to the rules that govern the Taxable Mortgage Program.

2. The new rule does not require a change in work that would require the creation of new employee positions, nor will it reduce work load to a degree that eliminates any existing employee positions.

3. The new rule changes do not require additional future legislative appropriations.

4. The new rule will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The new rule is not creating a new regulation, except that it is replacing a rule being repealed simultaneously to provide for revisions.

6. The rule will not limit, expand or repeal an existing regulation but merely revises a rule.

7. The new rule does not increase or decrease the number of individuals to whom this rule applies; and

8. The new rule will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

1. The Department has evaluated this rule and determined that none of the adverse effect strategies outlined in Tex. Gov't Code §2006.002(b) are applicable.

2. This rule relates to the general program guidelines for the Taxable Mortgage Program. The beneficiaries of this program are individual households, therefore no small or micro-businesses are subject to the rule.

3. The Department has determined that because this rule relates only to a revision to a rule that applies to a program for which individual households are the beneficiaries, there will be no economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The new rule does not contemplate nor authorize a taking by the Department, therefore no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the rule as to its possible effects on local economies and has determined that for the first five years the rule will be in effect the new rule has no economic effect on local employment because this rule relates to homebuyer assistance to individual households, not limited to any given community or area within the state; therefore no local employment impact statement is required to be prepared for the rule.

Texas Gov't Code §2001.022(a) states that this "impact statement must describe in detail the probable effect of the rule on employment in each geographic region affected by this rule…" Considering that the rule relates only to the continuation of the rules in place there are no "probable" effects of the new rule on particular geographic regions.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson

has determined that, for each year of the first five years the new sections are in effect, the public benefit anticipated as a result of the proposed new rule will be a more updated rule reflecting transparent compliant regulations. There will be no economic cost to any individuals required to comply with the proposed new rule because the activities described by the rule has already been in existence.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new section is in effect, enforcing or administering the new section does not have any foreseeable implications related to costs or revenues of the state or local governments as this rule relates only to a process that already exists and is not being significantly revised.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the rule and also requests information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period will be held February 6, 2026, to March 8, 2026, to receive input on the proposed actions. Comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Brooke Boston at brooke.boston@tdhca.texas.gov. ALL COMMENTS AND INFORMATION MUST BE RECEIVED BY 5:00 p.m., Austin local (Central) time, March 8, 2026.

STATUTORY AUTHORITY. The rule review is adopted pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed new sections affect no other code, article, or statute.

CHAPTER 28 TAXABLE MORTGAGE PROGRAM

§28.1 Purpose

(a) The purpose of the Taxable Mortgage Program is to facilitate the origination of single-family mortgage loans and to refinance existing Mortgage Loans for eligible Homebuyers and in both cases to make down payment and closing cost assistance available to eligible Homebuyers. Chapter 20 of this title (relating to the Single Family Programs Umbrella Rule) does not apply to the activities under this chapter, except if these activities are combined with activities subject to Chapter 20 of this title.
(b) Assistance under this program is dependent, in part, on the availability of funds. The Department may cease offering all or a part of the assistance available under the program at any time and in its sole discretion.

§28.2 Definitions

The following words and terms, when used in this chapter, shall have the following meanings unless the context or the Participation Packet indicates otherwise. Other definitions may be found in Texas Government Code, Chapter 2306; Chapter 1 of this title (relating to Administration); and Chapter 2 of this title (relating to Enforcement).
(1) Applicable Median Family Income--The Department's determination, as permitted by Texas Government Code, §2306.123, of the median income of an individual or family for an area using a source or methodology acceptable under federal law or rule. The Applicable Median Family Income, as updated from time to time, may be found on the Department's website in the "Combined Income and Purchase Price Limits Table."
(2) Applicant--A person or persons applying for financing of a Mortgage Loan under the Program.
(3) Areas of Chronic Economic Distress--Those areas in the state, whether one or more, designated from time to time as areas of chronic economic distress by the state and approved by the U.S. Secretaries of Treasury and Housing and Urban Development, respectively, pursuant to §143(j) of the Code.
(4) Code--The Internal Revenue Code of 1986, as amended from time to time.
(5) Department Designated Areas of Special Need--Geographic areas designated by the Department from time to time as areas of special need.
(6) Federal Housing Administration--A division of the U.S. Department of Housing and Urban Development, also known as FHA.
(7) Homebuyer--An Applicant that is approved by the Program and purchases a Residence.
(8) Master Mortgage Origination Agreement--The contract between the Department and a Mortgage Lender, together with any amendments thereto, setting forth certain terms and conditions relating to the origination and sale of Mortgage Loans by the Mortgage Lender and the financing of such Mortgage Loans by the Department.
(9) Mortgage Lender--The entity, as defined in §2306.004 of the Texas Government Code, participating in the Program and signatory to the Master Mortgage Origination Agreement.
(10) Participation Packet--The application submitted to the Department by the proposed Mortgage Lender to participate in the Program.
(11) Program--The Taxable Mortgage Program.
(12) Regulations--The applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.
(13) Residence--A dwelling in Texas in which an Applicant intends to reside as the Applicant's principal living space. Has the same meaning as Home in Chapter 2306 of the Texas Government Code.
(14) Rural Housing Service--A division of the United States Department of Agriculture, also known as RHS.

(15) Targeted Area--A qualified census tract, as determined in accordance with §6(a)103A-(2)(b)(4) of the Regulations or any successor regulations thereto, or an Area of Chronic Economic Distress, or a Department Designated Area of Special Need. Applicants purchasing in Targeted Areas may have higher income limits as set forth in the "Combined Income and Purchase Price Limits Table" found on the Department's website.
(16) United States Department of Veterans Affairs--Also known as VA.

§28.3 Restrictions on Residences Financed and Applicant

(a) Type of Residence and Number of Units. To be eligible for assistance under the Program an Applicant must apply with respect to a Residence that is either a new or existing single family residence, new or existing condominium or townhome, or manufactured housing that has been converted to real property in accordance with the Texas Occupations Code, Chapter 1201 or FHA guidelines, as required by the Department. A duplex may be financed under the Program as long as one unit of the duplex is occupied by the Applicant as his or her Residence, and the duplex was first occupied for residential purposes at least five years prior to the closing of the Mortgage Loan.
(b) Homebuyer Education. Each Applicant must complete a Department approved pre-purchase homebuyer education course.
(c) Income Limits. An Applicant applying for a Mortgage Loan must meet Applicable Median Family Income requirements.
(d) Down Payment Assistance. An Applicant meeting the Applicable Median Family Income requirements in subsection (c) of this section may qualify for down payment and closing cost assistance in connection with the Mortgage Loan on a first come, first served basis, subject to availability of funds.
(e) Residential Property Standards. The Residence must meet all standards required by the State of Texas, local jurisdiction, and as required by the Mortgage Lender.
(f) Lien Position Requirements.
(1) A Mortgage Loan made by the Department shall be secured by a first lien on the real property if the Department's Mortgage Loan is the largest Mortgage Loan secured by the real property; or
(2) The Department may accept a subordinate lien position if the original principal amount of the leveraged Mortgage Loan is at least 55% of the combined repayable or amortized loans; however, liens related to other subsidized funds provided in the form of grants and non-amortizing Mortgage Loans, such as deferred payment or Forgivable Loans, must be subordinate to the Department's payable Mortgage Loan; and
(3) For real property encumbered by deed restrictions governed by a property owners' association or homeowners' association, the association shall subordinate its assessment liens in the deed restrictions to the Department's Mortgage Loan.

§28.4 Occupancy and Use Requirements

(a) Occupancy requirement. The Homebuyer must occupy the property within a reasonable time (not to exceed 60 days) after the date of closing as his or her Residence.
(b) Use for a business. Homebuyer may not use more than 15% of the Residence in a trade or business (including childcare services) on a regular basis for compensation. If the Residence is to be used, in part, for a trade or business, a schematic drawing from an appraiser must be provided.
(c) Homebuyer may not use the Residence, or any part thereof, as an investment property, rental property, vacation or second home, or recreational home, and shall continue to occupy the Residence as Homebuyer's principal living space, unless waived by the Executive Director or their designee, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Homebuyer's control.

§28.5 Application Procedure and Requirements for Commitments by Mortgage Lenders

(a) An Applicant seeking assistance under the Program must first contact a participating Mortgage Lender. A list of participating Mortgage Lenders may be obtained on the Department's website or by contacting the Department.
(b) Applicant shall complete an application with a participating Mortgage Lender.
(c) Application Fees. Fees that may be collected by the Mortgage Lender from the Applicant relating to a Mortgage Loan include:
(1) an appropriate, as determined by the Department, origination fee and/or buyer/seller points; and
(2) all usual and reasonable settlement or financing costs that are permitted to be so collected by FHA, RHS, VA, Freddie Mac or Fannie Mae, as applicable, and other applicable laws, but only to the extent such charges do not exceed the usual and reasonable amounts charged in the area in which the Residence is located. Such usual and reasonable settlement or financing costs shall include an application fee as determined by the Department, the total estimated costs of a credit report on the Applicants and an appraisal of the property to be financed with the Mortgage Loan, title insurance, survey fees, credit reference fees, legal fees, appraisal fees and expenses, credit report fees, FHA insurance premiums, private Mortgage guaranty insurance premiums, VA guaranty fees, VA funding fees, RHS guaranty fees, hazard or flood insurance premiums, abstract fees, tax service fees, recording or registration fees, escrow fees, and file preparation fees.
(d) The Department will determine from time to time a schedule of fees and charges necessary for expenses and reserves of the housing finance division as set forth in a Board resolution.
(e) The Mortgage Lender must register the Mortgage Loan in accordance with the Department's published procedures.

§28.6 Criteria for Approving Participating Mortgage Lenders

(a) To be approved by the Department for participation in the program, a Mortgage Lender must meet the requirements in the Participation Packet to be a qualified Mortgage Lender as specified by:
(1) FHA;
(2) RHS;
(3) VA; or
(4) be a lender currently participating in the conventional home lending market for loans originated in accordance with Fannie Mae's and/or Freddie Mac's requirements.
(b) As a condition for participation in the Program, a qualified Mortgage Lender must:
(1) agree to originate Mortgage Loans and assign those loans and related Mortgages and servicing to the Department's master servicer;
(2) originate, process, underwrite, close and fund originated loans; and
(3) be an approved Mortgage Lender with the Program's master servicer.

§28.7 Resale of the Residence

Mortgage Loans that are financed with the proceeds of tax-exempt bonds, or for which a Mortgage Credit Certificate has been or will be issued, will be subject to federal income tax recapture provisions. Assumption of a Mortgage Loan is allowed under the Program if the new owner meets the Program requirements at the time of the sale of the Residence.

§28.8 Conflicts with Bond Indentures and Applicable Law

All assistance provided under the Program is funded through or facilitated by the Department's mortgage revenue bond indentures and is subject to changes in the mortgage revenue bond indentures and applicable law. If there is a conflict between this chapter and any bond indenture or applicable law regarding the use of the funds from mortgage revenue bonds, the mortgage revenue bond indenture or applicable law shall control.

§28.9 Waiver

The Board, in its discretion and within the limits of federal and state law, may waive any one or more of the rules governing this Program, except 10 TAC §28.8 of this chapter, if the Board finds that waiver is appropriate to fulfill the purposes or polices of Texas Government Code, Chapter 2306, or for good cause, as determined by the Board.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1280 **Agenda Date:** 1/15/2026 **Agenda #:** 16.

Presentation, discussion, and possible action on an order proposing the amendment of 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.4, Protest Procedures for Contractors, and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Deprtment and its programs;

WHEREAS, Tex. Gov't Code §2001.039 requires state agencies to review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist and this rule was last considered in April 2022;

WHEREAS, staff has assessed 10 TAC §1.4, Protest Procedures for Contractors, and confirms that the reasons for the initial adoption of this rule continue to exist, which is to comply with 34 TAC Chapter 20, Subchapter F, Division 3, the rules of the Texas Comptroller of Public Accounts addressing procurement, which require state agencies to adopt protest procedures consistent with the Comptroller's procedures;

WHEREAS, staff has evaluated the rule and also recommends several minor changes to more closely align the rule with the Comptroller's rule noted above, and as such staff is requesting Board approval to submit the proposed amendment of the rule for a public comment period; and

WHEREAS, such proposed action will be published in the *Texas Register* for public comment from February 6, 2026 to March 8, 2026, and subsequently returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action herein in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

10 TAC §1.4, Protest Procedures for Contractors, as part of its four year rule review, has been

identified by staff as needing revisions. This section of the rule provides for the procedures that a vendor having submitted a response to a procurement solicitation may use if they seek to protest to the Department. The rule is required to be consistent with the rules of the Texas Comptroller of Public Accounts found at 34 TAC Chapter 20, Subchapter F, Division 3. Staff identified two minor revisions that are necessary to bring the Department rule into greater alignment with the Comptroller's rule. This rule will be released for public comment and returned to the Board for final adoption.

Attachment 1: Preamble, including required analysis, for proposed amendment to 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.4, Protest Procedures for Contractors

The Texas Department of Housing and Community Affairs (the Department) proposes amending 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.4, Protest Procedures for Contractors. The purpose of the amended section is to make several minor changes to bring this rule into greater compliance with the rules of the Texas Comptroller of Public Accounts found at 34 TAC Chapter 20, Subchapter F, Division 3.

Tex. Gov't Code §2001.0045(b) does not apply to the amendment because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the amendment would be in effect:

1. The amended section does not create or eliminate a government program but relates to minor revisions to bring the rule into greater compliance with the Comptroller's rules on the same subject.

2. The amended section does not require a change in work that would require the creation of new employee positions, nor are the rule changes significant enough to reduce work load to a degree that eliminates any existing employee positions.

3. The amended section does not require additional future legislative appropriations.

4. The amended section will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The amended section is not creating a new regulation.

6. The amended section will not expand, limit, or repeal an existing regulation.

7. The amended section will not increase or decrease the number of individuals subject to the rule's applicability.

8. The amended section will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the amended section and determined that it will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The amended section does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the amended section as to its possible effects on local economies and has determined that for the first five years the amended section would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the amended section is in effect, the public benefit anticipated as a result of the new section would be greater consistency between the Department's rule and the Comptroller's rule on the same subject. There will not be economic costs to individuals required to comply with the amended section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the amended section is in effect, enforcing or administering the section does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the proposed amended section and also requests information related to the cost, benefit, or effect of the proposed amended section, including any applicable data, research, or analysis from any person required to comply with the rule or any other interested person. The public comment period will be held February 6, 2026 to March 8, 2026, to receive input on the proposed action. Comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Brooke Boston at brooke.boston@tdhca.state.tx.us. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Austin local (Central) time, March 8, 2026.

STATUTORY AUTHORITY. The amended section is proposed pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the amended section affects no other code, article, or statute.

§1.4 Protest Procedures for Contractors

(a) Purpose. The purpose of this rule provides for the Department's compliance with 34 TAC Chapter 20, Subchapter F, Division 3, the rules of the Texas Comptroller of Public Accounts addressing procurement, which require state agencies to adopt protest procedures consistent with the Comptroller's procedures.

(b) Definitions. The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.
(1) Board--The Governing Board of the Department.
(2) Department--The Texas Department of Housing and Community Affairs.
(3) Interested Parties-- All vendors who have submitted bids or proposals for the contract involved. A list of interested parties is available upon request from the Department.
(4) Protest--A written objection submitted to the Department by any actual or prospective bidder, offeror, or contractor who is aggrieved in connection with the solicitation, evaluation, or award of a procurement contract by the Department.

(c) These procedures are for Department procurements only. Any actual or prospective bidder, offeror, or contractor who is aggrieved in connection with a solicitation, evaluation, or award may formally protest to the Department's Purchasing Officer.

(d) To be considered timely, the Protest must be filed in accordance with the requirements of 34 TAC §20.535(b).

(e) To be considered complete, the Protest must be in writing, signed by an authorized representative, notarized, and contain:
(1) a specific identification of the statutory or regulatory provision(s) that the Person submitting the Protest alleges to have been violated;
(2) a specific description of each action ~~made by the Department~~ that the Person submitting the Protest alleges to have been violated specified in the statutory or regulatory provision(s) identified in paragraph (1) of this Subsection;
(3) a precise statement of the relevant facts including:
(A) sufficient documentation to establish that the Protest has been timely filed;
(B) a description of the adverse impact to the Department and~~or~~ the state; and
(C) a description of the resulting adverse impact to the protesting vendor;
(4) a statement of the argument and authorities that the Person submitting the Protest offers in support of the Protest;
(5) an explanation of the subsequent action the Person submitting the Protest is requesting; and
(6) except for a Protest that concerns the solicitation documents or actions associated with the publication of solicitation documents, a statement confirming that copies of the Protest have been mailed or delivered to other identifiable Interested Parties.

(f) The Purchasing Officer shall have the initial authority to settle and resolve the Dispute concerning the solicitation or award of a contract. The Purchasing Officer may dismiss the Protest if it is not timely filed or does not meet the requirements of this section. The Purchasing Officer may solicit written responses to the Protest from other Interested Parties.

(g) If the Protest is not resolved by mutual agreement, the Purchasing Officer will provide a written recommendation to the Department's Executive Director.

(h) The Executive Director shall issue a final written determination on the Protest within 15 calendar days after receipt of the Purchasing Officer's recommendation in accordance with the requirements of 34 TAC §20.537(c).

(i) In the alternative, the Executive Director may, in his or her discretion, refer the matter to the Department's Governing Board for their consideration at a regularly scheduled meeting. The decision of the Board shall be final.

(j) A protesting party may appeal the determination of the Executive Director under Subsection (hg) of this section to the Department's Governing Board. An appeal of the Executive Director's determination must be in writing and received by the Purchasing Officer not later than 10 calendar days after the date the Executive Director sent written notice of their determination. The scope of the appeal shall be limited to review of the Executive Director's determination. The protesting party must mail or deliver to all other interested parties a copy of the appeal, which must contain a certified statement that such copies have been provided.
(1) The appeal will be presented for consideration at the next regularly scheduled meeting of the Governing Board. The decision of the Governing Board shall be final.
(2) An appeal that is not filed timely shall not be considered unless good cause for delay is shown in writing relating to issues that are significant to agency procurement practices or procedures, or the Department's General Counsel makes such a determination.

(k) All documents collected by the Department as part of a solicitation, evaluation, and/or award of a contract shall be retained with the procurement file according to Department's Records Retention Schedule.

(l) The Department reserves all of its rights under 34 TAC §20.536. The Department may award a solicitation or award without delay, in spite of a timely filed Protest, to protect the best interests of the state.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1281 **Agenda Date:** 1/15/2026 **Agenda #:** 17.

Presentation, discussion, and possible action on an order proposing the amendment of 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.5, Waiver Applicability in the Case of State or Federally Declared Disasters, and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Tex. Gov't Code §2001.039 requires state agencies to review a rule every four years to assess whether the reasons for initially adopting the rule continue to exist and this rule was last considered in April 2022;

WHEREAS, staff has assessed 10 TAC §1.5, Waiver Applicability in the Case of State or Federally Declared Disasters, and confirms that the reasons for the initial adoption of this rule continue to exist, which is to provide more nimble responsiveness in response to state or federally declared disasters;

WHEREAS, staff has evaluated the rule and also recommends several minor changes to improve clarity, and as such staff is requesting Board approval to submit the proposed amendment of the rule for a public comment period; and

WHEREAS, such proposed action will be published in the *Texas Register* for public comment from February 6, 2026 to March 8, 2026, and subsequently returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action herein in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

10 TAC §1.5, Waiver Applicability in the Case of State or Federally Declared Disasters, as part of its four year rule review, has been identified by staff as needing revisions. This section of the rule provides for how the Department may waive, suspend or modify rules in the Texas

Administrative Code if state or federal regulations have been waived in response to state or federally declared disasters. Staff identified minor revisions that make the rule more clear in when it applies. This rule will be released for public comment and returned to the Board for final adoption.

Attachment 1: Preamble, including required analysis, for proposed amendment to 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.5, Waiver Applicability in the Case of State or Federally Declared Disasters

The Texas Department of Housing and Community Affairs (the Department) proposes amending 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.5, Waiver Applicability in the Case of State or Federally Declared Disasters. The purpose of the amended section is to make several minor changes to provide greater clarity around when the Executive Director can waive rules when there have been state or federal regulatory waivers in response to state or federal disasters.

Tex. Gov't Code §2001.0045(b) does not apply to the amendment because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the amendment would be in effect:

1. The amended section does not create or eliminate a government program but relates to minor revisions to make the rule more clear.

2. The amended section does not require a change in work that would require the creation of new employee positions, nor are the rule changes significant enough to reduce work load to a degree that eliminates any existing employee positions.

3. The amended section does not require additional future legislative appropriations.

4. The amended section will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The amended section is not creating a new regulation.

6. The amended section will not expand, limit, or repeal an existing regulation.

7. The amended section will not increase or decrease the number of individuals subject to the rule's applicability.

8. The amended section will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the amended section and determined that it will not create an

economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The amended section does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the amended section as to its possible effects on local economies and has determined that for the first five years the amended section would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the amended section is in effect, the public benefit anticipated as a result of the new section would be a more clear rule. There will not be economic costs to individuals required to comply with the amended section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the amended section is in effect, enforcing or administering the section does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the proposed amended section and also requests information related to the cost, benefit, or effect of the proposed amended section, including any applicable data, research, or analysis from any person required to comply with the rule or any other interested person. The public comment period will be held February 6, 2026 to March 8, 2026, to receive input on the proposed action. Comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Brooke Boston at brooke.boston@tdhca.state.tx.us. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Austin local (Central) time, March 8, 2026.

STATUTORY AUTHORITY. The amended section is proposed pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the amended section affects no other code, article, or statute.

§1.5, Waiver Applicability in the Case of State or Federally Declared Disasters

(a) When the federal government has provided the Department a waiver, suspension, or contract amendment of a federal programmatic regulation, federal statute, or contract term in response to a state or federally declared disaster, and the requirement waived, suspended, or amended had been codified in this title, the Executive Director or designee may waive, suspend, or modify the rule within this title, if:
(1) the Executive Director or designee has determined that not doing so may negatively affect the health, safety, or welfare of program recipients;
(2) such waiver, suspension, or modification to the rule within this title is clearly related to the federally provided waiver, suspension, or modification; and
(3) such waiver or suspension would not have negatively affected the selection of an awardee who has received a competitive award of Department resources.
(b) When the state government has provided the Department a waiver or suspension of a state statute in response to a state or federally declared disaster, and the requirement waived or suspended had been codified in this title, the Executive Director or designee may waive, suspend, or modify the rule within this title, if:
(1) the Executive Director or designee has determined that not doing so may negatively affect the health, safety, or welfare of program recipients;
(2) such waiver, suspension, or modification to the rule within this title must be clearly related to the state provided waiver or suspension;
(3) such waiver or suspension would not have negatively affected the selection of ann awardee who has received a competitive award of Department resources; and
(4) the Executive Director or designee has determined that doing so is not inconsistent with any applicable federal statute, regulations or contract requirements.

File #: 1283 **Agenda Date:** 1/15/2026 **Agenda #:** 18.

Presentation, discussion, and possible action on proposing the repeal and proposed adoption of new 10 TAC Chapter 7 Subchapter A, General Policies and Procedures; 10 TAC Chapter 7 Subchapter C, Emergency Solutions Grants (ESG), §§7.31-7.43 and directing their publication in the Texas Register for public comment.

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, staff has assessed 10 TAC Chapter 7, Subchapter C, Emergency Solutions Grants (ESG), specifically §§7.31-7.43, and recommends amendments to better align the rules with funding requirements, update program terminology, improve clarity, and ensure consistency across program operations;

WHEREAS, staff also assessed 10 TAC Chapter 7 Subchapter A, General Policies and Procedures and confirms that the reasons for the initial adoption of this rule continue to exist, which is to have a rule in effect that specifies the general administrative requirements, responsibilities, and procedural standards that govern the Department's program operations;

WHEREAS, staff has evaluated these rules and recommends to the Board that there is a need for these rule sections to be revised, and adopted as new rules, in order to assist in the administration of their grants; and

WHEREAS, upon Board approval, these actions will be published in the *Texas Register* for public comment, which will be accepted from January 30, 2026, through March 3, 2026, and subsequently returned to the Board for final adoption;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed action herein in the form presented to this meeting, to be published in the Texas Register for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

The Department last amended 10 TAC Chapter 7 Subchapter A, General Policies and Procedures in February 2024. These rules set forth the overarching administrative framework governing

Chapter 7 programs, including general requirements for eligibility, application procedures, documentation, monitoring standards, and compliance obligations. In reviewing 10 TAC Chapter 7 Subchapter A, staff identified several areas requiring refinement to enhance clarity, remove outdated language, and better align with current federal and state funding requirements.

Staff is proposing the repeal and replacement of the rule with new 10 TAC Chapter 7, Subchapter A, General Policies and Procedures with amendments to specific sections noted below:

§7.1 Purpose and Goals

The proposed updates standardize terminology related to Homelessness to ensure consistency across programs.

§7.2 Definitions

The proposed updates clarify definitions, align terminology with current federal and state program standards, and add needed terms for newer funding sources. These changes improve consistency and support clearer program administration.

§7.3 Construction Activities

The proposed updates to clarify LURA requirements and funding restrictions to ensure consistent oversight of construction, rehabilitation, and conversion activities.

§7.4 Subrecipient Contract

Staff is recommending updates to terminology related to Homelessness and contract closeout procedures for standardization.

§7.5 Subrecipient Reporting

The proposed update clarifies reporting requirements that align with current funding regulations.

§7.6 Subrecipient Data Collection

The proposed updates standardize terminology related to homelessness to ensure consistency across programs.

§7.7 Subrecipient Contact Information

The proposed updates standardize terminology related to homelessness to ensure consistency across programs.

§7.8 Records Retention

The proposed update clarifies requirements that align with current state regulations.

§7.9 Contract Termination and Deobligation

Staff is not recommending updates to this subsection.

§7.10 Program Marketing

The proposed updates align terminology with current federal and state program requirements.

§7.11 Compliance Monitoring

The proposed updates added VAWA and clarified outreach requirements to persons with

Limited English Proficiency.

§7.12 Waivers

The proposed updates standardize terminology related to Homelessness to ensure consistency across programs.

The Department last amended the majority of 10 TAC Chapter 7, Subchapter C, Emergency Solutions Grants (ESG) in July 2022, with subsequent updates to individual sections in March 2023 and May 2025. These rules govern the ESG program, including the allocation and use of funds, program eligibility, reporting requirements, and compliance standards for Subrecipients. Staff has identified the need for further revisions to update terminology, improve clarity, ensure consistency across related rules within Chapter 7, and remove outdated references, thereby maintaining alignment with current regulatory and programmatic standards.

Staff is proposing the repeal and replacement of the rule with new 10 TAC Chapter 7, Subchapter C, Emergency Solutions Grants (ESG) with amendments to specific sections noted below:

§7.31 Purpose

The proposed updates replace references to ESG CARES with the broader term “Federally funded Special Allocation” to reflect current funding structures and ensure the rule accurately captures all federally-funded special allocations that generally have to follow the ESG statute and regulations. The revisions also clarify which state program requirements apply to these Special Allocations.

§7.32 Use of ESG Funds

The proposed changes add a provision clarifying that federally funded Special Allocation funds to cover additional activities and costs as permitted by federal guidelines and standardize terminology related to Homelessness.

§7.33 Apportionment of ESG Funds

The proposed updates clarify exemptions for federally funded Special Allocations in fund distribution.

§7.34 Continuing Awards

The proposed updates replace references to ESG CARES with the broader term “federally funded Allocation” to reflect current funding structures and ensure the rule accurately captures all federally funded special allocations.

§7.35 Eligible Applicants

The proposed updates clarify the type of Subrecipients eligible to receive Special Allocation funds.

§7.36 General Threshold Criteria

The proposed updates which program requirements apply to federally funded Special Allocations.

§7.37 Application Review and Administrative Deficiency Process

Staff is not recommending updates to this subsection.

§7.38 Competitive Award and Funding Process

The proposed updates standardize terminology related to Homelessness to ensure consistency across programs.

§7.39 Uniform Selection Criteria

The proposed updates replace references to ESG CARES with the broader term “federally funded Special Allocation” to reflect current funding structures and ensure the rule accurately captures all federally funded special allocations.

§7.40 Competitive Program Participant Services Selection Criteria

The proposed updates standardize terminology related to Homelessness to ensure consistency across programs.

§7.41 Contract Term, Expenditure Benchmark, Return of Funds, and Performance Targets

The proposed updates replace references to ESG CARES with the broader term “federally funded Special Allocation” to reflect current funding structures and ensures the rule accurately captures the flexibility ESG-funded special allocations may have.

§7.42 General Administrative Requirements

Staff is not recommending updates to this subsection.

§7.43 Program Income

The proposed updates revise the rule to align with current federal and state regulations and ensure the requirements accurately reflect existing oversight standards.

Attachment A: Preamble, including required analysis, for proposed repeal of 10 TAC Chapter 7, Subchapter A, General Policies and Procedures

The Texas Department of Housing and Community Affairs (the Department) proposes the repeal of 10 TAC Chapter 7, Subchapter A, General Policies and Procedures. The purpose of the proposed repeal is to eliminate an outdated rule while adopting a new updated rule under separate action.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

1. Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the proposed repeal would be in effect, the proposed repeal does not create or eliminate a government program, but relates to the repeal, and simultaneous readoption making changes to an existing activity, General Policies and Procedures for the Department's Homelessness Programs.

2. The proposed repeal does not require a change in work that would require the creation of new employee positions, nor is the proposed repeal significant enough to reduce workload to a degree that any existing employee positions are eliminated.

3. The proposed repeal does not require additional future legislative appropriations.

4. The proposed repeal does not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The proposed repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The proposed action will repeal an existing regulation but is associated with a simultaneous readoption making changes to an existing activity, General Policies and Procedures for the Department's Homelessness Programs.

7. The proposed repeal will not increase or decrease the number of individuals subject to the rule's applicability.

8. The proposed repeal will not negatively or positively affect this state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated this proposed repeal and determined that the proposed repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The proposed repeal does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the proposed repeal as to its possible effects on local economies and has determined that for the first five years the proposed repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the proposed repeal is in effect, the public benefit anticipated as a result of the repealed section would be an updated and more germane rule. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the proposed repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT The public comment period will be held January 30, 2026, to March 3, 2026, to receive input on the proposed repealed section. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Rosy Falcon, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941 or email homelessprograms@tdhca.state.tx.us. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Austin (Central) local time, MARCH 3, 2026.

STATUTORY AUTHORITY. The proposed repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed repealed sections affect no other code, article, or statute.

10 TAC Chapter 7, Subchapter A

§7.1 Purpose and Goals
§7.2 Definitions
§7.3 HHSP and EH Construction Activities
§7.4 Subrecipient Contract
§7.5 Subrecipient Reporting
§7.6 Subrecipient Data Collection
§7.7 Subrecipient Contact Information
§7.8 Records Retention
§7.9 Contract Termination and Deobligation
§7.10 Inclusive Marketing
§7.11 Compliance Monitoring
§7.12 Waivers

Attachment B: Preamble for proposed new 10 TAC Chapter 7, Subchapter A, General Policies and Procedures

The Texas Department of Housing and Community Affairs (the Department) proposes new 10 TAC Chapter 7, Subchapter A, General Policies and Procedures. The purpose of the proposed new subchapter is to update the rule to include special allocations of funds and to further clarify program requirements.

Tex. Gov't Code §2001.0045(b) does not apply to the new rule proposed for action because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the proposed new rule would be in effect:

1. The proposed new rule does not create or eliminate a government program, but relates to the readoption of this rule which makes changes to an existing activity, General Policies and Procedures for the Department's Homelessness Programs.

2. The proposed new rule does not require a change in work that would require the creation of new employee positions,

nor are the rule changes significant enough to reduce workload to a degree that eliminates any existing employee positions.

3. The proposed new rule does not require additional future legislative appropriations.

4. The proposed new rule will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The proposed new rule is not creating a new regulation, except that it is replacing a rule being repealed simultaneously to provide for revisions.

6. The proposed new rule will not limit or repeal an existing regulation, but can be considered to "expand" the existing regulations on this activity because the proposed new rule provides a regulatory framework for instances where the Department receives an additional allocation of funds for homelessness programs not contemplated by the current rule. However, this addition to the rule is necessary to ensure compliance with federal and state fund commitment deadlines.

7. The proposed new rule will not increase or decrease the number of individuals subject to the rule's applicability; and

8. The proposed new rule will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002. The Department, in drafting this proposed new rule, has attempted to reduce any adverse economic effect on small or micro-business or rural communities while remaining consistent with the statutory requirements of Tex. Gov't Code, §2306. The Department has evaluated this new rule and determined that none of the adverse effect strategies outlined in Tex. Gov't Code §2006.002(b) are applicable.

The Department has determined that because this rule only impacts nonprofits and units of local government by outlining administrative requirements of existing programs, there will be no economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The proposed new rule does not contemplate nor authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the new rule as to its possible effects on local economies and has determined that for the first five years the new rule will be in effect the proposed new rule has no economic effect on local employment because this rule only outlines administrative requirements of existing programs; therefore, no local employment impact statement is required to be prepared for the new rule.

Tex. Gov't Code §2001.022(a) states that this "impact statement must describe in detail the probable effect of the new rule on employment in each geographic region affected by this new rule…" Considering that these programs are offered in all areas of the state, there are no "probable" effects of the new rule on particular geographic regions.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Bobby Wilkinson, Executive Director, has determined that, for each year of the first five years the new rule is in effect, the public benefit anticipated as a result of the new rule will be an updated and more germane rule. There will not be any economic cost to any individuals required to comply with the new rule because the processes described by the rule have already been in place through the rule found at this section being repealed.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new rule is in effect, enforcing or administering the new rule does not have any foreseeable implications related to costs or revenues of the state or local governments because this rule only outlines administrative requirements of existing programs.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the rule and also requests information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period will be held January 30, 2026, to March 3, 2026, to receive input on the newly proposed rule. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Rosy Falcon, Rule Comments, P.O. Box 13941, Austin, Texas 8711-3941, by fax to (512) 475-0220, or email homelessprograms@tdhca.state.tx.us. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Austin (Central) local time, MARCH 3, 2026.

STATUTORY AUTHORITY. The new rule(s) is/are proposed pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed new rules affect no other code, article, or statute.

Chapter 7 HOMELESSNESS PROGRAMS
Subchapter A GENERAL POLICIES AND PROCEDURES
§7.1 Purpose and Goals
(a) The rules established in this Chapter relate to Homelessness Programs, for which the General Provisions provided in this subchapter apply to all of the Homelessness Programs, unless otherwise noted. Additional program specific requirements are contained within each program subchapter.

(b) The Homelessness Programs administered by the Texas Department of Housing and Community Affairs (the "Department") support the Department's statutorily assigned mission to address homelessness among Texans.

(c) The Department accomplishes this mission by acting as a conduit for state and federal funds directed for homelessness programs. Ensuring program compliance with the state and federal laws that govern these programs is another important part of the Department's mission. Oversight and program mandates ensure state and federal resources are expended in an efficient and effective manner.

(d) Unless otherwise noted herein or required by federal law or regulation, or state statute, all provisions of this chapter apply to any Application received for federal funds and any Contract of state funds on or after the effective date of this rule.

§7.2 Definitions
The words and terms in this chapter shall have the meanings described in this subsection unless the context clearly indicates otherwise. Other definitions may be found in Chapters 1 of this title, concerning Administration, Chapter 2 of this title, concerning Enforcement, or in federal or state law, including, but not limited to, 24 CFR Parts 91, 200, 576, 582, and 583, and ~~UGMS or~~ TXGMS~~, as applicable~~.
(1) Affiliate--An entity related to an Applicant that controls by contract or by operation of law the Applicant or has the power to control the Applicant or a third entity that controls, or has the power to control both the Applicant and the entity. Examples include but are not limited to entities submitting under a common application, or instrumentalities of a unit of government. This term also includes any entity that is required to be reported as a component entity under Generally Accepted Accounting Standards, is required to be part of the same Single Audit as the Applicant, is reported on the same IRS Form 990, or is using the same federally approved indirect cost rate.

(2) Allocation Formula--Mathematical relationship among factors, authorized by the Board, that determines, when applicable, how much funding is available in an area or region in Subchapters B, C, and D of this chapter, relating to Homelessness Programs.

(3) Applicant--A unit of local government, nonprofit corporation or other entity, as applicable, who has submitted to the Department an Application for Department funds or other assistance.

(4) Application--A request for a Contract award submitted by an Applicant to the Department, in a form prescribed by the Department, including any exhibits or other supporting material.

(5) At-risk of Homelessness--Defined by 24 CFR §576.2, except as otherwise defined by Contract, the income limits for Program Participants are determined by the Subrecipient but, at a minimum, do not exceed the moderate income level pursuant to Tex. Gov't Code §2306.152.

(6) CoC Lead Agency--CoC collaborative applicant in the HUD CoC Program per 24 CFR §578.3.

(7) Code of Federal Regulations (CFR)--The codification of the general and permanent rules and regulations of the federal government as adopted and published in the Federal Register.

(8) Continuum of Care (CoC)--The group composed of representatives of relevant organizations, which generally includes nonprofit homeless providers; victim service providers; faith-based organizations; governments; businesses; advocates; public housing agencies; school districts; social service providers; mental health agencies; hospitals; universities; affordable housing developers; law enforcement; organizations that serve homeless and formerly homeless veterans, and homeless and formerly homeless persons that are organized to plan for and provide, as necessary, a system of outreach, engagement, and assessment; emergency shelter; rapid re-housing; transitional housing; permanent housing; and prevention strategies to address the various needs of homeless persons and persons at risk of homelessness for a specific geographic area. HUD funds a CoC Program designed to assist sheltered and unsheltered homeless people by providing the housing and/or services needed to help individuals move into transitional and permanent housing, with the goal of long-term stability.

(9) Contract--The executed written agreement between the Department and a Subrecipient performing a program activity that describes performance requirements and responsibilities assigned by the document.

(10) Contract Close Out Period--The period between the final date of Contract Term and the final reporting deadline.

(~~10~~11) Contract System--The electronic recordkeeping system established by the Department, as required by the program.

(~~11~~12) Contract Term--Period of time identified in the Contract during which program activities may be conducted.

(~~12~~13) Cost Reimbursement--A Contract sanction whereby reimbursement of costs incurred by the Subrecipient occurs only after the Department has reviewed all relevant documentation provided by the Subrecipient to support Expenditures. Reimbursement will only be approved by the Department where the documentation clearly supports the eligible use of funds.

(~~13~~14) Declaration of Income Statement (DIS)--A Department-approved form used only when it is not possible for a Subrecipient to obtain third-party or firsthand verification of income, per 24 CFR §576.500(e)(4).

(~~14~~15) Dwelling Unit--A residence that meets Habitability Standards that is not an emergency shelter, hotel, jail, institution, or similar temporary lodging. Transitional Housing is included in this definition unless the context clearly states otherwise. Common areas supporting the Dwelling Unit are also included in this definition.

(~~15~~16) Elderly Person--

(A) For state funds, a person who is 60 years of age or older; and

(B) For ESG, a person who is 62 years of age or older.

(~~16~~17) Emergency Solutions Grants (ESG)--A HUD-funded program which provides funds for services necessary to help persons that are at risk of homelessness or homeless quickly regain stability in permanent housing.

~~(17) Emergency Solutions Grants CARES (ESG-CARES)--A HUD-funded program which provides funds for services necessary to help persons that are at risk of homelessness or homeless quickly regain stability in permanent housing authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES).~~

(18) Ending Homelessness (EH) Fund--The voluntary-contribution state program established in Texas Transportation Code §502.415.

(19) ESG Interim Rule--The regulations with amendments promulgated at 24 CFR Part 576 as published by HUD for the ESG Program.

(20) Expenditure--An amount of money accounted for by a Subrecipient as spent.

(21) Finding--A Subrecipient's material failure to comply with rules, regulations, the terms of the Contract, or to provide services under each program to meet appropriate standards, goals, and other requirements established by the Department or funding source (including performance objectives). A Finding impacts the organization's ability to achieve the goals of the program and jeopardizes continued operations of the Subrecipient. Findings include the identification of an action or failure to act that results in disallowed costs.

(22) Head of Household--As defined in the most recent Homeless Management Information System (HMIS) Data Dictionary issued by HUD.

(23) HMIS Data Dictionary--The Dictionary published by HUD which defines terms for the use of HMIS and comparable databases.

(24) HMIS Data Standards Manual--Manual and guidance published by HUD which documents the requirements for the programming and use of all HMIS and comparable databases.

(25) HMIS Lead Agency--The entity designated by the CoC to operate the CoC's HMIS on its behalf.

(26) HMIS-Comparable Database--Database established and operated by a victim service provider or legal service provider that is comparable to HMIS and collects Program Participant-level data over time.

(27) Homeless Housing and Services Program (HHSP)--The state-funded program established under Tex. Gov't Code §2306.2585.

(28) Homeless Management Information System (HMIS)--Information system designated by the CoC to comply with the HUD's data collection, management, and reporting standards and used to collect

Program Participant-level data and data on the provision of housing and services to homeless individuals and families and persons at-risk of homelessness.

(29) Homeless or Homeless Individual--An individual as defined by 42 U.S.C. §§11371 - 11378 and 24 CFR §576.2. For state-funded programs, a homeless individual may have right of occupancy because of a signed lease, but still qualify as homeless if his or her primary nighttime residence is an emergency shelter or place not meant for human habitation.

(30) Homelessness Programs--Reference to programs that have the specific purpose of addressing homelessness administered by the Department, including ESG Program~~, ESG CARES~~, HHSP, ~~and~~ EH Fund, and Special Allocation Programs.

(31) Homeless Subpopulations--Persons experiencing Homelessness who are part of the special population categories as defined by the most recent Point In Time Data Collection guidance issued by HUD.

(32) Household--A Household is a single individual or a group of persons who apply together for assistance and who live together in one Dwelling Unit, or, for persons who are not housed or in a shelter, who would live together in one Dwelling Unit if they were housed, or as defined in the most recent HMIS Data Dictionary issued by HUD.

(33) Households Served--A single individual or a group of persons who apply for Homelessness Program assistance, meets a Homelessness Program's eligibility requirements, receives a Homelessness Program's services, and whose data is entered into an HMIS or comparable database.

(34) Land Use Restriction Agreement (LURA)--An agreement, regardless of its title, between the Department and a property owner, including an emergency shelter, which is a binding covenant upon the property owner and successors in interest, that, when recorded, encumbers the property with respect to the requirements of the programs for which it receives funds.

(35) Match--A contribution to the ESG Program from a non-ESG source governed by 24 CFR §576.201.

(36) Monthly Expenditure Report (MER)--Information on Expenditures from Subrecipient to the Department.

(37) Monthly Performance Report (MPR)--Information on Program Participants and program activities from Subrecipient to the Department.

(38) Notice of Funding Availability (NOFA)--Notice of Funding Availability or announcement of funding published by the Department notifying the public of available funds for a Program with certain requirements.

(39) Outcome--A benefit or change achieved by a Program Participant served by the Department's Homeless Programs.

(40) Performance Target--Number of persons/Households to be served, outcomes to be reached, or construction/rehabilitation/conversion to be performed that the Subrecipient commits to accomplish during the Contract Term.

(41) Private Nonprofit Organization--An organization described in §501(c) of the Internal Revenue Code (the "Code") of 1986 and which is exempt from taxation under subtitle A of the Code, has an accounting system and a voluntary board, and practices nondiscrimination in the provision of assistance. This does not include a governmental organization such as a public housing authority or a housing finance agency.

(42) Program Participant--An individual or Household that is assisted by a Homelessness Program.

(43) Program Year--Contracts with funds from a specific federal allocation (ESG ~~and ESG CARES~~) or year of a state biennium (HHSP).

(44) Project--A group of eligible activities identified in an Application or Contract to the Department, and designated in HMIS or HMIS-comparable database.

(45) Recertification--Required review of a Program Participant's eligibility determination for continuation of assistance.

(46) Service Area--The city(ies), county(ies) and/or place(s) identified in the Application (as applicable), and Contract that the Subrecipient will serve.

(47) Special Allocation--Funding made available to the Department outside of its allocation cycle, authorized through federal or state legislation or other governmental action. Special Allocations provide funds for eligible activities consistent with the authorizing statue or funding notices, and may include, but are not limited to, allocations for disaster recovery, public health emergencies, or other time-limited initiatives.

(48) Special Allocation Program--A Department administered program that utilizes funds from a Special Allocation to carry out eligible activities in accordance with the terms and conditions established by the authorizing statute, regulation, or funding notice.

(4~~9~~7) State--The State of Texas or the Department, as indicated by context.

(~~48~~50) Subcontract--A contract made between the Subrecipient and a purveyor of goods or services through a procurement relationship.

(~~49~~51) Subcontractor--A person or an organization with whom the Subrecipient contracts to provide services.

(5~~0~~0) Subgrant--An award of financial assistance in the form of money made under a grant by a Subrecipient to an eligible Subgrantee. The term includes financial assistance when provided by contractual legal agreement, but does not include procurement purchases.

(5~~3~~1) Subgrantee--The legal entity to which a Subgrant is awarded and which is accountable to the Subrecipient for the use of the funds provided.

(5~~4~~2) Subrecipient--An organization that receives federal or state~~s~~ funds passed through the Department to operate ESG and/or state funded Homelessness Programs.

(5~~5~~3) Texas Administrative Code (TAC)--A compilation of all state agency rules in Texas.

(5~~6~~4) Unit of General Purpose Local Government--A unit of government which has, among other responsibilities, the authority to assess and collect local taxes and to provide general governmental services.

(5~~7~~5) United States Code (U.S.C.)--A consolidation and codification by subject matter of the general and permanent laws of the United States.

(5~~8~~6) United States Department of Housing and Urban Development (HUD)--Federal department that provides funding for ESG.

(5~~9~~7) Youth Headed Household--Household that includes unaccompanied youth 24 years of age and younger, parenting youth 24 years of age and younger and children of parenting youth 24 years of age and younger.

§7.3 ~~HHSP and EH~~ Construction Activities

(a) A Subrecipient of Homelessness Program funds that constructs or rehabilitates a building or Dwelling Unit, or converts a building(s) for use as a shelter with HHSP, EH Fund, or Special Allocation Programs may be required to enter into a LURA.

(b) ~~No new construction, renovation (other than repairs), rehabilitation, or conversion of a shelter, or construction or rehabilitation of a Dwelling Unit may be performed using~~ ESG funds that are not a Special Allocation must not be utilized for Renovation as defined in 24 CFR §576.102(a)(3).

(~~b~~c) Tex. Gov't Code §2306.185 requires certain multifamily rental developments to have, among other provisions, a 30-year LURA.

(~~c~~d) A Subrecipient that intends to expend funds for new construction, rehabilitation, or conversion must submit a copy of the activity budget inclusive of all sources and uses of funding, documents for a construction plan review, and identification of the entity and signature authorization of the individual (name and title) that will execute the LURA. These documents must be submitted no less than 90 calendar days prior to the end of the Contract Term under which funds for the activity are provided. The Department may elect to reconsider award amounts if financial resources other than those presented in the Application are subsequently committed to an activity.

(~~d~~e) A Subrecipient must request a final construction inspection within 30 calendar days of construction completion. The inspection will cover the Shelter and Housing Standards, National Standards for the Physical Inspection of Real Estate, 2012 International Residential Code (or municipality adopted later version), Minimum Energy Efficiency Requirements for Single Family Construction Activities, and the

Accessibility Standards in Chapter 1, Subchapter B, as applicable for the Homelessness Program and activity.

§7.4 Subrecipient Contract

(a) Subject to prior Board approval, the Department and a Subrecipient shall enter into and execute a Contract for the disbursement of program funds. The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver authorized modifications and/or amendments to the Contract, as allowed by state and federal laws and rules.

(b) Subrecipients of state funds may Subcontract for the delivery of Program Participant assistance without obtaining Department's prior approval, but must obtain the Department's written permission before entering into a Subgrant. Department ESG funds and ESG Match may not be Subgranted.

(c) The Subrecipient is responsible for ensuring that the performance rendered under all Subcontracts, Subgrants, and other agreements are rendered so as to comply with Homelessness Program requirements, as if such performance rendered were rendered by the Subrecipient. Department maintains the right to monitor and require the Subrecipient's full compliance with the terms of the Subrecipient Contract.

(d) A performance statement and budget are attachments to the Contract between the Subrecipient and the Department. Execution of the Contract enables the Subrecipient to access funds through the Department's Contract System.

(e) Amendments and Extensions to Contracts.

(1) Except for amendments that only move funds within budget categories, program staff will recommend denial of amendment requests if any of the following conditions exist:

(A) if the award for the Contract was competitively awarded and the amendment would materially change the scope of the Contract performance or affected the score;

(B) if the Subrecipient is delinquent in the submission of their Single Audit or their Single Audit Certification form required by §1.403 of this title (relating to Single Audit Requirements);

(C) for an amendment adding funds to the Contract, if the Subrecipient owes the Department disallowed amounts in excess of $1,000 and a Department-approved repayment plan is not in place or has been violated;

(D) for an amendment adding funds (not applicable to amendments for extending time), if the Department has cited the Subrecipient for violations within §7.11 of this subchapter (related to Compliance Monitoring) and the corrective action period has expired without correction of the issue or a satisfactory plan for correction of the issue;

(E) the Contract has expired, except for requests submitted during the Contract Close Out Period to extend the Contract Close Out Period; or

(F) a member of the Subrecipient's board has been debarred and has not been removed.

(2) Except for amendments that only move funds within budget categories, program staff may recommend denial of amendment requests if any of the following conditions exist:

(A) the request for an amendment was received in writing less than 30 calendar days from the end of the Contract Term; or

(B) if the funds associated with the Contract will reach their federal or state expiration date within 45 calendar days of the request.

(3) Denial of an amendment may be subject to §1.7 of this title (relating to Appeals Process).

(4) The Executive Director may on appeal approve an amendment where the Single Audit Certification Form has not been submitted as reflected in paragraph (1)(B) of this subsection. In addition, the Executive Director may on appeal approve an amendment where the conditions in paragraph (2)(A) and paragraph (2)(B) of this subsection exist. The Subrecipient must demonstrate good cause for the amendment, and such an amendment must not cause the Department to miss a federal obligation or expenditure deadline, or a state expenditure deadline.

(5) Additional program specific requirements for amendments and extensions to Contracts are found in the program rules of this chapter, relating to Homelessness Programs.

(f) The Department reserves the right to request supporting Expenditure documentation at any time in reviewing an Expenditure report for approval. The Department will use full Cost Reimbursement method of payment whenever any of the following conditions exists:

(1) The Department determines that the Subrecipient has maintained cash balances in excess of need;

(2) The Department identifies significant deficiency in the cash controls or financial management system used by the Subrecipient; or

(3) The Subrecipient fails to comply with the reporting requirements in §7.5 (relating to Subrecipient Reporting) and §7.6 (relating to Subrecipient Data Collection) of this subchapter.

(g) Voluntary deobligation. The Subrecipient may fully relinquish funds in the form of a written request signed by the signatory, or successor thereto, of the Contract. The Subrecipient may partially relinquish funds under a Contract in the form of a written request from the signatory if the partial relinquishment

in performance measures and budget would not have impacted the award of the Contract. Voluntary relinquishment of a Contract does not limit a Subrecipient's ability to participate in future funding.

(h) Funds provided under a Contract may not be used for sectarian or explicitly religious activities such as worship, religious instruction, or proselytization and must be for the benefit of persons regardless of religious affiliation.

§7.5 Subrecipient Reporting

(a) Subrecipient will be reimbursed for the amount of actual cash disbursements as reflected in the approved Monthly Expenditure Reports.

(b) Subrecipient must submit a Monthly Performance Report and a Monthly Expenditure Report through the Contract System not later than the last day of each month which reflects performance and expenditures conducted in the prior month.

(c) For performance reports, Program Participants that are assisted continuously as a Contract ends and a new Contract begins in the same program will count as new Program Participants for the new Contract. However, the start of a new Contract does not require new eligibility determination or documentation for Program Participants, except as required for Recertification.

(d) Subrecipient shall reconcile their Expenditures with their performance at least monthly before seeking a request for funds for the following month. If the Subrecipient is unable to reconcile on a month-to-month basis, the Subrecipient must provide, at the request of the Department, a written explanation for the variance and take appropriate measures to reconcile the subsequent month. It is the responsibility of a Subrecipient to ensure that it has documented the compliant use of all funds provided prior to receipt of additional funds, or if this cannot be done to address the repayment of such funds.

(e) Failure of a Subrecipient to provide reports as required under Department rules or the Contract may be sufficient reason for the Department to deobligate funds for which a Monthly Expenditure Report has not been submitted.

(f) If the Subrecipient fails to submit within 45 calendar days of its due date, any report or response required by this section and responses to monitoring reports, Department may, in its sole discretion, suspend payments, place the Subrecipient on Cost Reimbursement method of payment, and initiate proceedings to terminate any active Contract.

(g) Subrecipient must report on all measures in the Monthly Performance Report for demographics and Program Participant Services for which they are awarded.

(h) Subrecipient must submit information requested by the Department for annual or biannual reporting. The annual reporting may extend over multiple Contracts.

(1) ESG Subrecipients will submit information yearly as required for the Consolidated Annual Performance and Evaluation Report (CAPER), including, but not limited to:

(A) HMIS exports as required per HUD;

(B) Narrative outcome results for emergency transfer requests received under VAWA; and

(C~~B~~) Section 3 provision of the HUD Act of 1968, as required per HUD.

(2) Subrecipients of state funds will submit information for biennial reporting to the Texas Legislature, including, but not limited to:

(A) The successes and challenges of the program, including using state funding in ways that cannot be used by other funding sources; and

(B) How funds were used to leverage other funding sources to persons experiencing homelessness.

§7.6 Subrecipient Data Collection

(a) Subrecipient must ensure that data on all persons served and all activities assisted under Homelessness Programs is entered into the applicable HMIS or HMIS-comparable database for domestic violence or legal service providers in order to integrate data from all homeless assistance and homelessness prevention projects in a CoC.

(b) The Performance Targets shall be indicated in the Contract.

§7.7 Subrecipient Contact Information

(a) In accordance with §1.22 of this title (relating to Providing Contact Information to the Department), Subrecipient will notify the Department and provide contact information for staff that approve the Contract and submit/approve reports in the Contract System. A primary and secondary contact are required to be provided to the Department for submission and approval of reports. The notification will be sent to the Department by updating its Contract System access request information.

(b) If the organization is a nonprofit organization, contact information for the chair and vice-chair of the organization's governing board must be provided to the Department and shall include the:

(1) Board Member's name;

(2) Beginning and end dates of the member's term;

(3) Member's mailing address (which must be different from the organization's mailing address);

(4) Member's phone number (different from the organization's phone number); and

(5) Member's direct email address.

(c) Subrecipient will notify the Department and provide contact information for Subcontractors and Subgrantee within 30 calendar days of the effective date of the Subcontract or Subgrant. Contact information for the entities with which the Subrecipients' Subcontract or Subgrant must be provided to the Department, including the organization name, name and title of authorized person who entered into the Subgrant or Subcontract, phone number, e-mail address, and type of services provided.

(d) At the start of the Contract and within 30 calendar days of contact information changes, including entering into Subcontracts or Subgrants, Subrecipient will notify the Department of contact information used for the public to receive assistance through Homelessness Programs. The contact information for the public should include, but is not limited to, organization name, phone number to receive assistance, email to receive assistance, type of assistance offered, and Service Area in which the assistance is offered.

(e) The Department will rely solely on the contact information supplied by the Subrecipient as indicated in the Department's web-based Contract System. It is the Subrecipient's sole responsibility to ensure such information is current, accurate, and complete. Correspondence sent to the email or physical address shown in the Contract System will be deemed delivered to the Subrecipient. The Department is not required to send a paper copy and if it does so it does as a voluntary and non-precedential courtesy only.

§7.8 Records Retention

(a) Records must be kept in accordance with §1.409 of this title (relating to Records Retention).

(b) Record retention for construction/rehabilitation/conversion of emergency shelters or Dwelling Units must be retained until the expiration of the LURA.

(c) For ESG, retention for records relevant to the ESG Contract (including but not limited to shelter and habitability inspections) shall be kept in accordance with 24 CFR §576.500 and TXGMS, as defined at §1.401 of this title (relating to Definitions), as applicable except if any litigation, claim, negotiation, audit, monitoring, inspection, or other action has started before the expiration of the required record retention period, records must be retained until completion of the action and resolution of all issues which arise from it, or until the end of the required period, whichever is later. The record retention period does not begin until one year after the expiration of the Contract.

(d) For state funds, retention for records relevant to the Contract (including but not limited to shelter and habitability inspections) shall be kept in accordance with UGMS or TXGMS, as applicable, and retained by the Subrecipient for a period of three years from the expiration of the Contract except if any litigation, claim, negotiation, audit, monitoring, inspection, or other action has started before the expiration of the required record retention period, records must be retained until completion of the

action and resolution of all issues which arise from it, or until the end of the required period, whichever is later.

§7.9 Contract Termination and Deobligation

(a) When a Contract is terminated or voluntarily relinquished, the procedures described in this section will be implemented.

(b) The terminology of a "terminated" Subrecipient is intended to include the Subrecipient that is voluntarily or involuntarily terminating their Contract, but does not include Contracts that expire without being sent a termination letter.

(1) The Department will issue a termination letter to the Subrecipient no less than 30 calendar days prior to terminating the Contract. The Department may determine to take any of the following actions: suspend funds immediately or allow a temporary transfer to another Subrecipient; or provide instructions to the Subrecipient to prepare a proposed budget and written plan of action that supports the closeout of the Contract. The plan must identify the name and current titles of staff that will perform the closeout and an estimated dollar amount to be incurred. The plan must identify the CPA or firm which will perform the Single Audit. The Department will issue an official termination date to allow all parties to calculate deadlines which are based on such date.

(2) No later than 30 calendar days after the Contract is terminated, the Subrecipient will take a physical inventory of Program Participant files, including case management files.

(3) The terminated Subrecipient will have 30 calendar days from the date of the physical inventory to make available to the Department all Program Participant files. Current and active case management files also must be inventoried.

(4) The terminated Subrecipient will prepare and submit, no later than 30 calendar days from the date the Department retrieves the files, a final report containing a full accounting of all funds expended under the Contract.

(5) A Monthly Expenditure Report and a Monthly Performance Report for all remaining expenditures incurred during the closeout period must be received by the Department no later than 45 calendar days from the date the Department determines that the closeout of the program and the period of transition are complete.

(6) The Subrecipient will submit to the Department no later than 45 calendar days after the termination of the Contract, an inventory of the non-expendable personal property acquired in whole or in part with funds received under the Contract.

(7) The Department may require transfer of Equipment title to the Department or to any other entity receiving funds under the program in question. The Department will make arrangements to remove Equipment covered by this paragraph within 90 calendar days following termination of the Contract.

(8) A current year Single Audit must be performed for all entities that have exceeded the federal expenditure threshold under 2 CFR Part 200, Subpart F or the State expenditure threshold under TXGMS, as applicable. The Department will allow a proportionate share of program funds to pay for accrued audit costs, when an audit is required, for a Single Audit that covers the date up to the closeout of the Contract. To be reimbursed for a Single Audit, the terminated Subrecipient must have a binding contract with a CPA firm on or before the termination date of the Contract. The actual costs of the Single Audit and accrued audit costs including support documentation must be submitted to the Department no later than 45 calendar days from the date the Department determines the closeout is complete. See §1.403 of this title (relating to Single Audit Requirements) for more information.

(9) Subrecipient shall submit within 45 calendar days after the date of the closeout process all financial, performance, and other applicable reports to the Department. The Department may approve extensions when requested by the Subrecipient. However, unless the Department authorizes an extension, the Subrecipient must abide by the 45 calendar day requirement of submitting all referenced reports and documentation to the Department.

§7.10 ~~Inclusive~~ Program Marketing

(a) The purpose of this section is to highlight certain policies and/or procedures that are required to have written documentation. Other items that are required for written standards are included in the federal or state rules.

(b) Participant selection criteria:

(1) Selection criteria will be applied in a manner consistent with all applicable laws, including the Texas and Federal Fair Housing Acts, program guidelines, and the Department's rules.

(2) If the local CoC has adopted priority for certain Homeless subpopulations or a specific funding source has a statutory or regulatory preference, then those subpopulations may be given priority by the Subrecipient. Such priority must be listed in the participant selection criteria.

(3) For ESG and federally funded Special Allocations, Subrecipient may not deny admission on the basis that the applicant has been a victim of domestic violence, dating violence, sexual assault, or stalking.

(~~3~~4) Notifications on denial, non-renewal, or termination of Assistance must:

(A) State that a Person with a Disability may request a reasonable accommodation in relation to such notice~~.~~;

(B) Include any appeal rights the participant may have in regards to such notice.; and

(C) For ESG and federally funded Special Allocations, iInform Program Participants in any denial, non-renewal or termination notice information on rights they may have under VAWA. (for ESG only, in accordance with the Violence Against Women Reauthorization Act of 2022 (VAWA) protections). Subrecipient may not deny admission on the basis that the applicant has been a victim of domestic violence, dating violence, sexual assault, or stalking.

(c) Other policies and procedures:

(1) Affirmative Fair Housing Marketing Plan. Subrecipients providing project-based rental assistance under ESG or federally funded Special Allocations must have an Affirmative Fair Housing Marketing Plan created in accordance with HUD requirements (if any) to direct specific marketing and outreach to potential tenants who are considered "least likely" to know about or apply for housing based on an evaluation of market area data. Subrecipient must comply with the Fair Housing Act and HUD's Affirmative Fair Housing Marketing and the Age Discrimination Act of 1975.

(2) Language Access PlanRequirements. Subrecipient must follow federal regulations and guidance when interacting with Program Participants with Limited English Proficiency. In addition, consistent with Title VI of the Civil Rights Act of 1964 and the Civil Rights Restoration Act of 1987, Subrecipient must take reasonable steps to ensure meaningful access to programs and activities for LEP persons. A Subrecipient that interacts with Program Participants must create a Language Access Plan for Limited English Proficiency (LEP) Requirements. Consistent with Title VI and Executive Order 13166, Subrecipient is also required to take reasonable steps to ensure meaningful access to programs and activities for LEP persons.

(3) Affirmative Outreach. If it is unlikely that outreach will reach persons of any particular race, color, religion, sex, age, national origin, familial status, or disability who may qualify for those facilities and services, the Subrecipient must establish policies and procedures that target outreach to those persons. Subrecipient must take appropriate steps to ensure effective communication with persons with disabilities including, but not limited to, adopting procedures that will make available to interested persons information concerning the location of assistance, services, and facilities that are accessible to persons with disabilities. Subrecipient must make known that use of the facilities, assistance, and services that are available to all on a nondiscriminatory basis.

(4) Reasonable Accommodation. Subrecipient must comply with state and federal fair housing and antidiscrimination laws. Subrecipient's policies and procedures must address Reasonable Accommodation, including, but not limited to, consideration of Reasonable Accommodations requested to apply for assistance. See Chapter 1, Subchapter B of this title, relating to Accessibility and Reasonable Accommodations, for more information.

§7.11 Compliance Monitoring

(a) Purpose and Overview

(1) This section provides the procedures that will be followed for monitoring for compliance with the programs in this chapter.

(2) Any entity administering any or all of the programs detailed in this chapter is a Subrecipient. A Subrecipient may also administer other programs, including programs administered by other state or federal agencies and privately funded programs. If the Subrecipient has Contracts for other programs through the Department, including, but not limited to, the HOME Partnerships Program, the Neighborhood Stabilization Program, or the Texas Housing Trust Fund, the Department may, but is not required to and does not commit to, coordinate monitoring of those programs with monitoring of those programs under this Chapter.

(3) Any entity administering any or all of the programs provided for in subsection (a)(2) of this section as part of a Memorandum of Understanding (MOU), contract, or other legal agreement with a Subrecipient is a Subgrantee.

(b) Frequency of Reviews, Notification and Information Collection.

(1) In general, the Subrecipient or Subgrantee will be scheduled for monitoring based on state or federal monitoring requirements and/or a risk assessment. Factors to be included in the risk assessment include, but are not limited to: the number of Contracts administered by the Subrecipient or Subgrantee, the amount of funds awarded and expended, the length of time since the last monitoring, findings identified during previous monitoring, issues identified through the submission or lack of submission of a Single Audit, complaints received by the Department, and reports of fraud, waste, and/or abuse. The risk assessment will also be used to determine which Subrecipients or Subgrantees will have an onsite review and which may have a desk review.

(2) The Department will provide the Subrecipient or Subgrantee with written notice of any upcoming onsite or desk monitoring review, and such notice will be given to the Subrecipient and Subgrantee by email to the Subrecipient's and Subgrantee's Contract contact at the email address most recently provided to the Department by the Subrecipient or Subgrantee. In general, a 30 calendar day notice will be provided. However, if a credible complaint of fraud or other egregious noncompliance is received the Department reserves the right to conduct unannounced monitoring visits. It is the responsibility of the Subrecipients to provide to the Department the current contact information for the organization and the Board in accordance with §7.7 of this subchapter (relating to Subrecipient Contact Information) and §1.22 of this title (relating to Providing Contact Information to the Department).

(3) Upon request, Subrecipient and Subgrantee (if applicable) must make available to the Department all books and records that the Department determines are reasonably relevant to the scope of the Department's review. Typically, these records may include, but are not limited to:

(A) Minutes of the governing board and any committees thereof, together with all supporting materials;

(B) Copies of all internal operating procedures or other documents governing the Subrecipient's operations;

(C) The Subrecipient's Board approved operating budget and reports on execution of that budget;

(D) The Subrecipient's strategic plan or comparable document if applicable and any reports on the achievement of that plan;

(E) Correspondence to or from any independent auditor;

(F) Contracts with any third parties for goods or services and files documenting compliance with any applicable procurement and property disposition requirements;

(G) All general ledgers and other records of financial operations (including copies of checks and other supporting documents);

(H) Applicable Program Participant files with all required documentation;

(I) Applicable human resources records;

(J) Monitoring reports from other funding entities;

(K) Program Participant files regarding complaints, appeals, and termination of services; and

(L) Documentation to substantiate compliance with any other applicable state or federal requirements including, but not limited to, the Davis-Bacon Act, HUD requirements for environmental clearance, Lead Based Paint, the Personal Responsibility and Work Opportunity Act, VAWA, ~~HUD~~ LEP requirements, and requirements imposed by Section 3 of the Housing and Urban Development Act of 1968.

(c) Post Monitoring Procedures.

(1) In general, within 30 calendar days of the last day of the monitoring visit, a written monitoring report will be prepared for the Subrecipient describing the monitoring assessment and any corrective actions, if applicable. The monitoring report will be emailed to the Subrecipient's Board Chair and Executive Director. All Department monitoring reports and Subrecipient responses to monitoring reports must be provided to the governing body of the Subrecipient within the next two regularly scheduled meetings. Issues of concern over which there is uncertainty or ambiguity may be discussed by the Department with the staff of cognizant agencies overseeing federal funding. Certain types of suspected or observed improper conduct may trigger requirements to make reports to other oversight authorities, state and federal, including, but not limited to, the State Auditor's Office and applicable Inspectors General.

(2) Subrecipient Response. If there are any Findings of noncompliance requiring corrective action, the Subrecipient will be provided 30 calendar days from the date of the email to respond, which may be extended for good cause. In order to receive an extension, the Subrecipient must submit a written request to the Director of Compliance within the corrective action period, stating the basis for good cause that justifies the extension. The Department will approve or deny the extension request within five calendar days.

(3) Monitoring Close Out. Within 45 calendar days after the end of the corrective action period, a close out letter will be issued to the Subrecipient. If the Subrecipient's response satisfies issues raised in the monitoring letter, the issue of noncompliance will be noted as resolved. If the Subrecipient's response does not correct all Findings, the follow-up letter will identify the documentation that must be submitted to correct the issue.

(4) Options for Review. If, following the submission of corrective action documentation, Compliance staff continues to find the Subrecipient or Subgrantee in noncompliance, and the Subrecipient disagrees, the Subrecipient may request or initiate review of the matter using the following options, where applicable:

(A) If the issue is related to a program requirement or prohibition of a federal program, the Subrecipient may contact the applicable federal program officer for guidance or request that the Department contact applicable federal program officer for guidance without identifying the Subrecipient.

(B) If the issue is related to application of a provision of the Contract or a requirement of the Texas Administrative Code, the Subrecipient may request to submit an appeal to the Executive Director consistent with §1.7 of this title (relating to Appeals Process).

(C) The Subrecipient may request Alternative Dispute Resolution (ADR). Subrecipient may send a proposal to the Department's Dispute Resolution Coordinator to initiate ADR pursuant to Chapter 1, Subchapter A of this title, relating to General Policies and Procedures.

(5) If the Subrecipient does not respond to a monitoring letter or fails to provide acceptable evidence of compliance, the matter will be handled through the procedures described in Chapter 2 of this title, relating to Enforcement.

§7.12 Waivers

(a) The Department's Governing Board (the "Board") may waive rules in this chapter for good cause to meet the purpose of the Homelessness Programs described further in §7.1 of this title (relating to Purpose and Goals). However, any waiver cannot conflict with the federal statutes or regulations, the Department's Action Plan, or state statutes governing any of the Homelessness Programs.

(b) A provision of a closed NOFA may not be waived except in the case of a disaster as described in §1.5 of this title (related to Waiver Applicability in the Case of Federally Declared Disasters) or a change in federal law that makes adherence to the requirements of the NOFA impossible or impracticable as determined by the Board.

Attachment C: Preamble, including required analysis, for proposed repeal of 10 TAC Chapter 7, Subchapter C, Emergency Solutions Grants §§7.31-7.43

The Texas Department of Housing and Community Affairs (the Department) proposes the repeal of 10 TAC Chapter 7, Subchapter C, Emergency Solutions Grants (ESG) §§7.31-7.43. The purpose of the proposed repeal is to eliminate an outdated rule while adopting a new updated rule under separate action.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

1. Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the proposed repeal would be in effect, the proposed repeal does not create or eliminate a government program, but relates to the repeal, and simultaneous readoption making changes to an existing activity, administration of the Emergency Solutions Grants Program.

2. The proposed repeal does not require a change in work that would require the creation of new employee positions, nor is the proposed repeal significant enough to reduce work load to a degree that any existing employee positions are eliminated.

3. The proposed repeal does not require additional future legislative appropriations.

4. The proposed repeal does not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The proposed repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The proposed action will repeal an existing regulation but is associated with a simultaneous readoption making changes to an existing activity, administration of the Emergency Solutions Grants Program.

7. The proposed repeal will not increase or decrease the number of individuals subject to the rule's applicability.

8. The proposed repeal will not negatively or positively affect this state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated this proposed repeal and determined that the proposed repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The proposed repeal does not contemplate nor authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the proposed repeal as to its possible effects on local economies and has determined that for the first five years the proposed repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the proposed repeal is in effect, the public benefit anticipated as a result of the repealed section would be an updated and more germane rule. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the proposed repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

REQUEST FOR PUBLIC COMMENT The Department requests comments on the repeal The public comment period will be held January 30, 2026, to March 3, 2026, to receive input on the proposed repealed section. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Rosy Falcon, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941 or email homelessprograms@tdhca.state.tx.us. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Austin (Central) local time, MARCH 3, 2026.

STATUTORY AUTHORITY. The proposed repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed repealed sections affect no other code, article, or statute.

10 TAC Chapter 7, Subchapter C

§7.31 Purpose
§7.32 Use of ESG Funds
§7.33 Apportionment of ESG Funds
§7.34 Continuing Awards
§7.35 Eligible Applicants
§7.36 General Threshold Criteria
§7.37 Application Review and Administrative Deficiency Process
§7.38 Competitive Award and Funding Process
§7.39 Uniform Selection Criteria
§7.40 Competitive Program Participant Services Selection Criteria
§7.41 Contract Term, Expenditure Benchmark, Return of Funds, and Performance Targets
§7.42 General Administrative Requirements
§7.43 Program Income

Attachment D: Preamble for proposed new 10 TAC Chapter 7, Subchapter C, Emergency Solutions Grants (ESG) §§7.31-7.43

The Texas Department of Housing and Community Affairs (the Department) proposes new 10 TAC Chapter 7, Subchapter C, Emergency Solutions Grants (ESG) §§7.31-7.43. The purpose of the proposed new subchapter is to update the rule to include special allocations of funds and to further clarify program requirements.

Tex. Gov't Code §2001.0045(b) does not apply to the new rule proposed for action because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the proposed new rule would be in effect:

1. The proposed new rule does not create or eliminate a government program, but relates to the readoption of this rule which makes changes to an existing activity, administration of the Emergency Solutions Grants Program.

2. The proposed new rule does not require a change in work that would require the creation of new employee positions, nor are the rule changes significant enough to reduce work load to a degree that eliminates any existing employee positions.

3. The proposed new rule does not require additional future legislative appropriations.

4. The proposed new rule will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The proposed new rule is not creating a new regulation, except that it is replacing a rule being repealed simultaneously to provide for revisions.

6. The proposed new rule will not limit or repeal an existing regulation, but can be considered to "expand" the existing regulations on this activity because the proposed new rule provides a regulatory framework for instances where the Department receives an additional allocation of funds for homelessness programs not contemplated by the current rule. However, this addition to the rule is necessary to ensure compliance with federal and state fund commitment deadlines.

7. The proposed new rule will not increase or decrease the number of individuals subject to the rule's applicability; and

8. The proposed new rule will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002. The Department, in drafting this proposed new rule, has attempted to reduce any adverse economic effect on small or micro-business or rural communities while remaining consistent with the statutory requirements of Tex. Gov't Code, §2306. The Department has evaluated this new rule and determined that none of the adverse effect strategies outlined in Tex. Gov't Code §2006.002(b) are applicable.

The Department has determined that [because this rule only impacts nonprofits and units of local government by outlining administrative requirements of an existing program, there will be no economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The proposed new rule does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the new rule as to its possible effects on local economies and has determined that for the first five years the new rule will be in effect the proposed new rule has no economic effect on local employment because this rule only outlines administrative requirements of an existing program; therefore, no local employment impact statement is required to be prepared for the new rule.

Tex. Gov't Code §2001.022(a) states that this "impact statement must describe in detail the probable effect of the new rule on employment in each geographic region affected by this new rule…" Considering that these programs are offered in all areas of the state, there are no "probable" effects of the new rule on particular geographic regions.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Bobby Wilkinson, Executive Director, has determined that, for each year of the first five years the new rule is in effect, the public benefit anticipated as a result of the new rule will be an updated and more germane rule. There will not be any economic cost to any individuals required to comply with the new rule because the processes described by the rule have already been in place through the rule found at this section being repealed.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new rule is in effect, enforcing or administering the new rule does not have any foreseeable implications related to costs or revenues of the state or local governments because this rule only outlines administrative requirements of an existing program.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the rule and also requests information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period will be held January 30, 2026, to March 3, 2026, to receive input on the newly proposed rule. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Rosy Falcon, Rule Comments, P.O. Box 13941, Austin, Texas 8711-3941, by fax to (512) 475-0220, or email homelessprograms@tdhca.state.tx.us. ALL COMMENTS MUST BE RECEIVED BY 5:00 p.m., Austin local time, MARCH 3, 2026.

STATUTORY AUTHORITY. The new rule(s) is/are proposed pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed new rules affect no other code, article, or statute.

Chapter 7 HOMELESSNESS PROGRAMS

Subchapter C EMERGENCY SOLUTIONS GRANTS (ESG)

§7.31 Purpose

(a) The purpose of this rule is to provide guidance and procedures for the Emergency Solutions Grants (ESG) and ~~the Emergency Solutions Grant CARES (ESG CARES) programs~~ Special Allocations of ESG funding as authorized by Tex. Gov't Code §2306.053. ESG and ~~ESG CARES~~federally-funded Special Allocation Program funds are federal funds awarded to the State of Texas by HUD and administered by the Department under this Chapter.

(b) The regulations in this subchapter, relating to ESG ~~and ESG CARES~~, govern the administration of funds and establish policies and procedures for use of ESG funds to meet the purposes contained in Title IV of the Stewart B. McKinney Homeless Assistance Act (42 U.S.C. §§11371 - 11378) (the Act), as amended by the Homeless Emergency Assistance and Rapid Transition to Housing Act (HEARTH Act). This is also generally the case for federally-funded Special Allocation Programs administered under this Chapter.

(c) Federally-funded Special Allocation Programs are not subject to §7.33 related to Apportionment of ESG Funds, §7.34 related to Continuing Awards, §7.38 related to Competitive Award and Funding Process; §7.39 related to Uniform Selection Criteria, or §7.40 related to Competitive Program Participant Services Section Criteria.

(c) In addition to this subchapter, a Subrecipient shall comply with the regulations applicable to the ESG and ~~ESG CARES~~federally-funded Special Allocation programs as set forth in Chapters 1 and 2 of this title (relating to Administration and Enforcement, respectively), Subchapter A of Chapter 7 of this title (relating to General Policies and Procedures) and as set forth in 24 CFR Parts 5, 91, and 576 (the Federal Regulations). A Subrecipient must also follow all other applicable federal and state statutes and the regulations established in this chapter, relating to Homelessness Programs, as amended or supplemented.

(d) In the event that Congress, the Texas Legislature, or HUD add or change any statutory or regulatory requirements, special conditions, or waivers, concerning the use or administration of these funds, a Subrecipient shall comply with such requirements at the time they become effective.

§7.32 Use of ESG Funds

(a) ESG Applications for provision of Program Participant services under emergency shelter, street outreach, homelessness prevention and/or rapid re-housing may include a request for funds for Homeless Management Information Systems (HMIS) activities. Applications proposing to provide only HMIS activities are not eligible for an award of funds.

(b) Subrecipient may not Subgrant funds, but may Subcontract for the provision of services. Such Subcontracts are subject to applicable procurement requirements.

(c) The Department's Governing Board of Directors, Executive Director, or his/her designee may limit activities in a NOFA, or by Contract.

(d) Program Participant services may be provided under street outreach, emergency shelter, homelessness prevention or rapid re-housing, as described in this subsection or otherwise permitted in Federal Regulations.

(e) The street outreach component may be provided to unsheltered Homeless persons as defined in 24 CFR §576.101(a). Eligible costs for Program Participants of street outreach include the following services:

(1) Engagement costs to locate, identify, and build relationships with unsheltered Homeless persons, including assessment of needs, crisis counseling, addressing urgent physical needs, provision of information and referrals;

(2) Case management costs to assess housing and service needs and coordinate delivery of services;

(3) Emergency health services to the extent that other health services are inaccessible or unavailable in the area;

(4) Emergency mental health services to the extent that other mental health services are inaccessible or unavailable in the area; and

(5) Transportation for outreach workers and Program Participants, not including the purchase or lease of vehicles.

(f) The emergency shelter component may be provided to Homeless persons per 24 CFR §576.102. Eligible emergency shelter costs are for Program Participant services and costs related to the shelter building, relocation, and operation.

(1) Eligible costs for Program Participants of emergency shelter services include:

(A) Case management to coordinate individualized services;

(B) Child care for children under the age of 13, and for disabled children under the age of 18;

(C) Education services providing instruction or training to enhance their ability to obtain and maintain housing, including but not limited to literacy, English literacy, General Educational Requirement (GED) preparation, consumer education, health education, and substance abuse prevention;

(D) Employment assistance and job training services;

(E) Outpatient health services to the extent that other health services are inaccessible or unavailable in the area;

(F) Legal services, to the extent that legal services are unavailable or inaccessible within the community, to assist with housing needs, excluding immigration and citizenship matters, matters related to mortgages, legal retainers and contingency fees;

(G) Life skills training including budgeting resources, managing money, managing a household, resolving conflict, shopping for food and need items, improving nutrition, using public transportation, and parenting;

(H) Outpatient mental health services to the extent that other mental health services are inaccessible or unavailable in the area;

(I) Outpatient substance abuse treatment services up to 30 days, excluding inpatient treatment; and

(J) Transportation for staff and Program Participants related to the provision of essential services, not including the purchase or lease of vehicles.

(2) Eligible emergency shelter costs related to the shelter building, relocation, and operation include:

(A) Certain costs for operation of emergency shelters, including provision of hotel or motel vouchers to Program Participants when no appropriate emergency shelter is available and minor or routine repairs to the shelter facility; and

(B) Assistance required under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

(g) The homelessness prevention component may be provided to Homeless persons and persons At-risk of Homelessness per 24 CFR §576.103, and the rapid re-housing component may be provided to Homeless persons per 24 CFR §576.104. Homelessness prevention and rapid re-housing may be provided for up to 24 months of assistance in a 36-month period. Eligible costs for homelessness prevention and rapid re-housing include housing relocation and stabilization for financial assistance, housing relocation and stabilization services, and rental assistance.

(1) Housing relocation and stabilization for financial assistance include:

(A) Rental application fees;

(B) Security deposits (equal to not more than two month's rent) and last month's rent;

(C) Utility deposits and/or utility payments;

(D) Moving costs, such as truck rental or hiring a moving company. Payment of arrearages for temporary storage is not an eligible cost; and

(E) Costs to break a lease to effect an emergency transfer per 24 CFR §5.2005(e), if Program Participant is receiving rental assistance under ESG.

(2) Housing relocation and stabilization services include:

(A) Housing search and placement costs to assist in locating, obtaining, and retaining suitable permanent housing;

(B) Housing stability case management for assessing, arranging, coordinating and monitoring the delivery of individual services to facilitate housing stability;

(C) Mediation between the Program Participant and the landlord/owner to prevent loss of current housing;

(D) Legal services for housing needs excluding immigration and citizenship matters, matters related to mortgages, legal retainers and contingency fees; and

(E) Credit repair and resolution, excluding payment or modification of debts.

(3) Non-duplicative rental assistance may be provided for up to 24 months within any 36-month period. Late payment penalties during the term of assistance are not eligible ESG expenses. Rental assistance includes:

(A) Short-term rental assistance which is up to three months of rent, inclusive of arrearages, late fees accrued prior to the term of assistance, and last month's rent; and

(B) Medium-term rental assistance which is more than three months of rent but not more than 24 months of rent, inclusive of up to six months of arrearages, late fees accrued prior to the term of assistance, and last month's rent.

(h) Costs to participate in HMIS are eligible ESG costs. Eligible costs related to HMIS include:

(1) Hardware, software, equipment, office space, utility costs;

(2) Salary and staff costs for operation of HMIS, including technical support;

(3) HMIS training and overhead costs, including travel to HUD sponsored and approved HMIS training programs and travel costs for staff to conduct intake;

(4) HMIS participation fees charged by the HMIS lead agency; and

(5) HMIS-comparable databases for victim services providers or legal services providers.

(i) Eligible administrative costs for ESG are:

(1) General management and oversight of the ESG award, excluding cost to purchase office space;

(2) Provision of ESG training and costs to attend HUD-sponsored ESG training; and

(3) Costs to carry out required environmental reviews.

(j) Eligible activities and costs for federally funded Special Allocation Programs not included in this section may be eligible or ineligible based on federal requirements specific to the Special Allocation, as further reflected in the Contract.

§7.33 Apportionment of ESG Funds

(a) The Department will retain funds for Administrative activities. Funds for Administrative or Program Participant services may be retained by TDHCA to Subgrant specific ESG activities, such as legal services or as operating costs for non-congregate emergency shelters funded by the Department's allocation of funds from the HOME American Rescue Plan Act.

(b) If the Department receives ESG or other funding from the U.S. Department of Housing and Urban Development (HUD) that generally incorporates the ESG statutes and regulations, but that has additional activity or geographic restrictions, the Department may elect not to use the Allocation Formula. Funds retained under subsection (a) of this section are not subject to the Allocation Formula.

(c) ESG funds not retained for the purposes outlined or excluded from the Allocation Formula in subsections (a) and (b) of this section will be made available by CoC region based on an Allocation Formula. Allocation Formula factors noted in paragraphs (1) - (4) of this subsection will be used to calculate distribution percentages for each CoC region as follows:

(1) Fifty percent weight will be apportioned to renter cost burden for Households with incomes less than 30% Area Median Family Income (AMFI), as calculated in the ~~U.S. Department of Housing and Urban Development's (~~HUD~~)~~ Comprehensive Housing Affordability Strategy;

(2) Fifty percent weight will be apportioned for the number of persons in poverty from the most recent five-year estimate of the American Community Survey released by the U.S. Census Bureau;

(3) Fifty percent weight will be apportioned to point-in-time counts, which are annual counts of sheltered and unsheltered persons experiencing homelessness on one day during the last two weeks of

January as required by HUD for CoCs. If a CoC did not conduct a point-in-time count or only completed a partial point-in-time count, the results of the most recent point-in-time count conducted that covered both the sheltered and unsheltered persons experiencing homelessness will be utilized for the purposes of the Allocation Formula; and

(4) Negative 50% weight will be apportioned based on a total of all ESG funding allocated by HUD to local jurisdictions within the CoC region, and ESG funding awarded by the Department within the region from the previous fiscal year.

(d) Each CoC region is allocated a minimum amount of $100,000. This is accomplished by taking the amounts of all regions with over $100,000 during the initial allocation and redistributing a proportional share to the regions with less than $100,000. If the Department distributes by Allocation Formula less than the amount required to provide all regions with $100,000, then the funds will be split evenly among the CoC regions.

(e) Not less than 70% of ESG funding allocated to the CoC regions shall be initially withheld from competition for use by Subrecipients eligible for continuing awards as described under §7.34 of this subchapter (relating to Continuing Awards).

(f) Those ESG funds allocated based on the formula in subsection (c) of this section will be made available for the provision of Program Participant services; they will be made available through a NOFA for both continuing awards described in subsection (e) of this section and for competitive Applications which will be released on an annual basis.

(1) Not more than 60% of total ESG funds under direct Subgrants, continuing, and competitive awards may be awarded for the provision of street outreach and emergency shelter activities. Funds will first be made available to direct Subgrants, then continuing awards. Remaining funds will be made available for competitive awards.

(2) Contract funding limits include the funding request for all Program Participant services proposed in the Application, HMIS, and Administrative funds.

(A) Funding request minimums and maximums will be noted in the NOFA.

(B) Funds awarded for HMIS are limited to 12% of the amount of funds awarded for Program Participant services.

(C) Administrative activities are limited to three percent of the amount of funds awarded for Program Participant services.

(g) ESG funds that have been deobligated by the Department or that have been voluntarily returned from an ESG Contract may be reprogrammed at the discretion of the Department, and are not included in the Allocation Formula or award process detailed in subsections (c) - (f) or (h) - (j) of this section.

(h) An ESG Applicant may have the right to appeal funding decisions per §1.7 of this title (relating to Appeals Process).

(i) The Department reserves the right to negotiate the final Contract amount and local Match requirement with an Applicant.

(j) Percentages described in this subchapter will not be rounded up to the nearest whole number.

§7.34 Continuing Awards

(a) TDHCA will withhold a portion of funds from the competition for funds to be used for continuing awards to prior Subrecipients of its ESG allocation, not including ~~ESG CARES~~ Special Allocations or Contracts for reallocated funds from prior years only, in accordance with §7.33 of this subchapter (related to Apportionment of ESG Funds).

(b) ESG funds withheld for continuing awards by the Department will be allocated in accordance with the Allocation Formula, and are not subject to the award process and requirements outlined in §7.38 of this subchapter (relating to Competitive Award and Funding Process).

(c) The subsequent years of allocation of ESG funds received by the Department will be offered to eligible Subrecipients of ESG funds (not including ~~ESG CARES~~ federally-funded Special Allocations) that were awarded funds from at least three of the prior four allocations of ESG. An ESG Subrecipient is eligible for an offer of a continuing award of funds if the Subrecipient meets the following requirements:

(1) Submits an abbreviated Application for funding within 21 days of the request from the Department as promulgated by the Department;

(2) Resolves administrative deficiencies within the timeframe and in the manner outlined in §7.37 of this subchapter (relating to Application Review and Administrative Deficiency Process for Department NOFAs);

(3) Submitted two or fewer delinquent monthly reports for each of their active ESG Contracts or for the most recently closed ESG Contract if there are no active ESG Contracts, (not including ~~ESG CARES~~federally-funded Special Allocations) for reports due in the six-month period preceding the application submission deadline;

(4) Satisfies the requirements of the Previous Participation Review as provided for in §1.302 of this title (relating to Previous Participation Reviews for Department Program Awards Not Covered by §1.301 of this title);

(5) Does not have unresolved monitoring findings in any TDHCA funded program after the corrective action period;

(6) Does not have monitoring findings in any TDHCA funded program which resulted in disallowed costs in excess of $5,000;

(7) Does not apply for funds within the same COC Region under the competitive Application process for Program Participant service(s) in which they are already funded for a Continuing Award;

(8) Expended a minimum of 95% of their contracted award amount, as amended in their most recently closed ESG Contract (not including ~~ESG CARES~~federally-funded Special Allocations);

(9) Did not voluntarily deobligate an amount that exceeds 5% of their contracted award amount, as amended for increases due to reallocated funds, on their most recently closed ESG Contract (not including ~~ESG CARES~~federally-funded Special Allocations);

(10) Submitted the most recent yearly report information, as required in 10 TAC §7.5(h)(1), in SAGE by the deadline established by the Department for the report due in the period preceding the application submission deadline; and

(11) Is approved by the Department's Governing Board.

(d) Any offer of ESG funds made under this section is contingent on retaining similar terms and conditions or agreeing to adjustments reflective of funding amount, including but not limited to performance and match requirements, in the active ESG annual Contract issued under a NOFA.

(e) Offers of funding will be based on the prior year's award, excluding Contracts comprised exclusively of reallocated funds, before amendments, and will be proportionally increased or decreased in proportion to the total amount of ESG funds available subject to the allocation formula.

(f) If additional funds are made available due to reduced continuing awards in the region, awards may be increased proportionate to the increased withheld funds. In any event, an increased award from funds made available from reduced awards may not exceed 115% of the award amount under the allocation or the maximum award amount established in the NOFA.

(g) Funds that remain available after all eligible continuing awards have been accepted will be transferred to the competition for funds for the regional competition in accordance with §7.38 of this subchapter.

(h) Percentages identified in this section will not be rounded up to the nearest whole number.

§7.35 Eligible ~~Applicants~~Subrecipients

(a) An eligible Subrecipient is a Unit of Local Government as defined by HUD in CPD Notice 17-10, or a Private Nonprofit Organization, except as limited by subsection (c).

(b) For ESG-funded Special Allocation Programs, eligible Subrecipients include any entity type determined to be eligible by HUD, except as limited by subsection (c).

(~~b~~c) The Department reserves the option to limit eligible Subrecipient entities in a given NOFA or in a Request for Application.

§7.36 General Threshold Criteria

(a) Applications submitted to the Department are subject to general threshold criteria. Applications which do not meet the general threshold criteria or which cannot resolve an administrative deficiency related to general threshold criteria are subject to termination. Applicants applying directly to the Department to administer the ESG Program must submit an Application on or before the deadlines specified in the NOFA, notification of a direct Subgrant, or notification of availability of a continuing award, and must include items in paragraphs (1) - (13) of this subsection:

(1) Application materials as published by the Department including, but not limited to, program description, budget, and performance statement.

(2) An ESG budget that does not exceed the total amount available within the CoC region, other geographic limitation, Subgrant, or offer of continuing award, as applicable.

(3) A copy of the Applicant's written standards that comply with the requirements of 24 CFR §576.400 and certification of compliance with these standards. Any occupancy standard set by the Subrecipient must not conflict with local regulations or Texas Property Code §92.010.

(4) A copy of the Applicant's policy for termination of assistance that complies with the requirements of 24 CFR §576.402 and certification of compliance with these standards.

(5) A Service Area which consists of at least the entirety of one county or multiple counties within the CoC region under which Application is made, unless a CoC region does not include an entire county. When the CoC region does not encompass at least the entirety of one county, the Service Area must encompass the entire CoC region. The Service Area selected within an Application must be fully contained within one CoC region.

(6) Except for a federally-funded Special Allocation that does not have a federal Match requirement, ~~C~~commitment in the budget to the provision of 100% Match, or request for a Match waiver, as applicable. Match waivers will be considered by the Department based on the rank of the Application. Applicants requesting an award of funds in excess of the minimum award amount as described in the NOFA for Program Participant services are not eligible to request or receive a Match waiver. In the event

that the Match waivers requested exceed $100,000, the waivers will be considered only for the highest scoring eligible Applications, subject to availability of excess Match provided by ESG Applicants. Applicants that do not receive the waiver and are unable to provide a source of Match will be ineligible for an ESG award.

(7) Applicant certification of compliance with State and federal laws, rules and guidance governing the ESG Program as provided in the Application.

(8) Evidence of a Unique Entity Identifier (UEI) number for Applicant.

(9) Documentation of existing Section 501(c) tax-exempt status, as applicable.

(10) Completed previous participation review materials, as outlined in Chapter 1, Subchapter C of this title (relating to Previous Participation), for Applicant.

(11) Local government approval per 24 CFR §576.202(a)(2) for an Applicant that will be providing shelter activities with ESG or as ESG Match, as applicable. This documentation must be submitted not later than 30 calendar days after the Application submission deadline as specified in the NOFA, or prior to execution of a Contract for Subrecipients subject to a direct Subgrant, or continuing award. Receipt of the local government approval is a condition prior to the Department obligating ESG funding.

(12) A resolution or other governing body action from the Applicant's direct governing body which includes:

(A) Authorization of the submission of the Application;

(B) Title of the person authorized to represent the entity and who also has signature authority to execute a Contract; and

(C) Date that the resolution was passed by the governing body, which must be not older than 12 months preceding the date the Application is submitted.

(13) Applicants with an ESG Contract(s) must have submitted the most recent yearly report information, as required in 10 TAC §7.5(h)(1), in SAGE by the deadline established by the Department for the report due in the period preceding the application submission deadline.

(b) An Application must be substantially complete when received by the Department. An Application may be terminated if the Application is so unclear or incomplete that a thorough review cannot reasonably be performed, as determined by the Department. Such Application will be terminated without being processed as an administrative deficiency. Specific reasons for a Department termination will be included in the notification sent to the Applicant but, because the termination may occur prior to completion of the full review, will not necessarily include a comprehensive list of all deficiencies in the

Application. Termination of an Application may be subject to §1.7 of this title (relating to Appeals Process).

§7.37 Application Review and Administrative Deficiency Process

(a) The Department will accept Applications on an ongoing basis during the Application acceptance period as specified in the NOFA or notification of an offer of a continuing award, as applicable. Applications will be reviewed for threshold criteria and selection criteria, if applicable, administrative deficiencies, and competitive Applications will be ranked based upon the score of the Application as determined by the Department upon completion of the review.

(b) The administrative deficiency process allows the Applicant to provide additional information with regard to an Application after the Application acceptance period has ended, but only if it is requested in writing by Department staff. Staff may request that an Applicant provide clarification, correction, or non-material missing information to resolve inconsistencies in the original Application or to assist staff in evaluating the Application. Staff will request such information via a deficiency notice. Staff will send the deficiency notice via email and responses must be in kind unless otherwise defined in the notice. A review of the Applicant's response may reveal that additional administrative deficiencies are exposed or that issues initially identified as an administrative deficiency are actually determined to be beyond the scope of an administrative deficiency process, meaning that they are in fact matters of a material nature not susceptible to be resolved. For example, a response to an administrative deficiency that causes a new inconsistency which cannot be resolved without reversing or eliminating the need for the first deficiency response would be an example of an issue that is beyond the scope of an administrative deficiency. Department staff will make a good faith effort to provide an Applicant confirmation that an administrative deficiency response has been received and/or that such response is satisfactory. Communication from staff that the response was satisfactory does not establish any entitlement to points, eligibility status, or to any presumption of a final determination that the Applicant has fulfilled any other requirements as such is the sole determination of the Department's Board.

(c) An Applicant may not change or supplement any part of an Application in any manner after submission to the Department, except in response to a direct written request from the Department to remedy an administrative deficiency or by amendment of an Application after the Board approval of an ESG award. An administrative deficiency may not be cured if it would, in the Department's determination, substantially change an Application including score, or if the Applicant provides any new unrequested information to cure the deficiency.

(d) The time period for responding to a deficiency notice commences on the first day following the deficiency notice date.

(1) If an administrative deficiency is not resolved to the satisfaction of the Department by 5:00 p.m. on the seventh calendar day following the date of the deficiency notice, then one point shall be deducted from the selection criteria score for each additional day the deficiency remains unresolved. If administrative deficiencies are not resolved by 5:00 p.m. on the fourteenth calendar day following the

date of the deficiency notice for an Application in response to a NOFA, then the Application shall be terminated

(2) If an administrative deficiency is not resolved to the satisfaction of the Department by 5:00 p.m. on the seventh calendar day following the date of the deficiency notice for an Application in response to a continuing award offer, then the Application shall be terminated.

§7.38 Competitive Award and Funding Process

(a) An Application may by submitted requesting funds for Program Participant services under street outreach, emergency shelter, homelessness prevention, and/or rapid re-housing. Each Application submission will include one uniform Application with information applicable across all Program Participant service types, and then information on each Program Participant service requested. Each Program Participant service reflected in an Application will be treated as a separate Application, assigned a separate Application number per service type, and will be scored and ranked separately for each service type selected. Applicants may be awarded funds for one or more Program Participant services in accordance with this section. Because each Program Participant service is reviewed separately and competes separately, an award of funds for provision of one Program Participant service does not affect an award of funds in any other Program Participant service reflected in that same Application submission.

(b) Applications submitted directly to the Department for under this section will receive points based on experience, program design, budget, previous performance, and performance measures. Applications will be scored and ranked based on selection criteria described in this subchapter.

(c) Applicants for a competitive award will be required to submit a self-score within the Application. In no event will the points awarded to the Applicant exceed the point value of the self-score in any selection criterion.

(d) Tie breakers. Each Application submitted to the Department for a competitive award shall be assigned a number between one and the total number of applications. The number assignment will be determined in a random selection process to occur immediately following the close of the application acceptance period, and Applicants will be notified of said number assignment as soon as possible thereafter. The randomly assigned numbers will be used to resolve ties, with the highest assigned number having the highest priority.

(e) Partial awards. In order to maintain funding within the Allocation Formula amounts designated for each CoC region as determined in this subchapter, an Applicant for a competitive award may be offered a partial award of their requested funds. An Applicant offered a partial award of funds must confirm their acceptance of a partial award, and submit updated information related to the reduction within seven calendar days following the date of notification. Scoring criteria may be updated based on the

reduced funding request, but any changes to the scoring criteria must allow the Application to maintain its rank.

(f) Regional Funding Competition. Funding will be recommended first for Applicants within the CoC region up to the Allocation Formula amount designated for the CoC region as determined in this subchapter.

(1) Eligible Applications will be ranked in descending order by score within the CoC region which the Application proposes to serve. Subsection (d) of this section will be used to determine the priority of tied scores.

(2) ESG funds allocated to each CoC region will be awarded starting with the highest ranking Application and continue until the funds allocated for that CoC region are fully utilized, but not exceeded, or until the Applicant for the last Application to be recommended in the region declines an offer of a partial award.

(3) Applications proposing street outreach or emergency shelter will be ranked alongside all Applications in the region, however, a recommendation for a full award of an Application for street outreach or emergency shelter will not be made through the first level of funding if funding recommendations in the CoC region for street outreach and emergency shelter will exceed 60% of the funding remaining in the CoC region after direct Subgrants and acceptance of continuing awards. Applications proposing street outreach and emergency shelter services but causing awards for such services in the region to exceed 60% of the available funding in the region, will be offered a partial award of up to the amount remaining to reach 60% for the region. If no funds remain available that would not exceed 60% at the regional level for a partial award, or if they decline such partial award, the Application will be passed over and recommendation of funding would proceed to the next highest scoring Application(s) in the region in order to fully fund the Formula Allocation amount for the region. Applications that were passed over for funding may be eligible to compete in the statewide funding competition, if no more than 60% of funds have been awarded for street outreach and emergency shelter in the total allocated funds.

(4) A partial award may be offered to the last highest ranking Application which is otherwise eligible for funding within the regional competition to ensure that the amount of funds recommended for a region does not initially exceed the amount identified in the Formula Allocation. Partial awards will be offered under the regional competition only if the funding remaining in the CoC region is more than $30,000.

(A) The Applicant or Applicants that accept an offer of a partial award may be required to amend the Application if the reduction in funds is expected to impact scored items and to adjust performance deliverables based on the reduced amount of funding. The revised score based on the partial award must still ensure the Application ranking would not be affected. If a partial award or the Applicant's subsequent adjustments results in a reduced score that alters their scoring rank within the regional competition, the opportunity to be funded from the first level of funding recommendations will not be offered to the Application.

(B) The Applicant may decline the partial award of funds and instead request to be included for consideration in the statewide competition.

(g) Statewide Funding Competition. If any funds remain after recommendations for all eligible Applications in the regional funding competition, such funds shall collapse and be made available in the statewide competition.

(1) All eligible Applications not recommended to be awarded under the regional funding competition will be ranked in descending order of score with the highest scoring unfunded Application, regardless of region, having the highest priority rank. Subsection (e) of this section will be used to determine the outcome of tied scores.

(2) Funds will be awarded in the statewide funding competition starting with the highest ranked Application and continuing until no funds remain available to award or until there are no eligible Applications left to be recommended for funding.

(3) Applications proposing street outreach or emergency shelter will be ranked alongside all Applications. If the 60% of the allocated funds has been awarded to Applications proposing street outreach and emergency shelter, Applications proposing these activities will not be recommended and will be passed over to fund Applications proposing homeless prevention or rapid re-housing.

(4) The final award in the statewide funding competition and the 60% capped street outreach and emergency shelter funding may be a partial award if an Application cannot be fully funded.

(A) An Applicant that accepts an offer of a partial award may be required to amend the Application if the reduction in funds is expected to impact scored items and to adjust performance deliverables based on the reduced amount of funding. The revised score based on the partial award must still ensure the Application's ranking would not be affected. Partial awards may only be offered if the remaining funding exceeds the minimum award amount as stated in the NOFA.

(B) The Applicant may decline a partial award of funds. Applicants that decline a partial award of funding within the statewide competition will be withdrawn from competition, as there are not sufficient remaining funds to award the Application.

(C) If a partial award or the Applicant's subsequent adjustments result in a reduced score that alters the scoring rank or an Applicant declines a partial award, the next highest ranked Application will be presented with the opportunity to be funded.

(h) If there are still funds available after the statewide funding competition, the Department may offer and recommend award amounts in excess of the funds requested and in excess of the award amount limits identified in §7.33(c) of this subchapter (relating to Apportionment of ESG Funds), starting with

the highest scoring Applications already identified to be recommended for an award, not to exceed an award more than 50% greater than their original request. The Department will provide notice of the proposed increase to the impacted Applicants. The budget and Performance targets would increase proportionally to the additional funding received. An Applicant will have the opportunity to accept or reject the recommendation for increased funding prior to final award by the Department.

(i) The Department reserves the right to negotiate the final Contract amount and local Match with a Subrecipient.

§7.39 Uniform Selection Criteria

An Application for funding allocated in accordance with §7.33(b) of this section (relating to Apportionment of ESG Funds) and made to the Department may be awarded points under the following uniform selection criteria. The total of the score under this part will be the uniform Application score. The uniform Application score will be comprised of points awarded under each of the following criteria:

(1) Homeless participation. An Application may receive a maximum of three points for the participation of persons who are Homeless in the Applicant's program design. Points may be earned under subparagraphs (A) and (B) of this paragraph for a total of up to three points.

(A) An Application may receive a maximum of two points when at least one person who is Homeless or formerly Homeless is a member of or consults with the Applicant's policy-making entity for facilities, services, or assistance under ESG; and

(B) An Application may receive a maximum of one point when at least one person who is Homeless or formerly Homeless is employed in a paid position with duties that include constructing, renovating, maintaining, or operating the Applicant's ESG facilities, or providing services for occupants of its ESG facilities.

(2) Organizational or management experience. An Application may receive a maximum of eight points for an Applicant or its management staff's experience administering federal or State homeless programs.

(A) An Application may receive a maximum of three points for an Applicant or its management staff with at least two but less than four years of experience;

(B) An Application may receive a maximum of five points for an Applicant or its management staff with at least four but less than six years of experience; or

(C) An Application may receive a maximum of eight points for an Applicant or its management staff with six or more years of experience.

(3) Percentage of prior ESG awarded funds expended. An Application may receive a maximum of six points for the Applicant's past expenditure performance of ESG funds proportionate to the award of funds from TDHCA to the Applicant. This will apply to any and all ESG Contract(s), exclusive of ~~ESG CARES~~federally funded Special Allocation Contracts, administered by the Applicant that were closed within 12 months prior to the date of the Application deadline established in the by the Department. Contract Expenditures will be averaged among all ESG Contracts that were closed within 12 months of the Application deadline, without requiring an amendment if the Applicant was awarded multiple Contracts. The percentage of ESG funds expended will be calculated utilizing the amount of the Contract as of its closing as stated in the Contract prior to amendments, except where the Applicant voluntarily return funds in accordance with this subchapter. Expenditure will be defined as the Applicant having reported the funds as expended. Applications may receive:

(A) Two points if the Applicant expended 91-94% of its prior ESG Contract funds as of its closing as stated in the Contract prior to amendments;

(B) Three points if the Applicant expended 95% to less than 100% of its prior ESG Contract funds as of its closing as stated in the Contract prior to amendments; or

(C) Six points if the Applicant expended 100% of its prior ESG Contract funds as of its closing as stated in the Contract prior to amendments.

(4) Contract History on Reporting and percentage of Outcomes. An Applicant may receive a maximum of twelve points for its prior timeliness of reports and performance achieved for previously awarded ESG Contract(s), exclusive of ~~ESG CARES~~federally funded Special Allocation Contracts, that closed within 12 months prior to the date of the Application deadline established by the Department. Points may be requested under subparagraphs (A) - (E) of this paragraph, not to exceed a total of ten points. The Outcome percentages will be averaged among all prior ESG Contracts, exclusive of ~~ESG CARES~~federally funded Special Allocation Contracts, that closed within 12 months prior to the date of the Application deadline to determine the final percentage amount for this scoring criterion. Applications may receive points as follows:

(A) Two points if the Applicant submitted the last three reports on or before the Contract end date within the reports' respective reporting deadlines;

(B) Two points if the Applicant met 100% or more of their street outreach target of persons exiting to temporary or transitional or permanent housing destination;

(C) Two points if the Applicant met 100% or more of their emergency shelter exits to permanent housing;

(D) Two points if the Applicant met 100% or more of their Homelessness prevention target for maintaining housing for three months or more;

(E) Two points if the Applicant met 100% or more of their rapid re-housing target for maintaining housing for three months or more; and

(F) Two points if the Applicant met 100% or more of their Match obligation.

(G) Twelve points if the Applicant has not previously been awarded an ESG Contract closed within 12 months prior to the date of the Application deadline.

(5) Monitoring history. Applications may receive a maximum of five points for the Applicant's previous ESG and ~~ESG CARES~~federally funded Special Allocation program monitoring history. The Department will consider the monitoring history for three years before the date that Applications are first accepted under the NOFA when determining the points awarded under this criterion. Findings that were subsequently rescinded will not be considered Findings for the purposes of this scoring criterion. Applications may be limited to a maximum of:

(A) Five points if the Applicant has not received any monitoring Findings, including Applicants with no previous monitoring history;

(B) Not more than three points if the monitoring history has a close-out letter that included Findings, but the Findings were not related to Household eligibility or violations of procurement requirements;

(C) Not more than two points if the monitoring history has a close-out letter that included Findings related to Household eligibility;

(D) Not more than one point if the monitoring history has a monitoring close-out letter that included Findings related to violations of procurement requirements; or

(E) Zero points may be requested under this criterion if the Applicant received a Finding resulting in disallowed costs in excess of $5,000 which required repayment to the Department.

(6) Priority for certain communities. Applications may receive two points if at least one Colonia, as defined in Tex. Gov't Code §2306.083, is included in the Service Area identified in the Application. Applicants awarded points under this criterion will be contractually required to maintain a Service Area that includes at least one Colonia as identified on the Office of Attorney General's website.

(7) Previously unserved areas. Applications may receive a maximum of 10 points for provision of ESG services if at least one county in the Service Area included in the Application has not received ESG funds from the Department or directly from HUD within the previous federal funding year for services. Applications may receive a maximum (of ten points if at least one county within the Service Area as stated in the Application did not receive an award of ESG annual funds from the Department within the previous federal funding year.

(8) Percentages identified in this section will not be rounded up to the nearest whole number.

§7.40 Competitive Program Participant Services Selection Criteria

(a) An Application for competitive funding allocated under §7.33(b) of this subchapter (relating to Apportionment of ESG Funds), and made to the Department, may be awarded points for Program Participant services under each category. Points awarded for Program Participant services will be separately tabulated and added to the uniform Application score to determine a score for each of the Program Participant services Applications submitted. All scoring criteria that are based upon measurable future performance expectations will be measured and expected to be fulfilled by being included as a performance requirement in the Contract should the Application be awarded funds.

(b) Street outreach. An Application proposing street outreach may receive points under the following criteria:

(1) Matching funds for street outreach. An Application may receive a maximum of three points if the Applicant commits Matching funds equal to or greater than 110% of the total ESG funds requested for street outreach.

(2) Street outreach serving Homeless Subpopulations. An Application may receive a maximum of five points by proposing to serve persons who are in a Homeless Subpopulation, as defined in §7.2(31) of this chapter (relating to Definitions). An Applicant providing street outreach may receive a maximum of:

(A) One point based on a minimum target of 70% of persons served who are in one or more Homeless Subpopulation;

(B) Two points based on a minimum target of 80% of persons served who are in one or more Homeless Subpopulation;

(C) Three points based on a minimum target of 90% of persons served who are in one or more Homeless Subpopulation;

(D) Four points based on a minimum target of 95% of persons served who are in one or more Homeless Subpopulation; or

(E) Five points based on a minimum target of 100% of persons served who are in one or more Homeless Subpopulation.

(3) Street outreach exit to a positive housing destination. An Application may receive a maximum of five points based on the percentage of persons served within the 12 months prior to the Application due date who exited homelessness to a positive housing destination per HMIS data standards:

(A) Two points based on 25% of persons served with street outreach who exited to positive housing destinations;

(B) Three points based on 35% of persons served with street outreach who exited to positive housing destinations;

(C) Four points based on 45% of persons served with street outreach who exited to positive housing destinations; or

(D) Five points based on 55% of persons served with street outreach who exited to positive housing destinations.

(4) Street outreach staff qualifications. An Applicant may receive a maximum of six points if a member of the staff interacting with Program Participants in the street outreach component has one or more of the following qualifications:

(A) Two points if a member is a licensed mental health provider through the Texas Behavioral Executive Health Council;

(B) Two points if a member of staff is fluent in one or more languages identified in the Applicant's Language Access Plan as necessary to provide equitable, meaningful access for persons with Limited English Proficiency; and

(C) Two points if program includes a paid staff member who has formerly experienced homelessness.

(5) Street outreach temporary/transitional/permanent housing target. An Application may receive a maximum of three points based on the percentage of persons targeted to be served with street outreach who will be placed in temporary, transitional or permanent housing. An Application may receive a maximum of:

(A) One point based on a minimum target of 35% of persons served with street outreach who will be placed in temporary housing;

(B) Two points based on a minimum target of 45% of persons served with street outreach who will be placed in temporary housing; or

(C) Three points based on a minimum target of 55% of persons served with street outreach who will be placed in temporary housing.

(6) Street outreach services. An Application may receive a maximum of five points based on the number of street outreach services provided through ESG or other funds including engagement, case

management, emergency health services, emergency mental health services, and transportation services. Emergency health services and emergency mental services may only be provided by ESG funds if these services are inaccessible or unavailable within the area. An Application may receive a maximum of:

(A) Two points if the Applicant provides street outreach engagement and case management;

(B) Three points if the Applicant provides street outreach engagement and case management, and one other service;

(C) Four points if the Applicant provides street outreach engagement and case management, and two other services; or

(D) Five points if the Applicant provides street outreach engagement and case management, and three other services.

(7) Experience providing street outreach. An Application may receive a maximum of 10 points based on the Applicant's experience providing street outreach services.

(A) Two points if the Applicant has provided street outreach for up to two years;

(B) Four points if the Applicant has provided street outreach for up to four years;

(C) Six points if the Applicant has provided street outreach for up to six years;

(D) Eight points if the Applicant has provided street outreach for up to eight years; or

(E) Ten points if the Applicant has provided street outreach for 10 or more years.

(c) Emergency shelter. An Application proposing emergency shelter may receive points under the following criteria:

(1) Matching funds for emergency shelter. An Application may receive a maximum of three points if the Applicant commits Matching funds equal to or greater than 110% of the total ESG funds requested for emergency shelter.

(2) Emergency shelter serving Homeless Subpopulations. An Application may receive a maximum of five points by proposing to serve persons who are in a Homeless Subpopulation, as defined in §7.2(31) of this chapter (relating to Definitions). An Applicant providing emergency shelter may receive a maximum of:

(A) One point based on a minimum target of 70% of persons served who are in one or more Homeless Subpopulation;

(B) Two points based on a minimum target of 80% of persons served who are in one or more Homeless Subpopulation;

(C) Three points based on a minimum target of 90% of persons served who are in one or more Homeless Subpopulation;

(D) Four points based on a minimum target of 95% of persons served who are in one or more Homeless Subpopulation; or

(E) Five points based on a minimum target of 100% of persons served who are in one or more Homeless Subpopulation.

(3) Emergency shelter exit to a positive housing destination. An Application may receive a maximum of five points based on the percentage of persons served within the 12 months prior to the Application due date exited homelessness to a positive housing destination per HMIS data standards:

(A) Two points based on 25% of persons served with emergency shelter who exited to positive housing destinations;

(B) Three points based on 35% of persons served with emergency shelter who exited to positive housing destinations;

(C) Four points based on 45% of persons served with emergency shelter who exited to positive housing destinations; or

(D) Five points based on 55% of persons served with emergency shelter who exited to positive housing destinations.

(4) Emergency shelter staff qualifications. An Applicant may receive a maximum of six points if a member of the staff interacting with Program Participants in the street outreach component has one or more of the following qualifications:

(A) Two points if a member is a licensed mental health provider through the Texas Behavioral Executive Health Council;

(B) Two points if a member of staff is fluent in one or more languages, other than English, identified in the Applicant's Language Access Plan as necessary to provide equitable, meaningful access for persons with Limited English Proficiency; and

(C) Two points if program includes a paid staff member who has formerly experienced homelessness.

(5) Emergency shelter permanent housing. An Applicant may receive a maximum of three points based on the percentage of persons served with emergency shelter targeted to be placed in permanent housing. An Application may receive a maximum of:

(A) One point based on a minimum target of 35% of persons served with emergency shelter who will be placed in permanent housing;

(B) Two points based on a minimum target of 45% of persons served with emergency shelter who will be placed in permanent housing; or

(C) Three points based on a minimum target of 55% of persons served with emergency shelter who will be placed in permanent housing.

(6) Emergency shelter services. An Applicant may receive a maximum of five points based on the number of emergency shelter services provided through ESG or other funds, as listed in 24 CFR §576.102. Emergency shelter services include case management, child care, education services, employment assistance and job training, outpatient health services, legal services, life skills training, outpatient mental health services, outpatient substance abuse treatment services, and transportation. Outpatient health services, mental services, and substance abuse treatment services should only be provided by ESG funds if these services are otherwise inaccessible or unavailable within the Service Area. This selection criterion will become a contractual requirement if the Applicant is awarded a Contract. An Application may receive a maximum of:

(A) Two points if the Applicant provides case management and two of the other services;

(B) Three points if the Applicant provides case management and three of the other services;

(C) Four points if the Applicant provides case management and four of the other services; or

(D) Five points if the Applicant provides case management and five of the other services.

(7) Experience providing emergency shelter. An Application may receive a maximum of 10 points based on the Applicant's experience providing emergency shelter services.

(A) Two points if the Applicant has provided emergency shelter for up to two years;

(B) Four points if the Applicant has provided emergency shelter for up to four years;

(C) Six points if the Applicant has provided emergency shelter for up to six years;

(D) Eight points if the Applicant has provided emergency shelter for up to eight years; or

(E) Ten points if the Applicant has provided emergency shelter for 10 or more years.

(d) Homelessness prevention. An Application proposing homelessness prevention may receive points under the following criteria:

(1) Matching funds for homelessness prevention. An Application may receive a maximum of three points if the Applicant commits Matching funds equal to or greater than 110% of the total ESG funds requested for homelessness prevention.

(2) Homelessness prevention serving Homeless Subpopulations. An Application may receive a maximum of five points by proposing to serve persons who are in a Homeless Subpopulation, as defined in §7.2(31) of this chapter (relating to Definitions). An Applicant providing homelessness prevention may receive a maximum of:

(A) One point based on a minimum target of 70% of persons served who have one or more special needs;

(B) Two points based on a minimum target of 80% of persons served who have one or more special needs;

(C) Three points based on a minimum target of 90% of persons served who have one or more special needs;

(D) Four points based on a minimum target of 95% of persons served who have one or more special needs; or

(E) Five points based on a minimum target of 100% of persons served who have one or more special needs.

(3) Homelessness prevention exit to a positive housing destination. An Application may receive a maximum of five points based on the percentage of persons served within the 12 months prior to the Application due date exited homelessness to a positive housing destination per HMIS data standards:

(A) Two points based on 25% of persons served with homelessness prevention who exited to positive housing destinations;

(B) Three points based on 35% of persons served with homelessness prevention who exited to positive housing destinations;

(C) Four points based on 45% of persons served with homelessness prevention who exited to positive housing destinations; or

(D) Five points based on 55% of persons served with homelessness prevention who exited to positive housing destinations.

(4) Homelessness prevention staff qualifications. An Applicant may receive a maximum of six points if a member of the staff interacting with Program Participants in the homelessness prevention component has one or more of the following qualifications:

(A) Two points if a member is a licensed mental health provider through the Texas Behavioral Executive Health Council;

(B) Two points if a member of staff is fluent in one or more languages, other than English, identified in the Applicant's Language Access Plan as necessary to provide equitable, meaningful access for persons with Limited English Proficiency; and

(C) Two points if program includes a paid staff member who has formerly experienced homelessness.

(5) Homelessness prevention maintaining housing. An Application may receive a maximum of three points based on the percentage of persons served with Homelessness prevention who are targeted to maintain their housing for three months or more after program exit. Applications may receive a maximum of:

(A) One point based on a minimum target of 50% of persons served with homelessness prevention maintaining housing for three months;

(B) Two points based on a minimum target of (60% of persons served with homelessness prevention maintaining housing for three months; or

(C) Three points based on a minimum target of 70% of persons served with homelessness prevention maintaining housing for three months.

(6) Homelessness prevention services and rental assistance. An Application may receive a maximum of five points based on the number of homeless prevention services and type of rental assistance provided through ESG or other funds. Homeless prevention services and rental assistance include rental application fees, security deposits and last month's rent, utility payments/deposits, moving costs, housing search and placement, housing stability case management, mediation, legal services, credit repair, short-term rental assistance, and medium-term rental assistance. An Application may receive a maximum of:

(A) Two points if the Applicant provides housing stability case management and three of the other services or rental assistance;

(B) Three points if the Applicant provides housing stability case management and four of the other services or rental assistance;

(C) Four points if the Applicant provides housing stability case management and five of the other services or rental assistance; or

(D) Five points if the Applicant provides housing stability case management and six of the other services or rental assistance.

(7) Experience providing homelessness prevention or rental assistance services. An Application may receive a maximum of 10 points based on the Applicant's experience providing homelessness prevention or tenant-based rental assistance services.

(A) Two points if the Applicant has provided homelessness prevention or tenant-based rental assistance services for up to two years;

(B) Four points if the Applicant has provided homelessness prevention or tenant-based rental assistance services for up to four years;

(C) Six points if the Applicant has provided homelessness prevention or tenant-based rental assistance services for up to six years;

(D) Eight points if the Applicant has provided homelessness prevention or tenant-based rental assistance services for up to eight years; or

(E) Ten points if the Applicant has provided homelessness prevention or tenant-based rental assistance services for 10 or more years.

(e) Rapid re-housing. An Application proposing rapid re-housing may receive points under the following criteria:

(1) Matching funds for rapid re-housing. Applications may receive a maximum of three points if the Applicant commits Matching funds equal to or greater than 110% of the total ESG funds requested for rapid re-housing.

(2) Rapid re-housing serving Homeless Subpopulations. An Application may receive a maximum of five points by proposing to serve persons who are in a Homeless Subpopulation, as defined in §7.2(31) of this chapter (relating to Definitions). Applicants providing rapid re-housing may receive a maximum of:

(A) One point based on a minimum target of 70% of persons served who are in one or more Homeless Subpopulation;

(B) Two points based on a minimum target of 80% of persons served who are in one or more Homeless Subpopulation;

(C) Three points based on a minimum target of 90% of persons served who are in one or more Homeless Subpopulation;

(D) Four points based on a minimum target of 95% of persons served who are in one or more Homeless Subpopulation; or

(E) Five points based on a minimum target of 100% of persons served who are in one or more Homeless Subpopulation.

(3) Rapid re-housing exit to a positive housing destination. An Application may receive a maximum of five points based on the percentage of persons served within the 12 months prior to the Application due date exited homelessness to a positive housing destination per HMIS data standards:

(A) Two points based on 25% of persons served with rapid re-housing exited to positive housing destinations;

(B) Three points based on 35% of persons served with rapid re-housing who exited to positive housing destinations;

(C) Four points based on 45% of persons served with rapid re-housing who exited to positive housing destinations; or

(D) Five points based on 55% of persons served with rapid re-housing who exited to positive housing destinations.

(4) Rapid re-housing staff qualifications. An Applicant may receive a maximum of six points if a member of the staff interacting with Program Participants in the rapid re-housing component has one or more of the following qualifications:

(A) Two points if a member is a licensed mental health provider through the Texas Behavioral Executive Health Council;

(B) Two points if a member of staff is fluent in one or more languages, other than English, identified in the Applicant's Language Access Plan as necessary to provide equitable, meaningful access for persons with Limited English Proficiency; and

(C) Two points if program includes a paid staff member who has formerly experienced homelessness.

(5) Rapid re-housing maintaining housing. Applicants may receive a maximum of three points based on the percentage of persons served with rapid re-housing targeted to maintain their housing for three months or more after program exit. Applications may receive a maximum of:

(A) One point based on a minimum target of 50% of persons served with rapid re-housing maintaining housing for three months;

(B) Two points based on a minimum target of 60% of persons served with rapid re-housing maintaining housing for three months; or

(C) Three points based on a minimum target of 70% of persons served with rapid re-housing maintaining housing for three months.

(6) Rapid re-housing services and rental assistance. Applicants may receive a maximum of five points based on the number of rapid re-housing services and type of rental assistance provided through ESG or other funds. Rapid re-housing services and rental assistance include rental application fees, security deposits/last month's rent, utility payments/deposits, moving costs, housing search and placement, housing stability case management, mediation, legal services, credit repair, short-term rental assistance, medium-term rental assistance. Applications may receive a maximum of:

(A) Two points if the Applicant provides housing stability case management and three of the other services or rental assistance;

(B) Three points if the Applicant provides housing stability case management and four of the other components;

(C) Four points if the Applicant provides housing stability case management and five of the other components; or

(D) Five points if the Applicant provides housing stability case management and six of the other components.

(7) Experience providing rapid re-housing or tenant-based rental assistance services. Applications may receive a maximum of 10 points based on the Applicant's experience providing homeless prevention or tenant-based rental assistance services.

(A) Two points if the Applicant has provided rapid re-housing or tenant-based rental assistance services for up to two years;

(B) Four points if the Applicant has provided rapid re-housing or tenant-based rental assistance services for up to four years;

(C) Six points if the Applicant has provided rapid re-housing or tenant-based rental assistance services for up to six years;

(D) Eight points if the Applicant has provided rapid re-housing or tenant-based rental assistance services for up to eight years; or

(E) Ten points if the Applicant has provided rapid re-housing or tenant-based rental assistance services for 10 or more years.

§7.41 Contract Term, Expenditure Benchmark, Return of Funds, and Performance Targets

(a) The initial Contract Term for ESG funds may not exceed 12 months, unless otherwise approved by the Board for a~~n~~ federally-funded Special Allocation Program. All funds awarded under the Contract must be expended by the Subrecipient on or before the expiration of the Contract, unless an extension has been granted in accordance with this section. A request to extend the Contract Term must show evidence that the extension is necessary to provide services required under the Contract, and provide good cause for failure to timely expend the funds. Extensions of Contract Terms are considered on a case-by-case basis, but are subject to §7.4(e) of this title (relating to Amendments and Extensions of Contracts).

(1) The Executive Director or his or her designee may approve an extension to the ESG Contract Term of up to six months from the original Contract Term~~; and may approve an extension to the Expenditure deadline for ESG CARES~~.

(2) Board approval is required if the Subrecipient requests to extend an ESG Contract Term for more than six months from the original Contract Term.

(3) Amendments of Expenditure requirements will not be granted by the Executive Director or the Board when such action would cause the Department to miss a federal Expenditure deadline.

(b) Subrecipient is required to have reported Expenditures in its Monthly Expenditure Reports reflecting at least 50% of the Contracted funds by month nine of the original Contract Term. A Subrecipient that has not met this Expenditure benchmark must submit a plan to the Department evidencing the ability of the Subrecipient to expend the remaining funds by ~~month 12 of~~of the expiration of the original Contract Term. This Expenditure benchmark may not be extended though amendment.

(c) Not later than 60 days prior to the end of the Contract Term, a Subrecipient may submit a written request to voluntarily return some or all of its funds to the Department. Voluntary return of funds prior to the Expenditure benchmark constitutes a reduction in the awarded amount, and returned funds at or prior to the Expenditure benchmark will not be considered deobligated funds for the purpose of future

funding recommendations. Subrecipient must return any funds that would result in a violation of the administrative and HMIS expenditure limits of the Contract, as outlined in §7.33(f) of this subchapter prior to approval of a request to voluntarily deobligate funds for any Program Participant services.

(d) Funds remaining at the end of Contract which are not reflected in the last Monthly Expenditure Report will be automatically deobligated. Deobligation of funds may affect future funding recommendations.

(e) The Department may request information regarding the performance or status of a Contract prior to the Expenditure benchmark, at various times during the Contract, or during the record retention period. Subrecipient must respond within the time limit stated in the request. Prolonged or repeated failure to respond may result in suspension of funds, termination of the Contract by the Department, and could impact future funding recommendations.

(f) If additional funds become available through returned or deobligated amounts from an award made under the allocation formula or program income generated from an award made under the allocation formula, the funds may be offered to ESG Subrecipients with active Contracts that have not been amended to extend the Contract Term. Returned or deobligated funds will be offered with priority given to ESG Subrecipients with the highest Expenditure rate as of the most recent Monthly Expenditure Report. However, funds may not be offered to any Subrecipient that returned funds, or from whom funds were deobligated. The Executive Director or designee may increase the Contract of an ESG Subrecipient or authorize a new Contract with a Subrecipient by up to 25% of the original Contract amount. The increase of reallocated funds may not exceed 25% of the initial Contract award, unless approved by the Board.

(g) Funds that have been returned more than once or returned less than three months before the federal Expenditure deadline may be retained by the Department.

(h) The Contract will reflect the Performance Targets that were utilized as selection criteria for the award of funds. Requests to amend Performance Targets may not be submitted less than 60 days prior to the end of the Contract Term. Requests to amend Performance Targets will not be granted if such an amendment would have precluded the award to the Subrecipient.

§7.42 General Administrative Requirements

(a) Subrecipient must have written policies and procedures to ensure that sufficient records are established and maintained to enable a determination that applicable federal and state requirements are met. The written standards must be applied consistently for all Program Participants. Written policies must include, but not be limited to, Inclusive Marketing outlined in §7.10 of this chapter (relating to Inclusive Marketing).

(b) Subrecipient must obtain the correct level of environmental clearance prior to expenditure of funds. Activities for which the Subrecipient does not properly complete the Department's environmental review process are ineligible, and funds will not be reimbursed or will be required to be repaid.

(c) Subrecipient is prohibited from charging occupancy fees for emergency shelter activities supported by funds covered by this subchapter.

(d) If a Private Nonprofit Organization Subrecipient wishes to expand the geographic scope of its emergency shelter activities after Contract execution, an updated certification of approval from the Unit of General Purpose Local Government with jurisdiction over the updated Service Area must be submitted to the Department before funds are spent on emergency shelter in those areas.

(e) Subrecipient must document compliance with the shelter and housing standards per 24 CFR §576.500(j) and (k), including but not limited to, maintaining sufficient construction and shelter inspection reports.

(f) Rental developments must comply with all construction or operational requirements governing the development or program to which funds are comingled, and must comply with local health and safety codes.

(g) Subrecipient may be required to complete Contract orientation training prior to submission of the first Monthly Expenditure Report. Subrecipient must also complete training as requested by the Department in response to Findings or other issues identified while managing the Contract.

(h) Subrecipient must develop and establish written procurement procedures that comply with federal, State, and local procurement requirements. A conflict of interest related to procurement is prohibited by 2 CFR §200.317-318 or Chapter 171 of the Local Government Code, as applicable.

(i) In instances where a potential conflict of interest exists related to a beneficiary of assistance to a Program Participant, Subrecipient must submit a request to the Department to grant an exception to any conflicts prohibited using the procedures at 24 CFR §576.404. The request submitted to the Department must include a disclosure of the nature of the conflict, accompanied by an assurance that there has been public disclosure of the conflict, a description of how the public disclosure was made, and an attorney's opinion that the conflict does not violate State or local law. No funds will be committed to assist a Household until HUD has granted an exception.

(j) Subrecipient will comply with the requirements under 24 CFR §576.409, "Protection for victims of domestic violence, dating violence, sexual assault, or stalking."

(1) Compliance with 24 CFR §576.409 includes, but is not limited to, providing two Departmental forms called "Notice of Occupancy Rights under the Violence Against Women Act" based on HUD form 5380

and "Certification of Domestic Violence, Dating Violence, Sexual Assault, or Stalking," HUD form 5382, to each of the following:

(A) All applicants for short- and medium-term rental assistance at the time of admittance or denial;

(B) Program Participants of short- and medium-term rental assistance prior to execution of a Rental Assistance Agreement;

(C) Program Participants of short- and medium-term rental assistance with any notification of eviction or notification of termination of assistance; and

(D) Program Participants of short- and medium-term rental assistance either during an annual Recertification or lease renewal process, whichever is applicable.

(2) Subrecipient will adopt and follow an Emergency Transfer Plan based on HUD's model Emergency Transfer Plan, pursuant to 24 CFR §5.2005(e). Within three calendar days after Program Participants request transfers, Subrecipient will inform Program Participants of their eligibility under their Emergency Transfer Plan and keep records of all outcomes.

§7.43 Program Income

(a) Program income is gross income received by the Subrecipient or its Affiliates directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. Program income includes but is not limited to: income from fees for services performed, the use or rental of real or personal property acquired under this award, the sale of commodities or items fabricated under this award, and from payments of principal and interest on loans made with this award, where authorized. Except as outlined in the Contract, Program income does not include interest on federal grant funds, rebates, credits, discounts, refunds, etc. and interest earned on any of them.

(b) Program income received and expended during the Contract Term will count toward meeting the Subrecipient's Matching requirements, per 24 CFR §576.201(f), provided the costs are eligible costs that supplement the program.

(c) Security and utility deposits paid on behalf of a Program Participant should be treated as a grant to the Program Participant. The deposit must remain with the Program Participant, and if returned, is to be returned only to the Program Participant. If the landlord or the utility service provider requires that the deposit be returned to the Subrecipient, Affiliate, Subcontractor, or Subgrantee, the deposit is program income, and must be treated as described in this subsection.

(d) In accounting for program income, the Subrecipient must accurately reflect the receipt of such funds separate from the receipt of federal funds and Subrecipient funds.

(e) Program income that is received after the end of the Contract Term, or not expended within the Contract Term, along with program income received two years following the end of the Contract Term must be returned to the Department within 10 calendar days of receipt. Income directly generated by a grant-supported activity after the two year period is no longer program income and may be retained by the Subrecipient.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1284 **Agenda Date:** 1/15/2026 **Agenda #:** 19.

Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC §2.302 Administrative Penalty Process; an order adopting a replacement version of the rule; and directing publication in the Texas Register

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, pursuant to Tex. Gov't Code §2306.041, the Department is authorized to impose an administrative penalty on a person who violates the statute, or a rule or order adopted under the statute;

WHEREAS, pursuant to Tex. Gov't Code §2306.042, the amount of an administrative penalty may not exceed $1,000.00 per violation per day, and the Department is required to adopt an administrative penalty schedule;

WHEREAS, the current administrative penalty schedule adopted by the Department at Figure 2 of 10 TAC §2.302(k) did not account for circumstances in which extended elevator outage periods would result in an affected building failing to have an accessible route due to owners failing to repair nonfunctional elevator(s) outside of a periodic TDHCA inspection;

WHEREAS, the Department proposed adding a maximum potential administrative penalty of $1,000.00 plus $2,500.00 per week, beginning on the corrective action deadline, if all elevators in a building are non-operational, reflecting the seriousness of this violation;

WHEREAS, the proposed repeal and replacement of 10 TAC §2.302 was published in the Texas Register for public comment from October 24, 2025, through November 24, 2025, two comments were received, and responses to those comments are addressed in the attached preamble; and

WHEREAS, staff recommends adoption of the rule with no changes from the draft approved by the Board.

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the actions to publish the adopted rules in the Texas Register, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing, including the preparation of the subchapter specific preambles.

Tex. Gov't Code §2306.053 provides for the Department to administer federal housing, community affairs, and community development programs, and it authorizes the development of rules governing the administration of those programs. Tex. Gov't Code §§2306.041 -

2306.042 provide authority and limits for administrative penalty assessments for violations of the statute, Department rules, and/or orders. 10 TAC Chapter 2 governs how enforcement of programmatic requirements are handled.

BACKGROUND

During 2025, the Department has received multiple complaints relating to broken elevators, with extended outage periods during which the affected buildings did not have an accessible route. Two notable examples that were referred for enforcement are The Life at Sterling Woods (HTC 04478 / CMTS 4176) and Jubilee at Texas Parkway (HTC 17317 / CMTS 5333), both of which are elderly developments that had extended elevator outages. The Board approved an Agreed Final Order for an administrative penalty assessment for The Life at Sterling Woods on March 6, 2025, and it approved an administrative penalty assessment for Jubilee at Texas Parkway on October 9, 2025.

The current administrative penalty schedule at Figure 2 of 10 TAC §2.302(k) did not account for circumstances in which extended elevator outage periods would result in an affected building failing to have an accessible route. Department staff had anticipated administrative penalty referrals for multiple violations of National Standards for the Physical Inspection of Real Estate (NSPIRE) being referred together after a regularly scheduled TDHCA inspection, and for the resulting administrative penalties to be stacked for each said violation, rather than seeing stand-alone NSPIRE and accessibility violations for an elevator that breaks outside of the typical TDHCA inspection schedule. HUD's NSPIRE protocol classifies an inoperable elevator as a violation of moderate seriousness. The maximum potential administrative penalty under the schedule is therefore currently $1,250.00, including $250.00 for a moderate NSPIRE violation and $1,000.00 for an accessibility violation. Refusal to correct an NSPIRE violation would also cause mandatory debarment under 10 TAC §2.401(d)(4). In a separate Board item, the Department has also recommended changes to the debarment rule at 10 TAC §2.401, adding a line for non-functional elevators.

It is appropriate to consider a larger administrative penalty in the event that a building that is serviced by an elevator has no operable elevators. Accordingly, the Department added a row to 10 TAC §2.302(k), with a maximum potential administrative penalty of $1,000.00 plus $2,500.00 per week, beginning on the corrective action deadline, if all elevators in a building are down, reflecting the seriousness of this violation. A weekly multiplier was recommended rather than a daily penalty because elevator repairs can be complex, requiring specialized parts that cannot be sourced locally and, in the case of an obsolete elevator, may need to be custom-made. There is also a limited number of qualified elevator service companies. Despite these difficulties, a larger potential maximum administrative penalty is appropriate to reflect the seriousness of the violation, incentivize proactive maintenance and timely correction, and to deter future violations. This amount reflects the maximum potential administrative penalty, but it can be reduced by the Enforcement Committee if appropriate when considering the statutory factors at Tex. Gov't Code §2306.042.

Behind the preamble, the rule is provided in blackline form reflecting the changes being

adopted.

At the Board meeting on October 9, 2025, the Board approved the proposed repeal and replacement of the rule for publication for public comment. Public comment was accepted October 24, 2025, through November 24, 2025. Two comments were received, and responses to those comments are addressed in the attached preamble. Staff recommends adoption of the rules with no changes from the draft released for public comment as approved by the Board.

Attachment 1: Preamble, including required analysis, for adoption of the repeal of 10 TAC Chapter 2, Subchapter C, Administrative Penalties, §2.302 Administrative Penalty Process

The Texas Department of Housing and Community Affairs (the Department) adopts, without changes, the repeal of 10 TAC Chapter 2, Subchapter C, Administrative Penalties, §2.302 Administrative Penalty Process. The purpose of the repeal is to eliminate the outdated rule and replace it simultaneously with a new rule that addresses elevator noncompliance.

Tex. Gov't Code §2001.0045(b) does not apply because there are no costs associated with the repeal.

The Department has analyzed this proposed rulemaking, and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.
Mr. Bobby Wilkinson has determined that, for the first five years the repeal would be in effect:
1. The repeal does not create or eliminate a government program but relates to changes to an existing activity: the enforcement of the Department's program rules.
2. The repeal does not require a change in work that creates new employee positions.
3. The repeal does not require additional future legislative appropriations.
4. The repeal will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.
5. The repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.
6. The repeal is not considered to expand an existing regulation.
7. The repeal does not increase the number of individuals subject to the rule's applicability.
8. The repeal will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.
The Department has evaluated the repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The repeal does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).
The Department has evaluated the repeal as to its possible effects on local economies and has determined that for the first five years the repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the changed sections would be an updated and more germane rule. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

SUMMARY OF PUBLIC COMMENT. The public comment period was held October 24, 2025 to November 24, 2025, to receive input on the proposed repealed section. No comments were received relating to the repeal.

STATUTORY AUTHORITY. The repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the repeal affects no other code, article, or statute.

Attachment 2: Preamble, including required analysis, for adopting new 10 TAC Chapter 2, Subchapter C, Administrative Penalties, §2.302 Administrative Penalty Process
The Texas Department of Housing and Community Affairs (the Department) adopts, with no changes, new 10 TAC Chapter 2, Subchapter C, Administrative Penalties, §2.302 Administrative Penalty Process. The purpose is to eliminate the outdated rule and replace it simultaneously with a new rule that addresses the enforcement of elevator noncompliance.

Tex. Gov't Code §2001.0045(b) does not apply because there are no additional costs associated with this action. Sufficient existing state and/or federal administrative funds associated with the applicable programs are available to offset costs. No additional funds will be needed to implement this rule.

The Department has analyzed this rulemaking, and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.
Mr. Bobby Wilkinson has determined that, for the first five years the new sections would be in

effect:
1. The rule does not create or eliminate a government program but relates to changes to an existing activity: the enforcement of the Department's program rules.
2. The rule does not require a change in work that creates new employee positions.
3. The new section will not require additional future legislative appropriations.
4. The new section will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.
5. The new section is not creating a new regulation.
6. The new section does expand on an existing regulation.
7. The new section does not increase the number of individuals subject to the rule's applicability.
8. The new section will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.
The Department has evaluated the new section and determined that it will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The new section does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).
The Department has evaluated the new section as to its possible effects on local economies and has determined that for the first five years the new section would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section would be improvement in the Department's ability to enforce elevator noncompliance. The rule does provide for administrative costs to properties that have no operational elevators. There will not be economic costs to individuals required to comply with the new section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new section is in effect, enforcing or administering the sections may have some costs to the state to implement the verification process and to the Department's subrecipients in administering the rule changes. However, sufficient state or federal administrative funds associated with the applicable programs are already available to offset costs. No additional funds will be required.

SUMMARY OF PUBLIC COMMENT. The public comment period was held October 24, 2025 to November 24, 2025, to receive input on the proposed repealed section. Two comments were received from Disability Rights Texas and Texas Housers; comment is summarized below.

10 TAC §2.302(k). Penalty schedule for Multifamily Rental Findings of Noncompliance - Elevators.
Comment Summary: Commenter 1 supports the increased penalties for inoperable elevators, stating that elevators are a critical component of safe, accessible housing, and providing examples of cases where inoperable elevators were dangerous for tenants. Commenter 2 also strongly supports the addition.

Staff Response: Staff appreciates the support. No revisions are recommended.

10 TAC §2.302(k). Penalty schedule for Multifamily Rental Findings of Noncompliance - Noncompliance with the required accessibility requirements
Comment Summary: Commenters 1 and 2 both requested implementation of a mandatory minimum daily administrative penalty for Section 504 accessibility and Fair Housing Act violations. Commenter 1 referred to a specific case presented to the Department's Board in September 2023, in which a property took more than two years to install a ramp on an accessible route. They expressed an opinion that the administrative penalty assessed was too low ($10,000.00, of which $7,500.00 was forgivable with full corrections), and that harsher administrative penalties would hold properties accountable. Commenter 1 also referenced a tax credit property currently for sale that it alleges has major accessibility problems.

Both commenters specifically request that under the Finding related to Noncompliance with required accessibility requirements, that the maximum first time administrative penalty be revised from "Up to $1,000 per violation, plus an optional $100 per day for each accessibility deficiency that remains uncorrected 6 months from the corrective action deadline" to "Up to $1,000 per violation, plus: a mandatory minimum $100 per day per violation for each accessibility deficiency that remains uncorrected between 6 and 9 months from the corrective action deadline; a mandatory minimum $125 per day per violation for each accessibility deficiency that remains uncorrected between 9 and 12 months from the corrective action deadline; and a mandatory minimum $150 per day per violation for each accessibility deficiency that remains uncorrected more than 12 months from the corrective action deadline."

Staff Response: Staff has referred the concerns regarding the property for sale to the Asset Management and Compliance Divisions. Staff understands the concerns relating to administrative penalty amounts, however, Tex. Gov't. Code §2306.042 requires TDHCA to consider the following factors for all administrative penalty assessments: seriousness of the violation, the history of previous violations, the amount necessary to deter future violations, efforts made to correct the violation, and any other matter that justice may require. The Department has a standardized penalty schedule for the maximum potential penalty amount, but individual factors must also be considered as they are not conducive to standardization. A mandatory minimum administrative penalty amount would result in a penalty being assessed without regard to the statutorily required consideration of the enumerated factors. No changes are recommended to the rule.

General Comment

Comment Summary: Commenter 2 commented generally on the availability of information relating to enforcement. Though records of enforcement actions are included in board materials, those documents are hundreds of pages long and are not easily accessible for everyday Texans. The commenter recommends that TDHCA make records on informal conferences, penalties, and debarment more publicly available, such as including this information on TDHCA's website.

Staff Response: Enforcement actions are considered by the Board during open meetings, supporting background information is posted online in the board books maintained at https://tdhca.legistar.com/Calendar.aspx, including a board action request summarizing the matter and all factors considered, and copies of Board decisions are posted online at https://www.tdhca.texas.gov/tdhca-orders. Staff perceives no need to create further summaries of that activity, and recommends no further revision to the rule.

STATUTORY AUTHORITY. The new section is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein, the new section affects no other code, article, or statute. The rule, as proposed for adoption, has been reviewed by legal counsel and found to be a valid exercise of the Department's legal authority.

§2.302 Administrative Penalty Process

(a) The Executive Director will appoint an Enforcement Committee, as defined in §2.102 of this chapter (relating to Definitions).

(b) The referring division will recommend the initiation of administrative penalty proceedings to the Committee by referral to the secretary of the Committee (Secretary). At the time of referral for a multifamily rental Development, the referral letter from the referring Division will require the Responsible Party who Controls the Development to provide a listing of the Actively Monitored Developments in their portfolio. The Secretary will use this information to help determine whether mandatory Debarment should be simultaneously considered by the Enforcement Committee in accordance with §2.401(e)(2) of this section, related to repeated violations.

(c) The Secretary shall promptly contact the Responsible Party. If fully acceptable corrective action documentation is submitted to the referring division before the Secretary sends an informal conference notice, the referral shall be closed with no further action provided that the Responsible Party is not subject to consideration for Debarment and provided that the referring division does not wish to move forward with the referral based upon a pattern of repeated violations. If the Secretary is not able to facilitate resolution, but receives a reasonable plan for correction, such plan shall be reported to the Committee to determine whether to schedule an informal conference, modify the plan, or accept the plan. If accepted, plan progress shall be regularly reported to the Committee, but an informal conference will not be held unless the approved plan is substantively violated, or an informal conference is later requested by the Committee or the Responsible Party. Plan examples include but are not limited to: a rehabilitation plan with a scope of work or contracts already in place, plans approved by the Department as part of the Previous Participation Review process provided for in 10 TAC Subchapter C for an ownership transfer or funding application, plans approved by the Executive Director, plans approved by the Asset Management Division, and/or plans relating to newly transferred Developments with unresolved Events of Noncompliance originating under prior ownership. Should the Secretary and Responsible Party fail to come to, an agreement or closer of the referral, or if the Responsible Party or ownership group's prior history of administrative penalty referrals does not support closure, or if consideration of Debarment is appropriate, the Secretary will schedule an informal conference with the Responsible Party to attempt to reach an agreed resolution.

(d) When an informal conference is scheduled, a deadline for submitting Corrective Action documentation will be included, providing a final opportunity for resolution. If compliance is achieved at this stage, the referral will be closed with a warning letter provided that factors, as discussed below, do not preclude such closure. Closure with a warning letter shall be reported to the Committee. Factors that will determine whether it is appropriate to close with a warning letter include, but are not limited to:
(1) Prior Enforcement Committee history relating to the Development or other properties in the ownership group;
(2) Prior Enforcement Committee history regarding similar federal or state Programs;
(3) Whether the deadline set by the Secretary in the informal conference notice has been met;
(4) Whether the Committee has set any exceptions for certain finding types; and
(5) Any other factor that may be relevant to the situation.

(e) If an informal conference is held:

(1) Notwithstanding the Responsible Party's attendance or presence of an authorized representative, the Enforcement Committee may proceed with the informal conference;
(2) The Responsible Party may, but is not required to be, represented by legal counsel of their choosing at their own cost and expense;
(3) The Responsible Party may bring to the meeting third parties, employees, and agents with knowledge of the issues;
(4) Assessment of an administrative penalty and Debarment may be considered at the same informal conference; and
(5) In order to facilitate candid dialogue, an informal conference will not be open to the public; however, the Committee may include such other persons or witnesses as the Committee deems necessary for a complete and full development of relevant information and evidence.

(f) An informal conference may result in the following, which shall be reported to the Executive Director:
(1) An agreement to dismiss the matter with no further action;
(2) A compliance assistance notice issued by the Committee, available for Responsible Parties appearing for the first time before the Committee for matters which the Committee determines do not necessitate the assessment of an administrative penalty, but for which the Committee wishes to place the Responsible Party on notice with regard to possible future penalty assessment;
(3) An agreement to resolve the matter through corrective action without penalty with a clear timeline included. If the agreement is to be included in an order, a proposed agreed order will be prepared and presented to the Board for approval;
(4) An agreement to resolve the matter through corrective action with the assessment of an administrative penalty which may be probated in whole or in part, and may, where appropriate, include additional action to promote compliance such as requirements to obtain training. In this circumstance, a proposed agreed order will be prepared and presented to Department's Governing Board for approval;
(5) A recommendation by the Committee to the Executive Director to determine that a violation occurred, and to issue a report to the Board and a Notice of Violation to the Responsible Party, seeking the assessment of administrative penalties through a contested case hearing with the State Office of Administrative Hearings (SOAH); or
(6) Other action as the Committee deems appropriate.

(g) Upon receipt of a recommendation from the Committee regarding the issuance of a report and assessment of an administrative penalty under subsection (f)(5), the Executive Director shall determine whether a violation has occurred. If needed, the Executive Director may request additional information and/or return the recommendation to the Committee for further development. If the Executive Director determines that a violation has occurred, the Executive Director will issue a report to the Board in accordance with §2306.043 of the Texas Government Code.

(h) Not later than 14 days after issuance of the report to the Board, the Executive Director will issue a Notice of Violation to the Responsible Party, along with a Notice of Violation for Property Posting (which shall be printed and posted in two prominent places on the property subject to

the Notice, and photographic proof of the posting shall be made). The Notice of Violation issued by the Executive Director will include:
(1) A summary of the alleged violation(s) together with reference to the particular sections of the statutes and rules alleged to have been violated;
(2) A statement informing the Responsible Party of the right to a hearing before the SOAH, if applicable, on the occurrence of the violation(s), the amount of penalty, or both;
(3) Any other matters deemed relevant, including the requirements regarding the Notice of Violation for Property Posting; and
(4) The amount of the recommended penalty. In determining the amount of a recommended administrative penalty, the Executive Director shall take into consideration the statutory factors at Tex. Gov't Code §2306.042 the penalty schedule shown in the tables in subsection (k) of this section and in the instance of a proceeding to assess administrative penalties against a Responsible Party administering the annual block grant portion of CDBG, CSBG, or LIHEAP, whether the assessment of such penalty will interfere with the uninterrupted delivery of services under such program(s). The Executive Director shall further take into account whether the Department's purposes may be achieved or enhanced by the use of full or partial probation of penalties subject to adherence to specific requirements and whether the violation(s) in question involve disallowed costs.

(i) Not later than 20 days after the Responsible Party receives the Notice of Violation, the Responsible Party may accept the requirements of the Notice of Violation or request a SOAH hearing.

(j) If the Responsible Party requests a hearing or does not respond to the Notice of Violation, the Executive Director, with the approval of the Board, shall cause the hearing to be docketed before a SOAH administrative law judge in accordance with §1.13 of this title (relating to Contested Case Hearing Procedures), which outlines the remainder of the process.

(k) Penalty schedules.
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Figure 1: 10 TAC §2.302(k). Penalty schedule for Chapters 6 and 7 Findings of Noncompliance

Figure 1: 10 TAC §2.302(k)

Penalty ~~table~~schedule for Chapters 6 and 7 Findings of Noncompliance. These are the maximum potential administrative penalty amounts possible for each finding of noncompliance. When an administrative penalty is to be considered, the matrix below must be considered in conjunction with the statutory factors at Tex. Gov't Code §2306.042.		
Finding of Noncompliance	Maximum first time administrative penalty assessment	Maximum Administrative penalty assessment for a Responsible Party that has previously paid a penalty for the same
Lack of financial duties or material inventory segregation of duties	Up to $500	Up to $1,000

No Cost Allocation/Not allocating costs properly	Up to $500 for each instance	Up to $1,000 for each instance
Violation of Conflict of Interest policies	Up to $500	Up to $1,000
Lack of Insurance or Fidelity Bond coverage	Up to $1,000 + up to $100 a day for each day not in compliance	Up to $1,000 + up to $200 a day for each day not in compliance
Failure to submit Inventory Report within 45 days (end Contract Term)	Up to $500	Up to $1,000
Unallowable/Unreasonable expenditure	Up to $1,000 for each instance	Up to $1,000 for each instance
Violation of Procurement Requirements	Up to $1,000 for each service or product not properly procured	Up to $1,000 for each service or product not properly procured
Lack of Subcontractor contract	Up to $250 for each instance	Up to $500 for each instance
Lack of prior approval for purchase(s)	Up to $500 for each instance	Up to $1,000 for each instance
Instance of Fraud, Waste and/or Abuse	Up to $1,000	Up to $1,000
Commingling of funds, Misapplication of funds	Up to $1,000	Up to $1,000
Failure to timely submit Audit -Certification Form	Up to $250	Up to $1,000 per violation
Failure to timely submit Single Audit	Up to $1,000	Up to $1,000 + up to $100 for each day
Lack of providing requested	Up to $500 per day for each item or	Up to $150 per day for each item or
Failure to timely respond to Report/provide required	Up to $100 for first violation	Up to $1,000 per day per violation
Failure to report/record program income	Up to $500 for each instance	Up to $1,000 for each instance
Noncompliance with record retention	Up to $100 for each instance	Up to $1,000 for each instance
Providing assistance to income or SAVE ineligible	Up to $500 for each instance	Up to $1,000 for each instance

Service provided to clients not according to poverty	Up to $500	Up to $1,000
Failure to meet Tri- Partite Board Requirements	Up to $1,000 + up to $100 for each the	Up to $1,000 + up to $250 for each day
Failure to comply with Department minimum	Up to $250 for each instance	Up to $500 for each instance
Failure to Prioritize applicants	Up to $250 for each instance	Up to $500 for each instance
Failure to complete or to properly complete required program documents	Up to $250 for each instance	Up to $750 for each instance
Payment to Vendor without a Vendor Agreement	Up to $500 for each instance	Up to $1,000 for each instance
Failure to perform Outreach activities	Up to $500	Up to $1,000
Weatherized unit expenditure over maximum cost per unit w/o prior approval	Up to $500 for each instance	Up to $1,000 for each instance
Failure to input Ending Homelessness, HHSP, or ESG client data into the Homeless Management Information System	Up to $500 for each instance	Up to $1,000 for each instance
Other noncompliance with a contract requirement	Up to $1,000	Up to $1,000
Failure to comply with case management requirements	Up to $500	Up to $750
Noncompliance with applicable OMB or state financial management requirements	Up to $500	Up to $1,000
Noncompliance with Texas Prompt Payment Act	Up to $500	Up to $750
Noncompliance with Historical Commission requirements	Up to $500	Up to $75
Failure to comply with Limited English Proficiency (“LEP”) policies in accordance with program rule, policy or agreement	Up to $500	Up to $1000

Failure to meet accessibility requirements	Up to $1,000 per violation	Up to $1,000 per violation
Failure to submit Inventory Report within 45 days (end of contract term)	Up to $500	Up to $1,000
Failure to timely enter into an ISPA (Information Privacy and Security Agreement)	Up to $1,000 per violation	Up to $1,000 per violation
Failure to attend required training as required by program rule, policy or agreement	Up to $100 per violation	Up to $200 per violation
Failure to comply with Section 3 requirements in 24 CFR Part 75 in accordance with program rule, policy, or agreement (ESG only)	Up to $500	Up to $1,000

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Figure 2: 10 TAC §2.302(k). Penalty schedule for Multifamily Rental Findings of Noncompliance

Penalty ~~table~~schedule for Multifamily Rental Findings of Noncompliance. These are the maximum potential administrative penalty amounts possible for each finding of noncompliance. When an administrative penalty is to be considered, the matrix below must be considered in conjunction with the statutory factors at Tex. Gov't Code §2306.042:		
Finding of Noncompliance	Maximum First Time Administrative Penalty assessment	Maximum Administrative Penalty Assessment for a Responsible Party that has previously paid a penalty for the same finding type
Violations of the Uniform Physical Condition Standards	Up to $500 for level 3 deficiencies, up to $250 for level 2 deficiencies, up to $125 for level 1 deficiencies, plus an optional $100 per day for each level 2 or level 3 deficiency that remains uncorrected 6 months from the corrective action deadline	Up to $1,000 for level 3 deficiencies, up to $500 for level 2 deficiencies, up to $250 for level 1 deficiencies, plus an optional $200 per day for each level 2 or level 3 deficiency that remains uncorrected 6 months from the corrective action deadline
Violations of National Standards for Physical Inspections of Real Estate	Up to $500 for life threatening and severe deficiencies, up to $250 for moderate deficiencies, up to $125 for low deficiencies, plus an optional $100 per day for each life threatening or severe deficiency that remains uncorrected 6 months from the corrective action deadline	Up to $1,000 for life threatening and severe deficiencies, up to $500 for moderate deficiencies, up to $250 for low deficiencies, plus an optional $200 per day for each life threatening or severe deficiency that remains uncorrected 6 months from the corrective action deadline
Violations of National Standards for Physical Inspections of Real Estate, relating to inoperable elevators	If an elevator-serviced building has no operable elevators: Up to $1,000.00 per inoperable elevator, plus an optional $2,500.00 per week	If an elevator-serviced building has no operable elevators: Up to $1,000.00 per inoperable elevator, plus an optional $5,000.00 per week

	If an elevator-serviced building has an inoperable elevator, but other operable elevators are available in the building: Up to $1,000.00 per inoperable elevator, plus an optional $500.00 per week	If an elevator-serviced building has an inoperable elevator, but other operable elevators are available in the building: Up to $1,000.00 per inoperable elevator, plus an optional $1,000.00 per week
Noncompliance related to Affirmative Marketing requirements described in §10.801 of this title.	Up to $250	Up to $500
TDHCA has received notice from HUD, the DOJ, the TWC, or another party of a judgement from a court of competent jurisdiction regarding a Fair Housing Violation and/or reported general public use violations, unless such violation has already been disclosed in the Annual Owner's Compliance Report.	Up to $1,000	Up to $1,000
TDHCA has referred unresolved Fair Housing design and construction issues to the Texas Workforce Commission Civil Rights division	Up to $1,000	Up to $1,000
Development is not available to the general public because of leasing issues	Up to $1,000 per day per violation	Up to $1,000 per day per violation
Development is never expected to comply due to failure to report or allow monitoring	Up to $1,000 per day	Up to $1,000 per day

Owner did not allow on-site monitoring or failed to notify residents, resulting in inspection cancellation (including failure to appear for review)	Up to $1,000 per day	Up to $1,000 per day
LURA not in effect	Up to $1,000 per day	Up to $1,000 per day
Project failed to meet minimum set aside	Up to $1,000 per day	Up to $1,000 per day
No evidence of, or failure to certify to material participation and/or ownership by a non-profit or HUB, if required by LURA	Up to $750	Up to $1,000
Development failed to meet additional state required rent and occupancy restrictions	Up to $250 per day per violation	Up to $500 per day per ~~viola~~violation
Noncompliance with social service requirements (provision of services)	Up to $250 per violation, with each required service considered a separate violation	Up to $500 per violation, with each required service considered a separate violation
Noncompliance with social service requirements (expenditure amounts)	Double the monthly expenditure deficiency, up to a maximum of $1,000 per day	Triple the monthly expenditure deficiency, up to a maximum of $1,000 per day.
Development failed to provide housing to the elderly as promised at application	Up to $5 per day per violation	Up to $10 per day per violation
Failure to provide special needs housing, or to follow preferences and limitations as required by rule or LURA	Up to $1,000 per violation	Up to $1,000 per violation
Changes in Eligible Basis or Applicable percentage in violation of the IRS 8823 Audit Guide or other IRS guidance	Up to $1,000 per day per violation	Up to $1,000 per day per violation

Failure to submit all or parts of the Annual Owner's Compliance Report	Up to $500	Up to $1,000
Failure to respond to Compliance Division requests for clarification regarding answers on the Annual Owner's Compliance Report	Up to $250	Up to $750
Failure to submit quarterly reports as required by §10.607 of this title	Up to $100, then and additional $250 for each subsequent quarter that the report is not received	Up to $250, then an additional $500 for each subsequent quarter that the report is not submitted
Noncompliance with utility allowance requirements described in §10.614 of this title and/or Treasury Regulation 26 CFR §1.42-10	Up to $50 per unit	Up to $100 per unit
Noncompliance with lease requirements described in §10.613 of this title (relating to failure to execute required lease provisions)	Up to $500	Up to $1,000
Noncompliance with lease requirements described in §10.613 of this title (relating to failure to provide lease brochures, guides or notices described in §10.613 currently including but not limited to the Tenant Rights and Resources Guide)	Up to $250	Up to $500
Asset Management has reported that Development has failed to establish and maintain a reserve account in accordance with §10.404 of this title	Up to $1,000	Up to $1,000

Failure to provide a notary public as promised at application	Up to $500	Up to $750
Violation of the Unit Vacancy Rule	Up to $250 per violation	Up to $500 per violation
Failure to provide pre-onsite documentation	Up to $250 per pre-onsite documentation item	Up to $500 per pre-onsite documentation item
Failure to provide amenity as required by LURA	Up to $1,000 per violation	Up to $1,000 per violation, plus $100 for each subsequent day the violation continues
Failure to pay asset management, compliance monitoring or other required fee	Up to $250 for the first day plus $10 per day for each subsequent day the violation continues	Up to $500 for the first day plus $50 per day for each subsequent day the violation continues
Change in ownership without department approval (other than removal of a general partner in accordance with §10.406 of this title)	Up to $1,000 for the first day plus $100 per day for each subsequent day the violation continues	Up to $1,000 for the first day plus $200 per day for each subsequent day the violation continues
Noncompliance with written policy and procedure requirements described in §10.802 of this title (written policy violations)	Up to $500 per violation	Up to $1,000 per violation
Noncompliance with written policy and procedure requirements described in §10.802 of this title (notice of termination language requirements)	Up to $250 per violation	Up to $500 per violation
Noncompliance with Reasonable Accommodation Policy requirements as described in §10.802 of this title	Up to $500 per violation	Up to $1,000 per violation

Program Unit not leased to Low-Income household (either because the household's income exceeds the allowable limit or because the owner did not gather adequate documentation to establish household eligibility)	Up to $1,000 per violation	Up to $1,000 per violation
Program unit occupied by nonqualified full- time students	Up to $1,000 per violation	Up to $1,000 per violation
Low-Income units used on a transient basis	Up to $500 per violation	Up to $1,000 per violation
Violation of the Available Unit Rule	Up to $500 per violation	Up to $1,000 per violation
Gross rent exceeds the highest rent allowed under the LURA or other deed restriction	Up to $50 per unit per day	Up to $150 per unit per day
Failure to provide Tenant Income Certification and documentation	Up to $100 per violation	Up to $250 per violation
Unit not available for rent	Up to $50 per unit per day	Up to $100 per unit per day
Failure to collect data required by §10.612(b)(1) and/or (2) of this title (Annual Eligibility Certifications)	Up to $50 per violation	Up to $100 per violation
Development evicted or terminated the tenancy of a low- income tenant for other than good cause	Up to $1,000 per violation	Up to $1,000 per violation
Household income increased above 80 percent at recertification and Owner failed to properly determine rent	Up to $500 per violation	Up to $1,000 per violation
Violation of the Integrated Housing Rule in 10 TAC 1.15	Up to $500	Up to $500

Failure to resolve final construction deficiencies within corrective action period	Up to $1,000 per violation	Up to $1,000 per violation
Noncompliance with the required accessibility requirements such as §504 of the Rehabilitation Act of 1973, the 2010 ADA standards or other accessibility related requirements of a Department Rule, including but not limited to those described in Chapter 1, Subchapter B (except those only under the Fair Housing Act for which there is a separate category)	Up to $1,000 per violation, plus an optional $100 per day for each accessibility deficiency that remains uncorrected 6 months from the corrective action deadline	Up to $1,000 per violation, plus an optional $100 per day for each accessibility deficiency that remains uncorrected 6 months from the corrective action deadline
Noncompliance with the notice to the Department requirements described in §10.609 of this title	Up to $500	Up to $500
Failure to provide a reasonable accommodation under 10 TAC, Chapter 1, Subchapter B	Up to $1,000 per violation	Up to $1,000 per violation
Violation of the Fair Housing Act and §1.205 of this Title	Up to $1,000	Up to $1,000
Failure to reserve units for Section 811 participants (Section 811 PRA only)	Up to $750 per violation	Up to $1,000 per violation
Failure to notify the Department of the availability of Section 811 units (Section 811 PRA only)	Up to $750 per violation	Up to $1,000 per violation

Owner failed to check criminal history and drug use of household (as required by Department Rule)	Up to $250	Up to $500
Failure to use Enterprise Income Verification System (section 811 PRA only)	Up to $250	Up to $500
Failure to properly document and calculate adjusted income (section 811 PRA only)	Up to $500 per violation	Up to $1,000 per violation
Failure to use required HUD forms (Section 811 PRA only)	Up to $250	Up to $500
Accepted funding that limits 811 PRA participation	Up to $1,000	Up to $1,000
Failure to properly calculate resident portion of rent (Section 811 PRA and HOME ARP Qualified Population Units only)	Up to $50 per unit per day	Up to $150 per unit per day
Failure to use HUD model Lease (Section 811 PRA only)	Up to $500	Up to $1,000
Failure to disperse 811 PRA Units according to program requirements (relates to disbursement throughout the Development. Section 811 PRA only)	Up to $500	Up to $1,000
Failure to conduct interim certifications (Section 811 PRA only)	Up to $100 per violation	Up to $250 per violation
Failure to conduct annual income recertification (Section 811 PRA only)	Up to $100 per violation	Up to $250 per violation

Asset Management Division has reported that Development has failed to submit rents for review on an annual basis in accordance with §10.403 of this Title	Up to $750	Up to $1,000
Failure to maintain status as a qualified Community Housing Development Organization (CHDO)	Up to $1,000 + up to $100 for each day the entity failed to comply	Up to $1,000 + up to $250 for each day the entity failed to comply
Failure to submit Audit Certification Form, a Single Audit, or other programmatic audit	Up to $1,000	Up to $1,000 plus up to $100 for each day not in compliance
Failure to timely enter into an Information Privacy and Security Agreement	Up to $1,000 per violation	Up to $1,000 per violation
Failure to comply with Labor Standards requirements in accordance with program rule, policy or agreement	Up to $500	Up to $1,000
Failure to comply with displacement policies as required by program rule, policy or agreement	Up to $500	Up to $1,000
Casualty loss not corrected during restoration period	Up to $100 per unit per day	Up to $500 per unit per day
Unit leased to Household that is not qualified for the Section 811 PRA program	Up to $500	Up to $1,000
Failure to submit documentation for mail in review	Up to $1,000 per day	Up to $1,000 per day
Noncompliance with CHDO requirements	Up to $500	Up to $1,000
Failure to properly calculate security deposit (Section 811 PRA only)	Up to $1,000	Up to $1,000

Failure to prominently display required Fair Housing Posters (Section 811 PRA only)	Up to $250	Up to $500
Failure to comply with Section 3 requirements in 24 CFR Part 75in accordance with program rule, policy, or agreement	Up to $500	Up to $1,000

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Figure 3: 10 TAC 2.302(k). Penalty schedule for Single Family Program Findings of Noncompliance

Penalty table for Single Family Program Findings of Noncompliance. These are the maximum potential administrative penalty amounts possible for each finding of noncompliance. When an administrative penalty is to be considered, this matrix must be considered in conjunction with the statutory factors at Tex. Gov't Code §2306.042.		
Finding of Noncompliance	Maximum first time administrative penalty assessment	Maximum administrative penalty assessment for a Responsible Party that has previously paid a penalty for the same finding type
Noncompliance related to Affirmative Marketing requirements	Up to $500	Up to $1,000
Program Accessibility violations	Up to $100 per violation	Up to $200 per violation
Failure to meet CHDO Board requirements	Up to $1,000 + up to $100 for each day the entity failed to comply	Up to $1,000 + up to $250 for each day the entity failed to comply
Repeated violations of interim loan terms or timeline	Up to $500	Up to $1,000
Records retention violations	Up to $100 per violation	Up to $200 per violation

Failure to attend required training as required by program rule, policy or agreement	Up to $100 per violation	Up to $200 per violation
Providing assistance to households that are not income eligible	Up to $500	Up to $1,000
Violations of construction standards	Up to $500	Up to $1,000
Violations of property condition standards	Up to $500	Up to $1,000
Violation of Conflict of Interest Policies	Up to $500	Up to $1,000
Violation of program policies regarding us of funds for sectarian or religious activity	Up to $500	Up to $1,000
Failure to comply with Limited English Proficiency ("LEP") policies in accordance	Up to $500	Up to $1,000
Failure to comply with labor standards requirements in accordance with program	Up to $500	Up to $1,000
Violation of Procurement Requirements	Up to $1,000 for each service or product not properly procured	Up to $1,000 for each service or product not properly procured
Failure to comply with Section 3 requirements in 24 CFR Part 75 in accordance with program	Up to $500	Up to $1,000

Failure to comply with displacement policies as by program rule, policy, or agreement required	Up to $500	Up to $1,000
Failure to provide Tenant Income Certification and documentation	Up to $250 per violation	Up to $250 violation
Failure to collect data required by program rules, policies or agreements	Up to $50 per violation	Up to $100 per violation
Failure to provide required documentation or corrections to documentation	Up to $50 per day	Up to $150 per day
Development evicted or terminated the tenancy of a low- income tenant for other than good cause	Up to $500 per violation	Up to $1,000 per violation
For tenant-based rental programs, Household income increased above 80 percent at	Up to $500 per violation	Up to $1,000 per violation
For tenant-based rental programs, gross rent exceeds the highest rent by program rule, policy or	Up to $50 per unit per day	Up to $150 per unit per day

Failure to return or repay funds to the Department as required by (such as contract termination, assessed penalties, disallowed costs, overpayment, Deobligation, or recapture) rule, policy or agreements	Up to $50 per day	Up to $150 per day
Failure to meet accessibility requirements	Up to $1,000 per violation	Up to $1,000 per violation
Noncompliance with applicable OMB or state financial management requirements	Up to $500	Up to $1,000

Failure to timely submit Audit Certification Form	Up to $250	Up to $1,000 per violation
Failure to timely submit Single Audit	Up to $1,000	Up to $1,000 + up to $100 for each day not in compliance
Failure to timely enter into an ISPA (Information Privacy and Security Agreement)	Up to $1,000 per Violation	Up to $1,000 per Violation

Lack of insurance of fidelity bond coverage	Up to $1,000 + up to $100 a day for each day not in compliance	Up to $1,000 + up to $200 a day for each day not in compliance

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1285 **Agenda Date:** 1/15/2026 **Agenda #:** 20.

Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 2, Debarment from Participation in Programs Administered by the Department, §2.401 General; an order adopting the replacement version of the rule; and directing publication in the Texas Register

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, pursuant to Tex. Gov't Code §2306.0504, the Department is authorized to debar a person from participation in Department programs, and is required to develop a rule governing debarments;

WHEREAS, the debarment rule at 10 TAC §2.401 outlines the criteria and administrative procedures for debarments;

WHEREAS, the Department proposed replacing the rule to incorporate voluntary nonparticipation agreements, incorporate elevator noncompliance, clarify areas of confusion, and streamline 10 TAC §2.401;

WHEREAS, staff has therefore drafted a revision of the current rule on this subject, which upon Board approval will be released for public comment and returned to the Board for adoption at a subsequent Board meeting.

WHEREAS, the proposed repeal and replacement of 10 TAC §2.401 was published in the Texas Register for public comment from October 24, 2025, through November 24, 2025, two comments were received, and responses to those comments are addressed in the attached preamble; and

WHEREAS, staff recommends adoption of the rule with no changes from the draft approved by the Board.

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the actions to publish the adopted rules in the Texas Register, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing, including the preparation of the subchapter specific preambles

BACKGROUND

Tex. Gov't Code §2306.053 provides for the Department to administer federal housing, community affairs, and community development programs, and it authorizes the development

of rules governing the administration of those programs. Tex. Gov't Code §2306.0504 provides authority for the Department to debar a person from participation in Department programs, and requires the Department to develop a rule governing debarments. 10 TAC Chapter 2 governs how enforcement of programmatic requirements are handled. Debarment criteria and administrative procedures are described at 10 TAC §2.401.

Procedural changes were requested by the Board for an alternative option to debarment for circumstances in which a Responsible Party, Consultant or Vendor is referred to the Enforcement Committee for discretionary debarment violations under 10 TAC §2.401(a), but where the Enforcement Committee determines that debarment may not be warranted if the Responsible Party, Consultant, or Vendor voluntarily agrees to not participate in new funding or programs with the Department for a set period of time, as an alternative. Edits to the rule describe this new Voluntary Non-participation Agreement (VNA) option that may be offered at the Department's discretion for violations of 10 TAC §2.401 that do not require mandatory debarment.

Additionally, during 2025, the Department received multiple complaints relating to broken elevators, with extended outage periods during which the affected buildings do not have an accessible route. Two notable examples that were referred for enforcement are The Life at Sterling Woods (HTC 04478 / CMTS 4176) and Jubilee at Texas Parkway (HTC 17317 / CMTS 5333), both of which are elderly developments that had extended elevator outages. The Board approved Agreed Final Orders assessing administrative penalties for the properties on March 6, 2025, and October 9, 2025, respectively. The Department recommends adopting changes to the debarment rule at 10 TAC §2.401 to reflect the seriousness of this elevator violation, incentivize timely correction, and to deter future violations at both the affected property and others in the ownership portfolio. Debarment would not be considered in the event that the owner can provide evidence that necessary repairs were under contract with a licensed repair company within the corrective action period.

Further rule changes were recommended to clarify areas of confusion, and streamline procedures.

Behind the preamble, the rule is provided in blackline form reflecting the changes adopted.

At the Board meeting on October 9, 2025, the Board approved the proposed repeal and replacement of the rule for publication for public comment. Public comment was accepted October 24, 2025, through November 24, 2025. Two comments were received, and responses to those comments are addressed in the attached preamble. Staff recommends adoption of the rules with no changes from the draft approved by the Board.

Attachment 1: Preamble, including required analysis, for adoption of the repeal of 10 TAC Chapter 2, Subchapter D, Debarment from Participation in Programs Administered by the Department, §2.401 General

The Texas Department of Housing and Community Affairs (the Department) adopts, without changes, the repeal of 10 TAC Chapter 2, Subchapter D, Debarment from Participation in Programs Administered by the Department, §2.401 General. The purpose of the repeal is to eliminate the outdated rule and replace it simultaneously with a new rule that incorporates voluntary nonparticipation agreements, incorporates elevator noncompliance, and clarifies areas of confusion.

Tex. Gov't Code §2001.0045(b) does not apply because there are no costs associated with the repeal.

The Department has analyzed this proposed rulemaking, and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.
Mr. Bobby Wilkinson has determined that, for the first five years the repeal would be in effect:
1. The repeal does not create or eliminate a government program but relates to changes to an existing activity: the enforcement of the Department's program rules.
2. The repeal does not require a change in work that creates new employee positions.
3. The repeal does not require additional future legislative appropriations.
4. The repeal will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.
5. The repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.
6. The repeal is not considered to expand an existing regulation.
7. The repeal does not increase the number of individuals subject to the rule's applicability.
8. The repeal will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.
The Department has evaluated the repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The repeal does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).
The Department has evaluated the repeal as to its possible effects on local economies and has determined that for the first five years the repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the changed sections would be an updated and more germane

rule. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

SUMMARY OF PUBLIC COMMENT. The public comment period was held October 24, 2025 to November 24, 2025, to receive input on the proposed repealed section. No comments were received relating to the repeal.

STATUTORY AUTHORITY. The repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the repeal affects no other code, article, or statute.

Attachment 2: Preamble, including required analysis, for adopting new 10 TAC Chapter 2, Subchapter D, Debarment from Participation in Programs Administered by the Department, §2.401 General

The Texas Department of Housing and Community Affairs (the Department) adopts, with no changes, new 10 TAC Chapter 2, Subchapter D, Debarment from Participation in Programs Administered by the Department, §2.401 General. The purpose is to eliminate the outdated rule and replace it simultaneously with a new rule that incorporates voluntary nonparticipation agreements, incorporates elevator noncompliance, and clarifies areas of confusion.

Tex. Gov't Code §2001.0045(b) does not apply because there are no additional costs associated with this action. Sufficient existing state and/or federal administrative funds associated with the applicable programs are available to offset costs. No additional funds will be needed to implement this rule.

The Department has analyzed this rulemaking, and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.
Mr. Bobby Wilkinson has determined that, for the first five years the new sections would be in effect:
1. The rule does not create or eliminate a government program but relates to changes to an existing activity: the enforcement of the Department's program rules.
2. The rule does not require a change in work that creates new employee positions.
3. The new section will not require additional future legislative appropriations.
4. The new section will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.
5. The new section is not creating a new regulation.

6. The new section does expand on an existing regulation.
7. The new section does not increase the number of individuals subject to the rule's applicability.
8. The new section will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.
The Department has evaluated the new section and determined that it will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The new section does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).
The Department has evaluated the new section as to its possible effects on local economies and has determined that for the first five years the new section would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section would be improvement in the Department's enforcement abilities. There will not be economic costs to individuals required to comply with the new section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new section is in effect, enforcing or administering the sections may have some costs to the state to implement the verification process and to the Department's subrecipients in administering the rule changes. However, sufficient state or federal administrative funds associated with the applicable programs are already available to offset costs. No additional funds will be required.

SUMMARY OF PUBLIC COMMENT. The public comment period was held October 24, 2025 to November 24, 2025, to receive input on the proposed new section. Two comments were received from Texas Housers and Disability Rights Texas, and are summarized below.

10 TAC §2.401(a) and (c). Pertaining to corrective action deadlines.
Comment Summary: Commenters 1 and 2 oppose parties in violation receiving time to correct noncompliance before administrative penalties or debarment are considered. Commenter 1 referred to a specific case presented to the Department's Board in September 2023, in which a property took more than two years to install a ramp on an accessible route. Commenter 1 stated their opinion that the administrative penalty assessed in that case was too low ($10,000.00, of which $7,500.00 was forgivable with full corrections), and that the Department should consider debarment before a corrective action period is complete. Commenter 2 stated

an opinion that parties already have ample opportunities to correct before penalties or debarment are considered.

Staff Response: Staff addressed the administrative penalty concern under Department response to a separate rule, 10 §TAC 2.302. Staff understands the concerns regarding corrective action periods, however, the Department's goal is to achieve compliance, and the party's action or inaction during the corrective action period is a relevant factor that must be considered in the potential debarment term. Furthermore, this change to the rule was merely clarification; 10 TAC §2.103(c) already states that parties must receive written notice and a corrective action period prior to referral to the Enforcement Committee. No revisions are recommended.

10 TAC §2.401(a)(7). Debarment due to Bankruptcy.
Comment Summary: Commenters 1 and 2 support seeking debarment if bankruptcy results in loss of affordable units.

Staff Response: Staff appreciates the support. No revisions are recommended.

10 TAC §2.401(a)(8). Debarment for Inoperable Elevators.
Comment Summary: Commenter 1 applauds seeking debarment for developments with inoperable elevators, stating that elevators are a critical component of safe, accessible housing, and providing examples of cases where inoperable elevators were dangerous for tenants. Commenter 2 also strongly supports the addition.

Staff Response: Staff appreciates the support. No revisions are recommended.

10 TAC §2.401(a). Recommendation for Discretionary Debarment for Parties with Current Properties that are out of Compliance with Accessibility Requirements.
Commenters 1 and 2 both propose adding a new item eligible for discretionary debarment in cases where current properties do not comply with accessibility requirements. Commenter 1 alleges that multiple tax credit properties listed for sale in 2024 and 2025 had potential accessibility noncompliance, the majority of which are properties built before 2008, when TDHCA began to be involved in final construction inspections. It provided examples of potential risks associated with possible accessibility noncompliance, such as environmental controls that might be installed out of reach, or water pipes that could cause burns if they are not insulated. Commenters 1 and 2 provide a specific example of a property that is currently for sale through a ROFR, which they allege does not have any accessible units. Commenter 1 also states that two properties without any accessible units received tax credits in 2024 and 2025.

Staff Response: Staff has referred Commenter's concerns regarding older developments, including the property currently listed for sale, to the Asset Management and Compliance Divisions. The Department also responds to accessibility complaints for existing Developments in its portfolio through its complaint process in 10 TAC §1.2. The referenced 2024 and 2025 HTC awards will have standard accessibility requirements that are verified via a final construction inspection. No revisions are recommended because these concerns are outside of the scope of this rule amendment.

STATUTORY AUTHORITY. The new section is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein, the new section affects no other code, article, or statute. The rule, as adopted, has been reviewed by legal counsel and found to be a valid exercise of the Department's legal authority.

§2.401 General

(a) The Department may debar a Responsible Party, a Consultant, and/or a Vendor who has exhibited past failure to comply with any condition imposed by the Department in the administration of its programs. Any of the following discretionary debarment criteria must be past the provided corrective action deadline, if applicable. A Responsible Party, Consultant or Vendor may be referred to the Committee for Debarment for any of the following:

(1) Refusing to provide an acceptable plan to implement and adhere to procedures to ensure compliant operation of the program after being placed on Modified Cost Reimbursement;

(2) Refusing to repay disallowed costs;

(3) Refusing to enter into a plan to repay disallowed costs or egregious violations of an agreed repayment plan;

(4) Meeting any of the ineligibility criteria referenced in §11.202 of this title (relating to Ineligible Applicants and Applications) or other ineligibility criteria outlined in a Program Rule, with the exception of: ineligibility related to conflicts of interest disclosed to the Department for review, and ineligibility identified in a previous participation review in conjunction with an application for funds or resources (unless otherwise eligible for Debarment under this Subchapter D);

(5) Providing fraudulent information, knowingly falsified documentation, or other intentional or negligent material misrepresentation or omission with regard to any documentation, certification or other representation made to the Department;

(6) Failing to correct Events of Noncompliance as required by an order that became effective after April 1, 2021, and/or failing to pay an administrative penalty as required by such order, within six months of a demand being issued by the Department. In this circumstance, if the Debarment process is initiated but the Responsible Party, Consultant, and/or Vendor fully corrects the findings of noncompliance to the satisfaction of the referring division and pays the administrative penalty as required by the order before the Debarment is finalized by the Board, the Debarment recommendation may be cancelled or withdrawn by Committee recommendation and Executive Director concurrence. This type of referral would be initiated by the Secretary;

(7) Controlling a multifamily Development that was foreclosed after April 1, 2021, where the foreclosure or deed in lieu of foreclosure terminates a ~~subordinate TDHCA LURA;~~ TDHCA LURA. After January 1, 2026, this also applies if a TDHCA LURA is terminated because of bankruptcy;

(~~8~~8) Controlling a multifamily Development where there is no operable elevator in an elevator-serviced building after January 1, 2026, unless the Owner can provide evidence that necessary repairs were under contract and scheduled for repair with a licensed repair company within the corrective action period;

(9) Controlling a multifamily Development and allowing a change in ownership after April 1, 2021, without Department approval;

(~~9~~10) Transferring a Development, after April 1, 2021, without regard for a Right of First Refusal requirement;

(~~10~~11) Being involuntary removed, or replaced due to a default by the General Partner under the Limited Partnership Agreement, after April 1, 2021;

(~~11~~12) Controlling a multifamily Development and failing to correct Events of Noncompliance before the expiration of a Land Use Restriction Agreement, after the effective date of this rule;
(~~12~~13) Refusing to comply with conditions approved by the Board that were recommended by the Executive Award Review Advisory Committee after April 1, 2021;
(~~13~~14) Having any Event of Noncompliance that occurs after April 1, 2021, that causes the Department to be required to repay federal funds to any federal agency including, but not limited to the U.S. Department of Housing and Urban Development; and/or
(~~14~~15) Submitting a written certification that non-compliance has been corrected when it is determined that the Event of Noncompliance was not corrected. For certain Events of Noncompliance, in lieu of documentation, the Compliance Division accepts a written certification that noncompliance has been corrected. If it is determined that the Event of Noncompliance was not corrected, a Person who signed the certification may be recommended for debarment;
(~~15~~16) Refusing to provide an amenity required by the LURA after April 1, 2021;
(~~16~~17) Failing to reserve units for Section 811 PRA participants after April 1, 2021;
(~~17~~18) Failing to notify the Department of the availability of 811 PRA units after April 1, 2021;
(~~18~~19) Taking "choice limiting" actions prior to receiving HUD environmental clearance (24 CFR §58.22);
(~~19~~20) Substandard construction, as defined by the Program, and repeated failure to conduct required inspections;
(~~20~~21) Repeated failure to provide eligible match. 24 CFR §92.220, 24 CFR §576.201, and as required by NOFA;
(~~21~~22) Repeated failure to report program income. As applicable, 24 CFR §200.80, 24 CFR §570.500, 24 CFR §576.407(c), 24 CFR §92.~~-~~503~~,~~ 24 CFR §~~(as applicable),~~93.304, and 10 TAC §20.9, or as defined by Program Rule;
(~~22~~23) Participating in activities leading to or giving the appearance of "Conflict of Interest". As applicable, in 2 CFR Part 215, 2 CFR Part 200. 24 CFR §93.353, §92.356 24 CFR, §570.489, 24 CFR §576.404, 10 TAC §20.9, or as defined by Program Rule;
(~~23~~24) Repeated material financial system deficiencies. As applicable, 2 CFR Part 200, 24 CFR §§, 92.205, 92.206, 92.350, 92.505, and 92.508, 2 CFR Part 215, 2 CFR Part 225 (if applicable), 2 CFR Part 230 ~~(,~~ 10 TAC §20.9, Uniform Grant Management Standards, and Texas Grant Management Standards ~~(as applicable),~~ and as defined by Program Rule.
(~~24~~25) Repeated violations of Single Audit or other programmatic audit requirements;
(~~25~~26) Failure to remain a CHDO for Department committed HOME funds;
(~~26~~27) Commingling of funds, Misapplication of funds;
(~~27~~28) Refusing to submit a required Audit Certification Form, Single Audit, or other programmatic audit;
(~~28~~29) Refusing to timely respond to reports/provide required correspondence;
(~~29~~30) Failure to timely expend funds; and
(~~30~~31) A Monitoring Event determines that 50% or more of the client or household files reviewed do not contain required documentation to support income eligibility or indicate that the client or household is not income eligible.

(b) The Department shall debar any Responsible Party, Consultant, and/or Vendor who is debarred from participation in any program administered by the United States Government.

(c) Debarment for violations of the Department's Multifamily Programs. The Department shall debar any Responsible Party, Consultant, and/or Vendor who has materially or repeatedly violated any condition imposed by the Department in connection with the administration of a Department program, including but not limited to a material or repeated violation of a land use restriction agreement (LURA) or Contract. Subsection (d) of this section provides the criteria the Department will use to determine if there has been a material violation of a LURA. Subsections (e)(1) and (e)(2) of this section provide the criteria the Department shall use to determine if there have been repeated violations of a LURA. Any of the following mandatory debarment criteria must be past the corrective action deadline, if applicable.

(d) Material violations of a LURA. A Responsible Party, Consultant, and/or Vendor will be considered to have materially violated a LURA, Program Agreement, or condition imposed by the Department and shall be referred to the committee for mandatory Debarment if they:
(1) Control a Development that has, on more than one occasion scored 50 or less on a UPCS inspection or has, on more than one occasion scored 50 or less on a NSPIRE inspection, or any combination thereof. The Compliance Division may temporarily decrease this NSPIRE score threshold with approval by the Executive Director, for a period of time not longer than one year, so long as the score threshold is applied evenly to all properties;
(2) Refuse to allow a monitoring visit when proper notice was provided or failed to notify residents, resulting in inspection cancellation, or otherwise fails to make units and records available;
(3) Refuse to reduce rents to less than the highest allowed under the LURA;
(4) Refuse to correct a UPCS, NSPIRE, or final construction inspection deficiency after the effective date of this rule;
(5) Fail to meet minimum set aside by the end of the first year of the credit period (HTC Developments only) after April 1, 2021; or
(6) Excluding an individual or family from admission to the Development solely because the household participates in the HOME Tenant Based Rental Assistance Program, the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S.C. §1-437), or other federal, state, or local government rental assistance program after April 1, 2021.

(e) Repeated Violations of a LURA that shall be referred to the Committee for Debarment.
(1) A Responsible Party, Consultant, and/or Vendor shall be referred to the Committee for mandatory Debarment if they Control a Development that, during two Monitoring Events in a row is found to be out of compliance with the following Events of Noncompliance:
(A) No evidence of, or failure to certify to, material participation of a non-profit or HUB, if required by the Land Use Restriction Agreement;
(B) Any Uniform Physical Condition Standards Violations that result in a score of 70 or below in sequential UPCS inspections after April 1, 2021 or NSPIRE violations that result in a score of 50 or below in sequential inspections after the effective date of this rule, or any combination thereof. The Compliance Division may temporally decrease this NSPIRE score threshold with

approval by the Executive Director, for a period not to exceed one year, so long as the score threshold is applied evenly to all properties;

(C) Refuse to submit all or parts of the Annual Owner's Compliance Report for two consecutive years after April 1, 2021; or

(D) Gross rents exceed the highest rent allowed under the LURA or other deed restriction.

(2) Repeated violations in a portfolio. ~~Persons~~Responsible Party who control five or more Actively Monitored Developments will be considered for Debarment based on repeated violations in a portfolio. A Person shall be referred to be committee if an inspection or referral, after April 1, 2021, indicates the following:

(A) 50% or more of the Actively Monitored Developments in the portfolio that are Controlled by the Responsible Party, whether acting alone or in concert with others, have been referred to the Enforcement Committee within the last three years. The Enforcement Committee may increase this threshold at its discretion. For example, if three properties in a five-property portfolio are monitored in the same month, and then referred to the Enforcement Committee at the same time, it may be appropriate to increase the 50% threshold; or,

(B) 50% or more of the Actively Monitored Developments in the portfolio score a 70 or less during a Uniform Physical Conditions Standards inspection or score 50 or less during a NSPIRE inspection, or any combination thereof. The Compliance Division may decrease this NSPIRE score threshold with approval by the Executive Director, for a period not to exceed one year, so long as the score threshold is applied evenly to all properties.

(f) Debarment for violations of Department Programs, with the exception of the Non-Discretionary funds in the Community Services Block Grant program. Material or repeated violations of conditions imposed in connection with the administration of Programs administered by the Department. Administrators, Subrecipients, Responsible Parties, contractors, multifamily owners, and related parties shall be referred to the Committee for consideration for Debarment for violations including but not limited to:

(1) 50% or more loan defaults in the first 12 months of the loan agreement after April 1, 2021;

(2) The following Davis Bacon Act Violations:

(A) Refusing to pay restitution (underpayment of wages). 29 CFR §5.31.

(B) Refusing to pay liquidated damages (overtime violations). 29 CFR §5.8.

(C) Repeated failure to pay full prevailing wage, including fringe benefits, for all hours worked. 29 CFR §5.31.

(3) The following violations of the Uniform Relocation Act and requirements of §104(d):

(A) Repeated failure to provide the General Information Notice to tenants prior to application. 49 CFR §24.203, 24 CFR §92.353, 24 CFR §93.352 and HUD Handbook 1378.

(B) Repeated failure to provide all required information in the General Information Notice. 49 CFR §24.203, 24 CFR §570.606, 24 CFR §92.353, 24 CFR §93.352, or HUD Handbook 1378.

(C) Repeated failure to provide the Notice of Eligibility and/or Notice of Non-displacement on or before the Initiation of Negotiations date. 49 CFR §24.203, 24 CFR §92.353, 24 CFR §93.352, or 24 CFR §570.606.

(D) Repeated failure to provide all required information in the Notice of Eligibility and/or Notice of Non-displacement. 49 CFR §24.203, 24 CFR §92.353, 24 CFR §93.352, or 24 CFR §570.606.

(E) Repeated failure to provide 90 Day Notices to all "displaced" tenants and/or repeated failure to provide 30 Day Notices to all "non-displaced" tenants. 49 CFR §24.203, 24 CFR §92.353, 24 CFR §93.352, or 24 CFR §570.606.

(F) Repeated failure to perform and document "decent, safe and sanitary" inspections of replacement housing. 49 CFR §24.203, 24 CFR §92.353, 24 CFR §93.352, or 24 CFR §570.606.

(G) Refusing to properly provide Uniform Relocation Act or §104(d) assistance. 49 CFR §24.203, 24 CFR §92.353, 24 CFR §570.606 and §104(d) of the Housing & Community Development Act of 1974 - 24 CFR Part 42.

(4) Refusing to reimburse excess cash on hand;

(5) Using Department funds to demolish a homeowner's dwelling and then refusing to rebuild;

(6) Drawing down Department funds for an eligible use and then refusing to pay a properly submitted request for payment to a subgrantee or vendor with the drawn down funds.

(g) The referring division shall provide the Responsible Party, Consultant, and/or Vendor with written notice of the referral to the Committee, setting forth the facts and circumstances that justify the referral for Debarment consideration. That notice shall require the Responsible Party to provide a current organizational chart showing ownership to the level of natural persons who are in Control of the development, and must indicate which entities and natural persons have the ability to Control the development.

(h) The Secretary shall then offer the Responsible Party, Consultant, and/or Vendor the opportunity to attend an Informal Conference with the Committee to discuss resolution of the. In the event that the Debarment referral was the result of a violated agreed order or a determination that 50% or more of the Actively Monitored Developments in their portfolio have been referred to the Enforcement Committee, the above written notice of the referral to the Committee and the informal conference notice shall be combined into a single notice issued by the Secretary.

(i) A Debarment Informal Conference may result in the following, which shall be reported to the Executive Director:

(1) A determination that the Department did not have sufficient information and/or that the Responsible Party, Consultant, and/or Vendor does not meet any of the criteria for Debarment;

(2) An agreed Debarment, with a proposed agreed order to be prepared and presented to the Board for approval;

(3) A recommendation by the Committee to the Executive Director for Debarment;

(4) A request for further information, to be considered during a future meeting; or,

(5) If Debarment is not mandatory, ~~an~~one of the following results, which will then be reported to the Executive Director:

(i) An agreement to dismiss the matter with no further action~~, an~~;

(ii) A recommendation for a voluntary non-participation agreement, with an alternative recommendation for Debarment to the Executive Director, with said Debarment recommendation to be made only in the event that the Responsible Party, Consultant, and/or Vendor refuses to enter into a voluntary non-participation agreement;

(iii) An agreement to dismiss the matter with corrective action being taken~~,~~; or ~~any~~

(iv) Any other action as the Committee deems appropriate~~, which will then be reported to the Executive Director~~.

~~(~~j(j) The Committee's recommendation to the Executive Director regarding a voluntary non-participation agreement shall include a recommended period during which the Responsible Party, Consultant, and/or Vendor will not participate in any new Department financing, assistance opportunity, or programs in any manner. Recommended periods of non-participation will be based on material factors such as repeated occurrences, seriousness of underlying issues, presence or absence of corrective action taken or planned, including corrective action to install new responsible persons and ensure they are qualified and properly trained. If the Department determines that this type of agreement is appropriate and the Responsible Party, Consultant, and/or Vendor agrees to the terms proposed by the Department, the Enforcement Committee will not recommend Debarment. This agreement will be placed on the Department website for the duration of its term. The Department will provide a quarterly report to the Board regarding any voluntary non-participation agreements that have been entered into during the previous quarter. The terms of a voluntary non-participation agreement are not appealable to the Board.

(k) The Committee's recommendation to the Executive Director regarding Debarment shall include a recommended period of Debarment. Recommended periods of Debarment will be based on material factors such as repeated occurrences, seriousness of underlying issues, presence or absence of corrective action taken or planned, including corrective action to install new responsible persons and ensure they are qualified and properly trained. Recommended periods of Debarment if based upon HUD Debarment, shall be for the period of the remaining HUD Debarment; or, if based upon criminal conviction, shall be up to ten (10) years or until fulfillment of all conditions of incarceration and/or probation, whichever is greater.

(~~k~~l) The Executive Director shall accept, reject, or modify the Debarment recommendation by the Committee and shall provide written notice to the Responsible Party, Consultant, and/or Vendor of the determination, and an explanation of the determination if different than the Committee's recommendation, including the period of Debarment, if any. The Responsible Party, Consultant, and/or Vendor may appeal the Debarment determination in writing to the Board as described in §1.7 of this title (relating to Appeals Process).

(~~l~~m) The Debarment recommendation will be brought to the next Board meeting for which the matter can be properly posted. The Board reserves discretion to impose longer or shorter Debarment periods than those recommended by staff based on its finding that such longer or shorter periods are appropriate when considering all factors and/or for the purposes of equity or other good cause. An action on a proposed Debarment of an Eligible Entity under the CSBG Act will not become final until and unless proceedings to terminate Eligible Entity status have occurred, resulting in such termination and all rights of appeal or review have run or Eligible Entity status has been voluntarily relinquished.

(~~m~~n) Until the Responsible ~~Party's~~Party, Consultant, and/or Vendor's Debarment referral is fully resolved, the Responsible Party, Consultant, and/or Vendor may not participate in new Department financing and assistance opportunities.

(~~n~~o) Any person who has been debarred is prohibited from participation as set forth in the final order of Debarment for the term of their Debarment. Unless specifically stated in the order of Debarment, Debarment does not relieve a Responsible Party, Consultant, and/or Vendor from its current obligations, or prohibit it from continuing its participation in any existing engagements funded through the Department, nor limit its responsibilities and duties thereunder. The Board will not consider modifying the terms of the Debarment after the issuance of a final order of Debarment.

(~~o~~p) If an Eligible Entity under the CSBG Act meets any of the criteria for Debarment in this rule, the Department may recommend the Eligible Entity for Debarment. However, that referral or recommendation shall not proceed until the termination of the Eligible Entity's status under the CSBG Act has concluded, and no right of appeal or review remains.

(~~p~~q) All correspondence under this rule shall be delivered electronically.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1293 **Agenda Date:** 1/15/2026 **Agenda #:** 21.

Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.401 Effective Date and Definitions; an order adopting new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.401 Effective Date and Definitions; and directing their publication in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, 10 TAC §1.401, Effective Date and Definitions, provides for the effective date of when the uniform guidance for recipients of federal and state funds are in effect and had specified that Texas Grant Management Standards (TxGMS) 2.0 was the current version of the state grant standards;

WHEREAS, in October 2025 the Texas Comptroller of Public Accounts released the Texas Grant Management Standards (TxGMS), Version 2.1 which replaces TxGMS Version 2.0 and for which the version number and effective dates needed to be incorporated into the Department's rule;

WHEREAS, to put this rule into effect, such revision was proposed through the repeal of the current rule and a simultaneous new rule to be proposed in its place; and

WHEREAS, such proposed rulemaking was published in the *Texas Register* for public comment and no comment was received;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the actions herein in the form presented to this meeting, to be published in the *Texas Register,* and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

10 TAC §1.401, Effective Date and Definitions, was identified by staff as needing revisions. This section of the rule provides for the effective date of when the uniform guidance for recipients of federal and state funds are in effect. That rule also specified that Texas Grant Management Standards (TxGMS) 2.0 was the current version of the state grant standards. However, in October 2025 the Texas Comptroller of Public Accounts released the Texas Grant Management Standards (TxGMS), Version 2.1 which replaces TxGMS Version 2.0. Therefore, the Department rule needed to be revised to incorporate those changes. This rule was released for public comment and no comment was received. The rule is being recommended for adoption with no changes to the version initially released for public comment.

Attachment 1: Preamble, including required analysis, for repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.401 Effective Date and Definitions

The Texas Department of Housing and Community Affairs (the Department) adopts, without changes, the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.401 Effective Date and Definitions. The purpose of the repeal is to eliminate the outdated rule and replace it simultaneously with a new more germane rule.

Tex. Gov't Code §2001.0045(b) does not apply to the rule because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the repeal would be in effect:

1. The repeal does not create or eliminate a government program but relates to updates to reflect changes made by the Texas Comptroller of Public Accounts to the Texas Grant Management Standards (TxGMS).

2. The repeal does not require a change in work that would require the creation of new employee positions, nor are the rule changes significant enough to reduce work load to a degree that eliminates any existing employee positions.

3. The repeal does not require additional future legislative appropriations.

4. The repeal will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The repeal will not expand, limit, or repeal an existing regulation.

7. The repeal will not increase or decrease the number of individuals subject to the rule's applicability.

8. The repeal will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The repeal does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the repeal as to its possible effects on local economies and has determined that for the first five years the repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the changed sections would be a rule in compliance with the newest version of the Texas Grant Management Standards. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

SUMMARY OF PUBLIC COMMENT. The Department requested comments on the proposed repeal and also requested information related to the cost, benefit, or effect of the proposed repeal, including any applicable data, research, or analysis from any person required to comply with the repeal or any other interested person. The public comment period was held November 21, 2025 to December 21, 2025, to receive input on the proposed action. No comment was received.

STATUTORY AUTHORITY. The repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the repeal affects no other code, article, or statute.

Subchapter D, Uniform Guidance for Recipients of Federal and State Funds

§1.401. Effective Date and Definitions

Attachment 2: Preamble, including required analysis, for new §1.401 Effective Dates and Definitions

The Texas Department of Housing and Community Affairs (the Department) adopts, without changes, new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.401 Effective Date and Definitions. The purpose of the new section is to make updates that relate to the newest version of the Texas Grant Management Standards released in October 2025 by the Texas Comptroller of Public Accounts.

Tex. Gov't Code §2001.0045(b) does not apply to the rule because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the new section would be in

effect:

1. The new section does not create or eliminate a government program but relates to updates to new changes to the Texas Grant Management Standards.

2. The new section does not require a change in work that would require the creation of new employee positions, C are the rule changes significant enough to reduce work load to a degree that eliminates any existing employee positions.

3. The new section does not require additional future legislative appropriations.

4. The new section will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The new section is not creating a new regulation, except that it is replacing a section being repealed simultaneously to provide for revisions.

6. The new section will not expand, limit, or repeal an existing regulation.

7. The new section will not increase or decrease the number of individuals subject to the rule's applicability.

8. The new section will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the new section and determined that it will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The new section does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the new section as to its possible effects on local economies and has determined that for the first five years the new section would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section would be a clearer rule relating to compliance with Texas Grant Management Standards, version 2.1. There will not be economic costs to individuals required to comply with the new section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new section is in effect, enforcing or administering the section does not have any foreseeable implications related to costs or revenues of the state or local governments.

SUMMARY OF PUBLIC COMMENT. The Department requested comments on the new section and also requested information related to the cost, benefit, or effect of the proposed new section, including any applicable data, research, or analysis from any person required to comply

with the repeal or any other interested person. The public comment period was held November 21, 2025 to December 21, 2025, to receive input on the proposed action. No comment was received.

STATUTORY AUTHORITY. The new section is adopted pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the new section affects no other code, article, or statute.

§1.401 Effective Dates and Definitions

(a) Revisions to this Subchapter reflect updates to 2 CFR Part 180 and 2 CFR Part 200, which are generally effective for Contracts executed on or after October 1, 2024. This rule also reflects conformance with the Texas Grant Management Standards Version (TxGMS) 2.0 and 2.1 published by the Texas Comptroller of Public Accounts in October 2024 and October 2025, respectively. TxGMS 2.0 may be incorporated into Contracts executed on or after October 1, 2024 or Contracts with nonprofit organizations that administer state funds where funds are added on or after October 1, 2024. TxGMS 2.1 is effective for Contracts with local governments and block grants subject to Chapter 2105 of the Tex. Gov’t Code executed on or after October 1, 2025 or where funds are added on or after October 1, 2025. TxGMS 2.1 will be incorporated into Contracts with nonprofit organizations that administer state funds, that are executed after the effective date of this rule, and may be incorporated into Contracts where funds are added after the effective date of this rule. Previous versions of these rules as memorialized in Contracts will continue to be effective unless the Contract is amended to reflect TxGMS 2.1.

(b) Definitions. The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise. Capitalized words used herein have the meaning assigned in the specific Chapters and Rules of this title that govern the program associated with the request, or assigned by federal or state law.

(1) Affiliate--Shall have the meaning assigned by the specific program or programs described in this part.

(2) Department--The Texas Department of Housing and Community Affairs.

(3) Equipment--tangible personal property having a useful life of more than one year or a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by entity for financial statement purposes, or $10,000.

(4) Professional services--for a unit of government is as defined by state law. For Private Nonprofit Organizations it means services:

(A) within the scope of the practice, as defined by state law, of:

(i) accounting;

(ii) architecture;

(iii) landscape architecture;

(iv) land surveying;

(v) medicine;

(vi) optometry;

(vii) professional engineering;

(viii) real estate appraising;

(ix) professional nursing; or

(x) legal services; or

(B) provided in connection with the professional employment or practice of a person who is licensed or registered as:

(i) a certified public accountant;

(ii) an architect;

(iii) a landscape architect;

(iv) a land surveyor;

(v) a physician, including a surgeon;

(vi) an optometrist;

(vii) a professional engineer;

(viii) a state certified or state licensed real estate appraiser;

(ix) attorney; or

(x) a registered nurse.

(5) Single Audit--The audit required by Office of Management and Budget (OMB), 2 CFR Part 200, Subpart F, or Tex. Gov't Code, chapter 783, Uniform Grant and Contract Management, as reflected in an audit report.

(6) Single Audit Certification Form--A form that lists the source(s) and amount(s) of Federal funds and/or State funds expended by the Subrecipient during their fiscal year along with the outstanding balance of any loans made with federal or state funds if there are continuing compliance requirements other than repayment of the loan.

(7) Subrecipient--Includes an entity receiving or applying for federal or state funds from the Department under Chapters 6, 7, 20, 23, 24, 25, or 26 as identified by Contract or in this subchapter. Except as otherwise noted in this subchapter or by Contract, the definition does not include Applicants/Owners who have applied for and/or received funds for rental development, except for CHDO Operating funds, NCO Nonprofit Capacity Building, NCO Operating Assistance, a grant made to a unit of government or nonprofit organization, or Affiliate with state funds, or TCAP-RF grants or loans when made to a unit of government or nonprofit organization or Affiliate. Except as otherwise noted in this subchapter or by Contract, this definition does not include vendors having been procured by the Department for goods or services. A Subrecipient may also be referred to as Administrator.

(8) Supplies--means tangible personal property other than "Equipment" in this section.

(9) Texas Grant Management Standards (TxGMS)--The standardized set of financial management procedures and definitions established by Tex. Gov't Code, chapter 783 regarding

Uniform Grant and Contract Management to promote the efficient use of public funds by requiring consistency among grantor agencies in their dealings with grantees, and by ensuring accountability for the expenditure of public funds. This includes TxGMS Version 2.1 published by the Texas Comptroller of Public Accounts in October 2025. State agencies are required to adhere to these standards when administering grants and other financial assistance agreements with cities, counties and other political subdivisions of the state. This includes all Public Organizations including public housing and housing finance agencies. In addition, Tex. Gov't Code Chapter 2105, regarding Administration of Block Grants, subjects Subrecipients of federal block grants (as defined therein) to TXGMS.

(10) Uniform Grant Management Standards (UGMS)--the standardized set of financial management procedures used by the Department in Contracts that began before January 1, 2022.

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Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1294 **Agenda Date:** 1/15/2026 **Agenda #:** 22.

Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.403 Single Audit Requirements; an order adopting new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.403 Single Audit Requirements; and directing their publication in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, §1.403, Single Audit Requirements, requires that Subrecipients or Multifamily Development owners applying for or in receipt of direct loan funds (MF owner), that expend $1,000,000 or more in an entity's fiscal year in federal and/or state awards or have an outstanding loan balance associated with a federal or state resource of $1,000,000 with continuing compliance requirements, or a combination thereof must have a Single Audit or program-specific audit conducted;

WHEREAS, the Single Audit on occasion identifies issues that would suggest that the Subrecipient or MF owner has weaknesses in their operations and/or controls that indicate that they are not likely to be strong candidates in receiving or handling state or federal funds responsibly;

WHEREAS, staff recommends that the current rule at §1.403 be revised to more clearly specify that the Department will not award funds, and/or may cancel a contract with a Subrecipient or MF Owner, when certain audit findings have been identified in the Single Audit and are significant enough that the state or federal funds are being put at risk;

WHEREAS, to put this rule into effect, such revision was proposed through the repeal of the current rule and a simultaneous new rule to be proposed in its place; and

WHEREAS, such proposed rulemaking was published in the *Texas Register* for public comment and no comment was received;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the actions herein in the form presented to this meeting, to be published in the *Texas Register*, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

§1.403, Single Audit Requirements, has been identified by staff as needing revisions. §1.403, Single Audit Requirements, requires that Subrecipients or Multifamily Development owners applying for or in receipt of direct loan funds (MF owners), that expend $1,000,000 or more in an entity's fiscal year in federal and/or state awards or have an outstanding loan balance

associated with a federal or state resource of $1,000,000 with continuing compliance requirements, must have a Single Audit or program-specific audit conducted.

Upon receipt of the Single Audits by the Department, staff reviews the Single Audit for issues of concern. The Single Audit on occasion identifies issues that would suggest that the Subrecipient or MF owner has weaknesses in their operations and/or controls that indicate that they are not likely to be strong candidates in receiving or handling state or federal funds responsibly. This may occur at the time of the Subrecipient or MF owner applying for funds or during the terms of a contract. The Department's rules are not specific on which types of audit findings may prompt the Department not to fund, or to stop funding, a contract.

Staff recommended that the current rule at §1.403 be revised to more clearly specify that the Department will not award funds, and/or may cancel a contract with a Subrecipient or MF Owner, when certain audit findings have been identified in the Single Audit and are significant enough that the state or federal funds are being put at risk. This rule change is intended to protect federal and state funds from being used improperly, and to minimize the likelihood of disallowed costs that may need to be repaid by the Subrecipient, and ultimately by the Department.

This rule was released for public comment and no comment was received. The rule is being adopted without changes from the version released for public comment.

Attachment 1: Preamble, including required analysis, for repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.403 Single Audit Requirements

The Texas Department of Housing and Community Affairs (the Department) adopts the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.403 Single Audit Requirements. The purpose of the repeal is to eliminate the outdated rule and replace it simultaneously with a new more germane rule.

Tex. Gov't Code §2001.0045(b) does not apply to the rule because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the repeal would be in effect:

1. The repeal does not create or eliminate a government program but relates to changes to an existing activity: requirements relating to single audits.

2. The repeal does not require a change in work that would require the creation of new employee positions, nor are the rule changes significant enough to reduce work load to a degree that eliminates any existing employee positions.

3. The repeal does not require additional future legislative appropriations.

4. The repeal will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The repeal will not expand, limit, or repeal an existing regulation.

7. The repeal will not increase or decrease the number of individuals subject to the rule's applicability.

8. The repeal will not negatively or positively effect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The repeal does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the repeal as to its possible effects on local economies and has determined that for the first five years the repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the changed sections would be an updated and more germane rule. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

SUMMARY OF PUBLIC COMMENT. The Department requested comments on the proposed repeal and also requested information related to the cost, benefit, or effect of the proposed repeal, including any applicable data, research, or analysis from any person required to comply with the repeal or any other interested person. The public comment period was held November 21, 2025 to December 21, 2025, to receive input on the proposed action. No comment was received.

STATUTORY AUTHORITY. The repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the repeal affects no other code, article, or statute.

Subchapter D, Uniform Guidance for Recipients of Federal and State Funds

§1.403. Single Audit Requirements

Attachment 2: Preamble, including required analysis, for new §1.403 Single Audit Requirements

The Texas Department of Housing and Community Affairs (the Department) adopts new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.403 Single Audit Requirements. The purpose of the new section is to provide greater clarity in relation to the findings that may be identified in a single audit that would warrant the Department to not fund, or to stop funding, a given contract.

Tex. Gov't Code §2001.0045(b) does not apply to the rule because it was determined that no costs are associated with this action, and therefore no costs warrant being offset.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the new section would be in effect:

1. The new section does not create or eliminate a government program but relates to updates to existing requirements for recipients of Department funds.

2. The new section does not require a change in work that would require the creation of new employee positions, nor are the rule changes significant enough to reduce work load to a degree that eliminates any existing employee positions.

3. The new section does not require additional future legislative appropriations.

4. The new section will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The new section is not creating a new regulation, except that it is replacing a section being repealed simultaneously to provide for revisions.

6. The new section will not expand, limit, or repeal an existing regulation.

7. The new section will not increase or decrease the number of individuals subject to the rule's applicability.

8. The new section will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the new section and determined that it will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The new section does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the new section as to its possible effects on local economies and has determined that for the first five years the new section would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section would be a clearer rule relating to when single audit findings are significant enough to warrant not funding, or stopping funding, a contract. There will not be economic costs to individuals required to comply with the new section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new section is in effect, enforcing or administering the section does not have any foreseeable implications related to costs or revenues of the state or local governments.

SUMMARY OF PUBLIC COMMENT. The Department requested comments on the proposed new rule and also requested information related to the cost, benefit, or effect of the proposed new rule, including any applicable data, research, or analysis from any person required to comply with the rule or any other interested person. The public comment period was held November 21, 2025 to December 21, 2025, to receive input on the proposed action. No comment was received.

STATUTORY AUTHORITY. The new section is adopted pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the new section affects no other code, article, or statute.

§1.403 Single Audit Requirements

(a) For this section, the word Subrecipient also includes Multifamily Development Owners who have applied for or received Direct Loan Funds, grants or 811 PRA funds from the Department who are or have an Affiliate that is required to submit a Single Audit, i.e. units of government, nonprofit organizations.

(b) Procurement of a Single Auditor. A Subrecipient or Affiliate must procure their single auditor in the following manner unless subject to a different requirement in the Local Government Code:

(1) Competitive Proposal procedures whereby competitors' qualifications are evaluated and a contract awarded to the most qualified competitor. Proposals should be advertised broadly, which may include going outside the entity's service area, and solicited from an adequate number (usually two or more) of qualified sources. Procurements must be conducted in a manner that prohibits the use of in-state or local geographical preferences in the evaluation of bids or proposals;

(2) A Subrecipient may not use the sealed bid method for procurement of the Single Auditor. There is no requirement that the selected audit firm be geographically located near the

Subrecipient. If a Subrecipient does not receive proposals from firms with appropriate experience or responses with a price that is not reasonable compared to the cost price analysis, the submissions must be rejected and procurement must be re-performed.

(c) A Subrecipient or Affiliate must confirm that it is contracting with an audit firm that is properly licensed to perform the Single Audit and is not on a limited scope status or under any other sanction, reprimand or violation with the Texas State Board of Public Accountancy. The Subrecipient must ensure that the Single Audit is performed in accordance with the limitations on the auditor's license.

(d) A Subrecipient is required to submit a Single Audit Certification form within two (2) months after the end of its fiscal year indicating the amount they expended in Federal and State funds during the fiscal year and the outstanding balance of any loans made with federal funds if there are continuing compliance requirements other than repayment of the loan.

(e) A Subrecipient that expends $1,000,000 or more in an entity's fiscal year that starts on or after October 1, 2024 (or in the case of an entity's fiscal years starting before October 1, 2024, $750,000 or more) in federal and/or state awards or have an outstanding loan balance associated with a federal or state resource of $1,000,000 or $750,000 (as applicable for the fiscal year) with continuing compliance requirements, or a combination thereof must have a Single Audit or program-specific audit conducted. If the Subrecipient's Single Audit is required by 2 CFR 200, subpart F, the report must be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after receipt of the auditor's report or nine (9) months after the end of its respective fiscal year. If a Single Audit is required but not under 2 CFR Part 200, subpart F, the report must be submitted to the Department the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of its respective fiscal year. If the deadline is on a Saturday, Sunday, federal holiday (for a Single Audit required to be submitted to the Federal Audit Clearinghouse), or a state holiday (for a Single Audit required to be submitted to the Department), the deadline is the next business day.

(f) A Subrecipient is required to submit a notification to the Department within five business days of submission to the Federal Audit Clearinghouse. Along with the notice, the Subrecipient must indicate if the auditor issued a management letter. If a management letter was issued by the auditor, a copy must be sent to the Department.

(g) The Department will review the Single Audit and issue a management decision letter for audit findings pertaining to the Federal or State award provided to the Subrecipient from the Department. If the Single Audit results in disallowed costs, those amounts must be repaid or an acceptable repayment plan must be entered into with the Department in accordance with 10 TAC §1.21, Action by Department if Outstanding Balances Exist.

(h) In evaluating a Single Audit, the Department will consider both audit findings and management responses in its review. The Department will notify Subrecipients and Affiliates (if applicable) of any Deficiencies or Findings from within the Single Audit for which the Department requires additional information or clarification and will provide a deadline by which that resolution must occur.

(i) The Subrecipient may submit written comments for consideration within five business days of the Department's management decision letter.

(j) If the Subrecipient disagrees with the auditors finding(s), and the issue is related to administration of one of the Department's programs, an appeal process is available to provide an opportunity for the auditee to explain its disagreement to the Department. This is not an appeal of audit findings themselves. The Subrecipient may submit a letter of appeal and documentation to support the appeal. The Department will take the documentation and written appeal into consideration prior to issuing a management decision letter. If the Subrecipient does not disagree with the auditor's finding, no appeal to the Department is available.

(k) In accordance with 2 CFR Part 200 and the State of Texas Single Audit Circular §225, with the exception of nondiscretionary CSBG funds except as otherwise required by federal laws or regulations, the Department may suspend and cease payments under all active Contracts, may elect not to recommend an award to the Board, may refrain from executing a reservation agreement or associated commitment of funds under a reservation agreement, or may refrain from executing a new Contract for any Board awarded contracts if any of the issues identified in paragraphs (1) through (3) of this section occur. The Department may also use its discretion to withhold a contract or funding associated with the Single Audit based on the type of Department program for which the Subrecipient is applying. Multifamily Development Owners that are applying for or have received an award for Multifamily Direct Loans will be evaluated against the criteria in this subsection for consideration or reconsideration only before loan closing.

(1) the Single Audit is not received in accordance with the submission requirements detailed in subsection (e) and (f) of this section;

(2) the required Single Audit Certification form detailed in subsection (d) of this section is not received; or

(3) if any of the following issues have been identified:

(A) in the most recent Single Audit:

(i) the Single Audit identifies the Subrecipient as a ‘going concern’;

(ii) the Single Audit identifies that the Subrecipient has systemic inadequate fiscal controls or ineffective financial processes;

(iii) the Single Audit identifies one or more material weaknesses that relate to the responsibilities associated with the program to be funded;

(iv) the Single Audit identifies a combination of weaknesses and deficiencies that when taken together reflect a high risk for noncompliant use of state or federal funds; or

(v) the Single Audit has received a Modified, Adverse or Disclaimed determination by the auditor;

(B) in at least two of the last three Single Audits for which the findings have not been corrected:

(i) the Single Audits identify inaccurate reporting specific to Department funded programs;

(ii) the Single Audits identify questioned costs related to Department funded programs;

(iii) the Single Audits identify questioned costs relating to cross-cutting administrative or operational expenses such as cost allocation, procurement, or payroll;

(iv) the Single Audits identify that there is inadequate separation of duties; or (v) the Single Audits identify a combination of weaknesses and deficiencies that when taken together reflect a high risk for noncompliant use of state or federal funds.

(l) In accordance with Subchapter C of this Chapter (relating to Previous Participation Reviews), if a Subrecipient applies for funding or an award from the Department, findings noted in the Single Audit and the failure to timely submit a Single Audit Certification Form or Single Audit will be reported to the Executive Director.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1295 **Agenda Date:** 1/15/2026 **Agenda #:** 23.

Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.406 Fidelity Bond Requirements; an order adopting new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.406 Fidelity Bond Requirements; and directing their publication in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, 10 TAC §1.406 relates to the fidelity bond requirements of entities funded by the Department which requires that in order to provide for fiscal control and accounting procedures any Subrecipient must maintain adequate fidelity bond coverage to indemnify the Subrecipient against losses resulting from the fraud or lack of integrity, honesty or fidelity of one or more of its employees, officers, or other persons holding a position of trust;

WHEREAS, the current rule requires that the fidelity bond be for a minimum of 5% of the Contract amount;

WHEREAS, some activities in the Department that operate on a reservation system do not have any fund amount identified in the contract with the subrecipient, thus inadvertently enabling those subrecipients to not carry fidelity bond coverage; and

WHEREAS, staff is recommending that the rule be revised to provide that fidelity bond coverage be for the greater of 10% of the Contract amount or $50,000, which will thereby add that requirement to all entities whose contracts do not show an amount, and staff has therefore drafted a revision of the current rule on this subject, which was released for public comment and for which no comment was received;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the actions herein in the form presented to this meeting, to be published in the *Texas Register*, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

The Department is required to assure that fiscal control and accounting procedures for federally funded entities will be established to assure the proper disbursal and accounting for the federal funds paid to the state that are passed to these entities. In compliance with that assurance the

Department requires program Subrecipients to maintain adequate fidelity bond coverage. A fidelity bond is a bond indemnifying the Subrecipient against losses resulting from the fraud or lack of integrity, honesty, or fidelity of one or more of its employees, officers, or other persons holding a position of trust.

10 TAC §1.406, Fidelity Bond Requirements, relates to this subject. The current rule requires that the fidelity bond only be for a minimum of 5% of the Contract amount, tying the amount of the bond to the amount of a Contract. However, some activities in the Department that operate on a reservation system do not have any fund amount identified in the contract with the subrecipient which has resulted in those entities not having a clear requirement for their fidelity bond.

Staff has identified this as an area of risk, and as such recommended that the rule be revised to both increase the percentage amount to 10% and provide a minimum, regardless of Contract type, of $50,000. An entity would have to provide coverage in an amount that is the greater of 10% of the Contract Amount, or $50,000. Administrators with a reservation agreement would be required to increase the amount of the fidelity bond to meet the 10% minimum once commitments of federal funds exceed $500,000 in total.

When adopted, this rule will begin being applied to new applications, and will also be applied to any entity with a reservation system agreement pursuing additional household fund commitments.

This rule was released for public comment and no comment was received.

Attachment 1: Preamble, including required analysis, for repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.406, Fidelity Bond Requirements

The Texas Department of Housing and Community Affairs (the Department) adopts the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.406 Fidelity Bond Requirements. The purpose of the repeal is to eliminate the outdated rule and replace it simultaneously with a new rule that provides greater risk mitigation for the Department as it relates to fidelity bond coverage of the Department's subrecipients.

Tex. Gov't Code §2001.0045(b) does not apply to the rule because there are no costs associated with the repeal.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the repeal would be in effect:

1. The repeal does not create or eliminate a government program but relates to changes to an existing activity: fidelity bond requirements.

2. The repeal does not require a change in work that creates new employee positions nor does it generate savings that would eliminate any employee positions.

3. The repeal does not require additional future legislative appropriations.

4. The repeal will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The repeal is not considered to expand an existing regulation.

7. The repeal does not increase the number of individuals subject to the rule's applicability.

8. The repeal will not negatively or positively effect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The repeal does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the repeal as to its possible effects on local economies and has determined that for the first five years the repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the changed sections would be an updated and more germane rule, and greater risk mitigation or the Department. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

SUMMARY OF PUBLIC COMMENT. The Department requested comments on the rule and also requested information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period was held November 21 to December 21, 2025, to receive input on the proposed action. No comment was received.

STATUTORY AUTHORITY. The repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the repeal affects no other code, article, or statute.

§1.406. Fidelity Bond Requirements

Attachment 2: Preamble, including required analysis, for new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.06 Fidelity Bond Requirements.

The Texas Department of Housing and Community Affairs (the Department) adopts new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.406 Fidelity Bond Requirements. The purpose of the rule is to eliminate the outdated rule and replace it simultaneously with a new rule that provides greater risk mitigation for the Department as it relates to fidelity bond coverage of the Department's subrecipients.

Tex. Gov't Code §2001.0045(b) does not apply to the rule because there are no costs associated with this action.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the new section would be in effect:

1. The rule does not create or eliminate a government program but relates to changes to an existing activity: fidelity bond requirements.

2. The rule does not require a change in work that creates new employee positions nor does it generate savings that would eliminate any employee positions.

3. The new section does not require additional future legislative appropriations.

4. The new section will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The new section is not creating a new regulation.

6. The new section does expand on an existing regulation.

7. The new section will not increase or decrease the number of individuals subject to the rule's applicability.

8. The new section will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the new section and determined that it will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The new section does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the new section as to its possible effects on local economies and

has determined that for the first five years the new section would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section would be a rule that provides clarity around fidelity bond requirements and better mitigates Department risk. There may be minimal costs to some program participant organizations that could be readily absorbed by the administrative funds provided by TDHCA.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new section is in effect, enforcing or administering the section will not have costs to the state to implement. No additional funds will be required.

SUMMARY OF PUBLIC COMMENT. The Department requested comments on the rule and also requested information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period was held November 21 to December 21, 2025, to receive input on the proposed action. No comment was received.

STATUTORY AUTHORITY. The new section is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the new section affects no other code, article, or statute.

§1.406 Fidelity Bond Requirements

The Department is required to assure that fiscal control and accounting procedures for federal and state funded entities will be established to assure the proper disbursal and accounting for the federal funds paid to the state. In compliance with that assurance the Department requires program Subrecipients administering federal or state funds to maintain adequate fidelity bond coverage. A fidelity bond is a bond indemnifying the Subrecipient against losses resulting from the fraud or lack of integrity, honesty or fidelity of one or more of its employees, officers, or other persons holding a position of trust.

(1) In administering Contracts, Subrecipients shall observe their regular requirements and practices with respect to bonding and insurance. In addition, the Department may impose bonding and insurance requirements by Contract.

(2) If a Subrecipient is a non-governmental organization, the Department requires an adequate fidelity bond. If the amount of the fidelity bond is not prescribed in the contract, the fidelity bond must be for at least the greater of $50,000 or 10% of the Contract amount. In the event that the Subrecipient is administering a Reservation Agreement, and the amount of funds committed under the Contract exceeds $500,000, the amount of the fidelity bond must be increased to ensure that the amount meets or exceeds 10% of total funds reserved. The bond must be obtained from a company holding a certificate of authority to issue such bonds in the State of Texas.

(3) The fidelity bond coverage must include all persons authorized to sign or counter-sign checks or to disburse cash in an amount that exceeds $250. Persons who handle only amounts of less than $250 need not be bonded, nor is it necessary to bond officials who are authorized to sign payment vouchers, but are not authorized to sign or counter-sign checks or to disburse cash.

(4) The Subrecipient must receive an assurance letter from the bonding company or agency stating the type of bond, the amount and period of coverage, the positions covered, and the annual cost of the bond. Compliance must be continuously maintained thereafter. A copy of the actual policy shall remain on file with the Subrecipient and shall be subject to monitoring by the Department.

(5) Subrecipients are responsible for filing claims against the fidelity bond when a covered loss is discovered.

(6) The Department may take any one or more of the actions described in Chapter 2, of this Part, relating to Enforcement in association with issues identified as part of filing claims against the fidelity bond.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1301 **Agenda Date:** 1/15/2026 **Agenda #:** 24.

Media Analysis and Outreach Report, November 2025

Report follows this page.

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TDHCA Outreach and Media Analysis, November 2025

A compilation of TDHCA media analysis designed to enhance the awareness of TDHCA programs and services among key stakeholder groups and the general public, and outreach activities, such as trainings and webinars. The following is an analysis of print, online and broadcast news, and social media reporting for the time period of November 1-30, 2025 (news articles that specifically mentioned TDHCA generally or along with Department programs).

Total number of articles referencing TDHCA: 61
Breakdown by Medium:[1]

- Print: 8 (Editorials/Columnists = 0)
- Broadcast: 31
- Trade, Government or Internet-Based Publications: 22

Figure 1 News Tone

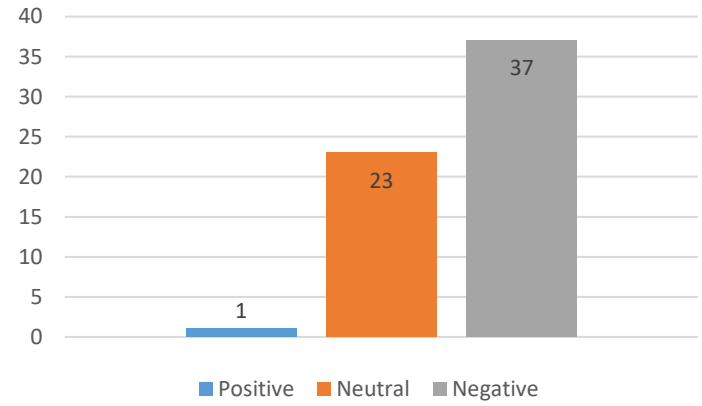
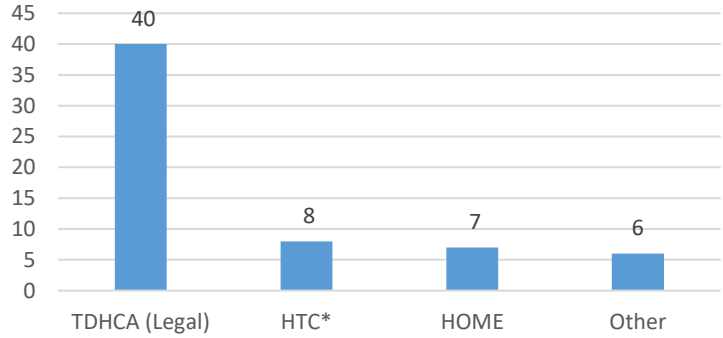
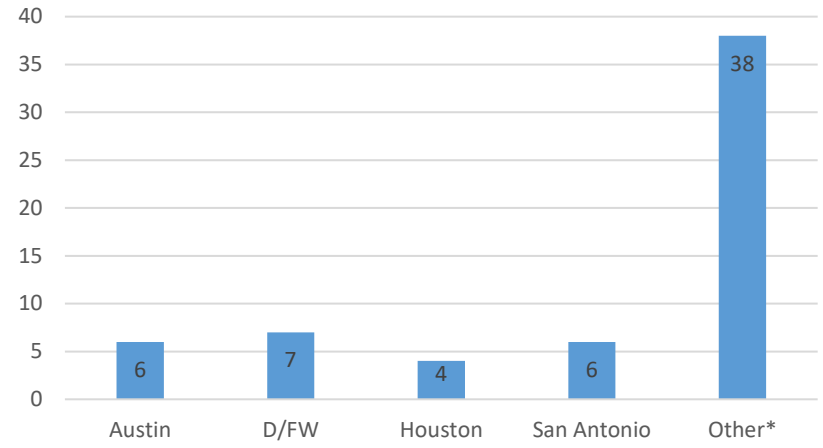


Figure 2 News Topic[2]



[1] *Broadcast numbers may represent times in which TDHCA was referenced on a television or radio station's website, rather than in a broadcast segment.* [2] *News Topics: Programs include Housing Tax Credit.*

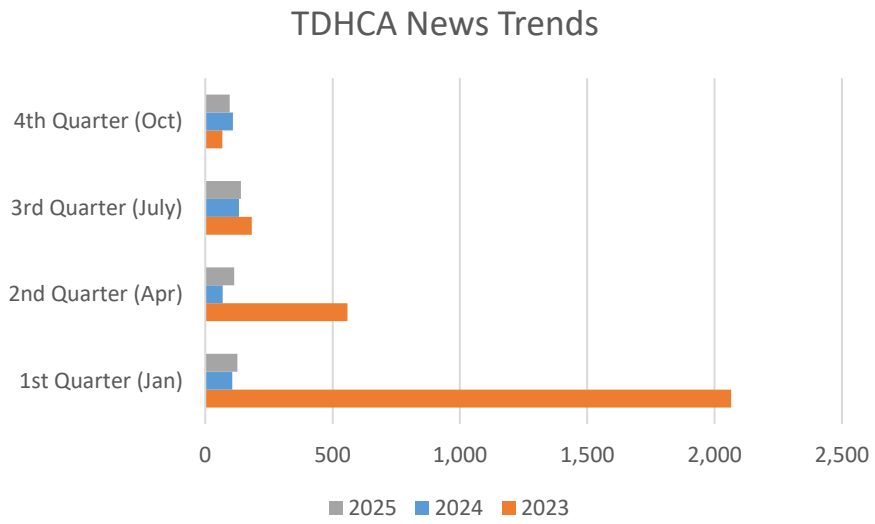
Figure 3 Media Market



Summary:
Reporting on TDHCA activities by the news media totaled 61 references in November 2025. Most of the references were negative in tone and related to a Texas Attorney General press release, issued in late November, that announced a lawsuit against TDHCA for having rules requiring that religious organizations providing services under particular TDHCA housing programs cannot use these program funds to pay for religious worship or recruitment (proselytizing).

News mentions during the month were higher than November 2024 (21 total).

The following table illustrates the number of news mentions during each month or quarter of 2025 compared to 2024 and 2023. Through the second month of the fourth quarter of 2025 (October through December), total news mentions tracked higher (475 total) compared to the number of mentions during the same timeframe of 2024 (373 total), but lower than 2023 (2,850 total). Please note, some pandemic-related programs for which TDHCA had oversight were still operating in 2023; however, news mentions in 2025 are tracking much higher than 2019 (pre-pandemic), which totaled 195 articles through the same timeframe.



Social media:
Through November 2025, TDHCA has 3,734 followers to its X account and 7,764 fans to its Facebook/Meta page. TDHCA's YouTube channel had 4,235 views in November. The following is a summary analysis of TDHCA's efforts to inform stakeholders and the public on federal and state resources, initiatives, and programs.



Month/Yr	Posts	Clicks	Engagements	Shared posts	Reactions
January 2025	48	0	57 (includes Comments)	4	50
February 2025	39	0	18 (includes Comments	3	12
March 2025	59	0	60 (includes Comments	1	53
April 2025	47	0	46 (includes Comments)	2	40
May 2025	45	0	12 (includes Comments)	1	8
June 2025	72	0	27 (includes Comments)	4	19
July 2025	99	17	54 (includes Comments)	5	44
August 2025	14	11	35 (includes Comments)	3	23
September 2025	67	27	18 (includes Comments)	1	16
October 2025	65	2	18 (includes Comments)	1	16
November 2025	71	0	27 (includes Comments)	5	19

* Clicks = number of times an individual clicked on a link provided in a post; however, FB only tracks clicks for posts that reach a minimum engagement level of 30. Engagements = any action a person takes on our post including shares, comments and reactions.



Month/Yr	Posts	Clicks	Engagements	Retweets	Liked posts
January 2025	45	0	10	2	6
February 2025	42	11	9	1	3
March 2025	57	0	7	2	5
April 2025	47	0	3	1	2
May 2025	45	0	2	0	2
June 2025	72	0	3	0	2

July 2025	100	29	9 (includes Replies)	1	6
August 2025	10	28	2	1	1
September 2025	65	27	11	0	0
October 2025	65	22	7	1	4
November 2025	69	12	13	1	11

* Clicks = number of times an individual clicked on a link provided in a post. Engagements = any action a person takes on our post

YouTube

Month	Views	Watch time (hours)	Avg. view duration	Avg. % viewed	Unique viewers
January 2025	6,118	521.9	5:07	17.6%	5,158
February 2025	4,979	471.4	5:40	15.8%	4,066
March 2025	5,471	405.6	4:26	15.1%	4,553
April 2025	5,867	563.5	5:45	18.1%	4,715
May 2025	4,886	487.3	5:59	21.2%	3,897
June 2025	6,345	496.2	4:41	20.4%	5,355
July 2025	5,541	539.5	5:50	21.0%	4,630
August 2025	5,618	614.8	6:33	21.3%	4,509
September 2025	5,528	566.3	6:08	19.7%	4,475
October 2025	3,672	514.0	8:23	17.2%	2,822
November 2025	4,235	404.5	5:43	15.8%	3,438

Understanding the YouTube Analytics

- **Views:** number of times your videos were viewed
- **Watch Time:** total number of hours your videos were watched by viewers
- **Average View Duration:** total watch time of your video divided by the total number of video plays, including replays. This metric measures your video's ability to engage viewers. The higher the view duration, the more engaging the videos.
- **Average Pct Viewed:** the percent of each video the average viewer watched. It measures your video's ability to hold viewers' attention for its entirety. YouTube generally rewards videos that can hold people's attention with higher search and recommendation rankings.
- **Unique viewers:** the estimated number of individuals who watch your videos over a certain period of time. It helps determine the size of our audience.

Top 25 videos for November 2025

Content	Duration	Publish date	Views ↓	Watch time (hours)	Average view duration	Average percentage viewed	Unique viewers
Total			**4,235**	**404.5**	**5:43**	**15.8%**	**3,438**
 Help For Texans	3:24		2,913 68.8%	75.7 18.7%	1:33	45.9%	2,759 80.3%
 Texas Homebuyer Program introduction	0:52		95 2.2%	1.2 0.3%	0:44	85.8%	94 2.7%
 2025 Income Determination Training	5:12:47		80 1.9%	26.1 6.5%	19:33	6.3%	44 1.3%
 Fair Housing 101: An Overview of Fair Housing in Texa...	1:42:33		50 1.2%	10.8 2.7%	12:55	12.6%	41 1.2%
 Reasonable Accommodations in Texas	4:09		45 1.1%	1.0 0.2%	1:19	31.8%	32 0.9%
 Assistance Animals in Texas	6:18		45 1.1%	1.3 0.3%	1:46	28.2%	32 0.9%
 Income Determination Training Webinar - Jan. 4, 2024	5:43:58		42 1.0%	58.0 14.3%	1:22:52	24.1%	18 0.5%
 Income Determination Training	4:48:58		34 0.8%	8.4 2.1%	14:46	5.1%	20 0.6%
 Fair Housing 101: The Basics of Fair Housing in Texas	1:45:18		27 0.6%	3.6 0.9%	8:04	7.7%	15 0.4%
 2025 Income Determination Training Lunch & Learn: T...	1:13:46		26 0.6%	9.9 2.5%	22:49	30.9%	19 0.6%
 2025 Income Determination Training Lunch & Learn: C...	1:26:00		25 0.6%	9.2 2.3%	21:58	25.6%	19 0.6%
 Assets and the Changes from HOTMA	1:47:05		23 0.5%	2.7 0.7%	7:04	6.6%	18 0.5%
 Let's Talk About Forms	1:32:18		22 0.5%	5.4 1.3%	14:40	15.9%	17 0.5%
 811 PRA Certifications Training	2:43:06		21 0.5%	0.5 0.1%	1:28	0.9%	10 0.3%
 Tax Exempt Bond Program (BOND) Training	2:46:29		21 0.5%	10.7 2.6%	30:29	18.3%	10 0.3%
 811 PRA: Maintaining Compliance with Unit Vacancy a...	1:25:32		21 0.5%	15.3 3.8%	43:48	51.2%	9 0.3%
 Reasonable Accommodations and the Fair Housing Ac...	1:44:37		21 0.5%	1.9 0.5%	5:29	5.3%	15 0.4%
 Common Issues of Noncompliance Training	1:42:33		21 0.5%	6.5 1.6%	18:39	18.2%	15 0.4%
 Office Hours - NSPIRE	1:38:54		21 0.5%	6.9 1.7%	19:39	19.9%	18 0.5%
 811 Certification Webinar 3	1:40:33		19 0.5%	3.1 0.8%	9:42	9.7%	11 0.3%
 IDT Lunch & Learn: Putting it all Together - The Income ...	1:19:21		19 0.5%	4.2 1.0%	13:11	16.6%	17 0.5%
 Students: Eligibility and Income	2:49:57		18 0.4%	5.3 1.3%	17:39	10.4%	13 0.4%
 Supportive Services, LURA discussion webinar	1:31:25		17 0.4%	8.0 2.0%	28:15	30.9%	13 0.4%
 Service Animals, Emotional Support Animals and the F...	1:21:07		17 0.4%	0.5 0.1%	1:45	2.2%	14 0.4%
 Transfers and Household Additions Training	1:19:05		17 0.4%	3.4 0.8%	12:00	15.2%	14 0.4%

TDHCA Outreach November 2025

A compilation of outreach activities such as meetings, trainings and webinars.

Department	Meeting Date	Meeting Title	Attendees (includes organizer)
Community Affairs/CSBG	Nov. 3	Onsite Training Session/Multiple Subs	10+
Compliance	Nov. 4	Single Family HOME with HOTMA training	53
Community Affairs/CSBG	Nov. 4	Onsite Training Session/Multiple Subs	10+
Community Affairs/CSBG	Nov. 5	Onsite Training Session/Multiple Subs	10+
Compliance	Nov. 5	811 Certifications under HOTMA training	102
Compliance	Nov. 12	811 Certifications under HOTMA training	90
Housing Resource Center	Nov. 13	Reasonable Accommodations Refresher	91
Housing Resource Center	Nov. 18	Assistance Animals Refresher	53
Community Affairs/CSBG	Nov. 19	Virtual Training Session/Multiple Subs	180+
Housing Resource Center	Nov. 20	Affirmative Marketing Training	92
Community Affairs/CSBG	Nov. 20	Virtual Training Session/Multiple Subs	11

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1304 **Agenda Date:** 1/15/2026 **Agenda #:** 25.

Media Analysis and Outreach Report, December 2025

Report follows this page.

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TDHCA Outreach and Media Analysis, December 2025

A compilation of TDHCA media analysis designed to enhance the awareness of TDHCA programs and services among key stakeholder groups and the general public, and outreach activities, such as trainings and webinars. The following is an analysis of print, online and broadcast news, and social media reporting for the time period of December 1-31, 2025 (news articles that specifically mentioned TDHCA generally or along with Department programs).

Total number of articles referencing TDHCA: 13
Breakdown by Medium:[1]

- Print: 1 (Editorials/Columnists = 0)
- Broadcast: 5
- Trade, Government or Internet-Based Publications: 7

Figure 1 News Tone

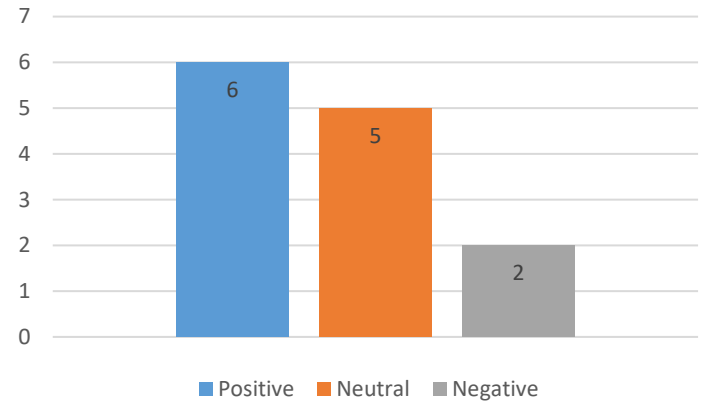
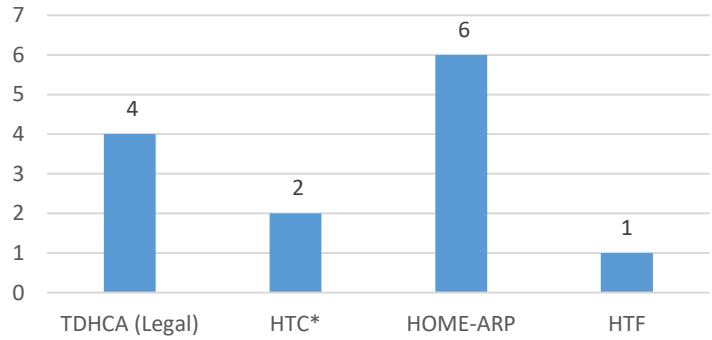
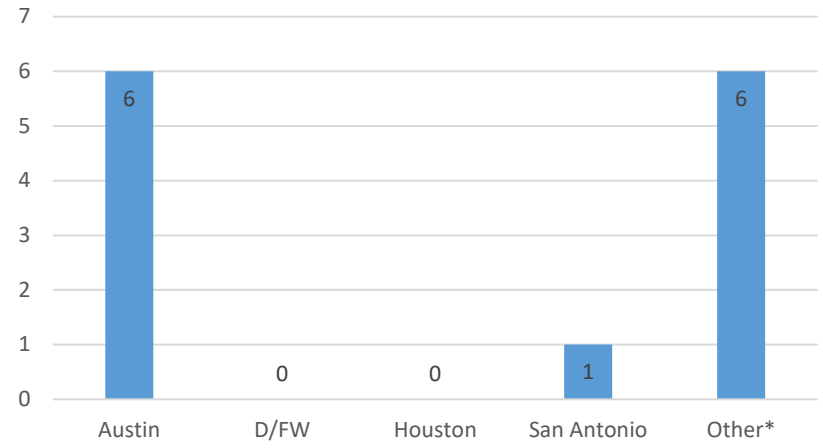


Figure 2 News Topic[2]



[1] *Broadcast numbers may represent times in which TDHCA was referenced on a television or radio station's website, rather than in a broadcast segment.* [2] *News Topics: Programs include Housing Tax Credit, Housing Trust Fund.*

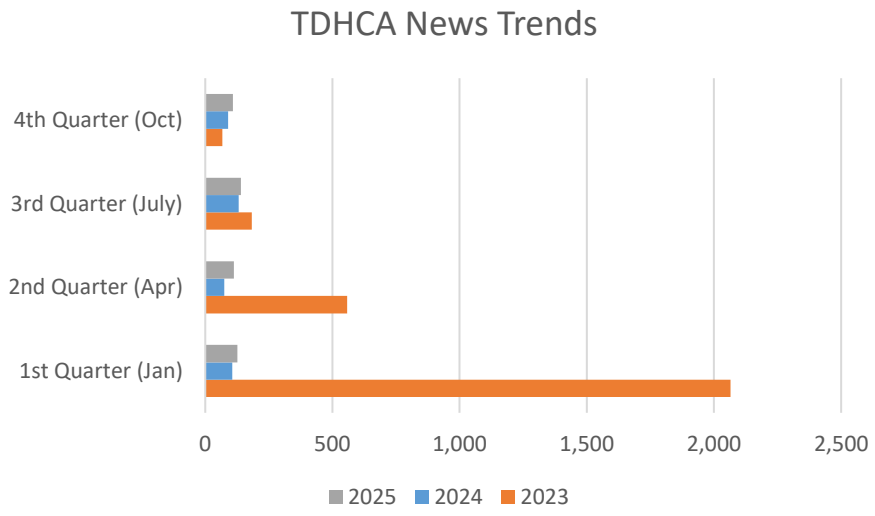
Figure 3 Media Market



Summary:
Reporting on TDHCA activities by the news media totaled 13 references in December 2025. Only two articles were noted related to a Texas Attorney General press release, issued in late November, announcing a lawsuit against TDHCA for having rules requiring that religious organizations providing services under particular TDHCA housing programs cannot use these program funds to pay for religious worship or recruitment (proselytizing). A news story related to TDHCA's Governing Board approving an award to The Other Ones Foundation ran multiple times on a local television news outlet.

News mentions during the month were lower than December 2024 (44 total).

The following table illustrates the number of news mentions during each month or quarter of 2025 compared to 2024 and 2023. Through the fourth quarter of 2025 (October through December), total news mentions tracked higher (488 total) compared to the number of mentions during the same timeframe of 2024 (403 total), but lower than 2023 (2,873 total). Please note, some pandemic-related programs for which TDHCA had oversight were still operating in 2023; however, news mentions in 2025 are tracking much higher than 2019 (pre-pandemic), which totaled 210 articles through the same timeframe.



Social media:
Through December 2025, TDHCA has 3,742 followers to its X account, and 8,231 followers to its Facebook page. TDHCA's YouTube channel had 4,039 views in December. The following is a summary analysis of TDHCA's efforts to inform stakeholders and the public on federal and state resources, initiatives, and programs.



Month/Yr	Posts	Clicks	Engagements	Shared posts	Reactions
January 2025	48	0	57 (includes Comments)	4	50
February 2025	39	0	18 (includes Comments	3	12
March 2025	59	0	60 (includes Comments	1	53
April 2025	47	0	46 (includes Comments)	2	40
May 2025	45	0	12 (includes Comments)	1	8
June 2025	72	0	27 (includes Comments)	4	19
July 2025	99	17	54 (includes Comments)	5	44
August 2025	14	11	35 (includes Comments)	3	23
September 2025	67	27	18 (includes Comments)	1	16
October 2025	65	2	18 (includes Comments)	1	16
November 2025	71	0	27 (includes Comments)	5	19
December 2025	56	0	55 (includes Comments)	4	48

* Clicks = number of times an individual clicked on a link provided in a post; however, FB only tracks clicks for posts that reach a minimum engagement level of 30. Engagements = any action a person takes on our post including shares, comments and reactions.



Month/Yr	Posts	Clicks	Engagements	Retweets	Liked posts
January 2025	45	0	10	2	6
February 2025	42	11	9	1	3
March 2025	57	0	7	2	5
April 2025	47	0	3	1	2
May 2025	45	0	2	0	2

June 2025	72	0	3	0	2
July 2025	100	29	9 (includes Replies)	1	6
August 2025	10	28	2	1	1
September 2025	65	27	11	0	0
October 2025	65	22	7	1	4
November 2025	69	12	13	1	11
December 2025	51	12	25 (Includes Replies)	1	3

* Clicks = number of times an individual clicked on a link provided in a post. Engagements = any action a person takes on our post

YouTube

Month	Views	Watch time (hours)	Avg. view duration	Avg. % viewed	Unique viewers
January 2025	6,118	521.9	5:07	17.6%	5,158
February 2025	4,979	471.4	5:40	15.8%	4,066
March 2025	5,471	405.6	4:26	15.1%	4,553
April 2025	5,867	563.5	5:45	18.1%	4,715
May 2025	4,886	487.3	5:59	21.2%	3,897
June 2025	6,345	496.2	4:41	20.4%	5,355
July 2025	5,541	539.5	5:50	21.0%	4,630
August 2025	5,618	614.8	6:33	21.3%	4,509
September 2025	5,528	566.3	6:08	19.7%	4,475
October 2025	3,672	514.0	8:23	17.2%	2,822
November 2025	4,235	404.5	5:43	15.8%	3,438
December 2025	4,039	352.5	5:24	19.4%	3,325

Understanding the YouTube Analytics

- **Views:** number of times your videos were viewed
- **Watch Time:** total number of hours your videos were watched by viewers
- **Average View Duration:** total watch time of your video divided by the total number of video plays, including replays. This metric measures your video's ability to engage viewers. The higher the view duration, the more engaging the videos.
- **Average Pct Viewed:** the percent of each video the average viewer watched. It measures your video's ability to hold viewers' attention for its entirety. YouTube generally rewards videos that can hold people's attention with higher search and recommendation rankings.
- **Unique viewers:** the estimated number of individuals who watch your videos over a certain period of time. It helps determine the size of our audience.

Top 25 videos for December 2025

Content	Views	Watch time (hours)	Average view duration	Average percentage viewed	Unique viewers
Total	**4,039**	**352.5**	**5:24**	**19.4%**	**3,325**
 Help For Texans	2,992 74.1%	79.5 22.6%	1:35	46.9%	2,746 82.6%
 Texas Homebuyer Program introduction	123 3.1%	1.5 0.4%	0:45	86.9%	119 3.6%
 2025 Income Determination Training	48 1.2%	18.4 5.2%	22:56	7.3%	32 1.0%
 December Office Hours – 2025 Year End Recap	44 1.1%	19.5 5.5%	26:38	23.5%	32 1.0%
 Reasonable Accommodations in Texas	37 0.9%	0.7 0.2%	1:11	28.7%	25 0.8%
 Fair Housing 101: An Overview of Fair Housing in Texa…	36 0.9%	12.5 3.5%	20:49	20.3%	28 0.8%
 Fair Housing 101: The Basics of Fair Housing in Texas	31 0.8%	2.7 0.8%	5:19	5.1%	18 0.5%
 Assistance Animals in Texas	30 0.7%	0.6 0.2%	1:10	18.6%	24 0.7%
 Income Determination Training Webinar - Jan. 4, 2024	24 0.6%	41.9 11.9%	1:58:28	34.4%	15 0.5%
 Adjusted Income Webinar - Jan. 12, 2024	21 0.5%	26.5 7.5%	1:15:50	88.8%	5 0.2%
 Office Hours - NSPIRE	20 0.5%	2.7 0.8%	8:00	8.1%	14 0.4%
 Let's Talk About Forms	18 0.5%	9.0 2.6%	29:59	32.5%	14 0.4%
 Assets and the Changes from HOTMA	18 0.5%	1.9 0.5%	6:12	5.8%	16 0.5%
 Income Determination Training	17 0.4%	4.4 1.2%	15:23	5.3%	16 0.5%
 Housing Opportunity Through Modernization Act of 20…	16 0.4%	6.0 1.7%	22:35	23.7%	9 0.3%
 November Office Hours - Unit Status Report & Income/…	16 0.4%	2.0 0.6%	7:31	9.0%	14 0.4%
 811 PRA: Maintaining Compliance with Unit Vacancy a…	15 0.4%	14.8 4.2%	59:12	69.2%	6 0.2%
 Written Policies and Procedures in TDHCA Monitored …	15 0.4%	1.6 0.5%	6:28	12.9%	14 0.4%
 New Owner Training	14 0.4%	0.9 0.2%	3:39	3.8%	9 0.3%
 2025 Income Determination Training Lunch & Learn: C…	13 0.3%	4.2 1.2%	19:10	22.3%	11 0.3%
 Transfers and Household Additions Training	13 0.3%	1.4 0.4%	6:27	8.2%	12 0.4%
 Improving your CEAP Process	12 0.3%	1.0 0.3%	4:56	22.8%	11 0.3%
 Fair Housing Special Topics: The Violence Against Wo…	12 0.3%	0.8 0.2%	4:03	5.3%	11 0.3%
 Utility Allowance Training - Jan. 24, 2023	12 0.3%	1.4 0.4%	6:54	6.1%	12 0.4%
 Common Issues of Noncompliance Training	12 0.3%	4.3 1.2%	21:23	20.9%	9 0.3%

TDHCA Outreach December 2025

A compilation of outreach activities such as meetings, trainings and webinars.

Department	Meeting Date	Meeting Title	Attendees (includes organizer)
SF and Homeless Programs/ESG	Dec. 2	Implementation Webinar/TDHCA	75
SF and Homeless Programs/ESG	Dec. 4	Implementation Webinar/TDHCA	75
Housing Resource Center	Dec. 9	Written Policies and Procedures in TDHCA Monitored Properties	156
Compliance	Dec. 12	December Office Hours and Year End Recap	124
Compliance	Dec. 16	HFC Workbook and Rule Roundtable	97
Community Affairs/WAP	Dec. 16	Network Conference Call	82
Community Affairs/CEAP/CSBG	Dec. 17	Network Conference Call	101

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1297 **Agenda Date:** 1/15/2026 **Agenda #:** 26.

Executive Director's Report

ORAL PRESENTATION

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Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 26-009 **Agenda Date:** 1/15/2026 **Agenda #:** 27.

Presentation, discussion, and possible action regarding the Issuance of a Multifamily Housing Governmental Note (Fiji Lofts) Series 2026 Resolution No. 26-009 and an increase to the Housing Tax Credit amount

RECOMMENDED ACTION

WHEREAS, at the Board meeting of November 10, 2021, Resolution No. 22-010 was approved authorizing the issuance of a Multifamily Housing Governmental Note for Fiji Lofts, Series 2021, and a Determination Notice was issued;

WHEREAS, Fiji Lofts subsequently closed on the original bond amount of $23,849,000 on December 10, 2021;

WHEREAS, as a result of unforeseen changes in circumstances following the Board's approvals of the original Resolution and issuance of the original Bonds, including inflation and related increases in construction costs, along with an increase in the total number of units from 174 units to 204 units, the Owner has requested the Department issue additional revenue bonds or notes in one or more series for the purpose of providing additional tax-exempt bond financing for the Development as further described herein;

WHEREAS, Fiji Lofts (#21608) was induced by the Board on October 10, 2024, with a requested bond amount of $6,000,000;

WHEREAS, a Certificate of Reservation was issued in the amount of $6,000,000 on August 14, 2025, with a bond delivery deadline of February 10, 2026;

WHEREAS, a supplemental bond application for Fiji Lofts, sponsored by Sphinx Development Corporation, was submitted to the Department on August 20, 2024;

WHEREAS, the application reflects an increase to the annual housing tax credit from $2,080,856 which was the original amount reflected in the Determination Notice, to $2,884,338, which represents a 38.61% increase;

WHEREAS, 10 TAC §10.401(d) requires approval by the Board if an increase to the amount of tax credits exceeds 120% of the amount of credit reflected in the Determination Notice;

WHEREAS, in connection with the underwriting of the supplemental bonds and evaluation of costs, staff has determined that the increase is necessary for the viability of the transaction;

WHEREAS, staff recommends approval of the issuance of a Multifamily Housing Governmental Note for Fiji Lofts (Series 2026); and

WHEREAS, recognizing the cost certification package has not yet been submitted by the Development Owner, staff recommends approval of up to a 45% increase to the original annual housing tax credit amount reflected in the Determination Notice that would not necessitate additional Board consideration;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a tax-exempt Multifamily Housing Governmental Note (Fiji Lofts) Series 2026 in the amount of $6,000,000, Resolution No. 26-009, is hereby approved in the form presented to this meeting;

FURTHER RESOLVED, the annual housing tax credit increase for Fiji Lofts, of up to 45% from the tax credit amount reflected in the Determination Notice is approved; and

FURTHER RESOLVED, that if approved, staff is authorized, empowered, and directed, for and on behalf of the Department to execute such documents, instruments and writings and perform such acts and deeds as may be necessary to effectuate the foregoing.

BACKGROUND

General Information: The Governmental Note will be issued in accordance with Tex. Gov't Code §2306.353 et seq., which authorizes the Department to issue governmental notes for its public purposes, as defined therein. Tex. Gov't Code §2306.472 provides that the Department's governmental notes are solely obligations of the Department, and do not create an obligation, debt or liability of the State of Texas or a pledge or loan of faith, credit or taxing power of the State of Texas.

Development Information: Fiji Lofts is located at 301 South Corinth Street in Dallas, Dallas

County, and involves the new construction of a development that will serve the general population. At the time of the original application in 2021, the project contemplated the construction of 204 units. However, the number of units was scaled back to 174 units to comply with the zoning requirements of the City of Dallas and to allow the transaction to close prior to the bond reservation deadline.

Subsequent to closing, the City of Dallas approved and permitted a revision that allowed the addition of 30 units. The Department approved an amendment request at the Board meeting of November 10, 2022, to increase the number of units to a total of 204. All of the units are rent- and income-restricted at 60% of the Area Median Income. The Department's underwriting at that time reflected a 13.9% increase to the annual tax credit amount, from $2,080,856 to $2,370,797. Since that time, the additional costs incurred have allowed for a further increase to the tax credit amount of 21.6%, to $2,884,338, resulting in an overall increase from Determination Notice to supplemental bond underwriting of 38.61%. Pursuant to 10 TAC §10.401(d) approval by the Board is required if an increase to the amount of tax credits exceeds 120% of the amount of credit reflected in the Determination Notice.

While the project is close to being completed, there may still be nominal cost increases and a final accounting of costs that could increase the tax credit amount further. Staff is requesting approval of the additional tax credit increase at this time and that such increase be limited to 45% without necessitating additional Board consideration once the cost certification package is submitted. The fee associated with the increase in credits will be due at the time of cost certification once the final tax credit amount is determined.

In addition to the units that have been added since the original closing, there were construction cost increases that jeopardize the ability of the project to satisfy the federal requirements of the 50% test and the owner has requested an additional issuance of a governmental note in the amount of $6,000,000 to cover such costs.

Organizational Structure and Previous Participation: The Borrower is SDC Corinth III, LP, and includes the entities and principals as illustrated in Exhibit A. The original organizational structure included the Cameron County Housing Finance Corporation. Given the enactment of Texas House Bill 21 (HB 21), which amended Section 394.031 of Local Government Code (Housing Finance Corporations in Municipalities and Counties), it necessitated a change in the Sole Member of the General Partner. Under HB 21, the area in which a housing finance corporation may own real property for residential development is limited to the boundaries of the county that sponsored the corporation. As a result, the Dallas County Housing Finance Corporation is proposed to replace the original Sole Member of the General Partner, the Cameron County Housing Finance Corporation. The Previous Participation review has been completed, and the applicant's portfolio is considered a Category 2 and deemed acceptable.

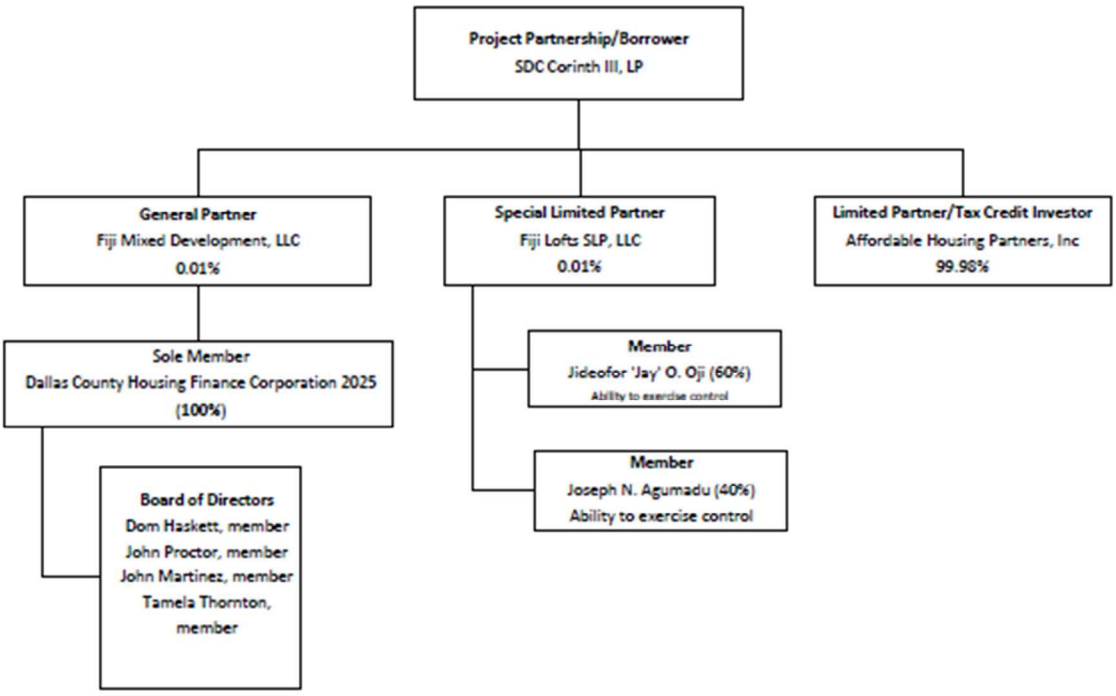
Tax Equity and Fiscal Responsibility Act (TEFRA) Public Hearing/Public Comment: On March 18, 2022, the IRS released Revenue Procedure 2022-20, which permanently allows TEFRA hearings for qualified activity bonds to be held telephonically. Staff conducted a telephonic hearing for the proposed development on April 17, 2025. Representatives from the Department and the Developer were present, and no public comment was made. A copy of the hearing transcript is included herein. The Department received a letter of support this development from Dallas City Councilmember for District 4, Carolyn King Arnold at the time of the original award.

Summary of Financial Structure

The transaction originally involved the issuance of an unrated, fixed rate tax-exempt multifamily governmental note in the amount of $23,849,000 on December 10, 2021, that was purchased by CommunityBank of Texas (CoBT), who served as the construction and permanent lender. The note has an 18-year term, 40-year amortization, and final maturity date of June 1, 2058. The original transaction also included a taxable construction loan in the amount of $9,750,000, payments of which have been interest only. Additionally, CoBT provided a taxable construction loan in the amount of $6,000,000 with a forward permanent loan in the amount of $5,735,000, which closed on December 12, 2022.

The supplemental transaction will involve the issuance of an unrated, fixed rate tax-exempt multifamily note in the amount of $6,000,000 that will be purchased by Stellar Bank (formerly CoBT). The lender will provide a construction loan in the amount of $6,000,000. Payments will be interest only and the tax-exempt loan will be co-terminus with the original loans, with an opportunity for a six-month extension. The interest rate is based upon the two-year SOFR Swap Index plus a spread of 2.20%, currently estimated at 5.96%. The expected Maturity Date is June 1, 2027.

EXHIBIT A


Project Partnership/Borrower
SDC Corinth III, LP
General Partner
Fiji Mixed Development, LLC
0.01%
Special Limited Partner
Fiji Lofts SLP, LLC
0.01%
Limited Partner/Tax Credit Investor
Affordable Housing Partners, Inc
99.98%
Sole Member
Dallas County Housing Finance Corporation 2025
(100%)
Member
Jideofor 'Jay' O. Oji (60%)
Ability to exercise control
Member
Joseph N. Agumadu (40%)
Ability to exercise control
Board of Directors
Dom Haskett, member
John Proctor, member
John Martinez, member
Tamela Thornton, member

Real Estate Analysis Division
January 6, 2026

Addendum to Underwriting Report

TDHCA Application #: **21608** Program(s): **TDHCA Bonds/4% HTC**

Fiji Lofts

Address/Location: 301 S Corinth St. Rd.

City: Dallas County: Dallas Zip: 75203

	APPLICATION HISTORY
Report Date	**PURPOSE**
1/6/2026	**Supplemental Bond Request**
10/25/22	Amendment Request
11/03/21	Original Underwriting Report

ALLOCATION

	Previous Allocation				RECOMMENDATION				
TDHCA Program	**Amount**	**Rate**	**Amort**	**Term**	**Amount**	**Rate**	**Amort**	**Term**	**Lien**
Private Activity Bonds	$23,849,000				$29,849,000				
LIHTC (4% Credit)	$2,080,856				**$2,885,077**				

CONDITIONS STATUS

- Receipt and acceptance by Cost Certification:
  - a: Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.
  - b: Certification that subsurface environmental investigation was performed as specified in the ESA, and if necessary, that any recommended mitigation measures were fully implemented.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	204

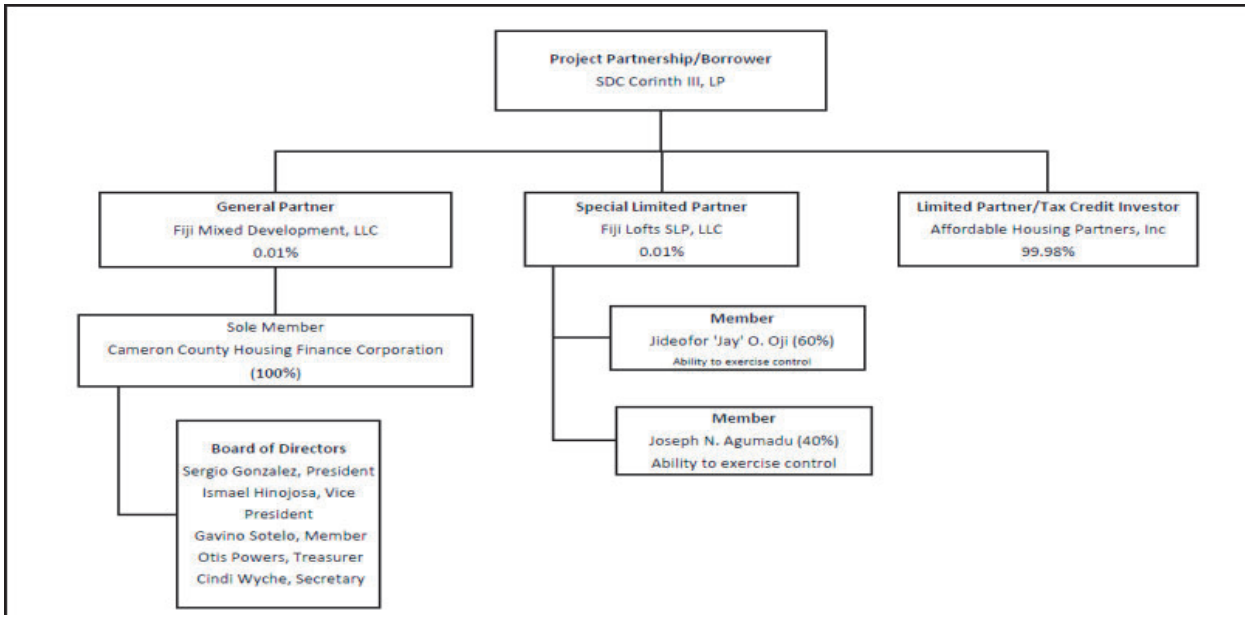
ANALYSIS

Fiji Lofts received an award of 4% Housing Tax Credits (HTC) for the new construction of 174 multifamily LIHTC units in November 2021.

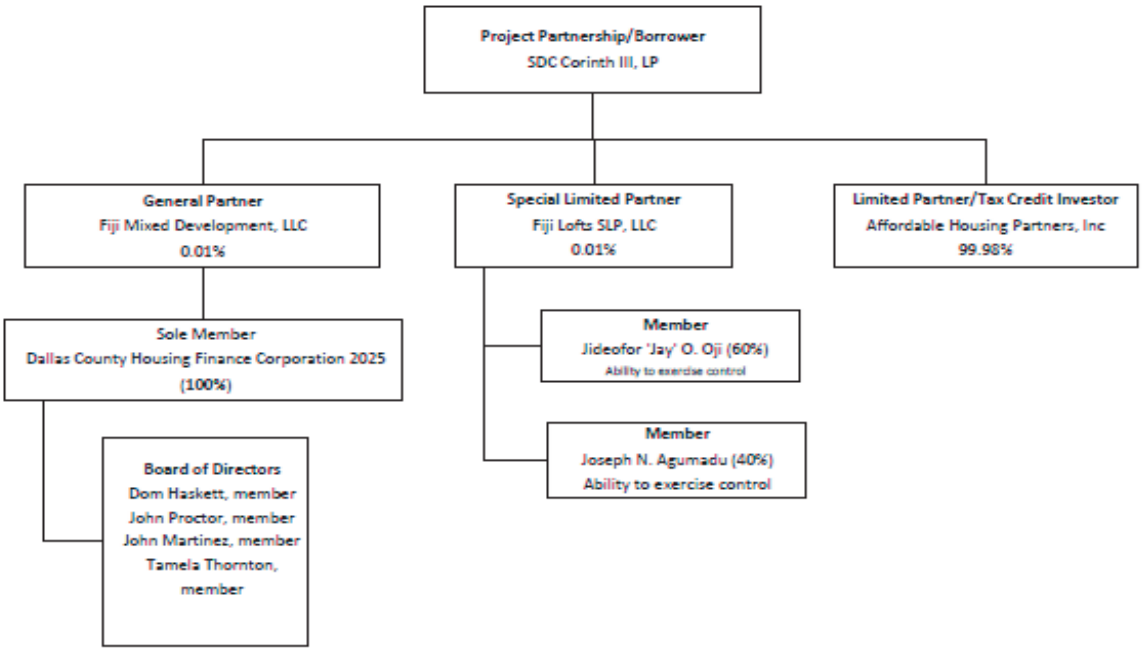
In October 2022, the Applicant had an amendment to their development. They increased the number of units from 174 to 204.

The Applicant is now changing the organizational structure to include the Dallas County Housing Finance Corporation instead of the Cameron County Housing Finance Corporation.
Additionally, the Applicant is requesting $6M in supplemental bonds and increasing their LIHTC request from $2,080,856 to $2,949,628.

Previous Organizational Chart



NEW ORGANIZATIONAL CHART



Operating Pro Forma

Rents were updated to the most current 2025 limits, resulting in:
$568k increase in effective gross income;
$381k increase in total expenses; and
$188k increase in Net Operating Income.

Underwriter has updated the expense comparables with reported year-end 2024 expenses.

Development Cost

Building Costs have increased by $4.65M.

Total Development Costs have increased by $11.7M.

Eligible Financing costs are overstated by $244k.

Total and Eligible Basis Developer is overstated by $116k and $220k, respectively.

Underwriter removed the $555,498 HFC Advisory fee and $234k Community Relations consultant fee from eligible basis.

As a result of the combined overstatements, there is a credit cut of $65k.

Sources of Funds

The loans with Community Bank of Texas (now Stellar Bank) closed in 2021 and 2022.
The conventional loan of $5,951,000 closed at a lower amount, $5,735,000.

New Construction Loan from Stellar Bank for $6M at 5.96% interest has been added.
New $1M Permanent Loan at 7.03% interest rate and 15-year term has been added.

Affordable Housing Partners increased the capital contribution from $19,673,684 to $24,477,016 and the credit price remains at $.83.

The Deferred Developer Fee increased from $1.7M up to $7.2M and the fee pays off in 14 years.

Interest from Bonds and Net Operating Income have also been added as financing sources.

Underwriter now recommends an annual tax credit allocation of $2,885,077 and additional supplemental bond issuance of $6M as requested by the Applicant.

Underwriter:	*Robert Castillo*
Director of Real Estate Analysis:	*Jeanna Adams*

UNIT MIX/RENT SCHEDULE

Fiji Lofts, Dallas, TDHCA Bonds/4% HTC #21608

LOCATION DATA	
CITY:	Dallas
COUNTY:	Dallas
Area Median Income	$117,300
PROGRAM REGION:	3
PROGRAM RENT YEAR:	2025

UNIT DISTRIBUTION				
# Beds	# Units	% Total	Assisted	MDL
Eff	3	1.5%	0	0
1	91	44.6%	0	0
2	110	53.9%	0	0
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL	204	100.0%	-	-

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100.00%
APP % Acquisition	4.00%
APP % Construction	4.00%
Average Unit Size	791 sf

60% Average Income		20%	30%	40%	50%	60%	70%	80%	MR	TOTAL
	# Units	-	-	-	-	204	-	-	-	204
	% Total	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE

HTC		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
TC 60%	$1,233	3	0	1	513	$1,233	$44	$1,189	$0	$2.32	$1,189	**$3,567**	**$3,567**	$1,189	**$2**	**$0**	$1,252	$2.44	$1,252
TC 60%	$1,320	3	1	1	648	$1,320	$51	$1,269	$0	$1.96	$1,269	**$3,807**	**$3,807**	$1,269	**$2**	**$0**	$1,428	$2.20	$1,428
TC 60%	$1,320	1	1	1	658	$1,320	$51	$1,269	$0	$1.93	$1,269	**$1,269**	**$1,269**	$1,269	**$1.93**	**$0**	$1,443	$2.19	$1,443
TC 60%	$1,320	20	1	1	660	$1,320	$51	$1,269	$0	$1.92	$1,269	**$25,380**	**$25,380**	$1,269	**$1.92**	**$0**	$1,446	$2.19	$1,446
TC 60%	$1,320	8	1	1	660	$1,320	$51	$1,269	$0	$1.92	$1,269	**$10,152**	**$10,152**	$1,269	**$1.92**	**$0**	$1,446	$2.19	$1,446
TC 60%	$1,320	9	1	1	665	$1,320	$51	$1,269	$0	$1.91	$1,269	**$11,421**	**$11,421**	$1,269	**$1.91**	**$0**	$1,453	$2.18	$1,453
TC 60%	$1,320	8	1	1	668	$1,320	$51	$1,269	$0	$1.90	$1,269	**$10,152**	**$10,152**	$1,269	**$1.90**	**$0**	$1,458	$2.18	$1,458
TC 60%	$1,320	17	1	1	672	$1,320	$51	$1,269	$0	$1.89	$1,269	**$21,573**	**$21,573**	$1,269	**$1.89**	**$0**	$1,464	$2.18	$1,464
TC 60%	$1,320	1	1	1	672	$1,320	$51	$1,269	$0	$1.89	$1,269	**$1,269**	**$1,269**	$1,269	**$1.89**	**$0**	$1,464	$2.18	$1,464
TC 60%	$1,320	8	1	1	687	$1,320	$51	$1,269	$0	$1.85	$1,269	**$10,152**	**$10,152**	$1,269	**$1.85**	**$0**	$1,486	$2.16	$1,486
TC 60%	$1,320	8	1	1	693	$1,320	$51	$1,269	$0	$1.83	$1,269	**$10,152**	**$10,152**	$1,269	**$1.83**	**$0**	$1,495	$2.16	$1,495
TC 60%	$1,320	4	1	1	770	$1,320	$51	$1,269	$0	$1.65	$1,269	**$5,076**	**$5,076**	$1,269	**$1.65**	**$0**	$1,565	$2.03	$1,565
TC 60%	$1,320	4	1	1	861	$1,320	$51	$1,269	$0	$1.47	$1,269	**$5,076**	**$5,076**	$1,269	**$1.47**	**$0**	$1,710	$1.99	$1,710
TC 60%	$1,584	8	2	2	855	$1,584	$66	$1,518	$0	$1.78	$1,518	**$12,144**	**$12,144**	$1,518	**$1.78**	**$0**	$1,833	$2.14	$1,833
TC 60%	$1,584	4	2	2	857	$1,584	$66	$1,518	$0	$1.77	$1,518	**$6,072**	**$6,072**	$1,518	**$1.77**	**$0**	$1,836	$2.14	$1,836
TC 60%	$1,584	3	2	2	857	$1,584	$66	$1,518	$0	$1.77	$1,518	**$4,554**	**$4,554**	$1,518	**$1.77**	**$0**	$1,836	$2.14	$1,836
TC 60%	$1,584	4	2	2	861	$1,584	$66	$1,518	$0	$1.76	$1,518	**$6,072**	**$6,072**	$1,518	**$1.76**	**$0**	$1,842	$2.14	$1,842
TC 60%	$1,584	8	2	2	873	$1,584	$66	$1,518	$0	$1.74	$1,518	**$12,144**	**$12,144**	$1,518	**$1.74**	**$0**	$1,860	$2.13	$1,860
TC 60%	$1,584	33	2	2	875	$1,584	$66	$1,518	$0	$1.73	$1,518	**$50,094**	**$50,094**	$1,518	**$1.73**	**$0**	$1,863	$2.13	$1,863
TC 60%	$1,584	22	2	2	875	$1,584	$66	$1,518	$0	$1.73	$1,518	**$33,396**	**$33,396**	$1,518	**$1.73**	**$0**	$1,863	$2.13	$1,863
TC 60%	$1,584	3	2	2	875	$1,584	$66	$1,518	$0	$1.73	$1,518	**$4,554**	**$4,554**	$1,518	**$1.73**	**$0**	$1,863	$2.13	$1,863
TC 60%	$1,584	13	2	2	882	$1,584	$66	$1,518	$0	$1.72	$1,518	**$19,734**	**$19,734**	$1,518	**$1.72**	**$0**	$1,874	$2.12	$1,874
TC 60%	$1,584	2	2	2	1,008	$1,584	$66	$1,518	$0	$1.51	$1,518	**$3,036**	**$3,036**	$1,518	**$1.51**	**$0**	$1,917	$1.90	$1,917
TC 60%	$1,584	4	2	2	1,008	$1,584	$66	$1,518	$0	$1.51	$1,518	**$6,072**	**$6,072**	$1,518	**$1.51**	**$0**	$1,917	$1.90	$1,917
TC 60%	$1,584	6	2	2	1,032	$1,584	$66	$1,518	$0	$1.47	$1,518	**$9,108**	**$9,108**	$1,518	**$1.47**	**$0**	$1,943	$1.88	$1,943
TOTALS/AVERAGES:		**204**			**161,333**				**$0**	**$1.77**	**$1,402**	**$286,026**	**$286,026**	**$1,402**	**$1.77**	**$0**	**$1,683**	**$2.13**	**$1,683**
ANNUAL POTENTIAL GROSS RENT:												**$3,432,312**	**$3,432,312**						

STABILIZED PRO FORMA

Fiji Lofts, Dallas, TDHCA Bonds/4% HTC #21608

	STABILIZED FIRST YEAR PRO FORMA																		
	COMPARABLES				APPLICANT					PRIOR REPORT			TDHCA				VARIANCE	
	Database		Dallas Comps		% EGI	Per SF	Per Unit	Amount	Amendment 10/2022	Applicant	TDHCA	Amendment 10/2022	Amount	Per Unit	Per SF	% EGI	%	$
POTENTIAL GROSS RENT						$1.77	$1,402	$3,432,312	$2,825,064	$2,179,020	$2,179,020	$2,825,064	$3,432,312	$1,402	$1.77		0.0%	$0
Appl Fee, Pet, Laundry, Forfeited Dep							$30.00	$73,440	$66,096	41,760								
Total Secondary Income							$30.00				41,760	66,096	$73,440	$30.00			0.0%	$0
POTENTIAL GROSS INCOME								$3,505,752	$2,891,160	$2,220,780	$2,220,780	$2,891,160	$3,505,752				0.0%	$0
Vacancy & Collection Loss							7.5% PGI	(262,931)	(216,837)	(166,559)	(166,559)	(216,837)	(262,931)	7.5% PGI			0.0%	-
EFFECTIVE GROSS INCOME								$3,242,821	$2,674,323	$2,054,222	$2,054,222	$2,674,323	$3,242,821				0.0%	$0
General & Administrative	$92,909	$455/Unit	$107,576	$527	2.81%	$0.56	$446	$91,000	$82,000	$56,900	$75,718	$92,909	$107,576	$527	$0.67	3.32%	-15.4%	(16,576)
Management	$87,429	3.6% EGI	$90,012	$441	4.99%	$1.00	$794	$161,950	$107,000	$82,500	$82,169	$106,973	$162,141	$795	$1.01	5.00%	-0.1%	(191)
Payroll & Payroll Tax	$259,191	$1,271/Unit	$475,148	$2,329	10.61%	$2.13	$1,686	$344,000	$244,000	$213,000	$213,000	$259,191	$344,000	$1,686	$2.13	10.61%	0.0%	-
Repairs & Maintenance	$143,926	$706/Unit	$257,954	$1,264	4.73%	$0.95	$752	$153,500	$126,730	$63,300	$113,100	$132,600	$132,600	$650	$0.82	4.09%	15.8%	20,900
Electric/Gas	$38,573	$189/Unit	$51,159	$251	1.26%	$0.25	$200	$40,800	$28,400	$25,000	$29,683	$30,113	$51,159	$251	$0.32	1.58%	-20.2%	(10,359)
Water, Sewer, & Trash	$151,251	$741/Unit	$197,321	$967	6.08%	$1.22	$967	$197,320	$130,600	$125,000	$120,349	$138,773	$197,321	$967	$1.22	6.08%	0.0%	(1)
Property Insurance	$90,675	$0.56 /sf	$170,573	$836	5.92%	$1.19	$941	$192,000	$81,600	$69,676	$63,320	$74,237	$192,000	$941	$1.19	5.92%	0.0%	-
Property Tax (@ 0%) 2.7129	$200,858	$985/Unit	$359,698	$1,763	0.00%	$0.00	$0	$0	$0	$0	$0	$0	$0	$0	$0.00	0.00%	0.0%	-
Reserve for Replacements					1.57%	$0.32	$250	$51,000	$51,000	$43,500	$43,500	$51,000	$51,000	$250	$0.32	1.57%	0.0%	-
TDHCA Compliance fees ($40/HTC unit)					0.25%	$0.05	$40	$8,160	$8,160	$6,960	$6,960	$8,160	$8,160	$40	$0.05	0.25%	0.0%	-
TDHCA Bond Compliance Fee					0.16%	$0.03	$25	$5,100	$4,350	$4,350	$4,350	$5,100	$5,100	$25	$0.03	0.16%	0.0%	-
Bond Trustee Fees					0.12%	$0.02	$20	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$20	$0.02	0.12%	0.0%	-
TOTAL EXPENSES					**38.51%**	**$7.74**	**$6,122**	**$1,248,830**	$867,840	$697,686	$759,648	$903,056	**$1,255,056**	**$6,152**	**$7.78**	**38.70%**	**-0.5%**	**$ (6,226)**
NET OPERATING INCOME ("NOI")					**61.49%**	**$12.36**	**$9,774**	**$1,993,991**	$1,806,483	$1,356,536	$1,294,573	$1,771,267	**$1,987,764**	**$9,744**	**$12.32**	**61.30%**	**0.3%**	**$ 6,226**
CONTROLLABLE EXPENSES							$4,052/Unit							$4,082/Unit				

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Fiji Lofts, Dallas, TDHCA Bonds/4% HTC #21608

DEBT / GRANT SOURCES

		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE											AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR							Amendment	Prior Underwriting		Amendment						Cumulative	
DEBT (Must Pay)	Fee	UW	App	Pmt	Rate	Amort	Term	Principal	10/2022	Applicant	TDHCA	10/2022	Principal	Term	Amort	Rate	Pmt	DCR	LTC
Community Bank of Texas N.A. - Tax-Exempt Loan	0.10%	1.68	1.68	1,184,589	3.80%	40	18	$23,849,000	$23,849,000	$23,849,000	$23,849,000	$23,849,000	$23,849,000	18	40	3.80%	$1,184,589	1.68	37.9%
Adjustment to Debt Per §11.302(c)(2)	0.10%										($1,300,000)	$0	$0	18	40	3.80%		1.68	0.0%
Community Bank of Texas N.A.		1.26	1.26	$392,175	6.28%	40	18	$5,735,000	$5,951,000			$5,951,000	$5,735,000	18	40	6.28%	$392,175	1.26	9.1%
Stellar Bank		1.26	1.26		7.03%	40	15	$1,000,000					$1,000,000	15	40	7.03%	$74,833	1.21	1.6%
CASH FLOW DEBT / GRANTS																			
Interest from Bonds		1.26	1.26		0.00%	0	0	$765,016					$765,016	0	0	0.00%		1.21	1.2%
NOI		1.26	1.26		0.00%	0	0	$413,881					$413,881	0	0	0.00%		1.21	0.7%
				$1,576,764	TOTAL DEBT / GRANT SOURCES			$31,762,897	$29,800,000	$23,849,000	$22,549,000	$29,800,000	$31,762,897	TOTAL DEBT SERVICE			$1,651,597	1.21	50.5%

NET CASH FLOW	$411,001	$417,227	APPLICANT	NET OPERATING INCOME	$1,993,991	$342,393	NET CASH FLOW

EQUITY SOURCES

	APPLICANT'S PROPOSED EQUITY STRUCTURE								AS UNDERWRITTEN EQUITY STRUCTURE					
						Amendment	Prior Underwriting		Amendment					
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	10/2022	Applicant	TDHCA	10/2022	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method
Affodable Housing Partners, Inc. (AHP)	LIHTC Equity	38.9%	$2,949,628	$0.830	$24,477,016	$19,673,684	$18,591,143	$18,099,831	$19,673,684	$23,941,347	$0.830	$2,885,077	38.1%	$14,143	Eligible Basis
Sphinx Development Corporation	Deferred Developer Fees	10.8%	(91% Deferred)		$6,770,198	$1,712,414	$2,488,286	$3,946,875	$1,712,414	$7,189,854	(98% Deferred)		11.4%	Total Developer Fee:	$7,340,987
Additional (Excess) Funds Req'd		0.0%						$0	$0	($0)			0.0%		
TOTAL EQUITY SOURCES		49.7%			$31,247,214	$21,386,098	$21,079,429	$22,046,707	$21,386,098	$31,131,201			49.5%		

TOTAL CAPITALIZATION	$63,010,111	$51,186,098	$44,928,429	$44,595,707	$51,186,098	$62,894,098	15-Yr Cash Flow after Deferred Fee:	$1,132,504

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS								TDHCA COST / BASIS ITEMS					COST VARIANCE	
	Eligible Basis					Amendment	Prior Underwriting					Eligible Basis			
	Acquisition	New Const. Rehab	Total Costs			10/2022	Applicant	TDHCA	Amendment 10/2022	Total Costs		New Const. Rehab	Acquisition	%	$
Land Acquisition			$8,529 / Unit		$1,740,000	$1,740,000	$1,740,000	$1,740,000	$1,740,000	$1,740,000	$8,529 / Unit			0.0%	$0
Building Acquisition	$0		$ / Unit		$0	$0	$0	$0	$0	$0	$ / Unit		$0	0.0%	$0
Off-Sites		$0	$ / Unit		$0	$0	$120,000	$120,000	$0	$0	$ / Unit			0.0%	$0
Site Work		$2,146,698	$10,523 / Unit		$2,146,698	$1,931,650	$2,268,000	$2,268,000	$1,831,650	$1,953,141	$9,574 / Unit	$1,953,141		9.9%	$193,557
Site Amenities		$611,452	$2,997 / Unit		$611,452	$440,800	$375,000	$375,000	$410,800	$617,689	$3,028 / Unit	$617,689		-1.0%	($6,237)
Commercial Space		$0	$2,206 / Unit		$450,000	$360,000	$250,000	$250,000	$360,000	$450,000	$2,206 / Unit			0.0%	$0
Structured Parking		$3,616,000	$17,725 / Unit		$3,616,000	$3,916,010	$4,000,000	$4,000,000	$3,916,010	$3,616,000	$17,725 / Unit	$3,616,000		0.0%	$0
Building Cost		$27,838,792	$172.55 /sf	$136,465/Unit	$27,838,792	$23,185,139	$16,668,500	$17,674,867	$23,315,139	$27,605,912	$135,323/Unit	$171.11 /sf	$27,605,912	0.8%	$232,880
Contingency		$0	0.00%	0.00%	$0	$1,664,398	$1,664,000	$1,664,000	$1,664,398	$0	0.00%	0.00%	$0	0.0%	$0
Contractor Fees		$4,768,419	13.94%	13.76%	$4,768,419	$3,454,357	$3,580,000	$3,580,000	$3,454,357	$4,768,419	13.93%	14.00%	$4,730,984	0.0%	$0
Soft Costs	$0	$3,391,862		$21,277 / Unit	$4,340,530	$3,386,703	$3,126,600	$3,126,600	$3,386,703	$4,340,530	$21,277 / Unit		$3,391,862	0.0%	$0
Financing	$0	$6,116,689		$44,991 / Unit	$9,178,198	$5,360,228	$4,767,010	$4,767,010	$5,360,228	$9,178,198	$44,991 / Unit		$5,872,206	0.0%	$0
Developer Fee	$0	$7,457,000	15.38%	15.24%	$7,457,000	$4,882,000	$5,660,000	$5,366,084	$4,882,000	$7,235,669	15.00%	15.00%	$7,168,169	3.1%	$221,331
Reserves				4 Months	$863,022	$864,813	$709,319	$709,319	$864,813	$863,022	4 Months			0.0%	$0
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)	$0	$55,946,912		$308,873 / Unit	$63,010,111	$51,186,098	$44,928,429	$45,640,880	$51,186,098	$62,368,580	$305,728 / Unit		$54,955,963	$0	1.0%	$641,531
Acquisition Cost	$0				$0	$0	$0								
Contingency		$0			$0	$0	($6,295)								
Contractor's Fee		$0			$0	$0	($32,511)								
Financing Cost		($244,483)													
Developer Fee	$0	($220,186)	15.00%	15.00%	($116,013)	$0	($293,916)								
Reserves					$0	$0	$0								
ADJUSTED BASIS / COST	$0	$55,482,244		$308,304/unit	$62,894,098	$51,186,098	$44,595,707	$45,640,880	$51,186,098	$62,368,580	$305,728/unit		$54,955,963	$0	0.8%	$525,518

TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):	$62,894,098	

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Fiji Lofts, Dallas, TDHCA Bonds/4% HTC #21608

CREDIT CALCULATION ON QUALIFIED BASIS				
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
ADJUSTED BASIS	$0	$55,482,244	$0	$54,955,963
Deduction of Federal Grants	$0	$0	$0	$0
TOTAL ELIGIBLE BASIS	$0	$55,482,244	$0	$54,955,963
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	$0	$72,126,917	$0	$71,442,753
Applicable Fraction	100.00%	100.00%	100%	100%
TOTAL QUALIFIED BASIS	$0	$72,126,917	$0	$71,442,753
Applicable Percentage	4.00%	4.00%	4.00%	4.00%
ANNUAL CREDIT ON BASIS	0	$2,885,077	$0	$2,857,710
CREDITS ON QUALIFIED BASIS	$2,885,077		$2,857,710	

	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price $0.8298	Variance to Request	
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	$2,885,077	$23,941,347	**$2,885,077**	($64,551)	($535,669)
Needed to Fill Gap	$3,751,497	$31,131,201	----	----	----
Applicant Request	$2,949,628	$24,477,016	----	----	----

50% Test for Bond Financing for 4% Tax Credits		
Tax-Exempt Bond Amount	$29,849,000	
	Applicant	TDHCA
Land Cost	$1,740,000	$1,740,000
Depreciable Bldg Cost	$49,888,580	$49,223,897
Aggregate Basis for 50% Test	$51,628,580	$50,963,897

Percent Financed by Tax-Exempt Bonds	Applicant	TDHCA
	57.8%	58.6%
amount aggregate basis can increase before 50% test fails	$8,069,420	$8,734,103
	15.6%	17.1%

Long-Term Pro Forma

Fiji Lofts, Dallas, TDHCA Bonds/4% HTC #21608

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35	Year 40
EFFECTIVE GROSS INCOME	2.00%	$3,242,821	$3,307,677	$3,373,831	$3,441,307	$3,510,133	$3,875,471	$4,278,833	$4,724,177	$5,215,873	$5,758,746	$6,358,121	$7,019,879
TOTAL EXPENSES	3.00%	$1,248,830	$1,284,675	$1,321,564	$1,359,526	$1,398,593	$1,611,677	$1,857,693	$2,141,781	$2,469,890	$2,848,902	$3,286,785	$3,792,759
NET OPERATING INCOME ("NOI")		**$1,993,991**	**$2,023,002**	**$2,052,267**	**$2,081,781**	**$2,111,540**	**$2,263,794**	**$2,421,140**	**$2,582,396**	**$2,745,984**	**$2,909,844**	**$3,071,336**	**$3,227,120**
EXPENSE/INCOME RATIO		38.5%	38.8%	39.2%	39.5%	39.8%	41.6%	43.4%	45.3%	47.4%	49.5%	51.7%	54.0%
MUST -PAY DEBT SERVICE													
TOTAL DEBT SERVICE		$1,651,597	$1,651,338	$1,651,069	$1,650,790	$1,650,500	$1,648,872	$1,646,903	$1,644,524	$1,641,648	$1,638,170	$1,633,967	$1,628,885
DEBT COVERAGE RATIO		1.21	1.23	1.24	1.26	1.28	1.37	1.47	1.57	1.67	1.78	1.88	1.98
ANNUAL CASH FLOW		**$342,393**	**$371,663**	**$401,198**	**$430,992**	**$461,041**	**$614,922**	**$774,236**	**$937,872**	**$1,104,336**	**$1,271,673**	**$1,437,369**	**$1,598,235**
Deferred Developer Fee Balance		$6,847,460	$6,475,797	$6,074,599	$5,643,608	$5,182,567	$2,418,073	$0	$0	$0	$0	$0	$0
CUMULATIVE NET CASH FLOW		$0	$0	$0	$0	$0	$0	$1,132,504	$5,493,133	$10,681,107	$16,704,908	$23,561,602	$31,233,711

Final Transcript

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS:
Fiji Lofts Tax Exempt Bond Hearing
April 17, 2025/9:00 a.m. CDT

PRESENTATION

Liz

Good morning. This is Liz Cline with the Texas Department of Housing and Community Affairs. The purpose of this call is to conduct a public hearing with respect to the proposed Fiji Lofts multifamily development. I'm just giving folks a few more minutes to join before proceeding.

Good morning. This is Liz Cline with the Texas Department of Housing and Community Affairs, and the purpose of this call is to conduct a public hearing with respect to the proposed Fiji Lofts multifamily development. I'm just giving folks a few more minutes to join before we proceed.

Hello. This is Liz Cline with the Texas Department of Housing and Community Affairs. The purpose of this call is to conduct a public hearing with respect to the proposed Fiji Lofts multifamily development. To give you an idea as to how we're going to proceed, there is a brief speech that I have to read for purposes of meeting the requirements of the federal code with respect to the public hearing. At the conclusion of the speech, I will unmute the lines, and if there is anybody that would like to make a public comment that will be your opportunity to do so. I will now begin with a brief speech.

Good morning. My name is Liz Cline. I would like to proceed with the public hearing. Let the record show that it is 9:04 a.m., Thursday, April 17, 2025, and we are conducting a public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to an issue of supplemental tax-exempt multifamily revenue bonds for a residential rental community. This hearing is required by the Internal Revenue Code.

The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issue. No decisions regarding the development will be made at this hearing. The department's board is scheduled to meet to consider the transaction on May 8, 2025. In addition to providing your comments at this hearing, the public is also invited to provide comments directly to the board at any of their meetings.

The bonds will be issued as tax-exempt multifamily revenue bonds in the aggregate principal amount not to exceed $6 million and taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, the issuer. The proceeds of the bonds will be loaned to SDC Corinth III, LP, or a related person or affiliate entity thereof to finance a portion of the cost of acquiring and equipping a multifamily rental housing community described as follows: a 204 unit multifamily residential rental development to be located on 2.26 acres of land located at approximately 301 South Corinth, Dallas, Dallas County, Texas, 75203.

The proposed multifamily rental housing community will be initially owned and operated by the borrower or a related person or affiliate thereof.

I would now like to open the floor for public comment. I believe I have unmuted all the lines. So, if there is any individual that would like to make public comment, this is your opportunity to do.

Let the record show that there are no attendees; therefore, the meeting is now adjourned. The time is now 9:07 a.m.

Thank you.

Moderator Thank you, Liz.

Liz Thank you, TK.

CAROLYN KING ARNOLD
COUNCILMEMBER
DISTRICT 4

February 2, 2021

Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701
Attention: Teresa Morales

Re: MF #21608 – Fiji Lofts

Dear Ms. Morales:

I am writing this letter to indicate my support for the private activity/tax exempt bond application submitted to the Texas Department of Community Affairs with Application #21608 for Fiji Lofts to be located at 301 South Corinth Street, Dallas TX 75203.

I am of the opinion that Fiji Lofts, a mixed-income multifamily project is much needed in the City of Dallas and the metroplex. The development will assist in meeting the housing needs of residents of modest means by providing affordable housing for these residents.

Sincerely,

Carolyn King Arnold

Carolyn King Arnold

RESOLUTION NO. 26-009

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS MULTIFAMILY HOUSING GOVERNMENTAL NOTE (FIJI LOFTS), SERIES 2026; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development, construction and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low, very low and extremely low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department (the "Board") from time to time); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low, very low and extremely low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds (including notes), for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multifamily residential rental development loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, on February 11, 2021, the Board approved Resolution No. 21-014 (the "2021 Resolution") authorizing the issuance of its Multifamily Housing Governmental Note (Fiji Lofts), Series 2021 (the "2021 Governmental Note") and the use of the proceeds of the 2021 Governmental Note to make a mortgage loan to SDC CORINTH III, LP, a Texas limited partnership (the "Borrower") in connection with acquisition, construction and equipping of a qualified residential rental development described in Exhibit A attached hereto (the "Development") located within the State and required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board has determined to authorize the issuance of its Multifamily Housing Governmental Note (Fiji Lofts), Series 2026 (the "Governmental Lender Note") pursuant to and in accordance with the terms of a Funding Loan Agreement (the "Funding Loan Agreement"),

among the Department, Stellar Bank, as funding lender (the "Funding Lender"), and Wilmington Trust, National Association, as fiscal agent (the "Fiscal Agent"), for the purpose of providing additional funds in connection with the financing of the Development, all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Governmental Lender Note to fund an additional mortgage loan to the Borrower, in connection with the Development; and

WHEREAS, the Board, by resolution adopted on October 10, 2024, declared its intent to issue its revenue bonds or notes to provide financing for the Development; and

WHEREAS, the Borrower has requested and received a reservation of private activity bond allocation from the State of Texas; and;

WHEREAS, it is anticipated that the Department and the Borrower will execute and deliver a Borrower Loan Agreement (the "Borrower Loan Agreement") pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Governmental Lender Note (the "Borrower Loan") to the Borrower to enable the Borrower to finance the acquisition, construction and equipping of the Development and related costs, and (ii) the Borrower will execute and deliver to the Department a multifamily note (the "Borrower Note") in an original principal amount equal to the original aggregate principal amount of the Governmental Lender Note, and providing for payment of interest on such principal amount equal to the interest on the Governmental Lender Note and to pay other costs described in the Borrower Loan Agreement; and

WHEREAS, it is anticipated that the Borrower Note will be secured by a Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas) (the "Security Instrument") from the Borrower for the benefit of the Department and assigned to the Fiscal Agent; and

WHEREAS, the Department's rights (except for certain reserved rights) under the Borrower Loan Agreement, the Borrower Note and the Security Instrument will be assigned to the Fiscal Agent pursuant to an Assignment of Deed of Trust and Loan Documents (the "Assignment") from the Department to the Fiscal Agent; and

WHEREAS, with respect to the Governmental Lender Note, the Board has determined that the Department, the Fiscal Agent, the Borrower and the fee owner identified therein (the "Fee Owner") will execute an Amended and Restated Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement") with respect to the Development, which will be filed of record in the real property records of Dallas County, Texas; and

WHEREAS, in order to assure compliance with Section 103 and 141 through 150 of the Code, the Board has determined that the Department, the Fiscal Agent and the Borrower will execute a Tax Exemption Certificate and Agreement (the "Tax Exemption Agreement"), in connection with the Governmental Lender Note, pursuant to which the Department and the

Borrower will make certifications, representations and covenants relating to the treatment of the interest on the Governmental Lender Note as exempt from gross income for federal income tax purposes; and

WHEREAS, the Board has further determined that the Funding Lender will purchase the Governmental Lender Note from the Department; and

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Funding Loan Agreement; and

WHEREAS, the Board has examined proposed forms of (a) the Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement, the Assignment and the Tax Exemption Agreement (collectively, the "Issuer Documents"), all of which are attached to and comprise a part of this Resolution and (b) the Security Instrument and the Borrower Note; has found the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined, subject to the conditions set forth in Article 1, to authorize the issuance of the Governmental Lender Note, the execution and delivery of the Issuer Documents, the acceptance of the Security Instrument and the Borrower Note and the taking of such other actions as may be necessary or convenient in connection therewith;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE 1

ISSUANCE OF GOVERNMENTAL LENDER NOTE; APPROVAL OF DOCUMENTS

Section 1.1 Issuance, Execution and Delivery of the Governmental Lender Note. That the issuance of the Governmental Lender Note is hereby authorized pursuant to the Act, including particularly Section 2306.353 thereof, and Chapter 1371, Texas Government Code, all under and in accordance with the conditions set forth herein and in the Funding Loan Agreement, and that, upon execution and delivery of the Funding Loan Agreement, the Authorized Representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Governmental Lender Note and to deliver the Governmental Lender Note to the Attorney General of the State (the "Attorney General") for approval, the Comptroller of Public Accounts of the State for registration and the Fiscal Agent for authentication (to the extent required in the Funding Loan Agreement), and thereafter to deliver the Governmental Lender Note to the Funding Lender.

Section 1.2 Interest Rate, Principal Amount, Maturity and Price. That (i) the Governmental Lender Note shall bear interest at a fixed rate per annum, which rate shall be determined at least five (5) business days prior to the delivery of the Governmental Lender Note, and shall be equal to the sum of (A) 2.20%, and (B) the greater of (a) the 2-year SOFR Swap Index published by Bloomberg on the date of determination, or (b) 0.75%, subject to adjustment as

described in the Borrower Note; provided that in no event shall the interest rate on the Governmental Lender Note (including any default interest rate) exceed the maximum interest rate permitted by applicable law; (ii) the aggregate principal amount of the Governmental Lender Note shall be $6,000,000; (iii) the final maturity of the Governmental Lender Note shall occur on June 1, 2027; and (iv) the price at which the Governmental Lender Note is sold to the Funding Lender shall be the principal amount thereof.

Section 1.3 Approval, Execution and Delivery of the Funding Loan Agreement. That the form and substance of the Funding Loan Agreement are hereby approved, and that the Authorized Representatives are each hereby authorized to execute the Funding Loan Agreement, and to deliver the Funding Loan Agreement to the parties thereto.

Section 1.4 Approval, Execution and Delivery of the Borrower Loan Agreement. That the form and substance of the Borrower Loan Agreement are hereby approved, and that the Authorized Representatives each are hereby authorized to execute the Borrower Loan Agreement, and to deliver the Borrower Loan Agreement to the parties thereto.

Section 1.5 Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of the Regulatory Agreement are hereby approved, and that the Authorized Representatives each are hereby authorized to execute, attest and affix the Department's seal to the Regulatory Agreement, and to deliver the Regulatory Agreement to the parties thereto and to cause the Regulatory Agreement to be filed of record in the real property records of Dallas County, Texas.

Section 1.6 Approval, Execution and Delivery of the Tax Exemption Agreement. That the form and substance of the Tax Exemption Agreement are hereby approved, and that the Authorized Representatives each are hereby authorized to execute the Tax Exemption Agreement, and to deliver the Tax Exemption Agreement to the Borrower and the Fiscal Agent.

Section 1.7 Sale of the Governmental Lender Note. That the sale of the Governmental Lender Note to the Funding Lender is hereby authorized and approved.

Section 1.8 Acceptance of the Borrower Note and the Security Instrument. That the form and substance of the Borrower Note and the Security Instrument are hereby accepted by the Department and that the Authorized Representatives each are hereby authorized to endorse and deliver the Borrower Note without recourse.

Section 1.9 Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment are hereby approved, and that the Authorized Representatives each are hereby authorized to execute the Assignment, and to deliver the Assignment to the Fiscal Agent.

Section 1.10 Taking of Any Action; Execution and Delivery of Other Documents. That the Authorized Representatives are each hereby authorized to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other

agreements, commitments, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.11 Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the Authorized Representatives are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such Authorized Representative, and in the opinion of Bracewell LLP, Bond Counsel to the Department ("Bond Counsel"), may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the Authorized Representatives.

Section 1.12 Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B	-	Funding Loan Agreement
Exhibit C	-	Borrower Loan Agreement
Exhibit D	-	Regulatory Agreement
Exhibit E	-	Borrower Note
Exhibit F	-	Security Instrument
Exhibit G	-	Assignment
Exhibit H	-	Tax Exemption Agreement

Section 1.13 Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article 1: the Chair or Vice Chair of the Board, the Executive Director of the Department, the Director of Administration of the Department, the Director of Financial Administration of the Department, the Deputy Executive Director – Housing Finance of the Department, the Director of Multifamily Bonds, and the Secretary or any Assistant Secretary to the Board. Such persons are referred to herein collectively as the "Authorized Representatives." Any one of the Authorized Representatives is authorized to act individually as set forth in this Resolution.

ARTICLE 2

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1 Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Governmental Lender Note in accordance with Chapter 1231, Texas Government Code.

Section 2.2 Approval of Submission to the Attorney General. That the Board hereby authorizes, and approves the submission by Bond Counsel to the Attorney General, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Governmental Lender Note.

Section 2.3 Certification of the Minutes and Records. That the Secretary or Assistant Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Governmental Lender Note and all other Department activities.

Section 2.4 Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Governmental Lender Note and the fees and revenues to be received in connection with the financing of the Development in accordance with the Funding Loan Agreement and the Tax Exemption Agreement and to enter into any agreements relating thereto only to the extent permitted by the Funding Loan Agreement and the Tax Exemption Agreement.

Section 2.5 Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the requirements of Bond Counsel, provided such engagement is done in accordance with applicable law of the State.

Section 2.6 Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Governmental Lender Note and the financing of the Development are hereby ratified and confirmed.

ARTICLE 3

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1 Findings of the Board. That in accordance with Section 2306.223 of the Act and after the Department's consideration of the information with respect to the Development and the information with respect to the proposed financing of the Development, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Development is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the financing of the Development is a public purpose and will provide a public benefit, and

(iii) that the Development will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Development in accordance with the requirements of the Borrower Loan Agreement, the Regulatory Agreement and the Tax Exemption Agreement, will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible, and

(iii) that the Borrower is not, and will not enter into a contract for the Development with, a housing developer that (A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development; (B) breached a contract with a public agency; or (C) misrepresented to a subcontractor the extent to which the developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the developer's participation in contracts with the agency and the amount of financial assistance awarded to the developer by the Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Development in accordance with the Borrower Loan Agreement, the Regulatory Agreement and the Tax Exemption Agreement, which require, among other things, that the Development be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Governmental Lender Note in connection with the financing of the Development is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe, and sanitary housing by financing costs of the Development, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2 Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Development shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate

income, with the income limits as set forth in the Tax Exemption Agreement and the Regulatory Agreement.

Section 3.3 Sufficiency of Borrower Loan Interest Rate. That, in accordance with Section 2306.226 of the Act, the Board hereby finds and determines that the interest rate on the Borrower Loan established pursuant to the Borrower Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Governmental Lender Note and the Development and enable the Department to meet its covenants with and responsibilities to the holders of the Governmental Lender Note.

Section 3.4 No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase the Governmental Lender Note in the secondary open market for municipal securities.

ARTICLE 4

GENERAL PROVISIONS

Section 4.1 Limited Obligations. That the Governmental Lender Note and the interest thereon shall be special limited obligations of the Department payable solely from the trust estate created under the Funding Loan Agreement, including the revenues and funds of the Department pledged under the Funding Loan Agreement to secure payment of the Governmental Lender Note, and under no circumstances shall the Governmental Lender Note be payable from any other revenues, funds, assets or income of the Department.

Section 4.2 Non-Governmental Obligations. That the Governmental Lender Note shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. The Governmental Lender Note shall contain on its face a statement to the effect that the State is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State is pledged, given or loaned to such payment.

Section 4.3 Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4 Notice of Meeting. This Resolution was considered and adopted at a meeting of the Governing Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code**,** and with Section 2306.032 of the Texas Government Code, regarding meetings of the Governing Board.

PASSED AND APPROVED this 15th day of January, 2026.

EXHIBIT A

Description of Development

Borrower: SDC CORINTH III, LP, a Texas limited partnership

Development: The Development is a 204-unit affordable, multifamily housing development known as Fiji Lofts, located at 301 S. Corinth St. Rd., Dallas, Dallas County, TX 75203. It consists of two (2) residential apartment buildings. The unit mix will consist of:

3	efficiency units
91	one-bedroom/one-bath units
110	two-bedroom/two-bath units
204	Total Units

FUNDING LOAN AGREEMENT

Among

STELLAR BANK,
as Funding Lender

and

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
as Governmental Lender

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Fiscal Agent

$[6,000,000]
MULTIFAMILY HOUSING GOVERNMENTAL NOTE
(FIJI LOFTS)
SERIES 2026

Dated as of [_____ 1, 2026]

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FUNDING LOAN AGREEMENT

This Funding Loan Agreement, dated as of [_____ 1, 2026] (this "Funding Loan Agreement"), is entered into by STELLAR BANK (together with any successor hereunder, the "Funding Lender") and TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas (together with its successors and assigns, the "Governmental Lender") and WILMINGTON TRUST, NATIONAL ASSOCIATION, as Fiscal Agent (together with its successors and assigns, the "Fiscal Agent").

RECITALS

WHEREAS, the Governmental Lender has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code (the "Act"); and

WHEREAS, the Governmental Lender is authorized: (a) to make loans to any person to provide financing for rental residential developments located within the jurisdiction of the Governmental Lender and intended to be occupied in part by persons of low and moderate income; (b) to incur indebtedness for the purpose of obtaining moneys to make such loans and provide such financing, to establish any required reserve funds and to pay administrative costs and other costs incurred in connection with the incurrence of such indebtedness of the Governmental Lender; and (c) to pledge all or any part of the revenues, receipts or resources of the Governmental Lender, including the revenues and receipts to be received by the Governmental Lender from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Governmental Lender in order to secure the payment of the principal of, prepayment premium, if any, on and interest on such indebtedness of the Governmental Lender; and

WHEREAS, SDC Corinth III, LP, a Texas limited partnership (the "Borrower"), has requested the Governmental Lender to enter into this Funding Loan Agreement under which (i) the Funding Lender will purchase the Governmental Lender Note (as defined herein) and (ii) the Governmental Lender will apply the proceeds of the Governmental Lender Note to make a loan (the "Borrower Loan") to the Borrower to finance the acquisition, construction and equipping of a multifamily rental housing development to be located in Dallas County, Texas, known as Fiji Lofts (the "Project"); and

WHEREAS, simultaneously with the delivery of this Funding Loan Agreement, the Governmental Lender and the Borrower will enter into a Borrower Loan Agreement of even date herewith (as it may be supplemented or amended, the "Borrower Loan Agreement"), whereby the Borrower agrees to make loan payments to the Governmental Lender in an amount which, when added to other funds available under this Funding Loan Agreement, will be sufficient to enable the Governmental Lender to repay the Governmental Lender Note and to pay all costs and expenses related thereto when due; and

WHEREAS, to evidence its payment obligations under the Borrower Loan Agreement, the Borrower will execute and deliver to the Governmental Lender the Borrower Note (as defined herein) and the obligations of the Borrower under the Borrower Note will be secured by a lien on and security interest in the Project pursuant to a Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas) of even date herewith (the "Security Instrument"), made by the Borrower in favor of the Governmental Lender, as assigned to the Fiscal Agent to secure the performance by the Governmental Lender of its obligations under the Funding Loan; and

WHEREAS, Governmental Lender has previously issued its Multifamily Housing Governmental Note (Fiji Lofts) Series 2021in the original principal aggregate amount of $23,849,000 to provide financing for the acquisition, construction and equipping of the Project; and

WHEREAS, in order to assure compliance with Sections 103 and 142 through 150, inclusive, of the Code, the Governmental Lender, the Fiscal Agent and the Borrower have entered into the Tax Exemption Agreement and the Regulatory Agreement (as each such term is defined herein), each of which sets forth various certifications, representations, and covenants relating to the Federal Tax Status (as defined herein) of the Governmental Lender Note; and

WHEREAS, the Governmental Lender has executed and delivered to the Funding Lender the Governmental Lender Note evidencing its obligation to make the payments due to the Funding Lender as provided in this Funding Loan Agreement, all things necessary to make the Governmental Lender Note the legal, valid, and binding limited obligation of the Governmental Lender, have been done and performed and the execution and delivery of this Funding Loan Agreement and the execution and delivery of the Governmental Lender Note, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the parties hereto do hereby agree as follows:

It is hereby covenanted and declared that (i) the Governmental Lender Note is to be delivered to evidence the payment obligations of the Governmental Lender pursuant to this Funding Loan Agreement and (ii) the Collateral (as defined in the Borrower Loan Agreement) subject to this Funding Loan Agreement is to be held and applied by the Fiscal Agent, subject to the covenants, conditions and trusts hereinafter set forth, and the Governmental Lender does hereby covenant and agree to and with the Fiscal Agent, for the benefit (except as otherwise expressly provided herein) of the Funding Lender, as follows:

ARTICLE I
DEFINITIONS; PRINCIPLES OF CONSTRUCTION

Section 1.1. Definitions. For all purposes of this Funding Loan Agreement, except as otherwise expressly provided or unless the context otherwise clearly requires:Unless specifically defined herein, all capitalized terms shall have the meanings ascribed thereto in the Borrower Loan Agreement, the Regulatory Agreement or the Tax Exemption Agreement.

(b) The terms “herein, “hereof” and “hereunder” and other words of similar import refer to this Funding Loan Agreement as a whole and not to any particular Article, Section or other subdivision. The terms “agree” and “agreements” contained herein are intended to include and mean “covenant” and “covenants.”

(c) All references made (i) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (ii) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well. Singular terms shall include the plural as well as the singular, and vice versa.

(d) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with the Approved Accounting Method. All references herein to “Approved Accounting Method” refer to such principles as they exist at the date of application thereof.

(e) All references in this instrument to designated “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(f) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(g) References to the Governmental Lender Note as "tax-exempt" or to the "tax-exempt status" of the Governmental Lender Note are to treatment of interest on the Governmental Lender Note as excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code, except with respect to interest on the Governmental Lender Note for any period during which it is held by a Person who is a "substantial user" of the Project or a "related person" of such a "substantial user," each within the meaning of Section 147(a) of the Code.

(h) The following terms have the meanings set forth below:

"Additional Borrower Payments" shall have the meaning given such term in the Borrower Loan Agreement.

"Affiliate" shall mean, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person.

"Approved Transferee" means (1) a "qualified institutional buyer" ("QIB") as defined in Rule 144A promulgated under the Securities Act of 1933, as in effect on the date hereof (the "Securities Act") that is a financial institution or commercial bank having capital and surplus of $5,000,000,000 or more, (2) an Affiliate of the Funding Lender, (3) a trust or custodial arrangement established by (a) the Funding Lender or one of its Affiliates or (b) one of the New Hampshire National Finance Authority, the Arizona Industrial Development Authority, or, solely upon advance written consent of the Governmental Lender, any other state or local government or agency or entity which is a political subdivision of a federal, state or local government (such entity as described in this subsection 3(b) referred to herein as a "Governmental Entity"), in each case the beneficial interests in which will be either (i) owned only by QIBs or (ii) rated in the "BBB" category or higher without regard to modifier (or the equivalent investment grade category) by at least one nationally recognized rating agency, or (4) a Governmental Entity.

"Authorized Amount" shall mean $[6,000,000].

"Authorized Representative" shall mean with respect to (i) the Governmental Lender, the Chair or Vice Chair of the Board, the Executive Director of the Governmental Lender, the Director of Administration of the Governmental Lender, the Director of Financial Administration of the Governmental Lender, the Deputy Executive Director – Housing Finance of the Governmental Lender, the Director of Multifamily Bonds of the Governmental Lender, and the Secretary or Assistant Secretary to the Board; (ii) the Borrower, an Authorized Borrower Representative (as defined in the Borrower Loan Agreement); and (iii) the Funding Lender, an authorized signatory or a Vice President of the Funding Lender or, in each case, such other person at any time designated by the Governmental Lender and the Borrower to act on behalf of the Governmental Lender, the Borrower and/or the Funding Lender, as the case may be, as evidenced by a written certificate delivered to the Fiscal Agent containing the specimen signature of such person and signed by one of the above titled officers. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties and exercise all powers of an Authorized Representative. The Fiscal Agent may conclusively presume that a person designated in a written certificate filed with it as an Authorized Representative is an Authorized Representative until such time as the Governmental Lender, the Borrower and/or the Funding Lender, as the case may be, file with it a written certificate revoking such person's authority to act in such capacity.

"Board" shall mean the Governing Board of the Governmental Lender.

"Borrower" shall mean SDC Corinth III, LP, a Texas limited partnership.

"Borrower Equity Account" shall mean the Borrower Equity Account of the Project Fund established under Section 7.3 hereof.

"Borrower Loan" shall mean the mortgage loan made by the Governmental Lender to the Borrower pursuant to the Borrower Loan Agreement in the aggregate principal amount of the Borrower Loan Amount, as evidenced by the Borrower Note.

"Borrower Loan Agreement" shall mean the Borrower Loan Agreement, of even date herewith, between the Governmental Lender and the Borrower, as supplemented, amended or replaced from time to time in accordance with its terms.

"Borrower Loan Agreement Default" shall mean any Event of Default as defined and set forth in Section 8.1 of the Borrower Loan Agreement. A Borrower Loan Agreement Default shall "exist" if a Borrower Loan Agreement Default shall have occurred and be continuing beyond all applicable notice, grace, and cure periods.

"Borrower Loan Amount" shall mean the amount of $[6,000,000].

"Borrower Loan Documents" shall have the meaning given such term in the Borrower Loan Agreement.

"Borrower Note" means Multifamily Note dated as of the Closing Date in the original principal amount of $[6,000,000], made by Borrower and payable to Governmental Lender, as endorsed and assigned to the Fiscal Agent, as it may be amended, supplemented or replaced from time to time.

"Business Day" shall mean any day other than (i) a Saturday or a Sunday, or (ii) a day on which federally insured depository institutions in New York, New York, or in the location of the Corporate Trust Office or Operations Office are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

"Closing Costs Fund" shall mean the fund of that name established under Section 7.3(d) hereof.

"Closing Date" shall mean the date of delivery of the Governmental Lender Note in exchange for the purchase price thereof.

"Closing Memorandum" shall mean the closing memorandum executed by the Borrower in connection with the issuance of the Bonds.

"Code" shall have the meaning given such term in the Tax Exemption Agreement.

"Comptroller" shall mean the Comptroller of Public Accounts of the State of Texas.

"Construction Funding Agreement" means that certain Construction Funding Agreement of even date herewith, between the Funding Lender and the Borrower, pursuant to which the Borrower Loan will be advanced by the Fiscal Agent on behalf of the Governmental Lender, to the Borrower and setting forth certain provisions relating to disbursement of the Borrower Loan during construction, insurance and other matters, as such agreement may be amended, modified, supplemented and replaced from time to time.

"Control" shall mean, with respect to any Person, either (i) ownership directly or through other entities of more than 50% of all beneficial equity interest in such Person, or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities, by contract or otherwise.

"Corporate Trust Office" means the office designated as such for the Fiscal Agent pursuant to Section 12.1 hereof.

"Costs of Issuance" shall have the meaning given such term in the Tax Exemption Agreement.

"Event of Default" shall have the meaning ascribed thereto in Section 9.1 hereof.

"Federal Tax Status" means, as to the Governmental Lender Note, the status of the interest on the Governmental Lender Note as excludable from gross income for federal income tax purposes (except on the Governmental Lender Note during any period during which it is held by a "substantial user" of the Project or "related person" to such a substantial user within the meaning of Section 147(a) of the Code).

"Fee Owner" shall have the meaning given such term in the Regulatory Agreement

"Fiscal Agent" shall mean Wilmington Trust, National Association, as fiscal agent hereunder, and any successor fiscal agent or co-fiscal agent appointed under this Funding Loan Agreement.

"Fiscal Agent's Fees" shall mean the ongoing compensation and expenses payable to the Fiscal Agent as follows:

(a) an initial acceptance fee of $1,500.00 and the annual administration fees of the Fiscal Agent, for the ordinary services of the Fiscal Agent rendered under this Funding Loan Agreement during each twelve month period and shall be equal to an annual minimum fee of $4,000.00, payable annually in advance on the Closing Date and thereafter on each [_____ 1], commencing [_____ 1, 2027] until the Governmental Lender Note is paid in full;

(b) the reasonable fees and charges of the Fiscal Agent for necessary extraordinary services rendered by it and/or reimbursement for extraordinary expenses incurred by it under this Funding Loan Agreement as and when the same become due, including reasonable fees and expenses of legal counsel and internal default administrators (including fees prior to litigation, at trial or for appellate proceedings); provided, however, that the Fiscal Agent shall not be required to undertake any such extraordinary services unless provision for payment of extraordinary expenses satisfactory to the Fiscal Agent shall have been made; and

(c) for purposes of the Borrower Loan Agreement, indemnification of the Fiscal Agent by the Borrower as more particularly set forth in the Borrower Loan Agreement.

"Funding Lender" shall mean Stellar Bank, a Texas state chartered bank, and any successor holder of the Governmental Lender Note under this Funding Loan Agreement.

"Funding Loan" shall mean the funds advanced by the Funding Lender to the Governmental Lender and applied by the Governmental Lender to make the Borrower Loan.

"Funding Loan Agreement" shall mean this Funding Loan Agreement, of even date herewith, by and among the Funding Lender, the Governmental Lender and the Fiscal Agent, as it may from time to time

be supplemented, modified or amended by one or more funding loan agreements, indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions hereof.

"Funding Loan Documents" shall mean (i) this Funding Loan Agreement, (ii) the Borrower Loan Agreement, (iii) the Regulatory Agreement, (iv) the Tax Exemption Agreement, (v) the Borrower Loan Documents, (vi) all other documents evidencing, securing, governing or otherwise pertaining to the Governmental Lender Note, and (vii) all amendments, modifications, renewals and substitutions of any of the foregoing.

"Governmental Lender" shall mean the Texas Department of Housing and Community Affairs, a public and official agency of the State.

"Governmental Lender Administration Fee" means the fee payable annually in advance to the Governmental Lender on each December 1, in the amount of .10% per annum of the aggregate principal amount of the Governmental Lender Note Outstanding at the inception of each payment period, as such fee is further described in the 2021 Funding Loan Agreement.

"Governmental Lender Closing Costs" shall mean the fees, costs and expenses incurred in connection with the issuance of the Governmental Lender Note.

"Governmental Lender Compliance Fee" means the fee payable annually in advance to the Governmental Lender on each December 1, in the amount of $25 per Low-Income Unit (as defined in the Regulatory Agreement) in the Project, for the duration of the State Restrictive Period (as defined in the Regulatory Agreement), as such fee is further described in the 2021 Funding Loan Agreement. The Governmental Lender Compliance Fee is for bond compliance only, and an additional fee may be charged for tax credit compliance.

"Governmental Lender Counsel" shall mean any counsel nationally recognized as having an expertise in connection with the excludability of interest on obligations of states and local governmental units from gross income for federal income tax purposes and selected by the Governmental Lender, and initially shall mean Bracewell LLP.

"Governmental Lender Counsel Approving Opinion" shall mean an opinion of Governmental Lender Counsel substantially to the effect that the Governmental Lender Note constitutes a valid and binding obligation of the Governmental Lender and that, under existing statutes, regulations published rulings and judicial decisions, the interest on the Governmental Lender Note is excludable from gross income for federal income tax purposes (subject to the inclusion of such customary exceptions as are acceptable to the recipient thereof).

"Governmental Lender Counsel No Adverse Effect Opinion" shall mean, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of Governmental Lender Counsel to the effect that such action or omission does not adversely affect the Federal Tax Status of the Governmental Lender Note (subject to the inclusion of any exceptions contained in the opinion of Governmental Lender Counsel delivered upon original issuance of the Governmental Lender Note or other customary exceptions acceptable to the recipient thereof).

"Governmental Lender Fees" means, collectively, the Governmental Lender Administration Fee and the Governmental Lender Compliance Fee.

"Governmental Lender Note" means that certain Multifamily Housing Governmental Note (Fiji Lofts) Series 2026, in the original principal amount of $[6,000,000], the form of which is contained in Exhibit A hereto.

"Highest Rating Category" shall mean, with respect to a Permitted Investment, that the Permitted Investment is rated by S&P or Moody's in the highest rating given by that rating agency for that general category of security. By way of example, the Highest Rating Category for tax-exempt municipal debt established by S&P is "A 1+" for debt with a term of one year or less and "AAA" for a term greater than one year, with corresponding ratings by Moody's of "MIG 1" (for fixed rate) or "VMIG 1" (for variable rate) for three months or less and "Aaa" for greater than three months. If at any time (i) both S&P and Moody's rate a Permitted Investment and (ii) one of those ratings is below the Highest Rating Category, then such Permitted Investment will, nevertheless, be deemed to be rated in the Highest Rating Category if the lower rating is no more than one rating category below the highest rating category of that rating agency. For example, a Permitted Investment rated "AAA" by S&P and "Aa3" by Moody's is rated in the Highest Rating Category. If, however, the lower rating is more than one full rating category below the Highest Rating Category of that rating agency, then the Permitted Investment will be deemed to be rated below the Highest Rating Category. For example, a Permitted Investment rated "AAA" by S&P and "A1" by Moody's is not rated in the Highest Rating Category.

"Initial Note" means each initial Governmental Lender Note registered by the Comptroller and subsequently canceled and replaced by a definitive Governmental Lender Note pursuant to this Funding Loan Agreement.

"Loan Payment Date" means, with respect to the Governmental Lender Note, (i) the first day of each calendar month, commencing [_____], (ii) the date of any prepayment of the Funding Loan attributable to the Governmental Lender Note, but only with respect to the portion of such Funding Loan subject to prepayment, and (iii) the Maturity Date.

"Maturity Date" shall mean [June 1, 2027].

"Maximum Rate" shall mean the lesser of (i) 12% per annum and (ii) the maximum interest rate that may be paid on the Governmental Lender Note under State law pursuant to Chapter 1204 of the Texas Government Code.

"Minimum Beneficial Ownership Amount" shall mean an amount no less than fifteen percent (15%) of the outstanding principal amount of the Governmental Lender Note.

"Moody's" shall mean Moody's Ratings, or its successor.

"Mortgaged Property" means the real property described in the Security Instrument, together with all improvements, fixtures and personal property (to the extent of the Borrower's interest therein) located on such real property.

"Noteowner" or "owner of the Governmental Lender Note" means the owner of the Governmental Lender Note as shown on the registration books maintained by the Fiscal Agent pursuant to Section 2.5(b) hereof.

"Note Proceeds Account" means the Note Proceeds Account of the Project Fund established under Section 7.3 hereof.

"Operations Office" means the offices of the Fiscal Agent where principal and interest on the

Governmental Lender Note is paid and where the Governmental Lender Note may be surrendered for transfer, exchange or cancellation, which office is presently located at Wilmington Trust, National Association, 15950 North Dallas Parkway, Suite 200, Dallas, Texas 75248.

"Opinion of Counsel" shall mean a written opinion from an attorney or firm of attorneys, acceptable to the Funding Lender and the Governmental Lender with experience in the matters to be covered in the opinion; provided that whenever an Opinion of Counsel is required to address the Federal Tax Status of the Governmental Lender Note, such opinion shall be provided by Governmental Lender Counsel.

"Permitted Investments" shall mean, to the extent authorized by law for investment of any moneys held under this Funding Loan Agreement:

(a) Direct obligations of the United States of America including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America ("Government Obligations").

(b) Direct obligations of, and obligations on which the full and timely payment of principal and interest is unconditionally guaranteed by, any agency or instrumentality of the United States of America or direct obligations of the World Bank, which obligations are rated in the Highest Rating Category.

(c) Demand deposits or time deposits with or certificates of deposit issued by the Fiscal Agent or its Affiliates or any bank organized under the laws of the United States of America or any state or the District of Columbia which has combined capital, surplus and undivided profits of not less than $50,000,000 and maturing in less than 365 days; provided that the Fiscal Agent or such other institution has been rated at least "VMIG-1"/"A-1+" by Moody's S&P which deposits or certificates are fully insured by the Federal Deposit Insurance Corporation or collateralized pursuant to the requirements of the Office of the Comptroller of the Currency.

(d) Bonds (including tax-exempt bonds), bills, notes or other obligations of or secured by Fannie Mae, Freddie Mac, the Federal Home Loan Bank or the Federal Farm Credit Bank.

(e) Money market funds rated "AAA" by S&P which are registered with the Securities and Exchange Commission and which meet the requirements of Rule 2(a)(7) of the Investment Company Act of 1940, as amended, which may be administered by the Fiscal Agent or its Affiliates.

(f) Collateralized investment agreements or repurchase agreements with financial institutions rated in the "A" category or higher without regard to qualifiers, by at least one Rating Agency. The agreement must be continually collateralized with obligations specified in paragraphs (a), (b) and/or (d) above, eligible for wire through the Federal Reserve Bank System or the DTC/PTC as applicable, and at a level of at least 103% of the amount on deposit and valued no less than daily. The collateral must be held by a third-party custodian and be free and clear of all liens and claims of third parties. Securities must be valued daily, marked-to-market at current market price plus accrued interest. If the market value of the securities is found to be below the required level, the provider must restore the market value of the securities to the required level within one (1) business day. Permitted collateral must be delivered to and held in a segregated account by the Fiscal Agent or a custodian (the "Collateral Agent"), and the Collateral Agent cannot be the provider. The collateral must be delivered to the Collateral Agent before/simultaneous with payment (perfection by possession of certificated securities). Acceptable collateral must be free and clear of all liens and claims of third parties and shall be registered in the name of the Collateral Agent for the benefit of the Governmental Lender and Fiscal Agent. The agreement shall state that the Collateral Agent has a valid and perfected first priority security interest in the securities, any substituted securities and all proceeds thereof.

(g) Any other investment authorized by the laws of the State, if such investment is Approved in advance in Writing by the Funding Lender in its sole discretion.

Permitted Investments shall not include any of the following:

(1) Except for any investment described in the next sentence, any investment or any agreement with a maturity profile greater than the date(s) on which funds representing the corpus of the investment may be needed under the Funding Loan Documents. This exception (1) shall not apply to Permitted Investments listed in paragraph (g).

(2) Any obligation bearing interest at an inverse floating rate.

(3) Any investment which may be prepaid or called at a price less than its purchase price prior to stated maturity.

(4) Any investment the interest rate on which is variable and is established other than by reference to a single index plus a fixed spread, if any, and which interest rate moves proportionately with that index.

The Fiscal Agent shall not be responsible for verifying that a Permitted Investment is authorized by law.

"Person" shall mean any individual, corporation, limited liability company, partnership, joint venture, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

"Pledged Revenues" shall mean the amounts pledged under this Funding Loan Agreement to the payment of the principal of, prepayment premium, if any, and interest on the Governmental Lender Note, consisting of the following: (i) all income, revenues, proceeds and other amounts to which the Governmental Lender is entitled (other than amounts received by the Governmental Lender with respect to the Reserved Rights) derived from or in connection with the Project and the Funding Loan Documents, including all Borrower Loan Payments due under the Borrower Loan Agreement and the Borrower Note, payments with respect to the Borrower Loan Payments and all amounts obtained through the exercise of the remedies provided in the Funding Loan Documents and all receipts credited under the provisions of this Funding Loan Agreement against said amounts payable, and (ii) moneys held in the funds and accounts established under this Funding Loan Agreement, together with investment earnings thereon (except any amounts on deposit in the Expense Fund, the Closing Costs Fund and the Rebate Fund).

"Prepayment Premium" shall mean (i) any premium payable by the Borrower pursuant to the Borrower Loan Documents in connection with a prepayment of the Borrower Note (including any Prepayment Premium as set forth in the Borrower Note) and (ii) any premium payable on the Governmental Lender Note pursuant to this Funding Loan Agreement.

"Project" shall have the meaning given to that term in the Borrower Loan Agreement.

"Qualified Project Costs" shall have the meaning given such term in the Tax Exemption Agreement.

"Rating Agency" shall mean any one and each of S&P, Moody's and Fitch, Inc. then rating the Permitted Investments or any other nationally recognized statistical rating agency then rating the Permitted Investments, which has been approved by the Funding Lender.

"Rebate Amount" shall have the meaning given to that term in the Tax Exemption Agreement.

"Rebate Analyst" shall have the meaning given to that term in the Tax Exemption Agreement.

"Rebate Fund" means the Rebate Fund created by Section 7.3(e) hereof.

"Regulations" shall mean the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Regulatory Agreement" shall mean that certain Amended and Restated Regulatory and Land Use Restriction Agreement, dated as of the date hereof, by and among the Governmental Lender, the Borrower, the Fee Owner and the Fiscal Agent, as hereafter amended or modified.

"Required Transferee Representations Letter" shall mean the representations in substantially the form of the letter attached to this Funding Loan Agreement as Exhibit B, duly executed by the holder of the Governmental Lender Note and delivered to the Governmental Lender and the Fiscal Agent.

"Reserved Rights" means (a) all of the Governmental Lender's right, title and interest in and to all reimbursement, costs, expenses and indemnification, (b) all rights of the Governmental Lender to receive the Governmental Lender Fees and any Rebate Amount, (c) all rights of the Governmental Lender to receive notices, reports and other statements and to make any determination and to grant any approval or consent to anything in this Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement and the Borrower Loan Documents requiring the determination, consent or approval of the Governmental Lender, (d) all rights of the Governmental Lender of access to the Mortgaged Property and documents related thereto and to specifically enforce the representations, warranties, covenants and agreements of the Borrower set forth in the Tax Exemption Agreement and in the Regulatory Agreement, (e) any and all rights, remedies and limitations of liability of the Governmental Lender set forth in this Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement and the other Funding Loan Documents, as applicable, regarding (1) the negotiability, registration and transfer of the Governmental Lender Note, (2) the loss or destruction of the Governmental Lender Note, (3) the limited liability of the Governmental Lender as provided in the Act, this Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement and the other Funding Loan Documents, (4) no liability of the Governmental Lender to third parties, and (5) no warranties of suitability or merchantability by the Governmental Lender, (f) all rights of the Governmental Lender in connection with any amendment to or modification of this Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement and the other Funding Loan Documents, and (g) any and all limitations of the Governmental Lender's liability and the Governmental Lender's disclaimers of warranties set forth in this Funding Loan Agreement, the Regulatory Agreement, the Tax Exemption Agreement or the Borrower Loan Agreement, and the Governmental Lender's right to inspect and audit the books, records and permits of the Borrower and the Mortgaged Property.

"Resolution" shall mean the resolution of the Governmental Lender authorizing the Governmental Lender Note and the execution and delivery of the Funding Loan Documents to which the Governmental Lender is a party.

"Responsible Officer" shall mean any officer within the Corporate Trust Office of the Fiscal Agent, including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of the Fiscal Agent customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, who is responsible for the administration of this Funding Loan Agreement.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Security" shall mean the security for the performance by the Governmental Lender of its obligations under the Governmental Lender Note and this Funding Loan Agreement as more fully set forth in Article IV hereof.

"Security Instrument" shall mean the Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas) (as amended, restated and/or supplemented from time to time) of even date herewith, made by the Borrower in favor of the Governmental Lender, as assigned to the Fiscal Agent for the benefit of the Funding Lender to secure the performance by the Borrower of its obligations under the Borrower Loan Documents.

"Servicer" shall mean Citibank, N.A., or any successor servicer appointed by the Funding Lender upon notice to the Governmental Lender and the Fiscal Agent.

"Servicing Agreement" shall mean the Participation and Servicing Agreement entered into between the Funding Lender and the Servicer with respect to the servicing of the Funding Loan and the Borrower Loan.

"S&P" shall mean S&P Global Ratings, a business of Standard & Poor's Financial Services LLC, or its successors.

"State" shall mean the State of Texas.

"Tax Exemption Agreement" shall mean that certain Tax Exemption Certificate and Agreement dated as of the date hereof, by and among the Governmental Lender, the Borrower and the Fiscal Agent, as in effect on the Closing Date and as it may be amended, supplemented or restated in accordance with its terms.

"Transferor Letter" shall mean the letter required pursuant to Section 2.6(b) of, and in substantially the form attached as Exhibit E to, this Funding Loan Agreement.

"2021 Funding Loan Agreement" means that certain Funding Loan Agreement dated as of December 1, 2021, among the Funding Lender, formerly known as CommunityBank of Texas, N.A., the Governmental Lender and the Fiscal Agent.

"UCC" shall mean the Uniform Commercial Code as in effect in the State.

"Written Certificate," "Written Certification," "Written Consent," "Written Direction," "Written Notice," "Written Order," "Written Request," "Written Requisition," "Approved in Writing," and "Approval in Writing" shall mean a written certificate, consent, direction, notice, order, request, requisition or approval signed by an Authorized Representative of the Borrower, the Funding Lender or the Governmental Lender, as applicable, and delivered to the Funding Lender, the Servicer, if any, the Fiscal Agent or such other Person as required under the Funding Loan Documents.

Section 1.2. Effect of Headings and Table of Contents. The Article and Section headings herein and in the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.3. Date of Funding Loan Agreement. The date of this Funding Loan Agreement is intended as and for a date for the convenient identification of this Funding Loan Agreement and is not intended to indicate that this Funding Loan Agreement was executed and delivered on said date.

Section 1.4. Designation of Time for Performance. Except as otherwise expressly provided herein, any reference in this Funding Loan Agreement to the time of day shall mean the time of day in the city where the Funding Lender maintains its place of business for the performance of its obligations under this Funding Loan Agreement.

Section 1.5. Interpretation. The parties hereto acknowledge that each of them and their respective counsel have participated in the drafting and revision of this Funding Loan Agreement. Accordingly, the parties agree that any rule of construction that disfavors the drafting party shall not apply in the interpretation of this Funding Loan Agreement or any amendment or supplement or exhibit hereto.

ARTICLE II
TERMS; GOVERNMENTAL LENDER NOTE

Section 2.1. Terms.

(a) Principal Amount. The total principal amount of the Governmental Lender Note is hereby expressly limited to the Authorized Amount.

(b) Funding. The purchase price of the Governmental Lender Note, which shall be equal to the principal amount thereof, shall be paid by the Funding Lender to the Fiscal Agent for the account of the Governmental Lender on the Closing Date, and will be disbursed to the Borrower in accordance with the disbursement provisions of Section 7.7 hereof, Section 2.10 of the Borrower Loan Agreement and the Construction Funding Agreement.

(c) Issuance Date; Maturity. The Governmental Lender Note shall be issued on the Closing Date and shall mature on the Maturity Date therefor at which time the entire principal amount therefor, to the extent not previously paid, and all accrued and unpaid interest thereon, shall be due and payable.

(d) Principal. The outstanding principal amount of the Governmental Lender Note as of any given date shall be the Authorized Amount, less any payments of principal of such Governmental Lender Note previously received from payments of corresponding principal amounts under the Borrower Note, including regularly scheduled principal payments and voluntary and mandatory prepayments. The principal amount of the Governmental Lender Note and interest thereon shall be payable on the basis specified in this paragraph (d) and in paragraphs (e) and (f) of this Section 2.1.

The Fiscal Agent shall keep a record of all principal repayments made under the Governmental Lender Note and shall upon Written Request provide the Governmental Lender and the Funding Lender with a statement of the outstanding principal balance of the Governmental Lender Note.

(e) Interest. Interest shall be paid on the outstanding principal amount of the Governmental Lender Note on each Loan Payment Date at the rate or rates set forth in the Borrower Note and otherwise as set forth in the Borrower Loan Agreement; provided, however, that in no event shall interest paid on the Governmental Lender Note (including any default interest rate) exceed the Maximum Rate.

(f) Corresponding Payments. The payment or prepayment of principal, interest and premium, if any, late payment fees and other amounts due on the Governmental Lender Note shall be made on the Loan Payment Date and shall be identical with and shall be made on the same terms and conditions, as the principal, interest, premium, if any, late payment fees and other amounts due on the Borrower Note. If there is a Servicer, payments of principal and interest on the Borrower Note shall be paid to the Servicer when required under the Borrower Note and Borrower Loan Agreement, and the Servicer, on behalf of the Funding Lender, shall then remit such funds to the Fiscal Agent to be deposited in the Governmental Lender Note Payment Fund established under this Funding Loan Agreement. If there is no Servicer, payments of principal and interest on the Borrower Note shall be paid directly to the Fiscal Agent and deposited into the Governmental Lender Note Payment Fund.

(g) Usury. The Governmental Lender intends to conform strictly to the usury laws applicable to this Funding Loan Agreement and the Governmental Lender Note and all agreements made in the Governmental Lender Note, this Funding Loan Agreement and the Funding Loan Documents are expressly limited so that in no event whatsoever shall the amount paid or agreed to be paid as interest or the amounts paid for the use of money advanced or to be advanced hereunder exceed the highest lawful rate prescribed under any law which a court of competent jurisdiction may deem applicable hereto including Chapter 1204 of the Texas Government Code and other applicable laws of the State of Texas. If, from any circumstances whatsoever, the fulfillment of any provision of the Governmental Lender Note, this Funding Loan Agreement or the other Funding Loan Documents shall involve the payment of interest in excess of the limit prescribed by any law which a court of competent jurisdiction may deem applicable hereto, then the obligation to pay interest hereunder shall be reduced to the maximum limit prescribed by law. If from any circumstances whatsoever, the Funding Lender shall ever receive anything of value deemed interest, the amount of which would exceed the highest lawful rate, such amount as would be excessive interest shall be deemed to have been applied, as of the date of receipt by the Funding Lender, to the reduction of the principal remaining unpaid hereunder and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Borrower. In no event shall the interest on a Governmental Lender Note exceed the Maximum Rate. This paragraph shall control every other provision of the Governmental Lender Note, this Funding Loan Agreement and all other Funding Loan Documents.

In determining whether the amount of interest charged and paid on a Governmental Lender Note might otherwise exceed the limit prescribed by law, the Governmental Lender intends and agrees that (i) interest shall be computed upon the assumption that payments under the Borrower Loan Agreement and other Funding Loan Documents will be paid according to the agreed terms, and (ii) any sums of money that are taken into account in the calculation of interest, even though paid at one time, shall be spread over the actual term of such Governmental Lender Note.

(h) Notwithstanding any other provision of this Funding Loan Agreement to the contrary, **THE GOVERNMENTAL LENDER SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON, THE GOVERNMENTAL LENDER NOTE SOLELY OUT OF THE SECURITY, INCLUDING PLEDGED REVENUES. THE GOVERNMENTAL LENDER NOTE SHALL BE A SPECIAL LIMITED OBLIGATION OF THE GOVERNMENTAL LENDER PAYABLE SOLELY FROM THE SECURITY, INCLUDING PLEDGED REVENUES. THE GOVERNMENTAL LENDER NOTE SHALL CONSTITUTE A VALID CLAIM OF THE RESPECTIVE NOTEOWNERS THEREOF AGAINST THE SECURITY, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE GOVERNMENTAL LENDER NOTE AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THIS FUNDING LOAN AGREEMENT**.

Section 2.2. Form of Governmental Lender Note. Simultaneously with the delivery of this Funding Loan Agreement, the Governmental Lender hereby agrees to execute and deliver the Governmental Lender Note. The Governmental Lender Note shall be substantially in the form set forth in Exhibit A hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Funding Loan Agreement. Except for the Initial Note, which shall be numbered I-1, the Governmental Lender Note shall be numbered consecutively from R-1 upwards.

The Initial Note, registered by the Comptroller, shall be identical to the form of Governmental Lender Note attached as Exhibit A hereto, except that the penultimate paragraph of the form shall be replaced with the following in the Initial Note:

> "THIS GOVERNMENTAL LENDER NOTE SHALL NOT BE VALID OR BECOME OBLIGATORY for any purpose or be entitled to any benefit or security under the Funding Loan Agreement unless the Comptroller's Registration Certificate hereon has been executed by an authorized representative of the Texas Comptroller of Public Accounts by manual signature."

In lieu of the authentication certificate of the Fiscal Agent, the Initial Note shall contain the following certificate:

"REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF	§	
PUBLIC ACCOUNTS	§	REGISTER NO. _____
THE STATE OF TEXAS	§	

I HEREBY CERTIFY that this Governmental Lender Note has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Texas Comptroller of Public Accounts.

Witness my signature and seal of office this _____.

_____
Texas Comptroller of Public Accounts

(SEAL)"

The provisions of Exhibit A may be rearranged or re ordered for purposes of the Initial Note.

Section 2.3. Execution and Authentication of Governmental Lender Note. The Governmental Lender Note (including the Initial Note) shall be signed, by the manual or facsimile signature of the Chair or Vice Chair of the Governmental Lender, and attested by the manual or facsimile signature of the Secretary or an Assistant Secretary of the Governmental Lender and shall bear an impression or a facsimile of the seal of the Governmental Lender. In case any officer whose signature or a facsimile of whose signature appears on any Governmental Lender Note shall cease to be that officer before the issuance of such Governmental Lender Note, the officer's signature or the facsimile thereof nevertheless shall be valid and sufficient for all purposes, the same as if he or she had remained in office until that time. Any Governmental Lender Note may be executed on behalf of the Governmental Lender by an officer who, on

the date of execution is the proper officer, although on the date of such Governmental Lender Note that person was not the proper officer.

Except for the Initial Note, no Governmental Lender Note shall be secured by, or be entitled to any lien, right or benefit under, this Funding Loan Agreement or be valid or obligatory for any purpose, unless there appears on such Governmental Lender Note a certificate of authentication substantially in the form provided for herein, executed by the Fiscal Agent by manual signature, and such certificate upon a definitive Governmental Lender Note shall be conclusive evidence, and the only evidence, that such definitive Governmental Lender Note has been duly authenticated and delivered hereunder.

Section 2.4. Mutilated, Lost, Stolen or Destroyed Governmental Lender Note. If any Governmental Lender Note is mutilated, lost, stolen or destroyed, the Governmental Lender shall execute and the Fiscal Agent shall authenticate and deliver a new Governmental Lender Note of the same maturity, interest rate, principal amount, series and tenor in lieu of and in substitution for the mutilated, lost, stolen or destroyed Governmental Lender Note, provided, however, that in the case of any mutilated Governmental Lender Note, the mutilated Governmental Lender Note must first be surrendered to the Fiscal Agent, and in the case of any lost, stolen or destroyed Governmental Lender Note, there must be first furnished to the Fiscal Agent evidence satisfactory to it of the ownership of such Governmental Lender Note, and of the loss, theft or destruction, together with indemnity satisfactory to the Fiscal Agent and the Governmental Lender and compliance with such other reasonable requirements as the Fiscal Agent and the Governmental Lender may prescribe. If any such Governmental Lender Note will mature within the ensuing 60 days, or if such Governmental Lender Note has been called for prepayment or a prepayment date pertaining to such Governmental Lender Note has passed, instead of replacing such Governmental Lender Note, the Fiscal Agent may, upon receipt of such indemnity, pay the Governmental Lender Note on such maturity date or prepayment date. The Fiscal Agent shall cancel any mutilated Governmental Lender Note surrendered to it. In connection with any such substitution or payment, the Governmental Lender and the Fiscal Agent may charge the holder of such Governmental Lender Note their reasonable fees and expenses, including attorneys' fees and expenses.

If, after the delivery of such replacement Governmental Lender Note, the original Governmental Lender Note in lieu of which such replacement Governmental Lender Note was issued is presented for payment or registration, the Fiscal Agent shall seek to recover such replacement Governmental Lender Note from the person to whom it was delivered or any person taking therefrom and shall be entitled to recover from the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Fiscal Agent, the Borrower or the Governmental Lender in connection therewith.

Section 2.5. Registration and Transfer of Governmental Lender Note.The Fiscal Agent acknowledges that the Funding Lender is the initial holder of the Governmental Lender Note and shall remain the sole holder of the Governmental Lender Note except as transferred as provided herein.

(b) The Fiscal Agent, on behalf of the Governmental Lender, shall provide for the registration of the Governmental Lender Note and the registration of transfers thereof pursuant to Chapter 1203 of the Texas Government Code. In that regard, the Fiscal Agent shall maintain a register, which shall contain a record of every Governmental Lender Note at any time authenticated hereunder, together with the name and address of the holder thereof, the date of authentication, the date of transfer or payment, and such other matters as may be deemed appropriate by the Fiscal Agent or the Governmental Lender. The Governmental Lender, the Fiscal Agent and any agent of the Governmental Lender or the Fiscal Agent may treat the person in whose name a Governmental Lender Note is registered as the owner of such Governmental Lender Note for the purpose of receiving payment of such Governmental Lender Note and for all other purposes whatsoever whether or not Governmental Lender Note payments are overdue thereon, and, to the extent

permitted by law, neither the Governmental Lender, the Fiscal Agent nor any such agent shall be affected by notice to the contrary.

(c) The transfer of the Governmental Lender Note is subject to registration by the holder thereof only upon compliance with the conditions for registration of transfer imposed on the holder under this Section 2.5 and under Section 2.6 hereof. Upon surrender of the Governmental Lender Note at the Operations Office of the Fiscal Agent, the Governmental Lender shall execute (if necessary), and the Fiscal Agent shall authenticate and deliver, in the name of the designated transferee (but not registered in blank or to "bearer" or a similar designation), a new Governmental Lender Note of like principal amounts, and having the same stated maturities, series, tenor and interest rates.

(d) A Governmental Lender Note delivered in exchange for or upon transfer of a Governmental Lender Note shall be a valid limited obligation of the Governmental Lender evidencing the same debt, and entitled to the same benefits under this Funding Loan Agreement, as the Governmental Lender Note surrendered for such exchange or transfer.

(e) Registration of the transfer of the Governmental Lender Note may be made on the Fiscal Agent's register by the holder thereof in person or by such holder's attorney duly authorized in writing. The Governmental Lender Note presented or surrendered for registration of transfer or exchange shall (i) be accompanied by evidence of compliance with the provisions of Section 2.6 hereof, (ii) be duly endorsed or be accompanied by a written instrument or instruments of transfer, in a form satisfactory to the Fiscal Agent, duly executed and with guaranty of signature of the holder thereof or his, her or its attorney duly authorized in writing and (iii) include written instructions as to the details of the transfer of the Governmental Lender Note.

(f) No service charge shall be made to the registered holder of a Governmental Lender Note for any registration, transfer or exchange, but the Fiscal Agent and the Governmental Lender may require payment of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in connection with any transfer or exchange of such Governmental Lender Note, and any legal or unusual costs of transfers.

(g) The Governmental Lender Note may not be transferred through the services of the Depository Trust Company or any other third party registrar other than the Fiscal Agent.

Section 2.6. Required Transferee Representations Letter; Participations; Sale and Assignment. The Funding Lender shall deliver to the Governmental Lender and the Fiscal Agent a signed Required Transferee Representations Letter in substantially the form attached hereto as Exhibit B on the Closing Date.

(b) The Funding Lender shall have the right to sell (i) the Governmental Lender Note and the Funding Loan, or (ii) any portion of or a participation interest in the Governmental Lender Note and the Funding Loan, to the extent permitted by Section 2.6(c) below, provided that in each case such sale shall be only to Approved Transferees that execute and deliver to the Fiscal Agent, with a copy to the Governmental Lender, the Required Transferee Representations Letter; provided, however, that no Required Transferee Representations Letter shall be required to be delivered by transferees or beneficial interest holders described in clauses (3) or (4) of the definition of "Approved Transferee", but a Transferor Letter in the form attached hereto as Exhibit E shall be delivered by the Funding Lender in connection with a transfer to a Governmental Entity for purposes of facilitating a transfer under clause (3) of the definition of 'Approved Transferee.' Anything herein to the contrary notwithstanding, the Governmental Lender Note shall only be transferable in whole so that there is, at any time, only a single registered owner of the

Governmental Lender Note, although participation or beneficial ownership interests may be sold or transferred subject to the requirements of this Section 2.6.

(c) Notwithstanding the other provisions of this Section 2.6, no participation interest or other beneficial ownership interest in the Governmental Lender Note and Funding Loan shall be sold in an amount that is less than the Minimum Beneficial Ownership Amount; provided, however, that beneficial ownership interests in the Governmental Lender Note and Funding Loan may be sold to a Person described in clause (3) of the definition of "Approved Transferee" in any amount equal to or greater than $100,000 without regard to the Minimum Beneficial Ownership Amount.

(d) The parties agree that no rating shall be sought from a rating agency with respect to the Funding Loan or the Governmental Lender Note.

(e) The Fiscal Agent will have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Funding Loan Agreement or under applicable law with respect to any transfer of the Governmental Lender Note other than to examine the Required Transferee Representations Letter or the Transferor Letter, as applicable, delivered to it to determine substantial compliance as to form with the express requirements hereof.

ARTICLE III
PREPAYMENT

Section 3.1. Prepayment of the Governmental Lender Note from Prepayments under the Borrower Note. The Governmental Lender Note is subject to voluntary and mandatory prepayment as follows:

(a) The Governmental Lender Note shall be subject to voluntary prepayment in full or in part by the Governmental Lender, from funds received by the Governmental Lender, to the extent and in the manner and on any date that the Borrower Note is subject to voluntary prepayment as set forth therein, at a prepayment price equal to the principal balance of the Borrower Note to be prepaid, plus interest thereon to the date of prepayment and the amount of any Prepayment Premium payable under such Borrower Note, plus any Additional Borrower Payments due and payable under the Borrower Loan Agreement through the date of prepayment, but only from amounts received pursuant to the Borrower Loan Documents.

The Borrower shall not have the right to voluntarily prepay all or any portion of the Borrower Note, thereby causing a corresponding amount of the Governmental Lender Note to be prepaid, except as specifically permitted in such Borrower Note, without the prior Written Consent of the Funding Lender, which may be withheld in the Funding Lender's sole and absolute discretion.

(b) The Governmental Lender Note shall be subject to mandatory prepayment in whole or in part upon prepayment of the Borrower Note at the Written Direction of the Funding Lender in accordance with the terms of such Borrower Note, at a prepayment price equal to the outstanding principal balance of such Borrower Note prepaid, plus accrued interest plus any other amounts payable under such Borrower Note or the Borrower Loan Agreement, but only from amounts received pursuant to the Borrower Loan Documents.

Section 3.2. Notice of Prepayment. Notice of prepayment of a Governmental Lender Note shall be deemed given to the extent that notice of prepayment of the Borrower Note is timely and properly given to the Funding Lender, the Governmental Lender and the Fiscal Agent in accordance with the terms of such Borrower Note and the Borrower Loan Agreement, and no separate notice of prepayment of such Governmental Lender Note is required to be given.

ARTICLE IV
SECURITY

Section 4.1. Security for the Governmental Lender Note. To secure the payment of the Governmental Lender Note, to declare the terms and conditions on which the Governmental Lender Note is secured, and in consideration of the premises and of the purchase of the Governmental Lender Note by the Funding Lender, the Governmental Lender by these presents does grant, bargain, sell, remise, release, convey, assign, transfer, mortgage, hypothecate, pledge, set over and confirm to the Fiscal Agent (except as limited herein) for the benefit of the holder from time to time of the Governmental Lender Note, a lien on and security interest in the following described property (excepting, however, the Reserved Rights) (said property, rights and privileges being herein collectively called, the "Security"):

(a) All right, title and interest of the Governmental Lender in, to and under the Borrower Loan Agreement and the Borrower Note, including, without limitation, all rents, revenues and receipts derived thereunder by the Governmental Lender from the Borrower relating to the Project and including, without limitation, all Pledged Revenues, Borrower Loan Payments and Additional Borrower Payments (except those related to the Reserved Rights) derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Borrower Loan Agreement; provided that the pledge and assignment made under this Funding Loan Agreement shall be limited to the Security received by the Governmental Lender from the Borrower, but such limitation shall not impair or diminish the obligations of the Governmental Lender under the provisions of the Borrower Loan Agreement;

(b) All right, title and interest of the Governmental Lender in, to and under, together with all rights, remedies, privileges and options pertaining to, the Funding Loan Documents, and all other payments, revenues and receipts derived by the Governmental Lender under and pursuant to, and subject to the provisions of, the Funding Loan Documents;

(c) Any and all moneys and investments from time to time on deposit in, or forming a part of, all funds and accounts created and held by the Fiscal Agent under this Funding Loan Agreement (other than the Expense Fund, the Closing Costs Fund and the Rebate Fund), subject to the provisions of this Funding Loan Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein; and

(d) Any and all other real or personal property of every kind and nature or description, which may from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of this Funding Loan Agreement as additional security by the Governmental Lender or anyone on its part or with its consent, or which pursuant to any of the provisions hereof or of the Borrower Loan Agreement may come into the possession or control of the Fiscal Agent or the Funding Lender or a receiver appointed pursuant to this Funding Loan Agreement; and the Fiscal Agent or the Funding Lender is hereby authorized to receive any and all such property as and for additional security for the Governmental Lender Note and to hold and apply all such property subject to the terms hereof.

The pledge and assignment of and the security interest granted in the Security pursuant to this Section 4.1 for the payment of the principal of, premium, if any, and interest on the Governmental Lender Note, in accordance with their terms and provisions, and for the payment of all other amounts due hereunder, shall attach and be valid and binding from and after the time of the delivery of the Governmental Lender Note by the Governmental Lender. The Security so pledged and then or thereafter received by the Fiscal Agent or the Funding Lender shall immediately be subject to the lien of such pledge and security interest without any physical delivery or recording thereof or further act, and the lien of such pledge and security interest shall be valid and binding and prior to the claims of any and all parties having claims of any kind in tort, contract or otherwise against the Governmental Lender irrespective of whether such parties

have notice thereof. The Fiscal Agent shall have no responsibilities (except as expressly set forth herein) as to the validity, sufficiency, value, genuineness, ownership or transferability of the Security, written instructions, or any other documents in connection therewith, and will not be regarded as making nor be required to make, any representations thereto.

In the event that any of the Security shall be attached, garnished or levied upon by any court order, or the delivery thereof shall be stayed or enjoined by an order of a court, or any order, judgment or decree shall be made or entered by any court order affecting the Security, the Fiscal Agent is hereby expressly authorized, in its sole discretion, to respond as it deems appropriate or to comply with all writs, orders or decrees so entered or issued, or which it is advised by legal counsel of its own choosing is binding upon it, whether with or without jurisdiction. In the event that the Fiscal Agent obeys or complies with any such writ, order or decree it shall not be liable to any of the Parties or to any other person, firm or corporation, should, by reason of such compliance notwithstanding, such writ, order or decree be subsequently reversed, modified, annulled, set aside or vacated.

Section 4.2. Delivery of Security. To provide security for the payment of the Governmental Lender Note, the Governmental Lender has pledged and assigned its right, title and interest in the Security to the Fiscal Agent in trust for the benefit of the Noteowners. In connection with such pledge, assignment, transfer and conveyance, the Governmental Lender shall deliver to the Fiscal Agent the following documents or instruments promptly following their execution and, to the extent applicable, their recording or filing:

(a) The Borrower Note endorsed without recourse to the Fiscal Agent by the Governmental Lender;

(b) The executed Borrower Loan Agreement and Regulatory Agreement;

(c) The executed Security Instrument and all other Borrower Loan Documents existing at the time of delivery of the Borrower Note and an assignment for security of the Security Instrument from the Governmental Lender to the Fiscal Agent, in recordable form and acceptable to the Funding Lender as evidenced by its acceptance thereof on the Closing Date;

(d) Uniform Commercial Code financing statements or other chattel security documents giving notice of the Fiscal Agent's status as an assignee of the Governmental Lender's security interest in any personal property forming part of the Project, in form suitable for filing and acceptable to the Funding Lender as evidenced by its acceptance thereof on the Closing Date; and

(e) Uniform Commercial Code financing statements giving notice of the pledge by the Governmental Lender of the Security pledged under this Funding Loan Agreement and acceptable to the Funding Lender as evidenced by its acceptance thereof on the Closing Date.

The Governmental Lender shall deliver and deposit with the Fiscal Agent or the Funding Lender such additional documents, financing statements, and instruments as the Fiscal Agent at the Written Direction of the Funding Lender, or the Funding Lender may reasonably require from time to time for the better perfecting and assuring to the Funding Lender of its lien and security interest in and to the Security, at the expense of the Borrower.

The Fiscal Agent shall have no obligation to give, execute, deliver, file, record, authorize or obtain any financing statements, notices, instruments, documents, agreements, consents or other papers as shall be necessary to (i) create, preserve, perfect or validate the security interest granted to the Fiscal Agent pursuant this Funding Loan Agreement (except for the filing of continuation statements for filed financing statements

naming the Fiscal Agent as a secured party on which the "Public-Finance Transaction" box has been marked to indicate that such financing statements have been filed in connection with a public finance transaction, copies of which are delivered to the Fiscal Agent as provided above); or (ii) enable the Fiscal Agent to exercise and enforce its rights with respect to such pledge and security interest. In addition, the Fiscal Agent shall have no responsibility or liability (i) in connection with the acts or omission of the Borrower in respect of the foregoing; or (ii) for or with respect to the legality, validity and enforceability of any security interest created in the Security or the perfection and priority of such security interest.

ARTICLE V
LIMITED LIABILITY

Section 5.1. Source of Payment of Governmental Lender Note and Other Obligations. Notwithstanding any other provision of this Funding Loan Agreement to the contrary, ANY OBLIGATION THAT THE GOVERNMENTAL LENDER MAY INCUR UNDER THIS FUNDING LOAN AGREEMENT OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION HEREWITH THAT SHALL ENTAIL THE EXPENDITURE OF MONEY SHALL NOT BE A GENERAL OBLIGATION OF THE GOVERNMENTAL LENDER, BUT SHALL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE SECURITY, INCLUDING PLEDGED REVENUES. THE GOVERNMENTAL LENDER NOTE SHALL CONSTITUTE A VALID CLAIM OF THE HOLDER THEREOF AGAINST THE SECURITY, INCLUDING PLEDGED REVENUES, WHICH IS PLEDGED TO SECURE THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY AND INTEREST ON THE GOVERNMENTAL LENDER NOTE AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THIS FUNDING LOAN AGREEMENT. THE GOVERNMENTAL LENDER NOTE, TOGETHER WITH INTEREST THEREON, SHALL BE A SPECIAL LIMITED OBLIGATION OF THE GOVERNMENTAL LENDER GIVING RISE TO NO CHARGE AGAINST THE GOVERNMENTAL LENDER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE HOLDERS THEREOF AGAINST ONLY, THE SECURITY PLEDGED THEREFOR. THE PRINCIPAL OF, PREMIUM, IF ANY AND INTEREST ON THE GOVERNMENTAL LENDER NOTE SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE GOVERNMENTAL LENDER (EXCEPT TO THE EXTENT OF THE SECURITY PLEDGED THEREFOR). THE GOVERNMENTAL LENDER NOTE IS NOT AND DOES NOT CREATE OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE GOVERNMENTAL LENDER HAS NO TAXING POWER.

Section 5.2. Exempt from Individual Liability. No covenant, condition or agreement contained herein shall be deemed to be a covenant, agreement or obligation of any present or future officer, director, employee or agent of the Governmental Lender in his individual capacity, and neither the officers, directors, employees or agents of the Governmental Lender executing the Governmental Lender Note or this Funding Loan Agreement shall be liable personally on the Governmental Lender Note or under this Funding Loan Agreement or be subject to any personal liability or accountability by reason of the issuance of the Governmental Lender Note or the execution of this Funding Loan Agreement.

ARTICLE VI
CLOSING CONDITIONS; APPLICATION OF FUNDS

Section 6.1. Conditions Precedent to Closing. Closing of the sale of the Governmental Lender Note on the Closing Date shall be conditioned upon satisfaction or waiver by the Funding Lender

in its sole discretion of each of the conditions precedent to closing set forth in this Funding Loan Agreement, including but not limited to the following:

(a) Receipt by the Funding Lender of the executed Governmental Lender Note, authenticated by the Fiscal Agent;

(b) Receipt by the Fiscal Agent of the original executed Borrower Note, endorsed to the Fiscal Agent by the Governmental Lender;

(c) Receipt by the Funding Lender of executed counterparts of this Funding Loan Agreement, the Borrower Loan Agreement, the Construction Funding Agreement, the Regulatory Agreement, the Tax Exemption Agreement, the Security Instrument, and any UCC financing statement required by the Security Instrument;

(d) Receipt by the Fiscal Agent of a certified copy of the Resolution;

(e) Receipt by the Governmental Lender and Fiscal Agent of the executed Required Transferee Representations Letter from the Funding Lender;

(f) A written request and authorization by the Governmental Lender (acting through an Authorized Representative) to the Fiscal Agent to authenticate and deliver the Governmental Lender Note to or for the account of the Funding Lender upon receipt from the Funding Lender of the proceeds of the Governmental Lender Note;

(g) Delivery into escrow or to the Fiscal Agent, as appropriate, of all amounts required to be paid in connection with the origination of the Borrower Loan and the delivery of the Governmental Lender Note and any underlying real estate transfers or transactions, including the Costs of Issuance Deposit, in accordance with Section 2.3(c)(ii) of the Borrower Loan Agreement;

(h) Receipt by the Funding Lender and the Fiscal Agent of a Governmental Lender Counsel Approving Opinion;

(i) Receipt by the Funding Lender and the Fiscal Agent of an Opinion of Counsel to the effect that the Governmental Lender Note is exempt from registration under the Securities Act of 1933, and this Funding Loan Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(j) Delivery of an opinion of counsel to the Borrower addressed to the Governmental Lender, the Fiscal Agent and the Funding Lender to the effect that the Borrower Loan Documents, the Regulatory Agreement, and the Tax Exemption Agreement are valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms, subject to such exceptions and qualifications as are acceptable to the Governmental Lender and the Funding Lender;

(k) Receipt by the Funding Lender of the Initial Note registered by the Comptroller and an Opinion of the Attorney General of the State of Texas approving the Governmental Lender Note; and

(l) Receipt by the Funding Lender and the Governmental Lender of any other documents or opinions that the Funding Lender, the Governmental Lender or Governmental Lender Counsel may require.

The Funding Lender shall be deemed to have received or waived all conditions precedent upon the release of the Funding Loan.

ARTICLE VII
FUNDS AND ACCOUNTS

Section 7.1. Authorization to Create Funds and Accounts. Funds and accounts shall be established on the Closing Date as provided in Section 7.3 hereof. Fiscal Agent is authorized to establish and create from time to time such other funds and accounts or subaccounts as may be necessary for the deposit of moneys (including, without limitation, insurance proceeds and/or condemnation awards), if any, received by the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer, if any, pursuant to the terms hereof or any of the other Funding Loan Documents and not immediately transferred or disbursed pursuant to the terms of the Funding Loan Documents and/or the Borrower Loan Documents.

Section 7.2. Investment of Funds. Amounts held in any funds or accounts created under this Funding Loan Agreement shall be invested in Permitted Investments at the Written Direction of the Borrower, subject in all cases to the restrictions of Section 8.7 hereof and of the Tax Exemption Agreement, and as more particularly described in Section 7.7 hereof. Absent Written Direction of the Borrower, Fiscal Agent will invest funds in the [FISCAL AGENT TO PROVIDE] as standing instructions, and in the event such fund is no longer available, such funds shall be held uninvested.

The Fiscal Agent shall have no responsibility or liability for any loss which may result from any investment or sale of investment made pursuant to this Funding Loan Agreement. The Fiscal Agent is hereby authorized, in making or disposing of any investment permitted by this Funding Loan Agreement, to deal with itself (in its individual capacity) or with any one or more of its Affiliates, whether it or any such Affiliate is acting as agent of the Fiscal Agent or for any third person or dealing as principal for its own account. The Parties acknowledge that the Fiscal Agent is not providing investment supervision, recommendations, or advice.

Pursuant to the Tax Exemption Agreement, the Fiscal Agent shall cause to be kept and maintained adequate records pertaining to investment of all proceeds of the Governmental Lender Note sufficient to permit the Borrower, on behalf of the Governmental Lender, to determine the amount of rebate, if any, required to be paid to the United States of America pursuant to Section 148 of the Code. The Fiscal Agent shall have no responsibility to make such determination.

Section 7.3. Establishment of Funds. There are established with the Fiscal Agent the following funds and accounts:

(a) The Governmental Lender Note Payment Fund;

(b) The Project Fund, and within such Fund, a Note Proceeds Account and a Borrower Equity Account;

(c) The Expense Fund;

(d) The Closing Costs Fund; and

(e) The Rebate Fund.

All money required to be deposited with or paid to the Fiscal Agent for the account of any of the funds or accounts created by this Funding Loan Agreement shall be held by the Fiscal Agent in trust for the benefit of the Funding Lender, and except for money held in the Expense Fund, the Closing Costs Fund and the Rebate Fund, shall, while held by the Fiscal Agent, constitute part of the Pledged Revenues and be subject to the lien hereof.

Section 7.4. Governmental Lender Note Payment Fund. The Governmental Lender and the Borrower shall have no interest in the Governmental Lender Note Payment Fund or the moneys therein, which shall always be maintained by the Fiscal Agent completely separate and segregated from all other moneys held hereunder and from any other moneys of the Governmental Lender and the Borrower.

The Fiscal Agent shall deposit into the Governmental Lender Note Payment Fund any amounts received from the Borrower as payments of principal, interest, premiums, if any, late payment fees on the Borrower Loan and any other amounts received by the Fiscal Agent that are subject to the lien and pledge of this Funding Loan Agreement, including any Pledged Revenues not required to be deposited to the Expense Fund or not otherwise specifically directed in writing to be deposited into other funds created by this Funding Loan Agreement.

The Fiscal Agent shall apply all amounts on deposit in the Governmental Lender Note Payment Fund in the following order of priority:

First, to pay or provide for the payment of the interest then due on the Governmental Lender Note;

Second, to pay or provide for the payment or the prepayment of principal (and Prepayment Premium, if any) on the Governmental Lender Note, provided moneys have been transferred or deposited into the Governmental Lender Note Payment Fund for such purpose; and

Third, to pay or provide for the payment of a Governmental Lender Note on the Maturity Date therefor.

Section 7.5. Expense Fund. The Fiscal Agent shall deposit in the Expense Fund the amounts required by the Regulatory Agreement or the Borrower Loan Agreement to be paid by the Borrower to the Governmental Lender or the Fiscal Agent. Amounts on deposit in the Expense Fund shall be used to pay the fees and expenses of the Governmental Lender and the Fiscal Agent, as and when the same become due. In that regard, moneys in the Expense Fund shall be withdrawn or maintained, as appropriate, by the Fiscal Agent to pay (i) the Governmental Lender Fees, as and when required under this Funding Loan Agreement, or on the Written Direction of the Governmental Lender, (ii) on each [_____ 1], commencing [_____ 1, 2027], to the Fiscal Agent amounts due pursuant to subpart (a) of the definition of "Fiscal Agent's Fees" herein, (iii) upon receipt, to the Fiscal Agent, any amounts due to the Fiscal Agent which have not been paid, other than amounts paid in accordance with clause (ii) hereof, and (iv) upon receipt, to, or at the Written Direction of, the Governmental Lender, any amounts owing the Governmental Lender by the Borrower and then due and unpaid, other than amounts paid in accordance with clause (i) hereof.

In the event that the amounts on deposit in the Expense Fund are not equal to the amounts payable from the Expense Fund as provided in the preceding paragraph on any date on which such amounts are due and payable, the Fiscal Agent shall give notice to the Borrower of such deficiency and of the amount of such deficiency and request payment within two Business Days to the Fiscal Agent of the amount of such deficiency.

Written notice of any insufficiency, which results in the Governmental Lender not receiving the Governmental Lender Fees on the applicable due date, shall be provided by the Fiscal Agent to the Governmental Lender (with a copy to the Borrower and the Funding Lender) within 10 days of the respective due date.

Upon payment by the Borrower of such deficiency, the amounts for which such deficiency was requested shall be paid by the Fiscal Agent.

Notwithstanding anything herein to the contrary, the Governmental Lender shall prepare and submit to the Fiscal Agent, and the Fiscal Agent, on behalf of the Governmental Lender, shall submit a written invoice to the Borrower for payment of the Governmental Lender Fees not later than 30 days prior to the due date for payment of the Governmental Lender Fees, and the Fiscal Agent shall remit moneys received from the Borrower to the Governmental Lender for payment of the Governmental Lender Fee.

Section 7.6. Closing Costs Fund. On the Closing Date, the Borrower shall deposit or cause to be deposited with the Fiscal Agent, for deposit in the Closing Costs Fund, the amount described in the Closing Memorandum; provided that, no more than two percent of the proceeds of the Governmental Lender Note shall be deposited in the Closing Costs Fund. Amounts in the Closing Costs Fund shall be disbursed by the Fiscal Agent to pay Closing Costs on the Closing Date or as soon as practicable thereafter: (a) Costs of Issuance, as stated in a completed requisition in the form of Exhibit D; and (b) the Fiscal Agent its initial acceptance fee of $1,500.00 and first year annual minimum administrative fee of $4,000.00. Any interest earnings on amounts on deposit in the Closing Costs Fund shall remain in the Closing Costs Fund. Any moneys remaining in the Closing Costs Fund (including investment proceeds) after the earlier of (i) the payment of all Costs of Issuance as certified in writing to the Fiscal Agent by the Borrower or (ii) a period of six months after the Closing Date, shall be paid to or at the direction of the Borrower and the Closing Costs Fund shall be closed.

Section 7.7. Project Fund.

(a) All proceeds of the Governmental Lender Note provided by the Funding Lender shall be deposited to the Note Proceeds Account of the Project Fund and disbursed as herein provided. The Fiscal Agent shall disburse moneys in the Project Fund for the acquisition, construction and equipping of the Project, to pay other Qualified Project Costs and to pay other costs related to the Project as further provided herein. All funds, other than proceeds from the sale of the Governmental Lender Note, deposited by or on behalf of the Borrower for credit to the Project Fund shall be deposited to the Borrower Equity Account of the Project Fund per the Written Direction of the Borrower or the Funding Lender and disbursed as requested by the Borrower pursuant to a Written Requisition in the form attached hereto as Exhibit C or as otherwise provided herein.

Before any payment shall be made from the Project Fund, the Regulatory Agreement shall have been executed and submitted to a title company for recordation in the official records of Dallas County, Texas, and there shall be filed with the Fiscal Agent a Written Requisition of the Borrower substantially in the form attached hereto as Exhibit C and approved by the Funding Lender pursuant to the terms, conditions and provisions of the Construction Funding Agreement.

In addition to the above, in connection with a Written Requisition:

(i) Only the signature of an Authorized Representative of the Funding Lender shall be required on a Written Requisition during any period in which a Borrower Loan Agreement Default has occurred and is then continuing under the Borrower Loan Documents (Written Notice of which default has been given by an Authorized Representative of the Funding Lender to the Fiscal Agent and the Governmental Lender, and the Fiscal Agent shall be entitled to conclusively rely on any such Written Notice as to the occurrence and continuation of such a default).

(ii) The Fiscal Agent shall disburse amounts in the Project Fund upon receipt of a Written Requisition in the form attached hereto as Exhibit C signed only by the Funding Lender (and without any need for any signature by an Authorized Representative of the Borrower), so long as the amount to be disbursed is to be used solely to make payments of principal, interest and/or fees due under the Funding Loan Documents.

(iii) The Fiscal Agent may conclusively rely on all Written Requisitions, the execution of the Written Requisitions by the Authorized Representative of the Borrower and the approval of all Written Requisitions by the Authorized Representative of the Funding Lender, as required by this Section 7.7, as conditions of payment from the Project Fund, which Written Requisitions constitute, as to the Fiscal Agent, irrevocable determinations that all conditions to payment of the specified amounts from the Project Fund have been satisfied. These documents shall be retained by the Fiscal Agent, subject at all reasonable times to examination by the Borrower, the Governmental Lender, the Funding Lender and the agents and representatives thereof upon reasonable notice to the Fiscal Agent. The Fiscal Agent is not required to inspect the Project or the construction work or to make any independent investigation with respect to the matters set forth in any Written Requisition or other statements, orders, certifications and approvals received by the Fiscal Agent. The Fiscal Agent is not required to obtain completion bonds, lien releases or otherwise supervise the acquisition, construction, renovation, equipping, improvement and installation of the Project.

(b) Upon receipt of each Written Requisition submitted by the Borrower substantially in the form attached hereto as Exhibit C and Approved in Writing by the Funding Lender, the Fiscal Agent shall promptly, but in any case within three Business Days, make payment from the appropriate account within the Project Fund in accordance with such Written Requisition. The Fiscal Agent shall have no duty to determine whether any requested disbursement from the Project Fund complies with the terms, conditions and provisions of the Funding Loan Documents, constitutes payment of Qualified Project Costs or complies with the other representations in the Written Requisition. The Approval in Writing of a Written Requisition by the Funding Lender shall be deemed a certification and, insofar as the Fiscal Agent is concerned, shall constitute conclusive evidence that all of the terms, conditions and requirements of the Funding Loan Documents applicable to such disbursement have been fully satisfied or waived and the Written Requisition from the Borrower shall, insofar as the Fiscal Agent is concerned, constitute conclusive evidence that the costs described in the Written Requisition constitute Qualified Project Costs or other permitted Project costs.

The Fiscal Agent shall promptly provide Written Notice to the Borrower, the Funding Lender and the Governmental Lender if there are not sufficient funds available to or on deposit with the Fiscal Agent to make the disbursements as and when required by this Section 7.7(b). Except as provided in the next sentence, all such payments shall be made by check or draft payable, or by wire transfer, either (i) directly to the Person to be paid, (ii) to the Borrower and such Person, or (iii) upon receipt by the Funding Lender of evidence that the Borrower has previously paid such amount and Written Direction to the Fiscal Agent as to such payment as evidenced by the Funding Lender's Approval in Writing of the Written Requisition, to the Borrower. Upon the occurrence of an Event of Default of the Borrower of which the Fiscal Agent has knowledge as provided herein, which is continuing under the Funding Loan Documents, with the Written Consent of the Funding Lender, the Fiscal Agent may apply amounts on deposit in the Borrower Equity Account of the Project Fund to the payment of principal of and interest on the Governmental Lender Note. If a Written Requisition signed by the Authorized Representative of the Borrower and countersigned by an Authorized Representative of the Funding Lender is received by the Fiscal Agent, the requested disbursement shall be paid by the Fiscal Agent as soon as practicable, but in no event later than three Business Days following receipt thereof by the Fiscal Agent. Upon final disbursement of all amounts on deposit in the Project Fund, the Fiscal Agent shall close the Project Fund.

(c) *Intentionally omitted*.

(d) Amounts on deposit in the Borrower Equity Account of the Project Fund shall be disbursed from time to time by the Fiscal Agent to pay designated amounts as set forth in and upon receipt of a Written Requisition of the Borrower signed by an Authorized Borrower Representative and the Funding Lender.

(e) Immediately prior to any mandatory prepayment of the Governmental Lender Note pursuant to the terms hereof, any amounts then remaining in the Note Proceeds Account and the Borrower Equity Account of the Project Fund shall, at the Written Direction of the Funding Lender, be transferred to the Governmental Lender Note Payment Fund to be applied to the prepayment of such Governmental Lender Note pursuant hereto.

(f) Amounts on deposit in the Project Fund shall be invested in Permitted Investments at the Written Direction by the Borrower, in accordance with Section 7.2 hereof. Investment income earned on amounts on deposit in each account of the Project Fund shall be retained in and credited to and become a part of the amounts on deposit in that account of the Project Fund.

(g) Amounts on deposit in the Governmental Lender Note Payment Fund, Expense Fund and Closing Costs Fund shall be invested in Permitted Investments at the Written Direction of the Borrower, in accordance with Section 7.2 hereof. Investment income earned on amounts on deposit in each account of the Governmental Lender Note Payment Fund, Expense Fund and Closing Costs Fund shall be retained in and credited to and become a part of the amounts on deposit in that account of the Governmental Lender Note Payment Fund, Expense Fund and Closing Costs Fund.

The Fiscal Agent is authorized to implement its automated cash investment system to assure that cash on hand is invested and to charge its normal cash management fees, which may be deducted from income earned on investments. The Fiscal Agent shall have no discretion in investing funds or advising any party on investing funds. The Fiscal Agent shall not be liable for any losses (including specifically a decline in value) resulting from the investment of funds as provided herein.

The Fiscal Agent may make any and all investments permitted under this Funding Loan Agreement through its own trust or banking department or any Affiliate and may pay said department reasonable, customary fees for placing such investments. The Fiscal Agent and its Affiliates may act as principal, agent, sponsor, advisor or depository with respect to Permitted Investments under this Funding Loan Agreement. The Fiscal Agent shall not be liable for any losses from, or for, the Governmental Lender Note becoming an "arbitrage bond" as defined in Section 148 of the Code as a result of, investments made by the Fiscal Agent in accordance with this Funding Loan Agreement.

The Governmental Lender, the Funding Lender and the Borrower (by its execution of the Borrower Loan Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Governmental Lender or the Funding Lender the right to receive brokerage confirmations of security transactions as they occur, the Governmental Lender and the Funding Lender will not receive such confirmations to the extent permitted by law. The Fiscal Agent shall furnish the Borrower, the Funding Lender and the Governmental Lender (to the extent requested by such parties in writing to the Fiscal Agent) periodic cash transaction statements which shall detail all investment transactions, if any, made by the Fiscal Agent hereunder.

(h) Any amounts representing proceeds of the Funding Loan remaining on deposit in any fund or account held under this Funding Loan Agreement on the later of (1) the date of any prepayment of the Funding Loan attributable to the Governmental Lender Note, or (2) the Maturity Date, shall be immediately transferred to the Funding Loan Payment Account and used to pay the Governmental Lender Note.

Section 7.8. Rebate Fund. The Rebate Fund shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other Person, including without limitation, the Funding Lender. The Rebate Fund is established for the purpose of complying with Section 148 of the Code. The money deposited in the Rebate Fund, together with all investments thereof and income from investments therefrom, shall be held in trust and applied solely as provided in the Tax Exemption

Agreement. Notwithstanding the foregoing, the Fiscal Agent with respect to the Rebate Fund is afforded all the rights, protections and immunities otherwise accorded to it hereunder.

ARTICLE VIII
REPRESENTATIONS AND COVENANTS

Section 8.1. General Representations. The Governmental Lender makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Governmental Lender is a public and official agency of the State of Texas, has the power and authority to (i) enter into the Funding Loan Documents to which it is a party and the transactions contemplated thereby, (ii) incur the special limited obligation represented by the Governmental Lender Note and the Funding Loan and apply the proceeds of such obligation or loan to finance the Project and (iii) carry out its other obligations under this Funding Loan Agreement and the Governmental Lender Note, and by proper action has duly authorized the Governmental Lender's execution and delivery of, and its performance under, such Funding Loan Documents and all other agreements and instruments relating thereto.

(b) The Governmental Lender is not in default under or in violation of, and the execution and delivery of the Funding Loan Documents to which it is a party and its compliance with the terms and conditions thereof will not conflict or constitute a default under or a violation of, (i) the Act, (ii) to its knowledge, any other existing laws, rules, regulations, judgments, decrees and orders applicable to it, or (iii) to its knowledge, the provisions of any agreements and instruments to which the Governmental Lender is a party, a default under or violation of which would prevent it from entering into the Funding Loan Agreement, executing and delivering the Governmental Lender Note, financing the Project, executing and delivering the other Funding Loan Documents to which it is a party or consummating the transactions contemplated thereby, and, to its knowledge, no event has occurred and is continuing under the provisions of any such agreement or instrument or otherwise that with the lapse of time or the giving of notice, or both, would constitute such a default or violation (it being understood, however, that the Governmental Lender is making no representations as to the necessity of registering the Borrower Note pursuant to any securities laws or complying with any other requirements of securities laws).

(c) No litigation, inquiry or investigation of any kind in or by any judicial or administrative court or agency is pending or, to the knowledge of the Governmental Lender, threatened against the Governmental Lender with respect to (i) the organization and existence of the Governmental Lender, (ii) its authority to execute or deliver the Funding Loan Documents to which it is a party, (iii) the validity or enforceability of any such Funding Loan Documents or the transactions contemplated thereby, (iv) the title of any officer of the Governmental Lender who executed such Funding Loan Documents or (v) any authority or proceedings relating to the execution and delivery of such Funding Loan Documents on behalf of the Governmental Lender, and no such authority or proceedings have been repealed, revoked, rescinded or amended but are in full force and effect.

(d) The revenues and receipts to be derived from the Borrower Loan Agreement, the Borrower Note and this Funding Loan Agreement have not been pledged previously by the Governmental Lender to secure any of its notes or bonds other than pursuant to this Funding Loan Agreement as evidenced by the Governmental Lender Note.

THE GOVERNMENTAL LENDER MAKES NO REPRESENTATION, COVENANT OR AGREEMENT AS TO THE FINANCIAL POSITION OR BUSINESS CONDITION OF THE BORROWER OR THE PROJECT AND DOES NOT REPRESENT OR WARRANT AS TO ANY STATEMENTS, MATERIALS, REPRESENTATIONS OR CERTIFICATIONS FURNISHED BY THE

BORROWER IN CONNECTION WITH THE GOVERNMENTAL LENDER NOTE OR AS TO THE CORRECTNESS, COMPLETENESS OR ACCURACY THEREOF.

Section 8.2. No Encumbrance on Security. The Governmental Lender will not knowingly create any mortgage, pledge, lien, charge or encumbrance of any kind on the Security or any part thereof prior to or on a parity with the lien of this Funding Loan Agreement, except as expressly permitted or contemplated by the Funding Loan Documents.

Section 8.3. Repayment of Governmental Lender Note. Subject to the provisions of Article V hereof, the Governmental Lender will duly and punctually repay, or cause to be repaid, the Governmental Lender Note, as and when the same shall become due, all in accordance with the terms of the Governmental Lender Note and this Funding Loan Agreement, but only from available Pledged Revenues.

Section 8.4. Servicer. The Funding Lender has appointed the Servicer to service and administer the Funding Loan and/or the Borrower Loan on behalf of the Funding Lender and the Fiscal Agent, including without limitation the fulfillment of rights and responsibilities granted by Governmental Lender to the Funding Lender pursuant to Section 2.1 of the Borrower Loan Agreement. If a Servicer other than the Funding Lender is appointed at any time, the Funding Lender will retain certain duties and obligations as set forth in the Servicing Agreement.

Section 8.5. Borrower Loan Agreement Performance.

(a) The Funding Lender, the Fiscal Agent and the Servicer, if any, on behalf of the Governmental Lender, may (but shall not be required or obligated) perform and observe any agreement or covenant of the Governmental Lender under the Borrower Loan Agreement, all to the end that the Governmental Lender's rights under the Borrower Loan Agreement may be unimpaired and free from default.

(b) The Fiscal Agent will promptly notify the Borrower, the Governmental Lender, the Servicer, if any, and the Funding Lender in writing of the occurrence of any Borrower Loan Agreement Default, provided that the Fiscal Agent has received Written Notice or otherwise has knowledge of such event.

Section 8.6. Maintenance of Records; Inspection of Records.

(a) The Fiscal Agent shall keep and maintain adequate records pertaining to any funds and accounts established hereunder, including all deposits to and disbursements from said funds and accounts and shall keep and maintain the registration books for the Governmental Lender Note and interests therein. The Fiscal Agent shall retain in its possession all certifications and other documents presented to it, all such records and all records of principal, interest and premium paid on the Governmental Lender Note, subject to the inspection of the Funding Lender and the Governmental Lender and their representatives at all reasonable times and upon reasonable prior notice.

(b) The Governmental Lender and the Fiscal Agent will at any and all times, upon the reasonable request of the Servicer, if any, the Borrower, the Fiscal Agent, the Governmental Lender or the Funding Lender, afford and procure a reasonable opportunity by their respective representatives to inspect the books, records, reports and other papers of the Governmental Lender and the Fiscal Agent relating to the Project and the Governmental Lender Note, if any, and to make copies thereof.

Section 8.7. Tax Covenants.

(a) Governmental Lender's Covenants. The Governmental Lender represents, covenants and agrees that:

(i) the Governmental Lender will comply with all applicable requirements of the Code that are necessary to preserve the Federal Tax Status of the Governmental Lender Note, all as set forth in the Tax Exemption Agreement.

(ii) the Governmental Lender will not take any action inconsistent with its expectation stated in the Tax Exemption Agreement and will comply with its covenants and requirements stated therein and incorporated by reference herein.

(b) Fiscal Agent's Representations and Covenants. The Fiscal Agent represents, covenants and agrees that it will not take any action inconsistent with its expectations stated in the Tax Exemption Agreement and will comply with the covenants and requirements stated therein and incorporated by reference herein.

(c) Change in Law. To the extent that published rulings of the Internal Revenue Service or amendments to the Code or the Regulations modify the covenants of the Governmental Lender or the Fiscal Agent that are set forth in this Funding Loan Agreement or that are necessary to maintain the Federal Tax Status on the Governmental Lender Note to be excludable from gross income for federal income tax purposes, the Fiscal Agent and the Governmental Lender will comply with such modifications upon the Written Direction of Governmental Lender Counsel specifying such modifications.

Section 8.8. Performance by the Borrower. Without relieving the Governmental Lender from the responsibility for performance and observance of the agreements and covenants required to be performed and observed by it hereunder, the Borrower, on behalf of the Governmental Lender, may perform any such agreement or covenant if no Borrower Loan Agreement Default or Potential Default under the Borrower Loan Agreement exists.

Section 8.9. Maintenance of Records. The Funding Lender shall keep and maintain adequate records pertaining to funds and accounts relative to the Borrower Loan not established with the Fiscal Agent, if any, including all deposits to and disbursements from said funds and accounts and will provide information and records relating thereto to the Fiscal Agent or the Governmental Lender upon request.

ARTICLE IX
DEFAULT; REMEDIES

Section 9.1. Events of Default. Any one or more of the following shall constitute an event of default (an "Event of Default") under this Funding Loan Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or Governmental Authority):

(a) A default in the payment of any interest upon the Governmental Lender Note when such interest becomes due and payable; or

(b) A default in the payment of principal of, or premium on, the Governmental Lender Note when such principal or premium becomes due and payable, whether at its stated maturity, by declaration of acceleration or call for mandatory prepayment or otherwise; or

(c) Subject to Section 8.8 hereof, default in the performance or breach of any material covenant or warranty of the Governmental Lender in this Funding Loan Agreement (other than a covenant or warranty or default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after there has been given Written Notice, as provided in Section 12.1 hereof, to the Governmental Lender and the Borrower by the Funding Lender or the Servicer, specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under this Funding Loan Agreement; provided that, so long as the Governmental Lender or Borrower has commenced to cure such failure to observe or perform within the thirty (30) day cure period and the subject matter of the default is not capable of cure within said thirty (30) day period and the Governmental Lender or the Borrower is diligently pursuing such cure to the Funding Lender's satisfaction, with the Funding Lender's Written Direction or Written Consent, then the Governmental Lender shall have an additional period of time as reasonably necessary (not to exceed 30 days unless extended by Written Direction of the Funding Lender) within which to cure such default; or

(d) A default in the payment of any Additional Borrower Payments; or

(e) Any other "Default" or "Event of Default" under any of the other Funding Loan Documents (taking into account all applicable notice, grace and cure periods therein).

Section 9.2. Provisions Regarding Any Default and Acceleration.

(a) In the event of an Event of Default, the Funding Lender, in its discretion, may accelerate the amounts due hereunder and under the Borrower Loan Agreement and take other remedial actions available hereunder or thereunder. The Funding Lender may, in its discretion, upon the acceleration of the Borrower's obligations under the Borrower Loan Documents, give Written Direction to the Fiscal Agent and the Governmental Lender to simultaneously accelerate the maturity of the Governmental Lender Note and apply any funds available hereunder to the payment of the Governmental Lender Note (after paying the fees and expenses of the Fiscal Agent and the Governmental Lender). The Governmental Lender shall cooperate with the Fiscal Agent and the Funding Lender in exercising rights and remedies under the Funding Loan Documents and the Borrower Loan Documents, but only upon being satisfactorily indemnified by the Borrower for any fees or expenses relating thereto as provided in the Funding Loan Agreement, the Borrower Loan Agreement and Regulatory Agreement. The Fiscal Agent shall take Written Direction from the Funding Lender with respect to the foregoing matters. The Funding Lender will provide written notice of any such acceleration to Governmental Lender.

(b) At any time after a declaration of acceleration has been made pursuant to paragraph (a) of this Section, the Funding Lender may by Written Notice to the Governmental Lender, rescind and annul such declaration and its consequences if:

(i) There has been deposited with the Fiscal Agent a sum sufficient to pay (1) all overdue installments of interest on the Governmental Lender Note, (2) the principal of and Prepayment Premium, if any, on the Governmental Lender Note that has become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in the Governmental Lender Note, (3) to the extent that payment of such interest is lawful, interest upon overdue installments of interest at the rate or rates prescribed therefor in the Governmental Lender Note, and (4) all sums paid or advanced by the Funding Lender and the Fiscal Agent and the reasonable compensation, expenses, disbursements and advances of the Funding Lender and the Fiscal Agent, their agents and counsel (but only to the extent not duplicative with subclauses (1) and (3) above); and

(ii) All Events of Default, other than the non-payment of the principal of the Governmental Lender Note which have become due solely by such declaration of acceleration, have been cured or have been waived in writing as provided in Section 9.9 hereof.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

(c) Notwithstanding the occurrence and continuation of an Event of Default, it is understood that the Funding Lender shall pursue no remedies against the Borrower or the Project if no Borrower Loan Agreement Default has occurred and is continuing. An Event of Default hereunder shall not in and of itself constitute a Borrower Loan Agreement Default.

Section 9.3. Additional Remedies; Funding Lender Enforcement.

(a) Upon the occurrence of an Event of Default, the Funding Lender may, subject to the provisions of this Section 9.3 and Section 9.9 hereof, proceed to protect and enforce its rights by mandamus or other suit, action or proceeding at law or in equity. No remedy conferred by this Funding Loan Agreement upon or remedy reserved to the Funding Lender is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and shall be in addition to any other remedy given to the Funding Lender hereunder or now or hereafter existing at law or in equity or by statute.

(b) Upon the occurrence and continuation of any Event of Default, the Funding Lender may proceed forthwith to protect and enforce its rights and this Funding Loan Agreement by such suits, actions or proceedings as the Funding Lender, in its sole discretion, shall deem expedient. Funding Lender shall have upon the occurrence and continuation of any Event of Default all rights, powers, and remedies with respect to the Security as are available under the Uniform Commercial Code applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Funding Lender may proceed at law or in equity or otherwise, to the extent permitted by applicable law:

(i) to take possession of the Security or any part thereof, with or without legal process, and to hold, service, administer and enforce any rights thereunder or thereto, and otherwise exercise all rights of ownership thereof, including (but not limited to) the sale of all or part of the Security;

(ii) to become mortgagee of record for the Borrower Loan including, without limitation, completing the assignment of the Security Instrument by the Governmental Lender to the Funding Lender as anticipated by this Funding Loan Agreement, and recording the same in the real estate records of the jurisdiction in which the Project is located, without further act or consent of the Governmental Lender, and to service and administer the same for its own account;

(iii) to service and administer the Governmental Lender Note as agent and on behalf of the Governmental Lender or otherwise, and, if applicable, to take such actions necessary to enforce the Borrower Loan Documents and the Funding Loan Documents on its own behalf, and to take such alternative courses of action, as it may deem appropriate; or

(iv) to take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement in the Governmental Lender Note, this Funding Loan Agreement or the other Funding Loan Documents, or the Borrower Loan Documents, or in and of the execution of any power herein granted, or for foreclosure hereunder, or for enforcement of any other appropriate legal or equitable remedy or otherwise as the Funding Lender may elect.

(c) Whether or not an Event of Default has occurred, the Funding Lender, in its sole discretion, shall have the sole right to waive or forbear any term, condition, covenant or agreement of the Security Instrument, the Borrower Loan Agreement, the Borrower Note or any other Borrower Loan Documents or Funding Loan Documents applicable to the Borrower, or any breach thereof, other than a covenant that would adversely impact the Federal Tax Status on the Governmental Lender Note, and provided that the Governmental Lender may enforce specific performance with respect to the Reserved Rights.

(d) If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after the Borrower and the Funding Lender receive Written Notice stating that a default under the Regulatory Agreement has occurred and specifying the nature of the default, the Funding Lender shall have the right to seek specific performance of the provisions of the Regulatory Agreement or to exercise its other rights or remedies thereunder.

(e) If the Borrower defaults in the performance of its obligations under the Borrower Loan Agreement to make rebate payments, to comply with any applicable continuing disclosure requirements, or to make payments owed pursuant to Sections 2.5, 5.14 or 5.15 of the Borrower Loan Agreement for fees, expenses or indemnification, the Funding Lender shall have the right to exercise all its rights and remedies thereunder (subject to the last paragraph of Section 9.14 hereof).

Section 9.4. Application of Money Collected. Any money collected by the Funding Lender pursuant to this Article and any other sums then held by the Funding Lender as part of the Security, shall be applied in the following order, at the date or dates fixed by the Funding Lender:

(a) First: To the payment of any and all amounts due under the Funding Loan Documents other than with respect to principal and interest accrued on the Governmental Lender Note, including, without limitation, any amounts due to the Fiscal Agent, Governmental Lender, the Funding Lender, the Servicer and the Rebate Analyst;

(b) Second: To the payment of the whole amount of the Governmental Lender Note, then due and unpaid in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Governmental Lender Note) on overdue principal of, and Prepayment Premium and overdue installments of interest on the Governmental Lender Note; provided, however, that partial interests in any portion of the Governmental Lender Note shall be paid in such order of priority as may be prescribed by Written Direction of the Funding Lender in its sole and absolute discretion; and

(c) Third: The payment of the remainder, if any, to the Borrower or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

If and to the extent this Section 9.4 conflicts with the provisions of the Servicing Agreement, the provisions of the Servicing Agreement, if any, shall control (except for the obligation to pay items listed under (a) above).

Section 9.5. Remedies Vested in Funding Lender. All rights of action and claims under this Funding Loan Agreement or the Governmental Lender Note may be prosecuted and enforced by the Funding Lender without the possession of the Governmental Lender Note or the production thereof in any proceeding relating thereto.

Section 9.6. Restoration of Positions. If the Funding Lender shall have instituted any proceeding to enforce any right or remedy under this Funding Loan Agreement and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Funding Lender, then and in every such case the Governmental Lender and the Funding Lender shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and thereafter all rights and remedies of the Governmental Lender and the Funding Lender shall continue as though no such proceeding had been instituted.

Section 9.7. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Funding Lender is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 9.8. Delay or Omission Not Waiver. No delay or omission of the Funding Lender to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Funding Lender may be exercised from time to time, and as often as may be deemed expedient, by the Funding Lender. No waiver of any default or Event of Default pursuant to Section 9.9 hereof shall extend to or shall affect any subsequent default or Event of Default hereunder or shall impair any rights or remedies consequent thereon.

Section 9.9. Waiver of Past Defaults. Before any judgment or decree for payment of money due has been obtained by the Funding Lender, the Funding Lender may, subject to Section 9.6 hereof, by Written Notice to the Governmental Lender, the Fiscal Agent and the Borrower, waive any past default hereunder or under the Borrower Loan Agreement and its consequences except for default in obligations due the Governmental Lender pursuant to or under the Reserved Rights. Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Funding Loan Agreement and the Borrower Loan Agreement; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 9.10. Remedies Under Borrower Loan Agreement or Borrower Note. As set forth in this Section 9.10 but subject to Section 9.9 hereof, the Funding Lender shall have the right, in its own name or on behalf of the Governmental Lender, to declare any default and exercise any remedies under the Borrower Loan Agreement or the Borrower Note (provided all applicable notice, cure or grace periods have expired), whether or not the Governmental Lender Note has been accelerated or declared due and payable by reason of an Event of Default.

Section 9.11. Waiver of Appraisement and Other Laws.

(a) To the extent permitted by law, the Governmental Lender will not at any time insist upon, plead, claim or take the benefit or advantage of, any appraisement, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of this Funding Loan Agreement; and the Governmental Lender, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws. The Governmental Lender, for itself and all who may claim under it, waives, to the extent that it may lawfully do so, all right to have the property in the Security marshaled upon any enforcement hereof.

(b) If any law now in effect prohibiting the waiver referred to in Section 9.11(a) shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract herein contained or to preclude the application of this Section 9.11.

Section 9.12. Suits to Protect the Security. The Funding Lender shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Security by any acts that may be unlawful or in violation of this Funding Loan Agreement and to protect its interests in the Security and in the rents, issues, profits, revenues and other income arising therefrom, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any Governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interests of the Funding Lender.

Section 9.13. Remedies Subject to Applicable Law. All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Funding Loan Agreement invalid, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law.

Section 9.14. Assumption of Obligations. In the event that the Funding Lender or its assignee or designee shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under the Borrower Loan Agreement, the Borrower Note, the Regulatory Agreement and any other Funding Loan Documents to which the Borrower is a party. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

It is the intention of the parties hereto that upon the occurrence and continuance of an Event of Default hereunder, rights and remedies may be pursued pursuant to the terms of the Funding Loan Documents.

ARTICLE X
AMENDMENT; AMENDMENT OF BORROWER LOAN AGREEMENT AND OTHER DOCUMENTS

Section 10.1. Amendment of Funding Loan Agreement. Any of the terms of this Funding Loan Agreement and the Governmental Lender Note may be amended or waived only by an instrument signed by the Funding Lender, the Governmental Lender and the Fiscal Agent, provided, however, no such amendment or waiver which materially affects the rights, duties, obligations or other interests of the Borrower shall be made without the consent of the Borrower, and, provided further, that if the Borrower is in default under any Funding Loan Document (beyond all applicable notice, grace and cure periods), no Borrower consent shall be required unless such amendment or waiver has a material adverse effect on the rights, duties, obligations or other interests of the Borrower. All of the terms of this Funding Loan Agreement shall be binding upon the successors and assigns of and all Persons claiming under or through the Governmental Lender, the Fiscal Agent or any such successor or assign, and shall inure to the benefit of and be enforceable by the successors and assigns of the Funding Lender. The Fiscal Agent shall not be obligated to sign any amendment or waiver instrument authorized pursuant to this Article X, if the amendment or waiver, in the sole discretion of the Fiscal Agent, adversely affects the rights, duties, liabilities or immunities of the Fiscal Agent. All fees, costs and expenses (including reasonable attorneys'

fees, costs and expenses) incurred in connection with any amendment, modification or supplement shall be payable by the Borrower.

Section 10.2. Amendments Require Funding Lender Consent. Neither the Governmental Lender nor the Fiscal Agent shall consent to any amendment, change or modification of the Borrower Loan Agreement or any other Borrower Loan Document or Funding Loan Document without the prior Written Consent of the Funding Lender.

Section 10.3. Consents and Opinions. No amendment to this Funding Loan Agreement or any other Funding Loan Document entered into under this Article X or any amendment, change or modification otherwise permitted under this Article X shall become effective unless and until (i) the Funding Lender shall have Approved in Writing the same in its sole discretion and (ii) the Governmental Lender, the Fiscal Agent and the Funding Lender shall have received, at the expense of the Borrower, a Governmental Lender Counsel No Adverse Effect Opinion and an Opinion of Counsel to the effect that any such proposed amendment is authorized and complies with the provisions of this Funding Loan Agreement and is a legal, valid and binding obligation of the parties thereto, subject to normal exceptions relating to bankruptcy, insolvency and equitable principles limitations.

ARTICLE XI
THE FISCAL AGENT

Section 11.1. Appointment of Fiscal Agent; Acceptance. The Governmental Lender hereby appoints Wilmington Trust, National Association, as Fiscal Agent hereunder. The Fiscal Agent shall signify its acceptance of the duties and obligations imposed upon it by this Funding Loan Agreement by executing this Funding Loan Agreement.

Section 11.2. Certain Duties and Responsibilities of Fiscal Agent.

(a) The Fiscal Agent undertakes to perform such duties and only such duties as are specifically and expressly set forth in this Funding Loan Agreement, and no implied covenants or obligations shall be read into this Funding Loan Agreement against the Fiscal Agent.

(b) If an Event of Default exists hereunder or under any Borrower Loan Document, the Fiscal Agent shall exercise such of the rights and powers vested in it by this Funding Loan Agreement, unless directed otherwise in writing by the Funding Lender, and subject to Section 11.2(c)(iii) hereof, use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such prudent person's own affairs.

(c) The Fiscal Agent shall not be liable for any acts or omissions, except for such losses, damages or expenses which have been finally adjudicated by a court of competent jurisdiction to have directly resulted from the Fiscal Agent's negligence or willful misconduct; provided, however, no provision of this Funding Loan Agreement shall be construed to relieve the Fiscal Agent from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, in each case, as finally adjudicated by a court of competent jurisdiction, except that:

(i) This subsection shall not be construed to limit the effect of subsection (a) of this Section;

(ii) The Fiscal Agent shall not be liable for any action taken, or error of judgment made, in good faith, by any of its officers, employees or agents unless it shall be proved that the

Fiscal Agent was negligent in ascertaining the pertinent facts, as finally adjudicated by a court of competent jurisdiction;

(iii) The Fiscal Agent shall be entitled to request and receive, and shall not be liable with respect to any action taken or omitted to be taken by it in accordance with, the Written Direction of the Funding Lender relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any trust or power conferred upon the Fiscal Agent under this Funding Loan Agreement; and

(iv) No provision of this Funding Loan Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it in its sole discretion.

Subject to its rights to indemnification pursuant to Section 11.4 hereof, the Fiscal Agent is directed to enter into the Funding Loan Documents, to which it is a party, and other related documents, solely in its capacity as the Fiscal Agent. The Fiscal Agent shall neither be responsible for, nor chargeable with, knowledge of the terms and conditions of any other agreement, instrument, or document other than the Funding Loan Documents to which it is a party, whether or not an original or a copy of such other agreement, instrument or document has been provided to the Fiscal Agent. The Fiscal Agent shall have no duty to know or inquire as to the performance or nonperformance of any provision of any other agreement, instrument, or document other than the Funding Loan Documents to which it is a party.

(d) Whether or not therein expressly so provided, every provision of this Funding Loan Agreement and the other Funding Loan Documents relating to the conduct or affecting the liability of or affording protection to the Fiscal Agent shall be subject to the provisions of this Section.

(e) The Fiscal Agent may, at the expense of the Borrower, request, conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, and act upon certificates, reports or opinions furnished to the Fiscal Agent and conforming to the requirements of this Funding Loan Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Fiscal Agent, the Fiscal Agent shall be under a duty to examine the same to determine whether or not they conform on their face to the requirements of this Funding Loan Agreement.

(f) The permissive rights of the Fiscal Agent to do things enumerated in this Funding Loan Agreement shall not be construed as a duty and the Fiscal Agent shall not be answerable for exercising such permissive rights other than its negligence or willful misconduct.

(g) The rights of the Fiscal Agent and limitations of liability enumerated herein and in Section 11.4 shall extend to actions taken or omitted in its role as assignee of the Governmental Lender under the Borrower Loan Agreement and the other Funding Loan Documents.

(h) The Fiscal Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Funding Loan Agreement arising out of or caused, directly or indirectly, by circumstances beyond its control, including without limitation any act or provision of any present or future law or regulation or governmental authority; acts of God; earthquakes; fires; floods; wars; terrorism; civil or military disturbances; sabotage; epidemics; riots; interruptions; loss or malfunctions of utilities; computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; or the unavailability of the Federal Reserve Bank wire

or telex or other wire or communication facility, it being understood that the Fiscal Agent shall use its best efforts to resume performance as soon as practicable under the circumstances.

(i) In no event shall the Fiscal Agent be responsible or liable for special, indirect, punitive, incidental or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Fiscal Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. The Fiscal Agent shall not be liable for any amount in excess of the value of the Security.

(j) The rights of the Fiscal Agent and limitations of liability enumerated herein and in Section 11.4 hereof shall extend to actions taken or omitted in its role as assignee of the Governmental Lender under the Borrower Loan Agreement and the other Funding Loan Documents.

Section 11.3. Notice of Defaults. Upon the occurrence of any default hereunder or under any Borrower Loan Document and provided that a Responsible Officer of the Fiscal Agent has actual knowledge of or has received Written Notice of the existence of such default, promptly, and in any event within 15 days, the Fiscal Agent shall transmit to the Governmental Lender, the Borrower, the Servicer, if any, and the Funding Lender, in the manner and at the addresses for notices set forth in Section 12.1 hereof, notice of such default hereunder known to the Fiscal Agent pursuant to Section 11.4(g) hereof, unless such default shall have been cured or waived.

Section 11.4. Certain Rights of Fiscal Agent. Except as otherwise provided in Section 11.1 hereof:

(a) The Fiscal Agent may request at the expense of the Borrower, conclusively rely on and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, judgment, order, bond, note, debenture, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties not only as to due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein;

(b) Any request or direction of the Governmental Lender mentioned herein shall be sufficiently evidenced by a certificate or order executed by an Authorized Representative of the Governmental Lender;

(c) Whenever in the administration of this Funding Loan Agreement or any Borrower Loan Document the Fiscal Agent shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Fiscal Agent (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, at the expense of the Borrower, request and rely upon a Written Certificate of the Governmental Lender, the Funding Lender, the Servicer or the Borrower, as appropriate, and shall incur no liability and shall be fully protected in acting or refraining from acting in accordance with such Written Certificate;

(d) The Fiscal Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Funding Loan Agreement or any Borrower Loan Document at the request or direction of the Funding Lender, pursuant to this Funding Loan Agreement, unless the Funding Lender shall have offered to the Fiscal Agent in writing security or indemnity reasonably satisfactory to the Fiscal Agent against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction, except costs, expenses and liabilities which are adjudicated to have resulted from its own negligence or willful misconduct;

(e) The Fiscal Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, debenture, coupon or other paper or document but the Fiscal Agent, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Fiscal Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books and records of the Governmental Lender, if any, and of the Borrower, in either case personally or by agent or attorney after reasonable notice and during normal business hours;

(f) The Fiscal Agent may execute any of its powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and pay reasonable compensation thereto and the Fiscal Agent shall not be responsible for any acts or omissions on the part of any agent or attorney appointed with due care by it hereunder. The Fiscal Agent shall be entitled to rely upon the advice of counsel or other professionals of its choice concerning all matters hereof and the Fiscal Agent shall not be responsible for any loss or damage resulting from any action or inaction taken in good faith reliance upon said advice; and

(g) The Fiscal Agent shall not be required to take notice or be deemed to have notice of any default hereunder or under any Borrower Loan Document except for failure by the Borrower to make payments of principal, interest, premium, if any, or Governmental Lender Fees when due, unless a Responsible Officer of the Fiscal Agent shall be specifically notified by a Written Notice of such default by the Governmental Lender, the Servicer or the Funding Lender, and all notices or other instruments required by this Funding Loan Agreement or under any Borrower Loan Document to be delivered to the Fiscal Agent, must, in order to be effective, be delivered in writing to a Responsible Officer of the Fiscal Agent at the Corporate Trust Office of the Fiscal Agent, and in the absence of such Written Notice so delivered the Fiscal Agent may conclusively assume there is no default as aforesaid.

(h) Notwithstanding anything to the contrary contained herein, the parties hereto acknowledge that the Borrower is obligated pursuant to the Borrower Loan Agreement to defend, release, indemnify and hold harmless the Fiscal Agent and its directors, officers, employees and agents from any and against all liabilities, losses, actions, suits or proceedings at law or in equity, and any other expenses, fees or charges of any character or nature, (including, without limitation, attorneys' fees and expenses and the costs of enforcement of this Funding Loan Agreement or any provision thereof), which such parties may incur or be threatened by reason of acting as or on behalf of the Fiscal Agent under this Funding Loan Agreement, except to the extent the same shall have been finally adjudicated by a court of competent jurisdiction to have been directly caused by the Fiscal Agent's gross negligence or willful misconduct. The terms of this indemnity shall survive the termination of this Funding Loan Agreement or the earlier resignation or removal of the Fiscal Agent.

Section 11.5. Not Responsible for Recitals; Other Matters. The recitals contained herein and in the Governmental Lender Note shall be taken as the statements of the Governmental Lender, and the Fiscal Agent assumes no responsibility for their correctness. The Fiscal Agent makes no representations as to the value or condition of the Pledged Revenues, the Security or any part thereof, or as to the title of the Governmental Lender thereto or as to the security afforded thereby or hereby, or as to the validity or sufficiency of this Funding Loan Agreement or of the Governmental Lender Note.

The Fiscal Agent shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the funding of the Governmental Lender Note.

Neither the Fiscal Agent nor any of its directors, officers, employees, agents or affiliates shall be responsible for nor have any duty to monitor the performance or the financial condition or any action of the Borrower or any of their directors, members, officers, agents, affiliates or employees, or the physical

condition of the Project. The Fiscal Agent shall not have any liability in connection with the malfeasance or nonfeasance by any party. The Fiscal Agent may assume performance by all such Persons of their respective obligations. The Fiscal Agent shall have no enforcement or notification obligations relating to breaches or representations or warranties of any other Person. Unless otherwise expressly provided, the Fiscal Agent shall be under no obligation to analyze, review or make any credit decisions with respect to any financial statements, reports, notices, certificates or documents received hereunder but shall hold such financial statements reports, notices, certificates and documents solely for the benefit of, and review by, the Funding Lender and such other parties to whom the Fiscal Agent may provide such information pursuant to this Funding Loan Agreement.

The Fiscal Agent makes no representations as to and shall have no responsibility for the sufficiency of the insurance required under any of the Borrower Loan Documents.

Section 11.6. May Hold Governmental Lender Note. The Fiscal Agent in its individual or any other capacity may become the owner or pledgee of the Governmental Lender Note and may otherwise deal with the Governmental Lender, the Funding Lender and the Borrower with the same rights it would have if it were not the Fiscal Agent.

Section 11.7. Moneys Held in Trust. Moneys held by the Fiscal Agent in trust hereunder need not be segregated from other funds except to the extent required by law. The Fiscal Agent shall be under no liability for interest on any moneys received by it hereunder except as otherwise provided herein.

Section 11.8. Compensation and Reimbursement. Under the Borrower Loan Agreement, the Borrower has agreed to, except as otherwise expressly provided herein, reimburse the Fiscal Agent as provided in this Funding Loan Agreement or the Borrower Loan Agreement, upon its request for all reasonable expenses, disbursements and advances incurred or made by the Fiscal Agent in accordance with any provision of this Funding Loan Agreement (including the reasonable fees, expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to the Fiscal Agent's negligence or willful misconduct, both as finally adjudicated by a court of competent jurisdiction.

When the Fiscal Agent incurs expenses or renders service in connection with any bankruptcy or insolvency proceeding, such expenses (including the fees and expenses of its counsel) and the compensation for such services are intended to constitute expenses of administration under any bankruptcy law or law relating to creditors rights generally.

(a) The Governmental Lender has no obligation to pay the Fiscal Agent for services rendered.

(b) As security for the performance of the obligations of the Borrower under this Section and for the payment of such compensation, expenses, reimbursements and indemnity, the Fiscal Agent shall have the right to use and apply any moneys held by it as Pledged Revenues.

(c) The Fiscal Agent's rights to compensation and reimbursement shall survive its resignation or removal, the payment of the Governmental Lender Note or the Borrower Loan or the release of this Funding Loan Agreement.

Section 11.9. Fiscal Agent Required; Eligibility. Any successor Fiscal Agent shall at all times be a trust company, a state banking corporation or a national banking association with the authority to accept trusts in the State approved in writing by the Governmental Lender and either (a) have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition, (b) be a wholly owned subsidiary of a bank holding company, or a wholly owned subsidiary of

a company that is a wholly owned subsidiary of a bank holding company, having a combined capital surplus of at least $50,000,000 as set forth in its most recent published annual report of condition, have at least $500,000,000 of trust assets under management and have a combined capital surplus of at least $2,000,000 as set forth in its most recent published annual report of condition, or (c) be otherwise acceptable to the Funding Lender and the Governmental Lender in their sole and absolute discretion.

Section 11.10. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Fiscal Agent hereunder and no appointment of a successor Fiscal Agent pursuant to this Article shall become effective until the written acceptance by the successor Fiscal Agent of such appointment.

(b) The Fiscal Agent may resign at any time by giving 45 days' Written Notice thereof to the Governmental Lender, the Borrower, the Servicer, if any, and the Funding Lender. If an instrument of acceptance by a successor Fiscal Agent shall not have been delivered to the Fiscal Agent within 45 days after the giving of such notice of resignation, the resigning Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(c) The Fiscal Agent may be removed at any time with 30 days' notice by (i) the Governmental Lender, with the Written Consent of the Funding Lender, (ii) the Borrower (unless the Borrower is in default under any of the Borrower Loan Documents), with the Written Consent of the Funding Lender and the Governmental Lender, or (iii) the Funding Lender by Written Notice delivered to the Fiscal Agent, the Governmental Lender and the Borrower.

(d) If the Fiscal Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the Office of the Fiscal Agent for any cause, the Governmental Lender shall promptly appoint a successor Fiscal Agent, with the consent of the Funding Lender. In case all or substantially all of the Pledged Revenues and Security shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee may similarly appoint a successor to fill such vacancy until a new Fiscal Agent shall be so appointed by the Governmental Lender. If, within 60 days after such resignation, removal or incapability or the occurrence of such vacancy, the Governmental Lender has failed to so appoint a successor Fiscal Agent, then a successor Fiscal Agent shall be appointed by the Funding Lender (from any of the institutions approved by the Governmental Lender to serve as a fiscal agent or trustee) with Written Notice thereof delivered to the Governmental Lender, the Borrower, the Servicer, if any, and the retiring Fiscal Agent, and the successor Fiscal Agent so appointed shall, forthwith upon its acceptance of such appointment, become the successor Fiscal Agent and supersede the successor Fiscal Agent appointed by such receiver or Fiscal Agent. If no successor Fiscal Agent shall have been appointed by the Governmental Lender or the Funding Lender and accepted appointment in the manner hereinafter provided, the Fiscal Agent may petition any court of competent jurisdiction for the appointment of a successor Fiscal Agent.

(e) The retiring Fiscal Agent shall cause Written Notice of each resignation and each removal of the Fiscal Agent and each appointment of a successor Fiscal Agent to be provided to the Funding Lender. Each notice shall include the name of the successor Fiscal Agent and the address of the office of the successor Fiscal Agent.

(f) The retiring Fiscal Agent shall not be responsible or liable for the appointment or acts of any successor Fiscal Agent, nor shall the retiring Fiscal Agent be responsible for the costs associated with the appointment and transition of such successor.

Section 11.11. Acceptance of Appointment by Successor.

(a) Every successor Fiscal Agent appointed hereunder shall execute, acknowledge and deliver to the Governmental Lender and to the retiring Fiscal Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Fiscal Agent shall become effective and such successor Fiscal Agent, without any further act, deed or conveyance, shall become vested with all the estates, properties, rights, powers, trusts and duties of the retiring Fiscal Agent; notwithstanding the foregoing, on request of the Governmental Lender or the successor Fiscal Agent, such retiring Fiscal Agent shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to such successor Fiscal Agent upon the trusts herein expressed all the estates, properties, rights, powers and trusts of the retiring Fiscal Agent, and shall duly assign, transfer and deliver to such successor Fiscal Agent all property and money held by such retiring Fiscal Agent hereunder. Upon request of any such successor Fiscal Agent, the Governmental Lender shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Fiscal Agent all such estates, properties, rights, powers and trusts.

(b) No successor Fiscal Agent shall accept its appointment unless at the time of such acceptance such successor Fiscal Agent shall be qualified and eligible under this Article, to the extent operative.

Section 11.12. Merger, Conversion, Consolidation or Succession to Business. Any entity into which the Fiscal Agent may be converted or merged or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which the Fiscal Agent shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the Fiscal Agent, shall be the successor of the Fiscal Agent hereunder, and will have and succeed to the rights, powers, duties, immunities and privileges as its predecessor, provided such entity shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notwithstanding the foregoing, any such successor Fiscal Agent shall cause Written Notice of such succession to be delivered to the Governmental Lender and Funding Lender within 30 days of such succession.

Section 11.13. Appointment of Co-Fiscal Agent. It is the purpose of this Funding Loan Agreement that there shall be no violation of any laws of any jurisdiction (including particularly the laws of the State) denying or restricting the right of banking corporations or associations to transact business as Fiscal Agent in such jurisdiction. It is recognized that in case of litigation under this Funding Loan Agreement, the Borrower Loan Agreement, any other Borrower Loan Document or the Regulatory Agreement, and in particular in case of the enforcement of any of them on default, or in case the Fiscal Agent deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Fiscal Agent or hold title to the properties, in trust, as herein provided, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Fiscal Agent appoint an additional individual or institution as a separate or co fiscal agent. The following provisions of this Section are adopted to these ends.

The Fiscal Agent is hereby authorized to appoint an additional individual or institution as a separate or co-fiscal agent hereunder, upon Written Notice to the Governmental Lender, the Funding Lender and the Borrower, and with the consent of the Governmental Lender and the Funding Lender, but without the necessity of further authorization or consent, in which event each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Funding Loan Agreement, any Borrower Loan Document, the Regulatory Agreement or the Borrower Loan Agreement to be exercised by or vested in or conveyed to the Fiscal Agent with respect thereto shall be exercisable by and vest in such separate or co fiscal agent but only to the extent necessary to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co fiscal agent shall run to and be enforceable by either of them.

Should any instrument in writing from the Governmental Lender be required by the separate fiscal agent or co fiscal agent appointed by the Fiscal Agent for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request of the Fiscal Agent, be executed, acknowledged and delivered by the Governmental Lender. In case any separate fiscal agent or co-fiscal agent, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate fiscal agent or co fiscal agent, so far as permitted by law, shall vest in and be exercised by the Fiscal Agent until the appointment of a successor to such separate fiscal agent or co fiscal agent.

The Fiscal Agent will not be responsible for the negligence or misconduct of a separate fiscal agent or co-fiscal agent, and no separate fiscal agent or co-fiscal agent shall be responsible for the negligence or misconduct of the Fiscal Agent.

Section 11.14. Loan Servicing. The Governmental Lender and the Fiscal Agent acknowledge that the Funding Lender has appointed the Servicer to service and administer the Borrower Loan as set forth in the Servicing Agreement. The Governmental Lender and the Fiscal Agent shall not be responsible for monitoring the performance of any Servicer or for any acts or omissions of such Servicer. The Funding Lender may, in its sole discretion, terminate or replace the Servicer.

Section 11.15. No Recourse Against Officers or Employees of Fiscal Agent. No recourse with respect to any claim related to any obligation, duty or agreement contained in this Funding Loan Agreement or any other Funding Loan Document shall be had against any officer or employee, as such, of the Fiscal Agent, it being expressly understood that the obligations, duties and agreements of the Fiscal Agent contained in this Funding Loan Agreement and the other Funding Loan Documents are solely corporate in nature.

Section 11.16. State Law Verifications. The Fiscal Agent and Funding Lender make the following representation and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code (the "Government Code"), as heretofore amended, in entering into this Funding Loan Agreement. As used herein, "affiliate" means an entity that controls, is controlled by, or is under common control with the Fiscal Agent or Funding Lender within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of this Funding Loan Agreement shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of this Funding Loan Agreement, notwithstanding anything therein to the contrary.

(a) Each of the Fiscal Agent and Funding Lender represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153, Government Code, or Section 2270.0201, Government Code. The foregoing representation excludes the Fiscal Agent, Funding Lender, and each of the Fiscal Agent's and Funding Lender's respective parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(b) Each of the Fiscal Agent and Funding Lender hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Funding Loan Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(c) Each of the Fiscal Agent and Funding Lender hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Funding Loan Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

(d) Each of the Fiscal Agent and Funding Lender hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Funding Loan Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

Each of the Fiscal Agent and Funding Lender represents and verifies that it is aware of the Texas Office of the Attorney General's (the "Texas Attorney General") All Bond Counsel Letter, dated November 1, 2023, that is available on the website of the Texas Attorney General using the following link: (https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-01-2023.pdf) and the Texas Attorney General's supplemental All Bond Counsel Letter, dated November 16, 2023, that is available on the website of the Texas Attorney General using the following link: (https://texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-06-2023.pdf). Each of the Fiscal Agent and Funding Lender represents and verifies that it has (i) on file a standing letter ("Standing Letter") acceptable to the Texas Attorney General addressing the representations and verifications in this Section 5.09(a) through (d), and (ii) will, upon request of the Governmental Lender or Governmental Lender Counsel on behalf of the Governmental Lender, provide the Governmental Lender and Governmental Lender Counsel with a copy of its Standing Letter. Each of the Fiscal Agent and Funding Lender further represents and verifies that its Standing Letter remains in effect as of the date of this Funding Loan Agreement and that the Texas Attorney General has not notified the Fiscal Agent or Funding Lender, as applicable, that a determination has been made that the Fiscal Agent or Funding Lender, as applicable, boycotts energy companies or has a policy that discriminates against firearm entities or firearm trade associations under the laws of the State of Texas. Upon request of the Governmental Lender or Governmental Lender Counsel on the Governmental Lender's behalf, the Fiscal Agent or Funding Lender, as applicable, shall provide additional written certifications to the Governmental Lender and Governmental Lender Counsel (which may be by email) to the effect that the Texas Attorney General may continue to rely on the Standing Letter and the statutory representations and covenants contained in this Funding Loan Agreement through the Closing Date (the "Bringdown Verification"). The Governmental Lender reserves the right, and the Fiscal Agent and Funding Lender hereby expressly authorizes the Governmental Lender, to provide such Bringdown Verifications to the Texas Attorney General.

ARTICLE XII
MISCELLANEOUS

Section 12.1. Notices. All notices, demands, requests and other communications required or permitted to be given by any provision of this Funding Loan Agreement shall be in writing and sent by first class, regular, registered or certified mail, commercial delivery service, overnight courier, telegraph, telex, telecopier or facsimile transmission, air or other courier, or hand delivery to the party to be notified addressed as follows:

The Governmental Lender:	Texas Department of Housing and Community Affairs P.O. Box 13941 Austin, Texas 78711 Attention: Director of Multifamily Bonds Telephone: (512) 475-3344 Facsimile: (512) 475-1895 Email: teresa.morales@tdhca.texas.gov
The Fiscal Agent:	Wilmington Trust, National Association 15950 North Dallas Parkway, Suite 200 Dallas, Texas 75248 Attention: Richard Lopez Facsimile: (714) 384-4151 Email: rlopez9@wilmingtontrust.com
The Borrower:	SDC Corinth III, LP 3030 LBJ Freeway, Suite 1350 Dallas, Texas 75234 Attention: Joseph Agumadu Email: development@sdcus.com Telephone: (214) 342-1400
with a copy to:	Shackelford, Bowen, McKinley & Norton, LLP 9210 North Central Expressway, Suite 400 Dallas, Texas 75231 Attention: John Shackelford Telephone: (214) 780-1414 Email: jshack@shackelford.law
The Fee Owner:	[Dallas County Housing Finance Corporation 2025] [To come] Email: [_____]

Equity Investor:	AHP Housing Fund 303, LLC 1314 Douglas Street, Suite 1400 Omaha, NE 68102-1944 Attention: Legal Notices Email: notices@berkahp.com
With a copy to:	Kutak Rock LLP 2001 16th Avenue, Suite 1800 Denver, Colorado 80202 Attention: Ellen K. O'Brien Email: ellen.obrien@kutakrock.com
If to Funding Lender:	Stellar Bank PO Box 41314 Houston, Texas 77241-1314 Attention: Stephen W. Rose Email: stephen.rose@stellar.bank
If to Servicer:	CITIBANK, N.A. 388 Greenwich Street, Trading 4th Floor New York, New York 10013 Attention: Transaction and Asset Management Group Deal ID# 60001032 Facsimile: (212) 723-8209
and	325 East Hillcrest Drive, Suite 160 Thousand Oaks, California 91360 Attention: Operations Manager/Asset Manager Deal ID# 60001032 Facsimile: (805) 557-0924
With a copy to:	CITIBANK, N.A. 388 Greenwich Street, Trading 4th Floor New York, New York 10013 Attention: Account Specialist Deal ID# 60001032 Facsimile: (212) 723-8209
And a copy of any notices of default send to:	CITIBANK, N.A. 388 Greenwich Street, 17th Floor New York, New York 10013 Attention: General Counsel's Office Deal ID# 60001032 Facsimile: (646) 291-5754

Any such notice, demand, request or communication shall be deemed to have been given and received for all purposes under this Funding Loan Agreement: (i) three Business Days after the same is deposited in any official depository or receptacle of the United States Postal Service first class, or, if applicable, certified mail, return receipt requested, postage prepaid; (ii) on the date of transmission when delivered by telecopier or facsimile transmission, telex, telegraph or other telecommunication device, provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time

shown on such transmission, shall be deemed to have been received the following Business Day; (iii) on the next Business Day after the same is deposited with a nationally recognized overnight delivery service that guarantees overnight delivery; and (iv) on the date of actual delivery to such party by any other means; provided, however, if the day such notice, demand, request or communication shall be deemed to have been given and received as aforesaid is not a Business Day, such notice, demand, request or communication shall be deemed to have been given and received on the next Business Day. Any facsimile signature by a Person on a document, notice, demand, request or communication required or permitted by this Funding Loan Agreement shall constitute a legal, valid and binding execution thereof by such Person.

Any party to this Funding Loan Agreement may change such party's address for the purpose of notice, demands, requests and communications required or permitted under this Funding Loan Agreement by providing Written Notice of such change of address to all of the parties as provided herein.

Section 12.2. Term of Funding Loan Agreement. This Funding Loan Agreement shall be in full force and effect until all payment obligations of the Governmental Lender hereunder have been paid in full and the Governmental Lender Note has been retired or the payment thereof has been provided for; except that on and after payment in full of the Governmental Lender Note, this Funding Loan Agreement shall be terminated, without further action by the parties hereto.

Section 12.3. Successors and Assigns. All covenants and agreements in this Funding Loan Agreement by the Governmental Lender shall bind its successors and assigns, whether so expressed or not.

Section 12.4. Legal Holidays. In any case in which the date of payment of any amount due hereunder or the date on which any other act is to be performed pursuant to this Funding Loan Agreement shall be a day that is not a Business Day, then payment of such amount or such act need not be made on such date but may be made on the next succeeding Business Day, and such later payment or such act shall have the same force and effect as if made on the date of payment or the date fixed for prepayment or the date fixed for such act, and no additional interest shall accrue for the period after such date and prior to the date of payment.

Section 12.5. Governing Law. This Funding Loan Agreement shall be governed by and shall be enforceable in accordance with the laws of the State, without giving effect to the choice of law principles of the State that would require the application of the laws of a jurisdiction other than that of the State. The Fiscal Agent's rights, duties, power and obligations hereunder are governed entirely by the terms and provisions of this Funding Loan Agreement and the Regulatory Agreement. The parties hereby (i) irrevocably submit to the exclusive jurisdiction of the federal or state courts sitting in Texas, (ii) waive any objection to laying of venue in any such action or proceeding in such courts, and (iii) waive any objection that such courts are an inconvenient forum or do not have jurisdiction over any party.

Section 12.6. Severability. If any provision of this Funding Loan Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired. In case any covenant, stipulation, obligation or agreement contained in the Governmental Lender Note or in this Funding Loan Agreement shall for any reason be held to be usurious or in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Governmental Lender or the Funding Lender only to the full extent permitted by law.

Section 12.7. Execution in Several Counterparts. This Funding Loan Agreement may be contemporaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

Section 12.8. Nonrecourse Obligation of the Borrower. Except as otherwise provided in the Borrower Loan Agreement, any obligations of the Borrower under this Funding Loan Agreement are without recourse to the Borrower or to the Borrower's partners or members, as the case may be, and the provisions of Section 11.1 of the Borrower Loan Agreement are by this reference incorporated herein.

Section 12.9. Waiver of Trial by Jury. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF BORROWER AND THE BENEFICIARY PARTIES EXCEPT THE GOVERNMENTAL LENDER (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS FUNDING LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

Section 12.10. Electronic Transactions. The transactions described in this Funding Loan Agreement may be conducted and related documents and may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

[Executed on the following page]

IN WITNESS WHEREOF, the Funding Lender, the Governmental Lender and the Fiscal Agent have caused this Funding Loan Agreement to be duly executed as of the date first written above.

STELLAR BANK,
a Texas state chartered bank,
as Funding Lender

By:_____
Name: Stephen W. Rose
Title: Executive Vice President

(SIGNATURES CONTINUE ON NEXT PAGE)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: _____
Name: James B. "Beau" Eccles
Title: Secretary to the Board

(SIGNATURES CONTINUE ON NEXT PAGE)

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Fiscal Agent

By: _____
Name: Richard Lopez
Title: Assistant Vice President

EXHIBIT A

FORM OF GOVERNMENTAL LENDER NOTE

THE STATE OF TEXAS IS NOT OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THIS GOVERNMENTAL LENDER NOTE. THE FAITH, CREDIT OR TAXING POWER OF THE STATE OF TEXAS IS NOT PLEDGED, GIVEN OR LOANED TO PAYMENT OF THIS GOVERNMENTAL LENDER NOTE'S PRINCIPAL OR INTEREST.

THIS GOVERNMENTAL LENDER NOTE MAY BE OWNED ONLY BY AN APPROVED TRANSFEREE IN ACCORDANCE WITH THE TERMS OF THE FUNDING LOAN AGREEMENT, AND THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS GOVERNMENTAL LENDER NOTE (A) REPRESENTS THAT IT IS AN APPROVED TRANSFEREE AND (B) ACKNOWLEDGES THAT IT CAN ONLY TRANSFER THIS GOVERNMENTAL LENDER NOTE TO ANOTHER APPROVED TRANSFEREE IN ACCORDANCE WITH THE TERMS OF THE FUNDING LOAN AGREEMENT.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY HOUSING GOVERNMENTAL NOTE
(FIJI LOFTS) SERIES 2026

$[6,000,000] **Dated Date: [_____ 1, 2026]** **No. ___**

FOR VALUE RECEIVED, the undersigned TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS ("Obligor" or "Governmental Lender") promises to pay to the order of STELLAR BANK, as the registered owner hereof or its registered assigns ("Holder") the principal sum of [SIX MILLION] AND NO/100 DOLLARS ($[6,000,000]), on [June 1, 2027] or earlier as provided herein, together with interest thereon at the rates, at the times and in the amounts provided below, but solely from the Security pledged therefor, including Pledged Revenues available for such purpose.

Obligor shall pay to the Holder on or before each date on which payment is due under that certain Funding Loan Agreement, dated as of [_____ 1, 2026] (the "Funding Loan Agreement"), among Obligor, WILMINGTON TRUST, NATIONAL ASSOCIATION, as fiscal agent (the "Fiscal Agent") and Holder, an amount in immediately available funds sufficient to pay the principal amount of and Prepayment Premium, if any, on this Governmental Lender Note then due and payable, whether by maturity, acceleration, prepayment or otherwise. In the event that amounts held derived from proceeds of the Borrower Loan, condemnation awards or insurance proceeds or investment earnings thereon are applied to the payment of principal due on this Governmental Lender Note in accordance with the Funding Loan Agreement, the principal amount due hereunder shall be reduced to the extent of the principal amount of this Governmental Lender Note so paid. Capitalized terms not otherwise defined herein shall have the meaning assigned in the Funding Loan Agreement.

Obligor shall pay to the Holder on or before each date on which interest on this Governmental Lender Note is payable interest on the unpaid balance hereof in an amount in immediately available funds sufficient to pay the interest on this Governmental Lender Note then due and payable in the amounts and at the rate or rates set forth in the Funding Loan Agreement.

The principal of, premium, if any, and interest on this Governmental Lender Note is payable at the designated corporate trust office of the Fiscal Agent. Payment of all amounts hereunder shall be in any

coin or currency of the United States of America as, at the respective times of payment, shall be legal tender for the payment of public and private debts.

This Governmental Lender Note is a pass-through obligation relating to a construction loan (the "Borrower Loan") made by Obligor from proceeds of this Governmental Lender Note to SDC CORINTH III, LP, a Texas limited partnership, as borrower (the "Borrower"), under that certain Borrower Loan Agreement, dated as of [_____ 1, 2026] (as the same may be modified, amended or supplemented from time to time, the "Borrower Loan Agreement"), between the Obligor and the Borrower, evidenced by the Borrower Note (as defined in the Borrower Loan Agreement). Reference is made to the Borrower Loan Agreement and to the Borrower Note for complete payment and prepayment terms set forth in the Borrower Note, payments on which are passed-through under this Governmental Lender Note.

THIS GOVERNMENTAL LENDER NOTE IS ISSUED UNDER THE PROVISIONS OF, CHAPTER 2306, TEXAS GOVERNMENT CODE, AS AMENDED (THE "ACT"). THIS GOVERNMENTAL LENDER NOTE IS NOT A GENERAL OBLIGATION OF THE GOVERNMENTAL LENDER BUT IS A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE MONEYS AND PROPERTIES PLEDGED FOR PAYMENT THEREOF.

This Governmental Lender Note is a special, limited obligation of the Obligor, payable solely from the Pledged Revenues and the other funds and moneys and security pledged and assigned under the Funding Loan Agreement. None of the Governmental Lender, the State, or any political subdivision thereof (except the Governmental Lender, to the limited extent set forth herein) nor any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on this Governmental Lender Note or for the performance of any pledge, obligation or agreement of any kind whatsoever with respect thereto except as set forth herein and in the Funding Loan Agreement, and none of the Funding Loan or this Governmental Lender Note or any of the Governmental Lender's agreements or obligations with respect to the Funding Loan or this Governmental Lender Note shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of or a moral obligation of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever. The Governmental Lender has no taxing power.

NOTWITHSTANDING ANYTHING HEREIN CONTAINED TO THE CONTRARY, ANY OBLIGATION THAT THE GOVERNMENTAL LENDER MAY INCUR UNDER THE FUNDING LOAN AGREEMENT OR UNDER ANY INSTRUMENT EXECUTED IN CONNECTION THEREWITH THAT SHALL ENTAIL THE EXPENDITURE OF MONEY SHALL NOT BE A GENERAL OBLIGATION OF THE GOVERNMENTAL LENDER, BUT SHALL BE A SPECIAL LIMITED OBLIGATION PAYABLE SOLELY FROM THE PLEDGED SECURITY. THIS GOVERNMENTAL LENDER NOTE SHALL CONSTITUTE A VALID CLAIM OF THE HOLDER HEREOF AGAINST THE SECURITY, WHICH IS PLEDGED TO SECURE THE PAYMENT OF PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON THIS GOVERNMENTAL LENDER NOTE AND WHICH SHALL BE UTILIZED FOR NO OTHER PURPOSE, EXCEPT AS EXPRESSLY AUTHORIZED IN THE FUNDING LOAN AGREEMENT. THIS GOVERNMENTAL LENDER NOTE SHALL BE A SPECIAL LIMITED OBLIGATION OF THE GOVERNMENTAL LENDER GIVING RISE TO NO CHARGE AGAINST THE GOVERNMENTAL LENDER'S GENERAL CREDIT AND PAYABLE SOLELY FROM, AND CONSTITUTE CLAIMS OF THE HOLDERS THEREOF AGAINST ONLY, THE SECURITY PLEDGED THEREFOR. PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON THIS GOVERNMENTAL LENDER NOTE SHALL NOT BE DEEMED TO CONSTITUTE DEBT OF THE GOVERNMENTAL LENDER (EXCEPT TO THE EXTENT OF THE SECURITY PLEDGED THEREFOR). THIS GOVERNMENTAL LENDER NOTE IS NOT AND DOES NOT CREATE

OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF, OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH, CREDIT, OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF. THE GOVERNMENTAL LENDER HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THIS GOVERNMENTAL LENDER NOTE OR FOR ANY CLAIM BASED ON THIS GOVERNMENTAL LENDER NOTE, OR OTHERWISE IN RESPECT OF THIS GOVERNMENTAL LENDER NOTE, OR BASED ON OR IN RESPECT OF THE FUNDING LOAN AGREEMENT OR ANY SUPPLEMENTAL FUNDING LOAN AGREEMENT, AGAINST THE GENERAL CREDIT OF THE GOVERNMENTAL LENDER OR AGAINST ANY PAST, PRESENT OR FUTURE GOVERNING BOARD MEMBER, DIRECTOR, OFFICER, AGENT OR EMPLOYEE OF THE GOVERNMENTAL LENDER, OR OF ANY SUCCESSOR TO THE GOVERNMENTAL LENDER, AS SUCH, EITHER DIRECTLY OR THROUGH THE GOVERNMENTAL LENDER OR ANY SUCCESSOR TO THE GOVERNMENTAL LENDER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS OR EMPLOYEES, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF, AND CONSIDERATION FOR, THE EXECUTION AND ISSUANCE OF THIS GOVERNMENTAL LENDER NOTE.

All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Funding Loan Agreement or in the Borrower Loan Agreement.

This Governmental Lender Note is subject to the express condition that at no time shall interest be payable on this Governmental Lender Note or the Funding Loan at a rate in excess of the Maximum Rate; and Obligor shall not be obligated or required to pay, nor shall the Holder be permitted to charge or collect, interest at a rate in excess of such Maximum Rate. If by the terms of this Governmental Lender Note or of the Funding Loan Agreement, Obligor is required to pay interest at a rate in excess of such Maximum Rate, the rate of interest hereunder or thereunder shall be deemed to be reduced immediately and automatically to such Maximum Rate, and any such excess payment previously made shall be immediately and automatically applied to the unpaid balance of the principal sum hereof and not to the payment of interest.

Amounts payable hereunder representing late payments, penalty payments or the like shall be payable to the extent allowed by law.

This Governmental Lender Note is subject to all of the terms, conditions, and provisions of the Funding Loan Agreement, including those respecting prepayment and the acceleration of maturity.

If there is an Event of Default under the Funding Loan Documents, then in any such event and subject to the requirements set forth in the Funding Loan Agreement, the Holder may declare the entire unpaid principal balance of this Governmental Lender Note and accrued interest, if any, due and payable at once. All of the covenants, conditions and agreements contained in the Funding Loan Documents are hereby made part of this Governmental Lender Note.

No delay or omission on the part of the Holder in exercising any remedy, right or option under this Governmental Lender Note or the Funding Loan Documents shall operate as a waiver of such remedy, right or option. In any event a waiver on any one occasion shall not be construed as a waiver or bar to any such

remedy, right or option on a future occasion. The rights, remedies and options of the Holder under this Governmental Lender Note and the Funding Loan Documents are and shall be cumulative and are in addition to all of the rights, remedies and options of the Holder at law or in equity or under any other agreement.

Obligor shall pay all costs of collection on demand by the Holder, including without limitation, reasonable attorneys' fees and disbursements, which costs may be added to the indebtedness hereunder, together with interest thereon, to the extent allowed by law, as set forth in the Funding Loan Agreement.

This Governmental Lender Note may not be changed orally. Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived. The acceptance by the Holder of any amount after the same is due shall not constitute a waiver of the right to require prompt payment, when due, of all other amounts due hereunder. The acceptance by the Holder of any sum in an amount less than the amount then due shall be deemed an acceptance on account only and upon condition that such acceptance shall not constitute a waiver of the obligation of Obligor to pay the entire sum then due, and Obligor's failure to pay such amount then due shall be and continue to be a default notwithstanding such acceptance of such amount on account, as aforesaid. Consent by the Holder to any action of Obligor which is subject to consent or approval of the Holder hereunder shall not be deemed a waiver of the right to require such consent or approval to future or successive actions.

Neither the directors, officers, agents or employees of the Governmental Lender nor any person executing this Governmental Lender Note shall be personally liable hereon or be subject to any personal liability or accountability by reason of the issuance of this Governmental Lender Note, whether by virtue of any Constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being expressly released and waived as a condition of and in consideration for the execution of the Funding Loan Agreement and the issuance of this Governmental Lender Note.

This Governmental Lender Note shall not be entitled to any benefit under the Funding Loan Agreement or be valid or obligatory for any purpose until the Fiscal Agent shall have executed the Certificate of Authentication appearing hereon.

IT IS HEREBY CERTIFIED, RECITED AND REPRESENTED that the issuance of this Governmental Lender Note is duly authorized by law; that all acts, conditions and things required to exist and to be done precedent to and in the issuance of this Governmental Lender Note to render the same lawful and valid have been properly done and performed and have happened in regular and due time, form and manner as required by law; and that all acts, conditions and things necessary to be done or performed by the Governmental Lender or to have happened precedent to or in the execution and delivery of the Funding Loan Agreement have been done and performed and have happened in regular and due form as required by law.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Governmental Lender Note or caused this Governmental Lender Note to be duly executed and delivered by its authorized representative as of the date first set forth above. The undersigned intends that this instrument shall be deemed to be signed and delivered as a sealed instrument.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

(SEAL)

ATTEST:

By: _____
[Vice] Chair

By: _____
Secretary

CERTIFICATE OF AUTHENTICATION

This Governmental Lender Note is issued under the provisions of and described in the within-mentioned Funding Loan Agreement.

Date of Authentication: _____

WILMINGTON TRUST, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto _____ the within Governmental Lender Note and irrevocably constitutes and appoints _____ attorney to transfer that Governmental Lender Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____ _____

Signature

Signature Guaranteed:

_____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Governmental Lender Note in every particular, without alteration or any change whatever.

EXHIBIT B

FORM OF REQUIRED TRANSFEREE REPRESENTATIONS LETTER

[To be prepared on letterhead of transferee]

[Date]

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
221 E. 11th Street
Austin, Texas 78701

WILMINGTON TRUST, NATIONAL ASSOCIATION
15950 North Dallas Parkway, Suite 200
Dallas, Texas 75248

Re: Texas Department of Housing and Community Affairs Multifamily Housing Governmental Note (Fiji Lofts) Series 2026

Ladies and Gentlemen:

The undersigned representative of _____ (the "Funding Lender"), the funding lender of the Texas Department of Housing and Community Affairs Multifamily Housing Governmental Note (Fiji Lofts) Series 2026, dated as of [_____ 1, 2026] (the "Governmental Funding Lender Note"), does hereby certify, represent and warrant for the benefit of the Texas Department of Housing and Community Affairs (the "Governmental Funding Lender ") and Wilmington Trust, National Association, as fiscal agent (the "Fiscal Agent"), that the Funding Lender is a "qualified institutional buyer" as defined in Rule 144A under the Securities Act of 1933, as amended (a "QIB").

The Funding Lender hereby acknowledges, represents, and warrants to, and agrees with, the Governmental Funding Lender and the Fiscal Agent, as follows:

(1) The Funding Lender is purchasing the Governmental Funding Lender Note with its own funds (or with funds from accounts over which it has sole investment authority) and not the funds of any other person, and for its own account (or for accounts over which it has sole investment authority) and not as nominee or agent for the account of any other person and not with a view to any distribution thereof, other than the deposit of the Governmental Funding Lender Note in a custodial or trust arrangement each of the beneficial owners of which shall be required to be a QIB.

(2) The Funding Lender has such knowledge and experience in business and financial matters and with respect to the purchase and ownership of multifamily housing revenue bonds, tax-exempt securities and other investment vehicles similar in character to the Governmental Funding Lender Note, so as to enable it to understand and evaluate the risks of such investments and form an investment decision with respect thereto, the Funding Lender has no need for liquidity in such investment and the Funding Lender is (or any account for which it is purchasing is) able to bear the risk of such investment for an indefinite period and to afford a complete loss thereof.

(3) The Funding Lender acknowledges that it has been provided with, and has had the opportunity to review, the documents relating to the issuance of the Governmental Funding Lender Note by the Governmental Funding Lender. The Funding Lender either has been supplied with or has had access

to information, including financial statements, and other financial information, and has had the opportunity to ask questions and receive answers from individuals concerning the Governmental Funding Lender, SDC Corinth III, LP (the "Borrower"), and its credit standing, the Borrower Loan Agreement dated as of [_____ 1, 2026], between the Governmental Funding Lender and the Borrower (the "Borrower Loan Agreement"), the Funding Loan Agreement dated as of [_____ 1, 2026], among the Governmental Funding Lender, Stellar Bank, as funding lender and the Fiscal Agent (the "Funding Loan Agreement"), and the Governmental Funding Lender Note so that, as a sophisticated investor, the Funding Lender has been able to make its decision to purchase the Governmental Funding Lender Note.

(4) The Funding Lender has had the opportunity to ask questions and receive answers concerning the terms and conditions of the offering and to obtain any additional information it may request.

(5) The Funding Lender is a nationally- or state-chartered bank that regularly extends credit to state and local governments by making loans the repayment obligations under which are evidenced by obligations such as the Governmental Funding Lender Note; has knowledge and experience in financial and business matters that make it capable of evaluating the Borrower, the Governmental Funding Lender Note and the risks associated with the extension of credit evidenced by the Governmental Funding Lender Note; and has the ability to bear the economic risk of extending the credit evidenced by the Governmental Funding Lender Notes. The Funding Lender is not acting as a broker, dealer, municipal securities underwriter, municipal advisor or fiduciary in connection with its extension of credit evidenced by the Governmental Funding Lender Notes.

(6) The Funding Lender acknowledges that (a) the Governmental Funding Lender Note (i) have not been registered under the Securities Act of 1933, as amended, (ii) have not been registered or otherwise qualified for sale under the securities laws of any state, and (iii) will not be listed on any securities exchange and (b) there is no established market for the Governmental Funding Lender Notes and that none is likely to develop.

(7) THE FUNDING LENDER UNDERSTANDS THAT:

(i) NEITHER THE STATE OF TEXAS NOR ANY POLITICAL SUBDIVISION OR AGENCY OF THE STATE OF TEXAS, SHALL BE LIABLE OR OBLIGATED (GENERAL, SPECIALLY, MORALLY OR OTHERWISE) TO PAY THE PRINCIPAL OF THE GOVERNMENTAL FUNDING LENDER NOTE OR THE PREMIUM, IF ANY, OR INTEREST THEREON, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE GOVERNMENTAL FUNDING LENDER NOTE; AND

(ii) THE GOVERNMENTAL FUNDING LENDER HAS NO TAXING POWER AND PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON THE GOVERNMENTAL FUNDING LENDER NOTE ARE PAYABLE SOLELY OUT OF THE MONEYS TO BE RECEIVED BY THE FISCAL AGENT ON BEHALF OF THE GOVERNMENTAL FUNDING LENDER UNDER THE BORROWER LOAN AGREEMENT AND AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS ESTABLISHED AND PLEDGED UNDER THE FUNDING LOAN AGREEMENT.

(8) The Funding Lender understands that in connection with any proposed transfer or exchange of the Governmental Funding Lender Note, there must be delivered to the Fiscal Agent a letter of the transferee in substantially the same effect as this letter or otherwise as permitted under the Funding Loan Agreement.

(9) The Funding Lender understands that, in connection with any proposed transfer of the Governmental Funding Lender Note, such transfer must be limited to an Eligible Funding Lender. "Eligible Funding Lender" means a prospective transferee that the Funding Lender has clear grounds to believe and does believe can make representations with respect to itself to substantially the same effect as the representations set forth herein.

(10) **THE FUNDING LENDER INDEMNIFIES THE GOVERNMENTAL FUNDING LENDER AND THE FISCAL AGENT AGAINST ANY AND ALL LIABILITY, COST OR EXPENSE (INCLUDING ATTORNEYS' FEES) THAT RESULT IF THE REPRESENTATIONS CONTAINED IN THE FUNDING LENDER'S TRANSFEREE REPRESENTATIONS LETTER ARE FALSE IN ANY MATERIAL RESPECT.**

(11) The Funding Lender is acquiring 100% of the Governmental Funding Lender Note.

The Funding Lender has conducted its own investigation to the extent it deemed necessary. The Funding Lender has been offered an opportunity to have made available to it any and all such information it might request from the Governmental Funding Lender and the Borrower. On this basis, it is agreed by the Funding Lender that the Funding Lender is not relying on any other party or person to undertake the furnishing or verification of information related to the referenced transaction.

The Governmental Funding Lender Note for this Funding Lender should be registered with the Fiscal Agent as follows and an executed W-9 has been attached:

Name: _____
Address: _____
Tax ID #: _____

Payment instructions: ( ) wire ( ) check

_____

_____

_____

This letter and the representations and agreements contained herein are made for your benefit.

IN WITNESS WHEREOF, I have hereunto set my hand the _____ day of _____, 20__.

_____
FUNDING LENDER

By: _____
Name: _____
Title: _____

MUST BE SIGNED BY ACTUAL FUNDING LENDER. MAY NOT BE SIGNED BY NOMINEE OR AGENT

EXHIBIT C

PROJECT FUND REQUISITION

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Fiscal Agent

Re: Fiji Lofts

You are requested to disburse funds from the Project Fund pursuant to Section 7.7 of the Funding Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth in this requisition (the "**Requisition**"). The terms used in this requisition shall have the meaning given to those terms in the Funding Loan Agreement (the "**Funding Loan Agreement**"), dated as of [_____ 1, 2026], by and among STELLAR BANK, in its capacity as Funding Lender (the "**Funding Lender**"), the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (the "**Governmental Lender**") and WILMINGTON TRUST, NATIONAL ASSOCIATION, as Fiscal Agent (the "**Fiscal Agent**"), securing the Texas Department of Housing and Community Affairs Multifamily Housing Governmental Note (Fiji Lofts) Series 2026, dated as of [_____ 1, 2026] (the "**Governmental Lender Note**").

REQUISITION NO.:
PAYMENT DUE TO:
AMOUNT(S) TO BE DISBURSED: $_____ from the Note Proceeds Account
$_____ from the Borrower Equity Account

The undersigned Borrower hereby represents and warrants that the following information and certifications provided in connection with this Requisition are true and correct as of the date hereof and authorizes Servicer to submit this Requisition to the Fiscal Agent on behalf of Borrower:

1. Purposes for which disbursement is requested are specified in the **attached Schedule**.

2. Party or parties to whom the disbursements shall be made are specified in the **attached Schedule** (may be the undersigned in the case of reimbursement for advances and payments made or cost incurred for work done by the undersigned); provided, that no reimbursement shall be made for advances and payments made prior to sixty (60) days prior to October 10, 2024.

3. The undersigned certifies that:

(a) the conditions precedent to disbursement set forth in the Construction Funding Agreement have been satisfied;

(b) the disbursement requested pursuant to this Requisition will be used solely to pay a cost or costs allowable under the Funding Loan Agreement and the Construction Funding Agreement;

(c) none of the items for which disbursement is requested pursuant to this Requisition has formed the basis for any disbursement previously made from the Project Fund and all such items have been properly recorded in Borrower's books and are set forth on the Schedule attached hereto, along with paid invoices attached for any sum for which reimbursement is requested and invoices or bills of sales for all other items;

(d) all labor and materials for which disbursements have been requested have been incorporated into the Project in accordance with reasonable and standard building practices, the

Construction Funding Agreement and all applicable laws, ordinances, rules and regulations of any governmental authority having jurisdiction over the Project;

(e) the materials, supplies and equipment furnished or installed for the Improvements are not subject to any lien or security interest or that the funds to be disbursed pursuant to this Requisition are to be used to satisfy any such lien or security interest;

(f) all of the funds being requisitioned are being used in compliance with all tax covenants set forth in the Funding Loan Agreement, the Borrower Loan Agreement, the Regulatory Agreement and the Tax Exemption Agreement, including that none of the proceeds of the Funding Loan (including investment earnings thereon) will be used to provide an airplane, a skybox or any other private luxury box, any facility primarily used for gambling, health club facility or any store the principal business of which is the sale of alcoholic beverages for consumption off premises;

(g) with respect to amounts from the Note Proceeds Account of the Project Fund, not less than 95% of the sum of:

(A) the amounts requisitioned by this Requisition; plus
(B) all amounts previously requisitioned and disbursed from the Note Proceeds Account of the Project Fund;

have been or will be applied by Borrower to pay the Qualified Project Costs;

(h) Borrower is not in default under the Borrower Loan Agreement, the Construction Funding Agreement or any other Borrower Loan Document to which it is a party and nothing has occurred to the knowledge of Borrower that would prevent the performance of its obligations under such documents;

(i) no amounts being requisitioned hereby will be used to pay, or reimburse, any Costs of Issuance incurred in connection with the delivery of the Governmental Lender Note or pay debt service with respect to the Governmental Lender Note; and

(j) Funds deposited with Borrower for further disbursement to third parties shall be paid to such third parties by check dated the date of such deposit and Borrower reasonably expects such funds will be disbursed from its account within five Business Days of such deposit.

[Following items may not be required for Initial Disbursement]

Estimated costs of completing the uncompleted construction as of the date of this Requisition: _____.

Percent of the construction completed as of the date this request: _____%

IN WITNESS WHEREOF, the undersigned has executed this Requisition as of the day and date first above written.

Date:_____

SDC CORINTH III, LP,
a Texas limited partnership,
as Borrower

By: _____
Name: _____
Title: _____

APPROVED:

STELLAR BANK,
a Texas state chartered bank,
as Funding Lender

By:_____
Name: _____
Title: _____

EXHIBIT D

CLOSING COSTS REQUISITION
(Closing Costs Fund)

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Fiscal Agent

Re: Fiji Lofts

Fiscal Agent:

You are requested to disburse funds from the Closing Costs Fund pursuant to Section 7.6 of the Funding Loan Agreement in the amount(s), to the person(s) and for the purpose(s) set forth in this requisition (the "Requisition"). The terms used in this requisition shall have the meaning given to those terms in the Funding Loan Agreement (the "Funding Loan Agreement"), dated as of [_____ 1, 2026], by and among STELLAR BANK, in its capacity as Funding Lender (the "Funding Lender"), the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS and WILMINGTON TRUST, NATIONAL ASSOCIATION, as Fiscal Agent, securing the Texas Department of Housing and Community Affairs Multifamily Housing Governmental Note (Fiji Lofts) Series 2026, dated as of [_____ 1, 2026] (the "**Governmental Lender Note**").

REQUISITION NO.:
PAYMENT DUE TO:
AMOUNT TO BE DISBURSED: $

The undersigned, on behalf of SDC CORINTH III, LP, a limited partnership duly organized and existing under the laws of the State of Texas (the "**Borrower**"), certifies that:

(a) the expenditures for which money is requisitioned by this Requisition represent proper charges against the Closing Costs Fund, have not been included in any previous requisition and are set forth in the Schedule attached to this Requisition, with invoices attached for any sums for which reimbursement is requested; and

(b) the money requisitioned is not greater than those necessary to meet obligations due and payable or to reimburse the applicable party for funds actually advanced for Costs of Issuance.

(b) the total amount of Costs of Issuance paid from proceeds of the Governmental Lender Note is not in excess of 2% of the sale proceeds of the Governmental Lender Note.

Attached to this Requisition is a Schedule, together with copies of invoices or bills of sale covering all items for which payment is being requested.

Date of Requisition: _____

SDC CORINTH III, LP,
a Texas limited partnership,
as Borrower

By: _____
Name: _____
Title: _____

EXHIBIT E

FORM OF TRANSFEROR LETTER

Texas Department of Housing and Community Affairs

Wilmington Trust, National Association, as Fiscal Agent

RE: Texas Department of Housing and Community Affairs Multifamily Housing Governmental Note (Fiji Lofts) Series 2026 (the "Note")

Ladies and Gentlemen:

The undersigned representative of [TRANSFEROR] (the "Transferor"), as Seller under the Portfolio Purchase Agreement (the "Purchase Agreement") pursuant to which the Transferor has sold the Note to [CERTIFICATE ISSUER] (the "Certificate Issuer") for purposes of the deposit by the Certificate Issuer of the Note with [CERTIFICATE TRUSTEE] (the "Trustee"), as trustee under a Trust Agreement between the Certificate Issuer and the Trustee ("Trust Agreement"), and the issuance of municipal certificates (the "Certificates"), does hereby certify, represent and warrant, solely on the basis of the Purchase Agreement and the Trust Agreement, for the benefit of the Texas Department of Housing and Community Affairs, as Governmental Lender (the "Issuer") and Wilmington Trust, National Association, as Fiscal Agent (the "Fiscal Agent") for the Note under the Funding Loan Agreement among the Issuer, the Transferor and the Fiscal Agent (as amended, the "Funding Loan Agreement") pursuant to which the Note was issued, as applicable, as follows:

(1) The Certificate Issuer is acquiring the Note solely for purposes of depositing them with the Trustee under the Trust Agreement as security for the payment of the Certificates.

(2) The Certificates issued pursuant to the Trust Agreement will only be (i) owned by QIBs or (ii) rated at the time of issuance in the "BBB" category or higher without regard to modifier (or the equivalent investment grade category) by at least one nationally recognized rating agency.

(3) The registered holder of the Note will at all times be obligated to comply with the requirements of the Funding Loan Agreement governing any future transfer of the Note or any portion of or a participation interest therein.

(4) The Transferor has provided the Certificate Issuer all information and documentation that has been requested by the Certificate Issuer in order for the Certificate Issuer to conduct its own investigation to the extent it deemed necessary. The Certificate Issuer has been offered an opportunity to have made available to it any and all such information it might request regarding the Note and the collateral for the Note. The Certificate Issuer has represented in the Purchase Agreement that it is not relying on any other party or person, other than the Transferor, to undertake the furnishing or verification of information related to the Note.

(5) The Transferor is transferring an amount of the Note amount equal to or greater than $100,000.

(6) THE TRANSFEROR INDEMNIFIES THE ISSUER AND THE FISCAL AGENT AGAINST ANY AND ALL LIABILITY, COST OR EXPENSE (INCLUDING ATTORNEYS' FEES) THAT RESULT IF THE REPRESENTATIONS CONTAINED IN TRANSFEROR LETTER ARE FALSE IN ANY MATERIAL RESPECT.

This letter and the representations and agreements contained herein are made for your benefit.

IN WITNESS WHEREOF, I have hereunto set my hand the _____ day of _____.

[TRANSFEROR]

By: _____

Name:

Title:

BORROWER LOAN AGREEMENT

between

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
as Governmental Lender,

and

SDC CORINTH III, LP,
as Borrower

Dated as of [_____ 1, 2026]

Relating to:

$[6,000,000]

MULTIFAMILY HOUSING GOVERNMENTAL NOTE
(FIJI LOFTS)
SERIES 2026

purchased by STELLAR BANK, as Funding Lender

The interest of the Governmental Lender in this Borrower Loan Agreement (except for certain rights described herein) has been pledged and assigned to WILMINGTON TRUST, NATIONAL ASSOCIATION, as fiscal agent (the "Fiscal Agent") for the benefit of STELLAR BANK, as funding lender (the "Funding Lender") under that certain Funding Loan Agreement, of even date herewith, by and among Texas Department of Housing and Community Affairs, the Fiscal Agent and the Funding Lender, under which the Funding Lender is purchasing the Governmental Lender Note issued by the Governmental Lender, the proceeds of which are to be used to fund the Borrower Loan made under this Borrower Loan Agreement.

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Exhibit A **Modifications**
Exhibit B **Completion Certificate**

BORROWER LOAN AGREEMENT

THIS BORROWER LOAN AGREEMENT (this "Borrower Loan Agreement") is entered into as of the first day of [_____, 2026], between TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas (together with its successors and assigns, the "Governmental Lender") and SDC CORINTH III, LP, a Texas limited partnership (together with its successors and assigns, the "Borrower").

WITNESSETH:

RECITALS

WHEREAS, the Governmental Lender has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"); and

WHEREAS, pursuant to the Act, the Governmental Lender is authorized to issue bonds and to use the proceeds thereof to provide monies to aid in financing the acquisition, construction and equipping of residential rental property for dwelling units; and

WHEREAS, the Governmental Lender has previously issued its Multifamily Housing Governmental Note (Fiji Lofts) Series 2021 in the original principal amount of $23,849,000, the proceeds of which the Governmental Lender loaned to the Borrower pursuant to a Borrower Loan Agreement dated as of December 1, 2021 (the "Series 2021 Borrower Loan Agreement"), between the Governmental Lender and the Borrower, to provide financing for the acquisition, construction and equipping of a 204-unit multifamily rental housing development to be located in the city of Dallas, Dallas County, Texas, and to be known as Fiji Lofts (the "Project"); and

WHEREAS, the Borrower has applied to the Governmental Lender for an additional loan (the "Borrower Loan"), for the acquisition, construction and equipping of the Project; and

WHEREAS, the Borrower's repayment obligations under this Borrower Loan Agreement are evidenced by the Borrower Note, as defined herein; and

WHEREAS, the Borrower has requested the Governmental Lender to enter into that certain Funding Loan Agreement, of even date herewith (the "Funding Loan Agreement"), among the Governmental Lender, Wilmington Trust, National Association, as fiscal agent (the "Fiscal Agent"), and Stellar Bank (the "Funding Lender"), under which the Funding Lender will purchase the Governmental Lender Note (as defined herein) issued by the Governmental Lender, the proceeds of which will be loaned under this Borrower Loan Agreement to the Borrower to finance the acquisition, construction and equipping of the Project (the "Borrower Loan"); and

WHEREAS, the Borrower Loan is secured by, among other things, that certain Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas) (as amended, restated and/or supplemented from time to time, the "Security Instrument"), of even date herewith in favor of the Governmental Lender, as assigned to the Fiscal Agent, to secure the Governmental Lender Note, encumbering the Project, and will be advanced to Borrower pursuant to this Borrower Loan Agreement and the Construction Funding Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and agreements herein contained, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS; PRINCIPLES OF CONSTRUCTION

Section 1.1. Specific Definitions. For all purposes of this Borrower Loan Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) Unless specifically defined herein, all capitalized terms shall have the meanings ascribed thereto in the Security Instrument or, if not defined in the Security Instrument, in the Funding Loan Agreement.

(b) All accounting terms not otherwise defined herein shall have the meanings assigned to them, and all computations herein provided for shall be made, in accordance with GAAP.

(c) All references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed.

(d) All references in this instrument to a separate instrument are to such separate instrument as the same may be amended or supplemented from time to time pursuant to the applicable provisions thereof.

(e) Unless otherwise specified, (i) all references to sections and schedules are to those in this Borrower Loan Agreement, (ii) the words "hereof," "herein" and "hereunder" and words of similar import refer to this Borrower Loan Agreement as a whole and not to any particular provision, (iii) all definitions are equally applicable to the singular and plural forms of the terms defined and (iv) the word "including" means "including but not limited to."

Section 1.2. Definitions. The following terms, when used in this Borrower Loan Agreement (including when used in the above recitals), shall have the following meanings:

"Act" shall mean Chapter 2306, Texas Government Code, as amended.

"Act of Bankruptcy" shall mean the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding) under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect; provided that, in the case of an involuntary proceeding, such proceeding is not dismissed within ninety (90) days after the commencement thereof.

"ADA" shall have the meaning set forth in Section 4.1.38 hereof.

"Additional Borrower Payments" shall mean the payments payable pursuant to Section 2.5 (Additional Borrower Payments), Section 2.6 (Overdue Payments; Payments in Default), Section 3.3.3 of the Construction Funding Agreement (Borrower Loan in Balance), Section 5.14 (Expenses) and Section 10 of the Borrower Note (Prepayments).

"Agreement of Environmental Indemnification" shall mean the Agreement of Environmental Indemnification, of even date herewith, executed by the Borrower and Guarantor for the benefit of the Beneficiary Parties (as defined therein) and any lawful holder, owner or pledgee of the Borrower Note from time to time.

"Appraisal" shall mean an appraisal of the Project, which appraisal shall be (i) performed by a qualified appraiser licensed in the State selected by Funding Lender, and (ii) satisfactory to Funding Lender

(including, without limitation, as adjusted pursuant to any internal review thereof by Funding Lender) in all respects.

"Approved Developer Fee Schedule" shall have the meaning set forth in the Construction Funding Agreement.

"Architect" shall mean any licensed architect, space planner or design professional that Borrower may engage from time to time, with the approval of Funding Lender, to design any portion of the Improvements, including the preparation of the Plans and Specifications.

"Architect's Agreement" means any agreement that Borrower and any Architect from time to time may execute pursuant to which Borrower engages such Architect to design any portion of the Improvements, including the preparation of the Plans and Specifications, as approved by Funding Lender.

"Authorized Amount" has the meaning assigned thereto in the Funding Loan Agreement.

"Authorized Borrower Representative" shall mean a person at the time designated and authorized to act on behalf of the Borrower by a written certificate furnished to the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer and containing the specimen signature of such person and signed on behalf of the Borrower by its Borrower Controlling Entity which certificate may designate one or more alternates.

"Bankruptcy Code" shall mean the United States Bankruptcy Reform Act of 1978, as amended from time to time, or any substitute or replacement legislation.

"Bankruptcy Event" shall have the meaning given to that term in the Security Instrument.

"Bankruptcy Proceeding" shall have the meaning set forth in Section 4.1.8 hereof.

"Beneficiary Parties" shall mean, collectively, the Funding Lender, the Governmental Lender, the Fiscal Agent and the Servicer, if any.

"Borrower" shall have the meaning set forth in the recitals to this Borrower Loan Agreement.

"Borrower Affiliate" means, as to the Borrower, its General Partner or the Guarantor, (i) any entity that directly or indirectly owns, controls, or holds with power to vote, 20 percent or more of the outstanding voting securities of Borrower, its General Partner or the Guarantor, (ii) any corporation 20 percent or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by the Borrower, its General Partner or the Guarantor, (iii) any partner, shareholder or, if a limited liability company, member of Borrower, its General Partner or the Guarantor, or (iv) any other person that is related (to the third degree of consanguinity) by blood or marriage to the Borrower, its General Partner or the Guarantor (to the extent any of the Borrower, its General Partner or the Guarantor is a natural person).

"Borrower Controlling Entity" shall mean, if the Borrower is a partnership, any general partner or managing partner of the Borrower, or if the Borrower is a limited liability company, the manager or managing member of the Borrower, or if the Borrower is a not for profit corporation, the shareholders thereof.

"Borrower Deferred Equity" shall have the meaning set forth in the Construction Funding Agreement.

"Borrower Initial Equity" shall have the meaning given to such term in the Construction Funding Agreement.

"Borrower Loan" shall mean the mortgage loan made by the Governmental Lender to the Borrower pursuant to this Borrower Loan Agreement, in the principal amount of the Borrower Loan Amount, as evidenced by the Borrower Note.

"Borrower Loan Agreement" shall mean this Borrower Loan Agreement.

"Borrower Loan Amount" shall mean $[6,000,000], the original aggregate principal amount of the Borrower Note.

"Borrower Loan Documents" shall mean the Series 2021 Borrower Loan Documents, this Borrower Loan Agreement, the Construction Funding Agreement, the Borrower Note, the Security Instrument, the Agreement of Environmental Indemnification, the Guaranty, the Replacement Reserve Agreement and all other documents or agreements governing, securing, and/or evidencing the Borrower Loan.

"Borrower Loan Payment Date" with respect to the Borrower Note, (i) the first day of each calendar month, commencing [_____, 2026], or (ii) any other date on which the Borrower Loan is prepaid or paid, whether at scheduled maturity or upon prepayment or acceleration of the maturity thereof; provided, however, that if a Borrower Loan Payment Date is not a Business Day, payment shall be made on the first Business Day following such Borrower Loan Payment Date.

"Borrower Loan Payments" shall mean the monthly loan payments payable pursuant to the Borrower Note.

"Borrower Loan Proceeds" shall mean proceeds of the Borrower Loan, to be disbursed in accordance with Section 2.10 of this Borrower Loan Agreement, Section 7.7 of the Funding Loan Agreement and the Construction Funding Agreement.

"Borrower Note" means Multifamily Note dated as of the Closing Date in the original principal amount of $[6,000,000], made by Borrower and payable to Governmental Lender, as endorsed and assigned to the Fiscal Agent, as it may be amended, supplemented or replaced from time to time.

"Borrower Payment Obligations" shall mean all payment obligations of the Borrower under the Borrower Loan Documents, including, but not limited to, the Borrower Loan Payments and the Additional Borrower Payments.

"Business Day" shall mean any day other than (i) a Saturday or Sunday, or (ii) a day on which the Fiscal Agent or federally insured depository institutions in New York, New York are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

"Calendar Month" shall mean each of the twelve (12) calendar months of the year.

"CC&R's" shall mean any covenants, conditions, restrictions, maintenance agreements or reciprocal easement agreements affecting the Project or the Mortgaged Property.

"Closing Date" means the date of delivery of the Governmental Lender Note in exchange for the purchase price thereof.

"Code" shall have the meaning set forth in the Tax Exemption Agreement.

"Collateral" shall mean all collateral described in (i) this Borrower Loan Agreement (including, without limitation, all property in which the Funding Lender is granted a security interest pursuant to any provision of this Borrower Loan Agreement), (ii) the Security Instrument, or (iii) any other Security Document, including, without limitation, the Project, all of which collateral (exclusive of the Reserved Rights) is pledged and assigned to the Fiscal Agent and the Funding Lender under the Funding Loan Agreement to secure the Governmental Lender Note.

"Completion" shall have the meaning set forth in Section 5.25.

"Completion Date" shall have the meaning given such term in the Construction Funding Agreement.

"Condemnation" shall mean any action or proceeding or notice relating to any proposed or actual condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Project, whether direct or indirect.

"Construction Consultant" shall mean a third-party architect or engineer selected and retained by Funding Lender, at the cost and expense of Borrower, to monitor the progress of construction and/or rehabilitation of the Project and to inspect the Improvements to confirm compliance with this Borrower Loan Agreement.

"Construction Contract" shall mean any agreement that Borrower and any Contractor from time to time may execute pursuant to which Borrower engages the Contractor to construct any portion of the Improvements, as approved by Funding Lender.

"Construction Funding Agreement" means that certain Construction Funding Agreement dated as of December 1, 2021, as amended by that certain Amendment to Construction Funding Agreement (with Master Amendment to Borrower Loan Documents) of even date herewith, between the Funding Lender and Borrower, setting forth certain provisions relating to disbursement of the Borrower Loan during construction, insurance and other matters, as such agreement may be further amended, modified, supplemented and replaced from time to time.

"Construction Schedule" shall mean a schedule of construction or rehabilitation progress with the anticipated commencement and completion dates of each phase of construction or rehabilitation, as the case may be, and the anticipated date and amounts of each Disbursement for the same, as approved by Funding Lender, as assignee of the Governmental Lender.

"Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure Agreement of even date herewith, between the Borrower and the Funding Lender, pursuant to which the Borrower agrees to provide certain information with respect to the Project, the Borrower and the Governmental Lender Note subsequent to the Closing Date, as amended, supplemented or restated from time to time.

"Contractor" shall mean any general contractor or subcontractor that Borrower may directly engage from time to time, with the approval of Funding Lender, to construct and/or rehabilitate any portion of the Improvements.

"Contractual Obligation" shall mean, for any Person, any debt or equity security issued by that Person, and any indenture, mortgage, deed of trust, contract, undertaking, instrument or agreement (written or oral) to which such Person is a party or by which it is bound, or to which it or any of its assets is subject.

"Cost Breakdown" shall mean the schedule of costs for the Improvements, as set forth in the Construction Funding Agreement and as the same may be amended from time to time with Funding Lender's consent.

"Costs of Issuance" shall have the meaning given thereto in the Tax Exemption Agreement.

"Costs of Issuance Deposit" shall mean the amount required to be deposited by the Borrower with the Title Company or Fiscal Agent to pay Costs of Issuance in connection with the closing of the Borrower Loan and the Governmental Lender Note on the Closing Date.

"Cost of Improvements" shall mean the costs for the Improvements, as set forth on the Cost Breakdown.

"Date of Disbursement" shall mean the date of a Disbursement.

"Day" or "Days" shall mean calendar days unless expressly stated to be Business Days.

"Debt" shall mean, as to any Person, any of such Person's liabilities, including all indebtedness (whether recourse or nonrecourse, short term or long term, direct or contingent), all committed and unfunded liabilities, and all unfunded liabilities, that would appear upon a balance sheet of such Person prepared in accordance with GAAP.

"Default Rate" shall have the meaning given to that term in the Borrower Note.

"Determination of Taxability" shall mean (i) a determination by the Commissioner or any District Director of the Internal Revenue Service, (ii) a private ruling or Technical Advice Memorandum concerning the Governmental Lender Note issued by the National Office of the Internal Revenue Service in which Governmental Lender and Borrower were afforded the opportunity to participate, (iii) a determination by any court of competent jurisdiction, (iv) the enactment of legislation or (v) receipt by the Funding Lender, at the request of the Governmental Lender, the Borrower or the Funding Lender, of an opinion of Governmental Lender Counsel, in each case to the effect that all or a portion of the interest on the Governmental Lender Note is includable in gross income for federal income tax purposes of any holder or any former holder of all or a portion of the Governmental Lender Note, other than a holder who is a "substantial user" of the Project or a "related person" to such a "substantial user" (as such terms are defined in Section 147(a) of the Code); provided, however, that no such Determination of Taxability under clause (i), (ii) or (iii) shall be deemed to have occurred if the Governmental Lender (at the sole expense of the Borrower), the Funding Lender (at the sole expense of the Borrower) or the Borrower is contesting such determination, has elected to contest such determination in good faith and is proceeding with all applicable dispatch to prosecute such contest until the earliest of (a) a final determination from which no appeal may be taken with respect to such determination, (b) abandonment of such appeal by the Governmental Lender or the Borrower, as the case may be, or (c) one year from the date of initial determination.

"Developer Fee" shall have the meaning set forth in the Construction Funding Agreement.

"Disbursement" means a disbursement of Borrower Loan Proceeds and Other Borrower Moneys pursuant to this Borrower Loan Agreement.

"Eligible Tenant" has the meaning set forth in the Regulatory Agreement.

"Engineer" shall mean any licensed civil, structural, mechanical, electrical, soils, environmental or other engineer that Borrower may engage from time to time, with the approval of Funding Lender, to perform any engineering services with respect to any portion of the Improvements.

"Engineer's Contract" shall mean any agreement that Borrower and any Engineer from time to time may execute pursuant to which Borrower engages such Engineer to perform any engineering services with respect to any portion of the Improvements, as approved by Funding Lender.

"Equipment" shall have the meaning given to the term "Fixtures" in the Security Instrument.

"Equity Contributions" shall mean the equity to be contributed by the Equity Investor to Borrower, in accordance with and subject to the terms and conditions of the Partnership Agreement.

"Equity Investor" shall mean AHP Housing Fund 303, LLC, a Delaware limited liability company, and its permitted successors and assigns.

"ERISA" shall mean the Employment Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder.

"ERISA Affiliate" shall mean all members of a controlled group of corporations and all trades and business (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under any or all of Section 414(b), (c), (m) or (o) of the Code.

"Event of Default" shall mean any Event of Default set forth in Section 8.1 of this Borrower Loan Agreement. An Event of Default shall "exist" if a Potential Default shall have occurred and be continuing beyond all applicable notice, grace and cure periods.

"Excess Revenues" shall have the meaning ascribed thereto in Section 2.2(e) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Expenses of the Project" shall mean, for any period, the current expenses, paid or accrued, for the operation, maintenance and current repair of the Project, as calculated in accordance with GAAP, and shall include, without limiting the generality of the foregoing, salaries, wages, employee benefits, cost of materials and supplies, costs of routine repairs, renewals, replacements and alterations occurring in the usual course of business, costs and expenses properly designated as capital expenditures (e.g. repairs that would not be payable from amounts on deposit in a repair and replacement fund held pursuant to the Borrower Loan Documents), a management fee (however characterized) not to exceed the Underwritten Management Fee, costs of billings and collections, costs of insurance, and costs of audits. Expenses of the Project shall not include any payments, however characterized, on account of any subordinate financing in respect of the Project or other indebtedness, allowance for depreciation, amortization or other non-cash items, gains and losses or prepaid expenses not customarily prepaid.

"Federal Tax Status" shall have the meaning set forth in the Funding Loan Agreement.

"Fee Owner" shall have the meaning given such term in the Regulatory Agreement

"Fiscal Agent" shall mean the fiscal agent from time to time under and pursuant to the Funding Loan Agreement. Initially, the Fiscal Agent is Wilmington Trust, National Association.

"Fitch" shall mean Fitch, Inc.

"Force Majeure" shall mean a cessation of construction or rehabilitation caused by conditions beyond the control of Borrower, including, without limitation, acts of God or the elements, acts of war, acts of terrorism, fire, strikes and disruption of shipping, provided that (i) Borrower notifies Funding Lender of such condition in writing within 15 days, and such cessation does not exceed an aggregate period of sixty (60) consecutive days; (ii) Borrower shall have made adequate provision, acceptable to Funding Lender, for the protection of materials stored on-site or off-site and for the protection of the Improvements to the extent then constructed or rehabilitated, as the case may be, against deterioration and against other loss or damage or theft; (iii) Borrower shall furnish to Funding Lender satisfactory evidence that such cessation of construction or rehabilitation will not adversely affect or interfere with the rights of Borrower under labor and materials contracts or subcontracts relating to the construction or operation of the Improvements; and (iv) Borrower shall furnish to Funding Lender satisfactory evidence that the completion of the construction or rehabilitation of the Improvements can be accomplished by the Completion Date.

"Funding Lender" shall have the meaning assigned thereto in the Funding Loan Agreement.

"Funding Loan" shall have the meaning given to that term in the Funding Loan Agreement.

"Funding Loan Agreement" means the Funding Loan Agreement, of even date herewith, among the Governmental Lender, the Fiscal Agent and the Funding Lender, as it may from time to time be supplemented, modified or amended by one or more amendments or other instruments supplemental thereto entered into pursuant to the applicable provisions thereof.

"Funding Loan Documents" shall have the meaning given to that term in the Funding Loan Agreement.

"GAAP" shall mean generally accepted accounting principles as in effect on the date of the application thereof and consistently applied throughout the periods covered by the applicable financial statements.

"General Partner" shall mean, collectively, (i) Fiji Mixed Development, LLC, a Texas limited liability company, and/or (ii) any other Person that the partners of the Borrower, with the prior written approval of the Funding Lender (or as otherwise permitted pursuant to the Borrower Loan Documents), selected to be a general partner of the Borrower.

"Governmental Authority" shall mean (i) any governmental municipality or political subdivision thereof, (ii) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality or public body, or (iii) any court, administrative tribunal or public utility, agency, commission, office or authority of any nature whatsoever for any governmental unit (federal, state, county, district, municipal, city or otherwise), now or hereafter in existence.

"Governmental Lender" shall have the meaning set forth in the recitals to this Borrower Loan Agreement.

"Governmental Lender Counsel" shall have the meaning set forth in the Funding Loan Agreement.

"Governmental Lender Note" means that certain Multifamily Housing Governmental Note (Fiji Lofts) Series 2026 dated [_____ 1, 2026] in the original principal amount of $[6,000,000], made by the Governmental Lender and payable to Funding Lender, as it may be amended, supplemented or replaced from time to time.

"Governmental Lender's Closing Fee" shall mean $[_____]. The Governmental Lender's Closing Fee is payable to the Governmental Lender on the Closing Date pursuant to Section 2.3(c)(iii) hereof.

"Gross Income" shall mean all receipts, revenues, income and other moneys received or collected by or on behalf of Borrower and derived from the ownership or operation of the Project, if any, and all rights to receive the same, whether in the form of accounts, accounts receivable, contract rights or other rights, and the proceeds of such rights, and whether now owned or held or hereafter coming into existence and proceeds received upon the foreclosure sale of the Project. Gross Income shall not include loan proceeds, equity or capital contributions, or tenant security deposits being held by Borrower in accordance with applicable law.

"Ground Lease" means the Ground Lease between the Fee Owner, as landlord, and the Borrower, as tenant, dated to be effective as of the Closing Date.

"Guarantor" shall mean individually and collectively, jointly and severally, Jideofor Oji, an individual and Joseph Agumadu, an individual, or any other person or entity which may hereafter become a guarantor of any of the Borrower's obligations under the Borrower Loan.

"Guaranty" shall mean, collectively, (i) the Completion and Repayment Guaranty, of even date herewith, by Guarantor for the benefit of the Beneficiary Parties (as defined therein), and (ii) the Exceptions to Non-Recourse Guaranty, of even date herewith, by Guarantor for the benefit of the Beneficiary Parties (as defined therein).

"Improvements" shall mean the 204-unit multifamily rental housing development to be constructed upon the Land and to be known as Fiji Lofts, and all other buildings, structures, fixtures, wiring, systems, equipment and other improvements and personal property owned by the Borrower to be constructed, rehabilitated and/or installed at or on the Land substantially in accordance with the Cost Breakdown and the Plans and Specifications.

"Indemnified Party" shall have the meaning set forth in Section 5.15 hereof.

"Interest Rate" shall mean the rate of interest accruing on the Borrower Loan pursuant to the Borrower Note.

"Interim Phase Amount" shall mean $[6,000,000].

"Land" means the real property described on Exhibit A to the Security Instrument.

"Late Charge" shall mean the amount due and payable as a late charge on overdue payments under the Borrower Note, as provided in Section 7 in the Borrower Note and Section 2.5 hereof.

"Legal Action" shall mean an action, suit, investigation, inquiry, proceeding or arbitration at law or in equity or before or by any foreign or domestic court, arbitrator or other Governmental Authority.

"Legal Requirements" shall mean statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions of Governmental Authorities affecting all or part of the Project or any of the Borrower's property (including the Project) or the construction, rehabilitation, use, alteration or operation thereof, whether now or hereafter enacted and in force, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances contained in any instrument, either of record or known to the Borrower, at any time in force affecting all or part of the Project,

including any that may (i) require repairs, modifications or alterations in or to all or part of the Project, or (ii) in any way limit the use and enjoyment thereof.

"Licenses" shall have the meaning set forth in Section 4.1.22 hereof.

"Lien" shall mean any interest, or claim thereof, in the Project securing an obligation owed to, or a claim by, any Person other than the owner of the Project, whether such interest is based on common law, statute or contract, including the lien or security interest arising from a deed of trust, mortgage, deed to secure debt, assignment, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights of way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting the Project.

"Management Agreement" shall mean the Management Agreement between the Borrower and the Manager, pursuant to which the Manager is to manage the Project, as same may be amended, restated, replaced, supplemented or otherwise modified from time to time.

"Manager" shall mean the management company to be employed by the Borrower and approved by the Funding Lender in accordance with the terms of the Security Instrument, this Borrower Loan Agreement or any of the other Borrower Loan Documents.

"Material Adverse Change" means any set of circumstances or events which (a) has any material adverse effect whatsoever upon the validity or enforceability of this Borrower Loan Agreement or any other Borrower Loan Document; (b) is material and adverse to the business, properties, assets, financial condition, results of operations of the Borrower, General Partner, Guarantor or the Mortgaged Property; (c) materially impairs the ability of the Borrower, General Partner or Guarantor to duly and punctually pay or perform any of their respective obligations under any of the Borrower Loan Documents to which they are a party; or (d) impairs materially any rights of or benefits available to the Governmental Lender under this Borrower Loan Agreement or any other Borrower Loan Document, including, without limitation, the ability of Governmental Lender or, upon the assignment of the Borrower Loan to it, of the Funding Lender, to the extent permitted, to enforce its legal remedies pursuant to this Borrower Loan Agreement or any other Borrower Loan Document.

"Moody's" shall mean Moody's Ratings, or its successor.

"Mortgaged Property" shall have the meaning given to that term in the Security Instrument.

"Net Operating Income" shall mean: (i) the Gross Income, less (ii) the Expenses of the Project.

"Other Borrower Moneys" shall mean monies of Borrower other than Borrower Loan Proceeds and includes, but is not limited to, the Taxable Construction Loan, the Net Operating Income, the Borrower's Equity Contributions, and any other funds contributed by or loaned to the Borrower for application to the Costs of the Improvements or other costs associated with the Project.

"Other Charges" shall mean all maintenance charges, impositions other than Taxes, and any other charges, including vault charges and license fees for the use of vaults, chutes and similar areas adjoining the Project, now or hereafter levied or assessed or imposed against the Project or any part thereof.

"Partnership Agreement" shall mean that certain Amended and Restated Agreement of Limited Partnership of the Borrower dated as of the Closing Date, as the same may be amended, restated or modified in accordance with its terms.

"Patriot Act" shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT ACT) of 2001, as the same may be amended from time to time, and corresponding provisions of future laws.

"Patriot Act Offense" shall have the meaning set forth in Section 4.1.48 hereof.

"Permitted Encumbrances" shall have the meaning given to that term in the Security Instrument.

"Permitted Lease" shall mean a lease and occupancy agreement pursuant to the form approved by Funding Lender, to a residential tenant in compliance with the Legal Requirements, providing for an initial term of not less than six (6) months or more than two (2) years.

"Person" shall mean a natural person, a partnership, a joint venture, an unincorporated association, a limited liability company, a corporation, a trust, any other legal entity, or any Governmental Authority.

"Plan" shall mean (i) an employee benefit or other plan established or maintained by the Borrower or any ERISA Affiliate or to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions and (ii) which is covered by Title IV of ERISA or Section 302 of ERISA or Section 412 of the Code.

"Plans and Specifications" shall mean the plans and specifications for the construction and/or rehabilitation, as the case may be, of the Project approved by Funding Lender.

"Potential Default" shall mean the occurrence of an event which, under this Borrower Loan Agreement or any other Borrower Loan Document, would, but for the giving of notice or passage of time, or both, be an Event of Default.

"Prepayment Premium" shall mean any premium payable by the Borrower pursuant to the Borrower Loan Documents in connection with a prepayment of a Borrower Note (including any prepayment premium as set forth in such Borrower Note).

"Project" shall mean the Land (as defined in the Security Instrument) and Improvements thereon owned by the Borrower and encumbered by the Security Instrument, together with all rights pertaining to such real property and Improvements.

"Project Agreements and Licenses" shall mean any and all Construction Contracts, Engineer's Contracts and Management Agreements, and all other written licenses, permits, franchises, authorizations, approvals and agreements relating to use, occupancy, operation or leasing of the Project to which the Borrower is a party or by which the Project is bound.

"Provided Information" shall have the meaning set forth in Section 9.1.1(a) hereof.

"Qualified Project Costs" shall have the meaning set forth in the Tax Exemption Agreement.

"Rebate Fund" shall mean the Rebate Fund created pursuant to Section 7.3 of the Funding Loan Agreement.

"Regulations" has the meaning given to that term in the Tax Exemption Agreement.

"Regulatory Agreement" shall mean that certain Amended and Restated Regulatory and Land Use Restriction Agreement, dated as of [_____ 1, 2026], by and among the Governmental Lender, the Fiscal

Agent, the Fee Owner and the Borrower, as in effect on the Closing Date and as it may thereafter be amended or modified in accordance with its terms.

"Related Documents" shall mean, collectively, any agreement or other document to which Borrower is a party or by which the Project is bound or to which the Guarantor is party with respect to the Project or the Borrower Loan (other than the Borrower Loan Documents) granting a security interest in all or a portion of the Project (including each agreement that is the subject of any Borrower Loan Document), the Partnership Agreement, and any other agreement, instrument or other document (not constituting a Borrower Loan Document) executed by Borrower in connection with the transactions contemplated by this Borrower Loan Agreement.

"Replacement Reserve Agreement" shall mean any Replacement Reserve Agreement between the Borrower and the Funding Lender, as the same may be amended, restated or supplemented from time to time.

"Replacement Reserve Fund Requirement" means Borrower's funding obligations from time to time under the Replacement Reserve Agreement.

"Reserved Rights" shall have the meaning set forth in the Funding Loan Agreement.

"Retainage" shall have the meaning set forth in the Construction Funding Agreement.

"Review Fee" shall mean the [three thousand dollar ($3,000)] fee payable to Funding Lender in connection with the review of requests from the Borrower in connection with events requiring the consent and/or approval of the Funding Lender, including, but not limited to, subordinate financings and easements.

"Secondary Market Disclosure Document" shall have the meaning set forth in Section 9.1.2 hereof.

"Secondary Market Transaction" shall have the meaning set forth in Section 9.1.1 hereof.

"Securities" shall have the meaning set forth in Section 9.1.1 hereof.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Security Documents" shall mean the Security Instrument, the Replacement Reserve Agreement, and the Collateral Assignments (as such terms are defined in the Security Instrument), this Borrower Loan Agreement, the Agreement of Environmental Indemnification, and such other Borrower Loan Documents that are security instruments that are entered into by the Borrower with respect to the Project as of the date hereof.

"Security Instrument" shall have the meaning set forth in the recitals to this Borrower Loan Agreement.

"Series 2021 Borrower Loan Agreement" shall have the meaning give to such term in the recitals hereto.

"Series 2021 Borrower Loan Documents" shall have the meaning given to the term "Borrower Loan Documents" in the Series 2021 Borrower Loan Agreement.

"Servicer" shall mean the Servicer contracting with or appointed by the Funding Lender to service the Borrower Loan. The initial Servicer shall be Citibank, N.A.

"Servicing Agreement" shall mean any servicing agreement or master servicing agreement, between the Servicer and the Funding Lender relating to the servicing of the Borrower Loan and any amendments thereto or any replacement thereof.

"Standard & Poor's" or "S&P" shall mean S&P Global Ratings, or its successors.

"State" shall mean the State of Texas.

"Substantial Completion Date" shall have the meaning set forth in the Construction Funding Agreement.

"Substantially Complete" or "Substantially Completed" shall have the meaning set forth in the Construction Funding Agreement.

"Tax Exemption Agreement" shall mean the Tax Exemption Certificate and Agreement, dated as of the date hereof, by and among the Governmental Lender, the Fiscal Agent and the Borrower, as in effect on the Closing Date and as it may be amended, supplemented or restated in accordance with its terms.

"Taxable Construction Loan" shall mean the loan from the Taxable Construction Lender to Borrower in the maximum principal amount of $9,750,000, as evidenced by the Taxable Loan Documents.

"Taxable Construction Lender" shall mean Stellar Bank, or its successor pursuant to the Taxable Loan Documents.

"Taxable Loan Documents" shall mean, collectively, all instruments, agreements and other documents evidencing, securing or governing the Taxable Construction Loan.

"Taxes" shall mean all real estate and personal property taxes, assessments, water rates or sewer rents, now or hereafter levied or assessed or imposed against all or part of the Project.

"Term" shall mean the term of this Borrower Loan Agreement pursuant to Section 10.14.

"Title Company" means Sendera Title.

"Title Insurance Policy" shall mean the mortgagee title insurance policy, in form acceptable to the Funding Lender, issued with respect to the Mortgaged Property and insuring the lien of the Security Instrument.

"Transfer" shall have the meaning given to that term in the Security Instrument.

"UCC" shall mean the Uniform Commercial Code as in effect in the State.

"Underwritten Management Fee" shall have the meaning given to that term in the Construction Funding Agreement.

"Unit" shall have the meaning given to that term in the Regulatory Agreement.

"Written Consent" and "Written Notice" shall mean a written consent or notice signed by an Authorized Borrower Representative or an Authorized Representative (as defined in the Funding Loan Agreement) of the Governmental Lender or the Funding Lender, as appropriate.

ARTICLE II

GENERAL

Section 2.1. Origination of Borrower Loan. In order to provide funds for the purposes provided herein and to satisfy the closing requirements under Chapter 1372 of the Texas Government Code, the Governmental Lender agrees that it will, in accordance with the Act, enter into the Funding Loan Agreement and accept the Funding Loan proceeds from, and deliver the Governmental Lender Note to, the Funding Lender. The proceeds of the Governmental Lender Note shall be advanced by the Funding Lender and the Fiscal Agent to the Borrower in full on the Closing Date in accordance with the terms of the Construction Funding Agreement, the Funding Loan Agreement and this Borrower Loan Agreement.

The Governmental Lender hereby assigns to the Funding Lender all of its rights, power and authority to take certain actions and exercise certain remedies with respect to the Borrower Loan, and for the other purposes set forth in this Borrower Loan Agreement and to do all other acts necessary or incidental to the performance and execution thereof to the extent those actions and remedies are not delegated to the Fiscal Agent. This assignment is coupled with an interest and is irrevocable except as expressly set forth herein. Accordingly, references to the rights of the Funding Lender to take actions under this Borrower Loan Agreement shall refer to Funding Lender in its role as assignee. The Funding Lender may designate Servicer to fulfill any such rights and responsibilities granted by Governmental Lender to Funding Lender pursuant to this Section 2.1. Disbursements of the Borrower Loan shall be made from the Project Fund held under the Funding Loan Agreement by the Fiscal Agent.

Section 2.2. Security for the Governmental Lender Note.

(a) As security for the Governmental Lender Note, the Governmental Lender has pledged and assigned to the Fiscal Agent for the benefit of the Funding Lender under and pursuant to the Funding Loan Agreement (i) the Borrower Note and all of its right, title and interest in and to this Borrower Loan Agreement and the Borrower Loan Documents (except for the Reserved Rights) and all revenues and receipts therefrom and the security therefor (including the Security Instrument) and (ii) the amounts on deposit from time to time in any and all funds, other than the Rebate Fund, established under the Funding Loan Agreement. All revenues and assets pledged and assigned thereby shall immediately be subject to the lien of such pledge without any physical delivery thereof or any further act, except in the case of the Borrower Note, which shall be delivered to the Fiscal Agent. The Borrower hereby acknowledges and consents to such assignment to the Fiscal Agent for the benefit of the Funding Lender.

(b) With respect to the Reserved Rights, subject to the limitations set forth in this Section 2.2, the Governmental Lender may:

(i) Tax Covenants. Seek specific performance of, and enforce, the tax covenants of the Funding Loan Agreement, the Regulatory Agreement, the Borrower Loan Agreement, and the Tax Exemption Agreement; seek injunctive relief against acts which may be in violation of any of the tax covenants; and enforce the Borrower's obligation to pay the Rebate Amount (as defined in Section 14 of the Tax Exemption Agreement) for credit to the Rebate Fund;

(ii) Regulatory Agreement. Seek specific performance of the obligations of the Borrower or any other owner of the Project under the Regulatory Agreement and injunctive relief against acts which may be in violation of the Regulatory Agreement or otherwise in accordance with the provisions of the Regulatory Agreement; provided, however, that the Governmental Lender may enforce any right it may have under the Regulatory Agreement for monetary damages

only against Excess Revenues (defined below), if any, of the Borrower, unless Funding Lender otherwise specifically consents in writing to the use of other funds; and

(iii) Reserved Rights. Take whatever action at law or in equity which is necessary or desirable to enforce the other Reserved Rights, provided, however, that the Governmental Lender or any person under its control may only enforce any right it may have for monetary damages against Excess Revenues, if any, of the Borrower, unless Funding Lender otherwise specifically consents in writing to the enforcement against other funds of the Borrower.

(c) In no event shall the Governmental Lender, except at the express written direction of the Funding Lender:

(i) prosecute its action to a lien on the Project or any portion thereof; or

(ii) take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due under or in connection with, the Borrower Loan or of causing the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future; or

(iii) interfere with the exercise by Funding Lender or Servicer of any of their rights under the Borrower Loan Documents upon the occurrence of an event of default by the Borrower under the Borrower Loan Documents or the Funding Loan Documents; or

(iv) take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Borrower Loan or the Governmental Lender Note.

(d) The Governmental Lender shall provide Written Notice to the Funding Lender and the Servicer immediately upon taking any action at law or in equity to exercise any remedy or direct any proceeding under the Borrower Loan Documents or the Funding Loan Documents.

(e) As used in this Section 2.2, the term "Excess Revenues" means, for any period, the net cash flow of the Borrower available for distribution to shareholders, members or partners (as the case may be) for such period, after the payment of all interest expense, the amortization of all principal of all indebtedness coming due during such period (whether by maturity, mandatory sinking fund payment, acceleration or otherwise), the payment of all fees, costs and expenses on an occasional or recurring basis in connection with the Borrower Loan or the Governmental Lender Note, the payment of all operating, overhead, ownership and other expenditures of the Borrower directly or indirectly in connection with the Project (whether any such expenditures are current, capital or extraordinary expenditures), and the setting aside of all reserves for taxes, insurance, water and sewer charges or other similar impositions, capital expenditures, repairs and replacements and all other amounts which the Borrower is required to set aside pursuant to agreement, but excluding depreciation and amortization of intangibles.

Section 2.3. Loan; Borrower Note; Conditions to Closing.

(a) The Governmental Lender Note shall be purchased in the full Authorized Amount therefor by the Funding Lender under the Funding Loan Agreement, and the Fiscal Agent shall deposit the proceeds thereof as required under the Funding Loan Agreement. Upon purchase of the Governmental Lender Note on the Closing Date, the Governmental Lender shall be deemed to have made the Borrower Loan to the Borrower in a like principal amount. The Borrower Loan shall mature and be payable at the times and in

the amounts required under the terms hereof and of the Borrower Note. The proceeds of the Borrower Loan shall be used by the Borrower to pay costs of the acquisition, construction, development, operation, and equipping of the Project. The Borrower hereby accepts the Borrower Loan and acknowledges that the Governmental Lender shall cause the Funding Lender to fund the Borrower Loan in the manner set forth herein and in the Funding Loan Agreement. The Governmental Lender acknowledges that the Borrower Loan shall be funded by the Funding Lender for the account of the Governmental Lender.

(b) The Borrower hereby accepts the Borrower Loan. As evidence of its obligation to repay the Borrower Loan, simultaneously with the delivery of this Borrower Loan Agreement to the Governmental Lender, the Borrower hereby agrees to execute and deliver the Borrower Note. The Borrower Loan shall mature and be payable at the times and in the amounts required under the terms hereof and of the Borrower Note.

(c) Closing of the Borrower Loan on the Closing Date shall be conditioned upon satisfaction or waiver by the Governmental Lender and the Funding Lender, in their sole discretion of each of the conditions precedent to closing set forth in the Funding Loan Agreement and this Borrower Loan Agreement, including but not limited to the following:

(i) evidence of proper recordation of the Security Instrument, an assignment of the Security Instrument from the Governmental Lender to the Fiscal Agent, the Regulatory Agreement, and each of the other documents specified for recording in instructions delivered to the Title Company by counsel to the Funding Lender (or that such documents have been delivered to an authorized agent of the Title Company for recordation under binding recording instructions from Funding Lender's counsel or such other counsel as may be acceptable to the Funding Lender); and

(ii) delivery to the Fiscal Agent or into escrow with the Title Company (or separate escrow company, if applicable) of all amounts required to be paid in connection with the origination of the Borrower Loan and the Governmental Lender Note and any underlying real estate transfers or transactions, including the Costs of Issuance Deposit and the Borrower Initial Equity, all as specified in written instructions delivered to the Title Company by counsel to the Funding Lender (or such other counsel as may be acceptable to the Funding Lender)and/or as specified in a closing memorandum of the Funding Lender; and

(iii) payment of all fees payable in connection with the closing of the Borrower Loan including the initial Governmental Lender Fees (as defined in the Funding Loan Agreement) payable on the Closing Date, the Governmental Lender's Closing Fee and the initial fees and expenses of the Fiscal Agent.

In addition, closing of the Borrower Loan shall be subject to the delivery of an opinion of counsel to the Borrower addressed to the Governmental Lender and the Funding Lender, dated the Closing Date, in form and substance acceptable to Governmental Lender Counsel, regarding the due execution by the Borrower of, and the enforceability against the Borrower of, the Borrower Loan Documents.

Section 2.4. Borrower Loan Payments.

(a) The Borrower shall make Borrower Loan Payments in accordance with the Borrower Note. Each Borrower Loan Payment made by the Borrower shall be made in funds immediately available to the Fiscal Agent by 2:00 p.m., New York City time, two (2) Business Days prior to a Borrower Loan Payment Date, or if to the Servicer as provided in clause (b) below, by 11:00 a.m., New York City time, two (2) Business Days prior to a Borrower Loan Payment Date. Each such payment shall be made to the Fiscal Agent or Servicer, as applicable, by deposit to such account as the Fiscal Agent or Servicer, as applicable,

may designate by Written Notice to the Borrower. If payments are to be made to the Fiscal Agent, such payments shall be deposited into the Governmental Lender Note Payment Fund established under the Funding Loan Agreement. Whenever any Borrower Loan Payment shall be stated to be due on a day that is not a Business Day, such payment shall be due on the first Business Day immediately thereafter. In addition, the Borrower shall make Borrower Loan Payments in accordance with the Borrower Note in the amounts and at the times necessary to make all payments due and payable on the Governmental Lender Note. All payments made by the Borrower hereunder or by the Borrower under the other Borrower Loan Documents, shall be made irrespective of, and without any deduction for, any set-offs or counterclaims, but such payment shall not constitute a waiver of any such set offs or counterclaims.

(b) If there is a Servicer, payments of principal and interest on the Borrower Note shall be paid to the Servicer and the Servicer shall then remit such funds to the Fiscal Agent to be deposited in the Governmental Lender Note Payment Fund established under the Funding Loan Agreement. If there is no Servicer, payments of principal and interest on the Borrower Note shall be paid directly to the Fiscal Agent and deposited into the Governmental Lender Note Payment Fund.

Section 2.5. Additional Borrower Payments.

(a) The Borrower shall pay the following amounts:

(i) to the Fiscal Agent for payment to the United States of America, the Rebate Amount then due, if any, to be deposited in the Rebate Fund as specified in Section 14 of the Tax Exemption Agreement and any costs incurred to calculate such Rebate Amount (to the extent such costs are not included in the Borrower Loan Payment);

(ii) to the Fiscal Agent for remittance to the Governmental Lender, the Governmental Lender Fees (as defined in the Funding Loan Agreement) and, on demand, all fees, charges, costs, advances, indemnities and expenses, including agent and counsel fees, of the Governmental Lender incurred under the Borrower Loan Documents or the Funding Loan Documents, as and when the same become due;

(iii) all Costs of Issuance and fees, charges and expenses, including agent and counsel fees incurred in connection with the origination of the Borrower Loan and the Governmental Lender Note, as and when the same become due;

(iv) to the Funding Lender, on demand, all charges, costs, advances, indemnities and expenses, including agent and counsel fees of the Funding Lender incurred by the Funding Lender at any time in connection with the Borrower Loan, the Governmental Lender Note or the Project, including, without limitation, any Review Fee, reasonable counsel fees and expenses incurred in connection with the interpretation, performance, or amendment and all counsel fees and expenses relating to the enforcement of the Borrower Loan Documents or the Funding Loan Documents or any other documents relating to the Project or the Borrower Loan or in connection with questions or other matters arising under such documents or in connection with any federal tax audit;

(v) all Late Charges due and payable under the terms of the Borrower Note and Section 2.6 hereof; provided, however, that all payments made pursuant to this subsection (v) shall be made to the Servicer, and if there is no Servicer, such payments shall be made to the Fiscal Agent on behalf of the Funding Lender; and

(vi) to the Fiscal Agent, all reasonable fees, charges, costs, advances, indemnities and expenses, including agent and counsel fees, of Fiscal Agent incurred under the Borrower Loan Documents or the Funding Loan Documents as and when the same become due.

(b) The Borrower shall pay to the party entitled thereto as expressly set forth in this Borrower Loan Agreement or the other Borrower Loan Documents or Funding Loan Documents:

(i) all expenses incurred in connection with the enforcement of any rights under this Borrower Loan Agreement or any other Borrower Loan Document, the Regulatory Agreement, or any Funding Loan Document by the Governmental Lender, Funding Lender, Fiscal Agent or the Servicer;

(ii) all other payments of whatever nature that the Borrower has agreed to pay or assume under the provisions of this Borrower Loan Agreement or any other Borrower Loan Document or Funding Loan Document; and

(iii) all reasonable expenses, costs and fees relating to inspections of the Project required by the Governmental Lender, the Funding Lender, the Fiscal Agent, the Servicer or the Construction Consultant, in accordance with the Borrower Loan Documents or the Funding Loan Documents or to reimburse such parties for such expenses, costs and fees.

Section 2.6. Overdue Payments; Payments in Default. If any Borrower Payment Obligation is not paid by or on behalf of the Borrower when due, the Borrower shall pay to the Servicer, a Late Charge in the amount and to the extent set forth in the Borrower Note, if any.

Section 2.7. Calculation of Interest Payments and Deposits to Real Estate Related Reserve Funds. The Borrower acknowledges as follows: (a) calculation of all interest payments shall be made by the Funding Lender; (b) deposits with respect to the Taxes and Other Charges shall be calculated by the Servicer or if there is no Servicer, the Funding Lender in accordance with the Security Instrument; and (c) deposits with respect to any replacement reserve funds required by the Funding Lender shall be calculated by the Servicer in accordance with the Replacement Reserve Agreement, or if there is no Servicer, the Funding Lender in accordance with the Replacement Reserve Agreement. In the event and to the extent that the Servicer or the Funding Lender, pursuant to the terms hereof, shall determine at any time that there exists a deficiency in amounts previously owed but not paid with respect to deposits to such replacement reserve fund, such deficiency shall be immediately due and payable hereunder following Written Notice to the Borrower.

Section 2.8. Grant of Security Interest; Application of Funds. To the extent not inconsistent with the Security Instrument and as security for payment of the Borrower Payment Obligations and the performance by the Borrower of all other terms, conditions and provisions of the Borrower Loan Documents, the Borrower hereby pledges and assigns to the Fiscal Agent (solely for the benefit of the Funding Lender) and the Funding Lender, and grants to the Fiscal Agent (solely for the benefit of the Funding Lender) and the Funding Lender, a security interest in all the Borrower's right, title and interest in and to all payments to or moneys held in the funds and accounts created and held by the Funding Lender or the Servicer for the Project. This Borrower Loan Agreement is, among other things, intended by the parties to be a security agreement for purposes of the UCC. Upon the occurrence and during the continuance of an Event of Default hereunder, the Fiscal Agent, the Funding Lender and the Servicer may apply or cause to be applied any sums held by the Fiscal Agent, the Funding Lender and the Servicer with respect to the Project in any manner and in any order determined by Funding Lender, in Funding Lender's sole and absolute discretion.

Section 2.9. Marshalling; Payments Set Aside. The Governmental Lender and Funding Lender shall be under no obligation to marshal any assets in favor of Borrower or any other Person or against or in payment of any or all of the proceeds. To the extent that Borrower makes a payment or payments or transfers any assets to the Fiscal Agent, Governmental Lender or Funding Lender, or the Fiscal Agent, Governmental Lender or Funding Lender enforces its liens, and such payment or payments or transfers, or the proceeds of such enforcement or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party in connection with any insolvency proceeding, or otherwise, then: (i) any and all obligations owed to the Fiscal Agent, Governmental Lender or Funding Lender and any and all remedies available to the Fiscal Agent, Governmental Lender or Funding Lender under the terms of the Borrower Loan Documents and the Funding Loan Documents or in law or equity against Borrower, Guarantor or General Partner and/or any of their properties shall be automatically revived and reinstated to the extent (and only to the extent) of any recovery permitted under clause (ii) below; and (ii) the Fiscal Agent, Governmental Lender and Funding Lender shall be entitled to recover (and shall be entitled to file a proof of claim to obtain such recovery in any applicable bankruptcy, insolvency, receivership or fraudulent conveyance or fraudulent transfer proceeding) either: (x) the amount of payments or the value of the transfer or (y) if the transfer has been undone and the assets returned in whole or in part, the value of the consideration paid to or received by Borrower for the initial asset transfer, plus in each case any deferred interest from the date of the disgorgement to the date of distribution to the Fiscal Agent, Governmental Lender or Funding Lender in any bankruptcy, insolvency, receivership or fraudulent conveyance or fraudulent transfer proceeding, and any costs and expenses due and owing, including, without limitation, any reasonable attorneys' fees incurred by the Fiscal Agent, Governmental Lender or Funding Lender in connection with the exercise by the Fiscal Agent, Governmental Lender or Funding Lender of its rights under this Section 2.9.

Section 2.10. Borrower Loan Disbursements. The Borrower Loan shall be funded by the Funding Lender, on behalf of the Governmental Lender, pursuant to the Construction Funding Agreement by depositing Governmental Lender Note proceeds with the Fiscal Agent under the Funding Loan Agreement. Amounts held by the Fiscal Agent shall be disbursed to or for the benefit of the Borrower as provided in the Funding Loan Agreement and Construction Funding Agreement.

ARTICLE III

RESERVED

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.1. Borrower Representations. To induce the Governmental Lender to execute this Borrower Loan Agreement and to induce Funding Lender to make Disbursements, Borrower represents and warrants for the benefit of the Governmental Lender, Funding Lender and the Servicer, that the representations and warranties set forth in this Section 4.1 are complete and accurate in all material respects as of the Closing Date and, subject to Section 4.2 hereof, shall survive the making of the Borrower Loan and will be complete and accurate in all material respects, and deemed remade, except as otherwise noted through notice to Funding Lender and approved by Funding Lender, as of the date of each Disbursement in accordance with the terms and conditions of the Borrower Note:

Section 4.1.1. Organization; Special Purpose. The Borrower is a limited partnership duly organized and validly existing and in good standing under the laws of the State, has full legal right, power and authority to enter into the Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party, and to carry out and

consummate all transactions contemplated by the Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party, and by proper corporate limited partnership or limited liability company action, as appropriate has duly authorized the execution, delivery and performance of the Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party. The Persons executing the Borrower Loan Documents and the Funding Loan Documents on behalf of the Borrower are fully authorized to execute the same. The Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party have been duly authorized, executed and delivered by the Borrower. The sole business of the Borrower is the ownership, management and operation of the Project.

Section 4.1.2. Proceedings; Enforceability. Assuming due execution and delivery by the other parties thereto, the Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party will constitute the legal, valid and binding agreements of the Borrower enforceable against the Borrower in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

Section 4.1.3. No Conflicts. The execution and delivery of the Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the Partnership Agreement of the Borrower, or to the best knowledge of the Borrower and with respect to the Borrower, any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the Borrower is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Borrower, (other than to the extent created or permitted under the Security Instrument or the Partnership Agreement), which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Loan Documents and the Funding Loan Documents, or the financial condition, assets, properties or operations of the Borrower.

Section 4.1.4. Litigation; Adverse Facts. There is no Legal Action, nor is there a basis known to Borrower for any Legal Action, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the Borrower, after reasonable investigation, threatened, against or affecting the Borrower, the General Partner or the Guarantor, or their respective assets, properties or operations which, if determined adversely to the Borrower or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, the Borrower Loan Documents or the Funding Loan Documents, upon the ability of each of Borrower, General Partner and Guarantor to perform their respective obligations under the Borrower Loan Documents, the Funding Loan Documents and the Related Documents to which it is a party, or upon the financial condition, assets (including the Project), properties or operations of the Borrower, the General Partner or the Guarantor. None of the Borrower, General Partner or Guarantor is in default (and no event has occurred and is continuing

which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Borrower Loan Documents and the Funding Loan Documents, the ability of each of Borrower, General Partner and Guarantor to perform their respective obligations under the Borrower Loan Documents, the Funding Loan Documents and the Related Documents to which it is a party, or the financial condition, assets, properties or operations of the Borrower, General Partner or Guarantor. None of Borrower, General Partner or Guarantor are (a) in violation of any applicable law, which violation materially and adversely affects or may materially and adversely affect the business, operations, or assets (including the Project), condition (financial or otherwise) of Borrower, General Partner or Guarantor, as applicable; (b) subject to, or in default with respect to, any other Legal Requirement that would have a material adverse effect on the business, operations, assets (including the Project), or condition (financial or otherwise) of Borrower, General Partner or Guarantor, as applicable; or (c) in default with respect to any agreement to which Borrower, General Partner or Guarantor, as applicable, are a party or by which they are bound, which default would have a material adverse effect on the business, operations, assets (including the Project), condition (financial or otherwise) of Borrower, General Partner or Guarantor, as applicable; and (d) there is no Legal Action pending or, to the knowledge of Borrower, threatened against or affecting Borrower, General Partner or Guarantor questioning the validity or the enforceability of this Borrower Loan Agreement or any of the other Borrower Loan Documents or the Funding Loan Documents or of any of the Related Documents. All tax returns (federal, state and local) required to be filed by or on behalf of the Borrower have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by the Borrower in good faith, have been paid or adequate reserves have been made for the payment thereof which reserves, if any, are reflected in the audited financial statements described therein. The Borrower enjoys the peaceful and undisturbed possession of all of the premises upon which it is operating its facilities.

Section 4.1.5. Agreements; Consents; Approvals. Except as contemplated by the Borrower Loan Documents and the Funding Loan Documents, the Borrower is not a party to any agreement or instrument or subject to any restriction that would materially adversely affect the Borrower, the Project, or the Borrower's business, properties, operations or financial condition, except the Permitted Encumbrances. The Borrower is not in default in any material respect in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Permitted Encumbrance or any other agreement or instrument to which it is a party or by which it or the Project is bound.

No consent or approval of any trustee or holder of any indebtedness of the Borrower, and to the best knowledge of the Borrower and only with respect to the Borrower, no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except no representation is made with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of the Borrower Loan Documents or the Funding Loan Documents, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

Section 4.1.6. Title. The Borrower shall have indefeasible title to the Project, free and clear of all Liens except the Permitted Encumbrances. The Security Instrument, when properly recorded in the appropriate records, together with any UCC financing statements required to be filed in connection therewith, will create (i) a valid, perfected first priority lien on the fee (or leasehold, if applicable) interest in the Project and (ii) perfected security interests in and to, and perfected collateral assignments of, all of Borrower's right, title and interest in the personalty included in the Project (including the Permitted Leases), to the extent such personalty is the type in which a security interest may be perfected under the UCC by filing of a financing statement with the Secretary of State of the State, all in accordance with the terms thereof, in each case subject only to any applicable Permitted Encumbrances. To the Borrower's knowledge, there are no delinquent real property taxes or assessments, including water and sewer charges, with respect to the Project, nor are there any claims for payment for work, labor or materials affecting the Project which are or may become a Lien prior to, or of equal priority with, the Liens created by the Borrower Loan Documents and the Funding Loan Documents.

Section 4.1.7. Survey. To the best knowledge of the Borrower, the survey for the Project delivered to the Governmental Lender and the Funding Lender does not fail to reflect any material matter affecting the Project or the title thereto.

Section 4.1.8. No Bankruptcy Filing. The Borrower is not contemplating either the filing of a petition by it under the Bankruptcy Code or any state bankruptcy or insolvency law or the liquidation of all or a major portion of its property (a "Bankruptcy Proceeding"), and the Borrower has no knowledge of any Person contemplating the filing of any such petition against it. As of the Closing Date, the Borrower has the ability to pay its debts as they become due.

Section 4.1.9. Full and Accurate Disclosure. No statement of fact made by the Borrower in any Borrower Loan Document or any Funding Loan Document contains any untrue statement of a material fact or omits to state any material fact necessary to make statements contained therein in light of the circumstances in which they were made, not misleading. There is no material fact or circumstance presently known to the Borrower that has not been disclosed to the Governmental Lender and the Funding Lender which materially and adversely affects the Project or the business, operations or financial condition of the Borrower or the Borrower's ability to meet its obligations under this Borrower Loan Agreement and the other Borrower Loan Documents and Funding Loan Documents to which it is a party in a timely manner.

Section 4.1.10. No Plan Assets. The Borrower is not an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Title I of ERISA, and none of the assets of the Borrower constitutes or will constitute "plan assets" of one or more such plans within the meaning of 29 C.F.R. Section 2510.3-101.

Section 4.1.11. Compliance. The Borrower, the Project and the use thereof will comply, to the extent required, in all material respects with all applicable Legal Requirements. The Borrower is not in default or violation of any order, writ, injunction, decree or demand of any Governmental Authority, the violation of which would materially adversely affect the financial condition or the business of the Borrower. There has not been committed by the Borrower or any Borrower Affiliate involved with the operation or use of the Project any act or omission affording any Governmental Authority the right of forfeiture as against the

Project or any part thereof or any moneys paid in performance of the Borrower's obligations under any Borrower Loan Document or any Funding Loan Document.

Section 4.1.12. Contracts. All service, maintenance or repair contracts affecting the Project have been entered into at arm's length (except for such contracts between the Borrower and its affiliates or the affiliates of the Borrower Controlling Entity of the Borrower) in the ordinary course of the Borrower's business and provide for the payment of fees in amounts and upon terms comparable to existing market rates.

Section 4.1.13. Financial Information. All financial data, including any statements of cash flow and income and operating expense, that have been delivered to the Governmental Lender or the Funding Lender in respect of the Project by or on behalf of the Borrower, to the best knowledge of the Borrower, (i) are accurate and complete in all material respects, (ii) accurately represent the financial condition of the Project as of the date of such reports, and (iii) to the extent prepared by an independent certified public accounting firm, have been prepared in accordance with GAAP consistently applied throughout the periods covered, except as disclosed therein. Other than pursuant to or permitted by the Borrower Loan Documents or the Funding Loan Documents or the Borrower organizational documents, the Borrower has no contingent liabilities, unusual forward or long-term commitments or unrealized or anticipated losses from any unfavorable commitments. Since the date of such financial statements, there has been no materially adverse change in the financial condition, operations or business of the Borrower from that set forth in said financial statements.

Section 4.1.14. Condemnation. No Condemnation or other proceeding has been commenced or, to the Borrower's knowledge, is contemplated, threatened or pending with respect to all or part of the Project or for the relocation of roadways providing access to the Project.

Section 4.1.15. Federal Reserve Regulations. No part of the proceeds of the Borrower Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with such Regulation U or any other regulation of such Board of Governors, or for any purpose prohibited by Legal Requirements or any Borrower Loan Document or Funding Loan Document.

Section 4.1.16. Utilities and Public Access. To the best of the Borrower's knowledge, the Project is or will be served by water, sewer, sanitary sewer and storm drain facilities adequate to service it for its intended uses. All public utilities necessary or convenient to the full use and enjoyment of the Project are or will be located in the public right-of-way abutting the Project (or available to the Project via easement), and all such utilities are or will be connected so as to serve the Project without passing over other property absent a valid easement. All roads necessary for the use of the Project for its current purpose have been or will be completed and dedicated to public use and accepted by all Governmental Authorities. Except for Permitted Encumbrances, the Project does not share ingress and egress through an easement or private road or share on-site or off-site recreational facilities and amenities that are not located on the Project and under the exclusive control of the Borrower, or where there is shared ingress and egress or amenities, there exists an easement or joint use and maintenance agreement under which (i) access to and use and enjoyment of the easement or private road and/or recreational facilities and amenities is perpetual, (ii) the number of parties sharing such easement and/or recreational facilities and amenities

must be specified, (iii) the Borrower's responsibilities and share of expenses are specified, and (iv) the failure to pay any maintenance fee with respect to an easement will not result in a loss of usage of the easement.

Section 4.1.17. Not a Foreign Person. The Borrower is not a "foreign person" within the meaning of §1445(f)(3) of the Code.

Section 4.1.18. Separate Lots. Each parcel comprising the Land is a separate tax lot and is not a portion of any other tax lot that is not a part of the Land.

Section 4.1.19. Assessments. There are no pending or, to the Borrower's best knowledge, proposed special or other assessments for public improvements or otherwise affecting the Project, or any contemplated improvements to the Project that may result in such special or other assessments.

Section 4.1.20. Enforceability. The Borrower Loan Documents and the Funding Loan Documents are not subject to, and the Borrower has not asserted, any right of rescission, set-off, counterclaim or defense, including the defense of usury.

Section 4.1.21. Insurance. The Borrower has obtained the insurance required by this Borrower Loan Agreement, if applicable, and the Security Instrument and has delivered to the Servicer copies of insurance policies or certificates of insurance reflecting the insurance coverages, amounts and other requirements set forth in this Borrower Loan Agreement, if applicable, and the Security Instrument.

Section 4.1.22. Use of Property; Licenses. The Project will be used exclusively as a multifamily residential rental project and other appurtenant and related uses, which use is consistent with the applicable zoning classification for the Project, if any. All certifications, permits, licenses and approvals, including certificates of completion and occupancy permits required for the legal use or legal, nonconforming use, as applicable, occupancy and operation of the Project (collectively, the "Licenses") required at this time for the construction or rehabilitation, as appropriate, and equipping of the Project have been obtained. To the Borrower's knowledge, all Licenses obtained by the Borrower have been validly issued and are in full force and effect. The Borrower has no reason to believe that any of the Licenses required for the future use and occupancy of the Project and not heretofore obtained by the Borrower will not be obtained by the Borrower in the ordinary course following the Completion Date. No Licenses will terminate, or become void or voidable or terminable, upon any sale, transfer or other disposition of the Project, including any transfer pursuant to foreclosure sale under the Security Instrument or deed in lieu of foreclosure thereunder. The Project does not violate any density or building setback requirements of the applicable zoning law except to the extent, if any, shown on the survey. No proceedings are, to the best of the Borrower's knowledge, pending or threatened that would result in a change of the zoning of the Project.

Section 4.1.23. Flood Zone. On the Closing Date, no structure on the Land lies or is located in an identifiable or designated Special Flood Hazard Area. Subsequent to the Closing Date, if the Land is determined to be in a Special Flood Hazard Area, Borrower will obtain appropriate flood insurance as required under the National Flood Insurance Act of 1968, Flood Disaster Protection Act of 1973, or the National Flood Insurance Reform Act of 1994 as amended or as required by the Servicer pursuant to its underwriting guidelines.

Section 4.1.24. Physical Condition. The Project, including all Improvements, parking facilities, systems, fixtures, Equipment and landscaping, are or, after completion of the construction, rehabilitation and/or repairs, as appropriate, will be in good and habitable condition in all material respects and in good order and repair in all material respects (reasonable wear and tear excepted). The Borrower has not received notice from any insurance company or bonding company of any defect or inadequacy in the Project, or any part thereof, which would adversely affect its insurability or cause the imposition of extraordinary premiums or charges thereon or any termination of any policy of insurance or bond. The physical configuration of the Project is not in material violation of the ADA, if required under applicable law.

Section 4.1.25. Encroachments. All of the Improvements included in determining the appraised value of the Project will lie wholly within the boundaries and building restriction lines of the Project, and no improvement on an adjoining property encroaches upon the Project, and no easement or other encumbrance upon the Project encroaches upon any of the Improvements, so as to affect the value or marketability of the Project, except those insured against by the Title Insurance Policy or disclosed in the survey of the Project as approved by the Servicer.

Section 4.1.26. State Law Requirements. The Borrower hereby represents, covenants and agrees to comply with the provisions of all applicable state laws relating to the Borrower Loan, the Governmental Lender Note and the Project.

Section 4.1.27. Filing and Recording Taxes. All transfer taxes, deed stamps, intangible taxes or other amounts in the nature of transfer taxes required to be paid by any Person under applicable Legal Requirements in connection with the transfer of the Project to the Borrower have been paid. All mortgage, mortgage recording, stamp, intangible or other similar taxes required to be paid by any Person under applicable Legal Requirements in connection with the execution, delivery, recordation, filing, registration, perfection or enforcement of any of the Borrower Loan Documents and the Funding Loan Documents have been or will be paid.

Section 4.1.28. Investment Company Act. The Borrower is not (i) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; or (ii) a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

Section 4.1.29. Fraudulent Transfer. The Borrower has not accepted the Borrower Loan or entered into any Borrower Loan Document or Funding Loan Document with the actual intent to hinder, delay or defraud any creditor, and the Borrower has received reasonably equivalent value in exchange for its obligations under the Borrower Loan Documents and the Funding Loan Documents. Giving effect to the transactions contemplated by the Borrower Loan Documents and the Funding Loan Documents, the fair saleable value of the Borrower's assets exceeds and will, immediately following the execution and delivery of the Borrower Loan Documents and the Funding Loan Documents, exceed the Borrower's total liabilities, including subordinated, unliquidated, disputed or contingent liabilities. The fair saleable value of the Borrower's assets is and will, immediately following the execution and delivery of the Borrower Loan Documents and the Funding Loan Documents, be greater than the Borrower's probable liabilities, including the

maximum amount of its contingent liabilities or its debts as such debts become absolute and matured. The Borrower's assets do not and, immediately following the execution and delivery of the Borrower Loan Documents and the Funding Loan Documents will not, constitute unreasonably small capital to carry out its business as conducted or as proposed to be conducted. The Borrower does not intend to, and does not believe that it will, incur debts and liabilities (including contingent liabilities and other commitments) beyond its ability to pay such debts as they mature (taking into account the timing and amounts to be payable on or in respect of obligations of the Borrower).

Section 4.1.30. Ownership of the Borrower. Except as set forth in the Partnership Agreement of the Borrower, the Borrower has no obligation to any Person to purchase, repurchase or issue any ownership interest in the Borrower.

Section 4.1.31. Environmental Matters. To the best of Borrower's knowledge, except as disclosed in the Environmental Reports (as defined in the Agreement of Environmental Indemnification), the Project is not in violation of any Legal Requirement pertaining to or imposing liability or standards of conduct concerning environmental regulation, contamination or clean-up, and will comply with covenants and requirements relating to environmental hazards as set forth in the Security Instrument. The Borrower will execute and deliver the Agreement of Environmental Indemnification.

Section 4.1.32. Name; Principal Place of Business. Unless prior Written Notice is given to the Funding Lender, the Borrower does not use and will not use any trade name, and has not done and will not do business under any name other than its actual name set forth herein. The principal place of business of the Borrower is its primary address for notices as set forth in Section 10.1 hereof, and the Borrower has no other place of business, other than the Project and such principal place of business.

Section 4.1.33. Other Debt. There is no secured or unsecured indebtedness with respect to the Project or any residual interest therein, other than Permitted Encumbrances, unsecured loans made by the partners of the Borrower pursuant to the Partnership Agreement, which are subordinate to the Borrower Loan and subject to standstill, the Taxable Construction Loan, and the permitted secured indebtedness described in Section 6.7 hereof, except an unsecured deferred developer fee not to exceed the amount permitted by Funding Lender as determined on the Closing Date.

Section 4.1.34. Filing of Taxes. The Borrower has filed (or has obtained effective extensions for filing) all federal, state and local tax returns required to be filed and has paid or made adequate provision for the payment of all federal, state and local taxes, charges and assessments, if any, payable by the Borrower.

Section 4.1.35. General Tax. All representations, warranties and certifications of the Borrower set forth in the Regulatory Agreement and the Tax Exemption Agreement are incorporated by reference herein and the Borrower will comply with such as if set forth herein. As of the Closing Date, the Borrower is in compliance with all requirements of the Tax Exemption Agreement, and the representations set forth in the Tax Exemption Agreement are true and accurate.

Section 4.1.36. Approval of the Borrower Loan Documents and Funding Loan Documents. By its execution and delivery of this Borrower Loan Agreement, the Borrower approves the form and substance of the Borrower Loan Documents and the

Funding Loan Documents, and agrees to carry out the responsibilities and duties specified in the Borrower Loan Documents and the Funding Loan Documents to be carried out by the Borrower. The Borrower acknowledges that (a) it understands the nature and structure of the transactions relating to the financing of the Project, (b) it is familiar with the provisions of all of the Borrower Loan Documents and the Funding Loan Documents and other documents and instruments relating to the financing, (c) it understands the risks inherent in such transactions, including without limitation the risk of loss of the Project, and (d) it has not relied on the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by the Borrower Loan Documents and the Funding Loan Documents or otherwise relied on the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer in any manner.

Section 4.1.37. Funding Loan Agreement. The Borrower has read and accepts and agrees that it is bound by the Funding Loan Agreement and the Funding Loan Documents.

Section 4.1.38. Americans with Disabilities Act. The Project, as designed, will conform in all material respects with all applicable zoning, planning, building and environmental laws, ordinances and regulations of governmental authorities having jurisdiction over the Project, including, but not limited to, the Americans with Disabilities Act of 1990 ("ADA"), to the extent required (as evidenced by an architect's certificate to such effect).

Section 4.1.39. Requirements of Act, Code and Regulations. The Project satisfies all requirements of the Act, the Code and the Regulations applicable to the Project.

Section 4.1.40. Regulatory Agreement. In order to maintain the Federal Tax Status of the Governmental Lender Note and to ensure compliance with the Act and other laws of the State, and certain additional requirements of the Governmental Lender, the Borrower has, concurrently with or before the issuance of the Governmental Lender Note, executed and delivered and will cause to be recorded in the official records of Dallas County, Texas, the Regulatory Agreement. The Borrower is in compliance with all requirements of the Regulatory Agreement, and the representations set forth in the Regulatory Agreement pertaining to the Borrower and the Project are true and accurate. The Borrower intends to cause the Units in the Project to be rented or available for rental on a basis which satisfies the requirements of the Regulatory Agreement, including all applicable requirements of the Act and the Code, and pursuant to leases which comply with all applicable laws and the Regulatory Agreement.

Section 4.1.41. Intention to Hold Project. The Borrower intends to hold the Project for its own account and, except as set forth in the Partnership Agreement, has no current plans, and has not entered into any agreement, to sell the Project or any part of it; and the Borrower intends to occupy the Project or cause the Project to be occupied and to operate it or cause it to be operated at all times during the term of this Borrower Loan Agreement in compliance with the terms of this Borrower Loan Agreement and the Regulatory Agreement and does not know of any reason why the Project will not be so used by it in the absence of circumstances not now anticipated by it or totally beyond its control.

Section 4.1.42. Concerning General Partner.

(a) The General Partner is a limited liability company, duly organized and validly existing and in good standing under the laws of the State. The General Partner has all requisite power and

authority, rights and franchises to enter into and perform its obligations under the Borrower Loan Documents and the Funding Loan Documents to be executed by such General Partner for its own account and on behalf of Borrower, as General Partner of Borrower, under this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents.

(b) General Partner has made all filings (including, without limitation, all required filings related to the use of fictitious business names) and is in good standing in the State and in each other jurisdiction in which the character of the property it owns or the nature of the business it transacts makes such filings necessary or where the failure to make such filings could have a material adverse effect on the business, operations, assets, or condition (financial or otherwise) of General Partner.

(c) General Partner is duly authorized to do business in the State.

(d) The execution, delivery and performance by Borrower of the Borrower Loan Documents and the Funding Loan Documents have been duly authorized by all necessary action of General Partner on behalf of Borrower, and by all necessary action on behalf of General Partner.

(e) The execution, delivery and performance by General Partner, on behalf of Borrower, of the Borrower Loan Documents and the Funding Loan Documents will not violate (i) General Partner's organizational documents; (ii) any other Legal Requirement affecting General Partner or any of its properties; or (iii) any agreement to which General Partner is bound or to which it is a party; and will not result in or require the creation (except as provided in or contemplated by this Borrower Loan Agreement) of any Lien upon any of such properties, any of the Collateral or any of the property or funds pledged or delivered to Funding Lender pursuant to the Security Documents.

Section 4.1.43. Government and Private Approvals. All governmental or regulatory orders, consents, permits, authorizations and approvals required for the construction, rehabilitation, use, occupancy and operation of the Improvements, that may be granted or denied in the discretion of any Governmental Authority, have been obtained and are in full force and effect (or, in the case of any of the foregoing that Borrower is not required to have as of the Closing Date, will be obtained), and will be maintained in full force and effect at all times during the construction or rehabilitation of the Improvements. All such orders, consents, permits, authorizations and approvals that may not be denied in the discretion of any Governmental Authority shall be obtained prior to the commencement of any work for which such orders, consents, permits, authorizations or approvals are required, and, once obtained, such orders, consents, permits, authorizations and approvals will be maintained in full force and effect at all times during the construction or rehabilitation of the Improvements. Except as set forth in the preceding two sentences, no additional governmental or regulatory actions, filings or registrations with respect to the Improvements, and no approvals, authorizations or consents of any trustee or holder of any indebtedness or obligation of Borrower, are required for the due execution, delivery and performance by Borrower or General Partner of any of the Borrower Loan Documents or the Funding Loan Documents or the Related Documents executed by Borrower or General Partner, as applicable. All required zoning approvals have been obtained, and the zoning of the Land for the Project is not conditional upon the happening of any further event.

Section 4.1.44. Concerning Guarantor. The Borrower Loan Documents and the Funding Loan Documents to which the Guarantor is a party or a signatory executed simultaneously with this Borrower Loan Agreement have been duly executed and delivered by Guarantor and are legally valid and binding obligations of Guarantor, enforceable against Guarantor in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

Section 4.1.45. No Material Defaults. Except as previously disclosed to Funding Lender in writing, there exists no material violation of or material default by Borrower under, and, to the best knowledge of Borrower, no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default with respect to: (i) the terms of any instrument evidencing, securing or guaranteeing any indebtedness secured by the Project or any portion or interest thereof or therein; (ii) any lease or other agreement affecting the Project or to which Borrower is a party; (iii) any license, permit, statute, ordinance, law, judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority, or any determination or award of any arbitrator to which Borrower or the Project may be bound; or (iv) any mortgage, instrument, agreement or document by which Borrower or any of its respective properties is bound; in the case of any of the foregoing: (1) which involves any Borrower Loan Document or Funding Loan Document; (2) which involves the Project and is not adequately covered by insurance; (3) that might materially and adversely affect the ability of Borrower, General Partner or Guarantor to perform any of its respective obligations under any of the Borrower Loan Documents or the Funding Loan Documents or any other material instrument, agreement or document to which it is a party; or (4) which might adversely affect the priority of the Liens created by this Borrower Loan Agreement or any of the Borrower Loan Documents or the Funding Loan Documents.

Section 4.1.46. Payment of Taxes. Except as previously disclosed to Funding Lender in writing: (i) all tax returns and reports of Borrower, General Partner and Guarantor required to be filed have been timely filed (or an extension has been timely filed), and all taxes, assessments, fees and other governmental charges upon Borrower, General Partner and Guarantor, and upon their respective properties, assets, income and franchises, which are due and payable have been paid when due and payable; and (ii) Borrower knows of no proposed tax assessment against it or against General Partner or Guarantor that would be material to the condition (financial or otherwise) of Borrower, General Partner or Guarantor, and neither Borrower nor General Partner have contracted with any Governmental Authority in connection with such taxes.

Section 4.1.47. Rights to Project Agreements and Licenses. Borrower is the legal and beneficial owner of all rights in and to the Plans and Specifications and all existing Project Agreements and Licenses, and will be the legal and beneficial owner of all rights in and to all future Project Agreements and Licenses except as pledged in the Borrower Loan Documents and the Taxable Loan Documents. Borrower's interest in the Plans and Specifications and all Project Agreements and Licenses is not subject to any present claim (other than under the Taxable Loan Documents, the Borrower Loan Documents and the Funding Loan Documents or as otherwise approved by Funding Lender in its sole discretion), set-off or deduction other than in the ordinary course of business.

Section 4.1.48. Patriot Act Compliance. Borrower is not now, nor has ever been (i) listed on any Government Lists (as defined below), (ii) a person who has been determined by a Governmental Authority to be subject to the prohibitions contained in Presidential Executive Order No. 13224 (Sept. 23, 2001) or any other similar prohibitions contained in the rules and regulations of OFAC or in any enabling legislation or other Presidential Executive Orders in respect thereof, (iii) indicted for or convicted of any felony involving a crime or crimes of moral turpitude or for any Patriot Act Offense, or (iv) under investigation by any Governmental Authority for alleged criminal activity. For purposes hereof, the term "Patriot Act Offense" shall mean any violation of the criminal laws of the United States of America or of any of the several states, or that would be a criminal violation if committed within the jurisdiction of the United States of America or any of the several states, relating to terrorism or the laundering of monetary instruments, including any offense under (A) the criminal laws against terrorism; (B) the criminal laws against money laundering, (C) Bank Representative Secrecy Act, as amended, (D) the Money Laundering Control

Act of 1986, as amended, or (E) the Patriot Act. "Patriot Act Offense" also includes the crimes of conspiracy to commit, or aiding and abetting another to commit, a Patriot Act Offense. For purposes hereof, the term "Government Lists" shall mean (1) the Specially Designated Nationals and Blocked Persons Lists maintained by the Office of Foreign Assets Control ("OFAC"), (2) any other list of terrorists, terrorist organizations or narcotics traffickers maintained pursuant to any of the Rules and Regulations of OFAC that Funding Lender notified Borrower in writing is now included in "Government Lists", or (3) any similar lists maintained by the United States Department of State, the United States Department of Commerce or any other Governmental Authority or pursuant to any Executive Order of the President of the United States of America that Funding Lender notified Borrower in writing is now included in "Government Lists".

Section 4.1.49. Rent Schedule. Borrower has prepared a prospective Unit absorption and rent collection schedule with respect to the Project substantially in the form attached as an exhibit to the Construction Funding Agreement, which schedule takes into account, among other relevant factors (i) a schedule of minimum monthly rentals for the Units, and (ii) any and all concessions including free rent periods, and on the basis of such schedule, Borrower believes it will collect rents with respect to the Project in amounts greater than or equal to debt service on the Borrower Loan.

Section 4.1.50. Other Documents. Each of the representations and warranties of Borrower or General Partner contained in any of the other Borrower Loan Documents or the Funding Loan Documents is true and correct in all material respects (or, in the case of representations or warranties contained in any of the other Borrower Loan Documents or Funding Loan Documents that speak as of a particular date, were true and correct in all material respects as of such date). All of such representations and warranties are incorporated herein for the benefit of Funding Lender.

Section 4.1.51. Other Loan Documents. The Taxable Loan Documents are in full force and effect and the Borrower has paid all commitment fees and other amounts due and payable to the Taxable Construction Lender thereunder, as applicable. There exists no material violation of or material default by the Borrower under, and no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default under the Taxable Loan Documents.

Section 4.1.52. ***Intentionally omitted*****.**

Section 4.1.53. Revenue Sufficient. The Borrower certifies, based upon the pro forma budget, that the revenues from the Project are projected to be sufficient to pay the principal of, premium, if any, and interest on the Governmental Lender Note and all other obligations under the documents to which the Borrower is a party and that the Borrower has not incurred any indebtedness for borrowed money (other than in the ordinary course of business) other than under this Borrower Loan Agreement, the Taxable Loan Documents and the Security Instrument.

Section 4.1.54. Location of Project. The Project is located entirely within Dallas County, Texas.

Section 4.1.55. Ground Lease. The Ground Lease is in full force and effect and the Borrower has paid all rent and other amounts due and payable to the Fee Owner thereunder. There exists no material violation of or material default by the Borrower under the Ground Lease, and no event has occurred which, upon the giving of notice or the passage of time, or both, would constitute a material default by any other party under the Ground Lease.

Section 4.2. Survival of Representations and Covenants. All of the representations and warranties in Section 4.1 hereof and elsewhere in the Borrower Loan Documents (i) shall survive for so long as any portion of the Borrower Payment Obligations remains due and owing and (ii) shall be deemed to have been relied upon by the Governmental Lender and the Servicer notwithstanding any investigation heretofore or hereafter made by the Governmental Lender or the Servicer or on its or their behalf, provided, however, that the representations, warranties and covenants set forth in Section 4.1.31 hereof shall survive in perpetuity and shall not be subject to the exculpation provisions of Section 11.1 hereof.

ARTICLE V

AFFIRMATIVE COVENANTS

During the term of this Borrower Loan Agreement, the Borrower hereby covenants and agrees with the Governmental Lender, the Funding Lender and the Servicer that:

Section 5.1. Existence. The Borrower shall (i) do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence and its material rights, and franchises, (ii) continue to engage in the business presently conducted by it, (iii) obtain and maintain all material Licenses, and (iv) qualify to do business and remain in good standing under the laws of the State.

Section 5.2. Taxes and Other Charges. The Borrower shall pay all Taxes and Other Charges as the same become due and payable and prior to their becoming delinquent in accordance with the Security Instrument, except to the extent that the amount, validity or application thereof is being contested in good faith as permitted by the Security Instrument.

The Borrower covenants to pay all Taxes and Other Charges of any type or character charged to the Funding Lender affecting the amount available to the Funding Lender from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including Taxes and Other Charges assessed or levied by any public agency or governmental authority of whatsoever character having power to levy Taxes or assessments) but excluding franchise Taxes based upon the capital and/or income of the Funding Lender and taxes based upon or measured by the net income of the Funding Lender; provided, however, that the Borrower shall have the right to protest any such Taxes or Other Charges and to require the Funding Lender, at the Borrower's expense, to protest and contest any such Taxes or Other Charges levied upon them and that the Borrower shall have the right to withhold payment of any such Taxes or Other Charges pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Funding Lender. This obligation shall remain valid and in effect notwithstanding repayment of the Borrower Loan hereunder or termination of this Borrower Loan Agreement.

Section 5.3. Repairs; Maintenance and Compliance; Physical Condition. The Borrower shall cause the Project to be maintained in a good, habitable and safe (so as to not threaten the health or safety of the Project's tenants or their invited guests) condition and repair (reasonable wear and tear excepted) as set forth in the Security Instrument and shall not remove, demolish or materially alter the Improvements or Equipment (except for removal of aging or obsolete equipment or furnishings in the normal course of business), except as provided in the Security Instrument.

Section 5.4. Litigation. The Borrower shall give prompt Written Notice to the Governmental Lender, the Funding Lender and the Servicer of any litigation, governmental proceedings or claims or investigations regarding an alleged actual violation of a Legal Requirement pending or, to the Borrower's knowledge, threatened against the Borrower which might materially adversely affect the Borrower's condition (financial or otherwise) or business or the Project.

Section 5.5. Performance of Other Agreements. The Borrower shall observe and perform in all material respects each and every term to be observed or performed by it pursuant to the terms of any agreement or instrument affecting or pertaining to the Project.

Section 5.6. Notices. The Borrower shall promptly advise the Governmental Lender, the Funding Lender and the Servicer of (i) any Material Adverse Change in the Borrower's financial condition, assets, properties or operations other than general changes in the real estate market, (ii) any fact or circumstance affecting the Borrower or the Project that materially and adversely affects the Borrower's ability to meet its obligations hereunder or under any of the other Borrower Loan Document to which it is a party in a timely manner, or (iii) the occurrence of any Potential Default or Event of Default of which the Borrower has knowledge. If the Borrower becomes subject to federal or state securities law filing requirements, the Borrower shall cause to be delivered to the Governmental Lender, the Funding Lender and the Servicer any Securities and Exchange Commission or other public filings, if any, of the Borrower within two (2) Business Days of such filing.

Section 5.7. Cooperate in Legal Proceedings. The Borrower shall cooperate fully with the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer with respect to, and permit the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer at their option, to participate in, any proceedings before any Governmental Authority that may in any way affect the rights of the Governmental Lender, the Funding Lender, the Fiscal Agent and/or the Servicer under any Borrower Loan Document or Funding Loan Document.

Section 5.8. Further Assurances. The Borrower shall, at the Borrower's sole cost and expense (except as provided in Section 9.1 hereof), (i) furnish to the Servicer, the Fiscal Agent and the Funding Lender all instruments, documents, boundary surveys, footing or foundation surveys (to the extent that Borrower's construction or renovation of the Project alters any existing building foundations or footprints), certificates, plans and specifications, appraisals, title and other insurance reports and agreements, reasonably requested by the Servicer, the Fiscal Agent or the Funding Lender for the better and more efficient carrying out of the intents and purposes of the Borrower Loan Documents and the Funding Loan Documents; (ii) execute and deliver to the Servicer and the Funding Lender such documents, instruments, certificates, assignments and other writings, and do such other acts necessary or desirable, to evidence, preserve and/or protect the collateral at any time securing or intended to secure the Borrower Loan, as the Servicer, the Fiscal Agent and the Funding Lender may reasonably require from time to time; (iii) do and execute all and such further lawful and reasonable acts, conveyances and assurances for the better and more effective carrying out of the intents and purposes of the Borrower Loan Documents and the Funding Loan Documents, as the Servicer, the Fiscal Agent or the Funding Lender shall reasonably require from time to time; provided, however, with respect to clauses (i)-(iii) above, the Borrower shall not be required to do anything that has the effect of (A) changing the essential economic terms of the Borrower Loan or (B) imposing upon the Borrower greater personal liability under the Borrower Loan Documents and the Funding Loan Documents; and (iv) upon the Servicer's, the Fiscal Agent's or the Funding Lender's request therefor given from time to time after the occurrence of any Potential Default or Event of Default for so long as such Potential Default or Event of Default, as applicable, is continuing pay for (a) reports of UCC, federal tax lien, state tax lien, judgment and pending litigation searches with respect to the Borrower and (b) searches of title to the Project, each such search to be conducted by search firms reasonably designated by the Servicer, the Fiscal Agent or the Funding Lender in each of the locations reasonably designated by the Servicer, the Fiscal Agent or the Funding Lender.

Section 5.9. Delivery of Financial Information. After written notice to the Borrower of a Secondary Market Disclosure Document, the Borrower shall, concurrently with any delivery to the Funding Lender or the Servicer, deliver copies of all financial information required under Article IX hereof.

Section 5.10. Environmental Matters. So long as the Borrower owns or is in possession of the Project, the Borrower shall (a) keep the Project in compliance with all Hazardous Materials Laws (as defined in the Security Instrument), (b) promptly notify the Funding Lender, the Fiscal Agent, the Governmental Lender and the Servicer if the Borrower shall become aware that any Hazardous Materials (as defined in the Security Instrument) are on or near the Project in violation of Hazardous Materials Laws, and (c) commence and thereafter diligently prosecute to completion all remedial work necessary with respect to the Project required under any Hazardous Material Laws, in each case as set forth in the Security Instrument or the Agreement of Environmental Indemnification.

Section 5.11. Governmental Lender's, Fiscal Agent's and Funding Lender's Fees. The Borrower covenants to pay the reasonable fees and expenses of the Governmental Lender (including the Governmental Lender Fees), the Fiscal Agent, the Funding Lender or any agents, attorneys, accountants, consultants selected by the Governmental Lender, the Fiscal Agent or the Funding Lender to act on its behalf in connection with this Borrower Loan Agreement and the other Borrower Loan Documents, the Regulatory Agreement and the Funding Loan Documents, including, without limitation, any and all reasonable expenses incurred in connection with the making of the Borrower Loan or in connection with any litigation which may at any time be instituted involving the Borrower Loan, this Borrower Loan Agreement, the other Borrower Loan Documents, the Regulatory Agreement and the Funding Loan Documents or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the foregoing. This obligation shall remain valid and in effect notwithstanding repayment of the Borrower Loan hereunder or termination of this Borrower Loan Agreement.

Section 5.12. Estoppel Statement. The Borrower shall furnish to the Funding Lender, the Fiscal Agent or the Servicer for the benefit of the Funding Lender or the Servicer within ten (10) days after request by the Funding Lender and the Servicer, with a statement, duly acknowledged and certified, setting forth (i) the unpaid principal of a Borrower Note, (ii) the applicable Interest Rate, (iii) the date installments of interest and/or principal were last paid, (iv) any offsets or defenses to the payment of the Borrower Payment Obligations, and (v) that the Borrower Loan Documents and the Funding Loan Documents to which the Borrower is a party are valid, legal and binding obligations of the Borrower and have not been modified or, if modified, giving particulars of such modification, and no Event of Default exists thereunder or specify any Event of Default that does exist thereunder. The Borrower shall use commercially reasonable efforts to furnish to the Funding Lender or the Servicer, within 30 days of a request by the Funding Lender or Servicer, tenant estoppel certificates from each commercial tenant at the Project in form and substance reasonably satisfactory to the Funding Lender and the Servicer; provided that the Funding Lender and the Servicer shall not make such requests more frequently than twice in any year.

Section 5.13. Defense of Actions. The Borrower shall appear in and defend any action or proceeding purporting to affect the security for this Borrower Loan Agreement hereunder or under the Borrower Loan Documents and the Funding Loan Documents, and shall pay, in the manner required by Section 2.4 hereof, all costs and expenses, including the cost of evidence of title and attorneys' fees, in any such action or proceeding in which Funding Lender may appear. If the Borrower fails to perform any of the covenants or agreements contained in this Borrower Loan Agreement or any other Borrower Loan Document, or if any action or proceeding is commenced that is not diligently defended by the Borrower which affects the Funding Lender's interest in the Project or any part thereof, including eminent domain, code enforcement or proceedings of any nature whatsoever under any federal or state law, whether now existing or hereafter enacted or amended, then the Funding Lender may make such appearances, disburse such sums and take such action as the Funding Lender deems necessary or appropriate to protect its interests. Such actions include disbursement of attorneys' fees, entry upon the Project to make repairs or take other action to protect the security of the Project, and payment, purchase, contest or compromise of any encumbrance, charge or lien which in the judgment of Funding Lender appears to be prior or superior

to the Borrower Loan Documents or the Funding Loan Documents. The Funding Lender shall have no obligation to do any of the above. The Funding Lender may take any such action without notice to or demand upon the Borrower. No such action shall release the Borrower from any obligation under this Borrower Loan Agreement or any of the other Borrower Loan Documents or Funding Loan Documents. In the event (i) that the Security Instrument is foreclosed in whole or in part or that any Borrower Loan Document is put into the hands of an attorney for collection, suit, action or foreclosure, or (ii) of the foreclosure of any mortgage, deed of trust or deed to secure debt prior to or subsequent to the Security Instrument or any Borrower Loan Document in which proceeding the Funding Lender is made a party or (iii) of the bankruptcy of the Borrower or an assignment by the Borrower for the benefit of its creditors, the Borrower shall be chargeable with and agrees to pay all costs of collection and defense, including actual attorneys' fees in connection therewith and in connection with any appellate proceeding or post-judgment action involved therein, which shall be due and payable together with all required service or use taxes.

Section 5.14. Expenses. The Borrower shall pay all reasonable expenses incurred by the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer (except as provided in Section 9.1 hereof) in connection with the Borrower Loan and the Governmental Lender Note, including reasonable fees and expenses of the Governmental Lender's, the Fiscal Agent's, the Funding Lender's and the Servicer's attorneys, environmental, engineering and other consultants, and fees, charges or taxes for the recording or filing of the Borrower Loan Documents and the Funding Loan Documents. The Borrower shall pay or cause to be paid all reasonable expenses of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer (except as provided in Section 9.1 hereof) in connection with the issuance or administration of the Borrower Loan and the Governmental Lender Note, including audit costs, inspection fees, settlement of condemnation and casualty awards, and premiums for title insurance and endorsements thereto. The Borrower shall, upon request, promptly reimburse the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer for all reasonable amounts expended, advanced or incurred by the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer to collect the Borrower Note, or to enforce the rights of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer under this Borrower Loan Agreement or any other Borrower Loan Document, or to defend or assert the rights and claims of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer under the Borrower Loan Documents and the Funding Loan Documents arising out of an Event of Default or with respect to the Project (by litigation or other proceedings) arising out of an Event of Default, which amounts will include all court costs, attorneys' fees and expenses, fees of auditors and accountants, and investigation expenses as may be reasonably incurred by the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer in connection with any such matters (whether or not litigation is instituted), together with interest at the Default Rate on each such amount from the Date of Disbursement until the date of reimbursement to the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer, all of which shall constitute part of the Borrower Loan and the Governmental Lender Note and shall be secured by the Borrower Loan Documents and the Funding Loan Documents. The obligations and liabilities of the Borrower under this Section 5.14 shall survive the Term of this Borrower Loan Agreement and the exercise by the Governmental Lender, the Fiscal Agent or the Servicer, as the case may be, of any of its rights or remedies under the Borrower Loan Documents, the Governmental Lender Note and the Funding Loan Documents, including the acquisition of the Project by foreclosure or a conveyance in lieu of foreclosure. Notwithstanding the foregoing, the Borrower shall not be obligated to pay amounts incurred as a result of the gross negligence or willful misconduct of any other party, and any obligations of the Borrower to pay for environmental inspections or audits will be governed by Section 18(i) of the Security Instrument.

Section 5.15. Indemnity.

(a) Indemnification of the Governmental Lender and the Fiscal Agent.

(i) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE BORROWER HEREBY COVENANTS AND AGREES AS FOLLOWS: TO PROTECT, INDEMNIFY AND SAVE THE GOVERNMENTAL LENDER, THE FISCAL AGENT AND THEIR RESPECTIVE GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES HARMLESS FROM AND AGAINST ALL LIABILITY, LOSSES, DAMAGES, COSTS, EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES), TAXES, CAUSES OF ACTION, SUITS, CLAIMS, DEMANDS AND JUDGMENTS OF ANY NATURE OR FORM, BY OR ON BEHALF OF ANY PERSON ARISING IN ANY MANNER FROM THE TRANSACTION OF WHICH THIS BORROWER LOAN AGREEMENT IS A PART OR ARISING IN ANY MANNER IN CONNECTION WITH THE MORTGAGED PROPERTY OR THE FINANCING OF THE MORTGAGED PROPERTY INCLUDING, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, ARISING FROM (I) THE WORK DONE ON THE MORTGAGED PROPERTY OR THE OPERATION OF THE MORTGAGED PROPERTY DURING THE TERM OF THIS BORROWER LOAN AGREEMENT OR (II) ANY BREACH OR DEFAULT ON THE PART OF THE BORROWER IN THE PERFORMANCE OF ANY OF ITS OBLIGATIONS UNDER THIS BORROWER LOAN AGREEMENT, OR (III) THE MORTGAGED PROPERTY OR ANY PART THEREOF, OR (IV) ANY VIOLATION OF CONTRACT, AGREEMENT OR RESTRICTION RELATING TO THE MORTGAGED PROPERTY EXCLUDING THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON THE GOVERNMENTAL LENDER NOTE, OR (V) ANY LIABILITY, VIOLATION OF LAW, ORDINANCE OR REGULATION AFFECTING THE MORTGAGED PROPERTY OR ANY PART THEREOF OR THE OWNERSHIP OR OCCUPANCY OR USE THEREOF. UPON NOTICE FROM THE GOVERNMENTAL LENDER, THE FISCAL AGENT, OR ANY OF THEIR RESPECTIVE GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS OR EMPLOYEES, THE BORROWER SHALL DEFEND THE GOVERNMENTAL LENDER, THE FISCAL AGENT OR ANY OF THEIR RESPECTIVE GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS OR EMPLOYEES IN ANY ACTION OR PROCEEDING BROUGHT IN CONNECTION WITH ANY OF THE ABOVE, AND PROVIDE COMPETENT COUNSEL REASONABLY SATISFACTORY TO SUCH PARTY; PROVIDED, HOWEVER, THAT THE GOVERNMENTAL LENDER SHALL HAVE THE RIGHT TO EMPLOY SEPARATE COUNSEL IN ANY ACTION DESCRIBED IN THE PRECEDING SENTENCE AT THE EXPENSE OF THE BORROWER.

(ii) IT IS THE INTENTION OF THE PARTIES HERETO THAT THE GOVERNMENTAL LENDER AND ITS RESPECTIVE GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES SHALL NOT INCUR PECUNIARY LIABILITY BY REASON OF THE TERMS OF THIS BORROWER LOAN AGREEMENT OR BY REASON OF THE UNDERTAKINGS REQUIRED OF THE GOVERNMENTAL LENDER AND ITS RESPECTIVE GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES HEREUNDER IN CONNECTION WITH THE ISSUANCE OF THE GOVERNMENTAL LENDER NOTE, INCLUDING BUT NOT LIMITED TO THE EXECUTION AND DELIVERY OF THE FUNDING LOAN AGREEMENT, THIS BORROWER LOAN AGREEMENT, THE TAX EXEMPTION AGREEMENT, THE REGULATORY AGREEMENT, AND ALL OTHER INSTRUMENTS AND DOCUMENTS REQUIRED TO CLOSE THE TRANSACTION; THE PERFORMANCE OF ANY ACT REQUIRED OF THE GOVERNMENTAL LENDER AND ITS RESPECTIVE GOVERNING

BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES BY THIS BORROWER LOAN AGREEMENT; OR THE PERFORMANCE OF ANY ACT REQUESTED OF THE GOVERNMENTAL LENDER AND ITS RESPECTIVE GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES BY THE BORROWER OR IN ANY WAY ARISING FROM THE TRANSACTION OF WHICH THIS BORROWER LOAN AGREEMENT IS A PART OR ARISING IN ANY MANNER IN CONNECTION WITH THE MORTGAGED PROPERTY OR THE FINANCING OF THE MORTGAGED PROPERTY, INCLUDING BUT NOT LIMITED TO THE EXECUTION AND DELIVERY OF THE FUNDING LOAN AGREEMENT, THIS BORROWER LOAN AGREEMENT, THE TAX EXEMPTION AGREEMENT, THE REGULATORY AGREEMENT AND ALL OTHER INSTRUMENTS AND DOCUMENTS REQUIRED TO CLOSE THE TRANSACTION; NEVERTHELESS, IF THE GOVERNMENTAL LENDER OR ITS RESPECTIVE GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES SHOULD INCUR ANY SUCH PECUNIARY LIABILITY WITH RESPECT TO EVENTS OCCURRING AFTER THE DATE HEREOF, THEN IN SUCH EVENT THE BORROWER SHALL INDEMNIFY AND HOLD THE GOVERNMENTAL LENDER AND ITS RESPECTIVE GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES HARMLESS AGAINST ALL CLAIMS BY OR ON BEHALF OF ANY PERSON, ARISING OUT OF THE SAME, AND ALL COSTS AND EXPENSES INCURRED IN CONNECTION WITH ANY SUCH CLAIM OR IN CONNECTION WITH ANY ACTION OR PROCEEDING BROUGHT THEREON, AND UPON TIMELY NOTICE FROM THE GOVERNMENTAL LENDER THE BORROWER SHALL DEFEND THE GOVERNMENTAL LENDER AND ITS RESPECTIVE GOVERNING BOARD MEMBERS, DIRECTORS, OFFICERS, AGENTS AND EMPLOYEES IN ANY SUCH ACTION OR PROCEEDING, AND PROVIDE COMPETENT COUNSEL SATISFACTORY TO THE GOVERNMENTAL LENDER AND THE BORROWER SHALL PAY THE GOVERNMENTAL LENDER EXPENSES INCLUDING PAYMENT OF THE COUNSEL USED BY THE GOVERNMENTAL LENDER; PROVIDED, HOWEVER, THAT THE GOVERNMENTAL LENDER SHALL HAVE THE RIGHT TO EMPLOY SEPARATE COUNSEL IN ANY ACTION DESCRIBED IN THE PRECEDING SENTENCE AT THE EXPENSE OF THE BORROWER.

(iii) NOTWITHSTANDING ANY PROVISION OF THIS BORROWER LOAN AGREEMENT TO THE CONTRARY, THE GOVERNMENTAL LENDER SHALL BE INDEMNIFIED BY THE BORROWER WITH RESPECT TO LIABILITIES ARISING FROM THE GOVERNMENTAL LENDER'S OWN GROSS NEGLIGENCE, NEGLIGENCE OR BREACH OF CONTRACTUAL DUTY, BUT NOT FOR ANY LIABILITIES ARISING FROM THE GOVERNMENTAL LENDER'S OWN BAD FAITH, FRAUD OR WILLFUL MISCONDUCT.

The Borrower agrees to indemnify the Fiscal Agent or any predecessor Fiscal Agent for and to hold it harmless against all liabilities, claims, costs and expenses incurred without negligence or willful misconduct on the part of the Fiscal Agent (such negligence or willful misconduct as finally adjudicated by a court of competent jurisdiction), on account of any action taken or omitted to be taken by the Fiscal Agent in accordance with the terms of the Governmental Lender Note or the Funding Loan Documents arising out of or in connection with the administration of the trusts hereunder or any action taken at the request of or with the consent of the Borrower, including the costs and expenses of the Fiscal Agent in defending itself against any such claim, action or proceeding brought in connection with the exercise or performance of any of its powers or duties under the Governmental Lender Note or the Funding Loan Documents.

In case any action or proceeding is brought against the Governmental Lender or the Fiscal Agent, or any of their respective governing board members, officers, commissioners, directors, officials,

employees, agents, attorneys, accountants, advisors, consultants or servants, with respect to which indemnity may be sought hereunder, the Borrower, upon written notice thereof from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel and the payment of all expenses. The indemnified party shall have the right to approve a settlement to which it is a party and to employ separate counsel in any such action or proceedings and to participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel.

Notwithstanding anything else in this Borrower Loan Agreement to the contrary, except for the provisions of this Section 5.15(a), the Borrower shall be responsible for the fees, costs and expenses of counsel to the Governmental Lender and Fiscal Agent at all times; provided that the Governmental Lender and the Fiscal Agent maintain control of the selection of their counsel at all times.

The provisions of this Section shall survive the termination of this Borrower Loan Agreement and the repayment of the Governmental Lender Note and the Project Loan.

(b) In addition to its other obligations hereunder, and in addition to any and all rights of reimbursement, indemnification, subrogation and other rights of Governmental Lender, the Fiscal Agent or Funding Lender pursuant hereto and under law or equity, to the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Funding Lender, the Fiscal Agent, the Servicer, Citigroup, Inc., and each of their respective officers, directors, employees, attorneys and agents (each an "Indemnified Party"), against any and all losses, damages, claims, actions, liabilities, reasonable costs and expenses of any nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement (to the extent that the Borrower has consented to such settlement) and amounts paid to discharge judgments) (together with the Governmental Lender Indemnity Liabilities, the "Liabilities") to which the Indemnified Parties, or any of them, may become subject under federal or state securities laws or any other statutory law or at common law or otherwise, to the extent arising out of or based upon or in any way relating to:

(i) THE BORROWER LOAN DOCUMENTS AND THE FUNDING LOAN DOCUMENTS OR THE EXECUTION OR AMENDMENT THEREOF OR IN CONNECTION WITH TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE SALE, TRANSFER OR RESALE OF THE BORROWER LOAN OR THE GOVERNMENTAL LENDER NOTE, EXCEPT WITH RESPECT TO ANY SECONDARY MARKET DISCLOSURE DOCUMENT (OTHER THAN ANY BORROWER'S OBLIGATIONS UNDER ARTICLE IX);

(ii) ANY ACT OR OMISSION OF THE BORROWER OR ANY OF ITS AGENTS, CONTRACTORS, SERVANTS, EMPLOYEES OR LICENSEES IN CONNECTION WITH THE BORROWER LOAN, THE FUNDING LOAN, THE GOVERNMENTAL LENDER NOTE OR THE PROJECT, THE OPERATION OF THE PROJECT, OR THE CONDITION, ENVIRONMENTAL OR OTHERWISE, OCCUPANCY, USE, POSSESSION, CONDUCT OR MANAGEMENT OF WORK DONE IN OR ABOUT, OR FROM THE PLANNING, DESIGN, ACQUISITION, CONSTRUCTION OR INSTALLATION OF, THE PROJECT OR ANY PART THEREOF;

(iii) Any lien (other than a Permitted Encumbrance) or charge upon payments by the Borrower to the Fiscal Agent or the Funding Lender hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and Other Charges imposed on the Governmental Lender, the Fiscal Agent or the Funding Lender in respect of any portion of the Project;

(iv) Any violation of any environmental law, rule or regulation with respect to, or the

release of any toxic substance from, the Project or any part thereof during the period in which the Borrower is in possession or control of the Project;

(v) The enforcement of, or any action taken by the Fiscal Agent or the Funding Lender related to remedies under, this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents;

(vi) Any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower made in the course of Borrower applying for the Borrower Loan, the Funding Loan or the Governmental Lender Note or contained in any of the Borrower Loan Documents or Funding Loan Documents to which the Borrower is a party;

(vii) Any Determination of Taxability;

(viii) Any breach (or alleged breach) by Borrower of any representation, warranty or covenant made in or pursuant to this Borrower Loan Agreement or in connection with any written or oral representation, presentation, report, appraisal or other information given or delivered by Borrower, General Partner, Guarantor or their Affiliates to the Funding Lender, the Fiscal Agent, the Servicer or any other Person in connection with Borrower's application for the Borrower Loan, the Funding Loan and the Governmental Lender Note (including, without limitation, any breach or alleged breach by Borrower of any agreement with respect to the provision of any substitute credit enhancement);

(ix) any failure (or alleged failure) by Borrower or the Funding Lender to comply with applicable federal and state laws and regulations pertaining to the making of the Borrower Loan, the Funding Loan and the Governmental Lender Note;

(x) the Project, or the condition, occupancy, use, possession, conduct or management of, or work done in or about, or from the planning, design, acquisition, installation, construction or rehabilitation of, the Project or any part thereof; or

(xi) the use of the proceeds of the Borrower Loan and the Governmental Lender Note,

EXCEPT IN THE CASE OF THE FOREGOING INDEMNIFICATION OF THE FUNDING LENDER, THE FISCAL AGENT OR THE SERVICER OR ANY RELATED INDEMNIFIED PARTY, TO THE EXTENT SUCH DAMAGES ARE CAUSED BY THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE FUNDING LENDER, THE FISCAL AGENT, THE SERVICER, OR SUCH INDEMNIFIED PARTY. Notwithstanding anything herein to the contrary, the Borrower's indemnification obligations to the parties specified in Section 9.1.4 hereof with respect to any securitization or Secondary Market Transaction described in Article IX hereof shall be limited to the indemnity set forth in Section 9.1.4 hereof. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party (which notice shall be timely given so as not to materially impair the Borrower's right to defend), shall assume the investigation and defense thereof, including the employment of counsel reasonably approved by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement, which approval shall not be unreasonably withheld. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and to participate in the investigation and defense thereof. The Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however, that

such Indemnified Party may only employ separate counsel at the expense of the Borrower if and only if in such Indemnified Party's good faith judgment (based on the advice of counsel) a conflict of interest exists or could arise by reason of common representation. IT IS THE INTENTION OF THE BORROWER THAT THE INDEMNITY CONTAINED HEREIN SHALL EXTEND TO LOSSES THAT ARE THE RESULT OF THE NEGLIGENCE OF AN INDEMNIFIED PARTY, excluding, however, any loss caused by an Indemnified Party's gross negligence or willful misconduct as provided herein.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Borrower Loan Agreement or the Regulatory Agreement, the Borrower shall remain obligated to indemnify the Governmental Lender, and each Indemnified Party pursuant to this Section 5.15 if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless the Governmental Lender, the Fiscal Agent, and the Funding Lender have consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

The rights of any persons to indemnity hereunder shall survive the final payment or defeasance of the Borrower Loan and the Governmental Lender Note and in the case of the Fiscal Agent or Servicer, any resignation or removal. The provisions of this Section 5.15 shall survive the termination of this Borrower Loan Agreement.

Section 5.16. No Warranty of Condition or Suitability by the Governmental Lender. THE GOVERNMENTAL LENDER MAKES NO WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE MORTGAGED PROPERTY OR ANY PORTION THEREOF, INCLUDING WITHOUT LIMITATION, THE HABITABILITY THEREOF; THE MERCHANTABILITY OR FITNESS THEREOF FOR ANY PARTICULAR PURPOSES; THE DESIGN OR CONDITION THEREOF; THE WORKMANSHIP, QUALITY, OR CAPACITY THEREOF; LATENT DEFECTS THEREIN; THE VALUE THEREOF; FUTURE PERFORMANCE OR THE COMPLIANCE THEREOF WITH ANY LEGAL REQUIREMENTS.

Section 5.17. Right of Access to the Project. The Borrower agrees that the Governmental Lender, the Funding Lender, the Fiscal Agent, the Servicer and the Construction Consultant, and their duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but no obligation at all reasonable times during business hours and upon reasonable notice, subject to the rights of tenants under tenant leases at the Project, to enter onto the Land (a) to examine, test and inspect the Project without material interference or prejudice to the Borrower's operations and (b) to perform such work in and about the Project made necessary by reason of the Borrower's default under any of the provisions of this Borrower Loan Agreement. The Governmental Lender, the Funding Lender, the Fiscal Agent, the Servicer, and their duly authorized agents, attorneys, accountants and representatives shall also be permitted, without any obligation to do so, at all reasonable times and upon reasonable notice during business hours, to examine the books and records of the Borrower with respect to the Project.

Section 5.18. Notice of Default. The Borrower will advise the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer promptly in writing of the occurrence of any Potential Default or Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.

Section 5.19. Covenant with Governmental Lender, the Fiscal Agent and Funding Lender. The Borrower agrees that this Borrower Loan Agreement is executed and delivered in part to induce the purchase by others of the Governmental Lender Note and, accordingly, all covenants and agreements of the Borrower contained in this Borrower Loan Agreement are hereby declared to be for the benefit of the Governmental Lender, the Funding Lender, the Fiscal Agent and any lawful owner, holder or pledgee of the Borrower Note or the Governmental Lender Note from time to time.

Section 5.20. Obligation of the Borrower to Construct or Rehabilitate the Project. The Borrower shall proceed with reasonable dispatch to construct or rehabilitate, as appropriate, and equip the Project. If the proceeds of the Borrower Loan, together with the Other Borrower Moneys, available to be disbursed to the Borrower are not sufficient to pay the costs of such construction or rehabilitation, as appropriate, and equipping, the Borrower shall pay such additional costs from its own funds. The Borrower shall not be entitled to any reimbursement from the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer in respect of any such costs or to any diminution or abatement in the repayment of the Borrower Loan. The Governmental Lender, the Fiscal Agent and the Funding Lender shall not be liable to the Borrower or any other person if for any reason the Project is not completed or if the proceeds of the Borrower Loan are insufficient to pay all costs of the Project. The Governmental Lender, the Fiscal Agent and the Funding Lender do not make any representation or warranty, either express or implied, that moneys, if any, which will be made available to the Borrower will be sufficient to complete the Project, and none of the Governmental Lender, the Fiscal Agent and the Funding Lender shall be liable to the Borrower or any other person if for any reason the Project is not completed.

Section 5.21. Maintenance of Insurance. Borrower will maintain the insurance required by the Security Instrument.

Section 5.22. Information; Statements and Reports. Borrower shall furnish or cause to be furnished to Governmental Lender and Funding Lender:

(a) Notice of Default. As soon as possible, and in any event not later than five (5) Business Days after Borrower has knowledge of the occurrence of any Event of Default or Potential Default, a statement of an Authorized Representative of Borrower describing the details of such Event of Default or Potential Default and any curative action Borrower proposes to take;

(b) Financial Statements; Rent Rolls. In the manner and to the extent required under the Security Instrument, such financial statements, expenses statements, rent rolls, reports and other financial documents and information as required by the Security Instrument and the other Borrower Loan Documents and Funding Loan Documents, in the form and within the time periods required therein;

(c) General Partner. As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of General Partner, copies of the financial statements of General Partner as of such date, prepared in substantially the form previously delivered to the Governmental Lender and Funding Lender and in a manner consistent therewith, or in such form (which may include a form prepared in accordance with GAAP) as Funding Lender may reasonably request;

(d) Leasing Reports. On a monthly basis (and in any event within fifteen (15) days after the end of each Calendar Month), a report of all efforts made by Borrower, if any, to lease all or any portion of the Project during such Calendar Month and on a cumulative basis since Project inception, which report shall be prepared and delivered by Borrower, shall be in form and substance satisfactory to Funding Lender, and shall, if requested by Funding Lender, be supported by copies of letters of intent, leases or occupancy agreements, as applicable;

(e) Audit Reports. Promptly upon receipt thereof, copies of all reports, if any, submitted to Borrower by independent public accountants in connection with each annual, interim or special audit of the financial statements of Borrower made by such accountants, including the comment letter submitted by such accountants to management in connection with their annual audit;

(f) Notices; Certificates or Communications. Immediately upon giving or receipt thereof, copies of any notices, certificates or other communications delivered at the Project or to Borrower or

General Partner naming Governmental Lender or Funding Lender as addressee or which could reasonably be deemed to affect the structural integrity of the Project or the ability of Borrower to perform its obligations under the Borrower Loan Documents and the Funding Loan Documents;

(g) Certification of Non-Foreign Status. Promptly upon request of Funding Lender from time to time, a Certification of Non-Foreign Status, executed on or after the date of such request by Funding Lender;

(h) Compliance Certificates. Together with each of the documents required pursuant to Section 5.22(b) hereof submitted by or on behalf of Borrower, a statement, in form and substance satisfactory to Funding Lender and certified by an Authorized Borrower Representative, to the effect that Borrower is in compliance with all covenants, terms and conditions applicable to Borrower, under or pursuant to the Borrower Loan Documents and the Funding Loan Documents and under or pursuant to any other Debt owing by Borrower to any Person, and disclosing any noncompliance therewith, and any Event of Default or Potential Default, and describing the status of Borrower's actions to correct such noncompliance, Event of Default or Potential Default, as applicable; and

(i) Other Items and Information. Such other information concerning the assets, business, financial condition, operations, property, prospects and results of operations of Borrower, General Partner, Guarantor or the Project, as Funding Lender or Governmental Lender reasonably requests from time to time.

Section 5.23. Additional Notices. Borrower will, promptly after becoming aware thereof, give notice to Funding Lender and the Governmental Lender of:

(a) any Lien affecting the Project, or any part thereof, other than Liens expressly permitted under this Borrower Loan Agreement;

(b) any Legal Action which is instituted by or against Borrower, General Partner or Guarantor, or any Legal Action which is threatened against Borrower, General Partner or Guarantor which, in any case, if adversely determined, could have a material adverse effect upon the business, operations, properties, assets, management, ownership or condition (financial or otherwise) of Borrower, General Partner, Guarantor or the Project;

(c) any Legal Action which constitutes an Event of Default or a Potential Default or a default under any other Contractual Obligation to which Borrower, General Partner or Guarantor is a party or by or to which Borrower, General Partner or Guarantor, or any of their respective properties or assets, may be bound or subject, which default would have a material adverse effect on the business, operations, assets (including the Project), or condition (financial or otherwise) of Borrower, General Partner or Guarantor, as applicable;

(d) any default, alleged default or potential default on the part of Borrower under any of the CC&R's (together with a copy of each notice of default, alleged default or potential default received from any other party thereto);

(e) any notice of default, alleged default or potential default on the part of Borrower received from any tenant or occupant of the Project under or relating to its lease or occupancy agreement (together with a copy of any such notice), if, in the aggregate, notices from at least fifteen percent (15%) of the tenants at the Project have been received by Borrower with respect to, or alleging, the same default, alleged default or potential default;

(f) any change or contemplated change in (i) the location of Borrower's or General Partner's executive headquarters or principal place of business; (ii) the legal, trade, or fictitious business names used by Borrower or General Partner; or (iii) the nature of the trade or business of Borrower; and

(g) any default, alleged default or potential default on the part of any general or limited partner (including, without limitation, General Partner and the Equity Investor) under the Partnership Agreement.

Section 5.24. Compliance with Other Agreements; Legal Requirements.

(a) Borrower shall timely perform and comply with, and shall cause General Partner to timely perform and comply with the covenants, agreements, obligations and restrictions imposed on them under the Partnership Agreement, and Borrower shall not do or permit to be done anything to impair any such party's rights or interests under any of the foregoing.

(b) Borrower will comply and, to the extent it is able, will require others to comply with, all Legal Requirements of all Governmental Authorities having jurisdiction over the Project or construction and/or rehabilitation of the Improvements, and will furnish Funding Lender with reports of any official searches for or notices of violation of any requirements established by such Governmental Authorities. Borrower will comply and, to the extent it is able, will require others to comply, with applicable CC&R's and all restrictive covenants and all obligations created by private contracts and leases which affect ownership, construction, rehabilitation, equipping, fixturing, use or operation of the Project, and all other agreements requiring a certain percentage of the Units to be rented to persons of low or moderate income. The Improvements, when completed, shall comply with all applicable building, zoning and other Legal Requirements, and will not violate any restrictions of record against the Project or the terms of any other lease of all or any portion of the Project. Funding Lender shall at all times have the right to audit upon reasonable notice to Borrower, at Borrower's expense, Borrower's compliance with any agreement requiring a certain percentage of the Units to be rented to persons of low or moderate income, and Borrower shall supply all such information with respect thereto as Funding Lender may request and otherwise cooperate with Funding Lender in any such audit. Without limiting the generality of the foregoing, Borrower shall properly obtain, comply with and keep in effect (and promptly deliver copies to Funding Lender of) all permits, licenses and approvals which are required to be obtained from Governmental Authorities in order to construct, occupy, operate, market and lease the Project.

Section 5.25. Completion and Maintenance of Project. Borrower shall cause the construction or rehabilitation, as the case may be, of the Improvements, to be prosecuted with diligence and continuity and completed substantially in accordance with the Plans and Specifications, and in accordance with the Construction Funding Agreement, free and clear of any liens or claims for liens (but without prejudice to Borrower's rights of contest under Section 10.16 hereof) ("Completion") on or before the Completion Date. Upon Completion, Borrower shall file or cause to be filed with Governmental Lender a Completion Certificate in the form attached as Exhibit B to this Borrower Loan Agreement. Borrower shall thereafter maintain the Project as a residential apartment complex in good order and condition, ordinary wear and tear excepted. A maintenance program shall be in place at all times to ensure the continuation of first class maintenance.

Section 5.26. Fixtures. Borrower shall deliver to Funding Lender, on demand, any contracts, bills of sale, statements, receipted vouchers or agreements under which Borrower or any other Person claims title to any materials, fixtures or articles incorporated into the Improvements.

Section 5.27. Income from Project. Borrower shall first apply all Gross Income to Expenses of the Project, including all amounts then required to be paid under the Borrower Loan Documents and the Funding Loan Documents and the funding of all sums necessary to meet the Replacement Reserve Fund

Requirement, before using or applying such Gross Income for any other purpose. Borrower shall not make or permit any distributions or other payments of Net Operating Income to its partners, shareholders or members, as applicable, in each case, without the prior Written Consent of Funding Lender or as permitted by the terms of the Construction Funding Agreement.

Section 5.28. Leases and Occupancy Agreements.

(a) Lease Approval.

(i) Borrower may enter into leases of space within the Improvements (and amendments to such leases) in the ordinary course of business with bona fide third party tenants without Funding Lender's prior Written Consent if:

(A) The lease is a Permitted Lease;

(B) Borrower, acting in good faith following the exercise of due diligence, has determined that the tenant meets requirements imposed under any applicable CC&R and is financially capable of performing all of its obligations under the lease; and

(C) The lease conforms to the Rent Schedule attached as an exhibit to the Construction Funding Agreement and reflects an arm's-length transaction, subject to the requirement that the Borrower comply with any applicable CC&R.

(ii) If any Event of Default has occurred and is continuing, Funding Lender may make written demand on Borrower to submit all future leases for Funding Lender's approval prior to execution. Borrower shall comply with any such demand by Funding Lender.

(iii) No approval of any lease by Funding Lender shall be for any purpose other than to protect Funding Lender's security for the Borrower Loan and to preserve Funding Lender's rights under the Borrower Loan Documents and the Funding Loan Documents. No approval by Funding Lender shall result in a waiver of any default of Borrower. In no event shall any approval by Funding Lender of a lease be a representation of any kind with regard to the lease or its enforceability, or the financial capacity of any tenant or guarantor.

(b) Landlord's Obligations. Borrower shall perform all obligations required to be performed by it as landlord under any lease affecting any part of the Project or any space within the Improvements.

(c) Leasing and Marketing Agreements. Except as may be contemplated in the Management Agreement with Borrower's Manager, Borrower shall not without the approval of Funding Lender enter into any leasing, management or marketing agreement and Funding Lender reserves the right to approve the qualifications of any marketing, management or leasing agent, such approvals not to be unreasonably delayed, withheld or conditioned.

Section 5.29. Project Agreements and Licenses. To the extent not heretofore delivered to Funding Lender, Borrower will furnish to Funding Lender, as soon as available, true and correct copies of all Project Agreements and Licenses and the Plans and Specifications, and, upon Funding Lender's request, assignments thereof to Funding Lender and consents to such assignments where required by Funding Lender, all in form and substance acceptable to Funding Lender. Neither Borrower nor General Partner has assigned or granted, or will assign or grant, a security interest in any of the Project Agreements and Licenses, other than to Funding Lender and the Taxable Construction Lender.

Section 5.30. Payment of Debt Payments. In addition to its obligations under the Borrower Note, Borrower will (i) duly and punctually pay or cause to be paid all principal of and interest on any Debt of Borrower as and when the same become due on or before the due date; (ii) comply with and perform all conditions, terms and obligations of other instruments or agreements evidencing or securing such Debt; (iii) promptly inform Funding Lender of any default, or anticipated default, under any such note, agreement, instrument; and (iv) forward to Funding Lender a copy of any notice of default or notice of any event that might result in default under any such note, agreement, instrument, including Liens encumbering the Project, or any portion thereof, which have been subordinated to the Security Instrument (regardless of whether or not permitted under this Borrower Loan Agreement).

Section 5.31. ERISA. Borrower will comply, and will cause each of its ERISA Affiliates to comply, in all respects with the provisions of ERISA.

Section 5.32. Patriot Act Compliance. Borrower shall use its good faith and commercially reasonable efforts to comply with the Patriot Act and all applicable requirements of Governmental Authorities having jurisdiction over Borrower and/or the Project, including those relating to money laundering and terrorism. Funding Lender shall have the right to audit Borrower's compliance with the Patriot Act and all applicable requirements of Governmental Authorities having jurisdiction over Borrower and/or the Project, including those relating to money laundering and terrorism. In the event that Borrower fails to comply with the Patriot Act or any such requirements of Governmental Authorities, then Funding Lender may, at its option, cause Borrower to comply therewith and any and all costs and expenses incurred by Funding Lender in connection therewith shall be secured by the Security Instrument and shall be immediately due and payable.

Borrower covenants that it shall comply with all Legal Requirements and internal requirements of Funding Lender relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect. Without limiting the foregoing, Borrower shall not take any action, or permit any action to be taken, that would cause Borrower's representations and warranties in Section 4.1.48 to become untrue and inaccurate at any time during the term of the Funding Loan. Upon any Beneficiary Party's request from time to time during the term of the Funding Loan, Borrower shall certify in writing to such Beneficiary Party that Borrower's representations, warranties and obligations under Section 4.1.48 remain true and correct and have not been breached, and in addition, upon request of any Beneficiary Party, Borrower covenants to provide all information required to satisfy obligations under all Legal Requirements and internal requirements of Funding Lender relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect, during the term of the Funding Loan. Borrower shall immediately notify the Funding Lender in writing of (a) Borrower's actual knowledge that any of such representations, warranties or covenants are no longer true and have been breached, (b) Borrower has a reasonable basis to believe that they may no longer be true and have been breached or (c) Borrower becomes the subject of an investigation by Governmental Authorities related to money laundering, anti-terrorism, trade embargos and economic sanctions. Borrower shall also reimburse Funding Lender for any expense incurred by Funding Lender in evaluating the effect of an investigation by Governmental Authorities on the Funding Loan and Funding Lender's interest in the collateral for the Funding Loan, in obtaining necessary license from Governmental Authorities as may be necessary for Funding Lender to enforce its rights under the Funding Loan Documents, and in complying with all Legal Requirements and internal requirements of Funding Lender relating to money laundering, anti-terrorism, trade embargos and economic sanctions, now or hereafter in effect applicable to Funding Lender as a result of the existence of such an event and for any penalties or fines imposed upon Funding Lender as a result thereof.

Section 5.33. Funds from Equity Investor. Borrower shall cause the Equity Investor to fund all installments of the Equity Contributions in the amounts and at the times subject and according to the terms and conditions of the Partnership Agreement.

Section 5.34. Tax Covenants. The Borrower further represents, warrants and covenants as follows:

(a) The Borrower represents, warrants and covenants that it shall not take any action, or fail to take any action or permit any action to be taken, if any such action or inaction would adversely affect the Federal Tax Status of the Governmental Lender Note. Without limiting the generality of the foregoing, the Borrower covenants that it will comply with the instructions and requirements of the Tax Exemption Agreement, which is incorporated herein as if set forth fully herein.

(b) The Borrower will, on a timely basis, provide the Governmental Lender with all necessary information and, with respect to the Borrower's rebate requirement or yield reduction payments (both as may be required under the Tax Exemption Agreement) required to be paid, all necessary funds, in addition to any funds that are then available for such purpose in the Rebate Fund, to enable the Governmental Lender to comply with all arbitrage and rebate requirements of the Code. To that end, the Borrower covenants and agrees to make such payments to the Fiscal Agent as are required of it under the Tax Exemption Agreement. The obligation of the Borrower to make such payments shall remain in effect and be binding upon the Borrower notwithstanding the release and discharge of the Funding Loan Agreement and the Borrower Loan Agreement.

The Borrower covenants that, notwithstanding any other provision of this Borrower Loan Agreement or any other instrument, the Borrower will take no action, nor shall it direct the Fiscal Agent to take any action, to invest or use proceeds of the Governmental Lender Note or the Borrower Note, or any other moneys which may arise out of or in connection with this Borrower Loan Agreement, the Funding Loan Agreement or the Project that would cause the Governmental Lender Note to be treated as an "arbitrage bond" within the meaning of Section 148 of the Code. In addition, the Borrower covenants and agrees to comply with the requirements of Section 148(f) of the Code as it may be applicable to the Governmental Lender Note or the proceeds derived from the sale of the Governmental Lender Note or any other moneys which may arise out of, or in connection with, this Borrower Loan Agreement, the Funding Loan Agreement or the Project throughout the term of the Governmental Lender Note. No provision of this Borrower Loan Agreement shall be construed to impose upon the Fiscal Agent any obligation or responsibility for compliance with Section 148 of the Code or the Regulations promulgated thereunder.

(c) Neither the Borrower nor any "related party" to the Borrower within the meaning of Section 1.150-1(b) of the Regulations is permitted to purchase the Governmental Lender Note in an amount related to the Borrower Loan.

(d) For purposes of complying with their respective obligations under this Section and the Tax Exemption Agreement, the Governmental Lender and the Borrower may rely upon the advice of Governmental Lender Counsel retained by the Governmental Lender or the Borrower.

Section 5.35. Covenants Regarding Project.

Eligible Tenants. Substantially all of the Units will be rented to Eligible Tenants and the Borrower will not rent or lease any Unit to a person not an Eligible Tenant.

Section 5.36. Covenants under Funding Loan Agreement. The Borrower will fully and faithfully perform all the duties and obligations which the Governmental Lender has covenanted and agreed in the Funding Loan Agreement to cause the Borrower to perform and any duties and obligations which the Borrower is required in the Funding Loan Agreement to perform. The foregoing will not apply to any duty or undertaking of the Governmental Lender which by its nature cannot be delegated or assigned.

Section 5.37. Notice of Default. The Borrower will advise the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer promptly in writing after Borrower has knowledge of the occurrence of any Potential Default or Event of Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto.

Section 5.38. Continuing Disclosure Agreement. The Borrower and the Funding Lender shall enter into the Continuing Disclosure Agreement to provide for the continuing disclosure of information about the Governmental Lender Note, the Borrower and other matters as specifically provided for in such agreement.

ARTICLE VI

NEGATIVE COVENANTS

Borrower hereby covenants and agrees as follows, which covenants shall remain in effect so long as any Borrower Payment Obligation or other obligation of Borrower under any of the other Borrower Loan Documents or the Funding Loan Documents remains outstanding or unperformed. Borrower covenants and agrees that it will not, directly or indirectly:

Section 6.1. Management Agreement. Without first obtaining the Funding Lender's prior Written Consent, enter into the Management Agreement, and thereafter the Borrower shall not, without the Funding Lender's prior Written Consent (which consent shall not be unreasonably withheld) and subject to the Regulatory Agreement: (i) surrender, terminate or cancel the Management Agreement or otherwise replace the Manager or enter into any other management agreement; (ii) reduce or consent to the reduction of the term of the Management Agreement; (iii) increase or consent to the increase of the amount of any charges under the Management Agreement; (iv) otherwise modify, change, supplement, alter or amend in any material respect, or waive or release in any material respect any of its rights and remedies under, the Management Agreement; or (v) suffer or permit the occurrence and continuance of a default beyond any applicable cure period under the Management Agreement (or any successor management agreement) if such default permits the Manager to terminate the Management Agreement (or such successor management agreement); provided, however, that Funding Lender's prior Written Consent shall not be required for any extension or renewal of the Management Agreement on the same terms and conditions.

Section 6.2. Dissolution. Dissolve or liquidate, in whole or in part, merge with or consolidate into another Person.

Section 6.3. Change in Business or Operation of Property. Enter into any line of business other than the ownership and operation of the Project, or make any material change in the scope or nature of its business objectives, purposes or operations, or undertake or participate in activities other than the continuance of its present business and activities incidental or related thereto or otherwise cease to operate the Project as a multi-family property or terminate such business for any reason whatsoever (other than temporary cessation in connection with construction or rehabilitation, as appropriate, of the Project).

Section 6.4. Debt Cancellation. Cancel or otherwise forgive or release any claim or debt owed to the Borrower by a Person, except for adequate consideration or in the ordinary course of the Borrower's business in its reasonable judgment.

Section 6.5. Assets. Purchase or own any real property or personal property incidental thereto other than the Project.

Section 6.6. Transfers. Make, suffer or permit the occurrence of any Transfer other than a transfer permitted under the Security Instrument, nor transfer any material License required for the operation of the Project; provided any such Transfer shall comply with Section 10 of the Regulatory Agreement.

Section 6.7. Debt. Other than as expressly approved in writing by the Funding Lender, create, incur or assume any indebtedness for borrowed money (including subordinate debt) whether unsecured or secured by all or any portion of the Project or interest therein or in the Borrower or any partner thereof (including subordinate debt) other than (i) the Borrower Payment Obligations, (ii) the Taxable Construction Loan, (iii) secured indebtedness incurred pursuant to or permitted by the Borrower Loan Documents and the Funding Loan Documents, (iv) trade payables incurred in the ordinary course of business, and (v) debt contemplated by the Partnership Agreement, which debt is subordinate to the Borrower Loan and subject to complete standstill, provided that such debt is unsecured and subordinate.

Section 6.8. Assignment of Rights. Without the Funding Lender's prior Written Consent, attempt to assign the Borrower's rights or interest under any Borrower Loan Document or Funding Loan Document in contravention of any Borrower Loan Document or Funding Loan Document.

Section 6.9. Principal Place of Business. Change its principal place of business without providing 30 days' prior Written Notice of the change to the Funding Lender, the Governmental Lender, the Fiscal Agent and the Servicer.

Section 6.10. Partnership Agreement. Without the Funding Lender's prior Written Consent (which consent shall not be unreasonably withheld) surrender, terminate, cancel, modify, change, supplement, alter or amend in any material respect, or waive or release in any material respect, any of its rights or remedies under the Partnership Agreement; provided, however, the consent of Funding Lender is not required for an amendment of the Partnership Agreement resulting solely from the "Permitted Transfer" of partnership interests of Borrower as defined in and permitted by the Security Instrument.

Section 6.11. ERISA. Maintain, sponsor, contribute to or become obligated to contribute to, or suffer or permit any ERISA Affiliate of the Borrower to, maintain, sponsor, contribute to or become obligated to contribute to, any Plan, or permit the assets of the Borrower to become "plan assets," whether by operation of law or under regulations promulgated under ERISA.

Section 6.12. No Hedging Arrangements. Without the prior Written Consent of the Funding Lender and Written Notice to the Governmental Lender or unless otherwise required by this Borrower Loan Agreement, the Borrower will not enter into or guarantee, provide security for or otherwise undertake any form of contractual obligation with respect to any interest rate swap, interest rate cap or other arrangement that has the effect of an interest rate swap or interest rate cap or that otherwise (directly or indirectly, derivatively or synthetically) hedges interest rate risk associated with being a debtor of variable rate debt or any agreement or other arrangement to enter into any of the above on a future date or after the occurrence of one or more events in the future.

Section 6.13. Loans and Investments; Distributions; Related Party Payments.

(a) Without the prior Written Consent of Funding Lender in each instance, Borrower shall not (i) lend money, make investments, or extend credit, other than in the ordinary course of its business as presently conducted; or (ii) repurchase, redeem or otherwise acquire any interest in Borrower, any Borrower Affiliate or any other Person owning an interest, directly or indirectly, in Borrower, or, make any distribution, in cash or in kind, in respect of interests in Borrower, any Borrower Affiliate or any other

Person owning an interest, directly or indirectly, in Borrower (except to the extent permitted by the Security Instrument and subject to the limitations set forth in Section 5.27 hereof).

(b) Disbursements for fees and expenses of any Borrower Affiliate and developer fees (however characterized) will only be paid to the extent that such fee or expense bears a proportionate relationship to the percentage of completion of the construction or rehabilitation, as the case may be, of the Improvements, as determined by the Construction Consultant, and only after deducting the applicable Retainage. Except as otherwise permitted by the Funding Lender, no Disbursements for the Developer Fee or any "deferred developer fees" shall be made other than in accordance with the Approved Developer Fee Schedule.

Section 6.14. Amendment of Related Documents or CC&R's. Without the prior Written Consent of Funding Lender in each instance, except as provided herein or in the Construction Funding Agreement, Borrower shall not enter into or consent to any amendment, termination, modification, or other alteration of any of the Related Documents or any of the CC&R's (including, without limitation, those contained in this Borrower Loan Agreement, any Architect's Agreement or Engineer's Contract, any Construction Contract, and any Management Agreement, but excluding the Partnership Agreement, which is covered by Section 6.10), or any assignment, transfer, pledge or hypothecation of any of its rights thereunder, if any.

Section 6.15. Personal Property. Borrower shall not install materials, personal property, equipment or fixtures subject to any security agreement or other agreement or contract wherein the right is reserved to any Person other than Borrower to remove or repossess any such materials, equipment or fixtures, or whereby title to any of the same is not completely vested in Borrower at the time of installation, without Funding Lender's prior Written Consent; provided, however, that this Section 6.15 shall not apply to laundry equipment or other equipment that is owned by a third-party vendor and commercial tenants.

Section 6.16. Fiscal Year. Without Funding Lender's Written Consent, which shall not be unreasonably withheld, neither Borrower nor General Partner shall change the times of commencement or termination of its fiscal year or other accounting periods, or change its methods of accounting, other than to conform to GAAP.

Section 6.17. Publicity. Neither Borrower nor General Partner shall issue any publicity release or other communication to any print, broadcast or on-line media, post any sign or in any other way identify Funding Lender or any of its Affiliates as the source of the financing provided for herein, without the prior written approval of Funding Lender in each instance (provided that nothing herein shall prevent Borrower or General Partner from identifying Funding Lender or its Affiliates as the source of such financing to the extent that Borrower or General Partner are required to do so by disclosure requirements applicable to publicly held companies, or as otherwise required by applicable law). Borrower and General Partner agree that no sign shall be posted on the Project in connection with the construction or rehabilitation of the Improvements unless such sign identifies Citigroup and its affiliates as the source of the financing provided for herein or Funding Lender consents to not being identified on any such sign.

Section 6.18. Other Loan Documents. Without Funding Lender's prior written consent, Borrower will not surrender, terminate, cancel, modify, change, supplement, alter, amend, waive, release, assign, transfer, pledge or hypothecate any of its rights or remedies under the Taxable Loan Documents.

Section 6.19. Ground Lease. Without the Funding Lender's prior written consent, the Borrower will not surrender, terminate, cancel, modify, change, supplement, alter, amend, waive, release, assign, transfer, pledge or hypothecate any of its rights or remedies under the Ground Lease.

Section 6.20. State Law Verifications. The Borrower makes the following verifications, representation and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code (the "Government Code"), each as heretofore amended, in entering into this Agreement. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the Borrower within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of this Agreement shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Agreement, notwithstanding anything in this Agreement to the contrary.

The Borrower represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153, Government Code or Section 2270.0201, Government Code. The foregoing representation excludes the Borrower such entity's parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

For purposes of Chapter 2271, Government Code, Chapter 2274, Government Code, and Chapter 2276, Government Code, the Borrower hereby represents that it does not have at least 10 full-time employees.

ARTICLE VII

RESERVED

ARTICLE VIII

DEFAULTS

Section 8.1. Events of Default. Each of the following events shall constitute an "Event of Default" under this Borrower Loan Agreement:

(a) failure by the Borrower to pay any Borrower Loan Payment in the manner and on the date such payment is due in accordance with the terms and provisions of the Borrower Note, or the failure by the Borrower to pay any Additional Borrower Payment on the date such payment is due in accordance with the terms and provisions of the Borrower Note, the Security Instrument, this Borrower Loan Agreement or any other Borrower Loan Document;

(b) failure by or on behalf of the Borrower to pay when due any amount (other than as provided in subsection (a) above or elsewhere in this Section 8.1) required to be paid by the Borrower under this Borrower Loan Agreement, the Borrower Note, the Security Instrument or any of the other Borrower Loan Documents or Funding Loan Documents, including a failure to repay any amounts that have been previously paid but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings, which default remains uncured for a period of five (5) days after Written Notice thereof shall have been given to the Borrower;

(c) an Event of Default, as defined by the Borrower Note, the Security Instrument or any other Borrower Loan Document, occurs (or to the extent an "Event of Default" is not defined in any other Borrower Loan Document, any default or breach by the Borrower or any Guarantor of its obligations, covenants, representations or warranties under such Borrower Loan Document occurs and any applicable notice and/or cure period has expired);

(d) any representation or warranty made by any of the Borrower, the Guarantor or the General Partner in any Borrower Loan Document or Funding Loan Document to which it is a party, or in any report, certificate, financial statement or other instrument, agreement or document furnished by the Borrower, the Guarantor or the General Partner in connection with any Borrower Loan Document or Funding Loan Document, shall be false or misleading in any material respect as of the Closing Date;

(e) the Borrower shall make a general assignment for the benefit of creditors, or shall generally not be paying its debts as they become due;

(f) the Borrower Controlling Entity shall make a general assignment for the benefit of creditors, shall generally not be paying its debts as they become due, or an Act of Bankruptcy with respect to the Borrower Controlling Entity shall occur, unless in all cases the Borrower Controlling Entity is replaced with a substitute Borrower Controlling Entity that satisfies the requirements of Section 21 of the Security Instrument; which, in the case of a non-profit Borrower Controlling Entity, may be replaced within sixty (60) days of such event with another non-profit Borrower Controlling Entity acceptable to the Funding Lender, in which case no Event of Default shall be deemed to have occurred;

(g) any portion of Borrower Deferred Equity to be made by Equity Investor and required for (i) completion of the construction or rehabilitation, as the case may be, of the Improvements or (iii) the operation of the Improvements, is not received in accordance with the Partnership Agreement after the expiration of all applicable notice and cure periods;

(h) the failure by Borrower or any ERISA Affiliate of Borrower to comply in all respects with ERISA, or the occurrence of any other event (with respect to the failure of Borrower or any ERISA Affiliate to pay any amount required to be paid under ERISA or with respect to the termination of, or withdrawal of Borrower or any ERISA Affiliate from, any employee benefit or welfare plan subject to ERISA) the effect of which is to impose upon Borrower (after giving effect to the tax consequences thereof) for the payment of any amount in excess of Fifty Thousand Dollars ($50,000);

(i) a Bankruptcy Event shall occur with respect to Borrower, any General Partner or Guarantor, or there shall be a change in the assets, liabilities or financial position of any such Person which has a material adverse effect upon the ability of such Person to perform such Person's obligations under this Borrower Loan Agreement, any other Borrower Loan Document or any Related Document, provided that any such Bankruptcy Event with respect to a Guarantor shall not constitute an Event of Default: (i) if such Bankruptcy Event occurs on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such Bankruptcy Event occurs prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(j) all or any part of the property of Borrower is attached, levied upon or otherwise seized by legal process, and such attachment, levy or seizure is not quashed, stayed or released: (i) prior to completion of the construction or rehabilitation, as the case may be, of the Improvements, within ten (10) days of the date thereof or (ii) after completion of the construction or rehabilitation, as the case may be, of the Improvements, within thirty (30) days of the date thereof;

(k) subject to Section 10.16 hereof, Borrower fails to pay when due any monetary obligation (other than pursuant to this Borrower Loan Agreement) to any Person in excess of $100,000, and such failure continues beyond the expiration of any applicable cure or grace periods;

(l) any material litigation or proceeding is commenced before any Governmental Authority against or affecting Borrower, any General Partner or Guarantor, or property of Borrower, any General Partner or Guarantor, or any part thereof, and such litigation or proceeding is not defended diligently and in good faith by Borrower, any General Partner or Guarantor, as applicable, provided that any such material litigation or proceeding against a Guarantor shall not constitute an Event of Default: (i) if such material litigation is commenced on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such material litigation or proceeding is commenced prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(m) a final judgment or decree for monetary damages in excess of $50,000 or a monetary fine or penalty (not subject to appeal or as to which the time for appeal has expired) is entered against Borrower, any General Partner or Guarantor by any Governmental Authority, and such judgment, decree, fine or penalty is not paid and discharged or stayed (i) prior to completion of the construction or rehabilitation, as the case may be, of the Improvements, within ten (10) days after entry thereof or (ii) after completion of the construction or rehabilitation, as the case may be, of the Improvements, within thirty (30) days after entry thereof (or such longer period as may be permitted for payment by the terms of such judgment, fine or penalty) , provided that any such judgment, decree, fine or penalty against a Guarantor shall not constitute an Event of Default: (i) if such judgment, decree, fine or penalty is entered on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such judgment, decree, fine or penalty is entered prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(n) a final, un-appealable and uninsured money judgment or judgments, in favor of any Person other than a Governmental Authority, in the aggregate sum of $50,000 or more shall be rendered against Borrower, any General Partner or Guarantor, or against any of their respective assets, that is not paid, superseded or stayed (i) prior to completion of the construction or rehabilitation, as the case may be, of the Improvements, within ten (10) days after entry thereof or (ii) after completion of the construction or rehabilitation, as the case may be, of the Improvements, within thirty (30) days after entry thereof (or such longer period as may be permitted for payment by the terms of such judgment); or any levy of execution, writ or warrant of attachment, or similar process, is entered or filed against Borrower, any General Partner or Guarantor, or against any of their respective assets (that is likely to have a material adverse effect upon the ability of Borrower, any General Partner or Guarantor to perform their respective obligations under this Borrower Loan Agreement, any other Borrower Loan Document or any Related Document), and such judgment, writ, warrant or process shall remain unsatisfied, unsettled, unvacated, unhanded and unstayed (i) prior to completion of the construction or rehabilitation, as the case may be, of the Improvements, for a period of ten (10) days or (ii) after completion of the construction or rehabilitation, as the case may be, of

the Improvements, for a period of thirty (30) days, or in any event later than five (5) Business Days prior to the date of any proposed sale thereunder, provided that any such judgment, levy, writ, warrant, attachment or similar process against a Guarantor shall not constitute an Event of Default: (i) if such judgment, levy, writ, warrant, attachment or similar process is entered on or after the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor), or (ii) if such judgment, levy, writ, warrant, attachment or similar process is entered prior to the date upon which the Guaranty terminates in accordance with its terms (or the date upon which all of the Guaranties have terminated in accordance with their terms, if more than one Guaranty was executed by such Guarantor) and the Borrower replaces such Guarantor with a person or entity satisfying the Funding Lender's mortgage credit standards for principals and acceptable to the Funding Lender in its sole and absolute discretion within thirty (30) days after notice thereof from the Funding Lender;

(o) the inability of Borrower to satisfy any condition for the receipt of a Disbursement hereunder (other than an Event of Default specifically addressed in this Section 8.1) and failure to resolve the situation to the satisfaction of Funding Lender for a period in excess of thirty (30) days after Written Notice from Funding Lender unless (i) such inability shall have been caused by conditions beyond the control of Borrower, including, without limitation, acts of God or the elements, fire, strikes and disruption of shipping; (ii) Borrower shall have made adequate provision, acceptable to Funding Lender, for the protection of materials stored on-site or off-site and for the protection of the Improvements to the extent then constructed against deterioration and against other loss or damage or theft; (iii) Borrower shall furnish to Funding Lender satisfactory evidence that such cessation of construction or rehabilitation will not adversely affect or interfere with the rights of Borrower under labor and materials contracts or subcontracts relating to the construction or operation of the Improvements; and (iv) Borrower shall furnish to Funding Lender satisfactory evidence that the completion of the construction or rehabilitation of the Improvements can be accomplished by the Completion Date;

(p) the construction or rehabilitation of the Improvements is abandoned or halted prior to completion for any period of thirty (30) consecutive days, subject to Force Majeure;

(q) Borrower shall fail to keep in force and effect any material permit, license, consent or approval required under this Borrower Loan Agreement, or any Governmental Authority with jurisdiction over the Mortgaged Property or the Project orders or requires that construction or rehabilitation of the Improvements be stopped, in whole or in part, or that any required approval, license or permit be withdrawn or suspended, and the order, requirement, withdrawal or suspension remains in effect for a period of thirty (30) days, subject to Force Majeure;

(r) failure by the Borrower to Substantially Complete the construction or rehabilitation, as the case may be, of the Improvements in accordance with this Borrower Loan Agreement on or prior to the Substantial Completion Date, subject to Force Majeure;

(s) failure by Borrower to complete the construction or rehabilitation, as the case may be, of the Improvements in accordance with this Borrower Loan Agreement on or prior to the Completion Date; provided that such cessation of construction or rehabilitation shall not constitute an Event of Default if (i) such cessation of construction or rehabilitation shall have been caused by unforeseeable conditions beyond the reasonable control of Borrower, including, without limitation, acts of God or the elements, fire, strikes, disruption of shipping, and acts of terrorism; (ii) Borrower notifies Funding Lender of such condition in writing within fifteen (15) days, and such cessation does not exceed an aggregate period of sixty (60) consecutive days; (iii) Borrower shall have made adequate provision, acceptable to Funding Lender, for the protection of materials stored on-site or off-site and for the protection of the Improvements to the extent then constructed against deterioration and against other loss or damage or theft; and

(iv) Borrower shall furnish to Funding Lender satisfactory evidence that such cessation of construction or rehabilitation will not adversely affect or interfere with the rights of Borrower under labor and materials contracts or subcontracts relating to the construction or operation of the Improvements.

(t) Reserved;

(u) failure by the Taxable Construction Lender to disburse the proceeds of its Taxable Loan in approximately such amounts and at approximately such times as set forth in the Cost Breakdown and in the Taxable Loan Documents;

(v) an "Event of Default" or "Default" (as defined in the applicable agreement) shall occur under any of the Taxable Loan Documents;

(w) an "Event of Default" or "Default" (as defined in the applicable agreement) shall occur under the Ground Lease;

(x) Borrower fails to obtain all grading, foundation, building and all other construction permits, licenses and authorizations from all applicable Governmental Authorities or third parties necessary for the completion of the construction or rehabilitation, as the case may be, of the Improvements, and the operation of, and access to, the Project, within fifteen (15) days after the Closing Date; or

(y) any failure by the Borrower to perform or comply with any of its obligations under this Borrower Loan Agreement (other than those specified in this Section 8.1), as and when required, which continues for a period of thirty (30) days after written notice of such failure by Funding Lender or the Servicer on its behalf to the Borrower and the Equity Investor; provided, however, if such failure is susceptible of cure but cannot reasonably be cured within such thirty (30) day period, and the Borrower shall have commenced to cure such failure within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for an additional period of time as is reasonably necessary for the Borrower in the exercise of due diligence to cure such failure, such additional period not to exceed sixty (60) days. However, no such notice or grace period shall apply to the extent such failure could, in the Funding Lender's judgment, absent immediate exercise by the Funding Lender of a right or remedy under this Borrower Loan Agreement, result in harm to the Funding Lender, impairment of the Borrower Note or this Borrower Loan Agreement or any security given under any other Borrower Loan Document.

Section 8.2. Remedies.

Section 8.2.1. Acceleration. Upon the occurrence of an Event of Default (other than an Event of Default described in paragraph (e), (f) or (i) of Section 8.1) and at any time and from time to time thereafter, as long as such Event of Default continues to exist, in addition to any other rights or remedies available to the Governmental Lender pursuant to the Borrower Loan Documents or at law or in equity, the Funding Lender may, take such action (whether directly or by directing the actions of the Fiscal Agent), without notice or demand, as the Funding Lender deems advisable to protect and enforce its rights against the Borrower and in and to the Project, including declaring the Borrower Payment Obligations to be immediately due and payable (including, without limitation, the principal of, Prepayment Premium, if any, and interest on and all other amounts due on the Borrower Note to be immediately due and payable), without notice or demand, and apply such payment of the Borrower Payment Obligations in any manner and in any order determined by Funding Lender, in Funding Lender's sole and absolute discretion; and upon any Event of Default described in paragraph (e), (f) or (i) of Section 8.1, the Borrower Payment Obligations shall become immediately due and payable, without notice or demand, and the Borrower hereby expressly waives

any such notice or demand, anything contained in any Borrower Loan Document to the contrary notwithstanding. Notwithstanding anything herein to the contrary, enforcement of remedies hereunder and under the Funding Loan Agreement shall be controlled by the Funding Lender.

Section 8.2.2. Remedies Cumulative. Upon the occurrence and continuation of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to the Funding Lender or the Fiscal Agent against the Borrower under the Borrower Loan Documents or at law or in equity may be exercised by the Funding Lender, at any time and from time to time, whether or not all or any of the Borrower Payment Obligations shall be declared due and payable, and whether or not the Funding Lender shall have commenced any foreclosure proceeding or other action for the enforcement of its rights and remedies under any of the Borrower Loan Documents. Any such actions taken by the Funding Lender shall be cumulative and concurrent and may be pursued independently, singly, successively, together or otherwise, at such time and in such order as the Funding Lender may determine in its sole discretion, to the fullest extent permitted by law, without impairing or otherwise affecting the other rights and remedies of the Funding Lender permitted by law, equity or contract or as set forth in the Borrower Loan Documents. Without limiting the generality of the foregoing, the Borrower agrees that if an Event of Default is continuing, all Liens and other rights, remedies or privileges provided to the Funding Lender shall remain in full force and effect until it has exhausted all of its remedies, the Security Instrument has been foreclosed, the Project has been sold and/or otherwise realized upon satisfaction of the Borrower Payment Obligations or the Borrower Payment Obligations have been paid in full. To the extent permitted by applicable law, nothing contained in any Borrower Loan Document shall be construed as requiring the Funding Lender to resort to any portion of the Project for the satisfaction of any of the Borrower Payment Obligations in preference or priority to any other portion, and the Funding Lender may seek satisfaction out of the entire Project or any part thereof, in its absolute discretion.

Notwithstanding any provision herein to the contrary, the Governmental Lender and the Funding Lender agree that any cure of any default made or tendered by the Equity Investor or a Guarantor shall be deemed to be a cure by the Borrower and shall be accepted or rejected on the same basis as if made or tendered by the Borrower.

Section 8.2.3. Delay. No delay or omission to exercise any remedy, right, power accruing upon an Event of Default, or the granting of any indulgence or compromise by the Funding Lender or the Fiscal Agent shall impair any such remedy, right or power hereunder or be construed as a waiver thereof, but any such remedy, right or power may be exercised from time to time and as often as may be deemed expedient. A waiver of one Potential Default or Event of Default shall not be construed to be a waiver of any subsequent Potential Default or Event of Default or to impair any remedy, right or power consequent thereon. Notwithstanding any other provision of this Borrower Loan Agreement, the Funding Lender and the Fiscal Agent reserve the right to seek a deficiency judgment or preserve a deficiency claim, in connection with the foreclosure of the Security Instrument to the extent necessary to foreclose on the Project, the Rents, the funds or any other collateral.

Section 8.2.4. Set Off; Waiver of Set Off. Upon the occurrence of an Event of Default, Funding Lender may, at any time and from time to time, without notice to Borrower or any other Person (any such notice being expressly waived), set off and appropriate and apply (against and on account of any obligations and liabilities of the Borrower to the Funding Lender or the Fiscal Agent arising under or connected with this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents, irrespective of whether or not Funding Lender shall have made any demand therefor, and although such obligations and liabilities may be contingent

or unmatured), and Borrower hereby grants to Funding Lender, as security for the Borrower Payment Obligations, a security interest in, any and all deposits (general or special, including but not limited to Debt evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other Debt at any time held or owing by Funding Lender to or for the credit or the account of Borrower.

Section 8.2.5. Assumption of Obligations. In the event that the Funding Lender or its assignee or designee shall become the legal or beneficial owner of the Project by foreclosure or deed in lieu of foreclosure, such party shall succeed to the rights and the obligations of the Borrower under this Borrower Loan Agreement, the Borrower Note, the Regulatory Agreement, and any other Borrower Loan Documents and Funding Loan Documents to which the Borrower is a party. Such assumption shall be effective from and after the effective date of such acquisition and shall be made with the benefit of the limitations of liability set forth therein and without any liability for the prior acts of the Borrower.

Section 8.2.6. Accounts Receivable. Upon the occurrence of an Event of Default, Funding Lender shall have the right, to the extent permitted by law, to impound and take possession of books, records, notes and other documents evidencing Borrower's accounts, accounts receivable and other claims for payment of money, arising in connection with the Project, and to make direct collections on such accounts, accounts receivable and claims for the benefit of Funding Lender.

Section 8.2.7. Defaults under Other Documents. Funding Lender shall have the right to cure any default under any of the Related Documents and the Taxable Loan Documents, but shall have no obligation to do so.

Section 8.2.8. Abatement of Disbursements. Notwithstanding any provision to the contrary herein or any of the other Borrower Loan Documents or the Funding Loan Documents, Funding Lender's obligation to make further Disbursements shall abate (i) during the continuance of any Potential Default, (ii) after any disclosure to Funding Lender of any fact or circumstance that, absent such disclosure, would cause any representation or warranty of Borrower to fail to be true and correct in all material respects, unless and until Funding Lender elects to permit further Disbursements notwithstanding such event or circumstance; and (iii) upon the occurrence of any Event of Default.

Section 8.2.9. Completion of Improvements. Upon the occurrence of any Event of Default, Funding Lender shall have the right to cause an independent contractor selected by Funding Lender to enter into possession of the Project and to perform any and all work and labor necessary for the completion of the Project substantially in accordance with the Plans and Specifications, if any, and to perform Borrower's obligations under this Borrower Loan Agreement. All sums expended by Funding Lender for such purposes shall be deemed to have been disbursed to and borrowed by Borrower and shall be secured by the Security Documents.

Section 8.2.10. Right to Directly Enforce. Notwithstanding any other provision hereof to the contrary, the Funding Lender shall have the right to directly enforce all rights and remedies hereunder with or without involvement of the Governmental Lender or the Fiscal Agent, provided that only the Governmental Lender may enforce the Reserved Rights. In the event that any of the provisions set forth in this Section 8.2.10 are inconsistent with the covenants, terms and conditions of the Security Instrument, the covenants, terms and conditions of the Security Instrument shall prevail.

Section 8.2.11. Power of Attorney. Effective upon the occurrence of an Event of Default, and continuing until and unless such Event of Default is cured or waived, Borrower hereby constitutes and appoints Funding Lender, or an independent contractor selected by Funding Lender, as its true and lawful attorney-in-fact with full power of substitution, for the purposes of completion of the Project and performance of Borrower's obligations under this Borrower Loan Agreement in the name of Borrower, and hereby empowers said attorney-in-fact to do any or all of the following upon the occurrence and continuation of an Event of Default (it being understood and agreed that said power of attorney shall be deemed to be a power coupled with an interest which cannot be revoked until full payment and performance of all obligations under this Borrower Loan Agreement and the other Borrower Loan Documents and the Funding Loan Documents):

(a) to use any of the funds of Borrower or General Partner, including any balance of the Borrower Loan, as applicable, and any funds which may be held by Funding Lender for Borrower (including all funds in all deposit accounts in which Borrower has granted to Funding Lender a security interest), for the purpose of effecting completion of the construction or rehabilitation, as the case may be, of the Improvements, in the manner called for by the Plans and Specifications;

(b) to make such additions, changes and corrections in the Plans and Specifications as shall be necessary or desirable to complete the Project in substantially the manner contemplated by the Plans and Specifications;

(c) to employ any contractors, subcontractors, agents, architects and inspectors required for said purposes;

(d) to employ attorneys to defend against attempts to interfere with the exercise of power granted hereby;

(e) to pay, settle or compromise all existing bills and claims which are or may be liens against the Project or the Improvements, or may be necessary or desirable for the completion of the construction or rehabilitation, as the case may be, of the Improvements, or clearance of objections to or encumbrances on title;

(f) to execute all applications and certificates in the name of Borrower, which may be required by any other construction contract;

(g) to prosecute and defend all actions or proceedings in connection with the Project and to take such action, require such performance and do any and every other act as is deemed necessary with respect to the completion of the construction or rehabilitation, as the case may be, of the Improvements, which Borrower might do on its own behalf;

(h) to let new or additional contracts to the extent not prohibited by their existing contracts;

(i) to employ watchmen and erect security fences to protect the Project from injury; and

(j) to take such action and require such performance as it deems necessary under any of the bonds or insurance policies to be furnished hereunder, to make settlements and compromises with the sureties or insurers thereunder, and in connection therewith to execute instruments of release and satisfaction.

It is the intention of the parties hereto that upon the occurrence and continuance of an Event of Default, rights and remedies may be pursued pursuant to the terms of the Borrower Loan Documents and the Funding Loan Documents. The parties hereto acknowledge that, among the possible outcomes to the pursuit of such remedies, is the situation where the Funding Lender assignees or designees become the owner of the Project and assume the obligations identified above, and the Borrower Note, the Borrower Loan and the other Borrower Loan Documents and Funding Loan Documents remain outstanding.

ARTICLE IX

SPECIAL PROVISIONS

Section 9.1. Sale of Governmental Lender Note and Secondary Market Transaction.

Section 9.1.1. Cooperation. Subject to the restrictions of Section 2.6 of the Funding Loan Agreement, at the Funding Lender's or the Servicer's request (to the extent not already required to be provided by the Borrower under this Borrower Loan Agreement), the Borrower shall use reasonable efforts to satisfy the market standards to which the Funding Lender or the Servicer customarily adheres or which may be reasonably required in the marketplace or by the Funding Lender or the Servicer in connection with one or more sales or assignments of all or a portion of the Governmental Lender Note and the Funding Loan or participations therein or securitizations of single or multi-class securities (the "Securities") secured by or evidencing ownership interests in all or a portion of the Governmental Lender Note and the Funding Loan (each such sale, assignment and/or securitization, a "Secondary Market Transaction"); provided that the Borrower shall not incur any third party or other out-of-pocket costs and expenses in connection with a Secondary Market Transaction, including the costs associated with the delivery of any Provided Information or any opinion required in connection therewith, and all such costs shall be paid by the Funding Lender or the Servicer, and shall not materially modify Borrower's rights or obligations. Without limiting the generality of the foregoing, the Borrower shall, so long as the Borrower Loan is still outstanding:

(a) (i) provide such financial and other information with respect to the Borrower Loan, and with respect to the Project, the Borrower, the Manager, the contractor of the Project or the Borrower Controlling Entity, (ii) provide financial statements, audited, if available, relating to the Project with customary disclaimers for any forward looking statements or lack of audit, and (iii), at the expense of the Funding Lender or the Servicer, perform or permit or cause to be performed or permitted such site inspection, appraisals, surveys, market studies, environmental reviews and reports (Phase I's and, if appropriate, Phase II's), engineering reports and other due diligence investigations of the Project, as may be reasonably requested from time to time by the Funding Lender or the Servicer or the Rating Agencies or as may be necessary or appropriate in connection with a Secondary Market Transaction or Exchange Act requirements (the items provided to the Funding Lender or the Servicer pursuant to this paragraph (a) being called the "Provided Information"), together, if customary, with appropriate verification of and/or consents (including, without limitation, auditor consents) to include or incorporate by reference the Provided Information in an offering document or otherwise provide the Provided Information to investors and potential investors or opinions of counsel of independent attorneys acceptable to the Funding Lender or the Servicer and the Rating Agencies;

(b) make such representations and warranties as of the closing date of any Secondary Market Transaction with respect to the Project, the Borrower, the Borrower Loan Documents and the Funding Loan Documents reasonably acceptable to the Funding Lender or the Servicer, consistent with the facts covered by such representations and warranties as they exist on the date thereof; and

(c) execute such amendments to the Borrower Loan Documents and the Funding Loan Documents to accommodate such Secondary Market Transaction so long as such amendment does not affect the material economic terms of the Borrower Loan Documents and the Funding Loan Documents and is not otherwise adverse to the Borrower in its reasonable discretion.

Section 9.1.2. Use of Information. The Borrower understands that certain of the Provided Information and the required records may be included in disclosure documents in connection with a Secondary Market Transaction, including a prospectus or private placement memorandum (each, a "Secondary Market Disclosure Document"), or provided or made available to investors or prospective investors in the Securities, the Rating Agencies and service providers or other parties relating to the Secondary Market Transaction. In the event that the Secondary Market Disclosure Document is required to be revised, the Borrower shall cooperate, subject to Section 9.1.1(c) hereof, with the Funding Lender and the Servicer in updating the Provided Information or required records for inclusion or summary in the Secondary Market Disclosure Document or for other use reasonably required in connection with a Secondary Market Transaction by providing all current information pertaining to the Borrower and the Project necessary to keep the Secondary Market Disclosure Document accurate and complete in all material respects with respect to such matters. The Borrower hereby consents to any and all such disclosures of such information.

Section 9.1.3. Borrower Obligations Regarding Secondary Market Disclosure Documents. In connection with a Secondary Market Disclosure Document, the Borrower shall provide, or in the case of a Borrower-engaged third party such as the Manager, cause it to provide, information reasonably requested by the Funding Lender pertaining to the Borrower, the Project or such third party (and portions of any other sections reasonably requested by the Funding Lender pertaining to the Borrower, the Project or the third party). The Borrower shall, if requested by the Funding Lender and the Servicer, certify in writing that the Borrower has carefully examined those portions of such Secondary Market Disclosure Document, pertaining to the Borrower, the Project or the Manager, and such portions (and portions of any other sections reasonably requested and pertaining to the Borrower, the Project or the Manager) do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; provided that the Borrower shall not be required to make any representations or warranties regarding any Provided Information obtained from a third party except with respect to information it provided to such parties. Furthermore, the Borrower hereby indemnifies the Funding Lender and the Servicer for any Liabilities to which any such parties may become subject to the extent such Liabilities arise out of or are based upon the use of the Provided Information in a Secondary Market Disclosure Document.

Section 9.1.4. Borrower Indemnity Regarding Filings. In connection with filings under the Exchange Act or the Securities Act, the Borrower shall (i) indemnify Funding Lender and the underwriter group for any securities (the "Underwriter Group") for any Liabilities to which Funding Lender, the Servicer or the Underwriter Group may become subject insofar as the Liabilities arise out of or are based upon the omission or alleged omission to state in the Provided Information of a material fact required to be stated in the Provided Information in order to make the statements in the Provided Information, in the light of the circumstances under which they were made not misleading and (ii) reimburse the Funding Lender, the Servicer, the Underwriter Group and other indemnified parties listed above for any legal or other expenses reasonably incurred by the Funding Lender,

the Servicer or the Underwriter Group in connection with defending or investigating the Liabilities; provided that the Borrower shall not provide any indemnification regarding any Provided Information obtained from unrelated third parties except with respect to information it provided to such parties.

Section 9.1.5. Indemnification Procedure. Promptly after receipt by an indemnified party under Sections 9.1.3 and 9.1.4 hereof of notice of the commencement of any action for which a claim for indemnification is to be made against the Borrower, such indemnified party shall notify the Borrower in writing of such commencement, but the omission to so notify the Borrower will not relieve the Borrower from any liability that it may have to any indemnified party hereunder except to the extent that failure to notify causes prejudice to the Borrower. In the event that any action is brought against any indemnified party, and it notifies the Borrower of the commencement thereof, the Borrower will be entitled, jointly with any other indemnifying party, to participate therein and, to the extent that it (or they) may elect by Written Notice delivered to the indemnified party promptly after receiving the aforesaid notice of commencement, to assume the defense thereof with counsel selected by the Borrower and reasonably satisfactory to such indemnified party in its sole discretion. After notice from the Borrower to such indemnified party under this Section 9.1.5, the Borrower shall not be responsible for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnified party shall settle or compromise any claim for which the Borrower may be liable hereunder without the prior Written Consent of the Borrower.

Section 9.1.6. Contribution. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 9.1.4 hereof is for any reason held to be unenforceable by an indemnified party in respect of any Liabilities (or action in respect thereof) referred to therein which would otherwise be indemnifiable under Section 9.1.4 hereof, the Borrower shall contribute to the amount paid or payable by the indemnified party as a result of such Liabilities (or action in respect thereof); provided, however, that no Person guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Securities Act) shall be entitled to contribution from any Person not guilty of such fraudulent misrepresentation. In determining the amount of contribution to which the respective parties are entitled, the following factors shall be considered: (i) the indemnified parties and the Borrower's relative knowledge and access to information concerning the matter with respect to which the claim was asserted; (ii) the opportunity to correct and prevent any statement or omission; and (iii) any other equitable considerations appropriate in the circumstances. The parties hereto hereby agree that it may not be equitable if the amount of such contribution were determined by pro rata or per capita allocation.

ARTICLE X

MISCELLANEOUS

Section 10.1. Notices. All notices, consents, approvals and requests required or permitted hereunder or under any other Borrower Loan Document or Funding Loan Document (a "notice") shall be deemed to be given and made when delivered by hand, by recognized overnight delivery service, confirmed facsimile transmission (provided any telecopy or other electronic transmission received by any party after 4:00 p.m., local time, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day), or five (5) calendar days after deposited in the United States mail, registered or certified, postage prepaid, with return receipt requested, addressed as follows:

The Governmental Lender:	Texas Department of Housing and Community Affairs P.O. Box 13941 Austin, Texas 78711 Attention: Director of Multifamily Bonds Telephone: (512) 475-3344 Facsimile: (512) 475-1895 Email: teresa.morales@tdhca.texas.gov
The Fiscal Agent:	Wilmington Trust, National Association 15950 North Dallas Parkway, Suite 200 Dallas, Texas 75248 Attention: Richard Lopez Facsimile: (714) 384-4151 Email: rlopez9@wilmingtontrust.com
The Borrower:	SDC Corinth III, LP 3030 LBJ Freeway, Suite 1350 Dallas, Texas 75234 Attention: Joseph Agumadu Email: development@sdcus.com Telephone: (214) 342-1400
with a copy to:	Shackelford, Bowen, McKinley & Norton, LLP 9210 North Central Expressway, Suite 400 Dallas, Texas 75231 Attention: John Shackelford Telephone: (214) 780-1414 Email: jshack@shackelford.law
The Fee Owner:	[Dallas County Housing Finance Corporation 2025] [To come] Email: [_____]

Equity Investor:	AHP Housing Fund 303, LLC 1314 Douglas Street, Suite 1400 Omaha, NE 68102-1944 Attention: Legal Notices Email: notices@berkahp.com
With a copy to:	Kutak Rock LLP 2001 16th Avenue, Suite 1800 Denver, Colorado 80202 Attention: Ellen K. O'Brien Email: ellen.obrien@kutakrock.com
If to Funding Lender:	Stellar Bank PO Box 41314 Houston, Texas 77241-1314 Attn: Stephen W. Rose Email: stephen.rose@stellar.bank
If to Servicer:	CITIBANK, N.A. 388 Greenwich Street, Trading 4th Floor New York, New York 10013 Attention: Transaction and Asset Management Group Deal ID# 60001032 Facsimile: (212) 723-8209
and	325 East Hillcrest Drive, Suite 160 Thousand Oaks, California 91360 Attention: Operations Manager/Asset Manager Deal ID# 60001032 Facsimile: (805) 557-0924
With a copy to:	CITIBANK, N.A. 388 Greenwich Street, Trading 4th Floor New York, New York 10013 Attention: Account Specialist Deal ID# 60001032 Facsimile: (212) 723-8209
And a copy of any notices of default send to:	CITIBANK, N.A. 388 Greenwich Street, 17th Floor New York, New York 10013 Attention: General Counsel's Office Deal ID# 60001032 Facsimile: (646) 291-5754

Any party may change such party's address for the notice or demands required under this Borrower Loan Agreement by providing written notice of such change of address to the other parties by written notice as provided herein.

Section 10.2. Brokers and Financial Advisors. The Borrower hereby represents that it has dealt with no financial advisors, brokers, underwriters, placement agents, agents or finders in connection

with the Borrower Loan, other than those disclosed to the Funding Lender and whose fees shall be paid by the Borrower pursuant to separate agreements. The Borrower and the Funding Lender shall indemnify and hold the other harmless from and against any and all claims, liabilities, costs and expenses of any kind in any way relating to or arising from a claim by any Person that such Person acted on behalf of the indemnifying party in connection with the transactions contemplated herein. The provisions of this Section 10.2 shall survive the expiration and termination of this Borrower Loan Agreement and the repayment of the Borrower Payment Obligations.

Section 10.3. Survival. This Borrower Loan Agreement and all covenants, agreements, representations and warranties made herein and in the certificates delivered pursuant hereto shall survive the making by the Governmental Lender of the Borrower Loan and the execution and delivery to the Governmental Lender of the Borrower Note and the assignment of the Borrower Note to the Fiscal Agent, and shall continue in full force and effect so long as all or any of the Borrower Payment Obligations is unpaid. All the Borrower's covenants and agreements in this Borrower Loan Agreement shall inure to the benefit of the respective legal representatives, successors and assigns of the Governmental Lender, the Fiscal Agent, the Funding Lender and the Servicer.

Section 10.4. Preferences. The Governmental Lender shall have the continuing and exclusive right to apply or reverse and reapply any and all payments by the Borrower to any portion of the Borrower Payment Obligations. To the extent the Borrower makes a payment to the Governmental Lender, the Fiscal Agent or the Servicer, or the Governmental Lender, the Fiscal Agent or the Servicer receives proceeds of any collateral, which is in whole or part subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds received, the Borrower Payment Obligations or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment or proceeds had not been received by the Governmental Lender or the Servicer.

Section 10.5. Waiver of Notice. The Borrower shall not be entitled to any notices of any nature whatsoever from the Funding Lender, the Fiscal Agent or the Servicer except with respect to matters for which this Borrower Loan Agreement or any other Borrower Loan Document specifically and expressly provides for the giving of notice by the Funding Lender, the Fiscal Agent or the Servicer, as the case may be, to the Borrower and except with respect to matters for which the Borrower is not, pursuant to applicable Legal Requirements, permitted to waive the giving of notice. The Borrower hereby expressly waives the right to receive any notice from the Funding Lender, the Fiscal Agent or the Servicer, as the case may be, with respect to any matter for which no Borrower Loan Document specifically and expressly provides for the giving of notice by the Funding Lender, the Fiscal Agent or the Servicer to the Borrower.

Section 10.6. Offsets, Counterclaims and Defenses. The Borrower hereby waives the right to assert a counterclaim, other than a compulsory counterclaim, in any action or proceeding brought against it by the Funding Lender, the Fiscal Agent or the Servicer with respect to a Borrower Loan Payment. Any assignee of Funding Lender's or the Fiscal Agent's interest in and to the Borrower Loan Documents or the Funding Loan Documents shall take the same free and clear of all offsets, counterclaims or defenses that are unrelated to the Borrower Loan Documents or the Funding Loan Documents which the Borrower may otherwise have against any assignor of such documents, and no such unrelated offset, counterclaim or defense shall be interposed or asserted by the Borrower in any action or proceeding brought by any such assignee upon such documents, and any such right to interpose or assert any such unrelated offset, counterclaim or defense in any such action or proceeding is hereby expressly waived by the Borrower.

Section 10.7. Publicity. The Funding Lender and the Servicer (and any Affiliates of either party) shall have the right to issue press releases, advertisements and other promotional materials describing

the Funding Lender's or the Servicer's participation in the making of the Borrower Loan or the Borrower Loan's inclusion in any Secondary Market Transaction effectuated by the Funding Lender or the Servicer or one of its or their Affiliates. All news releases, publicity or advertising by the Borrower or its Affiliates through any media intended to reach the general public, which refers to the Borrower Loan Documents or the Funding Loan Documents, the Borrower Loan, the Funding Lender or the Servicer in a Secondary Market Transaction, shall be subject to the prior Written Consent of the Funding Lender or the Servicer, as applicable.

Section 10.8. Construction of Documents. The parties hereto acknowledge that they were represented by counsel in connection with the negotiation and drafting of the Borrower Loan Documents and the Funding Loan Documents and that the Borrower Loan Documents and the Funding Loan Documents shall not be subject to the principle of construing their meaning against the party that drafted them.

Section 10.9. No Third Party Beneficiaries. The Borrower Loan Documents and the Funding Loan Documents are solely for the benefit of the Governmental Lender, the Funding Lender, the Fiscal Agent, the Servicer and the Borrower and, with respect to Sections 9.1.3 and 9.1.4 hereof, the Underwriter Group, and nothing contained in any Borrower Loan Document shall be deemed to confer upon anyone other than the Governmental Lender, the Funding Lender, the Fiscal Agent, the Servicer, and the Borrower any right to insist upon or to enforce the performance or observance of any of the obligations contained therein.

Section 10.10. Assignment. The Borrower Loan, the Security Instrument, the Borrower Loan Documents and the Funding Loan Documents and all Funding Lender's rights, title, obligations and interests therein may be assigned by the Funding Lender, at any time in its sole discretion, whether by operation of law (pursuant to a merger or other successor in interest) or otherwise, subject to the requirements of Section 2.6 and Article IV of the Funding Loan Agreement. Upon such assignment, all references to Funding Lender in this Borrower Loan Agreement and in any Borrower Loan Document shall be deemed to refer to such assignee or successor in interest and such assignee or successor in interest shall thereafter stand in the place of the Funding Lender. Borrower shall accord full recognition to any such assignment, and all rights and remedies of Funding Lender in connection with the interest so assigned shall be as fully enforceable by such assignee as they were by Funding Lender before such assignment. In connection with any proposed assignment, Funding Lender may disclose to the proposed assignee any information that Borrower has delivered, or caused to be delivered, to Funding Lender with reference to Borrower, General Partner, Guarantor or any Affiliate, or the Project, including information that Borrower is required to deliver to Funding Lender pursuant to this Borrower Loan Agreement, provided that such proposed assignee agrees to treat such information as confidential. `The Borrower may not assign its rights, interests or obligations under this Borrower Loan Agreement or under any of the Borrower Loan Documents or Funding Loan Documents, or Borrower's interest in any moneys to be disbursed or advanced hereunder, except only as may be expressly permitted hereby and in the Funding Loan Documents.

Section 10.11. Usury. Borrower and Governmental Lender intend at all times to comply with the laws of the State of Texas governing the maximum rate or amount of interest payable on or in connection with the Borrower Loan, including Chapter 1204 of the Texas Government Code (or applicable United States federal law to the extent that it permits Governmental Lender to contract for, charge, take, reserve or receive a greater amount of interest than under Texas law). If the applicable law is ever judicially interpreted so as to render usurious any amount payable under the Borrower Note, this Borrower Loan Agreement or any other Borrower Loan Document, or contracted for, charged, taken, reserved or received with respect to the Borrower Loan, or if acceleration of the maturity of the Borrower Loan, or if any prepayment by Borrower results in Borrower having paid any interest in excess of that permitted by any applicable law, then Borrower and Governmental Lender expressly intend that all excess amounts collected by

Governmental Lender will be applied to reduce the unpaid principal balance of the Borrower Loan (or, if the Borrower Loan has been or would thereby be paid in full, will be refunded to Borrower), and the provisions of the Borrower Note, this Borrower Loan Agreement and the other Borrower Loan Documents immediately will be deemed reformed and the amounts thereafter collectible under the Borrower Loan Documents reduced, without the necessity of the execution of any new documents, so as to comply with any applicable law, but so as to permit the recovery of the fullest amount otherwise payable under the Borrower Loan Documents. The right to accelerate the maturity of the Borrower Loan does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Governmental Lender does not intend to collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Governmental Lender for the use, forbearance or detention of the Borrower Loan will, to the extent permitted by any applicable law, be amortized, prorated, allocated and spread throughout the full term of the Borrower Loan until payment in full so that the rate or amount of interest on account of the Borrower Loan does not exceed the applicable usury ceiling. Notwithstanding any provision contained in the Borrower Note, this Borrower Loan Agreement or any other Borrower Loan Document that permits the compounding of interest, including any provision by which any accrued interest is added to the principal amount of the Borrower Loan, the total amount of interest that Borrower is obligated to pay and Governmental Lender is entitled to receive with respect to the Borrower Loan will not exceed the amount calculated on a simple (i.e., noncompounded) interest basis at the maximum rate on principal amounts actually advanced to or for the account of Borrower, including all current and prior advances and any advances made pursuant to the Borrower Loan Agreement or any other Borrower Loan Document.

Section 10.12. Governmental Lender, Funding Lender, Fiscal Agent and Servicer Not in Control; No Partnership. None of the covenants or other provisions contained in this Borrower Loan Agreement shall, or shall be deemed to, give the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer the right or power to exercise control over the affairs or management of the Borrower, the power of the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer being limited to the rights to exercise the remedies referred to in the Borrower Loan Documents and the Funding Loan Documents. The relationship between the Borrower and the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer is, and at all times shall remain, solely that of debtor and creditor. No covenant or provision of the Borrower Loan Documents or the Funding Loan Documents is intended, nor shall it be deemed or construed, to create a partnership, joint venture, agency or common interest in profits or income between the Borrower and the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer or to create an equity in the Project in the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer. Neither the Governmental Lender, the Funding Lender, the Fiscal Agent nor the Servicer undertakes or assumes any responsibility or duty to the Borrower or to any other person with respect to the Project or the Borrower Loan, except as expressly provided in the Borrower Loan Documents or the Funding Loan Documents; and notwithstanding any other provision of the Borrower Loan Documents and the Funding Loan Documents: (1) the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer are not, and shall not be construed as, a partner, joint venturer, alter ego, manager, controlling person or other business associate or participant of any kind of the Borrower or its stockholders, members, or partners and the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer do not intend to ever assume such status; (2) the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer shall in no event be liable for any Borrower Payment Obligations, expenses or losses incurred or sustained by the Borrower; and (3) the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer shall not be deemed responsible for or a participant in any acts, omissions or decisions of the Borrower, the Borrower Controlling Entities or its stockholders, members, or partners. The Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer and the Borrower disclaim any intention to create any partnership, joint venture, agency or common interest in profits or income between the Governmental Lender, the Funding Lender, the Servicer, the Fiscal Agent and the Borrower, or to create an equity in the Project in the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer, or any sharing of liabilities, losses, costs or expenses.

Section 10.13. Release. The Borrower hereby acknowledges that it is executing this Borrower Loan Agreement and each of the Borrower Loan Documents and the Funding Loan Documents to which it is a party as its own voluntary act free from duress and undue influence.

Section 10.14. Term of Borrower Loan Agreement. This Borrower Loan Agreement shall be in full force and effect until all Borrower Payment Obligations hereunder have been paid in full and the Borrower Loan and the Governmental Lender Note have been retired or the payment thereof has been provided for; except that on and after payment in full of the Borrower Note, this Borrower Loan Agreement shall be terminated, without further action by the parties hereto; provided, however, that the obligations of the Borrower under Sections 5.11 (Governmental Lender's, Fiscal Agent's and Funding Lender's Fees), 5.14 (Expenses), 5.15 (Indemnity), 9.1.3, 9.1.4, 9.1.5, 9.1.6 and 10.15 (Reimbursement of Expenses) hereof, as well as under Section 5.7 of the Construction Funding Agreement, shall survive the termination of this Borrower Loan Agreement and the resignation or removal of the Fiscal Agent.

Section 10.15. Reimbursement of Expenses. If, upon or after the occurrence of any Event of Default or Potential Default, the Governmental Lender, the Funding Lender, the Fiscal Agent or the Servicer shall employ attorneys or incur other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Borrower contained herein, the Borrower will on demand therefor reimburse the Governmental Lender, the Funding Lender, the Fiscal Agent and the Servicer for fees of such attorneys and such other expenses so incurred.

The Borrower's obligation to pay the amounts required to be paid under this Section 10.15 shall be subordinate to its obligations to make payments under the Borrower Note.

Section 10.16. Permitted Contests. Notwithstanding anything to the contrary contained in this Borrower Loan Agreement, Borrower shall have the right to contest or object in good faith to any claim, demand, levy or assessment (other than in respect of Debt or Contractual Obligations of Borrower under any Borrower Loan Document or Related Document) by appropriate legal proceedings that are not prejudicial to Funding Lender's rights, but this shall not be deemed or construed as in any way relieving, modifying or providing any extension of time with respect to Borrower's covenant to pay and comply with any such claim, demand, levy or assessment, unless Borrower shall have given prior Written Notice to the Governmental Lender and the Funding Lender of Borrower's intent to so contest or object thereto, and unless (i) Borrower has, in the Governmental Lender's and the Funding Lender's judgment, a reasonable basis for such contest, (ii) Borrower pays when due any portion of the claim, demand, levy or assessment to which Borrower does not object, (iii) Borrower demonstrates to Funding Lender's satisfaction that such legal proceedings shall conclusively operate to prevent enforcement prior to final determination of such proceedings, (iv) Borrower furnishes such bond, surety, undertaking or other security in connection therewith as required by law, or as requested by and satisfactory to Funding Lender, to stay such proceeding, which bond, surety, undertaking or other security shall be issued by a bonding company, insurer or surety company reasonably satisfactory to Funding Lender and shall be sufficient to cause the claim, demand, levy or assessment to be insured against by the Title Company or removed as a lien against the Project, (v) Borrower at all times prosecutes the contest with due diligence, and (vi) Borrower pays, promptly following a determination of the amount of such claim, demand, levy or assessment due and owing by Borrower, the amount so determined to be due and owing by Borrower. In the event that Borrower does not make, promptly following a determination of the amount of such claim, demand, levy or assessment due and owing by Borrower, any payment required to be made pursuant to clause (vi) of the preceding sentence, an Event of Default shall have occurred, and Funding Lender may draw or realize upon any bond or other security delivered to Funding Lender in connection with the contest by Borrower, in order to make such payment.

Section 10.17. Waiver of Trial by Jury. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF BORROWER AND THE BENEFICIARY PARTIES EXCEPT THE GOVERNMENTAL LENDER (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS BORROWER LOAN AGREEMENT OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

Section 10.18. Funding Lender Approval of Instruments and Parties. All proceedings taken in accordance with transactions provided for herein, and all surveys, appraisals and documents required or contemplated by this Borrower Loan Agreement and the persons responsible for the execution and preparation thereof, shall be satisfactory to and subject to approval by Funding Lender. Funding Lender's approval of any matter in connection with the Project shall be for the sole purpose of protecting the security and rights of Funding Lender. No such approval shall result in a waiver of any default of Borrower. In no event shall Funding Lender's approval be a representation of any kind with regard to the matter being approved.

Section 10.19. Funding Lender Determination of Facts. Funding Lender shall at all times be free to establish independently, to its reasonable satisfaction, the existence or nonexistence of any fact or facts, the existence or nonexistence of which is a condition of this Borrower Loan Agreement.

Section 10.20. Calendar Months. With respect to any payment or obligation that is due or required to be performed within a specified number of Calendar Months after a specified date, such payment or obligation shall become due on the day in the last of such specified number of Calendar Months that corresponds numerically to the date so specified; provided, however, that with respect to any obligation as to which such specified date is the 28th, 29th, 30th or 31st day of any Calendar Month: if the Calendar Month in which such payment or obligation would otherwise become due does not have a numerically corresponding date, such obligation shall become due on the first day of the next succeeding Calendar Month.

Section 10.21. Determinations by Lender. Except to the extent expressly set forth in this Borrower Loan Agreement to the contrary, in any instance where the consent or approval of the Governmental Lender and the Funding Lender may be given or is required, or where any determination, judgment or decision is to be rendered by the Governmental Lender and the Funding Lender under this Borrower Loan Agreement, the granting, withholding or denial of such consent or approval and the rendering of such determination, judgment or decision shall be made or exercised by the Governmental Lender and the Funding Lender, as applicable (or its designated representative) at its sole and exclusive option and in its sole and absolute discretion.

Section 10.22. Governing Law. This Borrower Loan Agreement shall be governed by and enforced in accordance with the laws of the State, without giving effect to the choice of law principles of the State that would require the application of the laws of a jurisdiction other than the State.

Section 10.23. Consent to Jurisdiction and Venue. Borrower agrees that any controversy arising under or in relation to this Borrower Loan Agreement shall be litigated exclusively in the State. The state and federal courts and authorities with jurisdiction in the State shall have exclusive jurisdiction over all controversies which shall arise under or in relation to this Borrower Loan Agreement. Borrower irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise.

However, nothing herein is intended to limit Beneficiary Parties' right to bring any suit, action or proceeding relating to matters arising under this Borrower Loan Agreement against Borrower or any of Borrower's assets in any court of any other jurisdiction.

Section 10.24. Successors and Assigns. This Borrower Loan Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors, successors-in-interest and assigns, as appropriate. The terms used to designate any of the parties herein shall be deemed to include the heirs, legal representatives, successors, successors-in-interest and assigns, as appropriate, of such parties. References to a "person" or "persons" shall be deemed to include individuals and entities.

Section 10.25. Severability. The invalidity, illegality or unenforceability of any provision of this Borrower Loan Agreement shall not affect the validity, legality or enforceability of any other provision, and all other provisions shall remain in full force and effect.

Section 10.26. Entire Agreement; Amendment and Waiver. This Borrower Loan Agreement contains the complete and entire understanding of the parties with respect to the matters covered. This Borrower Loan Agreement may not be amended, modified or changed, nor shall any waiver of any provision hereof be effective, except by a written instrument signed by the party against whom enforcement of the waiver, amendment, change, or modification is sought, and then only to the extent set forth in that instrument. No specific waiver of any of the terms of this Borrower Loan Agreement shall be considered as a general waiver. Without limiting the generality of the foregoing, no Disbursement shall constitute a waiver of any conditions to the Governmental Lender's or the Funding Lender's obligation to make further Disbursements nor, in the event Borrower is unable to satisfy any such conditions, shall any such waiver have the effect of precluding the Governmental Lender or the Funding Lender from thereafter declaring such inability to constitute a Potential Default or Event of Default under this Borrower Loan Agreement.

Section 10.27. Counterparts. This Borrower Loan Agreement may be executed in multiple counterparts, each of which shall constitute an original document and all of which together shall constitute one agreement.

Section 10.28. Captions. The captions of the sections of this Borrower Loan Agreement are for convenience only and shall be disregarded in construing this Borrower Loan Agreement.

Section 10.29. Servicer. Borrower hereby acknowledges and agrees that, pursuant to the terms of Section 39 of the Security Instrument: (a) from time to time, the Governmental Lender or the Funding Lender may appoint a servicer to collect payments, escrows and deposits, to give and to receive notices under the Borrower Note, this Borrower Loan Agreement or the other Borrower Loan Documents, and to otherwise service the Borrower Loan and (b) unless Borrower receives Written Notice from the Governmental Lender or the Funding Lender to the contrary, any action or right which shall or may be taken or exercised by the Governmental Lender or the Funding Lender may be taken or exercised by such servicer with the same force and effect.

Section 10.30. Beneficiary Parties as Third Party Beneficiary. Each of the Beneficiary Parties shall be a third party beneficiary of this Borrower Loan Agreement for all purposes.

Section 10.31. Reserved.

Section 10.32. Time of the Essence. Time is of the essence with respect to this Borrower Loan Agreement.

Section 10.33. Modifications. Modifications (if any) to this Borrower Loan Agreement ("Modifications") are set forth on Exhibit A attached to this Borrower Loan Agreement. In the event of a Transfer under the terms of the Security Instrument, some or all of the Modifications to this Borrower Loan Agreement may be modified or rendered void by the Governmental Lender or the Funding Lender at its option by notice to Borrower or such transferee.

Section 10.34. Reference Date. This Borrower Loan Agreement is dated for reference purposes only as of the [first day of _____, 2026], and will not be effective and binding on the parties hereto unless and until the Closing Date (as defined herein) occurs.

ARTICLE XI

LIMITATIONS ON LIABILITY

Section 11.1. Limitation on Liability. Notwithstanding anything to the contrary herein, the liability of the Borrower hereunder and under the other Borrower Loan Documents and the Funding Loan Documents shall be limited to the extent set forth in the Borrower Note.

Section 11.2. Limitation on Liability of Governmental Lender; Governmental Lender May Rely.

(a) All obligations of the Governmental Lender incurred under this Borrower Loan Agreement, the Regulatory Agreement and the Funding Loan Agreement shall be limited obligations of the Governmental Lender, payable solely and only from Funding Loan proceeds, revenues and other amounts derived by the Governmental Lender from the Security pledged therefor including Pledged Revenues. THE GOVERNMENTAL LENDER NOTE AND THE FUNDING LOAN SHALL BE PAYABLE SOLELY FROM THE REVENUES AND OTHER FUNDS AND PROPERTY PLEDGED UNDER THE FUNDING LOAN AGREEMENT FOR THE PAYMENT OF THE GOVERNMENTAL LENDER NOTE AND THE FUNDING LOAN, AND NO OWNER OF THE GOVERNMENTAL LENDER NOTE SHALL EVER HAVE THE RIGHT TO COMPEL ANY EXERCISE OF THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OR OTHER PUBLIC BODY OF THE STATE, OR TO ENFORCE THE PAYMENT OF THE FUNDING LOAN OR THE GOVERNMENTAL LENDER NOTE AGAINST ANY PROPERTY OF THE GOVERNMENTAL LENDER, THE STATE OR ANY SUCH POLITICAL SUBDIVISION OR OTHER PUBLIC BODY, INCLUDING THE GOVERNMENTAL LENDER, EXCEPT AS PROVIDED IN THE FUNDING LOAN AGREEMENT. NO OFFICIAL, DIRECTOR, OFFICER, EMPLOYEE, AGENT OR ATTORNEY OF THE GOVERNMENTAL LENDER OR THE STATE, INCLUDING ANY PERSON EXECUTING THIS BORROWER LOAN AGREEMENT ON BEHALF OF THE GOVERNMENTAL LENDER, SHALL BE LIABLE PERSONALLY UNDER THIS BORROWER LOAN AGREEMENT OR FOR ANY REASON RELATING TO THE MAKING OF THE FUNDING LOAN OR ISSUANCE OF THE GOVERNMENTAL LENDER NOTE. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE GOVERNMENTAL LENDER NOTE OR THE FUNDING LOAN, OR FOR ANY CLAIM BASED ON THE GOVERNMENTAL LENDER NOTE OR THE FUNDING LOAN, OR OTHERWISE IN RESPECT OF THE GOVERNMENTAL LENDER NOTE OR THE FUNDING LOAN, OR BASED ON OR IN RESPECT OF THIS BORROWER LOAN AGREEMENT OR ANY AMENDMENT TO THIS BORROWER LOAN AGREEMENT, AGAINST ANY OFFICIAL, DIRECTOR, OFFICER, EMPLOYEE, AGENT OR ATTORNEY OF THE GOVERNMENTAL LENDER OR THE STATE, AS SUCH, OR ANY SUCCESSOR WHETHER BY VIRTUE OF ANY CONSTITUTION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, ALL SUCH LIABILITY BEING, BY THE ACCEPTANCE OF THIS BORROWER LOAN AGREEMENT AND AS PART OF THE

CONSIDERATION FOR THE MAKING OF THE FUNDING LOAN AND THE ISSUANCE OF THE GOVERNMENTAL LENDER NOTE, EXPRESSLY WAIVED AND RELEASED.

(b) It is expressly understood and agreed by the parties to this Borrower Loan Agreement that:

(i) the Governmental Lender may rely conclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Governmental Lender by the Funding Lender, the Fiscal Agent, any Owner of the Governmental Lender Note or the Borrower as to the existence of a fact or state of affairs required under this Borrower Loan Agreement to be noticed by the Governmental Lender;

(ii) the Governmental Lender shall not be under any obligation to perform any record keeping or to provide any legal service, it being understood that such services shall be performed or caused to be performed by the Borrower, the Funding Lender, or the Fiscal Agent; and

(iii) none of the provisions of this Borrower Loan Agreement shall require the Governmental Lender to expend or risk its own funds (apart from the proceeds of Governmental Lender Note issued under the Funding Loan Agreement) or otherwise endure financial liability in the performance of any of its duties or in the exercise of any of its rights under this Borrower Loan Agreement unless it first shall have been adequately indemnified to its satisfaction against the costs, expenses and liabilities which may be incurred by taking any such action.

(c) No provision, representation, covenant or agreement contained in this Borrower Loan Agreement or in the Funding Loan Agreement, the Governmental Lender Note, or any obligation herein or therein imposed upon the Governmental Lender, or the breach thereof, shall constitute or give rise to or impose upon the Governmental Lender a pecuniary liability (except to the extent of any Borrower Loan repayments, revenues and receipts derived by the Governmental Lender pursuant to this Borrower Loan Agreement and other moneys held pursuant to the Funding Loan Agreement, other than in the Rebate Fund). No provision hereof shall be construed to impose a charge against the general credit of the Governmental Lender, the State or any other political subdivision of the State, the taxing powers of the foregoing, within the meaning of any Constitutional provision or statutory limitation, or any personal or pecuniary liability upon any official, director, officer, employee, agent or attorney of the Governmental Lender or the State.

(d) All covenants, obligations and agreements of the Governmental Lender contained in this Borrower Loan Agreement and the Funding Loan Agreement shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future official, director, officer, employee, agent or attorney of the Governmental Lender in other than his official capacity, and no official executing the Governmental Lender Note shall be liable personally on the Governmental Lender Note or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Governmental Lender contained in this Borrower Loan Agreement or in the Funding Loan Agreement. No provision, covenant or agreement contained in this Borrower Loan Agreement, the Funding Loan Agreement or the Governmental Lender Note, or any obligation herein or therein imposed upon the Governmental Lender, or the breach thereof, shall constitute or give rise to or impose upon the Governmental Lender a pecuniary liability or a charge. No recourse shall be had for the enforcement of any obligation, covenant, promise, or agreement of the Governmental Lender contained in this Borrower Loan Agreement or in the Governmental Lender Note or for any claim based hereon or otherwise in respect hereof or upon any obligation, covenant, promise, or agreement of the Governmental Lender contained in any agreement, instrument, or certificate executed in connection with the Project or the making of the Funding Loan and issuance of the Governmental Lender Note, against any member of the governing body of the Governmental Lender, its officers, counsel, financial advisor, employees or agents, as such, in his or

her individual capacity, past, present, or future, or of any successor thereto, whether by virtue of any Constitutional provision, statute, or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that no personal liability whatsoever shall attach to, or be incurred by, any member of the governing body , officers, counsel, financial advisors, employees or agents, as such, in his or her individual capacity, past, present, or future, of the Governmental Lender or of any successor thereto, either directly or by reason of any of the obligations, covenants, promises, or agreements entered into between the Governmental Lender and the Fiscal Agent, the Funding Lender or the Borrower to be implied therefrom as being supplemental hereto or thereto, and that all personal liability of that character against every such director, officer, counsel, financial advisor, employee or agent, is, by the execution of the Governmental Lender Note, this Borrower Loan Agreement, and the Funding Loan Agreement, and as a condition of, and as part of the consideration for, the execution of the Governmental Lender Note, this Borrower Loan Agreement, and the Funding Loan Agreement, expressly waived and released.

Section 11.3. Waiver of Personal Liability. No member, officer, agent or employee of the Governmental Lender or any director, officer, agent or employee of the Governmental Lender shall be individually or personally liable for the payment of any principal (or prepayment price) of or interest on the Governmental Lender Note or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Borrower Loan Agreement; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Borrower Loan Agreement.

Section 11.4. Limitation on Liability of Funding Lender's Officers, Employees, Etc.

(a) Borrower assumes all risks of the acts or omissions of the Governmental Lender and the Funding Lender, provided, however, this assumption is not intended to, and shall not, preclude Borrower from pursuing such rights and remedies as it may have against the Governmental Lender and the Funding Lender at law or under any other agreement. None of Governmental Lender and the Funding Lender, nor the other Beneficiary Parties or their respective officers, directors, employees or agents shall be liable or responsible for (i) any acts or omissions of the Governmental Lender and the Funding Lender except that Funding Lender shall not be exculpated for its own gross negligence or willful misconduct; or (ii) the validity, sufficiency or genuineness of any documents, or endorsements, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged. In furtherance and not in limitation of the foregoing, the Governmental Lender and the Funding Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, unless acceptance in light of such notice or information constitutes gross negligence or willful misconduct on the part of the Governmental Lender and the Funding Lender.

(b) None of the Governmental Lender the Funding Lender, the other Beneficiary Parties or any of their respective officers, directors, employees or agents shall be liable to any contractor, subcontractor, supplier, laborer, architect, engineer or any other party for services performed or materials supplied in connection with the Project. The Governmental Lender and the Funding Lender shall not be liable for any debts or claims accruing in favor of any such parties against Borrower or others or against the Project. Borrower is not and shall not be an agent of the Governmental Lender and the Funding Lender for any purpose. Neither the Governmental Lender nor the Funding Lender is a joint venture partner with Borrower in any manner whatsoever. Prior to default by Borrower under this Borrower Loan Agreement and the exercise of remedies granted herein, the Governmental Lender and the Funding Lender shall not be deemed to be in privity of contract with any contractor or provider of services to the Project, nor shall any payment of funds directly to a contractor, subcontractor or provider of services be deemed to create any third party beneficiary status or recognition of same by the Governmental Lender and the Funding Lender. Approvals granted by the Governmental Lender and the Funding Lender for any matters covered under this

Borrower Loan Agreement shall be narrowly construed to cover only the parties and facts identified in any written approval or, if not in writing, such approvals shall be solely for the benefit of Borrower.

(c) Any obligation or liability whatsoever of the Governmental Lender and the Funding Lender that may arise at any time under this Borrower Loan Agreement or any other Borrower Loan Document shall be satisfied, if at all, out of the Funding Lender's assets only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the Project or any of the Governmental Lender's or the Funding Lender's shareholders (if any), directors, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

Section 11.5. Delivery of Reports, Etc. The delivery of reports, information and documents to the Governmental Lender and the Funding Lender as provided herein is for informational purposes only and the Governmental Lender's and the Funding Lender's receipt of such shall not constitute constructive knowledge of any information contained therein or determinable from information contained therein. The Governmental Lender and the Funding Lender shall have no duties or responsibilities except those that are specifically set forth herein, and no other duties or obligations shall be implied in this Borrower Loan Agreement against the Governmental Lender and the Funding Lender.

(SIGNATURE PAGES FOLLOW)

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Borrower Loan Agreement or caused this Borrower Loan Agreement to be duly executed and delivered by its authorized representative as of the date first set forth above. The undersigned intends that this instrument shall be deemed to be signed and delivered as a sealed instrument.

SDC CORINTH III, LP,
a Texas limited partnership,
as Borrower

[BORROWER TO PROVIDE]

By: _____
Name: _____
Title: _____

(signatures continue on subsequent page)

GOVERNMENTAL LENDER:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: _____
Name: James B. "Beau" Eccles
Title: Secretary to the Board

(signatures continue on subsequent page)

Agreed to and Acknowledged by:

FUNDING LENDER:

STELLAR BANK,
a Texas state chartered bank

By: _____
Name: Stephen W. Rose
Title: Executive Vice President

EXHIBIT A

MODIFICATIONS

NONE

EXHIBIT B

$[6,000,000]
MULTIFAMILY HOUSING GOVERNMENTAL NOTE
(FIJI LOFTS)
SERIES 2026

COMPLETION CERTIFICATE

Pursuant to Section 5.25 of the Borrower Loan Agreement (the "Borrower Loan Agreement") between the Texas Department of Housing and Community Affairs (the "Governmental Lender") and SDC Corinth III, LP, a Texas limited partnership (the "Borrower"), dated as of [_____ 1, 2026], relating to the captioned Multifamily Housing Governmental Note, the undersigned Authorized Borrower Representative hereby certifies that (with capitalized words and terms used and not defined in this Certificate having the meanings assigned or referenced in the Borrower Loan Agreement or the Tax Exemption Agreement):

(a) The construction of the Project was substantially completed and available and suitable for use as multifamily housing on _____.

(b) The acquisition, construction, equipping and improvement of the Project and those other facilities have been accomplished in such a manner as to conform in all material respects with all applicable zoning, planning, building, environmental and other similar governmental regulations.

(c) The costs of the construction of the Project financed with the Borrower Loan were $_____.

(d) The proceeds of the Governmental Lender Note were used in accordance with the Tax Exemption Agreement, including the requirement that at least 95% of the proceeds of the Governmental Lender Note be expended for Qualified Project Costs and no more than 2% of the proceeds of the Governmental Lender Note be expended for Costs of Issuance. The Project will be operated in accordance with the terms of the Tax Exemption Agreement and the Regulatory Agreement.

(e) This Certificate is given without prejudice to any rights against third parties that now exist or subsequently may come into being.

IN WITNESS WHEREOF, the Authorized Borrower Representative has set his or her hand as of the _____ day of _____, 20__.

Authorized Borrower Representative

By: _____

AMENDED AND RESTATED
REGULATORY AND LAND USE RESTRICTION AGREEMENT

Among

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
as Governmental Lender,

WILMINGTON TRUST, NATIONAL ASSOCIATION,
a national banking association,
as Fiscal Agent,

[DALLAS COUNTY HOUSING FINANCE CORPORATION 2025],
a Texas public nonprofit housing finance corporation,
as Fee Owner

and

SDC CORINTH III, LP,
a Texas limited partnership,
as Borrower

Dated as of [_____ 1, 2026]

Relating to

Fiji Lofts
Dallas, Dallas County, Texas 75203

$23,849,000
Multifamily Housing Governmental Note
(Fiji Lofts)
Series 2021

$[6,000,000]
Multifamily Housing Governmental Note
(Fiji Lofts)
Series 2026

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AMENDED AND RESTSTATED REGULATORY AND LAND USE RESTRICTION AGREEMENT

THIS AMENDED AND RESTATED REGULATORY AND LAND USE RESTRICTION AGREEMENT (as amended, modified or supplemented from time to time, this "**Agreement**" or this "**Regulatory Agreement**") dated as of [_____ 1, 2026] is among the **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS** (together with its successors and assigns, the "**Governmental Lender**" or "**Department**"), a public and official agency of the State of Texas (the "**State**"), **WILMINGTON TRUST, NATIONAL ASSOCIATION,** a national banking association organized and existing under the laws of the United States of America, as Fiscal Agent under the hereinafter defined Funding Loan Agreements (together with any successor fiscal agent under the Funding Loan Agreements described below and their respective successors and assigns, the "**Fiscal Agent**"), **[DALLAS COUNTY HOUSING FINANCE CORPORATION 2025]**, a Texas public nonprofit housing finance corporation (together with its permitted successors and assigns, the "**Fee Owner**") and **SDC CORINTH III, LP**, a Texas limited partnership (together with its permitted successors and assigns, the "**Borrower**").

RECITALS

WHEREAS, pursuant to the Act (as hereinafter defined), the Governmental Lender is authorized to issue the Governmental Lender Notes (as hereinafter defined) and to use the proceeds thereof to provide monies to aid in financing the acquisition, construction and equipping of residential rental property for dwelling units in the State; and

WHEREAS, the Borrower has requested the assistance of the Governmental Lender in financing a multifamily residential rental housing development located on the real property described in Exhibit A hereto (as defined herein, the "**Development Site**") and described in Exhibit B-1 hereto (as defined herein, the "**Development Facilities**" and, together with the Development Site, the "**Development**"), and, as a condition to such assistance, the Borrower has agreed to enter into this Regulatory Agreement, setting forth certain restrictions with respect to the Development; and

WHEREAS, the Fee Owner owns fee simple title to the real property described in Exhibit A hereto and the Borrower owns a leasehold estate pursuant to the Ground Lease (as hereinafter defined), and the Fee Owner has agreed to enter into this Regulatory Agreement as the Fee Owner and will receive significant benefits under the Ground Lease; and

WHEREAS, the Governmental Lender has determined to assist in the financing of the Development by issuing its Multifamily Housing Governmental Note (Fiji Lofts), Series 2021 (the "**Series 2021 Governmental Lender Note**") and Multifamily Housing Governmental Note (Fiji Lofts) Series 2026 (the "**Series 2026 Governmental Lender Note**," and together with the Series 2021 Governmental Lender Note, the "**Governmental Lender Notes**") and loaning the proceeds of such Governmental Lender Notes to the Borrower, upon the terms and conditions set forth in the Borrower Loan Agreements (as hereinafter defined); and

WHEREAS, in order for interest on the Governmental Lender Notes to be excludable from gross income for federal income tax purposes under the Code (as defined herein), and in order to comply with the Act, the use and operation of the Development must be restricted in certain respects; and

WHEREAS, the Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower previously entered into that certain Regulatory and Land Use Restriction Agreement dated as of December 1, 2021, recorded in the real property records of Dallas County, Texas on December 15, 2021, as Document

No. 202100373120, relating to the Series 2021 Obligations, as amended by the First Amendment to Regulatory and Land Use Restriction Agreement dated as of December 12, 2022, recorded in the real property records of Dallas County, Texas on December 15, 2022, as Document No. 202200315433 (collectively, the "**Original Regulatory Agreement**"); and

WHEREAS, the Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower have determined to enter into this Regulatory Agreement in order amend and restate the Original Regulatory Agreement in its entirety and to set forth certain terms and conditions relating to the acquisition, construction, equipping and operation of the Development and in order to ensure that the Development will be acquired, constructed, equipped, used and operated in accordance with the Code and the Act.

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. In addition to terms defined above, capitalized terms have the respective meanings assigned to them in this Section 1 or as elsewhere defined in this Regulatory Agreement, in the Funding Loan Agreements, in the Borrower Loan Agreements, or in the Tax Exemption Agreements, unless the context in which they are used clearly requires otherwise:

"Act" means Chapter 2306, Texas Government Code, as amended from time to time.

"Agreement" or "Regulatory Agreement" means this Amended and Restated Regulatory and Land Use Restriction Agreement, as it may be amended from time to time.

"Annual Income" means the anticipated annual income of a person (together with the anticipated annual income of all persons that intend to reside with such person in one Unit) calculated pursuant to Section 8 of the Housing Act, as required by section 142(d) of the Code.

"Available Unit" means a Unit (except for any Unit reserved for any resident manager, security personnel or maintenance personnel that is reasonably required for the Development) that has been leased at least once after becoming available for occupancy; provided that (a) a residential unit that is unoccupied on the later of (i) the date the Development is acquired by the Borrower or (ii) the Closing Date is not an "available unit" and does not become an "available unit" until it has been leased for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an "available unit" and does not become an "available unit" until it has been leased for the first time after the renovations are completed.

"Bond Counsel" means any counsel nationally recognized as having an expertise in connection with the excludability of interest on obligations of states and local governmental units from gross income for federal income tax purposes and who is appointed by the Governmental Lender, and initially means Bracewell LLP.

"Borrower Loans" means, collectively, the Series 2021 Borrower Loan and the Series 2026 Borrower Loan.

"Borrower Notes" means, collectively, the Series 2021 Borrower Note and the Series 2026 Borrower Note.

"Borrower Loan Agreements" means collectively the Series 2021 Borrower Loan Agreement and the Series 2026 Borrower Loan Agreement.

"Closing Date" means, with respect to each of the Series 2021 Governmental Lender Note and the Series 2026 Governmental Lender Note, the date upon which the Governmental Lender Note is issued and delivered in exchange for the proceeds representing the purchase price of the Governmental Lender Note paid by the original purchaser thereof.

"Code" means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent and successor Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

"Compliance Monitoring Rules" means the rules published by the Governmental Lender in Title 10, Part 1, Chapter 10, Subchapter F of the Texas Administrative Code.

"Development" means the Development Facilities and the Development Site.

"Development Amenities" means the amenities for which the Development was awarded points by the Governmental Lender, pursuant to Section 2306.359 of the Texas Government Code, during the Private Activity Bond Program application scoring process, as more fully set forth in Exhibit B-2 hereto.

"Development Facilities" means the multifamily housing structures and related buildings and other improvements to be constructed on the Development Site by the Borrower as more fully set forth in Exhibit B-1 hereto, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements constituting the Development.

"Development Site" means the parcel or parcels of real property described in Exhibit A, which is attached hereto and by this reference incorporated herein, and all rights and appurtenances appertaining thereunto.

"Eligible Tenants" means (a) individuals and families of low, very low and extremely low income, (b) families of moderate income (in each case in the foregoing clauses (a) and (b) as such terms are defined by the Governmental Lender under the Act), and (c) Persons with Special Needs, in each case, with an Annual Income not in excess of 140% of the area median income; provided that all Low-Income Tenants are Eligible Tenants.

"Favorable Opinion of Bond Counsel" means, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of Bond Counsel to the effect that such action or omission does not adversely affect the Federal Tax Status of the Governmental Lender Notes (subject to the inclusion of customary exceptions acceptable to the recipient(s) thereof).

"Federal Tax Status" means, as to the Governmental Lender Notes, the status under existing law of the interest on the Governmental Lender Notes as excludable from gross income for federal income tax purposes (subject to any exceptions contained in the opinion of Bond Counsel delivered upon the original issuance of the Governmental Lender Notes).

"Fee Owner" means [Dallas County Housing Finance Corporation 2025], a Texas public nonprofit housing finance corporation, and its permitted successors and assigns.

"Funding Lender" has the meaning set forth in the Funding Loan Agreements.

"Funding Loan Agreements" means, collectively, the Series 2021 Funding Loan Agreement and Series 2026 Funding Loan Agreement.

"Ground Lease" means the Ground Lease between the Fee Owner, as landlord, and the Borrower, as tenant, dated to be effective as of the Closing Date of the Series 2021 Governmental Lender Note, as it may thereafter be amended, supplemented or restated.

"Housing Act" means the United States Housing Act of 1937, as amended, or a successor thereto.

"HUD" means the United States Department of Housing and Urban Development or its successors.

"Loan Documents" means the Security Instruments, the Borrower Notes, the Borrower Loan Agreements, this Regulatory Agreement, the Tax Exemption Agreements and any and all other instruments and other documents evidencing, securing, or otherwise relating to the Borrower Loans.

"Low-Income Tenant" means a tenant whose Annual Income is 60% or less of the Multifamily Tax Subsidy Program Income Limit, as determined under sections 142(d)(2)(B) and (E) of the Code and in accordance with this Regulatory Agreement. If all the occupants of a Unit are students (as defined for the purposes of section 152(f)(2) of the Code) no one of whom is entitled to file a joint return under section 6013 of the Code, such occupants will not qualify as Low-Income Tenants unless such students meet the qualifications under section 42(i)(3)(D) of the Code.

"Low-Income Unit" means a Unit that is included as a Unit satisfying the requirements of the Set Aside.

"Multifamily Tax Subsidy Program Income Limit" (or successor term) means the income limits provided by HUD pursuant to section 142(d) of the Code.

"Multifamily Tax Subsidy Program Imputed Income Limitation" means the income limitation which would apply to individuals occupying the Unit if the number of individuals occupying the Unit were as follows: (i) in the case of a Unit which does not have a separate bedroom, 1 individual; or (ii) in the case of a Unit which has 1 or more separate bedrooms, 1.5 individuals for each separate bedroom.

"Partnership Agreement" shall mean that certain Amended and Restated Agreement of Limited Partnership of the Borrower dated as of the Closing Date of the Series 2021 Governmental Lender Note, as the same may be amended, restated or modified in accordance with its terms.

"Persons with Special Needs" means persons who (a) are considered to be individuals having a disability under State or federal law, (b) are elderly, meaning 62 years of age or more or of an age specified by the applicable federal program, (c) are designated by the governing board of the Governmental Lender as experiencing a unique need for decent, safe housing that is not being met adequately by private enterprise, or (d) are legally responsible for caring for an individual described by clauses (a), (b) or (c) above and meet the income guidelines established by the governing board of the Governmental Lender.

"Qualified Project Period" means, with respect to the Development, the period beginning on the first day on which 10% of the Units are occupied and ending on the latest of (a) the date that is 15 years after the date on which 50% of the Units are occupied, (b) the first day on which no tax-exempt private activity bond (as that phrase is used in section 142(d)(2) of the Code) issued with respect to the

Development is outstanding for federal income tax purposes, or (c) the date on which any assistance provided with respect to the Development under Section 8 of the Housing Act terminates.

"Regulations" means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Related Person" has the meaning set forth in section 144(a)(3) of the Code. A person is a "Related Person" to another person if the relationship between such persons would result in a disallowance of losses under section 267 or 707(b) of the Code or such persons are members of the same controlled group of corporations (as defined in section 1563(a) of the Code, except that "more than 50 percent" is substituted for "at least 80 percent" each place it appears therein).

"Replacement Reserve" means the reserve required to be established by the Replacement Reserve Agreement dated as of the date hereof by and between the Borrower and the Funding Lender.

"Security Instruments" means the Series 2021 Security Instrument and Series 2026 Security Instrument.

"Series 2021 Borrower Loan" means the mortgage loan of the proceeds of the Series 2021 Governmental Lender Note made by the Governmental Lender to the Borrower pursuant to the Series 2021 Borrower Loan Agreement.

"Series 2021 Borrower Loan Agreement" means the Borrower Loan Agreement dated as of December 1, 2021, between the Governmental Lender and Borrower, as it may be amended, modified, supplemented or restated from time to time to the extent permitted by the Series 2021 Funding Loan Agreement.

"Series 2021 Borrower Note" means the Multifamily Note dated as of the Closing Date for the Series 2021 Governmental Lender Note in the original principal amount of $23,849,000, made by Borrower and payable to Governmental Lender, as endorsed and assigned to the Fiscal Agent, as it may be amended, supplemented or replaced from time to time.

"Series 2021 Funding Loan Agreement" means the Funding Loan Agreement dated as of December 1, 2021, among the Governmental Lender, the Funding Lender and the Fiscal Agent, relating to the issuance of the Series 2021 Governmental Lender Note, as it may be amended, supplemented or replaced from time to time including by any funding loan agreement supplemental thereto.

"Series 2021 Security Instrument" means the Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas) dated as of December 1, 2021, from the Borrower, as the grantor, in favor of Governmental Lender, as the beneficiary, as the same may be supplemented, amended or modified.

"Series 2021 Tax Exemption Agreement" means the Tax Exemption Certificate and Agreement dated as of December 1, 2021, with respect to the Series 2021 Governmental Lender Note, among the Governmental Lender, the Borrower, and the Fiscal Agent, as in effect on the Closing Date and as it may thereafter be amended, supplemented or restated in accordance with its terms.

"Series 2026 Borrower Loan" means the mortgage loan of the proceeds of the Series 2026 Governmental Lender Note made by the Governmental Lender to the Borrower pursuant to the Series 2026 Borrower Loan Agreement.

"Series 2026 Borrower Loan Agreement" means the Borrower Loan Agreement of even date herewith between the Governmental Lender and Borrower, as it may be amended, modified, supplemented or restated from time to time to the extent permitted by the Series 2026 Funding Loan Agreement.

"Series 2026 Borrower Note" means the Multifamily Note dated as of the Closing Date for the Series 2026 Governmental Lender Note in the original principal amount of $[6,000,000], made by Borrower and payable to Governmental Lender, as endorsed and assigned to the Fiscal Agent, as it may be amended, supplemented or replaced from time to time.

"Series 2026 Funding Loan Agreement" means the Funding Loan Agreement of even date herewith among the Governmental Lender, the Funding Lender and the Fiscal Agent, relating to the issuance of the Series 2026 Governmental Lender Note, as it may be amended, supplemented or replaced from time to time including by any funding loan agreement supplemental thereto.

"Series 2026 Security Instrument" means the Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas) dated as of even date hereof from the Borrower, as the grantor, in favor of Governmental Lender, as the beneficiary, as the same may be supplemented, amended or modified.

"Series 2026 Tax Exemption Agreement" means the Tax Exemption Certificate and Agreement of even date herewith, with respect to the Series 2026 Governmental Lender Note, among the Governmental Lender, the Borrower, and the Fiscal Agent, as in effect on the Closing Date and as it may thereafter be amended, supplemented or restated in accordance with its terms.

"Set Aside" means the requirement that at least 40% of the Available Units be occupied or held vacant for occupancy at all times by Low-Income Tenants.

"State Conversion Date" has the meaning given to the term "Conversion Date" in the Series 2021 Borrower Loan Agreement.

"State Reserve Period" means, with respect to the Development, the period beginning on the later of the State Conversion Date and ending on the earliest of the following dates: (a) the date of any involuntary change in ownership of the Development; (b) the date on which the Owner suffers a total casualty loss with respect to the Development or the date on which the Development becomes functionally obsolete, if the Development cannot be or is not restored; (c) the date on which the Development is demolished; (d) the date on which the Development ceases to be used as multifamily rental property; or (e) the end of the State Restrictive Period.

"State Restrictive Period" means, with respect to the Development, the period beginning on the first day on which the Borrower takes legal possession of the Development, and ending on the latest of (a) the date that is [35 years] (as a result of the Borrower's election to extend the affordability period) after the first day of the State Restrictive Period, (b) the first date on which no tax-exempt private activity bond issued with respect to the Development is outstanding for federal income tax purposes, and (c) the date on which any assistance provided with respect to the Development from the federal government terminates.

"Tax Exemption Agreements" means, collectively, the Series 2021 Tax Exemption Agreement and Series 2026 Tax Exemption Agreement.

"Tenant Income Certification" means a certification form available on the Governmental Lender's website at the time of submission used to certify income and other matters executed by the household members of each Unit in the Development.

"Unit" means a residential accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation located within the Development; provided that, a unit will not fail to be treated as a Unit merely because it is a single-room occupancy unit (within the meaning of section 42 of the Code).

"Unit Status Report" means the certified residential rental housing program compliance report with respect to the Development to be filed by the Borrower with the Governmental Lender electronically through the filing system available on the Governmental Lender's website in the form available on the Governmental Lender's website at the time of submission of the report or in such other form as the Governmental Lender may reasonably prescribe in writing to the Borrower pursuant to Section 4(e) hereof.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender include each other gender, and words of the singular number include the plural number, and vice versa. This Regulatory Agreement and all the terms and provisions hereof are to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms are to be determined by reference to this Section 1, notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only and are not to be considered a part hereof and do not in any way modify or restrict any of the terms or provisions hereof and are not to be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent arises.

Section 1A. Acquisition, Construction and Equipping of the Development. The Borrower hereby represents, covenants and agrees as follows:

(a) The statements made in the various certificates delivered by the Borrower to the Governmental Lender or the Fiscal Agent or both, including specifically the representations and expectations set forth in the Tax Exemption Agreements, are true and correct in all material respects.

(b) The Borrower will submit to the Governmental Lender and the Fiscal Agent evidence of construction completion as required in the Borrower Loan Agreements, and attached as *Exhibit B* thereto, within 30 days of completion. The Borrower will also submit a request for final construction inspection to the Governmental Lender, in the format prescribed by the Governmental Lender as required pursuant to Title 10, Part 1, Chapter 10, Subchapter F of the Texas Administrative Code. The Borrower further agrees to cause the architect of record to submit a certification that the Development was built in compliance with all applicable laws and the engineer of record (if applicable) must submit a certification that the Development was built in compliance with design requirements.

(c) The Borrower will take or not fail to take, as is applicable, all actions necessary to cause the proceeds of the Governmental Lender Notes to be applied in a manner consistent with the requirements of the Funding Loan Agreements, the Borrower Loan Agreements, the Tax Exemption Agreements and this Regulatory Agreement. The Borrower acknowledges that such requirements have been designed for the purpose of ensuring compliance with the provisions of the Act or the Code applicable to the Borrower and the Development.

(d) The Borrower is a qualified "housing sponsor" as defined in the Act.

Section 2. Tax-Exempt Status of the Governmental Lender Notes. The Borrower will not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the Federal Tax Status of the Governmental Lender Notes. With the intent not to limit the generality of the foregoing, the Borrower covenants and agrees:

(a) That the Development will be owned, managed and operated as a "qualified residential rental project" within the meaning of Section 142(d) of the Code, on a continuous basis during the Qualified Project Period. In particular, the Borrower covenants and agrees, continuously during the Qualified Project Period, as follows:

(i) that the Development will be comprised of residential Units and facilities functionally related and subordinate thereto;

(ii) that each Unit will contain complete facilities for living, sleeping, eating, cooking and sanitation, e.g., a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, all of which are separate and distinct from other Units; provided that, a Unit will not fail to meet these requirements merely because it is a single-room occupancy unit (within the meaning of Section 42 of the Code);

(iii) that the land and the facilities that are part of the Development will be functionally related and subordinate to the Units comprising the Development and will be of a character and size that is commensurate with the character and size of the Development;

(iv) that at no time will any of the Units be utilized (A) on a transient basis by being leased or rented for a period of less than six months (unless the Unit serves as a single room occupancy unit or transitional housing for the homeless (as described in Section 42(i)(3)(B) of the Code), in which case such lease may be on a month-to-month basis) or (B) as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, or trailer park or court used on a transient basis;

(v) that the Development will consist of one or more proximate buildings or structures, together with any functionally related and subordinate facilities containing one or more similarly constructed Units, all of which (A) will be located on a single tract of land or two or more parcels of land that are contiguous except for the interposition of a road, street, stream or similar property or their boundaries meet at one or more points, (B) will be owned by the same person for federal income tax purposes, and (C) will be financed pursuant to a common plan;

(vi) that substantially all of the Development will consist of similarly constructed Units together with functionally related and subordinate facilities for use by Development tenants at no additional charge, such as swimming pools, other recreational facilities, parking areas, and other facilities that are reasonably required for the Development, such as heating and cooling equipment, trash disposal equipment, and Units for resident managers, security personnel or maintenance personnel;

(vii) that at no time will any Unit in any building or structure in the Development that contains fewer than five Units be occupied by the Borrower;

(viii) that each Unit will be rented or available for rental on a continuous basis to Eligible Tenants (subject to the limitations and exceptions contained in this Regulatory Agreement, the Tax Exemption Agreements and the Borrower Loan Agreements) at all times during the longer of (A) the term of the Governmental Lender Notes or (B) the Qualified Project Period, that the Borrower will not give preference in renting Units to any particular class or group of persons, other than Persons with Special Needs, Low-Income Tenants, and other Eligible Tenants as provided herein, and that at no time will any portion of the Development be exclusively reserved for use by a limited number of nonexempt persons in their trades or businesses;

(ix) that the Development will meet the Set Aside. For the purposes of this Section 2(a)(ix), a vacant Unit that was most recently occupied by a Low-Income Tenant is treated as rented and occupied by a Low-Income Tenant until reoccupied, at which time the character of such Unit must be redetermined. No tenant qualifying as a Low-Income Tenant will be denied continued occupancy of a Unit because, after the most recent Tenant Income Certification, such tenant's Annual Income increases to exceed the qualifying limit for Low-Income Tenants; provided, however, that, should a Low-Income Tenant's Annual Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Low-Income Tenant of the same family size and such Low-Income Tenant constitutes a portion of the Set Aside, then such tenant will only continue to qualify for so long as no Unit of comparable or smaller size in the same building (within the meaning of Section 42 of the Code) is rented to a tenant that does not qualify as a Low-Income Tenant;

(x) that the Borrower will obtain, complete and maintain on file (A) Tenant Income Certifications and supporting documentation from each Low-Income Tenant dated immediately prior to the initial occupancy of such Low-Income Tenant in the Development and (B) thereafter, annual certification regarding, at a minimum, information regarding household composition and student status in the form available on the Governmental Lender's website; provided that, if any Units in the Development are ever made available to tenants who are not Low-Income Tenants, then the Borrower will obtain, complete and maintain annual Tenant Income Certifications in accordance with Section 142(d)(3)(A) of the Code. The Borrower will obtain such additional information as may be required in the future by Section 142(d) of the Code, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to obligations that are tax-exempt private activity bonds described in Section 142(d) of the Code. The Borrower will make a diligent and good-faith effort to determine that the income information provided by an applicant in any certification is accurate by taking steps required under Section 142(d) of the Code pursuant to provisions of the Housing Act. As part of the verification, the Borrower will document income and assets in accordance with HUD Handbook 4350.3 and the Governmental Lender's Compliance Monitoring Rules;

(xi) that, on or before each March 31, the Borrower will submit to the Secretary of the Treasury, with a copy provided to the Governmental Lender, the completed Internal Revenue Service Form 8703 or such other annual certification required by the Code to be submitted to the Secretary of the Treasury as to whether the Development continues to meet the requirements of Section 142(d) of the Code; and

(xii) that the Borrower will prepare and submit the Unit Status Report in the form available on the Governmental Lender's website at the time of such submission to the Governmental Lender (via the electronic filing system available on the Governmental Lender's website) in accordance with Section 4(e) hereof. The Borrower will retain all documentation required by this Section 2(a)(xii) until the date that is three years after the end of the Qualified Project Period.

(b) That the Borrower will maintain complete and accurate records pertaining to the Low-Income Units and will permit, at all reasonable times during normal business hours and upon reasonable notice, and subject to the rights of tenants in lawful possession, any duly authorized representative of the Governmental Lender, the Fiscal Agent, the Department of the Treasury or the Internal Revenue Service to enter upon the Development Site to examine and inspect the Development and to inspect and photocopy the books and records of the Borrower pertaining to the Development, including those records pertaining to the occupancy of the Low-Income Units. The Borrower will retain all records maintained in accordance with this Section 2(b) until the date that is three years after the end of the Qualified Project Period.

(c) That the Borrower will provide to the Fiscal Agent and the Governmental Lender a certificate in the form attached hereto as Exhibit E certifying (i) within 90 days thereof, the date on which 10% of the Units are occupied; and (ii) within 90 days thereof, the date on which 50% of the Units are occupied.

(d) That the Borrower will prepare and submit to the Governmental Lender and the Fiscal Agent, within 60 days prior to the last day of the Qualified Project Period, a certificate setting forth the date on which the Qualified Project Period will end, which certificate must be in recordable form; however, failure to deliver such certificate shall not extend the Qualified Project Period.

Anything in this Regulatory Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Governmental Lender and the Fiscal Agent may rely conclusively on the truth and accuracy of any certificate, opinion, notice, representation or instrument made or provided by the Borrower in order to establish the existence of any fact or statement of affairs solely within the knowledge of the Borrower, and which is required to be noticed, represented or certified by the Borrower hereunder or in connection with any filings, representations or certifications required to be made by the Borrower in connection with the issuance and delivery of the Governmental Lender Notes.

Section 3. Modification of Tax and Other Restrictive Covenants. The Borrower, the Fee Owner, the Fiscal Agent and the Governmental Lender hereby agree as follows:

(a) During the Qualified Project Period and the State Restrictive Period, to the extent any amendments to the Act or the Code, in the written opinion of Bond Counsel filed with the Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower, impose requirements upon the ownership or operation of the Development more restrictive than those imposed by this Regulatory Agreement, this Regulatory Agreement will be deemed to be automatically amended to impose such additional or more restrictive requirements. The parties hereto hereby agree to execute such amendment hereto as is necessary to document such automatic amendment hereof to be effective for the duration of such more restrictive requirements. In addition, this Regulatory Agreement will be amended to the extent required by, and in accordance with, the Borrower Loan Agreements.

(b) During the Qualified Project Period and the State Restrictive Period, to the extent that the Act, the Code, or any amendments thereto, in the written opinion of Bond Counsel filed with the Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower, impose requirements upon the ownership or operation of the Development less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower and upon receipt of a Favorable Opinion of Bond Counsel.

(c) All costs, including fees and out-of-pocket expenses actually incurred by the Governmental Lender and the Fiscal Agent, in connection with compliance with the requirements of this Section will be paid by the Borrower and its successors in interest.

Section 4. Housing Development During the State Restrictive Period. The Governmental Lender and the Borrower hereby recognize and declare their understanding and intent that the Development is to be owned, managed and operated as a "housing development," as such term is defined in Section 2306.004(13) of the Act, and in compliance with applicable restrictions and limitations as provided in the Act and the rules of the Governmental Lender until the expiration of the State Restrictive Period.

To the same end, the Borrower hereby represents, covenants and agrees as follows during the State Restrictive Period:

(a) except for Units occupied or reserved for a resident manager, security personnel and maintenance personnel that are reasonably required for the Development, to assure that 100% of the Units are reserved for Eligible Tenants and in accordance with the Borrower's election under Section 1372.0321 of the Texas Government Code, 80% of the Units are reserved for tenants whose combined Annual Income is not more than 60% of the Multifamily Tax Subsidy Program Income Limit;

(b) to assure that the provisions of Sections 2(a)(viii) and 2(a)(ix) hereof continue in full force and effect until the end of the State Restrictive Period;

(c) to obtain a Tenant Income Certification from each tenant in the Development (other than resident managers, security personnel and maintenance personnel) not later than the date of such tenant's initial occupancy of a Unit in the Development, and, if required as described in Section 2(a)(x) hereof, at least annually thereafter in the manner as described in Section 2(a)(x) hereof, and to maintain a file of all such Tenant Income Certifications, together with all supporting documentation, for a period of not less than three years after the end of the State Restrictive Period;

(d) to obtain from each tenant in the Development (other than resident managers, security personnel and maintenance personnel), at the time of execution of the lease pertaining to the Unit occupied by such tenant, a written certification, acknowledgment and acceptance in such form provided by the Governmental Lender to the Borrower from time to time that (i) such lease is subordinate to the Security Instruments and this Regulatory Agreement, (ii) all statements made in the Tenant Income Certification submitted by such tenant are accurate, (iii) the family income and eligibility requirements of this Regulatory Agreement and the Borrower Loan Agreements are substantial and material obligations of tenancy in the Development, (iv) such tenant will comply promptly with all requests for information with respect to such requirements from the Borrower, the Fiscal Agent and the Governmental Lender, and (v) failure to provide accurate information in the Tenant Income Certification or refusal to comply with a request for information with respect

thereto will constitute a violation of a substantial obligation of the tenancy of such tenant in the Development;

(e) to cause to be prepared and submitted to the Governmental Lender (via the electronic filing system available on the Governmental Lender's website) by the tenth calendar day of each January, April, July and October or other schedule as determined by the Governmental Lender with written notice to the Borrower, a certified quarterly Unit Status Report in a form available on the Governmental Lender's website at the time of submission or in such other form as the Governmental Lender may reasonably prescribe in writing to the Borrower with the first quarterly report due on the first quarterly reporting date after leasing activity commences;

(f) to the extent legally permissible and upon reasonable notice to permit any duly authorized representative of the Governmental Lender or the Fiscal Agent to inspect the books and records of the Borrower pertaining to the Development or the incomes of Development tenants, including but not limited to tenant files, during regular business hours and to make copies therefrom if so desired and file such reports as are necessary to meet the Governmental Lender's requirements;

(g) that the Borrower is qualified to be a "housing sponsor" as defined in the Act and will comply with all applicable requirements of the Act, including submitting (via the electronic filing system available on the Governmental Lender's website) the Annual Owner's Compliance Report to the Governmental Lender in the form available on the Governmental Lender's website at the time of submission by April 30 of each year, commencing [April 30, 2028];

(h) to provide social services which must meet the minimum point requirement and be chosen from the list of Tenant Supportive Services attached hereto as Exhibit C in the manner provided in such Exhibit or from any additional supportive services added to the Governmental Lender's rules at any future date that are of similar value to the service it is intending to replace as agreed to in writing by the Governmental Lender. The Borrower must maintain documentation satisfactory to the Governmental Lender of social services provided and such documentation will be reviewed during onsite visits beginning with the second onsite review and must be submitted to the Governmental Lender upon request. The Borrower must provide the social services throughout the State Restrictive Period;

(i) to comply with Title 10, Part 1, Chapter 10, Subchapter F of the Texas Administrative Code and other Governmental Lender rules regarding affirmative marketing and written policies and procedures, as such requirements may be amended from time to time;

(j) to maintain the property in compliance with HUD's National Standards for the Physical Inspection of Real Estate and to provide regular maintenance to keep the Development sanitary, safe and decent and to comply with the requirements of Section 2306.186 of the Texas Government Code; provided, however, that the Governmental Lender must first provide notice of any default or breach to the Borrower and the Funding Lender, and the Borrower will have 30 days to cure such default or breach;

(k) to renew any available rental subsidies which are sufficient to maintain the economic viability of the Development pursuant to Section 2306.185(c) of the Texas Government Code;

(l) the Borrower is not a party to and will not enter into a contract for the Development with, a housing developer that (i) is on the Governmental Lender's debarred list, including any parts of that list that are derived from the debarred list of HUD; (ii) breached a contract with a

public agency; or (iii) misrepresented to a subcontractor the extent to which the Borrower has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the Borrower's participation in contracts with the agency and the amount of financial assistance awarded to the Borrower by the agency;

(m) to cooperate fully with the Governmental Lender with respect to its compliance and oversight requirements and to cause the manager of the Development to so comply;

(n) to ensure that Units intended to satisfy the Set Aside under Section 2(a)(ix) hereof and the reservation of Units under Section 4(a) hereof will be distributed evenly throughout the Development and will include a reasonably proportionate amount of each type of Unit available in the Development;

(o) to ensure that the Development conforms to the federal Fair Housing Act; and

(p) to pay to the Governmental Lender the Governmental Lender Compliance Fee (as defined in the Funding Loan Agreements).

Section 4.A. Repairs and Maintenance Required by State Law. The Borrower will maintain the Replacement Reserve required by and created pursuant to the Replacement Reserve Agreement or a similar account for the longer of: (a) the period of time required pursuant to the Replacement Reserve Agreement, or (b) the State Reserve Period as required by Section 2306.186 of the Texas Government Code.

Section 4.B. Development Amenities. The Borrower hereby represents, covenants and agrees that the Development will include the Development Amenities as described in Exhibit B-2 attached hereto.

Section 5. Maximum Allowable Gross Rents. During the State Restrictive Period, the Borrower hereby represents, covenants and agrees that in consideration for and as required by the reservation granted under Chapter 1372 of the Texas Government Code, as amended, the maximum monthly rent charged by the Borrower for 80% of the Units shall not exceed 30% of the 60% applicable Multifamily Tax Subsidy Program Imputed Income Limitation applicable to such Unit. For purposes of the preceding sentence, the amount of the income limitation for any period shall not be less than such limitation applicable, taking into consideration the gross rent floor provided in accordance with Revenue Procedure 94-57. Such initial maximum allowable gross rents are set forth in Exhibit D attached hereto and will be annually redetermined by the Governmental Lender and published on its website. The Borrower agrees to comply with the Governmental Lender's Compliance Monitoring Rules regarding utility allowances.

Section 6. Persons With Special Needs. The Borrower represents, covenants and warrants that during the State Restrictive Period, it will make at least 5% of the Units within the Development available for occupancy by Persons with Special Needs.

Section 7. Consideration. The Governmental Lender has issued the Governmental Lender Notes to provide funds to make the Borrower Loan to finance the Development, all for the purpose, among others, of inducing the Borrower to acquire, construct, equip and operate the Development. In consideration of the issuance of the Governmental Lender Notes by the Governmental Lender and in consideration of the Borrower entering into the Ground Lease, the Borrower and the Fee Owner have entered into this Regulatory Agreement and agreed to restrict the uses to which the Development can be put on the terms and conditions set forth herein.

Section 8. Reliance. The Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all Persons interested in the legality and validity of the Governmental Lender Notes, and in the excludability of interest on the Governmental Lender Notes from gross income for federal income tax purposes under existing law. In performing their duties and obligations hereunder, the Borrower, the Fee Owner, the Governmental Lender and the Fiscal Agent may rely upon statements and certificates of the Low-Income Tenants or Eligible Tenants and the Governmental Lender and the Fiscal Agent may rely upon (i) statements and certifications by the Borrower and the Fee Owner; (ii) audits of the books and records of the Borrower and the Fee Owner pertaining to the Development; and (iii) with respect to the Fiscal Agent, any other information provided to the Fiscal Agent, pursuant to this Regulatory Agreement. In addition, the Governmental Lender, the Borrower, the Fee Owner and the Fiscal Agent may consult with counsel, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by the Governmental Lender, the Borrower, the Fee Owner or the Fiscal Agent hereunder in good faith and in conformity with such opinion. In determining whether any default by the Borrower or the Fee Owner exists under this Regulatory Agreement, the Fiscal Agent is not required to conduct any investigation into or review of the operations or records of the Borrower or the Fee Owner and may rely on any written report, notice or certificate or other information delivered to the Fiscal Agent, as required by this Regulatory Agreement, by any Person retained to review the Borrower's or the Fee Owner's compliance with this Regulatory Agreement or by the Borrower, the Fee Owner or the Governmental Lender with respect to the occurrence or absence of a default unless it has actual knowledge that the report, notice or certificate is erroneous or misleading.

Section 9. Development in Dallas County. The Borrower hereby represents that the Development is located entirely within Dallas County, Texas.

Section 10. Sale or Transfer of the Development or Change in General Partner.

(a) Each of the Borrower and the Fee Owner covenants and agrees not to sell, transfer or otherwise dispose of the Development, prior to the expiration of the Qualified Project Period (other than pursuant to the lease of Units to Eligible Tenants), without (i) providing 30 days prior written notice to the Governmental Lender, (ii) complying with any applicable provisions of this Regulatory Agreement, the Borrower Loan Agreements, the Tax Exemption Agreements and other Loan Documents and (iii) obtaining the prior written consent of the Governmental Lender. Such consent of the Governmental Lender will not be unreasonably withheld and will be given if the following conditions to the sale or other disposition are met or waived in writing by the Governmental Lender: (A) there is delivered to the Fiscal Agent and the Governmental Lender a written opinion of independent legal counsel reasonably satisfactory to the Fiscal Agent and the Governmental Lender, addressed to the Fiscal Agent and the Governmental Lender, concluding that the proposed purchaser or transferee has duly assumed all of the rights and obligations of the Borrower or the Fee Owner, as applicable, under this Regulatory Agreement, the Borrower Loan Agreements, the Tax Exemption Agreements and the other Loan Documents and that each of the documents executed by such proposed purchaser or transferee in connection therewith has been duly authorized, executed and delivered by such proposed purchaser or transferee and is a valid and enforceable obligation of such proposed purchaser or transferee, subject to customary qualifications, (B) the Governmental Lender receives a Favorable Opinion of Bond Counsel, with a copy to the Fiscal Agent, which opinion will be furnished at the expense of the Borrower or the proposed purchaser or transferee, (C) the Governmental Lender receives a transfer fee equal to $1,000, (D) the proposed purchaser or transferee executes any document requested by the Governmental Lender with respect to assuming the obligations of the Borrower or the Fee Owner under this Regulatory Agreement, the Borrower Loan Agreements, the Tax Exemption Agreements

and the other Loan Documents, (E) the Governmental Lender has performed a previous participation review on the proposed purchaser or transferee or any affiliated party, the results of which are satisfactory to the Governmental Lender in accordance with Title 10, Part 1, Chapter 1, Subchapter C, Section 1.301, Texas Administrative Code, and the Governmental Lender does not further have any reason to believe the proposed purchaser or transferee is incapable, financially or otherwise, of complying with, or may be unwilling to comply with, the terms of all agreements and instruments binding on such transferee relating to the Development, including but not limited to this Regulatory Agreement, the Borrower Loan Agreements, the Tax Exemption Agreements, the Security Instruments and other Loan Documents, (F) the proposed purchaser or transferee has met the requirements in Title 10, Part 1, Chapter 10, Subchapter E, Section 10.406, Texas Administrative Code, and (G) the Borrower or transferee have paid any and all fees or expenses of Bond Counsel incurred in association with its review and drafting of documents relating to the transfer. The foregoing provisions do not apply to transfer by foreclosure or deed in lieu of foreclosure or other similar involuntary transfers, but such provisions apply to any transfer subsequent to such involuntary transfers. Each of the Borrower and the Fee Owner hereby expressly stipulates and agrees that any sale, transfer or other disposition of the Development in violation of this subsection will be ineffective to relieve the Borrower or the Fee Owner, as applicable, of its obligations under this Regulatory Agreement. Upon any sale, transfer or other disposition of the Development in compliance with this Regulatory Agreement, the Borrower or the Fee Owner so selling, transferring or otherwise disposing of the Development will have no further liability for obligations under the Borrower Loan Agreements, this Regulatory Agreement or any Loan Document arising after the date of such disposition. The foregoing notwithstanding, the duties of the Borrower and the Fee Owner as set forth in the Borrower Loan Agreements, this Regulatory Agreement or any Loan Document with respect to matters arising prior to the date of such sale, transfer or other disposition will not terminate upon the sale, transfer or other disposition of the Development.

(b) No transfer of the Development will release the Borrower or the Fee Owner from its respective obligations under this Regulatory Agreement arising prior to the date of such transfer, but any such transfer in accordance with this Regulatory Agreement will relieve the Borrower or the Fee Owner, as applicable, of further liability for obligations under this Regulatory Agreement arising after the date of such transfer.

(c) The Borrower will not change its general partner by transfer, sale or otherwise without the prior written consent of the Governmental Lender, in accordance with Title 10, Part 1, Chapter 10, Subchapter E, Section 10.406, Texas Administrative Code. A change in the Borrower's general partner includes any transfer of any controlling ownership interest in the general partner other than by death or incapacity. Notwithstanding the foregoing, the Equity Investor may remove the Borrower's general partner pursuant to the Partnership Agreement and substitute it with an affiliate of the Equity Investor for up to ninety (90) days, pending consent of the Governmental Lender to the permanent replacement of the general partner.

Section 11. Term. This Regulatory Agreement and all and each of the provisions hereof will become effective upon its execution and delivery, will remain in full force and effect for the periods provided herein and, except as otherwise provided in this Section, will terminate in its entirety at the end of the State Restrictive Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Governmental Lender Notes, discharge of the Borrower Loans, termination of the Borrower Loan Agreements and defeasance or termination of the Funding Loan Agreements and the resignation or removal of the Fiscal Agent; provided, however, that the provisions

related to the Qualified Project Period that are not incorporated into the State Restrictive Period will terminate in their entirety at the end of the Qualified Project Period.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements set forth herein will terminate, without the requirement of any consent by the Governmental Lender or the Fiscal Agent, and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal or State law or an action of a federal agency after the Closing Date which prevents the Governmental Lender or the Fiscal Agent from enforcing the provisions hereof, or foreclosure or transfer of title by deed in lieu of foreclosure or other similar involuntary transfer, condemnation or a similar event, but only if, within a reasonable period thereafter, either the Governmental Lender Notes are retired in full or amounts received as a consequence of such event are used to provide a "qualified residential rental project" that meets the requirements of the Code and State law including, but not limited to, the provisions set forth in Sections 1A through 6, 10, 11 and 12 of this Regulatory Agreement. The provisions of the preceding sentence will cease to apply and the requirements referred to therein will be reinstated if, at any time during the Qualified Project Period, after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or similar event, the Borrower or any Related Person obtains an ownership interest in the Development for federal income tax purposes or for the purposes of State law.

Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower upon receipt of a Favorable Opinion of Bond Counsel.

Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments are not necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms. All costs, including fees and expenses, of the Governmental Lender and the Fiscal Agent incurred in connection with the termination of this Regulatory Agreement will be paid by the Borrower and its successors in interest.

Section 12. Covenants To Run With the Land. The Borrower and the Fee Owner hereby subject the Development (including the Development Site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower hereby declare that the covenants, reservations and restrictions set forth herein are covenants running with the land and will pass to and be binding upon the Borrower's and the Fee Owner's successors in title to the Development; provided, however, that upon the termination of this Regulatory Agreement said covenants, reservations and restrictions will expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Development or any portion thereof prior to the termination of this Regulatory Agreement will conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instrument.

No breach of any of the provisions of this Regulatory Agreement will impair, defeat or render invalid the lien of any mortgage, deed of trust or like encumbrance made in good faith and for value encumbering the Development or any portion thereof.

Section 13. Burden and Benefit. The Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Development is rendered less valuable thereby. The Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower hereby

further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Development by Low-Income Tenants and Eligible Tenants and by furthering the public purposes for which the Governmental Lender Notes were issued.

Section 14. Uniformity; Common Plan. The covenants, reservations and restrictions hereof will apply uniformly to the entire Development in order to establish and carry out a common plan for the use, development and improvement of the Development Site.

Section 15. Default; Enforcement by the Fiscal Agent and Governmental Lender. If the Borrower or the Fee Owner defaults in the performance or observance of any covenant, agreement or obligation of the Borrower or the Fee Owner, as applicable, set forth in this Regulatory Agreement, and if such default remains uncured by the Borrower or the Fee Owner for a period of 60 days after written notice thereof has been given by the Governmental Lender or the Fiscal Agent to the Borrower and the Fee Owner at the Notice Addresses set forth in the Funding Loan Agreements, then the Fiscal Agent, after being indemnified as provided in the Funding Loan Agreement, acting on its own behalf or on behalf of the Governmental Lender, will declare an "Event of Default" to have occurred hereunder; provided, however, that, if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default will not constitute an Event of Default hereunder and will not be declared an Event of Default so long as (i) the Borrower or the Fee Owner institutes corrective action within said 60 days and diligently pursues such action until the default is corrected and (ii) the Borrower or the Fee Owner delivers to the Governmental Lender and the Fiscal Agent a Favorable Opinion of Bond Counsel.

During the existence of an Event of Default hereunder, the Fiscal Agent or the Governmental Lender, each subject to being indemnified to its satisfaction with respect to the costs and expenses of any proceeding may, at its option, take any one or more of the following steps:

(a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower or the Fee Owner, as applicable, to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Governmental Lender or the Fiscal Agent hereunder;

(b) have access to and inspect, examine and make copies of all of the books and records of the Borrower or the Fee Owner, as applicable, pertaining to the Development during regular business hours following reasonable notice; and

(c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower or the Fee Owner hereunder;

Each of the Borrower and the Fee Owner hereby agrees that specific enforcement of the Borrower's and the Fee Owner's agreements contained herein is the only means by which the Governmental Lender and the Fiscal Agent may obtain the benefits of such agreements made by the Borrower and the Fee Owner herein, and each of the Borrower and the Fee Owner therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower or the Fee Owner hereunder. In addition, if the Governmental Lender succeeds in an action for specific performance of an obligation, covenant or agreement of the Borrower or the Fee Owner contained herein, it is entitled to the relief provided in Section 16(b) hereof to the extent provided in that provision.

All rights and remedies herein given or granted are cumulative, nonexclusive and in addition to any and all rights and remedies that the parties may have or may be given by reason of any law, statute, ordinance, document or otherwise. Notwithstanding the availability of the remedy of specific performance

provided for in this Section, promptly upon determining that a violation of this Regulatory Agreement has occurred, the Governmental Lender will to the extent that it has actual knowledge thereof, by notice in writing, use its best efforts to inform the Fiscal Agent, the Fee Owner and the Borrower (provided that the failure to notify will not adversely affect the Governmental Lender's or the Fiscal Agent's rights under this Regulatory Agreement) that a violation of this Regulatory Agreement has occurred.

It is specifically declared that this Regulatory Agreement or obligations hereunder may not be enforced by tenants or prospective tenants of the Development (except as described in Section 16 below) or, except as specifically provided in the Funding Loan Agreements, by the owner of the Governmental Lender Notes.

Section 16. Enforcement of Certain Provisions by Tenants and other Private Parties.

(a) During the existence of an Event of Default hereunder with respect to Sections 4(i), 4(j) and 5 hereof only, a tenant of the Development or any private party may, at its option by mandamus or other suit, including injunctive relief, require the Borrower to perform its obligations and covenants under Sections 4(i), 4(j) and 5 hereof.

(b) If the Governmental Lender, a tenant of the Development, or any private party brings an action to enforce the obligations and covenants of the Borrower under Sections 4(i), 4(j) and 5 hereof, such party has the right to recover attorney's fees directly from the Borrower, without recourse to the Development, if such party is successful in an action seeking enforcement of the obligations and covenants of the Borrower hereunder. This is the only monetary relief a tenant of the Development or other private parties may receive under this Regulatory Agreement and any such recovery is subject to the provisions set forth in Section 15 above.

Section 17. The Fiscal Agent. The Fiscal Agent will act only as specifically provided herein in the Funding Loan Agreements and in the Tax Exemption Agreements. Subject to the right of the Fiscal Agent to be indemnified as provided in the Funding Loan Agreements and the Borrower Loan Agreements, the Fiscal Agent agrees to act as the agent of and on behalf of the Governmental Lender when requested in writing by the Governmental Lender to do so, and any act required to be performed by the Governmental Lender as herein provided will be deemed taken if such act is performed by the Fiscal Agent. The Fiscal Agent is entering into this Regulatory Agreement solely in its capacity as Fiscal Agent under the Funding Loan Agreements and not in its individual capacity, and the duties, powers, rights, protections and obligations of the Fiscal Agent in acting (or omitting to act) hereunder will be subject to the provisions of the Funding Loan Agreements and the Tax Exemption Agreements, all of which are incorporated by reference herein. The incorporated provisions of the Funding Loan Agreements and the Tax Exemption Agreements are intended to survive the retirement of the Governmental Lender Notes, discharge of the Borrower Loans, termination of the Borrower Loan Agreements and defeasance or termination of the Funding Loan Agreements and the Tax Exemption Agreements, and the resignation or removal of the Fiscal Agent.

Neither the Fiscal Agent nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own negligence, bad faith, fraud or willful misconduct. No provision of this Regulatory Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that the payment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Subject to the Fiscal Agent's rights under the Funding Loan Agreements, the Fiscal Agent will, at the direction of the Governmental Lender, take reasonable actions to enforce compliance by the Borrower and the Fee Owner with the terms of this Regulatory Agreement. The Fiscal Agent may conclusively rely on certificates, reports or other information delivered to the Fiscal Agent, in accordance with this Regulatory Agreement, without independent investigation and the Fiscal Agent's responsibility to review and monitor compliance hereunder will not extend beyond the Fiscal Agent's receipt of the certificates, reports, and other documents required to be submitted to the Fiscal Agent pursuant to this Regulatory Agreement, and the Fiscal Agent shall have no further duty to investigate if the same reflect compliance.

The Fiscal Agent may resign or be removed only as provided in Section 11.10 of the Funding Loan Agreements. Such resignation or removal will not be effective until a successor Fiscal Agent satisfying the requirements of the Funding Loan Agreements is appointed and has accepted its appointment. The Fiscal Agent's right to indemnification provided in the Funding Loan Agreements and the Borrower Loan Agreements will survive the resignation or removal of the Fiscal Agent and the termination of this Regulatory Agreement.

Upon discharge of the Funding Loan Agreements, the Borrower will pay to the Fiscal Agent a fee, in an amount mutually agreed upon by the Borrower and the Fiscal Agent at the time of such discharge, for the performance of the Fiscal Agent's duties under this Regulatory Agreement through the date upon which the Governmental Lender Notes are to be paid in full. After the date upon which the Governmental Lender Notes have been paid in full, the Fiscal Agent shall no longer have any duties or responsibilities under this Regulatory Agreement and all references to the Fiscal Agent in this Regulatory Agreement shall be deemed references to the Governmental Lender.

Section 18. Recording and Filing. The Borrower will cause this Regulatory Agreement, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of Dallas County, Texas and in such other places as the Governmental Lender or the Fiscal Agent may reasonably request. A file-stamped copy of this Regulatory Agreement and all amendments and supplements thereto will be delivered to the Fiscal Agent. The Borrower will pay all fees and charges incurred in connection with any such recording. This Regulatory Agreement is subject to and subordinate to all matters of record as of the date hereof.

Section 19. Reimbursement of Expenses. Notwithstanding any prepayment of the Borrower Loan and notwithstanding a discharge of the Funding Loan Agreements or the Tax Exemption Agreements, throughout the term of this Regulatory Agreement, the Borrower will continue to pay to the Governmental Lender and the Fiscal Agent all fees and reimbursement for all expenses actually incurred thereby required to be paid to the Governmental Lender and the Fiscal Agent by the Borrower pursuant to the Borrower Loan Agreements or the Tax Exemption Agreements, as applicable.

Section 20. Governing Law. This Regulatory Agreement is governed by the laws of the State of Texas. The Fiscal Agent's rights, duties, powers and obligations hereunder are governed in their entirety by the terms and provisions of this Regulatory Agreement, the Borrower Loan Agreements, the Funding Loan Agreements and the Tax Exemption Agreements.

Section 21. Amendments. Subject to the provisions of Section 3 hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto and the Funding Lender, or their successors in title, and duly recorded in the real property records of Dallas County, Texas, and only upon receipt by the Governmental Lender (with a copy to the Fiscal Agent and the Funding Lender) of a Favorable Opinion of Bond Counsel and an opinion of Bond Counsel that such action is not contrary to the provisions of the Act.

Section 22. Notices. Any notice required to be given hereunder to the Governmental Lender, the Fiscal Agent, the Fee Owner or the Borrower will be given in the manner and to the address (or facsimile numbers) set forth in the Funding Loan Agreements.

Section 23. Severability. If any provision of this Regulatory Agreement is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof will not in any way be affected or impaired thereby.

Section 24. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which constitute one and the same instrument, and each of which is deemed to be an original.

Section 25. Authorization to Act for Governmental Lender. To the extent allowed by law, the Governmental Lender hereby authorizes the Borrower to take on behalf of the Governmental Lender all actions required or permitted to be taken by it hereunder, or under the Funding Loan Agreements and the Borrower Loan Agreements and to make on behalf of the Governmental Lender all elections and determinations required or permitted to be made by the Governmental Lender hereunder or under the Funding Loan Agreements and the Borrower Loan Agreements. In addition, the Governmental Lender hereby authorizes the Borrower to exercise, on behalf of the Governmental Lender, any election with respect to the Governmental Lender Notes pursuant to the Code or the Regulations, and the Governmental Lender agrees to cooperate with the Borrower and execute any form of statement required by the Code or the Regulations to perfect any such election.

[EXECUTION PAGES FOLLOW]

IN WITNESS WHEREOF, the Governmental Lender, the Fiscal Agent, the Fee Owner and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, as Governmental Lender

By:_____
Name: James B. "Beau" Eccles
Title: Secretary to the Board

ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on _____, 2026 by James B. "Beau" Eccles, Secretary to the Governing Board of the Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas, on behalf of said agency.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public Signature

My Commission expires:_____

(Personalized Seal)

WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association, as Fiscal Agent

By: _____
Name: Richard Lopez
Title: Assistant Vice President

ACKNOWLEDGMENT

STATE OF _____ §
§
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 2026 by Richard Lopez, Assistant Vice President of Wilmington Trust, National Association, a national banking association, on behalf of said banking association.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public Signature

My Commission expires:_____

(Personalized Seal)

[DALLAS COUNTY HOUSING FINANCE CORPORATION 2025],
a Texas public nonprofit housing finance corporation,
as Fee Owner

By:_____
Name: _____
Title: _____

ACKNOWLEDGMENT

STATE OF §
§
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 2026 by _____, _____ of [Dallas County Housing Finance Corporation 2025], a Texas public nonprofit housing finance corporation, on behalf of said entity.

_____
Notary Public Signature
My Commission expires:_____

(Personalized Seal)

SDC CORINTH III, LP,
a Texas limited partnership,
as Borrower

[BORROWER TO PROVIDE]

By:_____
Name: _____
Title: _____

ACKNOWLEDGMENT

STATE OF _____ §
§
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 2026 by _____, _____ of [BORROWER TO PROVIDE] on behalf of said entities.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____
Notary Public Signature

My Commission expires:_____

(Personalized Seal)

EXHIBIT A

BEING surveyed as a 2.26 acre (98,232 square foot) tract or parcel of land situated in the WILLIAM S. BEATTY SURVEY, ABSTRACT No. 57, City of Dallas, Dallas County, Texas, and all of Lot 1, Block 4719, Lots 17-24, Block 4720, Lot 25, Block 4717, a portion of Lots 5, 6, Block 4719, and Lot 26, Block 4717, OAK CLIFF HEIGHTS ADDITION, an addition to the City of Dallas, Dallas County, Texas, and being that portion of land as abandoned by City Ordinance 28685, being the old right-of-way for Avenues A, B, D, and E as described in deed to SDC Mixed Development, L.L.C., as recorded in Instrument No. 201500230672, Official Public Records, Dallas County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at set 5/8" capped iron rod stamped "ADAMS SURVEYING COMPANY LLC" hereinafter referred to as (CIRS), for the Southeast corner of Fran Way having a right-of-way of 40 feet and the South line of a right-of-way dedication for Eleventh Street having a right-of-way of 56 feet as shown on Phase 1, Sphinx at Fiji as recorded in Instrument No. 201000127675, Plat Records, Dallas County, Texas;

THENCE South 89° 51' 36" East, departing the East line of said Fran Way with the South line of said Eleventh Street, a distance of 161.82 feet to a CIRS for the Northern most corner of a corner clip at the Southwest corner of the intersection of said Eleventh Street and South Corinth Street having a variable width right-of-way;

THENCE South 48° 56' 24" East, a distance of 12.36 feet to a CIRS for the Southern most corner of said corner clip;

THENCE along the arc of a curve to the left and with the West line of said South Corinth Street, having a central angle of 02° 20' 29", a radius of 2133.70 feet, an arc length of 87.19 feet and a chord which bears South 06° 04' 20" East, a distance of 87.19 feet to a CIRS;

THENCE South 07° 14' 35" East, continuing along the West line of said South Corinth Street, a distance of 140.58 feet to a CIRS;

THENCE South 07° 08' 24" East, continuing along the West line of said Corinth Street, a distance of 153.61 feet to a CIRS for the Southeast corner of said Lot 5 and being the Northeast corner of Lot 2, Block 4719, Oak Cliff Heights Addition, described by deed to Cedrick Bolden as recorded in Instrument No. 20080022695, Official Public Records, Dallas County, Texas;

THENCE North 89° 27' 44" West, with the common line of said Lots 2 and 5, Block 4719, a distance of 38.07 feet to a CIRS for the Northwest corner of said Lot 2 and being the Northeast corner of said Lot 1;

THENCE South 00° 32' 16" West, along the common line of said Lots 1 and 2, Block 4719, a distance of 100.00 feet to a CIRS for the Southeast corner of said Lot 1, for the Southwest corner of said Lot 2;

THENCE South 00° 32' 16" West, 7.98 feet to a CIRS being in the North right-of-way of said Avenue B;

THENCE with the North line of Avenue B, same being the South line of said right-of-way abandonment as recorded in Instrument No. 201300265727, Official Public Records, Dallas County, Texas, the following courses and distances:

South 81° 30' 13" West, a distance of 128.49 feet to a CIRS;

North 88° 53' 44" West, a distance of 49.91 feet to a CIRS;

North 43° 57' 23" West, a distance of 14.16 feet to a CIRS for the Northeast corner of the intersection of said Avenue B and said Fran Way;

THENCE North 00° 58' 59" East, along the East line of said Fran Way and Lots 17-21, Block 4720 of said Oak Cliff Heights Addition, a distance of 228.09 feet to a CIRS;

THENCE North 01° 00' 00" East, along the East line of said Fran Way and Lots 21-24, Block 4720 and Lots 25, 26, Block 4717 of said Oak Cliff Heights Addition, a distance of 274.52 feet to the POINT OF BEGINNING and containing 2.26 acres (98,232 square feet) of land, more or less.

EXHIBIT B-1

DESCRIPTION OF DEVELOPMENT

Borrower: SDC Corinth III, LP, a Texas limited partnership

Development: The Development is a 204-unit affordable multifamily community to be known as Fiji Lofts, and to be located at 301 S. Corinth St. Rd., Dallas, Dallas County, TX 75203. The unit mix will consist of:

3	efficiency units
91	one-bedroom/one-bath units
110	two-bedroom/two-bath units
204	Total Units

EXHIBIT B-2

DEVELOPMENT AMENITIES

Development Common Amenities must include twenty two (22) points selected from the following list which are grouped primarily for organizational purposes. The Borrower is not required to select a specific number of amenities from each section. The Borrower may change, from time to time, the amenities offered; however, the overall points must remain the same. The tenant must be provided written notice of the elections made by the Borrower.

(i) Community Space for Resident Supportive Services includes:

(I) Except in Applications where more than 10% of the units in the proposed Development are Supportive Housing SRO Units, an Application may qualify to receive half of the points required under §11.101(b)(5)(A)(i)-(vi) by electing to provide a High Quality Pre-Kindergarten (HQ Pre-K) program and associated educational space at the Development Site. To receive the points the Applicant must commit to all of items (-a-) - (-c-) of this subclause.

(-a-) Space and Design. The educational space for the HQ Pre-K program must be provided on the Development Site and must be a suitable and appropriately designed space for educating children that an independent school district or open-enrollment charter school can utilize to establish and operate a HQ Pre-K program. This space includes at a minimum a bathroom and large closet in the classroom space; appropriate design considerations made for the safety and security of the students; including limited and secure ingress and egress to the classroom space; and satisfaction of the requirements of all applicable building codes for school facilities. The Applicant must provide in the Application a copy of the current school facility code requirements applicable to the Development Site and owner and architect certifications that they understand the associated space and design requirements reflected in those code requirements. The Application must also include acknowledgement by all lenders, equity providers and partners that the Application includes election of these points.

(-b-) Educational Provider Agreement. The Applicant must enter into an agreement, addressing all items as described in subitems (-1-) - (-5-) of this item, and provide evidence of such agreement to the Department on or before submission of the Cost Certification.

(-1-) The agreement must be between the Borrower and an educational provider.

(-2-) The agreement must reflect that at the Development Site the educational provider will provide a HQ Pre-K program, in accordance with Texas Education Code Chapter 29, Subchapter E-1, at no cost to residents of the proposed Development and that is available for general public use, meaning students other than those residing at the Development may attend.

(-3-) Such agreement must reflect a provision that the option to operate the HQ Pre-K program in the space at the Development Site will continue to be made available to the school or provider until such time as the school or provider wishes to withdraw from the location. This provision will not limit the Borrower’s right to terminate the agreement for good cause.

(-4-) Such agreement must set forth the responsibility of each party regarding payment of costs to use the space, utility charges, insurance costs, damage to the space or any other part of the Development, and any other costs that may arise as the result of the operation of the HQ Pre-K program.

(-5-) The agreement must include provision for annual renewal, unless terminated under the provisions of item (-c-) of this subclause.

(-c-) If an education provider who has entered into an agreement becomes defunct or elects to withdraw from the agreement and provision of services at the location, as provided for in subitem (-b-)(-3-) of this subclause, the Borrower must notify the Texas Commissioner of Education at least 30 days prior to ending the agreement to seek out any other eligible parties listed in subitem (-b-)(-1-) of this subclause above. If another interested open-enrollment charter school or school district is identified by the Texas Commissioner of Education or the Borrower, the Borrower must enter into a subsequent agreement with the interested open-enrollment charter school or school district and continue to offer HQ Pre-K services. If another interested provider cannot be identified, and the withdrawing provider certifies to the Department that their reason for ending the agreement is not due to actions of the Borrower, the Borrower will not be considered to be in violation of its commitment to the Department. If the Borrower is not able to find a provider, they must notify the Commissioner annually of the availability of the space.

(II) Multifunctional learning and care center(s) or conference room(s) with the appropriate furnishings to deliver the Resident Supportive Services pertaining to classes or care for children and selected by the Borrower. The room(s) devoted to meeting this requirement must equal 15 square feet times the total number of Units, but need not exceed 2,000 square feet in total. This space must be separate from any other community space but may include a full kitchen. The room(s) must include storage space, such as closets or cabinetry (4 points).

(III) Multifunctional learning and care center(s) or conference room(s) with the appropriate furnishings to deliver the Resident Supportive Services pertaining to classes or care for adults and selected by the Borrower. The room(s) devoted to meeting this requirement must equal 10 square feet times the total number of Units, but need not exceed 1,000 square feet in total. This space must be separate from any other community space but may include a full kitchen. The room(s) must include storage space, such as closets or cabinetry (2 points).

(IV) Service provider office in addition to leasing offices (1 point).

(ii) Safety amenities include:

(I) Controlled gate access for entrance and exit areas, intended to provide access that is limited to the Development's tenancy (1 point).

(II) Secured Entry (applicable only if all Unit entries are within the building's interior) (1 point).

(III) Twenty-four hour, seven days a week monitored camera/security system in each building. Monitoring may be on-site or off-site (2 points).

(IV) Twenty-four hour, seven days a week recorded camera / security system in each building (1 point).

(V) The provision of a courtesy patrol service that, at a minimum, answers after-hour resident phone calls regarding noise and crime concerns or apartment rules violations and that can dispatch to the apartment community a courtesy patrol officer in a timely manner (3 points).

(iii) Health/Fitness/Play amenities include:

(I) Accessible walking/jogging path, equivalent to the perimeter of the Development or a length that reasonably achieves the same result, separate from a sidewalk and in addition to required accessible routes to Units or other amenities (1 point).

(II) Furnished fitness center. Equipped with a variety of fitness equipment (at least one item for every 40 Units). Choose from the following: stationary bicycle, elliptical trainer, treadmill, rowing machine, universal gym, multi-functional weight bench, stair-climber, dumbbell set, or other similar equipment. Equipment shall be commercial use grade or quality. Fitness center must be located indoors or be a designated room with climate control and allow for after-hours access. (1 point).

(III) Furnished fitness center. Equipped with a variety of fitness equipment (at least one item for every 20 Units). Choose from the following: stationary bicycle, elliptical trainer, treadmill, rowing machine, universal gym, multi-functional weight bench, stair-climber, dumbbell set, or other similar equipment. Equipment shall be commercial use grade or quality. Fitness center must be located indoors or be a designated room with climate control and allow for after-hours access. (2 points).

(IV) One Children's Playscape Equipped for five to 12 year olds, or one Tot Lot (2 points). Must be covered with a shade canopy or awning, intended to keep equipment cool, and provide shade and ultraviolet protection. This item can only be selected if subclause (V) of this subparagraph is not selected.

(V) Two Children's Playscapes Equipped for five to 12 year olds, two Tot Lots, or one of each (4 points). Must be covered with a shade canopy or awning, intended to keep equipment cool, and provide shade and ultraviolet protection. This item can only be selected if subclause (IV) of this subparagraph is not selected.

(VI) Horseshoe pit; putting green; shuffleboard court; pool table; ping pong table; or similar equipment in a dedicated location accessible to all residents to play such games (1 point).

(VII) Swimming pool (5 points).

(VIII) Splash pad/water feature play area (3 points).

(IX) Sport Court or field (including, but not limited to, Tennis, Basketball, Volleyball, Pickleball, Soccer, or Baseball Field) (2 points).

(iv) Design / Landscaping amenities include:

(I) Full perimeter fencing that contains the parking areas and all amenities (excludes guest or general public parking areas) (2 points).

(II) Enclosed community sun porch or covered community porch/patio (1 point).

(III) Dog Park area that is fully enclosed (the perimeter fencing may be used for part of the enclosure) and intended for tenant owned dogs to run off leash (requires that the Development allow dogs) (2 points).

(IV) Shaded rooftop or structural viewing deck of at least 500 square feet (2 points).

(V) Porte-cochere (1 point).

(VI) Lighted pathways along all accessible routes (1 point).

(VII) a resident-run community garden with annual soil preparation and mulch provided by the Borrower and access to water (which may be subject to local water usage restrictions) (1 point).

(v) Community Resources include:

(I) Community laundry room with at least one washer and dryer for every 40 Units (2 points).

(II) Barbecue grill and picnic table with at least one of each for every 50 Units (1 point). Grill must be permanently installed (no portable grills).

(III) Business center with workstations and seating internet access, 1 printer and at least one scanner which may be integrated with the printer, and either 2 desktop computers or laptops available to check-out upon request (2 points).

(IV) Furnished Community room (2 points).

(V) Library with an accessible sitting area (separate from the community room) (1 point).

(VI) Activity Room stocked with supplies (Arts and Crafts, board games, etc.) (2 points).

(VII) Community Dining Room with full or warming kitchen furnished with adequate tables and seating (3 points).

(VIII) Community Theater Room equipped with a 52 inch or larger screen or projection with surround sound equipment; DVD player or a streaming service at no cost to residents; and seating (3 points).

(IX) High-speed Wi-Fi with advanced telecommunications capacity as determined under 47 U.S.C. 1302 with coverage throughout the clubhouse or community building (1 point).

(X) High-speed Wi-Fi with advanced telecommunications capacity as determined under 47 U.S.C. 1302 with coverage throughout the Development (2 points).

(XI) Bicycle parking that allows for, at a minimum, one bicycle for every five Units, within reasonable proximity to each residential building that allows for bicycles to be secured with lock (lock not required to be provided to tenant) (1 point).

(XII) Package Lockers or secure package room. Automated Package Lockers or secure package room provided at a location within the complex that can be accessed by residents 24/7 and at no charge to the resident. To qualify, there would need to be at least one locker for every eight residential units (2 points).

(XIII) Recycling Service (includes providing a storage location and service for pick-up) (1 point).

(XIV) Community car vacuum station (1 point).

(XV) Access to onsite bike sharing services, provided tenants have short-term, autonomous access to community-owned bicycles, with at least one bicycle per 25 units (1 point).

Unit, Development Construction and Energy and Water Efficiency Features. The Development must include at least nine (9) points selected from the following list. At least two (2) points must be selected from clause (iii) Energy and Water Efficiency Features. The development must maintain the points associated with those amenities by maintaining the amenity selected or providing substitute amenities with equal or higher point values.

(i) Unit Features include:

(I) Covered entries (0.5 point);

(II) Nine foot ceilings in living room and all Bedrooms (at minimum) (1 point);

(III) Microwave ovens (0.5 point);

(IV) Self-cleaning or continuous cleaning ovens (0.5 point);

(V) Storage room or closet, of approximately 9 square feet or greater, separate from and in addition to Bedroom, entryway or linen closets and which does not need to be in the Unit but must be on the Property site (0.5 point);

(VI) Covered patios or covered balconies (0.5 point);

(VII) High Speed Internet service to all Units (can be wired or wireless; required equipment for either must be provided) (1 point);

(VIII) Built-in (recessed into the wall) shelving unit (0.5 point);

(IX) Breakfast Bar (a space, generally between the kitchen and dining area, that includes an area for seating although actual seating such as bar stools does not have to be provided) (0.5 point);

(X) Walk-in closet in at least one Bedroom (0.5 point);

(XI) 48-inch upper kitchen cabinets (1 point);

(XII) Kitchen island (0.5 points);

(XIII) Kitchen pantry with shelving (may include the washer/dryer unit for Rehabilitation Developments only) (0.5 point).

(XIV) Natural stone or quartz countertops in kitchen and bath (1 point);

(XV) Double vanity in at least one bathroom (0.5 point); and

(XVI) Hard floor surfaces in over 50% of unit NRA (0.5 point).

(ii) Development Construction Features include:

(I) Covered parking (may be garages or carports, attached or freestanding) and include at least one covered space per Unit (1.5 points);

(II) Thirty year roof (0.5 point);

(III) Greater than 30% stucco or masonry (includes stone, cultured stone, and brick but excludes cementitious and metal siding) on all building exteriors; the percentage calculation may exclude exterior glass entirely (2 points);

(IV) Electric Vehicle Charging Station (0.5 points);

(V) An Impact Isolation Class (IIC) rating of at least 55 and a Sound Transmission Class (STC) rating of 60 or higher in all Units, as certified by the architect or engineer of record (3 points); and

(VI) Green Building Features. Points under this item are intended to promote energy and water conservation, operational savings and sustainable building practices. Four (4) points may be selected from only one of the categories described in items (-a-) - (-d-) of this subclause. If the Development involves scattered sites, there must be green building features incorporated into each site in order to qualify for these points.

(-a-) Enterprise Green Communities. The Development must incorporate all mandatory and optional items applicable to the construction type (i.e. New Construction, Rehabilitation, etc.) as provided in the most recent version of the Enterprise Green Communities Criteria found at http://www.greencommunitiesonline.org.

(-b-) Leadership in Energy and Environmental Design (LEED). The Development must incorporate, at a minimum, all of the applicable criteria necessary to obtain a LEED Certification, regardless of the rating level achieved (i.e., Certified, Silver, Gold or Platinum).

(-c-) ICC/ASHRAE - 700 National Green Building Standard (NGBS). The Development must incorporate, at a minimum, all of the applicable criteria necessary to obtain a NGBS Green Certification, regardless of the rating level achieved (i.e. Bronze, Silver, Gold, or Emerald).

(-d-) 2018 International Green Construction Code.

(iii) Energy and Water Efficiency Features include:

(I) Energy-Star or equivalently rated refrigerator with icemaker (0.5 point);

(II) Energy-Star or equivalently rated laundry equipment (washers and dryers) for each individual Unit; must be front loading washer and dryer in required accessible Units (2 points);

(III) Recessed LED lighting or LED lighting fixtures in kitchen and living areas (1 point);

(IV) Energy-Star or equivalently rated ceiling fans in all Bedrooms (0.5 point);

(V) EPA WaterSense or equivalent qualified toilets in all bathrooms (0.5 point);

(VI) EPA WaterSense or equivalent qualified showerheads and faucets in all bathrooms (0.5 point);

(VII) 15 SEER HVAC, or in Region 13, an efficient evaporative cooling system. For Rehabilitation (excluding Reconstruction) where such systems are not being replaced as part of the scope of work, a radiant barrier in the attic is provided (1 point);

(VIII) 16 SEER HVAC, for New Construction or Rehabilitation (1.5 points); and

(IX) A rainwater harvesting/collection system or locally approved greywater collection system (0.5 points).

(X) Wi-Fi enabled, Energy Start or equivalently rated "smart" thermostats installed in all units (1 point); and

(XI) Solar panels installed, with a sufficient number of panels to reach a rated power output of at least 300 watts for each Low-Income unit (2 points).

EXHIBIT C

TENANT SUPPORTIVE SERVICES

The tenant supportive services to be provided must include at least eight (8) points selected from the following list which are grouped primarily for organizational purposes. The Borrower is not required to select a specific number of services from each section. The Borrower may change, from time to time, the services offered; however, the overall points as selected at Application must remain the same. Should the Governmental Lender's rules in subsequent years provide different services than those listed below, the Borrower may be allowed to select services listed therein upon written consent from the Governmental Lender, and any services selected must be of similar value to the service the Borrower is intending to replace. The services provided should be those that will directly benefit the Target Population of the Development. Tenants must be provided written notice of the elections made by the Borrower.

(A) Transportation Supportive Services include:

(i) shuttle, at least three days a week, to a grocery store and pharmacy or a major, big-box retailer that includes a grocery store and pharmacy, OR a daily shuttle, during the school year, to and from nearby schools not served by a school bus system for children who live at the Development (3.5 points); and

(ii) monthly transportation to community/social events such as mall trips, community theatre, bowling, organized tours, etc. (1 point).

(B) Children Supportive Services include:

(i) provide a High Quality Pre-Kindergarten (HQ Pre-K) program and associated educational space at the Development Site meeting the requirements of §11.101(b)(5)(C)(i)(I). (Half of the points required under §11.101(b)(7)); and

(ii) Twelve hours of weekly, organized, on-site services provided to K-12 children by a dedicated service coordinator or third-party entity. Services include after-school and summer care and tutoring, recreational activities, character building programs, mentee opportunities, test preparation, and similar activities that promote the betterment and growth of children and young adults (3.5 points).

(C) Adult Supportive Services include:

(i) Four hours of weekly, organized, in-person, hybrid, or virtual classes accessible to participants from a common area on site to an adult audience by persons skilled or trained in the subject matter being presented, such as English as a second language classes, computer training, financial literacy courses, homebuyer counseling, health education courses, certification courses, GED preparation classes, resume and interview preparatory classes, general presentations about community services and resources, and any other course, class, or presentation that may equip residents with new skills that they may wish to develop (3.5 points);

(ii) annual income tax preparation (offered by an income tax prep service) or IRS-certified VITA (Volunteer Income Tax Assistance) program (offered by a qualified individual) that also emphasizes how to claim the Earned Income Tax Credit (1 point);

(iii) contracted career training and placement partnerships with local worksource offices, culinary programs, or vocational counseling services; may include resident training programs that train and hire residents for job opportunities inside the development in areas like leasing, tenant services, maintenance, landscaping, or food and beverage operation (2 points);

(iv) external partnerships for provision of weekly substance abuse meetings at the Development Site (1 point);

(v) reporting rent payments to credit bureaus for any resident who affirmatively elects to participate, which will be a requirement of the LURA for the duration of the Affordability Period (2 points);and

(vi) participating in a non-profit healthcare job training and placement service that includes case management support and other need-based wraparound services to reduce barriers to employment and support Texas healthcare institution workforce needs (2 points).

(D) Health Supportive Services include:

(i) food pantry consisting of an assortment of non-perishable food items and common household items (i.e. laundry detergent, toiletries, etc.) accessible to residents at least on a monthly basis or upon request by a resident. While it is possible that transportation may be provided to a local food bank to meet the requirement of this resident service, the resident must not be required to pay for the items they receive at the food bank (2 points);

(ii) annual health fair provided by a health care professional (1 point);

(iii) weekly exercise classes (offered at times when most residents would be likely to attend) (2 points); and

(iv) contracted onsite occupational or physical therapy services for Elderly Developments or Developments where the service is provided for Persons with Disabilities and documentation to that effect can be provided for monitoring purposes (2 points).

(E) Community Supportive Services include:

(i) partnership with local law enforcement or local first responders to provide quarterly on-site social and interactive activities intended to foster relationships with residents (such activities could include playing sports, having a cook-out, swimming, card games, etc.) (2 points);

(ii) Notary Services during regular business hours (§2306.6710(b)(3)) (1 point);

(iii) twice monthly arts, crafts, and other recreational activities (e.g. Book Clubs and creative writing classes) (1 point);

(iv) twice monthly on-site social events (i.e. potluck dinners, game night, sing-a-longs, movie nights, birthday parties, holiday celebrations, etc.) (1 point);

(v) specific service coordination services offered by a qualified owner or developer, qualified provider or through external, contracted parties for seniors, Persons with Disabilities or Supportive Housing (3 points);

(vi) weekly home chore services (such as valet trash removal, assistance with recycling, furniture movement, etc., and quarterly preventative maintenance including light bulb replacement) for Elderly Developments or Developments where the service is provided for Persons with Disabilities and documentation to that effect can be provided for monitoring purposes (2 points);

(vii) any of the programs described under Title IV-A of the Social Security Act (42 U.S.C. §§601, et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of unplanned pregnancies; and encourages the formation and maintenance of two-parent families (1 point);

(viii) a part-time resident services coordinator with a dedicated office space at the Development or a contract with a third-party to provide the equivalent of 15 hours or more of weekly resident supportive services at the Development (2 points); and

(ix) provision, by either the Borrower or a community partner, of an education tuition- or savings-match program or scholarships to residents who may attend college (2 points).

EXHIBIT D

INITIAL MAXIMUM RENTS

The maximum monthly rent charged by the Borrower for 80% of the Units will not exceed 30% of the 60% applicable Multifamily Tax Subsidy Program Imputed Income Limitation applicable to such Unit. For purposes of the preceding sentence, the amount of the income limitation for any period shall not be less than such limitation applicable, taking into consideration the gross rent floor provided in accordance with Revenue Procedure 94-57.

The following rents, including utilities allowances, are based on the 2025 Multifamily Tax Subsidy Program Income Limits that were issued April, 2025, and are adjusted annually. A utility allowance must be deducted from these rents to determine maximum allowable rents.

A. 60% rent limits:

Bedroom Size	Rent Limit
Efficiency	$1,233
1-Bedroom	$1,320
2-Bedroom	$1,584

EXHIBIT E

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.texas.gov

Greg Abbott
GOVERNOR

BOARD MEMBERS
Leo Vasquez, *Chair*
Kenny Marchant, *Vice Chair*
Anna Maria Farias, Member
Cindy Conroy, Member
Holland Harper, Member
Ajay Thomas, Member

Multi Family Mortgage Revenue Bond
Qualified Project Period

The Texas Department of Housing and Community Affairs require the information in Sections A and B below to compute the Qualified Project Period for Mortgage Revenue Bond properties. Please complete the form as the appropriate dates are identified. Upload this form in TDHCA's Compliance Monitoring Tracking System (CMTS) to the attention of Amy Hammond immediately after the property reaches the 50% Occupancy Date.

Section A

Property Name	
Address	
Contact Name	
Contact Phone #	

Section B

Initial Bond Closing Date	
Date First Unit Occupied	
10% Occupancy Date	
50% Occupancy Date	
50% Occupancy Date + 15 years	

Signature _____ Date _____

Printed Name _____ Title_____

221 East 11th Street P.O. Box 13941 Austin, Texas 78711-3941 (800) 525-0657 (512) 475-3800

MULTIFAMILY NOTE

$6,000.000 January ___, 2026

FOR VALUE RECEIVED, the undersigned ("**Borrower**") promises to pay to the order of **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**, a public and official agency of the State of Texas, the maximum principal sum of SIX MILLION AND NO/100 DOLLARS ($6,000.000), with interest on the unpaid principal balance from time to time outstanding at the annual rate as set forth on Schedule A. The terms of this Note incorporate the Modifications, if any, set forth on Schedule C to this Note.

1. **Defined Terms**. As used in this Note, the following terms shall have the following definitions:

(a) "**Beneficiary Parties**" shall have the meaning set forth in the Security Instrument.

(b) "**Business Day**" means any day other than (i) a Saturday or a Sunday, (ii) a day on which federally insured depository institutions in New York, New York are authorized or obligated by law, regulation, governmental decree or executive order to be closed, or (iii) a day that the Securities Industry and Financial Markets Association (or a successor organization) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(c) "**Closing Date**" shall mean the date of this Note.

(d) "**Construction Funding Agreement**" means the Construction Funding Agreement dated December 1, 2021, between Borrower and Funding Lender, as amended from to time.

(e) "**Default Rate**" shall have the meaning set forth in Section 8 of this Note.

(f) **"Extended Outside Conversion Date**" shall have the meaning set forth in the Construction Funding Agreement.

(g) "**First Payment Date**" means the first Business Day of the month following the month in which the first disbursement of Supplemental Borrower Loan proceeds is made in accordance with the Supplemental Borrower Loan Agreement, or, if the first disbursement of Supplemental Borrower Loan proceeds is made after the 20th day of a month, means the first Business Day of the second month following the month in which the first disbursement of Supplemental Borrower Loan proceeds is made in accordance with the Supplemental Borrower Loan Agreement.

(h) "**Fiscal Agent**" means Wilmington Trust, National Association, as fiscal agent, and any successor Fiscal Agent under the Funding Loan Agreement.

(i) "**Funding Lender**" means Stellar Bank, a Texas state-chartered banking association, and its successors and assigns.

(j) "**Governmental Lender**" means Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas.

(k) "**Indebtedness**" means the principal of, interest on, and any other amounts due at any time under, this Note, the Security Instrument or any other Supplemental Borrower Loan Document, including prepayment premiums, late charges, default interest, and advances to protect the security of the Security Instrument as described in Section 12 of the Security Instrument.

(l) "**Interest Rate**" shall have the meaning set forth in Schedule A to this Note.

(m) "**Lender**" means the Fiscal Agent, on behalf of the Funding Lender, as assignee of this Note, and any subsequent holder of this Note. For the avoidance of doubt, Fiscal Agent is referred to herein as "Lender" due to being a holder of the Note, however, Fiscal Agent is acting only as a fiscal agent pursuant to the Funding Loan Agreement and has not participated as a lender in the transaction and has not made an extension of credit or otherwise acted as a lender.

(n) "**Loan Month**" means the period commencing on a Loan Payment Date and ending on the day preceding the next succeeding Loan Payment Date (without adjustment in either case for Business Day conventions).

(o) "**Loan Payment Date**" means the first Business Day of each month, commencing on the First Payment Date.

(p) "**Maturity Date**" means the earlier to occur of (i) June 1, 2027, or (ii) any earlier date on which the unpaid principal balance of this Note becomes due and payable, by acceleration or otherwise.

(q) "**Maximum Permanent Period Amount**" shall have the meaning set forth in the Construction Funding Agreement.

(r) "**Note**" means this Multifamily Note.

(s) "**Note Interest**" shall have the meaning set forth in Schedule A to this Note.

(t) "**Outside Conversion Date**" shall have the meaning set forth in the Construction Funding Agreement.

(u) "**Property Jurisdiction**" shall have the meaning set forth in the Security Instrument.

(v) "**Security Instrument**" means the Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas), dated as of January 1, 2026, made by Borrower for the benefit of Governmental Lender, as assigned to Fiscal Agent for the benefit of Funding Lender.

(w) "**Servicer**" means Citibank, N.A., a national banking association, and its successors and assigns.

(x) "**Servicer Remittance Date**" means two (2) Business Days prior to each Loan Payment Date.

(y) "**Supplemental Borrower Loan**" means the loan evidenced by this Note, the proceeds of which shall be disbursed in accordance with the Supplemental Borrower Loan Agreement.

(z) "**Supplemental Borrower Loan Agreement**" means that certain Supplemental Borrower Loan Agreement, dated as of January 1, 2026, by and between Borrower and Governmental Lender.

(aa) "**2021 Governmental Note**" means the Multifamily Housing Governmental Note (Fiji Lofts) Series 2021 in the original principal aggregate amount of $23,849,000.

All other capitalized terms used but not defined in this Note shall have the meanings given to such terms in the Supplemental Borrower Loan Agreement.

2. **Method of Payment**. All payments due under this Note shall be payable to Servicer, or, if there is no Servicer, to the Fiscal Agent, or its successor. Each such payment shall be made by wire transfer of immediately available funds in accordance with wire transfer instructions that the Fiscal Agent or Servicer shall supply by Written Notice to the Borrower from time to time.

3. **Payment of Principal and Interest**. Principal and interest shall be paid as follows:

(a) Borrower shall pay all amounts due under this Note at the times and in the amounts set forth herein and in the Supplemental Borrower Loan Agreement. Borrower shall make its payments under this Note in immediately available funds.

(b) Commencing on the First Payment Date and continuing on each Loan Payment Date thereafter until and including the Maturity Date, Borrower shall pay monthly payments of interest only, at the Interest Rate set forth on Schedule A attached hereto, in successive monthly installments. Such payments shall be made to the Servicer by 11:00 a.m. New York City time, or to the Fiscal Agent by 2:00 p.m., New York City time, on each Servicer Remittance Date.

(c) Any accrued interest remaining past due may, at Funding Lender's discretion, be added to and become part of the unpaid principal balance and shall bear interest at the rate or rates specified in this Note, and any reference below to "accrued interest" shall refer to accrued interest that has not become part of the unpaid principal balance.

(d) Borrower shall pay all unpaid principal of and interest on this Note on the Maturity Date and any other amounts due under subsection 3(a) hereof. The unpaid principal balance of this Note shall continue to bear interest after the Maturity Date at the Default Rate set forth in this Note until and including the date on which it is paid in full.

(e) Any regularly scheduled monthly installment of principal and interest that is received by Lender before the date it is due shall be deemed to have been received on the due date solely for the purpose of calculating interest due.

(f) Borrower shall make all payments of principal and interest under this Note without relief from valuation and appraisement laws.

(g) Borrower acknowledges that the calculation of all interest payments shall be made by the Funding Lender (or Servicer as the case may be) and shall be final and conclusive, absent manifest error.

4. **Application of Payments**. If at any time Lender receives, from Borrower or otherwise, any amount applicable to the Indebtedness which is less than all amounts due and payable at such time, Lender may apply that payment to amounts then due and payable under this Note in any manner and in any order determined by Funding Lender, in Funding Lender's discretion. Borrower agrees that neither Lender's acceptance of a payment from Borrower in an amount that is less than all amounts then due and payable nor Lender's application of such payment shall constitute or be deemed to constitute either a waiver of the unpaid amounts or an accord and satisfaction.

5. **Security**. The Indebtedness is secured by, among other things, the Security Instrument, and reference is made to the Security Instrument for other rights of Lender and Funding Lender as to collateral for the Indebtedness.

6. **Acceleration**. If an Event of Default has occurred and is continuing, the entire unpaid principal balance, any accrued interest, the prepayment premium payable under Section 10, if any, and all other amounts payable under this Note and any other Supplemental Borrower Loan Document shall at once

become due and payable, at the option of Lender, without any prior notice to Borrower (except if notice is required by applicable law, then after such notice). Lender may exercise this option to accelerate regardless of any prior forbearance.

7. **Late Charge**. If any amount payable under this Note or under the Security Instrument or any other Supplemental Borrower Loan Document is not received by Lender when such amount is due (unless applicable law requires a longer period of time before a late charge may be imposed, in which event, such longer period shall be substituted), Borrower shall pay to Lender, immediately and without demand by Lender, a late charge equal to five percent (5.0%) of such amount (unless applicable law requires a lesser amount be charged, in which event such lesser amount shall be substituted). Notwithstanding the foregoing, with regard to each regularly scheduled monthly installment of principal and/or interest payable pursuant to this Note, such late charge shall not become due and payable to Lender so long as the Borrower makes such payment on or prior to the tenth (10th) calendar day following the date upon which such payment is due (or the Business Day immediately following such tenth (10th) calendar day if such tenth (10th) calendar day is not a Business Day). Any accrued but unpaid late charges shall be added to and become part of the unpaid principal balance of this Note, shall bear interest at the rate or rates specified in this Note, and shall be secured by the Security Instrument and the other applicable Supplemental Borrower Loan Documents. Borrower acknowledges that its failure to make timely payments will cause Funding Lender to incur additional expenses in servicing and processing the Supplemental Borrower Loan, and that it is extremely difficult and impractical to determine those additional expenses. Borrower agrees that the late charge payable pursuant to this Section represents a fair and reasonable estimate, taking into account all circumstances existing on the Closing Date, of the additional expenses Funding Lender will incur by reason of such late payment, and such late charge shall be deemed liquidated damages and not additional interest or a penalty. The late charge is payable in addition to, and not in lieu of, any interest payable at the Default Rate pursuant to Section 8. Notwithstanding anything to the contrary in any other Supplemental Borrower Loan Document, if a Servicer has been appointed by Funding Lender, any late charges payable hereunder shall not be remitted to Lender and shall instead be paid directly to Servicer, who shall apply such late charges in accordance with the terms of the applicable servicing agreement. Any action regarding the collection of a Late Charge will be without prejudice to any other rights and shall not act as a waiver of any other rights that the Servicer, the Funding Lender or the Lender may have as provided herein, in the other Supplemental Borrower Loan Documents, or at law or in equity.

8. **Default Rate**. So long as (a) any monthly installment under this Note remains past due, or (b) any other Event of Default has occurred and is continuing, interest under this Note shall accrue on the unpaid principal balance from the earlier of the due date of the first unpaid monthly installment or the occurrence of such other Event of Default, as applicable, at a rate per annum (the "**Default Rate**") equal to the lesser of the Maximum Rate or a rate equal to the Interest Rate plus four percent (4%), in each case compounded monthly (computed in accordance with Schedule A in the same manner in which Note Interest is computed). If the unpaid principal balance and all accrued interest are not paid in full on the Maturity Date, the unpaid principal balance and all accrued interest shall bear interest from the Maturity Date at the Default Rate until the unpaid principal balance and all accrued interest is paid in full. Borrower also acknowledges that its failure to make timely payments will cause Lender and Funding Lender to incur additional expenses in servicing and processing the Supplemental Borrower Loan, that, during the time that any monthly installment under this Note is delinquent, Lender and Funding Lender will incur additional costs and expenses arising from their loss of the use of the money due and from the adverse impact on Lender's and Funding Lender's ability to meet their other obligations and to take advantage of other investment opportunities, and that it is extremely difficult and impractical to determine those additional costs and expenses. Borrower also acknowledges that, during the time that any monthly installment under this Note is delinquent or any other Event of Default has occurred and is continuing, Lender's and Funding Lender's risk of nonpayment of this Note will be materially increased and Lender and Funding Lender are entitled to be compensated for such increased risk. Borrower agrees that the increase in the rate of interest payable under this Note to the Default Rate as provided above represents a fair and reasonable estimate, taking into account all circumstances existing on the Closing Date, of the additional costs and expenses Lender and Funding Lender will incur by reason of Borrower's delinquent payment and the additional compensation Lender and Funding Lender are entitled to receive for the increased risks of nonpayment associated with a delinquent loan.

9. **Personal Liability of Borrower**.

(a) Throughout the term of the Supplemental Borrower Loan, Borrower shall be personally liable under this Note, the Security Instrument and the other Supplemental Borrower Loan Documents for (1) the repayment of the Indebtedness, including, without limitation, all amounts due under this Note, and (2) the performance of all other obligations of Borrower under this Note and the other Supplemental Borrower Loan Documents.

(b) Borrower shall at all times be personally liable to Lender and Funding Lender for the repayment of a portion of the Indebtedness equal to any loss or damage suffered by Lender or Funding Lender (the "**Losses**") as a result of (1) failure of Borrower to pay to Lender upon demand after an Event of Default all Rents (as defined in the Security Instrument) to which Lender is entitled under Section 3(a) of the Security Instrument and the amount of all security deposits collected by Borrower from tenants then in residence; (2) failure of Borrower to apply all insurance proceeds and condemnation proceeds as required by the Security Instrument; (3) failure of Borrower to comply with Section 14(d) or (e) of the Security Instrument relating to the delivery of books and records, statements, schedules, and reports; (4) fraud or material misrepresentation by Borrower or Guarantor or any general partner, managing member, manager, officer, director, partner, member, agent or employee of Borrower or Guarantor in connection with the application for or creation of the Indebtedness or any request for any action or consent by or on behalf of Lender or Funding Lender; (5) failure to apply Rents, first, to the payment of reasonable operating expenses (other than property management fees that are not currently payable pursuant to the terms of an Assignment of Management Agreement or any other Supplemental Borrower Loan Document) and then to amounts ("**Debt Service Amounts**") payable under this Note, the Security Instrument or any other Supplemental Borrower Loan Document (except that Borrower will not be personally liable (i) to the extent that Borrower lacks the legal right to direct the disbursement of such sums because of a bankruptcy, receivership or similar judicial proceeding, or (ii) with respect to Rents that are distributed on account of any calendar year if Borrower has paid all operating expenses and Debt Service Amounts for that calendar year); (6) failure of Borrower to comply with the provisions of Section 17(a) of the Security Instrument prohibiting the commission of waste or allowing the impairment or deterioration of the Mortgaged Property; or (7) failure of Borrower to obtain and maintain any local real estate tax abatement or exemption required under the Security Instrument, or the reduction, revocation, cancellation or other termination of such abatement or exemption, as a result of any act or omission by or on behalf of Borrower, Guarantor or any of their respective partners, members, managers, directors, officers, agents, employees or representatives.

(c) For purposes of determining Borrower's personal liability under this Section 9, all payments made by Borrower with respect to the Indebtedness and all amounts received by Lender from the enforcement of its rights under the Security Instrument shall be applied first to the portion of the Indebtedness for which Borrower has no personal liability.

(d) Borrower shall at all times be personally liable to Lender and Funding Lender for the repayment of all of the Indebtedness upon the occurrence of any of the following Events of Default: (1) Borrower's acquisition of any property or operation of any business not permitted by Section 32 of the Security Instrument; or (2) a Transfer (including, but not limited to, a lien or encumbrance) that is an Event of Default under Section 21 of the Security Instrument, other than a Transfer consisting solely of the involuntary removal or involuntary withdrawal of a general partner in a limited partnership or a manager in a limited liability company; or (3) a Bankruptcy Event, as defined in the Security Instrument (but only if the Bankruptcy Event occurs with the consent or active participation of Borrower, its General Partner, Guarantor or any Borrower Affiliate.

(e) In addition to the Borrower's personal liability pursuant to the other provisions of this Note, Borrower shall at all times be personally liable to Lender and Funding Lender for (1) the performance of all of Borrower's obligations under Section 18 of the Security Instrument (relating to environmental matters) and the Agreement of Environmental Indemnification; (2) the costs of

any audit under Section 14(d) of the Security Instrument; and (3) any costs and expenses incurred by Lender or Funding Lender in connection with the collection of all amounts for which Borrower is personally liable under this Section 9, including out of pocket expenses and reasonable fees of attorneys and expert witnesses and the costs of conducting any independent audit of Borrower's books and records to determine the amount for which Borrower has personal liability.

(f) Lender or Funding Lender may exercise its rights against Borrower personally without regard to whether Lender or Funding Lender has exercised any rights against the Mortgaged Property or any other security, or pursued any rights against any guarantor, or pursued any other rights available to Lender under this Note, the Security Instrument, any other Supplemental Borrower Loan Document or applicable law. For purposes of this Section 9, the term "**Mortgaged Property**" shall not include any funds that (1) have been applied by Borrower as required or permitted by the Security Instrument prior to the occurrence of an Event of Default or (2) Borrower was unable to apply as required or permitted by the Security Instrument because of a bankruptcy, receivership, or similar judicial proceeding. To the fullest extent permitted by applicable law, in any action to enforce Borrower's personal liability under this Section 9, Borrower waives any right to set off the value of the Mortgaged Property against such personal liability.

(g) Nothing herein or in the other Supplemental Borrower Loan Documents shall be deemed to be a waiver of any right which the Lender, the Funding Lender or the Servicer may have under Sections 506(a), 506(b), 1111(b) or any other provision of the United States Bankruptcy Code, as such sections may be amended, or corresponding or superseding sections of the Bankruptcy Amendments and Federal Judgeship Act of 1984, to file a claim for the full amount due to the Lender, the Funding Lender and the Servicer hereunder and under the other Supplemental Borrower Loan Documents or to require that all collateral shall continue to secure the amounts due hereunder and under the other Supplemental Borrower Loan Documents.

10. **Prepayments**.

(a) This Note may be prepaid, in full or in part, at any time, without penalty or premium, upon written notice by the Borrower to the Funding Lender, Governmental Lender and Servicer not less than thirty (30) days prior to the prepayment date. Such prepayment shall be made by paying (i) the amount of principal outstanding, (ii) all accrued interest, and (iii) all other sums due Lender at the time of such prepayment. In connection with any such prepayment, the Borrower shall wire transfer the amount required hereunder in immediately available funds by 12:00 p.m., New York City time, on the date of prepayment. Notwithstanding the foregoing, upon any prepayment of the Supplemental Borrower Loan, Borrower shall be liable for any applicable termination, cancellation or other applicable fees as set forth in the Supplemental Borrower Loan Agreement.

(b) If a mandatory prepayment of this Note is required pursuant the Borrower Loan Documents or the Funding Loan Documents, then the entire principal balance of this Note shall be paid in full by paying (i) the amount of principal outstanding, (ii) all accrued interest, and (iii) all other sums due Lender at the time of such prepayment.

(c) Upon Funding Lender's exercise or direction to Fiscal Agent to exercise of any right of acceleration under this Note, Borrower shall pay to Lender, in addition to the entire unpaid principal balance of this Note outstanding at the time of the acceleration, all accrued interest and all other sums due Lender and Funding Lender.

(d) RESERVED.

(e) RESERVED.

(f) The Borrower shall prepay the entire outstanding principal balance of this Note, at the direction of the Lender, at a price equal to the outstanding principal balance of this Note, plus

accrued interest and any other amounts payable under this Note or the Supplemental Borrower Loan Agreement through the date of prepayment, upon the occurrence of any event or condition described below:

(1) no later than the day before (a) any sale of the Project, restructuring of the Borrower or any other event that would cause or be deemed to cause an assumption of obligations of an unrelated party for purposes of Section 1.150-1(d)(2) of the Regulations (any such event referred to herein as a "**Transfer**") which Transfer would occur within six months of a "refinancing" (as contemplated by such Regulation), or (b) any "refinancing" that would occur within six months of a Transfer; or

(2) in whole, upon a Determination of Taxability.

In connection with any such prepayment, the Borrower shall wire transfer immediately available funds by no later than 12:00 p.m., New York City time, on the date fixed by the Lender, which date shall be communicated by the Funding Lender in writing to the Borrower, the Fiscal Agent and the Governmental Lender.

(g) The Borrower shall prepay the outstanding principal balance of this Note at the direction of the Funding Lender, in whole or in part, at a price equal to the amount of principal being prepaid plus accrued interest and any other amounts payable under this Note or the other Supplemental Borrower Loan Documents, upon the occurrence of any event or condition described below:

(1) in whole or in part, if the Mortgaged Property shall have been damaged or destroyed to the extent that it is not practicable or feasible to rebuild, repair or restore the damaged or destroyed property within the period and under the conditions described in the Security Instrument following such event of damage or destruction; or

(2) in whole or in part, if title to, or the use of, all or a portion of the Mortgaged Property shall have been taken under the exercise of the power of eminent domain by any Governmental Authority which results in a prepayment of this Note under the conditions described in the Security Instrument; or

(3) in whole or in part, to the extent that insurance proceeds or proceeds of any condemnation award with respect to the Mortgaged Property are not applied to restoration of the Mortgaged Property in accordance with the provisions of the Security Instrument.

(4) in whole, if the Outside Conversion Date is not extended to the Extended Outside Conversion Date (as such terms are each defined in the Construction Funding Agreement) as and when provided for in the Construction Funding Agreement.

In connection with any such prepayment, the Borrower shall wire transfer immediately available funds by no later than 12:00 p.m., New York City time, on the date fixed by the Funding Lender, which date shall be communicated by the Funding Lender in writing to the Borrower and Governmental Lender. To the extent that the Borrower receives any insurance proceeds or condemnation awards that are to be applied to the prepayment of this Note, such amounts shall be applied to the prepayment of this Note. No prepayment premium shall be payable with respect to any prepayment required by this Section 10(g).

(h) Any permitted or required prepayment of less than the unpaid principal balance of this Note shall not extend or postpone the due date of any subsequent monthly installments or change the amount of such installments, unless Funding Lender agrees otherwise in writing.

(i) Borrower recognizes that any prepayment of the unpaid principal balance of this Note, whether voluntary, involuntary or resulting from a default by Borrower, will result in Funding Lender incurring a loss, including reinvestment loss, additional expense and frustration or impairment of Funding Lender's ability to meet its commitments to third parties.

(j) Notwithstanding anything herein to the contrary, upon the written direction of the Funding Lender, the Borrower shall prepay this Note in full, together with all amounts due under the Supplemental Borrower Loan Documents, on the earliest to occur of (A) if the Outside Conversion Date is not extended, the Outside Conversion Date, (B) if the Outside Conversion Date is extended, the Extended Conversion Date (as then in effect under the terms of the Construction Funding Agreement), or (C) any prepayment in full of the 2021 Governmental Note.

11. **Costs and Expenses**. To the fullest extent allowed by applicable law, Borrower shall pay all expenses and costs, including, without limitation, out-of-pocket expenses and reasonable fees of attorneys (including, without limitation, in-house attorneys) and expert witnesses and costs of investigation, incurred by Lender or Funding Lender as a result of any default under this Note or in connection with efforts to collect any amount due under this Note, or to enforce the provisions of any of the other Supplemental Borrower Loan Documents, including those incurred in post-judgment collection efforts and in any bankruptcy proceeding (including any action for relief from the automatic stay of any bankruptcy proceeding) or judicial or non-judicial foreclosure proceeding. For purposes of Section 9(f) and this Section 11, attorneys' out of pocket expenses shall include, but are not limited to, support staff costs, costs of preparing for litigation, computerized research, telephone and facsimile transmission expenses, mileage, deposition costs, postage, duplicating, process service, videotaping and similar costs and expenses.

12. **Forbearance**. Any forbearance by Lender (or Funding Lender and/or Servicer, as the case may be) in exercising any right or remedy under this Note, the Security Instrument, or any other Supplemental Borrower Loan Document or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of that or any other right or remedy. The acceptance by Lender (or by Funding Lender and/or Servicer, as the case may be) of any payment after the due date of such payment, or in an amount which is less than the required payment, shall not be a waiver of Lender's (in its own right or on its behalf by Funding Lender and/or Servicer, as the case may be) right to require prompt payment when due of all other payments or to exercise any right or remedy with respect to any failure to make prompt payment. Enforcement by Lender (in its own right or on its behalf by Funding Lender and/or Servicer, as the case may be) of any security for Borrower's obligations under this Note shall not constitute an election by Lender (in its own right or on its behalf by Funding Lender and/or Servicer, as the case may be) of remedies so as to preclude the exercise of any other right or remedy available to Lender (or Funding Lender and/or Servicer, as the case may be).

13. **Waivers**. Presentment, demand, notice of dishonor, protest, notice of acceleration, notice of intent to demand or accelerate payment or maturity, presentment for payment, notice of nonpayment, grace, and diligence in collecting the Indebtedness are waived by Borrower and all endorsers and guarantors of this Note and all other third party obligors.

14. **Supplemental Borrower Loan Charges**. Neither this Note nor any of the other Supplemental Borrower Loan Documents shall be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate greater than the maximum interest permitted to be charged under applicable law. If any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower in connection with the Supplemental Borrower Loan is interpreted so that any interest or other charge provided for in any Supplemental Borrower Loan Document, whether considered separately or together with other charges provided for in any other Supplemental Borrower Loan Document, violates that law, and Borrower is entitled to the benefit of that law, that interest or charge is hereby reduced to the extent necessary to eliminate that violation. The amounts, if any, previously paid to Lender in excess of the permitted amounts shall be applied by Lender (or Funding Lender and/or Servicer, as the case may be) to reduce the unpaid principal balance of this Note. For the purpose of determining whether any applicable law limiting the amount of interest or other charges permitted to be collected from Borrower has been violated, all Indebtedness that constitutes interest, as well as all other charges made in

connection with the Indebtedness that constitute interest, shall be deemed to be allocated and spread ratably over the stated term of this Note. Unless otherwise required by applicable law, such allocation and spreading shall be effected in such a manner that the rate of interest so computed is uniform throughout the stated term of this Note.

15. **Obligations of the Borrower Absolute and Unconditional**. Subject to Section 9 hereof, the obligations of the Borrower to make all payments required under this Note and the other Supplemental Borrower Loan Documents on or before the date the same become due, and to perform all of its other obligations, covenants and agreements hereunder and under the other Supplemental Borrower Loan Documents shall be primary, absolute, unconditional and irrevocable, and shall be paid or performed strictly in accordance with the terms of this Note and the other Supplemental Borrower Loan Documents under any and all circumstances, without notice or demand, and without abatement, deduction, set-off, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstance whatsoever, whether now existing or hereafter arising, and irrespective of whether the Borrower's title to the Mortgaged Property or to any part thereof is defective or nonexistent, and notwithstanding any damage due to loss, theft or destruction of the Mortgaged Property or any part thereof, any failure of consideration or frustration of commercial purpose, the taking by eminent domain of title to or of the right of temporary use of all or any part of the Mortgaged Property, legal curtailment of the Borrower's use thereof, the eviction or constructive eviction of the Borrower, any change in the tax or other laws of the United States of America, the State or any political subdivision thereof, any change in the Lender's or Funding Lender's legal organization or status, or any default of the Lender or Funding Lender hereunder or under any other Supplemental Borrower Loan Document, and regardless of the invalidity of any action of the Lender or Funding Lender or the invalidity of any portion of this Note or the other Supplemental Borrower Loan Documents. Provided further, the obligations of Borrower under this Note and the other Supplemental Borrower Loan Documents shall not be affected by:

(a) any lack of validity or enforceability of any Supplemental Borrower Loan Document or any of the Related Documents;

(b) any amendment of, or any waiver or consent with respect to, any of the Supplemental Borrower Loan Documents or Related Documents;

(c) the existence of any claim, set-off, defense or other rights which Borrower, General Partner or Guarantor may have at any time against Lender or Funding Lender (other than the defense of payment in accordance with the terms of this Note or the other Supplemental Borrower Loan Documents) or any other Person, whether in connection with this Note or any other Supplemental Borrower Loan Document, the Related Documents or any transaction contemplated thereby or any unrelated transaction;

(d) any breach of contract or other dispute between Borrower, General Partner or Guarantor, and Lender or Funding Lender;

(e) any Funding Requisition or any document presented in connection therewith, proving to be forged, fraudulent, untrue, inaccurate, invalid or insufficient in any respect (except in the event of willful misconduct by Funding Lender with respect to same); or

(f) any exchange, release or nonperfection of any lien or security interest in any collateral pledged or otherwise provided to secure any of the obligations contemplated herein, in any other Supplemental Borrower Loan Document or in any Related Document.

The Borrower hereby waives the application to it of the provisions of any statute or other law now or hereafter in effect contrary to any of its obligations, covenants or agreements under this Note or the other Supplemental Borrower Loan Documents or which releases or purports to release the Borrower therefrom. Nothing contained herein shall be construed as prohibiting the Borrower from pursuing any rights or remedies it may have against any Person in a separate legal proceeding.

16. **Commercial Purpose**. Borrower represents that the Indebtedness is being incurred by Borrower solely for the purpose of carrying on a business or commercial enterprise, and not for personal, family, household or agricultural purposes.

17. **Counting of Days**. Except where otherwise specifically provided, any reference in this Note to a period of "days" means calendar days, not Business Days.

18. **Notices**. All notices, demands and other communications required or permitted to be given pursuant to this Note shall be in writing and addressed as set forth below. Each notice shall be deemed given on the earliest to occur of (a) the date when the notice is received by the addressee; (b) the first Business Day after the notice is delivered to a recognized overnight courier service, with arrangements made for payment of charges for next Business Day delivery; or (c) the third Business Day after the notice is deposited in the United States mail with postage prepaid, certified mail, return receipt requested.

If to Borrower:	SDC Corinth III, LP 3030 LBJ Freeway, Suite 1350 Dallas, Texas 75234 Attention: Joseph Agumadu Email: development@sdcus.com Telephone: (214) 342-1400
With a copy to:	Shackelford, Bowen, McKinley & Norton, LLP 9201 N. Central Expressway, Fourth Floor Dallas, Texas 75231 Attention: John C. Shackelford, Esq. Facsimile: (214) 780-1401
If to Lender:	Wilmington Trust, National Association 15950 North Dallas Parkway, Suite 200 Dallas, Texas 75248 Attention: Richard Lopez Facsimile: (714) 384-4151
If to Governmental Lender:	Texas Department of Housing and Community Affairs 221 East 11th Street Austin, Texas 78701 Attention: Director of Multifamily Bonds Facsimile: (512) 475-1895
If to Funding Lender:	Stellar Bank If By US Mail: PO Box 41314 Houston, Texas 77241-1314 Attention: Stephen W. Rose If by Hand or Overnight Delivery: 9 Greenway Plaza, Suite 110 Houston, Texas 77046 Attention: Stephen W. Rose
With a copy to Servicer:	Citibank, N.A. 388 Greenwich Street, Trading 4th Floor New York, New York 10013

Attention: Transaction and Asset Management Group
Re: Fiji Lofts Deal ID No. 60001032
Facsimile: (212) 723-8209

And to: Citibank, N.A.
325 East Hillcrest Drive, Suite 160
Thousand Oaks, California 91360
Attention: Operations Manager/Asset Manager
Re: Fiji Lofts Deal ID No. 60001032
Facsimile: (805) 557-0924

with a copy to: Citibank, N.A.
388 Greenwich Street, Trading 4th Floor
New York, New York 10013
Attention: Account Specialist
Re: Fiji Lofts Deal ID No. 60001032
Facsimile: (212) 723-8209

Any of the above-listed parties may change the address to which notices intended for it are to be directed by means of notice given to the other parties in accordance with this Section 18. Each party agrees that it will not refuse or reject delivery of any notice given in accordance with this Section 18, that it will acknowledge, in writing, the receipt of any notice upon request by the other party and that any notice rejected or refused by it shall be deemed for purposes of this Section 18 to have been received by the rejecting party on the date so refused or rejected, as conclusively established by the records of the U.S. Postal Service or the courier service.

19. **Payments on Non-Business Day**. If the date for the making of any payment under this Note is not a Business Day, such payment shall be due and payable on the next succeeding Business Day.

20. **Terms of Note Governing Payment Matters Control in the Event of any Conflict**. In the event the provisions of the Supplemental Borrower Loan Agreement or the other Supplemental Borrower Loan Documents (other than this Note) conflict with the provisions of this Note which govern the terms of repayment of the Supplemental Borrower Loan or the payment of other amounts due in connection with the Supplemental Borrower Loan (including, without limitation, the provisions of this Note which govern the required payments of principal, interest and other amounts due in connection with the Supplemental Borrower Loan, the manner of payment, the calculation of interest, the payment of the Lender's costs and expenses, the application of payments received by the Lender, the acceleration of amounts owed by the Borrower, late charges, default rates of interest, prepayments, prepayment premiums or maximum rates of interest or similar charges), the provisions of this Note shall govern and control.

21. **Local Law Provisions (Texas)**.

(a) As used in this Section 21, the term "Maximum Rate" shall mean the maximum lawful rate of interest which may be contracted for, charged, taken, received or reserved by Lender in accordance with the applicable laws of the State of Texas (or applicable United States federal law to the extent that such law permits Lender to contract for, charge, take, receive or reserve a greater amount of interest than under Texas law), taking into account all Charges (as defined below) made in connection with the transaction evidenced by this Note and the other Supplemental Borrower Loan Documents.

(b) As used hereunder, the term "Charges" shall mean all fees, charges and/or any other things of value, if any, contracted for, charged, taken, received or reserved by Lender in connection with the transactions relating to this Note and the other Supplemental Borrower Loan Documents, which are treated as interest under applicable law.

(c) Borrower hereby agrees that as a condition precedent to any claim seeking usury penalties against Funding Lender, Borrower will provide written notice to Lender and Funding Lender, advising Lender and Funding Lender in reasonable detail of the nature and amount of the violation, and Funding Lender, or Lender at Funding Lender's direction, shall have sixty (60) days after receipt of such notice in which to correct such usury violation, if any, by either refunding such excess interest to Borrower or crediting such excess interest against this Note and/or the Indebtedness then owing by Borrower to Lender. All calculations of the rate of interest contracted for, charged, taken, reserved or received by Lender or Funding Lender, as applicable, for the use, forbearance or detention of any debt evidenced by this Note and/or any other Supplemental Borrower Loan Documents, that are made for the purpose of determining whether such rate exceeds the Maximum Rate, shall be made, to the extent permitted by applicable law, by amortizing, prorating, allocating and spreading, using the actuarial method, all interest contracted for, charged, taken, reserved or received by Lender or Funding Lender, as applicable, throughout the full term of this Note and/or any other Supplemental Borrower Loan Documents (including any and all renewal and extension periods).

(d) In no event shall the provisions of Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving triparty accounts) apply to this Note and/or any Indebtedness.

(e) Not later than the sixty-first (61st) day before the date Borrower files suit seeking penalties for Funding Lender's violation of the usury law (or not later than the time of Borrower filing a counterclaim in an original action by Funding Lender), Borrower is required to give Lender and Funding Lender written notice stating in reasonable detail the nature and amount of the violation. Funding Lender, or Lender at Funding Lender's direction, is then entitled to correct such violation within the sixty (60) day period beginning with the date such notice is received. If the usury violation is raised on a counterclaim, Funding Lender can petition the court to abate the proceedings for sixty (60) days to allow Funding Lender, or Lender at Funding Lender's direction, to cure the violation. If Funding Lender, or Lender at Funding Lender's direction, timely corrects such violation, Funding Lender will not be liable to Borrower for such violation, except to reimburse Borrower for reasonable attorneys' fees in the event the issue is raised by Borrower in a counterclaim. Funding Lender is also not liable to Borrower for a violation of the usury penalty statute if Funding Lender gives written notice to Borrower of Funding Lender's usury violation before Borrower itself gives written notice of the violation or files an action alleging the violation, and provided Funding Lender, or Lender at Funding Lender's direction, corrects such violation not later than the sixtieth (60th) day after the date Funding Lender actually discovered the violation that applies to the Note and/or any of the Indebtedness. Notwithstanding anything to the contrary contained herein or in any of the other Supplemental Borrower Loan Documents, it is not the intention of Funding Lender to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

(f) To the extent that Funding Lender is relying on Chapter 303 of the Texas Finance Code to determine the Maximum Rate payable on this Note or any other portion of the Indebtedness, Funding Lender will utilize the weekly ceiling from time to time in effect as provided in such Chapter 303, as amended. To the extent United States federal law permits Funding Lender to contract for, charge, take, receive or reserve a greater amount of interest than under Texas law, Funding Lender will rely on United States federal law instead of such Chapter 303 for the purpose of determining the Maximum Rate. Additionally, to the extent permitted by applicable law now or hereafter in effect, Funding Lender may, at Funding Lender's option and from time to time, utilize any other method of establishing the Maximum Rate under such Chapter 303 or under other applicable law by giving notice, if required, to Borrower as provided by applicable law now or hereafter in effect.

22. **Determinations by Lender**. Except to the extent expressly set forth in this Note to the contrary, in any instance where the consent or approval of Lender or Funding Lender may be given or is required, or where any determination, judgment or decision is to be rendered by Lender or Funding Lender

under this Note, the granting, withholding or denial of such consent or approval and the rendering of such determination, judgment or decision shall be made or exercised by Lender or Funding Lender, as applicable (or its designated representative) at its sole and exclusive option and in its sole and absolute discretion.

23. **Release; Indemnity**.

(a) *Release*. Borrower covenants and agrees that, in performing any of its rights or duties under this Note, neither the Beneficiary Parties, nor their respective agents or employees, shall be liable for any losses, claims, damages, liabilities and expenses that may be incurred by any of them as a result of such performance, except to the extent such liability for any losses, claims, damages, liabilities or expenses arises out of the willful misconduct or gross negligence of such party (except with respect to the Governmental Lender only to the extent arising from its fraud, bad faith or willful misconduct).

(b) *Indemnity*.

(i) THE INDEMNIFICATION PROVISIONS IN THIS SECTION SHALL BE ENFORCEABLE REGARDLESS OF WHETHER THE LIABILITY IS BASED ON PAST, PRESENT OR FUTURE ACTS, CLAIMS OR LEGAL REQUIREMENTS (INCLUDING ANY PAST, PRESENT OR FUTURE BULK SALES LAW, ENVIRONMENTAL LAW, FRAUDULENT TRANSFER ACT, OCCUPATIONAL SAFETY AND HEALTH LAW, OR PRODUCTS LIABILITY, SECURITIES OR OTHER LEGAL REQUIREMENT), AND REGARDLESS OF WHETHER ANY PERSON (INCLUDING THE PERSON FROM WHOM INDEMNIFICATION IS SOUGHT) ALLEGES OR PROVES THE SOLE, CONCURRENT, CONTRIBUTORY OR COMPARATIVE NEGLIGENCE OF THE PERSON SEEKING INDEMNIFICATION, OR OTHER SOLE OR CONCURRENT STRICT LIABILITY IMPOSED ON THE PERSON SEEKING INDEMNIFICATION.

(ii) Borrower hereby agrees to indemnify and hold harmless the Beneficiary Parties and their respective agents and employees from and against any and all losses, claims, damages, liabilities and expenses including, without limitation, reasonable attorneys' fees and costs and disbursements, which may be imposed or incurred by any of them in connection with this Note, except that no such party will be indemnified for any losses, claims, damages, liabilities or expenses arising out of the willful misconduct or gross negligence of such party (except with respect to the Governmental Lender, only to the extent arising from its fraud, bad faith or willful misconduct).

24. **Governing Law**. This Note shall be governed by and enforced in accordance with the laws of the Property Jurisdiction, without giving effect to the choice of law principles of the Property Jurisdiction that would require the application of the laws of a jurisdiction other than the Property Jurisdiction.

25. **Consent to Jurisdiction and Venue**. Borrower agrees that any controversy arising under or in relation to this Note shall be litigated exclusively in the Property Jurisdiction. The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have exclusive jurisdiction over all controversies which shall arise under or in relation to this Note. Borrower irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise. However, nothing herein is intended to limit Lender's or Funding Lender's right to bring any suit, action or proceeding relating to matters arising under this Note against Borrower or any of Borrower's assets in any court of any other jurisdiction.

26. **Severability**. The invalidity, illegality or unenforceability of any provision of this Note shall not affect the validity, legality or enforceability of any other provision, and all other provisions shall remain in full force and effect.

27. **Remedies Cumulative**. In the event of Borrower's default under this Note, the Lender may exercise all or any one or more of its rights and remedies available under this Note, at law or in equity.

Such rights and remedies shall be cumulative and concurrent, and may be enforced separately, successively or together, and the exercise of any particular right or remedy shall not in any way prevent the Lender from exercising any other right or remedy available to the Lender or Funding Lender. The Lender or Funding Lender may exercise any such remedies from time to time as often as may be deemed necessary by the Lender or Funding Lender.

28. **No Agency or Partnership**. Nothing contained in this Note shall constitute Lender or Funding Lender as a joint venturer, partner or agent of Borrower, or render Lender or Funding Lender liable for any debts, obligations, acts, omissions, representations or contracts of Borrower.

29. **Entire Agreement; Amendment and Waiver**. This Note contains the complete and entire understanding of the parties with respect to the matters covered. This Note may not be amended, modified or changed, nor shall any waiver of any provision hereof be effective, except by a written instrument signed by the party against whom enforcement of the waiver, amendment, change, or modification is sought, and then only to the extent set forth in that instrument. No specific waiver of any of the terms of this Note shall be considered as a general waiver.

30. **Further Assurances**. Borrower shall at any time and from time to time, promptly execute and deliver all further instruments and documents, and take all further action that may be reasonably necessary or desirable, or that Lender or Funding Lender may reasonably request, in order to protect any right or interest granted by this Note or to enable Lender or Funding Lender to exercise and enforce such entity's rights and remedies under this Note.

31. **Captions**. The captions of the sections of this Note are for convenience only and shall be disregarded in construing this Note.

32. **Servicer**. Borrower hereby acknowledges and agrees that, pursuant to the terms of the Security Instrument: (a) from time to time, Funding Lender may appoint a servicer to collect payments, escrows and deposits, to give and to receive notices under this Note or the other Supplemental Borrower Loan Documents, and to otherwise service the Supplemental Borrower Loan and (b) unless Borrower receives written notice from Lender to the contrary, any action or right which shall or may be taken or exercised by Funding Lender may be taken or exercised by such servicer with the same force and effect.

33. **Waiver of Trial by Jury**. TO THE MAXIMUM EXTENT PERMITTED UNDER APPLICABLE LAW, EACH OF BORROWER AND THE BENEFICIARY PARTIES (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS NOTE OR THE RELATIONSHIP BETWEEN THE PARTIES THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.

34. **Time of the Essence**. Time is of the essence with respect to this Note.

35. **Modifications**. All modifications (if any) to the terms of this Note ("**Modifications**") are set forth on Schedule C attached to this Note. In the event of a Transfer under the terms of the Security Instrument, some or all of the Modifications to this Note may be modified or rendered void by Funding Lender at its option by notice to Borrower or such transferee.

36. **Attached Schedules**. The following Schedules are attached to this Note and are incorporated by reference herein as if more fully set forth in the text hereof:

Schedule A – Principal and Interest Payments

Schedule B – Reserved

Schedule C – Modifications to Multifamily Note

The terms of this Note are modified and supplemented as set forth in said Schedules. To the extent of any conflict or inconsistency between the terms of said Schedules and the text of this Note, the terms of said Schedules shall be controlling in all respects.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Multifamily Note or caused this Multifamily Note to be duly executed and delivered by its authorized representative as of the date first set forth above. The undersigned intends that this instrument shall be deemed to be signed and delivered as a sealed instrument.

BORROWER:

SDC CORINTH III, LP,
a Texas limited partnership

By: Fiji Mixed Development, LLC,
a Texas limited liability company,
its general partner

By: XXXX, LLC,
a Texas limited liability company,
its sole member

By: Dallas County Housing Finance Corporation 2025, a Texas public housing finance corporation, its sole member and manager

By: _____
Name:
Title:

PAY TO THE ORDER OF:

**WILMINGTON TRUST, NATIONAL ASSOCIATION,
AS FISCAL AGENT AND ASSIGNEE UNDER THAT
CERTAIN
FUNDING LOAN AGREEMENT
DATED AS OF JANUARY 1, 2026, FOR THE BENEFIT OF
STELLAR BANK,**

**WITHOUT RECOURSE, REPRESENTATION OR
WARRANTY**

**TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS**

By:_____
Name: James B. “Beau” Eccles
Title: Secretary to the Board

SCHEDULE A

PRINCIPAL AND INTEREST PAYMENTS

Except as provided in Sections 8 and 14 of this Note, interest ("**Note Interest**") shall accrue on the unpaid principal of this Note from, and including, the Closing Date until paid in full at an annual rate (the "**Interest Rate**") as follows:

A. **Interest Rate**. Note Interest shall accrue on the unpaid principal of this Note from, and including, the Closing Date, until the Maturity Date, at an annual rate, as follows:

(1) Fixed Rate. Interest shall accrue at the annual rate of [three and 65/100 percent (3.65%)]. In the event the Outside Conversion Date is extended to the Extended Outside Conversion Date (as such term is defined in the Construction Funding Agreement), an additional [0.05% will be added to the interest rate set forth hereunder, such that interest will accrue at an annual interest rate of three and 70/100 percent (3.70%)]. An additional 0.05% will be added to the interest rate for any six (6) month extension period granted by Funding Lender, in its sole and absolute discretion, beyond the Extended Outside Conversion Date.

(2) Maximum Rate. Notwithstanding any other provision of this Note to the contrary, Note Interest shall not exceed the Maximum Rate, as the Maximum Rate may change in accordance with this Note.

(3) Interest Accrual. Note Interest shall be computed on the basis of the actual number of days in the period in respect of which payment is being made, divided by 360.

B. **Monthly Interest Only Payments Until and Including the Maturity Date**. Consecutive monthly installments of interest only shall be payable on each Loan Payment Date until and including the Maturity Date The entire unpaid principal balance and accrued but unpaid interest, if not sooner paid, shall be due and payable on the Maturity Date.

C. (Reserved)

D. **Loss of Tax Exclusion**. Borrower understands that the interest rates provided under this Note are based on the assumption that interest income paid on the Funding Loan and received by the Funding Lender will be excludable from Funding Lender's gross income under Section 103 of the Internal Revenue Code and applicable state law. In the event that Borrower receives notice from Funding Lender that a Determination of Taxability has occurred, then, notwithstanding any provision to the contrary contained herein, the interest rate on this Note and on all obligations of Borrower under the Supplemental Borrower Loan Documents (other than those to which the Default Rate applies) shall be equal to the greater of: (i) [three and one-half percent (3.50%)] in excess of the then current interest rate or (ii) the Default Rate, provided such rate shall not exceed the Maximum Rate.

Borrower shall, in addition, pay to Lender, promptly upon demand, an amount equal to the difference between the amount of interest payable on this Note from the date on which such loss of tax exemption on the Funding Loan shall be applicable to the date on which the interest rate on this Note was increased and the amount of interest that would have been payable on this Note during such period had this Note borne interest during such period at such higher rate. The Borrower shall also indemnify, defend and hold Lender and Funding Lender harmless from any penalties, interest expense or other costs, including attorneys' fees (including all allocated time and charges of "in-house" and "outside" counsel) and accountants' costs, resulting from any dispute with the Internal Revenue Service concerning the proper tax treatment of the Funding Loan and the interest payable to Funding Lender on the Funding Loan. The obligations of the Borrower under this paragraph shall survive any termination of the Supplemental Borrower Loan Documents, release of the Security Instrument and repayment of the Supplemental Borrower Loan and/or Funding Loan.

SCHEDULE B

(RESERVED)

SCHEDULE C

MODIFICATIONS TO MULTIFAMILY NOTE

The following modifications are made to the text of the Note that precedes this Schedule:

1. The following new clause (4) is hereby added to Section 9(e) of this Note "or (4) any failure by Borrower to comply with the provisions of Sections 62{Covenants to Protect Leasehold Estate}, 63(b) {Ground Lessee's Bankruptcy section}, 64(a) {Ground Lessor's Bankruptcy section} or 65 {Option to Renew or Extend Ground Lease section} of the Security Instrument."

Capitalized terms used and not defined herein shall have the respective meanings ascribed to them in the Note.

WHEN RECORDED MAIL TO:

Stellar Bank
If By US Mail:
PO Box 41314
Houston, Texas 77241-1314
Attention: Stephen W. Rose
If by Hand or Overnight Delivery:
9 Greenway Plaza, Suite 110
Houston, Texas 77046
Attention: Stephen W. Rose
Re: Fiji Lofts Deal ID No. 60001032

MULTIFAMILY LEASEHOLD DEED OF TRUST,
ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING
(TEXAS)

TOGETHER WITH GROUND LESSOR (FEE OWNER)
SUBORDINATION AND JOINDER

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MULTIFAMILY LEASEHOLD DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING (TEXAS)

This **MULTIFAMILY LEASEHOLD DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING** (this "**Instrument**") is dated for reference purposes only as of the 1st day of January, 2026, and will not be effective and binding on the parties hereto until the Closing Date (as hereinafter defined), by **SDC CORINTH III, LP**, a Texas limited partnership, whose address is 3030 LBJ Freeway, Suite 1350, Dallas, Texas 75234, as grantor ("**Borrower**"), to **WILMINGTON TRUST, NATIONAL ASSOCIATION**, having an address at 15950 North Dallas Parkway, Suite 200, Dallas, Texas 75248, as trustee ("**Trustee**") for the benefit of the **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**, a public and official agency of the State of Texas, whose address is P.O. Box 13941, Austin, Texas 78711, as beneficiary, and its successors and assigns ("**Governmental Lender**"). Borrower's organizational identification number is 0801231472.

The Loan is made and the Indebtedness is evidenced by that certain Multifamily Note (as hereafter defined), dated as of the Closing Date, in the maximum principal amount of SIX MILLION AND NO/100 DOLLARS ($6,000,000), maturing on the earlier to occur of June 1, 2027, or any earlier date on which the unpaid principal balance of the Note becomes due and payable, by acceleration or otherwise (the "**Maturity Date**").

Immediately upon the execution and delivery of the Note, this Instrument and the other Loan Documents, it is contemplated and intended that Governmental Lender will assign its rights under the Loan Documents to Wilmington Trust, National Association, as fiscal agent (the "**Fiscal Agent**") for the benefit of Stellar Bank, a Texas state chartered bank ("**Funding Lender**" and together with Governmental Lender, as the context may require, "**Lender**"), pursuant to that certain Funding Loan Agreement, dated as of the date hereof, by and among Governmental Lender, Fiscal Agent and Funding Lender and that certain Assignment of Deed of Trust and Loan Documents, dated as of the date hereof, from Governmental Lender to Fiscal Agent for the benefit of Funding Lender.

NOW THEREFORE:

Granting Clause. Borrower, in consideration of the Indebtedness and the trust created by this Instrument, irrevocably grants, conveys and assigns to Trustee, in trust, with power of sale, the Mortgaged Property, including the Land located in the City and County of Dallas, Texas, and described in Exhibit A attached to this Instrument, to have and to hold the Mortgaged Property unto Trustee, Trustee's successor in trust and Trustee's assigns forever.

TO SECURE TO GOVERNMENTAL LENDER and its successors and assigns the repayment of the Indebtedness evidenced by the Note executed by Borrower and maturing on the Maturity Date, and all renewals, extensions and modifications of the Indebtedness, including, without limitation, the payment of all sums advanced by or on behalf of Governmental Lender to protect the security of this Instrument under Section 12 and the performance of the covenants and agreements of Borrower contained in the Loan Documents.

Borrower represents and warrants that Borrower is lawfully seized of the Mortgaged Property and has the right, power and authority to grant, convey and assign the Mortgaged Property, and that the Mortgaged Property is unencumbered except for the Permitted Encumbrances. Borrower covenants that Borrower will warrant and defend generally the title to the Mortgaged Property against all claims and demands, subject to any Permitted Encumbrances.

This Instrument is also a financing statement and a fixture filing under the Uniform Commercial Code of the Property Jurisdiction and the information set forth on Exhibit C is included for that purpose.

Covenants. Borrower covenants and agrees as follows:

1. **DEFINITIONS**. The following terms, when used in this Instrument (including when used in the above recitals), shall have the following meanings:

(a) "**Affiliate**" means, as to any Person, any other Person that, directly or indirectly, is in Control of, is Controlled by or is under common Control with such Person.

(b) "**Agreement of Environmental Indemnification**" means that certain Agreement of Environmental Indemnification, dated as of the date hereof, by Borrower and Guarantor for the benefit of Beneficiary Parties.

(c) "**Bankruptcy Event**" means any one or more of the following:

(i) (A) the commencement of a voluntary case under one or more of the Insolvency Laws by the Borrower; (B) the acknowledgment in writing by the Borrower that it is unable to pay its debts generally as they mature; (C) the making of a general assignment for the benefit of creditors by the Borrower; (D) the commencement of an involuntary case under one or more Insolvency Laws against the Borrower; or (E) the appointment of a receiver, liquidator, custodian, sequestrator, trustee or other similar officer who exercises control over the Borrower or any substantial part of the assets of the Borrower provided that any proceeding or case under (D) or (E) above is not dismissed within 90 days after filing;

(ii) Any Guarantor or any Affiliate of a Guarantor files an involuntary petition against Borrower under one or more of the Insolvency Laws; or

(iii) Both (A) an involuntary petition under any one or more of the Insolvency Laws is filed against Borrower or Borrower directly or indirectly becomes the subject of any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction, or in equity, and (B) Borrower or any Affiliate of Borrower has acted in concert or conspired with such creditors of Borrower (other than Lender) to cause the filing thereof with the

intent to interfere with enforcement rights of Lender after the occurrence of an Event of Default.

(d) "**Beneficiary Parties**" means Governmental Lender, Funding Lender, Fiscal Agent, any Servicer and their respective successors and assigns, together with any lawful owner, holder or pledgee of the Note.

(e) "**Borrower**" means all persons or entities identified as "Borrower" in the first paragraph of this Instrument, together with their successors and assigns.

(f) "**Borrower's Organizational Documents**" means, collectively: (i) the certificate of limited partnership, certificate or articles of formation or certificate or articles of organization of Borrower filed with the Office of the Secretary of State of Texas on February 16, 2010, as the same may be amended and/or restated from time to time; and (ii) the Amended and Restated Agreement of Limited Partnership of Borrower, dated as of the Closing Date, as the same may be amended and/or restated from time to time.

(g) "**Business Day**" means any day other than (i) a Saturday or a Sunday, or (ii) a day on which federally insured depository institutions in New York, New York are authorized or obligated by law, regulation, governmental decree or executive order to be closed.

(h) "**Closing Date**" means the date of the Note.

(i) "**Collateral Agreement**" means any separate agreement between Borrower and Funding Lender and/or Governmental Lender or Servicer for the purpose of establishing tax, repair or replacement reserve or escrow accounts for the Mortgaged Property or granting Lender a security interest in any such accounts, or any other agreement or agreements between Borrower, Funding Lender and/or Governmental Lender or Servicer which provide for the establishment of any other fund, reserve or account.

(j) "**Collateral Assignments**" means, collectively, each of the Collateral Assignments under and as defined in the Original Borrower Loan Security Instrument (as each Collateral Assignment has been amended to secure the Note.

(k) "**Construction Funding Agreement**" means that certain Construction Funding Agreement, dated December 1, 2021, between the Funding Lender and Borrower setting forth certain provisions relating to disbursement of the Loan during construction, insurance and other matters, as such agreement may be amended, modified, supplemented and replaced from time to time.

(l) "**Control**" means, with respect to any Person, either (i) ownership directly or through other entities of more than 50% of all beneficial equity interest in such Person, or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, through the ownership of voting securities, by contract or otherwise, including the power to elect a majority of the directors of a corporation, to select the general partner of a partnership, or otherwise to have the power

independently to remove and then select a majority of those individuals exercising managerial authority over an entity.

(m) "**Credit Enhancer**" means a government sponsored enterprise that at any time, directly or indirectly, purchases the Loan or provides credit enhancement with respect to the Loan.

(n) "**Environmental Permit**" means any permit, license, or other authorization issued under any Hazardous Materials Law with respect to any activities or businesses conducted on or in relation to the Mortgaged Property.

(o) "**Event of Default**" means the occurrence of any event listed in Section 22.

(p) "**Fiscal Agent**" has the meaning ascribed in the Recitals hereof.

(q) "**Fixtures**" means all property which is so attached to the Land or the Improvements as to constitute a fixture under applicable law, including: machinery, equipment, engines, boilers, incinerators, installed building materials; systems and equipment for the purpose of supplying or distributing heating, cooling, electricity, gas, water, air, or light; antennas, cable, wiring and conduits used in connection with radio, television, security, fire prevention, or fire detection or otherwise used to carry electronic signals; telephone systems and equipment; elevators and related machinery and equipment; fire detection, prevention and extinguishing systems and apparatus; security and access control systems and apparatus; plumbing systems; water heaters, ranges, stoves, microwave ovens, refrigerators, dishwashers, garbage disposers, washers, dryers and other appliances; light fixtures, awnings, storm windows and storm doors; pictures, screens, blinds, shades, curtains and curtain rods; mirrors; cabinets, paneling, rugs and floor and wall coverings; fences, trees and plants; swimming pools; and exercise equipment.

(r) "**Funding Lender**" has the meaning ascribed thereto in the recitals to this Instrument.

(s) "**Governmental Authority**" means any board, commission, department or body of any municipal, county, state or federal governmental unit, or any subdivision of any of them, that has or acquires jurisdiction over the Mortgaged Property or the use, operation or improvement of the Mortgaged Property.

(t) "**Guarantor**" means, individually and collectively, jointly and severally, (i) Jideofor O. Oji, an individual, (ii) Joseph N. Agumadu, an individual and/or (iii) any other person or entity which may hereafter become a guarantor of any of Borrower's obligations under the Loan.

(u) "**Hazardous Materials**" means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls ("**PCBs**") and compounds containing them; lead and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; radon; Mold; toxic or mycotoxin spores; any

substance the presence of which on the Mortgaged Property is prohibited by any federal, state or local authority; any substance that requires special handling; and any other material or substance (whether or not naturally occurring) now or in the future that (i) is defined as a "hazardous substance," "hazardous material," "hazardous waste," "toxic substance," "toxic pollutant," "solid waste", "pesticide", "contaminant," or "pollutant", or otherwise classified as hazardous or toxic by or within the meaning of any Hazardous Materials Law, or (ii) is regulated in any way by or within the meaning of any Hazardous Materials Law.

(v) "**Hazardous Materials Laws**" means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, rule of common law (including, without limitation, nuisance and trespass), consent order, administrative rulings and court judgments and decrees or other government directive in effect now or in the future and including all amendments, that relate to Hazardous Materials or to the protection or conservation of the environment or human health and apply to Borrower or to the Mortgaged Property, including, without limitation, those relating to industrial hygiene, or the use, analysis, generation, manufacture, storage, discharge, release, disposal, transportation, treatment, investigation, or remediation of Hazardous Materials. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101, et seq., the Superfund Amendments and Reauthorization Act, the Solid Waste Disposal Act, the Clean Air Act, the Occupational Safety and Health Act, and their state analogs.

(w) "**Impositions**" and "**Imposition Deposits**" shall have the meanings ascribed thereto in Section 7(a).

(x) "**Improvements**" means the buildings, structures, improvements, and alterations now constructed or at any time in the future constructed or placed upon the Land, including any future replacements and additions.

(y) "**Indebtedness**" means collectively, the principal of, interest on, and all other amounts due at any time under, the Note, this Instrument or any other Loan Document, including prepayment premiums, late charges, default interest, and advances as provided in Section 12 to protect the security of this Instrument, and any fees or expenses paid by Governmental Lender on behalf of Borrower to Governmental Lender, or any other party for the Loan or other amounts relating to the Loan Documents which are paid by Governmental Lender, and for which Borrower is obligated to reimburse Governmental Lender pursuant to the terms of the Loan Documents;

(z) "**Initial Owners**" means, with respect to Borrower or any other entity, the persons or entities who on the date of the Note, directly or indirectly, own in the aggregate 100% of the ownership interests in Borrower or that entity.

(aa) "**Insolvency Laws**" means the United States Bankruptcy Code, 11 U.S.C. § 101, et seq., together with any other federal or state law affecting debtor and creditor rights or relating to the bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding, as amended from time to time, to the extent applicable to the Borrower.

(bb) "**Land**" means the land described in Exhibit A.

(cc) "**Leases**" means all present and future leases, subleases, licenses, concessions or grants or other possessory interests now or hereafter in force, whether oral or written, covering or affecting the Mortgaged Property, or any portion of the Mortgaged Property (including proprietary leases or occupancy agreements if Borrower is a cooperative housing corporation), and all modifications, extensions or renewals.

(dd) "**Lender**" means the entity identified as "Lender" in the recitals to this Instrument, or any subsequent holder of the Note.

(ee) "**Loan**" means the loan made by Governmental Lender to Borrower in an amount not to exceed the original principal amount of the Note, which loan is evidenced by the Note and secured by, among other things, this Instrument.

(ff) "**Loan Agreement**" means that certain Borrower Loan Agreement, dated as of the date hereof, by and between Borrower and Governmental Lender relating to the Loan, as the same may be amended, modified or supplemented from time to time.

(gg) "**Loan Documents**" means collectively, the Loan Agreement, the Note, this Instrument, the Construction Funding Agreement, the Agreement of Environmental Indemnification, all guaranties, all indemnity agreements, all Collateral Agreements, all Collateral Assignments, all O&M Programs, the MMP, and any other documents now or in the future executed by Borrower, any guarantor or any other person in connection with the Loan, as such documents may be amended from time to time.

(hh) "**Material Property Agreements**" means any agreement which, in Lender's sole discretion, acting in good faith, materially affects the Mortgaged Property, the use thereof or otherwise materially affects the rights of Borrower or Beneficiary Parties in, to, and with respect to the Mortgaged Property or the proceeds therefrom, including, without limitation, each of the following: (i) any agreement regarding the payment in lieu of taxes ("**PILOT**"), (ii) all covenants, conditions and restrictions, including, without limitation, any declaration subjecting the Mortgaged Property to an association of owners or other community governance, (iii) any agreement regarding the abatement or exemption of real estate taxes, (iv) any easement pursuant to which the Mortgaged Property is granted access to a public right of way, (v) any material lease of all or any portion of the Mortgaged Property, (vi) any operating agreements relating to the Land or the Improvements and (vii) any regulatory agreements, declarations, land use restriction agreements or similar instruments affecting the Mortgaged Property including the operation or use thereof.

(ii) "**Maturity Date**" has the meaning ascribed thereto in the recitals to this Instrument.

(jj) "**MMP**" means an operations and maintenance plan, moisture management program and/or microbial operations and maintenance program approved by Lender to control water intrusion and prevent the development of Mold or moisture at the Mortgaged Property throughout the term of this Instrument. If required by Lender, the MMP shall contain a provision for (i) staff training, (ii) information to be provided to tenants, (iii) documentation of the plan, (iv) the appropriate protocol for incident response and remediation and (v) routine, scheduled inspections of common space and unit interiors.

(kk) "**Mold**" means mold, fungus, microbial contamination or pathogenic organisms.

(ll) "**Mortgaged Property**" means all of Borrower's present and future right, title and interest in and to all of the following:

(i) the Land;

(ii) the Improvements;

(iii) the Fixtures;

(iv) the Personalty;

(v) all current and future rights, including air rights, development rights, zoning rights and other similar rights or interests, easements, tenements, rights-of-way, strips and gores of land, streets, alleys, roads, sewer rights, waters, watercourses, and appurtenances related to or benefiting the Land or the Improvements, or both, and all rights-of-way, streets, alleys and roads which may have been or may in the future be vacated;

(vi) all proceeds paid or to be paid by any insurer of the Land, the Improvements, the Fixtures, the Personalty or any other part of the Mortgaged Property, whether or not Borrower obtained the insurance pursuant to Lender's requirements;

(vii) all awards, payments and other compensation made or to be made by any municipal, state or federal authority with respect to the Land, the Improvements, the Fixtures, the Personalty or any other part of the Mortgaged Property, including any awards or settlements resulting from condemnation proceedings or the total or partial taking of the Land, the Improvements, the Fixtures, the Personalty or any other part of the Mortgaged Property under the power of eminent domain or otherwise and including any conveyance in lieu thereof;

(viii) all contracts, options and other agreements for the sale of the Land, the Improvements, the Fixtures, the Personalty or any other part of the Mortgaged Property entered into by Borrower now or in the

future, including cash or securities deposited to secure performance by parties of their obligations;

(ix) all Rents and Leases;

(x) all earnings, royalties, accounts receivable, issues and profits from the Land, the Improvements or any other part of the Mortgaged Property, whether the foregoing are now due, past due, or to become due, all undisbursed proceeds of the Loan secured by this Instrument, deposits forfeited by tenants, and, if Borrower is a cooperative housing corporation, maintenance charges or assessments payable by shareholders or residents;

(xi) all refunds or rebates of Impositions by any municipal, state or federal authority or insurance company (other than refunds applicable to periods before the real property tax year in which this Instrument is dated);

(xii) all tenant security deposits which have not been forfeited by any tenant under any Lease and any bond or other security in lieu of such deposits;

(xiii) all names under or by which any of the above Mortgaged Property may be operated or known, and all trademarks, trade names, and goodwill relating to any of the Mortgaged Property;

(xiv) all documents, writings, books, files, records and other documents arising from or relating to any of the foregoing, whether now existing or hereafter created; and

(xv) all proceeds from the conversion, voluntary or involuntary, of any of the above into cash or liquidated claims, and the right to collect such proceeds, and all other cash and non-cash proceeds and products of any of the foregoing.

(mm) "**Note**" means that certain Multifamily Note, dated as of the Closing Date, executed and delivered by the Borrower, payable to Governmental Lender in an amount not to exceed the original maximum principal amount of the Loan set forth in the recitals to this Instrument, including all schedules, riders, allonges and addenda, as the same may be amended, modified, or supplemented from time to time.

(nn) "**O&M Program**" has the meaning ascribed thereto in Section 18(d).

(oo) "**Original Borrower Loan Security Instrument**" means Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement dated as of December 1, 2021, executed by Borrower for the benefit of Governmental Lender.

(pp) "**Permitted Encumbrances**" means the Original Borrower Loan Security Instrument, the Regulatory Agreement, the Extended Use Agreement (as defined in Section 47), any easements, encumbrances or restrictions listed on the schedule of exceptions in the title insurance policy issued to Lender as of the date of recordation of this Instrument insuring Lender's interest in the Mortgaged Property.

(qq) "**Permitted Transfer**" has the meaning ascribed thereto in Section 21(b).

(rr) "**Person**" means any individual, corporation, limited liability company, partnership, joint venture, estate, trust, unincorporated association, any federal, state, county or municipal government or any bureau, department or agency thereof and any fiduciary acting in such capacity on behalf of any of the foregoing.

(ss) "**Personalty**" means all:

(i) accounts (including deposit accounts) of Borrower related to the Mortgaged Property;

(ii) Imposition Deposits;

(iii) equipment, goods, supplies and inventory owned by Borrower that are used now or in the future in connection with the ownership, management or operation of the Land or the Improvements or are located on the Land or in the Improvements (other than Fixtures), including furniture, furnishings, machinery, building materials, tools, books, records (whether in written or electronic form), computer equipment (hardware and software);

(iv) other tangible personal property owned by Borrower which are used now or in the future in connection with the ownership, management or operation of the Land or Improvements or are located on the Land or in the Improvements (other than Fixtures), including ranges, stoves, microwave ovens, refrigerators, dishwashers, garbage disposers, washers, dryers and other appliances;

(v) any operating agreements relating to the Land or the Improvements;

(vi) any surveys, plans and specifications and contracts for architectural, engineering and construction services relating to the Land or the Improvements;

(vii) documents, instruments, chattel paper, claims, deposits, deposit accounts, payment intangibles, other intangible property, general intangibles, and rights relating to the operation of, or used in connection with, the Land or the Improvements, including all governmental permits relating to any activities on the Land and including subsidy or similar payments received from any sources, including a Governmental Authority; and

(viii) any rights of Borrower in or under letters of credit.

(tt) "**Project**" means that 204-unit multifamily project known as Fiji Lofts and located in the City and County of Dallas, State of Texas.

(uu) "**Property Jurisdiction**" means the State of Texas.

(vv) "**Regulatory Agreement**" means, collectively, (i) the Amended and Restated Regulatory and Land Use Restriction Agreement, dated as of the date hereof, by and among Governmental Lender, Fiscal Agent, Dallas County Housing Finance Corporation 2025, as fee owner, and the Borrower, and (ii) the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of the date hereof, by and between Dallas County Housing Finance Corporation 2025 and the Borrower, each regulating or restricting the use or manner of operation of the Mortgaged Property and containing requirements that specified percentages of the dwelling units in the Mortgaged Property be occupied by tenants whose incomes are below specified levels.

(ww) "**Rents**" means all rents (whether from residential or non-residential space), revenues and other income of the Land or the Improvements, including subsidy payments received from any sources (including, but not limited to payments under any Housing Assistance Payments Contract or similar agreements), parking fees, laundry and vending machine income and fees and charges for food, health care and other services provided at the Mortgaged Property, whether now due, past due, or to become due, and deposits forfeited by tenants.

(xx) "**Servicer**" means the servicing party that is designated by Funding Lender to service the Loan, together with its successors in such capacity. The initial Servicer shall be Citibank, N.A.

(yy) "**Taxes**" means, collectively, all taxes, assessments, vault rentals and other charges, if any, general, special or otherwise, including all assessments for schools, public betterments and general or local improvements, which are levied, assessed or imposed by any public authority or quasi-public authority, and which, if not paid, will become a lien, on the Land or the Improvements.

(zz) "**Transfer**" means (i) a sale, assignment, transfer, or other disposition (whether voluntary, involuntary or by operation of law); (ii) the grant, creation, or attachment of a lien, encumbrance, or security interest (whether voluntary, involuntary or by operation of law); (iii) the issuance or other creation of a direct or indirect ownership interest; or (iv) the withdrawal, retirement, removal or involuntary resignation of any owner or manager of a legal entity.

(aaa) "**Uniform Commercial Code**" means the Uniform Commercial Code adopted by the Property Jurisdiction.

(bbb) "**United States Bankruptcy Code**" means the United States Bankruptcy Code, 11 U.S.C. Section 101 et seq., as amended from time to time.

2. **UNIFORM COMMERCIAL CODE SECURITY AGREEMENT**.

(a) This Instrument is also a security agreement under the Uniform Commercial Code for any of the Mortgaged Property which, under applicable law, may be subjected to a security interest under the Uniform Commercial Code, whether such Mortgaged Property is owned now or acquired in the future, and all products and cash and non-cash proceeds thereof (collectively, "**UCC Collateral**"), and Borrower hereby grants to Lender a security interest in the UCC Collateral. Borrower hereby authorizes Lender to prepare and file any and all financing statements, continuation statements and financing statement amendments, in such form as Lender may require to perfect or continue the perfection of this security interest without execution by Borrower. Borrower shall pay all filing costs and all costs and expenses of any record searches for financing statements and/or amendments that Lender may require. Without the prior written consent of Lender, Borrower shall not create or permit to exist any other lien or security interest in any of the UCC Collateral except for the Permitted Encumbrances. If an Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), Lender shall have the remedies of a secured party under the Uniform Commercial Code, in addition to all remedies provided by this Instrument or existing under applicable law. In exercising any remedies, Lender may exercise its remedies against the UCC Collateral separately or together, and in any order, without in any way affecting the availability of Lender's other remedies. This Instrument constitutes a financing statement with respect to any part of the Mortgaged Property which is or may become a Fixture.

(b) Unless Borrower gives at least thirty (30) days' prior written notice to Lender and subject to Section 21 hereof, Borrower shall not: (i) change its name, identity, or structure of organization; (ii) change its state of organization through dissolution, merger, transfer of assets or otherwise; (iii) change its principal place of business (or chief executive office if more than one place of business); or (iv) add to or change any location at which any of the Mortgaged Property is stored, held or located. Such notice shall be accompanied by new financing statements and/or financing statement amendments in the same form as the financing statements delivered to Lender on the date hereof. Without limiting the foregoing, Borrower hereby authorizes and irrevocably appoints Lender and each of its officers attorneys-in-fact for Borrower to execute, deliver, and file, as applicable, such financing statements, continuation statements or amendments deemed necessary by Lender in its sole discretion for and on behalf of Borrower, without execution by Borrower. Borrower shall also execute and deliver to Lender modifications or supplements of this Instrument as Lender may require in connection with any change described in this Section.

3. **ASSIGNMENT OF RENTS; APPOINTMENT OF RECEIVER; LENDER IN POSSESSION**.

(a) As part of the consideration for the Indebtedness, Borrower absolutely and unconditionally assigns and transfers to Lender all Rents. It is the intention of Borrower to establish a present, absolute and irrevocable transfer and assignment to Lender of all Rents and to authorize and empower Lender to collect and receive all Rents without the

necessity of further action on the part of Borrower. Promptly upon request by Lender, Borrower agrees to execute and deliver such further assignments of Rents as Lender may from time to time require. Borrower and Lender intend this assignment of Rents to be immediately effective and to constitute an absolute present assignment and not an assignment for additional security only. For purposes of giving effect to this absolute assignment of Rents, and for no other purpose, Rents shall not be deemed to be a part of the Mortgaged Property. Notwithstanding anything to the contrary contained herein, the Lender is entitled to all the rights and remedies of an assignee set forth in Chapter 64 of the Texas Property Code, the Texas Assignment of Rents Act ("TARA"). This Instrument shall constitute and serve as a security instrument under TARA. The Lender shall have the ability to exercise its rights related to the Leases and payments, in the Lender's sole discretion and without prejudice to any other remedy available, as provided in this Instrument or as otherwise allowed by applicable law, including, without limitation, TARA. Notwithstanding anything to the contrary contained in this Instrument or the other Loan Documents, to the extent this Instrument or any of the other Loan Documents contain any notice or cure period, the date the enforcement of rights under TARA begins shall not be affected, extended or otherwise modified by reason of such periods.

(b) This assignment is also intended by the Borrower and the Lender to create, and shall be construed to create, a security interest with respect to the collateral assignment of the Rents in accordance with Section 64 of the Texas Property Code. Borrower hereby assigns and transfers to Lender all of Borrower's rights, title and interest to and under the Leases and Rents. This assignment is intended to be and constitutes a present and unconditional assignment, and Lender's right to the Rents is not contingent upon, and may be exercised without possession of the Mortgaged Property. Borrower may collect and retain the Rents as they become due and payable, unless an Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period) and during such time, Lender may enforce its rights with respect to the Rents in accordance with the Act (defined below). Borrower agrees that pursuant to Section 64.002(a)(3) of the Act, any rent demand sent by Lender may be sent to Borrower in any manner and to any address for notice set forth herein. As described in Section 64.060 of the Act, Borrower shall, within ten (10) days after its receipt of a rent demand, deliver to Lender such Rents as are described in the rent demand. As used herein, "Act" means Chapter 64 of the Texas Property Code, as amended and supplemented from time to time. For clarity, it is noted that in 2011 the Texas Legislature enacted two Chapters 64 to the Texas Property Code and that the Chapter 64 referred to in this definition is the one that was enacted by S.B. 889, § 2, 82nd Leg., effective June 17, 2011, relating to Assignment of Rents to Lienholder. In the event that the Texas Legislature corrects this duplicate numbering and it assigns a different chapter number to the chapter relating to Assignment of Rents to Lienholder, all references herein to Chapter 64 and to sections of Chapter 64 shall be deemed to mean such re-assigned chapter and sections thereof. All Rents hereafter collected by Borrower shall be held by Borrower as trustee under a constructive trust for the benefit of Lender. Borrower hereby irrevocably authorizes and directs the tenants under the Leases to rely upon and comply with any notice or demand by Lender for the payment to Lender of any rentals or other sums which may at any time become due under the Leases, or for the performance of any of the tenants' undertakings under the Leases, and the tenants shall

have no right or duty to inquire as to whether any Event of Default or an event which, with the giving of notice or the lapse of time, or both, would constitute an Event of Default, has actually occurred or is then existing hereunder. Borrower hereby relieves the tenants from any liability to Borrower by reason of relying upon and complying with any such notice or demand by Lender. Lender may apply, in its sole discretion, any Rents so collected by Lender against any Indebtedness secured hereby, whether existing on the date hereof or hereafter arising. Collection of any Rents by Lender shall not cure or waive any Event Default or notice of Event of Default or invalidate any acts done pursuant to such notice.

(c) Borrower authorizes Lender to collect, sue for and compromise Rents and directs each tenant of the Mortgaged Property to pay all Rents to, or as directed by, Lender. However, until the occurrence and continuance of an Event of Default (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), Lender hereby grants to Borrower a revocable license to collect and receive all Rents, to hold all Rents in trust for the benefit of Lender and to apply all Rents to pay the installments of interest and principal then due and payable under the Note and the other amounts then due and payable under the other Loan Documents, including Imposition Deposits, and to pay the current costs and expenses of managing, operating and maintaining the Mortgaged Property, including utilities, Taxes and insurance premiums (to the extent not included in Imposition Deposits), tenant improvements and other capital expenditures. So long as no Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), the Rents remaining after application pursuant to the preceding sentence may be retained by Borrower free and clear of, and released from, Lender's rights with respect to Rents under this Instrument. Upon the occurrence and continuance of an Event of Default (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), and without the necessity of Lender entering upon and taking and maintaining control of the Mortgaged Property directly, or by a receiver, Borrower's license to collect Rents shall automatically terminate and Lender shall without notice be entitled to all Rents as they become due and payable, including Rents then due and unpaid (such license shall be reinstated upon Borrower's cure of the Event of Default to the satisfaction of Lender). Borrower shall pay to Lender upon demand all Rents to which Lender is entitled. At any time after an Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), Lender may give, and Borrower hereby irrevocably authorizes Lender to give, notice to all tenants of the Mortgaged Property instructing them to pay all Rents to Lender, no tenant shall be obligated to inquire further as to the right of Lender to collect Rents, and no tenant shall be obligated to pay to Borrower any amounts which are actually paid to Lender in response to such a notice. Any such notice by Lender shall be delivered to each tenant personally, by mail or by delivering such demand to each rental unit. Borrower shall not interfere with and shall cooperate with Lender's collection of such Rents.

(d) Borrower represents and warrants to Lender that Borrower has not executed any prior assignment of Rents (other than an assignment of Rents securing indebtedness

that will be paid off and discharged with the proceeds of the Loan), that Borrower has not performed, and Borrower covenants and agrees that it will not perform, any acts and has not executed, and shall not execute, any instrument which would prevent Lender from exercising its rights under this Section 3, and that at the time of execution of this Instrument there has been no anticipation or prepayment of any Rents for more than two months prior to the due dates of such Rents (other than a security deposit not in excess of one month's rent). Borrower shall not collect or accept payment of any Rents more than two months prior to the due dates of such Rents (other than a security deposit not in excess of one month's rent).

(e) If an Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), Lender may, but shall in no event be required to, regardless of the adequacy of Lender's security or the solvency of Borrower and even in the absence of waste, enter upon and take and maintain full control of the Mortgaged Property in order to perform all acts that Lender in its discretion determines to be necessary or desirable for the operation and maintenance of the Mortgaged Property, including the execution, cancellation or modification of Leases, the collection of all Rents, the making of repairs to the Mortgaged Property and the execution or termination of contracts providing for the management, operation or maintenance of the Mortgaged Property, for the purposes of enforcing the assignment of Rents pursuant to Section 3(a), protecting the Mortgaged Property or the security of this Instrument, or for such other purposes as Lender in its discretion may deem necessary or desirable. Alternatively, if an Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), regardless of the adequacy of Lender's security, without regard to Borrower's solvency and without the necessity of giving prior notice (oral or written) to Borrower, Lender may apply to any court having jurisdiction for the appointment of a receiver for the Mortgaged Property to take any or all of the actions set forth in the preceding sentence. If Lender elects to seek the appointment of a receiver for the Mortgaged Property at any time after an Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), Borrower, by its execution of this Instrument, expressly consents to the appointment of such receiver, including the appointment of a receiver ex parte if permitted by applicable law. Lender or the receiver, as the case may be, shall be entitled to receive a reasonable fee for managing the Mortgaged Property. Immediately upon appointment of a receiver or immediately upon Lender's entering upon and taking possession and control of the Mortgaged Property, Borrower shall surrender possession of the Mortgaged Property to Lender or the receiver, as the case may be, and shall deliver to Lender or the receiver, as the case may be, all documents, records (including records on electronic or magnetic media), accounts, surveys, plans, and specifications relating to the Mortgaged Property and all security deposits and prepaid Rents. In the event Lender takes possession and control of the Mortgaged Property, Lender may exclude Borrower and its representatives from the Mortgaged Property. Borrower acknowledges and agrees that the exercise by Lender of any of the rights conferred under this Section 3 shall not be construed to make Lender a

mortgagee-in-possession of the Mortgaged Property so long as Lender has not itself entered into actual possession of the Land and Improvements.

(f) If Lender enters the Mortgaged Property, Lender shall be liable to account only to Borrower and only for those Rents actually received. Lender shall not be liable to Borrower, anyone claiming under or through Borrower or anyone having an interest in the Mortgaged Property, by reason of any act or omission of Lender under this Section 3, and Borrower hereby releases and discharges Lender from any such liability to the fullest extent permitted by law, except for the gross negligence or willful misconduct of Lender or its agents.

(g) If the Rents are not sufficient to meet the costs of taking control of and managing the Mortgaged Property and collecting the Rents, any funds expended by Lender for such purposes shall become an additional part of the Indebtedness as provided in Section 12.

(h) Any entering upon and taking of control of the Mortgaged Property by Lender or the receiver, as the case may be, and any application of Rents as provided in this Instrument shall not cure or waive any Event of Default or invalidate any other right or remedy of Lender under applicable law or provided for in this Instrument.

4. **ASSIGNMENT OF LEASES; LEASES AFFECTING THE MORTGAGED PROPERTY**.

(a) As part of the consideration for the Indebtedness, Borrower absolutely and unconditionally assigns and transfers to Lender all of Borrower's right, title and interest in, to and under the Leases, including Borrower's right, power and authority to modify the terms of any such Lease, or extend or terminate any such Lease. It is the intention of Borrower to establish a present, absolute and irrevocable transfer and assignment to Lender of all of Borrower's right, title and interest in, to and under the Leases. Borrower and Lender intend this assignment of the Leases to be immediately effective and to constitute an absolute present assignment and not an assignment for additional security only. For purposes of giving effect to this absolute assignment of the Leases, and for no other purpose, the Leases shall not be deemed to be a part of the "Mortgaged Property" as that term is defined in Section 1. Notwithstanding anything to the contrary contained herein, the Lender is entitled to all the rights and remedies of an assignee set forth in TARA. This Instrument shall constitute and serve as a security instrument under TARA. The Lender shall have the ability to exercise its rights related to the Leases and payments, in the Lender's sole discretion and without prejudice to any other remedy available, as provided in this Instrument or as otherwise allowed by applicable law, including, without limitation, TARA. Notwithstanding anything to the contrary contained in this Instrument or the other Loan Documents, to the extent this Instrument or any of the other Loan Documents contain any notice or cure period, the date the enforcement of rights under TARA begins shall not be affected, extended or otherwise modified by reason of such periods.

(b) Unless an Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was

not timely resolved within the applicable notice and cure period), Borrower shall have all rights, power and authority granted to Borrower under any Lease (except as otherwise limited by this Section or any other provision of this Instrument), including the right, power and authority to modify the terms of any Lease or extend or terminate any Lease. During the continuance of an Event of Default (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), the permission given to Borrower pursuant to the preceding sentence to exercise all rights, power and authority under Leases shall automatically terminate. Borrower shall comply with and observe Borrower's obligations under all Leases, including Borrower's obligations pertaining to the maintenance and disposition of tenant security deposits.

(c) Borrower acknowledges and agrees that the exercise by Lender, either directly or by a receiver, of any of the rights conferred under this Section 4 shall not be construed to make Lender a mortgagee-in-possession of the Mortgaged Property so long as Lender has not itself entered into actual possession of the Land and the Improvements. The acceptance by Lender of the assignment of the Leases pursuant to Section 4(a) shall not at any time or in any event obligate Lender to take any action under this Instrument or to expend any money or to incur any expenses. Lender shall not be liable in any way for any injury or damage to person or property sustained by any person or persons, firm or corporation in or about the Mortgaged Property, except to the extent arising from the gross negligence or willful misconduct of Lender. Prior to Lender's actual entry into and taking possession of the Mortgaged Property, Lender shall not (i) be obligated to perform any of the terms, covenants and conditions contained in any Lease (or otherwise have any obligation with respect to any Lease); (ii) be obligated to appear in or defend any action or proceeding relating to the Lease or the Mortgaged Property; or (iii) be responsible for the operation, control, care, management or repair of the Mortgaged Property or any portion of the Mortgaged Property. The execution of this Instrument by Borrower shall constitute conclusive evidence that all responsibility for the operation, control, care, management and repair of the Mortgaged Property is and shall be that of Borrower, prior to such actual entry and taking of possession.

(d) Upon delivery of notice by Lender to Borrower of Lender's exercise of Lender's rights under this Section 4 at any time after the occurrence and during the continuance of an Event of Default (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), and without the necessity of Lender entering upon and taking and maintaining control of the Mortgaged Property directly, by a receiver, or by any other manner or proceeding permitted by the laws of the Property Jurisdiction, Lender immediately shall have all rights, powers and authority granted to Borrower under any Lease, including the right, power and authority to modify the terms of any such Lease, or extend or terminate any such Lease.

(e) Borrower shall, promptly upon Lender's request, deliver to Lender an executed copy of each residential Lease then in effect. All Leases for residential dwelling units shall (i) be on forms approved by Lender, (ii) be for initial terms of at least six (6) months and not more than two (2) years, (iii) not include options to purchase, (iv) be legally

valid, binding, and enforceable obligations of the tenants, (v) contain language expressly stating that such Lease is subordinate to the lien of this Instrument, (vi) provide that the address to which all notices, including any Notice to Pay Rents Other Than to Landlord ("**NPROL**"), required or permitted to be sent to the tenant; may not be changed unless 30 days prior written notice is given to Lender and that such address must be within the United States of America; (vii) provide for tenant's agreement that upon the receipt of a NPROL, whether prior to or after the occurrence of an Event of Default, tenant shall: (a) not deduct any portion of the Rents for any purpose, notwithstanding Section 64.055(d) or any other provision of the Act, this Instrument or any other Loan Document; and (b) pay all Rents as they accrue to the Lender; (viii) provide for: (a) tenant's unconditional waiver of any right to delay payment of Rents as well any right to continue paying Rents to any person other than Lender as contemplated by Section 64.056 of the Act, (b) tenant's agreement that paragraphs 3 and 8 of the statutory form of NPROL may be deleted from any NPROL sent to tenant, as contemplated by Section 64.056 of the Act; (ix) provide tenant's agreement that any notice, including a NPROL, from the Lender to the tenant shall be deemed to have been received by the tenant on the earliest of (a) the date of actual receipt by the tenant, (b) two (2) days after the same is sent to the address for notice specified in the Lease via a commercially reasonable delivery service, (e.g., Federal Express or UPS) or (c) by first class mail, when deposited in the U. S. Mail in accordance with Section 51.002(e) of the Texas Property Code; and (x) otherwise comply with all applicable laws.

(f) Except for laundry facilities and cable television services for tenants on market terms and conditions, Borrower shall not lease any portion of the Mortgaged Property for non-residential use except with the prior written consent of Lender and Lender's prior written approval of the Lease agreement. Borrower shall not modify the terms of, or extend or terminate, any Lease for non-residential use (including any Lease in existence on the date of this Instrument) without the prior written consent of Lender. Borrower shall, without request by Lender, deliver an executed copy of each non-residential Lease to Lender promptly after such Lease is signed. All non-residential Leases, including renewals or extensions of existing Leases, shall specifically provide that (i) such Leases are subordinate to the lien of this Instrument; (ii) the tenant shall attorn to Lender and any purchaser at a foreclosure sale, such attornment to be self-executing and effective upon acquisition of title to the Mortgaged Property by any purchaser at a foreclosure sale or by Lender in any manner; (iii) the tenant agrees to execute such further evidences of attornment as Lender or any purchaser at a foreclosure sale may from time to time request; (iv) the Lease shall not be terminated by foreclosure or any other transfer of the Mortgaged Property; (v) after a foreclosure sale of the Mortgaged Property, Lender or any other purchaser at such foreclosure sale may, at Lender's or such purchaser's option, accept or terminate such Lease; and (vi) the tenant shall, upon receipt after the occurrence of an Event of Default of a written request from Lender, pay all Rents payable under the Lease to Lender.

(g) Borrower shall not receive or accept Rent under any Lease (whether residential or non-residential) for more than two months in advance (other than a security deposit not in excess of one month's rent).

5. **PAYMENT OF INDEBTEDNESS; PERFORMANCE UNDER LOAN DOCUMENTS; PREPAYMENT PREMIUM**. Borrower shall pay the Indebtedness when due in accordance with the terms of the Note and the other Loan Documents and shall perform, observe and comply with all other provisions of the Note and the other Loan Documents. Borrower shall pay a prepayment premium in connection with certain prepayments of the Indebtedness, including a payment made after Lender's exercise of any right of acceleration of the Indebtedness, as provided in the Note.

6. **EXCULPATION**. The personal liability of Borrower for payment of the Note and for performance of the other obligations to be performed by Borrower under this Instrument is limited in the manner, and to the extent, provided in the Note.

7. **DEPOSITS FOR TAXES, INSURANCE AND OTHER CHARGES**.

(a) As and when required under the Original Borrower Security Instrument, Borrower shall deposit with Lender on the day monthly installments of principal or interest, or both, are due under the Note (or on another day designated in writing by Lender), until the Indebtedness is paid in full, an additional amount sufficient to accumulate with Lender the entire sum required to pay, when due (i) any water and sewer charges which, if not paid, may result in a lien on all or any part of the Mortgaged Property, (ii) the premiums for fire and other hazard insurance, rental loss insurance and such other insurance as Lender may require under Section 19, (iii) Taxes, and (iv) amounts for other charges and expenses which Lender at any time reasonably deems necessary to protect the Mortgaged Property, to prevent the imposition of liens on the Mortgaged Property, or otherwise to protect Lender's interests, all as reasonably estimated from time to time by Lender, plus one-twelfth of such estimate, if required by Lender. The amounts deposited under the preceding sentence are collectively referred to in this Instrument as the "**Imposition Deposits**". The obligations of Borrower for which the Imposition Deposits are required are collectively referred to in this Instrument as "**Impositions**". The amount of the Imposition Deposits shall be sufficient to enable Lender to pay each Imposition before the last date upon which such payment may be made without any penalty or interest charge being added. Lender shall maintain records indicating how much of the monthly Imposition Deposits and how much of the aggregate Imposition Deposits held by Lender are held for the purpose of paying Taxes, insurance premiums and each other Imposition.

(b) Imposition Deposits shall be held in an institution (which may be Lender, if Lender is such an institution) whose deposits or accounts are insured or guaranteed by a federal agency. Lender shall not be obligated to open additional accounts or deposit Imposition Deposits in additional institutions when the amount of the Imposition Deposits exceeds the maximum amount of the federal deposit insurance or guaranty. Lender shall apply the Imposition Deposits to pay Impositions so long as no Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period). Unless applicable law requires, Lender shall not be required to pay Borrower any interest, earnings or profits on the Imposition Deposits. As additional security for all of Borrower's obligations under this Instrument and the other Loan Documents, Borrower hereby pledges and grants to Lender a security interest in the

Imposition Deposits and all proceeds of and all interest and dividends on the Imposition Deposits. Any amounts deposited with Lender under this Section 7 shall not be trust funds, nor shall they operate to reduce the Indebtedness, unless applied by Lender for that purpose under Section 7(e).

(c) If Lender receives a bill or invoice for an Imposition, Lender shall pay the Imposition from the Imposition Deposits held by Lender. Lender shall have no obligation to pay any Imposition to the extent it exceeds Imposition Deposits then held by Lender. Lender may pay an Imposition according to any bill, statement or estimate from the appropriate public office or insurance company without inquiring into the accuracy of the bill, statement or estimate or into the validity of the Imposition.

(d) If at any time the amount of the Imposition Deposits held by Lender for payment of a specific Imposition exceeds the amount deemed necessary by Lender, plus one twelfth of such estimate if required by Lender, the excess shall be credited against future installments of Imposition Deposits. If at any time the amount of the Imposition Deposits held by Lender for payment of a specific Imposition is less than the amount estimated by Lender to be necessary, plus one twelfth of such estimate if required by Lender, Borrower shall pay to Lender the amount of the deficiency within 15 days after notice from Lender.

(e) If an Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), Lender may apply any Imposition Deposits, in any amounts and in any order as Lender determines, in Lender's discretion, to pay any Impositions or as a credit against the Indebtedness. Upon payment in full of the Indebtedness, Lender shall refund to Borrower any Imposition Deposits held by Lender.

(f) If Lender does not collect an Imposition Deposit pursuant to a separate written waiver by Lender, then on or before the date each such Imposition is due, or on the date this Instrument requires each such Imposition to be paid, Borrower shall, if required by Lender, provide Lender with proof of payment of each such Imposition for which Lender does not require collection of Imposition Deposits. Lender may, at any time and in Lender's discretion, revoke its deferral or waiver and require Borrower to deposit with Lender any or all of the Imposition Deposits listed in this Section 7.

8. **COLLATERAL AGREEMENTS**. Borrower shall deposit with Lender such amounts as may be required by the Loan Agreement and any Collateral Agreement and shall perform all other obligations of Borrower under the Loan Agreement and each Collateral Agreement.

9. **APPLICATION OF PAYMENTS**. If at any time Lender receives, from Borrower or otherwise, any amount applicable to the Indebtedness which is less than all amounts due and payable at such time, then Lender may apply that payment to amounts then due and payable in any manner and in any order determined by Lender, in Lender's discretion. Neither Lender's acceptance of an amount that is less than all amounts then due and payable nor Lender's application of such payment in the manner authorized shall constitute or be deemed to constitute

either a waiver of the unpaid amounts or an accord and satisfaction. Notwithstanding the application of any such amount to the Indebtedness, Borrower's obligations under this Instrument and the Note shall remain unchanged.

10. **COMPLIANCE WITH LAWS**. Borrower shall comply with all laws, ordinances, regulations and requirements of any Governmental Authority and all recorded lawful covenants and agreements relating to or affecting the Mortgaged Property, including all laws, ordinances, regulations, requirements and covenants pertaining to health and safety, construction of improvements on the Mortgaged Property, fair housing, disability accommodation, zoning and land use, and Leases. Borrower also shall comply with all applicable laws that pertain to the maintenance and disposition of tenant security deposits. Borrower shall at all times maintain records sufficient to demonstrate compliance with the provisions of this Section 10. Borrower shall take appropriate measures to prevent, and shall not engage in or knowingly permit, any illegal activities at the Mortgaged Property that could endanger tenants or visitors, result in damage to the Mortgaged Property, result in forfeiture of the Mortgaged Property, or otherwise materially impair the lien created by this Instrument or Lender's interest in the Mortgaged Property. Borrower represents and warrants to Lender that no portion of the Mortgaged Property has been or will be purchased with the proceeds of any illegal activity.

11. **USE OF PROPERTY**. Unless required by applicable law, Borrower shall not (a) allow changes in the use for which all or any part of the Mortgaged Property is being used at the time this Instrument was executed, except for any change in use approved by Lender, (b) convert any individual dwelling units or common areas to commercial use, (c) initiate a change in the zoning classification of the Mortgaged Property or acquiesce in a change in the zoning classification of the Mortgaged Property, (d) establish any condominium or cooperative regime with respect to the Mortgaged Property; (e) combine all or any part of the Mortgaged Property with all or any part of a tax parcel which is not part of the Mortgaged Property, or (f) subdivide or otherwise split any tax parcel constituting all or any part of the Mortgaged Property without the prior consent of Lender.

12. **PROTECTION OF LENDER'S SECURITY; INSTRUMENT SECURES FUTURE ADVANCES**.

(a) If Borrower fails to perform any of its obligations under this Instrument or any other Loan Document after the expiration of any applicable notice and cure period, or if any action or proceeding (including a Bankruptcy Event) is commenced which purports to affect the Mortgaged Property, Lender's security or Lender's rights under this Instrument, including eminent domain, insolvency, code enforcement, civil or criminal forfeiture, enforcement of Hazardous Materials Laws, fraudulent conveyance or reorganizations or proceedings involving a bankrupt or decedent, then Lender at Lender's option may make such appearances, file such documents, disburse such sums and take such actions as Lender deems necessary to perform such obligations of Borrower and to protect Lender's interest, including (i) payment of fees, expenses and actual fees of attorneys, accountants, inspectors and consultants, (ii) entry upon the Mortgaged Property to make repairs or secure the Mortgaged Property, (iii) procurement of the insurance required by Section 19 (specifically including, without limitation, flood insurance if required by

Section 19), and (iv) payment of amounts which Borrower has failed to pay under Sections 15 and 17.

(b) Any amounts disbursed by Lender under this Section 12, or under any other provision of this Instrument that treats such disbursement as being made under this Section 12, shall be secured by this Instrument, shall be added to, and become part of, the principal component of the Indebtedness, shall be immediately due and payable and shall bear interest from the date of disbursement until paid at the "Default Rate", as defined in the Note.

(c) If the Lender shall elect to pay any sum due with reference to the Project or the Mortgaged Property, the Lender may do so in reliance on any bill, statement or assessment procured from the appropriate Governmental Authority or other issuer thereof without inquiring into the accuracy or validity thereof. Similarly, in making any payments to protect the security intended to be created by this Instrument and/or the other Loan Documents, the Lender shall not be bound to inquire into the validity of any apparent or threatened adverse title, lien, encumbrance, claim or charge before making an advance for the purpose of preventing or removing the same.

(d) Nothing in this Section 12 shall require Lender to incur any expense or take any action.

13. **INSPECTION**.

(a) Lender and its agents, representatives, and designees may make or cause to be made entries upon and inspections of the Mortgaged Property (including environmental inspections and tests to the extent permitted under Section 18) during normal business hours, or at any other reasonable time, upon reasonable notice to Borrower if the inspection is to include occupied residential units (which notice need not be in writing). Notice to Borrower shall not be required in the case of an emergency, as determined in Lender's discretion, or when an Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period).

(b) If Lender determines that Mold has developed as a result of a water intrusion event or leak, Lender, at Lender's discretion, may require that a professional inspector inspect the Mortgaged Property as frequently as Lender determines is necessary until any issue with Mold and its cause(s) are resolved to Lender's satisfaction. Such inspection shall be limited to a visual and olfactory inspection of the area that has experienced the Mold, water intrusion event or leak. Borrower shall be responsible for the cost of such professional inspection and any remediation deemed to be necessary as a result of the professional inspection. After any issue with Mold, water intrusion or leaks is remedied to Lender's satisfaction, Lender shall not require a professional inspection any more frequently than once every three years unless Lender is otherwise aware of Mold as a result of a subsequent water intrusion event or leak.

(c) If Lender determines not to conduct an annual inspection of the Mortgaged Property, and in lieu thereof Lender requests a certification, Borrower shall be prepared to provide and must actually provide to Lender a factually correct certification each year that the annual inspection is waived to the following effect: that Borrower represents and warrants that Borrower has not received any written complaint, notice, letter or other written communication from tenants, management agent or any Governmental Authority regarding odors, indoor air quality, Mold or any activity, condition, event or omission that causes or facilitates the growth of Mold on or in any part of the Mortgaged Property, or if Borrower has received any such written complaint, notice, letter or other written communication, that Borrower has investigated and determined that no Mold activity, condition or event exists or alternatively has fully and properly remediated such activity, condition, event or omission in compliance with the MMP for the Mortgaged Property. If Borrower is unwilling or unable to provide such certification, Lender may require a professional inspection of the Mortgaged Property at Borrower's expense.

14. **BOOKS AND RECORDS; FINANCIAL REPORTING**.

(a) Borrower shall keep and maintain at all times at the Mortgaged Property or the management agent's offices, and upon Lender's request, upon forty-eight (48) hours prior notice, shall make available at the Mortgaged Property, complete and accurate books of account and records (including copies of supporting bills and invoices) adequate to reflect correctly the operation of the Mortgaged Property, and copies of all written contracts, Leases, and other instruments which affect the Mortgaged Property. The books, records, contracts, Leases and other instruments shall be subject to examination and inspection at any reasonable time by Lender upon reasonable advance oral notice.

(b) Borrower shall furnish to Lender all of the following:

(i) (1) except as provided in clause (2) below, within 45 days after the end of each fiscal quarter of Borrower, a statement of income and expenses for Borrower's operation of the Mortgaged Property on a year-to-date basis as of the end of each fiscal quarter, (2) within 120 days after the end of each fiscal year of Borrower, (A) a statement of income and expenses for Borrower's operation of the Mortgaged Property for such fiscal year, (B) a statement of changes in financial position of Borrower relating to the Mortgaged Property for such fiscal year, and (C) a balance sheet showing all assets and liabilities of Borrower relating to the Mortgaged Property as of the end of such fiscal year; and (3) any of the foregoing at any other time upon Lender's request;

(ii) within 45 days after the end of each fiscal quarter of Borrower, and at any other time upon Lender's request, a rent schedule for the Mortgaged Property showing the name of each tenant, and for each tenant, the space occupied, the lease expiration date, the rent payable for the current month, the date through which rent has been paid, and any related information requested by Lender;

(iii) within 120 days after the end of each fiscal year of Borrower, and at any other time upon Lender's request, an accounting of all security deposits held pursuant to all Leases, including the name of the institution (if any) and the names and identification numbers of the accounts (if any) in which such security deposits are held and the name of the person to contact at such financial institution, along with any authority or release necessary for Lender to access information regarding such accounts;

(iv) within 120 days after the end of each fiscal year of Borrower, and at any other time upon Lender's request, a statement that identifies all owners of any interest in Borrower and the interest held by each, if Borrower is a corporation, all officers and directors of Borrower, and if Borrower is a limited liability company, all managers who are not members;

(v) upon Lender's request, a monthly property management report for the Mortgaged Property, showing the number of inquiries made and rental applications received from tenants or prospective tenants and deposits received from tenants and any other information requested by Lender;

(vi) upon Lender's request, a balance sheet, a statement of income and expenses for Borrower and a statement of changes in financial position of Borrower for Borrower's most recent fiscal year;

(vii) annually, if applicable, within 60 days of the date required for submission by the agency in the Property Jurisdiction responsible for monitoring the low income housing tax credit program, a low income housing tax credit compliance report in form and substance acceptable to Lender; and

(viii) if required by Lender, within 30 days of the end of each calendar month, a monthly statement of income and expenses for such calendar month on a year-to-date basis for Borrower's operation of the Mortgaged Property.

(c) Each of the statements, schedules and reports required by Section 14(b) shall be certified to be complete and accurate by an individual having authority to bind Borrower and shall be in such form and contain such detail as Lender may require. Lender also may require that any statements, schedules or reports be audited at Borrower's expense by independent certified public accountants acceptable to Lender.

(d) If Borrower fails to provide in a timely manner the statements, schedules and reports required by Section 14(b), Lender shall have the right to have Borrower's books and records audited, at Borrower's expense, by independent certified public accountants selected by Lender in order to obtain such statements, schedules and reports, and all related

costs and expenses of Lender shall become immediately due and payable and shall become an additional part of the Indebtedness as provided in Section 12.

(e) If an Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), Borrower shall deliver to Lender upon written demand all books and records relating to the Mortgaged Property or its operation.

(f) Borrower authorizes Lender to obtain a credit report on Borrower at any time.

15. **TAXES; OPERATING EXPENSES**.

(a) Subject to the provisions of Section 15(c) and Section 15(d), Borrower shall pay, or cause to be paid, all Taxes when due and before the imposition of any interest, fine, penalty or cost for nonpayment.

(b) Subject to the provisions of Section 15(c), Borrower shall pay (i) the expenses of operating, managing, maintaining and repairing the Mortgaged Property (including insurance premiums, utilities, repairs and replacements) before the last date upon which each such payment may be made without any penalty or interest charge being added, and (ii) insurance premiums at least 30 days prior to the expiration date of each policy of insurance, unless applicable law specifies some lesser period.

(c) If Lender is collecting Imposition Deposits, and to the extent that Lender holds sufficient Imposition Deposits for the purpose of paying a specific Imposition, then Borrower shall not be obligated to pay such Imposition, so long as no Event of Default exists and Borrower has timely delivered to Lender any bills or premium notices that it has received. If an Event of Default exists, Lender may exercise any rights Lender may have with respect to Imposition Deposits without regard to whether Impositions are then due and payable. Lender shall have no liability to Borrower for failing to pay any Impositions to the extent that any Event of Default has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), insufficient Imposition Deposits are held by Lender at the time an Imposition becomes due and payable or Borrower has failed to provide Lender with bills and premium notices as provided above.

(d) Borrower, at its own expense, may contest by appropriate legal proceedings, conducted diligently and in good faith, the amount or validity of any Imposition other than insurance premiums, if (i) Borrower notifies Lender of the commencement or expected commencement of such proceedings, (ii) the Mortgaged Property is not in danger of being sold or forfeited, (iii) Borrower deposits with Lender reserves sufficient to pay the contested Imposition, if requested by Lender, and (iv) Borrower furnishes whatever additional security is required in the proceedings or is requested by Lender, which may include the delivery to Lender of the reserves established by Borrower to pay the contested Imposition.

(e) Borrower shall promptly deliver to Lender copies of all notices of, and invoices for, Impositions, and if Borrower pays any Imposition directly, Borrower shall promptly furnish to Lender on or before the date this Instrument requires such Impositions to be paid, copies of receipts evidencing that such payments were made.

(f) All payments made by Borrower to Lender pursuant to this Instrument or any of the Loan Documents shall be free and clear of any and all tax liabilities whatsoever (other than United States federal income taxation payable by Lender) and, to the extent Lender is required to pay any such tax liabilities, Borrower shall reimburse Lender in respect of any such payment of taxes and, immediately upon request from Lender, shall deliver to Lender copies of receipts evidencing the payment of such taxes.

16. **LIENS; ENCUMBRANCES**. Borrower acknowledges that, to the extent provided in Section 21, the grant, creation or existence of any mortgage, deed of trust, deed to secure debt, security interest or other lien or encumbrance (a "Lien") on the Mortgaged Property (other than the lien of this Instrument and the Permitted Encumbrances) or on certain ownership interests in Borrower, whether voluntary, involuntary or by operation of law, and whether or not such Lien has priority over the lien of this Instrument, is a "Transfer" which constitutes an Event of Default and subjects Borrower to personal liability under the Note. Borrower shall maintain the lien created by this Instrument as a first mortgage lien upon the Mortgaged Property, subject to no other Liens or encumbrances other than Permitted Encumbrances.

17. **PRESERVATION, MANAGEMENT AND MAINTENANCE OF MORTGAGED PROPERTY**.

(a) Borrower shall not commit waste or permit impairment or deterioration of the Mortgaged Property, other than ordinary wear and tear.

(b) Borrower shall not abandon the Mortgaged Property.

(c) Borrower shall restore or repair promptly, in a good and workmanlike manner, any damaged part of the Mortgaged Property to the equivalent of its original condition, or such other condition as Lender may approve in writing, whether or not insurance proceeds or condemnation awards are available to cover any costs of such restoration or repair.

(d) Borrower shall keep the Mortgaged Property in good repair (normal wear and tear excepted), including the replacement of Personalty and Fixtures with items of equal or better function and quality.

(e) Borrower shall provide for professional management of the Mortgaged Property by a residential rental property manager satisfactory to Lender at all times, under a contract approved by Lender, in writing, which contract must be terminable upon not more than thirty (30) days' notice without the necessity of establishing cause and without payment of a penalty or termination fee by Borrower or its successors. There shall be no change in the property manager or any contract for the management of the Mortgaged Property without Lender's prior written approval, not to be unreasonably withheld, conditioned or delayed. Lender shall have the right to require that Borrower and any new

property manager enter into an Assignment of Management Agreement on a form approved by Lender. If required by Lender (whether before or after an Event of Default), Borrower will cause any Affiliate of Borrower to whom fees are payable for the management of the Mortgaged Property to enter into an agreement with Lender, in a form approved by Lender, providing for subordination of those fees and such other provisions as Lender may require.

(f) Borrower shall give notice to Lender of and, unless otherwise directed in writing by Lender, shall appear in and defend any action or proceeding purporting to affect the Mortgaged Property, Lender's security or Lender's rights under this Instrument. Borrower shall not (and shall not permit any tenant or other person to) remove, demolish or alter the Mortgaged Property or any part of the Mortgaged Property, including any removal, demolition or alteration occurring in connection with a rehabilitation of all or part of the Mortgaged Property, except (i) in connection with the replacement of tangible Personalty and (ii) repairs and replacements in connection with making an individual unit ready for a new occupant.

(g) Unless otherwise waived by Lender in writing, Borrower must have or must establish and must adhere to the MMP. If Borrower is required to have an MMP, Borrower must keep all MMP documentation at the Mortgaged Property or at the management agent's office and available for Lender or its agents to review during any annual assessment or inspection of the Mortgaged Property that is required by Lender.

18. **ENVIRONMENTAL HAZARDS**.

(a) Except for matters described in Section 18(b), Borrower shall not cause or permit any of the following:

(i) the presence, use, generation, release, treatment, processing, storage (including storage in above ground and underground storage tanks), handling, or disposal of any Hazardous Materials on or under the Mortgaged Property (whether as a result of activities on the Mortgaged Property or on surrounding properties) or any other property of Borrower that is adjacent to the Mortgaged Property;

(ii) the transportation of any Hazardous Materials to, from, or across the Mortgaged Property (whether as a result of activities on the Mortgaged Property or on surrounding properties);

(iii) any occurrence or condition on the Mortgaged Property (whether as a result of activities on the Mortgaged Property or on surrounding properties) or any other property of Borrower that is adjacent to the Mortgaged Property, which occurrence or condition is or may be in violation of Hazardous Materials Laws;

(iv) any violation of or noncompliance with the terms of any Environmental Permit with respect to the Mortgaged Property or any property of Borrower that is adjacent to the Mortgaged Property;

(v) the imposition of any environmental lien against the Mortgaged Property; or

(vi) any violation or noncompliance with the terms of any O&M Program.

The matters described in clauses (i) through (vi) above, except as otherwise provided in Section 18(b), are referred to collectively in this Section 18 as "**Prohibited Activities or Conditions**".

(b) Prohibited Activities or Conditions shall not include lawful conditions permitted by an O&M Program or the safe and lawful use and storage of quantities of (i) pre-packaged supplies, cleaning materials, petroleum products, household products, paints, solvents, lubricants and other materials customarily used in the construction, renovation, operation, maintenance or use of comparable multifamily properties, (ii) cleaning materials, household products, personal grooming items and other items sold in pre-packaged containers for consumer use and used by tenants and occupants of residential dwelling units in the Mortgaged Property; and (iii) petroleum products used in the operation and maintenance of motor vehicles from time to time located on the Mortgaged Property's parking areas, so long as all of the foregoing are used, stored, handled, transported and disposed of in compliance with Hazardous Materials Laws.

(c) Borrower shall take all commercially reasonable actions (including the inclusion of appropriate provisions in any Leases executed after the date of this Instrument) to prevent its employees, agents, and contractors, and all tenants and other occupants from causing or permitting any Prohibited Activities or Conditions. Borrower shall not lease or allow the sublease or use of all or any portion of the Mortgaged Property to any tenant or subtenant for nonresidential use by any user that, in the ordinary course of its business, would cause or permit any Prohibited Activity or Condition.

(d) If and as required by Lender, Borrower shall also establish a written operations and maintenance program with respect to certain Hazardous Materials. Each such operations and maintenance program and any additional or revised operations and maintenance programs established for the Mortgaged Property pursuant to this Instrument must be approved by Lender and shall be referred to herein as an "**O&M Program**." Borrower shall comply in a timely manner with, and cause all employees, agents, and contractors of Borrower and any other persons present on the Mortgaged Property to comply with each O&M Program. Borrower shall pay all costs of performance of Borrower's obligations under any O&M Program, and any Beneficiary Party's out-of-pocket costs incurred by such Beneficiary Party in connection with the monitoring and review of each O&M Program and Borrower's performance shall be paid by Borrower upon demand by such Beneficiary Party. Any such out-of-pocket costs of such Beneficiary Party which Borrower fails to pay promptly shall become an additional part of the Indebtedness as provided in Section 12.

(e) Without limitation of the foregoing, (i) Borrower hereby agrees to implement and maintain during the entire term of the Loan the O&M Program(s), and (ii) if

asbestos-containing materials are found to exist at the Mortgaged Property, the O&M Program with respect thereto shall be undertaken consistent with the Guidelines for Controlling Asbestos-Containing Materials in Buildings (USEPA, 1985) and other relevant guidelines and applicable Hazardous Materials Laws.

(f) With respect to any O&M Program, Lender may require (i) periodic notices or reports to Lender in form, substance and at such intervals as Lender may specify; (ii) amendments to such O&M Program to address changing circumstances, laws or other matters, including, without limitation, variations in response to reports provided by environmental consultants; and (iii) execution of an Operations and Maintenance Agreement relating to such O&M Program satisfactory to Lender.

(g) Borrower represents and warrants to Beneficiary Parties that, except as otherwise disclosed in the Environmental Reports (as defined in the Agreement of Environmental Indemnification):

(i) Borrower has not at any time engaged in, caused or permitted any Prohibited Activities or Conditions;

(ii) to the best of Borrower's knowledge after reasonable and diligent inquiry, no Prohibited Activities or Conditions exist or have existed, and Borrower has provided Lender with copies of all reports and information acquired in such inquiries;

(iii) the Mortgaged Property does not now contain any underground storage tanks and, to the best of Borrower's knowledge, the Mortgaged Property has not contained any underground storage tanks in the past. If there is an underground storage tank located on the Mortgaged Property that has been disclosed in the Environmental Reports, that tank complies with all requirements of Hazardous Materials Laws;

(iv) Borrower has complied with and will continue to comply with all Hazardous Materials Laws, including all requirements for notification regarding releases of Hazardous Materials. Without limiting the generality of the foregoing, Borrower has obtained all Environmental Permits required for the operation of the Mortgaged Property in accordance with Hazardous Materials Laws now in effect and all such Environmental Permits are in full force and effect;

(v) no event has occurred with respect to the Mortgaged Property that constitutes, or with the passing of time or the giving of notice would constitute, noncompliance with the terms of any Environmental Permit or Hazardous Materials Law;

(vi) there are no actions, suits, claims or proceedings pending or, to the best of Borrower's knowledge after reasonable and diligent inquiry,

threatened that involve the Mortgaged Property and allege, arise out of, or relate to any Prohibited Activity or Condition;

(vii) Borrower has not received any complaint, order, notice of violation or other communication from any Governmental Authority with regard to air emissions, water discharges, noise emissions or Hazardous Materials, or any other environmental, health or safety matters affecting the Mortgaged Property or any other property of Borrower that is adjacent to the Mortgaged Property;

(viii) no prior Remedial Work (as defined below) has been undertaken, and no Remedial Work is ongoing, with respect to the Mortgaged Property during Borrower's ownership thereof or, to the best of Borrower's knowledge, at any time prior to Borrower's ownership thereof; and

(ix) Borrower has disclosed in the Agreement of Environmental Indemnification all material facts known to Borrower or contained in Borrower's records the nondisclosure of which could cause any representation or warranty made herein or any statement made in the Agreement of Environmental Indemnification to be false or materially misleading.

The representations and warranties in this Section 18 shall be continuing representations and warranties that shall be deemed to be made by Borrower throughout the term of the Loan, until the Indebtedness has been paid in full or otherwise discharged.

(h) Borrower shall promptly notify Lender in writing upon the occurrence of any of the following events:

(i) Borrower's discovery of any Prohibited Activity or Condition;

(ii) Borrower's receipt of or knowledge of any complaint, order, notice of violation or other communication from any tenant, management agent, Governmental Authority or other person with regard to present or future alleged Prohibited Activities or Conditions or any other environmental, health or safety matters affecting the Mortgaged Property or any other property of Borrower that is adjacent to the Mortgaged Property;

(iii) Borrower's receipt of or knowledge of any personal injury claim, proceeding or cause of action directly or indirectly arising as a result of the presence of asbestos or other Hazardous Materials on or from the Mortgaged Property;

(iv) Borrower's discovery that any representation or warranty in this Section 18 has become untrue after the date of this Instrument; and

(v) Borrower's breach of any of its obligations under this Section 18.

Any such notice given by Borrower shall not relieve Borrower of, or result in a waiver of, any obligation under this Instrument, the Note, or any other Loan Document.

(i) Borrower shall pay promptly the costs of any environmental inspections, tests or audits ("**Environmental Inspections**") required by Lender or any Beneficiary Party in connection with any foreclosure or deed in lieu of foreclosure, or as a condition of Lender's consent to any Transfer under Section 21, or required by Lender following a determination by Lender that Prohibited Activities or Conditions may exist. Any such costs incurred by Lender (including, without limitation, actual fees and expenses of attorneys, expert witnesses, engineers, technical consultants and investigatory fees, whether incurred in connection with any judicial or administrative process or otherwise) that Borrower fails to pay promptly shall become an additional part of the Indebtedness as provided in Section 12. The results of all Environmental Inspections made by Lender shall at all times remain the property of Lender and Lender shall have no obligation to disclose or otherwise make available to Borrower or any other party such results or any other information obtained by Lender in connection with such Environmental Inspections. Lender hereby reserves the right, and Borrower hereby expressly authorizes Lender, to make available to any party, including any prospective bidder at a foreclosure sale of the Mortgaged Property, the results of any Environmental Inspections made by Lender with respect to the Mortgaged Property. Borrower consents to Lender notifying any party (either as part of a notice of sale or otherwise) of the results of any of Lender's Environmental Inspections. Borrower acknowledges that Lender cannot control or otherwise assure the truthfulness or accuracy of the results of any of its Environmental Inspections and that the release of such results to prospective bidders at a foreclosure sale of the Mortgaged Property may have a material and adverse effect upon the amount which a party may bid at such sale. Borrower agrees that Lender shall have no liability whatsoever as a result of delivering the results of any of its Environmental Inspections to any third party, and Borrower hereby releases and forever discharges Lender from any and all claims, damages, or causes of action, arising out of, connected with or incidental to the results of, the delivery of any of Lender's Environmental Inspections.

(j) If any investigation, site monitoring, containment, clean-up, restoration or other remedial work ("**Remedial Work**") is necessary to comply with or cure a violation of any Hazardous Materials Law or order of any Governmental Authority that has or acquires jurisdiction over the Mortgaged Property or the use, operation or improvement of the Mortgaged Property under any Hazardous Materials Law, or is otherwise required by Lender as a consequence of any Prohibited Activity or Condition or to prevent the occurrence of a Prohibited Activity or Condition, Borrower shall, by the earlier of (i) the applicable deadline required by such Hazardous Materials Law or (ii) thirty (30) days after notice from Lender demanding such action, begin performing the Remedial Work, and thereafter diligently prosecute it to completion, and shall in any event complete the work by the time required by such Hazardous Materials Law. Borrower shall promptly provide Lender with a cost estimate from an environmental consultant acceptable to Lender to complete any required Remedial Work. If required by Lender, Borrower shall promptly establish with Lender a reserve fund in the amount of such estimate. If in Lender's opinion

the amount reserved at any time during the Remedial Work is insufficient to cover the work remaining to complete the Remedial Work or achieve compliance, Borrower shall increase the amount reserved in compliance with Lender's written request. All amounts so held in reserve, until disbursed, are hereby pledged to Lender as security for payment of Borrower's obligations under this Instrument. If Borrower fails to begin on a timely basis or diligently prosecute any required Remedial Work, Lender may, at its option, cause the Remedial Work to be completed, in which case Borrower shall reimburse Lender on demand for the cost of doing so. Any reimbursement due from Borrower to Lender shall become part of the Indebtedness as provided in Section 12.

(k) Borrower shall comply with all Hazardous Materials Laws applicable to the Mortgaged Property. Without limiting the generality of the previous sentence, Borrower shall (i) obtain and maintain all Environmental Permits required by Hazardous Materials Laws and comply with all conditions of such Environmental Permits; (ii) cooperate with any inquiry by any Governmental Authority; and (iii) comply with any governmental or judicial order that arises from any alleged Prohibited Activity or Condition.

(l) BORROWER SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND BENEFICIARY PARTIES AND THEIR RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, EMPLOYEES, AGENTS, ATTORNEYS, TRUSTEES, HEIRS AND LEGAL REPRESENTATIVES (COLLECTIVELY, THE "**INDEMNITEES**") FROM AND AGAINST ALL LOSSES, PROCEEDINGS, CLAIMS, DAMAGES, PENALTIES AND COSTS (WHETHER INITIATED OR SOUGHT BY GOVERNMENTAL AUTHORITIES OR PRIVATE PARTIES), INCLUDING, WITHOUT LIMITATION, ACTUAL FEES AND OUT-OF-POCKET EXPENSES OF ATTORNEYS AND EXPERT WITNESSES, ENGINEERING FEES, ENVIRONMENTAL CONSULTANT FEES, INVESTIGATORY FEES, AND REMEDIATION COSTS (INCLUDING, WITHOUT LIMITATION, ANY FINANCIAL ASSURANCES REQUIRED TO BE POSTED FOR COMPLETION OF REMEDIAL WORK AND COSTS ASSOCIATED WITH ADMINISTRATIVE OVERSIGHT), AND ANY OTHER LIABILITIES OF WHATEVER KIND AND WHATEVER NATURE, WHETHER INCURRED IN CONNECTION WITH ANY JUDICIAL OR ADMINISTRATIVE PROCESS OR OTHERWISE, ARISING DIRECTLY OR INDIRECTLY FROM ANY OF THE FOLLOWING:

(i) ANY BREACH OF ANY REPRESENTATION OR WARRANTY OF BORROWER IN THIS SECTION 18;

(ii) ANY FAILURE BY BORROWER TO PERFORM ANY OF ITS OBLIGATIONS UNDER THIS SECTION 18;

(iii) THE EXISTENCE OR ALLEGED EXISTENCE OF ANY PROHIBITED ACTIVITY OR CONDITION;

(iv) THE PRESENCE OR ALLEGED PRESENCE OF HAZARDOUS MATERIALS ON OR UNDER THE MORTGAGED PROPERTY (WHETHER AS A RESULT OF ACTIVITIES ON THE

MORTGAGED PROPERTY OR ON SURROUNDING PROPERTIES) OR IN ANY OF THE IMPROVEMENTS OR ON OR UNDER ANY PROPERTY OF BORROWER THAT IS ADJACENT TO THE MORTGAGED PROPERTY;

(v) THE ACTUAL OR ALLEGED VIOLATION OF ANY HAZARDOUS MATERIALS LAW;

(vi) ANY LOSS OR DAMAGE RESULTING FROM A LOSS OF PRIORITY OF THIS INSTRUMENT OR ANY OTHER LOAN DOCUMENT DUE TO AN IMPOSITION OF AN ENVIRONMENTAL LIEN AGAINST THE MORTGAGED PROPERTY; AND

(vii) ANY PERSONAL INJURY CLAIM, PROCEEDING OR CAUSE OF ACTION DIRECTLY OR INDIRECTLY ARISING AS A RESULT OF THE PRESENCE OF ASBESTOS OR OTHER HAZARDOUS MATERIALS ON OR FROM THE MORTGAGED PROPERTY.

(m) COUNSEL SELECTED BY BORROWER TO DEFEND INDEMNITEES SHALL BE SUBJECT TO THE APPROVAL OF THOSE INDEMNITEES. IN ANY CIRCUMSTANCES IN WHICH THE INDEMNITY UNDER THIS SECTION 18 APPLIES, ANY BENEFICIARY PARTY MAY EMPLOY ITS OWN LEGAL COUNSEL AND CONSULTANTS TO PROSECUTE, DEFEND OR NEGOTIATE ANY CLAIM OR LEGAL OR ADMINISTRATIVE PROCEEDING AT BORROWER'S EXPENSE, AND SUCH BENEFICIARY PARTY, WITH THE PRIOR WRITTEN CONSENT OF BORROWER (WHICH SHALL NOT BE UNREASONABLY WITHHELD, DELAYED OR CONDITIONED) MAY SETTLE OR COMPROMISE ANY ACTION OR LEGAL OR ADMINISTRATIVE PROCEEDING. BORROWER SHALL REIMBURSE SUCH BENEFICIARY PARTY UPON DEMAND FOR ALL ACTUAL COSTS AND EXPENSES INCURRED BY SUCH BENEFICIARY PARTY, INCLUDING, WITHOUT LIMITATION, ALL COSTS OF SETTLEMENTS ENTERED INTO IN GOOD FAITH, AND THE ACTUAL FEES AND OUT OF POCKET EXPENSES OF SUCH ATTORNEYS AND CONSULTANTS.

(n) BORROWER SHALL NOT, WITHOUT THE PRIOR WRITTEN CONSENT OF THOSE INDEMNITEES WHO ARE NAMED AS PARTIES TO A CLAIM OR LEGAL OR ADMINISTRATIVE PROCEEDING (A "CLAIM"), SETTLE OR COMPROMISE THE CLAIM IF THE SETTLEMENT (1) RESULTS IN THE ENTRY OF ANY JUDGMENT THAT DOES NOT INCLUDE AS AN UNCONDITIONAL TERM THE DELIVERY BY THE CLAIMANT OR PLAINTIFF TO BENEFICIARY PARTIES OF A WRITTEN RELEASE OF THOSE INDEMNITEES, SATISFACTORY IN FORM AND SUBSTANCE TO LENDER; OR (2) MAY MATERIALLY AND ADVERSELY AFFECT BENEFICIARY PARTIES, AS DETERMINED BY LENDER IN ITS DISCRETION.

(o) BORROWER'S OBLIGATION TO INDEMNIFY THE INDEMNITEES SHALL NOT BE LIMITED OR IMPAIRED BY ANY OF THE FOLLOWING, OR BY ANY FAILURE OF BORROWER OR ANY GUARANTOR TO RECEIVE NOTICE OF OR CONSIDERATION FOR ANY OF THE FOLLOWING:

(i) ANY AMENDMENT OR MODIFICATION OF ANY LOAN DOCUMENT;

(ii) ANY EXTENSIONS OF TIME FOR PERFORMANCE REQUIRED BY ANY LOAN DOCUMENT;

(iii) ANY PROVISION IN ANY LOAN DOCUMENT LIMITING BENEFICIARY PARTIES' RECOURSE TO PROPERTY SECURING THE INDEBTEDNESS, OR LIMITING THE PERSONAL LIABILITY OF BORROWER OR ANY OTHER PARTY FOR PAYMENT OF ALL OR ANY PART OF THE INDEBTEDNESS;

(iv) THE ACCURACY OR INACCURACY OF ANY REPRESENTATIONS AND WARRANTIES MADE BY BORROWER UNDER THIS INSTRUMENT OR ANY OTHER LOAN DOCUMENT;

(v) THE RELEASE OF BORROWER OR ANY OTHER PERSON, BY BENEFICIARY PARTIES OR BY OPERATION OF LAW, FROM PERFORMANCE OF ANY OBLIGATION UNDER ANY LOAN DOCUMENT;

(vi) THE RELEASE OR SUBSTITUTION IN WHOLE OR IN PART OF ANY SECURITY FOR THE INDEBTEDNESS; AND

(vii) FAILURE BY BENEFICIARY PARTIES TO PROPERLY PERFECT ANY LIEN OR SECURITY INTEREST GIVEN AS SECURITY FOR THE INDEBTEDNESS.

(p) BORROWER SHALL, AT ITS OWN COST AND EXPENSE, DO ALL OF THE FOLLOWING:

(i) PAY OR SATISFY ANY JUDGMENT OR DECREE THAT MAY BE ENTERED AGAINST ANY INDEMNITEE OR INDEMNITEES IN ANY LEGAL OR ADMINISTRATIVE PROCEEDING INCIDENT TO ANY MATTERS AGAINST WHICH INDEMNITEES ARE ENTITLED TO BE INDEMNIFIED UNDER THIS SECTION 18;

(ii) REIMBURSE INDEMNITEES FOR ANY AND ALL ACTUAL EXPENSES PAID OR INCURRED IN CONNECTION WITH ANY MATTERS AGAINST WHICH INDEMNITEES ARE

ENTITLED TO BE INDEMNIFIED UNDER THIS SECTION 18; AND

(iii) REIMBURSE INDEMNITEES FOR ANY AND ALL ACTUAL EXPENSES, INCLUDING, WITHOUT LIMITATION, ACTUAL FEES AND OUT OF POCKET EXPENSES OF ATTORNEYS AND EXPERT WITNESSES, PAID OR INCURRED IN CONNECTION WITH THE ENFORCEMENT BY INDEMNITEES OF THEIR RIGHTS UNDER THIS SECTION 18, OR IN MONITORING AND PARTICIPATING IN ANY LEGAL OR ADMINISTRATIVE PROCEEDING.

(q) THE PROVISIONS OF THIS SECTION 18 SHALL BE IN ADDITION TO ANY AND ALL OTHER OBLIGATIONS AND LIABILITIES THAT BORROWER MAY HAVE UNDER APPLICABLE LAW OR UNDER ANY OTHER LOAN DOCUMENT, AND EACH INDEMNITEE SHALL BE ENTITLED TO INDEMNIFICATION UNDER THIS SECTION 18 WITHOUT REGARD TO WHETHER ANY OTHER BENEFICIARY PARTY OR THAT INDEMNITEE HAS EXERCISED ANY RIGHTS AGAINST THE MORTGAGED PROPERTY OR ANY OTHER SECURITY, PURSUED ANY RIGHTS AGAINST ANY GUARANTOR, OR PURSUED ANY OTHER RIGHTS AVAILABLE UNDER THE LOAN DOCUMENTS OR APPLICABLE LAW. IF BORROWER CONSISTS OF MORE THAN ONE PERSON OR ENTITY, THE OBLIGATION OF THOSE PERSONS OR ENTITIES TO INDEMNIFY THE INDEMNITEES UNDER THIS SECTION 18 SHALL BE JOINT AND SEVERAL. THE OBLIGATION OF BORROWER TO INDEMNIFY THE INDEMNITEES UNDER THIS SECTION 18 SHALL SURVIVE THE RESIGNATION OR REMOVAL OF THE FISCAL AGENT, ANY REPAYMENT OR DISCHARGE OF THE INDEBTEDNESS, ANY FORECLOSURE PROCEEDING, ANY FORECLOSURE SALE, ANY DELIVERY OF ANY DEED IN LIEU OF FORECLOSURE, AND ANY RELEASE OF RECORD OF THE LIEN OF THIS INSTRUMENT.

(r) Notwithstanding anything herein to the contrary, (i) Borrower shall have no obligation hereunder to indemnify any Indemnitee for any liability under this Section 18 to the extent that the Prohibited Activity or Condition giving rise to such liability resulted solely from the gross negligence or willful misconduct of such Indemnitee, and (ii) Borrower's liability under this Section 18 shall not extend to cover the violation of any Hazardous Materials Laws or Prohibited Activities or Conditions that first arise, commence or occur as a result of actions of Lender, its successors, assigns or designees, after the satisfaction, discharge, release, assignment, termination or cancellation of this Instrument following the payment in full of the Note and all other sums payable under the Loan Documents or after the actual dispossession from the entire Mortgaged Property of Borrower and all Affiliates of Borrower following foreclosure of this Instrument or acquisition of the Mortgaged Property by a deed in lieu of foreclosure. THE FOREGOING INDEMNIFICATIONS SHALL APPLY WHETHER OR NOT THE CLAIMS FOR INDEMNIFICATION ARISE OUT OF (A) NEGLIGENCE (INCLUDING SOLE NEGLIGENCE, SINGLE NEGLIGENCE, CONCURRENT NEGLIGENCE, ACTIVE OR PASSIVE NEGLIGENCE OF AN INDEMNITEE, OR (B) STRICT LIABILITY.

19. **PROPERTY AND LIABILITY INSURANCE**.

(a) Borrower shall keep the Improvements insured at all times against such hazards as Lender may from time to time require, which insurance shall include but not be limited to coverage against loss by fire and allied perils, general boiler and machinery coverage, business income coverage and extra expense insurance, coverage against acts of terrorism, mold and earthquake coverage. Borrower acknowledges and agrees that Lender's insurance requirements may change from time to time throughout the term of the Indebtedness. If Lender so requires, such insurance shall also include sinkhole insurance, mine subsidence insurance, earthquake insurance, and, if the Mortgaged Property does not conform to applicable zoning or land use laws, building ordinance or law coverage. If any portion of the Improvements is at any time located in an area identified by the Federal Emergency Management Agency (or any successor to that agency) as an area now or hereafter having special flood hazards, and if flood insurance is available in that area, Borrower shall insure such Improvements against loss by flood in an amount equal to the maximum amount available under the National Flood Insurance Program or any successor thereto.

(b) All premiums on insurance policies required under Section 19(a) shall be paid in the manner provided in Section 7, unless Lender has designated in writing another method of payment. All such policies shall also be in a form approved by Lender. All policies of property damage insurance shall include a non-contributing, non-reporting mortgage clause in favor of, and in a form approved by, Lender. Lender shall have the right to hold the original policies or duplicate original policies of all insurance required by Section 19(a). Borrower shall promptly deliver to Lender a copy of all renewal and other notices received by Borrower with respect to the policies and all receipts for paid premiums. At least 30 days prior to the expiration date of a policy, Borrower shall deliver to Lender the original (or a duplicate original) of a renewal policy in form satisfactory to Lender.

(c) All insurance policies and renewals of insurance policies required by this Section 19 shall be in such amounts and for such periods as Lender may from time to time require consistent with Lender's then current practices and standards, and shall be issued by insurance companies satisfactory to Lender.

(d) At all times prior to occupancy of the Project by any tenants following the completion of the construction and/or rehabilitation of the Project in accordance with the Loan Agreement and the Construction Funding Agreement, the following provisions shall apply, in addition to the other provisions of this Section 19 and without limiting the generality of the other provisions of this Section 19:

(i) Borrower shall provide (or cause to be provided), maintain and keep in force, the following insurance coverage:

(A) Builder's "all risk" insurance or the equivalent coverage, including theft, to insure all buildings, machinery, equipment, materials, supplies, temporary structures and all

other property of any nature on-site, off-site and while in transit which is to be used in fabrication, erection, installation and construction and/or rehabilitation of the Project, and to remain in effect until the entire Project has been completed and accepted by Borrower and is first occupied by any tenants (provided that in any event, such coverage shall remain in effect until such time as Borrower has provided Lender with evidence of property insurance covering the Improvements and meeting the requirements of this Section 19). Such insurance shall be provided on a replacement cost value basis and shall include foundations, other underground property, tenant improvements and personal property. If tenant improvements and personal property are not included in the above coverage, they may be insured separately by Borrower provided coverage is acceptable to Lender. Builders "all risk" insurance shall (i) be on a nonreporting, completed value form, (ii) cover soft costs, debris removal expense (including removal of pollutants), resulting loss and damage to property due to faulty or defective workmanship or materials and error in design or specification, loss while the property is in the care, custody and control of others to whom the property may be entrusted, (iii) provide that Borrower can complete and occupy the Mortgaged Property without further written consent from the insurer, and (iv) cover loss of income resulting from delay in occupancy and use of the Mortgaged Property due to loss. During the initial construction and/or rehabilitation of the Project and until such time as the Project is first occupied by any tenants, the Borrower shall not be required to maintain property insurance as required by this Section 19 for so long as Builder's "all risk" insurance or equivalent coverage is maintained in accordance with this paragraph.

(B) If any portion of the Mortgaged Property is or becomes located in an area identified by the United States Secretary of Housing and Urban Development as an area having special flood hazards and in which flood insurance has been made available under the National Flood Insurance Act of 1968 and Flood Disaster Protection Act of 1973, as amended, Borrower shall also keep the improvements and the equipment located thereon insured against loss by flood in an amount at least equal to the principal amount of the Loan or the maximum limits of coverage available with respect to the Mortgaged Property, whichever is less. All such insurance shall also cover continuing expenses not directly involved in the direct cost of construction,

rehabilitation or renovation, including interest on money borrowed to finance construction, rehabilitation or renovation, continuing interest on the Loan, advertising, promotion, real estate taxes and other assessments, the cost of renegotiating leases, and other expenses incurred as the result of property loss or destruction by the insured peril. Such coverage shall not contain any monthly limitation.

(ii) If Lender fails to receive proof and evidence of the insurance required hereunder, Lender shall have the right, but not the obligation, to obtain or cause to be obtained current coverage and to make a Disbursement, as defined in the Loan Agreement (or, in its sole discretion, advance funds) to pay the premiums for it. If Lender makes an advance for such purpose, Borrower shall repay such advance immediately on demand and such advance shall be considered to be a demand loan to Borrower bearing interest at the Default Rate (as defined in the Note) and secured by the Mortgaged Property.

(e) Borrower shall maintain at all times commercial general liability insurance, workers' compensation insurance and such other liability, errors and omissions and fidelity insurance coverages as Lender may from time to time require, consistent with Lender's then current practices and standards.

(f) Borrower shall comply with all insurance requirements and shall not permit any condition to exist on the Mortgaged Property that would invalidate any part of any insurance coverage that this Instrument requires Borrower to maintain.

(g) In the event of loss, Borrower shall give immediate written notice to the insurance carrier and to Lender. Borrower hereby authorizes and appoints Lender as attorney-in-fact for Borrower to make proof of loss, to adjust and compromise any claims under policies of property damage insurance, to appear in and prosecute any action arising from such property damage insurance policies, to collect and receive the proceeds of property damage insurance, and to deduct from such proceeds Lender's expenses incurred in the collection of such proceeds. This power of attorney is coupled with an interest and therefore is irrevocable. However, nothing contained in this Section 19 shall require Lender to incur any expense or take any action. Lender may, at Lender's option, (i) hold the balance of such proceeds to be used to reimburse Borrower for the cost of restoring and repairing the Mortgaged Property to the equivalent of its original condition or to a condition approved by Lender (the "**Restoration**"), or (ii) apply the balance of such proceeds to the payment of the Indebtedness, whether or not then due. To the extent Lender determines to apply insurance proceeds to Restoration, Lender shall apply the proceeds in accordance with Lender's then-current policies relating to the restoration of casualty damage on similar multifamily properties.

(h) Lender shall not exercise its option to apply insurance proceeds to the payment of the Indebtedness if all of the following conditions are met: (i) no Event of

Default (or any event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default) has occurred and is continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period); (ii) Lender determines, in its discretion, that there will be sufficient funds to complete the Restoration (and complete construction of the Project in accordance with the Loan Agreement and the Plans and Specifications, as defined therein, if such construction has not been completed at such time); (iii) Lender determines, in its discretion, that the net operating income generated by the Mortgaged Property after completion of the Restoration will be sufficient to meet all operating costs and other expenses, Imposition Deposits, deposits to reserves and loan repayment obligations relating to the Mortgaged Property; (iv) Lender determines, in its discretion, that the Restoration will be completed before the earlier of (A) one year before any mandatory prepayment date set forth in the Note, (B) one year before the Outside Maturity Date, as defined in the Note, or (C) one year after the date of the loss or casualty; and (v) upon Lender's request, Borrower provides Lender evidence of the availability during and after the Restoration of the insurance required to be maintained pursuant to this Instrument.

(i) If the Mortgaged Property is sold at a foreclosure sale or Lender acquires title to the Mortgaged Property, Lender shall automatically succeed to all rights of Borrower in and to any insurance policies and unearned insurance premiums and in and to the proceeds resulting from any damage to the Mortgaged Property prior to such sale or acquisition.

(j) Unless Lender otherwise agrees in writing, any application of any insurance proceeds to the Indebtedness shall not extend or postpone the due date of any monthly installments referred to in the Note, Section 7 of this Instrument or any Collateral Agreement, or change the amount of such installments, except as provided in the Note.

(k) Borrower agrees to execute such further evidence of assignment of any insurance proceeds as Lender may require.

(l) Borrower further agrees that to the extent that Borrower obtains any form of property damage insurance for the Mortgaged Property or any portion thereof that insures perils not required to be insured against by Lender, such policy of property damage insurance shall include a standard mortgagee clause and shall name Lender as loss payee and, within ten (10) days following Borrower's purchase of such additional insurance, Borrower shall cause to be delivered to Lender a duplicate original policy of insurance with respect to such policy. Any insurance proceeds payable to Borrower under such policy shall be additional security for the Indebtedness and Lender shall have the same rights to such policy and proceeds as it has with respect to insurance policies required by Lender pursuant to this Section 19 (except that Lender shall not require that the premium for such additional insurance be included among the Imposition Deposits).

20. **CONDEMNATION**.

(a) Borrower shall promptly notify Lender in writing of any action or proceeding or notice relating to any proposed or actual condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Mortgaged Property, whether direct or indirect (a "**Condemnation**"), and shall deliver to the Lender copies of any and all papers served in connection with such Condemnation. Borrower shall appear in and prosecute or defend any action or proceeding relating to any Condemnation unless otherwise directed by Lender in writing. Borrower authorizes and appoints Lender as attorney-in-fact for Borrower to commence, appear in and prosecute, in Lender's or Borrower's name, any action or proceeding relating to any Condemnation and to settle or compromise any claim in connection with any Condemnation. This power of attorney is coupled with an interest and therefore is irrevocable. However, nothing contained in this Section 20 shall require Lender to incur any expense or take any action. Borrower hereby transfers and assigns to Lender all right, title and interest of Borrower in and to any award or payment with respect to (i) any Condemnation, or any conveyance in lieu of Condemnation, and (ii) any damage to the Mortgaged Property caused by governmental action that does not result in a Condemnation.

(b) Lender may apply such awards or proceeds, after the deduction of Lender's expenses incurred in the collection of such amounts (including, without limitation, fees and out-of-pocket expenses of attorneys and expert witnesses, investigatory fees, whether incurred in connection with any judicial or administrative process or otherwise), at Lender's option, to the restoration or repair of the Mortgaged Property or to the payment of the Indebtedness in accordance with the provisions of the Note as to application of payments to the Indebtedness, with the balance, if any, to Borrower. Unless Lender otherwise agrees in writing, any application of any awards or proceeds to the Indebtedness shall not extend or postpone the due date of payments due under the Note, Section 7 of this Instrument or any Collateral Agreement or any other Loan Document, or change the amount of such payments, except as otherwise provided in the Note. Borrower agrees to execute such further evidence of assignment of any awards or proceeds as Lender may require.

21. **TRANSFERS OF THE MORTGAGED PROPERTY OR INTERESTS IN BORROWER**.

(a) The occurrence of any of the following events shall constitute an Event of Default under this Instrument:

(i) other than the lien of this Instrument and the Permitted Encumbrances, a Transfer of all or any part of the Mortgaged Property or any interest in the Mortgaged Property;

(ii) a Transfer of a Controlling Interest in Borrower;

(iii) a Transfer of a Controlling Interest in any entity which owns, directly or indirectly through one or more intermediate entities, a Controlling Interest in Borrower;

(iv) a Transfer of all or any part of a Guarantor's ownership interests in Borrower, or in any other entity which owns, directly or indirectly through one or more intermediate entities, an ownership interest in Borrower (other than a Transfer of an aggregate beneficial ownership interest in Borrower of 49% or less of such Guarantor's original ownership interest in Borrower and which does not otherwise result in a Transfer of the Guarantor's Controlling Interest in such intermediate entities or in Borrower);

(v) if Guarantor is an entity, (A) a Transfer of a Controlling Interest in Guarantor, or (B) a Transfer of a Controlling Interest in any entity which owns, directly or indirectly through one or more intermediate entities, a Controlling Interest in Guarantor;

(vi) if Borrower or Guarantor is a trust, the termination or revocation of such trust; unless the trust is terminated as a result of the death of an individual trustor, in which event Lender must be notified and such Borrower or Guarantor must be replaced with an individual or entity acceptable to Lender, in accordance with the provisions of Section 21(c) hereof, within 90 days of such death (provided however that no property inspection shall be required and a 1% transfer fee will not be charged);

(vii) if Guarantor is a natural person, the death of such individual; unless the Lender is notified and such individual is replaced with an individual or entity acceptable to Lender, in accordance with the provisions of Section 21(c) hereof, within 90 days of such death (provided however that no property inspection shall be required and a 1% transfer fee will not be charged);

(viii) the merger, dissolution, liquidation, or consolidation of (i) Borrower, (ii) any Guarantor that is a legal entity, or (iii) any legal entity holding, directly or indirectly, a Controlling Interest in Borrower or in any Guarantor that is an entity;

(ix) a conversion of Borrower from one type of legal entity into another type of legal entity (including the conversion of a general partnership into a limited partnership and the conversion of a limited partnership into a limited liability company), whether or not there is a Transfer; if such conversion results in a change in any assets, liabilities, legal rights or obligations of Borrower (or of any Guarantor, or any general partner of Borrower, as applicable), by operation of law or otherwise;

(x) a Transfer of the economic benefits or right to cash flows attributable to the ownership interests in Borrower and/or, if Guarantor is an entity, Guarantor, separate from the Transfer of the underlying ownership interests, unless the Transfer of the underlying ownership interests would otherwise not be prohibited by this Instrument; and

(xi) the filing, recording, or consent to filing or recording of any plat or map subdividing, replatting or otherwise affecting the Mortgaged Property or any other replat or subdivision of the Mortgaged Property, whether or not any such action affects the priority of the lien of this Instrument.

Lender shall not be required to demonstrate any actual impairment of its security or any increased risk of default in order to exercise any of its remedies with respect to an Event of Default under this Section 21.

(b) The occurrence of any of the following events shall not constitute an Event of Default under this Instrument, notwithstanding any provision of Section 21(a) to the contrary (each a "**Permitted Transfer**"):

(i) a Transfer to which Lender has consented;

(ii) except as provided in Section 21(a)(vi) and (vii), a Transfer that occurs by devise, descent, pursuant to the provisions of a trust, or by operation of law upon the death of a natural person;

(iii) the grant of a leasehold interest in an individual dwelling unit for a term of two years or less not containing an option to purchase;

(iv) a Transfer of obsolete or worn out Personalty or Fixtures that are contemporaneously replaced by items of equal or better function and quality, which are free of liens, encumbrances and security interests other than those created by or permitted pursuant to the Loan Documents or consented to by Lender;

(v) the grant of an easement, servitude, or restrictive covenant if, before the grant, Lender determines that the easement, servitude, or restrictive covenant will not materially affect the operation or value of the Mortgaged Property or Lender's interest in the Mortgaged Property, and Borrower pays to Lender, upon demand, all costs and expenses incurred by Lender in connection with reviewing Borrower's request; provided, however, utility easements of a type usually permitted or required to operate a multifamily project in the Property Jurisdiction (such as, by way of example, gas, sewer and electricity supplier easements and easements to provide cable service) shall be deemed to be Permitted Transfers without the need for Lender's prior review or determination so long as (A) such

easement does not obligate Borrower to incur any additional costs, (B) such easement does not grant the grantee of the easement the option to acquire any other estate in the Mortgaged Property, and (C) Lender is not obligated to subordinate the lien of this Instrument to the proposed easement;

(vi) the creation of a mechanic's, materialman's, or judgment lien against the Mortgaged Property which is released of record or otherwise remedied, or bonded to Lender's satisfaction within 45 days after Borrower has actual or constructive notice of the existence of such lien; and

(vii) the conveyance of the Mortgaged Property at a judicial or non-judicial foreclosure sale under this Instrument.

(c) Lender shall consent to a Transfer that would otherwise violate this Section 21 if, prior to the Transfer, Borrower has satisfied each of the following requirements:

(i) the submission to Lender of all information required by Lender to make the determination required by this Section 21(c);

(ii) the absence of any Event of Default;

(iii) the transferee meets all of the eligibility, credit, management and other standards (including any standards with respect to previous relationships between Lender and the transferee and the organization of the transferee) customarily applied by Lender at the time of the proposed Transfer to the approval of borrowers in connection with the origination or purchase of similar mortgage finance structures on similar multifamily properties, unless partially waived by Lender in exchange for such additional conditions as Lender may require;

(iv) the Mortgaged Property, at the time of the proposed Transfer, meets all standards as to its physical condition that are customarily applied by Lender at the time of the proposed Transfer to the approval of properties in connection with the origination or purchase of similar mortgage finance structures on similar multifamily properties, unless partially waived by Lender in exchange for such additional conditions as Lender may require;

(v) if the transferor or any other person has obligations under any Loan Document, the execution by the transferee or one or more individuals or entities acceptable to Lender of an assumption agreement that is acceptable to Lender and that, among other things, requires the transferee to perform all obligations of transferor or such person set forth in the Loan Documents, and may require that

the transferee comply with any provisions of this Instrument or any other Loan Document which previously may have been waived by Lender;

(vi) if a guaranty has been executed and delivered by the transferor in connection with the Note, this Instrument or any of the other Loan Documents, Borrower causes one or more individuals or entities acceptable to Lender to execute and deliver to Lender a substitute guaranty in a form acceptable to Lender;

(vii) Lender's receipt of all of the following:

(A) a non-refundable review fee in the amount of $3,000, and a transfer fee equal to one percent (1%) of the outstanding Indebtedness immediately prior to the Transfer; and

(B) Borrower's reimbursement of all of Lender's out-of-pocket costs (including, actual attorneys' fees) incurred in reviewing the Transfer request, to the extent such expenses exceed $3,000;

(viii) Borrower has agreed to Lender's conditions to approve such Transfer, which may include, but are not limited to (A) providing additional collateral, guaranties, or other credit support to mitigate any risks concerning the proposed transferee or the performance or condition of the Mortgaged Property, and (B) amending the Loan Documents to (1) delete any specially negotiated terms or provisions previously granted for the exclusive benefit of transferor and (2) restore to original provisions of the standard Lender forms of multifamily loan documents, to the extent such provisions were previously modified; and

(ix) Lender's receipt of evidence of consent to the Transfer, to the extent required pursuant to the terms of the Regulatory Agreement.

(d) For purposes of this Section, the following terms shall have the meanings set forth below:

(i) A Transfer of a "**Controlling Interest**" shall mean:

(A) with respect to any entity, the following:

(1) if such entity is a general partnership or a joint venture, a Transfer of any general partnership interest or joint venture interest which would cause the Initial Owners to own less than a Controlling Percentage of all general partnership or joint venture interests in such entity;

(2) if such entity is a limited partnership, (A) a Transfer of any general partnership interest, or (B) a Transfer of any partnership interests which would cause the Initial Owners to own less than a Controlling Percentage of all limited partnership interests in such entity;

(3) if such entity is a limited liability company or a limited liability partnership, (A) a Transfer of any membership or other ownership interest which would cause the Initial Owners to own less than a Controlling Percentage of all membership or other ownership interests in such entity, (B) a Transfer of any membership, or other interest of a manager, in such entity that results in a change of manager, or (C) a change of the non-member manager;

(4) if such entity is a corporation (other than a Publicly-Held Corporation) with only one class of voting stock, a Transfer of any voting stock which would cause the Initial Owners to own less than a Controlling Percentage of voting stock in such corporation;

(5) if such entity is a corporation (other than a Publicly-Held Corporation) with more than one class of voting stock, a Transfer of any voting stock which would cause the Initial Owners to own less than a sufficient number of shares of voting stock having the power to elect the majority of directors of such corporation; and

(6) if such entity is a trust (other than a Publicly-Held Trust), the removal, appointment or substitution of a trustee of such trust other than (A) in the case of a land trust, or (B) if the trustee of such trust after such removal, appointment, or substitution is a trustee identified in the trust agreement approved by Lender; and/or

(B) any agreement (including provisions contained in the organizational and/or governing documents of Borrower or Guarantor) or Transfer not specified in clause (A), the effect of which, either immediately or after the passage of time or occurrence of a specified event or condition, including the failure of a specified event or condition to occur or be satisfied, would (i) cause a change in or replacement of the Person that controls the management and operations of the Borrower or Guarantor or (ii) limit or otherwise modify the extent of such Person's control over the management and operations of Borrower or Guarantor.

(ii) "**Controlling Percentage**" shall mean (i) greater than 50% of the ownership interests in an entity, or (ii) a percentage ownership interest in an entity of 50% or less if the owner(s) of that interest

actually direct(s) the business and affairs of the entity without requirement of consent of any other party.

(iii) "**Publicly-Held Corporation**" shall mean a corporation the outstanding voting stock of which is registered under Section 12(b) or 12(g) of the Securities and Exchange Act of 1934, as amended.

(iv) "**Publicly-Held Trust**" shall mean a real estate investment trust the outstanding voting shares or beneficial interests of which are registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended.

(e) Lender shall be provided with written notice of all Transfers under this Section 21, whether or not such Transfers are permitted under Section 21(b) or approved by Lender under Section 21(c), no later than 10 days prior to the date of the Transfer.

22. **EVENTS OF DEFAULT**. The occurrence of any one or more of the following shall constitute an Event of Default under this Instrument:

(a) (i) any failure by Borrower to pay or deposit any payment of principal, interest, principal reserve fund deposit, any payment with a specified due date, or any other scheduled payment or deposit required by the Note, this Instrument or any other Loan Document when such payment or deposit is due or (ii) any failure by Borrower to pay or deposit any unscheduled payment or deposit, or other payment or deposit without a specified due date, required by the Note, this Instrument or any other Loan Document, within five (5) days after written notice from Lender;

(b) any failure by Borrower to maintain the insurance coverage required by Section 19;

(c) any failure by Borrower to comply with the provisions of Section 32;

(d) fraud or material misrepresentation or material omission by Borrower or Guarantor, any of their respective officers, directors, trustees, general partners, managing members, managers, agents or representatives in connection with (i) the application for the Loan, (ii) any financial statement, rent roll, or other report or information provided to Lender during the term of the Indebtedness, or (iii) any request for Lender's consent to any proposed action, including a request for disbursement of funds under any Collateral Agreement;

(e) any of Borrower's representations and warranties in this Instrument is false or misleading in any material respect;

(f) any Event of Default under Section 21;

(g) the commencement of a forfeiture action or proceeding, whether civil or criminal, which, in Lender's judgment, could result in a forfeiture of the Mortgaged

Property or otherwise materially impair the lien created by this Instrument or Lender's interest in the Mortgaged Property;

(h) any failure by Borrower to perform or comply with any of its obligations under this Instrument (other than those specified in this Section 22), as and when required, which continues for a period of thirty (30) days after written notice of such failure by Lender to Borrower; provided, however, if such failure is susceptible of cure but cannot reasonably be cured within such thirty (30) day period, and the Borrower shall have commenced to cure such failure within such thirty (30) day period and thereafter diligently and expeditiously proceeds to cure the same, such thirty (30) day period shall be extended for an additional period of time as is reasonably necessary for the Borrower in the exercise of due diligence to cure such failure, such additional period, not to exceed sixty (60) days. However, no such notice or grace period shall apply to the extent such failure could, in Lender's judgment, absent immediate exercise by Lender of a right or remedy under this Instrument, result in harm to Lender, impairment of the Note or this Instrument or any other security given under any other Loan Document;

(i) any failure by Borrower or any Guarantor to perform any of its obligations as and when required under any Loan Document other than this Instrument which continues beyond the applicable notice and cure period, if any, specified in that Loan Document;

(j) any exercise by the holder of any debt instrument secured by a mortgage, deed of trust or deed to secure debt on the Mortgaged Property of a right to declare all amounts due under that debt instrument immediately due and payable;

(k) the occurrence of a Bankruptcy Event;

(l) any Event of Default (as defined in any of the Loan Documents), which continues beyond the expiration of any applicable cure period;

(m) any breach of, or event of default by Borrower under, any other document or agreement relating to the Loan or the provision of low income housing tax credits to the Mortgaged Property to which Borrower is a party, which continues beyond the expiration of any applicable notice and cure period thereunder;

(n) any failure by Borrower or the Project to qualify for low income housing tax credits pursuant to the provisions of Section 42 of the Internal Revenue Code;

(o) any failure by the Borrower to satisfy the Conditions to Conversion (as defined in the Construction Funding Agreement) on or before the Outside Conversion Date (as such date may be extended in accordance with the Construction Funding Agreement);

(p) any amendment, modification, waiver or termination of any of the provisions of Borrower's Organizational Documents without the prior written consent of Lender, other than (i) modifications necessary to reflect the occurrence of a Permitted Transfer or (ii) modifications that do not: (A) impose any additional or greater obligations on Borrower or any of the partners, managers or members of Borrower, (B) reduce or relieve Borrower or any of the partners, managers or members of Borrower of any of their

obligations, (C) modify the timing, amounts, number, conditions or other terms of the installments or other payment obligations of the partners or members of Borrower or (D) impair the collateral for the Loan; provided, however, that Borrower shall promptly provide to Lender a copy of any modifications to Borrower's Organizational Documents that do not require Lender's consent;

(q) (i) any breach of any Material Property Agreement by Borrower or its officers, directors, employees, agents or tenants that continues beyond any applicable notice and cure period; (ii) any failure by Borrower or its officers, directors, employees or agents or any other party to deliver concurrently (in case of notices given) or promptly (in case of notices received) copies of any and all notices received or given thereby to Lender with respect to any Material Property Agreement; or (iii) any breach of the representations, warranties, or covenants set forth in Section 6.1.15 of the Construction Funding Agreement;

(r) if Borrower or any Guarantor is a trust, the termination or revocation of any such trust; unless the trust is terminated as a result of the death of an individual trustor, in which event Lender must be notified and such Borrower or Guarantor must be replaced with an individual or entity acceptable to Lender, in accordance with the provisions of Section 21(c) hereof, within 90 days of such death (provided however that no property inspection shall be required and a 1% transfer fee will not be charged); or

(s) if any Guarantor is a natural person, the death of such individual; unless the Lender is notified and such individual is replaced with an individual or entity acceptable to Lender, in accordance with the provisions of Section 21(c) hereof, within 90 days of such death (provided however that no property inspection shall be required and a 1% transfer fee will not be charged).

23. **REMEDIES CUMULATIVE**. Each right and remedy provided in this Instrument is distinct from all other rights or remedies under this Instrument or any other Loan Document or afforded by applicable law, and each shall be cumulative and may be exercised concurrently, independently, or successively, in any order.

24. **FORBEARANCE**.

(a) Lender may (but shall not be obligated to) agree with Borrower, from time to time, and without giving notice to, or obtaining the consent of, or having any effect upon the obligations of, any guarantor or other third party obligor, to take any of the following actions: extend the time for payment of all or any part of the Indebtedness; reduce the payments due under this Instrument, the Note, or any other Loan Document; release anyone liable for the payment of any amounts under this Instrument, the Note, or any other Loan Document; accept a renewal of the Note; modify the terms and time of payment of the Indebtedness; join in any extension or subordination agreement; release any Mortgaged Property; take or release other or additional security; modify the rate of interest or period of amortization of the Note or change the amount of the monthly installments payable under the Note; and otherwise modify this Instrument, the Note, or any other Loan Document.

(b) Any forbearance by Lender in exercising any right or remedy under the Note, this Instrument, or any other Loan Document or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any other right or remedy, or the subsequent exercise of any right or remedy. The acceptance by Lender of payment of all or any part of the Indebtedness after the due date of such payment, or in an amount which is less than the required payment, shall not be a waiver of Lender's right to require prompt payment when due of all other payments on account of the Indebtedness or to exercise any remedies for any failure to make prompt payment. Enforcement by Lender of any security for the Indebtedness shall not constitute an election by Lender of remedies so as to preclude the exercise of any other right available to Lender. Lender's receipt of any awards or proceeds under Sections 19 and 20 shall not operate to cure or waive any Event of Default.

25. **WAIVER OF STATUTE OF LIMITATIONS**. BORROWER HEREBY WAIVES THE RIGHT TO ASSERT ANY STATUTE OF LIMITATIONS AS A BAR TO THE ENFORCEMENT OF THE LIEN OF THIS INSTRUMENT OR TO ANY ACTION BROUGHT TO ENFORCE ANY LOAN DOCUMENT.

26. **WAIVER OF MARSHALLING**. Notwithstanding the existence of any other security interests in the Mortgaged Property held by Lender or by any other party, Lender shall have the right to determine the order in which any or all of the Mortgaged Property shall be subjected to the remedies provided in this Instrument, the Note, any other Loan Document or applicable law. Lender shall have the right to determine the order in which any or all portions of the Indebtedness are satisfied from the proceeds realized upon the exercise of such remedies. Borrower and any party who now or in the future acquires a security interest in the Mortgaged Property and who has actual or constructive notice of this Instrument waives any and all right to require the marshalling of assets or to require that any of the Mortgaged Property be sold in the inverse order of alienation or that any of the Mortgaged Property be sold in parcels or as an entirety in connection with the exercise of any of the remedies permitted by applicable law or provided in this Instrument.

27. **FURTHER ASSURANCES**. Borrower shall execute, acknowledge, and deliver, at its sole cost and expense, all further acts, deeds, conveyances, assignments, estoppel certificates, financing statements or amendments, transfers and assurances as Lender may require from time to time in order to better assure, grant, and convey to Lender the rights intended to be granted, now or in the future, to Lender under this Instrument and the Loan Documents. In furtherance thereof, on the request of Lender, Borrower shall re-execute or ratify any of the Loan Documents or execute any other documents or take such other actions as may be necessary to effect the assignment, pledge or other transfer of the Loan to any party that may purchase, insure, credit enhance or otherwise finance all or any part of the Loan, including, without limitation, any Credit Enhancer (including Freddie Mac or Fannie Mae), the U.S. Department of Housing and Urban Development, or any insurance company, conduit lender or any other lender or investor. Notwithstanding the foregoing sentence, in no event shall Borrower be required to execute and deliver any document or perform any act otherwise required pursuant to the foregoing sentence to the extent such document or act imposes a material additional obligation or liability on Borrower or materially adversely affects the rights of Borrower under any Loan Document.

28. **ESTOPPEL CERTIFICATE**. Within 10 days after a request from Lender, Borrower shall deliver to Lender a written statement, signed and acknowledged by Borrower, certifying to Lender or any person designated by Lender, as of the date of such statement, (i) that the Loan Documents are unmodified and in full force and effect (or, if there have been modifications, that the Loan Documents are in full force and effect as modified and setting forth such modifications); (ii) the unpaid principal balance of the Note; (iii) the date to which interest under the Note has been paid; (iv) that Borrower is not in default in paying the Indebtedness or in performing or observing any of the covenants or agreements contained in this Instrument or any of the other Loan Documents (or, if Borrower is in default, describing such default in reasonable detail); (v) whether or not there are then existing any setoffs or defenses known to Borrower against the enforcement of any right or remedy of Lender under the Loan Documents; and (vi) any additional facts requested by Lender.

29. **GOVERNING LAW; CONSENT TO JURISDICTION AND VENUE**.

(a) This Instrument, and any Loan Document which does not itself expressly identify the law that is to apply to it, shall be governed by the laws of the Property Jurisdiction.

(b) Borrower agrees that any controversy arising under or in relation to the Note, this Instrument, or any other Loan Document may be litigated in the Property Jurisdiction. The state and federal courts and authorities with jurisdiction in the Property Jurisdiction shall have jurisdiction over all controversies that shall arise under or in relation to the Note, any security for the Indebtedness, or any other Loan Document. Borrower irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise. However, nothing in this Section 29 is intended to limit Lender's right to bring any suit, action or proceeding relating to matters arising under this Instrument in any court of any other jurisdiction.

30. **NOTICE**.

(a) All notices, demands and other communications ("notice") under or concerning this Instrument shall be in writing and addressed as set forth below. Each notice shall be deemed given on the earliest to occur of (i) the date when the notice is received by the addressee; (ii) the first Business Day after the notice is delivered to a recognized overnight courier service, with arrangements made for payment of charges for next Business Day delivery; or (iii) the third Business Day after the notice is deposited in the United States mail with postage prepaid, certified mail, return receipt requested.

If to Borrower: SDC Corinth III, LP
3030 LBJ Freeway, Suite 1350
Dallas, Texas 75234
Attention: Jay O. Oji
Email: jay@sdcus.com

With a copy to:	Shackelford, Bowen, McKinley & Norton, LLP 9201 N. Central Expressway, Fourth Floor Dallas, Texas 75231 Attention: John C. Shackelford, Esq. Facsimile: (214) 780-1401
If to Lender:	Stellar Bank If By US Mail: PO Box 41314 Houston, Texas 77241-1314 Attention: Stephen W. Rose If by Hand or Overnight Delivery: 9 Greenway Plaza, Suite 110 Houston, Texas 77046 Attention: Stephen W. Rose
With a copy to Servicer:	Citibank, N.A. 388 Greenwich Street, Trading 4th Floor New York, New York 10013 Attention: Transaction Management Group Re: Fiji Lofts Deal ID No. 60001032 Facsimile: (212) 723-8209
With a copy to:	Citibank, N.A. 325 East Hillcrest Drive, Suite 160 Thousand Oaks, California 91360 Attention: Operations Manager/Asset Manager Re: Fiji Lofts Deal ID No. 60001032 Facsimile: (805) 557-0924
With a copy to:	Texas Department of Housing and Community Affairs 221 East 11th Street Austin, Texas 78701 Attention: Director of Multifamily Bonds Facsimile: (512) 475-0764
with a copy to:	Citibank, N.A. 388 Greenwich Street, Trading 4th Floor New York, New York 10013 Attention: Account Specialist Re: Fiji Lofts Deal ID No. 60001032 Facsimile: (212) 723-8209

And a copy of any notices of default sent to:	Citibank, N.A. 388 Greenwich Street, 17th Floor New York, New York 10013 Attention: General Counsel's Office Re: Fiji Lofts Deal ID No. 60001032 Facsimile: (646) 291-5754

(b) Any notice party identified above may change the address to which notices intended for it are to be directed by means of notice given to the other notice parties in accordance with this Section 30. Each party agrees that it will not refuse or reject delivery of any notice given in accordance with this Section 30, that it will acknowledge, in writing, the receipt of any notice upon request by the other party and that any notice rejected or refused by it shall be deemed for purposes of this Section 30 to have been received by the rejecting party on the date so refused or rejected, as conclusively established by the records of the U.S. Postal Service or the courier service.

(c) Any notice under the Note and any other Loan Document that does not specify how notices are to be given shall be given in accordance with this Section 30.

31. **CHANGE IN SERVICER**. If there is a change of the Servicer, Borrower will be given notice of the change.

32. **SINGLE ASSET BORROWER**. Until the Indebtedness is paid in full, Borrower (a) shall not acquire any real or personal property other than the Mortgaged Property and personal property related to the operation and maintenance of the Mortgaged Property; (b) shall not operate any business other than the management and operation of the Mortgaged Property; and (c) shall not maintain its assets in a way difficult to segregate and identify.

33. **SUCCESSORS AND ASSIGNS BOUND**. This Instrument shall bind, and the rights granted by this Instrument shall inure to, the successors and assigns of Lender and the permitted successors and assigns of Borrower.

34. **JOINT AND SEVERAL LIABILITY**. If more than one person or entity signs this Instrument as Borrower, the obligations of such persons and entities shall be joint and several.

35. **RELATIONSHIP OF PARTIES; NO THIRD PARTY BENEFICIARY**.

(a) The relationship between Lender and Borrower shall be solely that of creditor and debtor, respectively, and nothing contained in this Instrument shall create any other relationship between Lender and Borrower.

(b) No creditor of any party to this Instrument and no other person (other than a holder of the Note and Servicer) shall be a third party beneficiary of this Instrument or any other Loan Document. Without limiting the generality of the preceding sentence, (i) any arrangement (a "**Servicing Arrangement**") between Lender and any Servicer for loss sharing or interim advancement of funds shall constitute a contractual obligation of such Servicer that is independent of the obligation of Borrower for the payment of the Indebtedness, (ii) Borrower shall not be a third party beneficiary of any Servicing

Arrangement, and (iii) no payment by Servicer under any Servicing Arrangement will reduce the amount of the Indebtedness.

36. **SEVERABILITY; AMENDMENTS**. The invalidity or unenforceability of any provision of this Instrument shall not affect the validity or enforceability of any other provision, and all other provisions shall remain in full force and effect. This Instrument contains the entire agreement among the parties as to the rights granted and the obligations assumed in this Instrument. This Instrument may not be amended or modified except by a writing signed by the party against whom enforcement is sought; provided, however, that in the event of a Transfer, any or some or all of the Modifications to Instrument set forth in Exhibit B (if any) may be modified or rendered void by Lender at Lender's option by notice to Borrower or such transferee.

37. **CONSTRUCTION**. The captions and headings of the sections of this Instrument are for convenience only and shall be disregarded in construing this Instrument. Any reference in this Instrument to an "Exhibit" or a "Section" shall, unless otherwise explicitly provided, be construed as referring, respectively, to an Exhibit attached to this Instrument or to a Section of this Instrument. All Exhibits attached to or referred to in this Instrument are incorporated by reference into this Instrument. Any reference in this Instrument to a statute or regulation shall be construed as referring to that statute or regulation as amended from time to time. Use of the singular in this Instrument includes the plural and use of the plural includes the singular. As used in this Instrument, the term "including" means "including, but not limited to."

38. **SERVICER**.

(a) Borrower further acknowledges that Lender may from time to time and in accordance with the terms of the Loan Agreement, appoint a Servicer or a replacement servicer to collect payments, escrows and deposits, to give and receive notices under the Note, this Instrument, or the other Loan Documents, and to otherwise service the Loan. Borrower hereby acknowledges and agrees that, unless Borrower receives written notice from Lender to the contrary, any action or right which shall or may be taken or exercised by Lender may be taken or exercised by Servicer with the same force and effect, including, without limitation, the collection of payments, the giving of notice, the holding of escrows, inspection of the Mortgaged Property, inspections of books and records, the request for documents or information, and the granting of consents and approvals. Borrower further agrees that, unless Lender instructs Borrower to the contrary in writing, (i) any notices, books or records, or other documents or information to be delivered under this Instrument, the Note, or any other Loan Document shall also be simultaneously delivered to the Servicer at the address provided for notices to Servicer pursuant to Section 30 hereof, and (ii) any payments to be made under the Note or for escrows under Section 7 of this Instrument or under any of the other Loan Documents shall be made to Servicer. In the event Borrower receives conflicting notices regarding the identity of the Servicer or any other subject, any such notice from Lender shall govern.

(b) Borrower further acknowledges and agrees that, for the purpose of determining whether a security interest is created or perfected under the Uniform Commercial Code of the Property Jurisdiction, any escrows or other funds held by Servicer pursuant to the Loan Documents shall be deemed to be held by Lender.

39. **DISCLOSURE OF INFORMATION**. Lender may furnish information regarding Borrower or the Mortgaged Property to third parties with an existing or prospective interest in the servicing, enforcement, evaluation, performance, purchase or securitization of the Indebtedness, including but not limited to trustees, master servicers, special servicers, rating agencies, and organizations maintaining databases on the underwriting and performance of multifamily mortgage loans. Without limiting the generality of the foregoing, without notice to or the consent of Borrower, Lender may disclose to any title insurance company which insures any interest of Lender under this Instrument (whether as primary insurer, coinsurer or reinsurer) any information, data or material in its possession relating to Borrower, the Loan, the Improvements or the Mortgaged Property. Borrower irrevocably waives any and all rights it may have under applicable law to prohibit such disclosure, including but not limited to any right of privacy.

40. **NO CHANGE IN FACTS OR CIRCUMSTANCES**. Borrower warrants that all information in Borrower's application for the Loan and in all financial statements, rent rolls, reports, certificates and other documents submitted in connection with Borrower's application for the Loan are complete and accurate in all material respects. There has been no material adverse change in any fact or circumstance that would make any such information incomplete or inaccurate.

41. **SUBROGATION**. If, and to the extent that, the proceeds of the Loan are used to pay, satisfy or discharge any obligation of Borrower for the payment of money that is secured by a pre-existing mortgage, deed of trust or other lien encumbering the Mortgaged Property (a "**Prior Lien**"), such loan proceeds shall be deemed to have been advanced by Lender at Borrower's request, and Lender shall automatically, and without further action on its part, be subrogated to the rights, including lien priority, of the owner or holder of the obligation secured by the Prior Lien, whether or not the Prior Lien is released.

42. **FINANCING STATEMENT**. As provided in Section 2, this Instrument constitutes a financing statement with respect to any part of the Mortgaged Property which is or may become a Fixture and for the purposes of such financing statement: (a) the Debtor shall be Borrower and the Secured Party shall be Lender; (b) the addresses of Borrower as Debtor and of Lender as Secured Party are as specified above in the first paragraph of this Instrument; (c) the name of the record owner is Borrower; (d) the types or items of collateral consist of any part of the Mortgaged Property which is or may become a Fixture; and (e) the organizational identification number of Borrower (if any) as Debtor is set forth on Exhibit C.

43. **STATE SPECIFIC PROVISIONS (TEXAS)**.

(a) Acceleration; Remedies.

(i) Except as otherwise expressly provided in the Loan Documents, at any time during the existence of an Event of Default and the continuance thereof (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), Lender, at Lender's option, may declare the Indebtedness to be immediately due and payable without further demand, notice of intent to

accelerate, notice of acceleration, or any other notice of or any other action, all of which are hereby waived by Borrower and all other parties obligated in any manner whatsoever on the Indebtedness, and upon such declaration, the entire unpaid balance of the Indebtedness shall be immediately due and payable. Lender may invoke the power of sale and any other remedies permitted by Texas law or provided in this Instrument, the Loan Agreement or in any other Loan Document. Borrower acknowledges that the power of sale granted in this Instrument may be exercised by Lender without prior judicial hearing. Lender will be entitled to collect all costs and expenses incurred in pursuing such remedies, including actual attorneys' fees and costs, costs of documentary evidence, abstracts and title reports.

(ii) If Lender invokes the power of sale, Lender may, by and through the Trustee, or otherwise, sell or offer for sale the Mortgaged Property in such portions, order and parcels as Lender may determine, with or without having first taken possession of the Mortgaged Property, to the highest bidder for cash at public auction. Such sale will be made at the county courthouse door or other area of the courthouse designated by the Commissioners Court of the county in which all or any part of the Land to be sold is situated (whether the parts or parcel, if any, situated in different counties are contiguous or not, and without the necessity of having any Personalty present at such sale) on the first Tuesday of any month between the hours of 10:00 a.m. and 4:00 p.m., after advertising the time, place and terms of sale and that portion of the Mortgaged Property to be sold by posting or causing to be posted written or printed notice of sale at least 21 days before the date of the sale at the courthouse door of the county in which the sale is to be made and at the courthouse door of any other county in which a portion of the Land may be situated, and by filing such notice with the County Clerk(s) of the county(s) in which all or a portion of the Land may be situated, which notice may be posted and filed by the Trustee acting, or by any person acting for the Trustee, and Lender has, at least 21 days before the date of the sale, served written or printed notice of the proposed sale by certified mail on each debtor obligated to pay the Indebtedness according to Lender's records by the deposit of such notice, enclosed in a postpaid wrapper, properly addressed to such debtor at debtor's most recent address as shown by Lender's records, in a post office or official depository under the care and custody of the United States Postal Service. The affidavit of any person having knowledge of the facts to the effect that such service was completed will be prima facie evidence of the fact of service.

(iii) Trustee will deliver to the purchaser at the sale, within a reasonable time after the sale, a deed conveying the Mortgaged Property so sold

in fee simple with covenants of general warranty. Borrower covenants and agrees to defend generally the purchaser's title to the Mortgaged Property against all claims and demands. The recitals in Trustee's deed will be *prima facie* evidence of the truth of the statements contained in those recitals. Trustee will apply the proceeds of the sale in the following order: (i) to all reasonable costs and expenses of the sale, including reasonable Trustee's fees not to exceed 5% of the gross sales price (unless higher fees are customary in the jurisdiction where the Mortgaged Property is located), actual attorneys' fees and costs of title evidence; (ii) to the Indebtedness in such order as Lender, in Lender's discretion, directs; and (iii) the excess, if any, to the person or persons legally entitled to the excess.

(iv) If all or any part of the Mortgaged Property is sold pursuant to this Section, Borrower will be divested of any and all interest and claim to the Mortgaged Property, including any interest or claim to all insurance policies, utility deposits, bonds, loan commitments and other intangible property included as a part of the Mortgaged Property. Additionally, after a sale of all or any part of the Land, Improvements, Fixtures and Personalty, Borrower will be considered a tenant at sufferance of the purchaser of the same, and the purchaser will be entitled to immediate possession of such property. If Borrower will fail to vacate the Mortgaged Property immediately, the purchaser may and will have the right, without further notice to Borrower, to go into any justice court in any precinct or county in which the Mortgaged Property is located and file an action in forcible entry and detainer, which action will lie against Borrower or its assigns or legal representatives, as a tenant at sufferance. This remedy is cumulative of any and all remedies the purchaser may have under this Instrument or otherwise.

(v) In the event an interest in any of the Mortgaged Property is foreclosed upon pursuant to a judicial or nonjudicial foreclosure sale Borrower agrees as follows: notwithstanding the provisions of Sections 51.003, 51.004, and 51.005 of the Texas Property Code (as the same may be amended from time to time), and to the extent permitted by law, Borrower agrees that Lender will be entitled to seek a deficiency judgment from Borrower and any other party obligated on the Note equal to the difference between the amount owing on the Note and the amount for which the Mortgaged Property was sold pursuant to judicial or nonjudicial foreclosure sale. Borrower expressly recognizes that this Section constitutes a waiver of the above-cited provisions of the Texas Property Code which would otherwise permit Borrower and other persons against whom a recovery of deficiencies is sought or Guarantor independently (even absent the initiation of deficiency proceedings against them) to present competent evidence of the fair market value

of the Mortgaged Property as of the date of the foreclosure sale and offset against any deficiency the amount by which the foreclosure sale price is determined to be less than such fair market value. Borrower further recognizes and agrees that this waiver creates an irrebuttable presumption that the foreclosure sale price is equal to the fair market value of the Mortgaged Property for purposes of calculating deficiencies owed by Borrower, Guarantor, and others against whom recovery of a deficiency is sought. Alternatively, in the event the waiver provided for in this Section is determined by a court of competent jurisdiction to be unenforceable, in any action for a deficiency after a foreclosure under this Instrument, if any person against whom recovery is sought requests the court in which the action is pending to determine the fair market value of the Mortgaged Property, as of the date of the foreclosure sale, the following will be the basis of the court's determination of fair market value:

(A) The Mortgaged Property will be valued "as is" and in its condition as of the date of foreclosure, and no assumption of increased value because of post-foreclosure repairs, refurbishment, restorations or improvements will be made.

(B) Any adverse effect on the marketability of title because of the foreclosure or because of any other title condition not existing as of the date of this Instrument will be considered.

(C) The valuation of the Mortgaged Property will be based upon an assumption that the foreclosure purchaser desires a prompt resale of the Mortgaged Property for cash within a 6 month-period after foreclosure.

(D) Although the Mortgaged Property may be disposed of more quickly by the foreclosure purchaser, the gross valuation of the Mortgaged Property as of the date of foreclosure will be discounted for a hypothetical reasonable holding period (not to exceed 6 months) at a monthly rate equal to the average monthly interest rate on the Note for the 12 months before the date of foreclosure.

(E) The gross valuation of the Mortgaged Property as of the date of foreclosure will be further discounted and reduced by reasonable estimated costs of disposition, including brokerage commissions, title policy premiums, environmental assessment and clean-up costs, tax and assessment, prorations, costs to comply with legal requirements and attorneys' fees and costs.

(F) Expert opinion testimony will be considered only from a licensed appraiser certified by the State of Texas and, to the extent permitted under Texas law, a member of the Appraisal Institute, having at least 5 years' experience in appraising property similar to the Mortgaged Property in the county where the Mortgaged Property is located, and who has conducted and prepared a complete written appraisal of the Mortgaged Property taking into considerations the factors set forth in this Instrument; no expert opinion testimony will be considered without such written appraisal.

(G) Evidence of comparable sales will be considered only if also included in the expert opinion testimony and written appraisal referred to in subsection (F), above.

(H) An affidavit executed by Lender to the effect that the foreclosure bid accepted by Trustee was equal to or greater than the value of the Mortgaged Property determined by Lender based upon the factors and methods set forth in subsections (A) through (G) above before the foreclosure will constitute *prima facie* evidence that the foreclosure bid was equal to or greater than the fair market value of the Mortgaged Property on the foreclosure date.

(vi) Lender may, at Lender's option, comply with these provisions in the manner permitted or required by Title 5, Section 51.002 of the Texas Property Code (relating to the sale of real estate) or by Chapter 9 of the Texas Business and Commerce Code (relating to the sale of collateral after default by a debtor), as those titles and chapters now exist or may be amended or succeeded in the future, or by any other present or future articles or enactments relating to same subject. Unless expressly excluded, the Mortgaged Property will include Rents collected before a foreclosure sale, but attributable to the period following the foreclosure sale, and Borrower will pay such Rents to the purchaser at such sale.

(vii) At any such sale, all of the following will be true:

(A) Whether made under the power contained in this Instrument, Section 51.002 of the Texas Property Code, Chapter 9 of the Texas Business and Commerce Code, any other legal requirement or by virtue of any judicial proceedings or any other legal right, remedy or recourse, it will not be necessary for Trustee to have physically present, or to have constructive possession of, the Mortgaged Property. Borrower will deliver to Trustee any portion of the Mortgaged Property not actually or constructively possessed

by Trustee immediately upon demand by Trustee and the title to and right of possession of any such property will pass to the purchaser as completely as if the property had been actually present and delivered to the purchaser at the sale.

(B) Each instrument of conveyance executed by Trustee will contain a general warranty of title, binding upon Borrower.

(C) The recitals contained in any instrument of conveyance made by Trustee will conclusively establish the truth and accuracy of the matters recited in the Instrument, including nonpayment of the Indebtedness and the advertisement and conduct of the sale in the manner provided in this Instrument and otherwise by law and the appointment of any successor Trustee.

(D) All prerequisites to the validity of the sale will be conclusively presumed to have been satisfied.

(E) The receipt of Trustee or of such other party or officer making the sale will be sufficient to discharge to the purchaser or purchasers for such purchaser(s)' purchase money, and no such purchaser or purchasers, or such purchaser(s)' assigns or personal representatives, will thereafter be obligated to see to the application of such purchase money or be in any way answerable for any loss, misapplication or nonapplication of such purchase money.

(F) To the fullest extent permitted by law, Borrower will be completely and irrevocably divested of all of Borrower's right, title, interest, claim and demand whatsoever, either at law or in equity, in and to the property sold, and such sale will be a perpetual bar to any claim to all or any part of the property sold, both at law and in equity, against Borrower and against any person claiming by, through or under Borrower.

(G) To the extent and under such circumstances as are permitted by law, Lender may be a purchaser at any such sale.

(b) Release. Upon payment of the Indebtedness, Lender will release this Instrument. Borrower will pay Lender's reasonable costs incurred in releasing this Instrument.

(c) Trustee.

(i) Trustee may resign by giving of notice of such resignation in writing to Lender. If Trustee will die, resign or become disqualified from

acting under this Instrument or will fail or refuse to act in accordance with this Instrument when requested by Lender or if for any reason and without cause Lender will prefer to appoint a substitute trustee to act instead of the original Trustee named in this Instrument or any prior successor or substitute trustee, Lender will have full power to appoint a substitute trustee and, if preferred, several substitute trustees in succession who will succeed to all the estate, rights, powers and duties of the original Trustee named in this Instrument. Such appointment may be executed by an authorized officer, agent or attorney-in-fact of Lender (whether acting pursuant to a power of attorney or otherwise), and such appointment will be conclusively presumed to be executed with authority and will be valid and sufficient without proof of any action by Lender.

(ii) Any successor Trustee appointed pursuant to this Section will, without any further act, deed or conveyance, become vested with all the estates, properties, rights, powers and trusts of the predecessor Trustee with like effect as if originally named as Trustee in this Instrument; but, nevertheless, upon the written request of Lender or such successor Trustee, the Trustee ceasing to act will execute and deliver an instrument transferring to such successor Trustee, all the estates, properties, rights, powers and trusts of the Trustee so ceasing to act, and will duly assign, transfer and deliver any of the property and monies held by the Trustee ceasing to act to the successor Trustee.

(iii) Trustee may authorize one or more parties to act on Trustee's behalf to perform the ministerial functions required of Trustee under this Instrument, including the transmittal and posting of any notices.

(iv) The Trustee shall not be liable for any error of judgment or act done by the Trustee or be otherwise responsible or accountable under any circumstances whatsoever other than its own gross negligence, willful misconduct, violation of law or fraud. The Trustee shall not be personally liable for any damages resulting from entry on the Mortgaged Property by the Trustee or anyone acting by virtue of the powers granted the Trustee under this Instrument, or for debts contracted or liability or damages incurred in the management or operation of the Mortgaged Property. The Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by it hereunder and believed by it in good faith to be genuine. The Trustee shall be entitled to reimbursement for reasonable expenses incurred by it in the performance of the Trustee's duties under this Instrument and to reasonable compensation for services rendered under this Instrument. Borrower will, from time to time, reimburse the Trustee for, save, and hold the Trustee harmless from and against any and

all loss, cost, liability, damage and expense whatsoever incurred by it in the performance of the Trustee's duties other than those arising from its own gross negligence, willful misconduct, violation of law or fraud. THE INDEMNIFICATION PROVISIONS IN THIS SECTION SHALL BE ENFORCEABLE REGARDLESS OF WHETHER ANY PERSON (INCLUDING THE PERSON FROM WHOM INDEMNIFICATION IS SOUGHT) ALLEGES OR PROVES THE SOLE, CONCURRENT, CONTRIBUTORY OR COMPARATIVE NEGLIGENCE OF THE TRUSTEE, OR OTHER SOLE OR CONCURRENT STRICT LIABILITY IMPOSED ON THE PERSON SEEKING INDEMNIFICATION.

(d) Vendor's Lien. To the extent a vendor's lien is retained in that certain deed conveying the Mortgaged Property to Borrower and dated on or about the date of this Instrument, such vendor's lien has been assigned to Lender, the Note is primarily secured by said vendor's lien, and this Instrument is additional security therefore.

(e) No Fiduciary Duty. Lender owes no fiduciary or other special duty to Borrower.

(f) Fixture Filing. This Instrument is also a fixture filing under the Uniform Commercial Code of Texas.

(g) Additional Provisions Regarding Assignment of Rents. Section 3 will not be construed to require a *pro tanto* or other reduction of the Indebtedness resulting from the assignment of Rents. If the provisions of Section 3 and the preceding sentence cause the assignment of Rents in Section 3 to be deemed to be an assignment for additional security only, Lender will be entitled to all rights, benefits and remedies attendant to such collateral assignment. The assignment of Rents contained in Section 3 will terminate upon the release of this Instrument.

(h) Loan Charges. Borrower and Lender intend at all times to comply with the laws of the State of Texas governing the maximum rate or amount of interest payable on or in connection with the Indebtedness, including Chapter 1204 of the Texas Government Code (or applicable United States federal law to the extent that it permits Lender to contract for, charge, take, reserve or receive a greater amount of interest than under Texas law). If the applicable law is ever judicially interpreted so as to render usurious any amount payable under the Note, this Instrument or any other Loan Document, or contracted for, charged, taken, reserved or received with respect to the Indebtedness, or if acceleration of the maturity of the Indebtedness, or if any prepayment by Borrower results in Borrower having paid any interest in excess of that permitted by any applicable law, then Borrower and Lender expressly intend that all excess amounts collected by Lender will be applied to reduce the unpaid principal balance of the Indebtedness (or, if the Indebtedness has been or would thereby be paid in full, will be refunded to Borrower), and the provisions of the Note, this Instrument and the other Loan Documents immediately will be deemed reformed and the amounts thereafter collectible under the Loan Documents reduced, without the necessity of the execution of any new documents, so as to comply with any applicable law,

but so as to permit the recovery of the fullest amount otherwise payable under the Loan Documents. The right to accelerate the maturity of the Indebtedness does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of the Indebtedness will, to the extent permitted by any applicable law, be amortized, prorated, allocated and spread throughout the full term of the Indebtedness until payment in full so that the rate or amount of interest on account of the Indebtedness does not exceed the applicable usury ceiling. Notwithstanding any provision contained in the Note, this Instrument or any other Loan Document that permits the compounding of interest, including any provision by which any accrued interest is added to the principal amount of the Indebtedness, the total amount of interest that Borrower is obligated to pay and Lender is entitled to receive with respect to the Indebtedness will not exceed the amount calculated on a simple (i.e., noncompounded) interest basis at the maximum rate on principal amounts actually advanced to or for the account of Borrower, including all current and prior advances and any advances made pursuant to the Instrument or any other Loan Document (such as for the payment of Impositions and similar expenses or costs).

(i) ENTIRE AGREEMENT. THIS INSTRUMENT, THE NOTE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

(j) Notice of Additional Provisions Regarding Insurance. Any terms to the contrary contained in this Instrument notwithstanding, the following requirements are hereby imposed pursuant to Section 307.052 of the Texas Finance Code:

(i) BORROWER IS REQUIRED TO: (i) KEEP THE MORTGAGED PROPERTY INSURED AGAINST DAMAGE IN AN AMOUNT EQUAL TO THE INDEBTEDNESS, (ii) PURCHASE THE INSURANCE FROM AN INSURER THAT IS AUTHORIZED TO DO BUSINESS IN THE STATE OF TEXAS OR AN ELIGIBLE SURPLUS LINES INSURER, AND (iii) NAME THE LENDER AS THE PERSON TO BE PAID UNDER THE POLICY IN THE EVENT OF LOSS.

(ii) IF BORROWER FAILS TO COMPLY WITH SUBSECTION (a) ABOVE, LENDER MAY, BUT WILL NOT BE OBLIGATED TO, OBTAIN COLLATERAL PROTECTION INSURANCE ON BEHALF OF BORROWER AT BORROWER'S EXPENSE.

44. **WAIVER OF TRIAL BY JURY. TO THE FULLEST EXTENT PERMITTED BY LAW, BORROWER, LENDER AND THE BENEFICIARY PARTIES EACH (A) COVENANTS AND AGREES NOT TO ELECT A TRIAL BY JURY WITH RESPECT TO ANY ISSUE ARISING OUT OF THIS INSTRUMENT OR THE RELATIONSHIP BETWEEN THE PARTIES AS BORROWER AND LENDER THAT IS TRIABLE OF RIGHT BY A JURY AND (B) WAIVES ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO SUCH ISSUE TO THE EXTENT THAT ANY SUCH RIGHT EXISTS NOW OR IN THE FUTURE. THIS WAIVER OF RIGHT TO TRIAL BY JURY IS SEPARATELY GIVEN BY EACH PARTY, KNOWINGLY AND VOLUNTARILY WITH THE BENEFIT OF COMPETENT LEGAL COUNSEL.**

45. **ATTACHED EXHIBITS**. The following Exhibits are attached to this Instrument and are incorporated by reference herein as if more fully set forth in the text hereof:

☒ Exhibit A Description of the Land.

☒ Exhibit B Modifications to Instrument.

☒ Exhibit C Financing Statement Information.

☒ Exhibit D Modifications to Instrument (Ground Lease).

☒ Exhibit E Description of Ground Lease.

☒ Exhibit F Ground Lessor Subordination and Joinder.

The terms of this Instrument are modified and supplemented as set forth in said Exhibits. To the extent of any conflict or inconsistency between the terms of said Exhibits and the text of this Instrument, the terms of said Exhibits shall be controlling in all respects.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Instrument or caused this Instrument to be duly executed and delivered by its authorized representative as of the date first set forth above. The undersigned intends that this instrument shall be deemed to be signed and delivered as a sealed instrument.

BORROWER:

SDC CORINTH III, LP,
a Texas limited partnership

By: Fiji Mixed Development, LLC,
a Texas limited liability company,
its general partner

By: XXXX, LLC,
a Texas limited liability company,
its sole member

By: Dallas County Housing Finance Corporation 2025,
a Texas public housing finance corporation,
its sole member and manager

By: _____
Name:
Title:

ACKNOWLEDGMENT

STATE OF TEXAS)
)
COUNTY OF _____)

SS:_____

On this ____ day of _____, 2026, before me, _____, personally appeared _____, known to me or proven on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument, and acknowledged to me that he/she executed the same in his authorized capacity as the _____ of Dallas County Housing Finance Corporation 2025, a Texas public housing finance corporation, the sole member and manager of XXXX, LLC, a Texas limited liability company, the sole member of Fiji Mixed Development, LLC, a Texas limited liability company, the general partner of SDC Corinth III, LP, a Texas limited partnership, and that by his/her signature on the instrument the entity on behalf of which he/she acted executed the instrument.

WITNESS my hand and official seal.

_____
Notary

My Commission expires:

(SEAL)

EXHIBIT A

DESCRIPTION OF THE LAND

Real property in the City and County of Dallas, State of Texas, described as follows:

BEING surveyed as a 2.26 acre (98,232 square foot) tract or parcel of land situated in the WILLIAM S. BEATTY SURVEY, ABSTRACT No. 57, City of Dallas, Dallas County, Texas, and all of Lot 1, Block 4719, Lots 17-24, Block 4720, Lot 25, Block 4717, a portion of Lots 5, 6, Block 4719, and Lot 26, Block 4717, OAK CLIFF HEIGHTS ADDITION, an addition to the City of Dallas, Dallas County, Texas, and being that portion of land as abandoned by City Ordinance 28685, being the old right-of-way for Avenues A, B, D, and E as described in deed to SDC Mixed Development, L.L.C., as recorded in Instrument No. 201500230672, Official Public Records, Dallas County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at set 5/8" capped iron rod stamped "ADAMS SURVEYING COMPANY LLC" hereinafter referred to as (CIRS), for the Southeast corner of Fran Way having a right-of-way of 40 feet and the South line of a right-of-way dedication for Eleventh Street having a right-of-way of 56 feet as shown on Phase 1, Sphinx at Fiji as recorded in Instrument No. 201000127675, Plat Records, Dallas County, Texas;

THENCE South 89° 51' 36" East, departing the East line of said Fran Way with the South line of said Eleventh Street, a distance of 161.82 feet to a CIRS for the Northern most corner of a corner clip at the Southwest corner of the intersection of said Eleventh Street and South Corinth Street having a variable width right-of-way;

THENCE South 48° 56' 24" East, a distance of 12.36 feet to a CIRS for the Southern most corner of said corner clip;

THENCE along the arc of a curve to the left and with the West line of said South Corinth Street, having a central angle of 02° 20' 29", a radius of 2133.70 feet, an arc length of 87.19 feet and a chord which bears South 06° 04' 20" East, a distance of 87.19 feet to a CIRS;

THENCE South 07° 14' 35" East, continuing along the West line of said South Corinth Street, a distance of 140.58 feet to a CIRS;

THENCE South 07° 08' 24" East, continuing along the West line of said Corinth Street, a distance of 153.61 feet to a CIRS for the Southeast corner of said Lot 5 and being the Northeast corner of Lot 2, Block 4719, Oak Cliff Heights Addition, described by deed to Cedrick Bolden as recorded in Instrument No. 20080022695, Official Public Records, Dallas County, Texas;

THENCE North 89° 27' 44" West, with the common line of said Lots 2 and 5, Block 4719, a distance of 38.07 feet to a CIRS for the Northwest corner of said Lot 2 and being the Northeast corner of said Lot 1;

THENCE South 00° 32' 16" West, along the common line of said Lots 1 and 2, Block 4719, a distance of 100.00 feet to a CIRS for the Southeast corner of said Lot 1, for the Southwest corner of said Lot 2;

THENCE South 00° 32' 16" West, 7.98 feet to a CIRS being in the North right-of-way of said Avenue B;

THENCE with the North line of Avenue B, same being the South line of said right-of-way abandonment as recorded in Instrument No. 201300265727, Official Public Records, Dallas County, Texas, the following courses and distances:

South 81° 30' 13" West, a distance of 128.49 feet to a CIRS;

North 88° 53' 44" West, a distance of 49.91 feet to a CIRS;

North 43° 57' 23" West, a distance of 14.16 feet to a CIRS for the Northeast corner of the intersection of said Avenue B and said Fran Way;

THENCE North 00° 58' 59" East, along the East line of said Fran Way and Lots 17-21, Block 4720 of said Oak Cliff Heights Addition, a distance of 228.09 feet to a CIRS;

THENCE North 01° 00' 00" East, along the East line of said Fran Way and Lots 21-24, Block 4720 and Lots 25, 26, Block 4717 of said Oak Cliff Heights Addition, a distance of 274.52 feet to the POINT OF BEGINNING and containing 2.26 acres (98,232 square feet) of land, more or less.

EXHIBIT B

MODIFICATIONS TO INSTRUMENT

The following modifications are made to the text of the Instrument that precedes this Exhibit:

1. Section 21(a) of the Instrument is amended by adding the following at the end of such Section:

"(xii) notwithstanding anything to the contrary herein or in Borrower's Organizational Documents, a Transfer or pledge of a general partnership interest in Borrower or an interest in any general partner of Borrower to a 501(c)(3) nonprofit corporation, or a limited liability company whose sole member is a 501(c)(3) nonprofit corporation, without the prior written consent of Lender following full review and underwriting by Lender of the proposed transferee."

2. Section 21(b) of the Instrument is amended by adding the following at the end of such Section:

"(viii) Provided that (i) SDC Corinth III, LP owns the Mortgaged Property and remains the borrower under the Note, (ii) Fiji Mixed Development, LLC, a Texas limited liability company ("**General Partner**") is the sole general partner in Borrower and (iii) AHP Housing Fund 303, LLC, a Delaware limited liability company, or its permitted transferee (the "**Equity Investor**"), has not less than a 99% limited partnership interest in Borrower:

(A) the removal by Equity Investor of General Partner as general partner of Borrower and its replacement as general partner by Affordable Housing Partners, Inc., a Delaware corporation ("**Equity Investor Sponsor**"), or by a wholly-owned affiliate of Equity Investor Sponsor, which removal shall be in accordance with the terms of the limited partnership agreement of Borrower, provided that (i) the entity replacing the removed General Partner must be a single purpose entity, (ii) after such replacement, Equity Investor Sponsor or the Initial Owners of Equity Investor Sponsor must own directly or indirectly not less than a Controlling Percentage of the general partnership or managing membership interests, as applicable, in the entity which replaced the removed General Partner and (iii) each Guarantor shall be replaced as Guarantor by an individual or entity that is approved by Lender and satisfies Lender's mortgage credit standards for guarantors; or

(B) For the sole purpose of effecting the initial sale of limited partnership interests to a purchaser of low income housing tax credits allocated to the Mortgaged Property in either a one or two-step transaction: (i) a Transfer of limited partnership interests of Equity Investor in Borrower to (A) a wholly-owned affiliate of Equity Investor or a wholly-owned affiliate of Equity Investor

Sponsor, or (B) an entity whose management is controlled by Equity Investor, by a wholly-owned affiliate of Equity Investor or by Equity Investor Sponsor, or (ii) so long as Equity Investor Sponsor remains the sole managing member, sole manager or sole general partner, as applicable, of Equity Investor, the transfer of non-managing membership interests or limited partnership interests, as applicable, in Equity Investor.

(ix) a Transfer of the interests of Equity Investor in Borrower to the General Partner or to an Affiliate of the General Partner at any time following the expiration of, for each building in the Project, the applicable credit period of ten (10) taxable years described in Code Section 42(f)(1), provided that at the time of such Transfer (A) Lender shall be provided with advance written notice of any proposed Transfer permitted under this Section 21(b)(ix) no later than 30 days before the date of the proposed Transfer, (B) the transferee, if other than the General Partner or any Guarantor, shall be subject to the satisfactory completion by Lender of due diligence with respect to such transferee, including without limitation, financial, credit, U.S Treasury Department Office of Foreign Assets Control (OFAC), know-your-customer (KYC) and similar reviews, (C) no Event of Default shall have occurred and be continuing (provided the Lender shall have no obligation to accept a cure of an Event of Default if such cure was not timely resolved within the applicable notice and cure period), and (D) Borrower shall pay to Lender a $10,000 transfer fee and the reasonable costs and expenses of Lender in connection with such Transfer, including reasonable legal fees.

Borrower must provide Lender with: (i) advance written notice of the identity of any entity replacing the General Partner or a Guarantor pursuant to this Section 21(b), and (ii) upon request by Lender from time to time, the names of all owners of interests in Borrower, whether such interests are owned directly or indirectly."

3. Section 30(a) of the Instrument is amended to add the following at the end of such Paragraph:

"Lender agrees that, so long as Equity Investor has a continuing ownership interest in Borrower, effective notice to Borrower under the Loan Documents shall require delivery of a copy of such notice to Equity Investor. Such notice shall be given in the manner provided in this Section 30(a), at Equity Investor's address set forth below:

AHP Housing Fund 303, LLC
1314 Douglas Street, Suite 1400
Omaha, NE 68102-1944
Attention: Legal Notices
Email: notices@berkahp.com

with a copy to:

Kutak Rock LLP
1801 California Street, Suite 3000
Denver, Colorado 80202-5596
Attention: Ellen K. O'Brien
Email: ellen.obrien@kutakrock.com

Kutak Rock LLP
2001 16th Street, Suite 1800
Denver, Colorado 80202
Attention: Ellen K. O'Brien
Email: ellen.obrien@kutakrock.com

Lender agrees that, notwithstanding its rights to invoke the remedies permitted by Section 43 of this Instrument, upon the breach of any covenant or agreement by Borrower in this Instrument (including, but not limited to, the covenants to pay when due sums secured by this Instrument) or any other Loan Document, Lender shall not, so long as Equity Investor has a continuing ownership interest in Borrower, conduct a foreclosure sale of the Mortgaged Property or receive a deed-in-lieu of foreclosure, until such time as Equity Investor has first been given 30 days written notice of such default and has failed, within such 30-day period to cure such default; provided, however, that Lender shall be entitled, during such 30-day period, to continue to accelerate the Note and to pursue its remedies. Any cure tendered by Equity Investor will be accepted or rejected on the same basis as cures tendered by Borrower."

4. The following new Sections are added to the Instrument after the last numbered Section:

"**46. (Reserved)**

47. EXTENDED LOW-INCOME HOUSING COMMITMENT. Lender agrees that the lien of this Instrument shall be subordinate to any extended low-income housing commitment (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code) (the "**Extended Use Agreement**") recorded against the Mortgaged Property; provided that such Extended Use Agreement, by its terms, must terminate upon foreclosure under this Instrument or upon a transfer of the Mortgaged Property by instrument in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Internal Revenue Code.

48. ANNUAL LIHTC REPORTING REQUIREMENTS. Borrower must submit to Lender each year at the time of annual submission of Borrower's financial analysis of operations,

a copy of the following sections of Borrower's federal tax return: Internal Revenue Forms 1065, 8586, 8609 and Form 8609, Schedule A, which must reflect the total low-income housing tax credits ("**LIHTCs**") allocated to the Mortgaged Property and the LIHTCs claimed for the Mortgaged Property in the preceding year.

49. CROSS-DEFAULT. Borrower acknowledges and agrees that (a) any failure by Borrower or the Project to qualify for low income housing tax credits pursuant to the provisions of Section 42 of the Internal Revenue Code and (b) any default, event of default, or breach (however such terms may be defined) after the expiration of any applicable notice and/or cure periods under the Extended Use Agreement shall be an Event of Default under this Instrument and that any costs, damages or other amounts, including reasonable attorney's fees incurred by Lender as a result of such an Event of Default by Borrower, including amounts paid to cure any default or event of default, under the Extended Use Agreement shall be an obligation of Borrower and become a part of the Indebtedness secured by this Instrument.

50. ANNUAL COMPLIANCE. Borrower shall submit to Lender on an annual basis, evidence that the Mortgaged Property is in ongoing compliance with all income, occupancy and rent restrictions under the Extended Use Agreement relating to the Mortgaged Property. Such submissions shall be made contemporaneously with Borrower's reports required to be made to the regulator under the Extended Use Agreement.

51. TAX EXEMPTION OR ABATEMENT.

(a) Borrower represents, warrants and covenants to Lender that the Mortgaged Property is eligible for and will receive a tax exemption or abatement (the "**Tax Abatement**") under Chapter 394 of the Texas Local Government Code (the "**Program**").

(b) Borrower must file or cause to be filed on a timely basis all documentation necessary to maintain the Tax Abatement.

(c) Borrower must comply or cause compliance fully with all of the Program requirements in order to obtain and maintain the Tax Abatement.

(d) Borrower shall promptly provide Lender with a copy of any notice Borrower may receive alleging that Borrower is in breach of the requirements of the Program or that the Mortgaged Property is not being maintained as required by the Program.

(e) In any application for a Transfer of the Mortgaged Property, any interest in the Mortgaged Property or any interest in Borrower, Borrower shall notify Lender if the completion of such Transfer without the consent of the agency administering the Tax Abatement would result in the termination of the Tax Abatement.

(f) Borrower shall avail itself of all rights and opportunities to renew or extend the Tax Abatement.

(g) Borrower shall not voluntarily take or cause to be taken any action that would threaten the Tax Abatement or cause the Tax Abatement to terminate without the prior written consent of Lender.

(h) Borrower represents and warrants that:

(1) Borrower has not received any notice indicating that the Tax Abatement will be terminated or will not be obtained.

(2) Borrower has adhered to any income, rent or other restrictions imposed by the Tax Abatement.

(i) Each of the following shall constitute an Event of Default:

(1) Any breach of any of the representations and warranties in Subsection (h).

(2) Any transfer of the Mortgaged Property, any interest in the Mortgaged Property, or any interest in Borrower that would cause the Tax Abatement to terminate.

(j) In addition to the foregoing:

(1) The Borrower shall notify Lender if it receives any notice indicating that the Tax Abatement will be terminated before its scheduled expiration date.

(2) The Borrower shall notify Lender if a Transfer of the Mortgaged Property or any interest in Borrower would result in the termination of the Tax Abatement.

52. REGULATORY AGREEMENT. Notwithstanding anything in this Instrument to the contrary, the Lender hereby acknowledges and consents to the lien of the Regulatory Agreement and agrees that, irrespective of the order of recordation or date of effectiveness, the lien of this Instrument shall be subordinate to the Regulatory Agreement. Borrower acknowledges and agrees that any default, event of default, or breach (however such terms may be defined) after the expiration of any applicable notice and/or cure periods under the Regulatory Agreement shall be an Event of Default under this Instrument and that any costs, damages or other amounts, including reasonable attorney's fees incurred by the Lender as a result of such an Event of Default by Borrower, including amounts paid to cure any default or event of default, under the Regulatory Agreement shall be an obligation of Borrower and become a part of the Indebtedness secured by this Instrument.

53. LIEN PRIORITY. This instrument shall be co-equal in lien priority with the Original Borrower Loan Security Instrument and that certain Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas), dated as of December 1, 2021, by Borrower to Funding Lender, in the principal amount not to exceed $9,750,000.

54. INTENTIONALLY OMITTED.

55. AFFORDABILITY RESTRICTIONS.

(a) Borrower shall not use the Mortgaged Property for any purpose other than Affordable Housing until the later of (i) the expiration of the term of the Affordability Restriction or (ii) 15 years from the date of this Instrument.

(b) Borrower's tenant selection procedure shall be conducted in accordance with all applicable state and federal laws including but not limited to fair housing laws, rules and regulations. If any Affordable Unit in the Mortgaged Property is occupied by a Qualifying Tenant(s) at the time of initial occupancy, and such Qualifying Tenant's income should subsequently exceed 140 percent of the applicable income limit, Borrower shall, after such determination of income, rent the next available residential unit of comparable or smaller size in the Mortgaged Property to another Qualified Tenant.

(c) A family, who, at the commencement of occupancy of a unit in the Mortgaged Property, was of low or moderate income, shall be treated as continuing to meet the low and moderate income requirement.

(d) For purposes of this Section:

"Affordable Housing" means a multifamily housing project in which 20 percent or more of the residential units are both rent-restricted and occupied by families whose incomes are 50 percent or less of the area median income as determined by HUD, with adjustments for household size, or in which 40 percent (25 percent in New York City) or more of the residential units are both rent-restricted and occupied by families whose incomes are 60 percent or less of the area median income as determined by the HUD Commissioner with adjustments for household size. A residential unit is rent-restricted if the Gross Rent with respect to such unit does not exceed 30 percent of the Imputed Income Limitation (as defined herein) applicable to such unit.

"Affordability Restriction" means a contractual agreement or covenant prohibiting the use of the Mortgaged Property for any purpose other than Affordable Housing.

"Affordable Units" means those units which are designated by Borrower for occupancy by Qualifying Tenants.

"Gross Rent" means the rental charge for an Affordable Unit in the Mortgaged Property including any utility allowance determined by HUD in accordance with Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f) ("Section 8"). Gross Rent does not include any subsidy payment under Section 8 or any comparable rental assistance program (with respect to such unit or the tenant(s) thereof), nor does it include any fee for a basis of the low income status of the tenant(s) of the unit by any governmental program of assistance (or by an organization described in Section 501(c)(3) and exempt from tax under Section 501(a) of the Code (26 U.S.C. 501(a)) if such program (or organization) provides assistance for rent and the amount of assistance provided for rent is not separable from the amount of assistance provided for supportive services. Gross Rent does not

include any rental payment to the owner of a unit if the owner pays an equivalent amount to the Farmers Home Administration under Section 515 of the Housing Act of 1949 (42 U.S.C. 1485).

"Imputed Income Limitation" has the meaning as defined in Section 42(g)(2)(C) of the Code (26 U.S.C. 42(g)(2)(C).

"Qualifying Tenant" means persons or family whose income at time of initial occupancy does not exceed 50 percent or 60 percent as applicable, of the area median income, as determined by HUD with adjustments for family size.

56. **FAIR HOUSING; EQUAL OPPORTUNITY.** Borrower shall: (a) comply with the provisions of Title VIII of the Civil Rights Act of 1968, as amended, and any regulations or administrative procedures issued pursuant thereto. These laws and regulations prohibit discrimination in the rental or financing of housing on the basis of race, color, national origin, religion (creed), or sex. Borrower agrees to administer the Property and related activities in a manner to affirmatively further fair housing. Borrower also agrees to comply with similar state and local fair housing laws and ordinances; and (b) comply with the provisions of Executive Order 11063 on Equal Opportunity in Housing and all regulations issued pursuant thereto. This order and related regulations prohibit discrimination on the basis of race, color, religion (creed), national origin, or sex in housing and related facilities provided through Federal financial assistance.

57. **AFFORDABILITY RESTRICTION**. The Affordability Restriction is incorporated into and made a part of this Instrument and a default under such Agreement shall constitute an Event of Default under this Instrument and Lender may exercise all of its rights under this Instrument.

All capitalized terms used in this Exhibit not specifically defined herein shall have the meanings set forth in the text of the Instrument that precedes this Exhibit.

EXHIBIT C

FINANCING STATEMENT INFORMATION

1.	Name and Address of Debtor:	SDC Corinth III, LP 3030 LBJ Freeway, Suite 1350 Dallas, Texas 75234 Attention: Joseph Agumadu
2.	Debtor's State of Organization and Organizational I.D.#:	
	State of Formation:	Texas
	Type of Entity:	limited partnership
	Organizational I.D.#:	0801231472
3.	Name and Address of Secured Party:	Texas Department of Housing and Community Affairs P.O. Box 13941 Austin, Texas 78711
4.	Name and Address of Assignee Secured Party:	Wilmington Trust, National Association 15950 North Dallas Parkway, Suite 200 Dallas, Texas 75248
5.	The Collateral is:	Fixtures (as that term is described in the Uniform Commercial Code of Texas) attached to the Land described in Exhibit A attached to this Instrument.

EXHIBIT D

MODIFICATIONS TO INSTRUMENT
(Ground Lease)

The following modifications are made to the text of the Instrument that precedes this Exhibit:

1. The granting clause on page 1 is deleted in its entirety and the following new granting clause is inserted in its place:

"Granting Clause. Borrower, in consideration of the Indebtedness and the trust created by this Instrument, irrevocably grants, conveys and assigns to Trustee, in trust, with power of sale, the Mortgaged Property, including the Leasehold Estate in the Land located in Dallas County, Texas and described in Exhibit A attached to this Instrument, to have and to hold the Mortgaged Property unto Trustee, Trustee's successor in trust and Trustee's assigns forever."

2. The definition of Mortgaged Property in Section 1 is amended by deleting paragraph (i) and inserting the following new paragraph in its place: "(i) the Ground Lease and the Leasehold Estate;"

3. The definition of Mortgaged Property in Section 1 is amended by deleting the word "Land" from paragraph (viii) and inserting the words "Leasehold Estate" in its place.

4. Section 1 is amended by adding the following new definitions:

"Event of Ground Lessor Bankruptcy" means either of the following actions taken by or with respect to Ground Lessor: (i) Ground Lessor pursuant to or within the meaning of the United States Bankruptcy Code (x) commences a voluntary case, or (y) consents to the entry of an order for relief against it in an involuntary case; or (ii) a court of competent jurisdiction enters an order or decree under the United States Bankruptcy Code that is for relief against Ground Lessor in an involuntary case.

"Ground Lease" means the lease described in Exhibit E pursuant to which Borrower leases the Land, as such lease may from time to time be amended, modified, supplemented, renewed and extended.

"Ground Lessee Default" means (i) a default by Borrower in making any payment of rent, additional rent or other sum of money payable by Borrower to Ground Lessor under the Ground Lease on the date such payment is due and payable, or (ii) a default by Borrower in performing or observing any of the terms, covenants or conditions of the Ground Lease (other than the payments referred to in clause (i)) required to be performed or observed by Ground Lessee.

"Ground Lessor" means the lessor from time to time under the Ground Lease.

"Ground Lessor Default" means a default by Ground Lessor in performing or observing any of the terms, covenants or conditions of the Ground Lease required to be performed or observed by Ground Lessor.

"Ground Rent" means the base or minimum rent payable in fixed monthly or other periodic installments under the Ground Lease.

"Leased Premises" means the Land and any other real property leased by Borrower pursuant to the Ground Lease.

"Leasehold Estate" means Borrower's interest in the Land and any other real property leased by Borrower pursuant to the Ground Lease, including (i) all rights of Borrower to renew or extend the term of the Ground Lease, (ii) all amounts deposited by Borrower with Ground Lessor under the Ground Lease, (iii) Borrower's right or privilege to terminate, cancel, surrender, modify or amend the Ground Lease, and (iv) all other options, privileges and rights granted and demised to Borrower under the Ground Lease and all appurtenances with respect to the Ground Lease.

5. Section 22(d) is amended in its entirety to read as follows:

"(d) fraud or material misrepresentation or material omission by Borrower or Guarantor, any of their respective officers, directors, trustees, general partners, managing members, managers, agents or representatives in connection with (i) the application for the Loan, (ii) any financial statement, rent roll, or other report or information provided to Lender during the term of the Indebtedness, (iii) any request for Lender's consent to any proposed action, including a request for disbursement of funds under any Collateral Agreement or (iv) any of the representations and warranties contained in Section 58;"

6. Section 22 is amended by inserting the following new provision as additional subsection (t):

"any failure by Borrower to comply with the provisions of Sections 58, 59, 60, 62, 63(b), 64(a) or 65;"

7. The following new Sections are added at the end of the Instrument after the last numbered Section:

58. **REPRESENTATIONS AND WARRANTIES REGARDING GROUND LEASE**. Borrower warrants and represents to Lender that, as of the date of this Instrument: (i) the Ground Lease is in full force and effect in accordance with its terms; (ii) Borrower has not waived, canceled or surrendered any of its rights under the Ground Lease; (iii) Borrower is the sole owner of, and has good and marketable title to, the Leasehold Estate; (iv) the Leasehold Estate, the Leased Premises and the Mortgaged Property are free and clear of all liens, encumbrances and other matters affecting title, other than the lien of this Instrument and the Permitted Encumbrances; (v) there is no existing Ground Lessee Default and no event has occurred which, with the passage of time or the giving of notice, or both, would constitute a Ground Lessee Default; and (vi) to the best of Borrower's knowledge, there is no existing Ground Lessor Default and no event has occurred which, with the passage of time or the giving of notice, or both, would constitute a Ground Lessor Default.

59. **NOTICES UNDER GROUND LEASE**. Borrower shall deliver to Lender, within ten (10) days after Borrower's receipt, a true and correct copy of each notice, demand, complaint or request from Ground Lessor under, or with respect to, the Ground Lease.

60. **BORROWER'S OBLIGATIONS TO COMPLY WITH GROUND LEASE**. Borrower shall (i) pay the Ground Rent and all other sums of money due and payable at any time and from time to time under the Ground Lease as and when such sums become due and payable, but in any event before the expiration of any grace period provided in the Ground Lease for the payment of any such sum, and (ii) at all times fully perform, observe and comply with all other terms, covenants and conditions of the Ground Lease to be performed, observed or complied with by Borrower as lessee under the Ground Lease. If the Ground Lease does not provide for a grace period for the payment of a sum of money, Borrower shall make the payment on or before the date on which the payment becomes due and payable. Borrower shall deliver evidence of the payment to Lender within ten (10) days after receipt of a written request from Lender for evidence of the payment.

61. **LENDER'S RIGHT TO CURE GROUND LESSEE DEFAULTS**. At any time after Lender receives notice of a Ground Lessee Default, (i) Lender may (but shall not be obligated to do so), make any payment, perform any obligation and take any other action Borrower would have the right to pay, perform or take under the Ground Lease which Lender deems necessary or desirable to cure the Ground Lessee Default, and (ii) Lender and its authorized agents shall have the right at any time or from time to time to enter the Land and Improvements, or any part thereof, to such extent and as often as Lender, in its discretion, deems necessary or desirable in order to cure the Ground Lessee Default, subject to the rights of the tenants and occupants of the Mortgaged Property. Lender may exercise its rights under this Section immediately after receipt of notice of a Ground Lessee Default and without regard to any grace period provided to Borrower in the Ground Lease to cure the Ground Lessee Default. For purposes of exercising its rights under this Section, Lender shall be fully protected for any action taken or omitted to be taken by Lender, in good faith, in reliance on any written notice from Ground Lessor stating that a Ground Lessee Default has occurred and is continuing even though Borrower may question or deny the existence or nature of the Ground Lessee Default. All expenditures made by Lender pursuant to this Section to cure a Ground Lessee Default shall become an additional part of the Indebtedness as provided in Section 12.

62. **COVENANTS TO PROTECT LEASEHOLD ESTATE**. Borrower shall not, without the written consent of Lender (which may be given or withheld by Lender in its discretion), (i) surrender the Leasehold Estate to Ground Lessor or terminate or cancel the Ground Lease, (ii) amend, modify or change the Ground Lease, either orally or in writing, or waive any of Borrower's rights under the Ground Lease, (iii) subordinate the Ground Lease or the Leasehold Estate to any mortgage, deed of trust or other lien on Ground Lessor's fee title to the Leased Premises, or (iv) except as otherwise provided in Section 63(b), reject or assume the Ground Lease or assign the Leasehold Estate pursuant to Section 365(h) of the United States Bankruptcy Code. Borrower absolutely and unconditionally transfers and assigns to Lender all of Borrower's rights to surrender, terminate, cancel, modify and change the Ground Lease, and any such surrender, termination, cancellation, modification or change made without the prior written consent of Lender shall be void and have no legal effect.

63. GROUND LESSEE'S BANKRUPTCY.

(a) Borrower assigns to Lender, as additional security for the Indebtedness, Borrower's right to reject the Ground Lease under Section 365 of the United States Bankruptcy Code after the occurrence of a Bankruptcy Event, subject to Section 63(b).

(b) If, after the occurrence of a Bankruptcy Event, Borrower decides to reject the Ground Lease, Borrower shall give Lender written notice, at least ten (10) days in advance, of the date on which Borrower intends to apply to the Bankruptcy Court for authority and permission to reject the Ground Lease. Lender shall have the right, but not the obligation, within ten (10) days after receipt of Borrower's notice, to deliver to Borrower a notice ("Lender's Assumption Notice") in which (i) Lender demands that Borrower assume the Ground Lease and assign the Ground Lease to Lender, or its designee, in accordance with the United States Bankruptcy Code, and (ii) Lender agrees to cure or provide adequate assurance of prompt cure of all Ground Lessee Defaults reasonably susceptible of being cured by Lender and of future performance under the Ground Lease. If Lender timely delivers Lender's Assumption Notice to Borrower, Borrower shall not reject the Ground Lease and shall, within fifteen (15) days after receipt of Lender's notice, comply with the demand contained in clause (i) of Lender's notice. If Lender does not timely deliver Lender's Assumption Notice to Borrower, Borrower shall have the right to reject the Ground Lease.

64. GROUND LESSOR'S BANKRUPTCY.

(a) If, after the occurrence of an Event of Ground Lessor Bankruptcy, Ground Lessor rejects the Ground Lease pursuant to Section 365(h) of the United States Bankruptcy Code (i) Borrower, immediately after obtaining notice of the rejection, shall deliver a copy of the notice to Lender, (ii) Borrower shall not, without Lender's prior written consent (which may be given or withheld in Lender's discretion), elect to treat the Ground Lease as terminated pursuant to Section 365(h) or any other applicable provision of the United States Bankruptcy Code, and (iii) this Instrument and the lien created by this Instrument shall extend to and encumber Borrower's retained rights under the Ground Lease that are appurtenant to the Leased Premises for the balance of the term of the Ground Lease and for any renewal or extension of those rights under the Ground Lease. Borrower transfers and assigns to Lender, as additional security for the Indebtedness, Borrower's rights, after Ground Lessor's rejection of the Ground Lease, to treat the Ground Lease as terminated, and any termination of the Ground Lease made by Borrower without Lender's prior written consent shall be void and have no legal effect.

(b) Borrower transfers and assigns to Lender, as additional security for the Indebtedness, all of Borrower's rights to damages caused by Ground Lessor's rejection of the Ground Lease after the occurrence of an Event of Ground Lessor Bankruptcy and all of Borrower's rights to offset such damages against rent payable under the Ground Lease. As long as no Event of Default has occurred and is continuing, Lender agrees that it will not enforce its rights under the preceding sentence, but will permit Borrower to exercise such rights with Lender's prior written consent. Any amounts received by Lender as damages arising out of Ground Lessor's rejection of the Ground Lease shall be applied in the manner set forth in Section 9.

65. **OPTION TO RENEW OR EXTEND GROUND LEASE**. Borrower shall give Lender written notice of Borrower's intention to exercise each option to renew or extend the term of the Ground Lease at least ninety (90) days, but not more than one hundred fifty (150) days, before the last day on which the option may be timely exercised. If Borrower intends to renew or extend the term of the Ground Lease, it shall deliver to Lender, together with the notice of such decision, a copy of the notice of renewal or extension it delivers to Ground Lessor. If Borrower does not intend to renew or extend the term of the Ground Lease or, if Borrower fails to deliver its written notice of exercise of its option to renew or extend the term of the Ground Lease at least ninety (90) days before the last day on which the option may be timely exercised, Lender shall have the right, but shall not be obligated, to renew or extend the term of the Ground Lease for and on behalf of Borrower.

66. **NO MERGER OF ESTATES**. If Borrower acquires the fee estate of Ground Lessor under the Ground Lease (the "Fee Estate") (i) there shall be no merger between the Fee Estate and the Leasehold Estate unless all persons, including Lender, having an interest in the Ground Lease consent in writing to the merger, and (ii) simultaneously with Borrower's acquisition of the Fee Estate, the lien of this Instrument shall automatically, without the necessity of any further conveyance, be spread to cover the Fee Estate and as so spread shall be prior to the lien of any mortgage, deed of trust or other lien placed on the Fee Estate after the date of this Instrument. Promptly after Borrower's acquisition of the Fee Estate, Borrower, at its sole cost and expense, including payment of Lender's attorneys' fees and out-of-pocket disbursements, shall execute and deliver all documents and instruments necessary to subject the Fee Estate to the lien of this Instrument, and shall provide to Lender a title insurance policy insuring the lien of this Instrument as a first lien on the Fee Estate and the Leasehold Estate. If Lender acquires the Fee Estate and the Leasehold Estate (whether pursuant to the provisions of the Ground Lease, by foreclosure of this Instrument, or otherwise), the Fee Estate and the Leasehold Estate shall not merge as a result of such acquisition and shall remain separate and distinct for all purposes after such acquisition unless and until Lender shall elect to merge the Fee Estate and the Leasehold Estate.

67. **NEW LEASE**. If (i) the Ground Lease is canceled or terminated for any reason before the natural expiration of its term, and (ii) Lender (or its designee) obtains from Ground Lessor a new lease in accordance with the term of the Ground Lease, Borrower shall have no right, title or interest in and to the new lease or the leasehold estate created by the new lease.

68. **APPOINTMENT OF LENDER AS BORROWER'S ATTORNEY-IN-FACT**. Borrower makes, constitutes and appoints Lender as Borrower's attorney-in-fact, in Borrower's name, place and stead, with full power of substitution, to take all actions and to sign all documents and instruments which Lender, in its discretion, considers to be necessary or desirable to (i) prevent or cure a Ground Lessee Default pursuant to Section 61, (ii) perform or carry out any of Borrower's covenants under Section 60, (iii) renew or extend the term of the Ground Lease pursuant to Section 65, (iv) appoint arbitrators and conduct arbitration proceedings pursuant to the Ground Lease, and (v) request and obtain estoppel certificates from Ground Lessor pursuant to the Ground Lease. Borrower gives and grants to Lender, as Borrower's attorney-in-fact, full power and authority to do and perform every act and sign every document and instrument necessary and proper to be done in the exercise of the foregoing power as fully as Borrower might or could do, and Borrower hereby ratifies and confirms all acts that Lender, as Borrower's attorney-in-fact, shall lawfully do or cause

to be done by virtue of this power of attorney. This power of attorney, being coupled with an interest, shall be irrevocable as long as any of the Indebtedness remains unpaid."

All capitalized terms used in this Exhibit not specifically defined herein shall have the meanings set forth in the text of the Instrument that precedes this Exhibit.

EXHIBIT E

DESCRIPTION OF GROUND LEASE

Amended & Restated Ground Lease dated as of December 12, 2022, by and between Dallas County Housing Finance Corporation 2025 (as successor-in-interest to The Cameron County Housing Finance Corporation), as Landlord and SDC Corinth III, LP, a Texas limited partnership, as Tenant.

EXHIBIT F

GROUND LESSOR SUBORDINATION AND JOINDER
[Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing]

THIS **GROUND LESSOR SUBORDINATION AND JOINDER** (this "Subordination"), dated as of the 1st day of _____, 2026, is made by **DALLAS COUNTY HOUSING FINANCE CORPORATION 2025**, a Texas public housing finance corporation (as successor-in-interest to the Cameron County Housing Finance Corporation, the "**Ground Lessor**") and **SDC CORINTH III, LP**, a Texas limited partnership ("**Borrower**"), for the benefit of **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,** a public and official agency of the State of Texas, whose address is P.O. Box 13941, Austin, Texas 78711, as beneficiary, and its successors and assigns ("**Governmental Lender**"). The date of this Subordination as set forth above is for reference purposes only, and this Subordination will not be effective and binding until the Closing Date (as defined by the Loan Agreement).

R E C I T A L S

A. Ground Lessor is leasing certain real property located in Dallas County, Texas, as described on Exhibit A attached hereto (the "**Leased Premises**") to Borrower, pursuant to that certain Ground Lease dated as of the Closing Date, with respect to which a Memorandum of Lease shall be or has been recorded with the Dallas County Recorder's Office (as the same has been amended, assigned, modified, substituted or extended, hereinafter the "**Ground Lease**").

B. Governmental Lender has made a loan (the "**Loan**") to Borrower in the original principal amount of $6,000,000, for the construction of improvements upon a 204-unit multifamily residential project located on the Leased Premises from funds made available to the Governmental Lender by Stellar Bank, a Texas state charted bank (the "**Funding Lender**" and together with Governmental Lender, the "**Lender**"), pursuant to the terms of a Funding Loan Agreement dated as of January 1, 2026 (the "**Funding Loan Agreement**"), among the Governmental Lender, Wilmington Trust National Association, as fiscal agent (the "**Fiscal Agent**"), and the Funding Lender.

C. The Loan is evidenced by that certain Multifamily Note, dated as of the date hereof, in the aggregate original principal amount of $6,000,000 made by Borrower, secured by, among other things, that certain Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas) (the "**Security Instrument**"), dated as of the date hereof, encumbering the property described on Exhibit A attached thereto, and incorporated by reference herein, and will be advanced to Borrower pursuant to that certain Borrower Loan Agreement ("**Loan Agreement**") dated as of the date hereof between Borrower and Governmental Lender (the Note, the Security Instrument, the Loan Agreement, and all other documents executed in connection with the Loan, including this Instrument, are collectively referred to as the "**Loan Documents**").

D. As a condition to the making of the Loan, Borrower is required to obtain this Subordination from Ground Lessor, for Lender's benefit.

E. Immediately upon the execution and delivery of the Note, the Security Instrument and the other Loan Documents, it is contemplated and intended that Lender will assign its rights under the Loan to Fiscal Agent, for the benefit of Stellar Bank, a Texas state charted bank ("**Funding Lender**"), pursuant to the Funding Loan Agreement and that certain Assignment of Deed of Trust and Loan Documents, dated as of the date hereof, from Lender to Fiscal Agent.

NOW, THEREFORE, in consideration of ten dollars ($10.00) and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Ground Lessor and Borrower hereby certify to and agree with Lender as follows:

1. Capitalized terms not defined herein shall have the meanings ascribed thereto in the Security Instrument.

2. Ground Lessor hereby grants, conveys, mortgages and assigns to Trustee for the benefit of Lender, in trust, with power of sale, Ground Lessor's fee simple title to the Leased Premises as security for the indebtedness secured thereby.

3. Ground Lessor hereby joins in the Security Instrument, with the same intent and consequence as if Ground Lessor were originally a party thereto, for the purpose of imposing the lien of the Security Instrument on the fee simple estate in the Leased Premises; provided, however, that there shall be no personal liability on the part of Ground Lessor under the Security Instrument, and Lender shall look solely to Borrower and the collateral (including the fee interest in the Leased Premises encumbered hereby) and guaranties provided in Loan Documents.

4. All of the leasehold mortgagee protection provisions contained in the Ground Lease, and all other provisions inuring to the benefit of leasehold mortgagees or their successors and assigns contained in the Ground Lease, are hereby incorporated into this Instrument by reference and restated and confirmed by Ground Lessor for the benefit of Lender, its successors and assigns.

5. Ground Lessor hereby represents and warrants that Ground Lessor is the owner of the fee simple estate in the Leased Premises and is the landlord under the Ground Lease. Ground Lessor further represents and warrants that it has not assigned, conveyed, transferred, sold, encumbered or mortgaged its interest in the Ground Lease or the Leased Premises, there are currently no mortgages, deeds of trust or other security interests encumbering Ground Lessor's fee interest in the Leased Premises and no third party has an option or preferential right to purchase all or any part of the Leased Premises. Ground Lessor covenants and agrees that it shall not assign, convey, transfer, sell, encumber or mortgage its interest in the Ground Lease or the Leased Premises without the prior written consent of Lender.

6. This Subordination and the representations and agreements made herein are given with the understanding that it constitutes a condition to the making of the Loan, and that the Beneficiary Parties will rely hereon. This Subordination and the representations and agreements made herein shall inure to the benefit of Lender and its successors and assigns, and shall be binding on Ground Lessor and Borrower and their respective successors and assigns.

7. This Subordination may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which

shall be taken to be one and the same instrument, for the same effect as if all parties hereto had signed the same signature page.

8. Borrower acknowledges that the lien of the Security Instrument to the extent it encumbers the fee estate, shall be prior and superior to the Ground Lease, to the leasehold estate created thereby and to all rights and privileges of Borrower thereunder, and the Ground Lease, the leasehold estate created thereby and all rights and privileges of Borrower thereunder, are hereby subjected and made subordinate to the lien of the Security Instrument to the extent it encumbers the fee estate.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Ground Lessor Subordination and Joinder or caused this Ground Lessor Subordination and Joinder to be duly executed and delivered by its authorized representative as of the date first set forth above. The undersigned intend that this instrument shall be deemed to be signed and delivered as a sealed instrument.

GROUND LESSOR:

DALLAS COUNTY HOUSING FINANCE CORPORATION 2025,
a Texas public housing finance corporation

By: _____
Name:
Title:

BORROWER:

SDC CORINTH III, LP,
a Texas limited partnership

By: Fiji Mixed Development, LLC,
a Texas limited liability company,
its general partner

By: XXXX, LLC,
a Texas limited liability company,
its sole member

By: Dallas County Housing Finance Corporation 2025,
a Texas public housing finance corporation,
its sole member and manager

By: _____
Name:
Title:

ACKNOWLEDGMENT

STATE OF TEXAS)
) SS:_____
COUNTY OF _____)

On this ____ day of _____, 2026, before me, _____, personally appeared Sergio Gonzalez, known to me or proven on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument, and acknowledged to me that he/she executed the same in his authorized capacity as the President of The Cameron County Housing Finance Corporation, and that by his/her signature on the instrument the entity on behalf of which he/she acted executed the instrument.

WITNESS my hand and official seal.

_____
Notary

My Commission expires:

(SEAL)**ACKNOWLEDGMENT**

STATE OF TEXAS)
) SS:_____
COUNTY OF _____)

On this ____ day of _____, 2026, before me, _____, personally appeared Sergio Gonzalez, known to me or proven on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument, and acknowledged to me that he/she executed the same in his authorized capacity as the President of Dallas County Housing Finance Corporation 2025, a Texas public housing finance corporation,, the sole member and manager of XXXX, LLC, a Texas limited liability company, the sole member of Fiji Mixed Development, LLC, a Texas limited liability company, the general partner of SDC Corinth III, LP, a Texas limited partnership, and that by his/her signature on the instrument the entity on behalf of which he/she acted executed the instrument.

WITNESS my hand and official seal.

_____
Notary

My Commission expires:

(SEAL)

WHEN RECORDED MAIL TO:

Elizabeth Bowes
Bracewell LLP
111 Congress Avenue, Suite 2300
Austin, Texas 78701

ASSIGNMENT OF DEED OF TRUST
AND LOAN DOCUMENTS

KNOW ALL PERSONS BY THESE PRESENTS:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas ("**Assignor**"), pursuant to that certain Funding Loan Agreement, dated as of the date hereof ("**Funding Loan Agreement**"), by and among Assignor, **WILMINGTON TRUST, NATIONAL ASSOCIATION**, as Fiscal Agent ("**Assignee**") and **STELLAR BANK**, a Texas state chartered bank ("**Funding Lender**"), for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does by these presents assign, without recourse, representation or warranty, to Assignee all of Assignor's right, title and interest in and to, subject to the Reserved Rights (as defined in the Funding Loan Agreement) the instruments described on Schedule 1 attached hereto ("**Assigned Instruments**").

TOGETHER with the Multifamily Note described in the Assigned Instruments, and the money due and to become due thereon, with the interest thereon, TO HAVE AND TO HOLD the same unto the said Assignee forever, subject only to all the provisions contained therein.

Definitions. All capitalized terms that are used and are not defined herein shall have the respective meanings ascribed to them in the Borrower Loan Agreement (as described and defined in Schedule 1 attached hereto). In all references herein to any parties, persons, entities or corporations the use of any particular gender on the plural or singular number is intended to include the appropriate gender or number as the text of the within instrument may require.

Dated as of the 1st day of January, 2026 (the foregoing date is for reference purposes only and this Assignment shall not be effective until the Closing Date, as defined in the Borrower Loan Agreement).

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Assignment of Deed of Trust and Loan Documents or caused this Assignment of Deed of Trust and Loan Documents to be duly executed and delivered by its authorized representative as of the date first set forth above.

ASSIGNOR:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
a public and official agency of the State of Texas

By: _____
Name: James B. "Beau" Eccles
Title: Secretary to the Board

STATE OF TEXAS)
)
COUNTY OF TRAVIS)

On this _____ day of _____, 2026, before me, James B. "Beau" Eccles, Secretary of the Governing Board of the Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas, personally appeared who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

_____
Notary

My Commission expires:

(SEAL)

SCHEDULE 1
TO
ASSIGNMENT OF DEED OF TRUST
AND LOAN DOCUMENTS

ASSIGNEE:

Wilmington Trust, National Association
15950 North Dallas Parkway, Suite 200
Dallas, Texas 75248

ASSIGNED INSTRUMENTS:

1. Multifamily Note by SDC Corinth III, LP, a Texas limited partnership ("**Borrower**"), to Assignor, dated as of January ___, 2026, in the original principal amount of $6,000,000 ("**Multifamily Note**").

2. Multifamily Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Texas), dated as of the date hereof, executed by Borrower for the benefit of Assignor securing the principal amount of $6,000,000, which is being recorded immediately prior hereto in the Official Public Records of Dallas County, Texas, and encumbers the real property (and improvements thereon) that is more particularly described on **Exhibit A**.

3. Borrower Loan Agreement, dated as of the date hereof ("**Borrower Loan Agreement**"), by and between Assignor and Borrower, relating to the $6,000,000 Multifamily Housing Governmental Note (Fiji Lofts) Series 2026, purchased by Funding Lender.

EXHIBIT A

LEGAL DESCRIPTION

Real property in the City and County of Dallas, State of Texas, described as follows:

BEING surveyed as a 2.26 acre (98,232 square foot) tract or parcel of land situated in the WILLIAM S. BEATTY SURVEY, ABSTRACT No. 57, City of Dallas, Dallas County, Texas, and all of Lot 1, Block 4719, Lots 17-24, Block 4720, Lot 25, Block 4717, a portion of Lots 5, 6, Block 4719, and Lot 26, Block 4717, OAK CLIFF HEIGHTS ADDITION, an addition to the City of Dallas, Dallas County, Texas, and being that portion of land as abandoned by City Ordinance 28685, being the old right-of-way for Avenues A, B, D, and E as described in deed to SDC Mixed Development, L.L.C., as recorded in Instrument No. 201500230672, Official Public Records, Dallas County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING at set 5/8" capped iron rod stamped "ADAMS SURVEYING COMPANY LLC" hereinafter referred to as (CIRS), for the Southeast corner of Fran Way having a right-of-way of 40 feet and the South line of a right-of-way dedication for Eleventh Street having a right-of-way of 56 feet as shown on Phase 1, Sphinx at Fiji as recorded in Instrument No. 201000127675, Plat Records, Dallas County, Texas;

THENCE South 89° 51' 36" East, departing the East line of said Fran Way with the South line of said Eleventh Street, a distance of 161.82 feet to a CIRS for the Northern most corner of a corner clip at the Southwest corner of the intersection of said Eleventh Street and South Corinth Street having a variable width right-of-way;

THENCE South 48° 56' 24" East, a distance of 12.36 feet to a CIRS for the Southern most corner of said corner clip;

THENCE along the arc of a curve to the left and with the West line of said South Corinth Street, having a central angle of 02° 20' 29", a radius of 2133.70 feet, an arc length of 87.19 feet and a chord which bears South 06° 04' 20" East, a distance of 87.19 feet to a CIRS;

THENCE South 07° 14' 35" East, continuing along the West line of said South Corinth Street, a distance of 140.58 feet to a CIRS;

THENCE South 07° 08' 24" East, continuing along the West line of said Corinth Street, a distance of 153.61 feet to a CIRS for the Southeast corner of said Lot 5 and being the Northeast corner of Lot 2, Block 4719, Oak Cliff Heights Addition, described by deed to Cedrick Bolden as recorded in Instrument No. 20080022695, Official Public Records, Dallas County, Texas;

THENCE North 89° 27' 44" West, with the common line of said Lots 2 and 5, Block 4719, a distance of 38.07 feet to a CIRS for the Northwest corner of said Lot 2 and being the Northeast corner of said Lot 1;

THENCE South 00° 32' 16" West, along the common line of said Lots 1 and 2, Block 4719, a distance of 100.00 feet to a CIRS for the Southeast corner of said Lot 1, for the Southwest corner of said Lot 2;

THENCE South 00° 32' 16" West, 7.98 feet to a CIRS being in the North right-of-way of said Avenue B;

THENCE with the North line of Avenue B, same being the South line of said right-of-way abandonment as recorded in Instrument No. 201300265727, Official Public Records, Dallas County, Texas, the following courses and distances:

South 81° 30' 13" West, a distance of 128.49 feet to a CIRS;

North 88° 53' 44" West, a distance of 49.91 feet to a CIRS;

North 43° 57' 23" West, a distance of 14.16 feet to a CIRS for the Northeast corner of the intersection of said Avenue B and said Fran Way;

THENCE North 00° 58' 59" East, along the East line of said Fran Way and Lots 17-21, Block 4720 of said Oak Cliff Heights Addition, a distance of 228.09 feet to a CIRS;

THENCE North 01° 00' 00" East, along the East line of said Fran Way and Lots 21-24, Block 4720 and Lots 25, 26, Block 4717 of said Oak Cliff Heights Addition, a distance of 274.52 feet to the POINT OF BEGINNING and containing 2.26 acres (98,232 square feet) of land, more or less.

TAX EXEMPTION CERTIFICATE AND AGREEMENT

Dated as of

[Dated Date]

among

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
as Governmental Lender

and

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Fiscal Agent

and

SDC Corinth III, LP,
as Borrower

regarding

$[5,000,000]
Texas Department of Housing and Community Affairs
Multifamily Housing Governmental Lender Note
(Fiji Lofts) Series 2026

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TAX EXEMPTION CERTIFICATE AND AGREEMENT

THIS TAX EXEMPTION CERTIFICATE AND AGREEMENT (this "Agreement") dated as of [Dated Date], but effective as of the Issue Date of the Governmental Lender Note (as defined below) is among the **Texas Department of Housing and Community Affairs** (together with its successors and assigns, the "Governmental Lender"), a public and official agency of the State (as defined herein), **Wilmington Trust, National Association**, a national banking association organized and existing under the laws of the United States of America, as Fiscal Agent under the hereinafter defined Funding Loan Agreement (together with any successor Fiscal Agent under the Funding Loan Agreement described below and their respective successors and assigns, the "Fiscal Agent"), and **SDC Corinth III, LP**, a Texas limited partnership (together with its permitted successors and assigns, the "Borrower") and is entered into in connection with the issuance of the $[5,000,000] Texas Department of Housing and Community Affairs Multifamily Housing Governmental Lender Note (Fiji Lofts) Series 2026 (the "Governmental Lender Note"). The representations of facts and circumstances and the covenants of the Governmental Lender made herein are made in part for purposes of fulfilling the requirements set forth in section 1.148-2(b)(2) of the Regulations (as defined herein).

RECITALS

WHEREAS, the Governing Board of the Governmental Lender has determined to authorize the issuance of the Governmental Lender Note pursuant to and in accordance with the terms of an Funding Loan Agreement (as defined herein) by and between the Governmental Lender and the Fiscal Agent for the purpose of obtaining funds to finance the Project (as defined herein), all under and in accordance with the Constitution and laws of the State (as defined herein); and

WHEREAS, the Governmental Lender desires to use the Proceeds (as defined herein) of the Governmental Lender Note to fund a mortgage loan to the Borrower (i.e., the Borrower Loan, as defined herein) upon the terms and conditions set forth in the Borrower Loan Agreement (as defined herein) in order to finance Project costs; and

WHEREAS, the Governmental Lender and the Borrower desire that interest on the Governmental Lender Note be excludable from gross income for federal income tax purposes under the Code (as defined herein); and

WHEREAS, the purpose of executing this Agreement is to set forth various facts, certifications, covenants, representations, and warranties regarding the Governmental Lender Note and the Project and to establish the expectations of the Governmental Lender, the Borrower, and the Fiscal Agent as to future events regarding the Governmental Lender Note, the Project, and the use and investment of Proceeds of the Governmental Lender Note.

NOW THEREFORE, in consideration of the premises and the mutual representations, covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned do hereby certify, covenant, represent, and agree on behalf of the Governmental Lender, the Borrower, and the Fiscal Agent (but not in their individual capacities), respectively, as follows:

1. Definitions. Each capitalized term used in this Agreement has the meaning ascribed to such term below or has the meaning or is the amount, as the case may be, specified for such term in this Agreement or in Exhibits to this Agreement and for all purposes hereof has the meaning or is in the amount therein specified. All capitalized terms used but not defined herein, to the extent that such terms are defined in the Funding Loan Agreement, the Borrower Loan Agreement, or the Regulatory Agreement for all purposes hereof have the meanings therein specified. All such terms defined in the Code or Regulations that are not defined herein will for all purposes hereof have the same meanings as given to those terms in the Code and Regulations unless the context clearly requires otherwise.

"***Bond Counsel***" means any counsel nationally recognized as having an expertise in connection with the excludability of interest on obligations of states and local governmental units from gross income for federal income tax purposes, and initially shall mean Bracewell LLP.

"***Bond Year***" means each one-year period that ends on the day selected by the Borrower in a certificate provided to the Governmental Lender and the Fiscal Agent. The first and last bond years may be short periods. If no day is selected by the Borrower before the earlier of the final maturity date of the Governmental Lender Note or the date that is five years after the Issue Date of the Governmental Lender Note, a bond year will end on each anniversary of the Issue Date of the Governmental Lender Note and on the final maturity date of the Governmental Lender Note.

"***Borrower Loan***" means the loan of Proceeds of the Governmental Lender Note from the Governmental Lender to the Borrower pursuant to the terms of the Borrower Loan Agreement.

"***Borrower Loan Agreement***" means the Borrower Loan Agreement between the Governmental Lender and the Borrower, dated as of [Dated Date].

"***Code***" means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference is deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

"***Computation Date***" means each Installment Computation Date and the Final Computation Date.

"***Costs of Issuance***" means costs to the extent incurred in connection with, and allocable to, the issuance of an issuance of obligations within the meaning of section 147(g) of the Code. For example, Costs of Issuance include the following costs, but only to the extent incurred in connection with, and allocable to, the borrowing: underwriters' spread; counsel fees; financial advisory fees; fees paid to an organization to evaluate the credit quality of an issue; trustee fees; paying agent fees; bond registrar, certification and authentication fees; accounting fees; printing costs for bonds and offering documents; public approval process costs; engineering and feasibility study costs; guarantee fees, other than qualified guarantees; and similar costs.

"***Closing Costs Fund***" means the "Closing Costs Fund" established pursuant to the Funding Loan Agreement.

"***Expense Fund***" means the "Expense Fund" established pursuant to the Funding Loan Agreement.

"***Favorable Opinion of Bond Counsel***" means, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of Bond Counsel to the effect that such action or omission does not adversely affect the excludability from gross income for federal income tax purposes of interest payable on the Governmental Lender Note under existing law (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon the original issuance of the Governmental Lender Note or other customary exceptions acceptable to the recipient thereof).

"***Fee Owner***" means the Dallas County Housing Finance Corporation, a Texas public nonprofit housing finance corporation.

"***Final Computation Date***" means the date on which the final payment in full of the Governmental Lender Note is made.

"***Financial Advisor***" means CSG Advisors Incorporated.

"***Form 8038***" means IRS Form 8038, Information Return for Tax-Exempt Private Activity Bond Issues.

"***Gross Proceeds***" means any Proceeds and any Replacement Proceeds.

"***Funding Lender***" means Stellar Bank.

"***Funding Loan Agreement***" means the Funding Loan Agreement by and between the Funding Lender, Governmental Lender and the Fiscal Agent, dated as of [Dated Date].

"***Installment Computation Date***" means the last day of the fifth Bond Year and each succeeding fifth Bond Year.

"***Investment Proceeds***" has the meaning set forth in section 1.148-1(b) of the Regulations and, generally, consist of any amounts actually or constructively received from investing Proceeds.

"***IRS***" means the Internal Revenue Service.

"***Issue Date***" means, with respect to an issue of obligations, the first date on which an issuer receives the purchase price in exchange for delivery of the evidence of indebtedness representing any obligation.

"***Issue Price***" has the meaning ascribed to it in section 1.148-1(f) of the Regulations.

"***Median Gross Income for the Area***" means, with respect to the Project, the median income for the households in the area which includes the standard metropolitan statistical area in which the Project is located, as determined from time to time by the Secretary of HUD, under Section 8 of the Housing Act (or if such program is terminated, median income determined under

the program in effect immediately before such termination), in each case as adjusted for family size.

"***Minor Portion***" means that portion of the Gross Proceeds of the Governmental Lender Note that does not exceed in the aggregate $100,000.

"***Net Proceeds***" means Sale Proceeds, less the portion of any Sale Proceeds invested in a reasonably required reserve or replacement fund.

"***Nonpurpose Investment***" means any "investment property," within the meaning of section 148(b) of the Code, that is not a purpose investment acquired to carry out the governmental purpose of the Governmental Lender Note.

"***Official Intent Date***" means October 10, 2024.

"***Original Issue Discount***" means the excess of the Stated Redemption Price at Maturity over the Issue Price.

"***Original Issue Premium***" means the excess of the Issue Price over the Stated Redemption Price at Maturity.

"***Payment Fund***" means the "Governmental Lender Note Payment Fund" established pursuant to the Funding Loan Agreement.

"***Permitted Investments***" has the meaning set forth in the Funding Loan Agreement.

"***Placed in Service***" has the meaning set forth in section 1.150-2(c) of the Regulations and means, with respect to a facility, the date on which, based on all the facts and circumstances, (a) the facility reaches a degree of completion that will permit its operation at substantially its design level, and (b) the facility is, in fact, in operation at such level.

"***Pre-Issuance Accrued Interest***" has the meaning set forth in section 1.148-1(b) of the Regulations and, generally, means amounts representing interest that accrued on an obligation for a period not greater than one year before its Issue Date but only if those amounts are paid within one year after the Issue Date.

"***Preliminary Expenditures***" are described in section 1.150-2(f)(2) of the Regulations and include architectural, engineering, surveying, soil testing, reimbursement bond issuance and similar costs that are incurred prior to commencement of acquisition, construction or rehabilitation of a project, but do not include land acquisition, site preparation and similar costs incident to the commencement of construction or rehabilitation.

"***Proceeds***" has the meaning set forth in section 1.148-1(b) of the Regulations and, generally, means any Sale Proceeds and Investment Proceeds.

"***Project***" means an approximately 174-unit multifamily housing development located at 301 South Corinth Street Road, Dallas, Dallas County, TX 75203.

"***Project Fund***" means the "Project Fund" established pursuant to the Funding Loan Agreement, with a Note Proceeds Account and a Borrower Equity Account therein.

"***Qualified Administrative Costs***" are those costs of issuing, carrying or repaying the Governmental Lender Note, and any underwriter's discount. Qualified Administrative Costs do not include the costs of issuing, carrying or repaying the Borrower Loan.

"***Qualified Project Costs***" means Project costs that meet the following requirements:

(a) The costs are chargeable to a capital account with respect to the Project for federal income tax purposes, or would be so chargeable either with a proper election by the Borrower or but for the proper election by the Borrower to deduct those amounts; provided, however, that only such portion of the interest accrued on the Governmental Lender Note during, and fees for a "qualified guarantee" (within the meaning of section 1.148-4 of the Regulations) attributable to the period of, the construction of the Project will constitute Qualified Project Costs as bear the same ratio to all such interest or fees, as applicable, as the Qualified Project Costs bear to all Project costs.

(b) If any portion of the Project is being constructed or rehabilitated by the Borrower or a Related Person to the Borrower (whether as a general contractor or a subcontractor), such costs include only (i) the actual out-of-pocket costs incurred by the Borrower or such Related Person in constructing or rehabilitating the Project (or any portion thereof), (ii) any reasonable fees for supervisory services actually rendered by the Borrower or such Related Person (but excluding any profit component) and (iii) any overhead expenses incurred by the Borrower or such Related Person that are directly attributable to the work performed on the Project and do not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of section 1504 of the Code) participating in the construction of the Project or payments received by such Related Person due to early completion of the Project (or any portion thereof).

(c) The costs are not Costs of Issuance.

(d) (i) The costs were paid no earlier than 60 days prior to the Official Intent Date and (ii) the reimbursement allocation is made no later than 18 months after the later of (A) the date the expenditure was paid and (B) the date the Project is Placed in Service or abandoned, but in no event more than three years after the original expenditure is paid; provided that such limitations do not apply to any amount not in excess of $100,000 or to Preliminary Expenditures that do not exceed 20 percent of the Sale Proceeds of the Governmental Lender Note.

"***Qualified Project Period***" means, with respect to the Project, the period beginning on the first day on which 10 percent of the Units are occupied and ending on the latest of (a) the date that is 15 years after the date on which 50 percent of the Units are occupied, (b) the first day on which no tax-exempt private activity bond (as that phrase is used in section 142(d)(2) of the Code) issued with respect to the Project is outstanding for federal income tax purposes or, (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates.

"***Qualifying Tenant***" means a tenant whose Annual Income is 60 percent or less of Median Gross Income for the Area, as determined under sections 142(d)(2)(B) and (E) of the Code. If all the occupants of a Unit are students (as defined under section 152(f)(2) of the Code), no one of whom is entitled to file a joint return under section 6013 of the Code, such occupants are not Qualifying Tenants, unless such students meet the qualifications under section 42(i)(3)(D) of the Code.

"***Rebate Amount***" has the meaning set forth in section 1.148-3(b) of the Regulations and, generally, means the excess, as of any date, of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments all as determined in accordance with section 1.148-3 of the Regulations.

"***Rebate Analyst***" means a Person that is (a) qualified and experienced in the calculation of rebate payments under section 148 of the Code, (b) chosen by the Borrower, and (c) engaged for the purpose of determining the amount of required deposits, if any, to the Rebate Fund.

"***Rebate Fund***" means the "Rebate Fund" established pursuant to the Funding Loan Agreement.

"***Regulations***" means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"***Regulatory Agreement***" means the Amended and Restated Regulatory and Land Use Restriction Agreement, among the Governmental Lender, the Fiscal Agent, the Fee Owner, and the Borrower, dated as of [Dated Date].

"***Related Party***" means, in reference to a governmental unit or a 501(c)(3) organization, any member of the same controlled group, and, in reference to a person that is not a governmental unit or a 501(c)(3) organization, a Related Person.

"***Related Person***" has the meaning set forth in section 144(a)(3) of the Code. A person is a "Related Person" to another person if the relationship between such persons would result in a disallowance of losses under sections 267 or 707(b) of the Code or such persons are members of the same controlled group of corporations (as defined in section 1563(a) of the Code, except that "more than 50 percent" is substituted for "at least 80 percent" each place it appears therein).

"***Replacement Proceeds***" has the meaning set forth in section 1.148-1(c) of the Regulations and, generally, consist of amounts that have a sufficiently direct nexus to an issue of obligations or the governmental purpose of an issue of obligations to conclude that the amounts would have been used for that governmental purpose if the Proceeds were not used or to be used for that governmental purpose.

"***Sale Proceeds***" has the meaning set forth in section 1.148-1(b) of the Regulations and, generally, consist of any amounts actually or constructively received from the sale (or other disposition) of any obligation, including amounts used to pay underwriters' discount or compensation and accrued interest other than Pre-Issuance Accrued Interest. Sale Proceeds also

include amounts derived from the sale of a right that is associated with any obligation and that is described in section 1.148-4(b)(4) of the Regulations.

"***State***" means the State of Texas.

"***Stated Redemption Price at Maturity***" means the amount fixed by the last modification of the purchase agreement and includes interest and other amounts payable at that time (other than any interest based on a fixed rate and payable unconditionally at fixed periodic intervals of one year or less during the entire term of the debt instrument).

"***Substantial User***" has the meaning given to such term in section 1.103-11(b) of the Regulations, and generally includes any person (i) specifically for whom a facility, or part thereof, is constructed, reconstructed, or acquired or (ii) that (A) receives more than five percent of the total revenue derived by all users of such facility as gross revenue or (B) occupies more than five percent of the entire usable area of the facility.

"***Unit***" means a residential accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation; provided that, a residential accommodation will not fail to be treated as a "Unit" merely because it is a single-room occupancy unit (within the meaning of section 42 of the Code).

"***Weighted Average Maturity***" means the sum of the products of the Issue Price and the number of years to maturity (taking into account mandatory redemptions) of an obligation, divided by the aggregate Sale Proceeds of such obligation.

"***Yield***" on (a) an issue of obligations has the meaning set forth in section 1.148-4 of the Regulations and, generally, is the discount rate that when used in computing the present value of all payments of principal, interest and fees for qualified guarantees to be paid on the obligation produces an amount equal to the Issue Price of such issue and (b) any investment has the meaning set forth in section 1.148-5 of the Regulations and, generally, is the discount rate that when used in computing the present value of all payments to be received on the investment produces an amount equal to all payments for the investment.

"***Yield Reduction Payments***" means amounts paid in accordance with section 1.148-5(c) of the Regulations that are treated as payments that reduce the Yield on an investment.

"***40-60 Test***" means the requirement set forth in section 142(d)(1)(B) of the Code providing that 40 percent or more of the Units in the Project be occupied by individuals whose income is 60 percent or less of the Median Gross Income for the Area.

2. Authorized Representatives.

(a) Governmental Lender. The undersigned representative of the Governmental Lender represents that such representative (i) is charged, along with others, with the responsibility for the Governmental Lender Note and, as such, the undersigned is familiar with the facts herein certified and is authorized on behalf of the Governmental Lender to execute and deliver this Agreement and (ii) is aware of the provisions of sections 103 and 142 through 150, inclusive, of the Code. To the extent that the representations,

expectations, certifications, covenants and warranties set forth herein are based on information and data accumulated and analyzed by Governmental Lender personnel and consultants to the Governmental Lender, the undersigned representative of the Governmental Lender has reviewed such representations, expectations, certifications, covenants and warranties with such personnel and consultants to confirm their completeness and accuracy.

(b) Borrower. The undersigned representative of the Borrower represents that such representative (i) is a duly chosen, qualified and acting officer or other representative of the Borrower, which will be the owner of the Project and, as such, the undersigned is familiar with the facts herein certified and is authorized on behalf of the Borrower to execute and deliver this Agreement and (ii) is aware of the provisions of sections 103 and 142 through 150, inclusive, of the Code. To the extent that the representations, expectations, certifications, covenants and warranties set forth herein are based on information and data accumulated and analyzed by Borrower personnel and consultants to the Borrower, the undersigned representative of the Borrower has reviewed such representations, expectations, certifications, covenants and warranties with such personnel and consultants to confirm their completeness and accuracy.

(c) Fiscal Agent. The undersigned representative of the Fiscal Agent represents that such representative is a duly chosen, qualified and acting officer or other representative of the Fiscal Agent and is authorized on behalf of the Fiscal Agent to execute and deliver this Agreement.

3. Reasonable Expectations. The Governmental Lender and the Borrower hereby affirm that the facts and estimates that are set forth in this Agreement are accurate and the expectations that are set forth in this Agreement are reasonable in light of such facts and estimates. There are no other facts or estimates that would materially change such expectations. The Governmental Lender has also relied, to the extent appropriate, on (a) the Certificate of Funding Lender attached hereto as Exhibit A and (b) the Certificate of Financial Advisor attached hereto as Exhibit B. The undersigned representatives of the Governmental Lender and the Borrower are aware of no fact, estimate or circumstance that would create any doubt regarding the accuracy or reasonableness of all or any portion of the representations set forth in such certificates.

4. Reliance on Borrower's Representations and Covenants. Except as otherwise indicated in this Agreement, the representations, expectations, certifications, covenants and warranties of the Governmental Lender concerning the use and investment of the Proceeds of the Governmental Lender Note and certain other matters described in this Agreement are based solely upon representations, expectations, certifications, covenants and warranties of the Borrower, as set forth in this Agreement or in the Exhibits attached hereto. In relying upon such representations, expectations, certifications, covenants and warranties of the Borrower, the Governmental Lender has not made any independent investigations of the matters pertaining thereto. The Governmental Lender is not aware of any facts or circumstances that would cause it to question the accuracy or reasonableness of any representation, expectations, certifications, covenants and warranties of the Borrower made in this Agreement or in the Exhibits attached hereto.

5. Completeness of Borrower Information. The Borrower has supplied or caused to be supplied to Bond Counsel all documents, instruments and written information requested by Bond Counsel, and all such documents, instruments and written information supplied by or on behalf of the Borrower at the request of Bond Counsel, which have been reasonably relied upon by Bond Counsel in rendering its opinion with respect to the excludability from gross income for federal income tax purposes of the interest on the Governmental Lender Note, are true and correct in all material respects, do not contain any untrue statement of a material fact and do not omit to state any material fact necessary to be stated therein to make the information provided therein, in light of the circumstances under which such information was provided, not misleading, and the Borrower is not aware of any other pertinent information for which Bond Counsel has not asked. After due investigation, there is no information not obtained, or any investigation or inspection not heretofore pursued, that would be relevant or material to the certifications set forth below.

6. General Requirements Relating to Issuance of the Governmental Lender Note.

(a) Governmental Purpose. The Borrower has applied to the Governmental Lender and been approved for the Borrower Loan to be made from the Proceeds of the Governmental Lender Note. The proceeds of the Borrower Loan (and, thus, the Proceeds of the Governmental Lender Note) will be used to finance a portion of the Project costs.

(b) Public Hearing and Approval. As required under section 147(f) of the Code, the Governmental Lender hosted a public hearing on April 17, 2025, regarding the Governmental Lender Note and the Project and for which there was reasonable public notice. The Attorney General of the State approved the issuance of the Bonds.

(c) Volume Cap. The Governmental Lender has received from the Texas Bond Review Board a reservation of State private activity bond volume cap in an amount no less than the aggregate principal amount of the Governmental Lender Note (or if greater, the Issue Price of the Governmental Lender Note) for the purpose of issuing the Governmental Lender Note to finance the Project.

(d) Issue. There are no other tax-exempt obligations that (i) were sold at substantially the same time as the Governmental Lender Note (i.e., less than 15 days apart), (ii) were sold pursuant to the same plan of financing with the Governmental Lender Note, and (iii) will be paid out of substantially the same source of funds as the Governmental Lender Note. Pursuant to section 1.150-1(c)(2) of the Regulations, the Governmental Lender Note will not be considered part of the same issue as any taxable obligations.

(e) Form 8038. The Borrower has examined the completed Form 8038 with respect to the Governmental Lender Note, including accompanying schedules and statements, and, to the best of the Borrower's knowledge and belief, the information in Parts IV and V, which was furnished by the Borrower, is true, correct, and complete. The Governmental Lender will cause Form 8038 with respect to the Governmental Lender Note to be filed timely with the IRS.

(f) Substantial User. No person that was a Substantial User of the Project at any time during the five-year period before the Issue Date of the Governmental Lender

Note or any Related Person to such Substantial User will (i) receive (directly or indirectly) more than five percent of the Proceeds of the Governmental Lender Note for such user's interest in the Project and (ii) will be a Substantial User of the Project at any time during the five-year period after the Issue Date of the Governmental Lender Note. For purposes of this subparagraph, a user that is a governmental unit within the meaning of section 1.103-1 of the Regulations is disregarded.

(g) Program Covenant. Neither the Borrower nor any Related Party of the Borrower is, or will be, a party to any agreement, formal or informal, pursuant to which it will purchase any of the Governmental Lender Note in an amount related to the amount of the Borrower Loan made to the Borrower unless the Borrower or such Related Party provides a Favorable Opinion of Bond Counsel to the Governmental Lender.

(h) No Federal Guarantee. Neither the Governmental Lender nor the Borrower will take any action that would result in all or any portion of the Governmental Lender Note being treated as federally guaranteed within the meaning of section 149(b)(2) of the Code.

(i) Borrower's EIN. The Borrower represents that the Borrower's EIN is 27-2554931.

7. Sale Proceeds of the Governmental Lender Note. The amount of Sale Proceeds received by the Governmental Lender from the sale of the Governmental Lender Note is $[5,000,000], which represents the Stated Redemption Price at Maturity of the Governmental Lender Note. The Sale Proceeds of the Governmental Lender Note will be loaned to the Borrower, deposited in the Note Proceeds Account of the Project Fund and used to pay Project costs. The aggregate amount of the Project costs is anticipated to exceed such amount.

8. Pre-Issuance Accrued Interest. There is no Pre-Issuance Accrued Interest on the Governmental Lender Note.

9. Use of Proceeds of the Governmental Lender Note.

(a) Qualified Project Costs. At least 95 percent of the Net Proceeds of the Governmental Lender Note actually expended will be used to pay or reimburse Qualified Project Costs. Not more than five percent of the Net Proceeds of the Governmental Lender Note will be expended for or allocated to Project costs that are not Qualified Project Costs.

For purposes of this subparagraph (a) the Project includes only: (i) those portions of buildings included in the Project that are (A) separate and complete facilities for living, sleeping, eating, cooking and sanitation that will be used on other than a transient basis by one or more persons and that will be available on a regular basis for use by members of the general public and will be rented, or available for rental, on a continuous basis during the Qualified Project Period, and (B) facilities in building areas that are functionally related and subordinate thereto, such as centrally located machinery and equipment and common areas in a typical apartment building (but not including any health club facilities, except a facility that will be available only to tenants and their guests with no separate fee to be paid for the use of such facility); and (ii) land and other facilities that are properly allocable to

such living facilities, such as parking areas and recreational areas for occupants of the living facilities.

Further, all of the allocable functionally related and subordinate land areas, facilities, and building areas taken into account in determining Qualified Project Costs under this subparagraph (a) are of a character and size commensurate with the number and size of the living facilities and are not functionally related and subordinate to, or properly allocable to, any other facilities.

(b) Additional Limitations.

(i) Costs of Issuance. Costs of Issuance in an amount of approximately $[_____] are expected to be paid from the Net Proceeds of the Governmental Lender Note. The Costs of Issuance financed out of Net Proceeds of the Governmental Lender Note will not exceed in the aggregate two percent of the Sale Proceeds of the Governmental Lender Note (i.e., $[_____]). Costs of Issuance in excess of two percent of Sale Proceeds of the Governmental Lender Note will be paid by the Borrower from sources other than Net Proceeds of the Governmental Lender Note.

(ii) Capitalized Interest. No portion of the Net Proceeds of the Governmental Lender Note is expected to be used to pay interest on the Governmental Lender Note accruing prior to the Placed in Service Date of the Development. Net Proceeds of the Bonds will not be used to pay interest on the Bonds accruing after the Placed in Service Date of the Project.

(iii) Acquisition of Existing Property. No portion of the Net Proceeds of the Governmental Lender Note will be used to pay or reimburse the cost of acquiring any property or an interest therein unless, except for land, the first use of such property is pursuant to such acquisition.

(iv) Limitation on Land Acquisition. No amount of Net Proceeds of the Governmental Lender Note will be used (directly or indirectly) to acquire land (or an interest therein) and no portion of the Net Proceeds of the Governmental Lender Note will be used (directly or indirectly) for farming purposes.

(v) Prohibited Facilities. None of the Proceeds of the Governmental Lender Note will be used to acquire, construct, or equip, and no portion of the Project will be, an airplane, a skybox or any other type of luxury box, a health club facility, a facility primarily used for gambling, or a store the principal business of which is the sale of alcoholic beverages for consumption off premises; provided that, any fitness room functionally related to and subordinate to the Project for use by tenants of the Project or their guest is not considered a health club facility for purposes of this subparagraph.

(vi) Payments to Related Persons. Any amount of Proceeds of the Governmental Lender Note paid to a Related Person to the Borrower or any affiliated person that is not a Related Person to the Borrower will not exceed an

arm's-length charge that is the amount that would be charged to a person other than the Borrower. Further, any amount of Proceeds of the Governmental Lender Note paid to a Related Person to the Borrower or any affiliated person that is not a Related Person to the Borrower would be paid under the same circumstances by a person other than the Borrower to such affiliated person or entity. Notwithstanding the foregoing, in no event will amounts of Proceeds of the Governmental Lender Note that are paid to a Related Person to the Borrower be treated as spent until such amounts are spent on capital expenditures by such Related Person.

(vii) No Working Capital. Except for an amount that does not exceed five percent of the Sale Proceeds of the Governmental Lender Note (and that is directly related to the Project), the Proceeds of the Governmental Lender Note will only be expended for (A) costs that would be chargeable to the capital account of the Project if the Governmental Lender's income were subject to federal income taxation; (B) interest on the Governmental Lender Note in an amount that does not cause the aggregate amount of interest paid on the Governmental Lender Note to exceed that amount of interest on the Governmental Lender Note that is attributable to the period that commences on the Issue Date of the Governmental Lender Note and ends on the later of (1) the date that is three years from the Issue Date of the Governmental Lender Note or (2) the date that is one year after the date on which the Project is Placed in Service; and/or (C) fees for a qualified guarantee of the Governmental Lender Note or payment for a qualified hedge on the Governmental Lender Note.

(viii) No Pooling. The Proceeds of the Governmental Lender Note are not being used directly or indirectly to make or finance loans to two or more ultimate unrelated borrowers.

(ix) Weighted Average Economic Life. The Weighted Average Maturity of the Governmental Lender Note, as calculated by the Financial Advisor as set forth in Exhibit B hereto, is [WAM] years. The weighted average reasonably expected economic life of the portion of the Project financed with Proceeds of the Governmental Lender Note is at least [WAM/1.2] years. Thus, the Weighted Average Maturity of the Governmental Lender Note is not more than 120 percent of the weighted average reasonably expected economic life of the portion of the Project financed with Proceeds of the Governmental Lender Note. Such weighted average estimated economic life is determined in accordance with the following assumptions: (A) the weighted average is determined by taking into account the respective costs of each asset, excluding land; (B) the reasonably expected economic life of an asset is determined as of the later of (1) the Issue Date of the Governmental Lender Note or (2) the date on which such asset is originally Placed in Service (or expected to be Placed in Service); and (C) the economic lives for the itemized assets are the useful lives that would have been used for depreciation purposes under section 167 of the Code prior to the enactment of the ACRS system under section 168 of the Code (i.e., the mid-point lives under the Class Life Asset Depreciation Range System of section 167(m) of the Code where applicable and the guideline lives under Revenue Procedure 62-21, 1962-2 C.B. 418, in the case

of structures). The Borrower hereby covenants not to make any changes to the Project that would, at the time made, cause the remaining Weighted Average Maturity of the Governmental Lender Note to be more than 120 percent of the remaining weighted average estimated economic life of the portion of the Project financed with Proceeds of the Governmental Lender Note.

(c) Reimbursement. Proceeds of the Governmental Lender Note in the amount of $[_____] will be used to reimburse the Borrower for expenditures paid prior to the Issue Date of the Governmental Lender Note. If the Borrower later determines to do so, other than (i) an amount not greater than $100,000 and/or (ii) Preliminary Expenditures up to an amount not in excess of 20 percent of the Issue Price of the Governmental Lender Note, no portion of the Proceeds of the Governmental Lender Note will be disbursed to reimburse the Governmental Lender, the Borrower or any Related Person to the Borrower for any expenditures paid or incurred prior to the date that is 60 days before the Official Intent Date, which is the date on which the Governmental Lender adopted a resolution describing the Project, stating the maximum principal amount of obligations expected to be issued for the Project and stating the Governmental Lender's reasonable expectation that expenditures for costs of the Project would be reimbursed with Proceeds of an obligation. Such resolution was not an official intent declared as a matter of course or in an amount substantially in excess of the amount expected to be necessary for the Project. Neither the Governmental Lender nor the Borrower has engaged in a pattern of failure to reimburse actual original expenditures covered by official intents. Such reimbursed portion will be treated as spent for purposes of the "Funds—Project Fund" subparagraph herein and the "Compliance with Yield Reduction and Rebate Requirements; Rebate Fund" paragraph herein.

(d) Allocations and Accounting. The Borrower will prepare a final allocation of the Proceeds of the Governmental Lender Note to expenditures not later than 18 months after the later of the date the original expenditure is made or the date the Project is Placed in Service, but in no event later than the date that is 60 days after the fifth anniversary of the Issue Date of the Governmental Lender Note or the retirement of the Governmental Lender Note, if earlier; provided that, if such allocation is made pursuant to a reimbursement expenditure described above, such reimbursement allocation will in no event be made later than the date that is three years after the date each such original expenditure is paid. The Borrower may redetermine the allocation of the Proceeds of the Governmental Lender Note within the time frame set forth in the immediately preceding sentence, provided that the Borrower will notify the Governmental Lender and Bond Counsel of any such reallocation and provide such parties with documentation of such reallocation, including evidence that the Borrower, on the date the original expenditure was paid, had on hand sufficient such other sources to pay such expenditure. The Borrower hereby elects to consistently allocate the expenditure of Proceeds of the Governmental Lender Note to Qualified Project Costs of the Project. No Proceeds of the Governmental Lender Note will be allocated to any expenditures to which Proceeds of any other tax-exempt obligations have heretofore been allocated.

10. Issue Price. In accordance with section 1.148-1(f)(2)(iv) of the Regulations, the Governmental Lender hereby identifies in its books and records maintained for the Governmental

Lender Note the rule the Governmental Lender will use to determine the Issue Price for the Governmental Lender Note as the rule set forth in the second sentence of section 1.148-1(f)(2)(i) of the Regulations, i.e. the Issue Price is the price paid by the single buyer. Based on the representations set forth in Exhibit A hereto, the aggregate Issue Price of the Governmental Lender Note is $[5,000,000].

11. Yield on the Governmental Lender Note. The Governmental Lender and the Borrower hereby represent, covenant and agree as follows:

(a) The Yield on the Governmental Lender Note is the discount rate that, when used in computing the present value as of the Issue Date of the Governmental Lender Note, of all unconditionally payable payments of principal and interest on the Governmental Lender Note, produces an amount equal to the present value, using the same discount rate, of the Issue Price of the Governmental Lender Note plus any Pre-Issuance Accrued Interest as of the Issue Date of the Governmental Lender Note.

(b) The Yield with respect to that portion of the Governmental Lender Note, if any, subject to optional redemption is computed by treating such portion of the Governmental Lender Note as retired at the Stated Redemption Price at Maturity because (i) the Governmental Lender has no present intention to redeem prior to maturity the portion of the Governmental Lender Note that is subject to optional redemption; (ii) the Governmental Lender Note are not subject to optional redemption at any time for a price less than the retirement price at final maturity plus accrued interest; (iii) the Governmental Lender has no present intention of exercising its right to optionally redeem the Governmental Lender Note within five years of the Issue Date of the Governmental Lender Note; (iv) no portion of the Governmental Lender Note subject to optional redemption is issued at an Issue Price that exceeds the Stated Redemption Price at Maturity of such portion of the Governmental Lender Note by more than one-fourth of one percent multiplied by the product of the Stated Redemption Price at Maturity of such portion of the Governmental Lender Note and the number of complete years to the first optional redemption date for such portion of the Governmental Lender Note; and (v) no portion of the Governmental Lender Note subject to optional redemption bears interest at a rate that increases during the term of the Governmental Lender Note.

(c) The Yield is computed by treating the Governmental Lender Note as redeemed on its reasonably expected early redemption date for an amount equal to its value on that date. The Governmental Lender and the Borrower reasonably expect that the Governmental Lender Note will be prepaid and redeemed on its Mandatory Prepayment Date (i.e., [_____]).

(d) Neither the Governmental Lender nor the Borrower has entered into any hedging transaction with respect to the Governmental Lender Note, and each covenants not to enter into a hedging transaction with respect to the Governmental Lender Note unless there is first received a Favorable Opinion of Bond Counsel.

(e) As set forth in the Certificate of Financial Advisor attached hereto as Exhibit B, the Yield on the Governmental Lender Note, calculated in the manner set forth above, is [Bond Yield]percent.

12. Yield on the Borrower Loan. The Governmental Lender and the Borrower hereby represent, covenant and agree as follows:

(a) The Borrower Loan is allocated to the Governmental Lender Note. The Yield on the Borrower Loan is computed using the same compounding interval and financial conventions used to compute the Yield on the Governmental Lender Note. For the purposes of this Agreement, the Yield on the Borrower Loan is the discount rate that, when used in computing the present value as of the Issue Date of the Governmental Lender Note of all receipts with respect to the Borrower Loan, produces an amount equal to the present value, using the same discount rate, of the aggregate payments with respect to the Borrower Loan as of the Issue Date of the Governmental Lender Note. The aggregate payments made to the Borrower with respect to the Borrower Loan include no payments other than the "purchase price" of the Borrower Loan. The purchase price of the Borrower Loan is the amount loaned to the Borrower by the Governmental Lender on the Issue Date of the Governmental Lender Note, i.e. $[5,000,000].

(b) The Borrower Loan is a purpose investment that the Governmental Lender intends to treat as a "program investment" within the meaning of section 1.148-1 of the Regulations, because it is part of a governmental program (i) that involves the origination or acquisition of purpose investments; (ii) in which at least 95 percent of the cost of the purpose investments acquired under the program represents one or more loans to a substantial number of persons representing the general public, states or political subdivisions, organizations exempt from tax under section 501(c)(3) of the Code, persons who provide housing and related facilities, or any combination of the foregoing; (iii) in which at least 95 percent of the receipts from the purpose investments are used to pay principal, interest, or redemption prices on issues that financed the program, to pay or reimburse administrative costs of those issues or of the program, to pay or reimburse anticipated future losses directly related to the program, to finance additional purpose investments for the same general purposes of the program, or to redeem and retire governmental obligations at the next earliest possible date of redemption; and (iv) in which the program documents prohibit any obligor on a purpose investment financed by the program or any "related party," within the meaning of section 1.150-1(b) of the Regulations, to that obligor from purchasing bonds of an issue that finance the program in an amount related to the amount of the purpose investment acquired from that obligor. The Governmental Lender has not waived the right to treat the Borrower Loan as a program investment.

(c) The receipts from the Borrower with respect to the Borrower Loan include interest and principal payments with respect to the Borrower Loan and the Qualified Administrative Costs paid by the Borrower, and the Qualified Administrative Costs paid by the Borrower have been taken into account, as provided by section 1.148-5(e) of the Regulations, for purposes of computing the yield on the Borrower Loan. Because the Governmental Lender intends to treat the Borrower Loan as a "program investment" within

the meaning of section 1.148-1 of the Regulations, the Qualified Administrative Costs do not include the costs or expenses paid, directly or indirectly, to purchase, carry, sell, or retire the Borrower Loan, which include amounts paid directly to the Governmental Lender as set forth in Exhibit C hereto, as well as any amounts paid as a servicing fee or otherwise relating to the Borrower Loan.

(d) As set forth in the Certificate of Financial Advisor attached hereto as Exhibit B, the Yield on the Borrower Loan, calculated in the manner set forth above, is [Loan Yield], which does not exceed the Yield on the Governmental Lender Note by more than 1.5 percentage points.

13. Investment of Proceeds Pending Expenditure; No Arbitrage.

(a) Investment Proceeds. Amounts on deposit in the Payment Fund and the Project Fund may be comprised of Proceeds of the Governmental Lender Note and amounts that are not Proceeds of the Governmental Lender Note or any tax-exempt obligation. If Proceeds of the Governmental Lender Note and amounts that are not Proceeds of the Governmental Lender Note are commingled, the Borrower will take into account for purposes of its covenant to comply with the arbitrage and rebate requirements that Proceeds of the Governmental Lender Note and amounts that are not Proceeds of the Governmental Lender Note have been commingled as an investment. Investment Proceeds resulting from the investment of any Proceeds of the Governmental Lender Note pending expenditure of such Proceeds for Project costs will be used to pay Qualified Project Costs or, if not used to pay Qualified Project Costs, such amounts will be treated as "bad costs."

(b) Minor Portion and Yield Reduction Payments. All Gross Proceeds of the Governmental Lender Note will be invested in accordance with the "Funds" paragraph herein. To the extent such amounts remain on hand following the periods set forth in the "Funds" paragraph herein or exceed the limits set forth in the "Funds" paragraph herein, such amounts will be invested at a restricted Yield as set forth in such paragraph; provided, however, that an amount not to exceed the Minor Portion may be invested at a Yield that is higher than the Yield on the Governmental Lender Note and, provided further, that, if permitted by section 1.148-5(c) of the Regulations, the Yield restriction requirements may be satisfied by making Yield Reduction Payments to the federal government.

(c) Governmental Lender Note Are Not Hedge Bonds. Not more than 50 percent of the Proceeds of the Governmental Lender Note will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more. Further, at least 85 percent of the spendable Proceeds of the Governmental Lender Note are reasonably expected to be used to carry out the governmental purposes of the Governmental Lender Note within the three-year period beginning on the Issue Date of the Governmental Lender Note.

(d) No Arbitrage. On the basis of the facts, estimates and circumstances set forth in this Agreement, it is expected by the Governmental Lender and the Borrower that the Gross Proceeds of the Governmental Lender Note will not be used in a manner that would cause the Governmental Lender Note to be "arbitrage bonds" within the meaning of

section 148 of the Code. To the best of the knowledge and belief of the undersigned representatives of the Governmental Lender and the Borrower, there are no other facts, estimates or circumstances that would materially change such expectations. Except as provided in the Funding Loan Agreement and the Borrower Loan Agreement, the Borrower will not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under the Borrower Loan Agreement or the note relating to the Borrower Loan, will not establish any segregated reserve or similar fund for such purpose and will not prepay any such amounts in advance of the redemption date of an equal principal amount of the Governmental Lender Note, unless in each case there will have been delivered a Favorable Opinion of Bond Counsel. The Borrower will not, at any time prior to the final maturity of the Governmental Lender Note, direct or permit the Fiscal Agent to invest Gross Proceeds of the Governmental Lender Note in any investment (or to use Gross Proceeds of the Governmental Lender Note to replace money so invested), if as a result of such investment the Yield of all investments acquired with Gross Proceeds (or with money replaced thereby) on or prior to the date of such investment exceeds the Yield of the Governmental Lender Note to stated maturity, except as permitted by section 148 of the Code. The Governmental Lender and the Borrower further covenant and agree that each will comply with and will take all action reasonably required to ensure that the Fiscal Agent complies with all applicable requirements of section 148 of the Code relating to the Governmental Lender Note and the interest thereon.

(e) Guaranteed Investment Contract. Proceeds of the Governmental Lender Note may be deposited in a guaranteed investment contract (the "GIC"). If Proceeds of the Governmental Lender Note are co-mingled as an investment in the GIC, the Borrower will take into account for purposes of its covenant to comply with the rebate requirement that proceeds of the Governmental Lender Note and amounts that are not proceeds of the Governmental Lender Note have been co-mingled as an investment in the GIC and will comply with the requirements of section 1.148-5(d)(6)(iii) of the Regulations.

14. Covenants of Fiscal Agent Relating to Investment of Proceeds. The Fiscal Agent will invest funds held under the Funding Loan Agreement in accordance with the respective terms of the Funding Loan Agreement and this Agreement, which covenant will extend throughout the term of the Governmental Lender Note, to all funds and accounts created under the Funding Loan Agreement and this Agreement and all moneys on deposit to the credit of any fund or account. Should the Governmental Lender or the Borrower deliver notice (in the manner required under the Funding Loan Agreement or the Borrower Loan Agreement, as applicable) to the Fiscal Agent (it being understood that neither the Governmental Lender nor the Borrower has an obligation to so deliver) or should the Fiscal Agent receive an opinion of Bond Counsel to the effect that any proposed investment or other use of Proceeds of the Governmental Lender Note would cause the Governmental Lender Note to become "arbitrage bonds" within the meaning of section 148 of the Code, then the Fiscal Agent will comply with any written direction of the Borrower regarding such investment or use so as to prevent the Governmental Lender Note from becoming an "arbitrage bond."

The Governmental Lender and the Borrower agree that, in complying with the provisions set forth under this paragraph, the Fiscal Agent will be deemed to have complied with such

provisions and will have no liability to the extent the Fiscal Agent materially follows the written directions of the Borrower or the Governmental Lender. The Fiscal Agent is not liable or responsible for monitoring compliance by the Borrower, the Governmental Lender or the Rebate Analyst with any of the requirements of section 148 of the Code or any applicable regulation, ruling or other judicial or administrative interpretation thereof, it being acknowledged and agreed that the sole obligation of the Fiscal Agent in this regard is (i) to invest the moneys received by the Fiscal Agent pursuant to the written instructions of the Borrower or Governmental Lender in specific investments identified by the Borrower, or in the absence of such identification, to make investments as otherwise provided herein and to disburse said moneys in accordance with the terms of the Indenture and this Agreement and (ii) to materially follow investment instructions as provided in the Indenture and this Agreement.

15. Compliance with Yield Reduction and Rebate Requirements; Rebate Fund.

(a) Covenant to Comply with Rebate Requirements. The Governmental Lender and the Borrower covenant to comply with the requirement that (i) if Gross Proceeds of the Governmental Lender Note have been invested at a Yield that is "materially higher" than the Yield on the Governmental Lender Note and Yield Reduction Payments are permitted under section 1.148-5(c)(3) of the Regulations, Yield Reduction Payments be made to the federal government and (ii) "rebatable arbitrage earnings" on the investment of the Gross Proceeds of the Governmental Lender Note, within the meaning of section 148(f) of the Code, be rebated to the federal government.

(b) Rebate Fund. The Funding Loan Agreement established the Rebate Fund, which will be maintained and held in trust by the Fiscal Agent and which will be disbursed and applied only as herein authorized in this "Compliance with Yield Reduction and Rebate Requirements; Rebate Fund" paragraph. Notwithstanding anything herein to the contrary, all provisions of the Funding Loan Agreement relating to the general administration of the funds created thereunder will apply to the Rebate Fund, and the Fiscal Agent is afforded all the rights, protections and immunities otherwise accorded to it thereunder as if the provisions set forth in this "Compliance with Yield Reduction and Rebate Requirements; Rebate Fund" paragraph were set forth in the Funding Loan Agreement.

(c) Delivery of Documents and Money by Borrower on Computation Dates. The Borrower will deliver to the Fiscal Agent and the Governmental Lender, within 55 days after each Computation Date:

(i) (A) a statement, signed by an officer or other authorized representative of the Borrower, stating the Rebate Amount as of such Computation Date and the amount of any Yield Reduction Payments due, and (B) a copy of the report prepared by the Rebate Analyst in connection therewith;

(ii) (A) if such Computation Date is an Installment Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund, is equal to at least 90 percent of the Rebate Amount and Yield Reduction Payments due as of such Installment Computation Date, less any "previous rebate payments" (determined in accordance with section 1.148-3(f)(1)

of the Regulations), made to the United States of America or (B) if such Computation Date is the Final Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund, is equal to the Rebate Amount and Yield Reduction Payments due as of such Final Computation Date, less any "previous rebate payments" (determined in accordance with section 1.148-3(f)(1) of the Regulations) made to the United States of America; and

(iii) an IRS Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate ("Form 8038-T") properly signed and completed as of such Computation Date.

(d) Administration of Rebate Fund and Payment of Rebate.

(i) The Fiscal Agent will deposit or transfer to the credit of the Rebate Fund, pursuant to written direction from the Borrower, each amount delivered to the Fiscal Agent by the Borrower for deposit thereto and each amount directed by the Borrower to be transferred thereto. Within five days after each receipt or transfer of funds to the Rebate Fund, the Fiscal Agent will withdraw such funds from the Rebate Fund and pay such funds to the United States of America. The Fiscal Agent may conclusively rely on the written instructions of the Borrower with regard to any actions to be taken by it pursuant to this paragraph and will have no liability for any consequences of any failure of the Borrower to perform its duties or obligations or to supply accurate or sufficient instructions. Except as specifically provided herein, the Fiscal Agent will have no duty or responsibility with respect to the Rebate Fund or the Borrower's duties and responsibilities with respect thereto except to follow the Borrower's specific written instructions related thereto.

(ii) Moneys and securities held by the Fiscal Agent in the Rebate Fund will not be deemed funds of the Governmental Lender Note and are not pledged or otherwise subject to any security interest in favor of the owners of the Governmental Lender Note to secure the Governmental Lender Note or any other obligations.

(iii) Moneys in the Rebate Fund will be separately invested and reinvested by the Fiscal Agent, at the written direction of the Borrower, in Permitted Investments, subject to the Code. The Fiscal Agent will sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in the Rebate Fund is insufficient for its purposes. In the absence of written direction from the Borrower, the Fiscal Agent will not be responsible or liable for keeping the moneys held as part of the Rebate Fund fully invested.

(iv) The Borrower will provide the Fiscal Agent and the Fiscal Agent will keep such records of the results of the computations made pursuant to this paragraph for a period of three years after the last Governmental Lender Note and any tax-exempt obligations issued to refinance the Governmental Lender Note is retired. The Fiscal Agent will keep and make available to the Governmental Lender and the Borrower such records concerning the investments of Gross Proceeds of

the Governmental Lender Note and the investments of earnings from those investments as may be requested by the Governmental Lender or the Borrower in order to enable the Borrower to make the computations required under section 148(f) of the Code.

(e) Correction of Underpayments. If the Borrower discovers or is notified as of any date that any amount required to be paid to the United States of America pursuant to this Agreement has not been paid as required or that any payment paid to the United States of America pursuant to this Agreement has failed to satisfy any requirement of section 148(f) of the Code or section 1.148-3 of the Regulations (whether or not such failure is due to any default by the Borrower, the Governmental Lender, or the Fiscal Agent), the Borrower will (i) deliver to the Fiscal Agent (for deposit to the Rebate Fund) and cause the Fiscal Agent to pay to the United States of America from the Rebate Fund (A) the Rebate Amount or Yield Reduction Payments due that the Borrower failed to pay, plus any interest specified in section 1.148-3(h)(2) of the Regulations, if such correction payment is delivered to and received by the Fiscal Agent within 175 days after such discovery or notice, or (B) if such correction payment is not delivered to and received by the Fiscal Agent within 175 days after such discovery or notice, the amount determined in accordance with clause (A) of this subparagraph plus the 100 percent penalty required by section 1.148-3(h)(1) of the Regulations, and (ii) deliver to the Fiscal Agent and the Governmental Lender a Form 8038-T completed as of such date. If such Rebate Amount or Yield Reduction Payments, together with any penalty and/or interest due, is not paid to the United States of America in the amount and manner and by the time specified in the Regulations, the Borrower will take such steps as are necessary to prevent the Governmental Lender Note from becoming "arbitrage bonds" within the meaning of section 148 of the Code.

(f) Identification of Rebate Analyst. The initial Rebate Analyst for the Governmental Lender Note is Novogradac & Company, LLP. The contact information for the initial Rebate Analyst is:

Address: 11044 Research Boulevard, Suite C400, Austin TX 78759
Telephone: 512-349-3258
E-mail: Phong.Tran@novoco.com

If the Borrower determines to engage the services of a different Rebate Analyst, the Borrower will provide the name and contact information for such entity to the Governmental Lender within thirty days of engagement.

(g) Fees and Expenses. The Borrower agrees to pay all of the fees and expenses of Bond Counsel, the Rebate Analyst, and any other necessary consultant employed by the Borrower, the Fiscal Agent, or the Governmental Lender in connection with computing the Rebate Amount and the Yield Reduction Payments; provided that nothing herein will be construed as the Fiscal Agent being responsible for creating, preparing or reviewing any of the computations contemplated under this Agreement.

(h) No Diversion of Rebatable Arbitrage. The Borrower will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing

requirements to any person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the Governmental Lender Note that is not purchased at fair market value (as defined in section 1.148-5(d)(6)(iii) of the Regulations) or includes terms that the Borrower would not have included if the Governmental Lender Note were not subject to section 148(f) of the Code.

(i) Amounts Not Required in Certain Circumstances.

(i) Notwithstanding the foregoing, the Borrower will not be required to perform the obligations set forth in this "Compliance with Yield Reduction and Rebate Requirements; Rebate Fund" paragraph, except for the obligation to retain accounting records and the payment of expenses as described herein, if (A) the Gross Proceeds of the Governmental Lender Note have not been invested at a Yield that is "materially higher" than the Yield on the Governmental Lender Note and therefore is not required to pay Yield Reduction Payments and/or (B) the Borrower has not earned any rebatable arbitrage and, therefore, is not subject to the rebate obligation set forth in section 148(f) of the Code. To the extent that the Borrower will not be required to perform such obligations, the Borrower will send written notice to the Fiscal Agent and the Governmental Lender within 55 days after the applicable Computation Date.

(ii) Notwithstanding anything to the contrary in this Agreement requiring a payment to be made based on the Rebate Analyst's calculations showing a rebate being due, no payment will be made by the Fiscal Agent to the United States of America if the Borrower furnishes to the Governmental Lender and the Fiscal Agent a Favorable Opinion of Bond Counsel. In such event, the Borrower will be entitled to withdraw funds from the Rebate Fund to the extent provided in such Favorable Opinion of Bond Counsel.

(j) Fiscal Agent Reliance on Written Directions. The Governmental Lender and the Borrower agree that, in complying with the provisions set forth under this paragraph, the Fiscal Agent will be deemed to have complied with such provisions and will have no liability to the extent it materially follows the written directions of the Borrower, the Governmental Lender, or the Rebate Analyst.

16. Funds.

(a) Project Fund. All of the Proceeds of the Governmental Lender Note in the Project Account of the Project Fund are expected to be invested and disbursed as described in the Funding Loan Agreement to pay Project costs. The Borrower (i) reasonably expects to allocate at least 85 percent of the Net Proceeds of the Governmental Lender Note to expenditures on capital projects of the Project prior to the date that is three years after the Issue Date of the Governmental Lender Note, (ii) has incurred, or reasonably expects to incur within six months after the Issue Date of the Governmental Lender Note, a binding obligation to a third party that is not subject to any contingencies within the control of the Borrower pursuant to which the Borrower is obligated to expend at least five percent of the Net Proceeds of the Governmental Lender Note on capital projects of the Project, and (iii)

reasonably expects that the acquisition, construction, and equipping of the Project will proceed with due diligence to completion and the Net Proceeds of the Governmental Lender Note are reasonably expected to be expended on the Project with reasonable dispatch; therefore, all of such amounts may be invested without regard to Yield restriction. Any amounts not so expended prior to the applicable dates set forth in the preceding sentence will thereafter be invested at a Yield that is not "materially higher" than the Yield on the Governmental Lender Note, except as set forth in the "Investment of Proceeds Pending Expenditure; No Arbitrage—Minor Portion and Yield Reduction Payments" subparagraph herein.

(b) Payment Fund. Amounts on deposit in the Payment Fund will be used for the purposes set forth in Section 7.4 of the Funding Loan Agreement. The Payment Fund will be used primarily to achieve a proper matching of payments made pursuant to the Borrower Loan Agreement and debt service on the Governmental Lender Note within each Bond Year. Any amounts in the Payment Fund held for longer than 13 months will be invested in obligations the Yield on which is not "materially higher" than the Yield on the Governmental Lender Note, except as set forth in the "Investment of Proceeds Pending Expenditure; No Arbitrage—Minor Portion and Yield Reduction Payments" subparagraph herein.

(c) Expense Fund. Amounts on deposit in the Expense Fund will be used for the purposes and in the order set forth in Section 7.5 of the Funding Loan Agreement. There is no assurance that amounts on deposit in the Expense Fund will be available to pay debt service on the Governmental Lender Note.

(d) Closing Costs Fund. Amounts on deposit in the Closing Costs Fund will be funded by the Borrower at closing and used for the purpose of paying Costs of Issuance. Amounts remaining in the Closing Costs Fund after the payment of all Costs of Issuance, and in any event not later than six months following the Closing Date of the Governmental Lender Note, will be paid to or at the direction of the Borrower. There is no assurance that amounts on deposit in the Closing Costs Fund will be available to pay debt service on the Governmental Lender Note.

(e) Rebate Fund. The Rebate Fund will be used in the event the Borrower is required to pay rebatable arbitrage earnings to the federal government, as described in the "Compliance with Rebate Requirements; Rebate Fund" paragraph above. Amounts on deposit in the Rebate Fund are not subject to the lien of the Funding Loan Agreement; accordingly, there is no assurance that amounts on deposit, if any, in the Rebate Fund will be available to pay debt service on the Governmental Lender Note.

17. Replacement Proceeds. The Governmental Lender and the Borrower hereby represent as follows:

(a) No Sinking Funds. Other than the Payment Fund, there is no debt service fund, redemption fund, reserve fund, replacement fund, or similar fund reasonably expected to be used directly or indirectly to pay principal or interest on the Governmental Lender Note.

(b) No Pledged Funds. Other than amounts in the Payment Fund, there is no amount that is directly or indirectly pledged to pay principal or interest on the Governmental Lender Note, or to a guarantor of the Governmental Lender Note, such that such pledge provides reasonable assurance that such amount will be available to pay principal or interest on the Governmental Lender Note if the Governmental Lender encounters financial difficulty. For purposes of this certification, an amount is treated as so pledged if it is held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of the holders or the guarantor of the Governmental Lender Note.

(c) No Other Replacement Proceeds. There are no other Replacement Proceeds allocable to the Governmental Lender Note because the Governmental Lender reasonably expects that the term of the Governmental Lender Note will not be longer than is reasonably necessary for the governmental purpose of the Governmental Lender Note. Furthermore, even if the Governmental Lender Note were outstanding longer than necessary for the purpose of the Governmental Lender Note, no Replacement Proceeds will arise because the Governmental Lender reasonably expects that no amounts will become available during the period that the Governmental Lender Note remain outstanding longer than necessary based on the reasonable expectations of the Governmental Lender as to the amounts and timing of future revenues. The Governmental Lender Note would be issued to achieve the governmental purpose of the Governmental Lender Note independent of any arbitrage benefit as evidenced by the expectation that the Governmental Lender Note reasonably would have been issued if the interest on the Governmental Lender Note were not excludable from gross income (assuming that the hypothetical taxable interest rate would be the same as the actual tax-exempt interest rate and that tax credits issued under section 42 of the Code would be available in connection therewith).

18. Not an Abusive Transaction. The Governmental Lender and the Borrower hereby represent as follows:

(a) General. A device has not been and will not be employed in connection with the issuance of the Governmental Lender Note to obtain a material financial advantage (based on arbitrage) apart from savings attributable to lower interest rates. Furthermore, no action taken in connection with the Governmental Lender Note is or will be an abusive arbitrage device by having the effect of (i) enabling the Governmental Lender or the Borrower to exploit, other than during an allowable temporary period, the difference between tax-exempt and taxable interest rates to obtain a material financial advantage (including as a result of an investment of any portion of the Gross Proceeds of the Governmental Lender Note over any period of time, notwithstanding that, in the aggregate, the Gross Proceeds of the Governmental Lender Note are not invested in higher yielding investments over the term of the Governmental Lender Note) and (ii) overburdening the tax-exempt bond market by issuing more bonds, issuing bonds earlier or allowing bonds to remain outstanding longer than is otherwise reasonably necessary to accomplish the governmental purposes of the Governmental Lender Note, based on all the facts and circumstances. Specifically, (A) the primary purpose of each transaction undertaken in connection with the issuance of the Governmental Lender Note is a bona fide governmental purpose; (B) each action taken in connection with the issuance of the Governmental Lender

Note would reasonably be taken to accomplish the governmental purposes of the Governmental Lender Note if the interest on the Governmental Lender Note were not excludable from gross income for federal income tax purposes (assuming the hypothetical taxable interest rate would be the same as the actual tax-exempt interest rate on the Governmental Lender Note); and (C) the Proceeds of the Governmental Lender Note will not exceed by more than a Minor Portion the amount reasonably anticipated to be necessary to accomplish the governmental purposes of the Governmental Lender Note and will in fact not be substantially in excess of the amount of Proceeds allocated to expenditures for the governmental purposes of the Governmental Lender Note.

(b) No Sinking Fund. No portion of the Governmental Lender Note has a term that has been lengthened primarily for the purpose of creating a sinking fund or similar fund with respect to the Governmental Lender Note.

(c) No Window. No portion of the Governmental Lender Note has been structured with maturity dates the primary purpose of which is to make available released revenues that will enable the Governmental Lender to avoid transferred proceeds or to make available revenues that may be invested to be ultimately used to pay debt service on another issue of obligations.

(d) No Disposition. No portion of the Project is reasonably expected to be disposed of while the Governmental Lender Note are outstanding.

(e) No Overissuance. The Net Proceeds of the Governmental Lender Note do not exceed the total amount necessary for the purposes of the Governmental Lender Note. The issuance of the Governmental Lender Note is necessary to achieve the 50% basis requirement of section 42 of the Code needed for the Borrower to receive low income housing tax credits, without which the Project could not be made available to low-income tenants.

(f)

19. The Project. The Borrower hereby represents and covenants as follows:

(a) The Project will be comprised of (i) Units, all of which will be rented to individuals or families for residential occupancy and none of which will be owner-occupied (other than any functionally related and subordinate Units used by management for the purpose of housing any reasonably required resident managers, security personnel or maintenance personnel for the Project) and (ii) facilities, all of which are functionally related and subordinate to the aforementioned Units (i.e., facilities that are of a size and character commensurate with the size and character of such Units). All Units are similarly constructed and offer fixtures of similar quality. All amenities that are part of the Project will be made available to all residential tenants and their guests on an equal basis, regardless of the rent charged for the Unit occupied by the residential tenant.

(b) There has been and will be no substantial deviation from the description and location of the Project and the Borrower, operator or manager set forth in the notice of

hearing published with respect to the Governmental Lender Note for purposes of satisfying the requirements of section 147(f) of the Code.

(c) The Project will be designed and equipped and will be owned, maintained and operated on a continuous basis in accordance with the Borrower Loan Agreement and the Regulatory Agreement. For purposes of this subparagraph, each of the enumerated types of facilities includes the interior furnishings of such facility (including the facility's plumbing, electrical and decorating costs) and the structural components required for the facility (including the facility's walls, ceilings and special enclosures). Each such enumerated type of facility includes only those normal components of the structure in which it is located, such as the structure's structural supports, to the extent that those components are required because of the facility. The recreational facilities, if any, included as part of the Project will be available only to residential tenants and their guests and no separate fee will be required for the use of such facilities.

(d) Except to the extent that any Unit is a single room occupancy unit under section 42 of the Code, each Unit will contain separate and complete facilities for living, sleeping, eating, cooking and sanitation. Specifically, each Unit will contain a living area, a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, full-size refrigerator and sink, all of which are separate and distinct from the facilities included in other Units.

(e) The Project will consist of one or more proximate buildings or structures, together with any functionally related and subordinate facilities containing one or more similarly constructed Units, all of which (i) will be located on a single tract of land or two or more parcels of land that are contiguous except for the interposition of a road, street, stream or similar property or their boundaries meet at one or more points, (ii) will be owned by the same person for federal income tax purposes, and (iii) will be financed pursuant to a common plan.

(f) Parking spaces included in the Project are functionally related and subordinate to the Units included in the Project in that they are no greater in number than is normally appropriate for a residential rental facility that is of the size of the Project. Only tenants, prospective tenants, guests of tenants, employees of the Borrower, and employees of the manager are expected to use these parking spaces.

(g) If the Project contains a clubhouse, exercise or similar recreational facility, such facility exists as a tenant amenity and may be used by any tenant free of any separate charge and will be constructed for the exclusive use of tenants of the Project and their guests. Such facility, if any, is of a character and size commensurate with the character and size of the Project and will not be open to the general public on a membership basis.

(h) The Project will not include any nonresidential or commercial space, including particularly, without limitation, any other space or facility not described in this paragraph. Costs relating to the acquisition, construction and equipping of any nonresidential or commercial space developed in connection with the Project (including

any costs of land acquisition allocable thereto) will be allocated to sources other than the Governmental Lender Note.

(i) No continual or frequent skilled or unskilled nursing services will be available at the Project, although the tenants will be permitted to engage such services from providers that are not affiliated with the Borrower or the manager. Thus, neither the Borrower nor the manager, nor any Related Person to either the Borrower or the manager, will provide any assistance to any tenant in connection with his or her activities of daily living, other than concierge and valet services. The Project will not be licensed as a convalescent or nursing home, continuing care facility, personal care facility, special care facility or other assisted living facility under State law.

20. Tenant Income Certifications. The Borrower hereby represents and covenants as follows:

(a) The Borrower will obtain and maintain tenant income certifications in a form that satisfies the requirements of section 1.103-8(b)(8) of the Regulations demonstrating that the 40-60 Test is met with respect to the occupied Units continuously throughout the Qualified Project Period.

(b) The Borrower will ensure that each person who is intended to be a Qualifying Tenant will sign and deliver to the Borrower or a manager of the Project a tenant income certification in the form required by the Regulatory Agreement. In addition, the Borrower will ensure that such person will provide whatever other information, documents or certifications are deemed necessary to substantiate the tenant income certification.

(c) The Borrower will timely file, or take such actions as are necessary to cause any other person who is properly treated as the "operator" for purposes of section 142(d)(7) of the Code to file timely, the annual certifications described in section 142(d)(7) of the Code (currently, IRS Form 8703, Annual Certificate of Residential Rental Project).

(d) For a period of at least three years after the date the Governmental Lender Note are retired, a tenant income certification in the form required by the Regulatory Agreement will at all times be maintained on file at the applicable location for the Project with respect to each Qualifying Tenant who resides or has resided in a Unit.

21. Form of Lease. The Borrower will ensure that the term of a lease of any Unit will be for a term of not less than six months, subject to the provision that any lease may be terminated if the tenant's physical condition no longer permits full-time residence in the Project; provided, however, that the form of lease to be utilized by the Borrower in renting any Units to a person who is intended to be a Qualifying Tenant will provide for termination of the lease and consent by such person to immediate eviction in accordance with applicable law for failure to qualify as a Qualifying Tenant as a result of any material misrepresentation made by such person with respect to the tenant income certification.

22. Change in Use. The Borrower acknowledges that any failure to satisfy the applicable requirements of sections 103 and 142 through 150, inclusive, of the Code, including the 40-60 Test, with respect to the Project will be treated as a change in use for purposes of section

150(b)(2) of the Code with the result that no deduction will be allowed for federal income tax purposes for interest paid by the Borrower with respect to the portion of the Borrower Loan that is allocable to Proceeds of the Governmental Lender Note that accrues during the period beginning on the first day of the taxable year in which the Project fails to meet such requirements and ending on the date that the Project meets such requirements.

On the earlier of (a) the date on which the Borrower reasonably determines that the Project will not be completed or (b) the date on which the Project is Placed in Service, the Borrower will identify the amount of unspent Net Proceeds of the Governmental Lender Note, if any, and will use such amount to redeem or, if not permitted by the terms of the Governmental Lender Note, defease the Governmental Lender Note, all in accordance with the requirements of section 1.142-2 of the Regulations, the Funding Loan Agreement and the Borrower Loan Agreement, as applicable, including the requirement that, if a defeasance is necessary, timely written notice be provided to the IRS.

23. Cashflow Sufficiency. The Borrower reasonably expects that the cash flow from the Project on an annual basis (excluding cash generated from the investment of nonoperating funds or other investment funds maintained by the Borrower) will be sufficient to pay annual debt service on the Borrower Loan during each year. Accordingly, the Borrower expects that debt service on the Borrower Loan will not be paid, directly or indirectly, from non-operating or other investment funds maintained by the Borrower or any Related Person to the Borrower. Except for the funds described in the "Funds" paragraph above, the Borrower does not expect to create or establish, or otherwise set aside or dedicate, any fund or account that is expected to be used to pay principal of, or interest on, the Governmental Lender Note or to be pledged, directly or indirectly, to the payment of principal of, or interest on, the Governmental Lender Note. Investment Proceeds of the Governmental Lender Note and amounts earned from the investment of such Investment Proceeds will not be commingled with other receipts or revenues of the Borrower.

24. Post-Issuance Compliance Procedures. The Governmental Lender has implemented written post-issuance tax compliance procedures regarding federal tax compliance that include provisions to ensure that all nonqualified bonds are remediated according to the requirements under the Code and Regulations and to monitor the requirements of section 148 of the Code. A copy of the Governmental Lender's then-current post-issuance tax compliance procedures is and will be available on the Governmental Lender's website during the term of this Agreement. If the Governmental Lender's website is not available, a copy of the then-current post-issuance tax compliance procedures will be made available to the Borrower, upon request. The Borrower agrees to take such actions as required therein to be taken by the Borrower to maintain compliance with requirements in the Code. In the event that the terms of the Governmental Lender's post-issuance tax compliance procedures conflict with the terms of this Agreement, the terms of this Agreement will control.

25. Record Retention. The Borrower and the Fiscal Agent will retain or cause to be retained all pertinent and material records relating to any formal elections made for purposes of federal income tax law; the use of the Project; the investment, use and expenditure of the Proceeds of the Governmental Lender Note; and the calculation of rebate in connection with the Governmental Lender Note until three years after the Governmental Lender Note, including any tax-exempt obligations issued to refinance the Governmental Lender Note, are redeemed or paid

at maturity, or such shorter period as authorized by subsequent guidance issued by the Department of the Treasury, if applicable. All records will be kept in a manner that ensures complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the Governmental Lender to retrieve and reproduce such books and records in the event of an examination of the Governmental Lender Note by the IRS.

26. Examination by IRS. The Borrower acknowledges that, in the event of an examination by the IRS of the excludability of interest on the Governmental Lender Note from the gross income of the owners thereof for federal tax purposes, the Governmental Lender will likely be treated as the "taxpayer", and the Borrower agrees to respond in a commercially reasonable manner on behalf of, and at the direction of, the Governmental Lender (and in consultation with the Fiscal Agent, who will have the right to participate in all related proceedings (including tax court challenges and appeals)) to such examination and to pay the costs of the counsel selected by the Governmental Lender to provide a defense regarding the exclusion of the interest on the Governmental Lender Note from the gross income of the owners thereof for federal income tax purposes. THE BORROWER WILL INDEMNIFY AND HOLD HARMLESS THE GOVERNMENTAL LENDER AND THE FISCAL AGENT AGAINST ANY AND ALL COSTS, LOSSES, CLAIMS, DAMAGES, OR LIABILITY OF, OR RESULTING FROM, SUCH AN EXAMINATION AND THE SETTLEMENT THEREOF BY THE GOVERNMENTAL LENDER AND THE FISCAL AGENT (INCLUDING THE COST OF THE GOVERNMENTAL LENDER'S AND THE FISCAL AGENT'S LEGAL COUNSEL), EXCEPT AS A RESULT OF THE WILLFUL MISCONDUCT, BAD FAITH, OR FRAUD OF THE GOVERNMENTAL LENDER (WITH RESPECT TO INDEMNIFICATION OF THE GOVERNMENTAL LENDER) OR THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT, BAD FAITH, OR FRAUD OF THE FISCAL AGENT (WITH RESPECT TO INDEMNIFICATION OF THE FISCAL AGENT).

27. Term. The obligations of the Governmental Lender, the Borrower and the Fiscal Agent, under this Agreement will survive the defeasance and discharge of the Governmental Lender Note for as long as such matters are relevant to the exclusion from gross income of interest on the Governmental Lender Note for federal income tax purposes. The indemnification provisions set forth in Section 26 will survive the defeasance and discharge of the Governmental Lender Note and/or resignation of the Fiscal Agent.

28. Amendments.

(a) To the extent any amendments to the Code or the Regulations, which, as a matter of law, are applicable to the Project and, in the written opinion of Bond Counsel filed with the Governmental Lender, the Fiscal Agent and the Borrower, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Agreement, this Agreement will be deemed to be automatically amended to impose such additional or more restrictive requirements. The parties hereto hereby agree to execute such amendment hereto as will be necessary to document such automatic amendment hereof.

(b) To the extent that the Code or the Regulations, or any amendments thereto, which, as a matter of law, are applicable to the Project and, in the written opinion of Bond Counsel filed with the Governmental Lender, the Fiscal Agent and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Agreement, this Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Governmental Lender, the Fiscal Agent and the Borrower and upon receipt of a Favorable Opinion of Bond Counsel.

(c) All reasonable costs, including fees and out-of-pocket expenses actually incurred by the Governmental Lender and the Fiscal Agent, in connection with an amendment to this Agreement will be paid by the Borrower and its successors in interest.

29. Remedies. The Governmental Lender, the Fiscal Agent, and the Borrower each hereby agrees that the remedies available under the Funding Loan Agreement and the Borrower Loan Agreement apply upon the occurrence of an Event of Default (as defined under the Funding Loan Agreement or the Borrower Loan Agreement, as applicable) resulting from an action or omission of an action by any party hereunder with respect to any provision of this Agreement.

30. Miscellaneous.

(a) Severability. If any provision of this Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such provision will not affect any of the remaining provisions hereof.

(b) Counterparts. This Agreement may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

(c) Notices. All notices, demands, communications and requests which may or are required to be given hereunder or by any party hereto will be deemed given on the date on which the same will have been mailed by registered or certified mail, postage prepaid, addressed to such parties at the addresses set forth in the Funding Loan Agreement and the Borrower Loan Agreement, as applicable.

(d) Successors and Assigns. The terms, provisions, covenants and conditions of this Agreement bind and inure to the benefit of the respective successors and assigns of the Governmental Lender, the Borrower, and the Fiscal Agent.

(e) Headings. The headings of this Agreement are inserted for convenience only and will not be deemed to constitute a part of this Agreement.

(f) Governing Law; Venue. This Agreement is governed by the laws of the State, without regard to the choice of law rules of the State. Venue for any action under this Agreement will lie within the district courts of the State, and the parties hereto consent to the jurisdiction and venue of any such court and hereby waive any argument that venue in such forums is not convenient.

(g) Fiscal Agent. Every provisions of this Agreement relating to the conduct of, or affecting the liability of, or affording protection to, the Fiscal Agent shall be expressly subject to the Funding Loan Agreement. Without limiting the foregoing, the Fiscal Agent will only act as specifically provided herein, subject to the express terms and conditions set forth in the Funding Loan Agreement.

[EXECUTION PAGES FOLLOW]

IN WITNESS WHEREOF, the Governmental Lender, the Borrower and the Fiscal Agent (but, as for the Fiscal Agent, it is only agreeing to sections 2(c), 14, 15, and 25 through 30) have caused this Agreement to be executed and delivered by duly authorized officers thereof as of Issue Date of the Governmental Lender Note.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, as Governmental Lender

By: _____
Name: James B. "Beau" Eccles
Title: Secretary to the Board

SDC CORINTH III, LP, a Texas limited partnership

By: Fiji Mixed Development, LLC,
a Texas limited liability company
its general partner

By: CCHFC Fiji GP, LLC,
a Texas limited liability company,
its sole member

By: The Dallas County Housing Finance Corporation,
its sole member and manager

_____
By:

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Fiscal Agent

By:_____
Name:
Title:

EXHIBIT A

CERTIFICATE OF FUNDING LENDER

I, the undersigned officer of Stellar Bank (the "Funding Lender"), make these certifications in connection with the $[5,000,000] Texas Department of Housing and Community Affairs Multifamily Housing Governmental Lender Note (Fiji Lofts) Series 2026 (the "Governmental Lender Note"). Each capitalized term used but not defined herein has the meaning or is the amount, as the case may be, specified for such term in the Tax Exemption Certificate and Agreement to which this Exhibit A is attached (the "Tax Exemption Agreement").

1. I hereby certify as follows in good faith as of the Issue Date of the Governmental Lender Note:

   (a) I am the duly chosen, qualified and acting vice president of the Funding Lender for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Funding Lender. I am the vice president of the Funding Lender charged, along with other officers of the Funding Lender, with responsibility for the Governmental Lender Note.

   (b) The Funding Lender is not acting as an Underwriter with respect to the Governmental Lender Note. The Funding Lender has no present intention to sell, reoffer, or otherwise dispose of the Governmental Lender Note (or any portion of the Governmental Lender Note or any interest in the Governmental Lender Note); provided, however, that the Funding Lender has the right to transfer the Governmental Lender Note as provided in the Funding Loan Agreement. The Funding Lender has not contracted with any person pursuant to a written agreement to have such person participate in the initial sale of the Governmental Lender Note and the Funding Lender has not agreed with the Governmental Lender pursuant to a written agreement to sell the Governmental Lender Note to persons other than the Funding Lender or a Related Party to the Funding Lender.

   (c) The Funding Lender has purchased the Governmental Lender Note from the Governmental Lender for an aggregate purchase price of $[5,000,000], which price includes no amount of Pre-Issuance Accrued Interest.

2. Neither the Funding Lender nor any related person to the Funding Lender directly or indirectly owns or will own (except through the exercise of remedies following a default on the Governmental Lender Note or the Borrower Loan) either (i) 50 percent or more of the capital interests in the Borrower, or (ii) 50 percent or more of the profits interests in the multifamily housing project to be financed by the Governmental Lender Note or in the Borrower.

3. For purposes of this Issue Price Certificate, the following definitions apply:

   (a) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related

Party to an Underwriter.

(b) "Related Party" means any two or more persons who are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interest or profits interest of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(c) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Governmental Lender (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Governmental Lender Note to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Governmental Lender Note to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Governmental Lender Note to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Funding Lender's interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code. The undersigned understands that the foregoing information will be relied upon by the Governmental Lender and the Borrower with respect to certain of the representations set forth in the Tax Exemption Certificate and Agreement and with respect to compliance with the federal income tax rules affecting the Governmental Lender Note, and by Bracewell LLP in connection with rendering its opinion that the interest on the Governmental Lender Note is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038, and other federal income tax advice it may give to the Governmental Lender from time to time relating to the Governmental Lender Note.

[EXECUTION PAGE FOLLOWS]

The foregoing Certificate of Funding Lender has been duly executed as of the Issue Date of the Governmental Lender Note.

STELLAR BANK

By:_____
Name:_____
Title:_____

EXHIBIT B

CERTIFICATE OF FINANCIAL ADVISOR

I, the undersigned officer of CSG Advisors Incorporated (the "Financial Advisor"), make this certificate in connection with the $[5,000,000] Texas Department of Housing and Community Affairs Multifamily Housing Governmental Lender Note (Fiji Lofts) Series 2026 (the "Governmental Lender Note"). Each capitalized term used herein has the meaning or is the amount, as the case may be, specified for such term in the Tax Exemption Certificate and Agreement to which this Exhibit B is attached (the "Tax Exemption Agreement"). I hereby certify as follows as of the Issue Date of the Governmental Lender Note:

1. I am the duly chosen, qualified and acting officer of the Financial Advisor for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Financial Advisor.

2. The Issue Price plus any Pre-Issuance Interest on the Governmental Lender Note, based on the representations of the Funding Lender in the Issue Price Certificate attached as Exhibit A to the Tax Exemption Agreement, is not more than $[5,000,000].

3. Based on such Issue Price and assuming monthly compounding to [the mandatory prepayment date of June 1, 2040], the Financial Advisor has computed the Yield on the Governmental Lender Note to be [Bond Yield] percent and the Yield on the Borrower Loan to be [Loan Yield] percent. Accordingly, the Yield on the Borrower Loan does not exceed the Yield on the Governmental Lender Note by more than 1.5 percentage points.

4. For purposes of determining the Yields in paragraphs 3 above, the Financial Advisor has performed certain calculations relating to the Governmental Lender Note and the Borrower Loan. Such calculations are attached hereto as Schedule I. The Financial Advisor hereby represents that such calculations are based on assumptions and methodologies provided by Bond Counsel and are in all material respects consistent with the assumptions and methodologies set forth in the "Yield on the Governmental Lender Note" and "Yield on the Borrower Loan" paragraphs of the Tax Exemption Agreement. These calculations include calculations based upon assumptions, information, and estimates obtained from the Borrower and the Governmental Lender, which the Financial Advisor, based on its experience with similar transactions, has no reason to believe are not reasonable in light of the relevant facts and circumstances. To the best of the Financial Advisor's knowledge, as of the Issue Date of the Governmental Lender Note, no fact or circumstance has come to the Financial Advisor's attention that conflicts with the assumptions, information and estimates described in the preceding sentence.

5. As shown in Schedule I attached hereto, the Financial Advisor computed the Weighted Average Maturity of the Governmental Lender Note, calculated in accordance with the provisions of the Tax Exemption Agreement, to be [WAM] years.

6. The Financial Advisor represents that to the best of its knowledge as of the Issue Date of the Governmental Lender Note, the statements set forth in paragraphs (a) through (c) of the "Not An Abusive Transaction" paragraph of the Tax Exemption Agreement are true.

The Governmental Lender may rely on the statements made herein in connection with making the representations set forth in the Tax Exemption Agreement and in its efforts to comply with the conditions imposed by the Code on the exclusion of interest on the Governmental Lender Note from the gross income of their owners. Bracewell LLP also may rely on this certificate for purposes of its opinion regarding the treatment of interest on the Governmental Lender Note as excludable from gross income for federal income tax purposes and the preparation of the Form 8038.

[EXECUTION PAGE FOLLOWS]

The foregoing Certificate of Financial Advisor has been duly executed as of the Issue Date of the Governmental Lender Note.

CSG ADVISORS INCORPORATED

By:_____
Name:_____
Title:_____

Signature Page to Certificate of Financial Advisor

SCHEDULE I

TO CERTIFICATE OF FINANCIAL ADVISOR

EXHIBIT D

SCHEDULE OF BORROWER LOAN COSTS

Paid Prior to Closing

Application Fee	$3,480

Annual Fees

Governmental Lender Administrative Fee (beginning December 1, 2026)	0.10% per annum of the aggregate principal amount of the Governmental Lender Note outstanding
Governmental Lender Compliance Fee (beginning December 1, 2026)	$4,350

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1263 **Agenda Date:** 1/15/2026 **Agenda #:** 28.

Presentation, discussion, and possible action regarding the publication in the *Texas Register* of the 2026-2 Multifamily Direct Loan Notice of Funding Availability

RECOMMENDED ACTION

WHEREAS, the Department intends to make $34,935,073 available in HOME Investment Partnerships Program funding for the financing of multifamily Developments;

WHEREAS, an additional $300,000 will be made available for community housing development organization (CHDO) operating expenses and capacity building costs in accordance with 24 CFR 92.208; and

WHEREAS, staff recommends prioritizing these funds in this 2026-2 Notice of Funding Availability (NOFA) in a manner that will allow the Department to meet various priorities, commitment and expenditure deadlines;

NOW, therefore, it is hereby

RESOLVED, that the 2026-2 NOFA is approved for publication; and

FURTHER RESOLVED, the Executive Director and staff as designated by the Executive Director are authorized, empowered, and directed, for and on behalf of the Department to execute such documents, instruments and writings and perform such acts and deeds as may be necessary to effectuate the foregoing.

BACKGROUND

The 2026-2 NOFA announces the availability of Multifamily Direct Loan funds for Applications received between February 27, 2026, and June 1, 2026 (if sufficient funds remain). Applicants must structure their Application in compliance with the 2025 HOME final rule.

If there are more requests for funding than funding available, staff is requesting the authority to suspend the NOFA or suspend Application Acceptance Dates for one or more set-asides within the NOFA and not accept any more applications by amending the NOFA, without further Board approval. Staff may again begin awarding Application Acceptance Dates if the applications under review are withdrawn, terminated, or recommended for less than the original request, so that there is additional funding available.

Staff is also requesting to be able to add HOME to this NOFA if any funds become available,

through either the termination of a previous application, the availability of program income, or other similar circumstances.

All Applications awarded under this NOFA will be subject to the requirements of 10 TAC Chapters 1, 2, 10, and 13 - the Multifamily Direct Loan rule - and applicable sections of 10 TAC Chapter 11, the Qualified Allocation Plan. Applications layered with 9% Housing Tax Credits will be further required to meet Competitive HTC criteria set forth in 10 TAC Chapter 11. Applications layered with Private Activity Bond financing will also be subject to provisions of Chapter 12.

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY DIRECT LOAN
2026-1 NOTICE OF FUNDING AVAILABILITY (NOFA)
ANNUAL NOFA

(1) Summary. The Texas Department of Housing and Community Affairs (TDHCA) announces the availability of $35,235,073 in HOME Investment Partnerships Program[1] funding to support the development of affordable multifamily rental housing for low-income Texans.

In accordance with Texas Government Code §2306.111, these funds are not available in areas that are covered by another HOME Participating Jurisdiction. Before applying, please confirm that the Development Site is not located within another jurisdiction that administers HOME funds.

Application Period: February 27, 2026 – June 1, 2026 (if sufficient funds remain).

The availability and use of these funds are subject to the following rules, as applicable:

- Texas Administrative Code: 10 TAC Chapters 1, 2, 10, 11, 12, and 13
- Texas Government Code: Chapter 2306
- Federal Regulations: 24 CFR Part 92, the 2025 HOME Final Rule
- Fair Housing Requirements: 42 U.S.C. 3601-19 and 24 CFR Part 100
- Environmental Review: 24 CFR Part 58 and also 24 CFR Part 50 (if applicable)
- Displacement Policies: Uniform Relocation Act, Section 104d, HUD Handbook 1378
- Section 3 Requirements: 24 CFR Part 75
- Davis-Bacon and Labor Standards: 24 CFR §92.354 and HUD Handbook 1344.1
- Build America, Buy America: 24 CFR Part 5, Subpart E

[1] Funds are subject to federal completion and expenditure deadlines, and the Board may require a Contract Execution Deadline or Project Completion deadline to enable the Department to meet these federal Commitments regardless of any other time period listed in the Texas Administrative Code. Failure to meet that Contract Execution Deadline or Project Completion deadlines may result in the Applicant having the award reduced in whole or in part or may trigger repayment.

Funding and Set-Asides. Applicants are required to provide 120% of the minimum required number of HOME units, as established by 10 TAC §13.7. This minimum required number will be reviewed and set by MFDL staff upon review of the application. Applicants will not be required to provide additional units between initial Application and Project Completion so long as the reviewed and set 120% continues to be sufficient to meet the required number of HOME Units under 24 CFR Part 92 and 10 TAC Chapters 11 and 13.

Funds in this NOFA are available in the following Set-Asides:

a. General Set-Aside

- **Eligible Activities: Acquisition/**New Construction, Rehabilitation with or without Acquisition, or Reconstruction with or without Acquisition,
- **Geographic Scope:** Statewide
- **Available Funding:** $24,500,136
- **Maximum Request:** $8,000,000[2], unless limited by the Regional Distribution described below.

b. Community Housing Development Organization (CHDO) Set-Aside

- **Eligible Activities:** As listed for General Set-Aside
- **Geographic Scope:** Statewide
- **Available Funding:** $10,434,936
- **Maximum Request:** $8,000,000[2], unless limited by the Regional Distribution described below.
- **Operating Grants:** CHDOs that are awarded HOME funds through this set aside may also be eligible to receive an operating grant in accordance with 24 CFR §92.208. See the Miscellaneous section at the end of this NOFA for further information. $300,000 is available for this purpose.

(2) Application Acceptance Periods and Priorities. Applicants may submit Applications during designated acceptance periods. The Department will publish a log of Applications, ranked in accordance with the Regional Distributions, Application Acceptance Dates, and priorities described in this NOFA. Applications will be selected for review following this ranking. During the Regional Distribution Period, each published funding amount is first-available to applications submitted in the subregions and then regions established in Attachment A. If insufficient funds remain to fund the next Application on the log, the Department will provide a seven-day opportunity for that Applicant to amend its funding request to the amount available, which may result in a funding request that is less than the published minimum.

- Applications must meet the stated requirements to be assigned an Application Acceptance Date.

[2] This total includes any other Multifamily Direct Loan Funds previously awarded to the Applicant by the Department for the Development, including any outstanding loan balances that will remain after the Direct Loan closing.

- Applications containing a Development Site that was owned prior to January 27, 2026 by the Applicant or an Affiliate of the Applicant are not eligible to have acquisition costs included as part of the Multifamily Application.
- Applications under the General Set-Aside, where construction has started are not eligible to apply under this NOFA, unless the Applicant previously underwent a 24 CFR Part 58 review and received HOME funds from TDHCA or another Participating Jurisdiction.
- Applications under the CHDO Set-Aside where construction has started are not eligible to apply under this NOFA.
- Regional Distribution amounts are shown in Attachment A.

a. General Set-Aside Application Periods:

I. Subregional and Regional Distribution:

- Acceptance Period: January 27, 2026 to February 27, 2026, at 5:00 pm Austin Local Time
- Application Acceptance Date: February 27, 2026
- Request 1: the Subregional Distribution amount
- Request 2: the Regional Distribution amount
- Eligible Applications: Applications that are concurrently applying for 2026 9% Housing Tax Credits. If the Regional Distribution Period is oversubscribed, funding priority will go to Applications that requested the amount available in the subregion.

II. First Lien, All Debt:

- Acceptance Period: February 28, 2026 to March 2, 2026, at 5:00 pm Austin Local Time
- Application Acceptance Date: March 2, 2026
- Minimum Request: $4,000,000
- Maximum Request: $8,000,000
- Eligible Applications: Applications that include the HOME loan as first lien during the permanent period on the Sources and Uses tab, with no other sources of permanent, hard-pay debt.

III. First Lien:

- Acceptance Period: March 3, 2026 to March 4, 2026, at 5:00 pm Austin Local Time
- Application Acceptance Date: March 4, 2026
- Minimum Request: $4,000,000
- Maximum Request: $8,000,000
- Eligible Applications: Applications that include the HOME loan as first lien during the permanent period on the Sources and Uses tab.

IV. Open Applications:

- Acceptance Period: March 4, 2026 to June 1, 2026, at 5:00 pm Austin Local Time
- Application Acceptance Date: The business date of receipt
- Minimum Request: $4,000,000
- Maximum Request: $8,000,000
- Eligible Applications: All Applications eligible in accordance with applicable federal and state requirements.

b. CHDO Set-Aside Application Periods:

I. Subregional Distribution:

- Acceptance Period: January 27, 2026 to February 27, 2026, at 5:00 pm Austin Local Time
- Application Acceptance Date: February 27, 2026
- Minimum Request: the Subregional Distribution amount
- Maximum Request: the Subregional Distribution amount

II. Open CHDO Applications:

- Acceptance Period: February 28, 2026 to March 30, 2026, at 5:00 pm Austin Local Time
- Application Acceptance Date: March 30, 2026
- Minimum Request: $4,000,000
- Maximum Request: $8,000,000

c. Priorities: When two or more Applications have the same Acceptance Date, staff will determine priority using the following criteria.

I. Priority 1: Except in the General Set-Aside during the Regional Distribution Period, Priority will be given to the Application with the largest HOME request. Priority during the Regional Distribution Period is described in that section of the NOFA.

II. Priority 2: If a tie persists (including during the Regional Distribution Period), priority will be given to the application that provides the greater amount of matching funds as a percentage of the HOME request.

III. Priority 3: If a tie persists (including during the Regional Distribution Period), priority will be determined using the Tie Breaker established at 10 TAC §11.7(2)(A).

(3) Loan Terms

a. Loan Product: All loans will be structured as construction-to-permanent loans.

b. Interest Rates: All loans will carry an interest rate of 3%.

c. Loan Structure.

I. For any Development that proposes a Federal Housing Administration (FHA)-insured senior loan subject to the MAP Guide, loan payments will be calculated using 75% of Surplus Cash, as defined by FHA. Any portion of the loan not repaid will be due the earlier of the end of the Loan Term or upon sale, refinance, or transfer of the Property.

II. All other loans will be fully amortizing and will be due the earlier of the end of the Loan Term or upon sale, refinance, or transfer of the Property.

(4) Maximum Per-Unit Subsidy Limits and Maximum Rehabilitation Per-Unit Subsidy Limits.

The following are the maximum per-unit subsidy limits that an Applicant can use to determine the amount of Direct Loan funds that may be requested:

2024 Maximum Per Unit Subsidy Limits		
Bedrooms	**Non-elevator property**	**Elevator-served property**
0 bedroom	$194,011	$204,174
1 bedroom	$223,703	$234,054
2 bedroom	$269,792	$284,617
3 bedroom	$345,346	$368,204
4 bedroom or more	$384,731	$404,171

2024 Maximum Per Unit Rehabilitation Subsidy Limits		
Bedrooms	**Non-elevator property**	**Elevator-served property**
0 bedroom	$174,598	$188,603
1 bedroom	$198,204	$216,216
2 bedroom	$239,579	$262,923
3 bedroom	$300,709	$340,129
4 bedroom or more	$339,797	$373,369

(5) Application Submission Requirements

a. Application.

I. An Applicant may have only one active Application per Development at a time under this or any other Department NOFA, and may only have that Development apply under one Set-Aside at a time.

II. All Application materials including manuals, NOFAs, program guidelines, and rules will be available on the Department's website at http://www.tdhca.texas.gov. Applicants must submit the Application in the form prescribed by the Department. Applications will be required to adhere to the requirements in effect at the time of the Application

submission, including any requirements of federal rules that may apply and subsequent guidance provided by HUD.

b. HOME Match Contribution.

I. All Applicants must provide Match in the amount of at least 7.5% of the Direct Loan funds requested.

II. Except for Match in the form of the net present value of a below market interest rate loan or a property tax exemption under Sections 11.111, 11.18, 11.181, 11.182, 11.1825, or 11.1827 of Texas Property Tax Code, Match must be documented with a letter from the anticipated provider of Match indicating the provider's willingness and ability to make a financial commitment should the Development receive an award of Direct Loan funds.

III. All Applicants are required to provide HOME Match-Eligible Unit(s) in accordance with 10 TAC §13.2(a)(6), §13.10(c), and federal guidance.

c. 4% HTC-Layered Transactions.

I. All 4% HTC-layered applications must provide evidence of a Reservation with submission of the MFDL Application, to receive an Application Acceptance Date

II. The Department will make good faith efforts to close its HOME loan with the Development's other financing; however, simultaneous closings cannot be guaranteed. Applicants with 4% HTC-layered Developments must be prepared to close on the HOME loan after other financing.

d. Acquisition and Construction Commencement.

I. Acquisition and Construction may not commence until environmental clearance is received. If construction has started, the Applicant must cease construction at application submission until environmental clearance is received. Applications will not be recommended for an award if they do not meet standards for environmental clearance.

II. Construction may not commence until Davis-Bacon clearance is received.

e. Application Fee. Applicants under the General Set-Aside who are not also concurrently applying for 9% or 4% Housing Tax Credits must submit a non-refundable $1,000 application fee payable to the Texas Department of Housing and Community Affairs (TDHCA) by check, cashier's check, or money order (cash is not accepted). Private nonprofit organizations that provide additional

community services—such as childcare, job training, health care, or similar programs—may qualify for a fee waiver by submitting proof of nonprofit status and a brief description of their services in place of the payment. This fee is not reimbursable under the Multifamily Direct Loan Program. (10 TAC §11.901(3)(B); Tex. Gov't Code §2306.147(b))

f. Application Transmittal Required Steps. An Application must be uploaded to the Department's secure web transfer server in accordance with 10 TAC §11.201(1)(C), and separate email notification must be made to cody.campbell@tdhca.texas.gov.

(6) Post Award Requirements. Applicants are encouraged to review the applicable Post Award requirements in 10 TAC Chapter 10, Subchapter E, Post Award and Asset Page 14 of 17 Management Requirements and 10 TAC Chapter 13, as well as the Compliance Monitoring requirements in 10 TAC Chapter 10, Subchapters F and G.

a. Awarded Applicants may, at the Department's discretion, be charged fees for underwriting, asset management, and ongoing monitoring.

b. An Applicant will be required to record a Land Use Restriction Agreement (LURA) limiting residents' income and rent for the greater amount of Units required by the Direct Loan Unit Calculation Tool along with any require HOME Match-eligible units, or as represented in the Application for the term of the LURA.

c. An Applicant must have a current Unique Entity Number (UEI) and be registered in the federal System for Award Management prior (SAM) prior to execution of a Direct Loan contract. The General Services Administration (GSA) has provided tools to assist registering entities entity and obtaining a UEI. Visit the SAM website at https://sam.gov/content/entity-registration to access a number of resources related to the UEI implementation.

d. An Applicant may be required to meet additional requirements prior to contract, as determined by the Board, or federal or state requirements.

e. An awarded Applicant may be required to meet additional documentation requirements in order to draw funds, in accordance with its Previous Participation results.

f. Applicants under this NOFA will not be eligible to request table funding during the closing of the HOME loan. The Department will process all draw requests as interim draws post-closing.

(7) Miscellaneous

a. This NOFA does not include text of the various applicable regulatory provisions pertinent to the fund sources. For proper completion of the application, the Department strongly encourages potential Applicants to review the State and Federal regulations.

b. The 2026 CHDO Certification Packet must be submitted with the 2026 Uniform Multifamily Application for Applicants applying under the CHDO Set-Aside.

I. Each CHDO that is awarded HOME funds may also be eligible to receive a CHDO operating grant of up to $50,000 for CHDO Operating Expenses, which are defined in 24 CFR §92.208 as including salaries, wages, and other employee compensation and benefits; employee education, training, and travel; rent; utilities; communication costs; taxes; insurance; and equipment, materials, and supplies.

II. An award of HOME funds under the CHDO Set-Aside does not guarantee that a CHDO will receive a grant for CHDO Operating Expenses.

c. Utility allowances must be for HUD-regulated buildings and approved by TDHCA prior to application (**10 TAC §11.614**).

d. All Applicants must comply with public notification requirements in **10 TAC §11.203**.

e. Waivers of any substantive or procedural provision of this NOFA, if available, will be treated in accordance with **10 TAC §13.1(c). 10 TAC §13.1(c)** may not be waived.

f. For questions regarding this NOFA, please contact Cody Campbell, Director of Multifamily Programs, at cody.campbell@tdhca.texas.gov.

Attachment A - HOME Regional Distribution under the General Set-Aside[3]

Subregional Allocation Formula under the General Set-Aside – Urban

Region	Subregion Allocation Amount
1	$ 400,415
2	$ 226,442
3	$ 4,734,790
4	$ 388,019
5	$ 275,502
6	$ 4,541,380
7	$ 1,481,769
8	$ 736,819
9	$ 1,628,234
10	$ 367,255
11	$ 1,503,959
12	$ 326,618
13	$ 695,423

Subregional Allocation Formula under the General Set-Aside – Rural

Region	Subregion Allocation Amount
1	$ 585,244
2	$ 464,755
3	$ 248,311
4	$ 482,458
5	$ 379,706
6	$ 208,382
7	$ 172,605
8	$ 331,264
9	$ 222,793
10	$ 377,073
11	$ 433,466
12	$ 674,971
13	$ 2,612,482

[3] The amounts shown are the Subregional Distribution Amounts. To calculate the Regional Distribution Amounts, combine the urban and rural subregional distribution for the region.

Subregional Allocation Formula under the CHDO Set-Aside – Urban

Region	Subregion Allocation Amount
1	$ 170,542
2	$ 96,445
3	$ 2,016,610
4	$ 165,263
5	$ 117,340
6	$ 1,934,235
7	$ 631,105
8	$ 313,821
9	$ 693,487
10	$ 156,419
11	$ 640,556
12	$ 139,111
13	$ 296,190

Subregional Allocation Formula under the CHDO Set-Aside – Rural

Region	Subregion Allocation Amount
1	$ 249,263
2	$ 197,945
3	$ 105,759
4	$ 205,486
5	$ 161,722
6	$ 88,753
7	$ 73,515
8	$ 141,090
9	$ 94,891
10	$ 160,600
11	$ 184,619
12	$ 287,479
13	$ 1,112,691

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1290 **Agenda Date:** 1/15/2026 **Agenda #:** 29.

Presentation and discussion regarding the pending issuance of Texas Department of Housing and Community Affairs Residential Mortgage Revenue Bonds, Series 2026 A (Non-AMT)

BACKGROUND

On October 9, 2025, the TDHCA Governing Board approved Resolution 26-001 authorizing issuance of Mortgage Revenue Bonds by the Department in an amount not to exceed $1.1 billion for Fiscal Year 2026. This will be the first issuance for the 2026 Fiscal Year.

On August 13, 2025, the Department issued $250 million Residential Mortgage Revenue Bonds, Series 2025 D (Non-AMT). The bonds settled on September 27, 2025 and proceeds were fully reserved in early November.

Despite some compression in the rate differential between bond loans and TBA loans, demand remains strong, and market conditions remain conducive for the issuance of additional series of tax-exempt mortgage revenue bonds under the Department's Residential Mortgage Revenue Bond Trust Indenture (RMRB) to finance mortgage loans for very low, low, and moderate income homebuyers. THDCA is currently offering Bond Funded Mortgage loans 25 to 37.5 basis points lower than mortgage rates available under the TMP (aka TBA) Program.

The Department utilizes a continuous lending model whereby bond-funded mortgage loans are always available to borrowers. Demand remains strong and the Department currently has a pipeline of $100 million to be funded by RMRB 2026 Series A.

2026 A Bonds

The 2026 A Bonds will be issued in a maximum par amount of $250 million; total bond proceeds (par amount of bonds plus bond premium) will not exceed $270 million.

A portion of the proceeds, not to exceed par of $26,995,000 will utilize recycled volume cap and will be used to repay amounts owed under the Advances and Security Agreement between the Federal Home Loan Bank and the Department representing recycled repayments from September 1, 2025 through December 1, 2025.

The proceeds of the Series 2026 A Bonds will be used to finance the purchase of tax-exempt eligible mortgage loans, including down payment assistance second loans, made to first-time homebuyers (with certain limited exceptions) of low, very low, and moderate income, who are acquiring moderately priced residences, and to pay a portion of the costs of issuance of the RMRB Series 2026 A Bonds.

The 2026 A Bonds are expected to be offered as traditional RMRBs, with par serial bonds, par term bonds, and premium Planned Amortization Class (PAC) bonds. Issuing the 2026 A Bonds exclusively as tax-exempt will

enable the Department to provide the lowest possible rates. Depending on market conditions, proceeds of the 2026 A Bonds may be invested in a Guaranteed Investment Contract (GIC) until expended; otherwise, proceeds will be invested in overnight obligations that meet indenture requirements.

2026 A Mortgage Loans

Mortgage loans will be 30-year, fixed rate loans guaranteed by FHA, VA, or USDA and pooled into Ginnie Mae MBS. Initially, borrowers will have the choice of unassisted loans without down payment assistance (DPA), three (3) points of DPA, or four (4) points of DPA. DPA will be offered as a 0% interest, non-amortizing, 30-year repayable second mortgage loan that is due on sale, refinance, or pay-off of the first loan. Unassisted first mortgage loans on this transaction are expected to be offered around 5.75%, while 3% repayable DPA loans should be around 6.00% and 4% repayable DPA loans are projected at 6.125%. DPA options will be subject to modification in response to borrower demand or market conditions.

The issuance of $250 million of par amount of 2026 A Bonds will provide for $250 million in par amount of mortgage loans to be originated. The associated down payment assistance, lender compensation, and servicing fees for the second loans are expected to total approximately $11.5 million.

Underwriting Team

Morgan Stanley will serve as Book Running Senior Manager, with RBC and Jefferies as co-senior managers, with Ramirez, JP Morgan, Piper Sandler, Wells Fargo, and Loop Capital serving as co-managers for this transaction. Selling Group members are Bank of America and Fidelity Capital Markets.

Timing

Preliminarily, the key events are as follows, and subject to change:

November 8, 2025	Program Funds Available for Reservation
December 30 , 2025	Preliminary Official Statement to be Released
January 12 & 13, 2026	Bonds Priced, Bond Purchase Agreement to be Executed
January 20, 2026	Official Statement to be Released
February 17, 2026	Bond Closing

Department Contribution

The contribution by the Department is projected to be $6,009,106.47 and will not exceed $10 million, which will to be used to fund a portion of the down payment and closing cost assistance and costs related to the acquisition of qualifying mortgage loans (including the payment of lender compensation and servicing fees for second mortgage loans) and to pay all or a portion of the costs of issuance of the 2026 A Bonds. The contribution will be funded from amounts on deposit in the RMRB indenture. Capitalized interest of up to $10 million may be paid from the RMRB indenture as necessary. Cap-I is currently projected to be around $2 million. As with prior transactions, these amounts are maximums; the actual contribution and capitalized interest expense are expected to be less than that approved by the Board.

Summary

Staff will continue to work with the Department's financing team to ensure the economic viability of the 2026 A Bonds. Depending on market conditions and other factors, the amount of 2026 A Bonds issued may be less than described herein.

Exhibits

The Exhibits for this issuance can be found online at the Department's Board Meeting Information Center website: <http://www.tdhca.state.tx.us/board/meetings.htm>.

RESOLUTION NO. 26-001

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS SINGLE FAMILY MORTGAGE REVENUE BONDS OR RESIDENTIAL MORTGAGE REVENUE BONDS IN ONE OR MORE SERIES AND INSTALLMENTS; PROVIDING FOR HEDGE AGREEMENTS; APPROVING THE FORM AND SUBSTANCE OF RELATED DOCUMENTS; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS NECESSARY OR CONVENIENT TO CARRY OUT THE PURPOSES OF THIS RESOLUTION; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended from time to time ("Chapter 2306"), for the purpose of providing for the housing needs of individuals and families of low, very low, and extremely low income and families of moderate income (as described in Chapter 2306 as determined by the Governing Board of the Department (the "Board") from time to time) at prices they can afford; and

WHEREAS, Chapter 2306 authorizes the Department: (a) to issue revenue bonds, to provide money to (i) make and acquire mortgage loans or participations therein, (ii) fund or increase the Department's reserves or funds (iii) pay the costs and expenses of issuing the bonds and (iv) pay interest on the bonds; and (b) to pledge all or part of the revenues, income or resources of the Department, including the revenues to be received by the Department from the mortgage loans or participations therein, to secure the payment of the principal, interest or redemption premium on the bonds; and

WHEREAS, the Department and The Bank of New York Mellon Trust Company, N.A., as trustee (the "RMRB Trustee"), have executed and delivered that certain Amended and Restated Residential Mortgage Revenue Bond Trust Indenture dated as of July 1, 2019 (as amended and supplemented from time to time, the "RMRB Indenture"), providing for the issuance from time to time by the Department of one or more series of its Residential Mortgage Revenue Bonds; and

WHEREAS, the Department, the RMRB Trustee and the Comptroller of Public Accounts of the State of Texas, acting by and through the Texas Treasury Safekeeping Trust Company, a special-purpose trust company organized under the laws of the State of Texas (together with its successors in such capacity, the "Trust Company") have entered into that certain Second Amended and Restated Depository Agreement, dated as of November 1, 1998 (as amended and supplemented from time to time, the "RMRB Depository Agreement"), relating to the Department's Residential Mortgage Revenue Bonds; and

WHEREAS, the Department and The Bank of New York Mellon Trust Company, N.A., as trustee (the "SFMRB Trustee", and collectively with the RMRB Trustee, the "Trustee"), have executed and delivered that certain Amended and Restated Single Family Mortgage Revenue

Bond Trust Indenture dated as of June 1, 2017 (as amended and supplemented from time to time, the "Single Family Indenture", and collectively with the RMRB Indenture, the "Indentures"), providing for the issuance from time to time by the Department of one or more series of its Single Family Mortgage Revenue Bonds (collectively with the Residential Mortgage Revenue Bonds, the "Bonds"); and

WHEREAS, the Department, the SFMRB Trustee and the Trust Company have entered into that certain Amended and Restated Depository Agreement, dated as of August 1, 1991 (as amended and supplemented from time to time, the "SFMRB Depository Agreement" and together with the RMRB Depository Agreement, the "Depository Agreements"), relating to the Department's Single Family Mortgage Revenue Bonds; and

WHEREAS, the Department has a single family mortgage purchase program (the "Program") to fund all or a portion of the Department's single family loan production; and

WHEREAS, Article III of the RMRB Indenture and Article III of the SFMRB Indenture each authorize the issuance of additional Bonds under the respective Indenture for the purposes of making or acquiring mortgage loans to be originated under the Program (the "Mortgage Loans") or participations therein, payment of costs of issuance, funding of reserves, payments of certain Department expenses and refunding Bonds; and

WHEREAS, the Board has determined to authorize the issuance of Bonds from time to time in one or more series or subseries and installments on a taxable or tax-exempt basis pursuant to the RMRB Indenture or the SFMRB Indenture for the purpose of providing funds to make and acquire qualifying Mortgage Loans or participations therein through the purchase of mortgage backed securities ("Mortgage Certificates"), to provide down payment and closing cost assistance, to pay lender compensation related to Mortgage Loans, to pay capitalized interest on the Bonds, to pay or repay the Department's operation and maintenance expenses incurred in connection with administration of the Program, to fund, increase, or restore any depletions of any reserve fund established or required under the Indentures, and to pay a portion of the costs of issuance related thereto ("Eligible Project Costs"); and

WHEREAS, with respect to each issue of Bonds pursuant to this Resolution, the Board desires to authorize the execution and delivery of a separate Supplemental Residential Mortgage Revenue Bond Trust Indenture or Supplemental Single Family Mortgage Revenue Bond Trust Indenture, as appropriate (each, a "Supplemental Indenture" and, collectively, "Supplemental Indentures"), in substantially the forms attached hereto as exhibits; and

WHEREAS, the Board has determined to authorize the investment of all or a portion of the proceeds of the Bonds and any other amounts held under the Indentures with respect to the Bonds in one or more guaranteed investment contracts (collectively, "GICs") on or after the closing date or in such other investments as the authorized representatives named herein may approve; and

WHEREAS, pursuant to Section 2306.351(b), Texas Government Code, as amended, in connection with or incidental to issuing and selling its bonds, the Department may enter into contracts (collectively, "Contracts") that the Board considers necessary or appropriate for the Department's obligation, as represented by the bonds and incidental contracts, to be placed, in whole or in part, on the basis desired by the Board, and on the terms and conditions approved by the Board; and

WHEREAS, the types of Contracts permitted under Section 2306.351(b) include, without limitation, contracts (i) commonly known as interest rate swap agreements, currency swap agreements, or forward payment conversion agreements; (ii) providing for payments based on levels of or changes in interest rates or currency exchange rates; (iii) to exchange cash flows or a series of payments; (iv) that include options, puts or calls to hedge payment, currency, rate, spread, or similar exposure (such Contracts are defined collectively as, "Hedge Agreements"); and

WHEREAS, the Board has determined that Hedge Agreements can be necessary or appropriate to manage potential payment and/or spread exposure relating to interest rate risk on Mortgage Loans to be originated or Mortgage Certificates to be acquired with proceeds of the Bonds issued under this Resolution and desires to approve the execution of one or more Hedge Agreements with the counterparty named therein in accordance with the terms and conditions set forth in this Resolution or in a Supplemental Indenture; and

WHEREAS, the Board desires to approve the use of an amount not to exceed for any series of Bonds $10,000,000 of Department funds for any purpose authorized under Chapter 2306 and the Indentures, including to provide down payment and closing cost assistance, to make and acquire qualifying Mortgage Loans, including payment of lender compensation, through the purchase of Mortgage Certificates and to pay a portion of the costs of issuance; and

WHEREAS, the Board desires to authorize the use of an amount not to exceed for any series of Bonds $10,000,000 of funds on deposit under the Indentures to fund capitalized interest on any series of Bonds issued hereunder; and

WHEREAS, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") and Chapter 1207, Texas Government Code, as amended ("Chapter 1207") authorize the Department to take certain actions described in this Resolution related to the issuance of the Bonds; and

WHEREAS, the Board desires to approve the form of the Supplemental Indentures, and finds the form and substance of such documents to be satisfactory and proper and the recitals contained therein to be true, correct and complete; and has determined to further its programs in accordance with such documents by authorizing the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the purposes of this Resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS:

ARTICLE 1
DEFINITIONS, INTERPRETATION AND FINDINGS

Section 1.1 Definitions. Unless expressly provided otherwise herein or unless the context shall indicate a contrary meaning or intent, the terms and expressions defined below, when used in this Resolution, shall have the meanings set forth below for all purposes of this Resolution, except as modified in a respective Supplemental Indenture.

"*Acts*" means, collectively, Chapter 1207, Chapter 1371, and Chapter 2306.

"*Additional Parity Bonds and Notes*" means the additional parity bonds and the additional parity notes permitted to be issued pursuant to this Resolution and the Indentures.

"*Approved Swap Agreement*" means each agreement authorized by the Department constituting a "credit agreement" under Chapter 1371 in relation to the payment or exchange of payments on Outstanding Parity Bonds.

"*Assumed Rate*" means, with respect to any Refunded Bonds that bear interest at a Variable Rate, the average interest rate on such Refunded Bonds for the most recently completed sixty (60) month period or the period such Refunded Bonds have been outstanding if it is less than sixty (60) months; provided, that if the Department has entered into an Approved Swap Agreement with respect to all or a portion of any such Refunded Bonds pursuant to which the Board is obligated to make payments calculated at a fixed interest rate on the notional amount of such Approved Swap Agreement, the fixed interest rate used to calculate the amounts payable by the Department under the Approved Swap Agreement shall be assumed to be the interest rate on such Refunded Bonds outstanding during the term of the Approved Swap Agreement if the notional amount under the Approved Swap Agreement is equal to or greater than the outstanding principal amount of such Refunded Bonds.

"*Attorney General*" means the Attorney General of the State.

"*Authorized Representative*" has the meaning given to such term in Section 2.14 of this Resolution.

"*Bond*" or "*Bonds*" means any one or more, as the case may be, of the bonds of each Series authorized by this Resolution, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Resolution.

"*Bond Counsel*" means Bracewell LLP or any other attorney or firm of attorneys nationally recognized as experienced in the field of bonds of governmental issuers and appointed by the Board.

"*Bond Purchase Contract*" means the Board's agreement with Underwriters providing for the sale of a Series of Bonds, as authorized by Section 2.4 hereof; provided that two or more Series of Bonds may be sold to the same Underwriters pursuant to the terms of a single Bond Purchase Contract.

"*Chapter 1207*" has the meaning given to such term in the recitals to this Resolution.

"*Chapter 1371*" has the meaning given to such term in the recitals to this Resolution.

"*Chapter 2306*" has the meaning given to such term in the recitals to this Resolution.

"*Counterparty*" shall mean a counterparty to a Hedge Agreement.

"*Depository Agreements*" has the meaning given to such term in the recitals to this Resolution.

"*DTC*" means The Depository Trust Company, New York, New York, and its successors and assigns.

"*Eligible Project Costs*" has the meaning ascribed to it in the recitals to this Resolution.

"*Escrow Agent*" means each Escrow Agent selected pursuant to Section 2.5 hereof or any successor thereto.

"*Escrow Agreement*" means each Escrow Agreement between the Board and an Escrow Agent, as authorized by Section 2.5 hereof, as each such agreement may be amended from time to time in accordance with the terms thereof.

"FHLB Advances" means any advance pursuant to the Advances and Security Agreement, dated November 1, 2016, between the Department and Federal Home Loan Bank of Dallas, as amended, and the side letters executed pursuant thereto.

"*Fixed Rate*" means a rate of interest on a Bond that is fixed for the remaining term of the Bond.

"*Fixed Rate Bonds*" means the Bonds of a Series bearing interest at a Fixed Rate.

"*Hedge Agreement*" has the meaning ascribed to it in the recitals to this Resolution. To the extent permitted by law, the Department may enter into one or more Hedge Agreements in anticipation of, simultaneously with, or subsequent to the authorization and issuance of any Bonds benefiting from such Hedge Agreements.

"*Hedge Agreement Payment Obligation*" shall mean the obligation of the Department pursuant to a Hedge Agreement to make payments to a Counterparty under a Hedge Agreement. The term does not include collateral postings, termination payments or similar payments and does not include fees or expenses under the Hedge Agreement.

"*Indentures*" has the meaning given to such term in the recitals to this Resolution.

"*Issuance Date*" means the date of initial delivery of any Series of Bonds in exchange for the purchase price thereof.

"*Maximum Rate*" means the maximum net effective interest rate permitted under Chapter 1204, Texas Government Code, as amended, or such other maximum interest rate permitted to be borne by Bonds by then applicable law.

"*Mortgage Certificates*" has the meaning given to such term in the recitals to this Resolution.

"*Outstanding Parity Bonds*" means, collectively, the Outstanding RMRB Parity Bonds and the Outstanding SFMRB Parity Bonds.

"*Outstanding RMRB Parity Bonds*" means the Department's Residential Mortgage Revenue Bonds, Series 2019A, Residential Mortgage Revenue Bonds, Series 2021A (Social Bonds), Residential Mortgage Revenue Refunding Bonds, Series 2021B (Taxable), Residential Mortgage Revenue Bonds, Series 2022A (Social Bonds), Residential Mortgage Revenue Bonds, Series 2022B (Social Bonds), Residential Mortgage Revenue Bonds, Series 2023A, Residential Mortgage Revenue Bonds, Series 2023B, Residential Mortgage Revenue Bonds, Taxable Series 2023C, Residential Mortgage Revenue Bonds, Series 2024A, Residential Mortgage Revenue Bonds, Taxable Series 2024B, Residential Mortgage Revenue Bonds, Series 2024C, Residential Mortgage Revenue Bonds, Taxable Series 2024D, Residential Mortgage Revenue and Refunding Bonds, Series 2025A, Residential Mortgage Revenue and Refunding Bonds, Series 2025B, Residential Mortgage Revenue Bonds, Taxable Series 2025C, and Residential Mortgage Revenue and Refunding Bonds, Series 2025D.

"*Outstanding SFMRB Parity Bonds*" means the Department's Single Family Mortgage Revenue Bonds, 2005 Series A, Single Family Mortgage Revenue Bonds, 2007 Series A, Single Family Mortgage Revenue Refunding Bonds, 2015 Series A (Taxable), Single Family Mortgage Revenue Bonds, 2015 Series B, Single Family Mortgage Revenue Bonds, 2016 Series A, Single Family Mortgage Revenue Refunding Bonds, 2016 Series B (Taxable), Single Family Mortgage Revenue Bonds, 2017 Series A, Single Family Mortgage Revenue Refunding Bonds, 2017 Series B (Taxable), Single Family Mortgage Revenue Bonds, 2017 Series C (Taxable), Single Family Mortgage Revenue Bonds, 2018 Series A, Single Family Mortgage Revenue Bonds, 2019 Series A, Single Family Mortgage Revenue Bonds, 2020 Series A, Single Family Mortgage Revenue Refunding Bonds, 2020 Series B (Taxable), Single Family Mortgage Revenue Bonds, 2021 Series A (Social Bonds), Single Family Mortgage Revenue Refunding Bonds, 2021 Series B (Taxable), Single Family Mortgage Revenue Bonds, 2022 Series A (Social Bonds), Single Family Mortgage Revenue Bonds, 2022 Series B, Single Family Mortgage Revenue Bonds, 2023 Series A, Single Family Mortgage Revenue Bonds, 2023 Series B (Taxable), Single Family Mortgage Revenue Bonds, 2023 Series C and Single Family Mortgage Revenue Bonds, 2023 Series D (Taxable).

"*Pricing Certificate*" means the certificate executed by the Authorized Representative in connection with each Series of Bonds that establishes the terms of such Series of Bonds pursuant to Section 2.4 hereof in connection with the initial issuance and delivery thereof. Each Pricing Certificate is hereby incorporated in and made a part of this Resolution and shall be filed in the minutes of the Board as a part of this Resolution.

"*Refunded Bonds*" means the particular Outstanding Parity Bonds that an Authorized Representative, acting for and on behalf of the Board pursuant to Sections 2.4 and 2.5 hereof, determines shall be refunded by a Series of Bonds. The Refunded Bonds shall be specified in the Pricing Certificate.

"*Repaid FHLB Advances*" means the particular FHLB Advances that the Authorized Representative, acting for and on behalf of the Board, pursuant to Sections 2.4 and 2.5 hereof, determines shall be repaid from proceeds of a Series of Bonds. The Repaid FHLB Advances shall be specified in the Pricing Certificate.

"*Resolution*" means this resolution authorizing the Bonds, as the same may be amended from time to time in accordance with the terms hereof.

"*Series*" means any designated series of Bonds issued pursuant to this Resolution.

"*Supplemental Indenture"* or "*Supplemental Indentures*" has the meaning given to such term in the recitals to this Resolution.

"*Tax-Exempt Bond*" shall mean any Bond, the interest on which is excludable from gross income for federal income tax purposes.

"*Taxable Bond*" shall mean any Bond, the interest on which is not excludable from gross income for federal income tax purposes.

"*Trustee*" has the meaning given to such term in the recitals to this Resolution.

"*Trust Company*" has the meaning given to such term in the recitals to this Resolution.

"*Underwriters*" means the investment banking firm or firms that contract to purchase the Bonds of a Series, pursuant to a Bond Purchase Contract in accordance with Section 2.4 of this Resolution; provided that the same Underwriters may contract to purchase two or more Series of such Bonds pursuant to a single Bond Purchase Contract.

"*Variable Rate*" means a rate of interest that is not fixed, but is variable or adjustable by any formula, agreement or otherwise.

"*Variable Rate Bonds*" means Bonds that bear interest at Variable Rate, as set forth in the Pricing Certificate or Bond Purchase Contract for such Bonds.

ARTICLE 2
AUTHORIZATION AND TERMS OF THE BONDS

Section 2.1 Authorization and Authorized Amount. Pursuant to authority conferred by and in accordance with the provisions of the laws of the State, particularly the Acts, the Bonds are hereby authorized to be issued, in the maximum aggregate principal amount (calculated without regard to premium or discount affecting the sale price) of $1,100,000,000 in one or more

Series (as Tax-Exempt Bonds, Taxable Bonds, or any combination thereof) from time to time for the purpose of obtaining funds to refund the Refunded Bonds, to repay the FHLB Advances and to finance Eligible Project Costs, all in accordance with and subject to the terms, conditions and limitations contained herein; provided that, the authority conferred by this Resolution to (i) act on behalf of the Board in connection with the initial sale of any Series of Bonds and (ii) execute one or more Bond Purchase Contracts(s) pursuant to this Resolution shall expire at 11:59 p.m. Austin, Texas time on October 8, 2026. Any Series of Bonds sold pursuant to a Bond Purchase Contract executed on or before the date and time specified in the immediately preceding sentence may be issued and delivered after such date. The Bonds are Additional Parity Bonds permitted to be issued under the Indentures and this Resolution on a parity and in all respects of equal dignity with the applicable Outstanding Parity Bonds.

The Bonds herein authorized, unless otherwise indicated, may be issued in the form of Fixed Rate Bonds or Variable Rate Bonds, all as provided in Section 2.2 hereof, the Pricing Certificate and in the Supplemental Indenture.

Section 2.2 Issuance, Designation, Execution and Delivery of the Bonds. The issuance of the Bonds from time to time in one or more series or subseries and on a taxable or tax-exempt basis is hereby authorized, all under and in accordance with the applicable Indenture; that such Bonds are to be designated as Residential Mortgage Revenue Bonds, Series 202[5][6] ____, or Single Family Mortgage Revenue Bonds, 202[5][6] Series ____ with such appropriate insertion or modification to differentiate separate series or subseries of Bonds, as determined by an Authorized Representative and referenced in the applicable Supplemental Indenture; and that, upon execution and delivery of the applicable Supplemental Indenture, the Authorized Representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Bonds, which signatures and seal may be manual or facsimile, and to deliver the Bonds to the Attorney General of Texas (the "Attorney General") for approval, the Comptroller of Public Accounts of the State of Texas (the "Comptroller") for registration and the Trustee for authentication, and thereafter to deliver the Bonds to or upon the order of the Underwriters.

Section 2.3 Maturity; Redemption Prior to Maturity. (a) The Bonds of each Series shall mature on the dates and in the amounts set forth in the Pricing Certificate; provided that, the final maturity of the Bonds of a Series shall not be later than 40 years from their Issuance Date as set forth in the Pricing Certificate executed in connection with the initial issuance and delivery thereof.

(b) Subject to the notice provisions set forth in the Indentures and in the Supplemental Indentures, each Series of Bonds shall be subject to redemption by the Board prior to maturity as provided in the related Supplemental Indenture, which may be modified in the related Pricing Certificate.

Section 2.4 Issuance and Sale of Bonds; Delegation of Authority. (a) The Authorized Representatives are hereby severally authorized to act for and on behalf of the Board in connection with the issuance and sale of the Bonds. In that capacity, the Authorized

Representative, acting for and on behalf of the Board, shall determine: the dated date of such Bonds and the Issuance Date thereof; the principal amount of Bonds of such Series to be issued and sold; whether the Bonds shall be issued as Tax-Exempt Bonds or Taxable Bonds; the Series designation for such Bonds and any additional or different designation or title by which the Bonds of each Series shall be known; the authorized denominations applicable for the Bonds; the price at which the Bonds of such Series shall be sold; the principal amortization schedule for such Bonds; the redemption features of such Bonds; the rate or rates of interest to be borne by each maturity of such Bonds, or for Variable Rate Bonds the manner of determining such rate or rates; the Interest Payment Dates for such Bonds; the particular Outstanding Parity Bonds to be refunded, or Repaid FHLB Advances to be repaid, as appropriate, by any series of Bonds and the redemption date(s) thereof, as appropriate, the Eligible Project Costs to be financed by any Series of Bonds; and all other matters relating to the issuance, sale and delivery of the Bonds of each Series and the refunding of the Refunded Bonds or repayment of the Repaid FHLB Advances, as appropriate; all of which shall be specified in each Pricing Certificate; provided that (i) the aggregate principal amount of Bonds issued hereunder shall not exceed the amount authorized in Section 2.1 of this Resolution, (ii) the maturity date of any Series of Bonds shall not exceed the maximum maturity set forth in Section 2.3 of this Resolution, and (iii) each Series of Bonds must be sold on terms that produce (A) interest rates that do not exceed the Maximum Rate and (B) a sales price for the Bonds of such Series to the initial purchaser(s) thereof of not less than 95 percent and not more than 108 percent of the par amount thereof (plus accrued interest from the dated date of such Bonds to the Issuance Date). Interest on Variable Rate Bonds shall be computed as set forth in the related Bond Purchase Contract or Pricing Certificate. In addition, each Series of Bonds issued to refund Refunded Bonds must be sold on terms that produce a present value savings when the scheduled debt service payable on such Bonds during each Bond Year is subtracted from the scheduled debt service payable on the Refunded Bonds during the same Bond Year and the remainder is discounted to the scheduled date of delivery of the Bonds of such Series set forth in the Pricing Certificate at a discount factor equal to the yield on such Bonds determined in accordance with section 148 of the Code. Notwithstanding the foregoing and any other provision of this Resolution to the contrary, a Series of Bonds issued to refund Refunded Bonds may be sold on terms that do not satisfy the present value savings requirement set forth in the immediately preceding sentence if an Authorized Representative determines that such refunding of Refunded Bonds is in the best interest of the Department; provided that the maximum amount by which the aggregate amount of payments to be made under such Series of Bonds may not exceed 3 percent of the aggregate amount of payments that would have been made under the terms of the Refunded Bonds being refunded thereby. For purposes of performing the foregoing calculations, if the Refunded Bonds bear interest at a Variable Rate, then such Refunded Bonds shall be deemed to bear interest at all times to their maturity or due date at the Assumed Rate.

All Bonds sold to refund or refinance Refunded Bonds are hereby deemed to be "refunding bonds" and therefore may be sold in the manner deemed by an Authorized Representative to be most economically advantageous to the Board. If an Authorized Representative determines that any Series of Bonds shall be sold on a negotiated basis, such Authorized Representative is authorized to approve, execute and deliver a Bond Purchase

Contract with the Underwriters of each such Series of Bonds. Notwithstanding the foregoing, the Authorized Representative may determine to sell two or more Series of such Bonds to the same Underwriters pursuant to the terms of a single Bond Purchase Contract. The Authorized Representative's approval of a Bond Purchase Contract shall be conclusively evidenced by said Authorized Representative's execution thereof. The Authorized Representative, acting for and on behalf of the Board, may designate the senior managing Underwriter for each such Series of Bonds to be sold on a negotiated basis. It is further provided, however, that notwithstanding the foregoing provisions, the Bonds of any Series issued under this Section 2.4 to finance Eligible Project Costs shall not be delivered unless prior to delivery, such Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations for Bonds as required by Chapter 1371.

(b) The Authorized Representatives, acting for and on behalf of the Board, are severally authorized and directed to provide for and oversee the preparation of a preliminary official statement to be prepared for distribution (which may be made electronically) and to be used in the offering and sale of Bonds. The Authorized Representatives, acting for and on behalf of the Board, are hereby severally authorized to approve the form of the preliminary official statement and to deem the preliminary official statement to be final as of its date, except for such omissions as are permitted by Rule 15c2-12. The Authorized Representatives, acting for and on behalf of the Board, are hereby severally directed to cause a final official statement to be prepared and provided in compliance with Rule 15c2-12. Notwithstanding the foregoing, the Authorized Representatives may prepare one preliminary official statement and one final official statement with respect to multiple Series of Bonds so sold.

(c) Following the execution of each Pricing Certificate in connection with the initial issuance and delivery of a Series of Bonds, the Authorized Representative shall notify the Trustee in writing of the identity of the respective initial purchasers and of the following terms for the related Series of Bonds: Series designation; dated date and Issuance Date; principal amount; purchase price; maturities; redemption provisions; initial rate or rates of interest; and the Interest Payment Dates. The Authorized Representative shall deliver the Initial Bonds of such Series to the respective initial purchasers against payment therefore; provided that delivery of any Bond shall be expressly conditioned upon satisfaction of all applicable requirements in Section 302 of the Single Family Indenture or Section 302 of the RMRB Indenture, as applicable, and in the Supplemental Indenture related to the particular Series of Bonds.

Section 2.5 Refunding of Refunded Bonds; Escrow Agreements. (a) As provided in Section 2.4 above, the Authorized Representatives shall determine the particular Outstanding Parity Bonds to be refunded by a Series of Bonds subject, in the case of the related Refunded Bonds, to the requirements of Section 2.4.

(b) Subject to the execution of an Pricing Certificate and the determination by an Authorized Representative of the Refunded Bonds to be refunded by a Series of Bonds, the Board irrevocably calls the particular Outstanding Parity Bonds constituting Refunded Bonds for redemption prior to maturity on the first optional redemption date following delivery of the

Bonds of such Series, for which all of the notice requirements for redemption can reasonably be met, at a redemption price of par (plus accrued interest to the date fixed for redemption).

Upon execution of the respective Pricing Certificate, the Authorized Representatives, acting for and on behalf of the Board, shall provide for notice of such redemption to be given in accordance with the supplemental indenture authorizing the Refunded Bonds.

(c) Concurrently with the delivery of each Series of Bonds issued for the purpose of refunding Refunded Bonds, the Authorized Representatives, acting for and on behalf of the Board, are hereby authorized to designate one or more escrow agents (each, an "Escrow Agent") in connection therewith, to approve the form and substance of an escrow agreement (each, an "Escrow Agreement") in connection therewith cause to be deposited from the proceeds from the sale of the Bonds of such Series, together with the other legally available funds with the appropriate Escrow Agent, in an amount sufficient to provide for the refunding of the Refunded Bonds in accordance with Chapter 1207. The discharge and defeasance of the Refunded Bonds shall be effected pursuant to the terms and provisions of the respective Escrow Agreement with the respective Escrow Agent. Notwithstanding anything to the contrary contained in this Section 2.5, the Authorized Representatives, acting for and on behalf of the Board, may (i) determine to approve, execute and deliver for and on behalf of the Board a single Escrow Agreement with the same Escrow Agent for Refunded Bonds, and (ii) accomplish the refunding thereof without executing an Escrow Agreement by making a deposit directly with the paying agent therefor.

(d) If an Authorized Representative determines to execute an Escrow Agreement relating to the Refunded Bonds, to assure the purchase of the "Escrowed Securities" referred to in the Escrow Agreement for the Refunded Bonds, such Authorized Representative, acting for and on behalf of the Board, is hereby authorized to subscribe for, agree to purchase and purchase "Government Obligations," as defined in the supplemental indenture authorizing the Refunding Bonds, in such amounts and maturities and bearing interest at such rates as may be provided for in such Escrow Agreement, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing, and is authorized to create and fund the "Escrow Fund" contemplated by such Escrow Agreement through the use of the proceeds of the Series of Bonds issued to refund the Refunded Bonds, the moneys and investments held in the fund securing the Refunded Bonds, and other lawfully available moneys of the Board.

(e) To satisfy in a timely manner all of the Board's obligations under this Resolution and the Escrow Agreement(s), the Authorized Representatives and all other appropriate officers and agents of the Board are hereby severally authorized and directed for and on behalf of the Board to take all other actions that are reasonably necessary to provide for the refunding of the Refunded Bonds, including, without limitation, executing and delivering for and on behalf of the Board all certificates, consents, receipts, requests and other documents as may be reasonably necessary to satisfy the Board's obligations under the Escrow Agreement(s) and this Resolution and to direct the transfer and application of funds of the Board consistent with the provisions of such Escrow Agreement(s) and this Resolution.

(f) It is hereby found and determined that (i) the refunding of the Refunded Bonds is advisable and necessary in order to restructure the debt service requirements of the Department and (ii) the manner in which the refunding of the Refunded Bonds is being executed does not make it practicable to make the determination required by Section 1207.008(a)(2) of the Government Code.

Section 2.6 Application of Bond Proceeds. Proceeds from the sale of the Bonds of each Series shall, promptly upon receipt thereof, be applied by the Authorized Representative as provided in the respective Indenture and the Supplemental Indenture with respect to the particular Series of Bonds.

Section 2.7 Indenture Funds. The Authorized Representatives are further authorized and directed to apply and there is hereby appropriated such moneys on deposit under the applicable Indenture as are necessary (i) to pay the costs of issuance of the Bonds incurred in connection with the issuance of the Bonds and the refunding of the Refunded Bonds (including the redemption or purchase for cancellation of Refunded Bonds, to the extent not paid from Bond proceeds); (ii) to make the deposits described in the applicable Indenture in amounts sufficient, together with the proceeds of the Bonds, to provide for the defeasance of the Refunded Bonds and the repayment of the Repaid FHLB Advances, as appropriate, on the date of delivery of the Bonds.

Section 2.8 Additional Agreements. The Authorized Representatives are hereby authorized and directed to execute any supplemental document with the Trustee or DTC as may be necessary to consummate the transactions contemplated by this Resolution, any such document to be subject to the approval of each of the foregoing parties.

Section 2.9 Further Procedures. Each Authorized Representative and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, attest, affix the Department's seal to and deliver, in the name and under the seal and on behalf of the Board, all such agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, and to take such other acts, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Indentures, the Depository Agreements, the Bonds, the preliminary official statement and the official statement for any Bonds, any continuing disclosure agreement, any Escrow Agreement, any Bond Purchase Contract or any Supplemental Indenture.

In addition, the Authorized Representatives, the General Counsel to the Board and Bond Counsel are hereby authorized to approve, subsequent to the date of the adoption of this Resolution, any technical amendments to this Resolution as may be required by any bond rating agency as a condition to the granting of a rating on any Series of Bonds, as may be required by the office of the Texas Attorney General as a condition to the approval of the Bonds and as may be required to assist Underwriters in complying with Rule 15c2-12.

Section 2.10 Approval, Execution and Delivery of the Supplemental Indentures. That the form and substance of the Supplemental Indentures are hereby approved and that the Authorized Representatives are hereby severally authorized to execute, and if requested, attest and affix the Department's seal to each applicable Supplemental Indenture and to deliver such Supplemental Indenture to the Trustee.

Section 2.11 Approval of GIC Broker; Approval of Investment in GICs. That the Authorized Representatives are each hereby authorized to select a GIC broker, if any, and that the investment of funds held under the Indentures in connection with the Bonds in GICs is hereby approved and that the Authorized Representatives are hereby authorized to complete arrangements for such investment in GICs or such other investments as the Authorized Representatives may approve.

Section 2.12 Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the Authorized Representatives are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such Authorized Representative, or in the opinion of Bond Counsel, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the Authorized Representatives.

Section 2.13 Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit A-1 – Tax-Exempt Supplemental Indenture (SFMRB)
Exhibit A-2 – Taxable Supplemental Indenture (SFMRB)
Exhibit B-1 – Tax-Exempt Supplemental Indenture (RMRB)
Exhibit B-2 – Taxable Supplemental Indenture (RMRB)

Section 2.14 Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Resolution: the Chair or Vice Chair of the Board, the Executive Director of the Department, the Director of Administration of the Department, the Director of Financial Administration of the Department, the Deputy Executive Director – Housing Finance of the Department and the Secretary or Assistant Secretary to the Board. Such persons are referred to herein collectively as the "Authorized Representatives." Any one of the Authorized Representatives is authorized to act individually as set forth in this Resolution.

Section 2.15 Department Contribution. That the contribution of Department funds in an amount not to exceed $10,000,000 per Series of Bonds to be used for any purpose authorized under Chapter 2306 and the applicable Indenture, including to provide down payment and closing cost assistance, to make and acquire qualifying Mortgage Loans, including payment of

lender compensation, through the purchase of Mortgage Certificates and to pay all or a portion of the costs of issuance of the Bonds is hereby authorized.

Section 2.16 Use of Indenture Funds. That the use of an amount not to exceed $10,000,000 per Series of Bonds of funds on deposit under the applicable Indenture to fund capitalized interest on the Bonds is hereby authorized.

ARTICLE 3
AUTHORIZATION AND TERMS OF HEDGE AGREEMENTS

Section 3.1 Authorization of Hedge Agreements. Pursuant to authority conferred by and in accordance with the provisions of the laws of the State, particularly Section 2306.351, Texas Government Code, the Department reserves and shall have the right and authority to execute and deliver Hedge Agreements (subject to Section 3.2 below) with respect to any or all of the Bonds for any purpose authorized by law pursuant to the provisions of this Resolution and any Supplemental Indenture on the terms conditions set forth in Article III of this Resolution; provided that, the authority conferred by this Resolution to execute any such Hedge Agreement shall expire at 11:59 p.m. Austin, Texas time on October 8, 2026.

Section 3.2 Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Department in accepting and executing a Hedge Agreement when, in such person's judgment, the execution of such Hedge Agreement is consistent with this Resolution and the Department's Interest Rate Swap Policy and Investment Policy, to the extent applicable, and the transaction is in the best interests of the Department given the market conditions at that time.

(a) Determination as Hedge Agreement. The Board hereby determines that any such Hedge Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Department's obligations with respect to its outstanding Bonds or Bonds anticipated to be issued in the future, and any Mortgage Loans or Mortgage Certificates, on the interest rate, currency, cash flow or other basis set forth in such Hedge Agreement as approved and executed on behalf of the Department by an Authorized Representative. Each Hedge Agreement constitutes a "contract" under Section 2306.351(b) of Chapter 2306.

(b) Maximum Term. The maximum term of each Hedge Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related Bonds or the related Bonds anticipated to be issued in the future, as applicable.

(c) Notional Amount. The notional amount of any Hedge Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related Bonds or related Bonds

anticipated to be issued in the future, as applicable; provided that the aggregate notional amount of multiple Hedge Agreements relating to the same Bonds may exceed the principal amount of the related Bonds if such Hedge Agreements are for different purposes, as evidenced for example by different rates for calculating payments owed, and the aggregate notional amount of any such Hedge Agreements for the same purpose otherwise satisfies the foregoing requirements.

(d) Early Termination. No Hedge Agreement entered into pursuant to this Resolution shall contain early termination provisions at the option of the Counterparty except upon the occurrence of an event of default or a termination event, as prescribed in the applicable Hedge Agreement. In addition to subsections (a) and (b) of Section 3 hereof, each Authorized Representative is hereby severally authorized to terminate any Hedge Agreement in whole or in part when, in such person's judgment, such termination is in the best interests of the Department given the market conditions at that time.

(e) Maximum Rate. No Hedge Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

(f) Source of Payment. Hedge Agreement Payment Obligations may be made from lawfully available funds of the Department, including (i) with respect to a Hedge Agreement executed in connection with Single Family Mortgage Revenue Bonds, funds available for such purpose and on deposit in the Surplus Revenues Account held under the Single Family Indenture, or (ii) with respect to a Hedge Agreement executed in connection with Residential Mortgage Revenue Bonds, funds available for such purpose and on deposit in the Residual Revenues Fund held under the RMRB Indenture.

ARTICLE 4
APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 4.1 Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of an application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of each series of Bonds in accordance with Chapter 1231, Texas Government Code.

Section 4.2 Submission to the Attorney General of Texas. That the Board hereby approves the submission by Bond Counsel to the Attorney General of Texas, for his approval, of a transcript of the legal proceedings relating to the issuance, sale and delivery of each Series of Bonds, and as applicable, execution of a Hedge Agreement.

Section 4.3 Engagement of Other Professionals. That the Authorized Representatives are each authorized to engage an accounting firm or firms to perform such functions, audits, yield calculations, verifications and subsequent investigations as necessary or appropriate to comply with a Bond Purchase Contract and the requirements of the purchasers of the Bonds and Bond Counsel, provided such engagement is done in accordance with applicable State law.

Section 4.4 Certification of the Minutes and Records. That the Secretary and any Assistant Secretary to the Board are hereby authorized to certify and authenticate minutes and other records on behalf of the Department for the Program, the issuance of the Bonds and all other Department activities.

Section 4.5 Approval of Requests for Rating from Rating Agencies. That the Authorized Representatives and the Department's consultants are authorized to seek ratings from Moody's Investors Service, Inc. and S&P Global Ratings, a division of S&P Global Inc.

Section 4.6 Ratifying Other Actions. That all other actions taken or to be taken by the Authorized Representatives and the Department's staff in connection with the issuance of the Bonds are hereby ratified and confirmed.

Section 4.7 Authorized to Invest Funds. That pursuant to Section 1371.102, Texas Government Code, and Chapter 2306, the Authorized Representatives are each hereby authorized to undertake all appropriate actions required under the applicable Indenture and the Depository Agreements and to provide for investment and reinvestment of all funds held under each Indenture in accordance with such Indenture.

Section 4.8 No Gain Allowed. That, in accordance with Section 2306.498, Texas Government Code, no member of the Board or employee of the Department may purchase the Notes in the secondary open market for municipal securities.

ARTICLE 5
CERTAIN FINDINGS AND DETERMINATIONS

Section 5.1 Purpose of Bonds. That the Board hereby determines that the purpose for which the Department may issue the Bonds constitutes "public works" as contemplated by Chapter 1371.

ARTICLE 6
GENERAL PROVISIONS

Section 6.1 Limited Obligations. That the Bonds and the interest thereon shall be limited obligations of the Department payable solely from the trust estate pledged under each Indenture to secure payment of the bonds issued under such Indenture and payment of the Department's costs and expenses for its single family mortgage revenue bond program thereunder and under such Indenture, and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 6.2 Non-Governmental Obligations. That the Bonds shall not be and do not create or constitute in any way an obligation, a debt or a liability of the State or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State.

Section 6.3 Purposes of Resolution. That the Board has expressly determined and hereby confirms that the issuance of the Bonds and the furtherance of the purposes contemplated by this Resolution accomplish a valid public purpose of the Department by providing for the housing needs of individuals and families of low, very low and extremely low income and families of moderate income in the State.

Section 6.4 Notice of Meeting. That this Resolution was considered and adopted at a meeting of the Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and with Section 2306.032 of the Texas Government Code, regarding meetings of the Board.

Section 6.5 Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

PASSED AND APPROVED this 9th day of October, 2025.

EXHIBITS

ALL DOCUMENTS REFERRED TO IN THE FOREGOING RESOLUTION ARE ATTACHED TO THE ORIGINAL COPY OF SAID RESOLUTION, WHICH IS ON FILE IN THE OFFICIAL RECORDS OF THE DEPARTMENT, AND EXECUTED COUNTERPARTS OF SUCH EXHIBITS ARE INCLUDED IN THE OFFICIAL TRANSCRIPT OF PROCEEDINGS RELATING TO THE BONDS.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

FORTY-NINTH SUPPLEMENTAL RESIDENTIAL MORTGAGE
REVENUE BOND TRUST INDENTURE

BETWEEN

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AND

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS TRUSTEE

AUTHORIZING

$[250,000,000]
RESIDENTIAL MORTGAGE REVENUE AND REFUNDING BONDS,
SERIES 2026A

Dated as of [February 1], 2026

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FORTY-NINTH SUPPLEMENTAL RESIDENTIAL MORTGAGE REVENUE BOND TRUST INDENTURE

THIS FORTY-NINTH SUPPLEMENTAL RESIDENTIAL MORTGAGE REVENUE BOND TRUST INDENTURE, dated as of [February 1], 2026 (together with any amendments hereto, this "2026A Series Supplement"), is made by and between the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency of the State of Texas (together with any successor to its rights, duties, and obligations hereunder, the "Department"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, as trustee (as successor trustee to MTrust Corp, and together with any successor trustee hereunder, the "Trustee").

RECITALS

WHEREAS, the Department and the Trustee have heretofore executed and delivered that certain Amended and Restated Residential Mortgage Revenue Bond Trust Indenture dated as of July 1, 2019, as amended and supplemented from time to time (the "Indenture"), providing for the issuance from time to time by the Department of one or more series of its Residential Mortgage Revenue Bonds (collectively, the "Bonds"); and

WHEREAS, the Department has been created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as such may be amended from time to time (together with other laws of the State of Texas (the "State") applicable to the Department, the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide safe and sanitary housing for persons and families of low and very low income and families of moderate income (as described in the Act and as determined by the Governing Board of the Department from time to time) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (i) to make and acquire, and to enter into advance commitments to make and acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State; (ii) to issue its bonds for the purpose of obtaining funds to make and acquire such mortgage loans or participations therein, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (iii) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or participations therein or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, Section 1002 of the Indenture authorizes the Department and the Trustee to execute and deliver a supplemental indenture, authorizing Bonds of a Series to include any other matters and things relative to such Bonds which are not inconsistent with or contrary to the Indenture, to add to the covenants of the Department, and to pledge other moneys, securities or funds as part of the Trust Estate; and

WHEREAS, pursuant to the Act and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), the Department has determined to issue its Residential Mortgage Revenue and Refunding Bonds, Series 2026A in an aggregate principal amount of $[250,000,000] (the "Series 2026A Bonds") pursuant to the Indenture and this 2026A Series Supplement to obtain funds to acquire Mortgage Certificates backed by Mortgage Loans secured by mortgages on residential housing in the State owned and occupied by persons and families of low and very low income and families of moderate income, to provide down payment and closing cost assistance with respect to Assisted Mortgage Loans (as hereinafter defined), to pay lender compensation related to the 2026A Mortgage Loans, to repay and/or refund the Repaid FHLB Advances (as hereinafter defined) and to pay a portion of the Costs of Issuance (as hereinafter defined) of the Series 2026A Bonds, all under and in accordance with the Constitution and the laws of the State; and

WHEREAS, the execution and delivery of this 2026A Series Supplement and the issuance of the Series 2026A Bonds have been in all respects duly and validly authorized by a written resolution of the Governing Board of the Department; and

WHEREAS, the Trustee has accepted the trusts created by the Indenture and this 2026A Series Supplement and in evidence thereof has joined in the execution and delivery hereof; and

WHEREAS, except as provided herein, all acts and conditions and things required by the Constitution and laws of the State to happen, exist and be performed precedent to execution and delivery of this 2026A Series Supplement have happened, exist and have been performed as so required in order to make the Indenture, as supplemented by this 2026A Series Supplement, a valid, binding and legal instrument for the security of the Series 2026A Bonds and a valid and binding agreement in accordance with its terms;

NOW, THEREFORE, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Series 2026A Bonds by the holders thereof from time to time, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for the further purpose of fixing and declaring the terms and conditions upon which the Series 2026A Bonds are to be issued, authenticated, delivered and accepted by the holders thereof from time to time, the Department and the Trustee do hereby mutually covenant and agree, for the equal and proportionate benefit of the respective holders from time to time of the Bonds, including the Series 2026A Bonds, as follows:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND PLEDGE OF SECURITY

Section 1.1. Supplemental Indenture. This 2026A Series Supplement is supplemental to, and is adopted in accordance with, Article III and Article X of the Indenture.

Section 1.2. Definitions.

1. Unless defined in subsection (2) of this Section 1.2 or unless the context shall require otherwise, all defined terms contained in the Indenture shall have the same meanings in this 2026A Series Supplement (other than in the form of Series 2026A Bond set forth in Exhibit A hereto) as such defined terms are given in Section 101 of the Indenture.

2. As used in this 2026A Series Supplement (other than in the form of Series 2026A Bond set forth in Exhibit A hereto), unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Account" or "Accounts" shall mean any one or more, as the case may be, of the separate special trust accounts pertaining to the Series 2026A Bonds created and established in Section 2.9 of this 2026A Series Supplement.

"Advances" means advances made to the Department by the Federal Home Loan Bank pursuant to the FHLB Agreement.

"Assisted Mortgage Loans" shall mean 2026A Mortgage Loans that include a related DPA Loan to provide down payment and closing cost assistance.

"Authorized Denominations" shall mean $5,000 principal amount or any integral multiples thereof.

"Authorized Representative of the Department" shall mean the Chair or Vice Chair of the Board, the Executive Director of the Department, the Director of Administration of the Department, the Director of Financial Administration of the Department, the Deputy Executive Director – Housing Finance and the Secretary or any Assistant Secretary to the Board or any other employee or officer or member of the Department authorized to perform specific acts or duties by resolution duly adopted by the Board and as evidenced by a written certificate delivered to the Trustee containing the specimen signature of such person.

"Board" shall mean the Governing Board of the Department.

"Bond Counsel" shall mean a firm or firms of attorneys selected by the Department, and acceptable to the Trustee, experienced in the field of housing revenue bonds the interest on which is excludable from gross income for federal income tax purposes, and whose legal opinion on such bonds is acceptable in national bond markets.

"Bond Depository" shall mean The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, and any successor Bond Depository appointed pursuant to Section 913 of the Indenture and Section 2.6 hereof.

"Business Day" shall mean any day other than a (i) Saturday or Sunday, (ii) day on which banking institutions in New York, New York, the State, or the city in which the payment office of the Paying Agent is located are authorized or obligated by law or executive order to be closed for business, or (iii) day on which the New York Stock Exchange is closed.

"Certificate Accrued Interest" shall mean the amount of interest received in the month following the month of the purchase of a 2026A Mortgage Certificate by the Trustee which represents the number of days of interest on such 2026A Mortgage Certificate at the applicable Pass-Through Rate from the first day of the month of purchase to, but not including, the Certificate Purchase Date.

"Certificate Purchase Date" shall mean, with respect to a 2026A Mortgage Certificate, the date of purchase thereof by the Trustee on behalf of the Department in accordance with the Servicing Agreement.

"Certificate Purchase Period" shall mean the period from the Issuance Date to and including [August 1, 2026], but which may be extended to a date no later than [July 1, 2029], in accordance with Section 5.2 of this 2026A Series Supplement.

"Chapter 1371" has the meaning given to such term in the recitals hereto.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in clauses (b) and (c).

"Compliance Agent" shall mean Hilltop Securities Inc., and its successors and assigns.

"Compliance Agreement" shall mean the Program Administration Agreement dated as of May 24, 2023, by and between the Department and the Compliance Agent, together with any amendments thereto.

"Comptroller" means the Comptroller of Public Accounts of the State of Texas.

"Computation Date" shall mean each Installment Computation Date and the Final Computation Date.

"Contract for Deed Exception" shall mean the exception from certain Mortgage Loan eligibility requirements available with respect to a Borrower possessing land under a contract for deed, as provided in Section 143(i)(l)(C) of the Code.

"Costs of Issuance" shall mean costs to the extent incurred in connection with, and allocable to, the issuance of an issuance of obligations within the meaning of Section 147(g) of the Code. For example, Costs of Issuance include the following costs, but only to the extent incurred in connection with, and allocable to, the borrowing: underwriters' spread; counsel fees; financial advisory fees; fees paid to an organization to evaluate the credit quality of an issue; trustee fees; paying agent fees; bond registrar, certification and authentication fees; accounting fees; printing costs for bonds and offering documents; public approval process costs; engineering and feasibility study costs; guarantee fees, other than qualified guarantees; and similar costs.

"Counsel's Opinion" shall mean a written opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds (who may also be counsel to the Department) selected by the Department and satisfactory to the Trustee.

"Depository" shall mean the Texas Treasury Safekeeping Trust Company, acting in accordance with the Depository Agreement, and any bank or trust company appointed pursuant to Section 914 of the Indenture and Section 5.7 hereof to act as depository of certain moneys and investments.

"Depository Agreement" shall mean that certain Twenty-Second Supplement to Amended and Restated Depository Agreement dated as of the date hereof, by and among the Department, the Trustee and the Depository relating to the Series 2026A Bonds, together with any amendments or supplements thereto.

"Depository Participant" shall mean a broker, dealer, bank, other financial institution or any other Person for whom from time to time a Bond Depository effects book-entry transfers and pledges of securities deposited with such Bond Depository.

"De Minimis Special Redemption" shall mean a one-time redemption of Series 2026A Bonds from unexpended Proceeds in an amount less than $250,000 that is treated as a Special Redemption from Mortgage Loan Principal Payments in accordance with Section 2.7.2 hereof.

"DPA Loan" means a subordinated, no stated interest loan for down payment and closing costs made to a mortgagor under the Program in an amount as identified in the commitment lot notice applicable to the 2026A Mortgage Loan, subject to adjustment from time to time at the direction of the Department. DPA Loans are due on sale, refinance, or repayment of the first mortgage and have a thirty year term. DPA Loans are not considered Mortgage Loans.

"Favorable Opinion of Bond Counsel" shall mean, with respect to any action, or omission of an action, the taking or omission of which requires such an opinion, an unqualified written opinion of Bond Counsel to the effect that, under existing law, such action or omission does not adversely affect the excludability of interest payable on the Series 2026A Bonds from gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion of Bond Counsel delivered upon original issuance of the Series 2026A Bonds or other customary exceptions acceptable to the recipient thereof).

"FHLB Agreement" means the Advances and Security Agreement, dated November 1, 2016, by and between the Department and the Federal Home Loan Bank of Dallas, as amended, and the side letters executed pursuant thereto.

"Final Computation Date" shall mean the date on which final payment in full of the Series 2026A Bonds is made.

"Ginnie Mae" shall mean the Government National Mortgage Association, a wholly-owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, whose powers are prescribed generally by Title III of the National Housing Act of 1934, as amended (12 U.S.C. § 1716 et seq.), and any successor thereto.

"Ginnie Mae Certificate" shall mean a fully-modified, mortgage-backed, pass-through security issued by the Servicer in accordance with the applicable Ginnie Mae Guide bearing interest at the applicable Pass-Through Rate and representing the beneficial ownership interest in a Ginnie Mae pool, registered in the name of the Trustee and guaranteed as to timely payment of principal and interest by Ginnie Mae pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and regulations promulgated thereunder backed by Mortgage Loans originated by Mortgage Lenders under the Program and packaged by the Servicer into a Ginnie Mae pool.

"Ginnie Mae Certificate Purchase Price" shall mean, with respect to the Program and the purchase of any Ginnie Mae Certificate thereunder by the Trustee on any Certificate Purchase Date, the total of 100% of the principal balance of the 2026A Mortgage Loans in the applicable Mortgage Pool on record with Ginnie Mae (subject to adjustment upon written notice from the Department) on the first day of the month in which the subject Certificate Purchase Date occurs, but shall not include any Certificate Accrued Interest thereon.

"Ginnie Mae Guaranty Agreement" shall mean, with respect to the Program, the Commitment to Guarantee Mortgage-Backed Securities (Form HUD-11704) (whether one or more) issued by Ginnie Mae to the Servicer, together with any amendments or supplements thereto or extensions thereof.

"Gross Proceeds" shall mean any Proceeds and any Replacement Proceeds.

"Indenture" shall mean the Amended and Restated Residential Mortgage Revenue Bond Trust Indenture dated as of July 1, 2019, between the Department and the Trustee, as supplemented and amended from time to time.

"Initial Bond" means the Series 2026A Bond approved by the Attorney General of the State of Texas and registered by the Comptroller.

"Installment Computation Date" shall mean the last day of the fifth Tax Bond Year and each succeeding fifth Tax Bond Year.

"Interest Payment Date" shall mean, with respect to the Series 2026A Bonds, each [July 1 and January 1], commencing [July 1, 2026], and any other date on which the Series 2026A Bonds are subject to redemption.

"Investment Proceeds" has the meaning set forth in Section 1.148-1(b) of the Regulations and, generally, consist of any amounts actually or constructively received from investing Proceeds.

"Issuance Date" shall mean [CLOSING DATE], 2026, the date of initial issuance and delivery of the Series 2026A Bonds to the Underwriters, as initial purchasers thereof, in exchange for payment of the purchase price of the Series 2026A Bonds.

"Letter of Instructions" shall mean, with respect to the Series 2026A Bonds, a written directive and authorization to the Trustee or any Depository specifying the period of time for which such directive and authorization shall remain in effect, executed by two Authorized Representatives of the Department.

"Letter of Representations" shall mean that certain DTC Blanket Issuer Letter of Representations executed by the Department and the Bond Depository.

"Mortgage Loan Principal Payment" shall mean, with respect to any 2026A Mortgage Loan, all amounts representing (i) scheduled payments of principal thereof and (ii) Mortgage Loan Principal Prepayments other than portions, if any, of Mortgage Loan Principal Prepayments representing any penalty, fee, premium or other additional charge for the prepayment of principal which may be paid pursuant to the terms of such 2026A Mortgage Loan.

"Mortgage Origination Agreement" shall mean the Master Mortgage Origination Agreement by and between the Department and a Mortgage Lender, together with any amendments thereto.

"Mortgage Pool" shall have the meaning assigned to the term "Pool" in the Servicing Agreement.

"Net Proceeds" means Sale Proceeds, less the portion of any Sale Proceeds invested in a reasonably required reserve or replacement fund.

"Nonpurpose Investment" shall mean any "investment property," as defined in Section 148(b) of the Code, that is not a purpose investment acquired to carry out the governmental purpose of the Series 2026A Bonds.

"Optional Redemption Date" shall mean [January 1, 2034].

"Other Obligated Person" shall mean a Person that is a mortgagor with respect to at least 20% in aggregate principal amount of the Mortgage Loans held under the Indenture.

"Pass-Through Rate" shall mean the interest rate accruing each month on a 2026A Mortgage Certificate, which will equal the mortgage rate of the 2026A Mortgage Loans backing the 2026A Mortgage Certificate less servicing and guaranty fees, which fees are retained by the Servicer.

"Paying Agent" shall mean the Trustee.

"Pricing Certificate" means the certificate dated [PRICING DATE], 2026, setting forth the final terms for the Series 2026A Bonds, executed by an Authorized Representative in accordance with the Resolution.

"Proceeds" shall mean any Sale Proceeds, Investment Proceeds and Transferred Proceeds.

"Program" shall mean the Department's Single Family Mortgage Purchase Program as set forth and implemented through the Program Agreement.

"Program Agreement" shall mean, collectively, the Mortgage Origination Agreement, the Servicing Agreement, the Compliance Agreement and the Program Guidelines.

"Program Guidelines" shall mean the Program Guidelines for Texas Department of Housing and Community Affairs effective February 21, 2025, relating to specific provisions of the Program, as amended from time to time.

"Purchase Agreement" shall mean the Bond Purchase Agreement dated [PRICING DATE], 2026, between the Department and the Underwriters providing for the purchase of the Series 2026A Bonds by the Underwriters, as amended or supplemented from time to time.

"Rating Agency" shall mean: (i) S&P Global Ratings, a division of S&P Global Inc., and any successor thereto; and (ii) Moody's Ratings and any successor thereto to the extent either agency then has a rating on the Bonds in effect at the request of the Department.

"Rebate Amount" has the meaning set forth in Section 1.148-3(b) of the Regulations and generally means the excess, as of any date, of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments, all as determined in accordance with Section 1.148-3 of the Regulations.

"Rebate Analyst" shall mean a person that is (a) qualified and experienced in the calculation of rebate payments under Section 148 of the Code, (b) chosen by the Department, and (c) engaged for the purpose of determining the Rebate Amount and the amount of required deposits, if any, to the Rebate Fund.

"Record Date" shall mean the close of business on the 15th day of the month (whether or not a Business Day) immediately preceding an Interest Payment Date.

"Redemption Price" shall mean, with respect to any Series 2026A Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Series 2026A Bond or the Indentures.

"Regulations" means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Repaid FHLB Advances" means the particular Advances specified in the Pricing Certificate.

"Replacement Proceeds" has the meaning set forth in Section 1.148-1(c) of the Regulations and, generally, consist of amounts that have a sufficiently direct nexus to an issue of obligations or the governmental purpose of an issue of obligations to conclude that the amounts would have been used for that governmental purpose if the Proceeds were not used or to be used for that governmental purpose.

"Representative" shall mean Morgan Stanley & Co. LLC.

"Resolution" means Resolution No. 26-001 authorizing the Bonds, as the same may be amended from time to time in accordance with the terms thereof.

"Revenues" shall mean in addition to those items defined as such in the Indenture, all amounts paid or required to be paid from time to time on the 2026A Mortgage Certificates, including any payments received from Ginnie Mae pursuant to the Ginnie Mae Certificates, all Mortgage Loan Principal Payments representing the same, all prepayment premiums or penalties received by or on behalf of the Department in respect of the 2026A Mortgage Certificates and all other net proceeds of such 2026A Mortgage Certificates.

"RHS" shall mean the United States Department of Agriculture, Rural Housing Service, formerly known as Farmers Home Administration, or any successor thereto.

"Sale Proceeds" has the meaning set forth in Section 1.148-1(b) of the Regulations and, generally, consist of any amounts actually or constructively received from the sale (or other disposition) of any obligation, including amounts used to pay underwriters' discount or compensation and accrued interest other than pre-issuance accrued interest. Sale Proceeds also include amounts derived from the sale of a right that is associated with any obligation and that is described in Section 1.148-4(b)(4) of the Regulations.

"Series 2026A Bonds" has the meaning given to such term in the recitals hereto.

"Servicer" shall mean (i) TMS, or any successor thereto as servicer for the Program, including any designee to act as subservicer on its behalf; and (ii) any additional servicer for the Program as selected by the Department.

"Servicing Agreement" shall mean (i) with respect to TMS, the Servicing Agreement dated as of December 30, 2024, by and between the Department and TMS; and (ii) with respect to any additional servicer, the servicing agreement executed by the Department and such servicer, in any case together with any amendments thereto.

"Sinking Fund Installment" means the principal amount of the Series 2026A Bonds subject to scheduled mandatory redemption on the respective redemption dates set forth in 0 hereof.

"State" shall mean the State of Texas.

"Subaccount" or "Subaccounts" shall mean any one or more, as the case may be, of the special subaccounts pertaining to the Series 2026A Bonds created in certain Accounts pursuant to Section 2.9 hereof.

"Tax Bond Year" shall mean each one-year period that ends at the close of business on September 1 of each year, beginning September 1, 2026. The first and last Tax Bond Years may be short periods. Tax Bond Years end on each anniversary of the Issuance Date and on the date the last Series 2026A Bond is discharged.

"TMS" shall mean The Money Source, Inc., a licensed lender and loan servicer.

"Transferred Proceeds" shall mean the amounts described in Section 1.148-9 of the Regulations.

"2026A Administrative Subaccount" shall mean the 2026A Administrative Subaccount established within the 2026A Mortgage Loan Account pursuant to Section 2.9.1(iii)(B) hereof.

"2026A Bond Proceeds Fund" shall mean the 2026A Bond Proceeds Fund established pursuant to Section 2.9.1(i) hereof.

"2026A Capitalized Interest Subaccount" shall mean the 2026A Capitalized Interest Subaccount established within the 2026A Revenue Account pursuant to Section 2.9.1(iv) hereof.

"2026A Cost of Issuance Account" shall mean the 2026A Costs of Issuance Account established within the Cost of Issuance Fund pursuant to Section 2.9 hereof.

"2026A Down Payment Assistance Subaccount" shall mean the 2026A Down Payment Assistance Subaccount established within the 2026A Mortgage Loan Account pursuant to Section 2.9.1(iii)(A) hereof.

"2026A Expense Account" shall mean the 2026A Expense Account established within the Expense Fund pursuant to Section 2.9 hereof.

"2026A Interest Account" shall mean the 2026A Interest Account established within the Interest Fund pursuant to Section 2.9 hereof.

"2026A Mortgage Certificates" shall mean Ginnie Mae Certificates that evidence beneficial ownership of and a participation in a Mortgage Pool, that satisfy the requirements of Section 2.15 hereof and are pledged by the Department to the Trustee pursuant to the Indenture, and this 2026A Series Supplement, as described in any Letter of Instructions to the Trustee described in Section 2.15.2 hereof.

"2026A Mortgage Loan Account" shall mean the 2026A Mortgage Loan Account established within the Mortgage Loan Fund pursuant to Section 2.9 hereof.

"2026A Mortgage Loans" shall mean the portion of each Mortgage Loan included in each Mortgage Pool represented by a 2026A Mortgage Certificate.

"2026A Premium PAC Term Bond" shall mean the Series 2026A Bond maturing on [January 1, 2057].

"2026A Premium PAC Term Bond Outstanding Applicable Amount" shall mean the amounts identified as such in Exhibit B hereto (subject to adjustments as described below). Any special redemption of the Series 2026A Bonds from unexpended Proceeds pursuant to Section 2.7.1 hereof, other than a De Minimis Special Redemption, will reduce the 2026A Premium PAC Term Bond Outstanding Applicable Amount for the Series 2026A Bonds for the current and each future monthly period on a proportionate basis. Thereafter, the 2026A Premium PAC Term Bond Outstanding Applicable Amount shall be the remaining balance, if any, of the 2026A Premium PAC Term Bond Outstanding Applicable Amount as adjusted from prior periods.

"2026A Principal Account" shall mean the 2026A Principal Account established within the Principal Fund pursuant to Section 2.9 hereof.

"2026A Rebate Fund" shall mean the 2026A Rebate Fund established pursuant to Section 2.9.1(ii) hereof.

"2026A Residual Revenues Account" shall mean the 2026A Residual Revenues Account established within the Residual Revenues Fund pursuant to Section 2.9 hereof.

"2026A Revenue Account" shall mean the 2026A Revenue Account established within the Revenue Fund pursuant to Section 2.9 hereof.

"2026A Series Supplement" has the meaning given to such term in the recitals hereto.

"2026A Special Redemption Account" shall mean the 2026A Special Redemption Account established within the Special Redemption Fund pursuant to Section 2.9 hereof.

"Underwriters" shall mean the Representative and the other underwriters named on the schedule attached to the Purchase Agreement.

"Yield" shall mean (i) with respect to the Series 2026A Bonds, yield as determined in accordance with Section 143(g)(2)(C) of the Code and (ii) with respect to the 2026A Mortgage Loans, the effective rate of mortgage interest as determined in accordance with Section 143(g)(2)(B) of the Code.

Section 1.3. Authority for this 2026A Series Supplement. This 2026A Series Supplement is adopted pursuant to the provisions of the Act, Chapter 1371 and the Indenture, particularly Section 1002(1) thereof.

Section 1.4. Rules of Construction.

1. For all purposes of this 2026A Series Supplement unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to the articles, sections and other subdivisions of this 2026A Series Supplement.

2. Except where the context otherwise requires, terms defined in this 2026A Series Supplement to impart the singular number shall be considered to include the plural number and vice versa.

3. Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa.

4. This 2026A Series Supplement and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of this 2026A Series Supplement and the Indenture which it supplements.

Section 1.5. Interpretation. The Table of Contents, titles and headings of the Articles and Sections of this 2026A Series Supplement have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms of provisions hereof.

Section 1.6. Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.7. Indenture to Remain in Force. Except as amended by this 2026A Series Supplement, the Indenture shall remain in full force and effect as to the matters covered therein.

Section 1.8. Successors and Assigns. All covenants and agreements in this 2026A Series Supplement by the Department and the Trustee shall bind their respective successors and assigns, whether so expressed or not.

Section 1.9. Separability Clause. In case any provision in this 2026A Series Supplement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.10. Benefits of this 2026A Series Supplement. Nothing in this 2026A Series Supplement or in the Bonds, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder, and the Holders of Bonds any benefit or any legal or equitable right, remedy or claim under this 2026A Series Supplement.

Section 1.11. Governing Law. This 2026A Series Supplement shall be construed in accordance with and governed by the laws of the State.

Section 1.12. Miscellaneous. Every "request," "order," "demand," "application," "notice," "statement," "certificate," "consent," "instruction," or similar action hereunder shall, unless the form thereof is specifically provided herein, be in writing, and in the case of the Department signed by an Authorized Representative of the Department or in the case of any other Person signed by its President or Vice President, or other officer serving in similar capacities specifically authorized to execute such writing on behalf of any other Person, as the case may be.

Section 1.13. Granting Clause. In order to secure the payment of the principal of, premium, if any, and interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, and the performance and observance of all of the covenants and conditions herein contained, and in consideration of the premises, the acceptance by the Trustee of the trust hereby created, the purchase and acceptance of the Bonds by the holders thereof and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Department does hereby GRANT, BARGAIN, CONVEY, ASSIGN, MORTGAGE, and PLEDGE to the Trustee and its successors in trust hereunder all rights, title and interest of the Department now owned or hereafter acquired in and to the DPA Loans and the 2026A Mortgage Certificates, all amounts that may be received with respect to the DPA Loans and the 2026A Mortgage Certificates and the Ginnie Mae Guaranty Agreement, any right of the Department under any Ginnie Mae Guaranty Agreement with respect to the 2026A Mortgage Certificates held under the Indenture, including any amendments, extensions, or renewals of the terms thereof, including, without limitation, all present and future rights of the Department to make claim for, collect and receive any income, revenues, issues, profits, insurance proceeds and other sums of money payable to the account of or receivable by the Department under the DPA Loans and the 2026A Mortgage Certificates, to bring actions and proceedings under the DPA Loans and the 2026A Mortgage Certificates, or for the enforcement thereof, and to do any and all things which the Department is or may become entitled to do under the 2026A Mortgage Certificates, and the holders of the Bonds are by such pledge and assignment afforded a beneficial interest in such DPA Loans and the 2026A Mortgage Certificates.

ARTICLE II

AUTHORIZATION AND TERMS OF SERIES 2026A BONDS

Section 2.1. Authorization, Original Principal Amount, Designation, and Series. In accordance with and subject to the terms, conditions, and limitations established in the Indenture

and this 2026A Series Supplement, a Series of Bonds is hereby authorized to be issued in the original aggregate principal amount of $[250,000,000]. Each Bond of this Series of Bonds shall be entitled "Texas Department of Housing and Community Affairs Residential Mortgage Revenue and Refunding Bond, Series 2026A." The terms of the Series 2026A Bonds shall be as set forth in Article III of the Indenture and this Article II.

Section 2.2. Purposes. The Series 2026A Bonds are issued in accordance with subsection 1(3)(b) of Section 302 of the Indenture for the purpose of (i) acquiring Mortgage Loans, or participations therein, through the purchase of the 2026A Mortgage Certificates, including funding loans for down payment and closing cost assistance with respect to Assisted Mortgage Loans, (ii) paying lender compensation related to the 2026A Mortgage Loans, (iii) repaying and/or refunding the Repaid FHLB Advances, thereby making funds available to acquire Mortgage Loans, or participations therein, through the purchase of the 2026A Mortgage Certificates and (iv) paying Costs of Issuance.

Section 2.3. Registered Bonds Only, Dates, Denominations, Numbers, and Letters.

1. The Series 2026A Bonds shall be issuable only in the form of fully registered bonds without coupons and may not be exchanged into coupon bonds. The Initial Bond shall be registered to the Representative.

2. The Series 2026A Bonds shall be dated as of the date of authentication thereof by the Trustee, unless such date of authentication shall be an Interest Payment Date, in which case they shall be dated as of such Interest Payment Date; provided, however, that if the date of authentication shall be prior to the first Interest Payment Date or in the case of the Initial Bond, the Series 2026A Bonds shall be dated as of the Issuance Date.

3. The Series 2026A Bonds shall be issued in the Authorized Denominations.

4. Unless the Department shall direct otherwise, each Series 2026A Bond within a maturity of the Series 2026A Bonds shall be lettered and numbered separately from 00001 upward prefixed by the letters RA, the letters Ja or Ju depending on whether the maturity is January or July, and the last two digits of the year of maturity, provided that the Initial Bond shall be numbered TRA-1.

Section 2.4. Interest Payment Dates, Interest Rates and Maturities of the Series 2026A Bonds. The Series 2026A Bonds shall bear interest from the date thereof until maturity or prior redemption at the respective rates per annum set forth below. Interest on the Series 2026A Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months, payable on each Interest Payment Date until maturity or prior redemption. The Series 2026A Bonds shall mature and become payable on the dates and in the respective principal amounts set forth below, subject to prior redemption in accordance with Section 2.7 hereof and Article IV of the Indenture:

Maturity Date	Principal Amount ($)	Interest Rate

Maturity Date	Principal Amount ($)	Interest Rate

Section 2.5. Paying Agent; Method and Place of Payment.

1. The Trustee is hereby appointed as Paying Agent for the Series 2026A Bonds and the Trustee hereby accepts such appointment. The principal amount or Redemption Price of the Series 2026A Bonds shall be payable upon the presentation and surrender thereof, as the same respectively become due and payable, at the applicable office of the Trustee. For purposes of this Section, "applicable office" shall mean the Trustee's office presently located in Houston, Texas (or such other office designated by the Trustee) which will be utilized to perform payments and transfers with respect to the Bonds. The interest on each Series 2026A Bond shall be payable by check mailed on the Interest Payment Date to the Person in whose name such Series 2026A Bond is registered at the close of business on the Record Date immediately preceding the applicable Interest Payment Date, at the address of such Person as shown on the Bond registration books kept by the Trustee. The principal amount or Redemption Price of, and interest on, the Series 2026A Bonds shall also be payable at any other place that may be provided for such payment by the appointment of any other Paying Agent for the Series 2026A Bonds as permitted by the Indenture.

2. Notwithstanding the foregoing, for so long as the Bond Depository is the exclusive Holder of the Series 2026A Bonds and for Holders of not less than $1,000,000 in aggregate principal amount of the Series 2026A Bonds, and except for the final payment of principal of the Series 2026A Bonds at maturity, the principal amount, Redemption Price thereof and the interest

thereon shall be payable by wire transfer in immediately available federal funds to the Bond Depository or such Holders to an account in the continental United States without the necessity of any immediate presentation and surrender of Series 2026A Bonds pursuant to written instructions from the Holder, or the Letter of Representations, as the case may be.

Section 2.6. Bond Depository; Book-Entry System.

1. Pursuant to Section 913 of the Indenture, the Department hereby appoints The Depository Trust Company, New York, New York, as Bond Depository for the Series 2026A Bonds. In accordance with the Letter of Representations, the Department shall cause the Series 2026A Bonds (other than the Initial Bond) to be registered in the name of Cede & Co., as nominee for the Bond Depository, and to be delivered on the Issuance Date to the Trustee to be held on behalf of the Bond Depository.

2. With respect to Series 2026A Bonds registered in the Bond registration books of the Department required to be maintained by the Trustee pursuant to Section 310 of the Indenture in the name of Cede & Co. or any successor Bond Depository, or a nominee therefor, the Department and the Trustee shall have no responsibility or obligation to any Depository Participant or to any Person on behalf of whom such Depository Participant holds an interest in Series 2026A Bonds. The Department and the Trustee may treat and consider the registered owner of any Series 2026A Bond as the holder and absolute owner of such Series 2026A Bond for the purpose of payment of the principal and Redemption Price of and interest with respect to such Series 2026A Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2026A Bond, for the purpose of registering transfers and exchanges with respect to such Series 2026A Bond, and for all other purposes whatsoever. The Trustee shall pay all the principal amount and Redemption Price of and interest on the Series 2026A Bonds only to or upon the order of the respective registered owners of the Series 2026A Bonds and all such payments shall be valid and effective with respect to such payments to the extent of the sum or sums so paid. The Department and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of The Depository Trust Company, any successor Bond Depository or any Depository Participant with respect to any ownership interest in Series 2026A Bonds, (ii) the delivery to any Depository Participant or any other Person, other than a registered owner of a Series 2026A Bond as shown in the Bond registration books required to be kept and maintained pursuant to Section 310 of the Indenture, of any notice with respect to the Series 2026A Bonds, including any notice of redemption, or (iii) the payment to any Depository Participant or any other Person, other than a registered owner of a Series 2026A Bond, of any amount with respect to any Series 2026A Bond. The rights of Depository Participants and Persons on behalf of whom any Depository Participant holds a beneficial interest in Series 2026A Bonds shall be limited to those established by law and agreements between such Depository Participants and other Persons and the applicable Bond Depository.

3. In the event that either (i) the Bond Depository that is, directly or through a nominee, the registered owner of all of the Outstanding Series 2026A Bonds notifies the Trustee and the Department that it is no longer willing or able to discharge its responsibilities as a Bond Depository or (ii) the Department determines that continuance of the existing book-entry system for ownership of interests in the Series 2026A Bonds is not in the best interest of such owners of beneficial interests in the Series 2026A Bonds, then the Department shall direct the Bond

Depository to terminate the existing book-entry system for ownership of interests in the Series 2026A Bonds. Upon such termination, the Department shall promptly select a substitute Bond Depository (and shall notify the Trustee in writing of such selection) to provide a system of book-entry ownership of beneficial interests in the Series 2026A Bonds, if one is available satisfactory to the Department, and the ownership of all Series 2026A Bonds shall be transferred on the Bond registration books required to be kept and maintained pursuant to Section 310 of the Indenture to such successor Bond Depository, or its nominee. In the alternative, the Department may direct the Trustee to, and if the Department fails to promptly designate a successor Bond Depository the Trustee, without further direction, shall, notify the Depository Participants, through the Bond Depository for the Series 2026A Bonds, of the availability of Series 2026A Bonds registered in the names of such Persons as are owners of beneficial interests in the Series 2026A Bonds and, upon surrender to the Trustee of the Outstanding Series 2026A Bonds held by the Bond Depository, accompanied by registration instructions from the Bond Depository, the Trustee shall, at the expense of the transferees, cause to be printed and authenticated Series 2026A Bonds, in Authorized Denominations, to the owners of beneficial interests in the Series 2026A Bonds as of the date of the termination of the existing book-entry ownership system for the Series 2026A Bonds. Neither the Department nor the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying upon, such instructions. So long as the Department has designated a Bond Depository to provide a system of book-entry ownership of the Series 2026A Bonds, all of the Series 2026A Bonds must be held under such book-entry system. Prior to any transfer of the Series 2026A Bonds outside the book-entry system (including, but not limited to, any initial transfer outside the book-entry system) the Department, Bond Depository, or the transferor of a Series 2026A Bond shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

4. Notwithstanding any other provisions in Article II of this 2026A Series Supplement, the Department and the Trustee may, but shall not be required to, enter into separate agreements with one or more Bond Depositories which may provide for alternative or additional provisions with respect to the delivery of notices, payment of interest and/or principal, or any other matters.

Section 2.7. Redemption Prices and Terms. The Series 2026A Bonds shall not be subject to redemption prior to maturity except as follows:

1. Special Redemption from Unexpended Proceeds. The Series 2026A Bonds are subject to special redemption from amounts transferred to the 2026A Special Redemption Account in accordance with Section 5.2 hereof prior to their stated maturities, in whole or in part. The Redemption Price of the Series 2026A Bonds to be so redeemed pursuant to this Section 2.7.1 shall be equal to (a) for all Series 2026A Bonds, other than the 2026A Premium PAC Term Bond, 100% of the principal amount thereof, without premium; and (b) for the 2026A Premium PAC Term Bond, the applicable Redemption Price, as set forth in Exhibit C hereto; plus in any case accrued interest thereon to, but not including, the date of redemption; except that a De Minimis Special Redemption shall be treated as a Special Redemption from Mortgage Loan Principal

Payments and such portion of the Series 2026A Bonds shall be redeemed in accordance with Section 2.7.2 hereof. In the event of a redemption of the 2026A Premium PAC Term Bond under this Section 2.7.1 on a date other than a redemption date listed on Exhibit C hereto, the Redemption Price, as of such redemption date, will be determined by the Department using straight-line interpolation between the Redemption Prices for the redemption dates listed on Exhibit C hereto immediately preceding and succeeding such redemption date.

Such redemption may occur at any time on or after [September 1, 2026], unless the Certificate Purchase Period is extended in accordance with this 2026A Series Supplement. In no event will the redemption occur later than [August 1, 2029].

Except for the De Minimis Special Redemption, the Series 2026A Bonds to be redeemed in accordance with this subsection shall be selected by the Trustee on a pro rata basis among all maturities unless otherwise directed by the Department pursuant to a Letter of Instructions accompanied by a Cashflow Certificate.

2. Special Redemption from Mortgage Loan Principal Payments. The Series 2026A Bonds are subject to redemption prior to maturity and shall be redeemed, in whole or in part, at any time and from time to time as directed by the Department pursuant to a Letter of Instructions but at least once during each semiannual period commencing with the semiannual period ending on [July 1, 2026], after giving notice as provided in Section 2.8 hereof, at a Redemption Price equal to 100% of the principal amount of the Series 2026A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date, from certain amounts relating to Mortgage Loan Principal Payments from the 2026A Mortgage Certificates transferred to the 2026A Special Redemption Account in accordance with clauses (iii) and (iv) of Section 5.3.2 hereof.

In the event of a redemption pursuant to this Section 2.7.2 from Mortgage Loan Principal Payments relating to the 2026A Mortgage Certificates, the Trustee shall select the particular Series 2026A Bonds to be redeemed as follows:

(i) the Trustee shall redeem the 2026A Premium PAC Term Bond, but only to the extent that the Outstanding principal amount of such 2026A Premium PAC Term Bond following any such redemption is not less than the 2026A Premium PAC Term Bond Outstanding Applicable Amount as of such date;

(ii) amounts remaining following the redemptions described in clause (i) above shall be applied, unless otherwise directed by a Letter of Instructions accompanied by a Cashflow Certificate, to redeem all other Series 2026A Bonds (other than the 2026A Premium PAC Term Bond) on a proportionate basis, however, the 2026A Premium PAC Term Bond may also be redeemed in excess of the 2026A Premium PAC Term Bond Outstanding Applicable Amount if such redemption is necessary to preserve the tax-exempt status of the Series 2026A Bonds or if no other Series 2026A Bonds remain outstanding.

Any special redemption of the Series 2026A Bonds pursuant to Section 2.7.1 hereof (other than a De Minimis Special Redemption), will reduce the 2026A Premium PAC Term Bond Outstanding Applicable Amount for the current and each future period on a proportionate basis.

With regard to (ii) above, in lieu of redeeming Series 2026A Bonds and subject to the requirements under Article IV and/or described in the tax certificate executed by the Department with respect to the Series 2026A Bonds, the Department can otherwise instruct the Trustee pursuant to a Letter of Instructions accompanied by a Cashflow Certificate to transfer moneys on deposit in the 2026A Principal Account, the 2026A Revenue Account, or the 2026A Special Redemption Account to either: (a) the 2026A Mortgage Loan Account to be used to make or purchase Mortgage Loans, or (b) to the redemption of a different series of Bonds, subject to any additional covenants made in the applicable Series Supplement.

3. Special Redemption from Excess Revenues. The Series 2026A Bonds are subject to redemption prior to maturity and may be redeemed, in whole or in part, at any time and from time to time as directed by the Department pursuant to a Letter of Instructions but at least once during each semiannual period commencing with the semiannual period ending on [July 1, 2026], after giving notice as provided in Section 2.8 hereof and in accordance with a Letter of Instructions, at a Redemption Price equal to 100% of the principal amount of such Series 2026A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date, from amounts transferred to the 2026A Special Redemption Account from the Residual Revenues Fund in accordance with Section 5.4 hereof (including revenues whether or not derived in connection with the Series 2026A Bonds).

In the event of a redemption pursuant to this Section 2.7.3 from excess Revenues, the Trustee shall apply amounts transferred to the 2026A Special Redemption Account from the Residual Revenues Fund in accordance with Section 5.4 to redeem the Series 2026A Bonds Outstanding in the same manner provided in clauses (i) and (ii) under Section 2.7.2, unless otherwise instructed by the Department pursuant to a Letter of Instructions accompanied by a Cashflow Certificate.

Cross calls of the Series 2026A Bonds, with Mortgage Loan Principal Payments securing any Series of Bonds other than the Series 2026A Bonds are permitted, but only to the extent permitted in accordance with the Series Supplement authorizing such Series of Bonds, and, as applicable, as described in the tax certificate executed by the Department in connection therewith, except that no such Mortgage Loan Principal Payments may be applied to the redemption of the 2026A Premium PAC Term Bond so as to reduce the Outstanding principal amount of the 2026A Premium PAC Term Bond below the 2026A Premium PAC Term Bond Outstanding Applicable Amount as of the date of any such redemption.

4. Scheduled Mandatory Redemption. The Series 2026A Bonds maturing on the respective dates specified below are subject to scheduled mandatory redemption prior to maturity and shall be redeemed, after giving notice as provided in Article IV of the Indenture, in the aggregate principal amounts and on the dates set forth in the following tables, at a Redemption Price equal to 100% of the principal amount of such Series 2026A Bonds or portions thereof to be redeemed, plus accrued interest, if any, to, but not including, the redemption date, from amounts that have been transferred to the 2026A Principal Account from the 2026A Revenue Account.

$[_____] Term Bond maturing [_____]

Redemption Date	Principal Amount ($)	Redemption Date	Principal Amount ($)

_____
* Stated Maturity

$[_____] Term Bond maturing [_____]

Redemption Date	Principal Amount ($)	Redemption Date	Principal Amount ($)

_____
* Stated Maturity

$[_____] Term Bond maturing [_____]

Redemption Date	Principal Amount ($)	Redemption Date	Principal Amount ($)

_____
* Stated Maturity

$[_____] Term Bond maturing [_____]

Redemption Date	Principal Amount ($)	Redemption Date	Principal Amount ($)

_____
* Stated Maturity

$[_____] 2026A Premium PAC Term Bond maturing [_____]

Redemption Date	Principal Amount ($)	Redemption Date	Principal Amount ($)

* Stated Maturity

The principal amount of the Series 2026A Bonds to be redeemed on each such redemption date pursuant to mandatory sinking fund redemption shall be reduced by the principal amount of any Series 2026A Bonds having the same stated maturity and interest rate, which (A) at least 45 days prior to such mandatory sinking fund redemption date, (1) shall have been acquired by the Department and delivered to the Trustee for cancellation, or (2) shall have been acquired and canceled by the Trustee at the direction of the Department, or (3) shall have been redeemed other than pursuant to mandatory sinking fund redemption, and (B) shall have not been previously credited against a scheduled mandatory sinking fund redemption.

5. Optional Redemption. The Series 2026A Bonds (except for the 2026A Premium PAC Term Bond) maturing on or after [_____], are subject to redemption prior to maturity, in whole or in part at any time and from time to time, on and after the Optional Redemption Date at the option of the Department after giving notice as provided in Section 2.8 hereof, at a Redemption Price equal to 100% of the principal amount of such Series 2026A Bonds or portions thereof to be redeemed, plus accrued interest, if any, to, but not including, the redemption date.

The 2026A Premium PAC Term Bond is subject to redemption prior to maturity, in whole or in part at any time and from time to time, on and after the Optional Redemption Date, at the option of the Department after giving notice as provided in Section 2.8 hereof, at the Redemption Prices set forth below (expressed as a percentage of the principal amount to be redeemed), in each case together with interest accrued thereon to, but not including, the redemption date:

Redemption Date	Redemption Price
[to come]	

3. Except as specified in Section 2.7.2 and Section 2.7.3 hereof, the Series 2026A Bonds to be redeemed in part shall be selected as provided in Section 404 of the Indenture. While the Series 2026A Bonds are held by the Bond Depository, Series 2026A Bonds shall be selected for redemption as described in Section 2.6 hereof.

Section 2.9. Creation of Additional Funds, Accounts and Subaccounts and Application Thereof.

1. Pursuant to the provisions of subsection 3 of Section 502 of the Indenture, there is established by this Section 2.9 for the Series 2026A Bonds an Account in each Fund, except for the Debt Service Reserve Fund and the Mortgage Reserve Fund, established by subsection 1 of Section 502 of the Indenture. Each such Account shall be known and designated as the "2026A _____ Account", with the blank containing an appropriate reference to the Fund to which such Account relates. In addition, there are hereby established for the Series 2026A Bonds the following additional Funds, Accounts and Subaccounts:

(i) a temporary Fund to be known and designated as the 2026A Bond Proceeds Fund;

(ii) a Fund to be known and designated as the 2026A Rebate Fund;

(iii) within the 2026A Mortgage Loan Account, a (A) 2026A Down Payment Assistance Subaccount; and (B) 2026A Administrative Subaccount; and

(iv) within the 2026A Revenue Account, a 2026A Capitalized Interest Subaccount.

The Department may also, pursuant to a Letter of Instructions, establish additional Accounts and Subaccounts for such purposes as the Department may determine from time to time.

2. Unless an Event of Default shall have occurred and be continuing, Revenues from the 2026A Mortgage Certificates or from the investment or reinvestment of moneys on deposit in each Account for the Series 2026A Bonds shall be kept separate and apart from the Revenues attributable to other Mortgage Certificates or attributable to the investment and reinvestment of the moneys on deposit under the Indenture with respect to any other Series. The Accounts shall be for the equal benefit of the Holders of all of the Bonds. The segregation of the Accounts as required by this Section 2.9 is for the purpose of making the calculations required by Sections 143(g) and 148 of the Code, and is not for the purpose of giving a priority or preference to the Bonds of one Series over that of another Series. Except as provided in this Section, the Revenues and proceeds of a Series shall continue to be used as provided in Article V of the Indenture.

Section 2.10. Initial Deposits and Transfers into Funds, Accounts and Subaccounts. On the Issuance Date, as shall be more fully set forth in a Letter of Instructions, the Trustee shall deposit the proceeds of the Series 2026A Bonds into the 2026A Bond Proceeds Fund. There shall be transferred from the 2026A Bond Proceeds Fund the amounts specified in a Letter of Instructions authorizing the authentication and delivery of the Series 2026A Bonds, for deposit to the Funds, Accounts and Subaccounts specified therein. After completion of such transfers, the 2026A Bond Proceeds Fund shall be closed. After payment of all costs, any funds remaining in the 2026A Cost of Issuance Account shall be transferred to the Residual Revenues Fund pursuant to a Letter of Instructions from the Department.

Section 2.11. Form of Series 2026A Bonds. 1. Each Series 2026A Bond shall be in substantially the form and tenor of Exhibit A attached hereto, which Exhibit A is incorporated herein as if fully set forth in this 2026A Series Supplement, with such omissions, insertions, and variations as permitted or required by the Indenture. The registration certificate of the Comptroller of Public Accounts of the State of Texas and the certificate of authentication of the Trustee shall be in the form set forth in Exhibit A. The Department is hereby authorized, in its discretion, to provide for the assignment of CUSIP numbers for the Series 2026A Bonds and to have such CUSIP numbers printed thereon, and the Department may direct the Trustee to use such CUSIP numbers in notices of redemption, provided that any such notice may state that no representation is made by the Trustee or the Department as to the correctness of such CUSIP number either as printed on the Series 2026A Bonds or as contained in any notice of redemption. There may be printed on or attached to each Series 2026A Bond registered in the name of the Bond Depository a schedule for the purpose of notation by the Bond Depository of the portion of the principal amount thereof which shall have been paid and the portion of the principal amount thereof which remains Outstanding and unpaid.

2. Notwithstanding the foregoing, the Initial Bond shall be in the form set forth in Exhibit A, with the following modifications:

(i) Immediately under the name of the bond issue and the legends, the existing headings shall be omitted and replaced with the following headings:

"No. TRA-1 Dated Date: [_____], 2026 $[250,000,000]

Registered Owner: MORGAN STANLEY & CO. LLC

Principal Amount: [TWO HUNDRED FIFTY MILLION] DOLLARS

(ii) The first paragraph shall be replaced with the following:

The TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (herein called the "Department"), a public and official agency of the State of Texas, acknowledges itself indebted to, and FOR VALUE RECEIVED, hereby promises to pay to the registered owner named above or registered assigns, but solely from the sources and in the manner hereinafter provided, on the maturity date specified below, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal sum to the registered owner hereof in like coin or currency from the Issuance Date of this Bond or from the most recent date to which interest on this Bond (or any Bond in exchange for, or in lieu of, which this Bond was issued), has been paid at the interest rates per annum set forth below, calculated on the basis of a 360-day year composed of twelve 30-day months, payable on [July 1, 2026], and each January 1 and July 1 thereafter (each, an "Interest Payment Date") to the date of maturity or earlier redemption, until the Department's obligation with respect to the payment of such principal amount shall be discharged, in accordance with the following schedule:

Maturity Date	Principal Amount ($)	Interest Rate
[to come]		

The principal amount or Redemption Price of this Bond shall be payable upon presentation and surrender of this Bond, at the applicable office of The Bank of New York Mellon Trust Company, N.A. (such bank and any successor in such capacity being referred to as the "Trustee"). Notwithstanding the foregoing, in no event shall the cumulative amount of interest paid or payable on any Bond (including interest calculated as provided in the Indentures (as defined below), together with all other amounts that constitute interest on the Bonds under the laws of the State of Texas that are contracted for, charged, reserved, taken or received pursuant to the Indentures) through any Interest Payment Date or through the date of payment of such Bond (whether at maturity, by acceleration or upon earlier redemption) exceed the "net interest cost" that will produce a "net effective interest rate" of greater than 15% per annum or, to the extent allowed by law, such greater "net effective interest rate" as may be allowed from time to time. The terms "net interest cost" and "net effective interest rate," as used herein, shall have the respective meanings ascribed to them in Chapter 1204, Texas Government Code, as amended.

Section 2.12. 2026A Rebate Fund.

1. At the beginning of each Tax Bond Year, the Department shall calculate the estimated Rebate Amount that will be payable on the next occurring Computation Date, as set forth in Section 4.6.1(ii). In calculating the Rebate Amount, the Department may rely upon a Counsel's Opinion or an opinion of a Rebate Analyst that the method of calculation utilized by the Department complies with the requirements of Section 148 of the Code and Section 1.148-3 of the Regulations. If, in making such calculations, the Department determines that there is an insufficient amount currently on deposit in the 2026A Rebate Fund to make the payment required by Section 4.6.1(ii) hereof, then the Department shall (i) immediately transfer the amount of such deficiency from any other account in the Expense Fund or (ii) instruct the Trustee to transfer such amount to the 2026A Rebate Fund from the Revenue Fund and the Trustee shall transfer from the 2026A Revenue Account to the 2026A Rebate Fund the amounts so specified, all in accordance with Section 505 of the Indenture. If, in making such calculations, the Department determines that there is a negative Rebate Amount, then the Department may direct the Trustee in writing to

transfer from the 2026A Rebate Fund to the 2026A Revenue Account the amount then on deposit in the 2026A Rebate Fund.

2. All earnings resulting from the investment of amounts on deposit in the 2026A Rebate Fund shall be credited to the 2026A Rebate Fund.

3. No later than 55 days after each Computation Date for the Series 2026A Bonds, the Department shall deliver the items set forth in Section 4.6.1 to the Trustee. Not later than 60 days after each Computation Date for the Series 2026A Bonds, the Trustee shall withdraw from the 2026A Rebate Fund the amounts described in Section 4.6.1(ii) hereof and remit to the United States of America the amounts required to be paid to the United States of America in accordance with written instructions from the Department, which shall be in compliance with Sections 1.148-1 through 1.148-8 of the Regulations or any successor Regulation.

4. If the Department discovers or is notified that any amount due to the United States of America in an amount described in Section 4.6.1(ii) has not been paid to the United States of America pursuant hereto as required or that any payment paid to the United States of America pursuant hereto has failed to satisfy any requirement of Section 148(f) of the Code or Section 1.148-3 of the Regulations (whether or not such failure shall be due to any default by the Department or the Trustee), the Department, shall immediate transfer any amounts due as set forth in Section 4.6.2 and shall deliver to the Trustee any documents required pursuant to Section 4.6.2. Upon receipt of such amount and documentation relating thereto, the Trustee shall withdraw from the 2026A Rebate Fund the amounts described in Section 4.6.2 and remit to the United States of America the amounts required to be paid in accordance with written instructions from the Department, which shall be in compliance with Sections 1.148-1 through 1.148-8 of the Regulations or any successor Regulation.

5. Each payment required to be made to the United States of America pursuant to this Section shall be submitted to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 or such other address as provided by law or regulation and shall be accompanied by Internal Revenue Service Form 8038-T properly completed by the Department with respect to the Series 2026A Bonds.

Section 2.13. Transfers from 2026A Residual Revenues Account. Unless otherwise directed pursuant to a Letter of Instructions accompanied by a Cashflow Certificate, on each Interest Payment Date and each date fixed for the redemption of the Series 2026A Bonds, to the extent funds are not available in the 2026A Revenue Account to pay interest or principal due on the Series 2026A Bonds, the Trustee shall transfer from the 2026A Residual Revenues Account to the 2026A Interest Account or the 2026A Principal Account an amount which, when added to any amounts already on deposit therein, will equal the amount of interest and principal to become due and payable on the Series 2026A Bonds on such date.

Section 2.14. 2026A Mortgage Loan Account. The 2026A Mortgage Loan Account established pursuant to Section 2.9 hereof shall be credited with all amounts deposited therein from whatever source. The amounts in such Account shall be used to purchase, on each Certificate Purchase Date within the Certificate Purchase Period, the 2026A Mortgage Certificate. On [September 1, 2026], unless the Certificate Purchase Period is extended in accordance with Section

5.2 hereof, unexpended proceeds of the Series 2026A Bonds shall be transferred from 2026A Mortgage Loan Account to the 2026A Special Redemption Account in accordance with Section 2.7.1 hereof.

Section 2.15. 2026A Mortgage Certificate Acquisition.

1. The Department has determined that the Supplemental Mortgage Security for the 2026A Mortgage Loans shall be the guaranty of timely payment of principal and interest provided by Ginnie Mae pursuant to the Ginnie Mae Certificates. Accordingly, the purchase of the 2026A Mortgage Loans shall be accomplished through the purchase of Ginnie Mae Certificates in accordance with the Program Agreement, and no 2026A Mortgage Loan shall be eligible for purchase unless it has been included in a Mortgage Pool and the beneficial ownership thereof is represented by a 2026A Mortgage Certificate.

2. On each applicable Certificate Purchase Date and pursuant to a Letter of Instructions, the Trustee shall purchase Ginnie Mae Certificates at the Ginnie Mae Certificate Purchase Price from amounts available in the 2026A Mortgage Loan Account. The Department shall specify the allocation of the 2026A Mortgage Certificates to the Series 2026A Bonds in such Letter of Instructions. The Department shall deliver a copy of each such Letter of Instructions to the Compliance Agent.

3. Each 2026A Mortgage Certificate purchased shall bear interest at the applicable Pass-Through Rate. Ginnie Mae Certificates shall be accepted by the Trustee only if:

(i) The Ginnie Mae Certificates acquired by the Trustee on behalf of the Department shall be held at all times by the Trustee in trust for the benefit of the Bondholders and shall be registered in the name of the Trustee or its nominee or credited to the account of the Trustee at a clearing corporation as defined under and pursuant to the Uniform Commercial Code applicable to such corporation, which corporation shall be registered as a "Clearing Agency" pursuant to Section 17A of the Securities Exchange Act of 1934, as amended. For a Ginnie Mae Certificate that is in the form of a book-entry maintained on the records of the Participants Trust Corporation, or any successor depository institution ("PTC") ("Book Entry Security"), the Trustee shall receive confirmation from PTC that PTC has made an appropriate entry in its records of the transfer of such Book Entry Security to a limited purpose account of the PTC Participant (defined below), and identifying such Book Entry Security as belonging to the Trustee, so that the Trustee at all times has a first priority perfected security interest in such Ginnie Mae Certificates. The "PTC Participant" (if not the Trustee) shall be a "financial intermediary" (as defined in Section 8-313 of the Uniform Commercial Code as in effect in the state in which the Book Entry Security is deposited) which is a participant in PTC and which has a custody agreement with the Trustee with respect to the Ginnie Mae Certificate to be transferred as Book Entry Securities through PTC. In the custody agreement, the PTC Participant must agree (w) to act as agent of the Trustee for purposes of causing, upon instructions of the Trustee, the transfer of Book Entry Securities to the PTC account of the PTC Participant, (x) to issue to the Trustee confirmation of the transfer of each Book Entry Security to the PTC Participant, (y) to identify each such Book Entry Security in its records as belonging to the Trustee, and

(z) to accept instructions only from the Trustee with respect to the transfer of such Book Entry Securities. The Ginnie Mae Certificate shall be identified on the records of the PTC Participant as being held by such PTC Participant solely and exclusively for the benefit of the Trustee. The PTC Participant shall send a confirmation to the Trustee of such transfer of the Ginnie Mae Certificate to the PTC Participant. The PTC Participant shall cause each Book Entry Security to be transferred to and held in a Limited Purpose Account (or such other account as may be created or identified in the PTC Rules (the "Rules") in which PTC does not have any lien on any Book Entry Security held therein). The Trustee shall have evidence that (xx) the receiving PTC Participant has delivered to PTC an irrevocable instruction to the effect that all fees arising in connection with the specified Limited Purpose Account are to be charged to another account maintained by PTC for the receiving PTC Participant, and (yy) PTC has delivered a certificate to the receiving PTC Participant to the effect that, based on the instruction regarding payment of PTC fees, PTC will not charge the specified Limited Purpose Account for so long as the instruction remains in effect. If the Trustee does not receive a payment or advice of payment on a Ginnie Mae Certificate when due (if the Ginnie Mae Certificates are held by the Trustee, on the fifteenth day of each month with regard to Ginnie Mae I Certificates, and twentieth day of each month with regard to Ginnie Mae II Certificates and if the Ginnie Mae Certificates are held by PTC, on the seventeenth day of each month with regard to Ginnie Mae I Certificates and twenty-second day of each month with regard to Ginnie Mae II Certificates), the Trustee shall promptly telephonically notify, and demand payment from Ginnie Mae, in the case of Ginnie Mae I Certificates, or Chemical Bank as paying agent for Ginnie Mae in the case of Ginnie Mae II Certificates. To the extent the Ginnie Mae Certificates are subject to book-entry transfer, the Trustee shall so notify PTC. Notwithstanding the foregoing, the Trustee shall comply with such procedures as are prescribed by Ginnie Mae from time to time; and

(ii) Sufficient amounts are available in the appropriate Accounts to pay the applicable Ginnie Mae Certificate Purchase Price.

ARTICLE III

RESERVED

ARTICLE IV

FEDERAL INCOME TAX MATTERS

Section 4.1. General Tax Covenant. The Department covenants not to take any action, or knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the interest on the Series 2026A Bonds to be includable in gross income for federal income tax purposes. In furtherance thereof, the Department covenants to comply with section 103 and 141, 143, and 146 through 150 of the Code and the provisions set forth in the Federal Tax Certificate executed by the Department in connection with the Series 2026A Bonds. The Department and the Trustee may amend this 2026A Series Supplement to reflect the deletion or substitution of any such requirement specified in this Article IV in the manner provided in Section

1002 of the Indenture. The Department will not be required to comply with any of the federal tax covenants set forth in this Article IV if the Department has received a Favorable Opinion of Bond Counsel regarding such noncompliance.

Section 4.2. Use of Proceeds. The Department covenants that:

1. all of the Proceeds of the Series 2026A Bonds (other than amounts used to pay Costs of Issuance of the Series 2026A Bonds) will be used to (i) finance owner-occupied residences or (ii) repay Advances within 90 days of the Issue Date of the Series 2026A Bonds;

2. the Proceeds of the Series 2026A Bonds will not be used in a way that would cause the Series 2026A Bonds to meet the private business use tests set forth in Section 141(b) of the Code;

3. all Sale Proceeds of the Series 2026A Bonds and any Investment Proceeds thereon that are to be used to finance owner-occupied residences (i) will be used for such purpose within the 42-month period beginning on the Issuance Date of the Series 2026A Bonds or (ii) to the extent not so used, will be used to redeem Series 2026A Bonds within such period, and no portion of such Proceeds of the Series 2026A Bonds will be used to finance any 2026A Mortgage Loan or DPA Loan or to acquire any Mortgage Certificate after the close of such period; and

4. all Transferred Proceeds of the Series 2026A Bonds resulting from the repayment of Advances and any Investment Proceeds thereon that are to be used to finance owner-occupied residences (i) will be used for such purpose within the 42-month period beginning on the Issuance Date of the earliest Advance or (ii) to the extent not so used, will be used to redeem Series 2026A Bonds within such period, and no portion of such Proceeds of the Series 2026A Bonds will be used to finance any 2026A Mortgage Loan or DPA Loan or to acquire any Mortgage Certificate after the close of such period.

Section 4.3. Mortgage Eligibility Requirements.

1. The Department covenants: (i) to attempt in good faith to meet, with respect to each 2026A Mortgage Loan, before the execution thereof, the mortgage eligibility requirements of Section 143(c), (d), (e), (f) and (i) of the Code (as more fully described in subsections 2, 3, 4, 5 and 6, respectively, of this Section 4.3), by placing restrictions in the Program Agreement or other similar agreements that permit the origination and purchase of 2026A Mortgage Loans only in accordance with such requirements and by establishing reasonable procedures to ensure compliance with such requirements, including investigation by the Mortgage Lenders and the Servicer or the Department (or its agent) to determine that each 2026A Mortgage Loan meets such requirements; (ii) to use all due diligence to assure that all of the Proceeds of the Series 2026A Bonds that are applied to the financing of 2026A Mortgage Loans are applied to finance 2026A Mortgage Loans that, as of the date of execution thereof, meet all such requirements; and (iii) to correct any failure to meet such requirements within a reasonable period after such failure is first discovered by causing the non-qualifying 2026A Mortgage Loan to be accelerated or to be replaced with a 2026A Mortgage Loan that meets such requirements if the non-qualifying 2026A Mortgage Loan defect cannot be cured within such reasonable period.

2. The Department covenants to require, and the Program Agreement requires, with respect to each 2026A Mortgage Loan, a certification of the Borrower and other appropriate evidence demonstrating that, in accordance with Section 143(c) of the Code, the residence being financed with the proceeds of such 2026A Mortgage Loan is a single-family residence located within the State that the Borrower reasonably expects to occupy as his or her principal residence within a reasonable time (e.g., 60 days) after the financing is provided.

3. The Department covenants to require, and the Program Agreement requires, with respect to each 2026A Mortgage Loan, a certification of the Borrower and other appropriate evidence demonstrating that, in accordance with Section 143(d) of the Code, the Borrower has not had, within the three-year period ending on the date of execution of the applicable 2026A Mortgage Loan, a present ownership interest in a principal residence; provided, however, that (i) the Department may purchase 2026A Mortgage Loans that do not satisfy the foregoing requirement, so long as such purchase does not cause less than 95% of the Net Proceeds of the Series 2026A Bonds to have been used to finance such non-conforming loans; (ii) financings with respect to targeted area residences will be treated as meeting such requirement; (iii) financings described in the Contract For Deed Exception will be treated as meeting such requirement; and (iv) financings of any residence for any veteran (as defined in Section 101 of Title 38, United States Code), if such veteran has not previously qualified for and received financing pursuant to the exception, will be treated as meeting such requirement.

4. The Department covenants to require and the Program Agreement requires, with respect to each 2026A Mortgage Loan, a certification of the Borrower and other appropriate evidence demonstrating that, in accordance with Section 143(e) of the Code, the acquisition cost of the residence being financed with the proceeds of such 2026A Mortgage Loan does not exceed 90% of the average area purchase price applicable to such residence (110% in the case of a targeted area residence).

5. The Department covenants to require and the Program Agreement requires, with respect to each 2026A Mortgage Loan, a certification of the Borrower and other appropriate evidence demonstrating that, in accordance with Section 143(f) of the Code, the Borrower's family income does not exceed: (i) for an individual or a family of two persons, 100% of the applicable median family income (120% in the case of a Borrower acquiring a targeted area residence); or (ii) for a family of three or more persons, 115% of the applicable median family income (140% in the case of a Borrower acquiring a targeted area residence).

6. The Department covenants to require and the Program Agreement requires, with respect to each 2026A Mortgage Loan, a certification of the Borrower and other appropriate evidence demonstrating that, in accordance with Section 143(i) of the Code, the 2026A Mortgage Loan is not made for the purpose of acquiring or replacing an existing mortgage (i.e., that the Borrower does not have an existing mortgage (whether or not paid off) on the residence securing the 2026A Mortgage Loan at any time prior to the execution of the 2026A Mortgage Loan), except for a mortgage falling within the Contract for Deed Exception or a mortgage securing a construction period loan, a bridge loan or other similar temporary initial financing having a term of 24 months or less. The Department further covenants and agrees not to permit the assumption of any 2026A Mortgage Loan unless the requirements described in subsection 2, 3, 4 and 5,

respectively, of this Section 4.3 are met with respect to such assumption. Borrowers described in the Contract for Deed Exception shall be treated as meeting the requirements of this subsection (6).

7. The Department covenants to require and the Program Agreement requires, that each 2026A Mortgage Loan include provisions for acceleration in the event that the Department discovers that any of such mortgage eligibility requirements have not been met with respect to such 2026A Mortgage Loan.

8. The following terms used in this Section 4.3 shall have the respective meanings set forth in Section 143 of the Code and the Regulations promulgated thereunder: acquisition cost, applicable median family income, average area purchase price, family income, mortgage, present ownership interest, principal residence, residence, single family residence, and targeted area residence.

Section 4.4. Targeted Area Residences. The Department covenants that an amount equal to at least 20% of the Sale Proceeds of the Series 2026A Bonds and Investment Proceeds thereon that are made available for the purchase of 2026A Mortgage Loans has been or will be made available for at least one year after the date on which owner-financing was first made available with respect to targeted area residences (within the meaning of Section 143(j) of the Code). The Department will attempt with reasonable diligence to use such proceeds to purchase mortgage loans pertaining to such targeted area residences by conducting an advertising campaign reasonably designed to inform the general public of the availability of such proceeds and will take such other and further actions to assure that, to the maximum extent practicable, such proceeds are used for such purpose.

Section 4.5. Mortgage Rate. The Department will take all actions necessary to ensure that the blended Yield on the 2026A Mortgage Loans properly allocable under Sections 1.148-1 through 1.148-10 of the Regulations to the Series 2026A Bonds will not exceed the Yield on the Series 2026A Bonds (all as computed by or on behalf of the Department in accordance with Section 143(g) of the Code and Sections 1.148-1 and 1.148-10 of the Regulations) by more than 1.125%. To the extent that the Yield on the 2026A Mortgage Loans exceeds the Yield on the Series 2026A Bonds by more than 1.125%, the Department will make yield reduction payments ("Yield Reduction Payments") to the federal government as set forth in Section 1.148-5(c) of the Regulations and as set forth below.

Section 4.6. Rebate Requirement. The Department covenants to comply with the requirement that "rebatable arbitrage earnings" on the investment of the Gross Proceeds of the Series 2026A Bonds, within the meaning of Section 148(f) of the Code, be rebated to the federal government.

1. Delivery of Documents and Money on Computation Dates. The Department shall deliver to the Trustee, within 55 days after each Computation Date for the Series 2026A Bonds,

(i) a statement, signed by an Authorized Representative of the Department, stating the Rebate Amount for the Series 2026A Bonds as of such Computation Date and the amount of any Yield Reduction Payment due;

(ii) (A) if such Computation Date is an Installment Computation Date, an amount which, together with any amount then held in the 2026A Rebate Fund, is equal to at least 90% of the Rebate Amount as of such Installment Computation Date, less any "previous rebate payments" (determined in accordance with Section 1.148-3(f)(1) of the Regulations), made to the United States of America with respect to the Series 2026A Bonds and Yield Reduction Payments, or (B) if such Computation Date is a Final Computation Date, an amount which, together with any amount then held for the credit of the 2026A Rebate Fund is equal to the Rebate Amount as of such Final Computation Date, less any "previous rebate payments" (determined in accordance with Section 1.148-3(f)(1) of the Regulations), made to the United States of America with respect to the Series 2026A Bonds and Yield Reduction Payments; and

(iii) an Internal Revenue Service Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate ("Form 8038-T") properly signed and completed as of such Computation Date.

2. Correction of Underpayments. If the Department discovers or is notified that any amount due to the United States of America in an amount described in Section 4.6.1(ii) above has not been paid as required pursuant to Section 2.12 hereof or that any payment paid to the United States of America pursuant hereto has failed to satisfy any requirement of Section 148(f) of the Code or Section 1.148-3 of the Regulations (whether or not such failure shall be due to any default by the Department or the Trustee), the Department will (i) deliver to the Trustee (for deposit to the 2026A Rebate Fund) and cause the Trustee to pay to the United States of America from the 2026A Rebate Fund (A) the Rebate Amount or Yield Reduction Payments that the Department failed to pay, plus any interest specified in Section 1.148-3(h)(2) of the Regulations, if such correction payment is delivered to and received by the Trustee within 175 days after such discovery or notice, or (B) if such correction payment is not delivered to and received by the Trustee within 175 days after such discovery or notice, the amount determined in accordance with clause (A) of this subparagraph plus the 50 percent penalty required by Section 1.148-3(h)(1) of the Regulations, and (ii) deliver to the Trustee and the Department a Form 8038-T completed as of such date. If such Rebate Amount or Yield Reduction Payments, together with any penalty and/or interest due, is not paid to the United States of America in the amount and manner and by the time specified in the Regulations, the Department will take such steps as are necessary to prevent the Series 2026A Bonds from becoming an "arbitrage bond" within the meaning of Section 148 of the Code. The Trustee shall not be liable for any penalties incurred with respect to the calculation and payment of the Rebate Amount or Yield Reduction Payments.

3. Records. The Department will retain all of its accounting records relating to the Funds, Accounts and Subaccounts and all calculations made in preparing the statements described in this Section 4.6 for at least three years after the later of (i) the final maturity of the Series 2026A Bonds or (ii) the first date on which no Series 2026A Bonds is Outstanding.

4. Fees and Expenses. The Department agrees to pay all of the fees and expenses of a nationally recognized bond counsel, a certified public accountant and any Rebate Analyst or other necessary consultant employed by the Department or the Trustee in connection with computing the Yield Reduction Payments and Rebate Amount.

5. No Diversion of Rebatable Arbitrage. The Department will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the Gross Proceeds of the Series 2026A Bonds that is not purchased at fair market value (as defined in Section 1.148-5(d)(6)(iii) of the Regulations) or includes terms that the Department would not have included if the Series 2026A Bonds were not subject to Section 148(f) of the Code.

6. Rebate Not Required in Certain Circumstances.

(i) Notwithstanding the foregoing, the Department will not be required to perform the obligations set forth in this Section 4.6, except for the obligation to retain accounting records and the payment of expenses as described herein, if (A) the Yield on the Mortgage Loans does not exceed the Yield on the Bonds by more than 1.125% or (B) the Department has not earned any "rebatable arbitrage earnings" and, therefore, is not subject to the rebate obligation set forth in Section 148(f) of the Code. To the extent that the Department will not be required to perform such obligations, the Department will send written notice to the Trustee within 55 days after the applicable Computation Date.

(ii) Notwithstanding anything to the contrary in this 2026A Series Supplement requiring a payment to be made based on the Rebate Analyst's calculations showing a rebate being due, no payment will be made by the Trustee to the United States of America if the Department furnishes to the Trustee a Favorable Opinion of Bond Counsel.

Section 4.7. No-Arbitrage Covenant. The Department covenants that it will make such use of the Gross Proceeds of the Series 2026A Bonds and related Revenues, regulate investments of proceeds of the Series 2026A Bonds and related Revenues, and take such other and further action as may be required so that the Series 2026A Bonds will not be "arbitrage bonds" within the meaning of Section 148(a) of the Code. The Department hereby expressly reserves the right to direct the Trustee or any Depository to make specific investments to ensure compliance with this Section 4.7 and Section 4.8.

Section 4.8. Limitations on Investment of Reserve Amounts. The Department covenants that at no time will the aggregate amount of money held in any reasonably required reserve for the Series 2026A Bonds that is invested in Nonpurpose Investments and at a yield higher than the yield on such Series 2026A Bonds, exceed the least of (i) 10% of the Sale Proceeds of the Series 2026A Bonds; (ii) the maximum annual principal and interest requirements on the issue, or (iii) 125 percent of the average annual principal and interest requirements on the issue.

Section 4.9. Limitations on Costs of Issuance. The Department covenants and agrees that the Costs of Issuance financed with the Proceeds of the Series 2026A Bonds will not exceed two percent of the Sale Proceeds of the Series 2026A Bonds.

Section 4.10. No Federal Guaranty. The Department covenants not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause any of the Series 2026A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code, except as permitted by Section 149(b) of the Code.

Section 4.11. Information Reporting. The Department covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Series 2026A Bonds are issued, an information statement concerning the Series 2026A Bonds, all under and in accordance with Section 149(e) of the Code, and that it will file or cause to be filed such additional information reports as may be required by Section 149(e) of the Code.

Section 4.12. Changes in Use of Mortgaged Property. The Department acknowledges that the provisions of Section 150(b) of the Code (relating to changes in use of property financed with the proceeds of private activity bonds) apply to the 2026A Mortgage Loans (including Mortgage Loans represented by Mortgage Certificates), and covenants to advise each Borrower with respect to a Mortgage Loan of such provisions.

Section 4.13. Use of Repayments to Redeem Series 2026A Bonds. So long as any of the Series 2026A Bonds are Outstanding, the Department covenants that the portion of each Mortgage Loan Principal Payment allocable to the 2026A Bonds received on or after the ten year anniversary of the Issuance Date (or, in the case of the portion of a Mortgage Loan Principal Payment related to the 2026A Mortgage Certificates purchased with transferred proceeds of the Series 2026A Bonds, the ten-year anniversary of the date of issuance of the original bond issue) will be used to redeem Series 2026A Bonds not later than the close of the first semiannual period beginning after the date such Mortgage Loan Principal Payment is received, unless the Department has received a Favorable Opinion of Bond Counsel and the Department has fulfilled the other requirements of Section 2.7 hereof with respect to the use of such payments to redeem other Bonds.

Section 4.14. Recapture. The Department covenants and agrees to comply with the provisions of Section 143(m) of the Code (regarding the recapture of a portion of the federal subsidy from the use of qualified mortgage bonds) with respect to each 2026A Mortgage Loan.

Section 4.15. Bonds are not Hedge Bonds. The Department covenants and agrees that not more than 50% of the Sale Proceeds of the Series 2026A Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the Department reasonably expects that at least 85% of the spendable proceeds of the Series 2026A Bonds will be used to carry out the governmental purposes of the Series 2026A Bonds within the three-year period beginning on the Issuance Date.

Section 4.16. Sale of 2026A Mortgage Certificates. Notwithstanding any other provision of the Indenture, the Department may sell the 2026A Mortgage Certificates in whole or in part only upon delivery by the Department of (i) a Counsel's Opinion that such sale will not cause all or any portion of the 2026A Mortgage Certificates, or the Series 2026A Bonds to be classified as a "taxable mortgage pool" within the meaning of Section 7701(i) of the Code; and (ii) written confirmation from each Rating Agency that such sale will not adversely affect the then current ratings on the Bonds (determined without regard to any bond insurance or similar credit enhancement).

Section 4.17. Record Retention. The Department will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Series 2026A Bonds until three years after the last Series 2026A Bond is redeemed or paid at maturity, or such other period as

authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the Department to retrieve and reproduce such books and records in the event of an examination of the Series 2026A Bonds by the Internal Revenue Service.

Section 4.18. Continuing Obligation. Notwithstanding any other provision of this 2026A Series Supplement, the Department's obligations under the covenants and provisions of this Article IV will survive the defeasance and discharge of the Series 2026A Bonds for as long as such matters are relevant to the excludability of interest on the Series 2026A Bonds from gross income for federal income tax purposes.

ARTICLE V

OTHER MATTERS

Section 5.1. *Reserved*.

Section 5.2. Transfer of Unexpended Proceeds. On the last day of the Certificate Purchase Period (or such earlier date as directed in writing by the Department), unless the Certificate Purchase Period is extended in accordance with this Section 5.2, the Trustee shall transfer the amounts in the 2026A Mortgage Loan Account remaining unexpended for acquisition of 2026A Mortgage Certificates in such amounts as provided in a Letter of Instructions from the 2026A Mortgage Loan Account to the 2026A Special Redemption Account to be applied to the redemption of Series 2026A Bonds pursuant to Section 2.7.1 hereof. The Certificate Purchase Period for amounts in the 2026A Mortgage Loan Account may be extended to a date certain as set out in a Letter of Instructions to the Trustee, but not later than [July 1, 2029], upon delivery to the Trustee no later than 30 days prior to the last day of the then existing Certificate Purchase Period of the following:

1. a Favorable Opinion of Bond Counsel; and

2. confirmation from each Rating Agency that such extension will not adversely affect the rating on the Series 2026A Bonds assigned by such Rating Agency.

The Department shall provide written notice to the Servicer at least ten (10) days prior to the last day of the then existing Certificate Purchase Period of any such proposed extension of the Certificate Purchase Period.

Section 5.3. Application of Amounts in 2026A Revenue Account.

1. Unless otherwise directed by the Department pursuant to a Letter of Instructions accompanied by a Cashflow Certificate and a confirmation from each Rating Agency of the then current ratings on the Series 2026A Bonds, all Revenues received with respect to the 2026A Mortgage Certificates shall be deposited in the 2026A Revenue Account.

2. Pursuant to subsection 3 of Section 505 of the Indenture, the Trustee shall transfer from the 2026A Revenue Fund amounts on deposit therein in accordance with a Letter of Instructions and in the following order of priority:

(i) First, on each Interest Payment Date or any other date for the redemption of the Series 2026A Bonds, to the 2026A Interest Account, to the extent required so that the balance in said account equals the amount of interest which will be due and payable on the Series 2026A Bonds on such Interest Payment Date or redemption date;

(ii) Second, monthly, upon receipt of Mortgage Loan Principal Payments, to the 2026A Principal Account, one-sixth of the aggregate amount required to pay maturing principal and the unsatisfied balance of any Sinking Fund Installment on any Series 2026A Bonds on the next Interest Payment Date;

(iii) Third, monthly, upon receipt of Mortgage Loan Principal Payments, to the 2026A Special Redemption Account, the amount required to reduce the Outstanding principal amount of the 2026A Premium PAC Term Bond to the 2026A Premium PAC Term Bond Outstanding Applicable Amount for such period pursuant to Section 2.7.2 hereof; and

(iv) Fourth, monthly, upon receipt of Mortgage Loan Principal Payments, to the 2026A Special Redemption Account, any remaining Mortgage Loan Principal Payments to be applied to the redemption of Series 2026A Bonds or as otherwise permitted pursuant to Section 2.7.2 hereof.

Section 5.4. Application of Residual Revenues.

1. The Trustee shall transfer any amounts as set forth or described in a Letter of Instructions from the 2026A Residual Revenues Account to the 2026A Special Redemption Account to redeem Series 2026A Bonds in accordance with Section 2.7.3 hereof.

Section 5.5. Limitations on Mortgage Loans. The Department covenants and agrees that each Mortgage Loan contained in a mortgage pool represented by a 2026A Mortgage Certificate shall satisfy the following requirements:

1. each 2026A Mortgage Loan shall bear interest (which interest shall be payable in arrears) at the applicable rate in accordance with the Program Agreement;

2. each 2026A Mortgage Loan shall have a term of 30 years and shall provide for level monthly payments and full amortization over the term thereof;

3. each 2026A Mortgage Loan shall be secured by a Mortgage creating a first lien on the residence being financed with the proceeds of such 2026A Mortgage Loan;

4. each 2026A Mortgage Loan shall be (A) insured by the FHA pursuant to Section 203, 221(d)(2) or 234(c) of the National Housing Act of 1934, as amended, in accordance with the applicable standards of the FHA, (B) guaranteed by the VA under the Servicemen's Readjustment

Act of 1945, as amended, in accordance with applicable standards of the VA, or (C) guaranteed by RHS under the Cranston-Gonzales National Affordable Housing Act of 1990;

5. each 2026A Mortgage Loan shall be further secured by Supplemental Mortgage Security in the form of the guaranty provided by Ginnie Mae pursuant to a Ginnie Mae Certificate;

6. each residence financed with a 2026A Mortgage Loan shall be a single family attached or detached house, a single unit in a condominium development or a planned unit development or a qualifying duplex (but not a triplex or fourplex or manufactured housing that is not permanently affixed to real property owned by the Borrower);

7. each 2026A Mortgage Certificate shall be acquired by the Department with moneys disbursed from the 2026A Mortgage Loan Account during the Certificate Purchase Period; and

8. such other requirements as may be set forth in the Program Agreement.

The Department covenants and agrees that each DPA Loan meets the requirements set forth in the Program Guidelines.

The Department covenants that each Mortgage Lender selected for participation in the Program that services Mortgage Loans under the Program shall be required to enter into an agreement or agreements containing, in addition to servicing requirements relating to the Mortgage Loans set forth in Section 710 of the Indenture, that each Mortgage Lender shall represent and warranty that it: (i) maintains an Office of Foreign Assets Control ("OFAC") compliance program, and (ii) is responsible for and best positioned to conduct OFAC scanning of all relevant data with respect to the serviced portfolio (including borrower names/addresses) in accordance with its OFAC compliance program. As used herein, "OFAC compliance program" shall refer to those programs, policies, procedures and measures designed to ensure compliance with, and prevent violations of, all economic sanctions, laws, rules, regulations, executive orders and requirements administered by OFAC, or any other applicable authority with jurisdiction over such Mortgage Lender. Each Mortgage Lender shall agree to, among other things: (i) perform effective and timely OFAC scanning in accordance with such Mortgage Lender's OFAC compliance program of all relevant data with respect to the portfolio of assets serviced pursuant to the Indenture; (ii) if a Borrower at any time becomes or is otherwise determined to be an OFAC sanctions target that requires blocking or rejection of a portfolio asset held by the Trustee under or in connection with the Indenture, take all actions required by OFAC regulations, including, without limitation (a) conducting all necessary investigations and communications with OFAC (including reporting) concerning the portfolio assets that such Mortgages Lender determines are subject to OFAC restrictions, (b) blocking the assets of any OFAC sanctions target in such portfolio serviced by such Mortgages Lender (including any related payments from the same), and (c) obtain any licenses from OFAC necessary for such Mortgage Lender and the Trustee to perform their respective services under the Indenture with respect to sanctioned assets and/or borrowers; and (iii) promptly provide notice in writing to the Trustee of any portfolio assets that such Mortgages Lender determines are subject to OFAC restrictions and consult with the Trustee on the action plan to handle those assets.

Section 5.6. Covenant Relating to the Program Agreement. The Department represents and covenants that the Program Agreement incorporates the requirements set forth in Article IV and Section 5.5 of this 2026A Series Supplement. The Department further covenants and agrees to obtain, prior to or upon any amendment thereof, a Counsel's Opinion that: (i) the form and substance of such amendment are consistent with the requirements of the Indenture and this 2026A Series Supplement; and (ii) that the execution and delivery of such amendment by the Department, the Trustee and one or more Mortgage Lenders, and the consummation of the transactions contemplated thereby, will not adversely affect the exclusion of the interest on the Series 2026A Bonds from the gross income of the Holders thereof for purposes of federal income taxation.

Section 5.7. Depository. In accordance with Section 914 of the Indenture, the Department hereby appoints the Texas Treasury Safekeeping Trust Company as Depository for the purpose of holding, administering and investing the moneys and securities required to be credited to all Accounts, all as more fully provided in the Depository Agreement.

Section 5.8. Certain Requirements Applicable to Cashflow Statements. The Department covenants and agrees, with respect to each Cashflow Statement filed with the Trustee, that such Cashflow Statement shall demonstrate the sufficiency of the anticipated Revenues (as more fully set forth in Section 711 of the Indenture).

Section 5.9. Certain Conditions of Issuance of the Series 2026A Bonds. The Series 2026A Bonds shall be executed by the Department and, except for the Initial Bond, shall be delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered by it to the Department or upon its order, but only upon receipt by the Trustee of the following (in addition to the documents required under the Indenture):

1. an executed counterpart of this 2026A Series Supplement;

2. a certificate of an Authorized Representative of the Department to the effect that, on the basis of all facts and estimates and circumstances (including covenants of the Department contained in the Indenture) reasonably expected to be in existence on the Issuance Date, it is not expected that the proceeds of the Series 2026A Bonds will be used in a manner that would cause the Series 2026A Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and applicable Regulations thereunder, and such certificate shall set forth such facts, estimates, and circumstances (including covenants of the Department contained in the Indenture), which may be in brief and summary terms, and shall state that to the best of the knowledge and belief of such Authorized Representative of the Department there are no other facts, estimates, or circumstances that would materially change such expectation;

3. an executed counterpart of the Depository Agreement in satisfaction of the requirements of subsection 1 of Section 914 of the Indenture, together with an opinion of counsel to the Depository regarding the enforceability thereof; and

4. the amounts specified in this 2026A Series Supplement to be deposited in the Accounts and Subaccounts as required therein.

Section 5.10. Sale of Series 2026A Bonds. The Series 2026A Bonds shall be sold to the Underwriters at an aggregate purchase price $[PURCHASE PRICE] (representing the par amount

of the Series 2026A Bonds, plus a premium in the amount of $[PREMIUM]), subject to the terms and conditions set forth in the Purchase Agreement, and upon the basis of the representations therein set forth.

Section 5.11. Execution in Several Counterparts. This 2026A Series Supplement may be simultaneously executed in several counterparts, all of which shall constitute one and the same instrument and each of which shall be, and shall be deemed to be, an original.

Section 5.12. Certain Duties of the Department. The Department covenants and agrees that, in addition to such other duties as may be required under the Indenture and this 2026A Series Supplement, the Department will not voluntarily take any action or fail to take any action that will impair the ability of the Department to satisfy the asset test set forth in subsection 2 of Section 512 of the Indenture during any period in which the Series 2026A Bonds remain Outstanding.

Section 5.13. No Recourse on Series 2026A Bonds. No recourse shall be had for payment of the principal or Redemption Price of or interest on the Series 2026A Bonds or for any claim based thereon or on this 2026A Series Supplement against any Board member, officer or employee of the Department or the Trustee or any person executing or authenticating the Series 2026A Bonds, and neither the Board members, officers or employees of the Department or the Trustee, nor any person executing or authenticating the Series 2026A Bonds shall be liable personally on the Series 2026A Bonds by reason of the issuance thereof.

Section 5.14. Protection of Trust Estate.

1. At the request of the Trustee, the Department will from time to time execute and deliver all such supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments, and will take such other action as may be necessary or advisable to:

(i) grant more effectively all or any portion of the Trust Estate;

(ii) maintain or preserve the lien of the Indenture and this 2026A Series Supplement or carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any grant made or to be made by the Indenture or this 2026A Series Supplement;

(iv) enforce any of the documents executed in connection with this 2026A Series Supplement;

(v) preserve and defend title to the Trust Estate and the rights of Trustee and of owners of the Series 2026A Bonds in the other property held as part of the Trust Estate against the claims of all Persons and parties; or

(vi) pay all taxes or assessments levied or assessed upon the Trust Estate when due.

2. The Department hereby designates the Trustee as its agent and attorney-in-fact to execute any financing statement, continuation statement or other instrument required pursuant to

this Section 5.14; provided, however, that such designation shall not be deemed to create a duty on the Trustee to monitor the compliance of the Department with the foregoing covenants and provided further, that the duty of the Trustee to execute any instrument required pursuant to this Section 5.14 shall arise only if the Trustee has actual knowledge or has been notified in writing of any failure of the Department to comply with the provisions of this Section 5.14. Such power- of-attorney is coupled with an interest and is irrevocable, and the Department hereby ratifies and confirms all that the Trustee may do by virtue thereof. The Department shall be responsible for all reasonable costs incurred by the Trustee in the preparation and filing of all such continuation statements hereunder. Notwithstanding anything to the contrary contained herein or in the Indenture, the Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interest, the accuracy or sufficiency of any description of collateral in such initial filings or the filing of any modifications or amendments to the initial filings required by any amendments to Chapter 9 of the Texas Business and Commerce Code. Unless the Trustee shall have been notified in writing by the Department that any such initial filing or description of collateral was or has become defective, the Trustee shall be fully protected in relying on such initial filing and the information contained therein when filing any continuation statements or modifications thereto pursuant to this Section 5.14 or Section 1205 of the Indenture and when filing any continuation statements in the same filing offices as the initial filings were made.

Section 5.15. Continuing Disclosure Relating to Other Obligated Persons. The Board hereby determines that an Other Obligated Person would be an "obligated person" (as defined in Rule 15c2-12 (the "Rule")), for whom financial information and operating data would be presented in any final official statement relating to the Series 2026A Bonds had such Person been known at the time of the offering thereof. Based upon the objective criteria specified in the definition of Other Obligated Person, the Board concludes that no Borrower eligible to participate in the Program would be an Other Obligated Person.

Section 5.16. Agreement Regarding Assumption of Certain Home Loans. The Board agrees not to permit the assumption of any Mortgage Loan that would cause any Person to become an Other Obligated Person.

Section 5.17. Responsibilities of Trustee. Notwithstanding anything to the contrary in the Indenture: (a) subject to the provisions of subsection 2 of Section 902 of the Indenture, the Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct; and (b) the Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of such agents or attorneys appointed with due care. Subject to the provisions of Section 902 of the Indenture, the Department further agrees, to the extent permitted by law, to indemnify and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and which are not due to the Trustee's negligence or willful misconduct. If the Trustee renders any service hereunder not provided for in the Indenture or this 2026A Series Supplement or related financing documents or institutes interpleader proceedings relative hereto, the Trustee shall be compensated reasonably by the Department for such extraordinary services and reimbursed for any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out of pocket and incidental expenses and legal fees and expenses occasioned thereby. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement,

offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds. The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty.

Section 5.18. Verifications of Statutory Representations and Covenants. The Trustee makes the following verifications, representation and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code (the "Government Code"), each as heretofore amended, in entering into this 2026A Series Supplement, the Depository Agreement and the Continuing Disclosure Agreement dated as of [February 1], 2026, between the Department and the Trustee (the "Disclosure Agreement", and together with this 2026A Series Supplement and the Depository Agreement, each a "Representation Document"). As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the Trustee within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of the respective Representation Document shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of such Representation Document, notwithstanding anything in the applicable Representation Document to the contrary.

1. *Not a Sanctioned Company*. The Trustee represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153, Government Code, or Section 2270.0201, Government Code. The foregoing representation excludes the Trustee and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

2. *No Boycott of Israel*. The Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of each Representation Document. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

3. *No Discrimination Against Firearm Entities*. The Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of each Representation Document. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

4. *No Boycott of Energy Companies*. The Trustee hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of each Representation Document. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

The Trustee represents and verifies that it is aware of the Office of the Texas Attorney General's ("Texas Attorney General") All Bond Counsel Letter, dated November 1, 2023, that is available on the website of the Texas Attorney General using the following link: (https://www.texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-01-2023.pdf) and the Texas Attorney General's supplemental All Bond Counsel Letter, dated November 16, 2023, that is available on the website of the Texas Attorney General using the following link: (https://texasattorneygeneral.gov/sites/default/files/files/divisions/public-finance/ABCLetter-11-06-2023.pdf). The Trustee represents and verifies that the Trustee has on file a standing letter ("Standing Letter"), in the form set forth as Exhibit A to the Updated Recommendations for Compliance with Texas BPA Verification and Representation Requirements issued by the Municipal Advisory Council of Texas, dated December 1, 2023 (available at https://www.mactexas.com/Document/HB89Letter/), addressing the representations and verifications in this Section 5.18.1 through 5.18.4.

The Trustee further represents and verifies that its Standing Letter remains in effect as of the Issuance Date and that the Texas Attorney General has not notified the Trustee that a determination has been made that the Trustee boycotts energy companies or has a policy that discriminates against firearm entities or firearm trade associations under the laws of the State of Texas.

Section 5.19. Instructions via Electronic Means. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions"), given pursuant to the Indenture and delivered using Electronic Means; provided, however, that the Department shall provide to the Trustee an incumbency certificate listing Authorized Representatives of the Department with the authority to provide such Instructions and containing specimen signatures of such Authorized Representative of the Department, which incumbency certificate shall be amended by the Department whenever a person is to be added or deleted from the listing. "Electronic Means" as used herein shall mean the following communications methods: e-mail, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder. If the Department elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Department understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by or on behalf of an Authorized Representative listed on the incumbency certificate provided to the Trustee have been sent by or on behalf of such Authorized Representative. The Department shall be responsible for ensuring that only Authorized Representatives of the Department transmit or authorize the transmission of such Instructions to the Trustee and that the Department and all Authorized Representatives of the Department are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Department. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Department agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including

without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception or misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by Department; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

Section 5.20. Letter of Instruction; Written Instructions. The Trustee may conclusively rely on any Letter of Instructions or written instructions delivered to the Trustee and shall not be responsible for any loss or liability resulting from the investment of funds or otherwise, but only so long as the Trustee follows such Letter of Instructions or written instructions in all material respects.

[signature pages follow]

IN WITNESS WHEREOF, the Department and the Trustee have caused this 2026A Series Supplement to be signed, sealed, and attested on their behalf by their duly authorized representatives, all as of the date first hereinabove written.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: _____
Deputy Executive Director – Housing Finance

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., Trustee

By: _____
Authorized Officer

EXHIBIT A

FORM OF BOND

UNITED STATES OF AMERICA

STATE OF TEXAS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
RESIDENTIAL MORTGAGE REVENUE AND REFUNDING BOND
SERIES 2026A

THE ORIGINAL PRINCIPAL AMOUNT OF THIS BOND IS SUBJECT TO REDUCTION UPON PAYMENT OF AMOUNTS CAUSING A PARTIAL REDEMPTION OF THIS BOND AS PROVIDED HEREIN; THE OUTSTANDING PRINCIPAL AMOUNT OF THIS BOND WILL BE AS SHOWN ON THE REGISTRY BOOKS KEPT BY THE WITHIN-NAMED TRUSTEE

[THE STATED PRINCIPAL AMOUNT OF THIS BOND WHILE REGISTERED IN THE NAME OF THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK, OR ITS NOMINEE MAY BE REDUCED BY THE AMOUNT OF REDEMPTIONS OF ANY BONDS OR PORTIONS THEREOF][1]

No. _____ $_____

Interest Rate:	Dated Date:	CUSIP:	Maturity Date:
_____	_____	_____	_____

Registered Owner: _____

Principal Amount: _____ DOLLARS

The TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (herein called the "Department"), a public and official agency of the State of Texas, acknowledges itself indebted to, and FOR VALUE RECEIVED, hereby promises to pay to the registered owner named above or registered assigns, but solely from the sources and in the manner hereinafter provided, on the maturity date specified above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and to pay interest on such principal amount in like coin or currency from the Dated Date (as defined below) of this Bond or from the most recent date to which interest on this Bond (or any Bond in exchange for, or

[1] To be deleted from the Initial Bond, and be included only in Series 2026A Bonds registered in the name of DTC or its nominee.

in lieu of, which this Bond was issued), has been paid at the interest rate per annum set forth above, calculated on the basis of a 360-day year composed of twelve 30-day months, payable on [July 1, 2026], and each [January 1 and July 1] thereafter, and on any other date on which this Bond is subject to redemption (each, an "Interest Payment Date") to the date of maturity or earlier redemption, until the Department's obligation with respect to the payment of such principal amount shall be discharged. The principal amount or Redemption Price of this Bond shall be payable upon presentation and surrender of this Bond, at the applicable office of The Bank of New York Mellon Trust Company, N.A. (such bank and any successor in such capacity being referred to as the "Trustee"). The interest on each Series 2026A Bond shall be paid by check mailed on the Interest Payment Date to the Person in whose name such Series 2026A Bond is registered at the close of business on the 15th day of the month (whether or not a Business Day) immediately preceding the applicable Interest Payment Date, at the address of such Person as shown on the Bond registration books kept by the Trustee. Notwithstanding the foregoing, in no event shall the cumulative amount of interest paid or payable on any Bond (including interest calculated as provided in the Indentures (as defined below), together with all other amounts that constitute interest on the Bonds under the laws of the State of Texas that are contracted for, charged, reserved, taken or received pursuant to the Indentures) through any Interest Payment Date or through the date of payment of such Bond (whether at maturity, by acceleration or upon earlier redemption) exceed the "net interest cost" that will produce a "net effective interest rate" of greater than 15% per annum or, to the extent allowed by law, such greater "net effective interest rate" as may be allowed from time to time. The terms "net interest cost" and "net effective interest rate," as used herein, shall have the respective meanings ascribed to them in Chapter 1204, Texas Government Code, as amended. This Bond shall be dated as of the date six months preceding the Interest Payment Date next following the date of authentication hereof by the Trustee, unless such date of authentication shall be an Interest Payment Date, in which case this Bond shall be dated as of such Interest Payment Date, or unless such date of authentication shall be prior to [July 1, 2026], in which case this Bond shall be dated as of the Issuance Date; provided that if interest on this Bond shall be in default, Bonds issued in lieu of this Bond upon surrender for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered (herein, the "Dated Date").

This Bond is a limited obligation of the Department and is one of the Bonds of the Department designated "Residential Mortgage Revenue and Refunding Bonds" (herein called the "Bonds"), issued and to be issued in various series under and pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as such may be amended from time to time (together with the laws of the State of Texas applicable to the Department, collectively, the "Act"), and Chapter 1371, Texas Government Code, as amended, and under and pursuant to an indenture of the Department entitled "Amended and Restated Residential Mortgage Revenue Bond Trust Indenture", dated as of July 1, 2019, as amended and supplemented (herein called the "Indenture"), and a supplemental indenture of the Department entitled "Forty-Ninth Supplemental Residential Mortgage Revenue Bond Trust Indenture", dated as of [February 1], 2026, authorizing the series of Bonds of which this Bond is a part (herein called the "2026A Series Supplement" and together with the Indenture called the "Indentures"). All defined terms used herein, but not otherwise defined, shall have the same definitions ascribed to them in the Indentures. As provided in the Indenture, Bonds may be issued from time to time pursuant to supplemental indentures in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and subject to the provisions thereof, may otherwise vary. All Bonds issued and

to be issued under the Indenture are and will be equally secured by the pledges, assignments in trust and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

THE PRINCIPAL OF AND INTEREST AND PREMIUM, IF ANY, ON THIS BOND ARE LIMITED OBLIGATIONS OF THE DEPARTMENT AND ARE PAYABLE ONLY FROM REVENUES OR FUNDS OF THE DEPARTMENT PLEDGED UNDER THE INDENTURES. THE BONDS ARE NOT AND DO NOT CREATE OR CONSTITUTE IN ANY WAY AN OBLIGATION, A DEBT OR A LIABILITY OF THE STATE OF TEXAS, OR CREATE OR CONSTITUTE A PLEDGE, GIVING OR LENDING OF THE FAITH OR CREDIT OR TAXING POWER OF THE STATE OF TEXAS. THE DEPARTMENT HAS NO TAXING POWER.

This Bond is one of a series of Bonds designated "Residential Mortgage Revenue and Refunding Bonds, Series 2026A" (herein sometimes called the "Series 2026A Bonds") issued in the aggregate initial principal amount of $[250,000,000] under the Indentures for the purpose of (i) acquiring Mortgage Loans, or participations therein, through the purchase of the 2026A Mortgage Certificates, including funding loans for down payment and closing cost assistance with respect to Assisted Mortgage Loans, (ii) paying lender compensation related to the 2026A Mortgage Loans, (iii) repaying and/or currently refunding the Repaid FHLB Advances, thereby making funds available to acquire Mortgage Loans, or participations therein, through the purchase of the 2026A Mortgage Certificates and (iv) paying Costs of Issuance. Copies of the Indentures are on file at the office of the Department and at the applicable office of the Trustee and reference to the Indentures and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges, assignments in trust, and covenants securing the Bonds; the nature, extent, and manner of enforcement of such pledges, assignments in trust, and covenants; the rights and remedies of the registered owners of the Bonds with respect thereto; the terms and conditions upon which the Bonds are issued and may be issued thereunder; and other matters, to all of which the owner of this Bond assents by the acceptance of this Bond. To the extent of any conflict between the terms and provisions of the Indentures and the terms and provisions of this Bond, the Indentures shall govern and control.

The owner of this Bond shall have no right to enforce the provisions of the Indentures, or to institute any action with respect to any Event of Default (as defined in the Indenture), or to institute, appear in, or defend any suit or other proceeding with respect thereto, except as provided in the Indentures.

This Bond is transferable, as provided in the Indentures, only upon the books of the Department kept for that purpose at the above-mentioned office of the Trustee, by the registered owner hereof in person, or by his duly authorized attorney, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon, a new Bond or Bonds in the same aggregate principal amount and maturity shall be issued to the transferee in exchange herefor as provided in the Indentures, and upon payment of the charges therein prescribed. The Department and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal, Redemption Price or purchase price hereof and interest due hereon and for all other purposes.

[EXCEPT AS OTHERWISE PROVIDED IN THE INDENTURES, THIS BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO ANOTHER NOMINEE OF DTC OR TO A SUCCESSOR BOND DEPOSITORY OR TO A NOMINEE OF A SUCCESSOR BOND DEPOSITORY.][2]

The Series 2026A Bonds are issuable only in the form of fully registered Bonds without coupons in the denomination of $5,000 principal amount or any integral multiple thereof.

To the extent and in the manner permitted by the terms of the Indentures, the provisions of the Indentures, or any indenture amendatory thereof or supplemental thereto, may be modified or amended by the Department, with the written consent of the holders of at least 2/3 in principal amount of the Bonds of each series so affected then outstanding under the Indentures; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like series and maturity remain outstanding under the Indentures, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be outstanding for the purpose of the calculation of outstanding Bonds. No such modification or amendment shall permit any of the following, without the consent of each Bondholder whose rights are affected thereby: a change in the terms of maturity or redemption of any Bond or of any installment of interest thereon; a reduction in the principal amount or Redemption Price of any Bond or in the rate of interest thereon; the creation of a lien on or a pledge of the revenues pledged under the Indenture or any portion thereof that is superior to or on a parity with the lien of the Indenture; the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; or a reduction in the aggregate principal amount or classes of Bonds, of which the consent of the registered owners is required to effect any such modification or amendment.

The Series 2026A Bonds are subject to redemption prior to stated maturity as set forth in the 2026A Series Supplement.

In lieu of redeeming Series 2026A Bonds, the Department has reserved the right in the Indenture to purchase such Bonds.

Written notice of redemption shall be provided to the registered owner of each Series 2026A Bond to be redeemed, as shown on the Bond registration books kept by the Trustee, at least 30 days prior to the redemption date, in the manner and upon the terms and conditions set forth in the Indentures. If notice of redemption shall have been given as aforesaid, the Series 2026A Bonds or portions thereof specified in said notice shall become due and payable on the redemption date therein fixed, and if, on the redemption date, moneys for the redemption of all the Series 2026A Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Series 2026A Bonds or portions thereof so called for redemption shall cease to accrue and be payable.

The Department reserves the right to regulate or restrict the yield or return on the investment of the moneys in any fund, account, or subaccount created under the Indentures or any supplemental indenture, if in the opinion of counsel, such regulation or restriction is necessary in

[2] To be deleted from the initially issued Bonds.

order for the interest on the Bonds (other than any series of taxable Bonds issued under the Indenture) of any series issued or to be issued under the Indenture to be exempt from federal income taxation.

The Act provides that neither the officers or directors of the Department nor any person executing the Bonds shall be liable personally on the Bonds by reason of the issuance thereof.

It is hereby certified and recited that all conditions, acts, and things required by law and the Indentures to exist, to have happened, and to have been performed precedent to and in the issuance of this Bond, exist, have happened, and have been performed and that the issuance of this Bond and the series of Bonds of which it is a part are duly authorized by the laws of the State of Texas.

This Bond shall not be entitled to any benefit under the Indentures or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate or the execution by the Comptroller of Public Accounts of the State of Texas of the Comptroller's Registration Certificate hereon.

IN WITNESS WHEREOF, the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its duly authorized representative, and its corporate seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved, or otherwise reproduced and attested by the manual or facsimile signature of its Secretary.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: _____
[Vice] Chair

Attest:

_____
Secretary

(SEAL)

[FORM OF COMPTROLLER'S REGISTRATION
CERTIFICATE ON INITIAL BOND]

STATE COMPTROLLER'S REGISTRATION CERTIFICATE

OFFICE OF COMPTROLLER Register No. _____

STATE OF TEXAS

I HEREBY CERTIFY that there is on file and of record in my office an opinion of the Attorney General of the State of Texas approving this Bond and certifying that this Bond and the proceedings for the issuance thereof have been examined by him as required by law, and that he finds that this Bond has been issued in accordance with law and that it is a valid and binding limited obligation of the Texas Department of Housing and Community Affairs, payable from the revenues and other funds pledged to its payment by and in the proceedings authorizing the same, and I do further certify that this Bond has this day been registered by me as Comptroller.

WITNESS MY HAND AND SEAL OF OFFICE this _____.

_____
Comptroller of Public Accounts
of the State of Texas

(SEAL)

[FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION
ON EACH BOND OTHER THAN THE INITIAL BOND]

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is to certify that the initial Bonds of this Series were approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this Bond is one of the Bonds delivered pursuant to the within-mentioned Indenture.

Date of Authentication: _____

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT]

ASSIGNMENT

For value received, the undersigned sells, assigns, and transfers unto _____ the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond, with full power of substitution in the premises.

Dated:_____

_____

NOTICE: The signature(s) on this assignment must correspond in every particular with the name(s) of the registered owner(s) appearing on the face of the within Bond.

Signature guaranteed by:

_____

NOTICE: Signature must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Trustee, which requirements will include membership or participation in STAMP or such other signature guaranty program as may be determined by the Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT B

2026A PREMIUM PAC TERM BOND OUTSTANDING APPLICABLE AMOUNT

[TO COME]

Date	2026A Premium PAC Term Bond Outstanding Applicable Amount ($)
and thereafter	

EXHIBIT C

UNEXPENDED PROCEEDS REDEMPTION PRICE FOR 2026A PREMIUM PAC TERM BOND

[TO COME]

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 30, 2025

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS
Moody's: "Aa1"
S&P: "AA+"
(See "RATINGS" herein)

Bracewell LLP, Bond Counsel, is of the opinion that, subject to certain conditions described herein and under existing law, interest on the Series 2026A Bonds (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS RELATING TO THE SERIES 2026A BONDS" herein, including information regarding potential alternative minimum tax consequences for corporations.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

$250,000,000*
Residential Mortgage Revenue and Refunding Bonds,
Series 2026A (Non-AMT)
("Series 2026A Bonds")

Dated Date/Delivery Date:	February 17, 2026*
Due:	July 1 and January 1, as shown on the inside cover.
Interest Payment Dates:	Interest accrued on the Series 2026A Bonds (the "Series 2026A Bonds") will be payable on each July 1 and January 1, commencing July 1, 2026* as described herein.
Interest Rates:	Payable at the rates as shown on the inside cover.
Redemption:	The Series 2026A Bonds are subject to redemption on the dates and at the Redemption Prices more fully described herein. See "THE SERIES 2026A BONDS – Redemption Provisions."
Denominations:	The Series 2026A Bonds will be available to purchasers in book-entry form only in denominations of $5,000 or any integral multiple thereof as described herein.
Tax Matters:	Bracewell LLP, Bond Counsel, is of the opinion that, subject to certain conditions described herein and under existing law, (i) interest on the Series 2026A Bonds is excludable from gross income for federal income tax purposes and (ii) interest on the Series 2026A Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS RELATING TO THE SERIES 2026A BONDS" herein.
Purpose:	The Series 2026A Bonds are being issued for the primary purpose of (i) acquiring Mortgage Loans (as defined herein), or participations therein, through the purchase of mortgage-backed, pass-through certificates (the "2026A Mortgage Certificates"), including providing down payment and closing cost assistance for Assisted Mortgage Loans (as defined herein), (ii) paying lender compensation related to the 2026A Mortgage Loans (as defined herein), (iii) repaying and/or currently refunding the Repaid FHLB Advances (as defined herein), thereby providing funds for purposes (i)-(ii), and (iv) paying Costs of Issuance (as defined herein). The 2026A Mortgage Certificates will be guaranteed as to timely payment of principal and interest by the Government National Mortgage Association ("Ginnie Mae") ("Ginnie Mae Certificates" or "GNMA Certificates"). See "APPENDIX B-1 – GNMA AND THE GNMA CERTIFICATES."
Security:	The Series 2026A Bonds, the Prior Bonds (as defined herein), and, unless subordinated, all Bonds subsequently issued under the Trust Indenture (as defined herein) are equally and ratably secured by the Trust Estate (as defined herein) held by the Trustee under the Trust Indenture. The Series 2026A Bonds are limited obligations of the Texas Department of Housing and Community Affairs (the "Department") and are payable solely from the revenues and funds pledged for the payment thereof as more fully described herein. Neither the State of Texas (the "State") nor any agency of the State, other than the Department, nor the United States of America or any agency, department or other instrumentality thereof, including Ginnie Mae, is obligated to pay the principal or Redemption Price of or interest on the Series 2026A Bonds. Neither the faith and credit nor the taxing power of the State or the United States of America is pledged, given or loaned to such payment. The Department has no taxing power. Ginnie Mae guarantees only the payment of the principal of and interest on the Ginnie Mae Certificates when due and does not guarantee the payment of the Series 2026A Bonds or any other obligations issued by the Department. See "SECURITY FOR THE BONDS" and "THE TRUST INDENTURE."
Book-Entry Only System:	The Series 2026A Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). See "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – DTC and Book-Entry."
Trustee:	The Bank of New York Mellon Trust Company, N.A.
Bond Counsel:	Bracewell LLP
Disclosure Counsel:	McCall, Parkhurst & Horton L.L.P.
Underwriters' Counsel:	Chapman and Cutler LLP
Municipal Advisor:	CSG Advisors

Morgan Stanley
RBC Capital Markets **Jefferies**
J.P. Morgan **Loop Capital Markets**
Piper Sandler & Co. **Ramirez & Co., Inc.** **Wells Fargo Securities**

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* *Preliminary, subject to change.*

MATURITY SCHEDULE*

$43,290,000 Series 2026A Serial Bonds

Maturity Date	Principal Amount ($)	Interest Rate	Price	CUSIP(1)
July 1, 2027	1,530,000			
January 1, 2028	1,550,000			
July 1, 2028	1,580,000			
January 1, 2029	1,605,000			
July 1, 2029	1,630,000			
January 1, 2030	1,665,000			
July 1, 2030	1,695,000			
January 1, 2031	1,725,000			
July 1, 2031	1,750,000			
January 1, 2032	1,785,000			
July 1, 2032	1,820,000			
January 1, 2033	1,855,000			
July 1, 2033	1,895,000			
January 1, 2034	1,930,000			
July 1, 2034	1,965,000			
January 1, 2035	2,005,000			
July 1, 2035	2,050,000			
January 1, 2036	2,095,000			
July 1, 2036	2,135,000			
January 1, 2037	2,185,000			
July 1, 2037	2,230,000			
January 1, 2038	2,280,000			
July 1, 2038	2,330,000			

$15,180,000 ____% Series 2026A Term Bond due July 1, 2041 Price _____% CUSIP(1) _____
$30,925,000 ____% Series 2026A Term Bond due July 1, 2046 Price _____% CUSIP(1) _____
$40,275,000 ____% Series 2026A Term Bond due July 1, 2051 Price _____% CUSIP(1) _____
$52,830,000 ____% Series 2026A Term Bond due July 1, 2056 Price _____% CUSIP(1) _____
$67,500,000 ____% Series 2026A Premium PAC Term Bond due January 1, 2057 Price _____% CUSIP(1) _____

(Interest Accrues from Date of Delivery)

* *Preliminary, subject to change.*

(1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Department, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes a Preliminary Official Statement of the Department with respect to the Series 2026A Bonds that has been "deemed final" by the Department as of its date except for the omission of no more than the information permitted by the Rule.

This Official Statement, which includes the cover page and inside front cover hereof, and the appendices attached hereto, does not constitute, and is not to be used in connection with, an offer to sell or the solicitation of an offer to buy the Series 2026A Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth in this Official Statement has been obtained from the Department and other sources which are believed to be reliable. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made under such document shall, under any circumstances, create any implications that there has been no change in the affairs of the Department or other matters described herein since the date hereof.

Neither the Department nor the Underwriters make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

The Trustee assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

Many statements contained in this Official Statement, including the appendices and the documents included by specific cross-reference, that are not historical facts are forward-looking statements, which are based on the Department's beliefs, as well as assumptions made by, and information currently available to, the management and staff of the Department. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. The words "anticipate," "assume," "estimate," "expect," "objective," "projection," "plan," "forecast," "goal," "budget" or similar words are intended to identify forward-looking statements. The words or phrases "to date," "now," "currently," and the like are intended to mean as of the date of this Official Statement.

The Department's projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Department's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the Department. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information. Neither the Department's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2026A BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH ARE INTENDED TO STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2026A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING EFFORTS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2026A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENTS AT PRICES

LOWER THAN THE PUBLIC OFFERING PRICES STATED HEREIN, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

The Series 2026A Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Trust Indenture or any other document been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. Any registration or qualification of the Series 2026A Bonds in accordance with applicable provisions of the securities laws or the states in which the Series 2026A Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2026A Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT

Relating to

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

**$250,000,000*
Residential Mortgage Revenue
and Refunding Bonds,
Series 2026A (Non-AMT)
("Series 2026A Bonds")**

INTRODUCTION

This Official Statement provides certain information concerning the Texas Department of Housing and Community Affairs (the "Department") in connection with the issuance of its Residential Mortgage Revenue and Refunding Bonds, Series 2026A (Non-AMT) (the "Series 2026A Bonds"). Capitalized terms used but not otherwise defined herein shall have the respective meanings for such terms as set forth in "APPENDIX A – GLOSSARY."

The Department, a public and official agency of the State of Texas (the "State"), was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, collectively, the "Act") for the purpose of, among other things, financing sanitary, decent and safe housing for individuals and families of low and very low income and families of moderate income. The Department is the successor agency to the Texas Housing Agency (the "Agency") and the Texas Department of Community Affairs (the "TDCA"), both of which were abolished by the Act and all functions and obligations of which were transferred to the Department pursuant to the Act. Under the Act, the Department may issue bonds, notes and other obligations to finance or refinance residential housing and multi-family developments located in the State and to refund bonds previously issued by the Agency, the Department or certain other quasi-governmental issuers. See "THE DEPARTMENT."

The Series 2026A Bonds are authorized to be issued pursuant to the Act, a resolution adopted by the Governing Board of the Department (the "Board") on October 9, 2025, (the "Resolution"), the Pricing Certificate (as hereafter defined), an Amended and Restated Residential Mortgage Revenue Bond Trust Indenture, dated as of July 1, 2019 (the "Master Indenture" and as amended and supplemented from time to time, collectively, the "Trust Indenture") between the Department and The Bank of New York Mellon Trust Company, N.A., Houston, Texas, as trustee (the "Trustee"), and a Forty-Ninth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of February 1, 2026 (the "Forty-Ninth Supplemental Indenture"). As permitted by Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), the Board in the Resolution delegated the authority to certain authorized representatives (each, an "Authorized Representative") to execute a pricing certificate (a "Pricing Certificate") specifying final pricing terms with respect to the Series 2026A Bonds. The Trust Indenture authorizes the Department to issue bonds to provide funds to, among various things, (i) acquire or refinance single family mortgage loans or participations therein ("Mortgage Loans") that are made to Eligible Borrowers, as determined from time to time by the Department, (ii) purchase mortgage-backed securities (the "Mortgage Certificates") that are backed by Mortgage Loans and guaranteed by the Government National Mortgage Association ("GNMA" or "Ginnie Mae"), (iii) refund Outstanding Bonds issued under the Trust Indenture, and (iv) to pay costs associated therewith.

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* *Preliminary, subject to change.*

The Department has previously issued multiple series of single family mortgage revenue bonds under the Trust Indenture of which $2,141,059,191 in aggregate principal amount was Outstanding as of September 30, 2025. See "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – The Prior Bonds."

The Series 2026A Bonds, the Prior Bonds and, unless subordinated, all bonds subsequently issued pursuant to the Trust Indenture (collectively, the "Bonds") are equally and ratably secured by the Trust Estate held by the Trustee pursuant to the Trust Indenture. See "THE TRUST INDENTURE" and "SECURITY FOR THE BONDS – Additional Bonds."

Proceeds of the Series 2026A Bonds in the amount of $223,005,000* are being issued for the primary purpose of (i) acquiring Mortgage Loans, or participations therein, through the purchase of Mortgage Certificates guaranteed as to timely payment of principal and interest by Ginnie Mae (such Mortgage Certificates purchased with proceeds of the Series 2026A Bonds referred to herein as the "2026A Mortgage Certificates,") which represent beneficial ownership of pools of Mortgage Loans, including funding loans for down payment and closing cost assistance (as hereinafter defined, the "DPA Loans") with respect to Assisted Mortgage Loans, (ii) paying lender compensation related to the 2026A Mortgage Loans, and (iii) paying Costs of Issuance. See "PLAN OF FINANCE."

Proceeds of the Series 2026A Bonds in the amount of $26,995,000* are being used as part of the Department's volume cap recycling program to repay amounts owed under the Advances and Securities Agreement, dated November 1, 2016, by and between the Federal Home Loan Bank of Dallas and the Department, as amended, and the side letters executed pursuant thereto (the "FHLB Agreement"), representing recycled mortgage loan repayments, thereby (i) providing funds for the purchase of 2026A Mortgage Certificates, (ii) funding DPA Loans, and (iii) paying lender compensation related to the 2026A Mortgage Loans. See "PLAN OF FINANCE."

The Series 2026A Bonds are on a parity in all respects with all Outstanding Prior Bonds and, unless subordinated, any Bonds subsequently issued. The Prior Bonds are payable solely from and are secured by a pledge of and lien on the Revenues, Mortgages, Mortgage Loans (including Mortgage Certificates), Investment Securities, moneys held in the Funds (excluding the Rebate Fund) and other property pledged under the Trust Indenture (collectively, the "Trust Estate"). The Trust Estate currently includes, among other things, Mortgage Certificates which were purchased with the proceeds of the Prior Bonds. The Mortgage Certificates are guaranteed by GNMA or Fannie Mae. See "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – The Prior Bonds – Mortgage Loans and Mortgage Certificates." There is no requirement that proceeds of subsequent issues of Bonds be used to purchase Mortgage Certificates. All payments with respect to principal of and interest on Mortgage Loans (net of servicing fees) and on Mortgage Certificates (net of servicing and guaranty fees) received by the Department and the earnings on investments of Funds and accounts held pursuant to the Trust Indenture constitute Revenues. The pledge of and lien on the Trust Estate is subject to discharge if moneys or qualified securities sufficient to provide for the payment of all Outstanding Bonds are deposited and held in trust for such payment. See "SECURITY FOR THE BONDS."

THE SERIES 2026A BONDS ARE LIMITED OBLIGATIONS OF THE DEPARTMENT AND ARE PAYABLE SOLELY FROM THE REVENUES AND FUNDS PLEDGED FOR THE PAYMENT THEREOF AS MORE FULLY DESCRIBED HEREIN. NEITHER THE STATE NOR ANY AGENCY OF THE STATE, OTHER THAN THE DEPARTMENT, NOR THE UNITED STATES OF AMERICA OR ANY AGENCY, DEPARTMENT OR OTHER INSTRUMENTALITY THEREOF, INCLUDING GNMA AND FANNIE MAE, IS OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE SERIES

* *Preliminary, subject to change.*

2026A BONDS. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR THE UNITED STATES OF AMERICA IS PLEDGED, GIVEN OR LOANED TO SUCH PAYMENT. THE DEPARTMENT HAS NO TAXING POWER. GNMA AND FANNIE MAE GUARANTEE ONLY THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE GNMA CERTIFICATES AND FANNIE MAE CERTIFICATES, RESPECTIVELY, WHEN DUE AND DO NOT GUARANTEE THE PAYMENT OF THE SERIES 2026A BONDS OR ANY OTHER OBLIGATIONS ISSUED BY THE DEPARTMENT.

There follows in this Official Statement a brief description of the plan of finance, the Department and its bond programs, together with summaries of certain terms of the Series 2026A Bonds, the Trust Indenture, and certain provisions of the Act, as well as other matters. All references herein to the Act, the Trust Indenture, and other agreements are qualified in their entirety by reference to each such document, copies of which are available from the Department, and all references to the Series 2026A Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Trust Indenture.

For information concerning the Prior Bonds and the Mortgage Loans and Mortgage Certificates acquired with proceeds of the Prior Bonds, see "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – The Prior Bonds" and "APPENDIX D-1 – ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES." For information concerning other single family and multi-family programs of the Department, see "APPENDIX D-2 – BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS."

PLAN OF FINANCE

Proceeds of the Series 2026A Bonds will be deposited to the 2026A Mortgage Loan Account of the Mortgage Loan Fund and used to (a) purchase 2026A Mortgage Certificates and pay related costs, and (b) fund all or a portion of the DPA Loans originated in conjunction with Assisted Mortgage Loans. A portion of the proceeds of the Series 2026A Bonds will also be used to repay and/or refund the Repaid FHLB Advances. A portion of the proceeds of the Series 2026A Bonds will also be used to pay a portion of the costs of issuance of the Series 2026A Bonds. See "SOURCES AND USES OF FUNDS" herein.

SOURCES AND USES OF FUNDS

The sources of funds and the uses thereof in connection with the Series 2026A Bonds are expected to be approximately as set forth below.

	TOTAL
SOURCES OF FUNDS	
Bond Proceeds	
Issuer Contribution[1]	
TOTAL SOURCES	
USES OF FUNDS	
Mortgage Loan Accounts[2]	
Underwriter Compensation	
Costs of Issuance	
TOTAL USES	

[1] An additional amount not to exceed $10,000,000 may be used for capitalized interest.

[2] Includes the purchase of 2026A Mortgage Certificates and funds attributed to down payment assistance, lender compensation, and servicing fees for DPA Loans.

THE SERIES 2026A BONDS

General

The Series 2026A Bonds will be dated the date of delivery. The Series 2026A Bonds are issuable only as fully registered bonds, without coupons, and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as the Bond Depository for the Series 2026A Bonds. The Series 2026A Bonds will be available to purchasers in book-entry form only in denominations of $5,000 or any integral multiple thereof, as more fully described herein. The principal or Redemption Price of, and interest on, the Series 2026A Bonds will be payable by the Trustee to DTC, which will be responsible for making such payments to DTC Participants (hereinafter defined) for subsequent remittance to the owners of beneficial interests in the Series 2026A Bonds or their nominees. See "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – DTC and Book-Entry."

The Series 2026A Bonds mature on the dates and in the amounts set forth on the inside cover hereof.

Interest Rates

The Series 2026A Bonds will accrue interest from the date of delivery, until maturity or prior redemption at the respective per annum rates of interest set forth on the inside cover page hereof. Interest accrued on the Series 2026A Bonds will be payable on July 1, 2026*, and semiannually on each January 1 and July 1 thereafter until maturity or prior redemption. Interest on the Series 2026A Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months.

Redemption Provisions*

The Series 2026A Bonds are subject to optional redemption, special redemption, and mandatory sinking fund redemption at various times prior to their scheduled maturities at various Redemption Prices as described below. **The Department anticipates that a significant portion of the Series 2026A Bonds will be redeemed prior to their scheduled maturities as the result of the receipt by the Department of amounts representing Mortgage Loan Principal Payments (consisting of all amounts representing scheduled payments of principal and any Mortgage Loan Principal Prepayments) and from Excess Revenues (including residual Trust Indenture revenues whether or not derived in connection with the Series 2026A Bonds).**

Special Redemption from Unexpended Proceeds of Series 2026A Bonds

The Series 2026A Bonds are subject to special redemption from unexpended proceeds of the Series 2026A Bonds, prior to their stated maturities, in whole or in part. The Redemption Price of the Series 2026A Bonds to be so redeemed shall be equal to (a) for all Series 2026A Bonds other than the 2026A Premium PAC Term Bond, 100% of the principal amount thereof; and (b) for the 2026A Premium PAC Term Bond the applicable Redemption Price that maintains the respective original yields on the 2026A Premium PAC Term Bond (as calculated by the Department and as shown on a schedule attached to the Forty-Ninth Supplemental Indenture), plus accrued interest thereon to, but not including, the date of redemption. Notwithstanding the foregoing, a De Minimis Special Redemption shall be treated as a Special Redemption from Mortgage Loan Principal Payments relating to the 2026A Mortgage Certificates and Series 2026A Bonds shall be redeemed as described under "Special Redemption from 2026A Mortgage Loan Principal Payments" below. In the event of a redemption of the 2026A Premium PAC Term Bond as described in this paragraph on a date other than a redemption date listed on the schedule attached to the Forty-Ninth Supplemental Indenture, the Redemption Price, as of such redemption date, will be determined by the

* *Preliminary, subject to change.*

Department using straight-line interpolation between the Redemption Prices for the redemption dates listed on such schedule immediately preceding and succeeding such redemption date.

Such Special Redemption from Unexpended Proceeds may occur at any time on or after September 1, 2026, unless the Certificate Purchase Period is extended in accordance with the Forty-Ninth Supplemental Indenture. In no event will the redemption occur later than August 1, 2029.

As described in "INVESTMENT CONSIDERATIONS – Non-Origination of Mortgage Loans," in fiscal year 2025, the Department has averaged approximately $53 million per month in GNMA mortgage-backed securities issued that are backed by tax-exempt bond eligible mortgage loans, exclusive of loans for which a mortgage credit certificate was issued. The Department has not had an unexpended proceeds call since November 1, 2010.

Except for the De Minimis Special Redemption, the Series 2026A Bonds to be redeemed as described in this subcaption shall be selected by the Trustee on a pro rata basis among all maturities unless otherwise directed by the Department pursuant to a Letter of Instructions accompanied by a Cashflow Certificate.

Special Redemption from 2026A Mortgage Loan Principal Payments

The Series 2026A Bonds are subject to redemption prior to maturity and shall be redeemed, in whole or in part, at any time and from time to time as directed by the Department pursuant to a Letter of Instructions but at least once during each semiannual period commencing with the semiannual period ending on July 1, 2026, after giving notice as provided in the Trust Indenture, at a Redemption Price equal to 100% of the principal amount of the Series 2026A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date, from certain amounts relating to Mortgage Loan Principal Payments from the 2026A Mortgage Certificates transferred to the 2026A Special Redemption Account in accordance with the Trust Indenture.

In the event of a redemption from Mortgage Loan Principal Payments, the Trustee shall select the particular Series 2026A Bonds to be redeemed as follows:

(a) the Trustee shall redeem the 2026A Premium PAC Term Bond, but only to the extent that the Outstanding principal amount of such 2026A Premium PAC Term Bond following any such redemption is not less than the 2026A Premium PAC Term Bond Outstanding Applicable Amount as of such date;

The 2026A Premium PAC Term Bond Outstanding Applicable Amount is as follows:

Date	2026A Premium PAC Term Bond Outstanding Applicable Amount ($)	Date	2026A Premium PAC Term Bond Outstanding Applicable Amount ($)
2/17/2026	67,500,000	1/1/2032	32,195,000
7/1/2026	67,360,000	7/1/2032	28,610,000
1/1/2027	65,645,000	1/1/2033	25,095,000
7/1/2027	64,360,000	7/1/2033	21,655,000
1/1/2028	61,965,000	1/1/2034	18,285,000
7/1/2028	58,885,000	7/1/2034	14,980,000
1/1/2029	55,150,000	1/1/2035	11,740,000
7/1/2029	51,140,000	7/1/2035	8,575,000
1/1/2030	47,220,000	1/1/2036	5,480,000
7/1/2030	43,360,000	7/1/2036	2,445,000
1/1/2031	39,570,000	and thereafter	-
7/1/2031	35,845,000		

(b) amounts remaining following the redemptions described in clause (a) above shall be applied, unless otherwise directed by a Letter of Instructions accompanied by a Cashflow Certificate, to redeem all other Series 2026A Bonds (other than the 2026A Premium PAC Term Bond) on a proportionate basis, however, the 2026A Premium PAC Term Bond may only be redeemed in excess of the 2026A Premium PAC Term Bond Outstanding Applicable Amount if such redemption is necessary to preserve the tax-exempt status of the Series 2026A Bonds or if no other Series 2026A Bonds remain outstanding.

If any Series 2026A Bonds are redeemed as described in "Special Redemption from Unexpended Proceeds of Series 2026A Bonds" herein (other than a De Minimis Special Redemption), the 2026A Premium PAC Term Bond Outstanding Applicable Amount described for the current and each future period will be reduced on a proportionate basis.

With regard to (b) above, in lieu of redeeming Series 2026A Bonds and subject to the requirements under the Forty-Ninth Supplemental Indenture and/or described in the tax certificate executed by the Department with respect to the Series 2026A Bonds, the Department can otherwise instruct the Trustee pursuant to a Letter of Instructions accompanied by a Cashflow Certificate to transfer moneys on deposit in the 2026A Principal Account, the 2026A Revenue Account, or the 2026A Special Redemption Account to either: (a) the 2026A Mortgage Loan Account to be used to make or purchase Mortgage Loans, or (b) to the redemption of a different series of Bonds, subject to any additional covenants made in the applicable Series Supplement.

Special Redemption From Excess Revenues

The Series 2026A Bonds are subject to redemption prior to maturity and may be redeemed, in whole or in part, at any time and from time to time as directed by the Department pursuant to a Letter of Instructions but at least once during each semiannual period commencing with the semiannual period ending on July 1, 2026, after giving notice as provided in the Trust Indenture and in accordance with a Letter of Instructions, at a Redemption Price equal to one hundred percent (100%) of the principal amount of such Series 2026A Bonds or portions thereof to be redeemed, plus accrued interest to, but not including, the redemption date, from amounts transferred to the 2026A Special Redemption Account from the Residual Revenues Fund in accordance with the Forty-Ninth Supplemental Indenture (whether or not derived in connection with the Series 2026A Bonds).

In the event of a redemption from Excess Revenues, the Trustee shall apply amounts transferred to the 2026A Special Redemption Account from the Residual Revenues Fund in accordance with the Trust Indenture to redeem the Series 2026A Bonds Outstanding in the same manner described in clauses (a) and (b) under "Special Redemption from 2026A Mortgage Loan Principal Payments" above, unless otherwise instructed by the Department pursuant to a Letter of Instructions accompanied by a Cashflow Certificate.

Cross calls of the 2026A Bonds, with Mortgage Loan Principal Payments securing any Series of Bonds other than the Series 2026A Bonds are permitted, but only to the extent permitted in accordance with the Series Supplement authorizing such Series of Bonds, and, as applicable, as described in the tax certificate executed by the Department in connection therewith, except that no such Mortgage Loan Principal Payments may be applied to the redemption of the 2026A Premium PAC Term Bond so as to reduce the Outstanding principal amount of the 2026A Premium PAC Term Bond below the 2026A Premium PAC Term Bond Outstanding Applicable Amount as of the date of any such redemption.

The Trustee may transfer any amounts as set forth or described in a Letter of Instructions from the 2026A Residual Revenues Account, or (x) the 2026A Special Redemption Account to be used to redeem Series 2026A Bonds in accordance with the Forty-Ninth Supplemental Indenture.

Optional Redemption

The Series 2026A Bonds (except for the 2026A Premium PAC Term Bond) maturing on or after July 1, 2034, are subject to redemption prior to maturity, in whole or in part, at any time and from time to time, on and after January 1, 2034, at the option of the Department after giving notice as provided in the Trust Indenture, at a Redemption Price equal to 100% of the principal amount of such Series 2026A Bonds or portions thereof to be redeemed, plus accrued interest, if any, to, but not including, the redemption date.

The 2026A Premium PAC Term Bond is subject to redemption prior to maturity, in whole or in part at any time and from time to time, on and after January 1, 2034, at the option of the Department after giving notice as provided in the Trust Indenture, at the Redemption Prices set forth below (expressed as a percentage of the principal amount to be redeemed), in each case together with interest accrued thereon to, but not including, the redemption date:

Redemption Date	Redemption Price
January 1, 2034	
July 1, 2034	
January 1, 2035	
July 1, 2035	
January 1, 2036	
July 1, 2036	
January 1, 2037 and thereafter	100.000%

If the 2026A Premium PAC Term Bond is redeemed on a date other than a redemption date listed above, the Redemption Price, as of such redemption date, will be determined by the Department using straight-line interpolation between the Redemption Prices for the redemption dates listed above immediately preceding and succeeding such redemption date.

Mandatory Sinking Fund Redemption

The Series 2026A Bonds maturing on the respective dates specified below are subject to scheduled mandatory redemption prior to maturity and shall be redeemed after giving notice as provided in the Trust Indenture, in the aggregate principal amounts and on the dates set forth in the following tables, at a Redemption Price equal to 100% of the principal amount of such Series 2026A Bonds or portions thereof to be redeemed, plus accrued interest if any, to, but not including, the redemption date, from amounts that have been transferred to the 2026A Principal Account from the 2026A Revenue Account:

Term Bond Maturing July 1, 2041

Redemption Date	Principal Amount ($)	Redemption Date	Principal Amount ($)
1/1/2039	2,385,000	7/1/2040	2,555,000
7/1/2039	2,440,000	1/1/2041	2,620,000
1/1/2040	2,500,000	7/1/2041*	2,680,000

*Final Maturity

Term Bond Maturing July 1, 2046

Redemption Date	Principal Amount ($)	Redemption Date	Principal Amount ($)
1/1/2042	2,745,000	7/1/2044	3,125,000
7/1/2042	2,815,000	1/1/2045	3,205,000
1/1/2043	2,895,000	7/1/2045	3,290,000
7/1/2043	2,970,000	1/1/2046	3,375,000
1/1/2044	3,040,000	7/1/2046*	3,465,000

*Final Maturity

Term Bond Maturing July 1, 2051

Redemption Date	Principal Amount ($)	Redemption Date	Principal Amount ($)
1/1/2047	3,555,000	7/1/2049	4,070,000
7/1/2047	3,655,000	1/1/2050	4,180,000
1/1/2048	3,755,000	7/1/2050	4,295,000
7/1/2048	3,855,000	1/1/2051	4,415,000
1/1/2049	3,960,000	7/1/2051*	4,535,000

*Final Maturity

Term Bond Maturing July 1, 2056

Redemption Date	Principal Amount ($)	Redemption Date	Principal Amount ($)
1/1/2052	4,660,000	7/1/2054	5,340,000
7/1/2052	4,785,000	1/1/2055	5,485,000
1/1/2053	4,920,000	7/1/2055	5,640,000
7/1/2053	5,055,000	1/1/2056	5,795,000
1/1/2054	5,195,000	7/1/2056*	5,955,000

*Final Maturity

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2026A Premium PAC Term Bond Maturing January 1, 2057

Redemption Date	Principal Amount ($)	Redemption Date	Principal Amount ($)
7/1/2027	370,000	1/1/2043	1,035,000
1/1/2028	385,000	7/1/2043	1,070,000
7/1/2028	395,000	1/1/2044	1,110,000
1/1/2029	410,000	7/1/2044	1,145,000
7/1/2029	425,000	1/1/2045	1,185,000
1/1/2030	435,000	7/1/2045	1,225,000
7/1/2030	450,000	1/1/2046	1,265,000
1/1/2031	465,000	7/1/2046	1,305,000
7/1/2031	485,000	1/1/2047	1,350,000
1/1/2032	500,000	7/1/2047	1,395,000
7/1/2032	515,000	1/1/2048	1,440,000
1/1/2033	535,000	7/1/2048	1,490,000
7/1/2033	550,000	1/1/2049	1,540,000
1/1/2034	570,000	7/1/2049	1,590,000
7/1/2034	590,000	1/1/2050	1,645,000
1/1/2035	610,000	7/1/2050	1,700,000
7/1/2035	630,000	1/1/2051	1,755,000
1/1/2036	650,000	7/1/2051	1,815,000
7/1/2036	675,000	1/1/2052	1,875,000
1/1/2037	695,000	7/1/2052	1,940,000
7/1/2037	720,000	1/1/2053	2,005,000
1/1/2038	745,000	7/1/2053	2,070,000
7/1/2038	770,000	1/1/2054	2,140,000
1/1/2039	795,000	7/1/2054	2,210,000
7/1/2039	820,000	1/1/2055	2,285,000
1/1/2040	850,000	7/1/2055	2,360,000
7/1/2040	880,000	1/1/2056	2,440,000
1/1/2041	910,000	7/1/2056	2,520,000
7/1/2041	940,000	1/1/2057	850,000
1/1/2042	970,000	7/1/2057*	-
7/1/2042	1,005,000		

*Final Maturity

The principal amount of the Series 2026A Bonds to be redeemed on each such redemption date pursuant to mandatory sinking fund redemption shall be reduced by the principal amount of any Series 2026A Bonds having the same stated maturity and interest rate, which (A) at least 45 days prior to such mandatory sinking fund redemption date, (1) shall have been acquired by the Department and delivered to the Trustee for cancellation, or (2) shall have been acquired and canceled by the Trustee at the direction of the Department, or (3) shall have been redeemed other than pursuant to scheduled mandatory redemption, and (B) shall have not been previously credited against a scheduled mandatory sinking fund redemption.

Partial Redemption

Except as described in "THE SERIES 2026A BONDS – Redemption Provisions – Special Redemption from Unexpended Proceeds of Series 2026A Bonds," "THE SERIES 2026A BONDS – Redemption Provisions – Special Redemption from 2026A Mortgage Loan Principal Payments" "THE SERIES 2026A BONDS – Redemption Provisions – Special Redemption from Excess Revenues," if less than all of the Series 2026A Bonds of the same maturity and interest rate shall be called for prior redemption, the particular Series 2026A Bonds or portions of Series 2026A Bonds to be redeemed in part shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and

appropriate; provided, however, that any Series 2026A Bond redeemed in part shall be redeemed in an amount such that the unredeemed portion thereof shall equal an Authorized Denomination, and provided further that, in selecting Series 2026A Bonds for redemption, the Trustee shall treat each Series 2026A Bond in a denomination greater than the minimum Authorized Denomination as representing that number of Series 2026A Bonds of the minimum Authorized Denomination which is obtained by dividing the Principal Amount at maturity of such Series 2026A Bond by the minimum Authorized Denomination. See "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – DTC and Book-Entry."

Notice of Redemption

Except as provided below, the Trustee shall give notice, in the name of the Department, of the redemption of Series 2026A Bonds to the holders thereof, which notice shall specify the maturity and interest rates of the Series 2026A Bonds to be redeemed, the redemption date and the method and place or places of payment of the Redemption Price of such Series 2026A Bonds, the conditions, if any, to such redemption and, if less than all of the Series 2026A Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2026A Bonds so to be redeemed, and, in the case of Series 2026A Bonds to be redeemed in part only, such notices shall also specify the respective portions of the principal amounts thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Series 2026A Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal amount thereof, in the case of Series 2026A Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. If applicable, such notice shall provide that the redemption of the Series 2026A Bonds is conditioned upon moneys being available for such purpose on the redemption date or such other conditions as may be set forth in such notice. See "THE SERIES 2026A BONDS – Conditional Notices of Redemption."

The Trustee shall mail a copy of such notice by first class mail, postage prepaid, not less than 30 days, nor more than 60 days prior to the redemption date to the holders of any Series 2026A Bonds or portions thereof which are to be redeemed, at the address shown on the registration books maintained by the Trustee.

Conditional Notices of Redemption

The Department reserves the right to give notice of its election or direction to redeem Series 2026A Bonds conditioned upon the occurrence of subsequent events.

Payment of Redeemed Bonds

Notice having been given as provided in the Trust Indenture, the Series 2026A Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Series 2026A Bond, the Department shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Series 2026A Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Series 2026A Bond so surrendered, Series 2026A Bonds of like maturity, interest rate and aggregate principal amount in any Authorized Denomination. If, on the redemption date, moneys for the redemption of all the Series 2026A Bonds or portions thereof of any like maturity to be redeemed, together with interest to the redemption date, shall be held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been given as specified in the Trust Indenture, then, from and after the redemption date, interest on the Series 2026A Bonds or portions thereof of like maturity so called for redemption shall cease to accrue and become payable. If such moneys shall not be available on the redemption date, such Series 2026A Bonds or portions

thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Purchase in Lieu of Redemption

The Trust Indenture permits the purchase of Bonds, including the Series 2026A Bonds, in the open market in lieu of redemption of such Series 2026A Bonds. Any such purchase may be at a price not exceeding the then applicable Redemption Price for such Series 2026A Bonds.

Average Life and Prepayment Speeds

Prepayments on mortgage loans are commonly measured relative to a prepayment standard or model. The SIFMA Prepayment Model represents an assumed monthly rate of prepayment of the then outstanding principal balance of a pool of new mortgage loans. The SIFMA Prepayment Model does not purport to be either an historical description of the prepayment of any pool of mortgage loans or a prediction of the anticipated rate of prepayment of any pool of mortgage loans, including the 2026A Mortgage Certificates. One hundred percent (100%) of the SIFMA Prepayment Model assumes prepayment rates of 0.2 percent per year of the then unpaid principal balance of such mortgage loans in the first month of the life of the mortgage loans and an additional 0.2 percent per year in each month thereafter (for example, 0.4 percent per year in the second month) until the 30th month. Beginning in the 30th month and in each month thereafter during the life of the mortgage loans, 100 percent of the SIFMA Prepayment Model assumes a constant prepayment rate of six percent per year. Multiples will be calculated from this prepayment rate speed e.g., 200 percent of the SIFMA Prepayment Model assumes prepayment rates will be 0.4 percent per year on month one, 0.8 percent per year in month two, reaching 12 percent per year in month 30 and remaining constant at 12 percent per year thereafter. The amounts shown in the tables under "THE SERIES 2026A BONDS—Redemption Provisions — Special Redemption from 2026A Mortgage Loan Principal Payments" above for 2026A Premium PAC Term Bond Outstanding Applicable Amount are based on many assumptions, including (i) receipt of prepayments on the 2026A Mortgage Loans equal to 75 percent of SIFMA's standard prepayment model (as further described below) (the "SIFMA Prepayment Model") in the case of 2026A Premium PAC Term Bond Outstanding Applicable Amount; and (ii) that 100 percent of the moneys on deposit in the 2026A Mortgage Loan Account attributable to the proceeds of the Series 2026A Bonds will be used to purchase 2026A Mortgage Certificates.

The following table assumes, among other things, that:

(i) all amounts in the 2026A Mortgage Loan Account will be used to purchase 2026A Mortgage Certificates and DPA Loans;

(ii) 2026A Mortgage Loans will be purchased on average on May 14, 2026;

(iii) $65,000,000 of 2026A Mortgage Loans (Non-Targeted Areas) will have an original term of 30 years with three (3) points of repayable DPA Loans and have an average interest rate of 6.000% per annum;

(iv) $17,500,000 of 2026A Mortgage Loans (Targeted Areas) will have an original term of 30 years with three (3) points of repayable DPA Loans and have an average interest rate of 5.750% per annum;

(v) $80,000,000 of 2026A Mortgage Loans (Non-Targeted Areas) will have an original term of 30 years with four (4) points of repayable DPA Loans and have an average interest rate of 6.125% per annum;

(vi) $20,000,000 of 2026A Mortgage Loans (Targeted Areas) will have an original term of 30 years with four (4) points of repayable DPA Loans and have an average interest rate of 5.875% per annum;

(vii) $55,000,000 of 2026A Mortgage Loans (Non-Targeted Areas) will be "Low Rate Option Loans" with an original term of 30 years with no DPA Loans and have an average interest rate of 5.750% per annum;

(viii) $12,500,000 of 2026A Mortgage Loans (Targeted Areas) will be "Low Rate Option Loans" with an original term of 30 years with no DPA Loans and have an average interest rate of 5.500% per annum;

(ix) Trustee's fees will be 0.02% per annum of Series 2026A Bonds outstanding with an annual minimum of $3,500 payable monthly;

(x) 2026A Mortgage Loans prepay at the indicated percentage of the SIFMA Prepayment Model;

(xi) all 2026A Mortgage Loans are pooled and assigned to GNMA upon the issuance to the Trustee of GNMA Certificates and payments on such Mortgage Certificates are timely made and used on a timely basis to redeem the Series 2026A Bonds as described in (xiii) and (xiv) below;

(xii) the Series 2026A Bonds are not redeemed pursuant to unexpended proceeds redemption;

(xiii) the Series 2026A Bonds, other than the 2026A Premium PAC Term Bond where noted, are not redeemed pursuant to optional redemption;

(xiv) no amounts allocable to any other series of Bonds are used to cross-call the Series 2026A Bonds and no amounts allocable to the Series 2026A Bonds are used to cross-call any other series of Bonds;

(xv) the Investment Securities held in each of the 2026A Mortgage Loan Account will pay interest at the rate of 0% per annum and the Investment Securities held in each of the 2026A Revenue Fund will pay interest at the rate of 0% per annum for the first three years and 0.05% per annum thereafter;

(xvi) Series 2026A Bonds will be redeemed semi-annually as described under "THE SERIES 2026A BONDS – Redemption Provisions – Special Redemption from 2026A Mortgage Loan Principal Payments" for the respective Series 2026A Bonds; and

(xvii) Series 2026A Bonds will be redeemed semi-annually as described under "THE SERIES 2026A BONDS – Redemption Provisions – Special Redemption from Excess Revenues" for the respective Series 2026A Bonds.

Based on the foregoing and other assumptions, some or all of which may not reflect actual experience, the tables below indicate the projected weighted average lives of the following Term Bonds.

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Projected Weighted Average Life (in Years)[(1)]

Series 2026A Bonds (Non-AMT)						
					2026A Premium PAC Term Bond Due 1/1/2057	
SIFMA Prepayment Model	Term Bond due 7/1/2041	Term Bond due 7/1/2046	Term Bond due 7/1/2051	Term Bond due 7/1/2056	(Optional Call not Exercised)	(Optional Call Exercised)
0%	14.2	18.2	23.2	27.3	15.9	7.2
50%	13.8	16.7	19.1	19.5	6.0	5.5
75%	12.6	14.8	16.1	16.2	6.0	5.5
100%	11.5	13.1	13.7	13.8	6.0	5.5
125%	10.5	11.6	11.9	11.9	6.0	5.5
150%	9.6	10.3	10.4	10.4	6.0	5.5
175%	8.8	9.2	9.3	9.3	6.0	5.5
200%	8.1	8.3	8.3	8.3	6.0	5.5
300%	5.8	5.8	5.8	5.8	6.0	5.5
400%	4.4	4.4	4.4	4.4	6.0	5.5
500%	3.6	3.6	3.6	3.6	6.0	5.5
600%	3.1	3.1	3.1	3.1	6.0	5.5
700%	2.9	2.9	2.9	2.9	6.0	5.5

[(1)] The weighted average life of a bond is determined by (i) multiplying the amount of each principal payment by the number of years from the date of issuance of the bonds to the related principal payment date, (ii) adding the results and (iii) dividing the sum by the total principal paid on the bond.

In addition to the table above, "APPENDIX F – TABLE OF PROJECTED WEIGHTED AVERAGE LIFE DATA AT VARIOUS PREPAYMENT SPEEDS" sets forth a table of additional average life-related data at various prepayment speeds.

The holder of less than all of the Outstanding principal amount of a 2026A Premium PAC Term Bond, or a Term Bond may not achieve the results indicated above. The Department does not undertake to update this table or any other projections contained in this Official Statement based on the Department's actual experience with respect to repayment and prepayment of the Series 2026A Bonds. See "INVESTMENT CONSIDERATIONS" herein for a discussion of certain factors that may affect the rate of prepayments of the Mortgage Loans.

The SIFMA Prepayment Benchmark does not purport to be a prediction of the anticipated rate of Prepayments of the Mortgage Loans, and there is no assurance that the prepayments of the Mortgage Loans will conform to any of the assumed prepayment rates. See "INVESTMENT CONSIDERATIONS" herein for a discussion of certain factors that may affect the rate of Prepayments of the Mortgage Loans. The Department makes no representation as to the percentage of the principal balance of the Mortgage Loans that will be paid as of any date or as to the overall rate of prepayment. Investors may view the Department's website for information regarding the Trust Estate, including information regarding Mortgage Loans and Mortgage Certificates. Investors should be aware of the disclaimers before viewing, particularly the Department's representation that it has no obligation to update its website.

The information set forth above with respect to the prepayment experience (as a percentage of the SIFMA Prepayment Model) has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation of the Department, the Municipal Advisor or the Underwriters.

The achievement of certain results or other expectations contained in this section involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied in this section. The Department does not expect or intend to issue any updates or

revisions to this section if or when its expectations, or events, conditions or circumstances on which such statements are based, occur or fail to occur.

SECURITY FOR THE BONDS

Pledge of Trust Indenture

The Bonds, including the Series 2026A Bonds, the Prior Bonds and, unless subordinated, all bonds subsequently issued pursuant to the Trust Indenture are equally and ratably secured by the Trust Indenture for the equal benefit, protection and security of the owners of the Bonds, each of which, regardless of time of issuance or maturity, is to be of equal rank without preference, priority or distinction, except as otherwise provided in the Trust Indenture.

Principal or Redemption Price of and interest on all Bonds are payable solely from and are secured by a pledge of and lien on the Trust Estate, which consists generally of the Revenues, Mortgages, Mortgage Loans (including Mortgage Certificates), money, and Investment Securities held in the Funds (excluding the Rebate Fund), and other property pledged under the Trust Indenture and any Supplemental Indenture. Revenues include all payments with respect to the Mortgage Loans (net of servicing, accounting and collection fees) which include Mortgage Certificates (net of servicing and guaranty fees) and the earnings on investments of amounts held under the Trust Indenture and any Supplemental Indenture. Revenues do not include payments made in order to obtain or maintain mortgage insurance and fire and other hazard insurance with respect to Mortgage Loans (including Mortgage Certificates), and any payments required to be made with respect to Mortgage Loans (including Mortgage Certificates) for taxes, other governmental charges, and other similar charges customarily required to be escrowed on mortgage loans or commitment fees or other financing charges paid by a Mortgage Lender or the Master Servicer to the Department in connection with a commitment to sell and deliver Mortgage Loans (including Mortgage Certificates) to the Department.

The structure of Program 114 allows Eligible Borrowers to choose between Mortgage Loans offered either at various levels of down payment assistance ("Assisted Option") or without an accompanying DPA Loan ("Low Rate Option"). Mortgage Loans will bear interest at annual rates announced from time to time by the Department. All Assisted Option Loans are accompanied by a DPA Loan that provides funds for down payment and closing cost assistance in the form of a second lien loan with no stated interest in an amount equal to a percentage of the original principal amount of the related first lien Assisted Mortgage Loan. DPA Loans are due on sale, refinance, or repayment of the first mortgage, and have a thirty year term. Borrowers choosing the Low Rate Option do not receive down payment or closing cost assistance. The Department reserves the right to modify the down payment assistance options available through Program 114 at any time.

The Series 2026A Bonds are limited obligations of the Department and are payable solely from the Revenues and funds pledged for the payment thereof as more fully described herein. Neither the State nor any agency of the State, other than the Department, nor the United States of America nor any agency, department or other instrumentality thereof, including GNMA, and Fannie Mae, is obligated to pay the principal or Redemption Price of, or interest on, the Series 2026A Bonds. Neither the faith and credit nor the taxing power of the State or the United States of America is pledged, given or loaned to such payment. The Department has no taxing power. GNMA and Fannie Mae guarantee only the payment of the principal of and interest on the GNMA Certificates and Fannie Mae Certificates, respectively, when due and do not guarantee the payment of the Series 2026A Bonds or any other obligations issued by the Department.

Supplemental Mortgage Security

The Trust Indenture requires that each Mortgage Loan be further secured by Supplemental Mortgage Security, if any, as provided in the Supplemental Indenture authorizing the Series of Bonds used to purchase such Mortgage Loan. Pursuant to the Forty-Ninth Supplemental Indenture, the Department has determined that the Supplemental Mortgage Security for the 2026A Mortgage Loans shall be the guaranty of timely payment of principal and interest provided by Ginnie Mae pursuant to the Ginnie Mae Certificates.

Cashflow Statement and Asset Test

The Department is required to deliver periodically a "Cashflow Statement" prepared or verified by a nationally-recognized firm experienced in preparing mortgage revenue bond cashflows, comparing estimates of Revenues with the debt service requirements and Department Expenses with respect to Outstanding Bonds, which Cashflow Statement must demonstrate the sufficiency of such Revenues to pay scheduled debt service on the Bonds and Department Expenses at their respective requirements under each of the scenarios required by the Rating Agencies. Under the terms of the Trust Indenture, such Cashflow Statements must incorporate certain assumptions concerning Mortgage Loan Principal Prepayments, reinvestment rates, expenses and certain other assumptions as required by the Rating Agencies. The Cashflow Statement is required to be prepared (i) upon the issuance of a Series of Bonds; (ii) upon the adjustment of the interest rate or rates on a Series of Bonds, unless otherwise required by the applicable Series Supplement; (iii) upon the purchase or redemption of Bonds other than as assumed in the Cashflow Statement most recently filed with the Trustee; (iv) upon the application of Mortgage Loan Principal Payments other than as assumed in the Cashflow Statement most recently filed with the Trustee; (v) upon the application of amounts in the Residual Revenues Fund other than as assumed in the Cashflow Statement most recently filed with the Trustee; (vi) at such times, if any, as may be required by a Supplemental Indenture; and (vii) not later than two and one-half years after the date of filing of the most recent Cashflow Statement. The Department, at its option, may file a revised or amended Cashflow Statement with the Trustee at any time.

The Department has covenanted in the Trust Indenture that it will not make, acquire, refinance or sell Mortgage Loans or Mortgage Certificates or purchase or redeem Bonds, including the Series 2026A Bonds, or take certain other actions permitted under the Trust Indenture, unless such actions are consistent with the assumptions set forth in its most recent Cashflow Statement.

Moneys held under the Trust Indenture in excess of the amounts required by the Asset Test (hereinafter described) may, at the written direction of the Department accompanied by a Cashflow Certificate, be transferred to the Department to be used for any purpose authorized or permitted by the Act, free and clear of the pledge and lien of the Trust Indenture. In general, the Asset Test is deemed satisfied if the outstanding principal balance of the Mortgage Loans and Mortgage Certificates and money and Investment Securities held in all Funds (other than the Cost of Issuance Fund, Expense Fund, Rebate Fund and any mortgage pool self-insurance reserve established by the Department with respect to Mortgage Loans) is at least equal to 102% of the principal amount of Bonds Outstanding. See "THE TRUST INDENTURE – Residual Revenues Fund."

Additional Bonds

Various series of Bonds, including refunding Bonds, may be issued as provided in the Trust Indenture on a parity with the Bonds of all other Series, secured by a pledge of and lien on the Trust Estate. As a condition to the issuance of additional Bonds, including refunding Bonds, the Department must deliver various items to the Trustee including the opinions of Bond Counsel to the effect that, among other things, the series of Bonds is validly issued in accordance with the Trust Indenture and the Act. The Department must also deliver to the Trustee a Cashflow Statement which gives effect to the issuance of such additional Bonds as described above under "Cashflow Statement and Asset Test" and a written confirmation from

each Rating Agency that the issuance of Bonds of each Series will not adversely affect the rating then in effect on any Outstanding Bonds (determined without regard to any Credit Agreement). The Department has reserved the right to adopt one or more other bond indentures and to issue other obligations payable from sources other than the Trust Estate or, payable from the Trust Estate, including the Revenues, if the pledge of and lien on the Trust Estate and the Revenues is junior to or subordinate to the pledge of and lien on the Trust Estate and the Revenues.

Outstanding Subordinate Lien Obligation

The Department entered into a Loan Agreement dated September 28, 2016 (the "Subordinate Loan Agreement"), with Woodforest National Bank ("Woodforest") for a secured draw down credit facility in an aggregate principal amount not to exceed $10,000,000 as evidenced by the Department's Series 2016 Issuer Note (the "Subordinate Note"). The Department has drawn the full $10,000,000 authorized amount under the Subordinate Loan Agreement, all of which currently is outstanding. The Subordinate Note bears interest at 1.0% per annum and no scheduled interest or principal payments are payable until the stated maturity date of September 28, 2026. The Subordinate Note is secured by and payable solely from a lien on and pledge of the Trust Estate established by the Trust Indenture, which lien and pledge expressly is subordinate to the lien and pledge of the Trust Estate securing the Series 2026A Bonds and the Outstanding Prior Bonds. Proceeds from the Subordinate Note were used to make down payment assistance loans to qualified borrowers. Upon the occurrence of an event of default under the terms of the Subordinate Loan Agreement (which includes whenever the amount determined pursuant to the Asset Test is less than 102% plus the then outstanding amount of the Subordinate Note), the Subordinate Note will bear interest at a per annum rate of 6.0% and the outstanding principal amount thereof may be declared to be immediately due and payable. Upon the Trustee's receipt of written notice from Woodforest that the Department has failed to pay the Subordinate Note in full when due, the Trustee will transfer the unpaid amount from the Residual Revenues Fund to Woodforest to the extent permitted by the provisions of the Trust Indenture described in the last paragraph under "THE TRUST INDENTURE – Residual Revenues Fund."

Sale of Mortgage Certificates and Mortgage Loans

The Department may, at its election, sell, assign, transfer or otherwise dispose of any Mortgage Loan or Mortgage Certificate, in whole or in part, or any of the rights of the Department with respect to any Mortgage Loan or Mortgage Certificate, in whole or in part, free and clear of the lien of the Trust Indenture, but only if a Cashflow Statement establishes that such sale, assignment, transfer or other disposition will not adversely affect the ability of the Department to pay when due the principal or Redemption Price of and interest on the Bonds and the Rating Agency shall have confirmed that such sale, assignment, transfer or other disposition will not have an adverse effect on the rating then in effect on the Bonds. The Department may also sell any Mortgage Loan, Mortgage Certificate or other obligation evidencing or securing a Mortgage Loan if it is necessary for the Department to take such action in order to maintain the excludability of interest on any of the Bonds from gross income for federal income tax purposes. If proceeds from the sale of the Mortgage Certificates are to be applied to the redemption of Series 2026A Bonds, such Series 2026A Bonds must be redeemed under the applicable redemption provision of the Trust Indenture. See "THE SERIES 2026A BONDS – Redemption Provisions."

Certain Information as to Revenues, Investments, Debt Service and Department Expenses

On the basis of the Cashflow Statement prepared in connection with the issuance of the Series 2026A Bonds, the Department expects that the scheduled payments, together with Mortgage Loan Principal Prepayments received, if any, of the principal of and interest on the Mortgage Loans and the Mortgage Certificates and amounts held under the Trust Indenture and the earnings thereon, will be sufficient to pay the principal or Redemption Price of and interest on the Series 2026A Bonds and all other Prior Bonds Outstanding when due. In arriving at the foregoing conclusions, the Department has included all Series 2026A Bonds and Prior Bonds but has not considered the issuance of additional Bonds or the application

or investment of the proceeds thereof. Since obligations issued under the Trust Indenture, unless subordinated, will rank equally and ratably with the Series 2026A Bonds and the Prior Bonds with respect to the security afforded by the Trust Indenture, the availability of money for repayment thereof could be significantly affected by the issuance, application and investment of proceeds of additional Bonds.

The maturity of and mandatory sinking fund installments of the Series 2026A Bonds have been established on the basis of the consolidated scheduled payments of the Mortgage Loans (including Mortgage Certificates) under the Trust Indenture. The interest rates on the Mortgage Loans acquired with moneys made available from the issuance of the Series 2026A Bonds will be established so that, together with payments of principal of and interest on the Mortgage Loans and the Mortgage Certificates outstanding under the Trust Indenture and moneys on deposit in the various funds and accounts under the Trust Indenture (as well as income derived from investments thereof), sufficient Revenues will be expected to be available to pay on a timely basis the principal of and interest on all Bonds outstanding under the Trust Indenture, including the Series 2026A Bonds and certain other amounts required to be paid under the Trust Indenture. Such expectation is based on, among others, the following assumptions:

(a) moneys held in the Mortgage Loan Fund, the Revenue Fund and the Residual Revenues Fund will be invested at the rates per annum applicable to each (a portion of the earnings from which may be subject to rebate to the United States Department of Treasury), and timely payments will be made to the Trustee of amounts due under such investments;

(b) the payments on the Mortgage Loans (including the Mortgage Certificates) will be made in full and received by or on behalf of the Department on the 30th day following their scheduled payment dates;

(c) the Mortgage Lenders, the servicers, and the Master Servicers will perform their duties in a timely manner;

(d) all future expenses with respect to the Bonds and administering and servicing the Mortgage Loans, including the Trustee's fees and payment of Department Expenses, will be paid in full on a timely basis from interest paid on the Mortgage Loans and the Mortgage Certificates and investment income on funds held by the Trustee;

(e) all of the lendable proceeds of the Series 2026A Bonds will be used to purchase Mortgage Certificates representing Mortgage Loans with terms of thirty (30) years that will provide for payment of principal and interest in approximately equal monthly installments; and

(f) the proceeds of the Series 2026A Bonds will be used to provide for the purchase of Mortgage Certificates, all of which are projected to be GNMA Certificates.

The Department makes no assurances that the foregoing assumptions can be realized, particularly in times of market turmoil. In particular, the Department establishes the interest rates on the Mortgage Loans (including Mortgage Certificates) on an ongoing basis as the Department deems necessary and appropriate, subject to the requirements of the Trust Indenture, including the Cashflow Statement. Interest rates are determined by reference to conventional mortgage rates, availability of mortgage funding alternatives, historical interest rate patterns and the Department's cost of funds.

INVESTMENT CONSIDERATIONS

Future Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the United States Congress and in states that, if enacted, could alter the federal and state tax matters referred to herein or otherwise prevent beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest, and thus

adversely affect the market value of the Bonds, and/or change the expected characteristics of the Bonds (such as loan origination and loan prepayment rates). It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted it, would apply retroactively to bonds (such as the Bonds) issued prior to enactment. In addition, executive, regulatory or other administrative actions may be taken or proposed to be taken from time to time, or litigation may be threatened or commenced, which could adversely affect the market value of the Bonds. Purchasers of the Bonds should consult their tax advisors in the event of any such proposed or pending legislation, executive, regulatory or administrative initiatives or litigation. The opinions expressed by Bond Counsel with respect to the Bonds are based upon existing law as of the date of issuance of the Bonds and Bond Counsel assumes no obligation to revise or supplement such opinions in the event of any changes that occur after such date of issuance.

Termination of Mortgage Loans and Mortgage Certificates

The maturity and sinking fund redemption installments of the Series 2026A Bonds were determined on the basis of the assumption that there will be no early terminations of the Mortgage Loans or the Mortgage Certificates relating to the Series 2026A Bonds. The Department expects Mortgage Loans and Mortgage Certificates relating to the Series 2026A Bonds will be terminated prior to final maturity as a result of Mortgage Loan Principal Prepayments. All Mortgage Loan Principal Prepayments relating to the Series 2026A Bonds will be deposited in the applicable subaccount of the Revenue Fund and transferred to the 2026A Special Redemption Account for use to redeem the applicable series of the Series 2026A Bonds or other Bonds in accordance with the Trust Indenture or used to acquire new Mortgage Loans or participations therein. **Accordingly, the Department anticipates that a significant portion of the Series 2026A Bonds will be redeemed prior to their scheduled maturity.**

Mortgage Loan Principal Prepayments

The Department anticipates that the Trustee will receive Mortgage Loan Principal Prepayments on the Mortgage Certificates. Mortgage Loan Principal Prepayments are usually the result of the resale of the premises securing a Mortgage Loan or the refinancing of a Mortgage Loan due to changes in mortgage interest rates. Therefore, economic and financial market conditions may have a significant short-term effect on the rate of prepayments. The Department is not aware of any means which would allow it to accurately predict the actual level of prepayments it will receive from the Mortgage Certificates. Mortgage Loan Principal Prepayments on the Mortgage Certificates may be applied to the prepayment of the respective series of the Series 2026A Bonds or used to acquire new Mortgage Loans or participations therein. See "THE SERIES 2026A BONDS – Redemption Provisions – Special Redemption from 2026A Mortgage Loan Principal Payments."

10-Year Rule

The "10-Year Rule" (Section 143(a)(2)(A)(iv) of the Code), as it is commonly called, generally requires that scheduled payments and prepayments of the principal of the 2026A Mortgage Certificates allocable to the Series 2026A Bonds must be used to redeem the Series 2026A Bonds to the extent such repayments are received more than 10 years after the issue date thereof (or, with respect to any tax-exempt Bonds redeemed by the Series 2026A Bonds, the original Bond). Such principal payments, when received, are considered "Restricted Principal Receipts". The 10-Year Rule generally limits the Department's ability to cross-call Bonds from Restricted Principal Receipts or to recycle such Restricted Principal Receipts. If the United States Congress were to amend or repeal the 10-Year Rule, such repeal may lead to increased recycling or to the cross-calling of the Bonds (including, but not limited to, the Series 2026A Bonds).

Non-Origination of Mortgage Loans

One of the principal factors in originating Mortgage Loans is the availability of funds to make such loans at interest rates and on other terms that prospective borrowers can afford and will find attractive. The Department has determined that there is a shortage of funds in the State to make such loans at interest rates

and on terms that a substantial number of potential borrowers within the State can afford. Should mortgage interest rate levels decline, or should one or more alternative governmental programs become available at below market rates, mortgage loans could become available at rates competitive with or lower than the rate specified for the Mortgage Loans, and the total amount of Mortgage Loans anticipated to be originated under the Program may not be so originated.

Non-origination may also be effected by other programs of the Department as described in "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – Other Department Programs."

The failure to originate Mortgage Loans, or the inability to deliver Mortgage Certificates to the Trustee in the amounts contemplated from proceeds of the Series 2026A Bonds, will result in redemption of Series 2026A Bonds prior to their stated maturities. See "THE SERIES 2026A BONDS – Redemption Provisions – Special Redemption from Unexpended Proceeds of Series 2026A Bonds."

In fiscal year 2025, the Department has averaged approximately $53 million per month in GNMA mortgage-backed securities issued that are backed by tax-exempt bond eligible mortgage loans, exclusive of loans for which a mortgage credit certificate was issued. The Department has not had an unexpended proceeds call since November 1, 2010.

Availability of Remedies

The remedies available to the owners of the Series 2026A Bonds upon an Event of Default under the Trust Indenture or other documents described herein are in certain respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy laws, the Trust Indenture and the various Program documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2026A Bonds will, therefore, be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally and by general principles of equity which permit the exercise of judicial discretion, and by principles of sovereign immunity.

Disclaimer Regarding Cyber Risks

The Department, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the Department may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the Department's systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. No assurance can be given that the Department's current efforts to manage cyber threats and security will, in all cases, be successful. The Department cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances.

The Department relies on other entities and service providers in the course of operating the Department's programs, as well as other trustees, custodians, fiscal agents and dissemination agents. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the Department and the owners of the Series 2026A Bonds, including the possibility of impacting the timely payments of debt service of the Series 2026A Bonds or timely filings pursuant to the Disclosure Agreement.

THE DEPARTMENT

General

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

The Department is subject to the Texas Sunset Act (Chapter 325, Texas Government Code, as amended, hereinafter referred to as the "Sunset Act") and its continued existence is subject to a review process that resulted in passage of legislation in the Seventy-Eighth Legislative Session in 2003 which continued the Department in existence until September 1, 2011. House Bill 3361 extended the existence of the Department until September 2025, at which time it will be subject to review. The Sunset Act, however, recognizes the continuing obligation of the State to provide for the payment of bonded indebtedness incurred by a State agency abolished under the provisions thereof and provides that the Governor of the State shall designate an appropriate State agency to continue to carry out all covenants with respect to any bonds outstanding, including the payment of any bonds from the sources provided in the proceedings authorizing such bonds.

In the Act, the State also pledges and agrees with the holders of any bonds issued under the Act that the State will not limit or alter the rights vested in the Department to fulfill the terms of any agreements made with the holders thereof that would in any way impair the rights and remedies of such holders until such bonds, together with the interest thereon, interest on any unpaid installments of interest and all costs and expenses incurred in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

Purpose and Impact

The Department is the state agency responsible for affordable housing, community and energy assistance programs, colonia activities, and regulation of the state's manufactured housing industry. The Department currently administers $2 billion through for-profit, nonprofit, and local government partnerships to deliver local housing and community based opportunities and assistance to Texans in need. The overwhelming majority of the Department's resources are derived from mortgage revenue bond financing and refinancing, federal grants, and federal tax credits.

The mission of the Department is to administer its assigned programs efficiently, transparently, and lawfully and to invest its resources strategically and develop high quality affordable housing which allows Texas communities to thrive.

Aligning with the Department's mission, proceeds of the Series 2026A Bonds will be primarily used to purchase Mortgage Certificates secured by qualified Mortgage Loans and will fund down payment and closing cost assistance. Mortgage Loans will primarily include loans originated under the My First Texas Home Program to qualified individuals and families whose gross annual household income does not exceed 115% AMFI (100% for households of 2 persons or less), based on IRS adjusted income limits, or 140% AMFI (120% for households of 2 persons or less) if in a targeted area. Eligible Borrowers must

generally be first-time homebuyers, qualified veterans, or purchasing in a targeted area. See also "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS, AND OTHER MATTERS – The Program and the Mortgage Loans."

For the period November 1, 2023 through October 31, 2025, the Department financed almost $1.65 billion of first lien loans with bond proceeds and assisted 6,953 households. Approximately 86% of the number of Mortgage Loans were made to families with incomes less than 80% AMFI. The distribution of income bands for the borrowers of Mortgage Loans purchased with Series 2026A Bonds is expected to be similar to previously financed loans in the Department's Single Family Mortgage Revenue Bond Program.

Loans financed through the Single Family and Residential Mortgage Revenue Bond Program
November 1, 2023 through October 31, 2025

AMFI Band	$ Amt of 1st Liens	Percent of Loan Amount ($)	No. of 1st Lien Loans	Percent of No. of 1st Lien Loans	$ Amt of 2nd Liens	Percent of Loan Amount ($)	No. of 2nd Lien Loans	Percent of No. of 2nd Lien Loans
<50.0%	609,003,037	37.01%	2,744	39.46%	15,239,433	39.60%	2,116	41.55%
50.0%-59.9%	292,627,201	17.78%	1,276	18.35%	6,891,890	17.91%	941	18.48%
60.0%-69.9%	258,026,516	15.68%	1,098	15.79%	5,864,064	15.24%	781	15.33%
70.0%-79.9%	216,480,031	13.15%	853	12.27%	4,982,521	12.95%	617	12.11%
80.0%-89.9%	161,838,177	9.83%	601	8.64%	3,368,794	8.75%	402	7.89%
90.0%-99.9%	102,412,372	6.22%	364	5.24%	2,010,674	5.22%	224	4.40%
= or>100%	5,251,381	0.32%	17	0.24%	127,938	0.33%	12	0.24%
Total	1,645,638,715	100.00%	6,953	100.00%	38,485,314	100.00%	5,093	100.00%

In conjunction with the Mortgage Loans, the Department financed $38.5 million in down payment assistance and closing costs assistance loans.

Down Payment Assistance Statistics and Closing Cost Assistance November 1, 2023 through October 31, 2025	
Total DPA Provided ($)	$38,485,314
Total DPA Provided (# of Loans)	5,093
Percent of Borrowers Receiving DPA	73.25%
Average DPA Provided per Borrower	$7,557
Average DPA Provided (% of Loan Amount)	2.34%

The Department intends to prepare a voluntary report after proceeds of the Series 2026A Bonds have been fully disbursed to purchase Mortgage Certificates, and post this report to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system. The voluntary report is expected to take the form presented in "APPENDIX H - USE OF PROCEEDS REPORT" of this Official Statement, and is expected to include information regarding the Mortgage Loans financed with the proceeds of the Series 2026A Bonds and how such proceeds were spent.

Governing Board

The Department is governed by a governing board (the "Board") consisting of seven public members, appointed by the Governor, with the advice and consent of the State Senate. Board members hold office for six year staggered terms. Each member serves until his or her successor is appointed and

qualified. Each member is eligible for reappointment. Members serve without compensation but are entitled to reimbursement for actual expenses incurred in performing their duties of office. The Act requires the Governor to make appointments so that the places on the Board are occupied by persons who have a demonstrated interest in issues related to housing and support services and who broadly reflect the geographic, economic, cultural, and social diversity of the State, including ethnic minorities, persons with disabilities, and women.

The Governor of the State designates a member of the Board to serve as the presiding officer (the "Chair") of the Board at the pleasure of the Governor. The Chair presides at all meetings and performs such other duties as may be prescribed from time to time by the Board and by the Act. In addition, the members of the Board elect one of its members as assistant presiding officer (the "Vice Chair") to perform the duties of the Chair when the Chair is not present or is incapable of performing such duties. The Board also elects a Secretary and a Treasurer (which offices may be held by one individual and neither office holder must be a Board member) to perform the duties prescribed by the Board.

One seat on the Board is currently vacant. The remaining members of the Board, their occupations and their terms of office are as follows:

LEO VASQUEZ, Chair and Board Member. Corporate Finance and Business Management Consultant, Houston, Texas. His term expires January 31, 2029.

KENNY MARCHANT, Vice Chair and Board Member. Retired U.S. Representative for the 24th Congressional District of Texas, Coppell, Texas. His term expires January 31, 2025.

CINDY CONROY, Board Member. Director of community outreach and aide to the chairman of WestStar bank, El Paso, Texas. Her term expires January 31, 2027.

ANNA MARIA FARIAS, Board Member. Retired Assistant Secretary, Office of Fair Housing and Equal Opportunity at the U.S. Department of Housing and Urban Development, a U.S. Senate-confirmed position, San Antonio, Texas. Her term expires January 31, 2027.

AJAY THOMAS, Board Member. Executive Vice President and U.S. Head of Public Finance for FHN Financial, a division of First Horizon Bank, Austin, Texas. His term expires January 31, 2025.

HOLLAND HARPER, Board Member. Chief Development Officer of Harrison, Walker and Harper, LLC, Paris, Texas. His term expires January 31, 2029.

All of the above Board members have been appointed by the Governor and confirmed by the State Senate. Under Article 16 §17 of the Texas Constitution, all state officers continue to perform the duties of their offices until their successors are duly qualified. This ensures that, until the Governor appoints a replacement, the requirements of office are satisfied.

Administrative Personnel

The Act provides that the Department is to be administered by an Executive Director to be employed by the Board with the approval of the Governor. The Executive Director serves at the pleasure of the Board, but may also be removed by a newly elected Governor who did not approve the Executive Director's appointment by action taken within 90 days after such Governor takes office. The Executive Director is responsible for administering the Department and its personnel. The Executive Director may, within the limitations established by the General Appropriations Act, employ other employees necessary for the discharge of the duties of the Department, subject to the annual budget and the provisions of any resolution authorizing the issuance of the Department's bonds.

Currently, the Department has approximately 339 employees. The following is a biographical summary of certain of the Department's senior staff members who have responsibility with respect to single family housing matters.

ROBERT WILKINSON, Executive Director. Mr. Wilkinson was hired by the Governing Board to serve as the Executive Director at the Board meeting of July 25, 2019, and he began his tenure on August 15, 2019. Most recently, Mr. Wilkinson served as the Deputy Budget Director to Texas Governor Greg Abbott. Mr. Wilkinson served in the Budget and Policy Division within the Office of the Governor for the first three legislative sessions of Governor Abbott's administration; 2015, 2017, and 2019. His duties included the development of the Governor's proposed budgets, the analysis and tracking hundreds of filed bills including the General Appropriations Act, the development of policy, and the coordination of governance with executive state agencies. Housing and the Department were important elements of Mr. Wilkinson's portfolio of responsibility from 2014 (under former Governor Rick Perry) through 2019. Before 2014, Mr. Wilkinson held other positions within the Office of the Governor and worked in the private sector in various capacities including a stint as a project manager at a large commercial electrical contractor. Mr. Wilkinson received his Bachelor of Arts from the University of Texas at Austin.

SCOTT FLETCHER, Deputy Executive Director – Housing Finance. Mr. Fletcher joined the Department in July of 2022, where he is responsible for management, strategic planning and oversight of the Department's Bond Finance Division. He oversees the issuance of single family bonds and notes as well as the day to day management of mortgage banking activities. Mr. Fletcher has over 30 years of experience in municipal fixed income and public finance leadership. He received a BSBA from The University of Nebraska in Lincoln and an MBA from The University of Missouri in Kansas City.

LISA JOHNSON, Director of the Texas Homeownership Division, joined the Department in the Housing Trust Fund Department in 2017 administering State and Federal Down payment assistance programs for the Texas Bootstrap Program, Bond Finance and NSP Neighborhood Stabilization Programs and transitioned to the Texas Homeownership Team learning all facets of the division in 2019, working to promote and expand the Department's Down Payment Assistance, MCC Programs and Homebuyer Education throughout the State of Texas. Down payment assistance, credit counseling and overall buyer and seller education are an integral part of the important work of the Texas Homebuyer Team. Prior to joining the Department, Ms. Johnson worked diligently to help borrowers, investors and builders to reach their real estate goals as a licensed Texas Loan Officer and remains a licensed Texas Real Estate Agent.

JAMES "BEAU" ECCLES, General Counsel. J. Beau Eccles joined the Department in June 2015 as its General Counsel and is responsible for coordination of all internal and external legal counsel for the Department. Before joining the Department, Mr. Eccles served as an Assistant Texas Attorney General for thirteen years, including five years as Deputy Chief, then two years as Chief, of the General Litigation Division. Mr. Eccles is a graduate of the Texas Tech School of Law, and received his B.A. from the University of Texas at Austin.

THE TRUST INDENTURE

General

The Trust Indenture, which includes the Master Indenture and each of the Series Supplements and amendments thereto relating to the Bonds, contains various covenants and security provisions, certain of which are summarized below. In addition, the Trust Indenture contains requirements for the purchase of Mortgage Loans and certain covenants with respect to applicable provisions of federal income tax law. See "TAX MATTERS RELATING TO THE SERIES 2026A BONDS." Reference should be made to the Trust Indenture, a copy of which may be obtained from the Department, for a full and complete statement of its provisions.

Funds and Accounts

The following Funds have been established under the Master Indenture: Mortgage Loan Fund; Cost of Issuance Fund; Revenue Fund; Interest Fund; Principal Fund; Special Redemption Fund; Residual Revenues Fund; and Expense Fund and the 1998/1999A Special Mortgage Loan Fund established under the Tenth Series Supplement. The Series Supplements create within each Fund separate accounts for each Series or related Series of Bonds. The Forty-Ninth Supplemental Indenture creates accounts for the Series 2026A Bonds within each listed Fund. The accounts so created do not grant a priority of one Series of Bonds over that of any other Series of Bonds, but are for accounting purposes only. In addition, the Forty-Ninth Supplemental Indenture establishes a 2026A Rebate Fund.

Mortgage Loan Fund

The Trustee is required to apply amounts in the Mortgage Loan Fund to pay the costs of making, acquiring, or refinancing Mortgage Loans (including the acquisition of Mortgage Certificates), and accrued interest thereon, if so directed in a Letter of Instructions from the Department. Any such disbursements are required to be within the certificate purchase period relating to the particular Series of Bonds. The Trustee is required to transfer amounts in the Mortgage Loan Fund relating to an account established for each Series of the Bonds to the Special Redemption Fund at the end of each Mortgage Loan origination period for such Series to pay the Redemption Price of Bonds of each Series to be redeemed or the purchase price of Bonds to be purchased. To the extent required by the provisions of the Master Indenture summarized below under the subheading "Withdrawals from Funds to Pay Debt Service", amounts in the Mortgage Loan Fund may be applied to the payment of principal or Redemption Price of and interest on the Bonds. See "SECURITY FOR THE BONDS –Sale of Mortgage Certificates and Mortgage Loans" and "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – The Program and the Mortgage Loans – Mortgage Loans."

Cost of Issuance Fund

Amounts credited to the Cost of Issuance Fund may be applied to pay Costs of Issuance. If at any time amounts on deposit in the Cost of Issuance Fund are in excess of the amounts reasonably required to pay Costs of Issuance (and do not represent proceeds of the Series 2026A Bonds), the Department may transfer such excess to the Department.

Revenue Fund

All Revenues are required to be deposited into the Revenue Fund promptly upon receipt by the Department. Prior to the transfer of any other amount from the Revenue Fund, the Department may transfer from the Revenue Fund an amount equal to any rebatable arbitrage to the Rebate Fund. On or before each interest payment date on the Bonds, the Trustee will transfer from the Revenue Fund to the Interest Fund an amount which, when added to any amounts already on deposit therein, will equal the amount of interest to become due and payable on the Bonds on such interest payment date.

On or before each maturity date and each date fixed for the redemption of Bonds, the Trustee is required to transfer amounts on deposit in the Revenue Fund representing Mortgage Loan Principal Payments to the Principal Fund, the Mortgage Loan Fund or to the Special Redemption Fund at the Department's direction by a Letter of Instructions accompanied by a Cashflow Certificate or, in the absence of such instructions, as required by the Series Supplements.

On or before each maturity date and each date fixed for redemption of Bonds, the Trustee also must transfer from the Revenue Fund the other amounts on deposit therein in the following order of priority:

(a) first, to the Interest Fund, an amount, if any, which, when added to any amounts already on deposit therein, will equal the amount of interest to become due and payable on the Bonds on such maturity date or redemption date;

(b) second, to the Principal Fund, an amount which, when added to any amounts already on deposit therein, will equal the principal amount of all Bonds maturing on such date and the Redemption Price of all Bonds becoming subject to scheduled mandatory redemption on such redemption date;

(c) third, to the Expense Fund, the amount or amounts specified in the Series Supplements applicable to the Bonds then Outstanding as being necessary to pay Department Expenses consisting of amounts, if any, to be paid to obtain or maintain Supplemental Mortgage Security;

(d) fourth, to the Expense Fund, the amount then required for the payment of Department Expenses (other than as described in clause (c) above), but not in excess of the maximum amount specified in the applicable Series Supplements applicable to the Bonds then Outstanding;

(e) fifth, to the Special Mortgage Loan Fund, the amount, if any, specified in the most recent Cashflow Statement as required by the Series Supplement to maintain the tax-exempt status of the Bonds; and

(f) finally, to the Residual Revenues Fund, the portion, if any, of the amount remaining in the Revenue Fund on such maturity date or redemption date after the foregoing transfers, which the Department directs to be so transferred. Any such amounts transferred to the Residual Revenues Fund constitute "Excess Revenues." See "THE TRUST INDENTURE – Residual Revenues Fund."

Interest Fund and Principal Fund

The Trustee is required to pay out of the Interest Fund by each interest payment date or date fixed for redemption of Bonds, the amount required for the interest payment due on such date. The Trustee is required to pay out of the Principal Fund by each date on which Bonds mature or become subject to scheduled mandatory redemption, the amount required for the payment of the principal amount of Bonds maturing and the Redemption Price of the Bonds subject to scheduled mandatory redemption on such date.

The Trustee, at any time at the direction of the Department in a Letter of Instructions accompanied by a Cashflow Certificate, is required to apply amounts available in the Principal Fund to pay the purchase price of Bonds.

Special Redemption Fund

Amounts in the Special Redemption Fund are required to be applied by the Trustee to pay the Redemption Price of the Bonds becoming subject to redemption (other than by scheduled mandatory redemption) or, at the direction of the Department, may be transferred to the Revenue Fund if notice of redemption has not been given or such amounts have not been committed to the purchase of Bonds. The Trustee, at any time at the direction of the Department in a Letter of Instructions accompanied by a Cashflow Certificate, is required to apply amounts available in the Special Redemption Fund to pay the purchase price of Bonds.

Expense Fund

Amounts in the Expense Fund may be paid out from time to time by the Department for Department Expenses, taxes, insurance, foreclosure fees, including appraisal and legal fees, security, repairs and other expenses incurred by the Department in connection with the protection and enforcement of its rights in any

Mortgage Loan and the preservation of the mortgaged property securing such Mortgage Loans. Excess amounts in the Expense Fund may be transferred to the Revenue Fund at the direction of the Department.

Residual Revenues Fund

During such time as the Department is not meeting the asset test described in the next paragraph (the "Asset Test"), amounts in the Residual Revenues Fund are required to be retained in the Residual Revenues Fund or transferred to the Mortgage Loan Fund or the Special Redemption Fund, as directed by a Letter of Instructions from the Department accompanied by a Cashflow Certificate or, in the absence of such instructions, as may be required by the applicable Series Supplements.

The Department will be deemed to have met the Asset Test if: (i) the Department has on file with the Trustee a Cashflow Statement giving effect to a transfer and release proposed as described in the next paragraph; and (ii) as of the date of such Cashflow Statement, the sum of the outstanding principal balance of the Mortgage Loans and the Mortgage Certificates, and the money and Investment Securities (valued at their amortized values as required by the Trust Indenture) held in all Funds (other than the Cost of Issuance Fund, the Expense Fund and any mortgage pool self-insurance reserve established by the Department with respect to the Mortgage Loans) is at least equal to 102% of the aggregate principal amount of Bonds then Outstanding.

If at any time the Department meets the Asset Test, the Trustee is required to apply amounts in the Residual Revenues Fund (in excess of those required to be maintained under the Trust Indenture in order to permit the Department to continue to meet the Asset Test) as follows: (i) the Trustee is required to transfer such amounts to the Mortgage Loan Fund or the Special Redemption Fund or remit such amounts to the Department to be used for any purpose authorized or permitted by the Act, free and clear of the pledge and lien of the Trust Indenture, if so directed by a Letter of Instructions from the Department; or (ii) in the absence of such instructions, the Trustee is required to retain such amounts in the Residual Revenues Fund.

Rebate Fund

Funds on deposit in the Rebate Fund are required to be withdrawn periodically by the Department and set aside to pay any amounts required to be rebated to the United States under applicable provisions of federal income tax law.

Withdrawals from Funds to Pay Debt Service

If on any interest payment date on the Bonds, after giving effect to the transfers from the Revenue Fund described above, the amount in the Interest Fund or the Principal Fund is less than the amount required to make interest and principal payments then due, the Trustee shall transfer from the following Funds in the following order of priority the amount of such deficit and apply such amount to pay interest and principal as necessary: (i) Residual Revenues Fund; (ii) Special Redemption Fund; and (iii) Mortgage Loan Fund.

None of the following are deemed available under the Trust Indenture for the payment of debt service on the Bonds: (i) the moneys in the Special Redemption Fund which are to be used to redeem Bonds as to which notice of redemption has been given or committed to the purchase of Bonds; (ii) moneys in the Mortgage Loan Fund which are to be used to make, acquire, or refinance Mortgage Loans with respect to which the Department has entered into commitments with borrowers, Mortgage Lenders or others; or (iii) Mortgage Loans credited to the Mortgage Loan Fund.

Investments

Moneys held in the Mortgage Loan Fund, the Revenue Fund, the Interest Fund, the Principal Fund, the Special Redemption Fund, and the Residual Revenues Fund are required to be invested and reinvested

by the Trustee or by any Depository holding all or a portion of the moneys in such Funds, in accordance with instructions from the Department and moneys held in the Cost of Issuance Fund and the Expense Fund are required to be invested and reinvested by the Department or by any Depository holding all or a portion of the moneys in such Funds, in accordance with instructions from the Department, to the fullest extent practicable and if permitted by the Act, in Investment Securities the principal of which the Department estimates will be received not later than such times as will be necessary to provide moneys when needed for payments to be made from each such Fund. See "SECURITY FOR THE BONDS – Investment of Funds" and "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – Texas Treasury Safekeeping Trust Company."

Interest earned from investing any moneys in any Fund or profits realized from any investments in any Fund are required to be retained in such Fund until it contains the amount required by the Trust Indenture to be deposited therein; thereafter such earnings and profits, net of any losses (except that which represents a return of accrued interest paid in connection with the purchase by the Department, the Trustee or any Depository of any investment), are required to be transferred to the Revenue Fund.

Other Department Covenants

The Department is required to keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries must be made of its transactions in accordance with generally accepted accounting principles. The Department is required to file annually, within 180 days after the close of each Bond Year, with the Trustee, and otherwise as provided by law, a copy of an annual report for such year, accompanied by an accountant's certificate, including the following statements in reasonable detail: a statement of financial position as of the end of such Bond Year; and a statement of Revenues and Department Expenses for such Bond Year. The Department at all times is required to appoint, retain and employ competent personnel for the purpose of carrying out its programs and must establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges, and all persons employed by the Department must be qualified for their respective positions.

Events of Default

Each of the following events is an "Event of Default" under the Trust Indenture: (i) default in the due and punctual payment of the principal or Redemption Price of any Bond when due; (ii) default in the due and punctual payment of any installment of interest on any Bond when due; (iii) default by the Department in the performance or observance of any other of its covenants, agreements, or conditions in the Trust Indenture or in the Bonds, and the continuance of such default for a period of 60 days after written notice thereof to the Department by the Trustee or to the Department and to the Trustee by the owners of not less than 10% in principal amount of the Bonds then Outstanding; or (iv) the commencement of various proceedings involving the Department in bankruptcy or seeking reorganization, arrangement, readjustment or composition of its debts or for any other relief under the federal bankruptcy laws or under any other insolvency act or law, state or federal, now or hereafter existing, or seeking the involuntary appointment of a receiver or trustee of the Department or for all or a substantial part of its property, and unless commenced by or consented to by the Department, their continuation for 90 days undismissed or undischarged.

Bondholders' Rights in the Event of Default

If an Event of Default occurs and is continuing, then the Trustee may and, upon the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, must, by written notice delivered to the Department, declare the principal of the Bonds then Outstanding and the interest accrued thereon immediately due and payable; subject, however, to the right of the owners of more than 50% in aggregate principal amount of the Bonds then Outstanding, by written notice to the Department and to the Trustee, to annul such declaration and destroy its effect at any time if all Events of Default, other

than those arising from nonpayment of principal or interest due solely as a result of such acceleration, have been cured. Such annulment will not extend to nor affect any subsequent Event of Default nor impair or exhaust any right or power consequent thereon.

If any Event of Default occurs and is continuing, then the Trustee may and, upon the written request of the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, must: (i) by mandamus or other suit, action or proceeding at law or in equity require the Department to perform its covenants, representations and duties under the Trust Indenture; (ii) bring suit upon the Bonds; (iii) by action or suit in equity require the Department to account as if it were the trustee of a trust for the owners of the Bonds; (iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; or (v) take such other steps to protect and enforce its rights and the rights of the owners of the Bonds, whether by action, suit or proceeding in aid of the execution of any power granted in the Trust Indenture or for the enforcement of any other appropriate legal or equitable remedy.

If any Event of Default occurs and is continuing, then the Trustee may, and upon written request by the owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction, must, proceed by suit or suits, at law or in equity or by any other appropriate legal or equitable remedy, to enforce payment of the principal of and interest on the Bonds under a judgment or decree of a court or courts of competent jurisdiction or by the enforcement of any other appropriate legal or equitable remedy, as the Trustee deems most effectual to protect and enforce any of its rights or the rights of the Bondholders under the Trust Indenture.

Application of Proceeds

The proceeds received by the Trustee in case of an Event of Default, together with all securities and other moneys which may then be held by the Trustee as a part of the Trust Estate, are required to be applied in order, as follows:

(a) to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee;

(b) to the payment of the interest and principal then due on the Bonds, as follows:

(i) unless the principal of all the Bonds has become or has been declared due and payable, to the payment to the persons entitled thereto of: first, all installments of interest then due, in order of maturity, and, if the amount available is not sufficient to pay in full any installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, without any discrimination or preference; and second, the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available is not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the principal amount or Redemption Price due on such date, without any discrimination or preference; and

(ii) if the principal of all the Bonds has become or has been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference; and

(c) to the payment of the amounts required for reasonable and necessary Department Expenses.

Trustee

The Bank of New York Mellon Trust Company, N.A., is currently the Trustee for all Series of Bonds issued under the Trust Indenture.

The Department is required to pay reasonable compensation to the Trustee, any Depositories and any paying agent (other than the GNMA Paying Agent) for all services rendered under the Trust Indenture, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and for the performance of their powers and duties under the Trust Indenture.

The Trustee may be removed, with or without cause, if so requested by the holders of at least a majority in aggregate principal amount of the Bonds then Outstanding. In addition, the Trustee may be removed, with or without cause, at any time (unless an Event of Default has occurred and is continuing) by resolution of the Governing Board of the Department; provided, that all holders of Bonds be given notice of such action and the Department shall not have received, within 60 days after such notice, written objections to such action by the holders of at least a majority in aggregate principal amount of the Bonds then Outstanding. The Trustee may also resign, upon appropriate notice. In either event, a successor is required to be appointed. Any successor Trustee must be a bank or trust company organized under the laws of the United States of America or any state thereof or a national banking association doing business, and having capital stock and surplus aggregating at least $75,000,000, which is willing and able to accept the office on reasonable and customary terms and which is authorized by law to perform all the duties imposed on it by the Trust Indenture.

Depositories

The Department may appoint one or more depositories to hold all or a designated portion of the moneys and investments subject to the lien and pledge of the Trust Indenture (other than moneys and securities required to be held in the Interest Fund, the Principal Fund and the Special Redemption Fund). Any depository appointed by the Department must be: (i) the State Comptroller, acting by and through the Texas Treasury Safekeeping Trust Company, a special-purpose corporate trust company organized under the laws of the State of Texas; or (ii) a bank or trust company organized under the laws of the United States or any state thereof and having capital stock and surplus of at least $50,000,000 which the Department determines to be capable of properly discharging its duties in such capacity and which is acceptable to the Trustee. See "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – Texas Treasury Safekeeping Trust Company."

All moneys and securities deposited with any Depository under the provisions of the Trust Indenture are required to be held in trust for the Trustee or the Department, as applicable, and the Bondholders, and may not be applied in any manner that is inconsistent with the provisions of the Trust Indenture.

Any Depository may at any time resign and be discharged of its duties and obligations under the Trust Indenture by giving at least 60 days' written notice to the Department and the Trustee. Any Depository may be removed at any time by the Department by resolution of the Governing Board of the Department.

Supplemental Indentures without Consent of Bondholders

For any one or more of the following purposes and at any time or from time to time, a Supplemental Indenture may be executed and delivered by the Department and the Trustee, without the consent of any

Bondholders: (i) to authorize Bonds of a Series and to specify the matters relative to such Bonds which are not contrary to or inconsistent with the Trust Indenture; (ii) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Trust Indenture; (iii) to insert such provisions clarifying matters or questions arising under the Trust Indenture as are necessary or desirable and are not contrary to or inconsistent with the Trust Indenture as theretofore in effect; (iv) to grant to or confer upon the Trustee for the benefit of the Bondholder any additional rights, remedies, powers, authority or security that may be lawfully granted to or conferred upon the Trustee; (v) to close the Trust Indenture against, or provide limitations on, the delivery of Bonds; (vi) to add to the covenants of the Department in the Trust Indenture other covenants which are not inconsistent with the Trust Indenture; (vii) to add to the restrictions in the Trust Indenture other restrictions to be observed by the Department which are not inconsistent with the Trust Indenture; (viii) to surrender any right, power or privilege reserved to or conferred upon the Department by the terms of the Trust Indenture that is not inconsistent with the Trust Indenture; (ix) to confirm the subjection to any lien or pledge created by the Trust Indenture of the Trust Estate or any other moneys; (x) to modify any of the provisions of the Trust Indenture in any other respect, effective only after all Bonds of any Series Outstanding at the date of adoption of such Supplemental Indentures shall cease to be outstanding; (xi) to amend the Trust Indenture to permit its qualification under the Trust Indenture Act of 1939 or any state blue sky law; (xii) to add to the definition of Investment Securities in accordance with the provisions of such definition; or (xiii) to make any other change in the Trust Indenture which does not, in the opinion of the Trustee, materially and adversely affect the rights of the holders of the Bonds.

Amendment of Trust Indenture with Consent of Bondholders

The Department and the Trustee, at any time and from time to time, may execute and deliver a Supplemental Indenture for the purpose of making any modification or amendment to the Trust Indenture, but only with the prior written consent of the holders of at least 2/3 in aggregate principal amount of the Bonds then Outstanding at the time such consent is given, and in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least 2/3 in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any particular Series and maturity remain Outstanding, the consent of the holders of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Trust Indenture. Notwithstanding the foregoing, no modification or amendment contained in any such Supplemental Indenture may permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (i) a change in the terms of maturity or redemption of any Bond or of any installment of interest thereon; (ii) a reduction in the principal amount or Redemption Price of any Bond or in the rate of interest thereon; (iii) the creation of a lien on or a pledge of the Revenues or any part thereof, other than the lien and pledge of the Trust Indenture or as permitted by the Trust Indenture: (iv) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; or (v) a reduction in the aggregate principal amount or classes of Bonds of which the consent of the holders is required to effect any such modification or amendment. For the purposes of the Trust Indenture, a Series is deemed to be affected by a modification or amendment of the Trust Indenture if the same adversely affects or diminishes the rights of the owners of Bonds of such Series. The Trustee is required to determine whether or not in accordance with the foregoing powers of amendment Bonds of any particular Series would be affected by any modification or amendment of the Trust Indenture and any such determination will be binding and conclusive on the Department and all holders of Bonds.

Defeasance

If the Department pays irrevocably or causes to be paid irrevocably, or there otherwise is paid, to the owners of all Bonds the principal amount or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Trust Indenture, then the pledge of the Trust Estate under the Trust Indenture and all covenants, agreements and other obligations of the Department to the Bondholders, will thereupon terminate. Bonds or interest installments for the

payment or redemption of which moneys are held in trust by the Trustee or any paying agent at the maturity or redemption date thereof will be deemed to have been paid within the meaning of the Trust Indenture. In addition, all Outstanding Bonds of any Series will be deemed to have been paid within the meaning of the Trust Indenture if: (i) in case any of the Bonds are to be redeemed on any date prior to their maturity, the Department has given to the Trustee irrevocable instructions to give notice of redemption of such Bonds on said date; (ii) there has been deposited with the Trustee or any paying agent either moneys in an amount which are sufficient, or Government Obligations not subject to redemption prior to the maturity thereof, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or any paying agent at the same time, are sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be; and (iii) in the event said Bonds are not to be redeemed within the next succeeding 60 days, the Department has given the Trustee irrevocable instructions to give a notice to the owners of such Bonds that the deposit required by (ii) above has been made with the Trustee or paying agent and that said Bonds are deemed to have been paid in accordance with the Trust Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

Any moneys held for the payment of any of the Bonds which remain unclaimed for three years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption must, at the written request of the Department, be repaid to the Department, free from trust, and the Bondholders thereafter may look only to the Department for the payment of such Bonds.

TAX MATTERS RELATING TO THE SERIES 2026A BONDS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Series 2026A Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Series 2026A Bonds.

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, subject to certain conditions set forth in the opinion and under existing law, interest on the Series 2026A Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) is not an item of tax preference subject to the alternative minimum tax on individuals. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

The Code imposes a number of requirements that must be satisfied in order for interest on state or local obligations, such as the Series 2026A Bonds, to be excludable from gross income for federal income tax purposes. These requirements include the various mortgage eligibility, arbitrage, targeted area, recapture, use of proceeds and information reporting requirements discussed more fully below under the caption "Federal Income Tax Requirements." The Department has covenanted in the Trust Indenture that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the procedures, safeguards and covenants of the Master Servicer and Mortgage Lenders in the Program Agreements and the covenants of the Department in the Trust Indenture and the Program Agreements pertaining to those sections of the Code that affect the excludability of the interest on the Series 2026A Bonds from gross income for federal income tax purposes, and in addition, will rely on representations by parties involved with the issuance of the Series 2026A Bonds and the Mortgage Loans with respect to matters solely within the knowledge of such parties, which representations Bond Counsel has not independently verified. If the Department, a Mortgage Lender, or the Master Servicer fails to comply with such procedures, safeguards

and covenants or if such representations should be determined to be inaccurate or incomplete, interest on the Series 2026A Bonds could become includable in gross income from the date of original delivery thereof, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Series 2026A Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, acquisition, ownership or disposition of the Series 2026A Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Trust Indenture upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Series 2026A Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to its attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service" or "IRS"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Series 2026A Bonds. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the Department as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Series 2026A Bonds could adversely affect the value and liquidity of the Series 2026A Bonds, regardless of the ultimate outcome of the audit.

Collateral Tax Consequences

Prospective purchasers of the Series 2026A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited those noted below. Therefore, prospective purchasers of the Series 2026A Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Series 2026A Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Series 2026A Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Series 2026A Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit, and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Series 2026A Bonds.

Prospective purchasers of the Series 2026A Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Series 2026A Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

If issue price of any maturity of the Series 2026A Bonds exceeds the stated Redemption Price payable at maturity of such Series 2026A Bonds, such Series 2026A Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount

If issue price of any maturity of the Series 2026A Bonds is less than the stated redemption price payable at maturity of such Series 2026A Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Series 2026A Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Series 2026A Bonds under the captions "TAX MATTERS RELATING TO THE SERIES 2026A BONDS – Tax Exemption," "– Collateral Tax Consequences" and "– Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Bond was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriters have purchased the Series 2026A Bonds for contemporaneous sale to the public and (ii) all of the Series 2026A Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the Department nor Bond

Counsel has made any investigation or offers any comfort that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Series 2026A Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Series 2026A Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of interest accrued upon redemption, sale or other disposition of such OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Series 2026A Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Series 2026A Bonds. Prospective purchasers of the Series 2026A Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

Federal Income Tax Requirements

General

Sections 103 and 143 of the Code and applicable regulations thereunder provide that the interest on bonds the proceeds of which are used directly or indirectly to finance owner-occupied residences, will not be excludable from gross income for federal income tax purposes unless such bonds are part of a "qualified mortgage issue." A "qualified mortgage issue" must meet the following requirements: (i) all proceeds of the issue (exclusive of issuance costs and a reasonably required reserve fund) are to be used to finance owner-occupied residences, (ii) the mortgages financed by the issue satisfy certain mortgage eligibility requirements, as set forth more fully below under the subheading "Mortgage Eligibility Requirements," (iii) certain arbitrage limitations described more fully below under the subheading "Requirements Related to Arbitrage" must be satisfied, (iv) a specified portion of the lendable proceeds of such issue must be made available for a minimum period of time for owner financing of residences located within certain targeted areas, as described more fully below under the subheading "Targeted Area Requirement," (iv) mortgagors must be informed regarding the recapture of a portion of the proceeds from the disposition of certain residences, as described more fully below under the subheading "Recapture Requirements," (v) the issue must not meet the private business tests, as described more fully below under the subheading "Private Business Use Limitations," (vi) amounts received as repayment of principal on the Mortgage Loans ten years after the date of issuance of the bonds must be used to redeem bonds that are part of the issue, as described more fully under the subheading "Redemption Requirements" below and (vii) the issue must meet certain reporting requirements, as set forth more fully below under the subheading "Reporting Requirements."

In addition, to be "qualified mortgage bonds," the bonds must have been approved by (i) the Governing Board of the Department and (ii) an "applicable elected representative" of the State after a public hearing following reasonable public notice. Further, the costs of issuance financed by an issue of bonds cannot exceed two percent of the proceeds of such issue. Additionally, the amount of such an issue of bonds, other than certain refunding bonds, when added to the amount of all other private activity bonds issued within the State during calendar year of issuance must not exceed the unified volume cap for private activity bonds imposed by the Code and applicable regulations.

Mortgage Eligibility Requirements

The Code contains six basic mortgage eligibility requirements that must be met at the time a mortgage is executed or assumed.

Residence Requirement. The Code requires that each home financed by a mortgage loan is a single-family residence (i) that can reasonably be expected to become the principal residence of the mortgagor within a reasonable time after financing is provided and (ii) located in the jurisdiction of the Department.

First-time Homebuyer Requirement. The Code requires that at least 95% of the net proceeds of an issue be used to finance residences of mortgagors who have not had a present ownership interest in their principal residences at any time during the three-year period prior to execution of the mortgage loan; provided, however, that the three-year requirement does not apply (i) to financings with respect to Targeted Area Residences, (ii) in the case of land possessed under a "contract for deed" by a mortgagor whose principal residence is located on such land and whose family income is not more than 50% of the area median family income (the "Contract for Deed Exception"), or (iii) financing of any residence of a qualified veteran, if such veteran has not previously qualified for and received such financed by reason of this exception. For purposes of the Contract for Deed Exception, the term "contract for deed" means a seller-financed contract for the conveyance of land under which legal title does not pass to the purchaser until the consideration under the contract is fully paid to the seller, and the seller's remedy for nonpayment is forfeiture rather than judicial or nonjudicial foreclosure.

Purchase Price Limitations. The Code requires that the acquisition cost of the residence may not exceed 90% of the "average area purchase price" applicable to such residence, or, in the case of Targeted Area Residences, 110% of the applicable "average area purchase price." The Service has published "safe harbor rules" identifying purchase price limitations in the State that are considered to be in compliance with the requirements of the Code. The Department has determined to rely on the safe harbor figures for purposes of the Series 2026A Bonds.

Income Requirements. The Code requires that all the mortgage loans financed with the proceeds of an issue be provided to borrowers whose family income does not exceed 115% (100% in the case of individuals or families of two) of the greater of the statewide median income or the median income of the area in which the residence is located, subject to an upward adjustment in certain high housing cost areas. For Targeted Area Residences, the percentages in the foregoing sentence are 140% and 120%, respectively, and one-third of the financings may be provided without regard to such limits.

Requirements as to Assumptions of Mortgages. The Code provides that a mortgage loan may be assumed only if the assuming mortgagor complies with the residence requirement, first-time homebuyer requirement, purchase price limitations and income requirements, as if the loan were being made to the assuming mortgagor for the first time.

New Mortgage Requirement. The Code requires that no part of the proceeds of an issue of qualified mortgage bonds may be used to acquire or replace an existing mortgage (whether or not paid off) on the residence at any time prior to the execution of the new mortgage. An exception from the new mortgage requirement is provided for (i) the replacement of construction period loans, bridge loans or other similar

temporary initial financing having a term not exceeding 24 months, and (ii) certain residences described within the Contract for Deed Exception.

Requirements Related to Arbitrage and Rebate

Sections 143 and 148 of the Code provide that: (i) the effective interest rate on the mortgage loans financed with the proceeds of an issue of qualified mortgage bonds may not exceed the yield on such bonds by more than 1.125 percentage points; provided that, the Department may meet this requirement by the payment of yield reduction payments as set forth in the regulations promulgated under the Code; (ii) no more than 10% of the proceeds of an issue of bonds may be invested in any reserve or replacement fund; (iii) no more than the lesser of 5% of the proceeds of an issue of bonds or $100,000 (other than amounts invested for certain temporary periods or in a "reasonably required reserve fund") may be invested at a yield materially higher than the yield on such bonds; and (iv) the amount of funds held in certain accounts (other than amounts held for certain temporary periods) for an issue of bonds invested at a yield greater than the yield on such bonds may not exceed 150% of the current year's debt service on such bonds appropriately reduced as mortgage loans are prepaid. In calculating the effective interest rate on the mortgages, all amounts borne by the mortgagor either directly or indirectly must be taken into account.

The Code also requires the issuer to make rebate payments to the federal government in connection with certain investment earnings on non- mortgage investments, to the extent that such investment earnings exceed the amount that would have been earned on such investments if the investments were earning a return equal to the yield on the tax-exempt bonds to which such non-mortgage investments relate.

Targeted Area Requirement

The Code requires that either an amount equal to (a) at least 20% of the lendable proceeds of an issue of qualified mortgage bonds or (b) 40% of the average annual aggregate principal amount of mortgages executed during the immediately preceding three calendar years for single family, owner-occupied residences in targeted areas within the Department's jurisdiction, if such amount is less, must be reserved, for at least one year from the date on which owner-financing is first made available with respect to residences located within one or more targeted areas ("Targeted Area Residences"). Targeted Areas consist of (i) census tracts identified by the United States Treasury Department as having a substantial concentration of lower-income persons or (ii) areas of chronic economic distress designated by the State and approved by HUD. The State, at the request of the Department, has designated and HUD and the Secretary of the Treasury have approved, certain "areas of chronic economic distress" within the State. In addition, the Department has determined that there are "qualified census tracts" within the State.

Recapture Requirements

The Code subjects to a tax any mortgagor who disposes of an interest in a residence with respect to which there is or was any federally-subsidized indebtedness (i.e., a mortgage loan), the payment for which the mortgagor was liable in whole or in part. Specifically, such a mortgagor is subject to the payment of an additional tax reflecting the "recapture amount" with respect to such indebtedness. This recapture amount is determined pursuant to a formula established in the Code based on the "federally-subsidized amount," the time of disposition and certain family income limits applicable to the mortgagor. This recapture provision does not apply to any disposition of an interest in a residence by reason of death or any such disposition that is more than nine years after the date the mortgage loan is made.

In order to facilitate the collection of the recapture amount from mortgagors, the Code requires that the issuer of any issue of qualified mortgage bonds, at the time of settlement of a mortgage loan, provide a written statement informing the mortgagor of the potential recapture under the Code. Furthermore, the Code requires that the issuer, not later than 90 days after the date each such mortgage is closed, provide a written

statement to the mortgagor specifying the federally-subsidized amount with respect to such mortgage loan and the applicable income limits.

Private Business Use Limitations

The Code provides that an issue of qualified mortgage bonds must not meet the private business use test and the private security or payment tests set out in sections 141(b)(1) and (2) of the Code. The private business use test limits, subject to certain exceptions, the amounts of proceeds that can be used, directly or indirectly, in a trade or business carried on by any person (other than a natural person) that is not a state or local governmental unit to no more than 10% of the proceeds of the issue. The private security or payment test provides that, subject to certain exceptions, the payment of principal of, or the interest on, more than 10% of the proceeds of an issue be, directly or indirectly, (i) secured by any interest in property used or to be used for a private business use or payments in respect of such property or (ii) be derived from payments in respected of such property.

Redemption Requirements

The Code contains two redemption requirements that must be satisfied in order for an issue of bonds to be treated as "qualified mortgage bonds." The Code requires that all proceeds of an issue of qualified mortgage bonds in an amount of $250,000 or more that are not expended to finance residences within 42 months of the date of issuance of such bonds must be used within such 42-month period to redeem bonds that are part of such issue of bonds. The Code also requires that all amounts of $250,000 or more that are received by the issuer and representing complete repayments of mortgage loans or prepayments of principal of mortgage loans must be used to redeem bonds of the same issue not later than the close of the first semiannual period beginning after the date the prepayment or complete repayment is received; provided that, such requirement does not apply to amounts received within 10 years after the date of issuance of the original bonds.

Reporting Requirements

An issuer of qualified mortgage bonds is required to file with the Secretary of the Treasury an informational report containing various data regarding such bonds and the mortgages financed with the proceeds thereof.

Compliance with Tax Requirements

With respect to the mortgage eligibility requirements described above, the Code provides that such requirements will be treated as having been met if: (i) the issuer attempts in good faith to meet such requirements before the mortgage loans are executed; (ii) 95% or more of the lendable proceeds were used for mortgage loans that met all the mortgage eligibility requirements at the time of execution or assumption; and (iii) any failure to meet such requirements is corrected within a reasonable period of time after such failure is discovered. In determining whether or not 95% of the mortgage loans satisfy the mortgage eligibility requirements, the issuer is entitled to rely upon affidavits of the mortgagors and sellers of residences financed with the mortgage loans and upon federal income tax returns of the mortgagors, even if the relevant information in such affidavits and returns ultimately proves to be false, unless the issuer knows or has reason to know that such information is false.

The Code provides that the requirements related to arbitrage, Targeted Area Residences and recapture will be treated as having been met if: (i) the issuer attempts in good faith to meet such requirements and (ii) any failure to meet such requirements is due to inadvertent error after having taken reasonable steps to comply with such requirements.

The Department has covenanted in the Trust Indenture and the Mortgage Lenders and the Master Servicer have covenanted in the Program Agreements to (i) comply with the above-described requirements of the Code with respect to the proceeds of the Series 2026A Bonds and (ii) establish and follow procedures and safeguards sufficient to ensure compliance with such requirements. Nevertheless, if the Department, a Mortgage Lender, or the Master Servicer should fail to comply with such covenants, interest on the Series 2026A Bonds could become includable in gross income for federal income tax purposes from the date of issuance thereof, regardless of the date on which the event causing such inclusion occurs.

CONTINUING DISCLOSURE OF INFORMATION

In the Continuing Disclosure Agreement, dated as of February 1, 2026 (the "Disclosure Agreement"), between the Trustee and the Department, the Department has made the following agreement for the benefit of the holders and beneficial owners of the Series 2026A Bonds. The Department is required to observe the Disclosure Agreement for so long as it remains obligated to advance funds to pay the Series 2026A Bonds. Under the Disclosure Agreement, the Department will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

No Eligible Borrower is an "obligated person" (as defined in Rule 15c2-12 (as amended, the "Rule")) of the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended for whom financial information or operating data would be presented in this Official Statement had such Eligible Borrower been known at the time of the offering of the Series 2026A Bonds.

The Department's Bond Finance Division has policies and procedures in place to assist the Department in complying with continuing disclosure undertakings such as the Disclosure Agreement. The Department's policies and procedures and the Disclosure Agreement were amended in response to the two notice events added, effective February 27, 2019, to the list of events for which notice is required by the Rule. See "—Event Notices" below.

Annual Reports

The Department will provide certain updated financial information and operating data to the MSRB annually within six months after the end of its Fiscal Year. The information to be updated includes all quantitative financial information and operating data with respect to the Department of the general type included in this Official Statement in "APPENDIX D-1 – ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES" and "APPENDIX D-2 – BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS" and the annual financial statements of the Texas Department of Housing and Community Affairs – Revenue Bond Enterprise Fund for the Fiscal Year ended August 31, 2025 and for each subsequent Fiscal Year (financial statements for the last completed Fiscal Year will be unaudited, unless an audit is performed in which event the audited financial statements will be made available). The Department will update and provide this information within six months after the end of each Fiscal Year ending on or after August 31. The Department will provide the updated information to the MSRB.

The Department may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the Department commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Department will provide unaudited financial statements within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described herein under "FINANCIAL STATEMENTS" or such other accounting

principles as the Department may be required to employ from time to time pursuant to state law or regulation.

The Department's current Fiscal Year ends on August 31, 2026. Accordingly, it will provide updated information to the MSRB in the electronic format prescribed by the MSRB, if any, by the last day of February in the year 2027 and will be required to provide updated information to the MSRB by the last day of February in each year thereafter, unless the Department changes its Fiscal Year. If the Department changes its Fiscal Year, it will notify the MSRB of the change.

The Department determined in 2017 that the annual disclosure of information regarding the Residential Mortgage Revenue Bond Program ("RMRB Program") would no longer include certain annual information since the RMRB Program has no whole mortgage loans and over 99% of the mortgage-backed certificates are Ginnie Mae Certificates. As such, information related to: (i) whole mortgage loans and (ii) mortgage-backed certificate type and delinquency data are immaterial to the current RMRB Program and were and will be omitted in its annual disclosure. Based on the changing make-up of the pledged assets under the Department's various indentures, the Department will determine materiality of disclosure items and may modify its disclosure accordingly in the future.

Event Notices

The Department will provide notice to the MSRB of any of the following events with respect to the Series 2026A Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of securities holders; (3) Series 2026A Bond calls, if material, and tender offers; (4) release, substitution, or sale of property securing repayment of the Series 2026A Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; (6) appointment of a successor or additional trustee or the change of name of a trustee; and (7) incurrence of a financial obligation of the Department, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Department, any of which affect security holders.

The Department will also provide notice to the MSRB of any of the following events with respect to the Series 2026A Bonds without regard to whether such event is considered material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Series 2026A Bonds, or other events affecting the tax-exempt status of the Series 2026A Bonds; (6) defeasances; (7) rating changes; and (8) bankruptcy, insolvency, receivership or similar event of an obligated person; and (9) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Department, any of which reflect financial difficulties.

For the purposes of the above described event notices, the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. The Department has expressed its intent in the Disclosure Agreement that the words used in (7) in the first paragraph of this subcaption and item (9) immediately above and the definition of "financial obligation" to have the meanings ascribed to them in SEC Release No. 34-83885, dated August 20, 2018.

The Department will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The Department will also provide timely notice of any failure by the Department to provide annual financial information in accordance with their agreement described above under "Annual Reports."

Availability of Information from MSRB

The Department has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Series 2026A Bonds only if the holders comply with the procedures and pay any charges that may be established by the MSRB such information vendors or obtain the information through securities brokers who do so. Such information is available at no charge at www.emma.msrb.org.

Limitations and Amendments

The Department has agreed to update information and to provide notices of material events only as described above. The Department has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Department makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Series 2026A Bonds at any future date. The Department disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its Disclosure Agreement or from any statement made pursuant to its Disclosure Agreement, although holders of Series 2026A Bonds may seek a writ of mandamus to compel the Department to comply with its Disclosure Agreement.

The Disclosure Agreement may be amended by the Department and the Trustee from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Department, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell any Series 2026A Bonds in the primary offering of the Series 2026A Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Disclosure Agreement that authorizes such an amendment) of the Outstanding Series 2026A Bonds consent to such amendment or (b) a person that is unaffiliated with the Department (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the Series 2026A Bonds. If the Department so amends the Disclosure Agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of any change in the type of financial information and operating data so provided. The Department may also amend or repeal the provisions of the Disclosure Agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling any Series 2026A Bonds in the primary offering of such Series 2026A Bonds.

Notwithstanding the foregoing, under current state law, the Department is required to have an audit performed annually by independent accountants, which audit is available to any person who makes a request to the Department and upon payment of the cost of copying thereof.

Duties, Immunities, and Liabilities of Trustee

The Trust Indenture is made applicable to the Disclosure Agreement as if the Disclosure Agreement were (solely for this purpose) contained in the Trust Indenture. The Trustee shall have only such duties as

are specifically set forth in the Disclosure Agreement, and no implied covenants shall be read into the Disclosure Agreement against the Trustee.

RATINGS

Moody's Ratings ("Moody's") and S&P Global Ratings, a division of S&P Global, Inc. ("S&P"), have assigned ratings to the Series 2026A Bonds of "Aa1" and "AA+," respectively. An explanation of the significance of such ratings may be obtained from the companies furnishing the ratings. The ratings do not represent recommendations to buy, sell, or hold the Series 2026A Bonds. The ratings reflect only the respective views of such organizations at the time such ratings were assigned and the Department makes no representation as to the appropriateness of the ratings.

There is no assurance that any ratings assigned to the Series 2026A Bonds will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2026A Bonds.

UNDERWRITING

The Series 2026A Bonds are being purchased from the Department by the Underwriters listed on the cover page of this Official Statement. Pursuant to the bond purchase agreement for the Series 2026A Bonds (the "Bond Purchase Agreement"), the Underwriters have agreed to purchase the Series 2026A Bonds at a total purchase price of $_____ (including $_____ of premium). The Underwriters will receive a fee of $_____ in connection with the purchase of the Series 2026A Bonds. The Bond Purchase Agreement provides, among other things, that the Underwriters' obligations to make their respective purchases are subject to certain terms and conditions set forth in such Bond Purchase Agreement, including the approval of certain legal matters by their counsel and certain other conditions. The initial public offering prices of the Series 2026A Bonds may be changed, from time to time, by the Underwriters. The Underwriters may offer and sell the Series 2026A Bonds to certain dealers (including dealers depositing the Series 2026A Bonds into unit investment trusts, certain of which may be sponsored or managed by one or more of the Underwriters) and others at prices other than the public offering prices stated on the inside front cover hereof.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2026A Bonds, has entered into a retail distribution agreement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution agreement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2026A Bonds.

RBC Capital Markets LLC ("RBCCM"), an underwriter of the Series 2026A Bonds, has entered into a distribution agreement with its affiliate City National Securities, Inc ("CNS"). As part of this arrangement, RBCCM may distribute securities to investors through the financial advisor network of CNS. As part of this arrangement, RBCCM may compensate CNS for their selling efforts with respect to the Series 2026A Bonds.

RBCCM serves as an underwriter for the Department and is involved in the issuance of single family and multifamily tax-exempt bonds. From time to time RBCCM may be simultaneously engaged in this role under an active bond offering. The agreement and services provided therein are not related to the subject transaction identified herein.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2026A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2026A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2026A Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group ("WFBNA"), one of the underwriters of the Series 2026A Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2026A Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2026A Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2026A Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the Department and to persons and entities with relationships with the Department, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Department (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Department.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

MUNICIPAL ADVISOR

The Department has retained CSG Advisors Incorporated as its municipal advisor (the "Municipal Advisor") in connection with the offering of the Series 2026A Bonds. The Municipal Advisor will act as an independent advisory firm and will not be engaged in the business of underwriting, trading or distributing the Series 2026A Bonds.

The Municipal Advisor does not assume any responsibility for the covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2026A Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

FINANCIAL STATEMENTS

The financial statements of the Texas Department of Housing and Community Affairs-Revenue Bond Enterprise Fund as of and for the fiscal year ended August 31, 2025, have been audited by the Texas State Auditor's Office, independent auditors, as stated in their report rendered in connection therewith and are incorporated by reference in this Official Statement.

The financial data as of and for the first month ended September 30, 2025 which is incorporated by reference in this Official Statement, has been derived from the unaudited internal records of the Department. The Department's independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed an opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited information. The unaudited information is preliminary and is subject to change as a result of the audit and may materially differ from the audited financial statements when they are released.

The Department's FY2026 Audited Financial Statements (Revenue Bond Enterprise Fund) as of August 31, 2025 are available for inspection at the Department's offices, upon request, or at:

https://www.tdhca.texas.gov/programs/financial-administration-division

The Department's Interim Financial Statements as of September 30, 2025 are available for inspection at the Department's offices, upon request, or at:

https://www.tdhca.texas.gov/programs/bond-finance

THE SERIES 2026A BONDS ARE SECURED ONLY BY THE ASSETS AND REVENUES DESCRIBED UNDER THE CAPTION "SECURITY FOR THE BONDS" AND NOT BY ANY OTHER SOURCE.

LITIGATION MATTERS

The Department is expected to deliver a certificate upon the delivery of the Series 2026A Bonds stating that there is no controversy or litigation of any nature pending or, to its knowledge, threatened to restrain or enjoin the delivery of the Series 2026A Bonds, or in any way contesting or affecting the validity of the Series 2026A Bonds, the Trust Indenture, or any proceedings of the Department taken with respect

to the delivery of the Series 2026A Bonds, or the existence or powers of the Department insofar as they relate to the delivery of the Series 2026A Bonds or such pledge or application of moneys and security.

APPROVAL OF LEGALITY

Legal matters incident to the delivery of the Series 2026A Bonds are subject to the approving opinion of Bracewell LLP, Bond Counsel. Certain legal matters will be passed upon for the Department by its General Counsel, James "Beau" Eccles, Esq., and by its Disclosure Counsel, McCall, Parkhurst & Horton L.L.P. Certain legal matters will be passed upon for the Underwriters by their counsel Chapman and Cutler LLP.

In its capacity as Bond Counsel, Bracewell LLP has reviewed the information appearing in this Official Statement describing the Series 2026A Bonds, the security therefor and the federal income tax status thereof, appearing under "THE SERIES 2026A BONDS" (but excluding the (i) phrases regarding maintaining the original yield under "– Redemption Provisions," (ii) third paragraph under "– Redemption Provisions – Special Redemption from Unexpended Proceeds of Series 2026A Bonds," and (iii) information contained therein under the subheading "—Average Life and Prepayment Speeds"), "SECURITY FOR THE BONDS" (but excluding the information contained therein under the subheading "—Certain Information as to Revenues, Investments, Debt Service and Department Expenses"), "THE TRUST INDENTURE," "TAX MATTERS RELATING TO THE SERIES 2026A BONDS," "APPROVAL OF LEGALITY," APPENDIX A, APPENDIX C and APPENDIX G — "Texas Treasury Safekeeping Trust Company," APPENDIX G — "Legality for Investment" and APPENDIX G — "The Program and the Mortgage Loans" (but excluding the information under the subheadings "—Servicing," "—The Master Servicers" and "—Investment of Funds"), to this Official Statement solely to determine whether such information fairly and accurately describes or summarizes the provisions of the Act, the laws of the State, the Trust Indenture, the Forty-Ninth Supplemental Indenture, the Depository Agreement, the Series 2026A Bonds and certain aspects of its opinion relating to the federal tax implications with respect to the Series 2026A Bonds. Bond Counsel was not requested to participate and did not take part in the preparation of any other information contained herein and did not assume responsibility with respect thereto or undertake independently to verify the accuracy of any of such information. Except as set forth above, Bond Counsel does not pass upon the fairness, accuracy or completeness of this Official Statement, and no person is entitled to rely upon such firm's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of the information contained herein.

ADDITIONAL INFORMATION

Certain provisions of the Act and the Trust Indenture are summarized in this Official Statement. Such summaries do not purport to be comprehensive or definitive and reference is made to such documents for a full and complete statement of their respective provisions. The information contained above is subject to change without notice and no implication is to be derived therefrom or from the sale of the Series 2026A Bonds that there has been no change in the affairs of the Department from the date hereof.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Department and the purchasers or owners of any of the Series 2026A Bonds.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: */s/*
Chair and Member
Governing Board

By: */s/*
Executive Director

APPENDIX A

GLOSSARY

Unless otherwise provided in the text of this Official Statement, capitalized terms used in this Official Statement shall have the following definitions:

"Act" shall mean Chapter 2306, Government Code, as amended from time to time (together with other laws of the State applicable to the Department).

"Advances" means advances made to the Department by the Federal Home Loan Bank pursuant to the FHLB Agreement.

"Assisted Mortgage Loan" shall mean a Mortgage Loan that includes a DPA Loan.

"Authorized Denominations" shall mean $5,000 principal amount or any integral multiples thereof.

"Authorized Representative of the Department" shall mean the Chair or Vice Chair of the Board, the Executive Director of the Department, the Director of Administration of the Department, Director of Financial Administration of the Department, the Deputy Executive Director – Housing Finance of the Department and the Secretary or any Assistant Secretary to the Board or any other employee or officer or member of the Department authorized to perform specific acts or duties by resolution duly adopted by the Board and as evidenced by a written certificate delivered to the Trustee containing the specimen signature of such person.

"Board" shall mean the Governing Board of the Department.

"Bond Counsel" shall mean a firm or firms of attorneys selected by the Department and acceptable to the Trustee, experienced in the field of housing revenue bonds the interest on which is excludable from gross income for federal income tax purposes, and whose legal opinion on such bonds is acceptable in national bond markets.

"Bond Year" shall mean each twelve-month period that ends on December 31.

"Bonds" shall mean, unless subordinated, any bond or bonds, as the case may be, authenticated and delivered pursuant to the Trust Indenture.

"Business Day" shall mean any day other than a (i) Saturday or Sunday, (ii) day on which banking institutions in New York, New York, the State, or the city in which the payment office of the Paying Agent is located are authorized or obligated by law or executive order to be closed for business, or (iii) day on which the New York Stock Exchange is closed.

"Cashflow Certificate" shall mean a written certificate signed by an Authorized Representative of the Department stating that the action described in the Letter of Instructions to which such certificate pertains is consistent with the assumptions used in the Cashflow Statement most recently filed with the Trustee.

"Cashflow Statement" shall mean a cashflow statement conforming to the requirements of the Trust Indenture.

"Certificate Purchase Period" shall mean the period from the date of initial delivery of the Series 2026A Bonds to and including August 1, 2026*, but which may be extended to a date no later than July 1, 2029, in accordance with the Forty-Ninth Supplemental Indenture.

"Chapter 1371" means Chapter 1371, Texas Government Code, as amended.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in clauses (b) and (c).

"Costs of Issuance" shall mean the items of expense payable or reimbursable directly or indirectly by the Department and related to the authorization, sale, issuance and remarketing of Bonds, which items of expense shall include without limiting the generality of the foregoing: travel expenses; printing costs; costs of reproducing documents; computer fees and expenses; filing and recording fees; initial fees and charges of the Fiduciaries; bond discounts; underwriting fees and remarketing fees; legal fees and charges; consulting fees and charges; auditing fees and expenses; financial advisory fees; credit rating fees; initial amounts paid to obtain Supplemental Mortgage Security or a Credit Agreement; fees and charges for execution, transportation and safekeeping of Bonds; and other administrative or other costs of issuing, carrying, repaying, and remarketing Bonds and investing the Bond proceeds and costs incurred in marketing or advertising the Program.

"Credit Agreement" shall mean (i) any agreement of the Department entered into in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a Series of Bonds or (B) providing liquidity with respect to Bonds which by their terms are subject to tender for purchase, and (ii) a Swap Agreement. A determination by the Department that an agreement constitutes a Credit Agreement under this definition shall be conclusive.

"Credit Agreement Obligations" shall mean any amounts payable by the Department under and pursuant to a Credit Agreement other than amounts payable as a Termination Payment.

"Department" shall mean the Texas Department of Housing and Community Affairs and its successors and assigns.

"Department Expenses" shall mean the Department's expenses of carrying out and administering its powers, duties and functions in connection with mortgage loans and shall include without limiting the generality of the foregoing: salaries, supplies, utilities, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; expenses for data processing, insurance premiums, legal, accounting, management, consulting and banking services and expenses; the fees and expenses of the Fiduciaries; mortgage loan servicing fees; Costs of Issuance not paid from proceeds of Bonds; payments to pension, retirement, health and hospitalization funds; amounts paid to obtain and maintain Supplemental Mortgage Security; Credit Agreement Obligations; and any other expenses required or permitted to be paid by the Department under the provisions of the Act, the Master Indenture and any Supplemental Indenture.

"Depository" shall mean the Texas Treasury Safekeeping Trust Company, acting in accordance with the Depository Agreement, and any bank or trust company appointed pursuant to the Trust Indenture to act as depository of certain moneys and investments.

"DPA Loan" means a subordinated, no stated interest loan for down payment and closing costs made to a mortgagor under the Program in an amount as identified in the commitment lot notice applicable

* *Preliminary, subject to change.*

to the 2026A Mortgage Loan, subject to adjustment from time to time at the direction of the Department. DPA Loans are due on sale, refinance, or repayment of the first mortgage and have a thirty year term.

"Eligible Borrower" shall mean eligible borrowers who meet the criteria described under "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS – The Program and the Mortgage Loans – Eligible Borrowers."

"Excess Revenues" shall mean any moneys remaining in the Revenue Fund and transferred to the Residual Revenues Fund after all other transfers required by the Trust Indenture on any maturity date or redemption date for the Bonds.

"Fannie Mae" shall mean the Federal National Mortgage Association, a federally-chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. §1716 et seq.

"Fannie Mae Certificate" shall mean a guaranteed mortgage pass-through Fannie Mae Mortgage-Backed Security bearing interest at the applicable Pass-Through Rate, issued by Fannie Mae in book-entry form, transferred to the account of the Trustee or its nominee (or any successor or transferee), guaranteed as to timely payment of principal and interest by Fannie Mae and backed by conventional Mortgage Loans in the related Fannie Mae pool.

"FDIC" shall mean the Federal Deposit Insurance Corporation or any successor agency or instrumentality of the United States of America.

"FHA" shall mean the Federal Housing Administration or its successors.

"FHLB Agreement" means the Advances and Security Agreement, dated November 1, 2016, by and between the Department and the Federal Home Loan Bank of Dallas, as amended, and the side letters executed pursuant thereto.

"Fiduciaries" shall mean the Trustee, the Depository, and any bond depository and any paying agent.

"Forty-Ninth Supplemental Indenture" shall mean the Forty-Ninth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of February 1, 2026, by and between the Department and the Trustee, together with any amendments, related to the Series 2026A Bonds.

"Freddie Mac" shall mean the Federal Home Loan Mortgage Corporation, a corporation organized and existing under the laws of the United States of America, or its successor.

"Fund" shall mean the Mortgage Loan Fund, the Cost of Issuance Fund, the Revenue Fund, the Interest Fund, the Principal Fund, the Special Redemption Fund, the Rebate Fund, the Expense Fund, the Residual Revenues Fund and the Special Mortgage Loan Fund established under the Trust Indenture.

"Ginnie Mae" or "GNMA" shall mean the Government National Mortgage Association, a government sponsored enterprise organized and existing under the laws of the United States.

"Ginnie Mae Certificate" or "GNMA Certificate" shall mean a fully-modified, mortgage-backed, pass-through security (a GNMA I Mortgage Pass-Through Certificate or a GNMA II Mortgage Pass-Through Certificate) issued by the Master Servicer in accordance with the applicable GNMA Guide bearing interest at the applicable Pass-Through Rate and representing the beneficial ownership interest in a GNMA pool, registered in the name of the Trustee and guaranteed as to timely payment of principal and interest by GNMA pursuant to Section 306(g) of Title III of the National Housing Act of 1934 and regulations

promulgated thereunder backed by Mortgage Loans originated by Mortgage Lenders under the Program and packaged by the Master Servicer into a GNMA pool.

"Government Obligations" shall mean direct obligations of, or obligations the principal of and interest on which are guaranteed by the full faith and credit of, the United States of America.

"Investment Securities" shall mean and include any one or more of the following securities, if and to the extent the same are at the time legal for investment of Department funds:

(a) Government Obligations;

(b) FHA debentures;

(c) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any agency or instrumentality of the United States of America acting pursuant to authority granted by the Congress of the United States, including, without limitation the following: Fannie Mae (excluding mortgage-backed securities valued at greater than par on the portion of unpaid principal and mortgage-backed securities representing payment of principal only or interest only with respect to the underlying loans); Freddie Mac, GNMA, Student Loan Marketing Association, or other successor agencies;

(d) Obligations issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or temporary notes, preliminary loan notes or project notes issued by public agencies or municipalities, in each case fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(e) Debt obligations (excluding obligations that do not have a fixed par value and/or the terms of which do not provide for payment of a fixed dollar amount at maturity or redemption) of any person, but only if such debt obligations are rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency;

(f) Federal funds, unsecured certificates of deposit, time deposits and banker's acceptances (in each case, having maturities not in excess of one year) of any bank the short-term unsecured debt obligations of which are rated by each Rating Agency in the highest category for short-term obligations;

(g) Certificates of deposit and time deposits which are fully insured as to principal and interest by the FDIC;

(h) Commercial paper having maturities not in excess of one year rated by each Rating Agency in the highest category for short-term obligations;

(i) Money market funds rated by each Rating Agency in the highest category for money market funds;

(j) Repurchase agreements the subject of which are obligations described in clauses (a), (b), (c) or (d) above, with: (i) any Person whose long-term unsecured general indebtedness is rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency, or if the term of such repurchase agreement does not exceed one year, whose short-term unsecured general indebtedness is rated by each Rating Agency in the highest

category for short-term obligations; and (ii) with any member of the Association of Primary Dealers;

(k) Investment agreements secured or unsecured as required by the Department, with any Person whose long-term unsecured general indebtedness is rated by each Rating Agency in a category at least as high as the rating then assigned to the Bonds by each such Rating Agency or, if the term of such investment agreement does not exceed one year, whose short-term unsecured general indebtedness is rated by each Rating Agency in the highest category for short-term obligations[(1)]; and

(l) Investment securities described in any Supplemental Indenture the inclusion of which in the definition of Investment Securities for purposes of the Trust Indenture will not adversely affect, in and of itself, any rating then assigned to the Bonds by a Rating Agency, as evidenced by a letter from each such Rating Agency.

"Letter of Instructions" shall mean, with respect to the Series 2026A Bonds, a written directive and authorization to the Trustee or any Depository specifying the period of time for which such directive and authorization shall remain in effect, executed by two Authorized Representatives of the Department.

"Master Servicer" shall mean, with respect to Program 114, The Money Source, Inc. (TMS), or any successor thereto as a servicer for such program, including any designee to act on its behalf. Otherwise, the term refers the servicer for the respective Mortgage Loans.

"Master Indenture" shall mean the Amended and Restated Residential Mortgage Revenue Bond Trust Indenture, dated as of July 1, 2019, between the Department and the Trustee, which amended and restated the Residential Mortgage Revenue Bond Trust Indenture, dated as of November 1, 1987, as previously amended and supplemented, pursuant to which the Bonds of each Series are authorized to be issued.

"Mortgage" shall mean any mortgage or deed of trust securing a Mortgage Loan.

"Mortgage Certificate" shall mean a mortgage-backed security that evidences beneficial ownership of a mortgage pool, that satisfies the requirements of the applicable Series Supplement and that is purchased from amounts identified in the applicable Series Supplement and pledged by the Department to the Trustee pursuant to the Trust Indenture.

"Mortgage Lender" shall mean any bank or trust company, mortgage banker approved by Fannie Mae or Freddie Mac, national banking association, savings bank, savings and loan association, non-profit corporation, mortgage company, the Department, any financial institution or governmental agency and any other entity approved by the Department; provided such mortgage lender is authorized to make mortgage loans satisfying the requirements of the Trust Indenture.

"Mortgage Loan" shall mean (i) any loan evidenced by a Mortgage Note and secured by a Mortgage which satisfies the requirements of the Trust Indenture, which is made, acquired or refinanced, directly or indirectly, from amounts in the Mortgage Loan Fund or other moneys of the Department (including amounts derived from temporary indebtedness incurred in anticipation of the issuance of Bonds), and which is pledged by the Department to the Trustee pursuant to the Trust Indenture; and (ii) any evidence of a participation in a loan described above. In the proper context, Mortgage Loan may mean and include a Mortgage Certificate.

[(1)] The Department may enter into other investment agreements if the requirements of paragraph (1) of this definition of "Investment Securities" are satisfied.

"Mortgage Loan Principal Payment" shall mean, with respect to any Mortgage Loan, all amounts representing (i) scheduled payments of principal thereof and (ii) Mortgage Loan Principal Prepayments other than portions, if any, of Mortgage Loan Principal Prepayments representing any penalty, fee, premium or other additional charge for the prepayment of principal which may be paid pursuant to the terms of a Mortgage Loan.

"Mortgage Loan Principal Prepayment" shall mean any moneys received or recovered by the Department from any payment of or with respect to principal (including any penalty, fee, premium or other additional charge for prepayment of principal which may be provided by the terms of a Mortgage Loan) on any Mortgage Loan other than the scheduled payments of principal called for by such Mortgage Loan, whether (i) by voluntary prepayment made by the borrower, (ii) as a consequence of the damage, destruction or condemnation of the mortgaged premises or any part thereof (other than insurance moneys received or recovered and used in accordance with the provisions of the Trust Indenture to repair or reconstruct the mortgaged premises which were the subject of insurance proceeds), (iii) by the sale, assignment, endorsement or other disposition of such Mortgage Loan by the Department, (iv) in the event of a default thereon by the borrower, by the acceleration, sale, assignment, endorsement or other disposition of such Mortgage Loan by the Department or by any other proceedings taken by the Department, (v) from any special hazard insurance policy or standard hazard insurance policy covering mortgaged premises, (vi) from any Supplemental Mortgage Security, or (vii) from any proceeds received from any private mortgage insurer, the FHA, the VA, the RDA or any other agency or instrumentality of the United States of America in respect of any primary mortgage insurance or guaranty of a Mortgage Loan.

"Mortgage Note" shall mean any note, bond or other instrument evidencing a borrower's obligation to repay a Mortgage Loan.

"Mortgage Pool" shall mean, with respect to a Mortgage Certificate, the pool of Mortgage Loans the beneficial ownership of which is represented by such Mortgage Certificate, as described in the schedule of pooled Mortgage Loans pertaining to such Mortgage Certificate.

"Outstanding" shall mean, when used with reference to Bonds, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Trust Indenture except:

(a) Bonds canceled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(b) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Trust Indenture; and

(c) Bonds deemed to have been paid as provided in the Trust Indenture.

"Pass-Through Rate" shall mean the interest rate accruing each month on a 2026A Mortgage Certificate, which will equal the mortgage rate of the 2026A Mortgage Loans backing the 2026A Mortgage Certificate less servicing and guaranty fees, which fees are retained by the Master Servicer.

"Person" shall mean an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Program 114" shall mean the program established by the Department pursuant to which the Department makes, acquires or refinances, directly or indirectly, Mortgage Loans or Mortgage Certificates related to the Series 2026A Bonds.

"Rating Agency" shall mean: (i) S&P Global Ratings, and any successor thereto; and (ii) Moody's Ratings, and any successor thereto to the extent either agency then has a rating on the Bonds in effect at the request of the Department.

"RDA" shall mean the Rural Development Agency of the United States Department of Agriculture or its successors.

"Rebate Fund" shall mean, collectively, the Rebate Funds established pursuant to the Series Supplements into which amounts to be paid to the United States of America will be deposited until disbursed.

"Redemption Price" shall mean, with respect to any Series 2026A Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Series 2026A Bond or the Trust Indenture.

"Regulations" shall mean the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Repaid FHLB Advances" means the particular Advances specified in the Pricing Certificate.

"RHS" shall mean the United States Department of Agriculture, Rural Housing Service, formerly known as Farmers Home Administration, and any successor thereto.

"Series" shall mean all Bonds designated as a Series in a Series Supplement and which are authenticated and delivered on original issuance in a simultaneous transaction, and all Bonds delivered in exchange for or in lieu of such Bonds.

"Series Supplement" shall mean the Supplemental Indenture providing for the issuance of a Series of Bonds, as the same may be amended from time to time.

"Series 2026A Bonds" shall mean the Department's Residential Mortgage Revenue and Refunding Bonds, Series 2026A issued under the Master Indenture and the Forty-Ninth Supplemental Indenture.

"State" shall mean the State of Texas.

"Supplemental Indenture" shall mean any trust indenture supplemental to or amendatory of the Trust Indenture, executed and delivered by the Agency or the Department and the Trustee in accordance with the Master Indenture.

"Swap Agreement" shall mean an agreement with respect to a Series of Bonds providing for an interest rate exchange or other interest rate hedge for the purpose of converting in whole or in part the Department's fixed or variable interest rate liability on all or a portion of such Bonds to a fixed or variable rate liability, including converting a variable rate liability to a different variable rate liability.

"Tenth Series Supplement" shall mean the Tenth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1988 between the Department and the Trustee.

"Term Bonds" shall mean the Series 2026A Term Bonds titled as such on the inside cover page of this Official Statement.

"Termination Payment" shall mean an amount owed by the Department to a counterparty pursuant to a Swap Agreement incurred in connection with the termination of the Swap Agreement and which, on

the date of execution of the Swap Agreement, is not an amount representing a regularly-scheduled payment under the Swap Agreement.

"Trust Indenture" shall mean the Master Indenture, as supplemented and amended from time to time.

"2026A Mortgage Certificates" shall mean the Ginnie Mae Certificates that evidence beneficial ownership of and a participation in a Mortgage Pool, that satisfy the requirements of the Forty-Ninth Supplemental Indenture which are purchased by the Trustee from amounts available in the 2026A Mortgage Loan Account and pledged by the Department to the Trustee pursuant to the Trust Indenture.

"2026A Mortgage Loan Account" shall mean the 2026A Mortgage Loan Account of the Mortgage Loan Fund.

"2026A Mortgage Loans" shall mean the portion of each Mortgage Loan included in each Mortgage Pool represented by a 2026A Mortgage Certificate.

"2026A Premium PAC Term Bond" shall mean the Series 2026A Bond maturing on January 1, 2057*, which was sold at a premium as shown on the inside cover page.

"2026A Principal Account" shall mean the 2026A Principal Account of the Principal Fund.

"2026A Revenue Account" shall mean the 2026A Revenue Account of the Revenue Fund.

"2026A Special Redemption Account" shall mean the 2026A Special Redemption Account of the Special Redemption Fund.

"Treasury" shall mean the United States Department of the Treasury.

"Underwriters" shall mean the underwriters named on a schedule to the Bond Purchase Agreement.

"VA" shall mean the United States Department of Veterans Affairs or its successors.

* *Preliminary, subject to change.*

APPENDIX B-1

GNMA AND THE GNMA CERTIFICATES

This summary of the GNMA Mortgage Backed Securities Program, the GNMA Certificates and the documents referred to herein does not purport to be comprehensive and is qualified in its entirety by reference to the GNMA Mortgage Backed Securities Guide published by GNMA and to said documents for full and complete statement of their provisions. The following summary is of the GNMA I Program and the GNMA II Program, as amended.

Government National Mortgage Association ("GNMA") is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development ("HUD") with its principal office in Washington, D.C.

To issue GNMA Certificates, the Master Servicer must first apply to and receive from GNMA the Commitment to Guarantee Mortgage Backed Securities (the "MBS Agreement"). The MBS Agreement authorizes the Master Servicer to apply to GNMA for the issuance of Mortgage-Backed Securities to be eligible for guaranty by GNMA up to a stated date and issue GNMA Certificates up to a stated amount during a one-year period following the date of the MBS Agreement. Each MBS Agreement is valid for a 12-month period from the date of commitment.

Each GNMA Certificate is to be backed by a mortgage pool consisting of Mortgage Loans in a minimum aggregate amount of $250,000 (or such lesser amount as may be approved by GNMA). Each GNMA I Certificate will be a "mortgage loan pass-through" certificate which will require the Master Servicer to pass through to the paying and transfer agent therefor (the "GNMA Paying Agent") by the fifteenth day of each month (or the sixteenth day, if such day is not a business day, provided that, if neither the fifteenth nor the sixteenth day is a business day, the first business day prior to the fifteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA Guaranty Fee and the Master Servicer's servicing fee, more fully described herein), whether or not the Master Servicer receives such payments, plus any prepayments of principal of the Mortgage Loans received by the Master Servicer in the previous month. Each GNMA II Certificate will require the Master Servicer to pass through to the GNMA Paying Agent for the GNMA II Program, by the nineteenth day of each month (or the twentieth day, if such day is not a business day; provided that, if neither the nineteenth nor the twentieth day is a business day, then the first business day prior to the nineteenth day of the month), the regular monthly payments on the Mortgage Loans (less the GNMA Guaranty Fee and the Master Servicer's servicing fee, more fully described herein), whether or not the Master Servicer received such payments, plus any prepayments on the Mortgage Loan received by the Master Servicer in the previous month. The GNMA Paying Agent is then required to pass through to the Trustee on or before the third business day following the nineteenth day of each month the scheduled payments received from the Master Servicer. GNMA guarantees timely payment of principal of and interest with respect to the GNMA Certificate.

GNMA is authorized by Section 306(g) of Title III of the National Housing Act of 1934, as amended (the "Housing Act"), to guarantee the timely payment of the principal of, and interest on, securities that are based on and backed by a pool of mortgage loans insured by FHA under the Housing Act, or guaranteed by RDA under Title V of the Housing Act of 1949, or guaranteed by VA under the Servicemen's Readjustment Act of 1944, as amended, or Chapter 37 of Title 38, United States Code. Section 306(g) further provides that "the full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection." An opinion, dated October 12, 1969, of an Assistant Attorney General of the United States, states that such guarantees under Section 306(g) of mortgage backed certificates of the type being delivered to the Trustee

on behalf of the Department are authorized to be made by GNMA and "would constitute general obligations of the United States backed by its full faith and credit."

GNMA, upon execution of the GNMA Guaranty appended to the GNMA Certificate and upon delivery of the GNMA Certificate to the Master Servicer, will have guaranteed to the Trustee as holder of the GNMA Certificate the timely payment of principal of and interest on the GNMA Certificate. In order to meet its obligations under such guaranty, GNMA, in its corporate capacity under Section 306(g) of Title III of the Housing Act, may issue its general obligations to the United States Treasury Department in an amount outstanding at any one time sufficient to enable GNMA, with no limitations as to amount, to perform its obligations under its guaranty of the timely payment of the principal of and interest on the GNMA Certificate. The Treasury is authorized to purchase any obligation so issued by GNMA and has indicated in a letter dated February 13, 1970, from the Secretary of the Treasury to the Secretary of HUD that the Treasury will make loans to GNMA, if needed, to implement the aforementioned guaranty.

GNMA is required to warrant to the Trustee as the holder of the GNMA Certificate, that, in the event it is called upon at any time to make payment on its guaranty of the principal of and interest on the GNMA Certificate, it will, if necessary, in accordance with Section 306(d) of Title III of the Housing Act, apply to the Treasury Department of the United States for a loan or loans in amounts sufficient to make payments of principal and interest.

The Master Servicer will be responsible for servicing and otherwise administering the Mortgage Loans in accordance with generally accepted practices of the mortgage banking industry and the GNMA Mortgage Backed Securities Guide (the "Guide").

It is expected that interest and principal payments on the Mortgage Loans received by the Master Servicer will be the source of payments on the GNMA Certificates. If such payments are less than what is due the Master Servicer is obligated to advance its own funds to ensure timely payment of all amounts coming due on the GNMA Certificates. GNMA guarantees such timely payment in the event of the failure of the Master Servicer to pay an amount equal to the scheduled payments (whether or not made).

The Master Servicer is required to advise GNMA in advance of any impending default on scheduled payments so that GNMA as guarantor will be able to continue such payments as scheduled on the third business day following the twentieth day of each month. If, however, such payments are not received as scheduled, the Trustee has recourse directly to GNMA.

The GNMA Guaranty Agreement to be entered into by GNMA and the Master Servicer upon issuance of the GNMA Certificates (the "GNMA Guaranty Agreement") will provide that, in the event of a default by the Master Servicer, GNMA will have the right, by letter to the Master Servicer, to effect and complete the extinguishment of the Master Servicer's interest in the Mortgage Loans, and the Mortgage Loans are to thereupon become the absolute property of GNMA, subject only to the unsatisfied rights of the holder of the GNMA Certificate. In such event, the GNMA Guaranty Agreement will provide that GNMA will be the successor in all respects to the Master Servicer in its capacity under the GNMA Guaranty Agreement and the transaction and arrangements set forth or arranged for therein. At any time, GNMA may enter into an agreement with an institution approved by GNMA under which such institution undertakes and agrees to assume any part or all of such duties, and no such agreement will detract from or diminish the responsibilities, duties or liabilities of GNMA in its capacity as guarantor.

Payment of principal and interest on the GNMA Certificate is required to be made in monthly installments on or before the third business day following the twentieth of each month commencing the month following the date of issue of the GNMA Certificate.

Each installment on the GNMA Certificate is required to be applied first to interest and then in reduction of the principal balance then outstanding on the GNMA Certificate. Interest is to be paid at the specified rate on the unpaid portion of the principal of the GNMA Certificate. The amount of principal due on the GNMA Certificate is to be in an amount at least equal to the scheduled principal amortization currently due on the Mortgage Loans subject to adjustment by reason of unscheduled recoveries of principal on the Mortgage Loans. In any event, the Master Servicer is required to pay to the Trustee, as holder of the GNMA Certificate, monthly installments of not less than the interest due on the GNMA Certificate at the rate specified in the GNMA Certificate, together with any scheduled installments of principal, whether or not such interest or principal is collected from the Mortgagor, and any prepayments or early recovery of principal. Final payment is to be made upon surrender of the outstanding GNMA Certificate.

The Office of Inspector General (OIG) is required to conduct an annual audit of GNMA under the provisions of the Chief Financial Officers (CFO) Act of 1990 ("CFO Act"). The complete OIG report is included in the separate management report of GNMA prepared pursuant to the CFO Act which is available upon request from GNMA at Government National Mortgage Association, 451 Seventh Street, SW, Washington, D.C. 20410-9000.

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APPENDIX B-2

FANNIE MAE AND THE FANNIE MAE CERTIFICATES

General

Fannie Mae is a federally chartered and stockholder owned corporation organized and existing under the Federal National Mortgage Association Charter Act, 12 U.S.C. 1716 et seq. Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market and became a stockholder owned and privately managed corporation by legislation enacted in 1968.

Fannie Mae purchases, sells, and otherwise deals in mortgages in the secondary market rather than as a primary lender. It does not make direct mortgage loans but acquires mortgage loans originated by others. In addition, Fannie Mae issues mortgage backed securities ("MBS"), primarily in exchange for pools of mortgage loans from lenders. Fannie Mae receives guaranty fees for its guarantee of timely payment of principal of and interest on MBS certificates.

The securities of Fannie Mae are not guaranteed by the United States and do not constitute a debt or obligation of the United States or any agency or instrumentality thereof other than Fannie Mae.

Information on Fannie Mae and its financial condition is contained in periodic reports that are filed with the Securities and Exchange Commission (the "SEC"). The SEC filings are available at the SEC's website at http://www.sec.gov. The periodic reports filed by Fannie Mae with the SEC are also available on Fannie Mae's website at http://www.fanniemae.com/portal/about-fm/investor-relations/quarterly-annual-results.html or from Fannie Mae at the Office of Investor Relations at 202-752-7115.

Fannie Mae is incorporating by reference in this Official Statement the documents listed below that Fannie Mae publishes from time to time. This means that Fannie Mae is disclosing information to you by referring you to those documents. Those documents are considered part of this Reoffering Circular, so you should read this Reoffering Circular, and any applicable supplements or amendments, together with those documents before making an investment decision.

You should rely only on the information provided or incorporated by reference in this Official Statement and any applicable supplement, and you should rely only on the most current information.

Fannie Mae makes no representation as to the contents of this Official Statement, the suitability of the Bonds for any investor, the feasibility of performance of any program, or compliance with any securities, tax or other laws or regulations.

Fannie Mae currently is required to file periodic financial disclosures with the U.S. Securities and Exchange Commission (the "SEC"), including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K, together with any required exhibits. These reports and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC currently maintains a website (http://www.sec.gov) that contains reports, proxy statements and other information that Fannie Mae has filed with the SEC. The Senior Preferred Stock Purchase Agreement between the Treasury and Freddie Mac requires Freddie Mac to provide the Treasury with annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. The Department makes no representation regarding the content, accuracy or availability of any such reports or information filed by Fannie Mae or Freddie Mac with the SEC, or any information provided at such website. The SEC's website is not part of this Official Statement.

Mortgage-backed Securities Program

Fannie Mae is a federally chartered and stockholder-owned corporation organized and existing under the Federal National Mortgage Association Charter Act (12 U.S.C. Section 1716 et seq.). Fannie Mae was originally established in 1938 as a United States government agency to provide supplemental liquidity to the mortgage market, and was transferred into a stockholder-owned and privately managed corporation by legislation enacted in 1968. The Secretary of Housing and Urban Development exercises general regulatory power over Fannie Mae. Fannie Mae provides funds to the mortgage market by purchasing mortgage loans from lenders, thereby replenishing their funds for additional lending. Fannie Mae acquires funds to purchase mortgage loans from many capital market investors that may not ordinarily invest in mortgage loans, thereby expanding the total amount of funds available for housing. In addition, Fannie Mae issues mortgage-backed securities primarily in exchange for pools of mortgage loans from lenders.

Although the Secretary of the Treasury of the United States has certain discretionary authority to purchase obligations of Fannie Mae, neither the United States nor any agency or instrumentality thereof is obligated to finance Fannie Mae's obligations or assist Fannie Mae in any manner.

Fannie Mae has implemented a mortgage-backed securities program pursuant to which Fannie Mae issues securities (the "Fannie Mae Certificates") backed by pools of mortgage loans (the "MBS Program"). The obligations of Fannie Mae, including its obligations under the Fannie Mae Certificates, are obligations solely of Fannie Mae and are not backed by, or entitled to, the full faith and credit of the United States.

The terms of the MBS Program are governed by the Fannie Mae Selling and Servicing Guides (the "Fannie Mae Guides") published by Fannie Mae, as modified by the Pool Purchase Contract (as hereinafter described), and, in the case of mortgage loans such as the Mortgage Loans, a Trust Indenture dated as of November 1, 1981, as amended (the "Fannie Mae Trust Indenture"), and a supplement thereto to be issued by Fannie Mae in connection with each pool.

The summary of the MBS Program set forth herein does not purport to be comprehensive and is qualified in its entirety by reference to the Fannie Mae Guides, the Fannie Mae prospectus and the other documents referred to herein.

Pool Purchase Contract

It is expected that Fannie Mae and the Master Servicer will enter into a Pool Purchase Contract, pursuant to which the Master Servicer will be permitted to deliver, and Fannie Mae will agree to purchase mortgage loans in exchange for Fannie Mae Certificates. The purpose of the Pool Purchase Contract is to provide for certain additions, deletions and changes to the Fannie Mae Guides relating to the purchase of mortgage loans. In the event of a conflict between the Pool Purchase Contract and the Fannie Mae Guides, the Pool Purchase Contract will control. The description set forth below assumes that the Pool Purchase Contract will be executed substantially in the form presented by Fannie Mae to the Master Servicer as of the date hereof.

The Pool Purchase Contract obligates the Master Servicer to service the mortgage loans in accordance with the requirements of the Fannie Mae Guides and the Pool Purchase Contract.

Fannie Mae Certificates

Each Fannie Mae Certificate will represent the entire interest in a specified pool of Mortgage Loans purchased by Fannie Mae from the Master Servicer and identified in records maintained by Fannie Mae.

Fannie Mae will guarantee to the registered holder of the Fannie Mae Certificates that it will distribute amounts representing scheduled principal and interest at the applicable pass-through rate on the Mortgage Loans in the pools represented by such Fannie Mae Certificates, whether or not received, and the full balance of any foreclosed or other finally liquidated Mortgage Loan, whether or not such principal balance is actually received. The obligations of Fannie Mae under such guarantees are obligations solely of Fannie Mae and are not backed by, nor entitled to, the faith and credit of the United States. If Fannie Mae were unable to satisfy such obligations, distributions to the Trustee, as the registered holder of Fannie Mae Certificates, would consist solely of payments and other recoveries on the underlying Mortgage Loans and, accordingly, monthly distributions to the Trustee, as the holder of Fannie Mae Certificates, would be affected by delinquent payments and defaults on such Mortgage Loans.

Payments on Mortgage Loans; Distributions on Fannie Mae Certificates

Payments on a Fannie Mae Certificate will be made on the 25th day of each month (beginning with the month following the month such Fannie Mae Certificate is issued), or, if such 25th day is not a business day, on the first business day next succeeding such 25th day. With respect to each Fannie Mae Certificate, Fannie Mae will distribute to the Trustee an amount equal to the total of (i) the principal due on the Mortgage Loans in the related mortgage pool underlying such Fannie Mae Certificate during the period beginning on the second day of the month prior to the month of such distribution and ending on the first day of such month of distribution, (ii) the stated principal balance of any Mortgage Loan that was prepaid in full during the second month next preceding the month of such distribution (including as prepaid for this purpose at Fannie Mae's election any Mortgage Loan after it is delinquent, in whole or in part, with respect to four consecutive installments of principal and interest), (iii) the amount of any partial prepayment of a Mortgage Loan received in the second month next preceding the month of distribution, and (iv) one month's interest at the pass-through rate on the principal balance of the Fannie Mae Certificate as reported to the Trustee (assuming the Trustee is the registered holder) in connection with the previous distribution (or, respecting the first distribution, the principal balance of the Fannie Mae Certificate on its issue date).

For purposes of distributions, a Mortgage Loan will be considered to have been prepaid in full if, in Fannie Mae's reasonable judgment, the full amount finally recoverable on account of such Mortgage Loan has been received, whether or not such full amount is equal to the stated principal balance of the Mortgage Loan. Fannie Mae may, in its discretion, include with any distribution principal prepayments, both full and partial, received during the month prior to the month of distribution but is under no obligation to do so.

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APPENDIX C

FORM OF PROPOSED OPINION OF BOND COUNSEL

[_____], 2026

Texas Department of Housing and
Community Affairs
221 East 11th Street
Austin, Texas 78701

The Bank of New York Mellon Trust Company,
N.A., as Trustee
4655 Salisbury Road, Suite 300
Jacksonville, Florida 32256

Morgan Stanley & Co. LLC,
as Representative of the Underwriters
1585 Broadway, 11th Floor
New York, New York 10036

Ladies and Gentlemen:

We have represented the Texas Department of Housing and Community Affairs (the "Department") as its bond counsel in connection with the issuance of the Department's Residential Mortgage Revenue and Refunding Bonds, Series 2026A (the "Series 2026A Bonds") pursuant to a resolution adopted by the Governing Board of the Department on October 9, 2025 (the "Bond Resolution") and a pricing certificate with respect to the Series 2026A Bonds (the "Pricing Certificate") executed on _____, 2026 by an authorized officer of the Department pursuant to the Bond Resolution; the Amended and Restated Residential Mortgage Revenue Bond Trust Indenture dated as of July 1, 2019 (as amended and supplemented from time to time, the "RMRB Indenture"), between the Department and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"); and the Forty-Ninth Supplemental Residential Mortgage Revenue Bond Trust Indenture dated as of February 1, 2026 (the "Forty-Ninth Supplemental Indenture"), between the Department and the Trustee with respect to the Series 2026A Bonds. The RMRB Indenture and the Forty-Ninth Supplemental Indenture are referred to herein collectively as the "Indenture." The Series 2026A Bonds are being issued in the principal amounts, bear interest at the rates, mature on the dates and are subject to redemption prior to maturity as provided in the Indenture. Capitalized terms not otherwise defined herein have the meanings assigned to such terms in the Indenture.

The RMRB Indenture permits the issuance of additional bonds, and such bonds have been issued, on a parity with the Series 2026A Bonds upon the terms and conditions set forth in the RMRB Indenture. The Department reserves the right in the RMRB Indenture to issue other bonds of the Department under the RMRB Indenture for other programs similar to the program initially funded with the proceeds of the Series 2026A Bonds and to refund bonds issued under the RMRB Indenture, and further reserves the right to issue bonds payable from the pledges and assignments in trust pursuant to the RMRB Indenture that are junior or subordinate to the Series 2026A Bonds, all as provided in the RMRB Indenture.

The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering an opinion with respect to the legality and validity of the Series 2026A Bonds under the Constitution and laws of the State of Texas (the "State") and the security therefor and with respect to the excludability of interest on the Series 2026A Bonds from gross income for federal income tax purposes. We have not been engaged to review, or undertaken the review of, the accuracy, completeness or sufficiency of the Official Statement or any other offering material relating to the Series 2026A Bonds, and we express no opinion relating thereto (excepting only the matters set forth in our supplemental opinion of bond counsel of even date herewith). We have not assumed any responsibility with respect to the financial condition or capability of the Department or the disclosure thereof.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certain proceedings pertaining to the Series 2026A Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Department, the State and the Trustee, and customary certificates, opinions, affidavits and other documents executed by officers, agents and representatives of the Department, the State, the Trustee and others. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Bond No. TRA-1 of the Series 2026A Bonds.

We have assumed with your permission and without independent verification (i) the genuineness of certificates, records and other documents (collectively, "documents") and the information submitted to us and the accuracy and completeness of the statements contained therein; (ii) the due authorization, execution and delivery of the documents by the parties thereto other than the Department, and the validity and binding effect of the documents on such parties; (iii) that all documents submitted to us as originals are accurate and complete; (iv) that all documents submitted to us as copies are true and correct copies of the originals thereof; and (v) that all information submitted and representations and certifications delivered to us by the Department and other parties are accurate and complete.

In providing the opinions set forth herein, we have relied on representations and certifications of the Department and other parties involved with the issuance of the Series 2026A Bonds and the Mortgage Loans with respect to matters solely within the knowledge of the Department and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the procedures, safeguards and covenants of the Servicer and Mortgage Lenders in the Program Agreement and the covenants of the Department in the Indenture and the Program Agreement.

Based upon such examination, in reliance on such representations and certifications and subject to the assumptions, qualifications and limitations set forth herein, it is our opinion that:

1. The Department is a public and official governmental agency of the State, duly created and existing under the laws of the State, particularly Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, the "Act"), and has full power and authority to adopt the Bond Resolution, to execute the Pricing Certificate and to perform its obligations thereunder; to execute and deliver the Forty-Ninth Supplemental Indenture; to perform its obligations under the Indenture; and to issue and sell the Series 2026A Bonds and to utilize the proceeds therefrom for the purposes set forth in the Bond Resolution and the Indenture.

2. The Department has duly adopted the Bond Resolution and has duly authorized, executed and delivered the Pricing Certificate and the Forty-Ninth Supplemental Indenture, and the Forty-Ninth Supplemental Indenture has been duly and lawfully adopted by the Department in accordance with the provisions of the RMRB Indenture, and is authorized or permitted by the RMRB Indenture. The Indenture constitutes a legal, valid and binding obligation of the Department. Pursuant to the Indenture, all of the Department's right, title and interest in and to the Trust Estate, including the Revenues and other amounts to be received by the Department have been validly and effectively assigned and, upon receipt of such Revenues and amounts by the Trustee, pledged as security for the payment of the principal and redemption price of and interest on the Series 2026A Bonds.

3. The Department has duly authorized the issuance, execution and delivery of the Series 2026A Bonds. The authorized officers of the Department have duly executed the Series 2026A Bonds and the Trustee has duly authenticated the Series 2026A Bonds, to the extent required by the Indenture, and delivered the Series 2026A Bonds to or at the direction of the initial purchasers thereof. The Series 2026A Bonds constitute legal, valid and binding limited obligations of the Department and are entitled to the benefit and security of the Indenture.

4. The Series 2026A Bonds are issued pursuant to the provisions of the Act and constitute limited obligations of the Department and are payable solely from the revenues, funds and assets of the Department pledged under the Indenture and not from any other revenues, funds or assets of the Department. The Series 2026A Bonds are not and do not create or constitute in any way an obligation, a debt or a liability of the State, or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State. The Department has no taxing power.

5. Interest on the Series 2026A Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax imposed on certain corporations.

We express no opinion as to the amount or timing of interest on the Series 2026A Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Series 2026A Bonds. These opinions are specifically limited, to the extent applicable, to the laws of the State and the laws of the United States of America. Further, in the event that the information submitted to us, the representations of the Department or other parties involved with the issuance of the Series 2026A Bonds and the Mortgage Loans upon which we have relied are determined to be inaccurate or incomplete, or the Department, a Mortgage Lender or the Servicer fails to comply with the procedures, safeguards and covenants in the Indenture and the Program Agreement, interest on the Series 2026A Bonds could become includable in gross income for federal income tax purposes from the date of the original delivery of the Series 2026A Bonds, regardless of the date on which the event causing such inclusion occurs.

We express no opinion as to the priority or perfection of the security interest granted by the Department in the Trust Estate.

The enforceability of certain provisions of the Series 2026A Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors. Furthermore, availability of equitable remedies under the Series 2026A Bonds may be limited by general principles of equity that permit the exercise of judicial discretion. Furthermore, the enforceability of any indemnification provisions contained in the Indenture may be limited by applicable securities laws and public policy.

Our opinions are based on existing law and our knowledge of facts as of the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement these opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

This letter is delivered to the addressees hereof in connection with the issuance and delivery of the Series 2026A Bonds. The opinions set forth above speak only as of the date of this letter and only in connection with the Series 2026A Bonds and may not be applied to any other transaction. The opinions expressed herein are for the sole benefit of, and may be relied upon only by, the addressees named above, and this opinion letter may not otherwise be used, circulated, quoted, or referred to, in whole or in part, without the prior written consent of the undersigned in each and every instance. We observe that we are engaged solely to represent the Department as its bond counsel in this matter.

Very truly yours,

APPENDIX D-1

ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES

Additional Information Concerning Mortgage Certificates

The Texas Department of Housing and Community Affairs (the "Department") owns an extensive portfolio of GNMA/FNMA/ Freddie Mac Certificates (Mortgage Certificates) acquired with the proceeds of the Department's Single Family Mortgage Revenue Bonds, Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bonds), Residential Mortgage Revenue Bonds, GNMA Collateralized Home Mortgage Revenue Bonds and Collateralized Home Mortgage Revenue Bonds. The following tables summarize certain information regarding the Residential Mortgage Revenue Bond Trust Indenture as of September 30, 2025.

Residential Mortgage Revenue Bond (RMRB) Trust Indenture

Series	Original Issue Amount	Bonds Outstanding	Average Weighted Mortgage Rates for Outstanding Mortgage Certificates (%)	Mortgage Certificates Outstanding	Down Payment Assistance
Surplus	$ -	$ -	3.56	$ 14,436,531	$187,596,600
2019 A	166,350,000	87,435,000	4.91	86,714,387	
2021 A/B	161,369,927	113,974,191	3.81	113,829,120	
2022 A	190,000,000	172,025,000	3.99	171,176,023	
2022 B	150,000,000	138,400,000	6.03	137,826,921	
2023 A	230,000,000	218,040,000	6.01	217,065,054	
2023 B/C	250,000,000	241,740,000	6.22	239,970,763	
2024 A/B	250,000,000	246,730,000	6.15	245,172,052	
2024 C/D	250,000,000	247,810,000	6.29	245,499,120	
2025 A	175,000,000	174,905,000	6.21	174,235,319	
2025 B/C	250,000,000	250,000,000	6.35	233,626,051	
2025 D	250,000,000	250,000,000			
TOTAL	$2,322,719,927	$2,141,059,191		$1,879,551,340	$187,596,600

Note 1: In addition to the RMRB Bonds Outstanding shown above, the Department has issued one subordinate Note payable with an outstanding balance of $10,000,000.

Note 2: RMRB 2025B with $187.5 million in proceeds and 2025C with $62.5 million in taxable proceeds closed on June 10, 2025. RMRB 2025D with $250 million in proceeds closed on September 17, 2025.

Note 3: Down Payment Assistance Loans not included for cashflow purposes.

RMRB Mortgage Certificate Loan Type

Loan Type	Number of Outstanding Mortgage Loans	Outstanding Principal Amount ($)	Percent of Mortgage Certificates Outstanding
GNMA Certificates	14,222	$1,875,637,966	99.79%
FNMA Certificates	30	3,913,374	0.21%
TOTAL	14,252	$1,879,551,340	100.00%

RMRB Mortgage Certificates Servicers

Servicers	Number of Outstanding Mortgage Loans	Percent of Mortgage Certificates Outstanding
Idaho	12,213	85.69%
The Money Source	1,532	10.75%
Bank of America	389	2.73%
US Bank	118	0.83%
TOTAL	14,252	100.00%

Other Information

Mortgage Loan Information Management System

All Mortgage Loans made with proceeds of the Department's mortgage revenue bonds permit partial or complete prepayment without penalty. Mortgage Loans, in general, may also be terminated prior to their respective maturities as a result of events such as default, sale, condemnation or casualty loss. A number of factors, including general economic conditions, homeowner mobility and mortgage market interest rates, will affect the rate of actual prepayments for a particular portfolio of mortgage loans.

The Department does not service the Mortgage Loans backing Mortgage Certificates; however, the Department monitors the origination and payment of such Mortgage Loans.

DISCLAIMER

"All information contained herein is obtained from sources believed to be accurate and reliable. Refer to the Official Statement and operative documents of each series for complete information on that issue. Because of the possibility of human and mechanical error as well as other factors, such information is provided "as is" without warranty of any kind and, in particular, no representation or warranty, expressed or implied, is made nor to be inferred as to the accuracy, timeliness or completeness, of any such information. Under no circumstances shall the Texas Department of Housing and Community Affairs have any liability to any person or entity for (a) any loss or damage in whole or part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstances involved in procuring, collecting, compiling, interpreting, analyzing, editing, transcribing, transmitting, communicating or delivering any such information, or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if the Texas Department of Housing and Community Affairs is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, any such information."

APPENDIX D-2

BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

General - Single Family Since 1979, the year of creation of the Texas Housing Agency (the Agency), a predecessor to the Department, through September 30, 2025, there have been issued by the Agency or the Department, seventy-one series of Single Family Mortgage Revenue Bonds, five series of Junior Lien Single Family Mortgage Revenue Refunding Bonds, fifty-two series of Residential Mortgage Revenue Bonds, eleven series of Collateralized Home Mortgage Revenue Bonds, ten series of GNMA/FNMA Collateralized Home Mortgage Revenue Bonds, and two series of Government National Mortgage Association Collateralized Home Mortgage Revenue Bonds. As of September 30, 2025, the aggregate outstanding principal amount of bonded indebtedness of the Department for single family housing purposes was $3,517,121,414. In addition, the Department has issued four subordinate Notes. As of September 30, 2025, the aggregate outstanding principal balance of the subordinate Notes was $10,000,000.

Single Family Mortgage Revenue Bonds (SFMRBs) The Department has issued seventy-one series of Single Family Mortgage Revenue Bonds under a Single Family Mortgage Revenue Bond Trust Indenture, dated as of October 1, 1980, which was amended and restated on June 1, 2017. These bonds are secured on an equal and ratable basis by the trust estate established by the SFMRB Indenture. As of September 30, 2025, twenty series were outstanding with an aggregate outstanding principal amount of $1,346,062,223. On September 16, 2020, all outstanding Loan Agreements were paid in full and are no longer outstanding.

Junior Lien Bonds The Department has issued five series of its Junior Lien Single Family Mortgage Revenue Refunding Bonds (the Junior Lien Bonds) pursuant to a Junior Lien Trust Indenture, dated as of May 1, 1994. The Junior Lien Bonds are secured on an equal and ratable basis with each other and on a subordinated basis to the Single Family Mortgage Revenue Bonds by the trust estate held under the SFMRB Indenture. As of September 30, 2025, one series was outstanding with an aggregate outstanding principal amount of $30,000,000.

Residential Mortgage Revenue Bonds (RMRBs) The Department has issued forty-nine series of Residential Mortgage Revenue Bonds pursuant to the Residential Mortgage Revenue Bond Trust Indenture. These bonds are secured on an equal and ratable basis by the trust estate established by the RMRB Indenture. As of September 30, 2025, sixteen series were outstanding with an aggregate outstanding principal amount of $2,141,059,191. In addition, the Department has issued one subordinate Note under the RMRB Indenture. As of September 30, 2025, the aggregate outstanding principal balance of the subordinate Note was $10,000,000.

General - Multifamily The Department is a conduit issuer for the State of Texas with authority to issue tax-exempt and taxable Multifamily Mortgage Revenue Bonds statewide. The Department and the Agency have issued Multifamily Mortgage Revenue Bonds which have been issued pursuant to separate trust indentures and are secured by individual trust estates which are separate and distinct from each other. As of September 30, 2025, an aggregate principal amount of $910,991,593 was outstanding. In addition, the Department has issued twenty-three Multifamily Notes. As of September 30, 2025, the aggregate outstanding principal balance of the Multifamily Notes was $562,945,913.

APPENDIX E

APPLICABLE MEDIAN FAMILY INCOMES AND MAXIMUM ACQUISITION COST LIMITATIONS

APPENDIX F

TABLE OF PROJECTED WEIGHTED AVERAGE LIFE DATA AT VARIOUS PREPAYMENT SPEEDS

SIFMA Prepayment Model		Series 2026A					
						Premium PAC Term Bonds Due 1/1/2057	
		Term Bonds due 7/1/2041	Term Bonds due 7/1/2046	Term Bonds due 7/1/2051	Term Bonds due 7/1/2056	(Optional Call not Exercised)	(Optional Call Exercised)
0%	Average Life (years)	14.2	18.2	23.2	27.3	15.9	7.2
	Average Maturity Date	4/13/2040	5/9/2044	5/9/2049	6/4/2053	1/28/2042	5/16/2033
	First Redemption Date	1/1/2039	1/1/2042	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	7/1/2041	7/1/2046	7/1/2051	1/1/2055	7/1/2051	1/1/2034
50%	Average Life (years)	13.8	16.7	19.1	19.5	6.0	5.5
	Average Maturity Date	11/30/2039	11/14/2042	3/23/2045	8/24/2045	2/16/2032	9/2/2031
	First Redemption Date	1/1/2027	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	7/1/2041	7/1/2046	7/1/2051	7/1/2051	1/1/2037	1/1/2034
75%	Average Life (years)	12.6	14.8	16.1	16.2	6.0	5.5
	Average Maturity Date	9/8/2038	11/23/2040	4/1/2042	5/2/2042	2/16/2032	9/2/2031
	First Redemption Date	1/1/2027	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	7/1/2041	7/1/2046	1/1/2050	1/1/2050	1/1/2037	1/1/2034
100%	Average Life (years)	11.5	13.1	13.7	13.8	6.0	5.5
	Average Maturity Date	8/1/2037	3/8/2039	11/16/2039	11/17/2039	2/16/2032	9/2/2031
	First Redemption Date	1/1/2027	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	7/1/2041	7/1/2046	7/1/2048	7/1/2048	1/1/2037	1/1/2034
125%	Average Life (years)	10.5	11.6	11.9	11.9	6.0	5.5
	Average Maturity Date	8/6/2036	9/20/2037	1/6/2038	1/1/2038	2/16/2032	9/2/2031
	First Redemption Date	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	7/1/2041	7/1/2046	1/1/2047	1/1/2047	1/1/2037	1/1/2034
150%	Average Life (years)	9.6	10.3	10.4	10.4	6.0	5.5
	Average Maturity Date	9/15/2035	6/10/2036	7/21/2036	7/15/2036	2/16/2032	9/2/2031
	First Redemption Date	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	7/1/2041	7/1/2045	7/1/2045	7/1/2045	1/1/2037	1/1/2034
175%	Average Life (years)	8.8	9.2	9.3	9.3	6.0	5.5
	Average Maturity Date	11/26/2034	5/10/2035	5/20/2035	5/18/2035	2/16/2032	9/2/2031
	First Redemption Date	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	7/1/2041	7/1/2044	7/1/2044	7/1/2044	1/1/2037	1/1/2034
200%	Average Life (years)	8.1	8.3	8.3	8.3	6.0	5.5
	Average Maturity Date	3/8/2034	6/8/2034	6/9/2034	6/8/2034	2/16/2032	9/2/2031
	First Redemption Date	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	7/1/2041	7/1/2043	7/1/2043	7/1/2043	1/1/2037	1/1/2034
300%	Average Life (years)	5.8	5.8	5.8	5.8	6.0	5.5
	Average Maturity Date	12/17/2031	12/14/2031	12/13/2031	12/12/2031	2/16/2032	9/2/2031
	First Redemption Date	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	1/1/2040	1/1/2040	1/1/2040	1/1/2040	1/1/2037	1/1/2034
400%	Average Life (years)	4.4	4.4	4.4	4.4	6.0	5.5
	Average Maturity Date	7/18/2030	7/17/2030	7/15/2030	7/15/2030	2/16/2032	9/2/2031
	First Redemption Date	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	1/1/2038	1/1/2038	1/1/2038	1/1/2038	1/1/2037	1/1/2034
500%	Average Life (years)	3.6	3.6	3.6	3.6	6.0	5.5
	Average Maturity Date	9/17/2029	9/15/2029	9/15/2029	9/15/2029	2/16/2032	9/2/2031
	First Redemption Date	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	7/1/2033	7/1/2033	7/1/2033	7/1/2033	1/1/2037	1/1/2034
600%	Average Life (years)	3.1	3.1	3.1	3.1	6.0	5.5
	Average Maturity Date	4/8/2029	4/7/2029	4/7/2029	4/6/2029	2/16/2032	9/2/2031
	First Redemption Date	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	1/1/2032	1/1/2032	1/1/2032	1/1/2032	1/1/2037	1/1/2034
700%	Average Life (years)	2.9	2.9	2.9	2.9	6.0	5.5
	Average Maturity Date	12/23/2028	12/23/2028	12/23/2028	12/23/2028	2/16/2032	9/2/2031
	First Redemption Date	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026	7/1/2026
	Last Redemption Date	1/1/2031	1/1/2031	1/1/2031	1/1/2031	1/1/2037	1/1/2034

APPENDIX G

SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE LOANS AND OTHER MATTERS

DTC AND BOOK-ENTRY

DTC will act as securities depository for the Series 2026A Bonds. the Series 2026A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2026A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2026A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2026A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2026A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' Records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2026A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2026A Bonds, except in the event that use of the book-entry system for the Series 2026A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2026A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2026A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2026A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2026A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2026A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2026A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Series 2026A Bonds may wish to ascertain that the nominee holding the Series 2026A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2026A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2026A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Department as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2026A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2026A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Department or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Department, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2026A Bonds at any time by giving reasonable notice to the Department or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Department may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Department, or the Trustee.

The Department, the Underwriters and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series 2026A Bonds (i) payments of principal of or interest and premium, if any, on the Series 2026A Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interest in Series 2026A Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2026A Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official

Statement. The current "Rules" applicable to DTC are on file with the Securities Exchange Commission, and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

NEITHER THE DEPARTMENT, THE UNDERWRITERS NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE SERIES 2026A BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2026A BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE TRUST INDENTURE TO BE GIVEN TO OWNERS OF SERIES 2026A BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF SERIES 2026A BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS A BONDHOLDER.

Discontinuation of Book-Entry-Only System

In the event that the book-entry-only system is discontinued by DTC or the Department, the following provisions will be applicable to the Series 2026A Bonds. Series 2026A Bonds may be exchanged for an equal aggregate principal amount of Series 2026A Bonds in other Authorized Denominations of the same Series and maturity upon surrender thereof at the applicable corporate trust office of the Trustee with a duly executed assignment in form satisfactory to the Trustee. The transfer of any Series 2026A Bond may be registered on the books maintained by the Trustee for such purpose only upon the surrender of such Series 2026A Bond to the Trustee with a duly executed assignment in form satisfactory to the Trustee. For every exchange or transfer of registration of Series 2026A Bonds, the Department or the Trustee may make a charge sufficient to reimburse it or them for any tax, fee, or other governmental charge required to be paid with respect to such exchange or registration of transfer, as well as the administrative expenses, if any, charged by the Trustee for the transfer or exchange. The Trustee will not be required to transfer or exchange any Series 2026A Bond for a period of 20 days next preceding an interest payment date on such Series 2026A Bonds or next preceding any selection of Series 2026A Bonds to be redeemed or thereafter until after mailing of any notice of redemption on any Series 2026A Bonds called for redemption, or transfer or exchange any Series 2026A Bonds called for redemption. The Department and the Trustee may treat the Person in whose name a Series 2026A Bond is registered as the absolute owner thereof for all purposes, whether such Series 2026A Bond is overdue or not, for the purpose of receiving payment of, or on account of the principal of, interest on, such Series 2026A Bond. If any Series 2026A Bond is not presented for payment when the principal or the Redemption Price therefor becomes due, and if moneys sufficient to pay such Series 2026A Bond (or the portion thereof called for redemption) or such interest, as is applicable, have been deposited under the Trust Indenture, all liability of the Department to the owner thereof for the payment of such Series 2026A Bonds (or portion thereof) or such interest, as applicable, will be discharged, and thereupon it shall be the duty of the Trustee to hold such money for the benefit of the owner of the applicable Series 2026A Bond, who will thereafter be restricted exclusively to such money, for any claim on his part under the Trust Indenture or on or with respect to, such principal, Redemption Price and/or interest. Money not claimed within three years will be turned over to the Comptroller of Public Accounts of the State of Texas (the "Comptroller"), in accordance with Title 6, Texas Property Code.

THE PRIOR BONDS

In addition to the Series 2026A Bonds to be issued, fifty series of Prior Bonds have been issued pursuant to the Master Indenture. As of September 30, 2025, $2,141,059,191 in aggregate principal amount of such Prior Bonds were Outstanding in the following principal amounts:

Series	Original Issue Amount	Bonds Outstanding
2019A	$ 166,350,000	$ 87,435,000
2021A/B	161,369,927	113,974,191
2022A	190,000,000	172,025,000
2022B	150,000,000	138,400,000
2023A	230,000,000	218,040,000
2023BC	250,000,000	241,740,000
2024AB	250,000,000	246,730,000
2024CD	250,000,000	247,810,000
2025A	175,000,000	174,905,000
2025B/C	250,000,000	250,000,000
2025D	250,000,000	250,000,000
TOTAL	**$2,322,719,927**	**$2,141,059,191**

Note: RMRB 2025BC with $250 million in proceeds closed on June 10, 2025. RMRB 2025D with $250 million in proceeds closed on September 17, 2025. As of December 1, 2025, collectively, $378 million was securitized, with an additional $173 million reserved.

For a more detailed description of the Prior Bonds, please refer to "APPENDIX D-1 – ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES."

Mortgage Loans and Mortgage Certificates

Mortgage Loans and Mortgage Certificates held under the Residential Mortgage Revenue Bond Program as of September 30, 2025 were as follows:

Prior Mortgage Certificates	Outstanding Principal Amount
Ginnie Mae	$1,875,637,966
Fannie Mae	3,913,374
TOTAL	$1,879,551,340

For a detailed examination of the Mortgage Loans and Mortgage Certificates acquired with proceeds of the Prior Bonds, please refer to "APPENDIX D-1 – ADDITIONAL INFORMATION CONCERNING MORTGAGE CERTIFICATES." Unless otherwise specified, all information is as of September 30, 2025.

TEXAS TREASURY SAFEKEEPING TRUST COMPANY

The Department has entered into a Depository Agreement relating to the Bonds (as amended and supplemented, the "Depository Agreement"), by and among the Department, the Trustee, and the Texas Treasury Safekeeping Trust Company, a special-purpose trust company organized under the laws of the State of Texas (the "Trust Company"). Pursuant to the Depository Agreement, the Trust Company will hold all moneys and securities required to be credited to all Funds (other than the Special Mortgage Loan Fund). All money and securities required by the Trust Indenture to be credited to such Funds and Accounts are required to be remitted to the Trust Company from time to time by the Department and the Trustee.

The Trust Company is required to remit amounts from the appropriate accounts held by it to the Trustee at such times as are necessary to pay the principal or Redemption Price of and interest on the Bonds when due. Moneys held in the accounts held by the Trust Company are required to be invested by the Trust Company pursuant to instruction from the Department as described herein under "THE TRUST INDENTURE – Investments." The Trust Company is required to hold all moneys and securities delivered to it under the Depository Agreement in trust for the benefit of the Department, the Trustee and the owners of the Bonds.

The Department has agreed to pay the Trust Company a fee for performing its duties under the Depository Agreement. The Department has the right to remove the Trust Company as Depository under the Depository Agreement at any time by filing a written notice with the Trustee and the Trust Company to that effect. The Trust Company may resign as Depository under the Depository Agreement by giving at least 60 days' written notice to the Department and the Trustee of its determination to resign. Upon any such removal or resignation, the Trust Company is required to deliver all moneys and securities held by it under the Depository Agreement to its successor thereunder, or, if there is no successor, to the Trustee.

LEGALITY FOR INVESTMENT

The Act provides that all obligations issued by the Department are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees, guardians, and the sinking and other public funds of the State, municipalities, counties, school districts, and other political subdivisions and public agencies of the State.

The Act also provides that all obligations issued by the Department are eligible and lawful security for all deposits of public funds of the State and all public agencies to the extent of the par or market value thereof, whichever is greater.

To the extent that the Series 2026A Bonds constitute "collateralized mortgage obligations that have a stated final maturity of greater than 10 years" within the meaning of the Texas Public Funds Investment Act, the Series 2026A Bonds are not an "authorized investment" for a state agency, a local government, or other investing entity subject to the provisions of the Public Funds Investment Act.

No representation is made that the Series 2026A Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The Department has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Series 2026A Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Series 2026A Bonds for such purposes.

THE PROGRAM AND THE MORTGAGE LOANS

The Program

The Department has established a single family mortgage purchase program ("Program") pursuant to the Act for the purpose of assisting in financing the costs of acquisition of residences within the State of Texas by Eligible Borrowers (as described below). The component of the Program relating to the Series 2026A Bonds has been designated as the Department's Bond Program No. 114 ("Program 114"). In connection with the issuance of the Series 2026A Bonds and the Prior Bonds and any additional Bonds, the Department purchased or shall purchase certain qualified Mortgage Loans (or participations therein) or Mortgage Certificates backed by Mortgage Loans originated by commercial banks, savings and loan associations, mortgage companies, non-profit corporations, and other qualified financial institutions (the

"Mortgage Lenders"). As a result of the issuance of the Series 2026A Bonds, the Trustee, on behalf of the Department, has agreed to purchase the 2026A Mortgage Certificates.

Mortgage Loans evidenced by the 2026A Mortgage Certificates will bear interest at rates established from time to time by the Department pursuant to the provisions of the Trust Indenture. The 2026A Mortgage Certificates are expected to be comprised of GNMA Certificates. The purchase price for such GNMA Certificates will be 100% of par (plus accrued interest).

The guidelines adopted by the Department from time to time in connection with the Program establish the eligibility of lenders to participate in the Program, time limitations with respect to commitments for and originations of Mortgage Loans, the types of Mortgage Loans eligible for purchase by the Master Servicer, the eligibility of mortgagors, the requirements for dwellings which secure Mortgage Loans, the fees which a Mortgage Lender may charge to originate a Mortgage Loan, the fees which a lending institution may charge for servicing a Mortgage Loan, as well as other aspects of the Program. In connection with each phase of the Program, the Department executed or will execute origination, sale and servicing agreements or mortgage origination agreements and program supplements (collectively, the "Agreement") with the respective Mortgage Lenders. The Agreement obligated or will obligate the Mortgage Lenders to use their best efforts to originate and sell to the Department Mortgage Loans in conformity with the guidelines. Each Mortgage Loan was or will be reviewed prior to acquisition by the Compliance Agent designated by the Department for compliance with applicable provisions of the Program as set forth in the guidelines and with applicable provisions of federal income tax laws. The procedures set forth in the Agreement are established by the Department after consideration of standards and requirements customary in the secondary mortgage market. The Department anticipates that it may revise its procedures from time to time to conform with changes in the procedures followed by Fannie Mae, RHS, Ginnie Mae, VA or other major secondary mortgage market institutions.

Mortgage Lender Reservations – First-Come, First-Served

No funds made available through Program 114 will be allocated to any specific Mortgage Lenders. All funds will be made available to Mortgage Lenders on a controlled first-come, first-served basis.

Low Income Reservation

For the first one-year period of Program 114, the Department is requiring that 30% of the funds made available through the issuance of the Series 2026A Bonds be reserved for Mortgage Loans for individuals and families of low income (not exceeding 80% of applicable median family income ("AMFI")).

Since November 1, 2023, approximately 86% of the number of Mortgage Loans settled by the Department that were eligible for inclusion in a tax-exempt bond issue and securitized into GNMA Certificates were made to borrowers at or below 80% of AMFI.

Low and Moderate Income Reservation

The remaining lendable funds will be made available for Mortgage Loans to Eligible Borrowers of low and moderate incomes whose family income does not exceed, for families of three persons or more, one hundred fifteen percent (115%) (one hundred forty percent (140%) in targeted areas) of AMFI, and, for individuals and families of two persons, one hundred percent (100%) (one hundred twenty percent (120%) in targeted areas) of AMFI.

Eligible Borrowers

Each Mortgage Loan is required to be made to a person whose family income does not exceed certain income limits. In addition, to be eligible for a Mortgage Loan an applicant must be a person: (i) who intends to occupy the residence to be financed with such Mortgage Loan as his or her principal residence within a reasonable period after financing is provided; (ii) who, except in the case of certain targeted area loans, certain qualified veterans, certain exception loans hereinafter described, and certain homes falling into the Contract for Deed Exception, has not had a present ownership interest in a principal residence at any time during the three-year period preceding the date of execution of the Mortgage; and (iii) who has not had an existing mortgage on the residence (other than a mortgage falling into the Contract for Deed Exception) to be financed with such Mortgage Loan at any time prior to the execution of the Mortgage, other than certain permitted temporary financing mortgages. The Department, subject to the requirements of applicable provisions of federal income tax law and applicable regulations, may approve a limited number of exception loans that do not satisfy the requirement described in clause (ii) in the immediately preceding sentence. The maximum income for Eligible Borrowers varies according to family size and location.

Eligible Property

Each residence financed with a Mortgage Loan must consist of real property and improvements permanently affixed thereon which is located within the State of Texas. Each residence must be a single-family, owner-occupied attached or detached structure, a single-family condominium unit or a single unit in a planned unit development or a qualifying duplex, triplex, or four-plex. Each residence financed with a Mortgage Loan must have an acquisition cost (the "Maximum Acquisition Cost") not exceeding certain acquisition cost limits established by the Department from time to time. The Maximum Acquisition Cost varies according to location.

Mortgage Loans

The Department may, at its election, sell, assign, transfer or otherwise dispose of any Mortgage Loan or Mortgage Certificate in accordance with the terms and provisions of the Trust Indenture, as more particularly described in "SECURITY FOR THE BONDS – Sale of Mortgage Certificates and Mortgage Loans." The Department shall not consent or agree to or permit any amendment or modification of any Mortgage Loan which will in any manner materially impair or materially adversely affect the rights or security of the Bondholders under the Trust Indenture in such Mortgage Loan except for amendments and modifications made in connection with settling any default on any Mortgage Loan which are consistent with the Cashflow Statement most recently filed with the Trustee, or in connection with a refinancing of a Mortgage Loan. See "SECURITY FOR THE BONDS – Cashflow Statement and Asset Test."

Compliance with Tax Law and Program Guidelines

Each Mortgage Lender was required or will be required to follow certain procedures in the origination of Mortgage Loans to insure compliance with the mortgage eligibility requirements of applicable federal income tax laws and other requirements applicable to the Mortgage Loans. These procedures will include, but may not be limited to, the following: (i) obtaining affidavits of the borrower and seller and certificates of the real estate agent, if any, providing and certifying certain information regarding borrower income, home acquisition cost, and other loan information; (ii) reviewing the contents of the affidavits and certificates with the persons executing them prior to the execution thereof; (iii) except in the case of certain targeted area loans or certain other exception loans, obtaining signed or certified copies of the borrower's federal income tax returns for the preceding three years to verify that the borrower did not claim deductions for taxes or interest on indebtedness with respect to real property constituting his or

her principal residence or a borrower's affidavit that he or she was not required to file such a return during one or more of the preceding three years; (iv) performing such additional investigations as may be appropriate under the circumstances to verify that the requirements of applicable federal income tax laws are satisfied as of the date of the execution of the Mortgage; (v) reviewing the draft settlement statement to assure that all fees and charges and settlement and financing costs comply with the applicable requirements; (vi) preparing, executing, and delivering a certificate relating to compliance with the requirements set forth immediately above; and (vii) carrying out such additional verification procedures as may be reasonably requested by the Department, its designated compliance agent, or the Trustee. If any Mortgage Loan fails to meet the guidelines established by the Department, the originating Mortgage Lender will be required to correct such failure within a reasonable time after such failure is discovered by either repurchasing the non-qualifying Mortgage Loan in full or by replacing the non-qualifying Mortgage Loan with a Mortgage Loan which meets the applicable requirements.

Servicing

The Master Servicer may deduct its servicing fees directly from amounts received on such Mortgage Loans. As compensation for its duties as servicer of Mortgage Loans, the Master Servicer will be entitled to receive a monthly servicing fee.

Servicing of the Mortgage Loans is required to be carried out in accordance with generally accepted practices in the mortgage lending industry and in accordance with the servicing standards set forth in the GNMA Guide or the Fannie Mae Guides, as applicable. In particular, the Master Servicer will be required to pursue collection on the applicable Mortgage Loans with prudence and diligence, manage foreclosure or assignment procedures, and file, process and receive the proceeds from FHA mortgage insurance, VA or RHS guaranty claims, or private mortgage insurance.

The Master Servicer, as servicer of the Mortgage Loans, must, if applicable, provide to the Department and such other person specified in a Supplemental Indenture, audited financial statements on an annual basis and monthly reports relating to Mortgage Loan originations and purchases. The Master Servicer may not resign from its servicing duties unless it is determined that its duties are no longer permissible under applicable laws and then only upon the assumption of the servicing duties by a successor servicer acceptable to FHA, VA, Ginnie Mae, Fannie Mae and the Department. In the event the Master Servicer is in material breach of its servicing obligations imposed by Ginnie Mae, Fannie Mae or the Department or a material adverse change has occurred in the financial condition of the Master Servicer, the Department, with the approval, if applicable, of Ginnie Mae and Fannie Mae, may terminate the Master Servicer's servicing rights and transfer and assign those rights to another Fannie Mae and Ginnie Mae approved servicer.

The Master Servicers

The Money Source, Inc. ("TMS") will serve as Master Servicer for Mortgage Loans related to the Series 2026A Bonds. The Department engaged TMS to serve as Master Servicer of Mortgage Loans related to the Series 2026A Bonds beginning early February 2025. The transition to TMS does not represent a termination of the prior Master Servicer agreement with Idaho Housing and Finance Association (the "IHFA Agreement"), nor does it alter any term therein.

Under the terms of the TMS servicing agreement ("TMS Agreement") relating to the Series 2026A Bonds, the Department may terminate the TMS Agreement for cause or without cause upon 120 days

advance written notice to TMS. The TMS Agreement has an approximately two-year initial term with up to three one-year extensions as mutually agreed.

If the Department terminates the TMS Agreement for cause pursuant to its terms, after the end of the applicable notice period, all authority, power, and obligations of the Servicer under this Servicing Agreement shall terminate, however, Servicer shall continue to service all Mortgage Loans it purchased and is actively servicing pursuant to the Servicing Agreement, purchase and pool into one or more MBS Certificates for purchase by the department, any Mortgage Loan for which a reservation has been granted at the time of such notice, to the extent such Mortgage Loan meets the terms and conditions of the Servicing Agreement.

Idaho HFA continues to service TDHCA mortgage loans originated using funds from previous bond issuances. Per the IHFA Agreement, the Department may be required to reimburse Idaho HFA for principal and interest payments advanced, related to delinquent Mortgage Loans, in accordance with GNMA guidelines. The Department continues to experience above average delinquencies, primarily related to COVID-19, and as such, reimbursed the Idaho HFA for advances made in November 2022, December 2022, November 2023 and January 2025 totaling over $21 million. The amount, timing, or need for future advances cannot be determined in advance. Reimbursements are made from surplus revenues from the Department's Single Family Mortgage Revenue Bond Trust Indenture and the Master Indenture. The Department anticipates the return of such reimbursements as delinquencies normalize.

The Department has engaged Cohn Reznick provide compliance analysis, oversight, and best practice recommendations related to its Master Servicer. The scope of the engagement is to review of the Servicer's historic performance in servicing TDHCA's loans, compliance with internal policies and procedures, and adherence with industry best practices related to timely loan processing, loss mitigation, delinquency management, foreclosures, loan modifications and second lien recovery.

Idaho HFA is the Master Servicer for various Mortgage Loans financed pursuant to the Trust Indenture. As of September 30, 2025, Idaho HFA services approximately 12,213 Mortgage Loans financed with the proceeds of certain Prior Bonds, which Mortgage Loans had an outstanding principal balance of $1,481,754,296.

TMS is the Master Servicer for various Mortgage Loans financed pursuant to the Trust Indenture. As of September 30, 2025, TMS participates as Master Servicer for the Department for approximately 1,532 Mortgage Loans financed with the proceeds of certain Prior Bonds, which Mortgage Loans had an outstanding principal balance of $360,051,888.

Bank of America, N.A. ("Bank of America") is the Master Servicer for various Mortgage Loans financed pursuant to the Trust Indenture. As of September 30, 2025, Bank of America participates as Master Servicer for the Department for approximately 389 Mortgage Loans financed with the proceeds of certain Prior Bonds, which Mortgage Loans had an outstanding principal balance of $28,850,454.

US Bank National Association ("US Bank") is the Master Servicer for various Mortgage Loans financed pursuant to the Trust Indenture. As of September 30, 2025, US Bank participates as Master Servicer for the Department for approximately 118 Mortgage Loans financed with the proceeds of certain Prior Bonds, which Mortgage Loans had an outstanding principal balance of $8,894,702.

Investment of Funds

Moneys in all Funds established pursuant to the Trust Indenture will be invested in Investment Securities pursuant to the Depository Agreement with the Texas Treasury Safekeeping Trust Company. See "APPENDIX G – SUMMARY OF INFORMATION REGARDING THE PROGRAM AND MORTGAGE

LOANS AND OTHER MATTERS – Texas Treasury Safekeeping Trust Company." Moneys held or invested in all Funds and accounts (except for the Rebate Fund) under the Trust Indenture are for the equal and ratable benefit of all owners of the Bonds.

The following table summarizes certain information as of September 30, 2025, regarding yields (calculated on the basis of stated maturity) on existing investments (valued at par) within particular Trust Indenture funds relating to Prior Bonds:

Fund or Account	Approximate Amount Invested (Par Value)	Rate	Date	Provider
RMRB 1998A/B	$ 48,305,986	4.12%	Short Term	Natwest
RMRB 1999B/C/D	3,111,710.00	4.12%	Short Term	Natwest
RMRB 2009C3	20,057.00	4.12%	Short Term	Natwest
RMRB 2019A	3,624,392.00	4.12%	Short Term	Natwest
RMRB 2021A/B	2,911,887.00	4.12%	Short Term	Natwest
RMRB 2022A	4,717,219.00	4.12%	Short Term	Natwest
RMRB 2022B	3,782,612.00	4.12%	Short Term	Natwest
RMRB 2023A	5,720,378.00	4.12%	Short Term	Natwest
RMRB 2023BC	5,839,976.00	4.12%	Short Term	Natwest
RMRB 2024AB	6,181,949.00	4.12%	Short Term	Natwest
RMRB 2024CD	6,548,777.00	4.12%	Short Term	Natwest
RMRB 2025A	3,854,586	4.12%	Short Term	Natwest
RMRB 2025BC	20,287,563	4.12%	Short Term	Natwest
RMRB 2025D	262,146,877	4.12%	Short Term	Natwest
	$377,053,970			

Proceeds of the Series 2026A Bonds deposited into the 2026A Mortgage Loan Account will be invested in Investment Securities.

The ability of the Department to make timely payments of principal of and interest on the Series 2026A Bonds and the Prior Bonds could be affected if the parties to the various investment agreements for the Series 2026A Bonds or the Prior Bonds do not honor their obligations thereunder to repay such moneys and the interest thereon at the times and rates set forth in the respective investment agreements.

The Department has adopted an investment policy (the "Investment Policy") which applies to all financial assets of the Department. The Investment Policy's objectives, in the order of priority, are as follows: (1) safety of principal, (2) sufficient liquidity to meet Department cashflow needs, (3) achievement of a market rate of return on investments, and (4) conformance with all applicable State statutes, particularly the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. With respect to bond proceeds, the Investment Policy provides that such proceeds should be invested as permitted by the applicable trust indenture.

OTHER DEPARTMENT PROGRAMS

The Department administers a variety of programs, in addition to its single family mortgage revenue bond program, that also fulfill its goals of providing safe and affordable housing throughout the State. Some of these programs may overlap or compete with the Program.

Taxable Mortgage Program

In addition to the Program, the Department offers mortgage loan financing options through its Taxable Mortgage Program (the "TBA Program"). Currently, all mortgage loans originated through the TBA Program are accompanied by a DPA Loan through which the mortgagor receives funds for down payment and closing cost assistance in the form of a 0%, non-amortizing, three year forgivable or 30-year second loan that is due on sale or refinance. Mortgage loans originated through the TBA Program are pooled into mortgage-backed securities that are sold to third-party investors. ***Neither the mortgage loans nor the mortgage-backed securities originated through the TBA Program are pledged to the Indenture.*** Below is a description of current loan options available through the TBA Program.

Bond Eligible Loans. Provided through the Department's My First Texas Home program, these loans typically offer the lowest mortgage rates available through the TBA Program. Borrowers must be Eligible Borrowers (including meeting the first-time homebuyer requirement). Income qualification is performed in accordance with IRS requirements for tax exempt mortgage revenue bonds, and loan documents include standard tax exempt loan documentation (such as tax exempt riders and recapture disclosure). Typically, mortgage loans may be originated as Bond Eligible Loans when the Department has no bond proceeds available. When bond proceeds are available, mortgage loans are typically reserved and originated through the Single Family Mortgage Revenue Bond Program.

Combo Loans. Offered through the Department's My First Texas Home program, these loans include a Mortgage Credit Certificate (MCC) issued by the Department to the borrower. Borrowers must be Eligible Borrowers and must meet the first-time homebuyer requirement; income qualification is performed in accordance with IRS requirements for tax exempt mortgage revenue bonds. Combo Loans are not eligible for inclusion in a tax-exempt bond program.

Taxable Loans. Offered through the Department's My Choice Texas Home program, these loans provide the most qualification flexibility. Borrowers must meet the requirements for an Eligible Borrower except that there is no first-time homebuyer requirement and income qualification is performed using standard 1003 credit qualifying income. Taxable Loans are not eligible for inclusion in a tax-exempt bond program.

Single Family Mortgage Revenue Bond Program

The Department administers a single family mortgage revenue bond program that finances mortgage loans to certain qualified first-time homebuyers, which is similar to the Program. For information regarding this program see "APPENDIX D-2 – BOND SUMMARY OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS."

APPENDIX H

USE OF PROCEEDS REPORT*

RMRB Series 2026A Bond Proceeds Summary		
Total Proceeds Deposited In Mortgage Loan Account	Proceeds Spent to Acquire 2026A Mortgage Loans	Proceeds Remaining
$_____	$_____	$_____

	RMRB Series 2026A First Mortgage Loans Originated By Borrower Income as a % of Area Median Income ("AMI")†			
% of AMI:	**$ of Loans**	**# of Loans**	**% of Proceeds**	**% in Targeted Area**
<50%				
50% - 59%				
60% - 69%				
70% - 79%				
80% - 89%				
90% - 99%				
100%+				

Down Payment Assistance ("DPA") Provided In Conjunction with 2026A First Mortgage Loans	
	$ / # / %
Total DPA Provided ($)	
Total DPA Provided (#)	
% of Borrowers Receiving DPA (%)	
Average DPA Provided per Borrower ($)	
Average DPA Provided (% of Purchase Price)	

* As of the date hereof, the Department has not yet pooled any Mortgage Loans which are expected to be a portion of the RMRB Series 2026A Mortgage Loans.

† Reported income is based on borrower income at time of loan origination.

USE OF PROCEEDS REPORT

RMRB SERIES 2026A GEOGRAPHIC DATA

Texas County	$ of Loans	% of Total Loans
Anderson		
Andrews		
Angelina		
Aransas		
Archer		
Armstrong		
Atascosa		
Austin		
Bailey		
Bandera		
Bastrop		
Baylor		
Bee		
Bell		
Bexar		
Blanco		
Borden		
Bosque		
Bowie		
Brazoria		
Brazos		
Brewster		
Briscoe		
Brooks		
Brown		
Burleson		
Burnet		
Caldwell		
Calhoun		
Callahan		
Cameron		
Camp		
Carson		
Cass		
Castro		
Chambers		
Cherokee		
Childress		
Clay		
Cochran		
Coke		

USE OF PROCEEDS REPORT

RMRB SERIES 2026A GEOGRAPHIC DATA

Texas County	$ of Loans	% of Total Loans
Coleman		
Collin		
Collingsworth		
Colorado		
Comal		
Comanche		
Concho		
Cooke		
Coryell		
Cottle		
Crane		
Crockett		
Crosby		
Culberson		
Dallam		
Dallas		
Dawson		
Deaf Smith		
Delta		
Denton		
DeWitt		
Dickens		
Dimmit		
Donley		
Duval		
Eastland		
Ector		
Edwards		
Ellis		
El Paso		
Erath		
Falls		
Fannin		
Fayette		
Fisher		
Floyd		
Foard		
Fort Bend		
Franklin		
Freestone		
Frio		

USE OF PROCEEDS REPORT

RMRB SERIES 2026A GEOGRAPHIC DATA

Texas County	$ of Loans	% of Total Loans
Gaines		
Galveston		
Garza		
Gillespie		
Glasscock		
Goliad		
Gonzales		
Gray		
Grayson		
Gregg		
Grimes		
Guadalupe		
Hale		
Hall		
Hamilton		
Hansford		
Hardeman		
Hardin		
Harris		
Harrison		
Hartley		
Haskell		
Hays		
Hemphill		
Henderson		
Hidalgo		
Hill		
Hockley		
Hood		
Hopkins		
Houston		
Howard		
Hudspeth		
Hunt		
Hutchinson		
Irion		
Jack		
Jackson		
Jasper		
Jeff Davis		
Jefferson		

USE OF PROCEEDS REPORT

RMRB SERIES 2026A GEOGRAPHIC DATA

Texas County	$ of Loans	% of Total Loans
Jim Hogg		
Jim Wells		
Johnson		
Jones		
Karnes		
Kaufman		
Kendall		
Kenedy		
Kent		
Kerr		
Kimble		
King		
Kinney		
Kleberg		
Knox		
Lamar		
Lamb		
Lampasas		
La Salle		
Lavaca		
Lee		
Leon		
Liberty		
Limestone		
Lipscomb		
Live Oak		
Llano		
Loving		
Lubbock		
Lynn		
McCulloch		
McLennan		
McMullen		
Madison		
Marion		
Martin		
Mason		
Matagorda		
Maverick		
Medina		
Menard		

USE OF PROCEEDS REPORT

RMRB SERIES 2026A GEOGRAPHIC DATA

Texas County	$ of Loans	% of Total Loans
Midland		
Milam		
Mills		
Mitchell		
Montague		
Montgomery		
Moore		
Morris		
Motley		
Nacogdoches		
Navarro		
Newton		
Nolan		
Nueces		
Ochiltree		
Oldham		
Orange		
Palo Pinto		
Panola		
Parker		
Parmer		
Pecos		
Polk		
Potter		
Presidio		
Rains		
Randall		
Reagan		
Real		
Red River		
Reeves		
Refugio		
Roberts		
Robertson		
Rockwall		
Runnels		
Rusk		
Sabine		
San Augustine		
San Jacinto		
San Patricio		

USE OF PROCEEDS REPORT

RMRB SERIES 2026A GEOGRAPHIC DATA

Texas County	$ of Loans	% of Total Loans
San Saba		
Schleicher		
Scurry		
Shackelford		
Shelby		
Sherman		
Smith		
Somervell		
Starr		
Stephens		
Sterling		
Stonewall		
Sutton		
Swisher		
Tarrant		
Taylor		
Terrell		
Terry		
Throckmorton		
Titus		
Tom Green		
Travis		
Trinity		
Tyler		
Upshur		
Upton		
Uvalde		
Val Verde		
Van Zandt		
Victoria		
Walker		
Waller		
Ward		
Washington		
Webb		
Wharton		
Wheeler		
Wichita		
Wilbarger		
Willacy		
Williamson		

USE OF PROCEEDS REPORT

RMRB SERIES 2026A GEOGRAPHIC DATA

Texas County	$ of Loans	% of Total Loans
Wilson		
Winkler		
Wise		
Wood		
Yoakum		
Young		
Zapata		
Zavala		
TOTALS		

TDHCA My First Texas Home & Texas Mortgage Credit Certificate
Combined Income and Purchase Price Limits Table

All person(s) who will sign the Deed of Trust (including Non-Purchasing Spouse) will be considered.

My First Texas Home
By The Texas Homebuyer Program

Texas Mortgage Credit Certificate
By The Texas Homebuyer Program

See current Rates and Offerings HERE

Purchase Price Limits Effective Effective May 27, 2025 / Income Limits Effective May 27, 2025

Area of State	Counties in Area	INCOME LIMITS: Govt Loan and NON Targeted MCC — 100% AMFI 1 or 2 Persons	INCOME LIMITS: Govt Loan and NON Targeted MCC — 115% AMFI 3 or more Persons	INCOME LIMITS: Govt Loan and * Targeted MCC — 120% AMFI 1 or 2 Persons	INCOME LIMITS: Govt Loan and * Targeted MCC — 140% AMFI 3 or more Persons	PURCHASE PRICE LIMITS: 1-UNIT Non-Targeted Area	PURCHASE PRICE LIMITS: 1-UNIT * Targeted Area
COUNTIES NOT LISTED BELOW ARE SUBJECT TO BALANCE OF STATE INCOME LIMITS use this row -->		**$98,800**	**$113,620**	**$118,560**	**$138,320**	**$544,232**	**$665,173**
Amarillo, HMFA	Armstrong, Carson, Potter*, Randall*	$98,800	$113,620	$118,560	$138,320	$544,232	$665,173
Andrews County	Andrews	$98,800	$113,620	N/A		$544,232	N/A
Austin County, HMFA	Austin	$101,000	$116,150	N/A		$544,232	N/A
Austin-Round Rock, MSA	Bastrop, Caldwell, Hays*, Travis*, Williamson*	$133,800	$153,870	$160,560	$187,320	$593,363	$725,222
Blanco County	Blanco	$100,000	$115,000	N/A		$544,232	N/A
Borden County	Borden	$101,900	$117,185	N/A		$544,232	N/A
Brazoria County, HMFA	Brazoria	$116,100	$133,515	N/A		$544,232	N/A
Burnet County	Burnet	$100,000	$115,000	N/A		$544,232	N/A
Cooke County	Cooke*	$98,800	$113,620	$118,560	$138,320	$544,232	$665,173
Crane County	Crane	$98,800	$113,620	N/A		$544,232	N/A
Dallas, HMFA	Collin*, Dallas*, Denton*, Ellis, Hunt*, Kaufman*, Rockwall	$117,300	$134,895	$140,760	$164,220	$585,006	$715,007
Fayette County	Fayette	$102,100	$122,705	N/A		$544,232	N/A
Fort Worth - Arlington, HMFA	Johnson, Parker, Tarrant*	$106,700	$122,705	$128,040	$149,380	$585,006	$715,007
Gillespie County	Gillespie	$101,100	$116,265	N/A		$544,232	N/A
Glasscock County	Glasscock	$110,600	$127,190	N/A		$544,232	N/A
Hartley County	Hartley	$98,800	$113,620	N/A		$544,232	N/A
Hemphill County	Hemphill	$104,000	$119,600	N/A		$544,232	N/A
Hood County, HMFA	Hood	$98,800	$113,620	N/A		$544,232	N/A
Houston-The Woodlands-Sugar Land, HMFA	Chambers, Fort Bend*, Galveston*, Harris*, Liberty, Montgomery*, Waller	$101,100	$116,265	$121,320	$141,540	$544,232	$665,173
Jackson County	Jackson	$98,800	$113,620	N/A		$544,232	N/A
Kendall County, HMFA	Kendall	$143,900	$165,485	N/A		$579,037	N/A
Kent County	Kent	$98,800	$113,620	N/A		$544,232	N/A
King County	King*	$98,800	$113,620	$118,560	$138,320	$544,232	$665,173
Lampasas County	Lampasas	$102,300	$117,645	N/A		$544,232	N/A
Lipscomb County	Lipscomb	$98,800	$113,620	N/A		$544,232	N/A
Loving County	Loving	$98,800	$113,620	N/A		$544,232	N/A
Martin County, HMFA	Martin	$99,900	$114,885	N/A		$544,232	N/A
Medina County, HMFA	Medina	$104,227	$119,861	N/A		$579,037	N/A
Mitchell County	Mitchell	$103,200	$118,680	N/A		$544,232	N/A
Midland, HMFA	Midland	$110,400	$126,960	N/A		$544,232	N/A
Odessa MSA	Ector*	$98,800	$113,620	$118,560	$138,320	$544,232	$665,173
Oldham County, HMFA	Oldham	$98,800	$113,620	N/A		$544,232	N/A
Pecos County	Pecos*	$98,800	$113,620	$118,560	$138,320	$544,232	$665,173
Reagan County	Reagan	$98,800	$113,620	N/A		$544,232	N/A
Roberts County	Roberts	$98,800	$113,620	N/A		$544,232	N/A
San Angelo MSA	Irion, Tom Green*	$98,800	$113,620	$118,560	$138,320	$544,232	$665,173
San Antonio-New Braunfels, MSA	Atascosa, Bandera, Bexar*, Comal, Guadalupe*, Wilson	$104,227	$119,861	$125,072	$145,918	$579,037	$707,712
Schleicher County	Schleicher	$98,800	$113,620	N/A		$544,232	N/A
Sherman-Denison, MSA	Grayson*	$98,800	$113,620	$118,560	$138,320	$544,232	$665,173
Somervell County, HMFA	Somervell	$98,800	$113,620	N/A		$544,232	N/A
Stonewall County	Stonewall	$98,800	$113,620	N/A		$544,232	N/A
	Washington	$99,700	$114,655	N/A		$544,232	N/A
Ward County	Ward	$98,800	$113,620	N/A		$544,232	N/A
Wise County, HMFA	Wise	$105,700	$121,555	N/A		$585,006	N/A
Yoakum County	Yoakum	$98,800	$113,620	N/A		$544,232	N/A

* Property must be located in a qualified targeted census tract to use the Targeted Area Limits.

"**AMFI**" - Area Median Family Income "**MSA**" - Metropolitan Statistical Area "**HMFA**" - HUD Metro FMR Area

*** Targeted Areas are Areas of Severe Economic Distress**

2 UNIT Purchase Price Limits - See Page 5

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1298 **Agenda Date:** 1/15/2026 **Agenda #:** 30.

Report regarding a Request for Proposal for Underwriters issued by the Texas Department of Housing and Community Affairs

BACKGROUND

The Texas Department of Housing and Community Affairs (the Department) issues Mortgage Revenue Bonds to provide mortgage financing opportunities to low, very low, and moderate income homebuyers, and to refund existing debt for savings or other benefits.

Mortgage Revenue Bonds (MRBs) are the primary financing mechanism for the Department's homeownership programs as mortgage loans funded with MRBs typically result in lower rates than can be achieved through the Departments TMP (or TBA) program. Additionally, premium realized on the sale of MRBs has been used to fund down payment and closing cost assistance as well as of the lender compensation for the related mortgage loans. This allows the Department to manage its liquidity position, ensuring the long-term viability of the single-family program. In fiscal year 2025, the Department issued $675 million in MRBs.

The Department last issued a Request for Proposal (RFP) for Underwriters in 2023, where 9 firms were selected to be part of TDHCA's Underwriting team. Looking to enhance our retail distribution, the Department issued an RFP on September 1, 2025 to add to the existing underwriting team. Thirteen (13) responses were received. A review team of Department staff evaluated the eligible responses, and added the following two firms to serve as Underwriters (the Underwriting Team):

Bank of America Securities

Fidelity Capital Markets

Staff, in consultation with the Department's financial advisor, will select which firms on the Underwriting Team will serve as Senior Manager and Co-Managers for each bond issue on a transaction-by-transaction basis. Underwriter roles for each transaction will be based on a combination of factors, including past performance, creative and viable recommendations and ideas, proposed for structures which meet the Department's financing needs, specific experience or expertise with the proposed financing structure, and other relevant considerations.

The term of this award is two years, with no ability to renew.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1299 **Agenda Date:** 1/15/2026 **Agenda #:** 31.

Report relating to the 2025 Non-competitive 4% Housing Tax Credit Program and a preliminary 2026 Program forecast.

BACKGROUND

The 4% Housing Tax Credit (HTC) applications are reviewed by program, underwriting, and compliance staff within an approximately 90-day period, and Determination Notices are issued once all reviews are complete and the underwriting report is posted to the Department's website. Applications are submitted at the beginning of each month and are then slated for a Determination Notice to be issued approximately 90 days later, which generally coincides with the Board meeting calendar, in order to provide internal and external expectations regarding the Determination Notice issuance date.

2025 Application Log Summary

The 2025 PAB program annual ceiling amount was $4 billion, and as of December 18, 2025, eligible requests totaled approximately $9.7 billion, with much of the requests coming from multifamily issuers. The 2025 4% HTC Application Log is included as Exhibit A and reflects those applications that have been submitted to TDHCA from December 2024 through December 2025 in conjunction with the issuance of bond reservations from the Bond Review Board.

Currently, there are 17 applications under review for a total of 2,758 units, and approximately $32M in requested 4% Housing Tax Credits. Additionally, reflected on the log are 28 applications that have been approved, and have had Determination Notices issued, but have yet to close. Those approved applications represent total issuances of more than $69M in 4% Housing Tax Credits, and 6,050 total units. Moreover, the log reflects 19 applications that have closed on their respective bond allocations. Those projects that have closed represent 4,185 units and over $45 million in 4% Housing Tax Credits. Altogether, when considering what has closed, been approved, and is currently active, the total number of units is 12,993.

Also reflected on the log are three pre-applications that were submitted to TDHCA and added to the Department's waiting list for a bond reservation during the 2025 program year.

Finally, the log reflects those applications that were submitted to TDHCA, but subsequently withdrawn. This represents a total of 7,868 units. The reasoning behind these withdrawals were varied, but most commonly involved feasibility and timing concerns.

2026 Application Forecast

The 2026 PAB program has an annual ceiling amount of approximately $4.2 billion, and as of December 23, 2025, eligible requests total approximately $2.6 billion, with much of the requests coming from multifamily

issuers. Based on information published by the Texas Bond Review Board, TDHCA staff expects to receive approximately 40 4% HTC applications throughout the month of January, in conjunction with the issuance of 2026 program year bond reservations.

EXHIBIT A

4% (Non-Competitive) Housing Tax Credit Program
2025 Application Status Log

TDHCA #	Previous TDHCA #	Development Name	Development City	Construction Type	Determination Notice Issuance Date	Application Status	Total Units	Total Low-Income Units	PPR Category and Conditions	Requested HTC Amount	Recommend HTC Amount	Identity of Interest
25429		Huntington Place Senior Little El	Little Elm	NC	4/22/2025	Closed	198	198	Category 2	$1,987,061	$ 1,987,061	No
25415	08417	Seville Apartments	Beaumont	Acq/Rehab	6/3/2025	Closed	90	90	Category 2	$645,144	$ 645,144	No
25603		Legacy on Kiest	Dallas	NC	6/17/2025	Closed	180	180	Previously Approved	$2,509,813	$ 2,509,813	No
25410	07433	Regency Park	Houston	Acq/Rehab	4/25/2025	Closed	252	252	Category 1	$1,408,353	$ 1,408,353	Yes
25449	24481	Enclave on Louetta	Spring	NC	5/22/2025	Closed	358	358	Previously Approved	$3,651,702	$ 3,646,918	No
25409	060628	Lancaster Apartments	Katy	Acq/Rehab	4/25/2025	Closed	252	252	Category 1	$1,710,060	$ 1,710,060	Yes
25422		Covington Acres	Keene	NC	4/22/2025	Closed	252	252	Category 2	$2,926,539	$ 2,905,038	No
25405		HiLine Illinois	Dallas	NC	6/17/2025	Closed	200	200	Previously Approved	$2,784,011	$ 2,784,011	No
25427	24426	Bay Terrace	Baytown	NC	6/26/2025	Closed	130	130	Category 2	$1,300,304	$ 1,285,865	Yes
25413		Sunflower Terrace	Houston	Acq/Rehab	5/2/2025	Closed	160	160	Category 3	$1,996,896	$ 1,996,896	Yes
25404		Torrington Briarwood	Mesquite	NC	5/21/2025	Closed	313	313	Category 1	$4,371,047	$ 4,331,927	No
25442		Palladium Buckner Station	Dallas	NC	6/17/2025	Closed	304	244	Previously Approved	$3,390,779	$ 3,378,599	No
25447	24490	Columbia Renaissance Square	Fort Worth	NC	3/28/2025	Closed	100	100	Category 1	$1,465,750	$ 1,465,750	Yes
25412	07457	Wyndham Park	Baytown	Acq/Rehab	6/3/2025	Closed	184	184	Previously Approved	$986,417	$ 986,417	Yes
25411	01456	Sugar Creek	Houston	Acq/Rehab	4/25/2025	Closed	240	240	Category 1	$1,442,123	$ 1,442,123	Yes
25408	060425	Baypointe Apartments	Webster	Acq/Rehab	8/1/2025	Closed	236	236	Previously Approved	$2,229,072	$ 2,229,072	Yes
25463	96003	Waterford at Spencer Oaks	Denton	Acq/Rehab	9/4/2025	Closed	208	207	Category 2	$3,461,207	$ 3,461,207	Yes
25468		Lofts at Creekview	San Antonio	NC	10/9/2025	Closed	301	301	Category 2*	$3,537,379	$ 3,532,516	Yes
25467		Cameron HiLine	Austin	NC	9/19/2025	Closed	227	227	Previously Approved	$3,315,696	$ 3,315,696	No
							4,185	**4,124**		**$45,119,353**	**$ 45,022,466**	
4702/25453		Payton Gin	Austin	NC	4/2/2025	Approved	176	176	Category 3	$2,909,484	$ 2,909,060	No
25403	CMTS 2514	Waters at Stone Creek	Lewisville	Acq/Rehab	5/12/2025	Approved	199	199	Category 3*	$2,213,923	$ 2,213,923	Yes
25439	95157	Pleasant Hill Village	Houston	Acq/Rehab	6/18/2025	Approved	165	165	Category 1	$1,176,012	$ 1,176,012	Yes
25448	060402	Hillcrest Manor	Lubbock	Acq/Rehab	6/30/2025	Approved	220	220	Category 2	$1,548,393	$ 1,548,393	No
25438	538613	Britton's Place	Houston	Acq/Rehab	6/25/2025	Approved	48	48	Category 1	$466,454	$ 466,454	Yes
25420		The Bloom at Lamar Square	Austin	NC	8/11/2025	Approved	58	58	Category 2	$903,744	$ 903,744	Yes
25426		Roselawn Village	Denton	NC	8/21/2025	Approved	297	297	Previously Approved	$3,561,139	$ 3,561,139	No
25451	24498	Mesa Hills I	El Paso	NC	9/30/2025	Approved	64	64	Category 2	$782,057	$ 782,057	Yes
25461		Coolwood Oaks	Houston	Acq/Rehab	9/10/2025	Approved	168	168	Previously Approved	$1,690,387	$ 1,690,387	No
25455		Orion Apartments	San Antonio	NC	9/5/2025	Approved	336	336	Previously Approved	$4,650,430	$ 4,650,430	Yes
25421		Sycamores at Pleasant Valley	Austin	NC	9/15/2025	Approved	75	75	Category 2	$1,489,920	$ 1,489,920	Yes
25456		Stones Crossing Apt Homes	San Antonio	NC	9/5/2025	Approved	336	336	Previously Approved	$4,546,209	$ 4,546,209	Yes
25465		Haverstock Hills East	Houston	Acq/Rehab	9/29/2025	Approved	268	268	Previously Approved	$3,418,358	$ 3,418,358	No
25466		Haverstock Hills West	Houston	Acq/Rehab	9/29/2025	Approved	432	432	Previously Approved	$5,582,580	$ 5,582,580	No
25470	060424	Lafayette Village	Houston	Acq/Rehab	11/14/2025	Approved	250	250	Previously Approved	$1,413,291	$ 1,413,291	Yes
25423		Emberstone Apartments	San Antonio	Acq/Rehab	9/9/2025	Approved	247	247	Previously Approved	$2,982,325	$ 2,982,325	No
25469		Sacred Heart Villas	San Antonio	Acq/Rehab	10/9/2025	Approved	89	89	Category 1	$1,035,566	$ 1,035,566	No
25471	060617	Idlewilde Apartments	Houston	Acq/Rehab	11/14/2025	Approved	250	250	Previously Approved	$1,399,297	$ 1,399,297	Yes
25480		Westmoreland Townhomes	Dallas	NC	11/20/2025	Approved	216	216	Previously Approved	$3,065,774	$ 3,065,445	No
25485		Rosemont at Miller's Pond	San Antonio	Acq/Rehab	11/19/2025	Approved	176	176	Previously Approved	$1,507,443	$ 1,507,443	Yes
25609	24617	The Gateway at Trinity Forest	Dallas	NC	12/2/2025	Approved	330	330	Previously Approved	$4,514,430	$ 4,514,387	No
25474		Central at Commerce	San Antonio	NC	12/9/2025	Approved	279	279	Previously Approved	$4,205,378	$ 4,186,219	No
25402		Tapestry at Katy	Katy	NC	12/10/2025	Approved	360	360	Previously Approved	$3,954,296	$ 3,932,722	No
25443		Taylor RAD Family Apts	Taylor	NC	12/17/2025	Approved	46	46	Category 1	$1,036,802	$ 1,012,036	Yes
25479		Tabor Village	Dallas	NC	12/3/2025	Approved	229	206	Previously Approved	$2,598,977	$ 2,598,977	No
25483		Cobblestone Manor	Fort Worth	Acq/Rehab	12/19/2025	Approved	220	220	Previously Approved	$2,044,665	$ 2,007,397	Yes
25473	04452	Seville Place	La Porte	Acq/Rehab	12/18/2025	Approved	180	180	Category 2	$1,130,081	$ 1,130,081	Yes
25494		Lakeside Lofts	San Antonio	NC	12/19/2025	Approved	336	336	Previously Approved	$3,512,745	$ 3,512,745	No
							6,050	**6,027**		**69,340,160**	**69,236,597**	
21608S	21608	Fiji Lofts	Dallas	NC	TBD	Active	204	204	TBD	$2,703,561	$ -	N/A
25601	24613	Waters at Waterchase	Dallas	Acq/Rehab	TBD	Active	130	130	TBD	$1,353,213	$ -	Yes
25606	24619	Braniff Lofts	Dallas	NC	TBD	Active	48	48	TBD	$1,280,966	$ -	No
24605		The Preserve at Dominium Par	Houston	NC	TBD	Active	134	134	TBD	$2,183,742	$ -	No
25452		Timbers Edge	Beaumont	Acq/Rehab	TBD	Active	150	150	TBD	$1,378,223	$ -	Yes
25436		Jackson Apartments	McAllen	NC	TBD	Active	88	88	TBD	$776,722	$ -	Yes
25435		Sienna Villas	Freeport	Acq/Rehab	TBD	Active	156	156	TBD	$1,183,699	$ -	Yes
25484		Ella Apartments	Lubbock	Acq/Rehab	TBD	Active	152	152	TBD	$1,171,123	$ -	No
25476		Bernicia Place	Houston	NC	TBD	Active	120	120	TBD	$2,262,208	$ -	No
25490		Aster Villas Apartments	Pharr	NC	TBD	Active	196	196	TBD	$1,794,968	$ -	Yes
4499/25419		Belmont Apartments	Austin	NC	TBD	Active	348	348	TBD	$3,058,435	$ -	No
25491		Avanti Hills	Mesquite	NC	TBD	Active	260	260	TBD	$3,525,639	$ -	No
25613	24618	Torrington Wilmer	Dallas	NC	TBD	Active	300	300	TBD	$4,194,428	$ -	No
25477		Torrington Forest	Dallas	NC	TBD	Active	248	248	TBD	$3,408,255	$ -	No
25487	00011	Heritage Oaks	Kerrville	Acq/Rehab	TBD	Active	76	76	TBD	$709,033	$ -	Yes
25488	17242/0893	Paseo de Paz	Kerrville	Acq/Rehab	TBD	Active	76	76	TBD	$568,048	$ -	Yes
25489	98156	The Meadows	Kerrville	Acq/Rehab	TBD	Active	72	72	TBD	$597,966	$ -	Yes
							2,758	**2,758**		**32,150,229**	**-**	

Total Acq/Rehab:	29	5,346			
Total NC:	35	7,647	**TOTAL**	**12,993**	**12,909**	**$146,609,742**	**$ 114,259,063**
	64	12,993					

Total IOI: **32**

25610		South 1st Affordable Apartment	Austin	Acq/Rehab		Pre-Application	125	125	TBD	$1,285,218	-
25614		Lariat	Mustang Ridge	Acq/Rehab		Pre-Application	264	264	TBD	$4,078,838	-
25615		Mela Ranch	Cleburne	Acq/Rehab		Pre-Application	280	280	TBD	$3,167,148	-

25428	24434	Independence Village	Amarillo	Acq/Rehab		Withdrawn	150	150		$1,324,312	$	-
25406	04475	Fairlake Cove	Houston	Acq/Rehab		Withdrawn	200	200		$1,686,761	$	-
21614S	21614	Murdeaux Villas	Dallas	Acq/Rehab		Withdrawn	301	301		$3,745,444	$	-
25431	93101	The Meadows	Garland	Acq/Rehab		Withdrawn	152	152		$1,527,490	$	-
25401		Enclave at Cypress	Cypress	NC		Withdrawn	363	363		$3,570,057	$	-
25407	03436	Northland Woods	Houston	Acq/Rehab		Withdrawn	280	280		$3,400,940	$	-
25445		Enclave at Sherman	Sherman	NC		Withdrawn	360	360		$3,572,847	$	-
25418		Parmer North Apartments	Pflugerville	NC		Withdrawn	288	288		$2,254,150	$	-
25424		Branchview Apartments	Pflugerville	NC		Withdrawn	330	330		$2,358,288	$	-
25417		Reserve at Ella	Houston	NC	TBD	Withdrawn	344	344	TBD	$3,405,323	$	-
25450		Little Elm Family Apartments	Little Elm	NC	TBD	Withdrawn	288	288	TBD	$5,384,306	$	-
25460		Hays Street Apartments	Houston	NC	TBD	Withdrawn	110	110	TBD	$1,115,980	$	-
25433		Brady Village	Lancaster	Acq/Rehab	TBD	Withdrawn	60	60	TBD	$752,709	$	-
25434	9989	Seaport Village	Galveston	Acq/Rehab	TBD	Withdrawn	192	192	TBD	$1,267,031	$	-
25441	24445	Aureus at Whisper Hills	San Marcos	NC	TBD	Withdrawn	267	267	TBD	$2,915,592	$	-
25425		Bridge at Treeline	Austin	NC	TBD	Withdrawn	330	330	TBD	$2,443,032	$	-
25432		Village at Meadowbend	Temple	Acq/Rehab	TBD	Withdrawn	237	237	TBD	$2,052,801	$	-
25402		Enclave at Katy	Katy	NC	TBD	Withdrawn	360	360	TBD	$3,534,223	$	-
25458	24452	Liberty Hill Apts	Liberty Hill	NC	TBD	Withdrawn	324	324	TBD	$4,486,344	$	-
4499/25419		Belmont Apartments	Austin	NC	TBD	Withdrawn	348	348	TBD	$3,058,435	$	-
25437		Manor Apartments	Austin	NC	5/23/2025	Withdrawn	181	179	Previously Approved	$2,902,773	$	2,902,773
25604		Trinity Junction	Dallas	NC	TBD	Withdrawn	300	300	TBD	$4,371,486	$	-
25414		Enclave at Crosby	Crosby	NC	TBD	Withdrawn	366	366	TBD	$3,701,470	$	- No
25454		Palms Breeze Village	Brownsville	NC	TBD	Withdrawn	324	324	TBD	$3,014,886	$	- No
25462	97028	Tuscany at Goldmark	Dallas	Acq/Rehab	TBD	Withdrawn	184	183	TBD	$2,271,676	$	- Yes
25459		The Foundry	Taylor	NC	TBD	Withdrawn	321	321	TBD	$4,367,618	$	- No
25600	24614	Waters at Arrowood	Houston	Acq/Rehab	TBD	Withdrawn	302	302	TBD	$2,105,730	$	- Yes
25481		Odem Victoria Apartments	Victoria	NC	TBD	Withdrawn	300	300	TBD	$2,625,990	$	- No
25475		Humble Family Apartments	Humble	NC	TBD	Withdrawn	306	306	TBD	$5,638,702	$	- No
							7,868	**7,865**				

***Conditions for 25403**

(1) Applicant/Owner is required to ensure that each Person subject to previous participation review for the Combined Portfolio will correct all applicable issues of non-compliance identified by the previous participation review for associated development 13600/13600B (ID 4888) Waters at Willow Run on or before May 30, 2025, and provide the Department with evidence of such correction within 30 calendar days of that date. The condition deadline noted above may be extended based on any approved corrective action plan from the Enforcement Committee.

(2) Atlantic Housing Foundation is required to prepare or update its internal procedures to improve compliance outcomes and to provide copies of such new or updated procedures to the Department by June 30, 2025.

(3) Owner is required to designate a person or persons to receive Compliance correspondence and ensure that this person or persons will provide timely responses to the Department for and on behalf of the proposed Development and all other Development subject to TDHCA LURAs over which the Owner has the power to exercise Control. A list of the person, or persons positions, should be provided to the Department no later than June 30, 2025.

(4) Atlantic Housing Foundation agrees to replace the existing management company, consultant, or management personnel, with another of its choosing, for any of their properties identified with new Events of Noncompliance that are triggered due to non-responsiveness (no corrective action submitted during the designated corrective action period) on any Monitoring Event notified from July 1, 2025 through December 31, 2026.

(5) Owner agrees to establish an email distribution group in CMTS (or other Department required system), to be kept in place until no later than December 31, 2026, and include agreed upon employee positions and/or designated Applicant members. A list of the employee positions and/or designated Applicant members, with the email distribution group name, should be provided to the Department no later than June 30, 2025.

(6) Atlantic Housing Foundation is required to ensure that officers with the ability to exercise control (including Wilfredo Saqueton and Michael N. Nguyen), Property Management staff for Atlantic Housing Foundation, on site management staff and any other members with Compliance oversight attend and review the trainings listed in subparagraphs (A) and (B) of this paragraph and provide TDHCA with a certification of attendance or completion no later than October 31, 2025.
(A) Housing Tax Credit Training sponsored by the Texas Apartment Association;
(B) Review the following TDHCA Compliance Training Presentation webinars located at Website: https://www.tdhca.texas.gov/compliance-program-training-presentations

i. Compliance Monitoring Training:
- **2022 Monitoring Reviews Beginning to End Training**
- **2024 Forms Training**
- **2024 Supportive Services Training**
- **2024 Monitoring Review, Monitoring Report and Corrective Action Training**

ii. CMTS and Reporting Training:
- **2024 Online Reporting, Annuals Owners Compliance Reports, Quarterly Vacancy Report and Unit Status Report Training**
- **2024 Monitor Review Questionnaire Training**

iii. HOTMA:
- **2023 September HOTMA Training**
- **2023 October HOTMA Training**
- **2024 Assets and HOTMA Changes Training**
- **2024 October HOTMA and Associated New Regulatory Changes**

iv. Income Eligibility Training:
- **2024 Income Determination Training**

***Conditions for 25468**

1. Applicant/Owner is required to ensure that each Person subject to previous participation review for the Combined Portfolio will correct all applicable issues of non-compliance identified by the previous participation review on or before November 30, 2025, and provide the Department with evidence of such correction within 30 calendar days of that date.
2. Owner is required to designate a person or persons to receive Compliance correspondence and ensure that this person or persons will provide timely responses to the Department for and on behalf of the proposed Development and all other Development subject to TDHCA LURAs over which the Owner has the power to exercise Control.
3. Owner agrees to establish an email distribution group in CMTS (or other Department required system), to be kept in place until no later than December 31, 2026, and include agreed upon employee positions and/or designated Applicant members.
4. Owner is required to ensure key compliance members with Cohen Esrey Communities, on site management staff and any other members with Compliance oversight review the trainings listed in subparagraph (A) of this paragraph and provide TDHCA with a certification of completion no later than December 31, 2025.

(A) Review the following TDHCA Compliance Training Presentation webinars located at Website: https://www.tdhca.texas.gov/compliance-program-training-presentations
i. Compliance Monitoring Training:
- **2022 Monitoring Reviews Beginning to End Training**
- **2024 Monitoring Review, Monitoring Report and Corrective Action Training**
- **2025 Common Issues of Noncompliance Training**

ii. CMTS and Reporting Training:
- **2024 Online Reporting, Annual Owners Compliance Reporting, Quarterly Vacancy Report and Unit Status Report Training**

File #: 1289 **Agenda Date:** 1/15/2026 **Agenda #:** 32.

Presentation, discussion, and possible action regarding a Material Amendment to the Land Use Restriction Agreement for Ekos City Heights (HTC #20701)

RECOMMENDED ACTION

WHEREAS, Ekos City Heights (the Development) received a 4% Housing Tax Credit (HTC) award in 2020 for the new construction of 179 multifamily units, all of which are designated as low-income units and a target population of Elderly, in Austin, Travis County;

WHEREAS, MHP City Heights, Ltd. (the Development Owner or Owner) represented at application and also executed a Land Use Restriction Agreement (LURA) reflecting a limitation for the elderly population;

WHEREAS, due to severe and ongoing occupancy challenges attributed largely to the elderly demographic restriction, the Development Owner requests to amend LURA to remove the current elderly restriction and instead allow for general occupancy for all ages with all committed incomes and rent limits remaining in place;

WHEREAS, 10 TAC §10.405(b)(2)(C) requires approval by the Board if there is a change to the Target Population; and

WHEREAS, the Development Owner has complied with the amendment requirements in 10 TAC §10.405(b), including holding a public hearing;

NOW, therefore, it is hereby.

RESOLVED, that the requested material LURA amendment for Ekos City Heights is approved as presented at this meeting, and the Executive Director and his designees are each authorized, directed, and empowered to take all necessary action to effectuate the foregoing.

BACKGROUND

Ekos City Heights received a 4% Housing Tax Credit (HTC) award in 2020 for the construction of 179 multifamily units, in Austin, Travis County. All the units in the Development are low-income units, and the target population is the elderly. The Elderly Limitation requirement in the LURA is the following:

- As determined by the HUD Secretary, is specifically designed and operated to assist

elderly persons as defined in and provided under any Federal, State, or local government programs; or

- Is intended for, and solely occupied by persons who are 62 or older; or
- Is intended and operated for occupancy by at least one person 55 years of age or older per Unit, where at least 80% of the total housing Units are occupied by at least one person who is 55 years of age or older; and adheres to policies and procedures which demonstrate an intent by Development Owner and manager to provide housing for persons 55 years of age or older.

The Development is required to lease 100% of the units to individuals and families whose imputed incomes do not exceed an average of 60% of the area median gross income.

Construction of the Development was completed in 2024.

In a letter as of November 10, 2025, Sarah Andre, consultant to the Owner, requests approval to modify the current elderly restriction to allow general occupancy for all ages. Ms. Andre explained that the change is necessary because despite exhaustive marketing, outreach, and operational adjustments over the past year, the Development continues to face severe and ongoing occupancy challenges attributed largely to the elderly demographic restriction. The amendment request letter further explains that, after approval from the City of Austin, 20% of the units were marketed to qualified tenants under the age of 55 in February 2025. Traffic subsequently spiked and once the Development met the allowance of family units to lease, the family marketing was reverted specifically to 55+ in June 2025. Since then, the property traffic and leasing collapsed. As of October 15, 2025, occupancy was 59.8%. It was also mentioned that, at the current absorption rate, the hardship is escalating quickly and presenting an imminent threat of default.

The amendment request includes traffic and leasing data that reflects steady traffic and interest from qualified households under 55 years of age. There are currently 20 individuals and families under the age of 55 on the waitlist for units. The amendment would allow the Development to capture the multiple families on the waitlist and pursue a broader band of qualified households to achieve and maintain stabilization. Furthermore, data from Apartment Marketdata reveals that affordable senior properties in Austin are significantly reducing rents and providing material concessions to lease up and maintain occupancy. Ms. Andre also explained that, at the time of application and award, the market showed a strong demand for senior properties in Austin and that it was unforeseeable or unpreventable in nature to predict the drastic change in market for affordable senior properties. The proposed modification has no financial impact to the underwriting, as the Owner has closed on acquisition and construction financing; however, this change will allow the Development to prevent foreclosure and convert to a permanent mortgage.

The Development Owner held a public hearing on November 13, 2025, to discuss the proposed change to the designation from senior restricted to family Development. Twelve residents attended the hearing, and a representative of the Development Owner received feedback and answered questions regarding the change in residency requirements. Several comments of

concern were made about the proposed switch and about the level of security with more non-55+ residents.

Due to financial infeasibility and a potential for default on the financing and possible loss of LIHTC affordable units through foreclosure by the lender, staff recommends a conditional approval of the requested material amendment to the LURA for the Development. As a condition for this approval, the Department is recommending and the Owner has agreed to provide written notice to all households residing at the Development by February 28, 2026, that there will be no penalty under their lease for terminating the lease early if the household provides the Owner by April 30, 2026, that they wish to terminate the lease early and providing an effective termination date because of the property switching from a Elderly Development to a General Development. Likewise, a notice will be provided to any household on the waiting list by February 28, 2026, that the Development is switching to a general development and that if the household notifies the Owner by April 30, 2026, that they wish to be taken off of the waiting list, any nonrefundable deposit or application fee will be refunded to the household.

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November 10, 2025

Rene Ruiz, Asset Manager Region 7
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Re: Ekos City Heights, TDHCA #20701, Austin, Texas

Dear Mr. Ruiz:

Please accept this formal request for a Material LURA amendment to the above referenced development to modify the elderly (55+) target population to General. All committed income and rent limits will remain in place.

SECTION 1

Change Requested

1) Modify the current elderly (55+) restriction to allow general occupancy for all ages. All committed income and rent limits will remain in place.

Reason the Change is Necessary

1) Despite exhaustive marketing, outreach, and operational adjustments over the past year, the project continues to face severe and ongoing occupancy challenges attributed largely to the elderly demographic restriction. This is evidenced by Realpage traffic and leasing data for the Development.
2) After approval from the City of Austin, 20% of the units (36) were marketed to qualified tenants under the age of 55 in February 2025. Traffic subsequently spiked. Once the property met the allowance of family units to lease, the family marketing was reverted back to specifically to 55+ in June 2025. Since then, the property traffic and leasing collapsed. As of October 15, occupancy was 59.8%. At the current absorption rate the hardship is escalating quickly and presenting an imminent threat of default.

   Austin Housing Finance Corporation has been notified of this request and is in support. The Letter they received is attached.

Good Cause for the Change

1) According to the Realpage traffic and leasing data, we are continuing to receive steady traffic and interest from qualified households under 55 years of age. There are currently 20 individuals and families under the age of 55 on the waitlist for units. The amendment would allow us to capture the multiple families on our waitlist and immediately pursue a broader band of qualified households to achieve and maintain stabilization.
2) The issue with occupancy is not a problem unique to Ekos City Heights. According to Apartment MarketData, collected data reveal that affordable senior properties in Austin are significantly reducing rents and providing material concessions to lease up and maintain occupancy, even at the 60% AMI level.

Explanation of Foreseeable or Preventable Nature

1) At the time of application and award, the market showed a strong demand for senior affordable in Austin. The Applicant had no knowledge or way to predict the drastic change in market for affordable senior properties.

Financial Impact

1) The modification has no financial impact for the TDHCA underwriting. We have closed on acquisition and construction financing; this change will allow the development to prevent foreclosure and convert to a permanent mortgage.

SECTION 2

Attachments

- Letter to Austin Housing Finance Corporation (Bond Issuer)
- Realpage traffic and leasing data for Ekos City Heights
- Austin senior market data from Apartment MarketData
- Notice of Public Hearing – this has been sent to all required parties including the City of Austin, and our lender and equity partner, Wells Fargo.

The $2,500 amendment fee has been submitted. Thank you for marshalling the amendment request through the system. Please feel free to contact me if you have any additional questions.

Sincerely,

Sarah Andre
Consultant to the Project

McDowell Housing Partners
Ekos City Heights
4400 Nuckols Crossing Road
Austin, TX 78744

October 24, 2025

Deletta Dean
Deputy Director
Austin Housing Finance Corporation
1000 E 11th Street
Austin, TX 78702

Subject: Urgent Request for LURA Amendment – Ekos City Heights (TDHCA Property #20701)

Dear Ms. Dean,

On behalf of McDowell Housing Partners, I am submitting this urgent and earnest request for a Land Use Restriction Agreement (LURA) amendment for Ekos City Heights, age restricted 179-unit affordable housing development, located at 4400 Nuckols Crossing Road, Austin, Texas ("Ekos"). **We are respectfully requesting to modify the current Elderly (55+) restriction to allow general occupancy for all ages, all committed income and rent limits will remain in place.**

The Austin Housing Finance Corporation (AHFC) is the bond issuer and subordinate lender for the development. Ekos is restricted to residents 55 years of age, and older, under the AHFC bond LURA and RHDA loan Declaration of Restrictive covenant. Ekos provides 10 units at 30% AMI, 110 at 50% AMI, and 59 units at 80% AMI.

The property received TCO on August 8, 2024. Preleasing efforts started in October 2023. Despite exhaustive marketing, outreach, and operational adjustments over the past year, the project continues to face severe and ongoing occupancy challenges attributable largely to the elderly demographic restriction. Realpage traffic and leasing data for Ekos City Heights is enclosed here under **Exhibit A**. The data clearly demonstrates the extreme decline of the market over our approximately 24-month leasing period. Overall, the data clearly demonstrates a precipitous fall in traffic, and corresponding lease absorption. Conversely, we are continuing to receive steady traffic and interest from qualified households under 55 years of age.

Timeline of actions taken:

- Commenced pre-leasing in October 2023.
- 8/8/2024: Temporary Certificate of Occupancy (TCO) received.
- 8/30/2024: The City of Austin, through Yolanda Quinton, approved 20% of the units (36) to serve qualified tenants under the age of 55.
- 1/30/2025: The City confirmed MHP could rent 36 units (any set-aside) to residents under 55. The units were not directly marketed to the general family demographic yet they were filled quickly by households that toured the building but were under the minimum age requirement. We continue to get steady leasing traffic from under 55 prospects
- 09/30/24: MHP offered concessions on the 80% units of 2 months free rent.
- In February 2025 the property completed an update of marketing materials to include family for the purpose of renting the 36 family units. Traffic subsequently spiked (see traffic report).
- 03/26/25: MHP further increased the concession on the 80% units to 3 months free rent.
- 6/12/2025: All rent concessions were removed, and 80% AMI rents were reduced to 50% rent levels to encourage occupancy.
- In June 2025 the property met the allowance of family units to lease and subsequently removed the family marketing and updated all marketing specifically to 55+. As a result, the property traffic and leasing collapsed (see traffic report).
- Post-June 2025: Despite these actions, only nine new move-ins have occurred.

Current Property and Occupancy Status:

- As of October 15th occupancy was 59.8%.
- Fifty-Three (53) units remain to be placed in service with qualified (elderly) tenants.
- Seventeen (17) 50% AMI units remain to be placed in service.
- Six (36) 80% AMI units remain to be placed in service.
- 20 individuals and families under 55 are on the waitlist for units.

At the current absorption rate the hardship is escalating quickly and presenting an imminent threat of default. If we are unable to achieve 100% qualified occupancy by year-end, the project will lose one-third of its eligible Low-Income Tax Credits (LIHTCs) - which Wells Fargo (tax credit investor) has indicated they will not acquire. This would result in a further reduction of the final LIHTC equity, compounding the existing downward timing adjusters and placing the entire project

at risk of default. Concurrently, our construction lender (Wells Fargo) and perm lender (Fannie Mae) have both indicated that they cannot extend the current loan commitments beyond the recently extended May 1, 2026 maturity without immediate action. Under Exhibit B, we have provided a summary from leading market analyst Daryl Jack with Apartment MarketData. The data reveals senior affordable properties in Austin are significantly reducing rents and providing material concessions to lease up and maintain occupancy, even at the 60% AMI level.

To date, McDowell Housing Partners has advanced over $3 million to carry the property through the extended lease up. We remain committed to continuing to fund operating deficits to keep the development solvent but respectfully request the AHFC's support and coordination in approving the LURA amendment, subject to TDHCA approval. The amendment would allow us to capture the multiple families on our waitlist and immediately pursue a broader band of qualified households to achieve and maintain stabilization. We stand ready to provide detailed leasing data, financial statements, lender correspondence, and any other information necessary.

We appreciate your partnership, understanding, and urgent attention to this critical request.

Sincerely,



Chris Shear

President

McDowell Housing Partners

EXHIBIT A

CITY HEIGHTS TRAFFIC AND LEASING DATA

REALPAGE

Alpha Barnes Real Estate Services, LLC
Activity Summary (Trend)
Monthly Trend - 15 Periods - Current Month Ending Oct 16, 2025
Analysis of Prospects, Visits, Leasing Activity and Occupancy

		Activity						Break		Traffic							Leasing				
Property	Month Ending	Total Units	MI	MO	Net MI	Occupied	Occupancy %	Break	Skip	Phone	1st Visit	Return Visit	Email	Internet	Fax /Mail	Other	Total	Applied	Canceled	Denied	Net Lsd
Ekos City Heights	Aug - 2024	179	7	0	7	7	3.9%	0	0	502	24	4	1,146	20	0	24	1,720	2	2	0	0
Ekos City Heights	Sep - 2024	179	7	0	7	14	7.8%	0	0	344	22	6	1,164	10	0	17	1,563	17	3	0	14
Ekos City Heights	Oct - 2024	179	11	0	11	25	14.0%	0	0	147	23	7	678	11	0	16	882	23	5	0	18
Ekos City Heights	Nov - 2024	179	16	0	16	41	22.9%	0	0	236	15	4	667	13	0	9	944	19	1	2	16
Ekos City Heights	Dec - 2024	179	13	0	13	54	30.2%	0	0	139	3	2	1,039	9	0	1	1,193	17	1	2	14
Ekos City Heights	Jan - 2025	179	8	0	8	62	34.6%	0	0	109	14	3	632	9	0	9	776	13	2	2	9
Ekos City Heights	Feb - 2025	179	9	0	9	71	39.7%	0	0	230	29	21	621	6	0	19	926	8	2	0	6
Ekos City Heights	Mar - 2025	179	12	2	10	81	45.3%	0	2	365	58	15	6,492	4	2	36	6,972	19	3	2	14
Ekos City Heights	Apr - 2025	179	11	1	10	91	50.8%	0	1	95	24	7	3,367	4	0	10	3,507	7	0	1	6
Ekos City Heights	May - 2025	179	7	1	6	97	54.2%	0	1	112	24	9	2,740	5	0	13	2,903	15	0	2	13
Ekos City Heights	Jun - 2025	179	13	2	11	109	60.9%	2	0	81	16	6	1,306	4	0	6	1,421	8	1	0	7
Ekos City Heights	Jul - 2025	179	2	4	(2)	107	59.8%	1	3	76	12	1	221	5	0	1	316	6	2	0	4
Ekos City Heights	Aug - 2025	179	7	0	7	113	63.1%	0	0	43	1	0	95	3	1	0	143	2	0	0	2
Ekos City Heights	Sep - 2025	179	1	4	(3)	110	61.5%	0	2	23	4	0	111	0	0	0	138	1	0	0	1
Ekos City Heights	Oct - 2025	179	2	5	(3)	107	59.8%	4	1	3	2	1	53	0	0	0	59	1	0	0	1

EXHIBIT B

AUSTIN SENIOR MARKET/RENT STUDY

TDHCA	Property Name	Built	30%	40%	50%	60%	70%	80%	Mkt	Assist.	Total	Vacant	Occupancy	Concessions
	LEASING													
20701	Ekos City Heights	2024	10		110			59			179	63	64.8%	reduced rents ($1,176/$1,405)
20416	Heritage Estates at Wells Branch	2023			17	148	9				174	38	78.2%	reduced rents ($899/$1,500) & 8 weeks free
20486	The Heights at 8721	2024				207					207	79	61.8%	reduced rents ($999/$1,399) & 3 months free
	TOTAL UNITS		10	0	127	355	9	59	0	0	560	180	67.9%	
TDHCA	PREVIOUSLY STABILIZED	Built	30%	40%	50%	60%	70%	80%	Mkt	Assist.	Total	Vacant	Occupancy	
22454	Arbors at Creekside	2002			88	87			1		176	60	65.9%	reduced rents ($899/$999) and $1k Gift Card & 2 months free
05207	City View at the Park Seniors	2008	7			61			2		70	8	88.6%	none ($1,352, $1,615)
15403	Harris Branch Senior	2017				216					216	50	76.9%	reduced rents ($899/$1,050) & 2 months free
24415	Heritage Pointe Senior	2005	20	77	77	19		47			240	30	87.5%	reduced rents & 2 months free
19434	Limestone Ridge	2021				223			2		225	23	89.8%	reduced rents ($899/$1,299) and 8 weeks 1BR, 6 weeks 2BR
98174	Lodge at Merrilltown	1999			62	142								

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1291 **Agenda Date:** 1/15/2026 **Agenda #:** 33.

Presentation, discussion, and possible action regarding a Material Amendment to the Application for Cady Lofts (HTC #22274 / HOME ARP #23709)

RECOMMENDED ACTION

WHEREAS, Cady Lofts (Development) received an award of 9% Housing Tax Credits (HTCs) in 2022 and HOME ARP funding and a reallocation of tax credits under Force Majeure in 2023, and State Housing Tax Credits in 2024 for the new construction of 100 supportive housing multifamily units in Austin, Travis County;

WHEREAS, Cady Lofts, LLC (Development Owner or Owner) requests approval for a significant modification of the architectural design, including a change in configuration of the floor plan of the sole building, and a decrease in parking, resulting in no change in net rentable area and in an increase in the common area;

WHEREAS, Board approval is required for a significant modification of the site plan, a significant modification of the architectural design of the Development, as directed in Tex. Gov't Code §2306.6712(d)(1) and (5), and in 10 TAC §10.405(a)(4)(A) and (E), and the Owner has complied with the amendment requirements therein; and

WHEREAS, the requested changes do not negatively affect the Development, impact the viability of the transaction, impact the scoring of the Application, or impact the funding award;

NOW, therefore, it is hereby

RESOLVED, that the requested material amendment to the Application for Cady Lofts is approved as presented at this meeting, and the Executive Director and his designees are each authorized, directed, and empowered to take all necessary action to effectuate the foregoing.

BACKGROUND

Cady Lofts was approved for a 9% HTC award in 2022, Force Majeure in 2023, a HOME ARP award in 2023, and State Tax Credits in 2024 for the construction of 100 supportive housing units, all of which are designated as low-income units, in Austin, Travis County. Construction of the Development has been completed. In a letter dated October 21, 2025, Alyssa Carpenter, the representative of the Owner, requested approval for a material amendment to the Application for a significant modification of the site plan, a significant modification of the architectural design, and a reduction in parking spaces.

The significant modifications of the architectural design include a redesign of the sole building from a four-story podium residential building with ground floor common area and 29 parking spaces to a split-level four-story building and nine surface lot parking spaces. There are no changes to the Net Rentable Area (NRA), unit count, unit mix, or set-asides. Additionally, the changes to the architectural design of the Development result in an increase to the Common Area, from 19,530 square feet at Application to 21,830 square feet.

During the site plan approval process, the neighborhood was concerned that there was not adequate open space for residents. Also, subsequent engineering and site work revealed that the natural topography of the site actually had considerable slope front to back, which was altered and obscured by the existing single-family homes that were on the property. In consideration of these items, the site plan was changed from a four-story building with ground-level podium parking to a split-level four-story building that will follow the natural contour of the development site. The interior courtyard area was increased, and common area space was distributed to three of the four floors to better serve the residents. Parking was moved from the ground floor of the building to a surface lot that contains underground detention. Total parking spaces were reduced from 29 to nine; however, the Development still exceeds the City of Austin parking requirements through the Austin Affordability Unlocked Program. There is no change to the number of units or unit square footages: there are still 100 units each with 451 square feet and a total NRA of 45,100. Common area has increased from 19,530 square feet at Application to 21,830 square feet.

The Owner also explained that building cost increases were unforeseen at the time of Application. In order to continue with the project and maintain feasibility while working with the neighborhood, these changes were necessary.

The Owner also included a revision to the Federal Home Loan Bank (FHLB) funding amount, which increased from $850,000 to $2,000,000. These funds will be granted to the Austin Affordable Housing Corporation (AAHC) and subsequently loaned to the partnership. At the time of the FHLB closing, the TDHCA HOME-ARP loan ($1,082,400, 0%, 20-year term) will be paid in full, and TDHCA's lien will be released accordingly. Staff's re-underwriting review of the modified financing indicates no financial impact on the Development or change to the federal and state HTC awards.

Staff recommends approval of the Application amendment as presented herein.

Real Estate Analysis Division
December 18, 2025

Addendum to Underwriting Report

TDHCA Application #: **23709_22274** Program(s): **9% HTC/HOME ARP**

Cady Lofts

Address/Location: NWQ E 39th St and N IH 35

City: Austin County: Travis Zip: 78751

	APPLICATION HISTORY
Report Date	**PURPOSE**
12/18/2025	**Post Closing Contract Amendment**
12/03/24	State Tax Credit Amendment
03/04/24	HOME ARP Closing
12/12/23	HOME ARP Award Update
05/25/23	HOME ARP Award Memo
07/12/22	Original Underwriting Report

ALLOCATION

		Previous Allocation				RECOMMENDATION					
TDHCA Program		**Amount**	**Rate**	**Amort**	**Term**	**Amount**	**Rate**	**Amort**	**Term**	**Lien**	
HOME ARP Deferred Forgivable	**perm**	$1,082,400	0.00%	N/A	20 yrs	**$0**	**0.00%**	**N/A**	**yrs**	**0**	
	const		0.00%	N/A	24 mos	**$1,082,400**	**0.00%**	**N/A**	**18 mos**	**2nd**	**
State Housing Tax Credits		$200,000				**$200,000**					
LIHTC (9% Credit)		$1,647,957				**$1,647,957**					

*Construction loan term cannot exceed the recommendation above, but may be less depending on actual closing date. Final construction term will be noted in the loan documents.

CONDITIONS STATUS

1 Receipt and acceptance by HOME ARP Contract:

- Provide documentation confirming that the preferences at the property are consistent with the preferences for the project based assistance.

Status: Cleared by Program Staff.

2 Receipt and acceptance before HOME ARP Closing:

a: Updated application exhibits: Rent Schedule, Utility Allowance, Operating Expenses, Long-Term Pro Forma, Development Cost Schedule, Schedule of Sources; and documentation necessary to support any changes from previous underwriting.

b: Substantially final construction contract with Schedule of Values.

c: Updated term sheets with substantially final terms from all lenders.

d: Substantially final draft of limited partnership agreement.

Status: 2(a-d) Satisfied

e: Formal approval for $2.2M loan from Austin Housing Finance Corporation clearly stating all terms, conditions and source of funding.

Status: Cleared at HOME ARP Award Update Memo.

3 Receipt and acceptance by Commitment:

- Guaranty Agreement to the Department that satisfies Department requirements to fund any operating deficits throughout the term of the affordability period.

Status: Satisfied by Guaranty Agreement.

4 Receipt and acceptance by Carryover:

- Formal approval for the $3,400,000 loan from Austin Housing Finance Corp. clearly stating all terms, conditions and source of funding.

Status: Satisfied by Carryover Package with letter from Austin Housing Finance Corporation.

5 Receipt and acceptance by Cost Certification:

a: Certification of comprehensive testing for asbestos; that any appropriate abatement procedures were implemented; and that any remaining asbestos-containing materials are being managed in accordance with an acceptable Operations and Maintenance (O&M) program.

b: Architect certification that a noise assessment was completed, and that all recommendations were implemented and the Development is compliant with HUD noise guidelines.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	70
50% of AMI	50% of AMI	10
60% of AMI	60% of AMI	20

TDHCA SET-ASIDES for HOME ARP LURA			
Federal Affordability Period		Remaining State Affordability Period	
Income Limit	Number of Units	Income Limit	Number of Units
QP	10	HTC 30%	6
		HTC 50%	1
		HTC 60%	3

ANALYSIS

Cady Lofts received a 9% HTC allocation in 2022 and a HOME ARP Deferred Forgivable Loan of $1,082,400 with a 0% interest rate and a 20-year term in May of 2023. The HOME ARP loan closed in March 2024 and the Applicant received State Housing Tax Credits in December 2024.

Applicant is requesting an amendment concerning changes to their site plan and architectural design of the development. Additionally, they are making a change to their financing structure.

The Site Plan was changed from a 4-story building with ground-level podium parking to a split-level 4-story building. The interior courtyard area was increased and the common space was distributed to three of the four floors. Parking was moved from the ground floor of the building to a surface lot that contains underground detention.

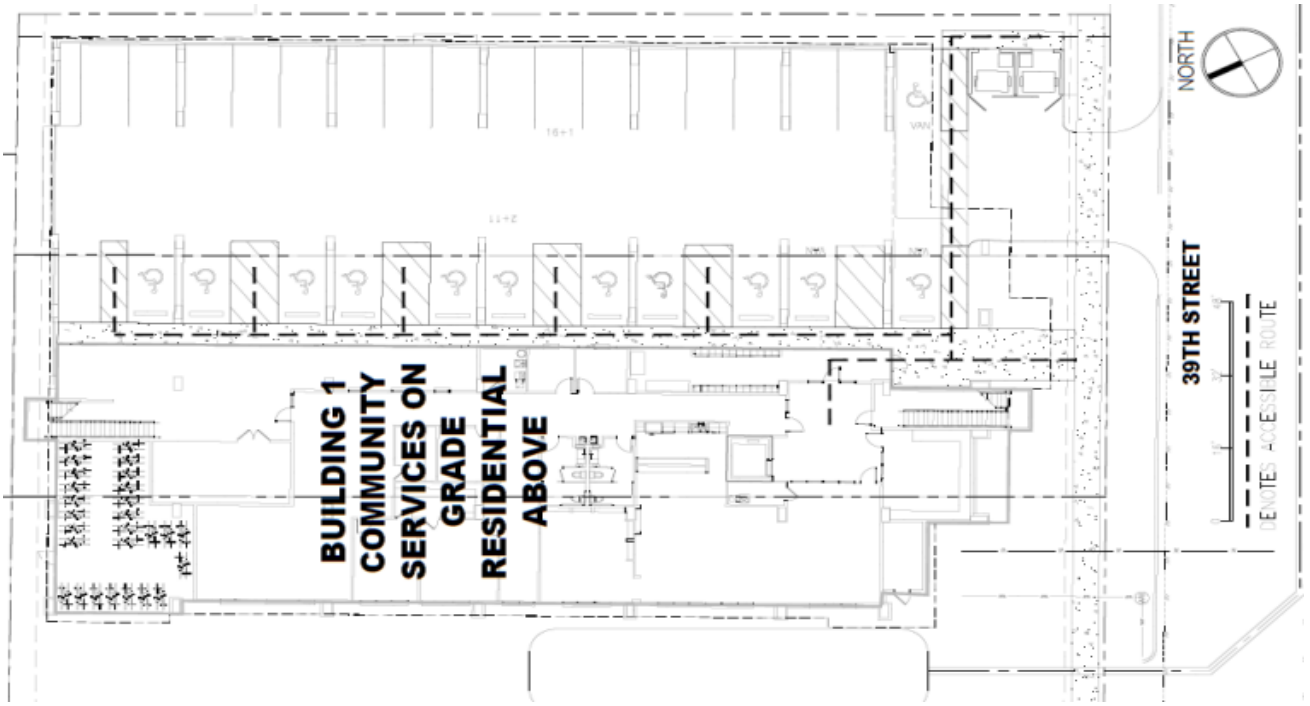
Total parking spaces were reduced from 29 to 9; however, the development still exceeds the City of Austin parking requirements.

Common area has increased from 19,350 sqft from the original application to 21,830 sqft.

There is no change to the number of units or unit square footage: there are still 100 units, each with 451 sqft and a total NRA of 45,100.

The Applicant received an increase to the Federal Home Loan Bank (FHLB) from $850k up to $2M. These funds will be granted to the Austin Affordable Housing Corporation (AAHC). At the time of the FHLB closing, the TDHCA HOME-ARP [$1,082,400, 0%, 20-year term] will be paid in full and TDHCA's lien will be released accordingly.

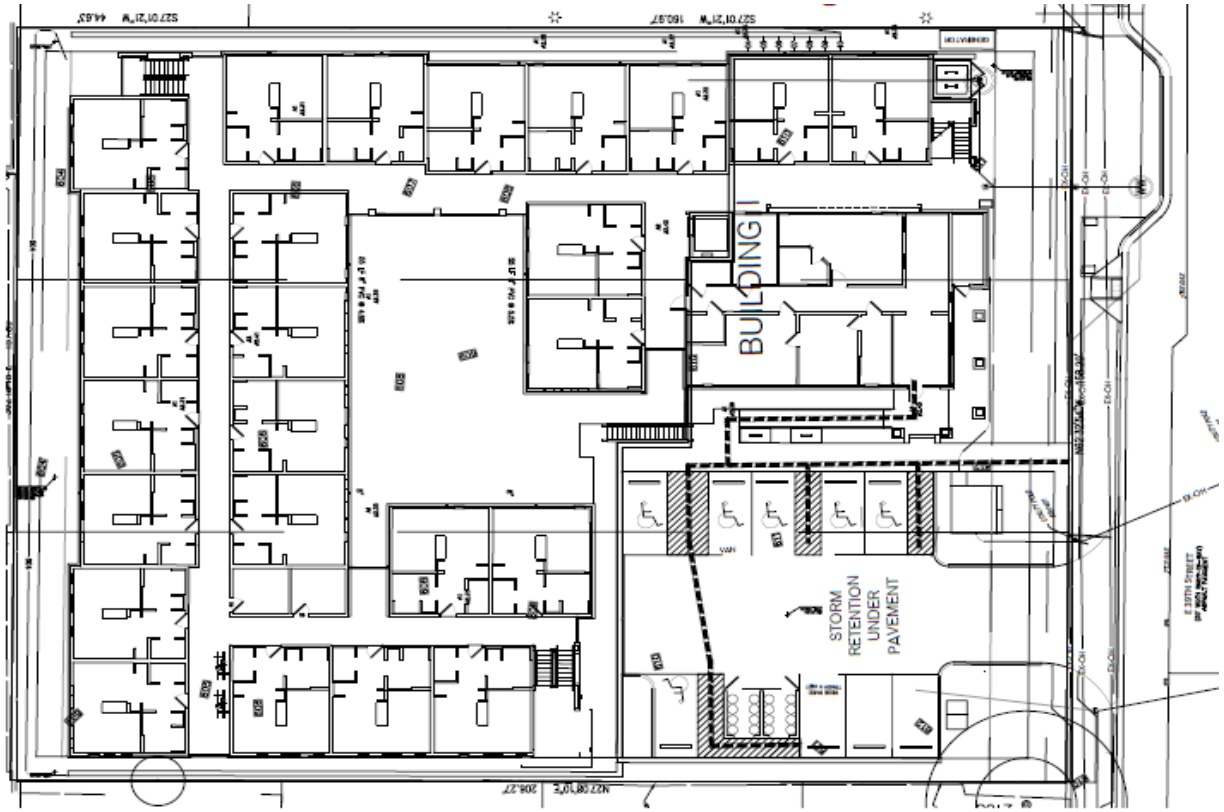
PREVIOUS SITE PLAN



OLD BUILDING SPECS

BUILDING AREAS - CADY LOFTS				
AREA NAME	BUILDING 1			TOTALS
	AREA (SF)	AREA (SF)		
UNITS NRA	45100	0		45100
BREEZEWAY	9738			9738
LAUNDRY	759			759
INTERIOR COURTYARD	1973			1973
MAINTENANCE EQUIPMENT STORAGE	1649			1649
LEASING COMMUNITY SERVICES	7060			7060
COVERED PARKING		10365		10365
	66279	10365		76644

CURRENT SITE PLAN



NEW BUILDING SPECS

BUILDING AREAS - CADY LOFTS				
AREA NAME	BUILDING 1			TOTALS
	AREA (SF)	AREA (SF)		
UNITS NRA	45100	0		45100
BREEZEWAY	10950			10950
LAUNDRY	446			446
INTERIOR COURTYARD	2584			2584
MAINTENANCE EQUIPMENT STORAGE	303			303
LEASING COMMUNITY SERVICES	7850			7850
	67233	0		67233

Operating Pro Forma

Underwriter has updated the expense comparables with reported year-end 2024 expenses.
The PBV rents increased from $1,519 to $1,549.

Effective Gross Income increased by $80k;
Total Expenses increased by $89k;
NOI decreased by $9k.

Development Cost

Sitework decreased by $144k;
Building Costs increased by $1.24M;
Total Development Cost decreased by $575k.

Contractor's fee Total Cost is overstated by $373k.

Sources of Funds

Applicant increased their FHLB grant from $850k to $2M, no change in the interest rate 5.41%. The grant is being facilitated through AAHC.

The TDHCA HOME ARP Deferred Forgivable Loan amount of $1,082,400 was all expensed during construction, which has been completed. The TDHCA loan will be paid off when the FHLB loan closes.

Hunt Capital Partners increased their capital contribution for the state tax credits from $1,060,000 up to $1,080,000 and the credit price increased from $.53 to $.54

Deferred Developer Fee decreased by $544k, which is below the fee from original underwriting. In this case, the Applicant is paying off the TDHCA loan and through TAC 13.13(c)(3) there is a workout arrangement that allows changes to the department's terms and conditions after the construction is complete, and therefore the decrease in deferred fee is allowable.

Recommendation:

Underwriting still supports the $1,647,957 of low income housing tax credits, and $200,000 of state housing tax credits.

Underwriter:	*Robert Castillo*
Director of Real Estate Analysis:	*Jeanna Adams*

UNIT MIX/RENT SCHEDULE

Cady Lofts, Austin, 9% HTC #23709_22274

LOCATION DATA	
CITY:	Austin
COUNTY:	Travis
Area Median Income	$122,300
PROGRAM REGION:	7
PROGRAM RENT YEAR:	2024

UNIT DISTRIBUTION				
# Beds	# Units	% Total	Assisted	HOME ARP
Eff	100	100.0%	100	10
1	-	0.0%	0	0
2	-	0.0%	0	0
3	-	0.0%	0	0
4	-	0.0%	0	0
5	-	0.0%	0	0
TOTAL	100	100.0%	100	10

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	451 sf

38% Average Income	Income	20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
	# Units	-	70	-	10	20	-	-	-	100
	% Total	0.0%	70.0%	0.0%	10.0%	20.0%	0.0%	0.0%	0.0%	100.0%

UNIT MIX / MONTHLY RENT SCHEDULE

HTC		HOME ARP		RENT ASSISTED UNIT		HOME Match Units	UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	Type	Gross Rent	# Units	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
TC 30%	$613			PBV (HACA)	$1,549	0	64	0	1	451	$1,549	$0	$1,549	$0	$3.43	$1,549	**$99,136**	**$99,136**	$1,549	$3.43	$0	$1,272	$2.82	$1,272
TC 30%	$613	QP	$0	PBV (HACA)	$1,549	0	6	0	1	451	$1,549	$0	$1,549	$0	$3.43	$1,549	**$9,294**	**$9,294**	$1,549	$3.43	$0	$1,272	$2.82	$1,272
TC 50%	$1,022			PBV (HACA)	$1,549	0	4	0	1	451	$1,549	$0	$1,549	$0	$3.43	$1,549	**$6,196**	**$6,196**	$1,549	$3.43	$0	$1,272	$2.82	$1,272
TC 50%	$1,022	QP	$0	PBV (HACA)	$1,549	0	1	0	1	451	$1,549	$0	$1,549	$0	$3.43	$1,549	**$1,549**	**$1,549**	$1,549	$3.43	$0	$1,272	$2.82	$1,272
TC 50%	$1,022			PBV (AHFC)	$1,549	5	5	0	1	451	$1,549	$0	$1,549	$0	$3.43	$1,549	**$7,745**	**$7,745**	$1,549	$3.43	$0	$1,272	$2.82	$1,272
TC 60%	$1,227			PBV (AHFC)	$1,549	0	10	0	1	451	$1,549	$0	$1,549	$0	$3.43	$1,549	**$15,490**	**$15,490**	$1,549	$3.43	$0	$1,272	$2.82	$1,272
TC 60%	$1,227			PBV (AHFC)	$1,549	7	7	0	1	451	$1,549	$0	$1,549	$0	$3.43	$1,549	**$10,843**	**$10,843**	$1,549	$3.43	$0	$1,272	$2.82	$1,272
TC 60%	$1,227	QP	$0	PBV (AHFC)	$1,549	0	3	0	1	451	$1,549	$0	$1,549	$0	$3.43	$1,549	**$4,647**	**$4,647**	$1,549	$3.43	$0	$1,272	$2.82	$1,272
TOTALS/AVERAGES:							**100**			**45,100**				**$0**	**$3.43**	**$1,549**	**$154,900**	**$154,900**	**$1,549**	**$3.43**	**$0**	**$1,272**	**$2.82**	**$1,272**

ANNUAL POTENTIAL GROSS RENT:	**$1,858,800**	**$1,858,800**	

**HOME Match units are Low Home

STABILIZED PRO FORMA

Cady Lofts, Austin, 9% HTC #23709_22274

	STABILIZED FIRST YEAR PRO FORMA																					
	COMPARABLES				APPLICANT				PRIOR REPORTS						TDHCA				VARIANCE	
	Database		Austin Supp Housing		% EGI	Per SF	Per Unit	Amount	State Tax Credit Amend DEC 2024	HOME ARP Memo	Applicant	TDHCA	HOME ARP Memo	State Tax Credit Amend DEC 2024	Amount	Per Unit	Per SF	% EGI	%	$
POTENTIAL GROSS RENT						$3.43	$1,549	$1,858,800	$1,822,800	$1,616,100	$1,165,020	$1,165,020	$1,616,100	$1,616,100	$1,858,800	$1,549	$3.43		0.0%	$0
Total Secondary Income							$0.00					0	$0	$0	$0	$0.00			0.0%	$0
POTENTIAL GROSS INCOME								$1,858,800	$1,822,800	$1,616,100	$1,165,020	$1,165,020	$1,616,100	$1,616,100	$1,858,800				0.0%	$0
Vacancy & Collection Loss							5.0% PGI	(92,940)	(136,710)	(121,208)	(87,377)	(87,377)	(121,208)	(121,208)	(92,940)	5.0% PGI			0.0%	-
EFFECTIVE GROSS INCOME								$1,765,860	$1,686,090	$1,494,893	$1,077,644	$1,077,644	$1,494,893	$1,494,893	$1,765,860				0.0%	$0
General & Administrative	$39,242	$392/Unit	$75,188	$752	3.98%	$1.56	$704	$70,360	$70,360	$60,000	$60,000	$61,498	$61,498	$61,498	$75,188	$752	$1.67	4.26%	-6.4%	(4,828)
Management	$36,437	3.6% EGI	$66,343	$663	5.00%	$1.96	$883	$88,293	$84,305	$53,882	$53,882	$53,882	$74,745	$84,305	$88,293	$883	$1.96	5.00%	0.0%	-
Payroll & Payroll Tax	$134,427	$1,344/Unit	$218,026	$2,180	20.25%	$7.93	$3,575	$357,516	$329,124	$217,340	$217,340	$217,340	$217,340	$329,124	$357,516	$3,575	$7.93	20.25%	0.0%	-
Repairs & Maintenance	$70,986	$710/Unit	$167,491	$1,675	6.62%	$2.59	$1,170	$116,980	$126,980	$121,980	$121,980	$122,294	$122,294	$122,294	$122,294	$1,223	$2.71	6.93%	-4.3%	(5,314)
Electric/Gas	$20,709	$207/Unit	$53,482	$535	3.11%	$1.22	$550	$55,000	$55,000	$60,340	$60,340	$53,955	$53,955	$50,304	$53,482	$535	$1.19	3.03%	2.8%	1,518
Water, Sewer, & Trash	$73,851	$739/Unit	$76,114	$761	4.79%	$1.87	$845	$84,500	$84,500	$70,000	$70,000	$69,873	$69,873	$73,851	$76,114	$761	$1.69	4.31%	11.0%	8,386
Property Insurance	$40,010	$0.89 /sf	$57,619	$576	8.89%	$3.48	$1,570	$157,000	$107,250	$60,000	$60,000	$60,000	$60,000	$107,250	$157,000	$1,570	$3.48	8.89%	0.0%	-
Property Tax (@ 0%) 2.176679	$68,913	$689/Unit			0.00%	$0.00	$0	$0	$8,000	$0	$0	$0	$0	$8,000	$0	$0	$0.00	0.00%	0.0%	-
Reserve for Replacements					1.70%	$0.67	$300	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000	$300	$0.67	1.70%	0.0%	-
Supportive Services					8.49%	$3.33	$1,500	$150,000	$150,000	$20,000	$20,000	$20,000	$20,000	$150,000	$150,000	$1,500	$3.33	8.49%	0.0%	-
TDHCA Compliance fees ($40/HTC unit)					0.23%	$0.09	$40	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	$40	$0.09	0.23%	0.0%	-
Issuer Ongoing Compliance Fees					0.00%	$0.00	$0	$0	$15,000	$0	$0	$0	$0	$15,000	$0	$0	$0.00	0.00%	0.0%	-
Security					9.06%	$3.55	$1,600	$160,000	$140,000	$0	$0	$0	$0	$140,000	$160,000	$1,600	$3.55	9.06%	0.0%	-
24-Hr Front Desk Clerks					9.51%	$3.72	$1,679	$167,899	$148,420	$0	$0	$0	$0	$148,420	$167,899	$1,679	$3.72	9.51%	0.0%	-
TOTAL EXPENSES					**81.63%**	**$31.96**	**$14,415**	**$1,441,548**	$1,352,939	$697,542	$697,542	$692,843	$713,705	$1,324,046	**$1,441,787**	**$14,418**	**$31.97**	**81.65%**	**0.0%**	**$ (239)**
NET OPERATING INCOME ("NOI")					**18.37%**	**$7.19**	**$3,243**	**$324,312**	$333,151	$797,351	$380,101	$384,801	$781,188	$362,044	**$324,073**	**$3,241**	**$7.19**	**18.35%**	**0.1%**	**$ 239**
CONTROLLABLE EXPENSES							$6,844/Unit									$6,846/Unit				

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Cady Lofts, Austin, 9% HTC #23709 22274

DEBT / GRANT SOURCES

		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							PRIOR REPORTS						AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR																		Cumulative	
DEBT (Must Pay)	Fee	UW	App	Pmt	Rate	Amort	Term	Principal	State Tax Credit Amend DEC 2024	HOME ARP Memo	Applicant	TDHCA	HOME ARP Memo	State Tax Credit Amend DEC 2024	Principal	Term	Amort	Rate	Pmt	DCR	LTC
Cadence Bank				-	0.00%	0	0	$0	$0	$0	$2,300,000	$2,300,000	$0	$0	$0	0	0	0.00%			0.0%
TSAHC				$0	5.41%	0	0	$75,000							$75,000	0	0	5.41%			0.3%
CASH FLOW DEBT / GRANTS																					
TDHCA-HOME ARP Deferred Forgivable					0.00%	0	0	$0	$1,082,400	$1,082,400	$0	$0	$1,082,400	$1,082,400	$0	0	0	0.00%			0.0%
0					0.00%	0	0	$0	$75,000	$300,000			$300,000	$75,000	$0	0	0	0.00%			0.0%
AHFC RHDA					1.00%	0	40	$7,200,000	$5,000,000	$5,000,000	$3,400,000	$3,400,000	$5,000,000	$5,000,000	$7,200,000	40	0	1.00%			29.6%
0					0.00%	0	0	$0	$2,200,000	$0			$0	$2,200,000	$0	0	0	0.00%			0.0%
AAHC-FHLB					5.41%	0	16	$2,000,000	$850,000	$0			$0	$850,000	$2,000,000	16	0	5.41%			8.2%
				$0	TOTAL DEBT / GRANT SOURCES			$9,275,000	$9,207,400	$6,382,400	$5,700,000	$6,260,000	$6,382,400	$9,207,400	$9,275,000	TOTAL DEBT SERVICE				$0		38.1%
NET CASH FLOW		$324,073	$324,312												APPLICANT	NET OPERATING INCOME			$324,312	$324,312	NET CASH FLOW

EQUITY SOURCES

	APPLICANT'S PROPOSED EQUITY STRUCTURE						PRIOR REPORTS						AS UNDERWRITTEN EQUITY STRUCTURE					
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	State Tax Credit Amend DEC 2024	HOME ARP Memo	Applicant	TDHCA	HOME ARP Memo	State Tax Credit Amend DEC 2024	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Allocation Method
Hunt Capital Partners	LIHTC Equity	56.8%	$1,647,957	$0.84	$13,841,455	$13,841,455	$14,006,234	$14,665,351	$14,665,351	$14,006,234	$13,841,455	$13,841,455	$0.84	$1,647,957	56.8%	$16,480	Applicant Request
Hunt Capital Partners	State Tax Credit Equity	4.4%	$200,000	$0.54	$1,080,000	$1,060,000	$0	$0	$0	$0	$1,060,000	$1,080,000	$0.54	$200,000	4.4%		
SGI Ventures, Inc.	Deferred Developer Fees	2.2%	(26% Deferred)		$541,844	$1,086,102	$1,121,953	$612,423	$52,423	$968,212	$830,995	$168,785	(8% Deferred)		0.7%	Total Developer Fee:	$2,097,885
Additional (Excess) Funds Req'd		0.0%				$0	$0	$0	$0	$0	$0	($0)			0.0%		
TOTAL EQUITY SOURCES		63.5%			$15,463,299	$15,987,557	$15,128,187	$15,277,774	$14,717,774	$14,974,446	$15,732,450	$15,090,240			61.9%		
TOTAL CAPITALIZATION					$24,738,299	$25,194,957	$21,510,587	$20,977,774	$20,977,774	$21,356,846	$24,939,850	$24,365,240			15-Yr Cash Flow after Deferred Fee:		$3,673,008

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS					PRIOR REPORTS						TDHCA COST / BASIS ITEMS					COST VARIANCE	
	Eligible Basis					State Tax Credit Amend DEC 2024	HOME ARP Memo	Applicant	TDHCA	HOME ARP Memo	State Tax Credit Amend DEC 2024				Eligible Basis			
	Acquisition	New Const. Rehab	Total Costs									Total Costs			New Const. Rehab	Acquisition	%	$
Land Acquisition			$28,750 / Unit		$2,875,000	$2,875,000	$2,875,000	$2,875,000	$2,875,000	$2,875,000	$2,875,000	$2,875,000	$28,750 / Unit				0.0%	$0
Demolition					$115,514	$41,766	$100,000	$0	$0	$100,000	$41,766	$115,514					0.0%	$0
Off-Sites			$ / Unit		$0	$0	$385,000	$385,000	$385,000	$385,000	$0	$0	$ / Unit				0.0%	$0
Site Work		$3,027,020	$31,022 / Unit		$3,102,209	$3,245,987	$1,777,499	$1,877,500	$1,877,500	$1,777,499	$2,845,694	$2,651,791	$26,518 / Unit		$2,651,791		17.0%	$450,418
Site Amenities		$130,391	$1,304 / Unit		$130,391	$207,434	$465,000	$465,000	$465,000	$465,000	$207,434	$149,370	$1,494 / Unit		$149,370		-12.7%	($18,979)
Building Cost		$10,121,484	$224.42 /sf	$101,215/Unit	$10,121,484	$8,878,875	$7,000,850	$5,918,450	$6,796,722	$6,796,722	$8,893,553	$9,849,379	$98,494/Unit	$218.39 /sf	$9,849,379		2.8%	$272,105
Contingency		$0	0.00%	0.00%	$0	$863,261	$481,418	$598,217	$598,217	$481,418	$836,268	$0	0.00%	0.00%	$0		0.0%	$0
Contractor Fees		$1,844,858	13.89%	16.79%	$2,242,632	$1,847,377	$1,415,367	$1,280,183	$1,280,183	$1,386,789	$1,789,613	$1,771,076	14.00%	14.00%	$1,771,076		26.6%	$471,556
Soft Costs	$0	$1,813,829	$20,148 / Unit		$2,014,784	$2,180,575	$2,590,208	$2,589,380	$2,589,380	$2,590,208	$2,180,575	$2,014,784	$20,148 / Unit		$1,813,829	$0	0.0%	$0
Financing	$0	$890,113	$12,836 / Unit		$1,283,627	$1,775,041	$1,451,702	$1,931,408	$1,931,408	$1,451,702	$1,775,041	$1,283,627	$12,836 / Unit		$890,113	$0	0.0%	$0
Developer Fee	$0	$2,097,885	11.77%	11.72%	$2,097,885	$2,117,260	$2,117,260	$2,117,260	$2,117,260	$2,117,260	$2,117,260	$2,097,885	12.25%	12.25%	$2,097,885	$0	0.0%	$0
Reserves				6 Months	$754,774	$907,274	$851,283	$940,376	$940,376	$697,542	$907,274	$754,774	6 Months				0.0%	$0
TAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)	$0	$19,925,580	$247,383 / Unit		$24,738,300	$24,939,850	$21,510,587	$20,977,774	$21,856,046	$21,124,140	$24,469,478	$23,563,200	$235,632 / Unit		$19,223,443	$0	5.0%	$1,175,100
Acquisition Cost	$0				$0	$0	$0	$0										
Contingency		$0			$0	$0	$0	$0										
Contractor's Fee		$0			($373,060)	$0	($0)	$0										
Financing Cost		$0																
Developer Fee	$0	$0			$0	$0	$0	$0										
Reserves					$0	$0	($153,741)	$0										
ADJUSTED BASIS / COST	$0	$19,925,580	$243,652/unit		$24,365,240	$24,939,850	$21,356,846	$20,977,774	$21,856,046	$21,124,140	$24,469,478	$23,563,200	$235,632/unit		$19,223,443	$0	3.4%	$802,039

TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate): $24,365,240

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Cady Lofts, Austin, 9% HTC #23709_22274

CREDIT CALCULATION ON QUALIFIED BASIS				
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
ADJUSTED BASIS	$0	$19,925,580	$0	$19,223,443
Deduction of Federal Grants	$0	$0	$0	$0
TOTAL ELIGIBLE BASIS	$0	$19,925,580	$0	$19,223,443
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	$0	$25,903,254	$0	$24,990,476
Applicable Fraction	100.00%	100.00%	100%	100%
TOTAL QUALIFIED BASIS	$0	$25,903,254	$0	$24,990,476
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	$0	$2,331,293	$0	$2,249,143
CREDITS ON QUALIFIED BAS	$2,331,293		$2,249,143	

	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price $0.8399	Variance to Request	
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	$2,331,293	$19,580,902	----	----	----
Needed to Fill Gap	$1,668,052	$14,010,240	----	----	----
Applicant Request	$1,647,957	$13,841,455	**$1,647,957**	**$0**	**$0**

Long-Term Pro Forma

Cady Lofts, Austin, 9% HTC #23709_22274

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30	Year 35
EFFECTIVE GROSS INCOME	2.00%	$1,765,860	$1,801,177	$1,837,201	$1,873,945	$1,911,424	$2,110,366	$2,330,015	$2,572,525	$2,840,275	$3,135,893	$3,462,279
TOTAL EXPENSES	3.00%	$1,441,548	$1,483,912	$1,527,528	$1,572,436	$1,618,672	$1,871,209	$2,163,420	$2,501,567	$2,892,903	$3,345,829	$3,870,078
NET OPERATING INCOME ("NOI")		**$324,312**	**$317,266**	**$309,672**	**$301,509**	**$292,752**	**$239,157**	**$166,594**	**$70,957**	**($52,628)**	**($209,936)**	**($407,799)**
EXPENSE/INCOME RATIO		81.6%	82.4%	83.1%	83.9%	84.7%	88.7%	92.9%	97.2%	101.9%	106.7%	0.0%
ANNUAL CASH FLOW		**$324,312**	**$317,266**	**$309,672**	**$301,509**	**$292,752**	**$239,157**	**$166,594**	**$70,957**	**($52,628)**	**($209,936)**	**($407,799)**
Deferred Developer Fee Balance		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CUMULATIVE NET CASH FLOW		$155,527	$472,793	$782,465	$1,083,975	$1,376,727	$2,686,554	$3,673,008	$4,229,212	$4,225,507	$3,505,216	$0

October 21, 2025

Rene Ruiz
Asset Management
TDHCA
P.O. BOX 13941
Austin, TX 78711-3941

Re: HTC 23709_22274 Cady Lofts Material Amendment Request and Change to Financing Structure

Dear Mr. Ruiz:

This letter concerns a material amendment request for HTC 23709_22274 Cady Lofts in Austin. Cady Lofts is a supportive housing application that received a Housing Tax Credit award in 2022, Force Majeure in 2023, a HOME ARP award in 2023, and State Tax Credits in 2024.

Due to discussions with the neighborhood and challenging financial market conditions and cost increases, changes were made during the development process to maintain feasibility. This amendment concerns changes to the site plan and architectural design of the development. Additionally, this amendment requests a change to the financing structure of the development. The amendment fee check has been delivered to TDHCA.

Change to Site Plan and Architectural Design
At the time of application, Cady Lofts was a proposed 100-unit development in one 4-story residential building with a detention pond on the western part of the site. The ground floor of the development included all common area space as well as 29 parking spaces using podium construction. The development site consisted of two existing single-family homes with a topography that appeared to be relatively flat.

During the site plan approval process, the neighborhood was concerned that there was not adequate open space for the residents. Also, subsequent engineering and site work revealed that the natural topography of the development site actually had considerable slope front to back, which was altered and obscured by the existing single-family homes that were on the property. In consideration of these items, the site plan was changed from a 4-story building with ground-level podium parking to a split-level 4-story building that would follow the natural contour of the development site. The interior courtyard area was increased and common area space was distributed to three of the four floors to better serve the residents. Parking was moved from the ground floor of the building to a surface lot that contains underground detention. Total parking spaces were reduced from 29 to 9; however, the development still exceeds the City of Austin parking requirements.

The change from a 4-story building with podium parking to a 4-story split-level building with surface parking reduced site work and building costs. We also believe that the new site plan and architectural design of the development is an overall improvement for the supportive housing residents.

There is no change to the number of units or unit square footages: there are still 100 units each with 451 square feet and a total NRA of 45,100. Common area has increased from 19,530 square feet at application to 21,830 square feet.

Please see the attached revised architectural plans. Please also find a revised Building Unit Type Configuration form with the new parking total and common area total.

Explanation and Good Cause for the Amendment Request
Neighborhood concerns, the actual natural topography of the site, and building cost increases were unforeseen at the time of Application. In order to continue with the project and maintain feasibility, changes were made to the site plan and architectural design of the development. These changes have been implemented and development cost information, financial exhibits, and application forms are included with this request. The changes were necessary when working with the neighborhood to finalize the site plan, as well as to control construction costs. The good cause for this amendment request is to maintain the feasibility of the development.

Change to Financing Structure
The enclosed submission incorporates a revision to the Federal Home Loan Bank (FHLB) funding amount, which has increased from $850,000 to $2,000,000. These funds will be granted to the Austin Affordable Housing Corporation (AAHC) and subsequently loaned to the partnership. At the time of the FHLB closing, the TDHCA HOME-ARP loan will be paid in full, and TDHCA's lien will be released accordingly.

Thank you for your attention and please contact me with any questions.

Regards,



Alyssa Carpenter

SITE NOTES:

1. SITE AREA IS 0.7474 ACRES
2. ENTIRE SITE IS IN FLOOD ZONE X
3. ALL ON SITE CONSTRUCTION IS NEW CONSTRUCTION
4. MINIMUM 8'–0" CEILING HEIGHTS
5. STORMWATER TO BE RETAINED ON SITE

PARKING SUMMARY

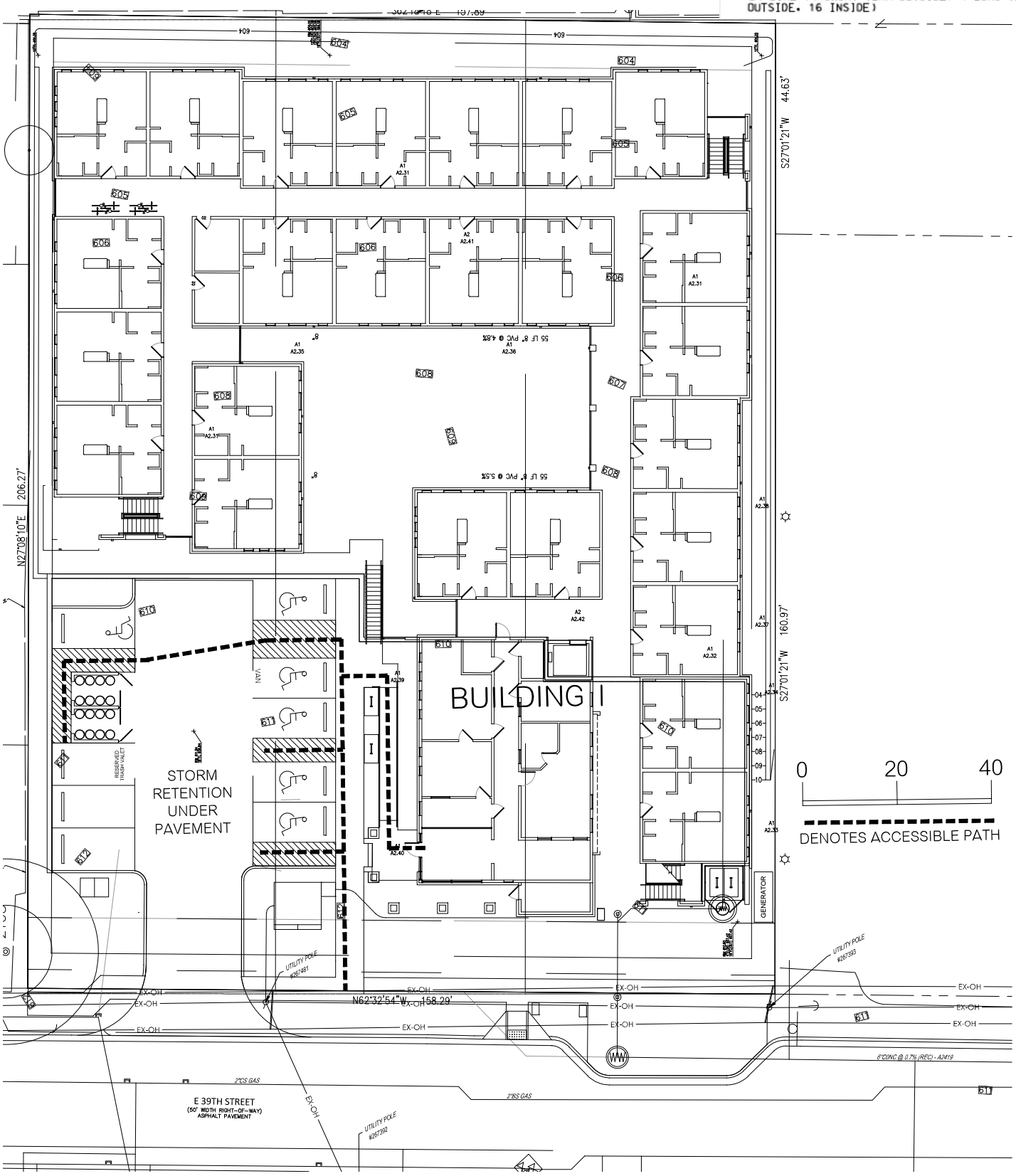
REQUIRED MULTI-FAMILY PARKING:
100 EFFICIENCY @ 1.0/UNIT = 100 SPACES
MULTI-FAMILY REQUIRED SUBTOTAL: 100
100 SPACES REQUIRES 3 STD. ACCESSIBLE AND 1 VAN ACCESSIBLE SPACES

THIS PROJECT QUALIFIES FOR A PARKING REDUCTION UNDER THE AFFORDABILITY UNLOCKED ORDINANCE 20190509-027.

REQUIRED BIKE PARKING: 100 x 0.05 = 5 SPACES

REQUIRED PARKING TOTAL: 4 HC (3 STD., 1 VAN); 8 BIKE

PARKING PROVIDED TOTAL:
9 SPACES (3 STD.,6 ACCESSIBLE).
24 BIKE (4 SHORT-TERM OUTSIDE. 4 LONG-TERM OUTSIDE. 16 INSIDE)



ARCHITECTURAL SITE PLAN

CADY LOFTS

Austin, Texas

THREE BAR ARCHITECTURE, INC.

ADA SUMMARY:

10% MA OF TOTAL UNITS:
10 – 0BD/1BA

10 TOTAL MA UNITS

2% AV OF TOTAL UNITS:
2 – 0BD/1BA

2 TOTAL AV UNITS

UNITS - CADY LOFTS				
UNIT		BUILDING 1		TOTALS
		NRA (SF)		NRA (SF)
TYPE	OBD/1BA	100		100
NRA	451	45100		45100
	UNIT TOTAL	100		100
	TOTAL NRA	45100		45100

BUILDING AREAS - CADY LOFTS				
AREA NAME	BUILDING 1			TOTALS
	AREA (SF)	AREA (SF)		
UNITS NRA	45100	0		45100
BREEZEWAY	10950			10950
LAUNDRY	446			446
INTERIOR COURTYARD	2584			2584
MAINTENANCE EQUIPMENT STORAGE	303			303
LEASING COMMUNITY SERVICES	7850			7850
	67233	0		67233

COMMON AREA CONSISTING OF ALL SPACES LISTED IN THE TABLE LESS THE NRA, MAINTENANCE, EQUIPMENT AND STORAGE AREAS TOTALS 21,830 SF. THE COMMON AREA THAT IS CONDITIONED IS 8,296 SF.

DEVELOPMENT DATA TABLES

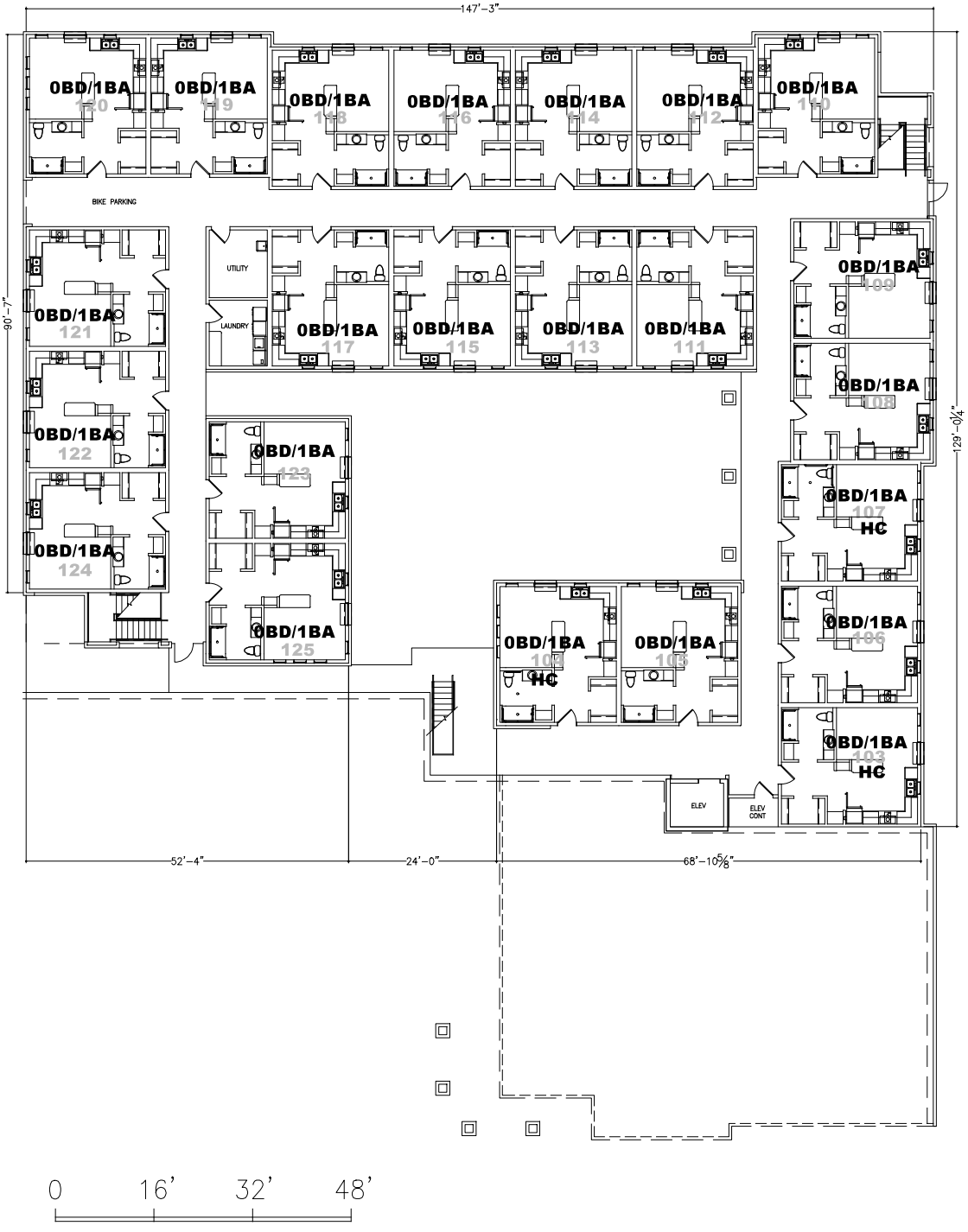
CADY LOFTS

Austin, Texas

THREE BAR ARCHITECTURE, INC.

BUILDING 1 NOTES

1. NET RENTABLE AREA 45100sf
2. TOTAL BREEZEWAY AREA 10,950sf
3. TOTAL COMMUNITY SERVICES AREA 7850sf
4. TOTAL M/E/S AREA 303sf
5. MINIMUM 8'–0" CEILING HEIGHT
6. ROOF SLOPE – 1/4:12



BUILDING 1 - LEVEL 1

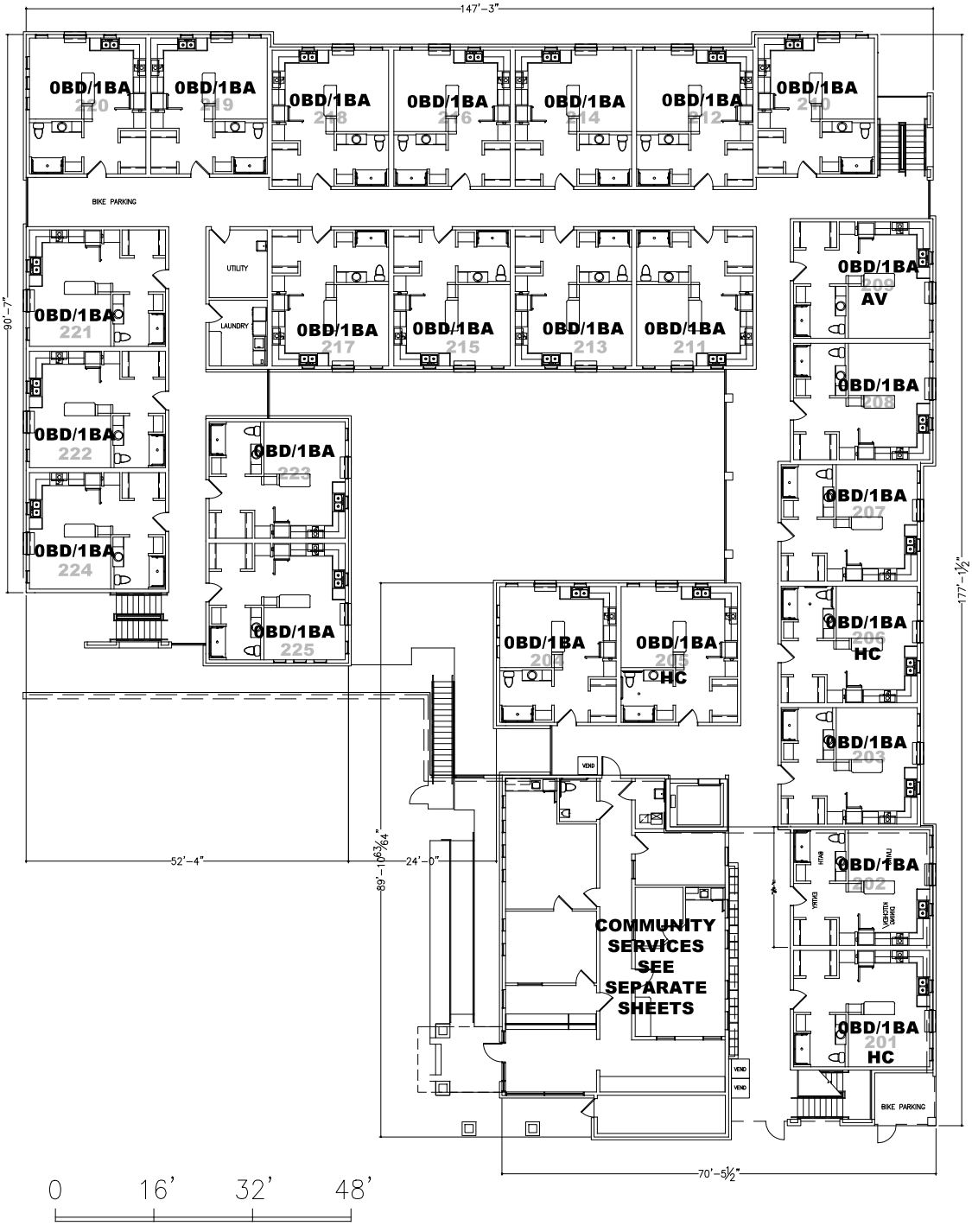
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BUILDING 1 - LEVEL 2

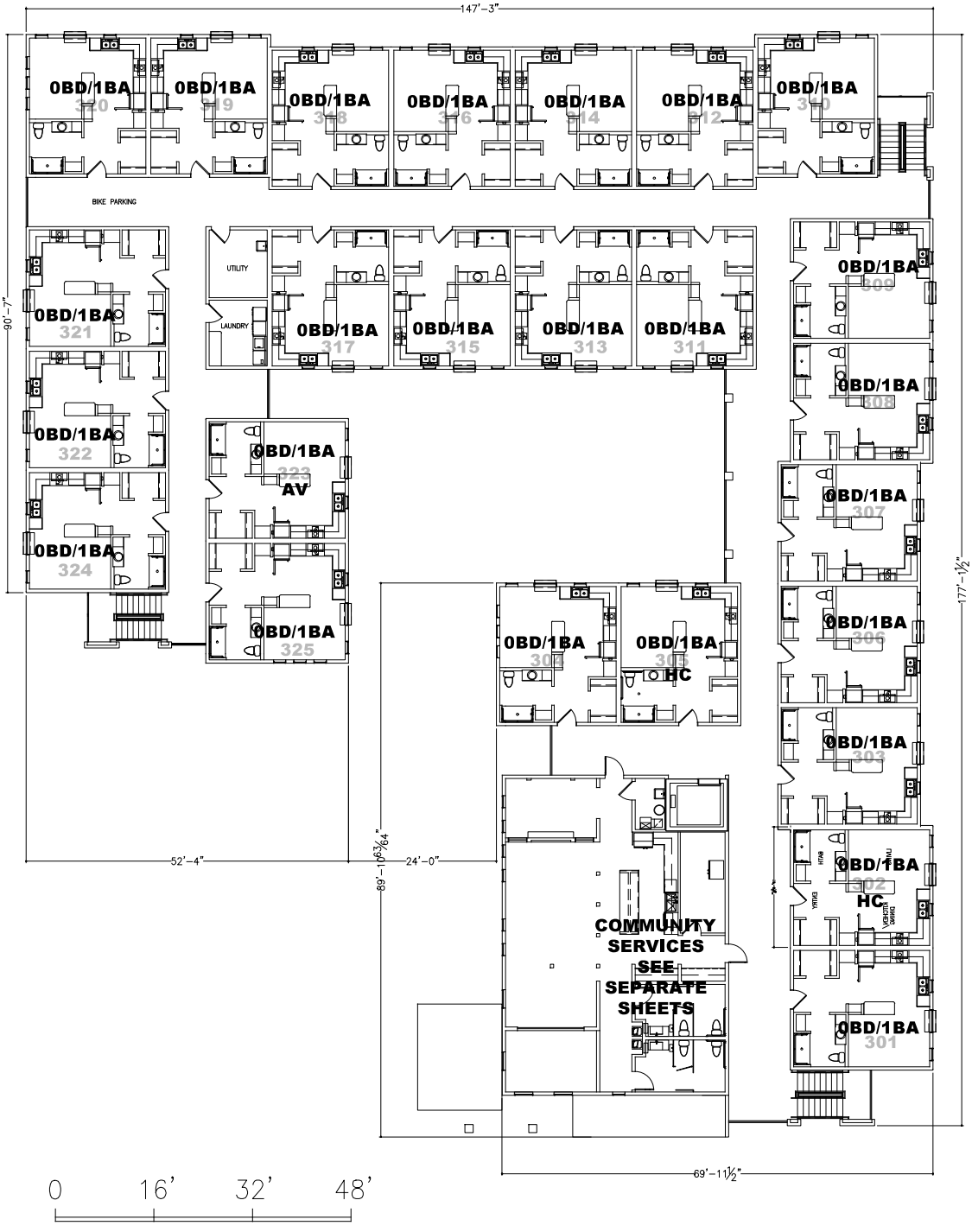
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BUILDING 1 - LEVEL 3

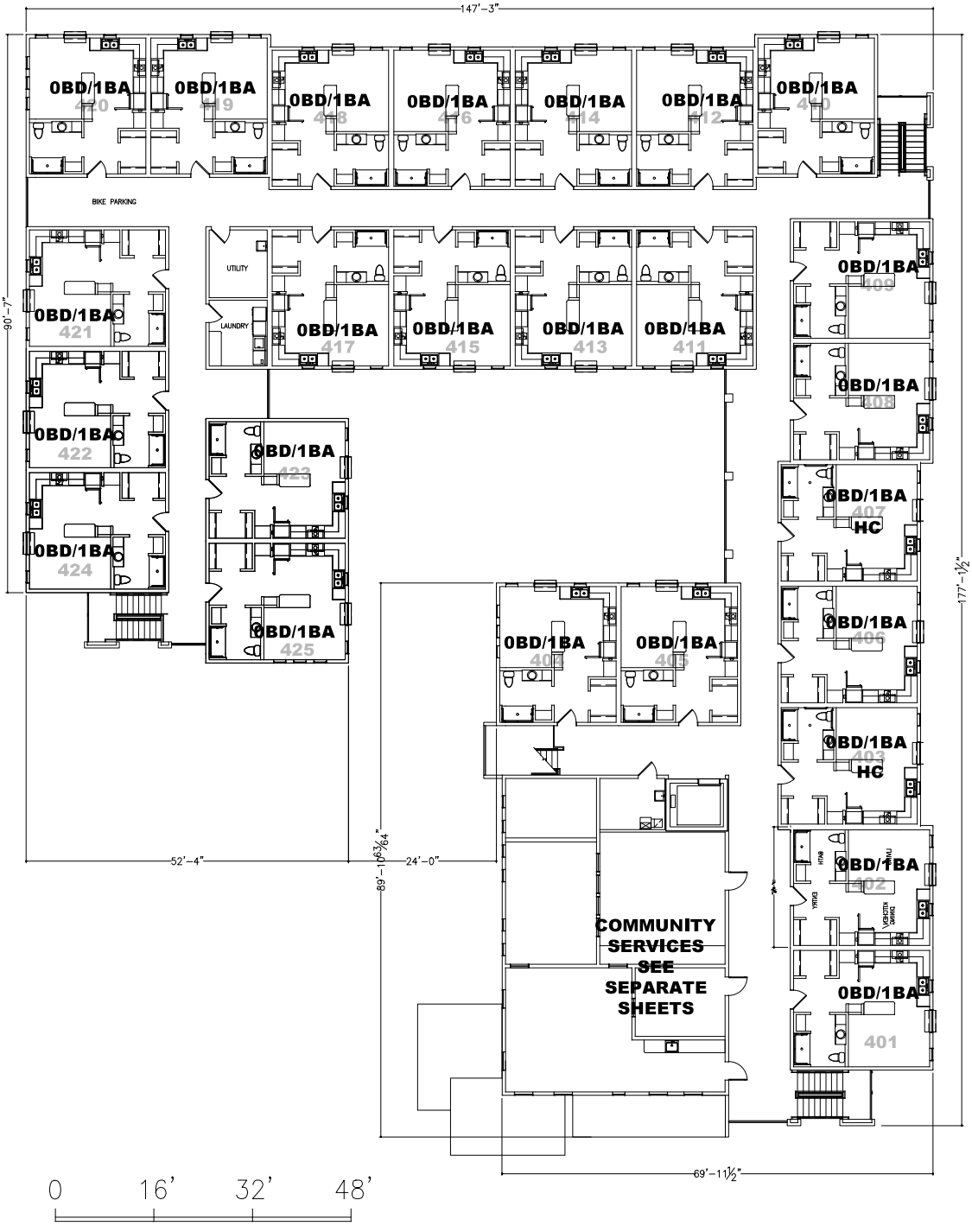
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Austin, Texas

THREE BAR ARCHITECTURE, INC.

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BUILDING 1 - LEVEL 4

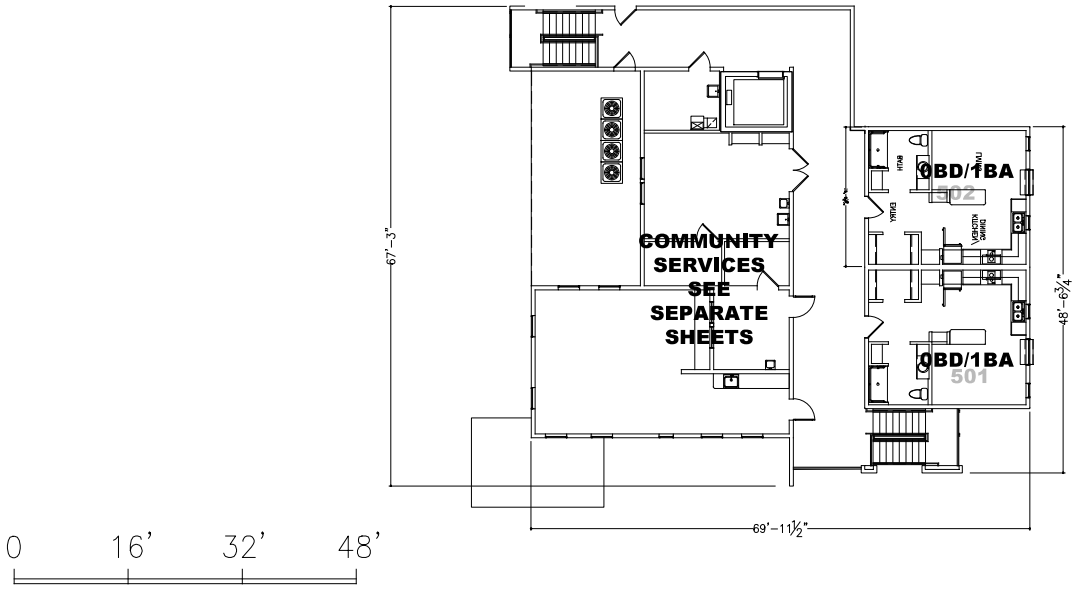
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BUILDING 1 - LEVEL 5

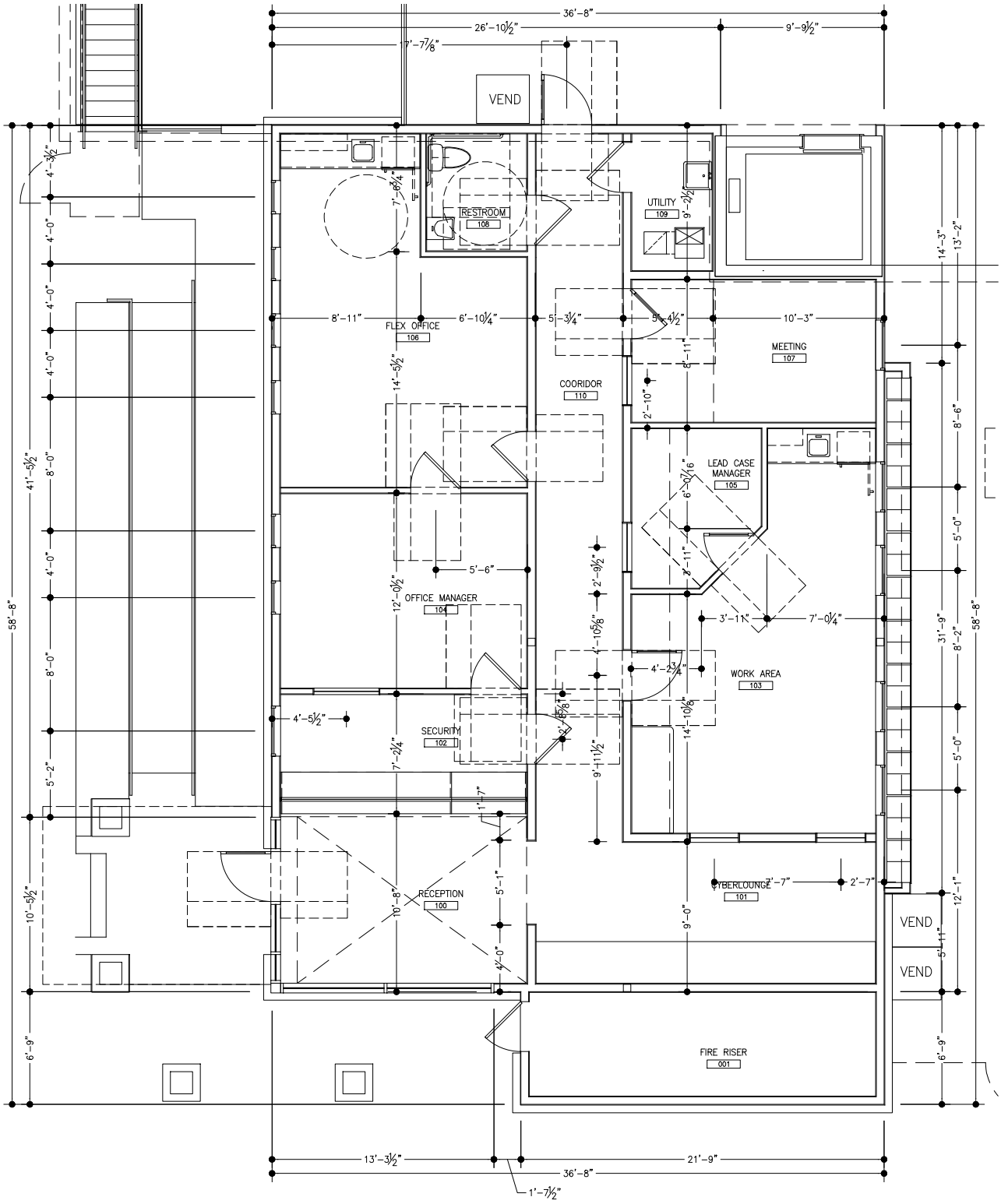
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Austin, Texas

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COMMUNITY SERVICES - LEVEL 2

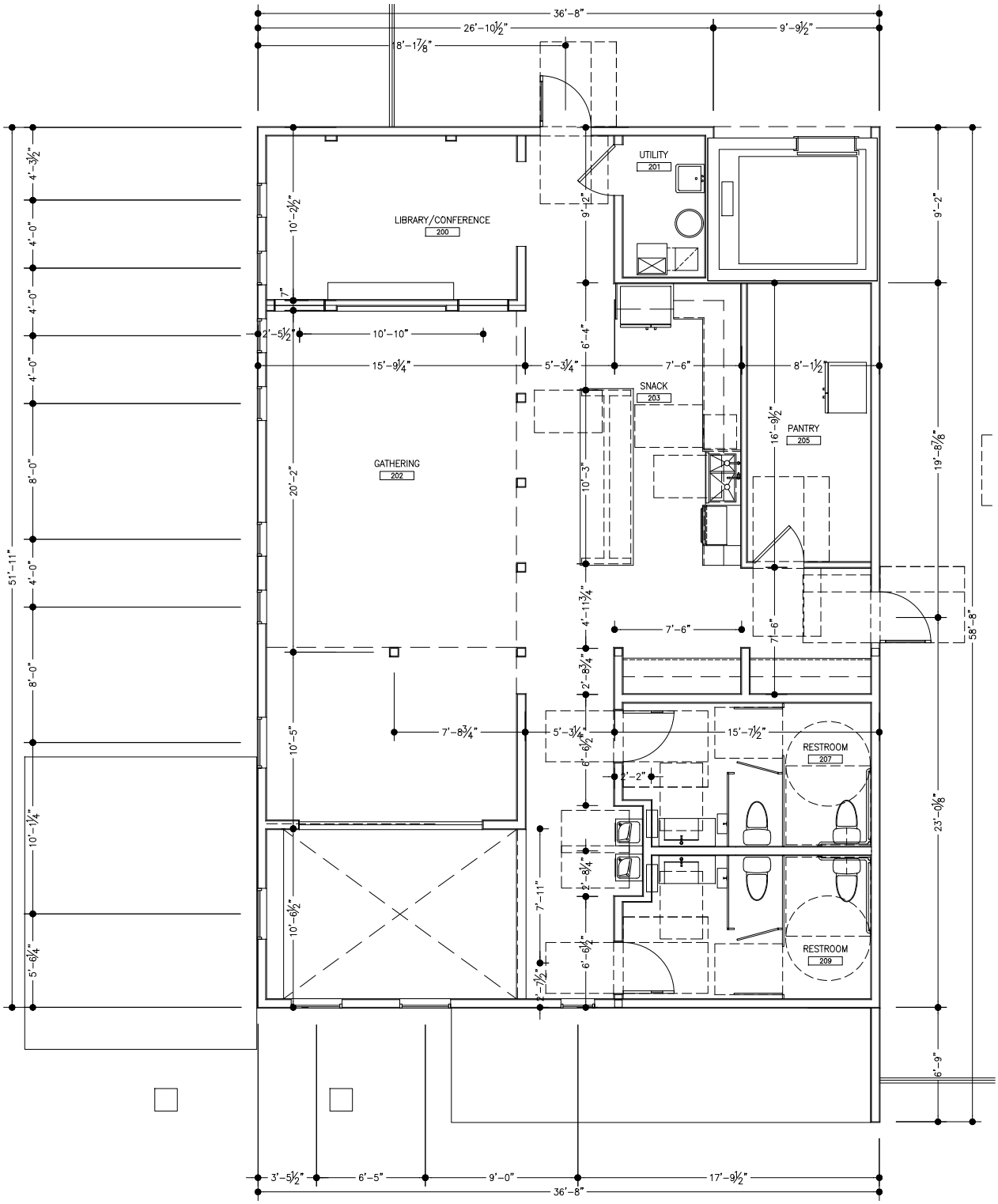
CADY LOFTS

Austin, Texas

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COMMUNITY SERVICES - LEVEL 3

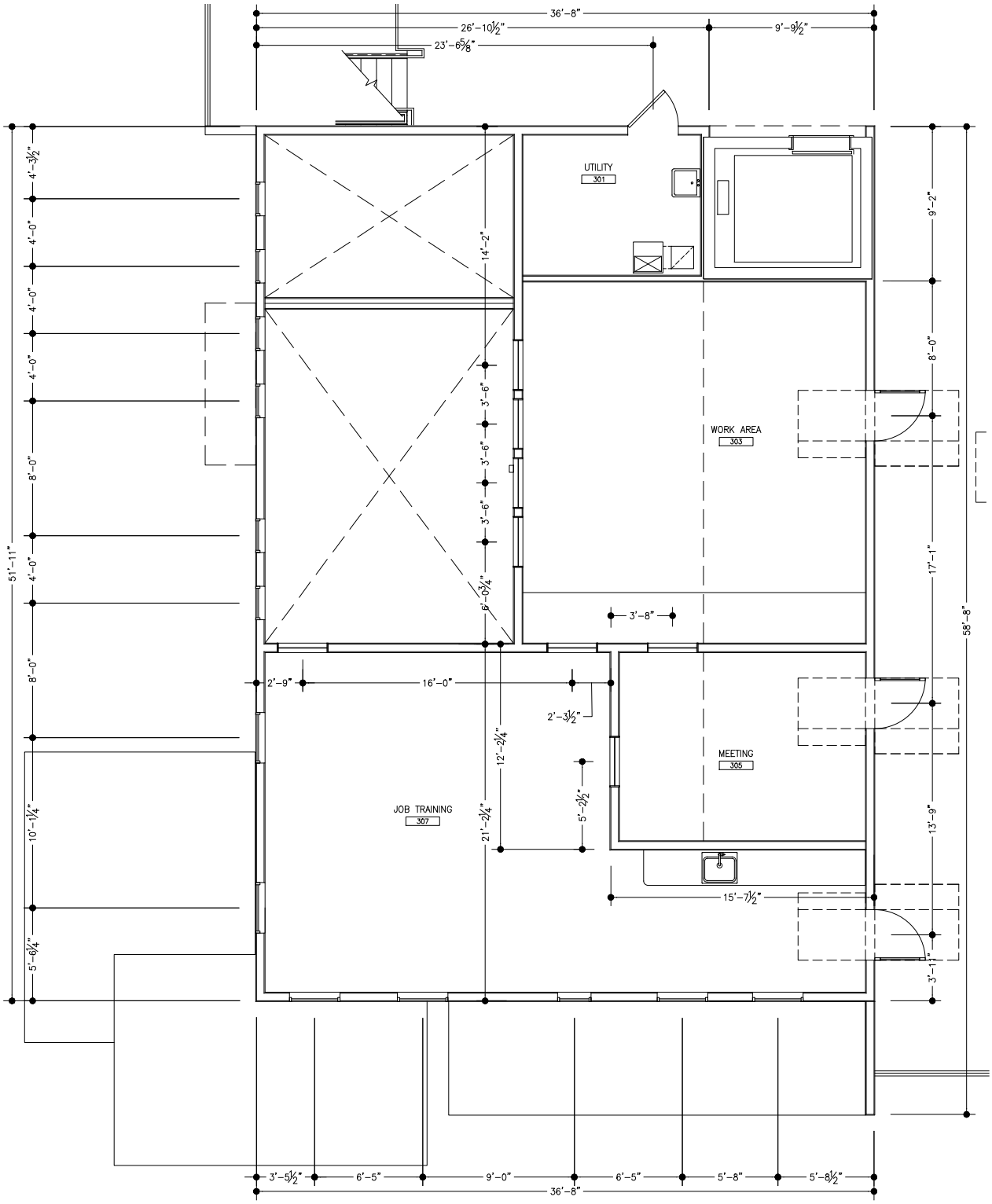
CADY LOFTS

Austin, Texas

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COMMUNITY SERVICES - LEVEL 4

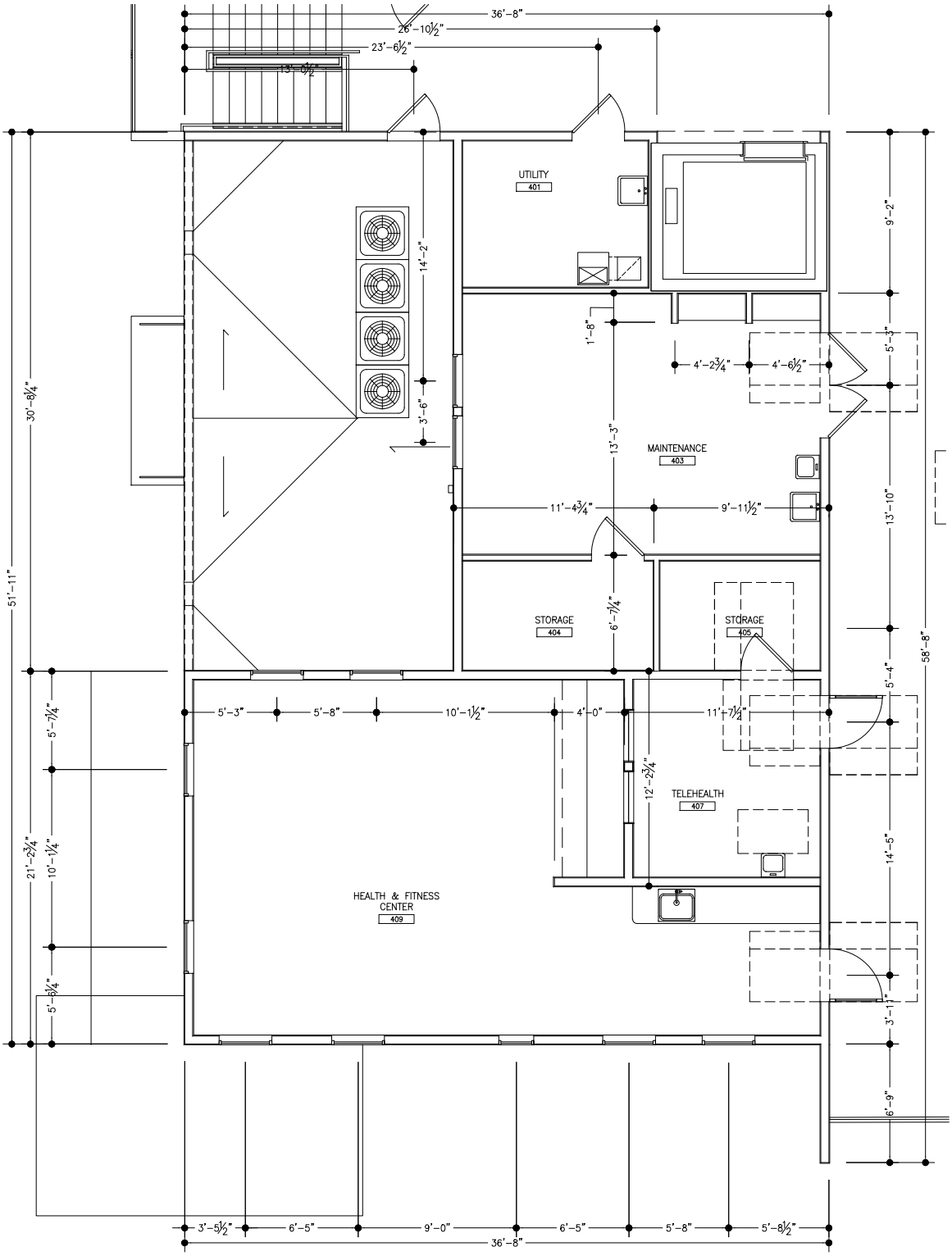
CADY LOFTS

Austin, Texas

THREE BAR ARCHITECTURE, INC.

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6. ROOF SLOPE – 1/4:12



COMMUNITY SERVICES - LEVEL 5

CADY LOFTS

Austin, Texas

THREE BAR ARCHITECTURE, INC.



BUILDING 1
FRONT ELEVATION
LEASING COMMUNITY SERVICES
100 ZERO BEDROOM UNITS

0 8' 16'

EXTERIOR MATERIALS:

TDHCA MASONRY	31.0%
CEMENTITIOUS SIDING	69.0%
SINGLE PLY MEMBRANE ROOFING	

BUILDING 1 NOTES

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4. TOTAL M/E/S AREA 303sf
5. MINIMUM 8'-0" CEILING HEIGHT
6. ROOF SLOPE – 1/4:12

BUILDING ONE ELEVATIONS

CADY LOFTS

Austin, Texas

THREE BAR ARCHITECTURE, INC.



EXTERIOR MATERIALS:

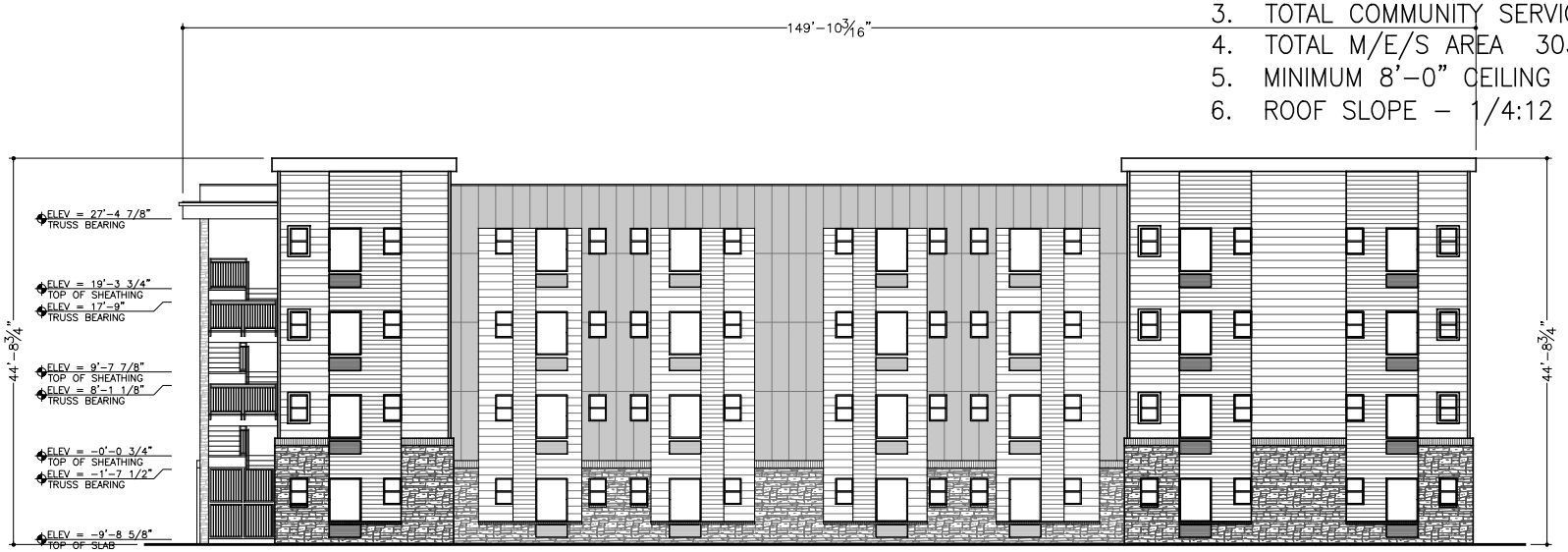
TDHCA MASONRY	37.0%
CEMENTITIOUS SIDING	63.0%
SINGLE PLY MEMBRANE ROOFING	

BUILDING 1
SIDE ELEVATION
LEASING COMMUNITY SERVICES
100 ZERO BEDROOM UNITS

0 8' 16'

BUILDING 1 NOTES

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3. TOTAL COMMUNITY SERVICES AREA 7850sf
4. TOTAL M/E/S AREA 303sf
5. MINIMUM 8'-0" CEILING HEIGHT
6. ROOF SLOPE – 1/4:12



EXTERIOR MATERIALS:

TDHCA MASONRY	36.0%
CEMENTITIOUS SIDING	64.0%
SINGLE PLY MEMBRANE ROOFING	

BUILDING 1
REAR ELEVATION
LEASING COMMUNITY SERVICES
100 ZERO BEDROOM UNITS

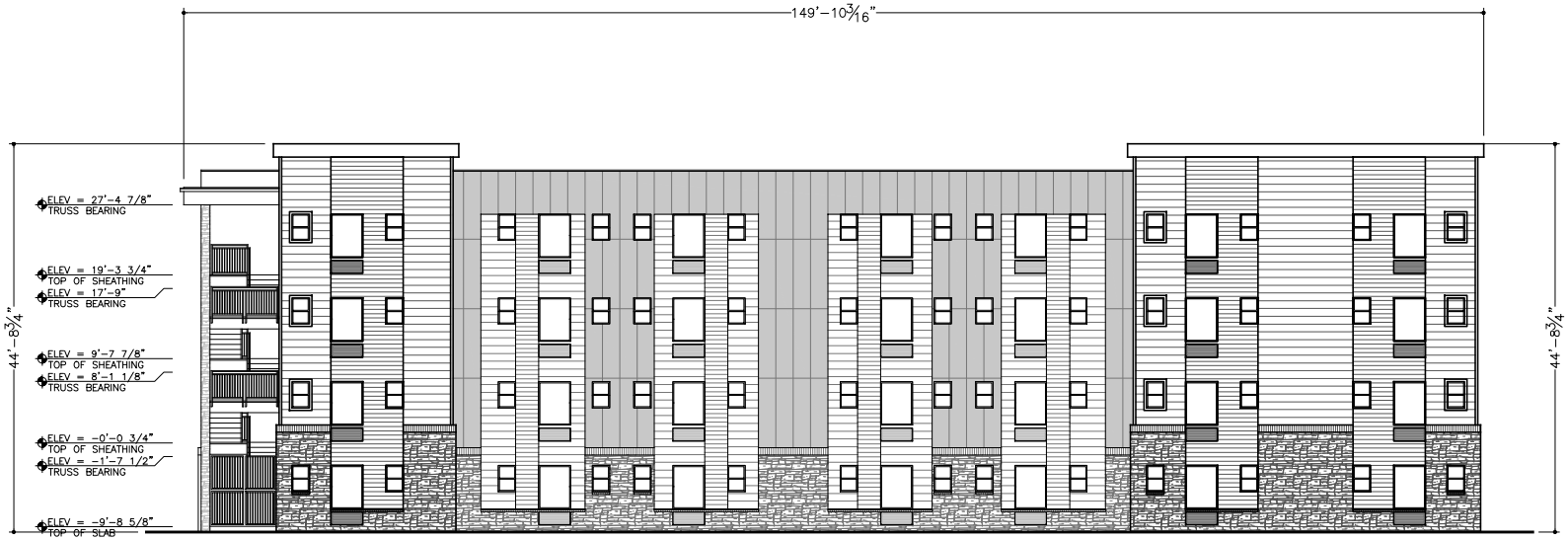
0 8' 16'

BUILDING ONE ELEVATIONS

CADY LOFTS

Austin, Texas

THREE BAR ARCHITECTURE, INC.

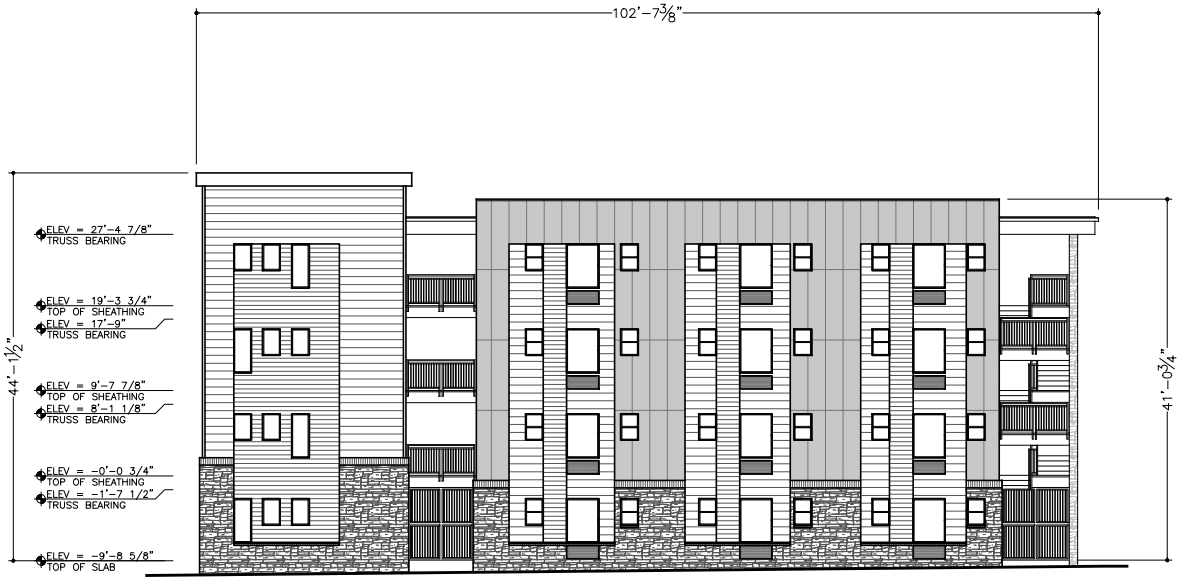


EXTERIOR MATERIALS:

TDHCA MASONRY	36.0%
CEMENTITIOUS SIDING	64.0%
SINGLE PLY MEMBRANE ROOFING	

BUILDING 1
REAR ELEVATION
LEASING COMMUNITY SERVICES
100 ZERO BEDROOM UNITS

0 8' 16'



EXTERIOR MATERIALS:

TDHCA MASONRY	38.0%
CEMENTITIOUS SIDING	62.0%
SINGLE PLY MEMBRANE ROOFING	

BUILDING 1
SIDE ELEVATION
LEASING COMMUNITY SERVICES
100 ZERO BEDROOM UNITS

0 8' 16'

BUILDING 1 NOTES

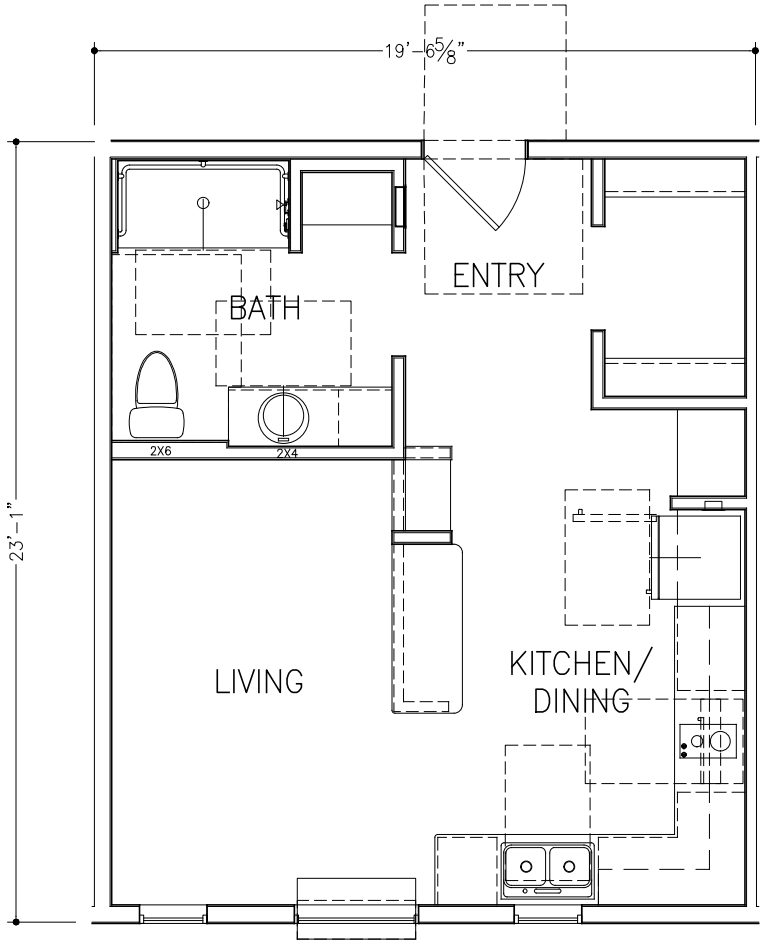
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BUILDING ONE ELEVATIONS

CADY LOFTS

Austin, Texas

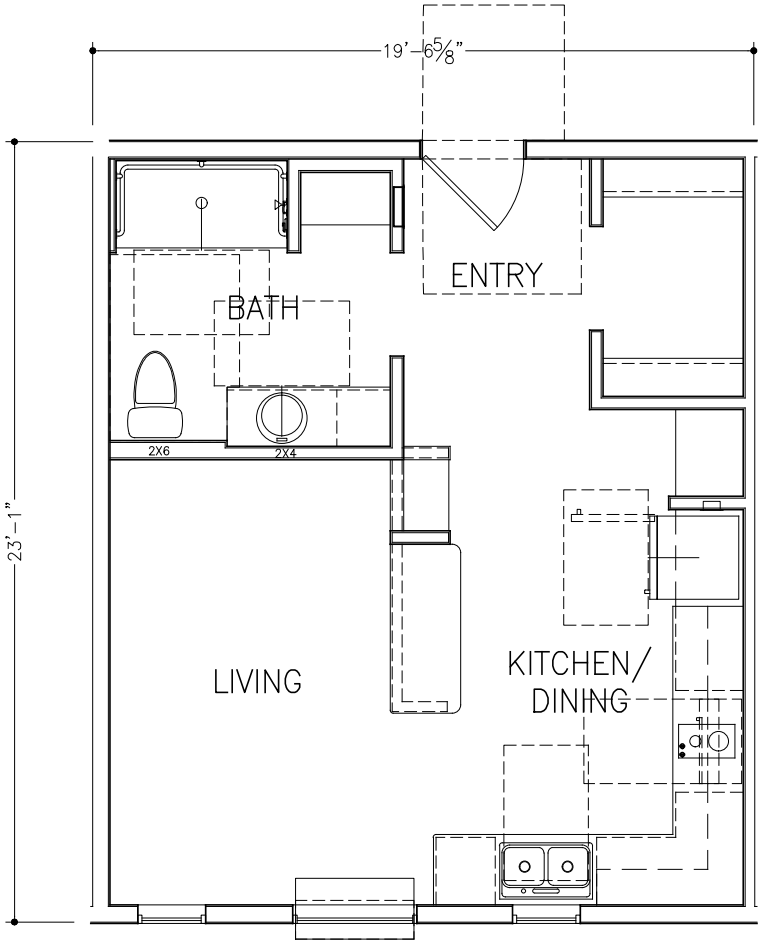
THREE BAR ARCHITECTURE, INC.



NET RENTABLE AREA: 451 SF
MIN. CEILING HEIGHT: 8'

0 4' 8' 12'

UNIT MEETS ALL ACCESSIBILITY
& VISITABILITY REQUIREMENTS



NET RENTABLE AREA: 451 SF
MIN. CEILING HEIGHT: 8'

0 4' 8' 12'

UNIT MEETS ALL ACCESSIBILITY
& VISITABILITY REQUIREMENTS

ZERO BEDROOM / ONE BATHROOM

ZERO BEDROOM / ONE BATHROOM - HC

CADY LOFTS

Austin, Texas

THREE BAR ARCHITECTURE, INC.

SPECIFICATIONS AND BUILDING/UNIT TYPE CONFIGURATION

Unit types should be entered from smallest to largest based on "# of Bedrooms" and "Sq. Ft. Per Unit." "Unit Label" should correspond to the unit label or name used on the unit floor plan. "Building Label" should conform to the building label or name on the building floor plan. The total number of units per unit type and totals for "Total # of Units" and "Total Sq. Ft. for Unit Type" should match the rent schedule and site plan. If additional building types are needed, they are available by un-hiding columns T through AD.

Specifications and Amenities (check all that apply)

Building Configuration (Check all that apply):		Single Family Construction		SRO		Transitional (per §42(i)(3)(B))		Duplex
		Scattered Site		Fourplex	x	> 4 Units Per Building		Townhome
Development will have:	x	Fire Sprinklers	x	Elevators	1	# of Elevators	3500	Wt. Capacity

Number of Parking Spaces(consistent with Architectural Drawings):	Free	Paid		Free		Paid	
			Shed or Flat Roof Carport Spaces		Detached Garage Spaces		Detached Garage Spaces
			Attached Garage Spaces	9	Uncovered Spaces		Uncovered Spaces
			Structured Parking Garage Spaces				

Floor Composition/Wall Height:	100	% Carpet/Vinyl/Resilient Flooring	8'	Ceiling Height
		% Ceramic Tile		Upper Floor(s) Ceiling Height (Townhome Only)
		% Other	*Describe:*	

DO NOT distinguish the HC or AV Units from other Units that are the same size/floor plan.

Unit Type				Building Label	1										Total # of Residential Buildings	
				Number of Stories	4											
				Number of Buildings	1										1	
Unit Label	# of Bed-room	# of Baths	Sq. Ft. Per Unit	Number of Units Per Building											Total # of Units	Total Sq. Ft for Unit Type
0BD/1BA	0	1	451	100											100	45,100
															-	-
															-	-
															-	-

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1292 **Agenda Date:** 1/15/2026 **Agenda #:** 34.

Presentation, discussion, and possible action on an order proposing the amendment of 10 TAC Chapter 10, Uniform Multifamily Rules, Subchapter F Compliance Monitoring, §10.612 Tenant File Requirements; an order proposing new §10.628 Verification of Occupant Legal Status for HOME and NHTF Developments; and directing their publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) provides that an alien who is not a qualified alien is not eligible for federal public benefits, and Department of Justice (DOJ) guidance provides that each federal agency is required to identify which of their programs are considered federal public benefits for this purpose;

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) in its 2025 federal Grant Agreements for the National Housing Trust Fund (NHTF) and HOME Programs has clarified that PRWORA does apply to those programs, and in a subsequent announcement included HOME-ARP in those programs to which this would be applicable;

WHEREAS, under separate rule action the Department has initiated the applicability of PRWORA for Community Affairs, Homelessness and Single Family activities, including HOME, and this action is now to ensure compliance with this guidance for the Department's HOME, HOME-ARP Rental and NHTF multifamily portfolio of properties;

WHEREAS, the rule actions herein are specific only to Developments in the Department's portfolio that have HOME, HOME-ARP Rental or NHTF financing or land use restriction agreements, and no action at this time is being taken relating to the Department's Low Income Housing Tax Credit multifamily portfolio; and

WHEREAS, staff has therefore drafted a revision of two rule sections on this subject, which upon Board approval will be released for public comment and returned to the Board for adoption at a subsequent Board meeting;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the proposed actions herein in the form presented to this meeting, to be published in the *Texas Register* for public comment, and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

Two primary laws directly address noncitizen eligibility for federal housing programs. The first is Section 214 of the Housing and Community Development Act of 1980, as amended. It applies to specified programs; primarily, federal rental assistance programs administered by the Department of Housing and Urban Development (HUD) and the Department of Agriculture (USDA), including the Public Housing, Housing Choice Voucher, Section 8 project-based rental assistance programs, and rural rental assistance. The law makes eligible for assistance certain categories of noncitizens, including most categories of immigrants, while excluding unauthorized immigrants and those in most types of temporary status (e.g., tourists, students, and temporary workers).

The second law is Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193). Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), provides that an alien who is not a qualified alien is not eligible for any federal public benefit. The Department of Justice (DOJ) provided guidance that each federal agency is required to identify which of their programs are considered federal public benefits for this purpose.

The primary method for verification of qualified status is through checking on a series of allowable documentation and/or through a system called SAVE (Systematic Alien Verification for Entitlements), which historically has been a fee-based inter-governmental initiative designed to help federal, state, tribal, and local government agencies confirm citizenship, U.S. national and qualified alien status prior to granting benefits. SAVE access is granted directly to the Department and other governmental entities.

In September HUD provided the Department with its 2025 federal Grant Agreements for the National Housing Trust Fund and HOME Programs which reflect that PRWORA does apply to those programs, among others. The Grant Agreements indicate that verification can occur through either SAVE or an equivalent verification system approved by the federal government. Subsequently in an announcement on November 26, 2025, HUD included HOME-ARP in the programs to which PRWORA would be applicable.

In prior Board action rules were proposed that implement the applicability of PRWORA for the single family HOME activities. This action now implements the applicability of PRWORA for the multifamily HOME, HOME ARP Rental, and NHTF portfolio.

All properties in the Department's portfolio that have HOME, HOME-ARP or NHTF units will now be required to adhere to this rule. The rule will require that all persons signing a lease must have been verified as having legal status - either as a US citizen, US National, or a qualified alien. It should be noted that this requirement will not apply to survivors of domestic violence, sexual assault, stalking, and/or dating violence, more specifically populations protected by the Violence Against Women Act (VAWA) and the Family Violence Prevention and Services Act (FVPSA). This requirement will be applicable for the length of the state and federal affordability period. A property must perform this through verification based on a series of acceptable documents, or if still needed, through the SAVE system. To access the SAVE system properties

will have the following options:

- To have the Department provide the verification, directly or through a third-party contractor, which would require the property to gather and transmit - but not verify - the appropriate client level information and documentation; or
- To have the property participate in using the SAVE system, which is the option that creates the least delay in providing services to the clients (this option is reliant on the Department being able to revise its contract with the Department of Homeland Security); or
- To allow the property to procure a separate party to perform such verification services on their behalf.

There are two sections of the Compliance rule being addressed in this action. The first amends an existing section, and is prefaced by an amendment preamble, and is then provided in blackline form. The second is a newly added section of the rule and is prefaced by a preamble for new rule actions.

These rules will be released for public comment and returned to the Board for final adoption.

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Attachment 1: Preamble, including required analysis, for proposed amendment to 10 TAC Chapter 10, Uniform Multifamily Rules, Subchapter F Compliance Monitoring, §10.612 Tenant File Requirements

The Texas Department of Housing and Community Affairs (the Department) proposes the amendment of 10 TAC Chapter 10, Uniform Multifamily Rules, Subchapter F Compliance Monitoring, §10.612 Tenant File Requirements.

The purpose of the proposed amendment is to update the rule to provide clarity with how adherence to Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) will be implemented for multifamily HOME, HOME-ARP, and National Housing Trust Fund properties in the Department's portfolio as required by the federal direction provided in the 2025 grant agreements issued by the United States Department of Housing and Urban Development (HUD). PRWORA provides that an alien who is not a qualified alien is not eligible for any federal public benefit.

Tex. Gov't Code §2001.0045(b) does not apply to the rule proposed for amendment because it is necessary to receive a source of federal funds or to comply with federal law.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the amendment would be in effect:

1. The amendment does not create or eliminate a government program but relates to changes to an existing activity: the implementation and applicability of Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) in the Department's HOME, HOME-ARP and NHTF properties.

2. The amendment does not require a change in work that creates new employee positions nor eliminates employee positions.

3. The amendment does not require additional future legislative appropriations.

4. The amendment will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The amendment is creating a new regulation because it is necessary to receive a source of federal funds or to comply with federal law.

6. The amendment is considered to expand an existing regulation.

7. The amendment does increase the number of individuals subject to the rule's applicability. Through this rule Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) will be implemented for multifamily HOME, HOME-ARP and National Housing Trust Fund properties in the Department's portfolio as required by the federal direction provided in the 2025 grant agreements issued by the Unites States Department of Housing and Urban Development (HUD). PRWORA provides that an alien who is not a qualified alien is not eligible for any federal public benefit. Therefore, individuals not previously subject to this verification will now require verification of US Citizen, US National, or qualified alien status.

8. The amendment will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the amendment and determined that the amendment will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The amendment does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the amendment as to its possible effects on local economies and has determined that for the first five years the amendment would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the amendment is in effect, the public benefit anticipated as a result of the changed sections would be ensuring compliance with federal guidance and ensuring that federal public benefits are being received by qualified aliens, US Nationals or US citizens. There will not be economic costs to individuals to comply with the amended section.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson has determined that for each year of the first five years the amendment is in effect, enforcing or administering the amendment may have some costs to the Department, to the extent that the Department needs to establish a staff member to assist properties in evaluating individuals for their qualified legal status.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the rule and also requests information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period will be held January 30 to March 3, 2026, to receive input on the proposed action. Comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Brooke Boston at brooke.boston@tdhca.texas.gov. ALL COMMENTS AND INFORMATION MUST BE RECEIVED BY 5:00 p.m., Austin local (Central) time, March 3, 2026.

STATUTORY AUTHORITY. The amendment is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the amendment affects no other code, article, or statute.

10.612 Tenant File Requirements

(a) At the time of program designation as a low income household (or Qualified Population for HOME-ARP), typically at initial occupancy, Owners must create and maintain a file that at a minimum contains:

(1) A Department approved Income Certification form signed by all adults. At the time of program designation as a low income household or Qualified Population, Owners must certify and document household income. In general, all low-income households and Qualified Populations for HOME-ARP must be certified prior to move in. The Department requires the use of the TDHCA Income Certification form, unless the Development also participates in the USDA - Rural Development or a Project Based HUD Program, in which case, the other program's Income Certification form will be accepted;

(2) Documentation to support the Income Certification form including, but not limited to, applications (one per adult or married couple), first hand or third party verification of income and assets, and documentation of student status (if applicable). The application must provide a space for applicants to indicate if they are a veteran. In addition, the application must include the following statement: "Important Information for Former Military Services Members. Women and men who served in any branch of the United States Armed Forces, including Army, Navy, Marines, Coast Guard, Air Force, Reserves or National Guard, may be eligible for additional benefits and services. For more information please visit the Texas Veterans Portal at https://veterans.portal.texas.gov/";

(3) The Department permits Owners to use check stubs or other firsthand documentation of income and assets provided by the applicant or household in lieu of third party verification forms. It is not necessary to first attempt to obtain a third party verification form. Owners should scrutinize these documents to identify and address any obvious attempts at forgery, alteration, or generation of falsified documents; ~~and~~

(4) A lease with all necessary addendums to ensure that compliance with applicable federal regulations and §10.613 of this subchapter (relating to Lease Requirements);

(5) For HOME, HOME-ARP Rental, and NHTF Developments, in accordance with §10.628 (relating to 10.628 Verification of Occupant Legal Status for HOME, HOME-ARP Rental, and NHTF Developments) documentation to support that legal status of all persons signing the lease has been verified; and

(6) For HOME, HOME-ARP Rental, and NHTF Developments, in accordance with §10.628 (relating to 10.628 Verification of Occupant Legal Status for HOME, HOME-ARP Rental, and NHTF Developments) an attestation signed by all parties signing the lease that they are not harboring an illegal immigrant in violation of federal law.

(b) Annually thereafter on the anniversary date of the household's move in or initial designation:

(1) Throughout the Affordability Period, all Owners of Housing Tax Credit, TCAP, and Exchange Developments must collect and maintain current data on each household that includes the number of household members, age, ethnicity, race, disability status, student status, and rental assistance (if any). This information can be collected on the Department's Annual Eligibility Certification form, the Income Certification form, HUD Income Certification form, USDA-Rural Development Income Certification form (as applicable).

(2) During the Compliance Period for all Housing Tax Credit, TCAP, and Exchange Developments and throughout the Affordability Period for all Bond Developments and HOME, TCAP RF, and HOME-ARP Units Owners must collect and maintain current student status data for each low-income household. This information must be collected within 120 days before the anniversary of the effective date of the original Income Certification and can be collected on the Department's Annual Eligibility Certification or the Department's Certification of Student Eligibility form or the Department's Income Certification form. Throughout the Compliance Period for HTC, TCAP, and Exchange developments, low-income households comprised entirely of full-time students must qualify for a HTC program exception, and supporting documentation must be maintained in the household's file. For Bond Developments, if the household is not an eligible student household, it may be possible to re-designate the full-time student household to an Eligible Tenant (ET). For HOME, TCAP RF, and HOME-ARP Units an individual does not qualify as a low income or very low

income family if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR §5.612.

(3) The types of Developments described in subparagraphs (A) - (D) of this paragraph are required to recertify annually the income of each low-income household using a Department approved Income Certification form and documentation to support the Income Certification (see subsection (a)(1) - (2) of this section):

(A) Mixed income Housing Tax Credit, TCAP and Exchange projects (as defined by line 8(b) of IRS Form(s) 8609 and accompanying statements, if any) that have not completed the 15 year Compliance Period.

(B) All Bond Developments with less than 100% of the Units set aside for households with an income less than 50% or 60% of area median income. If subsequent legislation allows for the use of the Average Income minimum set aside for the Bond program, the income threshold will increase to 80% area median income.

(C) THTF Developments with Market Rate Units. However, THTF Developments with other Department administered programs will comply with the requirements of the other program.

(D) HOME, TCAP RF, NHTF, and HOME-ARP Developments. Refer to subsection (c) of this section.

(c) Ongoing tenant file requirements for HOME, TCAP RF, NHTF, and HOME-ARP Developments:

(1) HOME, TCAP RF, NHTF, and HOME-ARP Developments must complete a recertification with verifications of each assisted Unit every sixth year of the Development's Affordability Period. The recertification is due on the anniversary of the household's move-in date. For purposes of this section the beginning of a HOME, TCAP RF, NHTF, HOME-ARP Development Affordability Period is the effective date in the HOME, TCAP RF, NHTF, and HOME-ARP LURA. Example 612(1): A HOME Development with a LURA effective date of May 2020, will have the following years of the affordability period:

(A) Year 1: May 15, 2020 - May 14, 2021;

(B) Year 2: May 15, 2021 - May 14, 2022;

(C) Year 3: May 15, 2022 - May 14, 2023;

(D) Year 4: May 15, 2023 - May 14, 2024;

(E) Year 5: May 15, 2024 - May 14, 2025;

(F) Year 6: May 15, 2025 - May 14, 2026;

(G) Year 7: May 15, 2026 - May 14, 2027;

(H) Year 8: May 15, 2027 - May 14, 2028;

(I) Year 9: May 15, 2028 - May 14, 2029;

(J) Year 10: May 15, 2029 - May 14, 2030;

(K) Year 11: May 15, 2030 - May 14, 2031; and

(L) Year 12: May 15, 2031 - May 14, 2032.

(2) In the scenario described in paragraph (1) of this subsection, all households in HOME, TCAP RF, NHTF, and HOME-ARP Units must be recertified with source documentation during the sixth and twelfth years or between May 15, 2025, to May 14, 2026, and between May 15, 2031, and May 14, 2032.

(3) In the intervening years the Development must collect a self-certification within 120 days before the anniversary of the effective date of the original Income Certification from each household that is assisted with HOME, TCAP RF, NHTF, and HOME-ARP funds. The Development must use the Department's Income Certification form, unless the property also participates in the Rural Development or a project Based HUD program, in which case, the other program's Income Certification form will be accepted. If the household reports on their self-certification that their annual income exceeds the current 80% applicable income limit or there is evidence that the household's written statement failed to completely and accurately provide information about the household's characteristics and/or income, then an annual income recertification with verifications is required.

(d) Tenant File requirements for HOME-ARP Qualified Populations Units. Files for households assisted under the HOME-ARP program as Qualified Population must document evidence that the households meet the definition of:

(1) Homeless as defined in 24 CFR §91.5;

(2) At-risk of homelessness as defined in 24 CFR §91.5;

(3) Fleeing, or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking, as defined in CPD Notice 21-10;

(4) Other Families Requiring Services or Housing Assistance to Prevent Homelessness, which are households who have previously been qualified as homeless, are currently housed due to temporary, or emergency assistance, including financial assistance, services, temporary rental assistance or some type of other assistance to allow the household to be housed, and who need additional housing assistance or supportive services to avoid a return to homelessness;

(5) At Greatest Risk of Housing Instability as cost burdened, which are households who have an annual income that is less than or equal to 30% of the area median income, as determined by HUD and is experiencing severe cost burden (i.e. is paying more than 50% of monthly household income toward housing costs.); or

(6) At Greatest Risk of Housing Instability, which meets the definition of at-risk of homelessness as defined in 24 CFR §91.5, but with an income up to 50% AMI.

Attachment 2: Preamble, including required analysis, for proposed new 10 TAC Chapter 10, Uniform Multifamily Rules, Subchapter F Compliance Monitoring, §10.628 Verification of Occupant Legal Status for HOME and NHTF Developments

The Texas Department of Housing and Community Affairs (the Department) proposes new 10 TAC Chapter 10, Uniform Multifamily Rules, Subchapter F Compliance Monitoring, §10.628 Verification of Occupant Legal Status for HOME, HOME-ARP Rental and NHTF Developments. The purpose of the proposed rule is to is to update the rule to provide clarity with how adherence to Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) will be implemented for multifamily HOME, HOME-ARP Rental and National Housing Trust Fund properties in the Department's portfolio as required by the federal direction provided in the 2025 grant agreements issued by the Unites States Department of Housing and Urban Development (HUD). PRWORA provides that an alien who is not a qualified alien is not eligible for any federal public benefit.

Tex. Gov't Code §2001.0045(b) does not apply to the rule proposed for amendment because it is necessary to receive a source of federal funds or to comply with federal law.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the new section would be in effect:

1. The rule does not create or eliminate a government program but relates to changes to an existing activity: the implementation and applicability of Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) in the Department's HOME, HOME-ARP Rental and NHTF properties.

2. The rule may require a change in work that could require the creation of approximately 1-2 new employee positions to perform the tenant verifications, however there are sufficient federal administrative funds to support this activity.

3. The new section does not require additional future legislative appropriations.

4. The new section will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.

5. The new section is creating a new regulation because it is necessary to receive a source of federal funds or to comply with federal law.

6. The new section is considered to expand on an existing regulation.

7. The new section does increase the number of individuals subject to the rule's applicability. Through this rule Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) will be implemented for multifamily HOME, HOME-ARP Rental and National Housing Trust Fund properties in the Department's portfolio as required by the federal direction provided in the 2025 grant agreements issued by the Unites States Department of Housing and Urban Development (HUD). PRWORA provides that an alien who is not a qualified alien is not eligible for any federal public benefit. Therefore, individuals not previously subject to this verification will now require verification of US Citizen, US National, or qualified alien status.

8. The new section will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the new section and determined that it will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The new section does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the new section as to its possible effects on local economies and has determined that for the first five years the new section would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section would be ensuring compliance with federal guidance and ensuring that federal public benefits are being received by qualified aliens, US Nationals, or US citizens.

f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new section is in effect, enforcing or administering the sections may may have some costs to the Department, to the extent that the Department needs to establish a staff member to assist properties in evaluating individuals for their qualified legal status.

REQUEST FOR PUBLIC COMMENT AND INFORMATION RELATED TO COST, BENEFIT OR EFFECT. The Department requests comments on the rule and also requests information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period will be held January 30 to March 3, 2026, to receive input on the proposed action. Comments may be submitted to the Texas Department of Housing and Community Affairs, Attn: Brooke Boston at brooke.boston@tdhca.texas.gov. ALL COMMENTS AND INFORMATION MUST BE RECEIVED BY 5:00 p.m., Austin local (Central) time, March 3, 2026.

STATUTORY AUTHORITY. The new section is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the new section affects no other code, article, or statute.

10.628 Verification of Occupant Legal Status for HOME, HOME ARP Rental, and NHTF Developments (ALL NEW)

(a) Purpose. The purpose of this section is to provide uniform Department guidance on the applicability and implementation of Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which provides that an alien who is not a Qualified Alien is not eligible for any federal or state public benefit.

(b) Applicability. This rule applies to existing and future National Housing Trust Fund, HOME-ARP Rental and HOME Developments for their state and federal affordability periods. For Developments with floating HOME, HOME-ARP Rental and NHTF Units, all prospective tenants intended to be on any Unit's lease must be verified as required by this section. For Developments with fixed HOME, HOME-ARP Rental and NHTF Units only prospective tenants intended to be on the lease for the fixed Units must be verified as required by this section. Populations that are documented by the Development as covered by the Violence Against Women Act (VAWA) or the Family Violence Prevention and Services Act (FVPSA) are excepted from having verification under this rule performed, unless required to do so under federal guidance.

(c) Definitions. The words and terms in this chapter shall have the meanings described in this subsection unless the context clearly indicates otherwise. Capitalized words used herein have the meaning assigned in the specific Chapters and Rules of this Title that govern the program under which program eligibility is seeking to be determined or assigned by federal or state law.

(1) Qualified Alien--A person that is not a U.S. Citizen or a U.S. National and is described at 8 U.S.C. §1641(b) or (c).

(2) State--The State of Texas or the Department, as indicated by context.

(3) Systematic Alien Verification for Entitlements (SAVE)--Automated intergovernmental database that allows authorized users to verify the immigration status of program applicants.

(d) Owners must verify U.S. Citizen, U.S. National, or Qualified Alien status ("legal status") using the methods provided for in subsection (f) of this section for all residents that will be signing the lease.

(e) Implementation Timing. All HOME, HOME ARP Rental, and NHTF Developments must confirm legal status at initial lease-up of a Unit and at the time of the first Unit recertification or lease renewal that occurs after the effective date of this rule. Verification does not need to be confirmed thereafter for a household if no changes to the household members having signed the lease have changed; any new signatories to the lease at the time of subsequent Unit recertification or lease renewal must be confirmed for legal status. To the extent that the household no longer qualifies to reside in the Unit notification requirements as provided for in §10.613, must be met.

(f) Verification Process Under PRWORA.

(1) Owners must verify legal status through the use of several established documents as described more fully in guidance provided by the Department. If unable to verify legal status of each person signing the lease with those documents the Owner must utilize the SAVE system as described in this subsection. Verification of a Household member under Section 214 of the Housing and Community Development Act of 1980, as amended, will satisfy verification for purposes of this section.

(2) If unable to verify legal status of each person signing the lease with those documents, Owners authorized to utilize the SAVE system are required to ensure compliance with the verification requirement as provided for in subparagraph (A). If an Owner is not authorized to utilize the SAVE system, Owners must select an option under subparagraph (B) or (C) of this paragraph. Records must be maintained as required by subparagraph (D) of this paragraph.

(A) The Owner electing to perform the verifications through the SAVE system, if authorization is permitted by USCIS; OR

(B) Owner requesting from the household and transmitting to the Department, or a party contracted by the Department, sufficient information or documentation so that the Department or its vendor can perform such verification and provide a determination to the Owner; OR

(C) Owner electing to procure an eligible qualified organization or service to perform such verifications on its behalf, subject to Department approval.

(D) In the administration of subparagraph (B) of this paragraph, the Owner must provide and maintain a sufficient method of electronic transmittal system that allows for such information to be provided to the Department or its vendor, and ensures the secure safekeeping of such paper and/or electronic files, and receipt of subsequent response back from the Department or its contracted party. In the administration of subparagraphs (B) or (C) of this paragraph, the Owner or its procured provider must maintain sufficient evidence and documentation that verification has taken place so that such verification can be confirmed by the Department.

(E) Notification of Election of method under subsection (f)(2)(B) or (C) of this section by Owners must be provided to the Department as specified in this subparagraph.

(i) For existing Developments no later than 60 days after the effective date of this rule, an Owner shall submit their election under subsection (f)(3)(B) or (C) of this section in writing to the Compliance division.

(ii) For newly constructed/reconstructed Developments, an Owner must make their election under subsection (f)(3)(B) or (C) of this section in its Application, or if there is no Application prior to the issuance of certificates of occupancy.

(iii) For an incoming Owner, an election must be made as part of the Ownership Transfer Notification, as part of 10 TAC §10.406.

(iv) Once an election is made under this subsection it does not need to be resubmitted or reelected, but will continue from the election made in the prior year unless the Owner notifies the Department otherwise in writing at least one month prior to the implementation of the change at the Development.

(g) The Department may further describe an Owner's responsibilities under PRWORA, including but not limited to use of the SAVE system, in its Contract or in further guidance. Nothing in this rule shall be construed to be a waiver, ratification, or acceptance of noncompliant administration of a program prior to the rule becoming effective.

(h) Regardless of method of verification, the results of the verification performed or received by the Owner must be utilized by the Owner in determining household eligibility.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1258 **Agenda Date:** 1/15/2026 **Agenda #:** 35.

Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 12, concerning the Multifamily Housing Revenue Bond Rules, and an order adopting new 10 TAC Chapter 12 concerning the Multifamily Housing Revenue Bond Rules, and directing the publication in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, the Texas Department of Housing and Community Affairs (the Department) is authorized to issue multifamily housing revenue bonds for the State of Texas;

WHEREAS, the Department developed the Multifamily Housing Revenue Bond Rules to establish the procedures and requirements relating to the issuance of bonds;

WHEREAS, the proposed repeal and new 10 TAC Chapter 12 were published in the October 24, 2025, issue of the *Texas Register* for public comment; and

WHEREAS, the public comment period ended November 21, 2025, and comments were received from two commenters relating to this rule;

NOW, therefore, it is hereby

RESOLVED, that the final order adopting the repeal and new 10 TAC Chapter 12 regarding the Multifamily Housing Revenue Bond Rules, together with the preamble presented to this meeting, are approved for publication in the *Texas Register,* and

FURTHER RESOLVED that the Executive Director and his designees be and each of them are hereby authorized, empowered, and directed for and on behalf of the Department, to cause the amendments to the Multifamily Housing Revenue Bond Rules, together with the preamble in the form presented to this meeting, to be published in the *Texas Register* and in connection therewith, make non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

The Board approved the proposed changes to Chapter 12 regarding the 2025 Multifamily Housing Revenue Bond Rules (the Bond Rules) at the Board meeting of October 9, 2025, to be published in the *Texas Register* for public comment. The Department received comment from two commenters relating to the Bond Rules. Staff is recommending the Bond Rules be adopted with clarifying changes as reflected herein based on those comments.

Attachment 1: Preamble, including required analysis, for repeal of 10 TAC Chapter 12, Multifamily Housing Revenue Bond Rules

The Texas Department of Housing and Community Affairs (the Department) adopts the repeal of 10 TAC Chapter 12, Multifamily Housing Revenue Bond Rules (the Bond Rules). The purpose of the repeal is to eliminate an outdated rule while adopting a new updated rule under separate action.

The Department has analyzed this proposed rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX GOV'T CODE §2001.0221.

1. Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the repeal would be in effect, the repeal does not create or eliminate a government program, but relates to the repeal, and simultaneous readoption making changes to an existing activity, the issuance of Private Activity Bonds (PAB).

2. The repeal does not require a change in work that would require the creation of new employee positions, nor is the repeal significant enough to reduce workload to a degree that any existing employee positions are eliminated.

3. The repeal does not require additional future legislative appropriations.

4. The repeal does not result in an increase in fees paid to the Department or a decrease in fees paid to the Department.

5. The repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.

6. The action will repeal an existing regulation but is associated with a simultaneous readoption making changes to an existing activity, the issuance of PABs.

7. The repeal will not increase or decrease the number of individuals subject to the rule's applicability.

8. The repeal will not negatively or positively affect this state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX GOV'T CODE §2006.002.

The Department has evaluated this repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX GOV'T CODE §2007.043.

The repeal does not contemplate nor authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX GOV'T CODE §2001.024(a)(6).

The Department has evaluated the repeal as to its possible effects on local economies and has determined that for the first five years the repeal would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX GOV'T CODE §2001.024(a)(5).

Mr. Wilkinson has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the repealed section would be an updated and more germane rule for administering the issuance of PAB. There will not be economic costs to individuals required to comply with the repealed section.

f. FISCAL NOTE REQUIRED BY TEX GOV'T CODE §2001.024(a)(4).

Mr. Wilkinson also has determined that for each year of the first five years the repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

SUMMARY OF PUBLIC COMMENTS AND STAFF REASONED RESPONSE. The Department accepted public comment between October 24, 2025, and November 21, 2025, with no comments on the repeal itself received.

The Board adopted the final order adopting the repeal on January 15, 2026.

STATUTORY AUTHORITY. The repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the repealed sections affect no other code, article, or statute.

10 TAC Chapter 12, Multifamily Housing Revenue Bond Rules

§12.1. General.

§12.2. Definitions.

§12.3. Bond Rating and Investment Letter.

§12.4. Pre-Application Process and Evaluation.

§12.5. Pre-Application Threshold Requirements.

§12.6. Pre-Application Scoring Criteria.

§12.7. Full Application Process.

§12.8. Refunding Application Process

§12.9. Occupancy Requirements.

§12.10. Fees.

Attachment 2: Preamble, including required analysis, for adopting new 10 TAC Chapter 12, Multifamily Housing Revenue Bond Rules

The Texas Department of Housing and Community Affairs (the Department) adopts, with clarifying changes from the published draft, new 10 TAC Chapter 12, Multifamily Housing Revenue Bond Rules (Bond Rules). The purpose of the new section is to provide compliance with Tex. Gov't Code §2306.359, to make minor administrative revisions, and to ensure that it is reflective of changes made in the Department's Qualified Allocation Plan where applicable.

Tex. Gov't Code §2001.0045(b) does not apply to the action on this rule pursuant to item (9), which excepts rule changes necessary to implement legislation. The rule provides compliance with Tex. Gov't Code §2306.359, which requires the Department to provide for specific scoring criteria and underwriting considerations for multifamily private activity bond activities.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson, Executive Director, has determined that, for the first five years the new rule will be in effect:

1. The rule does not create or eliminate a government program, but relates to the readoption of this rule which makes changes to an existing activity, the issuance of Private Activity Bonds ("PAB").

2. The rule does not require a change in work that would require the creation of new employee positions, nor are the rule changes significant enough to reduce workload to a degree that eliminates any existing employee positions.

3. The rule does not require additional future legislative appropriations.

4. The rule changes will not result in an increase in fees paid to the Department, but may, under certain circumstances, result in a decrease in fees paid to the Department regarding Tax-Exempt Bond Developments.

5. The rule is not creating a new regulation, except that it is replacing a rule being repealed simultaneously to provide for revisions.

6. The rule will not limit, expand or repeal an existing regulation but merely revises a rule.

7. The rule does not increase or decrease the number of individuals subject to the rule's applicability.

8. The rule will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX GOV'T CODE §2006.002. The Department, in drafting this rule, has attempted to reduce any adverse economic effect on small or micro-business or rural communities while remaining consistent with the statutory requirements of Tex. Gov't Code, §2306.359. Although these rules mostly pertain to the filing of a bond pre-application, some stakeholders have reported that their average cost of filing a full Application is between $50,000 and $60,000; which may vary depending on the specific type of Application, location of the Development Site, and other non-state of Texas funding sources utilized. The proposed rules do not, on average result in an increased cost of filing an application as compared to the existing program rules.

1. The Department has evaluated this rule and determined that none of the adverse effect strategies outlined in Tex. Gov't Code §2006.002(b) are applicable.

2. This rule relates to the procedures in place for entities applying for multifamily PAB. Only those small or micro-businesses that participate in this program are subject to this rule. There are

approximately 100 to 150 businesses, which could possibly be considered small or micro-businesses, subject to the rule for which the economic impact of the rule would be a flat fee of $11,000 which includes the filing fees associated with submitting a bond pre-application.

The Department bases this estimate on the potential number of Applicants and their related parties who may submit applications to TDHCA for PAB (and accompanying housing tax credits). There could be additional costs associated with pre-applications depending on whether the small or micro-businesses outsource how the application materials are compiled. The fee for submitting an Application for PAB layered with LIHTC is based on $30 per unit, and all Applicants are required to propose constructing, at a minimum, 16 Units.

These Application Fee costs are not inclusive of external costs required by the basic business necessities underlying any real estate transaction, from placing earnest money on land, conducting an Environmental Site Assessment, conducting a market study, potentially retaining counsel, hiring an architect and an engineer to construct basic site designs and elevations, and paying any other related, third-party fees for securing the necessary financing to construct multifamily housing. Nor does this estimate include fees from the Department for Applications that successfully attain an award.

There are approximately 1,300 rural communities potentially subject to the new rule for which the economic impact of the rule is projected to be $0. 10 TAC Chapter 12 places no financial burdens on rural communities, as the costs associated with submitting an Application are born entirely by private parties. In an average year the volume of applications for PAB that are located in rural areas is not more than 20% of all PAB applications received. In those cases, a rural community securing a PAB Development will experience an economic benefit, not least among which is the potential increased property tax revenue from a large multifamily Development.

3. The Department has determined that because there are rural PAB awardees, this program helps promote construction activities and long term tax base in rural areas of Texas. Aside from the fees and costs associated with submitting an Application, there is a probable positive economic effect on small or micro-businesses or rural communities that receive PAB awards and successfully use those awards to construct multifamily housing, although the specific impact is not able to be quantified in advance.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX GOV'T CODE §2007.043. The rule does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX GOV'T CODE §2001.024(a)(6).

The Department has evaluated the rule as to its possible effects on local economies and has determined that for the first five years the rule will be in effect the rule may provide a possible positive economic effect on local employment in association with this rule since PAB Developments, layered with housing tax credits, often involve a total input of, typically at a minimum, $5 million in capital, but often an input of $10 million - $30 million. Such a capital investment has concrete direct, indirect, and induced effects on the local and regional economies and local employment. However, because the exact location of where program funds or developments are directed is not determined in rule, and is driven by real estate demand, there is no way to determine during rulemaking where the positive effects may occur. Furthermore, while the Department knows that any and all impacts are positive, that impact is not able to be quantified for any given community until PABs and LIHTCs are actually awarded to a proposed Development, given the unique characteristics of each proposed multifamily Development.

Texas Gov't Code §2001.022(a) states that this "impact statement must describe in detail the probable effect of the rule on employment in each geographic region affected by this rule…" Considering that significant construction activity is associated with any PAB Development layered with LIHTC and each

apartment community significantly increases the property value of the land being developed, there are no probable negative effects of the rule on particular geographic regions. If anything, positive effects will ensue in those communities where developers receive PAB awards.

e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX GOV'T CODE §2001.024(a)(5). Mr. Wilkinson, has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section will be an updated and more germane rule for administering the issuance of PABs and corresponding allocation of housing tax credits. There is no change to the economic cost to any individuals required to comply with the new section because the same processes described by the rule have already been in place through the rule found at this section being repealed. The average cost of filing a pre-application and application remain unchanged based on these rule changes. The rules do not, on average, result in an increased cost of filing an application as compared to the existing program rules.

f. FISCAL NOTE REQUIRED BY TEX GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new section is in effect, enforcing or administering the new section does not have any foreseeable implications related to costs or revenues of the state or local governments because the same processes described by the rule have already been in place through the rule found at this section being repealed.

SUMMARY OF PUBLIC COMMENTS AND STAFF REASONED RESPONSE. The Department accepted public comments between October 24, 2025, and November 21, 2025. Comments from two commenters were received.

The Board adopted the final order adopting the new rule on January 15, 2026. The rule has been reviewed by legal counsel and found to be a valid exercise of the Department's legal authority.

STATUTORY AUTHORITY. The new sections are proposed pursuant to Texas Government Code, §2306.053, which authorizes the Department to adopt rules. Except as described herein the proposed new sections affect no other code, article, or statute.

SUMMARY OF PUBLIC COMMENT AND STAFF RECOMMENDATIONS

Public comments were accepted between October 24, 2025, and November 21, 2025, with comments received from: (1) Texas Housers and (2) Disability Rights Texas.

§12.6(6) and §12.6(7) – Pre-Application Scoring Criteria – Common Amenities and Resident Supportive Services (Commenter 1)

COMMENT SUMMARY:

Commenter (1) recommends removing language from §12.6(6) relating to Common Amenities, and §12.6(7), relating to Resident Supportive Services, which allows Development Owners to change the amenities and services offered at a property as long as the total number of points remains unchanged. The commenter believes that allowing changes to these items increases the difficulty for tenants to make an informed decision as to which property offers the amenities and services desired. Commenter (1) notes that 10 TAC §11.101(b)(5) of the QAP does not include language that allows Common Amenities to be changed and that §12.6(6) of the Multifamily Bond Rules does not mirror the QAP. Commenter (1) expressed strong opposition to the language in 10 TAC §11.101(b)(7) of the QAP and §12.6(7) of the Multifamily Bond Rules, as both allow changes to be made to Resident Supportive Services.

STAFF RESPONSE:

In response to commenter (1) and in light of the fact that the Bond Regulatory Agreement includes the complete list of common amenities that an owner can select from to meet the minimum point requirement, staff recommends removing the following sentence under §12.6(6). Moreover, in making the change the requirement will be consistent with the Qualified Allocation Plan.

> "The common amenities include those listed in §11.101(b)(5) of this title and must meet the requirements as stated therein. ~~The Owner may change, from time to time, the amenities offered; however, the overall points as selected at Application must remain the same."~~

As it relates to similar requested changes to the resident supportive services by commenter (1), staff notes that tenant profiles change over time and the type of services offered initially may or may not be useful to tenants in the future. The Department's Bond Regulatory Agreement (and Housing Tax Credit Land Use Restriction Agreement) includes a list of all the possible Resident Supportive Services for this reason. Staff recommends the commenter bring up this topic during the comment period for 10 TAC Chapter 10, the Compliance Monitoring Rule, and roundtable discussions regarding the development of the 2027 Qualified Allocation Plan.

§12.6(8) – Pre-Application Scoring Criteria – Underserved Area (Commenter 1)

COMMENT SUMMARY:

Commenter (1) recommends that the language pertaining to the Underserved Area scoring item be changed to reflect the current QAP.

STAFF RESPONSE:

In response to the commenter, the Multifamily Bond Rules do not recite the exact options for this point item, but instead refer to 10 TAC §11.9(c)(6) of the QAP for the scoring criteria. There are two options included in the QAP that are excluded in the Multifamily Bond Rules because the options reference the At-Risk Set-Aside and/or subregions, which are specific to the Competitive HTC program. Moreover, the Multifamily Bond Rules clarify that regardless of the varying point options listed in the QAP, the number of points attributed to this point item shall be four points.

Staff believes there is an additional option under 10 TAC §11.9(c)(6) that could be applicable, and therefore added to the Underserved Area scoring criteria. Specifically, option (H) under 11.9(c)(6) of the QAP allows the election of points for Underserved Area if the Development Site is located entirely within a Census tract with a median household income in the highest quartile among Census tracts within the uniform service region, according to the Site Demographics Characteristics Report.

Staff recommends adding the following to §12.6(8) of the Multifamily Bond Rules, "An Application may qualify to receive up to four (4) points if the Development Site meets the criteria described in §11.9(c)(6)(A)-(E), or (H) of this title."

§12.11(g) – Qualified 501(c)(3) Bonds – Accessibility Requirements (Commenters 1 and 2)

COMMENT SUMMARY:

Commenters (1) and (2) strongly oppose the exemption from visitability requirements and 10 TAC §11.101(b)(8)(D) of the QAP, relating to Development Accessibility Requirements, for rehabilitation applications requesting Qualified 501(c)(3) Bonds. Specifically, the commenters oppose the exemption from visitability and Section 504 of the Rehabilitation Act of 1973, which requires that developments provide 5% of the units to be mobility accessible and 2% of the units to be audio/visual accessible. Commenter (1) understands that federal requirements differ for developments funded with bonds

exclusively, however, the commenter believes that the Department should promote accessibility and visitability requirements, regardless of the funding source. Commenter (2) is alarmed that the proposed language will exclude too many persons that are part of the aging and/or the low-income populations in Texas.

STAFF RESPONSE:

In response to the commenters, staff has accepted the suggestion that the accessibility requirements in the QAP apply to New Construction, Reconstruction, and Adaptive Reuse. Furthermore, the Department has clarified that Rehabilitation Development only is exempt from the construction requirements in 24 CFR §8.23, if the Development does not already have to follow Section 504 of the Rehabilitation Act of 1973.

2026 Multifamily Housing Revenue Bond Rules

§12.1. General.

(a) Authority. The rules in this chapter apply to the issuance of multifamily housing revenue bonds, notes, or other evidences of indebtedness (Bonds) by the Texas Department of Housing and Community Affairs (Department). The Department is authorized to issue Bonds, including Qualified 501(c)(3) Bonds and Taxable Bonds, pursuant to Tex. Gov't Code, Chapter 2306. Notwithstanding anything in this chapter to the contrary, Bonds which are issued to finance the Development of multifamily rental housing are subject to the applicable requirements of the laws of the State of Texas, including but not limited to Tex. Gov't Code, Chapters 1372 and 2306, and federal law pursuant to the requirements of Internal Revenue Code (Code), §§141 through 150, as applicable.

(b) General. The purpose of this chapter is to state the Department's requirements for issuing Bonds, the procedures for applying for Bonds and the regulatory and land use restrictions imposed upon Bond financed Developments. The provisions contained in this chapter are separate from the rules relating to the Department's administration of the Housing Tax Credit program. Applicants seeking a Housing Tax Credit Allocation should consult Chapter 11 of this title (relating to the Housing Tax Credit Program Qualified Allocation Plan) for the current program year. In general, the Applicant will be required to satisfy the eligibility and threshold requirements of the Qualified Allocation Plan (QAP) in effect at the time the Certificate of Reservation is issued by the Texas Bond Review Board (TBRB). If the applicable QAP contradicts rules set forth in this chapter, the applicable QAP will take precedence over the rules in this chapter except in an instance of a conflicting statutory requirement, which shall always take precedence. To the extent applicable to each specific Bond issuance, the Department's conduit multifamily Bond transactions will be processed in accordance with 34 TAC Part 9, Chapter 181, Subchapter A (relating to Bond Review Board Rules) and Tex. Gov't Code, Chapter 1372.

(c) Costs of Issuance. The Applicant shall be responsible for payment of all costs related to the preparation and submission of the pre-application and Application, including but not limited to, costs associated with the publication and posting of required public notices and all costs and expenses associated with the issuance of the Bonds, regardless of whether the Application is ultimately approved or whether Bonds are ultimately issued. At any point during the process, the Applicant is solely responsible for determining whether to proceed with the Application and the Department disclaims any and all responsibility and liability in this regard.

(d) Waivers and Appeals. Requests for any permitted waivers of program rules must be made in accordance with §11.207 of this title (relating to Waiver of Rules). The process for appeals and grounds for appeals may be found under §1.7 of this title (relating to Appeals Process).

§12.2. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise. Any capitalized terms not specifically mentioned in this section shall have the meaning as defined in Tex. Gov't Code, Chapter 2306, §§141 through 150 of the Code, Chapter 10 of this title (relating to Uniform Multifamily Rules), and Chapter 11 of this title (relating to Housing Tax Credit Program Qualified Allocation Plan).

(1) Bond Trustee--A financial institution, usually a trust company or the trust department in a commercial bank, that holds collateral for the benefit of the holders of municipal securities. The Bond Trustee's obligations and responsibilities are set forth in the Indenture.

(2) Institutional Buyer--Shall have the meaning prescribed under 17 CFR §230.501(a), but excluding any natural person or any director or executive officer of the Department (17 CFR §230.501(a)(4) - (6)), or as defined by 17 CFR §230.144(a), promulgated under the Securities Act of 1933, as amended.

(3) Persons with Special Needs--Shall have the meaning prescribed under Tex. Gov't Code §2306.511.

(4) Qualified 501(c)(3) Bonds--Any Bonds described by Section 145 of the Code to provide residential rental property.

§12.3. Bond Rating and Investment Letter.

(a) Bond Ratings. All publicly offered Bonds issued by the Department to finance Developments shall have a debt rating the equivalent of at least an "A" rating assigned to long-term obligations by Standard & Poor's Ratings Services, or Moody's Investors Service, Inc. If such rating is based upon credit enhancement provided by an institution other than the Applicant or Development Owner, the form and substance of such credit enhancement shall be subject to approval by the Department's Board (Board), evidenced by a resolution authorizing the issuance of the credit enhanced Bonds.

(b) Investment Letters. Bonds rated less than "A" or Bonds which are unrated must be placed with one or more Institutional Buyers and must be accompanied by an investor letter acceptable to the Department. Subsequent purchasers of such Bonds must also be qualified as Institutional Buyers and must execute and deliver to the Department an investor letter in a form satisfactory to the Department. Bonds rated less than "A" and Bonds which are unrated shall be issued in physical form, in minimum denominations of one hundred thousand dollars ($100,000), and must carry a legend requiring any purchasers of the Bonds to be Institutional Buyers and sign and deliver to the Department an investor letter in a form acceptable to the Department.

§12.4. Pre-Application Process and Evaluation.

(a) Pre-Inducement Questionnaire. Prior to the filing of a pre-application, including an application for Qualified 501(c)(3) Bonds, the Applicant shall submit the Pre-Inducement Questionnaire, in the form prescribed by the Department, so the Department can have a preliminary understanding of the proposed Development plan before a pre-application and corresponding fees are submitted. After reviewing the pre-inducement questionnaire, Department staff will follow-up with the Applicant to discuss the next steps in the process and may schedule a pre-inducement conference call. Prior to the submission of a pre-application, it is essential that the Department and Applicant communicate regarding the Department's objectives and policies in the development of affordable housing throughout the State using Bond financing. The acceptance of the questionnaire by the Department does not constitute a pre-application or Application and does not bind the Department to any formal action regarding an inducement resolution.

(b) Neighborhood Risk Factors. If the Development Site has any of the characteristics described in §11.101(a)(3)(D) of this title (relating to Neighborhood Risk Factors), the Applicant must disclose the presence of such characteristics to the Department. Disclosure may be done at time of pre-application and handled in connection with the inducement or it can be addressed at the time of Application submission. The Applicant understands that any determination made by staff or the Board at the time of bond inducement regarding Site eligibility based on the documentation presented, is preliminary in nature. Should additional information related to any of the Neighborhood Risk Factors become available while the Tax-Exempt Bond Development Application is under review, or the information by which the original determination was made changes in a way that could affect eligibility, then such information will be re-evaluated and presented to the Board.

(c) Pre-Application Process. An Applicant who intends to pursue Bond financing from the Department, including Qualified 501(c)(3) Bonds, shall submit a pre-application by the corresponding pre-application submission deadline, as set forth by the Department. The required pre-application fee as described in §12.10 of this chapter (relating to Fees) or §12.11 of this chapter (relating to Qualified 501(c)(3) Bonds), as applicable, must be submitted with the pre-application in order for the pre-application to be considered accepted by the Department. Department review at the time of the pre-application is limited and not all issues of eligibility, fulfillment of threshold requirements in connection with the full Application, and documentation submission requirements pursuant to Chapter 11 of this title (relating to Housing Tax Credit Program Qualified Allocation Plan) are reviewed. The Department is not responsible for notifying an Applicant of potential areas of ineligibility or other deficiencies at the time of pre-application. If the Development meets the criteria as described in §12.5 of this chapter (relating to Pre-Application Threshold Requirements), the pre-application will be scored and ranked according to the applicable selection criteria as described in §12.6 of this chapter (relating to Pre-Application Scoring Criteria), recognizing that pre-applications for Qualified 501(c)(3) Bond financing will be scored and ranked separately from bond pre-applications associated with Housing Tax Credits. The selection criteria, as further described in §12.6 of this chapter, reflects a structure that gives priority consideration to specific criteria as outlined in Tex. Gov't Code, §2306.359, as well as other important criteria. To the extent applicable, should two or more pre-applications receive the same score, the Department will utilize the tie breaker factors in this paragraph, which will be considered in the order they are

presented herein, to determine which pre-application will receive preference in consideration of a Certificate of Reservation:

(1) To the pre-application that was on the waiting list with the TBRB but did not have an active Certificate of Reservation at the time of the TBRB lottery and achieved the maximum number of points under §12.6(12) of this chapter; and

(2) To the pre-application with the highest number of positive points achieved under §12.6(9) of this chapter.

(d) Inducement Resolution. After the pre-applications have been scored and ranked, the pre-application will be presented to the Board for consideration of an inducement resolution declaring the Department's initial intent to issue Bonds with respect to the Development. Approval of the inducement resolution does not guarantee final Board approval of the Bond Application. Department staff may recommend that the Board not approve an inducement resolution for a pre-application. Notwithstanding the foregoing, Department staff may, but is not required to, recommend that an inducement resolution be approved despite the presence of neighborhood risk factors, undesirable site features, or requirements that may necessitate a waiver, that have not fully been evaluated by staff at pre-application. The Applicant recognizes the risk involved in moving forward should this be the case and the Department assumes no responsibility or liability in that regard. Each Development is unique, and therefore, making the final determination to issue Bonds is often dependent on the issues presented at the time the full Application is considered by the Board.

§12.5. Pre-Application Threshold Requirements.

The threshold requirements of a pre-application include the criteria listed in paragraphs (1) - (7) of this section. As the Department reviews the pre-application the assumptions as reflected in Chapter 11, Subchapter D of this title (relating to Underwriting and Loan Policy) will be utilized, as applicable, even if not reflected by the Applicant in the pre-application. The threshold requirements of a pre-application include:

(1) Submission of the Multifamily Bond Pre-application as prescribed by the Department in the Multifamily Bond Pre-Application Procedures Manual;

(2) Completed Bond Review Board Residential Rental Attachment for the current program year; provided this paragraph shall not be required for Qualified 501(c)(3) Bonds;

(3) Site Control, evidenced by the documentation required under §11.204(10) of this title (relating to Required Documentation for Application Submission). The Site Control must be valid through the date of both the Board meeting at which the inducement resolution is considered and, if applicable, subsequent submission of the application to the TBRB. For Lottery applications, Site Control must meet the requirements of 34 TAC §190.3(b)(13) (relating to Filing Requirements for Applications for Reservation);

(4) Boundary survey or plat clearly identifying the location and boundaries of the subject Property;

(5) Organizational Chart showing the structure of the Development Owner and of any Developer and Guarantor, providing the names and ownership percentages of all Persons having an ownership interest in the Development Owner, Developer and Guarantor, as applicable, and completed List of Organizations form, as provided in the pre-application. The List of Organizations form must include all Persons identified on the organizational charts, and further identify which of those Persons listed exercise Control of the Development;

(6) Evidence of Entity Registration or Reservation with the Texas Office of the Secretary of State; and

(7) A certification, as provided in the pre-application, that the Applicant met the requirements and deadlines for public notifications as identified in §11.203 of this title (relating to Public Notifications (§2306.6705(9)). In general, notifications should not be older than three months prior to the date of Application submission. In addition, should the jurisdiction of the official holding any position or role described in §11.203 of this title change between the submission of a pre-application and the submission of an Application in a manner that results in the Development being within a new jurisdiction, Applicants are required to notify the new entity no later than the Full Application Delivery Date.

§12.6. Pre-Application Scoring Criteria.

This section identifies the scoring criteria used in evaluating and ranking pre-applications, including pre-applications requesting Qualified 501(c)(3) Bonds to the extent applicable. Any scoring items that require supplemental information to substantiate points must be submitted in the pre-application, as further outlined in the Multifamily Bond Pre-Application Procedures Manual. Applicants proposing multiple sites will be required to submit a separate pre-application for each Development Site, unless staff determines that one pre-application is more appropriate based on the specifics of the transaction. Each individual pre-application will be scored on its own merits and the final score will be determined based on an average of all of the individual scores. Ongoing requirements, as selected in the pre-application, will be reflected in the Bond Regulatory and Land Use Restriction Agreement and must be maintained throughout the State Restrictive Period, unless otherwise stated or required in such Agreement.

(1) Income and Rent Levels of the Tenants. Pre-applications may qualify for up to ten (10 points) for this item.

(A) Priority 1 designation includes one of clauses (i) - (iii) of this subparagraph. (10 points)

(i) set aside 50% of Units rent capped at 50% AMGI and the remaining 50% of Units rent capped at 60% AMGI; or

(ii) set aside 15% of Units rent capped at 30% AMGI and the remaining 85% of Units rent capped at 60% AMGI; or

(iii) set aside 100% of Units rent capped at 60% AMGI for Developments located in a census tract with a median income that is higher than the median income of the county, MSA, or PMSA in which the census tract is located.

(B) Priority 2 designation requires the set aside of at least 80% of the Units rent capped at 60% AMGI (7 points).

(C) Priority 3 designation. Includes any qualified residential rental development. Market rate Units can be included under this priority (5 points).

(2) Cost of Development per Square Foot. (1 point) For this item, costs shall be defined as the Building Cost as represented in the Development Cost Schedule, as originally provided in the pre-application. This calculation does not include indirect construction costs or site work. Pre-applications that do not exceed $160 per square foot of Net Rentable Area will receive one (1) point. Rehabilitation Developments will automatically receive this point.

(3) Unit Sizes. (6 points) The Development must meet the minimum requirements identified in this subparagraph to qualify for points. Points for this item will be automatically granted for Applications involving Rehabilitation (excluding Reconstruction).

(A) Five-hundred (500) square feet for an Efficiency Unit;

(B) Six-hundred (600) square feet for a one Bedroom Unit;

(C) Eight-hundred-fifty (850) square feet for a two Bedroom Unit;

(D) One-thousand-fifty (1,050) square feet for a three Bedroom Unit; and

(E) One-thousand, two-hundred-fifty (1,250) square feet for a four Bedroom Unit.

(4) Extended Affordability. A pre-application may qualify for up to three (3) points under this item.

(A) Development Owners that agree to extend the State Restrictive Period for a Development to a total of 40 years (3 points).

(B) Development Owners that agree to extend the State Restrictive Period for a Development to a total of 35 years (2 points).

(5) Unit and Development Construction Features. A pre-application may qualify for nine (9) points, as certified in the pre-application, for providing specific amenity and quality features in every Unit at no extra charge to the tenant. The amenities and corresponding point structure is provided in §11.101(b)(6)(B) of this title (relating to Unit, Development Construction, and Energy and Water Efficiency Features), which includes a minimum

number of points that must come from Energy and Water Efficiency Features. Applications involving scattered site Developments must have a specific amenity located within each Unit to count for points. Rehabilitation Developments will start with a base score of (5 points).

(6) Common Amenities. All Developments must provide at least the minimum threshold of points for common amenities based on the total number of Units in the Development as provided in subparagraphs (A) - (F) of this paragraph. An Applicant may choose to exceed the minimum number of points necessary based on Development size; however, the maximum number of points under this item which a Development may be awarded shall not exceed 22 points. The common amenities include those listed in §11.101(b)(5) of this title and must meet the requirements as stated therein. ~~The Owner may change, from time to time, the amenities offered; however, the overall points as selected at Application must remain the same.~~

(A) Developments with 16 to 40 Units must qualify for (2 points);

(B) Developments with 41 to 76 Units must qualify for (4 points);

(C) Developments with 77 to 99 Units must qualify for (7 points);

(D) Developments with 100 to 149 Units must qualify for (10 points);

(E) Developments with 150 to 199 Units must qualify for (14 points); or

(F) Developments with 200 or more Units must qualify for (18 points).

(7) Resident Supportive Services. A pre-application may qualify for up to ten (10) points for this item. By electing points, the Applicant certifies that the Development will provide supportive services, which are listed in §11.101(b)(7) of this title, appropriate for the residents and that there will be adequate space for the intended services. The Owner may change, from time to time, the services offered; however, the overall points as selected at pre-application must remain the same. Should the QAP in subsequent years provide different services than those listed in §11.101(b)(7)(A) - (E) of this title, the Development Owner may be allowed to select services as listed therein upon written consent from the Department and any services selected must be of similar value to the service it is intending to replace. The Development Owner will be required to substantiate such service(s) at the time of compliance monitoring, if requested by staff. The services provided should be those that will directly benefit the Target Population of the Development and be accessible to all. No fees may be charged to the residents for any of the services. Unless otherwise specified, services must be provided on-site or transportation to those off-site services identified on the list must be provided. The same service may not be used for more than one scoring item. These services are intended to be provided by a qualified and reputable provider in the specified industry such that the experience and background of the provider demonstrates sufficient knowledge to be providing the service. In general, on-site leasing staff or property maintenance staff would not be considered a qualified provider. Where applicable, the services must be documented by a written agreement

with the provider. Unless otherwise noted in a particular clause, courses and services must be offered by an onsite instructor(s).

(A) The Development Owner shall provide resident services sufficient to substantiate ten (10) points; or

(B) The Development Owner shall provide resident services sufficient to substantiate eight (8) points.

(8) Underserved Area. An Application may qualify to receive up to four (4) points if the Development Site meets the criteria described in §11.9(c)(6)(A) - (E), or (H) of this title. The pre-application must include evidence that the Development Site meets this requirement. Regardless of the varying point options listed under §11.9(c)(6) of this title, the number of points attributed to this scoring item shall be four (4) points.

(9) Development Support/Opposition. (Maximum +24 to -24 points) Each letter will receive a maximum of +3 to -3 points and shall be received 10 business days prior to the Board's consideration of the pre-application. Letters must clearly state support or opposition to the specific Development. State Representatives or Senators as well as local elected officials must be in office when the pre-application is submitted and represent the district containing the proposed Development Site. Letters of support from State or local elected officials that do not represent the district containing the proposed Development Site will not qualify for points. Neutral letters that do not specifically refer to the Development or do not explicitly state support will receive (zero points). A letter that does not directly express support but expresses it indirectly by inference (i.e., "the local jurisdiction supports the Development and I support the local jurisdiction") counts as a neutral letter except in the case of State elected officials. A letter from a State elected official that does not directly indicate support by the official, but expresses support on behalf of the official's constituents or community (i.e., "My constituents support the Development and I am relaying their support") counts as a support letter. A resolution specifically expressing support that is adopted by the applicable Governing Body will count as support under this scoring item for a maximum of 3 points.

(A) State Senator and State Representative of the districts whose boundaries include the proposed Development Site;

(B) Mayor of the municipality (if the Development is within a municipality or its extraterritorial jurisdiction);

(C) Elected member of the Governing Body of the municipality (if the Development is within a municipality or its extraterritorial jurisdiction) who represents the district in which the Development Site is located;

(D) Presiding officer of the Governing Body of the county in which the Development Site is located;

(E) Elected member of the Governing Body of the county who represents the district in which the Development Site is located;

(F) Superintendent of the school district in which the Development Site is located; and

(G) Presiding officer of the board of trustees of the school district in which the Development Site is located.

(10) Preservation Initiative. (2 points) Preservation Developments, including Rehabilitation proposals on Properties which are nearing expiration of an existing affordability requirement within the next two years or for which there has been a rent restriction requirement in the past 10 years may qualify for points under this item. Evidence must be submitted in the pre-application.

(11) Declared Disaster Areas. (7 points) A pre-application may receive points if the Development Site is located in an area declared a disaster area under Tex. Gov't Code §418.014 at the time of submission, or at any time within the two-year period preceding the date of submission.

(12) Waiting List. (5 points) A pre-application that is on the Department's waiting list with the TBRB and does not have an active Certificate of Reservation at the time of the Private Activity Bond Lottery may receive points under this item if participating in the Lottery for the upcoming program year. These points will be added by staff once all of the scores for Lottery applications have been finalized. A pre-application for Qualified 501(c)(3) Bonds is not eligible for these points.

(A) For pre-applications that participated in the prior year Private Activity Bond Lottery (5 points); or

(B) For pre-applications that had an Inducement Resolution adoption date of November of the prior calendar year through March of the current calendar year (3 points); or

(C) For pre-applications that had an Inducement Resolution adoption date of April through July of the current calendar year (1 point).

(13) Assisting Households with Children. (42(m)(1)(C)(vii)) A pre-application may receive one point under this item if at least 15% of the Units in the Development contain three or more bedrooms. The specific number of three or more bedrooms may change from pre-application to full Application, but the minimum percentage must still be met. Applications proposing Rehabilitation (excluding Reconstruction) and Elderly Developments will automatically receive this point.

(14) Sponsor Contribution. This scoring item is only applicable to pre-applications requesting an issuance of Qualified 501(c)(3) Bonds. A pre-application may qualify for up to ten (10) points for this item based on the amount of sponsor contribution as reflected in the pre-application. The contribution shall be in the form of cash or land contribution or other contribution acceptable to the Department. A contribution in the form of deferred developer fee will not qualify for points.

(A) A contribution of at least 10% will qualify for 10 points; or

(B) A contribution of at least 5% will qualify for 7 points.

§12.7. Full Application Process.

(a) Application Submission. Once the inducement resolution has been approved by the Board, an Applicant who elects to proceed with submitting a full Application to the Department must submit the complete tax credit Application pursuant to §11.201 of this title (relating to Procedural Requirements for Application Submission). While a Certificate of Reservation is required under §11.201 of this title prior to submission of the complete tax credit Application, staff may allow the Application to be submitted prior to the issuance of a Certificate of Reservation depending on circumstances associated with the Development Site, structure of the transaction, volume cap environment, or other factors in the Department's sole discretion. An Applicant who intends to pursue Qualified 501(c)(3) Bond financing shall submit a full Application that complies with §12.11 of this chapter at least 90 days prior to the date by which consideration by the Board for the issuance of the bonds would occur.

(b) Eligibility Criteria. The Department will evaluate the Application for eligibility and threshold at the time of full Application pursuant to this Chapter and Chapter 11 of this title (relating to Housing Tax Credit Program Qualified Allocation Plan), as applicable. If there are changes to the Application at any point prior to closing that have an adverse effect on the score and ranking order and that would have resulted in the pre-application being placed below another pre-application in the ranking, the Department may terminate the Application and withdraw the Certificate of Reservation from the Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points). The Development and the Applicant must satisfy the applicable requirements set forth in Chapter 11 of this title in addition to Tex. Gov't Code, Chapter 1372, the requirements of Tex. Gov't Code Chapter 2306, and the Code. The Applicant will also be required to select a Bond Trustee from the Department's approved list as published on its website.

(c) Bond Documents. Once the Application has been submitted and the Applicant has deposited funds to pay initial costs, the Department's bond counsel shall draft Bond documents.

(d) Public Hearings. The Department will hold a public hearing to receive comments pertaining to the Development and the issuance of the Bonds. A representative of the Applicant or member of the Development Team must be present at the public hearing and will be responsible for conducting a brief presentation on the proposed Development and providing handouts at the hearing that should include at minimum, a description of the Development, maximum rents and income restrictions. If the proposed Development is Rehabilitation, the presentation should include the proposed scope of work that is planned for the Development. The handouts must be submitted to the Department for review at least two days prior to the public hearing. Publication of all notices required for the public hearing shall be at the sole expense of the Applicant, as well as any facility rental fees or required deposits, if applicable.

(e) Approval of the Bonds. Subject to the timely receipt and approval of commitments for financing, an acceptable evaluation for eligibility, financial feasibility, the satisfactory

negotiation of Bond documents, and the completion of a public hearing, the Board will consider the approval of the final Bond resolution relating to the issuance, substantially final Bond documents and in the instance of privately placed Bonds, the pricing, terms and interest rate of the Bonds, or the formula thereof that is used to determine such factors. For Applications that include local funding, Department staff may choose to delay Board consideration of the Bond issuance until such time it has been confirmed that the amount or terms associated with such local funding will not change and remain consistent with what was represented in the Department's underwriting analysis.

(f) Local Permits. Prior to closing on the Bond financing, all necessary approvals, including building permits from local municipalities, counties, or other jurisdictions with authority over the Development Site must have been obtained or evidence that the permits are obtainable subject only to payment of certain fees. In instances where such permits will be not received prior to bond closing, the Department may, on a limited and case-by-case basis allow for the closing to occur, subject to receipt of confirmation, acceptable to the Department, by the lender and/or equity investor that they are comfortable proceeding with closing.

§12.8. Refunding Application Process.

(a) Application Submission. Owners who wish to refund or modify tax-exempt bonds, including Qualified 501(c)(3) Bonds, that were previously issued by the Department must submit to the Department a summary of the proposed refunding plan or modifications. To the extent such modifications constitute a re-issuance under state law the Applicant shall then be required to submit a refunding Application in the form prescribed by the Department pursuant to the Bond Refunding Application Procedures Manual.

(b) Bond Documents. Once the Department has received the refunding Application and the Applicant has deposited funds to pay initial costs, the Department's bond counsel will draft the necessary Bond documents.

(c) Public Hearings. Depending on the proposed modifications to existing Bond covenants a public hearing may be required. Such hearing must take place prior to obtaining Board approval and must meet the requirements pursuant to §12.7(d) of this chapter (relating to Full Application Process) regarding the presence of a member of the Development Team and providing a summary of proposed Development changes.

(d) Rule Applicability. Refunding Applications must meet the applicable requirements pursuant to Chapter 11 of this title (relating to Housing Tax Credit Program Qualified Allocation Plan). At the time of the original award the Application would have been subject to eligibility and threshold requirements under the QAP in effect the year the Application was awarded. Therefore, it is anticipated the Refunding Application would not be subject to the site and development requirements and restrictions pursuant to §11.101 of this title (relating to Site and Development Requirements and Restrictions). The circumstances surrounding a refunding Application are unique to each Development; therefore, upon evaluation of the refunding Application, the Department is authorized to utilize its discretion in the applicability of the Department's rules as it deems appropriate.

§12.9. Occupancy Requirements.

(a) Filing and Term of Regulatory Agreement. A Bond Regulatory and Land Use Restriction Agreement will be filed in the property records of the county in which the Development is located for each Development financed from the proceeds of Bonds issued by the Department, including Qualified 501(c)(3) Bonds. Such Regulatory and Land Use Restriction Agreement shall include provisions relating to the Qualified Project Period, if applicable, and the State Restrictive Period, along with points claimed for other provisions that will be required to be monitored throughout the State Restrictive Period, and shall also include provisions relating to Persons with Special Needs. The minimum term of the Regulatory Agreement will be based on the criteria as described in paragraphs (1) - (3) of this subsection, as applicable:

(1) 30 years, or such longer period as elected under §12.6(4) of this chapter (relating to Pre-Application Scoring Criteria), from the date the Development Owner takes legal possession of the Development;

(2) The end of the remaining term of the existing federal government assistance pursuant to Tex. Gov't Code, §2306.185; or

(3) The period required by the Code.

(b) Federal Set Aside Requirements.

(1) Developments which are financed from the proceeds of Private Activity Bonds, excluding Qualified 501(c)(3) Bonds, must be restricted under one of the two minimum set-asides as described in subparagraphs (A) and (B) of this paragraph. Regardless of an election that may be made under Section 42 of the Code relating to income averaging, a Development will be required under the Bond Regulatory and Land Use Restriction Agreement to meet one of the two minimum set-asides described in subparagraphs (A) and (B) of this paragraph. Any proposed market rate Units shall be limited to 140% of the area median income and be considered restricted units under the Bond Regulatory and Land Use Restriction Agreement for purposes of using Bond proceeds to construct such Units.

(A) At least 20% of the Units within the Development shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed 50% of the area median income; or

(B) At least 40% of the Units within the Development shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed 60% of the area median income.

(2) The Development Owner must, at the time of Application, indicate which of the two federal set-asides will apply to the Development and must also designate the selected priority for the Development in accordance with Tex. Gov't Code, §1372.0321. Units

intended to satisfy set-aside requirements must be distributed equally throughout the Development, and must include a reasonably proportionate amount of each type of Unit available in the Development.

(3) No tenant qualifying under either of the minimum federal set-asides shall be denied continued occupancy of a Unit in the Development because, after commencement of such occupancy, such tenant's income increases to exceed the qualifying limit. However, should a tenant's income, as of the most recent determination thereof, exceed 140% of the applicable federal set-aside income limit and such tenant constitutes a portion of the set-aside requirement of this section, then such tenant shall only continue to qualify for so long as no Unit of comparable or smaller size is rented to a tenant that does not qualify as a Low-Income Tenant.

§12.10. Fees.

(a) The fees noted in subparagraphs (b) through (g) of this paragraph will be required as part of a Bond issuance by the Department, excluding Qualified 501(c)(3) Bond issuances.

(b) Pre-Application Fees. The Applicant is required to submit, at the time of pre-application, a pre-application fee of $1,000, along with the fees noted on the Schedule of Fees posted on the Department's website specific to the Department's bond counsel and the Texas Bond Review Board (TBRB) pursuant to Tex. Gov't Code, §1372.006(a)). These fees cover the costs of pre-application review by the Department and its bond counsel and filing fees associated with application submission for the Certificate of Reservation to the TBRB.

(c) Application Fees. At the time of Application the Applicant is required to submit a tax credit application fee of $30 per Unit based on the total number of Units and a bond application fee of $20 per Unit based on the total number of Units. Such fees cover the costs associated with Application review and the Department's expenses in connection with providing financing for a Development. For Developments proposed to be structured as a portfolio the bond application fees may be reduced by the Executive Director to reflect the Department’s projected costs.

(d) Closing Fees. The origination fee for Bonds, other than refunding Bonds, is equal to 50 basis points of the issued principal amount of the Bonds, unless otherwise modified by the Executive Director. The Applicant will also be required to pay at closing of the Bonds the first two years of the administration fee equal to 20 basis points of the issued principal amount of the Bonds, with the first year prorated based on the actual closing date, and a Bond compliance fee equal to $25/Unit (excludes market rate Units as defined in the Regulatory Agreement). Such compliance fee shall be applied to the third year following closing.

(e) Application and Issuance Fees for Refunding Applications. For refunding an Application the application fee will be $10,000 unless the refunding is not required to have a public hearing, in which case the fee will be $5,000. The closing fee for refunding Bonds is equal to 25 basis points of the issued principal amount of the refunding Bonds. If applicable, administration and compliance fees due at closing may be prorated based on the current billing period of such fees. If additional volume cap is being requested other fees may be required as further

described in the Bond Refunding Applications Procedures Manual. Transactions previously issued that involved a financing structure that would constitute a re-issuance under state law, but do not fit under §12.8 of this chapter (relating to Refunding Application Process), will be required to pay a closing fee that shall not exceed 25 basis points of the re-issued principal amount of the bonds which may be reduced in the sole determination of the Department as commensurate with the review by staff in obtaining Board approval at the time of conversion.

(f) Ongoing Administration Fee. The annual administration fee is equal to 10 basis points of the outstanding bond amount at the inception of each payment period and is paid as long as the Bonds are outstanding.

(g) Ongoing Bond Compliance Fee. The Bond compliance monitoring fee is equal to $25/Unit (excludes market rate Units as defined in the Regulatory Agreement), and is paid for the duration of the State Restrictive Period under the Regulatory Agreement, regardless of whether the Bonds have been paid off and are no longer outstanding. For Developments for which (1) the Department's Bonds are no longer outstanding and (2) new bonds or notes have been issued and delivered by the Department, the bond compliance monitoring fee may be reduced on a case-by-case basis at the discretion of Department staff.

§12.11 Qualified 501(c)(3) Bonds

(a) General. The Department may issue Qualified 501(c)(3) Bonds under §145 of the Code to provide residential rental property. Such Bonds are not eligible for an allocation of Housing Tax Credits.

(b) Rule Applicability. Qualified 501(c)(3) Bond Developments shall meet the applicable requirements of Chapter 1 of this title (relating to Administration), Chapter 2 (relating to Enforcement), Chapter 10 (relating to Uniform Multifamily Rules), Chapter 11 Subchapter B of this title (except for §11.101(b)(3) (relating to Rehabilitation Costs), Chapter 11 Subchapter C of this title, and this Chapter (except for §12.9(b) (relating to Federal Set-Asides) and §12.10 (relating to Fees)).

(c) Maximum Amount to be Issued. The annual amount of Qualified 501(c)(3) Bonds to be issued shall be in accordance with Tex. Gov't Code §2306.358(b) pursuant to a Memorandum of Understanding with the Bond Review Board and further subject to §2306.358(a) whereby not more than 25% of the total annual issuance amount specified in the Memorandum of Understanding will be used for projects in any one metropolitan area and at least 15% of the total annual issuance amount specified in the Memorandum of Understanding is reserved for projects in rural areas, as both metropolitan and rural area is defined in the Memorandum of Understanding.

(d) Borrower Eligibility. A borrower must be an organization exempt from federal income tax by virtue of being described in §501(c)(3) of the Code. In addition to having a "determination letter" issued by the Internal Revenue Service confirming the borrower's Section 501(c)(3) status, an "unqualified" legal opinion from a practitioner experienced in tax-exempt organizations must be delivered in connection with a financing. The ownership of the multifamily Development financed with proceeds from Qualified 501(c)(3) Bonds must further the organization's exempt purposes, which shall include providing affordable housing

pursuant to standards promulgated by the Internal Revenue Service and the Safe Harbor for Relieving the Poor and Distressed under Revenue Procedure 96-32. The borrower or its nonprofit parent organization shall have at least five years in operation with demonstrated experience in affordable housing development and management and/or ownership of other similar projects. The Borrower must maintain its Section 501(c)(3) status while the bonds are outstanding. Borrower must be registered with the Texas Secretary of State throughout the term of the Regulatory Agreement.

(e) Minimum Set-Asides and Rent and Income Requirements (§2306.358). The federal Safe Harbor for Relieving the Poor and Distressed requires that at least 75% of the units must be at or below 80% of Area Median Gross Income. The state law requirements, as identified in subparagraphs (1) and (2) below, may alternatively be elected for a Development, regardless of whether New Construction or Rehabilitation. Units intended to satisfy set-aside requirements must be distributed proportionally throughout the Development.

(1) At least 60% of the units serve individuals and families at 80% of the Area Median Gross Income and below (§2306.358(c)(2)); AND

(A) At least 20% of the Units are both rent restricted and occupied by individuals whose income is 50% or less of the Area Median Gross Income, adjusted for family size; OR

(B) At least 40% of the Units are both rent restricted and occupied by individuals whose income is 60% or less of the Area Median Gross Income, adjusted for family size; AND

(2) 100% of the Units must be occupied by individuals whose income does not exceed 140% of the Area Median Gross Income such that all tenants are eligible tenants.

(f) Mandatory Development Amenities (§2306.187). The Development must include those amenities identified under §11.101(b)(4) of this title (relating to Mandatory Development Amenities).

(g) Accessibility Requirements. New Construction, Reconstruction, and Adaptive Reuse Developments shall be subject to 10 TAC §11.101(b)(8) (relating to Development Accessibility Requirements). ~~with the exception of (b)(8)(B) as it relates to visitability requirements, in which case~~ Rehabilitation (excluding Reconstruction) Developments shall be exempt from the construction standards of Section 504 of the Rehabilitation Act of 1973, as further detailed in §8.23 unless the Development is required to follow §11.101(b)(8)(D) by another source in the transaction, or there is or will be another use agreement requiring the Development to follow the construction standards of Section 504 of the Rehabilitation Act of 1973. ~~Regarding applicability of 10 TAC §11.101(b)(8)(D) relating to substantial alteration, Rehabilitation (excluding Reconstruction) Developments shall not be required to achieve unit distribution of the 5% of the Units that must be mobility accessible or the 2% of the Units that must be accessible for the hearing and visually impaired, unless such distribution is required by another source in the transaction or other use agreement restricting the Development.~~

(h) Minimum Rehabilitation Costs. In the case of Rehabilitation Developments, a Scope and Cost Report or Capital Needs Assessment must be submitted. Any health and safety findings

identified must be corrected as part of the acquisition and rehabilitation following closing, and a timeline of the repairs must be included in the Application. For deferred maintenance indicated in such report as needing to be remedied within the first three years, the Department will require an adequate reserve account to be funded at closing. Alternatively, the Department may rely on reserve amounts required by the senior lender.

(i) Underwriting Standards (§2306.358(c)). In addition to meeting the requirements of §§141 through 150 of the Code, the borrower must demonstrate to the Department that the Development is carefully and conservatively underwritten to ensure that the project is well run, well maintained, financially viable, and will minimize the risk of the Borrower's default. Developments financed by Qualified 501(c)(3) Bonds shall generally be underwritten pursuant to §11.302 of the QAP, except that for Developments that do not have any other Department funding or an ongoing Department use agreement, in recognition of differences in financing structures, the Executive Director or authorized designee may approve minor deviations where consistent with prudent industry standards or senior lender requirements, provided they do not jeopardize the financial viability of the Development, are determined by Real Estate Analysis to be necessary to maintain financial feasibility, and if such deviation is requested as part of the application process.

(j) Fees. The fees noted in paragraphs (1) - (5) of this subsection will be required as part of a Qualified 501(c)(3) Bond issuance by the Department.

(1) Pre-Application/Inducement Fee. A pre-application fee of $1,000 shall be submitted, payable to the Department and an Inducement Fee as noted on the Schedule of Fees posted on the Department's website specific to the Department's bond counsel. These fees cover the costs of pre-application review by the Department and its bond counsel. For Developments proposed to be structured as a portfolio, either or both fees may be reduced on a case-by-case basis at the discretion of the Executive Director.

(2) Application Fee. An application fee of $20 per Unit based on the total number of Units must be submitted, with an allowable 10% discount off the calculated Application fee. For Developments proposed to be structured as a portfolio, the bond Application fee may be reduced by the Executive Director to reflect the Department's projected costs.

(3) Closing Fees. The origination fee shall be equal to 25 basis points of the issued principal amount of the Bonds, unless otherwise modified by the Executive Director. The Applicant will also be required to pay at closing of the Bonds the first two years of the administration fee equal to 20 basis points of the issued principal amount of the Bonds, with the first year prorated based on the actual closing date, and a Bond compliance fee equal to $25 per Unit (excluding market rate Units as defined in the Regulatory Agreement). Such compliance fee shall be applied to the third year following closing.

(4) Ongoing Administration Fee. The annual administration fee is equal to 10 basis points of the outstanding bond amount at the inception of each payment period and is paid as long as the bonds are outstanding.

(5) Ongoing Bond Compliance Fee. The compliance monitoring fee is equal to $25 per Unit (excluding market rate Units as defined in the Regulatory Agreement) and is paid for the duration of the State Restrictive Period under the Regulatory Agreement, regardless of whether the Bonds have been paid off and are no longer outstanding. For Developments for which (1) the Department's Bonds are no longer outstanding and (2) new bonds or notes have been issued and delivered by the Department, the bond compliance monitoring fee may be reduced on a case-by-case basis at the discretion of Department staff.

(6) Professional Fees. The Department engages outside firms to provide professional services with respect to its multifamily bond program. These firms include bond counsel, financial advisor and disclosure counsel. Applicants are encouraged to review the Department's Schedule of Fees on its website for more details regarding these fees.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1296 **Agenda Date:** 1/15/2026 **Agenda #:** 36.

Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.410 Determination of Alien Status for Program Beneficiaries; an order adopting new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.410 Determination of Alien Status for Program Beneficiaries; and directing their publication in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Tex. Gov't Code §2306.053, the Texas Department of Housing and Community Affairs (the Department) is authorized to adopt rules governing the administration of the Department and its programs;

WHEREAS, Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) provides that an alien who is not a qualified alien is not eligible for federal public benefits, and Department of Justice (DOJ) guidance provides that each federal agency is required to identify which of their programs are considered federal public benefits for this purpose;

WHEREAS, the U.S. Department of Health and Human Services (USHHS) had previously determined that the Low Income Home Energy Assistance Program (LIHEAP) is a federal public benefit and is subject to PRWORA, and the Department of Energy (DOE) had directed states that as it relates to Qualified Aliens Eligibility for Benefits, they should review guidance provided by HHS under the LIHEAP;

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) in its 2025 federal Grant Agreements for the National Housing Trust Fund, HOME, and Emergency Solutions Grant Programs is now clarifying that PRWORA does apply to those programs (and HUD has not specified if any activity types are excluded), and further allows grantees to use SAVE or an equivalent verification system approved by the federal government, suggesting that the Department could propose its own state legal status system or process as an alternative verification system to SAVE;

WHEREAS, on February 19, 2025, President Trump issued Executive Order 14218 (Ending Taxpayer Subsidization of Open Borders), directing federal agencies, among other actions, to ensure that federally funded programs are operating in compliance with PRWORA, and in response, the USHHS has issued new guidance that the Community Services Block Grant (CSBG) is a federal public benefit and is subject to PRWORA;

WHEREAS, on July 16, 2025, the Federal Register published an order of the U.S. Attorney General stating that block grants are not exempt from PRWORA, withdrawing the 2001 Order of the Attorney General regarding the scope of PRWORA, and utilizing her statutory discretion to not except any benefits from PRWORA beyond those excepted by the statute itself;

WHEREAS, in deference to the Executive Order and the current Final Order by the U.S. Attorney General, staff is recommending that the Department policy now reflect that when there is a lack of federal guidance PRWORA will apply to all single family and Community Affairs programs and activities for commitments made after April 1, 2026, unless there is a specific statutory exemption to PRWORA;

WHEREAS, previous interpretations about the verification process for PRWORA indicated that private nonprofit subrecipients - because they do not have direct authority to access the SAVE system used for verification - did not have to confirm qualified alien status, and therefore in 2019, the Department initiated rule changes for Community Affairs programs to ensure that private nonprofit subrecipients would in fact provide such verifications for LIHEAP and WAP; and this directive did not extend this requirement to private nonprofit subrecipients of state general revenue funds (including the Amy Young Barrier Removal (AYBR), Texas Bootstrap Loan (Bootstrap), and the Homeless Housing and Services (HHSP) programs;

WHEREAS, the Department acknowledges that while PRWORA does not mandate a private nonprofit entity conduct verification, there is nothing in the statute to prohibit such an entity from conducting verification;

WHEREAS, the Department needs to clarify a change in interpretation and policy in its rules on this subject by specifying how PRWORA will be adhered to by Department administrators managing programs determined to be federal (or state) public benefits that trigger the PRWORA requirements and specify how those entities will handle verification of eligible status for any clients served under applicable programs;

WHEREAS, staff is recommending that upon the effective date of this rule, as adopted, in addition to LIHEAP and DOE WAP, all administrators (including governmental and nonprofit administrators) of CSBG, TCAP-RF, ESG, HOME, NHTF, CDBG, AYBR, Bootstrap, and HHSP, and any other single family programs later subject to these requirements, will be required to comply with PRWORA and utilize SAVE, or in the case of HOME, CDBG, NSP, ESG and NHTF the Department's alternative verification option, including private nonprofit subrecipients, and the verification processes provided for in this rule;

WHEREAS, the rule actions herein are specific only to the Single Family, Homeless, and Community Affairs programs operated by the Department, and no action at this time is being taken relating to the Department's multifamily portfolio of rental properties or the single family bond or TBA activities; and

WHEREAS, staff has released a draft of this rule for public comment and comment was received from six commenters and such public comment is summarized and responded to in the attached preamble to the rule;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the actions herein in the form presented to this meeting, to be published in the *Texas Register*, and

in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing including any requested revisions to the preambles.

BACKGROUND

Two primary laws directly address noncitizen eligibility for federal housing programs. The first is Section 214 of the Housing and Community Development Act of 1980, as amended. It applies to specified programs; primarily, federal rental assistance programs administered by the Department of Housing and Urban Development (HUD) and the Department of Agriculture (USDA), including the Public Housing, Housing Choice Voucher, Section 8 project-based rental assistance programs, and rural rental assistance. The law makes eligible for assistance certain categories of noncitizens, including most categories of immigrants, while excluding unauthorized immigrants and those in most types of temporary status (e.g., tourists, students, and temporary workers).

The second law is Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA, P.L. 104-193). Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), provides that an alien who is not a qualified alien is not eligible for any federal public benefit. The Department of Justice (DOJ) provided guidance that each federal agency is required to identify which of their programs are considered federal public benefits for this purpose. In cases where PRWORA applies, the Department has historically delegated that responsibility to its subrecipients. The primary method for verification of qualified status is through a system called SAVE (Systematic Alien Verification for Entitlements), which historically has been a fee-based inter-governmental initiative designed to help federal, state, tribal, and local government agencies confirm citizenship, U.S. national and qualified alien status prior to granting benefits. SAVE access is granted directly to the Department and other governmental entities. Fees are currently suspended as of April 1, 2025.

Department Determination Regarding Applicability of PRWORA

Not all cognizant federal agencies have made their determinations as provided for in the DOJ guidance. The U.S. Department of Health and Human Services (USHHS) had previously determined that the Low Income Home Energy Assistance Program (LIHEAP) is a federal public benefit and is subject to PRWORA, and the Department of Energy (DOE) had directed states that as it relates to Qualified Aliens Eligibility for Benefits, they should review guidance provided by HHS under the LIHEAP. TDHCA also has applied PRWORA to AYBR, Bootstrap, and HHSP for governmental subrecipients, but not for nonprofit subrecipients. USHHS had not included Community Services Block Grant (CSBG) and the U.S. Department of Housing and Urban Development (HUD) had not made a written determination on its programs administered by the Department, except for certain activities in ESG.

To date the TDHCA policy on this issue was that for federal agencies not having made a determination, the PRWORA requirements were not triggered for those programs. For the federal programs for which such guidance had been given, the Department had provided rules to give clear guidance to subrecipients on the requirements to verify eligible status.

In September HUD provided the Department with its 2025 federal Grant Agreements for the National Housing Trust Fund, HOME, and Emergency Solutions Grant Programs which reflect that PRWORA does apply to those programs. The Grant Agreements indicate that verification can occur through either SAVE or an equivalent verification system approved by the federal government. Staff believes that this suggests that the Department could propose its own state legal status system or process as an alternative verification system to SAVE.

On February 19, 2025, President Trump issued Executive Order 14218 (Ending Taxpayer Subsidization of Open Borders), directing federal agencies, among other actions, to ensure that federally funded programs are operating in compliance with PRWORA. In response, the USHHS issued new guidance that CSBG is a federal public benefit and is now subject to PRWORA as well.

The PRWORA statute provides exceptions to ineligibility for certain federal public benefits, including programs, services, or assistance specified by the U.S. Attorney General ". . .in the Attorney General's sole and unreviewable discretion after consultation with appropriate Federal agencies and departments . . ." The Attorney General published a new Final Order regarding the scope of PRWORA on July 16, 2025, that included a finding that block grants are not exempt from PRWORA, withdrew the previous 2001 Order of the Attorney General regarding the scope of PRWORA, and utilized her statutory discretion to not except any benefits from PRWORA beyond those excepted by the statute itself.

In deference to the Executive Order, the new Final Order by the U.S. Attorney General, and the policy direction provided by HHS and HUD, staff is recommending that the Department policy now be revised - rather than exclude any programs for which federal guidance has not been issued from having to comply with PRWORA, TDHCA will include any programs for which federal guidance is lacking (with the exclusion of multifamily funding used on affordable rental properties and assistance provided through the Department's Texas Homeownership Program). Therefore, for single family and community affairs programs with commitments made on or after February 1, 2026, only those activities for which the PRWORA statute provides a clear exemption or where federal guidance has been issued explicitly determining that an activity is not a federal public benefit, will be excluded by the Department from verification requirements.

The rule action item, and this summary, are specific only to the Single Family, Homeless, and Community Affairs programs operated by the Department - no action at this time is being taken relating to the Department's multifamily portfolio of rental properties or the single family bond or TBA activities.

Therefore, the federal Department programs for which all Administrators will be required to verify eligibility include:

- Community Affairs Programs: CSBG, LIHEAP, and WAP
- Single Family and Homelessness Programs: HOME Program, , Community Development Block Grant (CDBG) and the Emergency Solutions Grant Program (ESG).

In addition, to the extent the Department has not considered Bootstrap, AYBR, and HHSP subject to this rule or did not require nonprofit subrecipients to ensure alien status had been verified, it will now do so as well, with the exception of an activity that meets an exception

under §1611(b)(1)(D) of PRWORA. TCAP-RF, to the extent used for single family activities, will also be subject to this rule.

Taken together the total funding awards for these program are expected to be approximately $307 million in assistance in 2026 to households.

Applicability and Policy for Subrecipients

It should be noted that not all verification must occur through the SAVE system. Subrecipients through programs that have been operating under PRWORA already, such as the LIHEAP and WAP programs, have been given guidance and a matrix that details how they first can ascertain Citizenship or U.S. National status, including, at present, a passport, birth certificate, or an adoption decree. Only if the items specified in the matrix are not confirmed, would a subrecipient need to verify through SAVE. This clarification that initial verification can be done alternatively, as further provided in a subrecipient's contract, is being added into the rule.

Previously interpretations about the verification process for PRWORA indicated that private nonprofit subrecipients - because they do not have direct access to the SAVE system used for verification - did not have to confirm qualified alien status at all even for federal programs covered by PRWORA. Roughly three quarters of LIHEAP and WAP subrecipients are such private nonprofits. The units of local government do comply with the federal requirement by determining eligible status of applicants and household members via SAVE. In 2019, for LIHEAP and WAP, the Department issued a revision to this rule that gave nonprofit subrecipients of the Department in these programs several options to confirm qualified alien status; one of those options was voluntary compliance. At that time all of the subrecipients in these programs were also performing SAVE verification. It should be noted that private nonprofit subrecipients of the AYBR, HHSP, and Bootstrap programs are not determining eligible status at this time.

PRWORA does not mandate an entity conduct verification, however there is nothing in the statute to prohibit such an entity from conducting verification. Therefore, staff is recommending and drafting the attached rule to explicitly require that all recipients of the above noted programs will be required to comply with PRWORA and all Administrators must conduct verification. Administrators that are units of local government will be required to use SAVE. Administrators that are nonprofit entities - including those already subject to, but not performing verifications, such as AYBR and Bootstrap - will have the following options.

- To have the Department provide the verification, directly or through a third-party contractor, which would require the Administrator to gather and transmit - but not verify - the appropriate client level information and documentation; or
- To have the Administrator voluntarily agree to participate in using the SAVE system, which is the option that creates the least delay in providing services to the clients (this option is reliant on the Department being able to revise its contract with the Department of Homeland Security); or
- To allow the Administrator to procure a separate party to perform such verification services on their behalf.

All Administrators will be required to select one of these options at the time of contract execution or for HOME Single Family activities before executing a Household Commitment

Contract.

This rule was released for public comment and comment was received from six commenters. That comment is summarized and responded to in the rule preamble below.

Additionally, one clarifying revision was made - after further review of guidance from HUD, the Neighborhood Stabilization Program (NSP) is not included by HUD in what PRWORA applies to.

Attachment 1: Preamble, including required analysis, for repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.410 Determination of Alien Status for Program Beneficiaries

The Texas Department of Housing and Community Affairs (the Department) adopts the repeal of 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.410 Determination of Alien Status for Program Beneficiaries. The purpose of the repeal is to eliminate the outdated rule and replace it simultaneously with a new rule that more closely aligns with Executive Order 14218 (Ending Taxpayer Subsidization of Open Borders) issued on February 19, 2025 by President Trump; A.G. Order No. 6335-2025 by the U.S. Attorney General (Revised Specification Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996), the federal direction provided in 2025 grant agreements from the Unites States Department of Housing and Urban Development (HUD), and with Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) on Department programs, which provides that an alien who is not a qualified alien is not eligible for any federal public benefit.

Tex. Gov't Code §2001.0045(b) does not apply to the rule proposed for repeal because there are no costs associated with the repeal.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the repeal would be in effect:

1. The repeal does not create or eliminate a government program but relates to changes to an existing activity: the implementation of Executive Order 14218 (Ending Taxpayer Subsidization of Open Borders) issued on February 19, 2025 by President Trump, A.G. Order No. 6335-2025 by the U.S. Attorney General (Revised Specification Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996), and in the implementation and applicability of Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA).
2. The repeal does not require a change in work that creates new employee positions.
3. The repeal does not require additional future legislative appropriations.
4. The repeal will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.
5. The repeal is not creating a new regulation, except that it is being replaced by a new rule simultaneously to provide for revisions.
6. The repeal is not considered to expand an existing regulation.
7. The repeal does not increase the number of individuals subject to the rule's applicability.
8. The repeal will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the repeal and determined that the repeal will not create an economic effect on small or micro-businesses or rural communities.

c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The repeal does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.

d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).

The Department has evaluated the repeal as to its possible effects on local economies and has determined that for the first five years the repeal would be in effect there would be no economic effect

on local employment; therefore, no local employment impact statement is required to be prepared for the rule.
e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the repeal is in effect, the public benefit anticipated as a result of the changed sections would be an updated and more germane rule. There will not be economic costs to individuals required to comply with the repealed section.
f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the repeal is in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

SUMMARY OF PUBLIC COMMENT. The Department requested comments on the rule and also requested information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period was held November 21 to December 21, 2025, to receive input on the proposed action. No comment was received on the repeal.

STATUTORY AUTHORITY. The repeal is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the repeal affects no other code, article, or statute.

§1.410. Determination of Alien Status for Program Beneficiaries

Attachment 2: Preamble, including required analysis, for new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.410 Determination of Alien Status for Program Beneficiaries

The Texas Department of Housing and Community Affairs (the Department) adopts new 10 TAC Chapter 1, Subchapter D, Uniform Guidance for Recipients of Federal and State Funds, §1.410 Determination of Alien Status for Program Beneficiaries. The purpose of the rule is to eliminate the outdated rule and replace it simultaneously with a new rule that more closely aligns with Executive Order 14218 (Ending Taxpayer Subsidization of Open Borders) issued on February 19, 2025 by President Trump, A.G. Order No. 6335-2025 by the U.S. Attorney General (Revised Specification Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996), the federal direction provided in 2025 grant agreements from the Unites States Department of Housing and Urban Development (HUD), and in the implementation and applicability of Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) on Department programs, which provides that an alien who is not a qualified alien is not eligible for any federal public benefit.

Tex. Gov't Code §2001.0045(b) does apply to the rule because there are some costs associated with this action. However, in order to ensure compliance with Executive Order 14218, A.G. Order No. 6335-2025 by the U.S. Attorney General (Revised Specification Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996), the federal HUD grant agreements, and PRWORA this rule is being revised. Sufficient existing state and/or federal administrative funds associated with the applicable programs are available to offset costs. No additional funds will be needed to implement this rule.

The Department has analyzed this rulemaking and the analysis is described below for each category of analysis performed.

a. GOVERNMENT GROWTH IMPACT STATEMENT REQUIRED BY TEX. GOV'T CODE §2001.0221.

Mr. Bobby Wilkinson has determined that, for the first five years the new section would be in effect:

1. The rule does not create or eliminate a government program but relates to changes to an existing activity: the verification of program participant eligibility as it relates to the implementation of Executive Order 14218 (Ending Taxpayer Subsidization of Open Borders) issued on February 19, 2025 by President Trump, A.G. Order No. 6335-2025 by the U.S. Attorney General (Revised Specification Pursuant to the Personal Responsibility and Work Opportunity Reconciliation Act of 1996), the federal direction provided in the Department's 2025 grant agreements from HUD, and in the implementation and applicability of Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA).
2. The rule may require a change in work that could require the creation of approximately 2 new employee positions to perform the client verifications.
3. The new section does not require additional future legislative appropriations.
4. The new section will not result in an increase in fees paid to the Department, nor in a decrease in fees paid to the Department.
5. The new section is not creating a new regulation.
6. The new section does expand on an existing regulation.
7. The new section will increase the number of individuals subject to the rule's applicability as well as increase the number of Department subrecipients subject to the rule in an effort to ensure that public benefits are being used only for qualified households.
8. The new section will not negatively or positively affect the state's economy.

b. ADVERSE ECONOMIC IMPACT ON SMALL OR MICRO-BUSINESSES OR RURAL COMMUNITIES AND REGULATORY FLEXIBILITY REQUIRED BY TEX. GOV'T CODE §2006.002.

The Department has evaluated the new section and determined that it will not create an economic effect on small or micro-businesses or rural communities.
c. TAKINGS IMPACT ASSESSMENT REQUIRED BY TEX. GOV'T CODE §2007.043. The new section does not contemplate or authorize a taking by the Department; therefore, no Takings Impact Assessment is required.
d. LOCAL EMPLOYMENT IMPACT STATEMENTS REQUIRED BY TEX. GOV'T CODE §2001.024(a)(6).
The Department has evaluated the new section as to its possible effects on local economies and has determined that for the first five years the new section would be in effect there would be no economic effect on local employment; therefore, no local employment impact statement is required to be prepared for the rule.
e. PUBLIC BENEFIT/COST NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(5). Mr. Wilkinson has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section would be a rule that is in alignment with Executive Order 14218 (Ending Taxpayer Subsidization of Open Borders) issued on February 19, 2025 by President Trump, in compliance with direction provided by HUD for the HOME and NHTF programs, and in the implementation and applicability of Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and therefore ensures that public benefits are not received by unqualified aliens. There will not be economic costs to individuals required to comply with the new section.
f. FISCAL NOTE REQUIRED BY TEX. GOV'T CODE §2001.024(a)(4). Mr. Wilkinson also has determined that for each year of the first five years the new section is in effect, enforcing or administering the sections may have some costs to the state to implement the verification process and to the Department's subrecipients in administering the rule changes. However, sufficient state or federal administrative funds associated with the applicable programs are already available to offset costs. No additional funds will be required.
SUMMARY OF PUBLIC COMMENT. The Department requested comments on the rule and also requested information related to the cost, benefit, or effect of the proposed rule, including any applicable data, research, or analysis from any person required to comply with the proposed rule or any other interested person. The public comment period was held November 21 to December 21, 2025, to receive input on the proposed action. Public comment was received from six commenters as follows: (1) Bay Area Turning Point, (2) Texas Housers, (3) Proyecto Azteca, (4) Safe Alliance, (5) Tahirih Justice Center, and (6) Texas Council on Family Violence. Comments are summarized and responded to below.

Comment on the Applicability of the Rule to Survivors of Domestic Violence, Sexual Assault, Stalking, and/or Dating Violence:
Commenters (1), (4), (5), and (6) commented that the proposed immigration and/or citizenship status verification requirements should not apply to survivors of domestic violence, sexual assault, stalking, and/or dating violence, as such requirements would conflict with the Violence Against Women Act (VAWA) and the Family Violence Prevention and Services Act (FVPSA). They note that both Federal statutes prohibit denial of assistance based on immigration and/or citizenship status and impose strong confidentiality protections to ensure survivors can safely access critical services. These commenters concluded that the rule needs to provide an explicit exemption for VAWA and FVPSA covered populations within TDHCA-funded programs. Without explicit clarification, subrecipients may interpret the rule as requiring immigration status verification for survivors of violence, which violates Federal laws.

Commenter (5) notes that nondiscrimination provisions in VAWA provide that programs may not discriminate on the basis of race, color, religion, national origin, sex, gender identity, sexual orientation, or disability; and the Office for Victims of Crime VOCA has generally held that this provision means that programs should not deny services solely because of immigration status and covered services are not subject to PRWORA.

Commenter (6) provided statistics and detailed information on the impact of domestic violence and notes that reductions in available housing, which would undoubtedly occur because of this rule change, would exacerbate this instability and danger

Staff Response: TDHCA generally concurs with the comments and is specifying in the rule that the rule will not apply to VAWA or FVPSA covered populations unless federal guidance requires it.

Comments on Requiring Provision of Personal Information for Survivors of Domestic Violence, Sexual Assault, Stalking, and/or Dating Violence

Commenter (6) also indicates that the Family Violence Prevention and Services Act (FVPSA), the Victims of Crime Act (VOCA), and the Violence Against Women Act (VAWA) all require those in receipt of funds (ex. family violence centers) to protect personally identifiable information obtained while seeking services. Each of these federal laws prohibit grantees from disclosing a survivor's personal identifying information, unless an exception applies, which the information laid out in this proposed rule is not. Specifically, VAWA/FVPSA make clear that identifying information about victims cannot be shared without a properly issued release from the survivor or a court order. Commenter (6) notes that conditioning victims' access to services on documentation would also have a chilling effect on service provision, deter survivors from seeking help, and conflict with programmatic obligations of confidentiality and safety planning. Commenter states that federal law pertaining to victim-services statutes contain explicit non-discrimination protections that prohibit conditioning access to services. FVPSA requires that States and subgrantees "ensure that no person is denied services because of actual or perceived immigration status."

Commenter (4) also notes that requiring survivors to provide names, dates of birth, or other personally identifying information for entry into an external verification system violates the safety and confidentiality requirements of VAWA and FVPSA. The commenter relayed that best practices shared by experts on VAWA and FVPSA recommend limiting the sharing of survivors' personal information to avoid security breaches that would compromise safety of survivors of domestic or sexual violence. The commenter stated the concern that implementing this rule without explicit exemptions for survivors of domestic violence, sexual assault, stalking, and/or dating violence creates additional and potentially lethal barriers for survivors to access shelter, homelessness prevention, and rapid rehousing services, undermining ESG's goal of low-barrier access to housing stability. Commenter (1) echoed this question of whether services would be denied for survivors lacking documentation.

Commenters (5) and (6) also notes that the confidentiality provisions of VAWA and FVPSA prohibit covered programs from releasing personally identifying information without a signed and time limited release, court order, or statute requiring it and are prohibited from conditioning services on the signing of a release. Guidance from the Office on Violence Against Women (OVW) on VAWA instructs programs that these provisions apply to all operations of an entity that receives funding through OVW, even if that funding covers only a small part of their operations. The proposed TDHCA rule would require covered

programs to provide personally identifying information to TDHCA or a vendor for purposes of eligibility verification, which could be seen as violating the confidentiality provisions under VAWA for any covered program; and under Texas law, Chapter 93 of the Texas Family Code establishes privilege between an advocate and a crime victim, which similarly prohibits disclosure of personal information with very limited exceptions, and applies to public and private nonprofits that provide family violence services. Commenter relays that the proposed TDHCA rule would require covered programs to provide personally identifying information to TDHCA or a vendor for purposes of eligibility verification, in violation of state law and these programs could be at risk of losing state funding.

Commenter (5) also comments on documentation specifically as it relates to survivors of domestic violence, sexual assault, human trafficking, and other forms of violence. They note that there is a strong connection between domestic violence and homelessness and that TDHCA's Emergency Solutions Grant programs and other homelessness prevention programs play a critical role in survivor safety and healing. Commenter is concerned that cutting off survivors due to lack of documentation from programs that provide support for utilities and homeless intervention will keep survivors reliant on abusers and vulnerable to further violence. Per the commenter, the proposed rule will not only impact immigrant survivors, but also any survivor who is unable to provide proof of status. s
Staff Response: TDHCA generally concurs with the comments and is specifying in the rule that the rule will not apply to VAWA or FVPSA covered populations, unless federal guidance requires it.

Comment Requesting for Rule to be Withdrawn
Multiple commenters requested that the rule be withdrawn.

Commenter (2) points out that HUD has indicated that further guidance will be released from both HUD and DHS and believes it is appropriate for TDHCA to delay the adoption of this rulemaking until such expected federal HUD and DHS guidance is released. They note that to their knowledge, Texas appears to be the only state that is not waiting until further federal guidance is available. They note that the proposed rule changes will have a significant impact on low-income Texans who receive assistance through TDHCA programs and the providers that serve them. Commenter notes that this rule change represents a large expansion of the applicability of PRWORA verification requirements that will result in loss of assistance for vulnerable people in need of help. Commenter (2) noted that activities like emergency rental assistance, where delays could result in evictions and housing instability for low-income tenants, are a particular concern that could lead to eligible beneficiaries losing the benefit of the assistance. Because of this significant impact, Commenter cautions TDHCA to be very cautious to not implement rule changes without adequate federal guidance and regulation to shape the implementation of federal requirements. Texas Housers strongly recommends delaying rulemaking on the updated federal interpretation of PRWORA verification requirements until key federal guidance necessary for implementation is released.

Commenter (5) suggests that the current rule is sufficient and federally compliant as-is, and urges that the Department recommend withdrawing the notice at this time. They note that A.G. Order No. 6335 – 2025 withdrew the 2001 rule providing detailed guidance on the different kinds of programs that are exempt from PRWORA under 8 U.S.C. § 1611(b)(1)D, which covers services that are provided in-kind by public or nonprofit organizations, are available regardless of income, and are necessary for the protection of life and safety. Notably, per the commenter, this order did not change PRWORA's exemptions, nor did it require any action on the part of recipient states. Barring further guidance from

the federal government, many of TDHCA's programs - including the Emergency Solutions Grant Program, the Homeless Housing and Services Program, and the Low Income Home Energy Assistance Program (LIHEAP) - play a critical role in keeping Texan survivors of violence, children, and families safe from the dangers of homelessness and extreme weather, and are therefore are necessary for the protection of life and safety. Additionally, PRWORA also exempts programs for housing or community development assistance or financial assistance administered by the Secretary of Housing and Urban Development (HUD). This provision is not subject to specification by the Attorney General and therefore not impacted by A.G. Order No. 6335 – 2025.

Commenter (6) also believes that TDHCA should rescind this rule. Should that not occur, TCFV urges substantial revisions to uphold Texas' long-standing commitment to crime victims and ensure compliance with federal law. They note that the proposed rule is vague, inconsistent, and unclear leaving substantial room for misapplication and confusion that will foster implementation challenges for subrecipients and housing providers. These issues include, but are not limited to, unclear verification procedures and conflicting statements regarding legal authority. Specifically, the proposed rule runs counter to federal laws governing nondiscrimination and confidentiality for victim service providers.

Commenter (5) They believe that Community Development Block Grant Program, Emergency Solutions Grant Program, HOME Investment Partnerships Program, National Housing Trust Fund, and the Neighborhood Stabilization Program, all fall under the exceptions in PRWORA. They request that the rule exempt programs that provide emergency housing or other crisis services as well as community development programs administered by the Department of Housing and Urban Development. Lastly, they note that while Texas is not a party to the ongoing litigation against A.G. Order No. 6335 – 2025, the rule is currently stayed in plaintiff states, and it is possible that the order will be overturned or the DOJ will issue new regulations or instructions that would require Texas to make changes again.

Commenter (5) comments that the rule will have long-term consequences for Texas children as TDHCA's programs provide critical support for both emergency intervention as well as long-term affordable housing, which are both critical for low-income families with children. Commenter states that restricting immigrant parents from TDHCA programs will cause more Texas children to grow up in poverty. According to the commenter, over one million U.S. Citizen children in Texas have at least one undocumented family member; and for the majority of them, that is a parent. Per the commenter, the proposed rule would cut many families off from assistance and would have a profound impact childhood poverty rates across the state.

Commenter (2) also suggests it is difficult for service providers and advocates to understand the impact of these rule changes and provide thoughtful comment when the full scope of federal reinterpretation of PRWORA requirements is not yet clear.

Staff Response: The Department addresses the concern regarding those protected by VAWA and FVPSA by clarifying their exemption in the rule as noted above. Staff does not recommend withdrawing the rule, as the federal guidance to date has provided sufficient guidance for the Department to proceed with this rule. As it relates to Commenter (5) suggesting that the rule is not applicable to ESG, HOME and NHTF, the Department does not agree that those programs are exempted from guidance to date particularly in light of the 2025 Grant Agreement executed between HUD and the Department, which specifies their applicability.

Comment on Nonprofit Applicability

Commenter (5) and (6) note that the draft rule extends the requirement to verify immigration status to all subrecipients of funding in the affected programs, despite the fact that PRWORA explicitly exempts nonprofit entities that receive funds from the requirement to verify the immigration status of their program beneficiaries. Commenter (2) is concerned that subrecipients may not be fully aware that this proposed rule requires nonprofits that were formerly or otherwise exempt to elect a method of verification for beneficiaries. Commenter (3) also asks that the Department clarify the nonprofit exemption language and ensure it does not create conflicting compliance duties. The proposed rule references that certain nonprofit charitable organizations may not be required to verify status in some contexts, while also describing circumstances in which TDHCA must ensure verification to prevent confusion and uneven practices across the state.

Staff Response: Previously, interpretations regarding the verification process for PRWORA may have indicated that private nonprofit subrecipients – because they do not have direct access to the SAVE system used for verification – did not have to confirm qualified alien status at all even for federal programs covered by PRWORA. However, while PRWORA does not mandate a private nonprofit entity conduct verification, there is nothing in the statute that prohibits such an entity from conducting verification. Therefore, the rule does require that all recipients of the subject programs will be required to comply with PRWORA, and all Administrators must participate in verification within the contours of the statute.

Administrators that are nonprofit entities – including those already subject to, but not performing verifications, such as AYBR and Bootstrap - will have three options: 1) To have the Department provide the verification, directly or through a third-party contractor, which would require the Administrator to gather and transmit – but not verify - the appropriate client level information and documentation; 2) To have the Administrator voluntarily agree to participate in using the SAVE system, which is the option that creates the least delay in providing services to the clients (this option is reliant on the Department being able to revise its contract with the Department of Homeland Security); or 3) To allow the Administrator to procure a separate party to perform such verification services on their behalf. No changes are recommended to the rule in response to this comment.

Comment on Clear Guidance for Programs

Commenter (3) requests that the Department clarify the scope and applicability of the rule by program and "activity type," including where PRWORA does and does not apply. They suggest that in rule text (or incorporated guidance referenced in rule) a clear, program-by-program applicability matrix for TDHCA Single Family, Homeless, and Community Affairs programs, including which activity types require verification and which are explicitly exempt. This will reduce inconsistent implementation across Administrators.

Commenter (3) also notes concern for mixed status households and requests that because the application of this rule is central to homelessness prevention and single family stabilization outcomes, the rule (or companion guidance) should specify a standardized method for benefit calculation/proration and explicitly state that benefits for eligible household members (including U.S. citizen children) may not be categorically denied solely due to another household member's inability to verify status, unless the governing federal program specifically requires otherwise.

Staff Response: Staff notes that more detailed applicability of this rule is provided in a subsequent rulemaking that was released for public comment and will be out for comment until January 26, 2026. That rulemaking includes revisions to five sections of the Department's rules in 10 TAC to be amended to implement changes: 1) §6.204 Use of Funds for the Community Services Block Grant Program, 2) §7.28 Program Participant Eligibility and Program Participant Files for the Homeless Housing and Services Program, 3) §7.44 Program Participant Eligibility and Program Participant Files for the Emergency Solutions Grant Program, 4) §20.4 Eligible Single Family Activities in the Single Family Programs Umbrella Rule, and 5) §20.6 Administrator Applicant Eligibility in the Single Family Programs Umbrella Rule. Those rules add program-specific clarity to mixed status household calculations. Staff encourages the commenter to make comments on those more specific rules. Additionally, staff will, upon adoption of those five other rules, release a matrix reflecting rule applicability. However, as a result of this comment the Department has changed the effective date to April 1, 2026.

Comment on Terminology:
Commenter (3) requests that the rule define "legal status" and align terms consistently throughout the rule (and correct apparent drafting errors). The proposed rule uses "U.S. Citizen, U.S. National, or Qualified Alien status ('legal status')" and defines "Qualified Alien" by reference to 8 U.S.C. §1641(b) or (c). They request that the Department ensure definitions are consistent throughout and correct a noted typographical issues confirm that the rule's terminology matches the controlling federal definitions and any HUD program-specific language.
Staff Response: Staff has used the terms applicable in PRWORA and is using the term legal status to describe U.S. Citizen, U.S. National, or Qualified Alien status. No changes to the rule are recommend in response to this comment.

Comment on Security and Privacy of Documentation:
Commenter (3) requests that relating to verification mechanics, the Department provide minimum required standards for privacy, security, and record retention before requiring electronic transmission or SAVE use. The proposed rule contemplates verification through "established documents" first and then use of SAVE if unable to verify through those documents. It also contemplates that some Subrecipients may transmit documentation to TDHCA (or a contractor) for verification and requires "a sufficient method of electronic transmittal" and "secure safekeeping." They ask for greater specificity and that baseline security standards (examples given in comment) for any electronic transmittal/recordkeeping methods, especially when personal immigration documentation is collected or transmitted.
Staff Response: Staff concurs on the importance of having standards for privacy, security and record retention. It should be emphasized that all subrecipients subject to this rule will execute contracts with the Department addressing these topics and further will have executed an Information Security and Privacy Agreement as outlined in 10 TAC §1.24 that provides greater detail on securing sensitive information. No changes to the rule are recommended in response to this comment.

Comment on 'Acceptable Documents' Being Made Available:
Commenter (3) requested that reference to the "acceptable documents" will be published in a stable, version-controlled format with effective dates and a change log, because the rule currently references a website list that may be updated "from time to time."

Staff Response: The matrix of "acceptable documents" will be published on the Department's website and as requested will note effective dates when any updated versions are posted. No changes to the rule are recommended in response to this comment.

Comment Requesting Safe Harbor:
Commenter (3) requests that relating to implementation timeline and readiness, that a safe-harbor period be added during which Administrators acting in good faith under TDHCA training/guidance are not penalized for initial implementation errors.
Staff Response: Because of the federal applicability of these requirements in most cases, staff does not recommend the rule provide for a safe harbor. However, the Department and its program staff are committed to training and guidance and monitoring staff will seek to be training oriented in initial monitoring on this issue. No changes to the rule are recommended in response to this comment.

Comment Relating to Forms and Training:
Commenter (3) requested that TDHCA confirm that it will provide standardized forms, checklists, training, and helpdesk support before enforcement, especially for smaller nonprofits and rural Administrators.
Staff Response: TDHCA confirms that it will provide forms, checklists, training, and support for Administrators. No changes are recommended in response to this comment.

Comment relating to Appeal Process for Households:
Commenter (3) requests that due process be considered and that the rule or mandatory guidance should include, a clear notice process (what the applicant receives, in what language(s), and within what timeframe), a reasonable cure period to provide missing documentation, an appeal process, including how SAVE mismatches are handled and corrected, and guardrails to prevent discouraging eligible households from applying due to fear or confusion.
Staff Response: Each program's rules already require specific provisions for the handling of a client's denial of services, which will now include possible denial under this rule as well. Because those provisions may vary by program, based on federal requirements, the provisions for such due process will remain in the program specific rules, and not be added to this section. No changes are recommended in response to this comment.

STATUTORY AUTHORITY. The new section is made pursuant to Tex. Gov't Code §2306.053, which authorizes the Department to adopt rules. Except as described herein the new section affects no other code, article, or statute. The rule, as proposed for adoption, has been reviewed by legal counsel and found to be a valid exercise of the Department's legal authority.

§1.410 Determination of Alien Status for Program Beneficiaries

(a) Purpose. The purpose of this section is to provide uniform Department guidance on Section 401(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), which provides that an alien who is not a Qualified Alien is not eligible for any federal or state public benefit.

(b) Definitions. The words and terms in this chapter shall have the meanings described in this subsection unless the context clearly indicates otherwise. Capitalized words used herein have the meaning assigned in the specific Chapters and Rules of this Title that govern the program under which program eligibility is seeking to be determined or assigned by federal or state law.
(1) Administrator--An entity that receives federal or state funds passed through the Department. The term includes, but is not limited, to a Subrecipient, State Recipient, Recipient, or a Developer of single-family housing for homeownership. The term also applies to a For Profit Entity having been procured by the Department to determine eligibility for federal or state funds and as otherwise reflected in the Contract.
(2) For Profit Entity--an Administrator that is neither a Public Organization nor a Nonprofit Charitable Organization.
(3) Nonprofit Charitable Organization--An entity that is organized and operated for purposes other than making gains or profits for the organization, its members or its shareholders, and is precluded from distributing any gains or profits to its members or shareholders; and is organized and operated for charitable purposes.
(4) Public Organization--An entity that is a Unit of Government or an organization established by a Unit of Government.
(5) Qualified Alien--A person that is not a U.S. Citizen or a U.S. National and is described at 8 U.S.C. §1641(b) or (c).
(6) State--The State of Texas or the Department, as indicated by context.
(7) Systematic Alien Verification for Entitlements (SAVE)--Automated intergovernmental database that allows authorized users to verify the immigration status of program applicants.

(c) Applicability for Federal Funds.
(1) The determination of whether a federal program, or activity type under a federal program, is a federal public benefit for purposes of PRWORA is made by the federal agency with administration of a program or activity. Block grants have been determined to be subject to PRWORA. The only circumstance in which the Department will not apply this section is in cases in which the PRWORA statute provides, or the administering federal agency has given clear direction, that an activity is explicitly not a federal public benefit and does not require verification.
(2) At the time of the publication of this rule, this rule applies to Contracts administered in the Single Family and Homeless Division and the Community Affairs Division for applicable federally funded Department programs including Low Income Home Energy Assistance Program, Department of Energy Weatherization Assistance Program, Community Services Block Grant Program, Community Development Block Grant Program, Emergency Solutions Grant Program, and to the extent used for single-family activities National Housing Trust Fund Program, ~~Neighborhood Stabilization Program,~~ the HOME Program and other programs as provided for in Administrator's Contracts or state guidance with an initial effective date on or after ~~February~~ April 1, 2026, or for the Community Development Block Grant Program and HOME 2025 or later year funds added to an existing Contract. For those programs

that operate reservation based funding methods this rule applies to Household Commitment Contracts with an initial effective date on or after ~~February~~ April 1, 2026.
(3) The requirements of this section are applicable to Subrecipients of federal funds passed through the Department as described in paragraph (1) of this subsection. However, certain exemptions under PRWORA may exist on a case specific, or activity specific basis as further provided by the applicable federal agency.

(d) Applicability for State Funds. The Department has determined that State funds that are provided to a Subrecipient to be distributed directly to individuals, are a state public benefit. At the time of the publication of this rule, applicable state funded Department programs include TCAP-RF (to the extent used for single-family activities), the Homeless Housing and Services Program, the Amy Young Barrier Removal Program, and the Bootstrap Program and other programs as provided for in Administrator's Contracts or state guidance with an initial effective date on or after ~~February~~ April 1, 2026. For those programs that operate reservation based funding methods this rule applies to Activity level commitment documents with an initial effective date on or after ~~February~~ April 1, 2026.

(e) Exemptions and Benefit Calculations under PRWORA.
(1) If no exemptions under PRWORA are applicable to the activity type, as provided for by the federal agency or by the statute, then the Subrecipient must verify U.S. Citizen, U.S. National, or Qualified Alien status ("legal status") using the methods provided for in subsection (f) of this section and evaluate eligibility using the rules for the applicable program under this Title.
(2) Administrators should review Program Rules and Contracts for additional information, including how benefit calculations are adjusted for households in which not all members can be verified.
(3) Populations that are documented by the Administrator as covered by the Violence Against Women Act (VAWA) or the Family Violence Prevention and Services Act (FVPSA) are excepted from having verification under this rule performed, unless required to do so under federal guidance.

(f) Verification Process Under PRWORA for Programs with Subrecipients.
(1) Administrators must~~may~~ first seek to verify legal status through the use of several established documents as described more fully in guidance provided by the Department and in the Administrator's Contract. Only if unable to verify legal status with those documents will the SAVE system be utilized as described in this subsection.
(2) Public Organizations. Administrators that are Public Organizations are required to perform the verifications through the SAVE system.
(3) An Administrator is required to ensure compliance with the verification requirement as provided for in subparagraphs (A), (B) or (C) of this paragraph. Records must be maintained as required by subparagraph (D) of this paragraph. Notification of election of method must be provided in accordance with subparagraph (E) of this paragraph.
(A) The Subrecipient requesting from the household and transmitting to the Department, or a party contracted by the Department, sufficient information or documentation so that the Department or its vendor can perform such verification and provide a determination to the Subrecipient; OR

(B) As eligible, the Administrator electing to perform the verifications through the SAVE system, as authorized through the Department's access to such system; OR
(C) The Subrecipient electing to procure an eligible qualified organization to perform such verifications on its behalf, subject to Department approval.
(D) In the administration of subparagraph (A) of this paragraph, the Administrator must provide and maintain a sufficient method of electronic transmittal system that allows for such information to be provided to the Department or its vendor, and ensures the secure safekeeping of such paper and/or electronic files, and receipt of subsequent response back from the Department or its contracted party. In the administration of subparagraphs (B) or (C) of this paragraph, the Subrecipient or its procured provider must maintain sufficient evidence and documentation that verification has taken place so that such verification can be confirmed by the Department.
(E) Notification of Election of method under subsection (f)(4)(A) through (C) of this section by Nonprofit Charitable Organizations and For Profit Entities must be provided to the Department as specified in this subparagraph.
(i) For existing Applicants, Administrators with a Contract that is subject to Automatic Renewal, and Awardees or Administrators with a Reservation Contract. No later than 60 days after the effective date of this rule, all entities shall submit their election under subsection (f)(4)(A) through (C) of this section in writing to the applicable program director or his/her designee.
(ii) A new Applicant must make its election under subsection (f)(4)(A) through (C) of this section in its application, or if there is no Application prior to Contract execution.
(iii) For Administrators with no Application or Automatic Renewal once an election is made under this subsection or was made under a prior version of this rule, it does not need to be resubmitted or reelected, but will continue from the election made in the prior year unless the Administrator notifies the Department otherwise in writing at least three months prior to the renewal of the Contract (as applicable).
(iv) If an Administrator does not notify the Department of the election in writing by the deadline or refuses to abide by its election the Administrator will not be eligible to perform as an Administrator in the program, which is considered good cause for nonrenewal or termination of a Contract.
(g) The Department may further describe an Administrator's responsibilities under PRWORA, including but not limited to use of the SAVE system, in its Contract with the Administrator or in further guidance. Nothing in this rule shall be construed to be a waiver, ratification, or acceptance of noncompliant administration of a program prior to the rule becoming effective.

(h) Regardless of method of verification, the results of the verification performed or received by the Administrator must be utilized by the Administrator in determining household eligibility, benefits, income, or other programmatic designations as required by applicable federal program guidance or as determined by other Program Rules under this Title.

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1306 **Agenda Date: 01/15/2026** **Agenda #: 37.**

Presentation, discussion, and possible action on a request for an extension of the previously approved deadline to Place in Service for Bailey at Berkman

PULLED FROM THE AGENDA

Texas Department of Housing and Community Affairs

Governing Board

Board Action Request

File #: 1307 **Agenda Date:** 1/15/2026 **Agenda #:** 38.

Presentation, discussion, and possible action on a request for an extension of the previously approved deadline to Place in Service for Bailey at Stassney

RECOMMENDED ACTION

WHEREAS, Bailey at Stassney was awarded 9% housing tax credits during the 2024 Competitive Housing Tax Credit cycle;

WHEREAS, the Development Owner executed a Carryover Allocation Agreement that included certifications stating each building receiving an allocation would be placed in service by December 31, 2026;

WHEREAS, the Board previously approved a request for force majeure treatment in 2025, that extended the deadline to be placed in service by six months to June 30, 2027, which is earlier than the allowable federal deadline of December 31, 2027; and

WHEREAS, the Applicant has requested that the Board approve extending the placed-in-service deadline an additional six months to the allowable federal deadline;

NOW, therefore, it is hereby

RESOLVED, that the request to treat the matter under the force majeure provisions of 10 TAC §11.6(5) is approved, and that the 2024 Qualified Allocation Plan, Uniform Multifamily Rules, and the 2026 Program Calendar shall be applicable to the Development, with a deadline to place in service of December 31, 2027.

BACKGROUND

Development	Bailey at Stassney
Target Population	Supportive Housing
HTC Award	$2,000,000
City	Austin
Total Units	104
HTC Units	104
Initial Year of Award	2024
Extension Requested	Six months

Bailey at Stassney is a 104-unit Supportive Housing Development located in Austin, Travis County. The development received an award of 9% Housing Tax Credits in 2024 and was approved for force majeure treatment in June 2025, but with an earlier deadline to place in service than is federally allowable. As a result, the current deadline to place in service is June

30, 2027.

The Developer has requested an additional six-month extension, which would create a new deadline to place in service of December 31, 2027. The justification provided for the request is that additional funds had to be sourced from the City of Austin's Homeless Strategy Office, and that formal approval of those funds took longer than had initially been expected. The funds were approved by Austin City Council on December 11, 2025, and the Development is currently scheduled to close on January 20, 2026 (note that this date is updated from the initial date provided in the request, which was January 7, 2026). In order to maintain funding from the Housing Authority of the City of Austin, construction on the project must commence no later than January 31, 2026.

IMPACT OF BOARD DECISION

If the Board approves the request:

- The new 10% Test deadline will be July 1, 2026.
- The new placed-in-service deadline will be December 31, 2027.

If the Board denies the request:

- The current placed-in-service deadline of June 30, 2027, remains in place.
- The Development Owner may either meet the existing deadline, return the credits, or have the award terminated for failing to meet the deadline.
- Returned credits will first be reallocated within the original subregion in accordance with 10 TAC §11.6(2). If no pending applications are eligible within the subregion, the credits will be added to the statewide collapse for reallocation.

This request has no impact on any funding source other than the Low Income Housing Tax Credit program.

RECOMMENDATION

Staff recommends approval of the request to extend the previously approved deadline to Place in Service for Bailey at Stassney.

powered by Legistar™

National Community Renaissance of Texas, Inc.

December 9, 2025

VIA E-MAIL
Cody Campbell
Josh Goldberger
Texas Department of Housing and Community Affairs
Asset Management Division
221 East 11th Street, Austin, Texas 78701

Re: PLACEMENT IN SERVICE EXTENSION REQUEST
Bailey at Stassney (TDHCA No. 24018)

This letter is a request to extend the Project's current placed in service deadline from June 30, 2027 to December 31, 2027. The Project received approval for a return and re-issuance of credits under the force majeure provisions of the QAP in June of this year. Since that time, the Project experienced delays relating to the financial underwriting and permitting process, as further detailed below and in the attached exhibits, and is now targeting a closing in early January 2026. This delay causes the construction timeline to extend past the tolerance threshold for the investor and lender.

The Bailey at Stassney development is a deeply needed supportive housing community designed to serve individuals experiencing or at risk of homelessness, youth aging out of foster care, and other vulnerable households who require service-enriched, deeply affordable housing. As a development awarded under TDHCA's Supportive Housing Set-Aside, the long-term feasibility of this project—and its ability to serve its intended population—relies on the successful layering of multiple public and private funding sources, each of which plays a critical role in the overall financial structure.

One of the most essential components of this structure is the City of Austin's Homeless Strategy Office (HSO) grant, totaling $2.25 million over 15 years ($150,000 annually). The addition of the HSO grant to the financial structure came about after the previous force majeure extension and is intended to fill a gap due to the capped rents and higher vacancies assumed in the investor's underwriting. These funds will directly support the comprehensive, trauma-informed supportive services that will be provided to the vulnerable populations in this supportive housing development. Without this grant, the development would be unable to fund these supportive services from operating income while also maintaining debt service. Thus, the HSO grant is not supplemental; it is foundational to the financial feasibility and long-term stability of the development.

Impact of City Council Delays

Although the HSO grant award itself was administratively confirmed earlier this year, the formal approval of the grant agreement was repeatedly delayed by the City Council. The item was originally anticipated for the November 6, 2025 agenda, then moved to November 20, and ultimately pushed to December 11, 2025. These delays were entirely outside of our control and directly impacted our ability to satisfy the conditions required by our financial partners.

Furthermore, even with the December 11 Council approval, the City's Homeless Strategy Office advised us that the fully executed agreement will not be available until after January 19, 2026. This timing misalignment created a significant financing challenge: our equity and lending partners require the *executed* agreement—not merely Council approval—to release substantial capital into the deal. At the same time, the delays in the City Council approval have pushed out closing and the completion date for the Project such that placement in service is now projected to occur after March 2027, which provides for less contingency in the schedule than the syndicator and its upper tier investor are comfortable with.

Equity and Lending Partner Requirements

Both Red Stone Equity Partners (syndicator) and JP Morgan (upper-tier investor) are requiring that two conditions be met before they can release the full equity pay-ins needed to sustain construction:

1. A fully executed HSO grant agreement; and
2. An approved placed-in-service extension beyond June 30, 2027.

These conditions reflect the current market dynamics in Austin, where investors are observing soft lease-up performance, elevated vacancies, capped underwriting rents below LIHTC limits, and increased caution across their portfolios. Their plan and cost reviewers also required extended due diligence—including reevaluation of site conditions and construction assumptions—which contributed to additional city review submittals and timeline delays. We have included a project timeline as Exhibit A to this letter that provides further details on these delays and their impact on the closing process.

Closing With Limited Equity Due to HACA Deadlines

To honor the January 31, 2026 construction commencement deadline set by the Housing Authority of the City of Austin (HACA)—which is necessary to preserve the project's awarded HCV and VASH vouchers—we are proceeding to close on January 7, 2026.
However, in order to meet HACA's timeline, we are closing with a limited initial equity pay-in of $500,000, instead of the originally anticipated $2.369 million. This abbreviated contribution is only temporary, but it underscores how urgently the equity partners need

the placed-in-service date extended before fully funding their commitments. Attached hereto as Exhibit B are letters from the syndicator and lender confirming their readiness for closing and outlining their requests relating to the placed in service deadline.

Necessity of the Additional Placed-in-Service Extension
By pushing all partners to close prior to seeking this extension—out of respect for the Board's priorities—we have now reached a point where the additional placed-in-service extension is essential for the following reasons:

- It provides the schedule certainty demanded by Red Stone and JP Morgan in the current market environment.
- It allows the substantial equity contributions to flow into the deal.
- It ensures construction can continue without disruption beyond the limited funds available at initial closing.
-

In short, the extension is now a financing trigger required to sustain construction continuity and deliver the 104 deeply affordable supportive housing units well within the final placed-in-service deadline.

Our Commitment
We remain fully committed to delivering this project in a timely manner and fulfilling the intent and requirements of the Supportive Housing Set-Aside. We have worked diligently with the City of Austin, TDHCA, our equity partners, our lender, and our service provider to structure a viable, high-impact development that responds directly to Austin's most urgent housing needs.

With approval of this placed-in-service extension—paired with the imminent execution of the HSO grant agreement—we are positioned to move forward without delay and bring these much-needed units online for the community.
We appreciate the Board's consideration and continued support.

Oscar Paul
Oscar Paul
Senior Development Manager
National Community Renaissance

National Community Renaissance of Texas, Inc.

Exhibit A
Project Timeline

5050 Sunflower Stree
Houston, TX 77033
www.nationalcore.org

Project Timeline for Bailey at Stassney – PIS Extension Request

Original Extension Approval:

- **June 12, 2025**: TDHCA Board approved our initial placed-in-service extension request, extending the PIS deadline from **12/31/2026 to 6/30/2027**.

Underwriting and Funding Delays:

- **July–November 2025**: Following the extension approval, significant delays arose due to Red Stone and JP Morgan's extremely cautious underwriting. They applied capped rents and assumed high vacancies, which required us to secure additional funding. This led us to pursue the $2.25 million grant from the City of Austin's Homeless Strategy Office (HSO) to fill the financial gap.
- Additionally, Red Stone and JP Morgan's plan and cost review teams disagreed with our engineer regarding site conditions and construction requirements. This resulted in additional review cycles and multiple resubmissions to the City of Austin, extending our permitting timeline. A will-issue letter for the permits has now been received.

HSO Grant Approval Process:

- **November 2025**: The HSO grant approval, originally set for early November, was postponed multiple times. The City Council hearing moved from November 6 to November 20 and was ultimately held on **December 11, 2025**.
- **December 2025**: Even with the December 11 approval, we were informed by the Homeless Strategy Office that the grant agreement would not be signed until after **January 19, 2026**.

Current Status and Need for Additional Extension:

- **January 7, 2026**: We are scheduled to close and begin construction by this date. However, due to the cautious approach of our equity partners, we are only receiving a limited initial equity pay-in of **$500,000** instead of the anticipated **$2.369 million**.
- We are requesting this additional placed-in-service extension to provide a cushion that will allow our investors to release the full equity once the supportive services agreement is signed and the placed-in-service date is extended. This request is driven by factors beyond our control, including investor underwriting conservatism and extended municipal review timelines.

Exhibit B
Syndicator and Lender Letters

5050 Sunflower Stree
Houston, TX 77033
www.nationalcore.org

REDSTONE
EQUITY PARTNERS

December 4, 2025

Cody Campbell
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

RE: Support for Placed in Service Extension – Bailey at Stassney

Dear Mr. Campbell:

On behalf of Red Stone Equity Partners, we are writing in support of a request submitted by the development team for Bailey at Stassney, a 104-unit affordable and supportive housing community located in Austin, Texas, seeking an extension of its state mandated placed in service deadline.

The due diligence is process is materially complete, the transaction structure, financial projections and project documents are in substantially final form. We are nearing the end of the closing process, currently expected to occur on January 16th with construction to commence shortly thereafter. However, the current outside placed in service date which was extended previously to 6/30/27 does not provide any contingency to the current estimated substantial completion date. Additionally, the construction schedule and contract do not provide for any allowances for weather delays or unforeseen conditions outside of the contractors control. We understand the outside federal placed in service date to be 12/31/27, including the carryover year. Our request is to extend the state mandated placed in service date to match the federal requirement and allow for 6 months of schedule contingency.

Extension of the placed in service date is a requirement of our upper tier investor to close in to the transaction and we will be unable to proceed with closing without resolution.

We appreciate your consideration of this request and your continued support for developments like Bailey at Stassney that serve Texas' most vulnerable populations. Please do not hesitate to contact me at matt@rsequity.com or 858.752.2066 should you have any questions regarding our role in the project or this request.

Sincerely,



Matt Grosz
Managing Director and Deputy Chief Investment Officer

Community Capital

citi

Date: December 8, 2025

To: Texas Department of Housing and Community Affairs (TDHCA) Board
Re: Bailey at Stassney – Placed-in-Service Extension Request Support

Dear TDHCA Board Members,

Citi Community Capital will be the construction lender and designated underwriter and servicer for the Freddie Mac permanent loan for Bailey at Stassney. We are providing this letter in support of an extension of the placed-in-service date from June 30, 2027, to December 31, 2027.

The financing team is working diligently to close Bailey at Stassney this upcoming January. The current construction schedule from the general contractor has a 15-month construction period, which puts the completion date at end of March 2027. We understand that the upper tier investor in the transaction has a closing requirement that the expected completion date has a few month time buffer to the place-in-service date. Our project currently does not meet the buffer that is required for the upper tier investor to close and fund. Due to this reason, we are asking for an extension in the place-in-service date to December 31, 2027, so that we can close with all financing parties and commence construction on the project to bring much needed affordable and permanent supportive housing units to the City of Austin.

We appreciate your consideration of this request. Please do not hesitate to contact me should you have any questions regarding our role in this transaction or request.

Thank you for your attention to this matter.

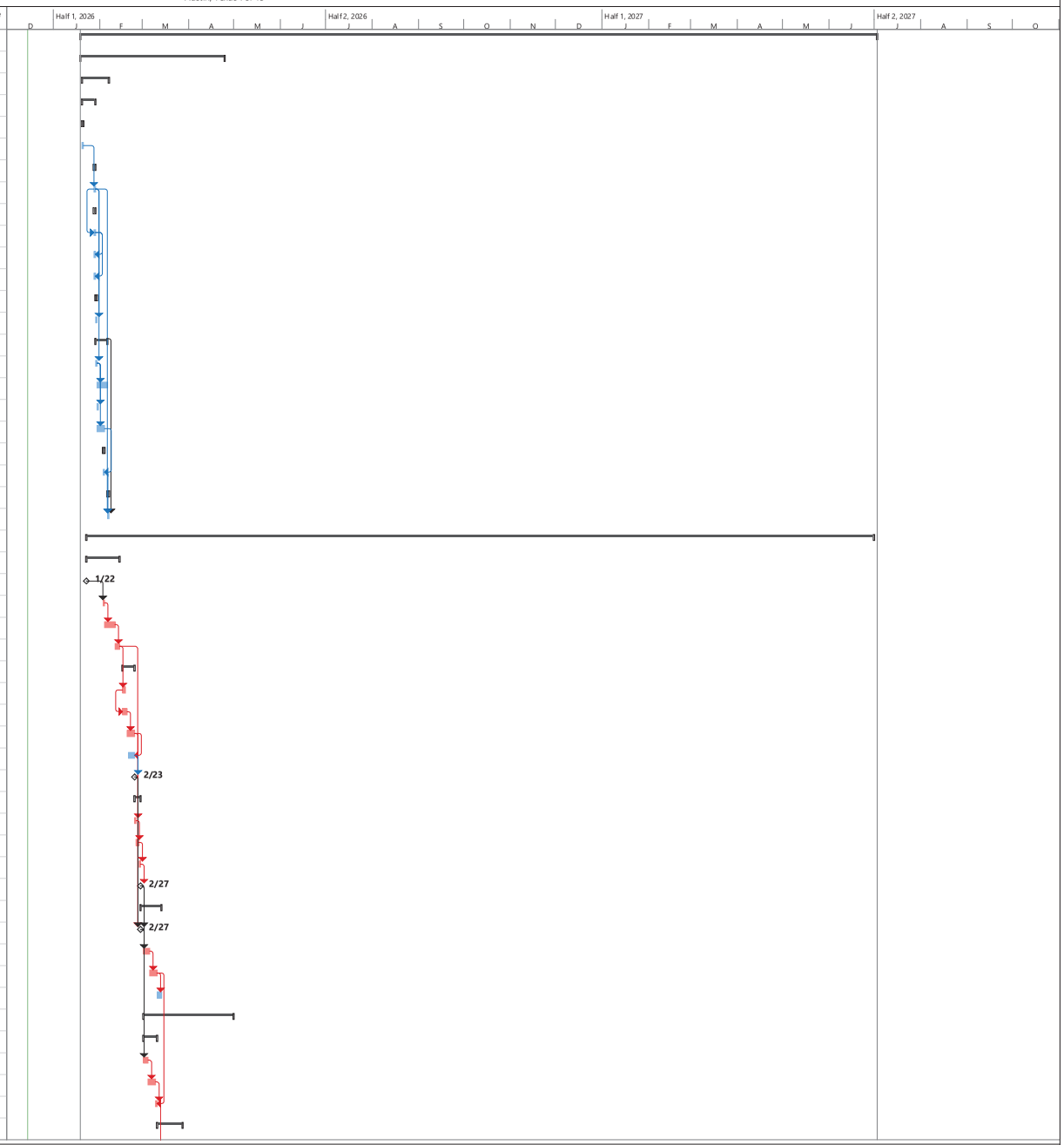
Sincerely,

Citi Community Capital

Mahesh Aiyer
Managing Director

Bailey at Stassney
5616 Humming Bird LN
Austin, Texas 78745

ID	Task Name	Duration	Start	Finish	% Complete
1	**Project Time Line**	**372 days**	**Mon 1/19/26**	**Fri 7/2/27**	**0%**
2	**Pre-Construction**	**70 days**	**Mon 1/19/26**	**Fri 4/24/26**	**0%**
87	**Mobilization**	**14 days**	**Tue 1/20/26**	**Fri 2/6/26**	**0%**
88	**Temp Fencing / Secure Project Site**	**7 days**	**Tue 1/20/26**	**Wed 1/28/26**	**0%**
89	**Utility Locates (TX 811 Call)**	**1 day**	**Tue 1/20/26**	**Tue 1/20/26**	**0%**
90	ICON Line Location of Utilities	1 day	Tue 1/20/26	Tue 1/20/26	0%
91	**Install Perimeter Fencing**	**1 day**	**Wed 1/28/26**	**Wed 1/28/26**	**0%**
92	Secure Building Footprint	1 day	Wed 1/28/26	Wed 1/28/26	0%
93	**Notices and Signage**	**1 day**	**Wed 1/28/26**	**Wed 1/28/26**	**0%**
94	File TPDES NOI (Stormwater Permit)	1 day	Wed 1/28/26	Wed 1/28/26	0%
95	Post Construction/Project/HUD Signage	1 day	Wed 1/28/26	Wed 1/28/26	0%
96	Egress and Emergency Evacuation Signs	1 day	Wed 1/28/26	Wed 1/28/26	0%
97	**Temp Toilets**	**1 day**	**Thu 1/29/26**	**Thu 1/29/26**	**0%**
98	Deliver and Install Units	1 day	Thu 1/29/26	Thu 1/29/26	0%
99	**Set Up Job Trailer**	**6 days**	**Thu 1/29/26**	**Thu 2/5/26**	**0%**
100	Deliver and Position Trailer	1 day	Thu 1/29/26	Thu 1/29/26	0%
101	Interior Setup (Furniture/Tech)	5 days	Fri 1/30/26	Thu 2/5/26	0%
102	Temp Utility Hookups (Water/Sewer)	1 day	Fri 1/30/26	Fri 1/30/26	0%
103	Temp Power Installation	3 days	Fri 1/30/26	Tue 2/3/26	0%
104	**Power and Utility Connections**	**1 day**	**Tue 2/3/26**	**Tue 2/3/26**	**0%**
105	Temp Lighting/Site Power Distribution	1 day	Tue 2/3/26	Tue 2/3/26	0%
106	**Safety Plan and Final Walkthrough**	**1 day**	**Fri 2/6/26**	**Fri 2/6/26**	**0%**
107	Post Safety Plan	1 day	Fri 2/6/26	Fri 2/6/26	0%
108	**Site Work**	**366 days**	**Thu 1/22/26**	**Wed 6/30/27**	**0%**
109	**Asbestos Abatement**	**16 days**	**Thu 1/22/26**	**Fri 2/13/26**	**0%**
110	Notice to State	0 days	Thu 1/22/26	Thu 1/22/26	0%
111	Mobilization / Containment	1 day	Tue 2/3/26	Tue 2/3/26	0%
112	Abatement Process	5 days	Wed 2/4/26	Tue 2/10/26	0%
113	Test and Finalize Abatement	3 days	Wed 2/11/26	Fri 2/13/26	0%
114	**Erosion Control**	**6 days**	**Mon 2/16/26**	**Mon 2/23/26**	**0%**
115	Construction Entrance (Rock Tracking Pad)	2 days	Mon 2/16/26	Tue 2/17/26	0%
116	Floodplain Security/CWL Protection	3 days	Mon 2/16/26	Wed 2/18/26	0%
117	Silt Fencing and Swales	3 days	Thu 2/19/26	Mon 2/23/26	0%
118	Inlet Protection	2 days	Fri 2/20/26	Mon 2/23/26	0%
119	Erosion Control Inspection	0 days	Mon 2/23/26	Mon 2/23/26	0%
120	**Arborist and Tree Protection**	**4 days**	**Tue 2/24/26**	**Fri 2/27/26**	**0%**
121	Arborist Site Assessment	1 day	Tue 2/24/26	Tue 2/24/26	0%
122	Install Tree Protection Fencing	2 days	Wed 2/25/26	Thu 2/26/26	0%
123	Mulch and Signage	1 day	Fri 2/27/26	Fri 2/27/26	0%
124	Arborist Certification	0 days	Fri 2/27/26	Fri 2/27/26	0%
125	**Level 3 Demolition**	**10 days**	**Fri 2/27/26**	**Fri 3/13/26**	**0%**
126	Disconnect Power to Main Service	0 days	Fri 2/27/26	Fri 2/27/26	0%
127	Demo Existing Structures/Fencing	4 days	Mon 3/2/26	Thu 3/5/26	0%
128	Demo / Remove Trees To Remain	3 days	Fri 3/6/26	Tue 3/10/26	0%
129	Protect Remaining Features	3 days	Wed 3/11/26	Fri 3/13/26	0%
130	**Excavation**	**44 days**	**Mon 3/2/26**	**Thu 4/30/26**	**0%**
131	**Site Clearing**	**7 days**	**Mon 3/2/26**	**Tue 3/10/26**	**0%**
132	Remove Gravel Road and Structures	3 days	Mon 3/2/26	Wed 3/4/26	0%
133	Clear Grass / Blade Site	3 days	Thu 3/5/26	Mon 3/9/26	0%
134	Grass Removal and Haul-Off	1 day	Tue 3/10/26	Tue 3/10/26	0%
135	**Rough Grading Site**	**13 days**	**Wed 3/11/26**	**Fri 3/27/26**	**0%**

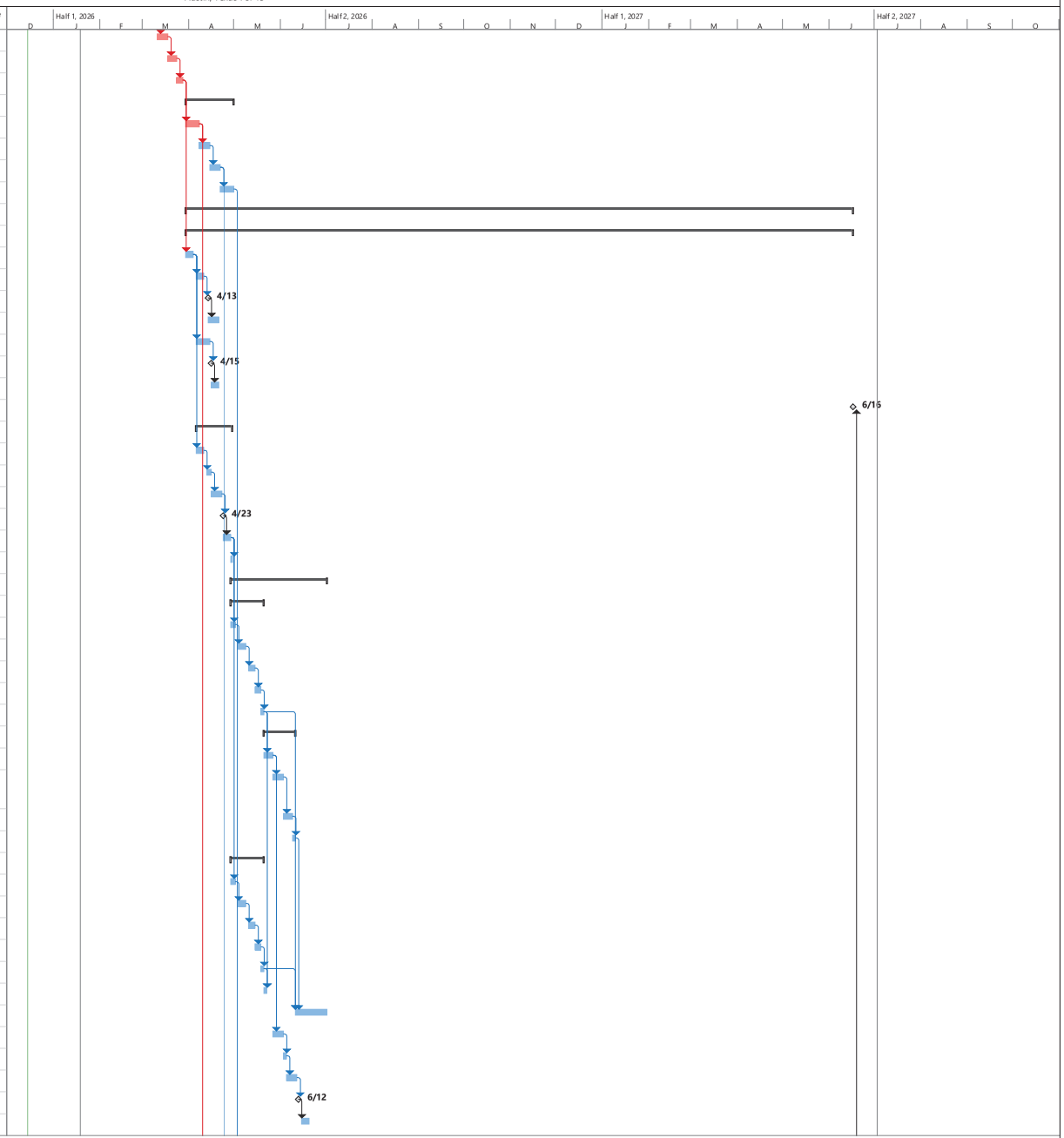


ICON

Task | Summary | Inactive Milestone | Duration-only | Start-only | External Milestone | Critical Split
Split | Project Summary | Inactive Summary | Manual Summary Rollup | Finish-only | Deadline | Progress
Milestone | Inactive Task | Manual Task | Manual Summary | External Tasks | Critical | Manual Progress

Bailey at Stassney
5616 Humming Bird LN
Austin, Texas 78745

ID	Task Name	Duration	Start	Finish	% Complete
136	Building Slab Area	5 days	Wed 3/11/26	Tue 3/17/26	0%
137	Parking and Driveway Areas [North West]	4 days	Wed 3/18/26	Mon 3/23/26	0%
138	Parking and Driveway Areas [South East]	4 days	Tue 3/24/26	Fri 3/27/26	0%
139	**Fine Grading**	**24 days**	**Mon 3/30/26**	**Thu 4/30/26**	**0%**
140	Building Foundation	7 days	Mon 3/30/26	Tue 4/7/26	0%
141	Fire Lanes	5 days	Wed 4/8/26	Tue 4/14/26	0%
142	Parking Lot	5 days	Wed 4/15/26	Tue 4/21/26	0%
143	Landscape Areas	7 days	Wed 4/22/26	Thu 4/30/26	0%
144	**Utilities**	**310 days**	**Mon 3/30/26**	**Wed 6/16/27**	**0%**
145	**Water**	**310 days**	**Mon 3/30/26**	**Wed 6/16/27**	**0%**
146	Trenching / Excavation	5 days	Mon 3/30/26	Fri 4/3/26	0%
147	Place Fire Line	5 days	Mon 4/6/26	Fri 4/10/26	0%
148	Water Line Inspection (Prior to Backfill)	0 days	Mon 4/13/26	Mon 4/13/26	0%
149	Backfill and Compact	5 days	Tue 4/14/26	Mon 4/20/26	0%
150	Run Domestic Water	7 days	Mon 4/6/26	Tue 4/14/26	0%
151	Domestic Water Line Inspection (Prior to Backfill)	0 days	Wed 4/15/26	Wed 4/15/26	0%
152	Backfill and Compact	3 days	Thu 4/16/26	Mon 4/20/26	0%
153	Set Meter and Bases	0 days	Wed 6/16/27	Wed 6/16/27	0%
154	**Sanitary Sewer**	**18 days**	**Mon 4/6/26**	**Wed 4/29/26**	**0%**
155	Trenching / Excavation	5 days	Mon 4/6/26	Fri 4/10/26	0%
156	Set Manholes	3 days	Mon 4/13/26	Wed 4/15/26	0%
157	Place Lines	5 days	Thu 4/16/26	Wed 4/22/26	0%
158	Sanitary Sewer Line/Manhole Inspection (Prior to Backfill)	0 days	Thu 4/23/26	Thu 4/23/26	0%
159	Backfill and Compact	3 days	Fri 4/24/26	Tue 4/28/26	0%
160	City and Street Tap	1 day	Wed 4/29/26	Wed 4/29/26	0%
161	**Storm Line / Rain Gardens**	**45 days**	**Wed 4/29/26**	**Wed 7/1/26**	**0%**
162	**Rain Garden A**	**16 days**	**Wed 4/29/26**	**Wed 5/20/26**	**0%**
163	Rain Garden 1 (North) - Excavate and Grade	3 days	Wed 4/29/26	Fri 5/1/26	0%
164	Rain Garden 1 (North) - Amend Soil/Underdrain	5 days	Mon 5/4/26	Fri 5/8/26	0%
165	Rain Garden 1 (North) - Install Overflow/Storm Lines	4 days	Mon 5/11/26	Thu 5/14/26	0%
166	Rain Garden 1 (North) - Plant Vegetation	2 days	Fri 5/15/26	Mon 5/18/26	0%
167	Rain Garden 1 (North) - Mulch and Initial Inspection	2 days	Tue 5/19/26	Wed 5/20/26	0%
168	**Rain Garden B**	**14 days**	**Thu 5/21/26**	**Wed 6/10/26**	**0%**
169	Rain Garden 2 (South) - Excavate and Grade	3 days	Thu 5/21/26	Tue 5/26/26	0%
170	Rain Garden 2 (South) - Amend Soil/Underdrain/Overflow/Storm Lines/Mulch/Inspection	5 days	Wed 5/27/26	Tue 6/2/26	0%
171	Rain Garden 2 (South) - Install Overflow/Storm Lines	4 days	Wed 6/3/26	Mon 6/8/26	0%
172	Rain Garden 2 (South) - Plant Vegetation	2 days	Tue 6/9/26	Wed 6/10/26	0%
173	**Rain Garden C**	**16 days**	**Wed 4/29/26**	**Wed 5/20/26**	**0%**
174	Rain Garden 3 (North) - Excavate and Grade	3 days	Wed 4/29/26	Fri 5/1/26	0%
175	Rain Garden 3 (North) - Amend Soil/Underdrain	5 days	Mon 5/4/26	Fri 5/8/26	0%
176	Rain Garden 3 (North) - Install Overflow/Storm Lines	4 days	Mon 5/11/26	Thu 5/14/26	0%
177	Rain Garden 3 (North) - Plant Vegetation	2 days	Fri 5/15/26	Mon 5/18/26	0%
178	Rain Garden 3 (North) - Mulch and Initial Inspection	2 days	Tue 5/19/26	Wed 5/20/26	0%
179	Protect Rain Gardens	2 days	Thu 5/21/26	Fri 5/22/26	0%
180	Retaining Walls Around Rain Gardens (Concrete)	15 days	Thu 6/11/26	Wed 7/1/26	0%
181	Trenching / Excavation	5 days	Wed 5/27/26	Tue 6/2/26	0%
182	Set Manholes	2 days	Wed 6/3/26	Thu 6/4/26	0%
183	Place Lines	5 days	Fri 6/5/26	Thu 6/11/26	0%
184	Storm Line Inspection (Prior to Backfill)	0 days	Fri 6/12/26	Fri 6/12/26	0%
185	Backfill and Compact Storm Lines	5 days	Mon 6/15/26	Fri 6/19/26	0%

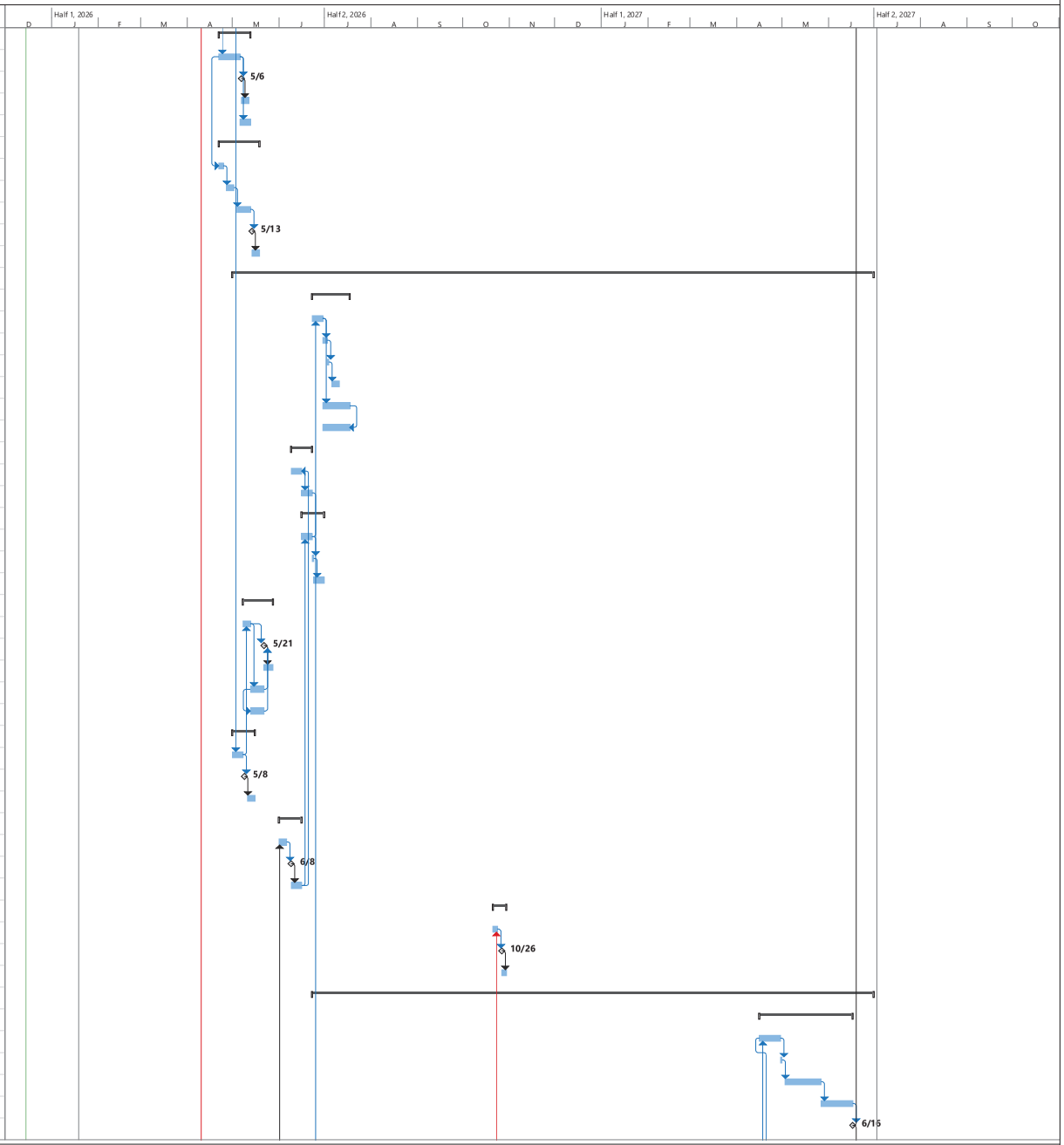


ICON

Task | Summary | Inactive Milestone | Duration-only | Start-only | External Milestone | Critical Split
Split | Project Summary | Inactive Summary | Manual Summary Rollup | Finish-only | Deadline | Progress
Milestone | Inactive Task | Manual Task | Manual Summary | External Tasks | Critical | Manual Progress

Bailey at Stassney
5616 Humming Bird LN
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ID	Task Name	Duration	Start	Finish	% Complete
186	**Electrical**	**15 days**	**Wed 4/22/26**	**Tue 5/12/26**	**0%**
187	Building Service	10 days	Wed 4/22/26	Tue 5/5/26	0%
188	Electrical Line Inspection (Prior to Backfill)	0 days	Wed 5/6/26	Wed 5/6/26	0%
189	Backfill and Compact	3 days	Thu 5/7/26	Mon 5/11/26	0%
190	Underground Light Pole	5 days	Wed 5/6/26	Tue 5/12/26	0%
191	**Fiber**	**19 days**	**Wed 4/22/26**	**Mon 5/18/26**	**0%**
192	Temp Protect / Relocate Fiber	3 days	Wed 4/22/26	Fri 4/24/26	0%
193	Trenching for New Service	5 days	Mon 4/27/26	Fri 5/1/26	0%
194	Place Service Conduit	7 days	Mon 5/4/26	Tue 5/12/26	0%
195	Fiber Line Inspection (Prior to Backfill)	0 days	Wed 5/13/26	Wed 5/13/26	0%
196	Backfill and Compact	3 days	Thu 5/14/26	Mon 5/18/26	0%
197	**Site Concrete and Pavement**	**296 days**	**Fri 5/1/26**	**Wed 6/30/27**	**0%**
198	**Retaining Walls (Concrete)**	**19 days**	**Tue 6/23/26**	**Fri 7/17/26**	**0%**
199	Excavate and Form Wall A	5 days	Tue 6/23/26	Mon 6/29/26	0%
200	Install Rebar Wall A	3 days	Tue 6/30/26	Thu 7/2/26	0%
201	Rebar Inspection Wall A (Permit Req)	1 day	Fri 7/3/26	Fri 7/3/26	0%
202	Pour and Cure Wall A	5 days	Mon 7/6/26	Fri 7/10/26	0%
203	Excavate/form/ Rebar/Inspect/Pour Wall B	14 days	Tue 6/30/26	Fri 7/17/26	0%
204	Excavate/form/rebar/inspect/pour Wall C	14 days	Tue 6/30/26	Fri 7/17/26	0%
205	**Dumpster Location**	**10 days**	**Tue 6/9/26**	**Mon 6/22/26**	**0%**
206	Pour Dumpster Pad	5 days	Tue 6/9/26	Mon 6/15/26	0%
207	Place Dumpster Enclosure	5 days	Tue 6/16/26	Mon 6/22/26	0%
208	**Curbs and Gutters**	**11 days**	**Tue 6/16/26**	**Tue 6/30/26**	**0%**
209	Form and Rebar Curbs/Gutters	5 days	Tue 6/16/26	Mon 6/22/26	0%
210	Rebar Inspection Curbs/Gutters	1 day	Tue 6/23/26	Tue 6/23/26	0%
211	Pour and Cure Curbs/Gutters	5 days	Wed 6/24/26	Tue 6/30/26	0%
212	**Drive Approach Placements**	**13 days**	**Fri 5/8/26**	**Wed 5/27/26**	**0%**
213	Form and Rebar North Main Drive Approach	3 days	Fri 5/8/26	Tue 5/12/26	0%
214	Rebar Inspection North Main	0 days	Thu 5/21/26	Thu 5/21/26	0%
215	Pour and Cure North Main	3 days	Fri 5/22/26	Wed 5/27/26	0%
216	Form/Rebar/Inspect/Pour East Parking Drive Approach 1	7 days	Wed 5/13/26	Thu 5/21/26	0%
217	Form/Rebar/Inspect/Pour East Parking Drive Approach 2	7 days	Wed 5/13/26	Thu 5/21/26	0%
218	**Concrete Fire Lanes**	**11 days**	**Fri 5/1/26**	**Fri 5/15/26**	**0%**
219	Form and Rebar Fire Lanes	5 days	Fri 5/1/26	Thu 5/7/26	0%
220	Rebar Inspection Fire Lanes	0 days	Fri 5/8/26	Fri 5/8/26	0%
221	Pour and Cure Fire Lanes	5 days	Mon 5/11/26	Fri 5/15/26	0%
222	**Concrete Parking Lot**	**11 days**	**Mon 6/1/26**	**Mon 6/15/26**	**0%**
223	Form and Rebar Parking Lot	5 days	Mon 6/1/26	Fri 6/5/26	0%
224	Rebar Inspection Parking Lot	0 days	Mon 6/8/26	Mon 6/8/26	0%
225	Pour and Cure Parking Lot	5 days	Tue 6/9/26	Mon 6/15/26	0%
226	**Place Sidewalks**	**7 days**	**Wed 10/21/26**	**Thu 10/29/26**	**0%**
227	Form and Rebar Sidewalks	3 days	Wed 10/21/26	Fri 10/23/26	0%
228	Rebar Inspection Sidewalks	0 days	Mon 10/26/26	Mon 10/26/26	0%
229	Pour and Cure Sidewalks	3 days	Tue 10/27/26	Thu 10/29/26	0%
230	**Exterior Improvements**	**260 days**	**Tue 6/23/26**	**Wed 6/30/27**	**0%**
231	**Landscaping and Irrigation**	**44 days**	**Fri 4/16/27**	**Wed 6/16/27**	**0%**
232	Place Irrigation Sleeves and Dig System	10 days	Fri 4/16/27	Thu 4/29/27	0%
233	Irrigation Inspection and Test	1 day	Fri 4/30/27	Fri 4/30/27	0%
234	Place Trees & Shrubs	18 days	Mon 5/3/27	Wed 5/26/27	0%
235	Place Grass and Mulch	15 days	Thu 5/27/27	Wed 6/16/27	0%
236	Landscape Final Inspection	0 days	Wed 6/16/27	Wed 6/16/27	0%

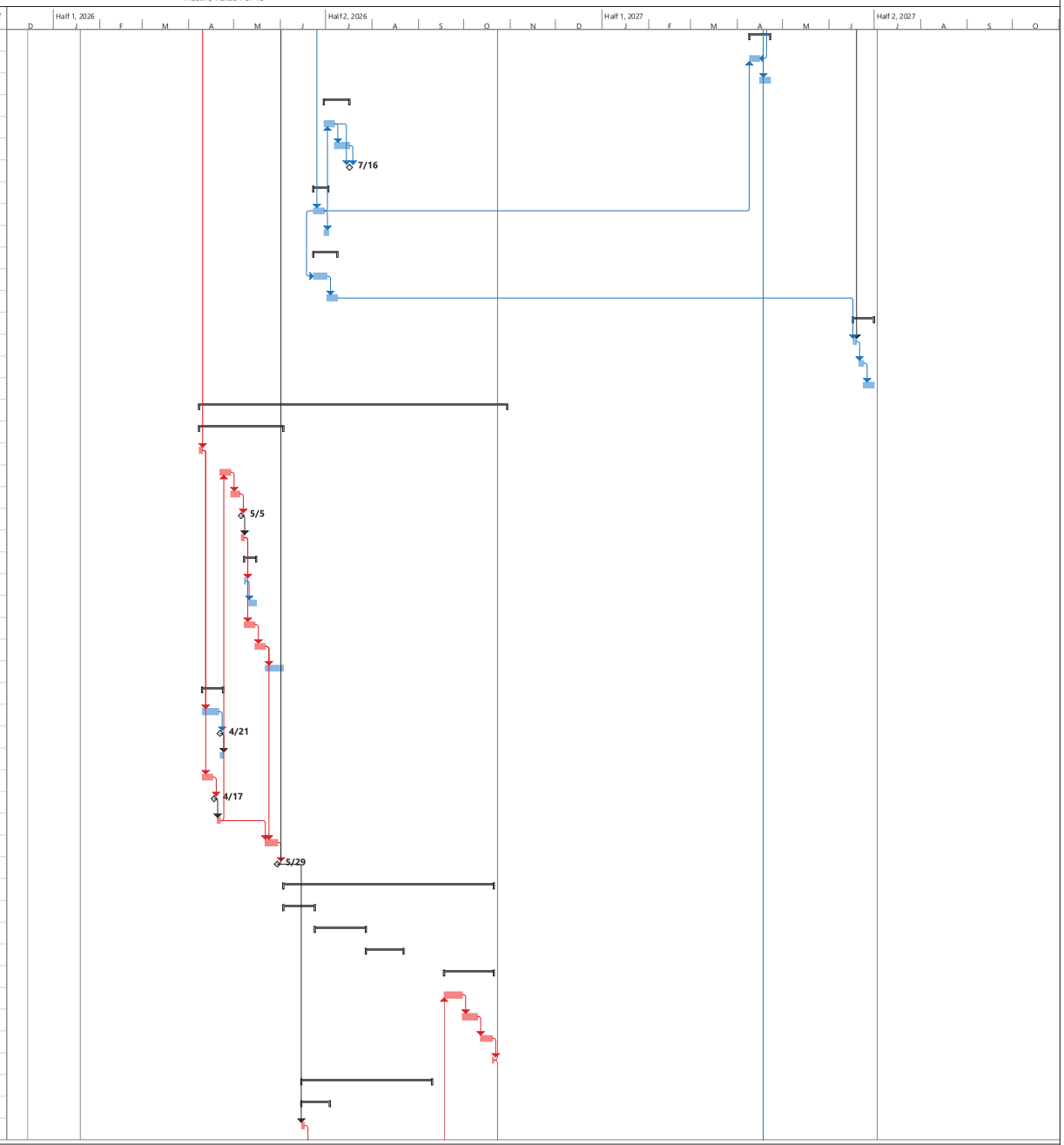


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Bailey at Stassney
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ID	Task Name	Duration	Start	Finish	% Complete
237	**Monument Signs**	**10 days**	**Fri 4/9/27**	**Thu 4/22/27**	**0%**
238	Foundation and Install Sign 1 (North)	5 days	Fri 4/9/27	Fri 4/16/27	0%
239	Install Sign 2 (South) and Wiring	5 days	Fri 4/16/27	Thu 4/22/27	0%
240	**Flag and Light Poles**	**13 days**	**Tue 6/30/26**	**Thu 7/16/26**	**0%**
241	Install Flag Poles (All 4)	5 days	Tue 6/30/26	Mon 7/6/26	0%
242	Install Light Poles (All 10) and Wiring	8 days	Tue 7/7/26	Thu 7/16/26	0%
243	Light Pole Inspection and Test	0 days	Thu 7/16/26	Thu 7/16/26	0%
244	**Dumpster Enclosure**	**8 days**	**Tue 6/23/26**	**Thu 7/2/26**	**0%**
245	Frame and Install Panels	5 days	Tue 6/23/26	Mon 6/29/26	0%
246	Install Lockable Gate	3 days	Tue 6/30/26	Thu 7/2/26	0%
247	**Bollards Steel Placement and Gates**	**12 days**	**Tue 6/23/26**	**Wed 7/8/26**	**0%**
248	Install Bollards (All 20)	7 days	Tue 6/23/26	Wed 7/1/26	0%
249	Install Gates (All 4)	5 days	Thu 7/2/26	Wed 7/8/26	0%
250	**Parking and Striping and Signage**	**10 days**	**Thu 6/17/27**	**Wed 6/30/27**	**0%**
251	Layout and Mark Parking Stalls	2 days	Thu 6/17/27	Fri 6/18/27	0%
252	Apply Striping and Markings	3 days	Mon 6/21/27	Wed 6/23/27	0%
253	Install Signage (All 20)	5 days	Thu 6/24/27	Wed 6/30/27	0%
254	**Building Envelope**	**145 days**	**Wed 4/8/26**	**Thu 10/29/26**	**0%**
255	**Foundation**	**39 days**	**Wed 4/8/26**	**Tue 6/2/26**	**0%**
256	Set Building Forms	2 days	Wed 4/8/26	Thu 4/9/26	0%
257	Excavate and Form Footings	5 days	Wed 4/22/26	Tue 4/28/26	0%
258	Install Rebar Footings	4 days	Wed 4/29/26	Mon 5/4/26	0%
259	Rebar Inspection Footings (Permit Req)	0 days	Tue 5/5/26	Tue 5/5/26	0%
260	Pour and Cure Footings	2 days	Wed 5/6/26	Thu 5/7/26	0%
261	**Form and Rebar Foundation Walls**	**6 days**	**Fri 5/8/26**	**Fri 5/15/26**	**0%**
262	Rebar Inspection Foundation Walls	1 day	Fri 5/8/26	Fri 5/8/26	0%
263	Pour and Cure Foundation Walls	5 days	Mon 5/11/26	Fri 5/15/26	0%
264	Excavate Elevator Pit	5 days	Fri 5/8/26	Thu 5/14/26	0%
265	Form/Rebar and Pour Elevator Pit/Shaft	5 days	Fri 5/15/26	Thu 5/21/26	0%
266	Form/Rebar and Pour Stairways	7 days	Fri 5/22/26	Tue 6/2/26	0%
267	**MEP Underground**	**10 days**	**Fri 4/10/26**	**Thu 4/23/26**	**0%**
268	Install Plumbing/Sprinkler Underground	7 days	Fri 4/10/26	Mon 4/20/26	0%
269	Plumbing/Sprinkler Inspection Underground	0 days	Tue 4/21/26	Tue 4/21/26	0%
270	Backfill and Compact Plumbing Underground	2 days	Wed 4/22/26	Thu 4/23/26	0%
271	Install Electrical Underground	5 days	Fri 4/10/26	Thu 4/16/26	0%
272	MEP Underground Inspection	0 days	Fri 4/17/26	Fri 4/17/26	0%
273	Backfill and Compact MEP Underground	2 days	Mon 4/20/26	Tue 4/21/26	0%
274	Slab Prep Level 1 (Post-Backfill)	5 days	Fri 5/22/26	Fri 5/29/26	0%
275	Foundation Final Inspection	0 days	Fri 5/29/26	Fri 5/29/26	0%
276	**Masonry**	**99 days**	**Wed 6/3/26**	**Tue 10/20/26**	**0%**
277	**CMU Walls (Ground Level/Base)**	**15 days**	**Wed 6/3/26**	**Tue 6/23/26**	**0%**
281	**CMU Walls (Levels 1-3)**	**24 days**	**Wed 6/24/26**	**Mon 7/27/26**	**0%**
286	**CMU Walls (Levels 4-5)**	**19 days**	**Tue 7/28/26**	**Fri 8/21/26**	**0%**
290	**Stucco and EFIS Finishes**	**23 days**	**Fri 9/18/26**	**Tue 10/20/26**	**0%**
291	Prep and Scratch Coat Stucco/EFIS	8 days	Fri 9/18/26	Tue 9/29/26	0%
292	Brown Coat Stucco/EFIS	8 days	Wed 9/30/26	Fri 10/9/26	0%
293	Finish Coat Stucco/EFIS	6 days	Mon 10/12/26	Mon 10/19/26	0%
294	Stucco/EFIS Inspection	1 day	Tue 10/20/26	Tue 10/20/26	0%
295	**Division 6 - Woods and Plastics (Framing)**	**62 days**	**Mon 6/15/26**	**Wed 9/9/26**	**0%**
296	**Framing Level 1 (Ground Floor/Clubhouse)**	**15 days**	**Mon 6/15/26**	**Fri 7/3/26**	**0%**
297	Erect Misc. Steel Columns/Beams Level 1	2 days	Mon 6/15/26	Tue 6/16/26	0%

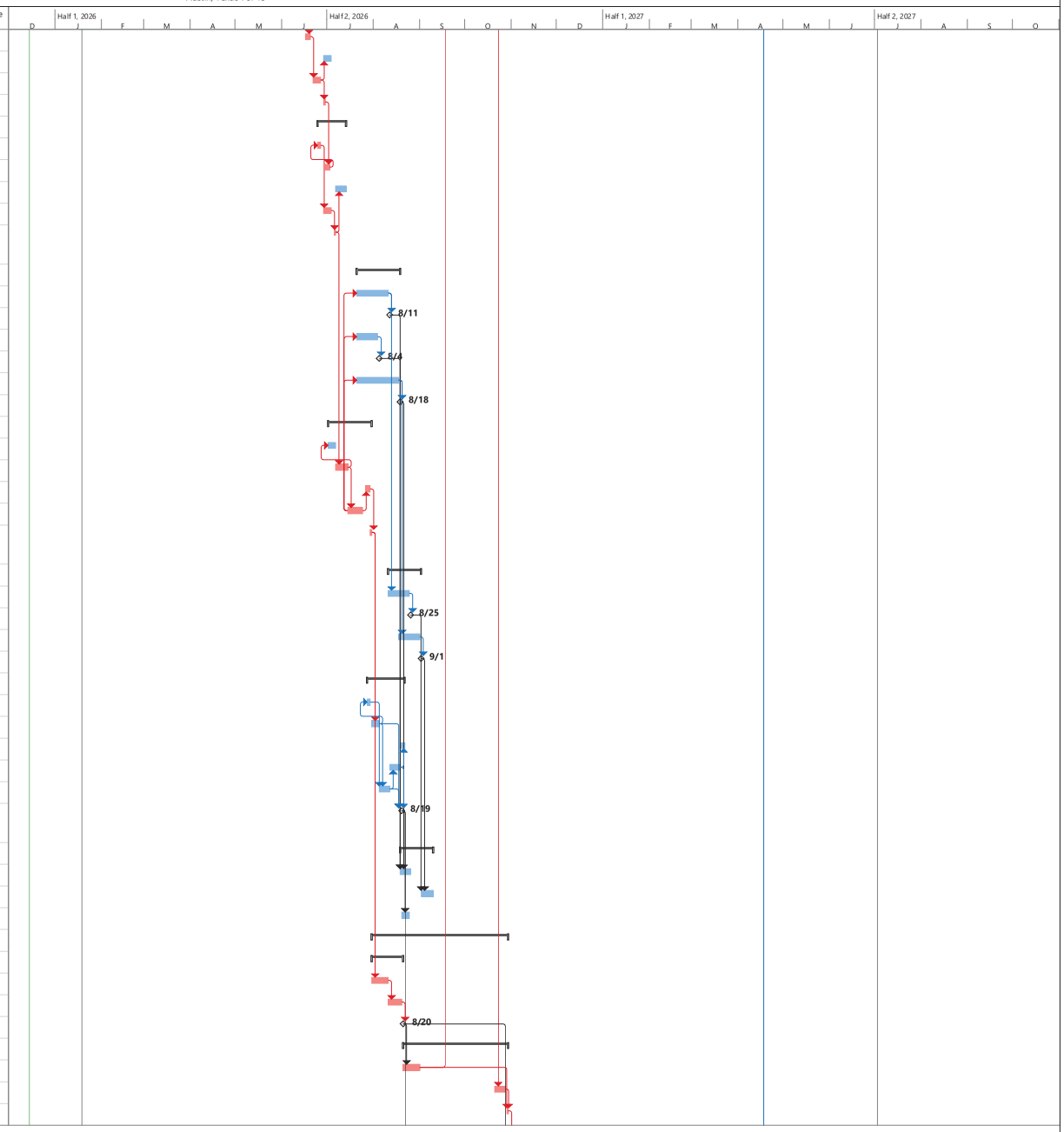


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Bailey at Stassney
5616 Humming Bird LN
Austin, Texas 78745

ID	Task Name	Duration	Start	Finish	% Complete
298	Frame Exterior Walls Level 1	3 days	Wed 6/17/26	Fri 6/19/26	0%
299	Install Exterior Doors/Windows Level 1	5 days	Mon 6/29/26	Fri 7/3/26	0%
300	Frame Interior Partitions/Joists Level 1	5 days	Mon 6/22/26	Fri 6/26/26	0%
301	Level 1 Framing Inspection (Structural/Joist/Hanger)	1 day	Mon 6/29/26	Mon 6/29/26	0%
302	**Framing Level 2**	**13 days**	**Thu 6/25/26**	**Mon 7/13/26**	**0%**
303	Erect Misc. Steel Level 2	2 days	Thu 6/25/26	Fri 6/26/26	0%
304	Frame Exterior Walls/Joists Level 2	3 days	Tue 6/30/26	Thu 7/2/26	0%
305	Install Doors/Windows Level 2	5 days	Tue 7/7/26	Mon 7/13/26	0%
306	Frame Interior Partitions/Fire Walls Level 2	5 days	Mon 6/29/26	Fri 7/3/26	0%
307	Level 2 Framing Inspection (Structural/Joist/Hanger/Fire Marshal)	1 day	Mon 7/6/26	Mon 7/6/26	0%
308	**MEP/Life Safety Rough-Ins (Levels 1-2 Post-Framing Check)**	**21 days**	**Tue 7/21/26**	**Tue 8/18/26**	**0%**
309	Plumbing Rough-In Levels 1-2	15 days	Tue 7/21/26	Mon 8/10/26	0%
310	Plumbing Rough Inspection Levels 1-2	0 days	Tue 8/11/26	Tue 8/11/26	0%
311	Fire Suppression Rough-In Levels 1-2	10 days	Tue 7/21/26	Mon 8/3/26	0%
312	Fire Rough Inspection Levels 1-2	0 days	Tue 8/4/26	Tue 8/4/26	0%
313	Mechanical/Electrical Rough-In Levels 1-2	20 days	Tue 7/21/26	Mon 8/17/26	0%
314	MEP Rough Inspection Levels 1-2	0 days	Tue 8/18/26	Tue 8/18/26	0%
315	**Framing Levels 3-4**	**21 days**	**Thu 7/2/26**	**Thu 7/30/26**	**0%**
316	Erect Misc. Steel Levels 3-4	3 days	Thu 7/2/26	Mon 7/6/26	0%
317	Frame Exterior Walls/Joists Levels 3-4	6 days	Tue 7/7/26	Tue 7/14/26	0%
318	Install Doors/Windows Levels 3-4	3 days	Mon 7/27/26	Wed 7/29/26	0%
319	Frame Interior Partitions/Fire Walls Levels 3-4	8 days	Wed 7/15/26	Fri 7/24/26	0%
320	Levels 3-4 Framing Inspection (Structural/Joist/Hanger/Fire Marshal)	1 day	Thu 7/30/26	Thu 7/30/26	0%
321	**MEP/Life Safety Rough-Ins Levels 3-5**	**16 days**	**Tue 8/11/26**	**Tue 9/1/26**	**0%**
322	Plumbing/Fire Rough-In Levels 3-5	10 days	Tue 8/11/26	Mon 8/24/26	0%
323	Plumbing/Fire Rough Inspection Levels 3-5	0 days	Tue 8/25/26	Tue 8/25/26	0%
324	Mechanical/Electrical Rough-In Levels 3-5	10 days	Tue 8/18/26	Mon 8/31/26	0%
325	MEP Rough Inspection Levels 3-5	0 days	Tue 9/1/26	Tue 9/1/26	0%
326	**Framing Level 5/Roof**	**19 days**	**Tue 7/28/26**	**Fri 8/21/26**	**0%**
327	Erect Misc. Steel Level 5	2 days	Tue 7/28/26	Wed 7/29/26	0%
328	Frame Exterior Walls/Joists Level 5	3 days	Fri 7/31/26	Tue 8/4/26	0%
329	Install Doors/Windows Level 5	3 days	Wed 8/19/26	Fri 8/21/26	0%
330	Frame Interior Partitions/Fire Walls Levels 5	5 days	Wed 8/12/26	Tue 8/18/26	0%
331	Frame Roof Trusses/Sheathing	5 days	Wed 8/5/26	Tue 8/11/26	0%
332	Level 5/Roof Framing Inspection (Structural/Joist/Hanger/Fire Marshal)	0 days	Wed 8/19/26	Wed 8/19/26	0%
333	**Framer Descent for Final Supports/Blocking**	**15 days**	**Wed 8/19/26**	**Wed 9/9/26**	**0%**
334	Final Supports/Blocking Levels 1-2	5 days	Wed 8/19/26	Tue 8/25/26	0%
335	Final Supports/Blocking Levels 3-4	5 days	Wed 9/2/26	Wed 9/9/26	0%
336	Final Supports/Blocking Level 5/Roof	3 days	Thu 8/20/26	Mon 8/24/26	0%
337	**Weatherproofing**	**64 days**	**Fri 7/31/26**	**Thu 10/29/26**	**0%**
338	**Building Sheathing (Dry-In Prep)**	**15 days**	**Fri 7/31/26**	**Thu 8/20/26**	**0%**
339	Sheath Exterior Walls Levels 1-2	7 days	Fri 7/31/26	Mon 8/10/26	0%
340	Sheath Exterior Walls Levels 3-5/Roof	7 days	Tue 8/11/26	Wed 8/19/26	0%
341	Sheathing Inspection (Dry-In Check)	0 days	Thu 8/20/26	Thu 8/20/26	0%
342	**Weatherproofing and Seal Envelope**	**49 days**	**Fri 8/21/26**	**Thu 10/29/26**	**0%**
343	Install House Wrap and Flashing	7 days	Fri 8/21/26	Mon 8/31/26	0%
344	Apply Sealants at Openings/Penetrations	5 days	Wed 10/21/26	Tue 10/27/26	0%
345	Weatherproofing Inspection (Air Barrier Test)	1 day	Thu 10/29/26	Thu 10/29/26	0%

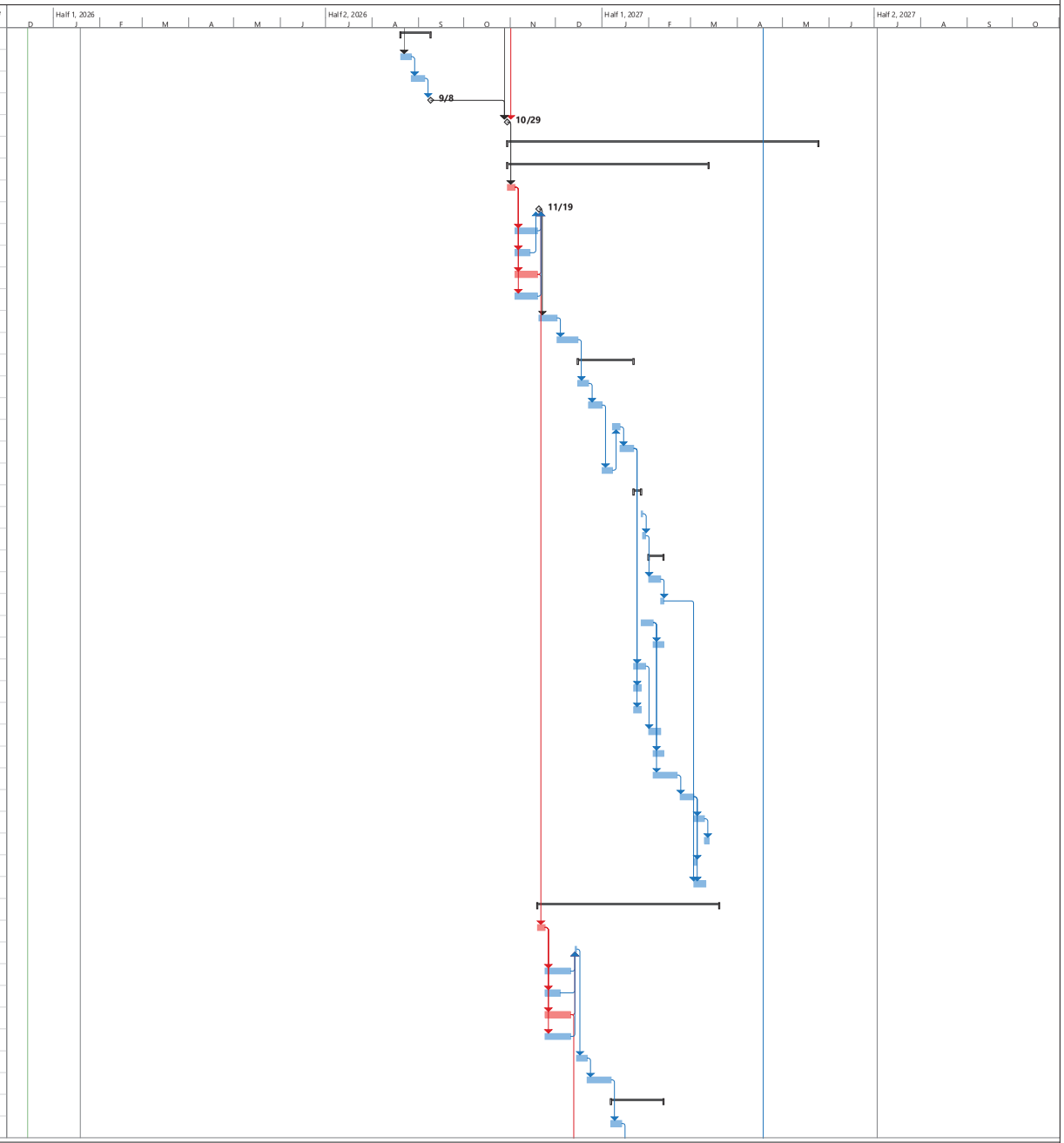


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Bailey at Stassney
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ID	Task Name	Duration	Start	Finish	% Complete
346	**Roofing (Dry-In Completion)**	**13 days**	**Thu 8/20/26**	**Tue 9/8/26**	**0%**
347	Install Roof Underlayment/Flashing	5 days	Thu 8/20/26	Wed 8/26/26	0%
348	Install TPO Membrane and Drains	7 days	Thu 8/27/26	Fri 9/4/26	0%
349	Roofing Inspection (Dry-In Test)	0 days	Tue 9/8/26	Tue 9/8/26	0%
350	Dry-In Final Inspection	0 days	Thu 10/29/26	Thu 10/29/26	0%
351	**Building Interiors**	**141 days**	**Fri 10/30/26**	**Mon 5/24/27**	**0%**
352	**Ground Floor/Clubhouse Interiors**	**90 days**	**Fri 10/30/26**	**Fri 3/12/27**	**0%**
353	Framing & Rough Punch Ground Floor	3 days	Fri 10/30/26	Tue 11/3/26	0%
354	Framing Inspection Ground Floor	0 days	Thu 11/19/26	Thu 11/19/26	0%
355	Plumbing Rough/Inspection Ground Floor	10 days	Wed 11/4/26	Wed 11/18/26	0%
356	Fire Protection Rough Inspection Ground Floor	7 days	Wed 11/4/26	Fri 11/13/26	0%
357	Mechanical Rough/Inspection Ground Floor	10 days	Wed 11/4/26	Wed 11/18/26	0%
358	Electrical Rough/Inspection Ground Floor	10 days	Wed 11/4/26	Wed 11/18/26	0%
359	Insulation Ground Floor	5 days	Fri 11/20/26	Tue 12/1/26	0%
360	Drywall Ground Floor	10 days	Wed 12/2/26	Tue 12/15/26	0%
361	**Patches/Repairs Post-Drywall**	**25 days**	**Wed 12/16/26**	**Thu 1/21/27**	**0%**
362	Tape/Bedding Ground Floor	5 days	Wed 12/16/26	Tue 12/22/26	0%
363	Texture Ground Floor	5 days	Wed 12/23/26	Thu 12/31/26	0%
364	Primer Ground Floor	3 days	Fri 1/8/27	Tue 1/12/27	0%
365	Finish Paint Ground Floor	7 days	Wed 1/13/27	Thu 1/21/27	0%
366	Base and Trim Ground Floor	5 days	Fri 1/1/27	Thu 1/7/27	0%
367	**Gypcrete Ground Floor**	**3 days**	**Fri 1/22/27**	**Tue 1/26/27**	**0%**
371	Temp Floor Protection Ground Floor	1 day	Wed 1/27/27	Wed 1/27/27	0%
372	Patches/Repairs Post-Trims	2 days	Thu 1/28/27	Fri 1/29/27	0%
373	**Ceramic Tile/Surrounds Ground Floor**	**8 days**	**Mon 2/1/27**	**Wed 2/10/27**	**0%**
374	Place Tile / Surrounds	6 days	Mon 2/1/27	Mon 2/8/27	0%
375	Tile Set and Grout Cure Lag	2 days	Tue 2/9/27	Wed 2/10/27	0%
376	Cabinets Ground Floor	6 days	Wed 1/27/27	Wed 2/3/27	0%
377	Interior Doors Ground Floor	5 days	Thu 2/4/27	Wed 2/10/27	0%
378	Electrical Trims Ground Floor	6 days	Fri 1/22/27	Fri 1/29/27	0%
379	Fire Protection Trims Ground Floor	3 days	Fri 1/22/27	Tue 1/26/27	0%
380	Mechanical Trims Ground Floor	3 days	Fri 1/22/27	Tue 1/26/27	0%
381	Light Fixtures Ground Floor	6 days	Mon 2/1/27	Mon 2/8/27	0%
382	Countertops Ground Floor	5 days	Thu 2/4/27	Wed 2/10/27	0%
383	Finish Carpentry/Hardware Ground Floor	12 days	Thu 2/4/27	Fri 2/19/27	0%
384	Resilient Flooring Ground Floor	7 days	Mon 2/22/27	Tue 3/2/27	0%
385	Hot Punch Ground Floor	5 days	Wed 3/3/27	Tue 3/9/27	0%
386	Window Coverings Ground Floor	3 days	Wed 3/10/27	Fri 3/12/27	0%
387	Appliances Ground Floor	2 days	Wed 3/3/27	Thu 3/4/27	0%
388	Plumbing Trims Ground Floor	6 days	Wed 3/3/27	Wed 3/10/27	0%
389	**Level 1 Interiors**	**82 days**	**Thu 11/19/26**	**Fri 3/19/27**	**0%**
390	Framing & Rough Punch Level 1	3 days	Thu 11/19/26	Mon 11/23/26	0%
391	Framing Inspection Level 1	1 day	Mon 12/14/26	Mon 12/14/26	0%
392	Plumbing Rough/Inspection Level 1	10 days	Tue 11/24/26	Thu 12/10/26	0%
393	Fire Protection Rough Inspection Level 1	5 days	Tue 11/24/26	Thu 12/3/26	0%
394	Mechanical Rough/Inspection Level 1	10 days	Tue 11/24/26	Thu 12/10/26	0%
395	Electrical Rough/Inspection Level 1	10 days	Tue 11/24/26	Thu 12/10/26	0%
396	Insulation Level 1	5 days	Tue 12/15/26	Mon 12/21/26	0%
397	Drywall Level 1	10 days	Tue 12/22/26	Wed 1/6/27	0%
398	**Patches/Repairs Post-Drywall**	**25 days**	**Thu 1/7/27**	**Wed 2/10/27**	**0%**
399	Tape/Bedding Level 1	5 days	Thu 1/7/27	Wed 1/13/27	0%

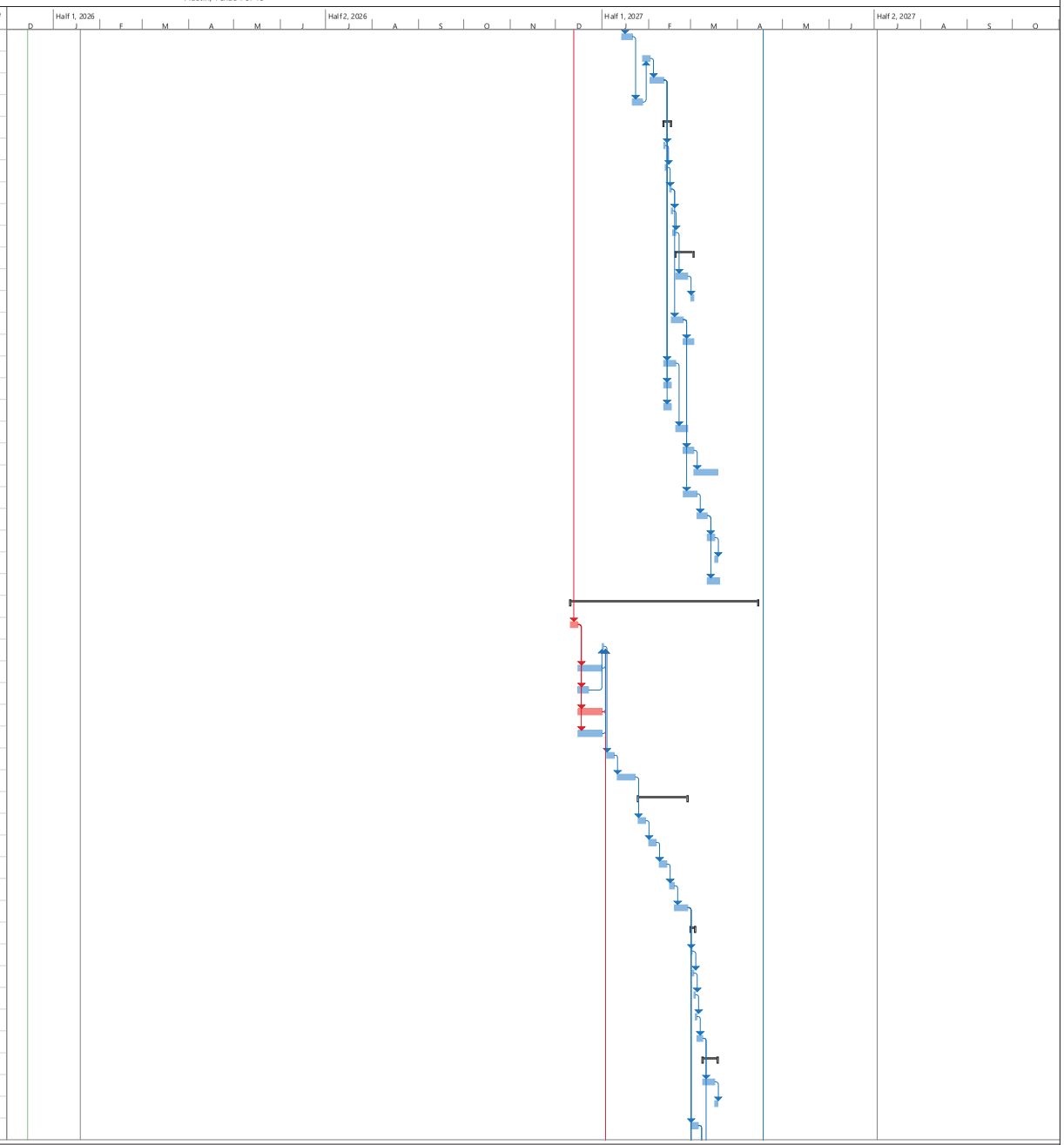


ICON

Task | Summary | Inactive Milestone | Duration-only | Start-only | External Milestone | Critical Split
Split | Project Summary | Inactive Summary | Manual Summary Rollup | Finish-only | Deadline | Progress
Milestone | Inactive Task | Manual Task | Manual Summary | External Tasks | Critical | Manual Progress

Bailey at Stassney
5616 Humming Bird LN
Austin, Texas 78745

ID	Task Name	Duration	Start	Finish	% Complete
400	Texture Level 1	5 days	Thu 1/14/27	Wed 1/20/27	0%
401	Primer Level 1	3 days	Thu 1/28/27	Mon 2/1/27	0%
402	Finish Paint Level 1	7 days	Tue 2/2/27	Wed 2/10/27	0%
403	Base and Trim Level 1	5 days	Thu 1/21/27	Wed 1/27/27	0%
404	**Gypcrete Level 1**	**3 days**	**Thu 2/11/27**	**Mon 2/15/27**	**0%**
405	Gypcrete Pour and Initial Cure	1 day	Thu 2/11/27	Thu 2/11/27	0%
406	Gypcrete Inspection	1 day	Fri 2/12/27	Fri 2/12/27	0%
407	24-Hour Cure/Trade Halt	1 day	Mon 2/15/27	Mon 2/15/27	0%
408	Temp Floor Protection Level 1	1 day	Tue 2/16/27	Tue 2/16/27	0%
409	Patches/Repairs Post-Trims	2 days	Wed 2/17/27	Thu 2/18/27	0%
410	**Level 4 Ceramic Tile/Surrounds Level 1**	**8 days**	**Fri 2/19/27**	**Tue 3/2/27**	**0%**
411	Place Ceramic Tile / Surrounds	6 days	Fri 2/19/27	Fri 2/26/27	0%
412	Tile Set and Grout Cure Lag	2 days	Mon 3/1/27	Tue 3/2/27	0%
413	Cabinets Level 1	6 days	Tue 2/16/27	Tue 2/23/27	0%
414	Interior Doors Level 1	5 days	Wed 2/24/27	Tue 3/2/27	0%
415	Electrical Trims Level 1	6 days	Thu 2/11/27	Thu 2/18/27	0%
416	Fire Protection Trims Level 1	3 days	Thu 2/11/27	Mon 2/15/27	0%
417	Mechanical Trims Level 1	3 days	Thu 2/11/27	Mon 2/15/27	0%
418	Light Fixtures Level 1	6 days	Fri 2/19/27	Fri 2/26/27	0%
419	Countertops Level 1	5 days	Wed 2/24/27	Tue 3/2/27	0%
420	Finish Carpentry/Hardware Level 1	12 days	Wed 3/3/27	Thu 3/18/27	0%
421	Resilient Flooring Level 1	7 days	Wed 2/24/27	Thu 3/4/27	0%
422	Hot Punch Level 1	5 days	Fri 3/5/27	Thu 3/11/27	0%
423	Window Coverings Level 1	3 days	Fri 3/12/27	Tue 3/16/27	0%
424	Appliances Level 1	2 days	Wed 3/17/27	Thu 3/18/27	0%
425	Plumbing Trims Level 1	6 days	Fri 3/12/27	Fri 3/19/27	0%
426	**Level 2 Interiors**	**87 days**	**Fri 12/11/26**	**Wed 4/14/27**	**0%**
427	Framing & Rough Punch Level 2	3 days	Fri 12/11/26	Tue 12/15/26	0%
428	Framing Inspection Level 2	1 day	Fri 1/1/27	Fri 1/1/27	0%
429	Plumbing Rough/Inspection Level 2	10 days	Wed 12/16/26	Thu 12/31/26	0%
430	Fire Protection Rough Inspection Level 2	5 days	Wed 12/16/26	Tue 12/22/26	0%
431	Mechanical Rough/Inspection Level 2	10 days	Wed 12/16/26	Thu 12/31/26	0%
432	Electrical Rough/Inspection Level 2	10 days	Wed 12/16/26	Thu 12/31/26	0%
433	Insulation Level 2	5 days	Mon 1/4/27	Fri 1/8/27	0%
434	Drywall Level 2	10 days	Mon 1/11/27	Fri 1/22/27	0%
435	**Patches/Repairs Post-Drywall**	**25 days**	**Mon 1/25/27**	**Fri 2/26/27**	**0%**
436	Tape/Bedding Level 2	5 days	Mon 1/25/27	Fri 1/29/27	0%
437	Texture Level 2	5 days	Mon 2/1/27	Fri 2/5/27	0%
438	Base and Trim Level 2	5 days	Mon 2/8/27	Fri 2/12/27	0%
439	Primer Level 2	3 days	Mon 2/15/27	Wed 2/17/27	0%
440	Finish Paint Level 2	7 days	Thu 2/18/27	Fri 2/26/27	0%
441	**Gypcrete Level 2**	**3 days**	**Mon 3/1/27**	**Wed 3/3/27**	**0%**
442	Gypcrete Pour and Initial Cure	1 day	Mon 3/1/27	Mon 3/1/27	0%
443	Gypcrete Inspection	1 day	Tue 3/2/27	Tue 3/2/27	0%
444	24-Hour Cure/Trade Halt	1 day	Wed 3/3/27	Wed 3/3/27	0%
445	Temp Floor Protection Level 2	1 day	Thu 3/4/27	Thu 3/4/27	0%
446	Patches/Repairs Post-Trims	2 days	Fri 3/5/27	Mon 3/8/27	0%
447	**Ceramic Tile/Surrounds Level 2**	**8 days**	**Tue 3/9/27**	**Thu 3/18/27**	**0%**
448	Install Ceramic Tile / Surrounds	6 days	Tue 3/9/27	Tue 3/16/27	0%
449	Tile Set and Grout Cure Lag	2 days	Wed 3/17/27	Thu 3/18/27	0%
450	Cabinets Level 2	5 days	Mon 3/1/27	Fri 3/5/27	0%

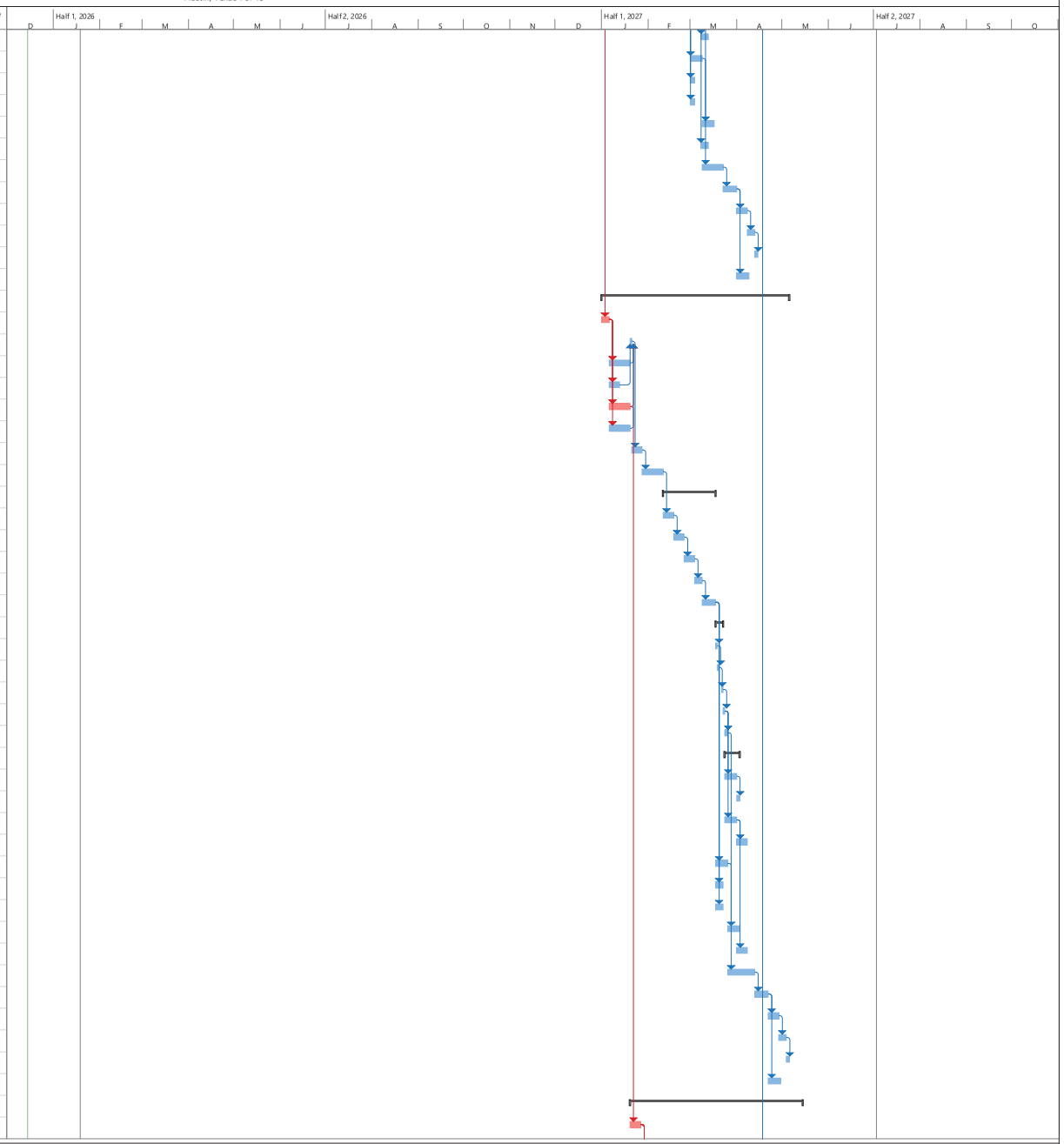


ICON

Task
Split
Milestone
Summary
Project Summary
Inactive Task
Inactive Milestone
Inactive Summary
Manual Task
Duration-only
Manual Summary Rollup
Manual Summary
Start-only
Finish-only
External Tasks
External Milestone
Deadline
Critical
Critical Split
Progress
Manual Progress

Bailey at Stassney
5616 Humming Bird LN
Austin, Texas 78745

ID	Task Name	Duration	Start	Finish	% Complete
451	Interior Doors Level 2	5 days	Mon 3/8/27	Fri 3/12/27	0%
452	Electrical Trims Level 2	6 days	Mon 3/1/27	Mon 3/8/27	0%
453	Fire Protection Trims Level 2	3 days	Mon 3/1/27	Wed 3/3/27	0%
454	Mechanical Trims Level 2	3 days	Mon 3/1/27	Wed 3/3/27	0%
455	Light Fixtures Level 2	6 days	Tue 3/9/27	Tue 3/16/27	0%
456	Countertops Level 2	5 days	Mon 3/8/27	Fri 3/12/27	0%
457	Finish Carpentry/Hardware Level 2	10 days	Tue 3/9/27	Mon 3/22/27	0%
458	Resilient Flooring Level 2	7 days	Tue 3/23/27	Wed 3/31/27	0%
459	Hot Punch Level 2	5 days	Thu 4/1/27	Wed 4/7/27	0%
460	Window Coverings Level 2	3 days	Thu 4/8/27	Mon 4/12/27	0%
461	Appliances Level 2	2 days	Tue 4/13/27	Wed 4/14/27	0%
462	Plumbing Trims Level 2	6 days	Thu 4/1/27	Thu 4/8/27	0%
463	**Level 3 Interiors**	**89 days**	**Fri 1/1/27**	**Wed 5/5/27**	**0%**
464	Framing & Rough Punch Level 3	3 days	Fri 1/1/27	Tue 1/5/27	0%
465	Framing Inspection Level 3	1 day	Wed 1/20/27	Wed 1/20/27	0%
466	Plumbing Rough/Inspection Level 3	10 days	Wed 1/6/27	Tue 1/19/27	0%
467	Fire Protection Rough Inspection Level 3	5 days	Wed 1/6/27	Tue 1/12/27	0%
468	Mechanical Rough/Inspection Level 3	10 days	Wed 1/6/27	Tue 1/19/27	0%
469	Electrical Rough/Inspection Level 3	10 days	Wed 1/6/27	Tue 1/19/27	0%
470	Insulation Level 3	5 days	Thu 1/21/27	Wed 1/27/27	0%
471	Drywall Level 3	10 days	Thu 1/28/27	Wed 2/10/27	0%
472	**Patches/Repairs Post-Drywall**	**25 days**	**Thu 2/11/27**	**Wed 3/17/27**	**0%**
473	Tape/Bedding Level 3	5 days	Thu 2/11/27	Wed 2/17/27	0%
474	Texture Level 3	5 days	Thu 2/18/27	Wed 2/24/27	0%
475	Base and Trim Level 3	5 days	Thu 2/25/27	Wed 3/3/27	0%
476	Primer Level 3	3 days	Thu 3/4/27	Mon 3/8/27	0%
477	Finish Paint Level 3	7 days	Tue 3/9/27	Wed 3/17/27	0%
478	**Gypcrete Level 3**	**3 days**	**Thu 3/18/27**	**Mon 3/22/27**	**0%**
479	Gypcrete Pour and Initial Cure	1 day	Thu 3/18/27	Thu 3/18/27	0%
480	Gypcrete Inspection	1 day	Fri 3/19/27	Fri 3/19/27	0%
481	24-Hour Cure/Trade Halt	1 day	Mon 3/22/27	Mon 3/22/27	0%
482	Temp Floor Protection Level 3	1 day	Tue 3/23/27	Tue 3/23/27	0%
483	Patches/Repairs Post-Trims	2 days	Wed 3/24/27	Thu 3/25/27	0%
484	**Ceramic Tile/Surrounds Level 3**	**8 days**	**Wed 3/24/27**	**Fri 4/2/27**	**0%**
485	Place Tile / Surrounds	6 days	Wed 3/24/27	Wed 3/31/27	0%
486	Tile Set and Grout Cure Lag	2 days	Thu 4/1/27	Fri 4/2/27	0%
487	Cabinets Level 3	6 days	Wed 3/24/27	Wed 3/31/27	0%
488	Interior Doors Level 3	5 days	Thu 4/1/27	Wed 4/7/27	0%
489	Electrical Trims Level 3	6 days	Thu 3/18/27	Thu 3/25/27	0%
490	Fire Protection Trims Level 3	3 days	Thu 3/18/27	Mon 3/22/27	0%
491	Mechanical Trims Level 3	3 days	Thu 3/18/27	Mon 3/22/27	0%
492	Light Fixtures Level 3	6 days	Fri 3/26/27	Fri 4/2/27	0%
493	Countertops Level 3	5 days	Thu 4/1/27	Wed 4/7/27	0%
494	Finish Carpentry/Hardware Level 3	12 days	Fri 3/26/27	Mon 4/12/27	0%
495	Resilient Flooring Level 3	7 days	Tue 4/13/27	Wed 4/21/27	0%
496	Hot Punch Level 3	5 days	Thu 4/22/27	Wed 4/28/27	0%
497	Window Coverings Level 3	3 days	Thu 4/29/27	Mon 5/3/27	0%
498	Appliances Level 3	2 days	Tue 5/4/27	Wed 5/5/27	0%
499	Plumbing Trims Level 3	6 days	Thu 4/22/27	Thu 4/29/27	0%
500	**Level 4 Interiors**	**83 days**	**Wed 1/20/27**	**Fri 5/14/27**	**0%**
501	Framing & Rough Punch Level 4	5 days	Wed 1/20/27	Tue 1/26/27	0%

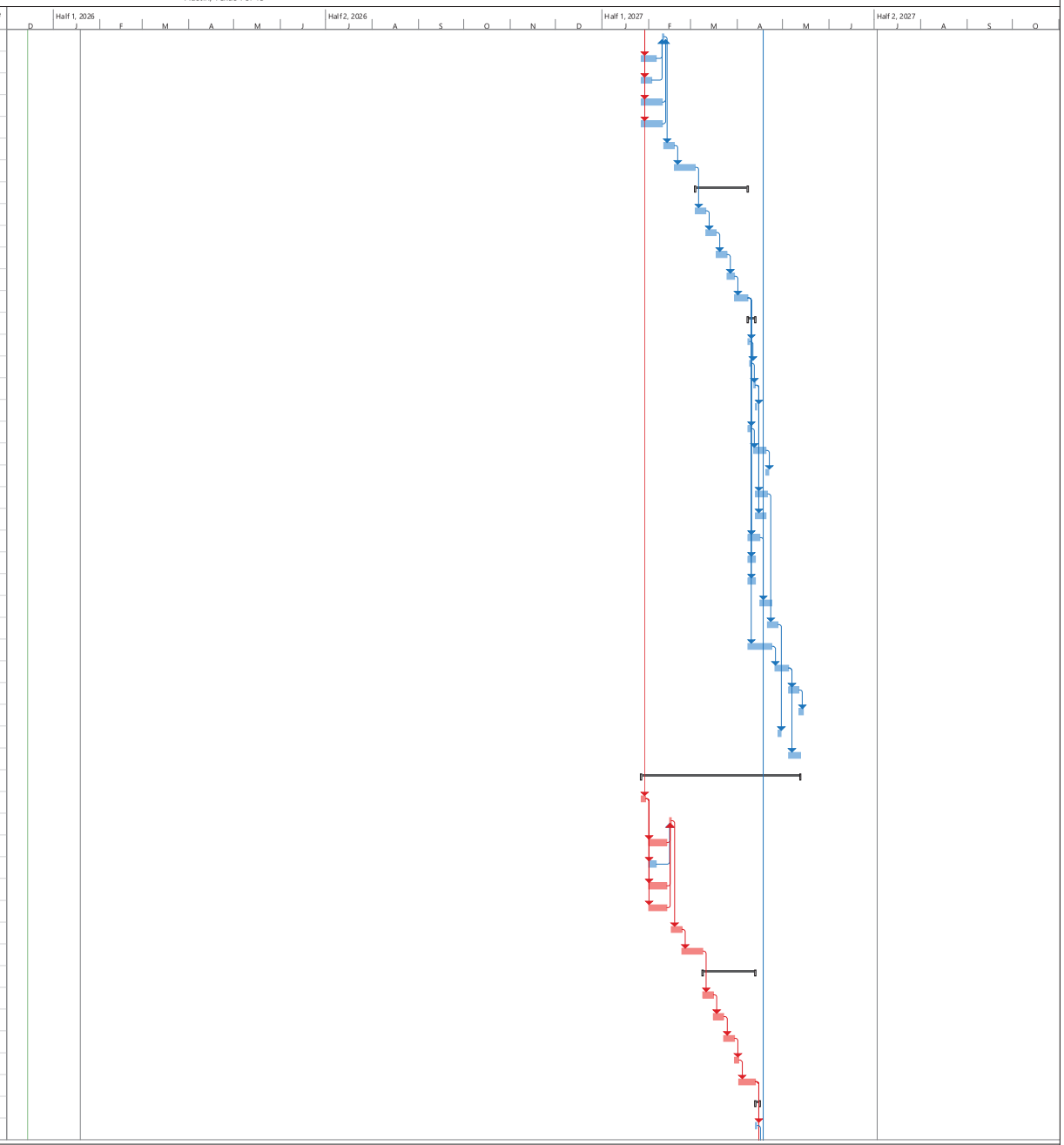


ICON

Task | Summary | Inactive Milestone | Duration-only | Start-only | External Milestone | Critical Split
Split | Project Summary | Inactive Summary | Manual Summary Rollup | Finish-only | Deadline | Progress
Milestone | Inactive Task | Manual Task | Manual Summary | External Tasks | Critical | Manual Progress

Bailey at Stassney
5616 Humming Bird LN
Austin, Texas 78745

ID	Task Name	Duration	Start	Finish	% Complete
502	Framing Inspection Level 4	1 day	Wed 2/10/27	Wed 2/10/27	0%
503	Plumbing Rough/Inspection Level 4	8 days	Wed 1/27/27	Fri 2/5/27	0%
504	Fire Protection Rough Inspection Level 4	5 days	Wed 1/27/27	Tue 2/2/27	0%
505	Mechanical Rough/Inspection Level 4	10 days	Wed 1/27/27	Tue 2/9/27	0%
506	Electrical Rough/Inspection Level 4	10 days	Wed 1/27/27	Tue 2/9/27	0%
507	Insulation Level 4	5 days	Thu 2/11/27	Wed 2/17/27	0%
508	Drywall Level 4	10 days	Thu 2/18/27	Wed 3/3/27	0%
509	**Patches/Repairs Post-Drywall**	**25 days**	**Thu 3/4/27**	**Wed 4/7/27**	**0%**
510	Tape/Bedding Level 4	5 days	Thu 3/4/27	Wed 3/10/27	0%
511	Texture Level 4	5 days	Thu 3/11/27	Wed 3/17/27	0%
512	Base and Trim Level 4	5 days	Thu 3/18/27	Wed 3/24/27	0%
513	Primer Level 4	3 days	Thu 3/25/27	Mon 3/29/27	0%
514	Finish Paint Level 4	7 days	Tue 3/30/27	Wed 4/7/27	0%
515	**Gypcrete Level 4**	**3 days**	**Thu 4/8/27**	**Mon 4/12/27**	**0%**
516	Gypcrete Pour and Initial Cure	1 day	Thu 4/8/27	Thu 4/8/27	0%
517	Gypcrete Inspection	1 day	Fri 4/9/27	Fri 4/9/27	0%
518	24-Hour Cure/Trade Halt	1 day	Mon 4/12/27	Mon 4/12/27	0%
519	Temp Floor Protection Level 4	1 day	Tue 4/13/27	Tue 4/13/27	0%
520	Patches/Repairs Post-Trims	2 days	Thu 4/8/27	Fri 4/9/27	0%
521	Ceramic Tile/Surrounds Level 4	6 days	Mon 4/12/27	Mon 4/19/27	0%
522	Tile Set and Grout Cure Lag	2 days	Tue 4/20/27	Wed 4/21/27	0%
523	Cabinets Level 4	6 days	Tue 4/13/27	Tue 4/20/27	0%
524	Interior Doors Level 4	5 days	Tue 4/13/27	Mon 4/19/27	0%
525	Electrical Trims Level 4	6 days	Thu 4/8/27	Thu 4/15/27	0%
526	Fire Protection Trims Level 4	3 days	Thu 4/8/27	Mon 4/12/27	0%
527	Mechanical Trims Level 4	3 days	Thu 4/8/27	Mon 4/12/27	0%
528	Light Fixtures Level 4	6 days	Fri 4/16/27	Fri 4/23/27	0%
529	Countertops Level 4	5 days	Wed 4/21/27	Tue 4/27/27	0%
530	Finish Carpentry/Hardware Level 4	12 days	Thu 4/8/27	Fri 4/23/27	0%
531	Resilient Flooring Level 4	7 days	Mon 4/26/27	Tue 5/4/27	0%
532	Hot Punch Level 4	5 days	Wed 5/5/27	Tue 5/11/27	0%
533	Window Coverings Level 4	3 days	Wed 5/12/27	Fri 5/14/27	0%
534	Appliances Level 4	2 days	Wed 4/28/27	Thu 4/29/27	0%
535	Plumbing Trims Level 4	6 days	Wed 5/5/27	Wed 5/12/27	0%
536	**Level 5 Interiors**	**76 days**	**Wed 1/27/27**	**Wed 5/12/27**	**0%**
537	Framing & Rough Punch Level 5	3 days	Wed 1/27/27	Fri 1/29/27	0%
538	Framing Inspection Level 5	1 day	Mon 2/15/27	Mon 2/15/27	0%
539	Plumbing Rough/Inspection Level 5	10 days	Mon 2/1/27	Fri 2/12/27	0%
540	Fire Protection Rough Inspection Level 5	5 days	Mon 2/1/27	Fri 2/5/27	0%
541	Mechanical Rough/Inspection Level 5	10 days	Mon 2/1/27	Fri 2/12/27	0%
542	Electrical Rough/Inspection Level 5	10 days	Mon 2/1/27	Fri 2/12/27	0%
543	Insulation Level 5	5 days	Tue 2/16/27	Mon 2/22/27	0%
544	Drywall Level 5	10 days	Tue 2/23/27	Mon 3/8/27	0%
545	**Patches/Repairs Post-Drywall**	**25 days**	**Tue 3/9/27**	**Mon 4/12/27**	**0%**
546	Tape/Bedding Level 5	5 days	Tue 3/9/27	Mon 3/15/27	0%
547	Texture Level 5	5 days	Tue 3/16/27	Mon 3/22/27	0%
548	Base and Trim Level 5	5 days	Tue 3/23/27	Mon 3/29/27	0%
549	Primer Level 5	3 days	Tue 3/30/27	Thu 4/1/27	0%
550	Finish Paint Level 5	7 days	Fri 4/2/27	Mon 4/12/27	0%
551	**Gypcrete Level 5**	**3 days**	**Tue 4/13/27**	**Thu 4/15/27**	**0%**
552	Gypcrete Pour and Initial Cure	1 day	Tue 4/13/27	Tue 4/13/27	0%

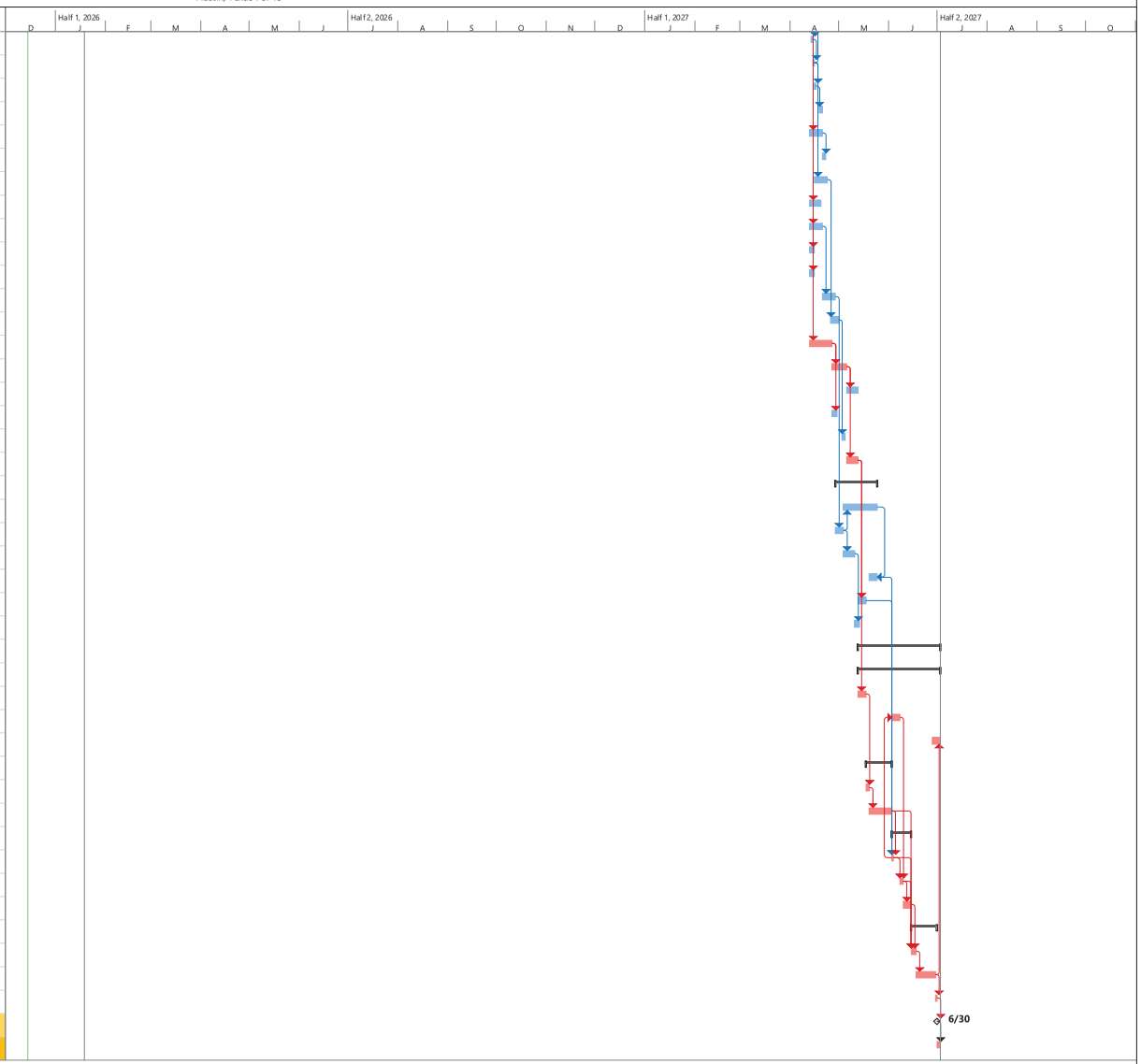


ICON

Task | Summary | Inactive Milestone | Duration-only | Start-only | External Milestone | Critical Split
Split | Project Summary | Inactive Summary | Manual Summary Rollup | Finish-only | Deadline | Progress
Milestone | Inactive Task | Manual Task | Manual Summary | External Tasks | Critical | Manual Progress

Bailey at Stassney
5616 Humming Bird LN
Austin, Texas 78745

ID	Task Name	Duration	Start	Finish	% Complete
553	Gypcrete Inspection	1 day	Wed 4/14/27	Wed 4/14/27	0%
554	24-Hour Cure/Trade Halt	1 day	Thu 4/15/27	Thu 4/15/27	0%
555	Temp Floor Protection Level 5	1 day	Fri 4/16/27	Fri 4/16/27	0%
556	Patches/Repairs Post-Trims	2 days	Mon 4/19/27	Tue 4/20/27	0%
557	Ceramic Tile/Surrounds Level 5	6 days	Tue 4/13/27	Tue 4/20/27	0%
558	Tile Set and Grout Cure Lag	2 days	Wed 4/21/27	Thu 4/22/27	0%
559	Cabinets Level 5	6 days	Fri 4/16/27	Fri 4/23/27	0%
560	Interior Doors Level 5	5 days	Tue 4/13/27	Mon 4/19/27	0%
561	Electrical Trims Level 5	6 days	Tue 4/13/27	Tue 4/20/27	0%
562	Fire Protection Trims Level 5	3 days	Tue 4/13/27	Thu 4/15/27	0%
563	Mechanical Trims Level 5	3 days	Tue 4/13/27	Thu 4/15/27	0%
564	Light Fixtures Level 5	6 days	Wed 4/21/27	Wed 4/28/27	0%
565	Countertops Level 5	5 days	Mon 4/26/27	Fri 4/30/27	0%
566	Finish Carpentry/Hardware Level 5	10 days	Tue 4/13/27	Mon 4/26/27	0%
567	Resilient Flooring Level 5	7 days	Tue 4/27/27	Wed 5/5/27	0%
568	Hot Punch Level 5	5 days	Thu 5/6/27	Wed 5/12/27	0%
569	Window Coverings Level 5	3 days	Tue 4/27/27	Thu 4/29/27	0%
570	Appliances Level 5	2 days	Mon 5/3/27	Tue 5/4/27	0%
571	Plumbing Trims Level 5	5 days	Thu 5/6/27	Wed 5/12/27	0%
572	**Commissioning and Closeout**	**18 days**	**Thu 4/29/27**	**Mon 5/24/27**	**0%**
573	Equipment Testing and Turn-On	15 days	Tue 5/4/27	Mon 5/24/27	0%
574	Power to Building	3 days	Thu 4/29/27	Mon 5/3/27	0%
575	Energy Audit and Quality Control	5 days	Tue 5/4/27	Mon 5/10/27	0%
576	HVAC Testing/Turn-On	3 days	Thu 5/20/27	Mon 5/24/27	0%
577	Plumbing/Fire Suppression Testing/Turn-On	3 days	Thu 5/13/27	Mon 5/17/27	0%
578	Electrical Testing/Turn-On	3 days	Tue 5/11/27	Thu 5/13/27	0%
579	**Final Cleaning and Punch List**	**37 days**	**Thu 5/13/27**	**Fri 7/2/27**	**0%**
580	**Final Cleaning**	**37 days**	**Thu 5/13/27**	**Fri 7/2/27**	**0%**
581	Construction Clean 1	3 days	Thu 5/13/27	Mon 5/17/27	0%
582	Construction Clean 2	3 days	Thu 6/3/27	Mon 6/7/27	0%
583	Final Cleaning	5 days	Mon 6/28/27	Fri 7/2/27	0%
584	**Contractor Punch**	**12 days**	**Tue 5/18/27**	**Wed 6/2/27**	**0%**
585	Compile Punch List	2 days	Tue 5/18/27	Wed 5/19/27	0%
586	Resolve Punch List	10 days	Thu 5/20/27	Wed 6/2/27	0%
587	**All Inspection Finals**	**8 days**	**Thu 6/3/27**	**Mon 6/14/27**	**0%**
588	MEP/Fire Final Inspections	1 day	Thu 6/3/27	Thu 6/3/27	0%
589	Building/Fire Marshal Final Inspection	2 days	Tue 6/8/27	Wed 6/9/27	0%
590	Certificate of Occupancy (CO) Issuance	3 days	Thu 6/10/27	Mon 6/14/27	0%
591	**Owner/Architect Punch**	**12 days**	**Tue 6/15/27**	**Wed 6/30/27**	**0%**
592	Compile Punch List	3 days	Tue 6/15/27	Thu 6/17/27	0%
593	Resolve Punch List	8 days	Fri 6/18/27	Tue 6/29/27	0%
594	Punch List Final Inspection	1 day	Wed 6/30/27	Wed 6/30/27	0%
595	***Substantial Completion***	***0 days***	***Wed 6/30/27***	***Wed 6/30/27***	***0%***
596	***Final Completion***	***2 days***	***Thu 7/1/27***	***Fri 7/2/27***	***0%***



ICON

Task, Split, Milestone, Summary, Project Summary, Inactive Task, Inactive Milestone, Inactive Summary, Manual Task, Duration-only, Manual Summary Rollup, Manual Summary, Start-only, Finish-only, External Tasks, External Milestone, Deadline, Critical, Critical Split, Progress, Manual Progress

24018 Bailey at Stassney - Application Summary

REAL ESTATE ANALYSIS DIVISION
June 28, 2024

PROPERTY IDENTIFICATION	
Application #	**24018**
Development	**Bailey at Stassney**
City / County	**Austin / Travis**
Region/Area	**7 / Urban**
Population	**Supportive Housing**
Set-Aside	**General**
Activity	**New Construction**

RECOMMENDATION

TDHCA Program	Request	Recommended		
LIHTC (9% Credit)	$2,000,000	**$2,000,000**	**$19,231/Unit**	**$0.84**

KEY PRINCIPALS / SPONSOR

Michael Ruane, National Community Renaissance of Texas, Inc.

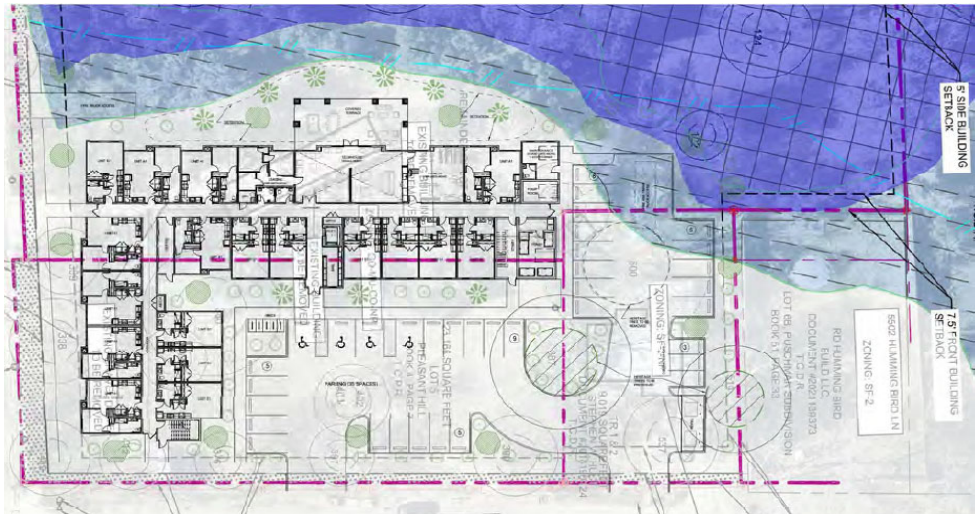
Sallie Burchett, Diva Imaging LLC

Related Parties	Contractor - TBD	Seller - No

TYPICAL BUILDING ELEVATION/PHOTO



SITE PLAN



UNIT DISTRIBUTION			INCOME DISTRIBUTION		
# Beds	**# Units**	**% Total**	**Income**	**# Units**	**% Total**
Eff	52	50%	**20%**	-	0%
1	52	50%	**30%**	21	20%
2	-	0%	**40%**	-	0%
3	-	0%	**50%**	63	61%
4	-	0%	**60%**	20	19%
			70%	-	0%
			80%	-	0%
			MR	-	0%
TOTAL	104	100%	**TOTAL**	104	100%

PRO FORMA FEASIBILITY INDICATORS

Pro Forma Underwritten		Applicant's Pro Forma	
Debt Coverage	N/A	**Expense Ratio**	61.1%
Breakeven Occ.	56.5%	**Breakeven Rent**	$697
Average Rent	$1,159	**B/E Rent Margin**	$462
Property Taxes	$1,000/unit	**Exemption/PILOT**	0%
Total Expense	$8,070/unit	**Controllable**	$4,015/unit

MARKET FEASIBILITY INDICATORS

Gross Capture Rate (30% Maximum)			0.9%
Highest Unit Capture Rate	6%	0 BR/50%	35
Dominant Unit Cap. Rate	6%	0 BR/50%	35
Premiums (↑80% Rents)	N/A		N/A
Rent Assisted Units	26	25% Total Units	

DEVELOPMENT COST SUMMARY

Costs Underwritten		Applicant's Costs	
Avg. Unit Size	529 SF	**Density**	46.0/acre
Acquisition		$25K/unit	$2,605K
Building Cost	$242.91/SF	$128K/unit	$13,351K
Hard Cost		$164K/unit	$17,036K
Total Cost		$281K/unit	$29,201K
Developer Fee	$3,300K	(27% Deferred)	Paid Year: 2
Contractor Fee	$2,119K	**30% Boost**	Yes

DEBT (Must Pay)				
Source	Term	Rate	Amount	DCR
Corporation (AHFC) - Deferred Payable - Cash Flow	40/0	0.00%	$11,500,000	N/A
TOTAL DEBT (Must Pay)			$11,500,000	

CASH FLOW DEBT / GRANT FUNDS				
Source	Term	Rate	Amount	DCR
City of Austin - Fee Waivers	0/0	0.00%	$500	N/A
CASH FLOW DEBT / GRANTS			$500	

EQUITY / DEFERRED FEES	
Source	Amount
Hudson Housing Capital LLC ("Hudson")	$16,798,320
CORE Bailey at Stassney Developer LLC	$902,582
TOTAL EQUITY SOURCES	$17,700,902
TOTAL DEBT SOURCES	$11,500,500
TOTAL CAPITALIZATION	$29,201,402

CONDITIONS

1 Receipt and acceptance by Commitment:

- Certification that if the site is in the 100-year floodplain when it places in service, the finished ground floor elevation of the buildings will be at least one foot above the floodplain and that parking and drive areas will be no more than 6 inches below the floodplain; and that the Owner will provide flood insurance for the buildings as long as they remain in the floodplain.

2 Receipt and acceptance by Carryover:

a: Agreement to enter into Housing Assistance Payment Contract or written commitment from the Housing Authority of the City of Austin (HACA) for 26 project-based vouchers specifying the payment standard that will apply.

b: Formal approval for $11.5M loan from the Austin Housing Finance Corporation (AHFC) clearly stating all terms, conditions and source of funding.

3 Receipt and acceptance by Cost Certification:

a: Architect or engineer certification that the finished ground floor elevation for each building is at least one foot above the floodplain and that all drives and parking areas are not more than 6 inches below the floodplain; or certification (including a Letter of Map Amendment or Revision ("LOMA / LOMR-F") if applicable, documenting that the development is not within the 100 year floodplain.

For any buildings remaining in the floodplain, documentation that flood insurance is in place at the property owner's expense covering the buildings and coverage will remain in force as long as they remain in the floodplain.

b: Certification that testing for asbestos was performed on the existing structures prior to demolition, and if necessary, a certification that any appropriate abatement procedures were implemented.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

RISK PROFILE

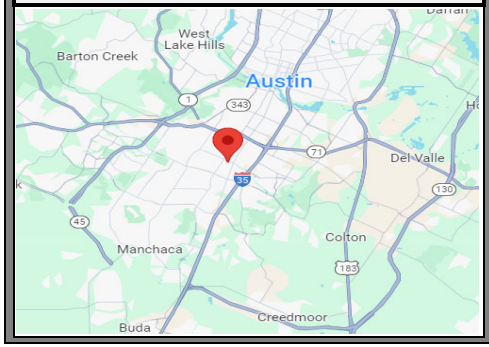
STRENGTHS/MITIGATING FACTORS

- No Foreclosable Debt
- Low Gross Capture Rate

WEAKNESSES/RISKS

- High Expense Ratio
- The development is located in a FEMA 100-year and 500-year floodplain, along with a City of Austin Fully Developed 25-year and 100-year floodplain.

AREA MAP



AERIAL PHOTOGRAPH(s)



Real Estate Analysis Division
Underwriting Report
June 28, 2024

DEVELOPMENT IDENTIFICATION

TDHCA Application #: **24018** Program(s): **9% HTC**

Bailey at Stassney

Address/Location: 400 W Stassney Lane

City: Austin County: Travis Zip: 78745

Population: Supportive Housing Program Set-Aside: General Area: Urban

Activity: New Construction Building Type: Elevator Served Region: 7

Analysis Purpose: New Application - Initial Underwriting

ALLOCATION

	REQUEST				RECOMMENDATION						
TDHCA Program	**Amount**	**Int. Rate**	**Amort**	**Term**	**Amount**	**Int. Rate**	**Amort**	**Perm. Term**	**Perm Lien**	**Const. Term**	**Const Lien**
LIHTC (9% Credit)	$2,000,000				**$2,000,000**						

CONDITIONS

1 Receipt and acceptance by Commitment:

- Certification that if the site is in the 100-year floodplain when it places in service, the finished ground floor elevation of the buildings will be at least one foot above the floodplain and that parking and drive areas will be no more than 6 inches below the floodplain; and that the Owner will provide flood insurance for the buildings as long as they remain in the floodplain.

2 Receipt and acceptance by Carryover:

a: Agreement to enter into Housing Assistance Payment Contract or written commitment from the Housing Authority of the City of Austin (HACA) for 26 project-based vouchers specifying the payment standard that will apply.

b: Formal approval for $11.5M loan from the Austin Housing Finance Corporation (AHFC) clearly stating all terms, conditions and source of funding.

3 Receipt and acceptance by Cost Certification:

a: Architect or engineer certification that the finished ground floor elevation for each building is at least one foot above the floodplain and that all drives and parking areas are not more than 6 inches below the floodplain; or certification (including a Letter of Map Amendment or Revision ("LOMA / LOMR-F") if applicable, documenting that the development is not within the 100 year floodplain.

For any buildings remaining in the floodplain, documentation that flood insurance is in place at the property owner's expense covering the buildings and coverage will remain in force as long as they remain in the floodplain.

b: Certification that testing for asbestos was performed on the existing structures prior to demolition, and if necessary, a certification that any appropriate abatement procedures were implemented.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	21
50% of AMI	50% of AMI	63
60% of AMI	60% of AMI	20

DEVELOPMENT SUMMARY

The proposed development is a new construction Supportive Housing development in Austin. There will be 104 units in one 5-story elevator-served building. The unit mix includes 52 efficiency units and 52 one bedroom units. The community space will be located within the building. The site is made up of three adjacent parcels which will be replatted into one parcel. A portion of the site is in the floodplain. No buildings or parking will be built in the floodplain. There are old structures on the site that will be moved or demolished - a mobile home and a single family house.

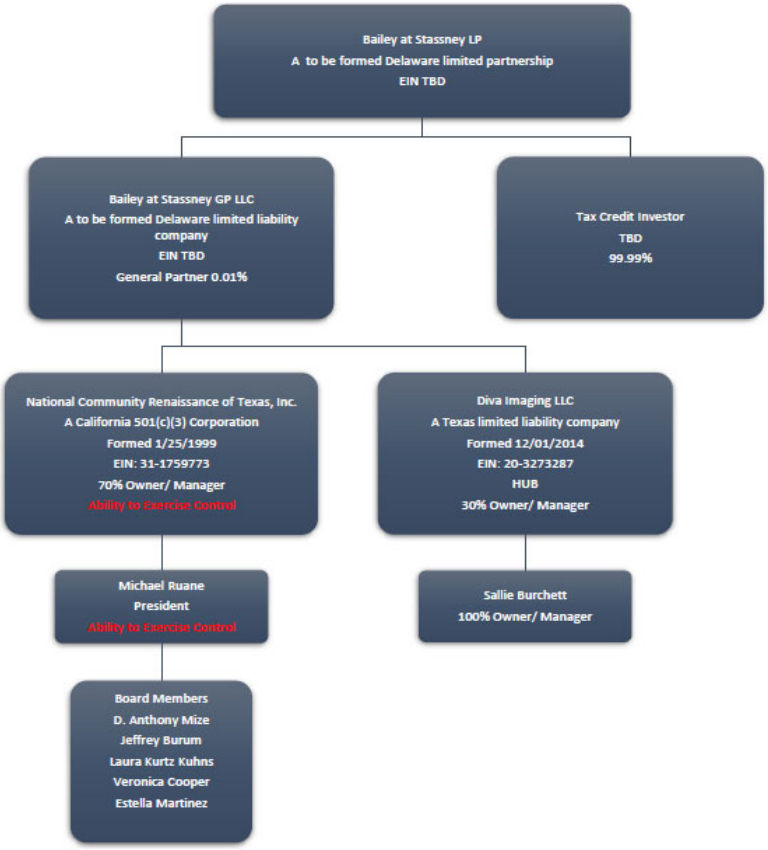
RISK PROFILE

STRENGTHS/MITIGATING FACTORS	
▫	No Foreclosable Debt
▫	Low Gross Capture Rate

WEAKNESSES/RISKS	
▫	High Expense Ratio
▫	The development is located in a FEMA 100-year and 500-year floodplain, along with a City of Austin Fully Developed 25-year and 100-year floodplain.

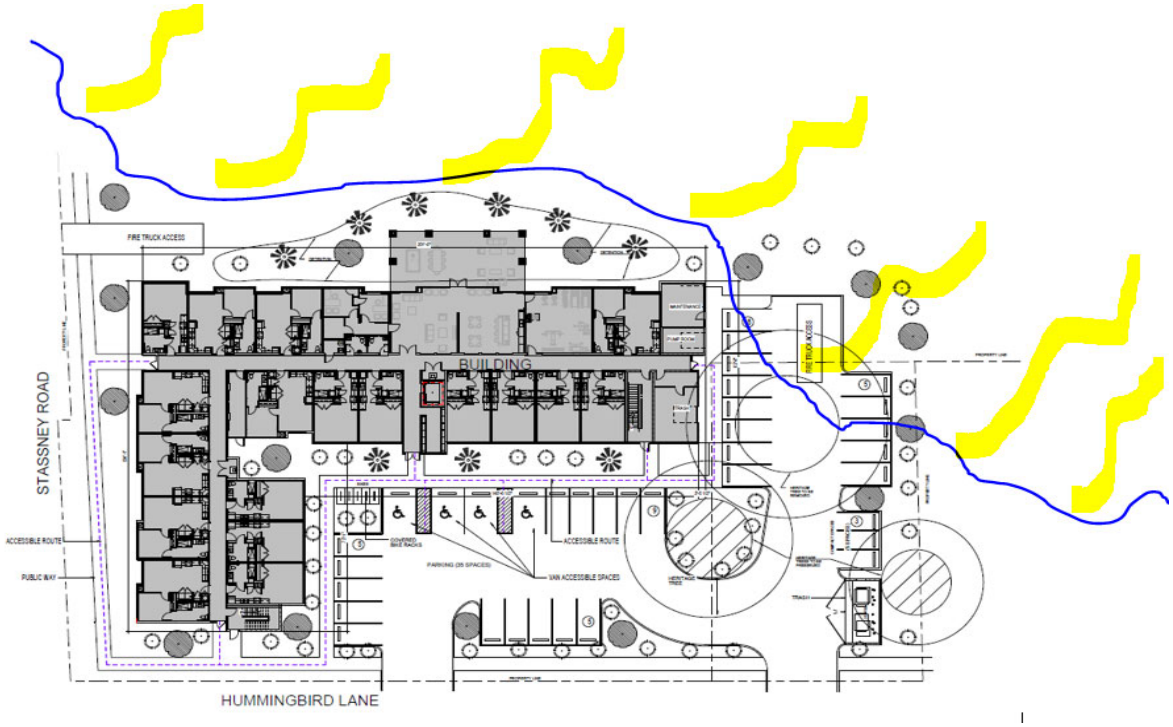
DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



DEVELOPMENT SUMMARY

SITE PLAN







Comments:

Basemap Imagery Source: USGS National Map 2023. This property was assessed for flood hazards using current FEMA guidelines and standards for flood risk analysis in adherence to NFIP requirements and regulations. Portions of the Subject Property are located in a Special Flood Hazard Area.

Comments:

The Development is offering 35 open surface parking at no fee and 10 bicycle spaces. This meets the City of Austin parking requirement with the Affordability Unlocked Development Bonus Program.

BUILDING ELEVATION



BUILDING CONFIGURATION

Building Type	A												**Total Buildings**
Floors/Stories	5												
Number of Bldgs	1												**1**
Units per Bldg	104												
Total Units	104												**104**

Avg. Unit Size (SF) **529 sf**	**Total NRA (SF)** **54,964**	**Common Area (SF)*** **15,400**

*Common Area Square Footage as specified on Architect Certification

SITE CONTROL INFO

Site Acreage: Development Site: 2.2633 acres Density: 46.0 units/acre

Site Control: 2.368 **Site Plan:** 2.381 **Appraisal:** na **ESA:** 2.381

Feasibility Report Survey: 2.381 **Feasibility Report Engineer's Plan:** 2.381 **Existing LURA:** na

Control Type: 1) Commercial Contract - Unimproved Property
2) Commercial Contract - Improved Property
3) Commercial Contract - Improved Property

Tract 1:	0.532	acres	Cost:	$1,000,000	Seller:	Grayl Avenue LLC	
Tract 2:	1.642	acres	Cost:	$1,000,000	Seller:	Capital River Group, LLC - Series 33	
Tract 3:	0.207	acres	Cost:	$605,000	Seller:	Stephen Hult & Hollis Hult	
Development Site:	2.2633	acres	Cost:	$2,605,000		$25,048	per unit

Seller: Grayl Avenue LLC; Capital River Group, LLC - Series 33; Stephen Hult & Hollis Hult

Buyer: East 43rd St., LLC dba Structure Development

Assignee: National Community Renaissance of Texas, Inc. a California non-profit public benefit corporation.

Related-Party Seller/Identity of Interest: No

Comments:

The site control acreage was an estimate based on the Appraisal District area. The recent ground survey dictates the exact acreage of 2.381 acres. The applicant stated that, at this time, all of the property shown in the three site control documents will be encumbered by the LURA less the estimated dedication of land. The estimated dedication to be approximately .1177 acres. The estimated acreage after dedication is 2.2633 and will be established after full City of Austin plan review and the as-built survey.

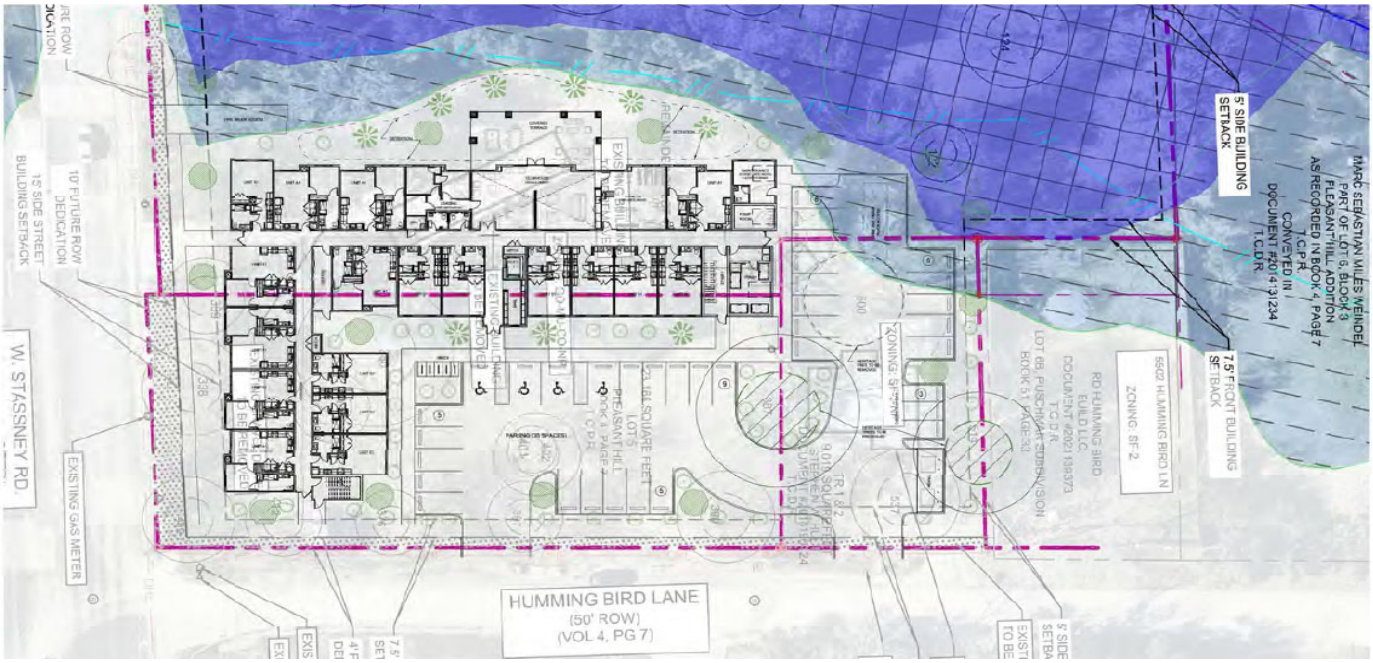
Right of Way Dedication: The Austin Strategic Mobility Plan (ASMP) identifies roadways that may be altered in order to align with proposed transportation projects. For the proposed site, the ASMP is proposing the change the right of way (ROW) of W Stassney Lane from 100' to 120'. This would require an approximately 10' of ROW dedication from the subject site along W Stassney Lane. The ASMP also proposes changing the ROW of Humming Bird Lane from 50' to 58-64'. This would require an additional 4'-7', respectively, of ROW dedication from subject site along Humming Bird Lane.

SITE INFORMATION

Flood Zone:	AE and X	Scattered Site?	No
Zoning:	GO-MU-CO-NP and Sf-2-NP	Within 100-yr floodplain?	Yes
Re-Zoning Required?	Yes	Utilities at Site?	Yes
Year Constructed:	N/A	Title Issues?	No

Current Uses of Subject Site:

The Subject Property is currently developed with one single family residence (5505 Hummingbird), a manufactured home (400 West Stassney), and two sheds/garages and a storage trailer.



Other Observations:

- This property was assessed for flood hazards using current FEMA guidelines and standards for flood risk analysis in adherence to NFIP requirements and regulations. Portions of the Subject Property are located in a Special Flood Hazard Area. The development is located in a FEMA 100-year and 500-year floodplain, along with a City of Austin Fully Developed 25-year and 100-year floodplain.

- Per the City of Austin letter dated February 2024, no zoning change is necessary for the development of multifamily residences and single family residences on the site or for use of the site for multifamily residences and single family residences.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Progea, Inc. Date: 2/2/2024

Recognized Environmental Conditions (RECs) and Other Concerns:

- An asbestos survey will be required prior to any renovations or demolition activities.
- The tributary of Williamson Creek that runs along the western property boundary is depicted as a Riverine habitat. Additional study may be required if future site development will encroach on the stream. If no future development is planned in this area or in the Special Flood Hazard Area, then no further actions would be required.
  Per the Applicant, they have no plans to develop in the Riverine habitat or Special Flood Hazard Area. City of Austin allows up to 5,000 square feet of parking in the floodplain, at this time the design shows 1,400 square feet of parking in the floodplain.
- The Subject Property residence was constructed c. 1966 and likely contains lead paint. No peeling or flaking paint was observed during the Subject Property inspection. A lead-based paint survey was beyond the scope of this assessment.

Comments:

TDHCA is no longer conditioning in the report lead-based paint in buildings being demolished. It appears that this is an OSHA standard that the contractor has to comply with and a lead-based paint survey will be conducted before demolition. The applicant stated that their demolition contractor will follow all applicable local, state, and federal requirements for the demolition and disposal of any and all structures.

MARKET ANALYSIS

Provider: Novogradac Date: 3/20/2024

Primary Market Area (PMA): 20.0 sq. miles 3 mile equivalent radius

AFFORDABLE HOUSING INVENTORY

Competitive Supply (Proposed, Under Construction, and Unstabilized)

File #	Development	In PMA?	Type	Target Population	Comp Units	Total Units
N/A	None	N/A	#N/A	#N/A	N/A	#N/A

Stabilized Affordable Developments in PMA	Total Units	1,664
	Total Developments	12
	Average Occupancy	98.1%

Comments:

The Roz was awarded tax credits in 2023 for the new construction of a 100-unit LIHTC/PBV multifamily development to be located outside of the PMA, approximately 2.2 miles northeast of the Subject. The development will offer 100 studio units restricted to households earning 30, 50, and 60 percent of the AMI, or less. Further, all 100 units will target formerly homeless households and benefit from Project-Based Vouchers, where tenants will contribute 30 percent of their income towards rent. A timeline of construction was unavailable as of the date of this report. As this development will benefit from additional subsidies and target a special needs tenancy, it will be competitive with the Subject's subsidized units, as proposed. However, the addition of these competitive units to the relevant supply would provide negligible change to our overall capture rates. As such, no additional units located outside of the PMA have been added to the supply.

OVERALL DEMAND ANALYSIS				
	Market Analyst			
	HTC	Assisted		
Total Households in the Primary Market Area	45,112			
Potential Demand from the Primary Market Area	7,697			
10% External Demand	770			
Potential Demand from Other Sources	0			
GROSS DEMAND	8,467			
Subject Affordable Units	78	26		
Unstabilized Competitive Units	0			
RELEVANT SUPPLY	78			
Relevant Supply ÷ Gross Demand = GROSS CAPTURE RATE	**0.9%**			

Population:	**Supportive Housing**	**Market Area:**	**Urban**	**Maximum Gross Capture Rate:**	**30%**

UNDERWRITING ANALYSIS of PMA DEMAND by AMGI BAND										
	Market Analyst									
AMGI Band	Demand	10% Ext	Subject Units	Comp Units	AMGI Band Capture Rate					
50% AMGI	3,471	347	58	0	1.5%					
60% AMGI	4,226	423	20	0	0.4%					

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE										
	Market Analyst									
Unit Type	Demand	10% Ext	Subject Units	Comp Units	Unit Capture Rate					
0 BR/50%	550	55	35	0	5.8%					
1 BR/50%	1,520	152	23	0	1.4%					
1 BR/60%	3,276	328	20	0	0.6%					

OPERATING PRO FORMA

SUMMARY- AS UNDERWRITTEN (Applicant's Pro Forma)					
NOI:	$533,695	Avg. Rent:	$1,159	Expense Ratio:	61.1%
Debt Service:	$0	B/E Rent:	$697	Controllable Expenses:	$4,015
Net Cash Flow:	$533,695	UW Occupancy:	92.5%	Property Taxes/Unit:	$1,000
Aggregate DCR:	N/A	B/E Occupancy:	56.5%	Program Rent Year:	2023

In March 2024, the Housing Authority of the City of Austin (HACA) committed to a total of 26 vouchers:
$1,519 (0 bedroom - 13 units) and;
$1,635 (1 bedroom - 13 units).
The payment standards: 10 Housing Choice Voucher project-based vouchers (HCV-PBV) and 16 Veterans Affairs Supportive Housing project-based vouchers (VASH-PBV) through a 20-year Housing Assistance Payment Contract (HAP). The Utility Allowance for the units receiving vouchers will be $0.00.

Expense ratio and controllable expenses are higher for supportive housing properties. They are generally assumed to operate with no foreclosable debt and the developments are exempt from the underwriting feasibility criteria related to expense ratio, debt coverage, and cash flow.

DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (Applicant's Costs)					
Acquisition	$1,150,974/ac	$25,048/unit	**$2,605,000**	Contractor Fee	**$2,119,047**
Off-site + Site Work		$24,712/unit	**$2,570,000**	Soft Cost + Financing	**$3,752,010**
Building Cost	$242.91/sf	$128,376/unit	**$13,351,070**	Developer Fee	**$3,300,000**
Contingency	7.00%	$10,716/unit	**$1,114,475**	Reserves	**$389,800**
Total Development Cost	$280,783/unit	**$29,201,402**		**Rehabilitation Cost**	**N/A**

Qualified for 30% Basis Boost?	100% Supportive Housing [9% only]

Off-site:

The Development is including $250K of Off-Site costs for Off-Site Utilities:
•Water/Wastewater (Austin Water Utility) - Upgrades to existing water or wastewater facilities as determined by an SER requested from Austin Water Utility.
•Electric (Austin Energy) - Extend/Improve electrical service into the site.
•Telecommunication - Work with the chosen telecommunications provider to extend service to the site.

Building Cost:

Underwriter utilized Marshall & Swift's "good" base cost adjusted for small average unit size.

"Underwriter utilized Marshall & Swift's "good" base cost adjusted for a 5-story build and tight infill location. The general contractor has confirmed that they have included the additional costs for off-site storage and the extra costs of coordinating transportation to and from the site for employees and subcontractors.

Construction has to meet Austin Energy Green Building standards which largely contributes to the high building cost of $242.9/sf. While that cost is significantly higher than most of the recent projects we have underwritten, it is still comparable to other supportive services deals of similar design.

The applicant limited Voluntary Eligible Building Costs (After 11.9(e)(2)) by $4,285,159 to achieve desired score.

Credit Allocation Supported by Costs:

Total Development Cost	Adjusted Eligible Cost	Credit Allocation Supported by Eligible Basis
$29,201,402	$19,494,949	$2,280,909

UNDERWRITTEN CAPITALIZATION

INTERIM SOURCES

Funding Source	Description	Amount	Rate	LTC
Austin Housing Finance Corporation (AHFC) - Deferred Payable - Cash Flow	Local Government Loan - Deferred Payable - Cash Flow	$11,500,000	0.00%	40%
KeyBank National Association ("Key") - Construction Loan	Construction Loan	$14,000,000	7.00%	48%
Hudson Housing Capital LLC ("Hudson")	HTC	$2,519,748	$0.84	9%
City of Austin - Fee Waivers	§11.9(d)(2)LPS Contribution	$500	0.00%	0%
CORE Bailey at Stassney Developer LLC	Deferred Developer Fee	$902,582	0.00%	3%
		$28,922,830	**Total Sources**	

PERMANENT SOURCES

	PROPOSED				UNDERWRITTEN				
Debt Source	**Amount**	**Interest Rate**	**Amort**	**Term**	**Amount**	**Interest Rate**	**Amort**	**Term**	**LTC**
Austin Housing Finance Corporation (AHFC) - Deferred Payable - Cash Flow	$11,500,000	0.00%	N/A	40.0	$11,500,000	0.00%	N/A	40.0	39%
City of Austin - Fee Waivers	$500	Fee Waiver			$500	Fee Waiver			0%
Total	**$11,500,500**				**$11,500,500**				

	PROPOSED			UNDERWRITTEN			
Equity & Deferred Fees	**Amount**	**Rate**	**% Def**	**Amount**	**Rate**	**% TC**	**% Def**
Hudson Housing Capital LLC ("Hudson")	$16,798,320	$0.84		$16,798,320	$0.84	58%	
CORE Bailey at Stassney Developer LLC	$902,582		27%	$902,582		3%	27%
Total	**$17,700,902**			**$17,700,902**			
				$29,201,402	**Total Sources**		

Credit Price Sensitivity based on current capital structure	
$0.885	Maximum Credit Price before the Development is oversourced and allocation is limited
$0.720	Minimum Credit Price below which the Development would be characterized as infeasible

CONCLUSIONS

Recommended Financing Structure:

Gap Analysis:	
Total Development Cost	$29,201,402
Permanent Sources (debt + non-HTC equity)	$11,500,500
Gap in Permanent Financing	$17,700,902

Possible Tax Credit Allocations:	**Equity Proceeds**	**Annual Credits**
Determined by Eligible Basis	$19,157,720	$2,280,909
Needed to Balance Sources & Uses	$17,700,902	$2,107,461
Requested by Applicant	$16,798,320	$2,000,000

	RECOMMENDATION	
	Equity Proceeds	**Annual Credits**
Tax Credit Allocation	**$16,798,320**	**$2,000,000**

Deferred Developer Fee	**$902,582**	**(27% deferred)**
Repayable in	**2 years**	

Recommendation:

Underwriter recommends an annual tax credit allocation of $2,000,000 per the Applicant's request.

Underwriter:	*Mario Castellanos*
Manager of Real Estate Analysis:	*Robert Castillo*
Director of Real Estate Analysis:	*Jeanna Adams*

UNIT MIX/RENT SCHEDULE

Bailey at Stassney, Austin, 9% HTC #24018

LOCATION DATA	
CITY:	Austin
COUNTY:	Travis
Area Median Income	$122,300
PROGRAM REGION:	7
PROGRAM RENT YEAR:	2023

UNIT DISTRIBUTION						
# Beds	# Units	% Total	Assisted	MDL	ARP	Match
Eff	52	50.0%	13	0	0	0
1	52	50.0%	13	0	0	0
2	-	0.0%	0	0	0	0
3	-	0.0%	0	0	0	0
4	-	0.0%	0	0	0	0
5	-	0.0%	0	0	0	0
TOTAL	**104**	**100.0%**	**26**	**-**	**-**	**-**

PRO FORMA ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjust	130%
Applicable Fraction	100.00%
APP % Acquisition	4.00%
APP % Construction	9.00%
Average Unit Size	529 sf

48% Average Income		20%	30%	40%	50%	60%	70%	80%	EO / MR	TOTAL
	# Units	-	21	-	63	20	-	-	-	**104**
	% Total	0.0%	20.2%	0.0%	60.6%	19.2%	0.0%	0.0%	0.0%	**100.0%**

UNIT MIX / MONTHLY RENT SCHEDULE

HTC		RENT ASSISTED UNIT		UNIT MIX				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS				MARKET RENTS		
Type	Gross Rent	Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Utility Allow	Max Net Program Rent	Delta to Max	Rent psf	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent psf	Delta to Max	Underwritten		Mrkt Analyst
TC 30%	$613	PBV	$1,519	12	0	1	450	$1,519	$0	$1,519	$0	$3.38	$1,519	**$18,228**	**$18,228**	$1,519	$3.38	$0	$1,475	$3.28	$1,475
TC 50%	$1,022	PBV	$1,519	1	0	1	450	$1,519	$0	$1,519	$0	$3.38	$1,519	**$1,519**	**$1,519**	$1,519	$3.38	$0	$1,475	$3.28	$1,475
TC 50%	$1,022	0		39	0	1	450	$1,022	$88	$934	$0	$2.08	$934	**$36,426**	**$36,426**	$934	$2.08	$0	$1,475	$3.28	$1,475
TC 30%	$657	PBV	$1,635	9	1	1	607	$1,635	$0	$1,635	$0	$2.69	$1,635	**$14,715**	**$14,715**	$1,635	$2.69	$0	$1,935	$3.19	$1,935
TC 50%	$1,095	PBV	$1,635	4	1	1	607	$1,635	$0	$1,635	$0	$2.69	$1,635	**$6,540**	**$6,540**	$1,635	$2.69	$0	$1,935	$3.19	$1,935
TC 50%	$1,095	0		19	1	1	607	$1,095	$101	$994	$0	$1.64	$994	**$18,886**	**$18,886**	$994	$1.64	$0	$1,935	$3.19	$1,935
TC 60%	$1,314	0		20	1	1	607	$1,314	$101	$1,213	$0	$2.00	$1,213	**$24,260**	**$24,260**	$1,213	$2.00	$0	$1,935	$3.19	$1,935
TOTALS/AVERAGES:				**104**			**54,964**				**$0**	**$2.19**	**$1,159**	**$120,574**	**$120,574**	**$1,159**	**$2.19**	**$0**	**$1,705**	**$3.23**	**$1,705**

ANNUAL POTENTIAL GROSS RENT:	**$1,446,888**	**$1,446,888**	

STABILIZED PRO FORMA

Bailey at Stassney, Austin, 9% HTC #24018

	STABILIZED FIRST YEAR PRO FORMA														
	COMPARABLES				APPLICANT				TDHCA				VARIANCE	
	Database		Travis County Supportive Housing		% EGI	Per SF	Per Unit	Amount	Amount	Per Unit	Per SF	% EGI	%	$
POTENTIAL GROSS RENT						$2.19	$1,159	$1,446,888	$1,446,888	$1,159	$2.19		0.0%	$0
Late fees, pet deposits							$30.00	$37,440						
Total Secondary Income							$30.00		$37,440	$30.00			0.0%	$0
POTENTIAL GROSS INCOME								$1,484,328	$1,484,328				0.0%	$0
Vacancy & Collection Loss							7.5% PGI	(111,325)	(111,325)	7.5% PGI			0.0%	-
EFFECTIVE GROSS INCOME								$1,373,003	$1,373,003				0.0%	$0
General & Administrative	$48,959	$471/Unit	$57,322	$551	4.21%	$1.05	$555	$57,768	$57,322	$551	$1.04	4.17%	0.8%	446
Management	$44,227	3.3% EGI	$55,164	$530	6.00%	$1.50	$792	$82,380	$82,380	$792	$1.50	6.00%	0.0%	(0)
Payroll & Payroll Tax	$150,717	$1,449/Unit	$207,416	$1,994	13.46%	$3.36	$1,777	$184,800	$184,800	$1,777	$3.36	13.46%	0.0%	-
Repairs & Maintenance	$91,324	$878/Unit	$132,583	$1,275	6.55%	$1.64	$865	$90,000	$90,000	$865	$1.64	6.55%	0.0%	-
Electric/Gas	$26,936	$259/Unit	$39,970	$384	2.27%	$0.57	$300	$31,200	$39,970	$384	$0.73	2.91%	-21.9%	(8,770)
Water, Sewer, & Trash **Tenant Pays: WS**	$86,400	$831/Unit	$49,169	$473	3.92%	$0.98	$517	$53,800	$49,169	$473	$0.89	3.58%	9.4%	4,631
Property Insurance	$57,575	$1.05 /sf	$48,801	$469	7.28%	$1.82	$962	$100,000	$97,890	$941	$1.78	7.13%	2.2%	2,110
Property Tax (@ 100%) 1.809247	$75,150	$723/Unit	$35,820	$344	7.57%	$1.89	$1,000	$104,000	$97,456	$937	$1.77	7.10%	6.7%	6,544
Reserve for Replacements					2.27%	$0.57	$300	$31,200	$31,200	$300	$0.57	2.27%	0.0%	-
Supportive Services					7.28%	$1.82	$962	$100,000	$100,000	$962	$1.82	7.28%	0.0%	-
TDHCA Compliance fees ($40/HTC unit)					0.30%	$0.08	$40	$4,160	$4,160	$40	$0.08	0.30%	0.0%	-
TOTAL EXPENSES					**61.13%**	**$15.27**	**$8,070**	**$839,308**	**$834,347**	**$8,023**	**$15.18**	**60.77%**	**0.6%**	**$ 4,961**
NET OPERATING INCOME ("NOI")					**38.87%**	**$9.71**	**$5,132**	**$533,695**	**$538,656**	**$5,179**	**$9.80**	**39.23%**	**-0.9%**	**$ (4,961)**
CONTROLLABLE EXPENSES							$4,015/Unit			$4,051/Unit				

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Bailey at Stassney, Austin, 9% HTC #24018

DEBT / GRANT SOURCES

		APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE							AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
		Cumulative DCR												Cumulative	
DEBT (Must Pay)	**Fee**	**UW**	**App**	**Pmt**	**Rate**	**Amort**	**Term**	**Principal**	**Principal**	**Term**	**Amort**	**Rate**	**Pmt**	**DCR**	**LTC**
Austin Housing Finance Corporation (AHFC) - Deferred Payable - Cash Flow				-	0.00%	0	40.0	$11,500,000	$11,500,000	40.0	0.0	0.00%			39.4%
CASH FLOW DEBT / GRANTS															
City of Austin - Fee Waivers					0.00%	0	0.0	$500	$500	0.0	0.0	0.00%			0.0%
				$0	**TOTAL DEBT / GRANT SOURCES**			**$11,500,500**	**$11,500,500**	**TOTAL DEBT SERVICE**			**$0**		39.4%

NET CASH FLOW	$538,656	$533,695	**APPLICANT**	**NET OPERATING INCOME**	**$533,695**	**$533,695**	**NET CASH FLOW**	

EQUITY SOURCES

	APPLICANT'S PROPOSED EQUITY STRUCTURE					AS UNDERWRITTEN EQUITY STRUCTURE					
EQUITY / DEFERRED FEES	**DESCRIPTION**	**% Cost**	**Annual Credit**	**Credit Price**	**Amount**	**Amount**	**Credit Price**	**Annual Credit**	**% Cost**	**Annual Credits per Unit**	**Allocation Method**
Hudson Housing Capital LLC ("Hudson")	LIHTC Equity	57.5%	$2,000,000	$0.84	$16,798,320	$16,798,320	$0.8399	$2,000,000	57.5%	$19,231	Applicant Request
CORE Bailey at Stassney Developer LLC	Deferred Developer Fees	3.1%	(27% Deferred)		$902,582	$902,582	(27% Deferred)		3.1%	**Total Developer Fee:**	**$3,300,000**
Additional (Excess) Funds Req'd		0.0%				$0			0.0%		
TOTAL EQUITY SOURCES		60.6%			$17,700,902	$17,700,902			60.6%		

TOTAL CAPITALIZATION	**$29,201,402**	**$29,201,402**		**15-Yr Cash Flow after Deferred Fee:**	**$7,338,668**

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS					TDHCA COST / BASIS ITEMS					COST VARIANCE	
	Eligible Basis								Eligible Basis			
	Acquisition	New Const. Rehab		Total Costs		Total Costs			New Const. Rehab	Acquisition	%	$
Land Acquisition				$25,048 / Unit	$2,605,000	$2,605,000	$25,048 / Unit				0.0%	$0
Building Acquisition	$0			$ / Unit	$0	$0	$ / Unit			$0	0.0%	$0
Off-Sites		$0		$2,404 / Unit	$250,000	$250,000	$2,404 / Unit		$0		0.0%	$0
Site Work		$1,865,000		$19,135 / Unit	$1,990,000	$1,990,000	$19,135 / Unit		$1,865,000		0.0%	$0
Site Amenities		$330,000		$3,173 / Unit	$330,000	$330,000	$3,173 / Unit		$330,000		0.0%	$0
Building Cost		$9,065,911	$242.91 /sf	$128,376/Unit	$13,351,070	$12,605,960	$121,211/Unit	$229.35 /sf	$9,065,911		5.9%	$745,110
Contingency		$788,264	7.00%	7.00%	$1,114,475	$1,062,317	7.00%	7.00%	$788,264		4.9%	$52,158
Contractor Fees		$1,686,884	14.00%	12.44%	$2,119,047	$2,119,047	13.05%	14.00%	$1,686,884		0.0%	$0
Soft Costs	$0	$2,246,890		$22,326 / Unit	$2,321,890	$2,321,890	$22,326 / Unit		$2,246,890	$0	0.0%	$0
Financing	$0	$1,087,000		$13,751 / Unit	$1,430,120	$1,430,120	$13,751 / Unit		$1,087,000	$0	0.0%	$0
Developer Fee	$0	$2,425,000	14.21%	14.96%	$3,300,000	$3,188,858	15.00%	14.21%	$2,425,000	$0	3.5%	$111,142
Reserves				6 Months	$389,800	$389,800	6 Months				0.0%	$0
TOTAL HOUSING DEVELOPMENT COST (UNADJUSTED BASIS)	**$0**	**$19,494,949**		$280,783 / Unit	**$29,201,402**	**$28,292,992**	$272,048 / Unit		**$19,494,949**	**$0**	**3.2%**	**$908,410**
Acquisition Cost	$0				$0							
Contingency		$0			($0)							
Contractor's Fee		$0			$0							
Financing Cost		$0										
Developer Fee	$0	$0			$0							
Reserves					$0							
ADJUSTED BASIS / COST	**$0**	**$19,494,949**		$280,783/unit	**$29,201,402**	**$28,292,992**	$272,048/unit		**$19,494,949**	**$0**	**3.2%**	**$908,410**

TOTAL HOUSING DEVELOPMENT COSTS (Applicant's Uses are within 5% of TDHCA Estimate):	**$29,201,402**

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Bailey at Stassney, Austin, 9% HTC #24018

CREDIT CALCULATION ON QUALIFIED BASIS

	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction
ADJUSTED BASIS	$0	$19,494,949	$0	$19,494,949
Deduction of Federal Grants	$0	$0	$0	$0
TOTAL ELIGIBLE BASIS	$0	$19,494,949	$0	$19,494,949
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	$0	$25,343,434	$0	$25,343,434
Applicable Fraction	100.00%	100.00%	100%	100%
TOTAL QUALIFIED BASIS	$0	$25,343,434	$0	$25,343,434
Applicable Percentage	4.00%	9.00%	4.00%	9.00%
ANNUAL CREDIT ON BASIS	$0	$2,280,909	$0	$2,280,909
CREDITS ON QUALIFIED BASIS	$2,280,909		$2,280,909	

	ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		FINAL ANNUAL LIHTC ALLOCATION		
			Credit Price $0.8399	Variance to Request	
Method	Annual Credits	Proceeds	Credit Allocation	Credits	Proceeds
Eligible Basis	$2,280,909	$19,157,720	----	----	----
Needed to Fill Gap	$2,107,461	$17,700,902	----	----	----
Applicant Request	$2,000,000	$16,798,320	**$2,000,000**	**$0**	**$0**

BUILDING COST ESTIMATE

CATEGORY	FACTOR	UNITS/SF	PER SF	
Base Cost: Elevator Served		54,964 SF	$184.50	10,141,099
Adjustments				
Exterior Wall Finish	0.48%		0.89	$48,677
Elderly	0.00%		0.00	0
9-Ft. Ceilings	3.06%		5.65	310,318
Roof Adjustment(s)			2.84	156,000
Subfloor			0.60	32,978
Floor Cover			3.68	202,268
Enclosed Corridors	$173.15	9,369	29.52	1,622,283
Balconies	$36.23	1,058	0.70	38,331
Plumbing Fixtures	$1,420	0	0.00	0
Rough-ins	$700	156	1.99	109,200
Built-In Appliances	$2,280	104	4.31	237,120
Exterior Stairs	$3,550	8	0.52	28,400
Heating/Cooling			3.12	171,488
Storage Space	$173.15	708	2.23	122,593
Carports	$16.05	0	0.00	0
Garages	$30.00	0	0.00	0
Common/Support Area	$139.78	2,213	5.63	309,323
Elevators	$168,600	1	3.07	168,600
Other: Mech./Elec./Pump & Support Facilities/Stairs & Elevators	$173.15	4918	15.49	851,573
Fire Sprinklers	$3.65	67,254	4.47	245,477
SUBTOTAL			**269.19**	**14,795,728**
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	1.00		0.00	0
Reserved				0
TOTAL BUILDING COSTS			**269.19**	**$14,795,728**
Plans, specs, survey, bldg permits	3.30%		(8.88)	($488,259)
Contractor's OH & Profit	11.50%		(30.96)	(1,701,509)
NET BUILDING COSTS		$121,211/unit	$229.35/sf	$12,605,960

Long-Term Pro Forma

Bailey at Stassney, Austin, 9% HTC #24018

	Growth Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 25	Year 30	Year 35	Year 40
EFFECTIVE GROSS INCOME	2.00%	$1,373,003	$1,400,463	$1,428,473	$1,457,042	$1,486,183	$1,640,866	$1,811,649	$1,847,882	$1,884,839	$1,922,536	$1,960,987	$2,000,207	$2,208,390	$2,438,241	$2,692,015	$2,972,202
TOTAL EXPENSES	3.00%	$839,308	$863,663	$888,733	$914,538	$941,100	$1,086,071	$1,253,620	$1,290,142	$1,327,737	$1,366,439	$1,406,278	$1,447,290	$1,671,182	$1,930,045	$2,229,376	$2,575,543
NET OPERATING INCOME ("NOI")		**$533,695**	**$536,800**	**$539,740**	**$542,504**	**$545,083**	**$554,795**	**$558,029**	**$557,740**	**$557,102**	**$556,098**	**$554,709**	**$552,917**	**$537,208**	**$508,196**	**$462,639**	**$396,659**
EXPENSE/INCOME RATIO		61.1%	61.7%	62.2%	62.8%	63.3%	66.2%	69.2%	69.8%	70.4%	71.1%	71.7%	72.4%	75.7%	79.2%	82.8%	86.7%
MUST -PAY DEBT SERVICE																	
Austin Housing Finance Corporation (AHFC) - Deferred Payable - Cash Flow			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL DEBT SERVICE		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
DEBT COVERAGE RATIO																	
ANNUAL CASH FLOW		**$533,695**	**$536,800**	**$539,740**	**$542,504**	**$545,083**	**$554,795**	**$558,029**	**$557,740**	**$557,102**	**$556,098**	**$554,709**	**$552,917**	**$537,208**	**$508,196**	**$462,639**	**$396,659**
Deferred Developer Fee Balance		$368,886	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
CUMULATIVE NET CASH FLOW		$0	$167,914	$707,653	$1,250,157	$1,795,241	$4,552,053	$7,338,668	$7,896,408	$8,453,510	$9,009,608	$9,564,317	$10,117,233	$12,839,434	$15,444,366	$17,856,018	$19,980,306