BOARD MEETING OF FEBRUARY 5, 2009

C. Kent Conine, Chair

Gloria Ray, Vice-Chair
Leslie Bingham Escareño, Member
Tomas Cardenas, Member
Sonny Flores, Member
Juan Muñoz, Member

MISSION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

AUDIT COMMITTEE

AUDIT COMMITTEE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

8:30 AM
February 5, 2008
Robert E. Johnson Building
Central Conference Room
1501 North Congress
Austin, Texas 78701

AGENDA

CALL TO ORDER, ROLL CALL — Gloria Ray, Chair

CERTIFICATION OF QUORUM — Gloria Ray, Chair

PUBLIC COMMENT
The audit committee of the board of the Texas Department of Housing and Community Affairs will solicit public comment at the beginning of the meeting and will also provide for public comment on each agenda item after the presentation made by the department staff and motions made by the committee.

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

REPORT ITEMS

Item 1 — Presentation, Discussion and Possible Approval of the Internal Audit Division's Revised Audit Charter and Board Resolutions — Sandy Donoho, Dir Internal Audit

Item 2 — Presentation and Discussion of the Audit Standards, Code of Ethics, Definition of Internal Auditing and the Internal Audit Division's Independence Statement — Sandy Donoho, Dir Internal Audit

Item 3 — Presentation and Discussion of Audit Results from Deloitte and Touche, CPAs, FYE 8/31/08: — Julia Petty, Deloitte & Touche

- Communications with Audit Committee Letter
- Opinion Audit on FY 2008 Basic Financial Statements
- Opinion Audit on FY 2008 Revenue Bond Program Financial Statements
- Opinion Audit on FY 2008 Computation of Unencumbered Fund Balances
- Report to Management (Management Letter)

Item 4 — Presentation and Discussion of Recent External Audits: — Sandy Donoho, Dir Internal Audit

- HUD's Review of the Emergency Shelter Grants Program
- HUD's Disaster Voucher Program Validation Review
- Comptroller of Public Accounts Post-Payment Audit
- HUD OIG's Review of the Department's CDBG Supplemental I Disaster Funds.

Item 5 — Presentation and Discussion of Recent Internal Audit Reports: — Sandy Donoho, Dir Internal Audit

a) Office of Colonia Initiatives' Bootstrap Program Report # 08-1027
b) Office of Colonia Initiatives' Self-Help Center Program Report # 08-1026

Item 6 — Status of Prior Audit Issues — Sandy Donoho, Dir Internal Audit

Item 7 — Presentation and Discussion of the Status of the Internal Audit Division's Fiscal Year 2009 Audit Plan — Sandy Donoho, Dir Internal Audit

Item 8 — Status of External Audits — Sandy Donoho, Dir Internal Audit

EXECUTIVE SESSION

The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551 and under Texas Government Code §2306.039

ADJOURN Gloria Ray, Chair

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Nidia Hiroms, TDHCA, 221 East 11th Street Austin, Texas 78701-2410, 512-475-3934 and request the information.

Individuals who require the auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Nidia Hiroms, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

Internal Audit Division

BOARD ACTION REQUEST

February 5, 2008

Action Items

Presentation, discussion and possible approval of the revised internal audit charter and board resolutions.

Required Action

Review and approval of the revised internal audit charter and board resolutions.

Background

The Institute for Internal Auditors recently revised the *International Standards for the Professional Practice of Internal Auditing* (standards), which requires revisions to the internal audit division's charter and board resolutions. The charter and board resolutions were revised to comply with the standards and require approval by the audit committee.

Recommendation

Staff recommends approval.

AUDIT COMMITTEE - BOARD RESOLUTIONS

(As approved by the Board on February 5, 2009)

WHEREAS the original audit committee (Committee) members were appointed by the chairman of the governing board (Board) in April, 1992, pursuant to the Texas Government Code, Chapter 2306, *Texas Department of Housing and Community Affairs* (Department), section 2306.056, *Committees*, and whereas the Committee's authority and composition has not been specified, and whereas the Committee members' duties and responsibilities have not been previously enumerated, the Board hereby resolves the following:

RESOLVED, that the Committee shall have the authority to investigate any organizational activity as it deems necessary and appropriate, and shall have unrestricted access to all information, including documents and personnel, and shall have adequate resources in order to fulfill the ~~its~~ oversight responsibilities it conducts on behalf of the Board, including full cooperation of Department employees. The Committee has the authority to pre-approve the annual audit plan, and to approve any non-audit services or requests for audits or investigations outside of the annual audit plan.

RESOLVED, that the Committee shall be composed of three board members appointed by the Board's chairperson who shall serve for two year terms each or until their respective successor shall be duly appointed and qualified. Audit committee members shall be free of any ~~relation~~ relationships that would interfere with their ability to ~~the~~ exercise ~~of~~ independent judgment as a member of the Committee.

RESOLVED, that a chairperson of the Committee shall be appointed by the Board's chairperson.

RESOLVED, that the Committee shall meet a minimum of three times ~~annually~~ each year, either in a separate meeting or as part of a larger Board meeting, or at such additional or special meetings as may be called as needed by the Board chairperson, the Committee chairperson, or the executive director; and that the Committee shall report on its proceedings and actions to the Board with such recommendations as the Committee deems appropriate.

RESOLVED, that the Committee's primary function is to assist the Board in carrying out its oversight responsibilities as they relate to financial and other reporting practices, internal control, and compliance with Board and ethics policies, and to ensure the independence of the internal audit function.

RESOLVED, that in fulfilling its function, the Committee's responsibility for (i) financial and other reporting practices is to provide assurance to the Board that financial and other reporting information reported by management reasonably portrays the circumstances or plans reported; (ii) internal control is to monitor the effectiveness of control systems and processes through the results of internal and external audits and reviews; (iii) compliance with Board and ethics policies is to periodically inquire of management, the internal audit director, and the independent accountant about significant risks or exposures and assess the steps management has taken to minimize such risk; (iv) the internal audit function is to support the internal audit division so ~~the~~ that internal auditors can gain the cooperation of auditees and perform their work independently and free from interference and to provide reasonable assurance that the internal auditors perform their responsibilities.

Texas Department of Housing and Community Affairs
Internal Audit Division

INTERNAL AUDIT CHARTER

(Effective October 17, 2001, Amended February 5, 2009
as approved by the Department's Governing Board)

D E F I N I T I O N

Internal audit is an independent, objective ~~appraisal~~ assurance and consulting activity within the Texas Department of Housing and Community Affairs (Department) ~~for the review of various operations and systems of control~~ designed to add value and improve the Department's operations. Internal audit helps the Department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

P U R P O S E

The purpose of internal audit's work is to determine whether:

- risks are appropriately identified and managed,
- management information is reliable, accurate and timely,
- acceptable policies and procedures are followed,
- compliance with applicable laws and regulations is ~~established standards are met~~ achieved,
- resources are safeguarded and used efficiently and economically,
- planned missions are accomplished effectively, and
- the Department's objectives are ~~achieved~~ met.

The internal audit division ~~shall assist~~ supports management in its responsibilities by furnishing analyses, appraisals, observations and recommendations to ~~and pertinent comments concerning the activities reviewed~~ assist the Department in evaluating and improving the effectiveness of its risk management, control and governance processes. ~~However, the auditing, review and appraisal of an area shall in no way relieve management of its assigned responsibilities.~~

A U T H O R I T Y

The Internal Auditing Act (Chapter 2102, Government Code) and the Department's enabling legislation (Chapter 2306, Government Code) authorizes the establishment of an internal audit program. Internal auditors shall have full access to all of the Department's records, facilities, properties and personnel relevant to ~~a subject under review~~ the performance of engagements or investigations, and are free to review and ~~appraise~~ evaluate all policies, plans, procedures and records. However, internal auditors shall have no direct responsibility for, or authority over, any of the activities reviewed, and the auditing, review and evaluation of an area shall in no way relieve management of its assigned responsibilities.

Department management shall respond to all information requests by the internal auditor or internal audit staff pursuant to this authority within two business days of such requests, including requests of information considered confidential by its nature or due to pending or actual litigation. The internal audit staff shall use discretion in its review of records and assure the confidentiality of all matters that come to its attention.

The director of internal audit or a designated representative will be included in exit conferences conducted by any external, federal or state auditors and shall receive copies of the audit reports along

with management's written response. The internal audit division shall be available to assist management in ~~clearing exceptions~~ providing additional information, preparing responses to reports and examinations, and subsequently reviewing the progress made to correct the deficiencies reported.

I N D E P E N D E N C E

Internal auditors shall not develop or install procedures, prepare records, perform internal control functions, or engage in any other activity which they would normally review and ~~appraise~~ evaluate and which could reasonably be construed to compromise the independence of the internal audit division. However, the independence of the internal audit division shall not be ~~deemed~~ adversely affected by determining and recommending standards of control to be applied to the development of the systems and procedures ~~being~~ reviewed. The internal audit division shall be responsive to requests for assistance from management, provided that the subject of the request is related to auditing or internal controls. The internal audit division staff shall not assume operating responsibilities or direct the activities of any employee not employed by the internal audit department or assigned to assist the internal auditors.

The Internal Audit Division shall be available to perform consulting and advisory services at the specific request of the board, or of management with the board's approval. The nature and scope of these services are subject to agreement with management and the board. Consulting and advisory services are intended to add value and improve the Department's governance, risk management and control processes. These consulting and advisory services will only be performed if the director of internal audit deems that the engagement can be performed while still maintaining the auditors' objectivity and independence, and if the assignment does not result in the internal audit division or any member of the internal audit staff assuming any management responsibility.

A C C O U N T A B I L I T Y

The director of internal audit shall report directly to the audit committee of the governing board of the Department and administratively to the executive director of the Department. The director of internal audit shall furnish copies of all audit reports to the audit committee and to the governing board in accordance with the criteria established by the audit committee. The director of internal audit shall periodically appear before the audit committee and/or the governing board at its meetings to report on audit findings and the operations of the internal audit division.

The audit committee and the governing board shall periodically assess whether resources allocated to the internal audit division are adequate to implement an effective program of internal auditing. To facilitate the ~~consideration of the adequacy of internal auditing resources~~ this process, the director of internal audit will emphasize significant risks to the ~~agency~~ Department that are not ~~being~~ addressed in the annual audit plan ~~that is~~ as proposed to the audit committee and/or the governing board for approval, and will periodically report to the audit committee and/or the governing board on internal audit staffing levels.

R E S P O N S I B I L I T I E S

The internal audit division shall:

- comply with the Texas Internal Auditing Act.

- execute a comprehensive audit program to insure all activities of the Department are reviewed at appropriate intervals as determined by the director of internal audit and as approved by the audit committee and/or the governing board.

- review and evaluate systems of control and the quality of ongoing operations, recommend actions to correct any deficiencies and follow-up on management's response to assure that corrective action is taken on a timely basis.

- perform an objective assessment of evidence to provide an independent opinion or conclusions regarding the Department, its operations, functions, processes and systems.

- ~~appraise~~ evaluate the quality of management performance in terms of compliance with policies, plans, procedures, laws and regulations.

- evaluate the effectiveness and contribute to the improvement of risk management processes, including evaluating the potential for the occurrence of fraud and how the Department manages fraud risk.

- assess and make appropriate recommendations for improving the governance process in promoting ethics and values within the Department, ensuring effective organizational performance, communicating risk and control information to appropriate areas of the Department, and coordinating and communicating information among the governing board, external auditors and management.

- review the controls ~~aspects~~ of significant new systems and subsequent revisions before they are implemented. In addition, the environmental, operational and security controls of the Department's automated processes shall be assessed and reviewed as needed.

- verify the existence of Department assets and assure that proper safeguards are maintained to protect them from losses of all kinds.

- audit the reliability and operation of the accounting and reporting system as needed.

- consider the scope of work of external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the Department .

- conduct or participate in internal investigations of suspected fraud, theft or mismanagement, and provide advice relating to internal fraud and security.

- identify operational opportunities for performance improvement by evaluating the functional effectiveness against Department and industry standards. From time to time other divisions and individuals may also be engaged in this or similar functions.

- coordinate its audit efforts with those of the Department's external, state, and federal auditors.

- evaluate the adequacy of management's corrective actions and perform necessary follow-up

procedures to ensure that the corrective actions have been implemented.

The Director of Internal Audit shall:

- ensure that written reports are prepared for every internal audit and that such reports are furnished to the director responsible for the audited activity. Copies of each audit report and management's responses ~~thereto~~ shall be provided to the audit committee and the governing board in accordance with the criteria established by the audit committee. Management is responsible for providing the internal audit division with a detailed written response to reported deficiencies ~~conditions~~. Such response, stating corrective action taken or planned, including a target date for completion, should be received by the director of internal audit within ten (10) business days after management has received the report draft disclosing the deficiencies conditions. Additional response time may be granted by the director of internal audit if circumstances warrant ~~such~~ additional time.

- present a summary of audit activities to the audit committee or to the governing board at least three times annually. Each presentation will include comments about major audit findings and if necessary, an opinion of the adequacy of management's response to the audit reports. In addition, the director of internal audit will meet, as needed, with the executive director and/or the audit committee to discuss the purpose, authority, responsibility and performance of the internal audit division, the status of the audit plan, the status of management's resolution of audit recommendations, and other significant issues involving the internal audit function.

- prepare an annual summary report of audit activities, including opinions on the overall condition of the Department's controls and operations.

- confirm to the audit committee and/or the governing board on an annual basis the independence of the internal audit division and its audit staff.

- periodically review the internal audit charter and present it to management, the audit committee and/or the governing board for approval.

- promote and encourage the advancement of audit and control knowledge through the dissemination of related information and the active participation in professional groups and organizations.

STANDARDS OF AUDIT PRACTICE

As a means of assuring the quality and performance of the internal audit division, ~~it is the desire of~~ the audit committee requires the internal audit division to meet or exceed the *International Standards for the Professional Practice of Internal Auditing* and to comply with the *Code of Ethics* prescribed by the Institute of Internal Auditors and with generally accepted governmental auditing standards, as may be periodically amended. It is also ~~the desire of the Audit Committee~~ expected that the internal audit division will obtain an external peer review of the internal audit division to ~~appraise~~ evaluate the quality of its operations at least once every three years.

Internal Audit Division

BOARD ACTION REQUEST

February 5, 2008

Action Items

Presentation of the audit standards, the code of ethics, definition of internal auditing and confirmation of the internal audit division's independence.

Required Action

None, information item only.

Background

The Institute for Internal Auditors recently revised the *International Standards for the Professional Practice of Internal Auditing* (Standards), which requires the internal audit director to discuss with the governing board annually the audit standards followed by the division, the code of ethics, and the definition of internal audit. The updated standards also require the director to confirm the internal audit division's independence with the board annually.

Audit Standards

The internal audit division (division) at the Department of Housing and Community Affairs follows both the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the U.S. Government Accountability Office's *Government Auditing Standards* (also known as Generally Accepted Government Auditing Standards) for every audit, or discloses in the audit report if there are any deviations from these standards. This is a requirement of our audit charter, as well as the Internal Auditing Act (Gov. Code Chapter 2102.011). These standards are followed by the majority of auditors world-wide and ensure that the division's work is independent, thorough, accurate, reliable and objective.

Code of Ethics

The internal audit division has adopted and complies with the Institute of Internal Auditors' *Code of Ethics*. This is also a requirement of our charter. The *Code of Ethics* requires auditors to uphold the principles of integrity, objectivity, confidentiality and competency. (A copy of the C*ode of Ethics* is provided.)

Definition of Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Independence

Organizational independence requires internal audit to report to a level in the Department that allows us to fulfill our responsibilities without interference from management and to be free of operational and management responsibilities that would impair our ability to independently review all aspects of the Department. Our audit charter assures our organizational independence by requiring that the director of internal audit report to the board, and specifically to the chair of the audit committee.

Personal impairments of auditors' independence result from relationships or beliefs that might cause auditors to limit the extent of the inquiry, limit disclosure, or weaken or slant audit findings in any way.

The standards for personal independence require auditors to:

- Refrain from assessing specific operations for which they were previously responsible within the previous year, and
- Disclose any potential impairments or conflicts of independence, including such issues as family members employed in the audited area, application for a job in the audited area, any personal bias or pre-conceived notions, and direct or substantial financial interests in the audit area.

Recommendation

No action is required.

CODE OF ETHICS

Principles

Internal auditors are expected to apply and uphold the following principles:

1. **Integrity**
   The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

2. **Objectivity**
   Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments

3. **Confidentiality**
   Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

4. **Competency**
   Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct

1. **Integrity**
   Internal auditors:

   1.1. Shall perform their work with honesty, diligence, and responsibility.

   1.2. Shall observe the law and make disclosures expected by the law and the profession.

   1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.

   1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. **Objectivity**
   Internal auditors:

   2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.

   2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.

   2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

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3. Confidentiality
Internal auditors:

3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency
Internal auditors:

4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.

4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

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Financial Administration Division

BOARD ACTION REQUEST

February 5, 2008

Action Items

Presentation and Discussion of Audit Results from Deloitte and Touche, CPAs, FYE 8/31/08

Required Action

Review the audit results from Deloitte and Touche, CPAs, FYE 8/31/08 Reports.

Background

The Department's governing statute, Texas Govt. Code §2306.074, requires an annual audit of the Department's books and accounts. Texas Govt. Code §2306.204 requires an annual audit of the housing trust fund to determine the amount of unencumbered fund balances that is greater than the amount required for the reserve fund. Additionally the Department's bond indentures require audited financial statements of the Housing Finance Division and the Supplemental Bond Schedules.

Recommendation

No action is required.

FINANCIAL ADMINISTRATION DIVISION
BOARD ACTION REQUEST
February 5, 2009

Action Items

Audit reports from Deloitte and Touche, LLP (Fiscal Year 2008).

Required Action

Presentation, discussion and acceptance of audit reports from Deloitte and Touche, LLP.

Background

The Department's governing statute, Texas Govt. Code §2306.074, requires an annual audit of the Department's books and accounts. Texas Govt. Code §2306.204 requires an annual audit of the Housing Trust Fund to determine the amount of unencumbered fund balances that is greater than the amount required for the reserve fund. Additionally, the Department's bond indentures require audited financial statements of the Housing Finance Division and the Supplemental Bond Schedules.

Results of the audits are as follows:

- FY 2008 Basic Financial Statements
  Unqualified Opinion

- FY 2008 Revenue Bond Program Audit
  Unqualified Opinion

- FY 2008 Unencumbered Fund Balances Calculation
  Results yielded no required transfer to the Housing Trust Fund

- FY 2008 Report to Management
  Section I - Control Deficiencies
  Recommendations are for the following control deficiencies:

  - **Datebase Change Management – PeopleSoft / Oracle**
    Recommendation: All requests by the business to allow IT support to make data changes should be written, maintained and monitored for appropriateness.

    Management has implemented recommendations in January 2009 and auditors will verify during the FY2009 audit.

- **Network and Systems Software Change Management (Windows, UNIX, Firewall, Network Components)**
  Recommendation: Changes made to network and operating systems software should be documented. Documentation should evidence testing and approvals of changes made.

  Management has implemented recommendations in FY2009 and auditors will verify during the FY2009 audit.

Section II - Other Matters

- **Recently Issued Government Accounting Standards Board ("GASB") Statements**
  Recommendation: Begin reviewing GASB Statement Nos. 49, 50, 51, 52 and 53 and their implications to determine the potential impact on the TDHCA's financial statements.

  Management's Response: Management will proactively review GASB Statement Nos. 49, 50, 51, 52 and 53 for their potential implications for TDHCA's financial statements.

- **Status of Prior-Year Observations**
  General Computer Controls Observations

- **Mitas Vendor Access/Change Management**
  Recommendation: Emails or other formal documentation should be retained to evidence testing and approvals for all production changes to the Mitas application.

  Management has implemented recommendations in FY2008 and auditors will verify during the FY2009 audit.

Recommendation

Acceptance of the Department's audit reports from Deloitte and Touche, LLP.

Texas Department of Housing and Community Affairs

External Audit Results
For Fiscal Year 2008

- Communications with Audit Committee Letter
- Opinion Audit on FY 2008 Basic Financial Statements
- Opinion Audit on FY 2008 Revenue Bond Program
- Opinion Audit on FY 2008 Unencumbered Fund Balances
- Report to Management (Management Letter)

Deloitte.

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USA

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December 18, 2008

To the Audit Committee of the Governing Board of
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, TX 78711-3941

Dear Members of the Audit Committee of the Governing Board:

We have performed an audit of the financial statements of the Texas Department of Housing and Community Affairs (the "Department") as of and for the year ended August 31, 2008, in accordance with auditing standards generally accepted in the United States of America and have issued our report thereon dated December 18, 2008.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Department is responsible.

OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS

Our responsibility under auditing standards generally accepted in the United States of America has been described in our engagement letter dated June 18, 2008. As described in that letter, the objective of a financial statement audit conducted in accordance with auditing standards generally accepted in the United States of America is to express an opinion on the fairness of the presentation of the Department's financial statements for the year ended August 31, 2008 in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Audit Committee of the Governing Board are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Audit Committee of the Governing Board of their responsibilities.

We considered the Department's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. Significant accounting estimates reflected in the Department's 2008 financial statements include allowance for doubtful accounts, accumulated depreciation, and fair market value of investments. During the year ended August 31, 2008, we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

Member of
Deloitte Touche Tohmatsu

UNCORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audit.

MATERIAL CORRECTED MISSTATEMENTS

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

SIGNIFICANT ACCOUNTING POLICIES

The Department's significant accounting policies are set forth in Note 1 to the Department's 2008 financial statements. During the year ended August 31, 2008, there were no significant changes in previously adopted accounting policies or their application.

DISAGREEMENTS WITH MANAGEMENT

We have not had any disagreements with management related to matters that are material to the Department's 2008 financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2008.

SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT PRIOR TO OUR INITIAL ENGAGEMENT OR RETENTION

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

OTHER SIGNIFICANT ISSUES DISCUSSED, OR SUBJECT OF CORRESPONDENCE, WITH MANAGEMENT

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant issues requiring communication to the Audit Committee of the Governing Board.

SIGNIFICANT DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

MANAGEMENT'S REPRESENTATIONS

We have made specific inquiries of the Department's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Department is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix A, those representations we will request from management.

CONTROL-RELATED MATTERS

We have issued a separate report to you, also dated December 18, 2008 containing certain matters involving the Department's internal control over financial reporting that we consider to be control deficiencies under standards established by the American Institute of Certified Public Accountants.

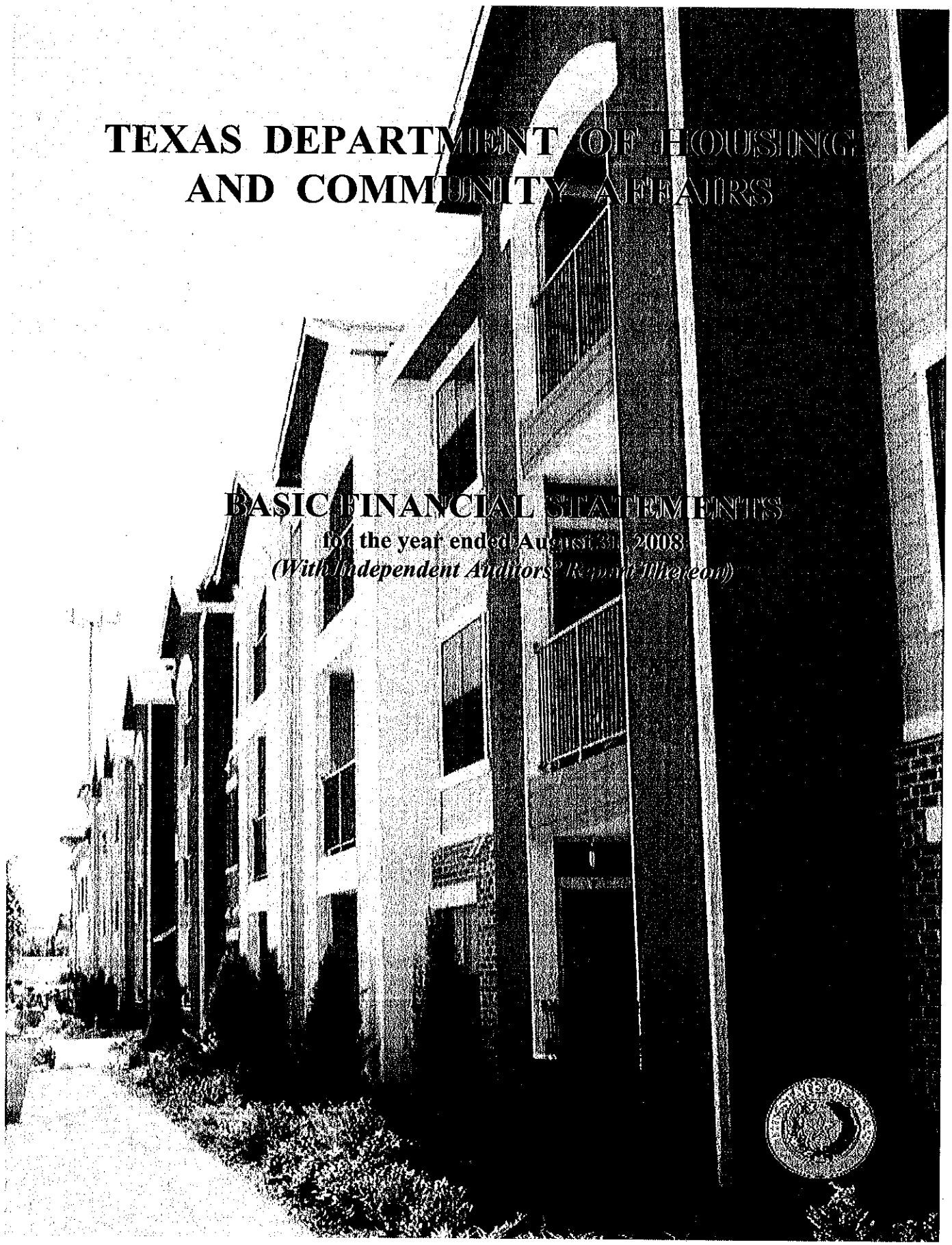
* * * * * *

This report is intended solely for the information and use of management, the Audit Committee, the Governing Board, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS



BASIC FINANCIAL STATEMENTS

for the year ended August 31, 2008

(With Independent Auditors' Report Thereon)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
C. Kent Conine, *Chair*
Gloria Ray, *Vice Chair*
Leslie Bingham Escarefio
Tomas Cardenas, P.E.
Sonny Flores
Juan S. Muñoz, Ph.D.

December 18, 2008

The Honorable Rick Perry, Governor
The Honorable Susan Combs, Texas Comptroller
Mr. John O'Brien, Director, Legislative Budget Board
Mr. John Keel, CPA, State Auditor

Dear Governor Perry, Comptroller Combs, Mr. O'Brien and Mr. Keel:

We are pleased to submit the Annual Financial Report of the Texas Department of Housing and Community Affairs for the year ended August 31, 2008, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

The accompanying annual financial report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) reporting requirements. The financial report has been audited by an independent Auditor as required by statute.

If you have any questions, please contact David Cervantes, Director of Financial Administration at (512) 475-3875. Esther Ku may be contacted at (512) 475-3871 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Michael Gerber
Executive Director

MG/tt

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Basic Financial Statements
for the year ended August 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Honorable Rick Perry, Governor,
and the Governing Board of
Texas Department of Housing and Community Affairs:

We have audited the accompanying financial statements of the governmental activities, business-type activities, major funds, remaining fund information, and supplementary schedules 1-A through 1-E of the Texas Department of Housing and Community Affairs (the "Department") as of and for the year ended August 31, 2008, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements and supplementary schedules 1-A through 1-E are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements and supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the state of Texas as of August 31, 2008, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, major funds, and remaining fund information of the Department, as of August 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, schedules 1-A through 1-E, as listed in the table of contents, present fairly, in all material respects, the information set forth therein in accordance with guidelines issued by the Texas Comptroller of Public Accounts.

Member of
Deloitte Touche Tohmatsu

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2008, on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

December 18, 2008

MANAGEMENT'S

DISCUSSION AND ANALYSIS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Texas Department of Housing and Community Affairs' (Department) annual financial report presents management's discussion and analysis of the Department's financial performance during the fiscal year that ended on August 31, 2008. Please read it in conjunction with the Department's financial statements, which follow this section.

The Department was created to assist local governments in helping residents overcome financial, social and environmental problems; to address very low to moderate income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the legislature in coordinating federal and state programs affecting local governments; and to continually inform the state and the public about the needs of local government.

The Manufactured Housing Division is administratively attached to the Department and is responsible for establishing standards and requirements for the construction and installation of manufactured housing that are reasonably necessary to protect the health, safety and welfare of the occupants of such housing and the general public. The Manufactured Housing Division has a governing Board of five members appointed by the Governor.

The Department is governed by a Board, composed of seven members, all of whom are appointed by the Governor with the advice and consent of the Texas Senate.

Financial Highlights

- The Department's business-type activity net assets increased $7.6 million and governmental activities net assets increased $1.1 million.

- The Department's proprietary fund experienced an increase in operating income in the amount of $14.5 million to an Operating Income of $2.3 million. This impact on operating income resulted primarily from the increase of the fair value of investments in the amount of $13.8 million. The $4.3 million increase in interest and investment income, the $1.8 million decrease in other operating revenues, the $5.1 million increase in interest expense, the $1.9 million decrease in bad debt expense and the $2.9 million decrease in Down Payment Assistance had a net offsetting effect on operating income.

- Net Assets in the Department's Governmental Activities increased from $770 thousand to $1.9 million. The change represents an increase in revenues larger than the increase in expenditures and transfers out.

- The Department's proprietary fund debt increased $86.7 million to $2.7 billion. Debt issuances and debt retirements totaled $213 million and $126.3 million, respectively.

- Loan originations for the year totaled $63.2 million and $40.4 million in the Department's proprietary and governmental funds, respectively.

- Subprime lending continues to receive significant attention in the financial market. A rise in the number of borrowers who are unable to pay debt obligations has led to

increased foreclosures causing uncertainty in the housing market. According to Standard and Poor's, Housing Finance Agencies (HFAs) face lower risk from defaults on their loans. Homebuyer education programs, conservative underwriting, generous reserves and ongoing HFA asset management have resulted in strong portfolio performance which is expected to continue for the long-term. Since 1988, the Department has had its single family mortgage loans guaranteed by Federal National Mortgage Association (FNMA) , Government National Mortgage Association (GNMA) or Federal Home Loan Mortgage Corporation (FHLMC).

Overview of the Financial Statements

The financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two types of statements that present different views of the Department.

- The first set of statements are government-wide financial statements that provide information about the Department's overall financial position and results. These statements, which are presented on an accrual basis, consist of the Statement of Net Assets and the Statement of Activities.

- The remaining statements are fund financial statements of the Department's governmental fund and proprietary fund. The governmental fund's activities are funded primarily from Federal funds but also include General Revenue appropriations for which the Department follows a modified accrual basis of accounting. The Department's proprietary fund operates similar to business activities and follows an accrual basis of accounting.

- The basic financial statements also include a "Notes to Financial Statement" section which explains some of the information presented in the Government-wide and fund financial statements and provides additional detailed data.

- The Notes to the Financial Statements are followed by a "Supplementary Information" section, which presents supplementary bond information.

The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of these statements.

Government-Wide Financial Statements

The Statement of Net Assets shows Governmental Activities and Business-type Activities consolidated on a full accrual basis. The Statement of Activities presents a government wide format of expenses, charges for services, operating grants and contributions and net expenses by both Governmental activities and Business-type activities. Both activities are further broken down by function and programs. The second section of the Statement of Activities shows general revenues not associated with a particular program but which provide resources for the Department's programs and operations. The fiduciary activity is not included in the government wide statements.

Schedule of Net Assets

The following tables show a summary of changes from prior year amounts for governmental activities.

Texas Department of Housing and Community Affairs
Condensed Schedule of Net Assets – Governmental Activities
As of August 31, 2008

	Governmental Activities		Increase / (Decrease)	
Assets	2008	2007	Amount	%
Cash & Investments	$ 6,899,689	$ 6,696,555	$ 203,134	3.0
Legislative Appropriations	3,193,155	2,880,562	312,593	10.9
Federal Receivables	3,458,607	399,825	3,058,782	765.0
Other Intergovernmental Receivables	847,500	65,593	781,907	1192.1
Accounts Receivable	42,082	353,456	(311,374)	(88.1)
Interfund Receivables	49,331	-	49,331	100.0
Loans and Contracts	128,660,128	116,647,963	12,012,165	10.3
Capital Assets	166,479	210,927	(44,448)	(21.1)
Other Assets	74,823	81,021	(6,198)	(7.6)
Total Assets	143,391,794	127,335,902	16,055,892	12.6
Liabilities				
Accounts Payable	10,897,247	7,230,317	3,666,930	50.7
Payroll Payable	853,101	971,482	(118,381)	(12.2)
Claims & Judgments Payable	-	109,334	(109,334)	(100.0)
Interfund Payable	104,613	577,403	(472,790)	(81.9)
Deferred Revenue	128,660,128	116,647,963	12,012,165	10.3
Other Current Liabilities	759,929	770,582	(10,653)	(1.4)
Other Non-current Liabilities	232,713	258,622	(25,909)	(10.0)
Total Liabilities	141,507,731	126,565,703	14,942,028	11.8
Net Assets				
Invested in Capital Assets	166,479	210,927	(44,448)	(21.1)
Restricted by Grantor	42,666	136,181	(93,515)	(68.7)
Unrestricted	1,674,918	423,091	1,251,827	295.9
Total Net Assets	$ 1,884,063	$ 770,199	$ 1,113,864	144.6

Net Assets of the Department's governmental fund were increased by 145%. The ending balance of Unrestricted Net Assets primarily consists of balances in the Housing Trust Fund Administration and Manufactured Housing Division. Restricted Net Assets represent balances in the Investor Owned Utility Programs.

The Department experienced an increase in Federal Receivables. This change occurred primarily because of the substantial payment activities for the Community Development Block Grant (CDBG) and the Low Income Home Energy Assistance Program (LIHEAP) at year end. A new round of CDBG funding was awarded to the Department for the purpose of disaster relief.

Other Intergovernmental Receivables in 2008 represents advances to the subgrantees for the Alternative Housing Pilot Program (AHPP) awarded by the Department of Homeland Security through the Federal Emergency Management Agency (FEMA) during the fiscal year.

Accounts Receivable in 2008 and 2007 are primarily receivables from surety companies to cover Manufactured Housing consumer's warranty claims. The Department experienced increased consumer claims in Manufactured Housing during fiscal year 2007. The claim activities slowed down in 2008. Consequently, Receivables from surety companies decreased.

The Department experienced increases of Loans and Contracts as well as Deferred Revenue. This change occurred primarily because of the increase of current and non-current program loans, which are funded by federal funds. These loans are for the purpose of Single Family HOME and newly awarded CDBG activities.

Accounts Payable experienced an increase during fiscal year 2008. This resulted primarily from additional disaster recovery grant funding of CDBG. There were also increased activities at year end for both LIHEAP and Community Services Block Grant (CSBG) programs.

Included in Other Liabilities is the current and non-current portion of Employees' Compensable Leave. It represents unpaid balances of employees' accumulated annual leave.

Business-Type Activities

Texas Department of Housing and Community Affairs
Business-Type Activities – Condensed Schedule of Net Assets as of August 31, 2008

	Business-Type Activities		Increase / (Decrease)	
Assets	2008	2007	Amount	%
Cash & Investments	$ 1,711,009,092	$ 1,630,392,649	$ 80,616,443	4.9
Loans and Contracts	1,292,439,525	1,285,810,608	6,628,917	0.5
Interest Receivable	14,973,551	20,078,776	(5,105,225)	(25.4)
Capital Assets	148,776	206,714	(57,938)	(28.0)
Real Estate Owned	578,375	295,124	283,251	96.0
Deferred Issuance Cost	11,991,756	11,655,758	335,998	2.9
Other Assets	1,868,800	1,661,912	206,889	12.5
Total Assets	3,033,009,875	2,950,101,541	82,908,335	2.8
Liabilities				
Current				
Interest Payable	38,307,371	40,093,199	(1,785,828)	(4.5)
Deferred Revenue	39,987,881	35,104,327	4,883,554	13.90
Other Liabilities	52,110,088	33,677,908	18,432,180	54.7
Non-current				
Bonds/Notes Payable	2,701,244,728	2,591,530,011	109,714,717	4.2
Other Non-current Liabilities	140,045,490	195,989,745	(55,944,255)	(28.5)
Total Liabilities	2,971,695,558	2,896,395,190	75,300,368	2.60
Net Assets				
Invested in Capital Assets	148,775	191,765	(42,990)	(22.4)
Restricted	17,304,915	11,349,639	5,955,276	52.5
Unrestricted	43,860,627	42,164,947	1,695,680	4.0
Total Net Assets	$ 61,314,317	$ 53,706,351	$ 7,607,966	14.2

Business-Type Activities Cont'd.

Net assets of the Department's proprietary fund increased $7.6 million, or 14.2%, to $61.3 million. An increase in the Department's fair value of its investments contributed to this increase in net assets offset by the increase of bond interest expense.

Restricted net assets of the Department's proprietary fund increased $6 million or 52.5%. Unrestricted net assets increased $1.7 million or 4%.

Cash and investments increased $80.6 million, or 4.9%, to $1.7 billion, as funds were generated from debt issuances, reinvestment of loan repayments, and interest earnings. Program loans receivable (current and non-current) increased $6.6 million, or 0.5%, to $1.3 billion, primarily as a result from the origination of $56 million and $48.4 million in payoffs of mortgage loans under the Department's Multifamily Program. Total bonds and notes payable (current and non-current) increased $127.3 million, or 4.9%, due to new debt issuances associated with the Department's Single Family and Multifamily Programs net of debt retirements.

Earnings within the Department's various funds were $164.3 million of which $151.6 million is classified as restricted and $12.7 million as unrestricted.

Restricted earnings are composed of $144.1 million in interest and investment income, $6.5 million in fair value of investments, and $1 million in other revenue. Interest and investment income are restricted per bond covenants for debt service. Fair value of investments is an unrealized gain due to the fact that the Department holds investments until maturity. Other revenue is predominantly an accounting recognition of fees received in previous years that were deferred when received and are being amortized over a period of time.

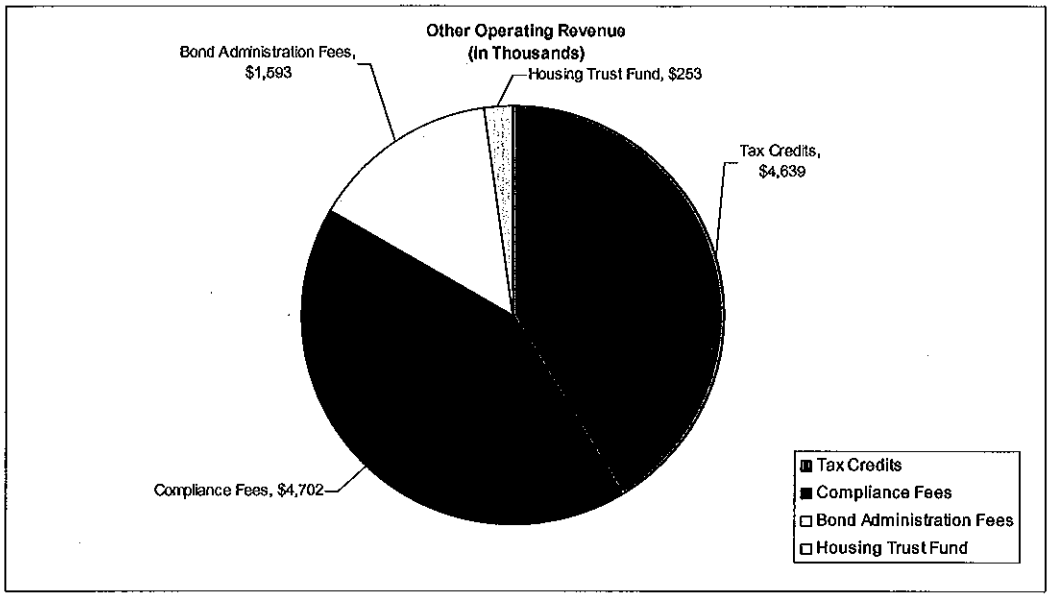
Unrestricted earnings are composed of $1.5 million in interest and investment income and $11.2 million in other operating revenue.

Interest and investment income earned from unrestricted investments are used to support various housing initiatives programs such as Housing Trust Fund and the Bootstrap Program. Sources for other operating revenue are fees from the Tax Credit Program, compliance fees, bond administrative fees, and miscellaneous interest earned from funds held by the Comptroller.

Fees earned under the Tax Credit Program are application fees, commitment fees, and inspection fees. Yearly compliance fees are generated from the Department's portfolio of multifamily properties. The Department performs on site visits and desk reviews to ensure that the properties are in compliance with the various housing regulations. Bond administrative fees are generated yearly from the various bond issuances to support the Department's administrative expenses.

Business-Type Activities Cont'd.

The graph below illustrates the composition of the $11.2 million in other operating revenue, classified as unrestricted earnings, according to the different housing programs.



Schedule of Activities

The Schedule of Activities reflects the sources of the Department's changes in net assets as they arise through its various programs and functions. Single Family, Multifamily and Housing Trust Fund are shown as business-type activities, and seven major programs are shown as governmental activities. Federal and state assistance activities allocate various subsidy funds to local governments, nonprofit organizations or individuals.

A condensed Schedule of Activities for the fiscal year ended August 31, 2008 and 2007 is shown in the table below.

Texas Department of Housing and Community Affairs
Condensed Schedule of Activities
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program Revenues:						
Charges for Services	$ 4,918	4,561	$ 156,253	153,153	$ 161,171	157,714
Operating Grants and Contributions	169,542	160,692	-	-	169,542	160,692
General Revenues	8,193	7,073	8,005	(5,132)	16,198	1,941
Total Revenue	182,653	172,326	164,258	148,021	346,911	320,347
Total Expenses	174,631	167,412	161,975	160,274	336,606	327,686
Excess before Transfers	8,022	4,914	2,283	(12,253)	10,305	(7,339)
Transfers	(6,908)	(4,830)	5,325	3,008	(1,583)	(1,822)
Change in Net Assets	1,114	84	7,608	(9,245)	8,722	(9,161)
Beginning Net Assets	770	686	53,706	62,951	54,476	63,637
Ending Net Assets	$ 1,884	$ 770	$ 61,314	53,706	$ 63,198	54,476

Governmental Activities

Revenues of the Department's Governmental Activities were primarily from Operating Grants and Contributions. The majority of the revenues were from the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Health and Human Services. General Revenues are revenues appropriated to the Department in accordance with legislative acts and regulations.

Total revenue increased $10.3 million. This increase consisted primarily of increases of $8.9 million in Operating Grants and Contributions, Charges for Services of $0.3 million and General Revenues of $1.1 million. The increase of Operating Grants and Contributions is a result of federal activities in the CDBG program which was for the purpose of disaster recovery. The increase was offset by decreased activities in the HOME and Energy Assistance Programs. The increase of General Revenues is due to an increased appropriation in Housing Trust Fund Administration.

Expenses of the Department's Governmental Activities consisted primarily of Intergovernmental Payments and Public Assistance Payments. The Department distributes program funds to local providers, including local governments, nonprofit and for-profit organizations, community based organizations and real estate developers. The net impact to expenses is primarily due to increased activities in the CDBG and decreased activities in the LIHEAP and HOME Programs.

Transfers consisted primarily of the transferring out of Housing Trust Fund (HTF) from Governmental Activities to Business-Type Activities according to TDHCA rider 10 in the 2008-2009 General Appropriations Act. It included transfers of interest earnings and loan repayments received during the year. In addition, it included transfers of Earned Federal Funds collected in accordance with H.B. 1, Article IX.

Business-Type Activities

Revenues of the Department's Business-type Activities were primarily from charges for services of $156.3 million and an increase in fair value of investments of $6.5 million. Charges for services consist primarily of earned interest income on loans for the three housing lending programs. It also includes program investment income which is earned within the Department's bond programs, the investments and the income of which are restricted to those programs by a pledge to the respective bond indentures. Total charges for services increased $3.1 million which is accounted by the following: a $7 million increase in interest and investment income related to single family bonds due to higher investment balances, a $2.1 million decrease in interest and investment income related to multifamily bonds due to lower mortgage loan balances and a $1.6 million decrease in other operating revenue related to the Administration funds.

Expenses of the Department's Business-type Activities consist primarily of interest expense of $136.9 million, which increased $5.1 million and down payment assistance of $10.2 million, which decreased $2.9 million. The increase in interest expense is a result of an increase in the Department's debt issued to fund its various Single Family and Multifamily lending programs. The direct expenses also include Administrative Funds, allocations of expenses of Department programs that directly involve the production or monitoring activities associated with the housing programs, as well as certain costs incurred, both internally and externally. Administrative expenses, which were incurred within the Department's Administrative Fund, including all other administrative and supportive functions and overhead expenses remained approximately constant.

Business-Type Activities Cont'd.

The Department's Business-type Activities expenses of $162 million exceeded Charges for Services of $156.3 million by $5.7 million. Charges for Services, primarily interest income on loans and investment income, are intended to cover bond principal and interest expense. The charges for services also covered the other direct expenses. This income, plus interest earned on loans, produces an adequate amount to pay Department obligations as required by the bond indentures covenants.

The Department's Business-type Activities also generated $1.6 million of unrestricted investment income, which was used primarily to pay administrative costs.

Fund Financial Statements

The fund financial statements provide more detailed information about the Department's most significant funds and the Department as a whole. The Department has two types of funds:

- Governmental fund – The General Revenue Fund is the Department's only Governmental Fund. It is the principal operating fund used to account for the Department's general activities. The financing for this fund is authorized through state legislative appropriations either as committed or collected revenues. Federal and state programs are also reported within this fund. The Condensed Balance Sheet – Governmental Funds would be substantially the same as that of the Condensed Statement of Net Assets – Governmental Activities and therefore, is not included.

- Proprietary fund – The Department's activities in its proprietary fund are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of taxable and tax-exempt bonds whose proceeds are used primarily to fund various types of loans to finance low and moderate-income housing. This fund also receives fee income from the Multifamily Tax Credit Program and Compliance fees collected for the purpose of covering the operating costs of the Department. The net assets of these funds represent accumulated earnings since their inception and are generally restricted for program purposes or debt service. The Condensed Statement of Net Assets – Proprietary Funds would be exactly the same as the Business-Type Activities Condensed Statement of Net Assets and therefore, is not included.

Governmental Fund

Texas Department of Housing and Community Affairs
Governmental Fund Activities
Schedule of Revenues, Expenditures and Changes in Fund Balances

			Increase / (Decrease)	
OPERATING REVENUES	2008	2007	Amount	%
Legislative Appropriations	$ 7,154,112	$ 5,011,158	$ 2,142,954	42.8
Federal Revenues	167,174,647	158,265,413	8,909,234	5.6
Federal Grant Pass-Through	742,257	561,044	181,213	32.3
State Grant Pass-Through	3,024	4,924	(1,900)	(38.6)
Licenses, Fees and Permits	4,277,414	3,991,048	286,366	7.2
Interest and Investment Income	640,259	664,179	(23,920)	(3.6)
Sales of Goods and Services	640,355	570,340	70,015	12.3
Other Revenue	2,240,144	3,258,537	(1,018,393)	(31.3)
Total Operating Revenues	182,872,212	172,326,643	10,545,569	6.1
OPERATING EXPENDITURES				
Salaries and Wages	8,935,211	8,518,829	416,382	4.9
Payroll Related Costs	2,851,828	2,427,977	423,851	17.5
Professional Fees and Services	279,414	238,088	41,326	17.4
Travel	567,861	535,916	31,945	6.0
Materials and Supplies	324,873	408,758	(83,885)	(20.5)
Communications and Utilities	222,449	220,278	2,171	1.0
Repairs and Maintenance	519,147	484,966	34,181	7.0
Rentals and Leases	99,371	110,343	(10,972)	(9.9)
Printing and Reproduction	100,913	33,235	67,678	203.6
Claims and Judgments	198,278	858,419	(660,141)	(76.9)
Federal Grant Pass-Through	4,287,392	-	4,287,392	100.0
Intergovernmental Payments	54,509,539	39,748,890	14,760,649	37.1
Public Assistance Payments	101,372,718	113,265,314	(11,892,596)	(10.5)
Other Operating Expenditures	333,497	412,295	(78,798)	(19.1)
Capital Outlay	20,867	17,136	3,731	21.8
Total Operating Expenditures	174,623,358	167,280,444	7,342,914	4.4
Excess of Revenues over Expenditures	8,248,854	5,046,199	3,202,655	63.5
Other Financing Sources (Uses)	(6,907,753)	(4,830,068)	(2,077,685)	43.0
CHANGE IN FUND BALANCE	1,341,101	216,131	1,124,970	520.5
Beginning Fund Balance	1,588,476	1,372,345	216,131	15.7
Appropriations (Lapsed)	(219,351)	-	(219,351)	(100.0)
Ending Fund Balance	$ 2,710,226	$ 1,588,476	$ 1,121,750	70.6

Governmental Fund Cont'd.

Revenues of the Department's governmental activities totaled $182.8 million and were generated by federal grants primarily from LIHEAP, CSBG, CDBG and HOME programs. Expenditures of $174.6 million consisted primarily of Intergovernmental and Public Assistance Payments.

Total revenues from governmental activities were increased by $10.5 million in 2008 which consisted primarily of increases in the Federal Revenue and Legislative Appropriations and was offset by a decrease in Other Revenues.

Federal Revenue increased by $8.9 million. The increase was primarily attributed to the increase in the CDBG program and was offset by decreases in the HOME and LIHEAP programs. New CDBG funds were awarded to the Department for the purpose of disaster relief and long-term recovery related to Hurricanes of 2005. The HOME program decrease is due to insufficient applicants in the double funding cycle in 2006. The decrease of LIHEAP revenue is a result of phasing out emergency funding from the U.S. Department of Health and Human Services.

The increase in Legislative Appropriations was a result of increases to the Housing Trust Fund by the 80th Legislature.

The decrease in Other Revenues resulted from a decrease of revenue from Investor Owned Utilities. In addition, the Department experienced a decrease in consumer claims during the fiscal year. Consequently, reimbursements from sureties decreased.

The change in Federal Grant Pass-Through Revenues was due to CDBG funding awarded from HUD. This program was for disaster relief assistance in the areas impacted by Hurricane Rita.

The Department experienced similar changes in expenditures. The majority of the increase was attributed to the Intergovernmental Payments for the CDBG program. The increase was offset by a decrease of Intergovernmental Payments and Public Assistance Payments for LIHEAP and HOME programs. Federal Pass-Through expenditures represent payments to another state agency for the CDBG program.

The fiscal year 2008 Other Financing Sources (Uses) consisted primarily of the transfer of HTF from General Revenue to Texas Treasury Safekeeping Trust Company. It also included transfers of Earned Federal Funds to the Comptroller's Office for the purpose of reimbursement to the General Revenue Fund. The majority of the increase of Other Financing Sources (Uses) is related to the increased appropriations to the Housing Trust Fund in fiscal year 2008. The increase was offset by transfers included in 2007 which reduced funds appropriated to the Department for Allocation Office Space Reduction.

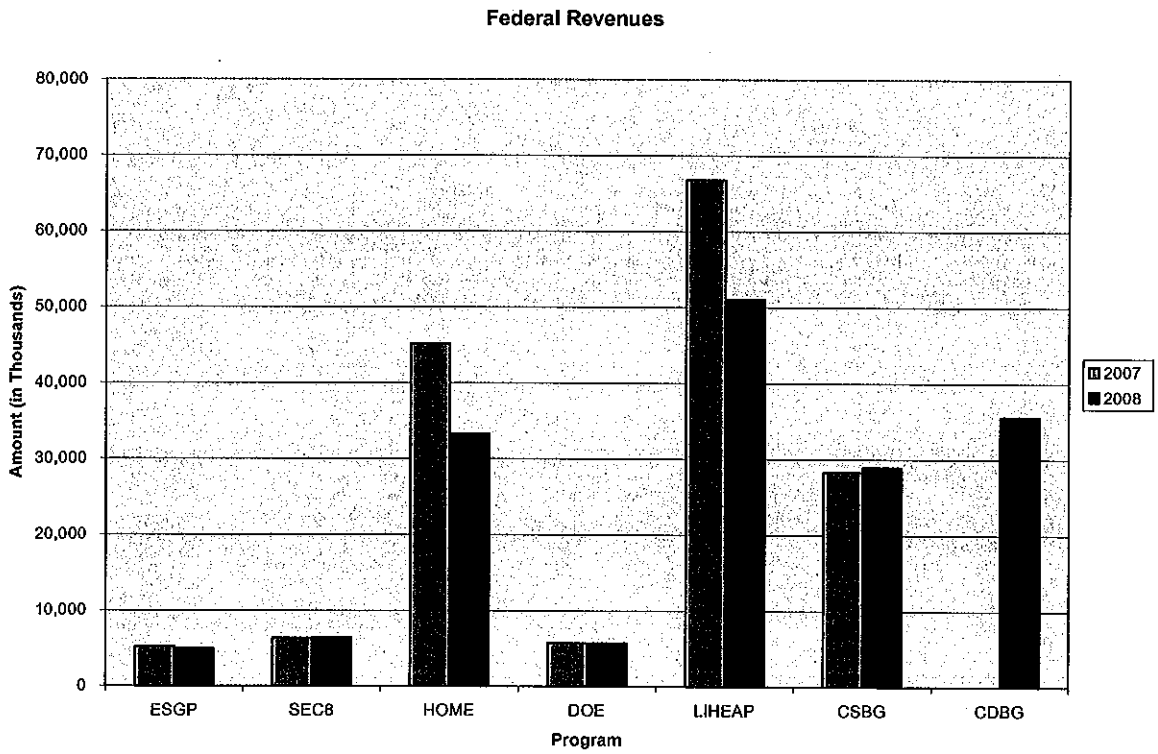
Governmental Fund Cont'd.

The following graphs illustrate a comparison between fiscal year 2008 and 2007 for Federal Revenues, Intergovernmental Payments, and Public Assistance Payments.

The acronyms used in the graphs are defined as following:

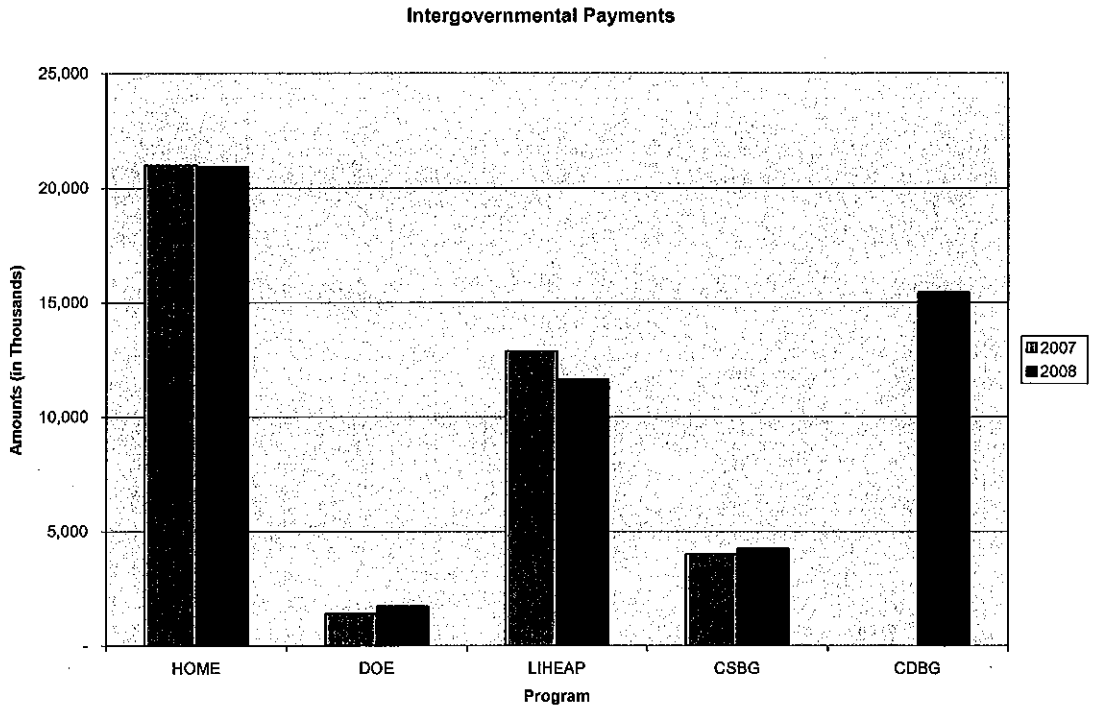
ESGP	Emergency Shelter Grants Program
SEC 8	Section 8 Housing Choice Vouchers
HOME	HOME Investment Partnerships Program
DOE	Department of Energy, Weatherization Assistance for Low-Income Persons
LIHEAP	Low-Income Home Energy Assistance Program
CSBG	Community Services Block Grant
CDBG	Community Development Block Grant

Federal Revenues: Receipts from the State's participation in programs financed with federal funds.

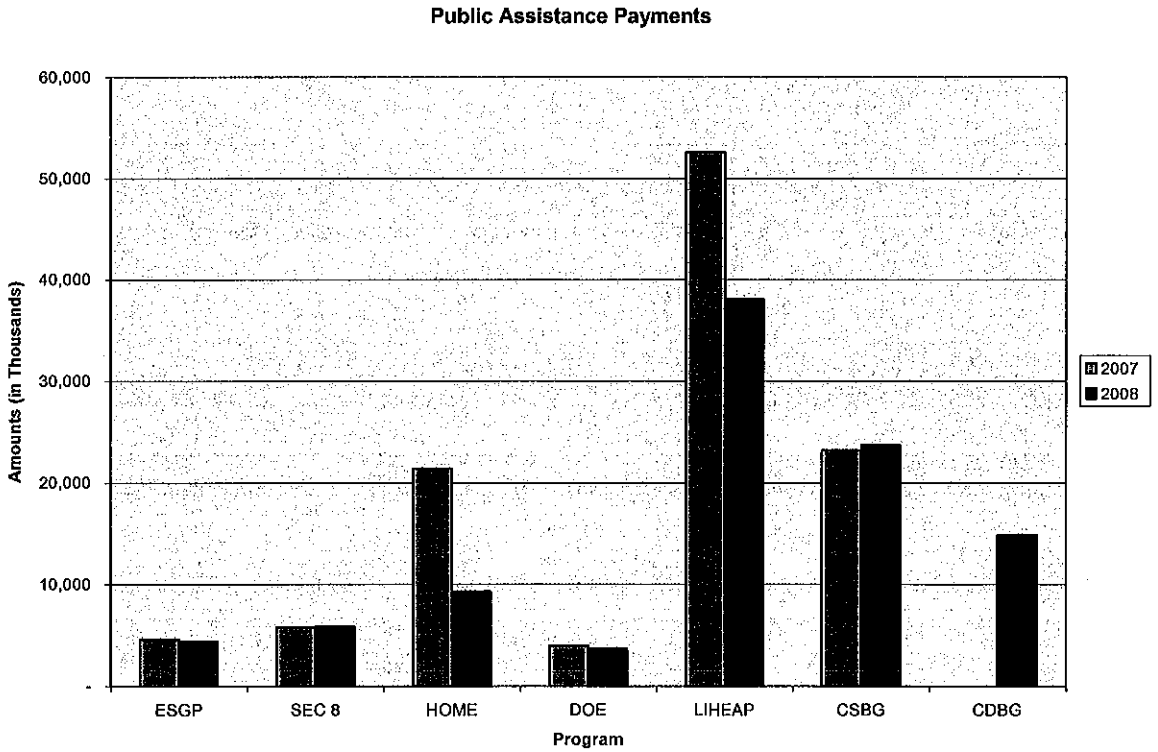


Governmental Fund Cont'd.

Intergovernmental Payments: Payment of grants to cities, counties, council of governments or other governmental entities.



Public Assistance Payments: Payment of grants to community action groups and organizations for community service programs.



Proprietary Fund

Net assets of the Department's proprietary fund increased from the August 31, 2008 figures by $7.6 million, or 14.2%, to $61.3 million. The following table summarizes the Schedule of Revenues, Expenses and Changes in Net Assets of the Department's proprietary fund for the fiscal years ended August 31, 2008 and August 31, 2007.

Texas Department of Housing and Community Affairs
Business-Type Activities
Schedule of Revenues, Expenses and Changes in Net Assets

			Increase / (Decrease)	
OPERATING REVENUES	2008	2007	Amount	%
Interest and Investment Income	$ 145,615,487	141,324,170	$ 4,291,317	3.0
Net Increase (Decrease) in Fair Value	6,488,246	(7,271,533)	13,759,779	189.2
Other Operating Revenues	12,154,130	13,969,145	(1,815,015)	13.0
Total Operating Revenues	164,257,863	148,021,782	16,236,081	205.2
OPERATING EXPENSES				
Salaries and Wages	7,648,771	6,963,206	685,565	9.9
Payroll Related Costs	1,281,350	1,530,973	(249,623)	(16.3)
Professional Fees and Services	2,074,725	1,273,659	801,066	62.9
Travel	289,375	215,834	73,541	34.0
Materials and Supplies	227,316	247,848	(20,532)	(8.3)
Communications and Utilities	112,000	132,166	(20,166)	(15.3)
Repairs and Maintenance	189,450	348,768	(159,318)	(45.7)
Rentals and Leases	50,580	66,536	(15,955)	(24.0)
Printing and Reproduction	16,867	12,925	3,942	305
Depreciation Expense	944,600	979,548	(34,948)	(3.6)
Interest	136,892,908	131,807,514	5,085,394	3.9
Bad Debt Expense	389,636	2,242,486	(1,852,850)	(82.6)
Down Payment Assistance	10,198,861	13,082,692	(2,883,831)	(22.0)
Other Operating Expenses	1,658,232	1,369,799	288,432	21.1
Total Operating Expenses	161,974,671	160,273,954	1,700,717	1.1
Operating Income (Loss)	2,283,192	(12,252,172)	14,535,364	118.6
NONOPERATING REVENUES (EXPENSES) & EXTRAORDINARY ITEMS	5,324,774	3,007,983	2,316,791	77.0
CHANGE IN NET ASSETS	7,607,966	(9,244,189)	16,852,155	182.30
Beginning Net Assets	53,706,351	62,950,540	(9,244,189)	(14.7)
Ending Net Assets	$ 61,314,317	53,706,351	$ 7,607,966	(14.2)

Proprietary Fund Cont'd.

Interest earned on program loans decreased by $2.6 million, or 3.7%, due primarily to a decrease within the Department's Multifamily Bond Program, due to lower loan amounts outstanding.

Investment income increased $6.9 million or 9.7% and reflected the investment of bond proceeds associated with one new Single Family issuance totaling $157 million. The primary increase in investment income was within the Single Family Bond Program funds, which increased $9 million or 18% but was offset by the Residential Mortgage Revenue Bond Program funds which declined $1.8 million.

The following table illustrates the changes in net assets by program of the Department's business-type activities for the fiscal years 2008 and 2007.

Texas Department of Housing and Community Affairs
Business-Type Activities
Changes in Net Assets by Fund Groups
(amounts in thousands)

			Increase / (Decrease)	
Fund	2008	2007	Amount	%
Single Family	$ 5,693	4,616	$ 1,077	23.3
RMRB	9,800	5,253	4,547	86.6
CHMRB	1,915	1,587	328	20.7
Multifamily	(134)	(158)	24	(15.1)
Commercial Paper	32	52	(20)	(38.5)
General Funds	18,362	19,488	(1,126)	(5.8)
Housing Trust Fund	19,750	19,173	577	3.0
Administration Fund	314	(170)	484	(284.7)
Housing Initiatives & Compliance	5,582	3,865	1,717	44.4
Total	$ 61,314	53,706	$ 7,608	14.2

The net assets of the RMRB Bond Program increased by $4.5 million or 86.6%, primarily due to an increase in fair value in investments.

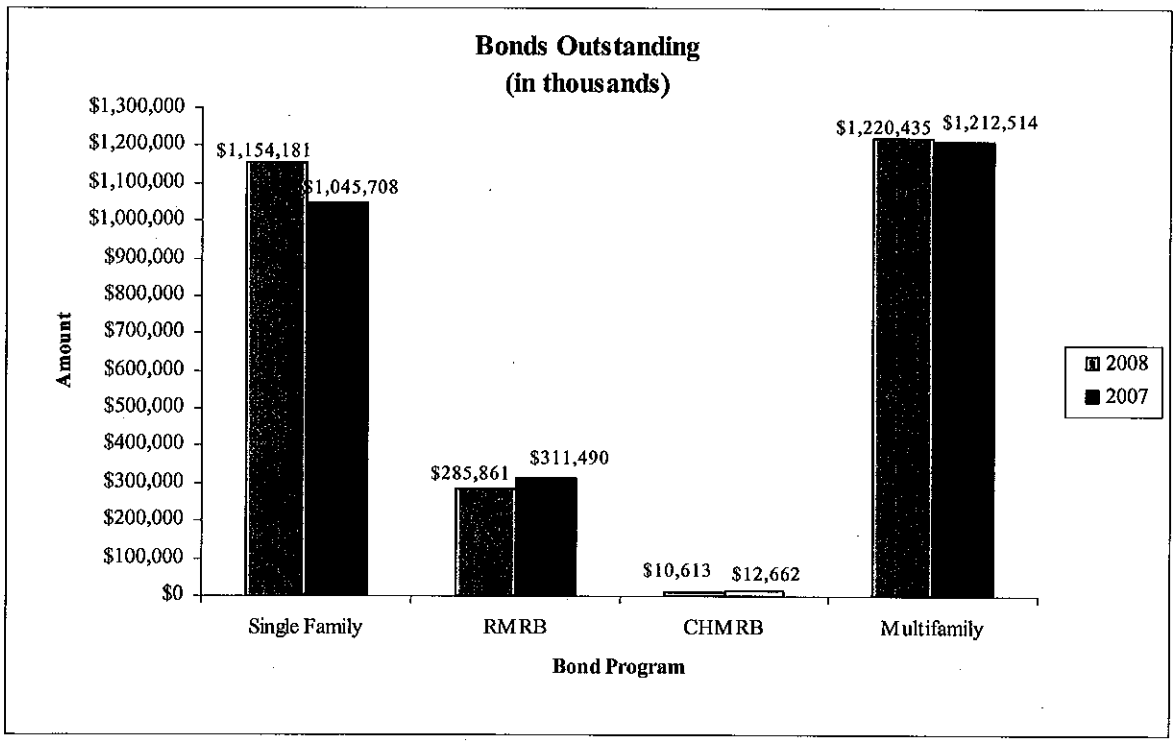
The net assets of the Housing Initiatives & Compliance increased $1.7 million due to the increase in properties being monitored.

Proprietary Fund Cont'd.

Department Debt

The Department's new debt issuances during fiscal year 2008 totaled $213.1 million. The Single Family program issued $157.1 million in bonds and the Multi-Family Bond Program issued $56 million. The Department also had $126 million in debt retirement during the year primarily due to consumer refinancing and prepayments of original loans. The net result was an increase in bonds payable of $86.7 million to $2.7 billion of which $41.3 million is due within one year. For additional information, see Note 10, Bond Indebtedness, and supplementary bond information schedules.

The following graph will illustrate a comparison of bonds outstanding between fiscal year 2008 and 2007 per bond program.



The recent credit and liquidity crisis precipitated by the failure of Wall Street investment bank Lehman Brothers among others began a cascading effect of rating downgrades. The current crisis affected counterparties which ultimately impacted the Department in various ways as discussed in Note 12 of the Notes to the Financial Statements.

Request for Information

This financial report is designed to provide a general overview of the Texas Department of Housing and Community Affairs' (TDHCA) operations for all parties interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Texas Department of Housing and Community Affairs, Director of Financial Administration, P.O. Box 13941, Austin, Texas, 78711-3941.

BASIC

FINANCIAL STATEMENTS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I
STATEMENT OF NET ASSETS - GOVERNMENT WIDE
As of August 31, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 3):			
Cash on Hand	$ 200	$ 200	$ 400
Cash in Bank	20,000	119,559	139,559
Cash in State Treasury	-	2,047,522	2,047,522
Cash Equivalents	-	39,356,823	39,356,823
Restricted:			
Cash and Cash Equivalents (Note 3):			
Cash in Bank	-	547,555	547,555
Cash in State Treasury	6,879,489	-	6,879,489
Cash Equivalents	-	163,068,583	163,068,583
Short-term Investments (Note 3)	-	159,097,490	159,097,490
Loans and Contracts	-	12,655,872	12,655,872
Interest Receivable	-	14,898,359	14,898,359
Federal Receivable	3,458,607	-	3,458,607
Legislative Appropriations	3,193,155	-	3,193,155
Receivables From:			
Interest Receivable	62,440	75,192	137,632
Accounts Receivable	42,082	1,548,536	1,590,618
Other Intergovernmental	847,500	-	847,500
Interfund Receivable (Note 5)	49,331	55,282	104,613
Consumable Inventories	12,383	12,383	24,766
Loans and Contracts	6,417,158	1,607,741	8,024,899
Other Current Assets	-	252,599	252,599
Total Current Assets	20,982,345	395,343,696	416,326,041
Non-Current Assets:			
Loans and Contracts	-	32,067,350	32,067,350
Capital Assets (Note 2):			
Depreciable:			
Furniture & Equipment	1,724,291	1,026,111	2,750,402
Accumulated Depreciation	(1,615,098)	(935,196)	(2,550,294)
Other Capital Assets	130,964	132,279	263,243
Accumulated Depreciation	(73,678)	(74,418)	(148,096)
Restricted Assets:			
Investments (Note 3)	-	1,346,771,360	1,346,771,360
Loans and Contracts	122,242,970	1,246,108,562	1,368,351,532
Other Non-Current Assets:			
Deferred Issuance Cost, net (Note 10)	-	11,991,756	11,991,756
Real Estate Owned, net	-	578,375	578,375
Total Non-Current Assets	122,409,449	2,637,666,179	2,760,075,628
Total Assets	$ 143,391,794	$ 3,033,009,875	$ 3,176,401,669

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT I (Continued)
STATEMENT OF NET ASSETS - GOVERNMENT WIDE
As of August 31, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities:			
Payables:			
Accounts Payable	$ 10,897,247	$ 1,105,178	$ 12,002,425
Accrued Bond Interest Payable	-	38,307,371	38,307,371
Payroll Payable	853,101	-	853,101
Interfund Payable (Note 5)	104,613	-	104,613
Deferred Revenues	128,660,128	39,987,881	168,648,009
Employees' Compensable Leave (Note 4)	759,929	717,957	1,477,886
Revenue Bonds Payable (Notes 4 & 10)	-	41,276,426	41,276,426
Other Current Liabilities	-	9,010,527	9,010,527
Total Current Liabilities	141,275,018	130,405,340	271,680,358
Non-Current Liabilities:			
Employees' Compensable Leave (Note 4)	232,713	237,194	469,907
Notes and Loans Payable (Note 4)	-	71,431,000	71,431,000
Revenue Bonds Payable (Notes 4 & 10)	-	2,629,813,728	2,629,813,728
Other Non-Current Liabilities (Note 4)	-	139,808,296	139,808,296
Total Non-Current Liabilities	232,713	2,841,290,218	2,841,522,931
Total Liabilities	141,507,731	2,971,695,558	3,113,203,289
NET ASSETS			
Invested in Capital Assets	166,479	148,775	315,254
Restricted:			
For Single Family Bonds	-	17,439,699	17,439,699
For MultiFamily Bonds	-	(134,784)	(134,784)
By Grantor	42,666	-	42,666
Unrestricted	1,674,917	43,860,627	45,535,544
Total Net Assets	$ 1,884,063	$ 61,314,317	$ 63,198,380

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT II
STATEMENT OF ACTIVITIES - GOVERNMENT WIDE
For the Year Ended August 31, 2008

		Program Revenues		Net (Expenses) Revenue and Changes in Net Assets		
				Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	2008 Total
Primary Government						
Governmental Activities:						
Manufactured Housing	$ 4,831,686	$ 4,881,391	$ -	$ 49,705	$ -	$ 49,705
HOME Investment in Affordable Housing	33,019,522	-	33,248,987	229,465	-	229,465
Energy Assistance	58,052,919	6,578	58,131,893	85,552	-	85,552
Community Services	33,812,977	29,800	33,884,125	100,948	-	100,948
Community Development	36,469,125	-	36,324,883	(144,242)	-	(144,242)
Federal Emergency Management	468,488	-	273,491	(194,997)	-	(194,997)
Section 8	6,391,580	-	6,400,208	8,628	-	8,628
Housing Trust Fund	199,417	-	163,888	(35,529)	-	(35,529)
Administration	1,385,529	-	1,114,806	(270,723)	-	(270,723)
Total Governmental Activities	174,631,243	4,917,769	169,542,281	(171,193)	-	(171,193)
Business-type Activities:						
Single Family Bonds	79,065,107	79,437,818	-	-	372,711	372,711
Multifamily Bonds	65,641,578	65,664,932	-	-	23,354	23,354
Housing Trust Fund Program	5,606,037	250,606	-	-	(5,355,431)	(5,355,431)
Administration	11,661,949	10,899,486	-	-	(762,463)	(762,463)
	161,974,671	156,252,842	-	-	(5,721,829)	(5,721,829)
Total Primary Government	$ 336,605,914	$ 161,170,611	$ 169,542,281	$ (171,193)	$ (5,721,829)	$ (5,893,022)
General Revenues:						
Original Appropriations				$ 6,300,167	$ -	$ 6,300,167
Additional Appropriations				853,945	-	853,945
Interest & Other Investment Income				476,371	1,516,775	1,993,146
Appropriations Lapsed				(219,351)	-	(219,351)
Other Revenues				781,678	-	781,678
Net Increase in Fair Value of Investments				-	6,488,246	6,488,246
Legislative Transfers In				779,488	-	779,488
Transfers In (Out)				(7,687,241)	5,324,774	(2,362,467)
Total General Revenues and Transfers				1,285,057	13,329,795	14,614,852
Change in Net Assets				1,113,864	7,607,966	8,721,830
Net Assets, September 1, 2007				770,199	53,706,351	54,476,550
Net Assets - August 31, 2008				$ 1,884,063	$ 61,314,317	$ 63,198,380

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT III
COMBINED BALANCE SHEET - GOVERNMENTAL FUND
As of August 31, 2008

	Total
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3):	
Cash on Hand	$ 200
Cash in Bank	20,000
Restricted:	
Cash and Cash Equivalents (Note 3):	
Cash in State Treasury	6,879,489
Federal Receivable	3,458,607
Legislative Appropriations	3,193,155
Accounts Receivable	42,082
Receivables From:	
Other Intergovernmental	847,500
Interest	62,440
Interfund Receivable (Note 5)	49,331
Consumable Inventories	12,383
Restricted - Loans and Contracts	6,417,158
Total Current Assets	20,982,345
Non-Current Assets:	
Restricted - Loans and Contracts	122,242,970
Total Non-Current Assets	122,242,970
Total Assets	143,225,315
LIABILITIES	
Current Liabilities:	
Payables From:	
Accounts Payable	10,897,247
Payroll Payable	853,101
Interfund Payable (Note 5)	104,613
Deferred Revenues	128,660,128
Total Liabilities	140,515,089
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances:	
Reserved for:	
Encumbrances	964,135
Inventories	12,383
Imprest	20,200
Unreserved/Undesignated	1,713,508
Total Fund Balances as of August 31	2,710,226
NOTE: Amounts reported for governmental activities in the statement of net assets are different because:	
Capital net assets net of accumulated depreciation used in governmental activities are not financial resources and therefore not reported in the funds.	166,479
Long term liabilities relating to employees' compensable leave are not due and payable in the current year therefore are not reported in the funds.	(992,642)
NET ASSETS AS OF AUGUST 31	$ 1,884,063

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT IV

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND

Year Ended August 31, 2008

	Total
REVENUES	
Legislative Appropriations:	
Original Appropriations (GR)	$ 6,300,167
Additional Appropriations (GR)	853,945
Federal Revenue (PR-OP G/C)	167,174,647
Federal Revenue Grant Pass-Thru Revenue(PR-OP G/C)	742,257
State Grant Pass-Through Revenue (PR-OP G/C)	3,024
Licenses, Fees & Permits (PR-C/S)	4,277,414
Interest and Other Investment Income (PR-OP G/C)	163,888
Interest and Other Investment Income (GR)	476,371
Sales of Goods and Services (PR-C/S)	640,355
Other (PR-OP G/C)	1,458,466
Other (GR)	781,678
Total Revenues	182,872,212
EXPENDITURES	
Salaries and Wages	8,935,211
Payroll Related Costs	2,851,828
Professional Fees and Services	279,414
Travel	567,861
Materials and Supplies	324,873
Communication and Utilities	222,449
Repairs and Maintenance	519,147
Rentals & Leases	99,371
Printing and Reproduction	100,913
Claims and Judgments	198,278
Federal Pass-Through Expenditures	4,287,392
Intergovernmental Payments	54,509,539
Public Assistance Payments	101,372,718
Other Expenditures	333,497
Capital Outlay	20,867
Total Expenditures	174,623,358
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,248,854
OTHER FINANCING SOURCES (USES)	
Transfers In (Note 5)	21,648
Transfers Out (Note 5)	(7,708,889)
Legislative Transfers In (Note 5)	779,488
Total Other Financing (Uses)	(6,907,753)
Net Change in Fund Balances	1,341,101
FUND FINANCIAL STATEMENT-FUND BALANCES	
Fund Balances--Beginning	1,588,476
Appropriations Reinstated (Lapsed)	(219,351)
Fund Balances - August 31	$ 2,710,226

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT IV (Continued)
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
Year Ended August 31, 2008

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the statement of activities.

	Total
Net Change in Fund Balances (Exhibit IV)	$ 1,341,101
Appropriations (Lapsed)	(219,351)
Changes in Fund Balances	1,121,750
Amounts reported for governmental activities in the Statement of Activities (Exhibit II) are different because of the adjustments to:	
- capital outlay expense	20,867
- depreciation expense	(65,315)
- payroll expense due to Compensable Leave	36,562
Changes in Net Assets, August 31 (Exhibit II)	$ 1,113,864

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V
STATEMENT OF NET ASSETS - PROPRIETARY FUND
August 31, 2008

	Total
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Note 3)	
Cash on Hand	$ 200
Cash in Bank	119,559
Cash in State Treasury	2,047,522
Cash Equivalents	39,356,823
Restricted Assets:	
Cash and Cash Equivalents (Note 3)	
Cash in Bank	547,555
Cash Equivalents	163,068,583
Short-term Investments (Note 3)	159,097,490
Loans and Contracts	12,655,872
Interest Receivable	14,898,359
Receivable:	
Interest Receivable	75,192
Accounts Receivable	1,548,536
Interfund Receivable (Note 5)	55,282
Consumable Inventories	12,383
Loans and Contracts	1,607,741
Other Current Assets	252,599
Total Current Assets	395,343,696
Non-Current Assets:	
Loans and Contracts	32,067,350
Capital Assets: (Note 2)	
Depreciable	
Furniture and Equipment	1,026,111
Less: Accumulated Depreciation	(935,196)
Other Capital Assets	132,279
Less: Accumulated Depreciation	(74,418)
Restricted Assets:	
Investments (Note 3)	1,346,771,360
Loans and Contracts	1,246,108,562
Other Non-current Assets	
Deferred Issuance Cost, net (Note 10)	11,991,756
Real Estate Owned, net	578,375
Total Non-Current Assets	2,637,666,179
Total Assets	3,033,009,875

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT V (Continued)
STATEMENT OF NET ASSETS - PROPRIETARY FUND
August 31, 2008

	Total
LIABILITIES	
Current Liabilities	
Payables:	
Accounts Payable	1,105,178
Accrued Bond Interest Payable	38,307,371
Deferred Revenues	39,987,881
Employees' Compensable Leave (Note 4)	717,957
Revenue Bonds Payable (Notes 4 & 10)	41,276,426
Other Current Liabilities	9,010,527
Total Current Liabilities	130,405,340
Non-Current Liabilities	
Employees' Compensable Leave (Note 4)	237,194
Notes and Loans Payable (Note 4)	71,431,000
Revenue Bonds Payable (Note 4 & 10)	2,629,813,728
Other Non-Current Liabilities (Note 4)	139,808,296
Total Non-Current Liabilities	2,841,290,218
Total Liabilities	2,971,695,558
NET ASSETS	
Invested in Capital Assets	148,775
Restricted	17,304,915
Unrestricted	43,860,627
Total Net Assets	$ 61,314,317

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUND

For the fiscal year ended August 31, 2008

	Total
OPERATING REVENUES	
Interest and Investment Income	$ 145,615,487
Net Increase in Fair Value	6,488,246
Other Operating Revenues	12,154,130
Total Operating Revenues	164,257,863
OPERATING EXPENSES	
Salaries and Wages	7,648,771
Payroll Related Costs	1,281,350
Professional Fees and Services	2,074,725
Travel	289,375
Materials and Supplies	227,316
Communications and Utilities	112,000
Repairs and Maintenance	189,450
Rentals and Leases	50,580
Printing and Reproduction	16,867
Depreciation and Amortization	944,600
Interest	136,892,908
Bad Debt Expense	389,636
Down Payment Assistance	10,198,861
Other Operating Expenses	1,658,232
Total Operating Expenses	161,974,671
Operating Income	2,283,192
Income before Other Revenues, Expenses, Gains, Losses and Transfers	2,283,192
OTHER REVENUES, EXPENSES, GAINS, LOSSES AND TRANSFERS	
Transfers In (Note 8)	5,324,774
Total Other Revenues, Expenses, Gains, Losses and Transfers	5,324,774
CHANGE IN NET ASSETS	7,607,966
Net Assets, September 1, 2007	53,706,351
NET ASSETS, AUGUST 31, 2008	$ 61,314,317

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the fiscal year ended August 31, 2008

	Total
CASH FLOWS FROM OPERATING ACTIVITIES	
Proceeds from Loan Programs	$ 69,570,639
Proceeds from Other Revenues	9,548,446
Payments to Suppliers for Goods/Services	(8,404,574)
Payments to Employees	(8,731,536)
Payments for Loans Provided	(63,176,373)
Net Cash (Used for) Operating Activities	(1,193,398)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from Debt Issuance	254,674,363
Proceeds from Transfers from Other Funds	5,324,774
Payments to Other Funds	(224,356)
Payments of Principal on Debt Issuance	(126,342,397)
Payments of Interest	(139,304,200)
Payments for Other Cost of Debt	(1,646,137)
Net Cash (Used for) Noncapital Financing Activities	(7,517,953)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments for Additions to Capital Assets	(19,321)
Net Cash (Used for) Capital Activities	(19,321)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	620,189,369
Proceeds from Interest/Invest. Income	83,538,933
Payments to Acquire Investments	(654,572,612)
Net Cash Provided by Investing Activities	49,155,690
Net Increase in Cash and Cash Equivalents	40,425,018
Cash and Cash Equivalents, September 1, 2007	164,715,224
Cash and Cash Equivalents, August 31, 2008	$ 205,140,242

See accompanying notes to the financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VII (Continued)
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the fiscal year ended August 31, 2008

	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	$ 2,283,192
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization and Depreciation	944,600
Provision for Uncollectibles	389,636
Operating Income and Cash Flow Categories Classification Differences	49,823,170
Changes in Assets and Liabilities:	
(Increase) in Receivables	(154,915)
Decrease in Accrued Interest Receivable	5,105,225
(Increase) in Loans / Contracts	(6,628,919)
(Increase) in Property Owned	(283,251)
(Increase) in Acquisition Costs	(335,998)
(Increase) in Other Assets	(39,592)
Increase in Payables	271,724
Increase in Deferred Revenues	4,883,555
(Decrease) in Accrued Interest Payable	(1,785,828)
(Decrease) in Other Liabilities	(55,665,997)
Total Adjustments	(3,476,590)
Net Cash (Used for) Operating Activities	$ (1,193,398)

NON CASH TRANSACTIONS
Increase in Fair Value of Investments for 2008 was $6,488,246

Loans and the related properties acquired were transferred to real estate owned in the amount of $300,690 for 2008

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

EXHIBIT VIII
COMBINED STATEMENT OF FIDUCIARY NET ASSETS
As of August 31, 2008

AGENCY FUND	**Total**
ASSETS	
Current Assets:	
Restricted:	
Cash in State Treasury	$ 61,910
Total Current Assets	61,910
Total Assets	$ 61,910
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 300
Funds Held for Others	61,610
Total Current Liabilities	61,910
Total Liabilities	$ 61,910

See accompanying notes to the financial statements.

NOTES TO THE

FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

Effective September 1, 1991, the Texas Department of Housing and Community Affairs (Department) was created to assist local governments in helping residents overcome financial, social and environmental problems; to address very low to moderate income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the legislature in coordinating federal and state programs affecting local governments; and to continually inform the state and the public about the needs of local government (*Texas Government Code Ann., Chapter 2306*). The Department was created by merging two former agencies, the Texas Housing Agency and the Texas Department of Community Affairs.

The regulation of manufactured housing was transferred from the Texas Department of Licensing and Regulation to the Department on September 1, 1995. The Manufactured Housing Division is administratively attached to the Department and is responsible for establishing standards and requirements for the construction and installation of manufactured housing that are reasonably necessary to protect the health, safety and welfare of the occupants of such housing and the general public. The Manufactured Housing Division has a governing Board of five members appointed by the Governor.

The Department is governed by a Board, composed of seven members, all of whom are appointed by the Governor with the advice and consent of the Texas Senate. The Board then appoints the Executive Director, with the approval of the Governor.

The accompanying financial statements of the Department have been prepared to conform with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Component Units - No component units have been identified which should be included in the Department's financial statements.

FUND STRUCTURE

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

Governmental Funds

General Fund
The General Fund is the principal operating fund used to account for most of the Department's general activities. It accounts for all financial resources except those accounted for in other funds.

Proprietary Fund Types

Enterprise Funds (Business-Type Activity)
Enterprise Funds account for operations financed and operated in a manner similar to private business. The intent is to recover costs through user charges and where a periodic determination of revenues earned, expenses incurred, and net income are appropriate for management control, accountability, contractual obligations and other purposes.

Fiduciary Fund Types

Agency Funds
Agency funds are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Basis of Accounting
The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental funds are accounted for using the modified accrual basis of accounting. Under modified accrual, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year end. The Department considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for the Fund Financial Statements prepared on the modified accrual basis of accounting. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

The Government-wide Financial Statements are accounted for using the accrual method of accounting. This includes unpaid Employee Compensable leave, the unmatured debt service (principal and interest) on general long-term liabilities, capital assets and accumulated depreciation.

Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary Funds distinguish operating from non-operating items. Operating revenues result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The Department has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 as allowed by GASB Statement No. 20.

BUDGET AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). The state monitors its statewide budget by establishing the legal level of control at the agency level to ensure that expenditures are not made in excess of budgetary authority. Within the Department, procedures are used to ensure that expenditures do not exceed their total budget at the division level, but the State Comptroller ultimately ensures that each total authorized agency budget is not exceeded.

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

ASSETS, LIABILITIES AND FUND BALANCES/NET ASSETS

Assets

Cash and Cash Equivalents
Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

Investments
Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* (GASB Statement 31). The Department utilizes established quoted market prices for determining the fair value of its debt securities in

reserve funds. Fair value of the Department's securitized mortgage loans (GNMA, FNMA, FHLMC) has been established by each bond issue's trustee using a pricing service.

The Department has reported all investment securities at fair value as of August 31, 2008 with exception of some short-term money market investments and nonparticipating interest-earning investments contracts which are reported at amortized cost provided that the fair value of these investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors.

Changes in the fair value for the Enterprise Fund are reported in the Combined Statement of Revenues, Expenses, and Changes in Net Assets-Proprietary Fund as "Net Increase (Decrease) in the Fair Value of Investments."

Restricted Assets
Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets in the General Fund include federal grants which are restricted by the grantor for specific program purposes established by the State Legislature. The Proprietary Fund includes certain assets pledged to respective bond indentures, the use of which is restricted by those same bond covenants.

Consumable Inventories
Consumable inventories consist of postage on hand at year-end. Inventories for governmental fund types and proprietary fund types are accounted for using the consumption method of accounting. The cost of these items is expensed when the items are consumed.

Capital Assets
Assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if donated, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. Assets are depreciated over the estimated useful life of the asset (5 years for both Furniture & Equipment and Other Capital Assets) using the straight-line method.

All capital assets acquired by proprietary funds are reported at cost or estimated historical cost, if actual historical cost is not available. Donated assets are reported at fair value on the donation date. Depreciation is charged to operations over the estimated useful life of each asset using the straight-line method.

Loans and Contracts
Loans and contracts consist of loans in the General Fund made from federal funds for the purpose of Single Family loans and Multifamily development loans from the HOME and Community Development Block Grant Program.

Restricted loans and contracts in proprietary funds consist of mortgage loans made from Single Family and Multifamily bond proceeds. Unrestricted loans and contracts consist of Single Family loans and Multifamily development loans from the Housing Trust Fund and other Housing Initiative Programs. Loans receivable are carried at the unpaid principal balance outstanding, net of the allowance for estimated losses. Deferred commitment fees relating to the Single Family, Residential Mortgage Revenue Bonds (RMRB) Series 1987A and certain Multifamily programs are included as a reduction of loans receivable. Interest on loans is credited to income as earned. Loans are generally placed on nonaccrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when they are past due 90 days as to either principal or interest or when payment in full of principal and interest is not expected. Deferred commitment fees are recognized using the interest method over the estimated lives of the loans.

Real Estate Owned
Real estate owned are properties acquired through foreclosure that are carried at the unpaid principal balance on the related property plus accrued interest and reimbursable expenses through the date of foreclosure, less any sales proceeds, reimbursements received from mortgage insurers and an allowance for estimated losses on such properties, which approximates the net realizable value of the property at foreclosure.

Loans secured by Single Family properties on which there is an indication that the borrower no longer has the ability to repay the loan and that foreclosure is likely are considered in-substance foreclosures and are classified as real estate

owned in the accompanying balance sheet. Interest on real estate owned is credited to income as earned based on a calculation of interest recoverable in accordance with the Department's agreements with its mortgage insurers.

Allowance for Estimated Losses on Loans and Foreclosed Properties
The allowance for estimated losses on loans is calculated for future charge-offs on Single Family and Multifamily loans. The allowance for estimated losses on real estate owned is calculated for future charge-offs on foreclosed Single Family loans.

All losses are charged to the allowance when the loss actually occurs or when a determination is made that a loss is likely to occur. During the year, management estimates the level of future losses to determine whether the allowances for estimated losses are adequate to absorb anticipated losses in the existing loan and real estate owned portfolios. Based on these estimates, a provision for estimated losses on loans and real estate owned is credited to the allowances in order to adjust the allowances to levels estimated to be adequate to absorb reasonably foreseeable losses.

While management uses available information to recognize losses in the loan and real estate owned portfolios, future additions may be necessary based on changes in economic conditions. However, it is the judgment of management that allowances are currently adequate to absorb reasonably foreseeable losses in the existing loan and real estate owned portfolios.

Commitment Fees
Commitment fees received in connection with the origination of loans are deferred and recognized using the interest method over the estimated lives of the related loans and mortgage-backed securities, or if the commitment expires unexercised it is credited to income upon expiration of the commitment.

Deferred Issuance Costs
Deferred issuance costs on bonds are amortized using the interest method over the contractual life of the bonds to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of deferred issuance costs.

Discounts and Premiums on Debt
Discounts and premiums on debt are recognized using the interest method over the lives of the bonds to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of discounts and premiums on debt.

Liabilities

Accounts Payable
Accounts payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Other Current Liabilities
Other current liabilities primarily consist of escrow fees and arbitrage rebate liability.

Deferred Revenues
Deferred Revenues in the governmental fund represent a deferral of amounts disbursed from funding agencies for the amount of Loans and Contracts outstanding. These deferred revenues are classified as current liabilities in accordance with GAAP. The deferred revenues in the proprietary fund represent fees such as commitment fees and compliance fees that are deferred upon receipt and amortized over a period of time. It also includes deferred revenues for loans and contracts.

Employees' Compensable Leave Balances
Employees' Compensable Leave Balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

Bonds Payable – Revenue Bonds
Revenue bonds are accounted for in the proprietary funds. The bonds payable are reported at par less unamortized discount or plus unamortized premium. Interest expense is reported on the accrual basis, with amortization of discount or premium. Payables are reported separately as either current or noncurrent in the statement of net assets.

Notes and Loans Payable
Notes and Loans Payable is composed of Commercial Paper Notes issued by the Department. Proceeds not used to refund outstanding Commercial Paper Notes are intended to redeem single-family mortgage revenue bonds.

Other Non-current Liabilities
Other non-current liabilities primarily account for funds due to Developers as a result of Multifamily bond proceeds. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the developers' fluctuation in cash flow needs, the current portion cannot be reasonably estimated.

Fund Balance/Net Assets
The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary and fiduciary fund statements, and the "Fund Balance" is the difference between fund assets and liabilities on the governmental fund statements.

Reservations of Fund Balance
Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

Reserved for Encumbrances
This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

Reserved for Consumable Inventories
This represents the amount of postage to be used in the next fiscal year.

Reserve for Imprest Accounts
This represents reserves for travel and imprest cash in amounts equal to the assets.

Unreserved/Undesignated
Unreserved represents the unappropriated balance at year-end.

Net Assets
Invested in Capital Assets consists of capital assets including restricted capital assets, net of accumulated depreciation. The Department reports net assets as restricted when constraints placed on net assets are externally imposed by bond covenants and federal grants. Unrestricted Net Assets consist of net assets that do not meet the definition of Invested in Capital Assets or Restricted Net Assets.

Interfund Transactions and Balances

The Department may have the following types of transactions among funds:

1. Transfers - Legally required transfers that are reported when incurred as "Transfers In" by the recipient fund and as "Transfers Out" by the disbursing fund.

2. Legislative Sources/Uses – Budget transfers between agencies within the General Revenue Fund (0001).

3. Quasi-External Transactions - Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

NOTE 2: CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended August 31, 2008, is presented below:

	PRIMARY GOVERNMMENT			
Governmental Activities:	**Balance 09/01/07**	**Additions**	**Deletions**	**Balance 08/31/08**
Depreciable Assets:				
Furniture and Equipment	$1,735,344	$20,867	($31,920)	$1,724,291
Other Capital Assets	130,964	-	-	130,964
Total Depreciable Assets at Historical Costs	$1,866,308	$20,867	($31,920)	$1,855,255
Less Accumulated Depreciation for:				
Furniture and Equipment	($1,607,895)	($39,123)	$31,920	($1,615,098)
Other Capital Assets	(47,486)	(26,192)	-	(73,678)
Total Accumulated Depreciation	(1,655,381)	(65,315)	31,920	(1,688,776)
Governmental Activities Capital Assets, Net:	$210,927	($44,448)	-	$166,479

	PRIMARY GOVERNMMENT			
Business-Type Activities:	**Balance 09/01/07**	**Additions**	**Deletions**	**Balance 08/31/08**
Depreciable Assets:				
Furniture and Equipment	$1,437,962	$19,321	($431,172)	$1,026,111
Other Capital Assets	132,279	-	-	132,279
Total Depreciable Assets at Historical Costs	$1,570,241	$19,321	($431,172)	$1,158,390
Less Accumulated Depreciation for:				
Furniture and Equipment	($1,330,513)	($35,855)	$431,172	($935,196)
Other Capital Assets	(47,963)	(26,455)	-	(74,418)
Total Accumulated Depreciation	(1,378,476)	(62,310)	431,172	(1,009,614)
Business-Type Activities Capital Assets, Net:	$191,765	($42,989)	-	$148,776

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS

The Department is authorized by statute to make investments following the "prudent person rule" and based upon provisions within the master bond indentures and its Investment Policy adopted by the Board in accordance with the Public Funds Investment Act. There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank
As of August 31, 2008, the carrying amount of deposits was $687,114.

Governmental Funds Current Assets Cash in Bank	$20,000
Proprietary Funds Current Assets Cash in Bank	
Texas Treasury Safekeeping Trust	119,559
Proprietary Funds Current Assets Restricted Cash in Bank	
Texas Treasury Safekeeping Trust	243,052
Demand Deposits	304,503
Cash in Bank	$687,114

At August 31, 2008 the Department's cash and deposits in the State Treasury amounted to $8,927,011. Of that amount, $8,927,011 was fully collateralized by securities held with a trustee in the State's name, as reported to the Department by the Comptroller of Public Accounts of the State of Texas.

Investments
The types of investments in which the Department may invest are restricted by the provisions of the master bond indentures and the Department's Investment Policy adopted by its Board in accordance with the Public Funds Investment Act. The indentures allow for investments in direct obligations of or guaranteed by the U.S. Government; obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by agencies or intermediaries of the U.S. Government; obligations issued by public agencies or municipalities; obligations and general obligations of or guaranteed by the state; demand deposits, interest-bearing time deposits or certificates of deposit; repurchase agreements in U.S. Government securities; direct or general obligations of any state within the territorial U.S.; investment agreements with any bank or financial institution; commercial paper; and guaranteed investment contracts. Certain trust indentures restrict the Department from investing in certain of the aforementioned investments.

At August 31, 2008, the fair value of investments (including both short-term and long-term) are shown below.

Business Type Activities	Carrying Value	Fair Value
U.S. Treasury Securities	$ 939,415	$ 1,013,942
U.S. Government Agency Obligations	1,332,487,317	1,308,774,174
Repurchase Agreements (TTSTC)	131,206,394	131,206,394
Fixed Income Money Markets	71,219,012	71,219,012
Misc (Investment Agreements/GICs)	196,080,733	196,080,733
Total	$ 1,731,932,871	$ 1,708,294,255

Credit Risk
Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Preservation and safety of principal is the foremost objective of the investment program. According to the Department's investment policy, investments should be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is mitigated by

- Limiting investments to the safest types of securities.
- Pre-qualifying the financial institution, broker/dealers, intermediaries, and advisors with which the Department will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

As of August 31, 2008, the Department's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	Not Rated	AAA	AA	A
05	3054	U.S. Government Agency Obligations		$231,003,819		
05	3054	Repurchase Agreements (TTSTC)	$131,206,394			
05	3054	Misc (Investment Agreements/GICs)	$196,080,733			
			Not Rated	AAA-M	AA-M	A-M
05	3054	Fixed Income Money Market		$71,219,012		

A total of $1,078,784,298 was not subject to credit risk disclosure due to their explicit guarantee by the U.S. Government which is composed of $1,013,942 in U.S. Treasury securities and $1,077,770,356 in U.S. Government Agency obligations issued by the Government National Mortgage Association.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2008, the Department's concentration of credit risk is as follows.

Fund Type	GAAP Fund	Issuer	Carrying Value	% of Total Portfolio
05	3054	Paribas Corporation	$131,206,394	7.68%
05	3054	Transamerican Life	$ 88,070,816	5.16%

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. The longer the maturity of an investment will result in greater sensitivity of its fair value to changes in the market interest rates. The Department's investment policy allows for the mitigation of interest rate risk by

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities.

Information about the sensitivity of the fair values of the Departments investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Department's investments by maturity:

Remaining Maturity (in months)

Government and Business Type Activities	Fair Value	12 months or less	13 to 24 months	25 to 60 months	More than 60 months
U.S. Treasury Securities	$1,013,942				$1,013,942
U.S. Government Agency Obligations	1,308,774,174	$11,317,707		$12,085,642	1,285,370,825
Repurchase Agreements (TTSTC)	131,206,394	131,206,394			
Fixed Income Money Markets	71,219,012	71,219,012			
Misc (Investment Agreements/GICs)	196,080,733	147,779,783	$19,385,040		28,915,910
Total	$1,708,294,255	$361,522,896	$19,385,040	$12,085,642	$1,315,300,677

NOTE 3: DEPOSITS, INVESTMENTS & REPURCHASE AGREEMENTS Cont'd

Highly Sensitive Investments
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to the changes in interest rates. The Department does not make it a common practice to sell these investments. Any fluctuation in fair value generates an unrealized gain or loss. As of August 31, 2008, the Department holds $1,308,774,174 in mortgage backed securities.

NOTE 4: SUMMARY OF LONG TERM LIABILITIES

Changes in Long-Term Liabilities
During the year ended August 31, 2008, the following changes occurred in liabilities.

Governmental Activities	Balance 9/1/07	Additions	Reductions	Balance 8/31/08	Amounts Due Within One Year
Compensable Leave	$ 1,029,205	759,929	796,492	$ 992,642	$ 759,929
Total Governmental Activities	$ 1,029,205	759,929	796,492	$ 992,642	$ 759,929

Business-Type Activities	Balance 9/1/07	Additions	Reductions	Balance 8/31/08	Amounts Due Within One Year
Revenue Bonds Payable	$ 2,582,373,505	216,112,363	127,395,714	$ 2,671,090,154	$41,276,426
Notes Payable	32,869,000	38,562,000		71,431,000	-
Subtotal	2,615,242,505	254,674,363	127,395,714	2,742,521,154	41,276,426
Compensable Leave	756,566	717,957	519,372	955,151	717,957
Total Business-Type Activities	$ 2,615,999,071	255,392,320	127,915,086	$2,743,476,305	$41,994,383

Commercial Paper Notes Payable
The Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department.

Commercial Paper Notes Payable Debt Service Requirements Business-Type Activities			
Year	Principal	Interest	Total
2009	$71,431,000	$194,623	$71,625,623
Total	**$71,431,000**	**$194,623**	**$71,625,623**

Employees' Compensable Leave
A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal or separation from State employment, provided the employee has had continuous employment with the State for six months. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the Statement of Net Assets. An expense and liability for proprietary fund types are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

NOTE 4: SUMMARY OF LONG TERM LIABILITIES Cont'd.

Other Non-current Liabilities
Other non-current liabilities in the Enterprise Fund totaling $139,808,296 primarily account for funds due to Developers as a result of Multifamily bond proceeds which have corresponding investment balances not adjusted to market value. These proceeds are conduit debt issued on behalf of the Developer for the purpose of Multifamily developments and are held by the trustee. Due to the various variables related to the balance, the current portion cannot be reasonably estimated.

NOTE 5: INTERFUND BALANCES / ACTIVITIES

As explained in Note 1 on Interfund Transactions and Balances, there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

The Department experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statements.

Individual balances and activity at August 31, 2008, follows:

Fund	Current Interfund Receivable	Current Interfund Payable
General Fund (01)		
General Revenue (0001)	$ 49,331	$ 1,488
Consolidated Federal (0127)	-	103,125
Enterprise Fund (05, 0896)	55,282	-
Total Interfund Receivable/ Payable (Exhibit I & Exhibit III & VIII)	**$ 104,613**	**$ 104,613**

The Department has no Non-Current Interfund Receivables/Interfund Payables.

Fund	Transfers In	Transfers Out	Purpose
General Fund (01)			
Appd Fund 0001, D23 Fund 0001		$ 5,324,774	Article VII-6, Rider 10
Appd Fund 0001, D23 Fund 0001		1,492,594	Article IX, § 6.26
Appd Fund 0001, D23 Fund 0001		21,648	Article IX, § 13.09
Appd Fund 0001, D23 Fund 0066		89,971	Gov't Code, Sect. 403.021
Appd Fund 0001, D23 Fund 0077		414	Gov't Code, Sect. 403.021
Appd Fund 0001, D23 Fund 0088		779,488	Article IX, § 6.26
Appd Fund 5140, D23 Fund 5140	$ 21,648		Article IX, § 13.09
Total Transfers for Fund 0001 (Exhibit IV)	**$ 21,648**	**$ 7,708,889**	
Enterprise Fund (05)			
Appd Fund 3054, D23 Fund 0999	5,324,774		Article VII-6, Rider 10
Total Transfers for Fund 3054 (Exhibit VI)	**$ 5,324,774**		
Total Transfers *	**$ 5,346,422**	**$ 7,708,889**	

* The $2,362,467 difference between total transfers in/out represents transfers to the Texas Comptroller of Public Accounts.

NOTE 5: INTERFUND BALANCES / ACTIVITIES Cont'd

Fund	Legislative Transfers In	Legislative Transfers Out
General Fund (01)		
Appd Fund 0001, D23 Fund 0001	$ 717,174	-
Appd Fund 0001, D23 Fund 0066	61,521	-
Appd Fund 0001, D23 Fund 0077	793	-
Total Legislative Transfers (Exh IV)	$ **779,488**	-

NOTE 6: CONTINGENT LIABILITIES

The Department is a defendant in legal actions arising from transactions and activities conducted in the ordinary course of business. Management, after consultation with legal counsel, believes that the aggregate liabilities, if any, will not be material to the basic financial statements.

NOTE 7: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Department will be abolished effective September 1, 2011 unless continued in existence as provided by the Act. If abolished, the Department may continue until September 1, 2012 to close out its operations.

NOTE 8: RISK FINANCING AND RELATED INSURANCE

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the Department's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. Currently there is no purchase of commercial insurance, nor is the Department involved in any risk pools with other government entities. The Department carries Public Official Liabilities Insurance coverage in the amount of $10,000,000; automobile liability insurance in the amount of $500,000, errors and omissions insurance of $300,000 related to loan servicing for others and a $350,000 Public Employee Fidelity Bond.

The Department's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. The Department incurred no claims liability during fiscal years 2007 and 2008 related to these policies.

NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUND

The Segment information below is for the Department's direct debt associated with the issuance of Single Family bonds only and does not include the Multifamily bonds where the Department is only a conduit issuer. Therefore, this note represents less than what is reported in the Enterprise Fund as a whole. Each grouping consists of separate indentures that have one or more bonds outstanding with the revenue stream and assets exclusively pledged in support of that debt. Each indenture imposes the requirement of separate accounting of the revenues, expenses, gains, losses, assets, and liabilities.

CONDENSED SCHEDULE OF NET ASSETS

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Restricted Assets:			
Current Assets	$ 167,908,195	$ 8,137,154	$ 789,899
Capital Assets	-	-	-
Other Assets	1,032,469,077	293,541,064	12,117,302
Total Assets	1,200,377,272	301,678,218	12,907,201
Liabilities:			
Current Liabilities	67,054,606	11,052,849	387,565
Long Term Liabilities	1,127,629,554	280,825,335	10,604,935
Total Liabilities	1,194,684,160	291,878,184	10,992,500
Net Assets:			
Restricted Net Assets	$ 5,693,112	$ 9,800,034	$ 1,914,701
Total Restricted Net Assets	$ 5,693,112	$ 9,800,034	$ 1,914,701

CONDENSED SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Operating Revenues:			
Interest and Investment Income	$ 59,116,300	$ 17,317,425	$ 880,910
Net Increase in Fair Value	2,745,879	3,574,123	168,243
Other Operating Revenues	547,838	383,190	44,471
Operating Expenses	(59,972,390)	(16,279,137)	(768,372)
Depreciation and Amortization	(685,346)	(179,739)	(2,812)
Operating Income	1,752,281	4,815,862	322,440
Nonoperating Revenues (Expenses):			
Other Nonoperating Revenues (Expenses):	-	-	-
Special and Extraordinary Items	-	-	-
Transfers In (Out)	(674,723)	(268,968)	5,242
Changes in Net Assets	1,077,558	4,546,894	327,682
Net Assets, September 1, 2007	4,615,554	5,253,140	1,587,019
Net Assets, August 31, 2008	$ 5,693,112	$ 9,800,034	$ 1,914,701

NOTE 9: SEGMENT INFORMATION FOR ENTERPRISE FUND Cont'd

CONDENSED SCHEDULE OF CASH FLOWS

	Single Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Net Cash Provided (Used) By:			
Operating Activities	$ 769,104	$ 276,281	$ (8,609)
Noncapital Financing Activities	57,435,012	(41,953,320)	(2,761,477)
Investing Activities	(36,350,593)	40,436,808	2,697,423
Net Increase (Decrease)	21,853,523	(1,240,231)	(72,663)
Beginning Cash and Cash Equivalents	62,334,075	7,417,278	792,280
Ending Cash and Cash Equivalents	$ 84,187,598	$ 6,177,047	$ 719,617

NOTE 10: BONDED INDEBTEDNESS

The Department has 125 bond issues outstanding at August 31, 2008. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 1-A, 1-B, 1-C, 1-D, and 1-E.)

Proceeds from the issuance of bonds under the Single Family and Residential Mortgage Revenue Bonds (RMRB) Series 1987A Programs were used to acquire loans. Proceeds from Collateralized Home Mortgage Revenue Bond (CHMRB) and the remaining RMRB programs were used to acquire pass-through certificates backed by mortgage loans. Proceeds from the remaining Multifamily bond issues were used to finance mortgage loans.

DEBT SERVICE REQUIREMENTS

PRINCIPAL ONLY (amounts in thousands)

Description	2009	2010	2011	2012	2013	2014 to 2018	2019 to 2023
Single-family	$ 26,192	$ 41,721	$ 43,706	$ 44,581	$ 46,301	$ 187,389	$ 137,505
RMRB	5,005	4,935	4,185	4,375	4,655	28,725	45,125
CHMRB							
Multifamily	9,671	9,706	10,612	11,305	11,909	70,354	111,240
Total	$ 40,868	$ 56,362	$ 58,503	$ 60,261	$ 62,865	$ 286,468	$ 293,870

Description	2024 to 2028	2029 to 2033	2034 to 2038	2039 to 2043	2044 to 2048	Total
Single-family	$186,890	$213,065	$201,160	$ 14,915	$ -	$ 1,143,425
RMRB	52,875	130,505	5,045	-	-	285,430
CHMRB	10,400	-	-	-	-	10,400
Multifamily	174,733	178,799	262,873	270,700	99,060	1,220,962
Total	$424,898	$522,369	$469,078	$285,615	$ 99,060	$ 2,660,217

NOTE 10: BONDED INDEBTEDNESS Cont'd.

Actual maturities will differ from contractual maturities since the Department has the right to call or prepay obligations with or without call or prepayment penalties as the related loans and mortgage-backed securities mature or prepay.

PRINCIPAL AND INTEREST (amounts in thousands)

Description	2009	2010	2011	2012	2013	2014 to 2018	2019 to 2023
Single-family	$ 70,435	$ 86,737	$ 87,455	$ 87,018	$ 87,338	$ 371,718	$ 292,802
RMRB	20,398	20,103	19,141	19,132	19,211	98,218	103,538
CHMRB	718	718	718	720	718	3,592	3,592
Multifamily	75,476	74,540	74,877	74,964	74,909	368,720	384,264
Total	$167,027	$182,098	$182,191	$181,834	$182,176	$ 842,248	$ 784,196

Description	2024 to 2028	2029 to 2033	2034 to 2038	2039 to 2043	2044 to 2048	Total
Single-family	$304,538	$288,446	$222,352	$ 15,313	$ -	$ 1,914,152
RMRB	97,279	154,095	5,184	-	-	556,299
CHMRB	10,991	-	-	-	-	21,767
Multifamily	406,958	362,847	392,247	330,415	107,529	2,727,746
Total	$819,766	$805,388	$619,783	$345,728	$107,529	$ 5,219,964

Interest on bonds and collateralized mortgage obligations is payable periodically, except for capital appreciation bonds, on which interest is compounded semiannually and payable at maturity or upon redemption.

The Single Family, RMRB and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily Single Family mortgage loans, mortgage-backed securities (which had a change in ownership as discussed in Note 12) and investments. The Multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The trust indentures contain positive and negative covenants. Events of default include the following: failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the Trustee; and non-performance or non-observance of any other covenants, agreements or conditions contained in the indentures. Management believes they are in compliance with the covenants of the indentures.

Deferred issuance costs at August 31, 2008, consist of the following:

	Amount
Deferred Issuance Costs at August 31, 2008	$ 41,272,747
Less Accumulated Amortization	(29,280,991)
Deferred Issuance Costs, net	$ 11,991,756

NOTE 10: BONDED INDEBTEDNESS Cont'd

CHANGES IN BONDS PAYABLE (amounts in thousands)

Description	Bonds Outstanding 9/1/07	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/08	Amounts Due Within One Year
Single Family	$ 1,037,085	$ 157,060	$ 10,550	$ 40,170	$ 1,143,425	$ 26,581
RMRB	310,690	-	5,205	20,055	285,430	5,036
CHMRB	12,400	-	-	2,000	10,400	8
Multifamily	1,213,299	56,025	6,780	41,582	1,220,962	9,652
Total Principal	$ 2,573,474	$ 213,085	$ 22,535	$ 103,807	$ 2,660,217	$ 41,277
Net Deferred Amt due to Refund	(239)					
Unamortized Premium	14,365				15,230	
Unamortized Refunding (Loss)	(5,226)				(4,357)	
Total	$ 2,582,374				$ 2,671,090	

VARIABLE TO FIXED INTEREST RATE SWAP

OBJECTIVE

In order to hedge against increases in interest rates on variable rate demand bond issues, the Department has entered into five interest rate swap agreements with the objective of reducing the interest rate risk of certain variable rate demand bonds. The variable rate demand bonds were issued at a lower total interest cost than attainable through traditional fixed rate bond structures. The Department has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Department makes periodic fixed interest rate payments in exchange for receiving variable rate payments comparable to the rates payable on the variable rate demand bonds. The swap notional amounts amortize in accordance with the scheduled and/or anticipated reductions in the related variable rate demand bond liability. The Department is potentially exposed to loss in the event of nonperformance by the counterparties under the swap agreements. Termination of the swap agreements may result in the Department making or receiving termination payments. Each swap agreement includes optional early termination provisions granting the Department the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date.

NOTE 10: BONDED INDEBTEDNESS Cont'd

TERMS AND FAIR VALUE

The terms, including the fair value of the outstanding swaps as of August 31, 2008 are as follows. The fair value of the swaps are not shown in the financial statements. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
UBS AG	$53,000,000	($2,510,824)	9/1/04	3.843 %	63% of LIBOR + .30%	9/1/34 (a)
Goldman Sachs Capital Markets, LP	35,000,000	(1,343,868)	1/1/05	3.6125 %	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	3/1/35 (b)
Bear Stearns Financial Products, Inc. (e)	94,860,000	(3,327,212)	8/1/05	3.99 %	Less of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	9/1/36 (c)
UBS AG	36,000,000	(1,829,278)	11/15/06	3.857%	63% of LIBOR +.30%	9/1/25 (d)
Bear Stearns Financial Products, Inc. (e)	141,070,000	(4,926,319)	6/5/07	4.013% %	Less of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR	9/1/38 (c)
Total	$359,930,000	($13,937,501)				

a. Swap Agreement has an optional early termination date of March 1, 2014 and every March and September thereafter. The maximum notional amount subject to early termination is equal to 60% of the current notional amount.
b. Swap Agreement has an optional early termination date of September 1, 2014 and every March and September thereafter.
c. Swap Agreement is subject to an early termination date at any time with a 10 business day notice.
d. Swap Agreement has an optional early termination date of March 1, 2016 and every March and September thereafter. The maximum notional amount subject to early termination is current notional amount per the amortization schedule.
e. Bear Stearns Financial Products, Inc. was formerly a subsidiary of The Bear Stearns Companies, Inc. As a result of Bear Stearns' acquisition by JP Morgan Chase & Co. on 3/16/2008, Bear Stearns Financial Products, Inc. operates as a subsidiary of JP Morgan Chase & Co.

CREDIT RISK

As of August 31, 2008, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps have negative fair values. If interest rates change and the fair value of the swaps become positive, the department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral agreements and insurance policies with the counterparties. The credit ratings for the counterparties are as follows.

Counterparty	Standard & Poor's	Moody's	Fitch
UBS AG	AA-	Aa2	AA+
Goldman Sachs Capital Markets, LP	A	Not Rated	AA-
Bear Stearns Financial Products, Inc.	AAA	Aaa	Not Rated

BASIS RISK

The Department's variable-rate bond coupon payments are equivalent to the Bond Market Association (BMA) rate. The swap agreements designate a function of LIBOR as the rate for payments received on these swaps. The Department will be exposed to basis risk should LIBOR and BMA converge. The swap agreements provide an option to terminate as stated above.

NOTE 10: BONDED INDEBTEDNESS Cont'd

ROLLOVER RISK is the risk that arises when a derivative associated with a government's variable-rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative. The Department is not exposed to rollover risk on swap agreements which mature or may be terminated prior to the maturity of the associated debt. The counterparties in the swap agreements have limited rights to terminate the swap. They can terminate only if the Department were to be downgraded below investment grade or default on any swap payments. The swap providers cannot unilaterally terminate any of the swaps subjecting the Department to rollover risk.

The Department has retained optional termination rights which are listed below. They are intended to allow the Department to keep the notional amount in line with bonds outstanding to the extent the Department experiences prepayments.

Associated Debt Issuance	Debt Maturity Date	Swap Termination Date
2004B Single Family	September 2034	May be terminated as early as March 2014
2004D Single Family	March 2035	May be terminated as early as September 2014
2005A Single Family	September 2036	May be terminated at anytime giving 10 day notice
2006H Single Family	September 2037	May be terminated as early as March 2016
2007A Single Family	September 2038	May be terminated at anytime giving 10 day notice

SWAP PAYMENTS AND ASSOCIATED DEBT

Using rates as of August 31, 2008, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

Fiscal Year Ending August 31	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2009	$ 515,000	$ 7,485,423	$ 7,408,843	$ 15,409,266
2010	4,000,000	7,457,227	7,379,018	18,836,245
2011	4,755,000	7,366,041	7,284,980	19,406,021
2012	4,990,000	7,264,207	7,180,317	19,434,524
2013	5,220,000	7,157,443	7,070,539	19,447,982
2014-2018	43,800,000	33,573,795	33,133,761	110,507,556
2019-2023	62,505,000	27,882,390	27,544,377	117,931,767
2024-2028	77,485,000	20,560,946	20,344,511	118,390,457
2029-2033	86,070,000	11,843,341	11,762,883	109,676,224
2034-2038	69,990,000	3,154,100	3,229,756	76,373,856
2039-2042	600,000	6,090	6,554	612,644
Total	$ 359,930,000	$ 133,751,003	$ 132,345,539	$ 626,026,542

NOTE 10: BONDED INDEBTEDNESS Cont'd

Demand Bonds

The Department currently holds seven single family bond series in the amount $371,000,000 in variable rate demand bonds. The proceeds of these bonds were used to refund outstanding bonds or provide funds for the primary purpose of purchasing mortgaged-backed securities which are pools of first time homebuyer loans. These bond series have the following terms.

Demand Bonds - Standby Purchase Agreements					
Single Family Bond Series	Liquidity Provider	Commitment Fee Rate	Outstanding Variable Rate Demand Bonds as of 8/31/08	Bank Bonds Remaining with Liquidity Provider as of 11/14/08	Liquidity Facility Expiration Date
2007A	DEPFA Bank plc	0.09%	$ 141,070,000	$ 139,380,000	06/5/2012
2006H	DEPFA Bank plc	0.09%	36,000,000	36,000,000	11/15/2009
Total DEPFA Bank plc			*$ 177,070,000*	*$ 175,380,000*	
2005A	Dexia Credit Local	0.275%	$ 94,860,000	$ 15,000,000	04/28/2011
2004D	Dexia Credit Local	0.275%	35,000,000	22,000,000	04/28/2011
2004B	Dexia Credit Local	0.275%	53,000,000	52,900,000	04/28/2011
2005C	Dexia Credit Local	0.1225%	7,215,000	4,515,000	12/15/2015
2004A Jr. Lien	Dexia Credit Local	0.315%	3,855,000	600,000	04/28/2011
Total Dexia Credit Local			*$ 193,930,000*	*$ 95,015,000*	
Total Demand Bonds			**$ 371,000,000**	**$ 270,395,000**	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to remarket any bonds, the liquidity facility will purchase the bonds (bank bonds). If bonds purchased by the liquidity facility are not remarketed according to the terms of the liquidity agreement, the Department will be subject to term out provisions with the corresponding liquidity provider to convert the bonds to an installment loan payable over seven years.

The 2007A series in the amount of $139,380,000 and 2006H series in the amount of $36,000,000 are subject to term out provisions effective within six months of the purchase of the bonds by DEPFA, currently April 2009. If these bonds are not remarketed by April 2009, the Department will be subject to 14 semi-annual payments over 7 years. The Department could potentially pay in principal and interest a total of $160,287,000 and $82,800,000 related to the 2007A and 2006H Series, respectively. Interest was computed using the prime lending rate of 4.00% effective during November 2008 (See Note 12 for related information).

The 2004A Jr. Lien, 2004B, 2004D, 2005A and 2005C variable rate demand bonds currently owned by DEXIA are not subject to term out provisions until six months following the expiration of the liquidity agreement.

Refunding Bonds

On August 22, 2008, the Department issued $14,000,000 in variable rate debt (Series 2008 Addison Park Apartments Multifamily) with a maximum rate of 12% to refund $14,000,000 of outstanding 2004 Multifamily (Addison Park Apartments) bonds. The purpose of the refunding was to establish a new financing structure establishing Freddie Mac as the credit enhancer which would guarantee payments to the bondholders and make the bonds AAA rated. In addition, the refunding transaction would establish a new letter of credit which would satisfy the expiring letter of credit under the original bond issue. The refunding transaction resulted in a cash flow loss of $247,989, and an economic loss of $153,684. Because the new debt is variable rate debt, the economic and cash differences were calculated using the current rate as of August 31, 2008 which is 2.05%. The cash flow and economic impact will fluctuate with the prevailing interest rates. Using the maximum rate allowable by the trust indenture of 12%, the Department could incur a maximum of additional $49,470,502 in debt service payments and an economic loss of $11,482,294 on the refunding.

NOTE 10: BONDED INDEBTEDNESS Cont'd

Pledged and Other Sources (amounts in thousands)

GASB Statement No. 48 requires the following disclosures for "specific revenues that have been formally committed to directly collateralize or secure debt of the Department." The following table summarizes by indenture, pledged and other sources and related expenditures for the Department's revenue bonds. A detail schedule of each bond issue is included in Schedule 2-D.

	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
Total Single Family Bonds	$ 96,251	$ 6,695	$ 10,550	$ 53,660
Total Residential Mtg Revenue Bonds	37,764	388	5,205	16,165
Total 1992 CHMRB	2,909	11		787
Total Multifamily Bonds	107,246	9	6,780	65,369
Total	**$ 244,170**	**$ 7,103**	**$ 22,535**	**$ 135,981**

NOTE 11: EMPLOYEE BENEFITS

PLAN DESCRIPTION
The Department contributes to the Employees Retirement System of Texas (the "System"), a cost-sharing, multiple-employer, defined benefit plan. The Department has implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which standardizes financial reporting for pensions by state and local government employers. The System provides service retirement, disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Subtitle B, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Employees Retirement System of Texas, P.O. Box 13207, Austin, Texas, 78711-3207 or by calling (512) 476-6431.

FUNDING POLICY
Under provisions in State law, plan members are required to contribute 6% of their annual covered salary, and the Department contributes an amount equal to 6.45% of the Department's covered payroll. The Department and the employees' contributions to the System for the years ending August 31, 2008, 2007, and 2006, were $1,002,741, $947,383, and $874,775, respectively, equal to the required contributions for each year.

NOTE 12: SUBSEQUENT EVENTS

The recent credit and liquidity crisis precipitated by the failure of Wall Street investment bank Lehman Brothers among others began a cascading effect of rating downgrades. The current crisis affected counterparties which ultimately impacted the Department in various ways as listed below.

On September 8, 2008 the Federal Housing Finance Agency (FHFA) placed FNMA and FHLMC into conservatorship. In addition, the U.S. Department of the Treasury agreed to provide up to $100 billion of capital as needed to FNMA and established a Preferred Stock Purchase Agreement with FHLMC to ensure they can continue to provide stability and liquidity to the U.S. mortgage market. As of August 31, 2008, the Department carried $217,235,754 and $13,768,065 in mortgage backed securities guaranteed by FNMA and FHLMC, respectively. Upon the conservatorship, these mortgage backed securities acquired the explicit guarantee of the U.S. Government.

NOTE 12: SUBSEQUENT EVENTS Cont'd.

On September 15, 2008, American Insurance Group, Inc. was downgraded by all credit rating agencies. Upon the downgrade, the Department decided to opt out of the investment agreements and on October 10, 2008 the standing agreements were terminated. As of August 31, 2008, the Department carried three investment agreements of $3,323,523 for the 2001 A-E RMRB bond issue, $1,220,015 for the 2003A RMRB bond issue and $3,161,147 for the 2000 BCDE RMRB bond issue. Upon the termination, the Department will invest repayments into overnight repurchase agreement held by Texas Treasury Safekeeping Trust Company.

On September 29, 2008, DEPFA Bank was downgraded to a BBB rating by the rating agencies. DEPFA Bank is the liquidity provider for the 2006H Single Family and 2007A Single Family variable rate demand bonds. On October 2, 2008, these bonds were downgraded from A-1 to A-2 by Standard & Poor's rating agency due to DEPFA's downgrade. Upon the downgrade these bonds were no longer eligible investments in tax-exempt money market funds, therefore, the Department began to receive tender notices on these bonds. Once the remarketing of the bonds was unsuccessful, DEPFA Bank acquired temporary ownership of the "bank bonds" until the Department is able to get a new liquidity provider and subsequently have the bonds upgraded in rating.

On September 30, 2008, Dexia Credit Local was downgraded to a AA- rating by credit agencies. Dexia Credit Local is the liquidity provider for the 2004 Junior Lien, 2004B Single Family, 2005A Single Family, and the 2005C Single Family variable rate demand bonds. Upon the downgrade of Dexia Credit Local, but not the Department's bonds, the Department began to receive tender notices on some portion of these bonds. Once the remarketing of the bonds was unsuccessful, Dexia Credit Local acquired temporary ownership of the "bank bonds" until the bonds are successfully remarketed.

SUPPLEMENTARY

BOND SCHEDULES

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-A
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2008
(Amounts in Thousands)

Description of Issue	Bonds Issued To Date	Range Of Interest Rates	Scheduled Mat. First Year	Scheduled Mat. Last Year	First Call Date	
1995 Single Family Series A	$ 85,760	4.15% 6.15%	1997	2027	09/01/2005	
1995 Single Family Series C	71,760	6.44% 7.76%	2006	2017	09/01/2005	
1996 Single Family Series A	15,000	4.50% 6.30%	2001	2028	09/01/2006	
1996 Single Family Series D	70,760	5.45% 6.25%	2021	2028	09/01/2006	
1996 Single Family Series E	98,730	3.90% 6.00%	1997	2017	09/01/2006	
1997 Single Family Series A	44,465	5.25% 5.80%	2013	2029	09/01/2007	
1997 Single Family Series B	9,510	5.45% 5.45%	2019	2019	09/01/2007	
1997 Single Family Series D	44,795	5.65% 5.70%	2029	2029	09/01/2007	
1997 Single Family Series F	20,000	6.77% 6.77%	2029	2029	09/01/2007	
2002 Single Family Series A (Jr. Lien)	10,000	7.01% 7.01%	2025	2026	09/01/2012	
2002 Single Family Series A	38,750	5.45% 5.55%	2023	2034	03/01/2012	
2002 Single Family Series B	52,695	5.35% 5.55%	2033	2033	03/01/2012	
2002 Single Family Series C	12,950	2.80% 5.20%	2004	2017	03/01/2012	
2002 Single Family Series D	13,605	2.00% 4.50%	2003	2012	03/01/2012	
2004 Single Family Series A	123,610	2.00% 4.70%	2006	2035	03/01/2013	
2004 Single Family Series B	53,000	VAR - Weekly	2015	2034	03/01/2015	(f)
2004 Single Family Series A (Jr. Lien)	4,140	VAR - Weekly	2036	2036	09/01/2036	(f)
2004 Single Family Series C	41,245	4.30% 4.80%	2019	2036	09/01/2014	
2004 Single Family Series D	35,000	VAR - Weekly	2035	2035	(g)	
2004 Single Family Series E	10,825	2.45% 4.30%	2006	2013	09/01/2014	
2005 Single Family Series A	100,000	VAR - Weekly	2007	2036	03/01/2006	
2005 Single Family Series B	25,495	4.38% 4.38%	2006	2026	03/01/2006	
2005 Single Family Series C	8,970	VAR - Weekly	2017	2017	03/01/2006	
2005 Single Family Series D	3,730	5.00% 5.00%	2025	2035	03/01/2006	
2006 Single Family Series A	59,555	5.00% 5.00%	2008	2037	09/01/2006	
2006 Single Family Series B	70,485	5.00% 5.00%	2008	2034	09/02/2006	
2006 Single Family Series C	105,410	5.13% 5.13%	2008	2037	09/03/2006	
2006 Single Family Series D	29,685	4.50% 4.50%	2018	2028	09/04/2006	
2006 Single Family Series E	17,295	4.06% 4.06%	2007	2017	09/05/2006	
2006 Single Family Series F	81,195	4.65% 5.75%	2008	2038	03/01/2016	
2006 Single Family Series G	15,000	3.75% 4.60%	2012	2019	03/01/2016	
2006 Single Family Series H	36,000	VAR - Weekly	2016	2037	03/01/2016	(f)
2007 Single Family Series A	143,005	VAR - Weekly	2008	2038	03/01/2008	(f)
2007 Single Family Series B	157,060	3.90% 5.63%	2008	2039	03/01/2008	
1998 RMRB Series A	102,055	4.05% 5.35%	2002	2031	01/01/2009	
1998 RMRB Series B	14,300	5.30% 5.30%	2022	2022	01/01/2009	
1999 RMRB Series A	25,615	4.80% 5.50%	2018	2021	01/01/2009	
1999 RMRB Series B-1	52,260	6.32% 7.10%	2021	2032	07/01/2009	
1999 RMRB Series C	12,150	5..05% 6.25%	2003	2024	07/01/2009	
2000 RMRB Series A	50,000	5.10% 6.30%	2003	2031	07/01/2010	
2000 RMRB Series B	82,975	5.70% 5.70%	2005	2033	07/01/2010	
2000 RMRB Series C	13,675	5.82% 5.85%	2011	2025	07/01/2010	
2000 RMRB Series D	18,265	4.55% 5.85%	2003	2020	07/01/2010	
2001 RMRB Series A	52,715	3.15% 5.70%	2004	2033	07/01/2011	
2001 RMRB Series B	15,585	5.00% 5.25%	2011	2022	07/01/2011	
2001 RMRB Series C	32,225	2.55% 4.63%	2003	2015	07/01/2011	
2001 RMRB Series D	300	5.35% 5.35%	2008	2033	07/01/2011	
2002 RMRB Series A	42,310	2.25% 5.35%	2004	2034	07/01/2012	
2003 RMRB Series A	73,630	1.70% 5.00%	2005	2034	01/01/2013	
1992 Coll Home Mtg Rev Bonds, Series C	72,700	3.48% 10.27%	2024	2024	05/04/1995	
1994 SF MRB CHMRB Series C	15,360	6.25% 6.25%	2026	2026	06/27/2005	
TOTAL SINGLE FAMILY & RMRB BONDS	$ 2,385,605					
1987 MF Series (South Texas Rental Housing)	$ 1,400	9.50% 9.50%	1988	2012	02/01/1988	
1993 MF Series A/B (RemHill/HighPt)	26,370	VAR - Weekly	2023	2023	02/01/2000	
1996 MF Series A/B (Brighton's Mark)	10,174	6.13% 6.13%	2026	2026	01/01/2003	
1996 MF Series A/B (Las Colinas)	15,469	5.65% 5.65%	2026	2026	01/01/2003	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)
Supplementary Bond Schedules
SCHEDULE 1-A (Continued)
MISCELLANEOUS BOND INFORMATION
For the fiscal year ended August 31, 2008
(Amounts in Thousands)

Description of Issue	Bonds Issued To Date	Range Of Interest Rates	Scheduled Mat. First Year	Scheduled Mat. Last Year	First Call Date	
1996 MF Series A/B (Braxton's Mark)	$ 14,867	5.81% 5.81%	2026	2026	01/01/2003	
1998 MF Series A (Pebble Brook)	10,900	4.95% 5.60%	2001	2030	06/01/2001	
1998 MF Series A-C (Residence Oaks)	8,200	5.98% 7.18%	2001	2030	05/01/2001	
1998 MF Series A (Volente Project)	10,850	5.00% 5.63%	2001	2031	07/01/2001	
1998 MF Series A (Dallas Oxford Refndg)	10,300	7.25% 7.25%	2018	2018	01/01/2004	
1998 MF Series A/B (Greens of Hickory Trial)	13,500	5.20% 6.03%	2001	2030	09/01/2008	
1999 MF Series A-C (Mayfield)	11,445	5.70% 7.25%	2001	2031	05/01/2002	
1999 MF Series A (Woodglen Village)	10,660	7.38% 8.25%	2002	2039	12/01/2016	
2000 MF Series A (Timber Point Apts)	8,100	VAR - Weekly	2003	2032	07/01/2000	(a)
2000 MF Series A/B (Oaks at Hampton)	10,060	7.20% 9.00%	2002	2040	03/01/2017	(a)
2000 MF Series A (Deerwood Apts)	6,435	5.25% 6.40%	2003	2032	06/01/2010	
2000 MF Series A (Creek Point Apts)	7,200	VAR - Weekly	2004	2032	07/01/2000	(a)
2000 MF Series A/B (Parks @ Westmoreland)	9,990	7.20% 9.00%	2002	2040	07/01/2017	(a)
2000 MF Series A (Honeycreek)	20,485	7.63% 8.15%	2004	2035	06/30/2007	
2000 MF Series A-C (Highland Meadow Apts)	13,500	6.75% 8.00%	2004	2033	05/01/2019	
2000 MF Series A/B (Greenbridge)	20,085	7.40% 10.00%	2003	2040	03/01/2014	
2000 MF Series A-C (Collingham Park)	13,500	6.72% 7.72%	2004	2033	05/01/2019	
2000 MF Series A/B (Williams Run)	12,850	7.65% 9.25%	2002	2040	01/01/2011	
2000 MF Series A/B (Red Hills Villas)	10,300	8.40% 9.50%	2003	2040	12/01/2017	
2001 MF Series A (Bluffview Senior Apts)	10,700	7.65% 7.65%	2003	2041	05/01/2018	
2001 MF Series A (Knollwood Villas Apts)	13,750	7.65% 7.65%	2003	2041	05/01/2018	
2001 MF Series A (Skyway Villas)	13,250	6.00% 6.50%	2005	2034	12/01/2011	
2001 MF Series A/B (Cobb Park)	7,785	6.77% 6.77%	2003	2041	07/01/2018	
2001 MF Series A (Greens Road Apts.)	8,375	5.30% 5.40%	2004	2034	12/01/2011	
2001 MF Series A/B (Meridian Apts.)	14,310	5.45% 6.85%	2004	2034	12/01/2011	
2001 MF Series A/B (Wildwood Apts.)	14,365	5.45% 6.75%	2004	2034	12/01/2011	
2001 MF Series A-C (Fallbrook Apts.)	14,700	6.06% 6.78%	2005	2034	01/01/2012	
2001 MF Series A (Oak Hollow Apts.)	8,625	7.00% 7.90%	2003	2041	11/01/2018	
2001 MF Series A/B (Hillside Apts.)	12,900	7.00% 9.25%	2003	2041	11/01/2018	
2002 MF Series A (Millstone Apts.)	12,700	5.35% 5.86%	2005	2035	06/01/2012	
2002 MF Series A (Sugar Creek Apts.)	11,950	6.00% 6.00%	2004	2042	01/01/2016	
2002 MF Series A (West Oaks Apts.)	10,150	7.15% 7.50%	2004	2042	12/01/2018	
2002 MF Series A (Park Meadows Apts)	4,600	6.53% 6.53%	2004	2034	05/01/2012	
2002 MF Series A (Clarkridge Villas Apts)	14,600	7.00% 7.00%	2004	2042	08/01/2019	
2002 MF Series A (Hickory Trace Apts)	11,920	7.00% 7.00%	2004	2042	12/01/2019	
2002 MF Series A (Green Crest Apts)	12,500	7.00% 7.00%	2004	2042	11/01/2019	
2002 MF Series A/B (Ironwood Crossing)	16,970	5.50% 8.75%	2005	2042	10/01/2027	
2002 MF Series A (Woodway Village Apts)	9,100	4.95% 5.20%	2006	2023	01/01/2013	
2003 MF Series A/B (Reading Road)	12,200	VAR-Weekly	2007	2036	01/01/2004	(a)
2003 MF Series A/B (North Vista Apts)	14,000	4.10% 5.41%	2006	2036	06/01/2013	
2003 MF Series A/B (West Virginia Apts)	9,450	4.15% 5.41%	2006	2036	06/01/2013	
2003 MF Series A/B (Sphinx @ Murdeaux)	15,085	3.55% 5.00%	2005	2042	06/20/2013	
2003 MF Series A/B (Primrose Houston School)	16,900	5.50% 8.00%	2006	2036	07/01/2003	(a)
2003 MF Series A/B (Timber Oaks Apts)	13,200	6.75% 8.75%	2005	2043	06/01/2020	
2003 MF Series A/B (Ash Creek Apts)	16,375	5.60% 15.00%	2006	2036	10/01/2003	(a)
2003 MF Series A/B (Peninsula Apts)	12,400	4.25% 5.30%	2007	2024	10/01/2013	
2003 MF Series A (Evergreen @ Mesquite)	11,000	6.60% 8.00%	2006	2043	09/01/2020	
2003 MF Series A/B (Arlington Villas)	17,100	6.75% 8.00%	2007	2036	01/01/2007	(a)
2003 MF Series A/B (Parkview Twnhms)	16,600	6.60% 8.50%	2006	2043	12/01/2020	
2003 MF Series A (NHP-Asmara) Refunding	31,500	VAR - Weekly	2007	2033	07/01/2007	(a)
2004 MF Series A/B (Timber Ridge)	7,500	5.75% 8.00%	2007	2037	03/01/2007	(a)
2004 MF Series A/B (Century Park)	13,000	5.75% 5.75%	2007	2037	05/01/2007	(a)
2004 MF Series A (Addison Park)	14,000	VAR - Weekly (c)	2007	2044	01/01/2007	(a)
2004 MF Series A/B (Veterans Memorial)	16,300	6.60% 8.50%	2006	2044	03/01/2006	(a)
2004 MF Series A (Rush Creek)	10,000	5.38% 6.70%	2006	2044	03/01/2021	
2004 MF Series A (Humble Park)	11,700	6.60% 6.60%	2007	2041	07/01/2021	

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SCHEDULE 1-A (Continued)
MISCELLANEOUS BOND INFORMATION
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(Amounts in Thousands)

Description of Issue	Bonds Issued To Date	Range Of Interest Rates	Scheduled Mat. First Year	Scheduled Mat. Last Year	First Call Date	
2004 MF Series A (Chisholm Trail)	$ 12,000	VAR - Weekly (b)	2006	2037	10/15/2006	(a)
2004 MF Series A (Evergreen @ Plano)	14,750	5.25% 6.55%	2007	2044	06/01/2021	
2004 MF Series A (Montgomery Pines)	12,300	VAR - Weekly	2006	2037	12/15/2006	(a)
2004 MF Series A (Bristol)	12,625	VAR - Weekly	2007	2037	06/15/2007	(a)
2004 MF Series A (Pinnacle)	14,500	VAR - Weekly (c)	2007	2044	09/01/2007	(a)
2004 MF Series A (Tranquility Bay)	14,350	VAR - Weekly (c)	2007	2044	06/01/2021	(e)
2004 MF Series A (Sphinx @ Delafield)	11,380	5.05% 5.35%	2006	2044	07/20/2014	
2004 MF Series A (Churchill @ Pinnacle)	10,750	5.25% 6.55%	2007	2044	09/01/2021	(e)
2004 MF Series A/B (Post Oak East)	13,600	VAR - Weekly	(d)	2037	(d)	
2004 MF Series A (Village Fair)	14,100	5.00% 6.50%	2007	2044	12/01/2021	
2005 MF Series A (Pecan Grove)	14,030	5.00% 6.50%	2007	2045	01/01/2022	
2005 MF Series A (Prairie Oaks)	11,050	4.75% 6.50%	2007	2045	01/01/2022	
2005 MF Series A (Port Royal)	12,200	5.00% 6.50%	2007	2045	02/01/2022	
2005 MF Series A (Del Rio)	11,490	5.00% 6.50%	2007	2045	02/01/2022	
2005 MF Series A (Atascocita Pines)	11,900	VAR - Weekly (c)	2007	2037	(f)	
2005 MF Series A (Tower Ridge)	15,000	VAR - Weekly (b)	2009	2038	(f)	
2005 MF Series A (Alta Cullen)	14,000	5.89% 6.60%	2007	2045	06/01/2022	
2005 MF Series A (Lafayette Village)	14,100	VAR - Weekly	2008	2038	n/a	
2005 MF Series A (Prairie Ranch)	12,200	4.85% 4.85%	2007	2045	12/20/2015	
2005 MF Series A (St Augustine)	7,650	VAR - Weekly	2009	2038	n/a	
2005 MF Series A (Park Manor)	10,400	5.00% 6.40%	2008	2045	09/01/2022	
2005 MF Series A (Mockingbird)	14,360	6.40% 6.40%	2007	2045	08/01/2022	
2005 MF Series A (Chase Oaks)	14,250	5.05% 5.05%	2007	2035	(h)	
2005 MF Series A/B (Canal Place)	16,100	3.45% 8.00%	2019	2039	(i)	
2005 MF Series A (Coral Hills)	5,320	5.05% 5.05%	2038	2038	08/01/2015	
2006 MF Series A (Harris Branch)	15,000	VAR - Weekly	2009	2039	(j)	
2006 MF Series A (Bella Vista)	6,800	6.15% 6.15%	2008	2046	04/01/2016	
2006 MF Series A (Village Park)	13,660	4.75% 5.13%	2009	2026	06/01/2021	
2006 MF Series A (Oakmoor)	14,635	5.50% 6.00%	2008	2046	03/01/2023	
2006 MF Series A (Sunset Pointe)	15,000	VAR - Weekly	2039	2039	(i)	
2006 MF Series A (Hillcrest)	12,435	5.25% 5.25%	2009	2039	04/01/2021	
2006 MF Series A (Pleasant Village)	6,000	6.00% 6.00%	2008	2023	(k)	
2006 MF Series A (Grove Village)	6,180	6.00% 6.00%	2008	2023	(k)	
2006 MF Series A (Red Hills Villas)	5,015	VAR - Weekly	2036	2036	(j)	
2006 MF Series A (Champion Crossing)	5,125	VAR - Weekly	2036	2036	(j)	
2006 MF Series A (Stonehaven)	11,300	5.80% 5.80%	2008	2026	(h)	
2006 MF Series A (Center Ridge)	8,325	5.00% 5.00%	2009	2039	05/01/2021	
2006 MF Series A (Meadowlands)	13,500	6.00% 6.00%	2009	2046	09/01/2023	
2006 MF Series A (East Tex Pines)	13,500	4.95% 4.95%	2010	2046	(l)	
2006 MF Series A (Villas at Henderson)	7,200	VAR - Weekly	2010	2039	(m)	
2006 MF Series A (Aspen Park Apts)	9,800	5.00% 5.00%	2010	2039	07/01/2021	
2006 MF Series A (Idlewilde Apts)	14,250	VAR - Weekly	2010	2040	(j)	
2007 MF Series A (Lancaster Apts)	14,250	VAR - Weekly	2010	2040	(j)	
2007 MF Series A (Park Place)	15,000	5.80% 5.80%	2010	2047	03/01/2024	
2007 MF Series A (Terrace at Cibolo)	8,000	VAR - Weekly	2010	2040	(m)	
2007 MF Series A (Santora Villas)	13,072	5.80% 5.80%	2010	2047	06/01/2024	
2007 MF Series A (Villas @ Mesquite Creek)	16,860	5.00% 5.81%	2010	2047	01/20/2017	
2007 MF Series A (Summit Point)	11,700	4.80% 5.25%	2009	2047	06/20/2017	
2007 MF Series A (Costa Rialto)	12,385	5.35% 5.35%	2010	2047	08/01/2025	
2007 MF Series A (Windshire)	14,000	VAR - Weekly	2010	2041	(j)	
2007 MF Series A (Residences @ Onion Creek)	15,000	VAR - Weekly	2011	2040	(j)	
2008 MF Series A (West Oaks)	13,125	VAR - Weekly	2011	2041	(n)	
2008 MF Series A (Costa Ibiza)	13,900	VAR - Weekly	2011	2041	(f)	
2008 MF Series A (Addison Park)	14,000	VAR - Weekly	2008	2044	(n)	
TOTAL MULTIFAMILY BONDS	$ 1,411,622					
TOTAL BONDS ISSUED	**$ 3,797,227**					

FOOTNOTES:

(a) The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the completion date from the proceeds of an optional prepayment of the loan by the borrower.

(b) Variable rate not to exceed the maximum rate permitted by applicable law.

(c) Variable rate could change to fixed rate provided the conversion option is exercised.

(d) No set amortization, per trustee, amortization will occur in $100,000 denominations when the amount in the principal reserve fund exceeds 20% of the issue.

(e) The bonds are subject to redemption, in whole, at the option of the Issuer acting at the direction of the Holders of a majority of the outstanding principal amount of the Bonds.

(f) The Bonds shall be subject to redemption prior to maturity, after giving the required notice, as follows: During the variable interest rate period the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(g) The Series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indendure, as follows: During a daily interest rate period or weekly interest rate period for the Series bonds, the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(h) The bonds are subject to redemption at the option of the Issuer, at the direction of the Borrower, in whole or in part on the first day of any month, in the event and to the extent the trustee receives funds from the Borrower representing an optional prepayment of the principal of the note, at a redemption price equal to the principal thereof, plus accrued interest to the redemption date plus any premium remitted therewith as required by the note.

(i) Bonds are subject to redemption if and to the extent the Borrower is entitled to make, or is required to make, a prepayment pursuant to the loan agreement.

(j) The Bonds are subject to optional redemption in whole or in part upon optional prepayment of the Loan by the Borrower.

(k) The Bonds are subject to optional redemption at the direction of the Borrower on any interest payment date, in whole or in part, at the redemption price (as calculated by the sole bondholder) calculated in accordance with the Exhibit H plus accrued and unpaid interest, if any, to the redemption date. Optional redemptions may be made only in denominations of $100,000 plus integral multiples of $5,000 or for the entire amount of the bonds outstanding.

(l) The Bonds shall be subject to redemption prior to maturity in whole but not in part on any Bond Payment Date on or after fifteen years from Conversion Date, from the proceeds of an optional prepayment of the Loan by the Borrower at a redemption price equal to the principal amount plus accrued and unpaid interest to the date fixed for redemption.

(m) The Bonds may be redeemed by the Trustee at the option of the Issuer, but only upon the written request of the Borrower pursuant of the Loan Agreement, and with the prior written consent of the Bank, in whole or in part, at a redemption price equal to the principal amount, without premium, plus accrued interest to the date of redemptions.

(n) With the prior Written consent of the Credit Facility Provider, the Bonds are subject to optional redemption, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and Financing Agreement.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-B
MISCELLANEOUS BOND INFORMATION - CHANGES IN BOND INDEBTEDNESS
For the fiscal year ended August 31, 2008

Description of Issue	Bonds Outstanding 09/01/07	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/08	Amounts Due Within One Year
2002 SERIES A (Jr Lien)	$ 5,400,000	$	$	$ 1,260,000	$ 4,140,000	$
2002 SERIES A	37,485,000			950,000	36,535,000	
2002 SERIES B	39,135,000			5,690,000	33,445,000	19,506
2002 SERIES C	11,180,000		500,000	265,000	10,415,000	497,192
2002 SERIES D	5,740,000		875,000	235,000	4,630,000	839,174
2004 SERIES A	116,865,000		3,320,000	9,515,000	104,030,000	3,831,898
2004 SERIES B	53,000,000				53,000,000	
2004 SERIES A (Jr Lien)	4,140,000			285,000	3,855,000	
2004 SERIES C	36,805,000		405,000	4,615,000	31,785,000	341,941
2004 SERIES D	35,000,000				35,000,000	
2004 SERIES E	9,195,000		1,070,000	200,000	7,925,000	1,038,970
2005 SERIES A	98,145,000		165,000	3,120,000	94,860,000	
2005 SERIES B	20,705,000		705,000	2,565,000	17,435,000	572,574
2005 SERIES C	8,010,000			795,000	7,215,000	
2005 SERIES D	3,225,000			185,000	3,040,000	
2006 SERIES A	59,105,000		230,000	1,045,000	57,830,000	516,712
2006 SERIES B	69,950,000		720,000	1,240,000	67,990,000	1,523,826
2006 SERIES C	104,610,000		750,000	1,850,000	102,010,000	1,790,938
2006 SERIES D	27,630,000			3,510,000	24,120,000	(65,284)
2006 SERIES E	16,560,000		1,240,000	45,000	15,275,000	1,181,463
2006 SERIES F	81,195,000			695,000	80,500,000	648,318
2006 SERIES G	15,000,000		570,000	165,000	14,265,000	1,110,000
2006 SERIES H	36,000,000				36,000,000	2,571,428
2007 SERIES A	143,005,000			1,935,000	141,070,000	10,014,130
2007 SERIES B		157,060,000		5,000	157,055,000	148,084
1998 SERIES A	40,105,000		1,155,000	2,660,000	36,290,000	1,115,000
1998 SERIES B	7,125,000			775,000	6,350,000	
1999 SERIES A	5,865,000			980,000	4,885,000	(11,429)
1999 SERIES B-1	22,415,000			1,590,000	20,825,000	14,141
1999 SERIES C	3,500,000			15,000	3,485,000	(1,048)
2000 SERIES A	16,330,000		245,000	780,000	15,305,000	237,067
2000 SERIES B	48,165,000			3,830,000	44,335,000	9,294
2000 SERIES C	8,530,000				8,530,000	
2000 SERIES D	6,695,000		555,000		6,140,000	595,000
2001 SERIES A	33,500,000		590,000	2,230,000	30,680,000	602,235
2001 SERIES B	12,300,000			120,000	12,180,000	
2001 SERIES C	9,690,000		1,095,000	850,000	7,745,000	975,544
2001 SERIES D	235,000		5,000		230,000	10,000
2002 SERIES A	31,470,000		520,000	1,785,000	29,165,000	535,712
2003 SERIES A	64,765,000		1,040,000	4,440,000	59,285,000	954,258
1992 SERIES A-C	12,400,000			2,000,000	10,400,000	7,607
Total Single Family Bonds	1,360,175,000	157,060,000	15,755,000	62,225,000	1,439,255,000	31,624,252
1996 SERIES A&B (BRIGHTON'S MARK)	$ 8,075,000	$	$	$	$ 8,075,000	$
1996 SERIES A&B (MARKS OF LAS COLINAS)	12,670,000			12,670,000		
1996 SERIES A&B (BRAXTON'S MARK)	14,273,700				14,273,700	
1987 SOUTH TEXAS RENTAL HOUSING	612,309		92,573		519,736	102,000
1998 SERIES (PEBBLE BROOK)	9,895,000		190,000	35,000	9,670,000	205,000
1998 SERIES A-C (RESIDENCE OAKS)	7,408,000		151,000		7,257,000	159,000
1998 SERIES (GREENS-HICKORY TRAIL)	12,325,000		240,000		12,085,000	250,000
1999 SERIES (MAYFIELD)	10,407,000		209,000		10,198,000	222,000
1999 SERIES (WOODGLEN VILLAGE)	10,505,283			10,505,283		
2000 SERIES (TIMBER POINT APTS)	7,670,000			100,000	7,570,000	
2000 SERIES A/B (OAKS at HAMPTON)	9,753,846		74,648		9,679,198	82,000
2000 SERIES (DEERWOOD APTS)	6,075,000		95,000		5,980,000	95,000
2000 SERIES (CREEK POINT APTS)	6,585,000			115,000	6,470,000	
2000 SERIES A/B (PARKS at WESTMORELAND)	9,704,453		73,173		9,631,280	80,000
2000 SERIES A-C (HIGHLAND MEADOW APTS)	8,565,000		121,000		8,444,000	130,000
2000 SERIES A/B (GREENBRIDGE @ BUCKINGHM	19,735,000		177,541		19,557,459	113,000
2000 SERIES A-C (COLLINGHAM PARK APTS)	12,943,000		182,000		12,761,000	208,000
2000 SERIES A/B (WILLIAMS RUN APTS)	12,566,068		148,779		12,417,289	204,000
2001 SERIES (BLUFF SENIOR APTS)	10,488,996		59,342		10,429,654	64,000
2001 SERIES (KNOLLWOOD VILLAS APTS)	13,478,850		76,257		13,402,593	82,000

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-B (Continued)
MISCELLANEOUS BOND INFORMATION - CHANGES IN BOND INDEBTEDNESS (Continued)
For the fiscal year ended August 31, 2008

Description of Issue	Bonds Outstanding 09/01/07	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2008	Amounts Due Within One Year
2001 SERIES A (SKYWAY VILLAS)	$ 8,185,000	$	$ 125,000	$ 620,000	$ 7,440,000	$ 120,000
2001 SERIES A/B (COBB PARK APTS)	7,649,012		42,112		7,606,900	46,000
2001 SERIES A (GREENS ROAD APTS)	8,060,000		120,000		7,940,000	130,000
2001 SERIES A/B (MERIDIAN APARTMENTS)	13,885,000		185,000		13,700,000	200,000
2001 SERIES A/B (WILDWOOD BRANCH	13,940,000		190,000		13,750,000	205,000
2001 SERIES A-C (FALLBROOK APTS)	14,241,000		206,000		14,035,000	220,000
2001 SERIES (OAK HOLLOW APTS)	6,380,796		39,919		6,340,877	43,000
2001 SERIES A/B (HILLSIDE APTS)	12,599,075		43,277		12,555,798	47,000
2001 SERIES A (MILLSTONE APTS)	10,575,000		165,000		10,410,000	175,000
2002 SERIES (SUGARCREEK APTS)	11,750,000		115,000		11,635,000	75,657
2002 SERIES (WEST OAKS APTS)	9,572,873		57,361		9,515,512	62,000
2002 SERIES (PARK MEADOWS APTS)	4,335,000		60,000		4,275,000	70,000
2002 SERIES (CLARKRIDGE VILLAS APTS)	13,790,327		81,003		13,709,324	87,000
2002 SERIES A (HICKORY TRACE APTS)	11,400,985		66,548		11,334,436	71,000
2002 SERIES A (GREEN CREST APTS)	11,427,927		142,836		11,285,091	71,000
2002 SERIES A/B (IRON WOOD CROSSING)	16,851,886		72,841		16,779,045	79,000
2002 SERIES A (WOODWAY VILLAGE)	7,645,000		110,000		7,535,000	115,000
2003 SERIES A/B (READING ROAD)	12,180,000		20,000	200,000	11,960,000	20,000
2003 SERIES A/B (NORTH VISTA)	13,800,000		190,000	900,000	12,710,000	210,000
2003 SERIES A/B (WEST VIRGINIA)	9,315,000		145,000		9,170,000	150,000
2003 SERIES A/B (SPHINX @ MURDEAUX)	14,715,000		165,000		14,550,000	170,000
2003 SERIES A/B (PRIMROSE HOUSTON)	16,551,491		78,839		16,472,652	85,000
2003 SERIES A/B (TIMBER OAKS)	13,097,616		56,155		13,041,462	61,000
2003 SERIES A/B (ASH CREEK APTS)	16,278,361		79,621		16,198,740	86,000
2003 SERIES A/B (PENINSULA APTS)	12,130,000		160,000	5,000	11,965,000	160,000
2003 SERIES A (EVERGREEN @ MESQUITE)	10,856,023		109,755		10,746,268	117,000
2003 SERIES A/B (ARLINGTON VILLAS)	17,053,685		74,285		16,979,400	80,000
2003 SERIES A/B (PARKVIEW TWNHMS)	16,481,679		79,438		16,402,240	86,000
2003 SERIES (NHP-ASMARA)REFUNDING	21,290,000		360,000		20,930,000	370,517
2004 SERIES A/B (TIMBER RIDGE)	6,668,105		34,191		6,633,914	37,000
2004 SERIES A/B (CENTURY PARK)	12,920,000		165,000	300,000	12,455,000	170,000
2004 SERIES A (ADDISON PARK)	14,000,000			14,000,000		
2004 SERIES A/B (VETERANS MEMORIAL)	16,193,176		79,140		16,114,036	86,000
2004 SERIES (RUSH CREEK)	9,944,300		51,433	1,121,781	8,771,086	52,000
2004 SERIES (HUMBLE PARK)	11,610,000		100,000		11,510,000	110,000
2004 SERIES (CHISHOLM TRAIL)	12,000,000			100,000	11,900,000	
2004 SERIES (EVERGREEN @ PLANO)	14,737,224		79,644		14,657,580	85,000
2004 SERIES (MONTGOMERY PINES)	12,300,000				12,300,000	
2004 SERIES (BRISTOL)	12,625,000			325,000	12,300,000	
2004 SERIES (PINNACLE)	14,500,000			235,000	14,265,000	
2004 SERIES (TRANQUILITY BAY)	14,252,083		84,252		14,167,831	90,000
2004 SERIES (SPHINX @ DELAFIELD)	11,235,000		100,000		11,135,000	110,000
2004 SERIES (CHURCHILL @ PINNACLE)	10,094,601		67,132		10,027,469	72,000
2004 SERIES A/B (POST OAK EAST)	13,600,000				13,600,000	
2004 SERIES (VILLAGE FAIR)	14,049,658		79,712		13,969,946	85,000
2005 SERIES (PECAN GROVE)	13,986,289		78,889		13,907,399	84,000
2005 SERIES (PRAIRIE OAKS)	11,015,573		62,133		10,953,440	66,000
2005 SERIES (PORT ROYAL)	12,167,510		68,230		12,099,280	73,000
2005 SERIES (MISSION DEL RIO)	11,459,400		64,259		11,395,141	69,000
2005 SERIES (ATASCOCITA)	11,900,000				11,900,000	143,000
2005 SERIES (TOWER RIDGE)	15,000,000				15,000,000	100,000
2005 SERIES (ALTA CULLEN)	14,000,000				14,000,000	
2005 SERIES (PRAIRIE RANCH)	12,195,000		145,000		12,050,000	115,000
2005 SERIES (ST. AUGUSTINE)	7,650,000				7,650,000	47,000
2005 SERIES (PARK MANOR)	10,400,000				10,400,000	58,000
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	14,360,000		79,885		14,280,115	85,000
2005 SERIES (PLAZA CHASE OAKS)	14,250,000		137,731		14,112,269	215,000
2005 SERIES (CANAL PLACE)	16,100,000				16,100,000	
2006 SERIES (CORAL HILLS)	5,320,000			250,000	5,070,000	75,000
2006 SERIES (HARRIS BRANCH)	15,000,000				15,000,000	
2006 SERIES (BELLA VISTA)	6,800,000		15,000		6,785,000	45,000
2006 SERIES (VILLAGE PARK)	13,660,000				13,660,000	105,000
2006 SERIES (OAKMOOR)	14,635,000				14,635,000	75,000
2006 SERIES (SUNSET POINTE)	15,000,000				15,000,000	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-B (Continued)
MISCELLANEOUS BOND INFORMATION - CHANGES IN BOND INDEBTEDNESS (Continued)
For the fiscal year ended August 31, 2008

Description of Issue	Bonds Outstanding 09/01/07	Bonds Issued and Accretions	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/2008	Amounts Due Within One Year
2006 SERIES (HILLCREST)	$ 12,435,000	$	$	$	$ 12,435,000	$
2006 SERIES (PLEASANT VILLAGE)	6,000,000		28,768		5,971,232	74,000
2006 SERIES (GROVE VILLAGE)	6,180,000		29,631		6,150,369	77,000
2006 SERIES (RED HILLS)	5,015,000				5,015,000	
2006 SERIES (CHAMPION'S CROSSING)	5,125,000			100,000	5,025,000	
2006 SERIES (STONEHAVEN)	11,300,000				11,300,000	61,000
2006 SERIES (CENTER RIDGE)	8,325,000				8,325,000	
2006 SERIES (MEADOWLANDS)	13,500,000				13,500,000	1,780,000
2006 SERIES (EAST TEXAS PINES)	13,500,000				13,500,000	
2006 SERIES (VILLAS @ HENDERSON)	7,200,000				7,200,000	
2006 SERIES (ASPEN PARKS)	9,800,000				9,800,000	
2006 SERIES (IDLEWILDE)	14,250,000				14,250,000	
2007 SERIES (LANDCASTER)	14,250,000				14,250,000	
2007 SERIES (PARK PLACE AT LOYOLA)	15,000,000				15,000,000	
2007 SERIES (TERRACE AT CIBOLO)	8,000,000				8,000,000	
2007 SERIES (SANTORA VILLAS)	13,072,000				13,072,000	
2007 SERIES (A/B VILLAS @ MESQUITE)	16,860,000				16,860,000	
2007 SERIES (SUMMIT POINT)	11,700,000				11,700,000	
2007 SERIES (COSTA RIALTO)	12,385,000				12,385,000	
2007 SERIES (WINDSHIRE)	14,000,000				14,000,000	
2007 SERIES (RESIDENCES @ ONION CREEK)		15,000,000			15,000,000	
2008 SERIES (WEST OAKS APTS)		13,125,000			13,125,000	
2008 SERIES (COSTA IBIZA APTS)		13,900,000			13,900,000	
2008 SERIES (ADDISON PARKS APTS)		14,000,000			14,000,000	
Total Multifamily Bonds	$ 1,213,299,159	$ 56,025,000	$ 6,780,333	$ 41,582,064	$ 1,220,961,762	$ 9,652,174
	$ 2,573,474,159	**$ 213,085,000**	**$ 22,535,333**	**$ 103,807,064**	**$ 2,660,216,762** (a)	**$ 41,276,426**

FOOTNOTES:

(a) Bonds Outstanding balance at 8/31/08 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$ 2,660,216,762
Unamortized (Discount)/Premium:	
Single Family	14,121,117
RMRB	1,423,356
CHMRB	212,543
Multi-Family	(526,746)
Unamortized Deferred Gain/(Loss) on Refunding:	
Single Family	(3,364,630)
RMRB	(992,248)
Deferred Amount on Refunding	-
Bonds Outstanding per Exhibit V	**$ 2,671,090,154**

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2008
(Amounts in Thousands)

DESCRIPTION		2009	2010	2011	2012	2013
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	Principal	$	$	$	$	$
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	Interest	290	290	290	290	290
2002 SINGLE FAMILY, SERIES A	Principal					
2002 SINGLE FAMILY, SERIES A	Interest	2,011	2,011	2,011	2,011	2,011
2002 SINGLE FAMILY, SERIES B	Principal					
2002 SINGLE FAMILY, SERIES B	Interest	1,823	1,823	1,823	1,823	1,823
2002 SINGLE FAMILY, SERIES C	Principal	515	540	575	610	1,310
2002 SINGLE FAMILY, SERIES C	Interest	501	478	451	423	374
2002 SINGLE FAMILY, SERIES D	Principal	850	885	915	965	1,015
2002 SINGLE FAMILY, SERIES D	Interest	164	127	88	46	
2004 SINGLE FAMILY, SERIES A	Principal	3,735	3,190	3,220	3,350	3,615
2004 SINGLE FAMILY, SERIES A	Interest	4,580	4,470	4,350	4,218	4,072
2004 SINGLE FAMILY, SERIES B	Principal					
2004 SINGLE FAMILY, SERIES B	Interest	1,181	1,182	1,182	1,183	1,181
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)	Principal					
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)	Interest	103	103	103	103	103
2004 SINGLE FAMILY, SERIES C	Principal	315	335	350	370	390
2004 SINGLE FAMILY, SERIES C	Interest	1,494	1,478	1,461	1,442	1,423
2004 SINGLE FAMILY, SERIES D	Principal					
2004 SINGLE FAMILY, SERIES D	Interest	717	718	717	718	717
2004 SINGLE FAMILY, SERIES E	Principal	1,085	1,125	1,170	1,230	1,285
2004 SINGLE FAMILY, SERIES E	Interest	278	240	198	150	99
2005 SINGLE FAMILY,SERIES A	Principal		1,430	2,050	2,130	2,215
2005 SINGLE FAMILY,SERIES A	Interest	2,113	2,094	2,049	2,004	1,951
2005 SINGLE FAMILY,SERIES B	Principal	660	690	725	760	780
2005 SINGLE FAMILY,SERIES B	Interest	753	726	697	666	633
2005 SINGLE FAMILY,SERIES C	Principal					
2005 SINGLE FAMILY,SERIES C	Interest	209	209	209	209	209
2005 SINGLE FAMILY,SERIES D	Principal					
2005 SINGLE FAMILY,SERIES D	Interest	152	152	152	152	152
2006 SINGLE FAMILY, SERIES A	Principal	480	515	550	590	630
2006 SINGLE FAMILY, SERIES A	Interest	2,874	2,848	2,821	2,792	2,761
2006 SINGLE FAMILY, SERIES B	Principal	1,465	1,530	1,590	1,660	1,740
2006 SINGLE FAMILY, SERIES B	Interest	3,345	3,269	3,190	3,108	3,022
2006 SINGLE FAMILY, SERIES C	Principal	1,540	1,610	1,695	1,785	1,885
2006 SINGLE FAMILY, SERIES C	Interest	5,169	5,087	5,002	4,911	4,816
2006 SINGLE FAMILY, SERIES D	Principal					
2006 SINGLE FAMILY, SERIES D	Interest	1,090	1,090	1,090	1,090	1,090

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C (Continued)
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2008
(Amounts in Thousands)

2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	REQUIRED
$	$	$ 4,140	$	$	$	$	$ 4,140
1,450	1,450	656					5,006
	4,715	15,985		15,835			36,535
10,055	9,926	5,353	4,395	199			39,983
		3,515	27,480	2,450			33,445
9,115	9,115	8,875	6,109				42,329
6,865							10,415
744							2,971
							4,630
							425
15,685	14,895	17,950	21,820	16,570			104,030
18,182	15,011	11,126	6,355	947			73,311
6,620	11,110	13,420	16,305	5,545			53,000
5,619	4,509	3,134	1,464	62			20,697
				3,855			3,855
515	515	515	515	307			2,882
3,925	6,280	6,770	7,955	5,095			31,785
6,649	5,454	3,861	2,144	276			25,682
4,870	7,730	8,130	9,615	4,655			35,000
3,368	2,669	1,827	943	74			12,468
1,890	140						7,925
110	1						1,076
12,475	15,165	18,445	22,420	18,530			94,860
8,961	7,410	5,524	3,230	638			35,974
4,435	5,565	3,820					17,435
2,608	1,465	223					7,771
7,215							7,215
838							1,883
		1,790	805	445			3,040
760	760	596	201	25			3,102
3,840	5,375	7,100	9,525	29,225			57,830
13,263	12,102	10,524	8,449	3,340			61,774
9,915	12,175	15,350	19,110	3,455			67,990
13,682	10,902	7,443	3,085	61			51,107
10,910	14,115	18,195	23,480	26,795			102,010
22,478	19,251	15,080	9,701	2,860			94,355
850	9,610	12,055	1,605				24,120
5,431	4,116	1,661					16,658

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2008
(Amounts in Thousands)

DESCRIPTION		2009	2010	2011	2012	2013
2006 SINGLE FAMILY, SERIES E	Principal	$ 1,280	$ 1,315	$ 1,370	$ 1,420	$ 1,480
2006 SINGLE FAMILY, SERIES E	Interest	576	525	472	416	356
2006 SINGLE FAMILY, SERIES F	Principal	510	560	595	630	670
2006 SINGLE FAMILY, SERIES F	Interest	4,228	4,196	4,162	4,127	4,089
2006 SINGLE FAMILY, SERIES G	Principal	1,110	1,235	1,300	1,375	1,465
2006 SINGLE FAMILY, SERIES G	Interest	572	526	475	421	361
2006 SINGLE FAMILY, SERIES H	Principal	2,571	5,143	5,143	5,143	5,143
2006 SINGLE FAMILY, SERIES H	Interest	365	653	548	444	339
2007 SINGLE FAMILY, SERIES A	Principal	10,076	20,153	20,153	20,153	20,153
2007 SINGLE FAMILY, SERIES A	Interest	1,432	2,557	2,148	1,739	1,330
2007 SINGLE FAMILY, SERIES B	Principal		1,465	2,305	2,410	2,525
2007 SINGLE FAMILY, SERIES B	Interest	8,223	8,164	8,060	7,951	7,835
Total Single Family Bonds		70,435	86,737	87,455	87,018	87,338
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	1,115	1,155			
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,884	1,830	1,798	1,798	1,798
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal					
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	337	337	337	337	337
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal					
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	257	257	257	257	257
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES B-	Principal					
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES B-	Interest	1,362	1,362	1,362	1,362	1,362
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal					
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	218	218	218	218	218
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	245				
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	953	945	945	945	945
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal					
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	2,578	2,578	2,578	2,578	2,578
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal					
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	498	498	498	498	498
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Principal	595	640	680	720	785
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Interest	318	287	253	217	177
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	570	580	110	115	135
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,640	1,612	1,594	1,587	1,580
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal			725	770	805
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	627	627	612	575	536
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal	1,025	1,080	1,120	1,175	1,255
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	314	270	222	172	131
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Principal	10	10	10	5	10
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Interest	12	12	11	11	10

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C (Continued)
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2008
(Amounts in Thousands)

2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	REQUIRED
$ 8,410	$	$	$	$	$	$	$ 15,275
757							3,102
4,000	10,380	15,540	20,815	26,800			80,500
19,827	17,960	14,394	9,582	3,169			85,734
6,565	1,215						14,265
866	15						3,236
12,857							36,000
392							2,741
50,382							141,070
1,533							10,739
15,680	19,035	24,685	32,130	41,905	14,915		157,055
37,126	32,666	26,856	19,208	9,234	398		165,721
371,718	292,802	304,538	288,446	222,352	15,313		1,914,152
7,600			26,420				36,290
8,923	6,995	6,995	2,713				34,734
	6,350						6,350
1,685	1,175						4,545
1,675	3,210						4,885
1,272	411						2,968
	5,885		14,940				20,825
6,810	5,904	4,720	3,622				27,866
		3,485					3,485
1,090	1,090	179					3,449
	3,840		11,220				15,305
4,725	3,642	3,535	2,002				18,637
		12,000	32,335				44,335
12,890	12,890	10,680	7,656				57,006
	4,855	3,675					8,530
2,490	1,591	283					6,854
1,725	995						6,140
395	77						1,724
805	2,650	10,820	14,895				30,680
7,770	7,473	5,585	2,199				31,040
4,800	5,080						12,180
2,008	577						5,562
2,090							7,745
86							1,195
45	45	40	55				230
44	31	21	8				160

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2008
(Amounts in Thousands)

DESCRIPTION		2009	2010	2011	2012	2013
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	$ 500	$ 510	$ 540	$ 560	$ 610
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,527	1,504	1,479	1,452	1,423
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	945	960	1,000	1,030	1,055
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	2,868	2,831	2,792	2,750	2,706
Total Residential Mtg Revenue Bonds		20,398	20,103	19,141	19,132	19,211
1992 COLL HOME MTG REV BONDS, SERIES C	Principal					
1992 COLL HOME MTG REV BONDS, SERIES C	Interest	718	718	718	720	718
Total Coll Home Mtg Revenue Bonds		718	718	718	720	718
1987 MF SERIES (SOUTH TEXAS RENTAL HOUSING)	Principal	102	112	123	135	48
1987 MF SERIES (SOUTH TEXAS RENTAL HOUSING)	Interest	44	34	23	11	1
1996 MF SERIES A&B (BRIGHTON'S MARK)	Principal					
1996 MF SERIES A&B (BRIGHTON'S MARK)	Interest	495	495	495	495	495
1996 MF SERIES A&B (BRAXTON'S MARK)	Principal					
1996 MF SERIES A&B (BRAXTON'S MARK)	Interest	829	829	829	829	829
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	Principal	205	215	225	245	255
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	Interest	530	519	508	495	481
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	Principal	159	169	180	189	202
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	Interest	430	420	410	399	387
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	Principal	250	270	290	310	335
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	Interest	640	624	608	590	571
1999 MF SERIES A-C (MAYFIELD)	Principal	222	235	248	263	279
1999 MF SERIES A-C (MAYFIELD)	Interest	575	562	548	534	518
2000 MF SERIES (TIMBER POINT APTS)	Principal					
2000 MF SERIES (TIMBER POINT APTS)	Interest	152	152	152	152	152
2000 MF SERIES A&B (OAKS AT HAMPTON)	Principal	82	89	96	104	111
2000 MF SERIES A&B (OAKS AT HAMPTON)	Interest	696	689	681	674	667
2000 MF SERIES (DEERWOOD APTS)	Principal	95	105	115	120	
2000 MF SERIES (DEERWOOD APTS)	Interest	377	372	365	359	354
2000 MF SERIES (CREEK POINT APTS)	Principal					
2000 MF SERIES (CREEK POINT APTS)	Interest	130	130	130	130	130
2000 MF SERIES PARKS AT (WESTMORELAND)	Principal	80	87	94	101	108
2000 MF SERIES PARKS AT (WESTMORELAND)	Interest	816	809	801	793	784
2000 A/C MF SERIES (HIGHLAND MEADOWS)	Principal	130	139	149	159	170
2000 A/C MF SERIES (HIGHLAND MEADOWS)	Interest	565	556	546	536	524
2000 A&B MF SERIES (GREENBRIDGE)	Principal	113	137	148	159	171
2000 A&B MF SERIES (GREENBRIDGE)	Interest	2,105	1,432	1,421	1,410	1,397
2000 A/C MF SERIES (COLLINGHAM PARK)	Principal	208	230	244	259	274
2000 A/C MF SERIES (COLLINGHAM PARK)	Interest	850	905	888	869	850

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2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	REQUIRED
$ 3,545	$ 4,100	$ 7,845	$ 10,560	$ 395	$	$	$ 29,165
6,593	5,582	4,145	1,531	3			25,239
6,440	8,115	15,010	20,080	4,650			59,285
12,712	10,975	8,261	3,859	136			49,890
98,218	103,538	97,279	154,095	5,184			556,299
		10,400					10,400
3,592	3,592	591					11,367
3,592	3,592	10,991					21,767
							520
							113
		8,075					8,075
2,475	2,475	1,485					8,910
		14,274					14,274
4,145	4,145	2,495					14,930
1,570	2,145	2,950	1,860				9,670
2,166	1,659	956	134				7,448
			6,358				7,257
1,905	1,905	1,905	859				8,620
2,000	2,710	3,650	2,270				12,085
2,565	1,964	1,148	178				8,888
1,653	2,196	2,914	2,188				10,198
2,325	1,782	1,058	194				8,096
			7,570				7,570
760	760	760	612				3,652
693	993	1,422	2,036	2,914	1,139		9,679
3,196	2,897	2,468	1,854	974	67		14,863
	1,305		4,240				5,980
1,770	1,521	1,355	1,223				7,696
			6,470				6,470
650	650	650	532				3,132
674	965	1,381	1,977	2,829	1,335		9,631
3,761	3,419	2,926	2,222	1,215	113		17,659
1,041	1,456	2,030	2,831	339			8,444
2,426	2,006	1,419	602	4			9,184
1,074	1,552	2,246	3,246	4,694	6,017		19,557
6,768	6,287	5,589	4,582	3,125	725		34,841
1,644	2,226	3,037	4,161	478			12,761
3,913	3,214	2,262	959	5			14,715

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DESCRIPTION		2009	2010	2011	2012	2013
2000 A&B MF SERIES (WILLIAMS RUN)	Principal	$ 204	$ 98	$ 106	$ 115	$ 124
2000 A&B MF SERIES (WILLIAMS RUN)	Interest	798	931	923	915	905
2001A MF SERIES (BLUFFVIEW SR. APTS.)	Principal	64	69	74	80	87
2001A MF SERIES (BLUFFVIEW SR. APTS.)	Interest	894	889	883	876	869
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	Principal	82	89	96	103	111
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	Interest	1,156	1,149	1,142	1,134	1,126
2001A MF SERIES (SKYWAY VILLAS)	Principal	120	130	135	145	150
2001A MF SERIES (SKYWAY VILLAS)	Interest	412	406	399	391	383
2001A MF SERIES (COBB PARK)	Principal	46	51	56	60	64
2001A MF SERIES (COBB PARK)	Interest	599	595	590	585	581
2001 MF SERIES (GREENS ROAD APTS.)	Principal	130	135	145	155	165
2001 MF SERIES (GREENS ROAD APTS.)	Interest	422	415	408	400	391
2001 MF SERIES (MERIDIAN APTS.)	Principal	200	215	230	245	260
2001 MF SERIES (MERIDIAN APTS.)	Interest	791	777	762	746	730
2001 MF SERIES (WILDWOOD APTS.)	Principal	205	220	235	250	270
2001 MF SERIES (WILDWOOD APTS.)	Interest	781	767	752	736	719
2001 A/C MF SERIES (FALLBROOK APTS.)	Principal	220	235	251	268	283
2001 A/C MF SERIES (FALLBROOK APTS.)	Interest	847	831	815	800	783
2001 MF SERIES (OAK HOLLOW APTS.)	Principal	43	46	49	53	57
2001 MF SERIES (OAK HOLLOW APTS.)	Interest	442	439	436	432	428
2001 A/B MF SERIES (HILLSIDE APTS.)	Principal	47	83	96	103	110
2001 A/B MF SERIES (HILLSIDE APTS.)	Interest	878	873	866	859	852
2002 MF SERIES (MILLSTONE APTS.)	Principal	175	185	195	215	215
2002 MF SERIES (MILLSTONE APTS.)	Interest	568	558	548	537	525
2002 MF SERIES (SUGAR CREEK APTS.)	Principal	85	90	100	105	110
2002 MF SERIES (SUGAR CREEK APTS.)	Interest	696	691	685	679	673
2002 MF SERIES (WEST OAKS APTS.)	Principal	62	66	71	76	82
2002 MF SERIES (WEST OAKS APTS.)	Interest	711	706	701	696	690
2002 MF SERIES (PARK MEADOWS APTS.)	Principal	70	65	80	80	85
2002 MF SERIES (PARK MEADOWS APTS.)	Interest	277	273	268	263	257
2002 SERIES (CLARKRIDGE VILLAS APTS)	Principal	87	93	100	107	115
2002 SERIES (CLARKRIDGE VILLAS APTS)	Interest	956	950	943	936	928
2002 SERIES A (HICKORY TRACE APTS)	Principal	71	77	82	88	94
2002 SERIES A (HICKORY TRACE APTS)	Interest	791	786	780	774	768
2002 SERIES A (GREEN CREST APTS)	Principal	71	76	82	88	94
2002 SERIES A (GREEN CREST APTS)	Interest	787	782	777	771	764
2002 SERIES A/B (IRON WOOD CROSSING)	Principal	79	87	95	103	113
2002 SERIES A/B (IRON WOOD CROSSING)	Interest	1,202	1,195	1,187	1,178	1,169

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2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	REQUIRED
$ 781	$ 1,145	$ 1,676	$ 2,454	$ 3,592	$ 2,122	$	$ 12,417
4,364	4,002	3,470	2,692	1,553	194		20,747
547	799	1,166	1,704	2,489	3,351		10,430
4,216	3,930	3,513	2,905	2,018	589		21,582
704	1,026	1,499	2,191	3,199	4,303		13,403
5,475	5,134	4,640	3,916	2,857	895		28,624
910	1,210	1,640	2,200	800			7,440
1,775	1,482	1,085	549	35			6,917
404	573	844	1,223	1,768	2,518		7,607
2,815	2,622	2,345	1,939	1,355	422		14,448
985	1,340	1,810	2,480	595			7,940
1,810	1,505	1,087	512	16			6,966
1,620	2,325	3,045	4,080	1,480			13,700
3,353	2,720	1,977	997	59			12,912
1,715	2,265	3,035	4,075	1,480			13,750
3,290	2,700	1,973	995	61			12,774
1,704	2,296	3,095	4,170	1,513			14,035
3,624	3,026	2,213	1,120	70			14,129
351	497	704	999	1,416	2,126		6,341
2,074	1,928	1,718	1,421	1,002	347		10,667
683	970	1,373	1,946	2,760	4,385		12,556
4,126	3,840	3,433	2,856	2,036	727		21,346
1,280	1,675	2,195	2,880	1,395			10,410
2,428	2,027	1,498	800	76			9,565
465					10,680		11,635
3,257	3,205	3,205	3,205	3,205	2,136		21,637
509	729	1,040	1,485	2,121	3,275		9,516
3,342	3,113	2,784	2,313	1,642	584		17,282
515	715	980	1,360	325			4,275
1,192	993	718	339	11			4,591
712	1,009	1,429	2,027	2,872	5,158		13,709
4,503	4,204	3,782	3,180	2,329	1,018		23,729
584	829	1,175	1,664	2,361	4,309		11,334
3,725	3,480	3,130	2,638	1,939	872		19,683
582	825	1,170	1,658	2,351	4,288		11,285
3,708	3,465	3,118	2,626	1,930	869		19,597
737	1,128	1,620	2,295	3,254	7,268		16,779
5,668	5,274	4,781	4,100	3,135	1,592		30,481

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DESCRIPTION		2009	2010	2011	2012	2013
2002 SERIES A (WOODWAY VILLAGE)	Principal	$ 115	$ 120	$ 130	$ 135	$ 145
2002 SERIES A (WOODWAY VILLAGE)	Interest	386	380	374	368	361
2003 SERIES A/B (READING ROAD)	Principal	20	30	30	30	30
2003 SERIES A/B (READING ROAD)	Interest	337	336	334	332	330
2003 SERIES A/B (NORTH VISTA)	Principal	210	210	230	240	250
2003 SERIES A/B (NORTH VISTA)	Interest	632	623	613	603	592
2003 SERIES A/B (WEST VIRGINIA)	Principal	150	155	165	165	180
2003 SERIES A/B (WEST VIRGINIA)	Interest	456	450	443	435	428
2003 SERIES A/B (SPHINX @ MURDEAUX)	Principal	170	180	185	195	205
2003 SERIES A/B (SPHINX @ MURDEAUX)	Interest	2,005	2,013	2,022	2,031	2,041
2003 SERIES A/B (PRIMROSE HOUSTON)	Principal	85	93	101	109	118
2003 SERIES A/B (PRIMROSE HOUSTON)	Interest	1,090	1,083	1,075	1,067	1,058
2003 SERIES A/B (TIMBER OAKS)	Principal	61	67	73	80	87
2003 SERIES A/B (TIMBER OAKS)	Interest	920	915	909	902	895
2003 SERIES A/B (ASH CREEK APTS)	Principal	86	94	101	110	119
2003 SERIES A/B (ASH CREEK APTS)	Interest	1,082	1,075	1,067	1,059	1,049
2003 SERIES A/B (PENINSULA APTS)	Principal	160	170	180	190	205
2003 SERIES A/B (PENINSULA APTS)	Interest	622	614	606	597	587
2003 SERIES (EVERGREEN @ MESQUITE)	Principal	117	125	133	142	151
2003 SERIES (EVERGREEN @ MESQUITE)	Interest	737	729	720	711	701
2003 SERIES A/B (ARLINGTON VILLAS)	Principal	80	87	95	102	111
2003 SERIES A/B (ARLINGTON VILLAS)	Interest	1,167	1,161	1,153	1,145	1,137
2003 SERIES A/B (PARKVIEW TWNHMS)	Principal	86	94	102	111	121
2003 SERIES A/B (PARKVIEW TWNHMS)	Interest	1,105	1,098	1,089	1,080	1,070
2003 SERIES (NHP-ASMARA)REFUNDING	Principal	380	400	430	450	480
2003 SERIES (NHP-ASMARA)REFUNDING	Interest	386	379	371	364	355
2004 SERIES A/B (TIMBER RIDGE)	Principal	37	39	42	45	48
2004 SERIES A/B (TIMBER RIDGE)	Interest	446	444	441	438	435
2004 SERIES A/B (CENTURY PARK)	Principal	170	185	190	200	210
2004 SERIES A/B (CENTURY PARK)	Interest	667	657	647	636	625
2004 SERIES A/B (VETERANS MEMORIAL)	Principal	86	94	102	111	121
2004 SERIES A/B (VETERANS MEMORIAL)	Interest	1,081	1,073	1,065	1,056	1,046
2004 SERIES (RUSH CREEK)	Principal	52	56	60	64	68
2004 SERIES (RUSH CREEK)	Interest	586	582	578	574	570
2004 SERIES (HUMBLE PARK)	Principal	110	110	120	130	135
2004 SERIES (HUMBLE PARK)	Interest	757	749	742	734	725
2004 SERIES (CHISHOLM TRAIL)	Principal					
2004 SERIES (CHISHOLM TRAIL)	Interest	247	248	248	248	247

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2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	REQUIRED
$ 855	$ 6,035	$	$	$	$	$	$ 7,535
1,686	1,387						4,942
190	270	375	525	10,460			11,960
1,613	1,536	1,430	1,278	638			8,164
1,460	1,900	2,500	3,265	2,445			12,710
2,762	2,335	1,779	1,051	190			11,180
1,040	1,370	1,805	2,375	1,765			9,170
1,995	1,692	1,290	762	134			8,085
1,180	1,505	1,900	2,425	3,090	3,515		14,550
4,614	2,914	2,509	1,990	1,318	455		23,912
758	1,113	1,554	2,163	10,379			16,473
5,123	4,777	4,347	3,750	1,820			25,190
568	879	1,322	1,858	2,601	5,445		13,041
4,338	4,024	3,580	3,041	2,294	1,228		23,046
764	1,099	1,538	2,154	10,134			16,199
5,081	4,750	4,319	3,713	1,604			24,799
1,225	1,660	8,175					11,965
2,763	2,382	453					8,624
919	1,263	1,738	2,391	2,101	1,666		10,746
3,339	2,984	2,494	1,820	972	429		15,636
710	1,060	1,520	2,144	11,071			16,980
5,530	5,179	4,728	4,112	2,228			27,540
787	1,156	1,607	2,233	3,104	4,312	2,690	16,403
5,169	4,800	4,346	3,716	2,843	1,625	41	27,982
2,870	3,850	5,155	6,915				20,930
1,628	1,327	921	376				6,107
301	423	599	849	4,251			6,634
2,119	1,998	1,826	1,584	773			10,504
1,295	1,715	2,290	3,050	3,150			12,455
2,933	2,530	1,991	1,276	346			12,308
784	1,119	1,556	2,162	3,005	4,177	2,797	16,114
5,050	4,712	4,273	3,664	2,816	1,640	54	27,530
418	586	817	1,142	1,594	2,227	1,687	8,771
2,770	2,603	2,369	2,044	1,588	953	37	15,254
835	1,165	1,625	2,225	3,085	1,970		11,510
3,473	3,148	2,694	2,066	1,203	178		16,469
				11,900			11,900
1,239	1,239	1,239	1,238	891			7,084

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DESCRIPTION		2009	2010	2011	2012	2013
2004 SERIES (EVERGREEN @ PLANO)	Principal	$ 85	$ 91	$ 97	$ 103	$ 110
2004 SERIES (EVERGREEN @ PLANO)	Interest	957	951	945	939	932
2004 SERIES (MONTGOMERY PINES)	Principal					
2004 SERIES (MONTGOMERY PINES)	Interest	256	256	256	256	256
2004 SERIES (BRISTOL)	Principal					
2004 SERIES (BRISTOL)	Interest	256	256	256	256	256
2004 SERIES (PINNACLE)	Principal					
2004 SERIES (PINNACLE)	Interest	296	297	297	297	296
2004 SERIES (TRANQUILITY BAY)	Principal	90	96	102	109	117
2004 SERIES (TRANQUILITY BAY)	Interest	918	912	905	898	891
2004 SERIES (SPHINX @ DELAFIELD)	Principal	110	110	120	125	135
2004 SERIES (SPHINX @ DELAFIELD)	Interest	583	577	572	566	559
2004 SERIES (CHURCHILL @ PINNACLE)	Principal	72	77	82	87	93
2004 SERIES (CHURCHILL @ PINNACLE)	Interest	654	649	644	639	633
2004 SERIES A/B (POST OAK EAST)	Principal					
2004 SERIES A/B (POST OAK EAST)	Interest	285	287	287	287	287
2004 SERIES (VILLAGE FAIR)	Principal	85	91	97	103	110
2004 SERIES (VILLAGE FAIR)	Interest,	905	899	893	887	880
2005 SERIES (PECAN GROVE)	Principal	84	90	96	102	109
2005 SERIES (PECAN GROVE)	Interest	902	896	890	883	877
2005 SERIES (PRAIRIE OAKS)	Principal	66	71	75	81	86
2005 SERIES (PRAIRIE OAKS)	Interest	710	706	700	695	690
2005 SERIES (PORT ROYAL)	Principal	73	78	83	88	94
2005 SERIES (PORT ROYAL)	Interest	784	779	774	768	762
2005 SERIES (MISSION DEL RIO)	Principal	69	73	78	83	89
2005 SERIES (MISSION DEL RIO)	Interest	738	734	729	723	718
2005 SERIES (ATASCOCITA)	Principal	143	152	162	171	182
2005 SERIES (ATASCOCITA)	Interest	245	243	239	236	232
2005 SERIES (TOWER RIDGE)	Principal	100	100	100	100	100
2005 SERIES (TOWER RIDGE)	Interest	314	312	310	308	305
2005 SERIES (ALTA CULLEN)	Principal					
2005 SERIES (ALTA CULLEN)	Interest	924	924	924	924	924
2005 SERIES (PRAIRIE RANCH)	Principal	115	125	125	135	140
2005 SERIES (PRAIRIE RANCH)	Interest	582	576	570	564	557
2005 SERIES (ST. AUGUSTINE)	Principal	47	98	104	111	117
2005 SERIES (ST. AUGUSTINE)	Interest	159	157	155	152	150
2005 SERIES (PARK MANOR)	Principal	58	62	66	70	75
2005 SERIES (PARK MANOR)	Interest	664	660	656	651	647

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2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	REQUIRED
$ 674	$ 934	$ 1,296	$ 1,797	$ 2,490	$ 3,453	$ 3,527	$ 14,657
4,535	4,272	3,910	3,408	2,708	1,742	140	25,439
				12,300			12,300
1,280	1,280	1,280	1,280	964			7,364
				12,300			12,300
1,280	1,280	1,280	1,280	964			7,364
				14,265			14,265
1,484	1,484	1,484	1,483	1,123			8,541
711	983	1,360	1,879	2,598	3,594	2,529	14,168
4,326	4,052	3,674	3,153	2,429	1,429	107	23,694
790	1,035	1,360	1,775	2,295	2,940	340	11,135
2,684	2,459	2,159	1,755	1,225	541	12	13,692
568	789	1,093	1,516	2,099	2,909	643	10,028
3,061	2,841	2,533	2,109	1,521	705	16	16,005
				13,600			13,600
1,435	1,435	1,435	1,435	1,150			8,323
672	931	1,285	1,778	2,458	3,399	2,961	13,970
4,276	4,018	3,660	3,166	2,480	1,536	199	23,799
665	921	1,271	1,759	2,434	3,365	3,011	13,907
4,262	4,008	3,655	3,169	2,496	1,565	229	23,832
524	724	1,002	1,385	1,916	2,651	2,372	10,953
3,354	3,153	2,874	2,489	1,956	1,217	166	18,710
575	795	1,099	1,521	2,104	2,909	2,681	12,100
3,707	3,486	3,180	2,755	2,170	1,360	198	20,723
542	749	1,035	1,433	1,982	2,739	2,523	11,395
3,492	3,282	2,995	2,595	2,044	1,282	185	19,517
1,096	1,483	2,012	2,740	3,759			11,900
1,097	962	782	533	194			4,763
700	1,300	2,200	3,000	7,300			15,000
1,494	1,389	1,207	944	534			7,117
						14,000	14,000
4,620	4,620	4,620	4,620	4,620	4,620	1,386	33,726
830	1,070	1,400	1,760	2,220	2,810	1,320	12,050
2,672	2,445	2,146	1,764	1,285	682	69	13,912
703	944	1,268	1,703	2,288	267		7,650
709	623	507	351	138	1		3,102
454	625	861	1,183	1,627	2,239	3,080	10,400
3,152	2,981	2,744	2,420	1,972	1,357	301	18,205

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2008
(Amounts in Thousands)

DESCRIPTION		2009	2010	2011	2012	2013
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	Principal	$ 85	$ 91	$ 97	$ 103	$ 110
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	Interest	911	905	899	893	886
2005 SERIES (PLAZA CHASE OAKS)	Principal	215	227	238	251	264
2005 SERIES (PLAZA CHASE OAKS)	Interest	707	696	684	672	658
2005 SERIES (CANAL PLACE APTS))	Principal		56	81	88	95
2005 SERIES (CANAL PLACE APTS))	Interest	1,026	1,024	1,018	1,011	1,003
2005 SERIES (CORAL HILLS)	Principal	75	70	70	80	85
2005 SERIES (CORAL HILLS)	Interest	255	251	248	244	240
2006 SERIES (HARRIS BRANCH APTS)	Principal		200	200	200	300
2006 SERIES (HARRIS BRANCH APTS)	Interest	322	320	316	311	306
2006 SERIES (BELLA VISTA APTS)	Principal	45	45	45	50	55
2006 SERIES (BELLA VISTA APTS)	Interest	416	413	411	408	404
2006 SERIES (VILLAGE PARK)	Principal	105	190	190	200	215
2006 SERIES (VILLAGE PARK)	Interest	699	690	680	670	660
2006 SERIES (OAKMOOR)	Principal	75	95	101	107	114
2006 SERIES (OAKMOOR)	Interest	876	871	865	858	852
2006 SERIES (SUNSET POINTE)	Principal					
2006 SERIES (SUNSET POINTE)	Interest	315	315	315	315	315
2006 SERIES (HILLCREST)	Principal		175	160	170	180
2006 SERIES (HILLCREST)	Interest	653	647	638	629	620
2006 SERIES (PLEASANT VILLAGE)	Principal	74	79	84	88	95
2006 SERIES (PLEASANT VILLAGE)	Interest	361	356	351	347	340
2006 SERIES (GROVE VILLAGE)	Principal	77	81	86	91	98
2006 SERIES (GROVE VILLAGE)	Interest	372	367	362	357	351
2006 SERIES (RED HILLS VILLAS)	Principal					
2006 SERIES (RED HILLS VILLAS)	Interest	101	101	101	101	101
2006 SERIES (CHAMPIONS CROSSING)	Principal					
2006 SERIES (CHAMPIONS CROSSING)	Interest	101	102	102	102	101
2006 SERIES (STONEHAVEN)	Principal	61	77	82	87	92
2006 SERIES (STONEHAVEN)	Interest	654	649	645	640	635
2006 SERIES (CENTER RIDGE)	Principal		120	110	115	125
2006 SERIES (CENTER RIDGE)	Interest	416	413	407	401	395
2006 SERIES (MEADOWLANDS)	Principal	1,780	75	79	84	89
2006 SERIES (MEADOWLANDS)	Interest	757	701	696	691	686
2006 SERIES (EAST TEX PINES)	Principal			80	95	105
2006 SERIES (EAST TEX PINES)	Interest	668	668	665	660	655
2006 SERIES (VILLAS @ HENDERSON)	Principal		47	98	104	110
2006 SERIES (VILLAS @ HENDERSON)	Interest	125	124	123	121	119

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C (Continued)
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2008
(Amounts in Thousands)

2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	REQUIRED
$ 668	$ 919	$ 1,265	$ 1,741	$ 2,396	$ 3,297	$ 3,508	$ 14,280
4,312	4,058	3,712	3,234	2,575	1,670	330	24,385
1,537	1,977	2,545	3,273	3,585			14,112
3,072	2,631	2,062	1,330	397			12,909
611	896	1,236	1,701	2,340	8,996		16,100
4,882	4,607	4,275	3,819	3,191	364		26,220
480	625	3,585					5,070
1,129	994	497					3,858
1,400	1,800	2,500	3,300	4,400	700		15,000
1,449	1,275	1,045	735	321	2		6,402
320	440	590	810	1,095	1,495	1,795	6,785
1,968	1,852	1,695	1,483	1,194	802	217	11,263
1,250	1,670	9,840					13,660
3,116	2,746	1,528					10,789
685	922	1,246	1,680	2,267	3,058	4,285	14,635
4,144	3,903	3,579	3,143	2,554	1,759	497	23,901
					15,000		15,000
1,575	1,575	1,575	1,575	1,575	273		9,723
1,085	1,470	1,550			7,645		12,435
2,940	2,605	2,162	2,005	2,005	236		15,140
570	4,981						5,971
1,605	1,273						4,633
586	5,131						6,150
1,654	1,309						4,772
	400	700	1,000	2,915			5,015
505	485	429	335	149			2,408
200	500	700	1,000	2,625			5,025
503	457	400	305	126			2,299
550	733	9,618					11,300
3,084	2,897	1,670					10,874
745	1,000	1,040			5,070		8,325
1,872	1,653	1,372	1,270	1,270	165		9,634
536	723	974	1,316	1,776	2,394	3,674	13,500
3,341	3,152	2,898	2,557	2,094	1,472	500	19,545
605	810	1,065	1,420	1,875	2,490	4,955	13,500
3,188	3,009	2,774	2,461	2,046	1,497	575	18,866
651	859	1,135	1,501	1,983	712		7,200
564	500	415	300	152	10		2,553

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2008
(Amounts in Thousands)

DESCRIPTION		2009	2010	2011	2012	2013
2006 SERIES (ASPEN PARK)	Principal	$	$ 105	$ 95	$ 100	$ 110
2006 SERIES (ASPEN PARK)	Interest	490	488	483	478	473
2006 SERIES (IDLEWILDE)	Principal		77	162	173	184
2006 SERIES (IDLEWILDE)	Interest	296	296	293	290	286
2007 SERIES (LANCASTER)	Principal					
2007 SERIES (LANCASTER)	Interest	296	296	296	297	296
2007 SERIES (PARK PLACE AT LOYOLA)	Principal			98	104	110
2007 SERIES (PARK PLACE AT LOYOLA)	Interest	870	870	867	861	855
2007 SERIES (TERRACES AT CIBOLO)	Principal					
2007 SERIES (TERRACES AT CIBOLO)	Interest	282	282	282	283	282
2007 SERIES (SANTORA VILLAS)	Principal			64	89	94
2007 SERIES (SANTORA VILLAS)	Interest	758	758	757	752	746
2007 SERIES (A/B VILLAS @ MESQUITE CREEK)	Principal		210	155	165	175
2007 SERIES (A/B VILLAS @ MESQUITE CREEK)	Interest	858	853	843	833	824
2007 SERIES (SUMMIT POINT)	Principal		165	100	105	120
2007 SERIES (SUMMIT POINT)	Interest	603	598	593	588	582
2007 SERIES (COSTA RIALTO)	Principal			91	96	101
2007 SERIES (COSTA RIALTO)	Interest	663	663	660	655	650
2007 SERIES (WINDSHIRE)	Principal					
2007 SERIES (WINDSHIRE)	Interest	291	291	291	291	291
2007 SERIES (RESIDENCE @ ONION CREEK)	Principal					
2007 SERIES (RESIDENCE @ ONION CREEK)	Interest	307	308	308	308	307
2008 SERIES (WEST OAKS APTS)	Principal					
2008 SERIES (WEST OAKS APTS)	Interest	268	269	269	269	269
2008 SERIES (COSTA IBIZA APTS)	Principal					
2008 SERIES (COSTA IBIZA APTS)	Interest	265	265	265	266	265
2008 SERIES (ADDISON PARK APTS)	Principal					
2008 SERIES (ADDISON PARK APTS)	Interest	740	763	763	764	762
Total Multifamily Bonds		$ 75,476	$ 74,540	$ 74,877	$ 74,964	$ 74,909
	Total	$ 167,027	$ 182,098	$ 182,191	$ 181,834	$ 182,176
	Less Interest	126,159	125,736	123,688	121,573	119,311
	Total Principal	$ 40,868	$ 56,362	$ 58,503	$ 60,261	$ 62,865

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS (332)

Supplementary Bond Schedules
SCHEDULE 1-C (Continued)
DEBT SERVICE REQUIREMENTS (PRINCIPAL & INTEREST)
August 31, 2008
(Amounts in Thousands)

2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	REQUIRED
$ 630	$ 845	$ 875	$	$	$ 7,040	$	$ 9,800
2,274	2,092	1,854	1,760	1,760	295		12,447
1,119	1,539	2,114	2,903	3,990	1,989		14,250
1,366	1,230	1,041	783	429	41		6,351
					14,250		14,250
1,481	1,481	1,482	1,481	1,481	559		9,446
657	877	1,170	1,564	2,088	2,789	5,543	15,000
4,167	3,946	3,651	3,256	2,729	2,025	859	24,956
					8,000		8,000
1,411	1,411	1,412	1,411	1,411	475		8,942
563	754	1,005	1,344	1,793	2,395	4,971	13,072
3,641	3,450	3,196	2,856	2,404	1,800	820	21,938
1,045	1,370	1,755	2,245	2,880	3,680	3,180	16,860
3,949	3,623	3,236	2,743	2,109	1,298	310	21,479
665	865	1,115	1,470	1,935	2,550	2,610	11,700
2,821	2,634	2,388	2,062	1,624	1,041	290	15,824
596	779	1,017	1,328	1,735	2,264	4,378	12,385
3,158	2,975	2,736	2,422	2,015	1,483	676	18,756
					14,000		14,000
1,455	1,455	1,455	1,455	1,455	697		9,427
					15,000		15,000
1,539	1,539	1,539	1,538	1,539	696		9,928
					13,125		13,125
1,345	1,345	1,345	1,345	1,345	764		8,833
					13,900		13,900
1,326	1,326	1,327	1,326	1,326	781		8,738
						14,000	14,000
3,815	3,815	3,816	3,814	3,815	3,815	255	26,937
$ 368,720	$ 384,264	$ 406,958	$ 362,847	$ 392,247	$ 330,415	$ 107,529	$ 2,727,746
$ 842,248	$ 784,196	$ 819,766	$ 805,388	$ 619,783	$ 345,728	$ 107,529	$ 5,219,964
555,780	490,326	394,868	283,019	150,705	60,113	8,469	2,559,747
$ 286,468	$ 293,870	$ 424,898	$ 522,369	$ 469,078	$ 285,615	$ 99,060	$ 2,660,217

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Suplementary Bond Schedules
SCHEDULE 1-D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE - REVENUE BONDS
For the Fiscal Year Ended August 31, 2008
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2002 Single Family Series A	$ 2,820	$ 64	$	$ 2,026
2002 Single Family Series A (Jr. Lien)	1,365	9		316
2002 Single Family Series B	7,347	57		1,871
2002 Single Family Series C	775	17	500	546
2002 Single Family Series D	447	7	875	215
2004 Single Family Series A	14,677	289	3,320	4,724
2004 Single Family Series A (Jr. Lien)	292	19		146
2004 Single Family Series B	2,659	149		2,143
2004 Single Family Series C	6,187	99	405	1,526
2004 Single Family Series D	1,681	106		1,338
2004 Single Family Series E	602	25	1,070	363
2005 Single Family Series A	7,558	364	165	4,036
2005 Single Family Series B	3,500	96	705	905
2005 Single Family Series C	1,181	39		272
2005 Single Family Series D	348	17		154
2006 Single Family Series A	4,035	390	230	2,879
2006 Single Family Series B	4,638	443	720	3,380
2006 Single Family Series C	7,015	673	750	5,025
2006 Single Family Series D	4,733	159		1,196
2006 Single Family Series E	860	106	1,240	732
2006 Single Family Series F	4,686	793		4,122
2006 Single Family Series G	885	143	570	616
2006 Single Family Series H	1,832	364		1,433
2007 Single Family Series A	8,711	2,177		6,050
2007 Single Family Series B	7,415	90	-	7,649
Total Single Family Bonds	96,251	6,695	10,550	53,660
1998 RMRB Series A	5,167	34	1,155	2,018
1998 RMRB Series B	1,217	6		360
1999 RMRB Series A	1,466	12		294
1999 RMRB Series B-1	3,122	20		1,410
1999 RMRB Series C	264	3		219
2000 RMRB Series A	1,852	17	245	998
2000 RMRB Series B	6,788	82		2,682
2000 RMRB Series C	545	15		498
2000 RMRB Series D	389	11	555	346
2001 RMRB Series A	3,981	41	590	1,694
2001 RMRB Series B	820	16		629
2001 RMRB Series C	1,288	10	1,095	437
2001 RMRB Series D	29	1	5	13
2002 RMRB Series A	3,360	27	520	1,557
2003 RMRB Series A	7,475	93	1,040	3,010
Total Residential Mtg Revenue Bonds	37,764	388	5,205	16,165
1992 CHMRB Series C	2,909	11		787
Total 1992 CHMRB	2,909	11		787
1987 MF Series (South Texas Rental Housing)	80		92	53
1996 MF Series A/B (Brighton's Mark)	464	2		500
1996 MF Series A/B (Las Colinas)	13,396	4		683
1996 MF Series A/B (Braxton's Mark)	834	3		829
1998 MF Series A (Pebble Brook)	576		190	541
1998 MF Series A-C (Residence Oaks)	439		151	439
1998 MF Series A/B (Greens of Hickory Trial)	647		240	647
1999 MF Series A-C (Mayfield)	586		209	586
1999 MF Series A (Woodglen Village)	10,602			97
2000 MF Series A (Creek Point Apts)	288			173

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Suplementary Bond Schedules
SCHEDULE 1-D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE - REVENUE BONDS
For the Fiscal Year Ended August 31, 2008
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2000 MF Series A (Deerwood Apts)	$ 381	$	$ 95	$ 381
2000 MF Series A (Timber Point Apts)	303			203
2000 MF Series A/B (Greenbridge)	1,459		178	1,459
2000 MF Series A/B (Oaks at Hampton)	703		75	703
2000 MF Series A/B (Parks @ Westmoreland)	698		73	698
2000 MF Series A/B (Williams Run)	960		149	960
2000 MF Series A-C (Collingham Park)	864		182	864
2000 MF Series A-C (Highland Meadow Apts)	573		121	573
2001 MF Series A (Bluffview Senior Apts)	795		59	795
2001 MF Series A (Knollwood Villas Apts)	1,021		76	1,021
2001 MF Series A (Oak Hollow Apts.)	445		40	445
2001 MF Series A (Greens Road Apts.)	429		120	429
2001 MF Series A (Skyway Villas)	1,052		125	432
2001 MF Series A/B (Cobb Park)	567		42	567
2001 MF Series A/B (Hillside Apts.)	882		43	882
2001 MF Series A/B (Meridian Apts.)	803		185	803
2001 MF Series A/B (Wildwood Apts.)	794		190	794
2001 MF Series A-C (Fallbrook Apts.)	861		206	861
2002 MF Series A (Clarkridge Villas Apts)	962		81	962
2002 MF Series A (Park Meadows Apts)	281		60	281
2002 MF Series A (Sugar Creek Apts.)	710		115	701
2002 MF Series A (West Oaks Apts.)	682		57	682
2002 MF Series A (Green Crest Apts)	794		143	794
2002 MF Series A (Hickory Trace Apts)	796		67	796
2002 MF Series A (Millstone Apts.)	577		165	577
2002 MF Series A (Woodway Village Apts)	392		110	392
2002 MF Series A/B (Ironwood Crossing)	1,209		73	1,209
2003 MF Series A (NHP-Asmara) Refunding	827		360	578
2003 MF Series A (Evergreen @ Mesquite)	725		110	724
2003 MF Series A/B (Reading Road)	595		20	395
2003 MF Series A/B (Arlington Villas)	1,174		74	1,174
2003 MF Series A/B (Ash Creek Apts)	1,089		80	1,089
2003 MF Series A/B (North Vista Apts)	1,545		190	645
2003 MF Series A/B (Parkview Twnhms)	1,112		79	1,112
2003 MF Series A/B (Peninsula Apts)	634		160	629
2003 MF Series A/B (Primrose Houston School)	1,096		79	1,096
2003 MF Series A/B (Sphinx @ Murdeaux)	718		165	718
2003 MF Series A/B (Timber Oaks Apts)	925		56	925
2003 MF Series A/B (West Virginia Apts)	463		145	463
2004 MF Series A (Bristol)	648			323
2004 MF Series A (Chisholm Trail)	414			314
2004 MF Series A (Churchill @ Pinnacle)	659		67	659
2004 MF Series A (Evergreen @ Plano)	962		80	962
2004 MF Series A (Humble Park)	764		100	764
2004 MF Series A (Montgomery Pines)	323			323
2004 MF Series A (Pinnacle)	610			375
2004 MF Series A (Rush Creek)	1,736		51	614
2004 MF Series A (Sphinx @ Delafield)	587		100	587
2004 MF Series A (Tranquility Bay)	923		84	923
2004 MF Series A (Village Fair)	910		80	910
2004 MF Series A (Addison Park)	14,385			385
2004 MF Series A/B (Century Park)	986		165	686
2004 MF Series A/B (Post Oak East)	363			363
2004 MF Series A/B (Timber Ridge)	449		34	449
2004 MF Series A/B (Veterans Memorial)	1,088		79	1,088
2005 MF Series A (Alta Cullen)	924			924
2005 MF Series A (Atascocita Pines)	312			312
2005 MF Series A/B (Canal Place)	1,025			1,026

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332)

Suplementary Bond Schedules
SCHEDULE 1-D
ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE - REVENUE BONDS
For the Fiscal Year Ended August 31, 2008
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
2005 MF Series A (Del Rio)	$ 743	$	$ 64	$ 743
2005 MF Series A (Park Manor)	666			666
2005 MF Series A (Pecan Grove)	906		79	906
2005 MF Series A (Chase Oaks)	717		138	717
2005 MF Series A (Port Royal)	789		68	789
2005 MF Series A (Prairie Oaks)	714		62	714
2005 MF Series A (Prairie Ranch)	588		145	588
2005 MF Series A (Mockingbird)	916		80	916
2005 MF Series A (St Augustine)	201			201
2005 MF Series A (Tower Ridge)	413			413
2006 MF Series A (Aspen Park Apts)	490			490
2006 MF Series A (Bella Vista)	418		15	418
2006 MF Series A (Center Ridge)	416			416
2006 MF Series A (Champions Crossing)	238			138
2005 MF Series A (Coral Hills)	517			267
2006 MF Series A (East Tex Pines)	668			668
2006 MF Series A (Grove Village)	377		30	377
2006 MF Series A (Harris Branch)	402			402
2006 MF Series A (Hillcrest)	653			653
2006 MF Series A (Idlewilde Apts)	374			374
2006 MF Series A (Meadowlands)	810			810
2006 MF Series A (Oakmoor)	872			872
2006 MF Series A (Pleasant Village)	366		29	366
2006 MF Series A (Red Hills Villas)	136			136
2006 MF Series A (Stonehaven)	655			655
2006 MF Series A (Sunset Pointe)	413			413
2006 MF Series A (Village Park)	688			688
2006 MF Series A (Villas at Henderson)	191			191
2007 MF Series A (Villas @ Mesquite Creek)	858			858
2007 MF Series A (Costa Rialto)	663			663
2007 MF Series A (Lancaster Apts)	374			374
2007 MF Series A (Park Place @ Loyola)	870			870
2007 MF Series A (Santora Villas)	758			758
2007 MF Series A (Summit Point)	603			603
2007 MF Series A (Terraces at Cibolo)	210			210
2007 MF Series A (Windshire)	367			367
2007 MF Series A (Residences @ Onion Creek	271			271
2008 MF Series A (West Oaks Apts)	35			35
2008 MF Series A (Costa Ibiza Apts)	17			17
2008 MF Series A(Addison Park)	7			7
Total Multifamily Bonds	107,246	9	6,780	65,369
Total	$ 244,170	$ 7,103	$ 22,535	$ 135,981

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Rick Perry, Governor,
and the Governing Board of
Texas Department of Housing and Community Affairs:

We have audited the basic financial statements of the Texas Department of Housing and Community Affairs (the "Department") as of and for the year ended August 31, 2008, and have issued our report thereon dated December 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Member of
Deloitte Touche Tohmatsu

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, including the Public Funds Investment Act (§2256, Texas Government Code); regulations; contracts; and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Department in a separate letter dated December 18, 2008.

This report is intended solely for the information and use of the Governing Board, management, and federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

December 18, 2008

Texas Department of Housing and Community Affairs — Revenue Bond Program

Financial Statements as of and for the
Year Ended August 31, 2008, and
Independent Auditors' Report

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

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INDEPENDENT AUDITORS' REPORT

To The Honorable Rick Perry, Governor, and the Governing Board
Texas Department of Housing and Community Affairs:

We have audited the accompanying statement of net assets of Texas Department of Housing and Community Affairs — Revenue Bond Enterprise Fund (the "Fund") as of August 31, 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended and supporting schedules 3 through 7. These financial statements and supporting schedules are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and supporting schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Revenue Bond Enterprise Fund of the Texas Department of Housing and Community Affairs (the "Department") and are not intended to present fairly the financial position of the Department or the results of its operations and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Texas Department of Housing and Community Affairs — Revenue Bond Enterprise Fund at August 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, supporting schedules 3 through 7 present fairly, in all material respects, the information set forth therein in accordance with guidelines issued by the Texas Comptroller of Public Accounts.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information by bond program, included as Schedules 1 and 2, listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. These schedules are also the responsibility of the Fund's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

December 18, 2008

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS – REVENUE BOND PROGRAM MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) FOR THE YEAR ENDED AUGUST 31, 2008

This section of the Texas Department of Housing and Community Affairs-Revenue Bond Program ("Bond Program") annual financial report presents management's discussion and analysis of the financial performance of the Bond Program of the Texas Department of Housing and Community Affairs ("Department") during the fiscal year that ended on August 31, 2008. Please read it in conjunction with the Department's Bond Program financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Bond Program's net assets increased by $4.8 million. This was primarily because of the change in fair value of investments as explained below.

- The Bond Program had a higher Operating Income of $8.5 million, an improvement of $20 million over the prior year. The change in operating income was a result of the following factors. The change in fair value of investments increased from an unrealized loss of $7.3 million in fiscal year 2007 to an unrealized gain of $6.5 million in fiscal year 2008, or $13.8 million, which accounted for the majority of the increase in operating results. In addition, interest and investment income increased by $4.6 million.

- The Bond Program's debt outstanding of $2.7 billion as of August 31, 2008, increased $86.7 million. Debt issuances and debt retirements totaled $213 million and $126.3 million, respectively.

- Loan originations for the year totaled $56.8 million in the Bond Program.

- The Department currently has five outstanding swaps with three different counterparties at combined notional amount of $359.9 million and a fair value of ($13.9 million) as of August 31, 2008.

- Subprime lending continues to receive significant attention in the financial market. A rise in the number of borrowers who are unable to pay debt obligations has led to increased foreclosures causing uncertainty in the housing market. According to Standard and Poor's, Housing Finance Agencies (HFAs) face lower risk from defaults on their loans. Homebuyer education programs, conservative underwriting, generous reserves, and ongoing HFA asset management have resulted in strong portfolio performance which is expected to continue for the long-term. Since 1988, the Department has had its single family mortgage loans guaranteed by Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC).

FINANCIAL STATEMENTS

The financial statements provide information about the Bond Program's funds. The Bond Program has only one type of fund, the proprietary fund, which is as follows:

- ***Proprietary Fund*** — The Bond Program's activities in its proprietary fund are accounted for in a manner similar to businesses operating in the private sector. Funding has primarily arisen through the issuances of taxable and tax-exempt bonds whose proceeds are used primarily to fund various types

of loans to finance low- and moderate-income housing. The net assets of these funds represent accumulated earnings since their inception and are generally restricted for program purposes or debt service.

FINANCIAL ANALYSIS OF THE REVENUE BOND PROGRAM

Bond Program — Condensed Schedule of Net Assets

	Bond Program		Increase (Decrease)	
	2008	2007	Amount	Percentage
ASSETS:				
Cash and investments	$ 1,684,002,058	$ 1,604,601,447	$ 79,400,611	4.95 %
Loans, contracts, and notes receivable	1,262,313,072	1,258,715,642	3,597,430	0.29 %
Interest receivable	14,900,890	20,024,161	(5,123,271)	(25.59)%
Capital assets		89,062	(89,062)	(100.00)%
Real estate owned	341,169	294,919	46,250	15.68 %
Deferred issuance cost	11,991,756	11,655,758	335,998	2.88 %
Other assets	283,629	438,349	(154,720)	(35.30)%
Total assets	2,973,832,574	2,895,819,338	78,013,236	2.69 %
LIABILITIES:				
Bonds/notes payable	2,742,521,154	2,615,242,505	127,278,649	4.87 %
Interest payable	38,307,372	40,093,198	(1,785,826)	(4.45)%
Deferred revenue	8,541,937	4,631,000	3,910,937	84.45 %
Other liabilities	148,794,858	205,015,216	(56,220,358)	(27.42)%
Total liabilities	2,938,165,321	2,864,981,919	73,183,402	2.55 %
NET ASSETS:				
Invested in capital assets		89,062	(89,062)	(100.00)%
Restricted	17,304,914	11,349,640	5,955,274	52.47 %
Unrestricted	18,362,339	19,398,717	(1,036,378)	(5.34)%
Total net assets	$ 35,667,253	$ 30,837,419	$ 4,829,834	15.66 %

Net assets of the Bond Program increased $4.8 million, or 15.7%, to $35.7 million. The net increase primarily resulted from an increase in fair value of the Bond Program's investments, an increase in interest and investment income, and a transfer of certain general and administrative expenses now accounted for in the Department's Administrative Program and not reflected in the Operating Fund of Bond Program beginning in fiscal year 2008. Restricted net assets of the Bond Program increased $6 million, or 52.5%. Unrestricted net assets decreased $1 million, or 5.3%.

Cash and investments increased $79.4 million, or 5%, to $1.7 billion, due to the investments of new bond proceeds from single family and multifamily bond issues. The Bond Program loans receivable (current and non-current) increased $3.6 million, or 0.3%, to $1.3 billion, due primarily to $56 million worth of mortgage loans originated and $48.3 million paid down under the Multi-Family Program. Total bonds and notes payable (current and non-current) increased $127.3 million, or 4.9%, due to new debt issuances associated with the Bond Program's Single Family and Multi-Family Programs.

A comparison between 2008 and 2007 for the Schedule of Revenues, Expenses, and Changes in Net Assets is as follows:

Bond Program - Schedule of Revenues, Expenses, and Changes in Net Assets

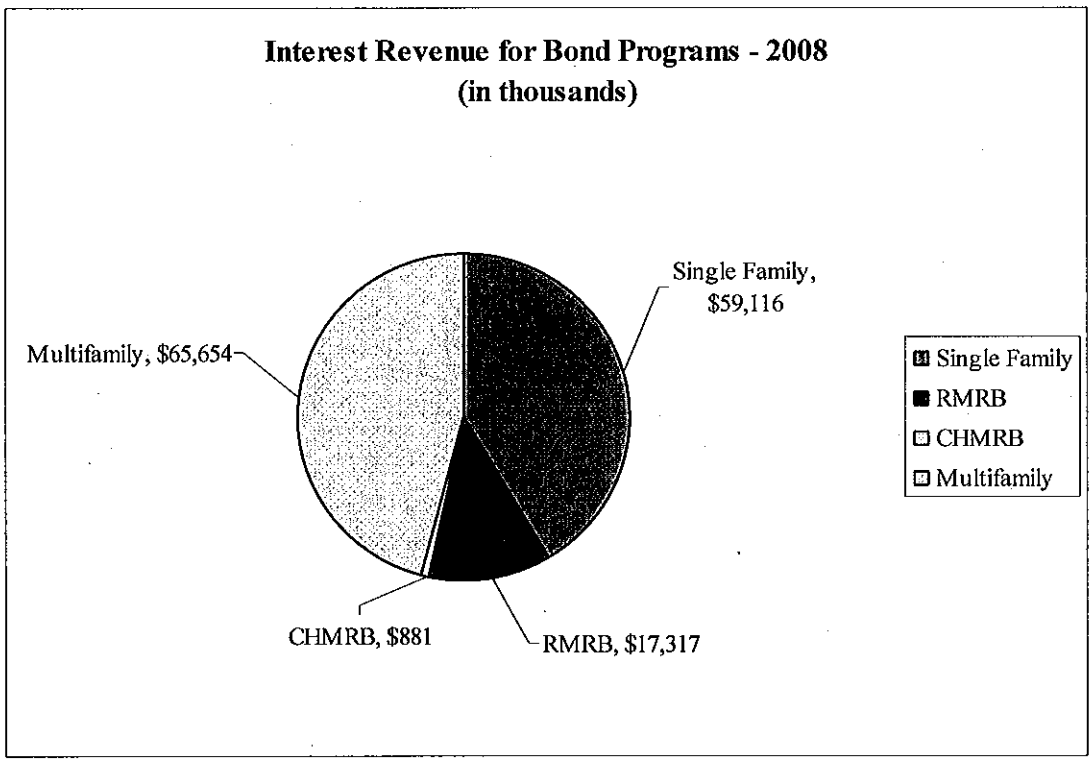
	2008	2007	Increase (Decrease) Amount	Increase (Decrease) Percentage
OPERATING REVENUES:				
Interest and investment income	$144,584,681	$ 140,011,272	$ 4,573,409	3.27 %
Net (decrease) in fair value	6,488,245	(7,271,532)	13,759,777	(189.23)%
Other operating revenues	2,597,291	4,204,419	(1,607,128)	(38.22)%
Total operating revenues	153,670,217	136,944,159	16,726,058	12.21 %
OPERATING EXPENSES:				
Salaries and wages		3,878,630	(3,878,630)	(100.00)%
Payroll-related costs		852,761	(852,761)	(100.00)%
Professional fees and services	1,133,870	684,758	449,112	65.59 %
Travel		81,612	(81,612)	(100.00)%
Materials and supplies		136,373	(136,373)	(100.00)%
Communications and utilities		69,016	(69,016)	(100.00)%
Repairs and maintenance		115,797	(115,797)	(100.00)%
Rentals and leases		33,175	(33,175)	(100.00)%
Printing and reproduction		7,575	(7,575)	(100.00)%
Depreciation expense	882,289	943,856	(61,567)	(6.52)%
Interest	136,892,908	131,807,514	5,085,394	3.86 %
Bad Debt Expense	116,512	249,370	(132,858)	(53.28)%
Down Payment Assistance	5,144,249	8,555,264	(3,411,015)	(39.87)%
Other operating expenses	1,009,871	1,097,974	(88,103)	(8.02)%
Total operating expenses	145,179,699	148,513,675	(3,333,976)	(2.24)%
OPERATING INCOME (LOSS)	8,490,518	(11,569,516)	20,060,034	(173.39)%
NONOPERATING REVENUES (EXPENSES)	(3,660,684)	2,142,374	(5,803,058)	(270.87)%
CHANGE IN NET ASSETS	4,829,834	(9,427,142)	14,256,976	(151.23)%
BEGINNING NET ASSETS	30,837,419	40,264,561	(9,427,142)	(23.41)%
ENDING NET ASSETS	$ 35,667,253	$ 30,837,419	$ 4,829,834	15.66 %

The Bond Program's general and administrative expenses are now accounted for in the Department's Administrative Program, which resulted in a decrease in operating expenses of $5.2 million from 2007. Net assets of the Bond Program increased from the August 31, 2008 amount by $4.8 million, or 15.7%, to $35.7 million.

Earnings within the Bond Program's various bond indentures were $153.7 million, of which $151.6 million is classified as restricted and $2.1 million, as unrestricted. Restricted earnings are composed of $144.1 million in interest and investment income, $6.5 million increase in fair value of investments, and $1 million in other

revenue. Interest and investment income is restricted per bond covenants for debt service, fair value in investments is an unrealized gain due to the fact that the Bond Program holds investments until maturity, and other revenue is predominantly an accounting recognition of fees received in previous years that were deferred when received and are being amortized over a period of time. Unrestricted earnings are composed of $0.5 million in interest and investment income and $1.6 million in other operating revenue.

The graph below will illustrate the composition of interest revenue for the various bond indentures that make up the Bond Program:



Interest earned on program loans decreased by $2.6 million, or 3.8%, due primarily to a decrease of $2.1 million, or 3.1%, within the Bond Program's Multi-Family Program, due to lower loan amounts outstanding throughout the year and a decrease in the Single Family Program due to decreasing loan balances.

Investment income increased $7.3 million, or 10.4%, and reflected higher investment yields. The primary changes in investment income were within the Single Family Bond Program funds, which increased $8.9 million, or 18.4%, and the Residential Mortgage Revenue Bond Program funds, which decreased $1.8 million, or 9.6%.

Expenses of the Bond Program consist primarily of interest expense of $136.9 million, which increased $5.1 million, or 3.9%, on the Bond Program's debt incurred to fund its various lending programs.

The Bond Program also generated $.5 million of unrestricted investment income, which was used primarily to partially offset its administrative costs.

The changes in net assets by bond indenture for the Bond Program for fiscal years 2008 and 2007 are as follows:

Changes in Net Assets by Fund Groups, Year Ended August 31,
(Amounts in thousands)

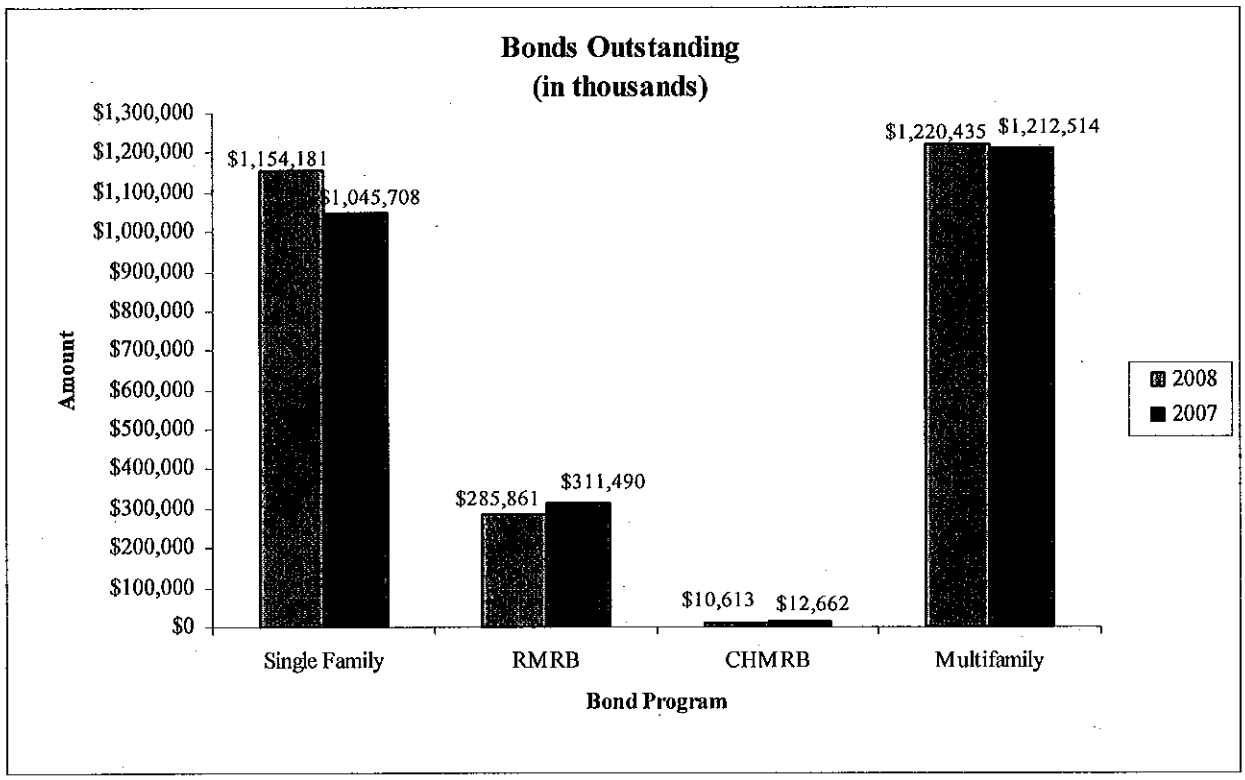
Fund	2008	2007	Increase (Decrease) Amount	Increase (Decrease) Percentage
Single Family	$ 5,693	$ 4,616	$ 1,077	23.3 %
RMRB	9,800	5,253	4,547	86.6 %
CHMRB	1,915	1,587	328	20.7 %
Multifamily	(135)	(158)	23	(14.6)%
Commercial paper	32	51	(19)	(37.3)%
General funds	18,362	19,488	(1,126)	(5.8)%
Total	$35,667	$30,837	$ 4,830	15.7 %

Net assets of the Single Family Bond Programs increased by $1.1 million, or 23.3%, primarily due to an increase of $9.5 million to the fair value of investments and an increase in interest expense of $8.6 million. Net assets of the RMRB Bond Programs increased $4.5 million or 86.6% primarily due to an increase of $4.1 million to the fair value of investments.

BOND PROGRAM DEBT

The Bond Program's new debt issuances excluding commercial paper during fiscal year 2008 totaled $213.1 million. The Single Family Program issued $157.1 million in bonds, and the Multi-Family Bond Program issued $56 million. The Bond Program also had $126 million in debt retirement during the year primarily due to consumer refinancing and paying off original loans. The net result was an increase in bonds payable of $86.7 million to $2.7 billion of which $41.3 million is due within one year. For additional information, see Note 8, Bonds Payable, and supplementary bond information schedules.

The following graph will illustrate a comparison of bonds outstanding between fiscal year 2008 and 2007 per bond program:



REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Texas Department of Housing and Community Affairs' Bond Program operations for all parties interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Texas Department of Housing and Community Affairs, Director of Financial Administration, P.O. Box 13941, Austin, Texas, 78711-3941.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

STATEMENT OF NET ASSETS
AS OF AUGUST 31, 2008

ASSETS:	
Current assets:	
Cash and cash equivalents:	
Cash in bank	$ 61,200
Cash equivalents	14,455,869
Restricted assets:	
Cash and cash equivalents:	
Cash in bank	547,555
Cash equivalents	163,068,583
Short-term investments	159,097,490
Loans and contracts	12,655,872
Interest receivable	14,898,360
Receivables:	
Interest receivable	2,530
Accounts receivable	181,728
Loans and contracts	137,665
Other current assets	101,900
Total current assets	365,208,752
Noncurrent assets:	
Loans and contracts	3,410,973
Restricted assets:	
Investments	1,346,771,361
Loans and contracts	1,246,108,562
Other noncurrent assets:	
Deferred bond issuance cost — net	11,991,756
Real estate owned — net	341,170
Total noncurrent assets	2,608,623,822
Total assets	2,973,832,574

See notes to financial statements.

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

STATEMENT OF NET ASSETS
AS OF AUGUST 31, 2008

LIABILITIES:	
Current liabilities:	
Payables:	
Accounts payable	$ 7,637
Accrued bond interest payable	38,307,372
Deferred revenues	8,541,937
Revenue bonds payable	41,276,426
Other current liabilities	9,009,373
Total current liabilities	97,142,745
Noncurrent liabilities:	
Notes payable	71,431,000
Revenue bonds payable	2,629,813,728
Other noncurrent liabilities	139,777,848
Total noncurrent liabilities	2,841,022,576
Total liabilities	2,938,165,321
NET ASSETS:	
Restricted	17,304,914
Unrestricted	18,362,339
TOTAL NET ASSETS	$ 35,667,253

See notes to financial statements. (Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED AUGUST 31, 2008

OPERATING REVENUES:	
Interest and investment income	$144,584,681
Net increase in fair value of investments	6,488,245
Other operating revenues	2,597,291
Total operating revenues	153,670,217
OPERATING EXPENSES:	
Professional fees and services	1,133,870
Depreciation and amortization	882,289
Interest	136,892,908
Bad debt expense	116,512
Down payment assistance	5,144,249
Other operating expenses	1,009,871
Total operating expenses	145,179,699
OPERATING INCOME	8,490,518
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS — Transfers to General Fund	(3,660,684)
CHANGE IN NET ASSETS	4,829,834
NET ASSETS — September 1, 2007	30,837,419
NET ASSETS — August 31, 2008	$ 35,667,253

See notes to financial statements.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Proceeds from loan programs	$ 66,536,955
Proceeds from other revenues	2,486,263
Payments to suppliers for goods/services	(4,161,454)
Payments for loans provided	(56,795,337)
Net cash provided by operating activities	8,066,427
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Proceeds from debt issuance	254,674,363
Payments to other costs of debt	(1,646,137)
Payments to Other Funds	(4,405,572)
Payments of principal on debt	(126,342,397)
Payments of interest	(139,304,200)
Net cash used for noncapital financing activities	(17,023,943)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Proceeds from sales and maturities of investments	620,189,369
Proceeds from interest and investment income	82,549,745
Payments to acquire investments	(654,572,613)
Net cash provided by investing activities	48,166,501
INCREASE IN CASH AND CASH EQUIVALENTS	39,208,985
CASH AND CASH EQUIVALENTS — Beginning of year	138,924,222
CASH AND CASH EQUIVALENTS — End of year	$ 178,133,207

See notes to financial statements.

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2008

RECONCILIATION OF CASH FROM OPERATING ACTIVITIES TO OPERATING LOSS:	
Operating Income	$ 8,490,518
Adjustments to reconcile operating income to net cash used in operating activities:	
Amortization and depreciation	882,289
Provision for estimated losses	116,512
Operating income and cash flow categories — classification differences	51,578,535
Changes in assets and liabilities:	
Decrease in accrued interest receivable	5,123,271
Increase in loans	(3,597,430)
Increase in property owned	(46,251)
Increase in mortgage loan acquisition costs	(335,998)
Increase in deferred revenues	3,910,937
Decrease in other assets and liabilities	(56,270,130)
Decrease in accrued interest payable	(1,785,826)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 8,066,427
NONCASH TRANSACTIONS — Net Change in Fair Value of Investments	$ 6,488,246

See notes to financial statements. (Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED AUGUST 31, 2008

1. GENERAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES

General Statement — The Texas Department of Housing and Community Affairs (the "Department"), was created effective September 1, 1991, by an act of the 72nd Texas Legislature, pursuant to Senate Bill 546 (codified as Article 4413 (501), Texas Revised Civil Statutes) (the "Department Act"), passed by the Texas Legislature on May 24, 1991, and signed by the Governor of the State of Texas. Effective September 1, 1991, the Department was established to assist local governments in helping residents overcome financial, social, and environmental problems; to address low- to moderate-income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the State and the public about the needs of local government. The Department was created by merging two former agencies: the Texas Housing Agency and the Texas Department of Community Affairs.

The accompanying financial statements represent the financial status of the Revenue Bond Program (the "Program"), which is included in the enterprise fund of the Department, and are not intended to present the financial position of the Department or its results of operations or cash flows. The Department is governed by a Board composed of seven members, all of whom are appointed by the Governor with advice and consent of the Senate. The Board then appoints the Executive Director with the approval of the Governor. The Department is authorized to issue tax-exempt or taxable bonds, notes, or other obligations to finance or refinance multifamily housing developments and single-family residential housing. Bonds and notes of the Department do not constitute a debt of the State or any political subdivision thereof. The Department Act specifically provides for the assumption by the Department of the outstanding indebtedness of the former agencies. The Department is required to continue to carry out all covenants with respect to any bonds outstanding, including the payments of any bonds from the sources provided in the proceedings authorizing such bonds. For financial reporting purposes, the Department is an agency of the State and is included in its reporting entity.

The Program operates several bond programs under separate trust indentures, as follows:

- *Single-Family Bond Program ("Single-Family")* — These bonds are limited obligations of the Department. Bond proceeds were used to originate below-market rate loans for eligible low- and moderate-income residents who were purchasing a residence. These bonds were issued pursuant to a Single-Family Mortgage Revenue Bond Trust Indenture, dated October 1, 1980, and indentures supplemental thereto, and are secured on an equal and ratable basis by the trust estate established by such trust indentures.

- *Residential Mortgage Revenue Bond Program (RMRB)* — Eleven series (three of which have been refunded) of these bonds have been issued pursuant to the RMRB master indenture and 10 separate Series Supplements, and are secured on an equal and ratable basis by the trust estates established by such trust indentures. Proceeds from the 1987 A Bonds were used to purchase single-family loans, while proceeds from the remaining RMRB bond issues were used to purchase pass-through certificates created through the origination of single-family loans.

- *Collateralized Home Mortgage Revenue Bond Program (CHMRB)* — The Department issued six series of bonds pursuant to the CHMRB Trust Indenture with separate supplements for each series. The bonds are secured on an equal and ratable basis. Proceeds from the bonds are being used to purchase pass-through certificates created through the funding of loans made to finance the purchase by eligible borrowers of new and existing single-family residences in the state.

- *Multifamily Housing Revenue Bond Programs ("Multifamily")* — These bonds were issued pursuant to separate trust indentures and are secured by individual trust estates, which are not on an equal and ratable basis with each other. The bonds are limited obligations of the Department and are payable solely from the payments received from the assets and guarantors, which secure the individual trust indentures. Under these programs, the proceeds were either provided to nonprofit and for-profit developers of multifamily properties to construct or rehabilitate rental housing or used to refund other multifamily bonds issued for the same purposes.

- *Collateralized Home Mortgage Revenue Bond Program — Series 1994 and 1995 (COBs)* — On November 1, 1994, the Department issued Single-Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program), Series 1994, in the amount of $84,140,000. This bond program was issued as a Private Placement Memorandum with Federal National Mortgage Association (FNMA). The Series 1994 and 1995 COBs were issued to provide funds for the purchase of mortgage-backed, pass-through certificates backed by qualifying FHA-insured, VA-guaranteed, FMHA-guaranteed mortgage loans, or conventional mortgage loans acceptable for pooling by FNMA, made to eligible borrowers for single-family residences.

- *Commercial Paper Notes* — By resolution adopted November 10, 1994, the Department's Board has authorized the issuance of two series of commercial paper notes: its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A, and its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series B (collectively, the "Notes"). Pursuant to the resolution, the Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department. The Notes are being issued in anticipation of the issuance of refunding bonds that will refund the Notes.

- *Housing Trust Fund* — The Department Act provided for a transfer of a portion of the unencumbered fund balance from the bond programs for use in the Housing Trust Fund. The Housing Trust Fund will be used to provide assistance for low- and very-low-income persons and families in financing, acquiring, rehabilitating, and developing affordable, decent, and safe housing. The Housing Trust Fund will be made available to local units of government, public housing authorities, the Department, community housing development organizations, and nonprofit organizations, as well as eligible low- and very-low-income individuals and families.

Continuance Subject to Review — Under the Texas Sunset Act, the Department will be abolished effective September 1, 2011, unless it is continued in existence as provided in the Texas Sunset Act. If abolished, the Department may continue in existence until September 1, 2012, to close out its operations.

Significant Accounting Policies — The significant accounting policies of the Program are as follows:

Fund Accounting — The Program's financial statements have been prepared on the basis of the governmental proprietary fund concept as set forth by the Governmental Accounting Standards Board (GASB). The governmental proprietary fund concept provides that financial activities operated similarly to private business enterprises and financed through fees and charges assessed primarily to users of the services are presented as a proprietary fund. Proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred. The Program has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, as allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting.*

Investments — The Program follows the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB Statement No. 31 requires certain types of investments to be reported at fair value on the balance sheet. The Program utilizes established quoted market prices for determining the fair value of its debt securities in reserve funds. The Program's portfolio of mortgage-backed securities consists of pools of mortgage loans exchanged for mortgage-backed securities or mortgage pass-through certificates. Fair value of the Program's securitized mortgage loans (GNMA/FNMA) has been estimated by each bond issue's trustee using a pricing service.

The Program has reported all investment securities at fair value as of August 31, 2008, with the exception of certain money market investments and nonparticipating interest-earning investment contracts, which are reported at amortized cost (historical cost adjusted for amortization of premiums and accretion of discounts), provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors (see Note 3).

In accordance with GASB Statement No. 31, changes in the fair value of investments are reported in the statement of revenues, expenses, and changes in net assets as net increase (decrease) in fair value of investments.

Loans Receivable — Loans receivable are carried at the unpaid principal balance outstanding less the allowance for estimated loan losses and deferred commitment fees. Interest on loans is credited to income as earned. Loans are generally placed on nonaccrual status when the Department becomes aware that the borrower has entered bankruptcy proceedings or when the loans are 90 days past due as to either principal or interest or when payment in full of principal and interest is not expected. Deferred commitment fees are recognized using the interest method over the estimated lives of the single-family loans and the contractual lives, adjusted for actual repayments, of the multifamily loans.

Real Estate Owned — Properties acquired through foreclosure are carried at the unpaid principal balance on the related property plus accrued interest and reimbursable expenses through the date of foreclosure, less any sales proceeds, reimbursements received from mortgage insurers, and an allowance for estimated losses on such properties. After foreclosure, foreclosed assets are carried at lower of cost or fair value minus selling costs.

Interest on real estate owned is credited to income as earned based on a calculation of interest recoverable in accordance with the Department's agreements with its mortgage insurers.

Allowance for Estimated Losses on Loans and Foreclosed Properties — The allowance for estimated losses on loans is available for future chargeoffs on single-family and multifamily loans. The allowance for estimated losses on real estate owned is available for future chargeoffs on foreclosed single-family loans.

All losses are charged to the allowance when the loss actually occurs or when a determination is made that a loss is likely to occur. Periodically, management estimates the likely level of future losses to determine whether the allowances for estimated losses are adequate to absorb anticipated losses in the existing loan and real estate owned portfolios. Based on these estimates, a provision for estimated losses on loans and real estate owned is made to the allowances in order to adjust the allowances to levels estimated to be adequate to absorb reasonably foreseeable losses.

While management uses available information to recognize losses in the loan and real estate owned portfolios, future adjustments may be necessary based on changes in economic conditions. However, it is the judgment of management that the allowances are currently adequate to absorb reasonably foreseeable losses in the existing loan and real estate owned portfolios.

Commitment Fees — Commitment fees received in connection with the origination of loans are deferred and recognized using the interest method over the estimated life of the related loans and mortgage-backed securities, or if the commitment expires unexercised, it is credited to income upon expiration of the commitment.

Deferred Issuance Costs — Deferred issuance costs on bonds are amortized using the interest method over the contractual life of the bonds to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of deferred issuance costs.

Discounts and Premiums on Debt — Discounts and premiums on debt are recognized using the interest method over the life of the bonds or collateralized mortgage obligations to which they relate. Prepayments on the bonds result in the proportionate amortization during the current year of the remaining balance of discounts and premiums on debt.

General and Administrative Expenses — Beginning in 2008, certain General and Administrative expenses are accounted for in the Department's Administrative Program and are no longer reflected in the Operating Fund section of the Bond Program.

Restricted Net Assets — The net assets of the Program are restricted for various purposes of the bond trust indentures.

Cash Flows — For purposes of reporting cash flows, cash and cash equivalents consist of cash and short-term investments with a maturity at the date of purchase of three months or less, which are highly liquid and are readily exchanged for cash at amounts equal to their stated value.

Interfund Transactions — The Program has transactions between and with other funds of the Department. Quasi-external transactions are charges for services rendered by one fund to another, and they are accounted for as revenue or expense. All other interfund transactions are reported as transfers.

Gain/Loss on Refundings of Debt — Any gain/loss on refunding of bonds is deferred and amortized as a component of interest expense using the interest method.

Loss on Early Extinguishment of Debt — Any loss on extinguishment of debt prior to its stated maturity is recorded in the period the debt is retired.

Estimates — In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet and the reported revenues and expenses for the period. Actual results could differ significantly from those estimates. Management judgments and accounting estimates are made in the evaluation of the allowance for estimated losses on loans and real estate owned and in determination of the assumptions with respect to prepayments on loans and mortgage-backed securities in the recognition of deferred commitment fees to income.

2. CAPITAL ASSETS

A summary of changes in capital assets for the year ended August 31, 2008, is presented below:

Program Activities	Balance September 1, 2007	Additions	Transfer to Other Fund	Balance August 31, 2008
Depreciable assets:				
Furniture and equipment	$ 1,246,514	$	$ (1,246,514)	$
Other capital assets	62,954		(62,954)	
Less accumulated depreciation:				
Furniture and equipment	(1,197,579)		1,197,579	
Other capital assets	(22,827)		22,827	
Depreciable assets — net *	$ 89,062	$	$ (89,062)	$

* Capital Assets are not reported in the Operating Funds beginning in fiscal year 2008.

3. CASH AND CASH EQUIVALENTS, INVESTMENTS, AND MORTGAGE-BACKED SECURITIES

The Department is authorized by statute to make investments following the "prudent person rule" and based upon provisions within the master bond indentures and its Investment Policy adopted by the Board in accordance with the Public Funds Investment Act. There were no significant violations of legal provisions during the period.

Deposits of Cash in Bank — As of August 31, 2008, the carrying amount of deposits was $609 (in thousands).

Program funds — current assets — cash in bank:	
Texas Treasury Safekeeping Trust (TTSTC)	$ 61
Demand deposits	
Program funds — current assets — restricted cash in bank:	
Texas Treasury Safekeeping Trust	243
Demand deposits	305
Cash in bank	$ 609

Investments — The types of investments in which the Department may invest are restricted by the provisions of the master bond indentures and the Department's Investment Policy adopted by its Board

in accordance with the Public Funds Investment Act. The indentures allow for investments in direct obligations of or guaranteed by the U.S. government; obligations, debentures, notes, or other evidences of indebtedness issued or guaranteed by agencies or intermediaries of the U.S. government; obligations issued by public agencies or municipalities; obligations and general obligations of or guaranteed by the state; demand deposits, interest-bearing time deposits or certificates of deposit; repurchase agreements in U.S. government securities; direct or general obligations of any state within the territorial U.S.; investment agreements with any bank or financial institution; commercial paper; and guaranteed investment contracts. Certain trust indentures restrict the Department from investing in certain of the aforementioned investments.

At August 31, 2008, the fair values of investments as of the balance sheet date (including both short term and long term) are shown below (in thousands).

Program Activities	Carrying Value	Fair Value
U.S. government Treasury securities	$ 939	$ 1,014
U.S. government agency obligations	1,332,487	1,308,774
Repurchase agreements (TTSTC)	106,305	106,305
Fixed income money markets	71,219	71,219
Miscellaneous (investment agreements/guaranteed investment contracts)	196,081	196,081
Total	$1,707,031	$1,683,393

Credit Risk — Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Preservation and safety of principal is the foremost objective of the investment program. According to the Department's investment policy, investments should be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk is mitigated by:

- Limiting investments to the safest types of securities.
- Prequalifying the financial institution, broker/dealers, intermediaries, and advisors with which the Department will do business.
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

As of August 31, 2008, the Program's credit quality distribution for securities with credit risk exposure was as follows (in thousands):

Standard & Poor's

Investment Type	Not Rated	AAA	Aa	A
U.S. government agency obligations	$ -	$231,004	$ -	$ -
Repurchase agreements (TTSTC)	106,305			
Miscellaneous (investment agreements/ GICs)	196,081			
	Not Rated	**AAA-M**	**AA-M**	**A-M**
Fixed income money markets	$ -	$ 71,219	$ -	$ -

A total of $1,078,784 was not subject to credit risk disclosure due to their explicit guarantee by the U.S. government, which is composed of $1,014 in U.S. Treasury securities and $1,077,770 in U.S. government agency obligations issued by the Government National Mortgage Association.

Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. As of August 31, 2008, the Department's concentration of credit risk is as follows.

Issuer	Carrying Value (In thousands)	% of Total Portfolio
Paribas Corporation	$106,305	6.22 %
Transamerican Life	88,071	5.16

Interest Rate Risk — Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of any investment. Longer maturity of an investment will result in greater sensitivity of its fair value to changes in the market interest rates. The Department's investment policy allows for the mitigation of interest rate risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities.

Information about the sensitivity of the fair values of the Program's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Program's investments by maturity (in thousands):

Program Activities	Fair Value	12 months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. Treasury securities	$ 1,014	$	$	$	$ 1,014
U.S. government agency obligations	1,308,774	11,317		12,086	1,285,371
Repurchase agreements (TTSTC)	106,305	106,305			
Fixed income money markets	71,219	71,219			
Miscellaneous (investment agreements/GICs	196,081	147,780	19,385		28,916
Total	$1,683,393	$336,621	$19,385	$ 12,086	$1,315,301

Highly Sensitive Investments — U.S. government agency obligations held in the form of mortgage-backed securities: These securities are subject to early payment in a period of declining interest rates. These prepayments result in a reduction of expected total cash flows affecting the fair value of these securities and make the fair value of these securities highly sensitive to the changes in interest rates. The Department does not make it a common practice to sell these investments. Any fluctuation in fair value generates an unrealized gain or loss. The fair value of these investments is inversely affected by national mortgage interest rates. In an environment of rising interest rates, the Department would recognize an unrealized loss in fair market value and vice versa. Since the end of the 2008 fiscal year, the national mortgage rates have begun to decrease; as such, the Department does not believe that the value of these assets has been impaired. As of August 31, 2008, the Department holds $1,308,774 in mortgage-backed securities.

4. SUMMARY OF LONG-TERM LIABILITIES

Commercial Paper Notes Payable — The Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. Proceeds of the initial issuance of the Notes and future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department.

Other Noncurrent Liabilities — Other noncurrent liabilities totaling $139,777,848 primarily account for funds due to developers as a result of Multifamily bond proceeds. These proceeds are conduit debt issued on behalf of the developer for the purpose of Multifamily developments and are held by the trustee. Due to the variables related to the balance, the current portion cannot be reasonably estimated.

5. RESTRICTED ASSETS

Cash in bank, cash equivalents, short-term investments, loans and contracts, interest receivable, and investments (which include mortgage-backed securities) totaling $2.9 billion are restricted by the trust indentures of the related bonds and collateralized mortgage obligations. The trust indentures of the Department also require the establishing of accounts for the segregation of assets and restricting the use of bond proceeds, and other funds in connection with each bond program. Such restricted assets, primarily investments, at August 31, 2008, are as follows (in thousands):

Program	Mortgage and Debt Service Reserve	Unspent Bond Proceeds	Revenue Account	Self-Insurance	Rebate Account
Single-family	$ 1,066	$ 92,600	$ 61,065	$ 1,606	$ 635
RMRB			11,942	401	323
CHMRB			649		
Multifamily	1,282	90,164	4,903		
Commercial paper					227
Total	$ 2,348	$ 182,764	$ 78,559	$ 2,007	$ 1,185

Additionally, deferred issuance costs and real estate owned totaling $12 million and $341,000, respectively, are also restricted.

6. LOANS RECEIVABLE

Loans receivable as of August 31, 2008, consisted of the following (in thousands):

Single-family loans	$ 40,094
Multifamily loans	1,220,784
RMRB (1987 Series A) single-family loans	1,036
Miscellaneous loans	3,875
Total loans	1,265,789
Deferred commitment fees — net of accumulated amortization of $ 39,509 in 2008	(888)
Allowance for estimated loan losses	(2,588)
Total	$ 1,262,313

All of the loans made directly by the Department are secured by real estate properties located in the state.

Single-family loans are collateralized by first-lien mortgages on the applicable real estate and (i) are federally insured or guaranteed or (ii) are insured by a private mortgage insurer approved by the Department for the amount by which the loan exceeds 80% of the original appraised value.

Certain properties acquired through foreclosure are covered by mortgage pool insurance. The mortgage pool insurance covers the unpaid principal balance of the loan at the ultimate date of sale, delinquent interest up to the claim settlement date, and certain other expenses.

The single-family trust indenture requires the Department to obtain and maintain mortgage pool insurance on loans collateralizing each series of bonds issued under that trust indenture. Except with respect to four series, the requirement has been satisfied by purchasing and maintaining a mortgage pool insurance policy for each bond series. For loans collateralizing the other four series of bonds, the Department has entered into Mortgage Pool Self-Insurance Fund Agreements ("Agreements") with the trustee. The funding requirements of these Agreements have been met as of August 31, 2008.

Multifamily mortgage and lender loans are collateralized by first-lien mortgages on the applicable housing developments, letters of credit, guarantees provided by third parties and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The activity in the allowance for estimated loan losses is as follows (in thousands):

Balance — beginning of year	$2,595
Provision for estimated losses on loans	(7)
Balance — end of year	$2,588

7. REAL ESTATE OWNED

Real estate owned for the Program was as follows (in thousands):

Real estate owned	$ 872
Allowance for estimated losses	(531)
Real estate owned — net	$ 341

The activity in the allowance for estimated losses was as follows (in thousands):

Balance — beginning of year	$ (514)
Amounts charged off	(17)
Balance — end of year	$ (531)

8. BONDS PAYABLE

Bonds payable activity for the year ended August 31, 2008, consisted of the following (in thousands):

	Original Face Amount	Balance September 1, 2007	Additions/ Accretions	Maturities/ Prepayments	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
Single-family:							
2002 Series A — 7.01%	$10,000	$ 5,400		$ 1,260	$ 4,140	2026	
2002 Series A — 5.45% to 5.55%	38,750	37,485		950	36,535	2034	
2002 Series B — 5.35% to 5.55%	52,695	39,135		5,690	33,445	2033	$ 20
2002 Series C — 2.80% to 5.20%	12,950	11,180		765	10,415	2017	497
2002 Series D — 2.0% to 4.5%	13,605	5,740		1,110	4,630	2012	839
2004 Series A — 2.0% to 4.7%	123,610	116,865		12,835	104,030	2035	3,832
2004 Series B — variable rate	53,000	53,000			53,000	2034	
2004 Series A — variable rate	4,140	4,140		285	3,855	2036	
2004 Series C — 4.3% to 4.8%	41,245	36,805		5,020	31,785	2036	342
2004 Series D — variable rate	35,000	35,000			35,000	2035	
2004 Series E — 2.45% to 4.3%	10,825	9,195		1,270	7,925	2013	1,039
2005 Series A — variable rate	100,000	98,145		3,285	94,860	2036	
2005 Series B — 4.38%	25,495	20,705		3,270	17,435	2026	573
2005 Series C — 4.31% to 5.39%	8,970	8,010		795	7,215	2017	
2005 Series D — 5.0%	3,730	3,225		185	3,040	2035	
2006 Series A — 5.0%	59,555	59,105		1,275	57,830	2037	517
2006 Series B — 5.0%	70,485	69,950		1,960	67,990	2034	1,524
2006 Series C — 5.13%	105,410	104,610		2,600	102,010	2037	1,791
2006 Series D — 4.50%	29,685	27,630		3,510	24,120	2028	(65)
2006 Series E — 4.06%	17,295	16,560		1,285	15,275	2017	1,181
2006 Series F — 4.65% to 5.75%	81,195	81,195		695	80,500	2038	648
2006 Series G — 3.75% to 4.60%	15,000	15,000		735	14,265	2019	1,110
2006 Series H — variable rate	36,000	36,000			36,000	2037	2,571
2007 Series A — variable rate	143,005	143,005		1,935	141,070	2038	10,014
2007 Series B — 3.90% to 5.63%	157,060		$ 157,060	5	157,055	2039	148
Total principal amount		1,037,085	$157,060	$ 50,720	1,143,425		$26,581
Unamortized premium		12,649			14,121		
Unamortized discount and losses on refundings		(4,026)			(3,365)		
Total single-family		$1,045,708			$1,154,181		

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
RMRB:							
1998 Series A — 4.05% to 5.35%	$102,055	$ 40,105	$	$ 3,815	$ 36,290	2031	$ 1,115
1998 Series B — 5.30%	14,300	7,125		775	6,350	2022	
1999 Series A — 4.80% to 5.50%	25,615	5,865		980	4,885	2021	(11)
1999 Series B-1 — 6.32% to 5.50%	52,260	22,415		1,590	20,825	2032	14
1999 Series C — 5.05% to 6.25%	12,150	3,500		15	3,485	2024	(1)
2000 Series A — 5.10% to 6.30%	50,000	16,330		1,025	15,305	2031	237
2000 Series B — 5.70%	82,975	48,165		3,830	44,335	2033	9
2000 Series C — 5.85% to 5.82%	13,675	8,530			8,530	2025	
2000 Series D — 4.55% to 5.85%	18,265	6,695		555	6,140	2020	595
2001 Series A — 3.15% to 5.70%	52,715	33,500		2,820	30,680	2033	602
2001 Series B — 5.0% to 5.25%	15,585	12,300		120	12,180	2022	
2001 Series C — 2.55% to 4.63%	32,225	9,690		1,945	7,745	2015	976
2001 Series D — 5.35%	300	235		5	230	2033	10
2002 Series A — 2.25% to 5.35%	42,310	31,470		2,305	29,165	2034	536
2003 Series A — 1.70% to 5.00%	73,630	64,765		5,480	59,285	2034	954
Total principal amount		310,690	$	$ 25,260	285,430		$ 5,036
Unamortized premium		2,000			1,423		
Unamortized discount and loss on refundings		(1,200)			(992)		
Total RMRB		$311,490			$285,861		
CHMRB:							
1992 Series C — linked rate averaging 6.90%	$ 72,700	$ 12,400	$	2,000	$ 10,400	2024	$ 8
Total principal		12,400	$	$ 2,000	10,400		$ 8
Plus unamortized premium		262			213		
Total CHMRB		$ 12,662			$ 10,613		

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
Multifamily:							
1987 Series (South Texas Rental Housing) — 9.5%	$ 1,400	$ 612	$	$ 93	$ 519	2012	$ 102
1996 Series A and B (Brighton's Mark) — 6.13%	10,174	8,075			8,075	2026	
1996 Series A and B (Marks of Las Colinas) — 5.56%	15,469	12,670		12,670		2026	
1996 Series A and B (Braxton's Mark) — 5.81%	14,867	14,274			14,274	2026	
1998 Series (Pebble Brook) — 4.95% to 5.60%	10,900	9,895		225	9,670	2030	205
1998 Series A, B, and C (Residence Oaks) — 5.98% to 7.18%	8,200	7,408		151	7,257	2030	159
1998 Series (Greens) — 5.2% to 6.03%	13,500	12,325		240	12,085	2030	250
1999 Series (Mayfield) — 5.7% to 7.25%	11,445	10,406		209	10,197	2031	222
1999 Series (Woodglen Village) — 7.38% to 8.25%	10,660	10,505		10,505		2039	
2000 Series (Timber Point) — variable rate	8,100	7,670		100	7,570	2032	
2000 Series (Oaks @ Hampton) — 7.20% to 9.00%	10,060	9,754		75	9,679	2040	82
2000 Series (Deerwood) — 5.25% to 6.40%	6,435	6,075		95	5,980	2032	95
2000 Series (Creek Point) — variable rate	7,200	6,585		115	6,470	2032	
2000 Series A/B (Parks @ Westmoreland — 7.20% to 9.00%	9,990	9,704		73	9,631	2040	80
2000 MF Series A-C (Highland Meadow Apts) — 6.75% to 8%	13,500	8,565		121	8,444	2033	130
2000 MF Series A/B (Greenbridge) — 7.4% to 10%	20,085	19,735		178	19,557	2040	113
2000 MF Series A-C (Collingham Park) — 6.72% to 7.72%	13,500	12,943		182	12,761	2033	208
2000 MF Series A/B (Williams Run) — 7.65% to 9.25%	12,850	12,566		149	12,417	2040	204
2001 MF Series (Bluffview Senior Apts) — 7.65%	10,700	10,489		59	10,430	2041	64
2001 MF Series (Knollwood Villas Apts) — 7.65%	13,750	13,478		76	13,402	2041	82
2001 MF Series (Skyway Villas) — 6.0% to 6.5%	13,250	8,185		745	7,440	2034	120

(Continued)

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
2001 MF Series A/B (Cobb Park) — 6.77%	$ 7,785	$ 7,649	$	$ 42	$ 7,607	2041	$ 46
2001 MF Series A (Greens Road Apts) — 5.3% to 5.4%	8,375	8,060		120	7,940	2034	130
2001 MF Series A (Meridian Apts) — 5.45% to 6.85%	14,310	13,885		185	13,700	2034	200
2001 MF Series A (Wildwood Apts) — 5.45% to 6.75%	14,365	13,940		190	13,750	2034	205
2001 MF Series A-C (Fallbrook Apts) — 6.06% to 6.78%	14,700	14,241		206	14,035	2034	220
2001 MF Series A (Oak Hollow Apts) — 7.0% to 7.9%	8,625	6,381		40	6,341	2041	43
2001 MF Series A/B (Hillside Apts) — 7.0% to 9.25%	12,900	12,599		43	12,556	2041	47
2002 MF Series A (Millstone Apts) — 5.35% to 5.86%	12,700	10,575		165	10,410	2035	175
2002 MF Series A (Sugar Creek Apts) — 6.0%	11,950	11,750		115	11,635	2042	76
2002 MF Series A (West Oaks Apts) — 7.15% to 7.5%	10,150	9,573		57	9,516	2042	62
2002 MF Series A (Park Meadows Apts) — 6.53%	4,600	4,335		60	4,275	2034	70
2002 MF Series A (Clarkridge Villas Apts) — 7.0%	14,600	13,790		81	13,709	2042	87
2002 MF Series A (Hickory Trace Apts) — 7.0%	11,920	11,401		67	11,334	2042	71
2002 MF Series A (Green Crest Apts) — 7.0%	12,500	11,428		143	11,285	2042	71
2002 MF Series A/B (Ironwood Crossing) — 5.5% to 8.75%	16,970	16,852		73	16,779	2042	79
2002 MF Series A/B (Woodway Village Apts) — 4.9% to 5.2%	9,100	7,645		110	7,535	2023	115
2003 MF Series A/B (Reading Road Apts) — Variable not to exceed 12%	12,200	12,180		220	11,960	2036	20
2003 MF Series A/B (North Vista Apts) — 4.1% to 5.41%	14,000	13,800		1,090	12,710	2036	210
2003 MF Series A/B (West Virginia Apts) — 4.15% to 5.41%	9,450	9,315		145	9,170	2036	150
2003 MF Series A/B (Sphinx @ Murdeaux) — 3.55% to 5.0%	15,085	14,715		165	14,550	2042	170
2003 MF Series A/B (Primrose Houston School) — 5.5% to 8.0%	16,900	16,551		79	16,472	2036	85
2003 MF Series A/B (Timber Oaks Apts) — 6.75 to 8.75%	13,200	13,098		56	13,042	2043	61
2003 MF Series A/B (Ash Creek Apts) — 5.6% to 15.0%	16,375	16,278		80	16,198	2036	86
2003 MF Series A/B (Peninsula Apts) — 4.25 to 5.3%	12,400	12,130		165	11,965	2024	160
2003 MF Series A/B (Evergreen @ Mesquite) — 6.6% to 8.0%	11,000	10,856		110	10,746	2043	117
2003 MF Series A/B (Arlington Villas Apts) — Variable rate	17,100	17,054		74	16,980	2036	80
2003 MF Series A/B (Parkview Twnhms Apts) — 6.6% to 8.5%	16,600	16,482		79	16,403	2043	86
2003 MF Series A (NHP-Asmara Apts) Refunding — Variable rate	31,500	21,290		360	20,930	2033	371

(Continued)

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
2004 MF Series A/B (Timber Ridge Apts) — 5.75% to 8.0%	$ 7,500	$ 6,668	$	$ 34	$ 6,634	2037	$ 37
2004 MF Series A/B (Century Park Apts) — Variable rate	13,000	12,920		465	12,455	2037	170
2004 MF Series A (Addison Park Apts) — Variable rate	14,000	14,000		14,000		2044	
2004 MF Series A/B (Veterans Memorial Apts) — 6.6% to 8.5%	16,300	16,193		79	16,114	2044	86
2004 MF Series A (Rush Creek Apts) — 5.38% to 6.7%	10,000	9,944		1,173	8,771	2044	52
2004 MF Series A (Humble Park Apts) — 5.38% to 6.7%	11,700	11,610		100	11,510	2041	110
2004 MF Series A (Chisholm Trail Apts) — Variable rate	12,000	12,000		100	11,900	2037	
2004 MF Series A (Evergreen @ Plano Apts) — 5.25% to 6.55%	14,750	14,737		80	14,657	2044	85
2004 MF Series A (Montgomery Pines Apts) — Variable rate	12,300	12,300			12,300	2037	
2004 MF Series A (Bristol Apts) — Variable rate	12,625	12,625		325	12,300	2037	
2004 MF Series A (Pinnacle Apts) — Variable rate	14,500	14,500		235	14,265	2044	
2004 MF Series A (Tranquility Bay Apts) — Variable rate	14,350	14,253		84	14,169	2044	90
2004 MF Series A (Sphinx @ Delafield Apts) — 5.05% to 5.35%	11,380	11,236		100	11,136	2044	110
2004 MF Series A (Churchill @ Pinnacle Apts) — 5.25% to 6.55%	10,750	10,095		67	10,028	2044	72
2004 MF Series A/B (Post Oak East Apts) — Variable rate	13,600	13,600			13,600	2037	
2004 MF A Series (Village Fair Apts) — 5.0% to 6.5%	14,100	14,050		80	13,970	2044	85
2005 MF A Series (Pecan Grove Apts) — 5.0% to 6.5%	14,030	13,986		79	13,907	2045	84
2005 MF Series A (Prairie Oaks Apts) — 4.75% to 6.5%	11,050	11,016		62	10,954	2045	66
2005 MF Series A (Port Royal Apts) — 5.0% to 6.5%	12,200	12,168		68	12,100	2045	73
2005 MF Series A (Del Rio Apts) — 5.0% to 6.5%	11,490	11,459		64	11,395	2045	69
2005 MF Series A (Atascocita Pines Apts) — Variable rate	11,900	11,900			11,900	2037	143
2005 MF Series A (Tower Ridge Apts) — Variable rate	15,000	15,000			15,000	2038	100
2005 MF Series A (Alta Cullen Apts) — 5.89% to 6.6%	14,000	14,000			14,000	2045	
2005 MF Series A (Prairie Ranch Apts) — 4.85%	12,200	12,195		145	12,050	2045	115
2005 MF Series A (St. Augustine Apts) — Variable rate	7,650	7,650			7,650	2038	47
2005 MF Series A (Park Manor Apts) — 5.0% to 6.4%	10,400	10,400			10,400	2045	58

(Continued)

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
2005 MF Series A (Mockingbird Apts) — 6.4%	$14,360	$ 14,360	$	$ 80	$ 14,280	2045	$ 85
2005 MF Series A (Chase Oaks Apts) — 5.05%	14,250	14,250		137	14,113	2035	215
2006 MF Series A (Canal Place Apts) — Variable rate	16,100	16,100			16,100	2039	
2006 MF Series A (Coral Hills) — 5.05%	5,320	5,320		250	5,070	2038	75
2006 MF Series A (Harris Branch) — Variable rate	15,000	15,000			15,000	2039	
2006 MF Series A (Bella Vista) — 6.15%	6,800	6,800		15	6,785	2046	45
2006 MF Series A (Village Park) — 4.75% to 5.13%	13,660	13,660			13,660	2026	105
2006 MF Series A (Oakmoor) — 5.50% to 6.00%	14,635	14,635			14,635	2046	75
2006 MF Series A (Sunset Pointe) — Variable rate	15,000	15,000			15,000	2039	
2006 MF Series A (Hillcrest) — -5.25%	12,435	12,435			12,435	2039	
2006 MF Series A (Pleasant Village) — -6.00%	6,000	6,000		29	5,971	2023	74
2006 MF Series A (Grove Village) — -6.00%	6,180	6,180		30	6,150	2023	77
2006 MF Series A (Red Hills Villas) — Variable rate	5,015	5,015			5,015	2023	
2006 MF Series A (Champion Crossing) — Variable rate	5,125	5,125		100	5,025	2036	
2006 MF Series A (Stonehaven) — -5.80%	11,300	11,300			11,300	2026	60
2006 MF Series A (Center Ridge) — -5.00%	8,325	8,325			8,325	2039	
2006 MF Series A (Meadowlands) — -6.00%	13,500	13,500			13,500	2046	1,780
2006 MF Series A (East Tex Pines) — -4.95%	13,500	13,500			13,500	2046	
2006 MF Series A (Villas at Henderson) — Variable rate	7,200	7,200			7,200	2039	
2006 MF Series A (Aspen Park Apts) — -5.00%	9,800	9,800			9,800	2039	
2006 MF Series A (Idlewilde Apts) — Variable rate	14,250	14,250			14,250	2040	
2007 MF Series A (Lancaster Apts) — Variable rate	14,250	14,250			14,250	2040	
2007 MF Series A (Park Place) — -5.80%	15,000	15,000			15,000	2047	
2007 MF Series A (Terrace at at Cibolo) — Variable rate	8,000	8,000			8,000	2040	
2007 MF Series A (Santora Villas) — Variable rate	13,072	13,072			13,072	2047	
2007 MF Series A (Villas @ Mesquite Creek) — 5.00 - 5.81%	16,860	16,860			16,860	2047	

(Continued)

	Original Face Amount	Balance September 1, 2007	Additions Accretions	Maturities/ Prepayment	Balance August 31, 2008	Final Maturity Date	Amounts Due Within One Year
2007 MF Series A (Summit Point) — 4.80 - 5.25%	11,700	11,700			11,700	2047	
2007 MF Series A (Costa Rialto) — -5.35%	12,385	12,385			12,385	2047	
2007 MF Series A (Windshire) — Variable rate	14,000	14,000			14,000	2041	
2007 MF Series A (Residences at Onion Creek — Variable rate	15,000		15,000		15,000	2040	
2007 MF Series A (West Oaks) — Variable rate	13,125		13,125		13,125	2041	
2007 MF Series A (Costa Ibiza) — Variable rate	13,900		13,900		13,900	2041	
2007 MF Series A (Addision Park) — Variable rate	14,000		14,000		14,000	2044	
Total principal amount		1,213,299	$ 56,025	$48,362	$1,220,962		$ 9,652
Net deferred amount on refunding		(239)					
Unamortized discount		(546)			(527)		
Total multifamily		1,212,514			1,220,435		
Total		$2,582,374			$2,671,090		

(Concluded)

Proceeds from the issuance of bonds under the single-family and RMRB Series 1987A programs were used to acquire loans. Proceeds from the issuance of bonds under CHMRB and remaining RMRB programs were used to acquire pass-through certificates backed by mortgage loans. Pass-through certificates were purchased with proceeds from the multifamily 1985 Series G. Proceeds from the remaining multifamily bond issues were used to finance mortgage loans. Interest on bonds is payable periodically.

The single-family, RMRB, and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily single-family mortgage loans, mortgage-backed securities, and investments. The multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties, and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000,000 outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds (the "Refunded Bonds"), which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department.

The trust indentures contain positive and negative covenants. Events of default include failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the trustee; and nonperformance or nonobservance of any other covenants, agreements, or conditions contained in the indentures. Management believes that it is in compliance with the covenants of the indentures.

Bond contractual maturities (principal only) at August 31, 2008, are as follows (in thousands):

Description	2009	2010	2011	2012	2013	2014 to 2018	2019 to 2023
Single-family	$ 26,192	$ 41,721	$ 43,706	$ 44,581	$ 46,301	$ 187,389	$ 137,505
RMRB	5,005	4,935	4,185	4,375	4,655	28,725	45,125
CHMRB							
Multifamily	9,671	9,706	10,612	11,305	11,909	70,354	111,240
Total	$ 40,868	$ 56,362	$ 58,503	$ 60,261	$ 62,865	$ 286,468	$ 293,870

Description	2024 to 2028	2029 to 2033	2034 to 2038	2039 to 2043	2044 to 2048	Total
Single-family	$186,890	$213,065	$201,160	$ 14,915	$ -	$ 1,143,425
RMRB	52,875	130,505	5,045			285,430
CHMRB	10,400					10,400
Multifamily	174,733	178,799	262,873	270,700	99,060	1,220,962
Total	$424,898	$522,369	$469,078	$285,615	$ 99,060	$ 2,660,217

Actual maturities will differ from contractual maturities since the Department has the right to call or prepay obligations with or without call or prepayment penalties as the related loans and mortgage-backed securities mature or prepay.

Bond maturities (principal and interest) at August 31, 2008, are as follows (in thousands):

Description	2009	2010	2011	2012	2013	2014 to 2018	2019 to 2023
Single-family	$ 70,435	$ 86,737	$ 87,455	$ 87,018	$ 87,338	$ 371,718	$ 292,802
RMRB	20,398	20,103	19,141	19,132	19,211	98,218	103,538
CHMRB	718	718	718	720	718	3,592	3,592
Multifamily	75,476	74,540	74,877	74,964	74,909	368,720	384,264
Total	$ 167,027	$ 182,098	$ 182,191	$ 181,834	$ 182,176	$ 842,248	$ 784,196

Description	2024 to 2028	2029 to 2033	2034 to 2038	2039 to 2043	2044 to 2048	Total
Single-family	$ 304,538	$ 288,446	$ 222,352	$ 15,313	$ -	$ 1,914,152
RMRB	97,279	154,095	5,184			556,299
CHMRB	10,991					21,767
Multifamily	406,958	362,847	392,247	330,415	107,529	2,727,746
Total	$ 819,766	$ 805,388	$ 619,783	$ 345,728	$ 107,529	$ 5,219,964

Deferred issuance costs at August 31, 2008, consist of the following (in thousands):

Deferred issuance costs	$ 41,273
Less accumulated amortization	(29,281)
	$ 11,992

9. EMPLOYEE BENEFITS

Plan Description — The Department contributes to the Employees Retirement System of Texas (the "System"), a cost-sharing, multiple-employer, defined benefit plan. The Department has implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, which standardizes financial reporting for pensions by state and local government employers. The System provides service retirement, disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government Code, Title 8, Subtitle B, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Employees Retirement System of Texas, P.O. Box 13207, Austin, Texas, 78711-3207 or by calling (512) 476-6431.

Funding Policy — Under provisions in State law, plan members are required to contribute 6% of their annual covered salary, and the Department contributes an amount equal to 6.45% of the Department's covered payroll. The Department and the employees' contributions to the System for the years ending August 31, 2008, 2007, and 2006, were $1,002,741, $947,383, and $874,775, respectively, equal to the required contributions for each year.

10. SEGMENT FINANCIAL DATA

Segment financial data of the Program's direct-debt activities at August 31, 2008, and for the year then ended are as follows (in thousands):

	Single-Family Program Funds	Residential Mortgage Revenue Bond Funds	Collateralized Home Mortgage Revenue Funds
Condensed statement of net assets:			
Restricted assets:			
Current assets	$ 167,908	$ 8,137	$ 790
Other assets	1,032,469	293,541	12,117
Total assets	1,200,377	301,678	12,907
Liabilities:			
Current liabilities	67,054	11,053	387
Long-term liabilities	1,127,630	280,825	10,605
Total liabilities	1,194,684	291,878	10,992
Net assets — restricted net assets	$ 5,693	$ 9,800	$ 1,915
Condensed statement of revenues, expenses, and changes in net assets:			
Operating revenues:			
Interest and investment income	$ 59,116	$ 17,317	$ 881
Net increase in fair value	2,746	3,574	168
Other operating revenues	547	384	45
Operating expenses	59,972	16,279	768
Depreciation and amortization	685	180	3
Operating income (loss)	1,752	4,816	323
Non-operating revenues (expenses) — other non-operating revenues (expenses):			
Special and extraordinary items			
Transfers out	(675)	(269)	5
Change in net assets	1,077	4,547	328
Net assets — September 1, 2007	4,616	5,253	1,587
Net assets — August 31, 2008	$ 5,693	$ 9,800	$ 1,915
Condensed statement of cash flows:			
Net cash provided by (used in):			
Operating activities	$ 769	$ 276	$ (8)
Noncapital financing activities	57,435	(41,953)	(2,761)
Investing activities	(36,350)	40,437	2,697
Cash and cash equivalents — September 1, 2007	62,334	7,417	792
Cash and cash equivalents — August 31, 2008	$ 84,188	$ 6,177	$ 720

11. BONDED INDEBTEDNESS

The Department has 125 bond issues outstanding at August 31, 2008. All series are revenue bonds backed by the pledged revenue sources and restricted funds specified in the bond resolutions. Each series is designed to be self-supporting with no repayment nor obligation from the State's General Revenue. The Department issues bonds to assist in financing the purchase of homes by or the construction of rental housing for families with very low to moderate incomes. Loan payments provide

the revenues for debt service payments. (Detailed supplemental bond information is disclosed in Schedules 3–7.)

Proceeds from the issuance of bonds under the Single Family and Residential Mortgage Revenue Bonds (RMRB) Series 1987A Programs were used to acquire loans. Proceeds from Collateralized Home Mortgage Revenue Bond (CHMRB) and the remaining RMRB programs were used to acquire pass-through certificates backed by mortgage loans. Proceeds from the remaining Multifamily bond issues were used to finance mortgage loans.

Interest on bonds and collateralized mortgage obligations is payable periodically, except for capital appreciation bonds, on which interest is compounded semiannually and payable at maturity or upon redemption.

The Single Family, RMRB, and CHMRB bonds are collateralized by the revenues and assets pledged under the trust indentures, primarily Single Family mortgage loans, mortgage-backed securities, and investments. The Multifamily bonds are collateralized by varying methods, including, but not limited to, the mortgage loans on the applicable housing developments, certificates of deposit, letters of credit, guarantees provided by third parties, and collateralized mortgage obligations issued by federally chartered, privately owned corporations.

The trust indentures contain positive and negative covenants. Events of default include the following: failure to make timely payment of both principal and interest on any outstanding bond; failure to make timely payment of any other monies required to be paid to the Trustee; and nonperformance or nonobservance of any other covenants, agreements, or conditions contained in the indentures. Management believes they are in compliance with the covenants of the indentures.

Changes in Bonds Payable (amounts in thousands)

Description	Bonds Outstanding September 1, 2007	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2008	Amounts Due Within One Year
Single family	$1,037,085	$157,060	$10,550	$ 40,170	$1,143,425	$26,581
RMRB	310,690		5,205	20,055	285,430	5,036
CHMRB	12,400			2,000	10,400	8
Multifamily	1,213,299	56,025	6,780	41,582	1,220,962	9,652
Total principal	2,573,474	$213,085	$22,535	$103,807	2,660,217	$41,277
Net deferred amount — due to refunding	(239)					
Unamortized premium	14,365				15,230	
Unamortized refunding (loss)	(5,226)				(4,357)	
Total	$2,582,374				$2,671,090	

Variable to Fixed Interest Rate Swap

Objective — In order to hedge against increases in interest rates on variable rate demand bond issues, the Department has entered into five interest rate swap agreements with the objective of reducing the interest rate risk of certain variable rate demand bonds. The variable rate demand bonds were issued at a lower total interest cost than attainable through traditional fixed rate bond structures. The Department has entered into interest rate swap agreements with various rated counterparties. Under the terms of the agreements, the Department makes periodic fixed interest rate payments in exchange for receiving variable rate payments comparable to the rates payable on the variable rate demand bonds. The swap notional amounts amortize in accordance with the scheduled and/or anticipated reductions in the related variable rate demand bond liability. The Department is potentially exposed to loss in the event of nonperformance by the counterparties under the swap agreements. Termination of the swap agreements may result in the Department making or receiving termination payments. Each swap agreement includes optional early termination provisions granting the Department the right, but not an obligation, to terminate the interest rate swaps at par without a termination payment after an effective date.

Terms and Fair Value — The terms, including the fair value of the outstanding swaps as of August 31, 2008, are as follows. The notional amounts of the swaps match the principal amount of the associated debt.

Counterparty	Notional Amount	Fair Value	Effective Date	Fixed Rate	Variable Rate	Swap Termination Date
UBS AG	$ 53,000,000	$ (2,510,824)	September 1, 2004	3.84 %	63% of LIBOR + .30%	9/1/2034 (a)
Goldman Sachs Capital Markets, LP	35,000,000	(1,343,868)	January 1, 2005	3.61	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	3/1/2035 (b)
Bear Stearns Financial Products, Inc.	94,860,000	(3,327,212)	August 1, 2005	3.99	Lesser of (the greater of 65% of LIBOR and 56% of LIBOR + .45%) and LIBOR	9/1/2036 (c)
UBS AG	36,000,000	(1,829,278)	November 15, 2006	3.86	63% of LIBOR + .30%	9/1/2025 (d)
Bear Stearns Financial Products, Inc. (e)	141,070,000	(4,926,319)	June 5, 2007	4.01	Lesser of (the greater of (a) 65% of LIBOR and (b) 56% of LIBOR + .45%) and LIBOR	9/1/2038 (c)
Total	$ 359,930,000	$ (13,937,501)				

a. Swap agreement has an optional early termination date of March 1, 2014, and every March and September thereafter. The maximum notional amount subject to early termination is equal to 60% of the current notional amount.
b. Swap agreement has an optional early termination date of September 1, 2014, and every March and September thereafter.
c. Swap agreement is subject to an early termination date at any time with a 10 business day notice.
d. Swap agreement has an optional early termination date of March 1, 2016, and every March and September thereafter. The maximum notional amount subject to early termination is current notional amount per the amortization schedule.
e. Bear Stearns Financial Products, Inc. was formerly a subsidiary of The Bear Stearns Companies, Inc. As a result of Bear Stearns' acquisition by JP Morgan Chase & Co. on 3/16/2008, Bear Stearns Financial Products, Inc. operates as a subsidiary of JP Morgan Chase & Co.

Credit Risk — As of August 31, 2008, the Department is not exposed to credit risk on any of its outstanding swaps because the swaps have negative fair values. If interest rates change and the fair value of the swaps become positive, the department would be exposed to credit risk on those swaps. The swap agreements contain varying collateral agreements and insurance policies with the counterparties. The credit ratings for the counterparties are as follows:

Counterparty	Standard & Poor's	Moody's	Fitch
UBS AG	AA -	Aa2	AA+
Goldman Sachs Capital Markets, LP	A	Not Rated	AA-
Bear Stearns Financial Products, Inc.	AAA	Aaa	Not Rated

Basis Risk — The Department's variable-rate bond coupon payments are equivalent to the Bond Market Association Municipal Swap Index (BMA) rate. The swap agreements designate a function of London InterBank Offered Rate (LIBOR) as the rate for payments received on these swaps. The Department will be exposed to basis risk should LIBOR and BMA converge. The swap agreements provide an option to terminate as stated above.

Basis Risk — Rollover is the risk that arises when a derivative associated with a government's variable-rate debt does not extend all the way to the maturity date of the associated debt, thereby creating a gap in the protection otherwise afforded by the derivative. The Department is not exposed to rollover risk on swap agreements which mature or may be terminated prior to the maturity of the associated debt. The counterparties in the swap agreements have limited rights to terminate the swap. They can terminate only if the Department were to be downgraded below investment grade or default on any swap payments. The swap providers cannot unilaterally terminate any of the swaps subjecting the Department to rollover risk. The Department has retained optional termination rights which are listed below. They are intended to allow the Department to keep the notional amount in line with bonds outstanding to the extent the Department experiences prepayments.

Associated Debt Issuance	Debt Maturity Date	Swap Termination Date
2004B Single Family	September 2034	May be terminated as early as March 2014
2004D Single Family	March 2035	May be terminated as early as September 2014
2005A Single Family	September 2036	May be terminated at anytime giving 10-day notice
2006H Single Family	September 2037	May be terminated as early as March 2016
2007A Single Family	Septebmer 2038	May be terminated at anytime giving 10-day notice

Swap Payments and Associated Debt — Using rates as of August 31, 2008, debt service requirements of the Department's outstanding variable-rate debt and net swap payments are as follows. As rates vary, variable-rate debt bond interest payments and new swap payments will vary. The Department's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds outstanding.

Fiscal Years Ending August 31	Variable-Rate Bonds		Interest Rate Swaps — Net	Total
	Principal	Interest		
2009	$ 515,000	$ 7,485,423	$ 7,408,843	$ 15,409,266
2010	4,000,000	7,457,227	7,379,018	18,836,245
2011	4,755,000	7,366,041	7,284,980	19,406,021
2012	4,990,000	7,264,207	7,180,317	19,434,524
2013	5,220,000	7,157,443	7,070,539	19,447,982
2014–2018	43,800,000	33,573,795	33,133,761	110,507,556
2019–2023	62,505,000	27,882,390	27,544,377	117,931,767
2024–2028	77,485,000	20,560,946	20,344,511	118,390,457
2029–2033	86,070,000	11,843,341	11,762,883	109,676,224
2034–2038	69,990,000	3,154,100	3,229,756	76,373,856
2039–2042	600,000	6,090	6,554	612,644
Total	$359,930,000	$ 133,751,003	$ 132,345,539	$626,026,542

Demand Bonds

The Department currently holds seven single family bond series in the amount $371,000,000 in variable rate demand bonds. The proceeds of these bonds were used to refund outstanding bonds or provide funds for the primary purpose of purchasing mortgaged-backed securities which are pools of first time homebuyer loans. These bond series have the following terms.

Demand Bonds - Standby Purchase Agreements					
Single Family Bond Series	Liquidity Provider	Commitment Fee Rate	Outstanding Variable Rate Demand Bonds as of 8/31/08	Bank Bonds Remaining with Liquidity Provider as of 11/14/08	Liquidity Facility Expiration Date
2007A	DEPFA Bank plc	0.09%	$ 141,070,000	$ 139,380,000	06/5/2012
2006H	DEPFA Bank plc	0.09%	36,000,000	36,000,000	11/15/2009
Total DEPFA Bank plc			*$ 177,070,000*	*$ 175,380,000*	
2005A	Dexia Credit Local	0.275%	$ 94,860,000	$ 15,000,000	04/28/2011
2004D	Dexia Credit Local	0.275%	35,000,000	22,000,000	04/28/2011
2004B	Dexia Credit Local	0.275%	53,000,000	52,900,000	04/28/2011
2005C	Dexia Credit Local	0.1225%	7,215,000	4,515,000	12/15/2015
2004A Jr. Lien	Dexia Credit Local	0.315%	3,855,000	600,000	04/28/2011
Total Dexia Credit Local			*$ 193,930,000*	*$ 95,015,000*	
Total Demand Bonds			**$ 371,000,000**	**$ 270,395,000**	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to remarket any bonds, the liquidity facility will purchase the bonds (bank bonds). If bonds purchased by the liquidity facility are not remarketed according to the terms of the liquidity agreement, the Department will be subject to term out provisions with the corresponding liquidity provider to convert the bonds to an installment loan payable over seven years.

The 2007A series in the amount of $139,380,000 and 2006H series in the amount of $36,000,000 are subject to term out provisions effective within six months of the purchase of the bonds by DEPFA, currently April 2009. If these bonds are not remarketed by April 2009, the Department will be subject to 14 semi-annual payments over 7 years. The Department could potentially pay in principal and interest a total of $160,287,000 and $82,800,000 related to the 2007A and 2006H Series, respectively. Interest was computed using the prime lending rate of 4.00% effective during November 2008 (See Note 14 for related information).

The 2004A Jr. Lien, 2004B, 2004D, 2005A and 2005C variable rate demand bonds currently owned by DEXIA are not subject to term out provisions until six months following the expiration of the liquidity agreement.

Refunding Bonds

On August 22, 2008, the Department issued $14,000,000 in variable rate debt (Series 2008 Addison Park Apartments Multifamily) with a maximum rate of 12% to refund $14,000,000 of outstanding 2004 Multifamily (Addison Park Apartments) bonds. The purpose of the refunding was to establish a new financing structure establishing Freddie Mac as the credit enhancer which would guarantee payments to the bondholders and make the bonds AAA rated. In addition, the refunding transaction would establish a new letter of credit which would satisfy the expiring letter of credit under the original bond issue. The refunding transaction resulted in a cash flow loss of $247,989, and an economic loss of $153,684. Because the new debt is variable rate debt, the economic and cash differences were calculated using the current rate as of August 31, 2008 which is 2.05%. The cash flow and economic impact will fluctuate with the prevailing interest rates. Using the maximum rate allowable by the trust indenture of 12%, the Department could incur a maximum of additional $49,470,502 in debt service payments and an economic loss of $11,482,294 on the refunding.

Pledged and Other Sources (amounts in thousands)

GASB Statement No. 48 requires the following disclosures for "specific revenues that have been formally committed to directly collateralize or secure debt of the Department." The following table summarizes by indenture, pledged and other sources and related expenditures for the Department's revenue bonds. A detail schedule of each bond issue is included in Schedule 2-D.

	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
Total Single Family Bonds	$ 96,251	$ 6,695	$ 10,550	$ 53,660
Total Residential Mtg Revenue Bonds	37,764	388	5,205	16,165
Total 1992 CHMRB	2,909	11		787
Total Multifamily Bonds	107,246	9	6,780	65,369
Total	**$ 244,170**	**$ 7,103**	**$ 22,535**	**$ 135,981**

12. COMMITMENTS AND CONTINGENCIES

The Department is a defendant in legal actions arising from transactions and activities conducted in the ordinary course of business. Management, after consultation with legal counsel, believes that the aggregate liabilities, if any, will not be material to the financial statements.

13. RISK FINANCING AND RELATED INSURANCE ISSUES

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. It is the Department's policy to periodically assess the proper combination of commercial insurance and retention of risk to cover losses to which it may be exposed. The Department assumes substantially all risks associated with the performance of its duties. Currently there is no purchase of commercial insurance, nor is the Department involved in any risk pools with other government entities. The Department carries Public Official Liabilities Insurance coverage in the amount of $10,000,000; automobile liability insurance in the amount of $500,000, errors and omissions insurance of $300,000 related to loan servicing for others and a $350,000 Public Employee Fidelity Bond.

The Department's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience and economic factors. There have been no significant reductions in insurance coverage in the past year and losses did not exceed funding arrangements during the past three years. The Department incurred no claims liability during fiscal years 2007 and 2008 related to these policies.

14. SUBSEQUENT EVENTS

The recent credit and liquidity crisis precipitated by the failure of Wall Street investment bank Lehman Brothers among others began a cascading effect of rating downgrades. The current crisis affected counterparties which ultimately impacted the Department in various ways as listed below.

On September 8, 2008 the Federal Housing Finance Agency (FHFA) placed FNMA and FHLMC into conservatorship. In addition, the U.S. Department of the Treasury agreed to provide up to $100 billion of capital as needed to FNMA and established a Preferred Stock Purchase Agreement with FHLMC to ensure they can continue to provide stability and liquidity to the U.S. mortgage market. As of August 31, 2008, the Department carried $217,235,754 and $13,768,065 in mortgage backed securities guaranteed by FNMA and FHLMC, respectively. Upon the conservatorship, these mortgage backed securities acquired the explicit guarantee of the U.S. Government.

On September 15, 2008, American Insurance Group, Inc. was downgraded by all credit rating agencies. Upon the downgrade, the Department decided to opt out of the investment agreements and on October 10, 2008 the standing agreements were terminated. As of August 31, 2008, the Department carried three investment agreements of $3,323,523 for the 2001 A-E RMRB bond issue, $1,220,015 for the 2003A RMRB bond issue and $3,161,147 for the 2000 BCDE RMRB bond issue. Upon the termination, the Department will invest repayments into overnight repurchase agreement held by Texas Treasury Safekeeping Trust Company.

On September 29, 2008, DEPFA Bank was downgraded to a BBB rating by the rating agencies. DEPFA Bank is the liquidity provider for the 2006H Single Family and 2007A Single Family variable rate demand bonds. On October 2, 2008, these bonds were downgraded from A-1 to A-2 by Standard & Poor's rating agency due to DEPFA's downgrade. Upon the downgrade these bonds were no longer eligible investments in tax-exempt money market funds, therefore, the Department began to receive tender notices on these bonds. Once the remarketing of the bonds was unsuccessful, DEPFA Bank acquired temporary ownership of the "bank bonds" until the Department is able to get a new liquidity provider and subsequently have the bonds upgraded in rating.

* * * * * *

SUPPLEMENTAL SCHEDULES

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 1

SUPPLEMENTAL SCHEDULE — STATEMENT OF NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED) AS OF AUGUST 31, 2008

ASSETS	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	Commercial Paper Program	Operating Fund	Total
CURRENT ASSETS:							
Cash and cash equivalents:							
Cash in bank	$	$	$	$	$	$ 61,200	$ 61,200
Cash equivalents						14,455,869	14,455,869
Restricted assets:							
Cash and cash equivalents:							
Cash in bank	228,536			319,019			547,555
Cash equivalents	83,959,062	6,177,047	719,617	71,985,736	227,121		163,068,583
Short-term investments	76,345,895			11,320,595	71,431,000		159,097,490
Loans and contracts	2,892,465	92,407		9,671,000			12,655,872
Interest receivable	4,445,106	1,867,700	70,282	8,422,354	92,918		14,898,360
Receivable:							
Interest receivable						2,530	2,530
Accounts receivable						181,728	181,728
Loans and Contracts						137,665	137,665
Other current assets	37,130					64,770	101,900
Total current assets	167,908,194	8,137,154	789,899	101,718,704	71,751,039	14,903,762	365,208,752
NONCURRENT ASSETS:							
Loans and Contracts						3,410,973	3,410,973
Restricted assets:							
Investments	988,477,057	290,261,558	12,043,174	55,989,572			1,346,771,361
Loans, contracts, and notes receivable	34,647,741	916,149		1,210,544,672			1,246,108,562
Other noncurrent assets:							
Deferred issuance cost — net	9,075,003	2,365,563	74,129	477,061			11,991,756
Real estate owned — net	269,277	(2,206)				74,099	341,170
Total noncurrent assets	1,032,469,078	293,541,064	12,117,303	1,267,011,305		3,485,072	2,608,623,822
TOTAL ASSETS	$ 1,200,377,272	$ 301,678,218	$ 12,907,202	$ 1,368,730,009	$ 71,751,039	$ 18,388,834	$ 2,973,832,574

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 1

SUPPLEMENTAL SCHEDULE — STATEMENT OF NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED) AS OF AUGUST 31, 2008

LIABILITIES	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	Commercial Paper Program	Operating Fund	Total
CURRENT LIABILITIES:							
Payables:							
Accounts payable	$ 6,633	$ 1,004	$	$	$	$	$ 7,637
Accrued bond interest payable	26,932,419	2,583,878	49,143	8,680,866	61,066		38,307,372
Deferred revenues	5,086,014	3,125,107	330,816				8,541,937
Revenue bonds payable	26,580,871	5,035,774	7,607	9,652,174			41,276,426
Other current liabilities	8,448,669	307,088			227,121	26,495	9,009,373
Total current liabilities	67,054,606	11,052,851	387,566	18,333,040	288,187	26,495	97,142,745
NONCURRENT LIABILITIES:							
Notes and Loans Payable					71,431,000		71,431,000
Revenue bonds payable	1,127,600,617	280,825,334	10,604,935	1,210,782,842			2,629,813,728
Other noncurrent liabilities	28,937			139,748,911			139,777,848
Total noncurrent liabilities	1,127,629,554	280,825,334	10,604,935	1,350,531,753	71,431,000		2,841,022,576
TOTAL LIABILITIES	$ 1,194,684,160	$ 291,878,185	$ 10,992,501	$ 1,368,864,793	$ 71,719,187	$ 26,495	$ 2,938,165,321
NET ASSETS							
RESTRICTED	$ 5,693,112	$ 9,800,033	$ 1,914,701	$ (134,784)	$ 31,852	$	$ 17,304,914
UNRESTRICTED						18,362,339	18,362,339
TOTAL NET ASSETS	$ 5,693,112	$ 9,800,033	$ 1,914,701	$ (134,784)	$ 31,852	$ 18,362,339	$ 35,667,253

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 2

SUPPLEMENTAL SCHEDULE — STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS INFORMATION BY INDIVIDUAL ACTIVITY (UNAUDITED) FOR THE YEAR ENDED AUGUST 31, 2008

	Single-Family Program	RMRB Program	CHMRB Program	Multifamily Program	Commercial Paper Program	Operating Fund	Total
OPERATING REVENUES:							
Interest and investment income	$ 59,116,300	$ 17,317,425	$ 880,910	$ 65,653,720	$ 1,130,357	$ 485,969	$ 144,584,681
Net increase in fair value	2,745,879	3,574,123	168,243				6,488,245
Other operating revenues	547,837	400,518	44,471	11,212		1,593,253	2,597,291
Total operating revenues	62,410,016	21,292,066	1,093,624	65,664,932	1,130,357	2,079,222	153,670,217
OPERATING EXPENSES:							
Professional fees and services	722,274	144,926	2,000			264,670	1,133,870
Depreciation and amortization	685,346	179,739	2,812	14,392			882,289
Interest	53,342,715	16,012,678	759,761	65,626,886	1,150,868		136,892,908
Bad debt expense	27,176	(900)				90,236	116,512
Down Payment Assistance	5,144,249						5,144,249
Other operating expenses	735,976	139,762	6,612	300	9,115	118,106	1,009,871
Total operating expenses	60,657,736	16,476,205	771,185	65,641,578	1,159,983	473,012	145,179,699
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS	1,752,280	4,815,861	322,439	23,354	(29,626)	1,606,210	8,490,518
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS — Transfers in (out)	(674,722)	(268,968)	5,242	300	9,114	(2,731,650)	(3,660,684)
CHANGE IN NET ASSETS	1,077,558	4,546,893	327,681	23,654	(20,512)	(1,125,440)	4,829,834
NET ASSETS — September 1, 2007	4,615,554	5,253,140	1,587,020	(158,438)	52,364	19,487,779	30,837,419
NET ASSETS — August 31, 2008	$ 5,693,112	$ 9,800,033	$ 1,914,701	$ (134,784)	$ 31,852	$ 18,362,339	$ 35,667,253

SUPPORTING SCHEDULES

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 3

MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2008
(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest	Rates	Schedule Maturities First Year	Last Year	First Call Date	
1995 Single Family Series A	$ 85,760	4.15%	6.15%	1997	2027	09/01/2005	
1995 Single Family Series C	71,760	6.44%	7.76%	2006	2017	09/01/2005	
1996 Single Family Series A	15,000	4.50%	6.30%	2001	2028	09/01/2006	
1996 Single Family Series D	70,760	5.45%	6.25%	2021	2028	09/01/2006	
1996 Single Family Series E	98,730	3.90%	6.00%	1997	2017	09/01/2006	
1997 Single Family Series A	44,465	5.25%	5.80%	2013	2029	09/01/2007	
1997 Single Family Series B	9,510	5.45%	5.45%	2019	2019	09/01/2007	
1997 Single Family Series D	44,795	5.65%	5.70%	2029	2029	09/01/2007	
1997 Single Family Series F	20,000	6.77%	6.77%	2029	2029	09/01/2007	
2002 Single Family Series A (Jr. Lien)	10,000	7.01%	7.01%	2025	2026	09/01/2012	
2002 Single Family Series A	38,750	5.45%	5.55%	2023	2034	03/01/2012	
2002 Single Family Series B	52,695	5.35%	5.55%	2033	2033	03/01/2012	
2002 Single Family Series C	12,950	2.80%	5.20%	2004	2017	03/01/2012	
2002 Single Family Series D	13,605	2.00%	4.50%	2003	2012	03/01/2012	
2004 Single Family Series A	123,610	2.00%	4.70%	2006	2035	03/01/2013	
2004 Single Family Series B	53,000	VAR - Weekly		2015	2034	03/01/2015	(f)
2004 Single Family Series A (Jr. Lien)	4,140	VAR - Weekly		2036	2036	09/01/2036	(f)
2004 Single Family Series C	41,245	4.30%	4.80%	2019	2036	09/01/2014	
2004 Single Family Series D	35,000	VAR - Weekly		2035	2035	(g)	
2004 Single Family Series E	10,825	2.45%	4.30%	2006	2013	09/01/2014	
2005 Single Family Series A	100,000	VAR - Weekly		2007	2036	03/01/2006	
2005 Single Family Series B	25,495	4.38%	4.38%	2006	2026	03/01/2006	
2005 Single Family Series C	8,970	VAR - Weekly		2017	2017	03/01/2006	
2005 Single Family Series D	3,730	5.00%	5.00%	2025	2035	03/01/2006	
2006 Single Family Series A	59,555	5.00%	5.00%	2008	2037	09/01/2006	
2006 Single Family Series B	70,485	5.00%	5.00%	2008	2034	09/02/2006	
2006 Single Family Series C	105,410	5.13%	5.13%	2008	2037	09/03/2006	
2006 Single Family Series D	29,685	4.50%	4.50%	2018	2028	09/04/2006	
2006 Single Family Series E	17,295	4.06%	4.06%	2007	2017	09/05/2006	
2006 Single Family Series F	81,195	4.65%	5.75%	2008	2038	03/01/2016	
2006 Single Family Series G	15,000	3.75%	4.60%	2012	2019	03/01/2016	
2006 Single Family Series H	36,000	VAR - Weekly		2016	2037	03/01/2016	(f)
2007 Single Family Series A	143,005	VAR - Weekly		2008	2038	03/01/2008	(f)
2007 Single Family Series B	157,060	3.90%	5.63%	2008	2039	03/01/2008	
1998 RMRB Series A	102,055	4.05%	5.35%	2002	2031	01/01/2009	
1998 RMRB Series B	14,300	5.30%	5.30%	2022	2022	01/01/2009	
1999 RMRB Series A	25,615	4.80%	5.50%	2018	2021	01/01/2009	
1999 RMRB Series B-1	52,260	6.32%	7.10%	2021	2032	07/01/2009	
1999 RMRB Series C	12,150	5.05%	6.25%	2003	2024	07/01/2009	
2000 RMRB Series A	50,000	5.10%	6.30%	2003	2031	07/01/2010	
2000 RMRB Series B	82,975	5.70%	5.70%	2005	2033	07/01/2010	
2000 RMRB Series C	13,675	5.82%	5.85%	2011	2025	07/01/2010	
2000 RMRB Series D	18,265	4.55%	5.85%	2003	2020	07/01/2010	
2001 RMRB Series A	52,715	3.15%	5.70%	2004	2033	07/01/2011	
2001 RMRB Series B	15,585	5.00%	5.25%	2011	2022	07/01/2011	
2001 RMRB Series C	32,225	2.55%	4.63%	2003	2015	07/01/2011	
2001 RMRB Series D	300	5.35%	5.35%	2008	2033	07/01/2011	
2002 RMRB Series A	42,310	2.25%	5.35%	2004	2034	07/01/2012	
2003 RMRB Series A	73,630	1.70%	5.00%	2005	2034	01/01/2013	
1992 Coll Home Mtg Rev Bonds, Series C	72,700	3.48%	10.27%	2024	2024	05/04/1995	
1994 SF MRB CHMRB Series C	15,360	6.25%	6.25%	2026	2026	06/27/2005	
TOTAL SINGLE FAMILY & RMRB BONDS	$2,385,605						

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 3

MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2008
(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest Rates		Schedule Maturities First Year	Schedule Maturities Last Year	First Call Date	
1987 MF Series (South Texas Rental Housing)	$ 1,400	9.50%	9.50%	1988	2012	02/01/1988	
1993 MF Series A/B (RemHill/HighPt)	26,370	VAR - Weekly		2023	2023	02/01/2000	
1996 MF Series A/B (Brighton's Mark)	10,174	6.13%	6.13%	2026	2026	01/01/2003	
1996 MF Series A/B (Las Colinas)	15,469	5.65%	5.65%	2026	2026	01/01/2003	
1996 MF Series A/B (Braxton's Mark)	14,867	5.81%	5.81%	2026	2026	01/01/2003	
1998 MF Series A (Pebble Brook)	10,900	4.95%	5.60%	2001	2030	06/01/2001	
1998 MF Series A-C (Residence Oaks)	8,200	5.98%	7.18%	2001	2030	05/01/2001	
1998 MF Series A (Volente Project)	10,850	5.00%	5.63%	2001	2031	07/01/2001	
1998 MF Series A (Dallas Oxford Refndg)	10,300	7.25%	7.25%	2018	2018	01/01/2004	
1998 MF Series A/B (Greens of Hickory Trial)	13,500	5.20%	6.03%	2001	2030	09/01/2008	
1999 MF Series A-C (Mayfield)	11,445	5.70%	7.25%	2001	2031	05/01/2002	
1999 MF Series A (Woodglen Village)	10,660	7.38%	8.25%	2002	2039	12/01/2016	
2000 MF Series A (Timber Point Apts)	8,100	VAR - Weekly		2003	2032	07/01/2000	(a)
2000 MF Series A/B (Oaks at Hampton)	10,060	7.20%	9.00%	2002	2040	03/01/2017	(a)
2000 MF Series A (Deerwood Apts)	6,435	5.25%	6.40%	2003	2032	06/01/2010	
2000 MF Series A (Creek Point Apts)	7,200	VAR - Weekly		2004	2032	07/01/2000	(a)
2000 MF Series A/B (Parks @ Westmoreland)	9,990	7.20%	9.00%	2002	2040	07/01/2017	(a)
2000 MF Series A (Honeycreek)	20,485	7.63%	8.15%	2004	2035	06/30/2007	
2000 MF Series A-C (Highland Meadow Apts)	13,500	6.75%	8.00%	2004	2033	05/01/2019	
2000 MF Series A/B (Greenbridge)	20,085	7.40%	10.00%	2003	2040	03/01/2014	
2000 MF Series A-C (Collingham Park)	13,500	6.72%	7.72%	2004	2033	05/01/2019	
2000 MF Series A/B (Williams Run)	12,850	7.65%	9.25%	2002	2040	01/01/2011	
2000 MF Series A/B (Red Hills Villas)	10,300	8.40%	9.50%	2003	2040	12/01/2017	
2001 MF Series A (Bluffview Senior Apts)	10,700	7.65%	7.65%	2003	2041	05/01/2018	
2001 MF Series A (Knollwood Villas Apts)	13,750	7.65%	7.65%	2003	2041	05/01/2018	
2001 MF Series A (Skyway Villas)	13,250	6.00%	6.50%	2005	2034	12/01/2011	
2001 MF Series A/B (Cobb Park)	7,785	6.77%	6.77%	2003	2041	07/01/2018	
2001 MF Series A (Greens Road Apts.)	8,375	5.30%	5.40%	2004	2034	12/01/2011	
2001 MF Series A/B (Meridian Apts.)	14,310	5.45%	6.85%	2004	2034	12/01/2011	
2001 MF Series A/B (Wildwood Apts.)	14,365	5.45%	6.75%	2004	2034	12/01/2011	
2001 MF Series A-C (Fallbrook Apts.)	14,700	6.06%	6.78%	2005	2034	01/01/2012	
2001 MF Series A (Oak Hollow Apts.)	8,625	7.00%	7.90%	2003	2041	11/01/2018	
2001 MF Series A/B (Hillside Apts.)	12,900	7.00%	9.25%	2003	2041	11/01/2018	
2002 MF Series A (Millstone Apts.)	12,700	5.35%	5.86%	2005	2035	06/01/2012	
2002 MF Series A (Sugar Creek Apts.)	11,950	6.00%	6.00%	2004	2042	01/01/2016	
2002 MF Series A (West Oaks Apts.)	10,150	7.15%	7.50%	2004	2042	12/01/2018	
2002 MF Series A (Park Meadows Apts)	4,600	6.53%	6.53%	2004	2034	05/01/2012	
2002 MF Series A (Clarkridge Villas Apts)	14,600	7.00%	7.00%	2004	2042	08/01/2019	
2002 MF Series A (Hickory Trace Apts)	11,920	7.00%	7.00%	2004	2042	12/01/2019	
2002 MF Series A (Green Crest Apts)	12,500	7.00%	7.00%	2004	2042	11/01/2019	
2002 MF Series A/B (Ironwood Crossing)	16,970	5.50%	8.75%	2005	2042	10/01/2027	
2002 MF Series A (Woodway Village Apts)	9,100	4.95%	5.20%	2006	2023	01/01/2013	
2003 MF Series A/B (Reading Road)	12,200	VAR-Weekly		2007	2036	01/01/2004	(a)
2003 MF Series A/B (North Vista Apts)	14,000	4.10%	5.41%	2006	2036	06/01/2013	
2003 MF Series A/B (West Virginia Apts)	9,450	4.15%	5.41%	2006	2036	06/01/2013	
2003 MF Series A/B (Sphinx @ Murdeaux)	15,085	3.55%	5.00%	2005	2042	06/20/2013	
2003 MF Series A/B (Primrose Houston School)	16,900	5.50%	8.00%	2006	2036	07/01/2003	(a)
2003 MF Series A/B (Timber Oaks Apts)	13,200	6.75%	8.75%	2005	2043	06/01/2020	
2003 MF Series A/B (Ash Creek Apts)	16,375	5.60%	15.00%	2006	2036	10/01/2003	(a)
2003 MF Series A/B (Peninsula Apts)	12,400	4.25%	5.30%	2007	2024	10/01/2013	

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 3

MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2008
(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest Rates	Schedule Maturities First Year	Schedule Maturities Last Year	First Call Date	
2003 MF Series A (Evergreen @ Mesquite)	$ 11,000	6.60% 8.00%	2006	2043	09/01/2020	
2003 MF Series A/B (Arlington Villas)	17,100	6.75% 8.00%	2007	2036	01/01/2007	(a)
2003 MF Series A/B (Parkview Twnhms)	16,600	6.60% 8.50%	2006	2043	12/01/2020	
2003 MF Series A (NHP-Asmara) Refunding	31,500	VAR - Weekly	2007	2033	07/01/2007	(a)
2004 MF Series A/B (Timber Ridge)	7,500	5.75% 8.00%	2007	2037	03/01/2007	(a)
2004 MF Series A/B (Century Park)	13,000	5.75% 5.75%	2007	2037	05/01/2007	(a)
2004 MF Series A (Addison Park)	14,000	VAR - Weekly (c)	2007	2044	01/01/2007	(a)
2004 MF Series A/B (Veterans Memorial)	16,300	6.60% 8.50%	2006	2044	03/01/2006	(a)
2004 MF Series A (Rush Creek)	10,000	5.38% ,6.70%	2006	2044	03/01/2021	
2004 MF Series A (Humble Park)	11,700	6.60% 6.60%	2007	2041	07/01/2021	
2004 MF Series A (Chisholm Trail)	12,000	VAR - Weekly (b)	2006	2037	10/15/2006	(a)
2004 MF Series A (Evergreen @ Plano)	14,750	5.25% 6.55%	2007	2044	06/01/2021	
2004 MF Series A (Montgomery Pines)	12,300	VAR - Weekly	2006	2037	12/15/2006	(a)
2004 MF Series A (Bristol)	12,625	VAR - Weekly	2007	2037	06/15/2007	(a)
2004 MF Series A (Pinnacle)	14,500	VAR - Weekly (c)	2007	2044	09/01/2007	(a)
2004 MF Series A (Tranquility Bay)	14,350	VAR - Weekly (c)	2007	2044	06/01/2021	(e)
2004 MF Series A (Sphinx @ Delafield)	11,380	5.05% 5.35%	2006	2044	07/20/2014	
2004 MF Series A (Churchill @ Pinnacle)	10,750	5.25% 6.55%	2007	2044	09/01/2021	(e)
2004 MF Series A/B (Post Oak East)	13,600	VAR - Weekly	(d)	2037	(d)	
2004 MF Series A (Village Fair)	14,100	5.00% 6.50%	2007	2044	12/01/2021	
2005 MF Series A (Pecan Grove)	14,030	5.00% 6.50%	2007	2045	01/01/2022	
2005 MF Series A (Prairie Oaks)	11,050	4.75% 6.50%	2007	2045	01/01/2022	
2005 MF Series A (Port Royal)	12,200	5.00% 6.50%	2007	2045	02/01/2022	
2005 MF Series A (Del Rio)	11,490	5.00% 6.50%	2007	2045	02/01/2022	
2005 MF Series A (Atascocita Pines)	11,900	VAR - Weekly (c)	2007	2037	(f)	
2005 MF Series A (Tower Ridge)	15,000	VAR - Weekly (b)	2009	2038	(f)	
2005 MF Series A (Alta Cullen)	14,000	5.89% 6.60%	2007	2045	06/01/2022	
2005 MF Series A (Lafayette Village)	14,100	VAR - Weekly	2008	2038	n/a	
2005 MF Series A (Prairie Ranch)	12,200	4.85% 4.85%	2007	2045	12/20/2015	
2005 MF Series A (St Augustine)	7,650	VAR - Weekly	2009	2038	n/a	
2005 MF Series A (Park Manor)	10,400	5.00% 6.40%	2008	2045	09/01/2022	
2005 MF Series A (Mockingbird)	14,360	6.40% 6.40%	2007	2045	08/01/2022	
2005 MF Series A (Chase Oaks)	14,250	5.05% 5.05%	2007	2035	(h)	
2005 MF Series A/B (Canal Place)	16,100	3.45% 8.00%	2019	2039	(i)	
2005 MF Series A (Coral Hills)	5,320	5.05% 5.05%	2038	2038	08/01/2015	
2006 MF Series A (Harris Branch)	15,000	VAR - Weekly	2009	2039	(j)	
2006 MF Series A (Bella Vista)	6,800	6.15% 6.15%	2008	2046	04/01/2016	
2006 MF Series A (Village Park)	13,660	4.75% 5.13%	2009	2026	06/01/2021	
2006 MF Series A (Oakmoor)	14,635	5.50% 6.00%	2008	2046	03/01/2023	
2006 MF Series A (Sunset Pointe)	15,000	VAR - Weekly	2039	2039	(i)	
2006 MF Series A (Hillcrest)	12,435	5.25% 5.25%	2009	2039	04/01/2021	
2006 MF Series A (Pleasant Village)	6,000	6.00% 6.00%	2008	2023	(k)	
2006 MF Series A (Grove Village)	6,180	6.00% 6.00%	2008	2023	(k)	
2006 MF Series A (Red Hills Villas)	5,015	VAR - Weekly	2036	2036	(j)	
2006 MF Series A (Champion Crossing)	5,125	VAR - Weekly	2036	2036	(j)	
2006 MF Series A (Stonehaven)	11,300	5.80% 5.80%	2008	2026	(h)	
2006 MF Series A (Center Ridge)	8,325	5.00% 5.00%	2009	2039	05/01/2021	
2006 MF Series A (Meadowlands)	13,500	6.00% 6.00%	2009	2046	09/01/2023	
2006 MF Series A (East Tex Pines)	13,500	4.95% 4.95%	2010	2046	(l)	
2006 MF Series A (Villas at Henderson)	7,200	VAR - Weekly	2010	2039	(m)	
2006 MF Series A (Aspen Park Apts)	9,800	5.00% 5.00%	2010	2039	07/01/2021	

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 3

MISCELLANEOUS BOND INFORMATION
AS OF AUGUST 31, 2008
(Amounts in thousands)

Description of Issue	Original Principal Bonds Issued to Date	Range of Interest Rates	Schedule Maturities First Year	Schedule Maturities Last Year	First Call Date
2006 MF Series A (Idlewilde Apts)	14,250	VAR - Weekly	2010	2040	(j)
2007 MF Series A (Lancaster Apts)	14,250	VAR - Weekly	2010	2040	(j)
2007 MF Series A (Park Place)	15,000	5.80% 5.80%	2010	2047	03/01/2024
2007 MF Series A (Terrace at Cibolo)	8,000	VAR - Weekly	2010	2040	(m)
2007 MF Series A (Santora Villas)	13,072	5.80% 5.80%	2010	2047	06/01/2024
2007 MF Series A (Villas @ Mesquite Creek)	16,860	5.00% 5.81%	2010	2047	01/20/2017
2007 MF Series A (Summit Point)	11,700	4.80% 5.25%	2009	2047	06/20/2017
2007 MF Series A (Costa Rialto)	12,385	5.35% 5.35%	2010	2047	08/01/2025
2007 MF Series A (Windshire)	14,000	VAR - Weekly	2010	2041	(j)
2007 MF Series A (Residences @ Onion Creek)	15,000	VAR - Weekly	2011	2040	(j)
2008 MF Series A (West Oaks)	13,125	VAR - Weekly	2011	2041	(n)
2008 MF Series A (Costa Ibiza)	13,900	VAR - Weekly	2011	2041	(f)
2008 MF Series A (Addison Park)	14,000	VAR - Weekly	2008	2044	(n)
TOTAL MULTIFAMILY BONDS	$1,411,622				
TOTAL BONDS ISSUED	**$3,797,227**				

(Concluded)

FOOTNOTES:

(a) The taxable bonds shall be subject to redemption prior to maturity in whole or any part on any interest payment date after the completion date from the proceeds of an optional prepayment of the loan by the borrower.

(b) Variable rate not to exceed the maximum rate permitted by applicable law.

(c) Variable rate could change to fixed rate provided the conversion option is exercised.

(d) No set amortization, per trustee, amortization will occur in $100,000 denominations when the amount in the principal reserve fund exceeds 20% of the issue.

(e) The bonds are subject to redemption, in whole, at the option of the issuer acting at the direction of the holders of a majority of the outstanding principal amount of the bonds.

(f) The bonds shall be subject to redemption prior to maturity, after giving the required notice, as follows: During the variable interest rate period the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(g) The series bonds are subject to redemption prior to maturity, after giving notice as provided in the Trust Indenture, as follows: During a daily interest rate period or weekly interest rate period for the series bonds, the bonds shall be subject to optional redemption by the Department, in whole or in part on any business day, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest, if any, to the redemption date.

(h) The bonds are subject to redemption at the option of the issuer, at the direction of the borrower, in whole or in part on the first day of any month, in the event and to the extent, the trustee receives funds from the borrower representing an optional prepayment of the principal of the note, at a redemption price equal to the principal thereof, plus accrued interest to the redemption date plus any premium remitted therewith as required by the note.

(i) Bonds are subject to redemption if and to the extent, the borrower is entitled to make, or is required to make, a prepayment pursuant to the loan agreement.

(j) The bonds are subject to optional redemption in whole or in part upon optional prepayment of the loan by the borrower as permitted by the loan documents.

(k) The Bonds are subject to optional redemption at the direction of the borrower on any interest payment date, in whole or in part, at the redemption price (as calculated by the sole bondholder) calculated in accordance with the Exhibit H plus accrued and unpaid interest, if any, to the redemption date. Optional redemptions may be made only in denominations of $100,000 plus integral multiples of $5,000 or for the entire amount of the bonds outstanding.

(l) The Bonds shall be subject to redemption prior to maturity in whole but not in part on any Bond Payment Date on or after fifteen years from Conversion Date, from the proceeds of an optional prepayment of the Loan by the Borrower at a redemption price equal to the principal amount plus accrued and unpaid interest to the date fixed for redemption.

(m) The Bonds may be redeemed by the Trustee at the option of the Issuer, but only upon the written request of the Borrower pursuant of the Loan Agreement, and with the prior consent of the Bank, in whole or in part, at a redemption price equals to the principal amount, without premium, plus accrued interest to the date of redemption.

(n) With the prior Written consent of the Credit Facility Provider, the Bonds are subject to optional redemption, in whole or in part, upon optional prepayments on the Bond Mortgage Loan in accordance with the prepayment restrictions set forth in the Bond Mortgage Note and Financing Agreement.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 4

CHANGES IN BOND INDEBTEDNESS
AS OF AUGUST 31, 2008

Description of Issue	Bonds Outstanding September 1, 2007	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2008	Amounts Due Within One Year
2002 SERIES A (Jr Lien)	$ 5,400,000			$ 1,260,000	$ 4,140,000	
2002 SERIES A	37,485,000			950,000	36,535,000	
2002 SERIES B	39,135,000			5,690,000	33,445,000	$ 19,506
2002 SERIES C	11,180,000		$ 500,000	265,000	10,415,000	497,192
2002 SERIES D	5,740,000		875,000	235,000	4,630,000	839,175
2004 SERIES A	116,865,000		3,320,000	9,515,000	104,030,000	3,831,898
2004 SERIES B	53,000,000				53,000,000	
2004 SERIES A (Jr Lien)	4,140,000			285,000	3,855,000	
2004 SERIES C	36,805,000		405,000	4,615,000	31,785,000	341,941
2004 SERIES D	35,000,000				35,000,000	
2004 SERIES E	9,195,000		1,070,000	200,000	7,925,000	1,038,970
2005 SERIES A	98,145,000		165,000	3,120,000	94,860,000	
2005 SERIES B	20,705,000		705,000	2,565,000	17,435,000	572,574
2005 SERIES C	8,010,000			795,000	7,215,000	
2005 SERIES D	3,225,000			185,000	3,040,000	
2006 SERIES A	59,105,000		230,000	1,045,000	57,830,000	516,712
2006 SERIES B	69,950,000		720,000	1,240,000	67,990,000	1,523,826
2006 SERIES C	104,610,000		750,000	1,850,000	102,010,000	1,790,938
2006 SERIES D	27,630,000			3,510,000	24,120,000	(65,284)
2006 SERIES E	16,560,000		1,240,000	45,000	15,275,000	1,181,463
2006 SERIES F	81,195,000			695,000	80,500,000	648,318
2006 SERIES G	15,000,000		570,000	165,000	14,265,000	1,110,000
2006 SERIES H	36,000,000				36,000,000	2,571,428
2007 SERIES A	143,005,000			1,935,000	141,070,000	10,014,130
2007 SERIES B		$ 157,060,000		5,000	157,055,000	148,084
1998 SERIES A	40,105,000		1,155,000	2,660,000	36,290,000	1,115,000
1998 SERIES B	7,125,000			775,000	6,350,000	
1999 SERIES A	5,865,000			980,000	4,885,000	(11,429)
1999 SERIES B-1	22,415,000			1,590,000	20,825,000	14,141
1999 SERIES C	3,500,000			15,000	3,485,000	(1,048)
2000 SERIES A	16,330,000		245,000	780,000	15,305,000	237,067
2000 SERIES B	48,165,000			3,830,000	44,335,000	9,294
2000 SERIES C	8,530,000				8,530,000	
2000 SERIES D	6,695,000		555,000		6,140,000	595,000
2001 SERIES A	33,500,000		590,000	2,230,000	30,680,000	602,235
2001 SERIES B	12,300,000			120,000	12,180,000	
2001 SERIES C	9,690,000		1,095,000	850,000	7,745,000	975,544
2001 SERIES D	235,000		5,000		230,000	10,000
2002 SERIES A	31,470,000		520,000	1,785,000	29,165,000	535,712
2003 SERIES A	64,765,000		1,040,000	4,440,000	59,285,000	954,258
1992 SERIES A-C	12,400,000			2,000,000	10,400,000	7,607
Total Single Family Bonds	1,360,175,000	157,060,000	15,755,000	62,225,000	1,439,255,000	31,624,252
1996 SERIES A&B (BRIGHTON'S MARK)	$ 8,075,000				$ 8,075,000	
1996 SERIES A&B (MARKS OF LAS COLINAS)	12,670,000			$ 12,670,000		
1996 SERIES A&B (BRAXTON'S MARK)	14,273,700				14,273,700	
1987 SOUTH TEXAS RENTAL HOUSING	612,309		$ 92,573		519,736	$ 102,000
1998 SERIES (PEBBLE BROOK)	9,895,000		190,000	35,000	9,670,000	205,000
1998 SERIES A-C (RESIDENCE OAKS)	7,408,000		151,000		7,257,000	159,000
1998 SERIES (GREENS-HICKORY TRAIL)	12,325,000		240,000		12,085,000	250,000
1999 SERIES (MAYFIELD)	10,407,000		209,000		10,198,000	222,000

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 4

CHANGES IN BOND INDEBTEDNESS
AS OF AUGUST 31, 2008

Description of Issue	Bonds Outstanding September 1, 2007	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2008	Amounts Due Within One Year
1999 SERIES (WOODGLEN VILLAGE)	$ 10,505,283			$ 10,505,283		
2000 SERIES (TIMBER POINT APTS)	7,670,000			100,000	$ 7,570,000	
2000 SERIES A/B (OAKS at HAMPTON)	9,753,846		$ 74,648		9,679,198	$ 82,000
2000 SERIES (DEERWOOD APTS)	6,075,000		95,000		5,980,000	95,000
2000 SERIES (CREEK POINT APTS)	6,585,000			115,000	6,470,000	
2000 SERIES A/B (PARKS at WESTMORELAND)	9,704,453		73,173		9,631,280	80,000
2000 SERIES A-C (HIGHLAND MEADOW APTS)	8,565,000		121,000		8,444,000	130,000
2000 SERIES A/B (GREENBRIDGE @ BUCKINGHM)	19,735,000		177,541		19,557,459	113,000
2000 SERIES A-C (COLLINGHAM PARK APTS)	12,943,000		182,000		12,761,000	208,000
2000 SERIES A/B (WILLIAMS RUN APTS)	12,566,068		148,779		12,417,289	204,000
2001 SERIES (BLUFF SENIOR APTS)	10,488,996		59,342		10,429,654	64,000
2001 SERIES (KNOLLWOOD VILLAS APTS)	13,478,850		76,257		13,402,593	82,000
2001 SERIES A (SKYWAY VILLAS)	8,185,000		125,000	620,000	7,440,000	120,000
2001 SERIES A/B (COBB PARK APTS)	7,649,012		42,112		7,606,900	46,000
2001 SERIES A (GREENS ROAD APTS)	8,060,000		120,000		7,940,000	130,000
2001 SERIES A/B (MERIDIAN APARTMENTS)	13,885,000		185,000		13,700,000	200,000
2001 SERIES A/B (WILDWOOD BRANCH	13,940,000		190,000		13,750,000	205,000
2001 SERIES A-C (FALLBROOK APTS)	14,241,000		206,000		14,035,000	220,000
2001 SERIES (OAK HOLLOW APTS)	6,380,796		39,919		6,340,877	43,000
2001 SERIES A/B (HILLSIDE APTS)	12,599,075		43,277		12,555,798	47,000
2001 SERIES A (MILLSTONE APTS)	10,575,000		165,000		10,410,000	175,000
2002 SERIES (SUGARCREEK APTS)	11,750,000		115,000		11,635,000	75,657
2002 SERIES (WEST OAKS APTS)	9,572,873		57,361		9,515,512	62,000
2002 SERIES (PARK MEADOWS APTS)	4,335,000		60,000		4,275,000	70,000
2002 SERIES (CLARKRIDGE VILLAS APTS)	13,790,327		81,003		13,709,324	87,000
2002 SERIES A (HICKORY TRACE APTS)	11,400,985		66,548		11,334,436	71,000
2002 SERIES A (GREEN CREST APTS)	11,427,927		142,836		11,285,091	71,000
2002 SERIES A/B (IRON WOOD CROSSING)	16,851,886		72,841		16,779,045	79,000
2002 SERIES A (WOODWAY VILLAGE)	7,645,000		110,000		7,535,000	115,000
2003 SERIES A/B (READING ROAD)	12,180,000		20,000	200,000	11,960,000	20,000
2003 SERIES A/B (NORTH VISTA)	13,800,000		190,000	900,000	12,710,000	210,000
2003 SERIES A/B (WEST VIRGINIA)	9,315,000		145,000		9,170,000	150,000
2003 SERIES A/B (SPHINX @ MURDEAUX)	14,715,000		165,000		14,550,000	170,000
2003 SERIES A/B (PRIMROSE HOUSTON)	16,551,491		78,839		16,472,652	85,000
2003 SERIES A/B (TIMBER OAKS)	13,097,616		56,155		13,041,462	61,000
2003 SERIES A/B (ASH CREEK APTS)	16,278,361		79,621		16,198,740	86,000
2003 SERIES A/B (PENINSULA APTS)	12,130,000		160,000	5,000	11,965,000	160,000
2003 SERIES A (EVERGREEN @ MESQUITE)	10,856,023		109,755		10,746,268	117,000
2003 SERIES A/B (ARLINGTON VILLAS)	17,053,685		74,285		16,979,400	80,000
2003 SERIES A/B (PARKVIEW TWNHMS)	16,481,679		79,438		16,402,240	86,000
2003 SERIES (NHP-ASMARA)REFUNDING	21,290,000		360,000		20,930,000	370,517
2004 SERIES A/B (TIMBER RIDGE)	6,668,105		34,191		6,633,914	37,000
2004 SERIES A/B (CENTURY PARK)	12,920,000		165,000	300,000	12,455,000	170,000
2004 SERIES A (ADDISON PARK)	14,000,000			14,000,000		
2004 SERIES A/B (VETERANS MEMORIAL)	16,193,176		79,140		16,114,036	86,000
2004 SERIES (RUSH CREEK)	9,944,300		51,433	1,121,781	8,771,086	52,000
2004 SERIES (HUMBLE PARK)	11,610,000		100,000		11,510,000	110,000
2004 SERIES (CHISHOLM TRAIL)	12,000,000			100,000	11,900,000	
2004 SERIES (EVERGREEN @ PLANO)	14,737,224		79,644		14,657,580	85,000
2004 SERIES (MONTGOMERY PINES)	12,300,000				12,300,000	
2004 SERIES (BRISTOL)	12,625,000			325,000	12,300,000	
2004 SERIES (PINNACLE)	14,500,000			235,000	14,265,000	
2004 SERIES (TRANQUILITY BAY)	14,252,083		84,252		14,167,831	90,000
2004 SERIES (SPHINX @ DELAFIELD)	11,235,000		100,000		11,135,000	110,000
2004 SERIES (CHURCHILL @ PINNACLE)	10,094,601		67,132		10,027,469	72,000
2004 SERIES A/B (POST OAK EAST)	13,600,000				13,600,000	

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 4

CHANGES IN BOND INDEBTEDNESS AS OF AUGUST 31, 2008

Description of Issue	Bonds Outstanding September 1, 2007	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding August 31, 2008	Amounts Due Within One Year
2004 SERIES (VILLAGE FAIR)	$ 14,049,658		$ 79,712		$ 13,969,946	$ 85,000
2005 SERIES (PECAN GROVE)	13,986,288		78,889		13,907,400	84,000
2005 SERIES (PRAIRIE OAKS)	11,015,573		62,133		10,953,440	66,000
2005 SERIES (PORT ROYAL)	12,167,510		68,230		12,099,280	73,000
2005 SERIES (MISSION DEL RIO)	11,459,400		64,259		11,395,141	69,000
2005 SERIES (ATASCOCITA)	11,900,000				11,900,000	143,000
2005 SERIES (TOWER RIDGE)	15,000,000				15,000,000	100,000
2005 SERIES (ALTA CULLEN)	14,000,000				14,000,000	
2005 SERIES (PRAIRIE RANCH)	12,195,000		145,000		12,050,000	115,000
2005 SERIES (ST. AUGUSTINE)	7,650,000				7,650,000	47,000
2005 SERIES (PARK MANOR)	10,400,000				10,400,000	58,000
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	14,360,000		79,885		14,280,115	85,000
2005 SERIES (PLAZA CHASE OAKS)	14,250,000		137,731		14,112,269	215,000
2005 SERIES (CANAL PLACE)	16,100,000				16,100,000	
2006 SERIES (CORAL HILLS)	5,320,000			250,000	5,070,000	75,000
2006 SERIES (HARRIS BRANCH)	15,000,000				15,000,000	
2006 SERIES (BELLA VISTA)	6,800,000		15,000		6,785,000	45,000
2006 SERIES (VILLAGE PARK)	13,660,000				13,660,000	105,000
2006 SERIES (OAKMOOR)	14,635,000				14,635,000	75,000
2006 SERIES (SUNSET POINTE)	15,000,000				15,000,000	
2006 SERIES (HILLCREST)	12,435,000				12,435,000	
2006 SERIES (PLEASANT VILLAGE)	6,000,000		28,768		5,971,232	74,000
2006 SERIES (GROVE VILLAGE)	6,180,000		29,631		6,150,369	77,000
2006 SERIES (RED HILLS)	5,015,000				5,015,000	
2006 SERIES (CHAMPION'S CROSSING)	5,125,000			100,000	5,025,000	
2006 SERIES (STONEHAVEN)	11,300,000				11,300,000	61,000
2006 SERIES (CENTER RIDGE)	8,325,000				8,325,000	
2006 SERIES (MEADOWLANDS)	13,500,000				13,500,000	1,780,000
2006 SERIES (EAST TEXAS PINES)	13,500,000				13,500,000	
2006 SERIES (VILLAS @ HENDERSON)	7,200,000				7,200,000	
2006 SERIES (ASPEN PARKS)	9,800,000				9,800,000	
2006 SERIES (IDLEWILDE)	14,250,000				14,250,000	
2007 SERIES (LANDCASTER)	14,250,000				14,250,000	
2007 SERIES (PARK PLACE AT LOYOLA)	15,000,000				15,000,000	
2007 SERIES (TERRACE AT CIBOLO)	8,000,000				8,000,000	
2007 SERIES (SANTORA VILLAS)	13,072,000				13,072,000	
2007 SERIES (A/B VILLAS @ MESQUITE)	16,860,000				16,860,000	
2007 SERIES (SUMMIT POINT)	11,700,000				11,700,000	
2007 SERIES (COSTA RIALTO)	12,385,000				12,385,000	
2007 SERIES (WINDSHIRE)	14,000,000				14,000,000	
2007 SERIES (RESIDENCES @ ONION CREEK)		15,000,000			15,000,000	
2008 SERIES (WEST OAKS APTS)		13,125,000			13,125,000	
2008 SERIES (COSTA IBIZA APTS)		13,900,000			13,900,000	
2008 SERIES (ADDISON PARKS APTS)		14,000,000			14,000,000	
Total Multifamily Bonds	$ 1,213,299,159	$ 56,025,000	$ 6,780,332	$ 41,582,064	$ 1,220,961,762	$ 9,652,174
	$ 2,573,474,159	$ 213,085,000	$ 22,535,332	$ 103,807,064	$ 2,660,216,762	$ 41,276,426

(a) Bonds Outstanding balance at 8/31/08 does not include unamortized premium or discounts.

Bonds Outstanding per schedule	$ 2,660,216,762
Unamortized (Discount)/Premium:	
Single Family	14,121,116
RMRB	1,423,356
CHMRB	212,543
Multi-Family	(526,746)
Unamortized Deferred Gain/(Loss) on Refunding:	
Single Family	(3,364,630)
RMRB	(992,247)
Deferred Amount on Refunding	-
Bonds Outstanding	$ 2,671,090,154

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM

SCHEDULE 5

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2008
(Amounts in thousands)

Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	Principal								$ 4,140					$ 4,140
2002 SINGLE FAMILY, SERIES A JUNIOR LIEN	Interest	$ 290	$ 290	$ 290	$ 290	$ 290	$ 1,450	$ 1,450	656					5,006
2002 SINGLE FAMILY, SERIES A	Principal							4,715	15,985		$ 15,835			36,535
2002 SINGLE FAMILY, SERIES A	Interest	2,011	2,011	2,011	2,011	2,011	10,055	9,926	5,353	$ 4,395	199			39,983
2002 SINGLE FAMILY, SERIES B	Principal								3,515	27,480	2,450			33,445
2002 SINGLE FAMILY, SERIES B	Interest	1,823	1,823	1,823	1,823	1,823	9,115	9,115	8,875	6,109				42,329
2002 SINGLE FAMILY, SERIES C	Principal	515	540	575	610	1,310	6,865							10,415
2002 SINGLE FAMILY, SERIES C	Interest	501	478	451	423	374	744							2,971
2002 SINGLE FAMILY, SERIES D	Principal	850	885	915	965	1,015								4,630
2002 SINGLE FAMILY, SERIES D	Interest	164	127	88	46									425
2004 SINGLE FAMILY, SERIES A	Principal	3,735	3,190	3,220	3,350	3,615	15,685	14,895	17,950	21,820	16,570			104,030
2004 SINGLE FAMILY, SERIES A	Interest	4,580	4,470	4,350	4,218	4,072	18,182	15,011	11,126	6,355	947			73,311
2004 SINGLE FAMILY, SERIES B	Principal						6,620	11,110	13,420	16,305	5,545			53,000
2004 SINGLE FAMILY, SERIES B	Interest	1,181	1,182	1,182	1,183	1,181	5,619	4,509	3,134	1,464	62			20,697
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)	Principal										3,855			3,855
2004 SINGLE FAMILY, SERIES A (JUNIOR LIEN)	Interest	103	103	103	103	103	515	515	515	515	307			2,882
2004 SINGLE FAMILY, SERIES C	Principal	315	335	350	370	390	3,925	6,280	6,770	7,955	5,095			31,785
2004 SINGLE FAMILY, SERIES C	Interest	1,494	1,478	1,461	1,442	1,423	6,649	5,454	3,861	2,144	276			25,682
2004 SINGLE FAMILY, SERIES D	Principal						4,870	7,730	8,130	9,615	4,655			35,000
2004 SINGLE FAMILY, SERIES D	Interest	717	718	717	718	717	3,368	2,669	1,827	943	74			12,468
2004 SINGLE FAMILY, SERIES E	Principal	1,085	1,125	1,170	1,230	1,285	1,890	140						7,925
2004 SINGLE FAMILY, SERIES E	Interest	278	240	198	150	99	110	1						1,076
2005 SINGLE FAMILY, SERIES A	Principal		1,430	2,050	2,130	2,215	12,475	15,165	18,445	22,420	18,530			94,860
2005 SINGLE FAMILY, SERIES A	Interest	2,113	2,094	2,049	2,004	1,951	8,961	7,410	5,524	3,230	638			35,974
2005 SINGLE FAMILY, SERIES B	Principal	660	690	725	760	780	4,435	5,565	3,820					17,435
2005 SINGLE FAMILY, SERIES B	Interest	753	726	697	666	633	2,608	1,465	223					7,771
2005 SINGLE FAMILY, SERIES C	Principal						7,215							7,215
2005 SINGLE FAMILY, SERIES C	Interest	209	209	209	209	209	838							1,883
2005 SINGLE FAMILY, SERIES D	Principal								1,790	805	445			3,040
2005 SINGLE FAMILY, SERIES D	Interest	152	152	152	152	152	760	760	596	201	25			3,102
2006 SINGLE FAMILY, SERIES A	Principal	480	515	550	590	630	3,840	5,375	7,100	9,525	29,225			57,830
2006 SINGLE FAMILY, SERIES A	Interest	2,874	2,848	2,821	2,792	2,761	13,263	12,102	10,524	8,449	3,340			61,774

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM

SCHEDULE 5

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2008
(Amounts in thousands)

Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2006 SINGLE FAMILY, SERIES B	Principal	$ 1,465	$ 1,530	$ 1,590	$ 1,660	$ 1,740	$ 9,915	$ 12,175	$ 15,350	$ 19,110	$ 3,455			$ 67,990
2006 SINGLE FAMILY, SERIES B	Interest	3,345	3,269	3,190	3,108	3,022	13,682	10,902	7,443	3,085	61			51,107
2006 SINGLE FAMILY, SERIES C	Principal	1,540	1,610	1,695	1,785	1,885	10,910	14,115	18,195	23,480	26,795			102,010
2006 SINGLE FAMILY, SERIES C	Interest	5,169	5,087	5,002	4,911	4,816	22,478	19,251	15,080	9,701	2,860			94,355
2006 SINGLE FAMILY, SERIES D	Principal						850	9,610	12,055	1,605				24,120
2006 SINGLE FAMILY, SERIES D	Interest	1,090	1,090	1,090	1,090	1,090	5,431	4,116	1,661					16,658
2006 SINGLE FAMILY, SERIES E	Principal	1,280	1,315	1,370	1,420	1,480	8,410							15,275
2006 SINGLE FAMILY, SERIES E	Interest	576	525	472	416	356	757							3,102
2006 SINGLE FAMILY, SERIES F	Principal	510	560	595	630	670	4,000	10,380	15,540	20,815	26,800			80,500
2006 SINGLE FAMILY, SERIES F	Interest	4,228	4,196	4,162	4,127	4,089	19,827	17,960	14,394	9,582	3,169			85,734
2006 SINGLE FAMILY, SERIES G	Principal	1,110	1,235	1,300	1,375	1,465	6,565	1,215						14,265
2006 SINGLE FAMILY, SERIES G	Interest	572	526	475	421	361	866	15						3,236
2006 SINGLE FAMILY, SERIES H	Principal	2,571	5,143	5,143	5,143	5,143	12,857							36,000
2006 SINGLE FAMILY, SERIES H	Interest	365	653	548	444	339	392							2,741
2007 SINGLE FAMILY, SERIES A	Principal	10,076	20,153	20,153	20,153	20,153	50,382							141,070
2007 SINGLE FAMILY, SERIES A	Interest	1,432	2,557	2,148	1,739	1,330	1,533							10,739
2007 SINGLE FAMILY, SERIES B	Principal		1,465	2,305	2,410	2,525	15,680	19,035	24,685	32,130	41,905	$ 14,915		157,055
2007 SINGLE FAMILY, SERIES B	Interest	8,223	8,164	8,060	7,951	7,835	37,126	32,666	26,856	19,208	9,234	398		165,721
Total Single Family Bonds		70,435	86,737	87,455	87,018	87,338	371,718	292,802	304,538	288,446	222,352	15,313		1,914,152
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	1,115	1,155				7,600			26,420				36,290
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,884	1,830	1,798	1,798	1,798	8,923	6,995	6,995	2,713				34,734
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal							6,350						6,350
1998 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	337	337	337	337	337	1,685	1,175						4,545
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal						1,675	3,210						4,885
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	257	257	257	257	257	1,272	411						2,968
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES B-1	Principal							5,885		14,940				20,825
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES B-1	Interest	1,362	1,362	1,362	1,362	1,362	6,810	5,904	4,720	3,622				27,866
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal								3,485					3,485
1999 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	218	218	218	218	218	1,090	1,090	179					3,449
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	245						3,840		11,220				15,305
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	953	945	945	945	945	4,725	3,642	3,535	2,002				18,637

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM

SCHEDULE 5

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2008
(Amounts in thousands)

Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal								$ 12,000	$ 32,335				$ 44,335
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	$ 2,578	$ 2,578	$ 2,578	$ 2,578	$ 2,578	$ 12,890	$ 12,890	10,680	7,656				57,006
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal							4,855	3,675					8,530
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	498	498	498	498	498	2,490	1,591	283					6,854
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Principal	595	640	680	720	785	1,725	995						6,140
2000 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Interest	318	287	253	217	177	395	77						1,724
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	570	580	110	115	135	805	2,650	10,820	14,895				30,680
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,640	1,612	1,594	1,587	1,580	7,770	7,473	5,585	2,199				31,040
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Principal			725	770	805	4,800	5,080						12,180
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES B	Interest	627	627	612	575	536	2,008	577						5,562
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Principal	1,025	1,080	1,120	1,175	1,255	2,090							7,745
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES C	Interest	314	270	222	172	131	86							1,195
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Principal	10	10	10	5	10	45	45	40	55				230
2001 RESIDENTIAL MTG REVENUE BONDS, SERIES D	Interest	12	12	11	11	10	44	31	21	8				160
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	500	510	540	560	610	3,545	4,100	7,845	10,560	$ 395			29,165
2002 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	1,527	1,504	1,479	1,452	1,423	6,593	5,582	4,145	1,531	3			25,239
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Principal	945	960	1,000	1,030	1,055	6,440	8,115	15,010	20,080	4,650			59,285
2003 RESIDENTIAL MTG REVENUE BONDS, SERIES A	Interest	2,868	2,831	2,792	2,750	2,706	12,712	10,975	8,261	3,859	136			49,890
Total Residential Mtg Revenue Bonds		20,398	20,103	19,141	19,132	19,211	98,218	103,538	97,279	154,095	5,184			556,299
1992 COLL HOME MTG REV BONDS, SERIES C	Principal								10,400					10,400
1992 COLL HOME MTG REV BONDS, SERIES C	Interest	718	718	718	720	718	3,592	3,592	591					11,367
Total Coll Home Mtg Revenue Bonds		718	718	718	720	718	3,592	3,592	10,991					21,767
1987 MF SERIES (SOUTH TEXAS RENTAL HOUSING)	Principal	102	112	123	135	48								520
1987 MF SERIES (SOUTH TEXAS RENTAL HOUSING)	Interest	44	34	23	11	1								113
1996 MF SERIES A&B (BRIGHTON'S MARK)	Principal								8,075					8,075
1996 MF SERIES A&B (BRIGHTON'S MARK)	Interest	495	495	495	495	495	2,475	2,475	1,485					8,910
1996 MF SERIES A&B (BRAXTON'S MARK)	Principal								14,274					14,274
1996 MF SERIES A&B (BRAXTON'S MARK)	Interest	829	829	829	829	829	4,145	4,145	2,495					14,930
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	Principal	205	215	225	245	255	1,570	2,145	2,950	1,860				9,670
1998 MF SERIES (PEBBLE BROOK APARTMENTS)	Interest	530	519	508	495	481	2,166	1,659	956	134				7,448

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM

SCHEDULE 5

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2008
(Amounts in thousands)

Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	Principal	$ 159	$ 169	$ 180	$ 189	$ 202				$ 6,358				$ 7,257
1998 MF SERIES A-C (RESIDENCE AT THE OAKS)	Interest	430	420	410	399	387	$ 1,905	$ 1,905	$ 1,905	859				8,620
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	Principal	250	270	290	310	335	2,000	2,710	3,650	2,270				12,085
1998 MF SERIES A&B (GREENS OF HICKORY TRAIL)	Interest	640	624	608	590	571	2,565	1,964	1,148	178				8,888
1999 MF SERIES A-C (MAYFIELD)	Principal	222	235	248	263	279	1,653	2,196	2,914	2,188				10,198
1999 MF SERIES A-C (MAYFIELD)	Interest	575	562	548	534	518	2,325	1,782	1,058	194				8,096
2000 MF SERIES (TIMBER POINT APTS)	Principal									7,570				7,570
2000 MF SERIES (TIMBER POINT APTS)	Interest	152	152	152	152	152	760	760	760	612				3,652
2000 MF SERIES A&B (OAKS AT HAMPTON)	Principal	82	89	96	104	111	693	993	1,422	2,036	$ 2,914	$ 1,139		9,679
2000 MF SERIES A&B (OAKS AT HAMPTON)	Interest	696	689	681	674	667	3,196	2,897	2,468	1,854	974	67		14,863
2000 MF SERIES (DEERWOOD APTS)	Principal	95	105	115	120			1,305		4,240				5,980
2000 MF SERIES (DEERWOOD APTS)	Interest	377	372	365	359	354	1,770	1,521	1,355	1,223				7,696
2000 MF SERIES (CREEK POINT APTS)	Principal									6,470				6,470
2000 MF SERIES (CREEK POINT APTS)	Interest	130	130	130	130	130	650	650	650	532				3,132
2000 MF SERIES PARKS AT (WESTMORELAND)	Principal	80	87	94	101	108	674	965	1,381	1,977	2,829	1,335		9,631
2000 MF SERIES PARKS AT (WESTMORELAND)	Interest	816	809	801	793	784	3,761	3,419	2,926	2,222	1,215	113		17,659
2000 A/C MF SERIES (HIGHLAND MEADOWS)	Principal	130	139	149	159	170	1,041	1,456	2,030	2,831	339			8,444
2000 A/C MF SERIES (HIGHLAND MEADOWS)	Interest	565	556	546	536	524	2,426	2,006	1,419	602	4			9,184
2000 A&B MF SERIES (GREENBRIDGE)	Principal	113	137	148	159	171	1,074	1,552	2,246	3,246	4,694	6,017		19,557
2000 A&B MF SERIES (GREENBRIDGE)	Interest	2,105	1,432	1,421	1,410	1,397	6,768	6,287	5,589	4,582	3,125	725		34,841
2000 A/C MF SERIES (COLLINGHAM PARK)	Principal	208	230	244	259	274	1,644	2,226	3,037	4,161	478			12,761
2000 A/C MF SERIES (COLLINGHAM PARK)	Interest	850	905	888	869	850	3,913	3,214	2,262	959	5			14,715
2000 A&B MF SERIES (WILLIAMS RUN)	Principal	204	98	106	115	124	781	1,145	1,676	2,454	3,592	2,122		12,417
2000 A&B MF SERIES (WILLIAMS RUN)	Interest	798	931	923	915	905	4,364	4,002	3,470	2,692	1,553	194		20,747
2001A MF SERIES (BLUFFVIEW SR. APTS.)	Principal	64	69	74	80	87	547	799	1,166	1,704	2,489	3,351		10,430
2001A MF SERIES (BLUFFVIEW SR. APTS.)	Interest	894	889	883	876	869	4,216	3,930	3,513	2,905	2,018	589		21,582
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	Principal	82	89	96	103	111	704	1,026	1,499	2,191	3,199	4,303		13,403
2001A MF SERIES (KNOLLWOOD VILLAS APTS)	Interest	1,156	1,149	1,142	1,134	1,126	5,475	5,134	4,640	3,916	2,857	895		28,624
2001A MF SERIES (SKYWAY VILLAS)	Principal	120	130	135	145	150	910	1,210	1,640	2,200	800			7,440
2001A MF SERIES (SKYWAY VILLAS)	Interest	412	406	399	391	383	1,775	1,482	1,085	549	35			6,917
2001A MF SERIES (COBB PARK)	Principal	46	51	56	60	64	404	573	844	1,223	1,768	2,518		7,607
2001A MF SERIES (COBB PARK)	Interest	599	595	590	585	581	2,815	2,622	2,345	1,939	1,355	422		14,448

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (332) — REVENUE BOND PROGRAM

SCHEDULE 5

DEBT SERVICE REQUIREMENTS (PRINCIPAL AND INTEREST)
AS OF AUGUST 31, 2008
(Amounts in thousands)

Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2001 MF SERIES (GREENS ROAD APTS.)	Principal	$ 130	$ 135	$ 145	$ 155	$ 165	$ 985	$ 1,340	$ 1,810	$ 2,480	$ 595			$ 7,940
2001 MF SERIES (GREENS ROAD APTS.)	Interest	422	415	408	400	391	1,810	1,505	1,087	512	16			6,966
2001 MF SERIES (MERIDIAN APTS.)	Principal	200	215	230	245	260	1,620	2,325	3,045	4,080	1,480			13,700
2001 MF SERIES (MERIDIAN APTS.)	Interest	791	777	762	746	730	3,353	2,720	1,977	997	59			12,912
2001 MF SERIES (WILDWOOD APTS.)	Principal	205	220	235	250	270	1,715	2,265	3,035	4,075	1,480			13,750
2001 MF SERIES (WILDWOOD APTS.)	Interest	781	767	752	736	719	3,290	2,700	1,973	995	61			12,774
2001 A/C MF SERIES (FALLBROOK APTS.)	Principal	220	235	251	268	283	1,704	2,296	3,095	4,170	1,513			14,035
2001 A/C MF SERIES (FALLBROOK APTS.)	Interest	847	831	815	800	783	3,624	3,026	2,213	1,120	70			14,129
2001 MF SERIES (OAK HOLLOW APTS.)	Principal	43	46	49	53	57	351	497	704	999	1,416	$ 2,126		6,341
2001 MF SERIES (OAK HOLLOW APTS.)	Interest	442	439	436	432	428	2,074	1,928	1,718	1,421	1,002	347		10,667
2001 A/B MF SERIES (HILLSIDE APTS.)	Principal	47	83	96	103	110	683	970	1,373	1,946	2,760	4,385		12,556
2001 A/B MF SERIES (HILLSIDE APTS.)	Interest	878	873	866	859	852	4,126	3,840	3,433	2,856	2,036	727		21,346
2002 MF SERIES (MILLSTONE APTS.)	Principal	175	185	195	215	215	1,280	1,675	2,195	2,880	1,395			10,410
2002 MF SERIES (MILLSTONE APTS.)	Interest	568	558	548	537	525	2,428	2,027	1,498	800	76			9,565
2002 MF SERIES (SUGAR CREEK APTS.)	Principal	85	90	100	105	110	465					10,680		11,635
2002 MF SERIES (SUGAR CREEK APTS.)	Interest	696	691	685	679	673	3,257	3,205	3,205	3,205	3,205	2,136		21,637
2002 MF SERIES (WEST OAKS APTS.)	Principal	62	66	71	76	82	509	729	1,040	1,485	2,121	3,275		9,516
2002 MF SERIES (WEST OAKS APTS.)	Interest	711	706	701	696	690	3,342	3,113	2,784	2,313	1,642	584		17,282
2002 MF SERIES (PARK MEADOWS APTS.)	Principal	70	65	80	80	85	515	715	980	1,360	325			4,275
2002 MF SERIES (PARK MEADOWS APTS.)	Interest	277	273	268	263	257	1,192	993	718	339	11			4,591
2002 SERIES (CLARKRIDGE VILLAS APTS)	Principal	87	93	100	107	115	712	1,009	1,429	2,027	2,872	5,158		13,709
2002 SERIES (CLARKRIDGE VILLAS APTS)	Interest	956	950	943	936	928	4,503	4,204	3,782	3,180	2,329	1,018		23,729
2002 SERIES A (HICKORY TRACE APTS)	Principal	71	77	82	88	94	584	829	1,175	1,664	2,361	4,309		11,334
2002 SERIES A (HICKORY TRACE APTS)	Interest	791	786	780	774	768	3,725	3,480	3,130	2,638	1,939	872		19,683
2002 SERIES A (GREEN CREST APTS)	Principal	71	76	82	88	94	582	825	1,170	1,658	2,351	4,288		11,285
2002 SERIES A (GREEN CREST APTS)	Interest	787	782	777	771	764	3,708	3,465	3,118	2,626	1,930	869		19,597
2002 SERIES A/B (IRON WOOD CROSSING)	Principal	79	87	95	103	113	737	1,128	1,620	2,295	3,254	7,268		16,779
2002 SERIES A/B (IRON WOOD CROSSING)	Interest	1,202	1,195	1,187	1,178	1,169	5,668	5,274	4,781	4,100	3,135	1,592		30,481
2002 SERIES A (WOODWAY VILLAGE)	Principal	115	120	130	135	145	855	6,035						7,535
2002 SERIES A (WOODWAY VILLAGE)	Interest	386	380	374	368	361	1,686	1,387						4,942

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Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2003 SERIES A/B (READING ROAD)	Principal	$ 20	$ 30	$ 30	$ 30	$ 30	$ 190	$ 270	$ 375	$ 525	$ 10,460			$ 11,960
2003 SERIES A/B (READING ROAD)	Interest	337	336	334	332	330	1,613	1,536	1,430	1,278	638			8,164
2003 SERIES A/B (NORTH VISTA)	Principal	210	210	230	240	250	1,460	1,900	2,500	3,265	2,445			12,710
2003 SERIES A/B (NORTH VISTA)	Interest	632	623	613	603	592	2,762	2,335	1,779	1,051	190			11,180
2003 SERIES A/B (WEST VIRGINIA)	Principal	150	155	165	165	180	1,040	1,370	1,805	2,375	1,765			9,170
2003 SERIES A/B (WEST VIRGINIA)	Interest	456	450	443	435	428	1,995	1,692	1,290	762	134			8,085
2003 SERIES A/B (SPHINX @ MURDEAUX)	Principal	170	180	185	195	205	1,180	1,505	1,900	2,425	3,090	$ 3,515		14,550
2003 SERIES A/B (SPHINX @ MURDEAUX)	Interest	2,005	2,013	2,022	2,031	2,041	4,614	2,914	2,509	1,990	1,318	455		23,912
2003 SERIES A/B (PRIMROSE HOUSTON)	Principal	85	93	101	109	118	758	1,113	1,554	2,163	10,379			16,473
2003 SERIES A/B (PRIMROSE HOUSTON)	Interest	1,090	1,083	1,075	1,067	1,058	5,123	4,777	4,347	3,750	1,820			25,190
2003 SERIES A/B (TIMBER OAKS)	Principal	61	67	73	80	87	568	879	1,322	1,858	2,601	5,445		13,041
2003 SERIES A/B (TIMBER OAKS)	Interest	920	915	909	902	895	4,338	4,024	3,580	3,041	2,294	1,228		23,046
2003 SERIES A/B (ASH CREEK APTS)	Principal	86	94	101	110	119	764	1,099	1,538	2,154	10,134			16,199
2003 SERIES A/B (ASH CREEK APTS)	Interest	1,082	1,075	1,067	1,059	1,049	5,081	4,750	4,319	3,713	1,604			24,799
2003 SERIES A/B (PENINSULA APTS)	Principal	160	170	180	190	205	1,225	1,660	8,175					11,965
2003 SERIES A/B (PENINSULA APTS)	Interest	622	614	606	597	587	2,763	2,382	453					8,624
2003 SERIES (EVERGREEN @ MESQUITE)	Principal	117	125	133	142	151	919	1,263	1,738	2,391	2,101	1,666		10,746
2003 SERIES (EVERGREEN @ MESQUITE)	Interest	737	729	720	711	701	3,339	2,984	2,494	1,820	972	429		15,636
2003 SERIES A/B (ARLINGTON VILLAS)	Principal	80	87	95	102	111	710	1,060	1,520	2,144	11,071			16,980
2003 SERIES A/B (ARLINGTON VILLAS)	Interest	1,167	1,161	1,153	1,145	1,137	5,530	5,179	4,728	4,112	2,228			27,540
2003 SERIES A/B (PARKVIEW TWNHMS)	Principal	86	94	102	111	121	787	1,156	1,607	2,233	3,104	4,312	$ 2,690	16,403
2003 SERIES A/B (PARKVIEW TWNHMS)	Interest	1,105	1,098	1,089	1,080	1,070	5,169	4,800	4,346	3,716	2,843	1,625	41	27,982
2003 SERIES (NHP-ASMARA)REFUNDING	Principal	380	400	430	450	480	2,870	3,850	5,155	6,915				20,930
2003 SERIES (NHP-ASMARA)REFUNDING	Interest	386	379	371	364	355	1,628	1,327	921	376				6,107
2004 SERIES A/B (TIMBER RIDGE)	Principal	37	39	42	45	48	301	423	599	849	4,251			6,634
2004 SERIES A/B (TIMBER RIDGE)	Interest	446	444	441	438	435	2,119	1,998	1,826	1,584	773			10,504
2004 SERIES A/B (CENTURY PARK)	Principal	170	185	190	200	210	1,295	1,715	2,290	3,050	3,150			12,455
2004 SERIES A/B (CENTURY PARK)	Interest	667	657	647	636	625	2,933	2,530	1,991	1,276	346			12,308
2004 SERIES A/B (VETERANS MEMORIAL)	Principal	86	94	102	111	121	784	1,119	1,556	2,162	3,005	4,177	2,797	16,114
2004 SERIES A/B (VETERANS MEMORIAL)	Interest	1,081	1,073	1,065	1,056	1,046	5,050	4,712	4,273	3,664	2,816	1,640	54	27,530
2004 SERIES (RUSH CREEK)	Principal	52	56	60	64	68	418	586	817	1,142	1,594	2,227	1,687	8,771
2004 SERIES (RUSH CREEK)	Interest	586	582	578	574	570	2,770	2,603	2,369	2,044	1,588	953	37	15,254

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Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2004 SERIES (HUMBLE PARK)	Principal	$ 110	$ 110	$ 120	$ 130	$ 135	$ 835	$ 1,165	$ 1,625	$ 2,225	$ 3,085	$ 1,970		$ 11,510
2004 SERIES (HUMBLE PARK)	Interest	757	749	742	734	725	3,473	3,148	2,694	2,066	1,203	178		16,469
2004 SERIES (CHISHOLM TRAIL)	Principal										11,900			11,900
2004 SERIES (CHISHOLM TRAIL)	Interest	247	248	248	248	247	1,239	1,239	1,239	1,238	891			7,084
2004 SERIES (EVERGREEN @ PLANO)	Principal	85	91	97	103	110	674	934	1,296	1,797	2,490	3,453	$ 3,527	14,657
2004 SERIES (EVERGREEN @ PLANO)	Interest	957	951	945	939	932	4,535	4,272	3,910	3,408	2,708	1,742	140	25,439
2004 SERIES (MONTGOMERY PINES)	Principal										12,300			12,300
2004 SERIES (MONTGOMERY PINES)	Interest	256	256	256	256	256	1,280	1,280	1,280	1,280	964			7,364
2004 SERIES (BRISTOL)	Principal										12,300			12,300
2004 SERIES (BRISTOL)	Interest	256	256	256	256	256	1,280	1,280	1,280	1,280	964			7,364
2004 SERIES (PINNACLE)	Principal										14,265			14,265
2004 SERIES (PINNACLE)	Interest	296	297	297	297	296	1,484	1,484	1,484	1,483	1,123			8,541
2004 SERIES (TRANQUILITY BAY)	Principal	90	96	102	109	117	711	983	1,360	1,879	2,598	3,594	2,529	14,168
2004 SERIES (TRANQUILITY BAY)	Interest	918	912	905	898	891	4,326	4,052	3,674	3,153	2,429	1,429	107	23,694
2004 SERIES (SPHINX @ DELAFIELD)	Principal	110	110	120	125	135	790	1,035	1,360	1,775	2,295	2,940	340	11,135
2004 SERIES (SPHINX @ DELAFIELD)	Interest	583	577	572	566	559	2,684	2,459	2,159	1,755	1,225	541	12	13,692
2004 SERIES (CHURCHILL @ PINNACLE)	Principal	72	77	82	87	93	568	789	1,093	1,516	2,099	2,909	643	10,028
2004 SERIES (CHURCHILL @ PINNACLE)	Interest	654	649	644	639	633	3,061	2,841	2,533	2,109	1,521	705	16	16,005
2004 SERIES A/B (POST OAK EAST)	Principal										13,600			13,600
2004 SERIES A/B (POST OAK EAST)	Interest	285	287	287	287	287	1,435	1,435	1,435	1,435	1,150			8,323
2004 SERIES (VILLAGE FAIR)	Principal	85	91	97	103	110	672	931	1,285	1,778	2,458	3,399	2,961	13,970
2004 SERIES (VILLAGE FAIR)	Interest	905	899	893	887	880	4,276	4,018	3,660	3,166	2,480	1,536	199	23,799
2005 SERIES (PECAN GROVE)	Principal	84	90	96	102	109	665	921	1,271	1,759	2,434	3,365	3,011	13,907
2005 SERIES (PECAN GROVE)	Interest	902	896	890	883	877	4,262	4,008	3,655	3,169	2,496	1,565	229	23,832
2005 SERIES (PRAIRIE OAKS)	Principal	66	71	75	81	86	524	724	1,002	1,385	1,916	2,651	2,372	10,953
2005 SERIES (PRAIRIE OAKS)	Interest	710	706	700	695	690	3,354	3,153	2,874	2,489	1,956	1,217	166	18,710
2005 SERIES (PORT ROYAL)	Principal	73	78	83	88	94	575	795	1,099	1,521	2,104	2,909	2,681	12,100
2005 SERIES (PORT ROYAL)	Interest	784	779	774	768	762	3,707	3,486	3,180	2,755	2,170	1,360	198	20,723
2005 SERIES (MISSION DEL RIO)	Principal	69	73	78	83	89	542	749	1,035	1,433	1,982	2,739	2,523	11,395
2005 SERIES (MISSION DEL RIO)	Interest	738	734	729	723	718	3,492	3,282	2,995	2,595	2,044	1,282	185	19,517

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Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2005 SERIES (ATASCOCITA)	Principal	$ 143	$ 152	$ 162	$ 171	$ 182	$ 1,096	$ 1,483	$ 2,012	$ 2,740	$ 3,759			$ 11,900
2005 SERIES (ATASCOCITA)	Interest	245	243	239	236	232	1,097	962	782	533	194			4,763
2005 SERIES (TOWER RIDGE)	Principal	100	100	100	100	100	700	1,300	2,200	3,000	7,300			15,000
2005 SERIES (TOWER RIDGE)	Interest	314	312	310	308	305	1,494	1,389	1,207	944	534			7,117
2005 SERIES (ALTA CULLEN)	Principal												$ 14,000	14,000
2005 SERIES (ALTA CULLEN)	Interest	924	924	924	924	924	4,620	4,620	4,620	4,620	4,620	$ 4,620	1,386	33,726
2005 SERIES (PRAIRIE RANCH)	Principal	115	125	125	135	140	830	1,070	1,400	1,760	2,220	2,810	1,320	12,050
2005 SERIES (PRAIRIE RANCH)	Interest	582	576	570	564	557	2,672	2,445	2,146	1,764	1,285	682	69	13,912
2005 SERIES (ST. AUGUSTINE)	Principal	47	98	104	111	117	703	944	1,268	1,703	2,288	267		7,650
2005 SERIES (ST. AUGUSTINE)	Interest	159	157	155	152	150	709	623	507	351	138	1		3,102
2005 SERIES (PARK MANOR)	Principal	58	62	66	70	75	454	625	861	1,183	1,627	2,239	3,080	10,400
2005 SERIES (PARK MANOR)	Interest	664	660	656	651	647	3,152	2,981	2,744	2,420	1,972	1,357	301	18,205
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	Principal	85	91	97	103	110	668	919	1,265	1,741	2,396	3,297	3,508	14,280
2005 SERIES (PROVIDENCE @ MOCKINGBIRD)	Interest	911	905	899	893	886	4,312	4,058	3,712	3,234	2,575	1,670	330	24,385
2005 SERIES (PLAZA CHASE OAKS)	Principal	215	227	238	251	264	1,537	1,977	2,545	3,273	3,585			14,112
2005 SERIES (PLAZA CHASE OAKS)	Interest	707	696	684	672	658	3,072	2,631	2,062	1,330	397			12,909
2005 SERIES (CANAL PLACE APTS))	Principal		56	81	88	95	611	896	1,236	1,701	2,340	8,996		16,100
2005 SERIES (CANAL PLACE APTS))	Interest	1,026	1,024	1,018	1,011	1,003	4,882	4,607	4,275	3,819	3,191	364		26,220
2005 SERIES (CORAL HILLS)	Principal	75	70	70	80	85	480	625	3,585					5,070
2005 SERIES (CORAL HILLS)	Interest	255	251	248	244	240	1,129	994	497					3,858
2006 SERIES (HARRIS BRANCH APTS)	Principal		200	200	200	300	1,400	1,800	2,500	3,300	4,400	700		15,000
2006 SERIES (HARRIS BRANCH APTS)	Interest	322	320	316	311	306	1,449	1,275	1,045	735	321	2		6,402
2006 SERIES (BELLA VISTA APTS)	Principal	45	45	45	50	55	320	440	590	810	1,095	1,495	1,795	6,785
2006 SERIES (BELLA VISTA APTS)	Interest	416	413	411	408	404	1,968	1,852	1,695	1,483	1,194	802	217	11,263
2006 SERIES (VILLAGE PARK)	Principal	105	190	190	200	215	1,250	1,670	9,840					13,660
2006 SERIES (VILLAGE PARK)	Interest	699	690	680	670	660	3,116	2,746	1,528					10,789
2006 SERIES (OAKMOOR)	Principal	75	95	101	107	114	685	922	1,246	1,680	2,267	3,058	4,285	14,635
2006 SERIES (OAKMOOR)	Interest	876	871	865	858	852	4,144	3,903	3,579	3,143	2,554	1,759	497	23,901
2006 SERIES (SUNSET POINTE)	Principal											15,000		15,000
2006 SERIES (SUNSET POINTE)	Interest	315	315	315	315	315	1,575	1,575	1,575	1,575	1,575	273		9,723
2006 SERIES (HILLCREST)	Principal		175	160	170	180	1,085	1,470	1,550			7,645		12,435
2006 SERIES (HILLCREST)	Interest	653	647	638	629	620	2,940	2,605	2,162	2,005	2,005	236		15,140

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Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2006 SERIES (PLEASANT VILLAGE)	Principal	$ 74	$ 79	$ 84	$ 88	$ 95	$ 570	$ 4,981						$ 5,971
2006 SERIES (PLEASANT VILLAGE)	Interest	361	356	351	347	340	1,605	1,273						4,633
2006 SERIES (GROVE VILLAGE)	Principal	77	81	86	91	98	586	5,131						6,150
2006 SERIES (GROVE VILLAGE)	Interest	372	367	362	357	351	1,654	1,309						4,772
2006 SERIES (RED HILLS VILLAS)	Principal							400	$ 700	$ 1,000	$ 2,915			5,015
2006 SERIES (RED HILLS VILLAS)	Interest	101	101	101	101	101	505	485	429	335	149			2,408
2006 SERIES (CHAMPIONS CROSSING)	Principal						200	500	700	1,000	2,625			5,025
2006 SERIES (CHAMPIONS CROSSING)	Interest	101	102	102	102	101	503	457	400	305	126			2,299
2006 SERIES (STONEHAVEN)	Principal	61	77	82	87	92	550	733	9,618					11,300
2006 SERIES (STONEHAVEN)	Interest	654	649	645	640	635	3,084	2,897	1,670					10,874
2006 SERIES (CENTER RIDGE)	Principal		120	110	115	125	745	1,000	1,040			$ 5,070		8,325
2006 SERIES (CENTER RIDGE)	Interest	416	413	407	401	395	1,872	1,653	1,372	1,270	1,270	165		9,634
2006 SERIES (MEADOWLANDS)	Principal	1,780	75	79	84	89	536	723	974	1,316	1,776	2,394	$ 3,674	13,500
2006 SERIES (MEADOWLANDS)	Interest	757	701	696	691	686	3,341	3,152	2,898	2,557	2,094	1,472	500	19,545
2006 SERIES (EAST TEX PINES)	Principal			80	95	105	605	810	1,065	1,420	1,875	2,490	4,955	13,500
2006 SERIES (EAST TEX PINES)	Interest	668	668	665	660	655	3,188	3,009	2,774	2,461	2,046	1,497	575	18,866
2006 SERIES (VILLAS @ HENDERSON)	Principal		47	98	104	110	651	859	1,135	1,501	1,983	712		7,200
2006 SERIES (VILLAS @ HENDERSON)	Interest	125	124	123	121	119	564	500	415	300	152	10		2,553
2006 SERIES (ASPEN PARK)	Principal		105	95	100	110	630	845	875			7,040		9,800
2006 SERIES (ASPEN PARK)	Interest	490	488	483	478	473	2,274	2,092	1,854	1,760	1,760	295		12,447
2006 SERIES (IDLEWILDE)	Principal		77	162	173	184	1,119	1,539	2,114	2,903	3,990	1,989		14,250
2006 SERIES (IDLEWILDE)	Interest	296	296	293	290	286	1,366	1,230	1,041	783	429	41		6,351
2007 SERIES (LANCASTER)	Principal											14,250		14,250
2007 SERIES (LANCASTER)	Interest	296	296	296	297	296	1,481	1,481	1,482	1,481	1,481	559		9,446
2007 SERIES (PARK PLACE AT LOYOLA)	Principal			98	104	110	657	877	1,170	1,564	2,088	2,789	5,543	15,000
2007 SERIES (PARK PLACE AT LOYOLA)	Interest	870	870	867	861	855	4,167	3,946	3,651	3,256	2,729	2,025	859	24,956
2007 SERIES (TERRACES AT CIBOLO)	Principal											8,000		8,000
2007 SERIES (TERRACES AT CIBOLO)	Interest	282	282	282	283	282	1,411	1,411	1,412	1,411	1,411	475		8,942
2007 SERIES (SANTORA VILLAS)	Principal			64	89	94	563	754	1,005	1,344	1,793	2,395	4,971	13,072
2007 SERIES (SANTORA VILLAS)	Interest	758	758	757	752	746	3,641	3,450	3,196	2,856	2,404	1,800	820	21,938

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Description		2009	2010	2011	2012	2013	2014-18	2019-23	2024-28	2029-33	2034-38	2039-43	2044-48	Total Required
2007 SERIES (A/B VILLAS @ MESQUITE CREEK)	Principal		$ 210	$ 155	$ 165	$ 175	$ 1,045	$ 1,370	$ 1,755	$ 2,245	$ 2,880	$ 3,680	$ 3,180	$ 16,860
2007 SERIES (A/B VILLAS @ MESQUITE CREEK)	Interest	$ 858	853	843	833	824	3,949	3,623	3,236	2,743	2,109	1,298	310	21,479
2007 SERIES (SUMMIT POINT)	Principal		165	100	105	120	665	865	1,115	1,470	1,935	2,550	2,610	11,700
2007 SERIES (SUMMIT POINT)	Interest	603	598	593	588	582	2,821	2,634	2,388	2,062	1,624	1,041	290	15,824
2007 SERIES (COSTA RIALTO)	Principal			91	96	101	596	779	1,017	1,328	1,735	2,264	4,378	12,385
2007 SERIES (COSTA RIALTO)	Interest	663	663	660	655	650	3,158	2,975	2,736	2,422	2,015	1,483	676	18,756
2007 SERIES (WINDSHIRE)	Principal											14,000		14,000
2007 SERIES (WINDSHIRE)	Interest	291	291	291	291	291	1,455	1,455	1,455	1,455	1,455	697		9,427
2007 SERIES (RESIDENCE @ ONION CREEK)	Principal											15,000		15,000
2007 SERIES (RESIDENCE @ ONION CREEK)	Interest	307	308	308	308	307	1,539	1,539	1,539	1,538	1,539	696		9,928
2008 SERIES (WEST OAKS APTS)	Principal											13,125		13,125
2008 SERIES (WEST OAKS APTS)	Interest	268	269	269	269	269	1,345	1,345	1,345	1,345	1,345	764		8,833
2008 SERIES (COSTA IBIZA APTS)	Principal											13,900		13,900
2008 SERIES (COSTA IBIZA APTS)	Interest	265	265	265	266	265	1,326	1,326	1,327	1,326	1,326	781		8,738
2008 SERIES (ADDISON PARK APTS)	Principal												14,000	14,000
2008 SERIES (ADDISON PARK APTS)	Interest	740	763	763	764	762	3,815	3,815	3,816	3,814	3,815	3,815	255	26,937
Total Multifamily Bonds		$ 75,476	$ 74,540	$ 74,877	$ 74,964	$ 74,909	$ 368,720	$ 384,264	$ 406,958	$ 362,847	$ 392,247	$ 330,415	$ 107,529	$ 2,727,746
	Total	$ 167,027	$ 182,098	$ 182,191	$ 181,834	$ 182,176	$ 842,248	$ 784,196	$ 819,766	$ 805,388	$ 619,783	$ 345,728	$ 107,529	$ 5,219,964
	Less Interest	126,159	125,736	123,688	121,573	119,311	555,780	490,326	394,868	283,019	150,705	60,113	8,469	2,559,747
	Total Principal	$ 40,868	$ 56,362	$ 58,503	$ 60,261	$ 62,865	$ 286,468	$ 293,870	$ 424,898	$ 522,369	$ 469,078	$ 285,615	$ 99,060	$ 2,660,217

Notes: The actual maturity of any class of bonds may be shorter than its staed maturity as a result of prepayments on the mortgage certificates or loans. No assurance can be given as to the rates of prepayments that actually will occur. Interest does not include accretions on capital appreciation bonds or amortization of premium/discount on bonds.

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 6

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2008
(Amounts in thousands)

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
2002 Single Family Series A	$ 2,820	$ 64		$ 2,026
2002 Single Family Series A (Jr. Lien)	1,365	9		316
2002 Single Family Series B	7,347	57		1,871
2002 Single Family Series C	775	17	$ 500	546
2002 Single Family Series D	447	7	875	215
2004 Single Family Series A	14,677	289	3,320	4,724
2004 Single Family Series A (Jr. Lien)	292	19		146
2004 Single Family Series B	2,659	149		2,143
2004 Single Family Series C	6,187	99	405	1,526
2004 Single Family Series D	1,681	106		1,338
2004 Single Family Series E	602	25	1,070	363
2005 Single Family Series A	7,558	364	165	4,036
2005 Single Family Series B	3,500	96	705	905
2005 Single Family Series C	1,181	39		272
2005 Single Family Series D	348	17		154
2006 Single Family Series A	4,035	390	230	2,879
2006 Single Family Series B	4,638	443	720	3,380
2006 Single Family Series C	7,015	673	750	5,025
2006 Single Family Series D	4,733	159		1,196
2006 Single Family Series E	860	106	1,240	732
2006 Single Family Series F	4,686	793		4,122
2006 Single Family Series G	885	143	570	616
2006 Single Family Series H	1,832	364		1,433
2007 Single Family Series A	8,711	2,177		6,050
2007 Single Family Series B	7,415	90	-	7,649
Total Single Family Bonds	96,251	6,697	10,550	53,660
1998 RMRB Series A	5,167	34	1,155	2,018
1998 RMRB Series B	1,217	6		360
1999 RMRB Series A	1,466	12		294
1999 RMRB Series B-1	3,122	20		1,410
1999 RMRB Series C	264	3		219
2000 RMRB Series A	1,852	17	245	998
2000 RMRB Series B	6,788	82		2,682
2000 RMRB Series C	545	15		498
2000 RMRB Series D	389	11	555	346
2001 RMRB Series A	3,981	41	590	1,694
2001 RMRB Series B	820	16		629
2001 RMRB Series C	1,288	10	1,095	437
2001 RMRB Series D	29	1	5	13
2002 RMRB Series A	3,360	27	520	1,557
2003 RMRB Series A	7,475	93	1,040	3,010
Total Residential Mtg Revenue Bonds	37,764	388	5,205	16,165

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 6

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2008
(Amounts in thousands)

Description of Issue	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
1992 CHMRB Series C	$ 2,909	$ 11		$ 787
Total 1992 CHMRB	2,909	11		787
1987 MF Series (South Texas Rental Housing)	80		$ 92	53
1996 MF Series A/B (Brighton's Mark)	464	2		500
1996 MF Series A/B (Las Colinas)	13,396	4		683
1996 MF Series A/B (Braxton's Mark)	834	3		829
1998 MF Series A (Pebble Brook)	576		190	541
1998 MF Series A-C (Residence Oaks)	439		151	439
1998 MF Series A/B (Greens of Hickory Trial)	647		240	647
1999 MF Series A-C (Mayfield)	586		209	586
1999 MF Series A (Woodglen Village)	10,602			97
2000 MF Series A (Creek Point Apts)	288			173
2000 MF Series A (Deerwood Apts)	381		95	381
2000 MF Series A (Timber Point Apts)	303			203
2000 MF Series A/B (Greenbridge)	1,459		178	1,459
2000 MF Series A/B (Oaks at Hampton)	703		75	703
2000 MF Series A/B (Parks @ Westmoreland)	698		73	698
2000 MF Series A/B (Williams Run)	960		149	960
2000 MF Series A-C (Collingham Park)	864		182	864
2000 MF Series A-C (Highland Meadow Apts)	573		121	573
2001 MF Series A (Bluffview Senior Apts)	795		59	795
2001 MF Series A (Knollwood Villas Apts)	1,021		76	1,021
2001 MF Series A (Oak Hollow Apts.)	445		40	445
2001 MF Series A (Greens Road Apts.)	429		120	429
2001 MF Series A (Skyway Villas)	1,052		125	432
2001 MF Series A/B (Cobb Park)	567		42	567
2001 MF Series A/B (Hillside Apts.)	882		43	882
2001 MF Series A/B (Meridian Apts.)	803		185	803
2001 MF Series A/B (Wildwood Apts.)	794		190	794
2001 MF Series A-C (Fallbrook Apts.)	861		206	861
2002 MF Series A (Clarkridge Villas Apts)	962		81	962
2002 MF Series A (Park Meadows Apts)	281		60	281
2002 MF Series A (Sugar Creek Apts.)	710		115	701
2002 MF Series A (West Oaks Apts.)	682		57	682
2002 MF Series A (Green Crest Apts)	794		143	794
2002 MF Series A (Hickory Trace Apts)	796		67	796
2002 MF Series A (Millstone Apts.)	577		165	577
2002 MF Series A (Woodway Village Apts)	392		110	392
2002 MF Series A/B (Ironwood Crossing)	1,209		73	1,209
2003 MF Series A (NHP-Asmara) Refunding	827		360	578
2003 MF Series A (Evergreen @ Mesquite)	725		110	724
2003 MF Series A/B (Reading Road)	595		20	395
2003 MF Series A/B (Arlington Villas)	1,174		74	1,174

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 6

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2008
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
2003 MF Series A/B (Ash Creek Apts)	$ 1,089		$ 80	$ 1,089
2003 MF Series A/B (North Vista Apts)	1,545		190	645
2003 MF Series A/B (Parkview Twnhms)	1,112		79	1,112
2003 MF Series A/B (Peninsula Apts)	634		160	629
2003 MF Series A/B (Primrose Houston School)	1,096		79	1,096
2003 MF Series A/B (Sphinx @ Murdeaux)	718		165	718
2003 MF Series A/B (Timber Oaks Apts)	925		56	925
2003 MF Series A/B (West Virginia Apts)	463		145	463
2004 MF Series A (Bristol)	648			323
2004 MF Series A (Chisholm Trail)	414			314
2004 MF Series A (Churchill @ Pinnacle)	659		67	659
2004 MF Series A (Evergreen @ Plano)	962		80	962
2004 MF Series A (Humble Park)	764		100	764
2004 MF Series A (Montgomery Pines)	323			323
2004 MF Series A (Pinnacle)	610			375
2004 MF Series A (Rush Creek)	1,736		51	614
2004 MF Series A (Sphinx @ Delafield)	587		100	587
2004 MF Series A (Tranquility Bay)	923		84	923
2004 MF Series A (Village Fair)	910		80	910
2004 MF Series A (Addison Park)	14,385			385
2004 MF Series A/B (Century Park)	986		165	686
2004 MF Series A/B (Post Oak East)	363			363
2004 MF Series A/B (Timber Ridge)	449		34	449
2004 MF Series A/B (Veterans Memorial)	1,088		79	1,088
2005 MF Series A (Alta Cullen)	924			924
2005 MF Series A (Atascocita Pines)	312			312
2005 MF Series A/B (Canal Place)	1,025			1,026
2005 MF Series A (Del Rio)	743		64	743
2005 MF Series A (Park Manor)	666			666
2005 MF Series A (Pecan Grove)	906		79	906
2005 MF Series A (Chase Oaks)	717		138	717
2005 MF Series A (Port Royal)	789		68	789
2005 MF Series A (Prairie Oaks)	714		62	714
2005 MF Series A (Prairie Ranch)	588		145	588
2005 MF Series A (Mockingbird)	916		80	916
2005 MF Series A (St Augustine)	201			201
2005 MF Series A (Tower Ridge)	413			413
2006 MF Series A (Aspen Park Apts)	490			490
2006 MF Series A (Bella Vista)	418		15	418
2006 MF Series A (Center Ridge)	416			416
2006 MF Series A (Champions Crossing)	238			138
2005 MF Series A (Coral Hills)	517			267
2006 MF Series A (East Tex Pines)	668			668
2006 MF Series A (Grove Village)	377		30	377

(Continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 6

ANALYSIS OF FUNDS AVAILABLE FOR DEBT SERVICE—REVENUE BONDS
AS OF AUGUST 31, 2008
(Amounts in thousands)

	Pledged and Other Sources and Related Expenditures for FY 2008			
	Net Available for Debt Service		Debt Service	
Description of Issue	Total Pledged and Other Sources	Operating Expenses/ Expenditures and Capital Outlay	Principal	Interest
2006 MF Series A (Harris Branch)	$ 402			$ 402
2006 MF Series A (Hillcrest)	653			653
2006 MF Series A (Idlewilde Apts)	374			374
2006 MF Series A (Meadowlands)	810			810
2006 MF Series A (Oakmoor)	872			872
2006 MF Series A (Pleasant Village)	366		$ 29	366
2006 MF Series A (Red Hills Villas)	136			136
2006 MF Series A (Stonehaven)	655			655
2006 MF Series A (Sunset Pointe)	413			413
2006 MF Series A (Village Park)	688			688
2006 MF Series A (Villas at Henderson)	191			191
2007 MF Series A (Villas @ Mesquite Creek)	858			858
2007 MF Series A (Costa Rialto)	663			663
2007 MF Series A (Lancaster Apts)	374			374
2007 MF Series A (Park Place @ Loyola)	870			870
2007 MF Series A (Santora Villas)	758			758
2007 MF Series A (Summit Point)	603			603
2007 MF Series A (Terraces at Cibolo)	210			210
2007 MF Series A (Windshire)	367			367
2007 MF Series A (Residences @ Onion Creek	271			271
2008 MF Series A (West Oaks Apts)	35			35
2008 MF Series A (Costa Ibiza Apts)	17			17
2008 MF Series A(Addison Park)	7			7
Total Multifamily Bonds	107,246	9	6,780	65,369
Total	$ 244,170	$ 7,106	$ 22,535	$135,981

(Concluded)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — REVENUE BOND PROGRAM

SCHEDULE 7

MISCELLANEOUS BOND INFORMATION — EARLY EXTINGUISHMENT AND REFUNDING
AS OF AUGUST 31, 2008

Description of Issue	Category	Amount Extinguished or Refunded	For Refunding Only: Refunding Issue Par Value	For Refunding Only: Cash Flow Increase (Decrease)	For Refunding Only: Economic Gain/ (Loss)
BUSINESS-TYPE ACTIVITIES:					
2002 Single Family Series A (Jr. Lien)	Early Extinguishment	$ 1,260,000			
2002 Single Family Series A	Early Extinguishment	950,000			
2002 Single Family Series B	Early Extinguishment	5,690,000			
2002 Single Family Series C	Early Extinguishment	265,000			
2002 Single Family Series D	Early Extinguishment	235,000			
2004 Single Family Series A	Early Extinguishment	9,515,000			
2004 Single Family Series A (Jr. Lien)	Early Extinguishment	285,000			
2004 Single Family Series C	Early Extinguishment	4,615,000			
2004 Single Family Series E	Early Extinguishment	200,000			
2005 Single Family Series A	Early Extinguishment	3,120,000			
2005 Single Family Series B	Early Extinguishment	2,565,000			
2005 Single Family Series C	Early Extinguishment	795,000			
2005 Single Family Series D	Early Extinguishment	185,000			
2006 Single Family Series A	Early Extinguishment	1,045,000			
2006 Single Family Series B	Early Extinguishment	1,240,000			
2006 Single Family Series C	Early Extinguishment	1,850,000			
2006 Single Family Series D	Early Extinguishment	3,510,000			
2006 Single Family Series E	Early Extinguishment	45,000			
2006 Single Family Series F	Early Extinguishment	695,000			
2006 Single Family Series G	Early Extinguishment	165,000			
2007 Single Family Series A	Early Extinguishment	1,935,000			
2007 Single Family Series B	Early Extinguishment	5,000			
1998 RMRB Series A	Early Extinguishment	2,660,000			
1998 RMRB Series B	Early Extinguishment	775,000			
1999 RMRB Series A	Early Extinguishment	980,000			
1999 RMRB Series B-1	Early Extinguishment	1,590,000			
1999 RMRB Series C	Early Extinguishment	15,000			
2000 RMRB Series A	Early Extinguishment	780,000			
2000 RMRB Series B	Early Extinguishment	3,830,000			
2001 RMRB Series A	Early Extinguishment	2,230,000			
2001 RMRB Series B	Early Extinguishment	120,000			
2001 RMRB Series C	Early Extinguishment	850,000			
2002 RMRB Series A	Early Extinguishment	1,785,000			
2003 RMRB Series A	Early Extinguishment	4,440,000			
1992 Coll Home Mtg Rev Bonds, Series C	Early Extinguishment	2,000,000			
1996 MF Series A/B (Las Colinas)	Early Extinguishment	12,670,000			
1998 MF Series A (Pebble Brook)	Early Extinguishment	35,000			
1999 MF Series A (Woodglen Village)	Early Extinguishment	10,505,283			
2000 Series (Timber Point Apts)	Early Extinguishment	100,000			
2000 Series (Creek Point Apts)	Early Extinguishment	115,000			
2001 MF Series A (Skyway Villas)	Early Extinguishment	620,000			
2003 MF Series A/B (Reading Road)	Early Extinguishment	200,000			
2003 MF Series A/B (North Vista Apts)	Early Extinguishment	900,000			
2003 MF Series A/B (Peninsula Apts)	Early Extinguishment	5,000			
2004 MF Series A/B (Century Park)	Early Extinguishment	300,000			
2004 MF Series A (Addison Park)	Refunding	14,000,000	$ 14,000,000	$ (247,989)	$ (153,684)
2004 MF Series A (Rush Creek)	Early Extinguishment	1,121,781			
2004 MF Series A (Chisholm Trail)	Early Extinguishment	100,000			
2004 MF Series A (Bristol)	Early Extinguishment	325,000			
2004 MF Series A (Pinnacle)	Early Extinguishment	235,000			
2005 MF Series A (Coral Hills)	Early Extinguishment	250,000			
2006 MF Series A (Champion Crossing)	Early Extinguishment	100,000			
Total Business-Type Activities		$ 103,807,064	$ 14,000,000	$ (247,989)	$ (153,684)

Texas Department of Housing and Community Affairs — Housing Finance Division

Computation of Unencumbered Fund Balances
as of August 31, 2008, and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of the
Texas Department of Housing and Community
Affairs — Housing Finance Division:

We have audited the accompanying Computation of Unencumbered Fund Balances (the "Computation") of the Texas Department of Housing and Community Affairs — Housing Finance Division (the "Division") as of August 31, 2008. The Computation is the responsibility of Division management. Our responsibility is to express an opinion based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Computation is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Computation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Computation. We believe that our audit provides a reasonable basis for our opinion.

The Computation is presented on the basis of criteria described in Note 2 to the Computation for compliance with the provisions of Chapter 2306, Texas Government Code, Sections 2306.204 and 2306.205. The Computation is not intended to present unencumbered fund balances in accordance with accounting principles generally accepted in the United States of America. Unencumbered fund balances determined under the basis of presentation described in Note 2 may materially differ from those determined under accounting principles generally accepted in the United States of America.

In our opinion, the aforementioned Computation presents fairly, in all material respects, the unencumbered fund balances of the Division as of August 31, 2008, in conformity with the criteria specified by management of the Division for compliance with the computations described in the Texas Government Code, Sections 2306.204 and 2306.205, as set forth in Note 2 to the Computation.

This report is intended solely for the information and use of the Division's management and the Governing Board in accordance with the Texas Government Code, Sections 2306.204 and 2306.205, and is not intended to be, and should not be, used by anyone other than these specific parties.

Deloitte & Touche LLP

December 18, 2008

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — HOUSING FINANCE DIVISION

COMPUTATION OF UNENCUMBERED FUND BALANCES
AS OF AUGUST 31, 2008
(Dollars in thousands)

	SFMRB Program	RMRB Program	CHMRB Program	M/F Program	Commercial Paper Program	Operating Fund
BOND LIABILITIES:						
Bonds payable/commercial paper notes payable	$1,143,425	$285,430	$10,400	$1,220,962	$71,431	$
Accrued interest payable on bonds	23,392	2,584	49	8,681	61	
TOTAL	$1,166,817	$288,014	$10,449	$1,229,643	$71,492	$
ASSET TEST RATIO	102 %	102 %	102 %	100 %	100 %	%
QUALIFYING ASSETS:						
Cash and temporary investments	$ 84,188	$ 6,177	$ 720	$ 72,305	$ 227	$14,517
Investments — at fair value	101,531	17,390	491	17,457	71,431	
Mortgage-backed securities — at fair value	963,292	272,872	11,552	49,854		
Less fair value adjustment	23,732	621	(715)			
Unamortized premium/discount	7,133	1,281	47			
Loans/notes receivable — net	37,839	1,029		1,220,953		3,549
Real estate owned — net	269	(2)				74
Accrued interest receivable	4,445	1,868	70	8,422	93	3
Subtotal	1,222,429	301,236	12,165	1,368,991	71,751	18,143
LESS RESTRICTIONS:						
Self-insurance fund	1,606	401				
Operating reserve fund	2,067	208	3	463	2	122
Debt service fund	5,928			3,596		104
Rebate payable	2,511	304			227	
Due to lenders/other departments	29			139,749		29
Housing assistance programs	13,837	2,081				
Board/department restrictions					30	14,316
Bank Bond Reserve	1,895					
Amounts reserved for special redemptions subsequent to August 31, 2008		4,730				
Subtotal	27,873	7,724	3	143,808	259	14,571
Total qualifying assets less restrictions	1,194,556	293,512	12,162	1,225,183	71,492	3,572
LESS ASSET TEST REQUIREMENT	1,190,153	293,774	10,658	1,229,643	71,492	
AMOUNT NEEDED TO MEET ASSET TEST REQUIREMENT		262		4,460		
UNENCUMBERED FUND BALANCES	$ 4,403	$	$ 1,504	$	$	$ 3,572

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS — HOUSING FINANCE DIVISION

NOTES TO THE COMPUTATION OF UNENCUMBERED FUND BALANCES AS OF AUGUST 31, 2008 (DOLLARS IN THOUSANDS)

1. BACKGROUND OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

General Statement — The Texas Department of Housing and Community Affairs (the "Department") was created effective September 1, 1991, by an act of the 72nd Texas Legislature, pursuant to Senate Bill 546 (subsequently codified as Chapter 2306, Texas Government Code) (the "Department Act"), passed by the Texas Legislature on May 24, 1991, and signed by the Governor of the State of Texas. Effective September 1, 1991, the Department was established to assist local governments in helping residents overcome financial, social, and environmental problems; to address low- to moderate-income housing needs; to contribute to the preservation and redevelopment of neighborhoods and communities; to assist the Governor and the Legislature in coordinating federal and state programs affecting local governments; and to continually inform the State and the public about the needs of local government. The Department was created by merging two former agencies: the Texas Housing Agency and the Texas Department of Community Affairs.

The Department is governed by a Governing Board composed of seven members appointed by the Governor with advice and consent of the Senate. The Department is administered by an Executive Director to be employed by the Board with the approval of the Governor. The Department is authorized to issue tax-exempt or taxable bonds, notes, or other obligations to finance or refinance multifamily housing developments and single-family residential housing. Bonds and notes of the Department do not constitute a debt of the State or any political subdivision thereof. The Department Act specifically provides for the assumption by the Department of the outstanding indebtedness of the former agencies. The Housing Finance Division (the "Division") of the Department is required to continue to carry out all covenants with respect to any bonds outstanding, including the payments of any bonds from the sources provided in the proceedings authorizing such bonds. The Department Act requires a portion of the unencumbered fund balances, as defined, of the Division of the Department to be transferred to the Housing Trust Fund from the bond programs should certain conditions be met.

The Division operates several bond programs under separate trust indentures, as follows:

General — Single-Family — Since 1979, the year of creation of the Texas Housing Agency (the "Agency"), a predecessor to the Department, through August 31, 2008, the Agency or the Department has issued 27 series of Residential Mortgage Revenue Bonds, 51 series of Single-Family Mortgage Revenue Bonds, 4 series of Junior Lien Single-Family Mortgage Revenue Refunding Bonds, 10 series of GNMA/FNMA Collateralized Home Mortgage Revenue Bonds, 11 series of Collateralized Home Mortgage Revenue Bonds, and 2 series of Government National Mortgage Association (GNMA) Collateralized Home Mortgage Revenue Bonds. As of August 31, 2008, the outstanding principal amount of bonded indebtedness of the Department for single-family housing purposes was $1,439,255.

General — Multifamily — The Department and the Agency have issued 210 multifamily housing revenue bonds, which have been issued pursuant to separate trust indentures and are secured by individual trust estates, which are separate and distinct from each other. As of August 31, 2008, 142 series were outstanding, with an aggregate outstanding principal amount of $1,220,962.

Single-Family Mortgage Revenue Bonds (SFMRBs) — The Department has issued 51 series of SFMRBs under a SFMRB Trust Indenture, dated as of October 1, 1980, and 51 indentures supplemental thereto, which are secured on an equal and ratable basis by the trust estate established by the SFMRB Indenture. As of August 31, 2008, 23 series were outstanding, with an aggregate outstanding principal amount totaling $1,135,430.

Junior Lien Bonds — The Department has issued four series of its Junior Lien SFMRBS (the "Junior Lien Bonds") pursuant to a Junior Lien Trust Indenture, as supplemented by the First Supplemental Junior Lien Trust Indenture and the Second Supplemental Junior Lien Trust Indenture, each dated as of May 1, 1994, the Third Supplemental Junior Lien Trust Indenture dated as of March 27, 2002; and the Fourth Supplemental Junior Lien Trust Indenture dated as of April 1, 2004, by and between the Department and J.P. Morgan Trust Company, Texas, NA, as trustee. The Junior Lien Bonds are secured on an equal and ratable basis with each other and on a subordinated basis to the SFMRBs by the trust estate held under the SFMRB Indenture. As of August 31, 2008, two series are outstanding, with an aggregate outstanding principal of $7,995.

Residential Mortgage Revenue Bonds (RMRBs) — As of August 31, 2008, the Department has issued 27 series of RMRBs pursuant to the RMRB Trust Indenture and 24 separate series supplements, which are secured on an equal and ratable basis by the trust estate established by the RMRB Indenture. As of August 31, 2008, 15 series were outstanding, with an aggregate outstanding principal amount of $285,430.

Collateralized Home Mortgage Revenue Bonds (CHMRBs) — The Department has issued 11 series of CHMRBs pursuant to the CHMRB Master Indenture and six separate series supplements, which are secured on an equal and ratable basis by the trust estate established by such trust indentures. As of August 31, 2008, 1 series of CHMRBs was outstanding, with an aggregate outstanding principal amount of $10,400.

Single-Family Collateralized Home Mortgage Revenue Bonds — 1993 ("SFCHMRB — 1993") — The Department has issued five series of SFMRBs under a GNMA/FNMA SFMRB Trust Indenture dated as of November 1, 1993, amended as of February 1, 1995, by and between the Department and J.P. Morgan Trust Company, Texas, NA, as trustee. As of August 31, 2008, no series of the SFCHMRB — 1993s was outstanding.

Single-Family Collateralized Home Mortgage Revenue Bonds — 1994 ("SFCHMRBs — 1994") — The Department has issued three series of SFCHMRBs in 1994 and 1995 under a GNMA/FNMA SFCHMRB Master Trust Indenture dated as of November 1, 1994, supplemented by a First Supplemental GNMA/FNMA CHMRB Trust Indenture dated as of November 1, 1994, as amended as of February 1, 1995, by and between the Department and J.P. Morgan Trust Company, Texas, NA, as trustee. As of August 31, 2008, no series of the SFCHMRBs — 1994 was outstanding.

Single-Family Collateralized Home Mortgage Revenue Bonds — 1995 ("SFCHMRBs — 1995") — The Department has issued two series of single family mortgage revenue refunding bonds in 1995 for the purpose of refunding certain notes that previously refunded certain bonds outstanding, under a GNMA/FNMA CHMRB Master Trust Indenture, First Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture and Second Supplemental GNMA/FNMA CHMRB Trust Indenture, each dated as of November 1, 1994, each amended as of February 1, 1995, and each by and between the Department and J.P. Morgan Trust Company, Texas, NA, as trustee. As of August 31, 2008, no series of SFCHMRBs — 1995 was outstanding.

Housing Trust Fund — The Department Act provided for a transfer of a portion of the unencumbered fund balance from the bond programs for use in the Housing Trust Fund. The fund will be used to provide assistance for low- and very-low-income persons and families in financing, acquiring, rehabilitating, and developing affordable, decent, and safe housing. The fund will be made available to local units of government, public housing authorities, the Department, community housing development organizations, and nonprofit organizations, as well as eligible low- and very-low-income individuals and families.

Commercial Paper Notes — By resolution adopted November 10, 1994, the Department's Governing Board has authorized the issuance of two series of commercial paper notes: its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A, and its Single-Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series B (the "Notes"). Pursuant to the resolution, the Department is authorized to issue the Notes in an aggregate principal amount not to exceed $75,000 outstanding. The Department currently has $71,431 commercial paper notes outstanding. Proceeds of the initial issuance of the Notes and of future issues not issued to refund outstanding Notes will be used to redeem certain of the Department's single-family mortgage revenue bonds, which are subject to redemption as a result of the receipt by the Department of prepayments of the related underlying mortgage loans. Such prepayments may, at a future date, be recycled into new mortgage loans by the Department. The commercial paper notes are being issued in anticipation of the issuance of refunding bonds that will refund the Notes.

2. BASIS OF PRESENTATION

Management of the Department has determined the following criteria and definitions should be used in the computation of unencumbered fund balances specified by the Department Act, Texas Government Code, Sections 2306.204 and 2306.205. These criteria and definitions were determined based on the requirements of the bond trust indentures, the Board's designated purposes, and financial advisors' recommendations for credit rating purposes.

Definition of Unencumbered Fund Balance — The bond trust indentures of the Department include certain restrictions and encumbrances on Department assets for the benefit, protection, and security of the owners of the outstanding Department bonds. In addition, the Department's financial advisor has recommended that additional restrictions be maintained in the determination of unencumbered fund balance for ensuring the maintenance of parity over the immediate future.

The unencumbered fund balances of the Department represent qualifying assets less restrictions in excess of a percentage (the "Asset Test Ratio") of the total bond liabilities specified in the respective bond trust indentures. Unencumbered fund balances cannot be less than zero.

Generally, the unencumbered fund balances cannot be distributed or utilized except when certain conditions have been met within the bond trust indentures, including filing of a statement of projected revenues that projects that anticipated cash flows will be sufficient to pay Department expenses of the Division — Revenue Bond Enterprise Fund and aggregate debt service through the maturity of the bonds and to maintain all other reserve fund requirements of the respective bond trust indentures.

Total Bond Liabilities — The following represents the amounts included in determination of total bond liabilities:

- The bonds and commercial paper notes payable represent the contractual balance of bonds and commercial paper notes outstanding at August 31, 2008. Where the bonds are concerned, the amount excludes unamortized bond premiums or discounts.

- Accrued interest on bonds and commercial paper notes payable represents contractual interest due on outstanding balances at August 31, 2008.

Asset Test Ratio — This represents the ratio in excess of total bond liabilities considered necessary by the respective bond trust indentures.

Asset Test Requirement — This represents the encumbered qualifying assets considered necessary by the respective bond trust indentures. These amounts are calculated by multiplying the total bond liabilities by the Asset Test Ratio for the related programs.

Qualifying Assets — Qualifying assets exclude deferred issuance costs, deferred commitment fees, other assets, and the interfund receivables (payables). The following is a summary of amounts considered to be qualifying assets in determination of unencumbered fund balance by the respective bond trust indentures and the bond rating agencies:

- Cash, cash equivalents, and investments are included at fair value.

- Fair value adjustment represents the adjustment to eliminate the unrealized gain or loss in investments marked to fair value, since these funds are not currently available.

- Mortgage-backed securities are included at fair value. Deferred commitment fees are excluded.

- Unamortized premium/discount represents adjustment to value investments at par.

- Loans are included at their current contractual balances outstanding, net of the estimated allowance for estimated loan losses. Deferred commitment fees are excluded.

- Real estate owned is included at the carrying amount, net of the allowance for estimated losses.

- Accrued interest receivable is included at the contractual balances of accrued interest on investments, mortgage-backed securities, and loans.

Restrictions — The restrictions represent amounts to be deducted from qualifying assets for amounts required by the respective bond trust indentures, other Governing Board-designated purposes, or recommendations by the Department's financial advisors in the determination of unencumbered fund balance. The restrictions consist of the following:

- Self-insurance fund represents a required fund within the single-family and RMRB programs that is restricted for losses on self-insured loan pool programs.

- Operating reserve fund represents a restriction of approximately six months' operating expenses of the related bond programs. The single-family operating reserve also includes an estimate for future costs of issuance.

- Debt service fund represents qualifying assets restricted for debt service requirements by the respective bond trust indentures.

- Rebate payable represents a restriction for amounts calculated to be payable under the rebate rules of the U.S. Treasury.

- Amounts due to lenders/other funds represent qualifying assets that are due to lenders under the bond trust indentures, as well as due to other Department funds, and are not available for any other purposes.

- Amounts reserved for Housing Assistance Programs represent amounts that are restricted for certain Department programs as designated by the Governing Board and respective bond trust indentures and, therefore, are not available for any other purpose as of August 31, 2008.

- Board/Department restrictions represent funds designated for a specific purpose by either Board action or management decision.

- Amounts reserved for special redemptions subsequent to August 31, 2008, represent amounts calculated for the redemption of bonds (debt service) according to provisions stipulated in each bond series' respective supplemental indenture.

NOTES TO THE COMPUTATION OF UNENCUMBERED FUND BALANCES
AS OF AUGUST 31, 2008
(DOLLARS IN THOUSANDS)

A summary of the restrictions within the Housing Assistance Programs is as follows:

	Single-Family Program
Mortgage/housing development:	
Down Payment Assistance Program	$ 1,250
REO Foreclosure Expense for Special Loan Programs	49
1991 Series A — Self-help/HCA&IL Program	640
1996 Series A-C Special Mortgage Loan Fund (designated for future Buydown / 0% loans)	132
1996 Series D&E Special Mortgage Loan Fund (designated for future Buydown / 0% loans)	151
1997 Series D-F Special Mortgage Loan Fund (designated for future Buydown / 0% loans)	157
2002 Jr. Lien Acquisition Fund Account	4
2002 Jr. Lien Bootstrap	418
2002 A-C Special Mortgage Loan Fund (designated for P66)	342
2002 A-C Servicing Release Premium Fund (designated for SF Debt Service)	1
2004 Series AB SRP Fund (designated for SF Debt Service)	1
2004 CDE Special Mortgage Loan Fund (desginated for P66)	471
2004 Series CDE SRP Fund (designated for SF Debt Service)	696
2005 Series A SRP Fund (designated for SF Debt Service)	1,195
2005 BCD Mortgage Loan Account (designated for P66)	3
2006 ABC Down Payment Assistance Fund	135
2006 ABC Special Mortgage Fund Fund (designated for future Buydown / 0% loans)	13
2006 FGH Down Payment Assistance Fund	130
2006 FGH Special Mortgage Fund Fund (designated for future Buydown / 0% loans)	23
2007 A Down Payment Assistance Fund	155
2007 A Special Mortgage Fund Fund (designated for future Buydown / 0% loans)	6,552
2007 B Down Payment Assistance Fund	1,319
	$13,837

	RMRB Program
1998 A/B RMRB Special Mortgage Loan Fund (designated for future Buydown / 0% loans)	$ 1,364
2000 B-E Servicing Release Premium Fund (designated for RMRB Debt Service)	581
2001 A-C RMRB Servicing Release Premium Fund (designated for RMRB Debt Service)	1
2001 DE RMRB Servicing Release Premium Fund (designated for RMRB Debt Service)	
2001 ABC Special Mortgage Loan Fund (designated for bond redemption)	135
2003 A Servicing Release Program Fund (designated for RMRB Debt Service)	
	$ 2,081

NOTES TO THE COMPUTATION OF UNENCUMBERED FUND BALANCES AS OF AUGUST 31, 2008 (DOLLARS IN THOUSANDS)

As of August 31, 2008, the following additional restrictions existed:

	Commercial Paper Program and Operating Fund
Pending arbitrage computation	$ 30
Residual — CMO Defeasance	732
90 CHMRB/Colonias Contract for Deed	759
90 CHMRB/Colonias Contract for Deed — Interest	228
90 CHMRB/Colonias Contract for Deed (SB 867 Reserve)	414
Bond Refinancing Residuals/Bootstrap	105
Arkansas Development Finance Authority/Below Market Interest Rate Program	225
Multi-Family Housing Preservation	426
Bond Programs/COI	61
Colonias project/bond contingency reserve	3,548
Future operating and general contingencies	2,965
2003 Mortgage Credit Certificate Program	969
Bond Programs/Marketing	233
94 SF CHMRB Residual/Bootstrap	241
2005 CitiMortgage Market Rate Program	62
Below Market Interest Rate Program/Asset Management	749
Single Family & Multi-Family Asset Workout	344
2008 Mortgage Credit Certificate Program	67
M/F bond issuance fees reserved for HTF and/or other program use	2,188
	$14,346

* * * * * *

Texas Department of Housing and Community Affairs

Report to Management for the
Year Ended August 31, 2008

Deloitte.

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USA

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December 18, 2008

To the Governing Board of
Texas Department of Housing and Community Affairs:

Dear Members of the Board of Directors:

In planning and performing our audit of the basic financial statements of the Texas Department of Housing and Community Affairs (the "Department") as of and for the year ended August 31, 2008 (on which we have issued our report dated December 18, 2008), in accordance with auditing standards generally accepted in the United States of America, we considered the Department's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, in connection with our audit, we identified, and included in the attached Exhibit, control deficiencies and other matters related to the Department's internal control over financial reporting as of August 31, 2008, that we wish to bring to your attention.

The definitions of a control deficiency, a significant deficiency, and a material weakness are set forth in the Section III of the attached Exhibit.

Although we have included management's written response to our comments in the attached Exhibit, such responses have not been subjected to the auditing procedures applied in our audit and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective actions described therein.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix and should be read in conjunction with this report.

This report is intended solely for the information and use of management, the Governing Board and others within the Department and is not intended to be, and should not be, used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP

Our observations concerning control deficiencies and other matters related to operations, compliance with laws and regulations, and best practices involving internal control over financial reporting that we wish to bring to your attention are as follows:

SECTION I — CONTROL DEFICIENCIES

We identified, and have included below, control deficiencies involving the Department's internal control over financial reporting as of August 31, 2008, that we wish to bring to your attention:

GENERAL COMPUTER CONTROLS OBSERVATIONS

Database Change Management – PeopleSoft/Oracle

Observation —The PeopleSoft support team makes changes to financial data stored in the Oracle database after receiving approvals through email by business users. Such requests are entered in Track-It to ensure they are completed timely. Changes made to the production database include SQL queries which update and delete data. Such changes are made through individual user identification to establish accountability on the system.

However, such database changes are not logged systematically through individual user accounts to ensure only changes intended by management are made to the production database.

Recommendation — All requests by the business to allow IT support to make data changes should be written, maintained and monitored for appropriateness.

Management's Response — In addition to the current process of documenting Financial Administration (FA) Division management or team leader approval in advance of performing direct database updates in PeopleSoft as requested by FA management and staff, the Information Systems Division will implement a process to log direct database changes made through the individual system accounts of the PeopleSoft support team. The Director of Information Systems will monitor these logs for appropriateness.

Target Date for Implementation: January 31, 2009

Network and Systems Software Change Management (Windows, UNIX, Firewall, Network Components)

Observation — Policies have been created to govern network and systems software change management. Individuals have been granted authority to approve, test and deploy their own changes. Access to implement such changes has been limited to very few personnel. However, such changes are not formally reviewed by management to ensure they are consistent with management's intentions.

Recommendation — Changes made to network and operating systems software should be documented. Documentation should evidence testing and approvals of changes made.

Management's Response — In December 2007, management updated SOP 2264.14, "Network Change Procedures," to clarify the levels of authorization that the Director of Information Systems has granted to TDHCA's Network Administrator, Unix Administrator, and Database Administrator and to establish the Unix, Windows, and Cisco Change Log. The Information Systems Division has been in compliance with the updated version of SOP 2264.14 since that time.

By December 31, 2008, management will add an additional control to SOP 2264.14 requiring that employees in these positions email a description of the planned change to a new distribution list named "IS System Changes" prior to initiating certain types of network and operating systems software changes identified in the SOP. The Director of Information Systems will be a member of this distribution list. Email sent to this distribution list will also be posted to a public folder to which all division employees will have read access.

Target Date for Implementation: December 31, 2008.

SECTION II — OTHER MATTERS AND STATUS OF PRIOR-YEAR OBSERVATIONS

Our observations concerning other matters related to recently issued financial accounting standards and status of prior year observations that we wish to bring to your attention are as follows:

RECENTLY ISSUED GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

GASB 49: Accounting and Financial Reporting for Pollution Remediation Obligations

Observation — GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, was issued and is effective for the Department beginning in fiscal year 2009. This statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation and be required to estimate its expected outlays for pollution remediation if it knows a site is polluted.

GASB 50: Pension Disclosures — an amendment of GASB Statements No. 25 and No. 27

Observation — GASB Statement No. 50, *Pension Disclosures — an amendment of GASB Statements No. 25 and No. 27*, was also issued and is effective for the Department beginning in fiscal year 2009. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

GASB 51: Accounting and Financial Reporting for Intangible Assets

Observation — GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, was also issued and is effective for the Department beginning in fiscal year 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets.

GASB 52: Land and Other Real Estate Held as Investments by Endowments

Observation — GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, was also issued and is effective for the Department beginning in fiscal year 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB 53: Accounting and Financial Reporting for Derivative Instruments

Observation — GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* was also issued and is effective for the Department beginning in fiscal year 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value.

Recommendation — Begin reviewing GASB Statement Nos. 49, 50, 51, 52 and 53 and their implications to determine the potential impact on the TDHCA's financial statements.

Management's Response — Management will proactively review GASB Statement Nos. 49, 50, 51, 52 and 53 for their potential implications for TDHCA's financial statements.

STATUS OF PRIOR-YEAR OBSERVATIONS

GENERAL COMPUTER CONTROLS OBSERVATIONS

Oracle Security and Data Updates — PeopleSoft/Oracle

Observation was partially carried forward in the current year. Refer to Section I above.

Mitas Vendor Access/Change Management

Observation —The Mitas application is supported by a third party vendor, and a formal policy has been created for granting the vendor temporary access to the system. However, there is no formal documentation that can evidence management approval and successful testing within a test environment before a change is made by the vendor in the production environment.

Recommendation — Emails or other formal documentation should be retained to evidence testing and approvals for all production changes to the Mitas application.

Management's Response — On December 18, 2007, the Information Systems Division (ISD) created a shared email folder to house correspondence related to Mitas system access, testing, and software changes. Mitas system users and ISD staff are able to copy email correspondence to this folder. By January 31, 2008, the Financial Administration Division and ISD updated the applicable written procedures to include the exact process for using the folder to document management approval and successful testing of vendor changes.

Network and Systems Software Change Management (Windows, UNIX, Firewall, Network Components)

Observation was partially carried forward in the current year. Refer to Section I above.

SECTION III — DEFINITIONS

The definitions of a control deficiency, a significant deficiency, and a material weakness that are established in AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, are as follows:

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in *operation* exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

The Department's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control Over Financial Reporting

Internal control over financial reporting is a process affected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control Over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Internal Audit Division

BOARD ACTION REQUEST

February 5, 2008

Action Items

Presentation and discussion of recent external audit reports.

Required Action

None, information item only.

Background

HUD's Review of the Emergency Shelter Grants Program

HUD conducted a monitoring review of the Emergency Shelter Grants Program in August, 2008. Their scope included recipient management, eligibility/beneficiaries, the overall management system, and financial management. There were three financial findings:

- The Department was unable to reconcile its administrative expenses to its administrative draw requests. This issue was also noted in another HUD monitoring of disaster recovery funds and was in the process of being addressed. The Department's new procedures went into effect on September 1, 2008. As a result, HUD concluded that the Department addressed this issue and no further action was required.
- The Department is drawing funds in advance of need. Advances of federal funds are generally limited to actual, immediate cash requirements. The Department was in a positive cash position beyond the three-day standard for seven consecutive months. This issue was also noted in another HUD monitoring of disaster recovery funds and was in the process of being addressed. The Department's new procedures went into effect on September 1, 2008. As a result, HUD concluded that the Department addressed this issue and no further action was required.
- During an on-site review of a recipient program (Lifeworks), HUD noted that the processes used by the agency to allocate certain costs should be strengthened to ensure that costs are allocated fairly across multiple funding sources. HUD noted the following issues: ineligible depreciation costs, ineligible mileage and unsupported timesheet allocation processes. HUD recommended that the recipients be required to scan supporting documents and submit them to the Department for review, and that $247.50 in depreciation costs be reimbursed to the Department or offset against other costs. The agency has offset this amount in their program year close out.

HUD's Disaster Voucher Program Validation Review

HUD conducted a remote validation review of the Department's Disaster Voucher Program, which is part of Section 8. They focused on the Voucher Management System and the Disaster Information System. HUD identified two errors and made two observations. The two errors were:

- The utility reimbursements were not calculated correctly for two families. One family was overpaid $648 and another was underpaid $1,386. A reimbursement was issued and the overpayment was requested. HUD has closed this issue.
- Non-homeless families were incorrectly reported in the homeless category in the Voucher Management System during the last six months of calendar year 2007. The information in the Voucher Management System was corrected and HUD has closed this issue.

The two observations HUD made relate to errors in data in the Disaster Information System, and the reporting of expenses on a cash basis rather than an accrual basis in the Voucher Management System. These issues were also corrected and closed by HUD.

Comptroller of Public Accounts' Post-Payment Audit

The Comptroller's office completed a post-payment audit of certain payroll, purchase and travel transactions processed between March 2007 and February 2007 to determine if the Department's expenditures complied with state laws and rules. The audit found:

- One employee's longevity pay calculation was incorrect. The auditors recommended that prior state service verification forms be maintained and that data entry from these forms match the Uniform State Payroll/Personnel System.
- One payment was not properly scheduled, which resulted in a loss of interest to the state treasury of $22.14. The auditors recommended that all payments greater than $5,000 be scheduled for the latest possible distribution date to minimize the loss of interest.
- No errors were found in the auditors' review of benefit replacement pay, duplicate payments, refunds or travel transactions.

HUD-OIG's Review of Supplemental I Disaster Recovery Program Funds

HUD-OIG reviewed the Round I Hurricane Recovery funds to determine whether the Department administered the funds in compliance with the *Federal Register* requirements, HUD policies and the State of Texas' Disaster Recovery Action Plan. HUD-OIG found that the Department administered the funds in compliance with the various requirements, used the funds for eligible applicants and projects and ensured that the funds were properly accounted for. The auditors did not identify any findings or areas for improvement.

Recommendation

No action is required.

David C

FINANCIAL ADMINISTRATION
2008 OCT -9 PM 12:51

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Fort Worth Regional Office, Region VI
Office of Community Planning and Development
801 Cherry Street, Unit 45, Suite 2500
Fort Worth, TX 76102
www.hud.gov

OCT 3 — 2008

Michael G. Gerber, Executive Director
Texas Department of Housing and Community Affairs
Attention: Brooke Boston
P.O. Box 13941
Austin, TX 78711-3941

RECEIVED
OCT 08 2008
DEPUTY ED.

Dear Mr. Gerber:

SUBJECT: Monitoring Review
Emergency Shelter Grant (ESG) Program
Grant Number: S-07-DC-48-0001

A monitoring review was conducted of the State of Texas' ESG Program during the week of August 18-22, 2008, by Ms. Linda Hadley, Senior CPD Representative, and Ms. Brenda Jennings, Senior Financial Analyst. The program areas reviewed were: recipient management, eligibility/beneficiaries, overall management system and financial management (including internal budget controls, cost allowability, recipient financial management and match). An exit conference was held on August 22, 2008 with you and other state staff to discuss the results of the review as communicated in the enclosed report.

The report contains three financial findings. One finding was with the state's financial management system; one regarding the state's drawdown system and the other regarding recipient management. As you know, findings require a response from you within thirty (30) days of the date of this letter. There are also five concerns which do not require a written response.

We would like to express our thanks to the Texas Department of Housing and Community Affairs (TDHCA) for the many courtesies extended during the visit. Although some issues of noncompliance are identified in the report, our overall conclusion is that the State of Texas' performance in implementing the ESG Program is very good. We will continue to work with you to clear the findings in this report. If you have any questions about this report, please contact Ms. Hadley or Ms. Jennings respectively at (817) 978-5957 and (817) 978-5941.

Sincerely,

Katie S. Worsham
Director

Enclosure

MONITORING REPORT
Texas Department of Housing and Community Affairs (TDHCA)
Emergency Shelter Grant Program - S-07-DC-48-0001
August 18 - 22, 2008

The program areas reviewed were recipient management, overall management system, eligibility/beneficiaries and financial management (including internal budget controls, cost allowability, recipient financial management and match requirement). TDHCA awarded ESG funds to 78 recipients to provide assistance throughout the state. The state procedures and recordkeeping were reviewed. The monitoring review included site visits to two recipients - Hays-Caldwell Women's Center and Youth & Family Alliance dba Lifeworks.

Recipient Management

TDHCA's recipient management process is governed by its *Standard Operating Procedure* manual which includes policies for Request for Proposals, Application Reviews, Risk Assessment, Monitoring, Program Sanction and Contract Closeout procedures. TDHCA uses a competitive application process to obligate its annual ESGP allocation. Applications are reviewed and scored by the Community Services staff, employees from other Department areas, employees from other State agencies, and/or volunteers from state or national organizations with an interest in homeless issues. TDHCA provides an annual mandatory ESG training workshop for all recipients that provides an overview of recipient and TDHCA's responsibilities and the program regulations.

TDHCA enters into a contract agreement with each recipient annually. A boilerplate contract is used for all ESG contracts which includes all required components as per the ESG regulations. The contract also requires that each recipient provide beneficiary information on a monthly basis. This information is used to measure performance and is included in the Performance and Evaluation Report (PER).

An on-site review was made to two recipients during our visit. They were the Hays-Caldwell Women's Center and Youth & Family Alliance dba Lifeworks. Documents reviewed on-site included client beneficiary documentation and essential services and homeless prevention documentation. Neither agency had been monitored by TDHCA during the grant year. However, the required monthly reports by both agencies had been submitted on time. Additionally, both agencies were expending their funds in a timely manner.

TDHCA reports that it is in the process of establishing a Monitoring Tracking System that will capture monitoring related information that will be used to monitor and evaluate the performance of recipients. TDHCA also performs a risk assessment on each ESG recipient every program year as part of its management system. The risk factors include the status of the most recent monitoring report, timeliness of grant reporting, results of

the last on-site monitoring review, number and dollar amounts of department funded contracts, and single audit status. The risk assessment management tool indicates that all high risk recipients would be monitored during the fiscal year. Low risk recipients will receive desk monitoring.

Concern #1:

Of the 78 recipients that were funded during the 2007 Program Year, 57 should have been monitored during the grant year according to the risk assessment. As of August 22, 2008, only 34 had been monitored and two additional reviews were scheduled for August. Staff indicated that the remaining 21 recipients may be monitored after the contract period. The recipient grant year ends August 31, 2008.

Recommendation: TDHCA management indicated that the loss of one program officer during the program year to review recipient performance hindered the Community Services Section from meeting their goal of 57 compliance audits. In situations like this, management should amend the risk assessment work plan to reflect the reduced staffing and adjustments to the workload. Without amendments to the plan, the department's monitoring goals and the risk assessment for the ESG Program will not reflect the desired results of a performance management system.

Eligibility/Beneficiaries

Each ESG funded activity must be eligible pursuant to 24 CFR 576.21. During our review we reviewed thirteen (13) recipient contracts for activity eligibility. Each agency was either funded for operations, essential services or homeless prevention. Our review determined that all funded activities were eligible per the regulations.

Participants' files were reviewed for 24 CFR 576.3 eligibility requirements at the Hays-Caldwell Women's Center and the Community Action, Inc. The requirements at 576.3, Definitions, and supplemental guidance issued by HUD, defines a homeless person as someone who is living on the street or in an emergency shelter, or who would be living on the street or in an emergency shelter without HUD's homeless assistance. In order to be eligible for homeless prevention assistance, one must be able to document the following:

- formal eviction, foreclosure or utility termination proceedings;
- inability to pay due to a sudden loss of income
- payment is necessary to prevent homelessness; and
- resumption of payment is reasonably expected in the near future.

Six (6) participant files were reviewed for homeless documentation at the Hays-Caldwell Women's Center. We found that the Hays-Caldwell Women's Center was not obtaining a written verification from their participants that they are fleeing a domestic violence

situation. However, there was other information in client's files that attested that the client was fleeing a domestic violence situation, e.g., a police report and/or a hospital report indicating injuries. Both TDHCA's staff and the Women's Center staff were informed of this deficiency. Technical assistance was given to both agencies on how to properly document meeting this requirement. The Women's Center initiated the change immediately for existing clients and future client file documentation.

We reviewed nine (9) files for homeless prevention activities at Community Action, Inc. Our review of the file documentation indicated that payments were made mostly for formal evictions, utility terminations and some payments to prevent homelessness by paying first month's rents. The required documents, e.g., formal eviction notices, utility company termination notices and letters from apartments requiring first month's rent were all present in the participant's files. The documentation at this agency was very good.

Overall Program Management

TDHCA's *Standard Operating Procedure* manual describes the management procedures for several grant programs including the ESG program. The manual includes policy, responsibilities, risk assessment management, program monitoring procedures and closeout procedures. This manual is very comprehensive and covers all major components of managing federal grants.

Additionally, TDHCA has recently instituted a paperless system for grant documents. All grant documents, e.g., applications, contracts, monthly reports and financial requests are scanned into the State's computer system. TDHCA should be commended for its initiative in this area.

Our review of the State's *Standard Operating Procedures for Program Monitoring*, specifically on-site reviews, revealed the following concern.

Concern # 2:

TDHCA's Standard Operating Procedures mandate that *monitoring reports will be mailed to recipients within 30 days of the visit except reviews with numerous findings may require additional review by management and an additional 30 days will be allowed.* Of the 34 reviews that had been completed during the program year, 20 monitoring reports or 59 percent exceeded the 30 days and the additional 30 days given to management to be finalized and mailed.

Recommendation:

Management indicated that during the program year some managers completed monitoring of recipients because of staff shortages and this has affected the amount of time needed to finalize the ESG reviews. We recommend that management review its standard and if necessary make adjustments to the monitoring review time.

Concern # 3:

We are also concerned that the TDHCA Community Services Department is not providing project accomplishments in IDIS on a timely basis. Each project's grant amount is entered into IDIS but accomplishments are not being entered on a regular basis. This was also evident when the last Performance Evaluation Report (PER) was submitted to HUD that included 2007 ESG performance information.

Our Headquarters Office has initiated numerous IDIS data cleanup efforts. The purpose of the data cleanup is to ensure that grantees have not overlooked entering accomplishments and performance measures in IDIS. It is critical that all accomplishments achieved during a program year be reported in IDIS on a timely basis. We recognize that some activities may not have any accomplishments during the program year. In that case, no action is required. However, if an activity achieved accomplishments, that information and the performance measures should be entered in the correct program year as soon as possible. For additional information on IDIS data and cleanup, please see the following website:
http://www.hud.gov/offices/cpd/communitydevelopment/cleanup/accomplishments/

Program Progress – Caps and Deadlines

The regulations at 24 CFR 576.35(b) require that all grant funds be obligated to recipients within 180 days of grant award and expended within 24 months of the date of the grant award by HUD. The award date for the $5,157,329 of 2007 ESG funds was May 8, 2007. The State obligated these funds through contracts beginning on September 1, 2007. Additionally, ESG expenditures are currently at $4,277,803 with a remaining 2007 balance of $879,526. TDHCA has until September 1, 2009 to expend these funds to be in compliance with the requirement. Progress thus far is very good.

The ESG Program has a 30 percent cap on essential services and homeless prevention activities. TDHCA expended 24 percent of its grant funds on essential services and 27.76 percent on homeless prevention activities. Both categories are in compliance with the 30 percent cap. The State is also in compliance with the 5 percent cap on administration and is also sharing its administration funds with local governments. The regulations limits staff salaries (including fringe benefits) paid under operating costs to 10 percent. All 13 recipient files reviewed were in compliance with the 10 percent operating cost limit for staff.

FINANCIAL MANAGEMENT

The purpose of the financial management review is to provide HUD with assurance that TDHCA has the systems and controls in place to account for the receipt and disbursement of the ESG funds.

The following areas were tested for financial compliance with the applicable Federal rules and regulations:

- Financial Management Systems
- Cash Management
- Recipient Management System
  - On-site review

Financial Management Systems

The ESG regulations at 24 CFR 576.57(b) set forth the applicability of the policies, guidelines, and requirements of 24 CFR Part 85 and OMB Circular A-87, as it relates to the state's program. 24 CFR 85.20(a)(2) requires the state's accounting records to be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes and regulations.

Our review of TDHCA's system to reimburse its administrative expenses resulted in the following finding.

Finding # 1:

TDHCA was unable to reconcile its expenses to the draw requests.
Our review noted that the agency could not tie the administrative draws to specific administrative expenses. The process currently being used is a process that nets the expenditures to the revenues and then draws the difference. As the agency could not tie its draws to its administrative expenses, HUD could not determine whether the supporting documentation presented ties to a specific draw.

Corrective Action: This condition was noted during an earlier monitoring of the state's disaster funds. The state was in the process of addressing the issue during the ESG monitoring review through the development and implementation of new procedures. The new procedures went into effect September 1, 2008. As the agency has addressed this matter, no further action is required.

In addition to reviewing the state's financial system, a selection of administrative expenses was reviewed for eligibility, allowability and allocability. The document

selection included invoices from the following categories: payroll documents and related costs, professional fees and services, travel, material and supplies, rentals and leases, intergovernmental payments, and public assistance payments. The review resulted in the following observations and comments and one concern as discussed below.

- The salary review noted that a portion of the salaries applicable to the ESG grant are being paid by the state's Community Services Block Grant (CSBG) Program. Even though the allocation benefits the ESG grant, we advised the state to seek written verification from its funding agency attesting to the allowability of using the CSBG funds to pay for the ESG Program salaries and expenses. Written verification will ensure that the state is not in a vulnerable position and that its policy of paying for ESG salaries and expenses with CSBG funds is considered eligible by the funding agency.

- The payroll review for employee number 308's January 2008 salary noted that not all of the time reported on the time distribution report was accounted for in the January salary reconciliation. Discussions with staff noted that a system error must have occurred after the time distribution report was signed by both the employee and the supervisor. We encourage the state to identify the error to ensure that it does not occur again.

- A gasoline expense in the amount of $28.50 was not submitted with the travel reimbursement request. Instead, the travel reimbursement request contained a statement from the traveler that the receipt had been misplaced, and if located would be submitted at a later date. There was no evidence of follow-up on the missing receipt until we brought the issue to the department's attention. On August 21, 2008, an email was sent to the traveler inquiring whether the receipt had been located. The next day, advice was sought from the Texas Comptroller on whether the receipt was necessary since the expense was considered an incidental expense. The Texas Travel Allowance Guide does not require receipts for incidental expenses to be submitted to obtain reimbursement of said expenses.

  Continued discussions with TDHCA management noted that although the state does not require receipts for incidental expenses the department does require receipts, except in the rare instance when a cash receipt has been lost. In the event that a cash receipt has been lost and there is no other source of documentation, the department will pay the traveler in accordance with State policy. To ensure that the expense in question was valid, management requested that the travel staff review the rental car billing to establish mileage and noted that the car was returned with a full tank of gas; thus establishing that the traveler did incur the expense. We encourage the department to maintain sufficient justification of all expenses that are paid without appropriate source documentation.

Cash Management

Treasury Circular 1075 (31 CFR Part 205) provides guidance to states on the required procedures for requesting funds from the Federal Government. Under subpart A of these authorities, the U.S. Department of the Treasury (Treasury) generally negotiates intergovernmental agreements with states that outline covered programs, approved drawdown method(s), and interest liability calculation method. Our discussions with TDHCA noted that while the State of Texas does have an agreement with Treasury, the agreement does not currently include TDHCA or the ESG funds.

Without a specific agreement that specifies otherwise, the ESG funds are subject to the subpart B requirements of 31 CFR 205. This subpart limits advances of federal funds to the minimum amounts needed for actual, immediate cash requirements in carrying out a program or project. Timing and amount of cash advances shall be as close as is administratively feasible to actual cash outlay by the state grantee. HUD has historically used a three-day rule for evaluating the reasonableness of grantee cash advances when cash disbursement is not subject to other, more specific restrictions.

Finding #2: TDHCA is drawing funds in advance of need.

As stated above, it has been established that without a specific agreement with Treasury to draw funds in advance, the agency is subject to the requirements found in subpart B of 31 CFR 205, which limit advances of federal funds to the minimum amounts needed for actual, immediate cash requirements. As shown in the table below, the review of the agency's administrative cash balances for the period April 1, 2007 through June 23, 2008, noted that the agency was in a positive cash position beyond the three-day standard for seven consecutive months.

Month	Days in Positive Cash Position
August 07	28 days
September 07	30 days
October 07	31 days
November 07	31 days
December 07	31 days
January 08	31 days
February 08	21 days

Corrective Action: This condition was originally noted during an earlier monitoring of the state's disaster funds. TDHCA was in the process of addressing the issue during the ESG monitoring review through the development and implementation of new procedures. The new procedures went into effect September 1, 2008. As the agency has addressed the issue, no further action is required.

Recipient Management Systems

ESG program regulations found at 24 CFR 576.61 specify that the state is responsible for ensuring that its recipients carry out the ESG funded activities in accordance with all applicable requirements. To sample the state's recipient management systems for financial compliance, the HUD reviewer selected a sample of program draws for each agency and provided the sample to the agency prior to the review. Upon arrival on-site we discovered that the state does not require its recipients to submit any support documentation in support of its expenses. Our review of the reports led to the following concern.

Concern # 4: Recipient reimbursement requests are not supported.

TDHCA does not require its recipients to submit any support documentation with its ESG reimbursement requests. Instead, the department reimburses its recipients from a monthly expenditure report that requests reimbursement by budget category only. When questioned as to why the recipients were not required to submit the support documentation, we were advised that the agency is trying to reduce paper, thus eliminating storage needs. While we certainly understand the agency's concern with storing the support documentation, the decision may leave the agency vulnerable to having to reimburse ineligible costs. In addition to the change in requiring support documentation, the department has recently changed to a risk analysis approach that allows low-risk recipients to only be monitored on-site once every three years.

If the recipients are only being monitored every three years, the potential for waste and mismanagement is an area of concern, as it could result in an adverse effect on the agency. The untimely on-site review of the expenses and support documentation may allow practices to continue that may result in ineligible and/or unsupported costs.

Recommendation: At a minimum, TDHCA should use the same process that is used for its disaster funds and require the reimbursement requests to contain an itemized list of expenses by category. With an itemized expense listing, TDHCA will have some assurance that the costs being charged to the grant are eligible.

As a best practice, the agency should consider requiring its recipients to scan the source documents and email a PDF file of the support documentation with its reimbursement requests, thus ensuring that the reimbursement requests are for eligible program expenses. An emailed PDF file of the support documentation will support TDHCA's commitment to paper reduction and storage issues as well as ensuring that the expenses being reimbursed are for legitimate expenses.

Concern # 5: recipient match is not supported.

TDHCA does not require its recipients to submit any support documentation of the match the recipient is providing to the ESG program.

As stated above, the agency has recently changed to a risk analysis approach in monitoring its recipients. As a result, some recipients may only be monitored once every three years. Thus, match may only be reviewed once every three years. Without obtaining some type of information on the match that is being provided in support of the ESG funding, the agency does not know if the match that is being provided is eligible match for the ESG Program. TDHCA also cannot determine if the match amount being provided on the reimbursement requests is accurate.

Recommendation: As stated in Concern 4, minimally, the agency should require its recipients to submit an itemized listing of match. Ideally, the agency should require its recipients to submit a PDF file that contains scanned copies of the actual match documentation.

Our review also noted that the agency has nine recipients that request reoccurring monthly cash advances. The advances range from $2,000 to $23,000 a month. The ESG regulations found at 24 CFR 576.63 allow the grantee to request a working capital advance for 30 day's cash needs or $5,000 whichever is greater. Thereafter, the grantee will be reimbursed for the amount of its actual cash disbursements. If a grantee requests a working capital advance, it must base the request on a realistic, firm estimate of the amounts required to be disbursed over the 30-day period in payment of eligible cost.

To ensure proper interpretation of the regulation we sought additional advice on this subject from HUD Headquarters. On September 9, 2008, we requested that the state provide us with a summary of its policy on advances and a spreadsheet detailing the monthly advance request, monthly expenditures, and actual reimbursement for the nine recipients that receive advances. The information was forwarded to HUD Headquarters for review. We will provide further instructions to the state on this matter in separate correspondence.

On-Site Recipient Review

Since the department does not require its recipients to submit support documentation in support of the program expenses or match, we reviewed two organizations, Life Works and Hays Caldwell Women's Center, on-site. The financial review of the organizations resulted in one finding and is discussed below.

Finding # 3:

Life Works is a large organization with multiple programs, clients and funding sources. Although the agency appeared to be a well run organization, some of the procedures it utilizes to allocate certain costs should be strengthened to ensure

that the costs are being fairly allocated across its many funding sources. The review noted the following:

- Ineligible depreciation costs of $247.50. The ineligible depreciation costs are a result of incorrect information being provided to the recipient by state ESG staff. Although the cost is an allowable cost in OMB Circular A-122, it is not an allowable cost to the ESG grant as discussed in the ESG Desk Guide. HUD program guidance specifically disallows depreciation costs as the costs are not considered to be an actual cost to the program. During the close-out session with the ESG program staff, there was a discussion regarding whether HUD's program guidance took precedence over the OMB Circulars. It was explained that the OMB Circulars were written as a general guide for all Federal programs and agencies. The authority to interpret the legislation and develop the regulatory guidance lies with the Federal funding agency. Each Federal agency mandates the specific regulatory requirements and guidance for a specific Federal program. The $247.50 must be reimbursed.

- Ineligible mileage cost of $5.57. The ineligible mileage costs are a result of allocating the mileage to the various funding agencies based on a percentage of participation in the agency's overall budget instead of allocating the costs to specific programs based on the actual mileage. The agency maintains detailed mileage reimbursement logs but instead of using the logs to correctly allocate the mileage to the various programs, it uses a percentage of participation in the overall funding budget. The agency must revise its method of allocating the mileage costs and use the actual miles related to the various programs instead of the percentage of participation in the agency's overall budget to allocate the costs.

- The Director of Housing and Homeless Services' time was not supported by time distribution reports. The Director supervises four programs, and his time is allocated across the programs based on available revenue instead of actual time spent on the programs. In discussion with Life Works, the agency staff stated that it felt that maintaining actual time distribution reports would result in the same percentage of time charged to the four programs. However, the agency has not performed a time study to support its conclusions. In order for the agency to use an allocation method based on something other than actual time, it must follow the procedures mandated in OMB Circular A-122. As noted in the circular, an alternative method may be allowed if approved by the Federal Cognizant Agency. Until then, the agency must either ensure that the Director completes actual after-the-fact time distribution reports or does not charge ESG for any of the Director's time.

- The time distribution reports for other ESG funded staff were not reconciled to the amount being charged to the grant. The salaries for the

other ESG staff are allocated to the grant based on participation of funding instead of actual time distribution reports. Although actual time distribution reports are being maintained, the reports are not being reconciled to the amount that is being charged to the grant. Discussion with Life Works staff noted that the agency performs the salary reconciliation for another funding source and was in agreement to perform the salary reconciliation for the ESG grant. The agency must reconcile the actual time distribution reports to the time charged no less frequently that quarterly and adjust the ESG reimbursement requests for any found differences.

- The ESG match is not clearly identified in the agency's general ledger. Life Works is using a percentage of a Health and Human Services (HHS) grant as match to the ESG grant. Instead of identifying specific line items within the HHS grant as match, the agency is using the percentage of the overall HHS grant that is needed to match the ESG funding, dividing that percentage by 12, and reporting that amount to TDHCA as match in the monthly reports. Therefore, it could not be determined exactly which line items within the HHS grant are being used for match to the ESG grant. Our review noted that many of the line items contained in the HHS grant are ineligible line items to be used as match to the ESG grant. In addition, since the match is not being identified in the general ledger as match to the ESG grant, the agency could mistakenly use the funding to match some other Federal grant. The agency must account for its ESG match in the general ledger and ensure that it is not allocating costs that are ineligible to the ESG program as ESG match.

- Life Works has excellent forms to capture personnel charges, such as time expended on the various grants, and mileage forms. Unfortunately, our review noted that both the forms were either not being properly completed, or if properly completed, the results were not being considered and the costs were allocated based on participation of funding. Life Works is encouraged to utilize the excellent forms it already has developed to strengthen its programs.

Corrective Action: Our review of Life Works is a clear example of the issues that can be found when the department is not receiving some type of support documentation from the recipient in support of the reimbursable costs and the match. In this case, the issues noted above could have only been found through the review of the support documentation; thus supporting our recommendation to require the recipients to scan the support documentation and submit it to the department in a PDF file. As Life Works was considered a low risk grantee the agency was not scheduled to be monitored this year, and, as such, the issues identified above would have continued into future contracts.

To clear the finding, TDHCA must:

- Reimburse the $247.50 or alternatively allow Life Works to offset the ineligible costs, providing that the contract has not expired.
- Ensure that Life Works changes the way it is allocating the various eligible costs to the ESG program. The billing request should reflect actual costs instead of costs based on participation of funding.
- Ensure the Director of Housing and Homeless Services either maintains actual time distribution reports, performs a time study approved by the Federal Cognizant Agency and uses the results of that study to allocate the time to the various grants, or ceases charging any of the Director's time to the ESG grant.
- Ensure that a reconciliation of actual time to budgeted percentages is performed no less frequently than quarterly, and that the noted differences are reflected in the next reimbursement request.

The financial review of Hays Caldwell Women's Center and its recipient Community Action, Inc. noted:

- Records complete and well organized.
- There is only one program and all funding sources support the same set of clients.
- The agency utilizes a percentage of funding to allocate the costs. Since there is only one program with one set of clients, the allocation method is acceptable. If there were more than one program with more than one set of clients, the costs would have to be allocated to the various funding sources based on actual results; percentage of participation would not be acceptable.
- The Hays Caldwell Women's Center time distribution records were excellent.

Overall, we felt that both agencies were doing an excellent job.

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November 3, 2008

Ms. Katie S. Worsham, Director
U.S. Department of Housing and Urban Development
Fort Worth Regional Office, Region VI
Office of Community Planning and Development
801 Cherry Street, Unit 45, Suite 2500
Fort Worth, TX 76102

Subject: Monitoring Review of Emergency Shelter Grants Program
Grant Number: S-07-DC-48-0001

Dear Ms. Worsham:

The Texas Department of Housing and Community Affairs (the Department) received the report for the monitoring review conducted August 18-22, 2008, by Ms. Linda Hadley, Senior Community Planning and Development Representative, and Ms. Brenda Jennings, Senior Financial Analyst.

The report identified three financial findings. Finding number one and number two related to the Department's financial management system. The report noted that findings number one and number two had been addressed by the Department and required no further action. Finding number three related to the onsite monitoring review of Life Works, one of the Department's ESGP subrecipients in Fiscal Year (FY) 2007. Finding number three includes six issues and four corrective actions. The Department's response to finding number three is as follows:

Finding 3
Life Works is a large organization with multiple programs, clients and funding sources. Although the agency appeared to be a well run organization, some of the procedures it utilizes to allocate certain costs should be strengthened to ensure that the costs are being fairly allocated across its many funding sources.

Issue 1
Ineligible depreciation costs of $247.50. The ineligible depreciation costs are a result of incorrect information being provided to the recipient by state ESG staff. Although the cost is an allowable cost in OMB Circular A-122, it is not an allowable cost to the ESG grant as discussed in the ESG Desk Guide. HUD program guidance specifically disallows depreciation costs as the costs are not considered to be an actual cost to the program. During the close-out session with

the ESG program staff, there was discussion regarding whether HUD's program guidance took precedence over the OMB Circulars. It was explained that the OMB Circulars were written as a general guide for all Federal programs and agencies. The authority to interpret the legislation and develop the regulatory guidance lies with the Federal funding agency. Each Federal agency mandates the specific regulatory requirements and guidance for a specific Federal program. The $247.50 must be reimbursed.

Department Response
Life Works has offset the $247.50 depreciation expense allocated to the FY2007 contract expense in the final Monthly Funding/Financial/Programmatic Report (MFFPR) due to the Department on October 30, 2008. A copy of the journal entry with this adjustment is included in Attachment #1.

Issue 2
Ineligible mileage cost of $5.57. The ineligible mileage costs are a result of allocating the mileage to the various funding agencies based on a percentage of participation in the agency's overall budget instead of allocating the costs to specific programs based on the actual mileage. The agency maintains detailed mileage reimbursement logs but instead of using the logs to correctly allocate the mileage to the various programs, it uses a percentage of participation in the overall funding budget. The agency must revise its method of allocating the mileage costs and use the actual miles related to the various programs instead of the percentage of participation in the agency's overall budget to allocate the costs.

Department Response
Life Works will utilize the detailed mileage reimbursement logs to allocate costs to specific programs based on the actual mileage tracked instead of relying on a percentage of staff's participation in the agency's overall budget. Life Works will offset the $5.57 allocated to the FY2007 contract in the final MFFPR. A copy of the journal entry with this adjustment is included in Attachment #2.

Issue 3
The Director of Housing and Homeless Services' time was not supported by time distribution reports. The Director supervises four programs, and his time is allocated across the programs based on available revenue instead of actual time spent on the programs. In discussion with Life Works, the agency staff stated that it felt that maintaining actual time distribution reports would result in the same percentage of time charged to the four programs. However, the agency has not performed a time study to support its conclusions. In order for the agency to use an allocation method based on something other than actual time, it must follow procedures mandated in OMB Circular A-122. As noted in the circular, an alternative method may be allowed if approved by the Federal Cognizant Agency. Until then, the agency must either ensure that the Director completes actual after-the-fact time distribution reports or does not charge ESG for any of the Director's time.

Department Response
Life Works will perform a salary reconciliation for all staff time, allocated to the ESG Program on a quarterly basis, or as requested by the Department, and adjust the ESG reimbursement requests as needed.

Issue 4
The time distribution reports for other ESG funded staff were not reconciled to the amount being charged to the grant. The salaries for other ESG staff are allocated to the grant based on participation of funding instead of actual time distribution reports. Although actual time distribution reports are being maintained, the reports are not being reconciled to the amount that is being charged to the grant. Discussion with Life Works staff noted that the agency performs the salary reconciliation for another funding source and was in agreement to perform the salary reconciliation for the ESG grant. The agency must reconcile the actual time distribution reports to the time charged no less frequently than quarterly and adjust the ESG reimbursement requests for any found differences.

Department Response
Life Works will perform a salary reconciliation for all staff time, allocated to the ESG Program on a quarterly basis, or as requested by the Department, and adjust the ESG reimbursement requests as needed.

Issue 5
The ESG match is not clearly identified in the agency's general ledger. Life Works is using a percentage of a Health and Human Services (HHS) grant as match to the ESG grant. Instead of identifying specific line items within the HHS grant as match, the agency is using the percentage of the overall HHS grant that is needed to match the ESG funding, dividing that percentage by 12, and reporting that amount to TDHCA as match in the monthly reports. Therefore, it could not be determined exactly which line items within the HHS grant are being used for match to the ESG grant. Our review noted that many of the line items contained in the HHS grant are ineligible line items to be used as match to the ESG grant. In addition, since the match is not being identified in the general ledger as match to the ESG grant, the agency could mistakenly use the funding to match some other Federal grant. The agency must account for its ESG match in the general ledger and ensure that it is not allocating costs that are ineligible to the ESG program as ESG match.

Department Response
Life Works has developed a Match Distribution Matrix spreadsheet, so that match sources can be tracked across all of Life Works' federal and state funding sources to ensure match funds are not mistakenly used to match multiple federal or state grants. In order to demonstrate that allowable line items are being utilized, Life Works staff will document a monthly line-by-line record of expenses being utilized as match for the ESG grant. All expenses incurred by Life Works are coded to a program and to a funding source in the general ledger; therefore, these costs can be tracked effectively. A copy of the Match Distribution Matrix spreadsheet is included as Attachment #3.

Life Works uses a fund based accounting system whereby all revenue and expense items can be tracked over five data fields. Life Works currently uses the following five fields: 1) Cost Center, an individual number assigned to each funding source or revenue stream; 2) General Ledger Cost, an individual number identifying all revenue and expense line items, 3) Program, an individual number identifying separate programs or cost objectives, 4) Function, a code separating General and Administrative, Program, and Fund Raising Activities, and 5) Site, an individual number identifying specific physical locations. This coding allows Life Works to track and report revenue and costs by any of the 5 coding options. A list of allocation codes utilized by Life Works is included in Attachment #4.

Issue 6

Life Works has excellent forms to capture personnel charges, such as time expended on the various grants, and mileage forms. Unfortunately, our review noted that both the forms were either not being properly completed, or if properly completed, the results were not being considered and the costs were allocated based on participation of funding. Life Works is encouraged to utilize the excellent forms it already has developed to strengthen its programs.

Department Response

Life Works currently utilizes timesheets that track staff time by funding source. In the future, Life Works will perform a salary reconciliation for all staff time, allocated to the ESG Program on a quarterly basis, or as requested by the Department, and adjust the ESG reimbursement requests as needed. In addition, Life Works will utilize the detailed mileage reimbursement logs staff is already completing to allocate costs to specific programs based on the actual mileage tracked instead of relying on a percentage of staff's participation in the agency's overall budget. Lifeworks will adjust reimbursement requests for any differences identified in the reconciliation.

Corrective Action 1

Reimburse the $247.50 or alternatively allow Life Works to offset the ineligible costs, providing that the contract has not expired.

Department Response

Please refer to Department response to Issue 1.

Corrective Action 2

Ensure that Life Works changes the way it is allocating the various eligible costs to the ESG program. The billing request should reflect actual costs instead of costs based on participation of funding.

Department Response

Whenever possible, Life Works' billing reflects actual costs instead of being based on a participation of funding. In the case of salary, Life Works will be conducting quarterly salary reconciliations and adjusting ESG reimbursement requests to correct any discrepancies between time sheets and time billed to the ESGP grant. In the case of the staff mileage logs, as noted above, Life Works will be utilizing these logs to bill costs directly instead of relying on a percentage of funding.

For activities or costs that are supported by multiple funding sources, Life Works utilizes a cost allocation plan to distribute certain operational costs in a proportion as close to equaling the specific funding source budget as possible. This method will utilize established formulas for the distribution of shared costs based upon an identifiable unit that can be measured.

Effort or Direct FTE (Full Time Equivalent) Formula: comparison of a funding source's FTE's vs. total program, cost objective, or total agency FTE's, or total program, cost objective, or total agency Clients vs. total Clients. This formula is used to allocate those expenses best represented by staff time or client usage – such as supplies, training, salaries, fringes, equipment maintenance, insurance, and telephone. These formulas are supported by staff time sheets or client service rate records.

Space Formula: comparison of direct service for each program or service square footage vs. total facility square footage. This formula is used to allocate those costs best represented by building use, such as rent, utilities, maintenance, and some liability insurance. These formulas are supported by facility floor plans, assigned program space, and usage.

Corrective Action 3
Ensure the Director of Housing and Homeless Services either maintains actual time distribution reports, performs a time study approved by the Federal Cognizant Agency and uses the results of that study to allocate the time to the various grants; or ceases allocating any of the Director's time to the ESG grant.

Department Response
Please refer to Department response to Issue 3.

Corrective Action 4
Ensure that a reconciliation of actual time to budgeted percentages is performed no less frequently than quarterly, and that the noted differences are reflected in the next reimbursement request.

Department Response
Please refer to Department response to Issue 4.

If you have any questions related to the Department's response to the report and the corrective actions taken, please contact Ms. Amy M. Oehler, Director, Community Affairs Division, at (512) 475- 3864 or e-mail her at amy.oehler@tdhca.state.tx.us .

Sincerely,

Michael G. Gerber
Executive Director

Attachments #1-#4

JOURNAL ENTRY

Prepared by: John H. Smith

Session ID No. 902105JE 9/24/08 Effective Date Aug-08

Description: EXPENSE ALLOCATION 8/08 109 Journal Entry No: 90210501

Offset: Yes No

	FUND	ACCT #	PROG	FNC	SITE	DEBIT	CREDIT
	103	50200	403	P	11	106.78	
	103	61500	403	P	11		1,902.00
*	103	91000	403	P	11	247.50	
	109	50200	403	P	11		106.78
	109	61500	403	P	11	1,902.00	
*	109	91000	403	P	11		247.50

TOTAL 2,256.28 2,256.28

LifeWorks

Posted General Ledger Transactions

902105JE - EXPENSES ALLOCATION 8/08

Doc Num	Document Description	Eff Date	Fund ...	GL Code	Pr... C... C...	F... C... C...	Site Code Code	Con...	Debit	Credit
90210501	EXPENSES ALLOCATIO...	8/31/2008	103	19998				2008		106.78
90210501	EXPENSES ALLOCATIO...	8/31/2008	103	19998				2008		247.50
90210501	EXPENSES ALLOCATIO...	8/31/2008	103	19998				2008	1,902.00	
90210501	EXPENSES ALLOCATIO...	8/31/2008	103	50200	403	P...	11	2008	106.78	
90210501	EXPENSES ALLOCATIO...	8/31/2008	103	61500	403	P...	11	2008		1,902.00
90210501	EXPENSES ALLOCATIO...	8/31/2008	103	91000	403	P...	11	2008	247.50	
90210501	EXPENSES ALLOCATIO...	8/31/2008	109	19998				2008	106.78	
90210501	EXPENSES ALLOCATIO...	8/31/2008	109	19998				2008	247.50	
90210501	EXPENSES ALLOCATIO...	8/31/2008	109	19998				2008		1,902.00
90210501	EXPENSES ALLOCATIO...	8/31/2008	109	50200	403	P...	11	2008		106.78
90210501	EXPENSES ALLOCATIO...	8/31/2008	109	61500	403	P...	11	2008	1,902.00	
90210501	EXPENSES ALLOCATIO...	8/31/2008	109	91000	403	P...	11	2008		247.50
Total 90210501	EXPENSES ALLOCATIO...								4,512.56	4,512.56
						Total 902105JE - EXPENSES ALLOCATION 8/08			4,512.56	4,512.56
Report Total									4,512.56	4,512.56

Attachment #2

JOURNAL ENTRY

Prepared by: John H. Smith

Session ID No. 902105JE3 Effective Date Jun-08

Description: EXPENSE ALLOCATION - 109 Journal Entry No: 90210501

Offset: Yes No

FUND	ACCT #	PROG	FNC	SITE	DEBIT	CREDIT
109	55100	403	P	11	268.60	
109	60100	403	P	11	2,138.84	
109	60200	403	P	11	137.10	
109	60300	403	P	11	213.10	
* 109	62100	403	P	11		5.57
109	64200	403	P	11	555.99	
109	68200	403	P	11	1,746.16	
109	68300	403	P	11	752.39	
408	55100	403	P	11		268.60
408	60100	403	P	11		2,138.84
408	60200	403	P	11		137.10
408	60300	403	P	11		213.10
* 408	62100	403	P	11	5.57	
408	64200	403	P	11		555.99
408	68200	403	P	11		1,746.16
408	68300	403	P	11		752.39
TOTAL					5,817.75	5,817.75

LifeWorks

Posted General Ledger Transactions

902105JE3 - Expense Allocation 109 6/08

Doc Num	Document Description	Eff Date	Fund ...	GL Code	Pr... C... C...	F... C... C...	Site Code Code	Con...	Debit	Credit
90210501	Expense Allocation 109	6/30/2008	109	19998				2008		268.60
90210501	Expense Allocation 109	6/30/2008	109	19998				2008		2,138.84
90210501	Expense Allocation 109	6/30/2008	109	19998				2008		137.10
90210501	Expense Allocation 109	6/30/2008	109	19998				2008		213.10
90210501	Expense Allocation 109	6/30/2008	109	19998				2008		555.99
90210501	Expense Allocation 109	6/30/2008	109	19998				2008		1,746.16
90210501	Expense Allocation 109	6/30/2008	109	19998				2008		752.39
* 90210501	Expense Allocation 109	6/30/2008	109	19998				2008	5.57	
90210501	Expense Allocation 109	6/30/2008	109	55100	403	P...	11	2008	268.60	
90210501	Expense Allocation 109	6/30/2008	109	60100	403	P...	11	2008	2,138.84	
90210501	Expense Allocation 109	6/30/2008	109	60200	403	P...	11	2008	137.10	
90210501	Expense Allocation 109	6/30/2008	109	60300	403	P...	11	2008	213.10	
* 90210501	Expense Allocation 109	6/30/2008	109	62100	403	P...	11	2008		5.57
90210501	Expense Allocation 109	6/30/2008	109	64200	403	P...	11	2008	555.99	
90210501	Expense Allocation 109	6/30/2008	109	68200	403	P...	11	2008	1,746.16	
90210501	Expense Allocation 109	6/30/2008	109	68300	403	P...	11	2008	752.39	
90210501	Expense Allocation 109	6/30/2008	408	19998				2008	268.60	
90210501	Expense Allocation 109	6/30/2008	408	19998				2008	2,138.84	
90210501	Expense Allocation 109	6/30/2008	408	19998				2008	137.10	
90210501	Expense Allocation 109	6/30/2008	408	19998				2008	213.10	
90210501	Expense Allocation 109	6/30/2008	408	19998				2008	555.99	
90210501	Expense Allocation 109	6/30/2008	408	19998				2008	1,746.16	
90210501	Expense Allocation 109	6/30/2008	408	19998				2008	752.39	
90210501	Expense Allocation 109	6/30/2008	408	19998				2008		5.57
90210501	Expense Allocation 109	6/30/2008	408	55100	403	P...	11	2008		268.60
90210501	Expense Allocation 109	6/30/2008	408	60100	403	P...	11	2008		2,138.84
90210501	Expense Allocation 109	6/30/2008	408	60200	403	P...	11	2008		137.10
90210501	Expense Allocation 109	6/30/2008	408	60300	403	P...	11	2008		213.10
90210501	Expense Allocation 109	6/30/2008	408	62100	403	P...	11	2008	5.57	
90210501	Expense Allocation 109	6/30/2008	408	64200	403	P...	11	2008		555.99
90210501	Expense Allocation 109	6/30/2008	408	68200	403	P...	11	2008		1,746.16
90210501	Expense Allocation 109	6/30/2008	408	68300	403	P...	11	2008		752.39
Total 90210501	Expense Allocation 109								11,635.50	11,635.50

LifeWorks Federal and State Contract Match Distribution

Fiscal Year 2009 (July 08 to June 09)	DHHS Shelter 101	DHHS TLP 102	DHHS SO 103	HUD SHP 105	HUD Passages 106	HUD SO 107	TDHCA ESGP 109	DHHS MGH 112	DHHS OAPP 115	TDSHS DSHS 117	TDSHS DSHS 118	TDFPS ACTS 213	MATCH Source Total	MATCH Source Total
Match Source	9/08-8/09	2/08-1/09	10/07-9/08	5/08-4/09	6/08-5/09	7/08-6/09	9/08-8/09	10/07-9/08	9/08-8/09	9/08-8/09	9/08-8/09	9/08-8/09	Match Used	Budget
City of Austin														
Education Division (307)									$ 68,097				$ 68,097	$ 237,169
Housing Division (301)	$ 8,023	$ 9,976		$ 6,188	$ 4,166	$ 13,780		$ 8,726					$ 50,859	$ 237,169
Travis County														
Education Division (327)									$ 49,187				$ 49,187	$ 237,169
Housing Division (321)	$ 5,348	$ 6,651		$ 4,669	$ 2,941	$ 10,396		$ 5,817					$ 35,822	$ 140,107
United Way Capital Area														
Financial Stability Grant (501)	$ 1,000			$ 9,386	$ 3,046				$ 13,613				$ 27,045	$ 150,000
Program Income/Fees														
SHP Client Rents (000)				$ 14,079									$ 14,079	$ 15,000
Religious Coalition for the Homeless														
				$ 15,158				$ 14,543					$ 29,701	$ 62,992
Tandem Collaboration														
People's Community Clinic									$ 22,157				$ 22,157	$ 62,992
U.S. Dept of Health and Human Services														
Basic Center -Emergency Shelter (101)							$ 33,750						$ 33,750	$ 135,000
Street Outreach (103)					$ 2,902	$ 54,384	$ 25,000						$ 82,286	$ 100,000
TLP-Maternity Group Home (112)				$ 11,100									$ 11,100	$ 200,000
Private Foundations														
TPS Foundation Grants (403)									$ 10,000				$ 10,000	$ 17,700
SHP Foundation Grants (403)				$ 13,152	$ 3,529								$ 16,681	$ 17,700
Fundraising														
Fundraising (601)	$ 2,100	$ 5,650	$ 11,560										$ 19,310	$ 680,000
In kind														
Austin Families/Family Connections				$ 18,000									$ 18,000	N/A
People's Community Clinic									$ 40,000				$ 40,000	N/A
Austin Child Guidance Center									$ 5,500				$ 5,500	N/A
Austin ISD										$ 39,975	$ 32,475		$ 72,450	N/A
Project Partner Match														
People's Community Clinic									$ 142,775				$ 142,775	N/A
Casey Family Programs												$ 192,785	$ 192,785	N/A
	$ 16,471	$ 22,277	$ 11,560	$ 91,732	$ 16,584	$ 78,560	$ 58,750	$ 29,086	$ 351,329	$ 39,975	$ 32,475	$ 192,785		

Attachment #4

ALLOCATIONS CODING SHEET

FUNDING SOURCES

		Year-end
000	Fees	6/30/2008
	FEDERAL	
101	DHHS/RHY Basic Center	8/31/2009
102	DHHS/RHY Transitional Living	1/31/2009
103	DHHS/RHY Street Outreach	9/30/2009
105	HUD SHP - Supportive Services	4/30/2009
106	HUD SHP - Salvation Army	5/31/2009
107	HUD SHP - Street Outreach	6/30/2009
109	TDHCA ESGP	8/31/2009
112	DHHS/RHY TLP-SHP-PPY	9/30/2009
115	DHHS/OAPP Adolescent Family	8/31/2009
117	TDSHS - YPU Next Step	8/31/2009
118	TDSHS - YPS Next Step	8/31/2009
125	HUD SHP - Administrative	4/30/2009
126	HUD SHP - TLS Operations	4/30/2009
128	HACA	5/31/2009
130	Goodwill/WIA	9/30/2009
	STATE	
201	TDFPS STAR	8/31/2009
202	TDFPS STAR UPS	8/31/2009
203	TDFPS PAL Training	8/31/2009
207	TDCJ-BIPP	8/31/2009
209	TDFPS Fees Shelter	6/30/2009
210	TDFPS Fees TLS	6/30/2009
213	TDFPS - FCTS	8/31/2009
	LOCAL GOVERNMENT	
301	COA - Homeless Services	12/31/2008
302	TCCVF - Counseling	12/31/2008
304	COA - GED/LifeSkills	12/31/2008
305	COA - Counseling Services	12/31/2008
306	COA - Literacy Austin	12/31/2008
307	COA -TPS/REAL Talk	12/31/2008
308	COA - Resolution Counseling	12/31/2008
312	City of Austin - Kid's Exchange	12/31/2008
313	Travis County - Kid's Exchange	9/30/2008
321	Travis County - Housing	12/31/2008
324	Travis County - GED/LifeSkills	12/31/2008
325	Travis County - Counseling	12/31/2008
326	Travis County - Literacy Austin	12/31/2008
327	Travis County - TPS/REAL Talk	12/31/2008
328	Travis County - Resolution Counseling	12/31/2008
	FOUNDATION/CORPORATION	
401	Dell Foundations	6/30/2009
403	Misc. Corp/Foundations	6/30/2009
406	St David's Foundation Thru PCC	12/31/2008
408	Designated Street Outreach Donations	6/30/2009
412	Relationship Horizons	6/30/2009
415	Religious Coalition for the Homeless	12/31/2008
	UNITED WAY	
501	United Way Capital Area	6/30/2009

		Year-end
	CONTRIBUTIONS/DEVELOPMENT	
601	General Fundraising	6/30/2009
604	Academy Awards Gala	6/30/2009
605	Designated Donations	6/30/2009
607	Home Improvement Challenge	6/30/2009
621	Season of Caring	6/30/2009
622	Scholarship Fund	6/30/2009
626	Capital Campaign 2008 - East Austin	6/30/2009
630	Ben & Jerry's	6/30/2009
	POOLS - MISCELLANEOUS	
703	Misc Reimbursement	6/30/2009
704	Administrative	6/30/2009
800	Shared Cost Pool - Indirect	6/30/2009
801	Shared Cost Pool - Program only	6/30/2009
805	Shared Cost Pool - MGH	6/30/2009
808	Shared Cost Pool - TLS	6/30/2009
810	Shared Cost Pool - Shelter	6/30/2009

PROGRAMS

	Education
201	Next Step/HACA
204	REAL Talk
205	Life Skills Training/FCTS
501	Teen Parent Services
502	Literacy Austin
503	GED/LifeSkills
	Counseling
301	Youth and Adult Counseling
302	Resolution Counseling
303	Kid's Exchange
	Housing
401	Emergency Shelter
402	Transitional Living Services
403	Street Outreach
404	Supportive Housing
405	Youth Resource Center
411	Maternity Group Home - YMB Shelter
	Other
901	Management & General
902	Development
930	Ben & Jerry's

SITES

1	South
2	East Central - Chicon
3	Round Rock
4	Rosewood
5	Maternity Group Home - YMB Shelter
6	SHP Apartments
7	Ben & Jerry's
8	TLS
10	Emergency Shelter
11	Street Outreach
14	North - Seton Topfer

FUNCTION

Progr = Program Admin = Administrative Fundr = Fundraising

10/30/2008

U.S. DEPARTMENT O
Fort Worth Regional O
Office of Community P
801 Cherry Street, Uni
Fort Worth, TX 76113
www.hud.gov

DEC 4 2008

Tom Lang/
Sue P

Michael G. Gerber, Executive Director
Texas Department of Housing and Community Affairs
ATTENTION: Brooke Boston
PO Box 13941
Austin, TX 78711-3941

RECEIVED
DEC - 9 2008
EXECUTIVE DIRECTOR

Dear Mr. Gerber:

SUBJECT: Status of Monitoring Finding Number 3
Emergency Shelter Grant Program

We are in receipt of your letter dated November 3, 2008, in response to the findings identified during the monitoring visit that occurred August 18 -22, 2008. The purpose of this letter is to address your response to Finding No. 3 from the monitoring review, which is discussed below.

Finding 3: Life Works is a large organization with multiple programs, clients and funding sources. Although the agency appeared to be a well run organization, some of the procedures it utilizes to allocate certain costs should be strengthened to ensure that the costs are being fairly allocated across its many funding sources.

HUD's Response:

- Life Works has offset the ineligible depreciation costs of $247.50 in the October 2008 billing. The issue is resolved.

- Life Works will offset the ineligible mileage costs of $5.57 in the final Monthly Funding/Financial/Programmatic Report. In addition, TDHCA has assured HUD that future mileage costs will be allocated to the ESG grant based on actual mileage instead of percentage of funding. This issue is resolved.

- TDHCA's response states that it will ensure that Life Works will perform the quarterly salary reconciliations, or as advised by TDHCA. Although TDHCA may require the agency to perform more frequent salary reconciliations, TDHCA must ensure that the salary reconciliations are performed no less frequently than quarterly as specified in OMB Circular A-122.

  TDHCA is advised that salary and benefits may only be supported through the actual-after-the-fact time distribution reports unless a time study has been approved by Life Works' Federal Cognizant Agency. Salary and benefit allocation based on any other means may result in future ineligible costs. The issue is resolved with the understanding

that TDHCA will ensure that Life Works will maintain actual after-the-fact time distribution reports in support of all salary and fringe benefit costs charged to the ESG Program and perform salary reconciliations no less frequently than quarterly.

- Life Works has developed a Match Distribution matrix to ensure that match funds are allocated correctly among the various Federal and State Programs. Also, the agency will document a monthly line-by-line record of expenses being utilized as match to the ESG program, thus ensuring that the match is eligible. The issue is resolved.

As a result of the State's response to the four issues listed above, this finding is closed.

If you have any questions concerning this letter, please contact either Brenda Jennings, Senior Financial Analyst, at 817-978-5941 or Linda Hadley, Senior CPD Representative, at 817-978-5957.

Sincerely,

Gary Hoeberg

for Katie S. Worsham
Director

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING
Quality Assurance Division

October 15, 2008

Mr. Michael Gerber
Executive Director
Texas Department of Housing
& Community Affairs
P.O. Box 13941
Austin, TX 78711

Dear Mr. Gerber:

Recently, Quality Assurance Division (QAD) Staff conducted a remote Disaster Voucher Program (DVP) Validation Review of the Texas Department of Housing & Community Affairs (TX901). The purpose of this review was to assist your agency with the identification of reporting errors, and to provide guidance and technical assistance related to improving the DVP data reported in the Voucher Management System (VMS) and the Disaster Information System (DIS).

Our review of August 5th through September 11, 2008 focused on the VMS DVP and DIS reporting period of February 2006 through December 2007.

During the review, Quality Assurance Division (QAD) Staff identified areas where the Texas Department of Housing & Community Affairs can improve the accuracy of its DVP VMS reporting. These areas, and the resulting technical assistance provided are detailed in the enclosed report.

If needed corrections to either VMS DVP or DIS data were identified by the QAD Staff, it is important that the corrections be made as directed in the enclosed report as soon as possible, but not later than 30 days from the date of this report. Your confirmation that corrections have been made will be appreciated and may be done via email to Donna Adams, Quality Assurance Specialist at Donna.Adams@HUD.GOV.

We appreciate the cooperation extended to QAD Staff, and your assistance in helping us ensure the best possible DVP and DIS data integrity. Should you have any questions or concerns, please contact Donna Adams at 401-277-8331.

Sincerely,

Belinda Y. Bly

Belinda Bly
Supervisory Program Analyst
Quality Assurance Division

Enclosure

cc: James Ormsby, Director, Office of Public & Indian Housing
Glenda Giffee, Division Director, Financial Management Center
Robin Barton, Supervisory Program Analyst

ERRORS

- **Error No 1: Utility reimbursements were not calculated correctly for all families**

The PHA miscalculated utility reimbursements for two families in their DVP program. One family was overpaid $648 while another family was underpaid $1,386 as shown in Enclosure A. The cause of this problem can be attributed to administrative errors. The PHA used the incorrect utility amount in the case of the overpayment, and did not provide a utility reimbursement at all for the underpaid family.

PIH Notice 2006-12, paragraph 4(i) states that the monthly DVP HAP equals the lesser of: (1) the monthly gross rent; or (2) the PHA payment standard. The Notice goes on to explain that gross rent is defined as "...the sum of the rent to owner plus any applicable PHA utility allowance for tenant-provided utilities."

The PHA has begun the process of correcting the underpayment by providing reimbursement to the affected family. In the case of the overpayment, we advise you to follow your administrative plan as it relates to overpayments due to PHA administrative errors. Please refer to Notice 2007-27 and Chapter 22 of the Housing Choice Voucher Program Guidebook for detailed guidance. Please notify Donna.Adams@hud.gov once these errors have been corrected.

- **Error No 2: Families incorrectly reported as Homeless Families in VMS**

For the last six months of calendar year 2007 non-homeless families were incorrectly reported in the homeless category of VMS. The VMS user's manual requires that only families who were homeless immediately prior to the disaster should be reported in this category. The PHA mistakenly reported non homeless families in the incorrect category due to a data input error.

The PHA should review internal procedures and institute controls to insure there is a system of checks and balances before entering information into the VMS system. Please correct VMS as shown in enclosure B and provide confirmation via e-mail to Donna.Adams@hud.gov once the corrections have been made.

OBSERVATIONS

- **Observation No. 1: The DIS System did not accurately reflect HAP expenses.**

Based on our review of the PHA's documentation, the data in the DIS system at the start of our review would result in a final payment to the PHA that would have fallen short of the amounts reported in VMS as expended on DVP HAP assistance. DIS showed 17 UML and $10,688 expended for the review period, while VMS shows 74 UML and 47,486 expended for the same period.

This is primarily due to the fact that the PHA was using the "update current lease" option in DIS, which replaces the prior information, instead of the "save as new lease" option which creates a new record while maintaining the prior lease information. As a result DIS was recording only the last lease/transaction for each family.

This was discussed in detail with the appropriate staff at the PHA during a conference call in which we went over each family's information and the PHA re-created the lease records. We also went over how to retrieve the appropriate reports from DIS for staff to review and ensure that information remains complete and accurate for each family.

Special thanks go to Anna Salinas, Regional Payments Coordinator and Edith Maxwell, Regional Coordinator, for their efforts in restoring data integrity to the DIS system.

- **Observation No. 2: HAP expenses were reported in VMS on a "cash" basis rather than on an accrual basis:**

The Voucher Management System User's Manual Appendix A, and the Financial Management Center (FMC) Bulletin 06-04 (dated 8/5/2004) state that, "*amounts paid during a particular month that were incurred in a different month should be adjusted and reflected for the month incurred.*" This is commonly referred to as accrual reporting.

QAD staff explained that utilizing accrual VMS reporting benefits the PHA by ensuring that VMS data, and therefore future funding, is as accurate as possible. QAD staff also stressed that accrual VMS reporting does not entail changes to their accounting system. Please notify Ms. Adams once the process for tracking retroactive payments is implemented.

ENCLOSURE A

UTILITY REIMBURSEMENT CALCULATION

2006	MERCEDES	BOBBIE	DENISE	REGINA	MONTHLY UR TOTAL
FEB	106		99		205
MAR	106		99		205
APR	106		99		205
MAY	106		99		205
JUN	106		99		205
JUL	106		99		205
AUG	106		99		205
SEP	106		99		205
OCT	106		99		205
NOV	129	64	99	90	382
DEC	129	64	99	90	382
2007					
JAN	129	64	99	90	382
FEB	129	64	99	90	382
MAR	129	64	99	90	382
APR	129	64		90	283
MAY	129	64		90	283
JUN	129	64		90	283
JUL	129	64		90	283
AUG	129	64		90	283
SEP	129	64		90	283
OCT	129	64		90	283
NOV	171	82		104	357
DEC	171	82		104	357
DUE	2,844	932	1,386	1,288	6,450
PHA PAID	3,492	932	0	1,288	5,712
DIFF.	648	0	-1,386	0	-738

ENCLOSURE B

HAP/UML CALCULATION

2006	MERCEDES	BOBBIE	DENISE	REGINA	MONTHLY HAP TOTAL	MONTHLY UML
FEB	494	507	747		1,748	3
MAR	494	507	747		**1,748**	**3**
APR	494	507	747		1,748	3
MAY	494	507	747		1,748	3
JUN	494	507	747		**1,748**	**3**
JUL	494	507	747		1,748	3
AUG	494	507	747		1,748	3
SEP	494	507	747		**1,748**	**3**
OCT	494	507	747		1,748	3
NOV	517	574	747	990	2,828	4
DEC	517	574	747	990	**2,828**	**4**
2007						0
JAN	517	574	747	990	2,828	4
FEB	517	574	747	990	2,828	4
MAR	517	574	747	990	**2,828**	**4**
APR	517	574		990	2,081	3
MAY	517	574		990	2,081	3
JUN	517	574		990	**2,081**	**3**
JUL	517	574		990	2,081	3
AUG	517	574		990	2,081	3
SEP	517	574		990	**2,081**	**3**
OCT	517	574		990	2,081	3
NOV	571	592		1024	2,187	3
DEC	571	592		1024	**2,187**	**3**
FAMILY HAP TOTAL	11,792	12,635	10,458	13,928	48,813	74

Colleen Bauer

From: Willie Faye Hurd
Sent: Thursday, January 15, 2009 3:15 PM
To: Colleen Bauer
Subject: FW: DVP Close out TX901

DVP response and close out.

-----Original Message-----
From: Adams, Donna [mailto:donna.adams@hud.gov]
Sent: Wednesday, December 17, 2008 1:57 PM
To: Edmund Frank
Cc: Barton, Robin L
Subject: FW: DVP Close out TX901

Mr. Frank,

Thank you for addressing the errors and observations identified as part of the Disaster Voucher Program (DVP) review conducted by the Quality Assurance Division (QAD) at your Housing Authority.

The corrective actions taken by the PHA as outlined below are considered sufficient to address the identified issues. The review is now considered closed and no further response is necessary at this time.

The cooperation extended during our visit and your assistance in helping us insure Voucher Management System (VMS) and Disaster Information System (DIS) data integrity is much appreciated. Should you have any questions or concerns, please contact Donna Adams at 401-277-8331 or via email at Donna.Adams@HUD.GOV.

From: Edmund Frank [mailto:edmund.frank@tdhca.state.tx.us]
Sent: Wednesday, December 17, 2008 11:25 AM
To: Adams, Donna
Cc: David Cervantes; Esther Ku; Amy Oehler; Willie Faye Hurd
Subject: RE: DVP Close out TX901

Ms. Adams,

The original letter dated October 15, 2008, was never located in our Department, so thank you for attaching a copy to one of your emails. We then knew what actions were required on our part.

Error No. 1: the utility reimbursements that were due to one family have been issued and the refund of overpayment to another was requested by a letter to the family.

Error No. 2: VMS has been corrected by entering DVP HAP in the correct data entry category.

Observation No. 1: the DIS system was corrected prior to your actual on-site visit in September 2008 and we concur with your Enclosure B for VMS entries.

Observation No. 2: VMS has been corrected for DVP entries from February 2006 through December 2007 and on the accrual basis. The accrual process has been implemented by the Department.

Please complete the closeout of DVP and let us know any future actions or payments which will be made by HUD to PHA TX 901.

Thank you for your assistance in this closeout process.

Edmund Frank
Team Leader for State and Federal Grants
TDHCA Accounting Operations
(512) 475-4702

December 22, 2008

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Dear Mr. Gerber:

We completed a post-payment audit of certain payroll, purchase, and travel transactions of the Texas Department of Housing and Community Affairs (TDHCA) that processed during the period Mar. 1, 2007 through Feb. 29, 2008. We would like to thank you and your staff, especially David Cervantes, Esther Ku, and Julie Dumbeck. We appreciate the professionalism and cooperation demonstrated during this audit.

Our purpose was to determine whether TDHCA's expenditures complied with certain state laws and rules concerning expenditures and with the processing requirements of the uniform statewide accounting system (USAS) and the uniform statewide payroll/personnel system (USPS). TDHCA is responsible for ensuring that its staff is knowledgeable in those areas.

By law, the Texas Comptroller of Public Accounts (Comptroller's office) must audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

We commend TDHCA on satisfactorily resolving most of the errors identified during fieldwork. Although we did not identify significant monetary errors, TDHCA must formally address the following issues: incorrect longevity pay/missing documentation and interest not paid. No projections were made from these findings due to the relatively low dollar amounts in error.

David Cervantes received the details about these errors via email on Dec. 22, 2008. In the same email, we also addressed other minor errors involved in the processing of expenditures. TDHCA should review its procedures to ensure compliance in these areas.

Enclosed is a corrective action schedule addressing the issues identified during the audit. TDHCA's management and internal audit should complete and sign the schedule. An electronic copy of the schedule is available upon request. The Comptroller's office must receive the schedule not later than Friday, Jan. 23, 2009.

We would like to acknowledge TDHCA's compliance in the following areas:

- A review of the Benefit Replacement Pay Indicator Evaluation Report shows that no questionable indicators were identified.
- We generated reports to identify potential duplicate payments. No duplicate payments were found.
- We conducted a limited sample of refunds of revenue, grants, employee payroll deductions, and non-overnight travel transactions. No errors were found.
- We conducted a review of travel transactions. No errors were found.

The review of grants consisted of verifying that the payments did not exceed the authorized amounts. We did not identify any errors in the payments reviewed. The review of these payments did not include an investigation of TDHCA's procedures for awarding the grants or monitoring payments made to grantees; therefore, we are not offering an opinion on those procedures.

We reviewed TDHCA's voucher signature cards and electronic approval security effective during our audit period. The security review entailed identifying any of TDHCA's employees with security in USAS, USPS, or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked. TDHCA had no terminations or revocations during the audit period; therefore, we are unable to provide an opinion about whether TDHCA's procedures are in compliance with applicable requirements.

In conjunction with our post-payment audit of TDHCA's expenditures, we reviewed TDHCA's internal control structure. Our review was limited to obtaining an understanding of TDHCA's controls sufficient to plan our audit and did not include tests of control policies and procedures. TDHCA did not have any control issues during the audit period.

We selected a limited number of fixed assets acquired by expenditures during our audit period to test for accurate reporting in the State Property Accounting (SPA) system and to verify existence of the assets. We were able to locate all assets and they were properly recorded in SPA. Within the audit period, TDHCA reported 1 disposed asset in SPA that was missing.

We concluded a prior post-payment audit of TDHCA's payroll, purchase, and travel transactions on June 21, 2004. There was one recurring issue identified during our audit period, incorrect longevity pay.

We would like to request input from you or your designee on the quality of the audit process and the service provided by the audit staff while conducting this audit. Please use the following Web site to provide feedback on the post-payment audit: https://fmx.cpa.state.tx.us/fm/survey/audit/. If you prefer, a hard copy of the survey has been included for your convenience. We greatly appreciate your feedback.

Thank you for your cooperation. If we can be of further assistance, please contact Anna Calzada via e-mail at <anna.calzada@cpa.state.tx.us> or call 463-4338.

TDHCA may inquire about and register for Fiscal Management training classes via the FMX Training Center Web site: https://fmx.cpa.state.tx.us/fmx/training/index.php if training related to these findings is needed.

Sincerely,

Darrell W. Edge
Manager
Department of Fiscal Integrity

Enclosure

cc: C. Kent Conine, Board Chair, Texas Department of Housing and Community Affairs
David Cervantes, Financial Administration Director, Texas Department of Housing and Community Affairs
Sandy Donoho, Internal Audit Director, Texas Department of Housing and Community Affairs
Anna Calzada, Auditor, Department of Fiscal Integrity, Texas Comptroller of Public Accounts

Corrective Action Plan
Post-Payment Audit Dated December 22, 2008
Texas Department of Housing and Community Affairs

INCORRECT LONGEVITY PAY/MISSING DOCUMENTATION

Recommendation: TDHCA must ensure that the prior state service verification forms are properly maintained for its employees and all resulting data entry from these verifications properly match the information in USPS.

Division(s)/ Individual(s) responsible for agency action due to recommendation:

Estimated date of resolution of recommendation*:

Brief summary of actions taken to ensure compliance:

PAYMENT NOT PROPERLY SCHEDULED

Recommendation: To minimize the loss of earned interest to the state treasury, TDHCA must schedule all payments that are greater than $5,000 for the latest possible distribution and in accordance with its purchasing agreements as described in the Comptroller's *Prompt Payment and Scheduling Guide*.

Division(s)/ Individual(s) responsible for agency action due to recommendation:

Estimated date of resolution of recommendation*:

Brief summary of actions taken to ensure compliance:

Please certify by signature that the information provided is complete and correct.

Chief Fiscal Officer _____

Agency Head _____

* If implemented, give date of implementation and changes in procedures if applicable.

audit report

Issue Date
January 14, 2009
Audit Report Number
2009-FW-1004

TO: Nelson R. Bregon, General Deputy Assistant Secretary for Community Planning and Development, D

FROM: Gerald R. Kirkland
Regional Inspector General for Audit, Fort Worth Region, 6AGA

SUBJECT: The Texas Department of Housing and Community Affairs Properly Administered Supplemental I Disaster Recovery Program Funds

HIGHLIGHTS

What We Audited and Why

We audited the U. S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG), Supplemental I Disaster Recovery program, administered by the Texas Department of Housing and Community Affairs (Department). We performed the audit as part of the Office of Inspector General's commitment to HUD to implement oversight of the Disaster Recovery funds to prevent fraud, waste, and abuse and duplication of benefits. Our objective was to determine whether the Department administered Supplemental I Disaster Recovery funds (funds) in compliance with the supplemental appropriation's *Federal Register* requirements, HUD's policies, and the State of Texas' (State) Disaster Recovery action plan.

What We Found

The Department administered the funds in compliance with requirements. The funds were accounted for and were used for eligible program applicants and projects that met national program objectives.

What We Recommend

This report does not contain any recommendations as it contains no findings.

Auditee's Response

We provided an initial draft report to the Department on December 17, 2008, and held an exit conference on December 29, 2008. Following some minor clarifications, we provided a revised draft on January 7, 2009. The Department agreed with the report and decided not to provide a written response.

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BACKGROUND AND OBJECTIVE

On September 24, 2005, the Federal Emergency Management Agency (FEMA) declared 29 State of Texas (State) counties disaster areas as a result of Hurricane Rita. The disaster declaration allowed those counties to receive federal aid from FEMA, the Small Business Administration, and the U. S. Army Corp of Engineers.

In addition, to assist with Hurricane Katrina, Rita and Wilma recovery efforts, Congress appropriated $16.7 billion in Disaster Recovery funding (funds) to the U. S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) program to assist impacted communities. Of that amount, Texas received $503 million to address areas most impacted by Hurricane Rita. The funds were allocated in two supplemental appropriations that were distributed under two disaster action plans. The State was allocated $74.5 million under Public Law 109-148 (Supplemental I) and an additional $428.67 million under Public Law 109-234 (Supplemental II).

To aid in fund distribution, the governor of Texas selected the Texas Department of Housing and Community Affairs (Department) as the lead agency. Established in 1991, the Department is the State's primary agency to provide for the essential public service and housing needs of extremely low- to moderate-income individuals and families in Texas. The Department and the Office of Rural and Community Affairs (ORCA) jointly administered the funds, the primary objective of which is to provide funding for unmet housing, infrastructure, public service, public facilities, and business needs in areas of concentrated distress in the 29-county area directly impacted by Hurricane Rita.

To expedite delivery of aid, the Department partitioned the funds between the State's regional councils of government[1] (council) and ORCA, based on FEMA's damage assessment. The Department decided that those entities were better informed on their regions' needs, experienced in managing CDBG funds, and structured to coordinate with the State's efforts for long-term recovery. However, the Department, as the State's representative, maintained overall responsibility over the funds' use. As the following table shows, since February 2006, the Department and ORCA have funded approximately $73 million of the budgeted funds.

	Projects	Budget	Funded	Balance
Department	450	$42,378,185	$41,341,850	$1,036,335
ORCA	93	32,144,815	31,525,863	618,952
Totals	543	$74,523,000	$72,867,713	$1,655,287

Our objective was to determine whether the Department administered Supplemental I Disaster Recovery funds for their intended purpose as prescribed by the supplemental appropriation's *Federal Register* requirements, HUD's policies, and the State's Disaster Recovery action plan.

[1] The councils are voluntary associations of local governments, the purpose of which is to solve area wide problems for their respective region. Texas is divided into 24 regional councils, four of which were affected by Hurricane Rita.

RESULTS OF AUDIT

The Texas Department of Housing and Community Affairs Properly Administered the Supplemental I Disaster Recovery Funds

The Department and ORCA generally administered the Supplemental I Disaster Recovery funds in compliance with the supplemental appropriation's *Federal Register* requirements, HUD policies, and the State's action plan. They used the Disaster Recovery funds for eligible applicants and projects that met national program objectives and ensured that the funds were properly accounted for and used for the program.

The State Properly Funded Disaster Recovery Projects

A review of 16 projects, totaling more than $4.3 million that the State funded with Disaster Recovery funds, found no evidence that the recipients or the projects were ineligible. The 11 housing projects reviewed included the following types of projects:

- Housing reconstruction,
- Housing rehabilitation,
- Manufactured housing units, and
- Housing elevation – flood mitigation.

The five infrastructure projects included the following types of projects:

- Road repair,
- Bridge repair,
- Emergency power generators,
- Debris removal,
- Repair to emergency services, and
- Public facilities

The Department and ORCA provided sufficient support that the projects' funds were properly accounted for and used for their intended purposes. The following table shows the status of the 16 projects as of August 2008.

	Projects	Budget	Funded	% complete
Department	11	$ 862,294	$ 581,944	67%
ORCA	5	3,450,000	2,698,962	78%
Totals	16	$4,312,294	$3,280,906	76%

The Department Properly Administered the Funds

The Department is responsible for administering the funds and ensuring that they were used for their intended purpose. It partitioned the funds based on the level of damage assessed by FEMA, among the three eligible councils[2] responsible for the 22 affected counties. Testing of the 11 housing projects disclosed that the councils developed a method of distribution that assisted eligible applicants and that the Department, in coordination with the councils, maintained oversight of the funds to ensure that eligible applicants received housing assistance as required by the *Federal Register*, HUD's policies, and the State's disaster recovery action plan.

Fieldwork at the South East Texas Regional Planning Commission (Commission) council disclosed that the reconstruction and rehabilitation projects appeared to be commensurate with the cost paid (see photograph below).

Recipient home - Port Arthur, Texas

As the following picture shows, the State's efforts to mitigate future hurricane housing damage appeared effective. The pictured home, designed and constructed to withstand flood and wind damage, survived Hurricane Ike in October 2008.

[2] Three council regions were deemed eligible to receive individual assistance by FEMA: The Commission, Deep East Texas Council of Government, and Houston-Galveston Area Council.

Elevation project, Sabine Pass, Texas – Although the area flooded, the home was not damaged because it was elevated.

For the 11 reviewed projects, the Department provided assistance to low- to moderate-income families by reconstructing or rehabilitating their homes or replacing them with manufactured housing units.

ORCA Properly Administered the Funds

ORCA's objective is to assist the 27 affected counties with nonhousing recovery needs in the areas most impacted by Hurricane Rita. The five nonhousing projects tested included debris removal, road repair, bridge repair, flood mitigation, utility service repair, and emergency power generating units for medical facilities and utility companies. ORCA provided sufficient evidence to support the applicants' and projects' eligibility. In addition, its disbursements of more than $3.45 million for the projects were adequately controlled to ensure that funds were used for their intended purpose.

For two of the five projects tested, the local government used the funds to purchase generators to provide emergency electrical power. ORCA's efforts appear to have been effective, as the grants for emergency power generators to the City of Nederland and the Tyler County Hospital, pictured below, allowed operations to continue during Hurricane Ike.

Tyler County Hospital – 900-kilowatt generator allowed the hospital to remain open during widespread power outages.

Conclusion

The Department administered the Supplemental I Disaster Recovery funds, authorized under Public Law 109-148, in accordance with *Federal Register* requirements, HUD policies, and the State's Disaster Recovery action plan.

SCOPE AND METHODOLOGY

We performed our audit at the Department and ORCA offices located in Austin, Texas, and at the Commission office located in Beaumont, Texas. Our audit generally covered the period February 2006 through July 2008. We expanded the review period as needed. To accomplish our objective, we

- Gained an understanding of the CDBG program requirements by reviewing applicable HUD regulations, waivers, notices, and legislation.
- Reviewed the Department's, ORCA's, and the Commission's policies and procedures to gain an understanding of the organization's accounting controls, procurement practices, and monitoring policies.
- Reviewed the latest internal auditor's report, State audit report, and internal and HUD monitoring reviews to identify problem areas that might require attention.
- Identified and tested relevant internal controls that the Department, ORCA, and the Commission had implemented regarding their management, accounting, and data processes.
- Identified, quantified, and assessed the level of risks for key financial transactions and verified that the Department and ORCA properly accounted for funds use through the Disaster Relief Grant Reporting information system.
- Identified the total Disaster Recovery funding invested by HUD and funding disbursed by the Department and ORCA, and documented the list of program activities covering the audit period. We selected a nonrepresentative sample for testing, focusing on the two entities that received the largest grants under Supplemental I.
- Tested Department and ORCA's expenditures of program funds for eligibility and sufficiency of supporting documentation.
- Reviewed and tested a nonrepresentative sample of 16 project files.
- Conducted a site visit at 11 Department projects located in the following Texas cities: Beaumont, Port Arthur, Orange, Vidor, Fannett, and Sabine Pass.

We performed the audit from July through November 2008. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objectives:

- Funding and award process,
- Disbursement and expenditure process,
- Monitoring process, and
- Fraud prevention and detection policies and procedures.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

We did not identify any significant weaknesses in the controls cited above.

Internal Audit Division

BOARD ACTION REQUEST

February 5, 2008

Action Items

Presentation and Discussion of Internal Audit Reports on the Office of Colonia Initiatives' Bootstrap Program and Self-Help Center Program.

Required Action

None, information item only.

Background

An Audit of the Office of Colonia Initiatives' Bootstrap Loan Program

Our objectives were to determine if the program's policies and procedures are adequate to ensure that owner-builder requirements are met, if the program is in compliance with all applicable state and federal laws and the Department's rules, and if the new reservation system results in an increase in the disbursement of program funds.

The audit found that the Bootstrap Loan Program was not fully in compliance with some of the statutes and rules that govern the program. For example, the Government Code requires that the program allocate two-thirds of all available funding to counties that qualify as economically distressed and are eligible to receive assistance under the Water Code. Because of changes to the Water Code in 2005 and confusion over how these changes affected the Department, the program was not completely in compliance with this requirement. However, management has agreed to implement our audit recommendations in order to better comply with this statute, and has generally agreed to implement our recommendations in other less significant areas where compliance with statutes or rules could be improved.

Since September 2007, the reservation system used for the Bootstrap Loan Program has resulted in a more efficient process for distributing funds to non-profit owner-builder housing providers. During the first nine months that the reservation system was used, 57% of the available funds were committed or expended, compared to 32% for the same length of time under the old application process.

An Audit of the Office of Colonia Initiatives' Self-Help Center Program

Our objectives were to determine if the border field offices ensure that subrecipient requests for reimbursement of expenditures are adequately supported, comply with relevant laws, regulations and policies, and are properly authorized and approved; that desk reviews result in accurate and complete contract files and that quarterly reports are submitted to ORCA as required.

The audit found that the Department was not requiring adequate support for draws and was not fully in compliance with the applicable federal cost principles. We found at least one issue in each of the twelve draws we tested that should have prevented the Department from reimbursing the expenditures. During this audit, the Department of Housing and Urban Development (HUD) confirmed that the Davis-Bacon Act applies to the self-help center contracts. (The Department was previously operating under the understanding that the Davis-Bacon Act did not apply to the Self-Help Center Program based on prior communications with HUD.) The Davis-Bacon Act requires the payment of not less than the prevailing wage to workers performing construction work financed in whole or part with funding received under the Housing and Community Development Act of 1974. In addition, the Department has not designated a

certifying officer for environmental clearances for the Self-Help Center Program and does not retain the environmental clearance documentation submitted by the counties.

Management has agreed to implement our audit recommendations in order to improve compliance with federal requirements and has indicated that changes to this program are already underway.

Recommendation

No action is required.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
C. Kent Conine, *Chair*
Leslie Bingham Escareño
Tomas Cardenas, P.E.
Sonny Flores
Juan S. Muñoz, Ph.D.
Gloria Ray

November 25, 2008

To: The Governing Board and Audit Committee Members of the Texas Department of Housing and Community Affairs

Re: Internal Audit Report on the Office of Colonia Initiatives' Bootstrap Loan Program

The Internal Audit Division has completed its audit of the Office of Colonia Initiatives' Bootstrap Loan Program. This audit was performed to determine if the program's policies and procedures are adequate to ensure that owner-builder requirements are met, if the program is in compliance with all applicable state and federal laws and the Department's rules, and if the new reservation system results in an increase in the disbursement of program funds.

The audit found that the Bootstrap Loan Program was not fully in compliance with some of the statutes and rules that govern the program. For example, the Government Code requires that the program allocate two-thirds of all available funding to counties that qualify as economically distressed and are eligible to receive assistance under the Water Code. Because of changes to the Water Code in 2005 and confusion over how these changes affected the Department, the program was not completely in compliance with this requirement. However, management has agreed to implement our audit recommendations in order to better comply with this statute, and has generally agreed to implement our recommendations in other less significant areas where compliance with statutes or rules could be improved.

Since September 2007, the reservation system used for the Bootstrap Loan Program has resulted in a more efficient process for distributing funds to non-profit owner-builder housing providers. During the first nine months that the reservation system was used, 57% of the available funds were committed or expended, compared to 32% for the same length of time under the old application process.

Sincerely,

Sandra Q. Donoho

Sandra Q. Donoho, MPA, CISA, CIA, CFE
Director of Internal Audit

Encl. (1)

cc: Michael Gerber, Executive Director
Tom Gouris, Acting Deputy Executive Director for Programs
Homero Cabello, Director of the Office of Colonia Initiatives

Executive Summary

The Bootstrap Loan Program is not fully in compliance with some of the statues and rules that govern the program. The Government Code requires that the program allocate two-thirds of all available funding to counties that are eligible to receive assistance under the Water Development Board's Economically Distressed Areas Program. Because of changes in the Water Code in 2005, and confusion over how these changes affected the Bootstrap Loan Program, the Department is not completely in compliance with this statute. The program year 2008 funding allocation totaled $6.5 million and of this, $4 million (61%) has already been committed or spent. As of July 2008, only 13.2% of the Bootstrap funds available for program year 2008 have been committed or spent in counties eligible for the two-thirds set aside.

The Bootstrap Loan Program

The Bootstrap Loan Program was created in 1999 by the 76th Legislature. The program is designed to promote and enhance homeownership for very low income Texans. It provides loan funds to purchase or refinance real property on which to build or purchase new, single family residential housing or improve existing single family residential housing.

This program is a self-help construction program, where very low-income families help construct their own home, or provide labor to offset the construction of their home. Families participating in the program are required to provide at least 60 % of the labor necessary to construct or rehabilitate their home.

The Bootstrap Loan Program is administered by the Department's Office of Colonia Initiatives. The Department maintains three border field offices that (among other activities) monitor the Bootstrap loans and the construction of the Bootstrap homes prior to loan closing. These offices are located in El Paso, Laredo and Edinburg.

(For additional information on the Bootstrap Loan Program, see the text box on page 12. More detailed background information is also available in Appendix B.)

The Government Code also limits loans made under the Bootstrap Loan Program to $30,000 from the Department and an additional $30,000 for other loans. The Department's legal division has interpreted this statute to mean that any loan that results in a lien against the property counts against the $60,000 limit. This includes forgivable loans, if there is an associated lien. A statistical random sample of 201 of the 426 Bootstrap loans funded from September 2005 to June 2008 found that 42% of these loans exceeded the $60,000 limit. In addition, the Government Code requires the Department to establish an owner-builder revolving loan fund for the sole purpose of funding Bootstrap loans, and to deposit any re-payments made on Bootstrap loans into this fund. The Department does not maintain the funds set aside for the Bootstrap Loan Program in a separate fund, nor are the re-payments made on Bootstrap loans specifically allocated back to the program. In addition, when Bootstrap funds are unspent and de-obligated, these funds are moved into the Housing Trust Fund and could potentially be re-allocated to another of the Department's programs. In program year 2006/2007, $3.2 million in Bootstrap funds were de-obligated.

The Texas Administrative Code requires that the Department have first lien position if the Department's loan is greater than another loan on the Bootstrap home. The Department identified this issue and began enforcing this requirement in November 2007. As a result, some non-profit owner-builder housing providers structure the additional loans so that they have first lien position. Often the difference between the additional

loan and the Department's loan is as little as forty-seven cents. Although this practice technically complies with the rules, it results in the Department subordinating its right to any recoverable interest in the home in the event of a foreclosure. A review of 201 of the 426 Bootstrap loans funded from September 2005 to June 2008 found that in 53% of these loans, the Department's lien was subordinate to a loan of equal or lesser value, and in 19% of these loans, the Department's lien was subordinate to a deferred payment or forgivable loan, which is not permitted according to the Texas Administrative Code rules.

Other Key Points

- Certain types of Bootstrap loan transactions do not require the Department's staff to monitor the houses as they are built. The non-profit owner-builder housing providers are instead required to provide an appraisal and an inspection report from a licensed inspector or a certificate of occupancy if the home is located inside the city limits. Since the non-profit owner-builder housing provider hires their own appraisers and inspectors, there is an increased risk that fraud could occur if there were collusion between the appraiser, the inspector and the non-profit.
- We reviewed open and funded loan files for thirty-four different requirements found in statute, the Department's rules or the *Bootstrap Loan Program Manual.* We found that in 6 of the 33 files tested (18%) the loans exceeded 95% of the appraised value of the home, or there was not an appraisal in the file with which to determine the loan-to-value ratio. The 95% loan-to-value ratio is a requirement of the *Bootstrap Loan Program Manual.*
- Of the 367 loans closed and funded for fiscal years 2006 and 2007, 30 (8.2%) exceeded the 50% debt-to-income ratio allowed by the Texas Administrative Code rules in effect at that time, and of the 97 loans that were still open as of June 2008, five (5.2%) exceeded the 45% debt-to-income ratio currently allowed by the Texas Administrative Code rules. Allowing applicants to exceed the established debt-to-income ratio increases the risk that they will be unable to make their loan payments and could face foreclosure.
- Since September 2007, the reservation system used for the Bootstrap Loan Program has resulted in a more efficient process for distributing funds to non-profit owner-builder housing providers. During the first nine months that the reservation system has been utilized, 57% of the available funds have been committed or expended, compared to 32% for the same length of time under the old application process.
- We followed up on one prior audit finding related to de-obligating funds and maintaining owner-builder certificates in loan files and found that this issue was resolved and the associated recommendations were implemented.

Summary of Recommendations

- The Department should ensure that two-thirds of the available Bootstrap loan funding is set aside for counties eligible for financial assistance under the Water Code, and establish a method by which the list of counties eligible for assistance is regularly updated to ensure compliance with the statute.

- The Department should comply with the $60,000 limit for all loans made under the Bootstrap Loan Program unless the legislature makes a change in the statute to either raise the $60,000 limit, or to consider forgivable loans as grants, even if they result in a lien on the property.
- The Department should develop a methodology to track Bootstrap Loan Program funds, loan payments and de-obligated funds, and ensure that all re-payments made on Bootstrap loans are used to fund the Bootstrap Loan Program.
- The Department should ensure that all Bootstrap loans comply with the Texas Administrative Code regarding lien position relative to other loans, and consider whether the Department is willing to give up first lien position for an amount as low as forty-seven cents.
- Each Bootstrap home funded by a purchase money loan should be viewed at least once prior to closing by an employee of the Department and the process should be documented in the loan file. In addition, each Bootstrap loan file should contain an activity sheet or chronological log that the staff can use to document significant changes to the file.
- Each Bootstrap loan file should contain the required information such as appraisals, calculations of loan-to-value ratios, and debt-to-income ratios. Program rules should be followed relative to the loan-to-value ratios and debt-to-income ratios.

Summary of Management Responses

Management generally concurs with the findings and appreciates the thorough review of the program. Programmatic changes to address several of the findings have already occurred. To the extent steps have not already been taken to mitigate the noted risks, they will be integrated into the programs' procedures.

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Chapter 1

The Department Should More Closely Follow the Statutes and Rules Governing the Bootstrap Loan Program

The Government Code (Section 2306.753 (d)) requires that the Bootstrap Loan Program allocate two-thirds of all available funding to counties that are eligible to receive assistance under the Water Development Board's Economically Distressed Areas Program. Because of changes in the Water Code in 2005 and confusion over how these changes affected the Bootstrap Loan Program, the Department is not completely in compliance with this statute. The program year 2008 funding allocation totaled $6.5 million and of this, $4 million (61%) has already been committed and/or spent. As of July 2008, only 13.2% of the Bootstrap funds available for program year 2008 was committed or spent in counties eligible for the 2/3 set aside.

Counties Eligible for Financial Assistance

The Department is required by statute to ensure that at least two-thirds of all Bootstrap loans are made to individuals whose property is located in a county eligible for financial assistance under Subchapter K, Chapter 17, of the Water Code. In 2005, the 79th Legislature amended the sections that define these eligible counties, resulting in a change in the counties to which the Department should target the Bootstrap loans.

In March 2006, the Attorney General of Texas issued Opinion # GA-0411 which defines a county as eligible for financial assistance if the county:

- contains an economically distressed area as defined by §17.921(1) of the Water Code, and
- has adopted and enforces the model subdivision rules under §16.343(a).

Counties are added to the eligible list when the county adopts the required model subdivision rules. As of September 1, 2008, 41 counties are eligible for financial assistance under these conditions. (See Appendix C for a current list of the approved counties.)

Section 2306.754 of the Government Code limits loans made under the Bootstrap Loan Program to $30,000 from the Department and an additional $30,000 for other loans. The Department's legal division has interpreted this statute to mean that any loan that results in a lien against the property counts against the $60,000 limit. This includes forgivable loans, if there is an associated lien on the property. A statistical random sample of 201 of the 426 Bootstrap loans funded from September 2005 to June 2008 found that 42% of these loans exceeded the $60,000 limit. The Bootstrap Loan Program relies on owner-builders to provide "sweat equity" to offset the construction costs of their home. Even taking the savings from this process into account, it may be difficult, given the escalating cost of construction materials and other associated expenses, to build a house for $60,000.

The Government Code (Section 2306.7581(a-b)) requires the Department to establish an owner-builder revolving loan fund for the sole purpose of funding Bootstrap loans. The Department is required to deposit at least $3 million each fiscal year into this fund, as well as any money received as re-payment of a Bootstrap loan. The Department does not maintain the funds set aside for the Bootstrap Loan Program in a separate fund, nor are the re-payments made on Bootstrap loans specifically allocated back to the program. In addition, when Bootstrap funds are unspent and de-obligated, these funds are moved into the Housing Trust Fund and could potentially be re-allocated to another of the

Department's programs. In program year 2006/2007, $3.2 million in Bootstrap funds were de-obligated.

Chapter 1-A

The Department Should Ensure Two-Thirds of Bootstrap Funds are Set Aside for Properties Located in Counties Eligible for Financial Assistance

Since November 2007, $3,970,755 in Bootstrap loans has been committed and partially spent. Of this amount, $858,590 has been for properties located in the 41 counties eligible for financial assistance. This does not completely comply with Section 2306.752(d) of the Government Code which states, "(a)t least two-thirds of the dollar amount of loans made under this subchapter in each fiscal year must be made to borrowers whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, Water Code." Of the $6.5 million in Bootstrap funding for program year 2008, two-thirds, or $4.3 million, is designated for the counties eligible for financial assistance under the Water Code. Of this two-thirds amount, $2.4 million has been obligated to and/or spent in counties which are not eligible under the Water Code. (See table 1 for the impact of this issue over time.)

Allocation of Bootstrap Loan Program Funds to Eligible Counties					
Program Year	Total of Bootstrap Funding	Amount Allocated to or Reserved by Qualified Counties	Percent of Total Funds	Amount Allocated to or Reserved by Non-Qualified Counties	Percent of Total Funds
2006/2007 Contracts	$8,519,323	$4,524,000	53.1%	$3,995,323	46.9%
2008 Reservations	$6,500,000	$858,590	13.2%	$3,112,165	47.9%
Expenditure of Bootstrap Loan Program Funds in Eligible Counties					
Program Year	Total of Bootstrap Spending	Amount Spent in Qualified Counties	Percent of Total Funding Spent	Amount Spent in Non-Qualified Counties	Percent of Total Funding Spent
2006/2007 Contracts	$4,805,526*	$1,413,636	16.6%	$3,391,890	39.8%
2008 Reservations	$2,176,664	$59,998	.9%	$2,116,666	32.6%

* In program year 2006/2007, $3,172,488 (37.2% of total funding) was unspent and these funds were de-obligated.
Source: Un-audited data provided by the Department's Financial Administration Division.

Table 1

Recommendations

The Department should:

- ensure that two-thirds of the available Bootstrap loan funding is set aside for counties eligible for financial assistance under the Water Code, and
- establish a method by which the list of counties eligible for assistance is regularly updated to ensure compliance with the statute.

Management Response

The Department will improve its procedures and tracking methods to ensure 1) that two-thirds of awards are located in counties eligible to receive financial assistance under Subchapter K, Chapter 17, of the Water Code and 2) that the counties eligible for the two-thirds set-aside are regularly updated.

Management initially relied on faulty information, but has corrected this information and agrees that the current process is appropriate.

Implementation Date: Immediately

Staff Responsible: OCI Director

Chapter 1-B

The Total of All Loans for Bootstrap Homes Should Not Exceed the $60,000 Limit Set By Statute

Statute (Section 2306.754 of the Government Code) limits the amount of funding for Bootstrap loans to $30,000 for the Department's loan and an additional $30,000 for all other sources of funding. Some non-profit owner-builder housing providers obtain additional funding above the $60,000 total allowed by statute in the form of other loans, usually forgivable loans (such as loans from the non-profit owner-builder housing provider, the Federal Home Loan Bank or the United States Department of Agriculture.) Even though these loans are forgivable and in most cases are not expected to be re-paid, according to the Department's legal division, they are loans and not grants if they are secured through a lien on the property. As a result, they should still be considered as part of the $60,000 limit for the total of all loans. A statistical random sample of 201 of the 426 Bootstrap loans closed from September 2005 to June 2008 found that 84 (42%) of these loans exceeded the $60,000 limit. In addition, there were 9 loans that exceeded the $60,000 limit even after disregarding the amounts of the forgivable loans. In some instances, loans are listed as forgivable; however, there is no provision in the note or the warranty deed that states the debt is forgivable. These loans ranged from $65,000 to $80,000 each.

Even including the money saved by requiring the families that participate in the Bootstrap Loan Program to help construct their own homes, it is still difficult for a modest home to be built for less than $60,000 including the costs of the property, the escalating costs of construction materials, and the other associated costs such as inspections, appraisals and closing costs. As a result, maintaining the $60,000 limit may result in fewer homes built under the Bootstrap Loan Program.

Recommendations

The Department should:

- Fully comply with the $60,000 limit for all loans made under the Bootstrap Loan Program unless the legislature makes a change in statute to either raise the

$60,000 limit, or to specify that forgivable loans are grants, even if they result in a lien on the property, and

- Ensure all additional loans are documented in the loan file, and in those instances where lenders provide a forgivable loan, ensure the provision is also documented.

Management Response

Management received what it determined to be a conservative reading of the statute regarding maximum allowable funding to not allow deferred forgivable loans from its legal counsel. As there is a definition that states that a deferred forgivable loan is considered a grant for purposes of the enabling statute for this program, Management believes that the deferred forgivable loan provides some reasonable interpretation and therefore decided that since the alternative was to stop the program from going forward in most cases, it was a reasonable risk to take under the circumstances.

Management understands and has fully considered the legal interpretation and the auditor's point of view but feels it is justified in continuing the program allowing for a deferred forgivable loan in addition to $60,000 loans per transaction based on the statutory definition of a deferred forgivable loan.

The Department will make sure that processes ensure that all loan files are documented accordingly.

Implementation Date: Immediate

Staff Responsible: OCI Director

Chapter 1-C

Bootstrap Loan Funds and Payments Should Be Tracked and Re-Allocated as Required By Statute

The Government Code (Section 2306.7581(a-b)) requires the Department to establish an owner-builder revolving loan fund for the sole purpose of funding Bootstrap loans. The Department is required to transfer at least $3 million each fiscal year to the owner-builder revolving loan fund and to deposit money received in repayment of a Bootstrap loan to the fund. Although at least $3 million has been allocated to the Bootstrap Loan Program as required, the Department does not maintain the funds set aside for the Bootstrap Loan Program in a separate fund, nor are the re-payments made on Bootstrap loans specifically allocated back to the program. In addition, when Bootstrap funds are unspent and de-obligated, the funds are moved into the Housing Trust Fund and could potentially be re-allocated to another of the Department's programs. In program years 2006/2007, $3.2 million in Bootstrap funds were de-obligated. (See table 1.)

Recommendations

The Department should:

- Develop a methodology to track Bootstrap Loan Program funds, loan payments and de-obligated funds, and

- Ensure that all re-payments made on Bootstrap loans are used to fund the Bootstrap Loan Program.

Management Response

Management acknowledges the need to track loan repayments and deobligated funds. Management will work with the Financial Administration Division to ensure Bootstrap funds are accounted for separately and that Bootstrap loan payments are recycled by the Program. While not formally handled through a separate account, historically Bootstrap Program loan repayments and deobligations have been channeled back directly into the Bootstrap program.

Implementation Date: January 31, 2009

Staff Responsible: Director of Financial Administration and OCI Director

Chapter 2

The Bootstrap Loan Program Should Further Protect the Department's Interests When Approving Loans and Monitoring the Construction of Bootstrap Homes

The Texas Administrative Code requires that the Department have first lien position if the Department's loan is greater than other loans used to fund a home under the Bootstrap Loan Program. The Department identified this problem and began enforcing this requirement in November 2007. As a result, some non-profit owner-builder housing providers structure the additional loans so that they have first lien position. Often the difference between the additional loan and the Department's loan is as little as forty-seven cents. Although this practice technically complies with the rules, it results in the Department subordinating its right to any recoverable interest in the home in the event of a foreclosure. A review of Bootstrap loans closed from September 2005 to June 2008 found that in 53% of these loans, the Department's lien was subordinate to a loan of equal or lesser value, and in 19% of these loans, the Department's lien was subordinate to a deferred payment or a forgivable loan, which is not permitted under the rules.

When the non-profit owner-builder housing provider uses purchase money loans (see text box on page 12) to fund Bootstrap houses, the houses may not be seen by the border field officers or by any Department staff. The non-profit owner-builder housing providers are instead required to provide an appraisal and an inspection report from a licensed inspector or a certificate of occupancy if the home is located inside the city limits. Since the non-profit owner-builder housing provider hires their own appraisers and inspectors, there is an increased risk that fraud could occur if there were collusion between the appraiser, the inspector and the non-profit. We did not identify any instances of fraud in our review of the Bootstrap Loan Program.

We reviewed open and funded loan files for thirty-four different requirements found in statute, the Department's rules or the *Bootstrap Loan Program Manual*. We found that in 6 of the 33 files tested (18%) the loans exceeded 95% of the appraised value of the home, or there was not an appraisal in the file with which to determine the loan-to-value ratio. In addition, we noted several instances where loan files indicated that the applicant or homeowner exceeded the debt-to-income ratio allowed by the rules. Allowing applicants to exceed the established debt-to-income ratio increases the risk that they will be unable to make their loan payments and could face foreclosure.

Chapter 2-A

Bootstrap Loans Sometimes Result in the Department Taking a Subordinate Lien Position

There is a $30,000 limit for Bootstrap loans and a $60,000 limit for the total of all loans on Bootstrap homes. (See Chapter 1-B) Most Bootstrap loans have another loan supplementing the Department's loan. These loans are generally made by non-profit owner-builder housing providers, local government entities or private lenders such as banks. Section 2306.754 of the Government Code does not require the Department to place a lien against a home financed under the Bootstrap Loan Program. However, if a lien is placed, the Department must take the primary lien position if the amount of the

Department's loan is greater than the amount of the other (leveraged) loan. Also, Texas Administrative Code, Title 10, Part 1, Chapter 2, §2.15(3) states that:

> "The Department may accept a parity or subordinate lien position if the leveraged loan is greater or equal than the Department's loan. However liens related to other subsidized funds provided in the form of grants and non-amortizing loans, such as deferred payment or forgivable loans, must be subordinated to the Department's loan."

Not all Bootstrap loans are in compliance with this requirement. The Department discovered this recently and began enforcing this requirement for all new loans in November 2007. As a result, some non-profit owner-builder housing providers are now structuring Bootstrap loans so that, for example, the Department's loan is in the amount of $29,999 with the additional loan in the amount of $30,000, or the Department's loan is for $24,899 with the additional loan in the amount of $24,899.47, giving the Department the second lien position. Another common practice is to combine the leveraged loan with a forgivable loan, so that the Department ends up with the subordinate lien position. Although the practice of giving the Department a subordinate lien position when it contributes less money to the home technically complies with the rules governing the Bootstrap Loan Program, it results in the Department subordinating its right to any recoverable interest in the home in the event of a foreclosure. A statistical random sample of 201 of the 426 Bootstrap loans closed from September 2005 to June 2008 found that in 106 (53%) of these loans, the Department's lien was subordinate to a loan of equal or lesser value, and in 39 (19%) of these loans, the Department's lien was subordinate to a deferred payment or forgivable loan, which is not permitted under the rules. Many of these loans were initiated before the Department identified this problem and began enforcing the requirements regarding lien position.

Recommendations

The Department should:

- Ensure that all future Bootstrap loans comply with the Texas Administrative Code regarding lien position relative to other loans,
- Consider whether the Department is willing to give up first lien position for an amount as low as forty-seven cents, and
- Determine whether amendments should be made to the Texas Administrative Code to further specify the Department's intent regarding lien position.

Management Response

As of November 2007, the Department does not allow a greater lien position to a lender with a lesser amount, while the loan amounts are close to provide the maximum amount of financing available. A large number of administrators with this program have provisions that do not allow any other lien position other than a first lien position and therefore the alternatives are to either not allow the program to proceed or accept a statutorily correct lien positioning that is close in amount.

This is an area that has been identified in public comment to be changed statutorily. Management will monitor this issue closely during the legislative session.

This practice assists the Department in meeting its Rider 5 requirement of the General Appropriation Act to provide funds to families with incomes of 30% and below.

Implementation Date: Immediate

Staff Responsible: OCI Director

Chapter 2-B

All Bootstrap Loans Should Be Monitored Prior to Closing

There are three types of loans used in the Bootstrap Loan Program (see text box.) For interim construction and residential construction loans, the program staff are required to make an on-site visit to inspect the houses at 40%, 80% and 100% of completion. When the non-profit owner-builder housing provider uses purchase money loans to fund their Bootstrap houses, the houses may not ever be seen by the border field officers or by any Department staff. The non-profit owner-builder housing providers are instead required to provide an appraisal and an inspection report from a licensed inspector or a certificate of occupancy if the home is located inside the city limits.

Types of Bootstrap Loans

There are three types of loans used in the Bootstrap Loan Program. They are:

- Purchase Money Loans – the proceeds from a purchase money loan are used to finance a dwelling and/or a piece of real property that will be the owner's principal residence within 30 days of closing. A permanent loan is made and the repayment begins immediately.
- Interim Construction – these loans are agreements between the non-profit owner-builder housing provider and the Department. Once the home is built, the loan is finalized between the Department and the owner-builder.
- Residential Construction – these loans are treated as a purchase because they are a one-time closing with the owner-builder. A draw of 90% is made at the start of construction and the final 10% is retained until after completion of the home.

Source: *Texas Bootstrap Loan Program Manual*

In four of 33 files tested (12%) the appraisal document was missing or was for a different address with a similar floor plan. In some instances, one appraisal is used for several homes on the same street if the homes have the same lot size and floor plan. However, the lot size and floor plan were different in this case. Since the non-profit owner-builder housing provider hires their own appraisers and inspectors, there is an increased risk that fraud could occur if there were collusion between the appraiser, the inspector and the non-profit. Although this is not likely, requiring the Bootstrap Loan Program staff to see and document each house at least once during construction would help protect the Department's interest and reduce the risk of fraud. We did not identify any instances of fraud in our review of the Bootstrap Loan Program.

In reviewing 45 open loan files at the border field offices and testing an additional 14 files for closed loans, it was difficult to determine if the border field officers were monitoring these homes because 48 of these 59 loans (81%) were purchase money loans and there was insufficient evidence of monitoring activities documented in the files.

When reviewing the open loan files, it was not always readily apparent when some activity such as a loan approval, a change of address, monitoring visit, or inspection occurred. In addition, we visited a sample of 64 Bootstrap homes in the areas supervised by the three border field offices. We found one property with an old, inhabitable dwelling that was not torn down before the loan closed (prohibited by the program rules), and seven homes where the addresses in the system used to electronically track these loans did not match the location of the actual house.

In some cases, we asked the staff for an explanation of a discrepancy, which then resulted in additional research, or a call to the non-profit to obtain an answer. Documenting events in a log would help ensure that anyone who looked at the file would be able to determine the current status of the loan and easily identify any significant changes to the file.

Recommendations

- Each Bootstrap home funded by the Department should be viewed at least once prior to closing by an employee of the Department and the process should be documented in the loan file.
- Each Bootstrap loan file should contain an activity sheet or chronological log that the staff can use to document significant changes to the file.

Management Response

The Department is required to balance the risk associated with certain practices with the administrative burden and expense of mitigating that risk. The Auditor has noted that "there is an increased risk that fraud could occur if there were collusion between the appraiser, the inspector and the non-profit." Management will look to a mechanism—either homeowner sign-off for final construction and address, staff physical review and/or photographic evidence coordinated with an appraisal to demonstrate finished construction and ensure that the address is accurate.

Management agrees each Bootstrap Loan File should contain an activity sheet or chronological to document significant changes to the file. Standard Operating Procedures will be revised to include this activity sheet.

Implementation Date: November 30, 2008

Staff Responsible: OCI Director

Chapter 2-C

Bootstrap Loans Should More Fully Comply With the Program Rules

We reviewed a total of 19 open and 14 funded loan files for thirty-four different requirements found in statute, the Department's rules or the *Bootstrap Loan Program Manual.* We found that in 6 of the 33 files tested (18%) the loans exceeded 95% of the appraised value of the home, or there was not an appraisal in the file with which to determine the loan-to-value ratio. The 95% loan-to-value ratio is a requirement in the *Bootstrap Loan Program Manual.*

In addition, we noted several instances where loan files indicated that the applicant or homeowner exceeded the debt-to-income ratio allowed by the Texas Administrative Code rules. Allowing applicants to exceed the established debt-to-income ratio increases the risk that they will be unable to make their loan payments and could face foreclosure. As a result of this observation, we reviewed data in the MITAS system used to electronically track loans and found that:

- Of the 367 loans closed and funded for fiscal years 2006 and 2007, 30 (8.2%) exceeded the 50% debt-to-income ratio allowable at that time.
- Of the 97 loans that were still open as of June 2008, five (5.2%) exceeded the 45% debt-to-income ratio currently allowed.

We found that some of the files in our testing population were also missing other documentation, especially for the open loans. However, once a loan is ready to be closed, it undergoes review by several different divisions of the Department and any missing documents are generally obtained.

Recommendations

- Each Bootstrap file should contain the required information such as appraisals, calculations of loan-to-value ratios, and debt-to-income ratios.
- Program rules should be followed relative to the loan-to-value ratios and debt-to-income ratios.

Management Response

Management acknowledges inconsistencies in the Mitas System and implemented standard operating procedures in November 2007 to ensure that accurate data is entered into the Mitas System in a uniform manner.

The 95% loan-to-value ratio is a relatively new directive. It was intended to only be applied to loans originated under the 2008 Texas Bootstrap Loan Program Manual.

The Department did not require appraisal reports until Program Year 2006; at that time a 100% loan-to-value ratio was required. Prior to Program Year 2006 it was the nonprofit organizations' responsibility to ensure sufficient equity.

Management will review and revise its Standard Operating Procedures to more thoroughly document the recommendations in regards to the debt-to-income ratios and loan-to-value ratios.

Implementation Date: November 30, 2008

Staff Responsible: OCI Director

Chapter 3

The Reservation System Has Increased the Use of Bootstrap Funds, But Unspent Funds From Prior Contracts Should be De-obligated

Since September 2007, the reservation system used for the Bootstrap Loan Program has resulted in a more efficient process for distributing Bootstrap loan funds to non-profit owner-builder housing providers. During the first nine months that the reservation system has been utilized, 57% of the available funds have been committed or expended, compared to 33% for the same length of time under the old application process.

The reservation process allows the funds to be encumbered, but only when the non-profit has an owner-builder ready to proceed with the program. This is an improvement over the old application process where thousands of dollars were reserved for up to two years by non-profits, even when they did not have owner-builders ready to proceed. In addition, non-profit owner-builder housing providers that were able to complete their approved number of homes had to wait until the next award cycle before applying for more funds. Under the reservation system, these non-profit owner-builder housing providers can continue assisting up to ten applicants at a time without putting their program on hold. As a result, the implementation of the reservation system has dramatically increased the rate of expenditure for program year 2008 funds, compared to the prior year. (See figure 1)

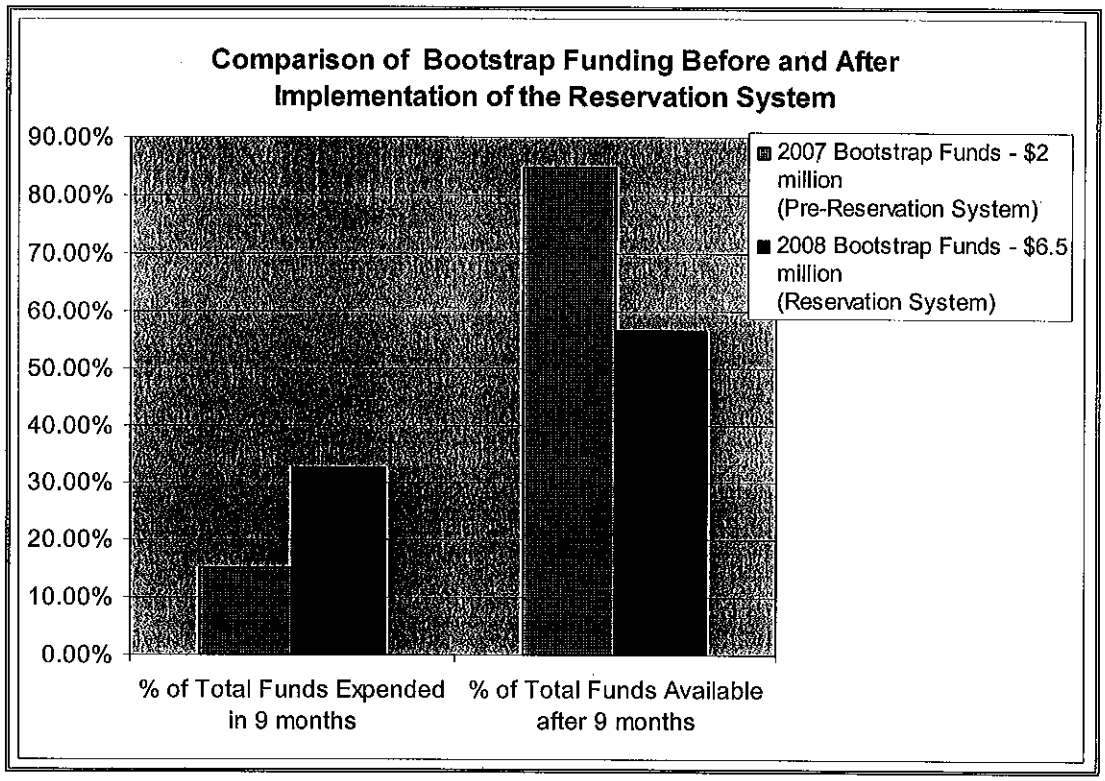

Figure 1

Historically, 25% of all Bootstrap loan funds awarded to non-profit owner-builder housing providers through the application process have been de-obligated due to slow

performance or non-compliance. There is currently more than $500,000 remaining in several contracts from the application process. In March 2008, one non-profit owner-builder housing provider had $53,000 in 2008 Bootstrap funds reserved in the reservation system while maintaining an unused contract balance of $561,000. This amount was de-obligated sometime in June or July 2008. Another non-profit owner-builder housing provider had an unused contract balance of $93,600 as of July 2008, but had already reserved $190,800 in the reservation system by that same date. This problem should not be an issue in the future when all previous contracts expire, and the remaining balances are finally de-obligated.

Recommendation

The remaining unused Bootstrap funds should be de-obligated as soon as the old contracts expire.

Management Response

Management agrees and will continue to monitor all balances to ensure funds are expended or de-obligated in a timely manner. The Reservation System allows nonprofit organizations to reserve funds on a first-come first-serve basis. It rewards nonprofit organizations and owner-builders applicants that are ready to proceed.

Implementation Date: November 30, 2008

Staff Responsible: OCI Director

Chapter 4

Improvements are Needed to Ensure that the Bootstrap Loan Program Consistently Complies with All Rules and Statutes and that Program Documentation is Completely Accurate

The Department administers the Bootstrap Loan Program through a network of self-help centers and non-profit organizations certified as non-profit owner-builder housing providers. The Department has developed requirements that these non-profit organizations must meet in order to be certified. Once an organization is certified, they enter into a loan origination agreement with the Department, and are then allowed to begin certifying owner-builders as eligible for a Bootstrap loan, and to reserve funds to assist the owner-builders in achieving home ownership. The Department does a good job of ensuring non-profit organizations meet the requirements prior to certifying them as a non-profit owner-builder housing provider. However, two issues were identified that need improvement. Non-profit organizations should comply with the requirement for audits and certification of their financial statements, as well as certification of their capacity to administer the program. In addition, an oversight in developing the Department's rules has resulted in a requirement that serves no purpose for the Bootstrap Loan Program.

The Department has developed a comprehensive *Bootstrap Loan Program Manual* detailing how to manage non-profit owner-builder housing providers. The manual is periodically updated to communicate changes in program requirements. In comparing the manual to the program requirements, three rules from the Texas Administrative Code and an additional thirteen requirements outlined in the loan origination agreement are not included in the manual.

Chapter 4-A

The Bootstrap Loan Program Appropriately Certifies Non-Profit Owner-builder Housing Providers, but Improvements Should Be Made to More Closely Comply with Statutes

The Department does a good job of ensuring non-profit organizations meet the requirements to be certified as a non-profit owner-builder housing provider. However, there are some areas where improvements are needed. One requirement of the certification process requires the Department to verify the organizations' capacity to administer the Bootstrap Loan Program. To demonstrate this, the organization must provide an unqualified opinion on its financial statements from a Certified Public Accountant (CPA), or a signed, notarized affidavit from the organization's executive director. In addition, the organization must show that they have administered activities similar to those carried out through the Bootstrap Loan Program, or show at least one year of service to the community which they intend to serve. In two of the ten certification files tested (20%), we found neither an unqualified CPA opinion nor a signed, notarized affidavit regarding the organizations' financial statements. In addition, the organizations were newly formed Habitat for Humanity branches that did not demonstrate the required year of service to the community. It appears the affiliation with the national Habitat for Humanity organization was used to determine their capacity; however, this was not documented in the certification files.

The Texas Administrative Code for the Bootstrap Loan Program (Title 10, Part 1, Chapter 2, §2.17(b)(3)), requires that organizations submit a signed, notarized affidavit from the executive director declaring that the organization is structured as required; however, the required structure is never defined in the Code. As a result, organizations are required to submit an affidavit, but there are no requirements to declare anything in that affidavit. The Department's Community Housing Development Organization (CHDO) rules were used to develop the rules governing the certification of non-profit owner-builder housing providers for the Bootstrap Loan Program, and this section was not eliminated when writing the Department's rules.

Recommendations

The Department should:

- Ensure that organizations applying to be certified as an non-profit owner-builder housing provider submit an unqualified opinion by a CPA or a signed, notarized affidavit from the executive director certifying that the organization's accounting records conform to the standards of financial management systems as required.
- Request changes to the Texas Administrative Code to eliminate the organizational structure requirement, and then amend the certification checklist to eliminate the organizational structure and public comment sections.

Management Response

Management agrees with recommendations and will institute the changes including the amendment to the Texas Administrative Code.

Implementation Date: January 31, 2009

Staff Responsible: OCI Director

Chapter 4-B

Improvements Are Needed to Better Align the Bootstrap Manual with the Texas Administrative Code Rules and the Loan Origination Agreement

The Department has developed a program manual that serves as a comprehensive guide to organizations certified as non-profit owner-building housing providers. The *Bootstrap Loan Program Manual* is periodically updated to communicate changes in the program, including the recent conversion to the reservation system (see Chapter 3.) However, there are three items in the Texas Administrative Code and 13 additional items in the loan origination agreement between the Department and the non-profit owner-builder housing providers that are not covered in the manual. Including all requirements in the manual is important to ensure that the non-profit owner-builder housing providers are informed of the rules and have accurate reference material available to use in managing their programs.

The following rules in the Texas Administrative Code are not found in the manual:

- Non-profit owner-builder housing providers are prohibited by rule from using Bootstrap loan funds to pay delinquent property taxes or related fees or charges on properties. Additional funding (see Chapter 1-B) can be used for these purposes.

- A first year consultation agreement is defined in the rules, but not addressed in the manual. This agreement requires the non-profit owner-builder housing providers to provide counseling and assistance to owner-builders that have missed or made a late mortgage payment within the first twelve months of funding. If the Department is not satisfied with the non-profit owner-builder housing providers' efforts in providing this assistance, graduated sanctions can be levied.

- A conflict of interest provision is defined in the rules, but is not found in the manual. Non-profit owner-builder housing providers are required to ensure that no employee, officer, or agent participates in the selection, award or administration of a subcontract supported by funds provided under this program if a conflict of interest, real or apparent, would be involved.

In addition, there are 13 additional items included in the loan origination agreement that are not covered in the manual. Five items involve standard contract language including: a prohibition against using program funds for political activities, sectarian activities, and to purchase alcohol, a reminder that the Department is subject to open records requests, and a statement informing the non-profit owner-builder housing providers that they must notify the Department if they become the subject of any legal action involving activities associated with the loan origination agreement.

Other missing items involve the direct administration of the Bootstrap Loan Program. These items include:

- The nine instances by which the Department can involuntarily terminate the agreement with the non-profit owner-builder housing providers,
- Language requiring the non-profit owner-builder housing providers to refund any funds that the Department subsequently determines resulted from an overpayment,
- Performance benchmarks and milestones required of the non-profit owner-builder housing providers,
- Requirements of the non-profit owner-builder housing providers in accounting for the program funds,
- Reporting requirements of the non-profit owner-builder housing providers as it relates to the program,
- Requirements for retention and accessibility of records,
- Certification that the non-profit owner-builder housing providers will not employ undocumented workers, and
- Requirements for the non-profit owner-builder housing providers to modify any reservation of funds submitted for a Bootstrap loan.

Recommendation

The Department should ensure that all requirements of the Bootstrap Loan Program are included in the program manual, and continue to periodically update the manual to include any changes in program requirements.

Management Response

Management agrees. Both Program Statutes (Exhibit 1) and Rules (Exhibit 2) are currently part of the Program Manual that is distributed to the nonprofit organizations participating in the Bootstrap Program.

Implementation Date: November 30, 2008

Staff Responsible: OCI Director

Appendix A

Objectives, Scope and Methodology

Objectives

To review the Office of Colonia Initiatives' Bootstrap Loan Program to determine if:

- Controls are in place to ensure owner-builder requirements are met,
- Technical assistance providers are in compliance with all relevant laws, regulations, and guidelines relating to processing applications, and the construction of homes, and are achieving performance statements,
- Draws are adequately supported and approved,
- Desk reviews of subrecipient contracts ensure compliance with applicable laws, regulations, program rules, contract terms, and performance goals,
- The results of monitoring reviews are communicated to subrecipients in a timely manner,
- The reservation system results in an increase in the disbursement of funds, and
- Factors causing delays in the release of funds are identified and resolved.

Scope

The scope of this audit included the processing and monitoring functions of the Office of Colonia Initiatives' Bootstrap Loan Program for program years 2006, 2007 and 2008 to date. We were unable to test the draw processing function as the draws are based on estimated construction cost, and the funds are advanced to the non-profit owner-builder housing provider that manages the construction of the homes. Therefore, no source documentation was available for testing.

Methodology

The methodology consisted of gaining an understanding of the Bootstrap Loan Program and the processes for administering and monitoring the program. We compared state laws, rules and guidance to monitoring processes and the Bootstrap Loan Program's policies. We tested processes, policies and procedures to ensure compliance with state laws and the Department's rules and regulations. We gained an understanding of the processes by conducting staff interviews and reviewing laws, regulations and policies and procedures, as well as reviewing monitoring practices, financial reports, and loan files.

Specifically, we reviewed the following documents:

- *Bootstrap Loan Program Manual* – including forms and exhibits
- Bootstrap Loan Program standard operating procedures
- Housing Trust Fund reports
- Bootstrap Notice of Funding Availability – 2006 to 2008
- Bootstrap Loan Program client files
- Information gathered and maintained in the MITAS system

We used the following documents as criteria:

- United States Government Code, Section 9902
- Texas Government Code, Chapter 2306, Subchapter FF

- Texas Water Code, Chapter 17, Subchapter K
- Texas Administrative Code, Title 10, Part 1, Chapter 2
- Colonia Housing Standards
- Non-profit owner-builder housing provider (NOHP) contract
- Loan origination agreement
- Attorney General Opinion #GA0411 - Economically Disadvantaged Areas
- Legal determinations provided by the Department's general counsel and the Texas Water Development Board

Type of Audit
This audit was a performance audit of the Department's controls over the Bootstrap Loan Program's loan processing and monitoring functions, as well as a review of policies and procedures designed to provide reasonable assurance of compliance with significant laws, regulations and program rules.

Follow-up on Prior Audit Issues
We reviewed the status of all prior audit issues related to the objectives of this audit. These included prior issues from the State Auditor's Office as well as the Internal Audit Division. (See Appendix D)

Report Distribution
Pursuant to the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), this report is being distributed to the:

- Department's Governing Board
- Governor's Office of Budget and Planning
- Legislative Budget Board
- State Auditor's Office
- Sunset Advisory Commission

Project Information
Audit fieldwork was conducted from June 2008 through September 2008. The audit was conducted in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing.

The following staff performed this audit:

Greg Magness, CIA, CGAP, Audit Project Manager
Harriet Fortson, MAcy, CGAP, Audit Project Manager

Appreciation to Staff
We would like to extend our appreciation to executive management and the staff of the Bootstrap Loan Program, as well as the Department's Financial Administration Division, the Texas Homeownership Program and the Legal Division for their cooperation and assistance in conducting this audit.

Appendix B

Background

Texas Bootstrap Loan Program

In 1999, the 76th Legislature passed Senate Bill 1287, which required the creation of an owner-builder loan program. This program, called the Bootstrap Loan Program, is designed to promote and enhance homeownership for very low income Texans. The program provides loan funds to purchase or refinance real property on which to build new residential housing, purchase residential housing, or improve existing residential housing in Texas.

The Bootstrap Loan Program is required by the Texas Government Code to make available at least $3 million each fiscal year for mortgage loans to very low-income families. To be eligible for a Bootstrap loan, families may not exceed 60% of the area median family income, and may not receive more than $30,000 in Bootstrap loan funds. Nonprofit organizations can combine these funds with other sources such as those from private lending institutions, local governments, or other sources. All combined loans can not exceed $60,000 per home.

This program is a self-help construction program, where very low-income families help construct their own home, or provide labor to offset the construction of their home. Families participating in the program are required to provide at least 60% of the labor necessary to construct or rehabilitate their home.

The Texas Government Code requires the Department to set aside at least two-thirds of the available funds for owner-builders whose properties are located in a county eligible for financial assistance under the Economically Distressed Area Program as defined under Subchapter K, Chapter 17, of the Water Code. The remainder of the funding is available to certified nonprofit owner-builder housing providers throughout the state.

Appendix C

Approved Counties That Qualify As Economically Distressed for Purposes of the Water Code and the Bootstrap Loan Program

1. Bee
2. Brewster
3. Cameron
4. Coryell
5. Dimmit
6. Duval
7. Edwards
8. El Paso
9. Frio
10. Grimes
11. Harris
12. Hidalgo
13. Hudspeth
14. Jeff Davis
15. Jim Hogg
16. Jim Wells
17. Kerr
18. Kinney
19. La Salle
20. Liberty
21. Marion
22. Maverick
23. McCulloch
24. Newton
25. Nueces
26. Panola
27. Presidio
28. Real
29. Red River
30. Reeves
31. Sabine
32. San Patricio
33. Starr
34. Terrell
35. Tom Green
36. Uvalde
37. Val Verde
38. Webb
39. Willacy
40. Zapata
41. Zavala

Appendix D

Follow Up on Prior Audit Issues

Internal audit tracks all prior audit issues identified by internal or external auditors, and verifies the status of the findings during subsequent internal audits. There was one prior audit issue for the Bootstrap Loan Program, identified by the State Auditor's Office in their October 2007 report, *Hurricane Recovery Funds Administered by TDHCA and ORCA* (Report # 08-005). This finding was verified as implemented.

Finding:

The Department of Housing and Community Affairs contracted with three non-profit organizations to award hurricane recovery funds through its Bootstrap Loan Program. As of August 14, 2007, only one of those organizations had expended Bootstrap Loan Program funds on home improvements. Specifically, that non-profit organization has expended $79,400 (16 percent) of the $488,800 in total Bootstrap Loan Program funds awarded to the organization and dedicated to hurricane recovery.

Two non-profit organizations had not provided any assistance to homeowners because of issues in staffing and one of these two organizations has had three different executive directors since it contracted with the Department of Housing and Community Affairs to implement the Bootstrap Loan Program in June 2006. Additionally, one of this organization's previous executive directors did not communicate critical information to staff. This resulted in staff committing resources to selecting applicants who they thought were eligible, only to learn later that these individuals were not eligible because they were requesting loan funds from other sources that would exceed the combined $60,000 limit.

Four of eight applications (50 %) that auditors tested for Bootstrap Loan Program eligibility did not include the owner-builder education certificate as required by Title 10, Texas Administrative Code, Section 2.13. Owner-builders that have not been properly trained in homebuilding techniques may decrease the benefits derived from the program, which could lead to safety or compliance issues.

Results of Internal Audit's Follow-up Work:

The remaining funds have been de-obligated for two of the three contracts and the third contract has been extended until September 30, 2008 with a balance of $219,400 remaining. The Department is currently waiting for the final request for remaining administrative funds owed to the Texas Habitat for Humanity, and then a recommendation to de-obligate the remaining funds will be made.

Of the 33 Bootstrap loan files tested during this audit, only one file was found that did not contain documentation that the owner-builder completed a homeownership class.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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December 19, 2008

To: The Governing Board and Audit Committee Members of the Texas Department of Housing and Community Affairs

Re: Internal Audit Report on the Office of Colonia Initiatives' Self-Help Center Program

The Internal Audit Division has completed its audit of the Office of Colonia Initiatives' Self-Help Center Program. This audit was performed to determine if the border field offices ensure that subrecipient requests for reimbursement of expenditures are adequately supported, comply with relevant laws, regulations and policies, and are properly authorized and approved; that desk reviews result in accurate and complete contract files and that quarterly reports are submitted to ORCA as required.

The audit found that the Self-Help Center Program is not requiring adequate support for draws and is not fully in compliance with applicable federal cost principles. We found at least one issue in each of the twelve draws tested that should have prevented the Department from reimbursing the expenditures.

During this audit, the U.S. Department of Housing and Urban Development (HUD) confirmed that the Davis-Bacon Act applies to the self-help center contracts. The Davis-Bacon Act requires the payment of not less than the prevailing wage to workers performing construction work financed in whole or part with funding received under the Housing and Community Development Act of 1974. The Department was not previously following the requirements of the Davis-Bacon Act because of past guidance from HUD that the Davis-Bacon Act did not apply.

In addition, the Department has not designated a certifying officer for environmental clearances for the Self-Help Center Program and does not retain the environmental clearance documentation submitted by the counties.

Management has agreed to implement our audit recommendations in order to improve compliance with federal requirements, and has indicated that changes to the Self-Help Center Program are already underway. We appreciate the courtesy and cooperation of management and staff during the course of this audit.

Sincerely,

Sandra Q. Donoho, MPA, CISA, CIA, CFE
Director of Internal Audit

Encl. (1)

cc: Michael Gerber, Executive Director
Tom Gouris, Acting Deputy Executive Director for Programs
Homero Cabello, Director of the Office of Colonia Initiatives

Executive Summary

The Department contracts with counties to administer the Self-Help Center Program. Draws submitted by counties and reimbursed by the Department are not adequately supported or in compliance with federal cost principles. The Office of Colonia Initiatives (OCI) recently updated its policies and no longer requires counties to submit supporting documentation of expenditures with their draw requests. At least one issue was identified in each of the 12 draws tested that should have prevented the Department from reimbursing the expenditures.

The Self-Help Center Programs and the Border Field Offices

The Department's Office of Colonia Initiatives (OCI) is responsible for administering the Self-Help Center Program. In 1995, the 74th Legislature required the Department to establish self-help centers in Cameron/Willacy, El Paso, Hidalgo, Starr, and Webb counties. Self-help centers in Maverick and Val Verde counties were added later. The Self-Help Center Program is designed to assist individuals and families of low income and very low income to finance, refinance, construct, improve, or maintain a safe, suitable home.

OCI operates three border field offices, located in El Paso, Laredo and Edinburg. The border field officers at these offices are responsible for overseeing administration and providing technical assistance to the counties and the self-help centers.

For additional background information, see Appendix B.

The U.S. Department of Housing and Urban Development (HUD) has confirmed that the Davis-Bacon Act applies to self-help center contracts. The Davis-Bacon Act requires the payment of not less than the prevailing wage to workers performing construction work financed in whole or part with assistance received under the Housing and Community Development Act of 1974. The self-help center contracts are not currently in compliance with the Davis-Bacon Act. Five of the ten contracts reviewed (50%) do not contain the required prevailing wage language in the special conditions section of the contract. However, for the five contracts that did contain the required language, documentation of the prevailing wage rate could not be located in the contract files. In addition, the Department's self-help center contracts do not require the county to ensure that the nonprofit administrators of the self-help centers comply with the Davis-Bacon Act.

The Department is required to designate a certifying officer to approve the environmental clearances submitted by counties prior to the start of construction or rehabilitation of a property, and before costs are incurred. The Department has not designated a certifying officer. As a result, at least one of nine contracts we reviewed had an environmental clearance that was approved by an individual who was not authorized to approve the clearance. In addition, the Department does not retain the environmental clearance documentation submitted by the counties once the clearance is approved.

The Department is also required to review and approve the counties' environmental clearances prior to reimbursing expenditures incurred for the construction or rehabilitation of a home. The Department reimbursed counties for costs incurred

prior to the completion of the environmental clearance. In addition, draws were reimbursed for homes where an environmental clearance was never completed.

Other Key Points

- The Department requires that certain pre-draw requirements are met prior to reimbursing the first draw. A contract tracking sheet is used to ensure the pre-draw requirements are met. However, the pre-draw section of the contract tracking sheet is not consistently completed by staff. Without documenting that the pre-draw requirements were met, the Department could reimburse a county that has not met the requirements.

- The Department uses administrative thresholds in order to limit the expenditure of administrative funds in proportion to other funds for the self-help center contracts. Three of the nine contracts we reviewed (33.3%) exceeded the first or second threshold requirement. Several of the other contracts reviewed had an extremely high rate of administrative expenditures compared to other contract expenditures. The administration thresholds set by the Department were developed by the Office of Rural Community Affairs (ORCA) to fit their large infrastructure projects. Using the administrative thresholds set by ORCA means that 90% of the budgeted administrative funds can be reimbursed to the county after the start of construction on only one home.

- The contracts between the Department and the counties for the Self-Help Center Program identify the special conditions that are required before the Department will release funds. The Department is not in compliance with the special conditions related to public service policies, rehabilitation guidelines, model subdivision rules, documentation of contractors' registration with the Texas Residential Construction Commission, and flood insurance approval. All of the 21 draws we reviewed reimbursed counties for their expenditures even when the counties did not meet the required special conditions.

- Two of three prior audit issues were not implemented.

Summary of Recommendations

- The Department should develop minimum documentation requirements for counties to use when submitting draw requests, and develop a draw checklist to ensure that all draws are supported by the required documentation.

- The Department should ensure that the requirement for compliance with the Davis-Bacon Act is included in all future contracts, maintain documentation in the contract files to support compliance with the Davis-Bacon Act, and require counties to submit the required close-out forms prior to contract close-out.

- The Department should designate a certifying officer for the Self-Help Program's environmental clearances to ensure that only approved staff signs off on

environmental clearances, and retain copies of all environmental clearances after approval.

- The Department should ensure that all environmental clearances are received and documented prior to the start of construction and before expenses are incurred and verify that all required corrective actions were taken prior to the payment of draws.

- The Department should ensure that the contract tracking sheet is completed for each contract, and that all pre-draw requirements are met prior to reimbursing the first draw.

- The Department should develop its own administration thresholds that reflect a reasonable expenditure of funds for the Self-Help Center Program.

- The Department should ensure that all required special conditions are included in the contracts and enforce them prior to reimbursing counties for their expenses.

Summary of Management Responses

Management generally concurs with the findings and appreciates the thorough review of the program. Programmatic changes to address several of the findings are already underway. To the extent steps have not already been taken to mitigate the noted risks, they will be integrated into the programs' procedures.

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Detailed Results

Chapter 1

The Processing and Approval of Draws Should be Based on Appropriate Documentation

The Department awards contracts for a four year period to the counties listed in the Texas Administrative Code (Title 10, Chapter 3, §3.3 (a)) and to other counties as determined by the Department. The contracts awarded to the counties include a budget for the funds and a list of the activities that must be completed during the contract period. The Office of Colonia Initiatives (OCI) recently updated its policies and no longer requires counties to submit supporting documentation for expenditures with their draw request. A sample of 12 draws was tested from nine of the ten current contracts in which draws were reimbursed and supporting documentation was available. Draws submitted by counties and reimbursed by the Department were not adequately supported or in compliance with federal cost principles. At least one issue was identified in each of the 12 draws tested that should have prevented the Department from reimbursing the expenditures. This issue indicates a lack of adequate review of the draw requests and supporting documentation.

Processing Draw Requests

The border field officers review the requests for reimbursement (called draw requests) and the supporting documentation submitted by the counties to ensure the draws are adequately supported and all requirements are met before the counties are reimbursed. The draw requests include expenditures for the portion of county administration related to the Self-Help Center Program, the administration costs of the Self-Help Center Program and the actual program expenditures. The supporting documentation submitted with the draw includes a request for payment, the voucher compliance form and other supporting documentation such as third party invoices, timesheets, cancelled checks and documentation logs.

Once documentation has been approved by the border field officers, the purchase voucher, request for payment, and voucher compliance form are forwarded to the Office of Colonia Initiatives (OCI) in Austin. The OCI staff reviews the forms to ensure they are adequately completed prior to submitting them to the Office of Rural Community Affairs (ORCA) for payment. If a draw is placed on hold by the border field officer for more than fifteen (15) days, the director or manager of OCI is required to sign off on the voucher compliance form before sending it to ORCA for payment.

The Department requires that certain pre-draw requirements are met prior to reimbursing the first draw. A contract tracking sheet is used to ensure the pre-draw requirements are met. However, the pre-draw section of the contract tracking sheet is not consistently completed by staff. Without documenting that the pre-draw requirements were met, the Department could reimburse a county that has not met the requirements.

The Department uses administrative thresholds in order to limit the expenditure of administrative funds in proportion to other funds. Three of the nine contracts we reviewed (33.3%) exceeded the first or second threshold requirement. Several of the other contracts reviewed had an extremely high rate of administrative expenditures compared to other contract expenditures. The administrative thresholds used by the Department were developed by the Office of Rural Community Affairs (ORCA) to fit their large infrastructure projects. Using the administrative thresholds set by ORCA means that 90% of the budgeted administrative funds can be reimbursed to the county after the start of construction on only one home.

Chapter 1-A

Draw Requirements Should Be Established and Met Prior to Approving Payments

Draws submitted by counties and reimbursed by the Department are not adequately supported or in compliance with federal cost principles. Counties must comply with the Office of Management and Budget's (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* and nonprofit self-help centers must comply with OMB Circular A-122, *Cost Principles for Nonprofit Organizations.* At least one issue was identified in each of the 12 draws tested that should have prevented the Department from reimbursing the expenditures. The process for reviewing the draw requests and supporting documentation is not adequate.

The Department has not developed minimum documentation requirements for counties to use when submitting draw requests. The majority of expenditures reimbursed for rehabilitation, public service, reconstruction, and special needs were supported only by employees' timesheets. There was no documentation of the work performed by the employee during the hours charged to the contract activities. Without knowing what the employee was working on it is difficult to ensure that the expenditures are related to the contract and that they do not exceed the established project budget. In addition, some of these timesheets were changed after the employee signed them.

Draws submitted for reimbursement of rehabilitation expenditures are not supported by work write-ups, income eligibility documentation, proof and length of ownership, documentation of property taxes paid prior to assistance, insurance requirements, home inspections, itemized invoices for material and supplies, or details of the work performed.

The following issues were also identified in the draws we reviewed:

- Draw documentation is not consistently date stamped when received by staff. This makes it difficult to determine if these documents were submitted on time.
- Draw hold policies are not followed. Eight of the 12 draws reviewed did not have an email located in the contract file documenting the reasons for the hold.
- Draws are held up to the 15 day mark, then sent back to the county for resubmission but management is not signing off on these draws as required.
- Draw documentation information is not correctly posted to ORCA's ORACLE system which is used to track information on the self-help center contracts.
- Six of the 12 draws tested did not match the information posted in ORACLE.
- Counties and nonprofits were reimbursed for late fees. According to OMB Circulars A-87 and A-122, "costs are reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under circumstances prevailing at the time the decision was made."
- Reimbursements for travel expenses were not in compliance with the State Comptroller's Office rates.
- Vehicle mileage logs did not support the maintenance charges reimbursed.
- Drinking water charges were reimbursed after the self-help center was connected to the public water system.
- Reimbursements were made for phone calls not related to the program.

- Invoices supporting reimbursements were not within the time period covered by the draw (but were within the contract period.)
- A personnel costs calculation form could not be located for each employee.
- A draw for one county had no supporting documentation at all.

Recommendations

The Department should:

- develop minimum documentation requirements for counties to use when submitting draw requests,
- develop a draw checklist to ensure that all draws are supported by the required documentation,
- include a date stamp on all documents received, and
- verify that all information is correctly posted to ORACLE.

Management Response

Management agrees that basic draw requirements should be established and met prior to approving payments. Minimum documentation requirements for counties to use when submitting draw requests have been developed. A table describing acceptable back-up documentation may be found in Chapter 2, Section 2.2, Drawdown Procedures, of the 2007 Texas Community Development Block Grant (TxCDBG) Implementation Manual and in Attachment # 1 to the Colonia Self-Help Center (SHC) Program Standard Operating Procedures (SOPs). However these tables will be reviewed, updated and transformed into a checklist for use during the draw processing.

Implementation Date: January 30, 2009

Staff Responsible: OCI Director

Chapter 1-B

The Department Should Adhere to Pre-Draw Requirements

The Department's policies and procedures document the pre-draw requirements that should be met prior to reimbursement of the first draw. The pre-draw requirements include: an executed contract, a copy of the county's audit or a certification letter from a certified public accountant, an authorized signatories form, a local resolution and a certification of exemption form. The border field officers are required to ensure that all pre-draw documentation is received prior to approving payment of the first draw.

A contract tracking sheet is used to ensure pre-draw requirements are met. However, the pre-draw section of the contract tracking sheet is not consistently completed by staff. Without documenting that the pre-draw requirements were met, the Department could reimburse a county that has not met the requirements. In a review of the nine contracts for which draws were reimbursed, four (44.4%) did not contain a copy of the required certification of exemption form. 24 CFR 58.34 (b) requires the responsible entity to provide a written notice describing the activities the entity considers to be exempt

activities. In addition, 14 draws were reimbursed prior to the receipt of the report of real property acquisition.

Recommendations

The Department should:

- ensure that all pre-draw requirements are met prior to reimbursing the first draw, and
- ensure that the contract tracking sheet is completed for each contract.

Management Response

Management agrees with the recommendation and will revise Section 12 of the SOPs, Monitoring and Oversight, to emphasize management oversight of adherence to SOPs and checklists.

Implementation Date: January 30, 2009

Staff Responsible: OCI Director

Chapter 1-C

Administrative Threshold Requirements Should Be Met

The border field officers are required to review the reimbursements paid to counties to ensure compliance with the administrative thresholds detailed in the Community Development Block Grant Implementation Manual (CDBG Manual). The administrative thresholds set limits on the use of administrative funds in proportion to the use of other funds. For example, the first administrative threshold allows up to 50% of administrative funds to be drawn prior to the start of construction, and the second allows an additional 40% to be drawn after the start of construction but before submission of the close out documents. Three of the nine contracts we reviewed (33.3%) exceeded the first or second threshold requirement. Several of the other contracts reviewed had an extremely high rate of administrative expenditures reimbursed compared to low public service and rehabilitation expenditure rates. The border field officers should not reimburse administrative expenditures incurred by the counties if they will exceed the administrative thresholds.

The administration thresholds used by the Department were developed by ORCA to fit their Community Development Block Grant (CDBG) Program, which consists primarily of large infrastructure projects. The Department's self-help center construction projects are primarily individual homes and public service projects. Using the administrative thresholds set by the ORCA means that 90% of the administrative funds can be reimbursed to the county after the start of construction on only one home.

Recommendation

The Department should develop its own administration thresholds that reflect a reasonable expenditure of funds for the Self-Help Center Program.

Management Response

Management agrees with the recommendation and will develop and incorporate in the Colonia SHC Program Rules administrative thresholds that are both tailored to the program and more complex than the thresholds currently enforced through the TxCDBG Implementation Manual.

Implementation Date: May 31, 2009

Staff Responsible: OCI Director

Chapter 2

The Department Should Comply with the Requirements of the Davis-Bacon Act

The U.S. Department of Housing and Urban Development (HUD) has confirmed that the Davis-Bacon Act applies to self-help center contracts. The Davis-Bacon Act of 1931 requires the payment of not less than the prevailing wage to workers performing construction work financed in whole or part with assistance received under the Housing and Community Development Act of 1974. This act states that CDBG funded contracts for the rehabilitation of residential property consisting of not less than eight units must comply with the Davis-Bacon Act.

The self-help center contracts are not currently in compliance with the Davis-Bacon Act. Five of the ten contracts reviewed do not contain the required prevailing wage language in the special conditions section of the contract. However, for the five contracts that did contain the required language, documentation of the prevailing wage rate could not be located in the contract files. In addition, the Department's self-help center contracts do not require the county to ensure that the nonprofit administrators of the self-help centers comply with the Act. When a contractor is required to comply with the Davis-Bacon Act, they must pay their employees on a weekly basis. In the 12 draws reviewed, there was no documentation to support that the contractors paid their employees weekly.

Due to miscommunication regarding the applicability of the Davis-Bacon Act, the Department has not required the counties to submit some of the required close-out forms prior to closing the contract. The forms that should have been submitted are the Final Wage Compliance Report (Form A), Certificate of Construction Completion (Form A709) and a Start of Construction Notice (Form A706). According to the CDBG Manual, a start of construction notice and a certificate of construction completion are required for each house rehabilitated or reconstructed under the program.

Recommendations

The Department should:

- ensure that the requirement for compliance with the Davis-Bacon Act is included in all future contracts,
- maintain documentation in the contract files to support compliance with the Davis-Bacon Act, and
- require counties to submit the required close out forms prior to contract close out.

Management Response

The Department has three previous determinations from the US Department of Housing and Urban Development (HUD) on the applicability of Davis-Bacon. These earlier determinations reflect that Davis-Bacon is not triggered for an individual residential structure involving less than 8 families. Staff is seeking further written clarification from HUD on the applicability of Davis-Bacon on multiple single family buildings and the Self Help Program design and will, if necessary, modify all existing contracts and add Davis-Bacon compliance as a Special Condition to all contracts to lend the appropriate leverage to require compliance. Currently, only contracts which contain construction

work on public property, such as the construction of a self-help center or the portion of house-to-line water and/or wastewater connections that require access lines on public easements require documentation of compliance with Davis-Bacon. Counties are currently required to submit all required close-out documentation prior to contract close-out or the contract will not be closed and proof of Davis-Bacon compliance will be added if needed.

Implementation Date: January 30, 2009

Staff Responsible: *OCI Director*

Chapter 3

Environmental Clearances Should Be Completed and Approved by Authorized Staff

The Department is required to designate a certifying officer to approve the environmental clearances submitted by the counties prior to the start of construction or rehabilitation of a property, and before costs are incurred. The Department has not designated a certifying officer. As a result, at least one of nine contracts had an environmental clearance that was approved by an individual who was not authorized to approve the clearance. In addition, the Department does not retain the environmental clearance documentation submitted by the counties once the clearance is approved.

Environmental Clearance Process

The National Environmental Protection Act (NEPA) establishes the minimum environmental standards required for activities using federal funds. As a result, the U.S. Department of Housing and Urban Development (HUD) developed its own set of regulations that implement NEPA. All programs receiving HUD funding are required to complete an environmental review to ensure the proposed project does not negatively impact the surrounding environment and the property site is safe for development.

The Department is required by 24 CFR 85 to assume the certifying officer role of HUD and approve the environmental certification and the request for release of funds submitted by units of local government.

The Code of Federal Regulations (24 CFR 58) requires the units of local government participating in the program to act as the responsible entity regarding the environmental clearances. They are required to complete an environmental clearance ensuring compliance with environmental statutes and to maintain all original documentation in an environmental review record.

The Department is required to review and approve the counties' environmental clearances prior to reimbursing expenditures incurred for construction or rehabilitation of a home. In the draws we reviewed, the Department reimbursed counties for costs incurred prior to the completion of the environmental clearance. In addition, draws were approved for homes where an environmental clearance was never completed. Part of the reason for this is that the contract tracking sheet used by the Department is not sufficient to determine if the environmental clearance was approved prior to the reimbursement of draws. In addition, once the environmental clearance is approved, it is not consistently posted to the environmental screen in ORACLE, which is the automated system used jointly by ORCA and the Department to track information on the self-help center contracts.

Chapter 3-A

Only Authorized Staff Should Approve Environmental Clearances

The Department has not designated the certifying officer for the Self-Help Center Program's environmental clearances. Certifying officers for the Department are determined by the Department's executive director and approved by HUD prior to their authorization to approve environmental clearances. Three individuals at the Department have been approved by HUD to sign off on environmental clearances submitted by subrecipients of the Department's other programs. At least one of nine contract files reviewed had an environmental clearance that was approved by an individual who was not authorized to approve the clearance.

In addition, the Department does not retain the environmental clearance documentation submitted by the counties once the clearance has been approved. OCI's policy is to return all documents to the counties once the Department has approved the clearance. However, since the Department is acting on behalf of HUD when certifying the clearance, copies of the documentation used to approve the clearance should be retained by the Department to support these decisions.

Recommendations

The Department should:

- designate a certifying officer for the Self-Help Program's environmental clearances to ensure that only approved staff signs off on environmental clearances, and
- retain copies of all environmental clearances after approval.

Management Response

Managment agrees with the recommendation to designate a certifying officer to perform the review of environmental assessments for Colonia SHC contracts. Management will revise Section 8, Environmental Determination, of the Colonia SHC SOPs to allow for a Department wide SOP to address all environmental issues for all federally-sourced funds administered by the Department in order to ensure uniformity of policy and procedure.

Management also agrees with the recommendation to maintain environmental assessments in the contract file instead of returning all or parts of the assessments to the respective Responsible Entities. The filing procedure, including the recording of site-specific information (if deemed necessary by the Environmental Specialist) will be detailed in the revision of Section 8 of the SOP.

Implementation Date: March 30, 2009

Staff Responsible: Deputy Executive Director for Programs, OCI Director

Chapter 3-B

Environmental Clearances Should Be Completed and Documented Prior to Starting Construction and Paying Draws

The Department is required to review and approve the counties' environmental clearances prior to reimbursing expenditures incurred for construction or rehabilitation of a home. In the draws we reviewed, the Department reimbursed counties for costs incurred prior to completion of the environmental clearance. In addition, draws were approved for homes where an environmental clearance was never completed.

The contract tracking sheet used by the Department is not sufficient to determine if the environmental clearance was approved prior to draws being reimbursed because the sheet only has one box to check if the clearance was approved. The document does not allow the border field officer to indicate if site-specific reviews are needed for the contract or to indicate which units have been cleared. In addition, once the environmental clearance is

approved, it is not consistently posted to the environmental screen in ORACLE, which is the automated system used jointly by ORCA and the Department to track information on the self-help center contracts. The environmental clearance approval is often only found in the contract file in Austin. The border field staff reviews the environmental screen in ORACLE and the contract tracking sheet to determine if the environmental clearance was approved prior to approving a draw for payment.

In one instance, the Department discovered that a county was conducting work without correctly completing an environmental clearance. The Department contacted HUD to determine how to correct the issue. An environmental finding letter was sent to the county detailing the required corrective actions to be completed prior to the reimbursing the costs under the contract. However, the Department reimbursed expenditures after the environmental clearance was obtained but before all the corrective actions detailed in the letter were completed.

Recommendations

The Department should:

- ensure that all environmental clearances are received and documented prior to the start of construction or before expenses are incurred,
- verify that all required corrective actions were taken prior to the payment of draws,
- revise the contract tracking sheet to include information on site-specific clearances, and
- ensure that the environmental clearance information is posted to ORACLE and the contract tracking sheet correctly and on a timely basis.

Management Response

Management acknowledges the importance of ensuring that all environmental requirements are satisfied prior to releasing funds; however, it should be noted that there are several CDBG eligible activities utilized in Colonia SHC contracts that may be environmentally cleared on an area served basis or classified as exempt or categorically excluded and can be reimbursed prior to the clearance date of a full environmental assessment and/or prior to approval of site-specific clearances.

Management agrees that the Contract Tracking Sheet should be revised to include the contract-specific requirements for site-specific environmental assessments and that environmental clearance information should be posted to ORACLE, noted correctly on the contract tracking sheet and done so on a timely basis. A Department wide SOP for the environmental review process will be developed which will include language to clarify a contract's requirements or lack thereof for site-specific clearances. Furthermore, Section 8, Environmental Determination, of the Colonia SHC SOPs and the ORACLE SOP will be revised to ensure that all information regarding environmental clearances are accounted for and documented.

Implementation Date: *March 30, 2009*

Staff Responsible: *Deputy Executive Director for Program, OCI Director*

Chapter 4

The Department Should Comply with All Contract Requirements

The contracts between the Department and the counties for the Self-Help Center Program identify special conditions that must be met before the Department will release funds. The Department is not ensuring compliance with the special conditions in these contracts. All of the 21 draw requests we reviewed reimbursed counties for their expenditures even when the counties did not meet the required special conditions. The total amount reimbursed was $249,589.

If a change to the original contract with a county is required during the contract period, the change is normally handled by a contract modification or a contract amendment. Contract modifications are changes in quantities or beneficiaries of less than 15%. In all three of the modifications we reviewed, there were changes of more than 15% to the quantities or beneficiaries. Amendments are required when the changes significantly alter the scope of the work or the activities can not be completed within the contract period. Extensions of the contract period must be submitted at least thirty days prior to the expiration date of the contract. Two of the four contracts with an approved extension (50%) were not requested at least 30 days prior to the expiration date.

The counties are required to submit close-out reports immediately upon completion of all construction activities identified in the contract or no later than 60 days following the contract termination date, whichever comes first. We reviewed five contracts that were closed-out between June 2007 and June 2008. None of the five close-out reports we reviewed were received within 60 days of the contract termination date.

Chapter 4-A

The Department Should Ensure That Counties Comply with the Special Conditions Outlined in the Contracts

The contracts between the Department and the counties for the Self-Help Center Program identify the special conditions that are required before the Department will release funds. There are standard conditions required in every contract, as well as special conditions that were added to the contracts that received fiscal year 2007 funds. The Department is not in compliance with the special conditions related to public service policies, rehabilitation guidelines, model subdivision rules, documentation of contractors' registration with the Texas Residential Construction Commission, and flood insurance approval.

All of the 21 draw requests we reviewed reimbursed counties for their expenditures even when the counties did not meet the required special conditions:

- $ 203,291 was reimbursed prior to the Department receiving documentation that the counties had approved and were enforcing the model subdivision rules.
- $ 21,930 for public service was reimbursed without approved public service policies, and
- $ 24,368 for rehabilitation was reimbursed without approved rehabilitation assistance guidelines.

It was impossible to determine if all of the contractors that were required to register with Texas Residential Construction Commission were actually registered because the homes

that were constructed or rehabilitated were not added or updated in ORACLE to include the total budget for each unit. In addition, the required special condition for flood insurance was not located in any of the nine contracts reviewed. Finally, the special conditions were not documented in ORACLE.

Recommendations

The Department should:

- ensure that all required special conditions are included in the contracts and enforced prior to reimbursing counties for their expenses, and
- update the ORACLE system to include the special conditions and the total project budget for each home constructed or rehabilitated.

Management Response

Management agrees that all required Special Conditions should be included in the contracts and enforced prior to reimbursing counties for expenditures as applicable to the conditions detailed in the individual Special Conditions. Management will revise Section 12, Monitoring and Oversight, of the Colonia SHC SOPs to emphasize management oversight of compliance with all SOPs and will develop reports and checklists to assist in the process.

Implementation Date: January 30, 2009

Staff Responsible: OCI Director

Chapter 4-B

The Department Should Ensure That All Required Amendments and Modifications Are Complete

If a change to the original contract with a county is required during the contract period, the change is normally handled by a contract modification or a contract amendment. Contract modifications are required for minor changes that do not significantly alter the number of beneficiaries, location, types of activities, scope of work or budget line item totals. Modifications are also used to change the performance statement or the contract budget. According to the CDBG Manual, contract modifications are changes in quantities or beneficiaries of less than 15%. In all three of the modifications we reviewed, there were changes of more than 15% to the quantities or beneficiaries, which requires a contract amendment, not a modification.

The CDBG Manual also states that any changes to private property require a full amendment. Two of the three performances statement modifications we reviewed (66.7%) contained changes to private property but were approved by the Department as a contract modification.

Amendments are required when the changes significantly alter the scope of the work or the activities can not be completed within the contract period. Amendments are developed to change the performance statement, contract budget or extend the period of

the original contract. According to the CDBG Manual, extensions of the contract period must be submitted at least 30 days prior to the expiration date of the contract. Two of the four contracts with an approved extension (50%) were not requested at least 30 days prior to the expiration date.

The CDBG Manual details the documentation that is required for a contract amendment. Each amendment requires the submission of a letter, along with the supporting documents. For a performance statement amendment, the letter requires the county to describe the proposed changes, and the reason(s) for the changes. For budget amendments, the letter requires the county to describe the reason(s) for the transfer of funds and the impact of the changes on the original scope. Amendments that extend the contract period require a letter to detail the extenuating circumstances which led to the need for the extension. However, the required information is not consistently included in the letters. Three of six amendments did not have all of the required information in the associated letters.

A performance statement amendment requires a project map that shows the location of the original and amended project activities, original and amended target areas, and the geographic area covered in the original environmental assessment. None of the three performance statement amendments we reviewed contained the required project map. In addition, a contract management form is required for all amendments and modifications. Five of the nine amendments and modifications we reviewed did not contain the contract management form.

Recommendations

The Department should:

- comply with the requirements for contract amendments and modifications, and
- ensure that all requests for amendments or modifications contain the required documentation.

Management Response

Management understands and appreciates the concerns of the audit in this area of the program and welcomes the more formalized amendment procedure to document and justify contractual change as opposed to that of a modification. Management will revise its program rules and develop checklists to ensure that contract changes include all required documentation.

Implementation Date: May 30, 2009

Staff Responsible: OCI Director

Chapter 4-C

All Contract Close-Out Reports Should Comply with the Reporting Requirements

The counties are required to submit close-out reports immediately upon completion of all construction activities identified in the contract or no later than 60 days following the contract termination date, whichever comes first. We reviewed five contracts that were closed-out between June 2007 and June 2008. The close-out reports are not consistently date stamped by staff. This makes it difficult to determine if the reports were submitted on time. However, we determined that none of the five close-out reports were received within 60 days of the contract termination date by reviewing the close-out report or the information posted to the ORACLE system. The following issues were also noted in our review of the close-out process:

- According to the Department's standard operating procedures, "the border field officers are required to review the close-out documentation to ensure all applicable questions on the close-out documentation are answered completely and to identify any potential problems in the closure of the contract." However, there is not a standard review sheet to ensure that the review is performed consistently between the three border field offices.

- Two of the three close-out reports did not match the total beneficiaries documented in the contract.

- One of the three close-out reports did not match the total quantities documented in the contract. The close-out report was received by OCI staff in August 2007, but these problems were not identified until ORCA completed a monitoring visit in March 2008.

- The CDBG Manual requires the counties to document the costs of the fair housing activity performed. No documentation was located in any of the three close-out reports that indicated the costs of these activities.

- During the close-out process, staff is required to update the ORACLE system with the dates the individual reports are received and to enter information from the reports in the performance screen used for the HUD performance measure reporting requirements. There was no information posted to the system for any of the five contracts we reviewed.

- The contractor and professional service providers are not posted to ORACLE. Without the contractors or the providers posted to the system it makes it difficult to determine if the border field officers are reviewing to ensure all the contractors that met the minority business enterprise requirements are documented in the minority business enterprise close-out report.

Recommendations

The Department should:

- date stamp all close-out reports and ensure that the required reports are received within the 60 day limit,
- develop a standard review sheet to ensure consistency in the review of close-out documentation,
- ensure that all required close-out documents are received, and
- verify that all close-out, contractor and provider information is posted to ORACLE.

Management Response

Management agrees with the recommendations. A standard review sheet for close-out documents and a checklist for close-out review procedures will be created. The measures will be included as attachments to Section 15, Colonia SHC Contract Close-out Procedure, and will be utilized starting with the next submission of close-out documents.

Implementation Date: January 30, 2009

Staff Responsible: OCI Director

Chapter 5

The Department Should Ensure That Counties Comply with All Reporting Requirements

Counties are required to submit quarterly progress reports to the Department by the 20th day of the month following the end of each quarter. The border field officers review the reports to ensure they are received on time, completed correctly and that the information in the report is accurate. However, there is no standard review document used to ensure that all requirements are met by the counties and that the review is consistent between border field offices.

According to the CDBG Manual, contracts are out of compliance for late or incomplete quarterly progress reports and remain out of compliance until all issues are satisfactorily resolved. The quarterly reports are not consistently date stamped to document when they are received. Quarterly reports are often resubmitted multiple times, making it difficult to ensure that draws are not reimbursed if the contracts are out of compliance for late or incomplete quarterly reports.

The Department added a special condition to the contracts for two counties requiring them to submit monthly progress reports to document the progress made towards meeting the contract performance statement by the end of the contract period. However, we could not locate any monthly reports for either of the contracts.

The border field officer is required to review the contract to ensure the counties are complying with the expenditure thresholds established by the Texas Administrative Code (10 TAC §3.14). The code requires that 6-month, 18-month, 30-month, 42-month and 50-month milestones are met. We reviewed eight contracts that were required to meet the expenditure thresholds. Four of the eight contracts reviewed (50%) did not meet the expenditure thresholds. In addition, the Department is not keeping track of the progress of each of the contracts to determine if the expenditure thresholds are met. If the threshold requirements are not met, there is a risk that the contracts would not be fulfilled, and the Department could end up de-obligating self-help center funds.

The Department's standard operating procedures state that a letter should be sent to a county if the border field officer determines that the county is not on track to meet the next applicable milestone, or if the county has not met its current milestones. When a border field officer determines that a county has not met a milestone, an email should be sent to OCI management to inform them of the violation. The border field officers and management then determine what actions to take. Pre-milestone and milestones letters are not consistently sent to the counties or documented on the contract tracking sheet. In all four contracts that did not meet thresholds, there was no documentation that indicated management was informed of the violation.

Recommendations

The Department should:

- develop a standard review sheet to ensure quarterly report requirements and expenditure thresholds are met,

- track the progress of each of the contracts to determine if the expenditure thresholds are met,
- enforce the special condition requiring monthly progress reports, and
- ensure that pre-milestone and milestone letters are sent to the counties and documented on the contract tracking sheet as required.

Management Response

The Department agrees with the recommendation to develop a report to allow management to verify the status of each contract with regards to quarterly reporting requirements, expenditure thresholds, pre-milestone and threshold/milestone letters. A contract tracking sheet has already been developed to track submission of quarterly reports, quarterly review letters (if necessary), thresholds, and pre-milestone letters – this tracking sheet will be revised to ensure that it is as comprehensive as it needs to be. Management will also revise Section 12 of the SOPs, Monitoring and Oversight, to emphasize management oversight of adherence to SOPs and checklists by all staff. Management agrees with the need to provide oversight to ensure that monthly reporting requirements are met for the duration of a suspension. Management will develop and implement a tracking system to ensure timely receipt of monthly reports.

Implementation Date: January 30, 2009

Staff Responsible: OCI Director

Appendix A

Objectives, Scope and Methodology

Objectives

To review the border field staff monitoring process for all Office of Colonia Initiatives programs to ensure that:

- draw processing policies and procedures provide reasonable assurance that subrecipient draw requests for reimbursement of expenditures are:
  - adequately supported
  - comply with relevant laws, regulations, policies, and contract provisions
  - properly authorized/approved
- desk review procedures result in accurate and complete contract files and compliance with federal cost principles, and
- quarterly reports are submitted to the Office of Rural and Community Affairs as required.

Scope

The scope of this audit included the draw processing and desk review procedures performed by the border field staff for the self-help centers for program years 2007 and 2008 to date. When the audit was approved by the governing board there were three programs administered by the Office of Colonia Initiatives, however since then the contract for deed program was transferred to the HOME division. Bootstrap procedures performed by the border field staff were not reviewed in this audit because a separate audit of the Bootstrap program was performed. This audit only contains the border field program procedures for the Self-Help Center Program.

Methodology

The methodology consisted of gaining an understanding of the self-help centers and the border field staffs' processes for administering and monitoring these programs. We compared federal and state laws, rules and guidance to the self-help center's administrative and monitoring policies. We tested draws, desk review procedures and quarterly reports to ensure compliance with federal and state rules and regulations and the Department's rules. We gained an understanding of the processes by conducting staff interviews and reviewing laws, regulations and policies and procedures, as well as reviewing contract files and supporting documentation for draws.

Specifically, we reviewed the following documents:

- TDHCA Colonia Action Plan
- Self-Help Center Program standard operating procedures
- Self-help center county contracts
- Modifications and amendments
- Self-help center contract files
- Contract tracking sheet
- Supporting draw documentation
- Quarterly reports submitted by counties

- Close-out reports
- Environmental clearance documentation

We used the following documents as criteria:

- 42 USC 5301
- 42 USC 9902 – Eligible Entity
- 24 CFR 570
- 10 Texas Administrative Code §3.1 - §3.18 – self-help center rules
- 10 Administrative Code §255
- Texas Water Code 17 – economically distressed areas
- Texas Government Code 2306, Subchapter Z - self-help center
- 2006-2007 TDHCA and ORCA memorandum of understanding
- 2007-2009 TDHCA and ORCA memorandum of understanding
- Office of Rural Community Affairs' (ORCA) Texas Community Development Block Grant Program (CDBG) 2008 Action Plan
- ORCA's 2007 CDBG Implementation Manual

Type of Audit

This audit was a performance audit of the Department's controls over the draw processing and desk review functions at the border field offices, as well as a review of policies and procedures designed to provide reasonable assurance of compliance with significant laws, regulations and program rules.

Follow-up on Prior Audit Issues

We reviewed the status of all prior audit issues related to the objectives of this audit. These included prior issues from the FY 2006 internal audit report on OCI's subrecipient monitoring and draw processing functions for the Self-Help Center Program. (See Appendix C for the current status of these issues.)

Report Distribution

Pursuant to the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), this report is being distributed to the:

- Department's governing board
- Governor's Office of Budget and Planning
- Legislative Budget Board
- State Auditor's Office
- Sunset Advisory Commission

Project Information

Audit fieldwork was conducted from July 2008 through October 2008. The audit was conducted in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing.

The following staff performed this audit:
Colleen Bauer, Auditor

Appreciation to Management and Staff

We wish to express our appreciation to management and staff for their courtesy and cooperation during the course of the audit.

Appendix B

Background

The Self-Help Center Program

In 1995, the 74th Legislature passed Senate Bill 1509 which required the Department to establish self-help centers in Cameron/Willacy, El Paso, Hidalgo, Starr, and Webb counties. In addition, the Department is authorized to establish self-help centers in other counties that are designated as economically distressed areas if the Department determines they are necessary and appropriate. Since the creation of the program, the Department has also established self-help centers in Maverick County and Val Verde County. The Self-Help Center Program is designed to assist individuals and families of low income and very low income to finance, refinance, construct, improve, or maintain a safe, suitable home in the colonias' designated service area or another area the Department has determined is suitable.

In fiscal year 2008, the Office of Rural Community Affairs (ORCA), which is the state recipient of Community Development Block Grant (CDBG) funds, received $71,779,088 in CDBG funds from the U.S Department of Housing and Urban Development (HUD). Of this amount, 2.5% ($1,794,477.20) is set-aside for the Colonia Self-Help Center Program. These funds are transferred from ORCA to the Department for the administration of the border field offices and the colonia self-help centers. A Memorandum of Understanding between the Department and ORCA formalizes this process. The Department may use the colonia set-aside funds for the operation and activities of the self help centers, reimbursement to the Colonia Residents Advisory Committee members for their travel expenses and funding for water and sewer connections.

The Department contracts with units of local government (counties), which in turn subcontract with nonprofit organizations, community action agencies or housing authorities to administer the Self-Help Center Program in their area. The Department allocates no more than $1.2 million in funds to each county contract. The counties oversee program administration and ensure accountability of the nonprofit providers. The Department designates a geographic area to receive the services provided by each self-help center based on the proposals submitted by the counties. Each service area contains five colonias identified as target areas that require concentrated attention from the self-help center.

The Department has established three border field offices to oversee administration and provide technical assistance to the counties and the self-help centers. The border field offices are located in El Paso, Laredo, and Edinburg. The border field officers in each field office are responsible for reviewing and approving draw requests, performing reviews on amendments and modification requests, and reviewing the close-out reports and quarterly reports submitted by the counties.

Appendix C

Status of Prior Audit Issues

We performed follow-up work on three prior audit issues. Of these issues, only one issue (33.3%) was implemented and will be closed. Two issues (66.7%) were not implemented and will remain open. The status of these prior audit issues are listed below.

Issue #	Prior Audit Issue	Source	Date of Report	Current Status
414	The Department should develop detailed minimum documentation standards required of the subrecipients in their submission of draw requests for reimbursement of expenditures. OCI should also develop formal policies and procedures for the processing of draw requests. The standard operating procedure should include or refer to a checklist or other tool designed to ensure compliance with the Federal cost principles and completeness of processing draw requests, as well as quality control procedures sufficient to provide reasonable assurance that staff is processing draw requests accurately and as intended by management.	Internal Audit Report #1010.2 OCI Draw processing and Subrecipient Monitoring Function for the Self-Help Center Program	6/2/06	**Not Implemented** – The Department has not developed detailed minimum documentation standards for draw processing. OCI has not developed quality control procedures to provide reasonable assurance staff is processing draw requests accurately and as intended by management.
415	OCI should develop policies and procedures for conducting desk reviews. The standard operating procedure should include or refer to standards for performance measurement and acceptable/unacceptable performance by which the border field officers can assess	Internal Audit Report #1010.2 OCI Draw processing and Subrecipient Monitoring Function for	6/2/06	**Implemented** – OCI has developed procedures for the border field staff to use in performing desk reviews. OCI reviews the contract for

Issue #	Prior Audit Issue	Source	Date of Report	Current Status
	subrecipient performance. The standard operating procedure should include documentation standards that require the border field officers to make record of desk reviews conducted and of the related results and conclusions. Documentation should be required in instances where it is necessary to contact the subrecipient to provide technical assistance or where corrective action is required. Any follow-up on unsatisfactory performance or on the status of required corrective actions should also be documented.	the Self-Help Center Program		expenditure thresholds as established in the self-help center rules in 2007. OCI has also created a project implementation schedule that is attached to the current contracts and used to measure subrecipients' performance.
416	OCI should require subrecipients to submit financial and performance information at a detailed project activity level in addition to the summarized contract activity level. Staff should routinely compile the information from each contract in a single information system and report the information in a manner and timeframe that will allow management and others responsible for oversight to assess the overall success in achieving the program's goals and objectives.	Internal Audit Report #1010.2 OCI Draw processing and Subrecipient Monitoring Function for the Self-Help Center Program	6/2/06	**Not Implemented** – OCI is not requiring subrecipients to submit financial information at a detailed project activity level. Information at the project activity level is not routinely compiled into a single information system and reported in a manner that allows management and others to assess the overall success of the program.

Internal Audit Division

BOARD ACTION REQUEST

February 5, 2009

Action Items

Presentation and discussion of the status of prior audit issues.

Required Action

None, information item only.

Background

Audit standards require auditors to follow-up on the implementation status of their audit recommendations. Internal audit maintains a data base of prior audit issues that is used to track the findings and recommendations from both internal audits and external audits.

Of the 81 current prior audit issues:

- 66 issues were reported as "pending" or "action delayed". We will verify and close these issues when they are reported as "implemented."
- 15 issues have been reported by management as "implemented" and are reflected on the attached list. We will verify and close these issues as time allows.

Of the additional 457 prior audit issues from previous years, 418 were independently verified and closed by internal audit and we are waiting on supplemental information for 26 issues. The additional 13 issues are manufactured housing issues. Seven (7) of the 418 issues were found to be "not implemented" and were re-opened as new findings. The 74 remaining current prior audit issues are the result of audit reports released since the beginning of fiscal year 2008.

Recommendation

No action is required.

Texas Department of Housing and Community Affairs - Summary Report of Prior Audit Issues

(except those prior audit issues previously reported as implemented or otherwise resolved)

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
147	12/10/99 KPMG / MM&Co	Ltr. on Internal Control & Acct'g. Procedures - 8/31/99 Annual independent audit of Department's general purpose financial statements for FY 1999.	Ix Px	08/31/00 12/19/08	

Division: Financial Administration - Financial Services

Issue: Require at least two persons, having no access to cash receipts or accounts receivable records, open the mail and list the receipts simultaneously. Both persons should sign off the cash receipt log-in control sheet. Also, restrictions should be placed on access to drawer keys used for control of cash receipts.

We recommend that the Department require at least two persons, having no access to cash receipts or accounts receivable records, open the mail and list the receipts simultaneously. Both persons should sign off the cash receipt log-in control sheet. Also, restrictions should be placed on access to drawer keys used for control of cash receipts.

Status: 12/19/08 - After review of the Standard operating procedures provided to internal audit, it was determine the audit issue was not cleared. The Standard operating procedures are lacking statements about :

- the two persons that open the mail, having no access to cash receipts or accounts receivable records
- the two person opening the mail are required to list the receipts simultaneously.
- both persons should sign off the cash receipt log-in control sheet
- what restrictions are placed on access to drawer keys used for control of cash receipts

Reported to the Board as implemented at 10/00 Audit Committee meeting.

08/31/00 - The Department has implemented enhanced procedures to ensure sound internal controls. The enhancements include a mainframe cash receipts system, a dual individual log-in process, and a segregated process for the recording of cash receipts/accounts receivable.

12/10/99 - The Department will work with Internal Audit to develop and implement better controls over cash receipts as they are initially received in the mailroom to address the concerns raised by this comment. We have begun work on reviewing the current process and on developing enhancements to controls. The department expects to have this implemented by April 14, 2000.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
221	12/06/00 KPMG / Mendoza	Ltr. on Int. Cont'l. & Acct'g. Procedures - 8/31/00 Annual independent audit of Department's general purpose financial statements for FY 1999.	Ix Px	08/08/01 01/05/09	

Division: Financial Administration- Budget/Travel and Payroll

Issue: Implement procedures to insure compliance with OMB Circular A-87, Cost Principles for State and Local Governments, by (1) insuring that staff working on multiple programs maintain time sheets based on their actual time worked for each program and (2) developing an overhead cost allocation plan to insure that expenditures charged or allocated to the HOME program are allowable and adequately supported.

Status: 01/05/09 - From review of the supporting documents provided to Internal Audit it was determined that the audit issue is still in process because there is no indication of developing an overhead cost allocation plan to insure that expenditures charged or allocated to the HOME program are allowable and adequately supported.

9/10/01 - Reported to Board as implemented, per management, at 8/21/01 Audit Committee meeting.

12/06/00 - The Department has established a policy for staff who work on multiple programs, which requires that they keep timesheets that reflect actual time worked by individual federal program. Those timesheets are then summarized and adjustments to payroll entries are made on a quarterly basis to reflect a proper charge to the proper program. The Department will develop as part of its budget process an overhead cost allocation plan. This plan will ensure that all non-payroll costs allocated to the HOME program are allowable and adequately supported. The Department has worked diligently with HUD staff to resolve the audit findings and the process is near a conclusion.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
266	01/07/02 IA	Controls Over Single Family Loans; Report No. 1.05 Controls over single family loans serviced by the Department.	Px Px Px Px Px Px Px Ix Px	04/22/02 07/22/02 11/05/02 01/28/03 03/28/03 05/06/03 09/22/03 11/21/03 12/19/08	07/01/02 11/01/02 02/01/03 06/01/03 06/01/03 06/01/03 10/03/03

Division: Financial Administration - Loan Servicing

Issue: The Department should develop and implement formal policies and procedures for the periodic review of delinquent program loans, related collection efforts and specific criterion to be met for writing-off loan balances.

Status: 12/19/08 - After review of the Standard operating procedures provided to internal audit, it was determine the audit issue was not cleared. Write-off procedures have not been developed.

11/21/03 - All involved divisions are now following the approved Standard Operating Procedure for the Single Family Special Loan Portfolio.

09/22/03 - Loan Servicing has trained Asset Management staff on utilization of the MITAS servicing system to generate delinquency reports and loan level detail of delinquent loans. Loan Servicing continues to coordinate efforts with OCI staff to work with delinquent Single Family Special Loan Portfolio Borrowers. Draft policies have been completed and will be finalized with OCI and Single Family Production by October 3, 2003.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
414	08/31/06 IA	OCI Draw processing and Subrecipient Monitoring Function for SHC Consideration of the OCI Self-Help Center program's subrecipient monitoring and draw processing functions from January 2005 to June 2006	Px Px Ix Px Px	08/31/06 11/22/06 02/22/07 12/16/08 01/21/09	01/31/07 01/31/07 02/28/09

Division: Office of Colonia Initiatives

Issue: Formalize Strategies to Ensure Compliance with Federal Cost Principles
In instances, OCI accepted documentation as reasonable to support reimbursement of expenditures that does not necessarily ensure compliance with applicable Federal cost principles. Additonally, OCI does not have formal policies and procedures for processing draw requests and there is no evidence of a quality assurance review by someone other than the Border Field Officer (BFO) approving the support for reimbursement.

The Department should fully develop its on-site monitoring function to ensure that the monitoring activities, in the aggregate, provide reasonable assurance that subrecipients comply with Federal cost principles. In instances where the Department's draw documentation standards are less than ensuring compliance with the Federal costs principles, other monitoring strategies should be in place to ensure compliance.

We recommend the Department develop detailed minimum documentation standards required of the subrecipients in their submission of draw requests for reimbursement of expenditures.

We also recommend that OCI develop formal policies and procedures for the processing of draw requests in accordance with the Department's Standard Operating Procedure 1100.01, Standard Operating Procedure (SOP) System. The SOP should include or refer to a checklist or other tool designed to ensure compliance with the Federal cost principles and completeness of processing draw requests, as well as quality control procedures sufficient to provide reasonable assurance that staff is processing draw requests accurately and as intended by management.

Status: 01/21/09 - Currently revising SOP and tables into checklists for draw processing. Also creating compliance checklist to ensure quality controls are built into the normal and recurring operating activities. This will ensure consistency by comparing the written standard operating procedures required to what actions are actually being performed by the OCI staff. This will allow for reviews of other's work and to reduce the risk of error or inappropriate actions. SOP is also being updated to reflect the OCI Director's quarterly review of all contract tracking sheets and compliance checklist.

12/16/08 - During the Internal Audit report on Border Field program #08-1026 it was determined that the issue was not resolved and would be reopened.

05/10/07 - Reported to Board as Implemented per Management.

02/22/07 - OCI has developed Colonia SHC SOPs to formalize draw processing functions in order to ensure compliance with federal cost principles. A checklist has also been developed as a supplement to the SOPs to ensure that contract files are complete and that draw requests are fully supported.

Furthermore, OCI developed Colonia SHC SOPs to incorporate the on-site monitoring functions of PMC and created oversight procedures and safeguards for OCI staff to ensure that SHC goals and objectives are achieved and that subrecipients comply with all applicable regulations.

11/22/06 - In October 2006, OCI created draft standard operating procedures (SOPs) to include, but not limited to, the procedures of reviewing, approving, holding, returning and tracking a draw down, in accordance with the Department's SOP's system. One of the SOPs includes a checklist designed to ensure compliance with the Federal cost principles and completeness of processing draw requests, as well as quality control procedures sufficient to provide reasonable assurance that staff is processing draw request accurately and as intended by management. Finalization of the SOP for processing draw requests and the related checklist that will be included in each contract file is planned for January 2007.

08/31/06 - OCI will assess its options relating to on-site monitoring of its subrecipients. SOPs will be developed to formalize the procedure of reviewing and approving draw requests. OCI will also develop a more sophisticated and thorough checklist to be utilized during the review of draw requests that will be included in each contract file. The checklist will assist OCI to ensure that all federal, state and programmatic requirements are met in a timely manner. Special attention will be paid to the CDBG Monitoring Checklists included in the Program Implementation Manual to ensure that OCI contract administration is working in concert with what ORCA is monitoring. The SOPs will be specific to the OCI framework; however,

they will be critically compared with ORCA's contract management SOPs and the CDBG Implementation Manual to ensure consistency.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
416	08/31/06 IA	OCI Draw processing and Subrecipient Monitoring Function for SHC Consideration of the OCI Self-Help Center program's subrecipient monitoring and draw processing functions from January 2005 to June 2006	Px Px Px Ix Px Px	08/31/06 11/22/06 01/08/07 02/22/07 12/16/08 01/21/09	01/31/07 01/31/07 01/31/07 02/28/09

Division: Office of Colonia Initiatives

Issue: Enhance Information Systems and Performance Management - Although the Border Field Officers (BFOs) state that they receive and review quarterly reports that provide financial and performance information relevant to achieving specific contract goals and objectives at the contract activity level, these reports are not received and analyzed for specific projects at the detailed project activity level. Additionally, the financial and performance information reviewed by the BFOs is not summarized in a manner and timeframe that will allow management to assess overall success in achieving the program's goals and objectives. While financial information is summarized on a quarterly basis for reporting to Office of Rural Community Affairs (ORCA), the related performance information is summarized and reported to ORCA only upon completion of the contracts.

We recommend Office of Colonia Intiatives (OCI) require subrecipients to submit financial and performance information at a detailed project activity level in addition to the summarized contract activity level. We recommend that BFOs continue to analyze the information and assess whether the achievement of contract performance statements is progressing at an acceptable level. We also recommend staff routinely compile the information from each contract in a single information system and report the information in a manner and timeframe that will allow management and others responsible for oversight to assess the overall success in achieving the program's goals and objectives.

Status: 01/21/09 - SOPs and contract tracking sheets are currently being revised.

12/16/08 - During the Internal Audit report on Border Field program #08-1026 it was determined that the issue was not resolved and would be reopened.

05/10/07 - Reported to Board as Implemented per Management.

2/22/07 - OCI has developed the Housing Project Activities Report in order to be able to track the housing activities of Colonia SHC contracts at a project activities level. This report was sent out to all participating counties with a cover letter explaining the need for the report and instructions to fill out the report. The Quarterly Progress Report SOP dictates that this report will be submitted with the standard Quarterly Progress Report and analyzed to ensure that a contract is meeting performance standards.

01/08/07 - Letters will be provided to all counties instructing them to provide management reports detailing information at the project activity level.

11/22/06 - In July 2006, OCI obtained access rights to ORCA's ORACLE database system for the purpose of inputting and gathering important information relating to the Colonia SHC Program. In August 2006, OCI staff received training on the ORACLE database to track contract progress and management. In September 2006, OCI staff created a reference sheet to utilize for the various screens in the ORACLE database when populating information to the various screens.

In October 2006, OCI created draft SOPs to include, but not limited to, inputting information into the ORACLE database and the Quarterly Reports review process that includes OCI staff comments on Quarterly Reports for management review. Finalization of the SOP for Quarterly Reports is planned for January 2007. Additionally, OCI published in the Texas Register draft Colonia SHC Draft Program Rules (10 Texas Administrative Code, Chapter 3). The Rules include, but are not limited to, milestones and performance targets, formalizing procedures for monitoring achievement of the milestones and performance targets, and holding Contractors accountable for achieving them by identifying and applying appropriate graduated sanctions leading up to, but not limited to, deobligation of funds and future debarment from participation in the program. The Rules are an additional tool put in place by the OCI to allow the Department to enforce program measures and performance for the Colonia SHC Contractors.

08/31/06 - The OCI shall continue to analyze the information received from its subrecipients and assess whether the achievement of contract performance statements is progressing at an acceptable level by:

- continuing to collect data for reporting purposes in an agreed format sufficient to complete the CDBG Annual Performance Evaluation Report and

for the purposes of drawing funds under the IDIS system. The OCI will fully utilize ORCA's CDBG Contract Management Software (ORACLE) to document all activities under this program,

- requiring the Counties/Colonia SHC to submit program information at the detailed project activity level in addition to the summary information collected at the contract level, and
- clearly defining project milestone and performance targets, formalizing procedures for monitoring achievement of the milestones and performance targets, and holding subrecipients accountable for achieving them by identifying and applying appropriate graduated sanctions leading up to, but not limited to, deobligation of funds and future debarment from participation in the program.

In August 2006, the OCI staff attended a training session on the CDBG Contract Management System (ORACLE) and requested full access to the various screens needed to document the progress of the contracts. OCI will work with ORCA to assess how summary information reports can best be developed for the purposes of allowing management and others responsible for oversight to assess the overall success in achieving the program's goals and objectives.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
427	12/20/06 IA	Energy Assistance Weatherization Assistance Program Subrecipient Monitoring Consideration of EA Weatherization Assistance program's subrecipient monitoring functions from April 2005 to March 2006	Px Px Px Px Dx DX Dx	12/20/06 03/02/07 04/23/07 06/26/07 08/02/07 04/22/08 12/01/08	05/30/07 05/30/07 05/30/07 07/30/07 11/01/07

Division: Community Affairs - Energy Assistance

Issue: Section 6
Assess and Satisfy Information Needs

The management information system is adequate to track most of the significant milestones . However, data fields have not been created to capture significant milestones relating to the delivery of the monitoring letter to the subrecipient's governing board chair and the subrecipient's response to the monitoring follow-up letter.

A text/memo field called Notes in the Monitoring Tracking System is used to capture the results of monitoring activities such as findings or conditions noted, required corrective actions, concerns and comments; however, the information recorded in the Notes field is unclear, not consistently posted, and, in instances, incomplete.

Management should assess its information needs to ensure they are being adequately satisfied and strategies, including computer and non-computer solutions, should be developed for capturing necessary data to operate effectively.

Status: 12/01/08 - The Energy Assistance Section and the Information Systems staff have implemented a Monitoring Tracking System on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements.

04/22/08 - Information Systems Division resources are currently allocated to projects assessed as higher priorities to the Department. Because of the focus on the Community Affairs Contract System project, deployment of the CDBG components of the Housing Contract System, and other high priority projects, an upgrade of the EA Monitoring Tracking System has not been presented to the Information System Steering Committee to be established as a new project. EA and ISD will submit an IS Project Request to the Steering in Committee for approval at its next meeting. The IS Project Request form will include estimates in technical and business team hours for development, testing, and deployment

08/02/07 - The Energy Assistance Section and the Information Systems staff have a tracking system on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements that includes reports and increased narrative field size.

06/26/07 - Status comment same as 03/02/07.

04/23/07 - Status comment same as 03/02/07.

03/02/07 - The Energy Assistance Section and the Information Systems staff have implemented a tracking system on the TDHCA intranet. As currently designed, the system captures the pertinent dates, milestone dates, funding amounts, and provides a notes field for narrative text. EA staff will analyze this system for possible improvements.

12/20/06 - During the planning of the Contract System being developed by the IS Division, the EA Section identified the daily operational needs of the Section. The Contract System will help the Section gather information needed to comprehensively monitor the subrecipients and make effective management decisions. The updated monitoring tracking system will assist management by providing information, documenting results, and summarizing desk and field monitoring reviews.

The EA Section will coordinate with IS to update the Intranet monitoring tracking system to incorporate text fields to capture findings and the events that occur up to, and including resolution of, the findings. Upon coordination with IS staff, the updated system will be implemented after completion of the 2006 monitoring visits. In the interim, EA is using an Excel monitoring tracking system to track this information.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
441	05/01/07 IA	CDBG Disaster- Control Design over Project Set-up and Draw Processing Functions Consideration of the control framework related to eligiblity, project set-up and draw processing functions from December 2006 to March 2007.	Px Ix Ix Px Px	05/01/07 06/25/07 09/13/07 05/30/08 01/23/09	06/15/07 02/28/09

Division: CDBG

Issue: Section 3-A
Formalize Draw Processing Policies and Procedures

It was noted that the checklists do not require a review to provide the following assurances:
- The signature of the COG's authorized official on the Request for Payment form is in agreement with the authorized official's signature on the Contract Access Form submitted by the COG. (Administrative and Activity Draw Request Checklists).
- Compliance with Office of Management and Budget (OMB) A-87, Cost Principles for State, Local and Indian-Tribal Governments (Administrative and Activity Draw Request Checklists).
- Administrative costs drawdown thresholds which provide assurance administration costs reimbursed are commensurate with the progress of the program and associated administrative duties (Administrative Draw Request Checklist).
- Ten percent of each construction or rehabilitation subcontract is properly considered, calculated and withheld to ensure satisfactory performance and quality of work prior to final payment on a project (Activity Draw Request Checklist).

The TDHCA/ORCA Draw Process or other formal standard operating policies and procedures do not adequately address how Department staff is going to provide reasonable assurance these requirements are satisfied.

We also noted the Administrative Draw Review Checklist requires signature approval by a PMC Specialist, and PMC Management, while the Activity Draw Request Checklist requires signature approval by a PMC Specialist, and the CDBG Program Coordinator or PMC Manager. However, the nature and extent of the reviews are not obvious by review of the checklists or other documentation such as the TDHCA/ORCA Draw Process, or related job descriptions. Additionally, a formal process has not been defined for instances where a COG's Request of Payment fails the review process.

We recommend draw processing procedures be formalized in accordance with the requirements of the Department's standard operating procedure, Standard Operating Procedure System, SOP 1100.01. In connection with formalizing the draw processing procedures, we recommend the Department enhance its draw request checklists to provide reasonable assurance the issues discussed above are adequately considered in connection with the review of subrecipients' requests for reimbursement of program expenditures. We also recommend review responsibilities be clearly defined as well as the process for staff to follow in instances where a COG's request for reimbursement does not pass the review process.

Status: 01/23/09 - The Disaster Recovery Division is currently working with HOME staff to update the CDBG Draw SOPs to be reflective of the HOME division's recent realignment. The revisions that will be made will be reflective of the new process and will address previous Audit recommendations.

05/30/08 - After review of the Documentation provided to Internal Audit it was determined the Audit Issue was not fully implemented. The Administrative Checklist does not confirm compliance with OMB A-87. Also the Standard Operating Procedures does not adequately address
- how the Department staff is going to provide reasonable assurance that the requirements listed in A-87 are complied with,
- management review responsibilities ,and
- the process management will follow if issues arise during their review of the draws.

09/13/07 - Reported to Board as Implemented per Management.

06/25/07 - The Department updated existing draw SOPs to be specific to the CDBG Disaster Recovery Program.

05/01/07 - Draws submitted for payment in the CDBG program are now being processed in accordance with the procedures established for the Portfolio Management and Compliance Division that have been formalized in an SOP format. This SOP will be reviewed and updated as needed to reflect current process information as well as direction regarding OMB Circular A-87 Compliance review requirements. The SOP will be revised to include specific direction involving consideration of OMB Circular A-87 to ensure draws staff are fully aware of the requirements.

The Department also updated the Administrative and Activity Draw Request Checklists to include assurances the issues noted above are addressed during review of requests for reimbursements. Department staff will provide the COGs with draw training during the on-site technical assistance visit May 1, 2007 that will include the process for submitting project draws, examples of the documentation required, and a discussion on retainage.

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459 10/05/07 IA — Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification — Px — 10/05/07 — 01/31/07

Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.

Division: Multifamily- Housing Tax Credit Program

Issue: Section 1-A:
The Date and Time When Information Is Submitted Should Be Consistently Documented

The date and time the pre-application documentation is received is not consistently documented. The pre-application form and the payment receipt are date and time stamped by the Department when the application is received. However:
- o 1 of the 79 pre-application files tested did not have the date and time stamp on either the pre-application or the pre-application fee receipt.
- o 4 of the 79 pre-application files tested did not have the date and time stamp on the pre-applications forms, but a date was located on the fee receipt.

In addition, there were several instances where the date and time was hand-written onto the pre-application and/or fee receipt. These instances were not counted as errors in the numbers above.

Of the 19 pre-applications reviewed where an administrative deficiency was discovered by the Department during the completeness review, there were two instances in which the date the deficiency response was received from the applicant was not documented on the response itself.

All pre-applications, fee receipts, applications, and responses to administrative deficiencies should be date and time stamped with an electronic clock to document when these items were received by the Department. This will provide evidence that applicants submitted their documents within the allotted timeframe, and reduce the opportunity for employees to fraudulently back-date applications.

Status: 10/5/07 - The Multifamily Division will reinforce the importance of using the electronic date and time stamps during the pre-application intake training of all Multifamily staff

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Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
460	10/05/07 IA	Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.	Px	10/05/07	02/29/08

Division: Multifamily- Housing Tax Credit Program

Issue: Section 1-B: Site Control Documentation Should Be Verified

Proper site control documentation was not collected from the applicant in 3 of the 79 files tested, but the pre-application passed the completeness review completed by the Department.

- 2 of the 79 files tested had a copy of the warranty deed submitted as documentation of site control. However, the warranty deed was not in the name of the applicant, nor expressed the ability to transfer the rights to the development owner.
- 1 of the 79 files tested had a copy of the property contract submitted as documentation of site control. However, the property information documented on the contract was unreadable, making in difficult to prove the contract was for the same property listed on the pre-application.

The Department should ensure all requirements of the pre-application process included in the QAP are reviewed and documented. Site control should be verified prior to an applicant moving forward in the application process.

Status: 10/05/07 - The audit recommendation will be addressed with staff and will be emphasized in the application review trainings for the 2008 HTC cycle. Two of the site controls in question were in the name of the general partner instead of the “applicant”. However, this was not known until the threshold review at full application. The applicant with the non-readable site did not file a full application. However, this issue will still be addressed. The review sheets will clarify improved procedures to address these findings and the issues will be addressed with staff in the training meetings for the 2008 HTC cycle.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
461	10/05/07 IA	Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.	Px	10/05/07	02/29/08

Division: Multifamily- Housing Tax Credit Program

Issue: Section 1-C: Completeness Review Sheets Should Be Completed Correctly

The completeness review sheet used by Multifamily Finance Production Division is generally adequate to provide reasonable assurance of compliance with laws, rules and regulations when completed correctly. One of the assurances the review sheet provides is that three people review the pre-application to ensure all of the required information and documentation has been provided by the applicant.

Errors were discovered in the pre-applications reviewed; however, no deficiency was noted by the pre-application reviewers. One pre-application was missing the second contact fax number, but the review item on the review sheet was checked indicating all of the required information was located in that section of the pre-application.

In addition, instances were discovered where the pre-application completeness review sheets were not completed correctly:

- 2 of the 79 pre-application completeness review sheets tested did not document review of the pre-application data form. This form is a printout of the information contained in the Department's database, and is reviewed for accuracy. These forms are marked when errors are discovered, and are then submitted for database correction. However, the forms are not consistently retained to document the changes made to the database.
- 2 of the 79 pre-application completeness review sheets tested did not have the certification of notification section completed by the first reviewer, however no deficiency was documented.

The Department should complete the pre-application review sheets correctly and ensure any deficiencies or blanks are explained and documented. In addition, the Multifamily Finance Production Division should develop a procedure to include all pre-application data forms in the application files. This will ensure documentation exists for any changes made to the Department's database from the time of initial data entry to the time the tax credits are awarded.

Status: 10/05/07 - The audit recommendation will be accepted and implemented. The training, for the 2008 Cycle, will instruct and clarify with staff "how to complete the form correctly" and reinforce the importance of filling out the pre-application review sheet correctly. Additionally, the Multifamily Director will reinforce to supervisors that a thorough review of these review sheets be performed. A space for the notification date will be added to the review sheet and date form so staff will have to write out the date. The Multifamily Division will also keep all the data forms from each application file, even after changes have been made to the database.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
462	10/05/07 IA	Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.	Px	10/05/07	01/31/08

Division: Multifamily- Housing Tax Credit Program

Issue: Section 2-A: Support for the Notifications to Elected Officials Should Be Retained

The written notifications the Department is required to send to elected officials are not kept in the application file nor documented on the communication log. In an effort to streamline the process and reduce the use of paper in the application files, a decision was made to not retain paper copies of the notification letters. However, no compensating process was added to ensure electronic documentation was retained.

Without documentation showing letters were sent to the elected officials as required, the Department can not prove all required parties were notified and provided with a chance to express their support of, or opposition to, the proposed development.

The Multifamily Finance Production Division should develop a process to document compliance with the written notification requirements. This will ensure the Department can refute any challenges by other developers, public officials, or members of the general public that a development did not meet all of the requirements of the program prior to being awarded tax credits.

Status: 10/05/07 - The audit recommendation will be implemented. Multifamily staff will begin keeping a hardcopy of the letters and emails sent to elected officials until another system of notification is created.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
463	10/05/07 IA	Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.	Px	10/05/07	01/31/08

Division: Multifamily- Housing Tax Credit Program

Issue: Section 2-B: Documentation of Notification Regarding Opposition Should Be Consistently Retained

There were 22 applications for which the Department received opposition to the development and all 22 applicants were notified by the Department of the opposition to their development; however, the documentation supporting these notifications was not consistently retained. In an effort to streamline the process and reduce the use of paper in the application files, a decision was made to not retain paper copies of the notification letters. However, no compensating process was added to ensure that all electronic documentation was retained.

In 6 of the 22 files, the Department could not find a copy of the e-mail notification sent to the applicant. In order to provide this documentation, the Department contacted the applicants and asked them to send the Department a copy of the email notification originally sent to them. Two of the 6 missing e-mails received from these applicants included sufficient information to support the Department's notifying the applicant as required.

Without retaining support for the notification of opposition, it can not be determined if the notifications were sent by the date required by the QAP. This is important in those instances when another developer, elected official, or someone from the general public challenges the validity of the application. In addition, the Department could not refute an accusation if one of these six developers were to accuse the Department of failing to notify them of opposition.

The Multifamily Finance Production Division should develop a process that documents compliance with notification of opposition rules of the LIHTC program. This will ensure the Department can refute any challenges by developers, public officials, or members of the general public that a development did not meet all of the requirements of the program prior to being awarded tax credits.

Status: 10/05/07 - Multifamily staff will begin keeping hardcopies of the letters and emails sent until another system of notification is created.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
464	10/05/07 IA	Multifamily 9% Housing Tax Credit Program - Pre-Application and Notification Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle pre-application and notification processes of the Department.	Px	10/05/07	01/31/08

Division: Multifamily- Housing Tax Credit Program

Issue: Section 3-A: Multifamily Finance Production Should Develop a Risk Mitigation Action Plan

The Multifamily Finance Production Division has not followed up on their RP-36 Risk Assessment by developing a risk mitigation action plan to document the controls in place to address unmitigated high and medium risks, nor a monitoring plan to document how they will test the operating effectiveness of the identified controls .

In a memorandum i2ssued September 14, 2006, the Executive Director outlined to all divisions his expectations as to how the RP-36 Risk Assessments would be addressed. In addition, a report submitted to the Governor's office has also outlined the process stating “Action plans are developed for those risks that are not considered adequately controlled.”

The division has not documented how 28 unmitigated risks (23 high risks, 5 medium risks) identified as 'mission critical' will be mitigated with compensating controls.

The Multifamily Finance Production Division should follow Department requirements by developing a risk mitigation action plan to address the 28 unmitigated 'mission critical' risks identified during the Division's risk assessment. In addition, a monitoring plan should also be developed documenting how the Division plans to assess the operating effectiveness of the documented controls on an on-going basis.

Status: 10/05/07 - Multifamily will follow up on the unmitigated risks documented in the Risk Assessment.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
457	10/30/07 SAO	Hurricane Recovery Funds Administered by TDHCA and ORCA Report # 08-005 Consideration of all matters related to the administration of the two awards of Community Development Block Grant for Hurricane recovery.	Px Ix	10/30/07 05/27/08	11/15/07

Division: HOME

Issue: Chapter 1-B
The Department of Housing and Community Affairs should ensure that it secures environmental clearances and validates all costs on invoices that contractors submit.
The Department of Housing and Community Affairs should strengthen certain controls over the award and expenditure of these funds to prevent noncompliance with federal and state requirements that help to deter fraud, waste, and abuse.

According to the Department of Housing and Community Affair's Owner Occupied Assistance manual related to environmental clearance, an environmental review is mandatory and must be completed before a commitment or expenditure is made for any type of construction or rehabilitation; or before a physical action is taken on a site. Proceeding with construction and replacement prior to receiving environmental clearances increases the risk that funds could be spent on a home site that cannot be environmentally cleared. The auditors discovered during the test of project expenditures that construction or replacement costs were incurred before the environmental clearance was secured for 1 of 12 (8 percent) HOME Program projects.

In addition, the amount invoiced to and reimbursed by the Department of Housing and Community Affairs was overstated by $60 for 1 of 13 (8 percent) HOME Program project expenditures auditors tested. This occurred because the contractor overcharged for skirting material based on the size of the home. Although the amount of this overcharge is not significant, as the HOME Program expenditures for hurricane recovery increase, the sum of potential overcharges (whether intentional or not) could become significant.

Before determining eligibility for HOME Program funds, the Department of Housing and Community Affairs should ensure that all property owners are listed on the application for funds. For 1 of 12 (8 percent) HOME Program applications auditors tested, only one of two property owners was listed on the application (the other property owner was incarcerated when the application was submitted). Not listing all property owners on HOME Program applications could leave the Department of Housing and Community Affairs liable for demolishing property without obtaining approval from all property owners. In the case of this application, the damaged home was demolished to make way for new construction, and the demolition approval form was signed by only one of the two property owners.

The Department of Housing and Community Affairs should:
- Continue efforts to accelerate the expenditure of HOME Program funds for hurricane recovery.
- Implement its plans to align all significant responsibilities pertaining to the HOME Program within the chain of command of the HOME Program director.
- Ensure that it secures environmental clearances before incurring reconstruction or replacement costs for projects funded with HOME Program funds.
- Ensure that its staff validates all costs on invoices that contractors submit for projects funded with HOME Program funds, and compare those costs with amounts allowed under the contract.
- Ensure that all property owners are listed on applications for HOME Program funds (and particularly on the demolition approval form within the application).

Status: 05/27/08 - The HOME division reorganization is complete. Program staff has been assigned to the Disaster contracts to facilitate the expenditure of HOME Program funds in concert with the policies and procedures established by the division and a performance staff member has been assigned to continue to ensure that contract administrators meet all requirements of the HOME Program.

10/30/07 - Effective October 1, 2007, the HOME Division was reorganized to make operational improvements to the HOME Program and incorporate the administration of all non-monitoring aspects of the State's HOME Program. The purpose of the reorganization is to offer an efficient operation, including the provision of more technical assistance, by consolidating all processes under one central area. A newly created team within the Division will provide technical assistance to HOME Contract Administrators and oversight and performance management of the Administrators to ensure timely and contractually-compliant completion of activities. The HOME Program contracts serving persons affected by Hurricane Rita have been prioritized by this team and will be assigned a Performance Specialist.

The HOME Division staff will continue to ensure that Contract Administrators meet all of the requirements of the HOME Program including obtaining environmental clearance prior to incurring construction costs, disbursement requests for validated costs, and requiring all property owners be listed on the application and provide approval of demolition. HOME Division staff will ensure compliance through desk-reviews performed on the review and approval process for setups and disbursements. Additionally, the Portfolio Management and Compliance Division staff will ensure compliance with all requirements through desk and on-site monitoring reviews. The HOME Division staff will issue a listserve announcement to remind Administrators of these requirements.

469 12/11/07 — IA — Multifamily 9% Housing Tax Credit Program - Application and Award Processes — Px — 12/11/07 — 03/31/08

Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.

Division: Multifamily- Housing Tax Credit Program

Issue: Chapter1-A: Errors Were Identified in Applications that Should Have Resulted in Deficiency Notices

At least one error was identified in five of the seven applications tested that should have resulted in an administrative deficiency notice and may have resulted in the application being disqualified, depending on the response to the deficiency. This indicates a lack of adequate review of the application files. However, auditors did not identify any applications that should not have been awarded tax credits because the deficiencies we found could have been corrected.

The most serious deficiency overlooked by Division staff involved a certification made by an architect who is listed on the development's organizational chart. The QAP §49.9(h)(6)(G) requires that the certifying architect or engineer must be a third-party.

Other examples of deficiencies overlooked include incomplete forms, financing amounts on the application not matching source documents, and other missing information such as no second contact, inaccurate square footage, and incomplete financing narratives. Some review sheets show both reviewers signing-off on a section as completed, but a deficiency was found; others show both reviewers listing the item as 'not applicable' when it was determined during the course of our audit that the section applied to the application, however, we did not note any deficiencies for these items.

Two independent reviews should be completed on each application. To help facilitate this process, reviewers should have separate checklists, so the second reviewer is not influenced by the first reviewer's assessment. After two independent reviews have taken place, discrepancies between their reviews should be resolved.

Status: 12/11/07 - Staff will implement the audit recommendation and conduct independent reviews.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
470	12/11/07 IA	Multifamily 9% Housing Tax Credit Program - Application and Award Processes Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.	Px	12/11/07	02/29/08

Division: Multifamily- Housing Tax Credit Program

Issue: Chapter 1-B: Individuals Under Indictment Were Recommended for Tax Credit Awards

As required by program rules, individuals involved with an application must certify that they are not subject to any pending criminal charges. However, two individuals were indicted after submitting an application and the required certification, but the development they were involved with was still recommended to receive an award.

The Department does not require the applicant to disclose any indictments the related parties of the application may be under from the time of their certification to the time awards are made by the Board.

In one instance, the charges brought against the individual were dropped, and the development was awarded a forward commitment from the 2008 credit ceiling. In the second case, the person under indictment was removed from the development and the development was awarded a forward commitment from the 2008 credit ceiling; however, the name of the individual under indictment still appeared on the forward commitment letter. This individual did not sign the forward commitment.

The Department should revise its certification requirement to include a requirement that the applicant should notify the Department if the applicant, development owner, developer, guarantor, or any of their related parties is subject to any criminal proceedings during the course of the tax credit cycle. The notification may not disqualify the development for an award; however, the information should be presented to the Board for their consideration prior to the issuing of awards. The Department should retain documentation of this information in the application file.

Status: 12/11/07 - Staff will implement the audit recommendation and include this requirement in the Uniform Application and the application review forms, and/or the QAP for the 2009 Tax Cycle.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
471	12/11/07 IA	Multifamily 9% Housing Tax Credit Program - Application and Award Processes Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.	Px	12/11/07	03/31/08

Division: Multifamily- Housing Tax Credit Program

Issue: Chapter 2-A: A Lack of File Organization Results in Inconsistent Applicant Information

Department staff is not organizing or referencing documents in the application files which makes it difficult to find the most recent documentation, or to determine if documents have been removed.

The applicant's responses to deficiencies are not linked or referenced to the original documents within the application file. This results in incomplete documents being accepted simply because they address the deficiency, while other required information on the original document may be omitted from the revised version. This issue is further complicated when subsequent deficiencies are found on the new document and yet another document must be submitted to provide the required information.

Department staff removes documents from the application files without noting when they removed the documents or where they are now located. The lack of staff documentation regarding when and where the documents have been removed results in the appearance that documents are missing or were never provided.

There were also instances noted where Real Estate Analysis staff removed copies of the financial statements from the application files, but failed to note they had removed them. This resulted in the appearance that the documents were never provided by the applicant. In addition, one current forward commitment file could not be located.

The Department should:

- highlight and flag information used as support for items within the various checklists. Cross-referencing checklist items to where the information is located in the application file may help in this process,
- develop a system, by which deficiency responses can be easily linked or referenced to the original document,
- develop a chronology sheet to document changes to the file, requests made of the applicant, or other information not readily apparent in the file,
- include time and date stamps on all documents received, and
- consider the use of software, like the TeamMate Audit Management System, that can be used to automate and link documents for ease of review.

Status: 12/11/07 - Staff will implement the audit recommendations and create a system to track deficiencies and changes to the application.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
472	12/11/07 IA	Multifamily 9% Housing Tax Credit Program - Application and Award Processes Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.	Px	12/11/07	03/31/08

Division: Multifamily- Housing Tax Credit Program

Issue: Chapter 2-B: Deficiency Responses Do Not Always Contain All of the Required Information

When a response to an administrative deficiency notice is received, the reviewer who issued the notice reviews the documents and determines if the response is adequate. If the reviewer determines the response is adequate they write an “R” on the checklist to indicate the deficiency was resolved.

In three instances, the checklist indicated the deficiency was resolved, but the updated information or documentation could not be found in the file. In four other instances, the response was insufficient to address the original deficiency, yet the review sheet was marked as “resolved”.

The Department should ensure the information submitted to resolve deficiencies is complete and correct, and is linked to the part of the application file where the deficiency was noted, so subsequent reviewers can easily locate the new information.

Status: 12/11/07 - Staff will implement the audit recommendation and create a system to document deficiencies and changes.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
473	12/11/07 IA	Multifamily 9% Housing Tax Credit Program - Application and Award Processes Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.	Px	12/11/07	03/31/08

Division: Multifamily- Housing Tax Credit Program

Issue: Chapter 3-A: Review Sheets Do Not Capture All QAP Requirements

There were twenty-six QAP requirements not included in the selection, threshold, and QCP review sheets used during the application review process. Information missing from the review sheets could result in an application that does not meet all the requirements of the QAP being recommended for an award.

The Department should ensure that the application review sheets include all of the QAP requirements.

Status: 12/11/07 - Staff will implement the audit recommendation and ensure all requirements of the QAP are included in the application materials as well as the review materials.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
474	12/11/07 IA	Multifamily 9% Housing Tax Credit Program - Application and Award Processes Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.	Px	12/11/07	07/31/08

Division: Multifamily- Housing Tax Credit Program

Issue: Chapter 3-B: Application Log Does Not Meet All Statutory Requirements

While the Department posts most of the required application and award information on its website within various reports, there is no application log, as defined in statute, posted to the website. In addition, some of the information required by statute is not posted to the Department's website. Items required as part of the application log that are not posted to the website include: names of the related parties to the applicant, the score of the application in each scoring category adopted by the Department under the QAP, any decision made by the Department or Board regarding the application, the names of persons making these decisions, including the person scoring and underwriting the application, and a dated record and summary of any contact between the Department staff, the Board, and the applicant or related parties.

In addition, scoring sheets providing details of the application score are not posted as required by the Texas Government Code §2306.6717 (2). A log of all application scores is posted (application scoring log); however, this log only contains summary information, and does not contain details as required by statute.

The Department should post the application log information, or a map or spreadsheet that references the location of the information required by the Texas Government Code. If some of the information is not available by the statutory deadline, the Department should post the information available on the deadline, and amend the application log as needed when additional required information comes available. In addition, the Department should post the scoring sheets as required.

Status: 12/11/07 - Staff will implement the audit recommendations.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
475	12/11/07 IA	Multifamily 9% Housing Tax Credit Program - Application and Award Processes Consideration of the 9% Housing Tax Credit Program for the 2007 tax credit cycle application and award processes of the Department.	Px	12/11/07	09/30/08

Division: Multifamily- Housing Tax Credit Program

Issue: Chapter 4-A: Requirements Listed In the QAP are Not Included in the Commitment Review Sheet

In comparing the commitment review sheet to §49.13 of the QAP, several items were missing from the review sheet. This could result in reviewers not verifying the submission of required items. The most important missing QAP requirement is that if a certificate of account status is not available because the entity is newly formed, a statement to that effect and a certification of organization from the Secretary of State's Office is required. This requirement is not included on the commitment notice checklist. In most instances, the certificate of organization and a statement that the applicant is newly formed is not included in the commitment file.

In addition, several other requirements are not included on the review sheet.

- The QAP requires copies of the entity's governing documents, including, but not limited to, articles of incorporation, articles of organization, certificate of limited partnership, bylaws, regulations and/or partnership agreements submitted when the commitment notice is executed; however the only documents included on the checklist are the partnership agreement or the certificate of limited partnership.
- The QAP requires "evidence that the entity has the authority to do business in Texas," but this requirement is not on the checklist.
- The checklist includes a statement 'evidence of zoning', but only one of the options for zoning requires evidence to be submitted with the commitment notice. This is not clear on the checklist.

The Department should ensure all documentation required by the QAP is included in the commitment notice checklist, and that reviewers are verifying that all of the required documentation is received.

Status: 12/11/07 - Staff will implement the audit recommendations.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
476	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Ix	06/11/08 12/01/08	07/11/08

Division: Community Affairs - Community Services

Issue: Chapter 1-A: The Texas Administrative Code Does Not Allow Expenditures for Technical Assistance to be Charged Against Administrative Funds

The program officers' and the trainer's salaries are all charged to the 5% of the grant set aside for administrative costs. However, the Texas Administrative Code (10 TAC Part 1, Chapter 5 A, 5.6(d)) states "Five percent (5%) of the Department's annual CSBG allocation is used to cover state administrative costs including salary and benefits for state CSBG staff, indirect costs, a portion of operating costs, and capital expenditures." Technical assistance and training are not included in the allowable activities under this rule.

The salaries of the program officers and the trainer should be allocated between the CSBG administrative funds and other funds proportional to the amount of time spent on training and technical assistance, or the training and technical assistance duties should be separated from the monitoring function and not charged to administration. An alternative solution is for the Department to seek a Board-approved change to the Texas Administrative Code to include training and technical assistance as allowable activities.

Status: 12/01/08 - Texas Administrative Code Rules 10 TAC §5.6 (c) and (d) were revised. Rules will be codified in January 2009.

06/11/08 - Management acknowledges the need to separate staff time for training and technical assistance from monitoring and other administrative activities to provide better oversight of these separate processes. Management will work with the Financial Administration Division to ensure that time for training and technical assistance activities are accounted for separately and fully. Staff will propose a change to the section of the rule in the Texas Administrative Code that references allowable activities for use of CSBG administrative funds, to specify that staff time spent providing training and technical assistance are included as allowable activities and recommend that the total administrative costs including training and technical assistance be limited to not more than five percent of the annual grant allocation.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
477	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Ix	06/11/08 12/01/08	09/30/08

Division: Community Affairs - Community Services

Issue: Chapter 1-B: The Department Should Seek Guidance on the Requirements for the Timely Expenditure of Administrative Funds

The Department's Financial Administration Division does a good job of ensuring that the 5% limit on administrative funds is not exceeded; however, these funds are not expended on a timely basis.

As of February 2008, the Department is still using administrative funds received for program year 2006 and has not yet expended any administrative funds for program year 2007. An analysis of the CSBG administrative funds shows that there is approximately $1 million left over at the end of each program year.

The Department should seek guidance from the U.S. Department of Health and Human Services regarding whether administrative funds should be liquidated within the two-year period. In addition, the Department should consider whether it is retaining administrative funds, and if so, consider re-allocating any un-liquidated funds to subrecipients for use in serving clients.

Status: 12/01/08 - The Department received guidance from the U.S. Department of HHS that State administrative funds could be used to provide funding to CSBG eligible entities. The Department provided additional funding to eligible entities and assistance to low income families impacted by hurricanes Dolly, Gustav and Ike in 2008.

06/11/08 - The Department will seek guidance from the U.S. Department of Health and Human Services to determine if the two-year time limit applies to State CSBG administrative funds and to confirm if any of the unspent administrative funds can be allocated for activities other than administrative costs, such as services for clients. Based on the guidance received from USHHS, the CA Director will work with the Executive Director and the Financial Administration Director to develop a plan to expend the unspent funds

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
478	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	10/01/08 02/20/09

Division: Community Affairs - Community Services

Issue: Chapter 2-A: The Contract System Should Track Budget Information for Subrecipients

The budgets that subrecipients submit at the beginning of the program year are not included in the automated contract system used to track the subrecipients' expenditure reports. In addition, the percentage of actual funds expended is not calculated and compared to the budget. This causes a problem because once a budget is approved, subrecipients can spend money from any budgeted line item as long as they do not exceed the total amount they were awarded. In addition, the "other" category of expenses includes direct services and many other types of expenses that should be further separated into line items.

o Budgets should be entered into the contract system at the budget line item level in order to ensure that subrecipients are not exceeding their approved budget amounts for any of the budgeted line items.
o The percentage of actual funds expended should be calculated in the contract system and compared to the budgeted amount for each line item.
o Line items should be created to address the most common expenditures now included in the "other" category.

Status: 12/01/08 - Community Services staff will enter the CSBG budget category information in the Community Affairs Contract System in the "Notes" section beginning in FY 2009. Documentation related to expenditures reviews, will be filed on the Community Affairs shared drive.

06/11/08- Management agrees that the existing system and processes used to monitor CSBG expenditures needs to be altered to address these recommendations. Staff will provide training and technical assistance to subrecipients regarding budget preparation for those subrecipients that repeatedly change the CSBG budget.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
479	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	10/31/08 02/20/09

Division: Community Affairs - Community Services

Issue: Chapter 2-B: Community Services Staff Should Ensure Subrecipients Do Not Receive More Than a 30-day Supply of Funds

From our review of a sample of seven expenditure reports and five monitoring files which contain information on subrecipients' bank accounts, it appears that some subrecipients are receiving or retaining more than a 30-day supply of funds. This increases the risk that the excess cash could be converted to non-CSBG uses.

During the monthly review of expenditure reports, Community Services staff should review the prior month's advances for specific line items and compare them against the actual expenditures reported by line item to ensure that the most recent funding request is reasonable.The funding requests should be compared to the budget to determine a percentage of the total budget and to determine the reasonableness of the request.

Status: 12/01/08 - Community Services staff will continue to review monthly expenditure reports to determine the reasonableness of the request for advance payments. Subrecipients with issues related to projections and excessive advanced payments will receive training and technical assistance from Department staff.

06/11/08 - Procedures will be instituted to thoroughly ensure that funding requests are reasonable and controls put in place to be sure that the procedures are followed. Staff will provide training and technical assistance to subrecipient staff to improve the process to project expenditures and request advance payment.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
480	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	08/15/08 03/31/09

Division: Community Affairs - Community Services

Issue: Chapter 3-A: Inconsistencies in the Disposition of Monitoring Issues Should Be Addressed

We reviewed the monitoring files for fiscal years 2006 and 2007 for a sample of five subrecipients and found that there were inconsistencies in how errors were identified and categorized by the program officers who monitor the subrecipients. The program officers document the issues they identify during on-site monitoring visits in one of three ways: findings, recommendations or notes. There are inconsistencies in the assignment of the status of findings, recommendations or notes.

Community Services management should provide program officers with a guide for the designation and disposition of common issues to generate more consistent reporting.

Status: 12/01/08 - Monitoring staff have developed a draft Monitoring Guide which includes standard language for common monitoring issues.

06/11/08 - Management will develop a uniform definition for what constitutes a Finding, a Recommended Improvement and a Note that will be included in a Monitoring Guide Book for monitoring that outlines standard language for most commonly identified issues. The Project Manager for Monitoring will provide training to the Program Officers prior to each monitoring cycle to ensure a clear understanding of the Monitoring Guide Book. During the review of draft monitoring reports, the Project Manager will ensure adherence to the Monitoring Guide Book.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
481	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	01/01/09 03/31/09

Division: Community Affairs - Community Services

Issue: Chapter 3-B: The Review of Subrecipient Financial Information Should Be Improved

The program officers who monitor the subrecipients for compliance review some financial information, but the information they gather, review and retain is not sufficient to formulate a complete picture of the subrecipient's financial condition. The audited annual financial report (AFR) submitted by the subrecipients includes opinions rendered on the major programs and the internal controls, as well as a schedule of expenditures of federal awards to comply with the Office of Management and Budget's (OMB) Circular A-133 Compliance Supplement. The AFRs are reviewed by the Department's Portfolio Management and Compliance Division (PMC), but the program officers do not compare the financial information in the AFRs to the other financial documents gathered during monitoring. Not obtaining and reviewing all of the results of the AFR increases the likelihood that fraud, waste or abuse could go undetected.

Program officers review financial documentation, but generally have not retained all of the documentation needed to verify assertions about bank account and general ledger fund balances.

Subrecipients should be required to submit to the Department any management letters resulting from their AFR audit when submitting the AFR.

Program officers should obtain and review a copy of the most recent audited AFR and any associated management letters prior to conducting an on-site monitoring visit. This information should then be compared to the financial documents reviewed during monitoring.

A complete general ledger printout for the month(s) reviewed (including the asset, liabilities and equity accounts in addition to revenue and expenditures) should be obtained along with the banking account data. This document would allow the program officer to verify that the accounting records are complete and in balance, verify the timely posting of account activity and provide the opportunity to determine whether any inter-fund activity occurred. Any general journal adjustments to the accounts would be easily identified.

Status: 12/01/08 - The Community Affairs "Monitoring" Standard Operating Procedure will be revised to require that Program Officers review the most recent copy of the Audited Financial Report (AFR) and any related management letters on file. The proposed general provisions of 10 TAC §516 (b) will require subrecipients to submit a copy of the AFR to the Community Affairs Division and to Portfolio Management and Compliance Division (PMC). Additionally, FY 2009 contracts will include the requirement that a copy of the AFR be sent to the Community Affairs Division. Program Officers will review documents and determine if follow-up is needed.

Monitoring instruments will be revised to address review of general ledger and bank account data to verify complete accounting records and review account activity.

06/11/08 - The CSBG and ESGP Monitoring Standard Operating Procedures will be revised to require that Program Officers obtain a copy of the latest Audited Financial Report (AFR) and any related management letter on file within the Portfolio Management and Compliance Division (PMC). The CA Director will also recommend updates to the CSBG and ESGP rules and contracts during the next rules and contract cycle to specify the requirement of submission of the AFR and management letters to CA.

The Program Officer will review the AFR and management letter to determine if follow up is needed. Processes will also be changed regarding review of general ledgers and banking account data to verify that the accounting records are complete and in balance, verify the timely posting of account activity and provide the opportunity to determine whether any interfund activity occurred.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
482	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	11/01/08 01/31/09

Division: Community Affairs - Community Services

Issue: Chapter 3-C: Criteria for Cost Reimbursement Should Be Identified

Community Services has not defined the criteria used to decide what sanctions to apply to subrecipients who have significant or repeated monitoring findings, or who do not comply with the CSBG grant requirements. Without clear criteria the Department could be left open to allegations of favoritism, inequities, or discrimination.

Community Services should define the range of sanctions that can be used for the various types of monitoring findings or issues of non-compliance. The following issues should be included:

- Fiscal mismanagement, fraud, waste and abuse,
- Repeated findings from previous monitoring reports that show a pattern of noncompliance ,
- Issues with the composition of the subrecipient's governing board and
- Unresolved findings outstanding for a given period of time.

Status: 12/01/08 - The Texas Administrative Code has been revised to address "Sanctions" in §5.17 "Sanctions and Contract Close Out". The Sanctions SOP will be revised to incorporate the TAC revisions.

06/11/08 - The existing Sanctions Standard Operating Procedure will be revised to define the range of sanctions that can be used for the various types of monitoring findings or issues of non-compliance and how and when the sanctions will be applied.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
483	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	09/30/08 05/31/09

Division: Community Affairs - Community Services

Issue: Chapter 3-D: Monitoring Reports Need to Be Completed on a Timely Basis

Community Services' monitoring policies and procedures require that subrecipients receive a written monitoring report within 30 days for CSBG on-site monitoring visits or within 45 days for joint on-site monitoring visits. For the 31 on-site monitoring visits performed in fiscal year 2007, 18 reports (58%) were not sent out within the required timelines. The subrecipients are required to respond to the monitoring findings within 30 days, or 45 days for joint monitoring visits. If additional responses are needed, the subrecipient has 15 days to submit their follow-up responses. However, these responses are often not received for months.

For the 31 on-site monitoring visits performed in fiscal year 2007:
- One notification letter was not sent to the subrecipient, and 11 of the 31 required notification letters were sent late (35%) and did not provide the suggested 30 days notice prior to a monitoring visit;
- Review of the report was not documented on a review coordination sheet for five of the 31 visits (16%); and
- Twelve of the 31 reports (39%) were not sent to the subrecipients' governing boards as required.

Community Services' policies and procedures should be reviewed, revised and followed to ensure that monitoring reports are timely, are reviewed internally and are communicated to the subrecipients' governing boards as required.

Status: 12/01/08 - Monitoring staff have developed a draft Monitoring Guide which includes standard language for common monitoring issues. The Guide will more thoroughly address documentation standards. Annually, Program officers will receive training on the Monitoring Guide. Monitoring procedures have been revised to allow 45 days, instead of 30 days for the Department to issue the monitoring report and 45 days for the subrecipient to respond.

The Monitoring Tracking System will be updated to generate more useful reports to alert staff about approaching deadlines.

06/11/08 - Management will review and revise the Monitoring Standard Operating Procedure to more thoroughly address the recommendations in regards to timeliness of reports and correspondence, documentation of internal reviews, and communication with subrecipients' governing boards. Additionally, the existing monitoring tracking system will be updated to generate more useful reports to alert staff about approaching deadlines.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
484	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	09/01/08 03/31/09

Division: Community Affairs - Community Services

Issue: Chapter 3-E: All Program and Expenditure Requirements Need to Be Reviewed During Monitoring Visits

When we compared the contract, rules, grant requirements and monitoring instruments used by the program officers during on-site monitoring visits inconsistencies were noted.

Program officers should review programs and expenditures during on-site monitoring visits to ensure that subrecipients are complying with the Uniform Grant Management Standards (UGMS), costs are incurred during the contract period, and subrecipients are providing the programs detailed in their CAP plan. The program officers should ensure that subrecipient's board-approved travel policies are provided to Community Services prior to incurring any travel costs. A standard form should be developed to document the results of the expenditure review

Status: 12/01/08 - The 2008 ESGP contract has been revised to include reference to the Uniform Grant Management Standards (UGMS) and to address inconsistencies in references. The monitoring instruments will be revised to address time period of expenditure reviews. Additionally, Management will institute controls to ensure that the monitoring instrument is properly completed. The Texas Administrative Code 10 TAC §5.2 which will be codified in January 2009 state that subrecipients must comply with UGMS and the OMS Circulars. Subrecipients will be requested to submit a current board approved travel policy by March 31, 2009.

06/11/08 - Management acknowledges inconsistencies in the CSBG and ESGP contracts and the corresponding monitoring instruments. Management will update the contracts and monitoring instruments to include references to UGMS and the OMB Circulars.

The monitoring instrument will be revised to indicate that expenditures reviewed are within the contract period and other changes to the instrument made so that wording of questions better addresses risks and that appropriate follow up occurs for questions. Staff will be trained on the instrument and its changes. Further, controls will be put in place to ensure the monitoring tool is being properly completed. Solution.

Management will also request a current board-approved travel policy from each CSBG subrecipient to maintain in an electronic file at the Department. A standard form, or similar effective tool, will be developed to document the results of the expenditure review.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
485	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	10/31/08 05/31/09

Division: Community Affairs - Community Services

Issue: Chapter 3-F : The Monitoring Tracking System and the Risk Assessment Process Should be Updated and Improved

The monitoring tracking system is not being kept up to date. As a result, the system can not be relied upon in completing the risk assessment process, and staff must manually go through monitoring reports to determine the information they need for the risk assessment. In addition, the risk assessment does not capture all of the information needed to accurately determine risk.

In comparing the information contained in the monitoring tracking system to the information gathered from manually reviewing monitoring reports and responses, of the 65 on-site monitoring visits performed over the past two years:

- The information contained in the system is incomplete when compared to the monitoring reports and responses for 34 visits (52.3%)and inaccurate for one visit, and
- There is no record of 14 monitoring visits (21.5%) in the monitoring tracking system.

Of the 453 questions answered in the 2006 risk assessment, 83 questions (19.6%) were answered incorrectly or not at all. In addition, the possible answers to the risk assessment questions do not provide an accurate assessment of which subrecipients pose the highest risk.

Community Services should:

- Revisit the use of the monitoring tracking system for tracking the findings resulting from on-site monitoring visits. This should be done before additional resources are spent in improving or maintaining the current system. If the monitoring tracking system is used, Community Services should develop processes to ensure that data entered into the system is complete and is periodically compared to the data in the monitoring files
- Develop a process or a database that will track the data used in the Department's risk assessment module, and
- Further develop answers to the questions in the risk assessment in order to produce a more accurate risk ranking of the subrecipients.

Status: 12/01/08 - Modifications to the Monitoring Tracking System will be completed by May 31, 2009.

06/11/08 - The CA Division in conjunction with the IS Division will revisit and update the monitoring tracking system that tracks monitoring findings. A CS staff member will be designated to maintain the monitoring tracking system. Management will ensure that data is entered in a timely manner. Prior to the 2008 Risk Assessment, questions and weights were revised to reflect a more accurate risk ranking of the subrecipients. The Risk Assessment will continue to be evaluated and improved.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
486	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	10/01/08 03/31/09

Division: Community Affairs - Community Services

Issue: Chapter 4-A: Community Services Should Review Underlying Data to Ensure That Performance Measures are Correct

Program officers are not required to review the supporting documentation (or even the supporting documentation for a sample of clients) to ensure that the subrecipients are correctly reporting the number of individuals transitioning out of poverty. Four out of the nine LBB performance measures for Community Services use this data in their calculations and of these four, three are key measures for the Department.

The number of individuals transitioning out of poverty is important because it is used as part of both the ROMA and the LBB performance measures, and is used to determine the amount of discretionary funds paid to subrecipients in the form of performance awards. The definitions and methods of calculation for this measure do not require the Department to verify the data submitted by the subrecipients; however, the LBB's performance measures guidance requires the Department to have sufficient controls in place to ensure the accuracy of the data. Without the control of testing or verifying at least a sample of the underlying data, it is not possible for the Department to ensure that the data is accurate.

• When reviewing a sample of client files during monitoring visits, program officers should re-calculate the reported incomes using the supporting documentation in the client file to confirm that clients who were reported as transitioning out of poverty really did so, and that only allowable income is considered.
• Community Services should develop and enforce a standard methodology for calculating income to ensure consistent and comparable results.

Status: 12/01/08 - The CSBG monitoring instrument will be revised to clarify the verification of the allowable income of clients that transitioned out of poverty and other CSBG clients.

06/11/08 - The current process will be reviewed by Management and the Community Services Block Grant monitoring instrument will be revised to clarify the verification of the allowable income of clients that transitioned out of poverty and other CSBG clients.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
487	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	11/13/08 05/31/09

Division: Community Affairs - Community Services

Issue: Chapter 4-B: Information Submitted by Subrecipients in Support of Performance Awards Should be Tested for Accuracy

In August of 2007, twenty-eight subrecipients received a total of $164,000 in performance awards for individuals transitioned out of poverty during the 2006 program year. Analysis of a judgmental sample of 30 families transitioned out of poverty showed that 18 (60%) of the 30 families' files tested did not contain sufficient correct documentation to support the assertion that these families were transitioned out of poverty. Subrecipients are required to submit a list of the families that they transition out of poverty as support for their performance award; however these lists do not contain details such as full names and social security numbers. The analysis of the 30 families' documentation showed errors including:

- Math errors
- Considering partial paychecks at intake and full paychecks in determining that the family was out of poverty,
- Overtime not included when determining the family was in poverty but including overtime in order to determine that the family was out of poverty, and
- Not including a spouse's income to determine the family was in poverty, then including the spouse's income to determine that the family was out of poverty.

In addition, there were three families who were transitioned out of poverty, but the wage earners in these families were the subrecipient's own employees. Although not against the rules, this practice is questionable when used as support for a performance award.

If the Department provides monetary awards to subrecipients for transitioning clients out of poverty, Community Services staff should:

- Select a random sample from the list of clients submitted to support the number of clients transitioning out of poverty,
- Request the supporting documentation (income verification) for the selected clients at all points: intake, transitioned out of poverty and 90 days post transition,
- Require subrecipients to provide full names and social security numbers (if available) for each family member transitioned out of poverty and verify that these social security numbers are valid,
- Develop standardized rules that will eliminate any "easy fixes" such as considering a partial paycheck for intake and a full paycheck for out of poverty, or considering overtime for out of poverty calculations, and
- Revise the eligibility criteria in order to prevent subrecipients from receiving an award for their own employees.

Status: 12/01/08 - The Community Affairs Division has formed an advisory committee of subrecipients to recommend changes to the CSBG performance awards process. The first meeting of the committee will be December 15, 2008. Staff will make recommendations to the Executive Team and/or Governing Board to revise internal procedures and amend TAC rules related to the performance awards process.

06/11/08- To the degree that Performance Awards are utilized, and that transitioning people out of poverty is the measurement used to grant performance awards, staff will recommend that the Texas Administrative Code be revised to include a standard methodology for calculating income to ensure consistent and comparable results. Prior to conferring CSBG performance awards, the Department will select a random sample of client files to verify the accuracy of the data used for granting performance awards.

The Department will require that the subrecipient's executive director and/or program director certify in writing that the clients were transitioned out of poverty as reported. Staff will revise the eligibility criteria for CSBG performance awards to exclude clients who were hired by the subrecipient and consequently transitioned out of poverty.

Staff will research a reasonable procedure by which subrecipients can verify the validity of social security numbers to the extent they are provided.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
488	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	01/01/09 05/31/09

Division: Community Affairs - Community Services

Issue: Chapter 4-C: Performance Awards Should Only Be Given to Subrecipients Who Meet the Eligibility Criteria

In the program year 2006 awards cycle given out in August 2007, there were seven awards totaling $25,000 given to subrecipients that had unresolved audit findings from their most recent on-site monitoring visits. In addition, performance awards totaling $20,000 were given to five subrecipients that were delinquent in submitting their audited annual financial report at the time of the award. These subrecipients were ineligible to receive a performance award under the criteria established by the Department. The $45,000 given out in error represents 27% of the $164,000 in awards given out during the program year 2006 award cycle.

Community Services staff should ensure that all subrecipients who receive a performance award meet the criteria for receiving an award. In addition, the criteria should be amended to prohibit any subrecipient from receiving an award if they were delinquent in meeting their single audit requirements at any time during the year, not just at the time of the performance awards.

Status: 12/01/08 - The Community Affairs Division has formed an advisory committee of subrecipients to recommend changes to the CSBG performance awards process. The first meeting of the committee will be December 15, 2008. Staff will make recommendations to the Executive Team and/or Governing Board Staff to revise internal procedures and amend TAC rules related to the performance awards process. Community Affairs will coordinate with Portfolio Management and Compliance Division to ensure organizations are not delinquent in the single audit requirements.

06/11/08 - To the extent that CSBG Performance Awards are utilized and that transitioning people out of poverty is the measurement used to grant performance awards, the Department will provide clarification to subrecipients on the criteria which need to be met in order to qualify to receive a CSBG performance award. Further, the CA Director will require submission of the AFR and management letters to CA in addition to PMC and will collaborate with PMC in their review to ensure no awards are made to organizations delinquent in their single audit requirements.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
489	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Ix	06/11/08 12/01/08	01/01/10

Division: Community Affairs - Community Services

Issue: Chapter 5-A: Only Eligible Administrative Costs Should Be Charged to the Emergency Shelter Grant Program

U.S. Department of Housing and Urban Development (HUD), which administers the ESGP, states that ineligible administration costs include the preparation of the Consolidated Plan and other application submissions.

The Department should find an alternate fund to which staff can charge the work performed on the Consolidated Plan.

Status: 12/01/08 - Staff has changed the process for allocating staff time associated with the HUD Consolidated Plan whereby ESGP funds are not charged for preparation of the Plan.

06/11/08 - CS staff will allocate time related to the development of the 5 Year HUD Consolidated Plan to an eligible source of funds.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
490	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Ix	06/11/08 12/01/08	09/01/08

Division: Community Affairs - Community Services

Issue: Chapter 5-B: The Methodology Used for Subrecipient Payments Should Ensure Consistency and Compliance with the Contract

The ESGP contract states that the subrecipient may request advance payment by submitting a properly completed monthly report to the Department. According to the HUD ESGP Program Guide, either cost reimbursement or advance payments can be used, depending on how the funds are handled. The CFR (24 CFR 85.20) states that, "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and sub grantees must be followed whenever advance payment procedures are used." Program staff state that the program is set up on a cost reimbursement basis and advance payments are not made. However, a review of one subrecipient indicates that they are making cost projections and receiving advance payments.

The Department should review the requirements and benefits of both the advance payment and cost reimbursement methodologies and determine which one to use. The contract and other written guidelines should be revised to ensure consistency with the chosen method.

Status: 12/01/08 - The 2008 ESGP contract was revised to only allow a one time advance payment.

06/11/08 - Management will review and ensure that the language in the Emergency Shelter Grants Program (ESGP) contract is consistent with the Housing and Urban Development ESGP Program Guide that allows for either cost reimbursement or an advance method of payment. A set of risk criteria will be established, and the payment method allowed for each subrecipient will be based on the level of risk. Staff will be trained to use the risk criteria to determine the appropriate method of payment for an ESGP subrecipient.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
491	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	12/31/08 03/31/09

Division: Community Affairs - Community Services

Issue: Chapter 6-A: The Processes Used to Document and Communicate Monitoring Results Should Be Revised

There are inconsistencies in the manner in which program officers determine which issues are identified as findings and reflected in the final monitoring report and which issues are resolved on-site by the program officers via technical assistance and are not reflected in the report. During a review of the monitoring reports and monitoring instruments of multiple subrecipients, the same issue was reported as a finding in one report, while in another report it was documented as a recommended improvement. Also, instances were noted where an issue was documented as a finding on the original monitoring instrument and then changed to a recommended improvement without documenting the reasons for the change. The monitoring instrument is not always entirely completed, nor is the monitoring information correctly posted to the monitoring tracking system.

We tested the monitoring files for 26 of the 76 subrecipients in program year 2006 and found that:
- three of 26 the subrecipient files did not contain any monitoring documents for the program year 2006 monitoring visit,
- 12 of the 23 subrecipient files for which documentation of a program year 2006 monitoring visit was available, did not have the monitoring instrument fully completed by the program officer during the monitoring visit,
- 13 of the 26 ESGP monitoring files were not posted to the monitoring tracking system and an additional 6 were not posted correctly, and
- 19 of the 26 monitoring files did not contain a cumulative inventory report, which is required by the ESGP contract and should be submitted to Community Services by October 31st.

We tested 23 files for timeliness of the monitoring reports, responses, follow-up letters and close-out letters:
- 16 of the 23 subrecipient monitoring files did not contain evidence that the monitoring reports were sent to the subrecipient on a timely basis,
- six of the 23 subrecipients did not submit their monitoring responses within the required 30 days,
- three of the 6 subrecipients who were required to submit additional responses did not submit the additional responses within the required 15 days, and
- 11 of the 23 subrecipient monitoring files tested indicated that the follow-up or closeout letters were not sent within 30 days as required. Four of the 23 subrecipient files did not have close out letters in the file, so it is unclear whether these monitoring reports were closed.

Community Services should develop processes to ensure that:
- Program officers are consistent in determining what issues are identified as findings and what issues are identified as recommended improvements,
- Monitoring files contain support for monitoring visits,
- Monitoring instruments are properly completed,
- Information entered into the monitoring tracking system is verified against the information in the monitoring files, and
- Correspondence and reports are sent to subrecipients on a timely basis.

Status: 12/01/08 - Monitoring staff have developed a draft Monitoring Guide which includes standard language for common monitoring issues. The Program officers received training on the Monitoring Guide and for what is considered a finding, recommended improvement, a note, and standard language for common findings.

6/11/08 - Management will develop a uniform definition for what constitutes a Finding, a Recommended Improvement and a Note that will be included in a Monitoring Guide Book that outlines standard language for most the commonly identified issues. The Project Manager for Monitoring will provide training to the Program Officers prior to each monitoring cycle to ensure a clear understanding. During the review of draft monitoring reports, the Project Manager will ensure adherence to the Monitoring Guide Book. The CS Project Manager for Monitoring will provide training to Program Officers to ensure that monitoring files contain adequate support documentation and monitoring instruments are properly completed.

The CA Division in conjunction with the IS Division will revisit and update the monitoring tracking system that tracks monitoring findings. A CS staff member will be designated to maintain the monitoring tracking system.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
		Management will provide training and oversight to ensure that staff adheres to the existing Monitoring Standard Operating Procedure in regards to timeliness of reports and correspondence, documentation of internal reviews, and communication with subrecipients' governing boards. The existing monitoring tracking system will be updated to generate more useful reports to alert staff about approaching deadlines.			
492	06/11/08	Audit of the Community Services Block Grant and Emergency Shelter Block Grants	Px	06/11/08	09/01/08
	IA	Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px	12/01/08	02/28/09

Division: Community Affairs - Community Services

Issue: Chapter 6-B: Community Services Should Ensure That Subrecipients Comply with Federal Salary Requirements

The program officers who monitor the ESGP subrecipients do not review the supporting documentation for salaries in order to ensure that subrecipients comply with the Office of Management and Budget's (OMB) Circular A-122, and Circular A-87.

The monitoring instrument should be modified in order to require the program officers to review time sheets to ensure that the time reported is the actual time worked. The program officers should also ensure that the timesheets are for the total activity of each employee, that they are maintained at least monthly, and that they are signed by the correct individuals as required by Circulars A-122 (non-profits) and A-87 (state, local and Indian tribal governments.)

Status: 12/01/08 - The ESGP Monitoring instrument will be revised to address requirements related to timesheets.

06/11/08 - The Emergency Shelter Grants Program (ESGP) monitoring instrument will be revised to expand the questions, and oversight, related to the review of subrecipient timesheets as required by OMB Circulars A-122 and A-87 and as further clarified by the Department's Legal Division.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
493	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	10/01/08 02/28/09

Division: Community Affairs - Community Services

Issue: Chapter 6-C: The Monitoring Instrument Should Be Revised to Consider All Applicable Requirements

Program officers who conduct on-site monitoring visits use a monitoring instrument to review the subrecipient's compliance with the ESGP contract and with all federal and state laws. However, the monitoring instrument does not contain steps to ensure that the following requirements are reviewed:

- The subrecipient spent all grant amounts within 24 months of the date on which the Department made the grant amounts available,
- Funds are obligated within 30 days and spent within 180 days of the date on which the state made the grant amount available for homeless prevention activities,
- The expenditures are within the contract period,
- No rehabilitation work is performed or funds spent prior to the environmental clearance,
- The subrecipient has supplied copies of certification and inspection by local building officials for rehabilitation projects,
- Subrecipients developed policies and procedures on accepting declarations of income,
- Subrecipients document that clients served by non-homeless prevention activities were homeless prior to residency,
- If the subrecipient received funding for an essential service, they indicated that it was a new or increased level of service provided with local funds during the 12 calendar months immediately before the subrecipient received initial grant amounts,
- The subrecipient is involving homeless individuals and families in providing work or service pertaining to facilities or activities,
- Policies are developed to ensure the confidentiality of records pertaining to any individual provided family violence prevention or treatment services,
- No funds were spent on dwelling units that were not protected by hard-wired or battery operated smoke detectors,
- The subrecipient makes it known that the use of facilities and services are on a nondiscriminatory basis, and
- The subrecipient is providing the services that they state they will provide in their application.

Community Services staff should revise the monitoring instrument to include all of the above requirements.

Status: 12/01/08 - The ESGP Monitoring instrument will be revised to address requirements.

06/11/08 - Management will revise the existing Emergency Shelter Grants Program (ESGP) monitoring instrument to include all of the recommendations cited above as interpreted by the Department's Legal Division. Management will also contact HUD and request monitoring instruments used by other states that HUD considers most effective.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
494	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	09/01/08 02/28/09

Division: Community Affairs - Community Services

Issue: Chapter 6-D: Subrecipients Should Document the Review of Client Eligibility Prior to Providing Funding for Essential Services

The subrecipients are not required to retain completed intake forms for clients that receive essential services, and program officers do not review client files to determine if the clients who received these funds were eligible.

Eligibility should be reviewed, documented and retained for all clients who receive essential services.

Status: 12/01/08 - The ESGP Monitoring instrument will be revised to affirm the eligibility of clients for essential services.

06/11/08 - When subrecipients provide essential services that include food, bus tokens and personal hygiene items, subrecipients maintain a log detailing client names. However, staff will improve on this tool so that it has the ability to affirm eligibility of clients for essential services.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
495	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	 02/28/09

Division: Community Affairs - Community Services

Issue: Chapter 6-E: Standard Forms and Processes Should be Developed to Document the Sample of Expenditures and Client Files Reviewed During Monitoring

There are no written procedures for documenting the shelters visited and expenditures reviewed by the program officers during on-site monitoring visits. In addition, the contract specialist performs reviews of monthly expenditures, but does not document the results of these reviews. Finally, there is no written procedure regarding how many client files should be reviewed during an on-site monitoring visit.

Community Services should:
- Develop written procedures and standard forms to document the shelters and expenditures reviewed during monitoring visits,
- Maintain documentation to support the review of monthly performance and expenditure data, and
- Develop written procedures regarding the minimum number of client files that should be reviewed in order to ensure consistency between subrecipient monitoring visits.

Status: 12/01/08 - The ESGP Monitoring Instrument and Monitoring SOP will be revised to address identified areas.

06/11/08 - Management will expand the Emergency Shelter Grants Program (ESGP) monitoring instrument to document the name and number of shelters visited and to integrate a standard form, including maintaining documentation, for use in reviewing expenditures. The CS Section will strengthen procedures to document a process for ensuring review of monthly performance and expenditure data. The Monitoring SOP will be expanded to include a minimum percentage of client files that will be reviewed in order to ensure consistency between subrecipient monitoring visits.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
496	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Ix	06/11/08 12/01/08	11/30/08

Division: Community Affairs - Community Services

Issue: Chapter 7-A: Community Services Should Require All Certifications Listed in Federal Law

Community Services requires applicants for ESGP funding to certify to certain provisions that are required by federal law. The certification that is currently used requires the subrecipient to certify that all laws and regulations are followed. However, Title 42, Chapter 119, Subchapter 1, Part B, Section 11375 of the U.S. Code specifically states that a certification is required for the following items:

- any renovation carried out with ESGP assistance shall be sufficient to ensure that the building involved is safe and sanitary, and
- the renovation will assist homeless individuals in obtaining:

(A) appropriate supportive services, including permanent housing, medical and mental health treatment, counseling, supervision, and other services essential for achieving independent living; and

(B) other Federal, state, local, and private assistance available for such individuals.

The certification signed by the applicants should be revised to include the required statements.

Status: 12/01/08 - The 2009 ESGP NOFA included all required certifications.

06/11/08 - The application for Emergency Shelter Grants Program funds will be expanded to include all required certifications as referenced above.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
497	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Ix	06/11/08 12/01/08	11/30/08

Division: Community Affairs - Community Services

Issue: Chapter 7-B: An Exception to the Documentation Required for Eligibility Should be Included on the Application

For applicants who have not received ESGP funds in the past, there is an exception in the Texas Administrative Code for requiring the documentation of participation of homeless individuals on the applicant's governing board. This exception is not considered on the application eligibility review sheet, which could cause an eligible applicant to be disqualified.

The application eligibility review sheet should be revised to include this exception.

Status: 12/01/08 - The prescreening instrument was updated to include the exception and will be utilized during the 2009 application review.

06/11/08 - The pre-screening Emergency Shelter Grants Program application form will be revised.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
498	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Ix	06/11/08 12/01/08	11/30/08

Division: Community Affairs - Community Services

Issue: Chapter 7-C: Requirements in the ESGP Application Should be Revised

In comparing the ESGP application to the Texas Administrative Code, there are areas where the application and the Texas Administrative Code do not match:

- The application states that the non-profit collaborative applicants are required to submit a ruling documenting their status as a 501(c) taxexempt entity. The ruling should be on IRS letterhead, legible and signed by the IRS District Director. However, the Texas Administrative Code Section 5.204 (a)(2) states only that the Department prefers the eligibility documentation to be submitted in this way but also provides other options for documenting eligibility.
- The instruction section of the application, (Attachment G – Match) is missing requirements from the Texas Administrative Code Section 5.204(d)(2), which requires the applicant to submit a letter from the realtor or appraiser for the value of a donated building if documenting a donated building as part of their match. Or the applicant can submit the title, annual salary, percentage of time dedicated to ESGP activities, source of funds and the dollar amount for employee positions used as a match.
- In the application packet, applicants who are applying for the special initiative for homelessness prevention funds are required to answer the questions detailed under that section instead of developing a project narrative. However, the Texas Administrative Code does not exclude applicants who are submitting a special initiative application from the requirement to provide a narrative along with the application.
- In the collaborative application section, it states that, "a lead organization that provides only administrative support and not direct client services is excluded from the requirement of submitting attachments B, C and D", however this exception is not in the Texas Administrative Code.

Revise the application to comply with the Texas Administrative Code.

Status: 12/11/08 - The Department considered all the issues noted when updated the Texas Administrative Code and 2009 ESGP NOFA. The 2009 ESGP NOFA and Proposed Texas Administration Code were approved by the Board at the November 2008 board meeting. The Proposed Texas Administration Code will be codified January 2009

06/11/08 - Management will revise the Emergency Shelter Grants Program application to comply with the Texas Administrative Code.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
499	06/11/08 IA	Audit of the Community Services Block Grant and Emergency Shelter Block Grants Review of the draw processing and monitoring functions of the Community Affairs Division's CSBG and ESGP for program years 2006-2008.	Px Px	06/11/08 12/01/08	 05/31/08

Division: Community Affairs - Community Services

Issue: Chapter 8: There are Advantages and Disadvantages in Changing the Organizational Structure to Separate the Monitoring and Program Support Functions

The Department should evaluate the functions and activities of the program officers and other staff of the Community Affairs Division and decide whether to move the monitoring function to another division, or to put into place safeguards to ensure the consistency of monitoring and decrease the potential for collusion or other types of fraud, waste and abuse.

Status: 12/01/08 - Safeguards have been implemented through the revision of the TAC rules, the development of a draft monitoring guide, revisions to the monitoring instruments, and changes to the monitoring processes to ensure the consistency of monitoring and to decrease the potential for collusion, fraud, waste or abuse. The CA Division Director will continue to work with the Executive Team to evaluate the effectiveness of the monitoring function in the Community Affairs Division.

06/11/08 - Management will evaluate the functions and activities of the program officers and other staff of the Community Affairs Division and decide whether to move the monitoring function to another division, or to put into place additional safeguards to ensure the consistency of monitoring and decrease the potential for collusion or other types of fraud, waste and abuse.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
500	08/01/08 HUD	HUD's Monitoring Report on CDBG Disaster Funds Management Review of the Department's CDBG Supplemental Disaster Funds.	Px	08/29/08	

Division: CDBG

Issue: Finding One: Contracts with Houston and Harris County do not meet Minimum Requirements for Subrecipient Agreements

Although, TDHCA has agreements in place for housing activities under Supplemental Round 1 that outline scope of work and federal requirements applicable to funded activities, it has not executed comparable agreements for Houston and Harris County under Supplemental Round 2. Instead, contracts for Houston/Harris County include indemnification agreements and do not include any detail on activities funded, scope of work, reporting requirements, or identify applicable federal compliance requirements.

Within 30 days, amend or supplement existing agreements with Houston and Harris County to cover the minimum requirements outlined in 24 CPR 570.503.

Status: 08/29/08 - TDHCA is in the process of replacing the existing agreements with Houston and Harris County with contracts that meet the minimum requirements outlined in 24 CFR 570.503. TDHCA will submit copies of the replacement contracts to HUD once they are fully executed.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
501	08/01/08 HUD	HUD's Monitoring Report on CDBG Disaster Funds Management Review of the Department's CDBG Supplemental Disaster Funds.	Px	08/29/08	

Division: CDBG

Issue: Finding Two: Fiscal controls and accounting procedures for Houston and Harris County Inadequate to Demonstrate Program Compliance

Although TDHCA has comprehensive monitoring and oversight processes and procedures for housing activities under Supplemental Round 1 to ensure eligibility, allowability and reasonableness of costs, it has not applied comparable controls to funds provided to Houston and Harris County under Supplemental Round 2. Relying on the indemnification clauses in funding agreements with the City of Houston, TDHCA approved drawdowns for Houston and submitted them to HUD for approval without any support material related to the expenses and without any plans to monitor Houston or Harris County activities.

Within 30 days, TDHCA must develop and apply procedures for processing payment requests and/or monitoring systems to ensure activities funded under Supplement Round 2 are in compliance with applicable federal requirements.

Status: 08/29/08 - TDHCA has developed and applied procedures for processing payment requests. To date, a significant amount of reimbursement requests have been submitted by the City of Houston and Harris County. The Department has reviewed these reimbursement requests to ensure only necessary and reasonable program costs are submitted to HUD for reimbursement. In addition, TDHCA has implemented and conducted on-site monitoring reviews of the City of Houston and Harris County. No significant issues were identified during these monitoring reviews.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
502	08/01/08 HUD	HUD's Monitoring Report on CDBG Disaster Funds Management Review of the Department's CDBG Supplemental Disaster Funds.	Px	08/29/08	

Division: CDBG

Issue: Finding Three: TDHCA is drawing funds in advance of need.

It has been established that without a specific agreement with Treasury to draw funds in advance, the agency is subject to the requirements found in subpart B of 31 CFR 205, which limits advances of federal funds to the minimum amounts needed for actual, immediate cash requirements. From the review of the agency's administrative cash balances for the period September 1, 2007 through March 31, 2008, noted that the agency was in a positive cash position beyond the three-day standard for four of the seven months. The positive cash position appeared to be a result of drawing funds in advance of need and drawing salaries based on estimates instead of actual time worked.

In discussions with the agency concerning how it requested funds from Treasury, it was explained that the agency would draw one-twelfth of the grant award at the beginning of each month for administrative expenses. No other explanation for drawing in advance of need was provided. HUD's review did not substantiate the statement, as the timing of the draws and the amount drawn fluctuated every month and there did not appear to be any pattern to the draws. Without further explanation, there does not appear to be justification for TDHCA to be drawing funds in advance of need, especially since the agency may request funds from HUD's line of credit system daily and will generally receive the funds within 48 hours.

With regards to the salaries, it was explained that the agency drew the salaries based on budgeted time and then reconciled the budgeted time to the actual time worked and adjusted the cash balance for any overages noted. It was further explained that the reconciliations were not timely as the employees were often late in submitting the actual time distribution reports. The process used to draw the salaries is permissible since TDHCA is reconciling the budgeted amounts to actual, as required in OMB Circular A-87 and the reconciliations are completed within the timeframe specified in the circular.

TDHCA has agreed to revise its cash management procedures to be in compliance with HUD's three-day standard and is in the process of implementing new procedures. Continued discussions with TDHCA have noted that the agency is going to revise its process for drawing salaries, and that the salary requests will be based on actual time worked instead of budgeted time. Changing the way the salaries are being drawn will assist the agency in obtaining optimal cash management status.

Within 30 days from the date of this letter, the agency is to provide HUD with its revised cash management procedures and a sample of the format it is will use to draw the funds.

Status: 08/29/08 - TDHCA agrees to revise its Cash Management/Draw Procedures in accordance with the requirements found in Subpart B of 31 CFR 205 and 24 CFR 570.489(c)(d). TDHCA submitted the updated procedures and a sample of the draw funds format to HUD.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
503	08/01/08 HUD	HUD's Monitoring Report on CDBG Disaster Funds Management Review of the Department's CDBG Supplemental Disaster Funds.	Px	08/29/08	

Division: CDBG

Issue: Finding Four: TDHCA was unable to reconcile its expenses to the draw requests.

HUD's review noted that the agency could not tie the administrative draws to specific administrative expenses. As the agency could not tie its draws to its administrative expenses, HUD has no way of knowing whether the expenses were incurred for actual program needs or whether the supporting documentation presented ties to a specific draw. HUD's review of the categories of expenses for the sample months noted that the expenses appeared to be eligible charges under the grant. However, due to time constraints specific invoices were not reviewed for program compliance.

TDHCA is in the process of implementing new procedures that will bring its cash management system in line with HUD's requirements. The agency has assured HUD that the new procedures will incorporate weekly to bi-weekly draws and the draws will reconcile to actual expenditures in the general ledger.

Within 30 days from the date of this letter, the agency is to provide HUD with a copy of its new draw procedures.

Status: 08/29/08 - TDHCA agrees to revise its Cash Management/Draw Procedures in accordance with the requirements found in Subpart B of 31 CFR 205 and 24 CFR 570.489(c)(d).TDHCA submitted the updated procedures and a sample of the draw funds format to HUD.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
504	08/01/08 HUD	HUD's Monitoring Report on CDBG Disaster Funds Management Review of the Department's CDBG Supplemental Disaster Funds.	Ix	08/29/08	

Division: CDBG

Issue: Finding Five: Incorrect Project Classification

The review of TDHCA's environmental files revealed that the Environmental Review Record for SETRPC included reconstruction activities that had been classified as Categorically Excluded under 24 CPR 58.35(a)(4). This classification is only appropriate when a project developing five or more housing units on scattered sites includes units that are no closer than 2,000 feet. Programs may not use the classification of Categorical Exclusion when they do not comply with this condition. TDHCA staff discovered the error that more than 5 units are within 2,000 feet of each other prior to the monitoring visit. This error in classification has allowed the project to proceed without the proper depth of environmental review required by the regulations.

Because there are many more housing reconstructions yet to be funded, TDHCA must prepare a tiered Environmental Assessment for the balance of this project, including a revised public notice and Request for Release of Funds (RROF).

Status: 08/29/08 - Although the Finding was specific to SETRPC, TDHCA explored the need for an Environmental Assessment in all three Councils of Government (COG) administering funding under Supplemental Round 1 and after plotting the addresses of all assisted households determined that only the South East Texas Regional Planning Commission (SETRPC) was in violation of 24 CFR 58.35(a)(4). The Department has provided technical assistance to SETRPC through on-site visits and conference calls, and reviewed documents throughout the process. TDHCA has received and reviewed an Environmental Assessment performed by SETRPC and has accepted it as complete, allowing SETRPC to publish a Finding of No Significant Impact and a Notice to Request a Release of Funds. The first comment period of 15 days has elapsed and a Request for Release Of Funds, Notice, and Affidavit was overnighted to HUD Headquarters on August 4, 2008. The release of funds occurred August 25, 2008

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
505	08/01/08 HUD	HUD's Monitoring Report on CDBG Disaster Funds Management Review of the Department's CDBG Supplemental Disaster Funds.		08/29/08	

Division: CDBG

Issue: Finding Six: Inadequate Project Descriptions

The review of TDHCA's environmental files found that the tiered disaster programs lacked an adequate project description for the site-specific actions. Although the broad plans (level one tier) provided a general project description, such as "rehabilitation of buildings", the actual description to be accomplished at each address, such as "roof replacement" was omitted on all site specific reviews. For the tiered programs the site-specific project description was not detailed and does not meet the requirements of 24 CFR 58.38(a) (1). A detailed project description is critical because it is necessary for projects to be properly classified and experience the proper level of environmental review.

Currently, HUD has reviewed the TDHCA Operating Procedures which require complete descriptions for all proposed projects. However, the TDHCA tiering procedures do not require a site-specific activity description. The State procedure for tiering must be amended to include a requirement for the site-specific activity description and review. Please work with HUD to submit your amended, written tiering procedure that will ensure compliance with the requirements of 24 CFR 58.38(a) (1) as soon as possible. The State must then implement the tiering procedure approved by this office.

Status: 08/29/08 - TDHCA has worked with HUD to replace the previous tiering procedures with new tiering procedures suggested by HUD which requires more detail on the site-specific activity description. TDHCA began training program recipients on this addition during owner occupied training for disaster assistance in July 2008. Particular emphasis was given to the new sample for tiering as well as the need for a more substantial and detailed site-specific activity description.

In addition, TDHCA worked diligently with SETRPC on the site-specific activity description. SETRPC now provides a more detailed project description that includes, among other things, the square footage of the home, the number of bedrooms, and the number of baths. TDHCA has instructed and is working with the Houston-Galveston Area Council and the Deep East Texas Council of Governments, the other two COGs administering funding, to use the enhanced checklist as a guide to update their own site-specific activity description

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
506	08/01/08 HUD	HUD's Monitoring Report on CDBG Disaster Funds Management Review of the Department's CDBG Supplemental Disaster Funds.		08/29/08	

Division: CDBG

Issue: Finding Seven: Support Documentation

Based on the lack of documentation in the files reviewed, the State has failed to fully comply with the requirements of 24 CFR 58.5.

The inadequate documentation includes:
a. Floodplain Management. These requirements obligate grantees to determine if projects are located in or impact floodplains. If the project is located in or impacts a floodplain, the prescribed 8-step process must be completed and documentation of the 8-step process compliance is required to be included in the ERR as noted at 24 CFR 55.20.
Both the City of Port Arthur and SETRPC have completed the 8-step process for the demolition of dangerous structures at seven locations and the repair and reconstruction of homes. Both of the early notices (step 2) were published July 15,2007 and both omitted the total number of acres of floodplain involved, as required by regulation. The identification and evaluation of practicable alternatives (step 3) was incomplete and did not discuss locations outside the floodplain or alternative methods to serve the project objective. Since step 3 was incomplete, the succeeding steps were also unacceptable. Rehabilitation activities completed in the City of Beaumont by SETRPC identified properties that were located in the 100 year floodplain, however it was not documented whether the 8-step process review was necessary or performed.

b. HUD environmental standards. 24 CFR 58.5(i) requires that noise-sensitive projects which are located in high noise areas must conduct a noise analysis and must provide noise attenuation measures, as appropriate under 24 CFR 51, subpart B. The environmental review of Brittany Place, a proposed new multifamily facility, did not include a noise assessment of appropriate rail and highway noise generators, although a railroad is within 3,000 feet and the South Twin City Highway (347) is within 1,000 feet.

The environmental assessment Gulf Breeze II overlooked the presence of aboveground storage tanks, although the pictures of the project site clearly show the tanks. The tanks are located approximately one thousand feet west of the proposed facility. The regulation at 24 CFR 51 subpart C which establishes the safety standards for HUD-assisted projects from specific, stationary, hazardous, above ground operations which store, handle, or process hazardous substances was overlooked. The calculation of an Acceptable Separation Distance (ASD) for potentially hazardous sites is required, barring documentation that the tanks are not (and will never be) operative.

As part of HUD's environmental review procedures, the TDHCA must certify that it has complied with the requirements of the laws and authorities of 24 CFR 58.5, as applicable, and must consider the criteria, standards, policies and regulations associated with these laws and authorities. TDHCA currently has HUD-reviewed operating procedures that correctly describe the review and documentation process. Those procedures were not followed. This error appears to be a result of a rush by the agency to serve the public's housing needs after the disaster and excessive workload in a brief time period. Staff clearly understands the regulations and applications. However they are unable to immediately and thoroughly review the volume of necessary environmental documentation within• management imposed time frames. This finding can be cleared by the same actions to address Concern #1, which is presented later in this letter.

Status: 08/29/08 - TDHCA certifies that it has complied with the requirements of the laws and authorities of 24 CFR 58.5, as applicable, and considers the criteria, standards, policies and regulations associated with these laws and authorities to the best of its abilities.

TDHCA hired a temporary employee on July 1, 2008 to provide support to staff. The employee is currently being trained on the environmental review process, specifically on providing site-specific environmental clearance. The employee has a background in housing and has past experience with FEMA that has resulted in adeptness at mapping, in particular floodplain and firmette mapping.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
507	08/01/08 HUD	HUD's Monitoring Report on CDBG Disaster Funds Management Review of the Department's CDBG Supplemental Disaster Funds.		08/29/08	

Division: CDBG

Issue: Finding Eight: Environmental Assessment

The State, as Responsible Entity (RE), is obligated to prepare an Environmental Assessment (EA) in accordance with 24 CPR 58.4, 58.10, and 58.36 for projects which are neither exempt nor categorically excluded.

In the EAs reviewed for Brittany Place Homes II, the project at Ray Avenue & Hwy 73 and Gulf Breeze I and II, the State did not provide adequate compliance with both NEPA and HUD regulatory requirements to evaluate alternatives to the project, and to recommend modifications to minimize adverse effects of a project. These EAs failed to document the identification, consideration, or evaluation of alternatives or modifications to the projects. In addition to the required "No Action" alternative, EAs must consider other alternatives including scope, location, design and materials.

TDHCA currently has operating procedures that correctly describe the EA process, including the assessment of alternatives. This error appears to be a result of new personnel, a rush to serve the public in need of housing after the disaster and an excessive workload. In part due to training for the new personnel, staff clearly understands the regulations and applications, but is unable to immediately and thoroughly review the volume of necessary environmental documentation. To clear this Finding, submit all environmental assessments that support future RROFs for multifamily projects. HUD will notify TDHCA when this procedure is no longer needed based on a pattern of acceptable submissions.

Status: 08/29/08 - TDHCA prepared and submitted two multifamily environmental assessments to the Fort Worth HUD office for review on August 19, 2008. The EAs were for Pointe North contract no. 7060006 and Orange/Navy contract no. 7060007. TDHCA has been working with HUD on both projects to address any noted deficiencies.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
508	08/01/08 HUD	HUD's Monitoring Report on CDBG Disaster Funds Management Review of the Department's CDBG Supplemental Disaster Funds.		08/29/08	

Division: CDBG

Issue: Finding Nine: Dissemination of Public Notice Not Properly Documented

The State's distribution of copies of its public notices to interested parties is required, but was not observed on any of the projects reviewed. The Notice of Intent to Request Release of Funds (RROF) and the Notice of Finding of No Significant Impacts, per 24 CFR 58.43 and 24 CFR 58.70 (on a combined Notice), must be distributed to the local news media; individuals and groups known to be interested in its activities; appropriate local, state, and Federal agencies; the Headquarters and the appropriate Regional Office of the Environmental Protection Agency; and to the HUD Area Office. These Notice distribution requirements are in addition to publishing the Notice in a newspaper of general circulation.

TDHCA currently has operating procedures that correctly describe the dissemination of the public notice process. Future RROFs must attach the dissemination list used so that HUD may verify that the proper public notice dissemination occurred.

Status: 08/29/08 - TDHCA requested proof of notification related to the two projects listed in the response to Finding 8 and forwarded these items to HUD Fort Worth with the EA documents on August 19, 2008 for review

Additionally, TDHCA will require subrecipients provide the dissemination list with all future RROFs to demonstrate compliance and has incorporated this addition as part of the environmental training process.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
509	08/18/08 SAO	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA Review of the Department's processes of managing Program bond payments, interest rate swaps, mortgage payment receipts, and expenditures from Sept 1, 2005 to Jan 31, 2008	Px Px Ix	08/18/08 11/07/08 1/21/09	03/31/09 03/31/09

Division: Bond Finance

Issue: Chapter 1-A: The Department Could Improve Its Monitoring of Program Cash Flows and Its Program Master Servicer and Trustee

The Department should improve its monitoring of cash flows by:
- Expanding its mortgage-backed security purchase reconciliation process to include verification of pool purchases by individual mortgage principal amounts.
- Reconciling mortgage payment data and bond redemption schedules received from Countrywide and The Bank of New York Mellon Corporation to ensure that Program bonds are redeemed timely.
- Developing a risk-based compliance monitoring process of its master servicer to ensure all Program requirements are met.
- Document its current policies, procedures, and control processes for issuing Program bonds.

Status: 01/21/09 - Bond Finance has developed and implemented Standard Operating Procedures for issuing single family bonds.

11/7/08- TDHCA plans to conduct a compliance-related audit of loans funded in FY2008 before March 31, 2009. Bond Finance has developed Standard Operating Procedures for issuing single family bonds. The Standard Operating Procedures are currently being routed for approvals.

08/18/08 - The Department agrees to implement these recommendations as follows:
The Department intends to reconcile the individual loan pools purchased to the principal amounts of the underlying mortgages to ensure pool purchase prices are accurate. To accomplish this, the Department anticipates contracting with an independent third party provider to perform program monitoring responsibilities.

In April 2008, a process was implemented to compare pool level repayment data provided by Countrywide to the financial data reported by Bank of New York on a monthly basis. To date, no discrepancies have been found. Additionally, effective June 2008, the semi annual Bank of New York supplemental payment schedules were reconciled to actual cash receipts for the previous six month period. The Department will continue these reconciliations semiannually.

In order to supplement and enhance the current agreement with Countrywide to perform a tax compliance review on each loan, the Department proposes to develop a risk-based compliance monitoring process of its Master Servicer in conjunction with an independent third party provider. The Department also intends to consolidate documentation on its current policies, procedures, and control processes by preparing a Standard Operating Procedure for issuing bonds.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
510	08/18/08 SAO	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA Review of the Department's processes of managing Program bond payments, interest rate swaps, mortgage payment receipts, and expenditures from Sept 1, 2005 to Jan 31, 2008	Px Px Ix	08/18/08 11/07/08 01/21/09	09/30/09 02/05/09

Division: Bond Finance

Issue: Chapter 1-B: The Department Should Strengthen Its Policies and Procedures to Minimize Risks Associated with Interest Rate Swaps

The Department should improve its documented swap polices. The Department's documented policies for swaps address many significant issues related to the risks of swaps. However, the Department could improve its current policies by addressing other swap issues, including:

- Forward-starting swaps
- Fixed notional value swaps and declining notional value swaps
- Knock-out options

The Department should improve its monitoring of the fair values of its swaps. The Department does not have an internal process to monitor and validate the fair value of its swaps, which is disclosed in the notes to its financial statements. As a result, it cannot adequately evaluate the accuracy of the swap valuations received from its financial advisors. The Department should also ensure it complies with its recently adopted policy requiring diversification of swaps.

The Department should:

- Improve its written swap policies to:
- Address the allowable and unallowable uses of forward-starting swapsby defining the allowable duration and amount of such swaps.
- Establish parameters for the use of fixed notional value and declining notional value swaps.
- Establish parameters for the use or prohibition of knock-out options.
- Develop, document, and maintain a methodology to calculate and monitor the fair values and termination values of interest rate swaps.
- Implement, as soon as feasible, its recently adopted policy to diversify its interest rate swaps among various financial institutions for future swaps.

Status: 01/21/09 - Bond Finance will present amendments to TDHCA's Interest Rate Swap Policy at the February 2009 Board Meeting

11/7/08 - Bond Finance will present amendments to TDHCA's Interest Rate Swap Policy at the January 2009 Board Meeting. TDHCA maintains calculations and supporting documentation for each quartely market analysis performed by the Swap Financial Group. TDHCA will diversify swap counterparties when negotiating new swap contracts.

08/18/08 - The Department agrees to amend its Interest Rate Swap Policy by:

- Addressing the allowable and unallowable uses of forward-starting swaps by defining the allowable duration and amount of such swaps.
- Establishing general parameters for the use of fixed notional value and declining notional value swaps depending on transaction structure and the appropriateness of either type of swap.
- Establishing general parameters for the use of knock-out options, however under current market conditions it is not the intention of the Department to use knock-out options.

The Department agrees to:

- Develop, document, and maintain a methodology to calculate and monitor the fair values and termination values of interest rate swaps. In October 2005, the Department selected an independent third party advisor, Swap Financial Group, as its Interest Rate Swap Advisor & Consultant to primarily be responsible for duties and services necessary or advisable for monitoring and managing risks associated with TDHCA's interest rate swaps. Swap Financial Group will continue to provide quarterly fair values and termination values, however the Department will actively work to document the methodology for each calculation.
- Diversify swap counterparties as directed by the current swap policy, which was revised in January 2008. To date, no additional swap contracts have been negotiated.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
511	08/18/08 SAO	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA Review of the Department's processes of managing Program bond payments, interest rate swaps, mortgage payment receipts, and expenditures from Sept 1, 2005 to Jan 31, 2008	Px Px	08/18/08 11/06/08	11/30/08 11/30/08

Division: Financial Administration - Financial Services

Issue: Chapter 2: The Department Effectively Uses Program Funds as Required by Bond Indentures and Contracts; However, It Should Develop a Process to Track and Allocate Administrative Costs for the Program

Although the Program expenditures recorded by the Department are reasonable and generally necessary, it could improve its monitoring of the use of Program funds. The Department does not have a formalized methodology to distribute indirect administrative costs to the Program. The Department does have a federally approved cost allocation plan that it uses to allocate administrative overhead costs to federal grants and contracts. However, it does not identify and allocate administrative costs to the Department's nonfederal programs.

The Department does not track Program administrative expenses that are shared with other divisions. Additionally, the Department lacks a documented allocation schedule or formal process to identify and allocate all appropriate Program costs. All Program costs should be accurately identified and tracked, including administrative overhead costs. This would allow the Department to determine whether Program funds transferred to the Department for administration costs are insufficient or excessive.

At auditors' request, the Department prepared its best estimate of fiscal year 2007 administrative costs for both the Program and the Residential Mortgage Revenue Bond Program. Based on this estimate, the Department's total cost to administer these programs for fiscal year 2007 was $2.17 million. The Department may have undercharged these programs by a total of $50,000 for administrative overhead costs during fiscal year 2007. This indicates a need to develop a methodology to allocate costs to the Program.
The Department should:

- Develop and document a cost allocation methodology that includes appropriate allocations to the Program.
- Ensure that reimbursements of administrative costs from Program funds do not exceed actual costs.

Status: 11/06/08 - The Department's cost allocation methodology has been defined and has been incorporated into the agency budget and accounting system. The Financial Services section is in the process of developing standard operating procedures to document the methodology for allocating costs to ensure that the reimbursement of administrative costs does not exceed actual costs.

08/18/08 - The Department concurs with the recommendation to develop and document a cost-allocation methodology for allocating program funds and to periodically evaluate administrative Program costs to ensure that the reimbursement of administrative costs does not exceed actual costs.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
512	08/18/08 SAO	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA Review of the Department's processes of managing Program bond payments, interest rate swaps, mortgage payment receipts, and expenditures from Sept 1, 2005 to Jan 31, 2008	Px Px Ix	08/18/08 11/08/08 01/21/09	11/30/08 11/30/08

Division: Information Systems

Issue: Chapter 3-A: The Department Has Not Configured Its Internal Accounting System to Maintain Audit Trails

Although the Department controls access to the MITAS System through the use of user logins and passwords, it has not enabled the audit trail feature in the MITAS System. Without audit trails, the Department cannot consistently identify who created a transaction or changed data or when the activity occurred. This weakness may hinder any Department efforts to identify and resolve the source of errors or unauthorized changes to its data. If unauthorized changes are made, it may limit the Department's ability to identify the source of the change and accurately reconcile Program funds. The Texas Administrative Code requires agencies to maintain appropriate audit trails based on a documented security risk assessment.

The Department should perform a risk assessment to determine whether it should enable the audit trail function in the MITAS System and implement the resulting decision.

Status: 01/21/09 - The department completed the MITAS risk assessment on November 24, 2008, and implemented the resulting audit trail decisions.

11/08/08 - The Department is currently performing the Mitas risk assessment and expects to be complete with it and associated audit trail decisions by November 30, 2008. The Department has reconfigured the current server environment to allocate disk space for any required system logging, based on the risk assessment

08/18/08 - The Department agrees with the recommendation and will perform a risk assessment to decide whether it should enable the MITAS audit trail function.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
513	08/18/08 SAO	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA Review of the Department's processes of managing Program bond payments, interest rate swaps, mortgage payment receipts, and expenditures from Sept 1, 2005 to Jan 31, 2008	Px Tx Ix	08/18/08 11/08/08 01/21/09	11/30/08 11/30/08

Division: Information Systems

Issue: Chapter 3-B: The Department Lacks Detailed, Written Password Policies and Procedures

The Department uses adequate password parameters to ensure the use of "strong" passwords. However, the Department could improve its overall password controls by updating its documented information technology policies to reflect its current password criteria and other detailed password procedures. A detailed written policy should include:

- A prohibition against the use of recently used passwords.
- The Department's criteria for the minimum age of passwords before they can be changed, as well as the minimum password length and complexity.
- A maximum password age, requiring all passwords to be changed on a regular basis

In addition, the Department uses shared passwords to access certain restricted information in the MITAS System and does not consistently enforce its policy requiring shared MITAS System passwords to be changed at least every six months. Because of the use of shared passwords, the Department cannot identify the users who access the screens and alter the data. Furthermore, the Department's policies do not address who should be granted access to these password protected screens or the assignment of passwords. Implementing a role-based access system would more effectively protect the MITAS System. A role-based access system restricts access to users based on their job functions, with permissions assigned to specific roles.

The Department should:

- Update its written policies to document current password parameters and procedures.
- Establish role-based access to the MITAS System and eliminate the use of shared passwords.
- Ensure that users comply with its policy requiring shared MITAS System passwords to be changed at least every six months if the Department continues the use of shared passwords.

Status: 01/21/09 - On November 24, 2008, the Department updated TDHCA Standard operating Procedure 2264.31, "Mitas Security" with a policy requiring that the limited number of system users with access to password-protected functions and fields within screens performed associated password changes only at their workstations for tracking purposes.

11/08/08 - The Department has updated TDHCA Standard Operating Procedure (SOP) 1264.01, "User Accounts and Network Access," with written policies to document password parameters and procedures. The Department has consulted with the MITAS vendor regarding password-protected functions and fields within screens, and the vendor has confirmed that these password-protected features cannot be removed. Because of this, the Department will establish a policy requiring that the limited number of system users with access to these passwords perform changes only at their workstations for tracking purposes.

08/18/08 - The Department agrees to implement the recommendations by:

- Updating TDHCA Standard Operating Procedure (SOP) 1264.01, "User Accounts and Network Access," with additional policies to state the password parameters that are already systematically enforced for network accounts through Windows domain settings.
- Eliminating the use of shared passwords in MITAS and establishing rolebased access to the system screens that currently require a shared password, which will also eliminate the need for the policy requiring shared MITAS passwords to be changed every six months.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
514	08/18/08 SAO	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA Review of the Department's processes of managing Program bond payments, interest rate swaps, mortgage payment receipts, and expenditures from Sept 1, 2005 to Jan 31, 2008	Px Px Ix	08/18/08 11/08/08 01/23/09	11/30/08 11/30/08

Division: Information Systems

Issue: Chapter 3-C: The Department Has Not Conducted a Security Risk Assessment Since 2005

Title 1, Texas Administrative Code, Section 202.25 recommends that state agencies adopt 24 security policies and other information technology security controls based on a documented security risk assessment. The Department performed an agency-wide risk assessment in 2005, including an assessment of the security over information systems and its controls over high-impact information system processes. The Department reviewed the controls over these high impact information system processes again in 2006. The Department did not document its reasons for not implementing an information security control and eight of the policies recommended in 1 TAC 202.25. Auditors communicated details of these system security weaknesses to Department management. The Department could improve its information technology security by conducting a security risk assessment and addressing any weaknesses it identifies.

The Department should perform, document, and implement (as appropriate) a security risk assessment.

Status: 1/23/09 - On January 23, 2009, the Department completed an updated security risk assessment which addresses controls listed in Title 1, Texas Administrative code, Section 202.25. The risk assessment documents existing and recommended information security policies and other controls and established a target date for implementing each recommendation.

11/08/08 - The Department is in the process of performing an updated security risk assessment, which addresses controls listed in Title 1, Texas Administrative Code, Section 202.25.

08/18/08 - The Department agrees with the recommendation and has created a security policy upgrade plan which includes the step of performing an updated security risk assessment.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
515	08/18/08 SAO	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA Review of the Department's processes of managing Program bond payments, interest rate swaps, mortgage payment receipts, and expenditures from Sept 1, 2005 to Jan 31, 2008	Px Ix	08/18/08 11/08/08	

Division: Information Systems

Issue: Chapter 3-D: The Department Does Not Conduct Tests of Its Disaster Recovery Plan in a Timely Manner

The Department conducted a test of its disaster recovery plan in June 2008. Prior to that time, the Department had not conducted a complete test since January 2006. Title 1, Texas Administrative Code, Section 202.24, and Department policy requires an annual test of the disaster recovery plan. Conducting timely tests of its disaster recovery plan can help the Department decrease its risk of losing data in the event of a disaster and ensure that the Department's mission-critical functions can be resumed as quickly as possible.

The Department should conduct a test of its disaster recovery plan at least annually and when major changes are made to the plan.

Status: 11/08/08 - The Department will conduct complete tests of its disaster recovery plan on an annual basis and when major changes are made to the plan

08/18/08 - The Department agrees with the recommendation and will conduct complete tests of its disaster recovery plan on an annual basis and when major changes are made to the plan.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
516	08/18/08 SAO	Audit of the Single Family Mortgage Revenue Bond Program at TDHCA Review of the Department's processes of managing Program bond payments, interest rate swaps, mortgage payment receipts, and expenditures from Sept 1, 2005 to Jan 31, 2008	Px Px Px	08/18/08 11/07/08 01/21/09	10/31/08 08/31/09 08/31/09

Division: Bond Finance

Issue: Chapter 4: The Department Does Not Include Statutorily Required Language in All Program Contracts

The Program's contracts do not contain the statutorily required language granting the State Auditor's Office audit authority and access to records. Contracts that do not contain this statutorily required language may limit the State's ability to provide effective oversight of contract terms, contractors, and the use of state funds. Access to records is an essential element of auditing. These contract language requirements were effective as of September 1, 2003.

The Department should comply with statutory requirements by:

- Amending all current contracts to include terms granting the State Auditor audit authority and access to records.
- Including in all future contracts terms granting the State Auditor audit authority and access to records.

Status: 01/21/09 - Amend existing contracts as they are renewed.

11/07/08 - Existing contracts will be amended when they are renewed and all future contracts will contain the language to allow the State auditors office authority and access to records.

08/18/08 - The Department agrees to comply with statutory requirements relating to program contracts. The Department will review and amend all contracts to include terms granting the State Auditor audit authority and access to records as contracts are renewed.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
520	11/25/08 IA	Internal Audit Report on the OCI's Bootstrap program Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstrap Loan Program for program years 2006, 2007 and 2008 to date.	Px Px	11/25/08 01/21/09	 01/30/09

Division: Office of Colonia Initiatives

Issue: Chapter 1-A
The Department Should Ensure Two-Thirds of Bootstrap Funds are Set Aside for Properties Located in Counties Eligible for Financial Assistance

Since November 2007, $3,970,755 in Bootstrap loans has been committed and partially spent. Of this amount, $858,590 has been for properties located in the 41 counties eligible for financial assistance. This does not completely comply with Section 2306.752(d) of the Government Code which states, "(a)t least two-thirds of the dollar amount of loans made under this subchapter in each fiscal year must be made to borrowers whose property is located in a county that is eligible to receive financial assistance under Subchapter K, Chapter 17, Water Code." Of the $6.5 million in Bootstrap funding for program year 2008, two-thirds, or $4.3 million, is designated for the counties eligible for financial assistance under the Water Code. Of this two-thirds amount, $2.4 million has been obligated to and/or spent in counties which are not eligible under the Water Code.

The Department should:
• ensure that two-thirds of the available Bootstrap loan funding is set aside for counties eligible for financial assistance under the Water Code, and
• establish a method by which the list of counties eligible for assistance is regularly updated to ensure compliance with the statute.

Status: 01/21/09 - On October 27.2008 the Department mailed the attached letter to all NOHPs notifying them of the updated EDAP Determination. Last week TWDS Attorney Joe Reynolds stated that he will forward by email updates as they occur. OCI staff will also follow-up on a quarterly basis to ensure it obtains all updates. SOPs will be updated to reflect this process.

11/25/08 - The Department will improve its procedures and tracking methods to ensure that two thirds of awards are located in counties eligible to receive financial assistance and that the counties eligible for the two-thirds set-aside are regularly updated. Management initially relied on faulty information, but has corrected this information and agrees that the current process is appropriate.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
521	11/25/08 IA	Internal Audit Report on the OCI's Bootstrap program Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstrap Loan Program for program years 2006, 2007 and 2008 to date.	Px Px	11/25/08 01/21/09	 02/15/09

Division: Office of Colonia Initiatives

Issue: Chapter 1-B: The Total of All Loans for Bootstrap Homes Should Not Exceed the $60,000 Limit Set By Statute

Statute limits the amount of funding for Bootstrap loans to $30,000 for the Department's loan and an additional $30,000 for all other sources of funding. Some non-profit owner-builder housing providers obtain additional funding above the $60,000 total allowed by statute in the form of other loans, usually forgivable loans. Even though these loans are forgivable and in most cases are not expected to be re-paid, according to the Department's legal division, they are loans and not grants if they are secured through a lien on the property. As a result, they should still be considered as part of the $60,000 limit for the total of all loans. In some instances, loans are listed as forgivable; however, there is no provision in the note or the warranty deed that states the debt is forgivable.

The Department should:
• Fully comply with the $60,000 limit for all loans made under the Bootstrap Loan Program unless the legislature makes a change in statute to either raise the $60,000 limit, or to specify that forgivable loans are grants, even if they result in a lien on the property, and
• Ensure all additional loans are documented in the loan file, and in those instances where lenders provide a forgivable loan, ensure the provision is also documented.

Status: 01/21/09 - OCI will continue to follow Program Rules and Statutes to ensure compliance. NOHPs are required to complete Form 3 listing all lien holders, lien positions and lien amounts. In addition OCI now provides the legal department copies of all loan documents associated with the Department's loans prior to funding to ensure compliance. SOPs will be updated to reflect this process. OCI will continue to ensure that copies of all Notes and Deed of Trust are obtained and reviewed prior to funding. In addition the Department's Legal Department will review all loans prior to funding to ensure compliance. SOPs and Program Manual will be updated to reflect this process.

11/25/08 - Management understands and has fully considered the legal interpretation and the auditor's point of view but feels it is justified in continuing the program allowing for a deferred forgivable loan in addition to $60,000 loans per transaction based on the statutory definition of a deferred forgivable loan. The Department will make sure that processes ensure that all loan files are documented accordingly.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
522	11/25/08 IA	Internal Audit Report on the OCI's Bootstrap program Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstrap Loan Program for program years 2006, 2007 and 2008 to date.	Px Px	11/25/08 01/21/09	01/31/09 02/28/09

Division: Office of Colonia Initiatives

Issue: Chapter 1-C :Bootstrap Loan Funds and Payments Should Be Tracked and Re-Allocated as Required By Statute

The Government Code requires the Department to establish an owner-builder revolving loan fund for the sole purpose of funding Bootstrap loans. The Department is required to transfer at least $3 million each fiscal year to the owner-builder revolving loan fund and to deposit money received in repayment of a Bootstrap loan to the fund. Although at least $3 million has been allocated to the Bootstrap Loan Program as required, the Department does not maintain the funds set aside for the Bootstrap Loan Program in a separate fund, nor are the re-payments made on Bootstrap loans specifically allocated back to the program. In addition, when Bootstrap funds are unspent and deobligated, the funds are moved into the Housing Trust Fund and could potentially be reallocated to another of the Department's programs. In program years 2006/2007, $3.2 million in Bootstrap funds were de-obligated.

The Department should:
- Develop a methodology to track Bootstrap Loan Program funds, loan payments and de-obligated funds, and
- Ensure that all re-payments made on Bootstrap loans are used to fund the Bootstrap Loan Program.

Status: 01/21/09 - OCI will monitor on a monthly basis the Housing Trust Fund Report provided by Financial Administration. Financial Administration will create a total of four accounts to track loan repayments and deobligated funds. To track repayment funds they will create two accounts for local funds and general revenue funds and for deobligated funds they will also create two accounts for local funds and general revenue fund

11/25/08 - Management will work with the Financial Administration Division to ensure Bootstrap funds are accounted for separately and that Bootstrap loan payments are recycled by the Program.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
523	11/25/08 IA	Internal Audit Report on the OCI's Bootstrap program Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstrap Loan Program for program years 2006, 2007 and 2008 to date.	Px Px	11/25/08 01/21/09	 01/30/09

Division: Office of Colonia Initiatives

Issue: Chapter 2-A
Bootstrap Loans Sometimes Result in the Department Taking a Subordinate Lien Position

The Government Code does not require the Department to place a lien against a home financed under the Bootstrap Loan Program. However, if a lien is placed, the Department must take the primary lien position if the amount of the Department's loan is greater than the amount of the other (leveraged) loan.

Also, Texas Administrative Code states that “the Department may accept a parity or subordinate lien position if the leveraged loan is greater or equal than the Department's loan. However liens related to other subsidized funds provided in the form of grants and non-amortizing loans, such as deferred payment or forgivable loans, must be subordinated to the Department's loan." Not all Bootstrap loans are in compliance with this requirement. The Department discovered this recently and began enforcing this requirement for all new loans in November 2007.

The Department should:
- Ensure that all future Bootstrap loans comply with the Texas Administrative Code regarding lien position relative to other loans,
- Consider whether the Department is willing to give up first lien position for an amount as low as forty-seven cents, and
- Determine whether amendments should be made to the Texas Administrative Code to further specify the Department's intent regarding lien position.

Status: 01/21/09 - OCI will continue to follow Program Rules and Statutes to ensure compliance. NOHPs are required to complete Form 3 listing all lien holders, lien positions, and lien amounts. In addition the Department's Legal Department will review all loans prior to funding to ensure compliance. SOPs will be updated to reflect this process. Currently there are no provisions that restrict the amount of lien. OCI will route memo for Executive Director's signature clarifying the Department's current policy regarding lien position and amounts. Program Rules are clear that TDHCA cannot subordinate to a lesser loan.

11/25/08 - As of November 2007, the Department does not allow a greater lien position to a lender with a lesser amount, while the loan amounts are close to provide the maximum amount of financing available. A large number of administrators with this program have provisions that do not allow any other lien position other than a first lien position and therefore the alternatives are to either not allow the program to proceed or accept a statutorily correct lien positioning that is close in amount. Management will monitor this issue closely during the legislative session.

This practice assists the Department in meeting its Rider 5 requirement of the General Appropriation Act to provide funds to families with incomes of 30% and below.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
524	11/25/08 IA	Internal Audit Report on the OCI's Bootstrap program Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstrap Loan Program for program years 2006, 2007 and 2008 to date.	Px Px	11/25/08 01/21/09	11/30/08 02/28/09

Division: Office of Colonia Initiatives

Issue: Chapter 2-B: All Bootstrap Loans Should Be Monitored Prior to Closing

For interim construction and residential construction loans, the program staffs are required to make an on-site visit to inspect the houses at 40%, 80% and 100% of completion. When the non-profit owner-builder housing provider uses purchase money loans to fund their Bootstrap houses, the houses may not ever be seen by the border field officers or by any Department staff. The non-profit owner-builder housing providers are instead required to provide an appraisal and an inspection report from a licensed inspector or a certificate of occupancy if the home is located inside the city limits.

In four of 33 files tested (12%) the appraisal document was missing or was for a different address with a similar floor plan. In some instances, one appraisal is used for several homes on the same street if the homes have the same lot size and floor plan. However, the lot size and floor plan were different in this case.

In reviewing 45 open loan files at the border field offices and testing an additional 14 files for closed loans, it was difficult to determine if the border field officers were monitoring these homes because 48 of these 59 loans (81%) were purchase money loans and there was insufficient evidence of monitoring activities documented in the files. When reviewing the open loan files, it was not always readily apparent when some activity such as a loan approval, a change of address, monitoring visit, or inspection occurred. In addition, we visited a sample of 64 Bootstrap homes in the areas supervised by the three border field offices. We found one property with an old, inhabitable dwelling that was not torn down before the loan closed (prohibited by the program rules), and seven homes where the addresses in the system used to electronically track these loans did not match the location of the actual house.

In some cases, we asked the staff for an explanation of a discrepancy, which then resulted in additional research, or a call to the non-profit to obtain an answer. Documenting events in a log would help ensure that anyone who looked at the file would be able to determine the current status of the loan and easily identify any significant changes to the file.

Each Bootstrap home funded by the Department should be viewed at least once prior to closing by an employee of the Department and the process should be documented in the loan file.

Each Bootstrap loan file should contain an activity sheet or chronological log that the staff can use to document significant changes to the file.

Status: 01/21/09 - The Department will continue to require an improvement survey, a certificate of occupancy, and/or a third-party inspection in addition to an appraisal report. In addition the Department will also require the owner-builder applicant to sign an affidavit of occupancy at closing stating that the home being purchased will be their primary residence. Affidavit of Occupancy will be attached to the Appraisal Report. Program Manual and SOPs will be updated to reflect this requirement. History sheets have been supplied to all OCI staff originating Bootstrap Loans. SOPs will be updated to reflect this process.

11/25/08 - The Department is required to balance the risk associated with certain practices with the administrative burden and expense of mitigating that risk. Management will look to a mechanism—either homeowner sign-off for final construction and address, staff physical review and/ or photographic evidence coordinated with an appraisal to demonstrate finished construction and ensure that the address is accurate.

Management agrees each Bootstrap Loan File should contain an activity sheet or chronological to document significant changes to the file. Standard Operating Procedures will be revised to include this activity sheet.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
525	11/25/08 IA	Internal Audit Report on the OCI's Bootstrap program Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstrap Loan Program for program years 2006, 2007 and 2008 to date.	Px Px	11/25/08 01/21/09	11/30/08 01/30/09

Division: Office of Colonia Initiatives

Issue: Chapter 2-C: Bootstrap Loans Should More Fully Comply With the Program Rules

We reviewed a total of 19 open and 14 funded loan files for thirty-four different requirements found in statute, the Department's rules or the Bootstrap Loan Program Manual. We found that in 6 of the 33 files tested (18%) the loans exceeded 95% of the appraised value of the home, or there was not an appraisal in the file with which to determine the loan-to-value ratio.

In addition, we noted several instances where loan files indicated that the applicant or homeowner exceeded the debt-to-income ratio allowed by the Texas Administrative Code rules.

We found that some of the files in our testing population were also missing other documentation, especially for the open loans. However, once a loan is ready to be closed, it undergoes review by several different divisions of the Department and any missing documents are generally obtained.

Each Bootstrap file should contain the required information such as appraisals, calculations of loan-to-value ratios, and debt-to-income ratios. Program rules should be followed relative to the loan-to-value ratios and debt-to-income ratios.

Status: 01/21/09 - The underwriting summary from Mitas will be placed in each loan file to address debt-to-income ratio calculations and loan-to-value ratios. SOPs will be updated to reflect this process. Direct Lending Officer will underwrite Program Loans originated by BFOs and OCI Director and/or Manager will underwrite Program Loans originated by Direct Lending Officer to ensure compliance. SOPs will be updated to reflect this process.

11/25/08 - Management acknowledges inconsistencies in the Mitas System and implemented standard operating procedures in November 2007 to ensure that accurate data is entered into the Mitas System in a uniform manner.

The 95% loan-to-value ratio is a relatively new directive. It was intended to only be applied to loans originated under the 2008 Texas Bootstrap Loan Program Manual.

The Department did not require appraisal reports until Program Year 2006; at that time a 100% loan-to-value ratio was required. Prior to Program Year 2006 it was the nonprofit organizations' responsibility to ensure sufficient equity.

Management will review and revise its Standard Operating Procedures to more thoroughly document the recommendations in regards to the debt-to-income ratios and loan-to-value ratios.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
526	11/25/08 IA	Internal Audit Report on the OCI's Bootstrap program Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstrap Loan Program for program years 2006, 2007 and 2008 to date.	Px Nx	11/25/08 01/21/09	11/30/08

Division: Office of Colonia Initiatives

Issue: Chapter 3 :The Reservation System Has Increased the Use of Bootstrap Funds, But Unspent Funds From Prior Contracts Should be De-obligated

Since September 2007, the reservation system used for the Bootstrap Loan Program has resulted in a more efficient process for distributing Bootstrap loan funds to non-profit owner-builder housing providers.

The remaining unused Bootstrap funds should be de-obligated as soon as the old contracts expire.

Status: 01/21/09 - Three contracts currently remain open under prior award methods. Two contract will be closed within the next 60 days. OeI will continue to monitor remaining contract.

11/25/08 - Management agrees and will continue to monitor all balances to ensure funds are expended or de-obligated in a timely manner.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
527	11/25/08 IA	Internal Audit Report on the OCI's Bootstrap program Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstrap Loan Program for program years 2006, 2007 and 2008 to date.	Px Px	11/25/08 01/21/09	01/31/09 06/01/09

Division: Office of Colonia Initiatives

Issue: Chapter 4-A: The Bootstrap Loan Program Appropriately Certifies Non-Profit Owner-builder Housing Providers, but Improvements Should Be Made to More Closely Comply with Statutes

One requirement of the certification process requires the Department to verify the organizations' capacity to administer the Bootstrap Loan Program. To demonstrate this, the organization must provide an unqualified opinion on its financial statements from a Certified Public Accountant (CPA), or a signed, notarized affidavit from the organization's executive director. In addition, the organization must show that they have administered activities similar to those carried out through the Bootstrap Loan Program, or show at least one year of service to the community which they intend to serve. In two of the ten certification files tested (20%), we found neither an unqualified CPA opinion nor a signed, notarized affidavit regarding the organizations' financial statements. In addition, the organizations were newly formed Habitat for Humanity branches that did not demonstrate the required year of service to the community. It appears the affiliation with the national Habitat for Humanity organization was used to determine their capacity; however, this was not documented in the certification files.

The Texas Administrative Code requires that organizations submit a signed, notarized affidavit from the executive director declaring that the organization is structured as required; however, the required structure is never defined in the Code. As a result, organizations are required to submit an affidavit, but there are no requirements to declare anything in that affidavit. The Department's Community Housing Development Organization (CHDO) rules were used to develop the rules governing the certification of non-profit owner-builder housing providers for the Bootstrap Loan Program, and this section was not eliminated when writing the Department's rules.

The Department should:
- Ensure that organizations applying to be certified as an non-profit owner-builder housing provider submit an unqualified opinion by a CPA or a signed, notarized affidavit from the executive director certifying that the organization's accounting records conform to the standards of financial management systems as required.
- Request changes to the Texas Administrative Code to eliminate the organizational structure requirement, and then amend the certification checklist to eliminate the organizational structure and public comment sections.

Status: 01/21/09 - Direct Lending Officer will conduct an initial review of all NOHP Certification Applications submitted and make recommendation to OCI Director and/or Manager. OCI Director and/or Manger will review all NOHP Certification Applications and make final recommendation. SOPs will be updated to reflect this process. Program Rules will be updated.

11/25/08 - Management agrees with recommendations and will institute the changes.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
528	11/25/08 IA	Internal Audit Report on the OCI's Bootstrap program Review of the processing and monitoring functions of the Office of Colonia Initiatives' Bootstrap Loan Program for program years 2006, 2007 and 2008 to date.	Px Px	11/25/08 01/21/09	11/30/08 02/28/09

Division: Office of Colonia Initiatives

Issue: Chapter 4-B: Improvements Are Needed to Better Align the Bootstrap Manual with the Texas Administrative Code Rules and the Loan Origination Agreement

There are three items in the Texas Administrative Code and 13 additional items in the loan origination agreement between the Department and the non-profit owner-builder housing providers that are not covered in the manual.

The following rules in the Texas Administrative Code are not found in the manual:
- Non-profit owner-builder housing providers are prohibited by rule from using Bootstrap loan funds to pay delinquent property taxes or related fees or charges on properties.
- A first year consultation agreement is defined in the rules, but not addressed in the manual.
- A conflict of interest provision is defined in the rules, but is not found in the manual.

In addition, there are 13 additional items included in the loan origination agreement that are not covered in the manual. Five items involve standard contract language including: a prohibition against using program funds for political activities, sectarian activities, and to purchase alcohol, a reminder that the Department is subject to open records requests, and a statement informing the non-profit owner-builder housing providers that they must notify the Department if they become the subject of any legal action involving activities associated with the loan origination agreement.

Other missing items involve the direct administration of the Bootstrap Loan Program. These items include:
- The nine instances by which the Department can involuntarily terminate the agreement with the non-profit owner-builder housing providers,
- Language requiring the non-profit owner-builder housing providers to refund any funds that the Department subsequently determines resulted from an overpayment,
- Performance benchmarks and milestones required of the non-profit owner-builder housing providers,
- Requirements of the non-profit owner-builder housing providers in accounting for the program funds,
- Reporting requirements of the non-profit owner-builder housing providers as it relates to the program,
- Requirements for retention and accessibility of records,
- Certification that the non-profit owner-builder housing providers will not employ undocumented workers, and
- Requirements for the non-profit owner-builder housing providers to modify any reservation of funds submitted for a Bootstrap loan.

The Department should ensure that all requirements of the Bootstrap Loan Program are included in the program manual, and continue to periodically update the manual to include any changes in program requirements.

Status: 01/21/09 - OCI will update Program Manual and add Loan Origination Agreement as an exhibit to the Program Manual. Currently Program Rules and Statutes are included in Program Manual.

11/25/08 - Both Program Statutes and Rules are currently part of the Program Manual that is distributed to the nonprofit organizations participating in the Bootstrap Program.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
529	12/19/08 IA	Internal Audit Report on the OCI's Self-Help Center program Review of the draw processing and desk review procedures performed by the border field staff for the self-help centers for program years 2007 and 2008 to date.	Px Px	12/19/08 01/21/09	01/30/09 02/28/09

Division: Office of Colonia Initiatives

Issue: Chapter 1-A
Draw Requirements Should Be Established and Met Prior to Approving Payments

Draws submitted by counties and reimbursed by the Department are not adequately supported or in compliance with federal cost principles. At least one issue was identified in each of the 12 draws tested that should have prevented the Department from reimbursing the expenditures. The process for reviewing the draw requests and supporting documentation is not adequate.

The Department has not developed minimum documentation requirements for counties to use when submitting draw requests. The majority of expenditures reimbursed for rehabilitation, public service, reconstruction, and special needs were supported only by employees' timesheets. There was no documentation of the work performed by the employee during the hours charged to the contract activities. In addition, some of these timesheets were changed after the employee signed them.

Draws submitted for reimbursement of rehabilitation expenditures are not supported by work write-ups, income eligibility documentation, proof and length of ownership, documentation of property taxes paid prior to assistance, insurance requirements, home inspections, itemized invoices for material and supplies, or details of the work performed.

The following issues were also identified in the draws we reviewed:
- Draw documentation is not consistently date stamped when received by staff.
- Draw hold policies are not followed. Eight of the 12 draws reviewed did not have an email located in the contract file documenting the reasons for the hold.
- Draws are held up to the 15 day mark, then sent back to the county for resubmission but management is not signing off on these draws as required.
- Draw documentation information is not correctly posted to ORCA's ORACLE system which is used to track information on the self-help center contracts.
- Six of the 12 draws tested did not match the information posted in ORACLE.
- Counties and nonprofits were reimbursed for late fees.
- Reimbursements for travel expenses were not in compliance with the State Comptroller's Office rates.
- Vehicle mileage logs did not support the maintenance charges reimbursed.
- Drinking water charges were reimbursed after the self-help center was connected to the public water system.
- Reimbursements were made for phone calls not related to the program.
- Invoices supporting reimbursements were not within the time period covered by the draw (but were within the contract period.)
- A personnel costs calculation form could not be located for each employee.
- A draw for one county had no supporting documentation at all.

Recommendations
The Department should:
- develop minimum documentation requirements for counties to use when submitting draw requests,
- develop a draw checklist to ensure that all draws are supported by the required documentation,
- include a date stamp on all documents received, and
- verify that all information is correctly posted to ORACLE.

Status: 01/21/09 - Currently revising SOP and tables into checklists for draw processing. All documents are being date stamped and appropriate information is being posted to the ORACLE database.

12/19/08 - Management agrees that basic draw requirements should be established and met prior to approving payments. Minimum documentation requirements for counties to use when submitting draw requests have been developed. However these tables will be reviewed,

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
		updated and transformed into a checklist for use during the draw processing.			
530	12/19/08 IA	Internal Audit Report on the OCI's Self-Help Center program Review of the draw processing and desk review procedures performed by the border field staff for the self-help centers for program years 2007 and 2008 to date.	Px Px	12/19/08 01/21/09	01/30/09 02/28/09

Division: Office of Colonia Initiatives

Issue: Chapter 1-B
The Department Should Adhere to Pre-Draw Requirements

The Department's policies and procedures document the pre-draw requirements that should be met prior to reimbursement of the first draw. . A contract tracking sheet is used to ensure pre-draw requirements are met. However, the pre-draw section of the contract tracking sheet is not consistently completed by staff. Without documenting that the pre-draw requirements were met, the Department could reimburse a county that has not met the requirements. In a review of the nine contracts for which draws were reimbursed, four (44.4%) did not contain a copy of the required certification of exemption form. In addition, 14 draws were reimbursed prior to the receipt of the report of real property acquisition.

The Department should:
- ensure that all pre-draw requirements are met prior to reimbursing the first draw, and
- ensure that the contract tracking sheet is completed for each contract.

Status: 01/21/09 - Currently revising SOP and updating contract tracking sheet. Also creating compliance checklist to ensure quality controls are built into the normal and recurring operating activities. This will ensure consistency by comparing the written standard operating procedures required to what actions are actually being performed by the OCI staff. This will allow for reviews of other's work and to reduce the risk of error or inappropriate actions. SOP is also being updated to reflect the OCI Director's quarterly review of all contract tracking sheets.

12/19/08 - Management agrees with the recommendation and will revise the SOP to emphasize management oversight of adherence to SOPs and checklists.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
531	12/19/08 IA	Internal Audit Report on the OCI's Self-Help Center program Review of the draw processing and desk review procedures performed by the border field staff for the self-help centers for program years 2007 and 2008 to date.	Px Px	12/19/08 01/21/09	05/31/09 05/31/09

Division: Office of Colonia Initiatives

Issue: Chapter 1-C
Administrative Threshold Requirements Should Be Met

The border field officers are required to review the reimbursements paid to counties to ensure compliance with the administrative thresholds detailed in the Community Development Block Grant Implementation Manual. Three of the nine contracts we reviewed (33.3%) exceeded the first or second threshold requirement. Several of the other contracts reviewed had an extremely high rate of administrative expenditures reimbursed compared to low public service and rehabilitation expenditure rates. The border field officers should not reimburse administrative expenditures incurred by the counties if they will exceed the administrative thresholds.

The administration thresholds used by the Department were developed by ORCA to fit their Community Development Block Grant (CDBG) Program, which consists primarily of large infrastructure projects. The Department's self-help center construction projects are primarily individual homes and public service projects. Using the administrative thresholds set by the ORCA means that 90% of the administrative funds can be reimbursed to the county after the start of construction on only one home.

The Department should develop its own administration thresholds that reflect a reasonable expenditure of funds for the Self-Help Center Program.

Status: 01/21/09 - Currently revising Colonia Self-Help Center Program Rules. Administrative thresholds have been developed and will be included in program rules. Draft program rules will be presented to the TDHCA Board of Directors at the March 2009 board meeting.

12/19/08 -Management agrees with the recommendation and will develop and incorporate in the Colonia SHC Program Rules administrative thresholds that are both tailored to the program and more complex than the thresholds currently enforced through the TxCDBG Implementation Manual.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
532	12/19/08 IA	Internal Audit Report on the OCI's Self-Help Center program Review of the draw processing and desk review procedures performed by the border field staff for the self-help centers for program years 2007 and 2008 to date.	Px Dx	12/19/08 01/21/09	01/30/09 02/28/09

Division: Office of Colonia Initiatives

Issue: Chapter 2
The Department Should Comply with the Requirements of the Davis-Bacon Act

The U.S. Department of Housing and Urban Development (HUD) has confirmed that the Davis-Bacon Act applies to self-help center contracts.

The self-help center contracts are not currently in compliance with the Davis-Bacon Act. Five of the ten contracts reviewed do not contain the required prevailing wage language in the special conditions section of the contract. However, for the five contracts that did contain the required language, documentation of the prevailing wage rate could not be located in the contract files. In addition, the Department's self-help center contracts do not require the county to ensure that the nonprofit administrators of the self-help centers comply with the Act. When a contractor is required to comply with the Davis-Bacon Act, they must pay their employees on a weekly basis. In the 12 draws reviewed, there was no documentation to support that the contractors paid their employees weekly.

Due to miscommunication regarding the applicability of the Davis-Bacon Act, the Department has not required the counties to submit some of the required close-out forms prior to closing the contract. The forms that should have been submitted are the Final Wage Compliance Report , Certificate of Construction Completion and a Start of Construction Notice . According to the CDBG Manual, a start of construction notice and a certificate of construction completion are required for each house rehabilitated or reconstructed under the program.

The Department should:
- ensure that the requirement for compliance with the Davis-Bacon Act is included in all future contracts,
- maintain documentation in the contract files to support compliance with the Davis-Bacon Act, and
- require counties to submit the required close out forms prior to contract close out.

Status: 01/21/09 - The OCI is currently routing internally through the legal and executive offices a draft letter to HUD requesting a written response as to whether or not Davis-Bacon applies to single family, owner-occupied structures rehabilitated in whole or part through CDBG funding.

12/19/08 - The Department has three previous determinations from the US Department of Housing and Urban Development (HUD) on the applicability of Davis-Bacon. These earlier determinations reflect that Davis-Bacon is not triggered for an individual residential structure involving less than 8 families. Staff is seeking further written clarification from HUD on the applicability of Davis-Bacon on multiple single family buildings and the Self Help Program design and will, if necessary, modify all existing contracts and add Davis-Bacon compliance as a Special Condition to all contracts to lend the appropriate leverage to require compliance.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
533	12/19/08 IA	Internal Audit Report on the OCI's Self-Help Center program Review of the draw processing and desk review procedures performed by the border field staff for the self-help centers for program years 2007 and 2008 to date.	Px Px	12/19/08 01/21/09	03/30/09 03/30/09

Division: Office of Colonia Initiatives

Issue: Chapter 3-A
Only Authorized Staff Should Approve Environmental Clearances

The Department has not designated the certifying officer for the Self-Help Center Program's environmental clearances. At least one of nine contract files reviewed had an environmental clearance that was approved by an individual who was not authorized to approve the clearance.

In addition, the Department does not retain the environmental clearance documentation submitted by the counties once the clearance has been approved.

The Department should:
- designate a certifying officer for the Self-Help Program's environmental clearances to ensure that only approved staff signs off on environmental clearances, and
- retain copies of all environmental clearances after approval.

Status: 01/21/09 - SOP and contract tracking sheets are being revised

12/19/08 - Management agrees with the recommendation to designate a certifying officer to perform the review of environmental assessments for Colonia SHC contracts. Management will revise Colonia SHC SOPs to allow for a Department wide SOP to address all environmental issues for all federally-sourced funds administered by the Department in order to ensure uniformity of policy and procedure.

Management also agrees with the recommendation to maintain environmental assessments in the contract file instead of returning all or parts of the assessments to the respective Responsible Entities.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
534	12/19/08 IA	Internal Audit Report on the OCI's Self-Help Center program Review of the draw processing and desk review procedures performed by the border field staff for the self-help centers for program years 2007 and 2008 to date.	Px Px	12/19/08 01/21/09	03/30/09 03/30/09

Division: Office of Colonia Initiatives

Issue: Chapter 3-B
Environmental Clearances Should Be Completed and Documented Prior to Starting Construction and Paying Draws

The Department is required to review and approve the counties' environmental clearances prior to reimbursing expenditures incurred for construction or rehabilitation of a home. In the draws we reviewed, the Department reimbursed counties for costs incurred prior to completion of the environmental clearance. In addition, draws were approved for homes where an environmental clearance was never completed.

The contract tracking sheet used by the Department is not sufficient to determine if the environmental clearance was approved prior to draws being reimbursed because the sheet only has one box to check if the clearance was approved. The document does not allow the border field officer to indicate if site-specific reviews are needed for the contract or to indicate which units have been cleared. In addition, once the environmental clearance is approved, it is not consistently posted to the environmental screen in ORACLE, which is the automated system used jointly by ORCA and the Department to track information on the self-help center contracts. The border field staff reviews the environmental screen in ORACLE and the contract tracking sheet to determine if the environmental clearance was approved prior to approving a draw for payment.

In one instance, the Department discovered that a county was conducting work without correctly completing an environmental clearance. The Department contacted HUD to determine how to correct the issue. An environmental finding letter was sent to the county detailing the required corrective actions to be completed prior to the reimbursing the costs under the contract. However, the Department reimbursed expenditures after the environmental clearance was obtained but before all the corrective actions detailed in the letter were completed.

The Department should:
- ensure that all environmental clearances are received and documented prior to the start of construction or before expenses are incurred,
- verify that all required corrective actions were taken prior to the payment of draws,
- revise the contract tracking sheet to include information on site-specific clearances, and
- ensure that the environmental clearance information is posted to ORACLE and the contract tracking sheet correctly and on a timely basis.

Status: 01/21/09 - SOP and contract tracking sheets are being revised

12/19/08 - Management acknowledges the importance of ensuring that all environmental requirements are satisfied prior to releasing funds.

Management agrees that the Contract Tracking Sheet should be revised to include the contract-specific requirements for site-specific environmental assessments and that environmental clearance information should be posted to ORACLE, noted correctly on the contract tracking sheet and done so on a timely basis. A Department wide SOP for the environmental review process will be developed which will include language to clarify a contract's requirements or lack thereof for site-specific clearances. Furthermore, Colonia SHC SOPs and the ORACLE SOP will be revised to ensure that all information regarding environmental clearances are accounted for and documented.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
535	12/19/08 IA	Internal Audit Report on the OCI's Self-Help Center program Review of the draw processing and desk review procedures performed by the border field staff for the self-help centers for program years 2007 and 2008 to date.	Px Px	12/19/08 01/21/09	01/30/09 02/28/09

Division: Office of Colonia Initiatives

Issue: Chapter 4-A
The Department Should Ensure That Counties Comply with the Special Conditions Outlined in the Contracts

The contracts between the Department and the counties for the Self-Help Center Program identify the special conditions that are required before the Department will release funds. The Department is not in compliance with the special conditions related to public service policies, rehabilitation guidelines, model subdivision rules, documentation of contractors' registration with the Texas Residential Construction Commission, and flood insurance approval.

All of the 21 draw requests we reviewed reimbursed counties for their expenditures even when the counties did not meet the required special conditions:

- $ 203,291 was reimbursed prior to the Department receiving documentation that the counties had approved and were enforcing the model subdivision rules.
- $ 21,930 for public service was reimbursed without approved public service policies, and
- $ 24,368 for rehabilitation was reimbursed without approved rehabilitation assistance guidelines.

It was impossible to determine if all of the contractors that were required to register with Texas Residential Construction Commission were actually registered because the homes that were constructed or rehabilitated were not added or updated in ORACLE to include the total budget for each unit. In addition, the required special condition for flood insurance was not located in any of the nine contracts reviewed. Finally, the special conditions were not documented in ORACLE.

The Department should:

- ensure that all required special conditions are included in the contracts and enforced prior to reimbursing counties for their expenses, and
- update the ORACLE system to include the special conditions and the total project budget for each home constructed or rehabilitated.

Status: 01/21/09 - SOP and contract tracking sheets are being revised

12/19/08 - Management agrees that all required Special Conditions should be included in the contracts and enforced prior to reimbursing counties for expenditures as applicable to the conditions detailed in the individual Special Conditions. Management will revise Colonia SHC SOPs to emphasize management oversight of compliance with all SOPs and will develop reports and checklists to assist in the process.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
536	12/19/08 IA	Internal Audit Report on the OCI's Self-Help Center program Review of the draw processing and desk review procedures performed by the border field staff for the self-help centers for program years 2007 and 2008 to date.	Px Px	12/19/08 01/21/09	05/30/09 05/30/09

Division: Office of Colonia Initiatives

Issue: Chapter 4-B
The Department Should Ensure That All Required Amendments and Modifications Are Complete

According to the CDBG Manual, contract modifications are changes in quantities or beneficiaries of less than 15%. In all three of the modifications we reviewed, there were changes of more than 15% to the quantities or beneficiaries, which requires a contract amendment, not a modification. The CDBG Manual also states that any changes to private property require a full amendment. Two of the three performances statement modifications we reviewed (66.7%) contained changes to private property but were approved by the Department as a contract modification.

According to the CDBG Manual, extensions of the contract period must be submitted at least 30 days prior to the expiration date of the contract. Two of the four contracts with an approved extension (50%) were not requested at least 30 days prior to the expiration date.

The CDBG Manual details the documentation that is required for a contract amendment. Each amendment requires the submission of a letter, along with the supporting documents. For a performance statement amendment, the letter requires the county to describe the proposed changes, and the reason(s) for the changes. For budget amendments, the letter requires the county to describe the reason(s) for the transfer of funds and the impact of the changes on the original scope. Amendments that extend the contract period require a letter to detail the extenuating circumstances which led to the need for the extension. However, the required information is not consistently included in the letters. Three of six amendments did not have all of the required information in the associated letters.

A performance statement amendment requires a project map that shows the location of the original and amended project activities, original and amended target areas, and the geographic area covered in the original environmental assessment. None of the three performance statement amendments we reviewed contained the required project map. In addition, a contract management form is required for all amendments and modifications. Five of the nine amendments and modifications we reviewed did not contain the contract management form.

The Department should:
- comply with the requirements for contract amendments and modifications, and
- ensure that all requests for amendments or modifications contain the required documentation.

Status: 01/21/09 - Program rules are currently being revised and checklists are currently being developed.

12/19/08 - Management understands and appreciates the concerns of the audit in this area of the program and welcomes the more formalized amendment procedure to document and justify contractual change as opposed to that of a modification. Management will revise its program rules and develop checklists to ensure that contract changes include all required documentation.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
537	12/19/08 IA	Internal Audit Report on the OCI's Self-Help Center program Review of the draw processing and desk review procedures performed by the border field staff for the self-help centers for program years 2007 and 2008 to date.	Px Px	12/19/08 01/21/09	01/30/09 02/28/09

Division: Office of Colonia Initiatives

Issue: Chapter 4-C
All Contract Close-Out Reports Should Comply with the Reporting Requirements

We reviewed five contracts that were closed-out between June 2007 and June 2008. The close-out reports are not consistently date stamped by staff. This makes it difficult to determine if the reports were submitted on time. However, we determined that none of the five close-out reports were received within 60 days of the contract termination date by reviewing the close-out report or the information posted to the ORACLE system. The following issues were also noted in our review of the close-out process:

- There is not a standard review sheet to ensure that the review is performed consistently between the three border field offices.
- Two of the three close-out reports did not match the total beneficiaries documented in the contract.
- One of the three close-out reports did not match the total quantities documented in the contract.
- No documentation was located in any of the three close-out reports that indicated the costs of the fair housing activities.
- During the close-out process, staff is required to update the ORACLE system with the dates the individual reports are received and to enter information from the reports in the performance screen used for the HUD performance measure reporting requirements. There was no information posted to the system for any of the five contracts we reviewed.
- The contractor and professional service providers are not posted to ORACLE. Without the contractors or the providers posted to the system it makes it difficult to determine if the border field officers are reviewing to ensure all the contractors that met the minority business enterprise requirements are documented in the minority business enterprise close-out report.

The Department should:

- date stamp all close-out reports and ensure that the required reports are received within the 60 day limit,
- develop a standard review sheet to ensure consistency in the review of close-out documentation,
- ensure that all required close-out documents are received, and
- verify that all close-out, contractor and provider information is posted to ORACLE.

Status: 01/21/09 - SOPs and checklists are being revised.

12/19/08 - A standard review sheet for close-out documents and a checklist for close-out review procedures will be created. The measures will be included as attachments to Section 15, Colonia SHC Contract Close-out Procedure, and will be utilized starting with the next submission of close-out documents.

Ref. #	Report Date / Auditors	Report Name / Audit Scope	Status Codes*	Status Date	Target Date
538	12/19/08 IA	Internal Audit Report on the OCI's Self-Help Center program Review of the draw processing and desk review procedures performed by the border field staff for the self-help centers for program years 2007 and 2008 to date.	Px Px	12/19/08 01/21/09	01/30/09 02/28/09

Division: Office of Colonia Initiatives

Issue: Chapter 5
The Department Should Ensure That Counties Comply with All Reporting Requirements

Counties are required to submit quarterly progress reports to the Department by the 20th day of the month following the end of each quarter. The border field officers review the reports to ensure they are received on time, completed correctly and that the information in the report is accurate. However, there is no standard review document used to ensure that all requirements are met by the counties and that the review is consistent between border field offices.

According to the CDBG Manual, contracts are out of compliance for late or incomplete quarterly progress reports and remain out of compliance until all issues are satisfactorily resolved. The quarterly reports are not consistently date stamped to document when they are received. Quarterly reports are often resubmitted multiple times, making it difficult to ensure that draws are not reimbursed if the contracts are out of compliance for late or incomplete quarterly reports.

The Department added a special condition to the contracts for two counties requiring them to submit monthly progress reports to document the progress made towards meeting the contract performance statement by the end of the contract period. However, we could not locate any monthly reports for either of the contracts.

The border field officer is required to review the contract to ensure the counties are complying with the expenditure thresholds established by the Texas Administrative Code We reviewed eight contracts that were required to meet the expenditure thresholds. Four of the eight contracts reviewed (50%) did not meet the expenditure thresholds. In addition, the Department is not keeping track of the progress of each of the contracts to determine if the expenditure thresholds are met. If the threshold requirements are not met, there is a risk that the contracts would not be fulfilled, and the Department could end up de-obligating self-help center funds.

The Department's standard operating procedures state that a letter should be sent to a county if the border field officer determines that the county is not on track to meet the next applicable milestone, or if the county has not met its current milestones. Pre-milestone and milestones letters are not consistently sent to the counties or documented on the contract tracking sheet. In all four contracts that did not meet thresholds, there was no documentation that indicated management was informed of the violation.

The Department should:
- develop a standard review sheet to ensure quarterly report requirements and expenditure thresholds are met,
- track the progress of each of the contracts to determine if the expenditure thresholds are met,
- enforce the special condition requiring monthly progress reports, and
- ensure that pre-milestone and milestone letters are sent to the counties and documented on the contract tracking sheet as required.

Status: 01/21/09 - Currently revising SOP and updating contract tracking sheet. Also creating compliance checklist to ensure quality controls are built into the normal and recurring operating activities. This will ensure consistency by comparing the written standard operating procedures required to what actions are actually being performed by the OCI staff. This will allow for reviews of other's work and to reduce the risk of error or inappropriate actions. SOP is also being updated to reflect the OCI Director's quarterly review of all contract tracking sheets.

12/19/08 - The Department agrees with the recommendation to develop a report to allow management to verify the status of each contract with regards to quarterly reporting requirements, expenditure thresholds, pre-milestone and threshold/milestone letters. A contract tracking sheet tracking sheet will be revised to ensure that it is as comprehensive as it needs to be. Management will also revise SOPs to emphasize management oversight of adherence to SOPs and checklists by all staff. Management agrees with the need to provide oversight to ensure that monthly reporting requirements are met for the duration of a suspension. Management will develop and implement a tracking system to ensure timely receipt of monthly reports.

Internal Audit Division

BOARD ACTION REQUEST

February 5, 2009

Action Items

Status of the Internal Audit Division's Fiscal Year 2009 Work Plan.

Required Action

None, information item only.

Background

The TDHCA director of internal audit will discuss the status of the 2009 work plan.

Recommendation

No action is required.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT PLAN
FISCAL YEAR 2009

INTERNAL AUDITS AND OTHER ACTIVITIES		
Project	**General Objectives**	**Current Status**
CDBG Disaster Recovery Program (carryover from FY2008)	Phase II: Testing of Set Ups and Draws To assess whether the Department's payment and draw processing provides reasonable assurance that sub-recipient requests for reimbursement of expenditures: ➢ comply with applicable laws, regulations, policies, and contract provisions, ➢ are adequately supported (including support for allowable activities, costs and eligibility to participate in the program), ➢ are properly posted to the accounting and program systems, and ➢ are properly authorized or approved. (Note: This project was delayed from FY 2007 in order to have a sufficient number of payments to test.)	Planning anticipated for February 2009. Start date is pending the determination of the scope of the U.S. Housing and Urban Development's and the State Auditor's Office's audit of the CDBG Disaster Recovery Program.
HOME Program – Loan Servicing and Recycling of Program Income	To determine: ➢ if loan servicing results in the maximum affordability period, ➢ loans are completed in compliance with relevant laws, regulations, and policies, and ➢ the amount of program income that has been recycled over the past three years.	Report anticipated March 2009
CDBG Disaster Recovery Program (carryover from FY2008)	Phase III: Sub-recipient Monitoring • To evaluate the sub-recipient monitoring procedures, processes and on-site visits to assess whether the program ensures that sub-recipients: ➢ comply with applicable laws, regulations, program rules, and contract terms, ➢ operate within expenditure budgets and limits, ➢ expend administration and program funds at allowable rates, and ➢ meet contract performance goals. • To assess whether monitoring results are communicated to sub-recipients and any findings or exceptions are noted, tracked and monitored until resolved. (Note: This audit was delayed from FY 2007 in order for the program staff to develop and implement the processes and to enable follow-up on the findings related to the program's sub-recipient monitoring identified by the State Auditor's Office during their October 2007 review of the disaster recovery program.)	Planning anticipated for April 2009. Start date is pending the determination of the scope of the U.S. Housing and Urban Development's and the State Auditor's Office's audit of the CDBG Disaster Recovery Program.

INTERNAL AUDITS AND OTHER ACTIVITIES		
Project	**General Objectives**	**Current Status**
4% Non-Competitive Housing Tax Credit Program	To review the 4% Non-Competitive Housing Tax Credit Program for the 2008 tax application cycle to: ➢ identify significant risks, ➢ evaluate whether there are adequate controls in place to address the risks, and determine whether the Department has complied with all program requirements.	Planning anticipated for June 2009
Section 8 – Housing Choice Voucher Program	To review the Section 8 Housing Choice Voucher Program to determine if: ➢ The revised rules, policies and procedures adequately address the significant risks and compliance requirements associated with the program, ➢ The program is operated in compliance with the newly revised rules, policies and procedures, ➢ The processes for awarding local provider contracts and distributing Section 8 vouchers results in a fair and equitable process, and ➢ the program is functioning as intended.	Planning anticipated for August 2009

OTHER ACTIVITIES These are required activities that are part of Internal Audit's overall responsibilities.		
Follow-Up on Status of Prior Internal Audit Issues	To independently verify corrective actions taken by management in response to prior internal audit issues. Follow-up projects will be pursued during the course of current related audits when the issues have been reported as implemented by management. We will also prioritize and evaluate issues that have been reported as implemented on an ongoing basis (as time allows.)	Ongoing
Tracking the Status of Prior Audit Issues	To track the status of prior audit issues for management/board reporting purposes.	Ongoing
Fraud Hotline	To provide tracking, follow-up and disposal of issues identified as a result of fraud hotline communications.	Ongoing
FY 2008 Annual Audit Plan	To develop an annual audit plan for FY 2009 as required by the Texas Internal Auditing Act.	Completed and approved by the board in September 2008
FY 2008 Annual Internal Audit Report	To prepare an annual internal auditing report for FY 2008 pursuant to the Texas Internal Auditing Act.	Completed in November 2008
Revision of Internal Audit Division Charter and Policies and Procedures	To comply with the new July 2007 edition of the *Government Auditing Standards.*	Completed in December 2008 and reported to board in February 2009.
Coordinate External Auditors	To coordinate and assist external auditors.	As Needed

Internal Audit Division

BOARD ACTION REQUEST

February 5, 2009

Action Items

Status of external audits.

Required Action

None, information item only.

Background

The status of external audits provides an overview of the status of all external audits currently in progress, recently completed, or anticipated in the near future.

Recommendation

No action is required.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION – STATUS OF EXTERNAL AUDITS
February 5, 2009

Internal Audits/Activities	Scope/Description	Stage	Comments
State Auditor's Office	Follow-up on 2007 audit, and consideration of all matters related to the administration of the two awards of Community Development Block Grant Funds for Hurricane Recovery.	Planning	Planning has started. Report anticipated in April 2009.
U.S. Department of Housing and Urban Development	Monitoring the fundability documentation, subrecipient management and policy controls for fraud, waste, and mismanagement for the department's CDBG Supplemental II Disaster Funds. The following program areas and functions will be reviewed: • Houston and Harris County Public Service and Community Development • Homeowner Assistance • Rental Housing Stock Restoration • Environmental Reviews	Fieldwork	Planning has started. Fieldwork will be completed in January 2009.
U.S. Department of Housing and Urban Development – Office of the Inspector General	Review of the Department's CDBG Supplemental II Disaster Funds.	Planning	Planning has started. Fieldwork is anticipated to be completed in March 2009.
Texas Workforce Commission – Subrecipient Monitoring of UI Data Sharing	Review of access controls over Unemployment Insurance Data to ensure compliance with rules and regulations.	Planning	Planning has started. Fieldwork will start in May 2009.
KPMG	The scope of the financial portion of the Statewide Single Audit includes an audit of the state's basic financial statements for fiscal year 2008 and a review of significant controls over financial reporting and compliance with applicable requirements.	Fieldwork	This audit will be completed in March 2009.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTERNAL AUDIT DIVISION – STATUS OF EXTERNAL AUDITS
February 5, 2009

Internal Audits/Activities	Scope/Description	Stage	Comments
U.S. Department of Housing and Urban Development – Office of the Inspector General	Testing of the Department's CDBG Supplemental I Disaster Funds.	Completed	Report released in January 2009.
Deloitte and Touche	Annual opinion audits: • Consolidated Financial Statements for the FYE August 31, 2008. • Revenue Bond Enterprise Fund for the FYE August 31, 2008.	Completed	Report released December 18, 2008.
Comptroller of Public Accounts	A post-payment audit of certain payroll, purchase and travel transactions.	Completed	Report released December 22, 2008.
U.S. Department of Housing and Urban Development	Disaster Voucher Program validation review to identify reporting errors, and to provide guidance and technical assistance to improve the Voucher Management System and the Disaster Information System.	Completed	Report released October 15, 2008.
U.S. Department of Housing and Urban Development	Review of the Community Affairs Division's Emergency Shelter Grants Program.	Completed	Report released October 3, 2008.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

A G E N D A

9:30 am
February 5, 2009

Robert E. Johnson Building
Central Conference Room
1501 North Congress
Austin, Texas 78701

CALL TO ORDER, ROLL CALL — Kent Conine, Chairman
CERTIFICATION OF QUORUM

PUBLIC COMMENT
The Board will solicit Public Comment at the beginning of the meeting and will also provide for Public Comment on each agenda item after the presentation made by the department staff and motions made by the Board.

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 provided under Texas Government Code Chapter 551, the Texas Open Meetings Act.

Item 1: Approval of the following items presented in the Board materials:

Financial Administration: — David Cervantes, Dir. Financial Administration

a) Presentation and Discussion of 1st Quarter Investment Report

Internal Audit: — Sandy Donoho, Dir. Internal Audit

b) Presentation, Discussion and Possible Approval of the revised Audit Charter and Board Resolutions

c) Presentation, Discussion and Acceptance of the Deloitte audits

Community Affairs: — Amy Oehler, Dir. Community Affairs

d) Presentation, Discussion and Possible Approval of an amendment to the 2009 Community Services Block Grant contracts to distribute $300,000 in State Discretionary Funds

Multifamily Finance:

e) Presentation, Discussion and Possible Approval of Housing Tax Credit Extensions — Robbye Meyer, Dir. Multifamily Finance

07306	Zion Village	Houston
07096	Moore Grocery Lofts	Tyler
07166	Jeremiah Senior Apartments	Hurst
07226	Candlewick Townhomes	Brownsville
07228	Champion Homes at LaJoya	La Joya

f) Presentation, Discussion and Possible Approval of Senior Managing, Co-Senior Managing, Co-Managing and/or Remarketing Agent Investment Banking Firms for Multifamily Mortgage Revenue Bond Transactions

g) Presentation, Discussion and Ratification of Housing Tax Credit Award

Disaster Recovery: — Kelly Crawford, DED - Disaster Recovery

h) Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG Disaster Recovery Contracts Administered by TDHCA for CDBG Round 1 Funding

i) Presentation, Discussion and Possible Approval of the Round 2 CDBG Housing Trust Fund Criteria for HAP and SPRP Eligibility

j) Presentation, Discussion and Possible Transfer of Bootstrap/Contract for Deed Residual Funds from the General Fund to a designated Disaster Recovery Gap Financing Program within the Housing Trust Fund

k) Presentation, Discussion and Possible Approval of the Round 2 CDBG HAP and SPRP Policy Allowing Loan Forgiveness Upon Death of Applicant

Bond Finance: — Matt Pogor, Dir. Bond Finance

l) Presentation, Discussion and Approval of the Department's Investment Policy, Resolution No. 09-022

Texas Homeownership: — Eric Pike, Dir. THP

m) Presentation, Discussion and Possible Approval of Determination that, for purposes of the Department's Single Family Mortgage Revenue Bond (MRB) and Mortgage Credit Certificate (MCC) Programs, a mortgage loan that is eligible for and receiving refinancing under the Federal Housing Administration (FHA) Hope for Homeowners Program (H4H Program) would be reasonably likely to cause financial hardship to the borrower if not refinanced

Rules:

n) Presentation, Discussion and Possible Approval to publish in the *Texas Register* proposed amendments to 10 TAC, Chapter 1, §1.36, 2009 Real Estate Analysis Rules and Guidelines — Raquel Morales, Acting Director, REA

o) Presentation, Discussion and Possible Approval for publication in the *Texas Register* a final order adopting amendments to 10 TAC, Chapter 53, HOME Program Rule, Subchapter A, §53.1, §53.8(a), Subchapter C, §53.30, Subchapter D, §53.47 (a)(4), and Subchapter G, §53.80 (e)(1) — Cameron Dorsey, HOME/HTF Manager

p) Presentation, Discussion and Possible Approval for publication in the *Texas Register* of proposed Amendments to 10 TAC Chapter 35, 2009 Multifamily Housing Revenue Bond Rules — Robbye Meyer, Dir. Multifamily Finance

ACTION ITEMS

Item 2: Board — Kent Conine, Chairman

a) Designation of Assistant Presiding Officer, Secretary, Treasurer, and one or more Assistant Secretaries in accordance with Tex. Gov't. Code, Sec. 2306.030

Item 3: Multifamily Division Items - Housing Tax Credit Program: — Robbye Meyer, Dir. Multifamily Finance

a) Presentation, Discussion and Possible Approval of Housing Tax Credit Amendments

04463	Lakeside Manor Senior Community	Little Elm
06118	Sunset Haven Apartments	Brownsville
08133	The Gardens of Sienna Apartments	Beaumont
08299	Southern View Apartments	Fort Stockton
08401	Artisan at San Pedro Creek Apartments	San Antonio

b) Presentation, Discussion and Possible Waiver of Requirements of the Qualified Allocation Plan and Rules for 2007 Applications that Returned Awards and Reapplied Under the 2009 Competitive Housing Tax Credit Application Cycle

c) Presentation, Discussion and Possible Action on Housing Tax Credit Appeals:

Appeals Timely Filed

d) Presentation, Discussion and Possible Approval of a modification to the bond documents regarding Post Oak East Apartments in Fort Worth (Euless), Texas regarding restrictions on rents and incomes

Item 4: Multifamily Division Items–Private Activity Bond Program:

Robbye Meyer
Dir. Multifamily Finance

a) Presentation, Discussion and Possible Approval of a Change in the Fee Schedule for Multifamily Tax-Exempt Bond Issuances through the Department

b) Presentation, Discussion and Possible Approval of the First Supplement to the Trust Indenture for Wildwood Apartments and The Meridian, Resolution #09-023

Item 5: Rules:

Patricia Murphy
Dir. PMC

a) Presentation, Discussion and Possible Approval for publication in the *Texas Register* a final order adopting 10 TAC, Chapter 60, Subchapter A, Compliance Monitoring Rules

Item 6: Real Estate Analysis:

Tom Gouris
DED - Programs

a) Presentation, Discussion and Possible Action for 2008 Competitive Housing Tax Credit Appeals of Underwriting

Appeals Timely Filed

Item 7: Disaster Recovery:

Kelly Crawford
DED - Disaster Recovery

a) Presentation and Discussion of the Disaster Recovery Division's Status Report on CDBG and FEMA AHPP Contracts Administered by TDHCA

b) Report on Disaster Recovery Emergency CDBG Funds for Hurricane IKE and Dolly and authorization to issue Affordable Rental Housing NOFAs

c) Presentation, Discussion and Possible Approval of a Substantial Amendment to the Partial Action Plan relating to Harris County for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding to Assist with the Recovery if Distressed Areas Related to the Consequences of Hurricanes Katrina, Rita, and Wilma in the Gulf of Mexico in 2005

Item 8: Bond Finance:

Matt Pogor
Dir. Bond Finance

a) Presentation, Discussion and Approval of the Department's Interest Rate Swap Policy

b) Presentation, Discussion and Approval of Resolution No. 09-025 authorizing the transfer of the Single Family Mortgage Revenue Bonds 2005 Series A and 2007 Series A Interest Rate Swap Counterparty from Bear Stearns Financial Products, Inc. to JPMorgan Chase Bank, N.A.,

c) Presentation, Discussion and Approval of Resolution No. 09-024 authorizing application to the Texas Bond Review Board for reservation of single family private activity bond authority

Item 9: HOME and Housing Trust Fund Programs Division:

Cameron Dorsey
HOME/HTF Manager

a) Presentation, Discussion and Possible Action for Appeals:

08328	Estates at Northside	Pilot Point

Appeals Timely Filed

b) Presentation, Discussion and Possible Approval of Requests for Amendments to HOME Program Contract/ Commitments from the following list:

1000487	City of Bonham	HBA
1000991	Cambridge Crossing	RHD

c) Presentation, Discussion and Possible Approval of HOME Program Award Recommendations from the following list:

Owner Occupied Housing Assistance Program

2008-0069	City of Corsicana	Corsicana
2008-0073	City of LaGrange	LaGrange
2008-0102	City of Paris	Paris
2008-0104	City of Bonham	Bonham
2008-0107	Community Council of Southwest Texas, Inc.	Uvalde
2008-0109	Lamar County	Paris
2008-0112	El Paso Collaborative for Community and Economic Development	El Paso
2008-0115	City of New Braunfels	New Braunfels
2008-0120	City of Anton	Anton
2008-0121	City of Abernathy	Abernathy
2008-0122	City of Ralls	Ralls
2008-0123	City of McCamey	McCamey
2008-0125	City of Winters	Winters
2008-0126	City of Turkey	Turkey
2008-0127	City of Socorro	Socorro

Homebuyer Assistance Program

2008-0108	Community Council of Southwest Texas, Inc.	Uvalde
2008-0119	City of Midland	Midland

Tenant-Based Rental Assistance Program

2008-0068	Ellis Community Resources	New Braunfels
2008-0118	Affordable Caring Housing	College Station
2008-0124	Fort Bend County Women's Center	Rosenberg

Contract for Deed Program

2008-0117	La Organizacion Progresiva de San Elizario	San Elizario

Rental Housing Development Program

08181	Park Ridge Apartments	Llano
08341	Alta Vista Apartments	Marble Falls
08344	Hyatt Manor Apartments	Gonzales
08134	The Huntington	Buda
08256	Westway Place	Corsicana
08255	West Park Senior Village	Corsicana

Community Housing Development Organization Rental Housing Development Program

08342	Constitution Court	Copperas Cove

d) Presentation, Discussion and Possible Approval of Housing Trust Fund Program Award Recommendations from the following list:

08334	Parkwood Apartments	Nixon

Item 10: Executive:

Tom Gouris
DED - Programs

a) Presentation, Discussion and Possible Approval of the Notice of Funds Availability (NOFA) for the Neighborhood Stabilization Program

EXECUTIVE SESSION

Kent Conine, Chairman

a) The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551

b) The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee.

c) Consultation with Attorney Pursuant to §551.071(a), Texas Government Code:

1. With Respect to pending litigation styled *Rick Sims v. Texas Department of Housing and Community Affairs* filed in federal district court (new filing of previously dismissed suit)
2. With Respect to pending litigation styled *The Inclusive Communities Project*, *Inc. v. Texas Department of Housing and Community Affairs, et al* filed in federal district court
3. With Respect to pending litigation styled *M.G. Valdez Ltd. v. Texas Department of Housing and Community Affairs* filed in District Court, Hidalgo County
4. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting
5. Potential sale of agency owned real estate and/or sales of loans

OPEN SESSION — Kent Conine, Chairman

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

1. TDHCA Outreach Activities, December 2008
2. Single Family Mortgage Revenue Bond Program Delinquency Report Item

ADJOURN

To access this agenda & details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Nidia Hiroms, 512-475-3934; TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information. Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two days before the meeting so that appropriate arrangements can be made. Non-English speaking individuals who require interpreters for this meeting should contact Nidia Hiroms, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

FINANCIAL ADMINISTRATION DIVISION

BOARD ACTION REQUEST
February 5, 2009

Report Item

1st Quarter Investment Report

Required Action

Presentation of the Department's 1st Quarter Investment Report

Background

- This report is in the prescribed format and detail as required by the Public Funds Investment Act. It shows in detail the types of investments, their maturity, their carrying (face amount) value and fair value at the beginning and end of the quarter.

- Overall, the portfolio carrying value decreased by $41,767,692 (See Page 1) for a total of $1,690,165,180. The Single Family Mortgage Revenue Bond indenture paid $29.6 million in principal and $23.4 million in interest. The remaining difference is accounted for by construction draws made by multi-family projects currently under construction and interest earnings from investments.

  The portfolio consists of (See Page 4):

	Beginning Quarter	Ending Quarter
Mortgage Backed Securities (MBS)	77%	80%
Guaranteed Investment Contract/ Investment Agreement (GIC/IA)	11%	7%
Repurchase Agreements	8%	5%
Other (Cd's, MM's, T-Bonds)	4%	8%

The 3% increase in MBS is a result of purchases which represent newly originated loans being pooled and converted into securitized investments. The 4% decrease in GIC/IA is a result of liquidation of long term investments related to investments held by AIG in the Residential Mortgage Revenue Bond Indenture and the maturity of GICs related to the Commercial Paper Program. The 3% decrease in Repurchase Agreements is a result of debt service payments related to the Single Family Indenture in September and Residential Mortgage Revenue Bond Indenture in November. The 4% increase in Other is a result of Commercial Paper held by the Department.

The portfolio activity for the quarter (See Page 5):

- $34,559,150 of MBS purchases during the quarter represent portfolio activity for new loans originated.

- The maturities in MBS this quarter were $20,647,224 which represents loan payoffs. The table below shows a declining trend in new loans and steady trend in loan payoffs.

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	
	FY 08	FY 08	FY 08	FY 08	FY 09	Total
Purchases	95,998,230	93,023,499	42,139,623	53,431,468	34,559,150	319,151,970
Sales						
Maturities	20,582,531	18,007,506	21,441,989	21,242,337	20,647,224	101,921,587

- The fair value (the amount at which a financial instruments could be exchanged in a current transaction between willing parties) increased $36,482,497 (See Pages 1 and 5) decreasing the difference between fair value and carrying value (the Department's acquisition cost of its financial instruments net of amortization) with fair value being more. The national average for a 30-year fixed mortgage as reported by HSH Associates Financial Publishers (a national clearinghouse of mortgage data) was 6.69% for the end of November down from 7.00% at the end of August. The spread between the market rate and our below-market rates is decreasing. There are various factors that affect the fair value of these investments but there is a correlation between the prevailing mortgage interest rates and the change in market value.

- Given the current financial environment, this change in market value is to be expected. If current mortgage rates continue to decrease, the Department can expect another increase in market value next quarter. However, the change is cyclical and is reflective of the overall change in the bond market as a whole.

- The process of valuing investments at fair value (market value) generates unrealized gains and losses. These gain or losses do not impact the overall portfolio because the Department does not liquidate these investments (mortgage backed securities) but holds them until maturity.

- The fact that our investments provide the appropriate cash flow to pay debt service and eventually retire the related bond debt is more important than their relative value in the bond market as a whole.

- The more relevant measures of indenture parity, projected future cash flows, and the comparison of current interest income to interest expense are not part of a public funds investment report. The next page is an additional analysis prepared by the Bond Finance group (it is not part of the PFIA report). This report shows parity (ratio of assets to liabilities) by indentures with assets greater than liabilities in a range from 103.05% to 115.64% which would indicate the Department has sufficient assets to meet its obligations.

- The interest comparison for the Single Family indenture shows interest expense greater than interest income due to the variable rate resets that increased substantially as a result of market conditions. The indenture's equity is being utilized to offset the temporary deficit in interest income. The interest comparison for the other indentures shows interest income greater than interest expense and indicates a current positive cash flow.

Texas Department of Housing and Community Affairs
Bond Finance Division
Executive Summary
As of November 30, 2008

	Single Family Indenture Funds	Residential Mortgage Revenue Bond Indenture Funds	Collateralized Home Mortgage Revenue Bond Indenture Funds	Multi-Family Indenture Funds	Combined Totals
PARITY COMPARISON:					
PARITY ASSETS					
Cash	$ 159,399	$ -	$ -	$ 130,220	$ 289,619
Investments[1]	$ 110,149,201	$ 26,110,718	$ 1,428,640	$ 136,165,704	$ 273,854,263
Mortgage Backed Securities[1]	$ 1,010,840,195	$ 268,417,876	$ 10,552,603		$ 1,289,810,675
Loans Receivable	$ 36,601,250	$ 966,363	$ -	$ 1,218,483,617	$ 1,256,051,230
Accrued Interest Receivable	$ 5,646,241	$ 1,940,062	$ 70,076	$ 9,806,970	$ 17,463,349
TOTAL PARITY ASSETS	$ 1,163,396,286	$ 297,435,020	$ 12,051,319	$ 1,364,586,511	$ 2,837,469,136
PARITY LIABILITIES					
Bonds Payable[1]	$ 1,113,815,000	$ 280,700,000	$ 10,400,000	$ 1,219,222,385	$ 2,624,137,385
Accrued Interest Payable	$ 15,098,018	$ 6,351,570	$ 21,620	$ 9,952,557	$ 31,423,765
TOTAL PARITY LIABILITIES	$ 1,128,913,018	$ 287,051,570	$ 10,421,620	$ 1,229,174,942	$ 2,655,561,150
PARITY DIFFERENCE	$ 34,483,268	$ 10,383,450	$ 1,629,699	$ 135,411,569	$ 181,907,986
PARITY	**103.05%**	**103.62%**	**115.64%**	**111.02%**	**106.85%**
INTEREST COMPARISON (For the Third Fiscal Month) :					
INTEREST INCOME					
Interest & Investment Income	$4,858,197	$1,322,797	$68,447	$5,182,983	$11,432,424
TOTAL INTEREST INCOME	$4,858,197	$1,322,797	$68,447	$5,182,983	$11,432,424
INTEREST EXPENSE					
Interest on Bonds	$5,837,951	$1,268,197	$58,351	$5,182,814	$12,347,313
TOTAL INTEREST EXPENSE	$5,837,951	$1,268,197	$58,351	$5,182,814	$12,347,313
NET INTEREST	($979,754) [2]	$54,600	$10,096	$169	($914,889)
INTEREST RATIO	**83.22%**	**104.31%**	**117.30%**	**100.00%**	**92.59%**

(1) Investments, Mortgage Backed Securities and Bonds Payable reported at par value not fair value.
This adjustment is consistent with indenture cashflows prepared for rating agencies.

(2) Variable rate resets increased substantially due to market conditions.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION

PUBLIC FUNDS INVESTMENT ACT
INTERNAL MANAGEMENT REPORT (SEC. 2256.023)
QUARTER ENDING NOVEMBER 30, 2008

PUBLIC FUNDS INVESTMENT ACT
INTERNAL MANAGEMENT REPORT (SEC. 2256.023)
QUARTER ENDING NOVEMBER 30, 2008

1) PFIA- Internal Management Report (Sec. 2256.023)
2) Bar Graph - Comparison of Market by Fund Group between Quarters
3) Supplemental Schedule of Portfolio Interest Rate Trends and Maturities
4) Bar Graph - Comparison of Market Valuation by Investment Type between Quarters
5) Supplemental Public Funds Investment Act Report by Investment Type
6) Detail of Investments including maturity dates by Fund Group

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Internal Management Report (Sec. 2256.023)
Quarter Ending November 30, 2008

(b) (4) Summary statement of each pooled fund group:

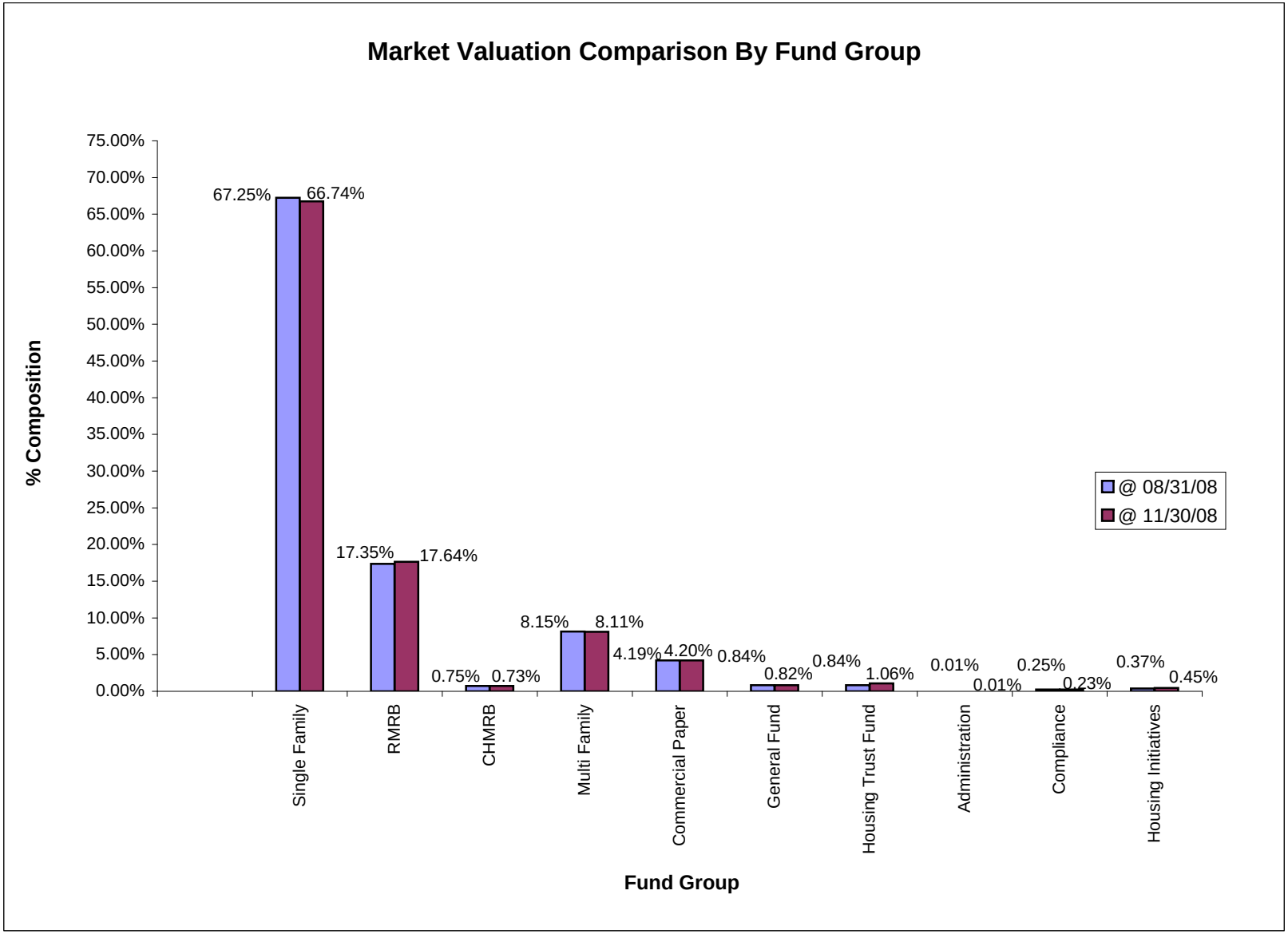
INDENTURE	FAIR VALUE (MARKET) @ 08/31/08	CARRYING VALUE @ 08/31/08	CHANGE IN CARRYING VALUE ACCRETION/ PURCHASES	CHANGE IN CARRYING VALUE AMORTIZATION/ SALES	CHANGE IN CARRYING VALUE MATURITIES	TRANSFERS	CARRYING VALUE @11/30/08	FAIR VALUE (MARKET) @11/30/08	CHANGE IN FAIR VALUE (MARKET)	ACCRUED INT RECVBL @11/30/08	RECOGNIZED GAIN
Single Family	1,148,782,014.67	1,172,514,319.72	57,081,269.01	(86,999,480.94)	(13,936,264.67)	0.00	1,128,659,843.12	1,136,617,400.37	31,689,862.30	5,554,375.49	0.00
RMRB	296,438,605.09	297,059,499.53	15,184,920.67	(9,985,016.49)	(6,291,698.29)	0.00	295,967,705.42	300,424,256.83	5,077,445.85	1,920,024.62	0.00
CHMRB	12,762,790.93	12,048,207.07	479,936.83	(153,968.80)	(329,474.68)	0.00	12,044,700.42	12,474,473.51	(284,810.77)	70,075.73	0.00
Multi Family	139,295,902.52	139,295,902.52	17,104,794.97	(18,123,320.51)	(89,786.15)	0.00	138,187,590.83	138,187,590.83	-	4,550.00	0.00
Commercial Paper	71,658,120.61	71,658,120.61	71,431,000.00	(71,494,224.32)	0.00	0.00	71,594,896.29	71,594,896.29	-	4.78	0.00
General Fund	14,297,551.77	14,297,551.77	229,955.43	(594,041.32)	0.00	0.00	13,933,465.88	13,933,465.88	-	407.96	0.00
Housing Trust Fund	14,405,320.06	14,405,320.06	4,823,059.39	(1,150,606.20)	0.00	0.00	18,077,773.25	18,077,773.25	-	527.25	0.00
Administration	158,317.57	158,317.57	348.37	0.00	0.00	0.00	158,665.94	158,665.94	-	4.63	0.00
Compliance	4,188,173.63	4,188,173.63	81,661.88	(327,512.32)	0.00	0.00	3,942,323.19	3,942,323.19	-	114.99	0.00
Housing Initiatives	6,307,459.52	6,307,459.52	1,445,526.04	(154,770.27)	0.00	0.00	7,598,215.29	7,598,215.29	-	221.94	0.00
TOTAL	1,708,294,256.37	1,731,932,872.00	167,862,472.59	(188,982,941.17)	(20,647,223.79)	0.00	1,690,165,179.63	1,703,009,061.38	36,482,497.38	7,550,307.39	0.00

* No relationship can be drawn between the "ACCRUED INT RECVBL @ 11/30/08" figures and the corresponding investment values, because of various factors (e.g. purchase date of investment; interest payment terms-daily, monthly & semi-annual; etc..). In addition to the aforementioned factors with regards to the Multi Family Indenture, the Department is carrying $138,317,810 of investments pledged as reserves by participating entities. The Department is carrying these investments with their corresponding liability purely for tracking the flow of funds.

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

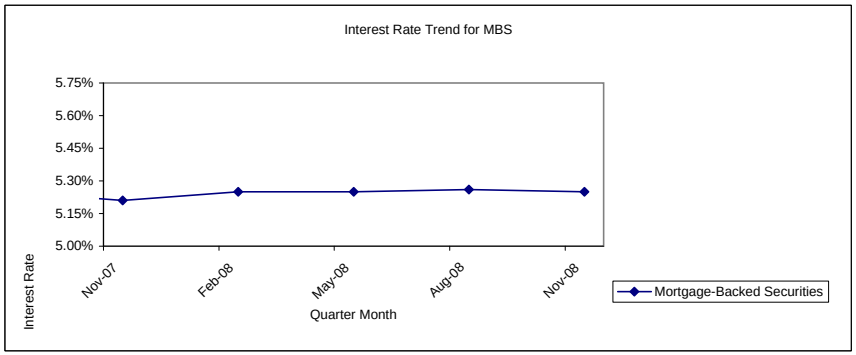
David Cervantes, Director of Financial Administration — Date 1/22/09

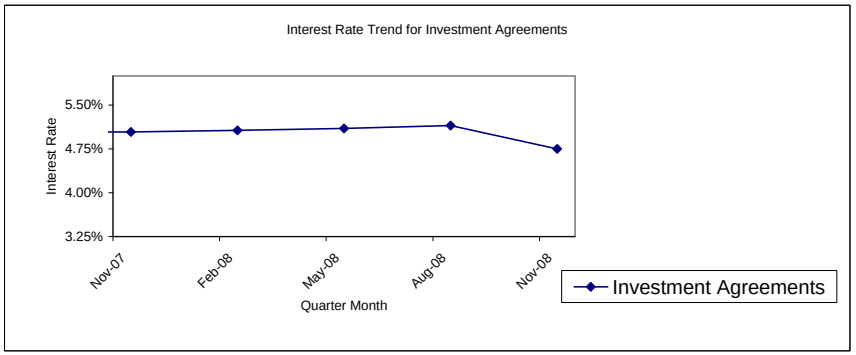
Matt Pogor, Director of Bond Finance — Date 1/22/09

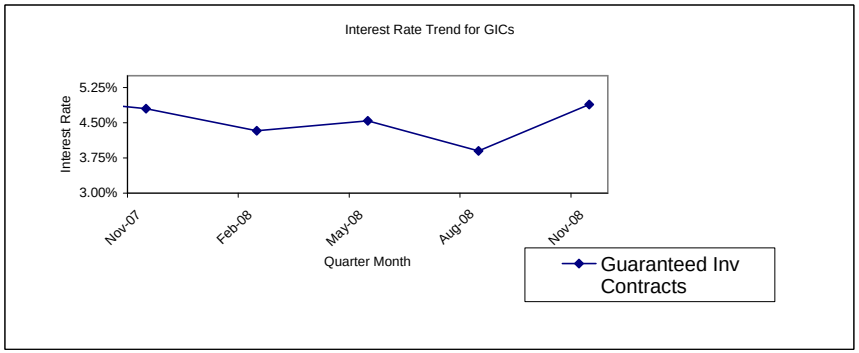

Market Valuation Comparison By Fund Group
% Composition
75.00%
70.00%
65.00%
60.00%
55.00%
50.00%
45.00%
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
67.25%
66.74%
17.35%
17.64%
0.75%
0.73%
8.15%
8.11%
4.19%
4.20%
0.84%
0.82%
0.84%
1.06%
0.01%
0.01%
0.25%
0.23%
0.37%
0.45%
@ 08/31/08
@ 11/30/08
Single Family
RMRB
CHMRB
Multi Family
Commercial Paper
General Fund
Housing Trust Fund
Administration
Compliance
Housing Initiatives
Fund Group

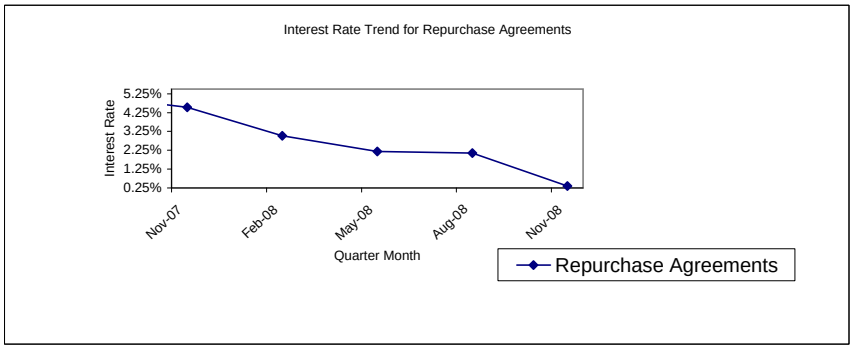
TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Supplemental Schedule of Portfolio Interest Rate Trends and Maturities
Quarter November 30, 2008

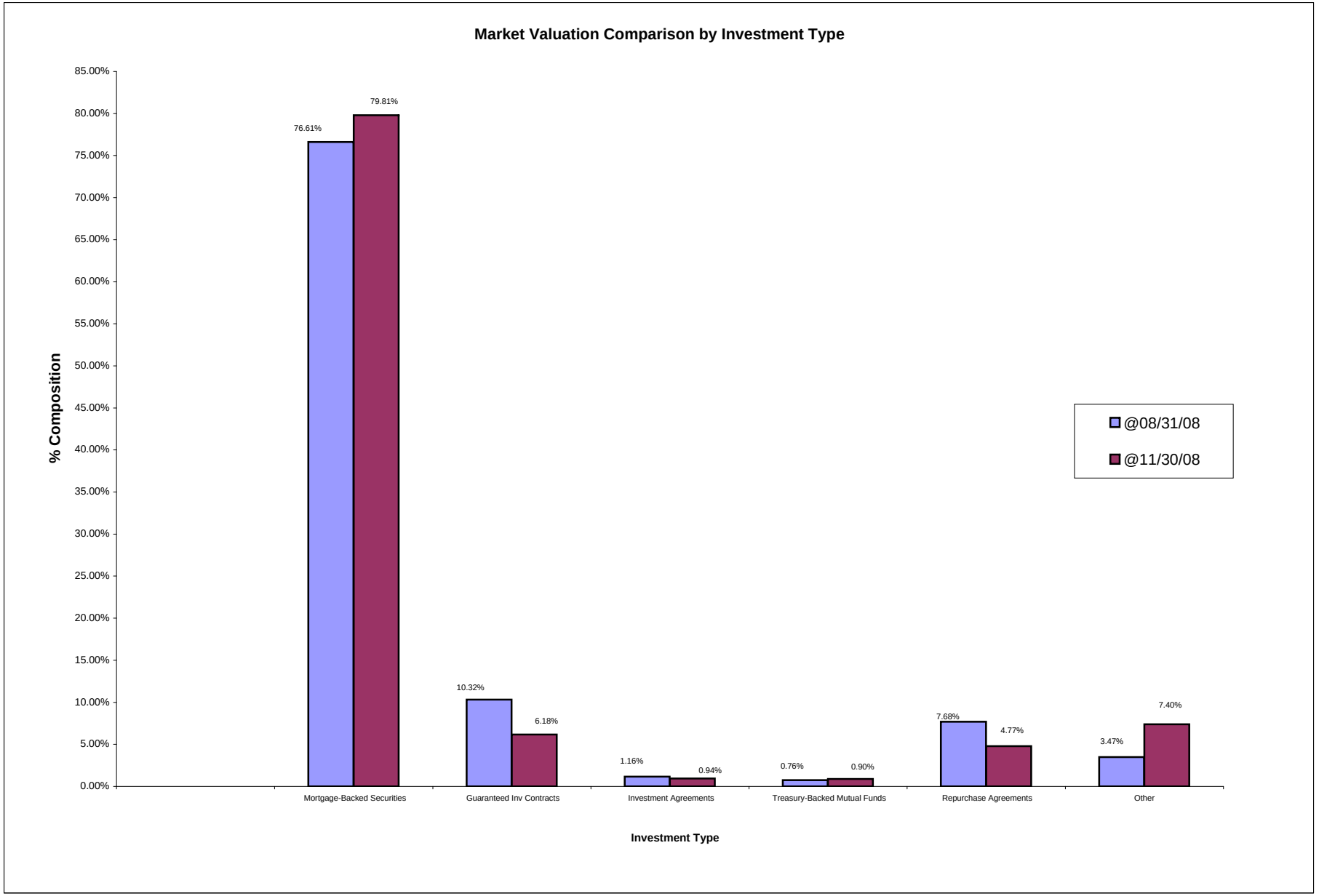
INVESTMENT TYPE	Range of Interest for Current Quarter HI	LOW	Portfolio % Composition	Weighted Avg Rate Beg Carrying Value @ 08/31/08	Weighted Avg Rate Beg Market Value @ 08/31/08	Weighted Avg Rate End Carrying Value @ 11/30/08	Weighted Avg Rate End Market Value @ 11/30/08	Weighted Avg Maturity Beg Carrying Value @ 08/31/08		Weighted Avg Maturity Beg Market Value @ 08/31/08		Weighted Avg Maturity End Carrying Value @ 11/30/08		Weighted Avg Maturity End Market Value @ 11/30/08	
								Months	Days	Months	Days	Months	Days	Months	Days
Mortgage-Backed Securities	8.75%	4.49%	79.81%	5.24%	5.26%	5.24%	5.25%	318	4	317	24	315	29	315	24
Guaranteed Inv Contracts	6.51%	3.37%	6.18%	3.90%	3.90%	4.89%	4.89%	44	28	44	28	147	5	147	5
Investment Agreements	6.15%	2.51%	0.94%	5.15%	5.15%	4.75%	4.75%	93	17	93	17	120	25	120	25
Repurchase Agreements	0.35%	0.35%	4.77%	2.10%	2.10%	0.35%	0.35%	0	2	0	2	0	1	0	1
Money Markets	1.93%	0.02%	3.15%	1.55%	1.55%	0.60%	0.60%	0	1	0	1	0	1	0	1
Treasury-Backed Mutual Funds	1.57%	0.02%	0.90%	1.41%	1.41%	0.33%	0.33%	0	1	0	1	0	1	0	1
Commercial Paper	0.00%	0.00%	4.19%	0.00%	0.00%	0.00%	0.00%	0	6	0	6	7	12	7	12
Treasury Bonds/Notes	13.25%	13.25%	0.06%	13.25%	13.25%	13.25%	13.25%	69	13	69	13	66	12	66	12










Market Valuation Comparison by Investment Type
% Composition
85.00%
80.00%
75.00%
70.00%
65.00%
60.00%
55.00%
50.00%
45.00%
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
76.61%
79.81%
10.32%
6.18%
1.16%
0.94%
0.76%
0.90%
7.68%
4.77%
3.47%
7.40%
Mortgage-Backed Securities
Guaranteed Inv Contracts
Investment Agreements
Treasury-Backed Mutual Funds
Repurchase Agreements
Other
Investment Type
@08/31/08
@11/30/08

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
HOUSING FINANCE DIVISION
PUBLIC FUNDS INVESTMENT ACT
Supplemental Public Funds Investment Act Report by Investment Type Schedule
Quarter Ending November 30, 2008

(b) (4) Summary statement of each pooled investment group:

INVESTMENT TYPE	FAIR VALUE (MARKET) @ 08/31/08	CARRYING VALUE @ 08/31/08	CHANGE IN CARRYING VALUE				CARRYING VALUE @ 11/30/08	FAIR VALUE (MARKET) @ 11/30/08	CHANGE IN FAIR VALUE (MARKET)	RECOGNIZED GAIN
			ACCRETION/ PURCHASES	AMORTIZATION/ SALES	MATURITIES	TRANSFERS				
Commercial Paper	0.00	0.00	71,431,000.00	0.00	0.00	0.00	71,431,000.00	71,431,000.00	-	0.00
Mortgage-Backed Securities	1,308,774,174.65	1,332,487,317.40	34,559,150.04	0.00	(20,647,223.79)	0.00	1,346,399,243.65	1,359,188,048.75	36,501,947.85	0.00
Guaranteed Inv Contracts	176,214,278.47	176,214,278.47	30,783,968.75	(101,782,639.61)	0.00	0.00	105,215,607.61	105,215,607.61	-	0.00
Investment Agreements	19,866,455.79	19,866,455.79	3,204,257.06	(7,055,999.76)	0.00	0.00	16,014,713.09	16,014,713.09	-	0.00
Treasury-Backed Mutual Funds	12,907,685.27	12,907,685.27	4,536,013.99	(2,151,707.30)	0.00	0.00	15,291,991.96	15,291,991.96	-	0.00
Repurchase Agreements	131,206,393.86	131,206,393.86	15,903,978.44	(65,798,900.57)	0.00	0.00	81,311,471.73	81,311,471.73	-	0.00
Money Markets	58,311,326.44	58,311,326.44	7,443,947.62	(12,193,693.93)	0.00	0.00	53,561,580.13	53,561,580.13	-	0.00
Treasury Bonds/Notes	1,013,941.89	939,414.77	156.69	0.00	0.00	0.00	939,571.46	994,648.11	(19,450.47)	0.00
TOTAL	1,708,294,256.37	1,731,932,872.00	167,862,472.59	(188,982,941.17)	(20,647,223.79)	0.00	1,690,165,179.63	1,703,009,061.38	36,482,497.38	0.00

(b) (8) The Department is in compliance with regards to investing its funds in a manner which will provide by priority the following objectives: (1) safety of principal, (2) sufficient liquidity to meet Department cash flow needs, (3) a market rate of return for the risk assumed, and (4) conformation to all applicable state statutes governing the investment of public funds including Section 2306 of the Department's enabling legislation and specifically, Section 2256 of the Texas Government Code, the Public Funds Investment Act.

David Cervantes, Director of Financial Administration — Date 1/22/09

Matt Pogor, Director of Bond Finance — Date 1/22/09

Detail of Investments including maturity dates by Fund Group

Texas Department of Housing and Community Affairs
Single Family Investment Summary
For Period Ending November 30, 2008

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Repo Agmt	1980 Single Family Surplus Rev	0.35	11/26/08	12/01/08	8,581.82	8,581.82		(5,546.02)			3,035.80	3,035.80	-	0.00
Repo Agmt	1980 Single Family Surplus Rev	0.35	11/26/08	12/01/08	1,213,574.29	1,213,574.29		(1,210,551.32)			3,022.97	3,022.97	-	0.00
GIC's	1980 Single Family Surplus Rev	6.08	11/14/96	09/30/29	4,226,653.40	4,226,653.40	1,434,865.98				5,661,519.38	5,661,519.38	-	0.00
Repo Agmt	1980 Single Family Surplus Rev	0.35	11/26/08	12/01/08	48,941.04	48,941.04	123.35				49,064.39	49,064.39	-	0.00
Repo Agmt	1980 Single Family Surplus Rev	0.35	11/26/08	12/01/08	1,248,780.68	1,248,780.68	19,342.68				1,268,123.36	1,268,123.36	-	0.00
	1980 Single Family Surplus Rev Total				6,746,531.23	6,746,531.23	1,454,332.01	(1,216,097.34)	0.00	0.00	6,984,765.90	6,984,765.90	0.00	0.00
Repo Agmt	1982 A Single Family				296.41	296.41		(296.41)					-	0.00
GIC's	1982 A Single Family				10,621.68	10,621.68		(10,621.68)					-	0.00
	1982 A Single Family Total				10,918.09	10,918.09	0.00	(10,918.09)	0.00	0.00	0.00	0.00	0.00	0.00
Repo Agmt	1983 A&B Single Family	0.35	11/26/08	12/01/08	53,849.81	53,849.81		(53,754.72)			95.09	95.09	-	0.00
GIC's	1983 A&B Single Family	6.08	11/14/96	09/30/29	165,516.56	165,516.56	86,941.27				252,457.83	252,457.83	-	0.00
T-Note	1983 A&B Single Family	13.25	08/05/85	05/15/14	717.09	774.17	0.12				717.21	759.43	(14.86)	0.00
	1983 A&B Single Family Total				220,083.46	220,140.54	86,941.39	(53,754.72)	0.00	0.00	253,270.13	253,312.35	(14.86)	0.00
Repo Agmt	1984 A&B Single Family	0.35	11/26/08	12/01/08	1,870.50	1,870.50		(1,803.61)			66.89	66.89	-	0.00
T-Bond	1984 A&B Single Family	13.25	08/05/85	05/15/14	408.32	440.84	0.07				408.39	432.46	(8.45)	0.00
GIC's	1984 A&B Single Family	6.08	11/14/96	09/30/29			39,360.61				39,360.61	39,360.61	-	0.00
	1984 A&B Single Family Total				2,278.82	2,311.34	39,360.68	(1,803.61)	0.00	0.00	39,835.89	39,859.96	(8.45)	0.00
Repo Agmt	1985 A Single Family	0.35	11/26/08	12/01/08	4,996.82	4,996.82		(4,900.54)			96.28	96.28	-	0.00
GIC's	1985 A Single Family	6.08	11/14/96	09/30/29			111,120.81				111,120.81	111,120.81	-	0.00
	1985 A Single Family Total				4,996.82	4,996.82	111,120.81	(4,900.54)	0.00	0.00	111,217.09	111,217.09	0.00	0.00
Repo Agmt	1985 B&C Single Family	0.35	11/26/08	12/01/08	2,020.41	2,020.41		(1,887.24)			133.17	133.17	-	0.00
GIC's	1985 B&C Single Family	6.08	11/14/96	09/30/29			71,209.34				71,209.34	71,209.34	-	0.00
	1985 B&C Single Family Total				2,020.41	2,020.41	71,209.34	(1,887.24)	0.00	0.00	71,342.51	71,342.51	0.00	0.00
Repo Agmt	1987 B Single Family	0.35	11/26/08	12/01/08	38,761.08	38,761.08		(38,668.81)			92.27	92.27	-	0.00
GIC's	1987 B Single Family	6.08	11/14/96	09/30/29	89,298.96	89,298.96	17,339.43				106,638.39	106,638.39	-	0.00
Repo Agmt	1987 B Single Family	0.35	11/26/08	12/01/08	496,958.91	496,958.91	0.00				496,958.91	496,958.91	-	0.00
	1987 B Single Family Total				625,018.95	625,018.95	17,339.43	(38,668.81)	0.00	0.00	603,689.57	603,689.57	0.00	0.00
Repo Agmt	1995 A&B Single Family	0.35	11/26/08	12/01/08	24,322.11	24,322.11		(22,496.39)			1,825.72	1,825.72	-	0.00
GIC's	1995 A&B Single Family	6.08	11/14/96	09/30/29	189,472.59	189,472.59		(24,455.73)			165,016.86	165,016.86	-	0.00
GIC's	1995 A&B Single Family	6.08	11/14/96	09/30/29	0.02	0.02	0.00				0.02	0.02	-	0.00
FNMA	1995 A&B Single Family	6.15	07/30/96	06/01/26	158,969.71	165,017.78			(1,327.34)		157,642.37	163,689.53	(0.91)	0.00
GNMA	1995 A&B Single Family	6.15	11/26/96	11/20/26	541,242.28	557,032.81			(6,215.08)		535,027.20	547,360.24	(3,457.49)	0.00
GNMA	1995 A&B Single Family	6.15	05/29/97	05/20/27	272,467.17	278,861.97			(4,852.82)		267,614.35	272,289.56	(1,719.59)	0.00
	1995 A&B Single Family Total				1,186,473.88	1,214,707.28	0.00	(46,952.12)	(12,395.24)	0.00	1,127,126.52	1,150,181.93	(5,177.99)	0.00
Repo Agmt	1996 A-C Single Family	0.35	11/26/08	12/01/08	487,752.52	487,752.52	1,229.46				488,981.98	488,981.98	-	0.00
Inv Agmt	1996 A-C Single Family	6.13	02/26/97	09/01/28	132,430.09	132,430.09	0.00				132,430.09	132,430.09	-	0.00
	1996 A-C Single Family Total				620,182.61	620,182.61	1,229.46	0.00	0.00	0.00	621,412.07	621,412.07	0.00	0.00
T-Bond	1996 D&E Single Family	13.25	08/05/85	05/15/14	938,289.36	1,012,726.88	156.50				938,445.86	993,456.22	(19,427.16)	0.00
Repo Agmt	1996 D&E Single Family	0.35	11/26/08	12/01/08	621,685.87	621,685.87	1,567.01				623,252.88	623,252.88	-	0.00
GIC's	1996 D&E Single Family	6.08	04/06/98	09/30/29	151,159.39	151,159.39	0.00				151,159.39	151,159.39	-	0.00
	1996 D&E Single Family Total				1,711,134.62	1,785,572.14	1,723.51	0.00	0.00	0.00	1,712,858.13	1,767,868.49	(19,427.16)	0.00
Repo Agmt	1997 D-F Single Family	0.35	11/26/08	12/01/08	826,640.94	826,640.94	17,084.40				843,725.34	843,725.34	-	0.00
FNMA	1997 D-F Single Family	6.25	06/29/98	06/01/28	357,605.63	367,973.31			(4,061.95)		353,543.68	365,448.18	1,536.82	0.00
FNMA	1997 D-F Single Family	6.25	11/30/98	10/01/28	219,516.52	225,880.28			(1,496.88)		218,019.64	225,360.34	976.94	0.00
GNMA	1997 D-F Single Family	6.25	05/19/98	05/20/28	421,656.83	433,024.71			(6,694.02)		414,962.81	423,361.68	(2,969.01)	0.00
GNMA	1997 D-F Single Family	5.45	07/24/00	06/20/30	1,222,495.78	1,216,212.13			(79,962.05)		1,142,533.73	1,164,790.29	28,540.21	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	1997 D-F Single Family	6.25	08/14/98	07/20/28	199,962.13	205,353.12			(2,109.79)		197,852.34	201,856.88	(1,386.45)	0.00
GNMA	1997 D-F Single Family	5.45	08/28/00	08/20/30	230,693.35	229,507.55			(1,316.40)		229,376.95	233,845.18	5,654.03	0.00
GNMA	1997 D-F Single Family	6.25	06/30/98	06/20/28	465,110.68	477,650.07			(3,772.13)		461,338.55	470,676.06	(3,201.88)	0.00
GNMA	1997 D-F Single Family	6.25	09/18/98	08/20/28	909,685.64	934,210.83			(49,222.16)		860,463.48	877,879.30	(7,109.37)	0.00
FNMA	1997 D-F Single Family	6.25	03/31/99	11/01/28	151,014.78	155,392.70			(918.40)		150,096.38	155,150.12	675.82	0.00
GNMA	1997 D-F Single Family	6.25	11/30/98	11/20/28	886,453.18	910,351.88			(67,788.74)		818,664.44	835,234.14	(7,329.00)	0.00
GNMA	1997 D-F Single Family	6.25	11/30/98	10/20/28	413,433.28	424,579.44			(56,647.97)		356,785.31	364,006.63	(3,924.84)	0.00
FNMA	1997 D-F Single Family	6.25	05/27/99	04/01/29	125,570.59	129,112.93			(914.76)		124,655.83	128,775.70	577.53	0.00
GNMA	1997 D-F Single Family	6.25	02/16/99	02/20/29	1,504,989.61	1,545,142.74			(10,783.81)		1,494,205.80	1,524,164.67	(10,194.26)	0.00
GNMA	1997 D-F Single Family	6.25	03/31/99	03/20/29	635,248.04	652,196.49			(4,669.27)		630,578.77	643,221.90	(4,305.32)	0.00
GNMA	1997 D-F Single Family	6.25	05/27/99	04/20/29	410,840.03	421,801.21			(5,194.58)		405,645.45	413,778.62	(2,828.01)	0.00
GNMA	1997 D-F Single Family	5.45	06/22/99	06/20/29	741,856.44	738,213.90			(41,296.34)		700,560.10	714,438.17	17,520.61	0.00
GNMA	1997 D-F Single Family	5.45	07/30/99	07/20/29	957,232.47	952,532.38			(83,812.97)		873,419.50	890,721.87	22,002.46	0.00
GNMA	1997 D-F Single Family	5.45	08/26/99	08/20/29	595,265.18	592,342.40			(4,406.82)		590,858.36	602,563.25	14,627.67	0.00
GNMA	1997 D-F Single Family	5.45	09/30/99	09/20/29	496,485.96	494,048.21			(3,193.27)		493,292.69	503,064.81	12,209.87	0.00
FNMA	1997 D-F Single Family	5.45	12/21/99	11/01/29	286,099.76	283,965.44			(3,233.77)		282,865.99	289,374.72	8,643.05	0.00
GNMA	1997 D-F Single Family	5.45	10/29/99	10/20/29	1,055,949.03	1,050,764.32			(129,794.98)		926,154.05	944,501.16	23,531.82	0.00
GNMA	1997 D-F Single Family	5.45	11/18/99	11/20/29	1,328,246.47	1,321,724.79			(9,525.96)		1,318,720.51	1,344,844.38	32,645.55	0.00
GNMA	1997 D-F Single Family	5.45	12/30/99	12/20/29	1,132,676.16	1,127,114.70			(50,587.22)		1,082,088.94	1,103,525.08	26,997.60	0.00
GNMA	1997 D-F Single Family	5.45	01/28/00	01/20/30	1,241,102.49	1,234,723.20			(8,074.79)		1,233,027.70	1,257,047.06	30,398.65	0.00
GNMA	1997 D-F Single Family	5.45	02/22/00	01/20/30	679,728.16	676,234.34			(5,397.30)		674,330.86	687,466.82	16,629.78	0.00
GNMA	1997 D-F Single Family	5.45	03/27/00	02/20/30	341,354.20	339,599.64			(2,261.21)		339,092.99	345,698.53	8,360.10	0.00
FNMA	1997 D-F Single Family	5.45	02/23/00	01/01/30	146,032.20	144,942.78			(865.38)		145,166.82	148,507.09	4,429.69	0.00
GNMA	1997 D-F Single Family	5.45	04/27/00	03/20/30	399,396.90	397,343.98			(2,708.13)		396,688.77	404,416.24	9,780.39	0.00
GNMA	1997 D-F Single Family	5.45	05/30/00	05/20/30	570,636.25	567,703.17			(16,577.16)		554,059.09	564,852.15	13,726.14	0.00
GNMA	1997 D-F Single Family	5.45	06/21/00	06/20/30	1,102,614.84	1,096,947.38			(6,636.45)		1,095,978.39	1,117,328.04	27,017.11	0.00
FNMA	1997 D-F Single Family	5.45	05/30/00	05/01/30	200,615.05	199,098.34			(1,491.13)		199,123.92	203,391.07	5,783.86	0.00
GNMA	1997 D-F Single Family	5.45	10/23/00	09/20/30	41,567.90	41,354.24			(232.38)		41,335.52	42,140.74	1,018.88	0.00
GNMA	1997 D-F Single Family	5.45	10/30/00	10/20/30	271,837.03	270,439.80			(2,338.99)		269,498.04	274,747.87	6,647.06	0.00
FNMA	1997 D-F Single Family	5.45	07/24/00	06/01/30	452,770.55	449,347.55			(4,465.68)		448,304.87	457,911.99	13,030.12	0.00
GNMA	1997 D-F Single Family	5.45	12/21/00	05/20/30	65,938.48	65,599.52			(387.75)		65,550.73	66,827.63	1,615.86	0.00
FNMA	1997 D-F Single Family	5.45	10/06/00	09/01/30	307,426.85	305,102.68			(2,639.95)		304,786.90	311,318.45	8,855.72	0.00
FNMA	1997 D-F Single Family	5.45	10/30/00	08/01/30	328,751.01	326,265.67			(2,350.83)		326,400.18	333,394.95	9,480.11	0.00
FNMA	1997 D-F Single Family	5.45	02/12/01	02/01/30	77,682.75	77,103.23			(463.17)		77,219.58	78,996.40	2,356.34	0.00
Repo Agmt	1997 D-F Single Family	0.35	11/26/08	12/01/08	157,919.10	157,919.10	0.00				157,919.10	157,919.10	-	0.00
GNMA	1997 D-F Single Family	4.49	05/12/05	05/20/35	73,596.62	68,865.61			(14,664.66)		58,931.96	58,313.43	4,112.48	0.00
GNMA	1997 D-F Single Family	4.49	07/14/05	07/20/35	45,471.88	42,515.14			(229.24)		45,242.64	44,620.53	2,334.63	0.00
GNMA	1997 D-F Single Family	4.49	05/26/05	05/20/35	68,030.91	63,770.16			(366.32)		67,664.59	66,908.05	3,504.21	0.00
GNMA	1997 D-F Single Family	4.49	06/02/05	06/20/35	61,811.02	57,944.17			(362.57)		61,448.45	60,766.25	3,184.65	0.00
GNMA	1997 D-F Single Family	4.49	06/09/05	06/20/35	75,157.06	70,271.96			(376.98)		74,780.08	73,753.73	3,858.75	0.00
GNMA	1997 D-F Single Family	4.49	06/15/05	06/20/35	61,133.24	57,362.10			(273.91)		60,859.33	60,238.58	3,150.39	0.00
GNMA	1997 D-F Single Family	4.49	06/23/05	06/20/35	125,164.22	117,181.24			(658.42)		124,505.80	122,956.64	6,433.82	0.00
GNMA	1997 D-F Single Family	4.49	06/29/05	06/20/35	53,194.40	49,884.46			(236.26)		52,958.14	52,385.27	2,737.07	0.00
GNMA	1997 D-F Single Family	4.49	09/08/05	09/20/35	12,253.13	11,485.36			(54.51)		12,198.62	12,061.76	630.91	0.00
GNMA	1997 D-F Single Family	4.49	07/21/05	07/20/35	24,452.15	23,048.59			(108.03)		24,344.12	24,205.36	1,264.80	0.00
GNMA	1997 D-F Single Family	4.49	07/28/05	07/20/35	22,917.10	21,426.77			(101.76)		22,815.34	22,501.30	1,176.29	0.00
GNMA	1997 D-F Single Family	4.49	08/04/05	08/20/35	5,018.35	4,779.25			(21.53)		4,996.82	5,019.49	261.77	0.00
FNMA	1997 D-F Single Family	4.49	07/28/05	07/01/35	25,224.49	23,606.87			(147.14)		25,077.35	24,849.49	1,389.76	0.00
FNMA	1997 D-F Single Family	4.49	10/20/05	09/01/35	6,258.30	5,852.35			(27.81)		6,230.49	6,168.98	344.44	0.00
	1997 D-F Single Family Total				22,619,785.11	22,683,455.12	17,084.40	0.00	(695,923.68)	0.00	21,940,945.83	22,351,021.46	346,405.62	0.00
Repo Agmt	2002A Single Family (JR Lien)	0.35	11/26/08	12/01/08	141,111.24	141,111.24	71,131.38				212,242.62	212,242.62	-	0.00
Repo Agmt	2002A Single Family (JR Lien)	0.35	11/26/08	12/01/08	28,093.25	28,093.25		(2,418.23)			25,675.02	25,675.02	-	0.00
Repo Agmt	2002A Single Family (JR Lien)	0.35	11/26/08	12/01/08	417,752.55	417,752.55	0.00				417,752.55	417,752.55	-	0.00
Repo Agmt	2002A Single Family (JR Lien)	0.35	11/26/08	12/01/08	127,350.00	127,350.00	0.00				127,350.00	127,350.00	-	0.00
Repo Agmt	2002A Single Family (JR Lien)	0.35	11/26/08	12/01/08	3,691.51	3,691.51	1,062.20				4,753.71	4,753.71	-	0.00
	2002A Single Family (JR Lien) Total				717,998.55	717,998.55	72,193.58	(2,418.23)	0.00	0.00	787,773.90	787,773.90	0.00	0.00
Repo Agmt	2004 A/B Single Family	0.35	11/26/08	12/01/08	1,153.38	1,153.38	2.94				1,156.32	1,156.32	-	0.00
Repo Agmt	2004 A/B Single Family	0.35	11/26/08	12/01/08	9,874,692.10	9,874,692.10		(9,707,276.75)			167,415.35	167,415.35	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GIC's	2004 A/B Single Family	3.96	04/25/05	03/01/36	1,499,537.29	1,499,537.29	4,171,600.70				5,671,137.99	5,671,137.99	-	0.00
GNMA	2004 A/B Single Family	4.49	07/08/04	06/20/34	1,303,690.30	1,218,009.05			(7,154.37)		1,296,535.93	1,277,642.49	66,787.81	0.00
GNMA	2004 A/B Single Family	4.49	07/08/04	07/20/34	934,368.32	872,962.34			(4,768.36)		929,599.96	916,056.38	47,862.40	0.00
GNMA	2004 A/B Single Family	4.49	06/29/04	06/20/34	509,455.66	475,969.84			(2,451.87)		507,003.79	499,612.11	26,094.14	0.00
GNMA	2004 A/B Single Family	4.49	09/02/04	08/20/34	1,105,790.76	1,033,168.01			(107,653.22)		998,137.54	983,642.05	58,127.26	0.00
GNMA	2004 A/B Single Family	4.49	09/09/04	09/20/34	1,281,903.88	1,197,725.76			(7,304.43)		1,274,599.45	1,256,100.43	65,679.10	0.00
GNMA	2004 A/B Single Family	4.49	09/16/04	08/20/34	2,349,598.46	2,195,313.03			(13,320.29)		2,336,278.17	2,302,375.01	120,382.27	0.00
GNMA	2004 A/B Single Family	4.49	09/23/04	09/20/34	919,764.23	859,376.11			(4,728.44)		915,035.79	901,765.35	47,117.68	0.00
GNMA	2004 A/B Single Family	4.49	09/29/04	09/20/34	1,184,982.28	1,107,186.49			(6,197.24)		1,178,785.04	1,161,695.33	60,706.08	0.00
GNMA	2004 A/B Single Family	4.49	10/07/04	10/20/34	1,966,105.11	1,837,044.22			(9,756.58)		1,956,348.53	1,928,003.46	100,715.82	0.00
GNMA	2004 A/B Single Family	4.49	07/15/04	07/20/34	1,868,246.48	1,745,477.33			(9,839.99)		1,858,406.49	1,831,342.00	95,704.66	0.00
GNMA	2004 A/B Single Family	4.49	07/22/04	07/20/34	1,776,730.81	1,659,983.82			(9,192.27)		1,767,538.54	1,741,806.16	91,014.61	0.00
GNMA	2004 A/B Single Family	4.49	07/29/04	07/20/34	2,274,985.63	2,125,509.57			(12,847.59)		2,262,138.04	2,229,216.33	116,554.35	0.00
GNMA	2004 A/B Single Family	4.49	08/05/04	08/20/34	2,406,625.96	2,248,523.30			(128,336.32)		2,278,289.64	2,245,155.54	124,968.56	0.00
GNMA	2004 A/B Single Family	4.49	08/12/04	08/20/34	3,156,212.73	2,948,881.01			(174,672.69)		2,981,540.04	2,938,193.12	163,984.80	0.00
GNMA	2004 A/B Single Family	4.49	08/19/04	08/20/34	3,399,395.25	3,176,104.90			(200,562.02)		3,198,833.23	3,152,343.11	176,800.23	0.00
GNMA	2004 A/B Single Family	5.00	08/19/04	08/20/34	263,016.13	257,392.47			(1,132.75)		261,883.38	265,300.18	9,040.46	0.00
GNMA	2004 A/B Single Family	4.49	08/26/04	08/20/34	1,656,135.71	1,547,361.27			(8,061.06)		1,648,074.65	1,624,132.21	84,832.00	0.00
GNMA	2004 A/B Single Family	5.00	08/26/04	08/20/34	82,501.02	80,737.52			(353.65)		82,147.37	83,219.65	2,835.78	0.00
GNMA	2004 A/B Single Family	4.49	12/02/04	12/20/34	929,430.35	868,464.48			(4,789.04)		924,641.31	911,291.26	47,615.82	0.00
GNMA	2004 A/B Single Family	5.00	12/09/04	10/20/34	215,227.72	210,111.79			(1,599.65)		213,628.07	215,903.64	7,391.50	0.00
GNMA	2004 A/B Single Family	4.49	12/09/04	12/20/34	359,244.45	335,681.56			(1,727.99)		357,516.46	352,356.40	18,402.83	0.00
GNMA	2004 A/B Single Family	5.00	12/09/04	11/20/34	146,017.66	142,909.71			(832.38)		145,185.28	147,094.06	5,016.73	0.00
GNMA	2004 A/B Single Family	5.00	12/16/04	12/20/34	327,536.69	319,755.39			(1,382.47)		326,154.22	329,632.74	11,259.82	0.00
GNMA	2004 A/B Single Family	4.49	12/16/04	12/20/34	876,462.29	818,979.96			(4,626.45)		871,835.84	859,257.74	44,904.23	0.00
GNMA	2004 A/B Single Family	4.49	10/14/04	10/20/34	1,198,501.56	1,119,835.18			(5,567.95)		1,192,933.61	1,175,656.60	61,389.37	0.00
GNMA	2004 A/B Single Family	5.00	10/14/04	10/20/34	906,552.15	884,965.21			(4,264.18)		902,287.97	911,859.65	31,158.62	0.00
GNMA	2004 A/B Single Family	5.00	10/21/04	10/20/34	969,242.86	946,167.85			(4,771.94)		964,470.92	974,707.13	33,311.22	0.00
GNMA	2004 A/B Single Family	4.49	10/21/04	10/20/34	1,390,802.35	1,299,520.44			(7,135.96)		1,383,666.39	1,363,633.91	71,249.43	0.00
GNMA	2004 A/B Single Family	5.00	10/28/04	10/20/34	334,677.09	326,711.33			(1,466.21)		333,210.88	336,749.38	11,504.26	0.00
GNMA	2004 A/B Single Family	4.49	10/28/04	10/20/34	610,732.85	570,652.36			(2,852.90)		607,879.95	599,082.82	31,283.36	0.00
GNMA	2004 A/B Single Family	4.49	11/04/04	11/20/34	1,762,271.99	1,646,634.51			(9,068.63)		1,753,203.36	1,727,846.96	90,281.08	0.00
GNMA	2004 A/B Single Family	4.49	11/10/04	11/20/34	975,744.31	911,721.18			(5,031.46)		970,712.85	956,677.35	49,987.63	0.00
GNMA	2004 A/B Single Family	5.00	11/10/04	10/20/34	510,139.46	498,002.48			(2,239.88)		507,899.58	513,298.35	17,535.75	0.00
GNMA	2004 A/B Single Family	4.49	11/18/04	11/20/34	803,368.85	750,660.63			(134,609.56)		668,759.29	659,094.39	43,043.32	0.00
GNMA	2004 A/B Single Family	5.00	11/23/04	11/20/34	388,449.05	380,176.04			(1,675.63)		386,773.42	391,853.26	13,352.85	0.00
GNMA	2004 A/B Single Family	4.49	11/23/04	11/20/34	1,213,515.43	1,133,902.47			(5,696.83)		1,207,818.60	1,190,366.82	62,161.18	0.00
GNMA	2004 A/B Single Family	5.00	12/23/04	12/20/34	392,273.45	382,956.13			(1,966.46)		390,306.99	394,471.72	13,482.05	0.00
GNMA	2004 A/B Single Family	4.49	12/23/04	12/20/34	492,362.15	460,073.14			(2,444.08)		489,918.07	482,852.39	25,223.33	0.00
GNMA	2004 A/B Single Family	5.00	12/29/04	12/20/34	424,207.01	414,133.29			(1,806.01)		422,401.00	426,910.32	14,583.04	0.00
GNMA	2004 A/B Single Family	4.49	12/29/04	12/20/34	223,670.80	209,531.48			(118,406.40)		105,264.40	104,009.01	12,883.93	0.00
GNMA	2004 A/B Single Family	4.49	01/06/05	01/20/35	695,927.40	649,988.99			(4,213.48)		691,713.92	681,454.55	35,679.04	0.00
GNMA	2004 A/B Single Family	4.49	01/13/05	01/20/35	632,953.76	591,175.80			(3,104.75)		629,849.01	620,510.93	32,439.88	0.00
GNMA	2004 A/B Single Family	4.49	01/19/05	01/20/35	457,482.94	427,289.02			(2,801.17)		454,681.77	447,942.95	23,455.10	0.00
GNMA	2004 A/B Single Family	4.49	01/28/05	01/20/35	347,771.32	324,820.70			(1,595.49)		346,175.83	341,047.60	17,822.39	0.00
GNMA	2004 A/B Single Family	4.49	02/03/05	02/20/35	1,843,666.80	1,722,010.80			(9,022.39)		1,834,644.41	1,807,480.65	94,492.24	0.00
GNMA	2004 A/B Single Family	4.49	02/10/05	02/20/35	1,373,213.13	1,285,848.09			(6,558.38)		1,366,654.75	1,349,886.61	70,596.90	0.00
GNMA	2004 A/B Single Family	5.00	02/10/05	02/20/35	1,488,339.49	1,452,378.69			(112,922.60)		1,375,416.89	1,389,878.77	50,422.68	0.00
GNMA	2004 A/B Single Family	4.49	02/17/05	02/20/35	538,838.53	503,288.37			(2,496.59)		536,341.94	528,406.72	27,614.94	0.00
GNMA	2004 A/B Single Family	5.00	02/17/05	01/20/35	338,954.87	330,765.80			(1,433.35)		337,521.52	341,071.08	11,738.63	0.00
GNMA	2004 A/B Single Family	4.49	02/24/05	02/20/35	357,706.47	334,108.28			(111,662.34)		246,044.13	242,405.12	19,959.18	0.00
GNMA	2004 A/B Single Family	5.00	03/03/05	02/20/35	403,222.04	393,486.26			(1,720.63)		401,501.41	405,729.56	13,963.93	0.00
GNMA	2004 A/B Single Family	4.49	03/03/05	03/20/35	254,786.85	238,581.66			(1,785.79)		253,001.06	249,901.91	13,106.04	0.00
GNMA	2004 A/B Single Family	5.00	03/10/05	03/20/35	182,310.19	178,360.30			(750.70)		181,559.49	183,923.61	6,314.01	0.00
GNMA	2004 A/B Single Family	4.49	03/17/05	03/20/35	562,691.50	525,580.35			(3,328.09)		559,363.41	551,100.93	28,848.67	0.00
GNMA	2004 A/B Single Family	5.00	03/24/05	03/20/35	298,292.83	291,096.14			(1,244.48)		297,048.35	300,182.57	10,330.91	0.00
GNMA	2004 A/B Single Family	4.49	03/24/05	03/20/35	98,624.28	92,353.07			(1,403.58)		97,220.70	96,031.34	5,081.85	0.00
GNMA	2004 A/B Single Family	5.00	03/30/05	03/20/35	178,486.70	174,622.47			(783.07)		177,703.63	180,020.45	6,181.05	0.00
GNMA	2004 A/B Single Family	5.00	04/07/05	04/20/35	128,057.79	125,286.48			(525.28)		127,532.51	129,196.40	4,435.20	0.00
GNMA	2004 A/B Single Family	4.49	04/07/05	04/20/35	654,678.25	611,512.63			(3,204.14)		651,474.11	641,863.97	33,555.48	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2004 A/B Single Family	5.00	04/21/05	04/20/35	457,300.86	446,279.15			(2,575.99)		454,724.87	459,534.36	15,831.20	0.00
GNMA	2004 A/B Single Family	4.49	04/21/05	04/20/35	315,072.95	294,302.17			(1,493.63)		313,579.32	308,957.03	16,148.49	0.00
GNMA	2004 A/B Single Family	5.00	04/28/05	04/20/35	271,190.54	265,326.23			(1,235.60)		269,954.94	273,481.65	9,391.02	0.00
GNMA	2004 A/B Single Family	5.00	05/05/05	05/20/35	131,057.73	128,224.73			(561.62)		130,496.11	132,201.99	4,538.88	0.00
GNMA	2004 A/B Single Family	4.49	05/05/05	04/20/35	897,891.37	838,708.35			(4,840.19)		893,051.18	879,896.98	46,028.82	0.00
GNMA	2004 A/B Single Family	5.00	05/12/05	04/20/35	214,225.90	209,595.73			(894.21)		213,331.69	216,121.07	7,419.55	0.00
GNMA	2004 A/B Single Family	4.49	05/12/05	04/20/35	471,058.96	441,124.47			(2,096.58)		468,962.38	463,244.90	24,217.01	0.00
GNMA	2004 A/B Single Family	5.00	06/03/05	05/20/35	125,202.13	122,498.55			(522.53)		124,679.60	126,312.38	4,336.36	0.00
GNMA	2004 A/B Single Family	5.00	07/07/05	06/20/35	324,185.95	317,195.16			(107,962.23)		216,223.72	219,061.97	9,829.04	0.00
GNMA	2004 A/B Single Family	4.49	07/07/05	06/20/35	328,777.15	307,899.81			(1,460.87)		327,316.28	323,342.02	16,903.08	0.00
GNMA	2004 A/B Single Family	5.00	05/26/05	05/20/35	125,286.55	122,580.40			(557.84)		124,728.71	126,361.37	4,338.81	0.00
GNMA	2004 A/B Single Family	4.49	05/26/05	05/20/35	273,384.92	256,015.69			(1,305.98)		272,078.94	268,765.61	14,055.90	0.00
GNMA	2004 A/B Single Family	5.00	06/02/05	05/20/35	255,825.90	250,301.41			(1,043.99)		254,781.91	258,118.22	8,860.80	0.00
GNMA	2004 A/B Single Family	4.49	06/02/05	05/20/35	208,542.15	195,293.62			(1,683.11)		206,859.04	204,340.98	10,730.47	0.00
GNMA	2004 A/B Single Family	4.49	06/10/05	04/20/35	216,518.72	202,253.17			(3,598.66)		212,920.06	209,789.99	11,135.48	0.00
GNMA	2004 A/B Single Family	5.00	06/15/05	06/20/35	295,863.54	289,478.54			(1,421.24)		294,442.30	298,302.16	10,244.86	0.00
GNMA	2004 A/B Single Family	4.49	06/23/05	06/20/35	259,191.08	242,729.76			(1,142.64)		258,048.44	254,912.40	13,325.28	0.00
GNMA	2004 A/B Single Family	4.49	09/08/05	09/20/35	152,592.13	142,911.04			(739.41)		151,852.72	150,017.86	7,846.23	0.00
GNMA	2004 A/B Single Family	5.00	09/15/05	09/20/35	542,453.60	529,450.07			(2,286.25)		540,167.35	545,953.22	18,789.40	0.00
GNMA	2004 A/B Single Family	5.00	09/22/05	09/20/35	191,702.90	187,582.24			(758.65)		190,944.25	193,464.34	6,640.75	0.00
GNMA	2004 A/B Single Family	4.49	07/21/05	07/20/35	341,604.68	319,917.31			(1,696.29)		339,908.39	335,785.98	17,564.96	0.00
GNMA	2004 A/B Single Family	5.00	07/21/05	07/20/35	22,049.81	21,574.62			(94.50)		21,955.31	22,243.82	763.70	0.00
GNMA	2004 A/B Single Family	4.49	07/28/05	07/20/35	3,201,748.80	2,990,940.15			(242,917.70)		2,958,831.10	2,915,472.53	167,450.08	0.00
GNMA	2004 A/B Single Family	5.00	08/04/05	08/20/35	190,588.23	186,483.63			(764.94)		189,823.29	192,320.43	6,601.74	0.00
GNMA	2004 A/B Single Family	4.49	08/11/05	07/20/35	136,637.67	127,965.18			(596.64)		136,041.03	134,393.43	7,024.89	0.00
GNMA	2004 A/B Single Family	5.00	08/11/05	08/20/35	943,353.73	920,711.15			(4,096.42)		939,257.31	949,288.26	32,673.53	0.00
GNMA	2004 A/B Single Family	4.49	08/30/05	08/20/35	416,445.10	389,037.01			(2,330.96)		414,114.14	408,057.67	21,351.62	0.00
GNMA	2004 A/B Single Family	5.00	08/30/05	08/20/35	119,329.53	116,762.06			(491.98)		118,837.55	120,403.42	4,133.34	0.00
GNMA	2004 A/B Single Family	5.00	08/30/05	08/20/35	201,682.22	197,342.87			(1,082.37)		200,599.85	203,243.06	6,982.56	0.00
GNMA	2004 A/B Single Family	5.00	10/27/05	10/20/35	635,578.49	621,936.15			(2,539.39)		633,039.10	641,413.99	22,017.23	0.00
GNMA	2004 A/B Single Family	4.49	10/27/05	09/20/35	208,643.72	195,414.16			(934.81)		207,708.91	205,207.20	10,727.85	0.00
GNMA	2004 A/B Single Family	5.00	09/29/05	09/20/35	145,107.01	141,988.78			(924.03)		144,182.98	146,086.79	5,022.04	0.00
GNMA	2004 A/B Single Family	5.00	09/29/05	09/20/35	166,199.91	162,628.42			(672.26)		165,527.65	167,713.29	5,757.13	0.00
GNMA	2004 A/B Single Family	4.49	09/29/05	09/20/35	201,288.46	188,521.10			(868.84)		200,419.62	198,001.31	10,349.05	0.00
GNMA	2004 A/B Single Family	5.00	12/08/05	12/20/35	598,258.78	583,961.70			(2,921.42)		595,337.36	601,759.71	20,719.43	0.00
GNMA	2004 A/B Single Family	5.00	12/15/05	12/20/35	1,438,495.90	1,404,126.07			(6,197.57)		1,432,298.33	1,447,758.39	49,829.89	0.00
GNMA	2004 A/B Single Family	5.00	11/03/05	11/20/35	309,209.32	302,574.75			(1,324.66)		307,884.66	311,960.37	10,710.28	0.00
GNMA	2004 A/B Single Family	5.00	11/10/05	11/20/35	96,029.70	93,969.80			(377.73)		95,651.97	96,918.79	3,326.72	0.00
GNMA	2004 A/B Single Family	4.49	11/17/05	10/20/35	239,372.29	224,198.85			(1,027.54)		238,344.75	235,478.81	12,307.50	0.00
GNMA	2004 A/B Single Family	5.00	11/17/05	11/20/35	920,222.61	900,487.81			(4,455.74)		915,766.87	927,899.95	31,867.88	0.00
GNMA	2004 A/B Single Family	5.00	11/22/05	11/20/35	163,723.54	160,213.02			(642.16)		163,081.38	165,242.72	5,671.86	0.00
GNMA	2004 A/B Single Family	4.49	11/29/05	10/20/35	122,232.89	114,485.88			(530.78)		121,702.11	120,239.82	6,284.72	0.00
GNMA	2004 A/B Single Family	5.00	11/29/05	11/20/35	1,459,810.53	1,428,518.32			(6,065.94)		1,453,744.59	1,473,020.25	50,567.87	0.00
GNMA	2004 A/B Single Family	5.00	12/22/05	12/20/35	1,421,839.08	1,387,875.61			(5,963.63)		1,415,875.45	1,431,165.44	49,253.46	0.00
GNMA	2004 A/B Single Family	5.00	12/29/05	12/20/35	1,440,578.32	1,406,175.72			(70,781.07)		1,369,797.25	1,384,598.01	49,203.36	0.00
GNMA	2004 A/B Single Family	4.49	12/29/05	11/20/35	208,641.66	194,930.69			(917.50)		207,724.16	204,707.85	10,694.66	0.00
GNMA	2004 A/B Single Family	5.00	01/05/06	01/20/36	1,367,800.83	1,338,307.39			(5,510.32)		1,362,290.51	1,380,196.14	47,399.07	0.00
GNMA	2004 A/B Single Family	5.00	01/12/06	01/20/36	171,076.45	164,362.72			(691.69)		170,384.76	169,532.88	5,861.85	0.00
GNMA	2004 A/B Single Family	5.00	01/12/06	01/20/36	834,549.18	816,559.02			(3,430.96)		831,118.22	842,047.36	28,919.30	0.00
GNMA	2004 A/B Single Family	4.49	01/12/06	12/20/35	89,464.28	83,797.50			(723.49)		88,740.79	87,678.16	4,604.15	0.00
GNMA	2004 A/B Single Family	5.00	03/09/06	03/20/36	3,624,764.54	3,537,807.96			(15,305.57)		3,609,458.97	3,648,148.83	125,646.44	0.00
GNMA	2004 A/B Single Family	5.00	03/02/06	03/20/36	777,995.92	759,327.52			(3,024.93)		774,970.99	783,273.17	26,970.58	0.00
GNMA	2004 A/B Single Family	5.00	03/02/06	01/20/36	193,194.27	185,604.83			(877.69)		192,316.58	191,347.29	6,620.15	0.00
GNMA	2004 A/B Single Family	5.00	01/19/06	01/20/36	1,530,357.40	1,497,375.39			(6,079.07)		1,524,278.33	1,544,330.21	53,033.89	0.00
GNMA	2004 A/B Single Family	5.00	01/26/06	01/20/36	1,383,841.18	1,350,590.25			(5,500.06)		1,378,341.12	1,393,060.77	47,970.58	0.00
GNMA	2004 A/B Single Family	5.00	01/26/06	01/20/36	201,788.49	193,867.19			(910.13)		200,878.36	199,871.66	6,914.60	0.00
GNMA	2004 A/B Single Family	5.00	02/09/06	01/20/36	3,413,626.32	3,264,608.17			(159,819.95)		3,253,806.37	3,223,019.48	118,231.26	0.00
GNMA	2004 A/B Single Family	4.49	02/09/06	01/20/36	172,691.05	161,554.55			(1,130.16)		171,560.89	169,481.38	9,056.99	0.00
GNMA	2004 A/B Single Family	5.00	02/09/06	02/20/36	1,310,623.93	1,282,403.48			(5,483.35)		1,305,140.58	1,322,336.40	45,416.27	0.00
GNMA	2004 A/B Single Family	5.00	02/09/06	01/20/36	115,725.42	111,181.25			(478.42)		115,247.00	114,668.19	3,965.36	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2004 A/B Single Family	5.00	02/16/06	02/20/36	3,572,521.09	3,486,747.40			(146,541.91)		3,425,979.18	3,462,632.39	122,426.90	0.00
GNMA	2004 A/B Single Family	5.00	02/23/06	02/20/36	2,577,216.92	2,521,752.10			(11,119.06)		2,566,097.86	2,599,936.22	89,303.18	0.00
GNMA	2004 A/B Single Family	5.00	02/23/06	02/20/36	1,581,690.72	1,547,650.81			(6,353.03)		1,575,337.69	1,596,111.17	54,813.39	0.00
GNMA	2004 A/B Single Family	5.00	05/11/06	05/20/36	462,929.80	451,849.83			(1,874.29)		461,055.51	466,023.90	16,048.36	0.00
GNMA	2004 A/B Single Family	5.00	05/11/06	05/20/36	642,766.40	628,977.73			(2,655.01)		640,111.39	648,598.17	22,275.45	0.00
GNMA	2004 A/B Single Family	5.00	05/18/06	05/20/36	955,064.59	932,210.34			(3,938.48)		951,126.11	961,380.38	33,108.52	0.00
GNMA	2004 A/B Single Family	5.00	03/16/06	03/20/36	1,331,051.45	1,299,126.62			(5,373.76)		1,325,677.69	1,339,894.40	46,141.54	0.00
GNMA	2004 A/B Single Family	4.49	03/23/06	02/20/36	289,008.12	270,380.64			(1,217.98)		287,790.14	284,312.42	15,149.76	0.00
GNMA	2004 A/B Single Family	5.00	03/23/06	03/20/36	1,470,522.26	1,438,911.14			(6,365.83)		1,464,156.43	1,483,501.23	50,955.92	0.00
GNMA	2004 A/B Single Family	5.00	03/30/06	03/20/36	166,337.77	159,798.92			(5,068.36)		161,269.41	160,451.99	5,721.43	0.00
GNMA	2004 A/B Single Family	5.00	03/30/06	03/20/36	1,279,381.71	1,251,887.00			(5,205.57)		1,274,176.14	1,291,018.66	44,337.23	0.00
GNMA	2004 A/B Single Family	5.00	04/06/06	04/20/36	1,447,912.00	1,413,212.84			(5,606.85)		1,442,305.15	1,457,802.02	50,196.03	0.00
GNMA	2004 A/B Single Family	5.00	04/13/06	04/20/36	790,650.53	773,669.89			(3,147.65)		787,502.88	797,923.67	27,401.43	0.00
GNMA	2004 A/B Single Family	5.00	04/20/06	04/20/36	228,281.60	219,303.14			(913.90)		227,367.70	226,210.54	7,821.30	0.00
GNMA	2004 A/B Single Family	5.00	04/20/06	04/20/36	1,492,049.86	1,460,012.77			(6,295.94)		1,485,753.92	1,505,422.02	51,705.19	0.00
GNMA	2004 A/B Single Family	5.00	04/27/06	04/20/36	1,476,645.15	1,441,282.10			(5,758.64)		1,470,886.51	1,486,715.93	51,192.47	0.00
GNMA	2004 A/B Single Family	5.00	05/05/06	05/20/36	1,317,116.89	1,288,855.46			(6,029.47)		1,311,087.42	1,328,463.44	45,637.45	0.00
GNMA	2004 A/B Single Family	5.00	05/05/06	05/20/36	182,525.54	175,344.09			(1,127.71)		181,397.83	180,471.95	6,255.57	0.00
GNMA	2004 A/B Single Family	4.49	05/25/06	04/20/36	60,965.16	57,038.99			(252.55)		60,712.61	59,982.33	3,195.89	0.00
GNMA	2004 A/B Single Family	5.00	05/25/06	05/20/36	595,673.99	581,423.33			(2,487.32)		593,186.67	599,585.59	20,649.58	0.00
GNMA	2004 A/B Single Family	5.00	05/25/06	05/20/36	139,234.86	133,754.42			(654.36)		138,580.50	137,870.84	4,770.78	0.00
GNMA	2004 A/B Single Family	5.00	06/01/06	05/20/36	1,054,111.08	1,031,515.87			(6,040.13)		1,048,070.95	1,061,984.77	36,509.03	0.00
GNMA	2004 A/B Single Family	5.00	06/08/06	06/20/36	528,442.04	517,118.89			(2,163.81)		526,278.23	533,269.20	18,314.12	0.00
GNMA	2004 A/B Single Family	5.00	06/15/06	05/20/36	223,361.92	214,124.29			(891.41)		222,470.51	220,875.45	7,642.57	0.00
GNMA	2004 A/B Single Family	5.00	06/15/06	06/20/36	1,073,562.69	1,047,899.30			(223,439.85)		850,122.84	859,309.88	34,850.43	0.00
GNMA	2004 A/B Single Family	5.00	06/27/06	06/20/36	1,022,287.37	1,000,397.53			(11,722.27)		1,010,565.10	1,024,004.73	35,329.47	0.00
GNMA	2004 A/B Single Family	5.00	06/27/06	06/20/36	265,081.15	254,639.44			(1,074.14)		264,007.01	262,646.99	9,081.69	0.00
GNMA	2004 A/B Single Family	5.00	07/06/06	07/20/36	1,505,876.21	1,473,646.37			(5,808.10)		1,500,068.11	1,520,033.10	52,194.83	0.00
GNMA	2004 A/B Single Family	4.49	07/06/06	06/20/36	293,435.83	274,549.29			(1,221.83)		292,214.00	288,710.49	15,383.03	0.00
GNMA	2004 A/B Single Family	5.00	07/13/06	06/20/36	498,553.84	487,885.40			(1,888.68)		496,665.16	503,276.99	17,280.27	0.00
GNMA	2004 A/B Single Family	5.00	07/19/06	07/20/36	1,120,751.96	1,096,775.91			(4,241.60)		1,116,510.36	1,131,381.84	38,847.53	0.00
GNMA	2004 A/B Single Family	5.00	07/19/06	06/20/36	67,088.38	64,444.51			(268.72)		66,819.66	66,474.19	2,298.40	0.00
GNMA	2004 A/B Single Family	5.00	07/27/06	07/20/36	362,468.90	353,817.33			(1,426.10)		361,042.80	364,958.11	12,566.88	0.00
GNMA	2004 A/B Single Family	5.00	08/09/06	08/20/36	526,511.94	515,258.75			(1,977.29)		524,534.65	531,531.97	18,250.51	0.00
GNMA	2004 A/B Single Family	5.00	08/16/06	06/20/36	60,870.49	58,470.22			(264.60)		60,605.89	60,291.11	2,085.49	0.00
GNMA	2004 A/B Single Family	5.00	08/23/06	08/20/36	858,802.33	840,456.39			(3,251.03)		855,551.30	866,974.02	29,768.66	0.00
GNMA	2004 A/B Single Family	5.00	09/06/06	08/20/36	921,502.80	899,540.63			(3,632.52)		917,870.28	927,857.77	31,949.66	0.00
GNMA	2004 A/B Single Family	5.00	09/12/06	08/20/36	594,069.89	581,389.20			(2,227.91)		591,841.98	599,754.13	20,592.84	0.00
GNMA	2004 A/B Single Family	4.49	09/20/06	08/20/36	122,746.00	114,853.41			(500.64)		122,245.36	120,787.74	6,434.97	0.00
GNMA	2004 A/B Single Family	5.00	09/20/06	08/20/36	64,004.75	60,650.39			(353.28)		63,651.47	62,472.89	2,175.78	0.00
GNMA	2004 A/B Single Family	5.00	09/20/06	08/20/36	564,616.72	551,166.89			(2,103.25)		562,513.47	568,640.59	19,576.95	0.00
GNMA	2004 A/B Single Family	5.00	09/26/06	09/20/36	225,808.97	220,991.88			(889.66)		224,919.31	227,929.17	7,826.95	0.00
GNMA	2004 A/B Single Family	5.00	10/17/06	10/20/36	890,520.32	871,540.80			(5,529.09)		884,991.23	896,852.27	30,840.56	0.00
GNMA	2004 A/B Single Family	5.00	11/14/06	10/20/36	932,640.07	912,784.06			(3,525.20)		929,114.87	941,589.13	32,330.27	0.00
GNMA	2004 A/B Single Family	4.49	11/14/06	10/20/36	188,964.78	176,823.06			(790.50)		188,174.28	185,939.92	9,907.36	0.00
GNMA	2004 A/B Single Family	5.00	11/14/06	10/20/36	65,620.69	63,027.73			(253.77)		65,366.92	65,021.81	2,247.85	0.00
GNMA	2004 A/B Single Family	5.00	11/28/06	11/20/36	551,803.93	540,063.04			(2,054.42)		549,749.51	557,137.73	19,129.11	0.00
GNMA	2004 A/B Single Family	5.00	12/12/06	11/20/36	302,186.18	295,760.06			(1,125.99)		301,060.19	305,109.91	10,475.84	0.00
GNMA	2004 A/B Single Family	5.00	01/09/07	12/20/36	107,575.12	105,290.15			(389.19)		107,185.93	108,630.49	3,729.53	0.00
GNMA	2004 A/B Single Family	5.00	01/09/07	08/20/36	72,739.72	69,862.28			(281.62)		72,458.10	72,072.34	2,491.68	0.00
GNMA	2004 A/B Single Family	5.00	02/13/07	01/20/37	420,629.47	411,457.39			(1,560.38)		419,069.09	424,582.18	14,685.17	0.00
GNMA	2004 A/B Single Family	5.00	03/20/07	03/20/36	81,671.72	79,940.74			(311.52)		81,360.20	82,460.36	2,831.14	0.00
GNMA	2004 A/B Single Family	5.00	04/10/07	02/20/37	198,998.05	194,668.41			(746.04)		198,252.01	200,870.06	6,947.69	0.00
GNMA	2004 A/B Single Family	5.00	05/08/07	04/20/37	72,051.99	69,152.18			(268.30)		71,783.69	71,368.86	2,484.98	0.00
GNMA	2004 A/B Single Family	4.49	07/03/07	05/20/37	308,295.10	288,629.66			(107,293.04)		201,002.06	198,654.46	17,317.84	0.00
GNMA	2004 A/B Single Family	4.49	08/23/07	08/20/37	395,117.56	369,913.55			(1,566.57)		393,550.99	388,954.13	20,607.15	0.00
FNMA	2004 A/B Single Family	4.49	08/05/04	07/01/34	431,444.27	403,970.64			(2,972.93)		428,471.34	424,256.91	23,259.20	0.00
FNMA	2004 A/B Single Family	4.49	08/12/04	08/01/34	206,329.92	193,192.15			(1,828.73)		204,501.19	202,490.53	11,127.11	0.00
FNMA	2004 A/B Single Family	4.49	08/26/04	08/01/34	241,039.73	225,693.00			(1,198.64)		239,841.09	237,484.16	12,989.80	0.00
FNMA	2004 A/B Single Family	4.49	09/02/04	08/01/34	235,938.12	220,916.87			(1,105.93)		234,832.19	232,525.19	12,714.25	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2004 A/B Single Family	4.49	10/28/04	10/01/34	285,174.09	267,024.61			(1,327.77)		283,846.32	281,064.86	15,368.02	0.00
FNMA	2004 A/B Single Family	5.00	10/28/04	10/01/34	170,981.79	165,939.18			(733.44)		170,248.35	172,368.29	7,162.55	0.00
FNMA	2004 A/B Single Family	4.49	11/10/04	10/01/34	352,898.40	330,440.38			(3,833.66)		349,064.74	345,645.92	19,039.20	0.00
FNMA	2004 A/B Single Family	5.00	11/23/04	11/01/34	267,041.63	259,169.13			(1,301.41)		265,740.22	269,052.20	11,184.48	0.00
FNMA	2004 A/B Single Family	4.49	02/10/05	01/01/35	149,904.23	140,111.22			(706.44)		149,197.79	147,649.56	8,244.78	0.00
FNMA	2004 A/B Single Family	5.00	02/10/05	02/01/35	377,586.12	366,467.61			(1,672.42)		375,913.70	380,612.18	15,816.99	0.00
FNMA	2004 A/B Single Family	5.00	03/29/05	04/01/35	219,556.21	212,681.08			(1,313.08)		218,243.13	220,839.70	9,471.70	0.00
FNMA	2004 A/B Single Family	4.49	04/21/05	04/01/35	335,794.29	313,867.47			(1,850.36)		333,943.93	330,488.87	18,471.76	0.00
FNMA	2004 A/B Single Family	4.49	06/10/05	05/01/35	272,573.04	254,779.58			(1,234.68)		271,338.36	268,536.70	14,991.80	0.00
FNMA	2004 A/B Single Family	5.00	06/29/05	06/01/35	284,752.30	275,846.16			(1,205.00)		283,547.30	286,932.07	12,290.91	0.00
FNMA	2004 A/B Single Family	4.49	07/14/05	04/01/35	157,106.47	146,852.40			(1,956.97)		155,149.50	153,549.22	8,653.79	0.00
FNMA	2004 A/B Single Family	5.00	07/14/05	07/01/35	72,773.59	70,497.96			(294.55)		72,479.04	73,344.75	3,141.34	0.00
FNMA	2004 A/B Single Family	5.00	09/22/05	09/01/35	267,022.03	258,680.31			(1,075.12)		265,946.91	269,131.57	11,526.38	0.00
FNMA	2004 A/B Single Family	4.49	10/06/05	09/01/35	383,141.81	358,149.17			(1,786.55)		381,355.26	377,436.97	21,074.35	0.00
FNMA	2004 A/B Single Family	5.00	10/20/05	09/01/35	317,243.05	307,335.82			(1,797.11)		315,445.94	319,226.87	13,688.16	0.00
FNMA	2004 A/B Single Family	5.00	11/17/05	10/01/35	308,482.04	298,852.01			(1,730.45)		306,751.59	310,432.05	13,310.49	0.00
FNMA	2004 A/B Single Family	5.00	12/15/05	12/01/35	294,670.00	285,474.88			(1,192.70)		293,477.30	297,002.67	12,720.49	0.00
FNMA	2004 A/B Single Family	4.49	12/29/05	12/01/35	398,947.00	372,937.24			(1,804.84)		397,142.16	393,076.26	21,943.86	0.00
FNMA	2004 A/B Single Family	5.00	12/29/05	12/01/35	923,572.28	894,757.77			(4,119.78)		919,452.50	930,502.01	39,864.02	0.00
FNMA	2004 A/B Single Family	5.00	01/12/06	01/01/36	262,639.31	254,447.02			(2,380.11)		260,259.20	263,388.71	11,321.80	0.00
FNMA	2004 A/B Single Family	5.00	01/12/06	12/01/35	123,398.93	117,399.28			(608.35)		122,790.58	122,051.86	5,260.93	0.00
FNMA	2004 A/B Single Family	5.00	01/26/06	01/01/36	474,272.98	459,481.69			(1,961.23)		472,311.75	477,994.00	20,473.54	0.00
FNMA	2004 A/B Single Family	5.00	02/09/06	01/01/36	386,645.41	374,228.10			(1,872.95)		384,772.46	389,283.71	16,928.56	0.00
FNMA	2004 A/B Single Family	5.00	02/16/06	02/01/36	528,237.74	511,275.17			(2,238.86)		525,998.88	532,168.07	23,131.76	0.00
FNMA	2004 A/B Single Family	5.00	02/23/06	02/01/36	938,025.70	907,905.99			(4,973.53)		933,052.17	943,998.34	41,065.88	0.00
FNMA	2004 A/B Single Family	5.00	03/09/06	02/01/36	374,488.04	362,815.34			(1,676.17)		372,811.87	377,303.51	16,164.34	0.00
FNMA	2004 A/B Single Family	5.00	03/16/06	03/01/36	741,619.31	717,813.33			(3,282.25)		738,337.06	747,005.64	32,474.56	0.00
FNMA	2004 A/B Single Family	5.00	03/23/06	03/01/36	483,490.47	467,971.86			(1,997.68)		481,492.79	487,147.33	21,173.15	0.00
FNMA	2004 A/B Single Family	5.00	03/30/06	03/01/36	624,104.38	604,073.70			(2,440.08)		621,664.30	628,966.88	27,333.26	0.00
FNMA	2004 A/B Single Family	5.00	04/13/06	03/01/36	213,869.30	207,006.39			(827.98)		213,041.32	215,544.96	9,366.55	0.00
FNMA	2004 A/B Single Family	5.00	04/20/06	04/01/36	303,216.19	293,487.39			(1,194.27)		302,021.92	305,572.48	13,279.36	0.00
FNMA	2004 A/B Single Family	5.00	04/27/06	03/01/36	302,616.17	287,584.30			(1,291.58)		301,324.59	299,376.83	13,084.11	0.00
FNMA	2004 A/B Single Family	5.00	05/05/06	04/01/36	279,412.04	270,448.63			(1,076.64)		278,335.40	281,609.20	12,237.21	0.00
FNMA	2004 A/B Single Family	5.00	05/11/06	05/01/36	247,041.36	239,117.10			(1,779.60)		245,261.76	248,147.54	10,810.04	0.00
FNMA	2004 A/B Single Family	5.00	06/27/06	06/01/36	518,398.05	501,779.67			(68,631.17)		449,766.88	455,068.03	21,919.53	0.00
FNMA	2004 A/B Single Family	5.00	08/09/06	07/01/36	259,408.67	251,097.30			(1,089.82)		258,318.85	261,368.24	11,360.76	0.00
FNMA	2004 A/B Single Family	4.49	08/23/06	06/01/36	76,308.19	71,137.31			(318.45)		75,989.74	75,227.03	4,408.17	0.00
FNMA	2004 A/B Single Family	5.00	09/20/06	07/01/36	189,988.95	183,905.09			(900.97)		189,087.98	191,323.38	8,319.26	0.00
FNMA	2004 A/B Single Family	5.00	10/17/06	09/01/36	505,532.01	489,349.67			(4,102.84)		501,429.17	507,363.70	22,116.87	0.00
FNMA	2004 A/B Single Family	5.00	11/14/06	08/01/36	61,397.95	58,332.19			(240.81)		61,157.14	60,745.28	2,653.90	0.00
FNMA	2004 A/B Single Family	5.00	11/28/06	10/01/36	198,774.40	192,415.01			(745.63)		198,028.77	200,376.11	8,706.73	0.00
FNMA	2004 A/B Single Family	5.00	12/27/06	11/01/36	359,727.50	348,223.28			(2,430.36)		357,297.14	361,536.72	15,743.80	0.00
FNMA	2004 A/B Single Family	5.00	02/13/07	02/01/37	476,448.53	461,221.72			(1,848.92)		474,599.61	480,241.69	20,868.89	0.00
FNMA	2004 A/B Single Family	5.00	03/20/07	01/01/37	148,861.63	141,187.94			(1,065.21)		147,796.42	146,743.00	6,620.27	0.00
FNMA	2004 A/B Single Family	5.00	04/10/07	03/01/37	58,477.48	56,523.61			(210.28)		58,267.20	58,948.43	2,635.10	0.00
FNMA	2004 A/B Single Family	5.00	05/08/07	02/01/37	71,872.38	69,468.37			(259.82)		71,612.56	72,447.12	3,238.57	0.00
FNMA	2004 A/B Single Family	4.49	05/22/07	04/01/37	232,309.11	216,533.81			(921.29)		231,387.82	228,956.66	13,344.14	0.00
FNMA	2004 A/B Single Family	5.00	08/23/07	07/01/36	83,730.41	79,519.67			(330.21)		83,400.20	82,807.77	3,618.31	0.00
FNMA	2004 A/B Single Family	5.00	08/23/07	08/01/37	193,175.57	186,723.00			(962.46)		192,213.11	194,462.51	8,701.97	0.00
FNMA	2004 A/B Single Family	4.49	08/23/07	08/01/37	735,467.06	685,551.59			(5,040.84)		730,426.22	722,780.77	42,270.02	0.00
	2004 A/B Single Family Total				158,704,067.42	152,499,403.36	4,171,603.64	(9,707,276.75)	(2,797,028.42)	0.00	150,371,365.89	150,431,828.95	6,265,127.12	0.00
Repo Agmt	2004 CDEF Single Family	0.35	11/26/08	12/01/08	483.47	483.47	1.17				484.64	484.64	-	0.00
Repo Agmt	2004 CDEF Single Family	0.35	11/26/08	12/01/08	695,635.21	695,635.21	1,753.39				697,388.60	697,388.60	-	0.00
Repo Agmt	2004 CDEF Single Family	0.35	11/26/08	12/01/08	5,359,704.95	5,359,704.95		(5,329,252.93)			30,452.02	30,452.02	-	0.00
Repo Agmt	2004 CDEF Single Family	0.35	11/26/08	12/01/08	0.34	0.34	0.00				0.34	0.34	-	0.00
GIC's	2004 CDEF Single Family	3.80	12/16/04	03/01/36	11,775.39	11,775.39	1,541,332.36				1,553,107.75	1,553,107.75	-	0.00
GNMA	2004 CDEF Single Family	4.49	08/11/05	07/20/35	26,031.97	24,356.85			(129.87)		25,902.10	25,562.95	1,335.97	0.00
GNMA	2004 CDEF Single Family	4.49	08/30/05	08/20/35	14,685.26	13,740.59			(65.32)		14,619.94	14,428.82	753.55	0.00
GNMA	2004 CDEF Single Family	4.49	10/27/05	10/20/35	36,264.48	33,933.78			(158.81)		36,105.67	35,635.91	1,860.94	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2004 CDEF Single Family	4.49	10/27/05	10/20/35	21,512.84	20,130.23			(96.84)		21,416.00	21,137.36	1,103.97	0.00
GNMA	2004 CDEF Single Family	4.49	09/29/05	09/20/35	137,686.97	128,833.92			(613.09)		137,073.88	135,286.42	7,065.59	0.00
GNMA	2004 CDEF Single Family	4.49	10/06/05	09/20/35	44,466.22	41,607.41			(194.90)		44,271.32	43,694.28	2,281.77	0.00
GNMA	2004 CDEF Single Family	4.49	10/20/05	10/20/35	31,905.19	29,854.45			(3,151.32)		28,753.87	28,379.60	1,676.47	0.00
GNMA	2004 CDEF Single Family	4.49	12/08/05	12/20/35	24,319.50	22,757.54			(103.32)		24,216.18	23,902.20	1,247.98	0.00
GNMA	2004 CDEF Single Family	4.49	12/15/05	12/20/35	32,970.08	30,930.68			(161.01)		32,809.07	32,467.12	1,697.45	0.00
GNMA	2004 CDEF Single Family	4.49	11/03/05	11/20/35	8,353.48	7,836.44			(39.86)		8,313.62	8,226.62	430.04	0.00
GNMA	2004 CDEF Single Family	4.49	11/10/05	11/20/35	41,620.59	39,044.69			(220.54)		41,400.05	40,967.09	2,142.94	0.00
GNMA	2004 CDEF Single Family	4.49	11/17/05	11/20/35	29,731.74	27,821.54			(141.66)		29,590.08	29,205.76	1,525.88	0.00
GNMA	2004 CDEF Single Family	4.49	11/22/05	11/20/35	15,534.34	14,536.37			(78.95)		15,455.39	15,254.74	797.32	0.00
GNMA	2004 CDEF Single Family	4.49	11/29/05	11/20/35	23,362.58	21,917.08			(119.57)		23,243.01	23,000.37	1,202.86	0.00
GNMA	2004 CDEF Single Family	4.49	12/22/05	12/20/35	32,292.76	30,295.47			(155.81)		32,136.95	31,802.25	1,662.59	0.00
GNMA	2004 CDEF Single Family	4.49	12/29/05	12/20/35	55,586.98	52,017.86			(252.87)		55,334.11	54,617.77	2,852.78	0.00
GNMA	2004 CDEF Single Family	4.49	01/05/06	01/20/36	34,845.87	32,567.94			(162.60)		34,683.27	34,227.96	1,822.62	0.00
GNMA	2004 CDEF Single Family	4.49	01/12/06	01/20/36	34,535.41	32,359.68			(153.86)		34,381.55	34,018.35	1,812.53	0.00
GNMA	2004 CDEF Single Family	4.49	03/09/06	02/20/36	32,101.28	30,004.72			(176.75)		31,924.53	31,507.44	1,679.47	0.00
GNMA	2004 CDEF Single Family	4.49	03/02/06	02/20/36	39,441.83	36,865.57			(191.32)		39,250.51	38,737.43	2,063.18	0.00
GNMA	2004 CDEF Single Family	4.49	01/19/06	01/20/36	19,481.77	18,208.47			(101.14)		19,380.63	19,126.46	1,019.13	0.00
GNMA	2004 CDEF Single Family	4.49	01/26/06	01/20/36	28,637.81	26,766.25			(133.08)		28,504.73	28,131.10	1,497.93	0.00
GNMA	2004 CDEF Single Family	4.49	02/02/06	02/20/36	59,874.18	55,961.81			(274.19)		59,599.99	58,819.38	3,131.76	0.00
GNMA	2004 CDEF Single Family	4.49	02/09/06	02/20/36	25,390.59	23,731.67			(116.73)		25,273.86	24,943.01	1,328.07	0.00
GNMA	2004 CDEF Single Family	4.49	02/16/06	02/20/36	35,738.98	33,404.13			(189.56)		35,549.42	35,084.27	1,869.70	0.00
GNMA	2004 CDEF Single Family	4.49	02/23/06	02/20/36	39,223.50	36,661.28			(172.55)		39,050.95	38,540.28	2,051.55	0.00
GNMA	2004 CDEF Single Family	4.49	05/11/06	04/20/36	18,888.52	17,656.08			(84.32)		18,804.20	18,559.78	988.02	0.00
GNMA	2004 CDEF Single Family	4.49	05/11/06	05/20/36	8,527.92	7,991.67			(48.97)		8,478.95	8,390.44	447.74	0.00
GNMA	2004 CDEF Single Family	4.49	05/18/06	05/20/36	22,825.10	21,335.98			(99.75)		22,725.35	22,430.14	1,193.91	0.00
GNMA	2004 CDEF Single Family	4.49	05/18/06	05/20/36	9,273.89	8,690.81			(52.66)		9,221.23	9,125.04	486.89	0.00
GNMA	2004 CDEF Single Family	4.49	03/16/06	03/20/36	16,034.17	15,025.01			(73.23)		15,960.94	15,793.36	841.58	0.00
GNMA	2004 CDEF Single Family	4.49	03/23/06	03/20/36	42,924.28	40,121.47			(2,828.94)		40,095.34	39,572.11	2,279.58	0.00
GNMA	2004 CDEF Single Family	4.49	03/30/06	03/20/36	24,746.20	23,130.53			(106.86)		24,639.34	24,318.00	1,294.33	0.00
GNMA	2004 CDEF Single Family	4.49	04/06/06	03/20/36	36,586.62	34,198.09			(204.85)		36,381.77	35,907.48	1,914.24	0.00
GNMA	2004 CDEF Single Family	4.49	04/13/06	03/20/36	23,428.96	21,899.61			(152.43)		23,276.53	22,973.29	1,226.11	0.00
GNMA	2004 CDEF Single Family	4.49	04/20/06	04/20/36	44,568.45	41,659.54			(1,472.05)		43,096.40	42,535.36	2,347.87	0.00
GNMA	2004 CDEF Single Family	4.49	04/27/06	04/20/36	15,947.67	14,906.91			(2,081.52)		13,866.15	13,685.72	860.33	0.00
GNMA	2004 CDEF Single Family	4.49	05/05/06	04/20/36	35,051.98	32,847.59			(167.41)		34,884.57	34,520.10	1,839.92	0.00
GNMA	2004 CDEF Single Family	4.49	05/25/06	05/20/36	21,748.50	20,329.78			(95.94)		21,652.56	21,371.45	1,137.61	0.00
GNMA	2004 CDEF Single Family	4.49	06/01/06	06/20/36	28,465.78	26,676.44			(119.34)		28,346.44	28,051.19	1,494.09	0.00
GNMA	2004 CDEF Single Family	4.49	06/08/06	06/20/36	33,347.22	31,172.40			(149.18)		33,198.04	32,767.59	1,744.37	0.00
GNMA	2004 CDEF Single Family	4.49	06/15/06	06/20/36	24,677.06	23,126.16			(108.22)		24,568.84	24,313.24	1,295.30	0.00
GNMA	2004 CDEF Single Family	4.49	06/27/06	06/20/36	39,805.99	37,304.72			(197.25)		39,608.74	39,197.16	2,089.69	0.00
GNMA	2004 CDEF Single Family	4.49	07/06/06	07/20/36	17,895.00	16,770.73			(686.32)		17,208.68	17,030.03	945.62	0.00
GNMA	2004 CDEF Single Family	4.49	07/13/06	06/20/36	31,347.91	29,378.61			(135.62)		31,212.29	30,888.44	1,645.45	0.00
GNMA	2004 CDEF Single Family	4.49	07/19/06	06/20/36	40,605.36	37,958.65			(177.19)		40,428.17	39,905.53	2,124.07	0.00
GNMA	2004 CDEF Single Family	4.49	07/27/06	07/20/36	25,978.31	24,346.71			(108.02)		25,870.29	25,602.27	1,363.58	0.00
GNMA	2004 CDEF Single Family	4.49	08/02/06	08/20/36	16,167.49	15,152.21			(66.93)		16,100.56	15,933.90	848.62	0.00
GNMA	2004 CDEF Single Family	4.49	08/09/06	08/20/36	40,555.68	38,009.12			(239.87)		40,315.81	39,898.75	2,129.50	0.00
GNMA	2004 CDEF Single Family	4.49	08/16/06	07/20/36	23,342.75	21,821.90			(98.05)		23,244.70	22,944.90	1,221.05	0.00
GNMA	2004 CDEF Single Family	4.49	08/23/06	07/20/36	16,634.47	15,590.14			(71.34)		16,563.13	16,391.98	873.18	0.00
GNMA	2004 CDEF Single Family	4.49	09/06/06	08/20/36	18,657.10	17,486.06			(82.13)		18,574.97	18,383.30	979.37	0.00
GNMA	2004 CDEF Single Family	4.49	09/12/06	08/20/36	11,176.89	10,475.40			(45.45)		11,131.44	11,016.64	586.69	0.00
GNMA	2004 CDEF Single Family	4.49	09/26/06	09/20/36	13,067.59	12,247.64			(53.25)		13,014.34	12,880.34	685.95	0.00
GNMA	2004 CDEF Single Family	4.49	10/17/06	10/20/36	22,955.72	21,515.85			(99.69)		22,856.03	22,621.24	1,205.08	0.00
GNMA	2004 CDEF Single Family	4.49	11/14/06	10/20/36	18,719.86	17,546.17			(81.54)		18,638.32	18,447.36	982.73	0.00
GNMA	2004 CDEF Single Family	4.49	11/28/06	10/20/36	4,745.43	4,447.94			(25.97)		4,719.46	4,671.14	249.17	0.00
GNMA	2004 CDEF Single Family	4.49	12/12/06	10/20/36	5,433.07	5,092.57			(21.94)		5,411.13	5,355.85	285.22	0.00
GNMA	2004 CDEF Single Family	4.49	01/16/07	12/20/36	5,363.91	5,027.93			(21.41)		5,342.50	5,288.10	281.58	0.00
GNMA	2004 CDEF Single Family	4.49	01/30/07	12/20/36	2,816.82	2,641.10			(11.25)		2,805.57	2,777.88	148.03	0.00
GNMA	2004 CDEF Single Family	4.49	02/13/07	01/20/37	6,817.54	6,392.60			(26.96)		6,790.58	6,721.61	355.97	0.00
GNMA	2004 CDEF Single Family	4.49	02/20/07	02/20/37	4,964.15	4,654.77			(22.37)		4,941.78	4,891.63	259.23	0.00
GNMA	2004 CDEF Single Family	4.49	03/20/07	01/20/37	4,853.18	4,550.82			(19.14)		4,834.04	4,785.08	253.40	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2004 CDEF Single Family	4.49	04/24/07	03/20/37	11,421.68	10,710.52			(46.87)		11,374.81	11,260.08	596.43	0.00
GNMA	2004 CDEF Single Family	4.49	04/10/07	02/20/37	5,874.33	5,508.48			(23.16)		5,851.17	5,792.06	306.74	0.00
GNMA	2004 CDEF Single Family	4.49	05/22/07	04/20/37	8,400.42	7,857.73			(32.64)		8,367.78	8,262.31	437.22	0.00
GNMA	2004 CDEF Single Family	4.49	06/05/07	05/20/37	7,065.20	6,625.57			(27.33)		7,037.87	6,967.17	368.93	0.00
GNMA	2004 CDEF Single Family	4.49	07/03/07	06/20/37	5,721.97	5,366.11			(21.91)		5,700.06	5,643.00	298.80	0.00
GNMA	2004 CDEF Single Family	4.49	11/21/07	09/20/37	5,184.71	4,865.38			(19.43)		5,165.28	5,116.83	270.88	0.00
GNMA	2004 CDEF Single Family	4.49	09/25/07	04/20/37	2,552.82	2,395.42			(16.62)		2,536.20	2,512.24	133.44	0.00
GNMA	2004 CDEF Single Family	4.49	12/11/07	08/20/37	3,028.19	2,841.73			(11.40)		3,016.79	2,988.54	158.21	0.00
GNMA	2004 CDEF Single Family	4.49	01/30/08	01/20/38	8,756.39	8,219.48			(32.10)		8,724.29	8,639.07	451.69	0.00
GNMA	2004 CDEF Single Family	4.49	01/30/08	01/20/38	2,645.84	2,477.31			(9.70)		2,636.14	2,603.58	135.97	0.00
GNMA	2004 CDEF Single Family	4.49	03/26/08	03/20/38	8,060.52	7,566.76			(29.48)		8,031.04	7,953.10	415.82	0.00
FNMA	2004 CDEF Single Family	4.49	10/20/05	10/01/35	3,460.90	3,235.91			(30.22)		3,430.68	3,396.22	190.53	0.00
FNMA	2004 CDEF Single Family	4.49	11/10/05	11/01/35	2,541.18	2,376.02			(22.51)		2,518.67	2,493.41	139.90	0.00
FNMA	2004 CDEF Single Family	4.49	12/15/05	12/01/35	6,430.23	6,012.33			(28.43)		6,401.80	6,337.65	353.75	0.00
FNMA	2004 CDEF Single Family	4.49	01/05/06	12/01/35	7,476.29	6,990.49			(48.73)		7,427.56	7,353.23	411.47	0.00
FNMA	2004 CDEF Single Family	4.49	02/09/06	02/01/36	4,512.26	4,207.11			(23.30)		4,488.96	4,444.55	260.74	0.00
FNMA	2004 CDEF Single Family	4.49	02/23/06	01/01/36	5,282.60	4,925.36			(40.00)		5,242.60	5,190.73	305.37	0.00
FNMA	2004 CDEF Single Family	4.49	03/16/06	03/01/36	8,261.08	7,702.54			(58.40)		8,202.68	8,121.67	477.53	0.00
FNMA	2004 CDEF Single Family	4.49	04/06/06	03/01/36	5,741.11	5,353.00			(24.20)		5,716.91	5,660.50	331.70	0.00
FNMA	2004 CDEF Single Family	4.49	04/20/06	04/01/36	8,094.44	7,547.29			(35.34)		8,059.10	7,979.64	467.69	0.00
FNMA	2004 CDEF Single Family	4.49	05/11/06	04/01/36	6,331.78	5,903.79			(34.99)		6,296.79	6,234.72	365.92	0.00
FNMA	2004 CDEF Single Family	4.49	06/08/06	04/01/36	5,959.60	5,556.87			(25.42)		5,934.18	5,875.78	344.33	0.00
FNMA	2004 CDEF Single Family	4.49	06/27/06	06/01/36	6,147.36	5,732.02			(25.56)		6,121.80	6,061.63	355.17	0.00
FNMA	2004 CDEF Single Family	4.49	07/13/06	06/01/36	7,572.58	7,060.96			(33.68)		7,538.90	7,464.83	437.55	0.00
FNMA	2004 CDEF Single Family	4.49	07/19/06	07/01/36	11,537.10	10,757.68			(50.38)		11,486.72	11,373.92	666.62	0.00
FNMA	2004 CDEF Single Family	4.49	08/02/06	07/01/36	10,404.56	9,701.70			(43.26)		10,361.30	10,259.61	601.17	0.00
FNMA	2004 CDEF Single Family	4.49	08/09/06	07/01/36	7,809.53	7,282.00			(32.73)		7,776.80	7,700.49	451.22	0.00
FNMA	2004 CDEF Single Family	4.49	09/12/06	08/01/36	6,030.77	5,623.50			(25.09)		6,005.68	5,946.85	348.44	0.00
FNMA	2004 CDEF Single Family	4.49	10/17/06	09/01/36	5,600.80	5,222.62			(41.92)		5,558.88	5,504.50	323.80	0.00
FNMA	2004 CDEF Single Family	4.49	11/14/06	10/01/36	8,557.27	7,979.59			(35.50)		8,521.77	8,438.54	494.45	0.00
FNMA	2004 CDEF Single Family	4.49	11/21/06	10/01/36	5,992.95	5,588.40			(26.50)		5,966.45	5,908.20	346.30	0.00
FNMA	2004 CDEF Single Family	4.49	12/12/06	11/01/36	8,024.95	7,483.29			(34.39)		7,990.56	7,912.60	463.70	0.00
FNMA	2004 CDEF Single Family	4.49	01/30/07	11/01/36	1,199.37	1,118.46			(7.60)		1,191.77	1,180.18	69.32	0.00
FNMA	2004 CDEF Single Family	4.49	02/13/07	01/01/37	1,258.65	1,173.45			(5.00)		1,253.65	1,240.76	72.31	0.00
FNMA	2004 CDEF Single Family	4.49	03/20/07	02/01/37	3,528.83	3,290.02			(14.27)		3,514.56	3,478.49	202.74	0.00
FNMA	2004 CDEF Single Family	4.49	04/10/07	01/01/37	4,759.58	4,437.56			(19.17)		4,740.41	4,691.84	273.45	0.00
FNMA	2004 CDEF Single Family	4.49	04/24/07	04/01/37	8,083.08	7,536.28			(31.76)		8,051.32	7,968.92	464.40	0.00
FNMA	2004 CDEF Single Family	4.49	05/22/07	04/01/37	4,900.05	4,568.63			(19.17)		4,880.88	4,830.99	281.53	0.00
FNMA	2004 CDEF Single Family	4.49	06/05/07	05/01/37	5,761.38	5,371.74			(22.49)		5,738.89	5,680.26	331.01	0.00
FNMA	2004 CDEF Single Family	4.49	07/03/07	06/01/37	15,025.86	14,009.84			(60.33)		14,965.53	14,812.82	863.31	0.00
FNMA	2004 CDEF Single Family	4.49	09/25/07	09/01/37	7,848.64	7,354.72			(29.90)		7,818.74	7,777.54	452.72	0.00
FNMA	2004 CDEF Single Family	4.49	11/08/07	09/01/37	7,715.83	7,268.71			(33.51)		7,682.32	7,679.93	444.73	0.00
FNMA	2004 CDEF Single Family	4.49	11/21/07	09/01/37	3,159.72	2,976.66			(11.89)		3,147.83	3,146.89	182.12	0.00
FNMA	2004 CDEF Single Family	4.49	12/11/07	11/01/37	7,065.27	6,656.07			(27.60)		7,037.67	7,035.72	407.25	0.00
FNMA	2004 CDEF Single Family	4.49	03/26/08	02/01/38	13,267.20	12,498.56			(53.03)		13,214.17	13,211.00	765.47	0.00
FNMA	2004 CDEF Single Family	6.10	06/30/94	06/01/24	149,760.99	155,036.31			(2,011.14)		147,749.85	153,030.39	5.22	0.00
FNMA	2004 CDEF Single Family	6.90	08/17/94	08/01/24	195,264.57	207,097.95			(2,346.33)		192,918.24	202,932.89	(1,818.73)	0.00
FNMA	2004 CDEF Single Family	6.97	08/17/94	07/01/24	358,246.28	380,725.96			(47,683.46)		310,562.82	327,229.77	(5,812.73)	0.00
FNMA	2004 CDEF Single Family	7.06	08/17/94	07/01/24	137,518.58	146,822.43			(2,464.69)		135,053.89	141,326.53	(3,031.21)	0.00
FNMA	2004 CDEF Single Family	6.90	05/26/95	01/01/25	65,996.27	70,261.14			(551.87)		65,444.40	69,106.48	(602.79)	0.00
FNMA	2004 CDEF Single Family	7.10	08/15/95	05/01/25	43,420.27	46,696.99			(2,142.38)		41,277.89	43,487.33	(1,067.28)	0.00
GNMA	2004 CDEF Single Family	6.10	06/30/94	06/20/24	1,434,325.33	1,472,392.21			(18,044.09)		1,416,281.24	1,445,138.74	(9,209.38)	0.00
GNMA	2004 CDEF Single Family	6.90	08/17/94	08/20/24	992,215.57	1,057,796.50			(12,662.96)		979,552.61	1,012,862.53	(32,271.01)	0.00
GNMA	2004 CDEF Single Family	6.97	08/17/94	08/20/24	703,793.52	751,980.00			(14,318.68)		689,474.84	714,354.55	(23,306.77)	0.00
GNMA	2004 CDEF Single Family	7.06	08/17/94	08/20/24	211,226.20	224,518.73			(29,569.03)		181,657.17	190,256.50	(4,693.20)	0.00
GNMA	2004 CDEF Single Family	6.10	01/27/95	10/20/24	239,276.03	245,791.02			(3,294.28)		235,981.75	240,949.44	(1,547.30)	0.00
GNMA	2004 CDEF Single Family	6.97	02/16/95	12/20/24	490,956.59	524,926.33			(4,808.73)		486,147.86	504,027.30	(16,090.30)	0.00
GNMA	2004 CDEF Single Family	6.90	03/30/95	02/20/25	123,040.27	131,232.21			(1,043.20)		121,997.07	126,135.19	(4,053.82)	0.00
GNMA	2004 CDEF Single Family	7.06	03/30/95	12/20/24	74,107.01	78,782.25			(1,408.35)		72,698.66	76,151.27	(1,222.63)	0.00
GNMA	2004 CDEF Single Family	7.10	06/29/95	05/20/25	73,117.14	77,857.99			(804.71)		72,312.43	75,841.26	(1,212.02)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2004 CDEF Single Family	7.06	08/15/95	06/20/25	32,165.15	34,210.14			(239.05)		31,926.10	33,447.34	(523.75)	0.00
GNMA	2004 CDEF Single Family	7.10	08/15/95	08/20/25	46,572.02	49,622.69			(1,059.25)		45,512.77	47,763.23	(800.21)	0.00
GNMA	2004 CDEF Single Family	4.49	02/24/05	02/20/35	1,943,036.76	1,817,685.74			(9,113.93)		1,933,922.83	1,908,264.66	99,692.85	0.00
GNMA	2004 CDEF Single Family	4.49	03/17/05	03/20/35	5,426,861.27	5,076,876.39			(141,646.77)		5,285,214.50	5,215,214.45	279,984.83	0.00
GNMA	2004 CDEF Single Family	4.49	03/24/05	03/20/35	1,854,041.32	1,734,482.46			(9,574.73)		1,844,466.59	1,820,050.41	95,142.68	0.00
GNMA	2004 CDEF Single Family	4.49	03/29/05	02/20/35	402,930.98	377,901.08			(153,859.28)		249,071.70	246,406.40	22,364.60	0.00
GNMA	2004 CDEF Single Family	4.49	04/07/05	04/20/35	2,327,952.58	2,177,870.73			(10,923.21)		2,317,029.37	2,286,396.92	119,449.40	0.00
GNMA	2004 CDEF Single Family	4.49	04/14/05	04/20/35	924,706.07	865,096.89			(4,833.48)		919,872.59	907,716.86	47,453.45	0.00
GNMA	2004 CDEF Single Family	4.49	04/21/05	04/20/35	353,480.86	331,532.16			(96,689.53)		256,791.33	254,050.86	19,208.23	0.00
GNMA	2004 CDEF Single Family	4.49	04/28/05	04/20/35	1,512,630.90	1,415,140.99			(13,919.80)		1,498,711.10	1,478,925.66	77,704.47	0.00
GNMA	2004 CDEF Single Family	4.49	05/05/05	05/20/35	835,712.54	781,858.28			(3,792.29)		831,920.25	820,945.82	42,879.83	0.00
GNMA	2004 CDEF Single Family	4.49	05/12/05	05/20/35	220,428.86	206,746.57			(975.16)		219,453.70	217,116.75	11,345.34	0.00
GNMA	2004 CDEF Single Family	4.49	05/19/05	05/20/35	300,029.84	281,408.60			(1,510.44)		298,519.40	295,342.26	15,444.10	0.00
GNMA	2004 CDEF Single Family	4.49	07/14/05	07/20/35	1,601,986.15	1,502,649.07			(7,004.24)		1,594,981.91	1,578,102.21	82,457.38	0.00
GNMA	2004 CDEF Single Family	4.49	05/26/05	05/20/35	810,085.15	757,896.95			(3,948.93)		806,136.22	795,518.06	41,570.04	0.00
GNMA	2004 CDEF Single Family	4.49	06/02/05	06/20/35	1,053,603.31	985,736.84			(4,914.85)		1,048,688.46	1,034,885.90	54,063.91	0.00
GNMA	2004 CDEF Single Family	4.49	09/08/05	09/20/35	414,382.83	388,710.66			(1,808.17)		412,574.66	408,232.72	21,330.23	0.00
GNMA	2004 CDEF Single Family	4.49	09/15/05	09/20/35	321,437.27	301,525.48			(1,596.46)		319,840.81	316,476.71	16,547.69	0.00
GNMA	2004 CDEF Single Family	4.49	09/22/05	09/20/35	402,066.10	376,211.63			(1,786.22)		400,279.88	395,057.40	20,631.99	0.00
GNMA	2004 CDEF Single Family	4.49	07/21/05	07/20/35	430,603.40	402,887.01			(1,927.27)		428,676.13	423,054.95	22,095.21	0.00
GNMA	2004 CDEF Single Family	4.49	07/28/05	07/20/35	959,128.54	899,666.04			(5,012.14)		954,116.40	944,031.38	49,377.48	0.00
GNMA	2004 CDEF Single Family	4.49	08/04/05	07/20/35	484,015.50	454,011.50			(2,477.44)		481,538.06	476,451.09	24,917.03	0.00
GNMA	2004 CDEF Single Family	4.49	08/04/05	08/20/35	3,143,418.49	2,941,135.40			(15,848.45)		3,127,570.04	3,086,611.53	161,324.58	0.00
GNMA	2004 CDEF Single Family	4.49	08/11/05	08/20/35	1,100,244.40	1,029,449.51			(155,198.74)		945,045.66	932,675.04	58,424.27	0.00
GNMA	2004 CDEF Single Family	4.49	08/11/05	08/20/35	313,404.28	293,238.38			(1,373.36)		312,030.92	307,946.45	16,081.43	0.00
GNMA	2004 CDEF Single Family	4.49	08/30/05	08/20/35	577,023.21	539,904.66			(2,615.90)		574,407.31	566,898.66	29,609.90	0.00
GNMA	2004 CDEF Single Family	4.49	10/27/05	10/20/35	792,571.76	741,633.18			(3,410.69)		789,161.07	778,893.14	40,670.65	0.00
GNMA	2004 CDEF Single Family	4.49	10/27/05	10/20/35	333,366.96	311,941.46			(1,533.35)		331,833.61	327,516.06	17,107.95	0.00
GNMA	2004 CDEF Single Family	4.49	09/29/05	09/20/35	385,358.80	361,492.06			(1,725.52)		383,633.28	379,603.58	19,837.04	0.00
GNMA	2004 CDEF Single Family	4.49	10/06/05	10/20/35	396,325.64	371,783.44			(1,831.54)		394,494.10	390,354.27	20,402.37	0.00
GNMA	2004 CDEF Single Family	4.49	10/20/05	10/20/35	1,070,089.99	1,003,838.57			(5,576.22)		1,064,513.77	1,053,356.57	55,094.22	0.00
GNMA	2004 CDEF Single Family	4.49	12/08/05	11/20/35	984,309.01	921,087.53			(4,277.27)		980,031.74	967,322.40	50,512.14	0.00
GNMA	2004 CDEF Single Family	4.49	12/15/05	12/20/35	620,592.42	580,737.46			(2,928.35)		617,664.07	609,660.18	31,851.07	0.00
GNMA	2004 CDEF Single Family	4.49	11/03/05	11/20/35	1,017,833.87	952,427.31			(4,427.84)		1,013,406.03	1,000,230.50	52,231.03	0.00
GNMA	2004 CDEF Single Family	4.49	11/10/05	10/20/35	1,022,827.59	957,103.03			(4,406.93)		1,018,420.66	1,005,182.99	52,486.89	0.00
GNMA	2004 CDEF Single Family	4.49	11/17/05	11/20/35	729,670.51	682,790.45			(3,483.72)		726,186.79	716,754.88	37,448.15	0.00
GNMA	2004 CDEF Single Family	4.49	11/22/05	11/20/35	540,632.67	505,900.53			(2,380.64)		538,252.03	531,263.77	27,743.88	0.00
GNMA	2004 CDEF Single Family	4.49	11/29/05	11/20/35	652,581.34	610,660.90			(2,808.51)		649,772.83	641,341.18	33,488.79	0.00
GNMA	2004 CDEF Single Family	4.49	12/22/05	12/20/35	703,534.52	658,357.56			(3,145.18)		700,389.34	691,318.30	36,105.92	0.00
GNMA	2004 CDEF Single Family	4.49	12/29/05	12/20/35	714,695.92	668,807.04			(3,805.03)		710,890.89	701,688.14	36,686.13	0.00
GNMA	2004 CDEF Single Family	4.49	01/05/06	01/20/36	451,593.53	422,072.25			(1,981.41)		449,612.12	443,709.89	23,619.05	0.00
GNMA	2004 CDEF Single Family	4.49	01/12/06	01/20/36	518,378.44	484,494.76			(2,280.16)		516,098.28	509,326.87	27,112.27	0.00
GNMA	2004 CDEF Single Family	4.49	03/09/06	02/20/36	722,704.53	677,213.20			(3,035.61)		719,668.92	712,106.75	37,929.16	0.00
GNMA	2004 CDEF Single Family	4.49	03/02/06	02/20/36	432,512.60	405,284.81			(1,829.40)		430,683.20	426,154.63	22,699.22	0.00
GNMA	2004 CDEF Single Family	4.49	01/19/06	01/20/36	325,395.21	304,127.99			(1,400.18)		323,995.03	319,746.03	17,018.22	0.00
GNMA	2004 CDEF Single Family	4.49	01/26/06	01/20/36	696,024.41	650,537.50			(3,653.37)		692,371.04	683,295.83	36,411.70	0.00
GNMA	2004 CDEF Single Family	4.49	02/02/06	01/20/36	1,112,808.78	1,040,091.35			(5,090.44)		1,107,718.34	1,093,206.71	58,205.80	0.00
GNMA	2004 CDEF Single Family	4.49	02/09/06	02/20/36	1,196,127.83	1,117,977.12			(6,241.73)		1,189,886.10	1,174,308.73	62,573.34	0.00
GNMA	2004 CDEF Single Family	4.49	02/16/06	02/20/36	296,278.64	276,922.53			(1,251.44)		295,027.20	291,166.91	15,495.82	0.00
GNMA	2004 CDEF Single Family	4.49	02/23/06	02/20/36	311,223.29	291,628.91			(1,755.67)		309,467.62	306,211.76	16,338.52	0.00
GNMA	2004 CDEF Single Family	4.49	05/11/06	05/20/36	832,966.56	778,618.29			(3,783.09)		829,183.47	818,407.64	43,572.44	0.00
GNMA	2004 CDEF Single Family	4.49	05/18/06	04/20/36	149,997.44	140,565.94			(640.30)		149,357.14	147,798.62	7,872.98	0.00
GNMA	2004 CDEF Single Family	4.49	05/18/06	04/20/36	244,472.26	229,100.39			(1,057.16)		243,415.10	240,875.10	12,831.87	0.00
GNMA	2004 CDEF Single Family	4.49	03/23/06	03/20/36	481,953.01	451,623.32			(2,031.68)		479,921.33	474,886.08	25,294.44	0.00
GNMA	2004 CDEF Single Family	4.49	04/06/06	03/20/36	201,068.81	188,417.86			(882.72)		200,186.09	198,088.37	10,553.23	0.00
GNMA	2004 CDEF Single Family	4.49	04/20/06	04/20/36	195,951.72	183,625.70			(831.95)		195,119.77	193,078.46	10,284.71	0.00
GNMA	2004 CDEF Single Family	4.49	04/27/06	04/20/36	570,389.88	534,514.23			(2,540.56)		567,849.32	561,911.98	29,938.31	0.00
GNMA	2004 CDEF Single Family	4.49	05/05/06	04/20/36	582,794.90	546,143.43			(2,426.12)		580,368.78	574,305.18	30,587.87	0.00
GNMA	2004 CDEF Single Family	4.49	05/25/06	05/20/36	113,810.81	106,655.72			(1,799.53)		112,011.28	110,843.47	5,987.28	0.00
GNMA	2004 CDEF Single Family	4.49	06/01/06	05/20/36	632,247.90	591,007.76			(2,613.89)		629,634.01	621,463.98	33,070.11	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2004 CDEF Single Family	4.49	06/08/06	05/20/36	191,899.83	179,837.78			(809.00)		191,090.83	189,101.23	10,072.45	0.00
GNMA	2004 CDEF Single Family	4.49	06/15/06	06/20/36	226,412.64	212,183.18			(932.22)		225,480.42	223,134.79	11,883.83	0.00
GNMA	2004 CDEF Single Family	4.49	07/06/06	06/20/36	109,431.15	102,555.85			(459.90)		108,971.25	107,839.82	5,743.87	0.00
GNMA	2004 CDEF Single Family	4.49	07/13/06	06/20/36	360,884.44	338,213.35			(1,498.60)		359,385.84	355,656.91	18,942.16	0.00
GNMA	2004 CDEF Single Family	4.49	07/19/06	06/20/36	378,315.84	354,551.83			(1,744.79)		376,571.05	372,666.08	19,859.04	0.00
GNMA	2004 CDEF Single Family	4.49	07/27/06	07/20/36	425,818.77	399,074.89			(2,148.67)		423,670.10	419,280.95	22,354.73	0.00
GNMA	2004 CDEF Single Family	4.49	08/09/06	07/20/36	807,864.10	757,134.76			(113,082.74)		694,781.36	687,592.59	43,540.57	0.00
GNMA	2004 CDEF Single Family	4.49	08/16/06	06/20/36	200,101.07	187,536.79			(846.11)		199,254.96	197,194.11	10,503.43	0.00
GNMA	2004 CDEF Single Family	4.49	09/06/06	08/20/36	684,415.82	641,457.78			(2,824.22)		681,591.60	674,559.06	35,925.50	0.00
GNMA	2004 CDEF Single Family	4.49	09/12/06	09/20/36	105,616.91	98,988.56			(431.22)		105,185.69	104,101.35	5,544.01	0.00
GNMA	2004 CDEF Single Family	4.49	10/05/06	09/20/36	986,823.96	922,579.64			(4,073.37)		982,750.59	970,128.03	51,621.76	0.00
GNMA	2004 CDEF Single Family	4.49	11/02/06	10/20/36	1,032,220.84	967,491.16			(4,198.44)		1,028,022.40	1,017,478.20	54,185.48	0.00
GNMA	2004 CDEF Single Family	4.49	11/14/06	10/20/36	412,163.10	386,321.40			(1,691.54)		410,471.56	406,265.97	21,636.11	0.00
GNMA	2004 CDEF Single Family	4.49	11/21/06	11/20/36	534,189.36	500,701.43			(2,275.13)		531,914.23	526,469.15	28,042.85	0.00
GNMA	2004 CDEF Single Family	4.49	11/28/06	11/20/36	511,230.67	479,185.39			(2,052.41)		509,178.26	503,969.48	26,836.50	0.00
GNMA	2004 CDEF Single Family	4.49	12/12/06	11/20/36	547,969.54	513,628.65			(2,217.28)		545,752.26	540,176.98	28,765.61	0.00
GNMA	2004 CDEF Single Family	4.49	12/27/06	12/20/36	532,193.40	498,849.26			(2,622.59)		529,570.81	524,169.85	27,943.18	0.00
GNMA	2004 CDEF Single Family	4.49	01/09/07	12/20/36	395,304.09	370,541.51			(1,577.44)		393,726.65	389,715.85	20,751.78	0.00
GNMA	2004 CDEF Single Family	4.49	01/30/07	12/20/36	230,216.97	215,800.33			(938.23)		229,278.74	226,947.95	12,085.85	0.00
GNMA	2004 CDEF Single Family	4.49	02/13/08	01/20/38	66,136.10	62,051.05			(242.64)		65,893.46	65,218.67	3,410.26	0.00
GNMA	2004 CDEF Single Family	4.49	02/13/08	01/20/38	124,200.72	116,529.17			(475.50)		123,725.22	122,458.19	6,404.52	0.00
GNMA	2004 CDEF Single Family	4.49	02/19/08	02/20/38	170,062.99	159,559.61			(830.58)		169,232.41	167,500.55	8,771.52	0.00
GNMA	2004 CDEF Single Family	4.49	03/26/08	12/20/37	463,816.00	435,092.42			(1,926.99)		461,889.01	457,393.28	24,227.85	0.00
FNMA	2004 CDEF Single Family	4.49	04/07/05	02/01/35	174,194.57	162,854.78			(2,028.31)		172,166.26	170,421.10	9,594.63	0.00
FNMA	2004 CDEF Single Family	4.49	05/27/05	04/01/35	256,409.56	239,723.24			(52,155.74)		204,253.82	202,188.28	14,620.78	0.00
FNMA	2004 CDEF Single Family	4.49	07/14/05	11/01/33	71,116.32	66,772.92			(989.70)		70,126.62	69,552.07	3,768.85	0.00
FNMA	2004 CDEF Single Family	4.49	12/08/05	11/01/35	347,982.83	325,366.64			(49,176.00)		298,806.83	295,811.86	19,621.22	0.00
FNMA	2004 CDEF Single Family	4.49	01/05/06	12/01/35	156,253.88	146,100.50			(1,482.01)		154,771.87	153,222.57	8,604.08	0.00
FNMA	2004 CDEF Single Family	4.49	01/12/06	11/01/35	109,546.80	102,428.65			(502.44)		109,044.36	107,952.91	6,026.70	0.00
FNMA	2004 CDEF Single Family	4.49	02/02/06	01/01/36	154,640.11	144,593.48			(963.44)		153,676.67	152,140.32	8,510.28	0.00
FNMA	2004 CDEF Single Family	4.49	04/20/06	04/01/36	249,915.95	233,022.56			(1,071.45)		248,844.50	246,390.40	14,439.29	0.00
FNMA	2004 CDEF Single Family	4.49	05/25/06	04/01/36	205,142.22	191,278.25			(1,171.16)		203,971.06	201,962.54	11,855.45	0.00
FNMA	2004 CDEF Single Family	4.49	07/06/06	05/01/36	127,126.72	118,537.47			(538.87)		126,587.85	125,343.72	7,345.12	0.00
FNMA	2004 CDEF Single Family	4.49	08/02/06	07/01/36	238,146.49	222,059.16			(3,605.34)		234,541.15	232,239.30	13,785.48	0.00
FNMA	2004 CDEF Single Family	4.49	09/12/06	08/01/36	294,890.75	274,975.46			(2,264.36)		292,626.39	289,759.71	17,048.61	0.00
FNMA	2004 CDEF Single Family	4.49	11/14/06	01/01/36	378,518.92	352,963.30			(1,548.86)		376,970.06	373,284.63	21,870.19	0.00
FNMA	2004 CDEF Single Family	4.49	01/09/07	09/01/36	76,197.76	71,055.49			(390.09)		75,807.67	75,068.95	4,403.55	0.00
FNMA	2004 CDEF Single Family	4.49	01/30/07	01/01/37	153,929.30	143,510.52			(616.48)		153,312.82	151,737.49	8,843.45	0.00
FNMA	2004 CDEF Single Family	4.49	02/13/08	01/01/38	469,172.54	439,793.26			(1,763.66)		467,408.88	464,993.24	26,963.64	0.00
Repo Agmt	2004 CDEF Single Family	0.35	11/26/08	12/01/08	471,152.85	471,152.85	1,187.60				472,340.45	472,340.45	-	0.00
GNMA	2004 CDEF Single Family	5.38	08/07/07	07/20/37	9,482.78	9,466.84			(31.43)		9,451.35	9,660.25	224.84	0.00
GNMA	2004 CDEF Single Family	5.63	08/07/07	08/20/37	23,954.73	24,160.31			(76.01)		23,878.72	24,338.02	253.72	0.00
GNMA	2004 CDEF Single Family	5.63	11/21/07	10/20/37	1,460.66	1,473.37			(6.24)		1,454.42	1,482.57	15.44	0.00
GNMA	2004 CDEF Single Family	5.38	11/21/07	10/20/37	13,494.71	13,473.65			(43.17)		13,451.54	13,750.51	320.03	0.00
GNMA	2004 CDEF Single Family	5.38	09/25/07	09/20/37	39,571.62	39,507.39			(139.46)		39,432.16	40,306.06	938.13	0.00
GNMA	2004 CDEF Single Family	5.13	09/25/07	09/20/37	23,242.24	22,888.24			(80.05)		23,162.19	23,399.95	591.76	0.00
GNMA	2004 CDEF Single Family	5.63	09/25/07	08/20/37	6,271.75	6,325.91			(26.32)		6,245.43	6,365.89	66.30	0.00
GNMA	2004 CDEF Single Family	5.63	09/25/07	09/20/37	2,808.00	2,832.24			(16.03)		2,791.97	2,845.81	29.60	0.00
GNMA	2004 CDEF Single Family	5.38	10/09/07	09/20/37	25,407.92	25,367.08			(85.01)		25,322.91	25,884.51	602.44	0.00
GNMA	2004 CDEF Single Family	5.63	10/09/07	06/20/37	2,094.18	2,112.28			(6.47)		2,087.71	2,127.99	22.18	0.00
GNMA	2004 CDEF Single Family	5.13	10/09/07	09/20/37	8,681.11	8,549.02			(29.34)		8,651.77	8,740.71	221.03	0.00
GNMA	2004 CDEF Single Family	5.38	08/23/07	08/20/37	19,164.07	19,132.27			(64.56)		19,099.51	19,522.09	454.38	0.00
GNMA	2004 CDEF Single Family	5.13	08/23/07	07/20/37	23,920.22	23,555.01			(84.50)		23,835.72	24,079.47	608.96	0.00
GNMA	2004 CDEF Single Family	5.38	09/11/07	09/20/37	12,964.69	12,943.46			(41.94)		12,922.75	13,208.94	307.42	0.00
GNMA	2004 CDEF Single Family	5.63	09/11/07	08/20/37	14,193.35	14,315.70			(52.71)		14,140.64	14,413.17	150.18	0.00
GNMA	2004 CDEF Single Family	5.13	09/11/07	08/20/37	9,562.24	9,399.03			(37.00)		9,525.24	9,605.33	243.30	0.00
GNMA	2004 CDEF Single Family	5.38	11/28/07	11/20/37	15,595.38	15,571.18			(49.18)		15,546.20	15,891.87	369.87	0.00
GNMA	2004 CDEF Single Family	5.13	12/11/07	11/20/37	9,206.45	9,050.25			(31.03)		9,175.42	9,253.52	234.30	0.00
GNMA	2004 CDEF Single Family	5.38	10/25/07	10/20/37	12,788.43	12,768.11			(40.77)		12,747.66	13,030.63	303.29	0.00
GNMA	2004 CDEF Single Family	5.13	10/25/07	10/20/37	25,983.12	25,540.91			(102.27)		25,880.85	26,099.75	661.11	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2004 CDEF Single Family	5.63	10/25/07	09/20/36	3,649.39	3,680.00			(15.63)		3,633.76	3,702.15	37.78	0.00
GNMA	2004 CDEF Single Family	5.38	10/25/07	10/20/37	23,600.74	23,563.23			(78.03)		23,522.71	24,044.84	559.64	0.00
GNMA	2004 CDEF Single Family	5.38	11/08/07	10/20/37	20,833.24	20,800.45			(66.27)		20,766.97	21,228.24	494.06	0.00
GNMA	2004 CDEF Single Family	5.13	11/08/07	10/20/37	8,307.32	8,181.18			(27.53)		8,279.79	8,365.17	211.52	0.00
GNMA	2004 CDEF Single Family	5.63	01/16/08	12/20/37	1,394.69	1,406.91			(4.15)		1,390.54	1,417.54	14.78	0.00
GNMA	2004 CDEF Single Family	5.38	12/28/07	11/20/37	5,931.91	5,922.89			(18.67)		5,913.24	6,044.91	140.69	0.00
GNMA	2004 CDEF Single Family	5.63	12/28/07	12/20/37	1,459.94	1,472.69			(4.44)		1,455.50	1,483.73	15.48	0.00
GNMA	2004 CDEF Single Family	5.63	12/28/07	12/20/37	22,179.43	22,373.31			(68.69)		22,110.74	22,539.60	234.98	0.00
GNMA	2004 CDEF Single Family	5.38	12/11/07	11/20/37	18,984.26	18,955.07			(60.29)		18,923.97	19,344.99	450.21	0.00
GNMA	2004 CDEF Single Family	5.13	12/20/07	10/20/37	2,391.80	2,355.60			(15.61)		2,376.19	2,400.82	60.83	0.00
GNMA	2004 CDEF Single Family	5.38	12/20/07	11/20/37	5,010.04	5,002.38			(57.08)		4,952.96	5,063.20	117.90	0.00
GNMA	2004 CDEF Single Family	5.13	12/20/07	12/20/37	1,673.54	1,648.20			(5.48)		1,668.06	1,685.34	42.62	0.00
GNMA	2004 CDEF Single Family	5.38	01/16/08	12/20/37	3,170.47	3,165.72			(11.20)		3,159.27	3,229.68	75.16	0.00
GNMA	2004 CDEF Single Family	5.38	01/30/08	12/20/37	1,960.08	1,957.18			(6.94)		1,953.14	1,996.71	46.47	0.00
GNMA	2004 CDEF Single Family	5.63	01/30/08	12/20/37	6,577.61	6,635.34			(21.05)		6,556.56	6,683.96	69.67	0.00
GNMA	2004 CDEF Single Family	5.38	02/13/08	12/20/37	3,367.38	3,362.44			(21.22)		3,346.16	3,420.84	79.62	0.00
GNMA	2004 CDEF Single Family	5.63	01/30/08	01/20/38	1,448.59	1,460.81			(4.30)		1,444.29	1,472.17	15.66	0.00
GNMA	2004 CDEF Single Family	5.38	01/30/08	09/20/37	2,812.35	2,808.18			(19.80)		2,792.55	2,854.84	66.46	0.00
GNMA	2004 CDEF Single Family	5.63	02/13/08	01/20/38	4,176.63	4,211.91			(12.60)		4,164.03	4,244.46	45.15	0.00
GNMA	2004 CDEF Single Family	5.38	02/19/08	12/20/37	3,016.56	3,012.15			(23.60)		2,992.96	3,059.78	71.23	0.00
GNMA	2004 CDEF Single Family	5.63	02/19/08	01/20/38	4,753.83	4,794.04			(14.19)		4,739.64	4,831.22	51.37	0.00
GNMA	2004 CDEF Single Family	5.13	02/27/08	02/20/38	3,847.16	3,779.02			(17.28)		3,829.88	3,860.89	99.15	0.00
GNMA	2004 CDEF Single Family	5.38	02/27/08	02/20/38	6,109.03	6,086.01			(31.89)		6,077.14	6,200.53	146.41	0.00
GNMA	2004 CDEF Single Family	5.38	03/20/08	02/20/38	6,043.92	6,033.27			(19.52)		6,024.40	6,158.99	145.24	0.00
GNMA	2004 CDEF Single Family	5.63	03/20/08	02/20/38	2,418.60	2,439.12			(7.14)		2,411.46	2,458.13	26.15	0.00
GNMA	2004 CDEF Single Family	5.13	03/20/08	10/20/37	2,224.98	2,191.51			(7.37)		2,217.61	2,240.80	56.66	0.00
GNMA	2004 CDEF Single Family	5.38	03/27/08	03/20/38	7,038.49	7,026.15			(21.62)		7,016.87	7,173.70	169.17	0.00
FNMA	2004 CDEF Single Family	5.63	07/03/07	07/01/37	13,820.13	13,735.84			(46.67)		13,773.46	14,030.07	340.90	0.00
FNMA	2004 CDEF Single Family	5.38	08/07/07	07/01/37	41,642.40	41,279.24			(221.91)		41,420.49	42,432.56	1,375.23	0.00
FNMA	2004 CDEF Single Family	5.63	08/07/07	07/01/37	10,203.90	10,240.40			(36.52)		10,167.38	10,456.75	252.87	0.00
FNMA	2004 CDEF Single Family	5.13	08/07/07	08/01/37	36,456.88	35,653.79			(124.76)		36,332.12	37,034.27	1,505.24	0.00
FNMA	2004 CDEF Single Family	5.13	08/29/07	08/01/37	16,745.23	16,376.66			(58.58)		16,686.65	17,009.45	691.37	0.00
FNMA	2004 CDEF Single Family	5.38	08/23/07	07/01/37	15,451.08	15,316.55			(167.33)		15,283.75	15,657.42	508.20	0.00
FNMA	2004 CDEF Single Family	5.38	09/11/07	08/01/37	14,798.37	14,669.78			(51.13)		14,747.24	15,108.04	489.39	0.00
FNMA	2004 CDEF Single Family	5.13	09/11/07	09/01/37	6,883.42	6,731.99			(23.38)		6,860.04	6,992.82	284.21	0.00
FNMA	2004 CDEF Single Family	5.63	09/11/07	08/01/37	5,946.80	5,968.28			(21.27)		5,925.53	6,094.39	147.38	0.00
FNMA	2004 CDEF Single Family	5.38	09/25/07	09/01/37	41,632.74	41,271.52			(166.70)		41,466.04	42,481.12	1,376.30	0.00
FNMA	2004 CDEF Single Family	5.63	09/25/07	07/01/37	3,705.96	3,719.38			(19.49)		3,686.47	3,791.57	91.68	0.00
FNMA	2004 CDEF Single Family	5.13	09/25/07	09/01/37	20,053.08	19,612.23			(83.13)		19,969.95	20,356.82	827.72	0.00
FNMA	2004 CDEF Single Family	5.38	10/09/07	08/01/37	6,911.45	6,885.28			(25.07)		6,886.38	7,068.05	207.84	0.00
FNMA	2004 CDEF Single Family	5.13	10/09/07	09/01/37	9,918.50	9,746.64			(33.35)		9,885.15	10,036.13	322.84	0.00
FNMA	2004 CDEF Single Family	5.63	10/09/07	09/01/37	5,758.50	5,802.01			(17.92)		5,740.58	5,883.62	99.53	0.00
FNMA	2004 CDEF Single Family	5.38	10/25/07	10/01/37	41,318.89	41,163.09			(165.53)		41,153.36	42,239.66	1,242.10	0.00
FNMA	2004 CDEF Single Family	5.13	10/25/07	10/01/37	20,361.44	20,008.94			(84.35)		20,277.09	20,587.10	662.51	0.00
FNMA	2004 CDEF Single Family	5.38	11/08/07	09/01/37	14,186.88	14,133.56			(69.33)		14,117.55	14,490.39	426.16	0.00
FNMA	2004 CDEF Single Family	5.13	11/08/07	10/01/37	6,426.71	6,315.52			(22.29)		6,404.42	6,502.42	209.19	0.00
FNMA	2004 CDEF Single Family	5.38	11/21/07	10/01/37	9,058.56	9,024.62			(30.90)		9,027.66	9,266.18	272.46	0.00
FNMA	2004 CDEF Single Family	5.13	11/21/07	09/01/37	8,102.34	7,962.25			(28.06)		8,074.28	8,197.91	263.72	0.00
FNMA	2004 CDEF Single Family	5.38	11/21/07	11/01/37	12,879.88	12,831.64			(43.04)		12,836.84	13,176.03	387.43	0.00
FNMA	2004 CDEF Single Family	5.38	12/11/07	10/01/37	23,251.16	23,164.47			(329.30)		22,921.86	23,527.91	692.74	0.00
FNMA	2004 CDEF Single Family	5.13	12/11/07	11/01/37	11,689.48	11,487.59			(39.12)		11,650.36	11,828.99	380.52	0.00
FNMA	2004 CDEF Single Family	5.38	12/11/07	11/01/37	6,502.88	6,478.64			(21.00)		6,481.88	6,653.27	195.63	0.00
FNMA	2004 CDEF Single Family	5.13	12/11/07	12/01/37	8,222.63	8,080.63			(39.12)		8,183.51	8,309.00	267.49	0.00
FNMA	2004 CDEF Single Family	5.13	12/20/07	11/01/37	7,269.16	7,143.69			(33.55)		7,235.61	7,346.63	236.49	0.00
FNMA	2004 CDEF Single Family	5.38	12/20/07	10/01/37	1,664.83	1,658.63			(18.31)		1,646.52	1,690.08	49.76	0.00
FNMA	2004 CDEF Single Family	5.63	12/28/07	10/01/37	26,902.69	27,107.89			(94.47)		26,808.22	27,478.18	464.76	0.00
FNMA	2004 CDEF Single Family	5.13	01/16/08	12/01/37	6,948.68	6,828.89			(26.63)		6,922.05	7,028.41	226.15	0.00
FNMA	2004 CDEF Single Family	5.13	01/30/08	12/01/37	3,853.08	3,786.71			(18.33)		3,834.75	3,893.72	125.34	0.00
FNMA	2004 CDEF Single Family	5.38	01/30/08	11/01/37	1,427.39	1,422.14			(4.51)		1,422.88	1,460.58	42.95	0.00
FNMA	2004 CDEF Single Family	5.13	01/30/08	12/01/37	5,291.39	5,200.27			(18.11)		5,273.28	5,354.38	172.22	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2004 CDEF Single Family	5.13	02/13/08	01/01/38	2,325.94	2,284.36			(7.60)		2,318.34	2,353.23	76.47	0.00
FNMA	2004 CDEF Single Family	5.38	02/13/08	01/01/38	9,136.77	9,100.48			(28.50)		9,108.27	9,348.00	276.02	0.00
FNMA	2004 CDEF Single Family	5.63	02/19/08	04/01/37	3,437.21	3,463.58			(16.80)		3,420.41	3,506.04	59.26	0.00
FNMA	2004 CDEF Single Family	5.38	02/19/08	12/01/37	4,736.59	4,719.24			(120.92)		4,615.67	4,738.02	139.70	0.00
FNMA	2004 CDEF Single Family	5.13	02/19/08	01/01/38	5,152.34	5,060.24			(24.11)		5,128.23	5,205.43	169.30	0.00
FNMA	2004 CDEF Single Family	5.13	02/27/08	02/01/38	3,870.30	3,801.16			(12.63)		3,857.67	3,915.78	127.25	0.00
FNMA	2004 CDEF Single Family	5.38	03/20/08	11/01/37	5,676.68	5,656.03			(19.22)		5,657.46	5,807.57	170.76	0.00
	2004 CDEF Single Family Total				75,588,978.77	71,856,125.78	1,544,274.52	(5,329,252.93)	(1,182,775.52)	0.00	70,621,224.84	70,076,991.98	3,188,620.13	0.00
Repo Agmt	2005 BCD Single Family	0.35	11/26/08	12/01/08	6,255.60	6,255.60		(961.79)			5,293.81	5,293.81	-	0.00
Repo Agmt	2005 BCD Single Family	0.35	11/26/08	12/01/08	436,176.85	436,176.85		(404,506.85)			31,670.00	31,670.00	-	0.00
Repo Agmt	2005 BCD Single Family	0.35	11/26/08	12/01/08	1,718,151.78	1,718,151.78		(1,108,651.75)			609,500.03	609,500.03	-	0.00
GNMA	2005 BCD Single Family	5.13	08/10/06	07/20/36	15,951.19	15,716.70			(71.08)		15,880.11	16,046.51	400.89	0.00
GNMA	2005 BCD Single Family	5.38	08/16/06	08/20/36	7,921.64	7,903.99			(1,803.84)		6,117.80	6,248.21	148.06	0.00
GNMA	2005 BCD Single Family	5.63	08/16/06	08/20/36	5,175.32	5,213.80			(17.10)		5,158.22	5,250.39	53.69	0.00
GNMA	2005 BCD Single Family	5.38	08/23/06	08/20/36	13,733.64	13,703.17			(57.53)		13,676.11	13,967.79	322.15	0.00
GNMA	2005 BCD Single Family	5.13	08/23/06	08/01/36	20,627.41	20,286.72			(74.94)		20,552.47	20,730.33	518.55	0.00
GNMA	2005 BCD Single Family	5.38	09/06/06	08/20/36	53,303.62	53,186.04			(214.62)		53,089.00	54,221.87	1,250.45	0.00
GNMA	2005 BCD Single Family	5.63	09/06/06	09/20/36	20,708.25	20,831.97			(69.24)		20,639.01	20,977.69	214.96	0.00
GNMA	2005 BCD Single Family	5.13	09/06/06	08/20/36	42,843.48	42,215.02			(175.90)		42,667.58	43,116.14	1,077.02	0.00
GNMA	2005 BCD Single Family	5.38	09/12/06	09/20/36	24,978.54	24,923.65			(2,105.73)		22,872.81	23,361.12	543.20	0.00
GNMA	2005 BCD Single Family	5.13	09/12/06	09/20/36	34,062.58	33,528.07			(127.29)		33,935.29	34,256.73	855.95	0.00
GNMA	2005 BCD Single Family	5.63	09/12/06	09/20/36	7,201.53	7,255.30			(234.85)		6,966.68	7,091.40	70.95	0.00
GNMA	2005 BCD Single Family	5.38	09/20/06	09/20/36	46,758.69	46,656.32			(172.01)		46,586.68	47,581.57	1,097.26	0.00
GNMA	2005 BCD Single Family	5.13	09/20/06	09/20/36	84,454.72	82,975.56			(315.40)		84,139.32	84,782.11	2,121.95	0.00
GNMA	2005 BCD Single Family	5.63	09/20/06	09/20/36	7,571.26	7,627.87			(26.90)		7,544.36	7,679.49	78.52	0.00
GNMA	2005 BCD Single Family	5.13	09/26/06	09/20/36	31,009.05	30,522.88			(113.79)		30,895.26	31,188.31	779.22	0.00
GNMA	2005 BCD Single Family	5.38	09/26/06	09/20/36	39,252.94	39,167.25			(1,469.55)		37,783.39	38,590.53	892.83	0.00
GNMA	2005 BCD Single Family	5.38	10/05/06	10/20/36	75,301.90	75,138.32			(3,291.71)		72,010.19	73,549.29	1,702.68	0.00
GNMA	2005 BCD Single Family	5.63	10/17/06	10/20/36	40,505.12	40,748.83			(2,718.12)		37,787.00	38,408.69	377.98	0.00
GNMA	2005 BCD Single Family	5.13	10/05/06	10/20/36	70,255.19	69,025.90			(257.66)		69,997.53	70,533.49	1,765.25	0.00
GNMA	2005 BCD Single Family	5.38	10/17/06	10/20/36	48,017.85	47,914.06			(205.23)		47,812.62	48,835.11	1,126.28	0.00
GNMA	2005 BCD Single Family	5.13	10/17/06	10/20/36	74,318.47	73,154.89			(285.73)		74,032.74	74,736.70	1,867.54	0.00
GNMA	2005 BCD Single Family	5.63	10/24/06	10/20/36	36,445.38	36,719.10			(134.70)		36,310.68	36,962.33	377.93	0.00
GNMA	2005 BCD Single Family	5.38	10/24/06	10/20/36	55,300.15	55,181.04			(2,199.40)		53,100.75	54,236.74	1,255.10	0.00
GNMA	2005 BCD Single Family	5.13	10/24/06	10/20/36	73,513.42	72,362.94			(345.44)		73,167.98	73,864.22	1,846.72	0.00
GNMA	2005 BCD Single Family	5.38	11/02/06	11/20/36	44,534.72	44,439.28			(154.00)		44,380.72	45,330.65	1,045.37	0.00
GNMA	2005 BCD Single Family	5.13	11/02/06	10/20/36	46,267.50	45,543.83			(3,017.55)		43,249.95	43,661.90	1,135.62	0.00
GNMA	2005 BCD Single Family	5.63	11/14/06	11/20/36	36,358.45	36,632.36			(2,845.63)		33,512.82	34,115.01	328.28	0.00
GNMA	2005 BCD Single Family	5.38	11/14/06	10/20/36	31,592.26	31,524.87			(112.44)		31,479.82	32,153.90	741.47	0.00
GNMA	2005 BCD Single Family	5.13	11/14/06	11/20/36	42,902.50	42,232.05			(156.22)		42,746.28	43,154.00	1,078.17	0.00
GNMA	2005 BCD Single Family	5.38	11/21/06	11/20/36	58,301.56	58,177.75			(4,114.32)		54,187.24	55,348.09	1,284.66	0.00
GNMA	2005 BCD Single Family	5.63	11/21/06	11/20/36	16,579.79	16,680.18			(55.56)		16,524.23	16,796.71	172.09	0.00
GNMA	2005 BCD Single Family	5.13	11/21/06	11/20/36	27,548.10	27,117.79			(105.67)		27,442.43	27,704.37	692.25	0.00
GNMA	2005 BCD Single Family	5.38	11/28/06	11/20/36	45,764.26	45,667.39			(164.15)		45,600.11	46,577.33	1,074.09	0.00
GNMA	2005 BCD Single Family	5.63	11/28/06	11/20/36	5,832.62	5,876.67			(19.73)		5,812.89	5,917.44	60.50	0.00
GNMA	2005 BCD Single Family	5.13	11/28/06	11/20/36	8,484.57	8,352.08			(30.14)		8,454.43	8,535.18	213.24	0.00
GNMA	2005 BCD Single Family	5.38	12/12/06	12/20/36	40,034.08	39,953.79			(199.79)		39,834.29	40,692.44	938.44	0.00
GNMA	2005 BCD Single Family	5.63	12/12/06	12/20/36	27,263.94	27,470.12			(97.11)		27,166.83	27,655.80	282.79	0.00
GNMA	2005 BCD Single Family	5.13	12/12/06	11/20/36	49,711.17	48,935.71			(253.40)		49,457.77	49,930.90	1,248.59	0.00
GNMA	2005 BCD Single Family	5.38	12/27/06	12/20/36	77,804.43	77,642.06			(277.67)		77,526.76	79,190.61	1,826.22	0.00
GNMA	2005 BCD Single Family	5.63	12/27/06	12/20/36	21,653.09	21,784.99			(1,489.21)		20,163.88	20,497.15	201.37	0.00
GNMA	2005 BCD Single Family	5.13	12/27/06	12/20/36	49,543.31	48,771.26			(2,551.02)		46,992.29	47,442.67	1,222.43	0.00
GNMA	2005 BCD Single Family	5.38	01/10/07	12/20/36	46,537.48	46,441.00			(161.53)		46,375.95	47,371.85	1,092.38	0.00
GNMA	2005 BCD Single Family	5.63	01/09/07	12/20/36	19,413.14	19,531.67			(97.06)		19,316.08	19,635.60	200.99	0.00
GNMA	2005 BCD Single Family	5.13	01/09/07	01/20/37	29,898.43	29,420.57			(110.38)		29,788.05	30,071.00	760.81	0.00
GNMA	2005 BCD Single Family	5.38	01/16/07	12/20/36	26,115.76	26,061.78			(102.79)		26,012.97	26,571.77	612.78	0.00
GNMA	2005 BCD Single Family	5.63	01/16/07	01/20/37	19,145.48	19,296.23			(65.15)		19,080.33	19,433.73	202.65	0.00
GNMA	2005 BCD Single Family	5.13	01/30/07	01/20/37	50,505.36	49,699.21			(180.61)		50,324.75	50,803.78	1,285.18	0.00
GNMA	2005 BCD Single Family	5.38	01/30/07	01/20/37	38,505.78	38,414.77			(135.35)		38,370.43	39,191.83	912.41	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2005 BCD Single Family	5.63	01/30/07	01/20/37	10,043.43	10,122.66			(32.88)		10,010.55	10,196.11	106.33	0.00
GNMA	2005 BCD Single Family	5.38	02/13/07	01/20/37	45,223.30	45,117.04			(170.48)		45,052.82	46,017.92	1,071.36	0.00
GNMA	2005 BCD Single Family	5.13	02/13/07	01/20/37	48,138.49	47,370.77			(2,333.72)		45,804.77	46,241.43	1,204.38	0.00
GNMA	2005 BCD Single Family	5.63	02/13/07	02/20/37	5,615.84	5,660.20			(18.08)		5,597.76	5,701.58	59.46	0.00
FNMA	2005 BCD Single Family	5.38	08/09/06	08/01/36	12,450.31	12,292.40			(47.36)		12,402.95	12,645.62	400.58	0.00
FNMA	2005 BCD Single Family	5.13	08/10/06	07/01/36	7,634.28	7,446.55			(38.99)		7,595.29	7,713.30	305.74	0.00
FNMA	2005 BCD Single Family	5.38	08/23/06	08/01/36	11,484.07	11,338.49			(2,119.85)		9,364.22	9,547.51	328.87	0.00
FNMA	2005 BCD Single Family	5.63	08/23/06	08/01/36	15,643.35	15,632.10			(64.05)		15,579.30	15,945.90	377.85	0.00
FNMA	2005 BCD Single Family	5.13	08/23/06	08/01/36	16,154.91	15,757.74			(167.15)		15,987.76	16,236.26	645.67	0.00
FNMA	2005 BCD Single Family	5.38	09/06/06	09/01/36	20,694.72	20,432.50			(77.32)		20,617.40	21,021.04	665.86	0.00
FNMA	2005 BCD Single Family	5.63	09/06/06	08/01/36	7,802.31	7,796.73			(26.70)		7,775.61	7,958.61	188.58	0.00
FNMA	2005 BCD Single Family	5.13	09/12/06	09/01/36	24,587.21	23,957.84			(96.31)		24,490.90	24,845.95	984.42	0.00
FNMA	2005 BCD Single Family	5.38	09/12/06	09/01/36	19,493.36	19,246.40			(89.71)		19,403.65	19,783.54	626.85	0.00
FNMA	2005 BCD Single Family	5.63	09/20/06	09/01/36	8,058.92	8,053.24			(27.97)		8,030.95	8,220.05	194.78	0.00
FNMA	2005 BCD Single Family	5.38	09/20/06	09/01/36	18,123.44	17,893.91			(68.89)		18,054.55	18,408.12	583.10	0.00
FNMA	2005 BCD Single Family	5.13	09/20/06	09/01/36	14,812.94	14,433.82			(943.09)		13,869.85	14,070.97	580.24	0.00
FNMA	2005 BCD Single Family	5.38	09/26/06	09/01/36	17,875.62	17,649.29			(105.92)		17,769.70	18,117.74	574.37	0.00
FNMA	2005 BCD Single Family	5.38	10/05/06	09/01/36	24,259.03	23,951.96			(87.63)		24,171.40	24,644.93	780.60	0.00
FNMA	2005 BCD Single Family	5.63	10/17/06	09/01/36	15,665.95	15,655.05			(1,066.65)		14,599.30	14,943.19	354.79	0.00
FNMA	2005 BCD Single Family	5.13	10/17/06	10/01/36	33,188.48	32,339.42			(199.86)		32,988.62	33,467.39	1,327.83	0.00
FNMA	2005 BCD Single Family	5.38	10/17/06	10/01/36	28,710.62	28,347.39			(2,304.39)		26,406.23	26,923.73	880.73	0.00
FNMA	2005 BCD Single Family	5.38	10/24/06	11/01/36	40,280.80	39,771.31			(169.02)		40,111.78	40,898.03	1,295.74	0.00
FNMA	2005 BCD Single Family	5.38	11/02/06	11/01/36	41,373.29	40,850.16			(164.70)		41,208.59	42,016.50	1,331.04	0.00
FNMA	2005 BCD Single Family	5.63	11/02/06	10/01/36	12,618.27	12,609.57			(45.77)		12,572.50	12,868.76	304.96	0.00
FNMA	2005 BCD Single Family	5.13	11/02/06	10/01/36	19,273.88	18,780.89			(107.19)		19,166.69	19,444.97	771.27	0.00
FNMA	2005 BCD Single Family	5.38	11/14/06	11/01/36	27,161.34	26,818.03			(102.80)		27,058.54	27,589.16	873.93	0.00
FNMA	2005 BCD Single Family	5.63	11/14/06	11/01/36	11,366.97	11,359.20			(50.10)		11,316.87	11,583.60	274.50	0.00
FNMA	2005 BCD Single Family	5.13	11/14/06	11/01/36	10,746.68	10,471.91			(40.18)		10,706.50	10,862.06	430.33	0.00
FNMA	2005 BCD Single Family	5.38	11/21/06	10/01/36	13,259.69	13,092.13			(47.30)		13,212.39	13,471.53	426.70	0.00
FNMA	2005 BCD Single Family	5.63	11/21/06	11/01/36	8,367.71	8,362.02			(42.52)		8,325.19	8,521.45	201.95	0.00
FNMA	2005 BCD Single Family	5.13	11/21/06	11/01/36	5,020.09	4,891.74			(38.30)		4,981.79	5,054.17	200.73	0.00
FNMA	2005 BCD Single Family	5.38	11/28/06	11/01/36	6,374.05	6,293.51			(23.50)		6,350.55	6,475.11	205.10	0.00
FNMA	2005 BCD Single Family	5.13	11/28/06	11/01/36	6,398.19	6,234.63			(30.16)		6,368.03	6,460.57	256.10	0.00
FNMA	2005 BCD Single Family	5.63	11/28/06	11/01/36	8,483.36	8,477.64			(30.19)		8,453.17	8,652.48	205.03	0.00
FNMA	2005 BCD Single Family	5.38	12/12/06	11/01/36	8,986.35	8,872.89			(44.47)		8,941.88	9,117.36	288.94	0.00
FNMA	2005 BCD Single Family	5.63	12/12/06	11/01/36	9,060.43	9,054.33			(37.45)		9,022.98	9,235.73	218.85	0.00
FNMA	2005 BCD Single Family	5.13	12/12/06	11/01/36	12,472.89	12,154.13			(90.41)		12,382.48	12,562.53	498.81	0.00
FNMA	2005 BCD Single Family	5.38	12/27/06	11/01/36	30,851.38	30,462.03			(123.05)		30,728.33	31,331.51	992.53	0.00
FNMA	2005 BCD Single Family	5.63	12/27/06	12/01/36	10,517.57	10,510.62			(41.27)		10,476.30	10,723.44	254.09	0.00
FNMA	2005 BCD Single Family	5.13	12/27/06	10/01/36	8,372.12	8,158.19			(34.67)		8,337.45	8,458.71	335.19	0.00
FNMA	2005 BCD Single Family	5.38	01/09/07	12/01/36	37,537.72	37,064.21			(155.92)		37,381.80	38,115.85	1,207.56	0.00
FNMA	2005 BCD Single Family	5.63	01/09/07	12/01/36	8,093.66	8,088.32			(29.61)		8,064.05	8,254.29	195.58	0.00
FNMA	2005 BCD Single Family	5.13	01/09/07	12/01/36	10,425.13	10,158.82			(37.76)		10,387.37	10,538.54	417.48	0.00
FNMA	2005 BCD Single Family	5.38	01/30/07	12/01/36	32,860.79	32,446.57			(120.20)		32,740.59	33,383.80	1,057.43	0.00
FNMA	2005 BCD Single Family	5.63	01/30/07	12/01/36	20,617.67	20,604.28			(72.36)		20,545.31	21,030.25	498.33	0.00
FNMA	2005 BCD Single Family	5.13	01/30/07	01/01/37	7,757.78	7,559.66			(39.18)		7,718.60	7,830.97	310.49	0.00
FNMA	2005 BCD Single Family	5.38	02/13/07	01/01/37	22,311.22	22,030.14			(111.50)		22,199.72	22,635.97	717.33	0.00
FNMA	2005 BCD Single Family	5.63	02/13/07	01/01/37	7,030.69	7,026.18			(23.89)		7,006.80	7,172.23	169.94	0.00
FNMA	2005 BCD Single Family	5.13	02/13/07	01/01/37	7,575.13	7,381.82			(69.15)		7,505.98	7,615.41	302.74	0.00
FNMA	2005 BCD Single Family	5.38	02/20/07	01/01/37	9,155.68	9,057.08			(33.41)		9,122.27	9,326.00	302.33	0.00
FNMA	2005 BCD Single Family	5.63	02/20/07	01/01/37	11,585.50	11,578.07			(38.91)		11,546.59	11,819.24	280.08	0.00
FNMA	2005 BCD Single Family	6.15	05/01/96	04/01/26	202,342.43	209,741.64			(1,727.79)		200,614.64	208,017.89	4.04	0.00
FNMA	2005 BCD Single Family	6.15	06/01/96	05/01/26	187,745.19	194,378.04			(2,392.47)		185,352.72	191,966.21	(19.36)	0.00
FNMA	2005 BCD Single Family	6.15	07/01/96	06/01/26	212,219.68	220,181.78			(2,008.31)		210,211.37	218,165.78	(7.69)	0.00
FNMA	2005 BCD Single Family	6.15	08/01/96	07/01/26	223,428.11	231,857.38			(3,828.80)		219,599.31	227,954.60	(73.98)	0.00
FNMA	2005 BCD Single Family	6.15	08/01/96	08/01/26	162,379.92	166,755.17			(1,566.58)		160,813.34	166,267.16	1,078.57	0.00
FNMA	2005 BCD Single Family	6.15	09/01/96	08/01/26	157,425.46	161,496.57			(6,389.77)		151,035.69	155,995.28	888.48	0.00
FNMA	2005 BCD Single Family	6.15	10/01/96	10/01/26	326,830.40	335,223.37			(4,789.45)		322,040.95	332,558.31	2,124.39	0.00
FNMA	2005 BCD Single Family	6.15	12/01/96	11/01/26	230,139.27	236,141.12			(2,352.17)		227,787.10	235,316.66	1,527.71	0.00
FNMA	2005 BCD Single Family	6.15	03/01/97	01/01/27	224,471.77	230,182.36			(3,590.91)		220,880.86	228,041.85	1,450.40	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2005 BCD Single Family	6.15	09/01/97	07/01/27	101,996.31	105,140.84			(711.71)		101,284.60	104,553.04	123.91	0.00
GNMA	2005 BCD Single Family	6.15	07/01/96	07/20/26	961,818.84	990,811.08			(55,418.39)		906,400.45	928,043.61	(7,349.08)	0.00
GNMA	2005 BCD Single Family	6.15	03/01/96	03/20/26	249,051.61	256,577.14			(3,596.79)		245,454.82	251,333.02	(1,647.33)	0.00
GNMA	2005 BCD Single Family	6.15	08/01/96	07/20/26	758,767.72	781,611.89			(10,627.73)		748,139.99	765,977.23	(5,006.93)	0.00
GNMA	2005 BCD Single Family	6.15	04/01/96	04/20/26	283,934.97	292,467.19			(3,313.91)		280,621.06	287,295.78	(1,857.50)	0.00
GNMA	2005 BCD Single Family	6.15	05/01/96	05/20/26	923,871.02	951,646.73			(9,329.70)		914,541.32	936,307.33	(6,009.70)	0.00
GNMA	2005 BCD Single Family	6.15	05/01/96	05/20/26	321,596.27	331,331.51			(2,582.88)		319,013.39	326,670.60	(2,078.03)	0.00
GNMA	2005 BCD Single Family	6.15	06/01/96	06/20/26	1,061,485.24	1,093,511.47			(55,717.24)		1,005,768.00	1,029,810.81	(7,983.42)	0.00
GNMA	2005 BCD Single Family	6.15	06/01/96	06/20/26	234,696.90	241,733.00			(1,806.00)		232,890.90	238,414.26	(1,512.74)	0.00
GNMA	2005 BCD Single Family	6.15	07/01/96	06/20/26	1,230,494.67	1,267,254.38			(13,298.69)		1,217,195.98	1,245,938.39	(8,017.30)	0.00
GNMA	2005 BCD Single Family	6.15	08/01/96	08/20/26	839,687.37	861,691.46			(10,171.17)		829,516.20	846,121.83	(5,398.46)	0.00
GNMA	2005 BCD Single Family	6.15	09/01/96	09/20/26	411,813.48	422,333.44			(5,306.89)		406,506.59	414,381.84	(2,644.71)	0.00
GNMA	2005 BCD Single Family	6.15	09/01/96	09/20/26	329,776.58	338,325.89			(34,193.76)		295,582.82	301,418.71	(2,713.42)	0.00
GNMA	2005 BCD Single Family	6.15	10/01/96	10/20/26	924,282.87	947,971.03			(13,862.82)		910,420.05	928,131.12	(5,977.09)	0.00
GNMA	2005 BCD Single Family	6.15	12/01/96	12/20/26	311,387.04	319,277.63			(3,096.17)		308,290.87	314,201.11	(1,980.35)	0.00
GNMA	2005 BCD Single Family	6.15	01/01/97	12/20/26	740,124.14	758,894.95			(7,105.07)		733,019.07	747,086.74	(4,703.14)	0.00
GNMA	2005 BCD Single Family	6.15	01/01/97	01/20/27	387,091.68	397,100.35			(4,703.26)		382,388.42	389,963.70	(2,433.39)	0.00
GNMA	2005 BCD Single Family	6.15	02/01/97	02/20/27	353,890.12	363,029.78			(42,286.15)		311,603.97	317,767.72	(2,975.91)	0.00
GNMA	2005 BCD Single Family	6.15	02/01/97	02/20/27	142,403.87	145,938.28			(1,460.38)		140,943.49	143,592.28	(885.62)	0.00
GNMA	2005 BCD Single Family	6.15	03/01/97	03/20/27	457,399.79	468,435.66			(3,798.75)		453,601.04	461,817.76	(2,819.15)	0.00
GNMA	2005 BCD Single Family	6.15	04/01/97	04/20/27	216,693.11	221,778.89			(1,578.25)		215,114.86	218,872.91	(1,327.73)	0.00
GNMA	2005 BCD Single Family	6.15	06/01/97	06/20/27	170,887.52	174,967.34			(1,446.61)		169,440.91	172,468.30	(1,052.43)	0.00
GNMA	2005 BCD Single Family	6.15	08/01/97	07/20/27	267,301.85	275,252.53			(2,992.03)		264,309.82	270,554.13	(1,706.37)	0.00
GNMA	2005 BCD Single Family	6.15	09/01/97	08/20/27	561,951.70	575,433.59			(4,139.74)		557,811.96	567,841.96	(3,451.89)	0.00
GNMA	2005 BCD Single Family	6.15	02/01/98	02/20/28	136,706.42	139,898.51			(876.76)		135,829.66	138,193.08	(828.67)	0.00
GNMA	2005 BCD Single Family	6.15	03/01/98	01/20/28	186,064.94	190,409.53			(26,734.54)		159,330.40	162,102.73	(1,572.26)	0.00
GNMA	2005 BCD Single Family	6.15	04/01/98	04/20/28	227,249.82	232,556.07			(1,762.96)		225,486.86	229,410.30	(1,382.81)	0.00
GNMA	2005 BCD Single Family	6.15	06/01/98	05/20/28	176,073.58	180,184.89			(2,179.98)		173,893.60	176,919.33	(1,085.58)	0.00
GNMA	2005 BCD Single Family	6.15	07/01/98	06/20/28	95,212.34	97,435.52			(1,779.87)		93,432.47	95,058.18	(597.47)	0.00
GNMA	2005 BCD Single Family	6.15	09/01/98	07/20/28	355,298.54	363,594.77			(3,615.64)		351,682.90	357,802.19	(2,176.94)	0.00
GNMA	2005 BCD Single Family	6.15	11/01/98	10/20/28	547,888.72	560,681.92			(4,115.03)		543,773.69	553,235.35	(3,331.54)	0.00
Repo Agmt	2005 BCD Single Family	0.35	11/26/08	12/01/08	2,938.66	2,938.66	0.00				2,938.66	2,938.66	-	0.00
	2005 BCD Single Family Total				20,718,509.88	21,135,099.96	0.00	(1,514,120.39)	(407,321.30)	0.00	18,797,068.19	19,194,673.16	(18,985.11)	0.00
Repo Agmt	2006 ABCDE Single Family	0.35	11/26/08	12/01/08	1,201,866.16	1,201,866.16		(5,370.87)			1,196,495.29	1,196,495.29	-	0.00
Repo Agmt	2006 ABCDE Single Family	0.35	11/26/08	12/01/08	135,207.00	135,207.00		(68,741.00)			66,466.00	66,466.00	-	0.00
Repo Agmt	2006 ABCDE Single Family	0.35	11/26/08	12/01/08	15,305,830.08	15,305,830.08		(14,692,317.85)			613,512.23	613,512.23	-	0.00
GIC's	2006 ABCDE Single Family	4.73	06/28/06	08/31/37			6,668,975.43				6,668,975.43	6,668,975.43	-	0.00
Freddie Mac	2006 ABCDE Single Family	5.38	05/21/08	04/01/38	113,122.16	111,779.50			(446.58)		112,675.58	115,025.07	3,692.15	0.00
Freddie Mac	2006 ABCDE Single Family	5.38	06/18/08	04/01/38	227,581.63	224,885.20			(1,184.55)		226,397.08	231,122.76	7,422.11	0.00
Freddie Mac	2006 ABCDE Single Family	5.63	06/18/08	03/01/38	96,427.18	96,444.19			(1,100.00)		95,327.18	97,712.76	2,368.57	0.00
Freddie Mac	2006 ABCDE Single Family	5.13	06/25/08	12/01/37	128,140.38	124,980.95			(423.63)		127,716.75	129,771.57	5,214.25	0.00
Freddie Mac	2006 ABCDE Single Family	5.13	07/16/08	06/01/38	193,063.82	188,306.67			(742.58)		192,321.24	195,419.00	7,854.91	0.00
Freddie Mac	2006 ABCDE Single Family	5.63	07/16/08	05/01/38	73,471.56	73,486.08			(214.99)		73,256.57	75,091.42	1,820.33	0.00
Freddie Mac	2006 ABCDE Single Family	5.38	07/23/08	03/01/38	81,417.10	80,454.49			(252.82)		81,164.28	82,860.54	2,658.87	0.00
Freddie Mac	2006 ABCDE Single Family	5.38	08/13/08	07/01/38	125,401.01	123,920.36			(452.86)		124,948.15	127,561.53	4,094.03	0.00
Freddie Mac	2006 ABCDE Single Family	5.38	08/13/08	07/01/38	66,788.96	66,000.36			(201.24)		66,587.72	67,980.45	2,181.33	0.00
Freddie Mac	2006 ABCDE Single Family	5.63	09/24/08	07/01/38			119,426.45				119,426.45	122,424.12	2,997.67	0.00
Freddie Mac	2006 ABCDE Single Family	5.13	10/22/08	03/01/38			183,053.78				183,053.78	186,015.58	2,961.80	0.00
Freddie Mac	2006 ABCDE Single Family	5.13	11/19/08	10/01/38			166,351.14				166,351.14	169,046.27	2,695.13	0.00
Freddie Mac	2006 ABCDE Single Family	5.13	11/25/08	10/01/38			134,712.33				134,712.33	136,895.42	2,183.09	0.00
FNMA	2006 ABCDE Single Family	6.25	04/15/97	03/01/27	233,073.47	239,867.55			(44,531.77)		188,541.70	194,920.06	(415.72)	0.00
FNMA	2006 ABCDE Single Family	6.25	05/29/97	05/01/27	187,960.87	193,439.93			(2,140.42)		185,820.45	192,106.76	807.25	0.00
FNMA	2006 ABCDE Single Family	6.25	06/26/97	05/01/27	256,721.30	264,204.69			(2,260.06)		254,461.24	263,069.62	1,124.99	0.00
FNMA	2006 ABCDE Single Family	6.25	08/18/97	06/01/27	126,659.49	131,041.92			(1,268.65)		125,390.84	129,803.35	30.08	0.00
FNMA	2006 ABCDE Single Family	6.25	09/29/97	08/01/27	150,592.54	155,803.02			(4,474.74)		146,117.80	151,259.67	(68.61)	0.00
FNMA	2006 ABCDE Single Family	6.25	01/29/98	11/01/27	236,118.77	244,288.48			(4,416.90)		231,701.87	239,855.47	(16.11)	0.00
GNMA	2006 ABCDE Single Family	6.25	03/18/97	02/20/27	2,067,011.21	2,122,758.50			(115,940.21)		1,951,071.00	1,990,482.59	(16,335.70)	0.00
GNMA	2006 ABCDE Single Family	6.25	04/15/97	04/20/27	760,898.85	781,420.23			(7,884.27)		753,014.58	768,225.40	(5,310.56)	0.00
GNMA	2006 ABCDE Single Family	6.45	04/29/97	04/20/27	213,580.50	220,837.90			(1,497.99)		212,082.51	217,526.62	(1,813.29)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2006 ABCDE Single Family	6.25	04/29/97	04/20/27	689,637.99	708,237.45			(14,570.62)		675,067.37	688,703.64	(4,963.19)	0.00
GNMA	2006 ABCDE Single Family	6.25	05/15/97	05/20/27	617,380.26	634,030.91			(8,018.65)		609,361.61	621,670.66	(4,341.60)	0.00
GNMA	2006 ABCDE Single Family	6.45	05/29/97	05/20/27	61,259.00	63,340.59			(467.31)		60,791.69	62,352.24	(521.04)	0.00
GNMA	2006 ABCDE Single Family	6.25	06/17/97	06/20/27	1,271,087.91	1,305,369.10			(13,813.99)		1,257,273.92	1,282,670.75	(8,884.36)	0.00
GNMA	2006 ABCDE Single Family	6.25	06/26/97	06/20/27	285,910.80	293,621.88			(2,777.88)		283,132.92	288,852.26	(1,991.74)	0.00
GNMA	2006 ABCDE Single Family	6.45	07/15/97	05/20/27	320,841.20	331,743.43			(3,395.75)		317,445.45	325,594.32	(2,753.36)	0.00
GNMA	2006 ABCDE Single Family	6.25	07/15/97	06/20/27	557,684.99	572,725.74			(123,149.20)		434,535.79	443,313.42	(6,263.12)	0.00
GNMA	2006 ABCDE Single Family	6.25	07/30/97	07/20/27	508,257.04	521,964.69			(3,743.20)		504,513.84	514,704.98	(3,516.51)	0.00
GNMA	2006 ABCDE Single Family	6.25	08/18/97	07/20/27	1,067,248.11	1,096,031.82			(8,392.20)		1,058,855.91	1,080,244.82	(7,394.80)	0.00
GNMA	2006 ABCDE Single Family	6.25	08/28/97	08/20/27	961,337.87	987,265.04			(46,762.09)		914,575.78	933,050.10	(7,452.85)	0.00
GNMA	2006 ABCDE Single Family	6.45	08/28/97	08/20/27	283,938.04	293,586.25			(2,427.54)		281,510.50	288,736.88	(2,421.83)	0.00
GNMA	2006 ABCDE Single Family	6.25	09/18/97	09/20/27	253,805.77	260,650.89			(1,747.29)		252,058.48	257,150.04	(1,753.56)	0.00
GNMA	2006 ABCDE Single Family	6.25	09/29/97	09/20/27	462,356.51	474,826.27			(5,061.42)		457,295.09	466,532.45	(3,232.40)	0.00
GNMA	2006 ABCDE Single Family	6.25	10/15/97	09/20/27	427,327.60	438,852.66			(4,112.83)		423,214.77	431,763.74	(2,976.09)	0.00
GNMA	2006 ABCDE Single Family	6.45	10/15/97	08/20/27	63,170.52	65,317.03			(472.70)		62,697.82	64,307.25	(537.08)	0.00
GNMA	2006 ABCDE Single Family	6.25	10/30/97	10/20/27	397,998.65	408,732.67			(6,713.83)		391,284.82	399,188.75	(2,830.09)	0.00
GNMA	2006 ABCDE Single Family	6.25	11/17/97	10/20/27	325,257.90	334,030.09			(2,682.97)		322,574.93	329,090.93	(2,256.19)	0.00
GNMA	2006 ABCDE Single Family	6.45	11/25/97	10/20/27	280,829.28	290,371.84			(1,847.61)		278,981.67	286,143.12	(2,381.11)	0.00
GNMA	2006 ABCDE Single Family	6.25	11/25/97	11/20/27	399,365.04	410,135.87			(2,849.56)		396,515.48	404,525.04	(2,761.27)	0.00
GNMA	2006 ABCDE Single Family	6.25	12/17/97	11/20/27	609,984.07	626,435.35			(5,454.12)		604,529.95	616,741.48	(4,239.75)	0.00
GNMA	2006 ABCDE Single Family	6.25	01/29/98	01/20/28	880,405.16	904,140.84			(85,127.13)		795,278.03	811,374.40	(7,639.31)	0.00
GNMA	2006 ABCDE Single Family	6.45	02/12/98	12/20/27	225,586.65	233,252.10			(1,576.08)		224,010.57	229,760.93	(1,915.09)	0.00
GNMA	2006 ABCDE Single Family	6.45	04/16/98	02/20/28	349,737.98	361,706.27			(2,751.63)		346,986.35	355,980.49	(2,974.15)	0.00
GNMA	2006 ABCDE Single Family	6.25	04/29/98	04/20/28	633,391.78	650,468.04			(5,986.84)		627,404.94	640,103.63	(4,377.57)	0.00
GNMA	2006 ABCDE Single Family	6.25	07/06/98	05/20/28	145,628.30	149,554.21			(952.01)		144,676.29	147,604.31	(997.89)	0.00
GNMA	2006 ABCDE Single Family	6.45	08/13/98	06/20/28	165,467.90	171,130.20			(1,252.63)		164,215.27	168,471.71	(1,405.86)	0.00
GNMA	2006 ABCDE Single Family	6.25	08/27/98	07/20/28	268,322.56	275,556.56			(4,752.73)		263,569.83	268,904.51	(1,899.32)	0.00
GNMA	2006 ABCDE Single Family	6.25	09/24/98	08/20/28	125,577.91	128,963.46			(777.20)		124,800.71	127,326.64	(859.62)	0.00
GNMA	2006 ABCDE Single Family	6.25	10/01/98	08/20/28	151,875.71	155,970.27			(1,432.04)		150,443.67	153,488.63	(1,049.60)	0.00
GNMA	2006 ABCDE Single Family	6.25	10/29/98	09/20/28	110,390.36	113,366.48			(912.45)		109,477.91	111,693.73	(760.30)	0.00
GNMA	2006 ABCDE Single Family	6.45	12/15/98	09/20/28	153,083.23	158,321.73			(1,248.12)		151,835.11	155,770.66	(1,302.95)	0.00
GNMA	2006 ABCDE Single Family	6.25	12/29/98	10/20/28	817,577.73	839,619.64			(6,677.49)		810,900.24	827,312.89	(5,629.26)	0.00
GNMA	2006 ABCDE Single Family	6.45	01/28/99	11/20/28	37,609.67	38,896.67			(215.62)		37,394.05	38,363.29	(317.76)	0.00
GNMA	2006 ABCDE Single Family	5.45	03/18/99	02/20/29	435,406.96	433,269.09			(3,055.11)		432,351.85	440,916.72	10,702.74	0.00
GNMA	2006 ABCDE Single Family	5.45	06/24/99	05/20/29	474,818.89	472,487.52			(3,600.28)		471,218.61	480,553.45	11,666.21	0.00
GNMA	2006 ABCDE Single Family	5.45	07/29/99	06/20/29	462,837.75	460,565.22			(3,400.92)		459,436.83	468,538.28	11,373.98	0.00
GNMA	2006 ABCDE Single Family	5.45	10/14/99	08/20/29	155,481.05	154,717.70			(1,832.50)		153,648.55	156,692.39	3,807.19	0.00
GNMA	2006 ABCDE Single Family	5.45	08/26/99	07/20/29	357,421.72	355,666.77			(3,159.28)		354,262.44	361,280.37	8,772.88	0.00
GNMA	2006 ABCDE Single Family	6.25	10/20/99	07/20/29	183,609.52	188,508.22			(1,377.98)		182,231.54	185,885.29	(1,244.95)	0.00
GNMA	2006 ABCDE Single Family	6.25	11/23/99	10/20/29	45,012.68	46,213.61			(245.38)		44,767.30	45,664.88	(303.35)	0.00
GNMA	2006 ABCDE Single Family	5.45	12/01/99	10/20/29	176,379.26	175,513.22			(2,540.87)		173,838.39	177,282.11	4,309.76	0.00
GNMA	2006 ABCDE Single Family	5.45	01/27/00	12/20/29	1,009,142.15	1,004,187.27			(8,587.74)		1,000,554.41	1,020,375.40	24,775.87	0.00
GNMA	2006 ABCDE Single Family	6.25	01/27/00	12/20/29	208,679.77	214,247.36			(1,374.07)		207,305.70	211,462.19	(1,411.10)	0.00
FNMA	2006 ABCDE Single Family	5.45	01/28/00	07/01/29	168,348.37	167,767.53			(1,150.79)		167,197.58	172,195.08	5,578.34	0.00
FNMA	2006 ABCDE Single Family	6.25	01/28/00	09/01/29	189,801.71	196,308.11			(1,786.07)		188,015.64	194,225.79	(296.25)	0.00
GNMA	2006 ABCDE Single Family	5.13	08/10/06	07/20/36	769,757.33	757,635.67			(3,437.57)		766,319.76	773,534.47	19,336.37	0.00
GNMA	2006 ABCDE Single Family	5.38	08/16/06	08/20/36	362,248.45	361,441.78			(82,487.75)		279,760.70	285,724.78	6,770.75	0.00
GNMA	2006 ABCDE Single Family	5.63	08/16/06	08/20/36	236,661.88	238,421.86			(782.50)		235,879.38	240,094.99	2,455.63	0.00
GNMA	2006 ABCDE Single Family	5.38	08/23/06	08/20/36	628,026.44	626,632.34			(2,630.46)		625,395.98	638,732.95	14,731.07	0.00
GNMA	2006 ABCDE Single Family	5.13	08/23/06	08/01/36	995,420.09	977,936.52			(3,626.35)		991,793.74	999,320.97	25,010.80	0.00
GNMA	2006 ABCDE Single Family	5.38	09/06/06	08/20/36	2,437,519.47	2,432,143.07			(9,814.07)		2,427,705.40	2,479,510.42	57,181.42	0.00
GNMA	2006 ABCDE Single Family	5.63	09/06/06	09/20/36	946,967.36	952,624.65			(3,166.46)		943,800.90	959,288.33	9,830.14	0.00
GNMA	2006 ABCDE Single Family	5.13	09/06/06	08/20/36	2,067,506.91	2,035,006.73			(8,507.01)		2,058,999.90	2,078,445.76	51,946.04	0.00
GNMA	2006 ABCDE Single Family	5.38	09/12/06	09/20/36	1,142,243.53	1,139,733.31			(96,292.62)		1,045,950.91	1,068,280.25	24,839.56	0.00
GNMA	2006 ABCDE Single Family	5.13	09/12/06	09/20/36	1,643,898.04	1,618,100.93			(6,143.52)		1,637,754.52	1,653,267.11	41,309.70	0.00
GNMA	2006 ABCDE Single Family	5.63	09/12/06	09/20/36	329,318.67	331,777.44			(10,739.24)		318,579.43	324,282.54	3,244.34	0.00
GNMA	2006 ABCDE Single Family	5.38	09/20/06	09/20/36	2,138,227.48	2,133,545.76			(7,866.05)		2,130,361.43	2,175,856.63	50,176.92	0.00
GNMA	2006 ABCDE Single Family	5.13	09/20/06	09/20/36	4,075,876.98	4,004,490.61			(15,221.62)		4,060,655.36	4,091,676.39	102,407.40	0.00
GNMA	2006 ABCDE Single Family	5.63	09/20/06	09/20/36	346,227.18	348,815.01			(1,230.30)		344,996.88	351,175.39	3,590.68	0.00
GNMA	2006 ABCDE Single Family	5.13	09/26/06	09/20/36	1,496,530.99	1,473,067.34			(5,491.90)		1,491,039.09	1,505,181.84	37,606.40	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2006 ABCDE Single Family	5.38	09/26/06	09/20/36	1,794,997.82	1,791,078.43			(67,201.08)		1,727,796.74	1,764,705.58	40,828.23	0.00
GNMA	2006 ABCDE Single Family	5.38	10/05/06	10/20/36	3,443,479.25	3,435,998.63			(150,526.01)		3,292,953.24	3,363,334.01	77,861.39	0.00
GNMA	2006 ABCDE Single Family	5.63	10/17/06	10/20/36	1,852,257.56	1,863,402.34			(124,296.87)		1,727,960.69	1,756,390.52	17,285.05	0.00
GNMA	2006 ABCDE Single Family	5.13	10/05/06	10/20/36	3,390,591.48	3,331,264.71			(12,434.56)		3,378,156.92	3,404,022.56	85,192.41	0.00
GNMA	2006 ABCDE Single Family	5.38	10/17/06	10/20/36	2,195,806.84	2,191,061.03			(9,385.05)		2,186,421.79	2,233,179.62	51,503.64	0.00
GNMA	2006 ABCDE Single Family	5.13	10/17/06	10/20/36	3,586,690.51	3,530,534.35			(13,789.62)		3,572,900.89	3,606,874.23	90,129.50	0.00
GNMA	2006 ABCDE Single Family	5.63	10/24/06	10/20/36	1,666,610.69	1,679,126.95			(6,159.20)		1,660,451.49	1,690,249.79	17,282.04	0.00
GNMA	2006 ABCDE Single Family	5.38	10/24/06	10/20/36	2,528,819.84	2,523,372.11			(100,576.16)		2,428,243.68	2,480,190.51	57,394.56	0.00
GNMA	2006 ABCDE Single Family	5.13	10/24/06	10/20/36	3,547,837.40	3,492,314.24			(16,671.43)		3,531,165.97	3,564,767.67	89,124.86	0.00
GNMA	2006 ABCDE Single Family	5.38	11/02/06	11/20/36	2,036,527.47	2,032,162.89			(7,042.43)		2,029,485.04	2,072,924.41	47,803.95	0.00
GNMA	2006 ABCDE Single Family	5.13	11/02/06	10/20/36	2,232,919.83	2,197,994.98			(145,630.07)		2,087,289.76	2,107,171.08	54,806.17	0.00
GNMA	2006 ABCDE Single Family	5.63	11/14/06	11/20/36	1,662,634.86	1,675,160.23			(130,127.47)		1,532,507.39	1,560,044.33	15,011.57	0.00
GNMA	2006 ABCDE Single Family	5.38	11/14/06	10/20/36	1,444,681.48	1,441,599.87			(5,141.92)		1,439,539.56	1,470,365.02	33,907.07	0.00
GNMA	2006 ABCDE Single Family	5.13	11/14/06	11/20/36	2,070,520.80	2,038,164.86			(7,539.01)		2,062,981.79	2,082,658.95	52,033.10	0.00
GNMA	2006 ABCDE Single Family	5.38	11/21/06	11/20/36	2,666,071.43	2,660,408.74			(188,143.80)		2,477,927.63	2,531,011.58	58,746.64	0.00
GNMA	2006 ABCDE Single Family	5.63	11/21/06	11/20/36	758,177.29	762,767.66			(2,540.99)		755,636.30	768,096.60	7,869.93	0.00
GNMA	2006 ABCDE Single Family	5.13	11/21/06	11/20/36	1,329,501.31	1,308,734.51			(5,100.04)		1,324,401.27	1,337,043.16	33,408.69	0.00
GNMA	2006 ABCDE Single Family	5.38	11/28/06	11/20/36	2,092,753.22	2,088,323.02			(7,506.50)		2,085,246.72	2,129,933.46	49,116.94	0.00
GNMA	2006 ABCDE Single Family	5.63	11/28/06	11/20/36	266,721.10	268,734.21			(902.48)		265,818.62	270,598.81	2,767.08	0.00
GNMA	2006 ABCDE Single Family	5.13	11/28/06	11/20/36	409,473.94	403,080.80			(1,454.55)		408,019.39	411,916.99	10,290.74	0.00
GNMA	2006 ABCDE Single Family	5.38	12/12/06	12/20/36	1,830,894.16	1,827,046.01			(9,140.96)		1,821,753.20	1,860,823.35	42,918.30	0.00
GNMA	2006 ABCDE Single Family	5.63	12/12/06	12/20/36	1,246,751.21	1,256,180.37			(4,440.71)		1,242,310.50	1,264,671.35	12,931.69	0.00
GNMA	2006 ABCDE Single Family	5.13	12/12/06	11/20/36	2,399,114.44	2,361,690.42			(12,229.74)		2,386,884.70	2,409,719.49	60,258.81	0.00
GNMA	2006 ABCDE Single Family	5.38	12/27/06	12/20/36	3,557,916.01	3,550,491.86			(12,697.57)		3,545,218.44	3,621,305.74	83,511.45	0.00
GNMA	2006 ABCDE Single Family	5.63	12/27/06	12/20/36	990,173.35	996,205.60			(68,100.02)		922,073.33	937,314.14	9,208.56	0.00
GNMA	2006 ABCDE Single Family	5.13	12/27/06	12/20/36	2,391,013.83	2,353,754.25			(123,114.74)		2,267,899.09	2,289,634.94	58,995.43	0.00
GNMA	2006 ABCDE Single Family	5.38	01/10/07	12/20/36	2,128,110.18	2,123,699.60			(7,387.12)		2,120,723.06	2,166,266.36	49,953.88	0.00
GNMA	2006 ABCDE Single Family	5.63	01/09/07	12/20/36	887,743.37	893,163.35			(4,437.95)		883,305.42	897,916.35	9,190.95	0.00
GNMA	2006 ABCDE Single Family	5.38	01/09/07	12/01/36	1,451,896.43	1,419,868.69			(5,439.07)		1,446,457.36	1,451,258.93	36,829.31	0.00
GNMA	2006 ABCDE Single Family	5.38	01/16/07	12/20/36	1,194,246.69	1,191,778.80			(4,700.10)		1,189,546.59	1,215,099.91	28,021.21	0.00
GNMA	2006 ABCDE Single Family	5.63	01/16/07	01/20/37	875,503.76	882,397.17			(2,979.60)		872,524.16	888,684.79	9,267.22	0.00
GNMA	2006 ABCDE Single Family	5.13	01/30/07	01/20/37	2,437,443.87	2,398,537.72			(8,716.73)		2,428,727.14	2,451,845.62	62,024.63	0.00
GNMA	2006 ABCDE Single Family	5.38	01/30/07	01/20/37	1,760,830.30	1,756,668.15			(6,189.64)		1,754,640.66	1,792,202.47	41,723.96	0.00
GNMA	2006 ABCDE Single Family	5.63	01/30/07	01/20/37	459,276.49	462,899.23			(1,503.79)		457,772.70	466,258.04	4,862.60	0.00
GNMA	2006 ABCDE Single Family	5.38	02/13/07	01/20/37	2,068,015.34	2,063,156.28			(7,795.98)		2,060,219.36	2,104,352.51	48,992.21	0.00
GNMA	2006 ABCDE Single Family	5.13	02/13/07	01/20/37	2,323,215.61	2,286,165.11			(112,627.50)		2,210,588.11	2,231,661.73	58,124.12	0.00
GNMA	2006 ABCDE Single Family	5.63	02/13/07	02/20/37	256,805.81	258,835.40			(826.85)		255,978.96	260,728.04	2,719.49	0.00
GNMA	2006 ABCDE Single Family	5.38	02/20/07	02/20/37	766,699.38	764,904.11			(2,590.82)		764,108.56	780,484.05	18,170.76	0.00
GNMA	2006 ABCDE Single Family	5.13	02/20/07	02/20/37	1,154,762.35	1,136,355.46			(4,648.96)		1,150,113.39	1,161,088.03	29,381.53	0.00
GNMA	2006 ABCDE Single Family	5.63	02/20/07	02/20/37	552,551.23	556,922.09			(1,937.55)		550,613.68	560,832.96	5,848.42	0.00
GNMA	2006 ABCDE Single Family	5.38	03/06/07	02/20/37	1,046,491.51	1,044,055.87			(3,908.85)		1,042,582.66	1,064,941.16	24,794.14	0.00
GNMA	2006 ABCDE Single Family	5.63	03/06/07	02/20/37	226,322.02	228,115.52			(721.34)		225,600.68	229,791.02	2,396.84	0.00
GNMA	2006 ABCDE Single Family	5.63	03/20/07	02/20/37	272,153.47	274,314.08			(867.01)		271,286.46	276,329.32	2,882.25	0.00
GNMA	2006 ABCDE Single Family	5.13	03/20/07	03/20/37	1,117,301.43	1,099,525.02			(4,358.30)		1,112,943.13	1,123,596.04	28,429.32	0.00
GNMA	2006 ABCDE Single Family	5.38	03/20/07	03/20/37	1,060,755.63	1,058,303.91			(3,851.15)		1,056,904.48	1,079,586.50	25,133.74	0.00
GNMA	2006 ABCDE Single Family	5.13	03/06/07	02/20/37	408,217.49	401,716.19			(1,830.92)		406,386.57	410,270.20	10,384.93	0.00
GNMA	2006 ABCDE Single Family	5.13	04/24/07	04/20/37	1,155,105.49	1,136,769.01			(5,303.38)		1,149,802.11	1,160,851.27	29,385.64	0.00
GNMA	2006 ABCDE Single Family	5.63	04/24/07	04/20/37	884,075.85	891,128.65			(75,240.33)		808,835.52	823,902.33	8,014.01	0.00
GNMA	2006 ABCDE Single Family	5.38	04/24/07	04/20/37	662,613.89	661,106.45			(2,350.61)		660,263.28	674,458.28	15,702.44	0.00
GNMA	2006 ABCDE Single Family	5.13	03/27/07	03/20/37	900,765.98	886,440.97			(4,610.39)		896,155.59	904,739.86	22,909.28	0.00
GNMA	2006 ABCDE Single Family	5.63	03/27/07	02/20/37	208,923.54	210,583.64			(672.82)		208,250.72	212,123.33	2,212.51	0.00
GNMA	2006 ABCDE Single Family	5.38	04/24/07	03/20/37	382,926.52	382,054.99			(1,327.77)		381,598.75	389,801.95	9,074.73	0.00
GNMA	2006 ABCDE Single Family	5.38	04/10/07	03/20/37	623,236.34	621,809.07			(2,080.83)		621,155.51	634,499.48	14,771.24	0.00
GNMA	2006 ABCDE Single Family	5.13	04/10/07	03/20/37	1,078,256.94	1,061,124.28			(3,912.46)		1,074,344.48	1,084,650.96	27,439.14	0.00
GNMA	2006 ABCDE Single Family	5.63	04/10/07	03/20/37	350,839.10	353,632.60			(1,154.48)		349,684.62	356,192.70	3,714.58	0.00
GNMA	2006 ABCDE Single Family	5.13	05/08/07	04/20/37	628,690.49	618,719.22			(2,361.94)		626,328.55	632,356.26	15,998.98	0.00
GNMA	2006 ABCDE Single Family	5.63	05/08/07	04/20/37	281,803.16	284,055.29			(885.66)		280,917.50	286,154.41	2,984.78	0.00
GNMA	2006 ABCDE Single Family	5.38	05/08/07	05/20/37	636,437.35	634,999.73			(2,143.56)		634,293.79	647,940.30	15,084.13	0.00
GNMA	2006 ABCDE Single Family	5.63	05/22/07	04/20/37	221,869.08	223,645.39			(705.42)		221,163.66	225,289.82	2,349.85	0.00
GNMA	2006 ABCDE Single Family	5.38	05/22/07	05/20/37	925,280.00	923,203.01			(3,135.45)		922,144.55	941,997.36	21,929.80	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2006 ABCDE Single Family	5.13	05/22/07	05/20/37	1,363,425.83	1,341,823.08			(5,801.80)		1,357,624.03	1,370,710.41	34,689.13	0.00
GNMA	2006 ABCDE Single Family	5.38	06/05/07	05/20/37	1,120,471.90	1,117,972.57			(3,768.00)		1,116,703.90	1,140,761.51	26,556.94	0.00
GNMA	2006 ABCDE Single Family	5.63	06/05/07	05/20/37	353,051.27	355,883.60			(1,129.62)		351,921.65	358,492.74	3,738.76	0.00
GNMA	2006 ABCDE Single Family	5.13	06/05/07	05/20/37	1,980,840.47	1,949,482.72			(7,762.16)		1,973,078.31	1,992,125.39	50,404.83	0.00
GNMA	2006 ABCDE Single Family	5.38	06/19/07	05/20/37	523,918.41	522,757.17			(95,605.25)		428,313.16	437,546.70	10,394.78	0.00
GNMA	2006 ABCDE Single Family	5.13	06/19/07	06/20/37	964,439.96	949,186.79			(3,484.27)		960,955.69	970,247.97	24,545.45	0.00
GNMA	2006 ABCDE Single Family	5.63	06/19/07	06/20/37	447,228.24	450,822.94			(1,423.01)		445,805.23	454,136.67	4,736.74	0.00
GNMA	2006 ABCDE Single Family	5.38	08/07/07	07/20/37	433,636.65	432,909.27			(1,436.93)		432,199.72	441,753.75	10,281.41	0.00
GNMA	2006 ABCDE Single Family	5.63	08/07/07	08/20/37	1,095,425.50	1,104,826.79			(3,475.65)		1,091,949.85	1,112,953.17	11,602.03	0.00
GNMA	2006 ABCDE Single Family	5.13	08/07/07	07/20/37	2,106,092.86	2,073,901.49			(8,040.44)		2,098,052.42	2,119,471.69	53,610.64	0.00
GNMA	2006 ABCDE Single Family	5.38	07/03/07	05/20/37	814,553.29	812,759.37			(2,718.28)		811,835.01	829,348.21	19,307.12	0.00
GNMA	2006 ABCDE Single Family	5.13	07/03/07	06/20/37	831,189.95	816,542.90			(2,866.20)		828,323.75	834,821.08	21,144.38	0.00
GNMA	2006 ABCDE Single Family	5.38	07/17/07	06/20/37	829,799.78	827,985.69			(2,704.53)		827,095.25	844,951.32	19,670.16	0.00
GNMA	2006 ABCDE Single Family	5.13	07/17/07	06/20/37	771,097.57	757,520.94			(3,101.04)		767,996.53	774,031.61	19,611.71	0.00
GNMA	2006 ABCDE Single Family	5.63	11/21/07	10/20/37	66,794.87	67,375.97			(285.43)		66,509.44	67,796.55	706.01	0.00
GNMA	2006 ABCDE Single Family	5.38	11/21/07	10/20/37	617,099.42	616,136.58			(1,973.96)		615,125.46	628,796.93	14,634.31	0.00
GNMA	2006 ABCDE Single Family	5.38	09/25/07	09/20/37	1,809,569.60	1,806,632.92			(6,377.59)		1,803,192.01	1,843,155.21	42,899.88	0.00
GNMA	2006 ABCDE Single Family	5.13	09/25/07	09/20/37	1,121,695.92	1,104,611.29			(3,863.54)		1,117,832.38	1,129,307.30	28,559.55	0.00
GNMA	2006 ABCDE Single Family	5.63	09/25/07	08/20/37	286,801.24	289,277.87			(1,203.64)		285,597.60	291,105.99	3,031.76	0.00
GNMA	2006 ABCDE Single Family	5.63	09/25/07	09/20/37	128,406.45	129,515.43			(732.97)		127,673.48	130,136.23	1,353.77	0.00
GNMA	2006 ABCDE Single Family	5.38	10/09/07	09/20/37	1,161,878.48	1,160,010.50			(3,887.23)		1,157,991.25	1,183,671.94	27,548.67	0.00
GNMA	2006 ABCDE Single Family	5.63	10/09/07	06/20/37	95,764.69	96,592.93			(296.04)		95,468.65	97,311.26	1,014.37	0.00
GNMA	2006 ABCDE Single Family	5.13	10/09/07	09/20/37	418,960.18	412,585.21			(1,416.14)		417,544.04	421,836.22	10,667.15	0.00
GNMA	2006 ABCDE Single Family	5.38	08/23/07	08/20/37	876,353.17	874,899.11			(2,951.96)		873,401.21	892,725.44	20,778.29	0.00
GNMA	2006 ABCDE Single Family	5.13	08/23/07	07/20/37	1,154,416.11	1,136,790.54			(4,078.60)		1,150,337.51	1,162,101.42	29,389.48	0.00
GNMA	2006 ABCDE Single Family	5.38	09/11/07	09/20/37	592,861.71	591,891.19			(1,917.98)		590,943.73	604,031.33	14,058.12	0.00
GNMA	2006 ABCDE Single Family	5.63	09/11/07	08/20/37	649,047.90	654,642.73			(2,410.51)		646,637.39	659,099.91	6,867.69	0.00
GNMA	2006 ABCDE Single Family	5.13	09/11/07	08/20/37	461,484.50	453,607.82			(1,785.63)		459,698.87	463,563.92	11,741.73	0.00
GNMA	2006 ABCDE Single Family	5.38	11/28/07	11/20/37	713,160.93	712,054.00			(2,249.10)		710,911.83	726,718.85	16,913.95	0.00
GNMA	2006 ABCDE Single Family	5.13	12/11/07	11/20/37	444,314.22	436,774.77			(1,497.25)		442,816.97	446,584.80	11,307.28	0.00
GNMA	2006 ABCDE Single Family	5.38	10/25/07	10/20/37	584,802.30	583,872.76			(1,863.99)		582,938.31	595,877.57	13,868.80	0.00
GNMA	2006 ABCDE Single Family	5.13	10/25/07	10/20/37	1,253,974.20	1,232,632.28			(4,935.50)		1,249,038.70	1,259,602.79	31,906.01	0.00
GNMA	2006 ABCDE Single Family	5.63	10/25/07	09/20/36	166,883.51	168,282.78			(714.87)		166,168.64	169,295.99	1,728.08	0.00
GNMA	2006 ABCDE Single Family	5.38	10/25/07	10/20/37	1,079,238.04	1,077,522.55			(3,568.14)		1,075,669.90	1,099,546.11	25,591.70	0.00
GNMA	2006 ABCDE Single Family	5.38	11/08/07	10/20/37	952,683.43	951,183.54			(3,030.51)		949,652.92	970,745.72	22,592.69	0.00
GNMA	2006 ABCDE Single Family	5.13	11/08/07	10/20/37	400,919.80	394,832.55			(1,328.83)		399,590.97	403,712.11	10,208.39	0.00
GNMA	2006 ABCDE Single Family	5.63	01/16/08	12/20/37	63,778.23	64,337.12			(189.79)		63,588.44	64,823.08	675.75	0.00
GNMA	2006 ABCDE Single Family	5.38	12/28/07	11/20/37	271,259.90	270,847.91			(853.96)		270,405.94	276,427.34	6,433.39	0.00
GNMA	2006 ABCDE Single Family	5.63	12/28/07	12/20/37	66,761.43	67,345.03			(202.87)		66,558.56	67,849.50	707.34	0.00
GNMA	2006 ABCDE Single Family	5.63	12/28/07	12/20/37	1,014,242.78	1,023,108.83			(3,140.84)		1,011,101.94	1,030,712.86	10,744.87	0.00
GNMA	2006 ABCDE Single Family	5.38	12/11/07	11/20/37	868,130.93	866,795.73			(2,757.23)		865,373.70	884,626.79	20,588.29	0.00
GNMA	2006 ABCDE Single Family	5.13	12/20/07	10/20/37	115,660.00	113,684.42			(756.63)		114,903.37	115,866.61	2,938.82	0.00
GNMA	2006 ABCDE Single Family	5.38	12/20/07	11/20/37	229,104.07	228,754.02			(2,610.28)		226,493.79	231,535.24	5,391.50	0.00
GNMA	2006 ABCDE Single Family	5.13	12/20/07	12/20/37	80,767.12	79,544.59			(264.39)		80,502.73	81,336.86	2,056.66	0.00
GNMA	2006 ABCDE Single Family	5.38	01/16/08	12/20/37	144,982.51	144,765.38			(512.56)		144,469.95	147,690.14	3,437.32	0.00
GNMA	2006 ABCDE Single Family	5.38	01/30/08	12/20/37	89,632.74	89,499.86			(317.32)		89,315.42	91,307.62	2,125.08	0.00
GNMA	2006 ABCDE Single Family	5.63	01/30/08	12/20/37	300,787.12	303,427.51			(962.48)		299,824.64	305,650.75	3,185.72	0.00
GNMA	2006 ABCDE Single Family	5.38	02/13/08	12/20/37	153,987.15	153,761.20			(970.64)		153,016.51	156,431.94	3,641.38	0.00
GNMA	2006 ABCDE Single Family	5.63	01/30/08	01/20/38	66,242.72	66,801.43			(196.43)		66,046.29	67,321.07	716.07	0.00
GNMA	2006 ABCDE Single Family	5.38	01/30/08	09/20/37	128,606.37	128,415.45			(905.38)		127,700.99	130,548.98	3,038.91	0.00
GNMA	2006 ABCDE Single Family	5.63	02/13/08	01/20/38	190,992.76	192,606.77			(576.04)		190,416.72	194,094.94	2,064.21	0.00
GNMA	2006 ABCDE Single Family	5.38	02/19/08	12/20/37	137,944.08	137,742.51			(1,079.26)		136,864.82	139,920.59	3,257.34	0.00
GNMA	2006 ABCDE Single Family	5.63	02/19/08	01/20/38	217,388.49	219,226.87			(649.33)		216,739.16	220,927.17	2,349.63	0.00
GNMA	2006 ABCDE Single Family	5.13	02/27/08	02/20/38	185,300.00	182,379.68			(829.37)		184,470.63	186,330.82	4,780.51	0.00
GNMA	2006 ABCDE Single Family	5.38	02/27/08	02/20/38	278,804.85	278,307.17			(1,450.54)		277,354.31	283,544.05	6,687.42	0.00
GNMA	2006 ABCDE Single Family	5.38	03/20/08	02/20/38	276,381.78	275,895.13			(892.56)		275,489.22	281,644.17	6,641.60	0.00
GNMA	2006 ABCDE Single Family	5.63	03/20/08	02/20/38	110,599.95	111,538.98			(326.32)		110,273.63	112,408.19	1,195.53	0.00
GNMA	2006 ABCDE Single Family	5.13	03/20/08	10/20/37	107,379.76	105,764.80			(355.62)		107,024.14	108,143.57	2,734.39	0.00
GNMA	2006 ABCDE Single Family	5.38	03/27/08	03/20/38	321,862.91	321,298.77			(988.49)		320,874.42	328,046.00	7,735.72	0.00
GNMA	2006 ABCDE Single Family	5.38	04/24/08	04/20/38	220,238.33	219,859.22			(775.82)		219,462.51	224,374.57	5,291.17	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2006 ABCDE Single Family	5.13	04/24/08	04/20/38	345,183.51	339,765.11			(1,107.28)		344,076.23	347,568.03	8,910.20	0.00
GNMA	2006 ABCDE Single Family	5.13	04/22/08	03/20/38	297,152.79	296,640.36			(962.97)		296,189.82	302,818.27	7,140.88	0.00
GNMA	2006 ABCDE Single Family	5.63	04/22/08	03/20/38	257,921.22	260,120.53			(758.41)		257,162.81	262,150.21	2,788.09	0.00
GNMA	2006 ABCDE Single Family	5.38	05/07/08	03/20/38	111,657.62	111,466.88			(350.55)		111,307.07	113,799.86	2,683.53	0.00
GNMA	2006 ABCDE Single Family	5.13	05/07/08	04/20/38	440,344.73	433,438.71			(1,418.21)		438,926.52	443,387.17	11,366.67	0.00
GNMA	2006 ABCDE Single Family	5.63	05/07/08	04/20/38	268,512.98	270,807.28			(789.66)		267,723.32	272,920.25	2,902.63	0.00
GNMA	2006 ABCDE Single Family	5.38	05/14/08	04/20/38	335,746.04	335,175.21			(1,024.80)		334,721.24	342,220.31	8,069.90	0.00
GNMA	2006 ABCDE Single Family	5.13	05/21/08	05/20/38	598,842.22	588,362.45			(1,934.23)		596,907.99	601,884.57	15,456.35	0.00
GNMA	2006 ABCDE Single Family	5.13	06/11/08	05/20/38	259,040.19	254,987.42			(827.59)		258,212.60	260,846.75	6,686.92	0.00
GNMA	2006 ABCDE Single Family	5.63	07/09/08	06/20/38	292,750.73	295,272.74			(844.93)		291,905.80	297,592.92	3,165.11	0.00
GNMA	2006 ABCDE Single Family	5.38	07/09/08	03/20/38	192,675.67	192,359.96			(595.17)		192,080.50	196,395.98	4,631.19	0.00
GNMA	2006 ABCDE Single Family	5.13	07/16/08	06/20/38	119,756.45	117,887.47			(378.27)		119,378.18	120,600.77	3,091.57	0.00
GNMA	2006 ABCDE Single Family	5.63	06/18/08	03/20/38	28,864.03	29,111.99			(86.28)		28,777.75	29,337.72	312.01	0.00
GNMA	2006 ABCDE Single Family	5.63	06/25/08	05/20/38	183,250.80	184,826.49			(535.25)		182,715.55	186,272.33	1,981.09	0.00
GNMA	2006 ABCDE Single Family	5.38	06/25/08	05/20/38	605,124.55	604,123.85			(1,967.03)		603,157.52	616,699.32	14,542.50	0.00
GNMA	2006 ABCDE Single Family	5.38	07/23/08	06/20/38	332,874.63	332,334.57			(1,005.06)		331,869.57	339,331.19	8,001.68	0.00
GNMA	2006 ABCDE Single Family	5.38	07/29/08	06/20/38	157,300.55	157,046.46			(473.32)		156,827.23	160,354.40	3,781.26	0.00
GNMA	2006 ABCDE Single Family	5.13	08/27/08	08/20/38	250,479.65	246,582.02			(1,048.89)		249,430.76	251,996.99	6,463.86	0.00
GNMA	2006 ABCDE Single Family	5.63	08/13/08	07/20/38	209,524.04	211,337.19			(597.77)		208,926.27	213,004.91	2,265.49	0.00
GNMA	2006 ABCDE Single Family	5.38	08/13/08	07/20/38	163,735.68	163,473.84			(489.56)		163,246.12	166,920.38	3,936.10	0.00
GNMA	2006 ABCDE Single Family	5.13	08/13/08	07/20/38	260,119.77	256,067.99			(1,844.19)		258,275.58	260,928.59	6,704.79	0.00
GNMA	2006 ABCDE Single Family	5.63	08/27/08	08/20/38	107,178.44	108,107.68			(303.29)		106,875.15	108,963.32	1,158.93	0.00
GNMA	2006 ABCDE Single Family	5.13	09/10/08	09/20/38			529,681.49				529,681.49	535,139.17	5,457.68	0.00
GNMA	2006 ABCDE Single Family	5.38	09/24/08	07/20/38			110,261.43				110,261.43	112,748.38	2,486.95	0.00
GNMA	2006 ABCDE Single Family	5.13	09/24/08	08/20/38			228,420.03				228,420.03	230,777.11	2,357.08	0.00
GNMA	2006 ABCDE Single Family	5.38	09/24/08	09/20/38			235,906.53				235,906.53	241,227.65	5,321.12	0.00
GNMA	2006 ABCDE Single Family	5.13	10/15/08	08/20/38			128,057.62				128,057.62	129,382.07	1,324.45	0.00
GNMA	2006 ABCDE Single Family	5.63	10/15/08	08/20/38			125,496.28				125,496.28	127,955.14	2,458.86	0.00
GNMA	2006 ABCDE Single Family	5.13	10/15/08	09/20/38			67,648.06				67,648.06	68,347.79	699.73	0.00
GNMA	2006 ABCDE Single Family	5.63	10/29/08	09/20/38			165,325.92				165,325.92	168,567.90	3,241.98	0.00
GNMA	2006 ABCDE Single Family	5.13	11/12/08	10/20/38			284,588.92				284,588.92	287,541.33	2,952.41	0.00
GNMA	2006 ABCDE Single Family	5.38	11/12/08	10/20/38			87,978.98				87,978.98	89,968.26	1,989.28	0.00
GNMA	2006 ABCDE Single Family	5.13	11/25/08	09/20/38			137,449.79				137,449.79	138,877.70	1,427.91	0.00
GNMA	2006 ABCDE Single Family	5.38	11/25/08	11/20/38			483,864.96				483,864.96	494,813.09	10,948.13	0.00
FNMA	2006 ABCDE Single Family	5.38	08/09/06	08/01/36	569,340.06	562,119.08			(2,165.28)		567,174.78	578,271.71	18,317.91	0.00
FNMA	2006 ABCDE Single Family	5.13	08/10/06	07/01/36	368,409.86	358,966.85			(1,884.88)		366,524.98	371,825.49	14,743.52	0.00
FNMA	2006 ABCDE Single Family	5.38	08/23/06	08/01/36	525,154.96	518,497.50			(96,937.94)		428,217.02	436,597.83	15,038.27	0.00
FNMA	2006 ABCDE Single Family	5.63	08/23/06	08/01/36	715,355.79	714,839.74			(2,929.23)		712,426.56	729,189.76	17,279.25	0.00
FNMA	2006 ABCDE Single Family	5.13	08/23/06	08/01/36	779,591.67	759,613.86			(8,073.15)		771,518.52	782,681.29	31,140.58	0.00
FNMA	2006 ABCDE Single Family	5.38	09/06/06	09/01/36	946,348.08	934,357.69			(3,535.23)		942,812.85	961,270.84	30,448.38	0.00
FNMA	2006 ABCDE Single Family	5.63	09/06/06	08/01/36	356,791.79	356,536.55			(1,220.78)		355,571.01	363,939.32	8,623.55	0.00
FNMA	2006 ABCDE Single Family	5.13	09/12/06	09/01/36	1,186,605.73	1,156,231.46			(4,648.25)		1,181,957.48	1,199,092.43	47,509.22	0.00
FNMA	2006 ABCDE Single Family	5.38	09/12/06	09/01/36	891,410.32	880,118.64			(4,102.92)		887,307.40	904,681.45	28,665.73	0.00
FNMA	2006 ABCDE Single Family	5.63	09/20/06	09/01/36	368,527.60	368,266.55			(1,278.80)		367,248.80	375,894.59	8,906.84	0.00
FNMA	2006 ABCDE Single Family	5.38	09/20/06	09/01/36	828,766.08	818,270.42			(3,150.09)		825,615.99	841,784.64	26,664.31	0.00
FNMA	2006 ABCDE Single Family	5.13	09/20/06	09/01/36	714,889.01	696,591.69			(45,514.59)		669,374.42	679,080.48	28,003.38	0.00
FNMA	2006 ABCDE Single Family	5.38	09/26/06	09/01/36	817,434.06	807,084.34			(4,843.93)		812,590.13	828,506.18	26,265.77	0.00
FNMA	2006 ABCDE Single Family	5.38	10/05/06	09/01/36	1,109,341.30	1,095,298.99			(4,008.08)		1,105,333.22	1,126,987.71	35,696.80	0.00
FNMA	2006 ABCDE Single Family	5.63	10/17/06	09/01/36	716,388.32	715,889.50			(48,776.88)		667,611.44	683,336.60	16,223.98	0.00
FNMA	2006 ABCDE Single Family	5.13	10/17/06	10/01/36	1,601,712.17	1,560,735.71			(9,645.50)		1,592,066.67	1,615,173.02	64,082.81	0.00
FNMA	2006 ABCDE Single Family	5.38	10/17/06	10/01/36	1,312,908.38	1,296,297.03			(105,377.80)		1,207,530.58	1,231,194.59	40,275.36	0.00
FNMA	2006 ABCDE Single Family	5.38	10/24/06	11/01/36	1,841,999.86	1,818,701.61			(7,728.62)		1,834,271.24	1,870,225.03	59,252.04	0.00
FNMA	2006 ABCDE Single Family	5.38	11/02/06	11/01/36	1,891,958.40	1,868,035.78			(7,531.60)		1,884,426.80	1,921,371.44	60,867.26	0.00
FNMA	2006 ABCDE Single Family	5.63	11/02/06	10/01/36	577,020.80	576,623.11			(2,092.18)		574,928.62	588,475.48	13,944.55	0.00
FNMA	2006 ABCDE Single Family	5.13	11/02/06	10/01/36	930,176.80	906,386.55			(5,172.92)		925,003.88	938,435.46	37,221.83	0.00
FNMA	2006 ABCDE Single Family	5.38	11/14/06	11/01/36	1,242,060.24	1,226,361.30			(4,700.78)		1,237,359.46	1,261,624.50	39,963.98	0.00
FNMA	2006 ABCDE Single Family	5.63	11/14/06	11/01/36	519,800.14	519,444.98			(2,290.84)		517,509.30	529,706.35	12,552.21	0.00
FNMA	2006 ABCDE Single Family	5.13	11/14/06	11/01/36	518,648.06	505,386.10			(1,939.14)		516,708.92	524,214.95	20,767.99	0.00
FNMA	2006 ABCDE Single Family	5.38	11/21/06	10/01/36	606,352.89	598,690.15			(2,163.00)		604,189.89	616,039.50	19,512.35	0.00
FNMA	2006 ABCDE Single Family	5.63	11/21/06	11/01/36	382,647.17	382,386.87			(1,943.62)		380,703.55	389,677.43	9,234.18	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2006 ABCDE Single Family	5.13	11/21/06	11/01/36	242,275.25	236,080.94			(1,848.70)		240,426.55	243,919.89	9,687.65	0.00
FNMA	2006 ABCDE Single Family	5.38	11/28/06	11/01/36	291,478.07	287,795.69			(1,074.65)		290,403.42	296,100.12	9,379.08	0.00
FNMA	2006 ABCDE Single Family	5.13	11/28/06	11/01/36	308,784.24	300,890.38			(1,456.05)		307,328.19	311,794.53	12,360.20	0.00
FNMA	2006 ABCDE Single Family	5.63	11/28/06	11/01/36	387,936.52	387,673.81			(1,380.76)		386,555.76	395,668.80	9,375.75	0.00
FNMA	2006 ABCDE Single Family	5.38	12/12/06	11/01/36	410,937.86	405,748.73			(2,033.73)		408,904.13	416,927.91	13,212.91	0.00
FNMA	2006 ABCDE Single Family	5.63	12/12/06	11/01/36	414,323.62	414,045.57			(1,712.85)		412,610.77	422,340.63	10,007.91	0.00
FNMA	2006 ABCDE Single Family	5.13	12/12/06	11/01/36	603,951.24	586,571.51			(4,395.02)		599,556.22	606,281.26	24,104.77	0.00
FNMA	2006 ABCDE Single Family	5.38	12/27/06	11/01/36	1,410,802.79	1,392,997.67			(5,626.52)		1,405,176.27	1,432,758.19	45,387.04	0.00
FNMA	2006 ABCDE Single Family	5.63	12/27/06	12/01/36	480,959.11	480,640.15			(1,887.39)		479,071.72	490,372.22	11,619.46	0.00
FNMA	2006 ABCDE Single Family	5.13	12/27/06	10/01/36	404,047.64	393,723.19			(1,673.38)		402,374.26	408,226.40	16,176.59	0.00
FNMA	2006 ABCDE Single Family	5.38	01/09/07	12/01/36	1,716,561.93	1,694,908.15			(7,129.71)		1,709,432.22	1,742,998.55	55,220.11	0.00
FNMA	2006 ABCDE Single Family	5.63	01/09/07	12/01/36	370,114.29	369,870.72			(1,354.55)		368,759.74	377,460.43	8,944.26	0.00
FNMA	2006 ABCDE Single Family	5.13	01/09/07	12/01/36	503,128.35	490,275.57			(1,821.85)		501,306.50	508,601.59	20,147.87	0.00
FNMA	2006 ABCDE Single Family	5.38	01/30/07	12/01/36	1,493,397.85	1,483,748.47			(5,379.47)		1,488,018.38	1,526,607.01	48,238.01	0.00
FNMA	2006 ABCDE Single Family	5.63	01/30/07	12/01/36	942,824.96	942,212.98			(3,308.78)		939,516.18	961,692.27	22,788.07	0.00
FNMA	2006 ABCDE Single Family	5.13	01/30/07	01/01/37	374,398.44	364,837.82			(1,891.07)		372,507.37	377,931.56	14,984.81	0.00
FNMA	2006 ABCDE Single Family	5.38	02/13/07	01/01/37	1,020,269.61	1,007,415.52			(5,099.26)		1,015,170.35	1,035,119.81	32,803.55	0.00
FNMA	2006 ABCDE Single Family	5.63	02/13/07	01/01/37	321,506.52	321,300.09			(1,092.60)		320,413.92	327,978.87	7,771.38	0.00
FNMA	2006 ABCDE Single Family	5.13	02/13/07	01/01/37	365,588.38	356,254.89			(3,337.37)		362,251.01	367,528.08	14,610.56	0.00
FNMA	2006 ABCDE Single Family	5.38	02/20/07	01/01/37	419,881.20	414,170.98			(1,543.17)		418,338.03	426,468.59	13,840.78	0.00
FNMA	2006 ABCDE Single Family	5.63	02/20/07	01/01/37	529,792.29	529,453.74			(1,778.84)		528,013.45	540,481.99	12,807.09	0.00
FNMA	2006 ABCDE Single Family	5.13	02/20/07	01/01/37	453,809.96	442,225.48			(1,665.39)		452,144.57	458,732.97	18,172.88	0.00
FNMA	2006 ABCDE Single Family	5.38	03/06/07	02/01/37	588,113.82	579,454.98			(2,015.00)		586,098.82	596,806.37	19,366.39	0.00
FNMA	2006 ABCDE Single Family	5.63	03/06/07	02/01/37	269,212.29	268,847.39			(873.23)		268,339.06	274,631.45	6,657.29	0.00
FNMA	2006 ABCDE Single Family	5.13	03/20/07	09/01/36	82,971.49	80,854.28			(707.58)		82,263.91	83,463.29	3,316.59	0.00
FNMA	2006 ABCDE Single Family	5.63	03/20/07	02/01/37	352,522.25	352,719.04			(1,153.17)		351,369.08	360,299.88	8,734.01	0.00
FNMA	2006 ABCDE Single Family	5.38	03/20/07	09/01/36	234,561.40	231,609.28			(1,543.24)		233,018.16	237,600.18	7,534.14	0.00
FNMA	2006 ABCDE Single Family	5.13	03/27/07	03/01/37	437,154.16	425,426.73			(2,215.87)		434,938.29	441,186.95	17,976.09	0.00
FNMA	2006 ABCDE Single Family	5.38	04/10/07	03/01/37	972,986.23	959,775.29			(3,290.63)		969,695.60	988,562.89	32,078.23	0.00
FNMA	2006 ABCDE Single Family	5.63	04/10/07	03/01/37	525,287.16	524,583.61			(1,747.28)		523,539.88	535,825.21	12,988.88	0.00
FNMA	2006 ABCDE Single Family	5.13	04/10/07	03/01/37	878,796.84	855,226.76			(3,171.32)		875,625.52	888,210.82	36,155.38	0.00
FNMA	2006 ABCDE Single Family	5.38	04/24/07	04/01/37	1,640,065.14	1,619,456.09			(83,321.47)		1,556,743.67	1,587,388.39	51,253.77	0.00
FNMA	2006 ABCDE Single Family	5.13	04/24/07	04/01/37	482,598.70	469,658.29			(1,738.39)		480,860.31	487,775.10	19,855.20	0.00
FNMA	2006 ABCDE Single Family	5.63	04/24/07	04/01/37	239,529.91	239,210.77			(786.68)		238,743.23	244,347.26	5,923.17	0.00
FNMA	2006 ABCDE Single Family	5.13	05/08/07	04/01/37	250,907.05	244,180.71			(878.80)		250,028.25	253,625.21	10,323.30	0.00
FNMA	2006 ABCDE Single Family	5.38	05/22/07	04/01/37	229,503.05	226,391.26			(778.14)		228,724.91	233,179.66	7,566.54	0.00
FNMA	2006 ABCDE Single Family	5.13	05/22/07	04/01/37	201,851.83	196,441.72			(956.47)		200,895.36	203,786.69	8,301.44	0.00
FNMA	2006 ABCDE Single Family	5.38	06/05/07	05/01/37	335,207.94	331,002.04			(1,173.70)		334,034.24	340,616.28	10,787.94	0.00
FNMA	2006 ABCDE Single Family	5.63	06/05/07	05/01/37	388,931.36	388,420.58			(1,254.05)		387,677.31	396,784.87	9,618.34	0.00
FNMA	2006 ABCDE Single Family	5.13	06/05/07	04/01/37	427,186.10	415,739.05			(1,946.53)		425,239.57	431,362.32	17,569.80	0.00
FNMA	2006 ABCDE Single Family	5.38	06/19/07	05/01/37	633,277.27	624,698.89			(3,495.08)		629,782.19	642,056.46	20,852.65	0.00
FNMA	2006 ABCDE Single Family	5.63	07/03/07	07/01/37	628,943.85	628,126.07			(2,098.24)		626,845.61	641,580.89	15,553.06	0.00
FNMA	2006 ABCDE Single Family	5.13	07/03/07	06/01/37	572,773.86	557,433.44			(2,405.83)		570,368.03	578,588.58	23,560.97	0.00
FNMA	2006 ABCDE Single Family	5.38	08/07/07	07/01/37	1,904,264.62	1,887,657.37			(10,147.12)		1,894,117.50	1,940,397.60	62,887.35	0.00
FNMA	2006 ABCDE Single Family	5.63	08/07/07	07/01/37	466,614.09	468,283.40			(1,670.56)		464,943.53	478,176.79	11,563.95	0.00
FNMA	2006 ABCDE Single Family	5.13	08/07/07	08/01/37	1,759,448.84	1,720,690.93			(6,020.87)		1,753,427.97	1,787,314.32	72,644.26	0.00
FNMA	2006 ABCDE Single Family	5.13	08/29/07	08/01/37	808,142.79	790,355.82			(2,826.96)		805,315.83	820,894.92	33,366.06	0.00
FNMA	2006 ABCDE Single Family	5.38	08/23/07	07/01/37	706,562.33	700,410.23			(7,651.24)		698,911.09	715,998.11	23,239.12	0.00
FNMA	2006 ABCDE Single Family	5.38	09/11/07	08/01/37	676,714.51	670,834.48			(2,337.83)		674,376.68	690,875.74	22,379.09	0.00
FNMA	2006 ABCDE Single Family	5.13	09/11/07	09/01/37	332,200.82	324,893.47			(1,128.54)		331,072.28	337,481.41	13,716.48	0.00
FNMA	2006 ABCDE Single Family	5.63	09/11/07	08/01/37	271,941.78	272,923.46			(972.40)		270,969.38	278,690.45	6,739.39	0.00
FNMA	2006 ABCDE Single Family	5.38	09/25/07	09/01/37	1,903,822.21	1,887,304.54			(7,623.06)		1,896,199.15	1,942,618.36	62,936.88	0.00
FNMA	2006 ABCDE Single Family	5.63	09/25/07	07/01/37	169,470.00	170,083.65			(891.06)		168,578.94	173,384.56	4,191.97	0.00
FNMA	2006 ABCDE Single Family	5.13	09/25/07	09/01/37	967,784.31	946,507.55			(4,011.53)		963,772.78	982,442.05	39,946.03	0.00
FNMA	2006 ABCDE Single Family	5.38	10/09/07	08/01/37	316,053.82	314,857.03			(1,146.21)		314,907.61	323,214.79	9,503.97	0.00
FNMA	2006 ABCDE Single Family	5.13	10/09/07	09/01/37	478,677.94	470,383.85			(1,609.71)		477,068.23	484,354.92	15,580.78	0.00
FNMA	2006 ABCDE Single Family	5.63	10/09/07	09/01/37	263,330.74	265,320.01			(819.55)		262,511.19	269,052.07	4,551.61	0.00
FNMA	2006 ABCDE Single Family	5.38	10/25/07	10/01/37	1,889,470.62	1,882,346.09			(7,569.57)		1,881,901.05	1,931,576.17	56,799.65	0.00
FNMA	2006 ABCDE Single Family	5.13	10/25/07	10/01/37	982,665.27	965,653.17			(4,071.55)		978,593.72	993,555.69	31,974.07	0.00
FNMA	2006 ABCDE Single Family	5.38	11/08/07	09/01/37	648,752.25	646,313.19			(3,170.36)		645,581.89	662,630.83	19,488.00	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2006 ABCDE Single Family	5.13	11/08/07	10/01/37	310,160.13	304,794.28			(1,075.65)		309,084.48	313,814.29	10,095.66	0.00
FNMA	2006 ABCDE Single Family	5.38	11/21/07	10/01/37	414,238.37	412,686.43			(1,412.71)		412,825.66	423,732.98	12,459.26	0.00
FNMA	2006 ABCDE Single Family	5.13	11/21/07	09/01/37	391,027.82	384,267.19			(1,354.58)		389,673.24	395,640.25	12,727.64	0.00
FNMA	2006 ABCDE Single Family	5.38	11/21/07	11/01/37	588,984.64	586,778.01			(1,968.26)		587,016.38	602,526.62	17,716.87	0.00
FNMA	2006 ABCDE Single Family	5.38	12/11/07	10/01/37	1,063,251.49	1,059,287.27			(15,058.50)		1,048,192.99	1,075,906.97	31,678.20	0.00
FNMA	2006 ABCDE Single Family	5.13	12/11/07	11/01/37	564,147.35	554,404.23			(1,888.38)		562,258.97	570,880.29	18,364.44	0.00
FNMA	2006 ABCDE Single Family	5.38	12/11/07	11/01/37	297,370.33	296,261.63			(960.55)		296,409.78	304,247.11	8,946.03	0.00
FNMA	2006 ABCDE Single Family	5.13	12/11/07	12/01/37	396,833.53	389,980.39			(1,888.32)		394,945.21	401,001.44	12,909.37	0.00
FNMA	2006 ABCDE Single Family	5.13	12/20/07	11/01/37	350,818.52	344,762.48			(1,619.31)		349,199.21	354,556.46	11,413.29	0.00
FNMA	2006 ABCDE Single Family	5.38	12/20/07	10/01/37	76,131.15	75,847.91			(836.71)		75,294.44	77,285.81	2,274.61	0.00
FNMA	2006 ABCDE Single Family	5.63	12/28/07	10/01/37	1,230,232.83	1,239,616.48			(4,320.19)		1,225,912.64	1,256,549.57	21,253.28	0.00
FNMA	2006 ABCDE Single Family	5.13	01/16/08	12/01/37	335,350.24	329,569.55			(1,285.27)		334,064.97	339,198.61	10,914.33	0.00
FNMA	2006 ABCDE Single Family	5.13	01/30/08	12/01/37	185,954.17	182,751.14			(884.98)		185,069.19	187,915.47	6,049.31	0.00
FNMA	2006 ABCDE Single Family	5.38	01/30/08	11/01/37	65,273.86	65,033.44			(206.12)		65,067.74	66,791.13	1,963.81	0.00
FNMA	2006 ABCDE Single Family	5.13	01/30/08	12/01/37	255,369.48	250,970.77			(874.93)		254,494.55	258,408.53	8,312.69	0.00
FNMA	2006 ABCDE Single Family	5.13	02/13/08	01/01/38	112,253.10	110,246.18			(367.12)		111,885.98	113,569.79	3,690.73	0.00
FNMA	2006 ABCDE Single Family	5.38	02/13/08	01/01/38	417,815.64	416,156.07			(1,303.23)		416,512.41	427,474.66	12,621.82	0.00
FNMA	2006 ABCDE Single Family	5.63	02/19/08	04/01/37	157,180.22	158,386.32			(768.33)		156,411.89	160,327.77	2,709.78	0.00
FNMA	2006 ABCDE Single Family	5.38	02/19/08	12/01/37	216,599.78	215,806.16			(5,529.36)		211,070.42	216,665.07	6,388.27	0.00
FNMA	2006 ABCDE Single Family	5.13	02/19/08	01/01/38	248,657.10	244,212.71			(1,163.62)		247,493.48	251,219.65	8,170.56	0.00
FNMA	2006 ABCDE Single Family	5.13	02/27/08	02/01/38	186,785.46	183,448.42			(609.64)		186,175.82	188,980.34	6,141.56	0.00
FNMA	2006 ABCDE Single Family	5.38	03/20/08	11/01/37	259,588.70	258,644.36			(878.73)		258,709.97	265,574.34	7,808.71	0.00
FNMA	2006 ABCDE Single Family	5.13	04/08/08	03/01/38	178,717.05	175,530.72			(593.01)		178,124.04	180,814.03	5,876.32	0.00
FNMA	2006 ABCDE Single Family	5.63	04/15/08	12/01/37	148,740.02	149,889.53			(3,483.55)		145,256.47	148,901.48	2,495.50	0.00
FNMA	2006 ABCDE Single Family	5.38	04/15/08	01/01/38	244,179.20	243,297.05			(826.62)		243,352.58	249,815.76	7,345.33	0.00
FNMA	2006 ABCDE Single Family	5.13	04/15/08	04/01/38	117,737.00	115,638.69			(378.38)		117,358.62	119,131.77	3,871.46	0.00
FNMA	2006 ABCDE Single Family	5.38	04/29/08	04/01/38	161,739.60	161,157.56			(759.23)		160,980.37	165,258.18	4,859.85	0.00
Repo Agmt	2006 ABCDE Single Family	0.35	11/26/08	12/01/08	8,206,632.06	8,206,632.06		(3,196,398.93)			5,010,233.13	5,010,233.13	-	0.00
Repo Agmt	2006 ABCDE Single Family	0.35	11/26/08	12/01/08	12,645.84	12,645.84	4,199.14				16,844.98	16,844.98	-	0.00
GNMA	2006 ABCDE Single Family	6.15	11/12/02	11/20/32	8,305.44	8,552.39			(34.49)		8,270.95	8,495.51	(22.39)	0.00
GNMA	2006 ABCDE Single Family	5.40	11/12/02	10/20/32	9,069.99	9,061.86			(45.86)		9,024.13	9,220.20	204.20	0.00
GNMA	2006 ABCDE Single Family	6.15	01/10/03	09/20/32	8,735.13	8,994.84			(45.66)		8,689.47	8,925.37	(23.81)	0.00
GNMA	2006 ABCDE Single Family	5.40	09/26/02	09/20/32	11,429.10	11,418.40			(82.61)		11,346.49	11,592.57	256.78	0.00
GNMA	2006 ABCDE Single Family	6.15	10/10/02	09/20/32	5,573.69	5,739.27			(24.66)		5,549.03	5,699.54	(15.07)	0.00
GNMA	2006 ABCDE Single Family	5.40	10/10/02	09/20/32	3,412.12	3,408.95			(15.94)		3,396.18	3,469.86	76.85	0.00
GNMA	2006 ABCDE Single Family	6.15	10/21/02	10/20/32	10,299.93	10,606.41			(203.75)		10,096.18	10,370.53	(32.13)	0.00
GNMA	2006 ABCDE Single Family	6.15	10/29/02	10/20/32	6,230.45	6,415.63			(27.88)		6,202.57	6,370.90	(16.85)	0.00
GNMA	2006 ABCDE Single Family	5.40	10/29/02	09/20/32	2,699.50	2,697.02			(23.27)		2,676.23	2,734.33	60.58	0.00
GNMA	2006 ABCDE Single Family	6.15	11/05/02	10/20/32	3,020.72	3,110.55			(12.49)		3,008.23	3,089.92	(8.14)	0.00
GNMA	2006 ABCDE Single Family	5.40	11/05/02	09/20/32	6,737.62	6,731.50			(36.66)		6,700.96	6,846.48	151.64	0.00
GNMA	2006 ABCDE Single Family	6.15	11/19/02	11/20/32	3,979.61	4,097.99			(16.34)		3,963.27	4,070.93	(10.72)	0.00
GNMA	2006 ABCDE Single Family	5.40	11/19/02	11/20/32	4,849.59	4,845.29			(22.88)		4,826.71	4,931.63	109.22	0.00
GNMA	2006 ABCDE Single Family	6.15	11/26/02	11/20/32	17,530.88	18,052.44			(80.99)		17,449.89	17,923.97	(47.48)	0.00
GNMA	2006 ABCDE Single Family	5.40	11/26/02	11/20/32	13,102.02	13,090.48			(69.64)		13,032.38	13,315.76	294.92	0.00
GNMA	2006 ABCDE Single Family	6.15	11/26/02	11/20/32	4,982.60	5,130.83			(21.79)		4,960.81	5,095.58	(13.46)	0.00
GNMA	2006 ABCDE Single Family	5.40	11/26/02	11/20/32	7,006.93	7,000.76			(41.64)		6,965.29	7,116.75	157.63	0.00
GNMA	2006 ABCDE Single Family	5.40	12/12/02	12/20/32	5,251.29	5,246.76			(50.78)		5,200.51	5,313.70	117.72	0.00
GNMA	2006 ABCDE Single Family	6.15	12/30/02	12/20/32	3,079.81	3,171.54			(17.60)		3,062.21	3,145.51	(8.43)	0.00
GNMA	2006 ABCDE Single Family	5.40	12/30/02	12/20/32	10,009.62	10,001.10			(45.93)		9,963.69	10,180.66	225.49	0.00
GNMA	2006 ABCDE Single Family	6.15	12/30/02	12/20/32	8,526.00	8,779.94			(36.05)		8,489.95	8,720.88	(23.01)	0.00
GNMA	2006 ABCDE Single Family	5.40	12/30/02	12/20/32	4,945.57	4,941.37			(22.59)		4,922.98	5,030.18	111.40	0.00
GNMA	2006 ABCDE Single Family	6.15	01/07/03	12/20/32	5,649.10	5,817.36			(24.00)		5,625.10	5,778.11	(15.25)	0.00
GNMA	2006 ABCDE Single Family	6.15	01/23/03	01/20/33	23,788.75	24,488.68			(103.09)		23,685.66	24,315.64	(69.95)	0.00
GNMA	2006 ABCDE Single Family	5.40	01/23/03	01/20/33	4,823.02	4,816.58			(22.04)		4,800.98	4,904.89	110.35	0.00
GNMA	2006 ABCDE Single Family	6.15	01/23/03	01/20/33	5,286.00	5,441.51			(32.08)		5,253.92	5,393.64	(15.79)	0.00
GNMA	2006 ABCDE Single Family	5.40	01/23/03	01/20/33	5,002.23	4,995.59			(22.71)		4,979.52	5,087.34	114.46	0.00
GNMA	2006 ABCDE Single Family	6.15	01/30/03	01/20/33	11,643.61	11,986.23			(69.33)		11,574.28	11,882.15	(34.75)	0.00
GNMA	2006 ABCDE Single Family	5.40	01/30/03	01/20/33	16,530.70	16,508.73			(84.74)		16,445.96	16,802.02	378.03	0.00
GNMA	2006 ABCDE Single Family	6.15	02/12/03	02/20/33	20,443.00	21,044.89			(112.31)		20,330.69	20,871.81	(60.77)	0.00
GNMA	2006 ABCDE Single Family	6.15	02/20/03	02/20/33	8,392.72	8,639.86			(40.96)		8,351.76	8,574.08	(24.82)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2006 ABCDE Single Family	5.40	03/03/03	03/20/33	5,728.90	5,721.46			(25.68)		5,703.22	5,826.87	131.09	0.00
GNMA	2006 ABCDE Single Family	6.15	02/27/03	02/20/33	21,365.30	21,994.60			(86.62)		21,278.68	21,845.29	(62.69)	0.00
GNMA	2006 ABCDE Single Family	5.40	02/27/03	01/20/33	5,193.61	5,186.80			(23.65)		5,169.96	5,281.98	118.83	0.00
GNMA	2006 ABCDE Single Family	6.15	03/12/03	02/20/33	15,433.88	15,888.61			(64.31)		15,369.57	15,778.98	(45.32)	0.00
GNMA	2006 ABCDE Single Family	6.15	03/24/03	03/20/33	7,647.04	7,872.48			(32.24)		7,614.80	7,817.77	(22.47)	0.00
GNMA	2006 ABCDE Single Family	5.40	03/24/03	02/20/33	5,309.81	5,302.99			(26.34)		5,283.47	5,398.11	121.46	0.00
GNMA	2006 ABCDE Single Family	6.15	04/02/03	04/20/33	2,193.76	2,258.45			(8.70)		2,185.06	2,243.32	(6.43)	0.00
GNMA	2006 ABCDE Single Family	6.15	04/02/03	03/20/33	7,824.60	8,055.29			(31.36)		7,793.24	8,001.00	(22.93)	0.00
GNMA	2006 ABCDE Single Family	6.15	04/10/03	03/20/33	15,296.37	15,747.44			(94.64)		15,201.73	15,607.05	(45.75)	0.00
GNMA	2006 ABCDE Single Family	6.15	04/10/03	03/20/33	3,455.51	3,557.40			(13.93)		3,441.58	3,533.33	(10.14)	0.00
GNMA	2006 ABCDE Single Family	6.15	04/17/03	04/20/33	8,001.39	8,237.43			(32.08)		7,969.31	8,181.90	(23.45)	0.00
GNMA	2006 ABCDE Single Family	6.15	04/24/03	04/20/33	5,506.05	5,668.50			(21.97)		5,484.08	5,630.38	(16.15)	0.00
GNMA	2006 ABCDE Single Family	6.15	04/29/03	03/20/33	4,294.90	4,421.63			(18.07)		4,276.83	4,390.93	(12.63)	0.00
GNMA	2006 ABCDE Single Family	6.15	05/08/03	04/20/33	2,511.64	2,585.75			(10.66)		2,500.98	2,567.72	(7.37)	0.00
GNMA	2006 ABCDE Single Family	6.15	05/08/03	04/20/33	4,106.67	4,227.88			(16.93)		4,089.74	4,198.89	(12.06)	0.00
GNMA	2006 ABCDE Single Family	6.15	05/15/03	04/20/33	4,230.14	4,355.11			(17.01)		4,213.13	4,325.70	(12.40)	0.00
GNMA	2006 ABCDE Single Family	6.15	06/10/03	06/20/33	3,101.87	3,193.54			(12.44)		3,089.43	3,172.00	(9.10)	0.00
GNMA	2006 ABCDE Single Family	6.15	06/19/03	05/20/33	1,998.34	2,057.42			(7.88)		1,990.46	2,043.68	(5.86)	0.00
GNMA	2006 ABCDE Single Family	6.15	07/17/03	07/20/33	2,534.19	2,609.16			(11.34)		2,522.85	2,590.36	(7.46)	0.00
GNMA	2006 ABCDE Single Family	6.15	07/17/03	07/20/33	4,506.57	4,639.87			(37.43)		4,469.14	4,588.70	(13.74)	0.00
GNMA	2006 ABCDE Single Family	6.15	07/24/03	07/20/33	4,268.55	4,394.84			(17.50)		4,251.05	4,364.80	(12.54)	0.00
GNMA	2006 ABCDE Single Family	6.15	07/30/03	07/30/33	2,369.36	2,439.47			(9.28)		2,360.08	2,423.25	(6.94)	0.00
GNMA	2006 ABCDE Single Family	6.15	09/04/03	08/20/33	2,706.20	2,786.36			(10.46)		2,695.74	2,767.97	(7.93)	0.00
GNMA	2006 ABCDE Single Family	6.15	09/29/03	09/20/33	8,119.91	8,360.68			(31.68)		8,088.23	8,305.21	(23.79)	0.00
GNMA	2006 ABCDE Single Family	6.15	10/09/03	08/20/33	2,839.92	2,924.16			(11.04)		2,828.88	2,904.79	(8.33)	0.00
GNMA	2006 ABCDE Single Family	6.15	01/15/04	12/20/33	3,201.95	3,297.18			(14.62)		3,187.33	3,273.11	(9.45)	0.00
GNMA	2006 ABCDE Single Family	6.15	03/11/04	03/20/34	3,092.07	3,181.14			(11.36)		3,080.71	3,160.65	(9.13)	0.00
GNMA	2006 ABCDE Single Family	5.40	07/08/04	06/20/34	17,424.16	17,400.98			(79.24)		17,344.92	17,720.45	398.71	0.00
GNMA	2006 ABCDE Single Family	6.15	04/08/04	04/20/34	1,951.71	2,007.99			(7.28)		1,944.43	1,994.95	(5.76)	0.00
GNMA	2006 ABCDE Single Family	5.40	06/17/04	06/20/34	29,445.41	29,405.75			(122.14)		29,323.27	29,957.61	674.00	0.00
GNMA	2006 ABCDE Single Family	5.40	09/02/04	09/20/34	35,974.93	35,928.99			(149.42)		35,825.51	36,603.09	823.52	0.00
GNMA	2006 ABCDE Single Family	5.40	09/09/04	09/20/34	40,865.27	40,737.48			(168.93)		40,696.34	41,504.36	935.81	0.00
GNMA	2006 ABCDE Single Family	5.40	09/16/04	09/20/34	46,337.85	46,279.18			(6,685.96)		39,651.89	40,512.96	919.74	0.00
GNMA	2006 ABCDE Single Family	5.40	07/15/04	07/20/34	17,255.65	17,232.83			(5,781.41)		11,474.24	11,722.73	271.31	0.00
GNMA	2006 ABCDE Single Family	5.40	07/22/04	07/20/34	17,531.28	17,508.22			(75.16)		17,456.12	17,834.31	401.25	0.00
GNMA	2006 ABCDE Single Family	5.40	07/29/04	07/20/34	14,742.58	14,723.20			(60.80)		14,681.78	14,999.87	337.47	0.00
GNMA	2006 ABCDE Single Family	5.40	08/05/04	08/20/34	18,875.34	18,850.78			(77.86)		18,797.48	19,205.00	432.08	0.00
GNMA	2006 ABCDE Single Family	5.40	08/12/04	08/20/34	29,171.42	29,133.58			(118.34)		29,053.08	29,683.06	667.82	0.00
GNMA	2006 ABCDE Single Family	5.40	08/20/04	08/20/34	10,131.87	10,118.82			(44.12)		10,087.75	10,306.58	231.88	0.00
GNMA	2006 ABCDE Single Family	5.40	08/26/04	08/20/34	6,377.22	6,369.02			(31.29)		6,345.93	6,483.60	145.87	0.00
GNMA	2006 ABCDE Single Family	5.40	12/02/04	12/20/34	15,151.57	15,133.45			(61.96)		15,089.61	15,418.37	346.88	0.00
GNMA	2006 ABCDE Single Family	5.40	10/14/04	10/20/34	33,116.29	33,013.74			(137.32)		32,978.97	33,634.79	758.37	0.00
GNMA	2006 ABCDE Single Family	4.49	10/14/04	09/20/34	7,568.25	7,089.31			(35.70)		7,532.55	7,442.16	388.55	0.00
GNMA	2006 ABCDE Single Family	5.40	10/21/04	10/20/34	64,736.35	64,656.36			(295.01)		64,441.34	65,842.74	1,481.39	0.00
GNMA	2006 ABCDE Single Family	4.49	10/21/04	10/20/34	15,710.73	14,716.66			(75.02)		15,635.71	15,448.27	806.63	0.00
GNMA	2006 ABCDE Single Family	5.40	10/28/04	10/20/34	14,957.60	14,911.44			(63.24)		14,894.36	15,190.71	342.51	0.00
GNMA	2006 ABCDE Single Family	4.49	10/29/04	10/20/34	28,144.07	26,297.08			(154.14)		27,989.93	27,584.88	1,441.94	0.00
GNMA	2006 ABCDE Single Family	4.49	11/04/04	10/20/34	122,803.86	114,745.20			(924.60)		121,879.26	120,116.05	6,295.45	0.00
GNMA	2006 ABCDE Single Family	5.40	11/04/04	11/20/34	22,363.66	22,336.36			(91.87)		22,271.79	22,756.47	511.98	0.00
GNMA	2006 ABCDE Single Family	4.49	11/10/04	11/20/34	26,246.40	24,524.26			(144.04)		26,102.36	25,724.95	1,344.73	0.00
GNMA	2006 ABCDE Single Family	5.40	11/10/04	11/20/34	3,322.28	3,318.19			(13.13)		3,309.15	3,381.14	76.08	0.00
GNMA	2006 ABCDE Single Family	4.49	11/18/04	11/20/34	23,145.43	21,626.89			(113.15)		23,032.28	22,699.42	1,185.68	0.00
GNMA	2006 ABCDE Single Family	5.40	12/23/04	12/20/34	5,223.78	5,217.62			(21.54)		5,202.24	5,315.66	119.58	0.00
GNMA	2006 ABCDE Single Family	5.40	09/08/05	08/20/35	2,892.90	2,888.61			(11.51)		2,881.39	2,943.79	66.69	0.00
FNMA	2006 ABCDE Single Family	5.40	08/14/03	09/01/32	2,791.54	2,770.34			(13.75)		2,777.79	2,837.84	81.25	0.00
FNMA	2006 ABCDE Single Family	6.15	08/14/03	12/01/31	2,887.10	2,965.16			(37.15)		2,849.95	2,945.42	17.41	0.00
FNMA	2006 ABCDE Single Family	6.15	04/15/04	02/01/34	5,048.41	5,167.35			(18.87)		5,029.54	5,181.46	32.98	0.00
FNMA	2006 ABCDE Single Family	5.40	10/28/04	10/01/34	14,820.58	14,686.05			(65.27)		14,755.31	15,055.34	434.56	0.00
FNMA	2006 ABCDE Single Family	4.49	11/04/04	10/01/34	14,973.32	14,020.41			(7,361.25)		7,612.07	7,537.50	878.34	0.00
GNMA	2006 ABCDE Single Family	5.40	08/29/02	08/20/32	10,633.48	10,623.05			(68.30)		10,565.18	10,793.83	239.08	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2006 ABCDE Single Family	6.15	09/12/02	08/20/32	3,050.02	3,140.60			(13.28)		3,036.74	3,119.08	(8.24)	0.00
GNMA	2006 ABCDE Single Family	6.15	09/19/02	09/20/32	4,514.64	4,648.69			(19.08)		4,495.56	4,617.43	(12.18)	0.00
GNMA	2006 ABCDE Single Family	5.40	09/19/02	09/20/32	11,742.69	11,731.61			(63.64)		11,679.05	11,932.25	264.28	0.00
GNMA	2006 ABCDE Single Family	4.49	12/09/04	12/20/34	94,447.13	88,252.34			(529.15)		93,917.98	92,562.46	4,839.27	0.00
GNMA	2006 ABCDE Single Family	4.49	12/16/04	12/20/34	63,495.18	59,330.88			(314.28)		63,180.90	62,269.39	3,252.79	0.00
GNMA	2006 ABCDE Single Family	4.49	11/23/04	11/20/34	98,046.01	91,613.65			(457.08)		97,588.93	96,178.84	5,022.27	0.00
GNMA	2006 ABCDE Single Family	4.49	12/02/04	12/20/34	140,551.01	131,331.60			(677.82)		139,873.19	137,853.71	7,199.93	0.00
GNMA	2006 ABCDE Single Family	4.49	12/23/04	12/20/34	87,636.58	81,889.43			(6,806.75)		80,829.83	79,664.12	4,581.44	0.00
GNMA	2006 ABCDE Single Family	4.49	12/29/04	12/20/34	72,037.08	67,313.20			(8,798.48)		63,238.60	62,326.83	3,812.11	0.00
GNMA	2006 ABCDE Single Family	4.49	01/06/05	01/20/35	168,692.58	157,557.13			(10,735.30)		157,957.28	155,614.49	8,792.66	0.00
GNMA	2006 ABCDE Single Family	5.40	01/06/05	01/20/35	21,719.07	21,681.93			(96.72)		21,622.35	22,085.61	500.40	0.00
GNMA	2006 ABCDE Single Family	4.49	01/13/05	01/20/35	80,920.21	75,579.07			(6,587.81)		74,332.40	73,230.34	4,239.08	0.00
GNMA	2006 ABCDE Single Family	5.40	01/13/05	01/20/35	9,254.82	9,239.02			(35.98)		9,218.84	9,416.37	213.33	0.00
GNMA	2006 ABCDE Single Family	4.49	01/19/05	01/20/35	112,832.99	105,386.00			(568.99)		112,264.00	110,600.13	5,783.12	0.00
GNMA	2006 ABCDE Single Family	5.40	01/19/05	01/20/35	12,789.12	12,767.39			(49.73)		12,739.39	13,012.48	294.82	0.00
GNMA	2006 ABCDE Single Family	4.49	01/27/05	01/20/35	143,658.16	134,177.53			(1,075.28)		142,582.88	140,470.52	7,368.27	0.00
GNMA	2006 ABCDE Single Family	4.49	02/03/05	02/20/35	185,984.70	173,712.33			(9,853.40)		176,131.30	173,523.48	9,664.55	0.00
GNMA	2006 ABCDE Single Family	4.49	02/10/05	02/20/35	55,742.18	52,064.24			(259.77)		55,482.41	54,661.22	2,856.75	0.00
GNMA	2006 ABCDE Single Family	4.49	02/10/05	02/20/35	145,935.87	136,306.84			(713.40)		145,222.47	143,073.01	7,479.57	0.00
GNMA	2006 ABCDE Single Family	5.40	02/17/05	11/20/34	5,049.22	5,043.47			(19.94)		5,029.28	5,139.14	115.61	0.00
GNMA	2006 ABCDE Single Family	4.49	02/17/05	02/20/35	64,844.00	60,565.91			(10,163.19)		54,680.81	53,871.83	3,469.11	0.00
GNMA	2006 ABCDE Single Family	4.49	02/24/05	02/20/35	88,914.53	83,048.77			(493.59)		88,420.94	87,113.18	4,558.00	0.00
GNMA	2006 ABCDE Single Family	4.49	03/03/05	03/20/35	85,591.19	79,945.31			(427.82)		85,163.37	83,904.54	4,387.05	0.00
GNMA	2006 ABCDE Single Family	4.49	03/11/05	03/20/35	31,035.64	28,988.64			(139.63)		30,896.01	30,439.53	1,590.52	0.00
GNMA	2006 ABCDE Single Family	5.40	03/17/05	02/20/35	6,119.98	6,109.90			(25.04)		6,094.94	6,225.92	141.06	0.00
GNMA	2006 ABCDE Single Family	4.49	03/17/05	03/20/35	51,870.60	48,449.59			(245.65)		51,624.95	50,862.39	2,658.45	0.00
GNMA	2006 ABCDE Single Family	4.49	03/24/05	03/20/35	46,678.18	43,599.89			(216.19)		46,461.99	45,775.99	2,392.29	0.00
GNMA	2006 ABCDE Single Family	4.49	04/07/05	04/20/35	65,275.14	60,971.28			(363.65)		64,911.49	63,953.94	3,346.31	0.00
GNMA	2006 ABCDE Single Family	4.49	04/14/05	04/20/35	48,867.94	45,761.49			(241.81)		48,626.13	48,032.21	2,512.53	0.00
GNMA	2006 ABCDE Single Family	5.40	04/21/05	04/20/35	5,179.82	5,161.90			(20.14)		5,159.68	5,261.11	119.35	0.00
GNMA	2006 ABCDE Single Family	4.49	04/21/05	04/20/35	73,414.97	68,575.20			(328.26)		73,086.71	72,009.40	3,762.46	0.00
GNMA	2006 ABCDE Single Family	4.49	04/28/05	04/20/35	71,183.33	66,491.09			(317.88)		70,865.45	69,821.30	3,648.09	0.00
GNMA	2006 ABCDE Single Family	5.40	04/28/05	04/20/35	6,444.73	6,434.34			(25.09)		6,419.64	6,557.83	148.58	0.00
GNMA	2006 ABCDE Single Family	4.49	05/05/05	05/20/35	116,311.66	108,645.46			(9,002.58)		107,309.08	105,728.77	6,085.89	0.00
GNMA	2006 ABCDE Single Family	5.40	05/05/05	04/20/35	5,321.16	5,302.80			(21.74)		5,299.42	5,403.66	122.60	0.00
GNMA	2006 ABCDE Single Family	5.40	07/07/05	07/20/35	5,700.96	5,692.14			(28.23)		5,672.73	5,795.21	131.30	0.00
GNMA	2006 ABCDE Single Family	5.40	05/26/05	05/20/35	7,832.92	7,820.52			(30.06)		7,802.86	7,971.06	180.60	0.00
GNMA	2006 ABCDE Single Family	4.49	05/26/05	05/20/35	26,183.29	24,457.95			(118.67)		26,064.62	25,681.21	1,341.93	0.00
GNMA	2006 ABCDE Single Family	5.40	06/09/05	05/20/35	6,173.30	6,163.57			(26.70)		6,146.60	6,279.13	142.26	0.00
GNMA	2006 ABCDE Single Family	5.40	08/11/05	07/20/35	3,127.62	3,122.85			(11.73)		3,115.89	3,183.23	72.11	0.00
FNMA	2006 ABCDE Single Family	4.49	12/23/04	12/01/34	15,558.73	14,568.89			(83.89)		15,474.84	15,323.58	838.58	0.00
FNMA	2006 ABCDE Single Family	4.49	01/19/05	01/01/35	15,458.10	14,474.82			(74.52)		15,383.58	15,233.37	833.07	0.00
FNMA	2006 ABCDE Single Family	4.49	01/27/05	01/01/35	14,238.07	13,307.81			(76.82)		14,161.25	14,014.17	783.18	0.00
FNMA	2006 ABCDE Single Family	4.49	03/14/05	12/01/34	16,907.32	15,832.17			(87.18)		16,820.14	16,656.23	911.24	0.00
FNMA	2006 ABCDE Single Family	5.40	03/24/05	02/01/35	11,664.17	11,559.02			(2,490.53)		9,173.64	9,360.75	292.26	0.00
FNMA	2006 ABCDE Single Family	4.49	04/07/05	02/01/35	14,660.08	13,702.67			(94.61)		14,565.47	14,414.64	806.58	0.00
FNMA	2006 ABCDE Single Family	5.40	07/14/05	04/01/35	5,494.83	5,438.69			(32.86)		5,461.97	5,571.65	165.82	0.00
	2006 ABCDE Single Family Total				265,753,968.02	264,284,792.12	9,861,398.28	(17,962,828.65)	(3,387,620.09)	0.00	254,264,917.56	258,435,185.18	5,639,443.52	0.00
Repo Agmt	2006 FGH Single Family	0.35	11/26/08	12/01/08	635,336.64	635,336.64	170,504.88				805,841.52	805,841.52	-	0.00
Repo Agmt	2006 FGH Single Family	0.35	11/26/08	12/01/08	129,670.54	129,670.54		(36,773.91)			92,896.63	92,896.63	-	0.00
Repo Agmt	2006 FGH Single Family	0.35	11/26/08	12/01/08	5,186,177.05	5,186,177.05		(4,944,209.55)			241,967.50	241,967.50	-	0.00
Repo Agmt	2006 FGH Single Family				70,087.14	70,087.14		(70,087.14)					-	0.00
GIC's	2006 FGH Single Family	4.33	05/25/07	02/26/36	529,912.86	529,912.86	1,850,890.83				2,380,803.69	2,380,803.69	-	0.00
GIC's	2006 FGH Single Family	4.33	11/15/06	02/26/38			530,596.54				530,596.54	530,596.54	-	0.00
Freddie Mac	2006 FGH Single Family	5.49	05/28/08	05/01/38	257,401.12	255,929.99			(781.08)		256,620.04	262,562.35	7,413.44	0.00
Freddie Mac	2006 FGH Single Family	5.15	05/28/08	04/01/38	158,262.04	154,599.29			(563.08)		157,698.96	160,323.68	6,287.47	0.00
Freddie Mac	2006 FGH Single Family	5.70	06/18/08	02/01/38	43,427.82	43,590.88			(127.24)		43,300.58	44,432.20	968.56	0.00
Freddie Mac	2006 FGH Single Family	5.49	06/18/08	05/01/38	148,706.78	147,859.25			(445.28)		148,261.50	151,696.95	4,282.98	0.00
Freddie Mac	2006 FGH Single Family	5.15	06/18/08	05/01/38	80,042.06	78,190.86			(263.70)		79,778.36	81,107.49	3,180.33	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Freddie Mac	2006 FGH Single Family	5.70	06/25/08	04/01/38	131,162.02	131,655.30			(381.20)		130,780.82	134,199.44	2,925.34	0.00
Freddie Mac	2006 FGH Single Family	5.15	07/09/08	04/01/37	112,992.74	110,381.02			(390.69)		112,602.05	114,479.30	4,488.97	0.00
Freddie Mac	2006 FGH Single Family	5.15	07/16/08	06/01/38	166,591.24	162,741.64			(1,283.50)		165,307.74	168,065.37	6,607.23	0.00
Freddie Mac	2006 FGH Single Family	5.70	07/16/08	06/01/38	262,037.45	263,026.93			(1,117.51)		260,919.94	267,744.73	5,835.31	0.00
Freddie Mac	2006 FGH Single Family	5.49	07/23/08	06/01/38	77,867.04	77,425.20			(231.81)		77,635.23	79,436.24	2,242.85	0.00
Freddie Mac	2006 FGH Single Family	5.15	08/13/08	07/01/38	80,762.75	78,898.15			(254.81)		80,507.94	81,852.61	3,209.27	0.00
Freddie Mac	2006 FGH Single Family	5.15	09/17/08	07/01/38			71,647.25				71,647.25	72,845.83	1,198.58	0.00
Freddie Mac	2006 FGH Single Family	5.70	10/08/08	08/01/38			106,482.49				106,482.49	109,274.43	2,791.94	0.00
Freddie Mac	2006 FGH Single Family	5.49	10/22/08	08/01/38			105,432.26				105,432.26	107,885.30	2,453.04	0.00
Freddie Mac	2006 FGH Single Family	5.10	11/12/08	10/01/38			180,375.73				180,375.73	183,228.07	2,852.34	0.00
Freddie Mac	2006 FGH Single Family	5.70	11/19/08	08/01/38			95,847.85				95,847.85	98,363.99	2,516.14	0.00
GNMA	2006 FGH Single Family	5.49	01/30/07	01/20/37	5,336,905.79	5,359,308.60			(20,843.01)		5,316,062.78	5,460,335.34	121,869.75	0.00
GNMA	2006 FGH Single Family	5.15	02/13/07	01/20/37	41,655.40	41,058.89			(188.86)		41,466.54	41,920.53	1,050.50	0.00
GNMA	2006 FGH Single Family	5.49	02/13/07	02/20/37	2,372,516.83	2,382,512.11			(7,931.92)		2,364,584.91	2,428,796.63	54,216.44	0.00
GNMA	2006 FGH Single Family	5.49	02/13/07	01/20/37	184,056.37	184,831.61			(602.92)		183,453.45	188,434.86	4,206.17	0.00
GNMA	2006 FGH Single Family	5.70	02/20/07	02/20/37	487,316.73	492,984.68			(1,891.11)		485,425.62	495,779.64	4,686.07	0.00
GNMA	2006 FGH Single Family	5.15	02/20/07	01/20/37	417,425.81	411,451.10			(1,502.40)		415,923.41	420,480.06	10,531.36	0.00
GNMA	2006 FGH Single Family	5.15	02/20/07	01/20/37	1,295,421.49	1,300,886.92			(4,576.34)		1,290,845.15	1,325,905.52	29,594.94	0.00
GNMA	2006 FGH Single Family	5.15	03/07/07	02/20/37	758,661.50	747,814.71			(2,718.79)		755,942.71	764,237.58	19,141.66	0.00
GNMA	2006 FGH Single Family	5.49	03/20/07	03/20/37	1,313,020.32	1,318,601.33			(4,428.35)		1,308,591.97	1,344,176.50	30,003.52	0.00
GNMA	2006 FGH Single Family	5.15	03/20/07	02/20/37	270,068.28	266,210.54			(938.81)		269,129.47	272,086.16	6,814.43	0.00
GNMA	2006 FGH Single Family	5.49	03/06/07	02/20/37	2,236,877.75	2,232,407.34			(10,028.21)		2,226,849.54	2,273,297.69	50,918.56	0.00
GNMA	2006 FGH Single Family	5.49	03/20/07	02/20/37	286,411.56	287,628.38			(1,058.87)		285,352.69	293,111.99	6,542.48	0.00
GNMA	2006 FGH Single Family	5.70	04/24/07	04/20/37	510,145.26	516,113.17			(2,279.94)		507,865.32	518,732.57	4,899.34	0.00
GNMA	2006 FGH Single Family	5.15	04/24/07	04/20/37	1,558,978.98	1,533,916.01			(5,782.86)		1,553,196.12	1,567,462.20	39,329.05	0.00
GNMA	2006 FGH Single Family	5.49	04/24/07	04/20/37	1,784,332.91	1,791,982.46			(6,446.69)		1,777,886.22	1,826,300.56	40,764.79	0.00
GNMA	2006 FGH Single Family	5.15	03/27/07	03/20/37	1,288,370.35	1,267,620.69			(5,193.29)		1,283,177.06	1,294,923.76	32,496.36	0.00
GNMA	2006 FGH Single Family	5.49	03/27/07	02/20/37	526,814.32	529,056.23			(1,998.21)		524,816.11	539,090.70	12,032.68	0.00
GNMA	2006 FGH Single Family	5.15	04/10/07	04/20/37	1,774,167.89	1,745,620.70			(6,388.77)		1,767,779.12	1,783,990.85	44,758.92	0.00
GNMA	2006 FGH Single Family	5.49	04/10/07	03/20/37	1,472,693.50	1,478,984.60			(5,670.39)		1,467,023.11	1,506,947.84	33,633.63	0.00
GNMA	2006 FGH Single Family	5.49	04/10/07	02/20/37	186,385.19	187,181.02			(958.19)		185,427.00	190,472.97	4,250.14	0.00
GNMA	2006 FGH Single Family	5.15	05/08/07	04/20/37	634,573.89	625,542.33			(251,070.47)		383,503.42	387,737.04	13,265.18	0.00
GNMA	2006 FGH Single Family	5.15	05/08/07	03/20/37	73,794.00	72,743.66			(256.60)		73,537.40	74,349.05	1,861.99	0.00
GNMA	2006 FGH Single Family	5.49	05/08/07	04/20/37	738,096.38	741,271.13			(2,404.58)		735,691.80	755,736.40	16,869.85	0.00
GNMA	2006 FGH Single Family	5.49	05/08/07	04/20/37	192,948.96	193,778.89			(632.70)		192,316.26	197,556.10	4,409.91	0.00
GNMA	2006 FGH Single Family	5.70	05/08/07	04/20/37	179,537.33	180,506.08			(765.41)		178,771.92	181,469.68	1,729.01	0.00
GNMA	2006 FGH Single Family	5.15	05/22/07	05/20/37	965,964.50	952,231.83			(3,583.35)		962,381.15	973,019.91	24,371.43	0.00
GNMA	2006 FGH Single Family	5.49	05/22/07	04/20/37	552,855.56	555,241.41			(2,574.48)		550,281.08	565,282.01	12,615.08	0.00
GNMA	2006 FGH Single Family	5.70	05/22/07	04/20/37	319,560.27	323,307.78			(1,008.19)		318,552.08	325,377.64	3,078.05	0.00
GNMA	2006 FGH Single Family	5.15	06/05/07	05/20/37	1,549,409.93	1,527,404.32			(7,918.69)		1,541,491.24	1,558,553.92	39,068.29	0.00
GNMA	2006 FGH Single Family	5.70	06/05/07	05/20/37	437,761.62	442,902.45			(1,351.52)		436,410.10	445,767.75	4,216.82	0.00
GNMA	2006 FGH Single Family	5.49	06/05/07	05/20/37	1,294,212.56	1,299,818.76			(4,173.60)		1,290,038.96	1,325,226.15	29,580.99	0.00
GNMA	2006 FGH Single Family	5.15	06/19/07	06/20/37	1,308,346.57	1,289,784.23			(4,995.06)		1,303,351.51	1,317,799.55	33,010.38	0.00
GNMA	2006 FGH Single Family	5.70	06/19/07	06/20/37	432,855.13	437,944.99			(1,332.38)		431,522.75	440,782.73	4,170.12	0.00
GNMA	2006 FGH Single Family	5.15	07/03/07	06/20/37	1,415,218.16	1,395,159.34			(5,577.84)		1,409,640.32	1,425,286.80	35,705.30	0.00
GNMA	2006 FGH Single Family	5.70	07/03/07	06/20/37	420,997.42	425,953.88			(1,237.02)		419,760.40	428,774.04	4,057.18	0.00
GNMA	2006 FGH Single Family	5.49	07/03/07	07/20/37	435,873.06	437,774.88			(1,389.17)		434,483.89	446,348.89	9,963.18	0.00
GNMA	2006 FGH Single Family	5.49	07/03/07	06/20/37	451,245.75	453,213.72			(1,441.42)		449,804.33	462,087.24	10,314.94	0.00
GNMA	2006 FGH Single Family	5.15	07/17/07	06/20/37	1,073,494.41	1,058,295.10			(3,663.04)		1,069,831.37	1,081,721.41	27,089.35	0.00
GNMA	2006 FGH Single Family	5.70	07/17/07	06/20/37	403,321.62	408,076.17			(1,240.82)		402,080.80	410,720.62	3,885.27	0.00
GNMA	2006 FGH Single Family	5.15	08/07/07	07/20/37	1,317,932.12	1,299,934.40			(4,917.14)		1,313,014.98	1,328,279.26	33,262.00	0.00
GNMA	2006 FGH Single Family	5.70	08/07/07	07/20/37	530,149.12	536,672.27			(1,797.49)		528,351.63	539,977.70	5,102.92	0.00
GNMA	2006 FGH Single Family	5.49	08/07/07	06/20/37	877,226.44	881,513.93			(172,950.61)		704,275.83	723,883.12	15,319.80	0.00
GNMA	2006 FGH Single Family	5.15	11/21/07	10/20/37	921,725.06	907,556.59			(3,076.86)		918,648.20	927,745.32	23,265.59	0.00
GNMA	2006 FGH Single Family	5.70	11/21/07	11/20/37	559,728.02	566,682.21			(1,844.26)		557,883.76	570,227.17	5,389.22	0.00
GNMA	2006 FGH Single Family	5.49	11/21/07	06/20/37	112,163.66	112,724.86			(355.42)		111,808.24	114,934.05	2,564.61	0.00
GNMA	2006 FGH Single Family	5.49	11/21/07	10/20/37	65,884.62	66,214.47			(207.26)		65,677.36	67,513.83	1,506.62	0.00
GNMA	2006 FGH Single Family	5.49	11/21/07	10/20/37	99,481.10	99,979.15			(307.64)		99,173.46	101,946.55	2,275.04	0.00
GNMA	2006 FGH Single Family	5.49	09/25/07	09/20/37	467,164.59	469,474.01			(1,730.14)		465,434.45	478,419.41	10,675.54	0.00
GNMA	2006 FGH Single Family	5.15	09/25/07	09/20/37	3,662,881.60	3,613,058.57			(12,990.62)		3,649,890.98	3,692,527.75	92,459.80	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2006 FGH Single Family	5.49	09/25/07	08/20/37	778,129.43	781,975.28			(2,679.36)		775,450.07	797,082.41	17,786.49	0.00
GNMA	2006 FGH Single Family	5.70	09/25/07	09/20/37	260,563.17	263,783.65			(844.21)		259,718.96	265,448.70	2,509.26	0.00
GNMA	2006 FGH Single Family	5.15	10/09/07	09/20/37	1,225,718.35	1,209,064.29			(4,618.29)		1,221,100.06	1,235,382.00	30,936.00	0.00
GNMA	2006 FGH Single Family	5.49	10/09/07	08/20/37	80,509.13	80,908.27			(252.57)		80,256.56	82,496.69	1,840.99	0.00
GNMA	2006 FGH Single Family	5.15	08/23/07	08/20/37	1,242,026.54	1,225,087.71			(4,444.92)		1,237,581.62	1,251,993.02	31,350.23	0.00
GNMA	2006 FGH Single Family	5.49	08/23/07	07/20/37	863,650.24	867,887.17			(3,304.94)		860,345.30	884,313.72	19,731.49	0.00
GNMA	2006 FGH Single Family	5.70	08/23/07	08/20/37	784,981.57	794,654.74			(2,453.92)		782,527.65	799,762.09	7,561.27	0.00
GNMA	2006 FGH Single Family	5.15	09/11/07	08/20/37	971,016.44	957,793.03			(3,254.55)		967,761.89	979,051.11	24,512.63	0.00
GNMA	2006 FGH Single Family	5.70	09/11/07	08/20/37	291,424.25	294,587.96			(128,405.96)		163,018.29	166,367.91	185.91	0.00
GNMA	2006 FGH Single Family	5.49	09/11/07	08/20/37	552,471.98	555,194.12			(2,075.44)		550,396.54	565,742.67	12,623.99	0.00
GNMA	2006 FGH Single Family	5.70	11/21/07	11/20/37	362,039.28	366,537.33			(1,125.94)		360,913.34	368,898.69	3,487.30	0.00
GNMA	2006 FGH Single Family	5.15	11/28/07	11/20/37	754,852.64	743,255.32			(2,677.40)		752,175.24	759,630.77	19,052.85	0.00
GNMA	2006 FGH Single Family	5.15	11/28/07	11/20/37	171,203.27	168,886.50			(935.07)		170,268.20	172,269.41	4,317.98	0.00
GNMA	2006 FGH Single Family	5.49	11/28/07	11/20/37	142,823.65	143,539.86			(439.08)		142,384.57	146,367.26	3,266.48	0.00
GNMA	2006 FGH Single Family	5.15	12/11/07	11/20/37	338,942.08	334,360.15			(1,123.46)		337,818.62	341,793.60	8,556.91	0.00
GNMA	2006 FGH Single Family	5.70	12/11/07	11/20/37	364,377.20	368,912.14			(1,080.74)		363,296.46	371,342.43	3,511.03	0.00
GNMA	2006 FGH Single Family	5.15	12/11/07	11/20/37	78,702.71	77,638.78			(257.96)		78,444.75	79,367.78	1,986.96	0.00
GNMA	2006 FGH Single Family	5.49	12/11/07	11/20/37	247,872.39	249,118.91			(763.28)		247,109.11	254,024.43	5,668.80	0.00
GNMA	2006 FGH Single Family	5.70	10/25/07	10/20/37	955,813.24	967,659.11			(2,898.66)		952,914.58	973,969.64	9,209.19	0.00
GNMA	2006 FGH Single Family	5.15	10/25/07	10/20/37	2,235,367.81	2,205,035.62			(9,361.55)		2,226,006.26	2,252,084.87	56,410.80	0.00
GNMA	2006 FGH Single Family	5.15	11/08/07	10/20/37	597,995.58	589,890.20			(1,987.14)		596,008.44	602,999.47	15,096.41	0.00
GNMA	2006 FGH Single Family	5.70	11/08/07	10/20/37	472,406.84	478,268.87			(1,414.28)		470,992.56	481,406.15	4,551.56	0.00
GNMA	2006 FGH Single Family	5.49	11/08/07	09/20/37	417,184.63	419,266.91			(1,347.93)		415,836.70	427,457.85	9,538.87	0.00
GNMA	2006 FGH Single Family	5.49	01/16/08	12/20/37	248,112.31	249,370.13			(794.72)		247,317.59	254,249.04	5,673.63	0.00
GNMA	2006 FGH Single Family	5.70	12/28/07	12/20/37	237,062.39	240,017.42			(706.56)		236,355.83	241,595.32	2,284.46	0.00
GNMA	2006 FGH Single Family	5.49	12/11/07	11/20/37	153,145.80	153,915.95			(873.66)		152,272.14	156,533.46	3,491.17	0.00
GNMA	2006 FGH Single Family	5.49	12/11/07	11/20/37	409,435.68	411,494.69			(1,267.56)		408,168.12	419,590.66	9,363.53	0.00
GNMA	2006 FGH Single Family	5.70	12/11/07	12/20/37	407,882.08	412,958.90			(1,217.79)		406,664.29	415,671.57	3,930.46	0.00
GNMA	2006 FGH Single Family	5.49	12/11/07	11/20/37	439,536.19	441,746.57			(1,851.95)		437,684.24	449,932.79	10,038.17	0.00
GNMA	2006 FGH Single Family	5.15	12/11/07	11/20/37	89,353.29	88,145.39			(292.87)		89,060.42	90,108.36	2,255.84	0.00
GNMA	2006 FGH Single Family	5.49	12/20/07	11/20/37	160,299.52	161,107.27			(492.67)		159,806.85	164,280.69	3,666.09	0.00
GNMA	2006 FGH Single Family	5.70	12/20/07	12/20/37	210,559.27	213,182.21			(621.31)		209,937.96	214,589.87	2,028.97	0.00
GNMA	2006 FGH Single Family				58,607.08	59,322.00			(58,607.08)				(714.92)	0.00
GNMA	2006 FGH Single Family	5.15	01/30/08	01/20/38	68,320.42	67,355.65			(221.39)		68,099.03	68,883.56	1,749.30	0.00
GNMA	2006 FGH Single Family	5.70	01/16/08	11/20/37	82,506.35	83,536.50			(243.65)		82,262.70	84,087.90	795.05	0.00
GNMA	2006 FGH Single Family	5.15	01/16/08	12/20/37	821,410.70	810,339.41			(2,682.69)		818,728.01	828,395.18	20,738.46	0.00
GNMA	2006 FGH Single Family	5.49	01/30/08	12/20/37	190,552.04	191,520.96			(603.78)		189,948.26	195,274.81	4,357.63	0.00
GNMA	2006 FGH Single Family	5.49	01/30/08	12/20/37	176,727.03	177,625.65			(539.76)		176,187.27	181,127.94	4,042.05	0.00
GNMA	2006 FGH Single Family	5.15	01/30/08	12/20/37	271,943.94	268,282.64			(907.04)		271,036.90	274,241.35	6,865.75	0.00
GNMA	2006 FGH Single Family	5.49	02/13/08	01/20/38	105,573.85	106,096.37			(323.36)		105,250.49	108,218.60	2,445.59	0.00
GNMA	2006 FGH Single Family	5.70	01/30/08	12/20/37	76,853.39	77,814.22			(225.43)		76,627.96	78,329.41	740.62	0.00
GNMA	2006 FGH Single Family	5.49	02/13/08	01/20/38	74,396.27	73,346.90			(241.51)		74,154.76	75,010.19	1,904.80	0.00
GNMA	2006 FGH Single Family	5.49	02/13/08	01/20/38	122,112.22	122,716.59			(370.64)		121,741.58	125,174.75	2,828.80	0.00
GNMA	2006 FGH Single Family	5.49	02/13/08	01/20/38	1,319,475.91	1,326,006.39			(4,090.09)		1,315,385.82	1,352,480.23	30,563.93	0.00
GNMA	2006 FGH Single Family	5.49	02/13/08	12/20/37	162,712.43	163,542.28			(496.95)		162,215.48	166,766.87	3,721.54	0.00
GNMA	2006 FGH Single Family	5.15	04/08/08	03/20/38	153,491.27	151,335.43			(493.64)		152,997.63	154,771.97	3,930.18	0.00
GNMA	2006 FGH Single Family	5.15	04/17/08	03/20/38	114,992.51	113,378.56			(368.00)		114,624.51	115,955.00	2,944.44	0.00
GNMA	2006 FGH Single Family	5.49	04/17/08	03/20/38	294,046.94	295,523.20			(881.50)		293,165.44	301,454.18	6,812.48	0.00
GNMA	2006 FGH Single Family	5.15	03/12/08	02/20/38	330,253.68	325,605.27			(1,104.68)		329,149.00	332,956.09	8,455.50	0.00
GNMA	2006 FGH Single Family	5.49	03/12/08	02/20/38	219,212.52	220,304.16			(752.28)		218,460.24	224,627.73	5,075.85	0.00
GNMA	2006 FGH Single Family	5.49	03/12/08	03/20/38	368,304.25	370,138.71			(1,111.26)		367,192.99	377,559.82	8,532.37	0.00
GNMA	2006 FGH Single Family	5.70	02/19/08	12/20/37	109,077.53	110,443.58			(319.95)		108,757.58	111,174.79	1,051.16	0.00
GNMA	2006 FGH Single Family	5.15	02/19/08	02/20/38	132,471.26	130,603.65			(426.47)		132,044.79	133,568.98	3,391.80	0.00
GNMA	2006 FGH Single Family	5.49	02/19/08	02/20/38	181,412.35	182,311.50			(599.27)		180,813.08	185,913.40	4,201.17	0.00
GNMA	2006 FGH Single Family	5.49	02/27/08	02/20/38	185,887.54	186,810.39			(562.41)		185,325.13	190,554.26	4,306.28	0.00
GNMA	2006 FGH Single Family	5.49	02/27/08	01/20/38	195,193.30	196,162.35			(594.40)		194,598.90	200,089.71	4,521.76	0.00
GNMA	2006 FGH Single Family	5.49	02/27/08	02/20/38	271,755.99	273,105.13			(819.80)		270,936.19	278,580.93	6,295.60	0.00
GNMA	2006 FGH Single Family	5.49	03/20/08	02/20/38	155,286.93	156,061.65			(470.73)		154,816.20	159,188.36	3,597.44	0.00
GNMA	2006 FGH Single Family	5.49	03/20/08	03/20/38	206,808.71	207,840.47			(1,177.46)		205,631.25	211,438.69	4,775.68	0.00
GNMA	2006 FGH Single Family	5.70	03/27/08	03/20/38	209,582.77	212,152.89			(1,109.94)		208,472.83	213,100.58	2,057.63	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2006 FGH Single Family	5.49	04/17/08	03/20/38	146,245.51	146,979.74			(440.54)		145,804.97	149,927.35	3,388.15	0.00
GNMA	2006 FGH Single Family	5.70	04/22/08	12/20/37	121,612.23	123,143.85			(357.58)		121,254.65	123,958.15	1,171.88	0.00
GNMA	2006 FGH Single Family	5.49	04/22/08	03/20/38	113,992.17	114,565.05			(378.38)		113,613.79	116,826.61	2,639.94	0.00
GNMA	2006 FGH Single Family	5.15	04/22/08	04/20/38	85,286.09	84,089.59			(271.30)		85,014.79	86,002.12	2,183.83	0.00
GNMA	2006 FGH Single Family	5.49	04/22/08	03/20/38	119,208.94	119,808.03			(357.38)		118,851.56	122,212.50	2,761.85	0.00
GNMA	2006 FGH Single Family	5.49	05/07/08	04/20/38	486,933.54	489,389.08			(2,329.34)		484,604.20	498,316.63	11,256.89	0.00
GNMA	2006 FGH Single Family	5.15	05/14/08	04/20/38	541,300.40	532,727.20			(1,785.26)		539,515.14	544,794.43	13,852.49	0.00
GNMA	2006 FGH Single Family	5.49	05/14/08	04/20/38	492,776.72	495,265.24			(1,523.75)		491,252.97	505,157.11	11,415.62	0.00
GNMA	2006 FGH Single Family	5.49	05/21/08	04/20/38	129,955.69	130,613.03			(387.16)		129,568.53	133,236.84	3,010.97	0.00
GNMA	2006 FGH Single Family	5.15	05/21/08	05/20/38	554,450.53	546,689.10			(1,864.40)		552,586.13	559,021.71	14,197.01	0.00
GNMA	2006 FGH Single Family	5.49	05/28/08	05/20/38	356,420.14	358,225.86			(1,055.37)		355,364.77	365,428.73	8,258.24	0.00
GNMA	2006 FGH Single Family	5.49	05/28/08	04/20/38	78,015.10	78,410.35			(232.41)		77,782.69	79,985.50	1,807.56	0.00
GNMA	2006 FGH Single Family	5.15	06/11/08	05/20/38	286,474.44	282,470.82			(923.04)		285,551.40	288,883.44	7,335.66	0.00
GNMA	2006 FGH Single Family	5.70	07/09/08	06/20/38	255,746.71	258,912.82			(896.22)		254,850.49	260,537.80	2,521.20	0.00
GNMA	2006 FGH Single Family	5.49	07/09/08	06/20/38	338,028.23	339,756.59			(1,085.72)		336,942.51	346,500.88	7,830.01	0.00
GNMA	2006 FGH Single Family	5.15	07/16/08	06/20/38	149,365.35	147,283.71			(469.51)		148,895.84	150,639.22	3,825.02	0.00
GNMA	2006 FGH Single Family	5.15	07/16/08	06/20/38	75,734.33	74,678.86			(251.56)		75,482.77	76,366.58	1,939.28	0.00
GNMA	2006 FGH Single Family	5.70	07/16/08	11/20/37	68,589.04	69,459.48			(202.34)		68,386.70	69,918.04	660.90	0.00
GNMA	2006 FGH Single Family	5.15	06/18/08	06/20/38	417,821.46	411,985.54			(1,323.89)		416,497.57	421,361.02	10,699.37	0.00
GNMA	2006 FGH Single Family	5.49	06/25/08	05/20/38	112,331.26	112,903.79			(332.96)		111,998.30	115,173.60	2,602.77	0.00
GNMA	2006 FGH Single Family	5.15	06/25/08	06/20/38	189,348.97	186,705.75			(747.98)		188,600.99	190,804.83	4,847.06	0.00
GNMA	2006 FGH Single Family	5.15	06/25/08	06/20/38	100,659.15	99,254.00			(316.44)		100,342.71	101,515.23	2,577.67	0.00
GNMA	2006 FGH Single Family	5.70	06/25/08	05/20/38	1,076,520.48	1,089,829.98			(3,097.36)		1,073,423.12	1,097,360.14	10,627.52	0.00
GNMA	2006 FGH Single Family	5.49	07/16/08	07/20/38	263,545.91	264,895.58			(771.37)		262,774.54	270,231.10	6,106.89	0.00
GNMA	2006 FGH Single Family	5.70	07/23/08	07/20/38	195,944.58	198,373.36			(551.27)		195,393.31	199,756.99	1,934.90	0.00
GNMA	2006 FGH Single Family	5.49	07/23/08	07/20/38	445,955.22	448,242.22			(1,403.69)		444,551.53	457,169.94	10,331.41	0.00
GNMA	2006 FGH Single Family	5.49	07/23/08	07/20/38	209,642.40	210,717.51			(768.86)		208,873.54	214,802.33	4,853.68	0.00
GNMA	2006 FGH Single Family	5.15	07/23/08	07/20/38	150,006.38	147,916.86			(480.40)		149,525.98	151,277.96	3,841.50	0.00
GNMA	2006 FGH Single Family	5.49	07/29/08	07/20/38	164,936.13	165,783.15			(913.15)		164,022.98	168,679.73	3,809.73	0.00
GNMA	2006 FGH Single Family	5.15	07/29/08	07/20/38	236,740.90	233,444.86			(740.87)		236,000.03	238,766.68	6,062.69	0.00
GNMA	2006 FGH Single Family	5.70	08/27/08	06/20/38	85,345.76	86,407.05			(304.35)		85,041.41	86,943.88	841.18	0.00
GNMA	2006 FGH Single Family	5.49	08/27/08	08/20/38	105,166.10	105,709.60			(448.73)		104,717.37	107,693.87	2,433.00	0.00
GNMA	2006 FGH Single Family	5.49	08/13/08	07/20/38	225,259.66	226,420.14			(661.45)		224,598.21	230,978.48	5,219.79	0.00
GNMA	2006 FGH Single Family	5.15	08/13/08	07/20/38	462,189.82	455,762.33			(1,570.38)		460,619.44	466,026.86	11,834.91	0.00
GNMA	2006 FGH Single Family	5.15	08/13/08	08/20/38	368,736.96	363,609.09			(1,257.96)		367,479.00	371,793.38	9,442.25	0.00
GNMA	2006 FGH Single Family	5.70	08/20/08	08/20/38	114,663.73	116,088.65			(1,168.56)		113,495.17	116,033.36	1,113.27	0.00
GNMA	2006 FGH Single Family	5.15	08/27/08	07/20/38	143,815.83	141,818.14			(448.46)		143,367.37	145,052.78	3,683.10	0.00
GNMA	2006 FGH Single Family	5.49	08/27/08	07/20/38	89,401.51	89,863.54			(261.69)		89,139.82	91,673.54	2,071.69	0.00
GNMA	2006 FGH Single Family	5.70	09/10/08	08/20/38			122,685.96				122,685.96	125,432.61	2,746.65	0.00
GNMA	2006 FGH Single Family	5.15	09/10/08	08/20/38			294,949.72				294,949.72	298,421.63	3,471.91	0.00
GNMA	2006 FGH Single Family	5.15	09/24/08	08/20/38			87,848.59				87,848.59	88,884.02	1,035.43	0.00
GNMA	2006 FGH Single Family	5.70	09/24/08	08/20/38			102,636.21				102,636.21	104,935.59	2,299.38	0.00
GNMA	2006 FGH Single Family	5.70	10/08/08	09/20/38			158,092.26				158,092.26	161,636.64	3,544.38	0.00
GNMA	2006 FGH Single Family	5.15	10/08/08	09/20/38			357,498.01				357,498.01	361,717.54	4,219.53	0.00
GNMA	2006 FGH Single Family	5.70	10/15/08	09/20/38			66,008.66				66,008.66	67,489.10	1,480.44	0.00
GNMA	2006 FGH Single Family	5.15	10/15/08	05/20/38			169,923.73				169,923.73	171,930.55	2,006.82	0.00
GNMA	2006 FGH Single Family	5.70	10/15/08	05/20/38			109,902.39				109,902.39	112,367.17	2,464.78	0.00
GNMA	2006 FGH Single Family	5.15	10/22/08	09/20/38			279,142.07				279,142.07	282,441.06	3,298.99	0.00
GNMA	2006 FGH Single Family	5.49	10/22/08	08/20/38			131,451.90				131,451.90	135,196.66	3,744.76	0.00
GNMA	2006 FGH Single Family	5.15	11/12/08	09/20/38			115,646.75				115,646.75	117,016.22	1,369.47	0.00
GNMA	2006 FGH Single Family	5.49	11/12/08	10/20/38			122,109.39				122,109.39	125,590.92	3,481.53	0.00
GNMA	2006 FGH Single Family	5.49	11/25/08	10/20/38			149,459.46				149,459.46	153,723.12	4,263.66	0.00
GNMA	2006 FGH Single Family	5.15	11/25/08	10/20/38			111,311.60				111,311.60	112,631.45	1,319.85	0.00
GNMA	2006 FGH Single Family	5.70	11/25/08	09/20/38			78,230.31				78,230.31	79,988.42	1,758.11	0.00
FNMA	2006 FGH Single Family	5.49	01/30/07	01/01/37	1,174,638.14	1,166,110.98			(5,721.82)		1,168,916.32	1,194,475.39	34,086.23	0.00
FNMA	2006 FGH Single Family	5.70	02/13/07	01/01/37	197,998.13	198,434.01			(638.28)		197,359.85	202,164.26	4,368.53	0.00
FNMA	2006 FGH Single Family	5.15	02/13/07	01/01/37	169,571.98	165,505.19			(1,226.77)		168,345.21	170,899.05	6,620.63	0.00
FNMA	2006 FGH Single Family	5.49	02/13/07	02/01/37	1,374,775.98	1,365,979.69			(5,138.03)		1,369,637.95	1,399,898.51	39,056.85	0.00
FNMA	2006 FGH Single Family	5.49	02/13/07	02/01/37	91,389.70	90,726.90			(626.83)		90,762.87	92,748.10	2,648.03	0.00
FNMA	2006 FGH Single Family	5.49	02/20/07	02/01/37	1,228,547.77	1,219,641.57			(4,540.45)		1,224,007.32	1,250,783.58	35,682.46	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2006 FGH Single Family	5.15	02/21/07	02/01/37	210,777.65	205,454.49			(744.75)		210,032.90	213,175.91	8,466.17	0.00
FNMA	2006 FGH Single Family	5.49	03/07/07	02/01/37	2,438,840.93	2,421,175.37			(8,203.14)		2,430,637.79	2,483,827.59	70,855.36	0.00
FNMA	2006 FGH Single Family	5.49	03/06/07	01/01/37	233,940.24	232,445.27			(786.70)		233,153.54	238,306.95	6,648.38	0.00
FNMA	2006 FGH Single Family	5.15	03/20/07	02/01/37	340,135.87	331,549.80			(1,266.62)		338,869.25	343,944.02	13,660.84	0.00
FNMA	2006 FGH Single Family	5.49	03/20/07	02/01/37	1,681,066.63	1,668,900.02			(93,189.59)		1,587,877.04	1,622,632.80	46,922.37	0.00
FNMA	2006 FGH Single Family	5.49	03/20/07	02/01/37	83,010.71	82,409.92			(274.76)		82,735.95	84,546.89	2,411.73	0.00
FNMA	2006 FGH Single Family	5.15	03/27/07	12/01/36	111,046.82	108,385.57			(441.27)		110,605.55	112,285.49	4,341.19	0.00
FNMA	2006 FGH Single Family	5.70	04/10/07	03/01/37	465,889.40	466,927.22			(2,420.70)		463,468.70	474,763.50	10,256.98	0.00
FNMA	2006 FGH Single Family	5.15	04/10/07	03/01/37	422,037.28	411,387.89			(1,510.59)		420,526.69	426,828.62	16,951.32	0.00
FNMA	2006 FGH Single Family	5.49	04/10/07	03/01/37	2,595,196.07	2,576,439.38			(10,339.06)		2,584,857.01	2,641,461.40	75,361.08	0.00
FNMA	2006 FGH Single Family	5.49	04/10/07	04/20/37	366,920.28	366,551.52			(1,477.92)		365,442.36	375,765.41	10,691.81	0.00
FNMA	2006 FGH Single Family	5.70	04/24/07	04/01/37	63,306.57	63,448.04			(296.02)		63,010.55	64,546.58	1,394.56	0.00
FNMA	2006 FGH Single Family	5.15	04/24/07	03/01/37	559,298.43	545,188.78			(3,088.82)		556,209.61	564,548.26	22,448.30	0.00
FNMA	2006 FGH Single Family	5.49	04/24/07	04/01/37	1,130,117.39	1,121,957.43			(3,927.80)		1,126,189.59	1,150,859.53	32,829.90	0.00
FNMA	2006 FGH Single Family	5.49	04/24/07	04/01/37	329,233.50	326,856.28			(1,089.97)		328,143.53	335,331.73	9,565.42	0.00
FNMA	2006 FGH Single Family	5.15	05/08/07	04/01/37	428,739.93	417,926.86			(114,929.52)		313,810.41	318,517.27	15,519.93	0.00
FNMA	2006 FGH Single Family	5.49	05/08/07	05/01/37	238,837.91	237,114.81			(778.61)		238,059.30	243,275.85	6,939.65	0.00
FNMA	2006 FGH Single Family	5.49	05/22/07	04/01/37	286,992.72	284,923.93			(980.39)		286,012.33	292,281.15	8,337.61	0.00
FNMA	2006 FGH Single Family	5.70	05/22/07	04/01/37	232,780.32	233,303.32			(751.84)		232,028.48	237,687.58	5,136.10	0.00
FNMA	2006 FGH Single Family	5.15	06/05/07	05/01/37	611,586.88	596,950.56			(2,266.98)		609,319.90	618,595.76	23,912.18	0.00
FNMA	2006 FGH Single Family	5.70	06/19/07	06/01/37	558,933.66	560,196.76			(1,976.09)		556,957.57	570,549.63	12,328.96	0.00
FNMA	2006 FGH Single Family	5.49	06/19/07	06/01/37	877,322.81	871,010.00			(3,050.09)		874,272.72	893,447.57	25,487.66	0.00
FNMA	2006 FGH Single Family	5.70	07/03/07	06/01/37	548,274.97	549,517.84			(2,003.22)		546,271.75	559,606.39	12,091.77	0.00
FNMA	2006 FGH Single Family	5.49	07/03/07	05/01/37	639,452.98	634,855.60			(2,210.55)		637,242.43	651,221.93	18,576.88	0.00
FNMA	2006 FGH Single Family	5.49	07/03/07	06/01/37	290,279.07	288,192.38			(1,000.07)		289,279.00	295,625.35	8,433.04	0.00
FNMA	2006 FGH Single Family	5.15	07/17/07	06/01/37	507,773.65	494,983.23			(1,814.09)		505,959.56	513,564.99	20,395.85	0.00
FNMA	2006 FGH Single Family	5.70	08/07/07	07/01/37	1,012,352.98	1,019,603.52			(3,893.73)		1,008,459.25	1,038,078.48	22,368.69	0.00
FNMA	2006 FGH Single Family	5.15	08/07/07	06/01/37	212,841.03	208,491.62			(730.61)		212,110.42	216,339.60	8,578.59	0.00
FNMA	2006 FGH Single Family	5.49	08/07/07	07/01/37	965,748.50	963,489.05			(3,121.94)		962,626.56	988,508.73	28,141.62	0.00
FNMA	2006 FGH Single Family	5.49	08/07/07	07/01/37	158,439.47	158,068.79			(504.68)		157,934.79	162,181.19	4,617.08	0.00
FNMA	2006 FGH Single Family	5.49	08/23/07	07/01/37	476,351.53	475,243.80			(2,021.08)		474,330.45	487,090.67	13,867.95	0.00
FNMA	2006 FGH Single Family	5.70	08/23/07	06/01/37	267,861.18	269,783.16			(848.38)		267,012.80	274,858.50	5,923.72	0.00
FNMA	2006 FGH Single Family	5.15	09/11/07	08/01/37	609,105.48	596,678.26			(2,132.85)		606,972.63	619,095.42	24,550.01	0.00
FNMA	2006 FGH Single Family	5.49	09/11/07	08/01/37	626,647.32	625,201.44			(3,641.94)		623,005.38	639,776.17	18,216.67	0.00
FNMA	2006 FGH Single Family	5.49	09/11/07	08/01/37	153,316.62	152,962.86			(487.20)		152,829.42	156,943.47	4,467.81	0.00
FNMA	2006 FGH Single Family	5.70	09/25/07	09/01/37	517,508.75	521,238.87			(1,960.10)		515,548.65	530,714.82	11,436.05	0.00
FNMA	2006 FGH Single Family	5.49	09/25/07	08/01/37	539,421.61	538,183.51			(1,772.75)		537,648.86	552,129.17	15,718.41	0.00
FNMA	2006 FGH Single Family	5.49	09/25/07	08/01/37	531,583.23	530,363.12			(2,842.53)		528,740.70	542,981.09	15,460.50	0.00
FNMA	2006 FGH Single Family	5.15	09/25/07	08/01/37	239,904.11	235,012.34			(812.25)		239,091.86	243,870.34	9,670.25	0.00
FNMA	2006 FGH Single Family	5.49	10/09/07	05/01/37	208,849.41	209,422.41			(852.56)		207,996.85	214,596.18	6,026.33	0.00
FNMA	2006 FGH Single Family	5.49	10/09/07	09/01/37	318,282.03	319,156.56			(1,019.99)		317,262.04	327,329.45	9,192.88	0.00
FNMA	2006 FGH Single Family	5.15	10/25/07	10/01/37	994,049.34	978,446.24			(4,832.53)		989,216.81	1,005,649.69	32,035.98	0.00
FNMA	2006 FGH Single Family	5.49	10/25/07	10/01/37	1,006,582.62	1,009,363.65			(4,011.71)		1,002,570.91	1,034,400.32	29,048.38	0.00
FNMA	2006 FGH Single Family	5.70	10/25/07	10/01/37	455,093.52	460,257.13			(1,487.70)		453,605.82	466,142.68	7,373.25	0.00
FNMA	2006 FGH Single Family	5.49	11/08/07	10/01/37	259,309.05	260,028.63			(830.44)		258,478.61	266,688.24	7,490.05	0.00
FNMA	2006 FGH Single Family	5.49	11/08/07	10/01/37	340,372.79	341,317.32			(1,079.93)		339,292.86	350,069.26	9,831.87	0.00
FNMA	2006 FGH Single Family	5.49	11/08/07	09/01/37	82,784.16	83,013.81			(258.66)		82,525.50	85,146.53	2,391.38	0.00
FNMA	2006 FGH Single Family	5.70	11/21/07	10/01/37	497,491.88	503,148.74			(1,599.96)		495,891.92	509,609.83	8,061.05	0.00
FNMA	2006 FGH Single Family	5.49	11/21/07	05/01/37	136,423.44	136,803.12			(439.37)		135,984.07	140,303.96	3,940.21	0.00
FNMA	2006 FGH Single Family	5.49	11/21/07	10/01/37	475,845.05	477,171.30			(2,076.78)		473,768.27	488,821.22	13,726.70	0.00
FNMA	2006 FGH Single Family	5.70	11/28/07	10/01/37	103,038.80	104,211.06			(804.75)		102,234.05	105,062.80	1,656.49	0.00
FNMA	2006 FGH Single Family	5.15	12/11/07	11/01/37	823,905.14	811,007.11			(2,943.24)		820,961.90	834,635.96	26,572.09	0.00
FNMA	2006 FGH Single Family	5.49	12/11/07	11/01/37	717,671.71	719,685.02			(3,155.27)		714,516.44	737,232.76	20,703.01	0.00
FNMA	2006 FGH Single Family	5.15	12/11/07	12/01/37	343,357.41	337,982.57			(1,987.14)		341,370.27	347,056.53	11,061.10	0.00
FNMA	2006 FGH Single Family	5.70	12/11/07	11/01/37	329,126.78	332,875.25			(977.37)		328,149.41	337,233.52	5,335.64	0.00
FNMA	2006 FGH Single Family	5.49	12/20/07	10/01/37	151,711.41	152,138.24			(471.86)		151,239.55	156,048.95	4,382.57	0.00
FNMA	2006 FGH Single Family	5.15	12/28/07	12/01/37	219,691.07	216,255.35			(727.52)		218,963.55	222,614.24	7,086.41	0.00
FNMA	2006 FGH Single Family	5.15	12/28/07	11/01/37	217,447.82	214,046.97			(716.51)		216,731.31	220,344.55	7,014.09	0.00
FNMA	2006 FGH Single Family	5.70	12/28/07	12/01/37	214,347.35	216,792.08			(638.60)		213,708.75	219,628.36	3,474.88	0.00
FNMA	2006 FGH Single Family	5.49	12/28/07	01/01/36	86,054.38	86,361.93			(306.45)		85,747.93	88,506.53	2,451.05	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2006 FGH Single Family	5.49	01/16/08	12/01/37	266,358.72	267,114.86			(7,991.90)		258,366.82	266,589.86	7,466.90	0.00
FNMA	2006 FGH Single Family	5.15	01/16/08	01/01/38	269,418.23	265,209.66			(882.40)		268,535.83	273,017.70	8,690.44	0.00
FNMA	2006 FGH Single Family	5.49	01/30/08	12/01/37	242,775.20	243,467.58			(751.57)		242,023.63	249,729.54	7,013.53	0.00
FNMA	2006 FGH Single Family	5.70	01/30/08	12/01/37	105,987.03	107,199.11			(312.63)		105,674.40	108,604.70	1,718.22	0.00
FNMA	2006 FGH Single Family	5.15	01/30/08	11/01/37	115,692.85	113,886.88			(381.12)		115,311.73	117,237.59	3,731.83	0.00
FNMA	2006 FGH Single Family	5.15	01/30/08	01/01/38	302,698.29	297,973.46			(988.56)		301,709.73	306,749.30	9,764.40	0.00
FNMA	2006 FGH Single Family	5.49	02/13/08	01/01/38	292,484.68	293,322.68			(2,359.24)		290,125.44	299,366.81	8,403.37	0.00
FNMA	2006 FGH Single Family	5.49	02/13/08	01/01/38	262,178.11	262,897.51			(1,517.13)		260,660.98	268,937.49	7,557.11	0.00
FNMA	2006 FGH Single Family	5.49	02/13/08	01/01/38	225,924.49	226,544.41			(689.41)		225,235.08	232,386.75	6,531.75	0.00
FNMA	2006 FGH Single Family	5.70	02/13/08	02/01/38	174,283.59	176,240.31			(532.40)		173,751.19	178,552.45	2,844.54	0.00
FNMA	2006 FGH Single Family	5.15	02/19/08	12/01/37	138,737.67	136,574.59			(454.30)		138,283.37	140,595.58	4,475.29	0.00
FNMA	2006 FGH Single Family	5.49	02/19/08	12/01/37	128,561.74	128,930.73			(394.79)		128,166.95	132,250.12	3,714.18	0.00
FNMA	2006 FGH Single Family	5.49	02/19/08	01/01/38	160,124.38	160,564.56			(488.77)		159,635.61	164,705.37	4,629.58	0.00
FNMA	2006 FGH Single Family	5.49	02/27/08	12/01/37	272,691.16	273,475.76			(873.88)		271,817.28	280,478.88	7,877.00	0.00
FNMA	2006 FGH Single Family	5.15	03/12/08	02/01/38	317,328.41	312,188.50			(1,033.11)		316,295.30	321,491.82	10,336.43	0.00
FNMA	2006 FGH Single Family	5.49	03/20/08	12/01/37	247,641.33	248,358.88			(1,358.85)		246,282.48	254,135.53	7,135.50	0.00
FNMA	2006 FGH Single Family	5.49	03/20/08	02/01/38	416,528.16	417,735.48			(1,351.52)		415,176.64	428,415.55	12,031.59	0.00
FNMA	2006 FGH Single Family	5.49	03/20/08	02/01/38	215,252.00	215,849.83			(656.71)		214,595.29	221,416.51	6,223.39	0.00
FNMA	2006 FGH Single Family	5.15	03/27/08	03/01/38	236,042.05	232,369.86			(1,040.02)		235,002.03	238,939.91	7,610.07	0.00
FNMA	2006 FGH Single Family	5.49	04/08/08	01/01/38	127,766.43	128,123.35			(390.69)		127,375.74	131,426.81	3,694.15	0.00
FNMA	2006 FGH Single Family	5.49	04/08/08	02/01/38	112,546.76	112,861.28			(642.15)		111,904.61	115,463.64	3,244.51	0.00
FNMA	2006 FGH Single Family	5.49	04/08/08	03/01/38	200,836.87	201,398.12			(718.76)		200,118.11	206,482.91	5,803.55	0.00
FNMA	2006 FGH Single Family	5.15	04/17/08	03/01/38	122,570.06	120,588.76			(396.84)		122,173.22	124,184.59	3,992.67	0.00
FNMA	2006 FGH Single Family	5.70	04/22/08	12/01/37	103,151.37	104,338.92			(305.04)		102,846.33	105,706.22	1,672.34	0.00
FNMA	2006 FGH Single Family	5.49	04/22/08	02/01/38	187,294.95	187,820.82			(571.00)		186,723.95	192,665.08	5,415.26	0.00
FNMA	2006 FGH Single Family	5.49	04/22/08	06/01/37	98,549.42	98,837.77			(314.08)		98,235.34	101,370.37	2,846.68	0.00
Repo Agmt	2006 FGH Single Family	0.35	11/26/08	12/01/08	7,764,515.74	7,764,515.74		(3,055,160.48)			4,709,355.26	4,709,355.26	-	0.00
Repo Agmt	2006 FGH Single Family	0.35	11/26/08	12/01/08	22,617.09	22,617.09	2,881.88				25,498.97	25,498.97	-	0.00
	2006 FGH Single Family Total				134,341,450.59	133,918,403.67	5,571,556.72	(8,106,231.08)	(1,254,750.18)	0.00	130,552,026.05	133,113,692.21	2,984,713.08	0.00
Repo Agmt	2007A Single Family	0.35	11/26/08	12/01/08	683,536.85	683,536.85		(3,035.64)			680,501.21	680,501.21	-	0.00
Inv Agmt	2007A Single Family	5.06	06/05/07	09/01/09	155,376.05	155,376.05		(105,162.85)			50,213.20	50,213.20	-	0.00
Repo Agmt	2007A Single Family	0.35	11/26/08	12/01/08	4,774,043.52	4,774,043.52		(4,609,860.15)			164,183.37	164,183.37	-	0.00
Inv Agmt	2007A Single Family	4.32	10/01/07	09/01/38	1,188,456.19	1,188,456.19	2,035,140.49				3,223,596.68	3,223,596.68	-	0.00
Freddie Mac	2007A Single Family	4.75	05/07/08	04/01/38	269,785.87	256,973.50			(935.12)		268,850.75	269,272.94	13,234.56	0.00
Freddie Mac	2007A Single Family	5.49	05/07/08	01/01/38	297,004.97	295,302.73			(1,165.22)		295,839.75	302,685.06	8,547.55	0.00
Freddie Mac	2007A Single Family	5.49	05/07/08	03/01/38	208,383.36	207,189.25			(637.14)		207,746.22	212,553.38	6,001.27	0.00
Freddie Mac	2007A Single Family	5.49	05/28/08	03/01/38	273,467.69	271,904.73			(835.31)		272,632.38	278,945.20	7,875.78	0.00
Freddie Mac	2007A Single Family	4.75	06/18/08	05/01/38	354,228.38	337,416.30			(11,876.25)		342,352.13	342,900.45	17,360.40	0.00
Freddie Mac	2007A Single Family	5.49	06/18/08	05/01/38	368,570.30	366,469.71			(1,418.41)		367,151.89	375,659.37	10,608.07	0.00
Freddie Mac	2007A Single Family	5.49	06/25/08	06/01/38	325,082.31	323,231.20			(971.45)		324,110.86	331,622.68	9,362.93	0.00
Freddie Mac	2007A Single Family	4.75	06/25/08	05/01/38	77,245.91	73,583.99			(279.01)		76,966.90	77,094.43	3,789.45	0.00
Freddie Mac	2007A Single Family	5.49	06/25/08	03/01/38	197,209.98	196,087.01			(601.25)		196,608.73	201,165.28	5,679.52	0.00
Freddie Mac	2007A Single Family	5.49	07/16/08	06/01/38	138,309.99	137,524.49			(420.25)		137,889.74	141,087.85	3,983.61	0.00
Freddie Mac	2007A Single Family	5.49	07/16/08	05/01/38	220,535.24	219,282.77			(667.92)		219,867.32	224,966.52	6,351.67	0.00
Freddie Mac	2007A Single Family	5.49	07/23/08	06/01/38	156,278.61	155,391.85			(465.25)		155,813.36	159,427.97	4,501.37	0.00
Freddie Mac	2007A Single Family	4.75	07/23/08	07/01/38	168,152.78	160,176.09			(578.48)		167,574.30	167,847.08	8,249.47	0.00
Freddie Mac	2007A Single Family	5.49	08/13/08	07/01/38	140,724.98	139,928.73			(415.88)		140,309.10	143,566.21	4,053.36	0.00
Freddie Mac	2007A Single Family	5.49	08/20/08	04/01/38	192,980.27	191,889.32			(580.50)		192,399.77	196,867.10	5,558.28	0.00
Freddie Mac	2007A Single Family	5.49	09/17/08	07/01/38			25,887.31				25,887.31	26,488.95	601.64	0.00
Freddie Mac	2007A Single Family	5.49	10/08/08	09/01/38			127,582.46				127,582.46	130,549.54	2,967.08	0.00
Freddie Mac	2007A Single Family	5.49	10/08/08	08/01/38			114,734.27				114,734.27	117,402.54	2,668.27	0.00
Freddie Mac	2007A Single Family	5.49	10/22/08	08/01/38			131,760.69				131,760.69	134,826.29	3,065.60	0.00
FNMA	2007A Single Family	6.25	02/20/98	01/01/28	117,505.17	120,930.53			(1,608.60)		115,896.57	119,817.44	495.51	0.00
FNMA	2007A Single Family	6.25	03/27/98	03/01/28	224,011.55	230,505.70			(2,066.08)		221,945.47	229,418.43	978.81	0.00
FNMA	2007A Single Family	6.25	06/29/98	05/01/28	125,703.27	129,347.44			(67,523.16)		58,180.11	60,139.08	(1,685.20)	0.00
GNMA	2007A Single Family	6.25	02/20/98	01/20/28	1,275,306.53	1,309,688.68			(32,274.12)		1,243,032.41	1,268,191.34	(9,223.22)	0.00
FNMA	2007A Single Family	6.25	11/30/98	09/01/28	253,465.53	260,813.50			(1,750.64)		251,714.89	260,190.15	1,127.29	0.00
GNMA	2007A Single Family	6.25	03/27/98	03/20/28	2,576,867.71	2,646,340.01			(102,288.52)		2,474,579.19	2,524,664.63	(19,386.86)	0.00
GNMA	2007A Single Family	6.25	05/19/98	05/20/28	1,532,799.63	1,574,123.88			(61,844.55)		1,470,955.08	1,500,727.21	(11,552.12)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2007A Single Family	5.45	07/28/00	06/20/30	1,082,215.40	1,076,652.77			(9,514.54)		1,072,700.86	1,093,597.03	26,458.80	0.00
GNMA	2007A Single Family	6.25	08/14/98	07/20/28	911,996.63	936,584.06			(8,792.11)		903,204.52	921,485.41	(6,306.54)	0.00
GNMA	2007A Single Family	6.25	06/29/98	06/20/28	444,030.22	456,001.29			(3,000.82)		441,029.40	449,955.86	(3,044.61)	0.00
GNMA	2007A Single Family	6.25	09/18/98	09/20/28	675,480.76	693,691.73			(4,299.53)		671,181.23	684,765.94	(4,626.26)	0.00
FNMA	2007A Single Family	6.25	03/31/99	11/01/28	120,629.89	124,126.87			(1,959.45)		118,670.44	122,665.99	498.57	0.00
GNMA	2007A Single Family	6.25	11/30/98	11/20/28	531,099.50	545,417.92			(3,475.79)		527,623.71	538,302.79	(3,639.34)	0.00
GNMA	2007A Single Family	6.25	11/30/98	10/20/28	465,290.01	477,834.17			(3,340.95)		461,949.06	471,298.85	(3,194.37)	0.00
GNMA	2007A Single Family	6.25	11/30/98	10/20/28	157,168.69	161,406.00			(983.42)		156,185.27	159,346.52	(1,076.06)	0.00
FNMA	2007A Single Family	6.25	05/27/99	11/01/28	94,948.92	97,716.67			(4,403.35)		90,545.57	93,608.71	295.39	0.00
GNMA	2007A Single Family	6.25	02/16/99	02/20/29	923,763.20	948,409.22			(8,963.53)		914,799.67	933,141.41	(6,304.28)	0.00
GNMA	2007A Single Family	6.25	03/31/99	02/20/29	60,572.81	62,188.91			(950.44)		59,622.37	60,817.81	(420.66)	0.00
GNMA	2007A Single Family	6.25	05/27/99	05/20/29	340,322.43	349,402.23			(2,170.31)		338,152.12	344,932.06	(2,299.86)	0.00
GNMA	2007A Single Family	5.45	07/30/99	07/20/29	697,451.02	694,026.50			(5,028.76)		692,422.26	706,139.12	17,141.38	0.00
GNMA	2007A Single Family	5.45	08/26/99	08/20/29	670,478.42	667,186.32			(4,953.63)		665,524.79	678,708.78	16,476.09	0.00
FNMA	2007A Single Family	5.45	09/20/99	08/01/29	102,431.44	101,667.92			(624.28)		101,807.16	104,150.39	3,106.75	0.00
GNMA	2007A Single Family	5.45	09/20/99	09/20/29	331,396.24	329,769.07			(2,287.03)		329,109.21	335,628.86	8,146.82	0.00
FNMA	2007A Single Family	5.45	12/20/99	12/01/29	369,267.74	366,513.00			(2,926.22)		366,341.52	374,771.04	11,184.26	0.00
FNMA	2007A Single Family	5.45	01/19/00	12/01/29	264,778.95	262,803.69			(2,362.82)		262,416.13	268,454.32	8,013.45	0.00
GNMA	2007A Single Family	5.45	10/28/99	10/20/29	1,199,673.01	1,193,782.56			(9,005.85)		1,190,667.16	1,214,254.22	29,477.51	0.00
GNMA	2007A Single Family	5.45	11/18/99	11/20/29	173,082.40	172,232.54			(2,019.64)		171,062.76	174,451.49	4,238.59	0.00
GNMA	2007A Single Family	5.45	12/30/99	12/20/29	2,227,930.31	2,216,991.11			(21,545.94)		2,206,384.37	2,250,092.78	54,647.61	0.00
GNMA	2007A Single Family	5.45	01/28/00	01/20/30	729,054.97	725,307.64			(4,390.31)		724,664.66	738,781.16	17,863.83	0.00
GNMA	2007A Single Family	5.45	02/22/00	01/20/30	307,957.52	306,374.57			(1,916.91)		306,040.61	312,002.22	7,544.56	0.00
GNMA	2007A Single Family	5.45	03/27/00	02/20/30	428,062.46	425,862.25			(3,449.47)		424,612.99	432,884.48	10,471.70	0.00
FNMA	2007A Single Family	5.45	04/27/00	03/01/30	275,762.80	273,678.03			(1,819.02)		273,943.78	279,814.38	7,955.37	0.00
GNMA	2007A Single Family	5.45	04/27/00	04/20/30	500,736.46	498,162.67			(4,651.77)		496,084.69	505,748.43	12,237.53	0.00
GNMA	2007A Single Family	5.45	05/30/00	04/20/30	93,963.40	93,480.47			(555.51)		93,407.89	95,227.52	2,302.56	0.00
GNMA	2007A Single Family	5.45	06/21/00	05/20/30	574,950.69	571,995.42			(3,490.89)		571,459.80	582,591.80	14,087.27	0.00
GNMA	2007A Single Family	5.45	09/18/00	09/20/30	1,052,035.87	1,046,628.36			(93,535.38)		958,500.49	977,172.03	24,079.05	0.00
FNMA	2007A Single Family	5.45	07/24/00	06/01/30	141,896.84	140,824.07			(1,621.49)		140,275.35	143,281.42	4,078.84	0.00
GNMA	2007A Single Family	5.49	11/21/07	10/20/37	714,688.78	716,936.30			(2,232.28)		712,456.50	731,037.52	16,333.50	0.00
GNMA	2007A Single Family	4.75	11/21/07	10/20/37	316,501.78	305,551.97			(1,127.70)		315,374.08	315,845.67	11,421.40	0.00
GNMA	2007A Single Family	5.49	11/21/07	10/20/37	638,831.38	642,029.69			(1,990.20)		636,841.18	654,648.55	14,609.06	0.00
GNMA	2007A Single Family	4.75	09/25/07	08/20/37	348,589.90	336,442.81			(1,262.20)		347,327.70	347,757.35	12,576.74	0.00
GNMA	2007A Single Family	5.49	09/25/07	09/20/37	2,379,687.56	2,390,984.59			(8,449.15)		2,371,238.41	2,436,919.27	54,383.83	0.00
GNMA	2007A Single Family	4.75	09/25/07	09/20/37	6,440,540.73	6,216,117.55			(25,748.90)		6,414,791.83	6,422,740.01	232,371.36	0.00
GNMA	2007A Single Family	5.49	09/25/07	08/20/37	134,548.63	135,187.23			(421.46)		134,127.17	137,842.07	3,076.30	0.00
GNMA	2007A Single Family	5.49	10/09/07	09/20/37	965,343.50	970,130.37			(3,272.78)		962,070.72	988,925.14	22,067.55	0.00
GNMA	2007A Single Family	4.75	10/09/07	09/20/37	2,172,098.42	2,096,851.97			(8,640.26)		2,163,458.16	2,166,590.20	78,378.49	0.00
GNMA	2007A Single Family	5.49	08/23/07	08/20/37	474,607.64	476,936.48			(1,681.80)		472,925.84	486,102.10	10,847.42	0.00
GNMA	2007A Single Family	5.49	08/23/07	08/20/37	1,792,226.92	1,801,021.12			(5,658.46)		1,786,568.46	1,836,344.29	40,981.63	0.00
GNMA	2007A Single Family	4.75	08/23/07	08/20/37	4,640,819.20	4,479,819.52			(17,619.88)		4,623,199.32	4,629,658.19	167,458.55	0.00
GNMA	2007A Single Family	5.49	09/11/07	09/20/37	464,401.97	469,356.08			(1,429.21)		462,972.76	478,575.63	10,648.76	0.00
GNMA	2007A Single Family	5.49	09/11/07	08/20/37	1,090,006.27	1,101,631.93			(5,358.67)		1,084,647.60	1,121,199.57	24,926.31	0.00
GNMA	2007A Single Family	4.75	09/11/07	08/20/37	5,000,607.19	4,842,474.93			(18,759.29)		4,981,847.90	5,004,878.64	181,163.00	0.00
GNMA	2007A Single Family	4.75	11/21/07	10/20/37	480,891.63	464,254.53			(1,921.22)		478,970.41	479,686.63	17,353.32	0.00
GNMA	2007A Single Family	5.49	11/21/07	10/20/37	403,403.22	404,671.82			(1,395.75)		402,007.47	412,491.91	9,215.84	0.00
GNMA	2007A Single Family	5.49	11/21/07	10/20/37	1,325,821.15	1,332,458.88			(4,352.56)		1,321,468.59	1,358,419.52	30,313.20	0.00
GNMA	2007A Single Family	4.75	11/21/07	10/20/37	134,632.28	129,974.50			(478.26)		134,154.02	134,354.63	4,858.39	0.00
GNMA	2007A Single Family	5.49	12/11/07	11/20/37	617,301.31	620,405.65			(2,558.71)		614,742.60	631,946.12	14,099.18	0.00
GNMA	2007A Single Family	4.75	12/11/07	11/20/37	1,269,073.85	1,225,195.79			(5,302.78)		1,263,771.07	1,265,688.98	45,795.97	0.00
GNMA	2007A Single Family	5.49	10/25/07	10/20/37	812,502.50	816,546.33			(2,532.85)		809,969.65	832,594.45	18,580.97	0.00
GNMA	2007A Single Family	5.49	10/25/07	10/20/37	1,644,981.58	1,650,106.21			(5,425.42)		1,639,556.16	1,682,268.47	37,587.68	0.00
GNMA	2007A Single Family	4.75	10/25/07	09/20/37	1,348,560.96	1,301,866.13			(4,854.21)		1,343,706.75	1,345,675.19	48,663.27	0.00
GNMA	2007A Single Family	5.49	10/25/07	10/20/37	1,559,184.25	1,566,944.35			(5,148.59)		1,554,035.66	1,597,444.39	35,648.63	0.00
GNMA	2007A Single Family	4.75	10/25/07	10/20/37	1,199,719.07	1,158,179.18			(4,658.44)		1,195,060.63	1,196,813.75	43,293.01	0.00
GNMA	2007A Single Family	4.75	11/08/07	10/20/37	377,640.01	364,569.87			(1,352.88)		376,287.13	376,844.46	13,627.47	0.00
GNMA	2007A Single Family	4.75	12/28/07	12/20/37	406,456.25	392,410.62			(1,446.38)		405,009.87	405,632.73	14,668.49	0.00
GNMA	2007A Single Family	5.49	12/28/07	12/20/37	138,232.37	138,930.19			(566.52)		137,665.85	141,521.28	3,157.61	0.00
GNMA	2007A Single Family	5.49	12/28/07	12/20/37	136,105.21	136,792.30			(417.36)		135,687.85	139,487.88	3,112.94	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2007A Single Family	5.49	12/11/07	11/20/37	446,258.76	448,502.94			(1,806.18)		444,452.58	456,890.54	10,193.78	0.00
GNMA	2007A Single Family	5.49	12/11/07	11/20/37	544,868.38	547,608.46			(1,689.35)		543,179.03	558,379.84	12,460.73	0.00
GNMA	2007A Single Family	4.75	12/11/07	12/20/37	1,839,780.02	1,776,171.65			(6,567.74)		1,833,212.28	1,835,998.10	66,394.19	0.00
GNMA	2007A Single Family	4.75	12/11/07	12/20/37	122,036.43	117,817.15			(428.69)		121,607.74	121,792.54	4,404.08	0.00
GNMA	2007A Single Family	4.75	12/20/07	12/20/37	476,340.83	459,876.52			(1,701.21)		474,639.62	475,365.23	17,189.92	0.00
GNMA	2007A Single Family	5.49	12/20/07	12/20/37	224,706.47	225,839.01			(690.80)		224,015.67	230,287.29	5,139.08	0.00
GNMA	2007A Single Family	4.75	12/20/07	12/20/37	245,550.78	237,063.53			(862.34)		244,688.44	245,062.51	8,861.32	0.00
GNMA	2007A Single Family	4.75	01/30/08	01/20/38	303,417.41	292,722.03			(1,059.84)		302,357.57	302,723.46	11,061.27	0.00
GNMA	2007A Single Family	5.49	01/30/08	11/20/37	188,933.82	189,894.32			(580.65)		188,353.17	193,634.79	4,321.12	0.00
GNMA	2007A Single Family	5.49	01/30/08	11/20/37	49,674.08	49,926.62			(153.03)		49,521.05	50,909.68	1,136.09	0.00
GNMA	2007A Single Family	4.75	01/30/08	01/20/38	295,268.12	284,860.00			(1,031.35)		294,236.77	294,592.83	10,764.18	0.00
GNMA	2007A Single Family	4.75	01/16/08	01/20/38	784,330.80	756,671.88			(2,989.92)		781,340.88	782,274.51	28,592.55	0.00
GNMA	2007A Single Family	5.49	01/16/08	12/20/37	200,170.69	201,185.47			(614.59)		199,556.10	205,148.96	4,578.08	0.00
GNMA	2007A Single Family	4.75	01/16/08	12/20/37	100,802.09	97,320.81			(354.01)		100,448.08	100,604.59	3,637.79	0.00
GNMA	2007A Single Family	4.75	01/30/08	01/20/38	560,229.42	540,481.49			(2,191.34)		558,038.08	558,713.36	20,423.21	0.00
GNMA	2007A Single Family	5.49	01/30/08	01/20/38	306,155.16	307,665.43			(932.39)		305,222.77	313,825.41	7,092.37	0.00
GNMA	2007A Single Family	5.49	01/30/08	12/20/37	293,219.85	294,710.82			(903.66)		292,316.19	300,513.35	6,706.19	0.00
GNMA	2007A Single Family	5.49	02/19/08	02/20/38	227,398.80	228,525.89			(702.12)		226,696.68	233,091.27	5,267.50	0.00
GNMA	2007A Single Family	5.49	01/30/08	12/20/37	135,498.28	136,187.26			(436.75)		135,061.53	138,848.94	3,098.43	0.00
GNMA	2007A Single Family	5.49	02/13/08	01/20/38	91,518.91	91,971.86			(277.79)		91,241.12	93,814.16	2,120.09	0.00
GNMA	2007A Single Family	4.75	02/13/08	01/20/38	163,379.31	157,622.78			(1,566.83)		161,812.48	162,010.75	5,954.80	0.00
GNMA	2007A Single Family	4.75	02/13/08	12/20/37	104,906.84	101,286.87			(1,463.46)		103,443.38	103,607.70	3,784.29	0.00
GNMA	2007A Single Family	5.49	04/08/08	04/20/38	178,468.23	179,362.41			(866.80)		177,601.43	182,621.13	4,125.52	0.00
GNMA	2007A Single Family	5.49	04/08/08	11/20/37	294,258.19	295,776.59			(1,059.92)		293,198.27	301,442.43	6,725.76	0.00
GNMA	2007A Single Family	4.75	04/08/08	03/20/38	734,380.93	706,750.20			(2,574.67)		731,806.26	730,955.42	26,779.89	0.00
GNMA	2007A Single Family	4.75	04/08/08	04/20/38	254,155.83	245,215.77			(919.28)		253,236.55	253,562.49	9,266.00	0.00
GNMA	2007A Single Family	5.49	03/12/08	03/20/38	436,799.73	438,975.36			(1,334.54)		435,465.19	447,759.52	10,118.70	0.00
GNMA	2007A Single Family	5.49	03/20/08	01/20/38	176,058.52	176,936.69			(534.40)		175,524.12	180,480.91	4,078.62	0.00
GNMA	2007A Single Family	4.75	02/19/08	02/20/38	126,280.27	121,831.76			(438.45)		125,841.82	125,996.91	4,603.60	0.00
GNMA	2007A Single Family	4.75	02/19/08	12/20/37	114,692.86	110,735.89			(456.67)		114,236.19	114,418.35	4,139.13	0.00
GNMA	2007A Single Family	5.49	02/19/08	01/20/38	346,306.07	348,022.16			(1,085.80)		345,220.27	354,957.77	8,021.41	0.00
GNMA	2007A Single Family	4.75	02/19/08	02/20/38	223,041.94	215,184.79			(1,016.57)		222,025.37	222,299.00	8,130.78	0.00
GNMA	2007A Single Family	5.49	02/19/08	10/20/37	148,325.23	149,082.45			(458.53)		147,866.70	152,016.11	3,392.19	0.00
GNMA	2007A Single Family	4.75	02/27/08	02/20/38	99,675.50	96,164.98			(346.05)		99,329.45	99,452.67	3,633.74	0.00
GNMA	2007A Single Family	5.49	02/27/08	02/20/38	221,591.32	222,691.43			(698.30)		220,893.02	227,125.74	5,132.61	0.00
GNMA	2007A Single Family	5.49	02/27/08	02/20/38	174,732.34	175,599.81			(529.58)		174,202.76	179,118.06	4,047.83	0.00
GNMA	2007A Single Family	4.75	03/20/08	12/20/37	117,350.49	113,305.61			(411.99)		116,938.50	117,128.77	4,235.15	0.00
GNMA	2007A Single Family	4.75	03/20/08	03/20/38	93,235.72	89,954.19			(321.95)		92,913.77	93,031.38	3,399.14	0.00
GNMA	2007A Single Family	5.49	03/27/08	03/20/38	418,895.60	420,988.86			(1,264.72)		417,630.88	429,428.66	9,704.52	0.00
GNMA	2007A Single Family	5.49	03/27/08	02/20/38	181,609.94	182,517.46			(550.15)		181,059.79	186,174.60	4,207.29	0.00
GNMA	2007A Single Family	4.75	04/15/08	03/20/38	198,912.49	191,917.19			(711.58)		198,200.91	198,457.42	7,251.81	0.00
GNMA	2007A Single Family	4.75	04/15/08	02/20/38	115,535.51	111,472.28			(401.12)		115,134.39	115,283.28	4,212.12	0.00
GNMA	2007A Single Family	5.49	04/15/08	03/20/38	235,038.47	236,218.00			(710.80)		234,327.67	240,952.38	5,445.18	0.00
GNMA	2007A Single Family	5.49	04/24/08	04/20/38	525,895.40	528,539.94			(1,587.60)		524,307.80	539,136.04	12,183.70	0.00
GNMA	2007A Single Family	4.75	04/24/08	04/20/38	355,134.35	342,648.56			(1,229.09)		353,905.26	354,366.88	12,947.41	0.00
GNMA	2007A Single Family	4.75	04/22/08	03/20/38	158,177.50	152,615.84			(549.99)		157,627.51	157,832.63	5,766.78	0.00
GNMA	2007A Single Family	5.49	04/22/08	04/20/38	97,987.99	98,480.54			(291.93)		97,696.06	100,458.85	2,270.24	0.00
GNMA	2007A Single Family	5.49	05/07/08	04/20/38	337,952.34	339,656.59			(1,129.90)		336,822.44	346,353.21	7,826.52	0.00
GNMA	2007A Single Family	5.49	05/07/08	04/20/38	162,249.05	163,067.25			(491.41)		161,757.64	166,334.76	3,758.92	0.00
GNMA	2007A Single Family	4.75	05/07/08	05/20/38	607,380.75	586,034.80			(2,134.59)		605,246.16	606,044.80	22,144.59	0.00
GNMA	2007A Single Family	5.49	05/14/08	04/20/38	147,821.00	148,567.49			(440.37)		147,380.63	151,552.00	3,424.88	0.00
GNMA	2007A Single Family	4.75	05/14/08	05/20/38	283,569.62	273,605.99			(1,004.00)		282,565.62	282,940.48	10,338.49	0.00
GNMA	2007A Single Family	4.75	05/21/08	05/20/38	142,702.31	137,689.23			(789.40)		141,912.91	142,102.32	5,202.49	0.00
GNMA	2007A Single Family	5.49	05/28/08	05/20/38	353,074.76	354,863.53			(1,050.42)		352,024.34	361,993.69	8,180.58	0.00
GNMA	2007A Single Family	5.49	05/28/08	04/20/38	283,978.46	285,417.17			(859.41)		283,119.05	291,137.00	6,579.24	0.00
GNMA	2007A Single Family	4.75	05/28/08	04/20/38	31,587.56	30,478.14			(111.09)		31,476.47	31,518.70	1,151.65	0.00
GNMA	2007A Single Family	5.49	06/11/08	05/20/38	568,051.52	570,938.09			(1,849.26)		566,202.26	582,245.98	13,157.15	0.00
GNMA	2007A Single Family	5.49	07/09/08	07/20/38	233,429.73	234,623.26			(716.57)		232,713.16	239,314.75	5,408.06	0.00
GNMA	2007A Single Family	5.49	07/09/08	06/20/38	189,421.24	190,389.76			(560.19)		188,861.05	194,218.65	4,389.08	0.00
GNMA	2007A Single Family	4.75	07/09/08	06/20/38	237,210.74	228,890.12			(805.04)		236,405.70	236,733.93	8,648.85	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2007A Single Family	4.75	07/16/08	06/20/38	170,997.28	165,000.57			(592.19)		170,405.09	170,643.07	6,234.69	0.00
GNMA	2007A Single Family	5.49	07/16/08	05/20/38	117,209.39	117,809.52			(642.08)		116,567.31	119,874.93	2,707.49	0.00
GNMA	2007A Single Family	5.49	06/18/08	05/20/38	246,148.25	247,401.06			(1,368.51)		244,779.74	251,717.78	5,685.23	0.00
GNMA	2007A Single Family	4.75	06/18/08	04/20/38	115,617.39	111,559.29			(396.77)		115,220.62	115,377.80	4,215.28	0.00
GNMA	2007A Single Family	5.49	06/18/08	06/20/38	186,013.27	186,960.01			(548.85)		185,464.42	190,721.23	4,310.07	0.00
GNMA	2007A Single Family	5.49	06/25/08	06/20/38	218,301.17	219,414.02			(664.09)		217,637.08	223,807.60	5,057.67	0.00
GNMA	2007A Single Family	5.49	07/23/08	06/20/38	108,570.23	109,127.01			(325.77)		108,244.46	111,316.82	2,515.58	0.00
GNMA	2007A Single Family	4.75	07/23/08	07/20/38	122,514.96	118,219.31			(413.56)		122,101.40	122,272.91	4,467.16	0.00
GNMA	2007A Single Family	4.75	08/27/08	08/20/38	79,924.58	77,125.29			(268.19)		79,656.39	79,771.35	2,914.25	0.00
GNMA	2007A Single Family	5.49	08/13/08	08/20/38	302,615.70	304,174.69			(1,310.61)		301,305.09	309,864.72	7,000.64	0.00
GNMA	2007A Single Family	4.75	08/13/08	07/20/38	74,064.94	71,469.72			(811.83)		73,253.11	73,357.63	2,699.74	0.00
GNMA	2007A Single Family	4.75	08/13/08	06/20/38	276,109.10	266,434.30			(938.63)		275,170.47	275,563.12	10,067.45	0.00
GNMA	2007A Single Family	5.49	08/13/08	08/20/38	95,821.14	96,314.78			(278.58)		95,542.56	98,256.78	2,220.58	0.00
GNMA	2007A Single Family	4.75	08/20/08	08/20/38	299,093.95	288,616.10			(1,675.08)		297,418.87	297,845.69	10,904.67	0.00
GNMA	2007A Single Family	4.75	08/27/08	07/20/38	1,201,795.22	1,159,703.36			(4,623.04)		1,197,172.18	1,198,899.90	43,819.58	0.00
GNMA	2007A Single Family	5.49	08/27/08	08/20/38	90,673.07	91,141.67			(263.51)		90,409.56	92,979.38	2,101.22	0.00
GNMA	2007A Single Family	5.49	09/10/08	07/20/38			411,685.68				411,685.68	423,393.91	11,708.23	0.00
GNMA	2007A Single Family	4.75	09/24/08	06/20/38			193,984.13				193,984.13	194,269.98	285.85	0.00
GNMA	2007A Single Family	5.49	09/24/08	08/20/38			202,600.13				202,600.13	208,365.19	5,765.06	0.00
GNMA	2007A Single Family	5.49	09/24/08	08/20/38			29,553.08				29,553.08	30,394.02	840.94	0.00
GNMA	2007A Single Family	5.49	09/24/08	09/20/38			86,640.29				86,640.29	89,105.76	2,465.47	0.00
GNMA	2007A Single Family	4.75	10/08/08	09/20/38			114,548.16				114,548.16	114,718.81	170.65	0.00
GNMA	2007A Single Family	5.49	10/15/08	09/20/38			357,330.13				357,330.13	367,507.01	10,176.88	0.00
GNMA	2007A Single Family	5.49	10/15/08	09/20/38			105,329.81				105,329.81	108,329.64	2,999.83	0.00
GNMA	2007A Single Family	4.75	10/22/08	09/20/38			262,550.28				262,550.28	262,945.42	395.14	0.00
GNMA	2007A Single Family	5.49	10/22/08	09/20/38			349,759.30				349,759.30	359,723.11	9,963.81	0.00
GNMA	2007A Single Family	5.49	10/29/08	09/20/38			128,425.33				128,425.33	132,084.93	3,659.60	0.00
GNMA	2007A Single Family	4.75	10/29/08	10/20/38			239,499.32				239,499.32	239,861.71	362.39	0.00
GNMA	2007A Single Family	4.75	11/25/08	11/20/38			99,986.10				99,986.10	100,140.43	154.33	0.00
FNMA	2007A Single Family	5.49	08/23/07	08/01/37	306,336.86	305,624.80			(991.98)		305,344.88	313,559.45	8,926.63	0.00
FNMA	2007A Single Family	5.49	08/23/07	08/01/37	466,699.10	465,614.28			(1,850.00)		464,849.10	477,354.74	13,590.46	0.00
FNMA	2007A Single Family	4.75	08/23/07	08/01/37	1,680,984.33	1,604,683.79			(6,717.81)		1,674,266.52	1,684,485.27	86,519.29	0.00
FNMA	2007A Single Family	5.49	09/11/07	08/01/37	861,876.56	869,228.61			(2,982.99)		858,893.57	891,511.70	25,266.08	0.00
FNMA	2007A Single Family	5.49	09/11/07	08/01/37	449,676.51	453,512.39			(2,312.32)		447,364.19	464,353.71	13,153.64	0.00
FNMA	2007A Single Family	4.75	09/11/07	08/01/37	1,564,966.75	1,510,186.35			(7,415.98)		1,557,550.77	1,583,956.65	81,186.28	0.00
FNMA	2007A Single Family	5.49	09/25/07	09/01/37	1,599,748.00	1,596,077.82			(5,070.36)		1,594,677.64	1,637,628.21	46,620.75	0.00
FNMA	2007A Single Family	5.49	09/25/07	08/01/37	265,692.45	267,965.99			(1,266.15)		264,426.30	274,475.68	7,775.84	0.00
FNMA	2007A Single Family	4.75	09/25/07	09/01/37	1,959,873.38	1,891,323.68			(7,842.10)		1,952,031.28	1,985,181.73	101,700.15	0.00
FNMA	2007A Single Family	5.49	10/09/07	09/01/37	1,141,296.81	1,144,432.69			(4,125.04)		1,137,171.77	1,173,256.69	32,949.04	0.00
FNMA	2007A Single Family	5.49	10/09/07	09/01/37	170,515.56	170,984.08			(682.07)		169,833.49	175,222.67	4,920.66	0.00
FNMA	2007A Single Family	4.75	10/09/07	09/01/37	729,619.99	701,785.66			(2,831.13)		726,788.86	732,679.44	33,724.91	0.00
FNMA	2007A Single Family	4.75	10/09/07	08/01/37	268,720.97	258,469.25			(1,163.17)		267,557.80	269,726.07	12,419.99	0.00
FNMA	2007A Single Family	5.49	10/25/07	09/01/37	1,014,071.83	1,016,872.53			(3,322.35)		1,010,749.48	1,042,837.50	29,287.32	0.00
FNMA	2007A Single Family	5.49	10/25/07	10/01/37	504,621.34	506,015.53			(2,557.60)		502,063.74	518,003.16	14,545.23	0.00
FNMA	2007A Single Family	4.75	10/25/07	10/01/37	1,102,341.14	1,060,303.89			(4,006.24)		1,098,334.90	1,107,253.63	50,955.98	0.00
FNMA	2007A Single Family	5.49	10/25/07	10/01/37	668,504.05	670,351.01			(2,189.16)		666,314.89	687,468.90	19,307.05	0.00
FNMA	2007A Single Family	5.49	11/08/07	10/01/37	559,114.48	560,666.01			(1,811.01)		557,303.47	575,004.18	16,149.18	0.00
FNMA	2007A Single Family	4.75	11/08/07	09/01/37	106,547.30	102,485.31			(382.50)		106,164.80	107,028.18	4,925.37	0.00
FNMA	2007A Single Family	4.75	11/21/07	10/01/37	232,741.24	223,871.19			(2,149.98)		230,591.26	232,469.34	10,748.13	0.00
FNMA	2007A Single Family	5.49	11/21/07	10/01/37	600,969.27	602,644.27			(1,999.56)		598,969.71	618,000.67	17,355.96	0.00
FNMA	2007A Single Family	5.49	11/21/07	09/01/37	408,670.86	409,809.47			(2,210.23)		406,460.63	419,374.59	11,775.35	0.00
FNMA	2007A Single Family	4.75	11/28/07	09/01/37	118,760.51	114,234.99			(426.28)		118,334.23	119,298.62	5,489.91	0.00
FNMA	2007A Single Family	5.49	12/11/07	11/01/37	877,120.08	879,580.74			(3,426.34)		873,693.74	901,470.73	25,316.33	0.00
FNMA	2007A Single Family	5.49	12/12/07	09/01/37	93,934.72	94,198.24			(294.01)		93,640.71	96,617.69	2,713.46	0.00
FNMA	2007A Single Family	4.75	12/11/07	12/01/37	723,858.49	696,284.72			(2,623.49)		721,235.00	727,123.89	33,462.66	0.00
FNMA	2007A Single Family	5.49	12/11/07	11/01/37	377,363.31	378,421.95			(1,196.75)		376,166.56	388,125.87	10,900.67	0.00
FNMA	2007A Single Family	4.75	12/20/07	12/01/37	217,119.28	208,850.30			(1,762.48)		215,356.80	217,116.94	10,029.12	0.00
FNMA	2007A Single Family	5.49	12/20/07	12/01/37	325,383.21	326,299.00			(1,019.37)		324,363.84	334,679.25	9,399.62	0.00
FNMA	2007A Single Family	5.49	12/28/07	10/01/37	148,663.65	149,082.96			(477.69)		148,185.96	152,899.34	4,294.07	0.00
FNMA	2007A Single Family	4.75	12/28/07	12/01/37	318,765.84	306,627.81			(1,124.97)		317,640.87	320,239.26	14,736.42	0.00

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FNMA	2007A Single Family	5.49	12/28/07	12/01/37	90,361.00	90,615.96			(277.56)		90,083.44	92,948.93	2,610.53	0.00
FNMA	2007A Single Family	5.49	01/16/08	08/01/37	238,245.24	238,921.08			(1,092.02)		237,153.22	244,700.10	6,871.04	0.00
FNMA	2007A Single Family	5.49	01/30/08	09/01/37	334,370.09	335,323.02			(1,051.82)		333,318.27	343,930.25	9,659.05	0.00
FNMA	2007A Single Family	4.75	01/30/08	12/01/37	105,453.50	101,441.10			(372.06)		105,081.44	105,944.13	4,875.09	0.00
FNMA	2007A Single Family	4.75	01/30/08	12/01/37	95,153.28	91,532.78			(335.73)		94,817.55	95,595.98	4,398.93	0.00
FNMA	2007A Single Family	5.49	01/30/08	01/01/38	740,203.91	136,049.11			(7,427.91)		732,776.00	139,557.68	10,936.48	0.00
FNMA	2007A Single Family	5.49	02/13/08	11/01/37	406,387.41	407,551.35			(1,796.59)		404,590.82	417,477.84	11,723.08	0.00
FNMA	2007A Single Family	4.75	02/13/08	01/01/38	450,008.84	432,505.82			(2,527.75)		447,481.09	450,930.29	20,952.22	0.00
FNMA	2007A Single Family	5.49	02/19/08	01/01/38	207,714.49	208,310.66			(715.77)		206,998.72	213,593.55	5,998.66	0.00
FNMA	2007A Single Family	5.49	02/27/08	02/01/38	180,783.70	181,304.05			(554.00)		180,229.70	185,973.19	5,223.14	0.00
FNMA	2007A Single Family	4.75	03/12/08	02/01/38	234,058.76	225,161.69			(827.53)		233,231.23	235,155.27	10,821.11	0.00
FNMA	2007A Single Family	5.49	03/20/08	02/01/38	302,861.75	303,702.90			(982.37)		301,879.38	311,475.04	8,754.51	0.00
FNMA	2007A Single Family	5.49	03/20/08	11/01/37	357,485.55	358,521.02			(1,108.45)		356,377.10	367,740.30	10,327.73	0.00
FNMA	2007A Single Family	4.75	03/27/08	03/01/38	205,201.44	197,227.93			(711.92)		204,489.52	206,074.05	9,558.04	0.00
FNMA	2007A Single Family	5.49	04/08/08	03/01/38	185,683.44	186,202.34			(561.53)		185,121.91	191,009.74	5,368.93	0.00
FNMA	2007A Single Family	4.75	04/08/08	02/01/38	145,027.57	139,393.78			(505.90)		144,521.67	145,643.00	6,755.12	0.00
FNMA	2007A Single Family	5.49	04/22/08	02/01/38	103,332.64	103,622.77			(313.37)		103,019.27	106,297.11	2,987.71	0.00
FNMA	2007A Single Family	5.49	04/22/08	04/01/38	192,659.47	193,200.40			(579.84)		192,079.63	198,191.36	5,570.80	0.00
Inv Agmt	2007A Single Family	5.06	06/05/07	09/01/09	7,392,572.15	7,392,572.15		(2,994,232.92)			4,398,339.23	4,398,339.23	-	0.00
Inv Agmt	2007A Single Family	5.06	06/05/07	09/01/09	6,552,140.68	6,552,140.68		(750,067.53)			5,802,073.15	5,802,073.15	-	0.00
Freddie Mac	2007A Single Family	5.25	12/11/07	11/01/37	8,486.94	8,333.03			(28.82)		8,458.12	8,614.04	309.83	0.00
Freddie Mac	2007A Single Family	5.25	12/11/07	11/01/37	6,039.35	5,929.83			(19.62)		6,019.73	6,130.68	220.47	0.00
Freddie Mac	2007A Single Family	5.25	12/20/07	12/01/37	22,791.25	22,378.10			(84.19)		22,707.06	23,125.77	831.86	0.00
Freddie Mac	2007A Single Family	6.00	12/20/07	12/01/37	4,669.22	4,748.82			(14.09)		4,655.13	4,795.54	60.81	0.00
Freddie Mac	2007A Single Family	5.25	12/20/07	12/01/37	16,438.42	16,140.44			(53.11)		16,385.31	16,687.46	600.13	0.00
Freddie Mac	2007A Single Family	5.25	01/16/08	12/01/37	22,055.64	21,656.23			(71.63)		21,984.01	22,389.82	805.22	0.00
Freddie Mac	2007A Single Family	6.00	01/16/08	12/01/37	4,138.39	4,209.02			(11.59)		4,126.80	4,251.35	53.92	0.00
Freddie Mac	2007A Single Family	5.25	01/16/08	12/01/37	7,703.59	7,564.10			(24.94)		7,678.65	7,820.41	281.25	0.00
Freddie Mac	2007A Single Family	5.25	01/30/08	01/01/38	15,192.02	14,917.05			(49.08)		15,142.94	15,422.63	554.66	0.00
Freddie Mac	2007A Single Family	5.25	01/30/08	12/01/37	9,581.29	9,407.89			(41.88)		9,539.41	9,715.60	349.59	0.00
Freddie Mac	2007A Single Family	6.00	01/30/08	01/01/38	6,803.75	6,919.94			(19.38)		6,784.37	6,989.20	88.64	0.00
Freddie Mac	2007A Single Family	6.00	02/13/08	01/01/38	5,986.68	6,088.98			(22.58)		5,964.10	6,144.23	77.83	0.00
Freddie Mac	2007A Single Family	5.25	02/13/08	01/01/38	7,771.63	7,631.05			(25.05)		7,746.58	7,889.73	283.73	0.00
Freddie Mac	2007A Single Family	5.25	03/20/08	02/01/38	2,708.74	2,659.81			(8.65)		2,700.09	2,750.06	98.90	0.00
Freddie Mac	2007A Single Family	6.00	03/20/08	03/01/38	5,395.43	5,487.77			(12.97)		5,382.46	5,545.16	70.36	0.00
Freddie Mac	2007A Single Family	5.25	03/20/08	11/01/37	4,557.47	4,475.14			(15.20)		4,542.27	4,626.32	166.38	0.00
Freddie Mac	2007A Single Family	6.00	04/22/08	02/01/38	2,298.44	2,337.84			(6.72)		2,291.72	2,361.06	29.94	0.00
Freddie Mac	2007A Single Family	5.25	04/22/08	01/01/38	5,479.99	5,381.13			(17.61)		5,462.38	5,563.62	200.10	0.00
Freddie Mac	2007A Single Family	5.25	05/14/08	04/01/38	10,152.04	9,969.08			(32.29)		10,119.75	10,307.46	370.67	0.00
Freddie Mac	2007A Single Family	6.00	05/15/08	04/01/38	8,726.83	8,876.55			(23.87)		8,702.96	8,966.41	113.73	0.00
Freddie Mac	2007A Single Family	5.25	05/21/08	04/01/38	12,056.89	11,839.66			(38.37)		12,018.52	12,241.51	440.22	0.00
Freddie Mac	2007A Single Family	5.25	05/21/08	05/01/38	8,463.01	8,310.71			(32.87)		8,430.14	8,586.75	308.91	0.00
Freddie Mac	2007A Single Family	5.25	05/28/08	04/01/38	9,225.71	9,059.53			(30.23)		9,195.48	9,366.13	336.83	0.00
Freddie Mac	2007A Single Family	5.25	05/28/08	05/01/38	4,955.43	4,866.17			(15.54)		4,939.89	5,031.58	180.95	0.00
Freddie Mac	2007A Single Family	6.00	06/18/08	05/01/38	10,546.63	10,727.85			(29.12)		10,517.51	10,836.17	137.44	0.00
Freddie Mac	2007A Single Family	5.25	06/18/08	02/01/38	2,989.70	2,935.89			(17.15)		2,972.55	3,027.77	109.03	0.00
Freddie Mac	2007A Single Family	5.25	06/18/08	05/01/38	5,228.14	5,134.05			(16.39)		5,211.75	5,308.56	190.90	0.00
Freddie Mac	2007A Single Family	6.00	06/25/08	05/01/38	3,748.77	3,813.20			(10.16)		3,738.61	3,851.89	48.85	0.00
Freddie Mac	2007A Single Family	6.00	07/16/08	06/01/38	5,854.86	5,955.58			(17.34)		5,837.52	6,014.52	76.28	0.00
Freddie Mac	2007A Single Family	5.25	07/16/08	06/01/38	7,995.26	7,851.53			(25.20)		7,970.06	8,118.28	291.95	0.00
Freddie Mac	2007A Single Family	6.00	07/23/08	06/01/38	5,406.56	5,499.60			(14.57)		5,391.99	5,555.50	70.47	0.00
Freddie Mac	2007A Single Family	6.00	08/13/08	06/01/38	5,553.38	5,649.04			(18.76)		5,534.62	5,702.54	72.26	0.00
Freddie Mac	2007A Single Family	6.00	08/13/08	08/01/38	2,638.82	2,684.27			(7.02)		2,631.80	2,711.65	34.40	0.00
Freddie Mac	2007A Single Family	6.00	08/20/08	06/01/38	5,520.70	5,615.82			(14.91)		5,505.79	5,672.87	71.96	0.00
Freddie Mac	2007A Single Family	6.00	08/27/08	08/01/38	10,981.68	11,170.94			(29.31)		10,952.37	11,284.77	143.14	0.00
Freddie Mac	2007A Single Family	6.00	09/17/08	08/01/38			7,860.32				7,860.32	8,099.01	238.69	0.00
Freddie Mac	2007A Single Family	5.25	09/17/08	08/01/38			3,025.08				3,025.08	3,081.47	56.39	0.00
Freddie Mac	2007A Single Family	5.25	09/24/08	08/01/38			6,478.60				6,478.60	6,599.43	120.83	0.00
Freddie Mac	2007A Single Family	6.00	09/24/08	06/01/38			3,594.82				3,594.82	3,704.01	109.19	0.00
Freddie Mac	2007A Single Family	5.25	09/24/08	06/01/38			5,198.34				5,198.34	5,295.29	96.95	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Freddie Mac	2007A Single Family	5.25	10/08/08	09/01/38			4,292.89				4,292.89	4,373.00	80.11	0.00
Freddie Mac	2007A Single Family	6.00	10/15/08	09/01/38			8,041.77				8,041.77	8,286.15	244.38	0.00
Freddie Mac	2007A Single Family	5.25	10/22/08	07/01/38			4,466.58				4,466.58	4,549.97	83.39	0.00
Freddie Mac	2007A Single Family	6.00	10/22/08	07/01/38			2,744.82				2,744.82	2,828.24	83.42	0.00
Freddie Mac	2007A Single Family	6.00	10/22/08	09/01/38			2,790.21				2,790.21	2,875.01	84.80	0.00
Freddie Mac	2007A Single Family	5.25	10/22/08	08/01/38			5,553.01				5,553.01	5,656.68	103.67	0.00
Freddie Mac	2007A Single Family	5.25	11/19/08	09/01/38			4,131.63				4,131.63	4,208.85	77.22	0.00
GNMA	2007A Single Family	5.25	12/28/07	12/20/37	19,014.46	18,826.26			(60.90)		18,953.56	19,232.01	466.65	0.00
GNMA	2007A Single Family	6.00	12/11/07	11/20/37	26,633.65	27,070.56			(76.85)		26,556.80	27,156.42	162.71	0.00
GNMA	2007A Single Family	5.25	12/11/07	11/20/37	102,091.66	101,266.27			(354.92)		101,736.74	103,417.61	2,506.26	0.00
GNMA	2007A Single Family	5.25	12/11/07	11/20/37	17,380.94	17,240.42			(72.83)		17,308.11	17,594.06	426.47	0.00
GNMA	2007A Single Family	6.00	12/11/07	11/20/37	15,935.30	16,356.62			(44.45)		15,890.85	16,408.69	96.52	0.00
GNMA	2007A Single Family	5.25	12/11/07	12/20/37	81,871.48	81,209.65			(278.27)		81,593.21	82,941.44	2,010.06	0.00
GNMA	2007A Single Family	5.25	12/11/07	11/20/37	9,166.23	9,092.12			(33.06)		9,133.17	9,284.07	225.01	0.00
GNMA	2007A Single Family	5.25	12/20/07	12/20/37	43,138.26	42,789.98			(139.14)		42,999.12	43,710.03	1,059.19	0.00
GNMA	2007A Single Family	6.00	12/20/07	12/20/37	13,441.72	13,797.27			(3,129.07)		10,312.65	10,648.85	(19.35)	0.00
GNMA	2007A Single Family	5.25	12/20/07	12/20/37	16,326.37	16,194.57			(52.23)		16,274.14	16,543.21	400.87	0.00
GNMA	2007A Single Family	5.25	12/20/07	11/20/37	4,519.37	4,482.87			(14.57)		4,504.80	4,579.27	110.97	0.00
GNMA	2007A Single Family	5.25	12/20/07	12/20/37	6,725.52	6,671.23			(28.89)		6,696.63	6,807.35	165.01	0.00
GNMA	2007A Single Family	6.00	01/30/08	01/20/38	19,930.86	20,456.55			(55.48)		19,875.38	20,527.07	126.00	0.00
GNMA	2007A Single Family	5.25	01/30/08	01/20/38	14,683.97	14,531.59			(70.78)		14,613.19	14,825.88	365.07	0.00
GNMA	2007A Single Family	5.25	01/30/08	01/20/38	17,543.94	17,394.19			(55.77)		17,488.17	17,775.09	436.67	0.00
GNMA	2007A Single Family	5.25	01/30/08	01/20/38	21,886.30	21,659.20			(72.65)		21,813.65	22,131.18	544.63	0.00
GNMA	2007A Single Family	6.00	01/30/08	01/20/38	5,367.17	5,508.73			(14.76)		5,352.41	5,527.91	33.94	0.00
GNMA	2007A Single Family	6.00	01/16/08	12/20/37	35,574.07	36,516.11			(100.91)		35,473.16	36,630.65	215.45	0.00
GNMA	2007A Single Family	5.25	01/16/08	12/20/37	17,229.30	17,090.70			(62.87)		17,166.43	17,450.76	422.93	0.00
GNMA	2007A Single Family	5.25	01/16/08	01/20/38	106,226.94	105,318.66			(344.89)		105,882.05	107,617.68	2,643.91	0.00
GNMA	2007A Single Family	5.25	01/30/08	01/20/38	25,819.47	25,551.54			(83.13)		25,736.34	26,110.95	642.54	0.00
GNMA	2007A Single Family	5.25	01/30/08	12/20/37	5,252.81	5,210.63			(17.47)		5,235.34	5,322.14	128.98	0.00
GNMA	2007A Single Family	5.25	02/13/08	01/20/38	10,038.33	9,952.81			(32.02)		10,006.31	10,170.64	249.85	0.00
GNMA	2007A Single Family	5.25	02/13/08	02/20/38	12,478.10	12,371.79			(47.42)		12,430.68	12,634.84	310.47	0.00
GNMA	2007A Single Family	6.00	02/13/08	01/20/38	9,004.38	9,242.02			(24.86)		8,979.52	9,274.08	56.92	0.00
GNMA	2007A Single Family	6.00	01/30/08	01/20/38	4,582.95	4,703.84			(12.60)		4,570.35	4,720.22	28.98	0.00
GNMA	2007A Single Family	5.25	01/30/08	01/20/38	10,238.52	10,151.14			(32.54)		10,205.98	10,373.44	254.84	0.00
GNMA	2007A Single Family	5.25	01/30/08	01/20/38	4,904.06	4,862.21			(15.59)		4,888.47	4,968.68	122.06	0.00
GNMA	2007A Single Family	5.25	01/30/08	01/20/38	14,550.84	14,426.64			(56.22)		14,494.62	14,732.45	362.03	0.00
GNMA	2007A Single Family	6.00	02/13/08	01/20/38	12,368.95	12,695.39			(34.02)		12,334.93	12,739.56	78.19	0.00
GNMA	2007A Single Family	5.25	02/13/08	01/20/38	23,864.28	23,660.97			(76.16)		23,788.12	24,178.79	593.98	0.00
GNMA	2007A Single Family	5.25	02/13/08	01/20/38	28,449.60	28,207.23			(90.54)		28,359.06	28,824.79	708.10	0.00
GNMA	2007A Single Family	5.25	04/08/08	03/20/38	13,619.69	13,504.47			(42.94)		13,576.75	13,800.55	339.02	0.00
GNMA	2007A Single Family	5.25	04/08/08	03/20/38	5,007.26	4,964.91			(17.49)		4,989.77	5,072.03	124.61	0.00
GNMA	2007A Single Family	6.00	04/08/08	04/20/38	9,757.40	10,015.54			(27.52)		9,729.88	10,049.68	61.66	0.00
GNMA	2007A Single Family	5.25	04/08/08	04/20/38	18,277.32	18,122.71			(74.37)		18,202.95	18,503.05	454.71	0.00
GNMA	2007A Single Family	6.00	03/12/08	03/20/38	11,068.50	11,360.98			(66.31)		11,002.19	11,363.46	68.79	0.00
GNMA	2007A Single Family	5.25	03/12/08	03/20/38	22,316.86	22,127.42			(70.41)		22,246.45	22,612.49	555.48	0.00
GNMA	2007A Single Family	5.25	03/20/08	03/20/38	18,890.22	18,692.75			(65.41)		18,824.81	19,096.98	469.64	0.00
GNMA	2007A Single Family	6.00	02/19/08	01/20/38	20,523.02	21,064.78			(58.98)		20,464.04	21,135.47	129.67	0.00
GNMA	2007A Single Family	5.25	02/19/08	02/20/38	17,910.16	17,757.70			(62.45)		17,847.71	18,140.94	445.69	0.00
GNMA	2007A Single Family	5.25	02/19/08	02/20/38	4,942.51	4,900.45			(15.61)		4,926.90	5,007.86	123.02	0.00
GNMA	2007A Single Family	6.00	02/19/08	02/20/38	7,422.58	7,618.53			(36.86)		7,385.72	7,628.05	46.38	0.00
GNMA	2007A Single Family	5.25	02/19/08	02/20/38	23,465.20	23,265.45			(85.46)		23,379.74	23,763.87	583.88	0.00
GNMA	2007A Single Family	5.25	02/27/08	02/20/38	5,346.34	5,300.86			(16.90)		5,329.44	5,417.05	133.09	0.00
GNMA	2007A Single Family	6.00	02/27/08	02/20/38	8,918.27	9,153.78			(25.17)		8,893.10	9,184.97	56.36	0.00
GNMA	2007A Single Family	5.25	02/27/08	02/20/38	8,419.96	8,348.35			(26.72)		8,393.24	8,531.21	209.58	0.00
GNMA	2007A Single Family	5.25	02/27/08	02/20/38	12,321.24	12,216.45			(39.72)		12,281.52	12,483.40	306.67	0.00
GNMA	2007A Single Family	5.25	02/27/08	02/20/38	10,479.55	10,390.44			(34.91)		10,444.64	10,616.34	260.81	0.00
GNMA	2007A Single Family	6.00	02/27/08	02/20/38	10,870.59	11,157.66			(29.79)		10,840.80	11,196.59	68.72	0.00
GNMA	2007A Single Family	5.25	02/27/08	02/20/38	23,104.59	22,908.10			(264.28)		22,840.31	23,215.77	571.95	0.00
GNMA	2007A Single Family	5.25	03/20/08	03/20/38	5,042.06	4,999.31			(15.83)		5,026.23	5,108.99	125.51	0.00
GNMA	2007A Single Family	6.00	03/20/08	03/20/38	5,168.14	5,304.74			(14.07)		5,154.07	5,323.36	32.69	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2007A Single Family	5.25	03/27/08	03/20/38	10,930.95	10,838.34			(35.34)		10,895.61	11,075.08	272.08	0.00
GNMA	2007A Single Family	6.00	03/27/08	03/20/38	18,628.44	19,121.00			(51.16)		18,577.28	19,187.60	117.76	0.00
GNMA	2007A Single Family	5.25	04/15/08	03/20/38	4,879.34	4,838.09			(15.32)		4,864.02	4,944.23	121.46	0.00
GNMA	2007A Single Family	5.25	04/15/08	03/20/38	8,197.16	8,127.89			(34.15)		8,163.01	8,297.64	203.90	0.00
GNMA	2007A Single Family	6.00	04/15/08	04/20/38	6,665.12	6,841.49			(18.02)		6,647.10	6,865.61	42.14	0.00
GNMA	2007A Single Family	5.25	04/24/08	04/20/38	9,023.54	8,947.37			(28.21)		8,995.33	9,143.78	224.62	0.00
GNMA	2007A Single Family	6.00	04/22/08	04/20/38	14,074.08	14,446.63			(38.20)		14,035.88	14,497.43	89.00	0.00
GNMA	2007A Single Family	6.00	05/07/08	04/20/38	16,040.31	16,465.18			(43.87)		15,996.44	16,522.73	101.42	0.00
GNMA	2007A Single Family	5.25	05/07/08	05/20/38	53,606.56	53,154.81			(182.20)		53,424.36	54,306.85	1,334.24	0.00
GNMA	2007A Single Family	5.25	05/07/08	04/20/38	9,598.49	9,517.60			(30.24)		9,568.25	9,726.27	238.91	0.00
GNMA	2007A Single Family	5.25	05/14/08	04/20/38	19,001.85	18,841.86			(59.49)		18,942.36	19,255.38	473.01	0.00
GNMA	2007A Single Family	6.00	05/21/08	05/20/38	10,619.29	10,900.74			(31.00)		10,588.29	10,936.82	67.08	0.00
GNMA	2007A Single Family	5.25	05/21/08	05/20/38	5,676.53	5,628.78			(17.72)		5,658.81	5,752.37	141.31	0.00
GNMA	2007A Single Family	5.25	05/28/08	05/20/38	9,234.99	9,157.37			(29.23)		9,205.76	9,358.02	229.88	0.00
GNMA	2007A Single Family	6.00	05/28/08	05/20/38	9,753.53	10,012.12			(33.89)		9,719.64	10,039.65	61.42	0.00
GNMA	2007A Single Family	5.25	05/28/08	01/20/38	3,220.01	3,192.95			(10.22)		3,209.79	3,262.87	80.14	0.00
GNMA	2007A Single Family	6.00	06/11/08	06/20/38	15,692.34	16,108.61			(44.57)		15,647.77	16,163.22	99.18	0.00
GNMA	2007A Single Family	5.25	06/11/08	05/20/38	28,164.39	27,928.13			(88.09)		28,076.30	28,541.15	701.11	0.00
GNMA	2007A Single Family	5.25	06/11/08	05/20/38	16,362.87	16,225.61			(52.75)		16,310.12	16,580.16	407.30	0.00
GNMA	2007A Single Family	6.00	07/09/08	07/20/38	36,358.00	37,323.64			(99.08)		36,258.92	37,454.48	229.92	0.00
GNMA	2007A Single Family	5.25	07/09/08	06/20/38	58,885.03	58,392.88			(187.10)		58,697.93	59,671.63	1,465.85	0.00
GNMA	2007A Single Family	5.25	07/09/08	06/20/38	21,124.33	20,947.77			(70.20)		21,054.13	21,403.39	525.82	0.00
GNMA	2007A Single Family	5.25	07/09/08	06/20/38	10,718.84	10,629.26			(33.47)		10,685.37	10,862.62	266.83	0.00
GNMA	2007A Single Family	6.00	07/16/08	07/20/38	5,386.03	5,529.12			(21.50)		5,364.53	5,541.46	33.84	0.00
GNMA	2007A Single Family	5.25	07/16/08	07/20/38	5,717.00	5,669.27			(17.52)		5,699.48	5,794.08	142.33	0.00
GNMA	2007A Single Family	6.00	06/18/08	06/20/38	12,920.67	13,263.52			(34.59)		12,886.08	13,310.66	81.73	0.00
GNMA	2007A Single Family	5.25	06/18/08	06/20/38	8,815.72	8,741.84			(27.46)		8,788.26	8,933.84	219.46	0.00
GNMA	2007A Single Family	5.25	06/18/08	06/20/38	9,367.57	9,289.05			(39.78)		9,327.79	9,482.31	233.04	0.00
GNMA	2007A Single Family	5.25	06/18/08	06/20/38	8,852.69	8,778.49			(27.65)		8,825.04	8,971.22	220.38	0.00
GNMA	2007A Single Family	6.00	06/18/08	06/20/38	6,032.69	6,192.77			(16.86)		6,015.83	6,214.04	38.13	0.00
GNMA	2007A Single Family	6.00	06/25/08	06/20/38	20,823.01	21,375.73			(71.03)		20,751.98	21,435.90	131.20	0.00
GNMA	2007A Single Family	5.25	06/25/08	06/20/38	24,534.23	24,328.82			(76.76)		24,457.47	24,862.82	610.76	0.00
GNMA	2007A Single Family	5.25	07/16/08	07/20/38	42,757.41	42,400.40			(145.02)		42,612.39	43,319.61	1,064.23	0.00
GNMA	2007A Single Family	6.00	07/23/08	07/20/38	25,360.29	26,034.24			(79.92)		25,280.37	26,114.35	160.03	0.00
GNMA	2007A Single Family	5.25	07/23/08	07/20/38	58,488.82	58,000.86			(204.02)		58,284.80	59,252.62	1,455.78	0.00
GNMA	2007A Single Family	5.25	07/23/08	07/20/38	8,538.67	8,467.44			(26.18)		8,512.49	8,653.85	212.59	0.00
GNMA	2007A Single Family	6.00	07/29/08	07/20/38	4,815.44	4,943.44			(12.73)		4,802.71	4,961.17	30.46	0.00
GNMA	2007A Single Family	5.25	07/29/08	07/20/38	25,453.99	25,241.81			(81.00)		25,372.99	25,794.46	633.65	0.00
GNMA	2007A Single Family	5.25	07/29/08	07/20/38	12,461.29	12,357.42			(43.59)		12,417.70	12,623.98	310.15	0.00
GNMA	2007A Single Family	6.00	08/27/08	08/20/38	5,798.89	5,953.23			(15.23)		5,783.66	5,974.69	36.69	0.00
GNMA	2007A Single Family	5.25	08/27/08	08/20/38	14,772.61	14,649.95			(46.21)		14,726.40	14,971.51	367.77	0.00
GNMA	2007A Single Family	5.25	08/27/08	08/20/38	19,365.25	19,204.45			(59.08)		19,306.17	19,627.51	482.14	0.00
GNMA	2007A Single Family	6.00	08/13/08	08/20/38	45,254.47	46,458.18			(144.95)		45,109.52	46,598.75	285.52	0.00
GNMA	2007A Single Family	5.25	08/13/08	08/20/38	94,541.32	93,754.76			(404.78)		94,136.54	95,701.90	2,351.92	0.00
GNMA	2007A Single Family	5.25	08/13/08	07/20/38	54,840.60	54,384.34			(173.88)		54,666.72	55,575.70	1,365.24	0.00
GNMA	2007A Single Family	6.00	08/13/08	08/20/38	10,524.58	10,804.52			(28.15)		10,496.43	10,842.95	66.58	0.00
GNMA	2007A Single Family	5.25	08/13/08	08/20/38	19,870.37	19,705.06			(69.70)		19,800.67	20,129.93	494.57	0.00
GNMA	2007A Single Family	5.25	08/13/08	08/20/38	24,363.53	24,160.83			(113.85)		24,249.68	24,652.91	605.93	0.00
GNMA	2007A Single Family	6.00	08/20/08	08/20/38	13,408.82	13,765.59			(56.75)		13,352.07	13,792.96	84.12	0.00
GNMA	2007A Single Family	5.25	08/20/08	08/20/38	37,610.66	37,298.05			(154.59)		37,456.07	38,079.19	935.73	0.00
GNMA	2007A Single Family	5.25	08/20/08	08/20/38	8,612.89	8,541.30			(26.24)		8,586.65	8,729.50	214.44	0.00
GNMA	2007A Single Family	6.00	08/27/08	08/20/38	7,471.30	7,670.15			(19.69)		7,451.61	7,697.74	47.28	0.00
GNMA	2007A Single Family	5.25	08/27/08	08/20/38	9,140.99	9,065.09			(36.72)		9,104.27	9,255.80	227.43	0.00
GNMA	2007A Single Family	5.25	08/27/08	08/20/38	9,368.51	9,290.71			(28.55)		9,339.96	9,495.42	233.26	0.00
GNMA	2007A Single Family	6.00	08/27/08	08/20/38	32,784.12	33,656.68			(136.09)		32,648.03	33,726.37	205.78	0.00
GNMA	2007A Single Family	5.25	08/27/08	08/20/38	44,870.95	44,415.70			(176.42)		44,694.53	45,355.65	1,116.37	0.00
GNMA	2007A Single Family	5.25	08/27/08	08/20/38	11,031.69	10,940.09			(35.04)		10,996.65	11,179.68	274.63	0.00
GNMA	2007A Single Family	6.00	09/10/08	09/20/38			26,842.73				26,842.73	27,729.73	887.00	0.00
GNMA	2007A Single Family	5.25	09/10/08	09/20/38			69,836.38				69,836.38	70,999.81	1,163.43	0.00
GNMA	2007A Single Family	5.25	09/10/08	08/20/38			31,107.91				31,107.91	31,626.15	518.24	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2007A Single Family	5.25	09/17/08	09/20/38			16,059.67				16,059.67	16,327.35	267.68	0.00
GNMA	2007A Single Family	5.25	09/17/08	08/20/38			20,853.13				20,853.13	21,200.71	347.58	0.00
GNMA	2007A Single Family	5.25	09/24/08	07/20/38			4,313.63				4,313.63	4,385.56	71.93	0.00
GNMA	2007A Single Family	6.00	09/24/08	09/20/38			13,967.57				13,967.57	14,429.35	461.78	0.00
GNMA	2007A Single Family	5.25	09/24/08	09/20/38			24,427.37				24,427.37	24,834.73	407.36	0.00
GNMA	2007A Single Family	5.25	09/24/08	08/20/38			3,466.68				3,466.68	3,524.50	57.82	0.00
GNMA	2007A Single Family	5.25	09/24/08	09/20/38			10,075.17				10,075.17	10,243.18	168.01	0.00
GNMA	2007A Single Family	6.00	09/24/08	09/20/38			16,867.75				16,867.75	17,425.42	557.67	0.00
GNMA	2007A Single Family	5.25	09/24/08	09/20/38			31,066.17				31,066.17	31,584.22	518.05	0.00
GNMA	2007A Single Family	6.00	10/08/08	10/20/38			31,189.84				31,189.84	32,221.52	1,031.68	0.00
GNMA	2007A Single Family	5.25	10/08/08	09/20/38			22,778.78				22,778.78	23,158.99	380.21	0.00
GNMA	2007A Single Family	6.00	10/15/08	09/20/38			4,491.40				4,491.40	4,640.01	148.61	0.00
GNMA	2007A Single Family	6.00	10/15/08	06/20/38			3,265.09				3,265.09	3,373.11	108.02	0.00
GNMA	2007A Single Family	6.00	10/15/08	07/20/38			4,734.36				4,734.36	4,891.00	156.64	0.00
GNMA	2007A Single Family	6.00	10/22/08	10/20/38			28,953.98				28,953.98	29,912.15	958.17	0.00
GNMA	2007A Single Family	5.25	10/22/08	10/20/38			26,786.60				26,786.60	27,234.12	447.52	0.00
GNMA	2007A Single Family	5.25	10/22/08	07/20/38			9,624.16				9,624.16	9,784.94	160.78	0.00
GNMA	2007A Single Family	5.25	10/22/08	09/20/38			11,025.64				11,025.64	11,209.84	184.20	0.00
GNMA	2007A Single Family	6.00	10/22/08	10/20/38			18,512.92				18,512.92	19,125.56	612.64	0.00
GNMA	2007A Single Family	5.25	10/22/08	10/20/38			20,050.50				20,050.50	20,385.48	334.98	0.00
GNMA	2007A Single Family	5.25	10/22/08	08/20/38			4,805.74				4,805.74	4,886.02	80.28	0.00
GNMA	2007A Single Family	5.25	10/29/08	10/20/38			19,743.96				19,743.96	20,073.97	330.01	0.00
GNMA	2007A Single Family	6.00	10/29/08	10/20/38			14,321.79				14,321.79	14,795.86	474.07	0.00
GNMA	2007A Single Family	6.00	10/29/08	10/20/38			10,982.14				10,982.14	11,345.67	363.53	0.00
GNMA	2007A Single Family	5.25	10/29/08	10/20/38			14,446.17				14,446.17	14,687.64	241.47	0.00
GNMA	2007A Single Family	5.25	10/29/08	10/20/38			8,534.87				8,534.87	8,677.53	142.66	0.00
GNMA	2007A Single Family	6.00	10/29/08	10/20/38			15,287.10				15,287.10	15,793.12	506.02	0.00
GNMA	2007A Single Family	5.25	10/29/08	09/20/38			7,255.89				7,255.89	7,377.16	121.27	0.00
GNMA	2007A Single Family	6.00	11/12/08	11/20/38			31,696.07				31,696.07	32,745.74	1,049.67	0.00
GNMA	2007A Single Family	5.25	11/12/08	10/20/38			14,019.24				14,019.24	14,253.79	234.55	0.00
GNMA	2007A Single Family	6.00	11/12/08	11/20/38			9,966.01				9,966.01	10,296.06	330.05	0.00
GNMA	2007A Single Family	5.25	11/19/08	08/20/38			3,831.31				3,831.31	3,895.44	64.13	0.00
GNMA	2007A Single Family	6.00	11/19/08	10/20/38			15,392.56				15,392.56	15,902.44	509.88	0.00
GNMA	2007A Single Family	5.25	11/19/08	11/20/38			17,295.54				17,295.54	17,585.04	289.50	0.00
GNMA	2007A Single Family	6.00	11/19/08	10/20/38			8,452.53				8,452.53	8,732.52	279.99	0.00
GNMA	2007A Single Family	5.25	11/25/08	10/20/38			2,201.25				2,201.25	2,238.11	36.86	0.00
GNMA	2007A Single Family	5.25	11/25/08	11/20/38			22,522.21				22,522.21	22,899.37	377.16	0.00
GNMA	2007A Single Family	6.00	11/25/08	11/20/38			8,820.27				8,820.27	9,112.51	292.24	0.00
GNMA	2007A Single Family	6.00	11/25/08	11/20/38			13,427.06				13,427.06	13,871.93	444.87	0.00
FNMA	2007A Single Family	6.00	12/11/07	12/01/37	11,687.37	11,963.35			(32.89)		11,654.48	12,071.84	141.38	0.00
FNMA	2007A Single Family	5.25	12/11/07	11/01/37	11,877.11	11,732.36			(47.58)		11,829.53	12,055.58	370.80	0.00
FNMA	2007A Single Family	5.25	12/12/07	12/01/37	71,750.61	70,876.16			(276.35)		71,474.26	72,840.04	2,240.23	0.00
FNMA	2007A Single Family	5.25	12/20/07	11/01/37	5,111.27	5,048.98			(17.99)		5,093.28	5,190.62	159.63	0.00
FNMA	2007A Single Family	6.00	12/20/07	12/01/37	7,957.51	8,145.44			(23.24)		7,934.27	8,218.42	96.22	0.00
FNMA	2007A Single Family	5.25	12/20/07	12/01/37	17,050.43	16,842.72			(55.87)		16,994.56	17,319.39	532.54	0.00
FNMA	2007A Single Family	5.25	12/28/07	12/01/37	12,904.44	12,747.31			(49.43)		12,855.01	13,100.82	402.94	0.00
FNMA	2007A Single Family	5.25	12/28/07	12/01/37	3,397.05	3,355.69			(21.81)		3,375.24	3,439.78	105.90	0.00
FNMA	2007A Single Family	5.25	12/28/07	12/01/37	17,529.28	17,315.85			(57.39)		17,471.89	17,805.98	547.52	0.00
FNMA	2007A Single Family	6.00	01/16/08	12/01/37	11,708.29	12,008.74			(32.60)		11,675.69	12,117.78	141.64	0.00
FNMA	2007A Single Family	5.25	01/16/08	12/01/37	79,972.70	79,156.25			(292.79)		79,679.91	81,363.79	2,500.33	0.00
FNMA	2007A Single Family	5.25	01/30/08	12/01/37	9,558.80	9,461.33			(30.71)		9,528.09	9,729.55	298.93	0.00
FNMA	2007A Single Family	6.00	01/30/08	01/01/38	16,501.10	16,925.09			(46.93)		16,454.17	17,077.43	199.27	0.00
FNMA	2007A Single Family	5.25	01/30/08	01/01/38	17,862.98	17,680.85			(68.18)		17,794.80	18,171.10	558.43	0.00
FNMA	2007A Single Family	5.25	01/30/08	12/01/37	5,769.16	5,710.32			(18.53)		5,750.63	5,872.20	180.41	0.00
FNMA	2007A Single Family	6.00	01/30/08	01/01/38	4,990.71	5,118.95			(19.14)		4,971.57	5,159.89	60.08	0.00
FNMA	2007A Single Family	5.25	01/30/08	01/01/38	9,145.73	9,048.15			(29.58)		9,116.15	9,306.63	288.06	0.00
FNMA	2007A Single Family	6.00	01/30/08	01/01/38	3,932.79	4,033.82			(10.87)		3,921.92	4,070.44	47.49	0.00
FNMA	2007A Single Family	6.00	02/13/08	02/01/38	16,679.89	17,108.72			(52.51)		16,627.38	17,257.44	201.23	0.00
FNMA	2007A Single Family	5.25	02/13/08	02/01/38	15,977.82	15,807.52			(577.67)		15,400.15	15,722.13	492.28	0.00
FNMA	2007A Single Family	5.25	02/13/08	01/01/38	12,921.66	12,783.94			(41.34)		12,880.32	13,149.59	406.99	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2007A Single Family	5.25	02/19/08	01/01/38	7,598.00	7,517.08			(24.29)		7,573.71	7,732.13	239.34	0.00
FNMA	2007A Single Family	5.25	02/19/08	01/01/38	7,588.77	7,507.94			(24.26)		7,564.51	7,722.73	239.05	0.00
FNMA	2007A Single Family	6.00	02/19/08	02/01/38	7,139.40	7,323.00			(19.70)		7,119.70	7,389.53	86.23	0.00
FNMA	2007A Single Family	6.00	02/27/08	02/01/38	14,420.48	14,791.42			(57.97)		14,362.51	14,906.93	173.48	0.00
FNMA	2007A Single Family	5.25	02/27/08	02/01/38	18,627.49	18,429.20			(61.03)		18,566.46	18,954.87	586.70	0.00
FNMA	2007A Single Family	5.25	02/27/08	01/01/38	2,768.86	2,739.38			(15.69)		2,753.17	2,810.76	87.07	0.00
FNMA	2007A Single Family	5.25	02/27/08	02/01/38	21,290.53	21,063.90			(71.21)		21,219.32	21,663.26	670.57	0.00
FNMA	2007A Single Family	6.00	03/20/08	03/01/38	16,169.74	16,586.01			(44.85)		16,124.89	16,736.48	195.32	0.00
FNMA	2007A Single Family	5.25	03/20/08	01/01/38	4,064.33	4,021.14			(12.99)		4,051.34	4,136.17	128.02	0.00
FNMA	2007A Single Family	5.25	03/20/08	02/01/38	19,855.35	19,653.82			(67.86)		19,787.49	20,206.85	620.89	0.00
FNMA	2007A Single Family	5.25	03/27/08	03/01/38	15,402.65	15,239.10			(57.10)		15,345.55	15,667.01	485.01	0.00
FNMA	2007A Single Family	6.00	03/27/08	03/01/38	13,669.25	14,021.22			(38.30)		13,630.95	14,148.02	165.10	0.00
FNMA	2007A Single Family	5.25	03/27/08	03/01/38	9,715.92	9,612.73			(30.96)		9,684.96	9,887.82	306.05	0.00
FNMA	2007A Single Family	5.25	04/15/08	04/01/38	3,960.37	3,918.40			(21.02)		3,939.35	4,021.97	124.59	0.00
FNMA	2007A Single Family	6.00	04/29/08	04/01/38	6,315.94	6,478.77			(17.19)		6,298.75	6,537.88	76.30	0.00
	2007A Single Family Total				134,041,155.07	132,166,000.96	5,768,474.17	(8,462,359.09)	(845,527.27)	0.00	130,501,742.88	131,852,340.82	3,225,752.05	0.00
GIC's	2007B Single Family	4.79	09/20/07	08/31/09	1,318,569.65	1,318,569.65		(418,772.10)			899,797.55	899,797.55	-	0.00
Repo Agmt	2007B Single Family	0.35	11/26/08	12/01/08	4,192,004.34	4,192,004.34		(4,090,968.73)			101,035.61	101,035.61	-	0.00
GIC's	2007B Single Family	4.52	09/20/07	08/31/39	158,440.40	158,440.40	2,391,089.44				2,549,529.84	2,549,529.84	-	0.00
GIC's	2007B Single Family	4.79	09/20/07	08/31/09	1,610,817.48	1,610,817.48		(283,692.00)			1,327,125.48	1,327,125.48	-	0.00
Freddie Mac	2007B Single Family	5.25	12/11/07	11/01/37	235,526.27	231,255.10			(799.47)		234,726.80	239,053.42	8,597.79	0.00
Freddie Mac	2007B Single Family	5.25	12/11/07	11/01/37	167,601.83	164,562.44			(544.71)		167,057.12	170,136.43	6,118.70	0.00
Freddie Mac	2007B Single Family	5.25	12/20/07	12/01/37	632,493.35	621,027.73			(2,336.45)		630,156.90	641,776.91	23,085.63	0.00
Freddie Mac	2007B Single Family	6.00	12/20/07	12/01/37	129,176.46	125,215.50			(441.67)		128,734.79	126,447.26	1,673.43	0.00
Freddie Mac	2007B Single Family	5.25	12/20/07	12/01/37	456,192.66	447,922.96			(1,474.00)		454,718.66	463,103.60	16,654.64	0.00
Freddie Mac	2007B Single Family	5.25	01/16/08	12/01/37	612,079.01	600,994.96			(1,987.79)		610,091.22	621,353.11	22,345.94	0.00
Freddie Mac	2007B Single Family	6.00	01/16/08	12/01/37	114,503.94	110,982.12			(366.81)		114,137.13	112,098.22	1,482.91	0.00
Freddie Mac	2007B Single Family	5.25	01/16/08	12/01/37	213,787.37	209,915.92			(692.05)		213,095.32	217,028.93	7,805.06	0.00
Freddie Mac	2007B Single Family	5.25	01/30/08	01/01/38	421,602.68	413,972.12			(1,362.13)		420,240.55	428,002.67	15,392.68	0.00
Freddie Mac	2007B Single Family	5.25	01/30/08	12/01/37	265,896.42	261,083.97			(1,162.64)		264,733.78	269,623.31	9,701.98	0.00
Freddie Mac	2007B Single Family	6.00	01/30/08	01/01/38	188,263.16	182,462.89			(611.92)		187,651.24	184,289.18	2,438.21	0.00
Freddie Mac	2007B Single Family	6.00	02/13/08	01/01/38	165,664.38	160,552.35			(691.56)		164,972.82	162,008.99	2,148.20	0.00
Freddie Mac	2007B Single Family	5.25	02/13/08	01/01/38	215,675.18	211,773.82			(695.44)		214,979.74	218,952.77	7,874.39	0.00
Freddie Mac	2007B Single Family	5.25	03/20/08	02/01/38	75,171.83	73,814.05			(239.95)		74,931.88	76,318.69	2,744.59	0.00
Freddie Mac	2007B Single Family	6.00	03/20/08	03/01/38	149,327.25	144,699.89			(418.98)		148,908.27	146,213.25	1,932.34	0.00
Freddie Mac	2007B Single Family	5.25	03/20/08	11/01/37	126,476.92	124,192.33			(421.84)		126,055.08	128,387.80	4,617.31	0.00
Freddie Mac	2007B Single Family	6.00	04/22/08	02/01/38	63,622.28	61,643.41			(211.49)		63,410.79	62,255.84	823.92	0.00
Freddie Mac	2007B Single Family	5.25	04/22/08	01/01/38	152,078.58	149,335.15			(488.38)		151,590.20	154,399.35	5,552.58	0.00
Freddie Mac	2007B Single Family	5.25	05/14/08	04/01/38	281,735.55	276,657.90			(896.19)		280,839.36	286,048.55	10,286.84	0.00
Freddie Mac	2007B Single Family	6.00	05/15/08	04/01/38	241,588.52	234,054.07			(758.09)		240,830.43	236,423.37	3,127.39	0.00
Freddie Mac	2007B Single Family	5.25	05/21/08	04/01/38	334,597.99	328,569.28			(1,065.03)		333,532.96	339,721.27	12,217.02	0.00
Freddie Mac	2007B Single Family	5.25	05/21/08	05/01/38	234,867.34	230,635.55			(912.21)		233,955.13	238,296.12	8,572.78	0.00
Freddie Mac	2007B Single Family	5.25	05/28/08	04/01/38	256,028.08	251,416.29			(839.22)		255,188.86	259,924.90	9,347.83	0.00
Freddie Mac	2007B Single Family	5.25	05/28/08	05/01/38	137,521.26	135,044.11			(431.33)		137,089.93	139,634.32	5,021.54	0.00
Freddie Mac	2007B Single Family	6.00	06/18/08	05/01/38	292,011.24	282,868.67			(923.77)		291,087.47	285,724.78	3,779.88	0.00
Freddie Mac	2007B Single Family	5.25	06/18/08	02/01/38	82,968.91	81,475.64			(475.77)		82,493.14	84,025.40	3,025.53	0.00
Freddie Mac	2007B Single Family	5.25	06/18/08	05/01/38	145,089.47	142,478.30			(454.92)		144,634.55	147,321.19	5,297.81	0.00
Freddie Mac	2007B Single Family	6.00	06/25/08	05/01/38	103,797.53	100,545.14			(323.30)		103,474.23	101,565.40	1,343.56	0.00
Freddie Mac	2007B Single Family	6.00	07/16/08	06/01/38	162,127.40	157,035.07			(545.13)		161,582.27	158,589.00	2,099.06	0.00
Freddie Mac	2007B Single Family	5.25	07/16/08	06/01/38	221,881.22	217,892.41			(699.32)		221,181.90	225,295.21	8,102.12	0.00
Freddie Mac	2007B Single Family	6.00	07/23/08	06/01/38	149,718.10	145,011.79			(463.73)		149,254.37	146,485.82	1,937.76	0.00
Freddie Mac	2007B Single Family	6.00	08/13/08	06/01/38	153,798.28	148,952.14			(581.75)		153,216.53	150,362.93	1,992.54	0.00
Freddie Mac	2007B Single Family	6.00	08/13/08	08/01/38	73,080.96	70,778.20			(223.70)		72,857.26	71,500.12	945.62	0.00
Freddie Mac	2007B Single Family	6.00	08/20/08	06/01/38	152,897.77	148,076.16			(474.62)		152,423.15	149,580.45	1,978.91	0.00
Freddie Mac	2007B Single Family	6.00	08/27/08	08/01/38	304,151.03	294,552.04			(934.28)		303,216.75	297,553.45	3,935.69	0.00
Freddie Mac	2007B Single Family	6.00	09/17/08	08/01/38			217,633.34				217,633.34	213,552.13	(4,081.21)	0.00
Freddie Mac	2007B Single Family	5.25	09/17/08	08/01/38			83,950.50				83,950.50	85,515.69	1,565.19	0.00
Freddie Mac	2007B Single Family	5.25	09/24/08	08/01/38			179,791.66				179,791.66	183,144.65	3,352.99	0.00
Freddie Mac	2007B Single Family	6.00	09/24/08	06/01/38			99,535.20				99,535.20	97,666.29	(1,868.91)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Freddie Mac	2007B Single Family	5.25	09/24/08	06/01/38			144,262.50				144,262.50	146,952.88	2,690.38	0.00
Freddie Mac	2007B Single Family	5.25	10/08/08	09/01/38			119,134.79				119,134.79	121,357.79	2,223.00	0.00
Freddie Mac	2007B Single Family	6.00	10/15/08	09/01/38			222,685.20				222,685.20	218,486.59	(4,198.61)	0.00
Freddie Mac	2007B Single Family	5.25	10/22/08	07/01/38			123,954.73				123,954.73	126,268.94	2,314.21	0.00
Freddie Mac	2007B Single Family	6.00	10/22/08	07/01/38			76,009.19				76,009.19	74,574.22	(1,434.97)	0.00
Freddie Mac	2007B Single Family	6.00	10/22/08	09/01/38			77,266.27				77,266.27	75,807.49	(1,458.78)	0.00
Freddie Mac	2007B Single Family	5.25	10/22/08	08/01/38			154,104.79				154,104.79	156,981.90	2,877.11	0.00
Freddie Mac	2007B Single Family	5.25	11/19/08	09/01/38			114,659.34				114,659.34	116,802.48	2,143.14	0.00
GNMA	2007B Single Family	5.25	12/28/07	12/20/37	532,900.11	522,458.84			(1,750.47)		531,149.64	533,719.00	13,010.63	0.00
GNMA	2007B Single Family	6.00	12/11/07	11/20/37	729,734.54	713,787.92			(2,340.01)		727,394.53	716,051.78	4,603.87	0.00
GNMA	2007B Single Family	5.25	12/11/07	11/20/37	2,833,205.46	2,810,299.91			(9,849.59)		2,823,355.87	2,870,002.81	69,552.49	0.00
GNMA	2007B Single Family	5.25	12/11/07	11/20/37	482,348.81	478,449.17			(2,021.57)		480,327.24	488,263.12	11,835.52	0.00
GNMA	2007B Single Family	6.00	12/11/07	11/20/37	440,921.49	431,286.20			(1,408.82)		439,512.67	432,659.05	2,781.67	0.00
GNMA	2007B Single Family	5.25	12/11/07	12/20/37	2,272,063.25	2,253,696.65			(7,722.26)		2,264,340.99	2,301,756.67	55,782.28	0.00
GNMA	2007B Single Family	5.25	12/11/07	11/20/37	254,377.57	252,321.02			(917.33)		253,460.24	257,647.87	6,244.18	0.00
GNMA	2007B Single Family	5.25	12/20/07	12/20/37	1,197,155.35	1,187,489.95			(3,861.35)		1,193,294.00	1,213,022.88	29,394.28	0.00
GNMA	2007B Single Family	6.00	12/20/07	12/20/37	371,941.50	363,802.01			(86,699.05)		285,242.45	280,785.53	3,682.57	0.00
GNMA	2007B Single Family	5.25	12/20/07	12/20/37	453,083.02	449,424.98			(1,449.61)		451,633.41	459,100.31	11,124.94	0.00
GNMA	2007B Single Family	5.25	12/20/07	11/20/37	125,419.63	124,406.91			(404.24)		125,015.39	127,082.16	3,079.49	0.00
GNMA	2007B Single Family	5.25	12/20/07	12/20/37	186,644.21	185,137.32			(801.84)		185,842.37	188,914.93	4,579.45	0.00
GNMA	2007B Single Family	6.00	01/30/08	01/20/38	551,599.92	539,391.67			(1,758.15)		549,841.77	541,251.11	3,617.59	0.00
GNMA	2007B Single Family	5.25	01/30/08	01/20/38	407,503.45	403,274.75			(1,964.51)		405,538.94	411,441.89	10,131.65	0.00
GNMA	2007B Single Family	5.25	01/30/08	01/20/38	486,872.11	482,716.46			(1,547.72)		485,324.39	493,287.30	12,118.56	0.00
GNMA	2007B Single Family	5.25	01/30/08	01/20/38	607,379.97	601,077.12			(2,016.10)		605,363.87	614,175.42	15,114.40	0.00
GNMA	2007B Single Family	6.00	01/30/08	01/20/38	148,540.13	145,252.57			(468.47)		148,071.66	145,758.20	974.10	0.00
GNMA	2007B Single Family	6.00	01/16/08	12/20/37	984,473.36	962,844.89			(3,191.02)		981,282.34	965,865.03	6,211.16	0.00
GNMA	2007B Single Family	5.25	01/16/08	12/20/37	478,140.70	474,294.27			(1,744.73)		476,395.97	484,286.48	11,736.94	0.00
GNMA	2007B Single Family	5.25	01/16/08	01/20/38	2,947,966.60	2,922,760.09			(9,571.23)		2,938,395.37	2,986,561.46	73,372.60	0.00
GNMA	2007B Single Family	5.25	01/30/08	01/20/38	716,531.34	709,095.82			(2,307.18)		714,224.16	724,620.23	17,831.59	0.00
GNMA	2007B Single Family	5.25	01/30/08	12/20/37	145,773.94	144,603.45			(484.49)		145,289.45	147,698.11	3,579.15	0.00
GNMA	2007B Single Family	5.25	02/13/08	01/20/38	278,579.92	276,206.60			(888.72)		277,691.20	282,251.67	6,933.79	0.00
GNMA	2007B Single Family	5.25	02/13/08	02/20/38	346,287.07	343,336.93			(1,315.90)		344,971.17	350,636.94	8,615.91	0.00
GNMA	2007B Single Family	6.00	02/13/08	01/20/38	249,217.95	243,690.87			(788.99)		248,428.96	244,536.23	1,634.35	0.00
GNMA	2007B Single Family	6.00	01/30/08	01/20/38	126,836.70	124,029.50			(400.02)		126,436.68	124,461.25	831.77	0.00
GNMA	2007B Single Family	5.25	01/30/08	01/20/38	284,135.73	281,710.50			(903.25)		283,232.48	287,879.59	7,072.34	0.00
GNMA	2007B Single Family	5.25	01/30/08	01/20/38	136,095.55	134,933.92			(432.61)		135,662.94	137,888.82	3,387.51	0.00
GNMA	2007B Single Family	5.25	01/30/08	01/20/38	403,809.03	400,362.34			(1,559.89)		402,249.14	408,848.99	10,046.54	0.00
GNMA	2007B Single Family	6.00	02/13/08	01/20/38	342,340.37	334,748.05			(1,080.12)		341,260.25	335,912.90	2,244.97	0.00
GNMA	2007B Single Family	5.25	02/13/08	01/20/38	662,271.75	656,629.62			(2,113.53)		660,158.22	670,999.89	16,483.80	0.00
GNMA	2007B Single Family	5.25	02/13/08	01/20/38	789,521.55	782,795.32			(2,512.90)		787,008.65	799,933.56	19,651.14	0.00
GNMA	2007B Single Family	5.25	04/08/08	03/20/38	377,968.06	374,770.76			(1,191.61)		376,776.45	382,987.42	9,408.27	0.00
GNMA	2007B Single Family	5.25	04/08/08	03/20/38	138,959.65	137,784.17			(485.41)		138,474.24	140,756.94	3,458.18	0.00
GNMA	2007B Single Family	6.00	04/08/08	04/20/38	270,126.30	264,086.40			(871.11)		269,255.19	264,986.80	1,771.51	0.00
GNMA	2007B Single Family	5.25	04/08/08	04/20/38	507,224.79	502,934.08			(2,063.74)		505,161.05	513,488.92	12,618.58	0.00
GNMA	2007B Single Family	6.00	03/12/08	03/20/38	306,386.05	299,562.53			(1,958.91)		304,427.14	299,628.06	2,024.44	0.00
GNMA	2007B Single Family	5.25	03/12/08	03/20/38	619,328.22	614,071.19			(1,954.17)		617,374.05	627,532.76	15,415.74	0.00
GNMA	2007B Single Family	5.25	03/20/08	03/20/38	523,190.33	518,753.55			(1,802.85)		521,387.48	529,971.59	13,020.89	0.00
GNMA	2007B Single Family	6.00	02/19/08	01/20/38	568,037.92	555,429.48			(1,862.29)		566,175.63	557,293.27	3,726.08	0.00
GNMA	2007B Single Family	5.25	02/19/08	02/20/38	497,035.51	492,804.58			(1,733.14)		495,302.37	503,440.21	12,368.77	0.00
GNMA	2007B Single Family	5.25	02/19/08	02/20/38	137,162.90	135,995.31			(433.23)		136,729.67	138,976.13	3,414.05	0.00
GNMA	2007B Single Family	6.00	02/19/08	02/20/38	205,443.48	200,882.97			(1,103.00)		204,340.48	201,134.13	1,354.16	0.00
GNMA	2007B Single Family	5.25	02/19/08	02/20/38	651,196.46	645,653.24			(2,371.49)		648,824.97	659,485.16	16,203.41	0.00
GNMA	2007B Single Family	5.25	02/27/08	02/20/38	148,369.29	147,107.50			(468.65)		147,900.64	150,331.85	3,693.00	0.00
GNMA	2007B Single Family	6.00	02/27/08	02/20/38	246,850.17	241,363.98			(796.54)		246,053.63	242,186.44	1,619.00	0.00
GNMA	2007B Single Family	5.25	02/27/08	02/20/38	233,667.47	231,680.29			(741.62)		232,925.85	236,754.75	5,816.08	0.00
GNMA	2007B Single Family	5.25	02/27/08	02/20/38	341,933.91	339,025.99			(1,102.28)		340,831.63	346,434.31	8,510.60	0.00
GNMA	2007B Single Family	5.25	02/27/08	02/20/38	290,824.36	288,351.09			(968.82)		289,855.54	294,620.26	7,237.99	0.00
GNMA	2007B Single Family	6.00	02/27/08	02/20/38	300,888.84	294,201.65			(946.47)		299,942.37	295,228.22	1,973.04	0.00
GNMA	2007B Single Family	5.25	02/27/08	02/20/38	641,189.07	635,736.19			(7,334.14)		633,854.93	644,274.40	15,872.35	0.00
GNMA	2007B Single Family	5.25	03/20/08	03/20/38	139,925.60	138,738.99			(439.44)		139,486.16	141,782.64	3,483.09	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2007B Single Family	6.00	03/20/08	03/20/38	143,063.62	139,873.80			(447.00)		142,616.62	140,364.71	937.91	0.00
GNMA	2007B Single Family	5.25	03/27/08	03/20/38	303,351.33	300,781.27			(980.64)		302,370.69	307,351.09	7,550.46	0.00
GNMA	2007B Single Family	6.00	03/27/08	03/20/38	515,685.88	504,176.28			(1,625.11)		514,060.77	505,932.57	3,381.40	0.00
GNMA	2007B Single Family	5.25	04/15/08	03/20/38	135,409.17	134,264.82			(425.14)		134,984.03	137,210.30	3,370.62	0.00
GNMA	2007B Single Family	5.25	04/15/08	03/20/38	227,484.48	225,561.97			(947.80)		226,536.68	230,272.89	5,658.72	0.00
GNMA	2007B Single Family	6.00	04/15/08	04/20/38	184,524.32	180,394.27			(573.85)		183,950.47	181,030.20	1,209.78	0.00
GNMA	2007B Single Family	5.25	04/24/08	04/20/38	250,417.67	248,303.87			(783.03)		249,634.64	253,754.38	6,233.54	0.00
GNMA	2007B Single Family	6.00	04/22/08	04/20/38	389,654.06	380,923.93			(1,215.10)		388,438.96	382,263.51	2,554.68	0.00
GNMA	2007B Single Family	6.00	05/07/08	04/20/38	444,120.23	434,148.47			(1,394.35)		442,725.88	435,665.95	2,911.83	0.00
GNMA	2007B Single Family	5.25	05/07/08	05/20/38	1,487,667.14	1,475,130.48			(5,056.24)		1,482,610.90	1,507,101.38	37,027.14	0.00
GNMA	2007B Single Family	5.25	05/07/08	04/20/38	266,373.32	264,128.58			(839.72)		265,533.60	269,919.53	6,630.67	0.00
GNMA	2007B Single Family	5.25	05/14/08	04/20/38	527,331.81	522,891.66			(1,650.91)		525,680.90	534,367.59	13,126.84	0.00
GNMA	2007B Single Family	6.00	05/21/08	05/20/38	294,043.10	287,427.42			(977.09)		293,066.01	288,378.74	1,928.41	0.00
GNMA	2007B Single Family	5.25	05/21/08	05/20/38	157,532.76	156,207.60			(491.71)		157,041.05	159,637.55	3,921.66	0.00
GNMA	2007B Single Family	5.25	05/28/08	05/20/38	256,285.53	254,131.71			(811.34)		255,474.19	259,700.01	6,379.64	0.00
GNMA	2007B Single Family	6.00	05/28/08	05/20/38	270,078.97	263,996.35			(1,047.82)		269,031.15	264,722.42	1,773.89	0.00
GNMA	2007B Single Family	5.25	05/28/08	01/20/38	89,360.63	88,609.56			(283.85)		89,076.78	90,550.02	2,224.31	0.00
GNMA	2007B Single Family	6.00	06/11/08	06/20/38	434,553.74	424,746.82			(1,409.24)		433,144.50	426,186.81	2,849.23	0.00
GNMA	2007B Single Family	5.25	06/11/08	05/20/38	781,606.69	775,049.86			(2,444.77)		779,161.92	792,062.16	19,457.07	0.00
GNMA	2007B Single Family	5.25	06/11/08	05/20/38	454,095.79	450,286.41			(1,463.91)		452,631.88	460,125.89	11,303.39	0.00
GNMA	2007B Single Family	6.00	07/09/08	07/20/38	1,006,954.20	984,137.50			(3,150.14)		1,003,804.06	987,587.44	6,600.08	0.00
GNMA	2007B Single Family	5.25	07/09/08	06/20/38	1,634,153.07	1,620,495.12			(5,192.41)		1,628,960.66	1,655,982.58	40,679.87	0.00
GNMA	2007B Single Family	5.25	07/09/08	06/20/38	586,233.69	581,334.05			(1,947.94)		584,285.75	593,978.14	14,592.03	0.00
GNMA	2007B Single Family	5.25	07/09/08	06/20/38	297,465.13	294,978.97			(929.05)		296,536.08	301,455.14	7,405.22	0.00
GNMA	2007B Single Family	6.00	07/16/08	07/20/38	149,173.89	145,790.23			(655.63)		148,518.26	146,115.55	980.95	0.00
GNMA	2007B Single Family	5.25	07/16/08	07/20/38	158,656.10	157,331.36			(486.22)		158,169.88	160,794.97	3,949.83	0.00
GNMA	2007B Single Family	6.00	06/18/08	06/20/38	357,811.53	349,728.43			(1,102.31)		356,709.22	350,971.22	2,345.10	0.00
GNMA	2007B Single Family	5.25	06/18/08	06/20/38	244,650.39	242,600.00			(762.09)		243,888.30	247,928.26	6,090.35	0.00
GNMA	2007B Single Family	5.25	06/18/08	06/20/38	259,964.82	257,786.09			(1,103.58)		258,861.24	263,149.23	6,466.72	0.00
GNMA	2007B Single Family	5.25	06/18/08	06/20/38	245,676.15	243,617.16			(767.22)		244,908.93	248,965.79	6,115.85	0.00
GNMA	2007B Single Family	6.00	06/18/08	06/20/38	167,063.22	163,289.20			(534.53)		166,528.69	163,849.93	1,095.26	0.00
GNMA	2007B Single Family	6.00	06/25/08	06/20/38	576,669.15	563,628.40			(2,200.13)		574,469.02	565,215.08	3,786.81	0.00
GNMA	2007B Single Family	5.25	06/25/08	06/20/38	680,864.04	675,163.24			(2,129.97)		678,734.07	689,982.73	16,949.46	0.00
GNMA	2007B Single Family	5.25	07/16/08	07/20/38	1,186,586.06	1,176,678.32			(4,024.81)		1,182,561.25	1,202,187.83	29,534.32	0.00
GNMA	2007B Single Family	6.00	07/23/08	07/20/38	702,410.87	686,462.44			(2,496.92)		699,913.95	688,574.87	4,609.35	0.00
GNMA	2007B Single Family	5.25	07/23/08	07/20/38	1,623,157.59	1,609,615.97			(5,661.77)		1,617,495.82	1,644,354.16	40,399.96	0.00
GNMA	2007B Single Family	5.25	07/23/08	07/20/38	236,961.98	234,985.06			(726.49)		236,235.49	240,158.15	5,899.58	0.00
GNMA	2007B Single Family	6.00	07/29/08	07/20/38	133,378.14	130,347.24			(406.38)		132,971.76	130,814.87	874.01	0.00
GNMA	2007B Single Family	5.25	07/29/08	07/20/38	706,388.83	700,500.56			(2,247.86)		704,140.97	715,837.50	17,584.80	0.00
GNMA	2007B Single Family	5.25	07/29/08	07/20/38	345,820.85	342,938.18			(1,209.65)		344,611.20	350,335.56	8,607.03	0.00
GNMA	2007B Single Family	6.00	08/27/08	08/20/38	160,638.40	156,972.76			(486.77)		160,151.63	157,538.69	1,052.70	0.00
GNMA	2007B Single Family	5.25	08/27/08	08/20/38	409,963.38	406,559.21			(1,282.30)		408,681.08	415,483.16	10,206.25	0.00
GNMA	2007B Single Family	5.25	08/27/08	08/20/38	537,416.49	532,953.99			(1,639.44)		535,777.05	544,694.53	13,379.98	0.00
GNMA	2007B Single Family	6.00	08/13/08	08/20/38	1,253,542.42	1,224,994.25			(4,520.32)		1,249,022.10	1,228,700.64	8,226.71	0.00
GNMA	2007B Single Family	5.25	08/13/08	08/20/38	2,623,671.63	2,601,843.55			(11,233.19)		2,612,438.44	2,655,879.52	65,269.16	0.00
GNMA	2007B Single Family	5.25	08/13/08	07/20/38	1,521,913.83	1,509,252.01			(4,825.26)		1,517,088.57	1,542,314.00	37,887.25	0.00
GNMA	2007B Single Family	6.00	08/13/08	08/20/38	291,529.59	284,890.29			(897.57)		290,632.02	285,903.47	1,910.75	0.00
GNMA	2007B Single Family	5.25	08/13/08	08/20/38	551,434.40	546,846.65			(1,934.28)		549,500.12	558,637.52	13,725.15	0.00
GNMA	2007B Single Family	5.25	08/13/08	08/20/38	676,126.83	670,501.68			(3,159.68)		672,967.15	684,157.62	16,815.62	0.00
GNMA	2007B Single Family	6.00	08/20/08	08/20/38	371,434.16	362,966.72			(1,722.00)		369,712.16	363,688.57	2,443.85	0.00
GNMA	2007B Single Family	5.25	08/20/08	08/20/38	1,043,755.62	1,035,080.30			(4,289.91)		1,039,465.71	1,056,758.01	25,967.62	0.00
GNMA	2007B Single Family	5.25	08/20/08	08/20/38	239,021.44	237,034.78			(728.14)		238,293.30	242,257.50	5,950.86	0.00
GNMA	2007B Single Family	6.00	08/27/08	08/20/38	206,967.12	202,244.29			(628.98)		206,338.14	202,971.66	1,356.35	0.00
GNMA	2007B Single Family	5.25	08/27/08	08/20/38	253,676.96	251,570.52			(1,019.12)		252,657.84	256,863.08	6,311.68	0.00
GNMA	2007B Single Family	5.25	08/27/08	08/20/38	259,991.01	257,832.15			(792.01)		259,199.00	263,513.11	6,472.97	0.00
GNMA	2007B Single Family	6.00	08/27/08	08/20/38	908,172.17	887,448.41			(4,136.56)		904,035.61	889,285.91	5,974.06	0.00
GNMA	2007B Single Family	5.25	08/27/08	08/20/38	1,245,239.97	1,232,606.12			(4,895.92)		1,240,344.05	1,258,691.17	30,980.97	0.00
GNMA	2007B Single Family	5.25	08/27/08	08/20/38	306,147.22	303,605.09			(972.30)		305,174.92	310,254.24	7,621.45	0.00
GNMA	2007B Single Family	6.00	09/10/08	09/20/38			743,330.92				743,330.92	731,168.64	(12,162.28)	0.00
GNMA	2007B Single Family	5.25	09/10/08	09/20/38			1,938,070.23				1,938,070.23	1,970,357.37	32,287.14	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2007B Single Family	5.25	09/10/08	08/20/38			863,293.98				863,293.98	877,675.96	14,381.98	0.00
GNMA	2007B Single Family	5.25	09/17/08	09/20/38			445,681.66				445,681.66	453,110.12	7,428.46	0.00
GNMA	2007B Single Family	5.25	09/17/08	08/20/38			578,707.70				578,707.70	588,353.41	9,645.71	0.00
GNMA	2007B Single Family	5.25	09/24/08	07/20/38			119,710.17				119,710.17	121,706.32	1,996.15	0.00
GNMA	2007B Single Family	6.00	09/24/08	09/20/38			386,815.74				386,815.74	380,468.76	(6,346.98)	0.00
GNMA	2007B Single Family	5.25	09/24/08	09/20/38			677,898.60				677,898.60	689,203.17	11,304.57	0.00
GNMA	2007B Single Family	5.25	09/24/08	08/20/38			96,206.31				96,206.31	97,810.53	1,604.22	0.00
GNMA	2007B Single Family	5.25	09/24/08	09/20/38			279,602.19				279,602.19	284,264.80	4,662.61	0.00
GNMA	2007B Single Family	6.00	09/24/08	09/20/38			467,132.83				467,132.83	459,467.98	(7,664.85)	0.00
GNMA	2007B Single Family	5.25	09/24/08	09/20/38			862,135.29				862,135.29	876,512.16	14,376.87	0.00
GNMA	2007B Single Family	6.00	10/08/08	10/20/38			863,819.64				863,819.64	849,606.53	(14,213.11)	0.00
GNMA	2007B Single Family	5.25	10/08/08	09/20/38			632,147.41				632,147.41	642,698.79	10,551.38	0.00
GNMA	2007B Single Family	6.00	10/15/08	09/20/38			124,395.81				124,395.81	122,346.20	(2,049.61)	0.00
GNMA	2007B Single Family	6.00	10/15/08	06/20/38			90,431.34				90,431.34	88,941.43	(1,489.91)	0.00
GNMA	2007B Single Family	6.00	10/15/08	07/20/38			131,124.69				131,124.69	128,964.33	(2,160.36)	0.00
GNMA	2007B Single Family	6.00	10/22/08	10/20/38			801,946.41				801,946.41	788,714.11	(13,232.30)	0.00
GNMA	2007B Single Family	5.25	10/22/08	10/20/38			743,370.94				743,370.94	755,790.26	12,419.32	0.00
GNMA	2007B Single Family	5.25	10/22/08	07/20/38			267,085.59				267,085.59	271,547.71	4,462.12	0.00
GNMA	2007B Single Family	5.25	10/22/08	09/20/38			305,979.09				305,979.09	311,091.01	5,111.92	0.00
GNMA	2007B Single Family	6.00	10/22/08	10/20/38			512,757.17				512,757.17	504,296.56	(8,460.61)	0.00
GNMA	2007B Single Family	5.25	10/22/08	10/20/38			556,433.26				556,433.26	565,729.45	9,296.19	0.00
GNMA	2007B Single Family	5.25	10/22/08	08/20/38			133,366.90				133,366.90	135,595.03	2,228.13	0.00
GNMA	2007B Single Family	5.25	10/29/08	10/20/38			547,926.30				547,926.30	557,084.88	9,158.58	0.00
GNMA	2007B Single Family	6.00	10/29/08	10/20/38			396,686.80				396,686.80	390,132.35	(6,554.45)	0.00
GNMA	2007B Single Family	6.00	10/29/08	10/20/38			304,184.85				304,184.85	299,158.81	(5,026.04)	0.00
GNMA	2007B Single Family	5.25	10/29/08	10/20/38			400,904.23				400,904.23	407,605.33	6,701.10	0.00
GNMA	2007B Single Family	5.25	10/29/08	10/20/38			236,856.49				236,856.49	240,815.55	3,959.06	0.00
GNMA	2007B Single Family	6.00	10/29/08	10/20/38			423,424.18				423,424.18	416,427.96	(6,996.22)	0.00
GNMA	2007B Single Family	5.25	10/29/08	09/20/38			201,362.32				201,362.32	204,728.08	3,365.76	0.00
GNMA	2007B Single Family	6.00	11/12/08	11/20/38			877,976.80				877,976.80	863,429.26	(14,547.54)	0.00
GNMA	2007B Single Family	5.25	11/12/08	10/20/38			389,056.36				389,056.36	395,565.44	6,509.08	0.00
GNMA	2007B Single Family	6.00	11/12/08	11/20/38			276,057.40				276,057.40	271,483.29	(4,574.11)	0.00
GNMA	2007B Single Family	5.25	11/19/08	08/20/38			106,325.10				106,325.10	108,104.84	1,779.74	0.00
GNMA	2007B Single Family	6.00	11/19/08	10/20/38			426,385.10				426,385.10	419,310.46	(7,074.64)	0.00
GNMA	2007B Single Family	5.25	11/19/08	11/20/38			479,978.79				479,978.79	488,013.00	8,034.21	0.00
GNMA	2007B Single Family	6.00	11/19/08	10/20/38			234,141.29				234,141.29	230,256.39	(3,884.90)	0.00
GNMA	2007B Single Family	5.25	11/25/08	10/20/38			61,088.36				61,088.36	62,111.34	1,022.98	0.00
GNMA	2007B Single Family	5.25	11/25/08	11/20/38			625,027.12				625,027.12	635,493.74	10,466.62	0.00
GNMA	2007B Single Family	6.00	11/25/08	11/20/38			244,334.59				244,334.59	240,275.70	(4,058.89)	0.00
GNMA	2007B Single Family	6.00	11/25/08	11/20/38			371,949.70				371,949.70	365,770.86	(6,178.84)	0.00
FNMA	2007B Single Family	6.00	12/11/07	12/01/37	322,718.26	315,445.69			(1,032.20)		321,686.06	318,306.30	3,892.81	0.00
FNMA	2007B Single Family	5.25	12/11/07	11/01/37	328,960.90	325,591.69			(1,312.26)		327,648.64	334,561.73	10,282.30	0.00
FNMA	2007B Single Family	5.25	12/12/07	12/01/37	1,987,275.46	1,966,925.86			(7,621.75)		1,979,653.71	2,021,426.75	62,122.64	0.00
FNMA	2007B Single Family	5.25	12/20/07	11/01/37	141,566.15	140,117.39			(495.59)		141,070.56	144,048.21	4,426.41	0.00
FNMA	2007B Single Family	6.00	12/20/07	12/01/37	219,735.01	214,776.40			(726.74)		219,008.27	216,700.63	2,650.97	0.00
FNMA	2007B Single Family	5.25	12/20/07	12/01/37	472,244.68	467,412.22			(1,539.82)		470,704.86	480,640.68	14,768.28	0.00
FNMA	2007B Single Family	5.25	12/28/07	12/01/37	357,412.92	353,758.03			(1,362.59)		356,050.33	363,568.54	11,173.10	0.00
FNMA	2007B Single Family	5.25	12/28/07	12/01/37	94,087.96	93,125.82			(602.61)		93,485.35	95,459.36	2,936.15	0.00
FNMA	2007B Single Family	5.25	12/28/07	12/01/37	485,507.31	480,542.51			(1,581.28)		483,926.03	494,144.41	15,183.18	0.00
FNMA	2007B Single Family	6.00	01/16/08	12/01/37	323,983.12	316,642.74			(1,032.82)		322,950.30	319,517.90	3,907.98	0.00
FNMA	2007B Single Family	5.25	01/16/08	12/01/37	2,219,369.19	2,196,711.74			(8,125.43)		2,211,243.76	2,257,974.31	69,388.00	0.00
FNMA	2007B Single Family	5.25	01/30/08	12/01/37	265,271.61	262,566.92			(852.44)		264,419.17	270,010.48	8,296.00	0.00
FNMA	2007B Single Family	6.00	01/30/08	01/01/38	456,635.31	446,275.51			(1,482.49)		455,152.82	450,292.36	5,499.34	0.00
FNMA	2007B Single Family	5.25	01/30/08	01/01/38	495,726.09	490,671.68			(1,892.11)		493,833.98	504,276.89	15,497.32	0.00
FNMA	2007B Single Family	5.25	01/30/08	12/01/37	160,102.86	158,470.48			(514.48)		159,588.38	162,962.99	5,006.99	0.00
FNMA	2007B Single Family	6.00	01/30/08	01/01/38	138,108.04	134,974.75			(585.00)		137,523.04	136,054.46	1,664.71	0.00
FNMA	2007B Single Family	5.25	01/30/08	01/01/38	253,808.88	251,100.57			(820.98)		252,987.90	258,273.84	7,994.25	0.00
FNMA	2007B Single Family	6.00	01/30/08	01/01/38	108,831.63	106,362.56			(344.96)		108,486.67	107,328.20	1,310.60	0.00
FNMA	2007B Single Family	6.00	02/13/08	11/01/37	461,609.88	451,117.25			(1,640.29)		459,969.59	455,038.42	5,561.46	0.00
FNMA	2007B Single Family	5.25	02/13/08	02/01/38	443,409.62	438,683.92			(16,031.05)		427,378.57	436,313.99	13,661.12	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2007B Single Family	5.25	02/13/08	01/01/38	358,596.44	354,774.66			(1,147.30)		357,449.14	364,922.15	11,294.79	0.00
FNMA	2007B Single Family	5.25	02/19/08	01/01/38	210,857.12	208,610.92			(673.68)		210,183.44	214,578.91	6,641.67	0.00
FNMA	2007B Single Family	5.25	02/19/08	01/01/38	210,600.95	208,357.49			(672.88)		209,928.07	214,318.21	6,633.60	0.00
FNMA	2007B Single Family	6.00	02/19/08	02/01/38	197,587.02	193,090.56			(625.05)		196,961.97	194,844.80	2,379.29	0.00
FNMA	2007B Single Family	6.00	02/27/08	02/01/38	399,108.26	390,015.31			(1,765.42)		397,342.84	393,061.12	4,811.23	0.00
FNMA	2007B Single Family	5.25	02/27/08	02/01/38	516,942.43	511,439.77			(1,693.90)		515,248.53	526,028.00	16,282.13	0.00
FNMA	2007B Single Family	5.25	02/27/08	01/01/38	76,840.34	76,022.33			(435.47)		76,404.87	78,003.26	2,416.40	0.00
FNMA	2007B Single Family	5.25	02/27/08	02/01/38	590,846.19	584,556.85			(1,975.97)		588,870.22	601,189.94	18,609.06	0.00
FNMA	2007B Single Family	6.00	03/20/08	03/01/38	447,565.70	437,334.63			(1,421.51)		446,144.19	441,302.18	5,389.06	0.00
FNMA	2007B Single Family	5.25	03/20/08	01/01/38	112,791.62	111,593.14			(360.37)		112,431.25	114,785.62	3,552.85	0.00
FNMA	2007B Single Family	5.25	03/20/08	02/01/38	551,017.67	545,424.85			(1,883.22)		549,134.45	560,772.24	17,230.61	0.00
FNMA	2007B Single Family	5.25	03/27/08	03/01/38	427,448.37	422,909.43			(1,584.65)		425,863.72	434,784.59	13,459.81	0.00
FNMA	2007B Single Family	6.00	03/27/08	03/01/38	378,365.25	369,707.18			(1,212.38)		377,152.87	373,050.66	4,555.86	0.00
FNMA	2007B Single Family	5.25	03/27/08	03/01/38	269,631.88	266,768.76			(859.18)		268,772.70	274,402.87	8,493.29	0.00
FNMA	2007B Single Family	5.25	04/15/08	04/01/38	109,907.22	108,742.12			(582.93)		109,324.29	111,616.39	3,457.20	0.00
FNMA	2007B Single Family	6.00	04/29/08	04/01/38	174,851.38	170,830.40			(546.40)		174,304.98	172,389.02	2,105.02	0.00
GIC's	2007B Single Family	4.79	09/20/07	08/31/09	73,416,508.30	73,416,508.30		(20,466,968.97)			52,949,539.33	52,949,539.33	-	0.00
	2007B Single Family Total				163,071,366.15	161,982,136.75	23,229,186.60	(25,260,401.80)	(391,658.89)	0.00	160,648,492.06	161,462,803.73	1,903,541.07	0.00
GNMA	2002 A-D SF MRB	4.49	12/09/04	12/20/34	72,709.32	67,940.30			(407.37)		72,301.95	71,258.41	3,725.48	0.00
GNMA	2002 A-D SF MRB	4.49	12/16/04	12/20/34	48,881.19	45,675.36			(241.93)		48,639.26	47,937.55	2,504.12	0.00
GNMA	2002 A-D SF MRB	4.49	10/14/04	09/20/34	5,826.34	5,457.64			(27.49)		5,798.85	5,729.29	299.14	0.00
GNMA	2002 A-D SF MRB	4.49	10/01/04	10/20/34	12,094.97	11,329.50			(57.75)		12,037.22	11,892.73	620.98	0.00
GNMA	2002 A-D SF MRB	4.49	10/01/04	10/20/34	21,666.93	20,244.58			(118.67)		21,548.26	21,235.98	1,110.07	0.00
GNMA	2002 A-D SF MRB	4.49	11/04/04	10/20/34	94,539.47	88,335.59			(711.80)		93,827.67	92,470.29	4,846.50	0.00
GNMA	2002 A-D SF MRB	4.49	11/10/04	11/20/34	20,205.57	18,879.78			(110.89)		20,094.68	19,804.12	1,035.23	0.00
GNMA	2002 A-D SF MRB	4.49	11/18/04	11/20/34	17,818.31	16,649.27			(87.11)		17,731.20	17,474.95	912.79	0.00
GNMA	2002 A-D SF MRB	4.49	11/23/04	11/20/34	75,479.84	70,527.97			(351.86)		75,127.98	74,042.44	3,866.33	0.00
GNMA	2002 A-D SF MRB	4.49	12/02/04	12/20/34	108,202.01	101,104.48			(521.81)		107,680.20	106,125.47	5,542.80	0.00
GNMA	2002 A-D SF MRB	4.49	12/23/04	12/20/34	67,466.28	63,041.86			(5,240.13)		62,226.15	61,328.72	3,526.99	0.00
GNMA	2002 A-D SF MRB	4.49	12/29/04	12/20/34	55,457.03	51,820.47			(6,773.44)		48,683.59	47,981.76	2,934.73	0.00
GNMA	2002 A-D SF MRB	4.49	01/06/05	01/20/35	129,866.51	121,293.98			(8,264.48)		121,602.03	119,798.46	6,768.96	0.00
GNMA	2002 A-D SF MRB	4.49	01/13/05	01/20/35	62,295.69	58,183.89			(5,071.57)		57,224.12	56,375.73	3,263.41	0.00
GNMA	2002 A-D SF MRB	5.40	01/13/05	01/20/35	7,124.70	7,112.57			(27.70)		7,097.00	7,249.10	164.23	0.00
GNMA	2002 A-D SF MRB	4.49	01/19/05	01/20/35	86,863.50	81,130.49			(438.04)		86,425.46	85,144.54	4,452.09	0.00
GNMA	2002 A-D SF MRB	5.40	01/19/05	01/20/35	9,845.60	9,828.85			(38.29)		9,807.31	10,017.53	226.97	0.00
GNMA	2002 A-D SF MRB	4.49	01/27/05	01/20/35	110,593.97	103,295.40			(827.79)		109,766.18	108,140.00	5,672.39	0.00
GNMA	2002 A-D SF MRB	4.49	02/03/05	02/20/35	143,178.71	133,730.92			(7,585.57)		135,593.14	133,585.54	7,440.19	0.00
GNMA	2002 A-D SF MRB	4.49	02/10/05	02/20/35	42,912.61	40,081.20			(199.98)		42,712.63	42,080.45	2,199.23	0.00
GNMA	2002 A-D SF MRB	4.49	02/10/05	02/20/35	112,347.45	104,934.64			(549.21)		111,798.24	110,143.52	5,758.09	0.00
GNMA	2002 A-D SF MRB	4.49	02/17/05	02/20/35	49,919.63	46,626.14			(7,824.04)		42,095.59	41,472.75	2,670.65	0.00
GNMA	2002 A-D SF MRB	4.49	02/24/05	02/20/35	68,450.06	63,934.37			(379.99)		68,070.07	67,063.32	3,508.94	0.00
GNMA	2002 A-D SF MRB	4.49	03/03/05	03/20/35	65,891.61	61,545.19			(329.38)		65,562.23	64,593.17	3,377.36	0.00
GNMA	2002 A-D SF MRB	4.49	03/11/05	03/20/35	23,892.52	22,316.65			(107.49)		23,785.03	23,433.60	1,224.44	0.00
GNMA	2002 A-D SF MRB	4.49	03/17/05	03/20/35	39,932.10	37,298.50			(189.12)		39,742.98	39,155.96	2,046.58	0.00
GNMA	2002 A-D SF MRB	4.49	03/24/05	03/20/35	35,934.79	33,564.99			(166.42)		35,768.37	35,240.24	1,841.67	0.00
GNMA	2002 A-D SF MRB	4.49	04/07/05	04/20/35	50,251.50	46,938.20			(279.97)		49,971.53	49,234.38	2,576.15	0.00
GNMA	2002 A-D SF MRB	4.49	04/14/05	04/20/35	37,620.52	35,229.08			(186.16)		37,434.36	36,977.17	1,934.25	0.00
GNMA	2002 A-D SF MRB	4.49	04/21/05	04/20/35	56,517.91	52,792.03			(252.71)		56,265.20	55,435.81	2,896.49	0.00
GNMA	2002 A-D SF MRB	4.49	04/28/05	04/20/35	54,799.89	51,187.58			(244.72)		54,555.17	53,751.32	2,808.46	0.00
GNMA	2002 A-D SF MRB	4.49	05/05/05	05/20/35	89,541.51	83,639.75			(6,930.54)		82,610.97	81,394.36	4,685.15	0.00
GNMA	2002 A-D SF MRB	4.49	05/12/05	05/20/35	56,756.08	53,015.59			(11,193.30)		45,562.78	44,892.09	3,069.80	0.00
GNMA	2002 A-D SF MRB	4.49	07/07/05	07/20/35	156,621.01	146,306.29			(6,352.04)		150,268.97	148,064.38	8,110.13	0.00
GNMA	2002 A-D SF MRB	4.49	07/14/05	07/20/35	35,037.21	32,729.91			(175.21)		34,862.00	34,350.73	1,796.03	0.00
GNMA	2002 A-D SF MRB	4.49	05/26/05	05/20/35	52,423.55	49,092.90			(280.01)		52,143.54	51,508.57	2,695.68	0.00
GNMA	2002 A-D SF MRB	4.49	05/26/05	05/20/35	20,156.98	18,828.73			(91.36)		20,065.62	19,770.45	1,033.08	0.00
GNMA	2002 A-D SF MRB	4.49	06/02/05	06/20/35	47,633.83	44,607.81			(277.19)		47,356.64	46,780.37	2,449.75	0.00
GNMA	2002 A-D SF MRB	4.49	06/09/05	06/20/35	57,913.66	54,098.26			(288.17)		57,625.49	56,778.67	2,968.58	0.00
GNMA	2002 A-D SF MRB	4.49	06/15/05	06/20/35	47,154.79	44,159.71			(209.85)		46,944.94	46,374.14	2,424.28	0.00
GNMA	2002 A-D SF MRB	4.49	06/23/05	06/20/35	96,572.25	90,210.95			(504.43)		96,067.82	94,657.09	4,950.57	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2002 A-D SF MRB	4.49	06/29/05	06/20/35	41,110.92	38,403.11			(181.76)		40,929.16	40,328.34	2,106.99	0.00
GNMA	2002 A-D SF MRB	4.49	09/08/05	09/20/35	9,440.85	8,841.90			(41.66)		9,399.19	9,285.64	485.40	0.00
GNMA	2002 A-D SF MRB	4.49	09/15/05	09/20/35	11,286.89	10,544.23			(55.05)		11,231.84	11,067.75	578.57	0.00
GNMA	2002 A-D SF MRB	4.49	09/22/05	09/20/35	21,290.95	19,890.14			(94.96)		21,195.99	20,886.45	1,091.27	0.00
GNMA	2002 A-D SF MRB	4.49	07/21/05	07/20/35	18,946.60	17,743.75			(83.57)		18,863.03	18,634.28	974.10	0.00
GNMA	2002 A-D SF MRB	4.49	07/28/05	07/20/35	17,657.83	16,495.21			(77.78)		17,580.05	17,322.43	905.00	0.00
GNMA	2002 A-D SF MRB	4.49	08/04/05	08/20/35	3,928.62	3,679.26			(17.04)		3,911.58	3,864.21	201.99	0.00
GNMA	2002 A-D SF MRB	4.49	08/11/05	07/20/35	28,468.80	26,661.83			(124.78)		28,344.02	28,000.70	1,463.65	0.00
GNMA	2002 A-D SF MRB	4.49	08/18/05	08/20/35	72,693.25	67,908.29			(430.50)		72,262.75	71,205.16	3,727.37	0.00
GNMA	2002 A-D SF MRB	4.49	08/30/05	08/20/35	139,536.23	130,352.73			(705.78)		138,830.45	136,800.04	7,153.09	0.00
GNMA	2002 A-D SF MRB	4.49	09/29/05	07/20/35	5,170.08	4,842.13			(22.99)		5,147.09	5,084.96	265.82	0.00
GNMA	2002 A-D SF MRB	4.49	10/13/05	09/20/35	14,704.06	13,736.83			(73.42)		14,630.64	14,417.22	753.81	0.00
GNMA	2002 A-D SF MRB	4.49	10/27/05	10/20/35	79,719.53	74,476.73			(6,074.92)		73,644.61	72,571.34	4,169.53	0.00
GNMA	2002 A-D SF MRB	4.49	11/01/05	11/20/35	24,105.23	22,576.99			(107.34)		23,997.89	23,709.10	1,239.45	0.00
FNMA	2002 A-D SF MRB	4.49	11/04/04	10/01/34	11,527.09	10,793.49			(5,667.00)		5,860.09	5,802.68	676.19	0.00
FNMA	2002 A-D SF MRB	4.49	12/23/04	12/01/34	11,977.76	11,215.73			(64.59)		11,913.17	11,796.72	645.58	0.00
FNMA	2002 A-D SF MRB	4.49	01/19/05	01/01/35	11,900.29	11,143.31			(57.36)		11,842.93	11,727.27	641.32	0.00
FNMA	2002 A-D SF MRB	4.49	01/27/05	01/01/35	10,961.05	10,244.90			(59.14)		10,901.91	10,788.69	602.93	0.00
FNMA	2002 A-D SF MRB	4.49	03/14/05	12/01/34	13,015.93	12,188.25			(67.11)		12,948.82	12,822.65	701.51	0.00
FNMA	2002 A-D SF MRB	4.49	04/07/05	02/01/35	11,285.92	10,548.89			(72.84)		11,213.08	11,096.99	620.94	0.00
FNMA	2002 A-D SF MRB	4.49	07/28/05	07/01/35	19,442.34	18,173.54			(112.99)		19,329.35	19,130.16	1,069.61	0.00
FNMA	2002 A-D SF MRB	4.49	09/08/05	08/01/35	17,340.21	16,208.91			(79.69)		17,260.52	17,082.98	953.76	0.00
FNMA	2002 A-D SF MRB	4.49	10/20/05	09/01/35	4,819.74	4,505.38			(21.34)		4,798.40	4,749.13	265.09	0.00
FNMA	2002 A-D SF MRB	4.49	11/01/05	10/01/35	9,696.43	9,064.03			(47.26)		9,649.17	9,550.15	533.38	0.00
GNMA	2002 A-D SF MRB	5.40	07/01/04	06/20/34	7,594.70	7,584.51			(34.53)		7,560.17	7,723.75	173.77	0.00
GNMA	2002 A-D SF MRB	5.40	06/01/04	06/20/34	12,834.44	12,816.99			(53.25)		12,781.19	13,057.53	293.79	0.00
GNMA	2002 A-D SF MRB	5.40	09/01/04	09/20/34	15,680.27	15,660.26			(65.12)		15,615.15	15,954.07	358.93	0.00
GNMA	2002 A-D SF MRB	5.40	09/01/04	09/20/34	17,811.94	17,756.12			(73.63)		17,738.31	18,090.38	407.89	0.00
GNMA	2002 A-D SF MRB	5.40	09/01/04	09/20/34	20,197.38	20,171.56			(2,914.21)		17,283.17	17,658.26	400.91	0.00
GNMA	2002 A-D SF MRB	5.40	07/01/04	07/20/34	7,521.22	7,511.22			(2,519.96)		5,001.26	5,109.55	118.29	0.00
GNMA	2002 A-D SF MRB	5.40	07/01/04	07/20/34	7,641.43	7,631.25			(32.76)		7,608.67	7,773.39	174.90	0.00
GNMA	2002 A-D SF MRB	5.40	07/01/04	07/20/34	6,425.91	6,417.36			(26.51)		6,399.40	6,537.95	147.10	0.00
GNMA	2002 A-D SF MRB	5.40	08/01/04	08/20/34	8,227.14	8,216.43			(33.93)		8,193.21	8,370.82	188.32	0.00
GNMA	2002 A-D SF MRB	5.40	08/01/04	08/20/34	12,714.93	12,698.36			(51.58)		12,663.35	12,937.86	291.08	0.00
GNMA	2002 A-D SF MRB	5.40	08/01/04	08/20/34	4,416.22	4,410.46			(19.24)		4,396.98	4,492.30	101.08	0.00
GNMA	2002 A-D SF MRB	5.40	08/01/04	08/20/34	2,779.67	2,776.04			(13.63)		2,766.04	2,825.98	63.57	0.00
GNMA	2002 A-D SF MRB	5.40	10/14/04	10/20/34	14,434.30	14,389.60			(59.86)		14,374.44	14,660.29	330.55	0.00
Repo Agmt	2002 A-D SF MRB	0.35	11/26/08	12/01/08	1,690.58	1,690.58	4.31				1,694.89	1,694.89	-	0.00
Repo Agmt	2002 A-D SF MRB	0.35	11/26/08	12/01/08	4.70	4.70	0.00				4.70	4.70	-	0.00
Repo Agmt	2002 A-D SF MRB	0.35	11/26/08	12/01/08	664.60	664.60	647.74				1,312.34	1,312.34	-	0.00
Repo Agmt	2002 A-D SF MRB	0.35	11/26/08	12/01/08	5,017,842.54	5,017,842.54		(4,998,262.41)			19,580.13	19,580.13	-	0.00
Repo Agmt	2002 A-D SF MRB	0.35	11/26/08	12/01/08	211,945.63	211,945.63		(211,943.51)			2.12	2.12	-	0.00
GIC's	2002 A-D SF MRB	5.01	06/26/02	03/01/34	27.96	27.96	3,079,287.32				3,079,315.28	3,079,315.28	-	0.00
GIC's	2002 A-D SF MRB	4.51	06/26/02	03/01/34	5.50	5.50	155,076.24				155,081.74	155,081.74	-	0.00
GNMA	2002 A-D SF MRB	5.40	08/29/02	08/20/32	212,068.13	211,864.24			(1,362.36)		210,705.77	215,270.13	4,768.25	0.00
GNMA	2002 A-D SF MRB	6.15	11/12/02	11/20/32	165,447.66	170,368.07			(686.94)		164,760.72	169,235.04	(446.09)	0.00
GNMA	2002 A-D SF MRB	5.40	11/12/02	10/20/32	180,678.72	180,516.82			(913.64)		179,765.08	183,671.02	4,067.84	0.00
GNMA	2002 A-D SF MRB	6.15	09/12/02	08/20/32	61,387.49	63,209.31			(267.18)		61,120.31	62,776.31	(165.82)	0.00
GNMA	2002 A-D SF MRB	6.15	09/19/02	09/20/32	90,864.18	93,561.83			(383.96)		90,480.22	92,932.72	(245.15)	0.00
GNMA	2002 A-D SF MRB	5.40	09/19/02	09/20/32	236,338.36	236,116.14			(1,280.87)		235,057.49	240,154.44	5,319.17	0.00
GNMA	2002 A-D SF MRB	6.15	09/26/02	09/20/32	175,816.90	181,037.67			(919.10)		174,897.80	179,639.45	(479.12)	0.00
GNMA	2002 A-D SF MRB	5.40	09/26/02	09/20/32	230,027.35	229,812.20			(1,662.72)		228,364.63	233,317.61	5,168.13	0.00
GNMA	2002 A-D SF MRB	6.15	10/10/02	09/20/32	111,031.06	114,329.17			(491.19)		110,539.87	113,537.82	(300.16)	0.00
GNMA	2002 A-D SF MRB	5.40	10/10/02	09/20/32	67,970.93	67,908.05			(317.57)		67,653.36	69,121.38	1,530.90	0.00
GNMA	2002 A-D SF MRB	6.15	10/21/02	10/20/32	205,182.55	211,280.19			(4,058.64)		201,123.91	206,581.33	(640.22)	0.00
GNMA	2002 A-D SF MRB	6.15	10/29/02	10/20/32	124,113.50	127,802.72			(555.35)		123,558.15	126,911.65	(335.72)	0.00
GNMA	2002 A-D SF MRB	5.40	10/29/02	09/20/32	53,775.09	53,726.02			(463.35)		53,311.74	54,469.25	1,206.58	0.00
GNMA	2002 A-D SF MRB	6.15	11/05/02	10/20/32	60,174.85	61,963.79			(248.77)		59,926.08	61,552.80	(162.22)	0.00
GNMA	2002 A-D SF MRB	5.40	11/05/02	09/20/32	134,216.61	134,094.86			(730.29)		133,486.32	136,385.34	3,020.77	0.00
GNMA	2002 A-D SF MRB	6.15	11/19/02	11/20/32	79,276.05	81,634.12			(325.40)		78,950.65	81,095.06	(213.66)	0.00

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GNMA	2002 A-D SF MRB	5.40	11/19/02	11/20/32	96,606.30	96,520.68			(455.90)		96,150.40	98,240.62	2,175.84	0.00
GNMA	2002 A-D SF MRB	6.15	11/26/02	11/20/32	349,224.27	359,613.79			(1,613.17)		347,611.10	357,054.55	(946.07)	0.00
GNMA	2002 A-D SF MRB	5.40	11/26/02	11/20/32	260,998.97	260,769.06			(1,387.27)		259,611.70	265,256.84	5,875.05	0.00
GNMA	2002 A-D SF MRB	6.15	11/26/02	11/20/32	99,255.97	102,208.85			(433.93)		98,822.04	101,506.68	(268.24)	0.00
GNMA	2002 A-D SF MRB	5.40	11/26/02	11/20/32	139,581.69	139,458.75			(829.57)		138,752.12	141,769.23	3,140.05	0.00
GNMA	2002 A-D SF MRB	5.40	12/12/02	12/20/32	104,608.57	104,518.20			(1,011.36)		103,597.21	105,851.68	2,344.84	0.00
GNMA	2002 A-D SF MRB	6.15	12/30/02	12/20/32	61,351.68	63,178.79			(350.49)		61,001.19	62,660.26	(168.04)	0.00
GNMA	2002 A-D SF MRB	5.40	12/30/02	12/20/32	199,396.78	199,227.14			(914.88)		198,481.90	202,803.92	4,491.66	0.00
GNMA	2002 A-D SF MRB	6.15	12/30/02	12/20/32	169,842.70	174,900.83			(718.16)		169,124.54	173,724.32	(458.35)	0.00
GNMA	2002 A-D SF MRB	5.40	12/30/02	12/20/32	98,518.47	98,434.64			(450.10)		98,068.37	100,203.82	2,219.28	0.00
GNMA	2002 A-D SF MRB	6.15	01/07/03	12/20/32	112,532.85	115,884.81			(478.06)		112,054.79	115,103.01	(303.74)	0.00
GNMA	2002 A-D SF MRB	6.15	01/23/03	01/20/33	473,884.66	487,826.92			(2,053.50)		471,831.16	484,379.81	(1,393.61)	0.00
GNMA	2002 A-D SF MRB	5.40	01/23/03	01/20/33	96,076.81	95,948.79			(439.06)		95,637.75	97,708.00	2,198.27	0.00
GNMA	2002 A-D SF MRB	6.15	01/23/03	01/20/33	105,299.66	108,397.73			(639.09)		104,660.57	107,444.11	(314.53)	0.00
GNMA	2002 A-D SF MRB	5.40	01/23/03	01/20/33	99,647.57	99,514.75			(452.30)		99,195.27	101,342.52	2,280.07	0.00
GNMA	2002 A-D SF MRB	6.15	01/30/03	01/20/33	231,946.50	238,771.84			(1,381.13)		230,565.37	236,698.59	(692.12)	0.00
GNMA	2002 A-D SF MRB	5.40	01/30/03	01/20/33	329,299.44	328,862.32			(1,688.11)		327,611.33	334,704.80	7,530.59	0.00
GNMA	2002 A-D SF MRB	6.15	02/12/03	02/20/33	407,234.93	419,224.75			(2,237.43)		404,997.50	415,777.06	(1,210.26)	0.00
GNMA	2002 A-D SF MRB	6.15	02/20/03	02/20/33	167,187.02	172,110.35			(816.15)		166,370.87	170,800.07	(494.13)	0.00
GNMA	2002 A-D SF MRB	5.40	03/03/03	03/20/33	114,122.29	113,974.60			(511.64)		113,610.65	116,074.43	2,611.47	0.00
GNMA	2002 A-D SF MRB	6.15	02/27/03	02/20/33	425,607.95	438,143.58			(1,725.66)		423,882.29	435,169.35	(1,248.57)	0.00
GNMA	2002 A-D SF MRB	5.40	02/27/03	01/20/33	103,458.91	103,323.77			(471.18)		102,987.73	105,219.77	2,367.18	0.00
GNMA	2002 A-D SF MRB	6.15	03/12/03	02/20/33	307,450.91	316,509.23			(1,281.11)		306,169.80	314,325.24	(902.88)	0.00
GNMA	2002 A-D SF MRB	6.15	03/24/03	03/20/33	152,333.59	156,823.80			(642.23)		151,691.36	155,733.99	(447.58)	0.00
GNMA	2002 A-D SF MRB	5.40	03/24/03	02/20/33	105,774.09	105,638.40			(524.59)		105,249.50	107,533.18	2,419.37	0.00
GNMA	2002 A-D SF MRB	6.15	04/02/03	04/20/33	43,700.87	44,989.51			(173.20)		43,527.67	44,688.21	(128.10)	0.00
GNMA	2002 A-D SF MRB	6.15	04/02/03	03/20/33	155,869.97	160,465.57			(624.48)		155,245.49	159,383.99	(457.10)	0.00
GNMA	2002 A-D SF MRB	6.15	04/10/03	03/20/33	304,711.11	313,696.97			(1,885.23)		302,825.88	310,900.44	(911.30)	0.00
GNMA	2002 A-D SF MRB	6.15	04/10/03	03/20/33	68,835.26	70,865.22			(277.46)		68,557.80	70,385.84	(201.92)	0.00
GNMA	2002 A-D SF MRB	6.15	04/17/03	04/20/33	159,391.78	164,093.83			(638.88)		158,752.90	162,987.51	(467.44)	0.00
GNMA	2002 A-D SF MRB	6.15	04/24/03	04/20/33	109,683.29	112,919.53			(437.74)		109,245.55	112,160.19	(321.60)	0.00
GNMA	2002 A-D SF MRB	6.15	04/29/03	03/20/33	85,556.90	88,081.20			(360.23)		85,196.67	87,469.50	(251.47)	0.00
GNMA	2002 A-D SF MRB	6.15	05/08/03	04/20/33	50,032.74	51,509.51			(212.18)		49,820.56	51,150.29	(147.04)	0.00
GNMA	2002 A-D SF MRB	6.15	05/08/03	04/20/33	81,807.06	84,221.64			(337.30)		81,469.76	83,644.17	(240.17)	0.00
GNMA	2002 A-D SF MRB	6.15	05/15/03	04/20/33	84,268.57	86,756.20			(338.81)		83,929.76	86,170.21	(247.18)	0.00
GNMA	2002 A-D SF MRB	6.15	06/10/03	06/20/33	61,791.11	63,617.09			(247.90)		61,543.21	63,187.95	(181.24)	0.00
GNMA	2002 A-D SF MRB	6.15	06/19/03	05/20/33	39,808.48	40,984.93			(157.00)		39,651.48	40,711.24	(116.69)	0.00
GNMA	2002 A-D SF MRB	6.15	07/17/03	07/20/33	50,482.30	51,975.78			(225.67)		50,256.63	51,601.40	(148.71)	0.00
GNMA	2002 A-D SF MRB	6.15	07/17/03	07/20/33	89,772.73	92,428.60			(745.67)		89,027.06	91,409.29	(273.64)	0.00
GNMA	2002 A-D SF MRB	6.15	07/24/03	07/20/33	85,031.40	87,547.44			(348.64)		84,682.76	86,949.17	(249.63)	0.00
GNMA	2002 A-D SF MRB	6.15	07/30/03	07/20/33	47,198.75	48,595.54			(184.79)		47,013.96	48,272.41	(138.34)	0.00
GNMA	2002 A-D SF MRB	6.15	09/04/03	08/20/33	53,908.58	55,505.75			(208.29)		53,700.29	55,139.52	(157.94)	0.00
GNMA	2002 A-D SF MRB	6.15	09/30/03	09/20/33	161,752.83	166,549.08			(631.00)		161,121.83	165,444.00	(474.08)	0.00
GNMA	2002 A-D SF MRB	6.15	10/09/03	08/20/33	56,573.27	58,250.84			(220.07)		56,353.20	57,864.93	(165.84)	0.00
GNMA	2002 A-D SF MRB	6.15	01/15/04	12/20/33	63,784.20	65,681.68			(291.38)		63,492.82	65,202.17	(188.13)	0.00
GNMA	2002 A-D SF MRB	6.15	03/11/04	03/20/34	61,595.08	63,370.02			(226.30)		61,368.78	62,961.89	(181.83)	0.00
GNMA	2002 A-D SF MRB	5.40	07/08/04	06/20/34	181,919.20	181,677.05			(827.25)		181,091.95	185,012.45	4,162.65	0.00
GNMA	2002 A-D SF MRB	6.15	04/01/04	04/20/34	38,879.18	40,000.35			(145.02)		38,734.16	39,740.49	(114.84)	0.00
GNMA	2002 A-D SF MRB	5.40	06/17/04	06/20/34	307,428.45	307,014.24			(1,275.31)		306,153.14	312,776.03	7,037.10	0.00
GNMA	2002 A-D SF MRB	5.40	09/02/04	09/20/34	375,600.43	375,120.87			(1,560.06)		374,040.37	382,158.83	8,598.02	0.00
GNMA	2002 A-D SF MRB	5.40	09/09/04	09/20/34	426,658.85	425,324.48			(1,763.67)		424,895.18	433,331.18	9,770.37	0.00
GNMA	2002 A-D SF MRB	5.40	09/16/04	09/20/34	483,795.64	483,183.32			(69,805.47)		413,990.17	422,980.43	9,602.58	0.00
GNMA	2002 A-D SF MRB	5.40	07/15/04	07/20/34	180,159.56	179,921.40			(60,361.63)		119,797.93	122,392.59	2,832.82	0.00
GNMA	2002 A-D SF MRB	5.40	07/22/04	07/20/34	183,037.79	182,796.72			(784.71)		182,253.08	186,201.33	4,189.32	0.00
GNMA	2002 A-D SF MRB	5.40	07/29/04	07/20/34	153,921.29	153,719.33			(634.84)		153,286.45	156,607.95	3,523.46	0.00
GNMA	2002 A-D SF MRB	5.40	08/05/04	08/20/34	197,070.45	196,813.88			(812.97)		196,257.48	200,512.16	4,511.25	0.00
GNMA	2002 A-D SF MRB	5.40	08/12/04	08/20/34	304,567.55	304,172.55			(1,235.57)		303,331.98	309,909.47	6,972.49	0.00
GNMA	2002 A-D SF MRB	5.40	08/20/04	08/20/34	105,783.35	105,646.78			(460.66)		105,322.69	107,607.15	2,421.03	0.00
GNMA	2002 A-D SF MRB	5.40	08/26/04	08/20/34	66,582.11	66,496.51			(326.73)		66,255.38	67,692.84	1,523.06	0.00
GNMA	2002 A-D SF MRB	5.40	12/02/04	12/20/34	301,826.72	301,465.98			(1,234.41)		300,592.31	307,141.67	6,910.10	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2002 A-D SF MRB	4.49	12/09/04	12/20/34	1,332,004.62	1,244,638.26			(7,462.81)		1,324,541.81	1,305,424.58	68,249.13	0.00
GNMA	2002 A-D SF MRB	4.49	12/16/04	12/20/34	895,483.71	836,753.85			(4,432.18)		891,051.53	878,196.20	45,874.53	0.00
GNMA	2002 A-D SF MRB	5.40	10/14/04	10/20/34	345,754.41	344,683.83			(1,433.62)		344,320.79	351,168.00	7,917.79	0.00
GNMA	2002 A-D SF MRB	4.49	10/14/04	09/20/34	106,736.18	99,981.82			(503.61)		106,232.57	104,958.24	5,480.03	0.00
GNMA	2002 A-D SF MRB	5.40	10/21/04	10/20/34	1,289,580.55	1,287,987.24			(5,876.62)		1,283,703.93	1,311,620.58	29,509.96	0.00
GNMA	2002 A-D SF MRB	4.49	10/21/04	10/20/34	221,571.11	207,551.78			(1,058.00)		220,513.11	217,869.88	11,376.10	0.00
GNMA	2002 A-D SF MRB	5.40	10/28/04	10/20/34	297,962.84	297,043.54			(1,259.70)		296,703.14	302,606.79	6,822.95	0.00
GNMA	2002 A-D SF MRB	4.49	10/29/04	10/20/34	396,921.14	370,872.46			(2,173.97)		394,747.17	389,034.48	20,335.99	0.00
GNMA	2002 A-D SF MRB	4.49	11/04/04	10/20/34	1,731,924.38	1,618,271.74			(13,039.82)		1,718,884.56	1,694,017.65	88,785.73	0.00
GNMA	2002 A-D SF MRB	5.40	11/04/04	11/20/34	445,495.25	444,951.56			(1,830.07)		443,665.18	453,320.40	10,198.91	0.00
GNMA	2002 A-D SF MRB	4.49	11/10/04	11/20/34	370,157.78	345,869.99			(2,031.60)		368,126.18	362,803.45	18,965.06	0.00
GNMA	2002 A-D SF MRB	5.40	11/10/04	11/20/34	66,180.59	66,100.14			(261.48)		65,919.11	67,353.99	1,515.33	0.00
GNMA	2002 A-D SF MRB	4.49	11/18/04	11/20/34	326,424.20	305,007.84			(1,595.79)		324,828.41	320,133.99	16,721.94	0.00
GNMA	2002 A-D SF MRB	4.49	11/23/04	11/20/34	1,382,759.64	1,292,043.38			(6,446.21)		1,376,313.43	1,356,427.08	70,829.91	0.00
GNMA	2002 A-D SF MRB	4.49	12/02/04	12/20/34	1,982,215.63	1,852,192.50			(9,559.41)		1,972,656.22	1,944,174.91	101,541.82	0.00
GNMA	2002 A-D SF MRB	5.40	12/23/04	12/20/34	104,060.42	103,937.74			(429.27)		103,631.15	105,890.81	2,382.34	0.00
GNMA	2002 A-D SF MRB	4.49	12/23/04	12/20/34	1,235,954.56	1,154,900.94			(95,996.91)		1,139,957.65	1,123,517.00	64,612.97	0.00
GNMA	2002 A-D SF MRB	4.49	12/29/04	12/20/34	1,015,950.90	949,329.88			(124,086.52)		891,864.38	879,006.22	53,762.86	0.00
GNMA	2002 A-D SF MRB	4.49	01/06/05	01/20/35	2,379,101.12	2,222,055.77			(151,401.88)		2,227,699.24	2,194,658.41	124,004.52	0.00
GNMA	2002 A-D SF MRB	5.40	01/06/05	01/20/35	432,654.69	431,915.03			(1,926.76)		430,727.93	439,956.63	9,968.36	0.00
GNMA	2002 A-D SF MRB	4.49	01/13/05	01/20/35	1,141,231.63	1,065,904.92			(92,909.00)		1,048,322.63	1,032,780.30	59,784.38	0.00
GNMA	2002 A-D SF MRB	5.40	01/13/05	01/20/35	130,521.88	130,299.54			(507.59)		130,014.29	132,800.76	3,008.81	0.00
GNMA	2002 A-D SF MRB	4.49	01/19/05	01/20/35	1,591,303.29	1,486,277.25			(8,024.57)		1,583,278.72	1,559,813.09	81,560.41	0.00
GNMA	2002 A-D SF MRB	5.40	01/19/05	01/20/35	180,367.05	180,060.70			(701.34)		179,665.71	183,517.24	4,157.88	0.00
GNMA	2002 A-D SF MRB	4.49	01/27/05	01/20/35	2,026,036.14	1,892,329.19			(15,164.90)		2,010,871.24	1,981,080.31	103,916.02	0.00
GNMA	2002 A-D SF MRB	4.49	02/03/05	02/20/35	2,622,974.60	2,449,895.30			(138,964.34)		2,484,010.26	2,447,231.97	136,301.01	0.00
GNMA	2002 A-D SF MRB	4.49	02/10/05	02/20/35	786,141.69	734,271.13			(3,663.52)		782,478.17	770,896.69	40,289.08	0.00
GNMA	2002 A-D SF MRB	4.49	02/10/05	02/20/35	2,058,159.14	1,922,359.36			(10,061.32)		2,048,097.82	2,017,783.82	105,485.78	0.00
GNMA	2002 A-D SF MRB	5.40	02/17/05	11/20/34	100,582.97	100,468.52			(397.22)		100,185.75	102,374.39	2,303.09	0.00
GNMA	2002 A-D SF MRB	4.49	02/17/05	02/20/35	914,506.71	854,171.64			(143,333.34)		771,173.37	759,763.80	48,925.50	0.00
GNMA	2002 A-D SF MRB	4.49	02/24/05	02/20/35	1,253,977.24	1,171,251.34			(6,961.35)		1,247,015.89	1,228,572.39	64,282.40	0.00
GNMA	2002 A-D SF MRB	4.49	03/03/05	03/20/35	1,207,107.38	1,127,482.63			(6,033.74)		1,201,073.64	1,183,320.38	61,871.49	0.00
GNMA	2002 A-D SF MRB	4.49	03/11/05	03/20/35	437,701.19	408,831.86			(1,969.15)		435,732.04	429,294.00	22,431.29	0.00
GNMA	2002 A-D SF MRB	5.40	03/17/05	02/20/35	121,913.52	121,712.32			(498.68)		121,414.84	124,023.49	2,809.85	0.00
GNMA	2002 A-D SF MRB	4.49	03/17/05	03/20/35	731,540.38	683,293.14			(3,464.60)		728,075.78	717,321.19	37,492.65	0.00
GNMA	2002 A-D SF MRB	4.49	03/24/05	03/20/35	658,310.72	614,896.94			(3,048.85)		655,261.87	645,586.78	33,738.69	0.00
GNMA	2002 A-D SF MRB	4.49	04/07/05	04/20/35	920,586.61	859,888.58			(5,128.76)		915,457.85	901,953.62	47,193.80	0.00
GNMA	2002 A-D SF MRB	4.49	04/14/05	04/20/35	689,192.92	645,382.30			(3,410.36)		685,782.56	677,406.61	35,434.67	0.00
GNMA	2002 A-D SF MRB	5.40	04/21/05	04/20/35	103,185.09	102,827.74			(401.12)		102,783.97	104,804.12	2,377.50	0.00
GNMA	2002 A-D SF MRB	4.49	04/21/05	04/20/35	1,035,384.58	967,128.17			(4,629.52)		1,030,755.06	1,015,561.30	53,062.65	0.00
GNMA	2002 A-D SF MRB	4.49	04/28/05	04/20/35	1,003,911.46	937,735.55			(4,483.24)		999,428.22	984,702.17	51,449.86	0.00
GNMA	2002 A-D SF MRB	5.40	04/28/05	04/20/35	128,382.16	128,175.33			(499.60)		127,882.56	130,635.44	2,959.71	0.00
GNMA	2002 A-D SF MRB	4.49	05/05/05	05/20/35	1,640,363.14	1,532,245.98			(126,964.79)		1,513,398.35	1,491,111.29	85,830.10	0.00
GNMA	2002 A-D SF MRB	5.40	05/05/05	04/20/35	106,000.59	105,634.67			(432.91)		105,567.68	107,643.75	2,441.99	0.00
GNMA	2002 A-D SF MRB	4.49	05/12/05	05/20/35	1,039,748.28	971,223.80			(205,056.52)		834,691.76	822,404.61	56,237.33	0.00
GNMA	2002 A-D SF MRB	4.49	07/07/05	07/20/35	2,869,232.10	2,680,270.90			(116,366.83)		2,752,865.27	2,712,478.36	148,574.29	0.00
GNMA	2002 A-D SF MRB	5.40	07/07/05	07/20/35	113,565.91	113,390.28			(562.48)		113,003.43	115,443.48	2,615.68	0.00
GNMA	2002 A-D SF MRB	4.49	07/14/05	07/20/35	641,866.79	599,598.56			(3,209.73)		638,657.06	629,291.28	32,902.45	0.00
GNMA	2002 A-D SF MRB	4.49	05/26/05	05/20/35	960,378.50	899,361.82			(5,129.67)		955,248.83	943,615.98	49,383.83	0.00
GNMA	2002 A-D SF MRB	5.40	05/26/05	05/20/35	156,036.28	155,788.82			(598.67)		155,437.61	158,787.65	3,597.50	0.00
GNMA	2002 A-D SF MRB	4.49	05/26/05	05/20/34	369,281.22	344,934.76			(1,672.61)		367,608.61	362,186.62	18,924.47	0.00
GNMA	2002 A-D SF MRB	4.49	06/02/05	06/20/35	872,631.97	817,196.78			(5,077.71)		867,554.26	856,997.14	44,878.07	0.00
GNMA	2002 A-D SF MRB	5.40	06/09/05	05/20/35	122,975.20	122,781.56			(531.99)		122,443.21	125,083.57	2,834.00	0.00
GNMA	2002 A-D SF MRB	4.49	06/09/05	06/20/35	1,060,954.89	991,057.79			(5,279.10)		1,055,675.79	1,040,161.89	54,383.20	0.00
GNMA	2002 A-D SF MRB	4.49	06/15/05	06/20/35	863,856.54	808,987.81			(3,844.52)		860,012.02	849,555.25	44,411.96	0.00
GNMA	2002 A-D SF MRB	4.49	06/23/05	06/20/35	1,769,163.96	1,652,627.48			(9,240.95)		1,759,923.01	1,734,078.98	90,692.45	0.00
GNMA	2002 A-D SF MRB	4.49	06/29/05	06/20/35	753,135.51	703,529.31			(3,329.76)		749,805.75	738,798.76	38,599.21	0.00
GNMA	2002 A-D SF MRB	4.49	09/08/05	09/20/35	172,952.96	161,980.06			(763.20)		172,189.76	170,109.13	8,892.27	0.00
GNMA	2002 A-D SF MRB	5.40	09/08/05	08/20/35	57,628.73	57,542.65			(229.52)		57,399.21	58,641.72	1,328.59	0.00
GNMA	2002 A-D SF MRB	4.49	09/15/05	09/20/35	206,771.46	193,166.05			(1,008.66)		205,762.80	202,756.78	10,599.39	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2002 A-D SF MRB	4.49	09/22/05	09/20/35	390,041.88	364,379.22			(1,739.67)		388,302.21	382,631.34	19,991.79	0.00
GNMA	2002 A-D SF MRB	4.49	07/21/05	07/20/35	347,094.22	325,058.35			(1,530.82)		345,563.40	341,372.42	17,844.89	0.00
GNMA	2002 A-D SF MRB	4.49	07/28/05	07/20/35	323,484.36	302,185.57			(1,425.02)		322,059.34	317,339.88	16,579.33	0.00
GNMA	2002 A-D SF MRB	4.49	08/04/05	08/20/35	71,970.84	67,402.61			(312.02)		71,658.82	70,790.75	3,700.16	0.00
GNMA	2002 A-D SF MRB	5.40	08/11/05	07/20/35	62,303.31	62,208.73			(233.78)		62,069.53	63,411.59	1,436.64	0.00
GNMA	2002 A-D SF MRB	4.49	08/11/05	07/20/35	521,536.06	488,433.78			(2,285.97)		519,250.09	512,961.40	26,813.59	0.00
GNMA	2002 A-D SF MRB	4.49	08/18/05	08/20/35	1,331,710.30	1,244,052.06			(7,886.77)		1,323,823.53	1,304,449.30	68,284.01	0.00
GNMA	2002 A-D SF MRB	4.49	08/30/05	08/20/35	2,556,246.12	2,388,008.35			(12,929.49)		2,543,316.63	2,506,120.32	131,041.46	0.00
GNMA	2002 A-D SF MRB	4.49	09/29/05	07/20/35	94,713.96	88,705.87			(421.08)		94,292.88	93,154.53	4,869.74	0.00
GNMA	2002 A-D SF MRB	4.49	10/13/05	09/20/35	269,372.07	251,653.14			(1,344.73)		268,027.34	264,117.51	13,809.10	0.00
GNMA	2002 A-D SF MRB	4.49	10/27/05	10/20/35	1,460,428.65	1,364,383.05			(111,290.14)		1,349,138.51	1,329,476.99	76,384.08	0.00
GNMA	2002 A-D SF MRB	4.49	11/01/05	11/20/35	441,598.15	413,601.31			(1,966.37)		439,631.78	434,341.11	22,706.17	0.00
FNMA	2002 A-D SF MRB	6.40	07/24/03	11/01/32	74,641.25	77,094.70			(281.46)		74,359.79	76,790.61	(22.63)	0.00
FNMA	2002 A-D SF MRB	5.40	08/14/03	09/01/32	55,609.01	55,186.67			(274.04)		55,334.97	56,531.19	1,618.56	0.00
FNMA	2002 A-D SF MRB	6.15	08/14/03	12/01/31	57,512.48	59,067.55			(740.07)		56,772.41	58,674.31	346.83	0.00
FNMA	2002 A-D SF MRB	6.40	08/28/03	11/01/32	47,146.03	48,695.71			(479.04)		46,666.99	48,192.53	(24.14)	0.00
FNMA	2002 A-D SF MRB	6.15	04/01/04	02/01/34	100,567.73	102,936.33			(375.87)		100,191.86	103,217.45	656.99	0.00
FNMA	2002 A-D SF MRB	5.40	10/28/04	10/01/34	295,233.56	292,553.52			(1,300.39)		293,933.17	299,910.10	8,656.97	0.00
FNMA	2002 A-D SF MRB	4.49	11/04/04	10/01/34	211,171.49	197,732.40			(103,816.98)		107,354.51	106,302.74	12,387.32	0.00
FNMA	2002 A-D SF MRB	4.49	12/23/04	12/01/34	219,427.66	205,467.65			(1,183.13)		218,244.53	216,111.10	11,826.58	0.00
FNMA	2002 A-D SF MRB	4.49	01/19/05	01/01/35	218,008.15	204,140.91			(1,050.96)		216,957.19	214,838.93	11,748.98	0.00
FNMA	2002 A-D SF MRB	4.49	01/27/05	01/01/35	200,801.41	187,682.44			(1,083.39)		199,718.02	197,644.36	11,045.31	0.00
FNMA	2002 A-D SF MRB	4.49	03/14/05	12/01/34	238,446.87	223,283.81			(1,229.49)		237,217.38	234,905.78	12,851.46	0.00
FNMA	2002 A-D SF MRB	5.40	03/24/05	02/01/35	232,356.23	230,261.58			(49,612.90)		182,743.33	186,470.93	5,822.25	0.00
FNMA	2002 A-D SF MRB	4.49	04/07/05	02/01/35	206,753.81	193,251.36			(1,334.49)		205,419.32	203,292.35	11,375.48	0.00
FNMA	2002 A-D SF MRB	4.49	07/28/05	07/01/35	356,175.61	332,931.96			(2,069.94)		354,105.67	350,456.79	19,594.77	0.00
FNMA	2002 A-D SF MRB	5.40	07/14/05	04/01/35	109,460.83	108,341.61			(654.69)		108,806.14	110,990.22	3,303.30	0.00
FNMA	2002 A-D SF MRB	4.49	09/08/05	08/01/35	317,665.73	296,940.57			(1,459.91)		316,205.82	312,953.15	17,472.49	0.00
FNMA	2002 A-D SF MRB	4.49	10/20/05	09/01/35	88,295.87	82,536.75			(390.92)		87,904.95	87,002.28	4,856.45	0.00
FNMA	2002 A-D SF MRB	4.49	11/01/05	10/01/35	177,634.75	166,049.30			(865.80)		176,768.95	174,954.79	9,771.29	0.00
Repo Agmt	2002 A-D SF MRB	0.35	11/26/08	12/01/08	342,371.86	342,371.86		(66,936.71)			275,435.15	275,435.15	-	0.00
Freddie Mac	2002 A-D SF MRB	5.38	05/21/08	04/01/38	2,473.74	2,444.38			(9.76)		2,463.98	2,515.36	80.74	0.00
Freddie Mac	2002 A-D SF MRB	5.38	06/18/08	04/01/38	4,976.74	4,917.78			(25.90)		4,950.84	5,054.18	162.30	0.00
Freddie Mac	2002 A-D SF MRB	5.63	06/18/08	03/01/38	2,108.67	2,109.04			(24.06)		2,084.61	2,136.78	51.80	0.00
Freddie Mac	2002 A-D SF MRB	5.13	06/25/08	12/01/37	2,655.15	2,589.68			(8.78)		2,646.37	2,688.94	108.04	0.00
Freddie Mac	2002 A-D SF MRB	5.13	07/16/08	06/01/38	4,000.40	3,901.83			(15.39)		3,985.01	4,049.20	162.76	0.00
Freddie Mac	2002 A-D SF MRB	5.63	07/16/08	05/01/38	1,606.67	1,606.99			(4.70)		1,601.97	1,642.10	39.81	0.00
Freddie Mac	2002 A-D SF MRB	5.38	07/23/08	03/01/38	1,780.42	1,759.37			(5.54)		1,774.88	1,811.98	58.15	0.00
Freddie Mac	2002 A-D SF MRB	5.38	08/13/08	07/01/38	2,742.26	2,709.88			(9.91)		2,732.35	2,789.50	89.53	0.00
Freddie Mac	2002 A-D SF MRB	5.38	08/13/08	07/01/38	1,460.54	1,443.29			(4.40)		1,456.14	1,486.59	47.70	0.00
Freddie Mac	2002 A-D SF MRB	5.63	09/24/08	07/01/38			2,611.60				2,611.60	2,677.16	65.56	0.00
Freddie Mac	2002 A-D SF MRB	5.13	10/22/08	03/01/38			3,792.99				3,792.99	3,854.36	61.37	0.00
Freddie Mac	2002 A-D SF MRB	5.13	11/19/08	10/01/38			3,446.90				3,446.90	3,502.74	55.84	0.00
Freddie Mac	2002 A-D SF MRB	5.13	11/25/08	10/01/38			2,791.32				2,791.32	2,836.55	45.23	0.00
GNMA	2002 A-D SF MRB	5.38	02/20/07	02/20/37	16,766.14	16,726.90			(56.65)		16,709.49	17,067.60	397.35	0.00
GNMA	2002 A-D SF MRB	5.13	02/20/07	02/20/37	23,927.39	23,545.99			(96.33)		23,831.06	24,058.47	608.81	0.00
GNMA	2002 A-D SF MRB	5.63	02/20/07	02/20/37	12,083.17	12,178.75			(42.37)		12,040.80	12,264.28	127.90	0.00
GNMA	2002 A-D SF MRB	5.38	03/06/07	02/20/37	22,884.64	22,831.38			(85.48)		22,799.16	23,288.10	542.20	0.00
GNMA	2002 A-D SF MRB	5.63	03/06/07	02/20/37	4,949.20	4,988.42			(15.77)		4,933.43	5,025.06	52.41	0.00
GNMA	2002 A-D SF MRB	5.63	03/20/07	02/20/37	5,951.45	5,998.69			(18.96)		5,932.49	6,042.76	63.03	0.00
GNMA	2002 A-D SF MRB	5.13	03/20/07	03/20/37	23,151.18	22,782.85			(90.30)		23,060.88	23,281.61	589.06	0.00
GNMA	2002 A-D SF MRB	5.38	03/20/07	03/20/37	23,196.60	23,142.96			(84.21)		23,112.39	23,608.37	549.62	0.00
GNMA	2002 A-D SF MRB	5.13	03/06/07	02/20/37	8,458.51	8,323.81			(37.94)		8,420.57	8,501.05	215.18	0.00
GNMA	2002 A-D SF MRB	5.13	04/24/07	04/20/37	23,934.52	23,554.57			(109.89)		23,824.63	24,053.57	608.89	0.00
GNMA	2002 A-D SF MRB	5.63	04/24/07	04/20/37	19,332.94	19,487.17			(1,645.35)		17,687.59	18,017.07	175.25	0.00
GNMA	2002 A-D SF MRB	5.38	04/24/07	04/20/37	14,490.01	14,457.06			(51.41)		14,438.60	14,749.04	343.39	0.00
GNMA	2002 A-D SF MRB	5.13	03/27/07	03/20/37	18,664.44	18,367.61			(95.53)		18,568.91	18,746.78	474.70	0.00
GNMA	2002 A-D SF MRB	5.62	03/27/07	02/20/37	4,568.73	4,605.03			(14.71)		4,554.02	4,638.70	48.38	0.00
GNMA	2002 A-D SF MRB	5.38	04/24/07	03/20/37	8,373.83	8,354.76			(29.04)		8,344.79	8,524.17	198.45	0.00
GNMA	2002 A-D SF MRB	5.38	04/10/07	03/20/37	13,628.91	13,597.70			(45.51)		13,583.40	13,875.21	323.02	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2002 A-D SF MRB	5.13	04/10/07	03/20/37	22,342.16	21,987.16			(81.07)		22,261.09	22,474.65	568.56	0.00
GNMA	2002 A-D SF MRB	5.63	04/10/07	03/20/37	7,672.14	7,733.23			(25.24)		7,646.90	7,789.21	81.22	0.00
GNMA	2002 A-D SF MRB	5.13	05/08/07	04/20/37	13,026.85	12,820.25			(48.95)		12,977.90	13,102.81	331.51	0.00
GNMA	2002 A-D SF MRB	5.63	05/08/07	04/20/37	6,162.46	6,211.71			(19.37)		6,143.09	6,257.62	65.28	0.00
GNMA	2002 A-D SF MRB	5.38	05/08/07	05/20/37	13,917.59	13,886.15			(46.87)		13,870.72	14,169.14	329.86	0.00
GNMA	2002 A-D SF MRB	5.63	05/22/07	04/20/37	4,851.82	4,890.67			(15.43)		4,836.39	4,926.63	51.39	0.00
GNMA	2002 A-D SF MRB	5.38	05/22/07	05/20/37	20,234.00	20,188.58			(68.57)		20,165.43	20,599.57	479.56	0.00
GNMA	2002 A-D SF MRB	5.13	05/22/07	05/20/37	28,251.06	27,803.41			(120.21)		28,130.85	28,401.98	718.78	0.00
GNMA	2002 A-D SF MRB	5.63	06/05/07	05/20/37	24,502.45	24,447.79			(82.40)		24,420.05	24,946.14	580.75	0.00
GNMA	2002 A-D SF MRB	5.63	06/05/07	05/20/37	7,720.52	7,782.45			(24.70)		7,695.82	7,839.51	81.76	0.00
GNMA	2002 A-D SF MRB	5.13	06/05/07	05/20/37	41,044.25	40,394.50			(160.84)		40,883.41	41,278.08	1,044.42	0.00
GNMA	2002 A-D SF MRB	5.38	06/19/07	05/20/37	11,457.04	11,431.64			(2,090.70)		9,366.34	9,568.26	227.32	0.00
GNMA	2002 A-D SF MRB	5.13	06/19/07	06/20/37	19,983.80	19,667.74			(72.20)		19,911.60	20,104.14	508.60	0.00
GNMA	2002 A-D SF MRB	5.63	06/19/07	06/20/37	9,779.98	9,858.58			(31.13)		9,748.85	9,931.04	103.59	0.00
GNMA	2002 A-D SF MRB	5.13	08/07/07	07/20/37	43,639.59	42,972.54			(166.60)		43,472.99	43,916.78	1,110.84	0.00
GNMA	2002 A-D SF MRB	5.38	07/03/07	05/20/37	17,812.62	17,773.40			(59.43)		17,753.19	18,136.16	422.19	0.00
GNMA	2002 A-D SF MRB	5.13	07/03/07	06/20/37	17,222.78	16,919.28			(59.39)		17,163.39	17,298.02	438.13	0.00
GNMA	2002 A-D SF MRB	5.38	07/17/07	06/20/37	18,146.03	18,106.37			(59.16)		18,086.87	18,477.37	430.16	0.00
GNMA	2002 A-D SF MRB	5.13	07/17/07	06/20/37	15,977.62	15,696.31			(64.26)		15,913.36	16,038.42	406.37	0.00
GNMA	2002 A-D SF MRB	5.38	04/24/08	04/20/38	4,816.15	4,807.87			(16.96)		4,799.19	4,906.61	115.70	0.00
GNMA	2002 A-D SF MRB	5.13	04/24/08	04/20/38	7,152.41	7,040.14			(22.95)		7,129.46	7,201.82	184.63	0.00
GNMA	2002 A-D SF MRB	5.38	04/22/08	03/20/38	6,498.13	6,486.92			(21.06)		6,477.07	6,622.02	156.16	0.00
GNMA	2002 A-D SF MRB	5.63	04/22/08	03/20/38	5,640.20	5,688.30			(16.59)		5,623.61	5,732.69	60.98	0.00
GNMA	2002 A-D SF MRB	5.38	05/07/08	03/20/38	2,441.72	2,437.55			(7.67)		2,434.05	2,488.56	58.68	0.00
GNMA	2002 A-D SF MRB	5.13	05/07/08	04/20/38	9,124.21	8,981.11			(29.38)		9,094.83	9,187.25	235.52	0.00
GNMA	2002 A-D SF MRB	5.63	05/07/08	04/20/38	5,871.83	5,922.00			(17.26)		5,854.57	5,968.20	63.46	0.00
GNMA	2002 A-D SF MRB	5.38	05/14/08	04/20/38	7,342.08	7,329.60			(22.41)		7,319.67	7,483.66	176.47	0.00
GNMA	2002 A-D SF MRB	5.13	05/21/08	05/20/38	12,408.38	12,191.23			(40.07)		12,368.31	12,471.42	320.26	0.00
GNMA	2002 A-D SF MRB	5.13	06/11/08	05/20/38	5,367.47	5,283.49			(17.15)		5,350.32	5,404.90	138.56	0.00
GNMA	2002 A-D SF MRB	5.63	07/09/08	06/20/38	6,401.86	6,457.01			(18.47)		6,383.39	6,507.75	69.21	0.00
GNMA	2002 A-D SF MRB	5.38	07/09/08	03/20/38	4,213.42	4,206.52			(13.01)		4,200.41	4,294.78	101.27	0.00
GNMA	2002 A-D SF MRB	5.13	07/16/08	06/20/38	2,481.42	2,442.69			(7.84)		2,473.58	2,498.91	64.06	0.00
GNMA	2002 A-D SF MRB	5.63	06/18/08	03/20/38	631.20	636.62			(1.88)		629.32	641.55	6.81	0.00
GNMA	2002 A-D SF MRB	5.63	06/25/08	05/20/38	4,007.32	4,041.78			(11.70)		3,995.62	4,073.39	43.31	0.00
GNMA	2002 A-D SF MRB	5.38	06/25/08	05/20/38	13,232.85	13,210.96			(43.02)		13,189.83	13,485.96	318.02	0.00
GNMA	2002 A-D SF MRB	5.38	07/23/08	06/20/38	7,279.28	7,267.48			(21.98)		7,257.30	7,420.48	174.98	0.00
GNMA	2002 A-D SF MRB	5.38	07/29/08	06/20/38	3,439.83	3,434.28			(10.35)		3,429.48	3,506.62	82.69	0.00
GNMA	2002 A-D SF MRB	5.13	08/27/08	08/20/38	5,190.09	5,109.33			(21.74)		5,168.35	5,221.53	133.94	0.00
GNMA	2002 A-D SF MRB	5.63	08/13/08	07/20/38	4,581.86	4,621.51			(13.07)		4,568.79	4,657.98	49.54	0.00
GNMA	2002 A-D SF MRB	5.38	08/13/08	07/20/38	3,580.56	3,574.83			(10.69)		3,569.87	3,650.20	86.06	0.00
GNMA	2002 A-D SF MRB	5.13	08/13/08	07/20/38	5,389.84	5,305.89			(38.22)		5,351.62	5,406.60	138.93	0.00
GNMA	2002 A-D SF MRB	5.63	08/27/08	08/20/38	2,343.77	2,364.09			(6.64)		2,337.13	2,382.80	25.35	0.00
GNMA	2002 A-D SF MRB	5.13	09/10/08	09/20/38			10,975.32				10,975.32	11,088.41	113.09	0.00
GNMA	2002 A-D SF MRB	5.38	09/24/08	07/20/38			2,411.19				2,411.19	2,465.58	54.39	0.00
GNMA	2002 A-D SF MRB	5.13	09/24/08	08/20/38			4,733.00				4,733.00	4,781.84	48.84	0.00
GNMA	2002 A-D SF MRB	5.38	09/24/08	09/20/38			5,158.79				5,158.79	5,275.16	116.37	0.00
GNMA	2002 A-D SF MRB	5.13	10/15/08	08/20/38			2,653.44				2,653.44	2,680.88	27.44	0.00
GNMA	2002 A-D SF MRB	5.63	10/15/08	08/20/38			2,744.35				2,744.35	2,798.12	53.77	0.00
GNMA	2002 A-D SF MRB	5.13	10/15/08	09/20/38			1,401.71				1,401.71	1,416.21	14.50	0.00
GNMA	2002 A-D SF MRB	5.63	10/29/08	09/20/38			3,615.34				3,615.34	3,686.24	70.90	0.00
GNMA	2002 A-D SF MRB	5.13	11/12/08	10/20/38			5,896.85				5,896.85	5,958.03	61.18	0.00
GNMA	2002 A-D SF MRB	5.38	11/12/08	10/20/38			1,923.92				1,923.92	1,967.42	43.50	0.00
GNMA	2002 A-D SF MRB	5.13	11/25/08	09/20/38			2,848.04				2,848.04	2,877.63	29.59	0.00
GNMA	2002 A-D SF MRB	5.38	11/25/08	11/20/38			10,581.14				10,581.14	10,820.56	239.42	0.00
FNMA	2002 A-D SF MRB	5.13	02/20/07	01/01/37	9,403.22	9,163.19			(34.50)		9,368.72	9,505.23	376.54	0.00
FNMA	2002 A-D SF MRB	5.38	03/06/07	02/01/37	12,846.12	12,671.50			(44.07)		12,802.05	13,050.94	423.51	0.00
FNMA	2002 A-D SF MRB	5.63	03/06/07	02/01/37	5,887.12	5,879.14			(19.10)		5,868.02	6,005.63	145.59	0.00
FNMA	2002 A-D SF MRB	5.13	03/20/07	09/01/36	1,719.21	1,675.34			(14.66)		1,704.55	1,729.40	68.72	0.00
FNMA	2002 A-D SF MRB	5.63	03/20/07	02/01/37	7,723.69	7,713.25			(25.22)		7,698.47	7,879.02	190.99	0.00
FNMA	2002 A-D SF MRB	5.38	03/20/07	09/01/36	5,129.44	5,064.82			(33.73)		5,095.71	5,195.83	164.74	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2002 A-D SF MRB	5.13	03/27/07	03/01/37	9,058.11	8,815.11			(45.92)		9,012.19	9,141.67	372.48	0.00
FNMA	2002 A-D SF MRB	5.38	04/10/07	03/01/37	21,277.23	20,988.34			(71.96)		21,205.27	21,617.86	701.48	0.00
FNMA	2002 A-D SF MRB	5.63	04/10/07	03/01/37	11,486.98	11,471.58			(38.21)		11,448.77	11,717.41	284.04	0.00
FNMA	2002 A-D SF MRB	5.13	04/10/07	03/01/37	18,209.21	17,720.83			(65.72)		18,143.49	18,404.28	749.17	0.00
FNMA	2002 A-D SF MRB	5.38	04/24/07	04/01/37	35,864.92	35,414.22			(1,822.07)		34,042.85	34,712.97	1,120.82	0.00
FNMA	2002 A-D SF MRB	5.13	04/24/07	04/01/37	9,999.74	9,731.61			(36.03)		9,963.71	10,107.00	411.42	0.00
FNMA	2002 A-D SF MRB	5.63	04/24/07	04/01/37	5,238.03	5,231.05			(17.21)		5,220.82	5,343.37	129.53	0.00
FNMA	2002 A-D SF MRB	5.13	05/08/07	04/01/37	5,198.94	5,059.57			(18.20)		5,180.74	5,255.27	213.90	0.00
FNMA	2002 A-D SF MRB	5.38	05/22/07	04/01/37	5,018.79	4,950.72			(17.02)		5,001.77	5,099.17	165.47	0.00
FNMA	2002 A-D SF MRB	5.13	05/22/07	04/01/37	4,182.49	4,070.39			(19.82)		4,162.67	4,222.59	172.02	0.00
FNMA	2002 A-D SF MRB	5.38	06/05/07	05/01/37	7,330.33	7,238.34			(25.67)		7,304.66	7,448.58	235.91	0.00
FNMA	2002 A-D SF MRB	5.63	06/05/07	05/01/37	8,505.13	8,493.96			(27.42)		8,477.71	8,676.87	210.33	0.00
FNMA	2002 A-D SF MRB	5.13	06/05/07	04/01/37	8,851.55	8,614.37			(40.33)		8,811.22	8,938.09	364.05	0.00
FNMA	2002 A-D SF MRB	5.38	06/19/07	05/01/37	13,848.50	13,660.89			(76.44)		13,772.06	14,040.47	456.02	0.00
FNMA	2002 A-D SF MRB	5.13	07/03/07	06/01/37	11,868.23	11,550.36			(49.86)		11,818.37	11,988.71	488.21	0.00
FNMA	2002 A-D SF MRB	5.13	04/08/08	03/01/38	3,703.13	3,637.10			(12.28)		3,690.85	3,746.58	121.76	0.00
FNMA	2002 A-D SF MRB	5.63	04/15/08	12/01/37	3,252.64	3,277.78			(76.17)		3,176.47	3,256.17	54.56	0.00
FNMA	2002 A-D SF MRB	5.38	04/15/08	01/01/38	5,339.69	5,320.41			(18.07)		5,321.62	5,462.96	160.62	0.00
FNMA	2002 A-D SF MRB	5.13	04/15/08	04/01/38	2,439.58	2,396.10			(7.85)		2,431.73	2,468.48	80.23	0.00
FNMA	2002 A-D SF MRB	5.38	04/29/08	04/01/38	3,536.92	3,524.19			(16.61)		3,520.31	3,613.86	106.28	0.00
	2002 A-D SF MRB Total				83,027,786.10	79,331,477.11	3,302,601.51	(5,277,142.63)	(1,979,287.93)	0.00	79,073,957.05	78,687,193.88	3,309,545.82	0.00
Repo Agmt	2004A	0.35	11/26/08	12/01/08	115.90	115.90		(62.15)			53.75	53.75	-	0.00
Repo Agmt	2004A	0.35	11/26/08	12/01/08	124,205.19	124,205.19		(96.00)			124,109.19	124,109.19	-	0.00
	2004A Total				124,321.09	124,321.09	0.00	(158.15)	0.00	0.00	124,162.94	124,162.94	0.00	0.00
Repo Agmt	1991 A S/F (1980 A Refunding)	0.35	11/26/08	12/01/08	33,216.92	33,216.92		(32,221.92)			995.00	995.00	-	0.00
GIC's	1991 A S/F (1980 A Refunding)	6.08	11/14/96	09/30/29	605,411.94	605,411.94	91,873.59				697,285.53	697,285.53	-	0.00
Repo Agmt	1991 A S/F (1980 A Refunding)				2.80	2.80		(2.80)					-	0.00
GIC's	1991 A S/F (1980 A Refunding)	6.08	11/14/96	09/30/29	96.40	96.40	2.80				99.20	99.20	-	0.00
Repo Agmt	1991 A S/F (1980 A Refunding)				13,515.95	13,515.95		(13,515.95)					-	0.00
GIC's	1991 A S/F (1980 A Refunding)	4.51	06/26/02	03/01/34	605,452.79	605,452.79	13,397.32				618,850.11	618,850.11	-	0.00
GIC's	1991 A S/F (1980 A Refunding)	6.08	11/14/96	09/30/29	0.12	0.12	0.00				0.12	0.12	-	0.00
	1991 A S/F (1980 A Refunding) Total				1,257,696.92	1,257,696.92	105,273.71	(45,740.67)	0.00	0.00	1,317,229.96	1,317,229.96	0.00	0.00
Repo Agmt	1994 A&B SF (1983 Refunding)	0.35	11/26/08	12/01/08	443.03	443.03		(442.62)			0.41	0.41	-	0.00
Repo Agmt	1994 A&B SF (1983 Refunding)	0.35	11/26/08	12/01/08			0.01				0.01	0.01	-	0.00
GIC's	1994 A&B SF (1983 Refunding)	6.08	11/14/96	09/30/29	10,740.37	10,740.37	10,944.78				21,685.15	21,685.15	-	0.00
GIC's	1994 A&B SF (1983 Refunding)	6.08	11/14/96	09/30/29	0.15	0.15	908.60				908.75	908.75	-	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.15	05/30/96	04/01/26	9,978.96	10,344.02			(85.20)		9,893.76	10,259.01	0.19	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.15	06/27/96	05/01/26	9,259.15	9,586.32			(117.99)		9,141.16	9,467.38	(0.95)	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.15	07/15/96	06/01/26	10,466.18	10,858.91			(99.05)		10,367.13	10,759.48	(0.38)	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.15	07/01/96	06/01/26	7,839.99	8,138.33			(65.47)		7,774.52	8,072.82	(0.04)	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.15	08/15/96	07/01/26	11,018.91	11,434.73			(188.81)		10,830.10	11,242.25	(3.67)	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.15	08/29/96	08/01/26	8,008.24	8,224.02			(77.26)		7,930.98	8,199.95	53.19	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.15	09/16/96	08/01/26	7,763.88	7,964.67			(315.14)		7,448.74	7,693.36	43.83	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.15	10/30/96	10/01/26	16,118.69	16,532.49			(236.20)		15,882.49	16,401.05	104.76	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.15	12/23/96	11/01/26	11,349.53	11,645.99			(116.01)		11,233.52	11,605.33	75.35	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.15	03/27/97	01/01/27	11,070.53	11,352.12			(177.09)		10,893.44	11,246.55	71.52	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.15	09/29/97	07/01/27	5,030.12	5,185.35			(35.10)		4,995.02	5,156.36	6.11	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	07/30/96	07/20/26	47,425.62	48,864.77			(2,732.45)		44,693.17	45,769.20	(363.12)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	03/28/96	03/20/26	12,282.21	12,653.93			(177.39)		12,104.82	12,395.30	(81.24)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	08/15/96	07/20/26	37,420.60	38,547.49			(524.14)		36,896.46	37,776.42	(246.93)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	04/29/96	04/20/26	14,001.92	14,423.88			(163.43)		13,838.49	14,168.83	(91.62)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	05/15/96	05/20/26	45,563.07	46,933.27			(460.12)		45,102.95	46,176.77	(296.38)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	05/30/96	05/20/26	15,860.25	16,340.58			(127.38)		15,732.87	16,110.72	(102.48)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	06/17/96	06/20/26	52,349.75	53,929.73			(2,747.79)		49,601.96	50,788.15	(393.79)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	06/29/96	06/20/26	11,574.54	11,921.77			(89.06)		11,485.48	11,758.09	(74.62)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	07/15/96	06/20/26	60,685.04	62,498.38			(655.87)		60,029.17	61,447.12	(395.39)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	08/29/96	08/20/26	41,411.49	42,496.85			(501.62)		40,909.87	41,728.98	(266.25)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	1994 A&B SF (1983 Refunding)	6.15	09/16/96	09/20/26	20,309.76	20,828.61			(261.71)		20,048.05	20,436.46	(130.44)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	09/26/96	09/20/26	16,263.85	16,685.53			(1,686.36)		14,577.49	14,865.35	(133.82)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	10/30/96	10/20/26	44,658.37	45,802.98			(669.80)		43,988.57	44,844.37	(288.81)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	11/26/96	11/20/26	26,765.28	27,471.71			(305.19)		26,460.09	26,994.68	(171.84)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	12/23/96	12/20/26	15,356.98	15,746.11			(152.70)		15,204.28	15,495.75	(97.66)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	01/16/97	12/20/26	36,501.44	37,427.13			(350.45)		36,150.99	36,844.78	(231.90)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	01/30/97	01/20/27	19,090.41	19,584.17			(231.94)		18,858.47	19,232.20	(120.03)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	02/13/97	02/20/27	17,453.09	17,903.88			(2,085.46)		15,367.63	15,671.64	(146.78)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	02/27/97	02/20/27	7,023.10	7,197.37			(72.03)		6,951.07	7,081.67	(43.67)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	03/27/97	03/20/27	22,557.97	23,102.28			(187.37)		22,370.60	22,775.90	(139.01)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	04/29/97	04/20/27	10,686.88	10,937.67			(77.84)		10,609.04	10,794.36	(65.47)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	05/29/97	05/20/27	13,437.57	13,752.89			(239.33)		13,198.24	13,428.76	(84.80)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	06/26/97	06/20/27	8,427.78	8,629.02			(71.35)		8,356.43	8,505.78	(51.89)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	08/18/97	07/20/27	13,182.62	13,574.88			(147.57)		13,035.05	13,343.17	(84.14)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	09/29/97	08/20/27	27,714.83	28,377.94			(204.20)		27,510.63	28,003.56	(170.18)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	02/26/98	02/20/28	6,742.06	6,899.50			(43.23)		6,698.83	6,815.39	(40.88)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	03/26/98	01/20/28	9,176.32	9,390.60			(1,318.49)		7,857.83	7,994.57	(77.54)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	04/29/98	04/20/28	11,207.56	11,469.18			(86.94)		11,120.62	11,314.04	(68.20)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	06/25/98	05/20/28	8,683.57	8,886.34			(107.52)		8,576.05	8,725.29	(53.53)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	07/16/98	06/20/28	4,695.64	4,805.32			(87.78)		4,607.86	4,688.07	(29.47)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	09/10/98	07/20/28	17,522.58	17,931.74			(178.31)		17,344.27	17,646.06	(107.37)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.15	11/19/98	10/20/28	27,020.74	27,651.68			(202.94)		26,817.80	27,284.43	(164.31)	0.00
Repo Agmt	1994 A&B SF (1983 Refunding)	0.35	11/26/08	12/01/08	220,813.84	220,813.84		(170,663.62)			50,150.22	50,150.22	-	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.75	02/20/98	01/01/28	1,934.92	1,991.33			(26.49)		1,908.43	1,973.00	8.16	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.25	03/27/98	03/01/28	3,688.70	3,795.68			(34.02)		3,654.68	3,777.77	16.11	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.25	06/29/98	05/01/28	2,069.94	2,129.93			(1,111.89)		958.05	990.29	(27.75)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.75	02/20/98	01/20/28	21,000.14	21,566.33			(531.45)		20,468.69	20,883.00	(151.88)	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.25	11/30/98	09/01/28	4,173.69	4,294.75			(28.83)		4,144.86	4,284.48	18.56	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.25	03/27/98	03/20/28	42,432.64	43,576.65			(1,684.35)		40,748.29	41,573.05	(319.25)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.25	05/19/98	05/20/28	25,240.24	25,920.72			(1,018.38)		24,221.86	24,712.11	(190.23)	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	07/28/00	06/20/30	17,820.66	17,729.01			(156.67)		17,663.99	18,008.03	435.69	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.25	08/14/98	07/20/28	15,017.63	15,422.50			(144.78)		14,872.85	15,173.88	(103.84)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.25	06/29/98	06/20/28	7,311.73	7,508.86			(49.42)		7,262.31	7,409.31	(50.13)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.25	09/18/98	09/20/28	11,123.00	11,422.85			(70.80)		11,052.20	11,275.87	(76.18)	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.25	03/31/99	11/01/28	1,986.35	2,043.96			(32.27)		1,954.08	2,019.91	8.22	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.25	11/30/98	11/20/28	8,745.51	8,981.26			(57.24)		8,688.27	8,864.10	(59.92)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.25	11/30/98	11/20/28	7,661.81	7,868.38			(55.02)		7,606.79	7,760.76	(52.60)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.25	11/30/98	10/20/28	2,588.07	2,657.83			(16.20)		2,571.87	2,623.92	(17.71)	0.00
FNMA	1994 A&B SF (1983 Refunding)	6.25	05/27/99	11/01/28	1,563.50	1,609.07			(72.51)		1,490.99	1,541.43	4.87	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.25	02/16/99	02/20/29	15,211.39	15,617.22			(147.60)		15,063.79	15,365.81	(103.81)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.25	03/31/99	02/20/29	997.45	1,024.05			(15.65)		981.80	1,001.47	(6.93)	0.00
GNMA	1994 A&B SF (1983 Refunding)	6.25	05/27/99	05/20/29	5,603.98	5,753.52			(35.74)		5,568.24	5,679.91	(37.87)	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	07/30/99	07/20/29	11,484.74	11,428.38			(82.80)		11,401.94	11,627.84	282.26	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	08/26/99	08/20/29	11,040.65	10,986.41			(81.57)		10,959.08	11,176.15	271.31	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	09/20/99	08/01/29	1,686.93	1,673.99			(10.28)		1,676.65	1,714.87	51.16	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	09/20/99	09/20/29	5,457.02	5,430.23			(37.65)		5,419.37	5,526.73	134.15	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	12/20/99	12/01/29	6,080.67	6,035.29			(48.19)		6,032.48	6,171.27	184.17	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	01/19/00	12/01/29	4,360.05	4,327.53			(38.91)		4,321.14	4,420.57	131.95	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	10/28/99	10/20/29	19,754.76	19,657.76			(148.30)		19,606.46	19,994.86	485.40	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	11/18/99	11/20/29	2,850.10	2,836.11			(33.26)		2,816.84	2,872.65	69.80	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	12/30/99	12/20/29	36,686.90	36,506.72			(354.79)		36,332.11	37,051.80	899.87	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	01/28/00	01/20/30	12,005.11	11,943.48			(72.30)		11,932.81	12,165.35	294.17	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	02/22/00	01/20/30	5,071.08	5,045.00			(31.57)		5,039.51	5,137.67	124.24	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	03/27/00	02/20/30	7,048.83	7,012.58			(56.80)		6,992.03	7,128.21	172.43	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	04/27/00	03/01/30	4,540.90	4,506.59			(29.95)		4,510.95	4,607.64	131.00	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	04/27/00	04/20/30	8,245.55	8,203.14			(76.60)		8,168.95	8,328.05	201.51	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	05/30/00	04/20/30	1,547.32	1,539.32			(9.14)		1,538.18	1,568.09	37.91	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	06/21/00	05/20/30	9,467.60	9,418.92			(57.49)		9,410.11	9,593.41	231.98	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	09/18/00	09/20/30	17,323.67	17,234.60			(1,540.23)		15,783.44	16,090.88	396.51	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	07/24/00	06/01/30	2,336.64	2,318.92			(26.69)		2,309.95	2,359.38	67.15	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	1994 A&B SF (1983 Refunding)	5.45	07/30/99	07/20/29	95,320.49	94,852.42			(687.28)		94,633.21	96,507.84	2,342.70	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	08/26/99	08/20/29	91,634.06	91,184.18			(677.02)		90,957.04	92,758.95	2,251.79	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	09/20/99	08/01/29	13,999.45	13,894.79			(85.32)		13,914.13	14,234.07	424.60	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	09/20/99	09/20/29	45,291.88	45,069.45			(312.57)		44,979.31	45,870.30	1,113.42	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	12/20/99	12/01/29	50,467.73	50,091.23			(399.93)		50,067.80	51,219.86	1,528.56	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	01/19/00	12/01/29	36,187.30	35,917.31			(322.93)		35,864.37	36,689.58	1,095.20	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	10/28/99	10/20/29	163,959.00	163,153.95			(1,230.83)		162,728.17	165,951.81	4,028.69	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	11/18/99	11/20/29	23,655.13	23,538.97			(276.02)		23,379.11	23,842.24	579.29	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	12/30/99	12/30/29	304,490.71	302,995.60			(2,944.68)		301,546.03	307,519.60	7,468.68	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	01/28/00	01/20/30	99,639.73	99,127.60			(600.02)		99,039.71	100,969.03	2,441.45	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	02/22/00	01/20/30	42,088.48	41,872.13			(261.99)		41,826.49	42,641.26	1,031.12	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	03/27/00	02/20/30	15,854.39	15,772.87			(127.76)		15,726.63	16,032.95	387.84	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	06/22/99	06/20/29	99,746.78	99,257.05			(5,552.53)		94,194.25	96,060.27	2,355.75	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	07/30/99	07/20/29	128,705.35	128,073.39			(11,269.12)		117,436.23	119,762.62	2,958.35	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	08/26/99	08/20/29	80,036.79	79,643.80			(592.52)		79,444.27	81,018.05	1,966.77	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	09/20/99	09/20/29	66,755.39	66,427.59			(429.36)		66,326.03	67,639.92	1,641.69	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	12/21/99	11/01/29	38,467.77	38,180.76			(434.80)		38,032.97	38,908.07	1,162.11	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	10/29/99	10/20/29	141,978.36	141,281.24			(17,451.68)		124,526.68	126,993.55	3,163.99	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	11/18/99	11/20/29	178,590.26	177,713.41			(1,280.82)		177,309.44	180,821.97	4,389.38	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	12/30/99	12/20/29	152,294.72	151,546.98			(6,801.74)		145,492.98	148,375.22	3,629.98	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	01/28/00	01/20/30	166,873.29	166,015.55			(1,085.70)		165,787.59	169,017.13	4,087.28	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	02/22/00	01/20/30	91,393.32	90,923.55			(725.70)		90,667.62	92,433.82	2,235.97	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	03/27/00	02/20/30	39,890.75	39,685.46			(264.24)		39,626.51	40,398.17	976.95	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	02/23/00	01/01/30	19,634.86	19,488.37			(116.35)		19,518.51	19,967.62	595.60	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	07/28/00	06/20/30	147,906.09	147,145.85			(1,300.35)		146,605.74	149,461.62	3,616.12	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	03/27/00	02/20/30	42,648.82	42,429.61			(343.68)		42,305.14	43,129.25	1,043.32	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	04/27/00	03/01/30	37,688.43	37,403.50			(248.60)		37,439.83	38,242.16	1,087.26	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	04/27/00	04/20/30	68,435.52	68,083.76			(635.76)		67,799.76	69,120.50	1,672.50	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	05/30/00	04/20/30	12,841.97	12,775.95			(75.92)		12,766.05	13,014.72	314.69	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	06/21/00	05/20/30	78,578.42	78,174.46			(477.10)		78,101.32	79,622.67	1,925.31	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	09/18/00	09/20/30	143,781.46	143,042.42			(12,783.45)		130,998.01	133,549.85	3,290.88	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	07/24/00	06/01/30	19,393.00	19,246.38			(221.61)		19,171.39	19,582.23	557.46	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	07/24/00	06/20/30	164,371.50	163,526.64			(10,751.35)		153,620.15	156,612.68	3,837.39	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	08/28/00	08/20/30	31,018.00	30,858.59			(177.00)		30,841.00	31,441.81	760.22	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	03/27/00	02/20/30	6,006.29	5,975.63			(39.79)		5,966.50	6,082.95	147.11	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	04/27/00	03/20/30	53,701.21	53,425.15			(364.13)		53,337.08	54,376.06	1,315.04	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	05/30/00	05/20/30	76,725.26	76,330.92			(2,228.90)		74,496.36	75,947.58	1,845.56	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	06/21/00	06/20/30	148,252.84	147,490.81			(892.32)		147,360.52	150,231.10	3,632.61	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	05/31/00	05/01/30	26,973.79	26,769.90			(200.50)		26,773.29	27,347.08	777.68	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	10/23/00	09/20/30	5,589.05	5,560.31			(31.24)		5,557.81	5,666.06	136.99	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	10/30/00	10/20/30	36,550.10	36,362.17			(314.49)		36,235.61	36,941.41	893.73	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	07/24/00	06/01/30	60,877.60	60,417.33			(600.43)		60,277.17	61,568.87	1,751.97	0.00
GNMA	1994 A&B SF (1983 Refunding)	5.45	12/21/00	05/20/30	8,865.78	8,820.22			(52.13)		8,813.65	8,985.35	217.26	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	10/06/00	09/01/30	41,335.27	41,022.78			(354.96)		40,980.31	41,858.53	1,190.71	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	10/30/00	08/01/30	44,202.47	43,868.27			(316.08)		43,886.39	44,826.85	1,274.66	0.00
FNMA	1994 A&B SF (1983 Refunding)	5.45	02/12/01	02/01/30	10,444.88	10,366.96			(62.28)		10,382.60	10,621.51	316.83	0.00
GNMA	1994 A&B SF (1983 Refunding)	4.49	07/07/05	07/20/35	203,445.83	190,047.34			(8,251.11)		195,194.72	192,331.04	10,534.81	0.00
GNMA	1994 A&B SF (1983 Refunding)	4.49	09/15/05	09/20/35	14,661.30	13,696.63			(71.51)		14,589.79	14,376.68	751.56	0.00
GNMA	1994 A&B SF (1983 Refunding)	4.49	09/22/05	09/20/35	27,656.31	25,836.68			(123.36)		27,532.95	27,130.87	1,417.55	0.00
GNMA	1994 A&B SF (1983 Refunding)	4.49	08/11/05	07/20/35	36,980.06	34,632.90			(162.09)		36,817.97	36,372.05	1,901.24	0.00
GNMA	1994 A&B SF (1983 Refunding)	4.49	08/18/05	08/20/35	94,199.47	88,210.77			(571.90)		93,627.57	92,493.30	4,854.43	0.00
GNMA	1994 A&B SF (1983 Refunding)	4.49	08/30/05	08/20/35	181,253.23	169,324.16			(916.78)		180,336.45	177,699.01	9,291.63	0.00
GNMA	1994 A&B SF (1983 Refunding)	4.49	09/29/05	07/20/35	6,715.77	6,289.78			(29.85)		6,685.92	6,605.21	345.28	0.00
GNMA	1994 A&B SF (1983 Refunding)	4.49	10/13/05	09/20/35	19,100.10	17,843.71			(95.35)		19,004.75	18,727.51	979.15	0.00
GNMA	1994 A&B SF (1983 Refunding)	4.49	10/27/05	10/20/35	103,553.21	96,742.90			(7,891.13)		95,662.08	94,267.92	5,416.15	0.00
GNMA	1994 A&B SF (1983 Refunding)	4.49	11/01/05	11/20/35	31,311.98	29,326.82			(139.43)		31,172.55	30,797.40	1,610.01	0.00
FNMA	1994 A&B SF (1983 Refunding)	4.49	09/08/05	08/01/35	22,524.42	21,054.86			(103.51)		22,420.91	22,190.25	1,238.90	0.00
FNMA	1994 A&B SF (1983 Refunding)	4.49	11/01/05	10/01/35	12,595.37	11,773.89			(61.39)		12,533.98	12,405.34	692.84	0.00
	1994 A&B SF (1983 Refunding) Total				5,633,255.12	5,592,536.09	11,853.39	(171,106.24)	(131,307.30)	0.00	5,342,694.97	5,425,468.78	123,492.84	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Repo Agmt	1995 C SF (1985 A&B Refunding)				0.69	0.69		(0.69)					-	0.00
GIC's	1995 C SF (1985 A&B Refunding)	6.08	11/14/96	09/30/29	22.84	22.84	0.69				23.53	23.53	-	0.00
Repo Agmt	1995 C SF (1985 A&B Refunding)				0.01	0.01		(0.01)					-	0.00
GIC's	1995 C SF (1985 A&B Refunding)	6.08	11/14/96	09/30/29	0.32	0.32	0.01				0.33	0.33	-	0.00
	1995 C SF (1985 A&B Refunding) Total				23.86	23.86	0.70	(0.70)	0.00	0.00	23.86	23.86	0.00	0.00
Repo Agmt	2005 A Single Family	0.35	11/26/08	12/01/08	1,194,800.12	1,194,800.12	3,011.57				1,197,811.69	1,197,811.69	-	0.00
Repo Agmt	2005 A Single Family	0.35	11/26/08	12/01/08	3,955,961.75	3,955,961.75		(3,785,461.16)			170,500.59	170,500.59	-	0.00
GIC's	2005 A Single Family	3.37	09/22/05	09/01/36	584,175.77	584,175.77	1,639,499.59				2,223,675.36	2,223,675.36	-	0.00
GNMA	2005 A Single Family	4.49	08/11/05	07/20/35	1,180,380.50	1,104,424.84			(5,889.13)		1,174,491.37	1,159,113.81	60,578.10	0.00
GNMA	2005 A Single Family	4.49	08/30/05	08/20/35	665,881.41	623,046.81			(2,962.03)		662,919.38	654,253.68	34,168.90	0.00
GNMA	2005 A Single Family	4.49	10/27/05	10/20/35	1,644,359.61	1,538,676.63			(7,201.36)		1,637,158.25	1,615,856.86	84,381.59	0.00
GNMA	2005 A Single Family	4.49	10/27/05	10/20/35	975,468.28	912,774.96			(4,391.35)		971,076.93	958,442.08	50,058.47	0.00
GNMA	2005 A Single Family	4.49	09/29/05	09/20/35	6,243,209.04	5,841,780.96			(27,799.90)		6,215,409.14	6,134,359.56	320,378.50	0.00
GNMA	2005 A Single Family	4.49	10/06/05	09/20/35	2,016,254.17	1,886,625.69			(8,837.60)		2,007,416.57	1,981,251.67	103,463.58	0.00
GNMA	2005 A Single Family	4.49	10/20/05	10/20/35	1,446,694.40	1,353,705.81			(142,892.03)		1,303,802.37	1,286,830.58	76,016.80	0.00
GNMA	2005 A Single Family	4.49	12/08/05	12/20/35	1,102,731.11	1,031,906.58			(4,684.91)		1,098,046.20	1,083,809.70	56,588.03	0.00
GNMA	2005 A Single Family	4.49	12/15/05	12/20/35	974,755.14	914,460.60			(4,760.40)		969,994.74	959,885.39	50,185.19	0.00
GNMA	2005 A Single Family	4.49	11/03/05	11/20/35	378,776.58	355,331.87			(1,807.61)		376,968.97	373,023.99	19,499.73	0.00
GNMA	2005 A Single Family	4.49	11/10/05	11/20/35	1,887,223.59	1,770,422.90			(10,000.20)		1,877,223.39	1,857,591.28	97,168.58	0.00
GNMA	2005 A Single Family	4.49	11/17/05	11/20/35	1,348,141.81	1,261,526.07			(6,423.60)		1,341,718.21	1,324,291.65	69,189.18	0.00
GNMA	2005 A Single Family	4.49	11/22/05	11/20/35	704,382.07	659,130.08			(3,579.87)		700,802.20	691,703.48	36,153.27	0.00
GNMA	2005 A Single Family	4.49	11/29/05	11/20/35	1,059,342.05	993,797.21			(5,421.78)		1,053,920.27	1,042,917.31	54,541.88	0.00
GNMA	2005 A Single Family	4.49	12/22/05	12/20/35	1,464,266.76	1,373,702.67			(7,064.69)		1,457,202.07	1,442,025.25	75,387.27	0.00
GNMA	2005 A Single Family	4.49	12/29/05	12/20/35	2,520,507.77	2,358,672.10			(11,466.23)		2,509,041.54	2,476,561.08	129,355.21	0.00
GNMA	2005 A Single Family	4.49	01/05/06	01/20/36	1,580,033.47	1,476,744.52			(7,373.15)		1,572,660.32	1,552,015.39	82,644.02	0.00
GNMA	2005 A Single Family	4.49	01/12/06	01/20/36	1,565,956.30	1,467,301.12			(6,976.55)		1,558,979.75	1,542,510.91	82,186.34	0.00
GNMA	2005 A Single Family	4.49	03/09/06	02/20/36	1,455,584.82	1,360,519.25			(8,015.15)		1,447,569.67	1,428,657.79	76,153.69	0.00
GNMA	2005 A Single Family	4.49	03/02/06	02/20/36	1,788,430.03	1,671,614.21			(8,675.25)		1,779,754.78	1,756,490.63	93,551.67	0.00
GNMA	2005 A Single Family	4.49	01/19/06	01/20/36	883,371.54	825,636.04			(4,585.86)		878,785.68	867,260.93	46,210.75	0.00
GNMA	2005 A Single Family	4.49	01/26/06	01/20/36	1,298,537.92	1,213,675.29			(6,033.94)		1,292,503.98	1,275,562.58	67,921.23	0.00
GNMA	2005 A Single Family	4.49	02/02/06	02/20/36	2,714,904.51	2,537,504.47			(12,432.27)		2,702,472.24	2,667,076.72	142,004.52	0.00
GNMA	2005 A Single Family	4.49	02/09/06	02/20/36	1,151,298.92	1,076,077.18			(5,292.77)		1,146,006.15	1,131,003.23	60,218.82	0.00
GNMA	2005 A Single Family	4.49	02/16/06	02/20/36	1,620,530.86	1,514,660.38			(8,595.64)		1,611,935.22	1,590,843.84	84,779.10	0.00
GNMA	2005 A Single Family	4.49	02/23/06	02/20/36	1,778,531.71	1,662,350.67			(7,823.91)		1,770,707.80	1,747,551.33	93,024.57	0.00
GNMA	2005 A Single Family	4.49	05/11/06	04/20/36	856,472.07	800,588.47			(3,823.34)		852,648.73	841,565.35	44,800.22	0.00
GNMA	2005 A Single Family	4.49	05/11/06	05/20/36	386,685.82	362,370.41			(2,220.26)		384,465.56	380,452.18	20,302.03	0.00
GNMA	2005 A Single Family	4.49	05/18/06	05/20/36	1,034,969.79	967,448.30			(4,523.22)		1,030,446.57	1,017,061.32	54,136.24	0.00
GNMA	2005 A Single Family	4.49	05/18/06	05/20/36	420,511.60	394,071.95			(2,387.70)		418,123.90	413,761.67	22,077.42	0.00
GNMA	2005 A Single Family	4.49	03/16/06	03/20/36	727,044.92	681,286.59			(3,320.41)		723,724.51	716,126.26	38,160.08	0.00
GNMA	2005 A Single Family	4.49	03/23/06	03/20/36	1,946,335.47	1,819,247.96			(128,274.42)		1,818,061.05	1,794,337.91	103,364.37	0.00
GNMA	2005 A Single Family	4.49	03/30/06	03/20/36	1,122,080.01	1,048,819.27			(4,846.36)		1,117,233.65	1,102,663.12	58,690.21	0.00
GNMA	2005 A Single Family	4.49	04/06/06	03/20/36	1,658,964.09	1,550,661.07			(9,288.73)		1,649,675.36	1,628,170.76	86,798.42	0.00
GNMA	2005 A Single Family	4.49	04/13/06	03/20/36	1,062,351.79	993,004.78			(6,911.52)		1,055,440.27	1,041,689.32	55,596.06	0.00
GNMA	2005 A Single Family	4.49	04/20/06	04/20/36	2,020,889.74	1,888,989.53			(66,747.24)		1,954,142.50	1,928,702.18	106,459.89	0.00
GNMA	2005 A Single Family	4.49	04/27/06	04/20/36	723,124.02	675,931.66			(94,383.70)		628,740.32	620,558.72	39,010.76	0.00
GNMA	2005 A Single Family	4.49	05/05/06	04/20/36	1,589,379.16	1,489,424.47			(7,590.64)		1,581,788.52	1,565,262.24	83,428.41	0.00
GNMA	2005 A Single Family	4.49	05/25/06	05/20/36	986,153.56	921,823.36			(4,350.53)		981,803.03	969,056.49	51,583.66	0.00
GNMA	2005 A Single Family	4.49	06/01/06	06/20/36	1,290,739.11	1,209,603.52			(5,411.67)		1,285,327.44	1,271,939.67	67,747.82	0.00
GNMA	2005 A Single Family	4.49	06/08/06	06/20/36	1,512,081.04	1,413,465.66			(6,764.59)		1,505,316.45	1,485,797.30	79,096.23	0.00
GNMA	2005 A Single Family	4.49	06/15/06	06/20/36	1,118,943.63	1,048,620.87			(4,907.29)		1,114,036.34	1,102,447.20	58,733.62	0.00
GNMA	2005 A Single Family	4.49	06/27/06	06/20/36	1,804,942.32	1,691,526.81			(8,943.94)		1,795,998.38	1,777,336.48	94,753.61	0.00
GNMA	2005 A Single Family	4.49	07/06/06	07/20/36	811,421.59	760,443.49			(31,120.79)		780,300.80	772,201.43	42,878.73	0.00
GNMA	2005 A Single Family	4.49	07/13/06	06/20/36	1,421,424.20	1,332,129.01			(6,149.63)		1,415,274.57	1,400,589.94	74,610.56	0.00
GNMA	2005 A Single Family	4.49	07/19/06	06/20/36	1,841,187.81	1,721,178.23			(8,034.43)		1,833,153.38	1,809,456.39	96,312.59	0.00
GNMA	2005 A Single Family	4.49	07/27/06	07/20/36	1,177,947.15	1,103,965.26			(4,897.75)		1,173,049.40	1,160,896.81	61,829.30	0.00
GNMA	2005 A Single Family	4.49	08/02/06	08/20/36	733,091.28	687,054.47			(3,034.76)		730,056.52	722,499.12	38,479.41	0.00
GNMA	2005 A Single Family	4.49	08/09/06	08/20/36	1,838,936.73	1,723,467.00			(10,876.28)		1,828,060.45	1,809,149.49	96,558.77	0.00
GNMA	2005 A Single Family	4.49	08/16/06	07/20/36	1,058,442.29	989,481.46			(4,445.82)		1,053,996.47	1,040,402.04	55,366.40	0.00
GNMA	2005 A Single Family	4.49	08/23/06	07/20/36	754,265.39	706,911.75			(3,234.46)		751,030.93	743,269.92	39,592.63	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2005 A Single Family	4.49	09/06/06	08/20/36	845,977.81	792,879.16			(3,723.99)		842,253.82	833,563.59	44,408.42	0.00
GNMA	2005 A Single Family	4.49	09/12/06	08/20/36	506,798.72	474,991.90			(2,060.54)		504,738.18	499,533.45	26,602.09	0.00
GNMA	2005 A Single Family	4.49	09/26/06	09/20/36	592,529.82	555,351.44			(2,414.08)		590,115.74	584,040.02	31,102.66	0.00
GNMA	2005 A Single Family	4.49	10/17/06	10/20/36	1,040,893.27	975,603.99			(4,520.42)		1,036,372.85	1,025,726.43	54,642.86	0.00
GNMA	2005 A Single Family	4.49	11/14/06	10/20/36	848,824.62	795,605.20			(3,697.42)		845,127.20	836,468.21	44,560.43	0.00
GNMA	2005 A Single Family	4.49	11/28/06	10/20/36	215,173.38	201,685.37			(1,177.56)		213,995.82	211,806.29	11,298.48	0.00
GNMA	2005 A Single Family	4.49	12/12/06	10/20/36	246,354.86	230,915.49			(994.58)		245,360.28	242,853.23	12,932.32	0.00
GNMA	2005 A Single Family	4.49	01/16/07	12/20/36	243,218.37	227,984.34			(970.97)		242,247.40	239,781.40	12,768.03	0.00
GNMA	2005 A Single Family	4.49	01/30/07	12/20/36	128,980.63	119,757.02			(520.36)		128,460.27	125,959.21	6,722.55	0.00
GNMA	2005 A Single Family	4.49	02/13/07	01/20/37	308,860.94	289,863.05			(1,266.18)		307,594.76	304,781.64	16,184.77	0.00
GNMA	2005 A Single Family	4.49	02/20/07	02/20/37	224,892.80	211,063.82			(1,047.20)		223,845.60	221,804.18	11,787.56	0.00
GNMA	2005 A Single Family	4.49	03/20/07	01/20/37	220,060.23	206,350.33			(868.30)		219,191.93	216,972.65	11,490.62	0.00
GNMA	2005 A Single Family	4.49	04/24/07	03/20/37	517,899.42	485,652.61			(2,125.33)		515,774.09	510,571.57	27,044.29	0.00
GNMA	2005 A Single Family	4.49	04/10/07	02/20/37	266,363.05	249,774.01			(1,049.97)		265,313.08	262,632.67	13,908.63	0.00
GNMA	2005 A Single Family	4.49	05/22/07	04/20/37	380,905.08	356,297.41			(1,480.21)		379,424.87	374,642.38	19,825.18	0.00
GNMA	2005 A Single Family	4.49	06/05/07	05/20/37	320,360.20	300,426.78			(1,239.63)		319,120.57	315,916.07	16,728.92	0.00
GNMA	2005 A Single Family	4.49	07/03/07	06/20/37	259,454.88	243,318.22			(993.56)		258,461.32	255,873.67	13,549.01	0.00
GNMA	2005 A Single Family	4.49	11/21/07	09/20/37	235,093.72	220,613.64			(880.90)		234,212.82	232,015.50	12,282.76	0.00
GNMA	2005 A Single Family	4.49	09/25/07	04/20/37	115,754.14	108,617.26			(753.52)		115,000.62	113,913.99	6,050.25	0.00
GNMA	2005 A Single Family	4.49	12/11/07	08/20/37	137,309.01	128,854.49			(517.23)		136,791.78	135,511.17	7,173.91	0.00
GNMA	2005 A Single Family	4.49	01/30/08	01/20/38	397,045.35	372,699.97			(1,455.43)		395,589.92	391,725.81	20,481.27	0.00
GNMA	2005 A Single Family	4.49	01/30/08	01/20/38	119,971.56	112,330.05			(439.80)		119,531.76	118,055.78	6,165.53	0.00
GNMA	2005 A Single Family	4.49	03/26/08	03/20/38	365,492.79	343,103.60			(1,336.50)		364,156.29	360,621.48	18,854.38	0.00
FNMA	2005 A Single Family	4.49	10/20/05	10/01/35	156,930.07	146,727.73			(1,370.65)		155,559.42	153,996.82	8,639.74	0.00
FNMA	2005 A Single Family	4.49	11/10/05	11/01/35	115,227.13	107,737.05			(1,021.14)		114,205.99	113,059.91	6,344.00	0.00
FNMA	2005 A Single Family	4.49	12/15/05	12/01/35	236,943.32	221,544.97			(1,047.53)		235,895.79	233,532.32	13,034.88	0.00
FNMA	2005 A Single Family	4.49	01/05/06	12/01/35	339,002.18	316,973.79			(2,209.34)		336,792.84	333,421.46	18,657.01	0.00
FNMA	2005 A Single Family	4.49	02/09/06	02/01/36	204,602.18	190,765.69			(1,056.47)		203,545.71	201,532.05	11,822.83	0.00
FNMA	2005 A Single Family	4.49	02/23/06	01/01/36	239,530.51	223,333.10			(1,813.82)		237,716.69	235,365.97	13,846.69	0.00
FNMA	2005 A Single Family	4.49	03/16/06	03/01/36	374,586.70	349,260.40			(2,647.77)		371,938.93	368,265.29	21,652.66	0.00
FNMA	2005 A Single Family	4.49	04/06/06	03/01/36	260,322.34	242,723.81			(1,096.82)		259,225.52	256,667.23	15,040.24	0.00
FNMA	2005 A Single Family	4.49	04/20/06	04/01/36	367,030.57	342,220.68			(1,601.85)		365,428.72	361,824.87	21,206.04	0.00
FNMA	2005 A Single Family	4.49	05/11/06	04/01/36	287,103.55	267,698.84			(1,586.27)		285,517.28	282,704.08	16,591.51	0.00
FNMA	2005 A Single Family	4.49	06/08/06	04/01/36	270,229.64	251,968.43			(1,152.94)		269,076.70	266,428.67	15,613.18	0.00
FNMA	2005 A Single Family	4.49	06/27/06	06/01/36	278,743.96	259,909.99			(1,159.27)		277,584.69	274,855.70	16,104.98	0.00
FNMA	2005 A Single Family	4.49	07/13/06	06/01/36	343,367.23	320,169.10			(1,527.33)		341,839.90	338,481.58	19,839.81	0.00
FNMA	2005 A Single Family	4.49	07/19/06	07/01/36	523,132.77	487,791.02			(2,284.13)		520,848.64	515,733.77	30,226.88	0.00
FNMA	2005 A Single Family	4.49	08/02/06	07/01/36	471,779.08	439,909.32			(1,961.53)		469,817.55	465,206.62	27,258.83	0.00
FNMA	2005 A Single Family	4.49	08/09/06	07/01/36	354,111.65	330,191.61			(1,484.46)		352,627.19	349,167.48	20,460.33	0.00
FNMA	2005 A Single Family	4.49	09/12/06	08/01/36	273,457.18	254,989.39			(1,138.02)		272,319.16	269,651.41	15,800.04	0.00
FNMA	2005 A Single Family	4.49	10/17/06	09/01/36	253,959.31	236,812.11			(1,900.57)		252,058.74	249,593.49	14,681.95	0.00
FNMA	2005 A Single Family	4.49	11/14/06	10/01/36	388,016.96	361,822.60			(1,609.57)		386,407.39	382,633.13	22,420.10	0.00
FNMA	2005 A Single Family	4.49	11/21/06	10/01/36	271,742.15	253,398.08			(1,201.88)		270,540.27	267,898.57	15,702.37	0.00
FNMA	2005 A Single Family	4.49	12/12/06	11/01/36	363,879.02	339,318.64			(1,559.76)		362,319.26	358,785.01	21,026.13	0.00
FNMA	2005 A Single Family	4.49	01/30/07	11/01/36	54,384.68	50,715.05			(344.91)		54,039.77	53,513.76	3,143.62	0.00
FNMA	2005 A Single Family	4.49	02/13/07	01/01/37	57,049.74	53,208.66			(230.58)		56,819.16	56,260.40	3,282.32	0.00
FNMA	2005 A Single Family	4.49	03/20/07	02/01/37	160,008.33	149,181.39			(647.20)		159,361.13	157,727.15	9,192.96	0.00
FNMA	2005 A Single Family	4.49	04/10/07	01/01/37	215,815.94	201,214.60			(869.28)		214,946.66	212,744.67	12,399.35	0.00
FNMA	2005 A Single Family	4.49	04/24/07	04/01/37	366,515.71	341,721.29			(1,439.92)		365,075.79	361,338.70	21,057.33	0.00
FNMA	2005 A Single Family	4.49	05/22/07	04/01/37	222,186.29	207,158.12			(869.17)		221,317.12	219,054.27	12,765.32	0.00
FNMA	2005 A Single Family	4.49	06/05/07	05/01/37	261,241.97	243,573.87			(1,019.92)		260,222.05	257,563.21	15,009.26	0.00
FNMA	2005 A Single Family	4.49	07/03/07	06/01/37	681,325.73	635,255.18			(2,735.94)		678,589.79	671,665.04	39,145.80	0.00
FNMA	2005 A Single Family	4.49	09/25/07	09/01/37	355,919.62	333,488.66			(1,356.04)		354,563.58	352,660.80	20,528.18	0.00
FNMA	2005 A Single Family	4.49	11/08/07	09/01/37	349,862.49	329,589.13			(1,519.74)		348,342.75	348,235.12	20,165.73	0.00
FNMA	2005 A Single Family	4.49	11/21/07	09/01/37	143,273.14	134,972.56			(539.17)		142,733.97	142,691.44	8,258.05	0.00
FNMA	2005 A Single Family	4.49	12/11/07	11/01/37	320,364.34	301,809.75			(1,251.24)		319,113.10	319,024.48	18,465.97	0.00
FNMA	2005 A Single Family	4.49	03/26/08	02/01/38	601,581.46	566,728.26			(2,404.28)		599,177.18	599,033.16	34,709.18	0.00
	2005 A Single Family Total				95,784,318.18	90,000,143.92	1,642,511.16	(3,785,461.16)	(850,668.85)	0.00	92,790,699.33	91,753,359.69	4,746,834.62	0.00
	Total Single Family Investment Summary				1,172,514,319.72	1,148,782,014.67	57,081,269.01	(86,999,480.94)	(13,936,264.67)	0.00	1,128,659,843.12	1,136,617,400.37	31,689,862.30	0.00

Texas Department of Housing and Community Affairs
Residential Mortgage Revenue Bonds Investment Summary
For Period Ending November 30, 2008

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Repo Agmt	1989 A&B RMRB	0.35	11/26/08	12/01/08	2,712.81	2,712.81	6.86				2,719.67	2,719.67	-	0.00
	1989 A&B RMRB Total				2,712.81	2,712.81	6.86	0.00	0.00	0.00	2,719.67	2,719.67	0.00	0.00
Repo Agmt	1998 A/B RMRB	0.35	11/26/08	12/01/08	700,869.40	700,869.40		(663,002.32)			37,867.08	37,867.08	-	0.00
GIC's	1998 A/B RMRB	5.04	12/03/98	01/01/31	2,997,527.25	2,997,527.25	2,788,241.08				5,785,768.33	5,785,768.33	-	0.00
GIC's	1998 A/B RMRB	5.04	12/03/98	01/01/31	1,662,346.43	1,662,346.43	0.00				1,662,346.43	1,662,346.43	-	0.00
GNMA	1998 A/B RMRB	5.35	07/28/00	07/20/30	1,031,291.32	1,020,761.81			(56,179.67)		975,111.65	989,699.31	25,117.17	0.00
GNMA	1998 A/B RMRB	5.35	08/28/00	07/20/30	2,202,394.72	2,179,908.26			(15,042.29)		2,187,352.43	2,220,075.22	55,209.25	0.00
FNMA	1998 A/B RMRB	5.35	05/25/99	04/01/29	105,254.44	103,945.08			(794.50)		104,459.94	106,678.67	3,528.09	0.00
GNMA	1998 A/B RMRB	5.35	04/16/99	04/20/29	782,610.03	774,893.43			(5,376.30)		777,233.73	789,195.30	19,678.17	0.00
FNMA	1998 A/B RMRB	5.35	06/22/99	05/01/29	101,518.46	100,255.51			(695.55)		100,822.91	102,964.33	3,404.37	0.00
GNMA	1998 A/B RMRB	5.35	05/25/99	05/20/29	2,550,070.93	2,524,927.14			(67,486.88)		2,482,584.05	2,520,790.97	63,350.71	0.00
GNMA	1998 A/B RMRB	5.35	06/22/99	06/20/29	3,586,620.05	3,551,255.88			(159,568.46)		3,427,051.59	3,479,793.83	88,106.41	0.00
FNMA	1998 A/B RMRB	5.35	07/30/99	07/01/29	70,647.59	69,768.71			(490.33)		70,157.26	71,647.37	2,368.99	0.00
FNMA	1998 A/B RMRB	5.35	08/24/99	08/01/29	133,650.68	131,988.06			(964.07)		132,686.61	135,504.87	4,480.88	0.00
GNMA	1998 A/B RMRB	5.35	07/30/99	07/20/29	3,053,971.22	3,023,859.02			(26,159.66)		3,027,811.56	3,074,409.47	76,710.11	0.00
GNMA	1998 A/B RMRB	5.35	08/26/99	08/20/29	2,262,173.54	2,239,868.49			(217,331.85)		2,044,841.69	2,076,311.83	53,775.19	0.00
FNMA	1998 A/B RMRB	5.35	09/30/99	08/01/29	173,953.23	171,789.25			(1,094.56)		172,858.67	176,530.18	5,835.49	0.00
GNMA	1998 A/B RMRB	5.35	09/20/99	09/20/29	1,876,427.27	1,857,925.68			(13,530.22)		1,862,897.05	1,891,567.03	47,171.57	0.00
FNMA	1998 A/B RMRB	5.35	10/29/99	10/01/29	318,078.32	314,121.46			(4,719.83)		313,358.49	320,014.25	10,612.62	0.00
FNMA	1998 A/B RMRB	5.35	11/16/99	10/01/29	263,121.23	259,847.99			(62,701.69)		200,419.54	204,676.44	7,530.14	0.00
FNMA	1998 A/B RMRB	5.35	12/21/99	11/01/29	458,795.93	453,088.47			(5,087.67)		453,708.26	463,344.99	15,344.19	0.00
GNMA	1998 A/B RMRB	5.35	10/29/99	10/20/29	2,410,412.58	2,386,645.91			(20,425.29)		2,389,987.29	2,426,769.21	60,548.59	0.00
GNMA	1998 A/B RMRB	5.35	11/18/99	11/20/29	2,730,342.70	2,703,421.53			(88,550.57)		2,641,792.13	2,682,449.31	67,578.35	0.00
GNMA	1998 A/B RMRB	5.35	12/30/99	12/20/29	4,436,385.74	4,392,642.90			(80,009.25)		4,356,376.49	4,423,420.97	110,787.32	0.00
GNMA	1998 A/B RMRB	5.35	01/28/00	01/20/30	2,230,175.21	2,207,405.05			(247,610.20)		1,982,565.01	2,012,224.12	52,429.27	0.00
GNMA	1998 A/B RMRB	5.35	02/22/00	01/20/30	2,510,508.11	2,484,875.75			(25,006.17)		2,485,501.94	2,522,684.99	62,815.41	0.00
GNMA	1998 A/B RMRB	5.35	03/27/00	03/20/30	1,496,574.64	1,481,294.58			(11,280.22)		1,485,294.42	1,507,514.38	37,500.02	0.00
FNMA	1998 A/B RMRB	5.35	02/23/00	01/01/30	376,047.67	371,369.59			(3,607.65)		372,440.02	380,350.60	12,588.66	0.00
FNMA	1998 A/B RMRB	5.35	03/27/00	02/01/30	256,154.84	252,891.42			(7,382.44)		248,772.40	253,695.60	8,186.62	0.00
FNMA	1998 A/B RMRB	5.35	04/21/00	04/01/30	295,800.27	292,031.77			(1,895.68)		293,904.59	299,720.95	9,584.86	0.00
GNMA	1998 A/B RMRB	5.35	04/24/00	04/20/30	1,714,551.50	1,697,045.96			(12,002.17)		1,702,549.33	1,728,019.51	42,975.72	0.00
GNMA	1998 A/B RMRB	5.35	05/30/00	05/20/30	1,499,701.85	1,484,389.83			(20,221.72)		1,479,480.13	1,501,613.09	37,444.98	0.00
GNMA	1998 A/B RMRB	5.35	06/21/00	06/20/30	1,174,373.04	1,162,382.70			(8,743.02)		1,165,630.02	1,183,067.85	29,428.17	0.00
FNMA	1998 A/B RMRB	5.35	05/30/00	05/01/30	328,477.03	324,292.21			(6,033.29)		322,443.74	328,824.89	10,565.97	0.00
FNMA	1998 A/B RMRB	5.35	06/21/00	06/01/30	184,570.97	182,219.53			(4,185.43)		180,385.54	183,955.36	5,921.26	0.00
GNMA	1998 A/B RMRB	5.35	10/23/00	09/20/30	1,542,287.58	1,526,540.79			(10,297.27)		1,531,990.31	1,554,908.83	38,665.31	0.00
GNMA	1998 A/B RMRB	5.35	10/25/00	10/20/30	431,296.35	426,892.80			(5,101.34)		426,195.01	432,570.88	10,779.42	0.00
FNMA	1998 A/B RMRB	5.35	07/24/00	06/01/30	382,672.56	377,797.30			(4,065.10)		378,607.46	386,100.09	12,367.89	0.00
FNMA	1998 A/B RMRB	5.35	08/25/00	07/01/30	192,210.25	189,761.48			(2,308.94)		189,901.31	193,659.45	6,206.91	0.00
GNMA	1998 A/B RMRB	5.35	01/08/01	12/20/30	300,971.23	297,898.30			(5,965.48)		295,005.75	299,419.03	7,486.21	0.00
GNMA	1998 A/B RMRB	5.35	01/16/01	12/20/30	195,149.14	193,156.66			(2,271.13)		192,878.01	195,763.46	4,877.93	0.00
GNMA	1998 A/B RMRB	5.35	01/31/01	08/20/30	109,282.02	108,166.21			(640.00)		108,642.02	110,267.26	2,741.05	0.00
GNMA	1998 A/B RMRB	5.35	11/16/00	11/20/30	300,042.46	296,979.01			(4,309.93)		295,732.53	300,156.68	7,487.60	0.00
GNMA	1998 A/B RMRB	5.35	11/29/00	11/20/30	649,843.79	643,208.83			(5,931.19)		643,912.60	653,545.49	16,267.85	0.00
GNMA	1998 A/B RMRB	5.35	12/21/00	11/20/30	129,611.98	128,288.64			(743.80)		128,868.18	130,796.04	3,251.20	0.00
GNMA	1998 A/B RMRB	5.35	12/27/00	12/20/30	284,639.07	281,732.90			(1,604.30)		283,034.77	287,268.96	7,140.36	0.00
FNMA	1998 A/B RMRB	5.35	10/06/00	09/01/30	405,515.33	400,349.02			(4,310.65)		401,204.68	409,144.47	13,106.10	0.00
FNMA	1998 A/B RMRB	5.35	01/12/01	12/01/30	378,793.42	373,967.56			(2,913.07)		375,880.35	383,318.98	12,264.49	0.00
Repo Agmt	1998 A/B RMRB	0.35	11/26/08	12/01/08	1,364,101.59	1,364,101.59	9,491.30				1,373,592.89	1,373,592.89	-	0.00
Repo Agmt	1998 A/B RMRB				26,849.73	26,849.73		(26,849.73)					-	0.00
GNMA	1998 A/B RMRB	5.49	01/12/06	01/20/36	26,555.53	26,620.25			(94.48)		26,461.05	27,127.24	601.47	0.00
GNMA	1998 A/B RMRB	5.49	03/09/06	03/20/36	32,428.59	32,509.24			(134.10)		32,294.49	33,109.19	734.05	0.00
GNMA	1998 A/B RMRB	5.49	03/02/06	03/20/36	18,623.61	18,669.80			(66.05)		18,557.56	19,025.59	421.84	0.00
GNMA	1998 A/B RMRB	5.49	02/23/06	02/20/36	35,115.10	35,201.96			(186.17)		34,928.93	35,809.62	793.83	0.00
GNMA	1998 A/B RMRB	5.49	03/16/06	03/20/36	29,075.79	29,148.23			(125.41)		28,950.38	29,680.84	658.02	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	1998 A/B RMRB	5.49	03/30/06	03/20/36	29,824.11	29,843.43			(110.72)		29,713.39	30,407.72	675.01	0.00
GNMA	1998 A/B RMRB	5.49	04/06/06	04/20/36	36,160.66	36,251.51			(141.67)		36,018.99	36,928.59	818.75	0.00
FNMA	1998 A/B RMRB	5.49	04/27/06	03/01/36	16,680.12	16,567.30			(64.44)		16,615.68	16,976.58	473.72	0.00
FNMA	1998 A/B RMRB				8,505.16	8,459.55			(8,505.16)				45.61	0.00
	1998 A/B RMRB Total				52,901,633.36	52,430,818.14	2,797,732.38	(689,852.05)	(1,234,067.03)	0.00	53,775,446.66	54,483,074.61	1,178,443.17	0.00
Repo Agmt	2000 BCDE RMRB	0.35	11/26/08	12/01/08	237,874.60	237,874.60	15,140.82				253,015.42	253,015.42	-	0.00
Repo Agmt	2000 BCDE RMRB	0.35	11/26/08	12/01/08	581,367.52	581,367.52	1,465.37				582,832.89	582,832.89	-	0.00
Repo Agmt	2000 BCDE RMRB	0.35	11/26/08	12/01/08	591,422.61	591,422.61	641,858.38				1,233,280.99	1,233,280.99	-	0.00
Inv Agmt	2000 BCDE RMRB				1,775,339.29	1,775,339.29		(1,775,339.29)					-	0.00
Inv Agmt	2000 BCDE RMRB				1,228.19	1,228.19		(1,228.19)					-	0.00
Repo Agmt	2000 BCDE RMRB	0.35	11/26/08	12/01/08			1,228.19				1,228.19	1,228.19	-	0.00
Inv Agmt	2000 BCDE RMRB				1,384,579.33	1,384,579.33		(1,384,579.33)					-	0.00
Repo Agmt	2000 BCDE RMRB	0.35	11/26/08	12/01/08			1,947,135.89				1,947,135.89	1,947,135.89	-	0.00
GNMA	2000 BCDE RMRB	6.10	02/22/01	02/20/31	663,105.30	678,809.82			(3,623.94)		659,481.36	672,816.17	(2,369.71)	0.00
GNMA	2000 BCDE RMRB	6.10	02/14/01	02/20/31	177,191.29	181,387.17			(1,102.68)		176,088.61	179,648.74	(635.75)	0.00
GNMA	2000 BCDE RMRB	6.10	02/14/01	01/20/31	113,937.25	116,634.96			(564.95)		113,372.30	115,664.01	(406.00)	0.00
GNMA	2000 BCDE RMRB	6.10	03/07/01	02/20/31	196,543.39	201,198.99			(958.92)		195,584.47	199,540.21	(699.86)	0.00
GNMA	2000 BCDE RMRB	6.10	03/07/01	02/20/31	1,221,408.10	1,250,340.12			(9,670.85)		1,211,737.25	1,236,245.01	(4,424.26)	0.00
GNMA	2000 BCDE RMRB	6.10	03/07/01	02/20/31	92,541.54	94,733.61			(495.23)		92,046.31	93,907.97	(330.41)	0.00
GNMA	2000 BCDE RMRB	6.10	03/15/01	03/20/31	227,762.92	233,159.41			(1,131.38)		226,631.54	231,216.36	(811.67)	0.00
GNMA	2000 BCDE RMRB	6.10	03/15/01	03/20/31	665,028.62	680,785.50			(3,687.55)		661,341.07	674,720.21	(2,377.74)	0.00
GNMA	2000 BCDE RMRB	6.10	03/29/01	03/20/31	26,247.65	26,869.65			(130.57)		26,117.08	26,645.57	(93.51)	0.00
GNMA	2000 BCDE RMRB	6.10	03/29/01	03/20/31	247,380.75	253,243.13			(1,732.26)		245,648.49	250,619.35	(891.52)	0.00
GNMA	2000 BCDE RMRB	6.10	04/16/01	03/20/31	176,666.28	180,853.97			(881.93)		175,784.35	179,342.54	(629.50)	0.00
GNMA	2000 BCDE RMRB	6.10	04/16/01	04/20/31	546,445.21	559,400.31			(2,902.60)		543,542.61	554,546.49	(1,951.22)	0.00
GNMA	2000 BCDE RMRB	6.10	04/30/01	04/20/31	414,840.36	424,677.01			(2,787.98)		412,052.38	420,396.32	(1,492.71)	0.00
GNMA	2000 BCDE RMRB	6.10	04/30/01	04/20/31	746,745.28	764,452.17			(4,044.28)		742,701.00	757,740.62	(2,667.27)	0.00
GNMA	2000 BCDE RMRB	6.10	04/30/01	04/20/31	93,599.97	95,819.43			(451.02)		93,148.95	95,035.21	(333.20)	0.00
GNMA	2000 BCDE RMRB	6.10	05/10/01	05/20/31	163,242.11	167,114.08			(922.50)		162,319.61	165,607.55	(584.03)	0.00
GNMA	2000 BCDE RMRB	6.10	05/10/01	05/20/31	388,121.23	397,327.20			(2,064.84)		386,056.39	393,876.37	(1,385.99)	0.00
GNMA	2000 BCDE RMRB	6.10	05/22/01	04/20/31	108,550.84	111,125.58			(674.47)		107,876.37	110,061.62	(389.49)	0.00
GNMA	2000 BCDE RMRB	6.10	05/22/01	04/20/31	1,083,125.82	1,108,816.76			(6,145.07)		1,076,980.75	1,098,797.16	(3,874.53)	0.00
GNMA	2000 BCDE RMRB	6.10	05/22/01	05/20/31	111,897.48	114,552.07			(547.59)		111,349.89	113,605.84	(398.64)	0.00
GNMA	2000 BCDE RMRB	6.10	05/30/01	05/20/31	45,842.91	46,930.55			(231.79)		45,611.12	46,535.35	(163.41)	0.00
GNMA	2000 BCDE RMRB	6.10	05/30/01	05/20/31	276,517.53	283,077.97			(2,081.82)		274,435.71	279,996.59	(999.56)	0.00
GNMA	2000 BCDE RMRB	6.10	05/30/01	05/20/31	46,547.68	47,652.04			(226.03)		46,321.65	47,260.27	(165.74)	0.00
GNMA	2000 BCDE RMRB	6.10	06/18/01	05/20/31	192,792.20	197,367.42			(64,657.61)		128,134.59	130,731.75	(1,978.06)	0.00
GNMA	2000 BCDE RMRB	6.10	06/18/01	05/20/31	1,142,486.94	1,169,599.96			(7,279.57)		1,135,207.37	1,158,217.23	(4,103.16)	0.00
GNMA	2000 BCDE RMRB	6.10	06/18/01	05/20/31	41,960.98	42,956.77			(215.98)		41,745.00	42,591.14	(149.65)	0.00
GNMA	2000 BCDE RMRB	6.10	06/29/01	06/20/31	239,817.57	245,510.54			(1,344.67)		238,472.90	243,308.28	(857.59)	0.00
GNMA	2000 BCDE RMRB	6.10	06/29/01	06/20/31	870,604.09	891,271.14			(4,811.23)		865,792.86	883,348.07	(3,111.84)	0.00
GNMA	2000 BCDE RMRB	6.10	06/29/01	06/20/31	253,415.95	259,431.73			(1,703.97)		251,711.98	256,815.81	(911.95)	0.00
GNMA	2000 BCDE RMRB	6.10	07/25/01	06/20/31	212,765.32	217,818.10			(1,407.96)		211,357.36	215,644.71	(765.43)	0.00
GNMA	2000 BCDE RMRB	6.10	07/25/01	07/20/31	602,161.60	616,463.58			(3,068.10)		599,093.50	611,247.73	(2,147.75)	0.00
GNMA	2000 BCDE RMRB	6.10	07/25/01	06/20/31	133,077.18	136,237.49			(1,136.64)		131,940.54	134,616.91	(483.94)	0.00
GNMA	2000 BCDE RMRB	6.10	08/08/01	07/20/31	140,478.71	143,815.94			(774.29)		139,704.42	142,539.41	(502.24)	0.00
GNMA	2000 BCDE RMRB	6.10	08/08/01	08/20/31	902,715.46	924,163.35			(5,223.01)		897,492.45	915,707.88	(3,232.46)	0.00
GNMA	2000 BCDE RMRB	6.10	08/08/01	07/20/31	169,821.61	173,855.93			(1,538.36)		168,283.25	171,698.19	(619.38)	0.00
GNMA	2000 BCDE RMRB	6.10	08/31/01	08/20/31	270,008.20	276,425.34			(1,395.56)		268,612.64	274,066.57	(963.21)	0.00
GNMA	2000 BCDE RMRB	6.10	08/31/01	08/20/31	756,347.01	774,322.73			(6,018.37)		750,328.64	765,563.38	(2,740.98)	0.00
GNMA	2000 BCDE RMRB	6.10	08/31/01	08/20/31	112,366.94	115,037.50			(793.37)		111,573.57	113,838.97	(405.16)	0.00
FNMA	2000 BCDE RMRB	6.10	02/14/01	02/01/31	257,910.61	264,263.35			(8,463.64)		249,446.97	257,468.70	1,668.99	0.00
GNMA	2000 BCDE RMRB	6.10	11/29/01	10/20/31	223,662.88	228,987.07			(1,108.78)		222,554.10	227,081.07	(797.22)	0.00
GNMA	2000 BCDE RMRB	6.10	11/29/01	10/20/31	258,928.71	265,092.37			(2,173.15)		256,755.56	261,978.20	(941.02)	0.00
GNMA	2000 BCDE RMRB	6.10	11/29/01	11/20/31	196,328.53	201,002.64			(941.00)		195,387.53	199,362.50	(699.14)	0.00
GNMA	2000 BCDE RMRB	6.10	09/25/01	08/20/31	252,330.59	258,329.94			(1,217.05)		251,113.54	256,214.24	(898.65)	0.00
GNMA	2000 BCDE RMRB	6.10	09/25/01	09/20/31	582,115.46	595,957.44			(3,198.90)		578,916.56	590,677.42	(2,081.12)	0.00
GNMA	2000 BCDE RMRB	6.10	09/25/01	08/20/31	180,121.64	184,404.17			(1,456.45)		178,665.19	182,294.28	(653.44)	0.00
GNMA	2000 BCDE RMRB	6.10	10/17/01	09/20/31	65,901.94	67,469.49			(1,128.19)		64,773.75	66,090.18	(251.12)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2000 BCDE RMRB	6.10	10/17/01	09/20/31	667,846.93	683,732.33			(4,009.37)		663,837.56	677,329.07	(2,393.89)	0.00
GNMA	2000 BCDE RMRB	6.10	10/17/01	09/20/31	192,878.00	197,465.80			(1,417.02)		191,460.98	195,352.15	(696.63)	0.00
GNMA	2000 BCDE RMRB	6.10	11/15/01	08/20/31	91,980.00	94,168.50			(427.01)		91,552.99	93,414.23	(327.26)	0.00
GNMA	2000 BCDE RMRB	6.10	11/15/01	10/20/31	200,691.17	205,467.50			(959.61)		199,731.56	203,793.26	(714.63)	0.00
FNMA	2000 BCDE RMRB	6.10	03/15/01	02/01/31	141,285.32	144,766.85			(844.44)		140,440.88	144,958.49	1,036.08	0.00
GNMA	2000 BCDE RMRB	6.10	01/22/02	12/20/31	197,057.40	201,753.11			(1,000.03)		196,057.37	200,050.19	(702.89)	0.00
FNMA	2000 BCDE RMRB	6.10	05/10/01	04/01/31	307,546.67	315,132.77			(5,622.84)		301,923.83	311,643.74	2,133.81	0.00
GNMA	2000 BCDE RMRB	6.10	02/25/02	02/20/32	311,999.89	319,358.60			(3,330.61)		308,669.28	315,298.86	(729.13)	0.00
FNMA	2000 BCDE RMRB	6.10	05/30/01	04/01/31	147,269.74	150,903.43			(895.08)		146,374.66	151,087.84	1,079.49	0.00
FNMA	2000 BCDE RMRB	6.10	07/12/01	05/01/31	276,353.98	283,177.48			(4,643.26)		271,710.72	280,464.73	1,930.51	0.00
GNMA	2000 BCDE RMRB	6.10	05/15/02	05/20/32	416,976.91	426,826.55			(2,053.08)		414,923.83	423,850.43	(923.04)	0.00
GNMA	2000 BCDE RMRB	6.10	05/24/02	05/20/32	108,234.72	110,791.85			(496.53)		107,738.19	110,056.39	(238.93)	0.00
GNMA	2000 BCDE RMRB	6.10	03/21/02	02/20/32	147,161.14	150,633.26			(3,210.97)		143,950.17	147,043.12	(379.17)	0.00
GNMA	2000 BCDE RMRB	6.10	04/17/02	04/20/32	254,274.57	260,277.80			(1,305.37)		252,969.20	258,408.42	(564.01)	0.00
GNMA	2000 BCDE RMRB	6.10	04/29/02	04/20/32	338,714.19	346,712.35			(1,739.20)		336,974.99	344,221.83	(751.32)	0.00
GNMA	2000 BCDE RMRB	6.10	05/15/02	05/20/32	74,202.58	75,955.34			(327.49)		73,875.09	75,464.40	(163.45)	0.00
GNMA	2000 BCDE RMRB	6.10	05/15/02	02/20/32	43,363.16	44,387.11			(195.28)		43,167.88	44,096.19	(95.64)	0.00
GNMA	2000 BCDE RMRB	6.10	08/29/02	08/20/32	933,178.77	955,265.14			(5,252.19)		927,926.58	947,932.72	(2,080.23)	0.00
GNMA	2000 BCDE RMRB	6.10	06/03/02	05/20/32	426,375.12	436,449.87			(2,557.04)		423,818.08	432,938.67	(954.16)	0.00
GNMA	2000 BCDE RMRB	6.10	06/10/02	06/20/32	430,971.04	441,156.60			(1,969.67)		429,001.37	438,236.14	(950.79)	0.00
GNMA	2000 BCDE RMRB	6.10	06/19/02	06/20/32	518,446.34	530,700.91			(7,542.02)		510,904.32	521,903.74	(1,255.15)	0.00
GNMA	2000 BCDE RMRB	6.10	06/25/02	06/20/32	430,338.69	440,511.52			(2,498.24)		427,840.45	437,052.43	(960.85)	0.00
GNMA	2000 BCDE RMRB	6.10	07/05/02	06/20/32	649,986.90	665,354.66			(3,617.64)		646,369.26	660,288.41	(1,448.61)	0.00
GNMA	2000 BCDE RMRB	6.10	07/22/02	07/20/32	591,075.60	605,055.39			(2,920.10)		588,155.50	600,826.50	(1,308.79)	0.00
GNMA	2000 BCDE RMRB	6.10	07/29/02	07/20/32	85,884.63	87,916.19			(421.30)		85,463.33	87,304.71	(190.18)	0.00
GNMA	2000 BCDE RMRB	6.10	08/01/02	07/20/32	189,917.79	194,410.39			(844.77)		189,073.02	193,146.91	(418.71)	0.00
GNMA	2000 BCDE RMRB	6.10	08/12/02	08/20/32	1,261,094.29	1,290,933.93			(7,691.88)		1,253,402.41	1,280,418.07	(2,823.98)	0.00
GNMA	2000 BCDE RMRB	6.10	08/23/02	08/20/32	1,003,269.89	1,027,013.10			(5,288.48)		997,981.41	1,019,495.88	(2,228.74)	0.00
GNMA	2000 BCDE RMRB	6.10	11/12/02	10/20/32	446,496.78	457,079.10			(2,674.45)		443,822.33	453,405.27	(999.38)	0.00
GNMA	2000 BCDE RMRB	6.10	09/12/02	08/20/32	729,544.58	746,815.11			(4,093.50)		725,451.08	741,095.57	(1,626.04)	0.00
GNMA	2000 BCDE RMRB	6.10	09/19/02	09/20/32	282,810.05	289,506.51			(1,462.31)		281,347.74	287,416.54	(627.66)	0.00
GNMA	2000 BCDE RMRB	6.10	09/26/02	09/20/32	1,274,985.51	1,305,178.80			(7,461.80)		1,267,523.71	1,294,867.23	(2,849.77)	0.00
GNMA	2000 BCDE RMRB	6.10	10/10/02	10/20/32	896,740.95	917,983.32			(4,797.72)		891,943.23	911,191.81	(1,993.79)	0.00
GNMA	2000 BCDE RMRB	6.10	10/21/02	10/20/32	561,964.33	575,278.70			(2,863.11)		559,101.22	571,168.67	(1,246.92)	0.00
GNMA	2000 BCDE RMRB	6.10	10/29/02	11/20/32	458,098.07	468,953.94			(2,644.34)		455,453.73	465,286.87	(1,022.73)	0.00
FNMA	2000 BCDE RMRB	6.10	08/31/01	06/01/31	560,340.82	574,187.88			(43,130.67)		517,210.15	533,883.93	2,826.72	0.00
GNMA	2000 BCDE RMRB	6.10	11/05/02	10/20/32	224,290.02	229,605.14			(1,845.84)		222,444.18	227,246.67	(512.63)	0.00
GNMA	2000 BCDE RMRB	6.10	11/19/02	11/20/32	29,651.06	30,353.96			(329.61)		29,321.45	29,954.70	(69.65)	0.00
GNMA	2000 BCDE RMRB	6.10	11/26/02	11/20/32	117,072.20	119,847.75			(1,245.22)		115,826.98	118,328.85	(273.68)	0.00
GNMA	2000 BCDE RMRB	6.10	11/26/02	11/20/32	152,072.53	155,677.85			(743.21)		151,329.32	154,598.03	(336.61)	0.00
GNMA	2000 BCDE RMRB	6.10	12/12/02	11/20/32	23,445.20	24,001.18			(1,033.86)		22,411.34	22,895.54	(71.78)	0.00
GNMA	2000 BCDE RMRB	6.10	12/19/02	06/20/32	62,431.51	63,911.31			(286.34)		62,145.17	63,487.13	(137.84)	0.00
GNMA	2000 BCDE RMRB	6.10	12/30/02	09/20/32	77,328.41	79,162.26			(1,029.77)		76,298.64	77,947.16	(185.33)	0.00
GNMA	2000 BCDE RMRB	6.10	12/30/02	11/20/32	33,618.87	34,416.32			(153.84)		33,465.03	34,188.25	(74.23)	0.00
GNMA	2000 BCDE RMRB	6.10	01/07/03	12/20/32	116,377.89	119,139.00			(1,202.26)		115,175.63	117,665.43	(271.31)	0.00
GNMA	2000 BCDE RMRB	6.10	01/23/03	01/20/33	15,722.50	16,089.65			(750.40)		14,972.10	15,287.16	(52.09)	0.00
GNMA	2000 BCDE RMRB	6.10	01/23/03	01/20/33	323,074.22	330,618.72			(1,528.05)		321,546.17	328,312.61	(778.06)	0.00
GNMA	2000 BCDE RMRB	6.10	02/12/03	02/20/33	168,039.87	171,965.69			(1,446.47)		166,593.40	170,100.80	(418.42)	0.00
FNMA	2000 BCDE RMRB	6.10	10/17/01	09/01/31	306,893.39	314,657.64			(4,232.48)		302,660.91	312,578.06	2,152.90	0.00
GNMA	2000 BCDE RMRB	6.10	02/20/03	02/20/33	249,412.13	255,239.78			(1,490.15)		247,921.98	253,142.17	(607.46)	0.00
GNMA	2000 BCDE RMRB	6.10	02/27/03	02/20/33	100,407.74	102,754.03			(412.70)		99,995.04	102,100.81	(240.52)	0.00
GNMA	2000 BCDE RMRB	6.10	03/24/03	03/20/33	185,259.90	189,591.07			(790.97)		184,468.93	188,355.71	(444.39)	0.00
GNMA	2000 BCDE RMRB	6.10	04/02/03	03/20/33	145,504.42	148,906.75			(598.94)		144,905.48	147,959.10	(348.71)	0.00
GNMA	2000 BCDE RMRB	6.10	04/17/03	04/20/33	141,909.65	145,228.95			(665.98)		141,243.67	144,221.28	(341.69)	0.00
GNMA	2000 BCDE RMRB	6.10	04/24/03	04/20/33	26,519.34	27,139.72			(109.60)		26,409.74	26,966.54	(63.58)	0.00
GNMA	2000 BCDE RMRB	6.10	04/29/03	04/20/33	326,513.04	334,151.92			(1,357.12)		325,155.92	332,011.98	(782.82)	0.00
GNMA	2000 BCDE RMRB	6.10	05/08/03	04/20/33	80,407.04	82,288.44			(352.86)		80,054.18	81,742.41	(193.17)	0.00
GNMA	2000 BCDE RMRB	6.10	05/15/03	04/20/33	70,206.17	71,849.03			(283.37)		69,922.80	71,397.59	(168.07)	0.00
GNMA	2000 BCDE RMRB	6.10	05/22/03	05/20/33	143,001.99	146,349.03			(641.46)		142,360.53	145,363.87	(343.70)	0.00
GNMA	2000 BCDE RMRB	6.10	05/29/03	04/20/33	59,860.17	61,261.24			(243.33)		59,616.84	60,874.56	(143.35)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2000 BCDE RMRB	6.10	06/10/03	05/20/33	130,303.26	133,354.03			(556.86)		129,746.40	132,484.42	(312.75)	0.00
GNMA	2000 BCDE RMRB	6.10	06/19/03	06/20/33	188,645.69	193,063.38			(1,340.15)		187,305.54	191,259.38	(463.85)	0.00
GNMA	2000 BCDE RMRB	6.10	06/19/03	06/20/33	58,919.40	60,299.17			(244.42)		58,674.98	59,913.55	(141.20)	0.00
GNMA	2000 BCDE RMRB	6.10	06/26/03	06/20/33	96,386.36	98,643.83			(383.77)		96,002.59	98,029.40	(230.66)	0.00
GNMA	2000 BCDE RMRB	6.10	07/03/03	07/20/33	70,620.64	72,275.01			(282.49)		70,338.15	71,823.42	(169.10)	0.00
GNMA	2000 BCDE RMRB	6.10	07/10/03	07/20/33	468,250.15	479,220.42			(1,933.37)		466,316.78	476,165.06	(1,121.99)	0.00
GNMA	2000 BCDE RMRB	6.10	07/17/03	07/20/33	232,119.63	237,558.49			(993.44)		231,126.19	236,007.88	(557.17)	0.00
GNMA	2000 BCDE RMRB	6.10	07/24/03	07/20/33	47,773.51	48,893.01			(194.15)		47,579.36	48,584.45	(114.41)	0.00
GNMA	2000 BCDE RMRB	6.10	07/30/03	07/20/33	166,989.73	170,903.20			(749.00)		166,240.73	169,752.81	(401.39)	0.00
GNMA	2000 BCDE RMRB	6.10	08/07/03	08/20/33	166,091.96	169,985.41			(689.04)		165,402.92	168,898.15	(398.22)	0.00
GNMA	2000 BCDE RMRB	6.10	08/14/03	08/20/33	165,278.56	169,153.29			(654.07)		164,624.49	168,103.78	(395.44)	0.00
FNMA	2000 BCDE RMRB	6.10	12/27/01	10/01/31	218,494.52	223,905.59			(1,200.90)		217,293.62	224,310.39	1,605.70	0.00
GNMA	2000 BCDE RMRB	6.10	08/21/03	08/20/33	199,350.56	204,024.68			(976.69)		198,373.87	202,566.84	(481.15)	0.00
GNMA	2000 BCDE RMRB	6.10	08/28/03	08/20/33	331,949.00	339,732.79			(1,422.96)		330,526.04	337,513.30	(796.53)	0.00
GNMA	2000 BCDE RMRB	6.10	09/04/03	08/20/33	152,785.73	156,368.84			(814.23)		151,971.50	155,184.45	(370.16)	0.00
GNMA	2000 BCDE RMRB	6.10	09/18/03	09/20/33	376,548.89	385,382.36			(1,537.17)		375,011.72	382,943.23	(901.96)	0.00
GNMA	2000 BCDE RMRB	6.10	09/18/03	08/20/33	79,376.53	81,238.47			(315.98)		79,060.55	80,732.44	(190.05)	0.00
GNMA	2000 BCDE RMRB	6.10	09/29/03	09/20/33	316,612.48	324,041.21			(1,383.58)		315,228.90	321,896.97	(760.66)	0.00
GNMA	2000 BCDE RMRB	6.10	10/09/03	09/20/33	185,198.27	189,544.36			(867.02)		184,331.25	188,231.19	(446.15)	0.00
GNMA	2000 BCDE RMRB	6.10	10/16/03	09/20/33	86,401.29	88,429.07			(338.41)		86,062.88	87,883.99	(206.67)	0.00
GNMA	2000 BCDE RMRB	5.40	10/23/03	10/20/33	228,484.09	227,275.38			(1,052.10)		227,431.99	231,443.99	5,220.71	0.00
GNMA	2000 BCDE RMRB	6.10	10/23/03	10/20/33	237,296.54	242,866.95			(1,077.39)		236,219.15	241,218.59	(570.97)	0.00
GNMA	2000 BCDE RMRB	5.40	10/30/03	10/20/33	103,881.79	103,332.52			(450.06)		103,431.73	105,256.71	2,374.25	0.00
GNMA	2000 BCDE RMRB	6.10	10/30/03	08/20/33	56,731.19	58,062.81			(243.59)		56,487.60	57,683.01	(136.21)	0.00
GNMA	2000 BCDE RMRB	5.40	11/13/03	11/20/33	468,947.19	466,471.11			(2,177.05)		466,770.14	475,008.98	10,714.92	0.00
GNMA	2000 BCDE RMRB	6.10	11/13/03	11/20/33	133,053.66	136,178.39			(550.31)		132,503.35	135,309.06	(319.02)	0.00
GNMA	2000 BCDE RMRB	5.40	11/20/03	11/20/33	483,758.64	481,205.31			(2,544.58)		481,214.06	489,709.30	11,048.57	0.00
GNMA	2000 BCDE RMRB	6.10	11/20/03	10/20/33	46,253.84	47,340.10			(228.34)		46,025.50	47,000.07	(111.69)	0.00
GNMA	2000 BCDE RMRB	5.40	11/26/03	11/20/33	273,288.95	271,847.05			(14,220.96)		259,067.99	263,642.06	6,015.97	0.00
GNMA	2000 BCDE RMRB	5.40	12/04/03	11/20/33	354,545.67	352,676.15			(2,617.31)		351,928.36	358,143.06	8,084.22	0.00
GNMA	2000 BCDE RMRB	5.40	12/11/03	12/20/33	318,690.54	317,011.66			(2,013.26)		316,677.28	322,270.76	7,272.36	0.00
GNMA	2000 BCDE RMRB	5.40	12/18/03	12/20/33	916,604.17	911,777.24			(6,584.75)		910,019.42	926,095.86	20,903.37	0.00
GNMA	2000 BCDE RMRB	5.40	12/23/03	12/20/33	791,660.72	787,493.36			(3,885.48)		787,775.24	801,693.76	18,085.88	0.00
GNMA	2000 BCDE RMRB	5.40	01/08/04	01/20/34	126,381.30	125,657.37			(643.83)		125,737.47	127,899.42	2,885.88	0.00
GNMA	2000 BCDE RMRB	5.40	01/15/04	01/20/34	1,019,145.28	1,013,310.70			(8,066.52)		1,011,078.76	1,028,465.70	23,221.52	0.00
GNMA	2000 BCDE RMRB	5.40	01/22/04	01/20/34	237,712.66	235,913.13			(1,130.52)		236,582.14	240,214.22	5,431.61	0.00
GNMA	2000 BCDE RMRB	5.40	01/29/04	01/20/34	48,174.30	47,898.74			(243.64)		47,930.66	48,755.14	1,100.04	0.00
GNMA	2000 BCDE RMRB	6.10	02/02/04	12/20/33	43,179.97	44,195.42			(197.30)		42,982.67	43,894.22	(103.90)	0.00
GNMA	2000 BCDE RMRB	5.75	03/30/04	03/20/34	157,854.46	159,161.87			(721.39)		157,133.07	159,753.54	1,313.06	0.00
GNMA	2000 BCDE RMRB	5.75	07/08/04	07/20/34	669,618.67	675,195.32			(2,847.85)		666,770.82	677,921.11	5,573.64	0.00
GNMA	2000 BCDE RMRB	5.75	07/08/04	07/20/34	235,180.21	237,138.83			(1,270.31)		233,909.90	237,821.54	1,953.02	0.00
GNMA	2000 BCDE RMRB	5.75	04/08/04	04/20/34	158,902.41	160,219.50			(654.26)		158,248.15	160,888.05	1,322.81	0.00
GNMA	2000 BCDE RMRB	5.75	04/15/04	04/20/34	202,899.22	204,581.38			(848.91)		202,050.31	205,421.52	1,689.05	0.00
GNMA	2000 BCDE RMRB	5.75	04/22/04	04/20/34	64,275.80	64,808.87			(252.84)		64,022.96	65,091.31	535.28	0.00
GNMA	2000 BCDE RMRB	5.75	04/29/04	04/20/34	250,940.41	253,022.15			(1,147.29)		249,793.12	253,962.22	2,087.36	0.00
GNMA	2000 BCDE RMRB	5.75	05/06/04	05/20/34	129,506.90	130,581.89			(549.31)		128,957.59	131,110.43	1,077.85	0.00
GNMA	2000 BCDE RMRB	5.75	05/13/04	05/20/34	292,480.81	294,909.22			(1,313.73)		291,167.08	296,028.79	2,433.30	0.00
GNMA	2000 BCDE RMRB	5.75	05/20/04	05/20/34	489,978.49	494,048.16			(1,949.14)		488,029.35	496,179.61	4,080.59	0.00
GNMA	2000 BCDE RMRB	5.75	05/27/04	05/20/34	240,253.60	242,249.83			(991.79)		239,261.81	243,258.06	2,000.02	0.00
GNMA	2000 BCDE RMRB	5.75	06/03/04	06/20/34	341,869.42	344,711.33			(1,713.35)		340,156.07	345,839.21	2,841.23	0.00
GNMA	2000 BCDE RMRB	5.75	06/10/04	06/20/34	367,482.68	370,538.68			(1,454.03)		366,028.65	372,144.86	3,060.21	0.00
GNMA	2000 BCDE RMRB	5.75	06/17/04	06/20/34	95,119.69	95,910.87			(413.45)		94,706.24	96,289.01	791.59	0.00
GNMA	2000 BCDE RMRB	5.75	06/24/04	06/20/34	374,350.91	377,465.88			(1,663.98)		372,686.93	378,916.25	3,114.35	0.00
GNMA	2000 BCDE RMRB	5.75	09/02/04	08/20/34	102,239.88	103,093.73			(408.14)		101,831.74	103,536.94	851.35	0.00
GNMA	2000 BCDE RMRB	5.75	09/09/04	08/20/34	102,400.60	103,255.99			(401.14)		101,999.46	103,707.79	852.94	0.00
GNMA	2000 BCDE RMRB	5.75	09/16/04	09/20/34	91,994.75	92,763.69			(354.21)		91,640.54	93,175.75	766.27	0.00
GNMA	2000 BCDE RMRB	5.75	09/23/04	08/20/34	93,677.64	94,460.77			(370.13)		93,307.51	94,870.76	780.12	0.00
GNMA	2000 BCDE RMRB	5.75	09/29/04	09/20/34	225,404.67	227,289.90			(899.84)		224,504.83	228,267.02	1,876.96	0.00
GNMA	2000 BCDE RMRB	5.75	10/07/04	10/20/34	138,479.02	139,637.73			(570.14)		137,908.88	140,220.56	1,152.97	0.00
GNMA	2000 BCDE RMRB	5.75	07/15/04	07/20/34	462,895.59	466,752.05			(2,516.98)		460,378.61	468,078.40	3,843.33	0.00

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GNMA	2000 BCDE RMRB	5.75	07/22/04	07/20/34	521,023.40	525,365.15			(4,792.81)		516,230.59	524,866.03	4,293.69	0.00
GNMA	2000 BCDE RMRB	5.75	07/29/04	07/20/34	371,254.75	374,349.61			(1,613.30)		369,641.45	375,825.54	3,089.23	0.00
GNMA	2000 BCDE RMRB	5.75	08/05/04	08/20/34	407,671.91	411,071.99			(2,438.12)		405,233.79	412,015.40	3,381.53	0.00
GNMA	2000 BCDE RMRB	5.75	08/12/04	08/20/34	379,930.67	383,100.54			(1,872.74)		378,057.93	384,385.53	3,157.73	0.00
GNMA	2000 BCDE RMRB	5.75	08/19/04	08/20/34	234,906.04	236,517.31			(1,123.81)		233,782.23	237,348.38	1,954.88	0.00
GNMA	2000 BCDE RMRB	5.75	08/26/04	08/20/34	74,453.75	75,075.30			(299.02)		74,154.73	75,396.30	620.02	0.00
GNMA	2000 BCDE RMRB	5.75	12/02/04	11/20/34	13,445.18	13,558.01			(63.83)		13,381.35	13,605.98	111.80	0.00
GNMA	2000 BCDE RMRB	5.75	12/17/04	12/20/34	184,901.76	186,454.77			(1,029.04)		183,872.72	186,960.55	1,534.82	0.00
GNMA	2000 BCDE RMRB	5.75	10/14/04	10/20/34	56,590.03	57,063.73			(216.94)		56,373.09	57,318.24	471.45	0.00
GNMA	2000 BCDE RMRB	5.75	10/28/04	10/20/34	51,536.70	51,968.37			(203.78)		51,332.92	52,193.82	429.23	0.00
GNMA	2000 BCDE RMRB	5.75	11/04/04	10/20/34	60,598.23	61,105.95			(237.46)		60,360.77	61,373.18	504.69	0.00
GNMA	2000 BCDE RMRB	5.75	11/23/04	11/20/34	59,245.15	59,742.09			(222.61)		59,022.54	60,013.06	493.58	0.00
GNMA	2000 BCDE RMRB	5.75	12/23/04	12/20/34	291,490.60	293,939.42			(1,134.32)		290,356.28	295,232.90	2,427.80	0.00
GNMA	2000 BCDE RMRB	5.75	02/17/05	02/20/35	51,106.47	51,493.42			(189.05)		50,917.42	51,738.09	433.72	0.00
GNMA	2000 BCDE RMRB	5.75	05/05/05	04/20/35	135,373.37	136,402.94			(499.36)		134,874.01	137,052.34	1,148.76	0.00
FNMA	2000 BCDE RMRB	6.10	06/10/02	05/01/32	120,188.33	123,174.34			(878.31)		119,310.02	123,172.26	876.23	0.00
GNMA	2000 BCDE RMRB	5.75	09/08/05	08/20/35	61,589.37	62,343.09			(220.02)		61,369.35	62,644.62	521.55	0.00
GNMA	2000 BCDE RMRB	5.75	10/27/05	10/20/35	120,710.54	122,193.28			(471.58)		120,238.96	122,743.07	1,021.37	0.00
GNMA	2000 BCDE RMRB	5.75	09/29/05	09/20/35	134,082.11	135,725.68			(621.59)		133,460.52	136,236.56	1,132.47	0.00
GNMA	2000 BCDE RMRB	5.75	11/22/05	11/20/35	165,025.39	166,295.12			(582.83)		164,442.56	167,113.16	1,400.87	0.00
GNMA	2000 BCDE RMRB	5.75	12/29/05	12/20/35	117,199.15	118,102.78			(961.00)		116,238.15	118,127.77	985.99	0.00
FNMA	2000 BCDE RMRB	6.10	07/29/02	07/01/32	270,305.46	276,875.21			(2,125.38)		268,180.08	276,496.37	1,746.54	0.00
GNMA	2000 BCDE RMRB	5.75	02/02/06	01/20/36	155,220.22	156,316.48			(541.98)		154,678.24	157,196.73	1,422.23	0.00
FNMA	2000 BCDE RMRB	6.10	09/12/02	07/01/32	261,096.90	267,447.13			(1,316.23)		259,780.67	267,840.53	1,709.63	0.00
FNMA	2000 BCDE RMRB	6.10	10/29/02	10/01/32	127,361.72	130,462.48			(761.42)		126,600.30	130,531.29	830.23	0.00
FNMA	2000 BCDE RMRB	6.10	04/10/03	03/01/33	110,781.15	113,347.19			(670.60)		110,110.55	113,441.34	764.75	0.00
FNMA	2000 BCDE RMRB	6.10	07/03/03	05/01/33	199,375.49	204,000.82			(808.03)		198,567.46	204,581.23	1,388.44	0.00
FNMA	2000 BCDE RMRB	6.10	08/14/03	08/01/33	240,612.93	246,200.38			(1,025.10)		239,587.83	246,849.38	1,674.10	0.00
FNMA	2000 BCDE RMRB	6.10	09/04/03	08/01/33	180,895.31	185,097.31			(2,180.66)		178,714.65	184,132.70	1,216.05	0.00
FNMA	2000 BCDE RMRB	6.10	12/04/03	10/01/33	113,462.31	116,102.35			(1,536.16)		111,926.15	115,323.67	757.48	0.00
FNMA	2000 BCDE RMRB	5.40	12/11/03	11/01/33	208,035.75	206,394.01			(1,094.55)		206,941.20	211,250.22	5,950.76	0.00
FNMA	2000 BCDE RMRB	5.40	01/29/04	01/01/34	173,972.80	172,603.69			(1,186.84)		172,785.96	176,387.68	4,970.83	0.00
FNMA	2000 BCDE RMRB	5.75	05/13/04	05/01/34	248,123.60	249,807.28			(1,444.14)		246,679.46	252,898.40	4,535.26	0.00
FNMA	2000 BCDE RMRB	5.75	06/10/04	06/01/34	259,444.35	261,208.25			(35,280.58)		224,163.77	229,817.83	3,890.16	0.00
FNMA	2000 BCDE RMRB	5.75	07/15/04	07/01/34	281,234.50	283,150.52			(1,411.03)		279,823.47	286,885.75	5,146.26	0.00
FNMA	2000 BCDE RMRB	5.75	08/19/04	08/01/34	170,026.64	171,187.60			(726.87)		169,299.77	173,575.24	3,114.51	0.00
FNMA	2000 BCDE RMRB	5.75	09/23/04	08/01/34	71,750.95	72,241.89			(408.79)		71,342.16	73,144.78	1,311.68	0.00
FNMA	2000 BCDE RMRB	5.75	11/10/04	10/01/34	44,143.65	44,446.65			(279.74)		43,863.91	44,973.24	806.33	0.00
FNMA	2000 BCDE RMRB	5.75	02/03/05	02/01/35	226,391.99	227,688.76			(906.08)		225,485.91	231,057.07	4,274.39	0.00
FNMA	2000 BCDE RMRB	5.75	06/26/05	04/01/35	62,043.57	62,402.60			(226.37)		61,817.20	63,348.25	1,172.02	0.00
FNMA	2000 BCDE RMRB	5.75	10/27/05	10/01/35	133,285.67	134,064.60			(635.42)		132,650.25	135,943.25	2,514.07	0.00
FNMA	2000 BCDE RMRB	5.75	01/12/06	12/01/35	146,751.30	147,613.68			(515.20)		146,236.10	149,871.35	2,772.87	0.00
Repo Agmt	2000 BCDE RMRB	0.35	11/26/08	12/01/08	74,099.70	74,099.70		(72,144.16)			1,955.54	1,955.54	-	0.00
GNMA	2000 BCDE RMRB	5.40	10/30/03	10/20/33	18,999.22	18,898.79			(87.51)		18,911.71	19,245.42	434.14	0.00
GNMA	2000 BCDE RMRB	5.40	10/20/03	10/20/33	8,638.25	8,592.48			(37.42)		8,600.83	8,752.48	197.42	0.00
GNMA	2000 BCDE RMRB	5.40	11/19/03	10/20/33	38,994.68	38,788.80			(181.03)		38,813.65	39,498.76	890.99	0.00
GNMA	2000 BCDE RMRB	5.40	11/20/03	11/20/33	40,226.33	40,014.00			(211.59)		40,014.74	40,721.14	918.73	0.00
GNMA	2000 BCDE RMRB	5.40	11/26/03	11/20/33	22,724.95	22,605.09			(1,182.52)		21,542.43	21,922.81	500.24	0.00
GNMA	2000 BCDE RMRB	5.40	12/04/03	11/20/33	29,481.75	29,326.33			(217.63)		29,264.12	29,780.92	672.22	0.00
GNMA	2000 BCDE RMRB	5.40	12/11/03	12/20/33	26,500.30	26,360.69			(167.41)		26,332.89	26,798.00	604.72	0.00
GNMA	2000 BCDE RMRB	5.40	12/18/03	12/20/33	76,218.99	75,817.66			(547.54)		75,671.45	77,008.31	1,738.19	0.00
GNMA	2000 BCDE RMRB	5.40	12/23/03	12/20/33	65,829.52	65,482.99			(323.08)		65,506.44	66,663.81	1,503.90	0.00
GNMA	2000 BCDE RMRB	5.40	01/01/04	01/20/34	10,509.04	10,448.87			(53.53)		10,455.51	10,635.31	239.97	0.00
GNMA	2000 BCDE RMRB	5.40	01/15/04	01/20/34	84,745.69	84,260.54			(670.75)		84,074.94	85,520.73	1,930.94	0.00
GNMA	2000 BCDE RMRB	5.40	01/22/04	01/20/34	19,766.72	19,617.05			(94.02)		19,672.70	19,974.70	451.67	0.00
GNMA	2000 BCDE RMRB	5.40	01/29/04	01/20/34	4,005.87	3,982.95			(20.25)		3,985.62	4,054.17	91.47	0.00
GNMA	2000 BCDE RMRB	5.75	03/30/04	03/20/34	6,109.29	6,159.89			(27.91)		6,081.38	6,182.79	50.81	0.00
GNMA	2000 BCDE RMRB	5.75	07/08/04	07/20/34	25,915.63	26,131.43			(110.22)		25,805.41	26,236.93	215.72	0.00
GNMA	2000 BCDE RMRB	5.75	07/08/04	07/20/34	9,101.95	9,177.75			(49.17)		9,052.78	9,204.18	75.60	0.00
GNMA	2000 BCDE RMRB	4.75	04/08/04	04/20/34	6,149.84	6,200.82			(25.31)		6,124.53	6,226.69	51.18	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2000 BCDE RMRB	5.75	04/15/04	04/20/34	7,852.59	7,917.72			(32.86)		7,819.73	7,950.23	65.37	0.00
GNMA	2000 BCDE RMRB	5.75	04/22/04	04/20/34	2,487.59	2,508.23			(9.79)		2,477.80	2,519.16	20.72	0.00
GNMA	2000 BCDE RMRB	5.75	04/29/04	04/20/34	9,711.95	9,792.47			(44.40)		9,667.55	9,828.85	80.78	0.00
GNMA	2000 BCDE RMRB	5.75	05/06/04	05/20/34	5,012.15	5,053.78			(21.26)		4,990.89	5,074.24	41.72	0.00
GNMA	2000 BCDE RMRB	5.75	05/13/04	05/20/34	11,319.63	11,413.58			(50.85)		11,268.78	11,456.91	94.18	0.00
GNMA	2000 BCDE RMRB	5.75	05/20/04	05/20/34	18,963.19	19,120.66			(75.44)		18,887.75	19,203.15	157.93	0.00
GNMA	2000 BCDE RMRB	5.75	05/27/04	05/20/34	9,298.32	9,375.56			(38.39)		9,259.93	9,414.58	77.41	0.00
GNMA	2000 BCDE RMRB	5.75	06/03/04	06/20/34	13,231.02	13,341.03			(66.31)		13,164.71	13,384.68	109.96	0.00
GNMA	2000 BCDE RMRB	5.75	06/10/04	06/20/34	14,222.34	14,340.59			(56.28)		14,166.06	14,402.76	118.45	0.00
GNMA	2000 BCDE RMRB	5.75	06/17/04	06/20/34	3,681.34	3,711.94			(15.99)		3,665.35	3,726.58	30.63	0.00
GNMA	2000 BCDE RMRB	5.75	06/24/04	06/20/34	14,488.16	14,608.70			(64.40)		14,423.76	14,664.83	120.53	0.00
GNMA	2000 BCDE RMRB	5.75	09/02/04	08/20/34	3,956.90	3,989.93			(15.80)		3,941.10	4,007.08	32.95	0.00
GNMA	2000 BCDE RMRB	5.75	09/09/04	08/20/34	3,963.11	3,996.21			(15.52)		3,947.59	4,013.70	33.01	0.00
GNMA	2000 BCDE RMRB	5.75	09/16/04	09/20/34	3,560.39	3,590.14			(13.71)		3,546.68	3,606.09	29.66	0.00
GNMA	2000 BCDE RMRB	5.75	09/23/04	08/20/34	3,625.54	3,655.82			(14.33)		3,611.21	3,671.69	30.20	0.00
GNMA	2000 BCDE RMRB	5.75	09/29/04	09/20/34	8,723.64	8,796.58			(34.83)		8,688.81	8,834.39	72.64	0.00
GNMA	2000 BCDE RMRB	5.75	10/07/04	10/20/34	5,359.40	5,404.26			(22.07)		5,337.33	5,426.82	44.63	0.00
GNMA	2000 BCDE RMRB	5.75	07/15/04	07/20/34	17,915.00	18,064.25			(97.42)		17,817.58	18,115.58	148.75	0.00
GNMA	2000 BCDE RMRB	5.75	07/22/04	07/20/34	20,164.65	20,332.69			(185.49)		19,979.16	20,313.38	166.18	0.00
GNMA	2000 BCDE RMRB	5.75	07/29/04	07/20/34	14,368.33	14,488.09			(62.44)		14,305.89	14,545.21	119.56	0.00
GNMA	2000 BCDE RMRB	5.75	08/05/04	08/20/34	15,777.73	15,909.32			(94.35)		15,683.38	15,945.83	130.86	0.00
GNMA	2000 BCDE RMRB	5.75	08/12/04	08/20/34	14,704.09	14,826.77			(72.47)		14,631.62	14,876.50	122.20	0.00
GNMA	2000 BCDE RMRB	5.75	08/19/04	08/20/34	9,091.36	9,153.70			(43.50)		9,047.86	9,185.86	75.66	0.00
GNMA	2000 BCDE RMRB	5.75	08/26/04	08/20/34	2,881.50	2,905.56			(11.57)		2,869.93	2,917.99	24.00	0.00
GNMA	2000 BCDE RMRB	5.75	12/02/04	11/20/34	520.38	524.72			(2.47)		517.91	526.57	4.32	0.00
GNMA	2000 BCDE RMRB	5.75	12/17/04	12/20/34	7,156.08	7,216.18			(39.83)		7,116.25	7,235.75	59.40	0.00
GNMA	2000 BCDE RMRB	5.75	10/14/04	10/20/34	2,190.15	2,208.48			(8.39)		2,181.76	2,218.33	18.24	0.00
GNMA	2000 BCDE RMRB	5.75	10/28/04	10/20/34	1,994.60	2,011.28			(7.89)		1,986.71	2,020.00	16.61	0.00
GNMA	2000 BCDE RMRB	5.75	11/04/04	10/20/34	2,345.25	2,364.92			(9.19)		2,336.06	2,375.26	19.53	0.00
GNMA	2000 BCDE RMRB	5.75	11/23/04	11/20/34	2,292.90	2,312.14			(8.61)		2,284.29	2,322.62	19.09	0.00
GNMA	2000 BCDE RMRB	5.75	12/23/04	12/20/34	11,281.27	11,376.05			(43.90)		11,237.37	11,426.11	93.96	0.00
GNMA	2000 BCDE RMRB	5.75	02/17/05	02/20/35	1,977.90	1,992.90			(7.31)		1,970.59	2,002.37	16.78	0.00
GNMA	2000 BCDE RMRB	5.75	05/05/05	04/20/35	5,239.24	5,279.07			(19.33)		5,219.91	5,304.20	44.46	0.00
GNMA	2000 BCDE RMRB	5.75	09/08/05	08/20/35	2,383.65	2,412.80			(8.51)		2,375.14	2,424.47	20.18	0.00
GNMA	2000 BCDE RMRB	5.75	10/27/05	10/20/35	4,693.07	4,729.12			(18.53)		4,674.54	4,750.40	39.81	0.00
GNMA	2000 BCDE RMRB	5.75	09/29/05	09/20/35	5,189.26	5,252.86			(24.06)		5,165.20	5,272.63	43.83	0.00
GNMA	2000 BCDE RMRB	5.75	11/22/05	11/20/35	6,386.81	6,435.96			(22.55)		6,364.26	6,467.62	54.21	0.00
GNMA	2000 BCDE RMRB	5.75	12/29/05	12/20/35	4,535.82	4,570.81			(37.19)		4,498.63	4,571.78	38.16	0.00
GNMA	2000 BCDE RMRB	5.75	02/02/06	01/20/36	6,007.33	6,049.76			(20.97)		5,986.36	6,083.83	55.04	0.00
FNMA	2000 BCDE RMRB	5.40	12/11/03	11/01/33	17,298.93	17,162.42			(91.01)		17,207.92	17,566.24	494.83	0.00
FNMA	2000 BCDE RMRB	5.40	01/29/04	01/01/34	14,466.46	14,352.63			(98.70)		14,367.76	14,667.28	413.35	0.00
FNMA	2000 BCDE RMRB	5.75	05/13/04	05/01/34	9,602.89	9,668.05			(55.90)		9,546.99	9,787.68	175.53	0.00
FNMA	2000 BCDE RMRB	5.75	06/10/04	06/01/34	10,041.01	10,109.29			(1,365.44)		8,675.57	8,894.42	150.57	0.00
FNMA	2000 BCDE RMRB	5.75	07/15/04	07/01/34	10,884.34	10,958.50			(54.61)		10,829.73	11,103.06	199.17	0.00
FNMA	2000 BCDE RMRB	5.75	08/19/04	08/01/34	6,580.37	6,625.30			(28.13)		6,552.24	6,717.71	120.54	0.00
FNMA	2000 BCDE RMRB	5.75	09/23/04	08/01/34	2,776.92	2,795.91			(15.83)		2,761.09	2,830.85	50.77	0.00
FNMA	2000 BCDE RMRB	5.75	11/10/04	10/01/34	1,708.45	1,720.17			(10.82)		1,697.63	1,740.55	31.20	0.00
FNMA	2000 BCDE RMRB	5.75	02/03/05	02/01/35	8,761.82	8,812.02			(35.07)		8,726.75	8,942.38	165.43	0.00
FNMA	2000 BCDE RMRB	5.75	05/26/05	04/01/35	2,401.25	2,415.10			(8.75)		2,392.50	2,451.70	45.35	0.00
FNMA	2000 BCDE RMRB	5.75	10/27/05	10/01/35	5,158.43	5,188.57			(24.59)		5,133.84	5,261.28	97.30	0.00
FNMA	2000 BCDE RMRB	5.75	01/12/06	12/01/35	5,679.57	5,712.95			(19.93)		5,659.64	5,800.32	107.30	0.00
	2000 BCDE RMRB Total				62,463,860.39	63,480,575.93	2,606,828.65	(3,233,290.97)	(503,221.81)	0.00	61,334,176.26	62,521,156.36	170,264.56	0.00
Repo Agmt	2001 A-E RMRB	0.35	11/26/08	12/01/08	5,011.55	5,011.55	12.59				5,024.14	5,024.14	-	0.00
Repo Agmt	2001 A-E RMRB	0.35	11/26/08	12/01/08	32.06	32.06	0.04				32.10	32.10	-	0.00
Repo Agmt	2001 A-E RMRB	0.35	11/26/08	12/01/08	367.00	367.00	0.89				367.89	367.89	-	0.00
Repo Agmt	2001 A-E RMRB	0.35	11/26/08	12/01/08	504,138.53	504,138.53	24,512.26				528,650.79	528,650.79	-	0.00
Repo Agmt	2001 A-E RMRB	0.35	11/26/08	12/01/08	764.57	764.57	13,042.64				13,807.21	13,807.21	-	0.00
GIC's	2001 A-E RMRB				871,061.20	871,061.20		(871,061.20)					-	0.00
GIC's	2001 A-E RMRB				8,915.05	8,915.05		(8,915.05)					-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Repo Agmt	2001 A-E RMRB	0.35	11/26/08	12/01/08			3,263,238.14				3,263,238.14	3,263,238.14	-	0.00
Repo Agmt	2001 A-E RMRB	0.35	11/26/08	12/01/08			4,101.67				4,101.67	4,101.67	-	0.00
GIC's	2001 A-E RMRB				2,980,187.16	2,980,187.16		(2,980,187.16)					-	0.00
GIC's	2001 A-E RMRB				334,420.82	334,420.82		(334,420.82)					-	0.00
GNMA	2001 A-E RMRB	8.19	07/25/90	06/20/15	135,116.67	145,676.17			(4,092.06)		131,024.61	139,927.28	(1,656.83)	0.00
GNMA	2001 A-E RMRB	7.19	07/25/90	06/20/15	40,897.92	43,238.19			(2,120.29)		38,777.63	40,611.82	(506.08)	0.00
GNMA	2001 A-E RMRB	8.19	07/25/90	06/20/15	41,203.90	44,423.92			(1,145.87)		40,058.03	42,779.73	(498.32)	0.00
GNMA	2001 A-E RMRB	7.19	01/22/90	11/20/14	125,426.90	132,257.63			(5,194.54)		120,232.36	125,730.75	(1,332.34)	0.00
GNMA	2001 A-E RMRB	8.19	01/22/90	11/20/14	22,227.40	23,897.26			(884.97)		21,342.43	22,754.58	(257.71)	0.00
GNMA	2001 A-E RMRB	7.19	01/01/90	11/20/14	76,859.90	81,045.31			(3,228.54)		73,631.36	76,998.26	(818.51)	0.00
GNMA	2001 A-E RMRB	8.19	01/01/90	11/20/14	34,795.67	37,409.57			(1,335.44)		33,460.23	35,673.98	(400.15)	0.00
GNMA	2001 A-E RMRB	7.19	01/01/90	12/20/14	83,938.05	88,510.42			(6,750.87)		77,187.18	80,718.06	(1,041.49)	0.00
GNMA	2001 A-E RMRB	8.19	02/28/90	12/20/14	136,720.97	146,995.84			(23,392.45)		113,328.52	120,829.90	(2,773.49)	0.00
GNMA	2001 A-E RMRB	7.19	01/20/90	01/20/15	186,165.72	196,794.13			(6,654.47)		179,511.25	187,978.82	(2,160.84)	0.00
GNMA	2001 A-E RMRB	8.19	01/01/90	01/20/15	193,774.60	208,891.72			(7,276.55)		186,498.05	199,144.64	(2,470.53)	0.00
GNMA	2001 A-E RMRB	7.19	02/27/90	01/20/15	78,648.47	83,139.18			(2,524.14)		76,124.33	79,715.67	(899.37)	0.00
GNMA	2001 A-E RMRB	8.19	02/27/90	12/20/14	55,763.07	59,953.75			(1,844.51)		53,918.56	57,487.48	(621.76)	0.00
GNMA	2001 A-E RMRB	7.19	02/27/90	01/20/15	108,672.10	114,877.13			(18,442.69)		90,229.41	94,486.21	(1,948.23)	0.00
GNMA	2001 A-E RMRB	8.19	02/27/90	01/20/15	103,247.93	111,304.00			(4,350.97)		98,896.96	105,604.48	(1,348.55)	0.00
GNMA	2001 A-E RMRB	7.19	03/30/90	01/20/15	43,468.79	45,951.07			(1,743.75)		41,725.04	43,693.77	(513.55)	0.00
GNMA	2001 A-E RMRB	8.19	03/30/90	01/20/15	80,054.80	86,301.73			(3,075.39)		76,979.41	82,200.92	(1,025.42)	0.00
GNMA	2001 A-E RMRB	7.19	03/30/90	02/20/15	33,710.96	35,636.69			(992.82)		32,718.14	34,262.55	(381.32)	0.00
GNMA	2001 A-E RMRB	8.19	03/30/90	02/20/15	174,872.06	188,521.21			(5,929.51)		168,942.55	180,405.12	(2,186.58)	0.00
GNMA	2001 A-E RMRB	7.19	04/26/90	03/20/15	160,831.06	170,021.96			(5,254.54)		155,576.52	162,923.59	(1,843.83)	0.00
GNMA	2001 A-E RMRB	8.19	04/26/90	03/20/15	163,308.77	176,059.05			(6,817.77)		156,491.00	167,112.21	(2,129.07)	0.00
GNMA	2001 A-E RMRB	7.19	04/26/90	03/20/15	163,879.06	173,244.13			(7,966.97)		155,912.09	163,275.00	(2,002.16)	0.00
GNMA	2001 A-E RMRB	8.19	04/26/90	03/20/15	398,675.59	429,801.92			(15,452.92)		383,222.67	409,232.36	(5,116.64)	0.00
GNMA	2001 A-E RMRB	7.19	05/29/90	04/20/15	61,972.27	65,515.26			(20,445.82)		41,526.45	43,488.50	(1,580.94)	0.00
GNMA	2001 A-E RMRB	8.19	05/29/90	03/20/15	29,437.76	31,736.36			(879.93)		28,557.83	30,496.34	(360.09)	0.00
GNMA	2001 A-E RMRB	7.19	05/29/90	04/20/15	105,726.35	111,770.91			(6,669.84)		99,056.51	103,736.91	(1,364.16)	0.00
GNMA	2001 A-E RMRB	8.19	05/29/90	04/20/15	337,009.07	363,329.76			(10,164.53)		326,844.54	349,036.37	(4,128.86)	0.00
GNMA	2001 A-E RMRB	7.19	06/28/90	05/20/15	67,387.23	71,241.57			(2,138.66)		65,248.57	68,333.18	(769.73)	0.00
GNMA	2001 A-E RMRB	8.19	06/28/90	05/20/15	46,440.64	50,068.94			(1,386.26)		45,054.38	48,114.63	(568.05)	0.00
GNMA	2001 A-E RMRB	7.19	06/28/90	05/20/15	58,921.88	62,292.06			(2,407.55)		56,514.33	59,186.06	(698.45)	0.00
GNMA	2001 A-E RMRB	8.19	06/28/90	05/20/15	190,699.99	205,598.75			(5,691.69)		185,008.30	197,574.56	(2,332.50)	0.00
GNMA	2001 A-E RMRB	6.19	06/28/90	05/20/15	72,102.66	73,895.55			(2,371.35)		69,731.31	71,053.66	(470.54)	0.00
GNMA	2001 A-E RMRB	7.19	07/25/90	06/20/15	45,133.30	47,715.96			(1,373.29)		43,760.01	45,829.88	(512.79)	0.00
GNMA	2001 A-E RMRB	7.19	09/13/90	06/20/15	24,335.11	25,727.90			(725.31)		23,609.80	24,726.81	(275.78)	0.00
GNMA	2001 A-E RMRB	8.19	09/13/90	07/20/15	63,797.77	68,785.55			(1,992.02)		61,805.75	66,007.09	(786.44)	0.00
GNMA	2001 A-E RMRB	7.19	09/13/90	07/20/15	49,901.04	52,757.86			(1,497.52)		48,403.52	50,694.32	(566.02)	0.00
GNMA	2001 A-E RMRB	8.19	09/13/90	08/20/15	95,651.85	103,131.63			(2,838.27)		92,813.58	99,124.25	(1,169.11)	0.00
GNMA	2001 A-E RMRB	6.19	09/13/90	07/20/15	84,508.62	86,614.37			(2,798.20)		81,710.42	83,264.13	(552.04)	0.00
GNMA	2001 A-E RMRB	8.19	09/28/90	08/20/15	82,646.14	89,109.24			(2,538.93)		80,107.21	85,554.27	(1,016.04)	0.00
GNMA	2001 A-E RMRB	6.19	09/28/90	08/20/15	139,755.18	143,240.46			(5,001.95)		134,753.23	137,318.34	(920.17)	0.00
GNMA	2001 A-E RMRB	7.19	09/28/90	08/20/15	139,501.48	147,490.93			(4,650.31)		134,851.17	141,236.20	(1,604.42)	0.00
GNMA	2001 A-E RMRB	8.19	09/28/90	08/20/15	282,134.37	304,197.86			(8,304.34)		273,830.03	292,449.73	(3,443.79)	0.00
GNMA	2001 A-E RMRB	7.19	10/31/90	08/20/15	7,481.78	7,910.32			(206.58)		7,275.20	7,619.70	(84.04)	0.00
GNMA	2001 A-E RMRB	8.19	10/31/90	09/20/15	60,621.61	65,364.03			(1,953.17)		58,668.44	62,659.36	(751.50)	0.00
GNMA	2001 A-E RMRB	6.19	10/31/90	09/20/15	75,056.10	76,929.80			(2,687.55)		72,368.55	73,747.96	(494.29)	0.00
GNMA	2001 A-E RMRB	7.19	10/31/90	09/20/15	21,846.61	23,098.35			(1,450.11)		20,396.50	21,362.76	(285.48)	0.00
GNMA	2001 A-E RMRB	8.19	10/31/90	09/20/15	209,971.22	226,397.10			(5,930.17)		204,041.05	217,920.78	(2,546.15)	0.00
GNMA	2001 A-E RMRB	6.19	11/28/90	10/20/15	106,653.79	109,318.65			(3,499.28)		103,154.51	105,123.00	(696.37)	0.00
GNMA	2001 A-E RMRB	8.19	11/28/90	10/20/15	372,109.38	401,228.08			(10,259.01)		361,850.37	386,473.51	(4,495.56)	0.00
GNMA	2001 A-E RMRB	7.19	12/21/90	10/20/15	43,547.63	46,044.07			(1,162.70)		42,384.93	44,394.11	(487.26)	0.00
GNMA	2001 A-E RMRB	8.19	12/21/90	11/20/15	90,318.24	97,388.02			(2,675.98)		87,642.26	93,608.16	(1,103.88)	0.00
GNMA	2001 A-E RMRB	8.19	02/25/91	10/20/15	17,268.04	18,619.73			(459.74)		16,808.30	17,952.45	(207.54)	0.00
GNMA	2001 A-E RMRB	6.19	01/25/91	11/20/15	122,341.13	125,401.72			(22,255.67)		100,085.46	101,998.44	(1,147.61)	0.00
GNMA	2001 A-E RMRB	8.19	01/28/91	11/20/15	33,650.36	36,284.77			(1,147.38)		32,502.98	34,715.84	(421.55)	0.00
GNMA	2001 A-E RMRB	8.19	02/25/90	01/20/16	78,614.22	85,026.62			(24,758.13)		53,856.09	57,311.03	(2,957.46)	0.00
GNMA	2001 A-E RMRB	8.19	03/28/91	02/20/16	76,802.08	83,075.31			(20,625.77)		56,176.31	59,786.14	(2,663.40)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2001 A-E RMRB	8.75	04/29/91	02/20/20	116,034.36	126,185.17			(1,524.68)		114,509.68	123,536.61	(1,123.88)	0.00
GNMA	2001 A-E RMRB	8.19	04/29/91	04/20/16	100,251.86	108,444.97			(24,125.04)		76,126.82	81,022.05	(3,297.88)	0.00
GNMA	2001 A-E RMRB	7.19	04/29/91	02/20/16	170,367.76	180,505.27			(4,804.59)		165,563.17	173,599.15	(2,101.53)	0.00
GNMA	2001 A-E RMRB	6.19	04/29/91	04/20/16	260,979.19	267,193.38			(8,711.02)		252,268.17	256,712.25	(1,770.11)	0.00
GNMA	2001 A-E RMRB	7.19	04/26/91	04/20/16	38,068.20	40,334.71			(1,165.71)		36,902.49	38,694.88	(474.12)	0.00
GNMA	2001 A-E RMRB	6.19	10/23/92	09/20/17	243,618.43	249,439.60			(7,474.57)		236,143.86	240,266.23	(1,698.80)	0.00
GNMA	2001 A-E RMRB	8.19	11/23/92	01/20/17	14,692.78	15,957.68			(494.58)		14,198.20	15,149.70	(313.40)	0.00
GNMA	2001 A-E RMRB	7.19	10/30/92	08/20/17	205,783.66	218,415.94			(4,520.75)		201,262.91	211,217.89	(2,677.30)	0.00
GNMA	2001 A-E RMRB	6.00	10/30/92	09/20/17	286,031.08	293,898.70			(6,402.04)		279,629.04	289,327.14	1,830.48	0.00
GNMA	2001 A-E RMRB	5.45	02/25/02	01/20/32	443,513.23	444,168.38			(3,143.24)		440,369.99	450,866.10	9,840.96	0.00
GNMA	2001 A-E RMRB	4.95	02/25/02	02/20/32	1,038,356.94	1,014,251.28			(66,035.02)		972,321.92	979,670.79	31,454.53	0.00
GNMA	2001 A-E RMRB	5.45	05/15/02	05/20/32	219,226.36	219,567.46			(1,099.84)		218,126.52	223,343.28	4,875.66	0.00
GNMA	2001 A-E RMRB	4.95	05/15/02	05/20/32	927,011.00	905,555.90			(5,281.09)		921,729.91	928,764.64	28,489.83	0.00
GNMA	2001 A-E RMRB	4.95	05/24/02	05/20/32	721,537.80	704,843.29			(3,757.59)		717,780.21	723,262.83	22,177.13	0.00
GNMA	2001 A-E RMRB	5.45	05/24/02	05/20/32	323,140.64	323,645.73			(1,626.48)		321,514.16	329,205.59	7,186.34	0.00
GNMA	2001 A-E RMRB	5.45	03/21/02	02/20/32	795,542.86	796,736.55			(4,238.54)		791,304.32	810,183.70	17,685.69	0.00
GNMA	2001 A-E RMRB	5.45	03/21/02	02/20/32	97,027.12	97,172.71			(919.34)		96,107.78	98,400.78	2,147.41	0.00
GNMA	2001 A-E RMRB	4.95	03/21/02	02/20/32	672,834.69	657,225.95			(101,198.50)		571,636.19	575,966.49	19,939.04	0.00
GNMA	2001 A-E RMRB	5.45	04/17/02	04/20/32	1,420,320.89	1,422,495.00			(119,866.24)		1,300,454.65	1,331,521.82	28,893.06	0.00
GNMA	2001 A-E RMRB	5.45	04/17/02	03/20/32	149,734.54	149,962.84			(731.05)		149,003.49	152,562.18	3,330.39	0.00
GNMA	2001 A-E RMRB	4.95	04/17/02	04/20/32	1,231,209.18	1,202,683.39			(11,679.93)		1,219,529.25	1,228,804.73	37,801.27	0.00
GNMA	2001 A-E RMRB	5.45	04/29/02	04/20/32	60,213.87	60,306.59			(289.94)		59,923.93	61,356.04	1,339.39	0.00
GNMA	2001 A-E RMRB	4.95	04/29/02	04/20/32	1,592,053.22	1,555,181.16			(99,152.34)		1,492,900.88	1,504,269.20	48,240.38	0.00
GNMA	2001 A-E RMRB	5.45	04/29/02	04/20/32	615,242.50	616,189.88			(3,271.80)		611,970.70	626,596.06	13,677.98	0.00
GNMA	2001 A-E RMRB	4.95	04/29/02	04/20/32	77,239.95	75,451.07			(440.93)		76,799.02	77,383.83	2,373.69	0.00
GNMA	2001 A-E RMRB	5.45	05/15/02	05/20/32	334,545.72	335,066.27			(1,674.04)		332,871.68	340,832.75	7,440.52	0.00
GNMA	2001 A-E RMRB	4.95	05/15/02	04/20/32	311,789.01	304,571.33			(1,625.95)		310,163.06	312,528.40	9,583.02	0.00
GNMA	2001 A-E RMRB	5.45	05/15/02	04/20/32	123,345.79	123,537.09			(626.78)		122,719.01	125,653.24	2,742.93	0.00
GNMA	2001 A-E RMRB	5.45	08/29/02	08/20/32	265,015.35	265,452.31			(4,199.72)		260,815.63	267,077.86	5,825.27	0.00
GNMA	2001 A-E RMRB	4.95	08/29/02	08/20/32	327,847.05	320,288.94			(1,700.40)		326,146.65	328,665.98	10,077.44	0.00
GNMA	2001 A-E RMRB	5.45	06/03/02	05/20/32	192,975.41	193,278.40			(969.20)		192,006.21	196,600.87	4,291.67	0.00
GNMA	2001 A-E RMRB	4.95	06/03/02	05/20/32	701,360.73	685,137.82			(4,298.68)		697,062.05	702,391.30	21,552.16	0.00
GNMA	2001 A-E RMRB	4.95	06/10/02	05/20/32	388,740.36	379,750.49			(2,363.29)		386,377.07	389,333.03	11,945.83	0.00
GNMA	2001 A-E RMRB	5.45	06/19/02	06/20/32	95,032.47	95,183.31			(516.75)		94,515.72	96,779.12	2,112.56	0.00
GNMA	2001 A-E RMRB	4.95	06/19/02	06/20/32	177,236.99	173,140.37			(934.10)		176,302.89	177,653.84	5,447.57	0.00
GNMA	2001 A-E RMRB	5.45	06/25/02	05/20/32	90,214.59	90,357.60			(435.63)		89,778.96	91,928.73	2,006.76	0.00
GNMA	2001 A-E RMRB	4.95	06/25/02	06/20/32	185,060.34	180,783.62			(981.60)		184,078.74	185,490.02	5,688.00	0.00
GNMA	2001 A-E RMRB	5.45	07/05/02	06/20/32	341,158.17	341,703.48			(1,623.42)		339,534.75	347,669.55	7,589.49	0.00
GNMA	2001 A-E RMRB	4.95	07/05/02	06/20/32	794,550.67	776,194.17			(5,479.85)		789,070.82	795,125.97	24,411.65	0.00
GNMA	2001 A-E RMRB	5.45	07/15/02	06/20/32	114,739.02	114,923.23			(550.26)		114,188.76	116,925.39	2,552.42	0.00
GNMA	2001 A-E RMRB	4.95	07/15/02	06/20/32	281,738.33	275,231.28			(1,720.69)		280,017.64	282,168.44	8,657.85	0.00
GNMA	2001 A-E RMRB	5.45	07/22/02	06/20/32	160,660.75	160,919.50			(928.92)		159,731.83	163,560.76	3,570.18	0.00
GNMA	2001 A-E RMRB	4.95	07/22/02	07/20/32	354,015.25	345,842.70			(2,662.85)		351,352.40	354,055.02	10,875.17	0.00
GNMA	2001 A-E RMRB	5.45	07/29/02	06/20/32	166,530.24	166,799.27			(888.58)		165,641.66	169,613.10	3,702.41	0.00
GNMA	2001 A-E RMRB	4.95	07/29/02	07/20/32	346,584.22	338,584.96			(1,777.39)		344,806.83	347,460.89	10,653.32	0.00
GNMA	2001 A-E RMRB	5.45	08/01/02	07/20/32	61,632.23	61,732.30			(293.16)		61,339.07	62,810.25	1,371.11	0.00
GNMA	2001 A-E RMRB	4.95	08/01/02	06/20/32	53,966.91	52,721.13			(290.22)		53,676.69	54,089.63	1,658.72	0.00
GNMA	2001 A-E RMRB	5.45	08/12/02	07/20/32	158,938.49	159,197.81			(788.31)		158,150.18	161,944.45	3,534.95	0.00
GNMA	2001 A-E RMRB	4.95	08/12/02	07/20/32	231,231.52	225,896.90			(1,371.17)		229,860.35	231,631.72	7,105.99	0.00
GNMA	2001 A-E RMRB	5.45	08/23/02	08/20/32	829,452.13	830,816.42			(4,491.94)		824,960.19	844,764.27	18,439.79	0.00
GNMA	2001 A-E RMRB	4.95	08/23/02	08/20/32	1,124,359.66	1,098,434.54			(112,234.19)		1,012,125.47	1,019,939.60	33,739.25	0.00
GNMA	2001 A-E RMRB	5.45	11/12/02	10/20/32	340,275.53	340,858.93			(2,573.94)		337,701.59	345,832.18	7,547.19	0.00
GNMA	2001 A-E RMRB	5.45	09/12/02	08/20/32	228,884.43	229,264.10			(1,422.28)		227,462.15	232,925.89	5,084.07	0.00
GNMA	2001 A-E RMRB	4.95	09/12/02	08/20/32	419,668.57	409,997.82			(2,342.34)		417,326.23	420,554.18	12,898.70	0.00
GNMA	2001 A-E RMRB	5.45	09/19/02	09/20/32	111,083.59	111,269.11			(513.77)		110,569.82	113,227.02	2,471.68	0.00
GNMA	2001 A-E RMRB	4.95	09/19/02	09/20/32	527,659.21	515,505.59			(3,545.03)		524,114.18	528,173.91	16,213.35	0.00
GNMA	2001 A-E RMRB	5.45	09/26/02	09/20/32	579,068.60	580,038.57			(3,129.71)		575,938.89	589,782.74	12,873.88	0.00
GNMA	2001 A-E RMRB	4.95	09/26/02	09/20/32	370,185.02	361,660.33			(1,922.72)		368,262.30	371,116.68	11,379.07	0.00
GNMA	2001 A-E RMRB	5.45	10/10/02	09/20/32	576,574.02	577,545.66			(2,729.08)		573,844.94	587,644.42	12,827.84	0.00
GNMA	2001 A-E RMRB	4.95	10/10/02	09/20/32	320,144.12	312,774.96			(1,663.20)		318,480.92	320,952.69	9,840.93	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2001 A-E RMRB	5.45	10/21/02	10/20/32	147,405.65	147,656.00			(707.90)		146,697.75	150,227.42	3,279.32	0.00
GNMA	2001 A-E RMRB	4.95	10/21/02	10/20/32	300,209.72	293,303.25			(1,883.12)		298,326.60	300,645.90	9,225.77	0.00
GNMA	2001 A-E RMRB	5.45	10/29/02	11/20/32	49,465.19	49,549.75			(229.87)		49,235.32	50,420.52	1,100.64	0.00
GNMA	2001 A-E RMRB	4.95	10/29/02	11/20/32	304,428.97	297,428.73			(1,892.45)		302,536.52	304,891.93	9,355.65	0.00
GNMA	2001 A-E RMRB	5.45	11/05/02	10/20/32	412,498.46	413,203.59			(2,065.33)		410,433.13	420,313.14	9,174.88	0.00
GNMA	2001 A-E RMRB	4.95	11/05/02	10/20/32	250,517.61	244,757.04			(1,342.98)		249,174.63	251,114.59	7,700.53	0.00
GNMA	2001 A-E RMRB	5.45	11/19/02	11/20/32	106,826.90	107,011.13			(495.13)		106,331.77	108,893.05	2,377.05	0.00
GNMA	2001 A-E RMRB	4.95	11/19/02	11/20/32	71,427.30	69,785.91			(376.85)		71,050.45	71,604.69	2,195.63	0.00
GNMA	2001 A-E RMRB	5.45	11/26/02	11/20/32	187,217.98	187,541.83			(920.53)		186,297.45	190,785.91	4,164.61	0.00
GNMA	2001 A-E RMRB	4.95	11/26/02	11/20/32	76,812.36	75,047.60			(388.35)		76,424.01	77,020.56	2,361.31	0.00
GNMA	2001 A-E RMRB	5.45	11/26/02	11/20/32	168,628.47	168,920.14			(1,086.31)		167,542.16	171,578.72	3,744.89	0.00
GNMA	2001 A-E RMRB	4.95	12/12/02	11/20/32	74,078.99	72,377.91			(414.07)		73,664.92	74,240.76	2,276.92	0.00
GNMA	2001 A-E RMRB	5.45	12/12/02	11/20/32	351,438.96	352,051.09			(54,693.66)		296,745.30	303,898.10	6,540.67	0.00
GNMA	2001 A-E RMRB	5.45	12/19/02	12/20/32	357,960.24	358,587.32			(1,816.04)		356,144.20	364,732.80	7,961.52	0.00
GNMA	2001 A-E RMRB	4.95	12/19/02	11/20/32	63,638.41	62,177.39			(312.87)		63,325.54	63,820.87	1,956.35	0.00
GNMA	2001 A-E RMRB	5.45	12/30/02	12/20/32	335,193.75	335,783.67			(2,079.29)		333,114.46	341,150.43	7,446.05	0.00
GNMA	2001 A-E RMRB	5.45	12/30/02	12/20/32	42,346.22	42,420.74			(213.33)		42,132.89	43,149.30	941.89	0.00
GNMA	2001 A-E RMRB	4.95	12/30/02	12/20/32	58,702.76	57,355.80			(2,360.58)		56,342.18	56,783.69	1,788.47	0.00
GNMA	2001 A-E RMRB	5.45	01/09/03	12/20/32	101,238.01	101,416.89			(1,209.79)		100,028.22	102,442.00	2,234.90	0.00
GNMA	2001 A-E RMRB	5.45	01/23/03	01/20/33	371,128.68	371,621.74			(1,926.78)		369,201.90	378,064.73	8,369.77	0.00
GNMA	2001 A-E RMRB	4.95	01/23/03	01/20/33	362,512.51	353,705.41			(2,219.91)		360,292.60	363,813.98	12,328.48	0.00
GNMA	2001 A-E RMRB	5.45	01/23/03	01/20/33	90,415.34	90,535.46			(412.63)		90,002.71	92,163.25	2,040.42	0.00
GNMA	2001 A-E RMRB	4.95	01/23/03	01/20/33	46,738.03	45,602.55			(853.35)		45,884.68	46,333.14	1,583.94	0.00
GNMA	2001 A-E RMRB	5.45	01/30/03	12/20/32	275,144.46	275,634.80			(1,773.77)		273,370.69	279,971.63	6,110.60	0.00
GNMA	2001 A-E RMRB	4.95	01/30/03	01/20/33	71,397.58	69,663.35			(462.60)		70,934.98	71,628.63	2,427.88	0.00
GNMA	2001 A-E RMRB	5.45	02/12/03	01/20/33	230,147.04	230,456.28			(1,243.02)		228,904.02	234,402.49	5,189.23	0.00
GNMA	2001 A-E RMRB	4.95	02/12/03	02/20/33	156,975.26	153,164.69			(825.10)		156,150.16	157,679.50	5,339.91	0.00
GNMA	2001 A-E RMRB	5.45	02/20/03	02/20/33	175,188.97	175,426.31			(890.68)		174,298.29	178,487.06	3,951.43	0.00
GNMA	2001 A-E RMRB	4.95	02/27/03	02/20/33	136,065.63	132,764.12			(692.77)		135,372.86	136,700.22	4,628.87	0.00
GNMA	2001 A-E RMRB	4.95	03/12/03	02/20/33	157,084.18	153,274.06			(772.70)		156,311.48	157,845.58	5,344.22	0.00
GNMA	2001 A-E RMRB	5.45	03/20/03	02/20/33	260,577.36	260,935.64			(1,652.21)		258,925.15	265,153.03	5,869.60	0.00
GNMA	2001 A-E RMRB	4.95	03/20/03	02/20/33	100,444.91	98,009.18			(559.20)		99,885.71	100,866.64	3,416.66	0.00
GNMA	2001 A-E RMRB	5.45	04/02/03	03/20/33	110,846.60	111,000.58			(509.86)		110,336.74	112,992.25	2,501.53	0.00
GNMA	2001 A-E RMRB	5.45	04/10/03	03/20/33	120,732.67	120,901.11			(719.66)		120,013.01	122,902.14	2,720.69	0.00
GNMA	2001 A-E RMRB	5.45	04/17/03	03/20/33	50,215.27	50,285.58			(641.53)		49,573.74	50,767.41	1,123.36	0.00
GNMA	2001 A-E RMRB	5.45	04/29/03	04/20/33	216,610.26	216,916.62			(992.84)		215,617.42	220,812.32	4,888.54	0.00
GNMA	2001 A-E RMRB	5.45	05/08/03	04/20/33	201,860.65	202,147.37			(1,200.63)		200,660.02	205,495.79	4,549.05	0.00
GNMA	2001 A-E RMRB	4.95	05/08/03	04/20/33	139,591.14	136,212.33			(720.00)		138,871.14	140,241.28	4,748.95	0.00
GNMA	2001 A-E RMRB	4.95	05/15/03	04/20/33	144,048.71	140,562.70			(696.37)		143,352.34	144,767.43	4,901.10	0.00
GNMA	2001 A-E RMRB	5.45	05/22/03	04/20/33	149,271.70	149,485.38			(808.34)		148,463.36	152,042.76	3,365.72	0.00
GNMA	2001 A-E RMRB	5.45	05/29/03	05/20/33	278,922.15	279,323.96			(1,281.23)		277,640.92	284,337.61	6,294.88	0.00
GNMA	2001 A-E RMRB	5.45	06/10/03	05/20/33	156,589.56	156,816.56			(692.97)		155,896.59	159,658.26	3,534.67	0.00
GNMA	2001 A-E RMRB	5.45	06/19/03	06/20/33	111,187.94	111,350.47			(557.72)		110,630.22	113,301.01	2,508.26	0.00
GNMA	2001 A-E RMRB	5.45	06/19/03	06/20/33	208,628.29	208,933.26			(2,299.30)		206,328.99	211,310.11	4,676.15	0.00
GNMA	2001 A-E RMRB	5.45	06/26/03	06/20/33	100,548.73	100,696.21			(665.97)		99,882.76	102,294.61	2,264.37	0.00
GNMA	2001 A-E RMRB	5.45	07/10/03	06/20/33	48,710.99	48,782.93			(212.35)		48,498.64	49,670.23	1,099.65	0.00
GNMA	2001 A-E RMRB	5.45	07/17/03	07/20/33	52,134.50	52,212.03			(225.79)		51,908.71	53,163.21	1,176.97	0.00
GNMA	2001 A-E RMRB	5.45	07/24/03	07/20/33	48,583.52	48,656.01			(214.06)		48,369.46	49,538.67	1,096.72	0.00
GNMA	2001 A-E RMRB	5.45	07/30/03	07/20/33	51,277.66	51,354.37			(222.08)		51,055.58	52,289.94	1,157.65	0.00
GNMA	2001 A-E RMRB	5.45	08/07/03	07/20/33	94,488.19	94,630.13			(535.11)		93,953.08	96,225.14	2,130.12	0.00
GNMA	2001 A-E RMRB	5.45	08/28/03	08/20/33	53,512.44	53,593.96			(288.83)		53,223.61	54,511.86	1,206.73	0.00
GNMA	2001 A-E RMRB	5.45	09/29/03	09/20/33	52,824.38	52,906.35			(276.55)		52,547.83	53,821.25	1,191.45	0.00
GNMA	2001 A-E RMRB	5.45	10/23/03	10/20/33	48,814.08	48,890.91			(214.62)		48,599.46	49,778.30	1,102.01	0.00
GNMA	2001 A-E RMRB	5.45	11/20/03	10/20/33	52,153.48	52,236.67			(222.36)		51,931.12	53,191.90	1,177.59	0.00
GNMA	2001 A-E RMRB	5.45	11/26/03	06/20/33	62,449.15	62,547.94			(290.26)		62,158.89	63,667.08	1,409.40	0.00
GNMA	2001 A-E RMRB	5.45	12/04/03	11/20/33	241,599.39	241,988.42			(1,061.75)		240,537.64	246,381.12	5,454.45	0.00
GNMA	2001 A-E RMRB	5.45	12/11/03	12/20/33	59,298.45	59,394.47			(248.66)		59,049.79	60,484.93	1,339.12	0.00
GNMA	2001 A-E RMRB	4.95	01/15/04	01/20/34	120,320.86	117,362.68			(542.28)		119,778.58	120,979.70	4,159.30	0.00
GNMA	2001 A-E RMRB	4.95	01/22/04	01/20/34	370,244.00	360,228.44			(1,939.65)		368,304.35	371,089.76	12,800.97	0.00
GNMA	2001 A-E RMRB	5.45	01/22/04	12/20/33	51,136.03	51,220.48			(214.51)		50,921.52	52,160.74	1,154.77	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2001 A-E RMRB	5.45	01/29/04	11/20/33	50,438.31	50,521.66			(214.92)		50,223.39	51,445.67	1,138.93	0.00
GNMA	2001 A-E RMRB	5.45	02/12/04	11/20/33	50,806.66	50,891.19			(283.67)		50,522.99	51,753.08	1,145.56	0.00
GNMA	2001 A-E RMRB	5.45	03/11/04	02/20/34	51,584.78	51,649.43			(213.53)		51,371.25	52,599.45	1,163.55	0.00
GNMA	2001 A-E RMRB	4.95	03/11/04	02/20/34	125,678.72	122,594.49			(566.97)		125,111.75	126,372.22	4,344.70	0.00
GNMA	2001 A-E RMRB	4.95	04/08/04	02/20/34	99,097.74	96,423.15			(494.55)		98,603.19	99,355.11	3,426.51	0.00
GNMA	2001 A-E RMRB	5.49	04/16/04	04/20/34	93,753.43	94,075.72			(968.95)		92,784.48	95,183.08	2,076.31	0.00
FNMA	2001 A-E RMRB	5.45	04/17/02	03/01/32	278,073.01	276,601.23			(1,817.11)		276,255.90	282,455.07	7,670.95	0.00
FNMA	2001 A-E RMRB	4.95	05/15/02	04/01/32	185,239.67	179,503.33			(2,690.01)		182,549.66	184,588.82	7,775.50	0.00
FNMA	2001 A-E RMRB	4.95	06/10/02	06/01/32	84,407.99	81,795.26			(708.38)		83,699.61	84,635.85	3,548.97	0.00
FNMA	2001 A-E RMRB	4.95	07/22/02	06/01/32	229,208.64	222,117.18			(1,741.33)		227,467.31	230,014.91	9,639.06	0.00
FNMA	2001 A-E RMRB	5.45	09/19/02	08/01/32	233,069.91	231,851.92			(1,244.57)		231,825.34	237,043.43	6,436.08	0.00
FNMA	2001 A-E RMRB	4.95	09/26/02	09/01/32	84,768.09	82,148.01			(429.88)		84,338.21	85,285.44	3,567.31	0.00
FNMA	2001 A-E RMRB	5.45	01/23/03	11/01/32	294,701.17	293,176.40			(1,663.89)		293,037.28	299,648.82	8,136.31	0.00
FNMA	2001 A-E RMRB	4.95	07/24/03	09/01/32	215,774.88	209,128.22			(1,708.92)		214,065.96	216,493.45	9,074.15	0.00
FNMA	2001 A-E RMRB	5.45	09/18/03	01/01/33	55,993.26	55,689.53			(1,668.17)		54,325.09	55,506.71	1,485.35	0.00
FNMA	2001 A-E RMRB	5.45	04/08/04	01/01/32	24,860.05	24,734.93			(170.49)		24,689.56	25,250.11	685.67	0.00
Repo Agmt	2001 A-E RMRB				135,238.98	135,238.98		(135,238.98)					-	0.00
Repo Agmt	2001 A-E RMRB	0.35	11/26/08	12/01/08	52,463.93	52,463.93		(51,968.22)			495.71	495.71	-	0.00
Repo Agmt	2001 A-E RMRB	0.35	11/26/08	12/01/08	306.43	306.43		(122.63)			183.80	183.80	-	0.00
GNMA	2001 A-E RMRB	5.49	03/12/03	03/20/33	4,758.98	4,775.64			(21.03)		4,737.95	4,860.89	106.28	0.00
GNMA	2001 A-E RMRB	5.49	03/20/03	02/20/33	11,519.49	11,559.83			(51.62)		11,467.87	11,765.43	257.22	0.00
GNMA	2001 A-E RMRB	5.49	04/02/03	03/20/33	19,934.31	20,004.40			(102.14)		19,832.17	20,347.06	444.80	0.00
GNMA	2001 A-E RMRB	4.80	04/02/03	03/20/33	10,892.30	10,532.46			(56.01)		10,836.29	10,848.71	372.26	0.00
GNMA	2001 A-E RMRB	4.80	04/10/03	04/20/33	55,347.81	53,519.95			(6,776.92)		48,570.89	48,627.11	1,884.08	0.00
GNMA	2001 A-E RMRB	5.49	04/17/03	04/20/33	52,748.54	52,934.86			(8,336.49)		44,412.05	45,565.82	967.45	0.00
GNMA	2001 A-E RMRB	4.80	04/17/03	03/20/33	9,276.82	8,970.43			(46.77)		9,230.05	9,240.71	317.05	0.00
GNMA	2001 A-E RMRB	4.80	04/24/03	04/20/33	10,972.81	10,610.54			(53.52)		10,919.29	10,932.03	375.01	0.00
GNMA	2001 A-E RMRB	5.49	04/29/03	04/20/33	6,862.24	6,886.56			(30.59)		6,831.65	7,009.21	153.24	0.00
GNMA	2001 A-E RMRB	4.80	04/29/03	03/20/33	9,396.25	9,086.01			(53.44)		9,342.81	9,353.69	321.12	0.00
GNMA	2001 A-E RMRB	5.49	05/08/03	05/20/33	27,351.95	27,449.14			(122.31)		27,229.64	27,937.61	610.78	0.00
GNMA	2001 A-E RMRB	5.49	05/15/03	05/20/33	14,766.75	14,819.28			(65.01)		14,701.74	15,084.04	329.77	0.00
GNMA	2001 A-E RMRB	4.80	05/15/03	04/20/33	13,795.14	13,339.89			(78.02)		13,717.12	13,733.34	471.47	0.00
GNMA	2001 A-E RMRB	5.49	05/22/03	05/20/33	36,553.87	36,684.13			(163.71)		36,390.16	37,336.70	816.28	0.00
GNMA	2001 A-E RMRB	4.80	05/22/03	04/20/33	25,518.53	24,676.54			(124.76)		25,393.77	25,423.92	872.14	0.00
GNMA	2001 A-E RMRB	5.49	05/29/03	05/20/33	20,484.06	20,557.16			(6,864.73)		13,619.33	13,973.66	281.23	0.00
GNMA	2001 A-E RMRB	4.80	05/29/03	05/20/33	19,451.06	18,809.45			(95.20)		19,355.86	19,379.05	664.80	0.00
GNMA	2001 A-E RMRB	5.49	06/10/03	05/20/33	11,022.57	11,061.98			(48.13)		10,974.44	11,260.03	246.18	0.00
GNMA	2001 A-E RMRB	4.80	06/10/03	05/20/33	8,897.26	8,603.84			(43.88)		8,853.38	8,864.05	304.09	0.00
GNMA	2001 A-E RMRB	5.49	06/19/03	06/20/33	11,200.93	11,241.14			(49.18)		11,151.75	11,442.12	250.16	0.00
GNMA	2001 A-E RMRB	4.80	06/19/03	06/20/33	10,233.31	9,895.99			(49.27)		10,184.04	10,196.48	349.76	0.00
GNMA	2001 A-E RMRB	5.49	06/19/03	06/20/33	12,756.92	12,802.68			(66.50)		12,690.42	13,020.82	284.64	0.00
GNMA	2001 A-E RMRB	4.80	06/19/03	06/20/33	6,523.39	6,308.33			(32.00)		6,491.39	6,499.29	222.96	0.00
GNMA	2001 A-E RMRB	5.49	06/26/03	06/20/33	4,957.24	4,975.09			(21.83)		4,935.41	5,063.97	110.71	0.00
GNMA	2001 A-E RMRB	5.49	07/03/03	06/20/33	14,691.71	14,744.57			(115.12)		14,576.59	14,956.25	326.80	0.00
GNMA	2001 A-E RMRB	5.49	07/10/03	06/20/33	15,006.75	15,060.85			(65.35)		14,941.40	15,330.68	335.18	0.00
GNMA	2001 A-E RMRB	4.80	07/10/03	06/20/33	13,928.19	13,469.27			(67.49)		13,860.70	13,877.82	476.04	0.00
GNMA	2001 A-E RMRB	4.80	07/17/03	06/20/33	50,724.13	49,052.94			(388.44)		50,335.69	50,398.04	1,733.54	0.00
GNMA	2001 A-E RMRB	5.49	07/24/03	07/20/33	38,216.69	38,355.02			(249.67)		37,967.02	38,956.74	851.39	0.00
GNMA	2001 A-E RMRB	4.80	07/24/03	07/20/33	38,354.96	37,091.67			(188.35)		38,166.61	38,214.27	1,310.95	0.00
GNMA	2001 A-E RMRB	5.49	07/30/03	07/20/33	11,563.57	11,605.46			(52.39)		11,511.18	11,811.31	258.24	0.00
GNMA	2001 A-E RMRB	5.49	08/07/03	07/20/33	26,845.94	26,943.39			(150.22)		26,695.72	27,391.93	598.76	0.00
GNMA	2001 A-E RMRB	4.80	08/07/03	06/20/33	10,608.86	10,259.51			(51.11)		10,557.75	10,570.99	362.59	0.00
GNMA	2001 A-E RMRB	5.49	08/14/03	08/20/33	15,860.13	15,917.84			(68.88)		15,791.25	16,203.20	354.24	0.00
GNMA	2001 A-E RMRB	4.80	08/14/03	07/20/33	30,890.62	29,873.69			(148.54)		30,742.08	30,780.95	1,055.80	0.00
GNMA	2001 A-E RMRB	5.49	08/21/03	08/20/33	11,985.24	12,028.95			(52.65)		11,932.59	12,243.99	267.69	0.00
GNMA	2001 A-E RMRB	4.80	08/28/03	08/20/33	12,520.58	12,108.55			(62.38)		12,458.20	12,474.13	427.96	0.00
GNMA	2001 A-E RMRB	5.49	09/04/03	08/20/33	5,239.62	5,258.78			(25.43)		5,214.19	5,350.31	116.96	0.00
GNMA	2001 A-E RMRB	5.49	09/18/03	09/20/33	32,676.95	32,796.90			(144.27)		32,532.68	33,382.44	729.81	0.00
GNMA	2001 A-E RMRB	4.80	09/18/03	09/20/33	45,048.44	43,566.93			(217.96)		44,830.48	44,888.76	1,539.79	0.00
GNMA	2001 A-E RMRB	4.80	09/18/03	09/20/33	7,288.80	7,049.09			(34.46)		7,254.34	7,263.76	249.13	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2001 A-E RMRB	5.49	09/29/03	09/20/33	54,621.30	54,822.27			(273.73)		54,347.57	55,767.63	1,219.09	0.00
GNMA	2001 A-E RMRB	4.80	09/29/03	09/20/33	33,734.77	32,625.61			(173.17)		33,561.60	33,605.52	1,153.08	0.00
GNMA	2001 A-E RMRB	5.49	10/16/03	09/20/33	9,691.08	9,726.86			(42.86)		9,648.22	9,900.45	216.45	0.00
GNMA	2001 A-E RMRB	5.49	10/30/03	10/20/33	22,651.80	22,693.72			(96.67)		22,555.13	23,103.02	505.97	0.00
GNMA	2001 A-E RMRB	4.80	10/30/03	10/20/33	195,253.37	188,360.42			(1,014.86)		194,238.51	194,022.13	6,676.57	0.00
GNMA	2001 A-E RMRB	5.49	11/13/03	10/20/33	19,723.43	19,760.17			(134.70)		19,588.73	20,064.80	439.33	0.00
GNMA	2001 A-E RMRB	4.80	11/13/03	10/20/33	102,139.74	98,785.29			(511.77)		101,627.97	101,764.85	3,491.33	0.00
GNMA	2001 A-E RMRB	5.49	11/20/03	11/20/33	5,102.74	5,121.76			(28.25)		5,074.49	5,207.35	113.84	0.00
GNMA	2001 A-E RMRB	4.80	11/20/03	11/20/33	149,195.33	143,931.21			(766.89)		148,428.44	148,266.21	5,101.89	0.00
GNMA	2001 A-E RMRB	5.49	11/26/03	10/20/33	6,255.01	6,278.33			(66.83)		6,188.18	6,350.17	138.67	0.00
GNMA	2001 A-E RMRB	4.80	11/26/03	11/20/33	51,417.18	49,729.24			(251.71)		51,165.47	51,235.10	1,757.57	0.00
GNMA	2001 A-E RMRB	4.80	12/04/03	12/20/33	72,237.67	69,689.98			(14,835.72)		57,401.95	57,340.06	2,485.80	0.00
GNMA	2001 A-E RMRB	5.49	12/04/03	11/20/33	4,903.90	4,922.20			(20.98)		4,882.92	5,010.78	109.56	0.00
GNMA	2001 A-E RMRB	4.80	12/11/03	12/20/33	42,910.79	41,397.59			(272.92)		42,637.87	42,592.12	1,467.45	0.00
GNMA	2001 A-E RMRB	5.49	12/11/03	09/20/33	10,237.67	10,275.88			(50.96)		10,186.71	10,453.42	228.50	0.00
GNMA	2001 A-E RMRB	5.49	12/18/03	12/20/33	5,499.32	5,519.99			(24.11)		5,475.21	5,618.70	122.82	0.00
GNMA	2001 A-E RMRB	4.80	12/18/03	12/20/33	41,243.86	39,890.72			(193.65)		41,050.21	41,106.95	1,409.88	0.00
GNMA	2001 A-E RMRB	5.49	12/23/03	12/20/33	6,001.96	6,024.52			(25.27)		5,976.69	6,133.35	134.10	0.00
GNMA	2001 A-E RMRB	4.80	12/23/03	12/20/33	21,094.35	20,350.64			(15,646.78)		5,447.57	5,441.75	737.89	0.00
GNMA	2001 A-E RMRB	5.49	01/15/04	01/20/34	31,434.80	31,540.21			(218.87)		31,215.93	32,020.20	698.86	0.00
GNMA	2001 A-E RMRB	5.49	01/22/04	01/20/34	39,025.62	39,084.34			(183.87)		38,841.75	39,769.94	869.47	0.00
GNMA	2001 A-E RMRB	4.80	01/22/04	01/20/34	37,569.19	36,307.05			(180.66)		37,388.53	37,448.88	1,322.49	0.00
GNMA	2001 A-E RMRB	5.49	01/29/04	01/20/34	11,992.44	12,032.81			(54.44)		11,938.00	12,245.74	267.37	0.00
GNMA	2001 A-E RMRB	4.80	01/29/04	11/20/33	8,193.12	7,924.56			(39.41)		8,153.71	8,165.22	280.07	0.00
GNMA	2001 A-E RMRB	4.80	02/12/04	01/20/34	20,053.45	19,330.91			(109.72)		19,943.73	19,927.36	706.17	0.00
GNMA	2001 A-E RMRB	5.49	02/12/04	02/20/34	42,433.03	42,576.44			(181.00)		42,252.03	43,341.78	946.34	0.00
GNMA	2001 A-E RMRB	4.80	02/26/04	02/20/34	26,411.50	25,460.29			(148.78)		26,262.72	26,241.59	930.08	0.00
GNMA	2001 A-E RMRB	5.49	02/26/04	02/20/34	21,360.57	21,393.36			(91.39)		21,269.18	21,778.11	476.14	0.00
GNMA	2001 A-E RMRB	4.80	03/11/04	03/20/34	24,934.95	24,037.29			(126.11)		24,808.84	24,789.27	878.09	0.00
GNMA	2001 A-E RMRB	5.49	03/11/04	03/20/34	70,566.59	70,806.87			(311.20)		70,255.39	72,069.25	1,573.58	0.00
GNMA	2001 A-E RMRB	5.49	03/25/04	03/20/34	28,174.99	28,218.97			(115.72)		28,059.27	28,731.41	628.16	0.00
GNMA	2001 A-E RMRB	5.49	07/09/04	07/20/34	7,656.26	7,683.14			(34.02)		7,622.24	7,819.86	170.74	0.00
GNMA	2001 A-E RMRB	4.80	07/08/04	06/20/34	9,571.02	9,227.38			(43.94)		9,527.08	9,520.52	337.08	0.00
GNMA	2001 A-E RMRB	5.49	04/01/04	04/20/34	27,948.49	36,025.39			(42.27)		27,906.22	36,672.12	689.00	0.00
GNMA	2001 A-E RMRB	4.80	04/22/04	04/20/34	30,431.85	29,411.92			(140.64)		30,291.21	30,342.63	1,071.35	0.00
GNMA	2001 A-E RMRB	5.49	04/22/04	04/20/34	18,616.05	18,680.13			(87.49)		18,528.56	19,007.62	414.98	0.00
GNMA	2001 A-E RMRB	4.80	04/29/04	04/20/34	22,005.28	21,213.95			(114.29)		21,890.99	21,874.60	774.94	0.00
GNMA	2001 A-E RMRB	5.49	04/29/04	04/20/34	10,408.79	10,444.63			(44.52)		10,364.27	10,632.27	232.16	0.00
GNMA	2001 A-E RMRB	4.80	05/06/04	04/20/34	17,176.76	16,601.27			(80.20)		17,096.56	17,125.79	604.72	0.00
GNMA	2001 A-E RMRB	5.49	05/06/04	04/20/34	6,858.77	6,882.43			(27.85)		6,830.92	7,007.59	153.01	0.00
GNMA	2001 A-E RMRB	4.80	05/13/04	04/20/34	10,775.31	10,414.34			(48.93)		10,726.38	10,744.76	379.35	0.00
GNMA	2001 A-E RMRB	5.49	05/27/04	05/20/34	18,405.55	18,469.46			(87.95)		18,317.60	18,791.79	410.28	0.00
GNMA	2001 A-E RMRB	5.49	06/03/04	05/20/34	6,484.28	6,506.83			(26.15)		6,458.13	6,625.35	144.67	0.00
GNMA	2001 A-E RMRB	5.49	06/24/04	06/20/34	13,475.76	13,522.91			(54.07)		13,421.69	13,769.50	300.66	0.00
GNMA	2001 A-E RMRB	5.49	09/02/04	08/20/34	15,855.53	15,882.56			(68.27)		15,787.26	16,167.74	353.45	0.00
GNMA	2001 A-E RMRB	5.49	09/09/04	09/20/34	28,321.55	28,422.63			(112.31)		28,209.24	28,942.27	631.95	0.00
GNMA	2001 A-E RMRB	5.49	09/16/04	09/20/34	16,711.83	16,771.53			(65.97)		16,645.86	17,078.46	372.90	0.00
GNMA	2001 A-E RMRB	4.80	09/29/04	09/20/34	13,604.34	13,150.24			(59.81)		13,544.53	13,569.43	479.00	0.00
GNMA	2001 A-E RMRB	5.49	09/29/04	09/20/34	16,377.50	16,436.21			(66.14)		16,311.36	16,735.48	365.41	0.00
GNMA	2001 A-E RMRB	5.49	10/07/04	09/20/34	19,151.97	19,220.75			(7,131.15)		12,020.82	12,333.47	243.87	0.00
GNMA	2001 A-E RMRB	4.80	10/07/04	09/20/34	13,371.33	12,925.10			(60.39)		13,310.94	13,335.50	470.79	0.00
GNMA	2001 A-E RMRB	5.49	07/15/04	04/20/34	11,626.41	11,667.21			(47.71)		11,578.70	11,878.85	259.35	0.00
GNMA	2001 A-E RMRB	5.49	07/22/04	07/20/34	11,301.18	11,341.02			(45.21)		11,255.97	11,547.97	252.16	0.00
GNMA	2001 A-E RMRB	5.49	07/29/04	07/20/34	6,434.34	6,457.04			(25.61)		6,408.73	6,574.99	143.56	0.00
GNMA	2001 A-E RMRB	5.49	08/05/04	08/20/34	25,681.35	25,772.24			(106.30)		25,575.05	26,238.85	572.91	0.00
GNMA	2001 A-E RMRB	5.49	08/19/04	08/20/34	21,629.82	21,706.59			(173.77)		21,456.05	22,013.16	480.34	0.00
GNMA	2001 A-E RMRB	5.49	08/26/04	08/20/34	13,168.24	13,215.01			(52.47)		13,115.77	13,456.36	293.82	0.00
GNMA	2001 A-E RMRB	5.49	12/02/04	11/20/34	37,006.89	37,141.66			(160.49)		36,846.40	37,806.61	825.44	0.00
GNMA	2001 A-E RMRB	4.80	12/02/04	11/20/34	25,162.66	24,324.17			(112.03)		25,050.63	25,098.15	886.01	0.00
GNMA	2001 A-E RMRB	4.80	10/14/04	09/20/34	3,166.61	3,060.91			(18.05)		3,148.56	3,154.34	111.48	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2001 A-E RMRB	4.80	10/28/04	09/20/34	9,814.72	9,463.28			(82.46)		9,732.26	9,726.53	345.71	0.00
GNMA	2001 A-E RMRB	5.49	10/28/04	10/20/34	14,473.87	14,526.12			(58.32)		14,415.55	14,790.75	322.95	0.00
GNMA	2001 A-E RMRB	5.49	12/29/04	12/20/34	36,621.71	36,755.99			(12,925.83)		23,695.88	24,313.99	483.83	0.00
GNMA	2001 A-E RMRB	4.80	12/29/04	12/20/34	14,638.55	14,151.11			(63.22)		14,575.33	14,603.35	515.46	0.00
GNMA	2001 A-E RMRB	5.49	01/06/05	01/20/35	10,919.61	10,954.40			(41.82)		10,877.79	11,157.84	245.26	0.00
GNMA	2001 A-E RMRB	5.49	01/13/05	12/20/34	11,892.40	11,936.13			(47.13)		11,845.27	12,154.37	265.37	0.00
GNMA	2001 A-E RMRB	5.49	01/27/05	01/20/35	45,738.85	45,800.28			(175.51)		45,563.34	46,651.55	1,026.78	0.00
GNMA	2001 A-E RMRB	5.49	03/10/05	12/20/34	11,588.24	11,631.39			(44.79)		11,543.45	11,845.23	258.63	0.00
GNMA	2001 A-E RMRB	5.49	05/05/05	03/20/35	6,433.48	6,454.58			(25.51)		6,407.97	6,573.57	144.50	0.00
GNMA	2001 A-E RMRB	5.49	07/07/05	06/20/35	8,008.21	8,034.97			(41.11)		7,967.10	8,173.49	179.63	0.00
GNMA	2001 A-E RMRB	4.80	07/07/05	06/20/35	8,458.69	8,028.21			(36.65)		8,422.04	8,288.64	297.08	0.00
GNMA	2001 A-E RMRB	4.80	06/02/05	04/20/35	34,048.75	32,235.02			(185.38)		33,863.37	33,246.54	1,196.90	0.00
GNMA	2001 A-E RMRB	5.49	09/08/05	08/20/35	13,842.11	13,863.49			(54.18)		13,787.93	14,120.08	310.77	0.00
GNMA	2001 A-E RMRB	5.49	09/15/05	09/20/35	25,824.29	25,864.40			(97.44)		25,726.85	26,346.82	579.86	0.00
GNMA	2001 A-E RMRB	5.49	08/04/05	08/20/35	34,239.95	34,355.40			(128.98)		34,110.97	34,995.69	769.27	0.00
GNMA	2001 A-E RMRB	4.80	10/13/05	09/20/35	13,009.62	12,346.37			(57.13)		12,952.49	12,746.12	456.88	0.00
GNMA	2001 A-E RMRB	5.49	10/13/05	10/20/35	21,497.34	21,571.18			(77.90)		21,419.44	21,976.36	483.08	0.00
GNMA	2001 A-E RMRB	5.49	12/19/05	12/20/35	24,346.25	24,431.31			(113.22)		24,233.03	24,864.56	546.47	0.00
GNMA	2001 A-E RMRB	5.49	11/17/05	11/20/35	26,226.28	26,317.15			(98.11)		26,128.17	26,808.32	589.28	0.00
GNMA	2001 A-E RMRB	4.80	11/22/05	10/20/35	24,518.45	22,963.18			(156.92)		24,361.53	23,661.69	855.43	0.00
GNMA	2001 A-E RMRB	4.80	12/22/05	12/20/35	21,974.09	20,852.42			(92.84)		21,881.25	21,531.19	771.61	0.00
GNMA	2001 A-E RMRB	5.49	12/29/05	11/20/35	19,107.04	19,173.89			(69.35)		19,037.69	19,533.93	429.39	0.00
GNMA	2001 A-E RMRB	5.49	01/12/06	01/20/36	8,254.98	8,275.10			(29.36)		8,225.62	8,432.70	186.96	0.00
FNMA	2001 A-E RMRB	5.49	05/29/03	04/01/33	27,922.16	27,826.08			(147.29)		27,774.87	28,399.81	721.02	0.00
FNMA	2001 A-E RMRB	4.80	09/18/03	07/01/33	8,364.62	8,020.71			(41.22)		8,323.40	8,358.23	378.74	0.00
FNMA	2001 A-E RMRB	5.49	12/04/03	11/01/33	15,528.04	15,475.96			(9,398.29)		6,129.75	6,268.25	190.58	0.00
FNMA	2001 A-E RMRB	4.80	01/15/04	11/01/33	31,704.52	30,402.61			(190.03)		31,514.49	31,648.06	1,435.48	0.00
FNMA	2001 A-E RMRB	4.80	02/26/04	01/01/34	10,872.21	10,406.20			(174.95)		10,697.26	10,736.14	504.89	0.00
FNMA	2001 A-E RMRB	5.49	04/08/04	06/01/33	7,406.16	7,381.52			(38.75)		7,367.41	7,534.02	191.25	0.00
FNMA	2001 A-E RMRB	5.49	09/01/04	08/01/34	26,783.11	26,779.00			(109.82)		26,673.29	27,380.36	711.18	0.00
FNMA	2001 A-E RMRB	4.80	09/23/04	08/01/34	6,563.73	6,282.99			(37.83)		6,525.90	6,550.24	305.08	0.00
FNMA	2001 A-E RMRB	4.80	11/10/04	10/01/34	6,692.94	6,406.79			(29.64)		6,663.30	6,688.29	311.14	0.00
FNMA	2001 A-E RMRB	5.49	07/14/05	05/01/35	4,208.35	4,185.28			(16.56)		4,191.79	4,283.61	114.89	0.00
FNMA	2001 A-E RMRB	4.80	07/14/05	04/01/35	8,232.71	7,727.18			(47.51)		8,185.20	8,067.97	388.30	0.00
FNMA	2001 A-E RMRB	5.49	11/03/05	10/01/35	26,619.94	26,475.32			(109.95)		26,509.99	27,092.02	726.65	0.00
FNMA	2001 A-E RMRB	4.80	12/15/05	10/01/35	7,831.22	7,348.77			(33.60)		7,797.62	7,684.30	369.13	0.00
	2001 A-E RMRB Total				48,908,054.28	48,935,339.26	3,304,908.23	(4,381,914.06)	(1,196,342.21)	0.00	46,634,706.24	47,570,742.30	908,751.08	0.00
Repo Agmt	2002 RMRB	0.35	11/26/08	12/01/08	0.15	0.15	0.00				0.15	0.15	-	0.00
Repo Agmt	2002 RMRB	0.35	11/26/08	12/01/08	247,354.19	247,354.19	14,865.44				262,219.63	262,219.63	-	0.00
GIC's	2002 RMRB	4.20	12/18/02	04/01/34	303,121.89	303,121.89	1,256,837.49				1,559,959.38	1,559,959.38	-	0.00
GIC's	2002 RMRB	4.20	12/18/02	04/01/34	9.72	9.72	0.00				9.72	9.72	-	0.00
GNMA	2002 RMRB	5.49	03/12/03	03/20/33	38,901.43	39,037.62			(171.90)		38,729.53	39,734.43	868.71	0.00
GNMA	2002 RMRB	5.49	03/20/03	02/20/33	94,164.03	94,493.77			(422.04)		93,741.99	96,174.38	2,102.65	0.00
GNMA	2002 RMRB	5.49	04/02/03	03/20/33	162,949.26	163,522.21			(834.86)		162,114.40	166,323.28	3,635.93	0.00
GNMA	2002 RMRB	4.80	04/02/03	03/20/33	89,037.15	86,095.70			(457.79)		88,579.36	88,680.84	3,042.93	0.00
GNMA	2002 RMRB	4.80	04/10/03	04/20/33	452,430.41	437,488.82			(55,396.58)		397,033.83	397,493.26	15,401.02	0.00
GNMA	2002 RMRB	5.49	04/17/03	04/20/33	431,183.07	432,706.07			(68,145.06)		363,038.01	372,469.25	7,908.24	0.00
GNMA	2002 RMRB	4.80	04/17/03	03/20/33	75,831.53	73,327.17			(382.34)		75,449.19	75,536.49	2,591.66	0.00
GNMA	2002 RMRB	4.80	04/24/03	04/20/33	89,695.21	86,733.88			(437.52)		89,257.69	89,361.88	3,065.52	0.00
GNMA	2002 RMRB	5.49	04/29/03	04/20/33	56,094.28	56,292.92			(250.06)		55,844.22	57,295.48	1,252.62	0.00
GNMA	2002 RMRB	4.80	04/29/03	03/20/33	76,807.87	74,271.87			(436.75)		76,371.12	76,460.02	2,624.90	0.00
GNMA	2002 RMRB	5.49	05/08/03	05/20/33	223,583.58	224,377.86			(999.86)		222,583.72	228,370.80	4,992.80	0.00
GNMA	2002 RMRB	5.49	05/15/03	05/20/33	120,708.05	121,137.47			(531.50)		120,176.55	123,301.70	2,695.73	0.00
GNMA	2002 RMRB	4.80	05/15/03	04/20/33	112,765.85	109,044.45			(637.74)		112,128.11	112,260.66	3,853.95	0.00
GNMA	2002 RMRB	5.49	05/22/03	05/20/33	298,803.09	299,867.58			(1,338.19)		297,464.90	305,201.88	6,672.49	0.00
GNMA	2002 RMRB	4.80	05/22/03	04/20/33	208,596.38	201,713.73			(1,019.79)		207,576.59	207,823.05	7,129.11	0.00
GNMA	2002 RMRB	5.49	05/29/03	05/20/33	167,443.30	168,040.63			(56,114.36)		111,328.94	114,225.11	2,298.84	0.00
GNMA	2002 RMRB	4.80	05/29/03	05/20/33	158,999.20	153,754.41			(778.19)		158,221.01	158,410.47	5,434.25	0.00
GNMA	2002 RMRB	5.49	06/10/03	05/20/33	90,101.82	90,424.09			(393.42)		89,708.40	92,042.99	2,012.32	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2002 RMRB	4.80	06/10/03	05/20/33	72,728.89	70,330.49			(358.65)		72,370.24	72,457.57	2,485.73	0.00
GNMA	2002 RMRB	5.49	06/19/03	06/20/33	91,560.04	91,888.64			(402.02)		91,158.02	93,531.47	2,044.85	0.00
GNMA	2002 RMRB	4.80	06/19/03	06/20/33	83,650.56	80,892.94			(402.74)		83,247.82	83,349.25	2,859.05	0.00
GNMA	2002 RMRB	5.49	06/19/03	06/20/33	104,278.91	104,653.17			(543.59)		103,735.32	106,436.27	2,326.69	0.00
GNMA	2002 RMRB	4.80	06/19/03	06/20/33	53,324.10	51,566.26			(261.56)		53,062.54	53,127.24	1,822.54	0.00
GNMA	2002 RMRB	5.49	06/26/03	06/20/33	40,522.34	40,667.94			(178.44)		40,343.90	41,394.50	905.00	0.00
GNMA	2002 RMRB	5.49	07/03/03	06/20/33	120,094.52	120,526.73			(941.01)		119,153.51	122,257.09	2,671.37	0.00
GNMA	2002 RMRB	5.49	07/10/03	06/20/33	122,669.99	123,112.10			(534.13)		122,135.86	125,317.77	2,739.80	0.00
GNMA	2002 RMRB	4.80	07/10/03	06/20/33	113,853.62	110,102.01			(551.76)		113,301.86	113,441.65	3,891.40	0.00
GNMA	2002 RMRB	4.80	07/17/03	06/20/33	414,634.70	400,974.05			(3,175.17)		411,459.53	411,969.29	14,170.41	0.00
GNMA	2002 RMRB	5.49	07/24/03	07/20/33	312,395.27	313,525.90			(2,040.89)		310,354.38	318,444.61	6,959.60	0.00
GNMA	2002 RMRB	4.80	07/24/03	07/20/33	313,525.34	303,198.90			(1,539.63)		311,985.71	312,375.36	10,716.09	0.00
GNMA	2002 RMRB	5.49	07/30/03	07/20/33	94,524.25	94,866.72			(428.11)		94,096.14	96,549.38	2,110.77	0.00
GNMA	2002 RMRB	5.49	08/07/03	07/20/33	219,447.30	220,243.75			(1,227.84)		218,219.46	223,910.21	4,894.30	0.00
GNMA	2002 RMRB	4.80	08/07/03	06/20/33	86,720.21	83,864.47			(417.85)		86,302.36	86,410.60	2,963.98	0.00
GNMA	2002 RMRB	5.49	08/14/03	08/20/33	129,645.53	130,117.40			(563.03)		129,082.50	132,450.09	2,895.72	0.00
GNMA	2002 RMRB	4.80	08/14/03	07/20/33	252,509.70	244,196.87			(1,214.27)		251,295.43	251,613.11	8,630.51	0.00
GNMA	2002 RMRB	5.49	08/21/03	08/20/33	97,971.37	98,328.43			(430.34)		97,541.03	100,086.22	2,188.13	0.00
GNMA	2002 RMRB	4.80	08/28/03	08/20/33	102,346.98	98,979.13			(509.88)		101,837.10	101,967.48	3,498.23	0.00
GNMA	2002 RMRB	5.49	09/04/03	08/20/33	42,830.40	42,986.97			(207.90)		42,622.50	43,735.15	956.08	0.00
GNMA	2002 RMRB	5.49	09/18/03	09/20/33	267,111.56	268,092.12			(1,179.34)		265,932.22	272,878.53	5,965.75	0.00
GNMA	2002 RMRB	4.80	09/18/03	09/20/33	368,239.93	356,129.69			(1,781.72)		366,458.21	366,934.76	12,586.79	0.00
GNMA	2002 RMRB	4.80	09/18/03	09/20/33	59,580.92	57,621.50			(281.75)		59,299.17	59,376.30	2,036.55	0.00
GNMA	2002 RMRB	5.49	09/29/03	09/20/33	446,491.79	448,134.40			(2,237.55)		444,254.24	455,862.05	9,965.20	0.00
GNMA	2002 RMRB	4.80	09/29/03	09/20/33	275,758.55	266,691.92			(1,415.53)		274,343.02	274,702.04	9,425.65	0.00
GNMA	2002 RMRB	5.49	10/16/03	09/20/33	79,217.95	79,510.43			(350.28)		78,867.67	80,929.37	1,769.22	0.00
GNMA	2002 RMRB	5.49	10/30/03	10/20/33	185,162.85	185,505.57			(790.17)		184,372.68	188,851.35	4,135.95	0.00
GNMA	2002 RMRB	4.80	10/30/03	10/20/33	1,596,062.13	1,539,716.91			(8,295.84)		1,587,766.29	1,585,997.47	54,576.40	0.00
GNMA	2002 RMRB	5.49	11/13/03	10/20/33	161,225.57	161,525.79			(1,101.06)		160,124.51	164,016.00	3,591.27	0.00
GNMA	2002 RMRB	4.80	11/13/03	10/20/33	834,922.21	807,501.78			(4,183.49)		830,738.72	831,857.64	28,539.35	0.00
GNMA	2002 RMRB	5.49	11/20/03	11/20/33	41,711.47	41,866.92			(230.82)		41,480.65	42,566.55	930.45	0.00
GNMA	2002 RMRB	4.80	11/20/03	11/20/33	1,219,568.95	1,176,538.67			(6,268.68)		1,213,300.27	1,211,974.27	41,704.28	0.00
GNMA	2002 RMRB	5.49	11/26/03	10/20/33	51,130.47	51,321.07			(546.28)		50,584.19	51,908.36	1,133.57	0.00
GNMA	2002 RMRB	4.80	11/26/03	11/20/33	420,300.07	406,502.37			(2,057.56)		418,242.51	418,811.77	14,366.96	0.00
GNMA	2002 RMRB	4.80	12/04/03	12/20/33	590,493.51	569,667.68			(121,271.86)		469,221.65	468,715.51	20,319.69	0.00
GNMA	2002 RMRB	5.49	12/04/03	11/20/33	40,085.84	40,235.69			(171.44)		39,914.40	40,959.73	895.48	0.00
GNMA	2002 RMRB	4.80	12/11/03	12/20/33	350,766.20	338,396.84			(2,231.00)		348,535.20	348,161.28	11,995.44	0.00
GNMA	2002 RMRB	5.49	12/11/03	09/20/33	83,685.74	83,998.28			(416.56)		83,269.18	85,449.57	1,867.85	0.00
GNMA	2002 RMRB	5.49	12/18/03	12/20/33	44,953.41	45,122.08			(197.17)		44,756.24	45,929.02	1,004.11	0.00
GNMA	2002 RMRB	4.80	12/18/03	12/20/33	337,140.08	326,079.29			(1,582.82)		335,557.26	336,021.11	11,524.64	0.00
GNMA	2002 RMRB	5.49	12/23/03	12/20/33	49,062.11	49,246.35			(206.53)		48,855.58	50,135.92	1,096.10	0.00
GNMA	2002 RMRB	4.80	12/23/03	12/20/33	172,431.53	166,352.51			(127,901.57)		44,529.96	44,482.59	6,031.65	0.00
GNMA	2002 RMRB	5.49	01/15/04	01/20/34	256,957.54	257,819.56			(1,789.20)		255,168.34	261,743.12	5,712.76	0.00
GNMA	2002 RMRB	5.49	01/22/04	01/20/34	319,007.69	319,487.65			(1,502.99)		317,504.70	325,091.91	7,107.25	0.00
GNMA	2002 RMRB	4.80	01/22/04	01/20/34	307,102.38	296,785.22			(1,476.84)		305,625.54	306,118.89	10,810.51	0.00
GNMA	2002 RMRB	5.49	01/29/04	01/20/34	98,030.01	98,359.96			(445.00)		97,585.01	100,100.54	2,185.58	0.00
GNMA	2002 RMRB	4.80	01/29/04	11/20/33	66,973.42	64,777.91			(322.27)		66,651.15	66,745.08	2,289.44	0.00
GNMA	2002 RMRB	4.80	02/12/04	01/20/34	163,922.94	158,016.87			(896.90)		163,026.04	162,892.47	5,772.50	0.00
GNMA	2002 RMRB	5.49	02/12/04	02/20/34	346,860.78	348,033.15			(1,479.62)		345,381.16	354,289.32	7,735.79	0.00
GNMA	2002 RMRB	4.80	02/26/04	02/20/34	215,895.89	208,120.35			(1,216.19)		214,679.70	214,506.99	7,602.83	0.00
GNMA	2002 RMRB	5.49	02/26/04	02/20/34	174,607.84	174,875.99			(746.99)		173,860.85	178,021.04	3,892.04	0.00
GNMA	2002 RMRB	4.80	03/11/04	03/20/34	203,826.48	196,488.36			(1,030.90)		202,795.58	202,635.26	7,177.80	0.00
GNMA	2002 RMRB	5.49	03/11/04	03/20/34	576,833.23	578,797.47			(2,543.69)		574,289.54	589,116.61	12,862.83	0.00
GNMA	2002 RMRB	5.49	03/25/04	03/20/34	230,311.19	230,670.70			(945.96)		229,365.23	234,859.47	5,134.73	0.00
GNMA	2002 RMRB	5.49	07/09/04	07/20/34	62,584.49	62,804.39			(278.05)		62,306.44	63,921.98	1,395.64	0.00
GNMA	2002 RMRB	4.80	07/08/04	06/20/34	78,236.27	75,427.48			(359.11)		77,877.16	77,823.70	2,755.33	0.00
GNMA	2002 RMRB	5.49	04/01/04	04/20/34	228,459.70	294,482.77			(345.47)		228,114.23	299,769.38	5,632.08	0.00
GNMA	2002 RMRB	4.80	04/22/04	04/20/34	248,759.73	240,422.21			(1,149.54)		247,610.19	248,030.13	8,757.46	0.00
GNMA	2002 RMRB	5.49	04/22/04	04/20/34	152,173.50	152,697.24			(715.25)		151,458.25	155,374.27	3,392.28	0.00
GNMA	2002 RMRB	4.80	04/29/04	04/20/34	179,878.20	173,409.45			(934.28)		178,943.92	178,809.86	6,334.69	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2002 RMRB	5.49	04/29/04	04/20/34	85,084.47	85,377.74			(363.89)		84,720.58	86,911.51	1,897.66	0.00
GNMA	2002 RMRB	4.80	05/06/04	04/20/34	140,408.50	135,704.02			(655.48)		139,753.02	139,991.59	4,943.05	0.00
GNMA	2002 RMRB	5.49	05/06/04	04/20/34	56,065.54	56,259.15			(227.66)		55,837.88	57,282.25	1,250.76	0.00
GNMA	2002 RMRB	4.80	05/13/04	04/20/34	88,080.96	85,130.16			(400.01)		87,680.95	87,831.06	3,100.91	0.00
GNMA	2002 RMRB	5.49	05/27/04	05/20/34	150,452.64	150,975.19			(718.91)		149,733.73	153,609.98	3,353.70	0.00
GNMA	2002 RMRB	5.49	06/03/04	05/20/34	53,004.59	53,188.94			(213.77)		52,790.82	54,157.71	1,182.54	0.00
GNMA	2002 RMRB	5.49	06/24/04	06/20/34	110,155.17	110,540.53			(441.96)		109,713.21	112,556.24	2,457.67	0.00
GNMA	2002 RMRB	5.49	09/02/04	08/20/34	129,608.10	129,829.02			(558.13)		129,049.97	132,160.18	2,889.29	0.00
GNMA	2002 RMRB	5.49	09/01/04	09/20/34	231,510.59	232,335.48			(918.05)		230,592.54	236,583.20	5,165.77	0.00
GNMA	2002 RMRB	5.49	09/16/04	09/20/34	136,607.29	137,095.72			(539.31)		136,067.98	139,604.66	3,048.25	0.00
GNMA	2002 RMRB	4.80	09/29/04	09/20/34	111,206.02	107,494.21			(488.87)		110,717.15	110,920.82	3,915.48	0.00
GNMA	2002 RMRB	5.49	09/29/04	09/20/34	133,874.78	134,354.79			(540.71)		133,334.07	136,801.07	2,986.99	0.00
GNMA	2002 RMRB	5.49	10/07/04	09/20/34	156,554.18	157,116.43			(58,292.18)		98,262.00	100,817.63	1,993.38	0.00
GNMA	2002 RMRB	4.80	10/07/04	09/20/34	109,301.42	105,653.83			(493.67)		108,807.75	109,008.57	3,848.41	0.00
GNMA	2002 RMRB	5.49	07/15/04	04/20/34	95,038.15	95,371.49			(390.10)		94,648.05	97,101.49	2,120.10	0.00
GNMA	2002 RMRB	5.49	07/22/04	07/20/34	92,379.59	92,705.10			(369.53)		92,010.06	94,396.73	2,061.16	0.00
GNMA	2002 RMRB	5.49	07/29/04	07/20/34	52,596.27	52,781.88			(209.41)		52,386.86	53,746.02	1,173.55	0.00
GNMA	2002 RMRB	5.49	08/05/04	08/20/34	209,927.42	210,670.31			(868.91)		209,058.51	214,484.54	4,683.14	0.00
GNMA	2002 RMRB	5.49	08/19/04	08/20/34	176,808.95	177,436.44			(1,420.46)		175,388.49	179,942.48	3,926.50	0.00
GNMA	2002 RMRB	5.49	08/26/04	08/20/34	107,640.92	108,023.62			(428.90)		107,212.02	109,996.48	2,401.76	0.00
GNMA	2002 RMRB	5.49	12/02/04	11/20/34	302,505.75	303,607.49			(1,311.88)		301,193.87	309,043.04	6,747.43	0.00
GNMA	2002 RMRB	4.80	12/02/04	11/20/34	205,687.55	198,833.36			(915.63)		204,771.92	205,160.15	7,242.42	0.00
GNMA	2002 RMRB	4.80	10/14/04	09/20/34	25,884.56	25,020.89			(147.68)		25,736.88	25,784.55	911.34	0.00
GNMA	2002 RMRB	4.80	10/28/04	09/20/34	80,228.61	77,355.86			(674.04)		79,554.57	79,507.73	2,825.91	0.00
GNMA	2002 RMRB	5.49	10/28/04	10/20/34	118,313.69	118,741.02			(476.71)		117,836.98	120,904.19	2,639.88	0.00
GNMA	2002 RMRB	5.49	12/29/04	12/20/34	299,357.11	300,454.97			(105,659.76)		193,697.35	198,750.15	3,954.94	0.00
GNMA	2002 RMRB	4.80	12/29/04	12/20/34	119,660.14	115,675.59			(516.67)		119,143.47	119,372.38	4,213.46	0.00
GNMA	2002 RMRB	5.49	01/06/05	01/20/35	89,260.71	89,544.75			(341.95)		88,918.76	91,207.74	2,004.94	0.00
GNMA	2002 RMRB	5.49	01/13/05	12/20/34	97,212.09	97,569.69			(385.34)		96,826.75	99,353.68	2,169.33	0.00
GNMA	2002 RMRB	5.49	01/27/05	01/20/35	373,883.48	374,385.82			(1,434.72)		372,448.76	381,344.36	8,393.26	0.00
GNMA	2002 RMRB	5.49	03/10/05	12/20/34	94,725.87	95,078.65			(366.14)		94,359.73	96,826.60	2,114.09	0.00
GNMA	2002 RMRB	5.49	05/05/05	03/20/35	52,589.10	52,761.80			(208.50)		52,380.60	53,734.44	1,181.14	0.00
GNMA	2002 RMRB	5.49	07/07/05	06/20/35	65,461.53	65,680.41			(336.10)		65,125.43	66,812.66	1,468.35	0.00
GNMA	2002 RMRB	4.80	07/07/05	06/20/35	69,144.24	65,625.11			(299.56)		68,844.68	67,754.01	2,428.46	0.00
GNMA	2002 RMRB	4.80	06/02/05	04/20/35	278,325.40	263,499.18			(1,515.33)		276,810.07	271,767.65	9,783.80	0.00
GNMA	2002 RMRB	5.49	09/08/05	08/20/35	113,149.92	113,324.57			(442.86)		112,707.06	115,422.01	2,540.30	0.00
GNMA	2002 RMRB	5.49	09/15/05	09/20/35	211,095.95	211,423.69			(796.56)		210,299.39	215,367.13	4,740.00	0.00
GNMA	2002 RMRB	5.49	08/04/05	08/20/35	279,888.19	280,831.81			(1,054.21)		278,833.98	286,065.76	6,288.16	0.00
GNMA	2002 RMRB	5.49	09/01/05	09/20/35	233,476.55	233,836.22			(849.86)		232,626.69	238,229.61	5,243.25	0.00
GNMA	2002 RMRB	4.80	10/13/05	09/20/35	106,500.72	100,923.12			(453.88)		106,046.84	104,190.83	3,721.59	0.00
GNMA	2002 RMRB	5.49	10/13/05	10/20/35	175,726.07	176,329.56			(636.78)		175,089.29	179,641.62	3,948.84	0.00
GNMA	2002 RMRB	5.49	12/19/05	12/20/35	199,013.81	199,709.17			(925.51)		198,088.30	203,250.72	4,467.06	0.00
GNMA	2002 RMRB	5.49	11/17/05	11/20/35	214,381.84	215,124.60			(802.00)		213,579.84	219,139.57	4,816.97	0.00
GNMA	2002 RMRB	4.80	11/22/05	10/20/35	197,798.99	187,708.17			(1,242.58)		196,556.41	193,418.03	6,952.44	0.00
GNMA	2002 RMRB	4.80	12/22/05	12/20/35	179,622.78	170,454.19			(758.80)		178,863.98	176,002.70	6,307.31	0.00
GNMA	2002 RMRB	5.49	12/29/05	11/20/35	156,186.87	156,733.38			(566.85)		155,620.02	159,676.46	3,509.93	0.00
GNMA	2002 RMRB	5.49	01/12/06	01/20/36	284,552.15	285,245.48			(1,012.42)		283,539.73	290,678.06	6,445.00	0.00
GNMA	2002 RMRB	5.49	03/09/06	03/20/36	265,081.33	265,740.69			(1,096.28)		263,985.05	270,644.81	6,000.40	0.00
GNMA	2002 RMRB	5.49	03/02/06	03/20/36	152,235.07	152,612.79			(539.85)		151,695.22	155,521.19	3,448.25	0.00
GNMA	2002 RMRB	5.49	02/23/06	02/20/36	287,042.01	287,751.88			(1,521.75)		285,520.26	292,719.10	6,488.97	0.00
GNMA	2002 RMRB	5.49	03/16/06	03/20/36	237,674.37	238,266.74			(1,025.20)		236,649.17	242,620.50	5,378.96	0.00
GNMA	2002 RMRB	5.49	03/30/06	03/20/36	243,791.58	243,949.49			(905.23)		242,886.35	248,562.24	5,517.98	0.00
GNMA	2002 RMRB	5.49	04/06/06	04/20/36	295,588.54	296,331.22			(1,158.06)		294,430.48	301,865.88	6,692.72	0.00
FNMA	2002 RMRB	5.49	05/29/03	04/01/33	228,244.34	227,459.10			(1,203.91)		227,040.43	232,148.90	5,893.71	0.00
FNMA	2002 RMRB	4.80	09/18/03	07/01/33	68,374.89	65,563.81			(336.90)		68,037.99	68,322.81	3,095.90	0.00
FNMA	2002 RMRB	5.49	12/04/03	11/01/33	126,931.46	126,505.40			(76,824.52)		50,106.94	51,238.64	1,557.76	0.00
FNMA	2002 RMRB	4.80	01/15/04	11/01/33	259,162.35	248,520.46			(1,553.45)		257,608.90	258,701.15	11,734.14	0.00
FNMA	2002 RMRB	4.80	02/26/04	01/01/34	88,872.71	85,063.56			(1,430.12)		87,442.59	87,760.58	4,127.14	0.00
FNMA	2002 RMRB	5.49	04/08/04	06/01/33	60,539.83	60,338.86			(316.87)		60,222.96	61,585.46	1,563.47	0.00
FNMA	2002 RMRB	5.49	09/02/04	08/01/34	218,933.51	218,899.93			(897.68)		218,035.83	223,815.68	5,813.43	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2002 RMRB	4.80	09/01/04	08/01/34	53,654.58	51,359.17			(309.32)		53,345.26	53,543.76	2,493.91	0.00
FNMA	2002 RMRB	4.80	11/10/04	10/01/34	54,710.09	52,371.12			(242.22)		54,467.87	54,672.20	2,543.30	0.00
FNMA	2002 RMRB	5.49	07/14/05	05/01/35	34,400.41	34,211.82			(135.31)		34,265.10	35,015.61	939.10	0.00
FNMA	2002 RMRB	4.80	07/14/05	04/01/35	67,296.76	63,164.40			(388.37)		66,908.39	65,950.18	3,174.15	0.00
FNMA	2002 RMRB	5.49	11/03/05	10/01/35	217,599.67	216,417.61			(898.85)		216,700.82	221,458.65	5,939.89	0.00
FNMA	2002 RMRB	4.80	12/15/05	10/01/35	64,015.03	60,071.13			(274.66)		63,740.37	62,813.87	3,017.40	0.00
FNMA	2002 RMRB	5.49	04/27/06	03/01/36	136,348.35	135,426.28			(526.70)		135,821.65	138,771.86	3,872.28	0.00
FNMA	2002 RMRB				69,523.85	69,151.04			(69,523.85)				372.81	0.00
Repo Agmt	2002 RMRB	0.35	11/26/08	12/01/08	41,233.22	41,233.22		(35,045.07)			6,188.15	6,188.15	-	0.00
	2002 RMRB Total				28,274,532.77	27,919,005.98	1,271,702.93	(35,045.07)	(861,335.36)	0.00	28,649,855.27	29,070,781.63	776,453.15	0.00
Repo Agmt	1999 B-D RMRB	0.35	11/26/08	12/01/08	205,205.14	205,205.14		(187,430.47)			17,774.67	17,774.67	-	0.00
GIC's	1999 B-D RMRB	6.40	12/02/99	07/01/32	1,405,966.08	1,405,966.08	1,304,938.04				2,710,904.12	2,710,904.12	-	0.00
GIC's	1999 B-D RMRB	6.40	12/02/99	07/01/32	1,879,201.01	1,879,201.01	0.00				1,879,201.01	1,879,201.01	-	0.00
GNMA	1999 B-D RMRB	8.18	08/01/90	06/20/20	169,078.34	183,906.14			(2,814.42)		166,263.92	177,169.06	(3,922.66)	0.00
GNMA	1999 B-D RMRB	7.18	08/01/90	06/20/20	65,458.53	69,541.07			(1,145.73)		64,312.80	67,424.03	(971.31)	0.00
GNMA	1999 B-D RMRB	8.18	09/04/90	07/20/20	223,904.98	243,544.40			(3,646.98)		220,258.00	234,707.87	(5,189.55)	0.00
GNMA	1999 B-D RMRB	8.18	07/02/90	05/20/20	14,072.84	15,306.80			(1,014.59)		13,058.25	13,914.54	(377.67)	0.00
GNMA	1999 B-D RMRB	8.18	11/01/90	09/20/20	168,038.01	182,782.23			(4,592.65)		163,445.36	174,172.95	(4,016.63)	0.00
GNMA	1999 B-D RMRB	8.18	09/04/90	08/20/20	120,898.93	131,504.56			(2,663.96)		118,234.97	125,992.88	(2,847.72)	0.00
GNMA	1999 B-D RMRB	8.18	09/04/90	07/20/20	101,573.36	110,482.73			(1,923.55)		99,649.81	106,187.31	(2,371.87)	0.00
GNMA	1999 B-D RMRB	8.18	11/01/90	08/20/20	109,867.36	119,506.40			(1,355.41)		108,511.95	115,632.98	(2,518.01)	0.00
GNMA	1999 B-D RMRB	8.18	11/01/90	09/20/20	68,422.33	74,425.96			(1,250.35)		67,171.98	71,580.75	(1,594.86)	0.00
GNMA	1999 B-D RMRB	7.18	11/01/90	09/20/20	94,347.40	100,235.85			(15,130.15)		79,217.25	83,052.96	(2,052.74)	0.00
GNMA	1999 B-D RMRB	8.18	12/03/90	10/20/20	9,994.99	10,872.20			(450.80)		9,544.19	10,170.82	(250.58)	0.00
GNMA	1999 B-D RMRB	8.75	12/28/89	09/20/18	853,149.14	925,067.33			(16,196.79)		836,952.35	901,051.68	(7,818.86)	0.00
GNMA	1999 B-D RMRB	8.75	11/30/89	10/20/18	89,227.58	96,749.66			(1,635.39)		87,592.19	94,301.06	(813.21)	0.00
GNMA	1999 B-D RMRB	8.75	11/30/89	09/20/18	90,434.80	98,057.78			(1,696.20)		88,738.60	95,534.44	(827.14)	0.00
GNMA	1999 B-D RMRB	8.75	01/01/90	11/20/18	203,916.72	221,110.63			(4,712.68)		199,204.04	214,464.72	(1,933.23)	0.00
GNMA	1999 B-D RMRB	8.75	01/01/90	12/20/18	50,441.58	54,695.17			(29,757.70)		20,683.88	22,268.59	(2,668.88)	0.00
GNMA	1999 B-D RMRB	8.75	02/27/90	01/20/19	98,956.26	107,404.18			(2,092.70)		96,863.56	104,338.44	(973.04)	0.00
GNMA	1999 B-D RMRB	8.75	05/29/90	04/20/19	126,374.50	137,169.07			(2,768.96)		123,605.54	133,149.85	(1,250.26)	0.00
GNMA	1999 B-D RMRB	8.75	06/28/90	05/20/19	45,559.66	49,451.96			(681.63)		44,878.03	48,344.04	(426.29)	0.00
GNMA	1999 B-D RMRB	7.18	02/01/91	11/20/20	104,160.92	110,665.71			(2,341.33)		101,819.59	106,753.42	(1,570.96)	0.00
GNMA	1999 B-D RMRB	8.18	02/25/91	11/20/20	63,786.99	69,386.52			(881.59)		62,905.40	67,036.68	(1,468.25)	0.00
GNMA	1999 B-D RMRB	7.18	05/02/91	02/20/21	63,505.84	67,506.34			(819.57)		62,686.27	65,723.48	(963.29)	0.00
GNMA	1999 B-D RMRB	8.75	09/28/90	08/20/19	85,435.66	92,738.73			(1,344.41)		84,091.25	90,589.69	(804.63)	0.00
GNMA	1999 B-D RMRB	8.75	10/23/90	09/20/19	42,842.56	46,505.40			(3,329.25)		39,513.31	42,567.42	(608.73)	0.00
GNMA	1999 B-D RMRB	8.75	11/28/90	09/20/19	89,049.83	96,663.73			(1,137.05)		87,912.78	94,708.40	(818.28)	0.00
GNMA	1999 B-D RMRB	8.75	12/21/90	09/20/19	47,721.31	51,801.82			(570.70)		47,150.61	50,795.59	(435.53)	0.00
GNMA	1999 B-D RMRB	8.75	01/25/91	12/20/19	106,670.88	115,795.80			(30,642.51)		76,028.37	81,908.45	(3,244.84)	0.00
GNMA	1999 B-D RMRB	8.75	03/28/91	02/20/20	43,326.75	47,079.16			(1,346.30)		41,980.45	45,254.26	(478.60)	0.00
GNMA	1999 B-D RMRB	8.75	03/28/91	12/20/19	52,252.04	56,722.48			(599.89)		51,652.15	55,647.53	(475.06)	0.00
GNMA	1999 B-D RMRB	8.18	05/02/91	03/20/21	178,227.07	194,069.08			(34,458.47)		143,768.60	153,250.66	(6,359.95)	0.00
GNMA	1999 B-D RMRB	6.10	07/28/00	07/20/30	1,359,652.34	1,387,593.17			(8,260.78)		1,351,391.56	1,372,027.29	(7,305.10)	0.00
FNMA	1999 B-D RMRB	6.10	04/28/00	04/01/30	119,395.51	121,968.48			(702.30)		118,693.21	122,138.87	872.69	0.00
GNMA	1999 B-D RMRB	6.10	04/20/00	04/20/30	784,136.94	800,250.94			(22,487.07)		761,649.87	773,280.25	(4,483.62)	0.00
GNMA	1999 B-D RMRB	6.10	04/27/00	04/20/30	973,521.72	993,527.54			(122,704.62)		850,817.10	863,809.03	(7,013.89)	0.00
GNMA	1999 B-D RMRB	6.10	06/26/00	06/20/30	1,171,521.20	1,195,595.92			(8,674.69)		1,162,846.51	1,180,603.15	(6,318.08)	0.00
GNMA	1999 B-D RMRB	6.10	05/30/00	03/20/30	1,662,444.22	1,696,607.42			(12,298.04)		1,650,146.18	1,675,343.88	(8,965.50)	0.00
FNMA	1999 B-D RMRB	6.10	05/30/00	05/01/30	209,081.08	213,586.77			(2,730.18)		206,350.90	212,341.26	1,484.67	0.00
FNMA	1999 B-D RMRB	6.10	06/26/00	06/01/30	91,605.11	93,579.19			(845.53)		90,759.58	93,394.32	660.66	0.00
GNMA	1999 B-D RMRB	6.10	09/14/00	08/20/30	2,320,893.61	2,368,587.93			(16,379.02)		2,304,514.59	2,339,704.48	(12,504.43)	0.00
GNMA	1999 B-D RMRB	6.10	10/19/00	09/20/30	825,202.04	842,159.96			(4,956.85)		820,245.19	832,770.34	(4,432.77)	0.00
GNMA	1999 B-D RMRB	6.10	10/23/00	10/20/30	313,648.48	320,093.96			(1,743.95)		311,904.53	316,667.32	(1,682.69)	0.00
GNMA	1999 B-D RMRB	6.10	10/27/00	10/20/30	252,418.43	257,605.62			(1,626.80)		250,791.63	254,621.20	(1,357.62)	0.00
GNMA	1999 B-D RMRB	6.10	10/30/00	10/20/30	198,624.12	202,705.80			(1,081.66)		197,542.46	200,558.90	(1,065.24)	0.00
GNMA	1999 B-D RMRB	6.10	01/16/01	12/20/30	102,591.36	104,699.61			(1,014.64)		101,576.72	103,127.79	(557.18)	0.00
GNMA	1999 B-D RMRB	6.10	01/29/01	12/20/30	54,742.40	55,867.35			(410.22)		54,332.18	55,161.82	(295.31)	0.00
GNMA	1999 B-D RMRB	6.10	12/21/00	11/20/30	520,268.70	530,960.19			(4,398.74)		515,869.96	523,747.26	(2,814.19)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	1999 B-D RMRB	6.10	12/27/00	12/20/30	238,770.62	243,677.35			(2,185.03)		236,585.59	240,198.25	(1,294.07)	0.00
GNMA	1999 B-D RMRB	6.10	02/20/01	01/20/31	60,435.29	61,646.38			(314.83)		60,120.46	61,120.23	(211.32)	0.00
GNMA	1999 B-D RMRB	6.10	03/15/01	03/20/31	196,929.77	200,876.23			(1,097.98)		195,831.79	199,088.46	(689.79)	0.00
GNMA	1999 B-D RMRB	6.10	03/29/01	03/20/31	102,829.78	104,890.48			(511.03)		102,318.75	104,020.30	(359.15)	0.00
GNMA	1999 B-D RMRB	6.10	05/10/01	04/20/31	653,429.12	666,523.81			(3,930.85)		649,498.27	660,299.41	(2,293.55)	0.00
FNMA	1999 B-D RMRB	6.10	09/11/00	08/01/30	739,030.82	754,956.94			(6,027.91)		733,002.91	754,281.99	5,352.96	0.00
FNMA	1999 B-D RMRB	6.10	10/06/00	10/01/30	103,489.53	105,719.71			(1,443.44)		102,046.09	105,008.47	732.20	0.00
GNMA	1999 B-D RMRB	6.10	05/30/01	05/20/31	255,520.75	260,641.37			(1,470.42)		254,050.33	258,275.18	(895.77)	0.00
GNMA	1999 B-D RMRB	6.10	06/18/01	04/20/31	203,381.06	207,456.81			(2,452.51)		200,928.55	204,269.98	(734.32)	0.00
GNMA	1999 B-D RMRB	6.10	07/25/01	06/20/31	431,007.70	439,645.10			(2,981.85)		428,025.85	435,143.92	(1,519.33)	0.00
GNMA	1999 B-D RMRB	6.10	08/31/01	08/20/31	438,280.03	447,063.16			(3,559.88)		434,720.15	441,949.56	(1,553.72)	0.00
FNMA	1999 B-D RMRB	6.10	12/27/00	11/01/30	139,764.14	142,776.04			(1,395.47)		138,368.67	142,385.49	1,004.92	0.00
FNMA	1999 B-D RMRB	6.10	01/12/01	12/01/30	41,585.72	42,481.88			(828.11)		40,757.61	41,940.80	287.03	0.00
FNMA	1999 B-D RMRB	6.10	02/05/01	01/01/31	244,377.39	249,643.71			(2,114.45)		242,262.94	249,295.83	1,766.57	0.00
GNMA	1999 B-D RMRB	6.10	12/27/01	10/20/31	54,407.10	55,497.41			(1,514.18)		52,892.92	53,772.52	(210.71)	0.00
GNMA	1999 B-D RMRB	6.10	09/20/01	08/20/31	237,447.57	242,205.98			(2,038.77)		235,408.80	239,323.62	(843.59)	0.00
GNMA	1999 B-D RMRB	6.10	09/28/01	09/20/31	65,303.68	66,612.36			(910.57)		64,393.11	65,463.96	(237.83)	0.00
GNMA	1999 B-D RMRB	6.10	10/17/01	09/20/31	174,561.19	178,059.39			(1,054.06)		173,507.13	176,392.55	(612.78)	0.00
GNMA	1999 B-D RMRB	6.10	10/30/01	05/20/31	40,707.10	41,522.87			(252.90)		40,454.20	41,126.95	(143.02)	0.00
FNMA	1999 B-D RMRB	6.10	03/15/01	02/01/31	258,353.00	263,920.50			(29,928.25)		228,424.75	235,055.91	1,063.66	0.00
GNMA	1999 B-D RMRB	6.10	02/25/02	02/20/32	837,389.59	853,953.14			(100,388.94)		737,000.65	750,060.29	(3,503.91)	0.00
GNMA	1999 B-D RMRB	6.10	05/24/02	05/20/32	231,636.72	236,218.48			(1,243.66)		230,393.06	234,475.62	(499.20)	0.00
GNMA	1999 B-D RMRB	6.10	03/21/02	03/20/32	323,096.52	329,487.41			(2,037.61)		321,058.91	326,748.11	(701.69)	0.00
GNMA	1999 B-D RMRB	6.10	04/17/02	03/20/32	565,679.37	576,868.45			(3,177.87)		562,501.50	572,468.96	(1,221.62)	0.00
GNMA	1999 B-D RMRB	6.10	04/29/02	04/20/32	479,564.32	489,050.09			(2,709.97)		476,854.35	485,304.19	(1,035.93)	0.00
GNMA	1999 B-D RMRB				93,096.94	94,938.39			(93,096.94)				(1,841.45)	0.00
GNMA	1999 B-D RMRB	6.10	06/03/02	05/20/32	302,853.65	308,844.09			(1,304.78)		301,548.87	306,892.31	(647.00)	0.00
GNMA	1999 B-D RMRB	6.10	06/19/02	04/20/32	205,750.88	209,820.62			(907.80)		204,843.08	208,472.89	(439.93)	0.00
GNMA	1999 B-D RMRB	6.10	06/28/02	06/20/32	59,144.35	60,314.22			(260.44)		58,883.91	59,927.33	(126.45)	0.00
GNMA	1999 B-D RMRB	6.10	11/12/02	10/20/32	89,759.88	91,535.32			(384.58)		89,375.30	90,959.02	(191.72)	0.00
GNMA	1999 B-D RMRB				94,289.05	96,154.08			(94,289.05)				(1,865.03)	0.00
GNMA	1999 B-D RMRB	6.10	01/30/03	01/20/33	104,756.71	106,788.98			(435.76)		104,320.95	106,109.01	(244.21)	0.00
FNMA	1999 B-D RMRB	6.10	10/17/01	09/01/31	76,909.05	78,523.36			(457.21)		76,451.84	78,633.01	566.86	0.00
FNMA	1999 B-D RMRB	6.10	01/28/02	11/01/31	198,960.27	203,136.44			(968.22)		197,992.05	203,640.76	1,472.54	0.00
FNMA	1999 B-D RMRB	6.10	04/17/02	02/01/32	34,263.85	34,963.86			(153.99)		34,109.86	35,035.94	226.07	0.00
Repo Agmt	1999 B-D RMRB	0.35	11/26/08	12/01/08	11,907.29	11,907.29		(11,596.92)			310.37	310.37	-	0.00
	1999 B-D RMRB Total				26,419,486.45	27,114,832.67	1,304,938.04	(199,027.39)	(751,146.11)	0.00	26,774,250.99	27,342,322.70	(127,274.51)	0.00
Repo Agmt	2000 A RMRB	0.35	11/26/08	12/01/08	79,911.30	79,911.30		(28,600.92)			51,310.38	51,310.38	-	0.00
Repo Agmt	2000 A RMRB	0.35	11/26/08	12/01/08	121,426.75	121,426.75		(109,343.92)			12,082.83	12,082.83	-	0.00
GIC's	2000 A RMRB	6.51	05/01/00	07/01/31	287,154.17	287,154.17	810,442.04				1,097,596.21	1,097,596.21	-	0.00
GIC's	2000 A RMRB	6.51	05/01/00	07/01/31	303,734.78	303,734.78	0.00				303,734.78	303,734.78	-	0.00
GNMA	2000 A RMRB	6.45	07/28/00	07/20/30	398,533.88	411,773.12			(70,093.66)		328,440.22	336,670.89	(5,008.57)	0.00
GNMA	2000 A RMRB	6.45	09/14/00	08/20/30	1,799,345.34	1,859,119.53			(11,565.56)		1,787,779.78	1,832,581.52	(14,972.45)	0.00
GNMA	2000 A RMRB	6.45	10/16/00	09/20/30	331,168.97	342,170.38			(1,659.39)		329,509.58	337,767.06	(2,743.93)	0.00
GNMA	2000 A RMRB	6.45	10/23/00	10/20/30	510,496.63	527,455.30			(2,690.84)		507,805.79	520,531.37	(4,233.09)	0.00
GNMA	2000 A RMRB	6.45	10/30/00	10/20/30	415,927.57	429,744.65			(2,543.87)		413,383.70	423,743.07	(3,457.71)	0.00
FNMA	2000 A RMRB	6.45	07/28/00	06/01/30	145,878.91	151,076.56			(844.67)		145,034.24	150,181.50	(50.39)	0.00
GNMA	2000 A RMRB	6.45	01/08/01	12/20/30	159,266.54	164,557.35			(775.69)		158,490.85	162,462.60	(1,319.06)	0.00
GNMA	2000 A RMRB	6.45	01/29/01	01/20/31	112,002.28	115,694.96			(1,089.93)		110,912.35	113,996.79	(608.24)	0.00
GNMA	2000 A RMRB	6.45	11/16/00	11/20/30	784,820.77	810,892.52			(92,860.21)		691,960.56	709,301.09	(8,731.22)	0.00
GNMA	2000 A RMRB	6.45	11/29/00	11/20/30	312,592.61	322,976.94			(1,742.76)		310,849.85	318,639.76	(2,594.42)	0.00
GNMA	2000 A RMRB	6.45	12/21/00	11/20/30	300,623.51	310,610.21			(2,292.06)		298,331.45	305,807.61	(2,510.54)	0.00
GNMA	2000 A RMRB	6.45	12/27/00	11/20/30	69,902.51	72,224.70			(351.27)		69,551.24	71,294.24	(579.19)	0.00
GNMA	2000 A RMRB	6.45	02/20/01	01/20/31	215,964.18	223,084.53			(1,122.45)		214,841.73	220,816.49	(1,145.59)	0.00
GNMA	2000 A RMRB	6.45	02/28/01	02/20/31	350,853.19	362,420.79			(2,272.05)		348,581.14	358,275.15	(1,873.59)	0.00
GNMA	2000 A RMRB	6.45	03/15/01	06/20/31	318,847.09	329,359.47			(1,721.75)		317,125.34	325,944.59	(1,693.13)	0.00
GNMA	2000 A RMRB	6.45	03/29/01	02/20/31	96,580.07	99,764.31			(936.66)		95,643.41	98,303.25	(524.40)	0.00
GNMA	2000 A RMRB	6.45	04/30/01	04/20/31	180,849.18	186,811.79			(1,245.35)		179,603.83	184,598.64	(967.80)	0.00
FNMA	2000 A RMRB	6.45	09/11/00	08/01/30	337,699.24	349,731.45			(2,118.56)		335,580.68	347,490.42	(122.47)	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2000 A RMRB	6.45	10/06/00	09/01/30	27,939.63	28,935.11			(137.90)		27,801.73	28,788.40	(8.81)	0.00
FNMA	2000 A RMRB	6.45	11/16/00	10/01/30	66,826.65	69,207.68			(379.24)		66,447.41	68,805.62	(22.82)	0.00
GNMA	2000 A RMRB	6.45	05/30/01	05/30/31	402,125.27	415,383.53			(1,970.63)		400,154.64	411,283.13	(2,129.77)	0.00
GNMA	2000 A RMRB	6.45	06/18/01	03/20/31	208,268.45	215,135.06			(1,468.19)		206,800.26	212,551.37	(1,115.50)	0.00
GNMA	2000 A RMRB	6.45	07/16/01	06/20/31	124,565.81	128,672.74			(730.72)		123,835.09	127,278.94	(663.08)	0.00
GNMA	2000 A RMRB	6.45	08/08/01	07/20/31	223,086.24	230,441.39			(1,018.64)		222,067.60	228,243.30	(1,179.45)	0.00
GNMA	2000 A RMRB	6.45	08/31/01	08/20/31	159,758.73	165,025.94			(745.67)		159,013.06	163,435.18	(845.09)	0.00
FNMA	2000 A RMRB	6.45	12/27/00	11/01/30	201,502.38	208,681.91			(1,105.46)		200,396.92	207,509.01	(67.44)	0.00
FNMA	2000 A RMRB	6.45	02/05/01	01/01/31	81,768.67	84,682.08			(658.10)		81,110.57	83,989.18	(34.80)	0.00
GNMA	2000 A RMRB	6.45	11/29/01	11/20/31	391,271.40	404,171.55			(2,123.33)		389,148.07	399,970.21	(2,078.01)	0.00
GNMA	2000 A RMRB	6.45	12/17/01	11/20/31	162,000.03	167,341.13			(2,947.88)		159,052.15	163,475.36	(917.89)	0.00
GNMA	2000 A RMRB	6.45	12/27/01	12/20/31	422,289.31	436,212.18			(2,076.92)		420,212.39	431,898.48	(2,236.78)	0.00
GNMA	2000 A RMRB	6.45	09/25/01	09/20/31	172,060.84	177,733.67			(1,451.28)		170,609.56	175,354.19	(928.20)	0.00
GNMA	2000 A RMRB	6.45	09/28/01	09/20/31	561,368.48	579,876.77			(3,755.44)		557,613.04	573,120.25	(3,001.08)	0.00
GNMA	2000 A RMRB	6.45	10/17/01	10/20/31	269,205.02	278,080.67			(3,197.55)		266,007.47	273,405.09	(1,478.03)	0.00
GNMA	2000 A RMRB	6.45	10/30/01	10/20/31	255,723.20	264,154.41			(1,148.19)		254,575.01	261,654.76	(1,351.46)	0.00
GNMA	2000 A RMRB	6.45	11/15/01	11/20/31	192,243.29	198,581.57			(1,063.69)		191,179.60	196,496.33	(1,021.55)	0.00
FNMA	2000 A RMRB	6.45	03/29/01	02/01/31	118,454.96	122,675.50			(3,032.31)		115,422.65	119,518.99	(124.20)	0.00
GNMA	2000 A RMRB	6.45	01/22/02	01/20/32	553,251.64	571,431.46			(3,366.30)		549,885.34	565,177.62	(2,887.54)	0.00
GNMA	2000 A RMRB	6.45	01/30/02	12/20/31	127,714.83	131,925.58			(82,046.52)		45,668.31	46,938.34	(2,940.72)	0.00
GNMA	2000 A RMRB	6.45	02/25/02	02/20/32	1,238,958.61	1,279,670.78			(7,491.41)		1,231,467.20	1,265,714.27	(6,465.10)	0.00
FNMA	2000 A RMRB	6.45	07/12/01	06/01/31	134,558.44	139,307.00			(94,881.83)		39,676.61	41,082.35	(3,342.82)	0.00
GNMA	2000 A RMRB	6.45	05/15/02	04/20/32	87,172.18	90,036.65			(369.59)		86,802.59	89,216.57	(450.49)	0.00
GNMA	2000 A RMRB	6.45	05/24/02	05/20/32	203,080.58	209,753.80			(1,288.36)		201,792.22	207,404.06	(1,061.38)	0.00
GNMA	2000 A RMRB	6.45	03/21/02	02/20/32	379,596.83	392,070.41			(1,726.10)		377,870.73	388,379.34	(1,964.97)	0.00
GNMA	2000 A RMRB	6.45	04/17/02	03/20/32	328,442.00	339,234.56			(2,281.63)		326,160.37	335,230.85	(1,722.08)	0.00
GNMA	2000 A RMRB	6.45	04/29/02	04/20/32	89,634.48	92,579.86			(393.02)		89,241.46	91,723.26	(463.58)	0.00
GNMA	2000 A RMRB	6.45	05/15/02	03/20/32	64,792.74	66,921.82			(287.62)		64,505.12	66,299.00	(335.20)	0.00
GNMA	2000 A RMRB	6.45	08/29/02	08/20/32	62,402.85	64,453.40			(257.03)		62,145.82	63,874.09	(322.28)	0.00
GNMA	2000 A RMRB	6.45	06/03/02	05/20/32	60,027.70	62,000.20			(752.24)		59,275.46	60,923.91	(324.05)	0.00
GNMA	2000 A RMRB	6.45	07/05/02	03/20/32	36,476.04	37,674.64			(964.00)		35,512.04	36,499.62	(211.02)	0.00
GNMA	2000 A RMRB	6.45	08/01/02	05/20/32	59,628.72	61,588.11			(249.33)		59,379.39	61,030.73	(308.05)	0.00
GNMA	2000 A RMRB	6.45	11/12/02	11/20/32	128,617.26	132,843.62			(561.54)		128,055.72	131,616.94	(665.14)	0.00
GNMA	2000 A RMRB	6.45	10/21/02	10/20/32	71,792.07	74,151.15			(291.09)		71,500.98	73,489.42	(370.64)	0.00
GNMA	2000 A RMRB	6.45	11/26/02	11/20/32	38,248.45	39,505.29			(264.13)		37,984.32	39,040.66	(200.50)	0.00
GNMA	2000 A RMRB	6.45	12/30/02	12/20/32	65,002.27	67,138.24			(287.49)		64,714.78	66,514.49	(336.26)	0.00
GNMA	2000 A RMRB	6.45	01/23/03	01/20/33	76,051.07	78,519.68			(325.66)		75,725.41	77,766.20	(427.82)	0.00
GNMA	2000 A RMRB	6.45	01/23/03	01/20/33	50,649.64	52,293.72			(216.00)		50,433.64	51,792.82	(284.90)	0.00
FNMA	2000 A RMRB	6.45	09/28/01	09/01/31	152,546.73	157,930.10			(964.68)		151,582.05	156,952.60	(12.82)	0.00
FNMA	2000 A RMRB	6.45	10/17/01	09/01/31	156,060.49	161,567.86			(713.68)		155,346.81	160,850.74	(3.44)	0.00
FNMA	2000 A RMRB	6.45	12/27/01	11/01/31	78,516.98	81,287.84			(1,184.06)		77,332.92	80,072.82	(30.96)	0.00
FNMA	2000 A RMRB	6.45	04/17/02	03/01/32	116,231.61	120,292.74			(693.23)		115,538.38	119,422.77	(176.74)	0.00
Repo Agmt	2000 A RMRB	0.35	11/26/08	12/01/08	17,249.78	17,249.78		(16,847.85)			401.93	401.93	-	0.00
	2000 A RMRB Total				16,050,741.82	16,558,116.74	810,442.04	(154,792.69)	(428,794.41)	0.00	16,277,596.76	16,687,323.43	(97,648.25)	0.00
Repo Agmt	2003A RMRB	0.35	11/26/08	12/01/08	14.83	14.83	0.00				14.83	14.83	-	0.00
Repo Agmt	2003A RMRB	0.35	11/26/08	12/01/08	698,729.10	698,729.10	3,088,361.54				3,787,090.64	3,787,090.64	-	0.00
GIC's	2003A RMRB				1,220,015.27	1,220,015.27		(1,220,015.27)					-	0.00
Repo Agmt	2003A RMRB	0.35	11/26/08	12/01/08	0.77	0.77	0.00				0.77	0.77	-	0.00
GNMA	2003A RMRB	4.49	03/25/04	03/20/34	9,128,072.75	8,527,365.77			(166,778.00)		8,961,294.75	8,829,889.57	469,301.80	0.00
GNMA	2003A RMRB	4.49	03/30/04	03/20/34	1,644,134.64	1,535,942.41			(8,447.52)		1,635,687.12	1,611,708.50	84,213.61	0.00
GNMA	2003A RMRB	4.49	07/08/04	07/20/34	1,020,090.36	953,050.78			(6,028.24)		1,014,062.12	999,287.98	52,265.44	0.00
GNMA	2003A RMRB	5.49	07/08/04	06/20/34	163,110.37	163,682.80			(707.05)		162,403.32	166,613.57	3,637.82	0.00
GNMA	2003A RMRB	4.49	07/08/04	07/20/34	173,859.22	162,843.60			(1,128.35)		172,730.87	170,644.53	8,929.28	0.00
GNMA	2003A RMRB	5.49	07/08/04	07/20/34	166,046.09	166,321.21			(730.92)		165,315.17	169,291.35	3,701.06	0.00
GNMA	2003A RMRB	4.49	04/08/04	04/20/34	1,460,034.43	1,367,415.79			(139,239.24)		1,320,795.19	1,304,736.66	76,560.11	0.00
GNMA	2003A RMRB	4.49	04/15/04	04/20/34	956,019.35	895,378.79			(5,035.32)		950,984.03	939,426.49	49,083.02	0.00
GNMA	2003A RMRB	5.49	04/15/04	04/20/34	61,025.30	61,235.02			(257.79)		60,767.51	62,338.36	1,361.13	0.00
GNMA	2003A RMRB	4.49	04/22/04	04/20/34	1,172,469.41	1,098,104.91			(5,767.36)		1,166,702.05	1,152,528.64	60,191.09	0.00
GNMA	2003A RMRB	4.49	04/29/04	04/20/34	1,035,345.55	967,240.00			(5,124.04)		1,030,221.51	1,015,145.40	53,029.44	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2003A RMRB	5.49	04/29/04	04/20/34	58,504.63	58,706.28			(237.68)		58,266.95	59,773.76	1,305.16	0.00
GNMA	2003A RMRB	4.49	05/06/04	05/20/34	644,283.64	601,908.42			(3,178.15)		641,105.49	631,730.02	32,999.75	0.00
GNMA	2003A RMRB	4.49	05/13/04	05/20/34	512,967.48	479,231.48			(2,885.21)		510,082.27	502,625.41	26,279.14	0.00
GNMA	2003A RMRB	5.49	05/01/04	04/20/34	91,848.64	92,165.41			(665.21)		91,183.43	93,541.67	2,041.47	0.00
GNMA	2003A RMRB	4.49	05/20/04	05/20/34	1,215,448.30	1,135,518.43			(139,186.61)		1,076,261.69	1,060,533.25	64,201.43	0.00
GNMA	2003A RMRB	4.49	05/27/04	05/20/34	629,949.91	588,526.97			(3,033.35)		626,916.56	617,758.61	32,264.99	0.00
GNMA	2003A RMRB	4.49	06/03/04	06/20/34	916,430.99	856,177.91			(4,366.10)		912,064.89	898,749.58	46,937.77	0.00
GNMA	2003A RMRB	4.49	06/10/04	06/20/34	534,504.45	499,364.65			(2,710.08)		531,794.37	524,033.33	27,378.76	0.00
GNMA	2003A RMRB	4.49	06/17/04	06/20/34	1,145,278.13	1,069,990.83			(5,807.48)		1,139,470.65	1,122,847.91	58,664.56	0.00
GNMA	2003A RMRB	4.49	06/24/04	06/20/34	1,230,900.68	1,149,990.56			(6,176.26)		1,224,724.42	1,206,864.04	63,049.74	0.00
GNMA	2003A RMRB	5.49	06/24/04	06/20/34	1,016,605.44	1,020,161.87			(58,288.64)		958,316.80	983,149.93	21,276.70	0.00
GNMA	2003A RMRB	4.49	09/02/04	08/20/34	129,763.14	121,240.95			(620.73)		129,142.41	127,266.94	6,646.72	0.00
GNMA	2003A RMRB	5.49	09/09/04	09/20/34	77,714.07	77,991.45			(573.91)		77,140.16	79,144.71	1,727.17	0.00
GNMA	2003A RMRB	4.49	09/09/04	09/20/34	150,758.58	140,858.79			(769.37)		149,989.21	147,812.32	7,722.90	0.00
GNMA	2003A RMRB	5.49	09/16/04	09/20/34	164,459.45	165,047.44			(647.60)		163,811.85	168,069.64	3,669.80	0.00
GNMA	2003A RMRB	4.49	09/16/04	09/20/34	1,098,603.95	1,026,468.70			(7,684.12)		1,090,919.83	1,075,093.16	56,308.58	0.00
GNMA	2003A RMRB	5.49	09/23/04	09/20/34	73,763.89	74,027.99			(301.59)		73,462.30	75,372.10	1,645.70	0.00
GNMA	2003A RMRB	4.49	09/23/04	09/20/34	190,742.48	178,669.22			(936.59)		189,805.89	187,525.99	9,793.36	0.00
GNMA	2003A RMRB	4.49	09/29/04	09/20/34	432,844.36	404,427.54			(2,042.25)		430,802.11	424,556.50	22,171.21	0.00
GNMA	2003A RMRB	5.49	09/29/04	09/20/34	196,959.09	197,299.76			(856.24)		196,102.85	200,834.13	4,390.61	0.00
GNMA	2003A RMRB	5.49	10/07/04	09/20/34	133,057.43	133,535.30			(523.64)		132,533.79	135,980.79	2,969.13	0.00
GNMA	2003A RMRB	4.49	10/07/04	10/20/34	432,871.14	404,456.22			(114,647.59)		318,223.55	313,612.89	23,804.26	0.00
GNMA	2003A RMRB	5.49	07/15/04	06/20/34	51,575.58	51,756.84			(206.70)		51,368.88	52,700.87	1,150.73	0.00
GNMA	2003A RMRB	4.49	07/15/04	07/20/34	344,370.86	321,741.01			(1,620.35)		342,750.51	337,758.93	17,638.27	0.00
GNMA	2003A RMRB	5.49	07/22/04	07/20/34	60,771.55	60,985.69			(242.15)		60,529.40	62,099.48	1,355.94	0.00
GNMA	2003A RMRB	4.49	07/22/04	07/20/34	562,333.97	525,383.65			(123,543.34)		438,790.63	432,402.59	30,562.28	0.00
GNMA	2003A RMRB	4.49	07/29/04	07/20/34	536,740.44	502,740.98			(2,636.01)		534,104.43	527,661.74	27,556.77	0.00
GNMA	2003A RMRB	5.49	07/29/04	07/20/34	248,650.76	249,528.18			(995.14)		247,655.62	254,080.88	5,547.84	0.00
GNMA	2003A RMRB	4.49	08/05/04	08/20/34	321,475.37	301,114.78			(1,940.29)		319,535.08	315,683.85	16,509.36	0.00
GNMA	2003A RMRB	5.49	08/05/04	07/20/34	105,930.82	106,305.27			(424.39)		105,506.43	108,244.38	2,363.50	0.00
GNMA	2003A RMRB	4.49	08/12/04	08/20/34	372,585.05	348,989.19			(2,265.54)		370,319.51	365,858.03	19,134.38	0.00
GNMA	2003A RMRB	5.49	08/12/04	07/20/34	83,187.83	83,482.30			(331.19)		82,856.64	85,007.24	1,856.13	0.00
GNMA	2003A RMRB	4.49	08/19/04	08/20/34	372,283.95	348,708.91			(1,785.19)		370,498.76	366,036.96	19,113.24	0.00
GNMA	2003A RMRB	5.49	08/19/04	08/20/34	206,503.94	207,236.81			(1,331.18)		205,172.76	210,500.07	4,594.44	0.00
GNMA	2003A RMRB	4.49	12/02/04	10/20/34	136,060.13	127,134.39			(628.69)		135,431.44	133,475.13	6,969.43	0.00
GNMA	2003A RMRB	4.49	12/09/04	11/20/34	136,674.93	127,710.02			(764.88)		135,910.05	133,948.04	7,002.90	0.00
GNMA	2003A RMRB	5.49	12/16/04	12/20/34	114,061.28	114,478.43			(1,498.25)		112,563.03	115,498.20	2,518.02	0.00
GNMA	2003A RMRB	4.49	12/16/04	12/20/34	288,866.43	269,921.28			(2,206.66)		286,659.77	282,524.10	14,809.48	0.00
GNMA	2003A RMRB	4.49	10/14/04	09/20/34	331,803.81	310,023.86			(1,750.03)		330,053.78	325,272.36	16,998.53	0.00
GNMA	2003A RMRB	5.49	10/14/04	09/20/34	39,855.47	39,998.81			(170.93)		39,684.54	40,716.88	889.00	0.00
GNMA	2003A RMRB	5.49	10/21/04	10/20/34	180,338.98	180,989.21			(743.52)		179,595.46	184,269.06	4,023.37	0.00
GNMA	2003A RMRB	4.49	10/21/04	10/20/34	187,234.83	175,388.01			(861.17)		186,373.66	184,139.63	9,612.79	0.00
GNMA	2003A RMRB	4.49	10/28/04	10/20/34	403,305.24	376,837.57			(1,862.18)		401,443.06	395,633.43	20,658.04	0.00
GNMA	2003A RMRB	5.49	10/28/04	10/20/34	52,307.66	52,496.57			(220.42)		52,087.24	53,443.02	1,166.87	0.00
GNMA	2003A RMRB	5.49	11/04/04	11/20/34	481,307.57	482,157.09			(5,743.61)		475,563.96	487,054.86	10,641.38	0.00
GNMA	2003A RMRB	4.49	11/04/04	10/20/34	182,913.22	170,910.04			(840.34)		182,072.88	179,438.84	9,369.14	0.00
GNMA	2003A RMRB	5.49	11/10/04	11/20/34	64,189.59	64,422.27			(256.00)		63,933.59	65,598.59	1,432.32	0.00
GNMA	2003A RMRB	4.49	11/10/04	10/20/34	112,379.21	105,270.39			(543.97)		111,835.24	110,496.47	5,770.05	0.00
GNMA	2003A RMRB	5.49	11/18/04	11/20/34	103,852.79	104,229.87			(412.70)		103,440.09	106,134.69	2,317.52	0.00
GNMA	2003A RMRB	4.49	11/18/04	10/20/34	233,665.13	218,885.41			(1,078.34)		232,586.79	229,803.90	11,996.83	0.00
GNMA	2003A RMRB	5.49	11/23/04	11/20/34	260,058.87	261,004.17			(1,137.68)		258,921.19	265,666.85	5,800.36	0.00
GNMA	2003A RMRB	4.49	11/01/04	11/20/34	169,969.26	158,815.66			(904.69)		169,064.57	166,618.90	8,707.93	0.00
GNMA	2003A RMRB	5.49	12/29/04	12/20/34	317,008.96	318,171.55			(1,332.41)		315,676.55	323,911.31	7,072.17	0.00
GNMA	2003A RMRB	4.49	12/29/04	12/20/34	152,598.27	142,591.63			(799.52)		151,798.75	149,610.24	7,818.13	0.00
GNMA	2003A RMRB	5.49	01/06/05	01/20/35	50,881.94	51,043.85			(199.31)		50,682.63	51,987.33	1,142.79	0.00
GNMA	2003A RMRB	4.49	03/30/05	01/20/35	170,911.32	159,640.17			(1,413.61)		169,497.71	166,994.86	8,768.30	0.00
GNMA	2003A RMRB	5.49	01/13/05	01/20/35	216,791.51	217,482.71			(1,033.84)		215,757.67	221,313.12	4,864.25	0.00
GNMA	2003A RMRB	4.49	01/19/05	01/20/35	104,732.44	98,067.29			(600.08)		104,132.36	102,852.64	5,385.43	0.00
GNMA	2003A RMRB	4.49	01/27/05	01/20/35	645,007.18	602,440.33			(2,981.86)		642,025.32	632,513.75	33,055.28	0.00
GNMA	2003A RMRB	5.49	02/03/05	01/20/35	210,654.03	210,938.12			(858.73)		209,795.30	214,807.14	4,727.75	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
GNMA	2003A RMRB	4.49	02/03/05	02/20/35	735,151.40	688,376.94			(4,444.11)		730,707.29	721,738.25	37,805.42	0.00
GNMA	2003A RMRB				162,828.37	152,085.68			(162,828.37)				10,742.69	0.00
GNMA	2003A RMRB	5.49	02/17/05	01/20/35	54,065.61	54,239.46			(210.60)		53,855.01	55,243.21	1,214.35	0.00
GNMA	2003A RMRB	5.49	03/10/05	02/20/35	101,871.36	102,201.00			(388.87)		101,482.49	104,100.46	2,288.33	0.00
GNMA	2003A RMRB	4.49	03/17/05	01/20/35	26,871.73	25,162.73			(121.27)		26,750.46	26,422.88	1,381.42	0.00
GNMA	2003A RMRB	5.49	03/17/05	03/20/35	115,992.75	116,369.02			(504.90)		115,487.85	118,468.07	2,603.95	0.00
GNMA	2003A RMRB	5.49	04/07/05	04/20/35	302,738.93	303,727.13			(1,241.96)		301,496.97	309,283.49	6,798.32	0.00
GNMA	2003A RMRB	5.49	04/21/05	04/20/35	219,173.48	219,891.35			(802.24)		218,371.24	224,013.43	4,924.32	0.00
GNMA	2003A RMRB	4.49	04/28/05	03/20/35	60,358.12	56,521.73			(270.02)		60,088.10	59,354.62	3,102.91	0.00
GNMA	2003A RMRB	5.49	04/28/05	04/20/35	177,604.08	178,186.87			(689.62)		176,914.46	181,486.60	3,989.35	0.00
GNMA	2003A RMRB	5.49	05/12/05	05/20/35	166,795.80	167,345.49			(2,850.26)		163,945.54	168,184.89	3,689.66	0.00
GNMA	2003A RMRB	4.49	05/19/05	05/20/35	1,213,824.29	1,133,833.09			(6,157.83)		1,207,666.46	1,189,894.97	62,219.71	0.00
GNMA	2003A RMRB	5.49	07/07/05	07/20/35	553,053.11	554,903.75			(2,101.78)		550,951.33	565,226.51	12,424.54	0.00
GNMA	2003A RMRB	5.49	07/14/05	07/20/35	349,503.95	350,026.82			(1,292.34)		348,211.61	356,582.62	7,848.14	0.00
GNMA	2003A RMRB	4.49	05/26/05	04/20/35	123,138.78	115,314.93			(549.76)		122,589.02	121,095.78	6,330.61	0.00
GNMA	2003A RMRB	5.49	05/26/05	05/20/35	318,339.86	319,392.52			(1,660.47)		316,679.39	324,871.78	7,139.73	0.00
GNMA	2003A RMRB	5.49	06/09/05	05/20/35	276,742.39	277,660.58			(1,250.98)		275,491.41	282,621.41	6,211.81	0.00
GNMA	2003A RMRB	5.49	06/15/05	06/20/35	272,570.28	273,476.84			(1,020.68)		271,549.60	278,579.83	6,123.67	0.00
GNMA	2003A RMRB	5.49	06/23/05	06/20/35	175,615.10	175,874.28			(1,356.58)		174,258.52	178,444.09	3,926.39	0.00
GNMA	2003A RMRB	5.49	09/08/05	09/20/35	269,586.28	270,503.65			(1,041.14)		268,545.14	275,518.71	6,056.20	0.00
GNMA	2003A RMRB	5.49	09/15/05	09/20/35	582,148.76	584,133.28			(2,246.64)		579,902.12	594,964.60	13,077.96	0.00
GNMA	2003A RMRB	5.49	09/22/05	09/20/35	131,581.78	132,031.00			(493.33)		131,088.45	134,494.05	2,956.38	0.00
GNMA	2003A RMRB	4.49	07/28/05	07/20/35	84,412.26	79,053.68			(403.23)		84,009.03	82,990.68	4,340.23	0.00
GNMA	2003A RMRB	5.49	07/21/05	07/20/35	383,832.67	385,121.32			(2,879.49)		380,953.18	390,828.01	8,586.18	0.00
GNMA	2003A RMRB	5.49	07/28/05	07/20/35	222,737.78	223,486.93			(827.70)		221,910.08	227,663.68	5,004.45	0.00
GNMA	2003A RMRB	5.49	08/04/05	07/20/35	262,509.67	263,393.92			(1,099.82)		261,409.85	268,188.94	5,894.84	0.00
GNMA	2003A RMRB	5.49	08/11/05	08/20/35	253,154.86	254,009.91			(952.23)		252,202.63	258,745.29	5,687.61	0.00
GNMA	2003A RMRB	5.49	08/18/05	07/20/35	302,772.45	303,796.01			(1,299.19)		301,473.26	309,294.73	6,797.91	0.00
GNMA	2003A RMRB	5.49	08/30/05	08/20/35	833,900.38	836,729.60			(3,832.12)		830,068.26	851,614.85	18,717.37	0.00
GNMA	2003A RMRB	5.49	08/30/05	08/20/35	399,388.71	400,743.74			(1,581.33)		397,807.38	408,133.52	8,971.11	0.00
GNMA	2003A RMRB	5.49	10/27/05	10/20/35	313,858.37	314,939.74			(1,249.44)		312,608.93	320,740.34	7,050.04	0.00
GNMA	2003A RMRB	5.49	09/29/05	09/20/35	602,644.19	604,705.28			(2,487.70)		600,156.49	615,751.88	13,534.30	0.00
GNMA	2003A RMRB	5.49	10/06/05	09/20/35	407,621.26	409,017.42			(1,488.29)		406,132.97	416,688.67	9,159.54	0.00
GNMA	2003A RMRB	5.49	10/13/05	10/20/35	374,602.87	375,889.36			(57,245.99)		317,356.88	325,608.18	6,964.81	0.00
GNMA	2003A RMRB	5.49	10/20/05	10/20/35	320,395.51	321,497.45			(1,241.27)		319,154.24	327,453.92	7,197.74	0.00
GNMA	2003A RMRB	5.49	10/20/05	10/20/35	282,176.66	283,147.15			(1,282.61)		280,894.05	288,198.76	6,334.22	0.00
GNMA	2003A RMRB	5.49	12/15/05	12/20/35	150,068.93	150,592.67			(635.11)		149,433.82	153,327.76	3,370.20	0.00
GNMA	2003A RMRB	5.49	11/03/05	09/20/35	200,362.64	201,053.58			(735.65)		199,626.99	204,820.20	4,502.27	0.00
GNMA	2003A RMRB	5.49	11/03/05	10/20/35	267,790.86	268,715.14			(972.56)		266,818.30	273,760.01	6,017.43	0.00
GNMA	2003A RMRB	5.49	11/10/05	11/20/35	157,330.35	157,874.65			(569.38)		156,760.97	160,840.82	3,535.55	0.00
GNMA	2003A RMRB	5.49	11/17/05	07/20/35	118,913.20	119,323.99			(438.25)		118,474.95	121,557.63	2,671.89	0.00
GNMA	2003A RMRB	5.49	11/17/05	10/20/35	420,664.18	422,120.78			(1,579.60)		419,084.58	429,992.95	9,451.77	0.00
GNMA	2003A RMRB	5.49	11/22/05	11/20/35	214,808.10	215,553.20			(786.23)		214,021.87	219,593.98	4,827.01	0.00
GNMA	2003A RMRB	5.49	12/29/05	12/20/35	421,873.89	422,568.14			(1,981.34)		419,892.55	430,050.96	9,464.16	0.00
GNMA	2003A RMRB	5.49	01/12/06	01/20/36	209,199.54	209,709.30			(763.05)		208,436.49	213,684.07	4,737.82	0.00
GNMA	2003A RMRB	5.49	01/12/06	12/20/35	77,253.30	77,524.70			(275.91)		76,977.39	78,985.02	1,736.23	0.00
GNMA	2003A RMRB	5.49	03/09/06	02/20/36	310,302.54	310,497.60			(1,145.28)		309,157.26	316,375.43	7,023.11	0.00
GNMA	2003A RMRB	5.49	03/09/06	02/20/36	197,380.36	197,870.90			(704.50)		196,675.86	201,636.91	4,470.51	0.00
GNMA	2003A RMRB	5.49	02/09/06	01/20/36	202,419.00	202,916.74			(815.41)		201,603.59	206,683.72	4,582.39	0.00
GNMA	2003A RMRB	5.49	02/23/06	01/20/36	91,442.38	91,668.34			(324.52)		91,117.86	93,415.03	2,071.21	0.00
GNMA	2003A RMRB	5.49	03/09/06	02/20/36	357,293.30	358,181.25			(1,278.85)		356,014.45	364,994.74	8,092.34	0.00
GNMA	2003A RMRB	5.49	03/30/06	03/20/36	335,199.90	336,039.39			(1,177.48)		334,022.42	342,454.88	7,592.97	0.00
GNMA	2003A RMRB	5.49	04/27/06	03/20/36	137,613.02	137,960.87			(858.20)		136,754.82	140,210.48	3,107.81	0.00
GNMA	2003A RMRB	4.49	04/27/06	03/20/36	118,320.08	110,418.07			(492.94)		117,827.14	116,106.15	6,181.02	0.00
FNMA	2003A RMRB	4.49	03/25/04	02/01/34	195,148.18	182,710.66			(952.38)		194,195.80	192,274.31	10,516.03	0.00
FNMA	2003A RMRB	4.49	07/29/04	07/01/34	300,598.42	281,456.27			(1,458.80)		299,139.62	296,196.39	16,198.92	0.00
FNMA	2003A RMRB	4.49	08/26/04	08/01/34	254,935.41	238,703.95			(1,714.40)		253,221.01	250,732.60	13,743.05	0.00
FNMA	2003A RMRB	5.49	09/23/04	08/01/34	197,481.71	196,594.12			(804.67)		196,677.04	201,022.47	5,233.02	0.00
FNMA	2003A RMRB	4.49	09/29/04	09/01/34	319,720.47	299,368.74			(1,509.45)		318,211.02	315,088.69	17,229.40	0.00
FNMA	2003A RMRB	4.49	11/10/04	10/01/34	159,067.92	148,945.03			(760.28)		158,307.64	156,757.14	8,572.39	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
FNMA	2003A RMRB	4.49	03/29/05	01/20/35	221,601.08	207,128.19			(1,026.78)		220,574.30	218,289.56	12,188.15	0.00
FNMA	2003A RMRB	5.49	06/23/05	06/01/35	344,886.80	342,993.61			(1,341.08)		343,545.72	351,068.02	9,415.49	0.00
FNMA	2003A RMRB	5.49	08/18/05	06/01/35	306,051.94	304,378.66			(1,651.12)		304,400.82	311,072.87	8,345.33	0.00
FNMA	2003A RMRB	5.49	09/08/05	08/01/35	181,650.39	180,659.24			(684.33)		180,966.06	184,934.63	4,959.72	0.00
FNMA	2003A RMRB	5.49	10/06/05	10/01/35	258,856.94	257,447.89			(1,822.21)		257,034.73	262,675.17	7,049.49	0.00
FNMA	2003A RMRB	5.49	10/20/05	10/01/35	241,968.70	240,653.03			(1,434.81)		240,533.89	245,813.46	6,595.24	0.00
FNMA	2003A RMRB	4.49	12/15/05	06/01/35	87,810.85	82,084.85			(389.04)		87,421.81	86,525.66	4,829.85	0.00
FNMA	2003A RMRB	5.49	12/29/05	12/01/35	304,019.20	302,375.25			(1,112.35)		302,906.85	309,564.80	8,301.90	0.00
FNMA	2003A RMRB	4.49	01/12/06	12/01/35	72,544.47	67,815.20			(310.74)		72,233.73	71,494.64	3,990.18	0.00
FNMA	2003A RMRB	5.49	02/02/06	01/01/36	111,542.65	110,784.32			(400.55)		111,142.10	113,552.13	3,168.36	0.00
Repo Agmt	2003A RMRB	0.35	11/26/08	12/01/08	75,193.88	75,193.88		(71,078.99)			4,114.89	4,114.89	-	0.00
	2003A RMRB Total				57,645,945.91	55,358,801.38	3,088,361.54	(1,291,094.26)	(1,167,848.53)	0.00	58,275,364.66	58,289,512.20	2,301,292.07	0.00
GNMA	1999 A RMRB	7.50	08/31/89	07/20/18	281,746.99	301,255.01			(5,700.89)		276,046.10	291,485.73	(4,068.39)	0.00
GNMA	1999 A RMRB	7.50	10/31/89	09/20/18	516,025.61	551,770.98			(10,802.42)		505,223.19	533,496.49	(7,472.07)	0.00
GNMA	1999 A RMRB	8.75	10/31/89	09/20/18	61,889.64	67,106.20			(1,806.50)		60,083.14	64,684.22	(615.48)	0.00
GNMA	1999 A RMRB	7.50	11/30/89	10/20/18	561,610.94	603,808.52			(16,010.74)		545,600.20	579,440.93	(8,356.85)	0.00
GNMA	1999 A RMRB	8.75	11/30/89	09/20/18	38,007.44	41,788.72			(1,151.68)		36,855.76	40,255.61	(381.43)	0.00
GNMA	1999 A RMRB	7.50	01/01/90	11/20/18	313,799.56	335,546.36			(6,735.95)		307,063.61	324,256.91	(4,553.50)	0.00
GNMA	1999 A RMRB	8.75	01/01/90	11/20/18	113,726.88	123,316.15			(1,802.04)		111,924.84	120,499.24	(1,014.87)	0.00
GNMA	1999 A RMRB	7.50	01/01/90	12/20/18	156,955.63	167,834.44			(2,653.98)		154,301.65	162,942.89	(2,237.57)	0.00
GNMA	1999 A RMRB	7.50	02/27/90	12/20/18	30,791.60	32,926.19			(504.39)		30,287.21	31,983.74	(438.06)	0.00
GNMA	1999 A RMRB	8.75	05/29/90	02/20/19	111,310.14	120,815.89			(2,707.86)		108,602.28	116,986.10	(1,121.93)	0.00
GNMA	1999 A RMRB	7.50	03/30/90	01/20/19	217,186.01	232,488.96			(4,780.82)		212,405.19	224,380.21	(3,327.93)	0.00
GNMA	1999 A RMRB	8.75	03/30/90	01/20/19	66,227.81	71,882.17			(974.93)		65,252.88	70,288.80	(618.44)	0.00
GNMA	1999 A RMRB	7.50	04/26/90	03/20/19	187,313.75	200,516.42			(4,102.85)		183,210.90	193,544.57	(2,869.00)	0.00
GNMA	1999 A RMRB	8.75	04/26/90	03/20/19	123,402.67	133,941.40			(2,548.23)		120,854.44	130,184.39	(1,208.78)	0.00
GNMA	1999 A RMRB	7.50	05/29/90	04/20/19	327,019.95	350,074.78			(5,819.68)		321,200.27	339,321.88	(4,933.22)	0.00
GNMA	1999 A RMRB	8.75	06/28/90	04/20/19	56,540.82	61,370.69			(986.17)		55,554.65	59,844.64	(539.88)	0.00
GNMA	1999 A RMRB	7.50	10/31/90	07/20/19	32,342.68	34,624.76			(468.29)		31,874.39	33,674.54	(481.93)	0.00
GNMA	1999 A RMRB	7.50	12/21/90	08/20/19	23,230.91	24,870.50			(338.69)		22,892.22	24,185.52	(346.29)	0.00
GNMA	1999 A RMRB	7.50	03/28/91	11/20/19	37,005.22	39,618.76			(539.20)		36,466.02	38,527.93	(551.63)	0.00
GNMA	1999 A RMRB	8.75	04/26/91	01/20/20	118,973.86	129,277.36			(2,868.09)		116,105.77	125,159.65	(1,249.62)	0.00
GNMA	1999 A RMRB	7.50	04/29/91	12/20/19	42,119.69	45,095.18			(21,499.19)		20,620.50	21,786.81	(1,809.18)	0.00
GNMA	1999 A RMRB	5.35	01/31/01	08/20/30	40,590.12	40,175.72			(237.71)		40,352.41	40,956.10	1,018.09	0.00
GNMA	1999 A RMRB	5.35	01/31/01	01/20/31	191,396.31	189,354.10			(49,931.48)		141,464.83	143,152.50	3,729.88	0.00
GNMA	1999 A RMRB	5.35	05/10/01	04/20/31	4,983.06	4,929.88			(1,369.20)		3,613.86	3,656.97	96.29	0.00
FNMA	1999 A RMRB	5.35	03/15/01	10/01/30	235,898.35	232,893.00			(1,667.56)		234,230.79	238,866.21	7,640.77	0.00
FNMA	1999 A RMRB	5.35	06/18/01	03/01/31	63,024.04	62,141.70			(738.30)		62,285.74	63,409.99	2,006.59	0.00
GNMA	1999 A RMRB	5.35	03/18/02	02/20/32	38,212.83	37,779.11			(195.99)		38,016.84	38,452.13	869.01	0.00
Repo Agmt	1999 A RMRB	0.35	11/26/08	12/01/08	401,199.23	401,199.23	0.00				401,199.23	401,199.23	-	0.00
	1999 A RMRB Total				4,392,531.74	4,638,402.18	0.00	0.00	(148,942.83)	0.00	4,243,588.91	4,456,623.93	(32,835.42)	0.00
	Total Residential Mortgage Revenue Bonds Investment Summary				297,059,499.53	296,438,605.09	15,184,920.67	(9,985,016.49)	(6,291,698.29)	0.00	295,967,705.42	300,424,256.83	5,077,445.85	0.00

Texas Department of Housing and Community Affairs
Collateralized Home Mortgage Revenue Bonds Investment Summary
For Period Ending November 30, 2008

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Repo Agmt	1990 A&B CHMRB	0.35	11/26/08	12/01/08	53,763.43	53,763.43	135.50				53,898.93	53,898.93	-	0.00
Repo Agmt	1990 A&B CHMRB	0.35	11/26/08	12/01/08	86,929.97	86,929.97	219.11				87,149.08	87,149.08	-	0.00
Repo Agmt	1990 A&B CHMRB	0.35	11/26/08	12/01/08	240,143.89	240,143.89	605.28				240,749.17	240,749.17	-	0.00
	1990 A&B CHMRB Total				380,837.29	380,837.29	959.89	0.00	0.00	0.00	381,797.18	381,797.18	0.00	0.00
Repo Agmt	1991 A CHMRB	0.35	11/26/08	12/01/08	113,447.07	113,447.07	285.95				113,733.02	113,733.02	-	0.00
Repo Agmt	1991 A CHMRB	0.35	11/26/08	12/01/08	7,563.10	7,563.10	19.05				7,582.15	7,582.15	-	0.00
	1991 A CHMRB Total				121,010.17	121,010.17	305.00	0.00	0.00	0.00	121,315.17	121,315.17	0.00	0.00
Repo Agmt	1992 A-C CHMRB	0.35	11/26/08	12/01/08	204,779.37	204,779.37		(153,968.80)			50,810.57	50,810.57	-	0.00
GIC's	1992 A-C CHMRB	6.09	06/29/92	07/02/24	390,808.68	390,808.68	478,639.20				869,447.88	869,447.88	-	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	12/01/23	28,746.13	30,585.54			(285.11)		28,461.02	30,040.63	(259.80)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	05/01/23	100,277.25	106,687.87			(1,117.36)		99,159.89	104,657.43	(913.08)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	06/01/23	223,984.00	238,313.84			(6,806.55)		217,177.45	229,200.13	(2,307.16)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	02/01/25	974,837.23	1,037,349.84			(13,775.48)		961,061.75	1,014,323.41	(9,250.95)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	03/01/25	562,219.38	598,276.53			(7,252.17)		554,967.21	585,727.32	(5,297.04)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	03/01/25	154,210.19	164,100.29			(17,363.12)		136,847.07	144,432.12	(2,305.05)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	05/01/25	530,122.58	564,129.14			(6,572.56)		523,550.02	552,576.51	(4,980.07)	0.00
FNMA	1992 A-C CHMRB	6.91	06/30/95	05/01/25	651,865.83	693,655.96			(10,213.76)		641,652.07	677,149.15	(6,293.05)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/96	12/20/22	121,925.75	129,985.00			(1,418.27)		120,507.48	124,760.05	(3,806.68)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	01/20/23	184,781.84	197,079.43			(2,442.70)		182,339.14	188,722.13	(5,914.60)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	04/20/23	147,536.54	157,361.25			(3,049.21)		144,487.33	149,550.97	(4,761.07)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	07/20/23	344,400.49	367,348.35			(4,909.70)		339,490.79	351,401.55	(11,037.10)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	08/20/23	145,169.72	154,844.45			(68,173.73)		76,995.99	79,698.39	(6,972.33)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	09/20/23	14,383.89	15,342.70			(461.64)		13,922.25	14,411.07	(469.99)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	12/20/23	238,580.25	254,492.46			(23,252.00)		215,328.25	222,896.68	(8,343.78)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	05/20/23	38,164.59	40,706.52			(365.41)		37,799.18	39,124.35	(1,216.76)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	04/20/25	518,139.25	552,776.46			(5,694.93)		512,444.32	529,941.25	(17,140.28)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	05/20/25	476,258.41	508,101.64			(9,996.81)		466,261.60	482,187.10	(15,917.73)	0.00
GNMA	1992 A-C CHMRB	6.91	06/30/95	06/20/25	342,846.80	365,773.97			(3,617.42)		339,229.38	350,819.85	(11,336.70)	0.00
GIC's	1992 A-C CHMRB	6.09	06/29/92	07/02/24	100,000.00	100,000.00	0.00				100,000.00	100,000.00	-	0.00
FNMA	1992 A-C CHMRB	6.91	04/28/95	06/01/23	110,740.90	117,819.24			(2,060.20)		108,680.70	114,704.91	(1,054.13)	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	03/20/23	666,811.40	711,186.15			(31,056.54)		635,754.86	658,008.17	(22,121.44)	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	01/20/25	1,594,344.69	1,700,823.08			(30,771.54)		1,563,573.15	1,616,862.51	(53,189.03)	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	02/20/25	1,257,218.12	1,341,196.36			(13,852.91)		1,243,365.21	1,285,755.60	(41,587.85)	0.00
GNMA	1992 A-C CHMRB	6.91	04/28/95	03/20/25	1,410,216.00	1,504,429.02			(64,965.56)		1,345,250.44	1,391,128.36	(48,335.10)	0.00
Repo Agmt	1992 A-C CHMRB	0.35	11/26/08	12/01/08	12,990.33	12,990.33	32.74				13,023.07	13,023.07	-	0.00
	1992 A-C CHMRB Total				11,546,359.61	12,260,943.47	478,671.94	(153,968.80)	(329,474.68)	0.00	11,541,588.07	11,971,361.16	(284,810.77)	0.00
	Total CHMRB Investment Summary				12,048,207.07	12,762,790.93	479,936.83	(153,968.80)	(329,474.68)	0.00	12,044,700.42	12,474,473.51	(284,810.77)	0.00

Texas Department of Housing and Community Affairs
Multi Family Investment Summary
For Period Ending November 30, 2008

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Mutual Fund	1996 A&B MF (Brighton/LasColi)	0.73	11/01/08	12/01/08	44,820.02	44,820.02		(1,370.05)			43,449.97	43,449.97	-	0.00
Mutual Fund	1996 A&B MF (Brighton/LasColi)	0.73	11/01/08	12/01/08	24,658.95	24,658.95		(5,697.13)			18,961.82	18,961.82	-	0.00
	1996 A&B MF (Brighton/LasColi) Total				69,478.97	69,478.97	0.00	(7,067.18)	0.00	0.00	62,411.79	62,411.79	0.00	0.00
Mutual Fund	1996 A&B MF (Braxton's)	0.06	11/01/08	12/01/08	74,886.30	74,886.30		(2,295.13)			72,591.17	72,591.17	-	0.00
Mutual Fund	1996 A&B MF (Braxton's)	0.06	11/01/08	12/01/08	20,250.04	20,250.04	9,991.03				30,241.07	30,241.07	-	0.00
	1996 A&B MF (Braxton's) Total				95,136.34	95,136.34	9,991.03	(2,295.13)	0.00	0.00	102,832.24	102,832.24	0.00	0.00
Repo Agmt	1987 South Tx. Rental Housing	0.35	11/26/08	12/01/08	766,724.69	766,724.69	1,932.57				768,657.26	768,657.26	-	0.00
	1987 South Tx. Rental Housing Total				766,724.69	766,724.69	1,932.57	0.00	0.00	0.00	768,657.26	768,657.26	0.00	0.00
Mutual Fund	1998 M/F (Pebble Brook)	0.73	11/01/08	12/01/08	126,488.61	126,488.61		(16,692.28)			109,796.33	109,796.33	-	0.00
Inv Agmt	1998 M/F (Pebble Brook)	5.20	04/30/98	12/01/30	132,591.00	132,591.00	185,551.50				318,142.50	318,142.50	-	0.00
Money Market	1998 M/F (Pebble Brook)	0.73	11/01/08	12/01/08	2,998.38	2,998.38	7.37				3,005.75	3,005.75	-	0.00
	1998 M/F (Pebble Brook) Total				262,077.99	262,077.99	185,558.87	(16,692.28)	0.00	0.00	430,944.58	430,944.58	0.00	0.00
Mutual Fund	1998 M/F (Residence Oaks Proj)	0.06	11/01/08	12/01/08	121,992.07	121,992.07	29,415.71				151,407.78	151,407.78	-	0.00
Mutual Fund	1998 M/F (Residence Oaks Proj)	0.06	11/01/08	12/01/08	43,502.42	43,502.42	13,324.56				56,826.98	56,826.98	-	0.00
Mutual Fund	1998 M/F (Residence Oaks Proj)	0.06	11/01/08	12/01/08	51,834.82	51,834.82		(39,001.49)			12,833.33	12,833.33	-	0.00
Mutual Fund	1998 M/F (Residence Oaks Proj)	0.06	11/01/08	12/01/08	149,697.66	149,697.66		(108,573.20)			41,124.46	41,124.46	-	0.00
Mutual Fund	1998 M/F (Residence Oaks Proj)	0.06	11/01/08	12/01/08	27.30	27.30	0.00				27.30	27.30	-	0.00
	1998 M/F (Residence Oaks Proj) Total				367,054.27	367,054.27	42,740.27	(147,574.69)	0.00	0.00	262,219.85	262,219.85	0.00	0.00
Mutual Fund	1998 M/F (Greens-Hickory Trail	0.30	11/01/08	12/01/08	40,826.44	40,826.44	9,375.00				50,201.44	50,201.44	-	0.00
Mutual Fund	1998 M/F (Greens-Hickory Trail	0.30	11/01/08	12/01/08	267,840.49	267,840.49	26,267.34				294,107.83	294,107.83	-	0.00
Mutual Fund	1998 M/F (Greens-Hickory Trail	0.30	11/01/08	12/01/08	35,004.39	35,004.39		(34,620.81)			383.58	383.58	-	0.00
Mutual Fund	1998 M/F (Greens-Hickory Trail	0.36	11/01/08	12/01/08	125,000.00	125,000.00		(62,500.01)			62,499.99	62,499.99	-	0.00
Mutual Fund	1998 M/F (Greens-Hickory Trail	0.36	11/01/08	12/01/08	321,642.75	321,642.75		(162,705.75)			158,937.00	158,937.00	-	0.00
Mutual Fund	1998 M/F (Greens-Hickory Trail	0.35	11/01/08	12/01/08	30,055.39	30,055.39		(14,302.51)			15,752.88	15,752.88	-	0.00
	1998 M/F (Greens-Hickory Trail Total				820,369.46	820,369.46	35,642.34	(274,129.08)	0.00	0.00	581,882.72	581,882.72	0.00	0.00
Mutual Fund	1999 M/F (Mayfield Apts)	0.06	11/01/08	12/01/08	153,920.38	153,920.38	29,362.59				183,282.97	183,282.97	-	0.00
Mutual Fund	1999 M/F (Mayfield Apts)	0.06	11/01/08	12/01/08	24,288.96	24,288.96		(15,739.85)			8,549.11	8,549.11	-	0.00
Mutual Fund	1999 M/F (Mayfield Apts)	0.06	11/01/08	12/01/08	65,674.77	65,674.77		(9,487.88)			56,186.89	56,186.89	-	0.00
Mutual Fund	1999 M/F (Mayfield Apts)	0.06	11/01/08	12/01/08	74,125.66	74,125.66		(54,916.29)			19,209.37	19,209.37	-	0.00
Mutual Fund	1999 M/F (Mayfield Apts)	0.06	11/01/08	12/01/08	203,534.12	203,534.12		(145,090.11)			58,444.01	58,444.01	-	0.00
	1999 M/F (Mayfield Apts) Total				521,543.89	521,543.89	29,362.59	(225,234.13)	0.00	0.00	325,672.35	325,672.35	0.00	0.00
Mutual Fund	2000 M/F (Timber Point Apts)	0.06	11/01/08	12/01/08	9,049.12	9,049.12	2,098.53				11,147.65	11,147.65	-	0.00
Mutual Fund	2000 M/F (Timber Point Apts)	0.06	11/01/08	12/01/08	18,041.23	18,041.23	10,441.01				28,482.24	28,482.24	-	0.00
Mutual Fund	2000 M/F (Timber Point Apts)	0.06	11/01/08	12/01/08	52,659.42	52,659.42	30,972.98				83,632.40	83,632.40	-	0.00
	2000 M/F (Timber Point Apts) Total				79,749.77	79,749.77	43,512.52	0.00	0.00	0.00	123,262.29	123,262.29	0.00	0.00
Mutual Fund	2000 A&B M/F (Oaks at Hampton)	0.36	11/01/08	12/01/08	143,181.88	143,181.88	56,214.01				199,395.89	199,395.89	-	0.00
Mutual Fund	2000 A&B M/F (Oaks at Hampton)	0.36	11/01/08	12/01/08	250,680.41	250,680.41	14,851.05				265,531.46	265,531.46	-	0.00
Mutual Fund	2000 A&B M/F (Oaks at Hampton)	0.36	11/01/08	12/01/08	94,017.43	94,017.43	80.50				94,097.93	94,097.93	-	0.00
Mutual Fund	2000 A&B M/F (Oaks at Hampton)	0.35	11/01/08	12/01/08	21,757.57	21,757.57	2,060.30				23,817.87	23,817.87	-	0.00
	2000 A&B M/F (Oaks at Hampton) Total				509,637.29	509,637.29	73,205.86	0.00	0.00	0.00	582,843.15	582,843.15	0.00	0.00
Mutual Fund	2000 M/F (Deerwood Apts)	0.36	11/01/08	12/01/08	10,564.41	10,564.41	3,983.03				14,547.44	14,547.44	-	0.00
Inv Agmt	2000 M/F (Deerwood Apts)	6.15	05/23/00	06/01/32	113,409.28	113,409.28	122,879.79				236,289.07	236,289.07	-	0.00
	2000 M/F (Deerwood Apts) Total				123,973.69	123,973.69	126,862.82	0.00	0.00	0.00	250,836.51	250,836.51	0.00	0.00
Mutual Fund	2000 M/F (Creek Point Apts)	0.06	11/01/08	12/01/08	14,776.57	14,776.57	1,374.31				16,150.88	16,150.88	-	0.00
Mutual Fund	2000 M/F (Creek Point Apts)	0.06	11/01/08	12/01/08	24,071.53	24,071.53	176.09				24,247.62	24,247.62	-	0.00
Money Market	2000 M/F (Creek Point Apts)	0.06	11/01/08	12/01/08	81,770.01	81,770.01	26,860.71				108,630.72	108,630.72	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Mutual Fund	2000 M/F (Creek Point Apts)				2.32	2.32		(2.32)					-	0.00
	2000 M/F (Creek Point Apts) Total				120,620.43	120,620.43	28,411.11	(2.32)	0.00	0.00	149,029.22	149,029.22	0.00	0.00
Mutual Fund	2000 M/F (Parks @ Westmoreld)	0.36	11/01/08	12/01/08	15,571.48	15,571.48	7,817.85				23,389.33	23,389.33	-	0.00
Mutual Fund	2000 M/F (Parks @ Westmoreld)	0.36	11/01/08	12/01/08	220,103.87	220,103.87	14,770.34				234,874.21	234,874.21	-	0.00
Mutual Fund	2000 M/F (Parks @ Westmoreld)	0.36	11/01/08	12/01/08	93,064.62	93,064.62	32.79				93,097.41	93,097.41	-	0.00
Mutual Fund	2000 M/F (Parks @ Westmoreld)	0.36	11/01/08	12/01/08	144,723.88	144,723.88	57,905.63				202,629.51	202,629.51	-	0.00
	2000 M/F (Parks @ Westmoreld) Total				473,463.85	473,463.85	80,526.61	0.00	0.00	0.00	553,990.46	553,990.46	0.00	0.00
Mutual Fund	2000 A-C MF Highland Meadows	0.06	11/01/08	12/01/08	160,832.24	160,832.24	20,601.91				181,434.15	181,434.15	-	0.00
Mutual Fund	2000 A-C MF Highland Meadows	0.06	11/01/08	12/01/08	18,260.61	18,260.61	69,641.30				87,901.91	87,901.91	-	0.00
Mutual Fund	2000 A-C MF Highland Meadows	0.06	11/01/08	12/01/08	37,510.48	37,510.48		(3,252.81)			34,257.67	34,257.67	-	0.00
Mutual Fund	2000 A-C MF Highland Meadows	0.06	11/01/08	12/01/08	42,930.13	42,930.13		(42,593.54)			336.59	336.59	-	0.00
Mutual Fund	2000 A-C MF Highland Meadows	0.06	11/01/08	12/01/08	191,213.82	191,213.82		(189,665.55)			1,548.27	1,548.27	-	0.00
	2000 A-C MF Highland Meadows Total				450,747.28	450,747.28	90,243.21	(235,511.90)	0.00	0.00	305,478.59	305,478.59	0.00	0.00
Mutual Fund	2000 A/B MF Greenbridge	0.36	11/01/08	12/01/08			24,052.38				24,052.38	24,052.38	-	0.00
Money Market	2000 A/B MF Greenbridge	0.36	11/01/08	12/01/08			12,101.77				12,101.77	12,101.77	-	0.00
Mutual Fund	2000 A/B MF Greenbridge	0.36	11/01/08	12/01/08	14,536.96	14,536.96	438.96				14,975.92	14,975.92	-	0.00
Mutual Fund	2000 A/B MF Greenbridge	0.36	11/01/08	12/01/08	11,770.00	11,770.00	0.00				11,770.00	11,770.00	-	0.00
Inv Agmt	2000 A/B MF Greenbridge	6.15	11/09/00	11/01/40	5.45	5.45	0.00				5.45	5.45	-	0.00
Money Market	2000 A/B MF Greenbridge	0.36	11/01/08	12/01/08			32,654.36				32,654.36	32,654.36	-	0.00
	2000 A/B MF Greenbridge Total				26,312.41	26,312.41	69,247.47	0.00	0.00	0.00	95,559.88	95,559.88	0.00	0.00
Mutual Fund	2000 A-C MF Collingham Park	0.73	11/01/08	12/01/08	133,893.55	133,893.55	61,209.50				195,103.05	195,103.05	-	0.00
Mutual Fund	2000 A-C MF Collingham Park	0.73	11/01/08	12/01/08	9,478.30	9,478.30	12,541.30				22,019.60	22,019.60	-	0.00
Mutual Fund	2000 A-C MF Collingham Park	0.73	11/01/08	12/01/08	222,483.40	222,483.40		(221,207.87)			1,275.53	1,275.53	-	0.00
Mutual Fund	2000 A-C MF Collingham Park	0.73	11/01/08	12/01/08	33,097.48	33,097.48		(16,019.04)			17,078.44	17,078.44	-	0.00
Mutual Fund	2000 A-C MF Collingham Park	0.73	11/01/08	12/01/08	152,970.76	152,970.76		(70,798.24)			82,172.52	82,172.52	-	0.00
	2000 A-C MF Collingham Park Total				551,923.49	551,923.49	73,750.80	(308,025.15)	0.00	0.00	317,649.14	317,649.14	0.00	0.00
Mutual Fund	2000 A/B MF Willams Run	0.36	11/01/08	12/01/08	13.09	13.09	0.00				13.09	13.09	-	0.00
Mutual Fund	2000 A/B MF Willams Run	0.36	11/01/08	12/01/08	14.72	14.72	0.00				14.72	14.72	-	0.00
Mutual Fund	2000 A/B MF Willams Run	0.36	11/01/08	12/01/08	6,300.44	6,300.44	4,843.84				11,144.28	11,144.28	-	0.00
Mutual Fund	2000 A/B MF Willams Run	0.36	11/01/08	12/01/08	1,588.70	1,588.70	4.14				1,592.84	1,592.84	-	0.00
	2000 A/B MF Willams Run Total				7,916.95	7,916.95	4,847.98	0.00	0.00	0.00	12,764.93	12,764.93	0.00	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	0.36	11/01/08	12/01/08	21,965.41	21,965.41	2,503.71				24,469.12	24,469.12	-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	0.36	11/01/08	12/01/08	140,691.82	140,691.82	54,929.14				195,620.96	195,620.96	-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	0.36	11/01/08	12/01/08	157,905.60	157,905.60	14,564.43				172,470.03	172,470.03	-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	0.36	11/01/08	12/01/08	96,638.30	96,638.30	281.79				96,920.09	96,920.09	-	0.00
Mutual Fund	2001A MF Bluffview Sr. Apts.	0.36	11/01/08	12/01/08	41,929.26	41,929.26	110.66				42,039.92	42,039.92	-	0.00
	2001A MF Bluffview Sr. Apts. Total				459,130.39	459,130.39	72,389.73	0.00	0.00	0.00	531,520.12	531,520.12	0.00	0.00
Mutual Fund	2001A MF Knollwood Villas Apts	0.36	11/01/08	12/01/08	10,621.66	10,621.66	3,150.58				13,772.24	13,772.24	-	0.00
Mutual Fund	2001A MF Knollwood Villas Apts	0.36	11/01/08	12/01/08	151,150.39	151,150.39	58,473.73				209,624.12	209,624.12	-	0.00
Mutual Fund	2001A MF Knollwood Villas Apts	0.36	11/01/08	12/01/08	90,986.46	90,986.46	15,144.41				106,130.87	106,130.87	-	0.00
Mutual Fund	2001A MF Knollwood Villas Apts	0.36	11/01/08	12/01/08	118,876.35	118,876.35	0.00				118,876.35	118,876.35	-	0.00
	2001A MF Knollwood Villas Apts Total				371,634.86	371,634.86	76,768.72	0.00	0.00	0.00	448,403.58	448,403.58	0.00	0.00
Mutual Fund	2001A MF Skyway Villas	0.36	11/01/08	12/01/08	13,271.71	13,271.71	9,305.41				22,577.12	22,577.12	-	0.00
Mutual Fund	2001A MF Skyway Villas	0.36	11/01/08	12/01/08	311,390.57	311,390.57		(79,285.57)			232,105.00	232,105.00	-	0.00
Mutual Fund	2001A MF Skyway Villas	0.36	11/01/08	12/01/08			857.11				857.11	857.11	-	0.00
Mutual Fund	2001A MF Skyway Villas	0.36	11/01/08	12/01/08	149,149.80	149,149.80	9,578.23				158,728.03	158,728.03	-	0.00
Mutual Fund	2001A MF Skyway Villas	0.36	11/01/08	12/01/08	44,619.27	44,619.27		(9,923.18)			34,696.09	34,696.09	-	0.00
Inv Agmt	2001A MF Skyway Villas				45,389.65	45,389.65		(45,389.65)					-	0.00
Mutual Fund	2001A MF Skyway Villas	0.36	11/01/08	12/01/08	27,500.01	27,500.01	25,833.35				53,333.36	53,333.36	-	0.00
Mutual Fund	2001A MF Skyway Villas	0.36	11/01/08	12/01/08	69,524.10	69,524.10	119,415.84				188,939.94	188,939.94	-	0.00
	2001A MF Skyway Villas Total				660,845.11	660,845.11	164,989.94	(134,598.40)	0.00	0.00	691,236.65	691,236.65	0.00	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Mutual Fund	2001AB MF Cobb Park Apts	0.36	11/01/08	12/01/08	2,707.86	2,707.86	6,195.03				8,902.89	8,902.89	-	0.00
Mutual Fund	2001AB MF Cobb Park Apts	0.36	11/01/08	12/01/08	156,753.11	156,753.11	50,574.19				207,327.30	207,327.30	-	0.00
Mutual Fund	2001AB MF Cobb Park Apts	0.36	11/01/08	12/01/08	27,372.33	27,372.33		(10,937.40)			16,434.93	16,434.93	-	0.00
Mutual Fund	2001AB MF Cobb Park Apts				72,747.17	72,747.17		(72,747.17)					-	0.00
Mutual Fund	2001AB MF Cobb Park Apts	0.36	11/01/08	12/01/08	58,159.36	58,159.36	153.49				58,312.85	58,312.85	-	0.00
	2001AB MF Cobb Park Apts Total				317,739.83	317,739.83	56,922.71	(83,684.57)	0.00	0.00	290,977.97	290,977.97	0.00	0.00
Mutual Fund	2001A MF Greens Road Apts	0.73	11/01/08	12/01/08	32.38	32.38	0.00				32.38	32.38	-	0.00
Mutual Fund	2001A MF Greens Road Apts				3.90	3.90		(3.90)					-	0.00
Inv Agmt	2001A MF Greens Road Apts	4.01	09/14/01	06/01/34	131,313.85	131,313.85	139,064.17				270,378.02	270,378.02	-	0.00
	2001A MF Greens Road Apts Total				131,350.13	131,350.13	139,064.17	(3.90)	0.00	0.00	270,410.40	270,410.40	0.00	0.00
Mutual Fund	2001AB MF Meridian Apts	0.06	11/01/08	12/01/08	4,839.73	4,839.73	2,716.15				7,555.88	7,555.88	-	0.00
Mutual Fund	2001AB MF Meridian Apts	0.06	11/01/08	12/01/08	46,936.62	46,936.62	11,761.29				58,697.91	58,697.91	-	0.00
Money Market	2001AB MF Meridian Apts	0.06	11/01/08	12/01/08	167,691.88	167,691.88	57,105.48				224,797.36	224,797.36	-	0.00
Mutual Fund	2001AB MF Meridian Apts	0.06	11/01/08	12/01/08	119,850.52	119,850.52	103,990.22				223,840.74	223,840.74	-	0.00
Mutual Fund	2001AB MF Meridian Apts	0.06	11/01/08	12/01/08	49,994.49	49,994.49		(49,903.17)			91.32	91.32	-	0.00
Mutual Fund	2001AB MF Meridian Apts	0.06	11/01/08	12/01/08	26,666.66	26,666.66	26,720.33				53,386.99	53,386.99	-	0.00
Mutual Fund	2001AB MF Meridian Apts	0.06	11/01/08	12/01/08	106,270.84	106,270.84	106,493.28				212,764.12	212,764.12	-	0.00
	2001AB MF Meridian Apts Total				522,250.74	522,250.74	308,786.75	(49,903.17)	0.00	0.00	781,134.32	781,134.32	0.00	0.00
Mutual Fund	2001AB MF Wildwood Branch				2.62	2.62		(2.62)					-	0.00
Mutual Fund	2001AB MF Wildwood Branch	0.06	11/01/08	12/01/08	1,550.00	1,550.00	7.16				1,557.16	1,557.16	-	0.00
Mutual Fund	2001AB MF Wildwood Branch	0.06	11/01/08	12/01/08	173,516.44	173,516.44	331.39				173,847.83	173,847.83	-	0.00
Mutual Fund	2001AB MF Wildwood Branch				0.02	0.02		(0.02)					-	0.00
Mutual Fund	2001AB MF Wildwood Branch	0.06	11/01/08	12/01/08	133,373.50	133,373.50	311,491.08				444,864.58	444,864.58	-	0.00
Mutual Fund	2001AB MF Wildwood Branch	0.06	11/01/08	12/01/08	52,641.00	52,641.00		(52,539.21)			101.79	101.79	-	0.00
Mutual Fund	2001AB MF Wildwood Branch	0.06	11/01/08	12/01/08	26,666.66	26,666.66	59.99				26,726.65	26,726.65	-	0.00
Mutual Fund	2001AB MF Wildwood Branch	0.06	11/01/08	12/01/08	104,535.94	104,535.94	240.58				104,776.52	104,776.52	-	0.00
	2001AB MF Wildwood Branch Total				492,286.18	492,286.18	312,130.20	(52,541.85)	0.00	0.00	751,874.53	751,874.53	0.00	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	0.06	11/01/08	12/01/08	219,315.23	219,315.23	59,103.13				278,418.36	278,418.36	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	0.36	11/01/08	12/01/08	17,939.37	17,939.37	8,091.48				26,030.85	26,030.85	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	0.36	11/01/08	12/01/08	131.07	131.07	0.53				131.60	131.60	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	0.36	11/01/08	12/01/08			1,070,313.89				1,070,313.89	1,070,313.89	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	0.36	11/01/08	12/01/08	113,315.80	113,315.80	14,452.19				127,767.99	127,767.99	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	0.36	11/01/08	12/01/08	57,864.27	57,864.27	52,727.98				110,592.25	110,592.25	-	0.00
Mutual Fund	2001ABC MF Fallbrook Apts	0.36	11/01/08	12/01/08	244,013.69	244,013.69	216,334.80				460,348.49	460,348.49	-	0.00
	2001ABC MF Fallbrook Apts Total				652,579.43	652,579.43	1,421,024.00	0.00	0.00	0.00	2,073,603.43	2,073,603.43	0.00	0.00
Mutual Fund	2001 MF Oak Hollow Apts	0.36	11/01/08	12/01/08	30,578.47	30,578.47	5,891.58				36,470.05	36,470.05	-	0.00
Mutual Fund	2001 MF Oak Hollow Apts	0.36	11/01/08	12/01/08	34,162.08	34,162.08	8,747.88				42,909.96	42,909.96	-	0.00
Mutual Fund	2001 MF Oak Hollow Apts	0.36	11/01/08	12/01/08	3.98	3.98	56,293.39				56,297.37	56,297.37	-	0.00
Mutual Fund	2001 MF Oak Hollow Apts	0.36	11/01/08	12/01/08	86,059.06	86,059.06	33,182.92				119,241.98	119,241.98	-	0.00
	2001 MF Oak Hollow Apts Total				150,803.59	150,803.59	104,115.77	0.00	0.00	0.00	254,919.36	254,919.36	0.00	0.00
Mutual Fund	2001AB MF Hillside Apts	0.36	11/01/08	12/01/08	21,421.75	21,421.75	7,502.67				28,924.42	28,924.42	-	0.00
Mutual Fund	2001AB MF Hillside Apts	0.36	11/01/08	12/01/08	36,219.41	36,219.41	13,051.54				49,270.95	49,270.95	-	0.00
Mutual Fund	2001AB MF Hillside Apts	0.36	11/01/08	12/01/08	101,232.21	101,232.21		(0.95)			101,231.26	101,231.26	-	0.00
Mutual Fund	2001AB MF Hillside Apts	0.36	11/01/08	12/01/08	136,274.32	136,274.32	52,293.27				188,567.59	188,567.59	-	0.00
	2001AB MF Hillside Apts Total				295,147.69	295,147.69	72,847.48	(0.95)	0.00	0.00	367,994.22	367,994.22	0.00	0.00
Mutual Fund	2002A MF Millstone Apts	0.05	11/01/08	12/01/08	5,910.79	5,910.79	8,870.17				14,780.96	14,780.96	-	0.00
Mutual Fund	2002A MF Millstone Apts	0.05	11/01/08	12/01/08	116,103.13	116,103.13	15,687.61				131,790.74	131,790.74	-	0.00
Mutual Fund	2002A MF Millstone Apts	0.05	11/01/08	12/01/08	21,815.22	21,815.22	9,634.57				31,449.79	31,449.79	-	0.00
Mutual Fund	2002A MF Millstone Apts	0.05	11/01/08	12/01/08	90,249.87	90,249.87		(40,481.11)			49,768.76	49,768.76	-	0.00
Mutual Fund	2002A MF Millstone Apts	0.05	11/01/08	12/01/08	38,726.94	38,726.94	32,554.46				71,281.40	71,281.40	-	0.00
Mutual Fund	2002A MF Millstone Apts	0.05	11/01/08	12/01/08	138,644.71	138,644.71	112,802.40				251,447.11	251,447.11	-	0.00
Mutual Fund	2002A MF Millstone Apts	0.05	11/01/08	12/01/08	139,254.16	139,254.16	52,915.88				192,170.04	192,170.04	-	0.00
	2002A MF Millstone Apts Total				550,704.82	550,704.82	232,465.09	(40,481.11)	0.00	0.00	742,688.80	742,688.80	0.00	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Mutual Fund	2002 MF SugarCreek Apts	0.05	11/01/08	12/01/08	274.72	274.72	0.47				275.19	275.19	-	0.00
Mutual Fund	2002 MF SugarCreek Apts	0.05	11/01/08	12/01/08	154,032.78	154,032.78	245,149.41				399,182.19	399,182.19	-	0.00
Mutual Fund	2002 MF SugarCreek Apts	0.05	11/01/08	12/01/08	3,481.96	3,481.96	5.83				3,487.79	3,487.79	-	0.00
Mutual Fund	2002 MF SugarCreek Apts	0.05	11/01/08	12/01/08	0.05	0.05	0.00				0.05	0.05	-	0.00
	2002 MF SugarCreek Apts Total				157,789.51	157,789.51	245,155.71	0.00	0.00	0.00	402,945.22	402,945.22	0.00	0.00
Mutual Fund	2002 MF West Oaks Apts	0.36	11/01/08	12/01/08	877.50	877.50	2.32				879.82	879.82	-	0.00
Mutual Fund	2002 MF West Oaks Apts	0.36	11/01/08	12/01/08	196,835.73	196,835.73	9,937.70				206,773.43	206,773.43	-	0.00
Money Market	2002 MF West Oaks Apts	0.36	11/01/08	12/01/08	10,597.57	10,597.57	5,655.54				16,253.11	16,253.11	-	0.00
Mutual Fund	2002 MF West Oaks Apts	0.36	11/01/08	12/01/08			88,975.45				88,975.45	88,975.45	-	0.00
Mutual Fund	2002 MF West Oaks Apts	0.36	11/01/08	12/01/08	287,047.56	287,047.56	67,700.72				354,748.28	354,748.28	-	0.00
	2002 MF West Oaks Apts Total				495,358.36	495,358.36	172,271.73	0.00	0.00	0.00	667,630.09	667,630.09	0.00	0.00
Mutual Fund	2002 MF Park Meadows Apts	0.06	11/01/08	12/01/08	3,373.24	3,373.24	7.18				3,380.42	3,380.42	-	0.00
Mutual Fund	2002 MF Park Meadows Apts	0.06	11/01/08	12/01/08	143,897.14	143,897.14	89,648.13				233,545.27	233,545.27	-	0.00
Mutual Fund	2002 MF Park Meadows Apts	0.06	11/01/08	12/01/08	52.34	52.34	0.07				52.41	52.41	-	0.00
	2002 MF Park Meadows Apts Total				147,322.72	147,322.72	89,655.38	0.00	0.00	0.00	236,978.10	236,978.10	0.00	0.00
Mutual Fund	2002 MF Clarkridge Villas Apts	0.36	11/01/08	12/01/08	33,592.09	33,592.09		(19,955.46)			13,636.63	13,636.63	-	0.00
Mutual Fund	2002 MF Clarkridge Villas Apts	0.36	11/01/08	12/01/08	127,756.12	127,756.12	14,605.12				142,361.24	142,361.24	-	0.00
Mutual Fund	2002 MF Clarkridge Villas Apts	0.36	11/01/08	12/01/08	117,499.47	117,499.47	0.00				117,499.47	117,499.47	-	0.00
Money Market	2002 MF Clarkridge Villas Apts	0.36	11/01/08	12/01/08	175,871.00	175,871.00	69,714.80				245,585.80	245,585.80	-	0.00
	2002 MF Clarkridge Villas Apts Total				454,718.68	454,718.68	84,319.92	(19,955.46)	0.00	0.00	519,083.14	519,083.14	0.00	0.00
Mutual Fund	2002 MF Hickory Trace Apts	0.36	11/01/08	12/01/08	18,520.95	18,520.95		(16,463.73)			2,057.22	2,057.22	-	0.00
Mutual Fund	2002 MF Hickory Trace Apts	0.36	11/01/08	12/01/08	53,683.92	53,683.92	9,779.70				63,463.62	63,463.62	-	0.00
Money Market	2002 MF Hickory Trace Apts	0.36	11/01/08	12/01/08	91,114.65	91,114.65	182.94				91,297.59	91,297.59	-	0.00
Mutual Fund	2002 MF Hickory Trace Apts	0.36	11/01/08	12/01/08	111,816.65	111,816.65	42,036.34				153,852.99	153,852.99	-	0.00
	2002 MF Hickory Trace Apts Total				275,136.17	275,136.17	51,998.98	(16,463.73)	0.00	0.00	310,671.42	310,671.42	0.00	0.00
Mutual Fund	2002 MF Green Crest Apts	0.36	11/01/08	12/01/08	196,945.83	196,945.83		(72,337.47)			124,608.36	124,608.36	-	0.00
Mutual Fund	2002 MF Green Crest Apts	0.36	11/01/08	12/01/08	105,318.31	105,318.31	9,883.97				115,202.28	115,202.28	-	0.00
Mutual Fund	2002 MF Green Crest Apts	0.36	11/01/08	12/01/08	5.94	5.94	102,375.71				102,381.65	102,381.65	-	0.00
Mutual Fund	2002 MF Green Crest Apts	0.36	11/01/08	12/01/08	1,491.91	1,491.91		(377.33)			1,114.58	1,114.58	-	0.00
	2002 MF Green Crest Apts Total				303,761.99	303,761.99	112,259.68	(72,714.80)	0.00	0.00	343,306.87	343,306.87	0.00	0.00
Mutual Fund	2002 MF Ironwood Apts	0.36	11/01/08	12/01/08	452,977.59	452,977.59	68,720.48				521,698.07	521,698.07	-	0.00
Mutual Fund	2002 MF Ironwood Apts	0.36	11/01/08	12/01/08	3,985.07	3,985.07	10.52				3,995.59	3,995.59	-	0.00
Mutual Fund	2002 MF Ironwood Apts	0.36	11/01/08	12/01/08	9,678.85	9,678.85	25.53				9,704.38	9,704.38	-	0.00
Mutual Fund	2002 MF Ironwood Apts	0.36	11/01/08	12/01/08	890.62	890.62	2.34				892.96	892.96	-	0.00
	2002 MF Ironwood Apts Total				467,532.13	467,532.13	68,758.87	0.00	0.00	0.00	536,291.00	536,291.00	0.00	0.00
Mutual Fund	2002 MF Woodway Village	0.06	11/01/08	12/01/08	12,353.03	12,353.03		(9,657.26)			2,695.77	2,695.77	-	0.00
Mutual Fund	2002 MF Woodway Village	0.06	11/01/08	12/01/08	139,300.89	139,300.89	130,840.52				270,141.41	270,141.41	-	0.00
	2002 MF Woodway Village Total				151,653.92	151,653.92	130,840.52	(9,657.26)	0.00	0.00	272,837.18	272,837.18	0.00	0.00
Money Market	2003 AB MF Reading Road	0.06	11/01/08	12/01/08	62.54	62.54	15,194.33				15,256.87	15,256.87	-	0.00
Mutual Fund	2003 AB MF Reading Road	0.06	11/01/08	12/01/08	25,219.82	25,219.82	37,273.74				62,493.56	62,493.56	-	0.00
Mutual Fund	2003 AB MF Reading Road	0.06	11/01/08	12/01/08	26,619.71	26,619.71		(6,931.92)			19,687.79	19,687.79	-	0.00
Money Market	2003 AB MF Reading Road	0.06	11/01/08	12/01/08	7.96	7.96	0.00				7.96	7.96	-	0.00
Mutual Fund	2003 AB MF Reading Road	0.06	11/01/08	12/01/08	7.96	7.96	0.00				7.96	7.96	-	0.00
Mutual Fund	2003 AB MF Reading Road	0.06	11/01/08	12/01/08	95,904.55	95,904.55		(74,890.59)			21,013.96	21,013.96	-	0.00
Mutual Fund	2003 AB MF Reading Road	0.06	11/01/08	12/01/08	0.16	0.16	0.00				0.16	0.16	-	0.00
	2003 AB MF Reading Road Total				147,822.70	147,822.70	52,468.07	(81,822.51)	0.00	0.00	118,468.26	118,468.26	0.00	0.00
Money Market	2003 AB MF North Vista Apts	1.28	11/01/08	12/01/08	131,064.66	131,064.66	41,941.61				173,006.27	173,006.27	-	0.00
Mutual Fund	2003 AB MF North Vista Apts	1.28	11/01/08	12/01/08	395.85	395.85	1.82				397.67	397.67	-	0.00
Mutual Fund	2003 AB MF North Vista Apts	1.28	11/01/08	12/01/08	102,137.12	102,137.12		(40,680.12)			61,457.00	61,457.00	-	0.00
Mutual Fund	2003 AB MF North Vista Apts	1.28	11/01/08	12/01/08	128,258.78	128,258.78	16,318.98				144,577.76	144,577.76	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Mutual Fund	2003 AB MF North Vista Apts	1.28	11/01/08	12/01/08	51,713.98	51,713.98		(29,316.57)			22,397.41	22,397.41	-	0.00
Money Market	2003 AB MF North Vista Apts	0.36	11/01/08	12/01/08	47,315.10	47,315.10	40,230.51				87,545.61	87,545.61	-	0.00
Mutual Fund	2003 AB MF North Vista Apts	1.28	11/01/08	12/01/08	120,423.27	120,423.27	134,859.06				255,282.33	255,282.33	-	0.00
Mutual Fund	2003 AB MF North Vista Apts	1.28	11/01/08	12/01/08	8,650.50	8,650.50	18,748.06				27,398.56	27,398.56	-	0.00
	2003 AB MF North Vista Apts Total				589,959.26	589,959.26	252,100.04	(69,996.69)	0.00	0.00	772,062.61	772,062.61	0.00	0.00
Mutual Fund	2003 AB MF West Virginia Apts	1.57	11/01/08	12/01/08	17,385.68	17,385.68	13,347.75				30,733.43	30,733.43	-	0.00
Money Market	2003 AB MF West Virginia Apts	1.57	11/01/08	12/01/08	88,600.35	88,600.35	13,201.75				101,802.10	101,802.10	-	0.00
Money Market	2003 AB MF West Virginia Apts	1.57	11/01/08	12/01/08	162,332.22	162,332.22	54,917.81				217,250.03	217,250.03	-	0.00
Mutual Fund	2003 AB MF West Virginia Apts	1.57	11/01/08	12/01/08	10,896.87	10,896.87	187.21				11,084.08	11,084.08	-	0.00
Mutual Fund	2003 AB MF West Virginia Apts	1.57	11/01/08	12/01/08	44,876.70	44,876.70		(32,020.84)			12,855.86	12,855.86	-	0.00
Money Market	2003 AB MF West Virginia Apts	1.57	11/01/08	12/01/08	37,884.54	37,884.54	30,194.17				68,078.71	68,078.71	-	0.00
Mutual Fund	2003 AB MF West Virginia Apts	1.57	11/01/08	12/01/08	127,514.45	127,514.45	90,840.13				218,354.58	218,354.58	-	0.00
	2003 AB MF West Virginia Apts Total				489,490.81	489,490.81	202,688.82	(32,020.84)	0.00	0.00	660,158.79	660,158.79	0.00	0.00
Mutual Fund	2003AB MF Sphinx @ Murdeaux	0.36	11/01/08	12/01/08	2,096.73	2,096.73	5.53				2,102.26	2,102.26	-	0.00
GNMA	2003AB MF Sphinx @ Murdeaux	5.10	12/30/04	12/15/42	14,591,429.94	14,591,429.94			(37,331.84)		14,554,098.10	14,554,098.10	-	0.00
Inv Agmt	2003AB MF Sphinx @ Murdeaux	2.51	05/13/03	12/01/42	154,197.84	154,197.84	223,245.79				377,443.63	377,443.63	-	0.00
	2003AB MF Sphinx @ Murdeaux Total				14,747,724.51	14,747,724.51	223,251.32	0.00	(37,331.84)	0.00	14,933,643.99	14,933,643.99	0.00	0.00
Mutual Fund	2003 AB MF Primrose Houston	0.36	11/01/08	12/01/08	99,882.46	99,882.46		(35.84)			99,846.62	99,846.62	-	0.00
Money Market	2003 AB MF Primrose Houston	0.36	11/01/08	12/01/08	21,852.16	21,852.16		(19,129.64)			2,722.52	2,722.52	-	0.00
	2003 AB MF Primrose Houston Total				121,734.62	121,734.62	0.00	(19,165.48)	0.00	0.00	102,569.14	102,569.14	0.00	0.00
Mutual Fund	2003 AB MF Timber Oaks Apts	0.36	11/01/08	12/01/08	52,197.28	52,197.28		(36,109.10)			16,088.18	16,088.18	-	0.00
Mutual Fund	2003 AB MF Timber Oaks Apts	0.36	11/01/08	12/01/08	172,700.59	172,700.59	14,909.69				187,610.28	187,610.28	-	0.00
Mutual Fund	2003 AB MF Timber Oaks Apts	0.36	11/01/08	12/01/08	93,928.18	93,928.18		(1.24)			93,926.94	93,926.94	-	0.00
Mutual Fund	2003 AB MF Timber Oaks Apts	0.36	11/01/08	12/01/08	4,324.90	4,324.90	7,804.20				12,129.10	12,129.10	-	0.00
	2003 AB MF Timber Oaks Apts Total				323,150.95	323,150.95	22,713.89	(36,110.34)	0.00	0.00	309,754.50	309,754.50	0.00	0.00
Mutual Fund	2003 AB MF Ash Creek	0.36	11/01/08	12/01/08	1,198.13	1,198.13	15.91				1,214.04	1,214.04	-	0.00
Mutual Fund	2003 AB MF Ash Creek	0.36	11/01/08	12/01/08	4,828.48	4,828.48	0.00				4,828.48	4,828.48	-	0.00
Mutual Fund	2003 AB MF Ash Creek	0.36	11/01/08	12/01/08	99,326.51	99,326.51		(28.85)			99,297.66	99,297.66	-	0.00
Money Market	2003 AB MF Ash Creek				10,763.92	10,763.92		(10,763.92)					-	0.00
	2003 AB MF Ash Creek Total				116,117.04	116,117.04	15.91	(10,792.77)	0.00	0.00	105,340.18	105,340.18	0.00	0.00
Mutual Fund	2003 AB MF Peninsula				269.50	269.50		(269.50)					-	0.00
Mutual Fund	2003 AB MF Peninsula	0.36	11/01/08	12/01/08	352,727.21	352,727.21		(215,885.28)			136,841.93	136,841.93	-	0.00
Mutual Fund	2003 AB MF Peninsula	0.36	11/01/08	12/01/08	20,071.83	20,071.83		(19,928.83)			143.00	143.00	-	0.00
	2003 AB MF Peninsula Total				373,068.54	373,068.54	0.00	(236,083.61)	0.00	0.00	136,984.93	136,984.93	0.00	0.00
Mutual Fund	2003 A MF Evergreen @ Mesquite	0.36	11/01/08	12/01/08	31.32	31.32	0.09				31.41	31.41	-	0.00
Mutual Fund	2003 A MF Evergreen @ Mesquite	0.36	11/01/08	12/01/08	90,992.56	90,992.56	9,893.11				100,885.67	100,885.67	-	0.00
Mutual Fund	2003 A MF Evergreen @ Mesquite	0.36	11/01/08	12/01/08	81,601.08	81,601.08	15.24				81,616.32	81,616.32	-	0.00
Mutual Fund	2003 A MF Evergreen @ Mesquite	0.36	11/01/08	12/01/08	1,009.79	1,009.79	2.66				1,012.45	1,012.45	-	0.00
Mutual Fund	2003 A MF Evergreen @ Mesquite	0.36	11/01/08	12/01/08	0.03	0.03	0.00				0.03	0.03	-	0.00
Money Market	2003 A MF Evergreen @ Mesquite	0.36	11/01/08	12/01/08	37.54	37.54	0.09				37.63	37.63	-	0.00
Mutual Fund	2003 A MF Evergreen @ Mesquite	0.36	11/01/08	12/01/08	11,673.45	11,673.45	6,794.26				18,467.71	18,467.71	-	0.00
	2003 A MF Evergreen @ Mesquite Total				185,345.77	185,345.77	16,705.45	0.00	0.00	0.00	202,051.22	202,051.22	0.00	0.00
Mutual Fund	2003 AB Arlington Villas	0.36	11/01/08	12/01/08	108,171.43	108,171.43	179.19				108,350.62	108,350.62	-	0.00
Mutual Fund	2003 AB Arlington Villas	0.36	11/01/08	12/01/08	24,807.18	24,807.18		(17,070.28)			7,736.90	7,736.90	-	0.00
	2003 AB Arlington Villas Total				132,978.61	132,978.61	179.19	(17,070.28)	0.00	0.00	116,087.52	116,087.52	0.00	0.00
Mutual Fund	2003 AB Parkview Twnhms	0.36	11/01/08	12/01/08	6,531.21	6,531.21	17.23				6,548.44	6,548.44	-	0.00
Mutual Fund	2003 AB Parkview Twnhms	0.36	11/01/08	12/01/08	78,417.53	78,417.53	206.95				78,624.48	78,624.48	-	0.00
Mutual Fund	2003 AB Parkview Twnhms	0.36	11/01/08	12/01/08	68.31	68.31	0.18				68.49	68.49	-	0.00
Mutual Fund	2003 AB Parkview Twnhms	0.36	11/01/08	12/01/08	407.95	407.95	1.08				409.03	409.03	-	0.00
Mutual Fund	2003 AB Parkview Twnhms	0.36	11/01/08	12/01/08	220,419.29	220,419.29	581.72				221,001.01	221,001.01	-	0.00
	2003 AB Parkview Twnhms Total				305,844.29	305,844.29	807.16	0.00	0.00	0.00	306,651.45	306,651.45	0.00	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Money Market	2003 MF NHP-Asmara-Refunding	0.36	11/01/08	12/01/08	41,922.19	41,922.19	124,924.62				166,846.81	166,846.81	-	0.00
Money Market	2003 MF NHP-Asmara-Refunding	0.36	11/01/08	12/01/08	59,544.78	59,544.78	30,657.91				90,202.69	90,202.69	-	0.00
Money Market	2003 MF NHP-Asmara-Refunding	0.36	11/01/08	12/01/08	670.56	670.56	0.00				670.56	670.56	-	0.00
Money Market	2003 MF NHP-Asmara-Refunding	0.36	11/01/08	12/01/08	99,289.24	99,289.24	262.04				99,551.28	99,551.28	-	0.00
	2003 MF NHP-Asmara-Refunding Total				201,426.77	201,426.77	155,844.57	0.00	0.00	0.00	357,271.34	357,271.34	0.00	0.00
Money Market	2004 A&B Timber Ridge	0.36	11/01/08	12/01/08	10,451.25	10,451.25	6,162.35				16,613.60	16,613.60	-	0.00
Money Market	2004 A&B Timber Ridge	0.36	11/01/08	12/01/08	51,575.69	51,575.69	714.26				52,289.95	52,289.95	-	0.00
	2004 A&B Timber Ridge Total				62,026.94	62,026.94	6,876.61	0.00	0.00	0.00	68,903.55	68,903.55	0.00	0.00
Money Market	2004 A&B Century Park	0.36	11/01/08	12/01/08	30,012.60	30,012.60	9,998.38				40,010.98	40,010.98	-	0.00
Money Market	2004 A&B Century Park				59,028.63	59,028.63		(59,028.63)					-	0.00
Money Market	2004 A&B Century Park	0.36	11/01/08	12/01/08	120,620.67	120,620.67	18,522.80				139,143.47	139,143.47	-	0.00
Money Market	2004 A&B Century Park	0.36	11/01/08	12/01/08	17,318.27	17,318.27	816.69				18,134.96	18,134.96	-	0.00
Money Market	2004 A&B Century Park	0.36	11/01/08	12/01/08	48,488.30	48,488.30	21,511.70				70,000.00	70,000.00	-	0.00
Money Market	2004 A&B Century Park	0.36	11/01/08	12/01/08	96,617.98	96,617.98		(582.76)			96,035.22	96,035.22	-	0.00
Money Market	2004 A&B Century Park	0.36	11/01/08	12/01/08	181,472.29	181,472.29	82,467.71				263,940.00	263,940.00	-	0.00
	2004 A&B Century Park Total				553,558.74	553,558.74	133,317.28	(59,611.39)	0.00	0.00	627,264.63	627,264.63	0.00	0.00
Money Market	2004 A Addison Park				596.56	596.56		(596.56)					-	0.00
Money Market	2004 A Addison Park				1,467.89	1,467.89		(1,467.89)					-	0.00
Money Market	2004 A Addison Park				12.26	12.26		(12.26)					-	0.00
	2004 A Addison Park Total				2,076.71	2,076.71	0.00	(2,076.71)	0.00	0.00	0.00	0.00	0.00	0.00
Money Market	2004 A&B MF Veterans Memorial	0.36	11/01/08	12/01/08	0.17	0.17	0.00				0.17	0.17	-	0.00
Money Market	2004 A&B MF Veterans Memorial	0.36	11/01/08	12/01/08	344.60	344.60	0.91				345.51	345.51	-	0.00
Money Market	2004 A&B MF Veterans Memorial	0.36	11/01/08	12/01/08	64,028.22	64,028.22	168.98				64,197.20	64,197.20	-	0.00
Money Market	2004 A&B MF Veterans Memorial	0.36	11/01/08	12/01/08	0.19	0.19	0.00				0.19	0.19	-	0.00
Money Market	2004 A&B MF Veterans Memorial	0.36	11/01/08	12/01/08	0.91	0.91	0.00				0.91	0.91	-	0.00
	2004 A&B MF Veterans Memorial Total				64,374.09	64,374.09	169.89	0.00	0.00	0.00	64,543.98	64,543.98	0.00	0.00
Money Market	2004 MF Rush Creek Apts	0.36	11/01/08	12/01/08	51,523.40	51,523.40	7,853.13				59,376.53	59,376.53	-	0.00
Money Market	2004 MF Rush Creek Apts	0.36	11/01/08	12/01/08	1,322.80	1,322.80	5.28				1,328.08	1,328.08	-	0.00
Money Market	2004 MF Rush Creek Apts	0.36	11/01/08	12/01/08	0.13	0.13	0.00				0.13	0.13	-	0.00
Money Market	2004 MF Rush Creek Apts	0.36	11/01/08	12/01/08	19.84	19.84	4.92				24.76	24.76	-	0.00
Money Market	2004 MF Rush Creek Apts	0.36	11/01/08	12/01/08	72.86	72.86	0.29				73.15	73.15	-	0.00
Money Market	2004 MF Rush Creek Apts	0.36	11/01/08	12/01/08	20,171.97	20,171.97	80.66				20,252.63	20,252.63	-	0.00
Money Market	2004 MF Rush Creek Apts	0.36	11/01/08	12/01/08	13,420.04	13,420.04	5,609.93				19,029.97	19,029.97	-	0.00
Money Market	2004 MF Rush Creek Apts	0.36	11/01/08	12/01/08	118,335.09	118,335.09	45,416.25				163,751.34	163,751.34	-	0.00
Money Market	2004 MF Rush Creek Apts	0.36	11/01/08	12/01/08	0.30	0.30	0.00				0.30	0.30	-	0.00
Money Market	2004 MF Rush Creek Apts	0.36	11/01/08	12/01/08	324.02	324.02	1.28				325.30	325.30	-	0.00
	2004 MF Rush Creek Apts Total				205,190.45	205,190.45	58,971.74	0.00	0.00	0.00	264,162.19	264,162.19	0.00	0.00
Money Market	2004 MF Humble Parkway	0.36	11/01/08	12/01/08	89,888.55	89,888.55	7,560.28				97,448.83	97,448.83	-	0.00
Money Market	2004 MF Humble Parkway	0.36	11/01/08	12/01/08	146,268.00	146,268.00	24,305.89				170,573.89	170,573.89	-	0.00
Money Market	2004 MF Humble Parkway	0.36	11/01/08	12/01/08			9.04				9.04	9.04	-	0.00
Inv Agmt	2004 MF Humble Parkway	3.65	11/16/05	02/01/10	173,743.76	173,743.76	144,979.72				318,723.48	318,723.48	-	0.00
Money Market	2004 MF Humble Parkway	0.36	11/01/08	12/01/08	5,297.18	5,297.18	5,385.02				10,682.20	10,682.20	-	0.00
	2004 MF Humble Parkway Total				415,197.49	415,197.49	182,239.95	0.00	0.00	0.00	597,437.44	597,437.44	0.00	0.00
Money Market	2004 MF Chisholm Trail Apts	0.10	11/01/08	12/01/08	1,445.52	1,445.52	0.00				1,445.52	1,445.52	-	0.00
Money Market	2004 MF Chisholm Trail Apts	0.36	11/01/08	12/01/08	125,110.31	125,110.31	37,496.73				162,607.04	162,607.04	-	0.00
Money Market	2004 MF Chisholm Trail Apts	0.10	11/01/08	12/01/08	2,217.63	2,217.63	26.83				2,244.46	2,244.46	-	0.00
Money Market	2004 MF Chisholm Trail Apts	0.10	11/01/08	12/01/08	7,421.47	7,421.47	6,648.24				14,069.71	14,069.71	-	0.00
	2004 MF Chisholm Trail Apts Total				136,194.93	136,194.93	44,171.80	0.00	0.00	0.00	180,366.73	180,366.73	0.00	0.00
Money Market	2004 MF Evergreen at Plano	0.10	11/01/08	12/01/08	161,828.67	161,828.67	34,639.62				196,468.29	196,468.29	-	0.00
Money Market	2004 MF Evergreen at Plano	0.10	11/01/08	12/01/08	11,096.37	11,096.37	3,953.43				15,049.80	15,049.80	-	0.00
Money Market	2004 MF Evergreen at Plano	0.10	11/01/08	12/01/08	2,166.48	2,166.48	5.15				2,171.63	2,171.63	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Money Market	2004 MF Evergreen at Plano	0.10	11/01/08	12/01/08	6,879.32	6,879.32	115.98				6,995.30	6,995.30	-	0.00
Money Market	2004 MF Evergreen at Plano	0.10	11/01/08	12/01/08	80,056.49	80,056.49		(84.73)			79,971.76	79,971.76	-	0.00
Money Market	2004 MF Evergreen at Plano	0.10	11/01/08	12/01/08	1,028.30	1,028.30	3.13				1,031.43	1,031.43	-	0.00
Money Market	2004 MF Evergreen at Plano	0.10	11/01/08	12/01/08	143,524.47	143,524.47	13,340.51				156,864.98	156,864.98	-	0.00
	2004 MF Evergreen at Plano Total				406,580.10	406,580.10	52,057.82	(84.73)	0.00	0.00	458,553.19	458,553.19	0.00	0.00
Money Market	2004 MF Montgomery Pines Apts	0.10	11/01/08	12/01/08	9,145.07	9,145.07		(8.49)			9,136.58	9,136.58	-	0.00
Money Market	2004 MF Montgomery Pines Apts	0.10	11/01/08	12/01/08	33.80	33.80	0.00				33.80	33.80	-	0.00
Money Market	2004 MF Montgomery Pines Apts	0.10	11/01/08	12/01/08	5.55	5.55	1,045.57				1,051.12	1,051.12	-	0.00
	2004 MF Montgomery Pines Apts Total				9,184.42	9,184.42	1,045.57	(8.49)	0.00	0.00	10,221.50	10,221.50	0.00	0.00
Money Market	2004 MF Bristol Apts	0.10	11/01/08	12/01/08	226.70	226.70	0.53				227.23	227.23	-	0.00
Money Market	2004 MF Bristol Apts	0.10	11/01/08	12/01/08	16.49	16.49	0.03				16.52	16.52	-	0.00
Money Market	2004 MF Bristol Apts	0.10	11/01/08	12/01/08	99.35	99.35	0.23				99.58	99.58	-	0.00
Money Market	2004 MF Bristol Apts	0.10	11/01/08	12/01/08	0.02	0.02	0.00				0.02	0.02	-	0.00
Money Market	2004 MF Bristol Apts	0.10	11/01/08	12/01/08	11,361.05	11,361.05	3,813.64				15,174.69	15,174.69	-	0.00
Money Market	2004 MF Bristol Apts	0.10	11/01/08	12/01/08	49.00	49.00	0.12				49.12	49.12	-	0.00
Money Market	2004 MF Bristol Apts	0.10	11/01/08	12/01/08	81,536.94	81,536.94	23,168.56				104,705.50	104,705.50	-	0.00
Money Market	2004 MF Bristol Apts	0.10	11/01/08	12/01/08	0.05	0.05	0.00				0.05	0.05	-	0.00
	2004 MF Bristol Apts Total				93,289.60	93,289.60	26,983.11	0.00	0.00	0.00	120,272.71	120,272.71	0.00	0.00
Money Market	2004 MF Pinnacle Apts	0.10	11/01/08	12/01/08	4,667.31	4,667.31	7,526.59				12,193.90	12,193.90	-	0.00
Money Market	2004 MF Pinnacle Apts	0.10	11/01/08	12/01/08	94,646.55	94,646.55	26,888.22				121,534.77	121,534.77	-	0.00
Money Market	2004 MF Pinnacle Apts	0.10	11/01/08	12/01/08	1,020.57	1,020.57	2.43				1,023.00	1,023.00	-	0.00
Money Market	2004 MF Pinnacle Apts	0.10	11/01/08	12/01/08	51.37	51.37	0.13				51.50	51.50	-	0.00
Money Market	2004 MF Pinnacle Apts	0.11	11/01/08	12/01/08	0.05	0.05	0.01				0.06	0.06	-	0.00
Money Market	2004 MF Pinnacle Apts	0.10	11/01/08	12/01/08	237.70	237.70	1.24				238.94	238.94	-	0.00
Money Market	2004 MF Pinnacle Apts	0.10	11/01/08	12/01/08	44.21	44.21	0.11				44.32	44.32	-	0.00
	2004 MF Pinnacle Apts Total				100,667.76	100,667.76	34,418.73	0.00	0.00	0.00	135,086.49	135,086.49	0.00	0.00
Money Market	2004 MF Tranquility Bay Apts	0.10	11/01/08	12/01/08	97,420.10	97,420.10		(6,751.77)			90,668.33	90,668.33	-	0.00
Money Market	2004 MF Tranquility Bay Apts	0.10	11/01/08	12/01/08	259.83	259.83	1.61				261.44	261.44	-	0.00
Money Market	2004 MF Tranquility Bay Apts	0.10	11/01/08	12/01/08	1,172.49	1,172.49	2.79				1,175.28	1,175.28	-	0.00
Money Market	2004 MF Tranquility Bay Apts	0.10	11/01/08	12/01/08	303,123.31	303,123.31	40,203.17				343,326.48	343,326.48	-	0.00
Money Market	2004 MF Tranquility Bay Apts	0.10	11/01/08	12/01/08	31,813.56	31,813.56	9,271.08				41,084.64	41,084.64	-	0.00
Money Market	2004 MF Tranquility Bay Apts	0.10	11/01/08	12/01/08	0.87	0.87	1.09				1.96	1.96	-	0.00
	2004 MF Tranquility Bay Apts Total				433,790.16	433,790.16	49,479.74	(6,751.77)	0.00	0.00	476,518.13	476,518.13	0.00	0.00
GNMA	2004 MF Sphinx @ Delafield	5.42	03/01/06	01/15/44	11,143,796.84	11,143,796.84			(24,743.69)		11,119,053.15	11,119,053.15	-	0.00
Inv Agmt	2004 MF Sphinx @ Delafield	3.00	11/22/04	01/20/44	61,765.42	61,765.42	175,662.60				237,428.02	237,428.02	-	0.00
Money Market	2004 MF Sphinx @ Delafield	0.36	11/01/08	12/01/08	7,876.24	7,876.24		(2,238.97)			5,637.27	5,637.27	-	0.00
	2004 MF Sphinx @ Delafield Total				11,213,438.50	11,213,438.50	175,662.60	(2,238.97)	(24,743.69)	0.00	11,362,118.44	11,362,118.44	0.00	0.00
Money Market	2004 MF Churchill @ Pinnacle	0.10	11/01/08	12/01/08	8,416.73	8,416.73	20.01				8,436.74	8,436.74	-	0.00
Money Market	2004 MF Churchill @ Pinnacle	0.10	11/01/08	12/01/08	262,128.99	262,128.99	57,234.88				319,363.87	319,363.87	-	0.00
Money Market	2004 MF Churchill @ Pinnacle	0.10	11/01/08	12/01/08	357.88	357.88	0.85				358.73	358.73	-	0.00
Money Market	2004 MF Churchill @ Pinnacle	0.10	11/01/08	12/01/08	114,348.50	114,348.50	10,568.28				124,916.78	124,916.78	-	0.00
Money Market	2004 MF Churchill @ Pinnacle	0.10	11/01/08	12/01/08	5,795.07	5,795.07	97.46				5,892.53	5,892.53	-	0.00
Money Market	2004 MF Churchill @ Pinnacle	0.10	11/01/08	12/01/08	54,797.19	54,797.19		(75.86)			54,721.33	54,721.33	-	0.00
Money Market	2004 MF Churchill @ Pinnacle	0.10	11/01/08	12/01/08	750.63	750.63	2.34				752.97	752.97	-	0.00
Money Market	2004 MF Churchill @ Pinnacle	0.10	11/01/08	12/01/08	16,428.93	16,428.93	2,214.44				18,643.37	18,643.37	-	0.00
	2004 MF Churchill @ Pinnacle Total				463,023.92	463,023.92	70,138.26	(75.86)	0.00	0.00	533,086.32	533,086.32	0.00	0.00
Money Market	2004 A/B MF Post Oak East Apts	0.10	11/01/08	12/01/08	3,033.89	3,033.89	7.21				3,041.10	3,041.10	-	0.00
Money Market	2004 A/B MF Post Oak East Apts	0.10	11/01/08	12/01/08	2.89	2.89	0.00				2.89	2.89	-	0.00
Money Market	2004 A/B MF Post Oak East Apts	0.10	11/01/08	12/01/08	5.99	5.99	0.02				6.01	6.01	-	0.00
	2004 A/B MF Post Oak East Apts Total				3,042.77	3,042.77	7.23	0.00	0.00	0.00	3,050.00	3,050.00	0.00	0.00
Money Market	2004 MF Village Fair	0.36	11/01/08	12/01/08	186,130.91	186,130.91	68,633.30				254,764.21	254,764.21	-	0.00
Money Market	2004 MF Village Fair	0.36	11/01/08	12/01/08	111,714.44	111,714.44	222.74				111,937.18	111,937.18	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Money Market	2004 MF Village Fair	0.36	11/01/08	12/01/08			2.37				2.37	2.37	-	0.00
Money Market	2004 MF Village Fair	0.36	11/01/08	12/01/08	22,529.01	22,529.01	7,677.99				30,207.00	30,207.00	-	0.00
	2004 MF Village Fair Total				320,374.36	320,374.36	76,536.40	0.00	0.00	0.00	396,910.76	396,910.76	0.00	0.00
Money Market	2005 MF Pecan Grove	0.36	11/01/08	12/01/08	603.87	603.87	1.60				605.47	605.47	-	0.00
Money Market	2005 MF Pecan Grove	0.36	11/01/08	12/01/08	0.02	0.02	0.00				0.02	0.02	-	0.00
	2005 MF Pecan Grove Total				603.89	603.89	1.60	0.00	0.00	0.00	605.49	605.49	0.00	0.00
Money Market	2005 MF Prairie Oaks	0.36	11/01/08	12/01/08	23,591.84	23,591.84	7,581.17				31,173.01	31,173.01	-	0.00
Money Market	2005 MF Prairie Oaks	0.36	11/01/08	12/01/08	71,456.73	71,456.73		(507.36)			70,949.37	70,949.37	-	0.00
Money Market	2005 MF Prairie Oaks	0.36	11/01/08	12/01/08	370,210.05	370,210.05	977.04				371,187.09	371,187.09	-	0.00
Money Market	2005 MF Prairie Oaks	0.36	11/01/08	12/01/08	25,494.14	25,494.14	67.29				25,561.43	25,561.43	-	0.00
Money Market	2005 MF Prairie Oaks	0.36	11/01/08	12/01/08	88,995.44	88,995.44	195.02				89,190.46	89,190.46	-	0.00
Money Market	2005 MF Prairie Oaks	0.36	11/01/08	12/01/08	149,529.34	149,529.34	55,538.44				205,067.78	205,067.78	-	0.00
	2005 MF Prairie Oaks Total				729,277.54	729,277.54	64,358.96	(507.36)	0.00	0.00	793,129.14	793,129.14	0.00	0.00
Money Market	2005 MF Port Royal	0.36	11/01/08	12/01/08	446.60	446.60	1.18				447.78	447.78	-	0.00
	2005 MF Port Royal Total				446.60	446.60	1.18	0.00	0.00	0.00	447.78	447.78	0.00	0.00
Money Market	2005 MF Mission Del Rio	0.36	11/01/08	12/01/08	6.81	6.81	0.02				6.83	6.83	-	0.00
Money Market	2005 MF Mission Del Rio	0.36	11/01/08	12/01/08	276,885.18	276,885.18	193,235.34				470,120.52	470,120.52	-	0.00
Money Market	2005 MF Mission Del Rio	0.36	11/01/08	12/01/08	2,105.03	2,105.03	0.00				2,105.03	2,105.03	-	0.00
Money Market	2005 MF Mission Del Rio	0.36	11/01/08	12/01/08	1.02	1.02	20,009.91				20,010.93	20,010.93	-	0.00
Money Market	2005 MF Mission Del Rio	0.36	11/01/08	12/01/08	339,393.20	339,393.20	674.34				340,067.54	340,067.54	-	0.00
Money Market	2005 MF Mission Del Rio	0.36	11/01/08	12/01/08	2,339.25	2,339.25	11.72				2,350.97	2,350.97	-	0.00
	2005 MF Mission Del Rio Total				620,730.49	620,730.49	213,931.33	0.00	0.00	0.00	834,661.82	834,661.82	0.00	0.00
Money Market	2005 MF Atascocita Apts	0.36	11/01/08	12/01/08	14,421.35	14,421.35	4,124.62				18,545.97	18,545.97	-	0.00
Money Market	2005 MF Atascocita Apts	0.36	11/01/08	12/01/08			27.00				27.00	27.00	-	0.00
Money Market	2005 MF Atascocita Apts	0.36	11/01/08	12/01/08	107,616.54	107,616.54		(72,510.19)			35,106.35	35,106.35	-	0.00
	2005 MF Atascocita Apts Total				122,037.89	122,037.89	4,151.62	(72,510.19)	0.00	0.00	53,679.32	53,679.32	0.00	0.00
Money Market	2005 MF Tower Ridge				0.31	0.31		(0.31)					-	0.00
Money Market	2005 MF Tower Ridge	0.06	11/01/08	12/01/08	12,198.54	12,198.54	9,620.44				21,818.98	21,818.98	-	0.00
Money Market	2005 MF Tower Ridge	0.06	11/01/08	12/01/08	914.46	914.46	2.03				916.49	916.49	-	0.00
Money Market	2005 MF Tower Ridge	0.73	11/01/08	12/01/08	86.13	86.13	0.08				86.21	86.21	-	0.00
Money Market	2005 MF Tower Ridge	0.73	11/01/08	12/01/08	1,811.11	1,811.11	15.50				1,826.61	1,826.61	-	0.00
	2005 MF Tower Ridge Total				15,010.55	15,010.55	9,638.05	(0.31)	0.00	0.00	24,648.29	24,648.29	0.00	0.00
Money Market	2005 MF Alta Cullen	0.10	11/01/08	12/01/08			0.05				0.05	0.05	-	0.00
Money Market	2005 MF Alta Cullen				41,610.23	41,610.23		(41,610.23)					-	0.00
Money Market	2005 MF Alta Cullen				834.87	834.87		(834.87)					-	0.00
Money Market	2005 MF Alta Cullen				4,975.02	4,975.02		(4,975.02)					-	0.00
Money Market	2005 MF Alta Cullen				287,075.31	287,075.31		(287,075.31)					-	0.00
	2005 MF Alta Cullen Total				334,495.43	334,495.43	0.05	(334,495.43)	0.00	0.00	0.05	0.05	0.00	0.00
GNMA	2005 MF Prairie Ranch	4.99	03/28/06	01/15/45	12,032,665.69	12,032,665.69			(27,710.62)		12,004,955.07	12,004,955.07	-	0.00
Inv Agmt	2005 MF Prairie Ranch	3.25	12/06/05	01/20/45	136,317.26	136,317.26	177,733.00				314,050.26	314,050.26	-	0.00
Money Market	2005 MF Prairie Ranch	0.36	11/01/08	12/01/08	3,573.77	3,573.77	9.42				3,583.19	3,583.19	-	0.00
Money Market	2005 MF Prairie Ranch	0.36	11/01/08	12/01/08	12,321.85	12,321.85	32.52				12,354.37	12,354.37	-	0.00
	2005 MF Prairie Ranch Total				12,184,878.57	12,184,878.57	177,774.94	0.00	(27,710.62)	0.00	12,334,942.89	12,334,942.89	0.00	0.00
Money Market	2005 MF St. Augustine	0.10	11/01/08	12/01/08	42.33	42.33	0.11				42.44	42.44	-	0.00
Money Market	2005 MF St. Augustine	0.10	11/01/08	12/01/08	4,272.15	4,272.15	10.16				4,282.31	4,282.31	-	0.00
Money Market	2005 MF St. Augustine	0.10	11/01/08	12/01/08	22,669.55	22,669.55		(8,712.77)			13,956.78	13,956.78	-	0.00
Money Market	2005 MF St. Augustine	0.10	11/01/08	12/01/08	25,442.09	25,442.09	107.54				25,549.63	25,549.63	-	0.00
	2005 MF St. Augustine Total				52,426.12	52,426.12	117.81	(8,712.77)	0.00	0.00	43,831.16	43,831.16	0.00	0.00
Mutual Fund	2005 MF Park Manor	0.02	11/01/08	12/01/08	24,883.90	24,883.90		(24,808.52)			75.38	75.38	-	0.00
Money Market	2005 MF Park Manor	0.02	11/01/08	12/01/08	118.25	118.25	0.46				118.71	118.71	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Money Market	2005 MF Park Manor	0.02	11/01/08	12/01/08	19,567.89	19,567.89		(5,065.30)			14,502.59	14,502.59	-	0.00
	2005 MF Park Manor Total				44,570.04	44,570.04	0.46	(29,873.82)	0.00	0.00	14,696.68	14,696.68	0.00	0.00
Money Market	2005 MF Pr Mockingbird	0.36	11/01/08	12/01/08	58,665.09	58,665.09		(984.12)			57,680.97	57,680.97	-	0.00
Money Market	2005 MF Pr Mockingbird	0.36	11/01/08	12/01/08	52,801.63	52,801.63	67,629.83				120,431.46	120,431.46	-	0.00
Money Market	2005 MF Pr Mockingbird	0.36	11/01/08	12/01/08	113,033.12	113,033.12		(1.72)			113,031.40	113,031.40	-	0.00
Money Market	2005 MF Pr Mockingbird	0.36	11/01/08	12/01/08	12,789.79	12,789.79	8,069.78				20,859.57	20,859.57	-	0.00
	2005 MF Pr Mockingbird Total				237,289.63	237,289.63	75,699.61	(985.84)	0.00	0.00	312,003.40	312,003.40	0.00	0.00
Money Market	2005 MF Pl @ Chase Oaks	0.10	11/01/08	12/01/08	409.97	409.97	0.97				410.94	410.94	-	0.00
Money Market	2005 MF Pl @ Chase Oaks	0.10	11/01/08	12/01/08	119.67	119.67	0.29				119.96	119.96	-	0.00
	2005 MF Pl @ Chase Oaks Total				529.64	529.64	1.26	0.00	0.00	0.00	530.90	530.90	0.00	0.00
Money Market	2005 MF Canal Place	0.36	11/01/08	12/01/08	27,815.21	27,815.21		(12,108.40)			15,706.81	15,706.81	-	0.00
Money Market	2005 MF Canal Place	0.36	11/01/08	12/01/08	103,086.57	103,086.57		(1,507.83)			101,578.74	101,578.74	-	0.00
Money Market	2005 MF Canal Place	0.36	11/01/08	12/01/08	2,367.56	2,367.56	6,873.19				9,240.75	9,240.75	-	0.00
	2005 MF Canal Place Total				133,269.34	133,269.34	6,873.19	(13,616.23)	0.00	0.00	126,526.30	126,526.30	0.00	0.00
Money Market	2006 MF Coral Hills	0.05	11/01/08	12/01/08	93,478.66	93,478.66	82,950.82				176,429.48	176,429.48	-	0.00
	2006 MF Coral Hills Total				93,478.66	93,478.66	82,950.82	0.00	0.00	0.00	176,429.48	176,429.48	0.00	0.00
Money Market	2006 MF Harris Branch	0.36	11/01/08	12/01/08			34,482.05				34,482.05	34,482.05	-	0.00
Money Market	2006 MF Harris Branch	0.37	11/01/08	12/01/08	4,718.61	4,718.61	12.45				4,731.06	4,731.06	-	0.00
Money Market	2006 MF Harris Branch				8,276.81	8,276.81		(8,276.81)					-	0.00
Money Market	2006 MF Harris Branch	0.36	11/01/08	12/01/08	6,174.32	6,174.32	18,771.71				24,946.03	24,946.03	-	0.00
Money Market	2006 MF Harris Branch	0.36	11/01/08	12/01/08	3,614.50	3,614.50		(60.35)			3,554.15	3,554.15	-	0.00
Money Market	2006 MF Harris Branch	0.36	11/01/08	12/01/08	63,715.60	63,715.60		(63,122.65)			592.95	592.95	-	0.00
	2006 MF Harris Branch Total				86,499.84	86,499.84	53,266.21	(71,459.81)	0.00	0.00	68,306.24	68,306.24	0.00	0.00
Money Market	2006 MF Bella Vista	0.36	11/01/08	12/01/08			8,323.20				8,323.20	8,323.20	-	0.00
Money Market	2006 MF Bella Vista	0.36	11/01/08	12/01/08	4,168.43	4,168.43		(1,602.48)			2,565.95	2,565.95	-	0.00
Money Market	2006 MF Bella Vista	0.36	11/01/08	12/01/08	239,638.30	239,638.30	632.44				240,270.74	240,270.74	-	0.00
Money Market	2006 MF Bella Vista				7,529.75	7,529.75		(7,529.75)					-	0.00
Money Market	2006 MF Bella Vista	0.36	11/01/08	12/01/08	17,612.10	17,612.10	12,401.22				30,013.32	30,013.32	-	0.00
Money Market	2006 MF Bella Vista	0.36	11/01/08	12/01/08	175,423.31	175,423.31		(103,959.93)			71,463.38	71,463.38	-	0.00
Money Market	2006 MF Bella Vista	0.36	11/01/08	12/01/08	2,515.26	2,515.26	3,821.37				6,336.63	6,336.63	-	0.00
Money Market	2006 MF Bella Vista	0.36	11/01/08	12/01/08	363.27	363.27	0.96				364.23	364.23	-	0.00
	2006 MF Bella Vista Total				447,250.42	447,250.42	25,179.19	(113,092.16)	0.00	0.00	359,337.45	359,337.45	0.00	0.00
Money Market	2006 MF Village Park	0.05	11/01/08	12/01/08	3.82	3.82	0.00				3.82	3.82	-	0.00
Money Market	2006 MF Village Park				90.97	90.97		(90.97)					-	0.00
Money Market	2006 MF Village Park	0.05	11/01/08	12/01/08	246,569.63	246,569.63	178,276.03				424,845.66	424,845.66	-	0.00
Money Market	2006 MF Village Park				250.38	250.38		(250.38)					-	0.00
	2006 MF Village Park Total				246,914.80	246,914.80	178,276.03	(341.35)	0.00	0.00	424,849.48	424,849.48	0.00	0.00
Money Market	2006 MF Oakmoor	0.10	11/01/08	12/01/08	9,484.28	9,484.28	7,402.00				16,886.28	16,886.28	-	0.00
Money Market	2006 MF Oakmoor	0.10	11/01/08	12/01/08			4,133.33				4,133.33	4,133.33	-	0.00
Money Market	2006 MF Oakmoor				400,253.33	400,253.33		(400,253.33)					-	0.00
Money Market	2006 MF Oakmoor				219,278.70	219,278.70		(219,278.70)					-	0.00
Money Market	2006 MF Oakmoor	0.10	11/01/08	12/01/08	73,184.93	73,184.93		(72,305.93)			879.00	879.00	-	0.00
Money Market	2006 MF Oakmoor	0.10	11/01/08	12/01/08			20,594.74				20,594.74	20,594.74	-	0.00
Money Market	2006 MF Oakmoor				853.00	853.00		(853.00)					-	0.00
	2006 MF Oakmoor Total				703,054.24	703,054.24	32,130.07	(692,690.96)	0.00	0.00	42,493.35	42,493.35	0.00	0.00
Money Market	2006 MF Sunset Pointe	1.53	11/01/08	12/01/08	1,182.46	1,182.46	6.52				1,188.98	1,188.98	-	0.00
	2006 MF Sunset Pointe Total				1,182.46	1,182.46	6.52	0.00	0.00	0.00	1,188.98	1,188.98	0.00	0.00
Money Market	2006 MF Hillcrest	0.05	11/01/08	12/01/08	4,902.36	4,902.36	7.33				4,909.69	4,909.69	-	0.00
Money Market	2006 MF Hillcrest	0.05	11/01/08	12/01/08	329,797.28	329,797.28		(159,002.80)			170,794.48	170,794.48	-	0.00
Money Market	2006 MF Hillcrest	0.05	11/01/08	12/01/08	453,543.48	453,543.48		(80,064.33)			373,479.15	373,479.15	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Money Market	2006 MF Hillcrest	0.05	11/01/08	12/01/08	24.60	24.60	0.00				24.60	24.60	-	0.00
	2006 MF Hillcrest Total				788,267.72	788,267.72	7.33	(239,067.13)	0.00	0.00	549,207.92	549,207.92	0.00	0.00
Money Market	2006 MF Pleasant Village	0.02	11/01/08	12/01/08	116,264.92	116,264.92	616.92				116,881.84	116,881.84	-	0.00
Mutual Fund	2006 MF Pleasant Village	0.02	11/01/08	12/01/08	10,113.43	10,113.43		(2,582.41)			7,531.02	7,531.02	-	0.00
Money Market	2006 MF Pleasant Village	0.02	11/01/08	12/01/08	3,082.48	3,082.48	6.49				3,088.97	3,088.97	-	0.00
Money Market	2006 MF Pleasant Village	0.02	11/01/08	12/01/08	36,295.12	36,295.12	0.00				36,295.12	36,295.12	-	0.00
	2006 MF Pleasant Village Total				165,755.95	165,755.95	623.41	(2,582.41)	0.00	0.00	163,796.95	163,796.95	0.00	0.00
Money Market	2006 MF Grove Village	0.02	11/01/08	12/01/08	133,589.17	133,589.17		(13,563.95)			120,025.22	120,025.22	-	0.00
Money Market	2006 MF Grove Village	0.02	11/01/08	12/01/08	12.84	12.84	0.03				12.87	12.87	-	0.00
Money Market	2006 MF Grove Village	0.02	11/01/08	12/01/08	4,083.30	4,083.30	4,291.77				8,375.07	8,375.07	-	0.00
Money Market	2006 MF Grove Village	0.02	11/01/08	12/01/08	2.61	2.61	0.00				2.61	2.61	-	0.00
Money Market	2006 MF Grove Village	0.10	11/01/08	12/01/08	37,383.97	37,383.97	0.00				37,383.97	37,383.97	-	0.00
	2006 MF Grove Village Total				175,071.89	175,071.89	4,291.80	(13,563.95)	0.00	0.00	165,799.74	165,799.74	0.00	0.00
Money Market	2006 MF Red Hills	0.36	11/01/08	12/01/08	29,487.99	29,487.99		(13,654.20)			15,833.79	15,833.79	-	0.00
Money Market	2006 MF Red Hills	0.36	11/01/08	12/01/08	66,239.64	66,239.64	9,810.76				76,050.40	76,050.40	-	0.00
	2006 MF Red Hills Total				95,727.63	95,727.63	9,810.76	(13,654.20)	0.00	0.00	91,884.19	91,884.19	0.00	0.00
Money Market	2006 MF Champion Crossing	0.36	11/01/08	12/01/08	97.05	97.05	0.26				97.31	97.31	-	0.00
Money Market	2006 MF Champion Crossing	0.36	11/01/08	12/01/08	28,638.33	28,638.33		(13,296.42)			15,341.91	15,341.91	-	0.00
Money Market	2006 MF Champion Crossing	0.36	11/01/08	12/01/08	20,845.72	20,845.72	16,555.35				37,401.07	37,401.07	-	0.00
	2006 MF Champion Crossing Total				49,581.10	49,581.10	16,555.61	(13,296.42)	0.00	0.00	52,840.29	52,840.29	0.00	0.00
Money Market	2006 MF Stonehaven	0.36	11/01/08	12/01/08	16,213.35	16,213.35		(11,222.22)			4,991.13	4,991.13	-	0.00
Money Market	2006 MF Stonehaven				45.44	45.44		(45.44)					-	0.00
	2006 MF Stonehaven Total				16,258.79	16,258.79	0.00	(11,267.66)	0.00	0.00	4,991.13	4,991.13	0.00	0.00
Money Market	2006 MF Center Ridge	0.05	11/01/08	12/01/08	79.52	79.52	0.08				79.60	79.60	-	0.00
Money Market	2006 MF Center Ridge	0.05	11/01/08	12/01/08	1,542.73	1,542.73	2.41				1,545.14	1,545.14	-	0.00
Money Market	2006 MF Center Ridge	0.05	11/01/08	12/01/08	176,803.19	176,803.19		(100,901.49)			75,901.70	75,901.70	-	0.00
	2006 MF Center Ridge Total				178,425.44	178,425.44	2.49	(100,901.49)	0.00	0.00	77,526.44	77,526.44	0.00	0.00
Money Market	2006 MF Meadowlands	0.15	11/01/08	12/01/08	901,058.50	901,058.50	1,666.46				902,724.96	902,724.96	-	0.00
Money Market	2006 MF Meadowlands	0.15	11/01/08	12/01/08	32,786.57	32,786.57		(15,718.04)			17,068.53	17,068.53	-	0.00
Money Market	2006 MF Meadowlands	0.15	11/01/08	12/01/08	2,063.41	2,063.41	94,873.69				96,937.10	96,937.10	-	0.00
Money Market	2006 MF Meadowlands	0.15	11/01/08	12/01/08	88,089.81	88,089.81	24,172.14				112,261.95	112,261.95	-	0.00
Money Market	2006 MF Meadowlands	0.05	11/01/08	12/01/08	642,734.63	642,734.63		(80,391.89)			562,342.74	562,342.74	-	0.00
Money Market	2006 MF Meadowlands	0.15	11/01/08	12/01/08	31.94	31.94	0.00				31.94	31.94	-	0.00
	2006 MF Meadowlands Total				1,666,764.86	1,666,764.86	120,712.29	(96,109.93)	0.00	0.00	1,691,367.22	1,691,367.22	0.00	0.00
Money Market	2006 MF East Texas Pines	0.36	11/01/08	12/01/08	10,113.66	10,113.66	1,547.66				11,661.32	11,661.32	-	0.00
Money Market	2006 MF East Texas Pines	0.36	11/01/08	12/01/08	278,806.26	278,806.26		(154,083.59)			124,722.67	124,722.67	-	0.00
Money Market	2006 MF East Texas Pines	0.36	11/01/08	12/01/08	15,631.88	15,631.88	15,664.66				31,296.54	31,296.54	-	0.00
Money Market	2006 MF East Texas Pines	0.36	11/01/08	12/01/08	184.30	184.30	2,742.03				2,926.33	2,926.33	-	0.00
GIC's	2006 MF East Texas Pines				2,886.45	2,886.45		(2,886.45)					-	0.00
Money Market	2006 MF East Texas Pines	0.36	11/01/08	12/01/08	0.03	0.03	1.13				1.16	1.16	-	0.00
GIC's	2006 MF East Texas Pines				1.13	1.13		(1.13)					-	0.00
	2006 MF East Texas Pines Total				307,623.71	307,623.71	19,955.48	(156,971.17)	0.00	0.00	170,608.02	170,608.02	0.00	0.00
Money Market	2006 MF Villas at Henderson	0.36	11/01/08	12/01/08	2.74	2.74	0.37				3.11	3.11	-	0.00
Money Market	2006 MF Villas at Henderson	0.36	11/01/08	12/01/08	19.00	19.00	0.00				19.00	19.00	-	0.00
Money Market	2006 MF Villas at Henderson	0.36	11/01/08	12/01/08	8.36	8.36	0.02				8.38	8.38	-	0.00
Money Market	2006 MF Villas at Henderson	0.36	11/01/08	12/01/08	11,070.64	11,070.64	4,136.64				15,207.28	15,207.28	-	0.00
	2006 MF Villas at Henderson Total				11,100.74	11,100.74	4,137.03	0.00	0.00	0.00	15,237.77	15,237.77	0.00	0.00
Money Market	2006 MF Aspen Parks Apts	0.15	11/01/08	12/01/08	695.14	695.14	1.56				696.70	696.70	-	0.00
Money Market	2006 MF Aspen Parks Apts	0.15	11/01/08	12/01/08	123,181.69	123,181.69	126,237.58				249,419.27	249,419.27	-	0.00
Money Market	2006 MF Aspen Parks Apts	0.15	11/01/08	12/01/08			0.19				0.19	0.19	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Money Market	2006 MF Aspen Parks Apts	0.15	11/01/08	12/01/08	147.86	147.86	0.33				148.19	148.19	-	0.00
	2006 MF Aspen Parks Apts Total				124,024.69	124,024.69	126,239.66	0.00	0.00	0.00	250,264.35	250,264.35	0.00	0.00
Money Market	2006 MF Idlewilde Apts				131,270.69	131,270.69		(131,270.69)					-	0.00
Money Market	2006 MF Idlewilde Apts	0.36	11/01/08	12/01/08	17,474.48	17,474.48	2,831.58				20,306.06	20,306.06	-	0.00
Money Market	2006 MF Idlewilde Apts				720.44	720.44		(720.44)					-	0.00
Money Market	2006 MF Idlewilde Apts	0.36	11/01/08	12/01/08			9,516.72				9,516.72	9,516.72	-	0.00
Money Market	2006 MF Idlewilde Apts	0.36	11/01/08	12/01/08	22,469.69	22,469.69	118.27				22,587.96	22,587.96	-	0.00
	2006 MF Idlewilde Apts Total				171,935.30	171,935.30	12,466.57	(131,991.13)	0.00	0.00	52,410.74	52,410.74	0.00	0.00
Money Market	2007 MF Landcaster Apts				888.02	888.02		(888.02)					-	0.00
Money Market	2007 MF Landcaster Apts	0.36	11/01/08	12/01/08	15,326.65	15,326.65	6,160.11				21,486.76	21,486.76	-	0.00
Money Market	2007 MF Landcaster Apts	0.36	11/01/08	12/01/08			888.02				888.02	888.02	-	0.00
Money Market	2007 MF Landcaster Apts				105,924.55	105,924.55		(105,924.55)					-	0.00
Money Market	2007 MF Landcaster Apts	0.36	11/01/08	12/01/08			9,516.72				9,516.72	9,516.72	-	0.00
Money Market	2007 MF Landcaster Apts	0.36	11/01/08	12/01/08	688.52	688.52	28,115.67				28,804.19	28,804.19	-	0.00
	2007 MF Landcaster Apts Total				122,827.74	122,827.74	44,680.52	(106,812.57)	0.00	0.00	60,695.69	60,695.69	0.00	0.00
Money Market	2007 MF Park Place	0.15	11/01/08	12/01/08	16,071.75	16,071.75		(16,071.74)			0.01	0.01	-	0.00
Money Market	2007 MF Park Place				230,124.00	230,124.00		(230,124.00)					-	0.00
Money Market	2007 MF Park Place	0.15	11/01/08	12/01/08	451.84	451.84	23.91				475.75	475.75	-	0.00
Money Market	2007 MF Park Place	0.15	11/01/08	12/01/08			88,132.74				88,132.74	88,132.74	-	0.00
Money Market	2007 MF Park Place	0.15	11/01/08	12/01/08	3,531,588.25	3,531,588.25		(762,785.17)			2,768,803.08	2,768,803.08	-	0.00
Money Market	2007 MF Park Place	0.15	11/01/08	12/01/08			72,500.00				72,500.00	72,500.00	-	0.00
Money Market	2007 MF Park Place	0.15	11/01/08	12/01/08	4,665.94	4,665.94	12.19				4,678.13	4,678.13	-	0.00
	2007 MF Park Place Total				3,782,901.78	3,782,901.78	160,668.84	(1,008,980.91)	0.00	0.00	2,934,589.71	2,934,589.71	0.00	0.00
Money Market	2007 MF Terrace @ Cibolo	0.36	11/01/08	12/01/08	330,421.98	330,421.98		(302,257.25)			28,164.73	28,164.73	-	0.00
Money Market	2007 MF Terrace @ Cibolo	0.36	11/01/08	12/01/08	1,490,685.60	1,490,685.60		(747,416.65)			743,268.95	743,268.95	-	0.00
Money Market	2007 MF Terrace @ Cibolo	0.36	11/01/08	12/01/08	343,922.86	343,922.86		(60,224.87)			283,697.99	283,697.99	-	0.00
Money Market	2007 MF Terrace @ Cibolo	0.36	11/01/08	12/01/08	26,459.72	26,459.72	419.59				26,879.31	26,879.31	-	0.00
Money Market	2007 MF Terrace @ Cibolo	0.36	11/01/08	12/01/08	8,609.71	8,609.71	918.04				9,527.75	9,527.75	-	0.00
Money Market	2007 MF Terrace @ Cibolo	0.36	11/01/08	12/01/08	21,044.21	21,044.21	55.54				21,099.75	21,099.75	-	0.00
	2007 MF Terrace @ Cibolo Total				2,221,144.08	2,221,144.08	1,393.17	(1,109,898.77)	0.00	0.00	1,112,638.48	1,112,638.48	0.00	0.00
Money Market	2007 MF Santora Villas				35,862.06	35,862.06		(35,862.06)					-	0.00
Money Market	2007 MF Santora Villas	0.15	11/01/08	12/01/08	517.23	517.23	87.01				604.24	604.24	-	0.00
Money Market	2007 MF Santora Villas	0.15	11/01/08	12/01/08			100,000.00				100,000.00	100,000.00	-	0.00
Money Market	2007 MF Santora Villas	0.15	11/01/08	12/01/08			261,203.31				261,203.31	261,203.31	-	0.00
Money Market	2007 MF Santora Villas	0.15	11/01/08	12/01/08			63,181.33				63,181.33	63,181.33	-	0.00
Money Market	2007 MF Santora Villas	0.15	11/01/08	12/01/08	213,224.02	213,224.02	2,698,839.02				2,912,063.04	2,912,063.04	-	0.00
Money Market	2007 MF Santora Villas	0.15	11/01/08	12/01/08	1,525.63	1,525.63	4.02				1,529.65	1,529.65	-	0.00
	2007 MF Santora Villas Total				251,128.94	251,128.94	3,123,314.69	(35,862.06)	0.00	0.00	3,338,581.57	3,338,581.57	0.00	0.00
GIC's	2007 A/B MF Villas @ Mesquite				1,250.42	1,250.42		(1,250.42)					-	0.00
GNMA	2007 A/B MF Villas @ Mesquite	5.17	07/30/07	03/15/11	12,085,642.00	12,085,642.00	3,715,227.00				15,800,869.00	15,800,869.00	-	0.00
GIC's	2007 A/B MF Villas @ Mesquite	5.04	06/26/07	01/15/10	4,774,358.00	4,774,358.00		(3,728,391.63)			1,045,966.37	1,045,966.37	-	0.00
Money Market	2007 A/B MF Villas @ Mesquite	0.36	11/01/08	12/01/08	28,814.63	28,814.63		(16,834.63)			11,980.00	11,980.00	-	0.00
GIC's	2007 A/B MF Villas @ Mesquite	4.78	08/23/07	07/20/47	76,094.83	76,094.83	238,557.22				314,652.05	314,652.05	-	0.00
Money Market	2007 A/B MF Villas @ Mesquite	0.36	11/01/08	12/01/08	9,523.82	9,523.82	25.13				9,548.95	9,548.95	-	0.00
	2007 A/B MF Villas @ Mesquite Total				16,975,683.70	16,975,683.70	3,953,809.35	(3,746,476.68)	0.00	0.00	17,183,016.37	17,183,016.37	0.00	0.00
Money Market	2007 MF Summit Point	0.15	11/01/08	12/01/08	142,781.23	142,781.23	320.32				143,101.55	143,101.55	-	0.00
GNMA	2007 MF Summit Point	5.32	07/30/07	07/15/09	11,317,707.00	11,317,707.00	0.00				11,317,707.00	11,317,707.00	-	0.00
Money Market	2007 MF Summit Point	0.15	11/01/08	12/01/08	103,728.52	103,728.52	154,567.73				258,296.25	258,296.25	-	0.00
Inv Agmt	2007 MF Summit Point	4.41	06/29/07	11/30/09	335,600.31	335,600.31	0.00				335,600.31	335,600.31	-	0.00
Money Market	2007 MF Summit Point	0.15	11/01/08	12/01/08	0.24	0.24	0.00				0.24	0.24	-	0.00
	2007 MF Summit Point Total				11,899,817.30	11,899,817.30	154,888.05	0.00	0.00	0.00	12,054,705.35	12,054,705.35	0.00	0.00
Money Market	2007 MF Costa Rialto	0.36	11/01/08	12/01/08	1,483,801.50	1,483,801.50		(241,635.54)			1,242,165.96	1,242,165.96	-	0.00

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Money Market	2007 MF Costa Rialto	0.36	11/01/08	12/01/08	381,605.73	381,605.73		(161,475.95)			220,129.78	220,129.78	-	0.00
	2007 MF Costa Rialto Total				1,865,407.23	1,865,407.23	0.00	(403,111.49)	0.00	0.00	1,462,295.74	1,462,295.74	0.00	0.00
Money Market	2007 MF Windshire Apts	0.36	11/01/08	12/01/08	7,382.07	7,382.07	5,146.45				12,528.52	12,528.52	-	0.00
Money Market	2007 MF Windshire Apts				92,811.05	92,811.05		(92,811.05)					-	0.00
Money Market	2007 MF Windshire Apts	0.36	11/01/08	12/01/08	3,809,579.08	3,809,579.08		(3,496,011.07)			313,568.01	313,568.01	-	0.00
Money Market	2007 MF Windshire Apts	0.36	11/01/08	12/01/08	385,624.95	385,624.95	1,699,586.40				2,085,211.35	2,085,211.35	-	0.00
Money Market	2007 MF Windshire Apts	0.36	11/01/08	12/01/08	70,210.00	70,210.00		(68,377.04)			1,832.96	1,832.96	-	0.00
Money Market	2007 MF Windshire Apts	0.36	11/01/08	12/01/08	9,311.84	9,311.84	61.37				9,373.21	9,373.21	-	0.00
Money Market	2007 MF Windshire Apts	0.36	11/01/08	12/01/08	39.66	39.66	0.10				39.76	39.76	-	0.00
	2007 MF Windshire Apts Total				4,374,958.65	4,374,958.65	1,704,794.32	(3,657,199.16)	0.00	0.00	2,422,553.81	2,422,553.81	0.00	0.00
Money Market	2007 MF Residences @ Onion Crk	1.93	11/01/08	12/01/08	197,792.54	197,792.54		(129,049.01)			68,743.53	68,743.53	-	0.00
Money Market	2007 MF Residences @ Onion Crk	1.93	11/01/08	12/01/08	10,676,026.70	10,676,026.70		(1,062,909.53)			9,613,117.17	9,613,117.17	-	0.00
Money Market	2007 MF Residences @ Onion Crk	1.93	11/01/08	12/01/08	146.32	146.32	0.90				147.22	147.22	-	0.00
	2007 MF Residences @ Onion Crk Total				10,873,965.56	10,873,965.56	0.90	(1,191,958.54)	0.00	0.00	9,682,007.92	9,682,007.92	0.00	0.00
Money Market	2008 MF West Oaks Apts	0.36	11/01/08	12/01/08	9,981,183.62	9,981,183.62		(1,772,811.12)			8,208,372.50	8,208,372.50	-	0.00
Money Market	2008 MF West Oaks Apts	0.36	11/01/08	12/01/08	0.82	0.82	23.30				24.12	24.12	-	0.00
Money Market	2008 MF West Oaks Apts	0.36	11/01/08	12/01/08	410,007.14	410,007.14		(89,143.84)			320,863.30	320,863.30	-	0.00
Money Market	2008 MF West Oaks Apts				21,914.46	21,914.46		(21,914.46)					-	0.00
Money Market	2008 MF West Oaks Apts	0.36	11/01/08	12/01/08	42,000.00	42,000.00	45,486.56				87,486.56	87,486.56	-	0.00
Money Market	2008 MF West Oaks Apts				22,231.35	22,231.35		(22,231.35)					-	0.00
	2008 MF West Oaks Apts Total				10,477,337.39	10,477,337.39	45,509.86	(1,906,100.77)	0.00	0.00	8,616,746.48	8,616,746.48	0.00	0.00
Money Market	2008 MF Costa Ibiza Apts	0.36	11/01/08	12/01/08	53,417.76	53,417.76		(23,904.79)			29,512.97	29,512.97	-	0.00
Money Market	2008 MF Costa Ibiza Apts	0.36	11/01/08	12/01/08	12,062,517.06	12,062,517.06		(535,716.02)			11,526,801.04	11,526,801.04	-	0.00
Money Market	2008 MF Costa Ibiza Apts				9,159.53	9,159.53		(9,159.53)					-	0.00
	2008 MF Costa Ibiza Apts Total				12,125,094.35	12,125,094.35	0.00	(568,780.34)	0.00	0.00	11,556,314.01	11,556,314.01	0.00	0.00
Money Market	2008 MF Addison Park Apts	0.36	11/01/08	12/01/08			1.59				1.59	1.59	-	0.00
Mutual Fund	2008 MF Addison Park Apts	0.36	11/01/08	12/01/08			25,119.80				25,119.80	25,119.80	-	0.00
	2008 MF Addison Park Apts Total				0.00	0.00	25,121.39	0.00	0.00	0.00	25,121.39	25,121.39	0.00	0.00
	Total Multi-Family Investment Summary				139,295,902.52	139,295,902.52	17,104,794.97	(18,123,320.51)	(89,786.15)	0.00	138,187,590.83	138,187,590.83	0.00	0.00

Texas Department of Housing and Community Affairs
Commercial Paper Investment Summary
For Period Ending November 30, 2008

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Repo Agmt	Commercial Paper	0.35	11/26/08	12/01/08	227,120.61	227,120.61		(63,224.32)			163,896.29	163,896.29	-	0.00
Commercial Paper	Commercial Paper	0.00	10/14/08	07/10/09			71,431,000.00				71,431,000.00	71,431,000.00	-	0.00
GIC's	Commercial Paper				59,741,000.00	59,741,000.00		(59,741,000.00)					-	0.00
GIC's	Commercial Paper				11,690,000.00	11,690,000.00		(11,690,000.00)					-	0.00
	Commercial Paper Total				71,658,120.61	71,658,120.61	71,431,000.00	(71,494,224.32)	0.00	0.00	71,594,896.29	71,594,896.29	0.00	0.00
	Total Commercial Paper Investment Summary				71,658,120.61	71,658,120.61	71,431,000.00	(71,494,224.32)	0.00	0.00	71,594,896.29	71,594,896.29	0.00	0.00

Texas Department of Housing and Community Affairs
General Fund Investment Summary
For Period Ending November 30, 2008

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	2,965,237.74	2,965,237.74	7,474.02				2,972,711.76	2,972,711.76	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	3,547,998.09	3,547,998.09	8,942.90				3,556,940.99	3,556,940.99	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	224,760.25	224,760.25	566.50				225,326.75	225,326.75	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	759,018.33	759,018.33	27,302.68				786,321.01	786,321.01	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	62,419.00	62,419.00	713.72				63,132.72	63,132.72	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	968,720.29	968,720.29	1,941.63				970,661.92	970,661.92	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	749,628.89	749,628.89	1,889.49				751,518.38	751,518.38	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	58,873.60	58,873.60	155,894.24				214,767.84	214,767.84	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	343,573.41	343,573.41	865.99				344,439.40	344,439.40	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	414,109.95	414,109.95	1,043.75				415,153.70	415,153.70	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	104,884.25	104,884.25	4,726.44				109,610.69	109,610.69	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	425,869.04	425,869.04	1,073.39				426,942.43	426,942.43	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	227,828.14	227,828.14	6,167.25				233,995.39	233,995.39	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	731,530.45	731,530.45	1,843.88				733,374.33	733,374.33	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	209,226.14	209,226.14	8,922.67				218,148.81	218,148.81	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	31,200.00	31,200.00	0.00				31,200.00	31,200.00	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	2,178,519.96	2,178,519.96		(556,191.78)			1,622,328.18	1,622,328.18	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	232,846.26	232,846.26	586.88				233,433.14	233,433.14	-	0.00
Repo Agmt	General Fund	0.35	11/26/08	12/01/08	61,307.98	61,307.98		(37,849.54)			23,458.44	23,458.44	-	0.00
	General Fund Total				14,297,551.77	14,297,551.77	229,955.43	(594,041.32)	0.00	0.00	13,933,465.88	13,933,465.88	0.00	0.00
	Total General Fund Investment Summary				14,297,551.77	14,297,551.77	229,955.43	(594,041.32)	0.00	0.00	13,933,465.88	13,933,465.88	0.00	0.00

Texas Department of Housing and Community Affairs
Housing Trust Fund Investment Summary
For Period Ending November 30, 2008

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Repo Agmt	Housing Assistance Fund	0.35	11/26/08	12/01/08	178,596.05	178,596.05	12,333.51				190,929.56	190,929.56	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	250,000.00	250,000.00	0.00				250,000.00	250,000.00	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	33,384.59	33,384.59	0.00				33,384.59	33,384.59	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	683,986.19	683,986.19		(119,715.63)			564,270.56	564,270.56	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	98,982.06	98,982.06	3,171.16				102,153.22	102,153.22	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	97,210.47	97,210.47		(34.44)			97,176.03	97,176.03	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	729,679.97	729,679.97	50,334.25				780,014.22	780,014.22	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	90,986.81	90,986.81	183.21				91,170.02	91,170.02	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	611,572.32	611,572.32	0.00				611,572.32	611,572.32	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	23,768.00	23,768.00	129,252.15				153,020.15	153,020.15	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	1,062,816.00	1,062,816.00	0.00				1,062,816.00	1,062,816.00	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	250,000.00	250,000.00	0.00				250,000.00	250,000.00	-	0.00
Repo Agmt	Housing Trust Fund	0.35	11/26/08	12/01/08	1,000,000.00	1,000,000.00	0.00				1,000,000.00	1,000,000.00	-	0.00
Repo Agmt	General Revenue Appn	0.35	11/26/08	12/01/08	460,676.30	460,676.30	413,742.36				874,418.66	874,418.66	-	0.00
Repo Agmt	General Revenue Appn	0.35	11/26/08	12/01/08	115,595.03	115,595.03	4,214,042.75				4,329,637.78	4,329,637.78	-	0.00
Repo Agmt	General Revenue Appn	0.35	11/26/08	12/01/08	844,397.00	844,397.00	0.00				844,397.00	844,397.00	-	0.00
Repo Agmt	General Revenue Appn	0.35	11/26/08	12/01/08	2,000,000.00	2,000,000.00	0.00				2,000,000.00	2,000,000.00	-	0.00
Repo Agmt	Disaster Recover - GR	0.35	11/26/08	12/01/08	819,723.65	819,723.65		(114,824.51)			704,899.14	704,899.14	-	0.00
Repo Agmt	Housing Trust Fund-GR	0.35	11/26/08	12/01/08	35,000.00	35,000.00	0.00				35,000.00	35,000.00	-	0.00
Repo Agmt	Boostrap -GR	0.35	11/26/08	12/01/08	18,650.40	18,650.40	0.00				18,650.40	18,650.40	-	0.00
Repo Agmt	Boostrap -GR	0.35	11/26/08	12/01/08	678,148.80	678,148.80		(195,296.82)			482,851.98	482,851.98	-	0.00
Repo Agmt	Boostrap -GR	0.35	11/26/08	12/01/08	4,322,146.42	4,322,146.42		(720,734.80)			3,601,411.62	3,601,411.62	-	0.00
	Housing Trust Fund Total				14,405,320.06	14,405,320.06	4,823,059.39	(1,150,606.20)	0.00	0.00	18,077,773.25	18,077,773.25	0.00	0.00
	Total Housing Trust Fund Investment Summary				14,405,320.06	14,405,320.06	4,823,059.39	(1,150,606.20)	0.00	0.00	18,077,773.25	18,077,773.25	0.00	0.00

Texas Department of Housing and Community Affairs
Administration Investment Summary
For Period Ending November 30, 2008

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Repo Agmt	Administration	0.35	11/26/08	12/01/08	158,317.57	158,317.57	348.37				158,665.94	158,665.94	-	0.00
	Administration Total				158,317.57	158,317.57	348.37	0.00	0.00	0.00	158,665.94	158,665.94	0.00	0.00
	Total Administration Investment Summary				158,317.57	158,317.57	348.37	0.00	0.00	0.00	158,665.94	158,665.94	0.00	0.00

Texas Department of Housing and Community Affairs
Compliance Investment Summary
For Period Ending November 30, 2008

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Repo Agmt	RTC	0.35	11/26/08	12/01/08	384,936.15	384,936.15		(256,071.91)			128,864.24	128,864.24	-	0.00
Repo Agmt	Multi Family	0.35	11/26/08	12/01/08	948,024.91	948,024.91		(71,440.41)			876,584.50	876,584.50	-	0.00
Repo Agmt	Multi Family	0.35	11/26/08	12/01/08	166,825.65	166,825.65	369.25				167,194.90	167,194.90	-	0.00
Repo Agmt	Low Income Tax Credit Prog.	0.35	11/26/08	12/01/08	2,688,386.92	2,688,386.92	81,292.63				2,769,679.55	2,769,679.55	-	0.00
	Compliance Total				4,188,173.63	4,188,173.63	81,661.88	(327,512.32)	0.00	0.00	3,942,323.19	3,942,323.19	0.00	0.00
	Total Compliance Investment Summary				4,188,173.63	4,188,173.63	81,661.88	(327,512.32)	0.00	0.00	3,942,323.19	3,942,323.19	0.00	0.00

Texas Department of Housing and Community Affairs
Housing Initiatives Investment Summary
For Period Ending November 30, 2008

Investment Type	Issue	Current Interest Rate	Current Purchase Date	Current Maturity Date	Beginning Carrying Value 08/31/08	Beginning Market Value 08/31/08	Accretions/ Purchases	Amortizations/ Sales	Maturities	Transfers	Ending Carrying Value 11/30/08	Ending Market Value 11/30/08	Change In Market Value	Recognized Gain
Repo Agmt	S/F Interim Construction	0.35	11/26/08	12/01/08	534,861.20	534,861.20	1,272.12				536,133.32	536,133.32	-	0.00
Repo Agmt	S/F Interim Construction	0.35	11/26/08	12/01/08	197.19	197.19	0.44				197.63	197.63	-	0.00
Repo Agmt	S/F Interim Construction	0.35	11/26/08	12/01/08	7.26	7.26	0.00				7.26	7.26	-	0.00
Repo Agmt	Mtg. Credit Certificate	0.35	11/26/08	12/01/08	77,745.76	77,745.76	150.63				77,896.39	77,896.39	-	0.00
Repo Agmt	Low Income Tax Credit Prog.	0.35	11/26/08	12/01/08	676,538.69	676,538.69		(154,770.27)			521,768.42	521,768.42	-	0.00
Repo Agmt	Low Income Tax Credit Prog.	0.35	11/26/08	12/01/08	4,641,622.15	4,641,622.15	1,417,743.87				6,059,366.02	6,059,366.02	-	0.00
Repo Agmt	Low Income Tax Credit Prog.	0.35	11/26/08	12/01/08	376,487.27	376,487.27	26,358.98				402,846.25	402,846.25	-	0.00
	Housing Initiatives Total				6,307,459.52	6,307,459.52	1,445,526.04	(154,770.27)	0.00	0.00	7,598,215.29	7,598,215.29	0.00	0.00
	Total Housing Initiatives Investment Summary				6,307,459.52	6,307,459.52	1,445,526.04	(154,770.27)	0.00	0.00	7,598,215.29	7,598,215.29	0.00	0.00
	Total Investment Summary				1,731,932,872.00	1,708,294,256.37	167,862,472.59	(188,982,941.17)	(20,647,223.79)	0.00	1,690,165,179.63	1,703,009,061.38	36,482,497.38	0.00

1B

Can be found behind
Audit Committee
Item #1

1C

Can be found behind
Audit Committee
Item #3

COMMUNITY AFFAIRS DIVISION
BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of an amendment to the 2009 Community Services Block Grant contracts to distribute $300,000 in State Discretionary Funds.

Requested Action

Staff recommends approval of the distribution of $300,000 of the 2009 State Community Services Block Grant Discretionary funds to CSBG eligible entities.

Background

Historically, the Department has allocated a portion of the CSBG State Discretionary funds for performance awards. Performance awards were used as a tool to recognize and reward the work of CSBG eligible entities that assisted in transitioning individuals and families out of poverty. As a result of the Internal Audit performed on the Community Services Block Grant in 2008, a decision was made to reevaluate the Performance Award process and look at alternative mechanisms for the distribution of these funds.

The Department announced a roundtable to all CSBG eligible entities, and encouraged their participation to evaluate the performance award process and develop recommendations. The roundtable was held in Austin on December 15, 2008. The consensus of the roundtable was that given the great need of individuals in their communities, especially in light of the recent economic downturn, the most effective use of funds would be for the Department to not provide performance awards and instead distribute the funds according to the allocation formula to CSBG eligible entities for use to provide direct assistance to low-income individuals. The roundtable also determined that, unlike most of the funds distributed by the Department to the community action network, these funds should not be used for administrative purposes but for direct client services. Direct client assistance may include, but are not limited to, assistance with rent, food and other emergency needs. The Department will monitor the use of these funds to ensure they are used for eligible direct services activities.

The funds will be allocated as additional funds to the current contracts under the methodology detailed in 10 TAC §5.6 which is the formula used to allocate 90% of the CSBG funds in Texas to the existing network of 48 CSBG eligible entities. Appendix I reflects the proposed allocation to each of the 48 CSBG eligible entities.

Recommendation

Staff recommends approval of the allocation of $300,000 to the 48 CSBG eligible entities by the formula approved in 10 TAC §5.6.

APPENDIX I

Subrecipient Name	Additional 2009 CSBG Discretionary Funds
Aspermont Small Business Development Center, Inc.	$819
Austin, City of, Health and Human Services Department	$9,166
Bee Community Action Agency	$2,589
Big Bend Community Action Committee, Inc.	$1,157
Brazos Valley Community Action Agency	$9,877
Cameron and Willacy Counties Community Projects, Inc.	$10,293
Caprock Community Action Association, Inc.	$1,431
Central Texas Opportunities, Inc.	$1,878
Combined Community Action, Inc.	$1,664
Community Action Corporation of South Texas	$2,210
Community Action Council of Victoria	$2,688
Community Action Inc. of Hays, Caldwell and Blanco Counties	$1,663
Community Action Program, Inc.	$2,093
Community Action Social Services & Education	$1,581
Community Council of Reeves County	$1,805
Community Council of South Central Texas, Inc.	$5,145
Community Council of Southwest Texas, Inc.	$2,412
Community Services Agency of South Texas	$498
Community Services of Northeast Texas	$2,498
Community Services, Inc.	$10,860
Concho Valley Community Action Agency	$2,488
Dallas Urban League	$28,119
Economic Action Committee of The Gulf Coast	$636
Economic Opportunities Advancement Corporation of Planning Region XI	$5,003
El Paso Community Action Program, Project BRAVO, Inc.	$14,873
Fort Worth, City of, Parks & Community Services Department	$14,373
Galveston County Community Action Council, Inc.	$8,422
Greater East Texas Community Action Program (GETCAP)	$9,683
Gulf Coast Community Services Association	$47,527
Hidalgo County Community Services Agency	$17,975
Hill Country Community Action Association, Inc.	$4,598
Institute for Rural Development	$341
Lubbock, City of, Community Services Department	$3,827
Northeast Texas Opportunities, Inc.	$2,293
Nueces County Community Action Agency	$5,202
Panhandle Community Services	$6,124
Pecos County Community Action Agency	$683
Rolling Plains Management Corporation	$2,987
San Antonio, City of, Community Action Division	$20,409
South Plains Community Action Association, Inc.	$1,619
South Texas Development Council	$2,760
Southeast Texas Regional Planning Commission	$5,340
Texas Neighborhood Services	$3,581
Texoma Council of Governments	$2,020
Tri-County Community Action, Inc.	$3,720
Webb County Community Action Agency	$5,443
West Texas Opportunities, Inc.	$6,085
Williamson-Burnet County Opportunities, Inc.	$1,539
Total	**$300,000**

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
February 5, 2009

Action Items

Presentation, Discussion and Possible Approval for Housing Tax Credit Extensions.

Required Action

Approve, Amend or deny the requests for extensions related to five (5) 2007 Housing Tax Credit commitments.

Background

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

HTC No. 07306, Zion Village
(Commencement of Substantial Construction)

Summary of Request: Pursuant to §49.14(c) of the 2007 Qualified Allocation Plan, "The Development Owner must submit evidence of having commenced and continued substantial construction activities. The evidence must be submitted not later than December 1 of the year after the execution of the Carryover Allocation Document with a possibility of an extension…". The owner missed the December 1, 2008 deadline to submit commencement of substantial construction for the above referenced development. The owner submitted the full commencement of substantial construction documentation on January 8, 2009 and the Compliance Division is currently reviewing the documentation for completeness. The owner's extension request included all documentation necessary to comply with the requirement.

Owner:	Village of Zion, LP
General Partner:	TKNet LLC
Developer:	TKNet LLC
Principals/Interested Parties:	Thomas Jones, Newal Hunter, and Marvalette Hunter
City/County:	Houston/Harris
Set-Aside:	N/A
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	Elderly
Units:	50 HTC units
2007 Allocation:	$541,928
Allocation per HTC Unit:	$10,839
Extension Request Fee Paid:	$2,500
Current Deadline:	December 1, 2008
New Deadline Requested:	January 8, 2009
New Deadline Recommended:	**January 8, 2009**
Previous Extensions:	N/A
Staff Recommendation:	**Approve the extension as requested.**

Newal Hunter

From: Marvalette Hunter [marvalette731@sbcglobal.net]
Sent: Thursday, January 08, 2009 9:43 PM
To: kent.bedell@tdhca.state.tx.us
Cc: gavin.reid@tdhca.state.tx.us; 'Thomas Jones'; 'Newal Hunter'
Subject: Zion Village Request for Extension

Village of Zion, LP
3040 Post Oak, Suite 1600
Houston, Texas 77057
(713) 968-1602

05-08-09 P12:41 IN

January 8, 2009

Texas Department of Housing and Community Affairs
Multi-Family Division
Attn: Kent Bedell
P.O. Box 13941, Austin, Texas 78711-3941

RE: Owner Certification of Commence cement of Substantial Construction
Zion Village (3154 Gray Street, Houston, Texas 77004)

Please accept this request to extend the deadline for commencement of substantial construction of the Zion Village Project #07306. Although the project had already commenced substantial construction by the deadline of December 1, 2008, I neglected to forward the required documentation. The extension fee in the amount of $2,500, along with a copy of this letter has been mailed to your attention.

I have also forwarded to Mr. Gavin Reid the required documentation evidencing that the project had commenced substantial construction as of December 1, 2008, along with site photos of the project. Please let me know if there is any additional information that is needed. I can be reached at 713-545-8840.

Sincerely,

Marvalette Hunter
Owner

cc: Gavin Reid

HTC No. 07096, Moore Grocery Lofts
(Commencement of Substantial Construction)

Summary of Request: Pursuant to §49.14(c) of the 2007 Qualified Allocation Plan, "The Development Owner must submit evidence of having commenced and continued substantial construction activities. The evidence must be submitted not later than December 1 of the year after the execution of the Carryover Allocation Document with a possibility of an extension…". The owner missed the December 1, 2008 deadline to submit commencement of substantial construction for the above referenced development. The owner submitted the full commencement of substantial construction documentation on December 22, 2008 and the Compliance Division is currently reviewing the documentation for completeness. The owner's extension request included all documentation necessary to comply with the requirement.

Owner:	Moore Grocery Lofts, Ltd
General Partner:	Landmark Asset Services, Inc.
Developer:	Sari & Company and Archetypes, LLC
Principals/Interested Parties:	Lisa Sari, Jim Sari, Hollis Fitch, Brannon Fitch, and DeWayne Anderson, Jr.
City/County:	Tyler/Smith
Set-Aside:	N/A
Type of Area:	Urban
Type of Development:	Acq/Rehab/New Construction
Population Served:	Family
Units:	88 HTC units
2007 Allocation:	$771,721
Allocation per HTC Unit:	$8,770
Extension Request Fee Paid:	$2,500
Current Deadline:	December 1, 2008
New Deadline Requested:	December 22, 2008
New Deadline Recommended:	December 22, 2008
Previous Extensions:	N/A
Staff Recommendation:	**Approve the extension as requested.**

Landmark Asset Services, Inc.
406 East Fourth Street
Winston-Salem, NC 27101
Phone (336) 722-9871 **Fax (336) 722-3603**

January 6, 2009

Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78711

Attn: Kent Bedell

Re: Extension Request
Moore Grocery Lofts #07096
Submittal of Commencement of Substantial Construction Notice

Dear Mr. Bedell:

We are requesting an extension to the December 1, 2008 deadline for submittal of the Commencement of Substantial Construction Notice for the referenced project. As you know, our previously submitted Notice was received by your Department on December 22, 2008. It is our understanding that if you approve this extension request to cover the 12/22/08 receipt our submission will be determined as satisfactory. As required, we have enclosed a check in the amount of $2,500.

Thank you for your consideration. Please contact me if you should have any questions.

Best regards,

Bill Scantland
bill@landmarkdevelopment.biz
336-714-8920

Enclosure (1)

01-08-09A02:57 RCVD

HTC No. 07166, Jeremiah Seniors Apartments
(Commencement of Substantial Construction)

Summary of Request: Pursuant to §49.14(c) of the 2007 Qualified Allocation Plan, "The Development Owner must submit evidence of having commenced and continued substantial construction activities. The evidence must be submitted not later than December 1 of the year after the execution of the Carryover Allocation Document with a possibility of an extension…". The owner missed the December 1, 2008 deadline to submit commencement of substantial construction for the above referenced development. The owner submitted the full commencement of substantial construction documentation on December 22, 2008 and the Compliance Division is currently reviewing the documentation for completeness. The owner's extension request included all documentation necessary to comply with the requirement.

Owner:	Hurst-Jeremiah 29:11, L.P.
General Partner:	Jeremiah 29:11, Inc.
Developer:	Rumsey Development, LLC
Principals/Interested Parties:	Robert Rumsey, Brian Rumsey, and Steve Rumsey
City/County:	Hurst/Tarrant
Set-Aside:	N/A
Type of Area:	Urban
Type of Development:	New Construction
Population Served:	Elderly
Units:	135 HTC units
2007 Allocation:	$989,447
Allocation per HTC Unit:	$7,329
Extension Request Fee Paid:	$2,500
Current Deadline:	December 1, 2008
New Deadline Requested:	January 21, 2009
New Deadline Recommended:	January 21, 2009
Previous Extensions:	N/A
Staff Recommendation:	**Approve the extension as requested.**

Carleton Residential Properties

5485 Belt Line Road
Suite 300
Dallas, Texas 75254

(972) 980-9810
(972) 980-1559 Fax

January 19, 2009

01-21-09 03:11 RCVD

Kent Bedell
Multifamily Housing Specialist
Texas Dept. of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: TDHCA # 07166, Jeremiah Seniors

Dear Mr. Bedell:

We were informed by Gavin Reid that we needed to request an extension of the deadline to submit proof of substantial commencement. Therefore, we would like to formally request an extension of our deadline. Enclosed please find a check for $2,500.

Additionally, Gavin instructed us to submit an updated G702 and photographs once all foundations and 50% of the framing are in place. We have met both of the above conditions and have therefore enclosed the requested documentation.

If you need any further information on the above-mentioned items, please contact me at (972) 980-9810 ext. 120.

Best regards,

Will Henderson

Enclosures

HTC No. 07226, Candlewick Towhomes
(Commencement of Substantial Construction)

Summary of Request: Summary of Request: The owner has requested a 120 day extension of the December 1, 2008 commencement of substantial construction deadline and a one year extension of the December 31, 2009 placed in service deadline for the development named above. The request is made pursuant to Revenue Procedures 2007-54. The revenue procedures provide relief for owners with carryover allocations for developments located in counties designated by the Federal Emergency Management Agency (FEMA) as eligible for disaster assistance as of the date of a Presidential Disaster Declaration. A carryover allocation was in effect for the subject development when Harris County was designated in association with FEMA Disaster Number 1780-DR, declared on July 24, 2008.

The reason given for the request was that the Development was delayed by the impact of Hurricane Dolly and a change in ownership that was required for financing to close. The change in ownership was not approved by the Department until the December 18, 2008 board meeting. The owner anticipates that the financing will be closed on January 23, 2009 and that rehabilitation work will commence immediately after. The owner's extension request included all documentation necessary to comply with the requirement.

Owner:	Chicory Court – VI, L.P.
General Partner:	Chicory GP–VI, Inc.
Developer:	Odyssey Residential Holdings, L.P.
Principals/Interested Parties:	Saleem Jafar and Bill Fisher
City/County:	Brownsville/Cameron
Set-Aside:	At-Risk
Type of Area:	Urban
Type of Development:	Acq/Rehab
Population Served:	Family
Units:	132 HTC units
2007 Allocation:	$981,612
Allocation per HTC Unit:	$7,436
Extension Request Fee Paid:	$2,500
Current Deadline:	December 1, 2008 (COC); December 31, 2009 (PIS)
New Deadline Requested:	April 1, 2009 (COC); December 31, 2010 (PIS)
New Deadline Recommended:	April 1, 2009 (COC); December 31, 2010 (PIS)
Previous Extensions:	N/A
Staff Recommendation:	**Approve the extension as requested.**

ODYSSEY RESIDENTIAL HOLDINGS, L.P.
5420 LBJ FREEWAY, SUITE 1235
TWO LINCOLN CENTRE
DALLAS, TX 75240
972-701-5551
972-701-5562 FAX

09-08-09 P12:56 IN

Ms. Sharon Gamble
TDHCA
221 E. 11th Street
Insurance Building Annex
Austin, TX 78711

January 15, 2009

RE: Extension of time to commence substantial construction and extension to 12/31/10 for the place in service date for Candlewick Townhomes 07-226

Dear Sharon:

In follow up to my e-mail to Robbye Meyer, we are requesting a 120 day extension for commencement of substantial construction on the above referenced development. In additional to delays caused by the impact of Hurricane Dolly and the subsequent Federal Disaster Declaration, the development required a change of ownership to allow the financing to close. It was not approved by the Board until the December 2008 meeting.

Our development financing is closing on the 23rd of January with First Sterling Equity. We have permits and will start the rehab work immediately. The 120 days insures we have met all the benchmarks for commencement as required by the program rules. We still expect to finish and PIS by the end of 2009 as called for with most 2007 allocations.

However, the project was delayed by several factors directly related to the Hurricane including but not limited to:

1. Concern among investors, lenders and suppliers about the effect on the area from the storm damage.
2. Concern among insurance companies, lenders and investors about the corresponding cost and availability of insurance as a result of the hurricane related losses.
3. Disruption in the supply chain caused by the spike in costs and demand for labor and materials in the area.
4. Time lost for damage assessment and repairs for the existing structures related to the hurricane.
5. Concern about local code requirements changing due to the affect of the Hurricane on existing structures, including flood hazard limitations. Affected processing of the building plans for permit.

HTC No. 07227, Champion Homes at La Joya
(Commencement of Substantial Construction)

Summary of Request: The owner has requested a 180 day extension of the December 1, 2008 commencement of substantial construction deadline and a one year extension of the December 31, 2009 placed in service deadline for the development named above. The request is made pursuant to Revenue Procedures 2007-54. The revenue procedures provide relief for owners with carryover allocations for developments located in counties designated by the Federal Emergency Management Agency (FEMA) as eligible for disaster assistance as of the date of a Presidential Disaster Declaration. A carryover allocation was in effect for the subject development when Harris County was designated in association with FEMA Disaster Number 1780-DR, declared on July 24, 2008.

The reason given for the request was that the Development was delayed by the impact of Hurricane Dolly and a change in ownership that was required for financing to close, which was approved at the December 18, 2008 TDHCA Board meeting. The owner anticipates that the financing will be closed by the end of the first quarter of 2009. The have indicated that more time is needed to close because the Development includes HUD mixed financing. The owner's extension request included all documentation necessary to comply with the requirement.

Owner:	Chicory Court – VIII, L.P.
General Partner:	Chicory GP–VIII, Inc.
Developer:	Odyssey Residential Holdings, L.P.
Principals/Interested Parties:	Saleem Jafar and Bill Fisher
City/County:	La Joya/Hidalgo
Set-Aside:	N/A
Type of Area:	Rural
Type of Development:	Reconstruction/Rehabilitation
Population Served:	Family
Units:	50 HTC units
2007 Allocation:	$481,928
Allocation per HTC Unit:	$9,638
Extension Request Fee Paid:	$2,500
Current Deadline:	December 1, 2008(COC); December 31, 2009 (PIS)
New Deadline Requested:	June 1, 2009 (COC); December 31, 2010 (PIS)
New Deadline Recommended:	June 1, 2009 (COC); December 31, 2010 (PIS)
Previous Extensions:	N/A
Staff Recommendation:	**Approve the extension as requested.**

ODYSSEY RESIDENTIAL HOLDINGS, L.P.
5420 LBJ FREEWAY, SUITE 1235
TWO LINCOLN CENTRE
DALLAS, TX 75240
972-701-5551
972-701-5562 FAX

09-08-09 P12:55 IN

Ms. Sharon Gamble
TDHCA
221 E. 11th Street
Insurance Building Annex
Austin, TX 78711

January 15, 2009

RE: Extension of time to commence substantial construction and extension to 12/31/10 for the place in service date for Champion Homes at La Joya, 07-228 7

Dear Sharon:

In follow up to my e-mail to Robbye Meyer, we are requesting a 180 day extension for commencement of substantial construction on the above referenced development. In additional to delays caused by the impact of Hurricane Dolly and the subsequent Federal Disaster Declaration, the development required a change of ownership to allow the financing to close. It was not approved by the Board until the December 2008 meeting.

Our development financing will not close until the end of the first quarter of 2009. It is a HUD mixed finance development that takes additional time to process and approve. The 180 days insures we have met all the benchmarks for commencement as required by the program rules. We will not finish and PIS all the buildings by the end of 2009 due to the delays in the development time line..

This project was delayed by several factors directly related to the Hurricane including but not limited to:

1. Concern among investors, lenders and suppliers about the effect on the area from the storm damage.
2. Concern among insurance companies, lenders and investors about the corresponding cost and availability of insurance as a result of the hurricane related losses.
3. Disruption in the supply chain caused by the spike in costs and demand for labor and materials in the area.
4. Time lost for damage assessment and repairs for the existing structures related to the hurricane.
5. Concern about local code requirements changing due to the affect of the Hurricane on existing structures, including flood hazard limitations. Affected processing of the building plans for permit.

Each of these caused delays in implementing the development in time to insure a PIS date in December 2009. The declaration allows the department to extend our PIS date by one year. We respectfully request your extension of that key date to 12/31/10.

I have enclosed the required fee with the request for these extensions. Your consideration is appreciated.

If you need additional information, please do not hesitate to contact us.

Sincerely,

James R. (Bill) Fisher
Vice President

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of Senior Managing, Co-Senior Managing, Co-Managing and/or Remarketing Agent Investment Banking Firms for Multifamily Mortgage Revenue Bond Transactions.

Requested Action

Approve, Amend or Deny the Recommended Investment Banking Firm Mentioned Below.

Background

The Department currently has an open Request for Qualifications (RFQ) published on the website. On December 9, 2008, the Department received a RFQ from Sterne Agee which has requested to serve as a senior managing underwriter and placement agent for the Department's multifamily housing revenue bond transactions. For multifamily bond transactions, the Applicant selects an underwriter from an approved list published by the Department. The underwriter will develop the financial structure (i.e. fixed rate or variable, bond maturities, etc), prepare cash flows, and sell the bonds. If the transaction is privately placed, the placement agent will negotiate the sale to private investors.

The Department currently has eleven (11) senior managers and one (1) co-manager on its approved underwriter list. After reviewing the qualifications and determining that they full meet the Department's requirements, Department staff recommends that Sterne Agee be added to the Multifamily Bond Approved Underwriters List. The underwriters are approved on a two year basis.

Recommendation

Staff recommends that the Board approve the above mentioned investment banking firm.

Senior Managing Underwriters for Multifamily Transactions

Banc of America Securities (6/26/08)
Contact: Robin L. Ginsburg
Contact: Ila Afsharipour
1633 Broadway, 29th Floor
New York, NY 10019
Phone: (212) 497-3854
Fax: (212) 497-3835

Merchant Capital, L.L.C. (6/26/08)
Contact: John Rucker III
Lakeview Center, Suite 400
2660 EastChase Lane
Montgomery, Alabama 36117
Phone: (334) 834-5100
Fax: (334) 269-0902

National Alliance Securities Corporation (6/26/08)
Contact: Brad Phillips
1755 Wittington Place, Suite 320
Dallas, Texas 75234
Phone: (469) 522-4440 ext 103
Fax: (469) 522-4441

Red Capital Markets, Inc. (6/26/08)
Contact: Tracy W. Peters
Two Miranova Place
Columbus, OH 43215
Phone: (614) 857-1656
Fax: (614) 857-9758

Citigroup Global Markets (6/26/08)
Contact: Jerry Wright
611 West 5th Street, 2nd Floor
Austin, Texas 78701
Phone: (512) 320-5325
Fax: (512) 320-5382

Merrill Lynch (New York) (6/26/08)
Contact: Barbara Feldman
Four World Financial Center, 9th Floor
New York, NY 10080
Phone: (212) 449-0620
Fax: (212) 449-7174

PNC Multifamily Capital (6/28/08)
Contact: Thomas Paramore
500 West Jefferson Street
Louisville, KY 40202
Phone: (502) 581-3262
Fax: (502) 581-2602

Wachovia Securities (6/26/08)
Contact: Nora Chavez
Renaissance Plaza
70 Northeast Loop 410
San Antonio, TX 78216
Phone: (210) 384-8873
Fax: (210) 378-1799

George K. Baum & Co. (6/26/08)
Contact: C. Scott Riffle
717 Seventeenth Street, Suite 2500
Denver, CO 80202
Phone: (303) 292-1600
Fax: (303) 293-9054

Morgan Keegan (06/26/08)
Contact: Mark C. O'Brien
5956 Sherry Lane, Suite 1900
Dallas, TX 75225
Phone: (214) 365-5524
Fax: (214) 365-5563

Stern Brothers & Co. (8/23/07)
Contact: Terrence Finn
8000 Maryland Avenue, Suite 800
St. Louis, MO 63105
Phone: (314) 743-4010
Fax: (314) 727-7313

Co-managing Underwriters For Multifamily Transactions

Estrada Hinojosa (6/26/08)
Contact: Robert Estrada
1717 Main Street, Suite 4740
Dallas, TX 75201
Phone: (214) 658-1670
Fax: (214) 658-1671

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discuss and Ratification of Housing Tax Credit Awards.

Requested Action

Ratify the award of Housing Tax Credits for Town Center Apartment Homes.

HTC No. 08261, Town Center Apartment Homes

At the July 30, 2008 Board meeting, the Department had $663,121 remaining in housing tax credits for program year 2008. At that time, the Department expected to participate in the National Pool of credits for 2009. In an attempt to use all available credit remaining for 2008, staff recommended a partial award to the next highest scoring application in accordance with the statewide collapse to Town Center Apartment Homes in Bryan, Texas. The applicant originally requested $1,099,702 in credits and proposed to build 148 units. It was not the intent of multifamily staff that the applicant would still have to produce the development, as originally proposed, with the partial award; however, staff did not make that intent clear to the Board at the time of the award and the underwriting report did not reflect the viability of the development with the lower credit amount. The applicant was instructed to submit commitment and carryover documentation to support the allocation of the $663,121.

Owner:	Bryan Town Center Apartment Homes, L.P
General Partner:	Bryan Town Center Apartment Homes I, LLC
Developers:	Lankford Interests, LLC
Principals/Interested Parties:	Michael Lankford
Syndicator:	Red Capital Group
City/County:	Bryan/Brazos
Set-Aside:	None
Type of Area:	Urban
Region:	8
Type of Development:	New Construction
Population Served:	Elderly Population
Units:	80
2008 Allocation:	$761,125
Underwriting Reevaluation:	Recommended
Staff Recommendation:	**Staff recommends ratification of the final award of $761,125 and proposed development changes.**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report Addendum

REPORT DATE: 12/31/08 PROGRAM: 9% HTC FILE NUMBER: **08261**

DEVELOPMENT

Towne Center Apartment Homes

Location: 1301 Prairie Drive Region: 8

City: Bryan County: Brazos Zip: 77803 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Elderly, New Construction, Urban

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$777,151			**$761,125**		

In August 2008 the Applicant was asked to resize their request to $663,121 to fit the remaining amount available in the statewide collapse but submitted a somewhat higher request.

CONDITIONS

1 Receipt, review, and acceptance, by 10% Test, of revised site, building and unit plans and legal description of the site consistent with the re-sized development presented in the Carryover.

2 Receipt, review and acceptance, by 10% Test, of a revised site plan identifying the exact acreage to be used for the proposed development.

3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.

4 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	5
50% of AMI	50% of AMI	27
60% of AMI	60% of AMI	48

PROS

- The developer has a considerable amount of experience in the development of affordable housing and the capacity to support a transaction if necessary.

CONS

- The development will need to defer a significant portion of the developer fee which can only marginally be estimated to be repayable in the first 15 years of operations

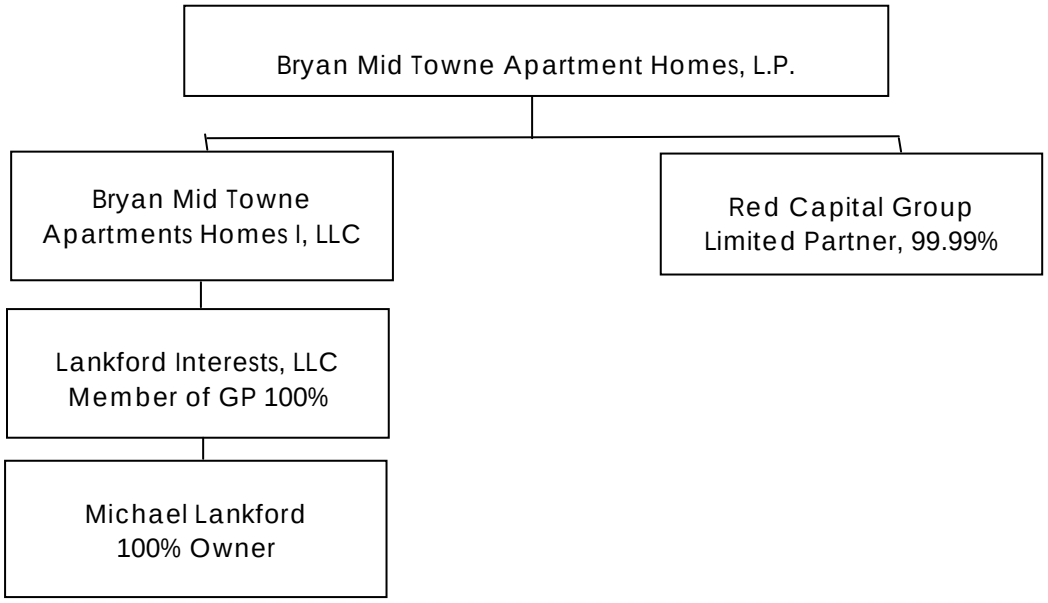
This section intentionally left blank.

PREVIOUS UNDERWRITING REPORTS

The subject application was originally underwritten during the 2008 competitive housing tax credit cycle and the underwriting recommendation was for an award of tax credits in the amount of $1,099,702. However, as this was the last application in the statewide collapse that was recommended for funding, staff requested the Board to approve Towne Center Apartment Homes with a partial award of $663,121, and any returned credits to the Department after 7/31/2008 through 12/31/2008 be applied first to this development in order to make it whole. At the July 31, 2008 Board meeting, the Board approved staff's recommendation, but with the caveat that the development receive the rest of the tax credits recommended up to the $2M cap. As a result, the Applicant has requested to re-size the development in order to be able to use the credits already awarded ($663,121).

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact:	Michael Lankford	Phone:	713-626-9655	Fax:	713-621-4947
Email:	mlankford@lankfordinterests.com				

This section intentionally left blank.

ADDENDUM

As stated previously, this application was originally underwritten during the 2008 competitive cycle. However, the Applicant has requested to re-size the development in order to utilize the partial credits already received from the 2008 credit ceiling. At the July 31, 2008 Board meeting the development was awarded a partial credit of $663,121. In conjunction with the development's Carryover, the Applicant provided revised application exhibits reflecting a decrease in the number of units from 148 to the currently proposed 80 units. It should be noted that the Applicant provided only a revised rent schedule, operating expenses, 30-year proforma and development cost schedule. Although this information reflects that the unit types and sizes have not changed, a revised site plan showing the number of buildings and building configuration has not been provided. Therefore, the Underwriter made assumptions as to the building configuration when preparing a revised construction cost estimate based on the new size of the development using the information provided in the original application and the Carryover.

As a result this addendum will be conditioned upon receipt, review and acceptance, by 10% test, of revised site, building and unit plans consistent with the re-sized development presented in the Carryover documentation.

Also part of the Carryover was documentation to satisfy several of the conditions in the original underwriting analysis. Those conditions are:

- Receipt, review and acceptance, by commitment, of evidence of appropriate zoning for the proposed development or a variance from the City.

  The Applicant provided a copy of the Action Notification from the Planning and Zoning Commission Meeting of July 17, 2008 where the committee approved the Applicant's requested zoning change. As a result, this condition has been satisfied.

- Receipt, review and acceptance, by Carryover, of a firm commitment from the City of Bryan for the permanent loan of $760K with terms reflected.

  The Applicant provided a commitment for a $760K loan from the Southeast Texas Housing Finance Corporation. However, this loan is not to be a permanent source of funds as the commitment reflects that the loan will mature no earlier than twelve months and no later than the Placed in Service Date. As a result, this source of funding has not been included as a permanent source of funds and the condition is no longer required.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 11/3/2008

The Applicant's revised projected rents are equal to the program rent limits less current utility allowance estimates prepared by Diamond Property Consultants. The estimates prepared by the consultant were undocumented and did not have the local utility provider's approval for such estimates. As a result, the Underwriter's projected rents were calculated by taking the utility allowance estimates approved by the Brazos Valley Council of Governments from the program rent limits. These rent levels are achievable according to the Market Analyst's market rent determination. The Applicant has estimated secondary income of $15.00 per unit per month and vacancy and collection loss of 5%. While the vacancy and collection loss estimate is not the standard used by the Department, it is not unrealistic to use this lower vacancy estimate given that the development will target the senior population. The Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 11/3/2008

The Applicant's revised total annual operating expense projection at $3,582 per unit is within 5% of the Underwriter's estimate of $3,715, derived from the TDHCA database, IREM, and third-party data sources.

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Conclusion:

The Applicant's estimate of net operating income is not within 5% of the Underwriter's estimate, therefore, the Underwriter's NOI will be used to determine the development's feasibility and debt service capacity. The underwriting estimates for effective gross income, operating expenses, and NOI, combined with the Applicant's requested financing structure, provide a debt coverage ratio (DCR) of 1.01. This falls below the acceptable underwriting range of 1.15 to 1.35. Therefore, the Underwriter's recommended financing structure will include a decrease in the permanent loan amount in order to achieve a 1.15 DCR and will be discussed in more detail in the Conclusions section of the report.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a DCR below the Department's guidelines. As a result, the Underwriter's recommended financing structure will include a reduced permanent loan amount in order to achieve a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ASSESSED VALUE

Land Only: 20.7 acres	$129,420	Tax Year:	2007
Existing Buildings:	$0	Valuation by:	Brazos CAD
Total Assessed Value:	$129,420	Tax Rate:	2.3914

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property Acreage: 20.7

Contract Expiration: 9/30/2008 Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $545,000 Other:

Seller: Jerry Windham Related to Development Team? [ ] Yes [X] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 11/3/2008

Acquisition Value:

The Applicant's revised cost schedule reflects a lower total acquisition cost of $280K. It appears that the Applicant has utilized a prorata share of the total acreage for the reduced 80-unit development. The site cost appears to be reasonable since the acquisition is an arm's length transaction. However, this addendum will be conditioned upon receipt, review and acceptance of a final site plan and legal description reflecting the amount of acreage to be utilized for the re-sized development.

Sitework Cost:

The Applicant's revised sitework costs of $8,863 per unit is within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $68K or 1% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Applicant's estimated eligible interim interest expense is within the Department's allowance of one-year's fully drawn interest on the construction financing.

Contingency & Fees:

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

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $8,583,611 supports annual tax credits of $772,525.

The TDHCA Board acted on November 13, 2008 to allow all transactions the benefit of the 9% applicable percentage which is accounted for in this calculation. In addition the Board approved an increase in the credit amount for all 2008 transactions based on an additional 10% of direct construction and site work cost as contingency. However, in this case the Applicant was given the opportunity to re-size the development in order to utilize the remaining credits left out of the 2008 credit ceiling up to the $2M cap ($761,125). The Applicant's current proposal reflects a development that is 54% or almost half the size of what it was originally. The new development costs presented are about 59% of the original construction cost estimate provided for the original 148-unit development. If the development were to receive a 10% increase on the new development cost estimate, the deal would not be feasible at the increased credit amount due to insufficient cashflow over 15 years.

The Underwriter has confirmed with the Applicant that the new development costs provided already include the necessary increase in cost to maintain feasibility of the development. As a result staff has evaluated this transaction with the remaining 2008 credits available of $761,125 in order to determined if the development is feasible at this amount. This amount will also be compared to the amount determined by the gap in financing to determine any recommendation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 11/3/2008

Source: Red Capital Group Type: **Interim Financing**

Principal: $4,750,000 Interest Rate: Term: 24 months

Comments:

Total is two loans. Note A $2,750,000 Fannie Mae Pass-through rate (fixed) estimated 7%, Note B $2,000,000 Thirty-day LIBOR plus 2.50%, adjusted monthly estimated 5.625%.

Source: Red Capital Group Type: **Permanent Financing**

Principal: $2,750,000 Interest Rate: 7.0% [X] Fixed Amort: 420 months

Comments:

Term 18 yrs, Amortization 30 yrs, Fannie Mae Pass-through rate (fixed)

Source: City of Bryan Type: **Interim Financing**

Principal: $760,000 Interest Rate: AFR [ ] Fixed Amort: 24 months

Source: Red Capital Group Type: **Syndication**

Proceeds: $5,828,632 Syndication Rate: 75% Anticipated HTC: $ 777,151

Comments:

The syndication price appears to be consistent with current market prices. A decrease below $0.74 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than $0.88, all deferred developer fees would be eliminated and further adjustment to the credit amount may be warranted.

Amount: $868,884 Type: **Deferred Developer Fees**

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

CONCLUSIONS

Recommended Financing Structure:

At its November 13, 2008 meeting, the Governing Board approved an increase in tax credits for all competitive 2007 and 2008 transactions based on the 9% credit rate and a 10% increase in direct and sitework construction costs. As discussed previously, the Applicant was given the opportunity to re-size this development in order to utilize the remaining 2008 credits left up to the $2M cap. For purposes of this analysis the Applicant's cost, which is within 5% of the Underwriter's revised estimate, will be used for purposes of determining the development's funding need. However, while the Applicant's eligible basis supports a tax credit allocation of $772,525, the Underwriter has evaluated this development based on the $761,125 in tax credits that would put the Applicant at the $2M cap and can be awarded out of the 2008 credit ceiling.

The Applicant's total development cost estimate less the adjusted permanent loan of $2,409,186 indicates the need for $6,651,088 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $886,812 annually would be required to fill this gap in financing. This exceeds the tax credit amount determined by the $2M cap; therefore, the amount determined by the $2M cap is recommended. An allocation of $761,125 results in equity proceeds of $5,708,437 based on the proposed syndication price of $0.75 per dollar of tax credit.

The Underwriter's recommended financing structure indicates the need for $942,651 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within fifteen years of stabilized operation.

Reviewing Underwriter:	*Raquel Morales*	Date:	December 31, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	December 31, 2008

MULTIFAMILY COMPARATIVE ANALYSIS ADDENDUM

Towne Center Apartment Homes, Bryan, 9% HTC #08261

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T&WH
TC 30%	2	1	1	840	$314	$246	$492	$0.29	$68.00	$80.00
TC 50%	12	1	1	840	$523	$455	$5,460	$0.54	$68.00	$80.00
TC 60%	22	1	1	840	$627	$559	$12,298	$0.67	$68.00	$80.00
TC 30%	3	2	2	1,045	$377	$294	$882	$0.28	$83.00	$90.00
TC 50%	15	2	2	1,045	$627	$544	$8,160	$0.52	$83.00	$90.00
TC 60%	26	2	2	1,045	$753	$670	$17,420	$0.64	$83.00	$90.00
TOTAL:	80		**AVERAGE:**	953		$559	$44,712	$0.59	$76.25	$85.50

INCOME	Total Net Rentable Sq Ft: 76,220			TDHCA-Carryover	TDHCA Orig	APP Orig	APP-Carryover	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$536,544	$1,017,048	$1,017,048	$541,440	Brazos		8
Secondary Income	Per Unit Per Month:	$15.00		14,400	26,640	26,640	14,400	$15.00	Per Unit Per Month	
Other Support Income:				0	0			$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$550,944	$1,043,688	$1,043,688	$555,840			
Vacancy & Collection Loss	% of Potential Gross Income:	-5.00%		(27,547)	(78,277)	(78,277)	(27,792)	-5.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0					
EFFECTIVE GROSS INCOME				$523,397	$965,411	$965,411	$528,048			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.78%	$313	0.33	$25,019	$46,285	$48,100	$26,600	$0.35	$333	5.04%
Management	5.00%	327	0.34	26,170	44,889	48,308	26,850	0.35	336	5.08%
Payroll & Payroll Tax	13.37%	875	0.92	70,000	129,500	118,400	67,500	0.89	844	12.78%
Repairs & Maintenance	5.78%	378	0.40	30,252	55,965	66,600	33,200	0.44	415	6.29%
Utilities	5.27%	345	0.36	27,596	72,660	40,700	22,500	0.30	281	4.26%
Water, Sewer, & Trash	5.43%	355	0.37	28,400	52,540	40,700	21,500	0.28	269	4.07%
Property Insurance	3.80%	249	0.26	19,885	37,319	29,600	17,000	0.22	213	3.22%
Property Tax 2.3914	7.31%	478	0.50	38,262	70,785	88,800	44,250	0.58	553	8.38%
Reserve for Replacements	3.82%	250	0.26	20,000	37,000	29,600	16,000	0.21	200	3.03%
TDHCA Compliance Fees	0.61%	40	0.04	3,200	5,640	3,700	2,000	0.03	25	0.38%
Other:	1.74%	114	0.12	9,120	23,680	23,680	9,120	0.12	114	1.73%
TOTAL EXPENSES	56.92%	$3,724	$3.91	$297,903	$576,264	$538,188	$286,520	$3.76	$3,582	54.26%
NET OPERATING INC	43.08%	$2,819	$2.96	$225,493	$389,148	$427,223	$241,528	$3.17	$3,019	45.74%
DEBT SERVICE										
Red Capital Group	40.28%	$2,635	$2.77	$210,823	$371,890	$371,721	$210,822	$2.77	$2,635	39.92%
SE Texas HFC	0.00%	$0	$0.00	0	0			$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0			$0.00	$0	0.00%
NET CASH FLOW	2.80%	$183	$0.19	$14,671	$17,257	$55,502	$30,706	$0.40	$384	5.82%
AGGREGATE DEBT COVERAGE RATIO				1.07	1.05	1.15	1.15			
RECOMMENDED DEBT COVERAGE RATIO				1.22	1.15					

CONSTRUCTION COST											
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-Carryover	TDHCA Orig	APP Orig	APP-Carryover	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.21%	$3,500	$3.67	$280,000	$533,000	$533,000	$280,000	$3.67	$3,500	3.09%
Off-Sites		0.00%	0	0.00	0	0			0.00	0	0.00%
Sitework		8.14%	8,863	9.30	709,000	1,050,000	1,050,000	709,000	9.30	8,863	7.83%
Direct Construction		51.47%	56,043	58.82	4,483,416	8,347,816	8,280,156	4,734,627	62.12	59,183	52.26%
Contingency	5.00%	2.98%	3,245	3.41	259,621	466,508	466,508	272,181	3.57	3,402	3.00%
Contractor's Fees	14.00%	8.35%	9,087	9.54	726,938	1,306,221	1,306,221	762,109	10.00	9,526	8.41%
Indirect Construction		7.04%	7,660	8.04	612,800	873,000	873,000	612,800	8.04	7,660	6.76%
Ineligible Costs		0.92%	1,003	1.05	80,263	117,500	117,500	80,263	1.05	1,003	0.89%
Developer's Fees	15.00%	12.34%	13,435	14.10	1,074,760	1,860,854	1,860,854	1,126,000	14.77	14,075	12.43%
Interim Financing		4.29%	4,666	4.90	373,294	531,500	531,500	373,294	4.90	4,666	4.12%
Reserves		1.26%	1,375	1.44	110,000	175,000	175,000	110,000	1.44	1,375	1.21%
TOTAL COST		100.00%	$108,876	$114.28	$8,710,093	$15,261,399	$15,193,739	$9,060,274	$118.87	$113,253	100.00%
Construction Cost Recap		*70.94%*	***$77,237***	***$81.07***	***$6,178,976***	***$11,170,545***	***$11,102,885***	***$6,477,917***	***$84.99***	***$80,974***	*71.50%*

SOURCES OF FUNDS								RECOMMENDED	
Red Capital Group	31.57%	$34,375	$36.08	$2,750,000	$4,658,160	$4,658,160	$2,750,000	$2,409,186	Developer Fee Available
SE Texas HFC	0.00%	$0	$0.00	0	760,000	760,000	0	0	$1,119,601
HTC Syndication Proceeds	66.92%	$72,858	$76.47	5,828,631	8,906,696	8,906,696	5,828,631	5,708,437	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	868,884	868,884		942,651	84%
Additional (Excess) Funds Req'd	1.51%	$1,643	$1.72	131,462	67,659	(1)	481,643	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$8,710,093	$15,261,399	$15,193,739	$9,060,274	$9,060,274	$1,015,884

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality TOWN HOME Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$63.19	$4,816,290
Adjustments				
Exterior Wall Finish	1.75%		$1.11	$84,285
Elderly	3.00%		1.90	144,489
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(141,007)
Floor Cover			3.08	234,758
Single Story Patios	$19.81	10,166	2.64	201,384
Plumbing Fixtures	$965	(28)	(0.35)	(27,020)
Rough-ins	$425	80	0.45	34,000
Built-In Appliances	$2,425	80	2.55	194,000
Exterior Stairs	$1,800		0.00	0
Enclosed Corridors	$53.27		0.00	0
Heating/Cooling			2.43	185,215
Garages/Carports	$8.78	15,120	1.74	132,754
Comm &/or Aux Bldgs	$67.25	4,073	3.59	273,909
Other: fire sprinkler	$0.00	76,220	0.00	0
SUBTOTAL			80.47	6,133,055
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(8.05)	(613,305)
TOTAL DIRECT CONSTRUCTION COSTS			$72.42	$5,519,749
Plans, specs, survy, bld prmt	3.90%		($2.82)	($215,270)
Interim Construction Interest	3.38%		(2.44)	(186,292)
Contractor's OH & Profit	11.50%		(8.33)	(634,771)
NET DIRECT CONSTRUCTION COSTS			$58.82	$4,483,416

PAYMENT COMPUTATION

Primary	$2,750,000	Amort	420
Int Rate	7.00%	DCR	1.07
Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.07
Additional	$5,828,631	Amort	
Int Rate		Aggregate DCR	1.07

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$184,695
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$40,799

Primary	$2,409,186	Amort	420
Int Rate	7.00%	DCR	1.22
Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.22
Additional	$5,828,631	Amort	0
Int Rate	0.00%	Aggregate DCR	1.22

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$536,544	$552,640	$569,220	$586,296	$603,885	$700,068	$811,571	$940,833	$1,264,401
Secondary Income	14,400	14,832	15,277	15,735	16,207	18,789	21,781	25,250	33,935
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	550,944	567,472	584,496	602,031	620,092	718,857	833,352	966,084	1,298,336
Vacancy & Collection Loss	(27,547)	(28,374)	(29,225)	(30,102)	(31,005)	(35,943)	(41,668)	(48,304)	(64,917)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$523,397	$539,099	$555,272	$571,930	$589,088	$682,914	$791,685	$917,779	$1,233,419
EXPENSES at 4.00%									
General & Administrative	$25,019	$26,019	$27,060	$28,143	$29,268	$35,609	$43,324	$52,711	$78,025
Management	26,170	26,955	27,764	28,596	29,454	34,146	39,584	45,889	61,671
Payroll & Payroll Tax	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Repairs & Maintenance	30,252	31,462	32,720	34,029	35,390	43,057	52,386	63,735	94,344
Utilities	27,596	28,700	29,848	31,042	32,283	39,278	47,787	58,140	86,062
Water, Sewer & Trash	28,400	29,536	30,717	31,946	33,224	40,422	49,180	59,835	88,570
Insurance	19,885	20,680	21,508	22,368	23,263	28,303	34,434	41,895	62,014
Property Tax	38,262	39,793	41,385	43,040	44,762	54,459	66,258	80,613	119,327
Reserve for Replacements	20,000	20,800	21,632	22,497	23,397	28,466	34,634	42,137	62,373
Other	12,320	12,813	13,325	13,858	14,413	17,535	21,334	25,956	38,422
TOTAL EXPENSES	$297,903	$309,558	$321,671	$334,260	$347,344	$420,907	$510,139	$618,391	$909,113
NET OPERATING INCOME	$225,493	$229,541	$233,601	$237,670	$241,744	$262,007	$281,546	$299,389	$324,306
DEBT SERVICE									
First Lien Financing	$184,695	$184,695	$184,695	$184,695	$184,695	$184,695	$184,695	$184,695	$184,695
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$40,799	$44,846	$48,906	$52,975	$57,049	$77,312	$96,851	$114,694	$139,611
DEBT COVERAGE RATIO	1.22	1.24	1.26	1.29	1.31	1.42	1.52	1.62	1.76

HTC ANALYSIS ADDENDUM -Towne Center Apartment Homes, Bryan, 9% HTC #08261

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$280,000	$280,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$709,000	$709,000	$709,000	$709,000
Construction Hard Costs	$4,734,627	$4,483,416	$4,734,627	$4,483,416
Contractor Fees	$762,109	$726,938	$762,108	$726,938
Contingencies	$272,181	$259,621	$272,181	$259,621
Eligible Indirect Fees	$612,800	$612,800	$612,800	$612,800
Eligible Financing Fees	$373,294	$373,294	$373,294	$373,294
All Ineligible Costs	$80,263	$80,263		
Developer Fees			$1,119,601	
Developer Fees	$1,126,000	$1,074,760		$1,074,760
Development Reserves	$110,000	$110,000		
TOTAL DEVELOPMENT COSTS	$9,060,274	$8,710,093	$8,583,611	$8,239,830
Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			$8,583,611	$8,239,830
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			$8,583,611	$8,239,830
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			$8,583,611	$8,239,830
Applicable Percentage			9.00%	9.00%
TOTAL AMOUNT OF TAX CREDITS			$772,525	$741,585

Syndication Proceeds	**0.7500**	**$5,793,937**	**$5,561,885**
Total Tax Credits (Eligible Basis Method)		**$772,525**	**$741,585**
Syndication Proceeds		**$5,793,937**	**$5,561,885**
Applicant's Requested Credits		**$777,151**	
Syndication Proceeds		**$5,828,632**	
Approved Tax Credits up to $2M Cap		**$761,125**	
Syndication Proceeds		**$5,708,437**	
Gap of Syndication Proceeds Needed		**$6,651,088**	**$109,404**
Total Tax Credits (Gap Method)		**$886,812**	**$14,587**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 07/23/08 PROGRAM: 9% HTC FILE NUMBER: **08261**

DEVELOPMENT

Towne Center Apartment Homes

Location: 1301 Prairie Drive Region: 8

City: Bryan County: Brazos Zip: 77803 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Elderly, New Construction, Urban

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,099,702			**$1,099,702**		

CONDITIONS

1 Receipt, review, and acceptance, by commitment, of evidence of appropriate zoning for the proposed development or a variance from the City.

2 Receipt, review and acceptance, by carryover, of a firm commitment from the City of Bryan for the permanent loan of $760K with terms reflected.

3 Receipt, review and acceptance of documentation clarifying the $22K difference in acquisition price between the commercial contract and development cost schedule.

4 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.

5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	8
50% of AMI	50% of AMI	60
60% of AMI	60% of AMI	73

PROS

- The developer has a considerable amount of experience in the development of affordable housing and the capacity to support a transaction if necessary.

CONS

- The development will need to defer a significant portion of the developer fee which can only marginally be estimated to be repayable in the first 15 years of operations

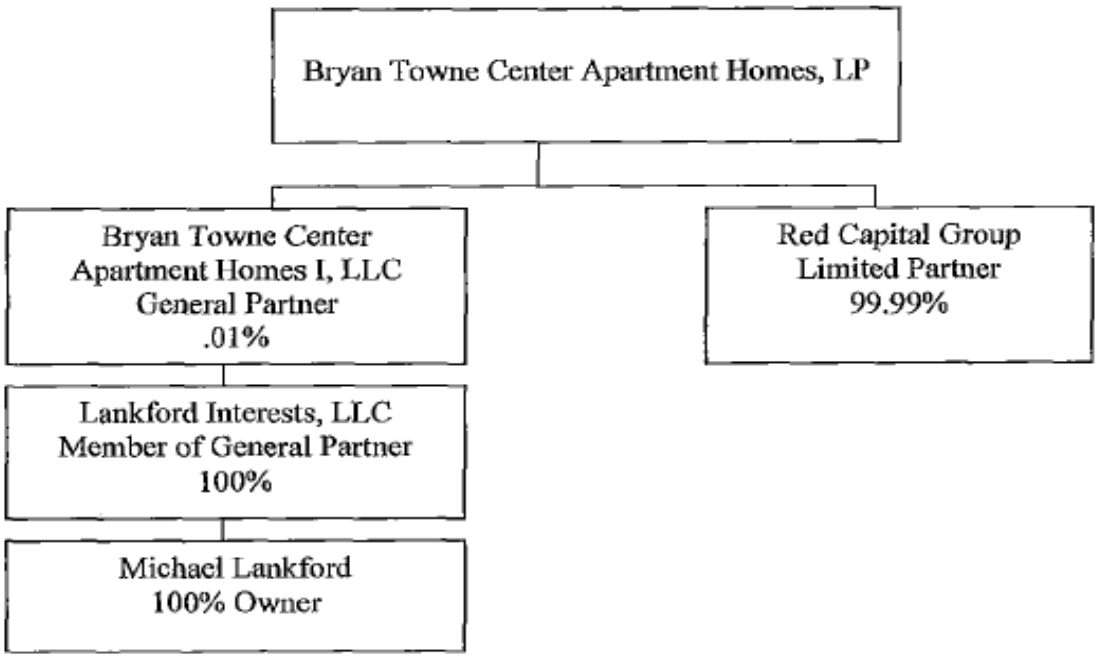
PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE

Ownership Chart



CONTACT

Contact: Michael Lankford Phone: 713-626-9655 Fax: 713-621-4947
Email: mlankford@lankfordinterests.com

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
Lankford Interests, LLC	N/A	14
Michael Lankford	N/A	14

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

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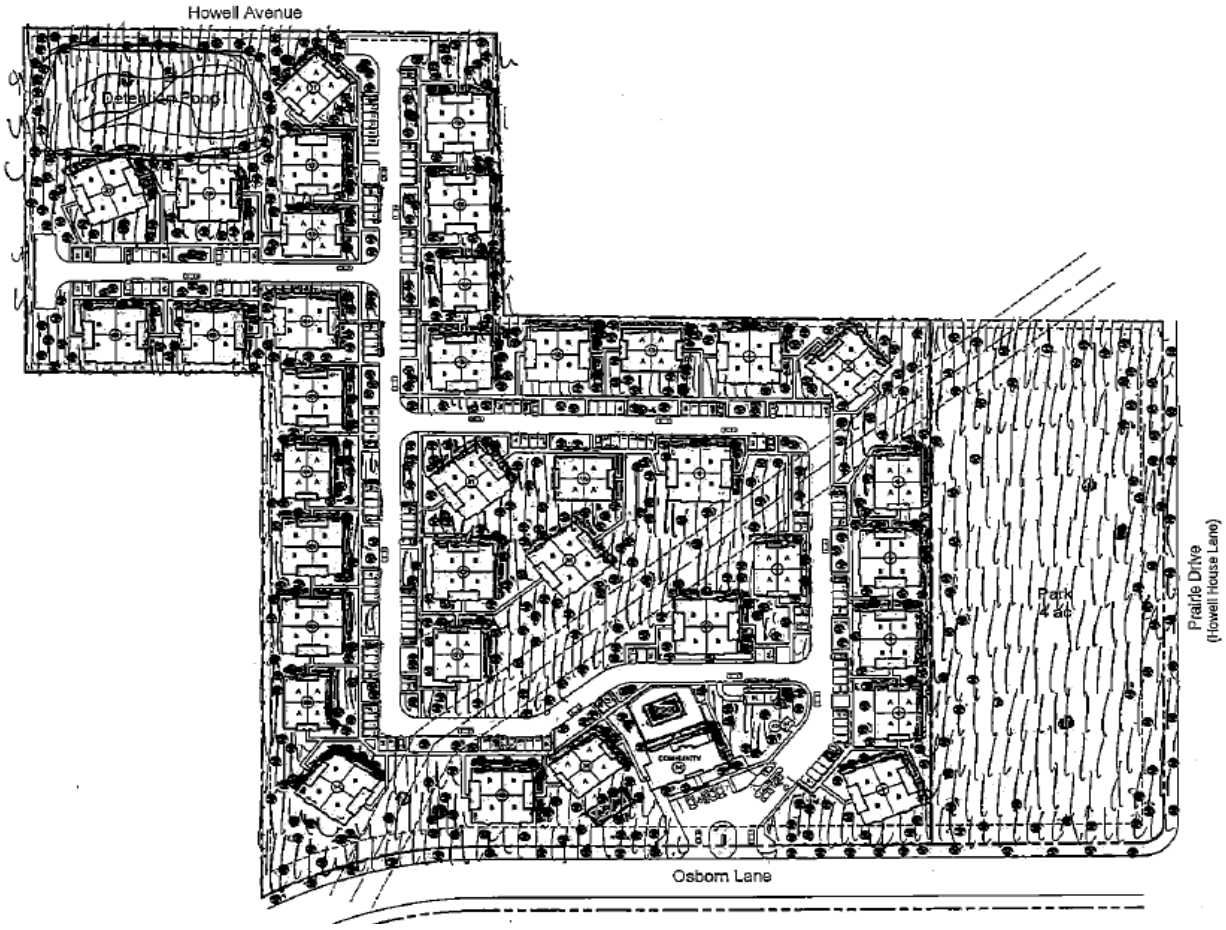
PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C								Total Buildings
Floors/Stories	1	1									
Number	12	25									**37**

BR/BA	SF	Units										Total Units	Total SF
1/1	840	4										48	40,320
2/2	1,045		4									100	104,500
												0	0
Units per Building		4	4									**148**	**144,820**

SITE ISSUES

Total Size:	20.634 acres	Scattered site?	☐ Yes	☒ No		
Flood Zone:	Zone X	Within 100-yr floodplain?	☐ Yes	☒ No		
Zoning:	C-3 Commercial	Needs to be re-zoned?	☒ Yes	☐ No	☐ N/A	

Comments:

Application has been made to the City of Bryan for zoning change. The approved zoning change will be made a condition of the report

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/2/2008

Overall Assessment:

[ ] Excellent [X] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: Residential, Vacant Land East: Vacant Land, Trucking Co. (UPS)

South: Vacant Land, Residential West: Business, Residential

Comments:

None

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: LFC, INC. Date: 3/00/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "The evidence of the aerial photographs of the property and the current use and condition of the site , as confirmed by our physical reconnaissance, support our opinion that there are no recognized environmental conditions identified." (p. 1)
- "Based on the information sources reviewed for this assessment, the above-listed oil well location is not believed to be the source of an existing release, a past release, or the material threat of a release of any petroleum products onto the ground, or into ground water of the subject property. However, historical subsurface effects to the subject property cannot be rules out as a result of the operation of this site." (p. 2)

Comments:

The report states the property sits entirely within Zone X which is outside the 500-year floodplain, a noise study doesn't appear warranted and the county is a "Low Radon Potential area" .

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, L.P. Date: 1/29/2008

Contact: Robert O. Coe, II Phone: 713-686-9955 Fax: 713-686-8336

Number of Revisions: none Date of Last Applicant Revision: n/a

Primary Market Area (PMA): 536.25 square miles (13.1 mile radius)

"The subject's primary market is defined as that area within Brazos County." The primary market area for the proposed subject had an estimated population of 161,179 in 2007.

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market for the subject development.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units 25%
Terrace Pines	04018	100	0	N/A			

INCOME LIMITS						
Brazos						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$11,750	$13,400	$15,100	$16,750	$18,100	$19,450
50	$19,550	$22,300	$25,100	$27,900	$30,150	$32,350
60	$23,460	$26,760	$30,120	$33,480	$36,180	$38,820

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	85	11	0	96	2	0	2.1%
1BR/50% Rent Limit	118	17	0	136	18	0	13.2%
1BR/60% Rent Limit	85	19	0	104	25	0	24.0%
2BR/30% Rent Limit	50	7	0	57	6	0	10.5%
2BR/50% Rent Limit	73	10	0	83	42	0	50.6%
2BR/60% Rent Limit	77	12	0	89	48	0	53.9%

OVERALL DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 67	17%	10,548	100%	10,548	Included in tenure %		21%	2,238	45%	1,007
Underwriter	17%	10,550	100%	10,550	30%	3,112	33%	1,024	19%	199
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 67			100%	287	Included in tenure %		21%	61	100%	61
Underwriter			100%	125	30%	37	33%	12	100%	12
DEMAND from OTHER SOURCES										
Market Analyst p. 67										119
Underwriter										29

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 67	141	0	0	141	1,187	11.88%
Underwriter	141	0	0	141	240	58.87%
HISTA-Based Data Alternative	141	0	0	141	156	90.38%

Comments:

The Market Analyst concluded an inclusive capture rate of 11.88%, while the Underwriter calculated an inclusive capture rate of 58.87% using the Department's traditional method. One of the primary differences in calculations resulted because the Underwriter used a turnover rate of 19.4% which is based upon historical data obtained from information on existing seniors properties in the Department's portfolio, whereby the Market Analyst used a turnover rate of 45%. The Underwriter also calculated a capture rate using HISTA data which resulted in a rate of 90.38%. Although the HISTA data method is above the Department's maximum 75% capture rate for seniors developments, the development is still considered to be acceptable because the Market Analyst's calculation and the Underwriter's independent calculation using the Department's traditional method will be used for this evaluation.

The Terrace Pines Apartments #04018/07009 mentioned under the "Proposed & Under Construction" section above is a 100 unit seniors development located in College Station that received an allocation in 2004; however, these units were not considered unstabilized because the property reportedly had a 98% occupancy rate in 2007 and continues to be 98% occupied this year.

This section intentionally left blank.

Primary Market Occupancy Rates:

"The occupancy of the comparable rentals included in this study range from 87% (in initial lease-up) to 100%, with a median occupancy of 95.00%, or 97.00% excluding the complex in its initial lease-up. The average occupancy for apartments in the subject's primary market area was reported at 95.21% in the most recent O'Connor & Associates Apartment Survey (December 2006). According to the survey, occupancy in the primary market area in December 2006 has increased from the prior quarter. Average occupancy in the primary market area has remained relatively stable since September 1999. Based on our analysis of the market, moderate increases in occupancy are projected for this market." (p. 35)

Absorption Projections:

"Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 15-25 units per month until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within seven to twelve months following completion." (p. 81)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)		Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 840 SF 30%		$228	$228	$780	$228	$552
1 BR 840 SF 50%		$437	$437	$780	$437	$343
1 BR 840 SF 60%		$541	$541	$780	$541	$239
2 BR 1,045 SF 30%		$271	$271	$925	$271	$654
2 BR 1,045 SF 50%		$521	$521	$925	$521	$404
2 BR 1,045 SF 60%		$647	$647	$925	$647	$278

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have a minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 90)

Comments:

The market study was performed in accordance with the Department's guidelines and provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 75 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 31 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's projected rents are equal to the program rent limits less current utility allowances approved by the Brazos Valley Council of Governments. These rent levels are achievable according to the Market Analyst's market rent determination. The Applicant has estimated secondary income of $15.00 per unit per month and vacancy and collection loss of 7.50%, which are in line with Department standards. The Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

This section intentionally left blank.

Expense: Number of Revisions: None Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at $3,636 per unit is not within 5% of the Underwriter's estimate of $3,894, derived from the TDHCA database, IREM, and third-party data sources. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: utilities ($32K lower), property tax ($18K higher) and reserve for replacements ($7K lower)

Conclusion:

The Applicant's estimate of net operating income is not within 5% of the Underwriter's estimate, therefore, the Underwriter's NOI will be used to determine the development's feasibility and debt service capacity. The underwriting estimates for effective gross income, operating expenses, and NOI, combined with the Applicant's requested financing structure, provide a debt coverage ratio (DCR) of 1.05. This falls below the acceptable underwriting range of 1.15 to 1.35. Therefore, the Underwriter's recommended financing structure will include a decrease in the permanent loan amount in order to achieve a 1.15 DCR and will be discussed in more detail in the Conclusions section of the report.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a DCR below the Department's guidelines. As a result, the Underwriter's recommended financing structure will include a reduced permanent loan amount in order to achieve a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ASSESSED VALUE

Land Only: 20.7 acres	$129,420	Tax Year:	2007
Existing Buildings:	$0	Valuation by:	Brazos CAD
Total Assessed Value:	$129,420	Tax Rate:	2.3914

EVIDENCE of PROPERTY CONTROL

Type: Commercial Contract - Unimproved Property Acreage: 20.7

Contract Expiration: 9/30/2008 Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $545,000 Other:

Seller: Jerry Windham Related to Development Team? [ ] Yes [X] No

TITLE

Comments:

Commonwealth Land Title Insurance Company effective January 9, 2008 (issued January 11, 2008). No specific issues were noted in the commitment

This section intentionally left blank.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 6/12/2008

Acquisition Value:

The site cost of $26,413 per acre or $3,682 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant's development cost schedule claims $22K less than the full contract price reflected in the commercial contract. Therefore, this report will be conditioned upon receipt, review and acceptance of documentation clarifying this $22K difference.

Sitework Cost:

The Applicant's claimed sitework costs of $7,095 per unit is within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $68K or 1% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Applicant's estimated eligible interim interest expense is within the Department's allowance of one-year's fully drawn interest on the construction financing.

Contingency & Fees:

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

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $14,368,239 supports annual tax credits of $1,138,897. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 3 Date of Last Applicant Revision: 6/12/2008

Source: Amegy Bank Type: **Interim Financing**

Principal: $305,000 Interest Rate: [ ] Fixed Term: months

Comments:

All terms TBD

Source: Robinson Capital & Investment, Inc. Type: **Interim Financing**

Principal: $305,000 Interest Rate: 12.0% [X] Fixed Term: 6 months

Comments:

Origination fee of 800 Basis Points or 8% of loan amount.

Source: Red Capital Group Type: **Interim Financing**

Principal: $5,767,063 Interest Rate: [ ] Fixed Term: 24 months

Comments:

Total is two loans. Note A $4,658,160 Fannie Mae Pass-through rate (fixed) estimated 7%, Note B $1,108,903 Thirty-day LIBOR plus 2.50%, adjusted monthly estimated 5.625%.

Source: Red Capital Group Type: **Permanent Financing**

Principal: $4,658,160 Interest Rate: 7.0% [X] Fixed Amort: 360 months

Comments:

Term 18 yrs, Amortization 30 yrs, Fannie Mae Pass-through rate (fixed)

Source: City of Bryan Type: **Interim to Permanent Financing**

Principal: $760,000 Interest Rate: ☐ Fixed Amort: months

Comments:

All terms TBD

Source: Red Capital Group Type: **Syndication**

Proceeds: $8,906,696 Syndication Rate: 81% Anticipated HTC: $ 1,099,702

Comments:

The syndication price appears to be consistent with current market prices. A decrease below $0.80 per dollar of credit may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than $0.93, all deferred developer fees would be eliminated and further adjustment to the credit amount may be warranted.

Amount: $868,884 Type: **Deferred Developer Fees**

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

As stated previously, the Underwriter's NOI of 1.05 falls below the Department's minimum guideline of 1.15. Therefore, the Underwriter's recommended financing structure includes a decrease in the permanent loan amount to $4,235,194 in order to achieve a 1.15 DCR.

The Applicant's total development cost estimate less the adjusted permanent loan of $4,235,194 and the City of Bryan loan of $760,000 indicates the need for $10,198,545 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,259,205 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($1,099,702), the gap-driven amount ($1,259,205), and eligible basis-derived estimate ($1,138,897), the Applicant's request of $1,099,702 would be recommended resulting in proceeds of $8,906,696 based on a syndication rate of 81%.

The Underwriter's recommended financing structure indicates the need for $1,291,849 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within fifteen years of stabilized operation.

Underwriter:	*Thomas Kincaid*	Date:	July 23, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	July 23, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	July 23, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Towne Center Apartment Homes, Bryan, 9% HTC #08261

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T&WH
TC 30%	2	1	1	840	$314	$246	$492	$0.29	$68.00	$80.00
TC 50%	18	1	1	840	$523	$455	$8,190	$0.54	$68.00	$80.00
TC 60%	25	1	1	840	$627	$559	$13,975	$0.67	$68.00	$80.00
MR	3	1	1	840		$675	$2,025	$0.80	$68.00	$80.00
TC 30%	6	2	2	1,045	$377	$294	$1,764	$0.28	$83.00	$90.00
TC 50%	42	2	2	1,045	$627	$544	$22,848	$0.52	$83.00	$90.00
TC 60%	48	2	2	1,045	$753	$670	$32,160	$0.64	$83.00	$90.00
MR	4	2	2	1,045		$825	$3,300	$0.79	$83.00	$90.00
TOTAL:	148		**AVERAGE:**	979		$573	$84,754	$0.59	$78.14	$86.76

INCOME	Total Net Rentable Sq Ft: 144,820			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$1,017,048	$1,017,048	Brazos		8
Secondary Income	Per Unit Per Month:	$15.00		26,640	26,640	$15.00	Per Unit Per Month	
Other Support Income:				0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,043,688	$1,043,688			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(78,277)	(78,277)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$965,411	$965,411			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.79%	$313	0.32	$46,285	$48,100	$0.33	$325	4.98%
Management		4.65%	303	0.31	44,889	48,308	0.33	326	5.00%
Payroll & Payroll Tax		13.41%	875	0.89	129,500	118,400	0.82	800	12.26%
Repairs & Maintenance		5.80%	378	0.39	55,965	66,600	0.46	450	6.90%
Utilities		7.53%	491	0.50	72,660	40,700	0.28	275	4.22%
Water, Sewer, & Trash		5.44%	355	0.36	52,540	40,700	0.28	275	4.22%
Property Insurance		3.87%	252	0.26	37,319	29,600	0.20	200	3.07%
Property Tax	2.3914	7.33%	478	0.49	70,785	88,800	0.61	600	9.20%
Reserve for Replacements		3.83%	250	0.26	37,000	29,600	0.20	200	3.07%
TDHCA Compliance Fees		0.58%	38	0.04	5,640	3,700	0.03	25	0.38%
Other:		2.45%	160	0.16	23,680	23,680	0.16	160	2.45%
TOTAL EXPENSES		59.69%	$3,894	$3.98	$576,264	$538,188	$3.72	$3,636	55.75%
NET OPERATING INC		40.31%	$2,629	$2.69	$389,148	$427,223	$2.95	$2,887	44.25%
DEBT SERVICE									
Red Capital Group		38.52%	$2,513	$2.57	$371,890	$371,721	$2.57	$2,512	38.50%
City of Bryan		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		1.79%	$117	$0.12	$17,257	$55,502	$0.38	$375	5.75%
AGGREGATE DEBT COVERAGE RATIO					1.05	1.15			
RECOMMENDED DEBT COVERAGE RATIO					1.15				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.49%	$3,601	$3.68	$533,000	$533,000	$3.68	$3,601	3.51%
Off-Sites		0.00%	0	0.00	0		0.00	0	0.00%
Sitework		6.88%	7,095	7.25	1,050,000	1,050,000	7.25	7,095	6.91%
Direct Construction		54.70%	56,404	57.64	8,347,816	8,280,156	57.18	55,947	54.50%
Contingency	4.96%	3.06%	3,152	3.22	466,508	466,508	3.22	3,152	3.07%
Contractor's Fees	13.90%	8.56%	8,826	9.02	1,306,221	1,306,221	9.02	8,826	8.60%
Indirect Construction		5.72%	5,899	6.03	873,000	873,000	6.03	5,899	5.75%
Ineligible Costs		0.77%	794	0.81	117,500	117,500	0.81	794	0.77%
Developer's Fees	14.80%	12.19%	12,573	12.85	1,860,854	1,860,854	12.85	12,573	12.25%
Interim Financing		3.48%	3,591	3.67	531,500	531,500	3.67	3,591	3.50%
Reserves		1.15%	1,182	1.21	175,000	175,000	1.21	1,182	1.15%
TOTAL COST		100.00%	$103,118	$105.38	$15,261,399	$15,193,739	$104.91	$102,660	100.00%
Construction Cost Recap		*73.19%*	***$75,477***	***$77.13***	***$11,170,545***	***$11,102,885***	***$76.67***	***$75,019***	*73.08%*

SOURCES OF FUNDS

						RECOMMENDED	
Red Capital Group	30.52%	$31,474	$32.17	$4,658,160	$4,658,160	$4,235,194	Developer Fee Available
City of Bryan	4.98%	$5,135	$5.25	760,000	760,000	760,000	$1,860,854
HTC Syndication Proceeds	58.36%	$60,180	$61.50	8,906,696	8,906,696	8,906,696	% of Dev. Fee Deferred
Deferred Developer Fees	5.69%	$5,871	$6.00	868,884	868,884	1,291,849	69%
Additional (Excess) Funds Req'd	0.44%	$457	$0.47	67,659	(1)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$15,261,399	$15,193,739	$15,193,739	$1,377,616

Towne Center Apartment Homes, Bryan, 9% HTC #08261

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality TOWN HOME Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$62.83	$9,099,015
Adjustments				
Exterior Wall Finish	1.75%		$1.10	$159,233
Elderly	3.00%		1.88	272,970
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(267,917)
Floor Cover			3.08	446,046
Single Story Patios	$19.81	20,843	2.85	412,907
Plumbing Fixtures	$965	4	0.03	3,860
Rough-ins	$425	148	0.43	62,900
Built-In Appliances	$2,425	148	2.48	358,900
Exterior Stairs	$1,800		0.00	0
Enclosed Corridors	$52.91		0.00	0
Heating/Cooling			2.43	351,913
Garages/Carports	$8.78	27,972	1.70	245,594
Comm &/or Aux Bldgs	$67.25	4,073	1.89	273,909
Other: fire sprinkler	$0.00	144,820	0.00	0
SUBTOTAL			78.85	11,419,330
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.90		(7.89)	(1,141,933)
TOTAL DIRECT CONSTRUCTION COSTS			$70.97	$10,277,397
Plans, specs, survy, bld prm	3.90%		($2.77)	($400,818)
Interim Construction Interes	3.38%		(2.40)	(346,862)
Contractor's OH & Profit	11.50%		(8.16)	(1,181,901)
NET DIRECT CONSTRUCTION COSTS			$57.64	$8,347,816

PAYMENT COMPUTATION

Primary	$4,658,160	Amort	360
Int Rate	7.00%	DCR	1.05
Secondary	$760,000	Amort	
Int Rate		Subtotal DCR	1.05
Additional	$8,906,696	Amort	
Int Rate		Aggregate DCR	1.05

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$338,122
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$51,025

Primary	$4,235,194	Amort	360
Int Rate	7.00%	DCR	1.15
Secondary	$760,000	Amort	0
Int Rate	0.00%	Subtotal DCR	1.15
Additional	$8,906,696	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

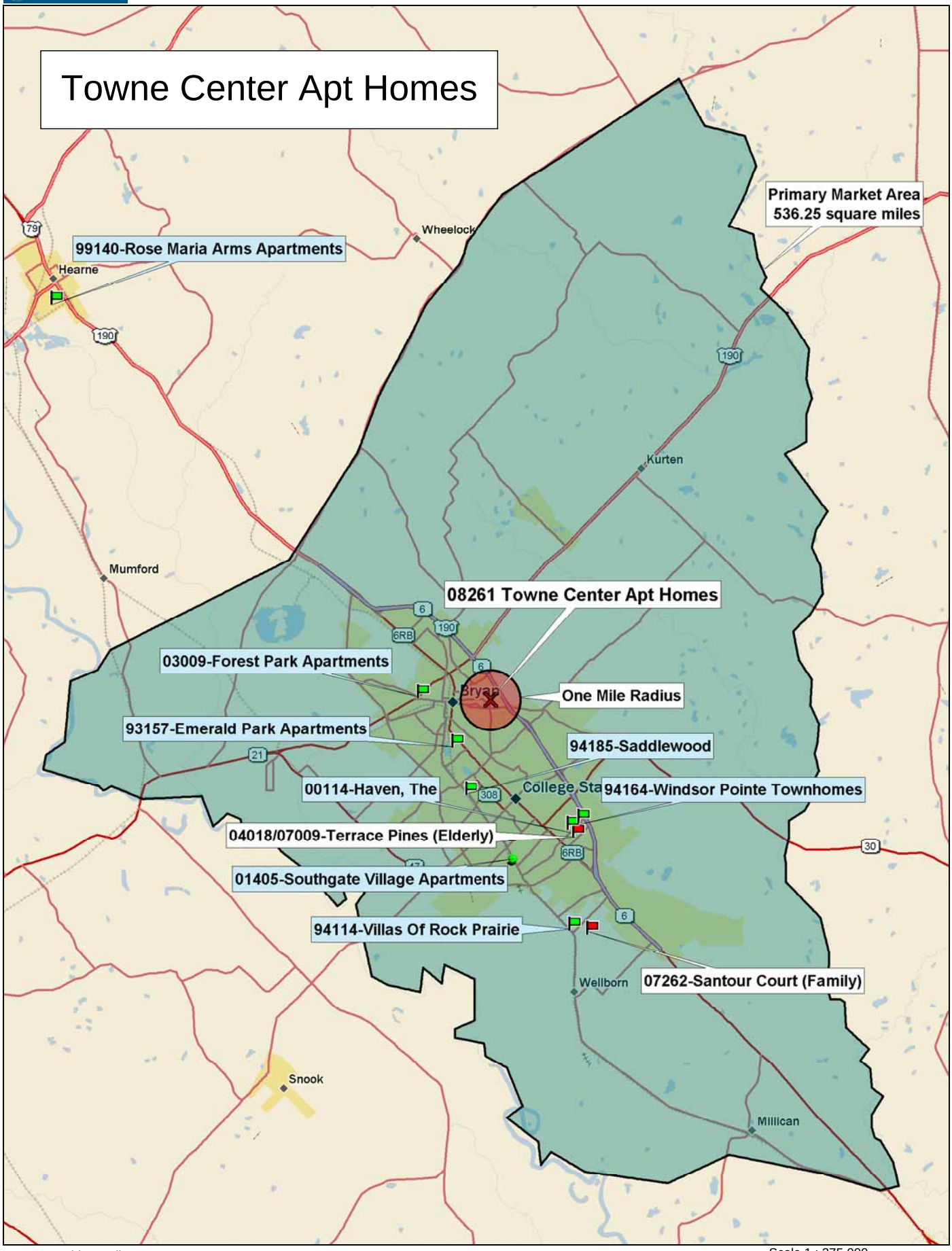
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,017,048	$1,047,559	$1,078,986	$1,111,356	$1,144,696	$1,327,017	$1,538,376	$1,783,400	$2,396,740
Secondary Income	26,640	27,439	28,262	29,110	29,984	34,759	40,295	46,713	62,779
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,043,688	1,074,999	1,107,249	1,140,466	1,174,680	1,361,776	1,578,672	1,830,113	2,459,519
Vacancy & Collection Loss	(78,277)	(80,625)	(83,044)	(85,535)	(88,101)	(102,133)	(118,400)	(137,258)	(184,464)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$965,411	$994,374	$1,024,205	$1,054,931	$1,086,579	$1,259,643	$1,460,271	$1,692,855	$2,275,055
EXPENSES at 4.00%									
General & Administrative	$46,285	$48,136	$50,061	$52,064	$54,146	$65,877	$80,150	$97,515	$144,346
Management	44,889	46,236	47,623	49,052	50,523	58,571	67,899	78,714	105,785
Payroll & Payroll Tax	129,500	134,680	140,067	145,670	151,497	184,319	224,252	272,837	403,865
Repairs & Maintenance	55,965	58,204	60,532	62,953	65,472	79,656	96,914	117,911	174,537
Utilities	72,660	75,566	78,589	81,733	85,002	103,418	125,824	153,084	226,601
Water, Sewer & Trash	52,540	54,642	56,827	59,100	61,464	74,781	90,982	110,694	163,854
Insurance	37,319	38,812	40,364	41,979	43,658	53,117	64,624	78,626	116,385
Property Tax	70,785	73,617	76,562	79,624	82,809	100,750	122,577	149,134	220,755
Reserve for Replacements	37,000	38,480	40,019	41,620	43,285	52,663	64,072	77,953	115,390
Other	29,320	30,493	31,713	32,981	34,300	41,732	50,773	61,773	91,439
TOTAL EXPENSES	$576,264	$598,866	$622,358	$646,776	$672,156	$814,882	$988,068	$1,198,240	$1,762,957
NET OPERATING INCOME	$389,148	$395,508	$401,847	$408,155	$414,423	$444,761	$472,203	$494,615	$512,099
DEBT SERVICE									
First Lien Financing	$338,122	$338,122	$338,122	$338,122	$338,122	$338,122	$338,122	$338,122	$338,122
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$51,025	$57,386	$63,725	$70,033	$76,300	$106,639	$134,081	$156,493	$173,976
DEBT COVERAGE RATIO	1.15	1.17	1.19	1.21	1.23	1.32	1.40	1.46	1.51

HTC ALLOCATION ANALYSIS -Towne Center Apartment Homes, Bryan, 9% HTC #08261

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$533,000	$533,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,050,000	$1,050,000	$1,050,000	$1,050,000
Construction Hard Costs	$8,280,156	$8,347,816	$8,280,156	$8,347,816
Contractor Fees	$1,306,221	$1,306,221	$1,306,221	$1,306,221
Contingencies	$466,508	$466,508	$466,508	$466,508
Eligible Indirect Fees	$873,000	$873,000	$873,000	$873,000
Eligible Financing Fees	$531,500	$531,500	$531,500	$531,500
All Ineligible Costs	$117,500	$117,500		
Developer Fees				
Developer Fees	$1,860,854	$1,860,854	$1,860,854	$1,860,854
Development Reserves	$175,000	$175,000		
TOTAL DEVELOPMENT COSTS	$15,193,739	$15,261,399	$14,368,239	$14,435,899

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$14,368,239	$14,435,899
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$14,368,239	$14,435,899
Applicable Fraction		95%	95%
TOTAL QUALIFIED BASIS		$13,688,660	$13,753,120
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		$1,138,897	$1,144,260

Syndication Proceeds	**0.8099**	**$9,224,140**	**$9,267,576**
Total Tax Credits (Eligible Basis Method)		**$1,138,897**	**$1,144,260**
Syndication Proceeds		**$9,224,140**	**$9,267,576**
Requested Tax Credits		**$1,099,702**	
Syndication Proceeds		**$8,906,696**	
Gap of Syndication Proceeds Needed		**$10,198,545**	
Total Tax Credits (Gap Method)		**$1,259,205**	



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1" = 4.34 mi

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DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of Requests for Amendments to CDBG Disaster Recovery Contracts Administered by TDHCA for CDBG Round 1 Funding

Requested Action

Approve requests for amendments related to Deep East Texas Council of Government's and Houston-Galveston Area Council's housing contract under the CDBG Disaster Recovery Program

Background

The Governing Board previously approved an extension to South East Texas Regional Planning Commission's contract extending the end date to April 30, 2009, while DETCOG and H-GAC requested and were approved for earlier contract end dates. As all three Councils of Government begin to finalize activities under their respective contracts, it has become necessary to make final adjustments to DETCOG's and H-GAC's contracts that will allow them to be in-line with SETRPC's contract end date. H-GAC has also requested minor budget adjustments to support the extension of activities under the contract. Below is a summary of their requests.

Deep East Texas Council of Governments C 06 0002

Summary of Request
DETCOG is requesting a contract extension to April 30, 2009 to allow for installation of three manufactured housing units that have been delayed due to inclement weather, as well as to move forward with providing assistance to four additional homeowners to utilize their remaining contract balance. To date, DETCOG has completed assistance to one hundred eighteen homeowners (118), or twenty-two (22) more than required under the terms of their contract. This extension will allow for an increase in the total number served under their contract to one hundred twenty-five (125) households that can be supported with the funding under the contract.

Houston-Galveston Area Council C 06 0001

Summary of Request
H-GAC is requesting a) an extension to April 30, 2009, b) to add a rehabilitation line item to their performance statement, c) an increase in the cost limit for reconstruction properties located within the 100-year floodplain and/or that require utility work and other requirements to meet local code, d) final adjustments to the number of households served and current budget categories to support these activities.

H-GAC plans to have eighty-nine (89) homes completed by the current contract end date of February 28, 2009, and with approval of their amendment request will be able to complete assistance to an additional fourteen (14) households. Of the fourteen (14) households remaining to be served, eight (8) encountered construction delays due to contractor capacity and septic system issues. Those issues have been resolved and H-GAC is ready to move forward with construction activities.

H-GAC is also in the process of completing the loan process for six (6) households located in the floodplain and is requesting an increase in their maximum funding assistance level from seventy-five thousand dollars ($75,000) to one-hundred thousand dollars ($100,000) for these applicants. H-GAC has determined that costs associated with elevation and loan related costs will cause the six (6) floodplain projects to exceed the current reconstruction limit of seventy-five thousand dollars ($75,000). Increasing the reconstruction amount to one-hundred thousand dollars ($100,000) will allow H-GAC to move forward with reconstruction activities. Additionally, H-GAC has identified one household in need of rehabilitation assistance and is therefore requesting that the activity be reinstated under the terms of their contract at a maximum assistance level of twenty thousand dollars ($20,000).

Supporting the activities above will require minor budget adjustments. These adjustments include adding a rehabilitation line item with funding set at twenty thousand dollars ($20,000), increasing the project delivery line item by fifteen thousand dollars ($15,000), and increasing the general administrative line item by two thousand dollars ($2,000), with a corresponding decrease in the reconstruction line of thirty-seven thousand dollars ($37,000) and a decrease in the number of households served from one hundred five (105) to one hundred three (103). The two households that H-GAC previously anticipated would be served are located in an area of H-GAC that, due to Ike damages, cannot be re-inhabited in the near future.

Requested Action

Staff recommends approval of the minor time extensions and budget adjustments requested by DETCOG and H-GAC to complete their respective CDBG Disaster Recovery activities related to Hurricane Rita.

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of the Round 2 CDBG Housing Trust Fund Criteria for HAP and SPRP Eligibility

Required Action

Presentation, Discussion and Possible Approval of the Round 2 CDBG Housing Trust Fund Criteria for HAP and SPRP Eligibility

Background

On July 31, 2008, TDHCA's Governing Board approved the 2009 Housing Trust Fund (HTF) Annual Report (Annual Plan or Plan). The Department set-aside $1,200,000 in the Annual Plan for the HTF Disaster Recovery Program. Associated administrative fees were not provided as part of the funding.

The purpose of the set-aside was to allow the continuation of the Disaster Recovery Homeowner Repair Gap Financing Program, which was used in 2008 to assist with gap financing on the first series of Community Development Block Grant disaster relief funds. This set-aside for $1.2 million was earmarked to similarly assist with gap financing on the second series of Community Development Block Grant disaster relief funds. Because CDBG Disaster Recovery Funds do not allow for a duplication of benefits, state or private funds must be used to allow otherwise qualified households who are lacking only a small portion of funds to fulfill their full cost of construction, are unable to complete their home. Pursuant to the Plan, this Program will complement the existing CDBG fund delivery structure administered by ACS such that ACS would be able to access these funds for qualified households.

The CDBG Disaster Recovery Program can provide all of the funding necessary to rehabilitate or reconstruct a home unless the funding represents a duplication of benefits, which is prohibited. This has resulted in a funding gap to households and is preventing otherwise qualified households from program participation. In response, the Department set-aside $1,200,000 in HTF dollars with a maximum per household award of $10,000. The average gap amount is $3,000 per household.

The 2009 Housing Trust Fund Rule requires that the HTF funds be loaned in the form of a zero percent interest loan for rehabilitation and reconstruction of housing. Mortgage loans must be secured by a mortgage lien on real property. Estimated closing costs for HTF loans will range from $1,400 to $1,800 based on the maximum loan amount of $10,000. Although the average gap funding need of some households is $3,000, it can range from as little as $100 up to $10,000 or more.

Approximately 70% of the households with gap funding needs that have been prioritized by ACS for assistance are very low income, elderly, and disabled. These households have a limited ability to repay a loan and lack only a small portion of funds needed to rehabilitate and reconstruct safe, decent and affordable housing.

Pursuant to §51.22 of the HTF Rule, the Board may, in its discretion, waive any one or more of the rules set forth in this chapter to accomplish its legislative mandates or for other compelling circumstances. On October 11, 2007, the TDHCA Board granted a waiver of certain 2008 HTF Rules and approved a policy

for the COG-administered Round 1 HTF $1M set-aside that allowed HTF dollars be provided in the form of a grant in all instances except when the assistance is greater than $5,000 and the household's Area Family Median Income (AMFI) exceeds 60%. This is reflected in the table below.

	Household < 60% AMFI	**Household Between 60% and 80% AMFI**
DOB Gap < $5,000	**GRANT**	**GRANT**
DOB Gap > $5,000	**LOAN**	**LOAN**

Staff recommends board approval of this same policy, as reflected in the chart above, for CDBG Round 2, and also waive §51.7 of HTF Rule to be consistent with the ACS eligibility policies previously adopted by the TDHCA Board.

Recommendation

Approve staff recommendation regarding HTF Criteria for CDBG Round II.

FINANCIAL ADMINISTRATION DIVISION

BOARD ACTION REQUEST

February 5, 2009

Action Item

Transfer of Bootstrap/Contract for Deed Residual Funds from the Housing Finance Operating Fund to a designated Disaster Recovery Gap Financing Account within the Housing Trust Fund.

Required Action

Board approval of the consolidation and transfer of the Bootstrap/Contract for Deed Residual Funds from the Housing Finance Operating Fund to the Housing Trust Fund.

Background

At present, the Department has residual funds (funds no longer restricted by bond indenture and available for the Department's use for affordable housing purposes) as a result of earned interest and loan repayments under the Bootstrap/Contract for Deed Conversion program. To ensure unrestricted funds are prioritized, it is recommended that funds are transferred to the Housing Trust Fund and designated for the administration of the Disaster Recovery Program. The two principal disaster recovery uses are for interim funding for additional staff (pending release of federal appropriations for Ike) and gap financing in connection with disaster recovery transactions. Additional staffing is essential to efficiently manage the Department's current programs (Rita Round I) and to gear up for the development of the Ike/Dolly program. This development is contingent on HUD's published rules and release of funds. Gap financing will enable the Department to assist qualified households by providing additional funds to complete construction, complementing the CDBG disaster recovery funding.

Account Name	Current Activity*	Current Distribution	Proposed Distribution
Residual Bond Funds - Bootstrap/Contract for Deed Conversions *(currently 5 accounts)*	**Interest Repays**	1,775,555	-
Housing Trust Fund - Disaster Recovery Staffing and Gap Financing Program *(Proposed account)*		-	1,775,555
Total		1,775,555	1,775,555

*** Interest -** Interest Earnings **Repays -** Loan repayments

Recommendation

The Department recommends transferring funds in the Housing Finance Operating Fund to a designated Housing Trust Fund for disaster recovery staffing and gap financing.

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of the Round 2 CDBG HAP and SPRP Policy Allowing Loan Forgiveness Upon Death of Applicant

Requested Action

Presentation, Discussion and Possible Approval of the Round 2 CDBG HAP and SPRP Policy Allowing Loan Forgiveness Upon Death of Applicant

Background

Board policy in CDBG Round 1, and in most other homeowner programs with loans, allows for full forgiveness upon the homeowners death. Staff recommends this policy for Round 2 as well.

Requested Action

Staff recommends the Board approve the Loan Forgiveness upon death of applicant for Round 2 CDBG.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Approval of the Department's Investment Policy, Resolution No. 09-022

Required Action

Approval of Investment Policy.

Background

The Public Funds Investment Act (PFIA) requires annually State Agency Boards, with investments, to develop and maintain an Investment Policy that outlines the purpose of investments, the types of permissible investments, designation of an Investment Officer, selection of a reporting format and frequency, and required training for both Investment Officers and Board Members. It also sets out ethics and conflict of interest rules to adhere to. It requires the investment professionals to acknowledge their receipt of the policy in order to do business with the Department. TDHCA Investment Officers are David Cervantes, Director of Financial Administration and Matt Pogor, Director of Bond Finance. TDHCA Staff has reviewed the current investment policy that was approved January 31, 2008. There are no changes or amendments to this policy as it is effectively the same as last years Investment Policy.

The Department's investments are 95% the result of the use of Bond proceeds and the other 5% are Housing Trust Funds and Housing Fees.

In addition to the DVD Investment Policy training that each Board member must receive, additional training relating to Bond Finance was conducted in March 2008.

Recommendation

Approval of Resolution 09-022 authorizing Investment Policy.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

INVESTMENT POLICY

As approved by the Board on February 5, 2009

2009

February 5, 2009

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

INVESTMENT POLICY

I. POLICY

It is the policy of the Texas Department of Housing and Community Affairs (the "Department") to invest public funds in a manner which will provide by priority the following objectives:

1. safety of principal;
2. sufficient liquidity to meet Department cash flow needs;
3. a market rate of return for the risk assumed; and
4. conformation to all applicable state statutes governing the investment of public funds including the Department's enabling legislation, Texas Government Code, Section 2306, Texas Government Code, Section 2263, Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers, and specifically Texas Government Code, Section 2256, the Public Funds Investment Act (the "Act").

II. SCOPE

This investment policy applies to all investment assets of the Department. These funds are accounted for in the Department's Comprehensive Annual Financial Report and include the General Fund, Special Revenue Fund, Trust and Agency Fund, and Enterprise Fund.

This investment policy does not apply to hedges, which include but are not limited to, interest rate swaps, caps, floors, futures contracts, forward contracts, etc., that satisfy the eligibility requirements of a "qualified hedge" as defined by Section 1.148-4(h)(2) of the Internal Revenue Code.

The Department has created and adopted a separate Interest Rate Swap Policy for guidance regarding the use and management of interest rate swaps and similar derivative transactions.

III. PRUDENCE

Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion and intelligence would exercise in the management of their own affairs; not for speculation, but for investment, considering the probable safety and liquidity of their capital as well as the probable income to be derived.

The standard of prudence to be used by the investment officer named herein shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. An investment officer acting in accordance with the investment policy and written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

IV. OBJECTIVES

The following are the primary objectives of investment activities in order of priority:

1. Safety. Preservation and safety of principal is the foremost objective of the investment program. Investments of the Department shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. In accordance with Section 2256.005(d) of the Act, the first priority is the suitability of the investment. The objective will be to mitigate credit risk and interest rate risk. To achieve this objective, diversification is required so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

   A. Credit risk is the risk of loss due to the failure of the security issuer or backer, and may be mitigated by:

      - limiting investments to the safest types of securities;
      - pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Department will do business; and
      - diversifying the investment portfolio so that potential losses on individual securities will be minimized.

   B. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, and may be mitigated by:

      - structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
      - investing operating funds primarily in shorter-term securities.

2. Liquidity. The Department's investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow needs. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets.

3. Yield. The Department's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs of the Department. Return on investment for short-term operating funds is of less importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

      - A declining credit security could be sold early to minimize loss of principal;
      - A security swap would improve the quality, yield, or target duration in the portfolio; or
      - Liquidity needs of the portfolio require that the security be sold.

V. DELEGATION OF AUTHORITY

The Board establishes investment policy and objectives, obtains expert advice and assistance with respect to its actions as is necessary to exercise its responsibilities prudently, and monitors the actions of staff and advisors to ensure compliance with its policy. It is the Board's intention that this policy be carried out by those persons who are qualified and competent in their area of expertise.

Authority to manage the Department's investment program is granted under the provisions of Texas Government Code, Section 2306.052(b) (4) and (5) to the Director of the Department, ("Executive Director"). Responsibility for the operation of the investment program is hereby delegated by the Executive Director to the Director of Bond Finance and the Director of Financial Administration acting in those capacities (collectively the "Investment Officer") who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures may include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer.

VI. ETHICS AND CONFLICTS OF INTEREST

1. Department employees and Board members must comply with all applicable laws, and should specifically be aware of the following statutes:

    - Texas Government Code, Section 825.211, *Certain Interests in Loans, Investments or Contracts Prohibited*
    - Texas Government Code, Section 572.051, *Standards of Conduct for Public Servants*
    - Texas Government Code, Sections 553.001-003, *Disclosure by Public Servants of Interest in Property Being Acquired by Government*
    - Texas Government Code, Section 552.352, *Distribution of Confidential Information*
    - Texas Government Code, Section 572.054, *Representation by Former Officer or Employee of Regulatory Agency Restricted*
    - Texas Penal Code, Chapter 36, *Bribery, Corrupt Influence and Gifts to Public Servants*
    - Texas Penal Code, Chapter 39, *Abuse of Office, Official Misconduct.*

The omission of any applicable statute from this list does not excuse violation of its provisions.

2. Department employees and Board members must be honest in the exercise of their duties and must not take actions which will discredit the Department.

3. Department employees and Board members should be loyal to the interest of the Department to the extent that such loyalty is not in conflict with other duties which legally have priority, and should avoid personal, employment or business relationships that create conflicts of interest.

- Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.
- Officers and employees shall disclose to the Executive Director any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the Department's investment portfolio.
- Officers and employees shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of the Department. Specifically, no employee of the Department is to:

    * Accept or solicit any gift, favor, or service that might reasonably tend to influence the employee in the discharge of the employee's official duties or that the employee knows or should know is being offered him/her with the intent to influence the employee's official conduct;
    * Accept other employment or engage in any business or professional activity in which the employee might reasonably expect would require or induce him/her to disclose confidential information acquired by reason of his/her official position;
    * Accept other employment or compensation which could reasonably be expected to impair the officer's or employee's judgment in the performance of his/her official duties;

        (An employee whose employment is involved in a competitive program of the Department must immediately disclose the acceptance of another job in the same field. The disclosure must be made to either the employee's immediate supervisor or to the Executive Director. The Executive Director must be notified in all cases. Failure to make the required disclosure may result in the employee's immediate termination from the Department.)

    * Make personal investments which could reasonably be expected to create a substantial conflict between the officer's or employee's private interest and the public interest; and

        (A Department employee may not purchase Department bonds in the open secondary market for municipal securities.)

    * Intentionally or knowingly solicit, accept or agree to accept any benefit for having exercised the employee's official powers or performed his/her official duties in favor of another.

4. Department employees and Board members may not use their relationship with the Department to seek or obtain personal gain beyond agreed compensation and/or any properly authorized expense reimbursement. This should not be interpreted to forbid the use of the Department as a reference or the communication to others of the fact that a relationship with the Department exists, provided that no misrepresentation is involved.

5. Department employees and Board members who have a personal business relationship with a business organization offering to engage in an investment transaction with the Department shall file a

statement disclosing that personal business interest. An individual who is related within the second degree by affinity or consanguinity to an individual seeking to sell an investment to the Department shall file a statement disclosing that relationship. A statement required under this section must be filed with the Texas Ethics Commission and the Department's Board. For purposes of this policy, an individual has a personal business relationship with a business organization if:

- the individual owns 10 percent or more of the voting stock or shares of the business organization or owns $5,000 or more of the fair market value of the business organization;
- funds received by the Investment Officer from the business organization exceed 10 percent of the individual's gross income from the previous year; or
- the individual has acquired from the business organization during the previous year investments with a book value of $2,500 or more for the personal account of the individual.

VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Department (in conjunction with the State Comptroller) will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness ($10,000,000 minimum capital requirement and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by state law.

All financial institutions and broker/dealers who desire to become qualified bidders for investment transactions must supply the following, as appropriate:

- audited financial statements;
- proof of National Association of Securities Dealers (NASD) certification;
- proof of state registration;
- completed broker/dealer questionnaire; and
- certification of having read the Department's investment policy and depository contracts.

An annual review of the financial condition and registration of qualified bidders will be conducted by the Investment Officer. A current audited financial statement is required to be on file for each financial institution and broker/dealer in which the Department invests.

With respect to investments provided in connection with the issuance of bonds, the above requirements will be deemed met if the investment provider is acceptable to minimum credit ratings by rating agencies and/or by the bond insurer/credit enhancer, if applicable, and if the investment meets the requirements of the applicable bond trust indenture. A broker, engaged solely to secure a qualified investment referred to in this paragraph on behalf of the Department, which will not be providing an investment instrument shall not be subject to the above requirements, and may only be engaged if approved by the Board.

VIII. ETHICS AND DISCLOSURE REQUIREMENTS FOR OUTSIDE FINANCIAL ADVISORS AND SERVICE PROVIDERS

During the 78th Legislature, Regular Session, the Texas Legislature passed *Chapter 2263., Ethics And Disclosure Requirements For Outside Financial Advisors And Service Providers* ("Chapter 2263"). Chapter 2263, under Senate Bill 1059, requires certain actions by governing boards of state entities

involved in the management and investment of state funds and adds disclosure requirements for outside financial advisors and service providers. Chapter 2263 became effective September 1, 2003. Each state governmental entity required to adopt rules under Chapter 2263, Government Code, as added by this Act, must have adopted its initial rules in time for the rules to take effect not later than January 1, 2004.

Applicability. Chapter 2263 applies in connection with the management or investment of any state funds managed or invested:

(1) under the Texas Constitution or other law, including Chapter 404, State Treasury Operations of Comptroller, and Chapter 2256, Public Funds Investment; and

(2) by or for:

(A) a public retirement system as defined by Section 802.001 that provides service retirement, disability retirement, or death benefits for officers or employees of the state;

(B) an institution of higher education as defined by Section 61.003, Education Code; or

(C) another entity that is part of state government and that manages or invests state funds or for which state funds are managed or invested.

Chapter 2263 applies in connection with the management or investment of state funds without regard to whether the funds are held in the state treasury.

Chapter 2263 does not apply to or in connection with a state governmental entity that does not manage or invest state funds and for which state funds are managed or invested only by the comptroller.

Definition. With respect to this Chapter 2263, "financial advisor or service provider" includes a person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker.

Construction With Other Law. To the extent of a conflict between Chapter 2263 and another law, the law that imposes a stricter ethics or disclosure requirement controls.

Ethics Requirements For Outside Financial Advisors Or Service Providers. The governing body of a state governmental entity by rule shall adopt standards of conduct applicable to financial advisors or service providers who are not employees of the state governmental entity, who provide financial services to the state governmental entity or advise the state governmental entity or a member of the governing body of the state governmental entity in connection with the management or investment of state funds, and who:

(1) may reasonably be expected to receive, directly or indirectly, more than $10,000 in compensation from the entity during a fiscal year; or

(2) render important investment or funds management advice to the entity or a member of the governing body of the entity, as determined by the governing body.

A contract under which a financial advisor or service provider renders financial services or advice to a state governmental entity or other person as described immediately above, in regard to compensation or

duties, is voidable by the state governmental entity if the financial advisor or service provider violates a standard of conduct adopted under this section.

In addition to the disclosures required by Chapter 2263 and described below, the Department will rely upon financial advisors and service providers' submission of an Acknowledgement of Receipt of Investment Policy and Certificate of Compliance with the Public Funds Investment Act forms to evidence compliance with the Department's code of conduct and procedures as related to investments.

Disclosure Requirements For Outside Financial Advisor Or Service Provider. A financial advisor or service provider described by Section 2263.004 shall disclose in writing to the administrative head of the applicable state governmental entity and to the state auditor:

(1) any relationship the financial advisor or service provider has with any party to a transaction with the state governmental entity, other than a relationship necessary to the investment or funds management services that the financial advisor or service provider performs for the state governmental entity, if a reasonable person could expect the relationship to diminish the financial advisor's or service provider's independence of judgment in the performance of the person's responsibilities to the state governmental entity; and

(2) all direct or indirect pecuniary interests the financial advisor or service provider has in any party to a transaction with the state governmental entity, if the transaction is connected with any financial advice or service the financial advisor or service provider provides to the state governmental entity or to a member of the governing body in connection with the management or investment of state funds.

The financial advisor or service provider shall disclose a relationship described by the immediately preceding subsections (1) or (2) without regard to whether the relationship is a direct, indirect, personal, private, commercial, or business relationship.

A financial advisor or service provider described by Section 2263.004 shall file annually a statement with the administrative head of the applicable state governmental entity and with the state auditor. The statement must disclose each relationship and pecuniary interest described by Subsection (a) or, if no relationship or pecuniary interest described by that subsection existed during the disclosure period, the statement must affirmatively state that fact.

The annual statement must be filed not later than April 15 on a form prescribed by the governmental entity, other than the state auditor, receiving the form. The statement must cover the reporting period of the previous calendar year. The state auditor shall develop and recommend a uniform form that other governmental entities receiving the form may prescribe. The Department's disclosure form is provided as Attachment E.

The financial advisor or service provider shall promptly file a new or amended statement with the administrative head of the applicable state governmental entity and with the state auditor whenever there is new information to report related to the immediately preceding subsections (1) or (2).

Public Information. Chapter 552, Government Code, controls the extent to which information contained in a statement filed under this chapter is subject to required public disclosure or excepted from required public disclosure.

IX. AUTHORIZED AND SUITABLE INVESTMENTS

General, Special Revenue and Trust and Agency Funds, all of which are on deposit with the State Treasury (specifically excluding Enterprise Funds), are invested by the Treasury pursuant to Texas Government Code, Section 404.024 and Article 5221(f), Subsection 13A(d) as amended relating to Manufactured Housing.

Enterprise Fund

1. Subject to a resolution authorizing issuance of its bonds, the Department is empowered by Texas Government Code, Section 2306.173 to invest its money in bonds, obligations or other securities: or place its money in demand or time deposits, whether or not evidenced by certificates of deposit. A guaranteed investment contract is an authorized investment for bond proceeds. All bond proceeds and revenues subject to the pledge of an Indenture shall be invested in accordance with the applicable law and the provisions of the applicable indenture including "Investment Securities" as listed in such Indenture and so defined.
2. All other enterprise funds (non-bond proceeds) shall be invested pursuant to state law. The following are permitted investments for those funds pursuant to the Act:

    A. Obligations of, or guaranteed by governmental entities:

    - Obligations of the United States or its agencies and instrumentalities.
    - Direct obligations of this state or its agencies and instrumentalities.
    - Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, that have a market value of not less than the principal amount of the certificates.
    - Other obligations the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities.
    - Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

    B. A Certificate of Deposit is an authorized investment under this policy if the certificate of deposit is issued by a depository institution that has its main office or a branch office in this state and is:

    - guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor;
    - secured by obligations that are described in subsection 2A above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates and secured by collateral as described in Section XII of this policy; and
    - secured in any other manner and amount provided by law for deposits of the Department.

    In addition to the authority to invest funds in certificates of deposit noted above, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this policy:

- the funds are invested by an investing entity through a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;
- the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;
- the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States;
- the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity acts as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity; and
- at the same time that the funds are deposited and the certificates of deposit are issued for the account of the investing entity, the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity receives an amount of deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by the investing entity through the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor.

C. A "repurchase agreement" is a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations of the United States or its agencies and instrumentalities at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement. A fully collateralized repurchase agreement is an authorized investment under this policy if the repurchase agreement:

- has a defined termination date;
- is secured by collateral described in Section XII of this policy;
- requires the securities being purchased by the Department to be pledged to the Department, held in the Department's name, and deposited at the time the investment is made with the Department or with a third party selected and approved by the Department;
- is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state; and
- in the case of a reverse repurchase agreement, notwithstanding any other law other than the Act, the term of any such reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. In addition, money received by the Department under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

D. Commercial Paper is an authorized investment under this policy if the commercial paper:

- has a stated maturity of 270 days or fewer from the date of its issuance; and
- is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally-recognized credit rating agencies, or one nationally-recognized credit rating agency and is fully secured, and by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

3. The following are not authorized investments pursuant to the Act:

- Obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
- Obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
- Collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and
- Collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

X. DIVERSIFICATION

The Department will diversify its investments by security type and institution. With the exception of U.S. Treasury securities, mortgage-backed certificates created as a result of the Department's bond programs, and authorized pools, no more than 50% of the Department's total investment portfolio will be invested in a single security type or with a single financial institution. For purposes of this section, a banking institution and its related investment broker-dealer shall be considered separate financial institutions.

XI. PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles commensurate with the investment risk constraints and the cash flow needs. The basis used to determine whether market yields are being achieved shall be the three-month U.S. Treasury bill or other appropriate benchmark.

XII. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not meet or exceed the minimum rating. The Department shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not meet or exceed the minimum rating.

XIII. MAXIMUM MATURITIES

The Department shall limit its maximum final stated maturities to, in the case of bond proceeds, the maturity of the bonds, or for non-bond funds five (5) years unless specific authority is given to exceed that maturity by the Board. To the extent possible, the Department will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Department will not directly invest in securities maturing more than five years from the date of purchase. The Department

will periodically determine what the appropriate average weighted maturity of the portfolio should be based on anticipated cash flow requirements.

Reserve funds may be invested in securities exceeding five years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds.

XIV. COLLATERALIZATION

Collateralization will be required on certificates of deposit, repurchase and reverse repurchase agreements, and savings and demand deposits if not insured by FDIC. In order to anticipate market changes and provide a level of security for all funds, the collateralization level should be at least 101% of the market value of principal and accrued interest for repurchase and reverse repurchase agreements. Collateralization of 100% will be required for overnight repurchase agreements and bank deposits in excess of FDIC insurance.

The following obligations may be used as collateral under this policy:

1. obligations of the United States or its agencies and instrumentalities;
2. direct obligations of this state or its agencies and instrumentalities;
3. collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;
4. other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities; and
5. obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally-recognized investment rating firm not less than A or its equivalent.

Collateral will always be held by an independent third party with whom the Department has a current custodial agreement. A clearly marked evidence of ownership or a safekeeping receipt must be supplied to the Department and retained. The right of collateral substitution is granted subject to prior approval by the Investment Officer.

XV. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the Department will be executed by Delivery vs. Payment (DVP). This ensures that securities are deposited in the eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

XVI. INTERNAL CONTROL

The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the entity are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that:

1. the cost of a control should not exceed the benefits likely to be derived; and
2. the valuation of costs and benefits requires estimates and judgments by management.

Once every two years, the Department, in conjunction with its annual financial audit, shall have external/internal auditors perform a compliance audit of management controls on investments and adherence to the Department's established investment policies. The internal controls shall address the following points:

1. *Control of collusion*. Collusion is a situation where two or more employees are working in conjunction to defraud their employer.

2. *Separation of transaction authority from accounting and record keeping*. By separating the person who authorizes or performs the transaction from the person who records or otherwise accounts for the transaction, a separation of duties is achieved.

3. *Custodial safekeepin*g. Securities purchased from any bank or dealer including appropriate collateral as defined by state law shall be placed with an independent third party for custodial safekeeping.

4. *Avoidance of physical delivery securities*. Book entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.

5. *Clear delegation of authority to subordinate staff members*. Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.

6. *Written confirmation or telephone transactions for investments and wire transfers*. Due to the potential for error and improprieties arising from telephone transactions, all telephone transactions must be supported by written communications and approved by the appropriate person, as defined by investment internal control procedures. Written communications may be via fax if on letterhead and the safekeeping institution has a list of authorized signatures.

7. *Development of a wire transfer agreement with the lead bank or third party custodian*. This agreement should outline the various controls, security provisions, and delineate responsibilities of each party making and receiving wire transfers.

The Department's external/internal auditors shall report the results of the audit performed under this section to the Office of the State Auditor not later than January 1 of each even-numbered year. The Office of the State Auditor compiles the results of reports received under this subsection and reports those results to the legislative audit committee once every two years.

XVII. REPORTING

1. Methods

Not less than quarterly, the Investment Officer shall prepare and submit to the Director and the Board of the Department a written report of investment transactions for all funds covered by this policy for the preceding reporting period; including a summary that provides a clear picture of the status of the current investment portfolio and transactions made over the previous reporting period. This report will be prepared in a manner which will allow the Department and the Board to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report must:

A. describe in detail the investment position of the Department on the date of the report;
B. be prepared jointly by each Investment Officer of the Department;
C. be signed by each Investment Officer of the Department;
D. contain a summary statement, prepared in compliance with generally accepted accounting principles for each fund that states the:
    - book value and market value of each separately invested asset at the beginning and end of the reporting period;
    - additions and changes to the market value during the period; and
    - fully accrued interest for the reporting period;
E. state the maturity date of each separately invested asset that has a maturity date;
F. state the fund in the Department for which each individual investment was acquired; and
G. state the compliance of the investment portfolio of the Department as it relates to the investment strategy expressed in the Department's investment policy and relevant provisions of the policy.

The reports prepared by the Investment Officer under this policy shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the Board by that auditor.

2. Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. Portfolio performance will be compared to appropriate benchmarks on a regular basis.

3. Marking to Market

A statement of the market value of the portfolio shall be issued at least quarterly. The Investment Officer will obtain market values from recognized published sources or from other qualified professionals as necessary. This will ensure that a review has been performed on the investment portfolio in terms of value and subsequent price volatility.

VIII. INVESTMENT POLICY ADOPTION

The Department's investment policy shall be adopted by resolution of the Board.

1. Exemptions

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. Amendment

The policy shall be reviewed at least annually by the Board and any amendments made thereto must be approved by the Board. The Board shall adopt by written resolution a statement that it has reviewed the investment policies and strategies.

XIX. ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

A written copy of the investment policy shall be presented to any person offering to engage in an investment transaction related to Department funds. The qualified representative of the business organization shall execute a written instrument in a form acceptable to the Department and the business organization, substantially to the effect that the offering business organization has:

1. received and reviewed the investment policy of the Department; and
2. acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the business organization that are not authorized by the Department's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio or requires an interpretation of subjective investment standards.

The Investment Officer of the Department may not buy any securities from a person who has not delivered to the Department an instrument complying with this investment policy. (See sample documents at Attachments C and D.)

XX. TRAINING

Each member of the Department's Board and the Investment Officer who are in office on September 1, 1996 or who assume such duties after September 1, 1996, shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties. Training under this section is provided by the Texas Higher Education Coordinating Board and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this policy. The Investment Officer shall attend a training session not less than once in a two-year period and may receive training from any independent source approved by the Department's Board. The Investment Officer shall prepare a report on the training and deliver the report to the Board not later than the 180th day after the last day of each regular session of the legislature.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment A

STRATEGY

SECTION 1

All of the Department's funds as listed below are program / operational in nature, excluding the bond funds which are listed separately in Section 2 below. The following funds are held in the State Treasury and the Department earns interest on those balances at the then applicable rate.

General Fund
Trust Funds
Agency Funds
Proprietary Funds (excluding Revenue Bond Funds)

SECTION 2

The Department's Revenue Bond Funds, including proceeds, are invested in various investments as stipulated by the controlling bond indenture. Certain investments, controlled by indentures prior to the latest revised Public Funds Investment Act, are properly grandfathered from its provisions. Typical investments include: guaranteed investment contracts; agency mortgage-backed securities resulting from the program's loan origination; in some cases, long-term Treasury notes; and bonds used as reserves with maturities that coincide with certain long-term bond maturities.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment B

POLICY STATEMENTS AND RECOMMENDED PRACTICE

Repurchase Agreements

1. Repurchase agreements ("repos") are the sale by a bank or dealer of government securities with the simultaneous agreement to repurchase the securities on a later date. Repos are commonly used by public entities to secure money market rates of interest.

2. The Department affirms that repurchase agreements are an integral part of its investment program.

3. The Department and its designated Investment Officer should exercise special caution in selecting parties with whom they will conduct repurchase transactions, and be able to identify the parties acting as principals to the transaction.

4. Proper collateralization practices are necessary to protect the public funds invested in repurchase agreements. Risk is significantly reduced by delivery of underlying securities through physical delivery or safekeeping with the purchaser's custodian. Over-collateralization, commonly called haircut, or marking-to-market practices should be mandatory procedures.

5. To protect public funds the Department should work with securities dealers, banks, and their respective associations to promote improved repurchase agreement procedures through master repurchase agreements that protect purchasers' interests, universal standards for delivery procedures, and written risk disclosures.

6. Master repurchase agreements should generally be used subject to appropriate legal and technical review. If the prototype agreement developed by the Public Securities Association is used, appropriate supplemental provisions regarding delivery, substitution, margin maintenance, margin amounts, seller representations and governing law should be included.

7. Despite contractual agreements to the contrary, receivers, bankruptcy courts and federal agencies have interfered with the liquidation of repurchase agreement collateral. Therefore, the Department should encourage Congress to eliminate statutory and regulatory obstacles to perfected security interests and liquidation of repurchase collateral in the event of default.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment C

ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

1. I am a qualified representative of _____ (the "Business Organization").

2. The Business Organization proposes to engage in an investment transaction (the "Investments") with the Texas Department of Housing and Community Affairs (the "Department").

3. I acknowledge that I have received and reviewed the Department's investment policy.

4. I acknowledge that the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the business organization and the Department that are not authorized by the Department's investment policy.

5. The Business Organization makes no representation regarding authorization of the Investments to the extent such authorization is dependent on an analysis of the Department's entire portfolio and which requires an interpretation of subjective investment standards.

Dated this _____ day of _____, _____.

Name:_____

Title: _____

Business Organization: _____

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment D

CERTIFICATE OF COMPLIANCE WITH PUBLIC FUNDS INVESTMENT ACT

I, _____, a qualified representative of

_____ (the "Business Organization")

hereby execute and deliver this certificate in conjunction with the proposed sale of investments to the Texas Department of Housing and Community Affairs (the "Department"). I hereby certify that:

1. I have received and thoroughly reviewed the Investment Policy of the Department, as established by the Department pursuant to Texas Government Code, Chapter 2256;

2. The Business Organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of or in any way relating to the sale of the investments to the Department by the Business Organization;

3. The Business Organization has reviewed the terms, conditions and characteristics of the investments and applicable law, and represents that the investments are authorized to be purchased with public funds under the terms of Texas Government Code, Chapter 2256; and

4. The investments comply, in all respects, with the investment policy of the Department.

Business Organization: _____

By: _____

Title: _____

Date: _____

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment E

Annual Disclosure Statement for Financial Advisors and Service Providers

Figure 1
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

ANNUAL DISCLOSURE STATEMENT FOR FINANCIAL ADVISORS AND SERVICE PROVIDERS
DUE NO LATER THAN APRIL 15

INSTRUCTIONS:

1) THE REPORTING PERIOD COVERED BY THIS STATEMENT CONSISTS OF THE PRECEDING CALENDAR YEAR.
2) A NEW OR AMENDED STATEMENT MUST BE PROMPTLY FILED WITH THE PARTIES LISTED IN STEP 4 WHENEVER THERE IS NEW INFORMATION TO REPORT UNDER TEXAS GOVERNMENT CODE, SECTION 2263.005(a).
3) THIS STATEMENT MUST BE SUBMITTED EVEN IF YOU ANSWER "NO" TO QUESTIONS 1 AND 2 IN PART 2.
4) SUBMIT A COPY OF THIS STATEMENT TO THE FOLLOWING (FOR EACH GOVERNMENTAL ENTITY TO WHICH YOU PROVIDE SERVICES):
   a. ADMINISTRATIVE HEAD OF THE STATE GOVERNMENTAL ENTITY
   b. THE STATE AUDITOR (mail to P.O. Box 12067, Austin, TX, 78711-2067)
5) PROMPT FILING REQUIRES A POSTMARK DATE NO LATER THAN APRIL 15 IF THE COMPLETED FORM IS RECEIVED AT THE CORRECT ADDRESS.

PART 1: GENERAL INFORMATION

FILING TYPE (Check one) ☐ ANNUAL DISCLOSURE FOR YEAR ENDING DECEMBER 31, 20___ ☐
☐ UPDATED DISCLOSURE

NAME OF INDIVIDUAL _____ JOB TITLE_____

NAME OF BUSINESS ENTITY_____ TYPE OF SERVICE PROVIDED_____

ADDRESS_____

CITY_____ STATE_____ ZIP_____ PHONE_____

NAME OF STATE GOVERNMENTAL ENTITY AND/OR GOVERNING BOARD MEMBER TO WHICH YOU ARE PROVIDING SERVICES_____

PART 2: DISCLOSURES

DEFINITION: (Texas Government Code, Section 2263.002)
Financial advisor or service provider includes a person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker.

DISCLOSURE REQUIREMENTS FOR OUTSIDE FINANCIAL ADVISOR OR SERVICE PROVIDER (Texas Government Code, Section 2263.005)
Financial advisors and service providers (see definition) must disclose information regarding certain relationships with, and direct or indirect pecuniary interests in, any party to a transaction with the state governmental entity, without regard to whether the relationships are direct, indirect, personal, private, commercial, or business relationships.

1) Do you or does your business entity have any relationship with any party to a transaction with the state governmental entity (other than a relationship necessary to the investment or funds management services that you or your business entity performs for the state governmental entity) for which a reasonable person could expect the relationship to diminish your or your business entity's independence of judgment in the performance of your responsibilities to the state entity?
Yes_____ No_____
If yes, please explain in detail. (Attach additional sheets as needed.)

_____

_____

2) Do you or does your business entity have any direct or indirect pecuniary interests in any party to a transaction with the state governmental entity if the transaction is connected with any financial advice or service that you or your business entity provides to the state governmental entity or to a member of the governing body in connection with the management or investment of state funds?
Yes_____ No_____
If yes, please explain in detail. (Attach additional sheets as needed.)

_____

_____

PART 3: SIGNATURE AND DATE

I hereby attest that all information provided above is complete and accurate. I acknowledge my or my firm's responsibility to submit promptly a new or amended disclosure statement to the parties listed in step 4 of the instructions if any of the above information changes.

Signature_____ Date_____

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment F

Board Resolution No. 09-022

RESOLUTION NO. 09-022

RESOLUTION OF THE GOVERNING BOARD REVIEWING THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS' INVESTMENT POLICY

WHEREAS, the Texas Department of Housing and Community Affairs, a public and official governmental agency of the State of Texas (the "Department"), 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"); and

WHEREAS, the Governing Board of the Department (the "Board") desires to review the Department's Investment Policy, and the Board has found the Investment Policy in the form presented to the Board to be satisfactory and in proper form and in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Public Funds Investment Act"), and the Act;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

Section -- 1 Review of the Department's Investment Policy. The Board has found the Investment Policy in the form presented to the Board to be satisfactory and in proper form and in compliance the Public Funds Investment Act and the Act.

Section -- 2 Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section -- 3 Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials made available to the Board relevant to the subject of this Resolution were posted on the Department's website not later than the third day before the date of the meeting of the Board at which this Resolution was considered, and any documents made available to the Board by the Department on the day of the meeting were also made available in hard-copy format to the members of the public in attendance at the meeting, as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 5th day of February, 2009.

_____
Chair, Governing Board

ATTEST:

_____
Secretary to the Board

(SEAL)

TEXAS HOMEOWNERSHIP DIVISION

BOARD ACTION REQUEST
FEBRUARY 5, 2009

Action Items

Request approval of determination that, for purposes of the Department's Single Family Mortgage Revenue Bond (MRB) and Mortgage Credit Certificate (MCC) Programs, a mortgage loan that is eligible for and receiving refinancing under the Federal Housing Administration (FHA) Hope for Homeowners Program (H4H Program) would be reasonably likely to cause financial hardship to the borrower if not refinanced.

Required Action

Approval of determination that, for purposes of the Department's Single Family MRB and MCC Programs, a mortgage loan that is eligible for and receiving refinancing under the H4H Program would be reasonably likely to cause financial hardship to the borrower if not refinanced.

Background and Recommendations

Summary

The Housing and Economic Recovery Act of 2008, H.R. 3221, allows the refinancing of "qualified subprime loans" on new program releases under the Department's Single Family MRB and MCC Programs. H.R. 3221 defines a "qualified subprime loan" as "an adjustable rate single-family residential mortgage loan made after December 31, 2001, and before January 1, 2008, that the bond issuer determines would be reasonably likely to cause financial hardship to the borrower if not refinanced." Therefore, to refinance qualified subprime loans under its Single Family MRB and MCC Programs, the Department must make a determination as to which existing loans are reasonably likely to cause financial hardship to the borrower if not refinanced.

Instead of creating a new and distinct eligibility criteria to determine if existing loans are likely to cause financial hardship to the borrower if not refinanced, TDHCA staff is recommending that the Department make a determination that a mortgage loan eligible for and receiving refinancing under the H4H Program would be reasonably likely to cause such financial hardship. In other words, a H4H Program loan meeting the other requirements of the Departments MRB or MCC Program would be eligible for refinancing as a "qualified subprime loan."

Congress created the H4H Program under H.R. 3221 to help those at risk of default and foreclosure refinance existing mortgages into more affordable, sustainable loans by making FHA-insured loans available to borrowers who meet certain criteria. The program is effective from October 1, 2008 to September 30, 2011. Borrowers initially participate in this Program through the lender servicing their existing mortgage. Servicers that do not have an underwriting component to their mortgage operations partner with an FHA-approved lender that does. Under the H4H Program, lenders take a loss (currently set at 96.5 percent of current appraised value) on the difference between existing mortgage and the new loan. Additionally, if the lender refinancing the loan does not hold the senior mortgage lien, it must secure an agreement from the

existing senior lien holder to waive all prepayment penalties and default fees on the existing loan and accept the loan proceeds from the H4H loan as payment in full.

Lenders that determine the H4H Program is a feasible and effective option for mitigating losses must assess the homeowner's eligibility for the program, including the following criteria with respect to the borrower, the existing mortgage loan and the property mortgaged:

- As of March 1, 2008, the borrower's aggregate monthly mortgage payment(s) on all existing mortgages must be greater than 31 percent of the borrower's gross monthly income for fixed-rate mortgages;
- The homeowner must not have intentionally defaulted on their mortgage or any other debt, have an ownership interest in other residential real estate and or been convicted of fraud under state and Federal laws in the last 10 years; and
- The homeowner must not have knowingly or willfully provided materially false information (e.g., lied about income) to obtain the mortgage that is being refinanced under the H4H Program.

Adoption of the H4H Program criteria as the basis for making the determination of eligibility of an existing mortgage as a "qualified subprime loan" will base the Department's refinancing programs in federally-approved criteria and create minimal administrative burden. However, it is important to note that the H4H Program has had limited success to date due to the complexities and challenges of the H4H Program for the lender community. A few Housing Finance Agencies (HFAs) have also incorporated the H4H Program into their MRB and MCC program releases with minimal success. The H4H Program eligibility criteria may be subject to change as FHA works to facilitate and increase the number of loan originations and determines ways to simplify the H4H Program.

Recommendation

Staff requests approval of determination that, for purposes of the Department's Single Family Mortgage Revenue Bond and Mortgage Credit Certificate Programs, a mortgage loan that is eligible for and receiving refinancing under the H4H Program would be reasonably likely to cause financial hardship to the borrower if not refinanced.

REAL ESTATE ANALYSIS

BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Possible Approval to publish the proposed amendment of 10 TAC Chapter 1, §1.36, 2009 Real Estate Analysis Rules and Guidelines in the *Texas Register*.

Required Action

Approve, reject or approve with modifications publication of the proposed amendment of 10 TAC Chapter 1, §1.36, 2009 Real Estate Analysis Rules and Guidelines in the *Texas Register*.

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Background

At the November 13, 2008 meeting the TDHCA Board approved for publication in the Texas Register a final order adopting 10 TAC, Chapter 1, Sections 31-37, 2009 Real Estate Analysis Rules and Guidelines. The 2009 Real Estate Analysis Rules were adopted on December 26, 2008. However, upon review of the final published version in the Texas Register staff discovered that a portion of the REA Rules was inadvertently omitted from the final rule sent to the Texas Register. Sections 1.36(a)(4)(A)-(C) of the Property Condition Assessment Guidelines were omitted. Although this section had no proposed amendments or changes throughout the public comment period, the technical error must be corrected using the normal amendment process in order to publish the correct final version in the Texas Register.

Recommendation

Approve the publication of the corrected 2009 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines (REA Rules).

Real Estate Analysis Division
2009 Real Estate Analysis Rules

§1.31.GENERAL PROVISIONS. 1
§1.32.UNDERWRITING RULES AND GUIDELINES. 3
§1.33.MARKET ANALYSIS RULES AND GUIDELINES. 13
§1.34.APPRAISAL RULES AND GUIDELINES. 17
§1.35.ENVIRONMENTAL SITE ASSESSMENT RULES AND GUIDELINES. 20
§1.36.PROPERTY CONDITION ASSESSMENT GUIDELINES. 21
§1.37.RESERVE FOR REPLACEMENT RULES AND GUIDELINES. 23

§1.31.General Provisions.

(a) **Purpose**. The Rules in this subchapter apply to the underwriting, market analysis, appraisal, environmental site assessment, property condition assessment, and reserve for replacement standards employed by the Texas Department of Housing and Community Affairs (the "Department" or "TDHCA"). This chapter provides rules for the underwriting review of an affordable housing development's financial feasibility and economic viability that ensures the most efficient allocation of resources while promoting and preserving the public interest in ensuring the long-term health of the Department's portfolio. In addition, this chapter guides the underwriting staff in making recommendations to the Executive Award and Review Advisory Committee "the Committee"), Executive Director, and TDHCA Governing Board ("the Board") to help ensure procedural consistency in the determination of Development feasibility (§2306.0661(f) and §2306.6710(d), Texas Government Code). Due to the unique characteristics of each development the interpretation of the rules and guidelines described in this subchapter is subject to the discretion of the Department and final determination by the Board.

(b) **Definitions**. Terms used in this subchapter that are also defined in Chapter 50 of this title (the Department's Housing Tax Credit Program Qualified Allocation Plan and Rules, known as the "QAP") have the same meaning as in the QAP. Those terms that are not defined in the QAP or which may have another meaning when used in this subchapter, shall have the meanings set forth in §1.32(b) of this subchapter.

(1) **Affordable Housing**--Housing that has been funded through one or more of the Department's programs or other local, state or federal programs or has at least one unit that is restricted in the rent that can be charged either by a Land Use Restriction Agreement or other form of Deed Restriction.

(2) **Bank Trustee**--A bank authorized to do business in this state, with the power to act as trustee.

(3) **Cash Flow**--The funds available from operations after all expenses and debt service required to be paid has been considered.

(4**) Credit Underwriting Analysis Report**--Sometimes referred to as the "Report." A decision making tool used by the Department and Board containing a synopsis and reconciliation of the application information submitted by the Applicant.

(5) **Comparable Unit**--A Unit, when compared to the subject Unit, similar in overall condition, unit amenities, utility structure, and common amenities, and

(A) for purposes of calculating the inclusive capture rate targets the same population and is likely to draw from the same demand pool;

(B) for purposes of estimating the Restricted Market Rent targets the same population and is similar in net rentable square footage and number of bedrooms; or

(C) for purposes of estimating the subject Unit market rent does not have any income or rent restrictions and is similar in net rentable square footage and number of bedrooms.

(6) **Contract Rent**--Maximum rent limits based upon current and executed rental assistance contract(s), typically with a federal, state or local governmental agency.

(7) **DCR**--Debt Coverage Ratio. Sometimes referred to as the "Debt Coverage" or "Debt Service Coverage." A measure of the number of times loan principal and interest are covered by Net Operating Income.

(8) **Development**--Sometimes referred to as the "Subject Development." Multi-unit residential housing that meets the affordability requirements for and requests or has received funds from one or more of the Department's sources of funds.

(9) **EGI**--Effective Gross Income. The sum total of all sources of anticipated or actual income for a rental Development less vacancy and collection loss, leasing concessions, and rental income from employee-occupied units that is not anticipated to be charged or collected.

(10) **ESA**--Environmental Site Assessment. An environmental report that conforms with the Standard Practice for Environmental Site Assessments: Phase I Assessment Process (ASTM Standard Designation: E 1527) and conducted in accordance with the Department's Environmental Site Assessment Rules and Guidelines in §1.35 of this subchapter as it relates to a specific Development.

(11) **First Lien Lender**--A lender whose lien has first priority.

(12) **Gross Program Rent**--Sometimes called the "Program Rents." Maximum rent limits based upon the tables promulgated by the Department's division responsible for compliance which are developed by program and by county or Metropolitan Statistical Area ("MSA") or Primary Metropolitan Statistical Area ("PMSA") or national non-metro area.

(13) **Market Analysis**--Sometimes referred to as "Market Study." An evaluation of the economic conditions of supply, demand and rental rates or pricing conducted in accordance with the Department's Market Analysis Rules and Guidelines in §1.33 of this subchapter as it relates to a specific Development.

(14) **Market Analyst**--Any person who prepares a market study.

(15) **Market Rent**--The unrestricted rent concluded by the Market Analyst for a particular unit type and size after adjustments are made to rents charged by owners of Comparable Units.

(16) **NOI**--Net Operating Income. The income remaining after all operating expenses, including replacement reserves and taxes have been paid.

(17) **Primary Market**--Sometimes referred to as "Primary Market Area" or "Submarket" or "PMA". The area defined by the Qualified Market Analyst as described in §1.33(d)(8) of this subchapter from which a proposed or existing Development is most likely to draw the majority of its prospective tenants or homebuyers.

(18) **PCA**--Property Condition Assessment. Sometimes referred to as "Physical Needs Assessment," "Project Capital Needs Assessments," "Property Condition Report," or "Property Work Write-Up." An evaluation of the physical condition of the existing property and evaluation of the cost of rehabilitation conducted in accordance with the Department's Property Condition Assessment Rules and Guidelines in §1.36 of this subchapter as it relates to a specific Development.

(19) **Qualified Market Analyst**--A real estate appraiser certified or licensed by the Texas Appraiser Licensing and Certification Board, a real estate consultant, or other professional currently active in the subject property's market area who demonstrates competency, expertise, and the ability to render a high quality written report. The individual's performance, experience, and educational background will provide the general basis for determining competency as a Market Analyst. Competency will be determined by the Department, in its sole discretion. The Qualified Market Analyst must be a Third Party.

(20) **Rent Over-Burdened Households**--Non-elderly households paying more than 35% of gross income towards total housing expenses (unit rent plus utilities) and elderly households paying more than 50% of gross income towards total housing expenses.

(21) **Reserve Account**--An individual account:

(A) Created to fund any necessary repairs for a multifamily rental housing development; and

(B) Maintained by a First Lien Lender or Bank Trustee.

(22) **Restricted Market Rent**--The restricted rent concluded by the Qualified Market Analyst for a particular unit type and size after adjustments are made to rents charged by owners of Comparable Units with the same rent and income restrictions.

(23) **Secondary Market**--Sometimes referred to as "Secondary Market Area". The area defined by the Qualified Market Analyst as described in §1.33(d)(7) of this subchapter.

(24) **Supportive Housing**--Residential Rental Developments intended for occupancy by individuals or households transitioning from homelessness, at risk of homelessness, or in need of specialized and specific social services.

(25) **Sustaining Occupancy**--The occupancy level at which rental income plus secondary income is equal to all operating expenses and mandatory debt service requirements for a Development.

(26) **TDHCA Operating Expense Database**--Sometimes referred to as "TDHCA Database." A consolidation of recent actual operating expense information collected through the Department's Annual Owner Financial Certification process, as required and described in Subchapter A of Chapter 60 of this title, and published on the Department's web site.

(27) **Underwriter**--The author(s), as evidenced by signature, of the Credit Underwriting Analysis Report.

(28) **Unstabilized Development**--A Development with Comparable Units that has been approved for funding by the TDHCA Board or is currently under construction or has not maintained a 90% occupancy level for at least 12 consecutive months following construction completion.

(29) **Utility Allowance**--The estimate of tenant-paid utilities, based either on the most current HUD Form 52667, "Section 8, Existing Housing Allowance for Tenant-Furnished Utilities and Other Services," provided by the local entity responsible for administering the HUD Section 8 program with most direct jurisdiction over the majority of the buildings existing, a documented estimate from the utility provider proposed in the Application, or for an existing development an allowance calculated by the Department pursuant to §60.109 of this title. Documentation from the local utility provider to support an alternative calculation can be used to justify alternative Utility Allowance conclusions but must be specific to the subject development and consistent with the building plans provided.

(30) **Work Out Development**--A financially distressed Development seeking a change in the terms of Department funding or program restrictions based upon market changes.

(c) **Appeals**. Certain programs contain express appeal options. Where not indicated, §1.7 and §1.8 of this chapter include general appeal procedures. In addition, the Department encourages the use of Alternative Dispute Resolution methods as outlined in §1.17 of this chapter.

§1.32.Underwriting Rules and Guidelines.

(a) **General Provisions**. The Department Governing Board has authorized the development of these rules under its authority under §2306.148, Texas Government Code. The rules provide a mechanism to produce consistent information in the form of an Underwriting Report to provide interested parties information the Board relies upon in balancing the desire to assist as many Texans as possible by providing no more financing than necessary and have independent verification that Developments are economically feasible. The Report should consider all information timely provided by the Applicant. The Report generated in no way guarantees or purports to warrant the actual performance, feasibility, or viability of the Development by the Department.

(b) **Report Contents**. The Report provides an organized and consistent synopsis and reconciliation of the application information submitted by the Applicant. The Report should consider only information that is provided in accordance with the time frames provided in the current QAP, Program Rules or Notice of Funds Availability as appropriate. The Report should also identify the number of revisions and date of most current revision to any information deemed to be relevant by the Underwriter.

(c) **Recommendations in the Report**. The conclusion of the Report includes a recommended award of funds or allocation of Tax Credits based on the lesser amount calculated by the program limit method (if applicable), gap/DCR method, or the amount requested by the Applicant as further described in paragraphs (1) - (3) of this subsection, and states any feasibility conditions to be placed on the award.

(1) **Program Limit Method**. For Developments requesting Housing Tax Credits, this method is based upon calculation of Eligible Basis after applying all cost verification measures and program limits as described in this section. The Applicable Percentage used is as defined in the QAP. For Developments requesting funding through a Department program other than Housing Tax Credits, this method is based upon calculation of the funding limit based on current program rules at the time of underwriting.

(2) **Gap/DCR Method**. This method evaluates the amount of funds needed to fill the gap created by total development cost less total non-Department-sourced funds or Tax Credits. In making this determination, the Underwriter resizes any anticipated deferred developer fee down to zero before reducing the amount of Department funds or Tax Credits. In the case of Housing Tax Credits, the syndication proceeds needed to fill the gap in permanent funds are divided by the syndication rate to determine the amount of Tax Credits. In making this determination, the Department adjusts the permanent loan amount and/or any Department-sourced loans, as necessary, such that it conforms to the DCR standards described in this section.

(3) **The Amount Requested**. The amount of funds that is requested by the Applicant as reflected in the Application documentation.

(d) **Operating Feasibility**. The operating financial feasibility of Developments funded by the Department is tested by adding total income sources and subtracting vacancy and collection losses and operating expenses to determine Net Operating Income. This Net Operating Income is divided by the annual debt service to determine the Debt Coverage Ratio. The Underwriter characterizes a Development as infeasible from an operational standpoint when the Debt Coverage Ratio does not meet the minimum standard set forth in paragraph (4)(D) of this subsection. The Underwriter may choose to make adjustments to the financing structure, such as lowering the debt and increasing the deferred developer fee that could result in a re-characterization of the Development as feasible based upon specific conditions set forth in the Report.

(1) **Income**. In determining the Year 1 proforma, the Underwriter evaluates the reasonableness of the Applicant's income estimate by determining the appropriate rental rate per unit based on contract, program and market factors. Miscellaneous income and vacancy and collection loss limits as set forth in subparagraphs (B) and (C) of this paragraph, respectively, are applied unless well-documented support is provided.

(A) **Rental Income**. The Underwriter will update the utility allowance and calculate the appropriate rent on a conservative or Contract Rent basis for comparison to the Applicant's estimate in the Application. The conservative basis for a restricted unit is the lesser of the Gross Program Rent less Utility Allowances ("Net Program Rent") or Restricted Market Rent. The conservative basis for an unrestricted unit is the lesser of the Market Rent or Applicant's projected rent where the Applicant's projected rent is reasonable to the Underwriter. Where Contract Rents are included, they will be used regardless of the conservative basis derived rent.

(i**) Market Rents**. The Underwriter reviews the attribute adjustment matrix of Comparable Units by unit size provided by the Market Analyst and determines if the adjustments and conclusions made are reasoned and well documented. The Underwriter uses the Market Analyst's conclusion of adjusted Market Rent by unit, as long as the proposed Market Rent is reasonably justified and does not exceed the highest existing unadjusted market comparable rent. Random checks of the validity of the Market Rents may include direct contact with the comparable properties. The Market Analyst's attribute adjustment matrix should include, at a minimum, adjustments for location, size, amenities, and concessions as more fully described in §1.33 of this subchapter.

(ii) **Restricted Market Rent**. The Underwriter reviews the attribute adjustment matrix of Comparable Units by unit size and income and rent restrictions provided by the Market Analyst and determines if the adjustments and conclusions made are reasoned and well documented. The Underwriter uses the Market Analyst's conclusion of adjusted Restricted Market Rent by unit, as long as the proposed Restricted Market Rent is reasonably justified and does not exceed the highest existing unadjusted market comparable restricted rent. Random checks of the validity of the Restricted Market Rents may include direct contact with the comparable properties. The Market Analyst's attribute adjustment matrix should include, at a minimum, adjustments for location, size, amenities, and concessions as more fully described in §1.33 of this subchapter.

(iii) **Gross Program Rents less Utility Allowance or Net Program Rents**. The Underwriter reviews the Applicant's proposed rent schedule and determines if it is consistent with the representations made in the remainder of the Application. The Underwriter uses the Gross Program Rents as promulgated by the Department's division responsible for compliance for the year that is most current at the time the underwriting begins. When underwriting for a simultaneously funded competitive round, all of the Applications are underwritten with the rents promulgated for the same year. Gross Program Rents are reduced by the Utility Allowance.

(I) Units must be individually metered for all utility costs to be paid by the tenant.

(II) Gas utilities are verified on the building plans and elsewhere in the Application when applicable.

(III) Trash allowances paid by the tenant are rare and only considered when the building plans allow for individual exterior receptacles.

(IV) Refrigerator and range allowances are not considered part of the tenant-paid utilities unless the tenant is expected to provide their own appliances, and no eligible appliance costs are included in the development cost breakdown.

(iv) **Contract Rents**. The Underwriter reviews submitted rental assistance contracts to determine the Contract Rents currently applicable to the Development. Documentation supporting the likelihood of continued rental assistance is also reviewed. The underwriting analysis will take into consideration the Applicant's intent to request a Contract Rent increase. At the discretion of the Underwriter, the Applicant's proposed rents may be used in the underwriting analysis with the recommendations of the Report conditioned upon receipt of final approval of such increase.

(B) **Miscellaneous Income**. All ancillary fees and miscellaneous secondary income, including but not limited to late fees, storage fees, laundry income, interest on deposits, carport rent, washer and dryer rent, telecommunications fees, and other miscellaneous income, are anticipated to be included in a $5 to $15 per unit per month range. Exceptions may be made at the discretion of the Underwriter for garage income, pass-through utility payments, pass-through water, sewer and trash payments, cable fees, congregate care/assisted living/elderly facilities, and child care facilities.

(i) Exceptions must be justified by operating history of existing comparable properties.

(ii) The Applicant must show that the tenant will not be required to pay the additional fee or charge as a condition of renting an apartment unit and must show that the tenant has a reasonable alternative.

(iii) The Applicant's operating expense schedule should reflect an offsetting cost associated with income derived from pass-through utility payments, pass-through water, sewer and trash payments, and cable fees.

(iv) Collection rates of exceptional fee items will generally be heavily discounted.

(v) If the total secondary income is over the maximum per unit per month limit, any cost associated with the construction, acquisition, or development of the hard assets needed to produce an additional fee may also need to be reduced from Eligible Basis for Tax Credit Developments as they may, in that case, be considered to be a commercial cost rather than an incidental to the housing cost of the Development.

(C) **Vacancy and Collection Loss**. The Underwriter uses a vacancy rate of 7.5% (5% vacancy plus 2.5% for collection loss) unless the Market Analysis reflects a higher or lower established vacancy rate for the area. Elderly and 100% project-based rental subsidy Developments and other well documented cases may be underwritten at a combined 5% at the discretion of the Underwriter if the historical performance reflected in the Market Analysis is consistently higher than a 95% occupancy rate.

(D) **Effective Gross Income**. The Underwriter independently calculates EGI. If the EGI figure provided by the Applicant is within 5% of the EGI figure calculated by the Underwriter, the Applicant's figure is characterized as reasonable in the Report; however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation unless the Applicant's proforma meets the requirements of paragraph (3) of this subsection.

(2) **Expenses**. In determining the Year 1 proforma, the Underwriter evaluates the reasonableness of the Applicant's expense estimate by line item comparisons based upon the specifics of each transaction, including the type of Development, the size of the units, and the Applicant's expectations as reflected in their proforma. Historical stabilized certified or audited financial statements of the Development or Third Party quotes specific to the Development will reflect the strongest data points to predict future performance. The Department's database of properties in the same location or region as the proposed Development also provides heavily relied upon data points; the Department's database summary is available on the TDHCA website. Data from the Institute of Real Estate Management's (IREM) most recent Conventional Apartments-Income/Expense Analysis book for the proposed Development's property type and specific location or region may be referenced. In some cases local or project-specific data such as Public Housing Authority ("PHA") Utility Allowances and property tax rates are also given significant weight in determining the appropriate line item expense estimate. Estimates of utility savings from green building components, including on-site renewable energy, must be documented by experience of third parties not related to the contractor or component vendor. Finally, well documented information provided in the Market Analysis, the Application, and other sources may be considered.

(A) **General and Administrative Expense**. General and Administrative Expense includes all accounting fees, legal fees, advertising and marketing expenses, office operation, supplies, and equipment expenses. The underwriting tolerance level for this line item is 20%.

(B) **Management Fee**. Management Fee is paid to the property management company to oversee the effective operation of the property and is most often based upon a percentage of Effective Gross Income as documented in the management agreement contract. Typically, 5% of the Effective Gross Income is used, though higher percentages for rural transactions that are consistent with the TDHCA Database can be concluded. Percentages as low as 3% may be utilized if documented by a fully executed management contract agreement with an acceptable management company. The Underwriter will require documentation for any percentage difference from the 5% of the Effective Gross Income standard.

(C) **Payroll and Payroll Expense**. Payroll and Payroll Expense includes all direct staff payroll, insurance benefits, and payroll taxes including payroll expenses for repairs and maintenance typical of a conventional development. It does not, however, include direct security payroll or additional supportive services payroll. The underwriting tolerance level for this line item is 10%.

(D) **Repairs and Maintenance Expense**. Repairs and Maintenance Expense includes all repairs and maintenance contracts and supplies. It should not include extraordinary capitalized expenses that would result from major renovations. Direct payroll for repairs and maintenance activities are included in payroll expense. The underwriting tolerance level for this line item is 20%.

(E) **Utilities Expense (Gas & Electric)**. Utilities Expense includes all gas and electric energy expenses paid by the owner. It includes any pass-through energy expense that is reflected in the EGI. The underwriting tolerance level for this line item is 30%.

(F) **Water, Sewer and Trash Expense**. Water, Sewer and Trash Expense includes all water, sewer and trash expenses paid by the owner. It would also include any pass-through water, sewer and trash expense that is reflected in the EGI. The underwriting tolerance level for this line item is 30%.

(G) **Insurance Expense**. Insurance Expense includes any insurance for the buildings, contents, and liability but not health or workman's compensation insurance. The underwriting tolerance level for this line item is 30%.

(H) **Property Tax**. Property Tax includes all real and personal property taxes but not payroll taxes. The underwriting tolerance level for this line item is 10%.

(i) The per unit assessed value will be calculated based on the capitalization rate published on the county taxing authority's website. If the county taxing authority does not publish a capitalization rate on the internet, a capitalization rate of 10% will be used or comparable assessed values may be used in evaluating this line item expense.

(ii) Property tax exemptions or proposed payment in lieu of tax agreement (PILOT) must be documented as being reasonably achievable if they are to be considered by the Underwriter. At the discretion of the Underwriter, a property tax exemption that meets known federal, state and local laws may be applied based on the tax-exempt status of the Development Owner and its Affiliates.

(I) **Reserves**. Reserves include annual reserve for replacements of future capitalizable expenses as well as any ongoing additional operating reserve requirements. The Underwriter includes minimum reserves of $250 per unit for new construction and $300 per unit for all other Developments. The Underwriter may require an amount above $300 for Developments other than new construction based on information provided in the PCA. The Applicant's expense for reserves may be adjusted by the Underwriter if the amount provided by the Applicant is insufficient to fund future capital needs as documented by the PCA. Higher levels of reserves also may be used if they are documented in the financing commitment letters.

(J) **Other Expenses**. The Underwriter will include other reasonable and documented expenses, not including depreciation, interest expense, lender or syndicator's asset management fees, or other ongoing partnership fees. Lender or syndicator's asset management fees or other ongoing partnership fees also are not considered in the Department's calculation of debt coverage. The most common other expenses are described in more detail in clauses (i) - (iv) of this subparagraph.

(i) **Supportive Services Expense**. Supportive Services Expense includes the documented cost to the owner of any non-traditional tenant benefit such as payroll for instruction or activities personnel. The Underwriter will not evaluate any selection points for this item. The Underwriter's verification will be limited to assuring any anticipated costs are included. For all transactions supportive services expenses are considered in calculating the Debt Coverage Ratio.

(ii) **Security Expense**. Security Expense includes contract or direct payroll expense for policing the premises of the Development. The Applicant's amount is typically accepted as provided. The Underwriter will require documentation of the need for security expenses that exceed 50% of the anticipated payroll expense estimate discussed in subparagraph (C) of this paragraph.

(iii) **Compliance Fees**. Compliance fees include only compliance fees charged by TDHCA. The Department's charge for a specific program may vary over time; however, the Underwriter uses the current charge per unit per year at the time of underwriting. For all transactions compliance fees are considered in calculating the Debt Coverage Ratio.

(iv) **Cable Television Expense**. Cable Television Expense includes fees charged directly to the owner of the Development to provide cable services to all units. The expense will be considered only if a contract for such services with terms is provided and income derived from cable television fees is included in the projected EGI. Cost of providing cable television in only the community building should be included in General and Administrative Expense as described in subparagraph (A) of this paragraph.

(K) The Department will communicate with and allow for clarification by the Applicant when the overall expense estimate is over 5% greater or less than the Underwriter's estimate. In such a case, the Underwriter will inform the Applicant of the line items that exceed the tolerance levels indicated in this paragraph, but may request additional documentation supporting some, none or all expense line items. If a rationale acceptable to the Underwriter for the difference is not provided, the discrepancy is

documented in the Report and the justification provided by the Applicant and the countervailing evidence supporting the Underwriter's determination is noted. If the Applicant's total expense estimate is within 5% of the final total expense figure calculated by the Underwriter, the Applicant's figure is characterized as reasonable in the Report; however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation unless the Applicant's Year 1 proforma meets the requirements of paragraph (3) of this subsection.

(3) **Net Operating Income**. NOI is the difference between the EGI and total operating expenses. If the Year 1 NOI figure provided by the Applicant is within 5% of the Year 1 NOI figure calculated by the Underwriter, the Applicant's figure is characterized as reasonable in the Report; however, for purposes of calculating the Year 1 DCR the Underwriter will maintain and use his independent calculation of NOI unless the Applicant's Year 1 EGI, Year 1 total expenses, and Year 1 NOI are each within 5% of the Underwriter's estimates.

(4) **Debt Coverage Ratio**. Debt Coverage Ratio is calculated by dividing Net Operating Income by the sum of loan principal and interest for all permanent sources of funds. Loan principal and interest, or "Debt Service," is calculated based on the terms indicated in the submitted commitments for financing. Terms generally include the amount of initial principal, the interest rate, amortization period, and repayment period. Unusual financing structures and their effect on Debt Service will also be taken into consideration.

(A) **Interest Rate**. The interest rate used should be the rate documented in the commitment letter.

(i) Commitments indicating a variable rate must provide a detailed breakdown of the component rates comprising the all-in rate. The commitment must also state the lender's underwriting interest rate, or the Applicant must submit a separate statement executed by the lender with an estimate of the interest rate as of the date of the statement.

(ii) The maximum rate allowed for a competitive application cycle is determined by the Director of the Department's division responsible for Credit Underwriting Analysis Reports based upon current market conditions and posted to the Department's web site prior to the close of the Application Acceptance Period.

(B) **Amortization Period**. The Department requires an amortization of not less than thirty (30) years and not more than forty (40) years (fifty (50) years for federally sourced loans), or an adjustment to the amortization structure is evaluated and recommended. In non-Tax Credit transactions a lesser amortization period may be used if the Department's funds are fully amortized over the same period.

(C) **Repayment Period**. For purposes of projecting the DCR over a 30-year period for Developments with permanent financing structures with balloon payments in less than 30 years, the Underwriter will carry forward Debt Service calculated based on a full amortization and the interest rate stated in the commitment.

(D) **Acceptable Debt Coverage Ratio Range**. The acceptable Year 1 DCR range for all priority or foreclosable lien financing plus the Department's proposed financing falls between a minimum of 1.15 to a maximum of 1.35. HOPE VI and USDA Rural Development transactions may underwrite to a DCR less than 1.15 based upon documentation of acceptance from the lender.

(i) For Developments other than HOPE VI and USDA Rural Development transactions, if the DCR is less than the minimum, the recommendations of the Report are conditioned upon a reduced debt service and the Underwriter will make adjustments to the assumed financing structure in the order presented in subclauses (I) - (III) of this clause.

(I) A reduction of the interest rate or an increase in the amortization period for TDHCA funded loans;

(II) A reclassification of TDHCA funded loans to reflect grants, if permitted by program rules;

(III) A reduction in the permanent loan amount for non-TDHCA funded loans based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph.

(ii) If the DCR is greater than the minimum, the recommendations of the Report may be conditioned upon an increase in the debt service and the Underwriter may make adjustments to the requested financing structure in the order presented in subclauses (I) and (II) of this clause. If the DCR is greater than the maximum, the recommendations of the Report are conditioned upon an increase in the debt service and the Underwriter will make adjustments to the assumed financing structure in the order presented in subclauses (I) - (III) of this clause.

(I) A reclassification of TDHCA funded grants to reflect loans, if permitted by program rules;

(II) An increase in the interest rate or a decrease in the amortization period for TDHCA funded loans;

(III) An increase in the permanent loan amount for non-TDHCA funded loans based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph.

(iii) For Housing Tax Credit Developments, a reduction in the recommended Tax Credit allocation may be made based on the gap/DCR method described in subsection (c)(2) of this section.

(iv) Although adjustments in Debt Service may become a condition of the Report, future changes in income, expenses, and financing terms could allow for an acceptable DCR.

(5) **Long Term Proforma**. The Underwriter will create a 30-year operating proforma.

(A) The base year projection utilized is the Underwriter's Year 1 EGI, Year 1 operating expenses, and Year 1 NOI unless the Applicant's Year 1 EGI, Year 1 total operating expenses, and Year 1 NOI are each within 5% of the Underwriter's estimates.

(B) A 2% annual growth factor is utilized for income and a 3% annual growth factor is utilized for expenses.

(C) Adjustments may be made to the Long Term Proforma if sufficient support documentation is provided by the Applicant. Support may include:

(i) documentation with terms for project-based rental assistance or operating subsidy;

(ii) a fully executed management contract with clear terms;

(iii) documentation prepared and signed by the Central Appraisal District (CAD) with jurisdiction over the Development indicating the appraisal methodology consistently employed by the CAD and a ten-year history, beginning with the Application year, of tax rates for each taxing district with jurisdiction over the Development; and

(iv) required reserve for replacement schedule prepared and signed by the proposed permanent lender or equity provider. In no instance will the reserve for replacement figure included in the Long Term Proforma be less than the minimum requirements as described in §1.37 of this subchapter.

(e) **Development Costs**. The Development's need for permanent funds and, when applicable, the Development's Eligible Basis is based upon the projected total development costs. The Department's estimate of the total development cost will be based on the Applicant's project cost schedule to the extent that it can be verified to a reasonable degree of certainty with documentation from the Applicant and tools available to the Underwriter. For new construction Developments, the Underwriter's total cost estimate will be used unless the Applicant's total development cost is within 5% of the Underwriter's estimate. In the case of a rehabilitation Development, the Underwriter may use a lower tolerance level due to the reliance upon the PCA. If the Applicant's total development cost is utilized and the Applicant's line item costs are inconsistent with documentation provided in the Application or program rules, the Underwriter may make adjustments to the Applicant's total cost estimate.

(1) **Acquisition Costs**. The proposed acquisition price is verified with the fully executed site control document(s) for the entire proposed site.

(A) **Excess Land Acquisition**. Where more land is being acquired than will be utilized for the site and the remaining acreage is not being utilized as permanent green space, the value ascribed to the proposed Development will be prorated from the total cost reflected in the site control document(s). An appraisal or tax assessment value may be tools that are used in making this determination; however, the Underwriter will not utilize a prorated value greater than the total amount in the site control document(s).

(B) **Identity of Interest Acquisitions**.

(i) The acquisition will be considered an identity of interest transaction when an Affiliate of, a Related Party to, or any owner at any level of the Development Team or permanent lender:

(I) is the current owner in whole or in part of the proposed property, or

(II) was the owner in whole or in part of the proposed property during any period within the 36 months prior to the first day of the Application Acceptance Period.

(ii) In all identity of interest transactions the Applicant is required to provide subclauses (I) and (II) of this clause:

(I) the original acquisition cost listed in the submitted settlement statement or, if a settlement statement is not available, the original asset value listed in the most current audited financial statement for the identity of interest owner, and

(II) if the original acquisition cost evidenced by subclause (I) of this clause is less than the acquisition cost claimed in the application,

(-a-) an appraisal that meets the requirements of §1.34 of this subchapter, and

(-b-) any other verifiable costs of owning, holding, or improving the Property, excluding seller financing, that when added to the value from subclause (I) of this clause justifies the Applicant's proposed acquisition amount.

(-1-) For land-only transactions, documentation of owning, holding or improving costs since the original acquisition date may include Property taxes, interest expense, a calculated return on equity at a rate consistent with the historical returns of similar risks, the cost of any physical improvements made to the Property, the cost of rezoning, replatting or developing the Property, or any costs to provide or improve access to the Property.

(-2-) For transactions which include existing buildings that will be rehabilitated or otherwise maintained as part of the Development, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the Property, a calculated return on equity at a rate consistent with the historical returns of similar risks, and allow the cost of exit taxes not to exceed an amount necessary to allow the sellers to be made whole in the original and subsequent investment in the Property and avoid foreclosure.

(iii) in no instance will the acquisition cost utilized by the Underwriter exceed the lesser of the original acquisition cost evidenced by clause (ii)(I) of this subparagraph plus costs identified in clause (ii)(II)(-b-) of this subparagraph, or the "as-is" value conclusion evidenced by clause (ii)(II)(-a-) of this subparagraph.

(C) **Acquisition of Buildings for Tax Credit Properties**. In order to make a determination of the appropriate building acquisition value, the Applicant will provide and the Underwriter will utilize an appraisal that meets the Department's Appraisal Rules and Guidelines as described in §1.34 of this subchapter. The Underwriter will prorate the actual sales price or identity of interest adjusted sales price based upon a calculated "as-is" improvement value over the total "as-is" value provided in the appraisal, so long as the resulting land value utilized by the Underwriter is not less than the land value indicated in the appraisal or tax assessment. In the case where the land value indicated by either the appraisal or tax assessment is greater than the prorata land value attributed to the sales price as described above, the greater of the land value in the appraisal or tax assessment is deducted from the sales price to determine the acquisition basis.

(2) **Off-Site Costs**. Off-Site costs are costs of development up to the site itself such as the cost of roads, water, sewer and other utilities to provide the site with access. All off-site costs must be well documented and certified by a Third Party engineer on the required application form.

(3) **Site Work Costs**. Project site work costs exceeding $9,000 per Unit must be well documented and certified by a Third Party engineer on the required application form. In addition, for Applicants seeking Tax Credits, documentation in keeping with §50.9(h)(6)(G) of this title will be utilized in calculating eligible basis.

(4) **Direct Construction Costs**. Direct construction costs are the costs of materials and labor required for the building or rehabilitation of a Development.

(A) **New Construction**. The Underwriter will use the Marshall and Swift Residential Cost Handbook or equivalent other comparable published third-party cost estimating data source and historical final cost certifications of all previous Housing Tax Credit allocations to estimate the direct construction cost for a new construction Development. If the Applicant's estimate is more than 5% greater or less than the Underwriter's estimate, the Underwriter will attempt to reconcile this concern and ultimately identify this as a cost concern in the Report.

(i) The "Average Quality" multiple, townhouse, or single family costs, as appropriate, from the Marshall and Swift Residential Cost Handbook or equivalent other comparable published third-party data source, based upon the details provided in the application and particularly site and building plans and elevations will be used to estimate direct construction costs. If the Development contains amenities not included in the Average Quality standard, the Department will take into account the costs of the amenities as designed in the Development.

(ii) If the difference in the Applicant's direct cost estimate and the direct construction cost estimate detailed in clause (i) of this subparagraph is more than 5%, the Underwriter shall also evaluate the direct construction cost of the Development based on acceptable cost parameters as adjusted for inflation and as established by historical final cost certifications of all previous housing tax credit allocations for:

(I) the county in which the Development is to be located, or

(II) if cost certifications are unavailable under subclause (I) of this clause, the uniform state service region in which the Development is to be located.

(B) **Rehabilitation including Reconstruction Costs**. In the case where the Applicant has provided a PCA which is inconsistent with the Applicant's figures as proposed in the development cost schedule, the Underwriter may request a supplement executed by the PCA provider reconciling the Applicant's estimate and detailing the difference in costs. If said supplement is not provided or the Underwriter determines that the reasons for the initial difference in costs are not well-documented, the Underwriter utilizes the initial PCA estimations in lieu of the Applicant's estimates.

(5) **Contingency**. All contingencies identified in the Applicant's project cost schedule including any soft cost contingency will be added to Contingency with the total limited to the guidelines detailed in this paragraph. Contingency is limited to a maximum of 5% of direct costs plus site work for new construction Developments and 10% of direct costs plus site work for rehabilitation Developments. For Housing Tax Credit Developments, the percentage is applied to the sum of the eligible direct construction costs plus eligible site work costs in calculating the eligible contingency cost. The Applicant's figure is used by the Underwriter if the figure is less than 5%.

(6) **Contractor Fee**. Contractor fees are limited at a total of 14%. The percentage is applied to the sum of the direct construction costs plus site work costs. For tax credit Developments, the percentages are applied to the sum of the eligible direct construction costs plus eligible site work costs in calculating the eligible contractor fees. For Developments also receiving financing from TX-USDA-RHS, the combination of builder's general requirements, builder's overhead, and builder's profit should not exceed the lower of TDHCA or TX-USDA-RHS requirements. Additional fees for ineligible costs will be limited to the same percentage of ineligible construction costs but will be ineligible for tax credit basis purposes.

(7) **Developer Fee**. Developer fee claimed must be adjusted by the same applicable percentage from which it is calculated and consistent with §50.9(d)(6) of this title. Additional fees for ineligible costs will be limited to the same percentage of ineligible development costs but will be ineligible for tax credit basis purposes. All fees to related parties to the owner or developer for work determined by the Underwriter to be typically completed by the developer will be considered part of the Developer fee claimed.

(A) For Tax Credit Developments, the development cost associated with developer fees and Development Consultant (also known as Housing Consultant) fees included in Eligible Basis cannot exceed 15% of the project's Total Eligible Basis less developer fees for developments proposing 50 units or more and 20% of the project's Total Eligible Basis less developer fees for developments proposing 49 units or less, as defined in the QAP.

(B) In the case of a transaction requesting acquisition Tax Credits:

(i) the allocation of eligible developer fee in calculating rehabilitation/new construction Tax Credits will not exceed 15% of the rehabilitation/new construction basis less developer fees for developments proposing 50 units or more and 20% of the rehabilitation/new construction basis less developer fees for developments proposing 49 units or less; and

(ii) no developer fee attributable to an identity of interest acquisition of the Development will be included in Eligible Basis.

(C) For non-Tax Credit Developments, the percentage can be up to 15% but is based upon total development costs less the sum of the fee itself, land costs, the costs of permanent financing, excessive construction period financing described in paragraph (8) of this subsection, reserves, and any other identity of interest acquisition cost.

(8) **Financing Costs**. Eligible construction period financing is limited to not more than one year's fully drawn construction loan funds at the construction loan interest rate indicated in the commitment. Any excess over this amount is removed to ineligible cost and will not be considered in the determination of developer fee.

(9) **Reserves**. The Department will utilize the amount described in the Applicant's project cost schedule if it is within the range of two to six months of stabilized operating expenses less management fees and reserve for replacements plus debt service. Alternatively, the Underwriter may consider a greater amount proposed by the conventional lender or syndicator if the detail for such greater amount is well documented in the conventional lender or syndicator commitment letter.

(10) **Other Soft Costs**. For Tax Credit Developments all other soft costs are divided into eligible and ineligible costs. Eligible costs are defined by Internal Revenue Code but generally are costs that can be capitalized in the basis of the Development for tax purposes. Ineligible costs are those that tend to fund future operating activities. The Underwriter will evaluate and accept the allocation of these soft costs in accordance with the Department's prevailing interpretation of the Internal Revenue Code. If the

Underwriter questions the eligibility of any soft costs, the Applicant is given an opportunity to clarify and address the concern prior to removal from Eligible Basis.

(f) **Developer Capacity**. The Underwriter will evaluate the capacity of the Person(s) accountable for the role of the Developer to determine their ability to secure financing and successfully complete the Development. The Department will review financial statements, and personal credit reports for those individuals anticipated to guarantee the completion of the Development.

(1) **Credit Reports**. The Underwriter will characterize the Development as "high risk" if the Applicant, General Partner, Developer, anticipated Guarantor or Principals thereof have a credit score which reflects a 40% or higher potential default rate.

(2) **Financial Statements of Principals**. The Applicant, Developer, any principals of the Applicant, General Partner, and Developer and any Person who will be required to guarantee the Development will be required to provide a signed and dated financial statement and authorization to release credit information in accordance with the Department's program rules.

(A) **Individuals**. The Underwriter will evaluate and discuss financial statements for individuals in a confidential portion of the Report. The Development may be characterized as "high risk" if the Developer, anticipated Guarantor or Principals thereof is determined to have limited net worth or significant lack of liquidity.

(B) **Partnerships and Corporations**. The Underwriter will evaluate and discuss financial statements for partnerships and corporations in the Report. The Development may be characterized as "high risk" if the Developer, anticipated Guarantor or Principals thereof is determined to have limited net worth or significant lack of liquidity.

(C) If the Development is characterized as a high risk for either lack of previous experience as determined by the TDHCA division responsible for compliance or a higher potential default rate is identified as described in paragraph (1) or (2) of this subsection, the Report must condition any potential award upon the identification and inclusion of additional Development partners who can meet the Department's guidelines.

(g) Other Underwriting Considerations. The Underwriter will evaluate numerous additional elements as described in subsection (b) of this section and those that require further elaboration are identified in this subsection.

(1) **Floodplains**. The Underwriter evaluates the site plan, floodplain map, survey and other information provided to determine if any of the buildings, drives, or parking areas reside within the 100-year floodplain. If such a determination is made by the Underwriter, the Report will include a condition that:

(A) The Applicant must pursue and receive a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR-F); or

(B) The Applicant must identify the cost of flood insurance for the buildings and for the tenant's contents for buildings within the 100-year floodplain; or

(C) The Development must be designed to comply with the QAP, as proposed.

(2) The Underwriter will identify in the report any Developments funded or known and anticipated to be eligible for funding within one linear mile of the subject.

(3) **Supportive Housing**. The unique development and operating characteristics of Supportive Housing Developments may require special consideration in the following areas:

(A) **Operating Income**. The extremely-low-income tenant population typically targeted by a Supportive Housing Development may include deep-skewing of rents to well below the 50% AMI level or other maximum rent limits established by the Department. The Underwriter should utilize the Applicant's proposed rents in the Report as long as such rents are at or below the maximum rent limit proposed for the units and equal to any project based rental subsidy rent to be utilized for the Development.

(B) **Operating Expenses**. A Supportive Housing Development may have significantly higher expenses for payroll, management fee, security, resident support services, or other items than typical Affordable Housing Developments. The Underwriter will rely heavily upon the historical operating expenses of other Supportive Housing Developments provided by the Applicant or otherwise available to the Underwriter.

(C) **DCR and Long Term Feasibility**. Supportive Housing Developments may be exempted from the DCR requirements of subsection (d)(4)(D) of this section if the Development is anticipated to operate without conventional debt. Applicants must provide evidence of sufficient financial resources to offset any projected 15-year cumulative negative cash flows. Such evidence will be evaluated by the Underwriter on a case-by-case basis to satisfy the Department's long term feasibility requirements and may take the form of one or a combination of the following: executed subsidy commitment(s), set-aside of Applicant's financial resources, to be substantiated by an audited financial statement evidencing

sufficient resources, and/or proof of annual fundraising success sufficient to fill anticipated operating losses. If either a set aside of financial resources or annual fundraising are used to evidence the long term feasibility of a Supportive Housing Development, a resolution from the Applicant's governing board must be provided confirming their irrevocable commitment to the provision of these funds and activities.

(D) **Development Costs**. For Supportive Housing that is styled as efficiencies, the Underwriter may use "Average Quality" dormitory costs from the Marshall & Swift Valuation Service, with adjustments for amenities and/or quality as evidenced in the application, as a base cost in evaluating the reasonableness of the Applicant's direct construction cost estimate for new construction Developments.

(h) **Work Out Development**. Developments that are underwritten subsequent to Board approval in order to refinance or gain relief from restrictions may be considered infeasible based on the guidelines in this section, but may be characterized as "the best available option" or "acceptable available option" depending on the circumstances and subject to the discretion of the Underwriter as long as the option analyzed and recommended is more likely to achieve a better financial outcome for the property and the Department than the status quo.

(i) **Feasibility Conclusion**. An infeasible Development will not be recommended for funding or allocation unless the Underwriter can determine a plausible alternative feasible financing structure and conditions the recommendations of the report upon receipt of documentation supporting the alternative feasible financing structure. A development will be characterized as infeasible if paragraph (1) or (2) of this subsection applies. The Development will be characterized as infeasible if one or more of paragraphs (3) - (5) of this subsection applies unless paragraph (6)(B) of this subsection also applies.

(1) **Inclusive Capture Rate**. The method for determining the inclusive capture rate for a Development is defined in §1.33(d)(10)(E) of this subchapter. The Underwriter will independently verify all components and conclusions of the inclusive capture rate and may at their discretion use independently acquired demographic data to calculate demand. The Development:

(A) is characterized as Rural, Elderly or Special Needs and the inclusive capture rate is above 75% for the total proposed units; or

(B) is not characterized as Rural, Elderly or Special Needs and the inclusive capture rate is above 25% for the total proposed units.

(C) Developments meeting the requirements of subparagraph (A) or (B) of this paragraph may avoid being characterized as infeasible if clause (i) or (ii) of this subparagraph apply.

(i) **Replacement Housing**. The Development is comprised of Affordable Housing which replaces previously existing substandard Affordable Housing within the Primary Market Area as defined in §1.33 of this subchapter on a Unit for Unit basis, and gives the displaced tenants of the previously existing substandard Affordable Housing a leasing preference.

(ii) **Existing Housing**. The Development is comprised of existing Affordable Housing which is at least 80% occupied and gives displaced existing tenants a leasing preference as stated in the submitted relocation plan.

(2) **Deferred Developer Fee**. Developments requesting an allocation of tax credits cannot repay the estimated deferred developer fee, based on the Underwriter's recommended financing structure, from cashflow within the first fifteen (15) years of the long term proforma as described in subsection (d)(5) of this section.

(3) **Restricted Market Rent**. The Restricted Market Rent for units with rents restricted at 60% of AMGI is less than both the Net Program Rent and Market Rent for units with rents restricted at or below 50% of AMGI unless the Applicant accepts the Underwriting recommendation that all restricted units have rents and incomes restricted at or below the 50% of AMGI level.

(4) **Initial Feasibility**. The Year 1 annual total operating expense divided by the Year 1 Effective Gross Income is greater than 65%.

(5) **Long Term Feasibility**. Any year in the first fifteen (15) years of the Long Term Proforma, as defined in subsection (d)(5) of this section, reflects:

(A) negative Cash Flow; or

(B) a Debt Coverage Ratio below 1.15.

(6) **Exceptions**. The infeasibility conclusions may be excepted where either of the following apply.

(A) The requirements in this subsection may be waived by the Executive Director of the Department on appeal if documentation is submitted by the Applicant to support unique circumstances that would provide mitigation.

(B) Developments meeting the requirements of one or more of paragraphs (3) - (5) of this subsection will be re-characterized as feasible if one or more of clauses (i) - (vi) of this subparagraph apply.

(i) The Development will receive Project-based Section 8 Rental Assistance for at least 50% of the units and a firm commitment with terms including contract rent and number of units is submitted at application.

(ii) The Development will receive rental assistance for at least 50% of the units in association with USDA-RD-RHS financing.

(iii) The Development will be characterized as public housing as defined by HUD for at least 50% of the units.

(iv) The Development will be characterized as Supportive Housing for at least 50% of the units and evidence of adequate financial support for the long term viability of the Development is provided.

(v) The Development has other long term project based restrictions on rents for at least 50% of the units that allow rents to increase based upon expenses and those rents are currently more than 10% lower than both the Net Program Rent and Restricted Market Rent.

(vi) The units not receiving Project-based Section 8 Rental Assistance or rental assistance in association with USDA-RD-RHS financing, or not characterized as public housing do not propose rents that are less than the Project-based Section 8, USDA-RD-RHS financing, or public housing units.

§1.33.Market Analysis Rules and Guidelines.

(a) **General Provision**. A Market Analysis prepared for the Department must evaluate the need for decent, safe, and sanitary housing at rental rates or sales prices that eligible tenants can afford. The analysis must determine the feasibility of the subject Property rental rates or sales price and state conclusions as to the impact of the Property with respect to the determined housing needs. The Market Analysis must include a statement that the report preparer has read and understood the requirements of this section.

(b) **Self-Contained**. A Market Analysis prepared for the Department must allow the reader to understand the market data presented, the analysis of the data, and the conclusions derived from such data. All data presented should reflect the most current information available and the report must provide a parenthetical (in-text) citation or footnote describing the data source. The analysis must clearly lead the reader to the same or similar conclusions reached by the Market Analyst. All steps leading to a calculated figure must be presented in the body of the report.

(c) **Market Analyst Qualifications**. A Market Analysis submitted to the Department must be prepared and certified by an approved Qualified Market Analyst (§2306.67055). The Department will maintain an approved Market Analyst list based on the guidelines set forth in paragraphs (1) - (3) of this subsection.

(1) If not listed as approved by the Department, Market Analysts must submit subparagraphs (A) - (F) of this paragraph at least thirty days prior to the first day of the Application Acceptance Period for which the Market Analyst must be approved. To maintain status as an approved Qualified Market Analyst, updates to the items described in subparagraphs (A) - (C) of this paragraph must be submitted annually on the first Monday in February for review by the Department.

(A) Documentation of good standing in the State of Texas.

(B) A current organization chart or list reflecting all members of the firm who may author or sign the Market Analysis.

(C) Resumes for all members of the firm or subcontractors who may author or sign the Market Analysis.

(D) General information regarding the firm's experience including references, the number of previous similar assignments and time frames in which previous assignments were completed.

(E) Certification from an authorized representative of the firm that the services to be provided will conform to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the application round in which each Market Analysis is submitted.

(F) A sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the year in which the sample Market Analysis is submitted.

(2) During the underwriting process each Market Analysis will be reviewed and any discrepancies with the rules and guidelines set forth in this section may be identified and require timely correction. Subsequent to the completion of the application round and as time permits, staff or a review appraiser will re-review a sample set of submitted market analyses to ensure that the Department's Market Analysis Rules and Guidelines are met. If it is found that a Market Analyst has not conformed to the

Department's Market Analysis Rules and Guidelines, as certified to, the Market Analyst will be notified of the discrepancies in the Market Analysis and will be removed from the approved Qualified Market Analyst list.

(A) In and of itself, removal from the list of approved Market Analysts will not invalidate a Market Analysis commissioned prior to the removal date and at least 90 days prior to the first day of the applicable Application Acceptance Period.

(B) To be reinstated as an approved Qualified Market Analyst, the Market Analyst must amend the previous report to remove all discrepancies or submit a new sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines, as described in this section, in effect for the year in which the updated or new sample Market Analysis is submitted.

(3) The list of approved Qualified Market Analysts is posted on the Department's web site and updated within 72 hours of a change in the status of a Market Analyst.

(d) **Market Analysis Contents**. A Market Analysis for a rental Development prepared for the Department must be organized in a format that follows a logical progression and must include, at minimum, items addressed in paragraphs (1) - (12) of this subsection.

(1) **Title Page**. Include Property address or location, effective date of analysis, date report completed, name and address of person authorizing report, and name and address of Market Analyst.

(2) **Letter of Transmittal**. The date of the letter must be the date the report was completed. Include Property address or location, description of Property, statement as to purpose and scope of analysis, reference to accompanying Market Analysis report with effective date of analysis and summary of conclusions, date of Property inspection, name of persons inspecting subject Property, and signatures of all Market Analysts authorized to work on the assignment. Include a statement that the report preparer has read and understood the requirements of this section.

(3) **Table of Contents**. Number the exhibits included with the report for easy reference.

(4) **Assumptions and Limiting Conditions**. Include a description of all assumptions, both general and specific, made by the Market Analyst concerning the Property.

(5) **Identification of the Property**. Provide a statement to acquaint the reader with the Development. Such information includes street address, tax assessor's parcel number(s), and Development characteristics.

(6) **Statement of Ownership**. Disclose the current owners of record and provide a three year history of ownership for the subject Property.

(7) **Secondary Market Area**. All of the Market Analyst's conclusions specific to the subject Development must be based on only one Secondary Market Area definition. The entire PMA, as described in paragraph (8) of this subsection, must be contained within the Secondary Market boundaries. The Market Analyst must adhere to the methodology described in this paragraph when determining the secondary market area (§2306.67055).

(A) The Secondary Market Area will be defined by the Market Analyst with:

(i) size based on a base year population of no more than 250,000 people for Developments targeting families; and

(ii) boundaries based on:

(I) major roads;

(II) political boundaries; and

(III) natural boundaries.

(IV) A radius is prohibited as a boundary definition.

(B) The Market Analyst's definition of the Secondary Market Area must be supported with a detailed description of the methodology used to determine the boundaries. If applicable, the Market Analyst must place special emphasis on data used to determine an irregular shape for the Secondary Market.

(C) A scaled distance map indicating the Secondary Market Area boundaries that clearly identifies the location of the subject Property must be included.

(8) **Primary Market Area**. All of the Market Analyst's conclusions specific to the subject Development must be based on only one Primary Market Area definition. The Market Analyst must adhere to the methodology described in this paragraph when determining the market area (§2306.67055).

(A) The Primary Market Area will be defined by the Market Analyst with:

(i) size based on a base year population of no more than 100,000 people; and

(ii) boundaries identifying the most recent Census Tract definitions, as established by the U.S. Census Bureau and based on:

(I) major roads;

(II) political boundaries; and

(III) natural boundaries.

(IV) A radius is prohibited as a boundary definition.

(B) The Market Analyst's definition of the Primary Market Area must be supported with a detailed description of the methodology used to determine the boundaries. If applicable, the Market Analyst must place special emphasis on data used to determine an irregular shape for the PMA.

(C) A scaled distance map indicating the Primary Market Area boundaries that clearly identifies the location of the subject Property and the location of all Local Amenities must be included.

(9) **Market Information**.

(A) For each of the defined market areas and all census tracts contained in whole or in part by that area, identify the number of units for each of the categories in clauses (i) - (vi) of this subparagraph; the data must be clearly labeled as relating to either the PMA or the Secondary Market, if applicable:

(i) total housing;

(ii) rental developments (all multi-family);

(iii) Affordable Housing;

(iv) Comparable Units;

(v) Unstabilized Comparable Units; and

(vi) proposed Comparable Units.

(B) **Occupancy**. The occupancy rate indicated in the Market Analysis may be used to support both the overall demand conclusion for the proposed Development and the vacancy rate assumption used in underwriting the Development (§1.32(d)(1)(C) of this subchapter). State the overall physical occupancy rate for the proposed housing tenure (renter or owner) within the defined market areas by:

(i) number of Bedrooms;

(ii) quality of construction (class);

(iii) Targeted Population; and

(iv) Comparable Units.

(C) **Absorption**. State the absorption trends by quality of construction (class) and absorption rates for Comparable Units.

(D) **Turnover**. Turnover rates should be specific to the Targeted Population. The data supporting the turnover rate must originate from documented turnover rates from the most current Department data on the Department web site or the most current U.S. Census Bureau tenure appropriate data for movership rates over the last 12 months or next shortest term. The Market Analyst should use the more reasonable rate, supported by IREM (Institute for Real Estate Management) or independent surveys conducted by the Market Analyst and which is subject to review by the Underwriter.

(E) **Demand**. Provide a comprehensive evaluation of the need for the proposed housing for the Development as a whole and each Unit type by number of Bedrooms proposed and rent restriction category within the defined market areas using the most current census and demographic data available.

(i) **Demographics**. The Market Analyst should use demographic data specific to the characteristics of the households that will be living in the proposed Development. For example, the Market Analyst should use demographic data specific to elderly population for an elderly Development, if available, and should avoid making adjustments from more general demographic data. If adjustment rates are used based on more general data for any of the following they should be clearly identified and documented as to their source in the report.

(I) **Population**. Provide population and household figures, supported by actual demographics, for a five-year period with the year of application as the base year.

(II) **Target**. If applicable, adjust the household projections for the Qualified Elderly or special needs population targeted by the proposed Development.

(III**) Household Size-Appropriate**. Adjust the household projections or target household projections, as applicable, for the appropriate household size for the proposed Unit type by number of Bedrooms proposed and rent restriction category based on 1.5 persons per Bedroom (round up).

(IV) **Income Eligible**. Adjust the household size appropriate projections for income eligibility based on the income bands for the proposed Unit type by number of Bedrooms proposed and rent restriction category with:

(-a-) the lower end of each income band calculated based on the lowest gross rent proposed divided by 35% for the general population and 50% for Qualified Elderly households, and

(-b-) the upper end of each income band equal to the applicable gross median income limit for the largest appropriate household size based on 1.5 persons per Bedroom (round up) or one person for efficiency units.

(V) **Tenure-Appropriate**. Adjust the income-eligible household projections for tenure (renter or owner). If tenure appropriate income eligible target household data is available, a tenure appropriate adjustment is not necessary.

(ii) **Demand from Turnover**. Apply the turnover rate as described in subparagraph (D) of this paragraph to the target, income-eligible, size-appropriate and tenure-appropriate households in the PMA projected at the proposed placed in service date.

(iii) **Demand from Home Ownership Turnover for Qualified Elderly Developments**. Apply the turnover rate as described in subparagraph (D) of this paragraph, but not greater than 10%, to the target, income-eligible, size-appropriate and owner households in the PMA projected at the proposed placed in service date.

(iv) **Demand from Population Growth**. Calculate the target, income-eligible, size-appropriate and tenure-appropriate household growth in the PMA for the twelve month period following the proposed placed in service date.

(v) **Demand from Secondary Market Area**.

(I) Apply the turnover rate as described in subparagraph (D) of this paragraph to the target, income-eligible, size-appropriate and tenure-appropriate households in the Secondary Market Area projected at the proposed placed in service date.

(II) Not more than 25% of the demand can come from outside the PMA as calculated in subclause (I) of this clause and be included in the calculation of demand as described in paragraph (10)(D) of this subsection and for use in calculation of inclusive capture rate as described in paragraph (10)(E) of this subsection. In addition, 25% of the Comparable Units from Unstabilized Developments within the Secondary Market Area must be included in the calculation of inclusive capture rate.

(vi) **Demand from Other Sources**. The source of additional demand and the methodology used to calculate the additional demand must be clearly stated. Calculation of additional demand must factor in the adjustments described in clause (i) of this subparagraph.

(10) **Conclusions**. Include a comprehensive evaluation of the subject Property, separately addressing each housing type and specific population to be served by the Development in terms of items in subparagraphs (A) - (G) of this paragraph. All conclusions must be consistent with the data and analysis presented throughout the Market Analysis.

(A) **Unit Mix**. Provide a best possible unit mix conclusion based on the occupancy rates by Bedroom type within the PMA and target, income-eligible, size-appropriate and tenure-appropriate household demand within the PMA.

(B) **Rents**. Provide a separate Market Rent and Restricted Market Rent conclusion for each proposed Unit type by number of Bedrooms and rent restriction category. Conclusions of Market Rent or Restricted Market Rent below the maximum Net Program Rent limit must be well documented as the conclusions may impact the feasibility of the Development under §1.32(i) of this subchapter.

(i) **Comparable Units**. Identify developments in the PMA with Comparable Units. In Primary Market Areas lacking sufficient rent comparables, it may be necessary for the Market Analyst to collect data from markets with similar characteristics and make quantifiable location adjustments. Provide a data sheet for each development consisting of:

(I) Development name;

(II) address;

(III) year of construction and year of rehabilitation, if applicable;

(IV) property condition;

(V) population target;

(VI) unit mix specifying number of Bedrooms, number of baths, net rentable square footage; and

(-a-) monthly rent and utility allowance; or

(-b-) sales price with terms, marketing period and date of sale;

(VII) description of concessions;

(VIII) list of unit amenities;

(IX) utility structure;

(X) list of common amenities; and

(XI) for rental developments only:

(-a-) occupancy; and

(-b-) turnover.

(ii) Provide a scaled distance map indicating the Primary Market Area boundaries that clearly identifies the location of the subject Property and the location of the identified developments with Comparable Units.

(iii) **Rent Adjustments**. In support of the Market Rent and Restricted Market Rent conclusions, provide a separate attribute adjustment matrix for each proposed unit type by number of Bedrooms and rental restriction category.

(I) The Department recommends use of HUD Form 92273.

(II) A minimum of three developments must be represented on each attribute adjustment matrix.

(III) Adjustments for concessions must be included, if applicable.

(IV) Total adjustments in excess of 15% must be supported with additional narrative.

(V) Total adjustments in excess of 25% indicate the Units are not comparable for the purposes of determining Market Rent and Restricted Market Rent conclusions.

(C) **Effective Gross Income**. Provide rental income, secondary income, and vacancy and collection loss projections for the subject derived independent of the Applicant's estimates.

(D) **Demand**. State the target, income-eligible, size-appropriate and tenure-appropriate household demand by Unit type by number of Bedrooms proposed and rent restriction category (e.g. one-Bedroom units restricted at 50% of AMFI; two-Bedroom units restricted at 60% of AMFI) by summing the demand components applicable to the subject Development discussed in paragraph (9)(E)(ii) - (v) of this subsection. State the total target, income-eligible, size-appropriate and tenure-appropriate household demand by summing the demand components applicable to the subject Development discussed in paragraph (9)(E)(ii) - (v) of this subsection.

(E) **Inclusive Capture Rate**. The Market Analyst must calculate inclusive capture rates for the subject Development's proposed Unit types by number of Bedrooms and rent restriction categories, market rate Units, if applicable, and total Units. The Underwriter will adjust the inclusive capture rates to take into account any errors or omissions. To calculate an inclusive capture rate:

(i) total:

(I) the proposed subject Units;

(II) Comparable Units with priority, as defined in §50.9(d)(2) of this title, over the subject that have made application to TDHCA and have not been presented to the TDHCA Board for decision; and

(III) Comparable Units in previously approved but Unstabilized Developments; and

(ii) divide by the total target, income-eligible, size-appropriate and tenure-appropriate household demand stated in subparagraph (D) of this paragraph.

(iii) Refer to §1.32(i) of this subchapter for feasibility criteria.

(F) **Absorption**. Project an absorption period for the subject Development to achieve Sustaining Occupancy. State the absorption rate.

(G) **Market Impact**. Provide an assessment of the impact the subject Development, as completed, will have on existing Developments supported by Housing Tax Credits in the Primary Market (§2306.67055).

(11) **Photographs**. Provide labeled color photographs of the subject Property, the neighborhood, street scenes, and comparables. An aerial photograph is desirable but not mandatory.

(12) **Appendices**. Any Third Party reports including demographics relied upon by the Market Analyst must be provided in appendix form. A list of works cited including personal communications also must be provided, and the Modern Language Association (MLA) format is suggested.

(e) The Department reserves the right to require the Market Analyst to address such other issues as may be relevant to the Department's evaluation of the need for the subject Development and the provisions of the particular program guidelines.

(f) All Applicants shall acknowledge, by virtue of filing an application, that the Department shall not be bound by any such opinion or Market Analysis, and may substitute its own analysis and underwriting conclusions for those submitted by the Market Analyst.

§1.34.Appraisal Rules and Guidelines.

(a) **General Provision**. An appraisal prepared for the Department must conform to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. The appraisal must include a statement that the report preparer has read and understood the requirements of this section.

(b) **Self-Contained**. An appraisal prepared for the Department must describe sufficient and adequate data and analyses to support the final opinion of value. The final value(s) must be reasonable, based on the information included. Any Third Party reports relied upon by the appraiser must be verified by the appraiser as to the validity of the data and the conclusions.

(c) **Appraiser Qualifications**. The qualifications of each appraiser are determined on a case-by-case basis by the Director of Real Estate Analysis or review appraiser, based upon the quality of the report itself and the experience and educational background of the appraiser. At minimum, a qualified appraiser must be appropriately certified or licensed by the Texas Appraiser Licensing and Certification Board.

(d) **Appraisal Contents**. An appraisal prepared for the Department must be organized in a format that follows a logical progression. In addition to the contents described in USPAP Standards Rule 2, the appraisal must include items addressed in paragraphs (1) - (12) of this subsection.

(1) **Title Page**. Include a statement identifying the Department as the client, acknowledging that the Department is granted full authority to rely on the findings of the report, and name and address of person authorizing report.

(2) **Letter of Transmittal**. Include reference to accompanying appraisal report, reference to all person(s) that provided significant assistance in the preparation of the report, date of report, effective date of appraisal, date of property inspection, name of person(s) inspecting the property, tax assessor's parcel number(s) of the site, estimate of marketing period, and signatures of all appraisers authorized to work on the assignment including the appraiser who inspected the property. Include a statement indicating the report preparer has read and understood the requirements of this section.

(3) **Table of Contents**. Number the exhibits included with the report for easy reference.

(4) **Disclosure of Competency**. Include appraiser's qualifications, detailing education and experience.

(5) **Statement of Ownership of the Subject Property**. Discuss all prior sales of the subject property which occurred within the past three years. Any pending agreements of sale, options to buy, or listing of the subject property must be disclosed in the appraisal report.

(6) **Property Rights Appraised**. Include a statement as to the property rights (e.g., fee simple interest, leased fee interest, leasehold, etc.) being considered. The appropriate interest must be defined in terms of current appraisal terminology with the source cited.

(7) **Site/Improvement Description**. Discuss the site characteristics including subparagraphs (A) - (E) of this paragraph.

(A) **Physical Site Characteristics**. Describe dimensions, size (square footage, acreage, etc.), shape, topography, corner influence, frontage, access, ingress-egress, etc. associated with the site. Include a plat map and/or survey.

(B) **Floodplain**. Discuss floodplain (including flood map panel number) and include a floodplain map with the subject clearly identified.

(C) **Zoning**. Report the current zoning and description of the zoning restrictions and/or deed restrictions, where applicable, and type of Development permitted. Any probability of change in zoning should be discussed. A statement as to whether or not the improvements conform to the current zoning should be included. A statement addressing whether or not the improvements could be rebuilt if damaged or destroyed, should be included. If current zoning is not consistent with the highest and best use, and zoning changes are reasonable to expect, time and expense associated with the proposed zoning change should be considered and documented. A zoning map should be included.

(D) **Description of Improvements**. Provide a thorough description and analysis of the improvements including size (net rentable area, gross building area, etc.), number of stories, number of buildings, type/quality of construction, condition, actual age, effective age, exterior and interior amenities, items of deferred maintenance, energy efficiency measures, etc. All applicable forms of depreciation should be addressed along with the remaining economic life.

(E) **Environmental Hazards**. It is recognized appraisers are not experts in such matters and the impact of such deficiencies may not be quantified; however, the report should disclose any potential environmental hazards (e.g., discolored vegetation, oil residue, asbestos-containing materials, lead-based paint etc.) noted during the inspection.

(8) **Highest and Best Use**. Market Analysis and feasibility study is required as part of the highest and best use. The highest and best use analysis should consider paragraph (7)(A) - (E) of this subsection as well as a supply and demand analysis.

(A) The appraisal must inform the reader of any positive or negative market trends which could influence the value of the appraised property. Detailed data must be included to support the appraiser's estimate of stabilized income, absorption, and occupancy.

(B) The highest and best use section must contain a separate analysis "as if vacant" and "as improved" (or "as proposed to be improved/renovated"). All four elements (legally permissible, physically possible, feasible, and maximally productive) must be considered.

(9) **Appraisal Process**. It is mandatory that all three approaches, Cost Approach, Sales Comparison Approach and Income Approach, are considered in valuing the property. If an approach is not applicable to a particular property an adequate explanation must be provided. A land value estimate must be provided if the cost approach is not applicable.

(A) **Cost Approach**. This approach should give a clear and concise estimate of the cost to construct the subject improvements. The source(s) of the cost data should be reported.

(i) Cost comparables are desirable; however, alternative cost information may be obtained from Marshall & Swift Valuation Service or similar publications. The section, class, page, etc. should be referenced. All soft costs and entrepreneurial profit must be addressed and documented.

(ii) All applicable forms of depreciation must be discussed and analyzed. Such discussion must be consistent with the description of the improvements.

(iii) The land value estimate should include a sufficient number of sales which are current, comparable, and similar to the subject in terms of highest and best use. Comparable sales information should include address, legal description, tax assessor's parcel number(s), sales price, date of sale, grantor, grantee, three year sales history, and adequate description of property transferred. The final value estimate should fall within the adjusted and unadjusted value ranges. Consideration and appropriate cash equivalent adjustments to the comparable sales price for subclauses (I) - (VII) of this clause should be made when applicable.

(I) Property rights conveyed.
(II) Financing terms.
(III) Conditions of sale.
(IV) Location.
(V) Highest and best use.
(VI) Physical characteristics (e.g., topography, size, shape, etc.).
(VII) Other characteristics (e.g., existing/proposed entitlements, special assessments, etc.).

(B) **Sales Comparison Approach**. This section should contain an adequate number of sales to provide the reader with a description of the current market conditions concerning this property type. Sales data should be recent and specific for the property type being appraised. The sales must be confirmed with buyer, seller, or an individual knowledgeable of the transaction.

(i) Sales information should include address, legal description, tax assessor's parcel number(s), sales price, financing considerations and adjustment for cash equivalency, date of sale, recordation of the instrument, parties to the transaction, three year sale history, complete description of the property and property rights conveyed, and discussion of marketing time. A scaled distance map clearly identifying the subject and the comparable sales must be included.

(ii) The method(s) used in the Sales Comparison Approach must be reflective of actual market activity and market participants.

(I) **Sale Price/Unit of Comparison**. The analysis of the sale comparables must identify, relate, and evaluate the individual adjustments applicable for property rights, terms of sale, conditions of sale, market conditions, and physical features. Sufficient narrative must be included to permit the reader to understand the direction and magnitude of the individual adjustments, as well as a unit of comparison value indicator for each comparable.

(II) **Net Operating Income/Unit of Comparison**. The net operating income statistics or the comparables must be calculated in the same manner. It should be disclosed if reserves for replacement have been included in this method of analysis. At least one other method should accompany this method of analysis.

(C) **Income Approach**. This section must contain an analysis of both the actual historical and projected income and expense aspects of the subject property.

(i) **Market Rent Estimate/Comparable Rental Analysis**. This section of the report should include an adequate number of actual market transactions to inform the reader of current market conditions concerning rental units. The comparables must indicate current research for this specific property type. The comparables must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The individual data sheets should include property address, lease terms, description of the property (e.g., unit type, unit size, unit mix, interior amenities, exterior amenities, etc.), physical characteristics of the property, and location of the comparables. Analysis of the Market Rents should be sufficiently detailed to permit the reader to understand the appraiser's logic and rationale. Adjustment for lease rights, condition of the lease, location, physical characteristics of the property, etc. must be considered.

(ii) **Comparison of Market Rent to Contract Rent**. Actual income for the subject along with the owner's current budget projections must be reported, summarized, and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. The contract rents should be compared to the market-derived rents. A determination should be made as to whether the contract rents are below, equal to, or in excess of market rates. If there is a difference, its impact on value must be qualified.

(iii) **Vacancy/Collection Loss**. Historical occupancy data and current occupancy level for the subject should be reported and compared to occupancy data from the rental comparables and overall occupancy data for the subject's Primary Market.

(iv) **Expense Analysis**. Actual expenses for the subject, along with the owner's projected budget, must be reported, summarized, and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. Historical expenses should be compared to comparables expenses of similar property types or published survey data (e.g., IREM, BOMA, etc.). Any expense differences should be reconciled. Include historical data regarding the subject's assessment and tax rates and a statement as to whether or not any delinquent taxes exist.

(v) **Capitalization**. The appraiser should present the capitalization method(s) reflective of the subject market and explain the omission of any method not considered in the report.

(I) **Direct Capitalization**. The primary method of deriving an overall rate (OAR) is through market extraction. If a band of investment or mortgage equity technique is utilized, the assumptions must be **fully disclosed and discussed.**

(II) Yield Capitalization (Discounted Cash Flow Analysis). This method of analysis should include a detailed and supportive discussion of the projected holding/investment period, income and income growth projections, occupancy projections, expense and expense growth projections, reversionary value and support for the discount rate.

(10) **Value Estimates**. Reconciliation final value estimate is required.

(A) All appraisals shall contain a separate estimate of the "as vacant" market value of the underlying land, based upon current sales comparables. The appraiser should consider the fee simple or leased fee interest as appropriate.

(B) Appraisal assignments for new construction are required to provide an "as completed" value of the proposed structures. These reports shall provide an "as restricted with favorable financing" value as well as an "unrestricted market" value.

(C) Reports on Properties to be rehabilitated shall address the "as restricted with favorable financing" value as well as both an "as is" value and an "as completed" value. The appraiser should consider the fee simple or leased fee interest as appropriate.

(D) If required the appraiser must include a separate assessment of personal property, furniture, fixtures, and equipment (FF&E) and/or intangible items. If personal property, FF&E, or intangible items are not part of the transaction or value estimate, a statement to such effect should be included.

(11) **Marketing Time**. Given property characteristics and current market conditions, the appraiser(s) should employ a reasonable marketing period. The report should detail existing market conditions and assumptions considered relevant.

(12) **Photographs**. Provide good quality color photographs of the subject property (front, rear, and side elevations, on-site amenities, interior of typical units if available). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should be included. An aerial photograph is desirable but not mandatory.

(e) **Additional Appraisal Concerns**. The appraiser(s) must be aware of Department program rules and guidelines and the appraisal must include analysis of any impact to the subject's value.

§1.35.Environmental Site Assessment Rules and Guidelines.

(a) **General Provisions**. The Environmental Site Assessments (ESA) prepared for the Department should be conducted and reported in conformity with the standards of the American Society for Testing and Materials. The initial report should conform with the Standard Practice for Environmental Site Assessments: Phase I Assessment Process (ASTM Standard Designation: E1527-05). Any subsequent reports should also conform to ASTM standards and such other recognized industry standards as a reasonable person would deem relevant in view of the Property's anticipated use for human habitation. The environmental assessment shall be conducted by a Third Party environmental professional at the expense of the Applicant, and addressed to TDHCA as a User of the report (as defined by ASTM standards). Copies of reports provided to TDHCA which were commissioned by other financial institutions should address

TDHCA as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to TDHCA. The ESA report should also include a statement that the person or company preparing the ESA report will not materially benefit from the Development in any other way than receiving a fee for performing the Environmental Site Assessment, and that the fee is in no way contingent upon the outcome of the assessment. The ESA report must contain a statement indicating the report preparer has read and understood the requirements of this section.

(b) In addition to ASTM requirements, the report must:

(1) State if a noise study is recommended for a property in accordance with current HUD guidelines and identify its proximity to industrial zones, major highways, active rail lines, civil and military airfields, or other potential sources of excessive noise;

(2) Provide a copy of a current survey, if available, or other drawing of the site reflecting the boundaries and adjacent streets, all improvements on the site, and any items of concern described in the body of the environmental site assessment or identified during the physical inspection;

(3) Provide a copy of the current **FEMA Flood Insurance Rate Map** showing the panel number and encompassing the site with the site boundaries precisely identified and superimposed on the map;

(4) If the subject site includes any improvements or debris from pre-existing improvements, state if testing **for asbestos containing materials** (ACMs) would be required pursuant to local, state, and federal laws, or recommended due to any other consideration;

(5) If the subject site includes any improvements or debris from pre-existing improvements, state if testing for **Lead Based Paint** would be required pursuant to local, state, and federal laws, or recommended due to any other consideration;

(6) State if testing for lead in **the drinking water** would be required pursuant to local, state, and federal laws, or recommended due to any other consideration such as the age of pipes and solder in existing improvements; and

(7) Assess the potential for the presence of **Radon** on the property, and recommend specific testing if necessary.

(c) If the report recommends further studies or establishes that environmental hazards currently exist on the Property, or are originating off-site but would nonetheless affect the Property, the Development Owner must act on such a recommendation or provide a plan for either the abatement or elimination of the hazard. Evidence of action or a plan for the abatement or elimination of the hazard must be presented upon Application submittal.

(d) For Developments in programs that allow a waiver of the Phase I ESA such as a TX-USDA-RHS funded Development, the Development Owners are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

(e) Those Developments which have or are to receive first lien financing from HUD may submit HUD's environmental assessment report, provided that it conforms to the requirements of this subsection.

§1.36.Property Condition Assessment Guidelines.

(a) **General Provisions**. The objective of the Property Condition Assessment (the PCA) is to provide cost estimates for repairs, replacements, or new construction which are: immediately necessary; proposed by the developer; and expected to be required throughout the term of the regulatory period and not less than 30 years. The PCA prepared for the Department should be conducted and reported in conformity with the American Society for Testing and Materials "Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process (ASTM Standard Designation: E 2018" except as provided for in subsections (b) and (c) of this section. The PCA report must contain a statement indicating the report preparer has read and understood the requirements of this section. The PCA must include discussion and analysis of the following:

(1) **Useful Life Estimates**. For each system and component of the property the PCA should assess the condition of the system or component, and estimate its remaining useful life, citing the basis or the source from which such estimate is derived;

(2) **Code Compliance**. The PCA should review and document any known violations of any applicable federal, state, or local codes. In developing the cost estimates specified herein, it is the responsibility of the Housing Sponsor or Applicant to ensure that the PCA adequately considers any and all applicable federal, state, and local laws and regulations which may govern any work performed to the subject property;

(3) **Program Rules**. The PCA should assess the extent to which any systems or components must be modified, repaired, or replaced in order to comply with any specific requirements of the housing

program under which the Development is proposed to be financed, particular consideration being given to accessibility requirements, the Department's Housing Quality Standards, and any scoring criteria for which the Applicant may claim points; and

(4**) Cost Estimates for Repair and Replacement**. It is the responsibility of the Housing Sponsor or Applicant to ensure that the PCA provider is apprised of all development activities associated with the proposed transaction and consistency of the total immediately necessary and proposed repair and replacement cost estimates with the development cost schedule submitted as an exhibit of the Application.

(A) **Immediately Necessary Repairs and Replacement.** Systems or components which are expected to have a remaining useful life of less than one year, which are found to be in violation of any applicable codes, which must be modified, repaired or replaced in order to satisfy program rules, or which are otherwise in a state of deferred maintenance or pose health and safety hazards should be considered immediately necessary repair and replacement. The PCA must provide a separate estimate of the costs associated with the repair, replacement, or maintenance of each system or component which is identified as being an immediate need, citing the basis or the source from which such cost estimate is derived.

(B) **Proposed Repair, Replacement, or New Construction.** If the development plan calls for additional repair, replacement, or new construction above and beyond the immediate repair and replacement described in subparagraph (A) of this paragraph, such items must be identified and the nature or source of obsolescence or improvement to the operations of the Property discussed. The PCA must provide a separate estimate of the costs associated with the repair, replacement, or new construction which is identified as being above and beyond the immediate need, citing the basis or the source from which such cost estimate is derived.

(C) **Expected Repair and Replacement Over Time.** The term during which the PCA should estimate the cost of expected repair and replacement over time must equal the longest term of any land use or regulatory restrictions which are, or will be, associated with the provision of housing on the property. The PCA must estimate the periodic costs which are expected to arise for repairing or replacing each system or component or the property, based on the estimated remaining useful life of such system or component as described in paragraph (1) of this subsection adjusted for completion of repair and replacement immediately necessary and proposed as described in subparagraphs (A) and (B) of this paragraph. The PCA must include a separate table of the estimated long term costs which identifies in each line the individual component of the property being examined, and in each column the year during the term in which the costs are estimated to be incurred and no less than 15 years. The estimated costs for future years should be given in both present dollar values and anticipated future dollar values assuming a reasonable inflation factor of not less than 2.5% per annum.

(b) If a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied, the Department will also accept copies of reports commissioned or required by the primary lender for a proposed transaction, which have been prepared in accordance with:

(1) Fannie Mae's criteria for Physical Needs Assessments;

(2) Federal Housing Administration's criteria for Project Capital Needs Assessments;

(3) Freddie Mac's guidelines for Engineering and Property Condition Reports;

(4) TX-USDA-RHS guidelines for Capital Needs Assessment; or

(5) Standard and Poor's Property Condition Assessment Criteria: Guidelines for Conducting Property Condition Assessments, Multifamily Buildings.

(c) The Department may consider for acceptance reports prepared according to other standards which are not specifically named above in subsection (b) of this section, if a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied.

(d) The PCA shall be conducted by a Third Party at the expense of the Applicant, and addressed to TDHCA as the client. Copies of reports provided to TDHCA which were commissioned by other financial institutions should address TDHCA as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to TDHCA. The PCA report should also include a statement that the person or company preparing the PCA report will not materially benefit from the Development in any other way than receiving a fee for performing the PCA. The PCA report must contain a statement indicating the report preparer has read and understood the requirements of this section. The PCA should be signed and dated by the Third Party report provider not more than six months prior to the date of the application.

§1.37.Reserve for Replacement Rules and Guidelines.

(a) **General Provisions**. The Department will require Developments to provide regular maintenance to keep housing sanitary, safe and decent by maintaining a reserve for replacement in accordance with §2306.186. The reserve must be established for each unit in a Development of 25 or more rental units, regardless of the amount of rent charged for the unit. The Department shall, through cooperation of its divisions responsible for asset management and compliance, ensure compliance with this section.

(b) The First Lien Lender shall maintain the reserve account through an escrow agent acceptable to the First Lien Lender to hold reserve funds in accordance with an executed escrow agreement and the rules set forth in this section and §2306.186.

(1) Where there is a First Lien Lender other than the Department or a Bank Trustee as a result of a bond indenture or tax credit syndication, the Department shall:

(A) Be a required signatory party in all escrow agreements for the maintenance of reserve funds;

(B) Be given notice of any asset management findings or reports, transfer of money in reserve accounts to fund necessary repairs, and any financial data and other information pursuant to the oversight of the Reserve Account within 30 days of any receipt or determination thereof; and

(C) Subordinate its rights and responsibilities under the escrow agreement, including those described in this subsection, to the First Lien Lender or Bank Trustee through a subordination agreement subject to its ability to do so under the law and normal and customary limitations for fraud and other conditions contained in the Department's standard subordination clause agreements as modified from time to time, to include subsection (c) of this section.

(2) The escrow agreement and subordination agreement, if applicable, shall further specify the time and circumstances under which the Department can exercise its rights under the escrow agreement in order to fulfill its obligations under §2306.186 and as described in this section.

(3) Where the Department is the First Lien Lender and there is no Bank Trustee as a result of a bond indenture or tax credit syndication or where there is no First Lien Lender but the allocation of funds by the Department and §2306.186 requires that the Department oversee a Reserve Account, the Owner shall provide at their sole expense for appointment of an escrow agent acceptable to the Department to act as Bank Trustee as necessary under this section. The Department shall retain the right to replace the escrow agent with another Bank Trustee or act as escrow agent at a cost plus fee payable by the Owner due to breach of the escrow agent's responsibilities or otherwise with 30 days prior notice of all parties to the escrow agreement.

(c) If the Department is not the First Lien Lender with respect to the Development, each Owner receiving Department assistance for multifamily rental housing shall submit on an annual basis within the Department's required Owner's Financial Certification packet a signed certification by the First Lien Lender including:

(1) Reserve for replacement requirements under the first lien loan agreement;

(2) Monitoring standards established by the First Lien Lender to ensure compliance with the established reserve for replacement requirements; and

(3) A statement by the First Lien Lender.

(A) That the Development has met all established reserve for replacement requirements; or

(B) Of the plan of action to bring the Development in compliance with all established reserve for replacement requirements, if necessary.

(d) If the Development meets the minimum unit size described in subsection (a) of this section and the establishment of a Reserve Account for repairs has not been required by the First Lien Lender or Bank Trustee, each Owner receiving Department assistance for multifamily rental housing shall set aside the repair reserve amount as described in subsection (e)(1) - (3) of this section through the date described in subsection (f)(2) of this section through the appointment of an escrow agent as further described in subsection (b)(3) of this section.

(e) If the Department is the First Lien Lender with respect to the Development, each Owner receiving Department assistance for multifamily rental housing shall deposit annually into a Reserve Account through the date described in subsection (f)(2) of this section.

(1) For new construction Developments:

(A) Not less than $150 per unit per year for units one to five years old; and

(B) Not less than $200 per unit per year for units six or more years old.

(2) For rehabilitation Developments:

(A) An amount per unit per year established by the Department's division responsible for credit underwriting based on the information presented in a Property Condition Assessment in conformance with §1.36 of this subchapter; and

(B) Not less than $300 per unit per year.

(3) For either new construction or rehabilitation Developments, the Owner of a multifamily rental housing Development shall contract for a third-party Property Condition Assessment meeting the requirements of §1.36 of this subchapter and the Department will reanalyze the annual reserve requirement based on the findings and other support documentation.

(A) A Property Condition Assessment will be conducted:

(i) At appropriate intervals that are consistent with requirements of the First Lien Lender, other than the Department; or

(ii) At least once during each five-year period beginning with the 11th year after the awarding of any financial assistance for the Development by the Department, if the Department is the First Lien Lender or the First Lien Lender does not require a third-party Property Condition Assessment.

(B) Submission by the Owner to the Department will occur within 30 days of completion of the Property Condition Assessment and must include:

(i) The complete Property Condition Assessment;

(ii) First Lien Lender and/or Owner response to the findings of the Property Condition Assessment;

(iii) Documentation of repairs made as a result of the Property Condition Assessment; and

(iv) Documentation of adjustments to the amounts held in the replacement Reserve Account based upon the Property Condition Assessment.

(f) A Land Use Restriction Agreement or restrictive covenant between the Owner and the Department must require:

(1) The Owner to begin making annual deposits to the reserve account on the later of:

(A) The date that occupancy of the Development stabilizes as defined by the First Lien Lender or in the absence of a First Lien Lender other than the Department, the date the property is at least 90% occupied; or

(B) The date that permanent financing for the Development is completely in place as defined by the First Lien Lender or in the absence of a First Lien Lender other than the Department, the date when the permanent loan is executed and funded.

(2) The Owner to continue making deposits until the earliest of the following dates:

(A) The date on which the Owner suffers a total casualty loss with respect to the Development;

(B) 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 a multifamily rental property; or

(E) The later of

(i) The end of the affordability period specified by the Land Use Restriction Agreement or restrictive covenant; or

(ii) The end of the repayment period of the first lien loan.

(g) The duties of the Owner of a multifamily rental housing Development under this section cease on the date of a change in ownership of the Development; however, the subsequent Owner of the Development is subject to the requirements of this section.

(h) If the Department is the First Lien Lender with respect to the Development or the First Lien Lender does not require establishment of a Reserve Account, the Owner receiving Department assistance for multifamily rental housing shall submit on an annual basis within the Department's required Owner's Financial Certification packet:

(1) Financial statements, audited if available, with clear identification of the replacement Reserve Account balance and all capital improvements to the Development within the fiscal year;

(2) Identification of costs other than capital improvements funded by the replacement Reserve Account; and

(3) Signed statement of cause for:

(A) Use of replacement Reserve Account for expenses other than necessary repairs, including property taxes or insurance;

(B) Deposits to the replacement Reserve Account below the Department's or First Lien Lender's mandatory levels as defined in subsections (c), (d) and (e) of this section; and

(C) Failure to make a required deposit.

(i) If a request for extension or waiver is not approved by the Department, Department action, including a penalty of up to $200 per dwelling unit in the Development and/or characterization of the Development as Materially Non-Compliant, as defined in §60.1 of this title, may be taken when:

(1) A Reserve Account, as described in this section, has not been established for the Development;

(2) The Department is not a party to the escrow agreement for the Reserve Account;

(3) Money in the Reserve Account

(A) Is used for expenses other than necessary repairs, including property taxes or insurance; or

(B) Falls below mandatory deposit levels;

(4) Owner fails to make a required deposit;

(5) Owner fails to contract for the third party Property Condition Assessment as required under subsection (e)(3) of this section; or

(6) Owner fails to make necessary repairs, as defined in subsection (k) of this section.

(j) On a case by case basis, the Department may determine that the money in the Reserve Account may:

(1) Be used for expenses other than necessary repairs, including property taxes or insurance, if:

(A) Development income before payment of return to Owner or deferred developer fee is insufficient to meet operating expense and debt service requirements; and

(B) The funds withdrawn from the Reserve Account are replaced as cashflow after payment of expenses, but before payment of return to Owner or developer fee is available.

(2) Fall below mandatory deposit levels without resulting in Department action, if:

(A) Development income after payment of operating expenses, but before payment of return to Owner or deferred developer fee is insufficient to fund the mandatory deposit levels; and

(B) Subsequent deposits to the Reserve Account exceed mandatory deposit levels as cashflow after payment of operating expenses, but before payment of return to Owner or deferred developer fee is available until the Reserve Account has been replenished to the mandatory deposit level less capital expenses to date.

(k) The Department or its agent may make repairs to the Development if the Owner fails to complete necessary repairs indicated in the submitted Property Condition Assessment or identified by physical inspection. Repairs may be deemed necessary if the Development is notified of the Owner's failure to comply with federal, state and/or local health, safety, or building code.

(1) Payment for necessary repairs must be made directly by the Owner or through a replacement Reserve Account established for the Development under this section.

(2) The Department or its agent will produce a Request for Bids to hire a contractor to complete and oversee necessary repairs.

(l) This section does not apply to a Development for which the Owner is required to maintain a Reserve Account under any other provision of federal or state law.

HOME AND HOUSING TRUST FUND PROGRAMS DIVISION

BOARD ACTION REQUEST

February 5, 2009

Action Item

Presentation, Discussion and Possible Approval for publication in the *Texas Register* a final order adopting amendments to 10 TAC, Chapter 53, HOME Program Rule, Subchapter A, §53.1, §53.8(a), Subchapter C, §53.30, Subchapter D, §53.47 (a)(4), and Subchapter G, §53.80 (e)(1).

Requested Action

Presentation, Discussion and Possible Approval for publication in the *Texas Register* a final order adopting amendments to 10 TAC, Chapter 53, HOME Program Rule, Subchapter A, §53.1, §53.8(a), Subchapter C, §53.30, Subchapter D, §53.47 (a)(4), and Subchapter G, §53.80 (e)(1).

Background

The Department published 10 TAC Chapter 53, HOME Program Rule, Subchapter A, §53.1, §53.8(a), Subchapter C, §53.30, Subchapter D, §53.47 (a)(4), and Subchapter G, §53.80 (e)(1) in the January 2, 2009 issue of the *Texas Register* to accept public comment on the proposed changes to the sections of the HOME Program Rule. As required, these amendments were published for public comment for 30 days. There were no public hearings on the proposed changes; however, written comments on the proposed changes were accepted by mail, e-mail, and facsimile through February 2, 2009. The Department received no public comment on the proposed changes.

These changes provide a minor reorganization and minor correction to the Rule to ensure compliance with all statutory requirements. The change to §53.47(a)(4) reflects a reduction in the threshold for CHDO operating expenses from $75,000 to $50,000 and represents a correction to ensure compliance with federal regulations and §53.80(e)(1) is a clarification to the title requirements to ensure that assisted households meet the federal definition of Homeownership.

Recommendation

Staff recommends Board approval to a final order adopting amendments to 10 TAC Chapter 53, HOME Program Rule, Subchapter A, §53.1, §53.8(a), Subchapter C, §53.30, Subchapter D, §53.47 (a)(4), and Subchapter G, §53.80 (e)(1).

DRAFT
Board Review Pending

Texas Department of Housing and Community Affairs
"HOME Program Rule"

TITLE 10, Part 1, Chapter 53, Texas Administrative Code

Subchapter A. GENERAL

§53.1. Purpose

This chapter ~~Chapter~~ clarifies the use and administration of all funds provided to the Texas Department of Housing and Community Affairs (Department) by the United States Department of Housing and Urban Development (HUD) pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990 (42 USC §§12701-12839) and HUD regulations at 24 CFR, Part 92. All provisions of this chapter apply to any Application received on or after the date of adoption of this chapter by the Department's Board. Existing Contracts or Applications received prior to the date of adoption of this chapter may be amended in writing at the request of the Administrator or Applicant, and with Department approval, to subject the Contract or Application to all provisions of this chapter. Amendments proposing only partial adoption of this chapter are prohibited and no amendment adopting this chapter shall be granted if, in the discretion of the Department, any of the provisions of this chapter conflict with the NOFA under which the existing Contract was awarded or Application was submitted. The State's HOME Program is designed to:

(1) focus on the areas with the greatest housing need described in the State Consolidated Plan;

(2) provide funds for home ownership and rental housing through acquisition, new construction, rehabilitation, tenant-based rental assistance, and pre-development loans;

(3) promote partnerships among all levels of government and the private sector, including non-profit and for-profit organizations; and

(4) provide low, very low, and extremely low income families with affordable, decent, safe and sanitary housing.

§53.8. Notice of Receipt of Application or Proposed Application

(a) Not later than the 14th day after the date an Application or a proposed Application for housing funds described by §2306.111 has been filed for multifamily or single family development, the Department shall provide written notice of the filing of the Application or proposed Application to the following Persons:

(1) the United States representative who represents the community containing the Development described in the Application;

(2) members of the legislature who represent the community containing the Development described in the Application;

(3) the presiding officer of the governing body of the political subdivision containing the Development described in the Application;

(4) any member of the governing body of a political subdivision who represents the area containing the Development described in the Application;

(5) the superintendent and the presiding officer of the board of trustees of the school district containing the Development described in the Application; and

(6) any neighborhood organizations on record with the state or county in which the Development described in the Application is to be located and whose boundaries contain the proposed development site.

Subchapter C. PROGRAM ACTIVITIES

§53.30. Activities in Consolidated Plan

Through its Consolidated Plan, the Department has identified general guidelines for funding of a Program Activity. Applicants that meet the qualifications identified in this Chapter and under the terms of a NOFA may apply for any Program Activity the Department funds. ~~All provisions of this chapter apply to any Application received on or after the date of adoption of this chapter by the Department's Board. Existing Contracts or Applications received prior to the date of adoption of this chapter may be amended in writing at the request of the Administrator or Applicant, and with Department approval, to subject the Contract or Application to all provisions of this chapter. Amendments proposing only partial adoption of this chapter are prohibited and no amendment adopting this chapter shall be granted if, in the discretion of the Department, any of the provisions of this chapter conflict with the NOFA under which the existing Contract was awarded or Application was submitted.~~

Subchapter D. APPLICATION REQUIREMENTS AND PROCEDURES

§53.47(a)(4). Application and Award Limitations.

(4) The Contract award amount for CHDO Operating Expenses shall not exceed:

(A) the lesser of clauses (i) or (ii) of this subparagraph:

(i) fifty percent (50%) of the CHDO's total annual operating expenses in that fiscal year; or

(ii) five percent (5%) of the CHDO funds awarded for the Project from the CHDO Set-Aside; and

(B) $50,000~~75,000~~, whichever is greater.

(C) An Applicant shall not receive more than one award of CHDO operating funds during the same fiscal year of the Department regardless of the number of Applications submitted.

Subchapter G. LOANS AND CONTRACT ADMINISTRATION

§53.80 (e)(1) Documents Supporting Mortgage Loans

(e) Documentation required for OCC and HBA with Rehabilitation Loans: The Administrator must ensure the following documents are submitted to the Department in order to request preparation of Loan documents ~~be prepared~~ for the Household:

(1) A title report or a commitment to issue a title policy not older than ninety (90) days that:

(A) evidences eligible forms of homeownership pursuant to ~~Section~~§53.31(b) of this chapter~~Chapter~~ and 24 CFR §92.2; and

(B) evidences no tax lien, ~~no~~ child support lien, ~~and no~~ mechanic's or materialman's lien or any other restrictions or encumbrances that impair the good and marketable nature of title to the ownership interest. The title report must be a ~~non-insurance~~ report of the property reflecting ~~from~~ the current owner's ~~date of the last~~ deed vesting title ~~to the present~~, including complete deed information.~~;~~ grantees, grantors, execution and recording dates, recording references, and legal description, as well as all ~~open~~ existing mortgage~~s~~/deed of trust~~s~~ liens.~~;~~

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Possible Adoption of the Amendment of 10 Texas Administrative Code Chapter 35, 2009 Multifamily Housing Revenue Bond Rules.

Required Action

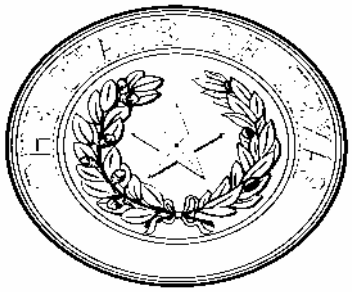
Approve, Amend or Deny the Amendment of 10 Texas Administrative Code Chapter 35, 2009 Multifamily Housing Revenue Bond Rules.

Background

At the December 18, 2008 Board Meeting, the Board approved the New Title 10 Texas Administrative Code, Part 1, Chapter 35 - 2009 Final Multifamily Housing Revenue Bond Rules. Since the adoption of these rules, an inconsistency between this rule and the 2009 Qualified Allocation Plan and Rules ("QAP") regarding the size of the units required to meet threshold has been identified. Specifically, §35.6(d)(1)(D) of the Bond Rule states the minimum unit size for a one bedroom elderly unit is 600 square feet and §49.9(h)(4)(C)(ii) of the QAP states the minimum unit size for a one bedroom elderly unit is 550 square feet. The Department strives to maintain consistency between program rules and recommends amending the Bond rule to be consistent with the QAP.

Recommendation

Staff recommends the Board approve the amendment of 10 Texas Administrative Code Chapter 35 - 2009 Multifamily Housing Revenue Bond Rules.



Multifamily Finance Production Division

2009 MULTIFAMILY HOUSING REVENUE BOND RULES
TITLE 10, PART 1, CHAPTER 35, TEXAS ADMINISTRATIVE CODE

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TITLE 10. COMMUNITY DEVELOPMENT
PART I. TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 35. MULTIFAMILY HOUSING REVENUE BOND RULES
10 TAC §§35.1 – 35.10

§35.1. Introduction

The purpose of this Chapter 35 is to state the Texas Department of Housing and Community Affairs (the "Department") requirements for issuing Bonds, the procedures for applying for multifamily housing revenue Bond financing, and the regulatory and land use restrictions imposed upon Developments financed with the issuance of Bonds for the 2009 Private Activity Bond Program Year. The rules and provisions contained in Chapter 35, of this title 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 the Department's Qualified Allocation Plan and Rules ("QAP"), in effect for the program year for which the Housing Tax Credit application will be submitted. If the applicable QAP contradicts rules set forth in this chapter, the applicable QAP will take precedence over the rules in the chapter. The Department encourages the participation in the Multifamily Bond programs by working directly with Applicants, lenders, trustees, legal counsels, local and state officials and the general public to conduct business in an open, transparent and straightforward manner. The Department has simplified the process, within the limitation of statute, to affirmatively support and create affordable housing throughout the State of Texas.

§35.2. Authority

The Department receives its authority to issue Bonds from Chapter 2306 of the Texas Government Code. All Bonds issued by the Department must conform to the requirements of the Act. Notwithstanding anything herein to the contrary, tax-exempt Bonds which are issued to finance the Development of multifamily rental housing are specifically subject to the requirements of the laws of the State of Texas, including but not limited to Chapter 2306 and Chapter 1372 of the Texas Government Code relating to Private Activity Bonds, and to the requirements of the Code (as defined in this chapter).

§35.3. Definitions

The following words and terms, when used in the chapter, shall have the following meaning, unless context clearly indicates otherwise.

(1) Administrative Deficiency--As defined in §49.3(2) of this title.

(2) Applicant--As defined in §49.3(7) of this title.

(3) Application--As defined in §49.3(8) of this title.

(4) Board--The Governing Board of the Department.

(5) Bond--An evidence of indebtedness or other obligation, regardless of the sources of payment, issued by the Department under the Act, including a bond, note, or bond or revenue anticipation note, regardless of whether the obligation is general or special, negotiable, or nonnegotiable, in bearer or registered form, in certified or book entry form, in temporary or permanent form, or with or without interest coupons.

(6) Code--The U.S. Internal Revenue Code of 1986, as amended from time to time, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official pronouncements issued by the United States Department of the Treasury or the Internal Revenue Service.

(7) Development--As defined in §49.3(32) of this title.

(8) Development Owner--As defined in §49.3(35) of this title.

(9) Eligible Tenants--

(A) individuals and families of Extremely Low, Very Low and Low Income;

(B) Families of Moderate Income (in each case in the foregoing subparagraph (A) and (B) of this paragraph as such terms are defined by the Issuer under the Act); and

(C) Persons with Special Needs, in each case, with an Anticipated Annual Income not in excess of 140% of the area median income for a four-person household in the applicable standard metropolitan statistical area; provided that all Low-Income Tenants shall count as Eligible Tenants.

(10) Extremely Low Income--The income received by an individual or family whose income does not exceed thirty percent (30%) of the area median income or applicable federal poverty line, as determined by the Act.

(11) Family of Moderate Income--A family:

(A) that is determined by the Board to require assistance taking into account:

(i) the amount of total income available for the housing needs of the individuals and family;

(ii) the size of the family;

(iii) the cost and condition of available housing facilities;

(iv) the ability of the individuals and family to compete successfully in the private housing market and to pay the amounts required by private enterprise for sanitary, decent, and safe housing; and

(v) standards established for various federal programs determining eligibility based on income; and

(B) that does not qualify as a family of Low Income.

(12) Ineligible Building Type—As defined in §49.3(56) of this title.

(13) Institutional Buyer--

(A) An accredited investor as defined in Regulation D promulgated under the Securities Act of 1933, as amended (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

(B) A qualified institutional buyer as defined by Rule 144A promulgated under the Securities Act of 1935, as amended (17 CFR §230.144(A)).

(14) Intergenerational Housing--As defined in §49.3(57) of this title.

(15) Low Income--The income received by an individual or family whose income does not exceed eighty percent (80%) of the area median income or applicable federal poverty line, as determined by the Act.

(16) Land Use Restriction Agreement (LURA)--An agreement between the Department and the Development Owner which is binding upon the Development Owner's successors in interest that encumbers the Development with respect to the requirements of law, including this title, the Act and Section 42 of the Code.

(17) New Construction--As defined in §49.3(64) of this title.

(18) Owner--An Applicant that is approved by the Department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a Development subject to the regulatory powers of the Department and other terms and conditions required by the Department and the Act.

(19) Persons with Special Needs--Persons who:

(A) Are considered to be disabled under a state or federal law;

(B) Are elderly, meaning 60 years of age or older or of an age specified by an applicable federal program;

(C) Are designated by the Board 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 subparagraph (A), (B) or (C) of this paragraph and meet the income guidelines established by the Board.

(20) Private Activity Bonds--Any Bonds described by §141(a) of the Code.

(21) Private Activity Bond Program Scoring Criteria--The scoring criteria established by the Department for the Department's Multifamily Housing Revenue Bond Program, §35.6(e) of this title.

(22) Private Activity Bond Program Threshold Requirements--The threshold requirements established by the Department for the Department's Multifamily Housing Revenue Bond Program, §35.6(d) of this title.

(23) Program--The Department's Multifamily Housing Revenue Bond Program.

(24) Proper Site Control--Regarding the legal control of the land to be used for the Development, means the earnest money contract is in the name of the Applicant (principal or member of the General Partner); fully executed by all parties and escrowed by the title company.

(25) Property--The real estate and all improvements thereon, whether currently existing or proposed to be built thereon in connection with the Development, and including all items of personal property affixed or related thereto.

(26) Qualified 501(c)(3) Bonds--Any Bonds described by §145(a) of the Code.

(27) Rehabilitation--As defined in §49.3(81) of this title.

(28) Rural Area--An area that is located:

(A) Outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area;

(B) Within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 25,000 or less and does not share a boundary with an urban area; or

(C) In an Area that is eligible for funding by Texas Rural Development Office of the United States Department of Agriculture (TRDO-USDA), other than an area that is located in a municipality with a population of more than 50,000.

(29) Rural Development--A Development or proposed Development that is located in a Rural Area, other than rural new construction Developments with more than 80 units.

(30) Tenant Income Certification--A certification as to income and other matters executed by the household members of each tenant in the Development, in such form as reasonably may be required by the Department in satisfaction of the criteria prescribed by the Secretary of Housing and Urban Development under §8(f)(3) of the Housing Act of 1937 ("the Housing Act") (42 U.S.C. 1437f) for purposes of determining whether a family is a lower income family within the meaning of the §8(f)(1) of the Housing Act.

(31) Tenant Services--Social services, including child care, transportation, and basic adult education, that are provided to individuals residing in low income housing under Title IV-A, Social Security Act (42 U.S.C. §601 et seq.), and other similar services.

(32) Tenant Services Program Plan--The plan, subject to approval by the Department, which describes the Tenant Services to be provided by the Development Owner in a Development.

(33) Trustee--A national banking association organized and existing under the laws of the United States, as trustee (together with its successors and assigns and any successor trustee).

(34) TRDO-USDA –As defined in §49.3(94) of this title.

(35) Unit--As defined in §49.3(95) of this title.

(36) Very Low Income--The income received by an individual or family whose income does not exceed sixty percent (60%) of the area median income or applicable federal poverty line as determined under the Act.

§35.4. Policy Objectives and Eligible Developments.

The Department will issue Bonds to finance the rehabilitation, preservation or construction of decent, safe and affordable housing throughout the State of Texas. Eligible Developments may include those which are constructed, acquired, or rehabilitated and which provide housing for individuals and families of Low Income, Very Low Income, or Extremely Low Income, and Families of Moderate Income.

§35.5. Bond Rating and Investment Letter.

(a) Bond Ratings. All publicly offered Bonds issued by the Department to finance Developments shall have and be required to maintain a debt rating the equivalent of at least an "A" rating assigned to long-term obligations by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. 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 Board, which approval shall be evidenced by adoption by the Board of a resolution authorizing the issuance of the credit-enhanced Bonds. Remedies relating to failure to maintain appropriate credit ratings shall be provided in the financing documents relating to the Development.

(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 investment letter acceptable to the Department. Subsequent purchasers of such Bonds shall also be qualified as Institutional Buyers and shall sign and deliver to the Department an investment letter in a form acceptable 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 shall carry a legend requiring any purchasers of the Bonds to sign and deliver to the Department an investment letter in a form acceptable to the Department.

§35.6. Application Procedures, Evaluation and Approval.

(a) Application Costs, Costs of Issuance, Responsibility and Disclaimer. The Applicant shall pay all costs associated with the preparation and submission of the Application--including 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 stage during the Application 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.

(b) Pre-application. An Applicant who requests financing from the Department for a Development shall submit a pre-application in a format prescribed by the Department. Within fourteen (14) days of the Department's receipt of the pre-application, the Department will be responsible for federal, state, and local community notifications of the proposed Development. Upon review of the pre-application, if the Development is determined to be ineligible for Bond financing by the Department, the Department will send a letter to the Applicant explaining the reason for the ineligibility. If the Development is determined to be eligible for Bond financing by the Department, the Department will score and rank the pre-application based on the Private Activity Bond Program Scoring Criteria as described in subsection (d) of this section. The Department will rank the pre-application with higher scores ranking higher within each priority defined by §1372.0321, Texas Government Code. All Priority 1 Applications will be ranked above all Priority 2 Applications which will be ranked above all Priority 3 Applications, regardless of score, reflecting a priority structure which gives consideration to the income levels of the tenants and the rent levels of the units consistent with §2306.359. This priority ranking will be used throughout the calendar year. In the event two or more Applications receive the same score, the Department will use, as a tie-breaking mechanism, a priority first for Applications involving rehabilitation; then if a tie still exists, the Application with the greatest number of points awarded for Quality and Amenities for the Development; then if a tie still exists, the Department will grant preference to the pre-application with the lower number of net rentable square feet per bond amount requested. Pre-Applications must meet the threshold requirements as stated in the Private Activity Bond Program Threshold Requirements as set out in subsection (c) of this section. After scoring and ranking, the Development and the proposed financing structure will be presented to the Department's Board for consideration of a resolution declaring the Department's initial intent to issue Bonds (the "inducement resolution") with respect to the Development. After Board approval of the inducement resolution, the induced Applications will be submitted to the Texas Bond Review Board for its lottery, waiting list or carryforward processing in rank order. The Texas Bond Review Board will draw the number of lottery numbers that equates to the number of eligible Applications submitted by the Department for participation in lottery. The lottery numbers drawn will not equate to a specific Development. The Texas Bond Review Board will thereafter assign the lowest lottery number drawn to the highest ranked Application as previously determined by the Department. The Texas Bond Review Board will issue reservations of allocation for Applications submitted for the waiting list or carryforward in the order provided by the Department based on rank. The criteria by which a Development may be deemed to be eligible or ineligible are explained in subsection (j) of this section, entitled Eligibility Criteria. The Private Activity Bond Program Scoring Criteria will be posted on the Department's website.

(c) Approval of the inducement resolution does not guarantee final Board approval of the Bond Application. Department staff, for good cause, may recommend that the Board not approve an inducement resolution for an Application. The TDHCA Board reviews the Development as a whole for adherence to timelines and notification rules in the Qualified Allocation Plan and Rules, the need for the Development, compliance with local government rules and procedures, financial feasibility and the input of local and state officials and interested community members. These factors and others will be used to make the final determination at the appropriate time. Because each Development is unique, making the final determination is often dependent on the issues presented at the time the Application is presented to the Board.

(d) Pre-Application Threshold Requirements.

(1) As the Department reviews the Application, the Department will use the following assumptions, even if not reflected by the Applicant in the Application. Prequalification Assumptions:

(A) Development Feasibility:

(i) Debt Coverage Ratio must be greater than or equal to 1.15;

(ii) Deferred Developer Fees are limited to 80% of Developer's Fees;

(iii) Contractor Fee, Overhead and General Requirements are limited to 14% of direct costs plus site work cost; and

(iv) Developer Fees cannot exceed 15% of the project's Total Eligible Basis.

(B) Construction Costs Per Unit Assumption. Costs not to exceed $85 per square foot for general population developments and $95 for elderly developments (Acquisition / Rehab developments are exempt from this requirement);

(C) Anticipated Interest Rate and Term. As stated in the Summary of Financing Participants in the pre-application;

(D) Size of Units (Acquisition/Rehab developments are exempt from this requirement):

(i) Efficiency Units must be at least 550 square feet;

(ii) One bedroom Unit must be greater than or equal to 650 square feet for family and 550~~600~~ square feet for senior Units;

(iii) Two bedroom Unit must be greater than or equal to 900 square feet for family and 700 square feet for senior Units;

(iv) Three bedroom Unit must be greater than or equal to 1,000 square feet; and/or.

(v) Four bedroom Unit must be greater than or equal to 1,200 square feet.

(2) Appropriate Zoning. Evidence of appropriate zoning for the proposed use or evidence of application made and pending decision;

(3) Executed Site Control. Properly executed and escrow receipted site control through the inducement Board meeting at pre-application and 90 days from the date of the bond reservation with the option to extend through the scheduled TDHCA Board meeting at full application. The potential expiration of site control does not warrant the application being presented to the TDHCA Board prior to the scheduled meeting;

(4) Current Market Information (must support affordable rents);

(5) Completed current TDHCA Bond Pre-Application;

(6) Completed Multifamily Rental Worksheets;

(7) Certification of Local Elected Official request for neighborhood organization information and Public Notification Information;

(8) Completed 2009 Bond Review Board Residential Rental Attachment;

(9) Signed letter of Responsibility for All Costs Incurred;

(10) Signed Mortgage Revenue Bond Program Certification Letter;

(11) Evidence of Paid Application Fees ($1,000 to TDHCA, $2,000 to Vinson and Elkins, as the Department's bond counsel, and $5,000 to Bond Review Board);

(12) Boundary Survey or Plat clearly identifying the location and boundaries of the subject property;

(13) Local Area map showing the location of the Property and Community Services / Amenities within a three (3) mile radius;

(14) Utility Allowance documented from the Appropriate Local Housing Authority;

(15) Organization Chart showing the structure of the Applicant and the ownership structure of any principals of the Applicant with evidence of Entity Registration or Reservation with the Secretary of State; and

(16) Required Notification. Evidence of notification is required in the form of the "Certification of Notifications" form provided in the pre-application stating that they made all the required notifications prior to the deadlines and a copy of the entire mailing list on the "Public Information Form" (including names and complete addresses) of all the recipients. Proof of delivery of the notification must not be older than three months prior to the date of Application submission date. Notification must be sent to all the following individuals and entities (If the QAP and Rules in effect for the program year for which the Bond and Housing Tax Credit applications are submitted reflect a notification process that is different from the process listed in subparagraphs (A) – (F) of this paragraph, then the QAP and Rules will override the notification process listed in subparagraphs (A) – (F) of this paragraph):

(A) State Senator and Representative that represents the community containing the development;

(B) Presiding Officer of the governing body of any municipality containing the development and all elected members of that body (Mayor, City Council members);

(C) Presiding Officer of the governing body of the county containing the development and all elected members of that body (County Judge and/or Commissioners);

(D) School District Superintendent of the school district containing the development;

(E) Presiding Officer of the School Board of Trustees of the school district containing the development; and

(F) Evidence in the form of a certification that all of the notifications required under this paragraph have been made. Requests for Neighborhood Organizations under clause (i) of this subparagraph must be made by the deadlines described in that clause. Evidence of notification must meet the requirements identified in clause (ii) of this subparagraph to all of the individuals and entities identified in clause (iii) of this subparagraph.

(i) The Applicant must request Neighborhood Organizations on record with the county and state whose boundaries include the proposed Development Site as follows:

(I) No later than fourteen (14) days prior to the date the Application is submitted, the Applicant must e-mail, fax or mail with registered receipt a completed, "Neighborhood Organization Request" letter as provided in the Pre-Application materials to the local elected official for the city and county where the Development is proposed to be located. If the Development is located in an Area that has district based local elected officials, or both at-large and district based local elected officials, the request must be made to the city council member or county commissioner representing that district; if the Development is located in an Area that has only at-large local elected officials, the request must be made to the mayor or county judge for the jurisdiction. If the Development is not located within a city or is located in the Extra Territorial Jurisdiction (ETJ) of a city, the county local elected official must be contacted. In the event that local elected officials refer the Applicant to another source, the Applicant must request neighborhood organizations from that source in the same format;

(II) If no reply letter is received from the local elected officials by seven (7) days prior to the Application submission, then the Applicant must certify to that fact with the "Pre-Application Notification Certification Form" provided in the Pre-Application materials; and

(III) The Applicant must list all Neighborhood Organizations on record with the county or state whose boundaries contain the proposed Development Site or that the Applicant has knowledge of as of the Pre-Application Submission in the "Certification of Notification Form" provided in the Pre-Application.

(ii) No later than the date the Pre-Application is submitted, Notification must be sent to all of the following individuals and entities by e-mail, fax or mail with registered receipt in the format required in the "Pre-Application Notification Template" provided in the Pre-Application materials. Developments located in an Extra Territorial Jurisdiction (ETJ) of a city are not required to notify city officials; however the county officials are required to be notified. Evidence of Notification is required in the form of a certification in the "Certification of Notification Form" provided in the Pre-Application materials. It is strongly encouraged that Applicants retain proof of delivery of the notifications to the persons or entities prescribed in subclauses (I) – (IX) of this clause in the event the Department requires proof of Notification. Evidence of proof of delivery is demonstrated by signed receipt for mail or courier delivery and confirmation of receipt by recipient for facsimile and electronic mail. Officials to be notified are those officials in office at the time the Pre-Application is submitted.

(I) Neighborhood Organizations on record with the state or county whose boundaries contain the proposed Development Site as identified in clause (i)(III) of this subparagraph;

(II) Superintendent of the school district containing the Development;

(III) Presiding officer of the board of trustees of the school district containing the Development;

(IV) Mayor of any municipality containing the Development;

(V) All elected members of the governing body of any municipality containing the Development;

(VI) Presiding officer of the governing body of the county containing the Development;

(VII) All elected members of the governing body of the county containing the Development;

(VIII) State representative of the district containing the Development; and

(IX) State senator of the district containing the Development.

(iii) Each such notice must include, at a minimum, all of the following:

(I) The Applicant's name, address, individual contact name and phone number;

(II) The Development name, address, city and county;

(III) A statement informing the entity or individual being notified that the Applicant is submitting a request for Private Activity Bonds and Housing Tax Credits with the Texas Department of Housing and Community Affairs;

(IV) Statement of whether the Development proposes New Construction or Rehabilitation;

(V) The type of Development being proposed (single family homes, duplex, apartments, townhomes, highrise etc.) and population being served (family, Intergenerational Housing, or elderly);

(VI) The approximate total number of Units and approximate total number of low-income Units;

(VII) The approximate percentage of Units serving each level of AMGI (e.g. 20% at 50% of AMGI, etc.) and the percentage of Units that are market rate; and

(VIII) The number of Units and proposed rents (less utility allowances) for the low-income Units and the number of Units and the proposed rents for any market rate Units. Rents to be provided are those that are effective at the time of the Pre-Application, which are subject to change as annual changes in the area median income occur.

(17) All New Construction or Reconstruction units must provide the amenities in subparagraphs (A) – (G) of this paragraph. Rehabilitation (excluding Reconstruction) must provide the amenities in subparagraphs (B) – (G) of this paragraph unless expressly identified as not required (§2306.187).

(A) All new construction units must be wired with RG-6 COAX or better and CAT3 phone cable or better, wired to each bedroom, dining room and living room;

(B) Blinds or window coverings for all windows;

(C) Energy-Star or equivalently rated dishwasher and disposal (not required for TRDO-USDA Developments);

(D) Energy-Star or equivalently rated Refrigerator (not required for SRO Developments);

(E) Oven/Range;

(F) Exhaust/vent fans (vented to the outside) in bathrooms;

(G) Energy-Star or equivalently rated ceiling fans in living areas and bedrooms; and

(H) Energy-Star or equivalently rated lighting in all Units which may include florescent bulbs.

(e) Pre-Application Scoring Criteria.

(1) Income and rent levels of the tenants: Priority 1 applications will receive 10 points, Priority 2 applications will receive 7 points and Priority 3 applications will receive 5 points.

(2) Construction Cost per Unit includes: direct hard costs, site work, contractor profit, overhead, general requirements and contingency. Calculation will be hard costs per square foot of net rentable area. Must be greater than or equal to $85 per square foot for general population Developments and $95 per square foot for elderly Developments (1 point) (Acquisition / Rehab will automatically receive (1 point)).

(3) Size of Units. Average size of all Units combined in the development must be greater than or equal to 950 square foot for family and must be greater than or equal to 750 square foot for elderly (5 points). (Acquisition / Rehab developments will automatically receive 5 points).

(4) Period of Guaranteed Affordability for Low Income Tenants. Add 10 years of affordability after the extended use period for a total affordability period of 40 years (1 point).

(5) Quality and Amenities Substitutions in amenities will be allowed as long as the overall score is not affected. Applications in which Developments provide specific qualities and amenities at no extra charge to the tenant will be awarded points as follows: Acquisition/Rehab developments will receive 1.5 points for each item.

(A) Laundry Connections (2 points);

(B) Self-cleaning or continuous cleaning ovens (1 point);

(C) Microwave Ovens (in each Unit) (1 point);

(D) Refrigerator with icemaker (1 point);

(E) Laundry equipment (washer and dryers) for each individual Unit including a front load washer and dryer in required UFAS compliant Units (3 points);

(F) Storage Room of approximately nine (9) square feet or greater (does not include bedroom, entryway or linen closets (does not have to be in the unit but must be on the property site) (1 point);

(G) Covered entries (1 point);

(H) Nine foot ceilings in living room and all bedrooms (at minimum) (1 point);

(I) Covered patios or covered balconies (1 point);

(J) Covered Parking (including garages) of at least one covered space per Unit (2 points);

(K) High speed internet service to all Units at no cost to residents (2 points);

(L) Fire sprinklers in all Units (2 points);

(M) 100% masonry on exterior, which can include stucco, cementitious board products, concrete brick and mortarless concrete masonry; excludes EIFS synthetic stucco (3 points). Applicants may not select this item if subparagraph (N) of this paragraph is selected);

(N) Greater than 75% Masonry on exterior, which can include stucco and cementitious board products, concrete brick and mortarless concrete masonry; excludes EIFS synthetic stucco (1 point). Applicants may not select this item if subparagraph (M) of this paragraph is selected);

(O) Thirty year architectural shingle roofing (1 point);

(P) Use of energy efficient alternative construction materials (structurally insulated panels) with wall insulation at a minimum of R-20 (3 points);

(Q) R-15 Walls / R-30 Ceilings (rating of wall system) (3 points);

(R) 14 SEER HVAC or evaporative coolers in dry climates for new construction, adaptive reuse and reconstruction or radiant barrier in the attic for the rehabilitation (3 points);

(S) One Children's Playscape Equipped for 5 to 12 years olds, or one Tot Lot (1 point);

(T) Two Children's Playscapes Equipped for 5 to 12 year olds, two Tot Lots, or one of each (2 points);

(U) Sport Court (Tennis, Basketball or Volleyball)(2 points);

(V) Enclosed sun porch or covered community porch/patio (2 points);

(W) BBQ Grills and Tables (at least one each per 50 Units) (1 point);

(X) Accessible walking path/jogging path separate from a sidewalk (1 point);

(Y) Full Perimeter fencing (2 points);

(Z) Controlled access gate (1 point);

(AA) Equipped and functioning business center or equipped computer learning center with 1 computer for every 30 Units proposed in the Application, and 1 printer for every 3 computers (with a minimum of one printer), and 1 fax machine (2 points);

(BB) Furnished and staffed children's activity center (3 points);

(CC) Horseshoe pit, putting green or shuffleboard court (1 point);

(DD) Furnished Fitness Center equipped with a minimum of two of the following fitness equipment options with at least one per every 40 Units or partial increment of 40 Units: stationary bicycle, elliptical trainer, treadmill, rowing machine, universal gym, stationary weight bench, sauna, stair climber, etc. The maximum number of equipment options required for any Development, regardless of number of Units, shall be five (2 points);

(EE) Library with an accessible sitting area (separate from the community room) (1 point);

(FF) Gazebo with sitting area (1 point);

(GG) Covered Pavilion that includes barbeque grills and tables (2 points);

(HH) Swimming pool (3 points);

(II) Community laundry room (with at least one front loading washer) (1 point);

(JJ) Furnished Community room (1 point);

(KK) Service coordinator office in addition to leasing offices (1 point);

(LL) Senior Activity Room (Arts and Crafts, etc.)(2 points);

(MM) Health Screening Room (1 point);

(NN) Secured Entry (elevator buildings only)--(1 point);

(OO) Community Dining Room with full or warming kitchen (3 points);

(PP) Community Theatre Room equipped with a 52 inch or larger screen with surround sound equipment, DVD player; and theatre seating (3 points).

(QQ) Green Building amenities (Rehabilitation Developments will receive 1.5 points for each point requested for the green building amenities):

(i) evaporative coolers (for use in designated counties listed in the Application Materials, 2009 Housing Tax Credit Site Demographics Information) (1 point);

(ii) passive solar heating/cooling (3 points maximum)

(I)Two points if the glazing area on the north- and south-facing walls of the building is at least 50% greater than the sum of the glazing area on the east- and west- facing walls; and the east-west axis of the building is within 15 degrees of due east-west.

(II)One point if in addition to the east-west axis of the building oriented within 15 degrees of due east-west, utilize a narrow floor plate (less than 40 feet), single loaded corridors and open floor plan to optimize daylight penetration and passive ventilation (note: to qualify for this particular point, application must also implement the 15 degree building orientation option above); and 100% of HVAC condenser units are shaded so they are fully shaded 75% of the time during summer months (May through August); and solar screens or solar film on all East, West, and South Windows with building oriented to east-west axis within 15 degrees of due east-west, west-south axis within 15 degrees of due west-south, and south-east axis within 15 degrees of due south-east.

(iii) water conserving features (2 points maximum, 1 point for each):

(I)Install low-flow toilets using less than or equal to 1.6 gallons per flush, or high efficiency toilets using less than or equal to 1.28 gallons/flush.

(II)Install bathroom lavatory faucets and showerheads that do not exceed 2.0 gallons/minute and kitchen faucets that do not exceed 1.5 gallons/minute. Applies to all fixtures throughout the development. Rehab projects may choose to install compliant faucet aerators instead of replacing entire faucets.

(iv) solar water heaters (Solar water heaters designed to provide at least 25% of the average energy used to heat domestic water throughout the entire development.) (2 points);

(v) irrigation and landscaping (must implement both of the following) (2 points)

(I)collected water (at least 50%) for irrigation purposes;

(II)selction of native trees and plants that are appropriate to the site's soils and microclimate and locate then to allow for shading in the sumer and allow for heat gain in the winter

(vi) sub-metered utility meters (2 points maximum);

(I)Sub-metered utility meters on rehab project without existing sub-meters or new construction senior project (2 points); or

(II)Sub-metered utility meters on new construction project (excluding new construction senior project) (1 point)

(vii) energy efficiency (4 points maximum);

(I)Three points if Energy Elements include Energy-Star qualified windows and glass doors; and Exterior envelope insulation, vapor barriers and air barriers greater than or equal to Energy Star air barrier and insulation criteria; and HVAC, domestic hot water heater, or insulation that exceeds Energy Star standards or exceeds the IRC 2006; OR

(I)Four points if the project promotes energy efficiency by meeting the requirements of Energy Star for Homes by either complying with the appropriate builder option package or a HERS score of 85.

(viii) thermally and draft efficient doors (SHGC of 0.40 or lower and U-value specified by climate zone according to the 2006 IECC) (2 points);

(ix) photovoltaic panels for electricity and design and wiring for the use of such panels (3 points maximum);

(I)Photovoltaic panels that total 10 kW (1point);

(II)Photovoltaic panels that total 20 kW (2 points);

(III)Photovoltaic panels that total 30 kW (3 points)

(x) construction waste management and implementation of EPA's Best Management Practices for erosion and sedimentation control during construction (1 point);

(xi) recycling service provided throughout the compliance period (1 point);

(xii) water permeable walkways (at least 20% of walkways and parking) (1 point).

(xiii) bamboo flooring, wool carpet, linoleum flooring, straw board, poplar OSB, or cotton batt insulation (50% of flooring on the ground floor of the development must be finished concrete and/or ceramic tile. 50% of the flooring on upper floors must be ceramic tile and/or a flooring material that is Floor Score Certified (developed by the Resilient Floor Covering Institute), applied with a Floor Score Certified adhesive and comes with a minimum 7-year wear through warranty. (2 points);

(6) Tenant Services (Tenant Services shall include only direct costs (tenant services contract amount, supplies for services, internet connections, initial cost of computer equipment, etc.). Indirect costs such as overhead and utility allocations may not be included):

(A) $10.00 per Unit per month (10 points);
(B) $7.00 per Unit per month (5 points); or
(C) $4.00 per Unit per month (3 points).

(7) Zoning appropriate for the proposed use or no zoning required for the intended use must be in place at the time of the Application submission date, which is listed on the Department's website for Applications submitted for waiting list and carryforward, in order to receive points (5 points).

(8) Proper Site Control (as defined in §35.3(24) of this title). Site control must be through the scheduled Board meeting inducement and at full application must be 90 days from the date of the bond reservation with the option to extend through the scheduled TDHCA Board meeting. The potential expiration of site control does not warrant the application being presented to the TDHCA Board prior to the scheduled meeting. For Applications submitted for waiting list and carryforward all information must be correct at the time of the Application submission date, listed on the Department's website in order to receive points (5 points).

(9) Development Support / Opposition Maximum net points of +24 to -24. Each letter will receive a maximum of +3 to -3. All letters received by 5:00 PM, seven (7) business days prior to the date of the Board meeting at which the Application will be considered for Applications submitted for waiting list and carryforward will be used in scoring. The letter must specifically indicate support or opposition otherwise the letter will be considered neutral:

(A) Texas State Senator and Texas State Representative (maximum +3 to -3 points per official);

(B) Presiding officer of the governing body of any municipality containing the Development and the elected district member of the governing body of the municipality containing the Development (maximum +3 to -3 points per official);

(C) Presiding officer of the governing body of the county containing the Development and the elected district member of the governing body of the county containing the Development (if the site is not in a municipality, these points will be doubled) (maximum +3 to -3 points per official); and/or

(D) Local School District Superintendent and Presiding Officer of the Board of Trustees for the School district containing the Development (maximum +3 to -3 points per official).

(10) Proximity to Community Services / Amenities Community services / amenities within three (3) miles of the site. A map must be included with the Application showing a three (3) mile radius notating where the services / amenities are located. (Acquisition/Rehab developments will receive 1.5 points for each item in subparagraphs (A) – (O) of this paragraph):

(A) Full service grocery store or supermarket (1 point);

(B) Pharmacy (1 point);

(C) Convenience store / mini-market (1 point);

(D) Retail Facilities (Target, Wal-Mart, Home Depot, Bookstores, etc.) (1 point);

(E) Bank / Financial Institution (1 point);

(F) Restaurant (1 point);

(G) Indoor public recreation facilities (community center, civic center, YMCA, museum) (1 point);

(H) Outdoor public recreation facilities (park, golf course, public swimming pool) (1 point);

(I) Fire / Police Station (1 point);

(J) Medical Facilities (hospitals, minor emergency, medical offices) (1 point);

(K) Public Library (1 point);

(L) Public Transportation (1/2 mile from site) (1 point);

(M) Public School (only one school required for point and only eligible with general population developments) (1 point);

(N) Dry Cleaners; and/or

(O) Family Video Rental (i.e. Blockbuster, Hollywood Video, Movie Gallery) (1 point).

(11) Proximity to Negative Features adjacent to or within 300 feet of any part of the Development site boundaries. A map must be included with the application showing where the feature is located. Developer must provide a letter stating there are none of the negative features listed in subparagraphs (A) – (F) of this paragraph within the stated area if that is correct. (maximum -6 points)

(A) Junkyards (1 point deducted);

(B) Active Railways (excluding light rail) (1 point deducted);

(C) Heavy industrial / manufacturing plants (1 point deducted);

(D) Solid Waste / Sanitary Landfills (1 point deducted);

(E) Within the "Fall line" of High Voltage Transmission Power Lines (1 point deducted); and/or

(F) Accident zones or flight paths for commercial or military airports (1 point deducted).

(12) Acquisition/Rehabilitation Developments will receive thirty (30) points. This will include the demolition of old buildings and new construction of the same number of units if allowed by local codes or less units to comply with local codes (not to exceed 252 total units).

(13) Preservation Developments will receive ten (10) points. This includes 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 ten years. Evidence must be provided.

(14) Declared Disaster Areas. Applications will receive 7 points, if at the time the complete pre-application is submitted or at any time within the two-year period preceding the date of submission, the proposed Development site is located in an area declared to be a disaster under §418.014 of the Texas Government Code. This includes Federal, State and Governor declared disaster areas.

(15) Developments in Census Tracts with No Other Existing Developments Supported by Tax Credits. Applications will receive 6 points if the proposed Development is located in a census tract in which there are no other existing developments that were awarded housing tax credits in the last 5 years and 3 points if there are no other existing developments that were awarded housing tax credits in the last 3 years. The applicant must provide evidence of the census tract in which the Development is located. These census tracts are outlined in the 2009 Housing Tax Credit Site Demographic Characteristics Report.

(16) Notary Public Services for Tenants. Applications will receive 1 point for this item (§2306.6710(b)(3)) To receive this point, the Applicant must submit a certification that the Development will provide notary public services to the tenants at no cost to the tenant. This provision will be included in the Land Use Restriction Agreement and Regulatory Agreement.

(f) Multiple Site Applications. For the purposes of scoring, applicants must submit the required information as outlined in the Pre-Application Submission Manual. Each individual property will be scored on its own merits and the final score will be determined based on an average of all of the individual scores.

(g) Financing Commitments. After approval by the Board of the inducement resolution, and as part of the submission of a final application, the Applicant will be solely responsible for making appropriate arrangements with financial institutions which are to be involved with the issuance of the Bonds or the financing of the Development, and to begin the process of obtaining firm commitments for financing from each of the financial institutions involved.

(h) Final Application. An Applicant who elects to proceed with submitting a final Application to the Department must submit the Volumes I and II of the Application, for Priority 1 and 2, prior to receipt of a reservation of allocation from the Texas Bond Review Board. For Priority 3 Applications the Volumes I and II must be submitted within fourteen (14) days of the reservation date from the Texas Bond Review Board. The Volume III of the Application and such supporting material as is required by the Department must be submitted at least sixty (60) days prior to the scheduled meeting of the Board at which the Development and the Bond issuance are to be considered, unless the Department directs the Applicant otherwise in writing. If the Applicant is applying for other Department funding then refer to the Rules for that program for Application submission requirements. The final application must adhere to the Department's QAP and Rules in effect for the program year for which the Bond and Housing Tax Credit applications are submitted. The Department may determine that supporting materials listed in the full application shall be provided subsequent to the final Application deadline in accordance with a schedule approved by the Department. Failure to provide any supporting materials in accordance with the approved schedule may be grounds for terminating the Application and returning the reservation to the Texas Bond Review Board.

(1) A Public Notification Sign shall be installed on the proposed Development site, regardless of Priority, within thirty (30) days of the Department's receipt of Volumes I and II. The applicant must certify to the fact that the sign was installed within (thirty) 30 days of Volume I and II submission and the date, time and location of the TEFRA Public Hearing must be included on the sign at least (thirty) 30 days prior to the hearing date. The sign must be at least four (4) feet by eight (8) feet in size and be located within twenty (20) feet of, and facing, the main road adjacent to the site. The sign shall be continuously maintained on the site until the day the TDHCA Board takes final action on the Application for the development. The information and lettering on the sign must meet the minimum requirements identified in the Application. In areas where the Public Notification Sign is prohibited by local ordinance or code, an alternative to installing a Public Notification Sign and at the same required time, the Applicant shall mail written notification to all addresses located within the footage distance required by the local municipality zoning ordinance or 1,000 feet, if there is no local zoning ordinance or if the zoning ordinance does not require notification, of any part of the proposed Development site. This written notification must include the information otherwise required for the sign. If the Applicant chooses to provide this mailed notice in lieu of signage, the final Application must include a map of the proposed Development site and mark the 1,000 foot or local ordinance area showing street names and addresses; a list of all addresses the notice was mailed to; an exact copy of the notice that was mailed; and a certification that the notice was mailed through the U.S. Postal Service and stating the date of mailing. The Applicant must mail notice to any public official that changed from the submission of the pre-application to the submission of the final application and any neighborhood organization that is known and was not notified at the time of the pre-application submission. No additional notification is required unless the Applicant submitted a change in the Application that reflects a total Unit increase greater than 10%, an increase greater than 10% for any given AMFI, a decrease in the number of market rate units, or a change in the population being served (elderly, general population or transitional); and

(2) Completed Uniform Application and Multifamily Rental Worksheets in the format required by the Department as posted to the Department's website.

(i) Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. Because the review for Eligibility, Threshold Criteria, and review for financial feasibility by the Department's Real Estate Analysis Division may occur separately, Administrative Deficiency requests may be made several times. The Department staff will request clarification or correction in a deficiency notice in the form of an e-mail, or if an e-mail address is not provided in the Application, by facsimile, and a telephone call (only if there has not been confirmation of the receipt of the email within 24 hours) to the Applicant and one other party identified by the Applicant in the Application advising that such a request has been transmitted. All Administrative Deficiencies shall be clarified or corrected to the satisfaction of the Department within five business days. Failure to resolve all outstanding deficiencies within five business days will result in a penalty fee of $500 for each day the deficiency remains unresolved. Any Application with unresolved deficiencies after the 10th day from the issuance of the deficiency notice will be terminated. The Applicant will be responsible for the payment of any fees accrued pursuant to this section regardless of any termination pursuant to this section. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. The Application will not be presented to the Board for consideration until all outstanding fees have been paid.

(j) Eligibility Criteria. The Department will evaluate the Development for eligibility at the time of pre-application, and at the time of final Application. If there are changes to the Application that have an adverse

affect on the score and ranking order and that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas 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 conditions set out in paragraphs (1) - (6) of this subsection in order for a Development to be considered eligible:

(1) The proposed Development must further meet the public purposes of the Department as identified in the Code.

(2) The proposed Development and the Applicant and its principals must satisfy the Department's Underwriting Rules and Guidelines (§1.32 of this title). The pre-application must include sufficient information for the Department to establish that the Underwriting Guidelines can be satisfied. The final Application will be thoroughly underwritten according to the Underwriting Rules and Guidelines (§1.32 of this title).

(3) The Development must not be located on a site determined to be unacceptable for the intended use by the Department.

(4) Any Development in which the Applicant or principals of the Applicant have an ownership interest must be found not to be in Material Non-Compliance under the compliance Rules in effect at the time of pre-application submission. Any corrective action documentation affecting the Material Non-compliance status score must be submitted to the Department no later than thirty (30) days prior to final application submission.

(5) Neither the Applicant nor any principals of the Applicant is, at the time of Application:

(A) barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs; or

(B) has been convicted of a state or federal crime involving fraud, bribery, theft, misrepresentation, misappropriation of funds, or other similar criminal offenses within fifteen (15) years; or

(C) is subject to enforcement action under state or federal securities law, action by the NASD, subject to a federal tax lien, or the subject of an enforcement proceeding with any governmental entity; or

(D) neither applicant nor any principals of the applicant have a development under their ownership or control with a Material Non-compliance score as set out in the Department's Compliance Monitoring Policies and Procedures (§60 of this title); or

(E) otherwise disqualified or debarred from participation in any of the Department's programs.

(6) Neither the Applicant nor any of its principals may have provided any fraudulent information, knowingly false documentation or other intentional or negligent misrepresentation in the Application or other information submitted to the Department.

(7) An application may include either the rehabilitation or new construction, or both the rehabilitation and new construction, of qualified residential rental facilities located at multiple sites and with respect to which 51% or more of the residential units are located:

(A) in a county with a population of less than 75,000; or

(B) in a county in which the median income is less than the median income for the state, provided that the units are located in that portion of the county that is not included in a metropolitan statistical area containing one or more projects that are proposed to be financed, in whole or in part, by an issuance of bonds. The number of sites may be reduced as needed without affecting their status as a project for purposes of the application, provided that the final application for a reservation contains at least two sites (§1372.002)

(k) Bond Documents. After receipt of the final Application, bond counsel for the Department shall draft Bond documents which conform to the state and federal laws and regulations which apply to the transaction.

(l) Public Hearings; Board Decisions. For every Bond issuance, the Department will hold a public hearing in accordance with §2306.0661, Texas Government Code and §147(f) of the Code, in order to receive comments from the public pertaining to the Development and the issuance of the Bonds. The Applicant or member of the Development team must be present and will be responsible for conducting a brief presentation on the proposed Development and providing handouts at the hearing that should contain at a minimum, a description of the Development, maximum rents and income restrictions. If the proposed Development is an acquisition/rehabilitation then the presentation should include the scope of work that will be done to the property. All handouts must be submitted to the Department for review at least two (2) days prior to the public hearing. Publication of all notices required for the public hearing shall be at the sole expense of the Applicant. The Board's decisions on approvals of proposed Developments will consider all relevant matters. Any topics or matters, alone or in combination, may or may not determine the Board's decision. The Department's Board will consider the following topics in relation to the approval of a proposed Development:

(1) The developer market study;
(2) The location;
(3) The compliance history of the developer;

(4) The financial feasibility;

(5) The appropriateness of the Development's size and configuration in relation to the housing needs of the community in which the Development is located;

(6) The Development's proximity to other low income Developments;

(7) The availability of adequate public facilities and services;

(8) The anticipated impact on local school districts;

(9) Zoning and other land use considerations;

(10) Any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department's purposes; and

(11) Other good cause as determined by the Board.

(m) Approval of the Bonds.

(1) Subject to the timely receipt and approval of commitments for financing, an acceptable evaluation for eligibility, the satisfactory negotiation of Bond documents, and the completion of a public hearing, the Board, upon presentation by the Department's staff, will consider the approval of the Bond issuance, final Bond documents and, in the instance of privately placed Bonds, the pricing of the Bonds. The process for appeals and grounds for appeals may be found under §1.7 and §1.8 of this title. The Department's conduit housing transactions will be processed in accordance with the Texas Bond Review Board rules 34 TAC, Part 9, Chapter 181, Subchapter A and Chapter 1372, Texas Government Code. The Bond issuance must receive an approving opinion from the Department's bond counsel with respect to the legality and validity of the Bonds and the security therefore, and in the case of tax-exempt Bonds, with respect to the excludability from gross income for federal income tax purposes of interest on the Bonds.

(2) Alternative Dispute Resolution Policy. The Department encourages use of Alternative Dispute Resolution methods as outlined in §1.17 of this title.

(n) Local Permits. Prior to the closing of the Bonds, all necessary approvals, including building permits, from local municipalities, counties, or other jurisdictions with authority over the Development must have been obtained or evidence that the permits are obtainable subject only to payment of certain fees must be provided to the Department.

(o) Closing. If there are changes to the Application prior to closing that have an adverse effect on the score and ranking order that would have resulted in the Application being placed below another Application in the ranking, the Department will terminate the Application and return the reservation to the Texas Bond Review Board (with the exception of changes to deferred developer's fees and support or opposition points). Once all approvals have been obtained and Bond documents have been finalized to the respective parties' satisfaction, the Bond transaction will close. Any outstanding Housing Trust Fund Pre-Development loans for the proposed Development site must be paid in full at the time the bond transaction is closed. All Applicants are subject to §1.20(g) of this title. Upon satisfaction of all conditions precedent to closing, the Department will issue Bonds in exchange for payment thereof. The Department will then loan the proceeds of the Bonds to the Applicant and disbursements of the proceeds may begin.

§35.7. Regulatory and Land Use Restrictions

(a) Filing and Term of LURA. A Regulatory and Land Use Restriction Agreement or other similar instrument (the "LURA"), 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. For Developments involving new construction, the term of the LURA will be the longer of 30 years, the period of guaranteed affordability or the period for which Bonds are outstanding. For the financing of an existing Development, the term of the LURA will be the longer of the longest period which is economically feasible in accordance with the Act, or the period for which Bonds are outstanding.

(b) Development Occupancy. The LURA will specify occupancy restrictions for each Development based on the income of its tenants, and will restrict the rents that may be charged for Units occupied by tenants who satisfy the specified income requirements. Pursuant to §2306.269, Texas Government Code, the LURA will prohibit a Development Owner from excluding an individual or family from admission to the Development because the individual or family participates in the housing choice voucher program under Section 8, United States Housing Act of 1937 (the "Housing Act"), and from using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than two and one half (2.5) times the individual's or family's share of the total monthly rent payable to the Development Owner of the Development. Development occupancy requirements must be met on

or prior to the date on which Bonds are issued unless the Development is under construction. Adequate substantiation that the occupancy requirements have been met, in the sole discretion of the Department, must be provided prior to closing. Occupancy requirements exclude Units for managers and maintenance personnel that are reasonably required by the Development.

(c) Set Asides.

(1) Developments which are financed from the proceeds of Private Activity Bonds or from the proceeds of Qualified 501(c)(3) Bonds must be restricted under one of the following two minimum set-asides:

(A) at least twenty percent (20%) of the Units within the Development that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed fifty percent (50%) of the area median income, or

(B) at least forty percent (40%) of the Units within the Development that are available for occupancy shall be occupied or held vacant and available for occupancy at all times by persons or families whose income does not exceed sixty percent (60%) of the area median income.

(2) The Development Owner must designate at the time of Application which of the two set-asides will apply to the Development and must also designate the selected priority for the Development in accordance with §1372.0321, Texas Government Code. Units intended to satisfy set-aside requirements must be distributed evenly 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 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; provided, however, that, should a tenant's income, as of the most recent determination thereof, exceed 140% of the then applicable 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. (Required federal set-aside requirements)

(d) Global Income Requirement. All of the Units that are available for occupancy in Developments financed from the proceeds of Private Activity Bonds or from the proceeds of Qualified 501(c)(3) Bonds shall be occupied or held vacant (in the case of new construction) and available for occupancy at all times by persons or families whose income does not exceed one hundred and forty percent (140%) of the area median income for a four-person household.

(e) Qualified 501(c)(3) Bonds. Developments which are financed from the proceeds of Qualified 501(c)(3) Bonds are further subject to the restriction that at least seventy-five percent (75%) of the Units within the Development that are available for occupancy shall be occupied (or, in the case of new construction, held vacant and available for occupancy until such time as initial lease-up is complete) at all times by individuals and families of Low Income (less than or equal to 80% of AMFI).

(f) Taxable Bonds. The occupancy requirements for Developments financed from the issuance of taxable Bonds will be negotiated, considered and approved by the Department on a case by case basis.

(g) Fair Housing. All Developments financed by the Department must comply with the Fair Housing Act which prohibits discrimination in the sale, rental, and financing of dwellings based on race, color, religion, sex, national origin, familial status, and disability. The Fair Housing Act also mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, in order to provide accessible housing for individuals with disabilities.

(h) Tenant Services. The LURA will require that the Development Owner offer a variety of services for residents of the Development through a Tenant Services Program Plan which is subject to annual approval by the Department.

(i) Land Use Restriction Agreement. Requirements as defined in Chapter 60, Subchapter A of this title.

§35.8 Fees.

(a) Pre-Application Fees. The Applicant is required to submit, at the time of pre-application, the following fees: $1,000 (payable to TDHCA), $2,000 (payable to Vinson & Elkins, the Department's Bond Counsel) and $5,000 (payable to the Texas Bond Review Board (BRB)) These fees cover the costs of pre-application review and filing fees to the BRB. The Department shall set fees to be paid by the Applicant in order to cover the costs of pre-application review, Application and Development review, the Department's expenses in connection with providing financing for a Development, and as required by law. (§1372.006(a), Texas Government Code).

(b) Application and Issuance Fees. At the time of full application the Applicant is required to submit a tax credit application fee of $30/unit and $10,000 for the bond application fee (for multiple site Applications $10,000 or $30/unit, whichever is greater, for the bond application fee.) At the closing of the bonds the following fees are required: an issuance fee equal to 50 basis points (0.005) of the issued bond amount, administration fee equal to 20 basis points (0.002) and a Private Activity Bond compliance fee equal to $25/unit and a tax credit compliance fee equal to $40/unit. For refunding Applications the Application fee will be $10,000 unless the refunding is not required to have a TEFRA public hearing, in which case the fee will be $5,000.

(c) Annual Administration, Portfolio Management and Compliance, and Asset Management Fees. The Department shall set ongoing fees to be paid by Development Owners to cover the Department's costs of administering the Bonds, portfolio management and compliance with the program requirements applicable to each Development and asset management applicable requirements. The annual tax credit compliance fee is paid in advance (for the duration of the compliance or affordability period) and is equal to $40/unit beginning two years from the closing date on the bonds. The fee will be collected, retroactively if applicable, beginning with the first year of the credit period. The invoice must be paid prior to the issuance of form 8609. Subsequent anniversary dates on which the compliance monitoring fee payments are due shall be determined by the month the first building is placed in service. The Private Activity Bond compliance fee is paid in advance at closing (for as long as the bonds are outstanding) and is equal to $25/unit beginning two years from the closing date on the bonds for payment to be applied to the third year following closing; the asset management fee, if applicable, is paid in advance and is equal to $25/unit beginning two years from the closing date on the bonds. Compliance fees may be adjusted from time to time by the Department. The annual administration fee is paid in arrears and is equal to 10 basis points (0.001) of the outstanding bond amount beginning three years from the closing date. These fees are paid for a minimum of thirty (30) years or as long as the bonds are outstanding.

§35.9. Waiver of Rules

Provided all requirements of the Act, the Code, and any other applicable law are met, the Board may waive any one or more of the Rules set forth in §§35.3 - 35.8 of this title relating to the Multifamily Housing Revenue Bond Program in order to further the purposes and the policies of Chapter 2306, Texas Government Code; to encourage the acquisition, construction, reconstruction, or rehabilitation of a Development that would provide decent, safe, and sanitary housing, including, but not limited to, providing such housing in economically depressed or blighted areas, or providing housing designed and equipped for Persons with Special Needs; or for other good cause, as determined by the Board.

§35.10. No Discrimination

The Department and its staff or agents, Applicants, Development Owners, and any participants in the Program shall not discriminate under this Program against any person or family on the basis of race, creed, national origin, age, religion, handicap, family status, or sex, or against persons or families on the basis of their having minor children, except that nothing herein shall be deemed to preclude a Development Owner from selecting tenants with Special Needs, or to preclude a Development Owner from selecting tenants based on income in renting Units to comply with the set asides under the provisions of this chapter.

ORAL PRESENTATION

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Item

Housing Tax Credit Amendments.

Requested Action

Approve, amend or deny the requests for amendments.

Background and Recommendations

§2306.6712, Texas Government Code, indicates that the Board should determine the disposition of a requested amendment if the amendment is a "material alteration," would materially alter the development in a negative manner, or would have adversely affected the selection of the application in the application round. The statute identifies certain changes as material alterations and the requests presented below include material alterations.

The requests and pertinent facts about the affected developments are summarized below. The recommendation of staff is included at the end of each write-up.

Limitations on the Approval of Amendment Requests

The approval of a request to amend an application does not exempt a development from the requirements of Section 504 of the Rehabilitation Act of 1973, fair housing laws, local and state building codes or other statutory requirements that are not within the Board's purview. Notwithstanding information that the Department may provide as assistance, the development owner retains the ultimate responsibility for determining and implementing the courses of action that will satisfy applicable regulations.

Penalties for Amendment Requests

§49.9(c), 2009 Qualified Allocation Plan and Rules, entitled, "Adherence to Obligations," states in part:

> If a Development Owner does not produce the Development as represented in the Application; does not receive approval for an amendment to the Application by the Department prior to implementation of such amendment; or does not provide the necessary evidence for any points received by the required deadline:
>
> (1) The Development Owner must provide a plan to the Department, for approval and subsequent implementation, that incorporates additional amenities to compensate for the non-conforming components; and
>
> (2) The Board will opt either to terminate the Application and rescind the Commitment Notice, Determination Notice or Carryover Allocation Agreement as applicable or the Department must:
>
> (A) Reduce the score for Applications for Competitive Housing Tax Credits that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development by up to ten points for the two Application Rounds concurrent to, or following, the date that the non-conforming aspect, or lack of financing, was recognized by the Department of the need for the amendment; the placed in service date; or the date the amendment is accepted by the Board.

(B) Prohibit eligibility to apply for Housing Tax Credits for a Tax-Exempt Bond Development that are [sic] submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development for up to 24 months from the date that the non-conforming aspect, or lack of financing, was recognized by the Department of the need for the amendment; the placed in service date; or the date the amendment is accepted by the Board, less any time delay caused by the Department.

(C) In addition to, or in lieu of, the penalty in subparagraph (A) or (B) of this paragraph, the Board may assess a penalty fee of up to $1,000 per day for each violation.

HTC No. 06118, Sunset Haven Apartments

Summary of Request: This request is regarding a commitment notice for low income housing tax credits related to a 2006 competitive cycle allocation. The applicant has recently submitted cost certification documents to receive final approval for 8609's. The developer-contractor-owner requested approval to change the floor covering from 10% resilient (vinyl) flooring and 90% carpet to 100% resilient flooring, and to change the wiring from the requirement of the 2006 QAP, which was effective at the time of the development's application, to the requirement of the 2009 QAP. The 2006 QAP and required: "...three networks: One network installed for phone using CAT5e or better wiring; a second network for data installed using CAT5e or better wiring; and a third network for TV services using COAX cable." In comparison, the 2009 QAP required: "All New Construction Units must be wired with RG-6 COAX or better and CAT3 phone cable or better, wired to each bedroom, dining room and living room." Staff has determined only one difference between the capabilities of the two systems. The 2006 wiring would allow a tenant to network computers within the dwelling unit and the 2009 wiring would not.

Regarding the wiring change, the owner's attorney stated that the contractor erred in installing the wrong wiring and that the owner would compensate by issuing plug-in devices to tenants to allow networking within the units. The contractor in this case was a member of the ownership/developer organization.

The attorney's letter stated that the cost of the networking devices was estimated as about $17,000 and the wiring savings that was realized by installing the 2009 QAP wiring was $3,960. As the letter indicated, the owner would therefore spend $13,040 more to provide intra-unit networking capability than the 2006 QAP-required wiring would have cost. The letter also stated that the owner would provide additional compensation by installing three additional computers in the tenant's business center at a total cost of approximately $3,000. Staff recognizes that current level of technology would allow the owner to provide a wireless router to any tenant which would allow them to have equivalent intra-unit networking capability that the threshold requirement of CAT5e would provide.

Regarding the change in floor covering, the developer submitted a letter from its third-party property management company stating that using only resilient flooring was "preferred" in elderly communities. The developer also submitted four letters from tenants indicating their preference for vinyl for reasons of safety and convenience. The tenants named the ease of dealing with spills and general cleaning, ability to sweep and mop, ease of using walkers and wheelchairs and ability to control allergens as reasons for their preference.

Requests to change the floor covering from carpet to vinyl are relatively common in tax credit developments, both in elderly and family developments, and the reasons named above are typically given.

Owner:	Sunset Haven, Ltd.
General Partner:	Sunset Haven GP, LLC
Developers:	Sunset Haven GP, LLC; Tekoa Partners, Ltd.
Principals/Interested Parties:	Brownsville Housing Authority; Vaquillas Development, Ltd.; Tellepson Corp; Bill Lee; Bill Skeen; Howard Tellepsen; Donna Schubkegel; Kathleen Leyendecker; Patrick Walker; Gene Walker; James Walker

Syndicator:	PNC MultiFamily Capital
Construction Lender:	PNC MultiFamily Capital
Permanent Lender:	PNC MultiFamily Capital
Other Funding:	Brownsville Housing Finance Corporation
City/County:	Brownsville/Cameron
Set-Aside:	Elderly Population
Type of Area:	Urban/Exurban
Region:	11
Type of Development:	New Construction
Population Served:	Elderly Population
Units:	100 HTC units
2006 Allocation:	$565,048
Allocation per HTC Unit:	$5,650
Prior Board Actions:	7/06 – Approved award of tax credits
Underwriting Reevaluation:	The changes included in this amendment request would not by themselves cause an adjustment to the recommended tax credit allocation.
Staff Recommendation:	**The CAT5e wiring was a Threshold requirement for 2006 applications. The application would not have been recommended for an award had the applicant not certified that the Threshold requirements would be met. The QAP does not provide an alternative for unusual circumstances to be considered in staff's recommendation therefore, staff must recommend denial of the amendment request for the wiring change. Staff has consulted with Information services and the technical staff indicates that the substitutions in the development as built are comparable in function to the Threshold requirement that was applicable at the time of application. Staff does recommend approval of the substitution of vinyl flooring in place of carpet since that was not a threshold requirement and would not have changed the original allocation recommendation.**
Penalty Assessment:	**If the Board does not accept the substitution of the wireless router for the threshold requirement of CAT5e wiring, staff recommends the assessment of appropriate penalties, pursuant to §49.9(c) of the 2009 QAP, because the request has been made after the implementation of the changes.**

HTC No. 08133, The Gardens of Sienna Apartments (fka Timber Creek Senior Living)

Summary of Request: This request is regarding a commitment notice for low income housing tax credits related to a 2008 competitive cycle allocation. The owner requested approval to change the site plan, number of buildings, building plans and unit plans. Both the net rentable area (NRA) and the common area increased in size but insignificantly. For example, the final size of the NRA was estimated as 93,673 square feet in comparison to 92,302 square feet as originally proposed. The unit mix, number of bathrooms and rent targeting did not change.

The new site plan spread the buildings over a larger portion of the site. The final plan contains six buildings instead of one as originally proposed. The original building was three stories in height as are three of the six buildings in the revised plans. The remaining three of the final buildings are one story in height.

The owner explained that the changes were necessary in order to produce a plan allowing some buildings to be finished and placed in service earlier than the others. The more staggered placement in service dates would allow some of the credits to be accessed sooner and allow the credit period for the development to begin early, a prerequisite for optimizing the syndication rate.

Owner:	ST Partners IV, Ltd.
General Partner:	MGroup Holding, Inc.
Developers:	MGroup Holding, Inc.
Principals/Interested Parties:	Laura and Mark Musemeche
Syndicator:	MMA Financial, LLC
Construction Lender:	MMA Financial, LLC
Permanent Lender:	MMA Financial, LLC
Other Funding:	Jefferson County Housing Finance Corp.
City/County:	Beaumont/Jefferson
Set-Aside:	General Population
Type of Area:	Urban
Region:	5
Type of Development:	New Construction
Population Served:	Elderly Population
Units:	115 HTC units and 5 market rate units
2008 Allocation:	$1,110,256 (original allocation) $1,257,817 (with 10% additional)
Allocation per HTC Unit:	$9,654
Prior Board Actions:	7/08 – Approved award of tax credits,11/08 approval of 10% additional allocation
Underwriting Reevaluation:	While the applicant's costs will increase slightly as a result of the change in building configuration, their current estimates do not reflect an increase of 10% since the original application. Thus the credit amount with the Board approved 10% additional credits can not be validated at this time (even by the applicant). If the 10% additional allocation is considered to be an additional cushion to remain through any subsequent amendment but proven up only at cost certification then the full amended allocation should continue

to be recommended. The applicant also provided additional information regarding an over 10% increase in estimated operating expenses which were not supported by additional expense documentation. The potential increase in operating expense provides for a lower debt amount and thereby expands the gap needed to be filled by credit proceeds ensuring that the full credit amount with the 10% additional can be justified however the increase, if accepted also provides that the expense to income ratio rises to an infeasible level of 72%. At this point the underwriting staff continues to use the lower expenses and while concerned about the applicant's projections is continuing to consider the transaction feasible.

Staff Recommendation: **Staff recommends approving the request because the final proposal does not request a reduction in units or unit size, only an increase in the number of buildings which will have an acceptable effect on total construction cost.**

Penalty Assessment: **No penalty assessment is recommended because the Board's approval has been requested prior to implementing the changes.**

HTC No. 08401, Artisan at San Pedro Creek Apartments

Summary of Request: This request is regarding a 2008 determination notice for low income housing tax credits related to private activity bonds through a local issuer and no other TDHCA funds were part of this transaction. The owner requested approval to eliminate 5,000 square feet of retail space that was originally proposed on the ground level of one building. The owner also requests approval for changes in the site plan and building plans that will result from the elimination of the retail space and from refinements in the design. The latter changes include a reduction of the maximum building height from four stories to three stories, elimination of the sole elevator in the original plan because it will no longer be required by threshold in a three-story building, increasing the exterior masonry veneer from five percent to fifteen percent, and increasing the carpet from 40% to 70% (balance to be vinyl). The owner indicated that the unit mix and net rentable area will not change. The original application and underwriting does not reference the retail space as part of the total development cost of the project.

In conversations with the owner, staff was informed that the owner discussed the proposal to include retail space with city officials and other interested parties, including neighborhood residents, and that the necessity of eliminating the space also was discussed with, and accepted by, these groups before the development proposal was finalized.

Staff found that, except for the retail space and any impact on the development costs resulting from the other changes, the modifications were not significant because the final development plan was equivalent to the development as originally proposed. The retail space was not a cost that could be included in eligible basis and was, therefore, not funded by tax credits.

Owner:	ARDC San Marcos, Ltd.
General Partner:	ARDC San Marcos GP, LLC
Developers:	Franklin Development
Principals/Interested Parties:	Las Varas Public Facility Corporation; Aubra Franklin
Syndicator:	Bank of America
Construction Lender:	San Antonio Housing Finance Corporation
Permanent Lender:	San Antonio Housing Finance Corporation
Other Funding:	San Antonio Housing Finance Corporation (Bond Issuer)
City/County:	San Antonio/Bexar
Set-Aside:	Tax-Exempt Bond Development
Type of Area:	Urban
Region:	9
Type of Development:	New Construction
Population Served:	General Population
Units:	252 HTC units
2006 Allocation:	$1,105,744
Allocation per HTC Unit:	$4,388
Prior Board Actions:	9/08 – Approved award of tax credits
Underwriting Reevaluation:	The original underwriting report did not identify any retail space associated with the development thus the impact on the feasibility of the transaction should be negligible.
Staff Recommendation:	**Staff recommends approving the request.**

Penalty Assessment:	**No assessment of penalty is recommended because the Board's approval has been requested prior to implementing the changes.**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Multifamily Finance Production

From: Colton Sanders, Real Estate Analysis

cc: File 060118

Date: January 20, 2009

Re: # 060118 – Sunset Haven Amendment Request

Per the Amendment Requests dated October 1, 2008 and November 25, 2008 the Owner has requested approval for the following changes: unit flooring selection and wiring for phone, data and television networks. The amendment states that the General Partner, Brownsville Housing Authority, has requested that the floors within all units be 100% resilient flooring per the following reasons: "(1) Sunset Haven is an elderly property, (2) in the case of elderly the transition between flooring types presents a trip hazard, and (3) elderly clientele of the housing authority find maintenance of resilient flooring much easier to as no heavy vacuum cleaner is required." REA has found the cost of this change to be minimal with less than 1% impact on the direct construction costs. Thus, the underwriting of this development is not negatively impacted by this change.

With respect to the network wiring of the development, the 2006 QAP states that telephone and internet wiring should be CAT5e or better and television should be COAX cable. The COAX cable was installed correctly. However the telephone was installed as CAT3 wiring, which is acceptable per the 2009 QAP. The contractor did not install any wiring for internet. The developer is proposing the use of a network adapter which utilizes the electrical wiring of the units to enable internet accessibility. The cost to correct this requirement is an additional $13,040 and the Owner has indicated that the contingency fee will accommodate this budget increase. Likewise, the underwriting of this development is not negatively impacted by this change.

Therefore, REA has concluded that the financial feasibility of this development will not be negatively impacted by Owner's request and no change to the credit amount is warranted at this time.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report - ADDENDUM

REPORT DATE: 01/20/09 PROGRAM: 9% HTC FILE NUMBER: **08133**

DEVELOPMENT

The Gardens at Sienna (fka: Timber Creek Senior Living)

Location: Sienna Trails Drive & Timber Creek Loop Region: 5

City: Beaumont County: Jefferson Zip: 77708 ☐ QCT ☒ DDA

Key Attributes: Multifamily, Senior, Urban, New Construction

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,257,817			**$1,257,817**		

* The recommended tax credit allocation incorporates the November 13, 2008 TDHCA Board approval to use the 9% credit rate and a 10% increase in direct and sitework construction costs for all competitive 2007 and 2008 transactions as well as all applications on the 2008 waiting list to be considered for a forward commitment.

CONDITIONS

1 Should the terms or amounts of the proposed debt or equity change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	6
50% of AMI	50% of AMI	42
60% of AMI	60% of AMI	67

PROS

- The developer has a considerable amount of experience in the development of affordable housing and the capacity to support a transaction if necessary.

CONS

- The proposed number of two-bedroom units targeting 60% family households is more than the demand for such units given the Market Analyst's capture rates for this unit type of over 200%.

PREVIOUS UNDERWRITING REPORTS

The subject development was originally underwritten during the 2008 9% HTC cycle and was approved by the TDHCA Board for an annual tax credit allocation of $1,110,256, subject to conditions.

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ADDENDUM

The Gardens of Sienna (fka Timber Creek Seniors) was originally underwritten during the 2008 9% HTC cycle and approved for a tax credit award of $1,110,256 annually. As highlighted previously, the development also received an additional allocation of credits pursuant to the TDHCA Board's approval at the November 13, 2008 meeting to increase the applicable percentage to 9% and to increase direct and site work costs by 10%. As a result the development has received a commitment for a total annual tax credit allocation of $1,257,817.

In a letter to the Department dated December 23, 2008, the Applicant is requesting approval from the Department to change the site plan design of the development. Specifically, the original site plan included one large, elevator served 3-story structure that would contain all 120 units. However, according to the Applicant the committed tax credit purchase price is based upon a certain percentage of the tax credits to be delivered to the investor in the 1st year the development is placed in service. A single building must be 100% fully leased before any tax credits can be claimed by the partnership and passed through to the investor. Therefore, having only one building and one Building Identification Number (BIN) makes this requirement difficult to achieve.

The Applicant's revised site plan still includes the large, elevator served 3-story structure, but decreases the number of units in this one structure from 120 to 96. The remaining 24 units will be contained within three additional single story buildings, each having eight units. Overall the development will be characterized as having six different buildings for purposes of having six different Building Identification Numbers (3 BINs for the 3-story building and 1 BIN for each of the single story buildings). The Applicant states that this revised plan not only provides flexibility to meet the requirement to deliver early credits, but also improves rent up and leasing options. This is done by the marketing of single story units to more mobile 55 year old "independent" tenants and the units within the large 3-story building to those that may be more frail and more mobility impaired.

Along with the amendment request the Applicant included a revised rent schedule, operating expense estimate and total development cost estimate as well as a new site plan and unit and building floor plans. This addendum will address the impact the requested changes have on the viability of this transaction. Only those portions of the original underwriting analysis that are impacted will be addressed. Therefore, this addendum should be read in conjunction with the original underwriting analysis dated July 9, 2008.

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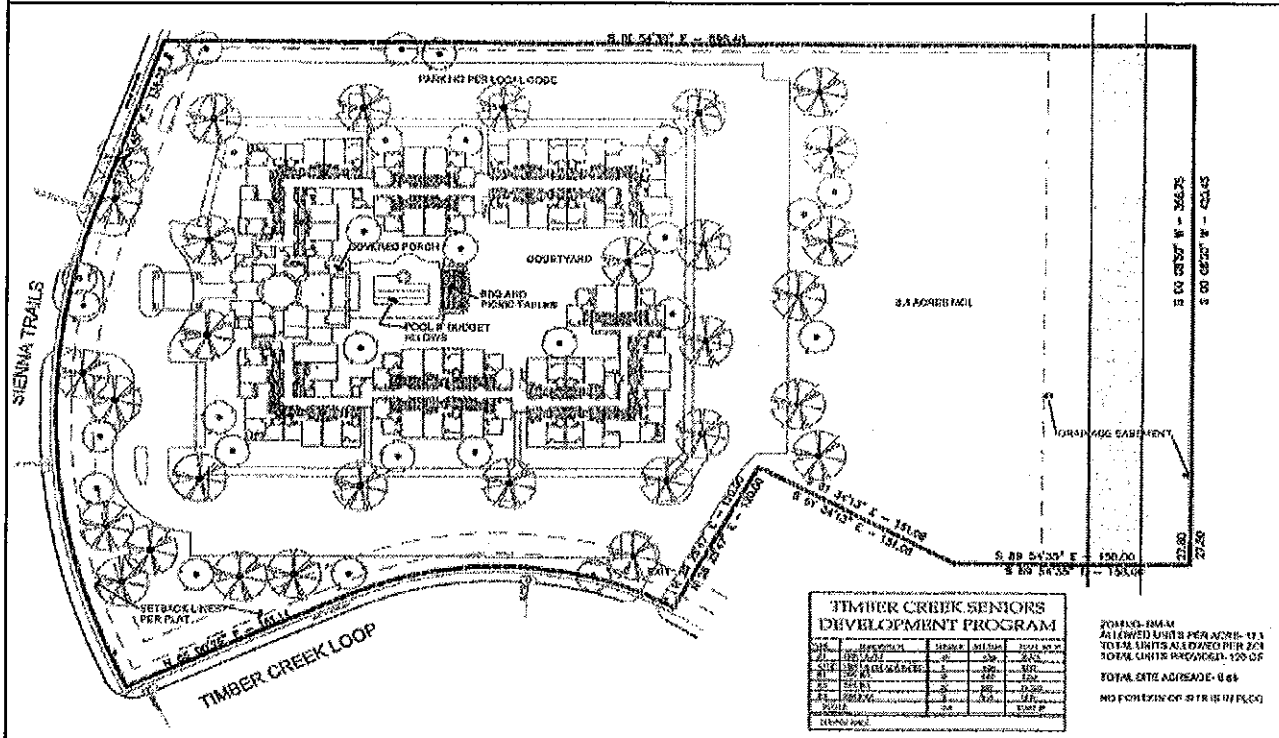
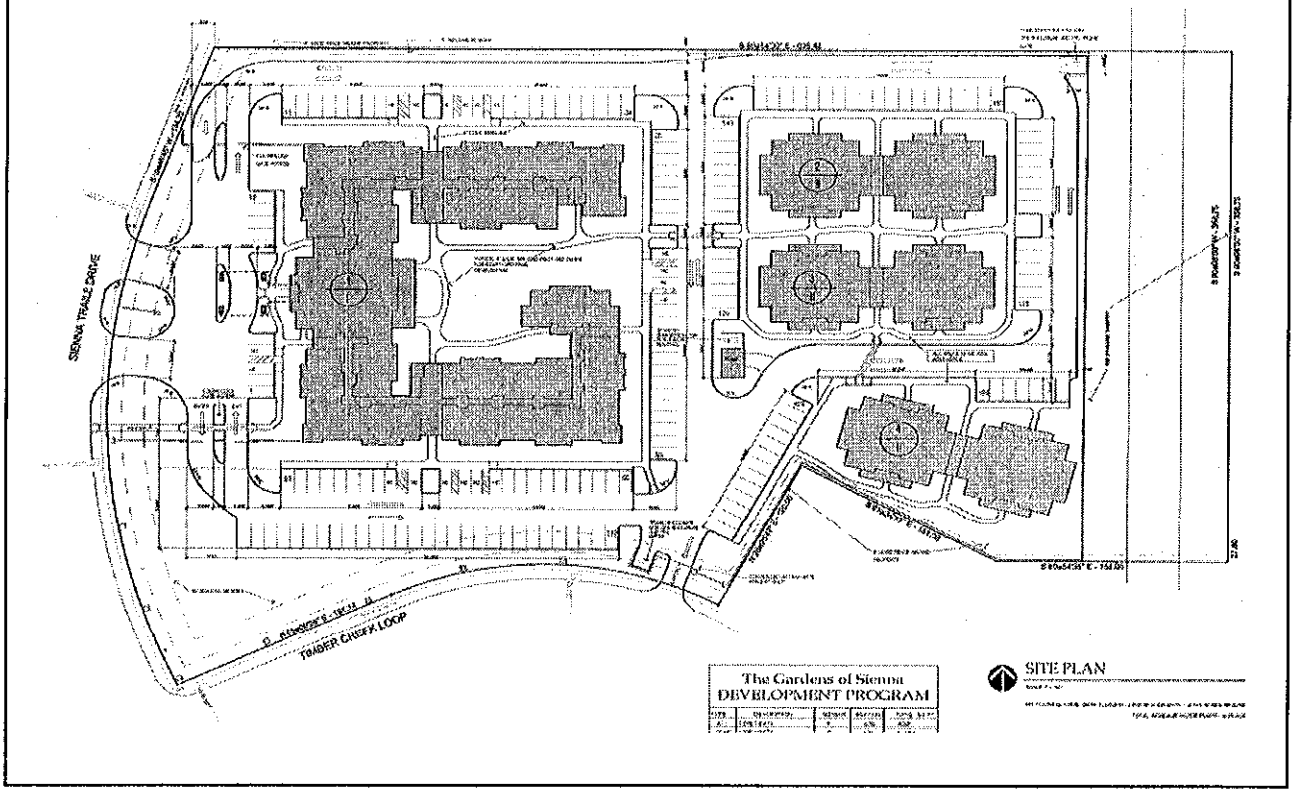
PROPOSED SITE

ORIGINAL SITE PLAN



REVISED SITE PLAN



ORIGINAL BUILDING CONFIGURATION

Building Type	A										Total Buildings
Floors/Stories	3										
Number	1										1

BR/BA	SF	Units										Total Units	Total SF
1/1	686	61										61	41,846
2/1	808	15										15	12,120
2/1	835	32										32	26,720
2/2	968	12										12	11,616
Units per Building		120										**120**	**92,302**

REVISED BUILDING CONFIGURATION

Building Type	A	B									Total Buildings *
Floors/Stories	3	1									
Number	1	3									6

* For purposes of this analysis the Underwriter evaluated the large, 3-story structure as one building. However, for purposes of receiving three separate Building Identification Numbers (BINs) the Applicant has proposed to divide this one building into three separate sections along what appear to be the elevator lobby areas.

BR/BA	SF	Units										Total Units	Total SF
1/1	675	14										14	9,450
1/1	682	45										45	30,690
2/1	792	4										4	3,168
2/2	805	11										11	8,855
2/1	834	8										8	6,672
1/1	841	2										2	1,682
2/1	868	0	8									24	20,832
2/2	1,027	12										12	12,324
Units per Building		96	8									**120**	**93,673**

OPERATING PROFORMA ANALYSIS

While the Applicant provided a revised rent schedule reflecting increased unit sizes and total net rentable area, the Applicant's projected rents remain the same as projected at original application and are within 5% of the Underwriter's estimate.

The Applicant's revised expenses, however, reflect a significant increase of approximately $50K or 10% from those proposed at application. The Applicant's revised operating expense estimate of $4,199/unit is over 5% higher than the Underwriter's revised estimate of $3,705/unit. No additional supporting expense documentation was provided by the Applicant to support the increase. The potential increase in expenses lowers the development's debt capacity, thereby increasing the development's gap needed to be filled by credits. Additionally, the Applicant's increased expenses provides for an expense to income ratio of 72%, which exceeds the Department's 65% maximum.

Conclusion:

The Applicant's total operating expense and net operating income are not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed financing structure results in a debt coverage ratio of 1.68, which exceeds the Department's 1.35 maximum. As a result, the Underwriter recommends an increased permanent loan amount in order to achieve the required 1.35 DCR.

It should be noted that the Applicant's amendment request did not provide revised information related to a revised financing structure. Therefore, this analysis and the Underwriter's proforma will assume the permanent financing structure as reflected at Carryover, which has been confirmed by the Applicant. The Applicant's financing structure at Carryover included a reduced permanent loan of $1.8M. However, as indicated previously this will be increased in order to bring the DCR to an acceptable level within Department guidelines.

Both the Applicant's and the Underwriter's expense to income ratio are very high at above 60%. The Applicant's estimate at 71.92% is above the 65% TDHCA guideline. The Underwriter's estimate at 64.06% is marginally below the Department guideline. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However the Underwriter's expense to income ratio is below the Department's 65% maximum and therefore no other mitigation is required.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with 2008 TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cash flow. Therefore, the development can be characterized as feasible for the long-term.

CONSTRUCTION COST ESTIMATE EVALUATION

As a result of the Applicant's change in building configuration, the Applicant's revised total development cost estimate reflects a 2% increase from the estimates provided at application. The Applicant's new estimate is within 5% of the Underwriter's updated Marshall & Swift Residential Cost Handbook derived estimate. Most of the increase appears to be attributed to increased direct construction and interim financing costs. Contingency and contractor and developer fees also experienced some increase. The Applicant's revised budget also reflects a decrease in ineligible fees and reserves.

Conclusion:

The Applicant's revised total development cost is within 5% of the Underwriter's revised estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds. An eligible basis of $11,787,953 (including the additional 10% increase) supports annual tax credits of $1,301,651. This figure will be compared to the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

Source: **CAPITAL ONE** Type: **Interim to Permanent Financing**

Principal: $1,800,000 Interest Rate: 7.30% [x] Fixed Term: 360 months

Comments:

The Applicant did not provide documentation related to the financing structure with the requested amendment. However, the Underwriter has confirmed with the Applicant that the latest information regarding permanent financing, received at the time of Carryover, should be used for purposes of this analysis.

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Source: **HUDSON CAPITAL** Type: **Syndication**

Proceeds: $9,984,998 Syndication Rate: 78.0% Anticipated HTC: $1,257,817

Comments:

The Underwriter has performed a sensitivity test and determined that the credit price can decline to $0.70. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than the $0.815, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: $396,955 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio above the Department's maximum guideline of 1.35. The underwriting analysis assumes an increase in the permanent loan amount to $2.2M based on the terms reflected in the Carryover materials. As a result the development's gap in financing will decrease.

As stated previously, the Applicant's revised total development cost estimate is within 5% of the Underwriter's updated cost estimate. Additionally, while the Applicant has reflected a slight increase in total development costs, it does not reflect an increase near the 10% that was granted by the TDHCA Board in November 2008. As a result, utilizing the Applicant's current development cost estimate to determine the amount of tax credits needed to keep this development financially feasible would result in an adjustment to the tax credits because the additional 10% in allocation cannot be validated at this time with the Applicant's current information. That being said, it is not unlikely that the construction costs could increase between now and construction completion. Therefore, if the 10% additional allocation is considered to be an additional cushion to remain through any subsequent amendment but proven up only at cost certification then the full previously awarded allocation should continue to be recommended.

To be consistent with this methodology, the Underwriter has utilized the Applicant's original construction cost estimate plus the additional 10% increase granted by the Board in November 2008 for purposes of this analysis and to determine that the development remains eligible for the previously approved tax credit allocation of $1,257,817. The Underwriter's recommended financing structure indicates the need for $341,510 in additional financing, which amounts to 24% of the developer fee available and appears to be repayable from development cashflow within 5 years of stabilized operation.

Underwriter: *Colton Sanders* Date: January 20, 2009

Acting Director of Real Estate Analysis: *Raquel Morales* Date: January 20, 2009

Raquel Morales

MULTIFAMILY COMPARATIVE ANALYSIS ADDENDUM

The Gardens at Sienna (fka: Timber Creek Senior Living), Beaumont, 9% HTC #08133

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	1	1	675	$288	$213	$639	$0.32	$75.00	$32.00
TC 50%	3	1	1	675	$481	$406	$1,218	$0.60	$75.00	$32.00
TC 50%	8	1	1	675	$481	$406	$3,248	$0.60	$75.00	$32.00
TC 50%	17	1	1	682	$481	$406	$6,902	$0.60	$75.00	$32.00
TC 60%	18	1	1	682	$578	$503	$9,054	$0.74	$75.00	$32.00
TC 60%	9	1	1	682	$578	$503	$4,527	$0.74	$75.00	$32.00
MR	1	1	1	682	$700	$700	$700	$1.03	$0.00	$0.00
MR	2	1	1	841	$700	$700	$1,400	$0.83	$0.00	$0.00
TC 30%	3	2	1	792	$346	$244	$732	$0.31	$102.00	$37.00
TC 50%	1	2	1	792	$578	$476	$476	$0.60	$102.00	$37.00
TC 50%	11	2	1	805	$578	$476	$5,236	$0.59	$102.00	$37.00
TC 60%	8	2	1	834	$694	$592	$4,736	$0.71	$102.00	$37.00
TC 50%	2	2	2	1,027	$578	$476	$952	$0.46	$102.00	$37.00
TC 60%	10	2	2	1,027	$694	$592	$5,920	$0.58	$102.00	$37.00
TC 60%	22	2	1	868	$694	$592	$13,024	$0.68	$102.00	$37.00
MR	2	2	1	868	$975	$975	$1,950	$1.12	$0.00	$0.00
TOTAL:	120		AVERAGE:	781		$506	$80,714	$0.65	$84.70	$33.04

INCOME	Total Net Rentable Sq Ft: 93,673			TDHCA-Amendment	TDHCA-Carryover	TDHCA	APPLICANT	APP-Carryover	APP-Amendment	COUNTY	REM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$728,568	$728,568	$728,568	$728,568	$728,568	$728,568	Jefferson		5
Secondary Income	Per Unit Per Month:	$15.00		21,600	21,600	21,600	28,800	28,800	28,800	$20.00	Per Unit Per Month	
Other Support Income:				0	0	0	0	0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$750,168	$750,168	$750,168	$757,368	$757,368	$757,368			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(56,263)	(56,263)	(56,263)	(56,808)	(56,808)	(56,808)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0	0	0	0	0			
EFFECTIVE GROSS INCOME				$693,905	$693,905	$693,905	$700,560	$700,560	$700,560			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT							PER SQ FT	PER UNIT	% OF EGI
General & Administrative	7.01%	$406	0.52	$48,670	$48,317	$48,317	$39,500	$39,500	$45,400	$0.48	$378	6.48%
Management	5.00%	289	0.37	34,695	34,695	34,695	27,854	27,854	27,854	0.30	232	3.98%
Payroll & Payroll Tax	14.88%	859	1.10	103,083	102,343	102,343	101,000	101,000	110,000	1.17	917	15.70%
Repairs & Maintenance	6.43%	372	0.48	44,587	44,267	44,267	60,400	60,400	82,000	0.88	683	11.70%
Utilities	2.95%	170	0.22	20,454	20,310	20,310	15,000	15,000	23,000	0.25	192	3.28%
Water, Sewer, & Trash	5.10%	295	0.38	35,404	35,156	35,156	44,000	44,000	48,000	0.51	400	6.85%
Property Insurance	6.75%	390	0.50	46,837	46,151	46,151	56,000	56,000	56,000	0.60	467	7.99%
Property Tax 2.633281	10.02%	579	0.74	69,519	69,519	69,519	74,200	74,200	70,000	0.75	583	9.99%
Reserve for Replacements	4.32%	250	0.32	30,000	30,000	30,000	30,000	30,000	30,000	0.32	250	4.28%
TDHCA Compliance Fees	0.69%	40	0.05	4,800	4,800	4,800	4,800	4,800	4,800	0.05	40	0.69%
Other: Cable TV & Support Service	0.95%	57	0.07	6,800	1,800	1,800	1,800	1,800	6,800	0.07	57	0.97%
TOTAL EXPENSES	64.11%	$3,707	$4.75	$444,848	$437,358	$437,358	$454,554	$454,554	$503,854	$5.38	$4,199	71.92%
NET OPERATING INC	35.89%	$2,075	$2.66	$249,057	$256,547	$256,547	$246,006	$246,006	$196,706	$2.10	$1,639	28.08%
DEBT SERVICE												
Capital One	21.34%	$1,234	$1.58	$148,083	$148,083	$193,001	$193,001	$193,001	$148,080	$1.58	$1,234	21.14%
Additional Financing	0.00%	$0	$0.00	0	0	0				$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0	0				$0.00	$0	0.00%
NET CASH FLOW	14.55%	$841	$1.08	$100,974	$108,464	$63,546	$53,005	$53,005	$48,626	$0.52	$405	6.94%
AGGREGATE DEBT COVERAGE RATIO				1.68	1.73	1.33	1.27	1.27	1.33			
RECOMMENDED DEBT COVERAGE RATIO				1.35			1.27	1.36				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-Amendment	TDHCA-Carryover	TDHCA	APPLICANT	APP-Carryover + 10%	APP-Amendment	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.20%	$3,072	$3.94	$368,640	$368,640	$368,640	$374,800	$374,600	$374,600	$4.00	$3,122	3.12%
Off-Sites		0.00%	0	0.00	0	0	0	0	0	0	0.00	0	0.00%
Sitework		9.32%	8,958	11.48	1,075,000	1,075,000	1,075,000	1,075,000	1,182,500	1,075,000	11.48	8,958	8.95%
Direct Construction		49.99%	45,184	57.88	5,422,050	5,270,398	5,270,398	5,519,500	6,071,450	5,724,000	61.11	47,700	47.67%
Contingency	5.00%	2.82%	2,707	3.47	324,853	317,270	317,270	329,725	329,725	374,850	4.00	3,125	3.12%
Contractor's Fees	14.00%	7.88%	7,580	9.71	909,587	888,356	888,356	923,230	923,230	951,860	10.16	7,932	7.93%
Indirect Construction		6.96%	6,690	8.57	802,770	802,770	802,770	802,770	802,770	802,770	8.57	6,690	6.69%
Ineligible Costs		1.77%	1,701	2.18	204,111	334,018	334,018	334,018	334,018	204,111	2.18	1,701	1.70%
Developer's Fees	15.00%	12.11%	11,647	14.92	1,397,646	1,355,039	1,355,039	1,399,504	1,399,504	1,466,277	15.65	12,219	12.21%
Interim Financing		6.78%	6,528	8.36	783,379	679,800	679,800	679,800	679,800	783,379	8.36	6,528	6.52%
Reserves		2.17%	2,083	2.67	250,000	257,073	279,532	305,000	305,000	250,000	2.67	2,083	2.08%
TOTAL COST		100.00%	$96,150	$123.17	$11,538,036	$11,348,365	$11,370,824	$11,743,147	$12,402,597	$12,006,947	$128.18	$100,058	100.00%
Construction Cost Recap		*67.01%*	*$64,429*	*$82.54*	*$7,731,490*	*$7,551,024*	*$7,551,024*	*$7,847,455*	*$8,506,905*	*$8,125,810*	*$86.75*	*$67,715*	*67.68%*

SOURCES OF FUNDS										RECOMMENDED	
Capital One	15.60%	$15,000	$19.22	$1,800,000	$1,800,000	$2,450,000	$2,450,000	$1,800,000	$1,800,000	$2,245,136	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0				0	$1,451,544
HTC Syndication Proceeds	86.54%	$83,208	$106.59	9,984,998	9,984,998	9,156,864	9,156,864	9,984,998	9,984,998	9,808,691	% of Dev. Fee Deferred
Deferred Developer Fees	3.44%	$3,308	$4.24	396,955	393,622	136,283	136,283	393,622	396,955		0%
Additional (Excess) Funds Req'd	-5.56%	($5,380)	($6.87)	(643,917)	(630,255)	(372,323)	659,450	223,977	(175,006)	341,610	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$11,538,036	$11,348,365	$11,370,824	$12,402,597	$12,402,597	$12,006,947	$12,396,697	$1,261,949

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$56.76	$5,316,871
Adjustments				
Exterior Wall Finish	1.20%		$0.68	$63,802
Elderly	3.00%		1.70	159,506
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(0.82)	(77,124)
Floor Cover			2.43	227,625
Breezeways/Covered Ent	$20.39	14,866	3.24	303,118
Plumbing Fixtures	$835	36	0.32	30,060
Rough-ins	$410	240	1.05	98,400
Built-In Appliances	$1,800	120	2.31	216,000
Exterior Stairs	$2,200	12	0.28	26,400
Enclosed Corridors	$45.37	0	0.00	0
Heating/Cooling			1.90	177,979
Elevators	$35,400.00	2	0.76	70,800
Comm &/or Aux Bldgs	$68.06	6,479	4.71	440,977
Other: fire sprinkler	$2.15	93,673	2.15	201,397
SUBTOTAL			77.46	7,255,811
Current Cost Multiplier	1.01		0.77	72,558
Local Multiplier	0.91		(6.97)	(653,003)
TOTAL DIRECT CONSTRUCTION COSTS			$71.26	$6,675,347
Plans, specs, survy, bld prm	3.80%		($2.78)	($260,339)
Interim Construction Interes	3.38%		(2.41)	(225,203)
Contractor's OH & Profit	11.50%		(8.20)	(767,955)
NET DIRECT CONSTRUCTION COSTS			$57.88	$5,422,050

PAYMENT COMPUTATION

Primary	$1,800,000	Amort	360
Int Rate	7.30%	DCR	1.68
Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.68
Additional	$9,884,998	Amort	
Int Rate		Aggregate DCR	1.68

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$184,704
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$64,353

Primary	$2,245,136	Amort	360
Int Rate	7.30%	DCR	1.35
Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.35
Additional	$9,884,998	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$728,568	$750,425	$772,938	$796,126	$820,010	$950,616	$1,102,024	$1,277,548	$1,716,918
Secondary Income	21,600	22,248	22,915	23,603	24,311	28,183	32,672	37,876	50,902
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	750,168	772,673	795,853	819,729	844,321	978,799	1,134,696	1,315,424	1,767,820
Vacancy & Collection Loss	(56,263)	(57,950)	(59,689)	(61,480)	(63,324)	(73,410)	(85,102)	(98,657)	(132,587)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$693,905	$714,723	$736,164	$758,249	$780,997	$905,389	$1,049,594	$1,216,767	$1,635,234
EXPENSES at 4.00%									
General & Administrative	$48,670	$50,616	$52,641	$54,747	$56,937	$69,272	$84,260	$102,540	$151,784
Management	34,695	35,738	36,808	37,912	39,050	45,269	52,480	60,838	81,762
Payroll & Payroll Tax	103,083	107,207	111,495	115,955	120,593	148,720	178,507	217,181	321,481
Repairs & Maintenance	44,587	46,371	48,225	50,154	52,161	63,461	77,211	93,938	139,052
Utilities	20,454	21,272	22,123	23,008	23,928	29,112	35,419	43,093	63,788
Water, Sewer & Trash	35,404	36,820	38,293	39,824	41,417	50,391	61,308	74,599	110,412
Insurance	46,537	48,710	50,658	52,685	54,792	66,663	81,106	98,677	146,087
Property Tax	69,519	72,299	75,191	78,199	81,327	98,947	120,384	146,465	216,804
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	11,600	12,064	12,547	13,048	13,570	16,510	20,087	24,439	36,176
TOTAL EXPENSES	$444,848	$462,295	$480,430	$499,279	$518,871	$629,045	$765,732	$924,969	$1,360,885
NET OPERATING INCOME	$249,057	$252,427	$255,735	$258,971	$262,126	$276,344	$286,862	$291,799	$274,348
DEBT SERVICE									
First Lien Financing	$184,704	$184,704	$184,704	$184,704	$184,704	$184,704	$184,704	$184,704	$184,704
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$64,353	$67,723	$71,031	$74,267	$77,422	$91,640	$102,158	$107,095	$89,644
DEBT COVERAGE RATIO	1.35	1.37	1.38	1.40	1.42	1.50	1.55	1.58	1.49

HTC ALLOCATION ANALYSIS -The Gardens at Sienna (fka: Timber Creek Senior Living), Beaumont, 9% HTC #08133

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS	10% Increase
Acquisition Cost					
Purchase of land	$374,600	$368,640			
Purchase of buildings					
Off-Site Improvements					
Sitework	$1,075,000	$1,075,000	$1,075,000	$1,075,000	$107,500
Construction Hard Costs	$5,724,000	$5,422,050	$5,724,000	$5,422,050	$551,950
Contractor Fees	$951,860	$909,587	$951,860	$909,587	
Contingencies	$374,950	$324,853	$339,950	$324,853	
Eligible Indirect Fees	$802,770	$802,770	$802,770	$802,770	
Eligible Financing Fees	$783,379	$783,379	$783,379	$783,379	
All Ineligible Costs	$204,111	$204,111			
Developer Fees			$1,451,544		
Developer Fees	$1,466,277	$1,397,646		$1,397,646	
Development Reserves	$250,000	$250,000			
TOTAL DEVELOPMENT COSTS	$12,006,947	$11,538,036	$11,128,503	$10,715,285	$659,450

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS		$11,128,503	$10,715,285	$659,450
High Cost Area Adjustment		130%	130%	100%
TOTAL ADJUSTED BASIS		$14,467,054	$13,929,870	$659,450
Applicable Fraction		95.62%	95.62%	95.62%
TOTAL QUALIFIED BASIS		$13,833,841	$13,320,170	$630,586
Applicable Percentage		9.00%	9.00%	9.00%
TOTAL AMOUNT OF TAX CREDITS		$1,245,046	$1,198,815	$56,753
Syndication Proceeds	**0.7799**	**$9,710,385**	**$9,349,824**	**$442,627**
Total Tax Credits (Eligible Basis Method)		**$1,245,046**	**$1,198,815**	**$1,301,798**
Syndication Proceeds		**$9,710,385**	**$9,349,824**	**$10,153,012**
Previously Approved Tax Credits		**$1,257,817**		
Syndication Proceeds		**$9,809,991**		
Gap of Syndication Proceeds Needed		**$9,755,852**		
Total Tax Credits (Gap Method)		**$1,250,875**		
Estimated Taxpayer's Reasonably Expected Basis (TREB)		**$11,616,057**	**$21,295,914**	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 07/09/08 PROGRAM: 9% HTC FILE NUMBER: **08133**

DEVELOPMENT

Timber Creek Senior Living

Location: Sienna Trails Drive & Timber Creek Loop Region: 5

City: Beaumont County: Jefferson Zip: 77708 [ ] QCT [X] DDA

Key Attributes: Multifamily, Senior, Urban, New Construction

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,110,256			**$1,110,256**		

CONDITIONS

1 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.

2 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	6
50% of AMI	50% of AMI	42
60% of AMI	60% of AMI	67

PROS

- The developer has a considerable amount of experience in the development of affordable housing and the capacity to support a transaction if necessary.

CONS

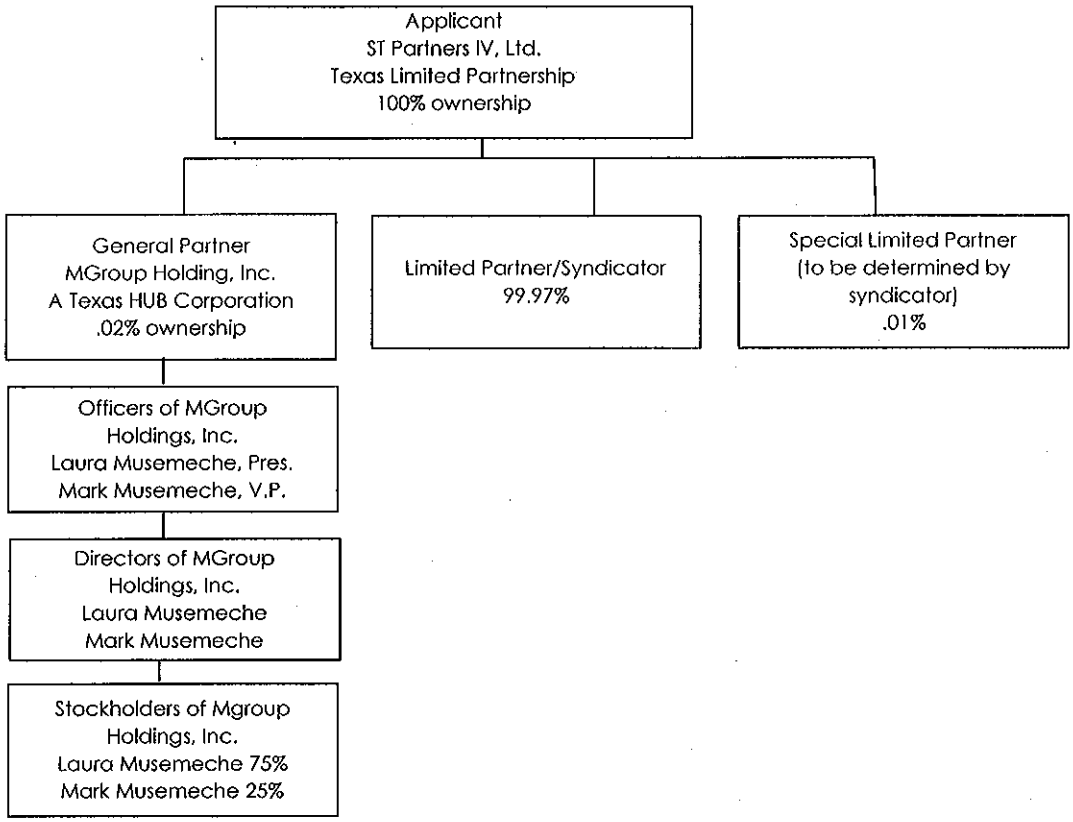
- The proposed number of two-bedroom units targeting 60% family households is more than the demand for such units given the Market Analyst's capture rates for this unit type of over 200%.

PREVIOUS UNDERWRITING REPORTS

The site was proposed for the TDHCA 2007 9% HTC cycle, but was never underwritten. Timber Creek Village at Sienna Trails (#060329) a 36 unit single family rental tax credit development is a sister property underwritten in 2006 that is located on a larger tract of land owned by the principals of the General Partner.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Ofelia Elizondo Phone: (713) 522-4141 Fax: (713) 522-9775

Email: oelizondo@sbcglobal.net

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
MGroup Holdings, Inc.	N/A	13
MGroup, LLC	N/A	4
Mark & Laura Musemeche	Confidential	13

IDENTITIES of INTEREST

- The Applicant and Developer are related entities. These are common relationships for HTC-funded
- The Seller is related to the Owners of the GP and the transfer of the property is therefore regarded as a related party sale.

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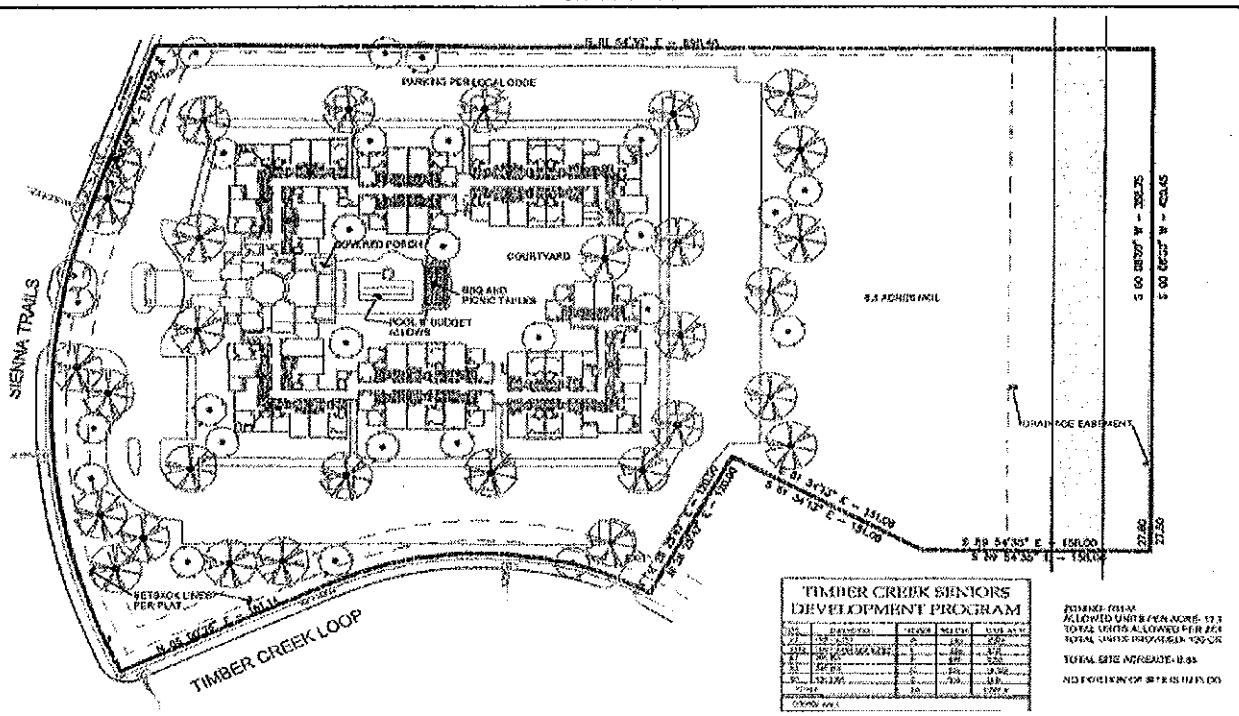
PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A										Total Buildings
Floors/Stories	3										
Number	1										1

BR/BA	SF	Units										Total Units	Total SF
1/1	686	61										61	41,846
2/1	808	15										15	12,120
2/1	835	32										32	26,720
2/2	968	12										12	11,616
Units per Building		120										**120**	**92,302**

SITE ISSUES

Total Size:	6.81 acres	Scattered site?	[ ]	Yes	[x]	No	
Flood Zone:	X	Within 100-yr floodplain?	[ ]	Yes	[x]	No	
Zoning:	RM-H	Needs to be re-zoned?	[ ]	Yes	[x]	No	[ ] N/A

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/2/2008

Overall Assessment:

[ ] Excellent [x] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: Undeveloped land East: Single family residential property

South: Single family residential property West: Sienna Trails Road

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 2/18/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- None

MARKET HIGHLIGHTS

Provider: Patrick O'Connor & Associates, LP Date: 3/17/2008

Contact: Kenneth Araiza Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 81.15 square miles (5.1 miles radius)

"For the purposes of this report, the subject's primary market area is generally defined as that area contained within census tracts 48245000101, 48245000102, 48245000103, 48245000200, 48245000301, 48245000302, 48245000304, 48245000305, 48245000306, 48245000400, 48245000500, 48245000600, 48245000700, 48245000900, 48245001000, 48245001100, 48245001200, 48245001301, 48245001302, 48245001303, 48245001600, 48245001700, 48245001900, 48245002000, 48245002100, 48245002200, 48245002300, 48245002400, 48245002500, and 48245002600 (City of Beaumont). This area includes all or a portion of the following zip codes 77701, 77702, 77703, 77705, 77706, 77707, and 77708. The PMA is irregular in shape and generally follows natural land features such as watercourses, in addition to Interstate Highways and roads. Due to an adequate network of highways" (p. 20)

Secondary Market Area (SMA):

The Market Analyst did not define a SMA.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units 25%
No unstabilized affordable seniors				N/A			

INCOME LIMITS						
Jefferson						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$10,800	$12,300	$13,850	$15,400	$16,650	$17,850
50	$18,000	$20,550	$23,150	$25,700	$27,750	$29,800
60	$21,600	$24,660	$27,780	$30,840	$33,300	$35,760

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 30% Rent Limit	51	2	0	53	3	0	5.7%
1 BR/ 50% Rent Limit	73	4	0	77	28	0	36.4%
1 BR/ 60% Rent Limit	69	5	0	74	27	0	36.5%
2 BR/ 30% Rent Limit	13	0	0	13	3	0	23.1%
2 BR/ 50% Rent Limit	20	0	0	20	14	0	70.0%
2 BR/ 60% Rent Limit	18	1	0	19	40	0	210.5%

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OVERALL DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 67	32%	14,258	100%	14,258	Included in tenure %		8%	1,148	30%	344
Underwriter	32%	14,259	100%	14,259	27%	3,798	40%	1,521	30%	456
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 67			100%	-75	Included in tenure %		8%	-6	100%	-6
Underwriter			100%	-42	27%	-11	40%	-5	100%	-5
DEMAND from OTHER SOURCES										
Market Analyst p. 67										36
Underwriter										36

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 68	115	0	0	115	374	30.7%
Underwriter	115	0	0	115	488	23.6%
HISTA-Based Data Alternate	115	0	0	115	318	36.2%

The Underwriter independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA-based data alternative. The Underwriter found the revised inclusive capture rates using both methods to be acceptable at 23.6% and 36.2% for senior developments.

Primary Market Occupancy Rates:

"The closest HTC senior properties are the Gateway Senior Village and Villas of Sunnyside. Both properties report 100% occupancy. The rent comparables reported current occupancies ranging from 11% to 100%, with an average occupancy of 80% (97.50% excluding Rental 3 which is in lease-up). Given the physical characteristics of the subject (i.e. location, good curb appeal, new condition, amenities, etc.), the strong occupancies reported at nearby apartments, and that the subject will offer competitive rents at a new property, a stabilized occupancy rate of92.5% is reasonable and achievable for the subject property." (p. 77)

Absorption Projections:

"The most recent seniors HTC project which came on-line in 2004 reported a brisk lease up. Stone Hearst reported stabilizing within 4 months of completion or 24 units per month. Managers at both properties reported waiting list. The subject is anticipated to be at stabilized occupancy within 6 months." (p. 78)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 686 SF 30%	$213	$213	$750	$213	$537
1 BR 686 SF 50%	$406	$406	$750	$406	$344
1 BR 686 SF 60%	$503	$503	$750	$503	$247
1 BR 686 SF MR	$700		$750	$700	$50
2 BR 808 SF 30%	$244	$244	$810	$244	$566
2 BR 808 SF 50%	$476	$476	$810	$476	$334
2 BR 835 SF 50%	$476	$476	$820	$476	$344
2 BR 835 SF 60%	$592	$592	$820	$592	$228
2 BR 968 SF 60%	$592	$592	$975	$592	$383
2 BR 968 SF MR	$975		$975	$975	$0

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Managers interviewed indicated all indicated a need for seniors affordable housing. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 78)

Comments:

The market study provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 84 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 116 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is/is not in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting the tenant-paid utility allowances as of April 2007, maintained by The City of Beaumont Housing Authority from the 2008 program gross rent limits. Tenants will be required to pay all electric costs. The Applicant's estimates for secondary income and vacancy and collection less are in line with TDHCA guidelines and overall effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total annual operating expense projection at $3,788 per unit is within 5% of the Underwriter's estimate of $3,645, derived from the TDHCA database, IREM, and third-party data sources. The Applicant's budget shows one line item estimate, however, that deviates significantly when compared to the database averages, specifically: repairs and maintenance($16K higher).

Conclusion:

The Applicant's total operating expense and net operating income are within 5% of the Underwriter's estimate; therefore, the Applicant's year one proforma will be used to determine the development's debt capacity.

Both the Applicant's and the Underwriter's expense to income ratio are very high at above 60%. The Applicant's estimate at 64.88% is marginally below the 65% Department guideline, as is the Underwriter's estimate at 63.03%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However both are below the Department's 65% maximum and therefore no other mitigation is required.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Patrick O'Connor & Associates, L.P. Date: 3/12/2008

Number of Revisions: none Date of Last Applicant Revision: N/A

Land Only: 6.81 acres $390,000 As of: 3/12/2008

ASSESSED VALUE

Land Only: 51.7 acres	$140,700	Tax Year:	2007
Prorated 1.0 ac:	$2,724	Valuation by:	Jefferson CAD
Total prorated 6.81 ac:	$18,551	Tax Rate:	2.633281

EVIDENCE of PROPERTY CONTROL

Type: Option Agreement Acreage: 6.88

Contract Expiration: 10/15/2008 Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $374,616 Other:

Seller: Muse Limited, Ltd. Related to Development Team? [x] Yes [ ] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: none Date of Last Applicant Revision: N/A

Acquisition Value:

Due to the relationship between the owner of Muse Limited, Ltd. and the principal of the General Partner, this sale is considered to be an identity of interest transaction. Muse Limited, Ltd. originally purchased 62.29 acres in March 1998 for a total acquisition price of $205,000. This amounts to $3,291 per acre. The current application is proposing acquisition of 6.88 acres for the proposed development at a contract price of $374,616 (the Applicant's development cost schedule reflects $374,600 in total acquisition cost).

The Applicant also provided a letter from a CPA which reflected the accumulated costs to date for the property and arrived at a total invested value of $1,266,585 taking into consideration added value from improvements of $550,361and return on equity of 12% ($572,290). The letter reflected improvements in the form of market studies, ESAs, engineering and rezoning, holding costs such as taxes and costs of previous applications to the Department dating back to 1999. The Applicant also claimed future estimated land development costs required of $180,000 and concluded a prorata cost of $421K. This is less than the Applicant's current acquisition cost of $374,616, which is supported by the appraisal.

The Underwriter excluded the future estimated land development costs and concluded a prorata value of $368,640. The Underwriter believes that the 12% return on equity and the inclusion of costs for prior application as a holding cost for the entire plot of land may be overstating the General Partner's true investment in this site. Nonetheless, the Department's current rules do not prohibit these kinds of costs currently and the roughly $3,000 a unit claimed for the site is comparable if not on the low end of typical land acquisition costs for tax credit developments across the state. The Underwriter adjusted the land acquisition cost down slightly to eliminate the future cost of entrance beautification since these costs would be projected offsite costs that were not documented by a third party engineer as is required of offsite costs.

Sitework Cost:

The Applicant's claimed sitework costs of $8,958 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $249.1K or 4.7% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

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

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $10,729,529 supports annual tax credits of $1,110,290. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: none Date of Last Applicant Revision: N/A

Source: MMA Financial, LLC Type: **Interim Financing**

Principal: $400,000 Interest Rate: 7.25% [x] Fixed Term: 30 months

Source: Jefferson County Housing Finance Corp Type: **Interim Financing**

Principal: $610,000 Interest Rate: 4.39% [ ] Fixed Term: 12 months

Comments:

Set at AFR rate or below.

Source: Peterson Construction, Inc. Type: **Interim Financing**

Principal: $250,000 Interest Rate: 8.0% [x] Fixed Term: 6 months

Source: MMA Financial, LLC Type: **Permanent Financing**

Principal: $2,450,000 Interest Rate: 7.25% [ ] Fixed Amort: 420 months

Comments:

The interest rate is subject to change based on market conditions

Source: MMA Financial, LLC Type: **Syndication**

Proceeds: $9,157,000 Syndication Rate: 82.5% Anticipated HTC: $1,110,256

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to $0.74. At this point, the financial viability of the transaction may be jeopardized. Alternatively, should the final credit price increase to more than the $0.84, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: $136,283 Type: **Deferred Developer Fees**

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

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Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of $2,450,000 indicates the need for $9,287,187 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,126,041 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($1,110,256), the gap-driven amount ($1,126,041), and eligible basis-derived estimate ($1,110,290), the Applicant's request of $1,110,256 is recommended resulting in proceeds of $9,157,000 based on a syndication rate of 82.5%.

The Underwriter's recommended financing structure indicates the need for $130,187 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within three years of stabilized operation.

Underwriter:	*Carl Hoover*	Date:	July 9, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	July 9, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	July 9, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Timber Creek Senior Living, Beaumont, 9% HTC #08133

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	3	1	1	686	$288	$213	$639	$0.31	$75.00	$32.00
TC 50%	28	1	1	686	$481	$406	$11,368	$0.59	$75.00	$32.00
TC 60%	27	1	1	686	$578	$503	$13,581	$0.73	$75.00	$32.00
MR	3	1	1	686		$700	$2,100	$1.02	$75.00	$32.00
TC 30%	3	2	2	808	$346	$244	$732	$0.30	$102.00	$37.00
TC 50%	12	2	2	808	$578	$476	$5,712	$0.59	$102.00	$37.00
TC 50%	2	2	2	835	$578	$476	$952	$0.57	$102.00	$37.00
TC 60%	30	2	2	835	$694	$592	$17,760	$0.71	$102.00	$37.00
TC 60%	10	2	2	968	$694	$592	$5,920	$0.61	$102.00	$37.00
MR	2	2	2	968		$975	$1,950	$1.01	$102.00	$37.00
TOTAL:	120		AVERAGE:	769		$506	$60,714	$0.66	$88.28	$34.46

INCOME	Total Net Rentable Sq Ft: 92,302			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$728,568	$728,568	Jefferson		5
Secondary Income	Per Unit Per Month:	$15.00		21,600	28,800	$20.00	Per Unit Per Month	
Other Support Income:				0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$750,168	$757,368			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(56,263)	(56,808)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$693,905	$700,560			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.96%	$403	0.52	$48,317	$39,500	$0.43	$329	5.64%
Management		5.00%	289	0.38	34,695	27,854	0.30	232	3.98%
Payroll & Payroll Tax		14.75%	853	1.11	102,343	101,000	1.09	842	14.42%
Repairs & Maintenance		6.38%	369	0.48	44,267	60,400	0.65	503	8.62%
Utilities		2.93%	169	0.22	20,310	15,000	0.16	125	2.14%
Water, Sewer, & Trash		5.07%	293	0.38	35,156	44,000	0.48	367	6.28%
Property Insurance		6.65%	385	0.50	46,151	56,000	0.61	467	7.99%
Property Tax	2.633281	10.02%	579	0.75	69,519	74,200	0.80	618	10.59%
Reserve for Replacements		4.32%	250	0.33	30,000	30,000	0.33	250	4.28%
TDHCA Compliance Fees		0.69%	40	0.05	4,800	4,800	0.05	40	0.69%
Other: Cable TV		0.26%	15	0.02	1,800	1,800	0.02	15	0.26%
TOTAL EXPENSES		63.03%	$3,645	$4.74	$437,358	$454,554	$4.92	$3,788	64.88%
NET OPERATING INC		36.97%	$2,138	$2.78	$256,547	$246,006	$2.67	$2,050	35.12%
DEBT SERVICE									
MMA Financial		27.81%	$1,608	$2.09	$193,001	$193,001	$2.09	$1,608	27.55%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		9.16%	$530	$0.69	$63,546	$53,005	$0.57	$442	7.57%
AGGREGATE DEBT COVERAGE RATIO					1.33	1.27			
RECOMMENDED DEBT COVERAGE RATIO						1.27			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.24%	$3,072	$3.99	$368,640	$374,600	$4.06	$3,122	3.19%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.45%	8,958	11.65	1,075,000	1,075,000	11.65	8,958	9.15%
Direct Construction		46.35%	43,920	57.10	5,270,398	5,519,500	59.80	45,996	47.00%
Contingency	5.00%	2.79%	2,644	3.44	317,270	329,725	3.57	2,748	2.81%
Contractor's Fees	14.00%	7.81%	7,403	9.62	888,356	923,230	10.00	7,694	7.86%
Indirect Construction		7.06%	6,690	8.70	802,770	802,770	8.70	6,690	6.84%
Ineligible Costs		2.94%	2,783	3.62	334,018	334,018	3.62	2,783	2.84%
Developer's Fees	15.00%	11.92%	11,292	14.68	1,355,039	1,399,504	15.16	11,663	11.92%
Interim Financing		5.98%	5,665	7.36	679,800	679,800	7.36	5,665	5.79%
Reserves		2.46%	2,329	3.03	279,532	305,000	3.30	2,542	2.60%
TOTAL COST		100.00%	$94,757	$123.19	$11,370,824	$11,743,147	$127.23	$97,860	100.00%
Construction Cost Recap		*66.41%*	*$62,925*	*$81.81*	*$7,551,024*	*$7,847,455*	*$85.02*	*$65,395*	*66.83%*

SOURCES OF FUNDS

						RECOMMENDED	
MMA Financial	21.55%	$20,417	$26.54	$2,450,000	$2,450,000	$2,450,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0		0	$1,399,504
HTC Syndication Proceeds	80.53%	$76,307	$99.21	9,156,864	9,156,864	9,157,000	% of Dev. Fee Deferred
Deferred Developer Fees	1.20%	$1,136	$1.48	136,283	136,283	130,187	9%
Additional (Excess) Funds Req'd	-3.27%	($3,103)	($4.03)	(372,323)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$11,370,824	$11,743,147	$11,737,187	$1,058,870

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$56.78	$5,240,463
Adjustments				
Exterior Wall Finish	1.20%		$0.68	$62,886
Elderly	3.00%		1.70	157,214
9-Ft. Ceilings			0.00	0
Roofing			0.00	0
Subfloor			(0.82)	(75,995)
Floor Cover			2.43	224,294
Breezeways/Balconies	$19.81	500	0.11	9,905
Plumbing Fixtures	$805	36	0.31	28,980
Rough-ins	$400	240	1.04	96,000
Built-In Appliances	$1,850	120	2.41	222,000
Exterior Stairs	$1,575	12	0.20	18,900
Enclosed Corridors	$45.39	13400	6.59	608,161
Heating/Cooling			1.90	175,374
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$68.93	4,700	3.51	323,977
Other: fire sprinkler	$2.15	92,302	2.15	198,449
SUBTOTAL			78.99	7,290,607
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.89		(8.69)	(801,967)
TOTAL DIRECT CONSTRUCTION COSTS			$70.30	$6,488,641
Plans, specs, survy, bld prm	3.90%		($2.74)	($253,057)
Interim Construction Interest	3.38%		(2.37)	(218,992)
Contractor's OH & Profit	11.50%		(8.08)	(746,194)
NET DIRECT CONSTRUCTION COSTS			$57.10	$5,270,398

PAYMENT COMPUTATION

Primary	$2,450,000	Amort	420
Int Rate	7.25%	DCR	1.33
Secondary	$0	Amort	
Int Rate		Subtotal DCR	1.33
Additional	$9,156,864	Amort	
Int Rate		Aggregate DCR	1.33

RECOMMENDED FINANCING STRUCTURE APPLICAN

Primary Debt Service	$193,001
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$53,005

Primary	$2,450,000	Amort	420
Int Rate	7.25%	DCR	1.27
Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.27
Additional	$9,156,864	Amort	0
Int Rate	0.00%	Aggregate DCR	1.27

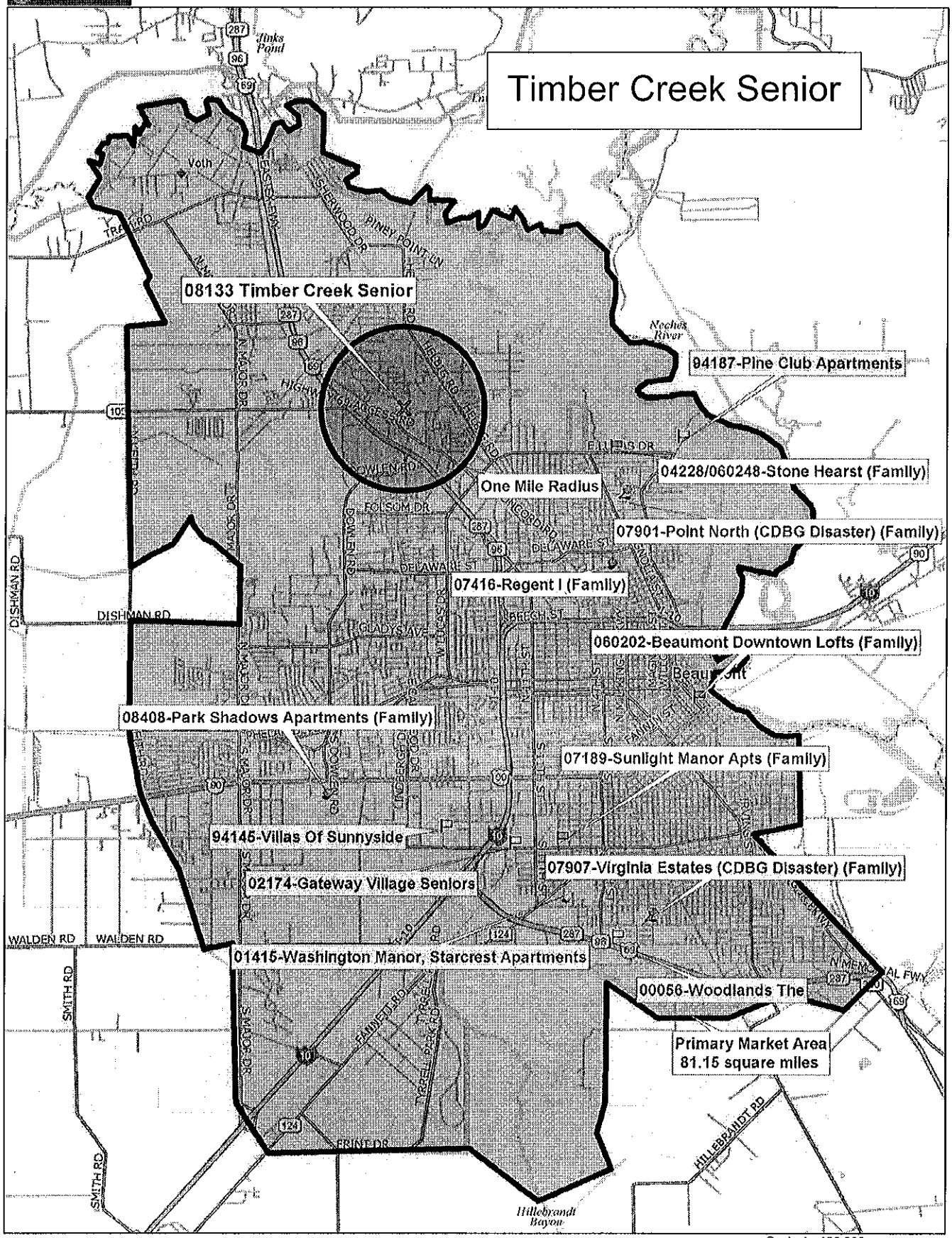
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$728,568	$750,425	$772,938	$796,126	$820,010	$950,616	$1,102,024	$1,277,548	$1,716,918
Secondary Income	28,800	29,664	30,554	31,471	32,415	37,577	43,563	50,501	67,869
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	757,368	780,089	803,492	827,596	852,424	988,193	1,145,587	1,328,049	1,784,787
Vacancy & Collection Loss	(56,809)	(58,507)	(60,262)	(62,070)	(63,932)	(74,115)	(85,919)	(99,604)	(133,859)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$700,560	$721,582	$743,230	$765,527	$788,493	$914,079	$1,059,668	$1,228,446	$1,650,928
EXPENSES at 4.00%									
General & Administrative	$39,500	$41,080	$42,723	$44,432	$46,209	$56,221	$68,401	$83,221	$123,187
Management	27,854	28,690	29,551	30,437	31,350	36,343	42,132	48,843	65,640
Payroll & Payroll Tax	101,000	105,040	109,242	113,611	118,156	143,754	174,899	212,792	314,984
Repairs & Maintenance	60,400	62,816	65,329	67,942	70,659	85,968	104,593	127,254	188,367
Utilities	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Water, Sewer & Trash	44,000	45,760	47,590	49,494	51,474	62,626	76,194	92,701	137,221
Insurance	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Property Tax	74,200	77,168	80,255	83,465	86,804	105,610	128,490	156,328	231,404
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	6,600	6,864	7,139	7,424	7,721	9,394	11,429	13,905	20,583
TOTAL EXPENSES	$454,554	$472,458	$491,069	$510,417	$530,529	$643,671	$781,038	$947,835	$1,396,369
NET OPERATING INCOME	$246,006	$249,125	$252,161	$255,110	$257,964	$270,408	$278,630	$280,611	$254,559
DEBT SERVICE									
First Lien Financing	$193,001	$193,001	$193,001	$193,001	$193,001	$193,001	$193,001	$193,001	$193,001
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$53,005	$56,123	$59,159	$62,109	$64,962	$77,407	$85,628	$87,609	$61,558
DEBT COVERAGE RATIO	1.27	1.29	1.31	1.32	1.34	1.40	1.44	1.45	1.32

HTC ALLOCATION ANALYSIS -Timber Creek Senior Living, Beaumont, 9% HTC #08133

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$374,600	$368,640		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,075,000	$1,075,000	$1,075,000	$1,075,000
Construction Hard Costs	$5,519,500	$5,270,398	$5,519,500	$5,270,398
Contractor Fees	$923,230	$888,356	$923,230	$888,356
Contingencies	$329,725	$317,270	$329,725	$317,270
Eligible Indirect Fees	$802,770	$802,770	$802,770	$802,770
Eligible Financing Fees	$679,800	$679,800	$679,800	$679,800
All Ineligible Costs	$334,018	$334,018		
Developer Fees			$1,399,504	
Developer Fees	$1,399,504	$1,355,039		$1,355,039
Development Reserves	$305,000	$279,532		
TOTAL DEVELOPMENT COSTS	$11,743,147	$11,370,824	$10,729,529	$10,388,633

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$10,729,529	$10,388,633
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$13,948,387	$13,505,223
Applicable Fraction		95.67%	95.67%
TOTAL QUALIFIED BASIS		$13,344,827	$12,920,838
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		$1,110,290	$1,075,014
Syndication Proceeds	**0.8248**	**$9,157,277**	**$8,866,334**
Total Tax Credits (Eligible Basis Method)		**$1,110,290**	**$1,075,014**
Syndication Proceeds		**$9,157,277**	**$8,866,334**
Requested Tax Credits		**$1,110,256**	
Syndication Proceeds		**$9,157,000**	
Gap of Syndication Proceeds Needed		**$9,287,187**	
Total Tax Credits (Gap Method)		**$1,126,041**	



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TN
MN (2.8°E)

Scale 1 : 100,000
1" = 1.58 mi
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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report Addendum

REPORT DATE: 01/16/09 PROGRAM: 4% HTC FILE NUMBER: **08401**

DEVELOPMENT

Artisan at San Pedro Creek

Location: 1901 S. San Marcos Region: 9

City: San Antonio County: Bexar Zip: 78207 [x] QCT [ ] DDA

Key Attributes: Family, New Construction, Urban and Multifamily

ALLOCATION

	REQUEST			**RECOMMENDATION**		
Housing Tax Credit (Annual)	$1,105,744			**$1,105,744**		

RECOMMENDATION

Staff has evaluated the financial viability of the requested amendment. Based on the revised information provided, the transaction would meet the Department's 2009 Real Estate Analysis Rules and Guidelines if approved. If the Board chooses to approve the amendment, the Underwriter recommends a total allocation of $1,105,744. The allocation is subject to the conditions below.

CONDITIONS

1 Receipt, review and acceptance of documentation identifying a plan to mitigate the noise related issues identified in the HUD noise study conducted on September 17, 2007.

2 Receipt, review and acceptance of documentation identifying a plan to mitigate the potential flood zone issues as a result of the easternmost portion of the site being located within zone AE.

3 Receipt, review and acceptance by cost certification that the applicant has completed the cleanup guidelines as approved by TCEQ (Texas Commission on Environmental Quality) and proposed by Geo-Marine Incorporated for the site remediation and closure plans, providing remediation oversight, and revising and preparing the closure documents for the Swift Site Voluntary Cleanup Program Project.

4 Receipt, review and acceptance by cost certification of an executed ground lease with clear lease terms including, but not limited to the annual rent amount is a condition of this report.

5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit and or allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	252

PROS

- The overall unit mix, net rentable square footage, and amenities will not change as a result of the amendment.
- The requested changes do not adversely affect the development's future tenants.

CONS

- The application was approved for award in September 2008, and changes to the development plan are already being requested.

PREVIOUS UNDERWRITING REPORTS

The development was originally presented and approved by the TDHCA Board at its January 31, 2008 meeting for $1,149,825 in annual tax credits. Subsequent to this approval, the Applicant was not able to meet the 150-day deadline required to close on the bonds. Therefore, the Applicant submitted a revised application which was approved at the September 2008 Board meeting for $1,105,744 in annual tax credits. Since being approved in January 2008 and again in September 2008 the Applicant has requested an amendment to the application for approval of changes to the site plan, building mix, and some construction materials.

ADDENDUM

The development was approved for an award of 4% tax credits during the September 2008 Board meeting. In a letter dated November 12, 2008 and another letter dated January 19, 2009 the Applicant requested approval of several changes to the development from what was originally proposed in the application:

- Increase in the number of residential buildings from 6 to 7 and a corresponding change to the development site plan.
- Change in the building floor plans for the residential buildings.
- Reduction in the number of elevators from 1 to 0.
- Change in the exterior composition of the buildings to include a larger percent of masonry materials.
- Increase in the amount of carpet in the units.
- Omission of the retail space originally contemplated.
- Addition of amenities not originally proposed in the application: 100% masonry on exterior; covered entries; Energy Star rated refrigerators and dishwashers; refrigerators with icemakers; fire sprinklers in all units; storage rooms; accessible walking path; children's playgrounds; business center; children's activity center; secured entry; and service coordinator office.

The Applicant stated that the reason for the omission of the previously-proposed retail space is due to the declining capital markets, and a soft retail rental market that have resulted in the retail component being financially infeasible. The Applicant hoped to utilize the New Markets Tax Credit program to finance the development of the retail space; however, given the current economic situation, the New Markets Tax Credit program is no longer a viable option. Further, because the Applicant did not identify the proposed retail space or include any costs for the retail space in the initial tax credit application, the Applicant asserts that the change has a negligible effect on the tax credit application. The Applicant stated that all of the other changes are being requested in order to report as accurately as possible what the approved development will ultimately provide.

The Applicant has changed the development plan to increase the number of residential buildings from 6 to 7. The floor plans for 3 of the 5 building types is also being changed; however, neither the overall unit mix, nor the total net rentable square footage has changed. In addition, the only building that had 4 floors will now only have 3 floors. Because all buildings will now have a maximum of 3 floors, an elevator that was originally proposed is not now being included, as the QAP only requires elevators for non-elderly developments when the number of floors is 4 or more.

In addition, the Applicant is changing the exterior composition of the buildings. At application, the Applicant represented that the buildings would be 5% masonry veneer, 90% fiber cement siding, and 5% stucco. The amendment request states that the exterior composition will now be 15% masonry veneer, 85% fiber cement siding, and 0% stucco.

The flooring to be used in the units is also being changed. At application, the units were proposed to have 40% carpet and 60% resilient covering; however, the amendment request indicates that the units will now have 70% carpet and 30% resilient covering.

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In addition, 5,000 square feet of retail space that was included in the floor plans for one of the original residential buildings is now being deleted from the development. The development will not contain any retail space and the revised building floor plans provided with the amendment request reflect the change. The original underwriting report did not address any retail space as part of the development plan. In addition, no portion of the original application included any reference to the retail space, with the exception of the building floor plans. The Applicant's costs did not include any cost for the retail component, nor were any income or expenses related to the retail component included in the Applicant's application exhibits. Similarly, the Underwriter's analysis did not contemplate any costs, income, or expenses related to the retail space.

Finally, the Applicant stated in the request that several amenities are being provided that were not originally proposed in the application. These additional amenities can be used as substitute amenities for the exclusion of the 5,000 square feet of residential space.

The Applicant provided revised floor plans, a revised site plan, and building configuration summary. The Applicant confirmed that development costs are not anticipated to change from what was presented at application as a result of the proposed changes, therefore a revised development cost schedule was not provided. In addition, the Applicant stated that the estimates of income and expenses at application have not changed; therefore neither an updated rent schedule nor updated operating expenses were provided. The financing participants and structure also has not changed since application.

The Underwriter has evaluated the effect of the requested changes on the feasibility of the development. Only those portions of the report that are materially affected by the proposed changes are discussed below. This report should be read in conjunction with the original underwriting report with a full evaluation of the originally proposed development plan and structure.

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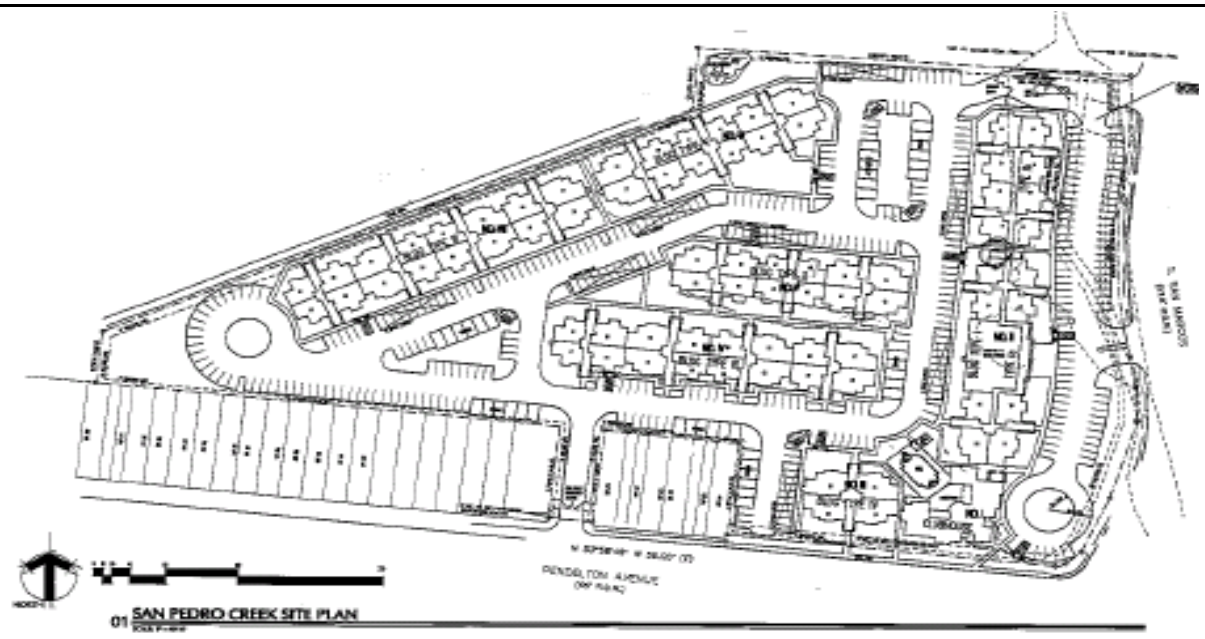
PROPOSED SITE

REVISED SITE PLAN

ORIGINALLY PROPOSED SITE PLAN



REVISED BUILDING CONFIGURATION

Building Type	I	II	III	IV	V						Total Buildings
Floors/Stories	3	3	3	3	3						
Number	1	1	2	1	2						**7**

BR/BA	SF	Units										Total Units	Total SF
1/1	750	4	12	6		12						52	39,000
2/2	985	18	6	24	16	12						112	110,320
3/2	1,160	12	4	18	12	12						88	102,080
Units per Building		34	22	48	28	36						**252**	**251,400**

ORIGINALLY PROPOSED BUILDING CONFIGURATION

Building Type	I(a&b)	II	III	IV	V						Total Buildings
Floors/Stories	4	3	3	3	3						
Number	1	1	2	1	1						**6**

BR/BA	SF	Units										Total Units	Total SF
1/1	750	16	12	6		12						52	39,000
2/2	985	40	12	24		12						112	110,320
3/2	1,160	20	8	18	12	12						88	102,080
Units per Building		76	32	48	12	36						**252**	**251,400**

OPERATING PROFORMA ANALYSIS

The Applicant's estimates of income and expenses have not changed from those presented at application; therefore the Underwriter used the same income and expense figures as at application. At the time of application, the Applicant's estimated income was consistent with the Underwriter's expectations, the total operating expenses were within 5% of the database-derived estimate, and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI was used, and will continue to be used to evaluate debt service capacity. The year one proforma results in a DCR within the Department's current guideline of 1.15 to 1.35.

Because this development was approved under the 2008 Real Estate Analysis Rules and Guidelines, the underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with 2008 TDHCA guidelines. The Underwriter also evaluated the 30-year proforma utilizing a 2% annual growth factor for income and a 3% annual growth factor for expenses in accordance with 2009 guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term under both the 2008 and 2009 guidelines.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE

The Applicant confirmed that development costs are not anticipated to change from what was presented at application as a result of the proposed changes; therefore a revised development cost schedule was not provided. The Underwriter's analysis has been updated, however using current estimates derived from the Marshall & Swift *Residential Cost Handbook*. Those requested changes that affect development costs are the change in exterior composition of the buildings; change in flooring materials to be used in the units; the deletion of the elevator; change in building floor plans and number of residential buildings; the change in the site layout as a result of the changes to the buildings; and the elimination of the retail space.

The Underwriter's analysis has been changed to reflect the new exterior composition of 15% masonry veneer and 85% fiber cement. The original underwriter assumed that the buildings would be 55% masonry veneer. It appears that the application originally proposed 5% masonry veneer, 90% fiber cement siding, and 5% stucco, but the elevations provided in the application showed higher percentages of masonry veneer and stucco, which is why a higher percentage was used in the original Underwriter's cost estimate. Like at application, the exterior composition indicated in the amendment request does not match the elevations submitted with the amendment request. The Applicant has confirmed, however, that the scope of work will be changed to match the request (15% masonry veneer and 85% fiber cement) and that the plans will be changed at a later date. Therefore, the Underwriter's cost estimate assumes 15% masonry veneer and 85% fiber cement, and the Underwriter's revised analysis reflects a reduction of $466,021 in the direct construction cost estimate.

The composition of flooring materials in the units did not change the Underwriter's analysis because the Underwriter's cost estimate does not include a specific breakdown of flooring materials, but rather uses a standard flooring allowance. Therefore, the Underwriter's cost estimate has not been changed related to flooring, except to use the current Marshall & Swift flooring allowance. The Underwriter's analysis has been revised to exclude the cost of the elevator, resulting in a reduction to direct construction costs of $63,600. The increase in the number of residential buildings and change in the configurations for 3 of the 5 building types resulted in an increase of $145,965 to the Underwriter's estimate direct construction costs. The change in the site plan has not changed the Underwriter's analysis because the Underwriter relies on the Applicant's estimate of site work costs, and the Applicant's estimate has not changed. In addition, the Applicant's addition of several amenities has not changed the Underwriter's cost estimate because the Marshall & Swift Residential Cost Handbook does not provide separate estimates for these items.

Of note, the Applicant's request includes the elimination of 5,000 square feet of retail space that was originally proposed to be located on the first floor of one of the residential buildings. The cost of the retail space was not included in the Applicant's original development cost schedule. The cost of this space was also not included in the original Underwriter's analysis. Because the cost of the retail space was not originally included in either the Applicant's or Underwriter's analysis, the deletion of the space from the development plan does not affect the Underwriter's analysis.

The Underwriter's revised direct construction cost estimate is $675,586 higher than at application. The Applicant's direct construction cost is within 1% of the Underwriter's updated cost. In addition, the Applicant's total development cost is within 1% of the Underwriter's current estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $24,838,813 supports annual tax credits of $1,139,853. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES

Comments:

The Applicant confirmed that the financing structure and participants have not changed since application.

Issuer: San Antonio HFC

Source: MMA Financial Type: **Interim to Permanent Bond Financing**

Principal: $15,000,000 Interest Rate: 5.492% ☐ Fixed Term: 420 months

Comments:

The commitment provided reflects that the permanent loan will be in variable rate mode and then fixed pursuant to an interest rate Swap agreement. The current swap rate (as of July 2008) is 3.85% plus 1.65% servicing and trustee fees.

Source: San Antonio Housing Authority Type: **Seller Financing**

Principal: $1,160,000 Terms: Repayable out of available cash flow after deferred developer fees

Comments:

The seller note will carry an interest rate equal to the applicable federal rate which is currently 4.5% and amortized over 40 years. As indicated above, payments will be made from available cashflow after deferred developer fee. Based on the long-term proforma, the property will generate sufficient cashflow to repay both the deferred developer fee and seller note.

Source: Bank of America Type: **Syndication**

Proceeds: $9,251,014 Syndication Rate: 83.68% Anticipated HTC: $ 1,105,744

Comments:

The syndication rate has dropped from 93% at application to the current 83.68% as quoted in the submitted commitment letter from Bank of America.

Amount: $2,584,513 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The proforma analysis results in a debt coverage ratio that falls below the Department's minimum guideline of 1.15. Therefore, an adjustment to the bond-financing permanent loan amount to $14,752,566 has been reflected in order to bring the DCR to an acceptable level.

The Applicant's total development cost estimate less the adjusted permanent loan of $14,752,566 and the SAHA seller note of $1,125,590 (this is equal to the Underwriter's revised acquisition cost based on the original acquisition price and a 4% rate of return) indicates the need for $12,117,374 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,448,351 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($1,105,744), the gap-driven amount ($1,448,351), and eligible basis-derived estimate ($1,139,853), the Applicant's request of $1,105,744 is recommended resulting in proceeds of $9,251,014 based on a syndication rate of 83.68%.

The Underwriter's recommended financing structure indicates the need for $2,831,950 in additional permanent funds. This amounts to 90% of the total deferred fee available and appears to be repayable from development cashflow in just over ten but within fifteen years of stabilized operation.

Underwriter: *Audrey Martin* Date: January 16, 2009

Acting Director of Real Estate Analysis: *Raquel Morales* Date: January 16, 2009

MULTIFAMILY COMPARATIVE ANALYSIS - ADDENDUM

Artisan at San Pedro Creek, San Antonio, 4% HTC #08401

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected		Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	52	1	1	750	$615	$548		$28,514	$0.73	$66.66	$35.82
TC 60%	112	2	2	985	$738	657		73,619	0.67	80.69	42.62
TC 60%	88	3	2	1,160	$853	751		66,079	0.65	102.10	54.11
TOTAL:	252		**AVERAGE:**	998		$668		$168,212	$0.67	$85.27	$45.23

INCOME	Total Net Rentable Sq Ft: 251,400			TDHCA AMEND	TDHCA Revised App	TDHCA Original App	APPLICANT Original App	APPLICANT Revised App	APPLICANT AMEND	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$2,018,539	$2,018,539	$1,983,778	$1,959,264	$1,984,944	$1,984,944	Bexar	San Antonio	9
Secondary Income	Per Unit Per Month:	$15.00		45,360	45,360	45,360	72,864	72,864	72,864	$24.10	Per Unit Per Month	
Other Support Income:				0	0	0	0	0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$2,063,899	$2,063,899	$2,029,138	$2,032,128	$2,057,808	$2,057,808			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(154,792)	(154,792)	(152,185)	(152,412)	(154,332)	(154,332)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0	0	0	0	0			
EFFECTIVE GROSS INCOME				$1,909,107	$1,909,107	$1,876,952	$1,879,716	$1,903,476	$1,903,476			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT							PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.00%	$454	0.46	$114,502	$114,502	$120,713	$73,740	$115,000	$115,000	$0.46	$456	6.04%
Management	4.07%	309	0.31	77,766	77,766	76,457	75,189	76,139	76,139	0.30	302	4.00%
Payroll & Payroll Tax	13.46%	1,020	1.02	257,041	257,041	238,222	240,000	240,000	240,000	0.95	952	12.61%
Repairs & Maintenance	6.39%	484	0.49	121,952	121,952	122,514	115,000	115,000	115,000	0.46	456	6.04%
Utilities	2.08%	158	0.16	39,762	39,762	39,762	47,825	47,825	47,825	0.19	190	2.51%
Water, Sewer, & Trash	4.51%	342	0.34	86,193	86,193	86,193	80,385	80,385	80,385	0.32	319	4.22%
Property Insurance	3.58%	272	0.27	68,428	68,428	57,170	70,000	70,000	70,000	0.28	278	3.68%
Property Tax 2.88207	0.00%	0	0.00	0	0	0	0	0	0	0.00	0	0.00%
Reserve for Replacements	3.30%	250	0.25	63,000	63,000	63,000	65,000	65,000	65,000	0.26	258	3.41%
TDHCA Compliance Fees	0.53%	40	0.04	10,080	10,080	10,080	10,785			0.00	0	0.00%
Other: Cable TV	0.09%	7	0.01	1,789	1,789	31,979	31,979	1,789	1,789	0.01	7	0.09%
TOTAL EXPENSES	44.03%	$3,335	$3.34	$840,513	$840,513	$846,090	$809,903	$811,138	$811,138	$3.23	$3,219	42.61%
NET OPERATING INC	55.97%	$4,240	$4.25	$1,068,594	$1,068,594	$1,030,862	$1,069,813	$1,092,338	$1,092,338	$4.35	$4,335	57.39%
DEBT SERVICE												
MMA Financial	50.58%	$3,832	$3.84	$965,686	$0	$926,700	$925,874	$940,172	$940,172	$3.74	$3,731	49.39%
SAHA	0.00%	$0	$0.00	0	0	0	0	0	0	$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0	0	0	0	0	$0.00	$0	0.00%
NET CASH FLOW	5.39%	$408	$0.41	$102,908	$1,068,594	$104,163	$143,939	$152,166	$152,166	$0.61	$604	7.99%
AGGREGATE DEBT COVERAGE RATIO				1.11	1.11	1.11	1.16	1.16	1.16			
RECOMMENDED DEBT COVERAGE RATIO							1.15	1.15	1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA AMEND	TDHCA Revised App	TDHCA Original App	APPLICANT Original App	APPLICANT Revised App	APPLICANT AMEND	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		4.07%	$4,467	$4.48	$1,125,590	$1,125,590	$1,125,590	$1,160,000	$1,160,000	$1,160,000	$4.61	$4,603	4.14%
Off-Sites		0.00%	0	0.00	0	0	0	0	0	0	0.00	0	0.00%
Sitework		6.34%	6,949	6.97	1,751,065	1,751,065	1,751,065	1,751,065	1,751,065	1,751,065	6.97	6,949	6.25%
Direct Construction		48.94%	53,653	53.78	13,520,647	12,845,061	12,677,881	13,705,922	13,705,922	13,705,922	54.52	54,389	48.96%
Contingency	5.00%	2.76%	3,030	3.04	763,586	729,806	721,447	913,835	913,835	913,835	3.63	3,626	3.26%
Contractor's Fees	13.09%	7.24%	7,932	7.95	1,998,780	1,998,780	1,998,780	1,998,780	1,998,780	1,998,780	7.95	7,932	7.14%
Indirect Construction		6.16%	6,750	6.77	1,700,960	1,700,960	1,750,960	1,750,960	1,700,960	1,700,960	6.77	6,750	6.08%
Ineligible Costs		4.75%	5,207	5.22	1,312,240	1,312,240	1,210,890	1,210,890	1,312,240	1,312,240	5.22	5,207	4.69%
Developer's Fees	14.56%	11.34%	12,428	12.46	3,131,939	3,120,446	3,103,909	3,128,661	3,131,939	3,131,939	12.46	12,428	11.19%
Interim Financing		6.43%	7,053	7.07	1,777,298	1,777,298	1,792,590	1,792,590	1,777,298	1,777,298	7.07	7,053	6.35%
Reserves		1.97%	2,157	2.16	543,491	543,491	795,637	850,195	543,491	543,491	2.16	2,157	1.94%
TOTAL COST		100.00%	$109,625	$109.89	$27,625,595	$26,904,737	$26,928,749	$28,262,898	$27,995,530	$27,995,530	$111.36	$111,093	100.00%
Construction Cost Recap		*65.28%*	***$71,564***	***$71.73***	***$18,034,077***	***$17,324,712***	***$17,149,174***	***$18,369,602***	***$18,369,602***	***$18,369,602***	***$73.07***	***$72,895***	*65.62%*

SOURCES OF FUNDS									RECOMMENDED	
MMA Financial	54.30%	$59,524	$59.67	$15,000,000	$15,000,000	$14,400,000	$14,400,000	$15,000,000	$15,000,000	$14,752,566	Developer Fee Available
SAHA	4.07%	$4,467	$4.48	1,125,590	1,125,590	1,125,590	1,160,000	1,160,000	1,160,000	1,125,590	$3,131,939
HTC Syndication Proceeds	33.49%	$36,710	$36.80	9,251,014	9,251,014	10,691,232	10,691,232	9,251,014	9,251,014	9,251,014	% of Dev. Fee Deferred
Deferred Developer Fees	9.36%	$10,256	$10.28	2,584,513	2,584,513	2,011,663	2,011,663	2,584,513	2,584,513	2,831,950	90%
Additional (Excess) Funds Req'd	-1.21%	($1,331)	($1.33)	(335,522)	(1,056,380)	(1,299,736)	3	3	3	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$27,625,595	$26,904,737	$26,928,749	$28,262,898	$27,995,530	$27,995,530	$27,961,120	$4,884,996

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$54.60	$13,726,447
Adjustments				
Exterior Wall Finish	1.20%		$0.66	$164,717
Elderly			0.00	0
9-Ft. Ceilings	3.15%		1.72	432,383
Roofing			0.00	0
Subfloor			(0.82)	(206,986)
Floor Cover			2.38	598,332
Breezeways/Balconies	$22.95	66,680	6.09	1,530,306
Plumbing Fixtures	$835	600	1.99	501,000
Rough-ins	$410	504	0.82	206,640
Built-In Appliances	$1,800	252	1.80	453,600
Exterior Stairs	$1,875	80	0.60	150,000
Elevator	$63,600	0	0.00	0
Heating/Cooling			1.90	477,660
Garages/Carports	$11.65	14,000	0.65	163,040
Comm &/or Aux Bldgs	$68.75	5,562	1.52	382,388
Other: fire sprinkler	$2.85	251,400	2.85	716,490
SUBTOTAL			76.75	19,296,017
Current Cost Multiplier	1.01		0.77	192,960
Local Multiplier	0.86		(10.75)	(2,701,442)
TOTAL DIRECT CONSTRUCTION COSTS			$66.78	$16,787,535
Plans, specs, survy, bld prm	3.90%		($2.60)	($654,714)
Interim Construction Interes	3.38%		(2.25)	(566,579)
Contractor's OH & Profit	11.50%		(7.68)	(1,930,566)
NET DIRECT CONSTRUCTION COSTS			$54.24	$13,635,675

PAYMENT COMPUTATION

Primary	$15,000,000	Amort	420
Int Rate	5.49%	DCR	1.11
Secondary	$1,160,000	Amort	0
Int Rate	4.50%	Subtotal DCR	1.11
Additional	$9,251,014	Amort	
Int Rate		Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$949,756
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$142,582

Primary	$14,752,566	Amort	420
Int Rate	5.49%	DCR	1.15
Secondary	$1,125,590	Amort	0
Int Rate	4.50%	Subtotal DCR	1.15
Additional	$9,251,014	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,984,944	$2,044,492	$2,105,827	$2,169,002	$2,234,072	$2,589,902	$3,002,406	$3,480,611	$4,677,651
Secondary Income	72,864	75,050	77,301	79,620	82,009	95,071	110,213	127,767	171,709
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,057,808	2,119,542	2,183,129	2,248,622	2,316,081	2,684,973	3,112,619	3,608,379	4,849,359
Vacancy & Collection Loss	(154,332)	(158,966)	(163,735)	(168,647)	(173,706)	(201,373)	(233,446)	(270,628)	(363,702)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,903,476	$1,960,577	$2,019,394	$2,079,976	$2,142,375	$2,483,600	$2,879,173	$3,337,750	$4,485,657
EXPENSES at 4.00%									
General & Administrative	$115,000	$119,600	$124,384	$129,359	$134,534	$163,681	$199,143	$242,288	$358,645
Management	76,139	78,423	80,776	83,199	85,695	99,344	115,167	133,510	179,426
Payroll & Payroll Tax	240,000	249,600	259,584	269,967	280,766	341,595	415,602	505,644	748,476
Repairs & Maintenance	115,000	119,600	124,384	129,359	134,534	163,681	199,143	242,288	358,645
Utilities	47,825	49,738	51,728	53,797	55,948	68,070	82,817	100,760	149,150
Water, Sewer & Trash	80,385	83,600	86,944	90,422	94,039	114,413	139,201	169,359	250,693
Insurance	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	65,000	67,600	70,304	73,116	76,041	92,515	112,559	136,945	202,712
Other	1,789	1,861	1,935	2,012	2,093	2,546	3,098	3,769	5,579
TOTAL EXPENSES	$811,138	$842,822	$875,751	$909,973	$945,540	$1,145,477	$1,387,947	$1,682,042	$2,471,632
NET OPERATING INCOME	$1,092,338	$1,117,755	$1,143,643	$1,170,003	$1,196,835	$1,338,123	$1,491,226	$1,655,709	$2,014,026
DEBT SERVICE									
First Lien Financing	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$142,582	$167,998	$193,887	$220,246	$247,079	$388,367	$541,469	$705,952	$1,064,269
DEBT COVERAGE RATIO	1.15	1.18	1.20	1.23	1.26	1.41	1.57	1.74	2.12

HTC ALLOCATION ANALYSIS -Artisan at San Pedro Creek, San Antonio, 4% HTC #08401

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,160,000	$1,125,590		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,751,065	$1,751,065	$1,751,065	$1,751,065
Construction Hard Costs	$13,705,922	$13,520,647	$13,705,922	$13,520,647
Contractor Fees	$1,998,780	$1,998,780	$1,998,780	$1,998,780
Contingencies	$913,835	$763,586	$772,849	$763,586
Eligible Indirect Fees	$1,700,960	$1,700,960	$1,700,960	$1,700,960
Eligible Financing Fees	$1,777,298	$1,777,298	$1,777,298	$1,777,298
All Ineligible Costs	$1,312,240	$1,312,240		
Developer Fees				
Developer Fees	$3,131,939	$3,131,939	$3,131,939	$3,131,939
Development Reserves	$543,491	$543,491		
TOTAL DEVELOPMENT COSTS	$27,995,530	$27,625,595	$24,838,813	$24,644,274

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$24,838,813	$24,644,274
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$32,290,457	$32,037,557
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$32,290,457	$32,037,557
Applicable Percentage		3.53%	3.53%
TOTAL AMOUNT OF TAX CREDITS		$1,139,853	$1,130,926

Syndication Proceeds	**0.8366**	**$9,536,382**	**$9,461,693**
Total Tax Credits (Eligible Basis Method)		**$1,139,853**	**$1,130,926**
Syndication Proceeds		**$9,536,382**	**$9,461,693**
Requested Tax Credits		**$1,105,744**	
Syndication Proceeds		**$9,251,014**	
Gap of Syndication Proceeds Needed		**$12,117,374**	
Total Tax Credits (Gap Method)		**$1,448,351**	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

Two reports:
8/26/08 & 1/xx/08. The first was approved but not closed.

REPORT DATE: 08/26/08 PROGRAM: 4% HTC FILE NUMBER: **08401**

DEVELOPMENT

Artisan at San Pedro Creek

Location: 1901 S. San Marcos Region: 9

City: San Antonio County: Bexar Zip: 78207 [x] QCT [ ] DDA

Key Attributes: Family, New Construction, Urban/Exurban and Multifamily

ALLOCATION

	REQUEST			**RECOMMENDATION**		
Housing Tax Credit (Annual)	$1,105,744			**$1,105,744**		

CONDITIONS

1 Receipt, review and acceptance of documentation identifying a plan to mitigate the noise related issues identified in the HUD noise study conducted on September 17, 2007.

2 Receipt, review and acceptance of documentation identifying a plan to mitigate the potential flood zone issues as a result of the easternmost portion of the site being located within zone AE.

3 Receipt, review and acceptance by cost certification that the applicant has completed the cleanup guidelines as approved by TCEQ (Texas Commission on Environmental Quality) and proposed by Geo-Marine Incorporated for the site remediation and closure plans, providing remediation oversight, and revising and preparing the closure documents for the Swift Site Voluntary Cleanup Program Project.

4 Receipt, review and acceptance by cost certification of an executed ground lease with clear lease terms including, but not limited to the annual rent amount is a condition of this report.

5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit and or allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	252

PROS

- The property has good proximity to downtown and will provide the opportunity to ignite revitalization of the area.

CONS

- The seller is related to the Applicant and is providing seller financing in the whole amount of the sales or lease price; however, this does not, in this instance overstate the tax credit recommendation.

This section intentionally left blank.

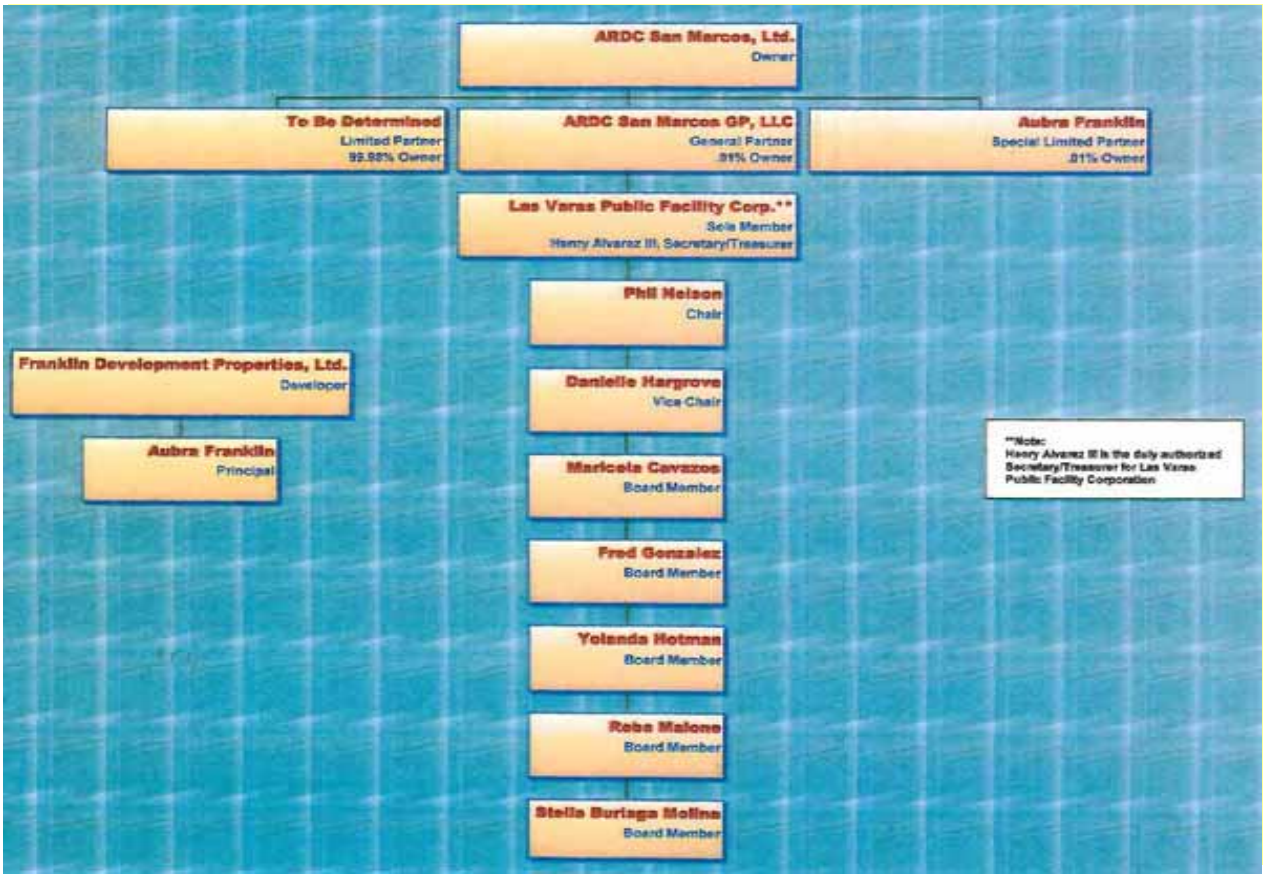
- The site has significant environmental issues that have been identified and are being mitigated to the extent possible, including noise created by IH-35, floodplain at the entrance and front portion of the site, and need to complete the site clean-up remediation program with TCEQ.
- The Underwriter's inclusive capture rate of 23% is just slightly below the Department's maximum of 25% but still within an acceptable range.

PREVIOUS UNDERWRITING REPORTS

The development was originally presented and approved by the TDHCA Board at its January 31, 2008 meeting for $1,149,825 in annual tax credits. Subsequent to this approval, the Applicant was not able to meet the 150-day deadline required to close on the bonds and, therefore, has submitted a revised Volume I of the application for consideration. Based on the revised information provided it appears that the Applicant's rental income, operating expenses and construction cost estimates have changed since those contemplated at application; therefore, the Applicant is now requesting $1,105,744 in annual tax credits.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact:	Ryan Wilson	Phone:	(210) 694-2223	Fax:	(210) 694-4225
Email:	ryan@franklindevelopment				

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# Completed Developments
Las Varas Corporation	$4,034,546	$3,106,201	4
Franklin Development	$7,636,656	$7,587,017	8
Aubra Franklin	Confidential	Confidential	Certificate of Experience

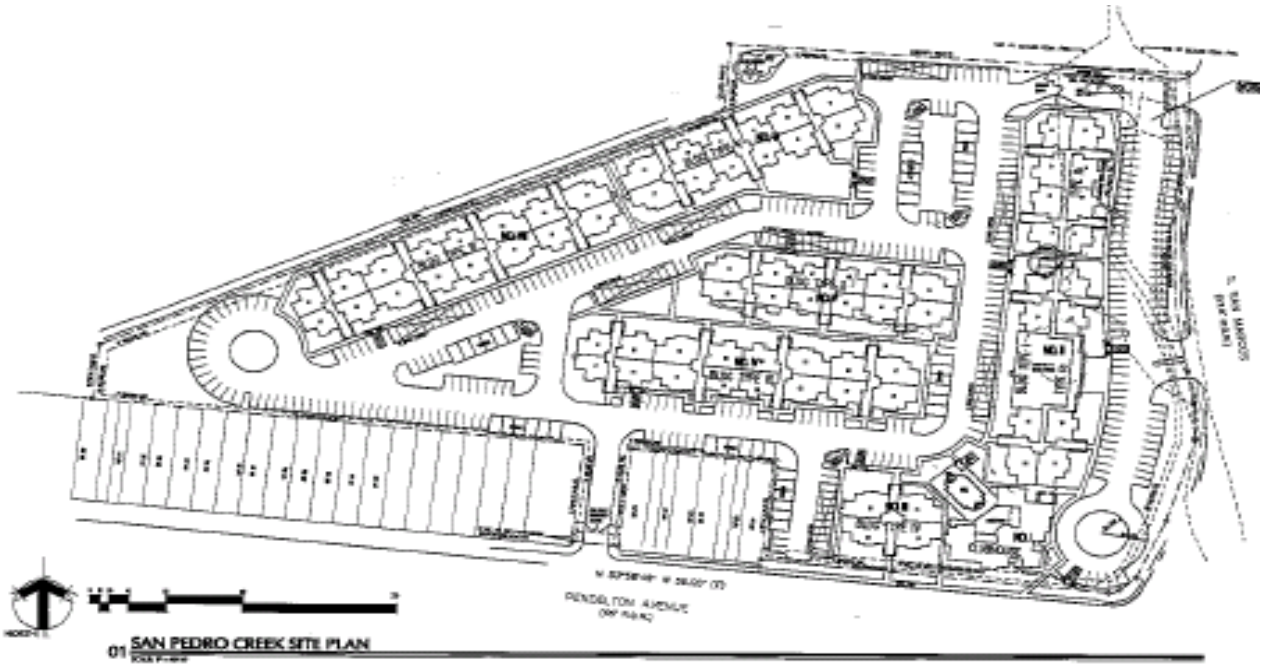
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments.
- The seller is regarded as a related party due to the proposed loan issued against the land proceeds by the seller. This issue is discussed further and has been reconciled in the development cost section of the report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I(a&b)	II	III	IV	V						Total Buildings
Floors/Stories	4	3	3	3	3						
Number	1	1	2	1	1						**6**

BR/BA	SF	Units										Total Units	Total SF
1/1	750	16	12	6		12						52	39,000
2/2	985	40	12	24		12						112	110,320
3/2	1,160	20	8	18	12	12						88	102,080
Units per Building		76	32	48	12	36						**252**	**251,400**

SITE ISSUES

Total Size:	10.7 acres	Scattered site?	[ ]	Yes	[x]	No	
Flood Zone:	X and AE	Within 100-yr floodplain?	[ ]	Yes	[x]	No	
Zoning:	* IDZ	Needs to be re-zoned?	[ ]	Yes	[x]	No	[ ] N/A

Comments:

TDHCA staff is concerned with several issues related to the subject site. These issues will be discussed in further detail in the "TDHCA Site Inspection" section of this report.

* "IDZ" refers to Infill Development Zone, with uses permitted in MF-33 Multi-Family District and C-2 Commercial District.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 8/29/2007

Overall Assessment:

[ ] Excellent [ ] Acceptable [x] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: Industrial Warehouse and Commercial beyond

South: Residential Homes and Retail beyond.

East: Commercial/Retail and Interstate 35 beyond

West: Residential homes and Retail beyond.

Comments:

The site inspector noted the following comments: San Antonio stockyards are adjacent to the property even though the stockyards are now closed with several meat packing operations close by. A large drainage ditch is near the site. Interstate traffic is adjacent to the site also.

Due to the "Questionable" assessment made by the TDHCA site inspector and the environmental concerns noted in the environmental report, the Underwriter felt that a visual inspection of the subject property was necessary. A summary of which follows:

The subject property is located to the east of and beneath an elevated portion of Interstate 35 with no easy access to the site from north or south of the interstate. Additionally, the property's close proximity to the interstate creates the potential for noise related issues due to the roadway noise created by I-35. This concern has already been identified in a HUD noise study conducted on September 12, 2007. Receipt, review and acceptance of documentation identifying a plan to mitigate the noise related issues identified in the HUD noise study is a condition of this report.

Another concern relates to the proposed entrance into the development which is planned through S. San Marcos Street located in the easternmost portion of the site and adjacent to San Pedro Creek. This portion of the site is located within shaded X and AE flood zones due to the presence of the creek and causes concern that should the creek ever experience a flood, entrance into the development may be prohibited. As a result, receipt, review and acceptance of documentation identifying a plan to mitigate the potential flood zone issues is a condition of this report.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Integrated Testing and Engineering Company Date: 8/31/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "The target property was the former location of the Swift Meat Company from 1904 until approximately 1995. Remediation of underground fuel storage tanks and removal of coal ash (the result of burning carcasses on-site) began in the early 1990's using Texas Commission on Environmental Quality (TCEQ) guidelines for cleanup. The buildings located on the target property were removed in the early 1990's.....The target property is part of a TCEQ Voluntary Cleanup Program (VCP)." (p. 16)

This section intentionally left blank.

- "Geo-Marine Incorporated, an environmental consulting company, is currently working with the San Antonio Housing Authority on clean up of the target property. (p. 1) In a letter dated June 18, 2007 from Geo-Marine Incorporated (GMI) to San Antonio Housing Authority, GMI proposes to provide environmental consulting services to develop and prepare a work plan, specifications, and site diagrams for remediation and closure of the contaminated areas at the Swift voluntary Cleanup Program Site No. 190." (p. 13) (Appendix D)

- A noise assessment study was preformed by HUD on September 12, 2007 and the final site evaluation was determined "Normally Unacceptable" due to the roadway noise created by interstate 35 to the east of the subject property. Aircraft noise and railway noise was also tested and was found to be acceptable. The Underwriter recommends that the Applicant develop a plan and provide documentation that the plan will mitigate the noise concerns consistent with HUD guidelines and the conclusions of the report.

Comments:

TEC (Integrated Testing and Engineering Company) recommends that the client follow the cleanup guidelines as approved by TCEQ (Texas Commission on Environmental Quality) (p. 16) and proposed by Geo-Marine Incorporated for remediation and closure plans, providing remediation oversight, and revising and preparing the closure documents for the Swift Site Voluntary Cleanup Program Project. This will be a condition of this report.

MARKET HIGHLIGHTS

Provider: Butler Burgher, Inc. Date: 9/13/2007

Contact: Mary Ann Barnett Phone: (214) 739-0700 Fax: (214) 361-8168

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 12.73 square feet (2.0 mile radius)

"The Primary Market Area is the area bounded by Culebra road on the north, U.S. Highway 90 on the

Secondary Market Area (SMA):

A secondary market was not identified in the Market Study.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
San Juan Square	05159	143	1,628	N/A			

INCOME LIMITS						
Bexar						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$22,980	$26,280	$29,520	$32,820	$35,460	$38,100

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 60% Rent Limit	1,226	98	0	1,324	52	28	6.04%
2 BR/ 60% Rent Limit	753	98	0	851	112	59	20.09%
3 BR/ 60% Rent Limit	1,127	98	0	1,225	88	50	11.27%

This section intentionally left blank.

OVERALL DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 65	100%	24,629	100%	24,629	26%	6,465	42%	2,719	76%	2,072
Underwriter	100%	24,615	100%	24,615	23%	5,659	42%	2,380	69%	1,630
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 64/67	Annual Growth Demand based on 4.56% of SA MSA Job Growth *									98
Underwriter			100%	-25	23%	-6	42%	-2	100%	-2

* The subject PMA's population is 4.56% of the San Antonio MSA; therefore, it is reasonable to conclude that job growth within the PMA will be at least consistent with the San Antonio MSA Job estimated job growth.

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 65	252	137	0	389	2,170	17.93%
Underwriter	0	1,628	0	1,628	1,628	100.00%

The Market Analyst used a turnover rate of 76% based on 2006 IREM data, which is on the high end of turnover rates generally used for HTC properties and is higher than the average turnover for Region 9 reflected in the Department's database of family properties (39.1%). However, the Department's database does not currently filter rural properties and properties with rental assistance, which often experience significantly lower turnover than unassisted urban properties.

Based on the Underwriter's demand analysis, a turnover rate greater than 64% must be used in order to support an inclusive capture rate less than 25% and within the Department's threshold for urban properties targeting families. The Underwriter updated the turnover rate to the IREM 2007 Edition data indicating a rate of 68.5%. The resulting capture rate of 23.15% is just slightly below the Department's threshold but is still acceptable.

Primary Market Occupancy Rates:

"Occupancy levels in the PMA have fluctuated over the last several years from a low of 92.1% occurring in 2003 to a high of 97.3%, which occurred in 2000. The current occupancy rate, as of June 2007, is at 96.5%." (p. 42)

Absorption Projections:

"During pre-leasing, an absorption rate of 5 to 15 units per month is anticipated, with absorption of 25 units per month after completion. The subject community should achieve stabilization by September 2009." (p. 71)

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 750 SF 60%	$532	539	$675	539	$136
2 BR 985 SF 60%	$638	646	$801	646	$155
3 BR 1,160 SF 60%	$729	739	$1,009	739	$270

Market Impact:

"The subject market area is centrally located west of the San Antonio CBD. The PMA's central location relative to supportive development ensures future growth as economic conditions improve. Overall, the long-term prospects for the primary market area are good." (p. 50)

Comments:

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: Two Date of Last Applicant Revision: 6/25/2008

The Applicant's rent projections are slightly lower than the maximum rents allowed under HTC guidelines. The Underwriter's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of November 2007, maintained by the City of San Antonio Housing Assistance Office, from the 2008 program gross rent limits. The maximum program rents are supported by the market rents determined by the Market Analyst. Tenants will be required to pay for electricity.

In addition to secondary income from normal operation, the Applicant projects income from covered parking at $2,670 per month for 10 garages and 60 carports. While the Applicant did deduct the cost for construction of these optional amenities from eligible basis, documentation to support the estimated additional rent was not provided. Traditionally, the Department has not accepted carport income and has heavily discounted garage rental income. Given that the Applicant maximized other secondary income and provided no support for garage rental income, the underwriting analysis assumes only the maximum of $15 per unit per month in secondary income from normal operation.

The Applicant's vacancy and collection loss assumptions are in line with current underwriting guidelines and the effective gross income assumption is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: Two Date of Last Applicant Revision: 6/25/2008

The Applicant's total annual operating expense projection at $3,219 per unit is within 5% of the Underwriter's estimate of $3,335, derived from the TDHCA database. The Applicant's budget reflects one line item estimate that deviates significantly when compared to the Underwriter's estimate. Specifically, the Applicant's failed to include TDHCA's Compliance Fees of $10,080.

The Applicant is also projecting a 100% property tax exemption as a result of the Public Facility's control of the general partner. It is anticipated that the Applicant will enter into a ground lease with the Public Facility in order to secure such an exemption. Receipt, review and acceptance by cost certification of an executed ground lease with clear lease terms including, but not limited to, the annual rent amount is a condition of this report.

Conclusion:

The Applicant's estimated income is consistent with the Underwriter's expectations, and the total operating expenses are within 5% of the database-derived estimate, and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. The Year One proforma results in a DCR within the Department's current guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Butler Burgher, Inc Date: 9/13/2007

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Land Only:	10.7 acres	$1,160,000	As of:	8/11/2007
Existing Buildings: (as-is)		$0	As of:	8/11/2007
Total Development: (as-is)		$1,160,000	As of:	8/11/2007

Comments:

The subject site contains 10.7 acres of land and is owned by San Antonio Housing Authority. The site is currently vacant.

The analysis to determine the appraised value for the subject property was based upon the sales data of five (5) similar properties. The Appraiser researched to locate land sales that were comparable to the subject in size, location and zoning. They were described by the Appraiser as transactions within or near the subject's market area that were purchased for multifamily developments. The land is being valued on an adjusted per unit mean value basis of $4,600 times 252 units rounded to a total value of $1,160,000.

The comparability of the properties used in the analysis is questionable due to the distance of each from the subject site. The subject property is located in southwest central San Antonio and one of the comps was located in far northwest San Antonio and one was located in far southwest San Antonio. The other three (3) comps were located east of Interstate 35 in a different market area all together. None of the five (5) comps used were in the subject's defined market area as determined in the market study. However, as discussed below, the Underwriter used the original purchase price plus a reasonable rate of return to determine the Underwriter's acquisition cost.

ASSESSED VALUE

Land Only: 10.7 acres	$869,370	Tax Year:	2007
Existing Buildings:	$0	Valuation by:	Bexar CAD
Total Assessed Value:	$869,370	Tax Rate:	2.666775

EVIDENCE of PROPERTY CONTROL

Type: Option Agreement — Acreage: 10.7

Contract Expiration: 8/15/2008 — Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $1,160,000 — Other: appraised value of the property.

Seller: San Antonio Housing Authority — Related to Development Team? [X] Yes [ ] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: One — Date of Last Applicant Revision: 6/25/2008

The Applicant has an identity of interest with the seller but has provided documentation of the property's original acquisition value (in the form of a closing statement dated January 21, 1994) and an appraised value as required by the QAP. The contracted sales price is the same as the appraised value, but the Underwriter calculated a value of $1,125,590 using an annual rate of return of 4% times the original purchase price of $650,000 for the fourteen year holding period. As discussed above, it is anticipated that Las Varas Public Facility's Corporation or an affiliate thereof will take title to the land and the Applicant will enter into a ground lease with that entity in order to secure a 100% property tax exemption. The Applicant did not provide a ground lease; however, this report has been conditioned upon receipt of a ground lease with terms from the Applicant.

Generally, an adjustment to the acquisition price would result in an equivalent adjustment to the gap in funds, which could decrease in gap based credit determination; however, the Underwriter's reduction in the acquisition price will cause an equivalent adjustment to the amount of the seller note and no net affect to the development's gap in funding.

Sitework Cost:

The Applicant's claimed sitework costs of $6,949 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $860,861 or 6.7% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by $185,063 to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Contingency & Fees:

The Applicant's developer fee and contractor fee (general requirements, overhead, and profit) are all within the maximums allowed by TDHCA guidelines; however, the Applicant's contingency exceeds the maximum allowed by HTC guidelines by a total of $140,986 based on their own construction costs. Consequently, the Applicant's eligible basis has been reduced by the same amount with the overage effectively moved to ineligible costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $24,838,813 supports annual tax credits of $1,139,853. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: One Date of Last Applicant Revision: 6/25/2008

Issuer: San Antonio HFC

Source: MMA Financial Type: **Interim to Permanent Bond Financing**

Principal: $15,000,000 Interest Rate: 5.492% ☐ Fixed Term: 420 months

Comments:

The commitment provided reflects that the permanent loan will be in variable rate mode and then fixed pursuant to an interest rate Swap agreement. The current swap rate (as of July 2008) is 3.85% plus 1.65% servicing and trustee fees.

Source: San Antonio Housing Authority Type: **Seller Financing**

Principal: $1,160,000 Terms: Repayable out of available cash flow after deferred developer fees

Comments:

The seller note will carry an interest rate equal to the applicable federal rate which is currently 4.5% and amortized over 40 years. As indicated above, payments will be made from available cashflow after deferred developer fee. Based on the long-term proforma, the property will generate sufficient cashflow to repay both the deferred developer fee and seller note.

Source: Bank of America Type: **Syndication**

Proceeds: $9,251,014 Syndication Rate: 83.68% Anticipated HTC: $ 1,105,744

Comments:

The syndication rate has dropped from 93% at application to the current 83.68% as quoted in the submitted commitment letter from Bank of America.

Amount: $2,584,513 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The proforma analysis results in a debt coverage ratio that falls below the Department's minimum guideline of 1.15. Therefore, an adjustment to the bond-financing permanent loan amount to $14,752,566 has been reflected in order to bring the DCR to an acceptable level.

The Applicant's total development cost estimate less the adjusted permanent loan of $14,752,566 and the SAHA seller note of $1,125,590 indicates the need for $12,117,374 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,448,351 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($1,105,744), the gap-driven amount ($1,448,351), and eligible basis-derived estimate ($1,139,853), the Applicant's request of $1,105,744 is recommended resulting in proceeds of $9,536,382 based on a syndication rate of 83.66%.

The Underwriter's recommended financing structure indicates the need for $2,831,950 in additional permanent funds. This amounts to 90% of the total deferred fee available and appears to be repayable from development cashflow in just over ten but within fifteen years of stabilized operation.

Underwriter:	*Carl Hoover*	Date:	August 26, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	August 26, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	August 26, 2008

MULTIFAMILY COMPARATIVE ANALYSIS - ADDENDUM

Artisan at San Pedro Creek, San Antonio, 4% HTC #08401

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	52	1	1	750	$615	$548	$28,514	$0.73	$66.66	$35.82
TC 60%	112	2	2	985	$738	657	73,619	0.67	80.69	42.62
TC 60%	88	3	2	1,160	$853	751	66,079	0.65	102.10	54.11
TOTAL:	252		**AVERAGE:**	998		$668	$168,212	$0.67	$85.27	$45.23

INCOME	Total Net Rentable Sq Ft: 251,400			TDHCA Current	APPLICANT Current	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$2,018,539	$1,984,944	Bexar	San Antonio	9
Secondary Income	Per Unit Per Month:	$15.00		45,360	72,864	$24.10	Per Unit Per Month	
Other Support Income:				0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$2,063,899	$2,057,808			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(154,792)	(154,332)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,909,107	$1,903,476			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.00%	$454	0.46	$114,502	$115,000	$0.46	$456	6.04%
Management	4.07%	309	0.31	77,766	76,139	0.30	302	4.00%
Payroll & Payroll Tax	13.46%	1,020	1.02	257,041	240,000	0.95	952	12.61%
Repairs & Maintenance	6.39%	484	0.49	121,952	115,000	0.46	456	6.04%
Utilities	2.08%	158	0.16	39,762	47,825	0.19	190	2.51%
Water, Sewer, & Trash	4.51%	342	0.34	86,193	80,385	0.32	319	4.22%
Property Insurance	3.58%	272	0.27	68,428	70,000	0.28	278	3.68%
Property Tax 2.88207	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements	3.30%	250	0.25	63,000	65,000	0.26	258	3.41%
TDHCA Compliance Fees	0.53%	40	0.04	10,080		0.00	0	0.00%
Other: Cable TV	0.09%	7	0.01	1,789	1,789	0.01	7	0.09%
TOTAL EXPENSES	44.03%	$3,335	$3.34	$840,513	$811,138	$3.23	$3,219	42.61%
NET OPERATING INC	55.97%	$4,240	$4.25	$1,068,594	$1,092,338	$4.35	$4,335	57.39%
DEBT SERVICE								
MMA Financial	50.58%	$3,832	$3.84	$965,686	$940,172	$3.74	$3,731	49.39%
SAHA	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	5.39%	$408	$0.41	$102,908	$152,166	$0.61	$604	7.99%
AGGREGATE DEBT COVERAGE RATIO				1.11	1.16			
RECOMMENDED DEBT COVERAGE RATIO					1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA Current	APPLICANT Current	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		4.18%	$4,467	$4.48	$1,125,590	$1,160,000	$4.61	$4,603	4.14%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.51%	6,949	6.97	1,751,065	1,751,065	6.97	6,949	6.25%
Direct Construction		47.74%	50,972	51.09	12,845,061	13,705,922	54.52	54,389	48.96%
Contingency	5.00%	2.71%	2,896	2.90	729,806	913,835	3.63	3,626	3.26%
Contractor's Fees	13.69%	7.43%	7,932	7.95	1,998,780	1,998,780	7.95	7,932	7.14%
Indirect Construction		6.32%	6,750	6.77	1,700,960	1,700,960	6.77	6,750	6.08%
Ineligible Costs		4.88%	5,207	5.22	1,312,240	1,312,240	5.22	5,207	4.69%
Developer's Fees	15.00%	11.60%	12,383	12.41	3,120,446	3,131,939	12.46	12,428	11.19%
Interim Financing		6.61%	7,053	7.07	1,777,298	1,777,298	7.07	7,053	6.35%
Reserves		2.02%	2,157	2.16	543,491	543,491	2.16	2,157	1.94%
TOTAL COST		100.00%	$106,765	$107.02	$26,904,737	$27,995,530	$111.36	$111,093	100.00%
Construction Cost Recap		*64.39%*	***$68,749***	***$68.91***	***$17,324,712***	***$18,369,602***	***$73.07***	***$72,895***	*65.62%*

SOURCES OF FUNDS						RECOMMENDED	
MMA Financial	55.75%	$59,524	$59.67	$15,000,000	$15,000,000	$14,752,566	Developer Fee Available
SAHA	4.18%	$4,467	$4.48	1,125,590	1,160,000	1,125,590	$3,131,939
HTC Syndication Proceeds	34.38%	$36,710	$36.80	9,251,014	9,251,014	9,251,014	% of Dev. Fee Deferred
Deferred Developer Fees	9.61%	$10,256	$10.28	2,584,513	2,584,513	2,831,950	90%
Additional (Excess) Funds Req'd	-3.93%	($4,192)	($4.20)	(1,056,380)	3	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$26,904,737	$27,995,530	$27,961,120	$4,884,996

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$53.19	$13,372,589
Adjustments				
Exterior Wall Finish	4.40%		$2.34	$588,394
Elderly			0.00	0
9-Ft. Ceilings	3.55%		1.89	474,727
Roofing			0.00	0
Subfloor			(2.47)	(620,958)
Floor Cover			2.43	610,902
Breezeways/Balconies	$22.27	62,528	5.54	1,392,499
Plumbing Fixtures	$805	600	1.92	483,000
Rough-ins	$400	504	0.80	201,600
Built-In Appliances	$1,850	252	1.85	466,200
Exterior Stairs	$2,100	84	0.70	176,400
Elevator	$63,600	1	0.25	63,600
Heating/Cooling			1.90	477,660
Garages/Carports	$11.40	14,000	0.63	159,600
Comm &/or Aux Bldgs	$67.92	5,562	1.50	377,785
Other: fire sprinkler	$2.15	251,400	2.15	540,510
SUBTOTAL			74.64	18,764,508
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.85		(11.20)	(2,814,676)
TOTAL DIRECT CONSTRUCTION COSTS			$63.44	$15,949,832
Plans, specs, survy, bld prm	3.90%		($2.47)	($622,043)
Interim Construction Interest	3.38%		(2.14)	(538,307)
Contractor's OH & Profit	11.50%		(7.30)	(1,834,231)
NET DIRECT CONSTRUCTION COSTS			$51.53	$12,955,251

PAYMENT COMPUTATION

Primary	$15,000,000	Amort	420
Int Rate	5.49%	DCR	1.11
Secondary	$1,160,000	Amort	0
Int Rate	4.50%	Subtotal DCR	1.11
Additional	$9,251,014	Amort	
Int Rate		Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE APPLICANT

Primary Debt Service	$949,756
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$142,582

Primary	$14,752,566	Amort	420
Int Rate	5.49%	DCR	1.15
Secondary	$1,125,590	Amort	0
Int Rate	4.50%	Subtotal DCR	1.15
Additional	$9,251,014	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

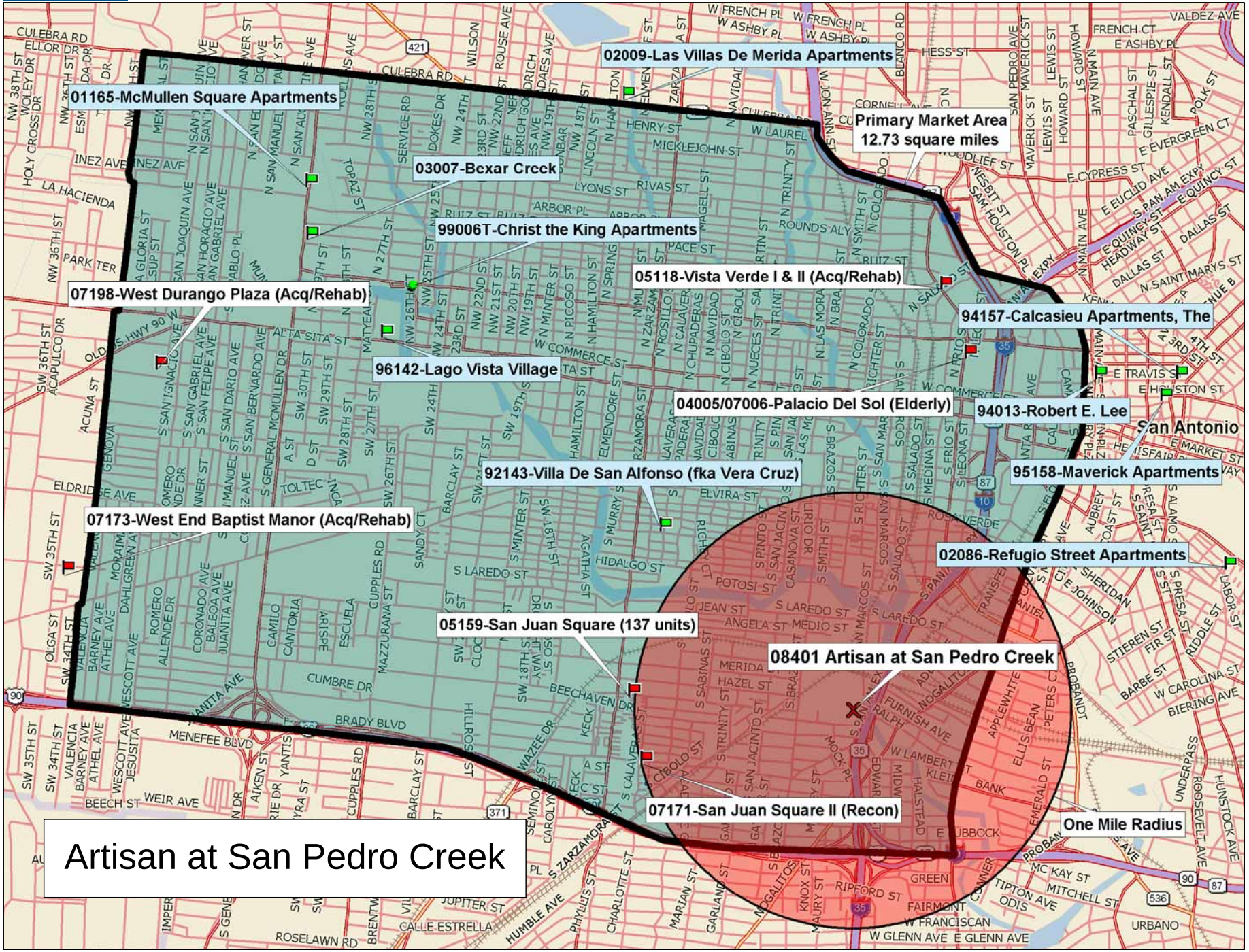
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,984,944	$2,044,492	$2,105,827	$2,169,002	$2,234,072	$2,589,902	$3,002,406	$3,480,611	$4,677,651
Secondary Income	72,864	75,050	77,301	79,620	82,009	95,071	110,213	127,767	171,709
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,057,808	2,119,542	2,183,129	2,248,622	2,316,081	2,684,973	3,112,619	3,608,379	4,849,359
Vacancy & Collection Loss	(154,332)	(158,966)	(163,735)	(168,647)	(173,706)	(201,373)	(233,446)	(270,628)	(363,702)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,903,476	$1,960,577	$2,019,394	$2,079,976	$2,142,375	$2,483,600	$2,879,173	$3,337,750	$4,485,657
EXPENSES at 4.00%									
General & Administrative	$115,000	$119,600	$124,384	$129,359	$134,534	$163,681	$199,143	$242,288	$358,645
Management	76,139	78,423	80,776	83,199	85,695	99,344	115,167	133,510	179,426
Payroll & Payroll Tax	240,000	249,600	259,584	269,967	280,766	341,595	415,602	505,644	748,476
Repairs & Maintenance	115,000	119,600	124,384	129,359	134,534	163,681	199,143	242,288	358,645
Utilities	47,825	49,738	51,728	53,797	55,948	68,070	82,817	100,760	149,150
Water, Sewer & Trash	80,385	83,600	86,944	90,422	94,039	114,413	139,201	169,359	250,693
Insurance	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	65,000	67,600	70,304	73,116	76,041	92,515	112,559	136,945	202,712
Other	1,789	1,861	1,935	2,012	2,093	2,546	3,098	3,769	5,579
TOTAL EXPENSES	$811,138	$842,822	$875,751	$909,973	$945,540	$1,145,477	$1,387,947	$1,682,042	$2,471,632
NET OPERATING INCOME	$1,092,338	$1,117,755	$1,143,643	$1,170,003	$1,196,835	$1,338,123	$1,491,226	$1,655,709	$2,014,026
DEBT SERVICE									
First Lien Financing	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756	$949,756
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$142,582	$167,998	$193,887	$220,246	$247,079	$388,367	$541,469	$705,952	$1,064,269
DEBT COVERAGE RATIO	1.15	1.18	1.20	1.23	1.26	1.41	1.57	1.74	2.12

HTC ALLOCATION ANALYSIS -Artisan at San Pedro Creek, San Antonio, 4% HTC #08401

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,160,000	$1,125,590		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,751,065	$1,751,065	$1,751,065	$1,751,065
Construction Hard Costs	$13,705,922	$12,845,061	$13,705,922	$12,845,061
Contractor Fees	$1,998,780	$1,998,780	$1,998,780	$1,998,780
Contingencies	$913,835	$729,806	$772,849	$729,806
Eligible Indirect Fees	$1,700,960	$1,700,960	$1,700,960	$1,700,960
Eligible Financing Fees	$1,777,298	$1,777,298	$1,777,298	$1,777,298
All Ineligible Costs	$1,312,240	$1,312,240		
Developer Fees				
Developer Fees	$3,131,939	$3,120,446	$3,131,939	$3,120,446
Development Reserves	$543,491	$543,491		
TOTAL DEVELOPMENT COSTS	$27,995,530	$26,904,737	$24,838,813	$23,923,416

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$24,838,813	$23,923,416
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$32,290,457	$31,100,440
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$32,290,457	$31,100,440
Applicable Percentage		3.53%	3.53%
TOTAL AMOUNT OF TAX CREDITS		$1,139,853	$1,097,846

Syndication Proceeds	**0.8366**	**$9,536,382**	**$9,184,933**
Total Tax Credits (Eligible Basis Method)		**$1,139,853**	**$1,097,846**
Syndication Proceeds		**$9,536,382**	**$9,184,933**
Requested Tax Credits		**$1,105,744**	
Syndication Proceeds		**$9,251,014**	
Gap of Syndication Proceeds Needed		**$12,117,374**	
Total Tax Credits (Gap Method)		**$1,448,351**	



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TN

MN (5.4°E)

Scale 1 : 37,500

1" = 3,125.0 ft

Data Zoom 12-4

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 01/24/08 PROGRAM: 4% HTC FILE NUMBER: 08401

DEVELOPMENT

Artisan At San Pedro Creek

Location: 1901 S. San Marcos Region: 9

City: San Antonio County: Bexar Zip: 78207 [x] QCT [ ] DDA

Key Attributes: Family, New Construction, Urban/Exurban and Multifamily

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$1,149,825			**$1,149,825**		

CONDITIONS

1 Receipt, review and acceptance of documentation identifying a plan to mitigate the noise related issues identified in the HUD noise study conducted on September 17, 2007.

2 Receipt, review and acceptance of documentation identifying a plan to mitigate the potential flood zone issues as a result of the easternmost portion of the site being located within zone AE.

3 Receipt, review and acceptance by cost certification that the applicant has completed the cleanup guidelines as approved by TCEQ (Texas Commission on Environmental Quality) and proposed by Geo-Marine Incorporated for the site remediation and closure plans, providing remediation oversight, and revising and preparing the closure documents for the Swift Site Voluntary Cleanup Program Project.

4 Receipt, review and acceptance by cost certification of an executed ground lease with clear lease terms including, but not limited to the annual rent amount is a condition of this report.

5 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit and or allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
60% of AMI	60% of AMI	252

PROS

- The property has good proximity to downtown and will provide the opportunity to ignite revitalization of the area.

CONS

- The seller is related to the Applicant and is providing seller financing in the whole amount of the sales or lease price; however, this does not, in this instance overstate the tax credit recommendation.

CONS (Continued)

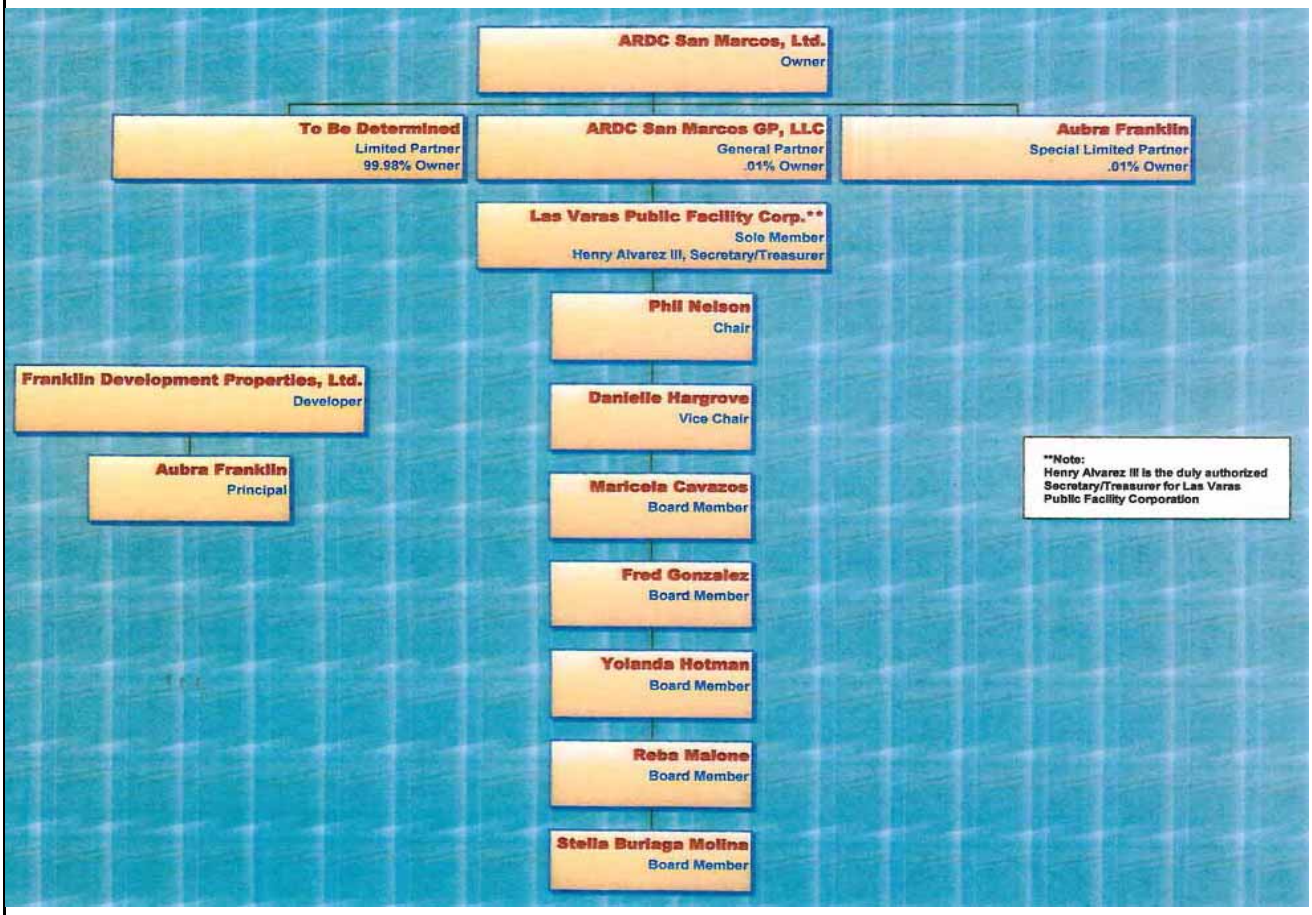
- The site has significant environmental issues that have been identified and are being mitigated to the extent possible, including noise created by IH-35, floodplain at the entrance and front portion of the site, and need to complete the site clean-up remediation program with TCEQ.
- The Underwriter's inclusive capture rate of 23% is just slightly below the Department's maximum of 25% but still within an acceptable range.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Ryan Wilson Phone: (210) 694-2223 Fax: (210) 694-4225

Email: ryan@franklindevelopment

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# Completed Developments
Las Varas Corporation	$4,034,546	$3,106,201	4
Franklin Development	$7,636,656	$7,587,017	8
Aubra Franklin	Confidential	Confidential	Certificate of Experience

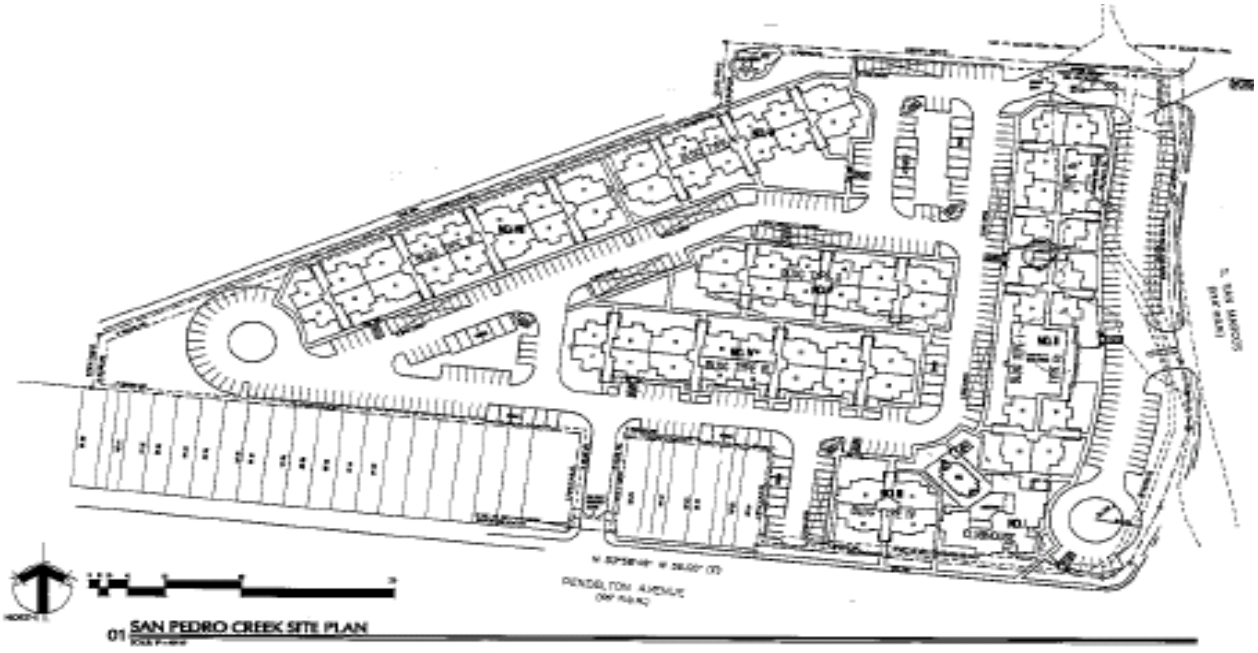
[1] Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments.
- The seller is regarded as a related party due to the proposed loan issued against the land proceeds by the seller. This issue is discussed further and has been reconciled in the development cost section of the report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I(a&b)	II	III	IV	V						Total Buildings
Floors/Stories	4	3	3	3	3						
Number	1	1	2	1	1						**6**

BR/BA	SF	Units										Total Units	Total SF
1/1	750	16	12	6		12						52	39,000
2/2	985	40	12	24		12						112	110,320
3/2	1,160	20	8	18	12	12						88	102,080
Units per Building		76	32	48	12	36						**252**	**251,400**

SITE ISSUES

Total Size:	10.7 acres	Scattered site?	☐	Yes	☒	No	
Flood Zone:	X and AE	Within 100-yr floodplain?	☐	Yes	☒	No	
Zoning:	* IDZ	Needs to be re-zoned?	☐	Yes	☒	No	☐ N/A

Comments:

TDHCA staff is concerned with several issues related to the subject site. These issues will be discussed in further detail in the "TDHCA Site Inspection" section of this report.

* "IDZ" refers to Infill Development Zone, with uses permitted in MF-33 Multi-Family District and C-2 Commercial District.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 8/29/2007

Overall Assessment:

☐ Excellent ☐ Acceptable ☒ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Industrial Warehouse and Commercial beyond

South: Residential Homes and Retail beyond.

East: Commercial/Retail and Interstate 35 beyond

West: Residential homes and Retail beyond.

Comments:

The site inspector noted the following comments: San Antonio stockyards are adjacent to the property even though the stockyards are now closed with several meat packing operations close by. A large drainage ditch is near the site. Interstate traffic is adjacent to the site also.

Due to the "Questionable" assessment made by the TDHCA site inspector and the environmental concerns noted in the environmental report, the Underwriter felt that a visual inspection of the subject property was necessary. A summary of which follows:

The subject property is located to the east of and beneath an elevated portion of Interstate 35 with no easy access to the site from north or south of the interstate. Additionally, the property's close proximity to the interstate creates the potential for noise related issues due to the roadway noise created by I-35. This concern has already been identified in a HUD noise study conducted on September 12, 2007. Receipt, review and acceptance of documentation identifying a plan to mitigate the noise related issues identified in the HUD noise study is a condition of this report.

Another concern relates to the proposed entrance into the development which is planned through S. San Marcos Street located in the easternmost portion of the site and adjacent to San Pedro Creek. This portion of the site is located within shaded X and AE flood zones due to the presence of the creek and causes concern that should the creek ever experience a flood, entrance into the development may be prohibited. As a result, receipt, review and acceptance of documentation identifying a plan to mitigate the potential flood zone issues is a condition of this report.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Integrated Testing and Engineering Company Date: 8/31/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "The target property was the former location of the Swift Meat Company from 1904 until approximately 1995. Remediation of underground fuel storage tanks and removal of coal ash (the result of burning carcasses on-site) began in the early 1990's using Texas Commission on Environmental Quality (TCEQ) guidelines for cleanup. The buildings located on the target property were removed in the early 1990's.....The target property is part of a TCEQ Voluntary Cleanup Program (VCP)." (p. 16)
- "Geo-Marine Incorporated, an environmental consulting company, is currently working with the San Antonio Housing Authority on clean up of the target property. (p. 1) In a letter dated June 18, 2007 from Geo-Marine Incorporated (GMI) to San Antonio Housing Authority, GMI proposes to provide environmental consulting services to develop and prepare a work plan, specifications, and site diagrams for remediation and closure of the contaminated areas at the Swift voluntary Cleanup Program Site No. 190." (p. 13) (Appendix D)
- A noise assessment study was preformed by HUD on September 12, 2007 and the final site evaluation was determined "Normally Unacceptable" due to the roadway noise created by interstate 35 to the east of the subject property. Aircraft noise and railway noise was also tested and was found to be acceptable. The Underwriter recommends that the Applicant develop a plan and provide documentation that the plan will mitigate the noise concerns consistent with HUD guidelines and the conclusions of the report.

Comments:

TEC (Integrated Testing and Engineering Company) recommends that the client follow the cleanup guidelines as approved by TCEQ (Texas Commission on Environmental Quality) (p. 16) and proposed by Geo-Marine Incorporated for remediation and closure plans, providing remediation oversight, and revising and preparing the closure documents for the Swift Site Voluntary Cleanup Program Project. This will be a condition of this report.

MARKET HIGHLIGHTS

Provider: Butler Burgher, Inc. Date: 9/13/2007

Contact: Mary Ann Barnett Phone: (214) 739-0700 Fax: (214) 361-8168

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 12.73 square feet (2.0 mile radius)

"The Primary Market Area is the area bounded by Culebra road on the north, U.S. Highway 90 on the south, S. Flores Street and IH 10 on the east, and 34th Street on the west." (p. 6)

Secondary Market Area (SMA):

A secondary market was not identified in the Market Study.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
San Juan Square	05159	143	137	N/A			

INCOME LIMITS						
Bexar						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60	$22,560	$25,800	$28,980	$32,220	$34,800	$37,380

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/ 60% Rent Limit	1,226	98	0	1,324	52	28	6.04%
2 BR/ 60% Rent Limit	753	98	0	851	112	59	20.09%
3 BR/ 60% Rent Limit	1,127	98	0	1,225	88	50	11.27%

OVERALL DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 65	100%	24,629	100%	24,629	26%	6,465	42%	2,719	76%	2,072
Underwriter	100%	24,615	100%	24,615	24%	5,842	42%	2,457	69%	1,683
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 64/67	Annual Growth Demand based on 4.56% of SA MSA Job Growth *									98
Underwriter			100%	-25	24%	-6	42%	-2	100%	-2

* The subject PMA's population is 4.56% of the San Antonio MSA; therefore, it is reasonable to conclude that job growth within the PMA will be at least consistent with the San Antonio MSA Job estimated job growth.

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 65	252	137	0	389	2,170	17.93%
Underwriter	252	137	0	389	1,681	23.15%

Comments:

The Market Analyst used a turnover rate of 76% based on 2006 IREM data, which is on the high end of turnover rates generally used for HTC properties and is higher than the average turnover for Region 9 reflected in the Department's database of family properties (39.1%). However, the Department's database does not currently filter rural properties and properties with rental assistance, which often experience significantly lower turnover than unassisted urban properties.

Based on the Underwriter's demand analysis, a turnover rate greater than 64% must be used in order to support an inclusive capture rate less than 25% and within the Department's threshold for urban properties targeting families. The Underwriter updated the turnover rate to the IREM 2007 Edition data indicating a rate of 68.5%. The resulting capture rate of 23.15% is just slightly below the Department's threshold but is still acceptable.

Primary Market Occupancy Rates:

"Occupancy levels in the PMA have fluctuated over the last several years from a low of 92.1% occurring in 2003 to a high of 97.3%, which occurred in 2000. The current occupancy rate, as of June 2007, is at 96.5%." (p. 42)

Absorption Projections:

"During pre-leasing, an absorption rate of 5 to 15 units per month is anticipated, with absorption of 25 units per month after completion. The subject community should achieve stabilization by September 2009." (p. 71)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 750 SF 60%	$532	539	$675	539	$136
2 BR 985 SF 60%	$638	646	$801	646	$155
3 BR 1,160 SF 60%	$729	739	$1,009	739	$270

Market Impact:

"The subject market area is centrally located west of the San Antonio CBD. The PMA's central location relative to supportive development ensures future growth as economic conditions improve. Overall, the long-term prospects for the primary market area are good." (p. 50)

Comments:

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 11/30/2007

The Applicant's rent projections are slightly lower than the maximum rents allowed under HTC guidelines. The Underwriter's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of June 2006, maintained by the City of San Antonio Housing Assistance Office, from the 2007 program gross rent limits. The maximum program rents are supported by the market rents determined by the Market Analyst. Tenants will be required to pay for electricity and gas.

In addition to secondary income from normal operation, the Applicant projects income from garages and carports at $2,670 per month for 10 garages and 60 carports. While the Applicant did deduct the cost for construction of these optional amenities from eligible basis, documentation to support the estimated additional rent was not provided. Traditionally, the Department has not accepted carport income and has heavily discounted garage rental income. Given that the Applicant maximized other secondary income and provided no support for garage rental income, the underwriting analysis assumes only the maximum of $15 per unit per month in secondary income from normal operation.

The Applicant's vacancy and collection loss assumptions are in line with current underwriting guidelines and the effective gross income assumption is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 11/30/2007

The Applicant's total annual operating expense projection at $3,214 per unit is within 4% of the Underwriter's estimate of $3,357, derived from the TDHCA database. The Applicant's budget reflects one line item estimate that deviates significantly when compared to the Underwriter's estimate. Specifically, the Applicant's general and administrative expense is $47K lower than the Underwriter's estimate.

The Applicant is also projecting a 100% property tax exemption as a result of the Public Facility's control of the general partner. It is anticipated that the Applicant will enter into a ground lease with the Public Facility in order to secure such an exemption. Receipt, review and acceptance by cost certification of an executed ground lease with clear lease terms including, but not limited to, the annual rent amount is a condition of this report.

Conclusion:

The Applicant's estimated income is consistent with the Underwriter's expectations, total operating expense is within 5% of the database-derived estimate, and the Applicant's net operating income (NOI) estimate is within 5% of the Underwriter's estimate. Therefore, the Applicant's NOI should be used to evaluate debt service capacity. The Year One proforma results in a DCR within the Department's current guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Butler Burgher, Inc Date: 9/13/2007

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Land Only: 10.7 acres	$1,160,000	As of:	8/11/2007
Existing Buildings: (as-is)	$0	As of:	8/11/2007
Total Development: (as-is)	$1,160,000	As of:	8/11/2007

Comments:

The subject site contains 10.7 acres of land and is owned by San Antonio Housing Authority. The site is currently vacant.

The analysis to determine the appraised value for the subject property was based upon the sales data of five (5) similar properties. The Appraiser researched to locate land sales that were comparable to the subject in size, location and zoning. They were described by the Appraiser as transactions within or near the subject's market area that were purchased for multifamily developments. The land is being valued on an adjusted per unit mean value basis of $4,600 times 252 units rounded to a total value of $1,160,000.

The comparability of the properties used in the analysis is questionable due to the distance of each from the subject site. The subject property is located in southwest central San Antonio and one of the comps was located in far northwest San Antonio and one was located in far southwest San Antonio. The other three (3) comps were located east of Interstate 35 in a different market area all together. None of the five (5) comps used were in the subject's defined market area as determined in the market study. However, as discussed below, the Underwriter used the original purchase price plus a reasonable rate of return to determine the Underwriter's acquisition cost.

ASSESSED VALUE

Land Only: 10.7 acres	$869,370	Tax Year:	2007
Existing Buildings:	$0	Valuation by:	Bexar CAD
Total Assessed Value:	$869,370	Tax Rate:	2.666775

EVIDENCE of PROPERTY CONTROL

Type: Option Agreement Acreage: 10.7

Contract Expiration: 8/15/2008 Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $1,160,000 Other: The Purchase Price was established by the appraised value of the property.

Seller: San Antonio Housing Authority Related to Development Team? [X] Yes [ ] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 11/30/2007

Acquisition Value:

The Applicant has an identity of interest with the seller but has provided documentation of the property's original acquisition value (in the form of a closing statement dated January 21, 1994) and an appraised value as required by the QAP. The contracted sales price is the same as the appraised value, but the Underwriter calculated a value of $1,125,590 using an annual rate of return of 4% times the original purchase price of $650,000 for the fourteen year holding period. As discussed above, it is anticipated that Las Varas Public Facility's Corporation or an affiliate thereof will take title to the land and the Applicant will enter into a ground lease with that entity in order to secure a 100% property tax exemption. The Applicant did not provide a ground lease; however, this report has been conditioned upon receipt of a ground lease with terms from the Applicant.

Generally, an adjustment to the acquisition price would result in an equivalent adjustment to the gap in funds, which could decrease in gap based credit determination; however, the Underwriter's reduction in the acquisition price will cause an equivalent adjustment to the amount of the seller note and no net affect to the development's gap in funding.

Sitework Cost:

The Applicant's claimed sitework costs of $6,949 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $1,028,041 or 8.1% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by $374,300 to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Contingency & Fees:

The Applicant's developer fee and contractor fee (general requirements, overhead, and profit) are all within the maximums allowed by TDHCA guidelines; however, the Applicant's contingency exceeds the maximum allowed by HTC guidelines by a total of $140,986 based on their own construction costs. Consequently, the Applicant's eligible basis has been reduced by the same amount with the overage effectively moved to ineligible costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $24,900,827 supports annual tax credits of $1,168,596. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

Issuer: San Antonio HFC

Source: MMA Financial Type: **Interim to Permanent Bond Financing**

Tax-Exempt: $14,400,000 Interest Rate: 6.00% [X] Fixed Amort: 540 months

Comments:

The rate on both the construction and permanent loan will be comprised of the 17-year AAA tax exempt municipal bond rate (BMA/SIFMA rate) currently at 4.35% plus 1.65%.

Source: San Antonio Housing Authority Type: **Seller Financing**

Principal: $1,160,000 Terms: Repayable out of available cash flow after deferred developer fees

Comments:

The seller note will carry an interest rate equal to the applicable federal rate which is currently 4.5% and amortized over 40 years. As indicated above, payments will be made from available cashflow after deferred developer fee. Based on the long-term proforma, the property will generate sufficient cashflow to repay both the deferred developer fee and seller note.

Source: MMA Financial Type: **Syndication**

Proceeds: $10,691,232 Syndication Rate: 93% Anticipated HTC: $ 1,149,825

Amount: $2,011,663 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of $14,400,000 and the SAHA seller note of $1,125,590 indicates the need for $12,702,898 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,366,176 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($1,149,825), the gap-driven amount ($1,366,176), and eligible basis-derived estimate ($1,168,596), the Applicant's request of $1,149,825 is recommended resulting in proceeds of $10,691,232 based on a syndication rate of 93%.

The Underwriter's recommended financing structure indicates the need for $2,011,666 in additional permanent funds. This amounts to 64% of the total deferred fee available and appears to be repayable from development cashflow within ten years of stabilized operation.

Underwriter:	*Carl Hoover*	Date:	January 24, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	January 24, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	January 24, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Artisan At San Pedro Creek, San Antonio, 4% HTC #08401

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 60%	52	1	1	750	$604	$539	$28,019	$0.72	$65.18	$35.82
TC 60%	112	2	2	985	$724	646	72,299	0.66	78.47	42.62
TC 60%	88	3	2	1,160	$837	739	64,997	0.64	98.40	54.11
TOTAL:	252		**AVERAGE:**	998		$656	$165,315	$0.66	$82.69	$45.23

INCOME	Total Net Rentable Sq Ft: 251,400			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$1,983,778	$1,959,264	Bexar	San Antonio	9
Secondary Income	Per Unit Per Month:	$15.00		45,360	72,864	$24.10	Per Unit Per Month	
Other Support Income:				0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$2,029,138	$2,032,128			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(152,185)	(152,412)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,876,952	$1,879,716			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.43%	$479	0.48	$120,713	$73,740	$0.29	$293	3.92%
Management		4.07%	303	0.30	76,457	75,189	0.30	298	4.00%
Payroll & Payroll Tax		12.69%	945	0.95	238,222	240,000	0.95	952	12.77%
Repairs & Maintenance		6.53%	486	0.49	122,514	115,000	0.46	456	6.12%
Utilities		2.12%	158	0.16	39,762	47,825	0.19	190	2.54%
Water, Sewer, & Trash		4.59%	342	0.34	86,193	80,385	0.32	319	4.28%
Property Insurance		3.05%	227	0.23	57,170	70,000	0.28	278	3.72%
Property Tax	2.88207	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		3.36%	250	0.25	63,000	65,000	0.26	258	3.46%
TDHCA Compliance Fees		0.54%	40	0.04	10,080	10,785	0.04	43	0.57%
Other: Cable TV		1.70%	127	0.13	31,979	31,979	0.13	127	1.70%
TOTAL EXPENSES		45.08%	$3,357	$3.37	$846,090	$809,903	$3.22	$3,214	43.09%
NET OPERATING INC		54.92%	$4,091	$4.10	$1,030,862	$1,069,813	$4.26	$4,245	56.91%
DEBT SERVICE									
MMA Financial		49.37%	$3,677	$3.69	$926,700	$925,874	$3.68	$3,674	49.26%
SAHA		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		5.55%	$413	$0.41	$104,163	$143,939	$0.57	$571	7.66%
AGGREGATE DEBT COVERAGE RATIO					1.11	1.16			
RECOMMENDED DEBT COVERAGE RATIO						1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		4.18%	$4,467	$4.48	$1,125,590	$1,160,000	$4.61	$4,603	4.10%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.50%	6,949	6.97	1,751,065	1,751,065	6.97	6,949	6.20%
Direct Construction		47.08%	50,309	50.43	12,677,881	13,705,922	54.52	54,389	48.49%
Contingency	5.00%	2.68%	2,863	2.87	721,447	913,835	3.63	3,626	3.23%
Contractor's Fees	13.85%	7.42%	7,932	7.95	1,998,780	1,998,780	7.95	7,932	7.07%
Indirect Construction		6.50%	6,948	6.96	1,750,960	1,750,960	6.96	6,948	6.20%
Ineligible Costs		4.50%	4,805	4.82	1,210,890	1,210,890	4.82	4,805	4.28%
Developer's Fees	15.00%	11.53%	12,317	12.35	3,103,909	3,128,661	12.44	12,415	11.07%
Interim Financing		6.66%	7,113	7.13	1,792,590	1,792,590	7.13	7,113	6.34%
Reserves		2.95%	3,157	3.16	795,637	850,195	3.38	3,374	3.01%
TOTAL COST		100.00%	$106,860	$107.12	$26,928,749	$28,262,898	$112.42	$112,154	100.00%
Construction Cost Recap		*63.68%*	***$68,052***	***$68.21***	***$17,149,174***	***$18,369,602***	***$73.07***	***$72,895***	*65.00%*

SOURCES OF FUNDS					RECOMMENDED	
MMA Financial	53.47%	$57,143	$57.28	$14,400,000	$14,400,000	$14,400,000	Developer Fee Available
SAHA	4.18%	$4,467	$4.48	1,125,590	1,160,000	1,125,590	$3,128,661
HTC Syndication Proceeds	39.70%	$42,426	$42.53	10,691,232	10,691,232	10,691,232	% of Dev. Fee Deferred
Deferred Developer Fees	7.47%	$7,983	$8.00	2,011,663	2,011,663	2,011,666	64%
Additional (Excess) Funds Req'd	-4.83%	($5,158)	($5.17)	(1,299,736)	3	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$26,928,749	$28,262,898	$28,228,488	$4,816,241

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Artisan At San Pedro Creek, San Antonio, 4% HTC #08401

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$53.19	$13,372,589
Adjustments				
Exterior Wall Finish	4.40%		$2.34	$588,394
Elderly			0.00	0
9-Ft. Ceilings	3.55%		1.89	474,727
Roofing			0.00	0
Subfloor			(2.47)	(620,958)
Floor Cover			2.43	610,902
Breezeways/Balconies	$22.27	62,528	5.54	1,392,499
Plumbing Fixtures	$805	600	1.92	483,000
Rough-ins	$400	504	0.80	201,600
Built-In Appliances	$1,850	252	1.85	466,200
Exterior Stairs	$2,100	84	0.70	176,400
Elevator	$81,250	1	0.32	81,250
Heating/Cooling			1.90	477,660
Garages/Carports	$11.40	14,000	0.63	159,600
Comm &/or Aux Bldgs	$62.87	5,562	1.39	349,697
Other: fire sprinkler	$2.10	251,400	2.10	527,940
SUBTOTAL			74.55	18,741,500
Current Cost Multiplier	0.98		(1.49)	(374,830)
Local Multiplier	0.86		(10.44)	(2,623,810)
TOTAL DIRECT CONSTRUCTION COSTS			$62.62	$15,742,860
Plans, specs, survy, bld prm	3.90%		($2.44)	($613,972)
Interim Construction Interes	3.38%		(2.11)	(531,322)
Contractor's OH & Profit	11.50%		(7.20)	(1,810,429)
NET DIRECT CONSTRUCTION COSTS			$50.86	$12,787,138

PAYMENT COMPUTATION

Primary	$14,400,000	Amort	540
Int Rate	6.00%	DCR	1.11

Secondary	$1,160,000	Amort	0
Int Rate	4.50%	Subtotal DCR	1.11

Additional	$10,691,232	Amort	
Int Rate		Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$926,700
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$143,114

Primary	$14,400,000	Amort	540
Int Rate	6.00%	DCR	1.15

Secondary	$1,125,590	Amort	0
Int Rate	4.50%	Subtotal DCR	1.15

Additional	$10,691,232	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

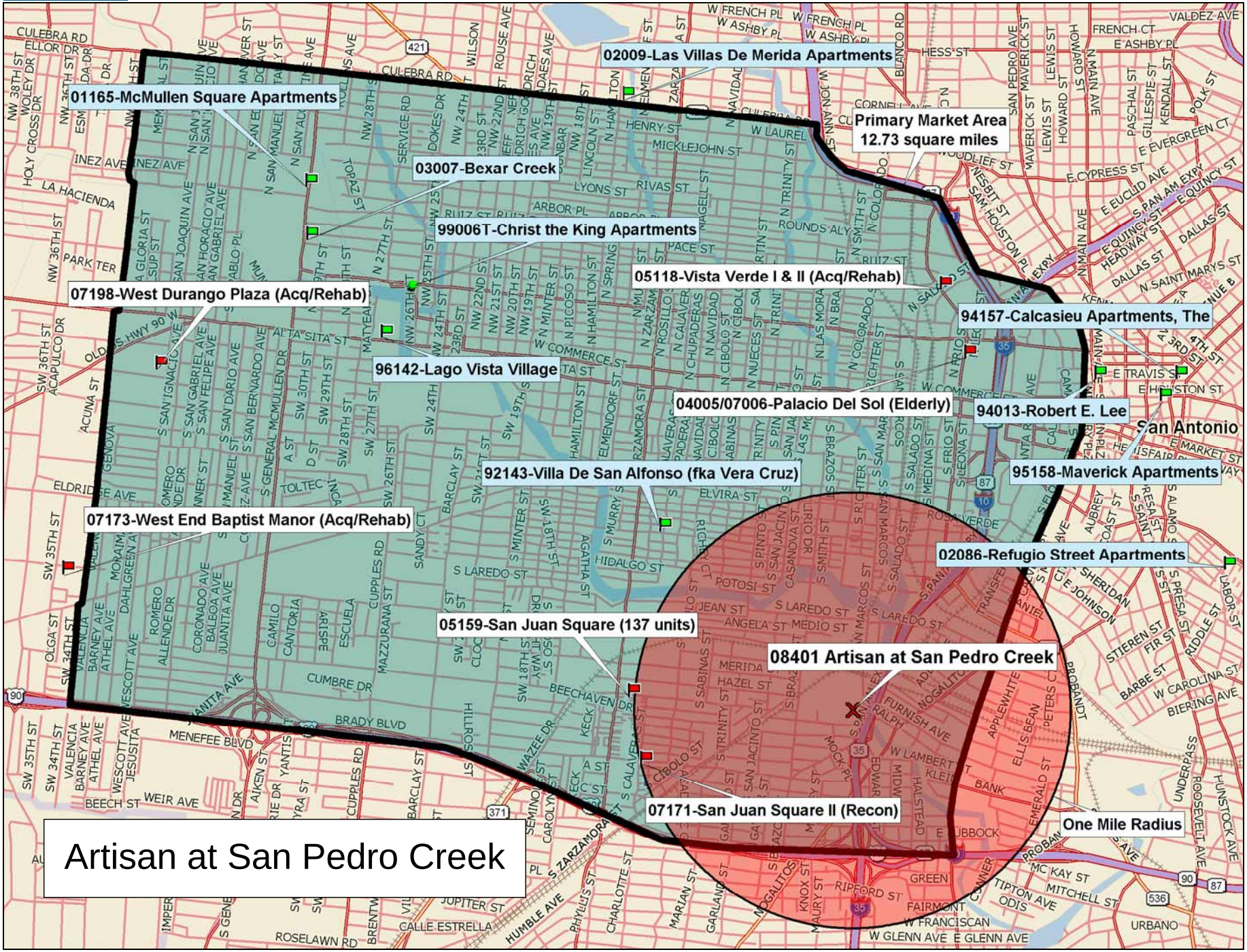
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,959,264	$2,018,042	$2,078,583	$2,140,941	$2,205,169	$2,556,395	$2,963,563	$3,435,581	$4,617,134
Secondary Income	72,864	75,050	77,301	79,620	82,009	95,071	110,213	127,767	171,709
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,032,128	2,093,092	2,155,885	2,220,561	2,287,178	2,651,466	3,073,776	3,563,349	4,788,843
Vacancy & Collection Loss	(152,412)	(156,982)	(161,691)	(166,542)	(171,538)	(198,860)	(230,533)	(267,251)	(359,163)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,879,716	$1,936,110	$1,994,193	$2,054,019	$2,115,640	$2,452,606	$2,843,243	$3,296,098	$4,429,680
EXPENSES at 4.00%									
General & Administrative	$73,740	$76,690	$79,757	$82,947	$86,265	$104,955	$127,694	$155,359	$229,969
Management	75,189	77,445	79,768	82,161	84,626	98,104	113,730	131,844	177,187
Payroll & Payroll Tax	240,000	249,600	259,584	269,967	280,766	341,595	415,602	505,644	748,476
Repairs & Maintenance	115,000	119,600	124,384	129,359	134,534	163,681	199,143	242,288	358,645
Utilities	47,825	49,738	51,728	53,797	55,948	68,070	82,817	100,760	149,150
Water, Sewer & Trash	80,385	83,600	86,944	90,422	94,039	114,413	139,201	169,359	250,693
Insurance	70,000	72,800	75,712	78,740	81,890	99,632	121,217	147,479	218,306
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	65,000	67,600	70,304	73,116	76,041	92,515	112,559	136,945	202,712
Other	42,764	44,475	46,254	48,104	50,028	60,867	74,053	90,097	133,366
TOTAL EXPENSES	$809,903	$841,547	$874,434	$908,614	$944,137	$1,143,831	$1,386,017	$1,679,776	$2,468,504
NET OPERATING INCOME	$1,069,813	$1,094,563	$1,119,759	$1,145,405	$1,171,502	$1,308,775	$1,457,226	$1,616,322	$1,961,175
DEBT SERVICE									
First Lien Financing	$926,700	$926,700	$926,700	$926,700	$926,700	$926,700	$926,700	$926,700	$926,700
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$143,114	$167,863	$193,059	$218,705	$244,803	$382,075	$530,526	$689,622	$1,034,476
DEBT COVERAGE RATIO	1.15	1.18	1.21	1.24	1.26	1.41	1.57	1.74	2.12

HTC ALLOCATION ANALYSIS -Artisan At San Pedro Creek, San Antonio, 4% HTC #08401

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$1,160,000	$1,125,590		
Purchase of buildings				
Off-Site Improvements				
Sitework	$1,751,065	$1,751,065	$1,751,065	$1,751,065
Construction Hard Costs	$13,705,922	$12,677,881	$13,705,922	$12,677,881
Contractor Fees	$1,998,780	$1,998,780	$1,998,780	$1,998,780
Contingencies	$913,835	$721,447	$772,849	$721,447
Eligible Indirect Fees	$1,750,960	$1,750,960	$1,750,960	$1,750,960
Eligible Financing Fees	$1,792,590	$1,792,590	$1,792,590	$1,792,590
All Ineligible Costs	$1,210,890	$1,210,890		
Developer Fees				
Developer Fees	$3,128,661	$3,103,909	$3,128,661	$3,103,909
Development Reserves	$850,195	$795,637		
TOTAL DEVELOPMENT COSTS	$28,262,898	$26,928,749	$24,900,827	$23,796,632

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$24,900,827	$23,796,632
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$32,371,076	$30,935,622
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$32,371,076	$30,935,622
Applicable Percentage		3.61%	3.61%
TOTAL AMOUNT OF TAX CREDITS		$1,168,596	$1,116,776

Syndication Proceeds	**0.9298**	**$10,865,766**	**$10,383,937**
Total Tax Credits (Eligible Basis Method)		**$1,168,596**	**$1,116,776**
Syndication Proceeds		**$10,865,766**	**$10,383,937**
Requested Tax Credits		**$1,149,825**	
Syndication Proceeds		**$10,691,232**	
Gap of Syndication Proceeds Needed		**$12,702,898**	
Total Tax Credits (Gap Method)		**$1,366,176**	



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TN

MN (5.4°E)

Scale 1 : 37,500

1" = 3,125.0 ft

Data Zoom 12-4

060118

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November 25, 2008

VIA HAND DELIVERY

Ms. Robbye Meyer
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: **Amendment Request**
Sunset Haven in Brownsville
TDHCA No. 06118

Dear Robbye:

We represent Sunset Haven, Ltd. (the "**Owner**"), which received low-income housing tax credits ("**Tax Credits**") under the 2006 Qualified Allocation Plan (the "**QAP**"). The Owner constructed the Sunset Haven Apartments in Brownsville, Texas (the "**Property**"). The Property consists of 100 units for elderly residents.

The Property is now completing the cost certification process for issuance of Forms 8609. During the course of this process, it was discovered that the contractor erred in installing certain wiring on the Property. The Owner proposes to rectify the error and submits this amendment request to gain TDHCA's approval of the proposed correction.

The 2006 QAP requires the Property to have three networks: one network installed for phone using CAT5e or better wiring; a second network for data installed using CAT5e or better wiring; and a third network for television services using COAX cable. The contractor properly installed the network for television services. The network for phone was installed using CAT3 wiring, and the network for data was not installed. To completely rewire the Property would be cost prohibitive. Therefore, the Owner will provide an equivalent, but less costly, solution.

With regard to phone service, CAT3 wiring is recognized as acceptable and adequate for residential telephone service. The tenants' ability to have fully operational phone service will not be impacted by the change in wiring. With regard to the data network, the Owner proposes to provide Home Plug Powerline AV Ethernet devices for each residential unit. These devices come in pairs, with one being plugged in to a standard 110v power plug near the internet router. The second device can be plugged into any other 110v power plug in the apartment, instantly creating a home network. The devices will provide the residents full internet access. The devices will be provided to the residents at move-in and must be returned upon move-out. Of course, the devices will be replaced when necessary.

060118

For a description of such a device, see the information attached as Exhibit A. Note it indicates: "Transmitting data over your home's electrical wiring allows you to set up a network without having to run CAT5 cabling between rooms." The device shown on Exhibit A may not be the actual device installed in the residences. Nevertheless, we thought the description would be helpful in reviewing this request.

The Owner believes that the cost for installation of the Ethernet devices will be approximately $17,000. By contrast, the Owner saved approximately $3,960 with the installation of the CAT3 versus CAT5e wiring. This means that the Owner will be spending approximately $13,040 more to provide the residents with the Ethernet devices. This amount can be accommodated in the development budget through the contingency line item.

To further enhance the Property for the residents, the Owner also proposes to install three additional computer units in its resident computer center. These three computer units will cost approximately $3,000.

We believe that this request should be processed administratively, as the amendment does not materially alter the development in a negative manner, as defined in TDHCA's Housing Tax Credit Amendment Process Policy. The residents will have fully functional telephone and internet service and will have the added benefit of networking capability in their units, along with more computer stations available in the resident computer center.

As mentioned above, the Owner has submitted its cost certification and is working to obtain the Forms 8609. They need to be received by year-end for the investor to be able to take the 2008 tax credits. Therefore, we ask you to consider that deadline when considering this amendment request. If staff determines that Board approval is needed for this amendment request, please place this item on the December 18 Board agenda.

Thank you very much. Please accept the enclosed check for $2500 to pay for processing the amendment and contact me if you have any questions.

Sincerely,

LOCKE LORD BISSELL & LIDDELL LLP

By: Cynthia L. Bast
Cynthia L. Bast

Attachment
cc: Bill Lee
Bill Walter
Apolonio Flores

EXHIBIT A

060118

800.952.1815 | 212.444.6708
420 Ninth Avenue
New York, NY 10001, USA
Between 33rd & 34th street

PRINT OPTIONS:
- [x] display product info
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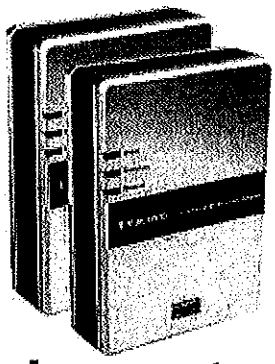


LINKSYS by Cisco

PowerLine AV Ethernet Adapter Kit

HomePlug AV Compatible • Up to 100Mbps • Transmitter and Receiver Included

Mfr # PLK200• B&H LIPLK200

Our Price: $ 132.50

Availability: Accepting Orders

Note! This is not a regularly stocked item. Estimated arrival at B&H is 7-14 business days. You will be charged upon placing your order.

This Item Includes

- 2 x Powerline AV Ethernet Adapters
- Setup Wizard CD-ROM
- User Guide CD-ROM
- Quick Installation
- Start Here Folder
- 1-Year Limited Warranty

Product Information

The **PowerLine AV Ethernet Adapter Kit** from **Linksys** allows you to extend your home LAN without the need for costly and time-consuming wiring. The kit includes a transmitter and receiver module, giving you everything you need to get started. The kit allows you to leverage your home's electrical wiring to extend the coverage of an Ethernet network. You can even use it as part of a wireless network to help eliminate "dead spots" in coverage.

Features

- **Data over Electrical Wires**

Transmitting data over your home's electrical wiring allows you to set up a network without having to run CAT5 cabling between rooms. This is an ideal solution for users who would like to set up a home network.

060118

- **Eliminate Wi-Fi Dead Spots**

Wi-Fi users often experience "dead spots" in their homes. That is, areas where you simply cannot get a wireless signal. You can use this kit to eliminate those dead spots without the need to run any additional cables, expanding the wireless options in your home.

Specifications

- ↳ Adapter
- ↳ General Attributes

Adapter

Interface
Powerline Network

Standards
IEEE 802.3, IEEE 802.3u, HomePlug AV

Data Rate
100Mbps

Connectors
AC Power
1x RJ-45 Ethernet

General Attributes

System Requirements
AC Power Outlet
Ethernet network

Power Requirements
AC: 100-240VAC, 50-60Hz

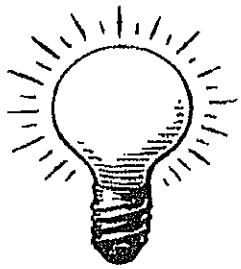
Dimensions (WxHxD)
4 x 5.5 x 2" (10.2 x 14 x 5.1cm)

Weight
0.3 lb (0.14kg)

↑ Back to top

EXHIBIT B

060118



Reliable Crew Inc
501 South Shore
Port Isabel, Texas 78578
(956) 943-5393
(956) 943-5757 (fax)

11-24-08

Attention: Tim Lee

The Difference between the costs of Cat 5 ($7,920.00 for 44,000.00 ft.) & the cost of Cat 3 ($3,960.00 for 44,000.00 ft) is $3,960.00.

If you have any questions please feel free to give Patrick a call (956) 371-0239

060118

Ben Sheppard

From: Bill Lee [blee@apttx.com]
Sent: Friday, December 19, 2008 9:06 AM
To: Ben Sheppard
Subject: RE: Flooring Letters AND Sunset Haven 060118

We are the contractor and forwarded the optional amenities to the Architect but missed the wiring requirement which was in the Threshold Section.
We therefore as Developer/Contractor take responsibility to this error.

The Level One Home Plug is a two element system, the documentation is attached. It comes with all necessary hardware and software. Set up will be handled for each unit by the management staff.

The units cost $64.99 each or $129.98 per pair, one pair per unit.

One unit is linked to the internet router for the apartment, the second unit can be plugged into any other electrical plug in the apartment and it will connect to the internet.

The only equipment the user's computer will need is an Ethernet connection. All wires will be supplied.

Please call me if you have any questions.

Bill Lee
Madison Interests, Inc.
1717 West 6th Street
Austin, Texas 78703
O - 512-328-0487
F - 512-328-0491
C - 512-422-1210

From: Ben Sheppard [mailto:ben.sheppard@tdhca.state.tx.us]
Sent: Thursday, December 18, 2008 3:48 PM
To: Bill Lee
Subject: RE: Flooring Letters AND Sunset Haven 060118

I received one letter from Debbie for Mesquite Terrace. Please send another for Sunset Haven, thanks.

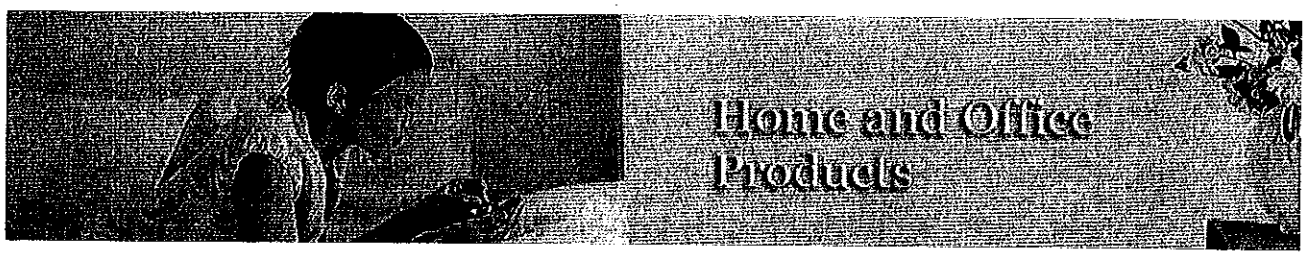
If you did not go to the board meeting, today, you should inquire about the Amberwood decision.

To completely document the facts of your request, we should ask you for clarification of how the contractor was provided with wiring specifications and a copy of the specifications that were provided. The object is to document whose fault it was that the units were not correctly wired. Also, you should document the cost of the systems/devices (that are actually under consideration for installation) from a local provider by submitting bids/estimates. Finally, you should elaborate on any additional equipment that a particular computer would need to possess internally (i.e. Ethernet card, or other accessory) to allow the system that you are proposing to actually operate.

Thanks. Call if needed.

Ben Sheppard
Texas Department of Housing & Community Affairs
Telephone: (512) 475-2122
Facsimile: (512) 475-1895

060118



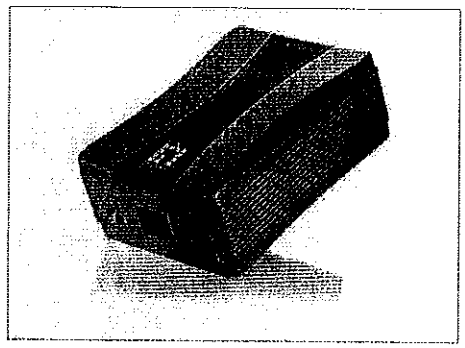
Company

Home and Office Products

- Ethernet Switches
- DSL Modem Routers
- Broadband Routers
- Wireless Access Points
- Wi-Fi Booster
- Antennas
- Network Cameras
- KVM Switches and Extenders
- HomePlug Powerline Adapters
  - 200 Mbps
  - 85 Mbps
- Network Attached Storage
- Print Servers
- Network Adapters
- Bluetooth
- Docking Station

Professional Products

Support



PLI-2030
200Mbps HomePlug AV

BENEFITS

Stream HD (High Definition) multimedia content across your home network
Built-in QoS Engine for prioritized audio and video streaming
Provides up to 200Mbps data transfer rate
128-bit AES secure encryption for enhanced network protection
Simple Plug-and-Play Installation
Cost-effective network solution
Deliver the benefits of Ethernet without wiring expense

OVERVIEW
DIAGRAM
DATASHEET
DOWNLOADS

LevelOne HomePlug AV delivers 200Mbps Network Speeds
The HomePlug AV, PLI-2030, from LevelOne is a high definition home plug Ethernet adapter that is an ideal and cost-effective remedy for streaming high quality video and audio over the home network.

Utilizing the home power line infrastructure
The PLI-2030 establishes an instant home network by pairing simply plugging it into an AC outlet close to a router and another PLI-2030 close the networking device you want to connect to the network. There is no need to spend time and money implementing expensive Ethernet cabling throughout the house. For this purpose, LevelOne is making available a starter kit for a quick set-up of a home network*.

Built-in QoS for fast network speeds
The PLI-2030 HomePlug AV has a built-in Quality of Service (QoS) feature that ensures that necessary bandwidth for streaming multimedia high quality video and audio over the home network is available. With speeds of up to 200Mbps, the PLI-2030 is the best home networking solution for VoIP calls, streaming video and audio as well as popular gaming consoles like the Sony Playstation, Microsoft's Xbox that requires high-speed Internet connectivity.

The PLI-2030's 200Mbps data transfer rate makes it also possible to store, transfer and access large files stored on LevelOne's Home Network Storage devices such as the WAP-0007, WAP-0008 and FNS-1000 up to 10 times faster than other HomePlug devices.

128-bit AES secure encryption for enhance network protection guarantees secure and data transmission privacy.

** The PLI-2030 starter kit available includes 2 HomePlugs, a user's manual, a utility CD for quick installation and a quick started guide*

060118

UNITY ELECTRONICS

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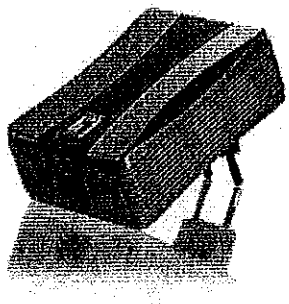

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Level One HomePlug 200Mbps High Definition AV Ethernet Bridge / Adapter, IEEE 802.3/3u/3x, PLI-2030, Retail

level one

Only $64.99 Each

Add to Cart

Manufacturer's Part Number: PLI-2030
This product is **Brand New** in retail packaging.
Product may slightly differ from picture shown.

photo gallery

Click any image to view a larger version. The 'View Slide Show' button shows all images.

View Slide Show

quick glance

- Level One High Definition (HD) AV Ethernet Bridge / Adapter
- 200Mbps Data Transfer Rate
- IEEE 802.3, 802.3u, 802.3x Standards
- 10/100Mbps Ethernet RJ-45 Port
- Compatible with Microsoft Windows 2000/XP
- Plug and Play
- 1-Year Manufacturer's Warranty

product description

LevelOne HomePlug AV delivers 200Mbps Network Speeds
The HomePlug AV, PLI-2030, from LevelOne is a high definition home plug Ethernet adapter that is an ideal and cost-effective remedy for streaming high quality video and audio over the home network.

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060118

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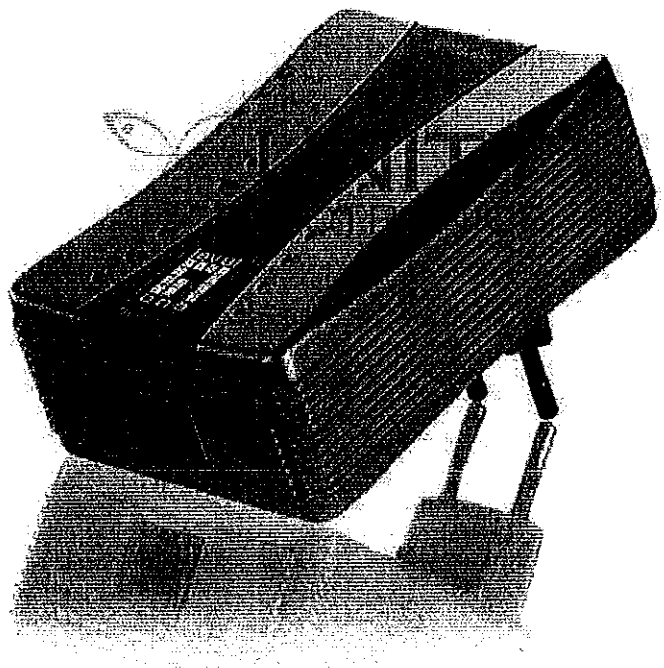
128-bit AES secure encryption for enhance network protection guarantees secure and data transmission privacy.

level one

PLI-2030
200Mbps Home Plug AV
Ethernet Bridge



FEATURES

- Stream HD (High Definition) multimedia content across your home network
- Built-in QoS Engine for prioritized audio and video streaming
- Provides up to 200Mbps data transfer rate
- 128-bit AES secure encryption for enhanced network protection
- Simple Plug-and-Play Installation
- Cost-effective network solution
- Deliver the benefits of Ethernet without wiring expense

specifications

Network protocols	IEEE 802.3 (10Base-T) Ethernet IEEE 802.3u (10Base-Tx) Fast Ethernet IEEE 802.3x (Half-duplex back pressure) IEEE 802.3x (Full-duplex flow control)

060118

Port	10/100Mbps Ethernet RJ-45 Auto-negotiation, Auto MDI/MDIX
Modulation	1024/256/64/16/8 QAM, QPSK, BPSK
Frequency band	2MHz to 30MHz
Security	128-bit AES Link Encryption with key management
Data rate	Up to 200 Mbps
LED indicators	Power HomePlug Link/Act Ethernet Link/Act
OS supported	Windows 2000/XP
Power input	AC 100-240V, 50~60 Hz USA, EU, UK and AU Power Plug availble
Temperature	Operation: 0~45 deg C Storage: -25~70 deg C
Humidity	10%~90%(non-condensing)
Certification	FCC Part 15 Class B, 3-home FCC Certificate CE Mark UL, cUL IEC950 CE LVD
Dimensions	103.0 mm (L) x 71.5 mm (W) x 38.0 mm (H)

warranty

- **Warranty Length:** This product comes with a one-year warranty. (Damaged or defective items, received from shipper, must be emailed to Customer Service within thirty days.)
- **Coverage:** The warranty covers repair/replacement of defective product only.
- **Provider:** This warranty is provided by Level One / CP Technologies.
- **Contact:** If you have a problem that requires warranty service, please contact Level One's Customer Service at 1-800-876-8889.
- **Technical Support:** Should you require technical support on this product, please contact the Level One Technical Support Team at 1-800-876-8889 (ext. 226 or 237).

sales policy

Payment Methods
We accept American Express, Discover, MasterCard, Optima, Visa, PayPal or a pre-approved purchase order.

Sales Tax
Sales tax is charged on items shipped to California.

Typographical and Listing Errors
At Unity Electronics, we strive to maintain as accurate and specific website as possible through our product listings and descriptions. However, we cannot guarantee that all content, pricing or specifications are always current and complete. In the event that a product is listed at an incorrect price due to typographical information, technical or other error, Unity Electronics reserves the right to refuse or cancel any order for that product.

Defective Products and Missing Parts
Contact the warranty service provider listed above for defective products and missing parts. If, after contacting the warranty service provider, the product has not been repaired to your satisfaction, Unity Electronics will work with you to obtain an appropriate resolution. In this event, please email our Customer Service Team or call 510-475-0400.

Return Policy
You have up to 15 days after the shipping date to initiate your return. Your items must reach us within 30 days from the shipping date. Items received after 30 days will not be accepted for return. We will ship all late items back to you. All returns must be accompanied with an RMA number issued by a Unity Electronics employee. You can obtain an RMA number by calling 510-475-0400 x203 or email our Customer Service Team.

To qualify for a refund, ALL items must be returned in their original condition, including the original packaging, manufacturer's containers, documentation, warranty cards, manuals and all accessories. Do not mark or deface the original manufacturer containers in any manner. We will not accept returns if the packaging is not in its original condition.

Inbound Freight for RMA Returns

060118

All returns must be shipped freight prepaid. All related fees (shipping & return shipping fees) are **non-refundable** for all products, in all cases.

Restocking Fee
Unity Electronics reserves the right to charge a 10% restocking fee on all items that are returned. This policy is usually enforced on non-defective returned items. However, all accepted returns are subject to this charge.

Refused Shipments
Customers who refuse delivery in place of contacting Unity Electronics to obtain proper return instructions may be assessed a fee to cover return shipping, package refusal fee, and labor charges. This cost will be passed along to the customer in the form of a deduction from the total credit due to the customer. In addition, refused shipments may be considered an unauthorized return and subject to the policies thereof.

shipping & handling

When will my order ship?
Our processing hours are Monday through Friday, 8 a.m. to 5 p.m. PST. Orders placed Monday through Friday before 3 p.m. PST will be shipped the same day*. All other orders will be shipped the next business day. **Orders are not guaranteed for Saturday or Sunday delivery regardless of shipping method. We do not process or ship any orders on Saturday or Sunday.**

*Orders may be delayed due to incorrect address information, different shipping and billing address information, or availability of the product.

Shipping Charge
Unity Electronics refuses to increase your shipping & handling charges. We only charge ACTUAL SHIPPING COSTS as quoted by UPS.

APO/FPO Orders
Orders shipping to APO or FPO addresses are shipped via **USPS Priority.** Additional shipping fees may apply (a minimum of $10 depending on order size).

P.O. Boxes
We ship to P.O. Boxes via USPS.

International Shipping
Unity Electronics has gone International! We have partnered with Bongo International Parcel and Mail Forwarding to service international customers. Click on the "Sign Up Now" icon below to get started. For Unity Electronics' "Limitations and International Return Policy", click here.

Customs, Duties, Import Fees, and Taxes
The recipient of an international shipment may be subject to import duties and taxes, which are levied once a shipment reaches your country. Additional charges for customs clearance must be borne by the recipient; we have no control over these charges and cannot predict what they may be. Customs policies vary widely from country to country; you should contact your local customs office for further information.

Manufacturer's Part Number: PLI-2030 **Price: $64.99**
UPC Code: 878742000684

Add to Cart

060118

1717 West 6th Street, Suite 410, Austin, Texas 78703

Sunset Haven, Ltd.

Robbye Meyer
Multifamily Finance Production Division
Texas Department of Housing and Community Affairs
221 East 11th
Austin, Texas 78711

Re: Sunset Haven - #060118 – Commitment Notice Requirements

Dear Ms. Meyer:

In support with our amendment request regarding an alternative to CAT 5 wiring, we surveyed all of the residents of the 100 unit elderly Sunset Haven Apartments. The project is currently 100% occupied.

The attached worksheet reflects the results of that study. Only 3 of the 100 residents owns at computer. None own more than one computer. None thought the need to network computers was necessary.

If possible, we would like this information included in the Board Book with our amendment request.

Thank you for you cooperation

For Sunset Haven, Ltd.

William J. Lee, Manager
Tekoa SH, LLC Developer.

Sunset Haven Apartments
Computer Survey

060118

UNIT #	Own a computer?	More than 1 computer?	Would the ability to network your computer be important to you?
1101	NO	NO	NO
1102	NO	NO	NO
1103	NO	NO	NO
1104	NO	NO	NO
1105	NO	NO	NO
1106	NO	NO	NO
1107	NO	NO	NO
1108	NO	NO	NO
1109	NO	NO	NO
1110	NO	NO	NO
1111	NO	NO	NO
1112	NO	NO	NO
1113	NO	NO	NO
1114	NO	NO	NO
1115	NO	NO	NO
1116	NO	NO	NO
1117	NO	NO	NO
1118	NO	NO	NO
1119	NO	NO	NO
1120	NO	NO	NO
1121	NO	NO	NO
1122	NO	NO	NO
1201	NO	NO	NO
1202	NO	NO	NO
1203	NO	NO	NO
1204	NO	NO	NO
1205	NO	NO	NO
1206	NO	NO	NO
1207	NO	NO	NO
1208	YES	NO	NO
1209	NO	NO	NO
1210	NO	NO	NO
1211	NO	NO	NO
1212	NO	NO	NO
1213	NO	NO	NO
1214	NO	NO	NO
1215	NO	NO	NO
1216	NO	NO	NO
1217	NO	NO	NO
1218	NO	NO	NO
1219	NO	NO	NO
1220	NO	NO	NO
1221	NO	NO	NO
1222	YES	NO	NO
1301	NO	NO	NO

Sunset Haven Apartments
Computer Survey

060118

1302	NO	NO	NO
UNIT #	Own a computer?	More than 1 computer?	Would the ability to network your computer be important to you?
1303	NO	NO	NO
1304	NO	NO	NO
1305	NO	NO	NO
1306	NO	NO	NO
1307	NO	NO	NO
1308	NO	NO	NO
1309	NO	NO	NO
1310	YES	NO	NO
1311	NO	NO	NO
1312	NO	NO	NO
1313	NO	NO	NO
1314	NO	NO	NO
1315	NO	NO	NO
1316	NO	NO	NO
1317	NO	NO	NO
1318	NO	NO	NO
1319	NO	NO	NO
1320	NO	NO	NO
1321	NO	NO	NO
1322	NO	NO	NO
1323	NO	NO	NO
1324	NO	NO	NO
1325	NO	NO	NO
1326	NO	NO	NO
1327	NO	NO	NO
1328	NO	NO	NO
2101	NO	NO	NO
2102	NO	NO	NO
2103	NO	NO	NO
2104	NO	NO	NO
2105	NO	NO	NO
2106	NO	NO	NO
2107	NO	NO	NO
2108	NO	NO	NO
2109	NO	NO	NO
2110	NO	NO	NO
2201	NO	NO	NO
2202	NO	NO	NO
2203	NO	NO	NO
2204	NO	NO	NO
2205	NO	NO	NO
2206	NO	NO	NO
2207	NO	NO	NO
2208	NO	NO	NO

Sunset Haven Apartments
Computer Survey

060118

2209	NO	NO	NO
2210	NO	NO	NO
UNIT #	Own a computer?	More than 1 computer?	Would the ability to network your computer be important to you?
3101	NO	NO	NO
3102	NO	NO	NO
3103	NO	NO	NO
3104	NO	NO	NO
3105	NO	NO	NO
3106	NO	NO	NO
3107	NO	NO	NO
3108	NO	NO	NO

(XXIII) Sport Court (T[redacted]l)--Only Family Developments Eligible (2 points); or

(XXIV) Furnished and staffed Children's Activity Center--Only Family Developments Eligible (3 points).

(B) A certification that the Development will have all of the following Unit Amenities (not required for Single Room Occupancy Developments). If fees in addition to rent are charged for amenities, then the amenity may not be included among those provided to satisfy this requirement. Any future changes in these amenities, or substitution of these amenities, may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in a cancellation of a Commitment Notice or Carryover Allocation if the Threshold Criteria are no longer met.

(i) All New Construction Units must be built with three networks: One network installed for phone using CAT5e or better wiring; a second network for data installed using CAT5e or better wiring; and a third network for TV services using COAX cable;

(ii) Mini blinds or window coverings for all windows;

(iii) Dishwasher and Disposal (not required for TX-USDA-RHS Developments);

(iv) Refrigerator;

(v) Oven/Range;

(vi) Exhaust/vent fans in bathrooms; and

(vii) Ceiling fans in living areas and bedrooms.

(C) A certification that the Development will adhere to the Texas Property Code relating to security devices and other applicable requirements for residential tenancies, and will adhere to local building codes or if no local building codes are in place then to the most recent version of the International Building Code.

(D) A certification that the Applicant is in compliance with state and federal laws, including but not limited to, fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. Section 3601 et seq.), and the Fair Housing Amendments Act of 1988 (42 U.S.C. Section 3601 et seq.); the Civil Rights Act of 1964 (42 U.S.C. Section 2000a et seq.); the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.); the Rehabilitation Act of 1973 (29 U.S.C. Section 701 et seq.); Fair Housing Accessibility; the Texas Fair Housing Act; and that the Development is designed consistent with the Fair Housing Act Design Manual produced by HUD, the Code Requirements for Housing Accessibility 2000 (or as amended from time to time) produced by the International Code Council and the Texas Accessibility Standards. (2306.257; 2306.6705(7))

(E) A certification that the Applicant will 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, and that the Applicant will submit a report at least once in each 90-day period following the date of the Commitment Notice until the Cost Certification is submitted, in a format prescribed by the Department and provided at the time a Commitment Notice is received, on the percentage of businesses with which the Applicant has contracted that qualify as Minority Owned Businesses. (2306.6734)

(F) Pursuant to §2306.6722, any Development supported with a housing tax credit allocation shall comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C. The Applicant must provide a certification from an accredited architect or Department-approved third party accessibility specialist, that the Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C and this subparagraph. This includes that for all New Construction Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. A Unit that is on an accessible route and is adaptable and otherwise compliant with sections 3-8 of the Uniform Federal Accessibility Standards (UFAS), shall be deemed to meet this requirement. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments. Additionally, in Developments involving New Construction where some Units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level and all common-use facilities in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. A similar certification will also be required after the Development is completed from an inspector, architect, or accessibility specialist. Any Developments designed as single family structures must also satisfy the requirements of §2306.514, Texas Government Code. (2306.6722 and 2306.6730)

(G) A certification that the Development will be equipped with energy saving devices that meet the standard statewide energy code adopted by the state energy conservation office, unless historic preservation codes permit otherwise for a Development involving historic preservation. All Units must be air-conditioned. The measures must be certified by the Development architect as being included in the design of each tax credit Unit

(-2-)Sub-metered utility meters on new construction project (excluding new construction senior project) (1 point)

(-g-) energy efficiency (4 points maximum);

(-1-)Three points if Energy Elements include Energy-Star qualified windows and glass doors; and Exterior envelope insulation, vapor barriers and air barriers greater than or equal to Energy Star air barrier and insulation criteria; and HVAC, domestic hot water heater, or insulation that exceeds Energy Star standards or exceeds the IRC 2006;

OR

(-2-)Four points if the project promotes energy efficiency by meeting the requirements of Energy Star for Homes by either complying with the appropriate builder option package or a HERS score of 85.

(-h-) thermally and draft efficient doors (SHGC of 0.40 or lower and U-value specified by climate zone according to the 2006 IECC) (2 points);

(-i-) photovoltaic panels for electricity and design and wiring for the use of such panels (3 points maximum);

(-1-)Photovoltaic panels that total 10 kW (1point);

(-2-)Photovoltaic panels that total 20 kW (2 points);

(-3-)Photovoltaic panels that total 30 kW (3 points)

(-j-) construction waste management and implementation of EPA's Best Management Practices for erosion and sedimentation control during construction (1 point);

(-k-) recycling service provided throughout the compliance period (1 point);

(-l-) water permeable walkways (at least 20% of walkways and parking) (1 point).

(-m-) bamboo flooring, wool carpet, linoleum flooring, straw board, poplar OSB, or cotton batt insulation (50% of flooring on the ground floor of the development must be finished concrete and/or ceramic tile. 50% of the flooring on upper floors must be ceramic tile and/or a flooring material that is Floor Score Certified (developed by the Resilient Floor Covering Institute), applied with a Floor Score Certified adhesive and comes with a minimum 7-year wear through warranty. (2 points);

(B) A certification that the Development will have all of the following Amenities at no charge to the tenants. All New Construction or Reconstruction Units must provide the amenities in clauses (i)-(viii) of this subparagraph. Rehabilitation (excluding Reconstruction) and Adaptive Reuse must provide the amenities in clauses (ii) - (ix) of this subparagraph unless expressly identified as not required. (§2306.187)

(i) All New Construction Units must be wired with RG-6 COAX or better and CAT3 phone cable or better, wired to each bedroom, dining room and living room;

(ii) Blinds or window coverings for all windows;

(iii) Disposal and Energy-Star or equivalently rated dishwasher (not required for TRDO-USDA or SRO Developments);

(iv) Energy-Star or equivalently rated (not required for SRO Developments) Refrigerator;

(v) Oven/Range (not required for SRO Developments);

(vi) Exhaust/vent fans (vented to the outside) in bathrooms;

(vii) Energy-Star or equivalently rated ceiling fans in living areas and bedrooms; and

(viii) Energy-Star or equivalently rated lighting in all Units, which may include compact florescent bulbs.

(C) A certifiation that the Development will meet the minimum threshold for size of Units as provided in clauses (i) - (v) of this subparagraph. These minimum requirements are not associated with the Selection Criteria points in subsection (i) of this section. Developments proposing Rehabilitation (excluding Reconstruction) or Single Room Occupancy will not be subject to the requirements of this subparagraph.

(i) 550 square feet for an efficiency Unit;

(ii) 650 square feet for a non-elderly one Bedroom Unit; 550 square feet for an elderly one Bedroom Unit;

(iii) 900 square feet for a non-elderly two Bedroom Unit; 700 square feet for an elderly two Bedroom Unit;

(iv) 1,000 square feet for a three Bedroom Unit; and

(v) 1,200 square feet for a four Bedroom Unit.

060118

SUNSET HAVEN APARTMENTS
BROWNSVILLE, TEXAS

Dec 22, 2008

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

Re: Sunset Haven TDHCA 06-0118 Request for approval – Flooring Materials

Dear Ben:

At the request of the Pharr Housing Authority, we changed our flooring from 10% VCT and 90% carpet to 100% vinyl. Their reasons for this include safety, durability and ease of cleaning. This request was supported with letters from the management company and existing residents.

We look forward to your positive response on this matter.

William J. Lee
Asset Manager

1717 West 6th Street, Suite 410
Austin, Texas 78703
512-328-0487
512-328-0491 Fax

060118

[redacted]
REAL ESTATE SERVICES, INC.

December 18, 2008

Re: Mesquite Terrace Apartment Homes
└ similar development by affiliated applicant.

Dear Mr. Bill Lee,

Capstone finds that the VCT tile is a distinct preference in the Elderly communities over any type of carpeting or other flooring. It allows the residents to move more freely around in there apartment home.

Please let me know if you should have any questions regarding this matter.

Sincerely,

Debbie Wiatrek

Debbie Wiatrek
Regional Manager

CC: Property File

060118

CAPSTONE
REAL ESTATE SERVICES, INC.

December 18, 2008

Re: Mesquite Terrace Apartment Homes

Dear Mr. Bill Lee,

Capstone finds that the VCT tile is a distinct preference in the Elderly communities over any type of carpeting or other flooring. It allows the residents to move more freely around in there apartment home.

Please let me know if you should have any questions regarding this matter.

Sincerely,

Debbie Wiatrek

Debbie Wiatrek
Regional Manager

CC: Property File

12-24-08

060118

WE SPILL THINGS A LOT AND IT WOULD BE VERY HARD TO KEEP A CARPET CLEAN. WITH TILE, IT'S EASIER CLEAN-UP. I USE A WALKER & WHEELCHAIRS, WALKERS, EVEN CANES ARE DIFFICULT TO MANUVEUR WITH CARPET. A WHEELCHAIR IS HARDER TO PUSH IN CARPET THAN TILE. TILE IS JUST MORE PRACTICAL THAN CARPET.

CARPET ALSO CAUSES ALLERGIES AND ACTIVATES YOU TO GET SICK IF YOU AREN'T HAVE ALLERGIES.

Sylvia Lee Powell #1104

060118

I prefer tile than carpet because since I have a wheelchair, it is easier to move around. With carpet, I would not be able to push myself so that I can be independent. I also think having tile, the apartment looks cleaner and stays that way. I don't have to worry about having to wash the carpet or from spilling things when I am alone. Tile is definitely better than having a carpet for any resident who is handicapped.

Daniel Dominguez #1322

12/24/08

060118

I like having tile in my apartment because it's easier to clean than carpet. When a carpet gets dirty, eventually you will have to replace it. Carpet also causes allergies and keeps all the dirt inside of it. You also have to wash carpet to keep clean. With tile, you just sweep and mop and the floor is shiny.

Adelaida Belleville

Apt # 1221

Apt. 1208 Veronica Rendon 12/24/08

060118

The reason I prefer tile than carpet in the apartment is because its easier to clean, sweep and mop.

Veronica Rendon

AMERICAN CARPETS

2422 S. EXPRESSWAY 83 *HARLINGEN, TEXAS 78551
(956) 421-3623 FAX: (956) 421-4556

Estimate 40

Date	Project	Sales Person
9/14/2007		YOYO

Name / Address
TAN CONSTRUCTION SERVICES 2711 CALLE DELICIOSA BROWNSVILLE, TX 78526 956-455-1015

Ship To/Project Location
SUN SET HAVEN APARTMENT BROWNSVILLE TEXAS

Item	Description	Qty	Rate	Total
CARPET	CARPET by mohawk	2,135	5.99	12,788.65
PADDING	PADDING SIZE: 3/8 rebond IN BEDROOMS	2,135	1.50	3,202.50
LABOR (ACCESSORIES)	LABOR FOR carpet	2,135	2.25	4,803.75

2135 x 9 sq.yds. / sq.ft. = 19,215 s.f.

sq. Yards per Eddie at American Carpets -BPS

cost = $ 20,794.9

FROM : AMERICAN Carpets FAX NO. :

060118

AMERICAN CARPETS

2422 S. EXPRESSWAY 83 HARLINGEN, TEXAS 78551
(956) 421-3625 FAX: (956)-421-4556

Estimate 40

Date	Project	Sales Person
9/14/2007		YOYO

Name / Address
TAN CONSTRUCTION SERVICES 2711 CALLE DELICIOSA BROWNSVILLE, TX 78526 956-455-1015 399-5181 fax

Ship To/Project Location
SUN SET HAVEN APARTMENT BROWNSVILLE TEXAS 554-3702 FAX

Item	Description	Qty	Cost	Total
ACCESSORIES	VCT WHERE CARPET SHOULD BE MANNIGTON	570 boxes	29.00	16,530.00
LABOR (ACCESSORIES)	LABOR FOR VCT WHERE CARPET SHOULD BE	570	16.00	9,120.00

Per "Eddie" at supplier BPS → 570 boxes x 45 sf./box = 25,650 ft

25,650

FROM :AMERICAN Carpets FAX NO. :9[illegible]

060118

08133

MGROUP

12-30-08 10:25 IN

December 23, 2008

Mr. Ben Sheppard
TDHCA
221 E. 11th Street
Austin, Texas 78701

RE: Amendment request – The Gardens of Sienna (FKA Timber Creek Senior Living) TDHCA # 08133

Dear Ben,

Transmitted herewith is our request to amend application # 08133 as follows:

1) The Project name has been changed to "The Gardens of Sienna". No ownership changes are affected by the name change.

   Reason for change

   Marketing and branding in the community

2) Provide multiple BIN numbers on the single 3 story building and create a new single story building type. The end result creates 6 BIN numbers in lieu of 1 as originally proposed on the application. This change affects the site plan design; reduces the number of units in the 3 story building from 120 to 96; creates a new single story 8-plex building type consisting of 24 total units.

   The requested changes do not affect the unit set asides, bedroom type, material square footage, site density, parking ratios or any changes that can be considered negative or that would have adversely affected the development in its award. Development square footages are actually increased by this change, not reduced in an effort to save cost.

   Reason for change

   The committed tax credit purchase price is based upon a certain percentage of the tax credits to be made available to the investor in the 1st year the project is placed in service. A single building must be 100% fully leased before any tax credits can be claimed by the partnership and passed through to the investor. Our commitment requires that we deliver approximately 30% of the annual allocation in 2010 which is the first year the project will be placed in service. Project feasibility is contingent upon the delivery of credits in 2010.

   We can meet the requirement to deliver early credits with the flexibility of having 6 BIN numbers in lieu of only one as originally proposed. Rent up and leasing options are significantly improved both by the marketing of single story units to more mobile 55 year old "independent" tenants and those that may be more frail and more mobility impaired which are in need of the supportive services and security offered by the elevator designed 3 story facility.

MGROUP + ARCHITECTS, INC MGROUP HOLDINGS, INC MGROUP, LLC
1013 Van Buren, Houston, Texas 77019 • 713.522.4141 • 713.522.9775(F) • mgroupinc@sbcglobal.net

3) Modify unit designs, floor plans and building elevations. Minor and incidental adjustments were made to unit designs to create attractive exterior elevation design elements and window fenestration on the 3 story building. A new unit and building type was incorporated as a result of the changes to the number of buildings. The final building designs including all common areas increased the development square footage by 2.8% not inclusive of the maintenance and standby generator shed.

   Reason for change

   A new unit and building type is required with the change to a single story building type. Adjustments to the other units are necessary to create the architectural design and attractiveness intended for the development.

In summary, we are asking to split the project into multiple BIN numbers (buildings) so that we can maintain our tax credit pricing and thus keep the project financially feasible. The changes do not adversely affect the award. Indeed, the changes improve the development lease up potential, improve the overall design aesthetics and improve the living environment for the residents.

Please note that approvals of the changes are being requested in advance of their implementation. In this regard we ask that this amendment request be placed on the February 5th board book if such approval can not be made at staff level. This development will close in March (a condition of the equity pricing) so we respectfully ask for staff's assistance in expediting the request.

Best regards,

MGROUP HOLDINGS, INC.

Mark Musemeche

Amendment

08133

Volume 1, Tab 2: Populations Served

Part B. Rent Schedule (Required for All Rental Developments)

Unit types should be entered from smallest to largest based on "# of Bedrooms"and "Unit Size", then within the same "# of Bedrooms" and "unit Size" from lowest to highest "Rental Income/Unit".

Type of Unit designation should be one or more of the following based on the unit's rent restrictions:

Tax Credit: *(TC30%), (TC40%), (TC50%), (TC60%), Employee Occupied (EO), Market Rate (MR), as allowed by Sec. 42.*

HOME: *High (HH), Low (LH), Employee Occupied non LI unit (MR/EO), Market Rate (MR)*

501(c)(3) Mortgage Revenue Bond: *(MRB), (MRB30%), (MRB40%), (MRB50%), (MRB60%), Market Rate(MRBMR).*

Other: *describe any "Other" rental assistance or rent restrictions in the space provided; documentation supporting the rent assistance or restrictions must be provided*

Housing Trust Fund : *(HTF30%), (HTF40%), (HTF50%), (HTF60%), (HTF80%), Market Rate (MR)*

Units funded under more than one program, the "Program Rent Limit" should be the most restrictive - for example, a LH and TC60% unit would use the "LH" Program rent limit.

The rent and utility limits available at the time the Application Packet is submitted should be used to complete this form. Gross Rent cannot exceed the HUD maximum rent limits unless documentation of project-based rental assistance is provided. The unit mix and net rentable square footages must be consistent with the site plan and architectural drawings.

Development Name: THE GARDENS AT SIENNA **City:** BEAUMONT

HTC Unit Designation	HOME Unit Designation	HTF Unit Designation	MRB Unit Designation	Other (unit type)	# of Units (A)	# of Bed-rooms	# of Baths	Unit Size (Net Rentable Sq. Ft.) (B)	Total Net Rentable Sq. Ft. (A) x (B)	Program Rent Limit	Tenant Paid Utility Allow.	Rent Collected /Unit (E)	Total Monthly Rent (A) x (E)
TC30% 3				A1-1	3	1	1.00	675	2,025	288	75	213	639
TC50%				A1-1	3	1	1.00	675	2,025	481	75	406	1,218
TC50% 28				A1 HC	8	1	1.00	675	5,400	481	75	406	3,248
TC50%				A1-2	17	1	1.00	682	11,594	481	75	406	6,902
TC60% 27				A1-2	18	1	1.00	682	12,276	578	75	503	9,054
TC60%				A1-3	9	1	1.00	682	6,138	578	75	503	4,527
MR				A1-3	1	1	1.00	682	682	700	0	700	700
MR				A1-4	2	1	1.00	841	1,682	700	0	700	1,400
TC30%				B1-1	3	2	1.00	792	2,376	346	102	244	732
TC50%				B1-1	1	2	1.00	792	792	578	102	476	476
TC50%				B1-2/3	11	2	1.00	805	8,855	578	102	476	5,236
TC60%				B-2	8	2	1.00	805	6,440	694	102	592	4,736
TC50%				B-3	2	2	2.00	1,027	2,054	578	102	476	952
TC60%				B-3	10	2	2.00	1,027	10,270	694	102	592	5,920
TC60%				B-4	22	2	1.00	868	19,096	694	102	592	13,024
MR				B-4	2	2	1.00	868	1,736	975	0	975	1,950
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
TOTAL					120				93,441				60,714

61 1/1s
47 2/1s
12 2/2s

Non Rental Income	$15.00	per unit/month for:	*laundry, vending, etc.*	1,800
Non Rental Income	5.00	per unit/month for:	*cable rev share*	600
Non Rental Income	0.00	per unit/month for:	*parking revenue*	-
+ TOTAL NONRENTAL INCOME	**$20.00**	per unit/month		2,400
= POTENTIAL GROSS MONTHLY INCOME				63,114
- Provision for Vacancy & Collection Loss			% of Potential Gross Income: 7.50%	4,734
- Rental Concessions				
= EFFECTIVE GROSS MONTHLY INCOME				58,380
x 12 = EFFECTIVE GROSS ANNUAL INCOME				700,565

12-30-08 A08:25 IN

Application

08133

Part B. Rent Schedule (Required for All Rental Developments)

Unit types should be entered from smallest to largest based on "# of Bedrooms" and "Unit Size", then within the same "# of Bedrooms" and "unit Size" from lowest to highest "Rental Income/Unit".

Type of Unit designation should be one or more of the following based on the unit's rent restrictions:

Tax Credit: *(TC30%), (TC40%), (TC50%), (TC60%), Employee Occupied (EO), Market Rate (MR), as allowed by Sec. 42.*

HOME: *High (HH), Low (LH), Employee Occupied non LI unit (MR/EO), Market Rate (MR)*

501(c)(3) Mortgage Revenue Bond: *(MRB), (MRB30%), (MRB40%), (MRB50%), (MRB60%), Market Rate(MRBMR).*

Other: *describe any "Other" rental assistance or rent restrictions in the space provided; documentation supporting the rent assistance or restrictions must be provided*

Housing Trust Fund: *(HTF30%), (HTF40%), (HTF50%), (HTF60%), (HTF80%), Market Rate (MR)*

Units funded under more than one program, the "Program Rent Limit" should be the most restrictive - for example, a LH and TC60% unit would use the "LH" Program rent limit.

The rent and utility limits available at the time the Application Packet is submitted should be used to complete this form. Gross Rent cannot exceed the HUD maximum rent limits unless documentation of project-based rental assistance is provided. The unit mix and net rentable square footages must be consistent with the site plan and architectural drawings.

Development Name: TIMBER CREEK SENIOR LIVING **City:** BEAUMONT

HTC Unit Designation	HOME Unit Designation	HTF Unit Designation	MRB Unit Designation	Other	# of Units (A)	# of Bed-rooms	# of Baths	Unit Size (Net Rentable Sq. Ft.) (B)	Total Net Rentable Sq. Ft. (A) x (B)	Program Rent Limit	Tenant Paid Utility Allow.	Rent Collected /Unit (E)	Total Monthly Rent (A) x (E)
TC30%					3	1	1.00	686	2,058	288	75	213	639
TC50%					28	1	1.00	686	19,208	481	75	406	11,368
TC60%					27	1	1.00	686	18,522	578	75	503	13,581
MR					3	1	1.00	686	2,058	700	0	700	2,100
TC30%					3	2	1.00	808	2,424	346	102	244	732
TC50%					12	2	1.00	808	9,696	578	102	476	5,712
TC50%					2	2	1.00	835	1,670	578	102	476	952
TC60%					30	2	1.00	835	25,050	694	102	592	17,760
TC60%					10	2	1.00	968	9,680	694	102	592	5,920
MR					2	2	2.00	968	1,936	975	0	975	1,950
									0				-
									0				-
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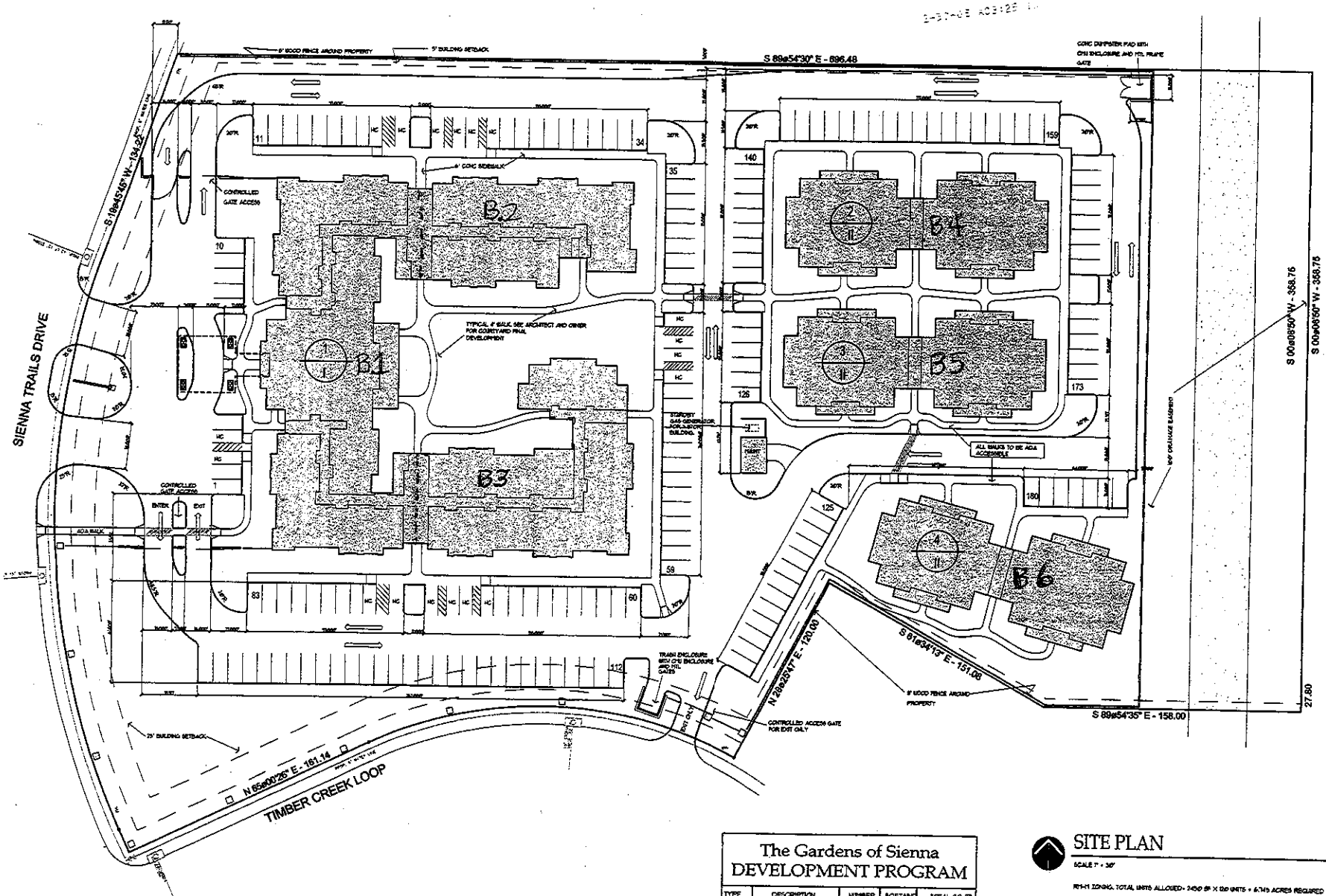
									0				-
				TOTAL	120				92,302				60,714

Non Rental Income	$15.00	per unit/month for:	laundry, vending, etc.		1,800
Non Rental Income	5.00	per unit/month for:	cable rev share		600
Non Rental Income	0.00	per unit/month for:	parking revenue		-
+ TOTAL NONRENTAL INCOME	$20.00	per unit/month			2,400
= POTENTIAL GROSS MONTHLY INCOME					63,114
- Provision for Vacancy & Collection Loss			% of Potential Gross Income:	7.50%	4,734
- Rental Concessions					
= EFFECTIVE GROSS MONTHLY INCOME					58,380
x 12 = EFFECTIVE GROSS ANNUAL INCOME					700,565

61 1/1s

47 2/1s

12 2/2s



Amendment

The Gardens of Sienna
DEVELOPMENT PROGRAM

TYPE	DESCRIPTION	NUMBER	SQ.FT.UNIT	TOTAL SQ. FT.
A1-1	1 BR 1 BATH	6	675	4,710
A1-HC	1 BR 1 BATH	8	675	5,400
A1-2	1 BR 1 BATH	35	682	22,870
A1-3	1 BR 1 BATH	10	682	6,820
A1-4	1 BR 1 BATH	2	841	1,682
B1-1	2BR 1 BA	4	752	3,168
B1-2	2BR 1 BA	7	805	5,635
B1-3	2BR 1 BA	4	805	3,220
B2	2BR 1 BA	6	834	5,004
B2-HC	2BR 1 BA	2	834	1,668
B3	2BR 2BA	12	1027	12,324
B4	2BR 1 BA	24	868	20,832
TOTALS		120		93,733 NRA
COMMON AREA				
	1ST FLOOR COMMON AREA			4,386
	LAUNDRIES			531
	MAINT BUILDING			500
	COVERED BREEZEWAY-1ST			5,681
	COVERED BREEZEWAY -2ND			4,377
	COVERED BREEZEWAY - 3RD			4,868
TOTALS				114,016

SITE PLAN

SCALE 1" = 30'

RM-M ZONING. TOTAL UNITS ALLOWED= 2450 SF X 120 UNITS = 6.745 ACRES REQUIRED

TOTAL ACREAGE UNDER PERMIT= 6.28 ACRES

PARKING	
STANDARD OPEN PARKING SPACES PROVIDED	162
WHEEL CHAIR ACCESSIBLE PARKING (OPEN)	18
PARKING SPACES REQUIRED 120 UNITS X MIN OF 1.5 SPACES PER UNIT = 180 SPACES	
TOTAL ALL PARKING SPACES PROVIDED	180
PARKING SPACES PER UNIT	1.50

SEAL

REVISIONS

PROJECT NUMBER 080

MGROUP + ARCHITECTS, INC

PROJECT

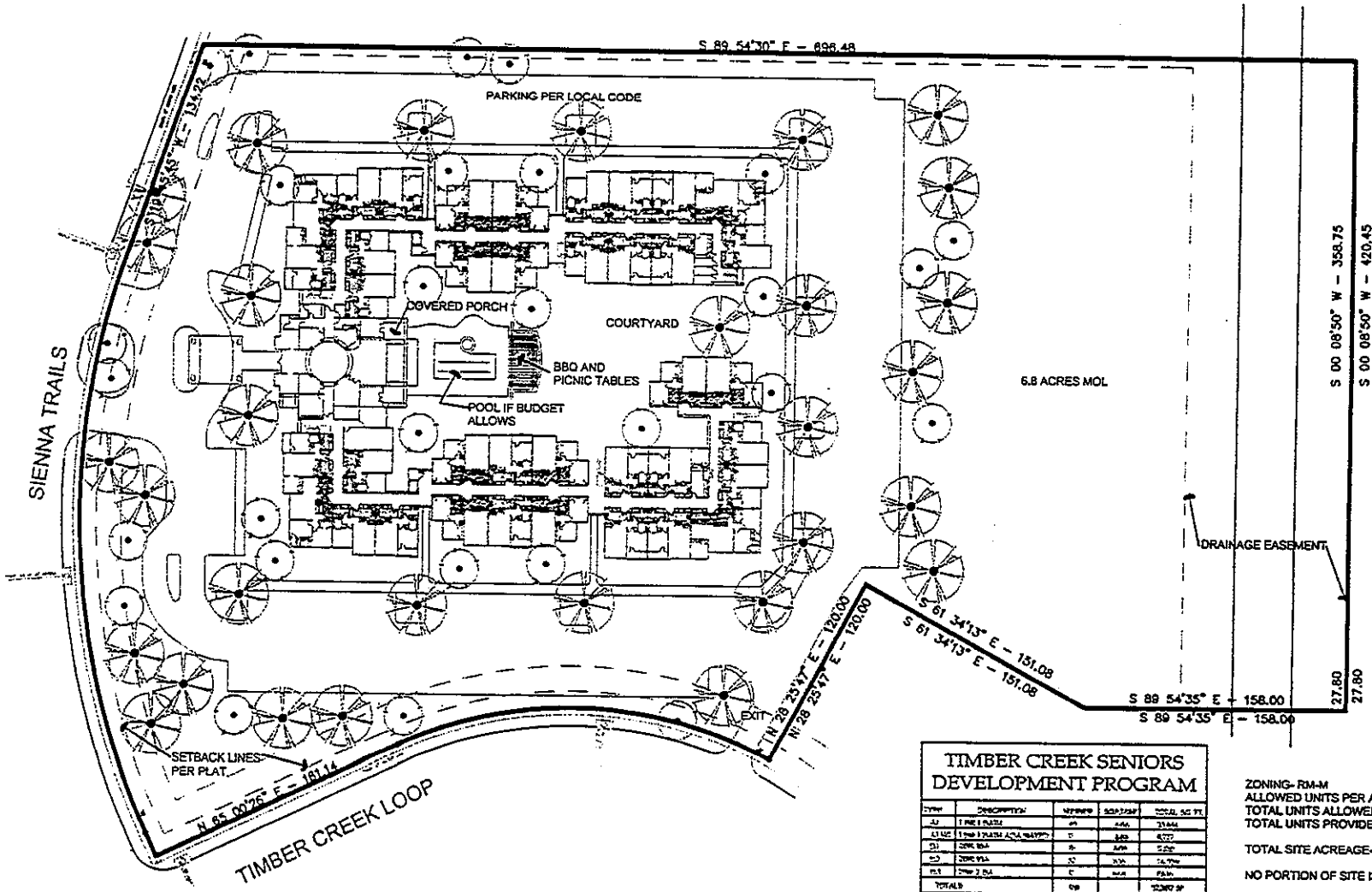
The Gardens at Sienna
A Retirement Community
Beaumont, Texas

08133

SHEET TITLE
SITE PLAN

DATE

SHEET NUMBER
AS.1



N

PRELIMINARY SITE PLAN

1"=60'

TIMBER CREEK SENIOR VILLAGE

TIMBER CREEK SENIORS DEVELOPMENT PROGRAM

TYPE	DESCRIPTION	NUMBER	SQUARE FEET	TOTAL SQ FT
TOTALS				
COMMON AREAS				
TOTALS				
PARKING				

ZONING- RM-M
ALLOWED UNITS PER ACRE- 17.78
TOTAL UNITS ALLOWED PER ZONING- 122.3
TOTAL UNITS PROVIDED- 120 OR 17.44 DU'S /ACRE

TOTAL SITE ACREAGE- 6.88

NO PORTION OF SITE IS IN FLOODPLAIN

Application

08133

12-30-08 A08:26 IN

Zimmerman Properties, LLC

CORPORATE OFFICE: 1730 E. REPUBLIC RD., SUITE F, SPRINGFIELD, MO 65804
PHONE: 417-883-1632 FAX: 417-883-6343

08299

Via Federal Express

October 28, 2008

Texas Dept. of Housing and Community Affairs
Mr. Ben Sheppard
Multifamily Finance and Production Division
211 East 11th Street
Austin, TX 78711-3941

RE: Request for Amendment to Southern View Apartments, Fort Stockton, TX
TDHCA #08299

Dear Mr. Sheppard:

Please consider this a request for amendment to tax credit application for the Southern View Apartment development, TDHCA #08299.

The requested amendment is as follows:

We are requesting to modify the site layout and building plans submitted during the application process. The original site plan is shown on attached Exhibit "A" and the original building plans as shown on attached Exhibit "B-1 through B-6". The clubhouse, tot lots, picnic area and buildings are being relocated per the attached revised site plan shown on Exhibit "C". One of the 16 Unit Buildings has been redesigned as two 8 Unit Buildings. The revised building plans are shown on Exhibit "D-1 through D-6". The building numbers have changed as shown on Exhibit "C".

The reasoning for the request is due to the unknown city utilities running down the center of the site. By revising the development from 3 buildings to 4 buildings will allow us to build around the easements without the need to relocate the utilities. The construction/development budget has not changed.

The number of units, unit types, unit square footage and other amenities has stayed the same.

Enclosed is a Revised Volume 1, Tab 2, Activity Overview, Part F. Building/Unit Type Configuration.

Please note the following additional change:

- We have purchased the adjoining lot on the southwest corner of the development for an additional $13,000. This purchase was made to avoid future structures being built on this lot.

Enclosed is a check in the amount of $2,500.00 representing the amendment request fee. Please contact me at (417) 89-61-6757 if you need further clarification.

Respectfully submitted,

Justin Zimmerman, member
Zimmerman Properties

RESOLUTION
LTR.

08299

04-01-08A11:36 RCVD

08299

ENTERED
APR 0 1 2008
Housing & Community Affairs

RESOLUTION NO. 08-127R

A RESOLUTION OF THE CITY OF FORT STOCKTON, TEXAS SUPPORTING THE DEVELOPMENT EFFORTS OF WILHOIT PROPERTIES, INC. IN A RENTAL HOUSING PROJECT KNOWN AS THE SOUTHERN VIEW APARTMENTS.

WHEREAS, Wilhoit Properties, Inc. has proposed a development for a rental apartment community located on Ryan Street and Hwy. 385 in the City of Fort Stockton, Texas; and

WHEREAS, Wilhoit Properties, Inc. has submitted an application to the Texas Department of Housing and Community Affairs (TDHCA) for an allocation of 2008 Housing Tax Credits for the proposed Southern View Apartments; and

WHEREAS, §50.5 (a)(7A&B) of the Texas 2008 Qualified Allocation Plan, requires prior approval of the development by the City of Fort Stockton; and a written statement of support; and

WHEREAS, the City Council recognizes the importance of the development of housing within the City of Fort Stockton:

NOW, THEREFORE, BE IT RESOLVED, that the City of Fort Stockton, Pecos County, Texas is supportive of Wilhoit Properties, Inc. efforts to continue the process of rezoning and permitting for development of the Southern View Apartments, and gives permission to the Texas Department of Housing and Community Affairs to issue an allocation of Housing Tax Credits for the Southern View Apartments in the City of Fort Stockton, Texas.

APPROVED AND PASSED THIS 25th DAY OF MARCH, 2008.

Ruben V. Falcon, Mayor

Rafael Castillo, Jr., City Manager

ATTEST:

Delma A. Gonzalez, City Secretary

Approved as to form & legality:

Mart O. Adams, City Attorney

08299

08299

S

THE CITY OF FORT STOCKTON, TEXAS

ENTERED

MAYOR
RUBEN V. FALCON, JR.

CITY MANAGER
RAFAEL CASTILLO, JR.

CITY SECRETARY
DELMA A. GONZALEZ

CITY ATTORNEY
MARTIN O. ADAMS

P.O. BOX 1000
121 WEST SECOND STREET
FORT STOCKTON, TEXAS 79735
AREA CODE 432-336-8525
FAX 432-336-6273

Robbye Meyer
Texas Department of Housing & Community Affairs
221 E. 11th Street
Austin, Texas 78701

02-29-08 11:08 RCVD

Re: Southern View Apartments
Fort Stockton, Texas

Dear Ms. Meyer:

Please be advised that Wilhoit Properties, Inc. has been in contact with my office and city staff and has submitted information regarding the Southern View Apartments that is proposed near Ryan Street and Hwy. 385. It is my understanding that this community will be very similar in nature to the Valley Creek Apartments that has been previously developed in Fort Stockton by Wilhoit Properties, Inc.

The City of Fort Stockton continues to have a need for safe, clean, and decent housing for the residents of our city. This proposed community will add to and help to improve the availability of housing within the City of Fort Stockton.

Therefore, pursuant to Section 50.5 (a)(7A&B) of the Texas 2008 Qualified Allocation Plan, the City of Fort Stockton has been advised of this community, gives approval of the community, with the understanding that final plans and specifications must be approved by our city departments.

The City of Fort Stockton also gives approval to the Texas Department of Housing and Community Affairs to allocate Housing Tax Credits for this Community.

Also, let it be known that the City of Fort Stockton is in support of the Southern View Apartment community.

Cordially,

Mayor, Ruben Falcon

City Manager, Rafael Castillo, Jr.

COUNCILMEMBERS
LUIS VILLARREAL
VANESSA CARDWELL
BRENDA TIPTON
JOHN F. PACHECO
STEVE HAMPTON

C: Paul Holden – Wilhoit Properties, Inc.
Raymond Casas – Code Enforcement Officer/ Building Official
Doug May – Director of Economic Development
Luis Villarreal – Councilperson
Brenda Tipton – Councilperson
Vanessa Cardwell – Councilperson
Steve Hampton – Councilperson
John Pacheco – Councilperson

Reference recommendation support letter Southern View Apartments, Fort Stockton, Texas.

sm

08299

THE CITY OF FORT STOCKTON, TEXAS

MAYOR
RUBEN V. FALCON, JR.

CITY MANAGER
RAFAEL CASTILLO, JR.

CITY SECRETARY
DELMA A. GONZALEZ

CITY ATTORNEY
MARTIN O. ADAMS

P.O. BOX 1000
121 WEST SECOND STREET
FORT STOCKTON, TEXAS 79735
AREA CODE 432-336-8525
FAX 432-336-6273

Paul Holden
Wilhoit Properties, Inc.
16188 Oak Grove Road
Buda, Texas 78610

Re: Utility easement relocations and vacation of street ROW
Southern View Apartments
Fort Stockton, Texas

Dear Mr. Holden:

Pursuant to your request, please be advised that the City of Fort Stockton was aware at the time of the request for rezoning of the property for the Southern View Apartments, that a request would be made to address the existing utility easements on the property to accommodate the building layout. In addition the City of Fort Stockton was also aware at that time that a request to vacate a section of Oklahoma Street would be received in order to accommodate the site plan.

Representative of Zimmerman Properties have been in contact with our staff and we are working with them to resolve any issue.

Please contact my office with any questions you may have at (432) 336-8525.

Sincerely,

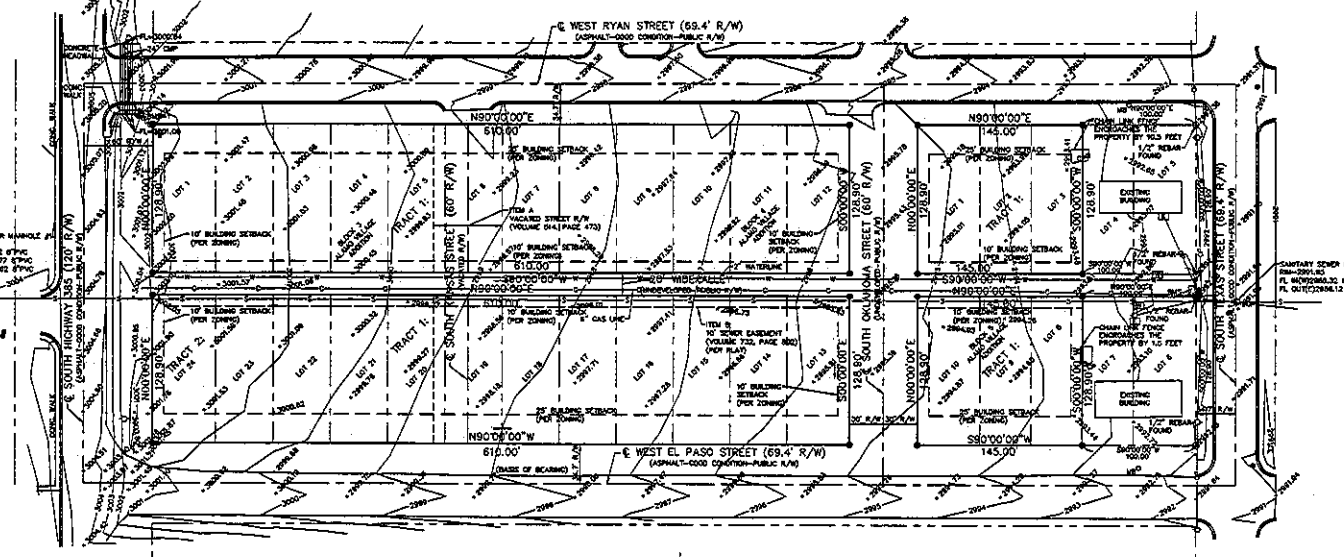
Rafael Castillo, Jr.
City Manager

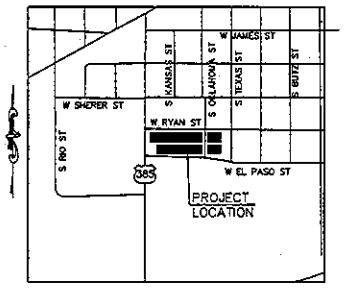
COUNCILMEMBERS LUIS VILLARREAL VANESSA CARDWELL BRENDA TIPTON JOHN F. PACHECO STEVE HAMPTON

08299

Received 12/10/08 in association with amendment request

815.0'





VICINITY MAP:
NOT TO SCALE

UTILITY NOTE:
"THE UNDERGROUND UTILITIES SHOWN HAVE BEEN LOCATED FROM FIELD SURVEY INFORMATION AND EXISTING DRAWINGS. THE SURVEYOR MAKES NO GUARANTEE THAT THE UNDERGROUND UTILITIES SHOWN COMPRISE ALL SUCH UTILITIES IN THE AREA, EITHER IN SERVICE OR ABANDONED. THE SURVEYOR FURTHER DOES NOT WARRANT THAT THE UNDERGROUND UTILITIES SHOWN ARE IN EXACT LOCATION INDICATED ALTHOUGH HE DOES CERTIFY THAT THEY ARE LOCATED AS ACCURATELY AS POSSIBLE FROM THE INFORMATION AVAILABLE. THIS SURVEYOR HAS NOT PHYSICALLY LOCATED THE UNDERGROUND UTILITIES."

BENCHMARKS:
BM# 1 - FINISHED FLOOR AT ALAMO ELEMENTARY SCHOOL. ELEVATION TAKEN FROM PLANS AT THE CITY OF FORT STOCKTON BUILDING DEPARTMENT.
ELEVATION=3007.25
BMS-1 - CHISELED SQUARE ON NORTHEAST CORNER OF HEADWALL AT THE NORTHWEST CORNER OF LOT 1, BLOCK 3 AND 4, ALAMO VILLAGE ADDITION.
ELEVATION=3004.47
BMS-2 - 60D NAIL SET IN WEST SIDE OF THE UTILITY POLE ON THE EAST END OF THE SUBJECT PROPERTY ON THE END OF THE ALLEY.
ELEVATION=2993.18

REFERENCE PLAT:
ALAMO VILLAGE ADDITION TO THE CITY OF FORT STOCKTON, PECOS COUNTY, TEXAS.

ENCROACHMENT:
1. CHAIN LINK FENCE ENCROACHES THE SUBJECT PROPERTY BY 10.5 FEET AT THE NORTHEAST SIDE OF LOT 3, BLOCK 5, ALAMO VILLAGE ADDITION.
2. CHAIN LINK FENCE ENCROACHES THE SUBJECT PROPERTY BY 1.5 FEET AT THE EAST SIDE OF LOT 8, BLOCK 5, ALAMO VILLAGE ADDITION.

LAND AREA:

LOTS 1-12 BLOCKS 3 & 4	= 78,629 SQUARE FEET OR 1.81 ACRES, MORE OR LESS
LOTS 13-23 BLOCKS 3 & 4	= 71,539 SQUARE FEET OR 1.64 ACRES, MORE OR LESS
LOTS 1-3 BLOCK 5	= 18,690 SQUARE FEET OR 0.43 ACRES, MORE OR LESS
LOTS 8-10 BLOCK 5	= 18,690 SQUARE FEET OR 0.43 ACRES, MORE OR LESS
LOT 24 BLOCK 3	= 7090 SQUARE FEET OR 0.16 ACRES, MORE OR LESS
TOTAL	= 194,638 SQUARE FEET OR 4.47 ACRES, MORE OR LESS

NOTES:
1. PER THE CITY OF FORT STOCKTON, TEXAS ZONING REGULATIONS, THIS PROPERTY IS ZONED "MF" - MULTI-FAMILY DISTRICT.
2. "MF" ZONING REQUIREMENTS:
BUILDING SETBACKS:
FRONT: 25 FEET
SIDE: 15 FEET, UNLESS THE SIDE OF THE BUILDING IS LESS THAN 35 FEET THEN 10 FEET
REAR: 10 FEET
MAXIMUM BUILDING HEIGHT: 3 STORIES OR 40 FEET
3. THERE EXISTS NO DESIGNATED PARKING AREAS OR BUILDINGS ON THE SUBJECT PROPERTY AT THE TIME OF SURVEY.
4. THE SUBJECT PROPERTY IS LOCATED IN AN AREA LABELED ZONE "C" (AREAS OF MINIMAL FLOODING) AS DETERMINED BY FEMA FLOOD INSURANCE RATE MAP NUMBER 480525 0005 B, EFFECTIVE DATE NOVEMBER 1, 1985.
5. ACCESS TO THE SUBJECT PROPERTY VIA WEST RYAN STREET, SOUTH OKLAHOMA STREET, WEST EL PASO STREET, AND HIGHWAY 385.
6. THE BASIS OF BEARING USED FOR THIS SURVEY WAS ASSUMED S90°00'00"W ON THE SOUTH LINE OF LOTS 13-23 BLOCKS 3 AND 4, ALAMO VILLAGE ADDITION.
7. IN MOST CASES DRAINAGE APPEARS TO DRAIN INTO PUBLIC RIGHT-OF WAYS.
8. ALL UTILITIES APPEAR TO ENTER THE PROPERTY VIA A PUBLIC RIGHT-OF-WAY OR VIA A UTILITY EASEMENT.
9. THERE IS NO OBSERVABLE EVIDENCE OF THE SITE BEING USED AS A SOLID WASTE DUMP, SUMP OR SANITARY LANDFILL.
10. THERE IS NO OBSERVABLE EVIDENCE OF RECENT STREET OR SIDEWALK CONSTRUCTION OR REPAIRS.
11. THERE ARE NO CHANGES IN STREET RIGHT OF WAY LINES EITHER COMPLETED OR PROPOSED, AND AVAILABLE FROM THE CONTROLLING JURISDICTION.
12. THERE IS NO OBSERVABLE EVIDENCE OF EARTH MOVING WORK, BUILDING CONSTRUCTION OR BUILDING ADDITIONS WITHIN RECENT MONTHS.

GRAPHIC SCALE
0 25 50 100 200
(IN FEET)
1 inch = 50 ft.

LEGEND:
- 1/2"x24" REBAR W/CAP SET (UNLESS NOTED OTHERWISE)
- MONUMENT FOUND
- BENCHMARK
- GATE POST
- STREET/TRAFFIC SIGN
- ELECTRIC METER
- WATER LINE VALVE
- POWER POLE
- SANITARY SEWER MANHOLE
- OVERHEAD POWER LINE
- WATER METER
- MAIL BOX
- GAS LINE VALVE
- GUY ANCHOR
- CHAIN LINK FENCE
- FIRE HYDRANT
- BURIED GAS LINE
- BURIED WATER LINE
- BURIED SANITARY SEWER LINE
- EXISTING GRADE CONTOUR
- EXISTING GRADE SPOT ELEVATION

DESCRIPTION:
TRACT 1:
LOTS ONE THROUGH TWENTY-THREE (1-23), BOTH INCLUSIVE, OF BLOCKS THREE AND FOUR (3 & 4), AND LOTS ONE THROUGH THREE (1-3) AND LOTS EIGHT THROUGH TEN (8-10) OF BLOCK FIVE (5) ALAMO VILLAGE ADDITION TO THE CITY OF FORT STOCKTON, PECOS COUNTY, TEXAS ACCORDING TO THE MAP OR PLAT OF SAID ADDITION OF RECORD IN THE OFFICE OF THE COUNTY CLERK OF PECOS COUNTY, TEXAS, INCLUDING THAT PORTION OF KANSAS STREET CLOSED BY CITY ORDINANCE DATED AUGUST 25, 1982, RECORDED IN VOLUME 514, PAGE 463, DEED RECORDS OF PECOS COUNTY, TEXAS.

TRACT 2:
LOT TWENTY-FOUR (24), BLOCK THREE (3), ALAMO VILLAGE ADDITION TO THE CITY OF FORT STOCKTON, PECOS COUNTY, TEXAS, ACCORDING TO THE MAP OR PLAT OF SAID ADDITION ON FILE IN THE OFFICE OF THE COUNTY CLERK OF PECOS COUNTY, TEXAS.

SURVEY REFERENCE:
COMMITMENT NO: PC06320449
EFFECTIVE DATE: SEPTEMBER 29, 2008
LAWYERS TITLE INSURANCE CORPORATION

A. EASEMENT GRANTED TO THE CITY OF FORT STOCKTON BY INSTRUMENT DATED AUGUST 6, 1982, EXECUTED BY FIRST STOCKTON CORPORATION AND RECORDED IN VOLUME 514, PAGE 473, DEED RECORDS OF PECOS COUNTY, TEXAS. (PLOTTED AND SHOWN)
B. EASEMENT GRANTED TO THE CITY OF FORT STOCKTON BY INSTRUMENT DATED OCTOBER 1, 2001, EXECUTED BY HITCHING POST ENTERPRISES AND RECORDED IN VOLUME 732, PAGE 802, DEED RECORDS OF PECOS COUNTY, TEXAS. (PLOTTED AND SHOWN)

SURVEYOR'S CERTIFICATION:
THE UNDERSIGNED, BEING A REGISTERED LAND SURVEYOR OF THE STATE OF TEXAS (REG. NO. 5766), DOES HEREBY CERTIFY TO FORT STOCKTON SOUTHERN VIEW APARTMENTS, LP, EMPIRE BANK, ITS SUCCESSORS AND ASSIGNS, AND
MENTOR-FAIR TITLE COMPANY, AS AGENT FOR LAWYERS TITLE INSURANCE CORPORATION;
1. THE ATTACHED PRINT OF THE SURVEY PREPARED BY ME WAS ACTUALLY MADE UPON THE GROUND AND DATED SEPTEMBER 4, 2008 AND;
2. THE SURVEY AND THE INFORMATION, COURSES AND DISTANCES SHOWN THEREON ARE CORRECT;
3. THE SURVEY CORRECTLY SHOWS A FIXED AND DETERMINABLE POSITION AND LOCATION OF THE LAND DESCRIBED THEREON (INCLUDING THE POSITION OF THE POINT OF BEGINNING IF THE LAND IS DESCRIBED BY METES AND BOUNDS);
4. THE PRINT OF THE SURVEY REFLECTS BOUNDARY LINES OF THE DESCRIBED LAND WHICH CLOSE BY ENGINEERING CALCULATIONS;
5. THE SIZE, LOCATION AND TYPE OF BUILDINGS AND IMPROVEMENTS ARE CORRECT AS SHOWN AND ALL ARE WITHIN THE BOUNDARY LINES OF THE LAND;
6. ALL DRIVEWAYS OR OTHER CUTS IN THE CURB ALONG ANY STREET UPON WHICH THE LAND ABUTS ARE CORRECT AS SHOWN;
7. EXCEPT AS SHOWN DEPICTED AND SPECIFICALLY ENUMERATED AND IDENTIFIED ON THE SURVEY, THE SUBJECT LAND DOES NOT SERVE ANY ADJOINING PROPERTY FOR DRAINAGE, UTILITIES, OR INGRESS OR EGRESS;
8. THERE ARE NO VIOLATIONS OF ZONING ORDINANCES, RESTRICTIONS OR OTHER RULES AND REGULATIONS WITH REFERENCE TO THE LOCATION OF SAID BUILDINGS AND IMPROVEMENTS;
9. THERE ARE NO EASEMENTS, ENCROACHMENTS, RIGHT-OF-WAY OR USES AFFECTING THE LAND APPEARING FROM A CAREFUL PHYSICAL INSPECTION OF THE SAME, OTHER THAN THOSE SHOWN AND DEPICTED ON THE SURVEY AND ALL RECORDED EASEMENTS HAVE BEEN CORRECTLY PLATTED THEREON TOGETHER WITH APPLICABLE RECORDING DATA FOR THE SAME, THAT THE LAND IS THE SAME AS DESCRIBED IN TITLE COMMITMENT NO. PC06320449 DATED FEBRUARY 19, 2008, AND THAT ALL EASEMENTS, COVENANTS AND RESTRICTIONS REFERENCED IN SAID TITLE COMMITMENT, OR EASEMENTS OF WHICH THE UNDERSIGNED HAS BEEN ADVISED OR HAS KNOWLEDGE, HAVE BEEN PLOTTED HEREON OR OTHERWISE NOTED AS TO THEIR EFFECT ON THE LAND;
10. THERE ARE NO BUILDING RESTRICTIONS OF SETBACK LINES, PARTY WALLS, ENCROACHMENTS, OVERHANGS OF ANY IMPROVEMENT UPON ANY EASEMENTS, RIGHTS-OF WAY OR ADJACENT LAND UPON THE LAND, EXCEPT AS SHOWN, DEPICTED AND SPECIFICALLY ENUMERATED AND IDENTIFIED ON THE SURVEY;
11. THE SUBJECT PROPERTY LIES WITHIN FLOOD ZONE C AS IDENTIFIED ON FEMA FLOOD INSURANCE RATE MAP NUMBER 480525 0005 B, EFFECTIVE DATE OF NOVEMBER 1, 1985; AND
12. THE LAND HAS ACCESS TO AND FROM A PUBLIC RIGHT OF WAY KNOWN AS RYAN STREET;
THE ATTACHED PLAT AND SURVEY ON WHICH IT IS BASED WERE MADE (I) IN ACCORDANCE WITH THE "MINIMUM STANDARD DETAIL REQUIREMENTS FOR ALTA/ACSM LAND TITLE SURVEYS" JOINTLY ESTABLISHED AND ADOPTED BY ALTA AND NSPS IN 2005, AND INCLUDES ITEMS 1 THROUGH 4, 6, 7(A), 7(C), 8 THROUGH 11(A), 12, 13, 16 AND 18 OF TABLE A THEREOF; AND (II) PURSUANT TO THE ACCURACY STANDARDS AS ADOPTED BY ALTA AND NSPS AND IN EFFECT ON THE DATE OF THIS CERTIFICATION. THE UNDERSIGNED FURTHER CERTIFIES THAT IN MY PROFESSIONAL OPINION, AS LAND SURVEYOR REGISTERED IN THE STATE OF TEXAS, THE RELATIVE POSITIONAL ACCURACY OF THIS SURVEY DOES NOT EXCEED THAT WHICH IS SPECIFIED THEREIN. THE PARTIES LISTED ABOVE ARE ENTITLED TO RELY ON THE SURVEY AND THIS CERTIFICATION AS BEING TRUE AND ACCURATE.
DATE OF SURVEY: SEPTEMBER 4, 2008
ERROR OF CLOSURE: 1:75,045

JOSEPH A. HERRING
TEXAS RLS-5766

STATE OF TEXAS JOSEPH ANTHONY HERRING 5766 REGISTERED LAND SURVEYOR

THE PROPERTY DESCRIBED AND SHOWN HEREON IS THE SAME PROPERTY DESCRIBED IN LAWYERS TITLE INSURANCE CORPORATION, TITLE COMMITMENT NUMBER PC06320449, DATED SEPTEMBER 29, 2008.

REV	DATE	DESCRIPTION	DSN	DWN	CHK
1	10/15/08	REVISED TITLE COMMITMENT		JWA	
0	09/24/08	INITIAL ISSUE		JWA	

DESIGN SURVEYS, LLC
707 N. MAIN STREET
EUDORA, KANSAS 66025
PH. (913) 686-4427
FAX (913) 686-4430

SOUTHERN VIEW APARTMENTS
S. HIGHWAY 385 AND W. RYAN STREET
FORT STOCKTON, TEXAS

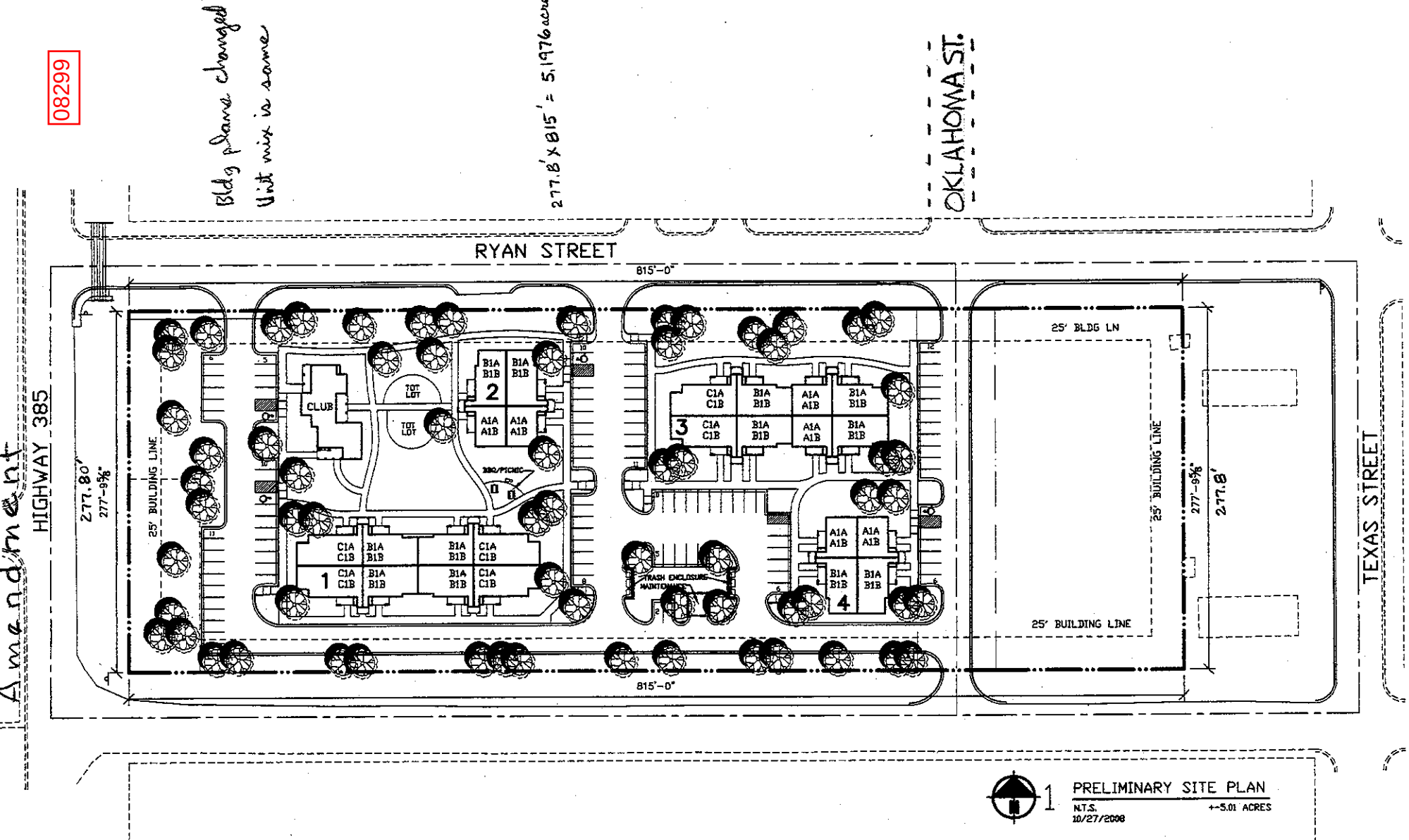
ALTA/ACSM LAND TITLE SURVEY

PROJ. NO. 08-1165
DATE 09/24/08
DESIGNED HDR
DRAWN BY JWA
CHK'D PC
DFN 1165ALTA
SHEET 1 OF 1 1

08299

Bldg plane changed
Unit mix is same

277.8' x 815' = 5.1976 acres



Amendment

1 PRELIMINARY SITE PLAN
N.T.S. +-5.01 ACRES
10/27/2008

Ft. Stockton, Texas

Zimmerman Investments L.L.C.
1730 E. Republic Rd.
P.O. Box 3737
Springfield, MO. 65808

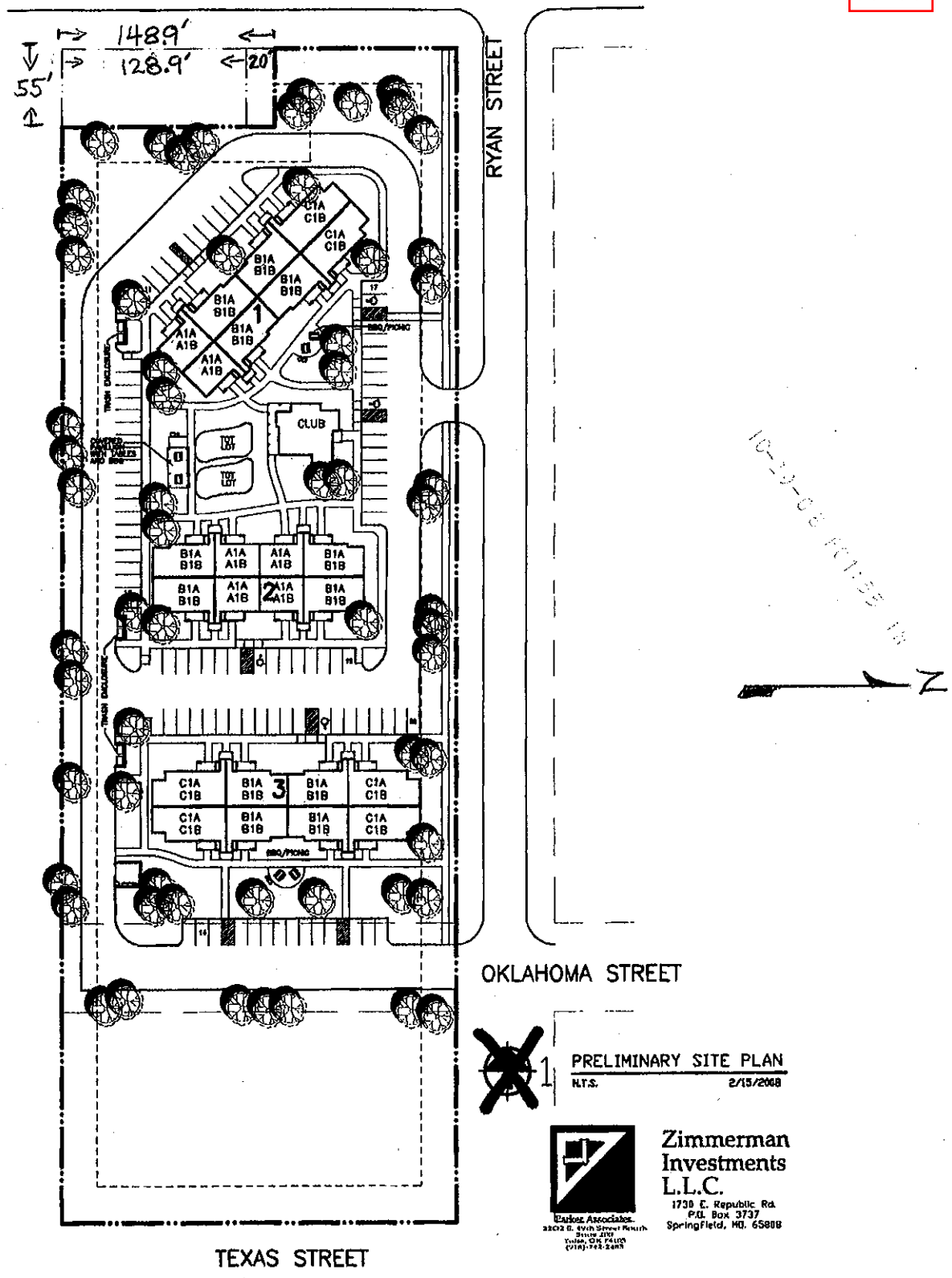
Parker Associates
22032 E. 49th Street South
Suite 200
Tulsa, OK 74109
(918)-742-2483

EXHBIT "C" (to letter requesting amendment)

Application

08299

EXHIBIT "A" (to letter requesting amendment)



PRELIMINARY SITE PLAN

N.T.S. 2/15/2008

Parker Associates.

Zimmerman Investments L.L.C.

1730 E. Republic Rd.
P.O. Box 3737
Springfield, MO. 65808

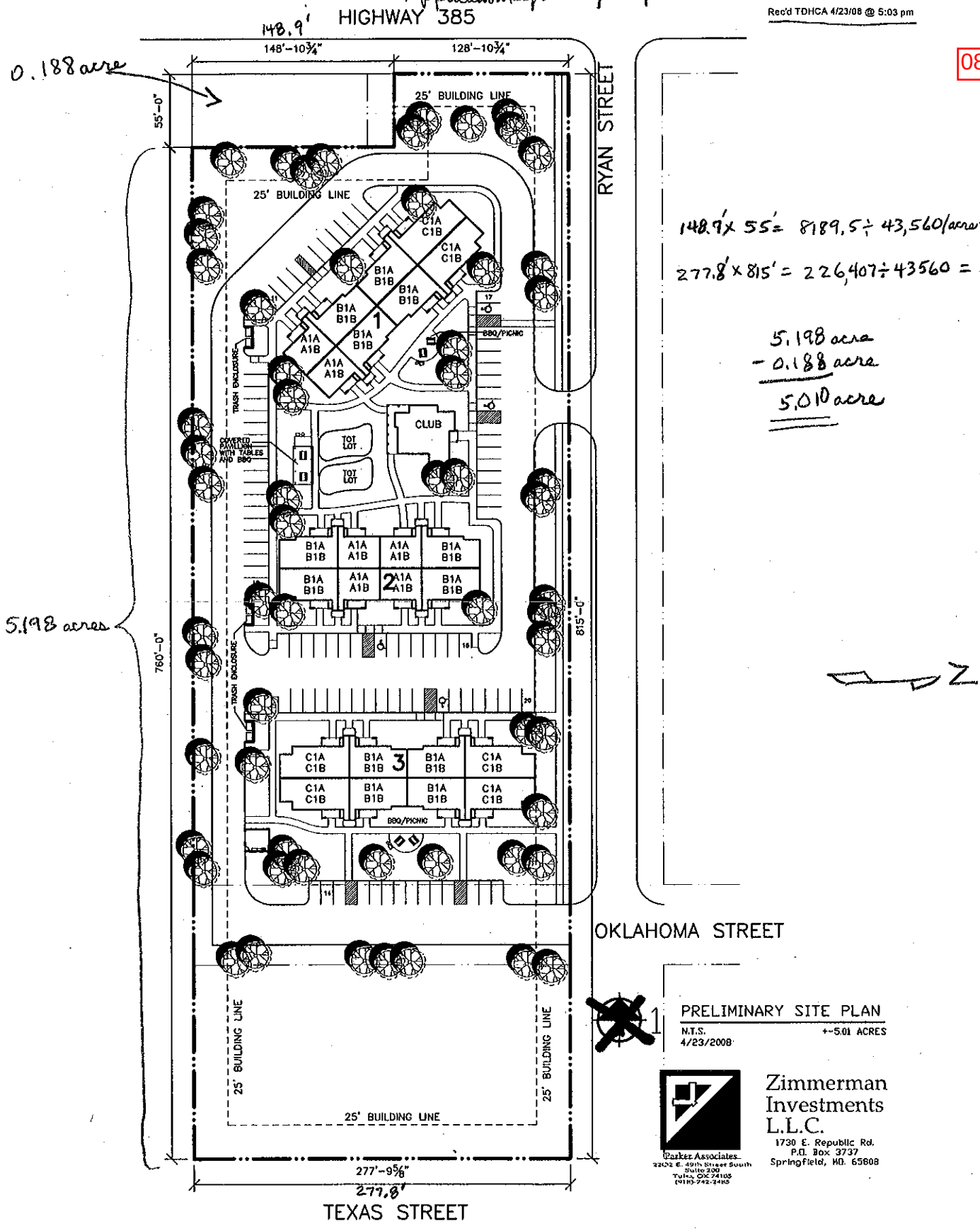
Ft. Stockton, Texas

Application Deficiency response

Rec'd TDHCA 4/23/08 @ 5:03 pm

12

08299



Ft. Stockton, Texas

copy of contract in application

08299

COMMERCIAL AND INDUSTRIAL REAL ESTATE SALE CONTRACT

1. PARTIES: This contract ("Contract") is made by and between **Clayton R. Alexander and Omer D. Price** ("Seller") and **Zimmerman Properties Development, LLC, and/or assigns** ("Buyer"), and is effective as of the date and time of acceptance on the signature page of this Contract (the "Effective Date").

2. PROPERTY: Seller sells to Buyer and Buyer purchases from Seller the real estate that is located in **Pecos** County, **Fort Stockton, Texas**, consisting of **approximately 4.56± acres** from Block 3 & 4, Lots 1 through 23, and Block 5, Lots 1,2,3,8, 9, & 10., Alamo Village Addition, Fort Stockton, Texas.

SEE ATTACHED EXHIBIT 'A', LEGAL ON SURVEY TO GOVERN

3. EXCEPTIONS: The Property shall be subject, however, to the Permitted Exceptions (as defined in paragraph 8 of this Contract), and the existing leases, contracts and agreements disclosed by Seller to Buyer pursuant to paragraph 19 of this Contract.

4. PURCHASE PRICE: The purchase price shall be **Ninety Eight Thousand and 00/100 ($98,000.00)**, cash which Buyer agrees to pay as follows: **Earnest Money in amount of five thousand and 00/100 dollars ($5,000.00)** as "Earnest Money" which is to be deposited within ten (10) business days of execution of this Contract in a trust or escrow account of **Hexter-Fair Title Company, 8333 Douglas Avenue, Suite 130, Dallas, Texas, Attn: Carol Erick** ("Escrow Agent") as part of the consideration of the sale; the purchase price to be paid in guaranteed funds or cashier's check at Closing (as defined in this Contract), adjusted at Closing for prorations, closing costs and other agreed adjustments. Buyer and Seller also agree to the following:

- Upon the execution of this contract by both parties, the **Five Thousand Dollars ($5,000.00)** of earnest money will be considered as earned, non refundable to Buyer, title company will forward earnest monies directly to the Seller and funds will be applied to the Purchase Price at Closing.
- On August 1, 2008, Buyer will send **Ten Thousand Dollars ($10,000.00)** to the title company as "Additional Earnest Money" that will be considered as earned and non refundable to Buyer, and the title company will forward monies directly to the Seller. All Additional Earnest Money will be applied to the Purchase Price at Closing.

5. CLOSING DATE: Subject to all the provisions of this Contract, the closing of this Contract (the "Closing") shall take place at the offices of the Title Company (as hereinafter defined) or such other place as the parties mutually agree on or before the **31st** day of **October, 2008** thereto by mutual consent, and possession shall be delivered at Closing. Contract will become null and void after this date, unless extended by mutual agreement.

6. EXISTING FINANCING: Seller shall make any payments required on existing mortgages or deeds of trust until Closing.

7. PRORATIONS: The rents, income and expenses from the Property shall be prorated between Seller and Buyer as of Closing. Seller shall pay all general real estate taxes levied and assessed against the Property, and all installments of special assessments assessed for or attributable to the years prior to the calendar year of Closing. All such taxes and installments of special assessments assessed for or attributable to the calendar year of Closing shall be prorated between Seller and Buyer on the basis of such calendar year, as of Closing. If the amount of any tax or special assessment cannot be ascertained at Closing, proration shall be computed on the

Buyer's Initials

Seller's Initials CRA

copy of first page following the contract in application

Hitching Post

08299

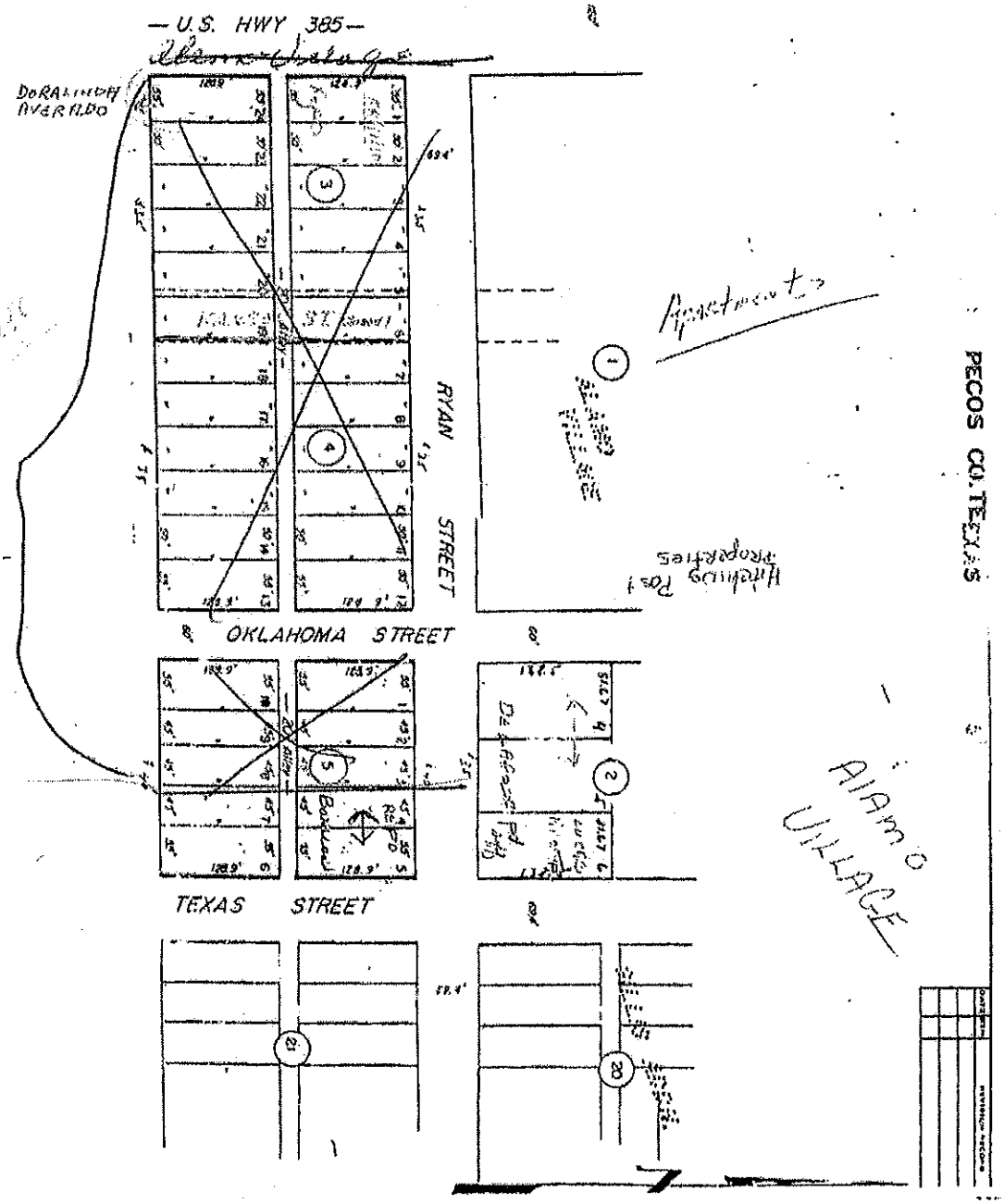


EXHIBIT "A"

copy of second page following contract in application

08299

LEGAL DESCRIPTION

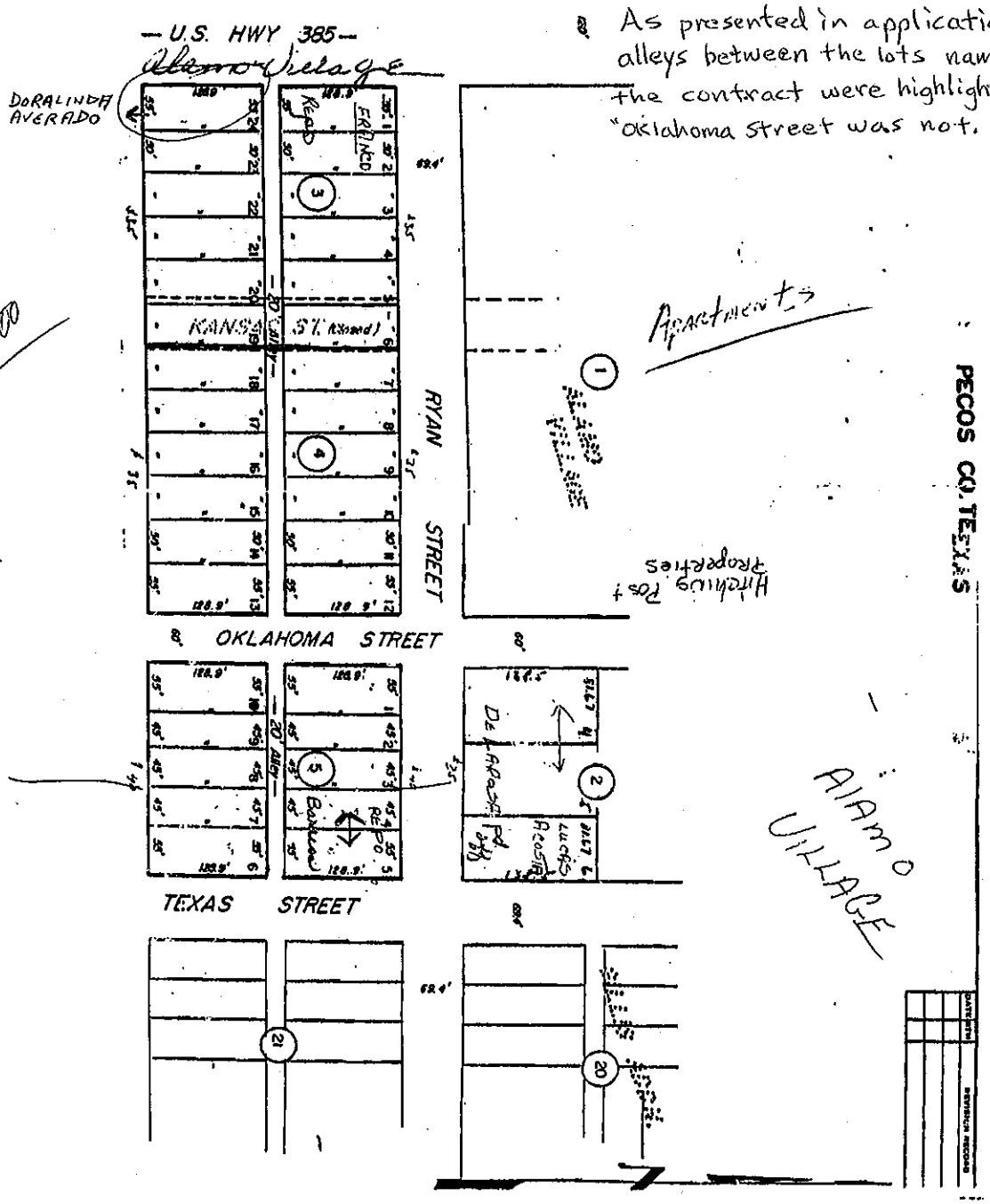
Lots 1 through 23, Blocks 3 and 4 of the Alamo Village Subdivision, Fort Stockton, Texas.

Lots 1,2,3,8,9,and 10, Block 5 of the Alamo Village Subdivision, Fort Stockton, Texas.

Hitching Post copy of third page following contract in application.

08299

As presented in application, the alleys between the lots named in the contract were highlighted but "Oklahoma Street was not.



$8,000

SURVEY PLAT

08401

FRANKLIN
DEVELOPMENT
A CORPORATION

November 12, 2008

Texas Department of Housing and Community Affairs
Attn: Ben Sheppard
221 East 11th Street
Austin, TX 78711

RE: TDHCA ~~#07455~~ 08401, Artisan at San Pedro Creek apartments

Dear Mr. Sheppard,

Please be informed that some minor revisions have occurred to our multifamily uniform application for Artisan at San Pedro Creek apartments, TDHCA #07455. In short, the revisions involved removing retail space, and reconfiguring the building locations within the development site. The unit mix, total square footage, and amenities remain unchanged.

Please find the following items enclosed:

- **Volume 1, Tab 2, Part F: Building/Unit Type Configuration**
  - Changed unit mix within certain building types. Overall unit mix and square footage remains the same.
- **Volume 2, Tab 4: Site Plan**
  - Site plan has been updated.
- **Volume 3, Tab 1, Part B: Specifications and Amenities**
  - "Maximum # of Floors" was changed from 4 to 3.
  - Since we no longer have the four-story building, the "# of Elevators" was changed from 1 to 0.
  - Increased amount of masonry wall material.
    Old mix: 5% Masonry Veneer, 90% Fiber Cement Siding, 5% Stucco
    New mix: 15% Masonry Veneer, 85% Fiber Cement Siding, 0% Stucco
  - Increased amount of carpet in units.
    Old mix: 40% Carpet, 60% Resilient Covering
    New mix: 70% Carpet, 30% Resilient Covering
- **Volume 3, Tab 1: Architectural Drawings**
  - Updated site plan.
  - Updated building floor plans.
  - Updated building elevations.

I have also enclosed an updated complete set of construction plans. Unlike the information provided in the tax credit uniform application, the construction plans do not represent a development commitment, and are provided solely as an informative supplement to the uniform application for the benefit of TDHCA.

Sincerely,

R.L. Claxton
Director of Development

21260 Gathering Oak, Suite 101 ◆ San Antonio, Texas 78260 ◆ 210-694-2223 ◆ fax 210-694-2225

08401

FRANKLIN
DEVELOPMENT
A CORPORATION

January 19, 2009

By E-Mail to ben.sheppard@tdhca.state.tx.us

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

RE: Artisan at San Pedro Creek (TDHCA # 08401).

Dear Ben:

This letter supplements our request under letter of November 12, 2008, for an amendment to the Artisan at San Pedro Creek 2008 4% Housing Tax Credit Application. As you will recall, our primary proposal is to eliminate the retail component of the Project without any change to the square footage of the Project. After applying for the Tax Credits, we studied retail feasibility and explored new market tax credits to finance the cost of constructing the retail piece. Due to recent declining capital markets, a soft retail rental market and increasing construction costs, we have determined that the retail component is not financially feasible and therefore wish to eliminate that space.

We want to make sure it is understood that although we have started construction on the project, we are only at the slab-pouring stage, and have done nothing to implement the proposed changes on the Project site. We therefore would expect that should this amendment request have to go before the TDHCA Board, it would be without any recommendation for penalties.

We also want to emphasize that although we included the possibility of approximately 5,000 square feet of retail space in the Application, the calculation of the Project's area did not include the square footage designated as retail. The removal of the retail space only results in Building #1 on the site plan being reduced from four stories to three stories. Additionally, our operating proforma did not take into consideration any income from the retail space - consequently eliminating the retail component should not impact the underwriting of the Project.

TDHCA staff has inquired concerning public response to the proposal to eliminate the retail space. We met with the local homeowner organization known as the Nogalitos/Zarzamora Coalition (NZC) which is a conglomeration of multiple local neighborhood associations. All NZC board members were in attendance when we explained the economic realities that led to our decision to eliminate the retail element.

We also met with Councilwoman Galvan (whose district the development is within) to explain why the final design would not incorporate the retail component. Both the NZC and Councilwoman Galvan acknowledged and supported this change. Soon after, our development came before the city council and was approved unanimously without the retail component.

We are aware that the elimination of retail space could be construed as eliminating an amenity that was originally proposed in the Application. In that regard, please be aware that the current plans for the Project include the following additional amenities that were not cited in the Application:

Unit Amenities

100% masonry on exterior
Covered entries
Energy Star rated refrigerators and dishwashers
Fire Sprinklers in all units
Refrigerator with icemaker
Storage room

Common Amenities

Accessible walking path
Barbecue grills and picnic tables
Children's playscapes or Tot Lots
Controlled gate access
Equipped and functioning business center
Furnished and staffed Children's Activity Center
Secured entry
Service coordinator office

Parking

Application: 60 shed or flat roof carports
Application: 10 detached garages
Application: (TBD) uncovered spaces

~~Revised Plans: 76 carports~~
~~Revised Plans: 40 garages~~
~~Revised Plans: 251 surface spaces~~

Review note - Owner indicated the parking revisions were not final. Therefore, the amendment was analyzed under the original proposal in the application.

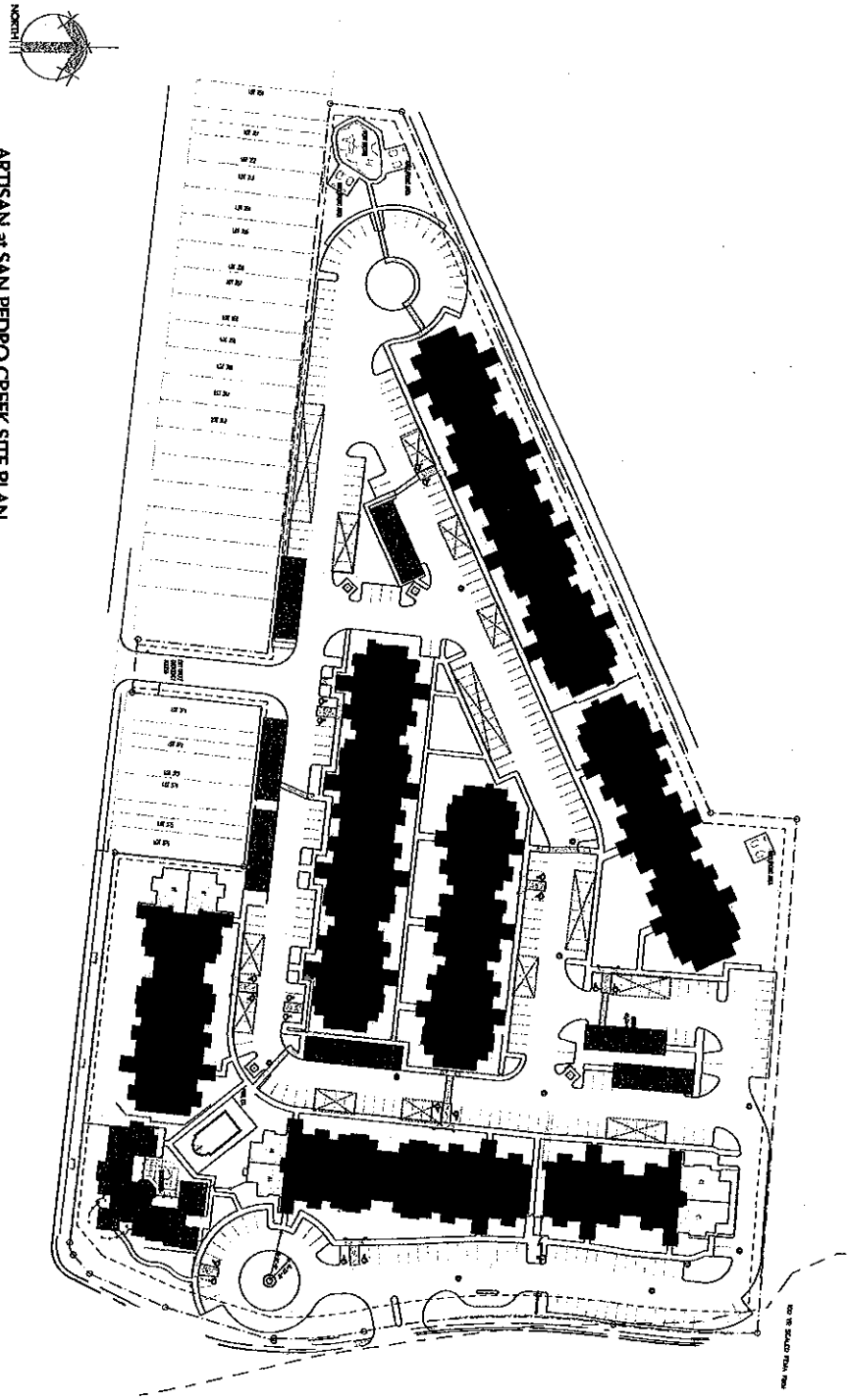
We hope that this supplemental information responds to all the questions raised by the TDHCA staff. If you have any further issues, please do not hesitate to call me at 210.694.2223 x 202.

Sincerely,

Ryan Wilson
Franklin Development

Amendment

08401



01 ARTISAN at SAN PEDRO CREEK SITE PLAN

SITE PLAN

ARTISAN at SAN PEDRO CREEK
A 252 UNIT APARTMENT DEVELOPMENT

SAN ANTONIO, TEXAS

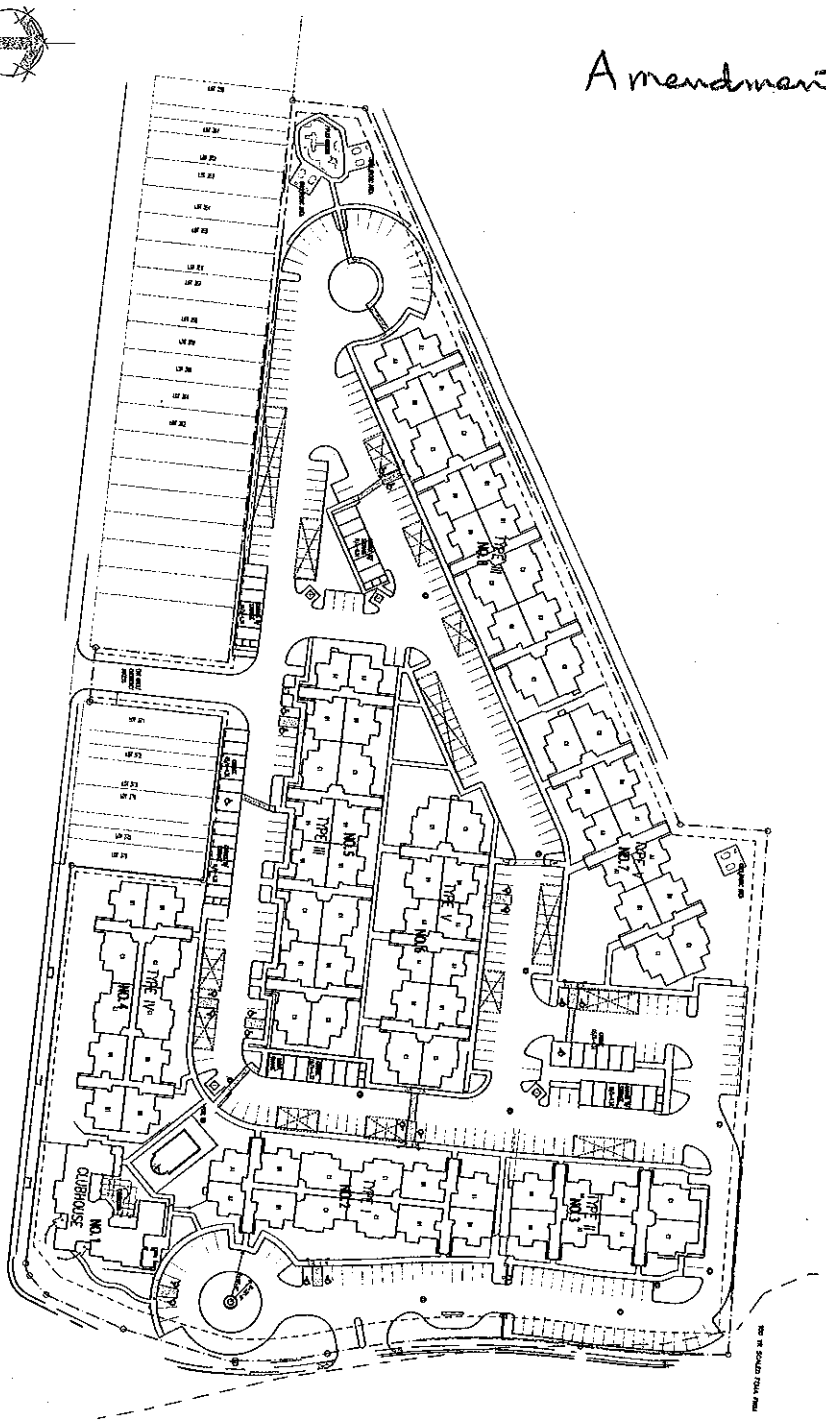
RPGA DESIGN GROUP, INC.
Architecture Space Planning Interiors

A-1.01

08401

Amendment

01 ARTISAN at SAN PEDRO CREEK SITE PLAN



SITE PLAN

ARTISAN at SAN PEDRO CREEK
A 252 UNIT APARTMENT DEVELOPMENT

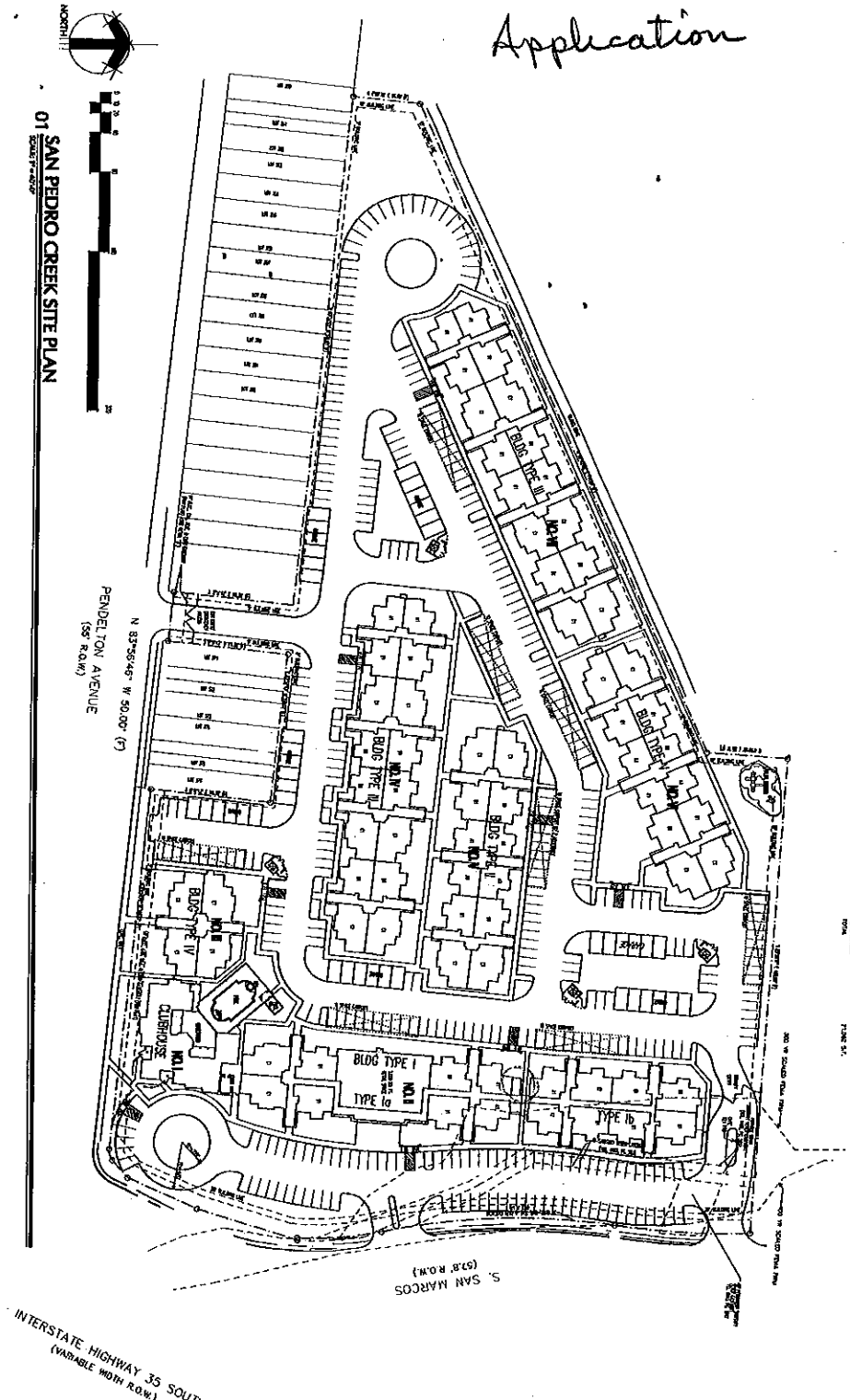
SAN ANTONIO, TEXAS

R P G A
DESIGN GROUP, INC.
Architecture Space Planning Interiors

A-1.01

08401

Application



SITE PLAN

SAN PEDRO CREEK
A 252 UNIT APARTMENT DEVELOPMENT

SAN ANTONIO, TEXAS

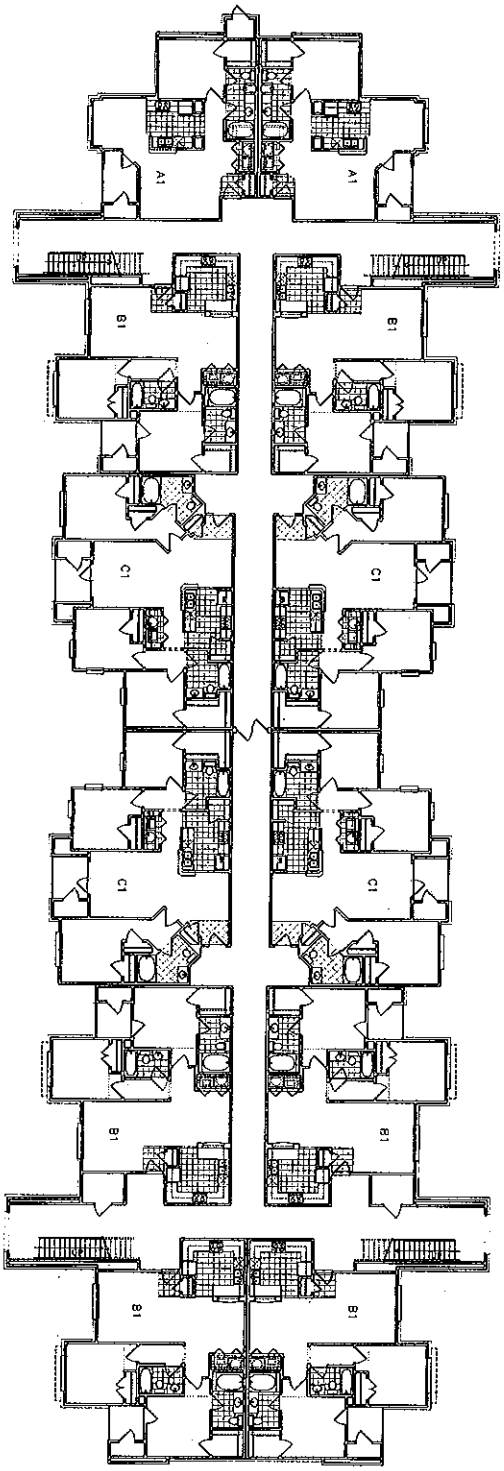
RPGA DESIGN GROUP, INC.
Architecture Space Planning Interiors

A-1.01

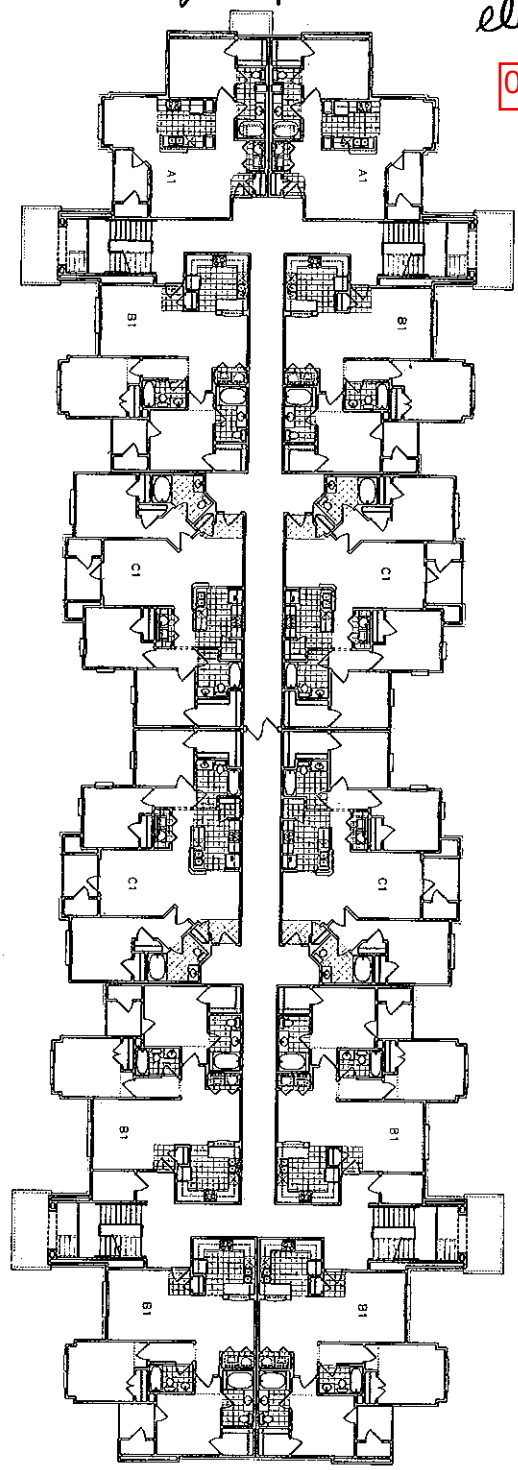
Amendment floorplan with retail space eliminated.

08401

01 FIRST FLOOR PLAN - BUILDING TYPE I



02 SECOND FLOOR PLAN - BUILDING TYPE I



BUILDING TYPE I PLAN

ARTISAN at SAN PEDRO CREEK
A 252 UNIT APARTMENT DEVELOPMENT

SAN ANTONIO, TEXAS

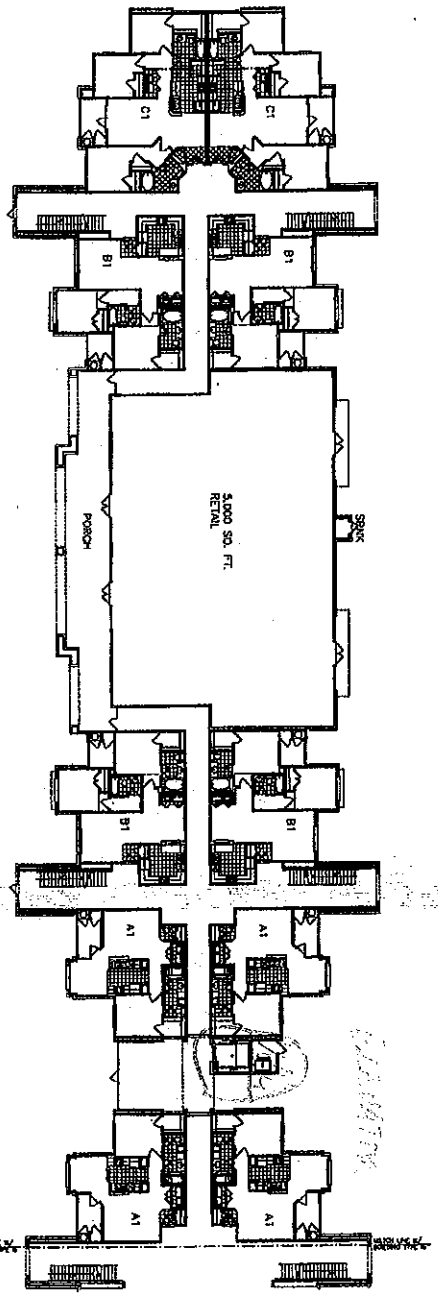
R P G A
DESIGN GROUP, INC.
Architecture Space Planning Interiors

A-4.01

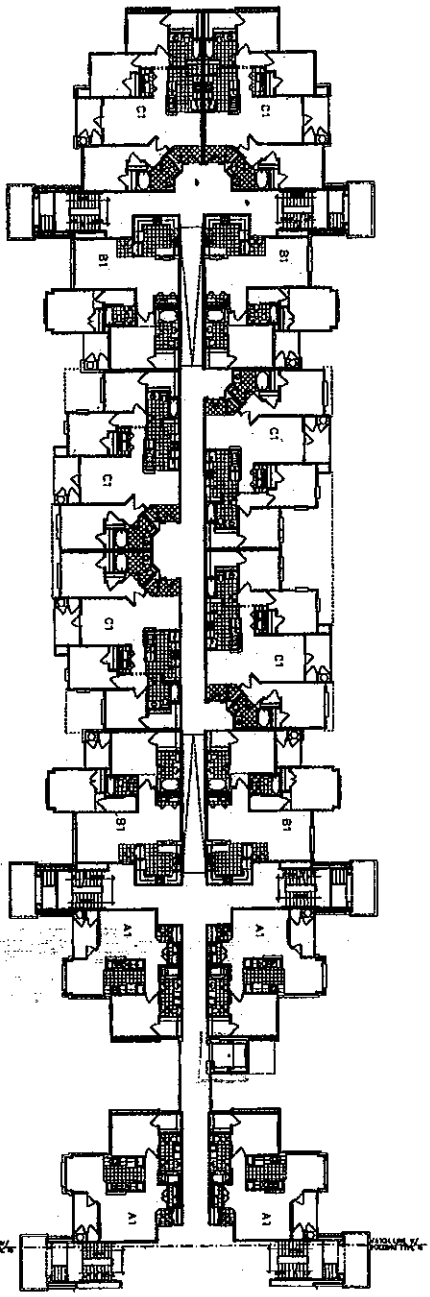
Application floorplan with retail space

08401

01 FIRST FLOOR PLAN - BUILDING TYPE Ia



02 SECOND FLOOR PLAN - BUILDING TYPE Ia



BUILDING TYPE Ia PLANS

SAN PEDRO CREEK
A 252 UNIT APARTMENT DEVELOPMENT

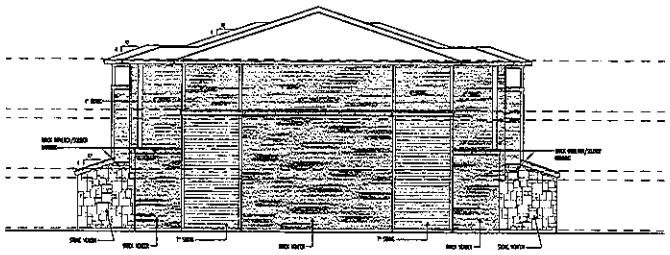
SAN ANTONIO, TEXAS

R P G A
DESIGN GROUP, INC.
Architecture Master Planning Interiors

A-4001

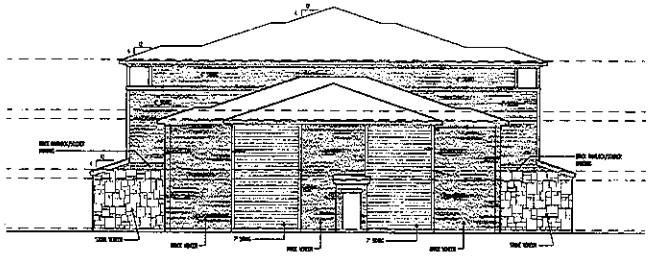
Amendment example elevations

08401



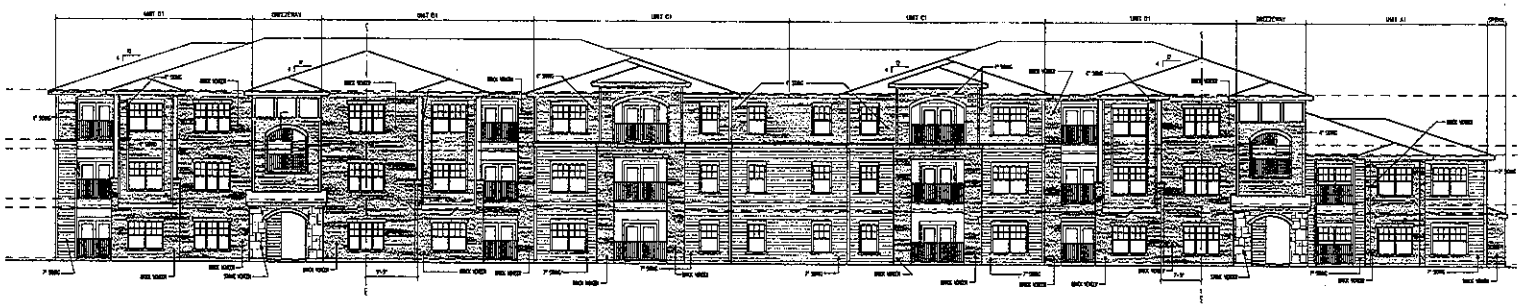
04 RIGHT ELEVATION - BUILDING TYPE I
SCALE: 1/8" = 1'-0"

35% BRICK, 10% STONE, 55% SIDING



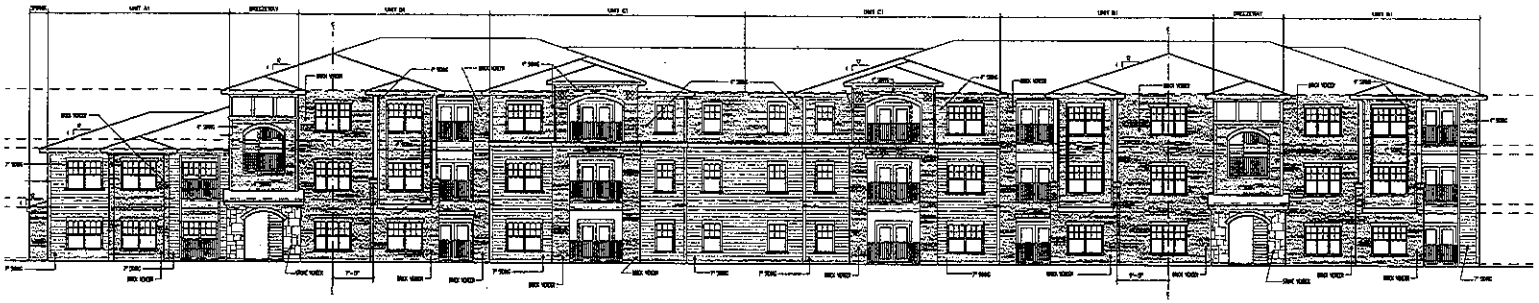
03 LEFT ELEVATION - BUILDING TYPE I
SCALE: 1/8" = 1'-0"

33% BRICK, 14% STONE, 53% SIDING



02 REAR ELEVATION - BUILDING TYPE I
SCALE: 1/8" = 1'-0"

40% BRICK, 3% STONE, 57% SIDING



01 FRONT ELEVATION - BUILDING TYPE I
SCALE: 1/8" = 1'-0"

40% BRICK, 3% STONE, 57% SIDING

BUILDING TYPE I PLAN

DRAWN BY: D.P.H.
CHECKED BY: D.P.H.
DATE: 07.19.2007
ISSUED FOR PERMIT: 10.20.2007
ISSUE FOR PRICING:
ISSUE FOR CONSTRUCTION: 08.08.2008
REVISIONS: 08.08.2008
09.17.2008

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RPGA DESIGN GROUP, INC.
Architecture Geoscientific Interiors

ARTISAN at SAN PEDRO CREEK
A 252 UNIT APARTMENT DEVELOPMENT

SAN ANTONIO, TEXAS

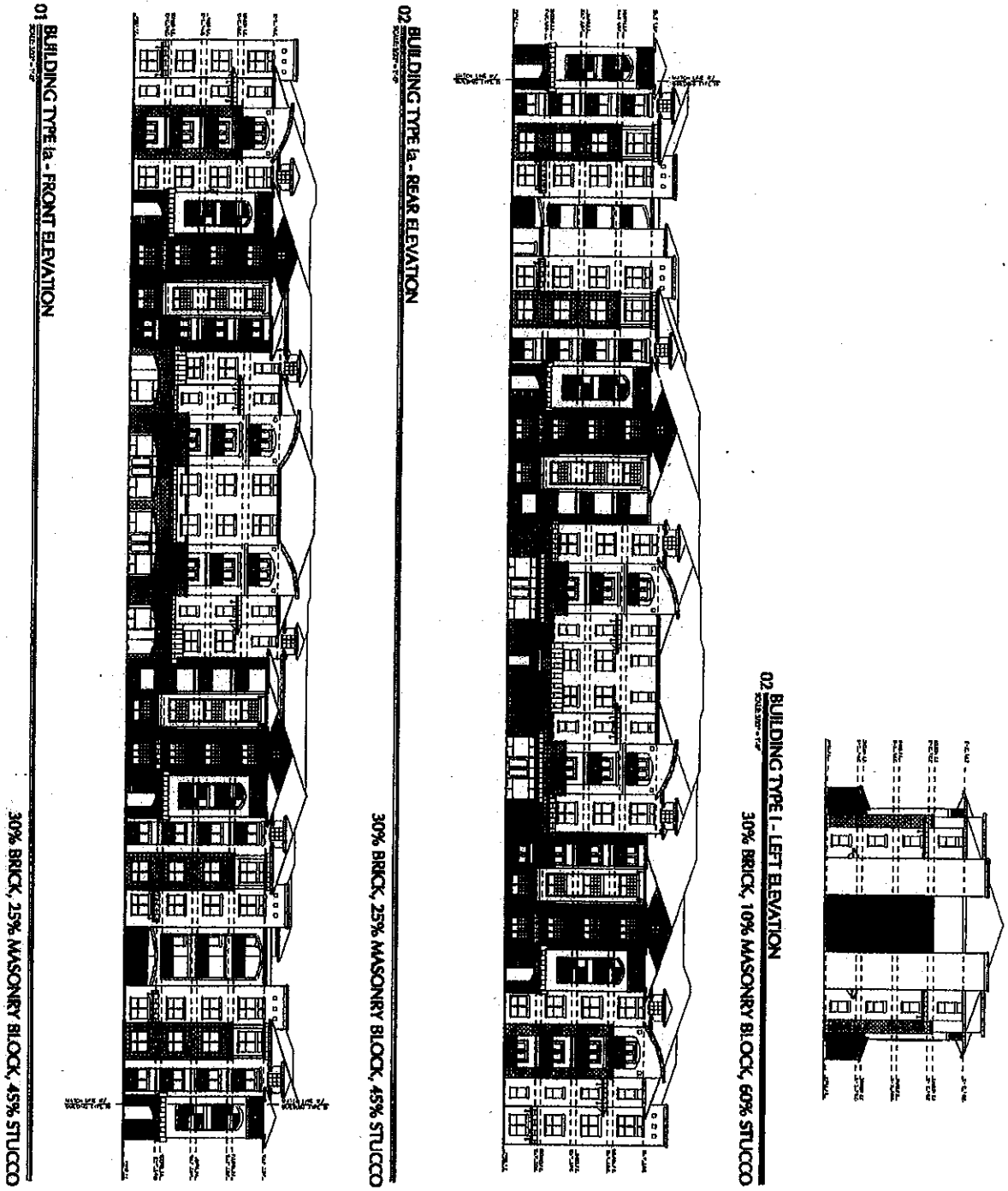
09.17.2008

PROJECT NO.
070816-MP1

SHEET NO.
A-4.04

Application example elevations

08401



BUILDING TYPE Ia EXT. ELEVATIONS

A-4.04

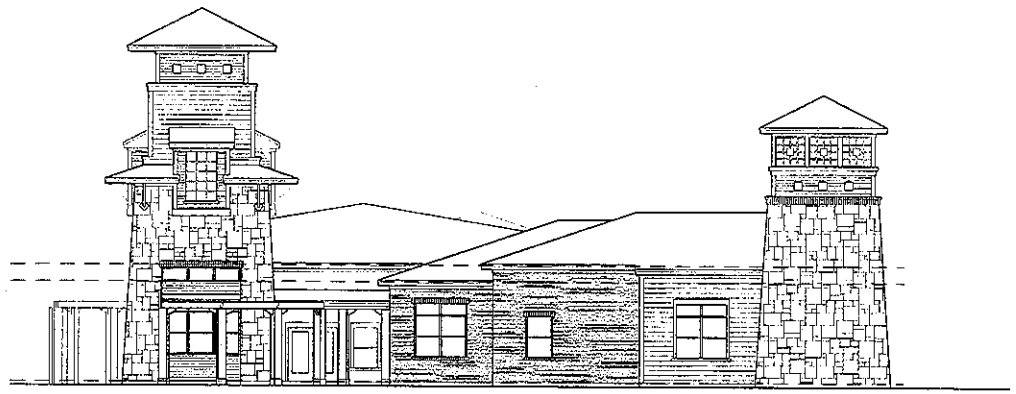
SAN PEDRO CREEK
A 252 UNIT APARTMENT DEVELOPMENT

SAN ANTONIO, TEXAS

RPGA DESIGN GROUP, INC.
Architecture Space Planning Interiors

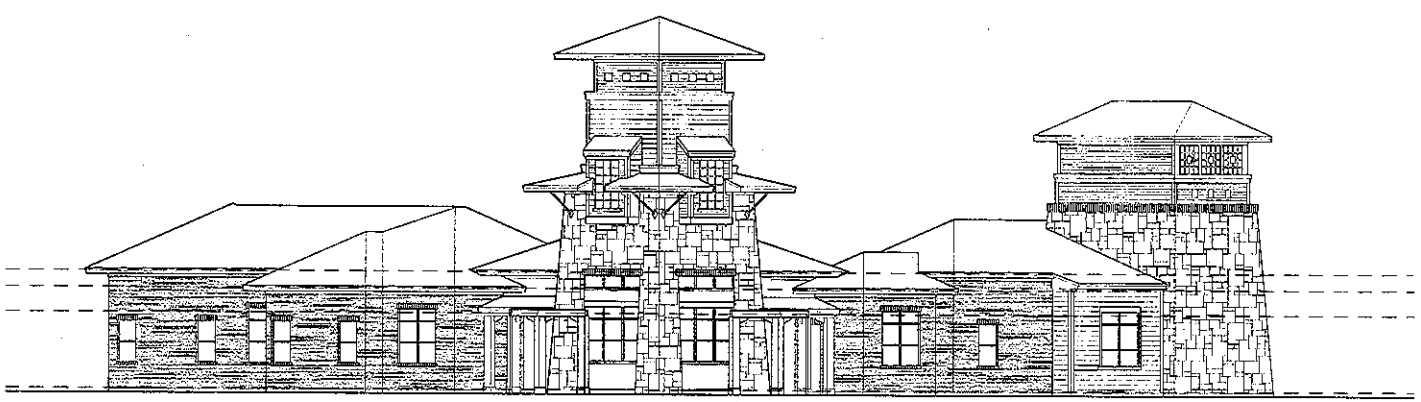
Amendment example elevations

08401



02 FRONT RIGHT ELEVATION
SCALE: 3/16" = 1'-0"

40% BRICK, 40% MASONRY BLOCK, 20% SIDING



01 FRONT ELEVATION
SCALE: 3/16" = 1'-0"

60% BRICK, 20% MASONRY BLOCK, 20% SIDING

CLUBHOUSE ELEVATIONS

DRAWN BY: D.P.H.
CHECKED BY: D.P.H.
DATE: 07.19.2007
ISSUED FOR PERMIT: 10.20.2007
ISSUE FOR PRICING:
ISSUE FOR CONSTRUCTION: 08.08.2008
REVISIONS:

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DESIGN GROUP, INC.
Architecture Space Planning Interiors
151 S. Jennings Ave., Suite 100 Fort Worth, Texas 76104 817.882.9477 Fax 817.882.9487 Phone 972.446.5488

ARTISAN at SAN PEDRO CREEK
A 252 UNIT APARTMENT DEVELOPMENT
SAN ANTONIO, TEXAS

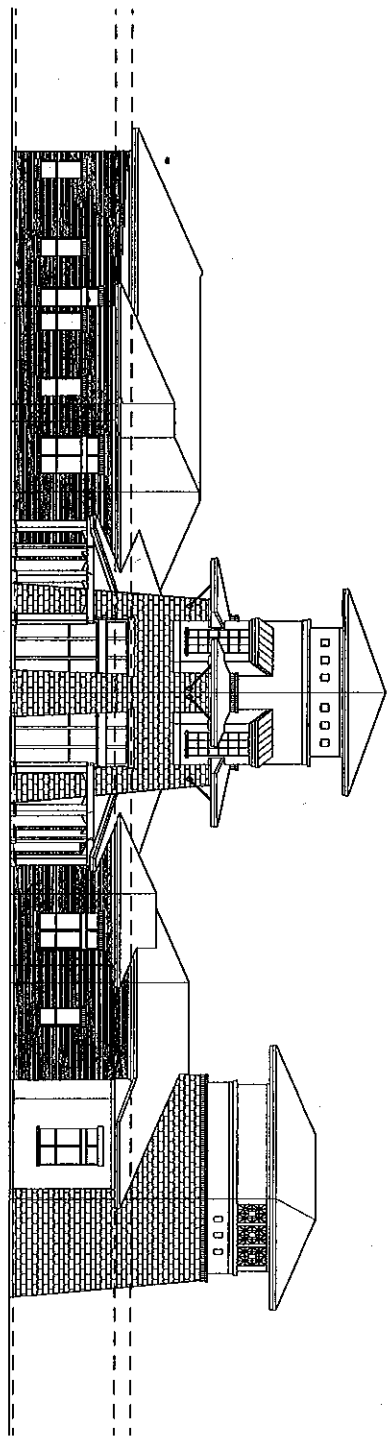
08.08.2008

PROJECT NO.
070515-MP1

SHEET NO.
A-8.04

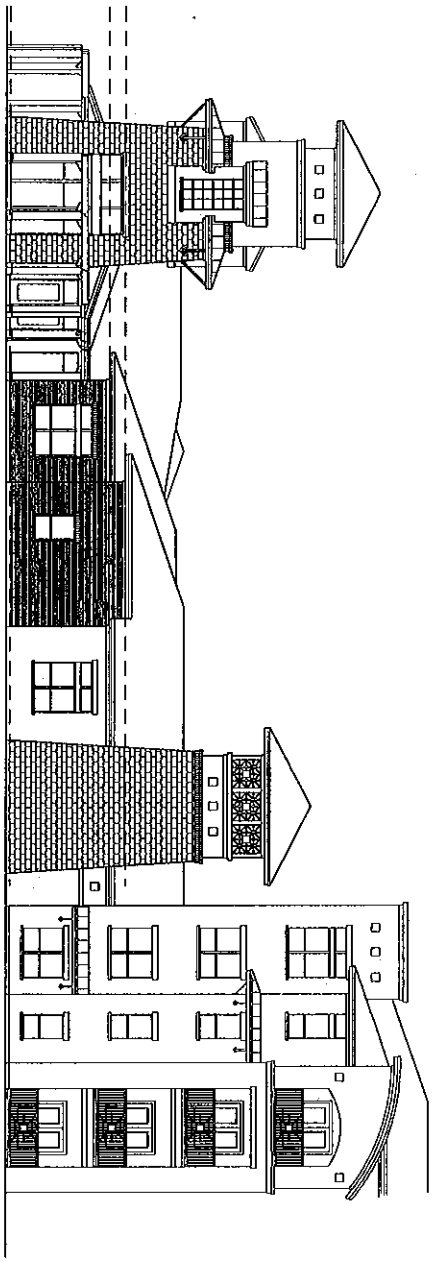
Application example elevations

08401



01 FRONT ELEVATION

60% BRICK, 20% MASONRY BLOCK, 20% STUCCO



02 FRONT RIGHT ELEVATION

40% BRICK, 40% MASONRY BLOCK, 20% STUCCO

CLUBHOUSE ELEVATIONS

SAN PEDRO CREEK

A 252 UNIT APARTMENT DEVELOPMENT

SAN ANTONIO, TEXAS

RPGA DESIGN GROUP, INC.

Architecture Space Planning Interiors

A-7.02

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discuss and Possible Waiver of Requirements of the Qualified Allocation Plan and Rules for the 2007 Applications that Returned Awards and Reapplied Under the 2009 Competitive Housing Tax Credit Application Cycle.

Requested Action

Approve, Amend or Deny the Waivers of the 2009 Qualified Allocation Plan and Rules.

Background

At the December 16, 2008 Board meeting, the Board agreed to consider waivers of the 2009 Qualified Allocation Plan and Rules for 2007 applications that returned their awards and reapplied in the 2009 application cycle. The Board requested those applications to submit narratives stating issues that would warrant special consideration between their 2007 application and their 2009 application. Staff has identified several global issues as follows:

- Waive pre-application request deadline for neighborhood organization information
- Allow the use of the same 2007 third-party reports
- Use the same underwriting with updated costs
- Allow same points Income Levels of Tenants as was proposed in 2007
- Award pre-application points if the applicant submitted a pre-application in 2007
- Allow housing needs scores from 2007 to remain the same for 2009
- Previous 10% Test and Carryover documentation be amended and not full submissions

The Department received information for consideration on the following four applications:

Hampton Villages (#07137)

- Letters previously received from State Senators/Representatives be accepted for points
- Previous Quantifiable Community Participation letters be accepted for points.
- Waive signage requirements for site
- Application be fast tracked to allow awards to be given at the June Board meeting

The Canyons Retirement Community (#07219)

- Local Political Subdivision Financial Contribution 18 points. Funding percentage may be insufficient due to the increase in development cost and the loan does not meet the minimum terms for 2009.
- Development location points for Texas Enterprise Zone. Development was eligible in 2007 and received four points. The site is no longer eligible.
- Green Building Initiatives is a new scoring item. The plans and specs are complete with building permits issued. To seek these points would require a redesign and would jeopardize the financial feasibility of the development. Applicant requests the Board automatically award these points.
- The Board previously approved a threshold waiver request in July 2008 for the development to include dishwashers in 75 units and disposals in 84 of the 111 units. The applicant requests the threshold waiver approval remain consistent for the 2009 application.
- Applicant requests Housing Trust Funds be made available to this development and allow the qualifying per unit AMI level to increase from 30% to 60%.

San Gabriel Crossing (#07220)

- Local Political Subdivision Contribution received 18 points. This funding is no longer available to the development.
- Green Building Initiatives is a new scoring item. The plans and specs are complete with building permits issued. To seek these points would require a redesign and would jeopardize the financial feasibility of the development. Applicant requests the Board automatically award these 6 points.
- Specific underwriting issues - the applicant requests the ability to increase the development cost schedule and have the ability to use 50% rent and 60% income restrictions.
- $2 Million Credit Cap – the applicant is requesting an organizational structure change to be able to pro rate the credit amount so they do not exceed the $2 million statutory cap limit.
- Financing Structure – Elimination of USDA 538 and replacing with conventional financing. The applicant applied for TDHCA HOME funds in the amount of $800,000.

Peachtree Senior (#07289)

- Applicant is requesting a waiver of ineligible building types because more than 70% of the units are two-bedroom units, which is a violation in the 2009 QAP.
- Development location – application received 7 points for ex-urban location in 2007. These points were eliminated in 2009.

- Third-Party Funding Commitment – applicant requests approval to use the same funding sources and amounts from 2007 for the 1 point in 2009.

Per the Board's request, these applicants submitted information by the Board's deadline of January 15th and this represents the universe of 2007 to 2009 applicants.

For the Board's information, the Department received $245M in requests for the 2009 competitive cycle. We expect competition to be similar to year's past even with the additional allocation received by the state.

Robbye Meyer

From: Tim Lang [tlangtejas@austin.rr.com]
Sent: Thursday, January 15, 2009 2:23 PM
To: 'Robbye Meyer'
Subject: 2007 Returned Credits suggestions for 09 Applications

Ms. Meyer,

Below are a list of our suggestions regarding the Re-Application process for properties who have returned their 2007 credits and are applying for 2009 credits.

1. Letters from Senators and Representatives should not be required again. They are difficult to get and they make it known that they do not like writing them.
2. Community input letters used in 2007 should still be viable, and previously submitted proof of existence should not be required to be submitted again.
3. 10% test and carryovers previously submitted can be amended and do not need to be completely redone. Fees already paid be applied as well.
4. Waive the signage requirements for the site.
5. Allow 2007 set-asides for rent structure of development.
6. Waive the Pre-Application Notice to Neighborhood Organizations as the ruling to allow creits to be returned was made after that deadline had passed.
7. Allow the use of third party reports that were originally submitted in 2007.
8. Minimal underwriting from the Department.
9. Applications be fast-tracked to allow awards to be given at June Board meeting

Thank you for your time and allowing us to have some input with this matter.

Sincerely,

Tim Lang
Hampton Villages LP
8455 Lyndon Lane
Austin, Texas 78729
512.249.6240 512.249.6660 fax

January 15, 2009

Ms. Robbye Myer
Director of Multifamily
Texas Department of Housing
& Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: Canyons Retirement Community/#07219
Amarillo, TX

Dear Ms. Meyer,

On behalf of Canyons Senior Living, L.P., and in response to a request by the Texas Department of Housing & Community Affairs Board of Directors at its December 18, 2008, meeting, we are providing TDHCA with information on the issues affecting the above-referenced application as we seek to reapply for tax credits under the 2009 Qualified Allocation Plan.

Scoring

- *Income Levels of the Tenants of the Development, Scoring Criteria #3:* Under the 2007 QAP, Sears Methodist received 22 points for providing 10% of the low income units set-aside with incomes at or below 30% of Area Median Income, the rest of the units were set-aside for elderly persons with incomes at 60% AMI and a few market rate units. Under the 2009 QAP, this same scenario provides only 18 points. In order to achieve 22 points, Sears Methodist must completely restructure its rent schedule to provide a significant number (37) of 50% AMI units, which greatly reduces income and threatens the viability of the project. This situation is further exacerbated by Scoring Criteria #7, Rent Level of the Units, which provides up to 12 points for providing an additional 10% of the low-income units set-aside for elderly with incomes at 50% AMI. This would require 7 additional units set-aside at 50% AMI. We respectfully request that TDHCA allow the Canyons to maintain its previously underwritten rent schedule and receive 22 points instead of 18.

- *Local Political Subdivision (LPS) Financial Contribution, Scoring Criteria #5:* We respectfully request that the previous LPS Contribution received by the Sears Methodist under the 2007 QAP qualify for full points under the 2009 QAP, even if the 5% contribution amount has changed due to higher Total Development Costs. Under the 2007 QAP, this project scored 18 points for securing a contribution from the Panhandle Regional Housing Finance Corporation (PRHFC) in the amount of $472,000 (5% of Total Development Costs). The Applicant has not yet closed on the loan; however, PRHFC is maintaining its commitment to provide the funds. Requiring Sears to secure a higher loan amount would add additional cost to the project and may not be possible for PRHFC. We also request TDHCA waive the requirement to have the loan out for 1 year. Under the 2007 QAP the Applicant had the right to prepay the loan as was the intention of the Applicant.

- *Rent Level of the Units, Scoring Criteria #7:* This is a new requirement in the 2009 QAP, which allows up to 12 points for providing additional low-income units set-aside for persons with incomes at 50% AMI. As mentioned above, the financial feasibility of this project will be in jeopardy if income is further reduced by providing more units at 50% AMI and fewer units at 60% AMI. If we are able to receive 22 points under Scoring Criteria #3 Income Levels of the Tenants of the Development by providing 10% of the affordable units to persons with incomes at 30% AMI, providing an additional 10% of the low income units set-aside at 50% AMI has less of an impact on the financial feasibility of the project.

- *Pre-Application Incentive Points, Scoring Criteria #14:* If applications for the 2007 returned projects re-applying in 2009 are ultimately to be scored competitively with new 2009 applications, we respectfully request that the 6 Pre-Application Incentive Points be awarded to our 2009 scoring. This project did earn 6 points for submitting a pre-application in the 2007.

- *Development Location, Scoring Criteria #16:* Under the 2007 QAP, Sears Methodist received 4 points for this criterion because the site was located in a Texas Enterprise Zone. The Texas Enterprise Zone no longer covers the area including the project site. We are not eligible to receive the 4 points under any other of the categories listed in the 2009 QAP. We respectfully request TDHCA automatically award 4 points available for this category to the score of the application based on providing evidence of the Texas Enterprise Zone in 2007.

- *Green Building Initiatives, Scoring Criteria #17:* This is a new requirement under the 2009 QAP that did not exist under the 2007 QAP. Up to 6 points are available. The plans and specifications for Canyons are 100% completed and priced with building permits issued. To seek these points to achieve a competitive score would require a redesign and it would further threaten the project's financial feasibility. We respectfully request TDHCA automatically award 6 points available for this category to the score of the application without requiring Sears Methodist to provide any green building initiatives.

Threshold Requirements

- *Threshold Amenities*: Section 49.9(h)(B)(iii) requires disposals and Energy-Star or equivalently rated dishwasher in all units. Sears submitted an amendment request to TDHCA proposing to only include dishwashers in 75 units and disposals in 84 of the 111 units because certain existing units not having adequate floor space to include the appliances. The applicant received TDHCA approval on its amendment request at the July 2008 TDHCA Board meeting. We continue to request that we be allowed to only provide dishwashers and disposal in those certain units approved by TDHCA in July 2008.

- *Third Party Reports:* As the Phase I Environmental Assessment, Appraisal, Property Conditional Assessment and Market Study were previously approved and accepted by TDHCA, we respectfully request TDHCA waive the requirements to submit updated or new reports. Portions of the Property Condition Assessment were updated in June 2008 as part of the Applicant's amendment request that was approved by TDHCA. This is a costly report to prepare and has already been completed twice (for the 2006 and 2007 Application Rounds) and updated once for a total cost of $24,000. The project has already expended more then $50,000 on reports and subsequent updates as required by our investor. If new reports are required, we respectfully request the ability to

provide updated reports in lieu of new reports wherever possible. Additionally, the market study is for a project that is 100% occupied by the future residence of this rehab project.

Financing

- One of the primary issues facing this senior rehabilitation project is the rising interest rates on permanent debt and lower equity pricing have created a large gap in sources. There is very little supplement local funding available in the City of Amarillo—CDBG/HOME funds are generally awarded in the $250,000-$450,000 range. We encourage TDHCA to make Housing Trust Funds available to this project, and simultaneously increase the qualifying per unit AMI level from 30% to 60% AMI.

Tax Credit Fees

- To date, the Applicant has paid $56,072 to TDHCA. This amount is comprised of a $999 2007 Pre-Application Fee; a $1,998 Application Fee; a $43,837 2007 Commitment Fee; a $750 2007 Building Inspection Fee; a $2,500 Amendment Fee; and a $5,988 2009 Commitment Fee for Additional Credits. We respectfully request that all fees previously paid to TDHCA on behalf of this project be applied to any future tax credit application, commitment or State supplemental funding application fees.

Thank you for your consideration of the above information. Please contact me at 512.328.3232, x171 should you have questions or want to discuss any issue in greater detail.

Sincerely,
DIANA McIVER & ASSOCIATES, INC.

JoEllen Smith
Executive Vice President

Cc: Keith Perry, President/CEO, Sears Methodist
Diana McIver, DMA Development
Scott Marks, Coats Rose

DMA DEVELOPMENT COMPANY, LLC

January 15, 2009

Ms. Robbye Meyer
Director of Multifamily Finance
Texas Department of Housing
& Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: San Gabriel Crossing #07220
Liberty Hill, TX

Dear Ms. Meyer:

As requested by the Texas Department of Housing & Community Affairs Board of Directors at its December 18, 2008, meeting, we are providing TDHCA with information on the issues that we believe affect the above-referenced application as we seek to reapply for tax credits under the 2009 Qualified Allocation Plan.

Scoring. There are differences between the 2007 and 2009 QAP's scoring criteria which would cause our 2009 application to score less competitively than it did in 2007. They are:

- *Local Political Subdivision (LPS) Financial Contribution, Scoring Criteria #5:* We respectfully request that the previous LPS Contribution received by the applicant under the 2007 QAP qualify for full points under the 2009 QAP, even if the 5% contribution amount has changed due to higher Total Development Costs. Under the 2007 QAP, this project scored 18 points for securing a contribution from the Capital Area Housing Finance Corporation/Southeast Texas Housing Finance Corporation in the amount of 5% of Total Development Costs. Total fees and interest paid by the Applicant for taking out the loan as required under the 2007 QAP totaled $40,495. The 2009 QAP also requires a 5% LPS contribution to score 18 points. Requiring the Applicant to secure another LPS loan would add significant additional cost the project (essentially double the existing amount), for total amount of fees and interest paid by the applicant nearing $81,000. Moreover, this funding program is no longer available from the subject entities.

- *Rent Levels per Unit, Scoring Criteria #7:* This is a new scoring criteria under the 2009 QAP. We would ask that any 50% units we add under this new criteria have 60% income limits attached to them (as was agreed to in our 2007 underwriting), or alternatively, we request to receive these points by making 95% of our development affordable, as was the case in the 2007 scoring criteria.

- *Pre-Application Incentive Points, Scoring Criteria #14:* If applications for the 2007 returned projects re-applying in 2009 are ultimately to be scored competitively with new 2009 applications, we request that the 6 Pre-Application Incentive Points be awarded to our 2009 scoring. This project did earn 6 points for submitting a pre-app in 2007.

4101 PARKSTONE HEIGHTS DRIVE, SUITE 310 AUSTIN, TEXAS 78746
TEL: 512.328.3232 WWW.MCIVER.COM FAX: 512.328.4584

- *Green Building Initiatives, Scoring Criteria #17.* This is a new requirement under the 2009 QAP that did not exist under the 2007 QAP. Up to 6 points are available. In the case of San Gabriel Crossing, the plans and specifications for this project are 100% completed and priced. To seek these points to achieve a competitive score would require a redesign and it would further threaten the project's financial feasibility. We respectfully request TDHCA automatically award 6 points available for this category to the score of the application without requiring us to provide any green building initiatives.

Threshold Requirements. We ask that the date requirements for third party reports be waived.

- Phase I Environmental Assessment. There are no changes to the site boundaries and no activity has taken place on the site that would require a new Phase I. We will submit any updates that were provided to our investor as well as the original report.

- Market Study. The market study was previously approved and accepted by TDHCA and there has been no new housing built in this area in the interim that would impact the need for this development.

The cost of completing new reports will be upwards of $10,000. The project has already expended more then $15,000 on reports and subsequent updates as required by our investor.

Underwriting. We ask that as part of the underwriting process that TDHCA allow the additional costs we have incurred as a result of the need to reapply. The most significant of these is the $40,495 that was paid to CAHFC/SETH for the predevelopment loan application fees and interest costs. Additionally, we may be using a different tenant income mix based on the different point structure required under the 2009 QAP. We continue to request that we be allowed to utilize 60% income limits, while restricting the rents to 50%, a provision that was approved as part of our 2007 underwriting.

Tax Credit Cap per Developer. One of the big issues we face is the $2,000,000 cap per applicant. Because this is a joint venture between a housing authority and a private developer, it does not qualify for a proration of the cap as it would if it were a capacity building joint venture. However, because Texas Housing Foundation cannot provide guarantees under State law, its status is similar to an inexperienced developer in that it must have a developer partner. In 2007, the Texas Housing Foundation and DMA Development Company EACH took the full $582,217 allocation against their respective caps. However, as a result of the Board Action on December 18, each entity will once again have to take the full amount of the tax credits against its 2009 caps. As a result, we ask that TDHCA allow that the cap be prorated based on ownership interests, such as is allowed for a capacity building joint venture. Additionally, we may need to make some minor adjustments to the ownership structure.

Financing: It was discussed at the board meeting that the 2007 resubmissions need to be substantially the same as the 2009 application in order to be considered for preferential treatment. Because of economic situations beyond our control, we will need to make changes to our financing structure, as follows:

- *Section 538 Financing.* We do not believe at this time that we will be able to proceed with a 538 loan as there are no assurances that 538 financing will be available for this project in 2009; we expect to replace this with conventional financing.

- *HOME.* We will have to supplement our financing with an allocation of HOME funds, due to the severe drop in credit prices.

HOME Application. On November 6, 2008, we submitted to TDHCA a HOME application requesting $800,000 in order to meet the shortfall created when PNC repriced our credits in September 2008. The HOME application was in processing when we returned the 2007 credit allocation on January 3, 2008, in order to re-apply for a 2009 allocation. Subsequent to our returning the 2007 credit allocation, we were informed by TDHCA that since the Applicant does not have a current credit award, the 2008 HOME application would either be terminated by TDHCA or the Applicant would need to pull it from consideration. We ask that the $500.00 application fee paid in 2008 be applied to the 2009 Application fee associated with a new HOME application.

Tax Credit Fees. To date, the Applicant has paid $39,728 to TDHCA. This amount includes the following: $760 for 2007 Pre-Application Fee; $1,520 for 2007 Application Fee: $29,111 for 2007 Commitment Fee; $750 for 2007 Building Inspection Fee; $2,500 Amendment Fee; $4,587 for 2009 Commitment Fee for Additional Credits; and $500 for 2008 HOME Application Fee. We respectfully request that all fees previously paid to TDHCA on behalf of this project be applied to any future tax credit application, commitment or HOME application fees.

Thank you for your consideration of the above information. Please contact me at 512.328.3232, x171 should you have questions or want to discuss any issue in greater detail.

Sincerely,

DMA DEVELOPMENT COMPANY, LLC.

JoEllen Smith
Executive Vice President

Cc: Mark Mayfield, Texas Housing Foundation
Diana McIver, DMA Development

Peachtree Seniors, #07289

Year	Section	Title
2007 HTC Program QAP and Rules – Page 6	**49.3(52)**	**Definitions Ineligible Building Types**
2009 HTC Program QAP and Rules – Page 7	49.3(58)	Definitions Ineligible Building Types
2007 HTC Program QAP and Rules – Page 38	**49.9(i)(3)**	**The Income Levels of Tenants of the Development**
2009 HTC Program QAP and Rules – Page 47	49.9(i)(3)	The Income Levels of Tenants of the Development
2007 HTC Site Demographic Characteristics – Page 2		**Housing Needs Characteristics**
& HTC Program QAP and Rules - Page 51	**49.9(i)(11)**	
2009 HTC Site Demographic Characteristics – Page 2		
& HTC Program QAP and Rules - Page 51	49.9(i)(12)	Housing Needs Characteristics
2007 HTC Program QAP and Rules – Page 43	**49.9(i)(15)**	**Exurban Developments (Development characteristics)**
2009 HTC Program QAP and Rules – Page 52	49.9 (i)(15)	Economic Development Initiatives
2007 HTC Program QAP and Rules – Page 47	**49.9(i)(26)**	**Third-Party Funding Commitment Outside of Qualified Census Tracts**
2009 HTC Program QAP and Rules – Page 59	49.9(i)(28)	Third-Party Funding Commitment Outside of Qualified Census Tracts

Definition
Those Developments which are ineigible,pursuant to this QAP, for funding under the Housing
Tax Credit Program, as follows: There were no restrictions on having “more than 70% two-bedroom units” in a Development
Those Developments which are ineligible, pursuant to this QAP, for funding under the Housing Tax Credit Program, as follows:
(E) Any Qualified Elderly Development or Age Restricted Buildings Intergenerational Housing Developments proposing
more than 70% two-bedroom units
Applications may qualify to receive up to 22 points for qualifying under only one of subparagraphs (A) - (F) of this paragraph.
(B) 22 points if at least 10% of the Total Units in the Development are set-aside with incomes at or below 30% of AMGI
Applications may qualify to received up to 22 points for qualifying under only one of subparagraphs (A) – (F) of this paragraph.
(D) 18 points if at least 10% of the Low-Income Units in the Development are set-aside with incomes at or below 30% of AMGI
Applications may qualify to receive up to 7 points
Applications may qualify to receive up to 6 points
Applications may qualify to receive 7 points if the Development is not located in a Rural Area and has a population less than 100,000
based on the most current Decennial Census
2007 category “Exurban Developments” has been removed and replaced by 2009 “Economic Development Initiatives”
Applications may qualify to receive 1 point for this item.
Applications may qualify to receive 1 point for this item.

Comments
Under the 2007 QAP we were allowed to have more than 70% two-bedroom
units, however, under the 2009 QAP more than 70% two-bedroom
units make a development ineligible. We would like to follow the 2007 QAP
on this item and remain eligible.
Under the 2007 QAP we were allowed 22 points if at least 10% of the Low-Income
Units were set-aside with incomes at or below 30% of AMGI, however, under
the 2009 QAP only 18 points are allowed if 10% of the Low-Income Units are
set-aside with incomes at or below 30% of AMGI. We would like to follow the 2007
QAP on this item and retain the 22 points
2007 HTC Site Demographic Characteristics recorded Balch Springs at 1.63 Place Per
Capita/TX Per Capita with an Affordable Housing Need Score of 5, however, the
2009 HTC Site Demographic Characteristics recorded an increase of Balch Springs
Place Per Capita/ TX Per Capita from 1.63 to 2.26, and dropped the Affordable
Housing Need Score to 3. We would like to follow the 2007 QAP on this item and
retain the 5 points.
The 2007 QAP 49.9(i)(15) awarded 7 points for an Exurban Development,
however, the 2009 QAP no longer awards Exurban Developments. We would
like to follow the 2007 QAP on this item and retain the 7 points.
For the 2007 Application, the AHAP Contract valued at $942,480 was used in 49.9(i)(5)
The Commitment of Development Funding by Local Political Subdivisions. It met
more than the 5% criteria and $880,000 was applied to obtain the 18 points allowed.
The balance was applied to the 49.9(i)(28) - Third-Party Commitment Funding from
Balch Springs adding to the $300,000 commitment an additional $62,480 enabling it
to more than meet the 2% criteria of $352,000, and obtained the 1 point.
We would like to distribute the funds in the same manner again in the 2009
Application and retain the 1 point.
TOTAL:

2007 Score	2009 Score	Scoring Variance
22	18	4
5	3	2
7	N/A	7
1	0	1
35	21	14

NONE AT THE TIME OF THIS POSTING

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of a modification to the bond documents regarding Post Oak East Apartments in Fort Worth (Euless), Texas Series 2004 A and 2004 B Multifamily Private Activity Bonds regarding restrictions on rents and incomes.

Requested Action

Approve, amend or deny the requests for amendments.

Background and Recommendations

Post Oak East Apartments is a 246 unit development in northeast Fort Worth which was constructed using $13,600,000 in Priority I Private Activity Tax-Exempt Bonds issued by the Department and $651,347 in annual 4% low income housing tax credits. As a Priority I development the transaction was induced, approved, and closed with the rent and income restriction of providing 15% of the units affordable to households earning 30% or less of the area median income. Because this was a Bond program requirement, the restriction was only included in the Bond Regulatory and Land Use Restriction Agreement (Regulatory Agreement), and not the Low Income Housing Tax Credit Land Use Restriction Agreement (LURA). The Owner is requesting relief under the Regulatory Agreement. While the Department is governed under §2306.6712, Texas Government Code, with regard to Low Income Housing Tax Credits, no such amendment process exists in statute or regulation for Private Activity Bond transactions. Generally amendments to Bond developments are managed as a result of amendments to the Low Income Housing Tax Credit requirements, and such amendments are allowed under the actual Regulatory Agreement if, in the opinion of Bond Counsel, such an amendment is permitted under the law and would not impact the tax exempt status of the bonds. If any such amendment were to be considered in this matter, such an opinion of counsel would be required.

The development was initially underwritten and approved with 15% of the units (38 units) serving families earning 30% or below, and the property has operated with this restriction since completion. To date, the property has received its final tax credit allocation approval and 8609s but has not yet converted its loan to a permanent loan. The Applicant is requesting that these 30% restrictions be raised to 50% of the area median income. Adjustments to the level of affordability have been extremely rare because they are generally tied into the requirements for allocation priority and thus have been considered to have been fixed at the outset. In this case the owner did receive preference as a Priority I transaction by choosing to make the restriction. It does appear that by the end of the award year some funds were made available to transactions with a lower priority which might have enabled the project to receive an allocation with a less restrictive rent structure, but there is no way of knowing this with certainty since the owner would, if competing under a lower priority level, would have been competing with a different group and might have received a different relative position in the lottery in that group.

The proposed change in priority has been preliminarily reviewed by the underwriting division and it can be confirmed that the difference in potential gross rent is approximately $132K per year assuming an increase in 38 units from 30% to 50% rents. Further analysis revealed that the property currently has 105 residents with section 8 rental choice vouchers, most of which meet the 30% income limit. These residents currently are placed in non-30% units and households in the 30% units are currently receiving a true rent reduction without any additional rental assistance. There is no state or federal requirement that limits the 30% units to households who are not receiving rental assistance; however, the tenant cannot pay more than 30% rent limit.

The permanent loan guarantor, Fannie Mae, in underwriting the rent of the 30% units, does not give effect to the section 8 vouchers. Thus, without the increase in the rent limit, they have indicated to the owner that they will reduce the permanent loan by at least $1M. The owner has indicated that such a decline in permanent loan funds would result in the need for an additional equity contribution. Such contribution is not available from the deferral of additional developer fees since the development was structured with a significant deferred developer fee at the outset. The owner has further indicated that the syndicator/investor is unwilling to make additional equity investment. Without the owners ability to convert to permanent financing the construction lender could foreclose. Any such foreclosure could eliminate both the Regulatory Agreement and the Tax Credit LURA and all restrictions on the property, although it is possible that the lender would maintain the Tax Credit LURA if they found that the Tax Credits themselves were more valuable than the loss of unfettered full market rent.

Owner:	Post Oak East Apartments, L.P.
General Partner:	Post Oak East Apartments I, L.L.C.
Developers:	Harvest Hill Development
Principals/Interested Parties:	G. Granger MacDonald, J. Steve Ford, John Mark Wolcott
Syndicator:	Boston Capital
Construction Lender:	JP Morgan Chase
Permanent Lender:	GMAC Commercial Mortgage/ Fannie Mae
Other Funding:	Tax-Exempt Bond Financing
City/County:	Fort Worth
Set-Aside:	Tax-Exempt Bond Development – Priority I
Type of Area:	Urban/Exurban
Region:	3
Type of Development:	New Construction
Population Served:	General
Units:	246 Bond/HTC units
Prior Board Actions:	6/04 – Approved award of Bonds and tax credits
Underwriting Reevaluation:	Pending
Staff Recommendation:	Staff does not recommend the requested amendment. If the Board considers an amendment to the Regulatory Agreement, staff would encourage the release of only the rent restriction and maintenance of the income restriction in order to encourage the continued access of the units to households of lesser means through the use of independently acquired rental assistance.
Penalty Assessment:	None

To Be Posted
three days
prior to the meeting

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of the First Supplement to the Trust Indenture for Wildwood Apartments and The Meridian.

Requested Action

Approve, Amend or Deny with Amendments the First Supplement to the Trust Indenture for Wildwood Apartments and The Meridian in Fort Worth.

Background

The bonds for both of these transactions were originally issued by the Department in September of 2001. Both have placed in service and completed the cost certification process and are considered to be passed their initial lease up period. Prior to completion of the cost certification, the original owner and principal of the general partner, William Brisben, left the transaction as part of a larger settlement with the syndicator/investor (Sun America/AIG). While the principal was replaced in both transactions, control of the property has continued to be heavily influenced by Sun America/AIG.

Organizational Structure and Compliance: Wildwood Apartments: The Borrower is Wildwood Branch Townhomes Limited Partnership and the General Partner is MBS GP 12, L.L.C of which the sole member is MUDCO 4, Inc. *The Meridian*: The Borrower is Brisben Meridian Limited Partnership and the General Partner is MBS GP 13, L.L.C. of which the sole member is MUDCO 4, Inc. The Special Limited Partner for both transactions is SLP Housing VII LLC of which the sole member is SunAmerica Investments, Inc. The Compliance Status Summary completed on January 16, 2009 reveals that the principals of the general partner have received twenty (20) multifamily awards that have no material noncompliance.

Summary of the Wildwood Apartments Transaction

The original bond amount was $14,365,000 which included $8,920,000 in senior tax exempt bonds, $2,570,000 in taxable bonds and $2,875,000 in tax exempt subordinate bonds. The original financing structure included taxable and tax exempt senior bonds offered in a public sale and fixed rate privately placed subordinate bonds. Because the three series of bonds each paid interest at slightly different fixed rates, the original underwriting used an overall blended interest rate of 5.86% for all three series.

The applicant is requesting the Department's approval to restructure the original bond transaction which would result in changes to the Trust Indenture. The original bonds were credit enhanced by AMBAC; however, they never stabilized under this program. As a result, they were purchased in lieu of redemption and are currently held by AIG Retirement Services. The bonds are no longer AMBAC insured. The bonds are currently outstanding in the amount of $13,750,000 which includes $8,920,000 in senior tax exempt bonds, $2,090,000 in taxable bonds and $2,740,000 in subordinate tax exempt bonds. Under the proposed re-structure, the subordinate and taxable bonds, currently held by AIG Retirement Services will be cancelled, and the senior bonds will be transferred to a Freddie Mac trust that will then

sell certificates of interest in the bonds to eligible investors. The bonds will then be credit enhanced by Freddie Mac at the trust level, carrying a AAA rating. It is expected that the amount of senior tax exempt bonds outstanding will be reduced to $6,602,000.

Wildwood is currently operating at a 0.53 debt coverage ratio; however, it is anticipated that after the re-structure the property will be at a 1.15 debt coverage ratio. A preliminary underwriting review by Department staff confirms that a restructuring of the proposed magnitude is required. The subordinate tax-exempt bonds and taxable bonds are no longer fully serviceable primarily because operating expenses have increased significantly compared to what was projected in 2001. Payroll and property taxes were the two largest areas of increase which may be indicative of institutional oversight.

Summary of The Meridian Transaction

The original bond amount was $14,365,000 which included $8,130,000 in senior tax exempt bonds, $3,315,000 in taxable bonds and $2,865,000 in tax exempt subordinate bonds. The original financing structure included taxable and tax exempt senior bonds offered in a public sale and fixed rate privately placed subordinate bonds. Because the three series of bonds each paid interest at slightly different fixed rates, the original underwriting used an overall blended interest rate of 5.86% for all three series. The development is 280 units and serves the general population.

The applicant is requesting the Department's approval to restructure the original bond transaction which would result in changes to the Trust Indenture. The original bonds were credit enhanced by AMBAC; however, they never stabilized under this program. As a result, they were purchased in lieu of redemption and are currently held by AIG Retirement Services. The bonds are no longer AMBAC insured. The Bonds are currently outstanding in the amount of $13,680,000 which includes $8,130,000 in senior tax exempt bonds, $2,840,000 in taxable bonds and $2,710,000 in subordinate tax exempt bonds. Under the proposed new structure, the taxable bonds and a portion of the subordinate bonds, currently held by AIG Retirement Services will be cancelled. The senior tax exempt bonds and the remaining subordinate bonds will be transferred to a Freddie Mac trust that will then sell certificates of interest in the bonds to eligible investors. The bonds will be credit enhanced by Freddie Mac at the trust level, carrying a AAA rating. The amount anticipated to be outstanding will be $391,000 in subordinate tax exempt bonds and $8,130,000 in senior tax exempt bonds.

The Meridian is currently operating at a 0.68 debt coverage ratio; however, it is anticipated that after the re-structure the property will be at a 1.15 debt coverage ratio. A preliminary underwriting review by Department staff confirms that a restructuring of the proposed magnitude is required. The subordinate tax-exempt bonds and taxable bonds are no longer fully serviceable primarily because operating expenses have increased by over 40% compared to what was projected in 2001. Payroll, water/sewer and property taxes were the three largest areas of increase which again may be indicative of institutional oversight. The preliminary re-underwriting also reflects a conflict in the rent schedule which is still being reconciled.

Summary of Changes

The First Supplement to the Trust Indenture proposes the following changes: changing the bond payments from semi-annually to monthly to mirror the mortgage payments, changing the optional redemption provision which affects the date on which the senior bonds are eligible for optional redemption and the final change is to the interest rate which will be from 5.45% to 6.00% on the senior bonds and from 5.86% to 6.00% on the subordinate bonds still outstanding for The Meridian. Essentially, the re-structure will result in decreasing the overall debt on both properties by $12 million, some of which carries a 6.85% interest rate, thereby reducing the debt service on both properties by $943,517.

Recommendation

Staff recommends the Board approve the amendments as stated in the First Supplement to the Trust Indenture for the Wildwood Apartments and The Meridian.

RESOLUTION NO. 09-023

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A FIRST SUPPLEMENTAL TRUST INDENTURE IN CONNECTION WITH MULTIFAMILY HOUSING REVENUE BONDS (MERIDIAN APARTMENTS) 2001 SERIES A-1, A-2, AND B AND MULTIFAMILY HOUSING REVENUE BONDS (WILDWOOD BRANCH APARTMENTS) 2001 SERIES A-1, A-2, AND B; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Issuer") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low, very low and extremely low income (as defined in the Act) and families of moderate income (as defined in the Act and determined by the Governing Board of the Issuer (the "Board") from time to time); and

WHEREAS, the Issuer issued its $8,920,000 Multifamily Housing Revenue Senior Bonds (Wildwood Branch Apartments) 2001 Series A-1 (the "Wildwood Branch Series A-1 Bonds"), its $2,570,000 Taxable Multifamily Housing Revenue Senior Bonds (Wildwood Branch Apartments) 2001 Series A-2 (the "Wildwood Branch Series A-2 Bonds"), and its $2,875,000 Multifamily Housing Revenue Subordinate Bonds (Wildwood Branch Apartments) 2001 Series B (the "Wildwood Branch Series B Bonds" and together with the Wildwood Branch Series A-1 Bonds and Wildwood Branch Series A-2 Bonds, the "Wildwood Branch Bonds") in the original aggregate principal amount of $14,365,000 pursuant to that certain Trust Indenture dated as of September 1, 2001 (the "Original Wildwood Branch Indenture") by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., successor to Bank One, National Association, as trustee (the "Trustee"); and

WHEREAS, the proceeds of the Wildwood Branch Bonds were loaned by the Issuer to Wildwood Branch Townhomes Limited Partnership, a limited partnership organized and existing under the laws of the State of Ohio (the "Wildwood Branch Borrower"), for the purpose of financing the acquisition, construction and equipping of a multifamily housing project located in the City of Houston, Texas, pursuant to that certain Loan Agreement dated as of September 1, 2001 (the "Original Wildwood Branch Loan Agreement") among the Issuer, the Wildwood Branch Borrower and the Trustee. To evidence its obligation to repay such loan in accordance with the terms of the Original Wildwood Branch Loan Agreement, the Wildwood Branch Borrower has executed in favor of the Issuer, its Senior Promissory Note (the "Wildwood Branch Senior Note") in the principal sum of $11,490,000 and its Subordinate Promissory Note in the principal sum of $2,875,000; and

WHEREAS, the Issuer issued its $8,130,000 Multifamily Housing Revenue Senior Bonds (Meridian Apartments) 2001 Series A-1 (the "Meridian Series A-1 Bonds" and together with the Wildwood Branch 2001 Series A-1 Bonds, the "Series A-1 Bonds"), its $3,315,000 Taxable Multifamily Housing Revenue Senior Bonds (Meridian Apartments) 2001 Series A-2 (the "Meridian Series A-2 Bonds"), and its $2,865,000 Multifamily Housing Revenue Subordinate Bonds (Meridian Apartments) 2001 Series B (the "Meridian Series B Bonds" and together with the Meridian Series A-1 Bonds and the Meridian Series A-2 Bonds, the "Meridian Bonds") in the original aggregate principal amount of $14,310,000 pursuant to that certain Trust Indenture dated as of September 1, 2001 (the "Original Meridian Indenture," and together with the Original Wildwood Branch Indenture, the "Original Indentures") by and between the Issuer and the Trustee; and

WHEREAS, the proceeds of the Meridian Bonds were loaned by the Issuer to Brisben Meridian Limited Partnership, a limited partnership organized and existing under the laws of the State of Ohio (the "Meridian Borrower"), for the purpose of financing the acquisition, construction and equipping of a multifamily housing project located in the City of Fort Worth, Texas, pursuant to that certain Loan Agreement dated as of September 1, 2001 (the "Original Meridian Loan Agreement") among the Issuer, the Meridian Borrower and the Trustee. To evidence its obligation to repay such loan in accordance with the terms of the Original Meridian Loan Agreement, the Meridian Borrower has executed in favor of the Issuer, its Senior Promissory Note (the "Meridian Senior Note") in the principal sum of $11,445,000 and its Subordinate Promissory Note (the "Meridian Subordinate Note" and together with the Wildwood Branch Senior Note and the Meridian Senior Note, the "Notes") in the principal sum of $2,865,000; and

WHEREAS, the Wildwood Branch Bonds and the Meridian Bonds were purchased in Lieu of redemption pursuant to Section 3.5 of the Original Indentures, and their respective credit enhancement and construction phase credit facilities have been released. The current holder of both the Wildwood Branch Bonds and the Meridian Bonds is AIG Retirement Services, Inc. (the "Sole Bondholder"); and

WHEREAS, the Sole Bondholder expects to transfer (the "Transfer") the Series A-1 Bonds and the Meridian Series B Bonds to Federal Home Loan Mortgage Corporation ("Freddie Mac") with the expectation that Freddie Mac will sell certain certificates of interest in the Series A-1 Bonds and the Meridian Series B Bonds to eligible investors; and

WHEREAS, Sections 10.2 and 10.3 of the Original Indentures provide that the Issuer and the Trustee may, with the consent of the holders of not less than 51% of the aggregate principal amount of senior bonds then outstanding, the respective borrower and SunAmerica Inc., enter into an indenture supplementing the Original Indentures in order to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Original Indentures; and

WHEREAS, in connection with the Transfer, the Wildwood Branch Borrower, the Meridian Borrower and the Sole Bondholder have requested certain modifications to the Original Indentures pursuant to the terms of (i) a First Supplement to Trust Indenture (the "Wildwood Branch First Supplemental Indenture") between the Issuer and Trustee, and consented to by the Sole Bondholder, and the Wildwood Branch Borrower and (ii) a First Supplement to Trust Indenture (the "Meridian First Supplemental Indenture" and together with the Wildwood Branch First Supplemental Indenture, the "First Supplemental Indentures") between the Issuer and Trustee, and consented to by the Sole Bondholder, and the Meridian Borrower; and

WHEREAS, in connection with the Transfer, the Wildwood Branch Borrower, the Meridian Borrower and the Sole Bondholder have requested certain modifications to the Notes pursuant to the terms of the (i) Allonge to Senior Promissory Note, (ii) Allonge to Subordinate Promissory Note, and (iii) Allonge to Senior Promissory Note; and

WHEREAS, the Issuer now desires to take certain actions with respect to the First Supplemental Indentures;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

Section 1. The First Supplemental Indentures, in substantially the forms presented at this meeting and approved by counsel to the Issuer, are hereby approved and adopted by the Issuer, and the Chairman of the Board is hereby authorized and empowered to execute and deliver the First Supplemental

Indentures on behalf of the Issuer, with such changes as may be approved by the Issuer's counsel and the officer executing the same, such approval to be evidenced by such officer's execution thereof.

Section 2. The actions and obligations of the Issuer authorized in Section 1 of this resolution shall be conditional upon the delivery to the Issuer of evidence satisfactory to it of (a) written consent to the Wildwood Branch First Supplemental Indenture by the Trustee, the Wildwood Branch Borrower, the Sole Bondholder and SunAmerica Inc. (and to the extent of any variance in the terms of the Wildwood Branch First Supplemental Indenture presented to the Board, evidence of the approval of such variance by the Trustee, the Wildwood Branch Borrower, the Sole Bondholder and SunAmerica Inc. by their execution of such Wildwood Branch First Supplemental Indenture), (b) written consent to the Meridian First Supplemental Indenture by the Trustee, the Meridian Borrower, the Sole Bondholder and SunAmerica Inc. (and to the extent of any variance in the terms of the Meridian First Supplemental Indenture presented to the Board, evidence of the approval of such variance by the Trustee, the Meridian Borrower, the Sole Bondholder and SunAmerica Inc. by their execution of such Meridian First Supplemental Indenture), (c) receipt by the Issuer of an opinion of Vinson & Elkins L.L.P. to the effect that the Wildwood Branch First Supplemental Indenture will not, upon the execution and delivery thereof, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Wildwood Branch Bonds, and (d) receipt by the Issuer of an opinion of Vinson & Elkins L.L.P. to the effect that the Meridian First Supplemental Indenture will not, upon the execution and delivery thereof, adversely affect the exclusion from gross income for federal income tax purposes of interest on the Meridian Bonds.

Section 3. The officers of the Board and the employees and agents of the Issuer, and each of them, shall be and each is expressly authorized, empowered and directed from time to time and at any time to do and perform all acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Issuer all certificates, financing statements, instruments and other documents, whether or not herein mentioned, as they may determine to be necessary or desirable in order to carry out the terms and provisions of this resolution, as well as the terms and provisions of the First Supplemental Indentures, such determination to be conclusively evidenced by the performance of such acts and things and the execution of any such certificate, financing statement, instrument or other document.

Section 4. This resolution shall be in full force and effect from and upon its adoption.

(Remainder of Page Intentionally Left Blank)

Section 5. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials made available to the Board relevant to the subject of this Resolution were posted on the Department's website not later than the third day before the date of the meeting of the Board at which this Resolution was considered, and any documents made available to the Board by the Department on the day of the meeting were also made available in hard-copy format to the members of the public in attendance at the meeting, as required by Section 2306.032, Texas Government Code, as amended.

(Execution page follows)

PASSED AND APPROVED this 5th day of February, 2009.

_____
Chairman, Governing Board

ATTEST:

_____
Secretary to the Governing Board

(SEAL)

Portfolio Management and Compliance

BOARD ACTION REQUEST

February 5, 2009

Action Items

Presentation, Discussion and Possible Approval for publication in the Texas Register of a final order adopting amendments to 10 TAC Chapter 60, Subchapter A, Compliance Monitoring Rules.

Required Action

Presentation, Discussion, and Possible Approval for publication in the *Texas Register* of a final order adopting amendments to 10 TAC Chapter 60, Subchapter A, Compliance Monitoring Rules.

Background

On November 17, 2008, amendments to the Compliance Monitoring Rules were published in the *Texas Register*. The Rules were available for public comment until December 18, 2008. In addition to publishing the document in the *Texas Register*, a copy was published on the Department's web site and made available to the public.

The Department received comments in writing via email. Public comments and Department responses are presented in the order in which the sections appear in the Rule. Each section number is followed by the title of the section as it appears in the Rule. The numbers in parentheses by the section titles correspond to the name of the person or entity that made the comment. The summary of each comment is followed by a staff response and the reasons the Department agreed or disagreed with the comment.

1	Drew Hoskins/HFI Management/Encore Residential
2	Ann Berezin/ Aspen Square Management
3	Mike Sugrue/ Texas Affiliation of Affordable Housing Providers
4	Jeff Crozier/ Rural Rental Housing Association of Texas
5	Barry Kahn/ Developer

Reasoned Response to Public Comment on the Draft Compliance Monitoring Rules

General (4)

Comment was received suggesting that the Department's *Issues of Noncompliance* report should be modified to indicate the number of points allotted to violations. Currently, the report only shows the cumulative total.

Staff response:

Department staff will attempt to accommodate this request. In the meantime, any Compliance Monitoring staff member is available to help owners and managers calculate their compliance score.

General (4)

Comment was received noting that owners and managers must review their Uniform Physical Condition Standards (UPCS) inspection report to determine why the inspection resulted in Major or Minor violations findings.

Staff Response:

The cover letter sent with the report specifies one of the following reasons for the appropriate finding:

For 'Major violations" at least one of the following was observed: Exigent Fire and Safety Hazards were not corrected with 24 hours, 20% or more of buildings or dwelling Units inspected had a level three violation; or the property scored below 60%. For 'Minor violations" at least one of the following was observed: 20% or more of the buildings or dwelling Units inspected had any level two violation; or the property scored between 60% and 79%.

Owners and managers must look at the report to determine what needs to be corrected. It would be redundant for the Department's cover letter to list all violations. The Compliance Monitoring staff is available to help owners and managers understand their UPCS report.

§60.102 Definitions (3, 5)

Comment was received regarding the definition of commencement of substantial construction. Specifically, the commenter suggested that the industry would have difficulty adhering to the section of the proposed definition that requires "all major underground utility transmission in place". The commenter stated that utility companies require sidewalks before transformers can be installed and therefore it would not be possible to meet this requirement by the commencement of substantial construction. Another commenter suggested that major utility transmission infrastructure cannot be completed until near the end of construction.

Staff response:

The Department concurs with the difficulty in requiring all major utility transmission infrastructure to be in place. Since utilities are required to construct the development, however,

Department staff expects that all necessary utilities must be available at the property to commence substantial construction and has amended the Rule to that effect.

§60.102 Definitions (3, 5)

Comment was also received that the definition of commencement of substantial construction has become complex and that the standard should be reverted to spending a percentage of the construction contract.

Staff Response:

Staff concurs that the definition has become more complex. Staff believes that physical standards are better measures of progress than financial ones. Unfortunately, this makes the definition more complex. However, to provide some flexibility, staff suggests the following change to the definition which will still require owners to meet some physical tests but will also allow some progress to be documented by expending funds:

§60.102(22) Substantial Construction–

(A) The minimum activity necessary to meet the requirements of substantial construction for new construction developments will be defined as:

(i) completion of the foundation of the clubhouse (if applicable);

(ii) having all permits;

(iii) all grading completed (not including landscaping)

(iv) all necessary utilities available at the property; and

(v) all Right of Way access and one of the following:

(I) 20% of the construction contract amount for the development expended, adjusted for any change orders and certified by the inspecting architect; or

(II) 100 percent of the foundations in place and 50 percent of the framing completed or

(III) 25 percent of all residential buildings roofed.

§60.109 Utility Allowances (1)

Comment was made that provisions of the rule contradict Texas Commission on Environmental Quality (TCEQ) Rules regarding submetering. In addition, according to the commenter, the new rule will encourage wastefulness of a natural resource.

Staff response:

Staff disagrees that there is a contradiction between the Compliance Monitoring Rules and the TCEQ Rules. The Compliance Monitoring Rules allow owners to submeter and charge residents for water and wastewater usage. However, the amount is capped by the Housing Tax Credit rent limit. The TCEQ Rules do not *require* owners to bill residents for the full amount of water or wastewater they use. It is permitted but not required; therefore, there is no contradiction. Furthermore, the Compliance Monitoring Rules reflect the federal requirements of Treasury Regulation 1.42-10; the Department must require owners to comply.

No change was made in response to this comment.

§60.116 Property Condition Standards (4)

Comment was received that vacant units should not be inspected unless 15% or more of a property's units are vacant. The commenter noted that there are often "make ready" issues with vacant units.

Staff response:

Staff agrees that special consideration should be given to vacant units. However, owners and managers must turn units within a reasonable period. Staff suggests the following change:

§60.116(h) 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 will be inspected. No deficiencies will be cited for inspectable items if utilities are turned off and the inspectable item is present and appears to be in working order.

§60.116 Property Condition Standards (5)

Comment was received requesting clarification on the cure period for certain physical violations.

Staff response:

Under the Uniform Physical Condition Standards inspection protocol deficiencies are classified as level one, two or three. However, there is a special class of level three violations called Exigent and Fire Safety Hazards. Those special level three violations are separately noted for the property representative, in writing, the day of the inspection. The property representative must sign a form acknowledging those violations, correct them within 24 hours, and notify the Department of the correction within 72 hours.

By far, the most common Exigent and Fire Safety Hazards noted are inoperable smoke detectors and blocked fire egresses due to resident furniture.

The Department recognizes that owners have little control over these issues. Therefore the Department does not take these violations into consideration, as long as they are corrected within the required timeframes. However, other types of level two and level three violations are more indicative of the overall condition of the property and will be taken into consideration, even if corrected within 24 hours.

§60.118 Special Rules regarding Rents and Rent Limit Violations (2)

Comment was received that the Compliance Monitoring Rules "have taken a very narrow interpretation of the 8823 Audit Guide" regarding allowable fees that prospective residents can be charged. In addition, the commenter suggested that the Department approve a standard dollar amount that can be added to the application fee to cover staff time spent checking an applicant's

qualifications. The commenter suggested that staff time averages one hour per application and that an hour of staff time is $30, which includes payroll overhead.

Staff Response:

Staff has conferred with the Internal Revenue Service on this issue and the IRS has agreed that the staff time spent checking the applicant's income, credit history, and landlord references can be included in the application fee. However, payroll overhead cannot be included.

Department staff has reviewed a time study submitted by the commenter which indicates that the average time spent checking an applicant's income, credit history, and landlord references is less than 30 minutes. Department staff surveyed several affordable housing management companies who reported an average leasing consultant salary of approximately $11.00 per hour. Therefore, staff recommends inserting the following language into 60.118(c) after "Owners must only charge the actual cost for application fees as supported by invoices from the screening company the Owner uses" as reflected below:

(c) Rent Violations of the maximum allowable limit due to application fees (HTC). Under the HTC program, 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. The amount of time Development staff spends on checking an applicant's income, credit history and landlord references may be included in the Development's application fee. Development owners may add $5.50 to their other out of pocket costs for processing an application without providing documentation. Should an owner desire to include a higher amount to cover staff time, wage information and a time study must be supplied to the Department upon request. Documentation of Development costs for application processing or screening fees must be made available during onsite visits or upon request. The Department will review application fee documentation during onsite monitoring visits. If the Department determines from a review of the documentation that the Owner has overcharged residents an application fee, the noncompliance will be reported to the IRS on Form(s) 8823. The noncompliance will be corrected on the later of January 1st of the next year or as of the date the application fee is reduced and evidence of a reduced application fee is supplied to the Department. Owners are not required to refund the overcharged fee amount. If the Development refunds the overcharged fee in full or in part, the units will remain out of compliance until January 1st of the next year or until the application fee is reduced.

§60.118 Special Rules regarding Rents and Rent Limit Violations (2)

The commenter also suggested that the Department annually pre-approve the application fee charged by each apartment complex the Department monitors.

Staff Response:

Approving application fees on an annual basis for all properties would be an onerous task for the Department and owners. Staff recommends adding the above additional guidance to the Rules instead.

§60.121 Material Noncompliance Methodology (4)

Comment was received stating that it is unfair for noncompliance events to have a corrected point value that remains on the property's score for three years. The commenter stated "Some

issues should remain on the score, some which are simple clerical or lease wording issues should be removed as soon as they are corrected".

Staff Response:

Since specific suggestions as to which issues should remain on a property's score and which should be dropped was not provided, no change was made. Owners and managers are encouraged to provide specific comment on this issue during the roundtables held prior to each rule cycle.

Recommendation

Approve, reject, or approve with modifications for publication in the Texas Register of a final order adopting amendments to 10 TAC Chapter 60, Subchapter A, Compliance Monitoring Rules.

§60.101.Purpose and Overview.

(a) This rule satisfies the requirement of §42(m)(1)(B)(iii) Internal Revenue Code (Code) to provide a procedure that will be followed for monitoring for noncompliance with the provisions of the Code and to notify the Internal Revenue Service of such noncompliance. The Department monitors rental Developments receiving assistance under:

(1) the Housing Tax Credit program (HTC);

(2) the HOME Investment Partnerships program (HOME);

(3) the Tax Exempt Bond program (BOND);

(4) the Housing Trust Fund program (HTF); and

(5) the Community Development Block Grant Disaster Recovery Program (CDBG).

(b) All properties monitored by the Department are subject to the Department's enforcement rules, found in Subchapter C of this chapter.

(c) Compliance monitoring begins with the commencement of construction and continues to the end of the long term Affordability Period. The Portfolio Management and Compliance Division (PMC) monitors to ensure Owners comply with the program rules and regulations, Chapter 2306, Texas Government Code, the Land Use Restriction Agreement (LURA) requirements and conditions, and representations imposed by the Application or award of funds by the Department. These rules do not address forms and other records that may be required of Development Owners by the Internal Revenue Service (IRS) or other governmental entities, whether for purposes of filing annual returns or supporting Development Owner tax positions during an IRS or other governmental audit.

§60.102.Definitions.

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Affordability Period--The Affordability Period commences as specified in the Land Use Restriction Agreement (LURA) or federal regulation, or commences on the first day of the Compliance Period as defined by §42(i)(1) of the Internal Revenue Code (IRC) and continues through the appropriate program's affordability requirements or termination of the LURA, whichever is earlier. The term of the Affordability Period shall be imposed by the LURA or other deed restriction and may be terminated upon foreclosure. The Department reserves the right to extend the Affordability Period for HOME properties that fail to meet program requirements. During the Affordability Period the Department shall monitor to ensure compliance with programmatic rules, regulations, and Application representations.

(2) Application--An Application, in the form prescribed by the Department, filed with the Department by an Applicant, including any exhibits or other supporting material. (§2306.6702)

(3) Architect of Record--The architect licensed in the jurisdiction that the project is located in, who prepares, stamps and signs the construction documents, and is legally recorded as the architect for the project.

(4) Board--The governing Board of the Texas Department of Housing and Community Affairs.

(5) Code--The U.S. Internal Revenue Code of 1986, as amended from time-to-time, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official pronouncements issued by the United States Department of the Treasury or the Internal Revenue Service.

(6) Compliance Period--With respect to a Housing Tax Credit building, the period of fifteen (15) taxable years, beginning with the first year of the Credit Period, pursuant to the Code §42(i)(1).

(7) Continuously Occupied--The same household has resided in the Unit for at least twelve (12) months.

(8) Credit Period--With respect to a Housing Tax Credit building, the period of ten (10) taxable years, beginning with the taxable year the building is placed in service or at the election of the Development Owner, the succeeding taxable year, as more fully defined in the Code §42(f)(1).

(9) Department--The Texas Department of Housing and Community Affairs, an official and public agency of the State of Texas pursuant to Chapter 2306, Texas Government Code.

(10) Development--A property or work or a project, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department and that is financed under the provisions of Chapter 2306, Texas Government Code.

(11) Extended Use Period--With respect to a Housing Tax Credit building, the period beginning on the first day of the Compliance Period and ending the later of:

(A) the date specified in the Land Use Restriction Agreement, or

(B) the date which is fifteen (15) years after the close of the Compliance Period.

(12) Historically Underutilized Business (HUB)--Any entity defined as a historically underutilized business with its principal place of business in the State of Texas in accordance with Chapter 2161, Texas Government Code.

(13) Housing Quality Standards--The property condition standards described in 24 CFR §982.401.

(14) HTC Development--Sometimes referred to as "HTC Property." A Development using Housing Tax Credits allocated by the Department.

(15) HUD--The United States Department of Housing and Urban Development.

(16) HUD-regulated Building--The rents and utility allowances of the building are reviewed by HUD on an annual basis.

(17) Low Income Unit--A Unit that is intended for occupancy by an income eligible household, as defined by the Department or the Code.

(18) Land Use Restriction Agreement or LURA--An agreement between the Department and the Development Owner which is a binding covenant upon the Development Owner's successors in interest that encumbers the Development with respect to the requirements of Chapter 2306 of the Texas Government Code, the Code, and the requirements of the various programs administered or funded by the Department.

(19) Material Noncompliance--

(A) A Housing Tax Credit Development located within the state of Texas will be classified by the Department as being in Material Noncompliance status if the noncompliance score for such Development is equal to or exceeds a threshold of 30 points in accordance with the Material Noncompliance provisions, methodology, and point system of this title.

(B) Non HTC Developments monitored by the Department with 1 to 50 Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 30 points. Non HTC Developments monitored by the Department with 51 to 200 Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 50 points. Non HTC Developments monitored by the Department with 201 or more Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 80 points.

(C) For all programs, a Development will be in Material Noncompliance if the noncompliance is stated in §60.121 of this chapter to be Material Noncompliance.

(20) Non HTC Development--Sometimes referred to as Non HTC Property. Any Development not utilizing Housing Tax Credits.

(21) Owner--An individual, joint venture, partnership, limited partnership, trust, firm, corporation, limited liability company, other form of business organization or cooperative that is approved by the Department as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing Development, subject to the regulatory powers of the Department and other terms and conditions.

(22) Substantial Construction--

(A) The minimum activity necessary to meet the requirements of substantial construction for new construction Developments will be defined as:

(i) completion of the foundation of the clubhouse (if applicable);

(ii) having all permits;

(iii) all grading completed (not including landscaping);

(iv) all necessary utilities available at the property; and

(v) all Right of Way access and one of the following:

(I) 20 percent of the construction contract amount for the development expended, adjusted for any change orders and certified by the inspecting architect; or

(II) 100 percent of the foundations in place and 50 percent of the framing completed, or

(III) 25 percent of all residential buildings roofed.

(B) The minimum activity necessary to meet the requirement of Commencement of Substantial Construction for rehabilitation Developments will be defined as having:

(i) building permits issued or a clearance from the City stating that building permits are not required;

(ii) a certification that there are no reasonably foreseeable issues or circumstances which may prevent or delay the start and progress of construction or the timely successful completion of rehabilitation; and

(iii) at least 20 percent of the construction budget expended as documented by the inspecting architect.

(23) Unit--Any residential rental Unit in a Development consisting of an accommodation, including a single room used as an accommodation on a non-transient basis that contains complete physical facilities and fixtures for living, sleeping, eating, cooking, and sanitation.

(24) Unit Type--Units will be considered different Unit Types if there is any variation in the number of bedroom, bathrooms or a square footage difference equal to or more than 120 square feet. *Example 101(1):* A two bedroom one bath Unit is considered a different Unit Type than a two bedroom two bath Unit. A three bedroom two bath Unit with 1,000 square feet is considered a different Unit Type than a three bedroom two bath Unit with 1,200 square feet. A one bedroom one bath Unit with 700 square feet will be considered equivalent to a one bedroom, one bath Unit with 800 square feet.

(25) UPCS--Uniform Physical Condition Standards as developed by the Real Estate Assessment Center of the Department of Housing and Urban Development.

§60.103.Construction Monitoring.

(a) The Department will monitor the entire construction phase for all applicable requirements according to the level of risk. After Final Construction during the Affordability Period, the Department will periodically monitor the Development to assure that the initial compliance review was correct.

(b) The Department will not provide any funding to any Development unless the Owner certifies that the housing Development is, or will be upon completion of construction, in compliance with the following housing laws:

(1) state and federal fair housing laws, including Chapter 301, Property Code, the Texas Fair Housing Act, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601, et seq.), and the Fair Housing Amendments of 1988 (42 U.S.C. §§3601, et seq.);

(2) the Civil Rights Act of 1964 (42 U.S.C. §§2000a, et seq.);

(3) the Americans with Disabilities Act of 1990 (42 U.S.C. §§12101, et seq.); and

(4) Section 504, Rehabilitation Act of 1973 (29 U.S.C. §§701, et seq.). (§2306.257)

(c) Evidence of Commencement of Substantial Construction must be submitted no later than the deadline established in the Development's Commitment Notice. Four percent BOND properties are not required to submit evidence of Substantial Construction.

(d) Copies of any construction reports supplied to a syndicator must be supplied to the Department upon request.

(e) Copies of any reports issued during construction that indicate changes that affect the representations made during the Application process must be supplied to the Department upon request.

(f) Owners are required to submit evidence of construction completion within thirty (30) days of completion in a format prescribed by the Department. In addition, the Architect of Record must submit a certification that the Development was built in compliance with all applicable laws.

(g) The Department will conduct a final inspection after receipt of notification of construction completion. During the inspection, the Department will confirm that committed amenities have been provided and will inspect for compliance with the applicable laws referenced in subsection (b) of this section. In addition, a UPCS inspection may be completed.

(h) Owners will be provided a written notice after the final inspection. If any deficiencies are noted, a ninety(90) day corrective action period will be provided.

(i) Forms 8609 and final retainage will not be released until the Owner receives written notice from the Department that all noted deficiencies have been resolved.

(j) During any construction inspection, if the Owner and the Department are unable to agree that an identified issue is a violation, the Owner must request Alternative Dispute Resolution. The process for engaging ADR is outlined in §60.123 of this chapter.

§60.104.Recording of Land Use Restriction Agreements (HTC Properties).

(a) In general, no credit is allowable for a building unless there is a properly executed LURA in effect at the end of the first year of the Credit Period. A draft of the proposed LURA must be provided no later than September 1st of the calendar year in which the Owner intends to have it recorded. The Department cannot guarantee that a draft LURA received after September 1st will be processed in the same calendar year.

(b) LURAs will impose the rent and income restrictions identified in the Development's final underwriting report.

(c) The Department will not issue Forms 8609 until it receives the original, properly recorded LURA.

§60.105.Reporting Requirements.

(a) The Department requires reports to be submitted electronically through the Department's web-based Compliance Monitoring and Tracking System (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 filed no later than September 1st of the year following the award. The Department will provide general instruction regarding the electronic transfer of data. Under special circumstances, the Department may, at its discretion, waive the online reporting requirements where a hardship can be demonstrated. In the absence of a written waiver, all Developments are required to submit reports online.

(b) Each Development is required to submit an Annual Owner's Compliance Report (AOCR). Depending on the property, some or all of the Report must be submitted. The first AOCR is due the second year following the award. For example, if a Development is awarded funds in calendar year 2007, the first report is due in 2009. The AOCR is comprised of 4 sections:

(1) Part A "Owner's Certification of Program Compliance." All Development Owners must annually certify to compliance with applicable program requirements. The AOCR Part A shall include answers to all questions required by Treasury Regulation 1.42-5(b)(1) or the applicable program rules. In addition, Owners are required to report on the race and ethnicity, family composition, age, income, use of rental assistance, disability status, and monthly rental payments of individuals and families applying for and receiving assistance. Housing Tax Credit (HTC) developments during the Compliance Period will also be required to provide the name and mailing address of the syndicator in the Annual Owner's Compliance Report.

(2) Part B "Unit Status Report." All Developments must annually report the information related to individual household income, rent, certification dates and other necessary data to ensure compliance with applicable program regulations.

(3) Part C "Housing for Persons with Disabilities." The Department must 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 questions on Part C satisfy this requirement.

(4) Part D "Owner's Financial Certification." Developments funded by the Department must annually provide the data requested in the Owner's Financial Certification.

(c) Parts A, B and C of the Annual Owner's Compliance Report must be provided to the Department no later than March 1st of each year, reporting data current as of December 31 of the previous year (the reporting year). Part D, "Owner's Financial Certification", which includes the current audited financial statements and income and expenses of the Development for the prior year, must be submitted to the Department no later than the last day of April each year.

(d) Any Development for which the AOCR, Part A, "Owner's Certification of Program Compliance," is not received or is received past the due date will be considered not in compliance with this section. If Part A is incomplete, improperly completed, or is not submitted by the Development Owner, it will be considered not received and not in compliance with this section. The Department will report to the IRS on Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition, any HTC Development that fails to comply with this requirement.

(e) Department staff will review Part A of the AOCR for compliance with the requirements of the appropriate program. If it appears that the Development is not in compliance based upon the report, the Owner will be given written notice and provided a corrective action period to clarify or correct the report. If the Owner does not respond to the notice, the report will be subject to the sanctions listed in subsections (f) and (g) of this section.

(f) If any required section, or sections (Parts A, B, C or D), of the report are not received on or before the deadline for submission specified in subsection (c) of this section, a notice of noncompliance will be sent to the Owner, specifying a corrective action deadline. If the report is not received on or before the corrective action deadline, the Department shall:

(1) For all HTC properties, issue Form 8823 notifying the Internal Revenue Service of the violation.

(2) For all properties, score the noncompliance in accordance with §60.121 of this chapter.

(g) The Department may assess and enforce the following sanctions against an Owner who fails to submit the AOCR on or before March 1 of each year. These sanctions will be assessed for multiple, consistent, and/or repeated violations of failure to submit the AOCR by March 1 of each year:

(1) A late processing fee in an amount equal to $1,000;

(2) An HTC Development that fails to submit the required AOCR for three (3) consecutive years may be reported to the Internal Revenue Service as no longer in compliance and never expected to comply.

(h) Periodic Unit Status Reports. HOME, Housing Trust Fund, and properties funded under the Department's CDBG Disaster Recovery Program shall provide tenant information provided on Part B, "Unit Status Report," at least quarterly during lease up and until occupancy requirements are achieved. Once the Department determines that all occupancy requirements are met, the Development shall submit the Unit Status Report at least annually and as required by this section.

(i) Developments financed by Tax Exempt Bonds issued by the Department shall report quarterly throughout the Qualified Project Period unless notified by the Department of a change in the reporting frequency.

(j) Owners are encouraged to continuously maintain current resident data in the Department's Compliance Monitoring and Tracking System. Under certain circumstances, such as in the event of a natural disaster, the Department may require all Developments to provide current occupancy data through CMTS.

(k) All rental Developments funded or administered by the Department will be required to submit a current Unit Status Report prior to an onsite monitoring visit.

§60.106.Record Keeping Requirements.

(a) Development Owners must comply with program recordkeeping requirements. Records must include sufficient information to comply with the reporting requirements of §60.105 of this chapter and any additional programmatic requirements. HTC Development Owners must retain records sufficient to comply with the reporting requirements of Treasury Regulation 1.42-5(b)(1). Records must be kept for each qualified Low Income Unit and building in the Development, commencing with lease up activities and continuing on a monthly basis until the end of the Affordability Period.

(b) Each Development that is administered by the Department must retain records as required by the specific funding program rules and regulations. In general, retention schedules include but are not limited to the provision of subsections (c) - (f) of this section.

(c) HTC records must be retained for at least six years after the due date (with extensions) for filing the federal income tax return for that year; however, the records for the first year of the Credit Period must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building (§1.42-5(b)(2) of the Code).

(d) Retention of records for HOME rental Developments and the CDBG Disaster Recovery program must comply with the provisions of 24 CFR §92.508(c), which generally requires retention of rental housing records for five years after the Affordability Period terminates.

(e) Housing Trust Fund (HTF) rental Developments must retain tenant files for at least three years beyond the date the tenant moves from the Development. Records pertinent to the funding of the award, including but not limited to the Application, Development costs and documentation, must be retained for at least five years after the Affordability Period terminates.

(f) Other rental Developments funded or administered in whole or in part by the Department must comply with record retention requirements as required by rule or deed restriction.

§60.107.Notices to the Department.

(a) If any of the events in paragraphs (1) - (3) of this subsection occur, written notice must be provided to the Department within the timeframes as follows:

(1) Any sale, transfer, exchange, of the Development or any portion of the Development. Notification must be provided at least thirty (30) days prior to this event.

(2) The Development suffers in whole or in part a casualty loss. Notification must be provided within thirty (30) days following the event of loss using the Department's Notice of Casualty Loss (for general casualty losses) or Notice of Disaster Casualty Loss (specific to loss as a result of a Presidentially Declared Disaster).

(3) Owners of Bond Developments shall notify the Department of the date 10 percent of the Units are occupied and the date 50 percent of the Units are occupied within ninety(90) days of such dates.

(b) Owners are responsible for maintaining current information (including contact persons, physical addresses, mailing addresses, email addresses, and phone numbers) for the Ownership entity and management company in the Department's Compliance Monitoring and Tracking System (CMTS). Treasury Regulations require the Department to notify Housing Tax Credit Owners of upcoming reviews and instances of noncompliance. The Department will rely on the information supplied by the Owner in CMTS to meet this requirement.

§60.108.Determination, Documentation and Certification of Annual Income.

(a) For all programs administered by the Department, annual income shall be determined consistent with the §8 Program, using the definitions of annual income described in HUD Handbook 4350.3 as amended from time to time. 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.

(b) The Department permits Owners to use check stubs or other documentation of income and assets provided by the applicant or household in lieu of employment verification forms. It is not necessary to first attempt to obtain an employment verification form as required by the HUD 4350.3.

(c) The Department requires the use of the TDHCA 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.

§60.109. Utility Allowances.

(a) The Department will monitor to determine if HTC, BOND, CDBG, HOME, and HTF properties comply with published rent limits which include an allowance for tenant paid utilities. For HTC buildings, if the residents pay utilities directly to the owner of the building or to a third party billing company, this monthly amount will be considered a mandatory fee. The rent, plus all mandatory fees, plus an allowance for those utilities paid by the resident directly to a utility provider must be less than the allowable limit. For Non-HTC buildings, owners may account for utilities paid directly to the owner or to a third party billing company in their utility allowance. Where residents are responsible for some, or all, of the utilities--other than telephone, cable, and internet--Development Owners must use a utility allowance that complies with both this section and the applicable program regulations. An Owner may not change utility allowance methods without written approval from the Department. Any such request must include the Utility Allowance Questionnaire found on the Department's website.

(b) Rural Housing Service (RHS) Buildings or buildings with RHS assisted tenants. The applicable utility allowance for the Development will be determined under the method prescribed by the Rural Housing Service (or successor agency). No other utility method described in this section can be used by RHS buildings or buildings with RHS assisted tenants.

(c) HUD-Regulated Buildings layered with any Department program. If neither the building nor any tenant in the building receives RHS rental assistance payment, and the rents and the utility allowances of the building are reviewed by HUD on an annual basis (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.

(d) Other Buildings. For all other rent-restricted Units, Development Owners must use one of the following methods:

(1) The utility allowance established by the applicable Public Housing Authority (PHA). The Department will utilize Texas Local Government Code Chapter 392 to determine which PHA is the most applicable to the Development. 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. If an Owner chooses to implement a methodology as described in paragraphs (2), (3), (4), or (5) of this subsection, for units occupied by §8 voucher holders, the utility allowance remains the applicable PHA utility allowance established by the PHA from which the household's voucher is received.

(2) A written estimate from a local utility provider. If there are multiple utility companies that service the Development, the local provider must be a residential utility company

that offers service to the residents of the Development requesting the methodology. The Department will use the Texas Electric Choice website: http://www.powertochoose.org/_content/_compare/compare.aspx to verify the availability of service. If the utility company is not listed as a provider in the Development's ZIP code, the request will be denied. Additionally, the estimate must specifically include all "component deregulated charges" for providing the utility service.

(3) The HUD Utility Model Schedule. A utility estimate can be calculated by using the "HUD Utility Model Schedule" that can be found at http://www.huduser.org/datasets/lihtc/html (or successor URL). The rates used must be no older than the rates in effect sixty (60) days prior to the beginning of the ninety (90) day period in which the Owner intends to implement the allowance. For Owners calculating a utility allowance under this methodology, the model, along with all back-up documentation used in the model, must be submitted to the Department, on a CD, within the timeline described in subsection (f) of this section.

(4) An energy consumption model. The utility consumption estimate must be calculated by a properly licensed mechanical engineer or an individual holding a valid Residential Energy Service Network (RESNET) or Certified Energy Manager (CEM) certification. 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 orientation, design and materials, mechanical systems, appliances, and characteristics of building location, or

(5) 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 rates, provided that the Development Owner has the written permission of the Department. This methodology is referred to as the "Actual Use Method."

(e) For a Development Owner to use the Actual Use Method they must:

(1) provide a minimum sample size of usage data for at least 5 Continuously Occupied Units of each Unit Type or 20 percent of each Unit Type whichever is greater. *Example 109(1):* A Development has 20 three bedroom one bath Units and 80 three bedroom two bath Units . Each bedroom/bathroom equivalent Unit is within 120 square feet of the same floor area. Data must be supplied for at least 5 of the three bedroom one bath Units and 16 of the three bedroom two bath Units. If there are less than 5 Units of any Unit Type, data for 100 percent of the Unit Type must be provided.

(2) the following information must be scanned onto a CD and submitted to the Department no later than the beginning of the ninety (90) day period in which the Owner intends to implement the allowance, reflecting data no older than sixty (60) days prior to the ninety (90) day implementation period. *Example 109(2):* The utility provider releases the information regarding electric usage at Westover Townhomes on February 5, 2009. The data provided is from February 1, 2008 through January 31, 2009. The Owner must submit the information to the Department no later than March 31, 2009 for the information to be valid.

(A) 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 actual kilowatt usage, for each Unit for which data was obtained, and the rates in place at the time of the submission.

(B) A copy of the request to the utility provider (or billing entity for the utility provider) to provide usage data.

(C) 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.

(D) 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.

(E) Documentation of the current utility allowance used by the Development.

(3) 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 following guidelines:

(A) If data is obtained for more than 20 percent or 5 of each Unit Type, all data will be used to calculate the allowance.

(B) If more than twelve (12) months of data is provided for any Unit, only the data for the most current twelve (12) months will be averaged.

(C) The allowance will be calculated by multiplying the average units of measure for the applicable utility (i.e. kilowatts over the last twelve (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 baths and 12 two bedroom two baths, the data for all 30 Units will be averaged to calculate the allowance for all two bedroom Units.

(D) The allowance will be rounded up to the next whole dollar amount.

(E) If the data submitted indicates zero (0) usage for any month, the data for that unit will not be used to calculate the Utility Allowance.

(4) The Department will complete its evaluation and calculation within ninety (90) days of receipt of all the information requested in paragraph (2) of this subsection.

(5) For newly constructed Developments or Developments that have units which have not been continuously occupied, the Department, on a case by case basis, may use consumption data for units of similar size and construction in the geographic area to calculate the utility allowance.

(f) Effective dates. If the Owner uses the methodologies as described in subsections (b), (c), or (d)(1) of this section, any changes to the allowance can be implemented immediately, but must be implemented for rent due ninety (90) days after the change. For methodologies as described in subsection (d)(2) - (5) of this section, 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 ninety (90) day period in which the Owner intends to implement the utility allowance. With the exception of the methodology described in subsection (d)(5) of this section, if a response is not received by the Department within the ninety (90) day period, the Owner may temporarily use the submission as a safe harbor until the Department provides written authorization (the Owner cannot assume that the allowance is approved by the Department but can operate in good faith prior to notification). Failure to submit the proposed utility allowance to the Department and make it available to the residents will result in a finding of noncompliance.

(g) Requirements for Annual Review. Owners utilizing the methods described in subsection (d)(2) - (5) of this section must once a calendar year submit copies of the utility estimate to the Department and simultaneously make the estimate available to the residents by posting the estimate in a common area of the leasing office at the Development. Changes in utility allowances cannot be implemented until the estimate has been submitted to the Department and made available to the residents by posting in the leasing office and a ninety (90) day period has elapsed. The back up documentation required by the methodology the Owner has chosen must be submitted to the Department for approval no later than October 1st; however, the Department encourages Owners to submit documentation prior to the October 1st deadline in order to ensure that the Department has adequate time to review and respond to the Owner's estimate.

(h) Combining Methodologies. With the exception of HUD regulated buildings and RHS buildings, 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 (electric, gas etc.). 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.

(i) Increases in Utility Allowances for Developments with HOME funds. Because the HOME final rule does not provide a grace period for implementing increased utility allowances, changes in utility allowances must be implemented on the published effective date.

(j) The owner shall maintain and make available for inspection by the tenant the data upon which the utility allowance schedule is calculated. 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 tenant at the convenience of both the apartment owner and tenant.

§60.110.Lease Requirements (HTC and HOME Properties).

(a) For HTC properties, Revenue Ruling 2004-82 prohibits the eviction or termination of tenancy for other than good cause of low income households throughout the entire Affordability Period and for three years after termination of an extended low-income housing commitment. Owners executing or renewing leases after November 1, 2007 shall 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.

(b) For HOME properties, the HOME Final Rule prohibits Owners 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, or for other good cause. To terminate tenancy, the Owner must serve written notice to the tenant specifying the grounds for the action at least thirty (30) days before the termination of tenancy. Owners executing or renewing leases after November 1, 2007 shall specifically state 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).

(c) The Department does not determine if an Owner has good cause or if a resident has violated the lease terms. If there is a challenge to a good cause eviction, that determination will be made by a court of competent jurisdiction or an agreement of the parties in arbitration. The Department will rely on the court decision or the agreement of the parties.

(d) HTC and BOND properties must use a lease or lease addendum that requires households to report changes in student status.

§60.111.Income at Recertification (Housing Tax Credit Properties).

(a) Under the Code, HTC Development Owners elect a minimum set aside requirement of 20/50 or 40/60 (20 percent of the Units restricted to the 50 percent income and rent limits or 40 percent of the Units restricted to the 60 percent income and rent limits). The minimum set aside elected by the Development Owner sets the maximum income and rent limits at the property. The Housing Tax Credit program requires mixed income properties to comply with the Available Unit Rule. Regardless of this section if a household's income exceeds 140 percent of the income limit elected by the minimum set aside, owners must comply with the Available Unit Rule. Many HTC Development Owners agreed to lease Units to households with an annual income and rent lower than the maximum limits (for example at the 30 percent, 40 percent or 50 percent income and rent limits) established by the minimum set aside election of the Owner. This requirement is referred to as "additional occupancy restrictions" and is reflected in the Development's Land Use Restriction Agreement. When monitoring, the Department will examine the actual rent and income levels of all tenants to determine if additional rent and income requirements in the LURA are being met. Household income at recertification for the additional occupancy restrictions will be monitored as follows:

(1) Households initially designated at the 30 percent income and rent limits. If upon recertification, the household's income exceeds the 30 percent limit, the Unit will continue to meet the 30 percent set aside requirement provided that the Owner does not

charge rent in excess of the 30 percent rent limits. The household will not be required to vacate the Unit for other than good cause. The Owner will not be found in noncompliance provided that when the household moves out, the next available Unit on the property is leased to a household with an income and rent less than the 30 percent limits. If the household is replaced, the rent for the previously qualified Unit may be increased to the limit established by the minimum set aside, subject to applicable HTC requirements, lease provisions and local tenant-landlord laws.

(2) Households initially designated at the 40 percent income and rent limits. If upon recertification, the household's income exceeds the 40 percent limit, the Unit will continue to meet the 40 percent set aside requirement provided that the Owner does not charge rent in excess of the 40 percent rent limits. The household will not be required to vacate the Unit for other than good cause. The Owner will not be found in noncompliance, provided that when the household moves out, the next available Unit on the property is leased to a household with an income and rent less than the 40 percent limits. If the household is replaced, the rent for the previously qualified Unit may be increased to the limit established by the minimum set aside, subject to applicable HTC requirements, lease provisions and local tenant-landlord laws.

(3) Households initially designated at the 50 percent income and rent limits (for HTC properties with the 40/60 minimum set aside). If upon recertification, the household's income exceeds the 50 percent income limit, the Unit will continue to meet the 50 percent set aside provided that the Owner does not charge rent in excess of the 50 percent rent limits. The household will not be required to vacate the Unit for other than good cause. The Owner will not be found in noncompliance provided that when the household moves out, the next available Unit on the property is leased to a household with an income and rent less than the 50 percent limits. Once the household has been replaced, the rent for the previously qualified Unit may be increased to the limit established by the minimum set aside, subject to applicable HTC requirements, lease provisions and local tenant-landlord laws.

(b) This section does not apply to households designated at the maximum income and rent limits required by the Code. Nor does this section in any way require a Development to lease more Units under the additional occupancy restrictions than established in the LURA.

(c) For those properties that are not required to perform recertifications, households will maintain the designation they had at move in. Owners must ensure that lower rent restrictions are adhered to throughout the household's occupancy.

(d) Preservation, HTF, HOME and BOND Developments, with any market units in one or more buildings (as evidenced in their LURA) must continue to perform annual recertifications of all households residing in program units. Owners of 100 percent low income Developments are not required to perform annual income recertifications. HTC Owners must perform annual income recertifications if the project has any market rate units. For HTC Developments, the election made on Part II of the 8609 will determine if a building is part of a project. HTC Development Owners must submit Forms 8609 with

Part II completed. The Department may also require HTC Owners to complete Form 8821 to permit the Department to confirm the elections with the IRS.

(e) For HTC, Preservation, HTF, and/or BOND Developments in which the LURA requires 100 percent of the units to be leased to income eligible families, the following recertification requirements apply:

(1) To comply with HUD reporting requirements, once every calendar year, the Development must collect a self-certification form from each household that reports the number of household members, the age of each household member, disability status, monthly rental assistance amounts received (if any), and race and ethnicity. In addition, the self certification will collect information about student status to establish ongoing compliance under the HTC and BOND programs. The Development must use the Department's *Annual Eligibility Certification* to collect this information and must maintain the certification in all household files.

(2) On 100 percent low income Housing Tax Credit developments, households may transfer to any unit within the same project (as determined on Part II of the 8609 for HTC Developments). On mixed income Housing Tax Credit Developments, households may transfer to any unit within the Development if as of their most recent (re) certification, their income was less than 140 percent of the maximum allowable limit. If the owner of a Housing Tax Credit development elected to treat each building as a separate project, households must be certified and low income to transfer to another building.

(3) Owners must review the *Annual Eligibility Certification* for the following items which would require further action:

(A) Changes in household composition. If members are added to an existing household, Owners must determine eligibility and complete a certification. The new household must be screened for income, assets, and student status and the existing Income Certification form must be updated. Owners must obtain first hand or third party verification of income and assets.

(i) If the Development becomes aware of the additions to households during the year, this action must be taken at the time the new household member moves in; Owners may not wait until the *Annual Eligibility Certification* is completed to take action. The Unit Status Report must be updated to reflect current circumstances as the property becomes aware of changes in household size.

(ii) If all original tenants have vacated the unit, the remaining tenants must be certified as a new income-qualified household unless the tenants were income qualified at the time of move in. HTC Units in noncompliance will be reported to the IRS on Form(s) 8823 and/or scored in the Department's Compliance Status System as applicable.

(B) Student status. Developments must use a lease addendum (or incorporate into their lease) a requirement for households to report changes in student status. If at any time the household reports a change in student status or discloses a change on the *Annual Eligibility Certification* form, the Owner must determine if the household is still eligible under the program. If the household meets one of the exceptions, documentation

supporting eligibility must be gathered and retained in the lease file. Units in noncompliance will be reported to the IRS on Form(s) 8823 and/or scored in the Department's Compliance Status System as applicable.

(4) Failure to complete the *Annual Eligibility Certification* and maintain the form in household files will result in an issue of noncompliance that will be scored as shown in Figure: 10 TAC §60.121(l) under "Failure to maintain or provide Annual Eligibility Certification". No Form(s) 8823 will be filed with the IRS for the noncompliance.

(5) If a 100 percent low income Development continues to complete full recertifications, the *Annual Eligibility Certification* form must still be completed and the Unit Status Report must be updated at the completion of the recertification. The Department will not review the recertification paperwork during monitoring visits unless noncompliance is identified with the initial certification.

(f) For HOME Investment Partnership Developments, in accordance with 24 CFR §92.252 and §92.203 of the HOME Final Rule, the following recertification requirements apply:

(1) Once every calendar year, the Development must collect a self-certification form from each household that reports the household's income, number and ages of household members, student status, disability status, monthly rental assistance amounts received (if any), and race and ethnicity. The Development must use the Department's *Income Certification* form to collect this information and must maintain the certification in all household files. Failure to complete the *Income Certification* and maintain the form in household files will result in an issue of noncompliance that will be scored as shown in Figure: 10 TAC §60.121(l) under "Owner failed to maintain or provide Annual Eligibility Certification".

(2) HOME Developments must also complete full recertifications of each HOME Unit in every sixth year of the Development's Affordability Period. *Example 111.1:* A HOME property with an affordability period beginning in 2010 must perform full recertifications of all HOME households in 2015. All households must be re-certified, even households that moved in during 2014. Full recertifications at any other time are not required unless, the household self reports an annual income in excess of the 80 percent Area Median Income or as stated in 24 CFR §92.252, there is evidence that the tenant's written statement failed to completely and accurately state information about the family's size or income or the property has otherwise been directed to institute full recertifications by the Department.

§60.112.Requirements Pertaining to Households with Rental Assistance.

(a) The Department will monitor to ensure Development Owners comply with §2306.269 and §2306.6728, Texas Government Code, regarding residents receiving rental assistance under §8, United States Housing Act of 1937 (42 U.S.C. §1437F).

(b) The policies, standards, and sanctions established by this section apply only to:

(1) multifamily housing Developments that receive the following assistance from the Department on or after January 1, 2002 (§2306.185):

(A) a loan or grant in an amount greater than 33 percent of the market value of the Development on the date the recipient took legal possession of the Development; or

(B) a loan guarantee for a loan in an amount greater than 33 percent of the market value of the Development on the date the recipient took legal title to the Development;

(2) multifamily rental housing Developments that applied for and were awarded housing tax credits after 1992;

(3) housing Developments that benefit from the incentive program under §2306.805 of the Texas Government Code;

(4) housing Developments that receive funding from the HOME program (24 CFR §92.252(d)).

(c) Owners of multifamily rental housing Developments described in subsection (a) of this section are prohibited from:

(1) excluding an individual or family from admission to the Development because the individual or family participates in the HOME Tenant Based Rental Assistance Program or the housing choice voucher program under §8, United States Housing Act of 1937 (42 U.S.C. §1437f); and

(2) using a financial or minimum income standard for an individual or family participating in the voucher program that requires the individual or family to have a monthly income of more than 2.5 times the individual's or family's share of the total monthly rent payable to the Owner of the Development. A household participating in the voucher program or receiving any other type of rental assistance may not be required to have a minimum income exceeding $2,500 per year.

(d) To demonstrate compliance with this section, Owners shall:

(1) State in their leasing criteria that the Development will comply with state and federal fair housing and antidiscrimination laws;

(2) Apply screening criteria uniformly, (rental, credit, and/or criminal history) including employment policies, and in a manner consistent with the Texas and Federal Fair Housing Acts, program guidelines, and the Department's rules;

(3) Approve and distribute an Affirmative Marketing Plan that will be used to attract prospective applicants of all minority and non-minority groups in the housing market area regardless of their race, color, religion, sex, national origin, disability, familial status, or religious affiliation. Racial groups to be marketed to may include White, African American, Native American, Alaskan Native, Asian, Native Hawaiians or Other Pacific Islanders. Other groups in the housing market area who may be subject to housing discrimination include, but are not limited to, Hispanic or Latino groups, persons with disabilities, families with children, or persons with different religious affiliations. The

Affirmative Marketing plan must be provided to the property management and onsite staff. Owners are encouraged to use HUD Form 935.2A, or successors as applicable. The Affirmative Marketing Plan must identify the following:

(A) Which group(s) the Owner believes are least likely to apply for housing at the Development without special outreach. All Developments must select persons with disabilities as one of the groups identified as least likely to apply. When identifying racial/ethnic minority groups the property will market to, factors such as the characteristics of the housing's market area should be considered. *Example 112.1:* An Owner obtains census data showing that 6.5 percent of the city's total population identify as Asian Americans. However, the Owner's demographic data for the Development shows that zero (0) Asian American households are represented. The Owner chooses to identify Asian American groups as one of the groups least likely to apply at the Development without special outreach.

(B) Procedures that will be used by the Owner to inform and solicit applications from persons who are least likely to apply. Specific media and community contacts that reach those groups designated as least likely to apply must be identified (community outreach contacts may include neighborhood, minority, or women's organizations, grass roots faith-based or community-based organizations, labor unions, employers, public and private agencies, disability advocates, or other groups or individuals well known in the community that connect with the identified group(s)). *Example 112.2:* An Owner has identified the disabled as least likely to apply and has decided to send letters on a quarterly basis to the Case Manager at a non-profit organization coordinating housing for developmentally disabled adults. Additionally, the Owner will advertise upcoming vacancies in a monthly newsletter circulated by an organization serving the hearing impaired.

(C) How the Owner will assess the success of Affirmative Marketing efforts. Affirmative Marketing Plans should be reviewed on an annual basis to determine if changes should be made and plans must be updated every five years to fully capture demographic changes in the housing's market area.

(D) Records of marketing efforts must be maintained for review by the Department during onsite monitoring visits. *Example 112.3:* The Owner keeps copies of all quarterly correspondence mailed to the contacts or community groups identified in the Affirmative Marketing Plan. The letters are dated and addressed and show that the Owner is actively marketing vacancies or a waiting list to the groups identified in the Owner's plan. Failure to maintain a reasonable Affirmative Marketing Plan and documentation of marketing efforts will result in a finding of noncompliance.

§60.113.Onsite Monitoring.

(a) The Department may perform an onsite monitoring review of any low income Development, and review and photocopy all documents and records supporting compliance with Departmental programs through the end of the Compliance Period or the end of the period covered by the LURA, whichever is later. The Development Owner shall permit the Department access to the Development premises and records.

(b) The Department will perform onsite monitoring reviews of each low income Development. The Department will conduct:

(1) the first review of HTC Developments by the end of the second calendar year following the year the last building in the Development is placed in service.

(2) the first review of all other Developments as leasing commences.

(3) subsequent reviews at least once every three years during the Affordability Period.

(4) a physical inspection of the Development including the exterior of the Development, Development amenities, and an interior inspection of a sample of Units.

(5) limited reviews of physical conditions, including follow-up inspections to verify completion of reported corrective action, may be conducted without prior notice (unless access to tenant units is required, in which case at least forty-eight (48) hours notice will be provided).

(c) The Department will perform onsite file reviews and monitor:

(1) a sampling of the low income resident files in each Development, and review the income certifications,

(2) the documentation the Development Owner has received to support the certifications,

(3) the rent records and any additional information that the Department deems necessary.

(d) At times other than onsite reviews, the Department may request for review, in a format designated by the Department, information on tenant income and rent for each Low Income Unit and may require a Development Owner to submit copies of the tenant files, including copies of the income certification, the documentation the Development Owner has received to support that certification, and the rent record for any low income tenant.

(e) The Department will select the Low Income Units and tenant records that are to be inspected and reviewed. Original records are required for review. The Department will not give Development Owners advance notice that a particular Unit, tenant record, or a particular year will be inspected or reviewed. However, the Department will give reasonable notice to the Development Owner that an onsite inspection or a tenant record review will occur so the Development Owner may notify tenants of the inspection or assemble original tenant records for review. If a credible complaint of fraud or other egregious noncompliance is received, the Department reserves the right to conduct unannounced onsite monitoring visits.

§60.114.Monitoring for Social Services.

(a) If a Development's LURA requires the provision of social services, the Department will confirm this requirement is being met. Owners are required to maintain sufficient documentation to evidence that services are actually being provided. Documentation will be reviewed during onsite visits and must be submitted to the Department upon request.

Example 114.1: The Owner's LURA requires provision of on-site daycare services. The Owner maintains daily sign in sheets to demonstrate attendance and keeps a roster of the households that are regularly participating in the program. The Owner also keeps copies of all newsletters and fliers mailed out to the Development tenants that reference daycare services.

(b) Supportive services must be provided throughout the entire Affordability Period, beginning once the Development completes lease up after final construction or acquisition. If an Owner wishes to change the scope of services provided, prior approval from the Department is necessary. The Department, upon review of the Owner's request and the Development's original application, may also require the Owner to submit a proposed amendment to the LURA. It is not necessary to obtain prior written approval to change the provider of services unless the scope of services is being changed. Failure to comply with the requirements of this section shall result in a finding of noncompliance.

§60.115.Monitoring for Non-Profit Participation or HUB Participation.

(a) If a Development's LURA requires the material participation of a non-profit or Historically Underutilized Business (HUB), the Department will confirm this requirement is being met throughout the development phase and ongoing operations of the property. Owners are required to maintain sufficient documentation to evidence that a non-profit or HUB is materially participating. Documentation may be reviewed during onsite visits or must be submitted to the Department upon request.

(b) If an Owner wishes to change the non-profit, or HUB, prior approval from the Department is necessary. The Annual Owner's Compliance Report also requires Owners to certify to compliance with this requirement. Failure to comply with the requirements of this section shall result in a finding of noncompliance. In addition, the Internal Revenue Service will be notified if the non-profit is not materially participating on a Housing Tax Credit property during the Compliance Period.

(c) The Department does not enforce partnership agreements or determine equitable fund distributions of partnerships. These disputes are matters for a court of competent jurisdiction.

§60.116.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 Uniform Physical Condition Standards (UPCS) to determine compliance with property condition standards. In addition, Developments must comply with all local heath, safety, and building codes. The Department may contract with a third party to complete UPCS inspections.

(b) Housing Tax Credit 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 will evaluate UPCS reports in the following manner:

(1) A finding of Major Violations will be cited if:

(A) life threatening health, safety, or fire safety hazards are reported on the Notification of Exigent and Fire Safety Hazards Observed form and are not corrected within twenty-four (24) hours of the inspection with notification submitted to the Department within seventy-two (72) hours of the inspection. Failure to notify the Department within seventy-two (72) hours of the correction of any exigent health and safety or fire safety hazards listed on the Notification will result in a finding of Major Violations of the Uniform Physical Condition Standards for the Development;

(B) 20 percent of the violations noted are level three deficiencies other than level three deficiencies reported on the Notification of Exigent and Fire Safety Hazards Observed form and corrected in the seventy-two (72) hour limit; or

(C) an overall UPCS score of less than 60 percent (59 percent or below) is reported.

(2) A finding of Pattern of Minor Violations will be assessed if:

(A) 20 percent of the violations noted are level two deficiencies; or

(B) An overall score between 60 percent and 79 percent is reported.

(3) Findings of both Major and Minor Violations will be assessed if deficiencies reported meet the criteria for both.

(d) The Department is required to report to the Internal Revenue Service on Form 8823 any HTC Development that fails to comply with any requirements of the UPCS or local codes at any time (including smoke detectors and blocked egresses). Accordingly, the Department will submit Form(s) 8823 for any UPCS violation. However, if the violation(s) do not meet the conditions described in subsection (c)(1) or (2) of this section, the issue will be noted in the Department's compliance status system as Administrative Reporting and no points will be assigned in the Department's compliance status evaluation of the Development. Non HTC properties that do not meet thresholds for Major and Pattern of Minor Violations as described in subsection (c)(1) or (2) in this section and correct all life threatening health, safety, and fire safety hazards noted at the time of inspection as directed in subsection (c)(1)(A) of this section will not receive findings for UPCS inspections. Items noted that do not exceed thresholds for Major and Pattern of Minor Violations must be corrected by submission of an Owner's Certification of repair within the ninety (90) day corrective action period.

(e) 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 UPCS standards (examples of such documentation includes work orders, photographs, and/or invoices to third party repair specialists).

(f) The Department will provide a ninety (90) day corrective action period to respond to a notice of noncompliance for violations of the Uniform Physical Condition Standards. The Department will grant up to an additional ninety (90) day extension if there is good cause and the Owner clearly requests an extension.

(g) 24 CFR §92.251 of the HOME Final Rule requires rental property assisted with HOME funds to be maintained in compliance with all local codes and Housing Quality Standards (24 CFR §982.401). To meet this requirement, all HOME rental Development Owners must annually complete an HQS inspection of all HOME assisted Units. The Department will review HQS inspection sheets for all units for compliance with this requirement during onsite monitoring visits.

(h) 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 occupany and will be inspected. No deficiencies will be cited for inspectable items if utilities are turned off and the inspectable item is present and appears to be in working order.

§60.117.Notice to Owners.

The Department will provide written notice to the Development Owner if the Department does not receive the AOCR or discovers through audit, inspection, review or any other manner that the Development is not in compliance with the provisions of the deed restrictions, conditions imposed by the Department, or program rules and regulations, including §42 of the IRC. Owners may request that results of monitoring reviews be emailed if all email addresses in CMTS are up to date. If Owners request such notices be sent by email, a paper copy will not be mailed by the Department. The notice will specify a correction period of ninety (90) days from the date of notice to the Development Owner, during which the Development Owner may respond to the Department's findings, bring the Development into compliance, or supply any missing documentation or certifications. The Department may extend the correction period for up to six months from the date of the notice to the Development Owner if there is good cause for granting an extension. If any communication to the Development Owner under this section is returned to the Department as refused, unclaimed or undeliverable, the Development may be considered not in compliance without further notice to the Development Owner. The Development Owner is responsible for providing the Department with current contact information, including address(es) and phone number(s). The Development Owner must also provide current contact information to the Department as required by §1.22 of this title (relating to Providing Current Contact Information to the Department).

§60.118.Special Rules Regarding Rents and Rent Limit Violations.

(a) Rent or Utility Allowance Violations of the maximum allowable limit (HTC). Under the HTC program, the amount of rent paid by the household plus an allowance for utilities, plus any mandatory fees, such as utilities paid to the owner, 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 a HTC Development, during the Compliance Period, collected rent in excess of the rent limit established by the minimum set aside, the Department will report the violation as corrected on the date that the rent plus the utility allowance, plus fees, is less than the applicable limit. The refunding of overcharged rent does not avoid the disallowance of the credit by the Internal Revenue Service.

(b) Rent or Utility Allowance Violations of additional rent restrictions (HTC). If the Owner agreed to lease Units at rents less than the maximum allowed under the Code (additional occupancy restrictions), the Department will require the Owner to refund to the affected residents the amount of rent that was overcharged. This applies during the entire Affordability Period. The noncompliance event will be considered corrected on the date which is the later of the date the overcharged rent was refunded/credited to the resident or the date that the rent plus the utility allowance is equal to or less than the applicable limit. *Example 118(1):* For Internal Revenue Code §42 purposes, the maximum allowable limit is 60 percent. However, the Owner agreed to lease some Units to households at the 30 percent income and rent limits. It was discovered that the 30 percent households were overcharged rent. The Owner will be required to reduce the current amount of rent charged and refund the excess rents to the households.

(c) Rent Violations of the maximum allowable limit due to application fees (HTC). Under the HTC program, 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. The amount of time Development staff spends on checking an applicant's income, credit history, and landlord references may be included in the Development's application fee. Development Owners may add $5.50 to their other out of pocket costs for processing an application without providing documentation. Should an Owner desire to include a higher amount to cover staff time, wage information and a time study must be supplied to the Department upon request. Documentation of Development costs for application processing or screening fees must be made available during onsite visits or upon request. The Department will review application fee documentation during onsite monitoring visits. If the Department determines from a review of the documentation that the Owner has overcharged residents an application fee, the noncompliance will be reported to the IRS on Form(s) 8823. The noncompliance will be corrected on the later of January 1st of the next year or as of the date the application fee is reduced and evidence of a reduced application fee is supplied to the Department. Owners are not required to refund the overcharged fee amount. If the Development refunds the overcharged fee in full or in part, the units will remain out of compliance until January 1st of the next year or until the application fee is reduced.

(d) Rent or Utility Allowance Violations on Non Housing Tax Credit properties. If it is determined that the property collected rent in excess of the allowable limit, the Department will require the Owner to refund to the affected residents the amount of rent that was overcharged.

(e) Trust Account to be established. If the Owner is required to refund rent under subsection (b) or (d) of this section and cannot locate the resident, the excess rent collected must be deposited into a trust account for the tenant. The account must remain

open for a four (4) year period, until all funds are claimed, or for four (4) years. If funds are not claimed after the four year period, the unclaimed funds must be remitted to the Texas Comptroller of Public Accounts Unclaimed Property Holder Reporting Section to be dispersed as required by Texas unclaimed property statutes.

(f) Rent Adjustments for HOME properties. 24 CFR §92.252 of the HOME Final Rule requires Owners to charge households with an income in excess of 80 percent at recertification, a rent equal to the lesser of 30 percent of the household's adjusted income or the market rent for comparable unassisted Units in the neighborhood. If at recertification the household self certifies an income in excess of the 80 percent limit, documentation of all income, assets and allowable deductions must be obtained by the owner. The Department will find a HOME property in noncompliance with this section if the Owner fails to determine the over income household's adjusted income and maintain documentation of market rents for comparable unassisted Units in the neighborhood.

(g) Special conditions for CDBG properties. To determine if a Unit is rent restricted, the amount of rent paid by the household, plus an allowance for utilities, plus any rental assistance payment must be less than the applicable limit.

§60.119.Notices to the Internal Revenue Service (HTC Properties).

(a) Even when an event of noncompliance is corrected, the Department is required to file IRS Form 8823 with the IRS. IRS Form 8823 will be filed not later than forty-five (45) days after the end of the correction period specified in the Notice to Owner (including any extensions permitted by the Department) but will not be filed before the end of the correction period. The Department will indicate on IRS Form 8823 the nature of the noncompliance and will indicate whether the Development Owner has corrected the noncompliance.

(b) The Department will retain records of noncompliance or failure to certify for six (6) years beyond the Department's filing of the respective IRS Form 8823. The Department will retain the AOCRs and records for three years from the end of the calendar year the Department receives the certifications and records.

(c) The Department will send the Owner of record copies of any IRS Form(s) 8823 submitted to the IRS. Copies of Form(s) 8823 will be submitted to the syndicator for Developments awarded tax credits after January 1, 2004. The Development Owner is responsible for providing the name and mailing address of the syndicator in the Annual Owner's Compliance Report.

§60.120.Monitoring Procedures for Housing Tax Credit Properties After the Compliance Period.

(a) Housing Tax Credit properties allocated credit in 1990 and after are required under the Code (§42(h)(6)) to record a LURA restricting the property for at least thirty (30) years. Various sections of the Code specify monitoring rules State Housing Finance Agencies must implement during the Compliance Period.

(b) After the Compliance Period, the Department will continue to monitor Housing Tax Credit Developments using the rules detailed in paragraphs (1) - (12) of this subsection.

(1) On site monitoring visits will continue to be conducted approximately every three years, unless the Department determines that a more frequent schedule is necessary;

(2) In general, the Department will review 10 percent of the low income files. No less than 5 files and no more than 20 files will be reviewed;

(3) The exterior of the property, all building systems and 20 percent but no more than 35 of the Development's Low Income Units will be physically inspected to determine compliance with HUD's Uniform Physical Condition Standards;

(4) Each Development shall submit an annual report in the format prescribed by the Department;

(5) Reports to the Department must be submitted electronically as required in §60.105 of this chapter;

(6) Compliance monitoring fees will continue to be submitted to the Department annually in the amount stated in the LURA;

(7) All households must be income qualified upon initial occupancy of any Low Income Unit. Proper verifications of income are required, and the Department's Income Certification form must be completed unless the Development participates in the Rural Rental Housing Program or a project based HUD program;

(8) Rents will remain restricted for all Low Income Units. After the Compliance Period, utilities paid to the owner can be accounted for in the utility allowance. The tenant paid portion of the rent plus the applicable utility allowance must not exceed the applicable limit;

(9) All additional income and rent restrictions defined in the LURA remain in effect;

(10) Other requirements defined in the LURA, such as the provision of social services or serving special needs households, will remain in effect;

(11) The Owner shall not terminate the lease or evict low income residents for other than good cause; and

(12) The total number of required Low Income Units must be maintained Development wide.

(c) After the first fifteen (15) years of the Extended Use Period, certain requirements will not be monitored as detailed in paragraphs (1) - (3) of this subsection.

(1) The student restrictions found in §42(i)(3)(D) of the Code. An income qualified household consisting entirely of full time students may occupy a Low Income Unit;

(2) The building applicable fraction found in the Development's Cost Certification and/or the LURA. Low income occupancy requirements will be monitored Development wide, not building by building; and

(3) Household transfers between buildings restricted by §42(g)(1). All households, regardless of HTC income level designation, will be allowed to transfer between buildings with the Development.

(d) Unless specifically noted in this section, all requirements of this chapter and §42 of the Internal Revenue Code remain in effect for the Extended Use Period. These Post Year 15 Monitoring Rules apply only to the Housing Tax Credit Developments administered by the Department. Participation in other programs administered by the Department may require additional monitoring to ensure compliance with the requirements of those programs.

§60.121.Material Noncompliance Methodology.

(a) The Department maintains a compliance history of each monitored Development in the Department's Compliance Status System. Developments with more than one program administered by the Department are scored by program. The Development will be considered in Material Noncompliance if the score for any single program exceeds the noncompliance limit for that program.

(b) A Development will not be assigned the scores noted in this section until after the Owner has been provided a written notice of the noncompliance and provided a corrective action deadline to show that either the Development was never in noncompliance or that the noncompliance event has been corrected.

(c) This section identifies all possible noncompliance events for all programs monitored by the Department. However, not all issues listed in this section pertain to all Developments. In addition, only certain noncompliance events are reportable on Form 8823. Those events that are reportable under the HTC program on Form 8823 are so indicated in subsections (k) and (j) of this section.

(d) For HTC Developments, all Forms 8823 issued by the Department will be entered into the Department's Compliance Status System. However, Forms 8823 issued prior to January 1, 1998 will not be considered in determining Material Noncompliance.

(e) For all programs, a Development will be in Material Noncompliance if the noncompliance event is stated in this section to be Material Noncompliance. The Department may take into consideration the representations of the Applicant regarding noncompliance events; however, the compliance records of the Department shall be presumed to be correct.

(f) All Developments, regardless of status, that are or have been administered, funded, or monitored by the Department are scored even if the Development no longer actively participates in the program, with the exception of properties in the FDIC's Affordable Housing Disposition Program.

(g) A Development's score will be reduced by the number of points needed to be one point under the Material Noncompliance threshold provided that:

(1) The Development has no previously reported noncompliance events that are uncorrected,

(2) All newly identified noncompliance events are corrected during the corrective action period,

(3) All corrective action documentation for the newly identified noncompliance is provided to the Department during the corrective action period, and

(4) The Development was not already in Material Noncompliance at the time of its most recent monitoring review.

(h) Noncompliance events are categorized as either "Development events" or "Unit/building events." Development events of noncompliance affect some or all the buildings in the Development; however, the Development will receive only one score for the noncompliance event rather than a score for each building. Other noncompliance events are identified individually by Unit and will receive the appropriate score for each Unit cited with an event. The Unit scores and the Development scores accumulate towards the total score of the Development. Violations under the HTC program are identified by Unit; however, the building is scored rather than the Unit and the building will receive the noncompliance score if one or more of the Units are in noncompliance.

(i) Uncorrected noncompliance events, if applicable to the Development, will carry the maximum number of points until the noncompliance event has been reported corrected by the Department. Once reported corrected by the Department, the score will be reduced to the "corrected value." Corrected noncompliance will no longer be included in the Development score three years after the date the noncompliance was reported corrected by the Department.

(j) Each noncompliance event is assigned a point value. The possible events of noncompliance and associated "corrected" and "uncorrected" points are listed in subsection (k) of this section.

(k) Figure: 10 TAC §60.121(k) lists events of noncompliance that affect the entire Development rather than an individual Unit. The first column of the chart identifies the noncompliance event. The second column identifies the number of points assigned this event while the issue is uncorrected. Material Noncompliance for a HTC Development is 30 points. Material Noncompliance for a non HTC property with 1 to 50 low income units is 30 points. Material Noncompliance for a non HTC property with 51 to 200 Low Income Units is 50 points. Material Noncompliance for non HTC properties with 201 or more Low Income Units is 80 points. The third column lists the number of points assigned to this event when the issue is corrected until three years after correction. The fourth column indicates what programs the noncompliance event applies to. The last column indicates if the issue is reportable on Form 8823 for HTC Developments.

Figure: 10 TAC §60.121(k)

(l) Figure: 10 TAC §60.121(l) lists 10 events of noncompliance associated with individual Units. The first column of the chart identifies the noncompliance event. The second column identifies the number of points assigned this event while the issue is uncorrected. Material Noncompliance for a HTC property is 30 points. Material Noncompliance for a non HTC property with 1 to 50 low income units is 30 points. Material Noncompliance for a non HTC property with 51 to 200 Low Income Units is 50 points. Material Noncompliance for non HTC properties with 201 or more Low Income Units is 80 points. The third column lists the number of points assigned this event when the issue is corrected until three years after the event is corrected. The fourth column indicates what programs the noncompliance event applies to. The last column indicates if the issue is reportable on Form 8823 for HTC Developments.

Figure: 10 TAC §60.121(l)

§60.122.Previous Participation Reviews.

(a) Prior to providing any Department assistance, executing a Carryover Allocation Agreement, or processing a request for a Qualified Contract, the Portfolio Management and Compliance Division will conduct a previous participation review to determine if the requesting entity owes the Department any fees, has any outstanding audit issues or any uncorrected issues of noncompliance. Assistance includes but is not limited to allocating any Department funds, permitting the transfer of Ownership of a property, engaging in loan or contract modifications, and providing incentive awards.

(b) HTC Developments with any uncorrected issues of noncompliance will not be issued Form 8609s, Low Income Housing Credit Allocation Certification, until the noncompliance is corrected.

(c) If during the previous participation review an uncorrected issue of noncompliance is identified on a HOME Development monitored by the Department, the entity requesting assistance will be notified of the issue and provided a 5 day period to submit all necessary corrective action to cure the violation(s). The notification will be in writing and may be delivered by email. If the requesting entity does not cure the issues, the Application for assistance will be terminated. If the Application is terminated, the applicant has the ability to appeal as provided in §1.7 of this title.

(d) If during the previous participation review, the Department determines that the requesting entity has control of an existing Development monitored by the Department that is in Material Noncompliance, the Application for assistance will be terminated.

(e) If during the previous participation review, the Department determines that the requesting entity is on the Department's or the Department of Housing Urban Development's debarred list, the Application for assistance will be terminated.

(f) In accordance with §2306.057 of the Texas Government Code, the Board shall fully document and disclose any instances in which the Board approves a project Application despite any noncompliance associated with the project, applicant, or affiliate. If an Application is terminated because of the Previous Participation Review, the applicant may appeal the decision in accordance with §1.7 or §1.8 of this title.

(g) Treatment of previously owned Developments during a Previous Participation review:

(1) The Department will not take into consideration the score of a Development transferred by the applicant over three years ago.

(2) The Department will not take into consideration the score of a Development whose Affordability Period ended over three years ago.

(3) The Department will not take into consideration scores attributed to Developments for noncompliance with FDIC's Affordable Housing Disposition Program.

(4) If the Development was transferred less than three years ago, the Department will determine the score for the noncompliance events with a date of noncompliance identified during the applicant's period of Ownership. If the points associated with the noncompliance events identified during the applicant's period of Ownership exceed the threshold for Material Noncompliance, the Application will not be recommended.

(h) Date for determining of Material Noncompliance. For HTC Applications, the score in effect on May 1st of the year the HTC Application is submitted will be used. For Carryover Allocations, the score in effect on October 1st of the year the award is being made will be used. For all other requests for assistance, the score in effect the day of Previous Participation Review is being conducted will be used.

§60.123.Alternative Dispute Resolution (ADR).

(a) It is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures (ADR) to assist in resolving disputes under the Department's jurisdiction. If at any time an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's Dispute Resolution Coordinator. For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at §1.17 of this title.

(b) In all phases of monitoring, (construction and throughout the entire Affordability Period) if a potential issue of noncompliance has been identified, Owners will be provided a written notice of noncompliance. The Department will provide up to a ninety (90) day corrective action period which can and will be extended for an additional ninety (90) days if there is good cause and the Owner requests an extension.

(c) Owners must respond to the Department's notice of noncompliance. If an Owner does not respond, this ADR process which is explained in this section cannot be initiated.

(d) If an Owner does not agree with the Department's assessment of compliance, they should clearly explain their position and provide as much supporting documentation as possible. If the position is reasonable and well supported, the issue of noncompliance will be cleared with no further action taken, i.e. for HTC properties, Form(s) 8823 will not be filed with the Internal Revenue Service and the issue will not be scored in the Department's compliance status system.

(e) If an Owner's response indicates disagreement with the Department's assessment of noncompliance, but does not appear to be a valid concern to the Department, staff will notify the Owner in writing of their right to engage in ADR. The Owner must respond in five (5) days and request ADR. In addition, the owner must request an extension of the corrective action deadline, if one is still available. If the owner does not respond to the staff's invitation to engage in ADR, the Department's assessment of the violation is final.

(f) The Department must meet the Treasury Regulation requirement found in §1.42-5 and file Form 8823 within forty-five (45) days after the end of the corrective action period. Therefore, it is possible that the Owner and Department may still be engaged in ADR. In this circumstance, the Form 8823 will be filed. However, it will be sent to the IRS with an explanation that the owner disagrees with the Department's assessment and is pursuing ADR. All Owner supplied documentation supporting their position will be supplied to the IRS. Although the violation will be reported to the IRS within the required timeframes, it will not be scored in the Department's compliance status system pending outcome of ADR.

§60.124.Liability.

Compliance with the program requirements, including compliance with §42 of the IRC, is the sole responsibility of the Development Owner. By monitoring for compliance, the Department in no way assumes any liability whatsoever for any action or failure to act by the Development Owner, including the Development Owner's noncompliance with §42 of the IRC, the Fair Housing Act, §504 of the Rehabilitation Act of 1973, HOME program regulations, BOND program requirements, and all other programs monitored by the Department.

Michele Atkins

From: Drew Hoskins [drew@encoreresidential.net]

Sent: Monday, December 08, 2008 11:42 AM

To: tdhcarulecomments@tdhca.state.tx.us

Subject: Written Protest of Portions of Proposed Rules 60.109 Utility Allowance

December 8, 2008

Texas Department of Housing and Community Affairs

2009 Rules Comments

P.O. Box 13941

Austin, TX 78711-3941

RE: Written Protest Against the Proposed Rule 60.109 Utility Allowances

We wish to formally request that portions of the proposed Utility Allowance not be granted approval by the Board. The proposed portion of the ruling and the reasons for the request that it not be approved are as follows:

60.109 Utility Allowance

(a)The Department will monitor to determine if HTC, BOND, CDBG, HOME, and HTF properties comply with published rent limits which include an allowance for tenant paid utilities. *For HTC buildings, if the resident pay utilities directly to the owner of the building or to a third party billing company, this amount will be considered a mandatory fee. The rent, plus all mandatory fees, plus an allowance for those utilities paid by the resident directly to a utility provider must be less than the allowable limit.* For Non-HTC buildings, owners may account for utilities paid directly to the owner or to a third party billing company in their utility allowance. Where residents are responsible for some, or all, of the utilities--other than telephone, cable, and internet—Development Owners must use a utility allowance that complies with both this section and the applicable program regulations. An Owner may not change utility allowance methods without written approval from the Department. Any such request must include the Utility Allowance Questionnaire found on the Department's website.

It is our opinion that portions of the proposed rule are not a valid option and should not be adopted for the following reasons:

1. The proposed rule contradicts the TCEQ (Texas Commission on Environmental Quality) rules on how residents are billed for water used. Their ruling **13.502. SUBMETERING (c)** states:

   "An owner of an apartment house on which construction begins after January 1, 2003, and which provides government assisted or subsidized rental housing to low or very low income residents shall install a plumbing system in the apartments house that is compatible with the installation of submeters for the measurement of the quantity of water, if any, consumed by the occupants of each unit"

In addition their ruling **13.503. SUBMETERING RULES (b)** states:

> "Notwithstanding any other law, the commission shall adopt rules and standards under which an owner, operator, or manager of a apartment house, manufactured home rental community, or multiple use facility that is not individually metered for water for each rental or dwelling unit may install submetering equipment for each individual rental or dwelling unit for the purpose of fairly allocating the cost of each individual rental or dwelling unit's water consumption, including wastewater charges based on water consumption. In addition to other appropriate safeguards for the tenant, the rules shall require that, except as provided by this section, an apartment house owner, manufacturing home rental community owner, multiple use facility owner, or condominium manager may not impose on the tenant any extra charges, over and above the cost per gallon and other applicable taxes and surcharges that are charged by the retail public utility to the owner or manager, and that the rental unit or apartment house owner or manager shall maintain adequate records regarding submetering and make the records available for inspection by the tenant during reasonable business hours. The rule shall allow an owner or a manager a fee for late payment of a submetered water bill if the amount of the fee does not exceed five percent of the bill paid late. All submetering equipment is subject to the rules and standards established by the commission for accuracy, testing and record keeping of meters installed by utilities and to the meter-testing requirements of Section 13.140 of this code".

Owners are allowed to install submeters to measure the quantity of water used and bill the resident that amount. The rules are very clear that the owner is not allow to bill any amounts over than what the resident has actually used. The proposed Utility Allowances rulings will actually discourage the practice of submetering of which the TCEQ permits and actually encourages.

2. The proposed rule will lead to an increase of wasted water plus higher water and sewer utility costs. The TCEQ (Texas Commission on Environmental Quality) actually encourages the practice of billing residents for water. Their ruling **13.503. SUBMETERING RULES (a)** states:

   > "The commission shall encourage submetering of individual rental or dwelling units by master meter operators to enhance the conservation of water resources".

   If residents are no longer held accountable to pay for the amount of water they consume (over the allowable limit) then this will lead to wasteful overages of a natural resource.

3. Water "reimbursement" should not be considered a "fee". Residents are billed through a third party vendor at which time the resident pays the owner back for water they have consumed. Nothing is being asked for in addition to what the resident is actually using. Furthermore, because the owner uses a third party vendor to bill the residents for water, this should be recognized as a benefit to the TDHCA and the residents. The third party is non-bias and will only ask for the amount that the resident actually used. This insures that the resident will only be asked to reimburse the owner for water that they have used. In short, no "fees" are being charged.

In closing the new ruling on Utility Allowances should not be passed because it does not hold merit. The ruling contradicts approved and allowable ways a owner is allowed to bill the resident as posted by the Texas Commission on Environmental Quality, it will encourage wastefulness of a natural resource, and reimbursement of water used by the resident should not be considered a fee. Thank you in advance for your consideration.

Sincerely,

Drew Hoskins

Asset Manager

HFI Management/Encore Residential

1/28/2009

12/18/2008

This comment addresses your proposed changes to section 60.118 of the Texas Rules, Compliance Monitoring- Special Rules Regarding Rents and Rent Limit Violations.

Until recently, all LIHTC properties were permitted to charge a reasonable application fee, similar to those fees charged at conventional projects in a property's area. The fees generally cover the cost of checking an applicant's qualifications to live at the property. The new 8823 guide (which is not law, but a guide) states that the application "fee is limited to recovery of the actual out-of-pocket costs of checking tenant qualifications at the project." The basis for this is PLR 9330013 that states application fees are not 'rent' as long as "the fees charged are comparable to those charged in the geographic area surrounding the particular project. In all cases, no amount is charged in excess of the average expected out-of- pocket costs of checking tenant qualification at each project."

Each state has certain flexibility in carrying out its responsibilities to interpret and administer Section 42 of the IRS code. On the issue of application fees, however, TDHCA's proposed rules have taken a very narrow interpretation of the 8823 guide, restricting the costs of checking tenant qualifications to those that can be "supported by invoices from the screening company the Owner uses" which is a significantly more limited fee than the 8823 guide allows.

Screening an applicant involves much more than just receiving a credit report. In order to request a credit report, an owner must collect information not required by the tax credit program, such as social security numbers, past addresses, etc. Many times, the credit report returns a result of "address discrepancies", that, according to the new federal Fact Act, must be reasonably checked in order to prevent identity theft. Additionally, the reports often uncover inaccurate information such as criminal records of someone that has a similar name. In those cases, even more checking must be done to verify the applicant's history. Tenant qualifications for living at the property also include income qualifications. Checking the incomes of tenants is time consuming. Faxes are sent multiple times before the owner receives a response. The verifications are frequently not complete and require additional phone calls and due diligence.

All of the above requires significant staff time, averaging an hour or more per applicant. To ignore the owner's time required to check all the tenant qualifications is unfair and not contemplated by the Code nor by the Guide. Staff time is an out-of-pocket expense for the owner. Therefore, I recommend that the Agency approve a standard dollar amount that can be added to the third party fee for each application in order to cover the owner's staff time costs to check the applicants' qualifications. This standard amount could be reviewed by the agency annually. For example, $30 to cover an hour of staff time, including payroll overhead (taxes, benefits) is a reasonable number. This amount, added to the costs of third party credit, landlord, and criminal screening should not exceed the typical application fees in the area, in accordance PLR 9330013.

Furthermore, since the ramifications of the application fee can affect every unit in a property over a period of years, it is recommended that the Agency pre-approve the fees annually rather than review them every three years and then possibly disqualify fees, which can result in enormous financial ramifications to the owner and investors, and also the Agency. The proposed rule makes the process sound simple- just provide the invoices- but it isn't so simple because sometimes fees vary depending on annual volume. Since we cannot know annual volume until year end, a property might be overcharging without knowing it! Pre-approving the allowed amount, and/or having a safe harbor amount published by the Agency will assist everyone to stay in compliance, and that, after all, is the Agency and the Owner's joint goal.

Thank you for considering these comments.

Ann Berezin
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Michele Atkins

From: Ann Berezin [Ann_Berezin@aspensquare.com]
Sent: Thursday, December 18, 2008 10:43 AM
To: tdhcarulecomments@tdhca.state.tx.us
Subject: comments on the application fee rule- 12-18-08 sent to tdhca

<<comments on the application fee rule- 12-18-08 sent to tdhca.doc>>

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TAAHP

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Tom Scott
Coach Realty Services

Ron Williams
Southeast Texas Housing Finance Corporation

Jerry Wright
Citigroup

Executive Director:

Jim T. Brown

December 17, 2008

Mr. Kent Conine, Chair
Texas Department of Housing and Community Development
211 East 11th Street
Austin, Texas 78701

RE: Proposed Compliance Monitoring Rules
- Sec. 60.102.(22)Definition of Substantial Construction

Dear Mr. Conine and Members of the Board of Directors:

The TDHCA Board of Directors on November 13, 2008 approved for publication in the Texas Register a revised set of Compliance Monitoring Rules. Those rules were subsequently published on November 28, 2008, and the same publication noted that the earliest possible date of adoption of the Rules by TDHCA as December 28, 2008.

TAAHP offered input in the rule development process and TDHCA staff accepted several of our comments. The TAAHP Membership is appreciative of the Staff's commitment to work with the affordable housing industry and the implementation of many of our suggestions into the proposed rules.

TAAHP understands the importance of the Rules and the requirement of the affordable housing industry to meet acceptable performance standards ranging from construction through operation periods of the project and the need to promulgate rules accordingly.

However subsequent to the November 28, 2008 meeting, the industry has encountered several problems in adherence to meeting the definition of Substantial Construction and various construction methodologies through out the State of Texas.

A case in point in particular regarding set construction completion requirements as benchmarks refers to Sec. 60.102 (22) (iv), ***"All major underground utility transmission infrastructure in place"***. Several utility companies require that sidewalks be in place before transformers are installed on the site. In order to accommodate the local utility companies, utility infrastructure is scheduled toward the final phase of the final site construction not early in the construction.

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TAAHP

TEXAS AFFILIATION OF AFFORDABLE HOUSING PROVIDERS

The TAAHP Board of Directors reached a consensus at its December 17, 2008 meeting which respectfully recommends to the TDHCA Board of Directors and Senior Staff Substantial Construction be defined as: *When a Project reaches a degree of completion at either 10% or 15% of G-702 and to be verified by a document executed and signed by a third party architect/engineer.* TAAHP Board feels this definition will create necessary assurances to TDHCA that the developer is progressing on the project in a timely manner reducing the likelihood of requests for extensions and/or punitive actions by TDHCA against the development community.

Thank you for your time and interest in this matter. TAAHP is prepared to work with Staff on the development of the final language in Section 60.102(22).

Yours truly,

Mike Sugrue, President

Cc: TDHCA Board of Directors
Cc: TAAHP Board of Directors

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Patricia Murphy

From: Jeff Crozier [jeffcrozier@austin.rr.com]
Sent: Thursday, December 18, 2008 7:50 AM
To: patricia.murphy@tdhca.state.tx.us
Cc: 'Jina Sullivan-Hamm'
Subject: Comments on the Compliance Rules

Patricia: I wanted to comment on the 2009 Compliance Rules on behalf of the Rural Rental Housing Association. Granted most of these comments came from one person but this is something that I hear my members complain about a lot and even on the developments side, the QAP uses the same format and it really gets confusing. I will be making a lot of these same comments to Robbye and all of the program staff as the new rules come up for review next year.

1. Scoring of the Noncompliance Items. At this time we are required to look up the point value of each item in Title 10. I think that the agency should score each item thus reflecting the way they determined the cumulative points.

2. The items on the Issues of Noncompliance under "Major violations of health, safety, and building codes" and "Pattern of minor violations of health, safety, and building codes" are not specified on the report from the agency. You are required to look at the physical inspection report done by Onsite/Insite to determine what items are listed in each category.

3. Per Michael Gantt of the Inspection Group, Inc., the instructor at the UPCS seminar sponsored by TDHCA in Austin November 24 & 25, 2008, vacant units are not to be inspected unless you have more than 15% of your units vacant. At the time of one of our inspections, we had 40 units, only 4 vacant & the inspector inspected a vacant unit that was vacated 3 days prior to the inspection. There were major make ready issues in the unit. We received a level three violation in this unit along with some other minor violations. I discussed this with Patricia Murphy, however she stated that the rule only applied to REAC inspections. Per Michael Gantt, the rule applies to all housing. I have pasted his e-mail to Marlon below. This is certainly not fair, since a level 3 violation falls under "Major health and safety", which cost you 10 points **corrected** on your compliance score for three years!

4. I also believe that it is unfair that the corrected point value remains on your compliance score for 3 years from the date the issue is corrected regardless of what the violation is. This is certainly not fair. Some issues should remain on the score, some which are simple clerical or lease wording issues should be removed as soon as they are corrected.

As you well know, site managers are the backbone of all affordable housing programs. We all know the compliance rules were created to insure that people that don't follow the rules are not allowed to participate in agency programs but sometimes as an unintended consequence, site managers get caught in the fray. These comments are made to insure that the bad guys stay out while not snaring the good guys in the trap.

Thank you for allowing us to comments. Please keep up the good work and thanks for all that your and your staff do for members of our organization and the State of Texas as well.

Jeff

Jeffrey L. Crozier
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Michele Atkins

From: Patricia Murphy
Sent: Friday, December 19, 2008 2:21 PM
To: Michele Atkins
Subject: FW: Compliance Rules

-----Original Message-----
From: Barry Kahn [mailto:Bkahn@hettig-kahn.com]
Sent: Thursday, December 18, 2008 1:48 PM
To: 'Patricia Murphy'
Subject: Compliance Rules

I suggest that the Commencement of Substantial Construction be met as follow with the proposed language deleted:

1. Delivery of executed partnership agreement with the investor.
2. Delivery of the executed construction loan and construction loan agreement.
3. Completion of 10% of the budgeted work on the ground (including offsite infrastructure) (as compared to uninstalled materials) confirmed by the inspecting architect (or other department approved third party if no inspecting architect).

Please contact me with any questions. Happy Holidays!

MR. KAHN: Good morning, Mr. Chairman, the rest of the Board. Happy holidays to all.

MR. CONINE: Thank you.

MR. KAHN: I'm Barry Kahn, a developer in Houston. A couple of quick comments on the compliance rules. First of all, the compliance rules have gotten to be a little more complex as far as the definition of substantial -- commencement of substantial construction. For many year it was just meaning a threshold of like 10 percent of hard costs incurred.

And now there's a variety of various steps which create certain problems because people could be well under their way but have issues. For instance, one of the requirements is some major utility transmission infrastructure in place. Well, some of that can't be completed till near the end of the job. It's not really a good test to make sure somebody's well underway.

A few years ago we had a standard where only 10 percent of hard costs needed to be spent to meet the test. And I would like to suggest that, you know, the Department and the Board review this and try to come up with a simpler standard rather than this more complex standard that's evolved over the years.

It's important to have something that somebody

has commenced substantial construction, but, you know, it appears that these rules have gotten a little unwieldy and are far more than what may be required, particularly in this environment where a syndicator issuing with a deal closed and be proceeding unless it's a real deal.

Secondly, I've got some confusion -- and I'm sorry this is last minute but -- raised to the staff -- but in Section 60.116(c)(a) there seems to be some inconsistencies in the language. For instance, a major finding of violations will be cited on life threatening issues which are corrected within 72 hours. Then on level 3 deficiencies -- I'm sorry -- in the first case -- which were not corrected in 72 hours.

Then in level 3 deficiencies it says which are corrected in 72 hours. I mean, it would seem that, you know, there shouldn't be a violation if it is corrected -- and that needs to be cleared up.

And then on level 2 deficiencies it doesn't have anything on a cure period. So I think, you know, some technical cleanup on that language would be helpful for all. And if there's any questions I'd be happy to answer them.

MR. CONINE: Any questions of the witness?

(No response.)

NONE AT THE TIME OF THIS POSTING

To Be Posted
three days
prior to the meeting

To Be Posted
three days
prior to the meeting

To Be Posted
three days
prior to the meeting

BOND FINANCE DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Items

Presentation, Discussion and Approval of the Department's Interest Rate Swap Policy.

Required Action

Approval of the Department's Interest Rate Swap Policy.

Background

The Department adopted an Interest Rate Swap Policy on September 9, 2004 to establish guidelines for the use and management of all interest rate management agreements, including, but not limited to, interest rate swaps, caps, collars and floors incurred in connection with issuance of debt obligations. The Interest Rate Swap Policy sets forth the manner of execution of Swaps, provides for security and payment provisions, risk considerations and certain other relevant provisions.

The Department's Interest Rate Swap Policy ("the Document") requires the Deputy Executive Director of Administration and Director of Bond Finance to review annually the Interest Rate Swap Policy. On January 31, 2008, the board approved changes to the Document that strengthen the Department's protection from the risk of the loss of creditworthiness by our swap counterparty. Our swap policy has performed well under the current tough economic conditions as staff per our policy has received market to market updates periodically from our swap financial advisor, Swap Financial Group. Staff sought advice from not only our swap financial advisor but from our financial advisor, RBC Capital Markets, for an understanding of current operational parameters and if the Document needed any changes due to current market conditions. None were recommended at this time except those discussed below.

The changes that are before the Board today include recommendations from the State Auditor's Office resulting from their audit of the Single Family Mortgage Revenue Bond Program. Language was added to provide the Board specific notice if staff recommends the use of a forward starting swap, fixed and declining notional value swaps or knockout provisions.

Additional changes were added to meet the requirements of the Texas Government Code, Chapter 1371.056. If a swap is negotiated then the swap counterparty must make assertions as to the fair pricing of the swap. Additionally, the counterparty must disclose to the Department any payments the counterparty may have made to another person to procure the transaction. The Interest Rate Swap Policy now includes a recap of specified elements related to the swap transaction for the Director of Bond Finance to evaluate.

Staff brings to the Board an update to the Department's Interest Rate Swap Policy for your approval. For your review, please find a clean and black-line copy of the Interest Rate Swap Policy.

Recommendation

Approval of the Department's Interest Rate Swap Policy.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTEREST RATE SWAP POLICY

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 (the "Act"), as amended from time to time, for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe and sanitary housing for individuals and families of low and very low income and families of moderate income (as described in the Act as determined by the Governing Board of the Department (the "Governing Board") from time to time) at prices they can afford.

The Act authorizes the Department: (a) to acquire, and to enter into advance commitments to acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State of Texas (the "State"); (b) 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 (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 mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds.

I. Introduction

The purpose of this Interest Rate Swap Policy ("Policy") of the Texas Department of Housing and Community Affairs (the "Department") is to establish guidelines for the use and management of all interest rate management agreements, including, but not limited to, interest rate swaps, swaptions, caps, collars and floors (collectively "Swaps" or "Agreements") incurred in connection with the issuance of debt obligations. This Policy sets forth the manner of execution of Swaps, provides for security and payment provisions, risk considerations and certain other relevant provisions.

II. Authority

The Department is authorized by Sections 1371.056 and 2306.351 of the Texas Government Code to enter into Swaps from time to time to better manage assets and liabilities and take advantage of market conditions to lower overall costs and reduce interest rate risk.

This Policy shall govern the Department's use and management of all Swaps. While adherence to this Policy is required in applicable circumstances, the Department recognizes that changes in the capital markets, agency programs, and other unforeseen circumstances may from time to time produce situations that are not covered by this Policy and will require modifications or exceptions approved or authorized by the Governing Board to achieve policy goals.

The Deputy Executive Director of Administration and the Director of Bond Finance are the designated administrators of the Department's Policy. The Bond Finance Division shall have the day-to-day responsibility for structuring, implementing, and managing Swaps.

The Department shall be authorized to enter into Swaps only with qualified Swap counterparties as defined herein. The Director of Bond Finance, in consultation with the Deputy Executive Director

of Administration, or a Department designee, shall have the authority to recommend counterparties, so long as the criteria set forth in this Policy are met.

The Deputy Executive Director of Administration and the Director of Bond Finance shall review this Policy on an annual basis and recommend any necessary changes to the Governing Board.

III. Purpose

The incurring of obligations by the Department involves a variety of interest rate payments and other risks for which a variety of financial instruments are available to offset, hedge, or reduce. It is the policy of the Department to utilize Swaps to better manage its assets and liabilities. The Department may execute Swaps if the transaction can be expected to result in one of, but not limited to, the following:

- Reduce exposure to changes in interest rates on a particular financial transaction or in the context of the management of interest rate risk derived from the Department's overall asset/liability balance.
- Result in a lower net cost of borrowing with respect to the Department's debt, a higher return on assets, and/or a stronger balance sheet.
- Manage variable interest rate exposure consistent with prudent debt practices.
- Achieve more flexibility in meeting overall financial and programmatic objectives that cannot be achieved in conventional markets.
- Lock in fixed rates in current markets for use at a later date.
- Manage the Department's exposure to the risk of changes in the legal or regulatory treatment of tax-exempt bonds.
- Manage the Department's credit exposure to financial institutions.

The Department will not use Agreements that:

- Are purely speculative or incorporate extraordinary leverage;
- Lack adequate liquidity to terminate without incurring a significant bid/ask spread;
- Are characterized by insufficient pricing transparency and therefore make reasonable valuation difficult.

IV. Evaluation of Risks Associated with Swaps

Before entering into a Swap, the Department shall evaluate the risks inherent in the transaction. The risks to be evaluated will include basis risk, tax risk, counterparty risk, credit risk, termination risk, rollover risk, liquidity risk, remarketing risk, amortization mismatch risk, mortgage yield risk, non-origination risk, and PAC band risk. The following table outlines these various risks and the Department's evaluation methodology for those risks.

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Risk	Description	Evaluation Methodology
Basis Risk	The mismatch between actual variable rate debt service and variable rate indices used to determine Swap payments.	The Department will review historical trading differentials between the variable rate bonds and the index.
Tax Risk	The risk created by potential tax events that could affect Swap payments or their relationship to future bond payments.	The Department will review the tax events in proposed Swap agreements. The Department will evaluate the impact of potential changes in tax law on LIBOR indexed Swaps.
Counterparty Risk	The failure of the counterparty to make required payments.	The Department will monitor exposure levels, ratings thresholds, and collateralization requirements.
Credit Risk	The occurrence of an event modifying the credit rating of the counterparty.	The Department will ascertain and monitor the ratings of its counterparties.
Termination Risk	The need to terminate the transaction in a market that dictates a termination payment by the Department.	The Department will compute its termination exposure for all existing and proposed Swaps at market value and under a worst-case scenario.
Rollover Risk	The mismatch of the maturity of the Swap and the maturity of the underlying bonds.	The Department will determine its capacity to service variable rate bonds that may be outstanding after the maturity of the Swap.
Liquidity Risk	The inability to continue or renew a liquidity facility, and the risk that the cost of a facility will increase beyond expectations.	The Department will evaluate the expected availability of liquidity support for swapped and unhedged variable rate debt, if any.
Remarketing Risk	The risk that a remarketing agent may be unable to remarket VRDBs.	The Department will obtain a standby bond purchase facility to provide the funds necessary to purchase the VRDBs.
Amortization Mismatch Risk	The mismatch of outstanding Swap notional amount versus the outstanding bond principal subject to the hedge.	The Department may incorporate one or a combination of the following features: par termination options, PAC or lockout bonds.
Mortgage Yield Risk	The bond issue may not comply with yield restrictions if the Swap is terminated.	The Department will obtain legal opinions and or certificates as appropriate.
Non-origination Risk	The bond proceeds may not originate within the prescribed timeframe and require an unused proceeds call and possible termination payment.	The Department will evaluate bond and mortgage market conditions and quantify the potential termination payment due upon non-origination.
PAC Band Break Risk	The targeted PAC bonds may amortize faster than anticipated based on the PAC amortization schedule.	The Department will rely upon credit rating agency cashflows to ensure adequate PAC/companion bond structural integrity.

The Department will diversify its exposure to counterparties. To that end, before entering into a transaction, the Department will determine its exposure to the relevant counterparty or counterparties and determine how the proposed transaction would affect the exposure. The exposure will not be measured solely in terms of notional amount, but rather how changes in interest rates would affect the Department's exposure ("Maximum Net Termination Exposure"). For purposes of these limits, "Maximum Net Termination Exposure" shall equal the aggregate termination payment for all existing and projected Swaps that would be paid by an individual counterparty. For purposes of this calculation, the aggregate termination payment is equal to the reasonably expected worse case termination payment of all existing Swaps plus the proposed transaction.

The Department will base the Maximum Net Termination Exposure on all outstanding derivative transactions. Limits will be established for each counterparty as well as the relative level of risk associated with each existing and projected Swap. In order to lessen counterparty risk, the Department will diversify exposure among multiple counterparties and avoid excessive concentration to any one counterparty.

The Director of Bond Finance shall determine the appropriate term for a Swap on a case-by-case basis. The slope of the Swap curve, the marginal change in Swap rates from year to year along the Swap curve, and the impact that the term of the Swap has on the overall exposure of the Department shall be considered in determining the appropriate term of any Swap. The term of a Swap between the Department and a qualified Swap counterparty shall not extend beyond the final maturity date of the associated debt, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds.

The Department will review the use of forward-starting swaps and determine the duration based on market condition and the risk associated with using a forward-starting swap. The Department does not have any swaps with a knock-out option which could expose the Department to higher interest rates. The Department will advise the Board prior to entering into either a forward-starting swap or knock-out option.

The Department will inform the Board if the swap is a fixed notional value swap or a declining notional value swap. The Director of Bond Finance will review under its bond compliance monitoring process that the use of fixed notional value swaps do not place the Department at risk of incurring an incrementally higher expense if the related bond principal is paid off early.

The total "net notional amount" of all Swaps related to a bond issue should not exceed the amount of outstanding bonds, or bonds anticipated to be issued. For purposes of calculating the net notional amount, credit shall be given to any Swaps that offset another Swap for a specific bond transaction.

V. Long Term Financial Implications

In evaluating a particular transaction involving the use of derivatives, the Department shall review long-term implications associated with entering into derivatives, including costs of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, liquidity capacity, opportunities to refund related debt obligations and other similar considerations.

Impact of Use of Liquidity

The Department shall consider the impact of any variable rate demand bonds issued in combination with a Swap on the availability and cost of liquidity support for other Department variable rate programs.

Call Option Value considerations

When considering the relative advantage of a Swap versus fixed rate bonds, the Department will take into consideration the value of any call option on fixed rate bonds.

Qualified Hedges

The Department understands that, (1) if payments on and receipts from the Agreement are to be taken into account in computing the yield on the related bonds, the Agreement must meet the requirements for a "qualified hedge" under federal tax law (sometimes referred to as an "integrated Swap"); and (2) if one of the goals of entering into the Agreement is to convert variable yield bonds into fixed yield bonds (sometimes referred to as a "super integrated Swap"), then certain additional requirements must be met. In both of these situations, the terms of the Agreement and the process for entering into the Agreement must be reviewed and approved in advance by tax counsel.

VI. Form of Swap Agreements

Each Swap executed by the Department shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, including any schedules and confirmations. The Swaps between the Department and each qualified Swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the Director of Bond Finance deems necessary, desirable or consistent with industry best practices.

VII. Qualified Swap Counterparties

The Department will make its best efforts to work with qualified Swap counterparties that (i) have, or has a credit support counterparty that has, a general credit rating of at least "Aa3" or "AA-" by two of the nationally recognized rating agencies and not rated lower than "A2" or "A" by any nationally recognized rating agency, or (ii) have a "AAA" rating by at least one nationally recognized credit rating agency. The nationally recognized rating agencies are Moody's Investors Services, Inc., Standard and Poor's Rating Services, and Fitch Ratings.

In addition to the rating criteria specified herein, the Department may seek additional credit enhancement and safeguards in the form of:

i. Contingent credit support or enhancement;
ii. Collateral consistent with the policies contained herein; and/or
iii. Ratings downgrade triggers.

In addition, the Department will take into consideration a Swap counterparty's track record of successfully executing Swap transactions. The Department will only execute Swap transactions with qualified Swap counterparties.

VIII. Termination Provisions

The Department shall include in all Swaps provisions granting the Department the right to optionally terminate a Swap at any time at market over the term of the Agreement. The Deputy Executive Director of Administration and Director of Bond Finance shall determine if it is financially advantageous for the Department to terminate a Swap.

A ratings-based additional termination event shall be included in all of the Department's Swaps if the provider (or its credit support provider) fails to maintain either:

1. A Credit Rating of at least A2 from Moody's; or
2. A Credit Rating of at least A from S&P; or,
3. An equivalent rating determined above by a nationally recognized ratings service acceptable to both parties.

A termination payment to or from the Department may be required in the event of termination of a Swap due to a default or a decrease in credit rating of either the Department or the counterparty. If the cause of the termination is a counterparty downgrade, termination payments will be calculated on the side of the bid-offer spread that favors the Department.

It is the intent of the Department not to make a termination payment to a counterparty that does not meet its contractual obligations. Prior to making any such termination payment, the Deputy Executive Director of Administration and Director of Bond Finance shall evaluate whether it is financially advantageous for the Department to obtain a replacement counterparty to avoid making such termination payment or finance the termination payment through a long-term financing product.

For payments on early termination and optional termination, Market Quotation and the Second Method will apply, allowing for two way mark-to-market breakage (assuming the Swaps are documented under the 1992 form of the ISDA Master Agreements).

IX. Security and Source of Repayment

The Department may use the same security and source of repayment (pledged revenues) for Swaps as is used for the bonds that are hedged or carried by the Swap, if any, but shall consider the economic costs and benefits of subordinating the Department's payments and/or termination payment under the Swap. The use of the same security and source of repayment (pledged revenues) is subject to the respective bond indenture's covenants and the prior approval of the Department's bond counsel.

X. Specified Indebtedness

The specified indebtedness related to credit events in any Swap should be narrowly defined and refer only to indebtedness of the Department that could have a materially adverse effect on the Department's ability to perform its obligations under the Swap. Debt should typically only include obligations within the same lien as the Swap obligation.

XI. Governing Law

Governing law for Swaps will be the State of Texas. Issues relating to jurisdiction, venue, waiver of jury trial and sovereign immunity will be subject to prevailing law and approval of the Texas Attorney General Office. Preference will be given to language providing that the counterparty will consent to jurisdiction in the Texas courts with respect to enforcement of the Agreement.

XII. Events of Default

Events of default of a Swap counterparty shall include, but are not limited to the counterparty's:

1. Failure to make payments when due;
2. Breach of representations and warranties;
3. Illegality;
4. Failure to comply with downgrade provisions; and
5. Failure to comply with any other provisions of the Agreement after a specified notice period.

XIII. Collateral Requirements

As part of any Swap , the Department may require the counterparty to post collateral or other credit enhancement to secure any or all Swap payment obligations. As appropriate, the Deputy Executive Director of Administration and Director of Bond Finance may require collateral or other credit enhancement to be posted by each Swap counterparty under the following circumstances:

- Each counterparty to the Department may be required to post collateral if the credit rating of the counterparty or parent falls below the "AA-" or "Aa3" category. Additional collateral for further decreases in credit ratings of each counterparty shall be posted by each counterparty in accordance with the provisions contained in the credit support annex to each Swap with the Department.
- Collateral shall consist of cash, U.S. Treasury securities, or other mutually acceptable highly liquid securities.
- Collateral shall be deposited with an eligible third party custodian, or as mutually agreed upon between the Department and each counterparty.
- The market value of the collateral shall be determined on at least a weekly basis.
- The Department will determine reasonable threshold limits for increments of collateral posting based on a sliding scale reflective of credit ratings.
- The Deputy Executive Director of Administration and Director of Bond Finance shall determine on a case-by-case basis whether a form of credit enhancement in lieu of, or in addition to, collateral is more beneficial to the Department.

XIV. Other Criteria

The Department may use a competitive or a negotiated process to select a swap counterparty and price a Swap as it believes business, market or competitive conditions justify such a process. The conditions under which a negotiated selection is best used are provided below.

- Marketing of the Swap will require complex explanations about the security for payment or credit quality.
- Demand is weak among Swap counterparties.
- Market timing is important, such as for refundings.
- Coordination of multiple components of the financing is required.
- The Swap has non-standard features.
- The par amount is large enough to move the market in a manner adverse to the Department's interests.
- Counterparties are likely to demand individual changes in bid documents.

If a transaction is awarded through a negotiated process, the counterparty will provide the Department with:

- A statement that, in the counterparty's judgment, the difference in basis points between the rate of the transaction and the mid-market rate for a comparable transaction falls within the commonly occurring range for comparable transactions.
- A statement of the amount of the difference as determined by the counterparty.
- If the counterparty does not know of a comparable transaction or mid-market rate, a statement of another suitable measure of pricing acceptable to the counterparty.

The Department will use a swap advisory firm to assist in the price negotiation. Also, the Department may obtain an opinion from an independent party that the terms and conditions of any derivative entered into reflect a fair market value of such derivatives as of the execution date.

The counterparty must provide to the Department disclosure of any payments the counterparty made to another person to procure the transaction.

The Department will determine that the swap transaction will conform to this Interest Rate Swap Policy after reviewing a report of the Director of Bond Finance that identifies with respect to the transaction:

- its purpose;
- the anticipated economic benefit and the method used to determine the anticipated benefit;
- the use of the receipts of the transaction;
- the notional amount, amortization, and average life compared to the related obligation;
- any floating indices;
- its effective date and duration;
- the identity and credit rating of the counterparties;
- the cost and anticipated benefit of transaction insurance;
- the financial advisors and the legal advisors and their fees;
- any security for scheduled and early termination payments;
- any associated risks and risk mitigation features; and
- early termination provisions.

XV. Ongoing Monitoring and Reporting Requirements

Written records noting the status of all Swaps will be maintained by the Bond Finance Division and shall include the following information:

- Highlights of all material changes to Swaps or new Swaps entered into by the Department since the last report.
- Market value of each of the Swaps.
- The net impact of a 50 or 100 basis point parallel shift or other relevant shift in the appropriate Swap index or curve.
- For each counterparty, the total notional amount, the average life of each Swap and the remaining term of each Swap.
- The credit rating of each Swap counterparty and credit enhancer insuring Swap payments.
- Actual collateral posting by Swap counterparty, if any, in total by Swap counterparty.
- A summary of each Swap, including but not limited to the type of Swap, the rates paid by the Department and received by the Department, indices, and other key terms.
- Information concerning any default by a Swap counterparty to the Department, and the results of the default, including but not limited to the financial impact to the Department, if any.
- A summary of any Swaps that were terminated.

The Department will monitor its Swaps exposure on a daily or monthly basis, as necessary, and will look for ways to reduce the cost of a Swap(s) or the overall Swap exposure. The Department will report its Swaps exposure on an annual basis.

The Department shall reflect the use of derivatives on its financial statements in accordance with GASB requirements, including Exposure Draft 26-4 Accounting & Financial Reporting for Derivative Instruments. The disclosure requirements include:

1. Objective of the Derivative
2. Significant Terms
3. Fair Value
4. Associated Debt
5. Risks.

The Deputy Executive Director of Administration and the Director of Bond Finance will review this Policy on an annual basis.

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTEREST RATE SWAP POLICY

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 (the "Act"), as amended from time to time, for the purpose of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe and sanitary housing for individuals and families of low and very low income and families of moderate income (as described in the Act as determined by the Governing Board of the Department (the "Governing Board") from time to time) at prices they can afford.

The Act authorizes the Department: (a) to acquire, and to enter into advance commitments to acquire, mortgage loans (including participations therein) secured by mortgages on residential housing in the State of Texas (the "State"); (b) 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 (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 mortgage loans or participations therein, and to mortgage, pledge or grant security interests in such mortgages, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds.

I. Introduction

The purpose of this Interest Rate Swap Policy ("Policy") of the Texas Department of Housing and Community Affairs (the "Department") is to establish guidelines for the use and management of all interest rate management agreements, including, but not limited to, interest rate swaps, swaptions, caps, collars and floors (collectively "Swaps" or "Agreements") incurred in connection with the issuance of debt obligations. This Policy sets forth the manner of execution of Swaps, provides for security and payment provisions, risk considerations and certain other relevant provisions.

II. Authority

The Department is authorized by Sections 1371.056 and 2306.351 of the Texas Government Code to enter into Swaps from time to time to better manage assets and liabilities and take advantage of market conditions to lower overall costs and reduce interest rate risk.

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This Policy shall govern the Department's use and management of all Swaps. While adherence to this Policy is required in applicable circumstances, the Department recognizes that changes in the capital markets, agency programs, and other unforeseen circumstances may from time to time produce situations that are not covered by this Policy and will require modifications or exceptions approved or authorized by the Governing Board to achieve policy goals.

The Deputy Executive Director of Administration and the Director of Bond Finance are the designated administrators of the Department's Policy. The Bond Finance Division shall have the day-to-day responsibility for structuring, implementing, and managing Swaps.

The Department shall be authorized to enter into Swaps only with qualified Swap counterparties as defined herein. The Director of Bond Finance, in consultation with the Deputy Executive Director

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of Administration, or a Department designee, shall have the authority to recommend counterparties, so long as the criteria set forth in this Policy are met.

The Deputy Executive Director of Administration and the Director of Bond Finance shall review this Policy on an annual basis and recommend any necessary changes to the Governing Board.

III. Purpose

The incurring of obligations by the Department involves a variety of interest rate payments and other risks for which a variety of financial instruments are available to offset, hedge, or reduce. It is the policy of the Department to utilize Swaps to better manage its assets and liabilities. The Department may execute Swaps if the transaction can be expected to result in one of, but not limited to, the following:

- Reduce exposure to changes in interest rates on a particular financial transaction or in the context of the management of interest rate risk derived from the Department's overall asset/liability balance.
- Result in a lower net cost of borrowing with respect to the Department's debt, a higher return on assets, and/or a stronger balance sheet.
- Manage variable interest rate exposure consistent with prudent debt practices.
- Achieve more flexibility in meeting overall financial and programmatic objectives that cannot be achieved in conventional markets.
- Lock in fixed rates in current markets for use at a later date.
- Manage the Department's exposure to the risk of changes in the legal or regulatory treatment of tax-exempt bonds.
- Manage the Department's credit exposure to financial institutions.

The Department will not use Agreements that:

- Are purely speculative or incorporate extraordinary leverage;
- Lack adequate liquidity to terminate without incurring a significant bid/ask spread;
- Are characterized by insufficient pricing transparency and therefore make reasonable valuation difficult.

IV. Evaluation of Risks Associated with Swaps

Before entering into a Swap, the Department shall evaluate the risks inherent in the transaction. The risks to be evaluated will include basis risk, tax risk, counterparty risk, credit risk, termination risk, rollover risk, liquidity risk, remarketing risk, amortization mismatch risk, mortgage yield risk, non-origination risk, and PAC band risk. The following table outlines these various risks and the Department's evaluation methodology for those risks.

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Risk	Description	Evaluation Methodology
Basis Risk	The mismatch between actual variable rate debt service and variable rate indices used to determine Swap payments.	The Department will review historical trading differentials between the variable rate bonds and the index.
Tax Risk	The risk created by potential tax events that could affect Swap payments or their relationship to future bond payments.	The Department will review the tax events in proposed Swap agreements. The Department will evaluate the impact of potential changes in tax law on LIBOR indexed Swaps.
Counterparty Risk	The failure of the counterparty to make required payments.	The Department will monitor exposure levels, ratings thresholds, and collateralization requirements.
Credit Risk	The occurrence of an event modifying the credit rating of the counterparty.	The Department will ascertain and monitor the ratings of its counterparties.
Termination Risk	The need to terminate the transaction in a market that dictates a termination payment by the Department.	The Department will compute its termination exposure for all existing and proposed Swaps at market value and under a worst-case scenario.
Rollover Risk	The mismatch of the maturity of the Swap and the maturity of the underlying bonds.	The Department will determine its capacity to service variable rate bonds that may be outstanding after the maturity of the Swap.
Liquidity Risk	The inability to continue or renew a liquidity facility, and the risk that the cost of a facility will increase beyond expectations.	The Department will evaluate the expected availability of liquidity support for swapped and unhedged variable rate debt, if any.
Remarketing Risk	The risk that a remarketing agent may be unable to remarket VRDBs.	The Department will obtain a standby bond purchase facility to provide the funds necessary to purchase the VRDBs.
Amortization Mismatch Risk	The mismatch of outstanding Swap notional amount versus the outstanding bond principal subject to the hedge.	The Department may incorporate one or a combination of the following features: par termination options, PAC or lockout bonds.
Mortgage Yield Risk	The bond issue may not comply with yield restrictions if the Swap is terminated.	The Department will obtain legal opinions and or certificates as appropriate.
Non-origination Risk	The bond proceeds may not originate within the prescribed timeframe and require an unused proceeds call and possible termination payment.	The Department will evaluate bond and mortgage market conditions and quantify the potential termination payment due upon non-origination.
PAC Band Break Risk	The targeted PAC bonds may amortize faster than anticipated based on the PAC amortization schedule.	The Department will rely upon credit rating agency cashflows to ensure adequate PAC/companion bond structural integrity.

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The Department will diversify its exposure to counterparties. To that end, before entering into a transaction, the Department will determine its exposure to the relevant counterparty or counterparties and determine how the proposed transaction would affect the exposure. The exposure will not be measured solely in terms of notional amount, but rather how changes in interest rates would affect the Department's exposure ("Maximum Net Termination Exposure"). For purposes of these limits, "Maximum Net Termination Exposure" shall equal the aggregate termination payment for all existing and projected Swaps that would be paid by an individual counterparty. For purposes of this calculation, the aggregate termination payment is equal to the reasonably expected worse case termination payment of all existing Swaps plus the proposed transaction.

The Department will base the Maximum Net Termination Exposure on all outstanding derivative transactions. Limits will be established for each counterparty as well as the relative level of risk associated with each existing and projected Swap. In order to lessen counterparty risk, the Department will diversify exposure among multiple counterparties and avoid excessive concentration to any one counterparty.

The Director of Bond Finance shall determine the appropriate term for a Swap on a case-by-case basis. The slope of the Swap curve, the marginal change in Swap rates from year to year along the Swap curve, and the impact that the term of the Swap has on the overall exposure of the Department shall be considered in determining the appropriate term of any Swap. The term of a Swap between the Department and a qualified Swap counterparty shall not extend beyond the final maturity date of the associated debt, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds.

The Department will review the use of forward-starting swaps and determine the duration based on market condition and the risk associated with using a forward-starting swap. The Department does not have any swaps with a knock-out option which could expose the Department to higher interest rates. The Department will advise the Board prior to entering into either a forward-starting swap or knock-out option.

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The Department will inform the Board if the swap is a fixed notional value swap or a declining notional value swap. The Director of Bond Finance will review under its bond compliance monitoring process that the use of fixed notional value swaps do not place the Department at risk of incurring an incrementally higher expense if the related bond principal is paid off early.

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The total "net notional amount" of all Swaps related to a bond issue should not exceed the amount of outstanding bonds, or bonds anticipated to be issued. For purposes of calculating the net notional amount, credit shall be given to any Swaps that offset another Swap for a specific bond transaction.

V. Long Term Financial Implications

In evaluating a particular transaction involving the use of derivatives, the Department shall review long-term implications associated with entering into derivatives, including costs of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, liquidity capacity, opportunities to refund related debt obligations and other similar considerations.

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Impact of Use of Liquidity

The Department shall consider the impact of any variable rate demand bonds issued in combination with a Swap on the availability and cost of liquidity support for other Department variable rate programs.

Call Option Value considerations

When considering the relative advantage of a Swap versus fixed rate bonds, the Department will take into consideration the value of any call option on fixed rate bonds.

Qualified Hedges

The Department understands that, (1) if payments on and receipts from the Agreement are to be taken into account in computing the yield on the related bonds, the Agreement must meet the requirements for a "qualified hedge" under federal tax law (sometimes referred to as an "integrated Swap"); and (2) if one of the goals of entering into the Agreement is to convert variable yield bonds into fixed yield bonds (sometimes referred to as a "super integrated Swap"), then certain additional requirements must be met. In both of these situations, the terms of the Agreement and the process for entering into the Agreement must be reviewed and approved in advance by tax counsel.

VI. Form of Swap Agreements

Each Swap executed by the Department shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, including any schedules and confirmations. The Swaps between the Department and each qualified Swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the Director of Bond Finance deems necessary, desirable or consistent with industry best practices.

VII. Qualified Swap Counterparties

The Department will make its best efforts to work with qualified Swap counterparties that (i) have, or has a credit support counterparty that has, a general credit rating of at least "Aa3" or "AA-" by two of the nationally recognized rating agencies and not rated lower than "A2" or "A" by any nationally recognized rating agency, or (ii) have a "AAA" rating by at least one nationally recognized credit rating agency. The nationally recognized rating agencies are Moody's Investors Services, Inc., Standard and Poor's Rating Services, and Fitch Ratings.

In addition to the rating criteria specified herein, the Department may seek additional credit enhancement and safeguards in the form of:

i. Contingent credit support or enhancement;
ii. Collateral consistent with the policies contained herein; and/or
iii. Ratings downgrade triggers.

In addition, the Department will take into consideration a Swap counterparty's track record of successfully executing Swap transactions. The Department will only execute Swap transactions with qualified Swap counterparties.

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VIII. Termination Provisions

The Department shall include in all Swaps provisions granting the Department the right to optionally terminate a Swap at any time at market over the term of the Agreement. The Deputy Executive Director of Administration and Director of Bond Finance shall determine if it is financially advantageous for the Department to terminate a Swap.

A ratings-based additional termination event shall be included in all of the Department's Swaps if the provider (or its credit support provider) fails to maintain either:

1. A Credit Rating of at least A2 from Moody's; or
2. A Credit Rating of at least A from S&P; or,
3. An equivalent rating determined above by a nationally recognized ratings service acceptable to both parties.

A termination payment to or from the Department may be required in the event of termination of a Swap due to a default or a decrease in credit rating of either the Department or the counterparty. If the cause of the termination is a counterparty downgrade, termination payments will be calculated on the side of the bid-offer spread that favors the Department.

It is the intent of the Department not to make a termination payment to a counterparty that does not meet its contractual obligations. Prior to making any such termination payment, the Deputy Executive Director of Administration and Director of Bond Finance shall evaluate whether it is financially advantageous for the Department to obtain a replacement counterparty to avoid making such termination payment or finance the termination payment through a long-term financing product.

For payments on early termination and optional termination, Market Quotation and the Second Method will apply, allowing for two way mark-to-market breakage (assuming the Swaps are documented under the 1992 form of the ISDA Master Agreements).

IX. Security and Source of Repayment

The Department may use the same security and source of repayment (pledged revenues) for Swaps as is used for the bonds that are hedged or carried by the Swap, if any, but shall consider the economic costs and benefits of subordinating the Department's payments and/or termination payment under the Swap. The use of the same security and source of repayment (pledged revenues) is subject to the respective bond indenture's covenants and the prior approval of the Department's bond counsel.

X. Specified Indebtedness

The specified indebtedness related to credit events in any Swap should be narrowly defined and refer only to indebtedness of the Department that could have a materially adverse effect on the Department's ability to perform its obligations under the Swap. Debt should typically only include obligations within the same lien as the Swap obligation.

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XI. Governing Law

Governing law for Swaps will be the State of Texas. Issues relating to jurisdiction, venue, waiver of jury trial and sovereign immunity will be subject to prevailing law and approval of the Texas Attorney General Office. Preference will be given to language providing that the counterparty will consent to jurisdiction in the Texas courts with respect to enforcement of the Agreement.

XII. Events of Default

Events of default of a Swap counterparty shall include, but are not limited to the counterparty's:

1. Failure to make payments when due;
2. Breach of representations and warranties;
3. Illegality;
4. Failure to comply with downgrade provisions; and
5. Failure to comply with any other provisions of the Agreement after a specified notice period.

XIII. Collateral Requirements

As part of any Swap , the Department may require the counterparty to post collateral or other credit enhancement to secure any or all Swap payment obligations. As appropriate, the Deputy Executive Director of Administration and Director of Bond Finance may require collateral or other credit enhancement to be posted by each Swap counterparty under the following circumstances:

- Each counterparty to the Department may be required to post collateral if the credit rating of the counterparty or parent falls below the "AA-" or "Aa3" category. Additional collateral for further decreases in credit ratings of each counterparty shall be posted by each counterparty in accordance with the provisions contained in the credit support annex to each Swap with the Department.
- Collateral shall consist of cash, U.S. Treasury securities, or other mutually acceptable highly liquid securities.
- Collateral shall be deposited with an eligible third party custodian, or as mutually agreed upon between the Department and each counterparty.
- The market value of the collateral shall be determined on at least a weekly basis.
- The Department will determine reasonable threshold limits for increments of collateral posting based on a sliding scale reflective of credit ratings.
- The Deputy Executive Director of Administration and Director of Bond Finance shall determine on a case-by-case basis whether a form of credit enhancement in lieu of, or in addition to, collateral is more beneficial to the Department.

XIV. Other Criteria

The Department may use a competitive or a negotiated process to select a swap counterparty and price a Swap as it believes business, market or competitive conditions justify such a process. The conditions under which a negotiated selection is best used are provided below.

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- Marketing of the Swap will require complex explanations about the security for payment or credit quality.
- Demand is weak among Swap counterparties.
- Market timing is important, such as for refundings.
- Coordination of multiple components of the financing is required.
- The Swap has non-standard features.
- The par amount is large enough to move the market in a manner adverse to the Department's interests.
- Counterparties are likely to demand individual changes in bid documents.

If a transaction is awarded through a negotiated process, the counterparty will provide the Department with:

- A statement that, in the counterparty's judgment, the difference in basis points between the rate of the transaction and the mid-market rate for a comparable transaction falls within the commonly occurring range for comparable transactions.
- A statement of the amount of the difference as determined by the counterparty.
- If the counterparty does not know of a comparable transaction or mid-market rate, a statement of another suitable measure of pricing acceptable to the counterparty.

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The Department will use a swap advisory firm to assist in the price negotiation. Also, the Department may obtain an opinion from an independent party that the terms and conditions of any derivative entered into reflect a fair market value of such derivatives as of the execution date.

The counterparty must provide to the Department disclosure of any payments the counterparty made to another person to procure the transaction.

The Department will determine that the swap transaction will conform to this Interest Rate Swap Policy after reviewing a report of the Director of Bond Finance that identifies with respect to the transaction:

- its purpose;
- the anticipated economic benefit and the method used to determine the anticipated benefit;
- the use of the receipts of the transaction;
- the notional amount, amortization, and average life compared to the related obligation;
- any floating indices;
- its effective date and duration;
- the identity and credit rating of the counterparties;
- the cost and anticipated benefit of transaction insurance;
- the financial advisors and the legal advisors and their fees;
- any security for scheduled and early termination payments;
- any associated risks and risk mitigation features; and
- early termination provisions.

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XV. Ongoing Monitoring and Reporting Requirements

Written records noting the status of all Swaps will be maintained by the Bond Finance Division and shall include the following information:

- Highlights of all material changes to Swaps or new Swaps entered into by the Department since the last report.
- Market value of each of the Swaps.
- The net impact of a 50 or 100 basis point parallel shift or other relevant shift in the appropriate Swap index or curve.
- For each counterparty, the total notional amount, the average life of each Swap and the remaining term of each Swap.
- The credit rating of each Swap counterparty and credit enhancer insuring Swap payments.
- Actual collateral posting by Swap counterparty, if any, in total by Swap counterparty.
- A summary of each Swap, including but not limited to the type of Swap, the rates paid by the Department and received by the Department, indices, and other key terms.
- Information concerning any default by a Swap counterparty to the Department, and the results of the default, including but not limited to the financial impact to the Department, if any.
- A summary of any Swaps that were terminated.

The Department will monitor its Swaps exposure on a daily or monthly basis, as necessary, and will look for ways to reduce the cost of a Swap(s) or the overall Swap exposure. The Department will report its Swaps exposure on an annual basis.

The Department shall reflect the use of derivatives on its financial statements in accordance with GASB requirements, including Exposure Draft 26-4 Accounting & Financial Reporting for Derivative Instruments. The disclosure requirements include:

1. Objective of the Derivative
2. Significant Terms
3. Fair Value
4. Associated Debt
5. Risks.

The Deputy Executive Director of Administration and the Director of Bond Finance will review this Policy on an annual basis.

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BOND FINANCE DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Approval of Resolution No. 09-025 authorizing the transfer of the Single Family Mortgage Revenue Bonds 2005 Series A and 2007 Series A Interest Rate Swap Counterparty from Bear Stearns Financial Products, Inc. to JPMorgan Chase Bank, N.A.

Required Action

Approval of Resolution No. 09-025 authorizing the transfer of the Single Family Mortgage Revenue Bonds 2005 Series A and 2007 Series A Interest Rate Swap Counterparty from Bear Stearns Financial Products Inc. to JPMorgan Chase Bank, N.A.

Background

The Department wishes to pursue the transfer of two of its interest rate swap agreements from Bear Stearns Financial Products, Inc. (BSFP) to JPMorgan Chase Bank, N.A. (JPMCB). The terms of the existing agreements for the Department would not change.

The Department executed interest rate swap agreements with BSFP in connection with the issuance of the Single Family Variable Rate Mortgage Revenue Bonds 2005 Series A and 2007 Series A. Current outstanding amounts are $93,030,000 and $139,380,000, respectively.

With its acquisition of Bear Stearns, JPMorgan assumed a number of interest rate swap transactions including those executed under agreements with Bear Stearns Financial Products Inc. (BSFP) which was a Bear Stearns derivative product company. Derivative Product Companies ("DPCs") are formed by financial institutions as special purpose highly rated (AAA/Aaa) providers of interest rate derivative products, primarily interest rate swaps.

As a result of the recent events related to Lehman Brothers and bankruptcy filings of two Lehman DPCs, rating agencies and Moody's, in particular, are questioning the potential for voluntary bankruptcy on the part of DPCs. A voluntary bankruptcy poses a significant risk that, at the very least, counterparties will not receive payments due to them on a timely basis. Therefore, a financial institution which sponsors a DPC may be informed that in order to maintain the AAA rating it must provide additional capital to support a DPC, even though there is no contractual obligation to do so. JPMorgan has indicated it will not put up additional capital for BSFP going forward. In order to be proactive and to address a possible downgrade by Moody's regarding BSFP which could result in bonds being tendered and with JPMorgan alternatively stepping in to be our swap counterparty, TDHCA is recommending transferring BSFP to JPMCB.

JPMorgan has approached entities with BSFP swap transactions and has offered to assign those transactions to JPMCB (Aa1/AA-) (this reflects a Moody's downgrade on January 15, 2009). The assignment is accomplished through a short agreement with no material changes to the terms of the BSFP Agreement. It should be noted that, just as would be the case with the BSFP Agreement, there would be no ability to execute additional transactions under the novated agreement with JPMCB.

Recommendation

Approve Resolution No. 09-025 authorizing the transfer of the Single Family Mortgage Revenue Bonds 2005 Series A and 2007 Series A Interest Rate Swap Counterparty from Bear Stearns Financial Products Inc. to JPMorgan Chase Bank, N.A. **N.a N.A**

Resolution No. 09-025

RESOLUTION APPROVING ASSIGNMENT AGREEMENT PERTAINING TO INTEREST RATE SWAP TRANSACTIONS IN CONNECTION WITH THE DEPARTMENT'S SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE REFUNDING BONDS, 2005 SERIES A AND SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE BONDS, 2007 SERIES A; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS RELATING THERETO; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low and very 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 and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire, finance or acquire participating interests in such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; (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 single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and (d) to issue its revenue bonds for the purpose refunding any bonds theretofore issued by the Department or the Texas Housing Agency, its predecessor (the "Agency"), under such terms, conditions and details as shall be determined by the Board; and

WHEREAS, the Department has previously issued its (i) Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2005 Series A (the "2005 Series A Bonds") pursuant to that certain Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 between the Department, as successor to the Agency, and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as successor trustee (the "Trustee"), as supplemented and amended (collectively, the "Single Family Indenture"), and the Forty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of April 1, 2005 between the Department and the Trustee; and (ii) Single Family Variable Rate Mortgage Revenue Bonds, 2007 Series A (the "2007 Series A Bonds") pursuant to the Single Family Indenture and the Fifty-Fourth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2007 between the Department and the Trustee; and

WHEREAS, the 2005 Series A Bonds and the 2007 Series A Bonds are hereinafter collectively referred to as the "Variable Rate Bonds"; and

WHEREAS, the Department has previously entered into an interest rate swap transaction for each series of the Variable Rate Bonds with Bear Stearns Financial Products Inc. ("Bear Stearns"), evidenced by an ISDA Master Agreement dated April 14, 2005 (the "Master Agreement"), an Amended and Restated Schedule thereto dated as of April 23, 2007 and separate confirmations dated April 14, 2005 with respect to the 2005 Series A Bonds and April 23, 2007 with respect to the 2007 Series A Bonds (collectively, the "Swap Transactions"); and

WHEREAS, Bear Stearns has requested that the Department approve the assignment and delegation to JPMorgan Chase Bank, N.A. ("JPMorgan") of its rights and obligations under the Master Agreement and each Swap Transaction in accordance with the terms of an assignment agreement among the Department, Bear Stearns and JPMorgan (the "Assignment Agreement"); and

WHEREAS, the Board now desires to approve the Assignment Agreement;

NOW THEREFORE BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

ARTICLE I

APPROVAL OF ASSIGNMENT AGREEMENT

Section 1.1--Approval of Assignment Agreement. The Assignment Agreement, in substantially the form presented at this meeting, is hereby approved and adopted by the Department, and the Chairman of the Board or the Executive Director or any Acting Executive Director of the Department are hereby authorized and empowered to execute and deliver the Assignment Agreement on behalf of the Department, with such changes as may be approved by the Department's counsel and the officer executing the same, such approval to be evidenced by such officer's execution thereof.

Section 1.2--Execution and Delivery of Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, material event disclosures, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.3--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chairman of the Board; the Vice Chair of the Board; the Secretary to the Board; the Executive Director or any Acting Executive Director of the Department; the Deputy Executive Director for Administration of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 2.2--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials made available to the Board relevant to the subject of this Resolution were posted on the Department's website not later than the third day before the date of the meeting of the Board at which this Resolution was considered, and any documents made available to the Board by the Department on the day of the meeting were also made available in hard-copy format to the members of the public in attendance at the meeting, as required by Section 2306.032, Texas Government Code, as amended.

[Execution page follows]

PASSED AND APPROVED this 5th day of February, 2009.

Chairman, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Approval of Resolution No. 09-024 authorizing application to the Texas Bond Review Board for reservation of single family private activity bond authority.

Required Action

Approval of Resolution No. 09-024 authorizing the application to the Texas Bond Review Board for reservation of single family private activity bond authority.

Background

As you are aware, the TDHCA Board approves resolutions to draw down private activity bond authority for single family bond and MCC programs, after which an application is sent to the Texas Bond Review Board to draw down volume cap and then Bond Finance comes back to the TDHCA Board for approval of the specific structure. The Department has six months to utilize that authority; if not utilized, the Department must reapply to draw down the volume cap.

The 2009 MCC Program is expected to close on February 27, 2009 and in order to close the 2009 Mortgage Credit Certificate Program, an application must be filed with the Texas Bond Review Board to draw down $60 million of volume cap.

At the June 26, 2008 TDHCA Board Meeting, the Board approved Resolution No. 08-025 authorizing application to the Texas Bond Review Board to draw down $129.6 million in remaining reservation of TDHCA's 2008 single family private activity bond authority. The reservation for that $129.6 million of 2008 volume cap expires on February 5, 2009. TDHCA was not able to utilize the volume cap as originally planned because of market conditions and has filed for carryforward of the $129.6 million of 2008 volume cap. Because the original reservation will expire on February 5, 2009, prior to the February 27, 2009, expected closing date for the MCC Program, a new application must be filed with the Texas Bond Review Board. The resolution authorizes the filing of that application. The $60 million of H.R. 3221 volume cap will not expire before February 27, 2009, thus no additional action of the Board is required.

Recommendation

Approve Resolution No. 09-024 authorizing the application to the Texas Bond Review Board for reservation of single family private activity bond authority.

Resolution No. 09-024

RESOLUTION AUTHORIZING THE FILING OF AN APPLICATION FOR RESERVATION WITH TEXAS BOND REVIEW BOARD WITH RESPECT TO QUALIFIED MORTGAGE BONDS; 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 (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low and very 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) at prices they can afford; and

WHEREAS, the Act authorizes the Department: (a) to make, acquire and finance, and to enter into advance commitments to make, acquire and finance, mortgage loans and participating interests therein, secured by mortgages on residential housing in the State of Texas (the "State"); (b) to issue its bonds, for the purpose, among others, of obtaining funds to acquire or finance such mortgage loans, 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 single family mortgage loans or participating interests, and to mortgage, pledge or grant security interests in such mortgages or participating interests, mortgage loans 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 103 and Section 143 of the Internal Revenue Code of 1986, as amended (the "Code"), provide that the interest on obligations issued by or on behalf of a state or a political subdivision thereof the proceeds of which are to be used to finance owner-occupied residences shall be excludable from gross income of the owners thereof for federal income tax purposes if such issue meets certain requirements set forth in Section 143 of the Code; and

WHEREAS, Section 146(a) of the Code requires that certain "private activity bonds" (as defined in Section 141(a) of the Code) must come within the issuing authority's private activity bond limit for the applicable calendar year in order to be treated as obligations the interest on which is excludable from the gross income of the holders thereof for federal income tax purposes; and

WHEREAS, the private activity bond "State Ceiling" (as defined in Section 146(d) of the Code) applicable to the State is subject to allocation, in the manner authorized by Section 146(e) of the Code, pursuant to Chapter 1372, Texas Government Code, as amended (the "Allocation Act"); and

WHEREAS, the Allocation Act requires the Department, in order to reserve a portion of the State Ceiling for qualified mortgage bonds (the "Reservation") and satisfy the requirements of Section 146(a) of the Code, to file an application for reservation (the "Application for Reservation") with the Texas Bond Review Board (the "Bond Review Board"), stating the maximum amount of the bonds requiring an allocation, the purpose of the bonds and the section of the Code applicable to the bonds; and

WHEREAS, the Allocation Act and the rules promulgated thereunder by the Bond Review Board (the "Allocation Rules") require that an Application for Reservation be accompanied by a copy of the certified resolution of the issuer authorizing the filing of the Application for Reservation; and

WHEREAS, the Board has determined to authorize the filing of the Application for Reservation with respect to qualified mortgage bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BOARD OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS THAT:

Section 1 - Application for Reservation. The Board hereby authorizes Vinson & Elkins L.L.P., as Bond Counsel to the Department, to file on its behalf with the Bond Review Board the Application for Reservation for qualified mortgage bonds to be issued and delivered within 180 days after receipt of a "reservation date," as defined in the Allocation Rules, in the maximum amount of $60,000,000, together with any other documents and opinions required by the Bond Review Board as a condition to the granting of the Reservation.

Section 2 - Authorization of Certain Actions. The Board authorizes the Executive Director, the staff of the Department, as designated by the Executive Director, and Bond Counsel to take such actions on its behalf as may be necessary to carry out the purposes of this Resolution.

Section 3 - Purposes of Resolution. The Board has expressly determined and hereby confirms that the issuance of the qualified mortgage bonds will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 4 - Mortgage Credit Certificate Authority. The Department reserves the right, upon receipt of a Reservation, to convert all or any part of its authority to issue qualified mortgage bonds to mortgage credit certificates.

Section 5 - Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 6 - Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials made available to the Board relevant to the subject of this Resolution were posted on the Department's website not later than the third day before the date of the meeting of the Board at which this Resolution was considered, and any documents made available to the Board by the Department on the day of the meeting were also made available in hard-copy format to the members of the public in attendance at the meeting, as required by Section 2306.032, Texas Government Code, as amended.

[Execution page follows]

PASSED AND APPROVED this 5th day of February, 2009.

Chairman, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

HOME AND HOUSING TRUST FUND PROGRAMS DIVISION

BOARD ACTION REQUEST
FEBRUARY 5, 2009

Action Item

Presentation, Discussion and Possible Action for HOME Program Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal for Estates at Northside.

Background and Recommendations

Estates at Northside - 08328

On May 30, 2008 the Applicant submitted the subject application for $2,283,745 in HOME funds under the 2007 HOME Rental Housing Development Notice of Funding Availability to the Texas Department of Housing and Community Affairs (the "Department").

Pursuant to the Compliance Monitoring Rules at Title 10 of the Texas Administrative Code §60.122 a previous participation review of this application was conducted. During that review it was determine that James K. Maddox has a controlling interest in the ownership of Bentcreek Apartments, a HOME property monitored by the Department. Bentcreek Apartments has an uncorrected issue of noncompliance and a compliance score in excess of the threshold for Material Noncompliance. Pursuant to the Rules, the applicant was notified of the issues and given an additional 5 days to correct the noncompliance.

Because the issue remains uncorrected and the property's score is greater than the threshold for Material Noncompliance, staff terminated the application on December 5, 2008. The Applicant submitted an appeal of the termination to the Executive Director on December 10, 2008 as allowed in 10 TAC §1.7.

The appeal indicates that the management company, not the Owner, is responsible for the Material Noncompliance. However, the Department has a contractual agreement with the Owner of the property through the Land Use Restriction Agreement (LURA), not the management company. The Owner is responsible for compliance with the LURA.

Additionally, in response to the an ineligible household finding, the Applicant's appeal indicates that formal notification to Owner was not given until September 19, 2008 after an onsite inspection by TDHCA staff on March, 11 2008. However, Department records indicate that the Owner of the property was notified in writing of the ineligible household on April 9, 2008. The Owner was given until July 9, 2008 to respond to the finding. The Department received a response on July 8, 2008. The Department once again notified the Property Owner on September

19, 2008 that the finding was not resolved and that the property remained in Material Noncompliance. The Department provided ample time for the Owner to correct this finding. It should be noted that the Owner was notified of the Material Noncompliance prior to submission of the application that was terminated.

The appeal letter also indicates that the ineligible household finding cannot be corrected until January 31, 2009 due to the binding nature of the lease agreement. While the Department understands and regrets that resident's lease must not be renewed, the Department cannot reserve funds for an application indefinitely.

The Executive Director determined that staff had correctly applied the Department's rules and denied the Applicant's appeal. It should be noted that if the ineligible household finding can be cleared then the compliance score for Bentcreek Apartments would decrease to 29 points, one point below the threshold. However, as of January 16, 2009, the Material Noncompliance score for the property is equal to or higher than the threshold score of 30.

Relevant documentation related to this appeal is provided behind the Board Action Request.

Applicant:	Pilot Point Senior Housing, L.P.
Site Location:	1340 N US Highway 377
City/County:	Pilot Point/Denton
Regional Allocation Category:	Rural
Set-Aside:	General
Population Served:	Elderly
Region:	3
Type of Development:	New Construction
Units:	32
HOME Request:	$2,283,745

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

Estates at Northside - 08328
Applicant Appeal

Cameron Dorsey

From: Natalie Riley [natalie@holdenlawoffices.com]
Sent: Wednesday, December 10, 2008 4:48 PM
To: jeannie.arellano@tdhca.state.tx.us; cameron.dorsey@tdhca.state.tx.us
Cc: Ken Maddox
Subject: Pilot Point Project Appeal Letter

Follow Up Flag: Follow up
Flag Status: Flagged

Scan7898.pdf (225 KB)

Please see attached appeal letter with respect to termination of HOME Application Number 08328.

Natalie D. Riley
Holden Law Office, P.C.
718 W. Business Highway 60
P.O. Box 633
Dexter, Missouri 63841
(573) 624-8901
(573) 624-8188
natalie@holdenlawoffices.com

-----Original Message-----
From: jason@americantitleinurance.net [mailto:jason@americantitleinurance.net]
Sent: Wednesday, December 10, 2008 11:43 AM
To: Natalie Riley
Subject: Scan from americantitleinsurance.net

See attached scan.

HOLDEN LAW OFFICE, P.C.

718 WEST BUSINESS HIGHWAY 60
P. O. BOX 633
DEXTER, MISSOURI 63841
holden@holdenlawoffices.com

STEPHEN HOLDEN
NATALIE D. RILEY

TELEPHONE: (573) 624-8901
FAX: (573) 624-8188
DARLA GROSSMAN
Legal Assistant

RECEIVED
DEC 12 2008
HOME DIVISION

VIA FACSIMILE and FEDERAL EXPRESS
(512) 475-0220

December 10, 2008

RECEIVED
DEC 11 2008
EXECUTIVE DIRECTOR

Housing Tax Credit Program
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Texas Department of Housing and Community Affairs
Attn: Mr. Michael Gerber, Executive Director
P.O. Box 13941
Austin, TX 78711-3941

Re: Appeal to Termination of HOME Application Number 08328, Estates at Northside ("Project")

Dear Mr. Gerber:

Please be advised that I represent James K. Maddox, Maco Properties, L.L.C. as General Partner of Pilot Point Senior Housing, L.P. and Maco Development Company, L.L.C. as Developer of the Project. This letter serves as Pilot Point Senior Housing, L.P.'s appeal to the decision made terminating its Application submitted on May 30, 2008 for $2,283,745 in HOME funds under the 2007 HOME Rental Housing Development Notice of Funding Availability. The Estates at Northside is a proposed new construction, senior community comprised of 32 one bedroom, one bathroom apartments (650 square feet of living area) in Pilot Point that will be marketed exclusively to seniors 55 years of age and older for tenants at or below 60% of the median income with seven of the units affordable for tenants at 50% of the AMI.

James K. Maddox is the controlling shareholder of Maco Management Co., Inc. who is the sole member of the Maco Development Company, L.L.C. which is the proposed Developer of Estates at Northside. Maco Management Co., Inc. also serves as the sole member of Maco Properties, L.L.C. which is the General Partner of Pilot Point Senior Housing, L.P. James K. Maddox's trust also owns Maco Construction, Inc. which serves as General Partner of six (6) other projects

located in Texas, including Bentcreek I - Pampa; Bentcreek II - Pampa; Longview - Longview; St. Michael's Court - Graham; Primrose Estates - Sulphur Springs; and Danville Estates - Kilgore.

The grounds for this appeal include, but are not limited to, the following:

1. Material Noncompliance Issue - This issue involves the household income of the Tenant residing in Unit 10 of Bentcreek Estates I exceeding the income limit. Our understanding is that this issue was raised after TDHCA's onsite monitoring visit on March 11, 2008. Gray County Properties, L.P. received formal notification of this issue by letter dated September 19, 2008. On September 26, 2008, the General Partner of Gray Counties Properties, L.P. notified MJS, Management, Inc. ("Management Agent") of the outstanding issue and requested that the issue be resolved and to notify the owner when it was completed. On September 29, 2008, the General Partner of Gray County Properties, L.P. received email correspondence from the Management Agent that the information requested by TDHCA to address this issue was being forwarded and understood that the issue was being addressed.

   On November 14, 2008, James K. Maddox was notified as part of the HOME Application process that Bentcreek Apartments I was still noncompliant. On November 19, 2008, the Management Agent forwarded the information that had been requested by Stephanie Naquin in order to review the income level of the tenant.

   The Tenant's Lease Agreement will terminate January 31, 2009. Due to the binding nature of the Lease Agreement, we are not in any position to resolve this issue any earlier. However, due to the inability of being able to cure this noncompliance in the five (5) day time period previously provided, we would request that TDHCA take into consideration that this issue will resolve itself on the termination date which is January 31, 2009. While it is our desire to correct this deficiency by other means, the Owner will notify the Tenant that his Lease expires January 31, 2009 and will not be renewed.

   With respect to Bentcreek I exceeding the threshold of 30 points is being addressed under separate appeal. Specifically, on November 19, 2008, Management Agent had notified TDHCA of discrepancies of dates that issues have been corrected. Assuming these items can be cleared up with TDHCA staff in a timely manner, then pursuant to 10 TAC §60.121(k) and (l) certain points would be removed from the calculation after three (3) years.

2. Non-Affiliated, Independent Management Agency - Maco Construction, Inc. had engaged MJS, Management, Inc. as the Management Agent of all their projects in Texas. MJS, Management, Inc. is an independent, non-affiliated entity. There is no identity of interest between the Management Agent and James K. Maddox.

The Material Noncompliance issue related to verification of the tenant's income eligibility was not caused by anyone affiliated with the Applicant and once the noncompliance issue and its failure to be corrected was brought to the attention of James K. Maddox and the Applicant, proactive steps towards resolution have been taken.

3. Inequities Involved - The Tenant residing in Unit 10 is an 88 year old blind man. Our Management Agent has only been able to communicate with his sister who had previously indicated that the "dividend" that is being used to calculate a $1,339 overage was being cashed in. If information becomes available that this did in fact take place and that his income level is in compliance, we will supplement this appeal with that information. The penalty in terminating the Estates at Northside Application which will provide for elderly apartments which are in high demand in Pilot Point severely outweighs the noncompliance issue at Bentcreek.

In reviewing the termination of the Application, we offer the following steps which are being taken to correct not only this deficiency, but to avoid noncompliance issues in the future:

1. Management Agent terminated the Site Manager at Bentcreek Apartments I for his lack of income verifications, miscalculations and other areas of insubordination. Management Agent is being counseled on Owner's expectations with respect to compliance issues and timeliness of response to TDHCA.
2. Owner is coordinating a notice procedure related to future onsite visits to ensure the Owner has a representative present at such visits and to follow up on any outstanding items.
3. An internal audit of income eligibility with respect to all future tenants is being established.
4. Owner has requested and received from TDHCA current reports on all compliance issues related to affiliated projects to allow a proactive approach to be taken with respect to any noncompliance issues.
5. Management Agent is conducting additional training on Health and Safety Issues on Friday, December 12, 2008. Additional training on income eligibility and utility calculations is being coordinated to ensure compliance with TDHCA guidelines.
6. After attending the two (2) day UPCS training, Management Agent is following up and seeking clarification on the scoring determination for noncompliance issues and had indicated that the scoring is being challenged.

We respectfully request TDHCA to review the termination of this Application as we believe that we have presented a viable project that is located in a community of need.

In the event that this appeal is denied by the Executive Director, then I respectfully request an appeal to the TDHCA Board in accordance with 10 TAC 1.7. I would ask that TDHCA reconsider their decision to terminate our Application. If you need any additional information, please feel free to contact James K. Maddox, Jason Maddox or myself.

Sincerely,

Natalie D. Riley

cc: Jeannie Arellano (via email at jeannie.arellano@tdhca.state.tx.us)
Cameron Dorsey (via email at cameron.dorsey@tdhca.state.tx.us)
James K. Maddox (via email at ken@macocompanies.com)

Estates at Northside - 08328
Termination Letter

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

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Gloria Ray

December 4, 2008

Mr. James K. Maddox
Pilot Point Senior Housing, L.P.
P.O. Box 68
Clarkton, MO 63837
Telephone: (573) 448-3000
Facsimile: (573) 448-3551

Re: HOME Application Number 08328, Estates at Northside

Dear Mr. Maddox

On May 30, 2008 you submitted an application for $2,283,745 in HOME funds under the 2007 HOME Rental Housing Development Notice of Funding Availability to the Texas Department of Housing and Community Affairs (the "Department"). It has been determined that James K. Maddox is a member of the ownership structure of Bentcreek Apartments (HOME Contract 534389) a development administered by the Department and which is in Material Noncompliance for an uncorrected issue of noncompliance and has a current compliance score in excess of 29. As such, the subject application is not eligible to receive an award of HOME funds from the Department at this time. The applicable Department rules are stated below.

Pursuant to the eligibility requirements in the 2008 HOME Rule §53.42(10) the following violation will cause an Applicant and any Applications they have submitted to be ineligible: "The Applicant, Development Owner, or Developer or anyone that has Controlling ownership interest in the Development Owner or Developer that is active in the ownership or Control of one or more other rent restricted rental housing properties in the state of Texas administered by the Department is in Material Noncompliance with the LURA."

Pursuant to the Compliance Monitoring Rules at Title 10 of the Texas Administrative Code §60.122(b), "If during the previous participation review an uncorrected issue of noncompliance is identified on a HOME Development monitored by the Department, the entity requesting assistance will be notified of the issue and provided a 5 day period to submit all necessary corrective action to cure the violation(s). The notification will be in writing and may be delivered by email. If the requesting entity does not cure the issues, the Application for assistance will be terminated."

Material Noncompliance is defined in 10 TAC 60.102(19) as "(A) A Housing Tax Credit Development located within the state of Texas will be classified by the Department as being in Material Noncompliance status if the noncompliance score for such Development is equal to or exceeds a threshold of 30 points in accordance with the Material Noncompliance provisions, methodology, and point system of this title. (B) Non HTC

developments monitored by the Department with 1 to 50 Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 30 points. Non HTC Developments monitored by the Department with 51 to 200 Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 50 points. Non HTC Developments monitored by the Department with 201 or more Low Income Units will be classified as being in Material Noncompliance status if the noncompliance score is equal to or exceeds a threshold of 80 points. (C) For all programs, a Development will be in Material Noncompliance if the noncompliance is stated in §60.121 of this chapter to be Material Noncompliance."

As a result of this Material Noncompliance, the subject application (08328) is terminated.

If you would like to appeal the termination of the application, an Appeals Policy does exist for the HOME program. The requirements relating to the filing of an appeal can be found in Title 10 Texas Administrative Code §1.7. If you choose to appeal this determination, you must submit an appeal to the Executive Director no later than 7 days from the date of this letter. In the event an appeal is denied by the Executive Director, you may appeal directly in writing to the Board provided that an appeal is filed in accordance with 10 TAC §1.7.

If you have any questions, please do not hesitate to contact me at 512.473.6164 or jeannie.arellano@tdhca.state.tx.us or Cameron Dorsey at 512.475.2669 or cameron.dorsey@tdhca.state.tx.us.

Sincerely,

Jeannie Arellano

Jeannie Arellano
Director of the HOME Division

CFD

Estates at Northside - 08328
Executive Director Response

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

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December 16, 2008

Mr. James K. Maddox
Pilot Point Senior Housing, L.P.
P.O. Box 68
Clarkton, MO 63837
Telephone: (573) 448-3000
Facsimile: (573) 448-3551

Re: Appeal for HOME Application Number 08328, Estates at Northside

Dear Mr. Maddox:

Appeal Review

I have carefully reviewed your appeal received by the Texas Department of Housing and Community Affairs (the "Department") on December 10, 2008 regarding the termination of the HOME Investment Partnerships Rental Housing Development application for the above referenced development.

I appreciate the time and effort you have spent with staff in attempting to clarify the noncompliance findings for Bentcreek Apartments (HOME Contract 534389). The Department will continue to review the information you have submitted in response to the Material Noncompliance at hand in order to ensure that the property is brought into compliance with the Land Use Restriction Agreement; however, the documentation that has been submitted to date fails to resolve the Material Noncompliance that caused the termination of the subject application.

One basis for your appeal is that the management company, not the Owner, is responsible for the Material Noncompliance. The Department has a contractual agreement with the Owner of the property through the Land Use Restriction Agreement (LURA), not the management company. The Owner is responsible compliance with the LURA.

Additionally, regarding the ineligible household living in Unit 10, your letter indicates that formal notification to Owner was not given until September 19, 2008 after an onsite inspection by TDHCA staff on March, 11 2008. However, our records indicate that the Owner of the property was notified in writing of the ineligible household on April 9, 2008. The Owner was given until July 9, 2008 to respond to the finding, which was not received until July 8, 2008. The Department once again notified the Property Owner on September 19, 2008 that the finding was not resolved and that the property remained in Material Noncompliance. The Department has provided ample time for the Owner to correct this finding. It should be noted that the Owner was notified of the Material Noncompliance prior to submission of the application that was terminated.

Your appeal letter also indicates that the ineligible household finding cannot be corrected until January 31, 2009 due to the binding nature of the lease agreement. While I understand and regret that resident's lease must not be renewed, the Department cannot reserve funds for an application indefinitely. In addition the ineligible household, the Material Noncompliance score for the property is currently equal to or higher than the threshold score of 30.

Based on my review of your appeal and our records, I have determined that staff correctly applied the Department's rules in 10 TAC §53.42(10), 10 TAC 60.122(b), and 10 TAC 60.102(19) when terminating the application. Additionally, you have not provided documentation that the Material Noncompliance for Bentcreek Apartments has been corrected.

Appeal Determination

Your appeal is denied.

Pursuant to §1.7 of the Texas Administrative Code Title 10, your request for an appeal to the Board will be placed on the next available Board agenda.

If you have questions or comments, please contact Jeannie Arellano, Director of the HOME and Housing Trust Funds Programs Division at (512) 463-6164.

Sincerely,

Michael Gerber
Executive Director

CFD

HOME DIVISION

BOARD ACTION REQUEST
February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of Requests for Amendment(s) to HOME Investment Partnerships Program Contract(s):

1000487	City Of Bonham	HBA
1000991	Cambridge Crossing	RHD

Requested Action

Approve, Deny or Approve with Conditions Requests for Amendment(s) to HOME Investment Partnerships Program Contracts

Background

The HOME rules, Title 10 of the Texas Administrative Code Section 53.74, provide that amendment requests can be approved by the Executive Director within a limited margin of materiality or by the Board if beyond that limit. Generally, awardees seeking an extension of more than six months or a change in the amount of the award of more than 25% or seeking significant change in the terms or service area of an award must have their amendment considered by the Board. There is no provision for penalties with regard to future applications; however, the Board does have authority to modify the award in any way consistent with State of Federal law or to terminate the award altogether.

The requests and pertinent facts about the affected developments are summarized below. The recommendation of staff is included at the end of each write-up.

City of Bonham

City Of Bonham (Administrator) requested an amendment to extend the contract by six months to April 30, 2009. This would be the city's third amendment. Their first amendment, approved by the Executive Director on February 13, 2008, extended the contract by six months to allow additional time for the City to identify eligible applicants. The second amendment, approved by the Board on June 26, 2008, provided additional time to address a conflict of interest with one of the homeowners and reduced from 10 to four the number of households to receive assistance. Because the time required by the U.S. Department of Housing and Urban Development (HUD) to process the conflict-of-

interest request exceeded the previous six-month extension, this third amendment will provide additional time to close the final homebuyer assistance loan.

The City has served three households to-date and a fourth has been identified. Of the three served, the Administrator has drawn funds for the first two households. However, funds for the third household have not yet been drawn down to reimburse the City. The completion of the draw associated with the third household served will be processed if and when this extension is granted. The fourth household, Jessie and Cynthia Waits, which is setup in the Department's Contract System, will purchase a home owned by a Bonham City Councilmember, therefore the seller was identified as having a conflict of interest. On September 12, 2008, the Department forwarded to HUD a request for an exception to the conflict-of-interest provisions. On December 17, 2008, HUD approved the Department's request, clearing the way for the City to provide assistance to the Waits household. By the time the approval was granted, the HOME contract expired.

Bonham's staff and the City's consultant have adequately administered the contract by providing assistance to three eligible households and submitting all required documentation for the conflict-of-interest exemption request to serve a fourth household. In addition, the City is not responsible for the three-month delay in processing the conflict-of-interest request, which at this point has been approved by HUD.

An extension to April 30, 2009 will allow sufficient time for full execution of the contract amendment and completion of the loan closing.

Current Contract Status

Amendment Number:	3
Administrator:	City Of Bonham
Consultant:	Resource Management Consulting Company
Activity Type:	HBA
Contract Executor:	Corby Alexander, City Manager
Contract Administrator	City Of Bonham
Contract Start Date:	October 3, 2005
Original Contract End Date:	October 28, 2007
Amended End Date:	October 31, 2008
Service Area:	Bonham
Total Original Budget Amount:	$104,000.00
Total Amended Budget Amount:	$41,600.00
Households Required:	4
Households Committed:	4
Households Completed:	3
Amount Committed To-Date:	$40,000.00
Project Amount Drawn To-Date:	$20,000.00
Admin. Amount Drawn To-Date:	$1,600.00

Modification Request/Recommended

Requested End Date: April 30, 2009

HOME staff recommends that the City of Bonham be allowed to extend their contract by six months to April 30, 2009 to assist the fourth and final household (Waits) under this contract due to the unusual and unforeseeable circumstances relating to the period of time required to receive HUD approval for the conflict-of-interest exception request.

Cambridge Crossing

Cambridge Crossing (08264) is a 60 unit multifamily development that received a 9% Housing Tax Credit allocation and a $420,000 HOME award at the July 31, 2008 Board meeting. The HOME funds are structured as a loan amortized over 30 years with an interest rate equal to the Long-Term Applicable Federal Rate (AFR). The Department executed a Contract (#1000991) with the Development Owner, Corsicana DMA Housing, LP on December 17, 2008. At the December 18, 2008 Board meeting the Development Owner spoke during public comment and requested that the Board consider reducing the interest rate from AFR to 0%. The Board directed staff to evaluate the Owner's request and provide the Board with additional information regarding the financial viability of the development under the existing HOME loan structure and the reduced interest rate structure.

On January 12, 2008, the Owner submitted a letter to staff indicating that the interest rate reduction is necessary as a result of a $319K increase in development costs and a reduction in credit pricing from $0.78 to $0.72. The applicant also presented an increase from $800,000 to $900,000 in primary debt and an increase in interest rate from 7% to 8.5%. The Applicant indicates that these changes result in an increase in the financing gap of $669K that is only partially satisfied by the Board's previous action to increase tax credit allocations of 2007 and 2008 transactions. The Applicant suggests that development is not financially feasible without a reduction in the interest rate because the amount of deferred developer fee exceeds the syndicator's maximum of 50% of the total developer fee. The underwriting analysis confirms that based on the new assumptions provided by the applicant, the development no longer has sufficient net cash flow to repay the anticipated deferred developer fee within the Department's 15 year standard. The Underwriter's updated construction cost estimate reflects approximately a 10% increase over the originally underwritten costs based on current Marshall and Swift estimates, and the Underwriter's total costs are within 5% of the Applicant's updated costs. The Underwriter also notes that first lien debt service has increased by 30% or $19K per year which has a significantly deterious effect on the feasibility of the development.

The underwriting report provides the following options for the Board's consideration:

1. Option 1: Increase the amount of the awarded HOME funds by the amount of increase in the conventional first lien mortgage. An amended HOME loan of $520K, structured as a fully amortizing and repayable second lien mortgage with an interest rate of 1%, amortization of 30 years and term of 18 years.
2. Option 2: Replace the amount of the entire existing conventional first lien debt with HOME funds. An amended HOME loan of $1,320,000, structured as a fully amortizing and repayable first lien mortgage with an interest rate of 4.5%, amortization of 30 years and term of 18 years.
3. Option 3: Restructure the existing HOME loan as requested by the Applicant. A HOME loan of $420K structured as a fully amortizing and repayable second lien mortgage with an interest rate reduced to 0% and amortization increased to 40 years.

The Underwriter has evaluated these alternative financing structures and suggests that Option 1 or Option 2 would both strengthen the feasibility of the development and provide greater assurance of the return of funds to the Department. Under Option 2 reflected above, one additional HOME unit is required in order to meet the Federal rule in the Code of Federal Regulations Title 24 Section 92.205(d). Should the Board choose this option, staff recommends that the Board approve the award subject to one additional Low HOME unit for a total of 13 HOME restricted units.

On January 29, 2009 after correspondence with staff, the Development Owner submitted a letter revising their amendment request for an increase in the existing HOME loan from $420,000 to $1,320,000, structured as a fully amortizing and repayable first lien mortgage with an interest rate of 4.5%, amortization of 30 years. This change in structure is consistent with Option 2 reflected above and would replace the $900K conventional first lien mortgage entirely. The letter also notes that this structure will enable the development team to move more quickly toward closing and start of construction.

Attached:

- Applicant's amendment request; and
- Underwriting Report with Addendum.

Current Contract Information (#1000991)

Development Owner:	Corsicana DMA Housing, LP
Activity Type:	RHD – New Construction
Owner Contact:	Diana McIver
Board Approval Date:	July 31, 2008
Contract Start Date:	December 17, 2008
Contract End Date:	December 17, 2010
Development Location:	Corsicana, Navarro County
Region:	3
HOME Loan Amount:	$420,000
Amortization:	30 Years
Interest Rate:	AFR

Recommendation

Staff recommends that the Board approve an amendment to HOME contract #1000991 for Cambridge Crossing to reflect an increase the HOME loan from $420,000 to $1,320,000 to be structured as a fully amortizing and repayable first lien mortgage with an interest rate of 4.5%, amortization of 30 years and term of 18 years as reflected in Option 2 of the underwriting report. Staff recommends the Board approve the amendment subject to one additional Low HOME unit and the conditions of the underwriting report.

1000487 City of Bonham HBA
Applicant Amendment Request

CITY OF BONHAM
FANNIN COUNTY, TEXAS

December 29, 2008

Ms. Lora Lange, HOME Performance Manager
HOME Portfolio Management and Compliance
Texas Department of Housing & Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

RE: TDHCA Contract No. 1000487
American Dream Down-payment Initiative
City of Bonham

Dear Ms. Lange:

The City of Bonham is requesting a time extension on the above referenced project. The City's TDHCA grant is designed to provide down payment assistance for low to moderate income persons seeking to purchase a home.

To date, we have closed on three homes in the City of Bonham. Additionally, we have an application for Jessie and Cynthia Waits pending. These funds are desperately needed for them to purchase a home, and they have no other options. Since the home is owned by a council member, the City had to request approval from HUD regarding the conflict of interest.

HUD has granted the City approval to assist this applicant; however, due to the lengthy delay from HUD for a response, we are now at the end of our current contract. The City of Bonham is very committed to this project. Therefore, we respectably request the contract end date to be changed to April 30, 2009.

Should you have any questions or require additional information, please contact Denise Dority at 903/784-6439.

Sincerely,

Corby D. Alexander
City Manager

301 E. Fifth St. • Bonham, TX 75418
(903) 583-7555 • FAX (903) 583-5761

1000991 Cambridge Crossing RHD
Applicant Amendment Request

DMA DEVELOPMENT COMPANY, LLC

January 29, 2009

Cameron Dorsey
Texas Department of Housing & Community Affairs
P.O. Box 3941
Austin, Texas 78711-3941

Re: Cambridge Crossing
Home Loan # 1000991

Dear Cameron:

As you know, the above-mentioned project received an award of HOME funds in the amount of $420,000 last July. Since that time, equity pricing has fallen substantially, and construction costs and interest rates have increased substantially. Therefore, even with the additional credits awarded by the board in September 2008, this project still struggles to maintain financial feasibility. Based on the foregoing, we respectfully request that the Department staff recommend to the Board increasing the HOME loan to $1,320,000 with a 30 year amortization, at a 4.5% interest rate. Increasing the HOME loan as such would allow us to eliminate the $900,000 first mortgage previously proposed, and have TDHCA as the first and only lien holder. This results in a much more feasible structure that will enable us move quickly to closing and construction start, hopefully within the next 90 days.

We appreciate your time and consideration of this request. Please contact me directly with any questions or for additional information.

Sincerely,

DMA DEVELOPMENT COMPANY, LLC

Janine Sisak
Vice President/General Counsel

4101 PARKSTONE HEIGHTS DRIVE, SUITE 310 AUSTIN, TEXAS 78746
TEL: 512.328.3232 WWW.MCIVER.COM FAX: 512.328.4584

DMA DEVELOPMENT COMPANY, LLC

January 9, 2009

Cameron Dorsey
Texas Department of Housing & Community Affairs
P.O. Box 3941
Austin, Texas 78711-3941

Re: Cambridge Crossing
Home Loan # 1000991

Dear Cameron:

As you know, the above-mentioned project received an award of HOME funds in the amount of $420,000 last July. At the time of the award, the Department approved that loan with a 30 year amortization, an 18 year term, and an interest rate at the applicable federal rate ("AFR"). These were the terms requested in our application submitted in March 2008, but since that time, equity pricing has fallen substantially, and construction costs and interest rates have increased substantially. Therefore, even with the additional credits awarded by the board in September 2008, this project still struggles to maintain financial feasibility. Based on the foregoing, we respectfully request that the Department staff recommend to the Board changing the terms on the HOME loan to a 40 year amortization, at a 0% interest rate.

By way of background, at the time of application submission, we assumed equity pricing would be $.78, and construction cost would be $4,009,000. Our recent construction cost estimate is significantly higher at $4,328,360. At the same time, our sources have decreased since we expect equity pricing for this rural deal to be closer to $.72. This drop in equity pricing reduces the sources represented in the application by $350,000. In total, then, uses went up by $319,000 and sources went down by $350,000 resulting in a net loss to this project of approximately $669,000.

The additional credits recently awarded by the Department help considerably. But even with the award of additional credits, this transaction is still questionably feasible. The request to change the terms of the HOME loan to a 0% interest loan with a 40 year amortization takes deferred fee below 50% of the total developer fee and therefore results in a feasible structure in the eyes of our investor. See excel spreadsheet showing $326,116 in deferred fee which is only 42% of total developer fee. On a deal this size, reducing payments on the HOME loan from $22,200 to $10,500 by applying a 0% interest rate on a 40-year amortization has significant impact on the size of the first mortgage. With the requested terms, the development supports a $900,000 mortgage, which corresponds to a $326,118 deferred fee, or 42% of the total developer fee. When AFR is applied at a 30 year amortization, the development only supports a $750,000 first mortgage which results in a $476,118 deferred fee. This is 62% of the total developer fee of $768,000 which is not permitted by our investor. See letter attached from RBC

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Capital Markets, which clearly states on page 3 that deferred developer fee cannot be greater than 50% of the total developer fee.

While TDHCA's underwriting guidelines may indicate that the current structure permits the HOME loan to be repaid at AFR, the reality is that this development will not be able to secure an investor in a rural market with a deferred fee of greater than 50% of the total developer fee. Therefore, we respectfully request that staff recommend these requested terms to the Board at the February Board meeting. Amending the terms of the HOME loan would allow this project to support an additional $150,000 in debt thereby reducing the deferred developer fee to a level that our investor will find acceptable.

As you know, Congress adopted changes to the HOME Program which allow loans to be at less than AFR without affecting eligible basis. This change was made for the purpose of helping projects like Cambridge Crossing in these tough economic times. Therefore, the requested change will not impact our ability to generate enough eligible basis to support the current credit allocation for this project.

We appreciate your time and consideration of this request. Please contact me directly with any questions or for additional information.

Sincerely,

DMA DEVELOPMENT COMPANY, LLC

Janine Sisak
Vice President/General Counsel

4101 PARKSTONE HEIGHTS DRIVE, SUITE 310 AUSTIN, TEXAS 78746
TEL: 512.328.3232 WWW.MCIVER.COM FAX: 512.328.4584

Part B. Rent Schedule (Required for All Rental Developments)

Unit types should be entered from smallest to largest based on "# of Bedrooms"and "Unit Size", then within the same "# of Bedrooms" and "unit Size" from lowest to highest "Rental Income/Unit".

Type of Unit designation should be one or more of the following based on the unit's rent restrictions:

***Tax Credit:** (TC30%), (TC40%), (TC50%), (TC60%), Employee Occupied (EO), Market Rate (MR), as allowed by Sec. 42.*

***501(c)(3) Mortgage Revenue Bond:** (MRB), (MRB30%), (MRB40%), (MRB50%), (MRB60%), Market Rate(MRBMR).*

***HOME:** High (HH), Low (LH), Employee Occupied non LI unit (MR/EO), Market Rate (MR)*

***Other:** describe any "Other" rental assistance or rent restrictions in the space provided; documentation supporting the rent assistance or restrictions must be provided*

***Housing Trust Fund**: (HTF30%), (HTF40%), (HTF50%), (HTF60%), (HTF80%), Market Rate (MR)*

Units funded under more then one program, the "Program Rent Limit" should be the most restrictive - for example, a LH and TC60% unit would use the "LH" Program rent limit.

The rent and utility limits available at the time the Application Packet is submitted should be used to complete this form. Gross Rent cannot exceed the HUD maximum rent limits unless documentation of project-based rental assistance is provided. The unit mix and net rentable square footages must be consistent with the site plan and architectural drawings.

Development Name: Cambridge Crossing **City:** Corsicana

HTC Unit Designation	HOME Unit Designation	HTF Unit Designation	MRB Unit Designation	Other	# of Units (A)	# of Bed-rooms	# of Baths	Unit Size (Net Rentable Sq. Ft.) (B)	Total Net Rentable Sq. Ft. (A) x (B)	Program Rent Limit	Tenant Paid Utility Allow.	Rent Collected /Unit (E)	Total Monthly Rent (A) x (E)
TC30%	LH				3	1	1.00	748	2,244	254	41	213	639
TC50%	LH				5	1	1.00	748	3,740	423	41	382	1,910
TC50%					8	1	1.00	748	5,984	423	41	382	3,056
TC50%					4	1	1.00	788	3,152	423	41	382	1,528
TC60%					26	1	1.00	788	20,488	508	41	467	12,142
TC50%	LH				4	2	1.00	908	3,632	508	46	462	1,848
TC60%					8	2	2.00	947	7,576	610	46	564	4,512
MR					2	2	2.00	947	1,894	675	0	675	1,350
									0				-
									0				-
					Interior Corridors				1,541				-
					associated w/units				0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
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									0				-
									0				-
									0				-
									0				-
									0				-
									0				-
			TOTAL		60				50,251				26,985

Non Rental Income	$10.00	per unit/month for:	*Laundry/Vending*	600
Non Rental Income	0.00	per unit/month for:	*describe source here*	
Non Rental Income	0.00	per unit/month for:	*describe source here*	
+ TOTAL NONRENTAL INCOME	$10.00	per unit/month		600
= POTENTIAL GROSS MONTHLY INCOME				27,585
- Provision for Vacancy & Collection Loss			% of Potential Gross Income: 7.50%	2,069
- Rental Concessions				
= EFFECTIVE GROSS MONTHLY INCOME				25,516
x 12 = EFFECTIVE GROSS ANNUAL INCOME				306,194

Volume 1, Tab 2. Populations Served

Part B. Rent Schedule (Cont.)

HOUSING TAX CREDITS	TC30%	3
	TC40%	0
	TC50%	21
	TC60%	34
	HTC LI Total	58
	TCEO	0
	MR	2
	MR Total	2
	TC Total	60
MORTGAGE REVENUE BOND	MRB30%	0
	MRB40%	0
	MRB50%	0
	MRB60%	0
	MRB LI Total	0
	MRBMR	0
	MRBMR Total	0
	MRB Total	0

HOUSING TRUST FUND	HTF30%	0
	HTF40%	0
	HTF50%	0
	HTF60%	0
	HTF80%	0
	HTF LI Total	0
	MR	0
	MR Total	0
	HTF Total	0
HOME	HOME HH	0
	HOME LH	12
	HOME LI Total	12
	MR/EO	0
	MR	0
	MR Total	0
	HOME Total	12
OTHER	Total OT Units	0

Note: Pursuant to 49.9(h)(7)(C), any local, state or federal financing identified in this section which restricts household incomes at any AMGI lower than restrictions required pursuant to the Rules must be identified in the Rent Schedule and the local, state or federal income restrictions must include corresponding rent levels that do not exceed 30% of the income limitation in accordance with §42(g), Internal Revenue Code. The income and corresponding rent restrictions will be continuously maintained over the compliance and extended use period as specified in the LURA.

Volume 1, Tab 2. ACTIVITY OVERVIEW

Development Name: Cambridge Crossing **City:** Corsicana

Part D. Annual Operating Expenses

General & Administrative Expenses					
Accounting			$ 7,500.00		
Advertising			$ 1,000.00		
Legal fees			$ 300.00		
Leased equipment			$ -		
Postage & office supplies			$ 1,000.00		
Telephone			$ 1,200.00		
Other	*Describe*		$		
Total General & Administrative Expenses:				$	11,000.00
Management Fee:		Percent of Effective Gross Income:	5.12%	$	15,663.00
Payroll, Payroll Tax & Employee Benefits					
Management			$ 25,000.00		
Maintenance			$ 19,500.00		
Other	*Benefits*		$ 7,940.00		
Total Payroll, Payroll Tax & Employee Benefits:				$	52,440.00
Repairs & Maintenance					
Elevator			$ 2,000.00		
Exterminating			$ 1,200.00		
Grounds			$ 6,000.00		
Make-ready			$ 4,000.00		
Repairs			$ 8,000.00		
Pool			$ -		
Other	*Janitorial Supplies*		$ 2,000.00		
Total Repairs & Maintenance:				$	23,200.00
Utilities (Enter development owner expense)					
Electric			$ 11,700.00		
Natural gas			$		
Trash			$ 3,600.00		
Water & sewer			$ 17,000.00		
Other	*Describe*		$ -		
Total Utilities:				$	32,300.00
Annual Property Insurance:		Rate per net rentable square foot:	$ 0.41	$	20,850.00
Property Taxes:					
Published Capitalization Rate:		Source:			
Annual Property Taxes:			$ 24,000.00		
Payments in Lieu of Taxes:			$		
Other Taxes	*Describe*		$		
Total Property Taxes:				$	24,000.00
Reserve for Replacements:		Annual reserves per unit:	$	$	15,000.00
Other Expenses					
Cable TV			$ -		
Supportive service contract fees			$ 1,200.00		
Compliance fees			$ 2,320.00		
Security			$		
Other	*Describe*		$		
Total Other Expenses:				$	3,520.00
TOTAL ANNUAL EXPENSES		Expense per unit:	$ 3299.55	$	197,973.00
		Expense to Income Ratio:	64.66%		
NET OPERATING INCOME (before debt service)				$	108,220.50
Annual Debt Service					
First Mortgage			$ 83040		
HOME Loan			$ 10500		
N/A			$		
TOTAL ANNUAL DEBT SERVICE		Debt Coverage Ratio:	1.16	$	93,540.00
NET CASH FLOW				$	14,680.50

Volume 1, Tab 2. ACTIVITY OVERVIEW

Part E. 30 Year Rental Housing Operating Proforma

The pro forma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of rental income and expenses), and principal and interest debt service. The Department currently considers an annual growth rate of 3% for income and 4% for expenses to be reasonably conservative estimates. Written explanation for any deviations from these growth rates or for assumptions other than straight-line growth made during the proforma period should be attached to this exhibit.. While the 30-year proforma projects 30 years of data, the Department's standard for financial feasibility is 15 years.

Development Name: Cambridge Crossing **City:** Corsicana

INCOME	LEASE-UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 25	YEAR 30
POTENTIAL GROSS ANNUAL RENTAL INCOME		$323,820	$333,535	$343,541	$353,847	$364,462	$422,512	$489,807	$567,820	$658,259	$763,103
Secondary Income		7,200	7,416	7,638	7,868	8,104	$9,394	10,891	12,625	14,636	16,967
POTENTIAL GROSS ANNUAL INCOME		$331,020	$340,951	$351,179	$361,714	$372,566	$431,906	$500,697	$580,446	$672,896	$780,070
Provision for Vacancy & Collection Loss		24,827	25,571	26,338	27,129	27,942	32,393	37,552	43,533	50,467	58,505
Rental Conessions											
EFFECTIVE GROSS ANNUAL INCOME		$306,194	$315,379	$324,841	$334,586	$344,623	$399,513	$463,145	$536,912	$622,428	$721,565
EXPENSES											
General & Administrative Expenses		$ 11,000.00	$11,440	$11,898	$12,374	$12,868	$15,656	$19,048	$23,175	$28,196	$34,305
Management Fee		15,663	16,290	16,941	17,619	18,323	22,293	27,123	33,000	40,149	48,847
Payroll, Payroll Tax & Employee Benefits		52,440	54,538	56,719	58,988	61,347	74,638	90,809	110,483	134,420	163,542
Repairs & Maintenance		23,200	24,128	25,093	26,097	27,141	33,021	40,175	48,879	59,469	72,353
Electric & Gas Utilities		11,700	12,168	12,655	13,161	13,687	16,653	20,261	24,650	29,991	36,488
Water, Sewer & Trash Utilities		20,600	21,424	22,281	23,172	24,099	29,320	35,673	43,401	52,804	64,244
Annual Property Insurance Premiums		20,850	21,684	22,551	23,453	24,392	29,676	36,105	43,928	53,445	65,024
Property Tax		24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	61,519	74,848
Reserve for Replacements		15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	38,450	46,780
Other Expenses:		3,520	3,661	3,807	3,960	4,118	5,010	6,096	7,416	9,023	10,978
TOTAL ANNUAL EXPENSES		$197,973	$205,892	$214,128	$222,693	$231,600	$281,777	$342,825	$417,099	$507,465	$617,409
NET OPERATING INCOME		$108,221	$109,487	$110,713	$111,893	$113,023	$117,736	$120,320	$119,813	$114,963	$104,156
DEBT SERVICE											
First Deed of Trust Annual Loan Payment		$83,040	$83,040	$83,040	$83,040	$83,040	$83,040	$83,040	$83,040	$83,040	$83,040
Second Deed of Trust Annual Loan Payment		10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500
Third Deed of Trust Annual Loan Payment											
Other Annual Required Payment:											
NET CASH FLOW		$14,681	$15,947	$17,173	$18,353	$19,483	$24,196	$26,780	$26,273	$21,423	$10,616
Debt Coverage Ratio	#DIV/0!	1.16	1.17	1.18	1.20	1.21	1.26	1.29	1.28	1.23	1.11

Volume 1, Tab 3. ACTIVITY OVERVIEW

Part A. Development Cost Schedule

This Development Cost Schedule must be consistent with the Summary Sources and Uses of Funds Statement. All applications must complete the total development cost column and the Tax Payer Identification column. Only HTC applications must complete the eligible basis columns and the Requested Credit calculation below.

DEVELOPMENT NAME: Cambridge Crossing

	TOTAL DEVELOPMENT SUMMARY			Expected Payee Taxpayer Identification Number (TIN)[1] (and % of cost if item involves multiple payees)
	Total Cost	Eligible Basis (if Applicable) Acquisition	New/Rehab.	
ACQUISITION				
Site acquisition cost	170,000			
Existing building acquisition cost	0			
Closing costs & acq. legal fees	5,000			
Other[2] (specify)	0		0	
Subtotal Acquisition Cost	$175,000	$0	$0	
OFF-SITES[3]				
Off-site concrete	0			
Storm drains & devices	0			
Water & fire hydrants	100,000			
Off-site utilities	0			
Sewer lateral(s)	0			
Off-site paving	0			
Off-site electrical	0			
Other[2] (specify)	0			
Subtotal Off-Sites Cost	$100,000	$0	$0	
SITE WORK[4]				
Demolition				
Rough grading	65,000		65,000	
Fine grading	69,669		69,669	
On-site concrete	135,953		135,953	
On-site electrical				
On-site paving				
On-site utilities	175,000		175,000	
Decorative masonry	0		0	
Bumper stops, striping & signs	3,500		3,500	
Landscaping	90,000		90,000	
Pool and decking	0		0	
Athletic court(s), playground(s)	0		0	
Fencing	4,500		4,500	
Termite control	13,468		13,468	
Subtotal Site Work Cost	$557,090	$0	$557,090	
DIRECT CONSTRUCTION COSTS*:				
Concrete	382,810		382,810	
Masonry	70,000		70,000	
Metals	5,000		5,000	
Woods and Plastics	923,000		923,000	
Thermal and Moisture Protection	30,000		30,000	
Roof Covering	84,000		84,000	
Doors and Windows	149,000		149,000	
Finishes	430,000		430,000	
Specialties	17,000		17,000	
Equipment	108,000		108,000	

		TOTAL DEVELOPMENT SUMMARY			Expected Payee Taxpayer Identification Number (TIN)[1] (and % of cost if item involves multiple payees)
		Total Cost	Eligible Basis (If Applicable) Acquisition	Eligible Basis (If Applicable) New/Rehab.	
Furnishings		0		0	
Special Construction		0		0	
Conveying Systems (Elevators)		50,000		50,000	
Mechanical (HVAC; Plumbing)		563,000		563,000	
Electrical		300,000		300,000	
Individually itemize costs below:					
Accessory Buildings		0		0	
Carports and/or Garages		50,000		50,000	
Lead-Based Paint Abatement					
Asbestos Abatement					
Other[2] (Specify)					
Subtotal Direct Const. Costs		$3,161,810	$0	$3,161,810	
TOTAL DIRECT CONST. & SITE WORK		***$3,718,900***	***$0***	***$3,718,900***	
OTHER CONSTRUCTION COSTS					
General requirements (<6%)	5.88%	218,730		218,730	
Field supervision (within GR limit)					
Contractor overhead (<2%)	1.94%	72,000		72,000	
G & A Field (within overhead limit)					
Contractor profit (<6%)	5.88%	218,730		218,730	
Contingency (<5%)	5.15%	191,420		191,420	
Subtotal Ancillary Hard Costs		$700,880	$0	$700,880	
TOTAL DIRECT HARD COSTS		***$4,419,780***	***$0***	***$4,419,780***	
INDIRECT CONSTRUCTION COSTS[4]					
Architectural - Design fees		84,000		84,000	
Architectural - Supervision fees		12,000		12,000	
Engineering fees		75,000		75,000	
Real estate attorney/other legal fees		84,500		84,500	
Accounting fees		15,000		15,000	
Impact Fees		10,000		10,000	
Building permits & related costs		15,000		15,000	
Appraisal		7,500		7,500	
Market analysis		5,000		5,000	
Environmental assessment		2,500		2,500	
Soils report		5,000		5,000	
Survey		15,000		15,000	
Marketing		0			
Course of construction insurance		30,000		30,000	
Hazard & liability insurance		20,000		20,000	
Real property taxes		5,000		5,000	
Personal property taxes		0		0	
Tenant relocation expenses		0		0	
Furnishing		50,000		50,000	
Subtotal Indirect Const. Cost		$435,500	$0	$435,500	
DEVELOPER FEES[4]					
Housing consultant fees[5]		0		0	
General & administrative		76,800		76,860	
Profit or fee		691,200		691,200	
Subtotal Developer's Fees	14.90%	$768,000	$0	$768,060	

	TOTAL DEVELOPMENT SUMMARY			Expected Payee Taxpayer Identification Number (TIN)[1] (and % of cost if item involves multiple payees)
	Total Cost	Eligible Basis (If Applicable) Acquisition	Eligible Basis (If Applicable) New/Rehab.	
FINANCING:				
CONSTRUCTION LOAN(S)[4]				
Interest	168,000		165,000	
Loan origination fees	22,000		22,000	
Title & recording fees	30,000		50,000	
Closing costs & legal fees	30,000		30,000	
Inspection fees	8,500		8,500	
Credit Report	0		0	
Discount Points	0			
PERMANENT LOAN(S)				
Loan origination fees	7,500			
Title & recording fees	10,000			
Closing costs & legal	20,000			
Bond premium	0			
Credit report	0			
Discount points	0			
Credit enhancement fees	0			
Prepaid MIP	0			
Permanent loan application & underwriting fee	7,500			
BRIDGE LOAN(S)				
Interest	0			
Loan origination fees	0			
Title & recording fees	0			
Closing costs & legal fees	0			
Other[2] (specify)	0			
OTHER FINANCING COSTS[4]				
Tax credit fees	31,407			
Tax and/or bond counsel				
Payment bonds				
Performance bonds	22,442		22,442	
Credit enhancement fees				
Mortgage insurance premiums				
Cost of underwriting & issuance				
Syndication organizational cost	5,000			
Tax opinion	12,000			
Contractor Guarantee Fee				
Developer Guarantee Fee				
Other[2] (specify)				
Subtotal Financing Cost	$374,349	$0	$297,942	
RESERVES				
Rent-up				
Operating	94,535			
Replacement				
Escrows				
Subtotal Reserves	$94,535	$0	$0	
TOTAL HOUSING DEVELOPMENT COSTS[9]	$6,367,164	$0	$5,921,282	
- Commercial Space Costs[7]				
TOTAL RESIDENTIAL DEVELOPMENT COSTS	$6,367,164			

TOTAL DEVELOPMENT SUMMARY			Expected Payee Taxpayer Identification Number (TIN)[1] (and % of cost if item involves multiple payees)
Total Cost	Eligible Basis (If Applicable)		
	Acquisition	New/Rehab.	

The following calculations are for HTC Applications only.

Deduct From Basis:

Fed. grant proceeds used to finance costs in eligible basis			
Fed. B.M.R. loans used to finance costs in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units (42.(d)(5))			
Historic Credits (residential portion only)			
Total Eligible Basis		$0	$5,921,282
**High Cost Area Adjustment (100% or 130%)			130%
Total Adjusted Basis		$0	$7,697,667
Applicable Fraction[2]			96%
Total Qualified Basis	$7,398,227	$0	$7,398,227
Applicable Percentage[3]			9.00%
Owner's Requested Credits	$665,840	$0	$665,840

Applicant and contractor certify that, to the best of their knowledge, the provided costs and supporting information represent an accurate, uninflated estimate of the costs associated with this development. They also certify that no fees, other than for activities identified in this form, will be paid to the contractor.

Corsicana DMA Housing, L.P.
Development Owner Name

By: _____
Signature

Its: Manager of G.P.

~~9/24/2008~~
Date 1/9/07

Comanche Contractors, L.P.
Contractor Name

By: _____
Signature

Its: President

~~9/24/2008~~
Date 1/9/07

Volume 1, Tab 4. Funding Request

PART A. Summary Sources and Uses of Funds

Describe all sources of funds and total uses of funds. Information must be consistent with the information provided throughout the Application (i.e. Financing Participants and Development Cost Schedule forms). Where funds such as tax credits, loan guarantees, bonds are used, only the proceeds going into the development should be identified so that "sources" match "uses."

Applicants must attach a written narrative to this form that describes the financing plan for the Development. The narrative shall include: (a) any non-traditional financing arrangements; (b) the use of funds with respect to the Development; (c) the funding sources for the Development including construction, permanent and bridge loans, rents, operating subsidies, and replacement reserves; and (d) the commitment status of the funding sources

Development Name: Cambridge Crossing

Source #	Funding Description	Priority of Lien	Construction or Rehab. Loan Stage Amt.	Permanent Loan Stage Amount	Financing Participants
1	Conventional Loan	1	$ 2,800,000	**$ 900,000**	JPMorgan Chase
2	Conventional Loan/FHA				
3	Conventional Loan/Letter of Credit				
4	HOME		$ 420,000	$ 420,000	TDHCA
5	Housing Trust Fund				
6	CDBG				
7	Mortgage Revenue Bonds				
8	HTC Syndication Proceeds		$ 2,360,523	$ 4,721,046	RBC/Apollo Housing Capital
9	Historic Tax Credit Syndication Proceeds				
10	USDA/ TXRD Loan(s)				
11	Other Federal Loan or Grant				
12	Other State Loan or Grant				
13	Local Government Loan or Grant				
14	Private Loan or Grant		$ 120,000	$ -	Southeast Texas HFC
15	Cash Equity				
16	In-Kind Equity/Deferred Developer Fee		$ 666,641	$ 326,118	DMA Development Company, LLC
TOTAL SOURCES OF FUNDS			$ 6,367,164	$ 6,367,164	
TOTAL USES OF FUNDS			$ 6,367,164	$ 6,367,164	

(1) Indicate Exclusive Use Financing Paticipant only where funds from that source are dedicated only for a specific purpose, i.e. CDBG infrustructure funds used only for off-site construction

RBC Capital Markets

RBC Capital Markets
Tax Credit Equity Group
600 Superior Ave., Suite 2300
Cleveland, OH 44114

January 9, 2009

Ms. Diana McIver
Corsicana DMA Housing, L.P.
4101 Parkstone Heights Drive
Suite 310
Austin, TX 78746

Re: Cambridge Crossing Apartments
Corsicana, TX

Dear Ms. McIver:

Thank you for providing us the opportunity to submit a proposal on the Cambridge Crossing Apartments Project in Corsicana, Texas. This letter serves as our mutual understanding of the business terms regarding the acquisition of limited partnership interests in Corsicana DMA Housing, L.P. a Texas limited partnership (the "Partnership"). RBC Tax Credit Equity, LLC, its successors and assigns ("RBC") will acquire a 99.99% interest, and RBC Tax Credit Manager II, Inc. ("RBC Manager") will acquire a .001% interest (collectively, the "Interest") in the Partnership.

1. **Project and Parties Involved.**

   a. The "Project", known as Cambridge Crossing Apartments, will consist of 60 newly constructed apartment units for rent to seniors located in the City of Corsicana, Texas (sometimes, the "Property"). Within the Project, 58 units will be occupied in compliance with the low-income housing tax credit ("LIHTC") requirements of Section 42 of the Internal Revenue Code and two units will be market rate.

   b. The parties involved with the Project are as follows:

      i. **General Partner**. The General Partner is DMA Cambridge Crossing, L.L.C. a single purpose taxable entity which is owned 100% by Diana McIver.

      ii. **Developer**. The Developer is DMA Development Company, LLC.

      iii. **Guarantors**. Subject to RBC's review and approval of financial statements, the Guarantors are the General Partner, the Developer, Diana McIver, and other entities deemed necessary by RBC on a joint and several basis.

2. **Purchase Price**. RBC will acquire its LP Interest in the Partnership for a total capital contribution of $4,721,046. The timing of the capital contributions and any adjusters will be determined during the underwriting process. This capital contribution is based on the Project receiving the tax credits described in Paragraph 3 and represents a price per tax credit dollar of $.72. This pricing assumes the developer utilizes cash basis accounting for tax purposes and further assumes depreciable basis being taken over 27.5 years, 100% of depreciation on site improvements being taken over 15 years, and 100% of depreciation on personal property being taken over 5 years.

3. **LIHTC**. The Project received a reservation of 2008 LIHTC in the total amount of $655,832 annually from the Texas Department of Housing and Community Affairs. The total LIHTC anticipated to be delivered to the Partnership is $6,558,320 (the "Projected LIHTC"). The Projected LIHTC will be available to the Partnership

beginning in 2010. A final LIHTC delivery schedule will be determined during the underwriting process. Any decision to delay the commencement date of the LIHTC period beyond 2010 is subject to RBC's consent.

4. **Debt Sources**. As a condition to funding our capital contribution, the General Partner will deliver the loan commitments described in subparagraphs (a)-(c). The terms of these loans are subject to our consent.

a. First Mortgage. A non-recourse permanent loan commitment from JP Morgan Chase in the amount of $900,000 with terms and conditions no less favorable than a 18-year term, a 360-month amortization, a fixed interest rate of 8.5%, and an initial sizing of the loan at no less than a 1.15 Debt Service Coverage Ratio based on rents, other income, vacancy and operating expenses approved by RBC. Closing of the loan will occur upon 90 days of 90% qualified occupancy.

b. Construction Loan. A recourse construction loan commitment from JP Morgan Chase in the amount of $2,800,000 with a term of no less than 30 months. It is anticipated that this loan will be repaid from RBC's capital contributions and the financing described above.

c. HOME Loan. A construction/permanent HOME loan commitment from TDHCA in the amount of $420,000 with terms and conditions no less favorable than a 40- year term and a fixed interest rate at 0% with annual payments equal to $10,500.

5. **General Partner Obligations and Guarantees**. In addition items described in the Partnership Agreement, the General Partner will be responsible for the following items. Any amounts advanced by the General Partner will not be considered as loans or Capital Contributions reimbursable or repayable by the Partnership unless otherwise stated herein.

a. Construction Completion. The General Partner will guarantee construction completion in accordance with approved plans and specifications and will pay for any construction costs, costs to achieve permanent loan closing, and costs necessary to fund reserves required to be funded at or before permanent loan closing.

b. Operating Deficits.

i. The General Partner will guarantee operating deficits to the Partnership until the date (the "Breakeven Date") which is the first day of the month following a 3-month period (such 3-month period to commence after the permanent loan closing) in which all operating revenues from the normal operation of the Project for each month during the 3-month period equal or exceed the aggregate of operating expenses, reserve requirements and debt service, to the extent then due and payable (together with a ratable portion of annual expenses not yet due and payable); and

ii. Commencing with the Breakeven Date and continuing until the date that is the latter of (A) the fifth anniversary of the Breakeven Date, or (B) the last day of the 12-month period in which the Project has maintained an average 1.15 debt service coverage and each of the last three months of such 12-month period has had a 1.15 debt service coverage (provided the first month for measuring such 12-month period can not be prior to the 4th anniversary of the Breakeven Date), the General Partner will guarantee funding for operating deficits of up to $350,000.

c. LIHTC Shortfall or Recapture Event. If the actual amount of LIHTC for any year is less than Projected LIHTC, the General Partner will guarantee payment to the Limited Partner of an amount equal to the shortfall or recapture amount, plus related costs and expenses incurred by the Limited Partner.

d. Repurchase. The General Partner will repurchase RBC's interest upon the occurrence of certain events described in the Partnership Agreement.

e. Environmental Indemnity. The General Partner will indemnify RBC against any losses due to environmental condition at the Project.

f. Guarantors. The Guarantors will guarantee all of the General Partner's obligations. The Guarantors will maintain a net worth in an amount acceptable to RBC and will be liquid (cash and cash equivalents) in an amount acceptable to RBC. The Guarantors will provide RBC with annual financial statements evidencing compliance with the net worth and liquidity requirements.

6. **Reserves**

a. Operating Reserves. An operating reserve in an amount not less than $94,535 or a greater amount as determined through the underwriting process, will be established and maintained by the General Partner no later than perm loan conversion. Withdrawals from the operating reserve will be subject to RBC's consent.

b. Replacement Reserves. The Partnership will maintain a replacement reserve, and make contributions on an annual basis equal to the greater of (i) $250 per unit and (ii) the amount required by the permanent lender. The amount of the contribution will increase annually by 3%.

7. **Fees and Compensation**. The following fees will be paid by the Partnership for services rendered in organizing, developing and managing the Partnership and the Project.

a. Developer Fee. The Developer will earn a developer fee of $768,000 payable in a manner to be determined. If the proceeds from the Project budget are not sufficient to pay the developer fee, the fee will be deferred with interest at 8% per annum and payable from net cash flow. In no event shall deferred developer fee be greater than 50% of the total developer fee. Payment of the deferred fee will be subordinate to all other Partnership debt as well as operating expense and reserve requirements. The General Partner and the Guarantors will guarantee payment of any developer fee remaining unpaid after 15 years from the date of the Partnership Agreement.

b. Incentive Management Fee. An incentive management fee will be payable to the General Partner on an annual basis in an amount equal to 80% of net cash flow after payment of the items described in Paragraph 9(b)(i)-(iv).

c. Property Management Fee. The property management fee will not exceed 5.0% of gross rental revenues. The terms of the property management agreement are subject to the prior approval of RBC.

d. Asset Management Fee. The Partnership will pay the Special Limited Partner an annual asset management fee in an amount of $5,000. The asset management fee will increase by 3% on an annual basis and will be paid quarterly, in advance, commencing the first calendar quarter during the year in which the Project is placed in service.

8. **Tax Benefits and Distributions**.

a. Tax Benefits. Tax profits, tax losses, and tax credits will be allocated 99.99% to the Limited Partner, .001% to the Special Limited Partner and .009% to the General Partner.

b. Net Cash Flow Distributions. Distributions of net cash flow, as defined in the Partnership Agreement, but generally all cash receipts less cash expenditures (e.g., payment of debt service, property management fee and asset management fee), will be made as follows:

i. to RBC, in satisfaction of any unpaid amounts due under Paragraph 5 above and any unpaid asset management fees;

ii. to the replenishment of any expenditures from the operating reserves;

iii. to the payment of any unpaid developer fee;

iv. to the payment of any debts owed to the General Partner, RBC and RBC Manager and/or their affiliates;

v. 90% of the remaining cash flow to the General Partner as an incentive management fee; and

vi. the balance to the General Partner, RBC and RBC Manager in accordance with their percentage interests described in Paragraph 8(a).

c. Distributions upon Sale, Liquidation or Refinance. Net proceeds resulting from any sale, liquidation or refinance will be distributed as follows:

i. to payment in full of any Partnership debts except those due to RBC, RBC Manager or the General Partner and/or their affiliates;

ii. to the setting up of any required reserves for contingent liabilities or obligations of the Partnership;

iii. to RBC, in satisfaction of any unpaid amounts due under Paragraph 6 above and any unpaid asset management fees;

iv. to RBC for any excess or additional capital contributions made by it;

v. to the payment of any debts owed to the General Partner or its affiliates including any unpaid developer fee;

vi. to RBC Manager, 1% of such proceeds as a capital transaction administrative fee;

vii. to RBC in an amount equal to any projected federal income tax incurred as a result of the transaction giving rise to such proceeds; and

viii. the balance, 90% to the General Partner, 9.99% to RBC and 0.01% to RBC Manager.

9. **Construction**. The General Partner will arrange for a fixed or guaranteed maximum price construction contract in the anticipated amount of $4,419,780. The Contractor's obligations will be secured by a letter of credit in an amount not less than 15% of the amount of the construction contract or a payment and performance bond in an amount not less than the amount of the construction contract. The Project budget will provide for a hard cost contingency of no less than 5.0%. RBC, may, in its sole discretion, engage a construction consultant to review the plans and specifications and evaluate the construction progress by providing monthly reports to the Partnership. The cost of the construction consultant will be paid by the Partnership.

10. **Due Diligence, Opinions and Projections.**

a. The General Partner will provide RBC with all due diligence items set forth on its Due Diligence Checklist, including but not limited to, financial statements for the Guarantors, plans and specifications, a current appraisal (ordered by the construction lender), a current market study (less than six months old), a Phase I environmental report (RBC will bear the cost of any required 3rd Party reviews but RBC expects that the provided environmental report will be current (less than six months old) and in accordance with ASTM 1527-05 standards) with reliance to RBC, either an upfront cost review or a physical needs assessment by an independent vendor addressing all units, the results of any previously issued HUD REAC and title and survey.

b. The General Partner's counsel will deliver to RBC a local law opinion satisfactory to RBC. RBC's counsel will prepare the tax opinion and the General Partner agrees to cooperate to provide all necessary documentation requested by RBC's counsel. Both the General Partner and its counsel will review the tax opinion prior to its issuance.

c. The Partnership will reimburse the Special Limited Partner an amount equal to $50,000 toward the costs incurred by the Special Limited Partner in conducting its due diligence review and for the costs and expenses of RBC's counsel in connection with the preparation of the tax opinion.

d. The projections to be attached to the Partnership Agreement and that support the Tax Opinion will be prepared by RBC based on projections provided by the General Partner. The projections will include development sources and uses, calculation of eligible basis, operating and construction period cash flow analysis, 15-year operating projection, 30-year debt analysis and 15-year capital account analysis.

11. **Partnership Closing**. Final Partnership closing will be contingent upon RBC's receipt, review and approval of all due diligence including the items set forth on its due diligence checklist previously delivered to the General Partner as well as the following:

a. Preparation and execution of RBC's standard Partnership Agreement and other fee agreements containing customary representations and warranties, covenants, consent rights, and indemnities, each on terms and conditions satisfactory to RBC.

b. RBC's satisfactory review of background and related financial reports on such members of the development team as determined by RBC. The General Partner agrees to reasonably cooperate with RBC (including signing such consents as may be necessary) in obtaining such reports.

c. RBC's agreement to acquire the LP Interest is based on certain assumptions formulated using the information contained in this letter, which you have provided to us. We may update and adjust the terms of this letter to reflect changes in these assumptions and other information which becomes available to us during our due diligence review, and for changes in law which occur prior to entering into the Partnership Agreement.

d. RBC's agreement to acquire the LP Interest on the pricing, terms and conditions contained in this letter are further based on the assumption that the Partnership closing will occur on or before June 1, 2009.

12. **Exclusive Period and Confidentiality.**

a. Once executed by both parties, this letter shall be a binding agreement and will remain in effect until June 1, 2009 (the "Expiration Date"). In recognition of the time which will be expended and the expenses which will be incurred by the Limited Partner in connection with the transaction contemplated hereby, the General Partner agrees that, until the Expiration Date, neither it nor any of its officers, employees, agents, or affiliates will solicit, entertain or negotiate with respect to any inquiries or proposals relating to the acquisition of interest in the Partnership or the equity syndication of the Partnership or the Project without the prior written approval of the Limited Partner. In the event the General Partner enters into an arrangement with a party other than RBC prior to or within a period ending 45 days after the Expiration Date, RBC will be entitled to pursue all remedies available to it. If, prior to the Expiration Date, RBC elects not to complete the investment contemplated by the terms of this letter, the General Partner and RBC will be mutually released from the terms and conditions contained in this letter and thereafter will have no continuing obligation to each other.

b. The General Partner agrees to keep the terms and conditions contained in this letter confidential and not to disclose the terms to any third party (other than attorneys and accountants of the Partnership) without the express prior written approval of RBC.

c. Confidentiality. Notwithstanding the foregoing confidentiality provisions, the parties confirm that there are no limitations on the disclosure of the tax treatment or tax structure of the Project.

13. **Execution of LOI**. Unless executed by the General Partner prior to February 27, 2009 ("LOI Execution Date"), this Letter of Intent will expire and all parties shall be released from any liability or obligation. Each party shall be responsible for their own costs and expenses incurred to that date. RBC and the General Partner may extend the Expiration Date for a time period mutually agreed upon by both parties.

(Remainder of page intentionally left blank)

If the foregoing is in accordance with your understanding of the terms and conditions, please indicate your acceptance on the enclosed copy and return it to the undersigned so RBC may commence and can complete its due diligence review and take the steps towards Partnership closing as described in Paragraph 12. This letter of intent will not be binding on RBC until countersigned by an authorized signatory on behalf of RBC following your execution of this letter.

Very truly yours,

By: _____
Mark B. Adams
Investment Manager

The undersigned approves and accepts the terms of this binding letter agreement and agrees to work with RBC towards a definitive partnership agreement.

General Partner

By: _____

Its: _____

Date: _____

Guarantor

By: _____

Its: _____

Date: _____

Guarantor

By: _____

Its: _____

Date: _____

Guarantor

By: _____

Its: _____

Date: _____

RBC acknowledges and accepts the above signature of the General Partner within the terms of this commitment letter. This binding letter of agreement was accepted by RBC on the _____ day of ____, 2008, and the Expiration Date described in Paragraph 13(a) is June 1, 2009.

By: _____

Title: _____

Date: _____

CHASE

JPMorganChase
221 W. Sixth Street
Austin, TX 78701
Tel 512-479-2218
Fax 512-479-2205
David.H.Saling@chase.com

David H. Saling
Vice President
Community Development
Real Estate Lending Group

January 9, 2009

Ms. Diana McIver
Ms. Janine Sisak
Corsicana DMA Housing, L.P.
4101 Parkstone Heights Drive, Suite 310
Austin, TX 78746

Re: Cambridge Crossing Senior Apartments

Dear Ms. McIver:

JPMorganChase Bank ("Bank") is pleased to present the following Term Sheet for your review and discussion with regard to your request for construction financing. Please be advised that the terms and conditions outlined herein are for discussion purposes only and as such, subject to approval and modification by the Bank.

Lender JPMorganChase Bank

Borrower: Corsicana DMA Housing L.P., a to-be-formed Texas Limited Partnership

Purpose: It is the stated intention of the Borrower to utilize the proposed facility from the Bank to provide construction financing for a residential project targeting low income residents, located in Corsicana, TX, utilizing Section 42 Low Income Housing Tax Credits ("LIHTC's").

Project Description: The development will offer 60 units with the following unit breakdown:

HTC Unit Designation	HOME Unit Designation	HTF Unit Designation	MRB Unit Designation	Other	# of Units (A)	# of Bed-rooms	# of Baths	Unit Size (Net Rentable Sq. Ft.) (B)	Total Net Rentable Sq. Ft. (A) x (B)	Program Rent Limit	Tenant Paid Utility Allow.	Rent Collected /Unit (E)	Total Monthly Rent (A) x (E)
TC30%	LH				3	1	1.00	748	2,244	254	41	213	639
TC50%					13	1	1.00	748	9,724	423	41	382	4,966
TC50%					4	1	1.00	788	3,152	423	41	382	1,528
TC60%					26	1	1.00	788	20,488	508	41	467	12,142
TC50%	LH				2	2	1.00	908	1,816	508	46	462	924
TC50%					2	2	1.00	908	1,816	508	46	462	924
TC60%					8	2	2.00	947	7,576	610	46	564	4,512
MR					2	2	2.00	947	1,894	675	0	675	1,350

Facility: $ 2,800,000 construction loan ("The Loan").

Rate: One month LIBO rate + a spread, currently 6.0% (subject to bank fees)

Term: 24 months (2 years) from closing + 6 month extension

Origination Fee: 1% of commitment, payable at closing.

Repayment: Interest only during construction; principal and interest due at maturity or conversion to permanent loan.

Completion Date: Completion date will be 12 months from date of closing, subject to force majeure, not to exceed 60 days.

Guarantors: Construction Loan: Diana McIver, DMA Development, the General Partner and or other acceptable guarantors as required by the Bank.

Collateral:

1) First lien deed of trust on the subject site and all improvements to be constructed thereon.
2) Absolute assignment of rents.
3) Assignment of contracts.
4) Assignment of all construction and operating accounts.
5) Assignment of limited partner capital contributions.
6) Assignment of tax credits.

Equity: The Borrower will contribute capital in the amount of at least $2,360,523 during the construction period.

LTV: Not to exceed 75%

Appraisal: Pursuant to FIRREA legislation, a fair value appraisal will be performed by a Bank approved appraiser at the expense of the Borrower. Receipt of the appraisal will be a requirement of closing.

Environmental: A Phase I environmental report of the Property will be required and performed by an environmental consultant approved by the Bank at the Borrower's expense. The results of the reports must be satisfactory to the Bank in all respects. The Report shall be addressed to include the Bank or the Bank will be provided with a Read and Rely letter from the Environmental engineer.

Title Insurance: The Borrower will purchase and provide a mortgagee's title policy in the amount of the loan by a title underwriter acceptable to the Bank subject only to coverage exceptions and encumbrances approved by the Bank in its sole discretion.

Contractor/ Manager: The General Contractor will provide a performance and payment bond with terms and conditions acceptable to Chase. Retainage will be held on labor and materials, at the rate of 10%, until 100% completion is achieved.

Insurance: Standard builders risk, hazard and general liability.

Construction Consultant: *Chase* will engage an independent consultant who will review the budget and construction draws on a monthly basis. The closing of the contemplated facilities would be predicated upon an acceptable review of the budget and the final conclusions that the budget is sufficient to complete the improvements. The Limited Partner will sign off the plans and specs up front and confirm all the construction draws so that all parties are in agreement to the definition of "Substantial Completion".

Conditions to Construction Closing: The Loan is subject to Bank's receipt and satisfactory acceptance of the following:

- Approval of this loan will be conditioned upon the receipt of an appraisal, acceptable to the Bank, indicating a loan to value ratio of 75% or less based on the stabilized value and the value of the tax credit equity as determined by the appraisal.

- Approval of this loan is conditioned upon the receipt of all documentation evidencing the Tax Credit Reservation Amount in an total amount sufficient, which when combined with the Loan amount, will allow enough funds for the project to be constructed in a satisfactory manner.

- Approval of this loan is conditioned upon the sale of the 99% limited partnership interest to the Limited Partner and funding of the equity proceeds by the LP. In addition, the Bank must also approve the partnership agreement between the parties.

- Beginning in 2011, the Borrower will provide audited financial statements annually by March 1 of each calendar year, through conversion.

- Receipt of all organizing documentation prepared in connection with the formation and implementation of Corsicana DMA Housing, LP, and its General Corporation as its proposed corporate nominee and the proposed limited partnership.

- Receipt of a final approved construction budget, acceptable to the Bank and its construction consultant, providing such detail as required by the Bank to ensure adequate monitoring during construction and confirmation that the budget is adequate to complete the work outlined in the plans and specs.

- Receipt and review of the financial condition of the Guarantor(s) and General Contractor.

- Receipt and review of project pro formas and verification of market conditions for its use.

- Acceptable permanent loan commitment at time of construction loan closing.

Documentation: The Bank will require among other terms and conditions various conditions precedent; reporting requirements; covenants; events of default; representations and warranties; indemnification's and other requirements which are, nevertheless, conditions to closing and funding. All documentation must be satisfactory to the Bank in its sole discretion.

Expenses: Borrower shall be liable for and shall promptly pay all fees, expenses and charges incurred in connection with the negotiation and preparation of the documents governing or securing the loan, and other expenses incurred in connection with the subject facility, including appraisal and environmental fees, whether or not the loan closes, and in addition to the commitment fees and principal and interest on the loans.

Project Economics: Based upon current projections, general growth of income and expenses of 2 and 3% respectively, the net operating income for the first year of the stabilized operations are as follows:

Effective Gross Income (incl. 5% vacancy)	$306,194
Total Operating Expenses	$197,973
Net Operating Income	$108,221
Annual Debt Service	$83,040
Debt Service on HOME loan	$10,500
Debt Coverage Ratio	1.16

The Project will be feasible for the next 30 years.

THIS DISCUSSION TERM SHEET IS INTENDED FOR DISCUSSION PURPOSES ONLY AND DOES NOT REPRESENT A COMMITMENT TO LEND BY JPMORGAN CHASE. ANY COMMITMENT TO LEND BY THE BANK WILL BE SUBJECT TO ITS REQUISITE CREDIT APPROVALS AND STATISFACTORY DOCUMENTATION OF THE PROPOSED FACILITY. THIS LETTER IS CONFIDENTIAL AND IS INTENDED SOLELY FOR THE USE OF THE PERSON ADDRESSED AND NO OTHER PERSON OR PARTIES HAS ANY RIGHTS WHATSOEVER WITH RESPECT TO THIS LETTER.

We appreciate the opportunity to provide construction financing for the proposed project. The terms of this proposal shall expire March 15, 2009. As stipulated above, this letter serves as an outline of the principal terms of the proposed facility, subject to due diligence satisfaction and Lender approval. Please note, JPMorganChase cannot extend any lending commitment until formal approval has been obtained and a commitment letter has been issued. If you would like us to proceed with approval on these terms, please indicate by signing below and returning the original executed copy to us immediately.

JPMORGAN CHASE BANK, N.A.

By: _____
David H. Saling
Vice President

AGREED TO AND ACCEPTED ON Jan 12, 2009

Corsicana DMA Housing, L.P.

By: _____

Name: Diana McIver

Its: for G.P.

CHASE

JPMorganChase
221 W. Sixth Street
Austin, TX 78701
Tel 512-479-2218
Fax 512-479-2205
David.H.Saling@chase.com

David H. Saling
Vice President
Community
Development Real
Estate Lending Group

January 9, 2009

Ms. Janine Sisak
DMA Development
4101 Parkstone Heights Drive, Suite 310
Austin, TX 78746

Re: Cambridge Crossing Apartments

Dear Ms. Sisak:

JPMorgan Chase Bank ("Chase") is pleased to present the following Term Sheet for your review and discussion with regard to your request for permanent financing. Chase is a delegated underwriter for The Community Development Trust ("CDT") which is a real estate investment trust specializing in affordable housing and community development. Chase's analyses of the operating figures for the proposed project indicate that the project should maintain a DCR of at least 1.15x and should be financially feasible for a period of 30 years. Please be advised that the terms and conditions outlined herein are for discussion purposes only and, as such, subject to approval and modification by Chase and CDT.

Lender:	Chase as seller to CDT.
Borrower:	Corsicana DMA Housing, L.P. a to-be-formed Texas limited partnership.
Purpose:	To provide permanent financing for a residential project located in Corsicana, TX utilizing Section 42 Low Income Housing Tax Credit ("LIHTC's").
Loan Type/ Structure:	Permanent loan
Loan Amount:	$900,000
Collateral:	1. First Lien Deed of Trust on subject site all improvements constructed. 2. Direct Assignment of rental contracts, rents and leases and other revenues generated by the property. 3. Assignment of operating accounts and reserve accounts. 4. Any additional collateral requirements by CDT.
Recourse:	None to borrower, except standard carve outs.
Pricing:	Fixed at a spread over the 10 year U.S. Treasury at time of closing (based upon 24-month rate lock).
Fees:	Application Fee to CDT: $2,500 due at commitment acceptance. Underwriting Fee to Chase: $5,000

Rate Lock: Up to 24 months and 2 bps added to loan rate for each month the rate is locked prior to CDT purchase. Forward rate lock must be secured by a combination of a secured subordinate note and 2% cash or letter of credit (LOC). The subordinate note is equal to the greater of 1% of the permanent loan amount or Yield Maintenance Amount. All security will be released at permanent loan closing, when loan is delivered to CDT.

L/C Fee: 1% origination; 1% per annum

Loan Term: Up to 18-year term with 30-year amortization. Monthly payments of principal and interest are due on the first of each month.

Loan to Value: Up to 90%

DCR: 1.15 on all serviceable debt based upon the stabilized operating pro forma.

Other Conditions:

1. The following Reserve Accounts will be established at closing of the Permanent Loan.
    A. Minimum Replacement Reserve of $250/Unit.
    B. Operating Reserve of 3% EGI
2. Closing subject to:
    A. Construction completion and receipt of all permits;
    B. At least three months operating history with minimum DCR of 1.15x and minimum occupancy of 90%;
    C. Receipt of all Tax Credit Certifications;
    D. Receipt of all equity contributions from Syndicator.
    E. Any other due diligence as required by CDT.
3. The Borrower will provide a mortgagee's Title Insurance Policy in the full amount of the loan issued by a Title Underwriter acceptable to Chase subject only to coverage exceptions and encumbrances approved by Chase.
4. All third-party due diligence for construction loan will be used for permanent loan underwriting and shared between Chase and CDT.
5. All fees and/or costs incurred as a result of this transaction will be the responsibility of the borrower regardless of whether the transaction is closed or consummated.

Project Description: The project will offer 60, 1and 2-bedroom units ranging in size from 748 to 947 sf. At least 95% of the units will be reserved for tenants earning less than 60% of AMI.

Cash Flow: The terms indicated in this letter are based upon projected total operating expenses of $197,973 during the first year of stabilized operations. Furthermore, it is anticipated that the projected first year NOI of $108,221 should be able to service the annual debt repayments of $83,040 at a DSCR ratio of at least 1.15x during the first and subsequent years. It is anticipated that the general growth of income and expenses will increase 2 and 3 % respectively per year The Lender's assessment finds that the project will be feasible for 30 years.

Documentation: The Bank will require among other terms and conditions various conditions precedent; reporting requirements; covenants; events of default; representations and warranties; indemnification's and other requirements which are, nevertheless, conditions to closing and funding. All documentation must be satisfactory to the Bank in its sole discretion and that of its counsel.

Expenses: Borrower shall be liable for and shall promptly pay all fees, expenses and charges incurred in connection with the negotiation and preparation of the documents governing or securing the loan, and other expenses incurred in connection with the subject facility, including the commitment fees and principal and interest on the loans.

THIS TERM SHEET IS INTENDED FOR DISCUSSION PURPOSES ONLY AND DOES NOT REPRESENT A COMMITMENT TO LEND BY JPMORGAN CHASE. ANY COMMITMENT TO LEND BY THE BANK WILL BE SUBJECT TO ITS REQUISITE CREDIT APPROVALS AND STATISFACTORY DOCUMENTATION OF THE PROPOSED FACILITY. THIS LETTER IS CONFIDENTIAL AND IS INTENDED SOLELY FOR THE USE OF THE PERSON ADDRESSED AND NO OTHER PERSON OR PARTIES HAS ANY RIGHTS WHATSOEVER WITH RESPECT TO THIS LETTER.

We appreciate the opportunity to provide permanent financing for the proposed project. The terms of this proposal shall expire March 15, 2009. As stipulated above, this letter serves as an outline of the principal terms of the proposed facility, subject to due diligence satisfaction and Lender approval. Please note, JPMorgan Chase cannot extend any lending commitment until formal approval has been obtained and a commitment letter has been issued. If you would like us to proceed with approval on these terms, please indicate by signing below and returning the original executed copy to us immediately.

JPMORGAN CHASE BANK

By: _____
David H. Saling
Vice President

AGREED TO AND ACCEPTED ON Jan 12, 2009

Corsicana DMA Housing, L.P.

By: _____

Name: Diana McIver

Its: for G.P.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report ADDENDUM

REPORT DATE: 01/21/09 PROGRAM: 9% HTC/HOME FILE NUMBER: **08264**

DEVELOPMENT

Cambridge Crossing

Location: Bragg Ave and Cambridge St Region: 3

City: Corsicana County: Navarro Zip: 75110 [ ] QCT [x] DDA

Key Attributes: Multifamily, Elderly, Rural, New Construction

ALLOCATION

	PREVIOUS REQUEST			**PREVIOUS RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$420,000	AFR	40/40	**$420,000**	**AFR***	**30/18***
Housing Tax Credit (Annual)	$655,832			**$655,832**		

* AFR underwritten at 4.37%; Parity of term with the first lien.

	CURRENT REQUEST			**CURRENT RECOMMENDATION***		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$420,000	0.00%	40/40	**See Options Below**		
Housing Tax Credit (Annual)	$655,832			**$655,832**		

* The recommended tax credit allocation incorporates the November 13, 2008 TDHCA Board approval to use the 9% credit rate and a 10% increase in direct and sitework construction costs for all competitive 2007 and 2008 transactions as well as all applications on the 2008 waiting list to be considered for a forward commitment.

- Option 1: Increase the amount of the awarded HOME funds by the amount of increase in the conventional first lien mortgage. An amended HOME loan of $520K, structured as a fully amortizing and repayable second lien mortgage with an interest rate of 1%, amortization of 30 years and term of 18 years.
- Option 2: Replace the amount of the entire existing conventional first lien debt with HOME funds. An amended HOME loan of $1,320,000, structured as a fully amortizing and repayable first lien mortgage with an interest rate of 4.5%, amortization of 30 years and term of 18 years.
- Option 3: Restructure the existing HOME loan as requested by the Applicant. A HOME loan of $420K structured as a fully amortizing and repayable second lien mortgage with an interest rate reduced to 0% and amortization increased to 40 years.

CONDITIONS

1 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	21
60% of AMI	60% of AMI	34

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30%/Low HOME	3
50% of AMI	50%/Low HOME	9

PROS

- The development team has extensive experience with development of rural multifamily properties funded with Housing Tax Credits

CONS

- The Applicant's expense to income ratio is quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses.
- The Underwriter's inclusive capture rate exceeds 50%, which implies that the subject must capture a majority of the demand in this market.
- There is a concern that this market may not be able to support any potential additional units in the same area. Specifically, while this development was originally determined to have had priority over two other competing developments in the same market during the competitive cycle, the Board approved an allocation of tax credits to all developments on the 2008 Waiting List, subject to underwriting. West Park Senior Housing (08255) and West Way Apartments (08256) are both located in Corsicana and are included on the 2008 Waiting List. Both developments are currently be underwritten.

ADDENDUM

The subject development was originally underwritten during the 2008 9% HTC cycle and approved for an annual tax credit allocation of $578,144 and a HOME award of $420,000 structured as a loan at AFR with a term of 18 years and amortization of 30 years, subject to conditions. Subsequent to this award the TDHCA Board, at its November 2008 meeting, approved an additional allocation of tax credits to all 2007 and 2008 competitive HTC applications based upon an additional 10% increase in the direct and site work construction costs. As a result, the subject development received an additional $77,688 in annual tax credits for a total annual allocation of $655,832.

In a letter to the Department dated January 9, 2009 the Applicant is requesting to change the terms of the awarded HOME loan to a 0% interest rate with a 40 year amortization. The original HOME award was structured at AFR with a 30 year amortization. According to the Applicant a decrease in equity pricing and increases in construction costs and interest rates have caused the development to be become infeasible with the currently structured HOME loan. The Applicant cites that even with the additional 10% increase in tax credits that was approved by the Board in November 2008, the development struggles to maintain financial feasibility. Additionally, the Applicant indicates that as currently structured the amount of deferred developer fee would amount to 62% of the total fee available, which will make it difficult to secure an investor in a rural market. The Applicant's current proposed investor requires no more than 50% of the developer fee to be deferred.

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The Applicant provided a revised rent schedule, operating expense estimate, 30-year proforma and a revised development cost schedule. The Applicant also provided updated financing commitments for the currently proposed structure. The Underwriter has evaluated the effect of the requested changes on the feasibility of the development. Only those portions of the report that are materially affected by the proposed changes are discussed below. This report should be read in conjunction with the original underwriting report with a full evaluation of the originally proposed development plan and structure.

OPERATING PROFORMA ANALYSIS

The Applicant's estimates of income and expenses have not changed from those presented at application; therefore the Underwriter's estimates also have not changed. The Applicant's projected income, expenses and NOI all remain within 5% of the Underwriter's estimates. Therefore, the Applicant's NOI will continue to be used to evaluate debt service capacity.

As a result of changes to the terms and amortization of permanent financing discussed below the HOME loan as originally structured (interest at AFR, 30-year amortization) results in a DCR that falls below the Department's current minimum guideline of 1.15, and reflects insufficient cash flow to repay the deferred developer fee. Therefore, this analysis has confirmed that based on the new assumptions provided by the Applicant, the development no longer remains feasible with the HOME fund structured as originally proposed and approved. The Applicant's current proposal to restructure the HOME loan to a 0% interest rate and to increase the amortization period from 30 years to 40 years provides for a 1.16 DCR, which falls within the Department's guidelines and remains feasible for the long term.

Both the Underwriter's and the Applicant's expense to income ratios are high at above 60%, which reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses. Despite the fact that the Applicant's expense to income ratio (64.66%) is marginally below the Department's 65% guideline, it is acceptable and no other mitigation is required.

CONSTRUCTION COST ESTIMATE EVALUATION

The Applicant's revised development cost schedule reflects an overall increase in construction costs of $452K or approximately 7.6%. It appears that almost every line item experienced some increase, but almost half of the cost increase appear in off-site costs ($100K increase) and site work costs ($99K increase). The Underwriter's construction cost estimate was updated in order to use the most current Marshall & Swift data available. This update has increased the Underwriter's total development cost estimate by approximately 10% since the original underwriting analysis. As a result, the Applicant's current construction cost estimate is within 5% of the Underwriter's estimate and will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $5,895,747 supports annual tax credits of $662,981. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

Source:	Southeast Texas Housing Finance Corp			Type:	**Interim Financing**			
Principal:	$120,000	Interest Rate:	Prime+1%		Fixed	Term:	12	months
Source:	JPMorgan Chase			Type:	**Interim to Permanent Financing**			
Interim:	$2,800,000	Interest Rate:	6.0%		Fixed	Term:	24	months
Permanent:	$900,000	Interest Rate:	8.5%	x	Fixed	Amort:	360	months

Comments:

While the proposed permanent lender has remained the same since the original HTC application was submitted, the amount and terms of the permanent financing have changed. The permanent loan has increased from $800K to the currently proposed $900K. Additionally, the interest rate has increased from 7% to 8.5%.

Source: RBC Capital Markets Type: **Syndication**

Proceeds: $4,721,046 Syndication Rate: 72% Anticipated HTC: $ 655,832

Comments:

The syndication rate has dropped from 78% as reflected in the original HTC application to the currently quoted 72% as reflected in the commitment letter from RBC Capital Markets. Any decrease in rate could increase the amount of deferred developer fee and render the development financially infeasible. Alternatively, should the final credit price increase to more than $0.77, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: $326,118 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant's revised total development cost estimate less the increased conventional mortgage of $900,000 and previously awarded HOME funds of $420,000 indicates the need for $5,067,164 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $701,135 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, the previously approved amount ($655,832), the gap-driven amount ($701,135), and eligible basis-derived amount ($662,981), the previously approved amount of $655,832 is recommended resulting in proceeds of $4,721,046 based on a syndication rate of 72%.

The Underwriter's analysis has confirmed that based on the current assumptions provided in the Applicant's amendment request the development no longer remains feasible with the currently structured HOME loan. However, there are several options the Board could consider that would both strengthen the feasibility of the development and provide greater assurance of the return of funds to the Department. These options are described below:

- Option 1: Increase the amount of the awarded HOME funds by the amount of increase in the conventional first lien mortgage. The Department's HOME loan could be increased to $520K and structured as a fully amortizing and repayable second lien mortgage with an interest rate of 1%, amortization of 30 years and term of 18 years. The DCR remains above a 1.15 for the long term and the remaining gap of funds is available from deferred developer fees (42% of total available) and repayable within 15 years.

- Option 2: Replace the amount of the entire existing conventional first lien debt with HOME funds. The Department's HOME loan could be increased to $1,320,000 and structured as a fully amortizing and repayable first lien mortgage with an interest rate of 4.5%, amortization of 30 years and term of 18 years. The DCR remains above a 1.15 for the long term and the remaining gap of funds is available from deferred developer fees (42% of total available) and repayable within 10-15 years of operation.

- Option 3: Restructure the existing HOME loan as requested by the Applicant. The HOME loan amount would remain at $420K but the interest rate would decrease from AFR to 0% and amortization would increase from 30 years to 40 years. The DCR remains above a 1.15 for the long term and the remaining gap of funds is available from deferred developer fees (42% of total available) and repayable within 10-15 years of operation.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

Acting Director of Real Estate Analysis: *Raquel Morales* Date: January 21, 2009

MULTIFAMILY COMPARATIVE ANALYSIS ADDENDUM- OPTION 1

Cambridge Crossing, Corsicana, 9% HTC/HOME #08264

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected		Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/LH	3	1	1	748	$254	$210		$630	$0.28	$44.00	$17.00
TC 50%/LH	5	1	1	748	$423	$379		$1,895	$0.51	$44.00	$17.00
TC 50%	8	1	1	748	$423	$379		$3,032	$0.51	$44.00	$17.00
TC 50%	4	1	1	788	$423	$379		$1,516	$0.48	$44.00	$17.00
TC 60%	26	1	1	788	$508	$464		$12,064	$0.59	$44.00	$17.00
TC 50%/LH	4	2	1	908	$508	$459		$1,836	$0.51	$49.00	$19.00
TC 60%	8	2	2	947	$610	$566		$4,528	$0.60	$44.00	$17.00
MR	2	2	2	947		$675		$1,350	$0.71	$44.00	$17.00
TOTAL:	60		**AVERAGE:**	812		$448		$26,851	$0.55	$44.33	$17.13

INCOME	Total Net Rentable Sq Ft: 48,710		5	TDHCA-HOME Amendment	TDHCA-Original	APP- Original	APP + 10% Increase	APP-HOME Amendment	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$322,212	$322,212	$323,820	$323,820	$323,820	Navarro		3
Secondary Income	Per Unit Per Month:	$10.00		7,200	7,200	7,200	7,200	7,200	$10.00	Per Unit Per Month	
Other Support Income:				0	0	0	0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$329,412	$329,412	$331,020	$331,020	$331,020			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(24,706)	(24,706)	(24,828)	(24,828)	(24,828)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0	0	0	0			
EFFECTIVE GROSS INCOME				$304,706	$304,706	$306,192	$306,192	$306,192			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT						PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.01%	$305	0.38	$18,300	$18,300	$11,000	$11,000	$11,000	$0.23	$183	3.59%
Management	5.00%	254	0.31	15,235	15,235	15,195	15,195	15,663	0.32	261	5.12%
Payroll & Payroll Tax	17.25%	876	1.08	52,553	52,553	52,440	52,440	52,440	1.08	874	17.13%
Repairs & Maintenance	7.46%	379	0.47	22,732	22,732	23,200	23,200	23,200	0.48	387	7.58%
Utilities	3.55%	180	0.22	10,802	10,802	11,700	11,700	11,700	0.24	195	3.82%
Water, Sewer, & Trash	4.05%	206	0.25	12,336	12,336	20,600	20,600	20,600	0.42	343	6.73%
Property Insurance	6.84%	348	0.43	20,850	20,850	20,850	20,850	20,850	0.43	348	6.81%
Property Tax 2.5031	9.56%	486	0.60	29,136	29,136	24,000	24,000	24,000	0.49	400	7.84%
Reserve for Replacements	4.92%	250	0.31	15,000	15,000	15,000	15,000	15,000	0.31	250	4.90%
TDHCA Compliance Fees	0.76%	39	0.05	2,320	2,320	2,320	2,320	2,320	0.05	39	0.76%
Other: Support Services	0.39%	20	0.02	1,200	1,200	1,200	1,200	1,200	0.02	20	0.39%
TOTAL EXPENSES	65.79%	$3,341	$4.12	$200,464	$200,464	$197,505	$197,505	$197,973	$4.06	$3,300	64.66%
NET OPERATING INC	34.21%	$1,737	$2.14	$104,242	$104,242	$108,687	$108,687	$108,219	$2.22	$1,804	35.34%
DEBT SERVICE											
JPMorganChase Mortgage	24.23%	$1,230	$1.52	$73,816	$63,869	$63,864	$63,864	$83,040	$1.70	$1,384	27.12%
TDHCA HOME request	10.22%	$519	$0.64	31,137	22,239	21,708	21,708	10,500	$0.22	$175	3.43%
Additional Financing	0.00%	$0	$0.00	0	0	0	0	0	$0.00	$0	0.00%
NET CASH FLOW	-0.23%	($12)	($0.01)	($711)	$18,134	$23,115	$23,115	$14,679	$0.30	$245	4.79%
AGGREGATE DEBT COVERAGE RATIO				0.99	1.21	1.27	1.27	1.16			
RECOMMENDED DEBT COVERAGE RATIO						1.22	1.22	1.15			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-HOME Amendment	TDHCA-Original	APP- Original	APP + 10% Increase	APP-HOME Amendment	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.81%	$2,917	$3.59	$175,000	$175,000	$175,000	$175,000	$175,000	$3.59	$2,917	2.75%
Off-Sites		1.60%	1,667	2.05	100,000	0	0	0	100,000	2.05	1,667	1.57%
Sitework		8.93%	9,285	11.44	557,090	457,880	457,880	503,668	557,090	11.44	9,285	8.75%
Direct Construction		49.07%	51,007	62.83	3,060,405	2,870,187	3,059,440	3,365,384	3,161,810	64.91	52,697	49.66%
Contingency	5.00%	2.90%	3,015	3.71	180,875	166,403	175,866	175,866	191,420	3.93	3,190	3.01%
Contractor's Fees	14.00%	8.12%	8,441	10.40	506,449	465,929	492,424	492,424	509,460	10.46	8,491	8.00%
Indirect Construction		6.98%	7,258	8.94	435,500	351,000	351,000	351,000	435,500	8.94	7,258	6.84%
Ineligible Costs		1.55%	1,607	1.98	96,407	103,907	103,907	103,907	96,407	1.98	1,607	1.51%
Developer's Fees	15.00%	12.07%	12,546	15.45	752,739	691,710	725,000	725,000	768,000	15.77	12,800	12.06%
Interim Financing		4.46%	4,632	5.71	277,942	300,000	300,000	300,000	277,942	5.71	4,632	4.37%
Reserves		1.52%	1,576	1.94	94,535	94,535	94,535	94,535	94,535	1.94	1,576	1.48%
TOTAL COST		100.00%	$103,949	$128.04	$6,236,942	$5,676,552	$5,935,052	$6,286,784	$6,367,164	$130.72	$106,119	100.00%
Construction Cost Recap		*69.02%*	***$71,747***	***$88.38***	***$4,304,819***	***$3,960,400***	***$4,185,610***	***$4,185,610***	***$4,419,780***	***$90.74***	***$73,663***	*69.42%*

SOURCES OF FUNDS

									RECOMMENDED	
JPMorganChase Mortgage	12.83%	$13,333	$16.42	$800,000	$800,000	$800,000	$800,000	$800,000	$800,000	Developer Fee Available
TDHCA HOME request	8.34%	$8,667	$10.68	520,000	420,000	420,000	420,000	520,000	520,000	$768,000
RBC Capital Markets	75.69%	$78,684	$96.92	4,721,046	4,509,000	4,509,000	4,509,000	4,721,046	4,721,046	% of Dev. Fee Deferred
Deferred Developer Fees	5.23%	$5,435	$6.70	326,118	206,052	206,052	351,732	326,118	326,118	42%
Additional (Excess) Funds Req'd	-2.09%	($2,170)	($2.67)	(130,222)	(258,500)	351,732		0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$6,236,942	$5,676,552	$6,286,784	$6,286,784	$6,367,164	$6,367,164	$338,359

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence & Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$64.11	$3,122,866
Adjustments				
Exterior Wall Finish	1.20%		$0.77	$37,474
Elderly	3.00%		1.92	93,686
9-Ft. Ceilings	3.15%		2.02	98,370
Roofing			0.00	0
Subfloor			(1.65)	(80,209)
Floor Cover			2.87	139,887
Breezeways/Balconies	$22.50	7,520	3.47	169,183
Plumbing Fixtures	$976	(50)	(1.00)	(48,821)
Rough-ins	$410	12	0.10	4,920
Built-In Appliances	$2,267	60	2.79	136,000
Exterior Stairs	$2,200	2	0.09	4,400
Enclosed Corridors	$54.19	1541	1.71	83,509
Heating/Cooling			2.26	110,097
Garages/Carports	$2,178	45	2.01	97,997
Comm &/or Aux Bldgs	$78.38	2,183	3.51	171,093
Other: fire sprinkler	$1.95		0.00	0
SUBTOTAL			85.00	4,140,452
Current Cost Multiplier	1.01		0.85	41,405
Local Multiplier	0.90		(8.50)	(414,045)
TOTAL DIRECT CONSTRUCTION COSTS			$77.35	$3,767,811
Plans, specs, survy, bld prm	3.90%		($3.02)	($146,945)
Interim Construction Interes	3.38%		(2.61)	(127,164)
Contractor's OH & Profit	11.50%		(8.90)	(433,298)
NET DIRECT CONSTRUCTION COSTS			$62.83	$3,060,405

PAYMENT COMPUTATION

Primary	$800,000	Amort	360
Int Rate	8.50%	DCR	1.41

Secondary	$520,000	Amort	360
Int Rate	4.37%	Subtotal DCR	0.99

Additional	$4,721,046	Amort	
Int Rate		Aggregate DCR	0.99

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$73,816
Secondary Debt Service	20,070
Additional Debt Service	0
NET CASH FLOW	$14,333

Primary	$800,000	Amort	360
Int Rate	8.50%	DCR	1.47

Secondary	$520,000	Amort	360
Int Rate	1.00%	Subtotal DCR	1.15

Additional	$4,721,046	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$323,820	$333,535	$343,541	$353,847	$364,462	$422,512	$489,807	$567,820	$763,103
Secondary Income	7,200	7,416	7,638	7,868	8,104	9,394	10,891	12,625	16,967
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	331,020	340,951	351,179	361,714	372,566	431,906	500,697	580,446	780,070
Vacancy & Collection Loss	(24,828)	(25,571)	(26,338)	(27,129)	(27,942)	(32,393)	(37,552)	(43,533)	(58,505)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$306,192	$315,379	$324,841	$334,586	$344,623	$399,513	$463,145	$536,912	$721,565
EXPENSES at 4.00%									
General & Administrative	$11,000	$11,440	$11,898	$12,374	$12,868	$15,656	$19,048	$23,175	$34,305
Management	15,663	16,133	16,617	17,115	17,629	20,437	23,692	27,465	36,911
Payroll & Payroll Tax	52,440	54,538	56,719	58,988	61,347	74,638	90,809	110,483	163,542
Repairs & Maintenance	23,200	24,128	25,093	26,097	27,141	33,021	40,175	48,879	72,353
Utilities	11,700	12,168	12,655	13,161	13,687	16,653	20,261	24,650	36,488
Water, Sewer & Trash	20,600	21,424	22,281	23,172	24,099	29,320	35,673	43,401	64,244
Insurance	20,850	21,684	22,551	23,453	24,392	29,676	36,105	43,928	65,024
Property Tax	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Reserve for Replacements	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Other	3,520	3,661	3,807	3,960	4,118	5,010	6,096	7,416	10,978
TOTAL EXPENSES	$197,973	$205,735	$213,803	$222,189	$230,906	$279,921	$339,394	$411,565	$605,472
NET OPERATING INCOME	$108,219	$109,644	$111,037	$112,396	$113,718	$119,592	$123,751	$125,347	$116,093
DEBT SERVICE									
First Lien Financing	$73,816	$73,816	$73,816	$73,816	$73,816	$73,816	$73,816	$73,816	$73,816
Second Lien	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070	20,070
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$14,333	$15,758	$17,151	$18,510	$19,832	$25,706	$29,865	$31,461	$22,207
DEBT COVERAGE RATIO	1.15	1.17	1.18	1.20	1.21	1.27	1.32	1.34	1.24

MULTIFAMILY COMPARATIVE ANALYSIS ADDENDUM- OPTION 2

Cambridge Crossing, Corsicana, 9% HTC/HOME #08264

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/LH	3	1	1	748	$254	$210	$630	$0.28	$44.00	$17.00
TC 50%/LH	5	1	1	748	$423	$379	$1,895	$0.51	$44.00	$17.00
TC 50%	8	1	1	748	$423	$379	$3,032	$0.51	$44.00	$17.00
TC 50%	4	1	1	788	$423	$379	$1,516	$0.48	$44.00	$17.00
TC 60%	26	1	1	788	$508	$464	$12,064	$0.59	$44.00	$17.00
TC 50%/LH	4	2	1	908	$508	$459	$1,836	$0.51	$49.00	$19.00
TC 60%	8	2	2	947	$610	$566	$4,528	$0.60	$44.00	$17.00
MR	2	2	2	947		$675	$1,350	$0.71	$44.00	$17.00
TOTAL:	60		**AVERAGE:**	812		$448	$26,851	$0.55	$44.33	$17.13

INCOME	Total Net Rentable Sq Ft: 48,710	12	TDHCA-HOME Amendment	TDHCA-Original	APP- Original	APP + 10% Increase	APP-HOME Amendment	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			$322,212	$322,212	$323,820	$323,820	$323,820	Navarro		3
Secondary Income	Per Unit Per Month:	$10.00	7,200	7,200	7,200	7,200	7,200	$10.00	Per Unit Per Month	
Other Support Income:			0	0	0	0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME			$329,412	$329,412	$331,020	$331,020	$331,020			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(24,706)	(24,706)	(24,828)	(24,828)	(24,828)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions			0	0	0	0	0			
EFFECTIVE GROSS INCOME			$304,706	$304,706	$306,192	$306,192	$306,192			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.01%	$305	0.38	$18,300	$18,300	$11,000	$11,000	$11,000	$0.23	$183	3.59%
Management	5.00%	254	0.31	15,235	15,235	15,195	15,195	15,663	0.32	261	5.12%
Payroll & Payroll Tax	17.25%	876	1.08	52,553	52,553	52,440	52,440	52,440	1.08	874	17.13%
Repairs & Maintenance	7.46%	379	0.47	22,732	22,732	23,200	23,200	23,200	0.48	387	7.58%
Utilities	3.55%	180	0.22	10,802	10,802	11,700	11,700	11,700	0.24	195	3.82%
Water, Sewer, & Trash	4.05%	206	0.25	12,336	12,336	20,600	20,600	20,600	0.42	343	6.73%
Property Insurance	6.84%	348	0.43	20,850	20,850	20,850	20,850	20,850	0.43	348	6.81%
Property Tax 2.5031	9.56%	486	0.60	29,136	29,136	24,000	24,000	24,000	0.49	400	7.84%
Reserve for Replacements	4.92%	250	0.31	15,000	15,000	15,000	15,000	15,000	0.31	250	4.90%
TDHCA Compliance Fees	0.76%	39	0.05	2,320	2,320	2,320	2,320	2,320	0.05	39	0.76%
Other: Support Services	0.39%	20	0.02	1,200	1,200	1,200	1,200	1,200	0.02	20	0.39%
TOTAL EXPENSES	65.79%	$3,341	$4.12	$200,464	$200,464	$197,505	$197,505	$197,973	$4.06	$3,300	64.66%
NET OPERATING INC	34.21%	$1,737	$2.14	$104,242	$104,242	$108,687	$108,687	$108,219	$2.22	$1,804	35.34%
DEBT SERVICE										
JPMorganChase Mortgage	0.00%	$0	$0.00	$0	$63,869	$63,864	$63,864	$83,040	$1.70	$1,384	27.12%
TDHCA HOME request	25.94%	$1,317	$1.62	79,040	22,239	21,708	21,708	10,500	$0.22	$175	3.43%
Additional Financing	0.00%	$0	$0.00	0	0	0	0	0	$0.00	$0	0.00%
NET CASH FLOW	8.27%	$420	$0.52	$25,202	$18,134	$23,115	$23,115	$14,679	$0.30	$245	4.79%
AGGREGATE DEBT COVERAGE RATIO				1.32	1.21	1.27	1.27	1.16			
RECOMMENDED DEBT COVERAGE RATIO						1.22	1.22	1.35			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-HOME Amendment	TDHCA-Original	APP- Original	APP + 10% Increase	APP-HOME Amendment	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.81%	$2,917	$3.59	$175,000	$175,000	$175,000	$175,000	$175,000	$3.59	$2,917	2.75%
Off-Sites		1.60%	1,667	2.05	100,000	0	0	0	100,000	2.05	1,667	1.57%
Sitework		8.93%	9,285	11.44	557,090	457,880	457,880	503,668	557,090	11.44	9,285	8.75%
Direct Construction		49.07%	51,007	62.83	3,060,405	2,870,187	3,059,440	3,365,384	3,161,810	64.91	52,697	49.66%
Contingency	5.00%	2.90%	3,015	3.71	180,875	166,403	175,866	175,866	191,420	3.93	3,190	3.01%
Contractor's Fees	14.00%	8.12%	8,441	10.40	506,449	465,929	492,424	492,424	509,460	10.46	8,491	8.00%
Indirect Construction		6.98%	7,258	8.94	435,500	351,000	351,000	351,000	435,500	8.94	7,258	6.84%
Ineligible Costs		1.55%	1,607	1.98	96,407	103,907	103,907	103,907	96,407	1.98	1,607	1.51%
Developer's Fees	15.00%	12.07%	12,546	15.45	752,739	691,710	725,000	725,000	768,000	15.77	12,800	12.06%
Interim Financing		4.46%	4,632	5.71	277,942	300,000	300,000	300,000	277,942	5.71	4,632	4.37%
Reserves		1.52%	1,576	1.94	94,535	94,535	94,535	94,535	94,535	1.94	1,576	1.48%
TOTAL COST		100.00%	$103,949	$128.04	$6,236,942	$5,676,552	$5,935,052	$6,286,784	$6,367,164	$130.72	$106,119	100.00%
Construction Cost Recap		*69.02%*	***$71,747***	***$88.38***	***$4,304,819***	***$3,960,400***	***$4,185,610***	***$4,185,610***	***$4,419,780***	***$90.74***	***$73,663***	*69.42%*

SOURCES OF FUNDS								RECOMMENDED	
JPMorganChase Mortgage	0.00%	$0	$0.00	$0	$800,000	$800,000	$800,000	$0	Developer Fee Available
TDHCA HOME request	21.16%	$22,000	$27.10	1,320,000	420,000	420,000	420,000	1,320,000	1,320,000	$768,000
RBC Capital Markets	75.69%	$78,684	$96.92	4,721,046	4,509,000	4,509,000	4,509,000	4,721,046	4,721,046	% of Dev. Fee Deferred
Deferred Developer Fees	5.23%	$5,435	$6.70	326,118	206,052	206,052	351,732	326,118	326,118	42%
Additional (Excess) Funds Req'd	-2.09%	($2,170)	($2.67)	(130,222)	(258,500)	351,732		0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$6,236,942	$5,676,552	$6,286,784	$6,286,784	$6,367,164	$6,367,164	$543,446

MULTIFAMILY COMPARATIVE ANALYSIS ADDENDUM- OPTION 2 (continued)

Cambridge Crossing, Corsicana, 9% HTC/HOME #08264

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence & Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$64.11	$3,122,866
Adjustments				
Exterior Wall Finish	1.20%		$0.77	$37,474
Elderly	3.00%		1.92	93,686
9-Ft. Ceilings	3.15%		2.02	98,370
Roofing			0.00	0
Subfloor			(1.65)	(80,209)
Floor Cover			2.87	139,887
Breezeways/Balconies	$22.50	7,520	3.47	169,183
Plumbing Fixtures	$976	(50)	(1.00)	(48,821)
Rough-ins	$410	12	0.10	4,920
Built-In Appliances	$2,267	60	2.79	136,000
Exterior Stairs	$2,200	2	0.09	4,400
Enclosed Corridors	$54.19	1541	1.71	83,509
Heating/Cooling			2.26	110,097
Garages/Carports	$2,178	45	2.01	97,997
Comm &/or Aux Bldgs	$78.38	2,183	3.51	171,093
Other: fire sprinkler	$1.95		0.00	0
SUBTOTAL			85.00	4,140,452
Current Cost Multiplier	1.01		0.85	41,405
Local Multiplier	0.90		(8.50)	(414,045)
TOTAL DIRECT CONSTRUCTION COSTS			$77.35	$3,767,811
Plans, specs, survy, bld prm	3.90%		($3.02)	($146,945)
Interim Construction Interes	3.38%		(2.61)	(127,164)
Contractor's OH & Profit	11.50%		(8.90)	(433,298)
NET DIRECT CONSTRUCTION COSTS			$62.83	$3,060,405

PAYMENT COMPUTATION

Primary	$0	Amort	360
Int Rate	8.50%	DCR	#DIV/0!
Secondary	$1,320,000	Amort	360
Int Rate	4.37%	Subtotal DCR	1.32
Additional	$4,721,046	Amort	
Int Rate		Aggregate DCR	1.32

RECOMMENDED FINANCING STRUCTURE
APPLICANT'S NOI:

Primary Debt Service	$0
Secondary Debt Service	80,213
Additional Debt Service	0
NET CASH FLOW	$28,006

Primary	$0	Amort	360
Int Rate	4.50%	DCR	#DIV/0!
Secondary	$1,320,000	Amort	360
Int Rate	4.50%	Subtotal DCR	1.35
Additional	$4,721,046	Amort	0
Int Rate	0.00%	Aggregate DCR	1.35

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$323,820	$333,535	$343,541	$353,847	$364,462	$422,512	$489,807	$567,820	$763,103
Secondary Income	7,200	7,416	7,638	7,868	8,104	9,394	10,891	12,625	16,967
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	331,020	340,951	351,179	361,714	372,566	431,906	500,697	580,446	780,070
Vacancy & Collection Loss	(24,828)	(25,571)	(26,338)	(27,129)	(27,942)	(32,393)	(37,552)	(43,533)	(58,505)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$306,192	$315,379	$324,841	$334,586	$344,623	$399,513	$463,145	$536,912	$721,565
EXPENSES at 4.00%									
General & Administrative	$11,000	$11,440	$11,898	$12,374	$12,868	$15,656	$19,048	$23,175	$34,305
Management	15,663	16,133	16,617	17,115	17,629	20,437	23,692	27,465	36,911
Payroll & Payroll Tax	52,440	54,538	56,719	58,988	61,347	74,638	90,809	110,483	163,542
Repairs & Maintenance	23,200	24,128	25,093	26,097	27,141	33,021	40,175	48,879	72,353
Utilities	11,700	12,168	12,655	13,161	13,687	16,653	20,261	24,650	36,488
Water, Sewer & Trash	20,600	21,424	22,281	23,172	24,099	29,320	35,673	43,401	64,244
Insurance	20,850	21,684	22,551	23,453	24,392	29,676	36,105	43,928	65,024
Property Tax	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Reserve for Replacements	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Other	3,520	3,661	3,807	3,960	4,118	5,010	6,096	7,416	10,978
TOTAL EXPENSES	$197,973	$205,735	$213,803	$222,189	$230,906	$279,921	$339,394	$411,565	$605,472
NET OPERATING INCOME	$108,219	$109,644	$111,037	$112,396	$113,718	$119,592	$123,751	$125,347	$116,093
DEBT SERVICE									
First Lien Financing	$0	$0	$0	$0	$0	$0	$0	$0	$0
Second Lien	80,213	80,213	80,213	80,213	80,213	80,213	80,213	80,213	80,213
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$28,006	$29,430	$30,824	$32,183	$33,504	$39,379	$43,538	$45,134	$35,879
DEBT COVERAGE RATIO	1.35	1.37	1.38	1.40	1.42	1.49	1.54	1.56	1.45

MULTIFAMILY COMPARATIVE ANALYSIS ADDENDUM- OPTION 3

Cambridge Crossing, Corsicana, 9% HTC/HOME #08264

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/LH	3	1	1	748	$254	$210	$630	$0.28	$44.00	$17.00
TC 50%/LH	5	1	1	748	$423	$379	$1,895	$0.51	$44.00	$17.00
TC 50%	8	1	1	748	$423	$379	$3,032	$0.51	$44.00	$17.00
TC 50%	4	1	1	788	$423	$379	$1,516	$0.48	$44.00	$17.00
TC 60%	26	1	1	788	$508	$464	$12,064	$0.59	$44.00	$17.00
TC 50%/LH	4	2	1	908	$508	$459	$1,836	$0.51	$49.00	$19.00
TC 60%	8	2	2	947	$610	$566	$4,528	$0.60	$44.00	$17.00
MR	2	2	2	947		$675	$1,350	$0.71	$44.00	$17.00
TOTAL:	60		**AVERAGE:**	812		$448	$26,851	$0.55	$44.33	$17.13

INCOME	Total Net Rentable Sq Ft: 48,710	4	TDHCA-HOME Amendment	TDHCA-Original	APP- Original	APP + 10% Increase	APP-HOME Amendment	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT			$322,212	$322,212	$323,820	$323,820	$323,820	Navarro		3
Secondary Income	Per Unit Per Month:	$10.00	7,200	7,200	7,200	7,200	7,200	$10.00	Per Unit Per Month	
Other Support Income:			0	0	0	0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME			$329,412	$329,412	$331,020	$331,020	$331,020			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(24,706)	(24,706)	(24,828)	(24,828)	(24,828)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions			0	0	0	0	0			
EFFECTIVE GROSS INCOME			$304,706	$304,706	$306,192	$306,192	$306,192			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative	6.01%	$305	0.38	$18,300	$18,300	$11,000	$11,000	$11,000	$0.23	$183	3.59%
Management	5.00%	254	0.31	15,235	15,235	15,195	15,195	15,663	0.32	261	5.12%
Payroll & Payroll Tax	17.25%	876	1.08	52,553	52,553	52,440	52,440	52,440	1.08	874	17.13%
Repairs & Maintenance	7.46%	379	0.47	22,732	22,732	23,200	23,200	23,200	0.48	387	7.58%
Utilities	3.55%	180	0.22	10,802	10,802	11,700	11,700	11,700	0.24	195	3.82%
Water, Sewer, & Trash	4.05%	206	0.25	12,336	12,336	20,600	20,600	20,600	0.42	343	6.73%
Property Insurance	6.84%	348	0.43	20,850	20,850	20,850	20,850	20,850	0.43	348	6.81%
Property Tax 2.5031	9.56%	486	0.60	29,136	29,136	24,000	24,000	24,000	0.49	400	7.84%
Reserve for Replacements	4.92%	250	0.31	15,000	15,000	15,000	15,000	15,000	0.31	250	4.90%
TDHCA Compliance Fees	0.76%	39	0.05	2,320	2,320	2,320	2,320	2,320	0.05	39	0.76%
Other: Support Services	0.39%	20	0.02	1,200	1,200	1,200	1,200	1,200	0.02	20	0.39%
TOTAL EXPENSES	65.79%	$3,341	$4.12	$200,464	$200,464	$197,505	$197,505	$197,973	$4.06	$3,300	64.66%
NET OPERATING INC	34.21%	$1,737	$2.14	$104,242	$104,242	$108,687	$108,687	$108,219	$2.22	$1,804	35.34%
DEBT SERVICE										
JPMorganChase Mortgage	27.25%	$1,384	$1.70	$83,043	$63,869	$63,864	$63,864	$83,040	$1.70	$1,384	27.12%
TDHCA HOME request	8.25%	$419	$0.52	25,149	22,239	21,708	21,708	10,500	$0.22	$175	3.43%
Additional Financing	0.00%	$0	$0.00	0	0	0	0	0	$0.00	$0	0.00%
NET CASH FLOW	-1.30%	($66)	($0.08)	($3,950)	$18,134	$23,115	$23,115	$14,679	$0.30	$245	4.79%
AGGREGATE DEBT COVERAGE RATIO				0.96	1.21	1.27	1.27	1.16			
RECOMMENDED DEBT COVERAGE RATIO						1.22	1.22	1.16		

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-HOME Amendment	TDHCA-Original	APP- Original	APP + 10% Increase	APP-HOME Amendment	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.81%	$2,917	$3.59	$175,000	$175,000	$175,000	$175,000	$175,000	$3.59	$2,917	2.75%
Off-Sites		1.60%	1,667	2.05	100,000	0	0	0	100,000	2.05	1,667	1.57%
Sitework		8.93%	9,285	11.44	557,090	457,880	457,880	503,668	557,090	11.44	9,285	8.75%
Direct Construction		49.07%	51,007	62.83	3,060,405	2,870,187	3,059,440	3,365,384	3,161,810	64.91	52,697	49.66%
Contingency	5.00%	2.90%	3,015	3.71	180,875	166,403	175,866	175,866	191,420	3.93	3,190	3.01%
Contractor's Fees	14.00%	8.12%	8,441	10.40	506,449	465,929	492,424	492,424	509,460	10.46	8,491	8.00%
Indirect Construction		6.98%	7,258	8.94	435,500	351,000	351,000	351,000	435,500	8.94	7,258	6.84%
Ineligible Costs		1.55%	1,607	1.98	96,407	103,907	103,907	103,907	96,407	1.98	1,607	1.51%
Developer's Fees	15.00%	12.07%	12,546	15.45	752,739	691,710	725,000	725,000	768,000	15.77	12,800	12.06%
Interim Financing		4.46%	4,632	5.71	277,942	300,000	300,000	300,000	277,942	5.71	4,632	4.37%
Reserves		1.52%	1,576	1.94	94,535	94,535	94,535	94,535	94,535	1.94	1,576	1.48%
TOTAL COST		100.00%	$103,949	$128.04	$6,236,942	$5,676,552	$5,935,052	$6,286,784	$6,367,164	$130.72	$106,119	100.00%
Construction Cost Recap		*69.02%*	***$71,747***	***$88.38***	***$4,304,819***	***$3,960,400***	***$4,185,610***	***$4,185,610***	***$4,419,780***	***$90.74***	***$73,663***	*69.42%*

SOURCES OF FUNDS

									RECOMMENDED	
JPMorganChase Mortgage	14.43%	$15,000	$18.48	$900,000	$800,000	$800,000	$800,000	$900,000	$900,000	Developer Fee Available
TDHCA HOME request	6.73%	$7,000	$8.62	420,000	420,000	420,000	420,000	420,000	420,000	$768,000
RBC Capital Markets	75.69%	$78,684	$96.92	4,721,046	4,509,000	4,509,000	4,509,000	4,721,046	4,721,046	% of Dev. Fee Deferred
Deferred Developer Fees	5.23%	$5,435	$6.70	326,118	206,052	206,052	351,732	326,118		0%
Additional (Excess) Funds Req'd	-2.09%	($2,170)	($2.67)	(130,222)	(258,500)	351,732		0	326,118	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$6,236,942	$5,676,552	$6,286,784	$6,286,784	$6,367,164	$6,367,164	$343,509

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence & Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$64.11	$3,122,866
Adjustments				
Exterior Wall Finish	1.20%		$0.77	$37,474
Elderly	3.00%		1.92	93,686
9-Ft. Ceilings	3.15%		2.02	98,370
Roofing			0.00	0
Subfloor			(1.65)	(80,209)
Floor Cover			2.87	139,887
Breezeways/Balconies	$22.50	7,520	3.47	169,183
Plumbing Fixtures	$976	(50)	(1.00)	(48,821)
Rough-ins	$410	12	0.10	4,920
Built-In Appliances	$2,267	60	2.79	136,000
Exterior Stairs	$2,200	2	0.09	4,400
Enclosed Corridors	$54.19	1541	1.71	83,509
Heating/Cooling			2.26	110,097
Garages/Carports	$2,178	45	2.01	97,997
Comm &/or Aux Bldgs	$78.38	2,183	3.51	171,093
Other: fire sprinkler	$1.95		0.00	0
SUBTOTAL			85.00	4,140,452
Current Cost Multiplier	1.01		0.85	41,405
Local Multiplier	0.90		(8.50)	(414,045)
TOTAL DIRECT CONSTRUCTION COSTS			$77.35	$3,767,811
Plans, specs, survy, bld prm	3.90%		($3.02)	($146,945)
Interim Construction Interes	3.38%		(2.61)	(127,164)
Contractor's OH & Profit	11.50%		(8.90)	(433,298)
NET DIRECT CONSTRUCTION COSTS			$62.83	$3,060,405

PAYMENT COMPUTATION

Primary	$900,000	Amort	360
Int Rate	8.50%	DCR	1.26

Secondary	$420,000	Amort	360
Int Rate	4.37%	Subtotal DCR	0.96

Additional	$4,721,046	Amort	
Int Rate		Aggregate DCR	0.96

RECOMMENDED FINANCING STRUCTURE
APPLICANT'S NOI:

Primary Debt Service	$83,043
Secondary Debt Service	10,500
Additional Debt Service	0
NET CASH FLOW	$14,676

Primary	$900,000	Amort	360
Int Rate	8.50%	DCR	1.30

Secondary	$420,000	Amort	480
Int Rate	0.00%	Subtotal DCR	1.16

Additional	$4,721,046	Amort	0
Int Rate	0.00%	Aggregate DCR	1.16

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$323,820	$333,535	$343,541	$353,847	$364,462	$422,512	$489,807	$567,820	$763,103
Secondary Income	7,200	7,416	7,638	7,868	8,104	9,394	10,891	12,625	16,967
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	331,020	340,951	351,179	361,714	372,566	431,906	500,697	580,446	780,070
Vacancy & Collection Loss	(24,828)	(25,571)	(26,338)	(27,129)	(27,942)	(32,393)	(37,552)	(43,533)	(58,505)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$306,192	$315,379	$324,841	$334,586	$344,623	$399,513	$463,145	$536,912	$721,565
EXPENSES at 4.00%									
General & Administrative	$11,000	$11,440	$11,898	$12,374	$12,868	$15,656	$19,048	$23,175	$34,305
Management	15,663	16,133	16,617	17,115	17,629	20,437	23,692	27,465	36,911
Payroll & Payroll Tax	52,440	54,538	56,719	58,988	61,347	74,638	90,809	110,483	163,542
Repairs & Maintenance	23,200	24,128	25,093	26,097	27,141	33,021	40,175	48,879	72,353
Utilities	11,700	12,168	12,655	13,161	13,687	16,653	20,261	24,650	36,488
Water, Sewer & Trash	20,600	21,424	22,281	23,172	24,099	29,320	35,673	43,401	64,244
Insurance	20,850	21,684	22,551	23,453	24,392	29,676	36,105	43,928	65,024
Property Tax	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Reserve for Replacements	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Other	3,520	3,661	3,807	3,960	4,118	5,010	6,096	7,416	10,978
TOTAL EXPENSES	$197,973	$205,735	$213,803	$222,189	$230,906	$279,921	$339,394	$411,565	$605,472
NET OPERATING INCOME	$108,219	$109,644	$111,037	$112,396	$113,718	$119,592	$123,751	$125,347	$116,093
DEBT SERVICE									
First Lien Financing	$83,043	$83,043	$83,043	$83,043	$83,043	$83,043	$83,043	$83,043	$83,043
Second Lien	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$14,676	$16,101	$17,495	$18,854	$20,175	$26,050	$30,209	$31,805	$22,550
DEBT COVERAGE RATIO	1.16	1.17	1.19	1.20	1.22	1.28	1.32	1.34	1.24

HTC ALLOCATION ANALYSIS -Cambridge Crossing, Corsicana, 9% HTC/HOME #08264

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$175,000	$175,000		
Purchase of buildings				
Off-Site Improvements	$100,000	$100,000		
Sitework	$557,090	$557,090	$557,090	$557,090
Construction Hard Costs	$3,161,810	$3,060,405	$3,161,810	$3,060,405
Contractor Fees	$509,460	$506,449	$509,460	$506,449
Contingencies	$191,420	$180,875	$185,945	$180,875
Eligible Indirect Fees	$435,500	$435,500	$435,500	$435,500
Eligible Financing Fees	$277,942	$277,942	$277,942	$277,942
All Ineligible Costs	$96,407	$96,407		
Developer Fees				
Developer Fees	$768,000	$752,739	$768,000	$752,739
Development Reserves	$94,535	$94,535		
TOTAL DEVELOPMENT COSTS	$6,367,164	$6,236,942	$5,895,747	$5,771,000

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$5,895,747	$5,771,000
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$7,664,471	$7,502,300
Applicable Fraction		96.11%	96.11%
TOTAL QUALIFIED BASIS		$7,366,452	$7,210,586
Applicable Percentage		9.00%	9.00%
TOTAL AMOUNT OF TAX CREDITS		$662,981	$648,953

Syndication Proceeds	**0.7199**	**$4,772,506**	**$4,671,525**
Total Tax Credits (Eligible Basis Method)		**$662,981**	**$648,953**
Syndication Proceeds		**$4,772,506**	**$4,671,525**
Previously Approved Tax Credits (Including 10% increase)		**$655,832**	
Syndication Proceeds		**$4,721,046**	
Gap of Syndication Proceeds Needed		**$5,047,164**	
Total Tax Credits (Gap Method)		**$701,135**	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 07/22/08 PROGRAM: 9% HTC/HOME FILE NUMBER: **08264**

DEVELOPMENT

Cambridge Crossing

Location: Bragg Ave and Cambridge St Region: 3

City: Corsicana County: Navarro Zip: 75110 [ ] QCT [x] DDA

Key Attributes: Multifamily, Elderly, Rural, New Construction

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$420,000	AFR	40/40	**$420,000**	**AFR***	**30/18***
Housing Tax Credit (Annual)	$578,144			**$578,144**		

* AFR underwritten at 4.37%; Parity of term with the first lien.

CONDITIONS

1 An award for the subject application is subject to West Park Senior Housing (TDHCA #08255) not receiving an award of housing tax credits with priority over the subject during the 2008 competitive cycle.

2 Receipt, review, and acceptance, by carryover, of a revised survey to include the base flood elevations for the site or flood plain language certifying to the flood status of the site and confirmation that the buildings and improvements will conform to the Department's flood prevention requirements in the QAP which call for the finished floors of all buildings to be at least one foot above the base flood elevation and that all drives and other improved areas be not more than six inches below the base flood elevation.

3 Receipt, review, and acceptance, by commitment, of evidence that the site has been rezoned or a variance granted for the proposed use.

4 Receipt, review, and acceptance, by 10% test, of a noise study for the subject site performed in accordance with HUD guidelines, and by cost certification, of evidence that any recommendations of said study and any subsequent environmental reports were carried out.

5 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.

6 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LIHTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	21
60% of AMI	60% of AMI	34

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI/Low HOME	3
50% of AMI	Low HOME	9

PROS

- The development team has extensive experience with development of rural multifamily properties funded with Housing Tax Credits

CONS

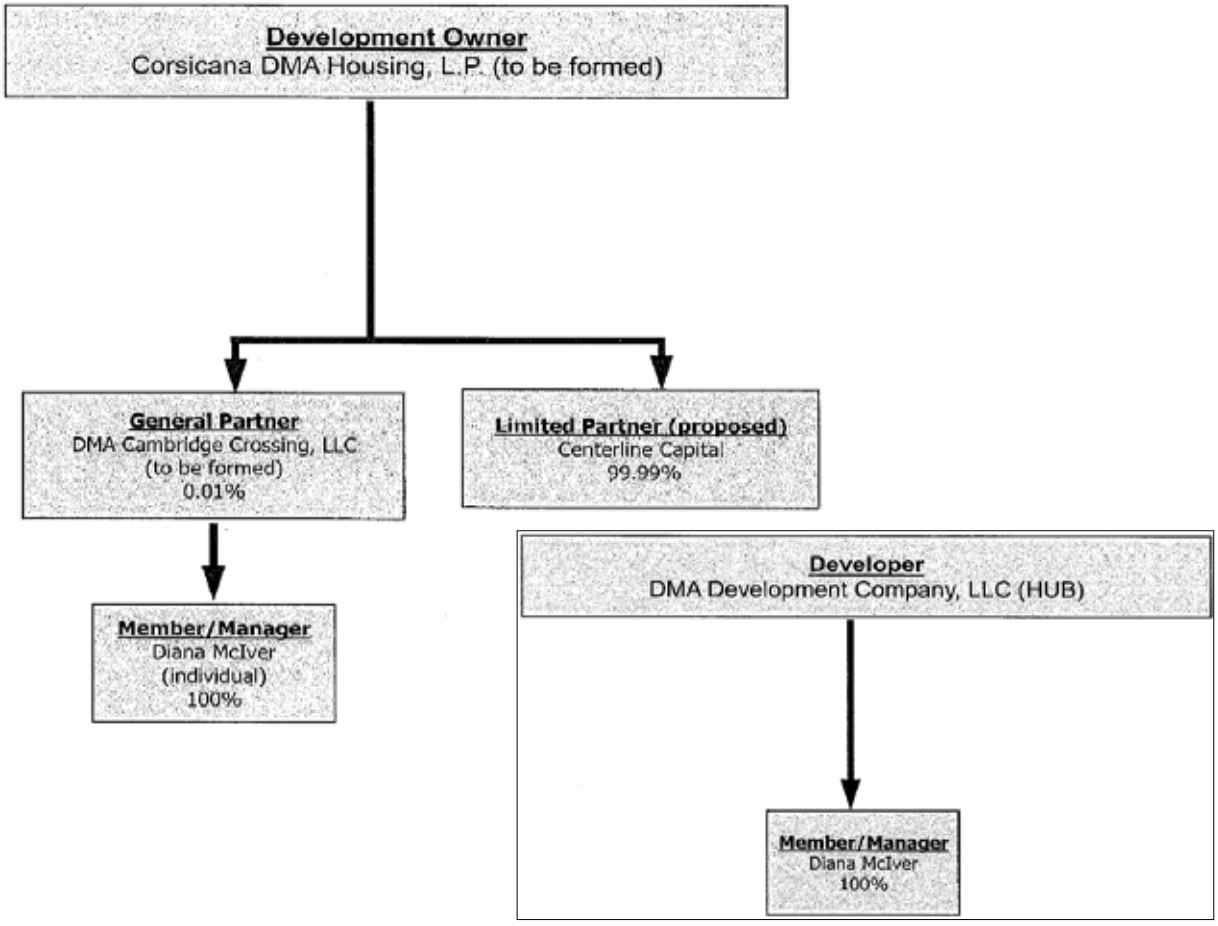
- The Applicant's expense to income ratio is quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses.
- The Underwriter's inclusive capture rate exceeds 50%, which implies that the subject must capture a majority of the demand in this market.

PREVIOUS UNDERWRITING REPORTS

None

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact:	Diana McIver	Phone:	512.328.3232	Fax:	512.328.4584
Email:	dianam@mciver.com				

KEY PARTICIPANTS

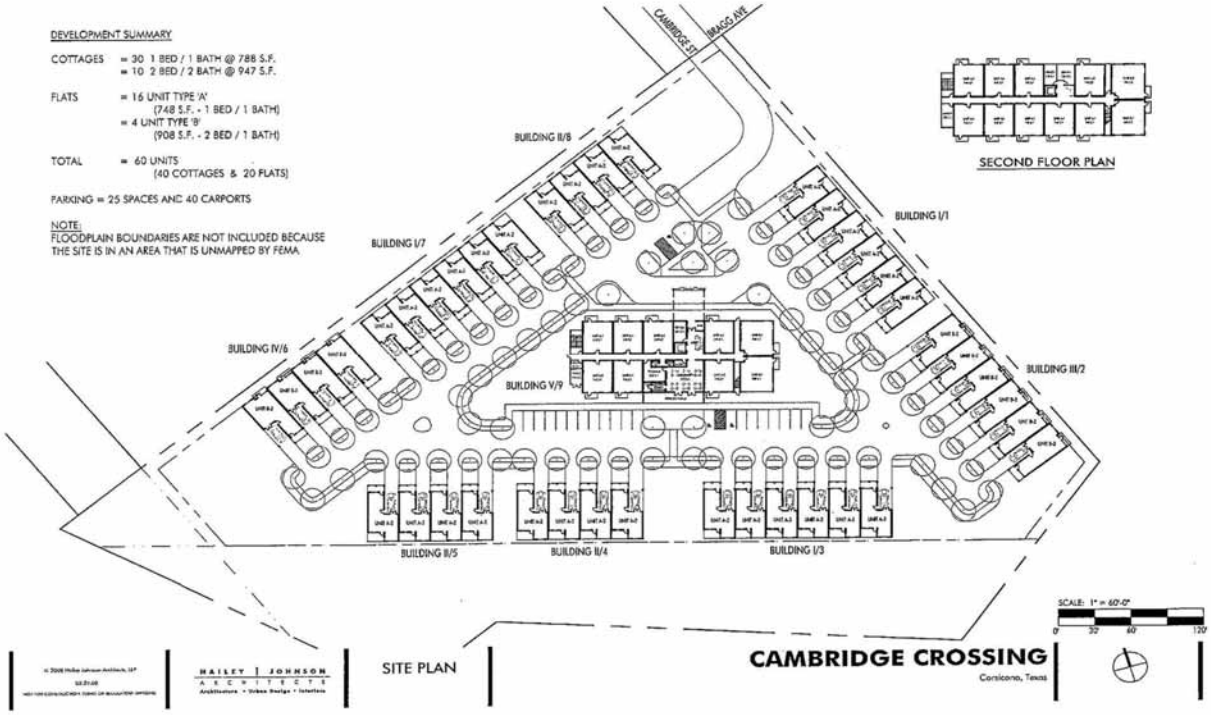
Name	Financial Notes	# Completed Developments
DMA Development Company, LLC	N/A	16 Developments
Diana McIver	N/A	16 Developments

IDENTITIES of INTEREST

- The Applicant, Developer, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	I	II	III	IV	V						Total Buildings
Floors/Stories	1	1	1	1	2						
Number	3	3	1	1	1						**9**

BR/BA	SF	Units										Total Units	Total SF
1/1	748					16						16	11,968
1/1	788	6	4									30	23,640
2/1	908					4						4	3,632
2/2	947			6	4							10	9,470
Units per Building		6	4	6	4	20						**60**	**48,710**

SITE ISSUES

Total Size:	6.25 acres	Scattered site?	[ ]	Yes	[x]	No		
Flood Zone:	Unknown*	Within 100-yr floodplain?	[ ]	Yes	[ ]	No		
Zoning:	R-3	Needs to be re-zoned?	[x]	Yes	[ ]	No	[ ]	N/A

Comments:

*The FEMA Flood Insurance Rate Map for the City of Corsicana Map No. 480490005B, revised July 19, 2005, was reviewed by the ESA provider and a copy of the FEMA map was provided in the ESA. It appears that the subject site has not been mapped, but the area mapped to the west of the site is within the 100 year floodplain, suggesting that part of the subject site may also be in the floodplain. The ESA provider recommended that a surveyor determine the base flood elevations for the subject site and receipt, review and acceptance of same is a condition of this report. Alternatively, the surveyor could include flood plain language certifying to the flood status of the site. The Applicant must also certify and confirm that the buildings and improvements will conform to the Department's flood prevention requirements in the QAP which call for the finished floors of all buildings to be at least one foot above the base flood elevation and that all drives and other improved areas be not more than six inches below the base flood elevation.

The Applicant has submitted evidence that application has been made to the City of Corsicana in order to rezone the site from a single family district (R-3) to multifamily (District MF-3). Receipt, review, and acceptance, by commitment, of evidence that the site has been rezoned or a variance granted for the proposed use is a condition of this report.

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/24/2008

Overall Assessment:

[ ] Excellent [x] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: single family residential East: vacant land / gas station / church

South: vacant land / railroad / power line West: vacant land / single family

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Property Assessment Consultants, Inc Date: 12/18/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

The ESA indicates, "Based on the proximity of the [Burlington Northern Santa Fe] railway, PAC recommends that a Noise Study be prepared for the site in accordance with Texas Dept. of Housing and Community Affairs Guidelines" (summary). TDHCA guidelines indicate that a noise study should adhere to HUD guidelines. Therefore, receipt, review, and acceptance, by 10% test, of a noise study for the subject site performed in accordance with HUD guidelines is a condition of this report. Additionally, receipt, review, and acceptance, by cost certification, of evidence that any recommendations of said study and any subsequent environmental reports were carried out is a condition of this report.

MARKET HIGHLIGHTS

Provider: Integra Realty Resources Date: 2/21/2008

Contact: Charles A Bissell Phone: 817.332.5522 Fax: 817.336.1621

Number of Revisions: none Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 1,090 square miles (18.63 mile radius)

"The subject is located in the central region of Navarro County, west of Interstate Highway 45 and north of State Highway 22 in the City of Corsicana, Texas. Corsicana is the county seat of Navarro County. The primary market area (PMA) for any form of rental real estate property is defined as the area that a majority of the project's tenants will be drawn from. Market areas are shaped by physical barriers, psychological barriers, density, and other factors. ... Based upon our analysis, we conclude the subject's primary market area (PMA) to be Navarro County" (p. 90).

Secondary Market Area (SMA):

Not defined

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units 25%
West Park Seniors	08255	48	0	N/A			
Westway Place	08256	40	0				
Windvale Park	05189	76	0				

Comments:

The Market Analyst did not identify any unstabilized existing or proposed elderly developments within the PMA. Windvale Park is a 2005 9% transaction targeting families and Westway Place is a proposed 2008 9% transaction targeting families. Currently, Westway Place is scored lower than the subject and has not been underwritten as of the date of this report. Since both of these developments do not restrict to seniors only they are not considered comparable developments.

West Park Senior Housing is a 2008 9% transaction proposing 48 units targeting elderly households that was also not identified by the Analyst. Currently, the subject application has priority over West Park due to the selection tie break process (their numerical scores are identical). However, if West Park was included in the inclusive capture rate for the subject development, the Underwriter's inclusive capture rate would increase to 95%, which exceeds the 75% maximum for elderly and rural transactions. Therefore, while the inclusive capture rate is acceptable as currently prioritized, if West Park Senior Housing ultimately receives priority over the subject development, the Underwriter will not be able to recommend the subject application for an award.

This report is conditioned upon West Park Senior Housing (TDHCA #08255) not receiving an award of housing tax credits with priority over the subject during the 2008 competitive cycle.

INCOME LIMITS						
Navarro						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$9,500	$10,850	$12,200	$13,550	$14,650	$15,700
50	$15,800	$18,100	$20,350	$22,600	$24,400	$26,200
60	$18,960	$21,720	$24,420	$27,120	$29,280	$31,440

OVERALL DEMAND										
PMA DEMAND from TURNOVER										
		Apartment Units w/Elderly HHs		Household Size		Income Eligible			Demand	
Market Analyst	1BR/30%	821	79%	650	6%	42		50%	21	
Market Analyst	1BR/50%	821	79%	650	13%	82		50%	41	
Market Analyst	1BR/60%	821	79%	650	14%	90		50%	45	
Market Analyst	2BR/50%	821	51%	421	7%	27		50%	14	
Market Analyst	2BR/60%	821	51%	421	7%	29		50%	15	
Market Analyst	TOTAL								135	
		Elderly Households		Household Size		Income Eligible	Tenure		Demand	
Underwriter		24%	5,069	92%	4,638	31%	1,454	29% 415	25%	104

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PMA DEMAND from HOUSEHOLD GROWTH									
	Annual Elderly HH Growth	Household Size		Income Eligible		Tenure		Demand	
Market Analyst 1BR/30%	88	79%	69	7%	5	29%	1	100%	1
Market Analyst 1BR/50%	88	79%	69	13%	9	29%	2	100%	2
Market Analyst 1BR/60%	88	79%	69	14%	10	29%	3	100%	3
Market Analyst 2BR/50%	88	51%	45	7%	3	29%	1	100%	1
Market Analyst 2BR/60%	88	51%	45	7%	3	29%	1	100%	1
Market Analyst TOTAL									8
	Annual Elderly HH Growth	Household Size		Income Eligible		Tenure		Demand	
Underwriter	91	92%	83	31%	26	29%	7	100%	7

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 51	58	0	0	58	144	40.36%
Underwriter	58	0	0	58	111	52.23%

Comments:

The Market Analyst calculated turnover demand by each unit type starting with the number of apartment units rather than existing households thereby significantly underestimating the number of elderly households.

Additionally, the Market Analyst calculated demand by each unit type and summed these individual demand figures before calculating the inclusive capture rate. However, the Market Analyst's methodology results in an overlap in the following ways. First, the income bands for the 50% and 60% units overlap significantly and the Market Analyst did not account for this overlap when calculating total demand. Second, the Market Analyst counted two person households in calculations for both one and two bedroom units. Because it is difficult to determine what proportion of two person households would choose either size unit, this overlap is acceptable when calculating demand for individual units but this overlap should be eliminated in the overall calculation. This overlap, all else equal, effectively double counts some households and generally results in an inflated total demand number.

Finally, the Market Analyst used a turnover rate of 50%. This rate appears to be derived from data not specific to elderly households. Elderly households generally turnover at lower rates than the non-elderly households. Therefore, the Underwriter has used a lower turnover rate specific to elderly households of 25% which is published on the Department's web site.

The Market Analyst deviated in several important ways from the guidelines provided in the Department's rules on market studies. The Underwriter has made adjustments in the calculation of the overall demand to be in line with Department guidelines. The net result is that the Analyst overstated demand. The Underwriter has therefore determined a higher inclusive capture rate of 52.23%, but this is still below the Department's 75% threshold (see the chart above).

Primary Market Occupancy Rates:

"The overall average occupancy within the PMA is 92%. The existing LIHTC property within the PMA [located in Corsicana] is reporting occupancy of 96%. There are no existing 'seniors only' LIHTC complexes within the PMA at this time. There is however a 'seniors only' subsidized complex with rents restricted to 30% of income. The complex, which was built in 1983, consists of 100 units and is reporting occupancy of 100%. The subject is the only known 'seniors only' LIHTC project forecast to come online. Of the subject's 60 'seniors only' units, 58 are LIHTC units" (p. 68).

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Absorption Projections:

"The subject is forecast to be absorbed in 10 months, equating to an absorption pace of approximately 6 units per month" (p. 68).

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market	
1 BR 748 SF 30%/LH	$213	$210	$575	$210	$365	
1 BR 748 SF 50%/LH	$382	$379	$575	$379	$196	
1 BR 748 SF 50%	$382	$379	$575	$379	$196	
1 BR 788 SF 50%	$382	$379	$585	$379	$206	
1 BR 788 SF 60%	$467	$464	$585	$464	$121	
2 BR 908 SF 50%/LH	$462	$459	$660	$459	$201	
2 BR 947 SF 60%	$564	$566	$675	$566	$109	
2 BR 947 SF MR	$675	N/A	$675	$675	$0	

Market Impact:

"The subject is located in an area with above average occupancy levels, below average rents, and no new projects, other than the subject, forecast to come online within the PMA during the next 24 months" (p. 32). The Analyst further notes that Corsicana suffers from a lack of affordable housing (p. 33).

Comments:

While the Market Analyst did not account for several important aspects of the demand analysis (as described above), the Market Analyst provided sufficient information for the Underwriter to reach an acceptable inclusive capture rate. The Underwriter's demand conclusions are sufficient to make a favorable recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of less than one unit per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 1.49 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 7/10/2008

The Applicant's projected rents are equal to the applicable program gross rent levels less utility allowances maintained by the Housing Authority of the City of Corsicana. However, the Housing Authority provided the Department with two separate utility allowance matrices, both of which appear to potentially apply to the subject. The Applicant used a matrix labeled "Multi-Family Utility & Service." However, another matrix labeled "Townhouse/Row House/Garden Apt" appears to be more applicable. The Underwriter contacted the Housing Authority and confirmed that the matrix labeled "Townhouse/Row House/Garden Apt" reflects the applicable utility allowances for the subject development. These allowances are slightly higher than those used by the Applicant; therefore, the Underwriter's net rents are slightly lower than the Applicant's rents.

The Applicant's estimates of secondary income and vacancy and collection loss are each in line with Department standards. Despite the difference in utility allowances, the Applicant's effective gross income estimate is within 5% of the Underwriter's estimate.

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Expense: Number of Revisions: none Date of Last Applicant Revision: N/A

The Applicant's total operating expense estimate of $3,292 per unit is within 5% of the Underwriter's estimate of $3,341 per unit derived from the TDHCA expense database, IREM data, and other third-party sources. However, several of the Applicant's estimates of individual line items differ significantly from the Underwriter's, including: general and administrative ($7K lower); water, sewer, and trash ($8K higher); and property tax ($5K lower). The Applicant provided a property insurance quote of $20,850 that is used by the Underwriter.

The Underwriter used actual operating data from the Owner's Financial Certifications for an existing Corsicana property to compare utility and water, sewer, and trash costs.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio. The Year One proforma results in a DCR within the parameters of the Department's current guideline (1.15 to 1.35). The Underwriter has adjusted to term of the HOME loan to match the conventional first lien, which has the effect of increasing annual debt service by $2,911. However, the DCR remains above a 1.15 using either the Underwriter's or Applicant's proforma. This is discussed further in the conclusions section below.

The Underwriter's expense to income ratio is above the Department's maximum of 65%. However, the Applicant's proforma reflects an expense to income ratio slightly below the limit and has been used in the analysis. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat rental income with rising expenses.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	10.3 acres	$28,960	Tax Year:	2007
One Acre:		$2,800	Valuation by:	Navarro CAD
Prorata Value:	6.25 acres	$17,501	Tax Rate:	2.5031

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract Acreage: 6.25

Contract Expiration: 1/20/2008 Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $170,000 Other:

Seller: LCI Management, LLC Related to Development Team? [ ] Yes [x] No

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CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 7/17/2008

Acquisition Value:

The Applicant has provided an Unimproved Property Contract reflecting a purchase price of $27,200 per acre or $2,833 per unit. The Applicant has indicated that the transaction is arms-length and therefore, the purchase price is presumed to be reasonable.

Sitework Cost:

The Applicant's sitework cost estimate of $7,631 per unit is below the Department's threshold of $9,000 per unit. Therefore, third-party support is not required at this time.

Direct Construction Cost:

The Applicant's direct construction cost estimate of $50,991 per unit is not within 5% of the Underwriter's estimate of $47,836 per unit derived using Marshall and Swift's Residential Cost Handbook data.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $5,561,610 supports annual tax credits of $578,154. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 7/17/2008

Source: Southeast Texas Housing Finance Corp Type: **Interim Financing**

Principal: $120,000 Interest Rate: Prime+1% [ ] Fixed Term: 12 months

Comments:

The Applicant provided a resolution of approval from the Southeast Housing Finance Corp with the terms indicated above.

Source: JPMorgan Chase Type: **Interim to Permanent Financing**

Interim: $2,100,000 Interest Rate: 7.0% [ ] Fixed Term: 24 months

Permanent: $800,000 Interest Rate: 7.0% [x] Fixed Amort: 360 months

Comments:

The term sheet reflects a minimum DCR of 1.15.

Source: Centerline Capital Group Type: **Syndication**

Proceeds: $4,509,000 Syndication Rate: 78% Anticipated HTC: $ 578,144

Comments:

Should the final credit price decrease less than $0.743, all else equal, the gap in financing would increase and deferred developer fees would increase to an amount that would not be repayable within 15 years. Beyond this point the development would be deemed infeasible. Alternatively, an increase in the credit price to more than $0.815, all else equal, could warrant a reduction in the HTC allocation because the gap in financing would decrease and the credits needed to fill this gap would also decrease.

Amount: $206,052 Type: **Deferred Developer Fees**

This section intentionally left blank.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the conventional mortgage of $800,000 and requested HOME funds of $420,000 indicates the need for $4,715,052 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $604,564 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($578,144), the gap-driven amount ($604,564), and eligible basis-derived estimate ($578,154), the Applicant's request of $578,144 is recommended resulting in proceeds of $4,509,000 based on a syndication rate of 78%.

Additionally, the Underwriter recommends a HOME award of $420,000 to be structured as a fully amortizing and repayable second lien mortgage with an interest rate equal to AFR (underwritten at 4.37%), amortization of 30 years and term of 18 years. The amortization and term have been adjusted by the Underwriter to match the term and amortization of the JPMorganChase first lien.

The Underwriter's recommended financing structure indicates the need for $206,052 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from cashflow within 10 years of stabilized operations. Should the HOME loan ultimately not be received, the increased deferred developer fee required would continue to be repayable within 15 years.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

Underwriter:	*Cameron Dorsey*	Date:	July 22, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	July 22, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	July 22, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Cambridge Crossing, Corsicana, 9% HTC/HOME #08264

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%/LH	3	1	1	748	$254	$210	$630	$0.28	$44.00	$17.00
TC 50%/LH	5	1	1	748	$423	$379	$1,895	$0.51	$44.00	$17.00
TC 50%	8	1	1	748	$423	$379	$3,032	$0.51	$44.00	$17.00
TC 50%	4	1	1	788	$423	$379	$1,516	$0.48	$44.00	$17.00
TC 60%	26	1	1	788	$508	$464	$12,064	$0.59	$44.00	$17.00
TC 50%/LH	4	2	1	908	$508	$459	$1,836	$0.51	$49.00	$19.00
TC 60%	8	2	2	947	$610	$566	$4,528	$0.60	$44.00	$17.00
MR	2	2	2	947		$675	$1,350	$0.71	$44.00	$17.00
TOTAL:	60		**AVERAGE:**	812		$448	$26,851	$0.55	$44.33	$17.13

INCOME	Total Net Rentable Sq Ft: 48,710			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$322,212	$323,820	Navarro		3
Secondary Income	Per Unit Per Month:	$10.00		7,200	7,200	$10.00	Per Unit Per Month	
Other Support Income:				0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$329,412	$331,020			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(24,706)	(24,828)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$304,706	$306,192			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.01%	$305	0.38	$18,300	$11,000	$0.23	$183	3.59%
Management		5.00%	254	0.31	15,235	15,195	0.31	253	4.96%
Payroll & Payroll Tax		17.25%	876	1.08	52,553	52,440	1.08	874	17.13%
Repairs & Maintenance		7.46%	379	0.47	22,732	23,200	0.48	387	7.58%
Utilities		3.55%	180	0.22	10,802	11,700	0.24	195	3.82%
Water, Sewer, & Trash		4.05%	206	0.25	12,336	20,600	0.42	343	6.73%
Property Insurance		6.84%	348	0.43	20,850	20,850	0.43	348	6.81%
Property Tax	2.5031	9.56%	486	0.60	29,136	24,000	0.49	400	7.84%
Reserve for Replacements		4.92%	250	0.31	15,000	15,000	0.31	250	4.90%
TDHCA Compliance Fees		0.76%	39	0.05	2,320	2,320	0.05	39	0.76%
Other: Support Services		0.39%	20	0.02	1,200	1,200	0.02	20	0.39%
TOTAL EXPENSES		65.79%	$3,341	$4.12	$200,464	$197,505	$4.05	$3,292	64.50%
NET OPERATING INC		34.21%	$1,737	$2.14	$104,242	$108,687	$2.23	$1,811	35.50%
DEBT SERVICE									
JPMorganChase Mortgage		20.96%	$1,064	$1.31	$63,869	$63,864	$1.31	$1,064	20.86%
TDHCA HOME request		7.30%	$371	$0.46	22,239	21,708	$0.45	$362	7.09%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		5.95%	$302	$0.37	$18,134	$23,115	$0.47	$385	7.55%
AGGREGATE DEBT COVERAGE RATIO					1.21	1.27			
RECOMMENDED DEBT COVERAGE RATIO						1.22			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.08%	$2,917	$3.59	$175,000	$175,000	$3.59	$2,917	2.95%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.07%	7,631	9.40	457,880	457,880	9.40	7,631	7.71%
Direct Construction		50.56%	47,836	58.92	2,870,187	3,059,440	62.81	50,991	51.55%
Contingency	5.00%	2.93%	2,773	3.42	166,403	175,866	3.61	2,931	2.96%
Contractor's Fees	14.00%	8.21%	7,765	9.57	465,929	492,424	10.11	8,207	8.30%
Indirect Construction		6.18%	5,850	7.21	351,000	351,000	7.21	5,850	5.91%
Ineligible Costs		1.83%	1,732	2.13	103,907	103,907	2.13	1,732	1.75%
Developer's Fees	15.00%	12.19%	11,529	14.20	691,710	725,000	14.88	12,083	12.22%
Interim Financing		5.28%	5,000	6.16	300,000	300,000	6.16	5,000	5.05%
Reserves		1.67%	1,576	1.94	94,535	94,535	1.94	1,576	1.59%
TOTAL COST		100.00%	$94,609	$116.54	$5,676,552	$5,935,052	$121.84	$98,918	100.00%
Construction Cost Recap		*69.77%*	***$66,007***	***$81.31***	***$3,960,400***	***$4,185,610***	***$85.93***	***$69,760***	*70.52%*

SOURCES OF FUNDS

						RECOMMENDED	
JPMorganChase Mortgage	14.09%	$13,333	$16.42	$800,000	$800,000	$800,000	Developer Fee Available
TDHCA HOME request	7.40%	$7,000	$8.62	420,000	420,000	420,000	$725,000
Centerline Capital HTC Equity	79.43%	$75,150	$92.57	4,509,000	4,509,000	4,509,000	% of Dev. Fee Deferred
Deferred Developer Fees	3.63%	$3,434	$4.23	206,052	206,052	206,052	28%
Additional (Excess) Funds Req'd	-4.55%	($4,308)	($5.31)	(258,500)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$5,676,552	$5,935,052	$5,935,052	$420,001

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence & Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$62.85	$3,061,321
Adjustments				
Exterior Wall Finish	1.20%		$0.75	$36,736
Elderly	3.00%		1.89	91,840
9-Ft. Ceilings	3.15%		1.98	96,432
Roofing			0.00	0
Subfloor			(1.65)	(80,209)
Floor Cover			2.87	139,887
Breezeways/Balconies	$22.50	7,520	3.47	169,183
Plumbing Fixtures	$942	(50)	(0.97)	(47,107)
Rough-ins	$400	12	0.10	4,800
Built-In Appliances	$2,233	60	2.75	134,000
Exterior Stairs	$1,800	2	0.07	3,600
Enclosed Corridors	$52.93	1541	1.67	81,562
Heating/Cooling			2.26	110,097
Garages/Carports	$2,048	45	1.89	92,138
Comm &/or Aux Bldgs	$76.67	2,183	3.44	167,360
Other: fire sprinkler	$1.95		0.00	0
SUBTOTAL			83.38	4,061,639
Current Cost Multiplier	0.98		(1.67)	(81,233)
Local Multiplier	0.89		(9.17)	(446,780)
TOTAL DIRECT CONSTRUCTION COSTS			$72.54	$3,533,626
Plans, specs, survy, bld prm	3.90%		($2.83)	($137,811)
Interim Construction Interest	3.38%		(2.45)	(119,260)
Contractor's OH & Profit	11.50%		(8.34)	(406,367)
NET DIRECT CONSTRUCTION COSTS			$58.92	$2,870,187

PAYMENT COMPUTATION

Primary	$800,000	Amort	360
Int Rate	7.00%	DCR	1.63

Secondary	$420,000	Amort	480
Int Rate	4.37%	Subtotal DCR	1.21

Additional	$4,509,000	Amort	
Int Rate		Aggregate DCR	1.21

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$63,869
Secondary Debt Service	25,149
Additional Debt Service	0
NET CASH FLOW	$19,669

Primary	$800,000	Amort	360
Int Rate	7.00%	DCR	1.70

Secondary	$420,000	Amort	360
Int Rate	4.37%	Subtotal DCR	1.22

Additional	$4,509,000	Amort	0
Int Rate	0.00%	Aggregate DCR	1.22

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$323,820	$333,535	$343,541	$353,847	$364,462	$422,512	$489,807	$567,820	$763,103
Secondary Income	7,200	7,416	7,638	7,868	8,104	9,394	10,891	12,625	16,967
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	331,020	340,951	351,179	361,714	372,566	431,906	500,697	580,446	780,070
Vacancy & Collection Loss	(24,828)	(25,571)	(26,338)	(27,129)	(27,942)	(32,393)	(37,552)	(43,533)	(58,505)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$306,192	$315,379	$324,841	$334,586	$344,623	$399,513	$463,145	$536,912	$721,565
EXPENSES at 4.00%									
General & Administrative	$11,000	$11,440	$11,898	$12,374	$12,868	$15,656	$19,048	$23,175	$34,305
Management	15,195	15,651	16,120	16,604	17,102	19,826	22,984	26,645	35,808
Payroll & Payroll Tax	52,440	54,538	56,719	58,988	61,347	74,638	90,809	110,483	163,542
Repairs & Maintenance	23,200	24,128	25,093	26,097	27,141	33,021	40,175	48,879	72,353
Utilities	11,700	12,168	12,655	13,161	13,687	16,653	20,261	24,650	36,488
Water, Sewer & Trash	20,600	21,424	22,281	23,172	24,099	29,320	35,673	43,401	64,244
Insurance	20,850	21,684	22,551	23,453	24,392	29,676	36,105	43,928	65,024
Property Tax	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Reserve for Replacements	15,000	15,600	16,224	16,873	17,548	21,350	25,975	31,603	46,780
Other	3,520	3,661	3,807	3,960	4,118	5,010	6,096	7,416	10,978
TOTAL EXPENSES	$197,505	$205,253	$213,307	$221,678	$230,379	$279,310	$338,686	$410,744	$604,370
NET OPERATING INCOME	$108,687	$110,126	$111,534	$112,908	$114,244	$120,203	$124,459	$126,168	$117,196
DEBT SERVICE									
First Lien Financing	$63,869	$63,869	$63,869	$63,869	$63,869	$63,869	$63,869	$63,869	$63,869
Second Lien	25,149	25,149	25,149	25,149	25,149	25,149	25,149	25,149	25,149
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$19,669	$21,108	$22,516	$23,890	$25,226	$31,185	$35,441	$37,150	$28,177
DEBT COVERAGE RATIO	1.22	1.24	1.25	1.27	1.28	1.35	1.40	1.42	1.32

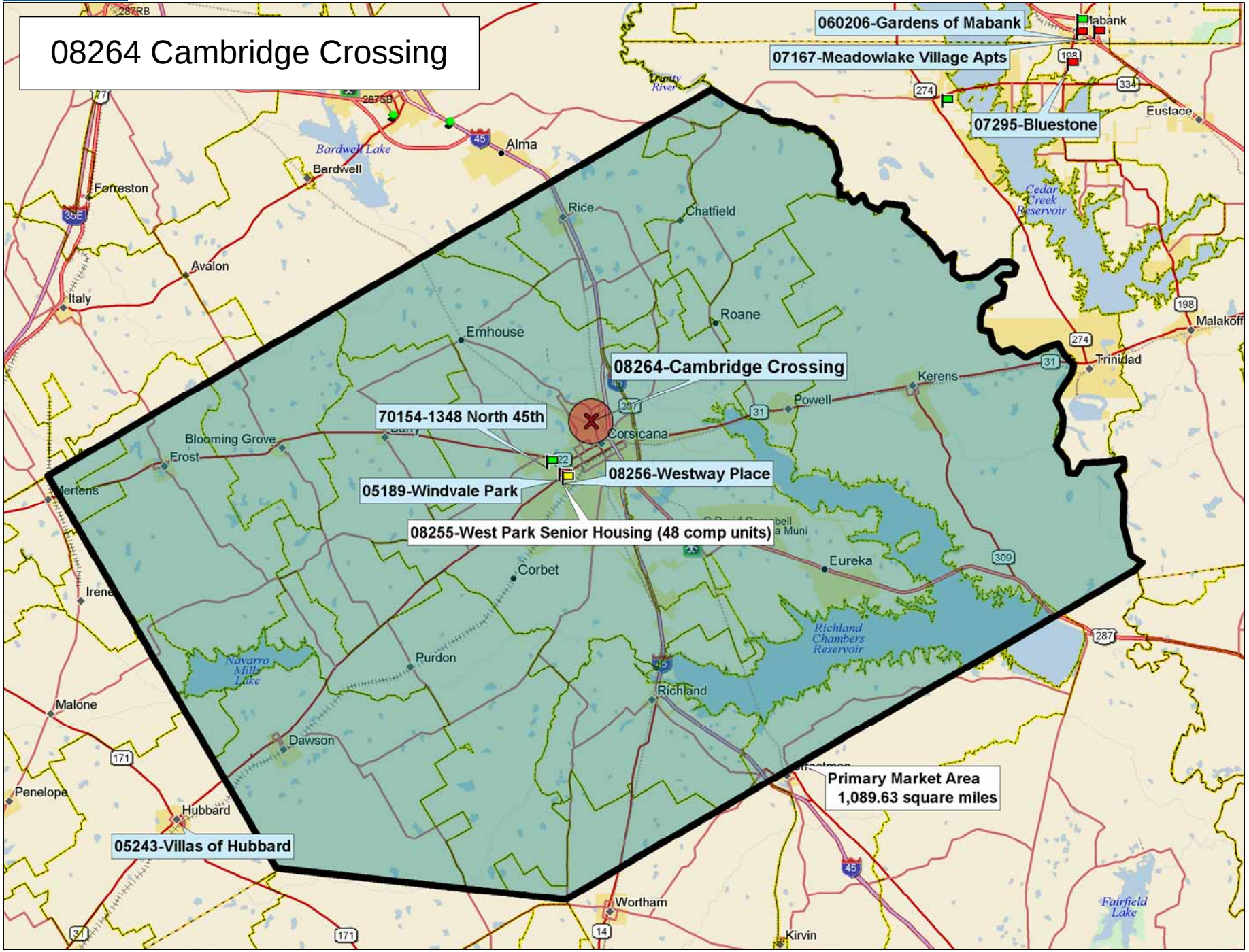
HTC ALLOCATION ANALYSIS -Cambridge Crossing, Corsicana, 9% HTC/HOME #08264

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$175,000	$175,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$457,880	$457,880	$457,880	$457,880
Construction Hard Costs	$3,059,440	$2,870,187	$3,059,440	$2,870,187
Contractor Fees	$492,424	$465,929	$492,424	$465,929
Contingencies	$175,866	$166,403	$175,866	$166,403
Eligible Indirect Fees	$351,000	$351,000	$351,000	$351,000
Eligible Financing Fees	$300,000	$300,000	$300,000	$300,000
All Ineligible Costs	$103,907	$103,907		
Developer Fees				
Developer Fees	$725,000	$691,710	$725,000	$691,710
Development Reserves	$94,535	$94,535		
TOTAL DEVELOPMENT COSTS	$5,935,052	$5,676,552	$5,561,610	$5,303,110

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$5,561,610	$5,303,110
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$7,230,093	$6,894,043
Applicable Fraction		96.11%	96.11%
TOTAL QUALIFIED BASIS		$6,948,964	$6,625,981
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		$578,154	$551,282

Syndication Proceeds	**0.7799**	**$4,509,076**	**$4,299,498**
Total Tax Credits (Eligible Basis Method)		**$578,154**	**$551,282**
Syndication Proceeds		**$4,509,076**	**$4,299,498**
Requested Tax Credits		**$578,144**	
Syndication Proceeds		**$4,509,000**	
Gap of Syndication Proceeds Needed		**$4,715,052**	
Total Tax Credits (Gap Method)		**$604,564**	

08264 Cambridge Crossing



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MN (4.2°E)

Scale 1 : 375,000

1" = 5.92 mi

Data Zoom 9-1

HOME AND HOUSING TRUST PROGRAMS DIVISION

BOARD ACTION REQUEST

February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of HOME Program Award Recommendations.

Requested Action

Approve, Deny or Approve with Amendments the HOME Program Award Recommendations.

Background

Awards for contracts from all active Notices of Funding Availability (NOFAs), reflecting multiple activity types, are combined in this one action item.

OWNER OCCUPIED HOUSING ASSISTANCE, HOMEBUYER ASSISTANCE, AND TENANT- BASED RENTAL ASSISTANCE

On July 31, 2008 the Board approved the 2008 Single Family (Owner Occupied Housing Assistance, Tenant-Based Rental Assistance, and Homebuyer Assistance Programs) Notice of Funding Availability (NOFA) which made available $23,034,118. These funds are the Department's 2008 annual HOME allocation from the U. S. Department of Housing and Urban Development. The NOFA published in the *Texas Register* on August 29, 2008. As published in the 2008 State of Texas Consolidated Plan One-Year Action Plan, $16,123,882 is available for the Owner-Occupied Housing Assistance (OCC) Program, $3,455,118 is available for the Homebuyer Assistance (HBA) Program, and $3,455,118 is available for the Tenant-Based Rental Assistance (TBRA) Program. Funds were made available under an open cycle and subject to the Regional Allocation Formula (RAF) until October 15, 2008. On October 16, 2008, any funds not requested were made available statewide in any Uniform State Service Region and will remain within each HOME Program Activity specified in the NOFA until January 15, 2009. On January 16, 2009 any funds not awarded or requested were made available in any Uniform State Service Region for any Eligible HOME Program Activity specified in the NOFA until the earlier of the award of all funds or Thursday, April 30, 2009.

On December 18, 2008 the Board approved the transfer of $4,000,000 in declined HOME funds to the current 2008 Single Family (Owner Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance Programs) NOFA which increased the total amount of the NOFA to $27,034,118. The additional $4 million was used to increase the Owner Occupied Housing Assistance Program Activity set aside funds from $3,455,118 to $7,455,118.

The OCC Program provides eligible households with loans for the rehabilitation or reconstruction of their existing owner-occupied home and earning 80% or less of the Area

Median family Income (AMFI) as defined by HUD. The assisted unit must be the principal residence of the homeowner and, meet all program eligibility requirements.

The HBA Program provides downpayment and closing costs assistance, to eligible first-time homebuyers for the acquisition of affordable single family housing. The assisted homebuyer must earn 80% or less of the AMFI, occupy the unit as their principal residence, and meet all program eligibility requirements.

The TBRA Program provides eligible households with rental subsidies, including security and utility deposits for a period not to exceed 24 months. Tenants must earning 80% or less of the AMFI, participate in a self-sufficiency program, and meet all program eligibility requirements. Ninety percent (90%) of the households assisted with respect to rental or TBRA units must have incomes at or below 60% of the AMFI, in accordance with 24 CFR 92.216.

To date, 64 applications totaling $20,841,217 in project funds and $503,447 in administrative funds have been received. On December 18, 2008 the Board approved funding for 40 applications totaling $12,578,929 in project funds and $311,556 in administrative funds. Thirty-five of the 40 applications funded were for the Owner Occupied Housing Assistance Program. Applications were ranked according to date and time received. Applications were reviewed and scored in accordance with the requirements in the NOFA. Eligible Applications were categorized by date, time received, and Activity. Eligible applicants were funded in each HOME Activity based on availability of funds in each Activity.

Staff is recommending for award 20 applications, totaling $6,935,232 in project funds and $281,728 in administrative funds, which will result in 197 affordable housing units.

Award Recommendations Summary:

HOME Activity	# of Awards Recommended	Total Project Funds Recommended	Total Admin. Funds Recommended	# of Units Recommended
OCC	15	$5,625,000	$172,500	80
HBA	2	$ 600,000	$ 24,000	60
TBRA	3	$ 710,232	$ 85,228	57
Totals	**20**	**$6,935,232**	**$281,728**	**197**

Two applications are being recommended with changes from what they requested. The City of New Braunfels, OCC application #2008-0115, requested $375,000 in project funds, $7,500 in administrative funds and proposed to assist 15 households. Staff is recommending the number of units be reduced to 5 due to the amount of funds requested, the maximum amount of assistance per unit under the OCC Program, and an increase administrative funds to $15,000 to comply with the 2009 State HOME Rules at 10 TAC §53. Fort Bend County Women's Center, Inc, TBRA Application # 2008-0124 requested $322,056 in project funds and $12,882 in administrative funds and proposing to assist 19 units. Staff is recommending the amount of project funds be reduced to $300,000 which is the maximum amount of project funds that may be requested for TBRA, and increase administrative funds to $36,000 to comply with the 2009 State HOME Rules at 10 TAC §53. Attached are the Application Logs and Award Recommendation Logs for each HOME Activity.

Four additional applications are still being reviewed and/or are in the process of clearing deficiencies and may be considered at a future Board meeting.

All applications have been reviewed by the Portfolio Management and Compliance Division and no issues of material non-compliance, unresolved audit findings or questioned or disallowed costs have been identified.

If the attached award recommendations are approved, a total of $7,519,957 will remain in the NOFA and is available statewide on a first come first served basis for any HOME Activity specified in the Single Family NOFA.

Attached:

- 2008 HOME Single Family NOFA (OCC) – Award Recommendations Log;
- 2008 HOME Single Family NOFA (HBA) – Award Recommendations Log;
- 2008 HOME Single Family NOFA (TBRA) – Award Recommendations Log; and,
- 2008 HOME Single Family NOFA - Application Logs.

CONTRACT FOR DEED PROGRAM

On May 5, 2008 the Board approved the Notice of Funding Availability (NOFA) for the Contract for Deed Program which made approximately $9,280,000 in funding available, which is not subject to the Regional Allocation Formula. The Contract for Deed Program assists eligible households with the acquisition (deed conversion) or the acquisition and rehabilitation, new construction or reconstruction of properties for the purpose of converting an eligible contract for deed to homeownership and bringing the assisted unit up to housing standards. Assisted households must reside in a colonia, have a household income that does not exceed 60% of the area median family income (AMFI) and meet all program eligibility requirements. This open cycle NOFA makes funds available on a first-come, first-served basis until all funds have been awarded or 5:00 p.m., May 1, 2009, whichever is first to occur.

To date, three applications totaling $1.5 million dollars in project funds and $60,000 in administrative funds have been received. On December 18, 2008 the Board approved funding for 2 applications totaling $1,000,000 in project funds and $40,000 in administrative funds. One application for $500,000 in project funds and $20,000 in Administrative funds is being recommended for funding today.

If the attached award recommendations are approved, a total of $7,780,000 will remain in the NOFA.

Attached:

- HOME Contract for Deed NOFA – Award Recommendations; and,
- HOME Contract for Deed NOFA - Application Log;

RENTAL HOUSING DEVELOPMENT PROGRAM

On June 26, 2008 the TDHCA Board approved the 2008 Rental Housing Development (RHD) Notice of Funding Availability (NOFA) that set aside $5,000,000 for new construction, rehabilitation, and acquisition and rehabilitation of affordable rental housing. Subsequent to approval of this initial funding level, the Board approved transferring all remaining funds under the 2007 NOFA to the 2008 NOFA for a current balance of approximately $19,486,052 in funds available. The NOFA allows applicants to apply for funding on a statewide first-come, first-served basis and the application deadline is April 30, 2009.

To date, the Department has received 18 applications for a total of $25,456,370. Of these applications, two applications were terminated and three applications were withdrawn. The Hyatt Manor application (08344) was withdrawn subsequent to finalization of the Board agenda. Therefore, it is reflected on today's agenda, but has been removed from the award logs and write-up. Of the remaining 13 applications totaling $19,847,135, five are being considered for awards today. Four of the applications on today's agenda are being considered for awards in conjunction with forward commitments for Housing Tax Credits from the 2009 credit ceiling in accordance with the Board's decision at the November 13, 2008 Board meeting. Two applications are being recommended for HOME awards totaling $2,175,000 and two applications are not being recommended for HOME awards. The remaining application has an existing award of 2008 Housing Tax Credits and is being recommended for a HOME award totaling $400,528 in order to fill the gap in financing resulting from volatility in credit and debt markets.

All applications being recommended for funding have completed all three phases of the application review process. The Real Estate Analysis (REA) Division has evaluated the applications and the underwriting reports are included in today's board book. All recommendations are subject to conditions reflected in the underwriting reports.

The two applications that are not recommended for HOME awards failed to meet the financial feasibility criteria in 10 TAC §1.32, the 2008 Real Estate Analysis Rules and Guidelines. Additionally, staff has determined that awards of HOME funds for these two applications may not represent a prudent use of Department funds due to the financial infeasibility of an existing Corsicana property sharing several development team members. The related Owner of Windvale Park (#05189) is pursuing modification of an existing HOME loan to significantly reduce the current debt service payments. Windvale Park is development that received 9% Housing Tax Credits and HOME funds in 2005 and is located on the same street as the proposed sites. The Owner has indicated that the loan modification is necessary due to unanticipated increases in the utility allowances published by the applicable public housing authority (PHA). To date, the Owner is current on all payments. Staff has not fully evaluated the Owner's request. The Owner has contacted staff to obtain information on alternatives to the PHA utility allowances which may provide an alternative to the loan modification. However, the Owner has not yet submitted the required documentation for staff to consider. While staff may review alternative utility allowances in line with the Compliance rules, staff cannot review the Owner's loan modification request without specific direction from the Board. Should the Board wish to approve these applications, staff recommends that the HOME awards be contingent upon a Board approved resolution to the outstanding financial issues of Windvale Park.

If the recommendation herein is approved $2,625,528 in project funds will be awarded and a balance of $16,860,524 remains in the NOFA to consider for award recommendations for HOME funding requests that are currently under review. Staff also anticipates receiving future HOME requests in conjunction with applications for 2009 9% Housing Tax Credits prior to the April 30, 2009 NOFA deadline.

Attached:

- HOME Rental Housing Development Program - Award Recommendations;
- HOME Rental Housing Development Program - Application Log; and
- Real Estate Analysis Division underwriting report.

COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO) RENTAL HOUSING DEVELOPMENT PROGRAM

A Notice of Funding Availability (NOFA) for $5,966,488 million for Community Housing Development Organization (CHDO) Rental Housing Development was approved by the Board on June 26, 2008. Subsequent to approval of this initial funding level, the Board approved transferring all remaining funds under the 2007 NOFA to the 2008 NOFA for a current balance of approximately $6,337,106 in funds available. The NOFA allows applicants to apply for funding on a statewide first-come, first-served basis and the application deadline is April 30, 2009.

To date, the Department has received one application for a total of $4,000,000, which is being considered for award today. This application has completed all three phases of the application review process. The subject development has an existing 2008 award of Housing Tax Credits and an executed Contract for $2,900,000 in non-CHDO HOME funds that were approved by the Board in July 2007. However, the Executive Director subsequently approved a change in the ownership structure to bring a CHDO in as managing general partner. In conjunction with this change the Applicant submitted an application for $4,000,000 in HOME funds under the CHDO NOFA. These changes resolve a prior issue with lien position between the conventional lender and the Department's significantly larger HOME loan. It should be noted that this application also shares several development team members with the Windvale Park development that is pursuing the loan modification. However, staff is recommending this award subject to Board recognition of this shared relationship due to it location in another part of the state, Copperas Cove.

The Real Estate Analysis (REA) Division has evaluated the application and the underwriting reports are included in today's board book. The recommendation is subject to conditions reflected in the underwriting report.

If the above recommendation is approved $4,000,000 in project funds will be awarded and $50,000 in CHDO operating expenses funds will be awarded and a balance of $2,337,106 remains in the NOFA to consider for future award recommendations. Staff anticipates receiving future HOME requests in conjunction with applications for 2009 9% Housing Tax Credits prior to the April 30, 2009 NOFA deadline.

Attached:

- HOME CHDO Rental Housing Development Program - Award Recommendations;
- HOME CHDO Rental Housing Development Program - Application Log; and,
- Real Estate Analysis Division underwriting report.

Recommendation

Staff recommends that the Board approve all of the awards as detailed in the Award Recommendations logs attached. Staff recommends that the RHD and CHDO awards be approved subject to the conditions in the underwriting reports.

2008 HOME SF NOFA (OCC) - Award Recommendations Log

January 16, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	**$27,034,118**
OCC Set-Aside Amount:	**$20,123,882**
Total Recommended:	**$5,625,000**
Total Apps. Recommended:	**15**

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0069	9/16/2008	4:38 PM	City of Corsicana	3	$375,000	$7,500	6	$375,000	$7,500	6	Pending Award
2008-0073	9/22/2008	2:57 PM	City of La Grange	7	$375,000	$7,500	6	$375,000	$7,500	6	Pending Award
2008-0102	10/22/2008	3:04 PM	City Of Paris	4	$375,000	$7,500	5	$375,000	$7,500	5	Pending Award
2008-0104	10/29/2008	2:26 PM	City of Bonham	3	$375,000	$7,500	5	$375,000	$7,500	5	Pending Award
2008-0107	11/3/2008	9:57 AM	Community Council of Southwest Texas, Inc.	11	$375,000	$7,500	6	$375,000	$7,500	5	Pending Award
2008-0109	11/3/2008	10:05 AM	County of Lamar	4	$375,000	$7,500	5	$375,000	$7,500	5	Pending Award
2008-0112	11/10/2008	8:59 AM	El Paso Collaborative for Community and Economic Development	13	$375,000	$7,500	7	$375,000	$7,500	7	Pending Award
2008-0115	11/20/2008	6:17 AM	City of New Braunfels	9	$375,000	$7,500	15	$375,000	$15,000	5	Pending Award
2008-0120	12/16/2008	4:01 PM	City of Anton	1	$375,000	$7,500	5	$375,000	$15,000	5	Pending Award
2008-0121	12/23/2008	8:43 AM	City of Abernathy	1	$375,000	$15,000	5	$375,000	$15,000	5	Pending Award
2008-0123	12/23/2008	1:35 PM	City of McCamey	12	$375,000	$15,000	5	$375,000	$15,000	5	Pending Award
2008-0122	12/23/2008	1:36 PM	City of Ralls	1	$375,000	$15,000	5	$375,000	$15,000	5	Pending Award

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0125	1/7/2009	2:05 PM	City of Winters	2	$375,000	$15,000	5	$375,000	$15,000	5	Pending Award
2008-0126	1/13/2009	1:30 PM	City of Turkey	1	$375,000	$15,000	5	$375,000	$15,000	5	Pending Award
2008-0127	1/15/2009	1:12 PM	City of Soccoro	13	$375,000	$15,000	25	$375,000	$15,000	6	Pending Award
				Totals:	**$5,625,000**	**$157,500**	**110**	**$5,625,000**	**$172,500**	**80**	

2008 HOME SF NOFA (OCC) - Application Log

January 16, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	**$27,034,118**
OCC Set-Aside Amount:	**$20,123,882**
Total OCC Requested:	**$18,760,000**
Total OCC Awards:	**$17,455,000**
Nbr Apps Received:	**54**

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0065	9/8/2008	9:39 AM	City of Carthage	4	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0064	9/8/2008	9:40 AM	City of Center	5	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0066	9/8/2008	11:09 AM	City of Jacksonville	4	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0063	9/8/2008	11:10 AM	City of Crockett	5	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0062	9/8/2008	3:27 PM	City of Palestine	4	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0067	9/15/2008	9:07 AM	City of Wortham	8	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0069	9/16/2008	4:38 PM	City of Corsicana	3	$375,000	$7,500	6	$375,000	$7,500	6	Pending Award
2008-0071	9/18/2008	1:06 PM	City of Gladewater	4	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0072	9/18/2008	3:58 PM	County of La Salle	11	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0073	9/22/2008	2:57 PM	City of La Grange	7	$375,000	$7,500	6	$375,000	$7,500	6	Pending Award
2008-0074	9/22/2008	2:58 PM	City of Moody	8	$375,000	$7,500	6	$375,000	$15,000	6	Awarded 12/18/2008
2008-0075	9/22/2008	2:59 PM	City of La Feria	11	$375,000	$7,500	6	$375,000	$15,000	6	Awarded 12/18/2008

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0076	9/22/2008	4:30 PM	City of Teague	8	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0079	9/23/2008	2:53 PM	City of Devine	9	$375,000	$7,500	6	$375,000	$15,000	6	Awarded 12/18/2008
2008-0077	9/24/2008	3:07 PM	City of Smithville	7	$375,000	$7,500	6	$375,000	$15,000	6	Awarded 12/18/2008
2008-0078	9/25/2008	9:39 AM	City of Temple	8	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0080	9/25/2008	3:09 PM	City of Conroe	6	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0081	10/2/2008	3:38 PM	City of Hallettsville	10	$375,000	$7,500	6	$375,000	$15,000	6	Awarded 12/18/2008
2008-0082	10/3/2008	2:33 PM	City of Taylor	7	$375,000	$7,500	6	$375,000	$15,000	6	Awarded 12/18/2008
2008-0083	10/6/2008	11:23 AM	City of Hughes Springs	4	$360,000	$7,200	6	$360,000	$7,200	6	Awarded 12/18/2008
2008-0084	10/7/2008	1:02 PM	Webb County	11	$240,000	$4,800	8	$240,000	$4,800	4	Awarded 12/18/2008
2008-0087	10/9/2008	1:36 PM	City of Cuney	4	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0086	10/9/2008	1:46 PM	City of Redwater	4	$180,000	$3,600	3	$180,000	$3,600	3	Awarded 12/18/2008
2008-0085	10/9/2008	3:53 PM	City of Midland	12	$160,000	$3,200	5	$160,000	$3,200	5	Awarded 12/18/2008

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0099	10/14/2008	10:27 AM	City of Bogata	4	$300,000	$6,000	5	$300,000	$6,000	5	Awarded 12/18/2008
2008-0100	10/14/2008	10:27 AM	City of Clarksville	4	$360,000	$7,200	6	$360,000	$7,200	6	Awarded 12/18/2008
2008-0098	10/14/2008	10:28 AM	San Benito Housing Authority	11	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0097	10/14/2008	12:29 PM	Franklin County	4	$300,000	$6,000	5	$300,000	$6,000	5	Awarded 12/18/2008
2008-0096	10/14/2008	3:11 PM	City of McKinney	3	$300,000	$6,000	5	$300,000	$6,000	5	Awarded 12/18/2008
2008-0092	10/15/2008	1:33 PM	Red River County	4	$360,000	$7,200	6	$360,000	$7,200	6	Awarded 12/18/2008
2008-0093	10/15/2008	1:35 PM	Cass County	4	$360,000	$7,200	6	$360,000	$7,200	6	Awarded 12/18/2008
2008-0094	10/15/2008	1:36 PM	City of Bloomburg	4	$180,000	$3,600	3				Under Review
2008-0095	10/15/2008	1:37 PM	South Plains Community Action Association, Inc.	1	$375,000	$7,500	5				Under Review
2008-0089	10/15/2008	4:27 PM	City of Terrell	3	$360,000	$7,200	6	$360,000	$7,200	6	Awarded 12/18/2008
2008-0090	10/15/2008	4:31 PM	City of Nacogdoches	5	$375,000	$7,500	6	$375,000	$7,500	6	Awarded 12/18/2008
2008-0102	10/22/2008	3:04 PM	City Of Paris	4	$375,000	$7,500	5	$375,000	$7,500	5	Pending Award

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0103	10/22/2008	3:05 PM	City of Meadow	1	$375,000	$7,500	5	$375,000	$7,500	5	Awarded 12/18/2008
2008-0104	10/29/2008	2:26 PM	City of Bonham	3	$375,000	$7,500	5	$375,000	$7,500	5	Pending Award
2008-0110	10/30/2008	11:29 AM	City of Mineola	4	$375,000	$7,500	5				Under Review
2008-0107	11/3/2008	9:57 AM	Community Council of Southwest Texas, Inc.	11	$375,000	$7,500	6	$375,000	$7,500	5	Pending Award
2008-0109	11/3/2008	10:05 AM	County of Lamar	4	$375,000	$7,500	5	$375,000	$7,500	5	Pending Award
2008-0106	11/3/2008	3:34 PM	City of Sundown	1	$375,000	$7,500	5	$375,000	$7,500	5	Awarded 12/18/2008
2008-0112	11/10/2008	8:59 AM	El Paso Collaborative for Community and Economic Development	13	$375,000	$7,500	7	$375,000	$7,500	7	Pending Award
2008-0114	11/14/2008	4:27 PM	City of Godley	3	$150,000	$3,000	2	$150,000	$3,000	2	Awarded 12/18/2008
2008-0115	11/20/2008	6:17 AM	City of New Braunfels	9	$375,000	$7,500	15	$375,000	$15,000	5	Pending Award
2008-0116	11/21/2008	4:19 PM	City of Pilot Point	3	$150,000	$3,000	2	$150,000	$3,000	2	Awarded 12/18/2008
2008-0120	12/16/2008	4:01 PM	City of Anton	1	$375,000	$7,500	5	$375,000	$15,000	5	Pending Award
2008-0121	12/23/2008	8:43 AM	City of Abernathy	1	$375,000	$15,000	5	$375,000	$15,000	5	Pending Award

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0123	12/23/2008	1:35 PM	City of McCamey	12	$375,000	$15,000	5	$375,000	$15,000	5	Pending Award
2008-0122	12/23/2008	1:36 PM	City of Ralls	1	$375,000	$15,000	5	$375,000	$15,000	5	Pending Award
2008-0125	1/7/2009	2:05 PM	City of Winters	2	$375,000	$15,000	5	$375,000	$15,000	5	Pending Award
2008-0126	1/13/2009	1:30 PM	City of Turkey	1	$375,000	$15,000	5	$375,000	$15,000	5	Pending Award
2008-0128	1/15/2009	4:05 PM	Hill Country Home Opportunity Council, Inc.	9	$375,000	$7,500	5				Under Review
2008-0127	1/15/2009	1:12 PM	City of Soccoro	13	$375,000	$15,000	25	$375,000	$15,000	6	Pending Award
				Totals:	**$18,760,000**	**$420,200**	**323**	**$17,455,000**	**$454,100**	**271**	

2008 HOME SF NOFA (HBA) - Award Recommendations Log

January 16, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	**$27,034,118**
HBA Set-Aside Amount:	**$3,455,118**
Total Recommended:	**$600,000**
Total Apps. Recommended:	**2**

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0108	11/3/2008	10:03 AM	Community Council of Southwest Texas, Inc.	0	$500,000	$20,000	50	$500,000	$20,000	50	Pending Award
2008-0119	12/16/2008	4:03 PM	City of Midland	12	$100,000	$4,000	10	$100,000	$4,000	10	Pending Award
				Totals:	**$600,000**	**$24,000**	**60**	**$600,000**	**$24,000**	**60**	

2008 HOME SF NOFA (HBA) - Application Log

January 16, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	**$27,034,118**
HBA Set-Aside Amount:	**$3,455,118**
Total HBA Requested:	**$1,000,000**
Total HBA Awards:	**$1,000,000**
Nbr Apps. Received:	**4**

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0091	10/15/2008	1:31 PM	Midland Community Development Corp.	12	$100,000	$4,000	10	$100,000	$4,000	10	Awarded 12/18/2008
2008-0108	11/3/2008	10:03 AM	Community Council of Southwest Texas, Inc.	0	$500,000	$20,000	50	$500,000	$20,000	50	Pending Award
2008-0113	11/14/2008	4:36 PM	Affordable Homes of South Texas, Inc.	11	$300,000	$12,000	30	$300,000	$12,000	30	Awarded 12/18/2008
2008-0119	12/16/2008	4:03 PM	City of Midland	12	$100,000	$4,000	10	$100,000	$4,000	10	Pending Award
				Totals:	**$1,000,000**	**$40,000**	**100**	**$1,000,000**	**$40,000**	**100**	

2008 HOME SF NOFA (TBRA)- Award Recommendations Log

January 16, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	**$27,034,118**
TBRA Set-Aside Amount:	**$3,455,118**
Total Recommended:	**$710,232**
Total Apps. Recommended:	**3**

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0068	9/16/2008	2:09 PM	Ellis Community Resources Inc.	9	$300,000	$12,000	28	$300,000	$36,000	28	Pending Award
2008-0118	12/8/2008	3:31 PM	Affordable Caring Housing, Inc.	8	$110,232	$4,409	10	$110,232	$13,228	10	Pending Award
2008-0124	12/30/2008	1:28 PM	Fort Bend County Women's Center, Inc.	6	$322,056	$12,882	19	$300,000	$36,000	19	Pending Award
				Totals:	**$732,288**	**$29,291**	**57**	**$710,232**	**$85,228**	**57**	

2008 HOME SF NOFA (TBRA) - Application Log

January 16, 2009

Sorted by Date and Time Received

Statewide Summary	Totals
SF NOFA Amount:	**$27,034,118**
TBRA Set-Aside Amount:	**$3,455,118**
Total TBRA Requested:	**$1,081,217**
Total TBRA Awards:	**$1,059,161**
Nbr Apps. Received:	**6**

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0068	9/16/2008	2:09 PM	Ellis Community Resources Inc.	9	$300,000	$12,000	28	$300,000	$36,000	28	Pending Award
2008-0070	9/17/2008	1:11 PM	Buckner Children & Family Services, Inc. dba Buckner Family Place	5	$87,360	$3,494	7	$87,360	$3,494	7	Awarded 12/18/2008
2008-0088	10/13/2008	8:13 AM	Buckner Children & Family Services, Inc. dba Buckner Family Place at Hearthstone	12	$151,008	$6,040	6	$151,008	$6,040	6	Awarded 12/18/2008
2008-0111	11/5/2008	10:05 AM	Affordable Caring Housing, Inc.	4	$110,561	$4,422	10	$110,561	$4,422	10	Awarded 12/18/2008
2008-0118	12/8/2008	3:31 PM	Affordable Caring Housing, Inc.	8	$110,232	$4,409	10	$110,232	$13,228	10	Pending Award
2008-0124	12/30/2008	1:28 PM	Fort Bend County Women's Center, Inc.	6	$322,056	$12,882	19	$300,000	$36,000	19	Pending Award
				Totals:	**$1,081,217**	**$43,247**	**80**	**$1,059,161**	**$99,184**	**80**	

HOME Contract for Deed NOFA - Award Recommendations Log

Sorted by date/time received

Total NOFA Amount - $9,280,000

Total Amount Available: $8,280,000

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0117	12/1/2008	1:22 PM	Organizacion Progresiva De San Elizario	13	$500,000	$20,000	5	$500,000	$20,000	5	Pending Award
				Totals:	**$500,000**	**$20,000**	**5**	**$500,000**	**$20,000**	**5**	

HOME Contract for Deed NOFA - Application Log

Sorted by date/time received

Total NOFA Amount - $9,280,000

Total Amount Available: $8,280,000

App number	Received Date	Time Received	Applicant	Region	Project Funds Requested	Admin Funds Requested	Total Units	Project Funds Awarded and/or Recommended	Admin Funds Awarded and/or Recommended	Total Units	Comments
2008-0101	10/20/2008	2:56 PM	El Paso Collaborative for Community and Economic Development	13	$500,000	$20,000	5	$500,000	$20,000	5	Awarded 12/18/2008
2008-0105	11/3/2008	3:46 PM	Adults & Youth Development Association, Inc.	13	$500,000	$20,000	5	$500,000	$20,000	5	Awarded 12/18/2008
2008-0117	12/1/2008	1:22 PM	Organizacion Progresiva De San Elizario	13	$500,000	$20,000	5	$500,000	$20,000	5	Pending Award
				Totals:	**$1,500,000**	**$60,000**	**15**	**$1,500,000**	**$60,000**	**15**	

This amount reflects $9,280,000 in funds made available in the NOFA less awards approved by the Board.

HOME Rental Housing Development Program Award Recommendations
(Application Acceptance Period - 6/26/2008 to 4/30/2009)

Sorted by Date and Time Received

Thursday, January 29, 2009
Approximate NOFA Amount - $19,486,052

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Recommended Project Funds	Status
08341	7	11/13/2008	9:34 AM	Alta Vista Apartments	Marble Falls	R	7	64	General	Yes	No	No	$400,528	$400,528	Pending Award
08134	7	12/10/2008	3:35 PM	Huntington	Buda	NC	24	120	Elderly	Yes	No	No	$1,750,000	$1,750,000	Pending Award
08256	3	12/23/2008	5:10 PM	Westway Place	Corsicana	NC	16	40	General	Yes	No	No	$1,550,000	$0	Pending Award
08255	3	12/23/2008	5:10 PM	West Park Senior Housing	Corsicana	NC	25	48	Elderly	Yes	No	No	$1,600,000	$0	Pending Award
08181	7	1/15/2009	9:40 AM	Park Ridge Apartments	Llano	NC	13	64	General	Yes	No	No	$475,000	$475,000	Pending Award
						Unit Totals:	**85**	**336**		**Fund Totals:**			**$5,775,528**	**$2,625,528**	

Total HOME Applications 5

1 = Housing Activity: New Construction=NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

HOME Rental Housing Development Program - Application Log
(Application Acceptance Period - 6/26/2008 to 4/30/2009)
Sorted by Date and Time Received
Thursday, January 29, 2009
Approximate NOFA Amount - $19,486,052

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded and/or Recommended Project Funds	Status
08617	6	9/26/2008	3:40 PM	Costa Mariposa	Texas City	NC	51	252	General	No	Yes	No	$3,000,000		Under Review
08337	8	10/3/2008	9:27 AM	Big Country Living Apartments	Waco	NC	11	132	General	No	No	No	$3,000,000		Terminated
08338	11	10/6/2008	11:27 AM	Beacon Bay Townhomes	Port Isabel	R	16	76	General	No	No	No	$1,169,070		Under Review
08340	7	11/10/2008	12:12 PM	San Gabriel Crossing	Liberty Hill	NC	16	16	General	Yes	No	No	$800,000		Terminated
08341	7	11/13/2008	9:34 AM	Alta Vista Apartments	Marble Falls	R	7	64	General	Yes	No	No	$400,528	$400,528	Pending Award
08344	10	11/13/2008	11:16 AM	Hyatt Manor Apartments	Gonzales	R	7	65	Family	Yes	No	No	$409,235		Withdrawn
08346	3	11/13/2008	11:43 AM	Quail Run Apartments	Decatur	R	0	40	General	Yes	No	No	$1,161,894	$0	Under Review
08347	4	11/13/2008	11:44 PM	Northview Apartments	Kilgore	R	0	72	Intg.	Yes	No	No	$1,999,681	$0	Under Review

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3 = Layering of Other Department Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded and/or Recommended Project Funds	Status
09003	8	11/17/2008	2:00 PM	Holland House Apartments	Holland	R	68	68	General	Yes	No	No	$850,000		Withdrawn
09002	3	11/17/2008	2:08 PM	Meadowlake Village Apartments	Mabank	R	40	40	General	Yes	No	No	$550,000		Withdrawn
08345	5	11/20/2008	11:32 AM	First Huntington Arms	Huntington	R	40	40	General	Yes	No	No	$2,386,660	$0	Under Review
09001	6	12/3/2008	4:00 PM	Hillwood Apartments	Weimar	R	7	24	Elderly	Yes	No	No	$679,747		Under Review
09000	6	12/3/2008	4:01 PM	Courtwood Apartments	Eagle Lake	R	16	50	Elderly	Yes	No	No	$1,274,555		Under Review
08134	7	12/10/2008	3:35 PM	Huntington	Buda	NC	24	120	Elderly	Yes	No	No	$1,750,000	$1,750,000	Pending Award
08256	3	12/23/2008	5:10 PM	Westway Place	Corsicana	NC	16	40	General	Yes	No	No	$1,550,000	$0	Pending Award
08255	3	12/23/2008	5:10 PM	West Park Senior Housing	Corsicana	NC	25	48	Elderly	Yes	No	No	$1,600,000	$0	Pending Award
08181	7	1/15/2009	9:40 AM	Park Ridge Apartments	Llano	NC	13	64	General	Yes	No	No	$475,000	$475,000	Pending Award
08154	3	1/16/2009	8:00 AM	Mineral Wells Pioneer Crossing	Mineral Wells	NC	16	80	General	Yes	No	No	$2,400,000		Under Review

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2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded and/or Recommended Project Funds	Status
Total HOME Applications		**18**				**Unit Totals:**	**373**	**1,291**				**Fund Totals:**	**$25,456,370**	**$2,625,528**	

1 = Housing Activity: New Construction=NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Requested Project Funds	Awarded and/or Recommended Project Funds	Status
Total HOME Applications		**18**				**Unit Totals:**	**373**	**1,291**				**Fund Totals:**	**$25,406,370**	**$2,625,528**	

1 = Housing Activity: New Construction=NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

HOME Rental Housing Development CHDO Program Award Recommendations
(Application Acceptance Period - 6/26/2008 to 4/30/2009)
Sorted by Date and Time Received

Friday, January 16, 2009

Total Amended NOFA Amount: $6,337,106

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Recommended Project Funds	Recommended CHDO Op. Funds	Status
08342	8	10/6/2008	3:25 PM	Constitution Court	Copperas Cove	NC	45	108	General	Yes	No	No	$4,000,000	$50,000	Pending Award
Total HOME Applications : 1						**Unit Totals:**	**45**	**108**		**Fund Totals:**			**$4,000,000**	**$50,000**	

1 = Housing Activity: New Construction=NC, Rehabilitation=R
2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF=Housing Trust Fund

HOME CHDO Rental Housing Development Program- Application Log
(Application Acceptance Period - 6/26/2008 to 4/30/2009)

Sorted by Date and Time Received

Friday, January 16, 2009

Approximate NOFA Amount - $6,337,106

File #	Region	Received By: Date	Time	Development Name	City	Housing Actvty(1)	HOME Units	Total Units	Target(2) Population	Layering (3) 9%	4%	HTF	Rqstd. Project Funds	Rqstd. CHDO Op. Funds	Awarded and/or Recommended Project Funds	Awarded and/or Recommended CHDO Op. Funds	Status
08342	8	10/6/2008	3:25 PM	Constitution Court	Copperas Cove	NC	45	108	General	Yes	No	No	$4,000,000	$50,000	$4,000,000	$50,000	Pending Award
Total HOME Applications	**1**					**Unit Totals:**	**45**	**108**		**Fund Totals:**			**$4,000,000**	**$50,000**	**$4,000,000**	**$50,000**	

1 = Housing Activity: New Construction=NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg
3 = Layering of Other Department Applications: 9%=9% Competitive Tax Credits, 4%=4% Tax Credit Program, HTF = Housing Trust Fund

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 01/26/09 PROGRAM: 9% HTC / HOME FILE NUMBER: **08181**

DEVELOPMENT

Park Ridge Apartments

Location: SE corner of Legend Hill Blvd and RM 152 Region: 7

City: Llano County: Llano Zip: 78643 [ ] QCT [X] DDA

Key Attributes: Multifamily, Rural, New Construction, Family

ALLOCATION

	REQUEST*			**RECOMMENDATION****		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$475,000	1.00%	480	**$475,000**	**1.00%**	**420**
Housing Tax Credit (Annual)	$585,392			**$697,017**		

*****The original application requested $585,392 in tax credits; a revised development cost schedule submitted on Nov 5, 2008 reduced the request to $581,876; a further revised development cost schedule submitted on Nov 17, 2008 increased the request to $681,807

** The recommended tax credit allocation incorporates the November 13, 2008 TDHCA Board approval to use the 9% credit rate and a 10% increase in direct and sitework construction costs for all competitive 2007 and 2008 transactions as well as all applications on the 2008 waiting list to be considered for a forward commitment.

CONDITIONS

1 Receipt, review, and acceptance, before closing on the HOME funds, of statements from the ESA provider addressing the issues of excessive noise, asbestos-containing materials, lead-based paint, lead in drinking water, and radon, as required by §1.35(b) of the 2008 Real Estate Analysis Rules; and evidence that any recommendations regarding these issues have been implemented.

2 Receipt, review and acceptance, by cost certification, of a fully executed ground lease between the Applicant and the Housing Authority.

3 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated, and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	23
60% of AMI	60% of AMI	34

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30%/Low HOME	4
50% of AMI	50%/High HOME	9

PROS	CONS
	▫ The underwriting analysis indicates limited demand for two-bedroom units at 50% and 60%, as well as three-bedroom units at 60%.

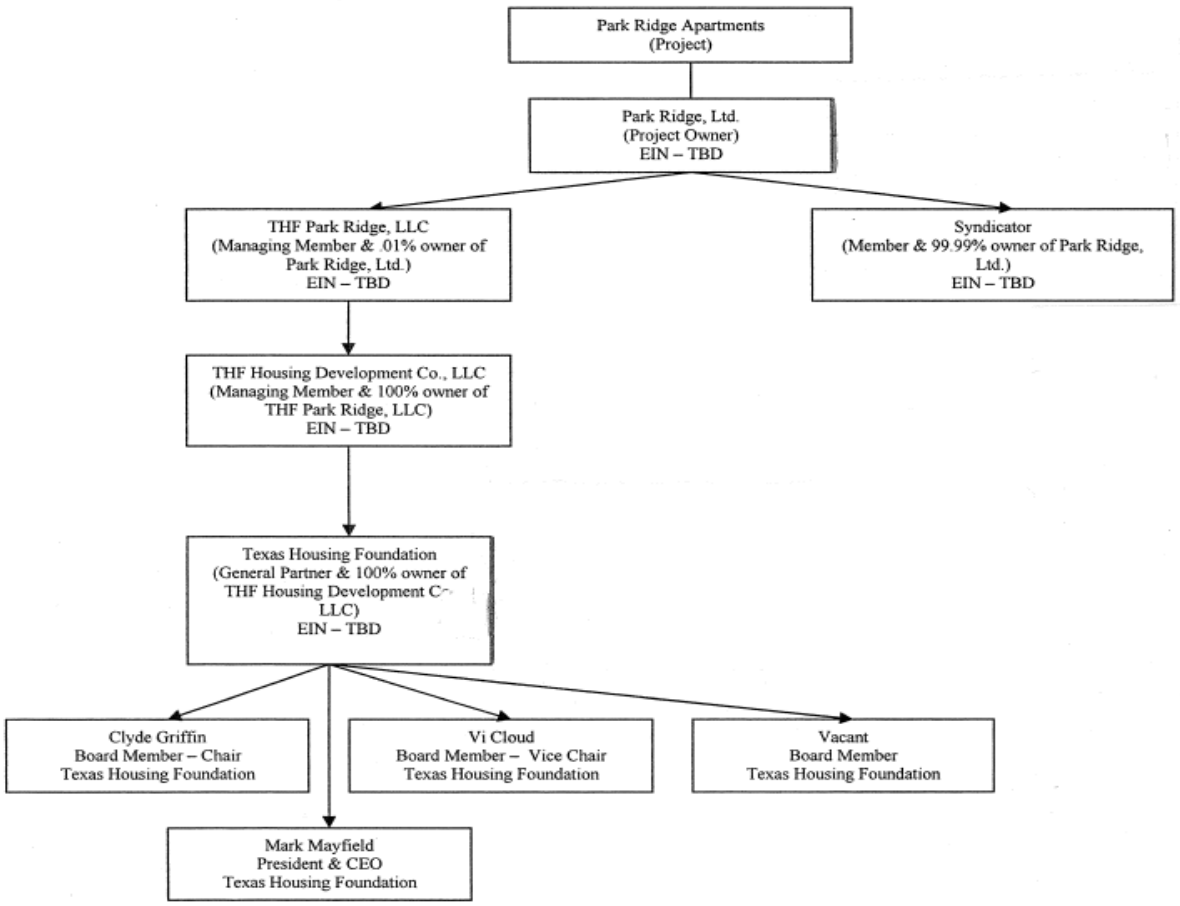
PREVIOUS UNDERWRITING REPORTS

The subject applied for 4% tax credits and HOME funds in 2007 and was underwritten as application number 07438. The project was not recommended for financing due to the following:

- The proposed Tax Exempt Bonds did not amount to at least 50% of the development's estimated depreciable basis plus land costs.
- the Applicant failed to provide a lender's commitment or any other supporting documentation for the proposed financing structure prior to 60-days before the issuance of the Determination Notice.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact:	Mark Mayfield	Phone:	(830) 693-4521	Fax:	(830) 693-5128
Email:	mmayfield@txhf.org				

KEY PARTICIPANTS

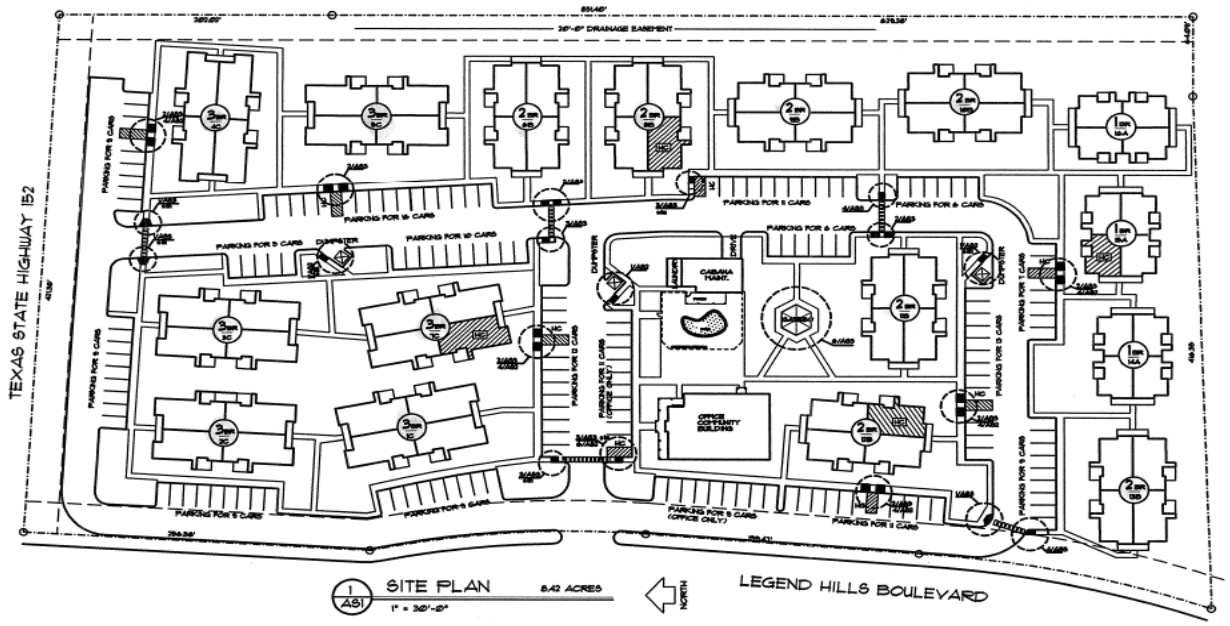
Name	Financial Notes	# Completed Developments
Texas Housing Foundation	N/A	8
Steven Nash	N/A	None

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, and Property Manager are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C								Total Buildings
Floors/Stories	1	1	1								
Number	3	7	6								**16**

BR/BA	SF	Units										Total Units	Total SF
1 / 1	674	4										12	8,088
2 / 2	915		4									28	25,620
3 / 2	1,067			4								24	25,608
Units per Building		4	4	4								**64**	**59,316**

SITE ISSUES

Total Size:	8.42 acres	Scattered site?	☐	Yes	☒	No
Flood Zone:	Zone X	Within 100-yr floodplain?	☐	Yes	☒	No
Zoning:	General Residential	Needs to be re-zoned?	☐	Yes	☒	No ☐ N/A

TDHCA SITE INSPECTION

Inspector: TDHCA Staff Date: 4/9/2008

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: undeveloped pasture land East: undeveloped pasture land

South: dirt road and private warehouse West: baseball field and apartments

Comments:

"Very nice area - some development going south; Golf and RV resort 1 mile west; County Community Center 1 mile west; City Hall and Courthouse 1 mile east; downtown stores 1 mile east; Parkview Acres housing subdivision; lake and camping facilities half mile NW."

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Frost GeoSciences Date: 4/18/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

- "This assessment revealed no evidence of on-site or off-site Recognized Environmental Conditions (RECs) in connection with the Site. No further environmental assessment is recommended at this time". (Pg 1)

Comments:

The ESA provider failed to address the issues of excessive noise, asbestos-containing materials, lead-based paint, lead in drinking water, and radon, as required by §1.35(b) of the 2008 Real Estate Analysis Rules. Any recommended funding will be conditioned on receipt, review, and acceptance of a statement from the ESA provider addressing these issues, and evidence that any recommendations regarding these issues have been implemented.

MARKET HIGHLIGHTS

Provider: Novogradac & Company, LLP Date: 3/27/2008

Contact: Michelle Phares Phone: (512) 340-0420 Fax: (512) 340-0421

Number of Revisions: None Date of Last Applicant Revision: N / A

Primary Market Area (PMA): 1,213 sq. miles 20 mile equivalent radius

The Subject's Primary Market Area is defined as all of the census tracts in Llano County, including 9701, 9702, 9703, 9704, 9705, and 9706, with the addition of an area of western Burnet County encompassed by census tracts 9603, 9604, 9605, and 9606.

Secondary Market Area (SMA):

The Market Analyst defined a Secondary Market Area consisting of the PMA plus census tract 9602 in western Burnet County and all of the census tracts in Mason County. The Market Study provides some demographic data regarding population and income for the SMA, but does not offer any analysis to identify demand from the SMA.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units
Kingsland Trails	04004	76	76				

INCOME LIMITS						
Llano						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$10,350	$11,800	$13,300	$14,750	$15,950	$17,100
50	$17,200	$19,650	$22,100	$24,550	$26,500	$28,500
60	$20,640	$23,580	$26,520	$29,460	$31,800	$34,200

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
30% 1BR/1BA	20			20	1	0	5.00%
30% 2BR/2BA	17			17	2	0	11.76%
30% 3BR/2BA	11			11	1	0	9.09%
50% 1BR/1BA	36			36	5	1	16.67%
50% 2BR/2BA	26			26	10	1	42.31%
50% 3BR/2BA	20			20	8	1	45.00%
60% 1BR/1BA	31			31	6	2	25.81%
60% 2BR/2BA	36			36	13	3	44.44%
60% 3BR/2BA	25			25	15	2	68.00%

UNDERWRITING ANALYSIS PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
30% 1BR/1BA	16	0		16	1	0	6%
30% 2BR/2BA	6	0		5	2	0	37%
30% 3BR/2BA	6	0		6	1	0	18%
50% 1BR/1BA	29	0		29	5	4	31%
50% 2BR/2BA	11	0		10	10	6	153%
50% 3BR/2BA	14	0		14	4	2	42%
60% 1BR/1BA	33	0		33	6	18	74%
60% 2BR/2BA	15	0		14	13	27	279%
60% 3BR/2BA	28	0		28	4	12	58%

OVERALL DEMAND									
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 53		3,258			19%	608			35%	213
Underwriter	100%	17,721	100%	17,721	27%	4,862	19%	929	35%	325
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 53		77			19%	14			100%	14
Underwriter			100%	431	27%	118	19%	23	100%	23

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand	Inclusive Capture Rate
Market Analyst p. 53	61	10	0	71	227	**31%**
Underwriter	61	76	0	137	348	**39%**

This section intentionally left blank.

Supply and Demand Analysis:

The Market Analyst identified one unstabilized comparable property in the PMA. Kingsland Trails, TDHCA #04004, is a 2004 LIHTC development with 76 units restricted at 40%, 50%, and 60% of AMI. The Market Study states that "the property opened in January 2006 and reached a stabilized occupancy rate in May 2007", which would have been less than a year before the effective date of the study. The Market Study continues that "although this property is currently 96.1% occupied, approximately ten units have not been occupied for one year or more", and the Market Analyst incorrectly included only the ten units in the unstabilized supply for the calculation of the inclusive capture rate.

TDHCA Underwriting guidelines require that if a property is considered unstabilized, all units at that property are to be included in the supply. Department records indicate that Kingsland Trails was 92% occupied in January 2008, but only 80% occupied in October 2008. Since it is unclear whether Kingsland Trails ever achieved stabilized occupancy for twelve consecutive months, the underwriting analysis will include all 76 units in the unstabilized supply.

The Market Analyst concluded an inclusive capture rate of 31% based on a supply of 71 units and total demand for 227 units. The underwriting analysis based on the household income distribution data provided in the market study identifies demand for 348 units; this, combined with the larger supply from Kingsland Trails, indicates an inclusive capture rate of 39%. This is well below the 75% limit for rural developments. It should be noted, however, that the underwriting analysis of demand by unit type indicates capture rates in excess of 100% for the two-bedroom units at both 50% and 60%. While feasibility conclusions are not based on individual unit demand, these high capture rates are cause for concern.

Primary Market Occupancy Rates:

The market study reports zero vacancy at two market rate properties in the PMA; vacancy rates at three LIHTC properties are zero, 3.9%, and 14.6%. The highest vacancy is at Legend Oaks Senior Apartments, a 2000 LIHTC development located adjacent to the subject. The market study data is from early 2008; at the time of underwriting, Department records indicate Legend Oaks as being 75% occupied (12 vacancies out of a total of 48 units). This is cause for concern over the viability of the subject. However, as a senior development, Legend Oaks is not directly comparable to the subject. The subject will have a larger target market for its one- and two- bedroom units, and will also offer three-bedroom units. The market study indicates that of 201 total units surveyed, there were no vacancies among the 29 three-bedroom units; 5 vacancies out of 83 one-bedroom units; and 5 vacancies out of 89 two-bedroom units.

Absorption Projections:

"In February 2007, Kingsland Trails reported an absorption rate of approximately five units per month ... we conservatively assume an absorption rate of five units per month; overall the absorption period is estimated to be approximately 12 to 13 months to reach a stabilized occupancy rate of 95%. In addition, the subject's high quality, newly constructed units in a market with very few new rental options may facilitate lease-up." (p. 36)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 674 SF 30%	$206	$208	$510	$208	$302
1 BR 674 SF 50%	$392	$392	$510	$392	$118
1 BR 674 SF 60%	$484	$484	$510	$484	$26
2 BR 915 SF 30%	$248	$249	$630	$249	$381
2 BR 915 SF 50%	$492	$469	$630	$469	$161
2 BR 915 SF 60%	$570	$580	$630	$580	$50
2 BR 915 SF MR	$570	N / A	$630	$630	$0
3 BR 1,067 SF 30%	$290	$291	$715	$291	$424
3 BR 1,067 SF 50%	$546	$546	$715	$546	$169
3 BR 1,067 SF 60%	$546	$546	$715	$546	$169

Market Impact:

The Market Study states that "Kingsland Trails, the only other LIHTC property for families located in the PMA, is fully stabilized and operating at an occupancy rate of 96.1 percent. As such, the subject will be the only multifamily property in the PMA with little competition during the absorption period. In addition, the subject will have the benefit of new construction and superior condition and quality when compared to existing market-rate and affordable properties in the PMA. Therefore, the potential impact on the existing housing stock is anticipated to be minimal." (p. 46)

Comments:

Market conditions appear to have deteriorated since the market study was prepared in March 2008, reflected in increased vacancies at both Kingsland Trails and Legend Oaks. However, Legend Oaks is not directly comparable to the subject, and the underwriting analysis has concluded sufficient demand to support both the subject property and Kingsland Trails. The market study therefore provides sufficient information to support a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 5 units per square mile, which is less than the 1,432 units per square mile limit; and a Primary Market Area concentration of less than one unit per square mile, which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 1/20/2009

The Applicant's projected income is based on maximum LIHTC program rents adjusted for utility allowances provided by the Marble Falls Housing Authority (MFHA). (The Applicant provided a cooperation agreement between Llano County and MFHA authorizing MFHA to act as a regional Housing Authority in Llano County). The Applicant submitted a revised rent schedule on Jan 20, 2008, increasing the number of HOME-designated units to comply with HOME program requirements; this does not impact the development income because in each case the HTC rent is more restrictive than the HOME rent. However, the Applicant decreased the number of two-bedroom 50% units from 14 to 13, and added a third market rate unit. The Applicant projects market rents of $570; however, the market study states that the achievable two-bedroom rent is $630; the underwriting analysis assumes these units will rent for the achievable market rent.

The Applicant indicates total secondary income of $20 per unit per month; the underwriting analysis assumes the guideline maximum of $15 per unit per month. Despite the differences noted above the Applicant's projected effective gross income is within 1% of the underwriting estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 1/15/2009

The Applicant's projected annual operating expenses are $3,287 per unit. This is within 3% of the underwriting estimate of $3,388. Individual line items that vary significantly include general and administrative (the Applicant's projection is lower by $7K); payroll and payroll tax (the Applicant's projection is lower by $6K); and repairs and maintenance (the Applicant's projection is higher by $8K).

The Applicant indicates that the property will achieve a property tax exemption due to the Texas Regional Housing Authority's ownership of the GP. The Housing Authority will own the land and lease it back to the partnership in order to secure a 100% tax exemption. Therefore, the Underwriter is assuming the 100% property tax exemption proposed by the Applicant, which will be achieved through a long-term lease of the property by the Applicant from the Texas Regional Housing Authority. However, receipt, review and acceptance, by cost certification, of a fully executed ground lease between the Applicant and the Housing Authority is a condition of this report.

Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio. The Year One proforma results in a DCR within the parameters of the Department's current guideline (1.15 to 1.35). The Underwriter has adjusted the term of the HOME loan to match the conventional first lien, which has the effect of increasing annual debt service by a minimal $1,677; this will be discussed further under 'Financing Structure' later in this report.

Feasibility:

The underwriting estimates and the recommended financing structure are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates continued positive cash flow and a DCR that remains above 1.15 throughout the proforma period; the development can therefore be considered financially feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	16.9 acres	$132,770	Tax Year:	2008
prorata value per acre:		$7,880	Valuation by:	Llano County CAD
Subject Site:	8.42 acres	$66,346	Tax Rate:	1.8938

EVIDENCE of PROPERTY CONTROL

Type: Option to Purchase Acreage: 8.42

Contract Expiration: 6/30/2009 Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $250,000 Other: The GP will ultimately acquire the property and lease it back to the partnership for 99 years

Seller: Bart and Debbie Gillan Related to Development Team? [ ] Yes [X] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 11/17/2008

Acquisition Value:

The acquisition cost of $30K per acre is assumed to be reasonable as the purchase is an arm's length transaction.

Sitework Cost:

The proposed sitework cost is within the guideline limit of $9,000 per unit; therefore, no additional substantiation is necessary.

Direct Construction Cost:

Of note, the Applicant provided an updated cost schedule on November 17, 2008. This revised cost schedule was not provided, however, as a result of a request for additional information by staff. In fact, it appears that the Applicant provided the revision after the Board's November 13th decision to allow a 10% increase in construction costs. However the Applicant's new cost schedule was not considered in this analysis, as developments awarded additional credits per the November 13, 2008 TDHCA Board policy were based on original costs only. Similarly, the subject development will be evaluated using those same standards and any additional credit will be applied in the same manner as other 2008 9% cycle applications.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by $31,280 to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Contingency & Fees:

The Applicant included $24K as a soft cost contingency; the underwriting analysis includes this amount with construction cost contingency. This results in total contingency exceeding the eligible limit by $24K; the excess amount is included with ineligible costs. The reduced eligible cost also results in the Applicant's developer's fee being overstated by $4.7K; the excess amount is also excluded from eligible basis and treated as an ineligible cost.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $5,985,674 supports annual tax credits of $667,496. The TDHCA Board acted on November 13, 2008 to allow all transactions the benefit of the 9% applicable percentage which is accounted for in this calculation. Also of note, the Applicant originally excluded the $475K in HOME funds from their eligible basis calculation due to the below-market rate nature of the requested funds. However, current law as modified by The Housing and Economic Recovery Act of 2008 allows the BMR HOME loans to remain in basis; therefore, the Underwriter has adjusted the Applicant's eligible basis calculation accordingly.

Finally, the Board approved increase in the credit amount for all 2008 transactions provides an additional 10% of direct construction and site work cost as contingency. In this case, the increase results in an additional eligible basis amount of $373,591 and $32,047 in additional credit. The total eligible credit of $699,543 will be compared to the amount determined by the gap in financing to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 3 Date of Last Applicant Revision: 11/17/2008

Source: PNC Multifamily Capital Type: **Interim Financing**

Principal: $1,564,000 Interest Rate: 5.50% [ ] Fixed Term: 24 months

Comments:

The Lender letter provided on 1/08/09 indicates a construction loan rate of LIBOR plus 250 bps (floating over term of construction loan as LIBOR changes). The Lender clarified by email on 1/14 that "using something around a 5.50% would probably equate to our models ... This allows for more of an average of LIBOR over time and is more reflective of an underwriting level than taking the current LIBOR rates."

Source: PNC Multifamily Capital Type: **Permanent Financing**

Principal: $1,564,000 Interest Rate: 8.29% [X] Fixed Amort: 420 months

Comments:

The Lender letter provided on 1/08/09 indicates a term loan rate of "approximately 583 bps over the 10 Year US Treasury Security (currently 2.46%) ... the current indicative rate is 8.29% ... the final permanent interest rate will be determined at the time of rate lock, which will occur prior to the construction loan closing. The quoted spread and US Treasury rates are subject to market conditions."

Source: Red Capital Markets Type: **Syndication**

Proceeds: $4,976,693 Syndication Rate: 73% Anticipated HTC: $ 681,807

Comments:

The equity letter dated 12/1/08 indicates a syndication rate of $0.73 per dollar of tax credit. Any increase in price may cause the equity proceeds to exceed the gap in financing and the allocation should be reevaluated. If the price falls below $0.605, the required deferred developer fee would exceed the available cash flow, jeopardizing the viability of the project.

Amount: $0 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

At its November 13, 2008 meeting, the Governing Board approved an increase in tax credits for all competitive 2007 and 2008 transactions based on the 9% credit rate and a 10% increase in direct and sitework construction costs. As a result, all applications on the 2008 waiting list to be considered for a forward commitment will be treated in the same manner. As discussed previously, the Applicant's total development cost estimate is within 5% of the Underwriter's estimate; therefore, the Applicant's cost estimate will be used for purposes of determining the development's eligible basis and funding need. Accordingly, the Applicant's development cost has been increased by 10% as approved by the TDHCA Board for purposes of determining the recommended tax credit allocation.

The Applicant's total development cost estimate (including the 10% increase) less the permanent loan of $1,564,000 and the $475K in requested HOME funding indicates the need for $5,087,715 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $697,017 annually would be required to fill this gap in financing. This is less than the credit amount of $699,543 determined by eligible basis; therefore, the gap-driven amount of $697,017 is recommended, resulting in proceeds of $5,087,715 based on a syndication price of $0.73 per tax credit dollar.

The Underwriter also recommends a HOME award of $475K to be structured as a fully repayable second lien mortgage carrying a 1% interest rate and a term/amortization period of 35 years.

The Underwriter's recommended financing structure indicates no need for additional permanent funds.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the ratio of HOME units to total units.

Return on Equity:

A subsidy layering evaluation of the cash on cash return on the syndication proceeds reflects a return of less than 1% annually over 30 years not accounting for the value of the credits to the investors. The Department's objectives of providing not more than is necessary to develop and operate safe decent and affordable housing will be met under the proposed financing structure.

Underwriter:	*Thomas Cavanagh*	Date:	January 26, 2009
Reviewing Underwriter:	*Diamond Unique Thompson*	Date:	January 26, 2009
Acting Director of Real Estate Analysis:	*Raquel Morales*	Date:	January 26, 2009

MULTIFAMILY COMPARATIVE ANALYSIS

Park Ridge Apartments, Llano, 9% HTC / HOME #08181

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30 LH	1	1	1	674	$276	$208	$208	$0.31	$68	$83
TC 50 HH	5	1	1	674	$460	$392	$1,960	$0.58	$68	$83
TC 60%	6	1	1	674	$552	$484	$2,904	$0.72	$68	$83
TC 30 LH	2	2	2	915	$332	$249	$498	$0.27	$83	$92
TC 50%	10	2	2	915	$552	$469	$4,690	$0.51	$83	$92
TC 60%	13	2	2	915	$663	$580	$7,540	$0.63	$83	$92
MR	3	2	2	915		$630	$1,890	$0.69	$83	$92
TC 30 LH	1	3	2	1,067	$383	$291	$291	$0.27	$92	$102
TC 50%	4	3	2	1,067	$638	$546	$2,184	$0.51	$92	$102
TC 50 HH	4	3	2	1,067	$638	$546	$2,184	$0.51	$92	$102
TC 60%	15	3	2	1,067	$765	$673	$10,095	$0.63	$92	$102
TOTAL:	64		**AVERAGE:**	927		$538	$34,444	$0.58	$83.56	$94.06

INCOME	Total Net Rentable Sq Ft: 59,316			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$413,328	$412,332	Llano		7
fees, laundry, vending, cable, phone	Per Unit Per Month:	$15.00		11,520	15,360	$20.00	Per Unit Per Month	
						$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$424,848	$427,692			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(31,864)	(32,076)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$392,984	$395,616			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		6.67%	$410	0.44	26,216	$21,800	$0.37	$341	5.51%
Management		5.00%	307	0.33	19,649	21,759	0.37	340	5.50%
Payroll & Payroll Tax		14.25%	875	0.94	56,000	53,820	0.91	841	13.60%
Repairs & Maintenance		6.61%	406	0.44	25,967	34,400	0.58	538	8.70%
Utilities		3.59%	220	0.24	14,106	12,800	0.22	200	3.24%
Water, Sewer, & Trash		6.36%	391	0.42	25,003	23,200	0.39	363	5.86%
Property Insurance		4.81%	295	0.32	18,901	17,600	0.30	275	4.45%
Property Tax	1.8938	0.00%	0	0.00	0	0	0.00	0	0.00%
Reserve for Replacements		4.07%	250	0.27	16,000	16,000	0.27	250	4.04%
TDHCA Compliance Fees		0.62%	38	0.04	2,440	2,560	0.04	40	0.65%
Other: Supportive Services		1.63%	100	0.11	6,400	6,400	0.11	100	1.62%
TOTAL EXPENSES		53.61%	$3,292	$3.55	$210,682	$210,339	$3.55	$3,287	53.17%
NET OPERATING INC		46.39%	$2,848	$3.07	$182,302	$185,277	$3.12	$2,895	46.83%
DEBT SERVICE									
PNC Multifamily Capital		34.93%	$2,145	$2.31	$137,273	$137,273	$2.31	$2,145	34.70%
TDHCA HOME		3.67%	$225	$0.24	14,413	14,413	$0.24	$225	3.64%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		7.79%	$478	$0.52	$30,616	$33,591	$0.57	$525	8.49%
AGGREGATE DEBT COVERAGE RATIO					1.20	1.22			
RECOMMENDED DEBT COVERAGE RATIO						1.21			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		3.61%	$3,906	$4.21	$250,000	$250,000	$4.21	$3,906	3.51%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.31%	8,995	9.71	575,681	575,681	9.71	8,995	8.08%
Direct Construction		48.87%	52,914	57.09	3,386,511	3,160,233	53.28	49,379	44.34%
Contingency	5.00%	2.86%	3,095	3.34	198,110	210,853	3.55	3,295	2.96%
Contractor's Fees	13.20%	7.55%	8,172	8.82	523,028	523,028	8.82	8,172	7.34%
Indirect Construction		6.42%	6,956	7.51	445,190	445,190	7.51	6,956	6.25%
Ineligible Costs		4.23%	4,579	4.94	293,044	293,044	4.94	4,579	4.11%
Developer's Fees	14.43%	11.33%	12,272	13.24	785,432	785,432	13.24	12,272	11.02%
Interim Financing		4.53%	4,906	5.29	314,006	314,006	5.29	4,906	4.41%
Reserves		2.29%	2,483	2.68	158,940	195,657	3.30	3,057	2.75%
TOTAL COST		100.00%	$108,280	$116.83	$6,929,941	$7,126,715	$120.15	$111,355	100.00%
Construction Cost Recap		*67.58%*	***$73,177***	***$78.96***	***$4,683,330***	***$4,469,795***	***$75.36***	***$69,841***	*62.72%*

SOURCES OF FUNDS						RECOMMENDED	
PNC Multifamily Capital	22.57%	$24,438	$26.37	$1,564,000	$1,564,000	$1,564,000	Developer Fee Available
TDHCA HOME	6.85%	$7,422	$8.01	475,000	475,000	475,000	$780,740
HTC: PNC Multifamily Capital	68.42%	$74,081	$79.93	4,741,203	4,741,203	5,087,715	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00		(27,079)		0%
Additional (Excess) Funds Req'd	2.16%	$2,340	$2.52	149,738	373,591	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$6,929,941	$7,126,715	$7,126,715	$857,684

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$63.42	$3,761,648
Adjustments				
Exterior Wall Finish	2.10%		$1.33	$78,995
Elderly	0.00%		0.00	0
8-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(1.85)	(109,735)
Floor Cover			3.08	182,693
Breezeways/Balconies	$19.81	10,467	3.50	207,351
Plumbing Fixtures	$965	28	0.46	27,020
Rough-ins	$425	0	0.00	0
Built-In Appliances	$2,425	64	2.62	155,200
Exterior Stairs	$1,800	0	0.00	0
Enclosed Corridors		0	0.00	0
Heating/Cooling			1.80	106,769
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$69.04	4,670	5.44	322,411
Other: fire sprinkler	$1.95	59,316	1.95	115,666
SUBTOTAL			81.73	4,848,019
Current Cost Multiplier	0.99		(0.82)	(48,480)
Local Multiplier	0.87		(10.63)	(630,242)
TOTAL DIRECT CONSTRUCTION COSTS			$70.29	$4,169,296
Plans, specs, survy, bld prm	3.90%		($2.74)	($162,603)
Interim Construction Interest	3.38%		(2.37)	(140,714)
Contractor's OH & Profit	11.50%		(8.08)	(479,469)
NET DIRECT CONSTRUCTION COSTS			$57.09	$3,386,511

PAYMENT COMPUTATION

Primary	$1,564,000	Amort	420
Int Rate	8.29%	DCR	1.33

Secondary	$475,000	Amort	480
Int Rate	1.00%	Subtotal DCR	1.20

Additional	$4,741,203	Amort	
Int Rate		Aggregate DCR	1.20

RECOMMENDED FINANCING STRUCTURE APPLICANT'S I

Primary Debt Service	$137,273
Secondary Debt Service	16,090
Additional Debt Service	0
NET CASH FLOW	$31,914

Primary	$1,564,000	Amort	420
Int Rate	8.29%	DCR	1.35

Secondary	$475,000	Amort	420
Int Rate	1.00%	Subtotal DCR	1.21

Additional	$4,741,203	Amort	0
Int Rate	0.00%	Aggregate DCR	1.21

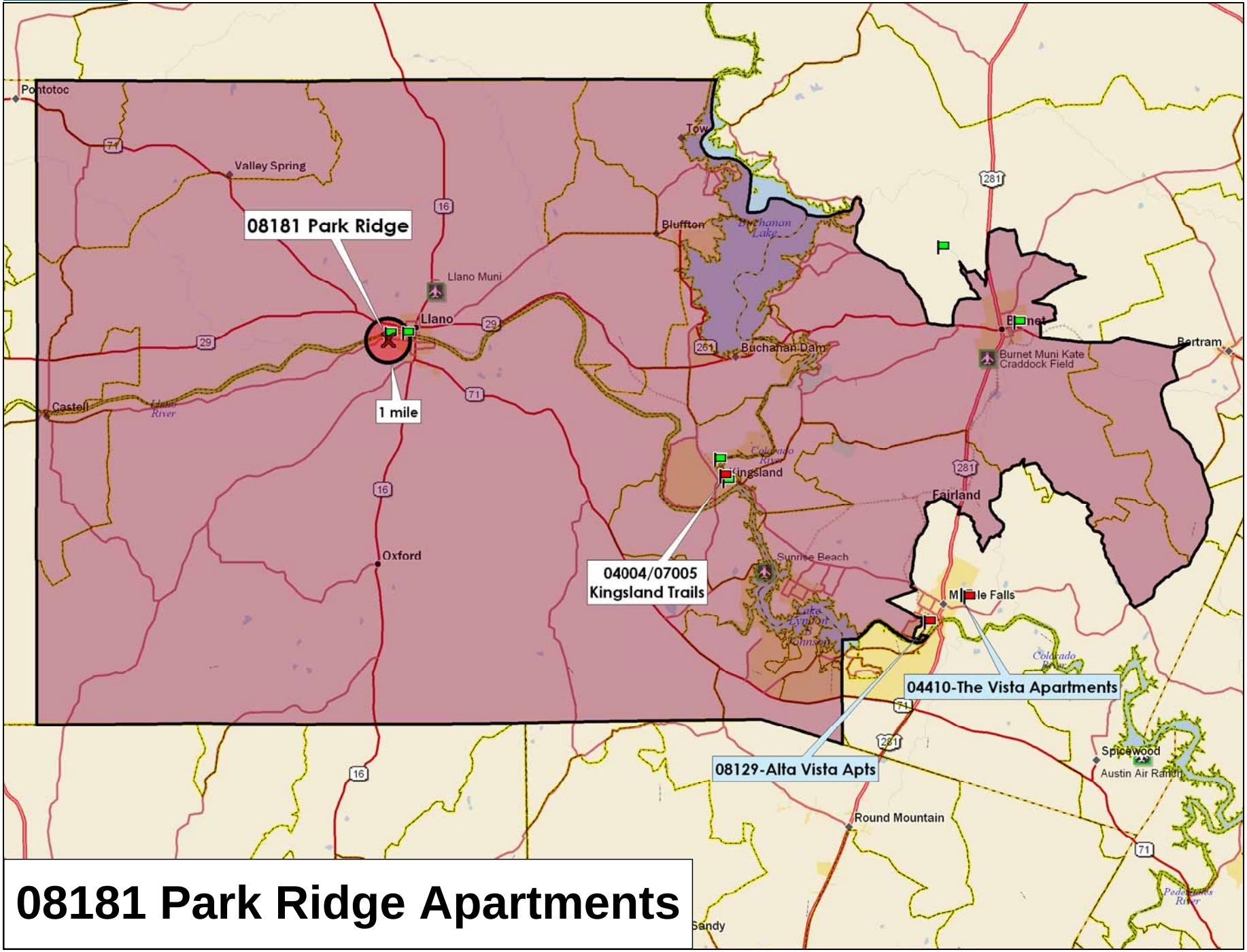
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$413,328	$425,728	$438,500	$451,655	$465,204	$539,299	$625,196	$724,773	$974,035
Secondary Income	11,520	11,866	12,222	12,588	12,966	15,031	17,425	20,200	27,148
0	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	424,848	437,593	450,721	464,243	478,170	554,330	642,621	744,974	1,001,182
Vacancy & Collection Loss	(31,864)	(32,820)	(33,804)	(34,818)	(35,863)	(41,575)	(48,197)	(55,873)	(75,089)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$392,984	$404,774	$416,917	$429,425	$442,307	$512,756	$594,424	$689,101	$926,093
EXPENSES at 4.00%									
General & Administrative	$26,216	$27,264	$28,355	$29,489	$30,669	$37,313	$45,397	$55,232	$81,757
Management	19,649	20,239	20,846	21,471	22,115	25,638	29,721	34,455	46,305
Payroll & Payroll Tax	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Repairs & Maintenance	25,967	27,006	28,086	29,210	30,378	36,960	44,967	54,709	80,983
Utilities	14,106	14,671	15,258	15,868	16,503	20,078	24,428	29,720	43,993
Water, Sewer & Trash	25,003	26,003	27,043	28,125	29,250	35,587	43,297	52,677	77,975
Insurance	18,901	19,657	20,444	21,261	22,112	26,902	32,731	39,822	58,946
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	16,000	16,640	17,306	17,998	18,718	22,773	27,707	33,710	49,898
Other	8,840	9,194	9,561	9,944	10,342	12,582	15,308	18,625	27,569
TOTAL EXPENSES	$210,682	$218,913	$227,467	$236,358	$245,597	$297,538	$360,529	$436,933	$642,071
NET OPERATING INCOME	$182,302	$185,861	$189,450	$193,067	$196,710	$215,218	$233,895	$252,167	$284,023
DEBT SERVICE									
First Lien Financing	$137,273	$137,273	$137,273	$137,273	$137,273	$137,273	$137,273	$137,273	$137,273
Second Lien	16,090	16,090	16,090	16,090	16,090	16,090	16,090	16,090	16,090
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$28,939	$32,497	$36,086	$39,704	$43,347	$61,854	$80,532	$98,804	$130,659
DEBT COVERAGE RATIO	1.19	1.21	1.24	1.26	1.28	1.40	1.53	1.64	1.85

HTC ALLOCATION ANALYSIS -Park Ridge Apartments, Llano, 9% HTC / HOME #08181

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS	10% Increase
Acquisition Cost					
Purchase of land	$250,000	$250,000			
Purchase of buildings					
Off-Site Improvements					
Sitework	$575,681	$575,681	$575,681	$575,681	$57,568
Construction Hard Costs	$3,160,233	$3,386,511	$3,160,233	$3,386,511	$316,023
Contractor Fees	$523,028	$523,028	$523,028	$523,028	
Contingencies	$210,853	$198,110	$186,796	$198,110	
Eligible Indirect Fees	$445,190	$445,190	$445,190	$445,190	
Eligible Financing Fees	$314,006	$314,006	$314,006	$314,006	
All Ineligible Costs	$293,044	$293,044			
Developer Fees			$780,740		
Developer Fees	$785,432	$785,432		$785,432	
Development Reserves	$195,657	$158,940			
TOTAL DEVELOPMENT COSTS	$6,753,124	$6,929,941	$5,985,674	$6,227,958	$373,591

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS		$5,985,674	$6,227,958	$373,591
High Cost Area Adjustment		130%	130%	100%
TOTAL ADJUSTED BASIS		$7,781,376	$8,096,345	$373,591
Applicable Fraction		95%	95%	95%
TOTAL QUALIFIED BASIS		$7,416,624	$7,716,829	$356,079
Applicable Percentage		9.00%	9.00%	9.00%
TOTAL AMOUNT OF TAX CREDITS		$667,496	$694,515	$32,047
Syndication Proceeds	**0.7299**	**$4,872,234**	**$5,069,449**	**$233,921**
Total Tax Credits (Eligible Basis Method)		**$667,496**	**$694,515**	**$699,543**
Syndication Proceeds		**$4,872,234**	**$5,069,449**	**$5,106,155**
Requested Tax Credits		**$585,392**		
Syndication Proceeds		**$4,272,934**		
Gap of Syndication Proceeds Needed		**$5,087,715**		
Total Tax Credits (Gap Method)		**$697,017**		



08181 Park Ridge Apartments

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TN
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Scale 1 : 375,000
1" = 5.92 mi
Data Zoom 9-1

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report ADDENDUM

REPORT DATE: 01/21/09 PROGRAM: 9% HTC/HOME FILE NUMBER: **08129/08341**

DEVELOPMENT

Alta Vista Apartments

Location: 1001 Pecan Valley Drive Region: 7

City: Marble Falls County: Burnet Zip: 78654 [ ] QCT [x] DDA

Key Attributes: Family, Acquisition/Rehabilitation, Rural, At-Risk/Preservation, USDA

ALLOCATION

	PREVIOUS REQUEST			**PREVIOUS RECOMMENDATION***		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$312,199			**$353,652**		

	CURRENT REQUEST			**CURRENT RECOMMENDATION***		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$400,528	1.00%	30/30	**$400,528**	**1.00%**	**30/30**
Housing Tax Credit (Annual)	$345,445			**$345,445**		

* The recommended tax credit allocation incorporates the November 13, 2008 TDHCA Board approval to use the 9% credit rate and a 10% increase in direct and sitework construction costs for all competitive 2007 and 2008 transactions as well as all applications on the 2008 waiting list to be considered for a forward commitment.

CONDITIONS

1 Recission of $8,207 in annual tax credits.

2 Receipt, review and acceptance by 10% Test of a commitment by USDA to approve the transfer of the loan.

3 Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved rents of at least $455 and $535 or an alternative that allows continued financial feasibility.

4 Should the terms and rates of the existing or proposed debt, syndication, or scope of work change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	44
60% of AMI	60% of AMI	16

HOME SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
50% of AMI	50% of AMI	7

PROS	CONS
▫ The proposal provides for the rehabilitation of a 26 year old USDA/rural development.	▫ The Development is marginally feasible based upon estimated 15-year cash flow to payout of the anticipated deferred developer fee. ▫ The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio significantly over 65%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. ▫ The recommended financing structure indicates that 90% of the developer fee may be deferred to satisfy the gap in financing. ▫ The acquisition is an identity of interest.

ADDENDUM

Alta Vista Apartments was originally underwritten during the 2008 9% HTC cycle and was approved for an annual tax credit allocation of $312,199, subject to conditions. In November 2008 the TDHCA Board approved an additional allocation of tax credits for all 2007 and 2008 competitive HTC applications based upon a 10% increase in direct and site work construction costs. As a result of this policy the development received an additional $41,153 in tax credits for a total annual allocation of $353,652. The Applicant has received a 2008 Carryover Allocation document reflecting this annual credit amount.

The Underwriter has evaluated the Applicant's current request for changes in the financing structure, including the new request for TDHCA HOME funds. The Applicant provided an updated rent schedule, expenses, sources and uses, and an updated commitment for the syndication proceeds. The Underwriter has evaluated the impact of these changes on the financial viability of the transaction and the tax credit award based on the documentation provided and the requested changes. Only those portions of the report that are materially affected by the proposed changes are discussed below. This report should be read in conjunction with the original underwriting report for a full evaluation of the originally proposed development plan and structure.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 5 Date of Last Applicant Revision: 12/19/2008

The property operates under two existing USDA-RD interest credit and rental assistance agreements. The rental assistance includes a total of 48 units but all of the units are covered under the interest credit. Under current USDA-RD guidelines, like units at the development must have the same rent regardless of rental assistance and therefore all rents will be the same for each bedroom size. The Applicant originally proposed rents of $385 and $463 for one- and two-bedroom units respectively, however these anticipated rents were changed during the original underwriting process, and again at the time of the HOME application submission.

The Applicant's currently revised rent projections of $455 and $535 are based on the need for a significant contract rent increase for 2009 to cover anticipated long term reserve for replacement needs identified in the CNA. The proposed rents are 20.7% higher than the rents reflected in the current rent roll and 17.54% higher than the rents implemented in 2008. The proposed rents will be greater than the current 50% tax credit rents but since there are 44 units being pledged to target households at or below 50%, there are a sufficient number of rental assistance units to support the targeted number of households at or below 50%.

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At the time of original underwriting, the Owner was in the process of implementing a $10 increase in contract rents for each bedroom type, effective July 1, 2008. The 2008 rents are $395 and $445 or $60 and $90 less than the currently proposed 2009 rents.

The Underwriter has calculated that a minimum increase of at least 16% over the 2008 rents is necessary in order to maintain a minimum DCR of 1.15 with the higher CNA costs. The Underwriter has used the Applicant's currently proposed 2009 contract rents since the development can not be projected to support repayment of the anticipated deferred developer fee at lower rents. Therefore, receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved rents of at least $455 and $535 is a condition of this report.

The Applicant has included secondary income in excess of the Department guideline of $15 per unit per month. Additionally, operating history of the development does not appear to justify the higher figure; therefore, the Underwriter's secondary income amount does not exceed the Department maximum of $15 per unit.

Finally, the Applicant has made provision for losses due to vacancy and collection equal to 2.89% of potential gross income, based on the historical vacancy rate. However, in determining the property value by the income approach, the Appraiser applied a 5% adjustment for vacancy and collection; this is consistent with underwriting guidelines for occupied rehabilitation projects and for USDA-RD financed developments. The underwriting analysis therefore assumes vacancy and collection losses at 5% of potential gross income. Despite the differences described above, effective gross income within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 12/19/2008

The Applicant's annual operating expense projection at $4,729 per unit remains unchanged from the original HTC application, and is within 5% of the Underwriter's estimate of $4,651, derived from actual operating history of the development, the TDHCA database, and third-party data sources.

The Applicant has estimated reserve for replacement expense of $1,112 per unit. This is significantly higher than the underwriting guideline of $300 per unit for rehabilitation developments; however, the guideline amount is subject to higher amounts if identified by a Capital Needs Assessment (CNA). The CNA provided by the Applicant identified capital expenses over a 15 year period of $1,103,673 and that would require a replacement reserve of $1,112 per unit per year. The Underwriter accounted for the initial reserve requirement in the construction budget of $100,000, which has increased from $40,682 at original underwriting due to the addition of the requested HOME funds. The Underwriter also concluded an annual reserve expense of $1,059 per unit. At the estimated reserve expense amount the reserve balance remains positive through Year 15.

Conclusion:

While the Applicant's effective gross income and operating expenses are within 5% of the Underwriter's estimates; the Applicant's net operating income is not within 5%. As a result, the Underwriter's year one proforma will be used to determine the development's debt capacity. The currently proposed permanent financing structure results in an initial year's debt coverage ratio of 1.23, which is within the Department's DCR guideline of 1.15 to 1.35.

Additionally, the Applicant's and Underwriter's expense to income ratios (79% and 80%, respectively) are significantly above the TDHCA maximum of 65%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, the 2008 Real Estate Analysis rules provide that a transaction with a ratio greater than 65% will be re-characterized as feasible if "the Development will receive rental assistance in association with USDA-RD-RHS financing." [§1.32(7)(B)(ii)]. The subject's rents are managed by USDA. As such, the subject development meets this feasibility exception.

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Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized. The cashflow does not go negative until after year 15 and therefore the development can be characterized as feasible.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 12/31/2008

In conjunction with the HOME application the Applicant provided a revised total development cost schedule reflecting an overall increase in costs of $215K or 6%. No increases to the site work and direct construction cost line items are reflected. However, about half of the increase appears to be attributed to a significant increase in the reserves. The Applicant, in the original HTC application, did not include any budget for this line item, but has included $100K in the revised budget submitted with the HOME application. Other increases appear in the acquisition cost, contingency, developer fees and interim financing. While the applicant's current costs have increased slightly the current estimates do not reflect an increase of 10% since the original application.

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant and particularly the CNA. Any deviations from the Applicant's or CNA estimates are due to program and underwriting guidelines. Therefore, the Underwriter's CNA derived development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: BHHH, Inc Type: **Interim Financing**

Principal: $2,502,384 Interest Rate: 8.0% ☐ Fixed Term: months

Source: Capital Area HFC Type: **Interim Financing**

Principal: $210,000 Interest Rate: 4.3% ☐ Fixed Term: 12 months

Source: USDA-RD Type: **Permanent Financing**

Principal: $942,842 Interest Rate: 1.0% ☐ Fixed Amort: 600 months

Comments:

Remaining balance reported to total $943,345 by USDA as of 12/31/2007.

Source: Cash Reserve Type: **Equity**

Principal: $106,443 Conditions:

Source: Michel & Associates Type: **Syndication**

Proceeds: $2,608,082 Syndication Rate: 75% Anticipated HTC: $ 345,445

Comments:

The syndication price has dropped from $0.82 as reflected in the original HTC application to the currently quoted $0.75 documented in the HOME application. Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer fee and render the development financially infeasible. Alternatively, should the final credit price increase to more than $0.777, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: $0 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

As discussed previously, the Underwriter's original total development cost will be used for purposes of this analysis and determining the development's eligible basis and funding need.

It should be noted that based on the Applicant's revised sources and uses submitted with the HOME application, it appears that the Applicant is requesting a reduced amount of annual tax credits than allocated. Specifically, based on total syndication proceeds of $2,608,082 and a price of $0.75, the resulting annual credit amounts to $345,445. This lesser amount is also reflected in the Applicant's revised total development cost schedule.

The Underwriter's total development cost less the existing USDA-RD loan of $942,842, the $106K in cash reserves and the requested HOME funds of $400,528 indicates the need for $2,618,870 in gap funds. Based on the currently submitted syndication terms, a tax credit allocation of $346,874 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, the previously awarded amount ($353,652), the Applicant's current request ($345,445) and the revised gap-driven amount ($346,874), the Applicant's currently requested amount of $345,445 is the amount currently supported by the updated information presented. As a result, the previously allocated credit amount with the Board approved 10% additional credits can not be validated at this time (even by the Applicant).

The Underwriter confirmed with the Applicant that the current request for tax credits is less than the amount that has previously been allocated via the 2008 Carryover Allocation document. The Applicant confirmed that the current request is to reduce the amount of tax credits issued in order to receive all of the HOME funds requested. Therefore, the Underwriter recommends a recission of $8,207 in annual tax credits previously allocated to the development and an amended allocation of annual tax credits in the amount of $345,445.

The Underwriter also recommends a HOME award of $400,528 to be structured as a fully repayable loan carrying a 1% interest rate and a term/amortization period of 30 years. The Underwriter's recommended financing structure indicates the need for $22,701 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within 2 years of stabilized operation. If the HOME award is ultimately not awarded, the gap in financing would increase to an amount greater than the developer fee available for deferral and the transaction would not be financially viable unless another source of funds was received.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

Return on Equity:

This is a USDA-RD transaction, in which the Applicant is restricted by the loan agreement to a return of no more than 8% per annum on the borrower's original investment, with any excess cash flow going to fund replacement reserves. USDA-RD will manage this return on equity restriction.

Underwriter:	*Diamond Unique Thompson*	Date:	January 21, 2009
Acting Director of Real Estate Analysis:	*Raquel Morales*	Date:	January 21, 2009

MULTIFAMILY COMPARATIVE ANALYSIS ADDENDUM

Alta Vista Apartments, Marble Falls, 9% HTC/HOME #08129/08341

Type of Unit	Other	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	2008 Contract Rents	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%		1	1	1	591	$298	$455	$395	$455	$0.77	$67.00	$69.00
TC 50%	LH	3	1	1	591	$496	$455	$395	$1,365	$0.77	$67.00	$69.00
TC 50%		8	1	1	591	$496	$455	$395	$3,640	$0.77	$67.00	$69.00
TC 60%		4	1	1	591	$596	$455	$395	$1,820	$0.77	$67.00	$69.00
TC 30%		1	1	1	612	$298	$455	$395	$455	$0.74	$67.00	$69.00
TC 50%		9	1	1	612	$496	$455	$395	$4,095	$0.74	$67.00	$69.00
TC 50%	LH	1	1	1	612	$496	$455	$395	$455	$0.74	$67.00	$69.00
TC 60%		9	1	1	612	$596	$455	$395	$4,095	$0.74	$67.00	$69.00
TC 30%		1	2	1	784	$357	$535	$445	$535	$0.68	$89.00	$75.00
TC 50%		7	2	1	784	$596	$535	$445	$3,745	$0.68	$89.00	$75.00
TC 50%	LH	1	2	1	784	$596	$535	$445	$535	$0.68	$89.00	$75.00
TC 60%		3	2	1	784	$715	$535	$445	$1,605	$0.68	$89.00	$75.00
TC 30%		1	2	1	805	$357	$535	$445	535	0.66	89.00	75.00
TC 50%	LH	2	2	1	805	$596	$535	$445	1,070	0.66	89.00	75.00
TC 50%		13	2	1	805	$596	$535	445	6,955	0.66	89.00	75.00
TOTAL:		64		**AVERAGE:**	687		$490	$417	$31,360	$0.71	$76.63	$71.63

INCOME	Total Net Rentable Sq Ft: 43,984			TDHCA-HOME	TDHCA + 10% Inc	TDHCA Original	APP Original	APP-HOME	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$376,320	$377,040	$377,040	$377,040	$376,320	Burnet		7
Secondary Income	Per Unit Per Month:	$15.00		11,520	11,520	11,520	14,304	14,304	$18.63	Per Unit Per Month	
Other Support Income:				0	0	0			$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$387,840	$388,560	$388,560	$391,344	$390,624			
Vacancy & Collection Loss	% of Potential Gross Income:	-5.00%		(19,392)	(19,428)	(19,428)	(11,304)	(11,292)	-2.89%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0	0					
EFFECTIVE GROSS INCOME				$368,448	$369,132	$369,132	$380,040	$379,332			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT						PER SQ FT	PER UNIT	% OF EGI
General & Administrative	3.44%	$198	0.29	$12,672	$12,672	$12,672	$13,036	$13,036	$0.30	$204	3.44%
Management	7.47%	430	0.63	27,528	27,528	27,528	31,488	31,488	0.72	492	8.30%
Payroll & Payroll Tax	14.81%	853	1.24	54,569	54,520	54,520	58,198	58,198	1.32	909	15.34%
Repairs & Maintenance	10.66%	614	0.89	39,290	39,254	39,254	33,804	33,804	0.77	528	8.91%
Utilities	1.64%	95	0.14	6,051	6,051	6,051	6,298	6,298	0.14	98	1.66%
Water, Sewer, & Trash	15.59%	897	1.31	57,439	57,439	57,439	56,397	56,397	1.28	881	14.87%
Property Insurance	3.58%	206	0.30	13,179	13,179	13,179	13,116	13,116	0.30	205	3.46%
Property Tax 2.113	4.50%	259	0.38	16,598	16,598	16,598	16,598	16,598	0.38	259	4.38%
Reserve for Replacements	18.40%	1,059	1.54	67,781	67,781	67,781	71,168	71,168	1.62	1,112	18.76%
TDHCA Compliance Fees	0.69%	40	0.06	2,560	2,560	2,560	2,560	2,560	0.06	40	0.67%
Other:	0.00%	0	0.00	0	0	0			0.00	0	0.00%
TOTAL EXPENSES	80.79%	$4,651	$6.77	$297,667	$297,582	$297,582	$302,665	$302,665	$6.88	$4,729	79.79%
NET OPERATING INC	19.21%	$1,106	$1.61	$70,781	$71,550	$71,550	$77,375	$76,667	$1.74	$1,198	20.21%
DEBT SERVICE											
USDA-RD	11.45%	$659	$0.96	$42,192	$42,192	$42,192	$42,106	$42,106	$0.96	$658	11.10%
Cash Reserve	0.00%	$0	$0.00	0	0	0			$0.00	$0	0.00%
TDHCA-HOME	4.20%	$242	$0.35	15,459	0	0		15,459	$0.35	$242	4.08%
NET CASH FLOW	3.56%	$205	$0.30	$13,130	$29,358	$29,358	$35,269	$19,102	$0.43	$298	5.04%
AGGREGATE DEBT COVERAGE RATIO				1.23	1.70	1.70	1.84	1.33			
RECOMMENDED DEBT COVERAGE RATIO				1.23	1.70	1.70					

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-HOME	TDHCA + 10% Inc	TDHCA Original	APP Original	APP-HOME	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		28.69%	$18,240	$26.54	$1,167,345	$1,166,842	$1,166,842	$1,166,842	$1,188,122	$27.01	$18,564	29.22%
Off-Sites		0.00%	0	0.00	0	0	0	0	0	0.00	0	0.00%
Sitework		9.91%	6,299	9.16	403,106	403,106	403,106	211,275	211,275	4.80	3,301	5.20%
Direct Construction		32.83%	20,874	30.37	1,335,910	1,335,910	1,335,910	1,504,475	1,504,475	34.21	23,507	37.00%
Contingency	9.87%	4.22%	2,681	3.90	171,575	140,000	140,000	140,000	171,575	3.90	2,681	4.22%
Contractor's Fees	13.81%	5.90%	3,753	5.46	240,205	240,205	240,205	240,205	240,205	5.46	3,753	5.91%
Indirect Construction		1.55%	986	1.43	63,099	59,099	59,099	59,099	63,099	1.43	986	1.55%
Ineligible Costs		1.83%	1,161	1.69	74,274	73,718	73,718	73,718	74,274	1.69	1,161	1.83%
Developer's Fees	10.97%	8.67%	5,510	8.02	352,669	340,546	340,546	340,546	352,669	8.02	5,510	8.67%
Interim Financing		3.94%	2,508	3.65	160,500	115,250	115,250	115,250	160,500	3.65	2,508	3.95%
Reserves		2.46%	1,563	2.27	100,000	40,318	40,318		100,000	2.27	1,563	2.46%
TOTAL COST		100.00%	$63,573	$92.50	$4,068,683	$4,088,895	$3,914,994	$3,851,410	$4,066,194	$92.45	$63,534	100.00%
Construction Cost Recap		*52.86%*	***$33,606***	***$48.90***	***$2,150,796***	***$2,119,221***	***$2,119,221***	***$2,095,955***	***$2,127,530***	***$48.37***	***$33,243***	*52.32%*

SOURCES OF FUNDS

									RECOMMENDED	
USDA-RD	23.17%	$14,732	$21.44	$942,842	$942,842	$942,842	$942,842	$942,842	$942,842	Developer Fee Available
Cash Reserve	2.62%	$1,663	$2.42	106,443	106,443	106,443	106,443	106,443	106,443	$352,669
TDHCA-HOME	9.84%	$6,258	$9.11	400,528	2,559,774			400,528	400,528	
Michel & Associates	64.10%	$40,751	$59.30	2,608,082	242,350	2,559,774	2,559,774	2,608,082	2,608,082	% of Dev. Fee Deferred
Operating Funds	0.00%	$0	$0.00		237,486			8,299	8,299	
Deferred Developer Fees	0.00%	$0	$0.00	0	$4,088,895	242,350	242,350		22,701	6%
Additional (Excess) Funds Req'd	0.27%	$169	$0.25	10,788		237,486	1	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$4,068,683		$4,088,895	$3,851,410	$4,066,194	$4,088,895	$72,624

PAYMENT COMPUTATION

Primary	$1,627,400	Amort	600
Int Rate	1.00%	DCR	1.68

Secondary		Amort	
Int Rate		Subtotal DCR	1.68

Additional	$400,528	Amort	360
Int Rate	1.00%	Aggregate DCR	1.23

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$42,192
Secondary Debt Service	0
Additional Debt Service	15,459
NET CASH FLOW	$13,130

Primary	$1,627,400	Amort	600
Int Rate	1.00%	DCR	1.68

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.68

Additional	$400,528	Amort	360
Int Rate	1.00%	Aggregate DCR	1.23

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$376,320	$387,610	$399,238	$411,215	$423,551	$491,012	$569,218	$659,879	$886,823
Secondary Income	11,520	11,866	12,222	12,588	12,966	15,031	17,425	20,200	27,148
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	387,840	399,475	411,459	423,803	436,517	506,043	586,643	680,080	913,970
Vacancy & Collection Loss	(19,392)	(19,974)	(20,573)	(21,190)	(21,826)	(25,302)	(29,332)	(34,004)	(45,699)
Employee or Other Non-Rental Units or Conces	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$368,448	$379,501	$390,886	$402,613	$414,691	$480,741	$557,311	$646,076	$868,272
EXPENSES at 4.00%									
General & Administrative	$12,672	$13,179	$13,706	$14,255	$14,825	$18,037	$21,944	$26,699	$39,521
Management	27,528	28,354	29,204	30,081	30,983	35,918	41,639	48,271	64,872
Payroll & Payroll Tax	54,569	56,752	59,022	61,383	63,838	77,669	94,496	114,969	170,182
Repairs & Maintenance	39,290	40,861	42,496	44,196	45,964	55,922	68,037	82,778	122,531
Utilities	6,051	6,293	6,545	6,807	7,079	8,612	10,478	12,748	18,871
Water, Sewer & Trash	57,439	59,737	62,126	64,611	67,196	81,754	99,466	121,016	179,133
Insurance	13,179	13,706	14,254	14,824	15,417	18,758	22,822	27,766	41,100
Property Tax	16,598	17,262	17,953	18,671	19,418	23,625	28,743	34,970	51,765
Reserve for Replacements	67,781	70,492	73,311	76,244	79,294	96,473	117,374	142,803	211,384
Other	2,560	2,662	2,769	2,880	2,995	3,644	4,433	5,394	7,984
TOTAL EXPENSES	$297,667	$309,299	$321,387	$333,950	$347,008	$420,410	$509,432	$617,413	$907,341
NET OPERATING INCOME	$70,781	$70,203	$69,499	$68,663	$67,684	$60,331	$47,878	$28,663	($39,070)
DEBT SERVICE									
First Lien Financing	$42,192	$42,192	$42,192	$42,192	$42,192	$42,192	$42,192	$42,192	$42,192
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	15,459	15,459	15,459	15,459	15,459	15,459	15,459	15,459	15,459
NET CASH FLOW	$13,130	$12,552	$11,848	$11,012	$10,033	$2,680	($9,773)	($28,988)	($96,721)
DEBT COVERAGE RATIO	1.23	1.22	1.21	1.19	1.17	1.05	0.83	0.50	(0.68)

HTC ALLOCATION ANALYSIS ADDENDUM -Alta Vista Apartments, Marble Falls, 9% HTC/HOME #08129/08341

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	$327,143	$327,646				
Purchase of buildings	$860,979	$839,699	$860,979	$839,699		
Off-Site Improvements						
Sitework	$211,275	$403,106			$211,275	$403,106
Construction Hard Costs	$1,504,475	$1,335,910			$1,504,475	$1,335,910
Contractor Fees	$240,205	$240,205			$240,205	$240,205
Contingencies	$171,575	$171,575			$171,575	$171,575
Eligible Indirect Fees	$63,099	$63,099			$63,099	$63,099
Eligible Financing Fees	$160,500	$160,500			$160,500	$160,500
All Ineligible Costs	$74,274	$74,274				
Developer Fees						
Developer Fees	$352,669	$352,669			$352,669	$352,669
Development Reserves	$100,000	$100,000				
TOTAL DEVELOPMENT COSTS	$4,066,194	$4,068,683	$860,979	$839,699	$2,703,798	$2,727,064

Deduct from Basis:					
All grant proceeds used to finance costs in eligible basis					
B.M.R. loans used to finance cost in eligible basis					
Non-qualified non-recourse financing					
Non-qualified portion of higher quality units [42(d)(3)]					
Historic Credits (on residential portion only)					
TOTAL ELIGIBLE BASIS		$860,979	$839,699	$2,703,798	$2,727,064
High Cost Area Adjustment				130%	130%
TOTAL ADJUSTED BASIS		$860,979	$839,699	$3,514,937	$3,545,183
Applicable Fraction		100%	100%	100%	100%
TOTAL QUALIFIED BASIS		$860,979	$839,699	$3,514,937	$3,545,183
Applicable Percentage		3.55%	3.55%	9.00%	9.00%
TOTAL AMOUNT OF TAX CREDITS		$30,565	$29,809	$316,344	$319,066
Syndication Proceeds	**0.7550**	**$230,761**	**$225,058**	**$2,388,375**	**$2,408,926**

Total Tax Credits (Eligible Basis Method)	**$346,909**	**$348,876**
Syndication Proceeds	**$2,619,136**	**$2,633,984**
Previously Approved Tax Credits	**$353,652**	
Syndication Proceeds	**$2,670,044**	
Applicant's Current Request	**$345,445**	
Total Tax Credits (Gap Method)	**$2,608,082**	
Gap of Syndication Proceeds Needed	**$2,616,381**	**$2,618,870**
Total Tax Credits (Gap Method)	**$346,544**	**$346,874**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

Corrected report

REPORT DATE: 06/25/08 PROGRAM: 9% HTC FILE NUMBER: **08129**

DEVELOPMENT

Alta Vista Apartments

Location: 1001 Pecan Valley Drive Region: 7

City: Marble Falls County: Burnet Zip: 78654 [ ] QCT [x] DDA

Key Attributes: Family, Acquisition/Rehabilitation, Rural, At-Risk/Preservation, USDA

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Tax Credit (Annual)	$312,199			**$312,199**		

CONDITIONS

1 Receipt, review and acceptance by carryover of a commitment by USDA to approve the transfer of the loan.

2 Receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved rents of at least $445 and $550 or an alternative that allows continued financial feasibility.

3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old.

4 Should the terms and rates of the existing or proposed debt, syndication, or scope of work change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	4
50% of AMI	50% of AMI	48
60% of AMI	60% of AMI	12

PROS

- The proposal provides for the rehabilitation of a 26 year old USDA/rural development.

CONS

- The Development is marginally feasible based upon estimated 15-year cash flow to payout of the anticipated deferred developer fee.

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- The development relies upon the project based rental assistance to maintain feasibility with an expense to income ratio significantly over 65%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses.

- The recommended financing structure indicates that 90% of the developer fee may be deferred to satisfy the gap in financing.

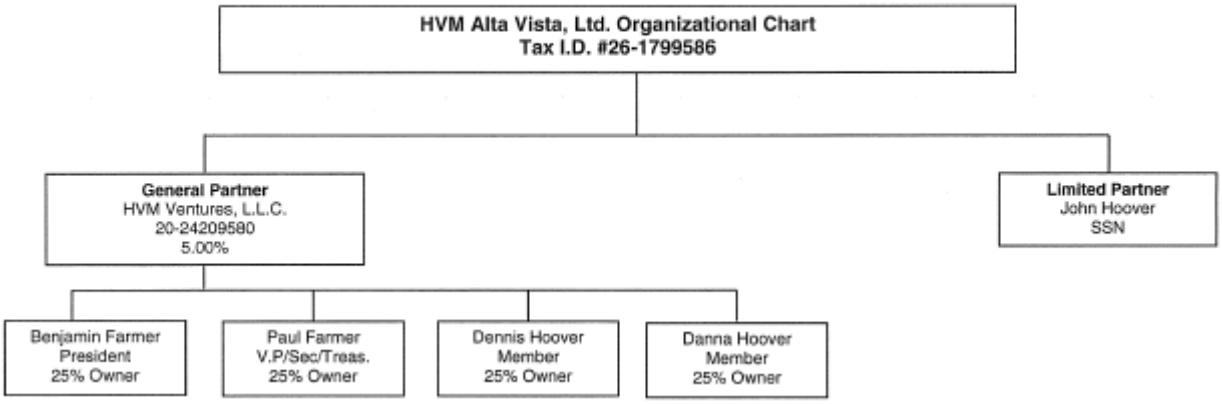
- The acquisition is an identity of interest.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Dennis Hoover Phone: (512) 756-6809 Fax: (512) 756-9885
Email: dennishoover@hamiltonvalley.com

KEY PARTICIPANTS

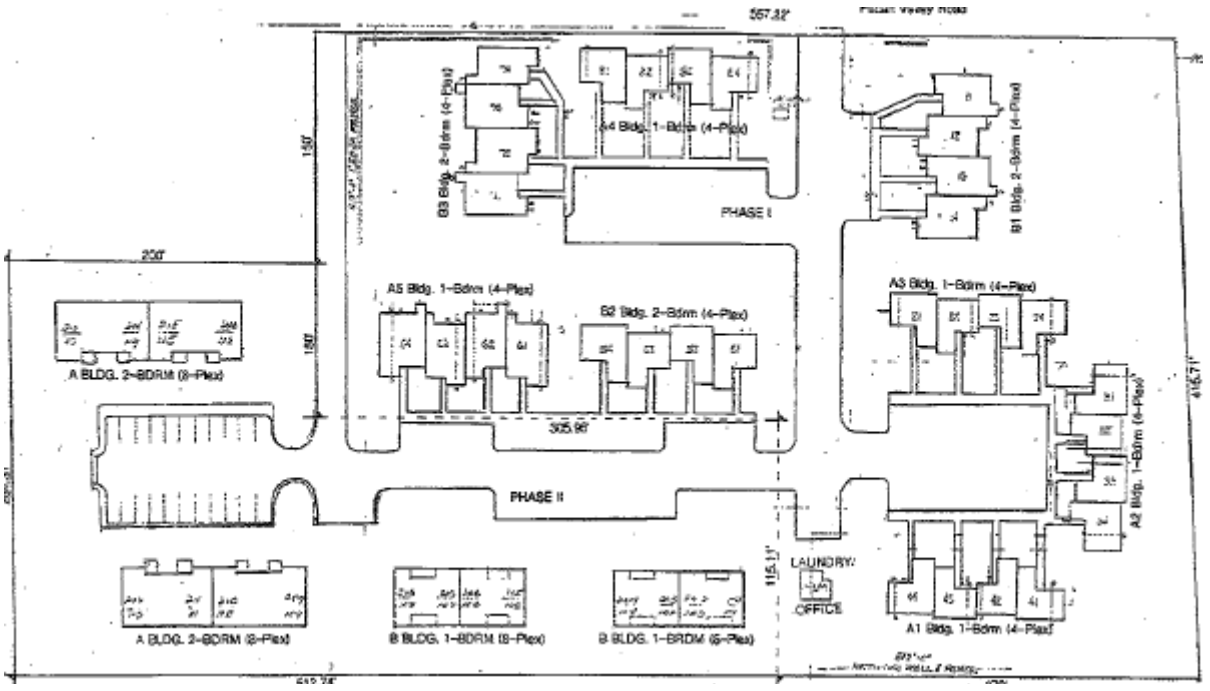
Name	Financial Notes	# Completed Developments
HIM Alta Vista Ltd.	N/A	N/A
Dennis Hoover	N/A	14
Dana Hoover	N/A	6
Ben Farmer	N/A	none listed
Paul and Monica Farmer	N/A	none listed

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.
- The seller is also regarded as a related party to the General Partner and therefore no developer fee for the acquisition is allowed. The acquisition price will be based upon the lesser of the declared price, the appraised value, and the original acquisition and holding cost. This is discussed at greater length in the construction cost section of this report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C	D							Total Buildings
Floors/Stories	1	1	2	2							
Number	5	3	2	2							**12**

BR/BA	SF	Units										Total Units	Total SF
1/1	591	4										20	11,820
1/1	612			8								16	9,792
2/1	784		4									12	9,408
2/1	805				8							16	12,880
Units per Building		4	4	8	8							**64**	**43,900**

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Rehabilitation summary:

The plan calls for: the replacement of roofs, windows, doors, exterior siding, stairs, interior flooring, cabinets, faucets, tub/showers, appliances, HVAC, landscaping, drives and parking, fencing, and interior and exterior painting. The Applicant provided a Capital Needs Assessment (CNA) as an acceptable substitute for the required Property Condition Assessment (PCA) and the CNA confirms these improvements. Even after this work is completed, however, the CNA projects significant amount of required repair and replacement over the first 15 years after the proposed rehabilitation is completed.

SITE ISSUES

Total Size:	7.25 acres	Scattered site?	☐	Yes	☒	No		
Flood Zone:	None	Within 100-yr floodplain?	☐	Yes	☒	No		
Zoning:	Multifamily	Needs to be re-zoned?	☐	Yes	☒	No	☐	N/A

TDHCA SITE INSPECTION

Inspector: ORCA Date: 4/10/2008

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Avenue J

South: Pecan Valley Drive

East: commercial and residential uses.

West: Trinity Street and residential uses.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

A Phase I Environmental Site Assessment report was not included, as USDA-RD-financed projects are not required to submit this report.

MARKET HIGHLIGHTS

A traditional Market Study report was not included, as existing USDA-RD-financed projects with over 80% occupancy are not required to submit a separate report, but must submit an appraisal. An appraisal dated February 25, 2008 prepared by Rafael C. Luebbert, MAI, SRA ("Appraiser") included the following market highlights:

The Appraiser identified the market area to be the "geographical region enveloped by Burnet County with Marble Falls being the most influential community in the conventional multifamily market." (p.32) The subject development is currently 97% occupied with a rental subsidy, and it is likely the existing tenants will choose to remain at the property. A capture rate was not calculated but is of limited value given the low vacancy at the property and limited anticipated turnover as a result of the rehabilitation.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS

PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units 25%
The Vista Apartments	04410	124	124	None			

INCOME LIMITS

Burnet

% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$11,150	$12,700	$14,300	$15,900	$17,150	$18,450
50	$18,550	$21,200	$23,850	$26,500	$28,600	$30,750
60	$22,260	$25,440	$28,620	$31,800	$34,320	$36,900

Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1 BR 591 SF 30%	385	445	$486	$445	60
1 BR 591 SF 50%	385	445	$486	$445	60
1 BR 591 SF 60%	385	445	$486	$445	60
1 BR 612 SF 30%	385	445	$494	$445	60
1 BR 612 SF 50%	385	445	$494	$445	60
1 BR 612 SF 60%	385	445	$494	$445	60
2 BR 784 SF 30%	435	550	$563	$550	115
2 BR 784 SF 50%	435	550	$563	$550	115
2 BR 784 SF 60%	435	550	$563	$550	115
2 BR 805 SF 30%	435	550	$604	$550	115
2 BR 805 SF 50%	435	550	$604	$550	115
2 BR 805 SF 60%	435	550	$604	$550	115

Comments:

As indicated previously, existing USDA 515 transactions are not required to provide a market study. However, the appraisal provided some general information regarding the market and achievable market rents for the subject. Moreover, the property has a current occupancy of 97% according to a rent roll provided at application and is proposing a temporary relocation of some tenants at the expense of the complex. The presence of an existing tenant base mitigates potential concerns about the market.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 12.7226 units per square mile which is less than the 1,432 units per square mile limit. Additionally, as existing USDA-RD-financed projects are not required to submit a separate market study report, no Primary Market Area is defined, thus a PMA concentration cannot be calculated. Therefore, the proposed development is considered to be in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 6/9/2008

The property operates under two existing USDA-RD interest credit and rental assistance agreements. The rental assistance includes a total of 48 units but all of the units are covered under the interest credit. Under current USDA-RD guidelines, like units at the development must have the same rent regardless of rental assistance and therefore all rents will be the same for each bedroom size. The Applicant originally proposed rents of $385 and $463 for one- and two-bedroom units respectively, however these anticipated rents were changed during the underwriting process.

The Applicant's revised rent projections of $445 and $550 are based on the need for a significant contract rent increase for 2009 to cover anticipated long term reserve for replacement needs identified in the CNA. The proposed rents are 20.7% higher than the rents reflected in the current rent roll and 17.7% higher than the proposed rents being implemented for 2008. The proposed rents will be greater than the current 50% tax credit rents but since there are only 40 units being pledged to target households at or below 50%, there are a sufficient number of rental assistance units to support the targeted number of households at or below 50%.

The Owner is currently in the process of implementing a $10 increase in contract rents for each bedroom type, effective July 1, 2008. The 2008 rents are $395 and $445 or $50 and $105 less than the revised proposed 2009 rents. They are also less than the current Housing Tax Credit program rent limits for the units restricted to 50% of AMI.

The Underwriter has calculated that a minimum increase of at least 11% over the 2008 rents is necessary in order to maintain a minimum DCR of 1.15 with the higher CNA costs. The Underwriter has used the Applicant's revised proposed 2009 contract rents since the development can not be projected to support repayment of the anticipated deferred developer fee at lower rents. This is expressed in more detail in the conclusion section below. Since this is such a significant increase in rents, receipt, review, and acceptance, by cost certification, of documentation that USDA-RD has approved rents of at least $445 and $550 is a condition of this report.

The Applicant has included secondary income in excess of the Department guideline of $15 per unit per month. Additionally, operating history of the development does not appear to justify the higher figure; therefore, the Underwriter's secondary income amount does not exceed the Department maximum of $15 per unit.

Finally, the Applicant has made provision for losses due to vacancy and collection equal to 2.89% of potential gross income, based on the historical vacancy rate. However, in determining the property value by the income approach, the Appraiser applied a 5% adjustment for vacancy and collection; this is consistent with underwriting guidelines for occupied rehabilitation projects and for USDA-RD financed developments. The underwriting analysis therefore assumes vacancy and collection losses at 5% of potential gross income. Despite the differences described above, effective gross income within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 6/9/2008

The Applicant's total annual operating expense projection at $4,729 per unit is within 5% of the Underwriter's estimate of $4,650, derived from actual operating history of the development, the TDHCA database, and third-party data sources.

The Applicant has revised the estimated reserve for replacement expense upward to $1,112 per unit from $325 per unit projected originally. The revised amount is significantly higher than the underwriting guideline of $300 per unit for rehabilitation developments; however, the guideline amount is subject to higher amounts if identified by a Capital Needs Assessment (CNA). The CNA provided by the Applicant identified capital expenses over a 15 year period of $1,103,673 and that would require a replacement reserve of $1,112 per unit per year. The Underwriter accounted for the initial reserve requirement in the construction budget of $40,682 and concluded an annual reserve expense of $1,059. At the estimated reserve expense amount the reserve balance remains positive through Year 15.

Conclusion:

While the Applicant's effective gross income and operating expenses are within 5% of the Underwriter's estimates; the Applicant's net operating income is not within 5%. As a result, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio (DCR) of 1.70, which is outside of the Department's DCR guideline of 1.15 to 1.35. However, the projected annual cashflow is less than $30,000 and the development is heavily monitored and return on equity is restricted under the USDA-RD interest credit and rental assistance program. Therefore, developments receiving USDA-RD rental assistance are allowed to exceed the Department's guideline for debt coverage ratios when necessary.

Additionally, the Applicant's and Underwriter's expense to income ratios (79% and 82%, respectively) are significantly above the TDHCA maximum of 65%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However, the 2008 Real Estate Analysis rules provide that a transaction with a ratio greater than 65% will be re-characterized as feasible if "the Development will receive rental assistance in association with USDA-RD-RHS financing." [§1.32(7)(B)(ii)]. The subject's rents are managed by USDA. As such, the subject development meets this feasibility exception.

This section intentionally left blank.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized. If the debt coverage ratio was restricted to a 1.35 in year one, the resulting debt coverage ratio becomes negative after year 10, which typically would be a risk factor for a development; however, in this case, the development is starting at a much higher DCR, has project based rental assistance and is closely monitored for minimal but positive cashflow annually by USDA. The cashflow does not go negative until after year 15 and therefore the development can be characterized as feasible.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Rafael C. Luebbert, MAI, SRA Date: 2/25/2008

Number of Revisions: None Date of Last Applicant Revision: N/A

Land Only:	6.73 acres	$156,700	As of:	2/25/2008
Existing USDA interest subsidy:		$443,000	As of:	2/25/2008
Existing Buildings: (as-is)		$2,079,300	As of:	2/25/2008
Total: (as-is with subsidy)		$2,679,000	As of:	2/25/2008

Comments:

The Appraiser concluded an "as is" value without the interest rate subsidy of $2,236,000 and the existing building value above was imputed from that "as is" amount less the land value.

ASSESSED VALUE

Land Only:	6.53 acres	$1,145	Tax Year:	2007
Existing Buildings:		$664,600	Valuation by:	Burnet CAD
Total Assessed Value:		$665,745	Tax Rate:	2.113

EVIDENCE of PROPERTY CONTROL

Type: Option Agreement Acreage: 6.81

Contract Expiration: 1/3/2009 Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $1,166,842 Other:

Seller: Alta Vista Housing, Ltd Related to Development Team? [x] Yes [ ] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None Date of Last Applicant Revision: N/A

Acquisition Value:

The Purchase Option document indicates the development will be purchased at a price equivalent to the remaining balance of the existing Section 515 Permanent Loans, projected by the Applicant to be $942,842, plus estimated exit taxes of $224K, subject to USDA approval. Moreover, the proposed acquisition price is much lower than the "as is" appraised value with the interest rate subsidy; therefore, the proposed acquisition price of $1,166,842 is used in the underwriting analysis.

The Applicant has estimated eligible building basis of $839,699 or 72% of the total acquisition price. The Underwriter has estimated the same eligible building basis based on the prorata allocation of value to land and buildings as reflected in the Applicant's development cost schedule.

Sitework Cost:

The Applicant's sitework cost estimate is $192K or 48% less than the estimate provided in the revised Capital Needs Assessment (CNA). The underwriting analysis will reflect the revised CNA value.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $169K or 13% higher than the estimate provided in the revised Capital Needs Assessment (CNA). The underwriting analysis will reflect the revised CNA value.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials submitted by the Applicant and particularly the CNA. Any deviations from the Applicant's or CNA estimates are due to program and underwriting guidelines. Therefore, the Underwriter's CNA derived development cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $3,473,815 supports annual tax credits of $314,715. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: BHHH, Inc Type: **Interim Financing**

Principal: $1,984,055 Interest Rate: 6.3% ☐ Fixed Term: months

Source: Capital Area HFC Type: **Interim Financing**

Principal: $200,000 Interest Rate: 4.3% ☐ Fixed Term: 12 months

Source: USDA-RD Type: **Permanent Financing**

Principal: $942,842 Interest Rate: 1.0% ☐ Fixed Amort: 600 months

Comments:

Remaining balance reported to total $943,345 by USDA as of 12/31/2007.

Source: Cash Reserve Type: **Equity**

Principal: $106,443 Conditions:

Source: Raymond James Type: **Syndication**

Proceeds: $2,559,774 Syndication Rate: 82% Anticipated HTC: $ 312,168

Comments:

Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer and render the development financially infeasible. Alternatively, should the final credit price increase to more than $0.90, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: $242,350 Type: **Deferred Developer Fees**

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

This section intentionally left blank.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Underwriter's total development cost estimate less the permanent loan of $942,842 and estimated cash reserve of $106,443 indicates the need for $2,865,709 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $349,477 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($312,199), the gap-driven amount ($349,477), and eligible basis-derived estimate ($314,715), the Applicant's request of $312,199 would be recommended resulting in proceeds of $2,560,028 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for $305,680 in additional permanent funds. Deferred developer fees in this amount appear to be marginally repayable from development cashflow within 15 years of stabilized operation. Therefore, the development can be characterized as feasible. Any reduction in cashflow resulting from rents lower than those proposed above would require the deferred developer fee be repaid in more than 15 years if at all, rendering the development infeasible and could not be recommended for funding.

Underwriter:	*Diamond Unique Thompson*	Date:	June 25, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	June 25, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	June 25, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Alta Vista Apartments, Marble Falls, 9% HTC #08129

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30%	1	1	1	591	$298	$445	$445	$0.75	$67.00	$69.00
TC 50%	16	1	1	591	$496	$445	$7,120	$0.75	$67.00	$69.00
TC 60%	3	1	1	591	$596	$445	$1,335	$0.75	$67.00	$69.00
TC 30%	1	1	1	612	$298	$445	$445	$0.73	$67.00	$69.00
TC 50%	12	1	1	612	$496	$445	$5,340	$0.73	$67.00	$69.00
TC 60%	3	1	1	612	$596	$445	$1,335	$0.73	$67.00	$69.00
TC 30%	1	2	1	784	$357	$550	$550	$0.70	$89.00	$75.00
TC 50%	8	2	1	784	$596	$550	$4,400	$0.70	$89.00	$75.00
TC 60%	3	2	1	784	$715	$550	$1,650	$0.70	$89.00	$75.00
TC 30%	1	2	1	805	$357	$550	$550	$0.68	$89.00	$75.00
TC 50%	12	2	1	805	$596	$550	$6,600	$0.68	$89.00	$75.00
TC 60%	3	2	1	805	$715	$550	$1,650	$0.68	$89.00	$75.00
TOTAL:	64		**AVERAGE:**	686		$491	$31,420	$0.72	$76.63	$71.63

INCOME	Total Net Rentable Sq Ft: 43,900			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$377,040	$377,040	Burnet		7
Secondary Income	Per Unit Per Month:	$15.00		11,520	14,304	$18.63	Per Unit Per Month	
Other Support Income:				0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$388,560	$391,344			
Vacancy & Collection Loss	% of Potential Gross Income:	-5.00%		(19,428)	(11,304)	-2.89%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$369,132	$380,040			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	3.43%	$198	0.29	$12,672	$13,036	$0.30	$204	3.43%
Management	7.46%	430	0.63	27,528	31,488	0.72	492	8.29%
Payroll & Payroll Tax	14.77%	852	1.24	54,520	58,198	1.33	909	15.31%
Repairs & Maintenance	10.63%	613	0.89	39,254	33,804	0.77	528	8.89%
Utilities	1.64%	95	0.14	6,051	6,298	0.14	98	1.66%
Water, Sewer, & Trash	15.56%	897	1.31	57,439	56,397	1.28	881	14.84%
Property Insurance	3.57%	206	0.30	13,179	13,116	0.30	205	3.45%
Property Tax 2.113	4.50%	259	0.38	16,598	16,598	0.38	259	4.37%
Reserve for Replacements	18.36%	1,059	1.54	67,781	71,168	1.62	1,112	18.73%
TDHCA Compliance Fees	0.69%	40	0.06	2,560	2,560	0.06	40	0.67%
Other:	0.00%	0	0.00	0		0.00	0	0.00%
TOTAL EXPENSES	80.62%	$4,650	$6.78	$297,582	$302,665	$6.89	$4,729	79.64%
NET OPERATING INC	19.38%	$1,118	$1.63	$71,550	$77,375	$1.76	$1,209	20.36%
DEBT SERVICE								
USDA-RD	11.43%	$659	$0.96	$42,192	$42,106	$0.96	$658	11.08%
Cash Reserve	0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	7.95%	$459	$0.67	$29,358	$35,269	$0.80	$551	9.28%
AGGREGATE DEBT COVERAGE RATIO				1.70	1.84			
RECOMMENDED DEBT COVERAGE RATIO				1.70				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		29.80%	$18,232	$26.58	$1,166,842	$1,166,842	$26.58	$18,232	30.30%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		10.30%	6,299	9.18	403,106	211,275	4.81	3,301	5.49%
Direct Construction		34.12%	20,874	30.43	1,335,910	1,504,475	34.27	23,507	39.06%
Contingency	8.05%	3.58%	2,188	3.19	140,000	140,000	3.19	2,188	3.64%
Contractor's Fees	13.81%	6.14%	3,753	5.47	240,205	240,205	5.47	3,753	6.24%
Indirect Construction		1.51%	923	1.35	59,099	59,099	1.35	923	1.53%
Ineligible Costs		1.88%	1,152	1.68	73,718	73,718	1.68	1,152	1.91%
Developer's Fees	10.87%	8.70%	5,321	7.76	340,546	340,546	7.76	5,321	8.84%
Interim Financing		2.94%	1,801	2.63	115,250	115,250	2.63	1,801	2.99%
Reserves		1.03%	630	0.92	40,318		0.00	0	0.00%
TOTAL COST		100.00%	$61,172	$89.18	$3,914,994	$3,851,410	$87.73	$60,178	100.00%
Construction Cost Recap		*54.13%*	***$33,113***	***$48.27***	***$2,119,221***	***$2,095,955***	***$47.74***	***$32,749***	*54.42%*

SOURCES OF FUNDS						RECOMMENDED	
USDA-RD	24.08%	$14,732	$21.48	$942,842	$942,842	$942,842	Developer Fee Available
Cash Reserve	2.72%	$1,663	$2.42	106,443	106,443	106,443	$340,546
Raymond James	65.38%	$39,996	$58.31	2,559,774	2,559,774	2,560,028	% of Dev. Fee Deferred
Deferred Developer Fees	6.19%	$3,787	$5.52	242,350	242,350	305,680	90%
Additional (Excess) Funds Req'd	1.62%	$994	$1.45	63,585	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$3,914,994	$3,851,410	$3,914,994	$318,791

PAYMENT COMPUTATION

Primary	$1,627,400	Amort	600
Int Rate	1.00%	DCR	1.70

Secondary		Amort	
Int Rate		Subtotal DCR	1.70

Additional		Amort	
Int Rate		Aggregate DCR	1.70

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$42,192
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$29,358

Primary	$1,627,400	Amort	600
Int Rate	1.00%	DCR	1.70

Secondary	$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.70

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.70

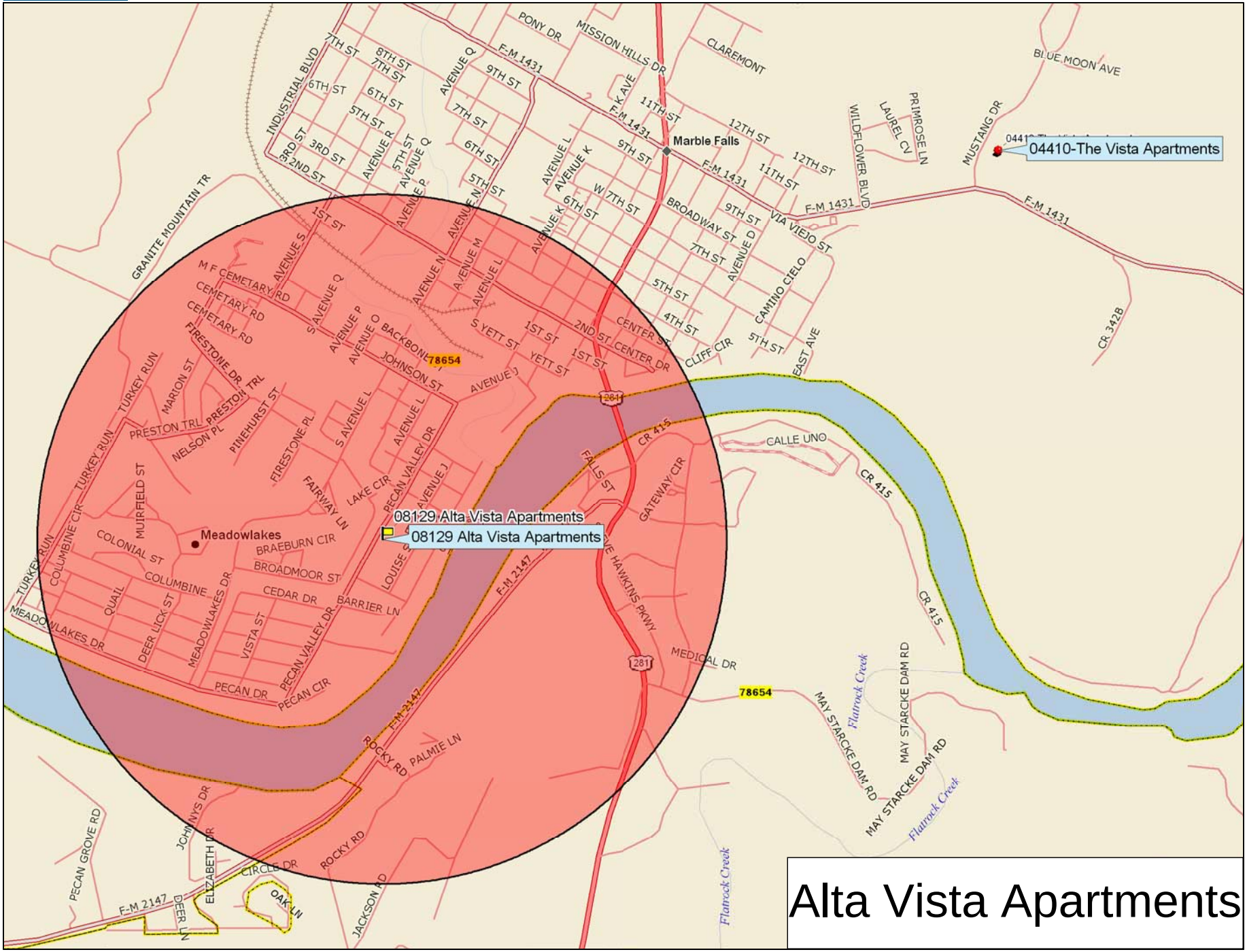
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$377,040	$388,351	$400,002	$412,002	$424,362	$491,952	$570,307	$661,142	$888,519
Secondary Income	11,520	11,866	12,222	12,588	12,966	15,031	17,425	20,200	27,148
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	388,560	400,217	412,223	424,590	437,328	506,983	587,732	681,342	915,667
Vacancy & Collection Loss	(19,428)	(20,011)	(20,611)	(21,230)	(21,866)	(25,349)	(29,387)	(34,067)	(45,783)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$369,132	$380,206	$391,612	$403,361	$415,461	$481,634	$558,345	$647,275	$869,884
EXPENSES at 4.00%									
General & Administrative	$12,672	$13,179	$13,706	$14,255	$14,825	$18,037	$21,944	$26,699	$39,521
Management	27,528	28,354	29,204	30,081	30,983	35,918	41,639	48,271	64,872
Payroll & Payroll Tax	54,520	56,701	58,969	61,327	63,781	77,599	94,411	114,865	170,029
Repairs & Maintenance	39,254	40,824	42,457	44,156	45,922	55,871	67,976	82,703	122,420
Utilities	6,051	6,293	6,545	6,807	7,079	8,612	10,478	12,748	18,871
Water, Sewer & Trash	57,439	59,737	62,126	64,611	67,196	81,754	99,466	121,016	179,133
Insurance	13,179	13,706	14,254	14,824	15,417	18,758	22,822	27,766	41,100
Property Tax	16,598	17,262	17,953	18,671	19,418	23,625	28,743	34,970	51,765
Reserve for Replacements	67,781	70,492	73,311	76,244	79,294	96,473	117,374	142,803	211,384
Other	2,560	2,662	2,769	2,880	2,995	3,644	4,433	5,394	7,984
TOTAL EXPENSES	$297,582	$309,210	$321,295	$333,855	$346,909	$420,290	$509,286	$617,235	$907,077
NET OPERATING INCOME	$71,550	$70,995	$70,317	$69,505	$68,553	$61,344	$49,060	$30,041	($37,194)
DEBT SERVICE									
First Lien Financing	$42,192	$42,192	$42,192	$42,192	$42,192	$42,192	$42,192	$42,192	$42,192
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$29,358	$28,803	$28,125	$27,313	$26,361	$19,152	$6,868	($12,151)	($79,386)
DEBT COVERAGE RATIO	1.70	1.68	1.67	1.65	1.62	1.45	1.16	0.71	(0.88)

HTC ALLOCATION ANALYSIS -Alta Vista Apartments, Marble Falls, 9% HTC #08129

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost						
Purchase of land	$327,143	$327,143				
Purchase of buildings	$839,699	$839,699	$839,699	$839,699		
Off-Site Improvements						
Sitework	$211,275	$403,106			$211,275	$403,106
Construction Hard Costs	$1,504,475	$1,335,910			$1,504,475	$1,335,910
Contractor Fees	$240,205	$240,205			$240,205	$240,205
Contingencies	$140,000	$140,000			$140,000	$140,000
Eligible Indirect Fees	$59,099	$59,099			$59,099	$59,099
Eligible Financing Fees	$115,250	$115,250			$115,250	$115,250
All Ineligible Costs	$73,718	$73,718				
Developer Fees						
Developer Fees	$340,546	$340,546			$340,546	$340,546
Development Reserves		$40,318				
TOTAL DEVELOPMENT COSTS	$3,851,410	$3,914,994	$839,699	$839,699	$2,610,850	$2,634,116
Deduct from Basis:						
All grant proceeds used to finance costs in eligible basis						
B.M.R. loans used to finance cost in eligible basis						
Non-qualified non-recourse financing						
Non-qualified portion of higher quality units [42(d)(3)]						
Historic Credits (on residential portion only)						
TOTAL ELIGIBLE BASIS			$839,699	$839,699	$2,610,850	$2,634,116
High Cost Area Adjustment					130%	130%
TOTAL ADJUSTED BASIS			$839,699	$839,699	$3,394,105	$3,424,351
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$839,699	$839,699	$3,394,105	$3,424,351
Applicable Percentage			3.55%	3.55%	8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS			$29,809	$29,809	$282,390	$284,906
Syndication Proceeds		**0.8200**	**$244,436**	**$244,436**	**$2,315,591**	**$2,336,226**

Total Tax Credits (Eligible Basis Method)	**$312,199**	**$314,715**
Syndication Proceeds	**$2,560,027**	**$2,580,662**
Requested Tax Credits	**$312,199**	
Syndication Proceeds	**$2,560,028**	
Gap of Syndication Proceeds Needed	**$2,802,125**	**$2,865,709**
Total Tax Credits (Gap Method)	**$341,723**	**$349,477**



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TN

MN (5.3°E)

Scale 1 : 24,000

0 600 1200 1800 2400 3000 ft

0 200 400 600 800 1000 m

1" = 2,000.0 ft

Data Zoom 13-1

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 01/28/09 PROGRAM: 9% HTC FILE NUMBER: **08134**

DEVELOPMENT

The Huntington

Location: FM 118 (1550' North of FM 2001) Region: 7

City: Buda County: Hays Zip: 78610 ☐ QCT ☐ DDA

Key Attributes: Seniors, New Construction, Urban

ALLOCATION

	REQUEST			**RECOMMENDATION***		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$1,750,000	0.00%	40/40	**$1,750,000**	**0.00%**	**30/15***
Housing Tax Credit (Annual)	$888,471			**$1,014,586**		

* Parity of term with first lien

The recommended tax credit allocation incorporates the November 13, 2008 TDHCA Board approval to use the 9% credit rate and a 10% increase in direct and sitework construction costs for all competitive 2007 and 2008 transactions as well as all applications on the 2008 waiting list to be considered for a forward commitment.

CONDITIONS

1 Receipt, review and acceptance, prior to closing, of a survey clearly marking and identifying the easements on the subject property and an overlay of the site plan to ensure that no buildings will be built within the easements.

2 Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	6
50% of AMI	50% of AMI	42
60% of AMI	60% of AMI	68

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30%/Low HOME	6
50% of AMI	50%/High HOME	18

PROS

CONS

- The Market Analyst's capture rate by unit type suggests that the market for 2 bedroom units targeting 60% households may be saturated.

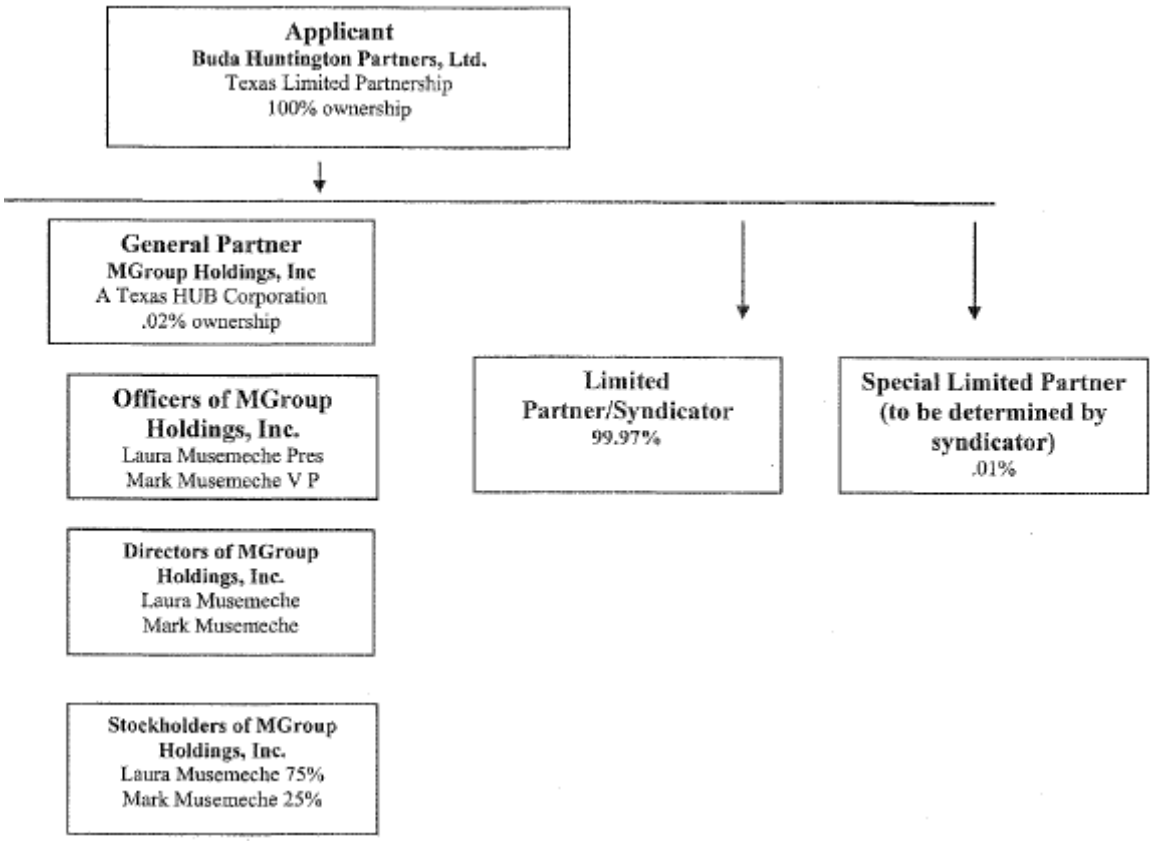
- The Underwriter's analysis suggests that the development must capture over 50% of the demand in this market which is calculated primarily from turnover from existing housing.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact:	Ofelia Elizondo	Phone:	(713) 522-4141	Fax:	(713) 522-9775
Email:	oelizondo@sbcglobal.net				

KEY PARTICIPANTS

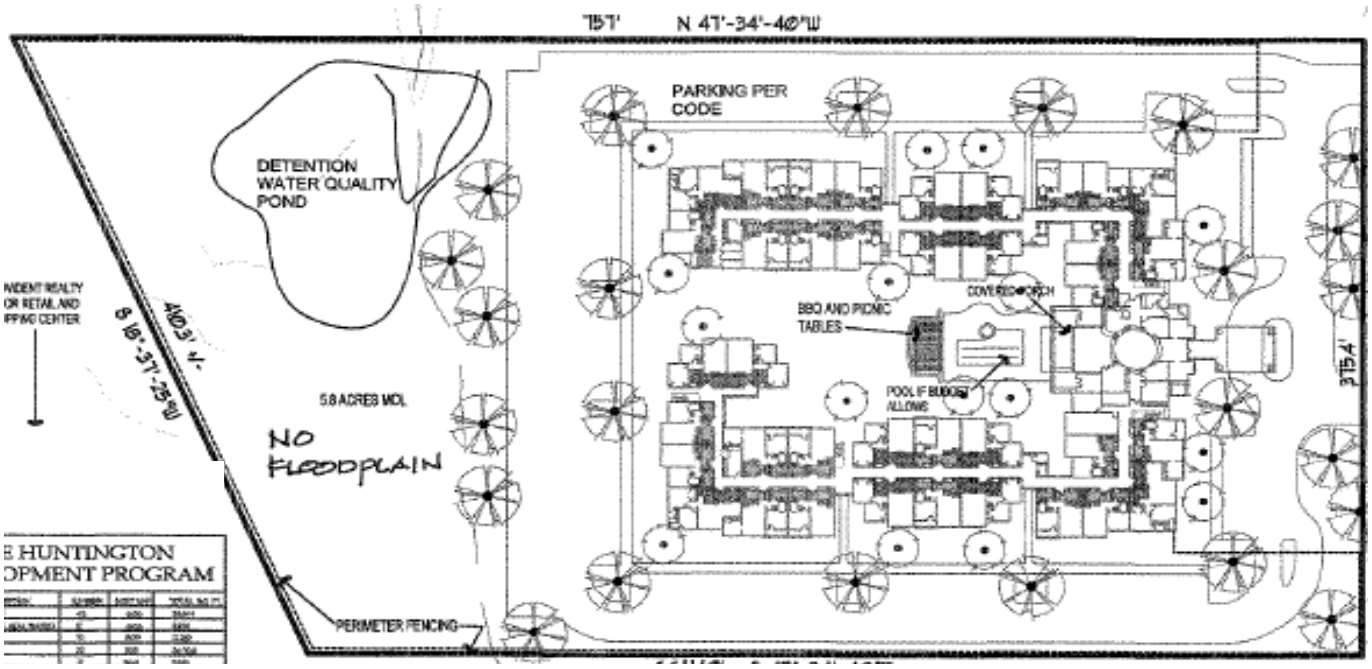
Name	Financial Notes	# Completed Developments
MGroup Holdings, Inc.	N/A	13
MGroup, LLC	N/A	4
Mark & Laura Musemeche	N/A	13

IDENTITIES of INTEREST

- The Applicant and Developer are related entities. This is a common relationship for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A										Total Buildings*
Floors/Stories	3										
Number	1										**5**

* For purposes of this analysis the Underwriter evaluated the large, 3-story structure as one building. However, for purposes of receiving five separate Building Identification Numbers (BINs) the Applicant has proposed to divide this one building into five separate sections along what appear to be breezeways.

BR/BA	SF	Units										Total Units	Total SF
1/1	686	61										61	41,846
2/1	808	15										15	12,120
2/1	835	32										32	26,720
2/2	968	12										12	11,616
Units per Building		120										**120**	**92,302**

SITE ISSUES

Total Size:	5.8 acres	Scattered site?		Yes	X	No		
Flood Zone:	Zone X	Within 100-yr floodplain?		Yes	X	No		
Zoning:	N/A	Needs to be re-zoned?		Yes	X	No	x	N/A

Comments:

The property is located in the City of Buda's extra-territorial jurisdiction and is not subject to the City's required zoning.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 3/27/2008

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: undeveloped land.

South: FM 2001 and undeveloped land.

East: FM 118 and undeveloped land.

West: FM 2001, I-35 and undeveloped land.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 2/18/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "Known or suspect environmental conditions associated with the subject property and the subject environmental professional's opinion(s) of the impact on the property of known or suspect environmental conditions identified are as follows:
- A search of federal, state and local records indicates that one leaking underground storage tank (LPST) site, two closed landfill inventory (CLI) sites and one dry cleaners are located within the standard ASTM search radius. There is no indication that the sites identified in the ASTM Standard Environmental Record Sources search have had or will have an environmental impact to the subject property." (p.17)

MARKET HIGHLIGHTS

Provider: O'Connor and Associates Date: 3/7/2008

Contact: Robert Coe, II Phone: (713) 686-9955 Fax: (713) 686-8336

Number of Revisions: None Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 354.33 square feet (10.66 miles radius)

"The subject's neighborhood is situated in the southern portion of Greater Austin MSA, approximately forty miles south of the Austin Central Business District. For the purposes of this analysis, the subject's neighborhood is generally defined as being bound by Census Tracts: 48055960100, 48055960200, 48055960300, 48055960400, 48055960500, 48187210501, 48209010100, 48209010200, 48209010301, 48209010302, 48209010400, 48209010500, 48209010600, 48209010700, 482090 10801, 48209010802, 4820901090 I, 48209010902, 48209010903, 48209010904, 48453001732, 48453002303, 48453002407, 48453002416, 48453002417,48453002418: Zip Codes 78610, 78619, 78652, 78737, 78739, 78744, 78745, 78747, 78748 and 78749: Highway 71, Fitzhugh Road, and US Highway 290 to the north; Highway 183 and Highway 21 to the east; Blanco River, Halifax Creek, and FM 150 to the south; and Onion Creek, CR 185, and Sawyer Ranch Road to the west." (p.24) The 2007 estimated population for the PMA was 203,315.

Secondary Market Area (SMA):

None defined.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS

PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
Creekside Villas Senior	08253	144	144	N/A				
Southpark Apartments	060418	192	Family					
Residences at Onion Crk	07621	224	Family					
Saddlecreek Apts @ Buda	05260	144	Family					
Tuscany Park @ Buda	07234	176	Family					
Parker Lane Senior Apts	05207	70	Outside PMA					

Creekside Villas Senior Village is a proposed 9% HTC/HOME 144-unit development also targeting seniors, located within the defined PMA boundaries. Both the Market Analyst and the Underwriter have included these 144 units in the inclusive capture rate calculation. The inclusion of these additional units, however, does not yield a capture rate that exceeds the Department's maximum for elderly properties.

INCOME LIMITS						
Hays						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$14,950	$17,100	$19,200	$21,350	$23,050	$24,750
50	$24,900	$28,450	$32,000	$35,550	$38,400	$41,250
60	$29,880	$34,140	$38,400	$42,660	$46,080	$49,500

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	46	13		59	6	10	17%
1 BR/50% Rent Limit	60	16		76	10	35	46%
1 BR/60% Rent Limit	78	21		99	29	72	73%
2 BR/50% Rent Limit	49	11		60	15	40	67%
2 BR/60% Rent Limit	54	15		69	39	82	119%

OVERALL DEMAND										
	Target Households		Household Size		Income Eligible		Tenure		Demand	
PMA DEMAND from TURNOVER										
Market Analyst p. 68	23%	15,477	100%	15,477	9%	1,364	Incl'd in Inc Elig		45%	613
Underwriter	17%	11,705	100%	11,705	8%	909	Incl'd in Inc Elig		45%	409
PMA DEMAND from HOUSEHOLD GROWTH										
Market Analyst p. 68				1,055	9%	93	Incl'd in Inc Elig		100%	93
Underwriter			100%	403	8%	31	Incl'd in Inc Elig		100%	31

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 69	116	144	0	260	706	36.83%
Underwriter	116	144	0	260	441	59.02%
HISTA Data Model	116	144	0	260	412	63.11%

The Underwriter independently evaluated demand for the subject using both the traditional method of calculating demand and the HISTA-based data alternative. The Underwriter found the revised inclusive capture rates using both methods to be acceptable at 59.02% and 63.11% for senior developments.

Primary Market Occupancy Rates:

"The overall occupancy rate for projects in this primary market area was 94.16% as of February 2008." (p.35)

Absorption Projections:

"Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease to stabilized occupancy within six to 12 months following completion of the construction." (p. 88)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 686 SF TC30%/LH	$334	$335	$710	$335	$376
1 BR 686 SF TC50%/HH	$600	$601	$710	$601	$110
1 BR 686 SF 60%	$695	$735	$710	$710	$0
1 BR 686 SF MR	$695	N/A	$710	$710	$0
2 BR 808 SF TC50%/HH	$700	$718	$820	$718	$102
2 BR 808 SF 50%	$715	$718	$830	$718	$112
2 BR 835 SF 60%	$795	$878	$830	$830	$0
2 BR 968 SF 60%	$825	$878	$905	$878	$27
2 BR 968 SF MR	$825	N/A	$905	$905	$0

Market Impact:

"Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration." (p. 88)

Comments:

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 1 unit per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 10 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: None Date of Last Applicant Revision: N/A

The Underwriter utilized the lesser of the Market Analyst's market rent conclusion or the projected rents collected per unit calculated by subtracting tenant-paid utility allowances as of January 1, 2008, maintained by the Kyle Housing Authority, from the 2008 program gross rent limits. Tenants will be required to pay electric utility costs only. The Applicant chose not to anticipate the rents quoted by the Market Analyst as achievable but rather utilized rents that are $3 to $80 less than the underwritten rent for the 1 bedroom market rate units and units targeting 60% households, as well as all the two bedroom units.

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, and despite the Applicant's use of slightly lower rents for several of the units, effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 7/21/2008

The Applicant's total revised annual operating expense projection at $4,419 per unit is within 5% of the Underwriter's estimate of $4,409, derived from the TDHCA database, and third-party data sources. The Applicant's revised budget shows several line item estimates that deviate significantly when compared to the database averages, specifically: Payroll and Payroll Tax ($31K higher), Repairs and Maintenance ($17K higher), Utilities ($8K lower), and Property Tax ($47K lower). Compliance fees also appear to be slightly overstated.

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Conclusion:

The Applicant's estimates of effective gross income, total operating expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio. The Year One proforma results in a DCR within the parameters of the Department's current guideline (1.15 to 1.35). The Underwriter has adjusted to term of the HOME loan to match the conventional first lien, which has the effect of increasing annual debt service by $14,581. However, the DCR remains within the Department's guidelines.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with 2008 TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	157 acres	$2,939,750	Tax Year:	2007
1 acre:		$18,688	Valuation by:	Hays CAD
Total Prorata	5.8 acres:	$108,388	Tax Rate:	2.9487

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Commercial Property Contract Acreage: 5.8

Contract Expiration: 10/21/2008 Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $914,760 Other:

Seller: 2428 Partners, LP Related to Development Team? [ ] Yes [x] No

Comments:

The contract of sale provided in the application reflects that a total of 6 acres is under contract for purchase for 3.50 per gross square foot. The acquisition cost identified above reflects the contract price for the full 6 acres. However, the boundary survey and all other application materials reflect that the subject development will be located on 5.8 acres. The Applicant indicated that while the contract may state 6 acres to be purchased, the contract quotes a price on a per square foot basis of $3.50. The Applicant's site acquisition cost in the development cost schedule appears to be prorated for only the 5.8 acres.

TITLE

Comments:

Several easements were noted on the commitment for title insurance; therefore, a survey of the subject property marking and identifying the easements is being made a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: None Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of $152,460 per acre or $7,369 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. As stated previously, the site control documents reflect a total of six acres under contract for purchase, but the Applicant has confirmed that the contract price is based on a per square foot basis and the claimed acquisition cost appears to be prorated for only the 5.8 acres on which the development will be built.

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Sitework Cost:

The Applicant's claimed sitework costs of $8,917 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $253K or 5% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

The Applicant's eligible contingency costs were adjusted down by $30K to meet the Department guideline of 5% of eligible sitework and direct construction costs for new construction developments.

The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines; however, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by $4,368 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of $11,006,512 supports annual tax credits of $885,217. The TDHCA Board acted on November 13, 2008 to allow all transactions the benefit of the 9% applicable percentage which is accounted for in this calculation.

In addition, the Board approved an increase in the credit amount for all 2007 and 2008 competitive HTC transactions, including those on the 2008 Waiting List, which provides an additional 10% of direct construction and site work cost as contingency. In this case, the increase results in an additional eligible basis amount of $655,400 and $57,020 in additional credits. The total eligible credit of $1,014,586 will be compared to the amount determined by the gap in financing to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source:	Peterson Construction			Type:	**Interim Financing**			
Principal:	$260,000	Interest Rate:	8.0%	x	Fixed	Term:	24	months
Source:	Buda Huntington Partners, Ltd.			Type:	**Interim Financing**			
Principal:	$515,000	Interest Rate:			Fixed	Term:		months

Comments:

According to the Applicant's documentation this amount is identified as deferred reserves.

Source:	Capital One			Type:	**Interim to Permanent Financing**			
Interim:	$7,500,000	Interest Rate:	7.10%	x	Fixed	Amort:	27	months
Permanent:	$3,300,000	Interest Rate:	7.75%	x	Fixed	Amort:	360	months

Source:	Hudson Housing Capital	Type:	**Syndication**		
Proceeds:	$7,880,253	Syndication Rate:	78%	Anticipated HTC:	$ 1,010,592

Comments:

Due to the recent volatility in credit pricing, it should be noted, any decrease in rate could increase the amount of deferred developer fee. A decrease below $0.65 per dollar of credit may increase the amount of deferred developer fee such that 100% of the fee would be utilized and the need to defer contractor fee may be warranted; additionally, a decrease below $0.60 per credit dollar may jeopardize the financial viability of the transaction. Alternatively, should the final credit price increase to more than $0.866, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Amount: $219,859 Type: **Deferred Developer Fees**

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

CONCLUSIONS

Recommended Financing Structure:

At its November 13, 2008 meeting, the Governing Board approved an increase in tax credits for all competitive 2007 and 2008 transactions using the 9% applicable rate and a 10% increase in direct and sitework construction costs. As a result, all applications on the 2008 waiting list to be considered for a forward commitment will be treated in the same manner. As discussed previously, the Applicant's total development cost estimate is within 5% of the Underwriter's estimate, therefore, the Applicant's cost will be used for purposes of determining the development's eligible basis and funding need. Accordingly, the Applicant's development cost has been increased by 10% as approved by the TDHCA Board for purposes of determining the recommended tax credit allocation.

The Applicant's total development cost estimate (including the 10% increase) less the permanent loan of $3.3M indicates the need for $8,077,600 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $1,035,900 annually would be required to fill this gap in financing. Of the two possible tax credit allocations, the gap-driven amount ($1,035,900), and eligible basis-derived estimate, including 10% increase in basis ($1,014,586), the eligible basis-derived estimate of $1,014,586 is recommended resulting in proceeds of $7,911,400 based on a syndication rate of 78%.

Additionally, the Underwriter recommends a HOME award of $1,750,000 to be structured as a fully amortizing and repayable second lien mortgage with an interest rate equal to 0%, amortization of 30 years and term of 15 years. The amortization and term have been adjusted by the Underwriter to match the term and amortization of the Capital One first lien.

The Underwriter's recommended financing structure indicates the need for $166,200 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within two years of stabilized operation.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

Underwriter:	*Diamond Unique Thompson*	Date:	January 28, 2009
Acting Director of Real Estate Analysis:	*Raquel Morales*	Date:	January 28, 2009

MULTIFAMILY COMPARATIVE ANALYSIS

The Huntington, Buda, 9% HTC #08134

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC30%/LH	6	1	1	686	$400	$335	$2,007	$0.49	$65.50	$34.00
TC50%/HH	10	1	1	686	$666	$601	$6,005	$0.88	$65.50	$34.00
TC 50%	13	1	1	686	$666	$601	$7,807	$0.88	$65.50	$34.00
TC 60%	29	1	1	686	$800	$710	$20,590	$1.03	$65.50	$34.00
MR	3	1	1	686		$710	$2,130	$1.03	$65.50	$34.00
TC50%/HH	8	2	1	808	$800	$718	$5,744	$0.89	$82.00	$43.00
TC 50%	7	2	1	808	$800	$718	$5,026	$0.89	$82.00	$43.00
TC 50%	4	2	1	835	$800	$718	$2,872	$0.86	$82.00	$43.00
TC 60%	28	2	1	835	$960	$830	$23,240	$0.99	$82.00	$43.00
TC 60%	11	2	2	968	$960	$878	$9,658	$0.91	$82.00	$43.00
MR	1	2	2	968		$905	$905	$0.93	$82.00	$43.00
TOTAL:	120		**AVERAGE:**	769		$717	$85,984	$0.93	$73.61	$38.43

INCOME	Total Net Rentable Sq Ft: 92,302			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$1,031,802	$1,002,768	Hays		7
Secondary Income	Per Unit Per Month:	$15.00		21,600	28,800	$20.00	Per Unit Per Month	
Other Support Income:				0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,053,402	$1,031,568			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(79,005)	(77,364)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$974,397	$954,204			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.66%	$379	0.49	$45,452	$51,500	$0.56	$429	5.40%
Management	3.88%	315	0.41	37,824	28,786	0.31	240	3.02%
Payroll & Payroll Tax	11.68%	948	1.23	113,816	145,000	1.57	1,208	15.20%
Repairs & Maintenance	5.74%	466	0.61	55,917	73,000	0.79	608	7.65%
Utilities	2.72%	221	0.29	26,501	18,000	0.20	150	1.89%
Water, Sewer, & Trash	4.36%	354	0.46	42,529	52,000	0.56	433	5.45%
Property Insurance	2.49%	202	0.26	24,271	25,620	0.28	214	2.68%
Property Tax 2.95	14.53%	1,179	1.53	141,538	95,000	1.03	792	9.96%
Reserve for Replacements	3.08%	250	0.33	30,000	30,000	0.33	250	3.14%
TDHCA Compliance Fees	0.48%	39	0.05	4,640	4,800	0.05	40	0.50%
Other:cable, supp. servs	0.68%	55	0.07	6,600	6,600	0.07	55	0.69%
TOTAL EXPENSES	54.30%	$4,409	$5.73	$529,087	$530,306	$5.75	$4,419	55.58%
NET OPERATING INC	45.70%	$3,711	$4.82	$445,310	$423,898	$4.59	$3,532	44.42%
DEBT SERVICE								
Capital One	29.12%	$2,364	$3.07	$283,699	$283,704	$3.07	$2,364	29.73%
TDHCA HOME	4.49%	$365	$0.47	43,750	43,752	$0.47	$365	4.59%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	12.10%	$982	$1.28	$117,860	$96,442	$1.04	$804	10.11%
AGGREGATE DEBT COVERAGE RATIO				1.36	1.29			
RECOMMENDED DEBT COVERAGE RATIO					1.24			

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		7.31%	$7,369	$9.58	$884,268	$884,268	$9.58	$7,369	6.74%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.85%	8,917	11.59	1,070,000	1,070,000	11.59	8,917	8.15%
Direct Construction		43.26%	43,588	56.67	5,230,521	5,484,000	59.41	45,700	41.77%
Contingency	5.00%	2.61%	2,625	3.41	315,026	357,700	3.88	2,981	2.72%
Contractor's Fees	14.00%	7.30%	7,351	9.56	882,073	917,560	9.94	7,646	6.99%
Indirect Construction		8.53%	8,597	11.18	1,031,620	1,031,620	11.18	8,597	7.86%
Ineligible Costs		2.08%	2,100	2.73	252,052	252,052	2.73	2,100	1.92%
Developer's Fees	15.00%	11.50%	11,587	15.06	1,390,386	1,440,000	15.60	12,000	10.97%
Interim Financing		6.12%	6,167	8.02	740,000	740,000	8.02	6,167	5.64%
Reserves		2.44%	2,458	3.20	295,000	295,000	3.20	2,458	2.25%
TOTAL COST		100.00%	$100,758	$130.99	$12,090,947	$13,127,600	$142.22	$109,397	100.00%
Construction Cost Recap		*62.01%*	***$62,480***	***$81.23***	***$7,497,620***	***$7,829,260***	***$84.82***	***$65,244***	*59.64%*

SOURCES OF FUNDS

						RECOMMENDED	
Capital One	27.29%	$27,500	$35.75	$3,300,000	$3,300,000	$3,300,000	Developer Fee Available
TDHCA HOME	14.47%	$14,583	$18.96	1,750,000	1,750,000	1,750,000	$1,435,632
Hudson Housing Capital	65.56%	$66,062	$85.89	7,927,401	7,927,401	7,911,400	% of Dev. Fee Deferred
Deferred Developer Fees	1.82%	$1,832	$2.38	219,859	219,859	166,200	12%
Additional (Excess) Funds Req'd	-9.15%	($9,219)	($11.99)	(1,106,313)	(69,660)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$12,090,947	$13,127,600	$13,127,600	$1,999,847

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$56.78	$5,240,463
Adjustments				
Exterior Wall Finish	1.20%		$0.68	$62,886
Elderly	3.00%		1.70	157,214
8-Ft. Ceilings	0.00%		0.00	0
Roofing			0.00	0
Subfloor			(0.82)	(75,995)
Floor Cover			2.43	224,294
Balconies	$19.81	600	0.13	11,886
Plumbing Fixtures	$805	36	0.31	28,980
Rough-ins	$400	240	1.04	96,000
Built-In Appliances	$1,850	120	2.41	222,000
Exterior Stairs	$1,800	12	0.23	21,600
Enclosed Corridors	$46.86	13700	6.95	641,916
Heating/Cooling			1.90	175,374
Elevators	$53,600	2	1.16	107,200
Comm &/or Aux Bldgs	$70.61	4,100	3.14	289,511
Other: fire sprinkler	$2.15	92,302	2.15	198,449
SUBTOTAL			80.19	7,401,777
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(10.42)	(962,231)
TOTAL DIRECT CONSTRUCTION COSTS			$69.77	$6,439,546
Plans, specs, survy, bld prr	3.90%		($2.72)	($251,142)
Interim Construction Interes	3.38%		(2.35)	(217,335)
Contractor's OH & Profit	11.50%		(8.02)	(740,548)
NET DIRECT CONSTRUCTION COSTS			$56.67	$5,230,521

PAYMENT COMPUTATION

Primary	$3,300,000	Amort	360
Int Rate	7.75%	DCR	1.57
Secondary	$1,750,000	Amort	480
Int Rate	0.00%	Subtotal DCR	1.36
Additional	$7,927,401	Amort	
Int Rate		Aggregate DCR	1.36

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI:

Primary Debt Service	$283,699
Secondary Debt Service	58,333
Additional Debt Service	0
NET CASH FLOW	$81,865

Primary	$3,300,000	Amort	360
Int Rate	7.75%	DCR	1.49
Secondary	$1,750,000	Amort	360
Int Rate	0.00%	Subtotal DCR	1.24
Additional	$7,927,401	Amort	0
Int Rate	0.00%	Aggregate DCR	1.24

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

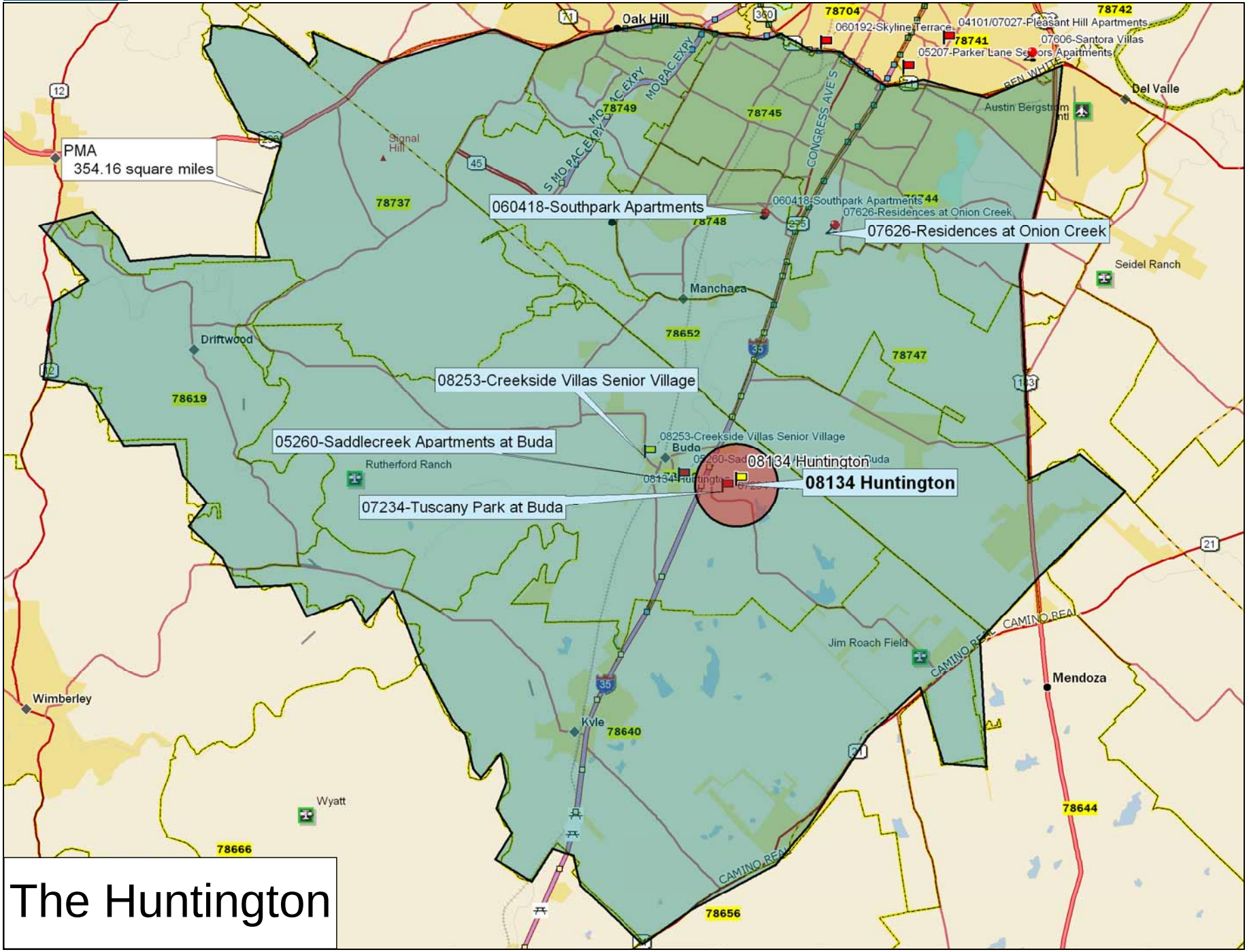
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,002,768	$1,032,851	$1,063,837	$1,095,752	$1,128,624	$1,308,385	$1,516,777	$1,758,360	$2,363,088
Secondary Income	28,800	29,664	30,554	31,471	32,415	37,577	43,563	50,501	67,869
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,031,568	1,062,515	1,094,390	1,127,222	1,161,039	1,345,962	1,560,339	1,808,861	2,430,958
Vacancy & Collection Loss	(77,364)	(79,689)	(82,079)	(84,542)	(87,078)	(100,947)	(117,025)	(135,665)	(182,322)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$954,204	$982,826	$1,012,311	$1,042,681	$1,073,961	$1,245,015	$1,443,314	$1,673,196	$2,248,636
EXPENSES at 4.00%									
General & Administrative	$51,500	$53,560	$55,702	$57,930	$60,248	$73,301	$89,181	$108,503	$160,611
Management	28,786	29,649	30,539	31,455	32,399	37,559	43,541	50,476	67,836
Payroll & Payroll Tax	145,000	150,800	156,832	163,105	169,629	206,380	251,093	305,493	452,204
Repairs & Maintenance	73,000	75,920	78,957	82,115	85,400	103,902	126,412	153,800	227,662
Utilities	18,000	18,720	19,469	20,248	21,057	25,620	31,170	37,923	56,136
Water, Sewer & Trash	52,000	54,080	56,243	58,493	60,833	74,012	90,047	109,556	162,170
Insurance	25,620	26,645	27,711	28,819	29,972	36,465	44,366	53,977	79,900
Property Tax	95,000	98,800	102,752	106,862	111,137	135,215	164,509	200,151	296,272
Reserve for Replacements	30,000	31,200	32,448	33,746	35,096	42,699	51,950	63,205	93,560
Other	11,400	11,856	12,330	12,823	13,336	16,226	19,741	24,018	35,553
TOTAL EXPENSES	$530,306	$551,230	$572,983	$595,597	$619,106	$751,378	$912,012	$1,107,103	$1,631,902
NET OPERATING INCOME	$423,898	$431,596	$439,328	$447,084	$454,855	$493,637	$531,302	$566,093	$616,734
DEBT SERVICE									
First Lien Financing	$283,699	$283,699	$283,699	$283,699	$283,699	$283,699	$283,699	$283,699	$283,699
Second Lien	58,333	58,333	58,333	58,333	58,333	58,333	58,333	58,333	58,333
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$81,865	$89,564	$97,296	$105,051	$112,822	$151,604	$189,270	$224,060	$274,701
DEBT COVERAGE RATIO	1.24	1.26	1.28	1.31	1.33	1.44	1.55	1.66	1.80

HTC ALLOCATION ANALYSIS -The Huntington, Buda, 9% HTC #08134

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS	10% Increase
Acquisition Cost					
Purchase of land	$884,268	$884,268			
Purchase of buildings					
Off-Site Improvements					
Sitework	$1,070,000	$1,070,000	$1,070,000	$1,070,000	$107,000
Construction Hard Costs	$5,484,000	$5,230,521	$5,484,000	$5,230,521	$548,400
Contractor Fees	$917,560	$882,073	$917,560	$882,073	
Contingencies	$357,700	$315,026	$327,700	$315,026	
Eligible Indirect Fees	$1,031,620	$1,031,620	$1,031,620	$1,031,620	
Eligible Financing Fees	$740,000	$740,000	$740,000	$740,000	
All Ineligible Costs	$252,052	$252,052			
Developer Fees			$1,435,632		
Developer Fees	$1,440,000	$1,390,386		$1,390,386	
Development Reserves	$295,000	$295,000			
TOTAL DEVELOPMENT COSTS	$12,472,200	$12,090,947	$11,006,512	$10,659,627	$655,400

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS		$11,006,512	$10,659,627	$655,400
High Cost Area Adjustment		100%	100%	100%
TOTAL ADJUSTED BASIS		$11,006,512	$10,659,627	$655,400
Applicable Fraction		96.67%	96.67%	96.67%
TOTAL QUALIFIED BASIS		$10,639,628	$10,304,306	$633,553
Applicable Percentage		9.00%	9.00%	9.00%
TOTAL AMOUNT OF TAX CREDITS		$957,567	$927,388	$57,020

Syndication Proceeds	**0.7798**	**$7,466,779**	**$7,231,453**	**$444,621**
Total Tax Credits (Eligible Basis Method)		**$957,567**	**$927,388**	**$1,014,586**
Syndication Proceeds		**$7,466,779**	**$7,231,453**	**$7,911,400**
Requested Tax Credits		**$888,471**		
Syndication Proceeds		**$6,927,995**		
Gap of Syndication Proceeds Needed		**$8,077,600**	**$7,040,947**	
Total Tax Credits (Gap Method)		**$1,035,900**	**$902,956**	



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TN

MN (5.0°E)

Scale 1 : 200,000

1" = 3.16 mi

Data Zoom 10-0

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 01/28/09 PROGRAM: HTC 9% FILE NUMBER: **08256**

DEVELOPMENT

Westway Place

Location: 44th Street Region: 3

City: Corsicana County: Navarro Zip: 75110 [ ] QCT [X] DDA

Key Attributes: Rural, Family, New Construction

ALLOCATION

	REQUEST			RECOMMENDATION		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$1,550,000	0.00%	30/30	**$0**		
Housing Tax Credit (Annual)	$478,392			**$0**		

NOT RECOMMENDED DUE TO THE FOLLOWING:

The transaction is financially infeasible due to the ratio of annual operating expenses to effective gross income, as determined by the Underwriter, exceeding the Department's minimum of 65%, per 10 TAC §1.32(i)(5) of the 2008 Real Estate Analysis Rules.

The transaction is financially infeasible due to insufficient cash flow within fifteen years to repay the required amount of deferred developer fee, per 10 TAC §1.32(i)(3) of the 2008 Real Estate Analysis Rules. In addition, the HOME loan as proposed cannot be projected to be fully repaid as cash flow may be insufficient to service the proposed debt in the last 10 years of the amortization period.

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

1 A tax credit allocation not to exceed $517,990 annually for ten years and a HOME loan not to exceed $1,509,811 amortized over 30 years at 0% interest.

2 Receipt, review, and approval, by cost certification, of evidence that the 30 gallon plastic container that held weed killer has been removed from the site and sent to a disposal facility appropriate for the container and contents.

3 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	2
50% of AMI	50% of AMI	14
60% of AMI	60% of AMI	24

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30%/Low HOME	2
50% of AMI	50%/Low HOME	14

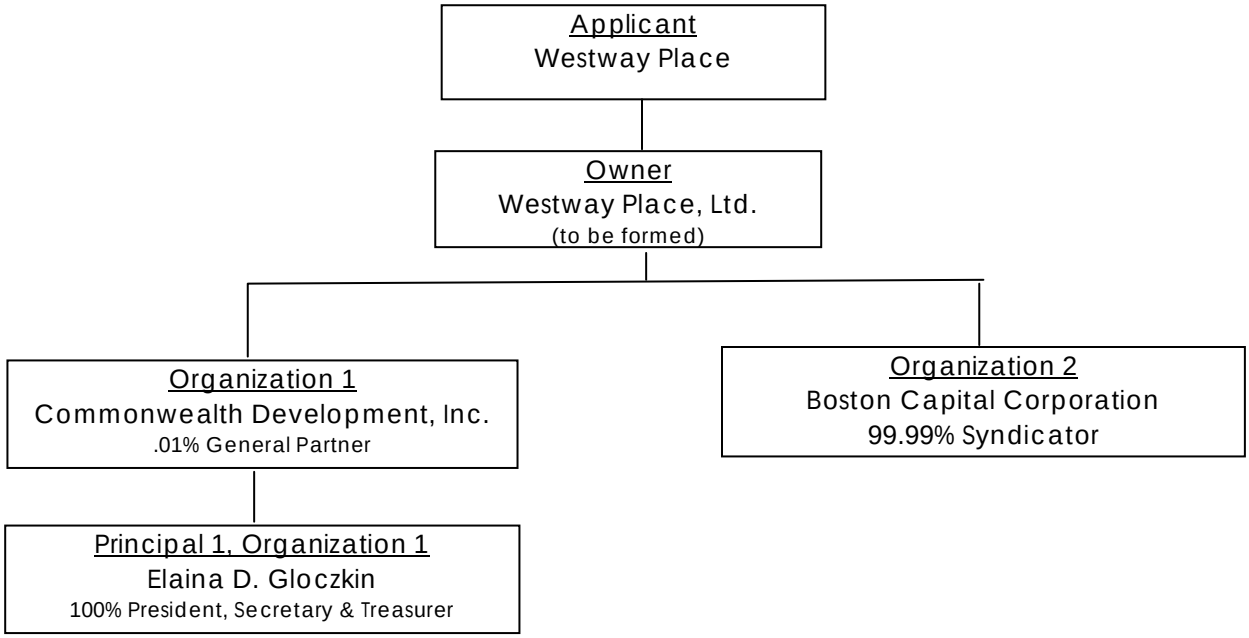
PROS	CONS
▫ The Development team has substantial experience with the Department's programs and development of multifamily housing.	▫ The expense to income ratio as determined by the Underwriter exceeds the 65% maximum; the Applicant's ratio is right at the 65% maximum. Expense ratios at this level indicate the feasibility of the development is particularly vulnerable to periods of increasing expenses accompanied by flat rental income. ▫ The required deferred developer cannot be repaid from cashflow within fifteen years of operation.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Emanuel Glockzin Phone: 979-846-8878 Fax: 979-846-0783
Email: emanuel@edgeproperties.net

KEY PARTICIPANTS

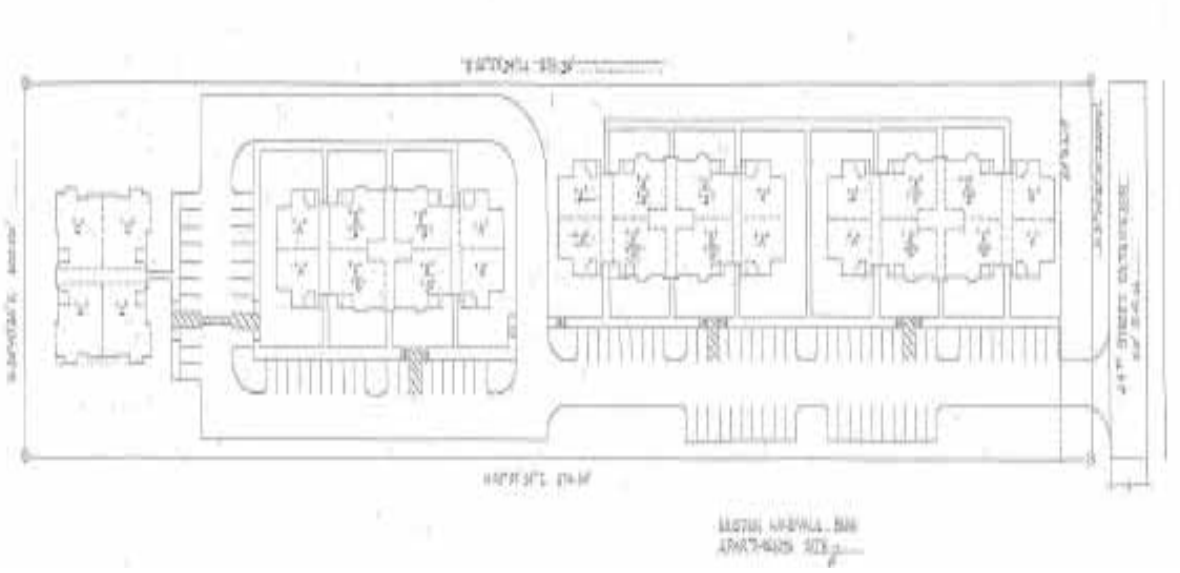
Name	Financial Notes	# Completed Developments
Commonwealth Development, Inc.	None	--
Homestead Development Group	None	--
Ponderosa Plaza Management, Inc.	None	--
Emanuel Glockzin	None	24
Elaina Glockzin	None	24

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B									Total Buildings
Floors/Stories	1	2									
Number	1	3									**4**

BR/BA	SF	Units										Total Units	Total SF
1/1	834		4									12	10,008
2/2	1,192		8									24	28,608
3/2	1,359	4										4	5,436
Units per Building		4	12									**40**	**44,052**

Comments:

The site plan does not include any community building or office space. The Applicant has indicated that management and maintenance functions will be shared with nearby properties.

SITE ISSUES

Total Size:	4.01 acres	Scattered site?		Yes	X	No		
Flood Zone:	C	Within 100-yr floodplain?		Yes	X	No		
Zoning:	MF1-Multifamily	Needs to be re-zoned?		Yes	X	No		N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/24/2008

Overall Assessment:

[ ] Excellent [X] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: Windvale Park Apts. East: Vacant lots

South: Vacant lots West: School and vacant lots beyond

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Hodges Engineering, Inc. Date: 2/27/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- "HEI found no issues of environmental concerns or any evidence of historical recognized environmental conditions, except the presence of the Magellan pipeline in the right-of-way crossing the east end of the tract. A failure in this line at or near the site could cause both physical and environmental damages.

- The 30 gallon plastic container that held weed killer should be removed from the site and sent to a disposal facility appropriate for the container and contents." (p. 8.0)

Comments:

It is a condition of this report that the Applicant have the 30 gallon container of weed killer removed from the site and sent to a disposal facility appropriate for the container and contents prior to construction.

MARKET HIGHLIGHTS

Provider: Allen & Associates Consulting Date: 2/25/2008

Contact: Jeff Carroll Phone: 704-905-2276 Fax: 704-708-4261

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 1,090 square miles (18.63 mile radius)

The Primary Market Area includes 100% of the following 2000 Census Tracts that make up and are located in Navarro County: 9701; 9702; 9703; 9704; 9705; 9706; 9707; 9708; 9709; and 9710.

Secondary Market Area (SMA):

The Market Analyst did not specify a secondary market area (SMA).

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS								
PMA				SMA				
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25%	Comp Units
West Park Seniors	08255	48	senior	0	0	N/A	0	0
Cambridge Crossing	08264	58	senior	0	0	N/A	0	0

INCOME LIMITS						
Navarro						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$9,500	$10,850	$12,200	$13,550	$14,650	$15,700
40	$12,640	$14,480	$16,280	$18,080	$19,520	$20,960
50	$15,800	$18,100	$20,350	$22,600	$24,400	$26,200
60	$18,960	$21,720	$24,420	$27,120	$29,280	$31,440

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REVISED INCOME LIMITS (revised per HERA of 2008)						
Navarro						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$10,350	$11,820	$13,320	$14,790	$15,960	$17,160
40	$13,800	$15,760	$17,760	$19,720	$21,280	$22,880
50	$17,250	$19,700	$22,200	$24,650	$26,600	$28,600
60	$20,700	$23,640	$26,640	$29,580	$31,920	$34,320

Comments:

The Applicant's original 2008 HTC application utilized the maximum program rents and limits available at the time the application was submitted. However, in July 2008 the Housing and Economic Recovery Act increased the income limits for certain HTC rural properties, including Corsicana.

With the revised HOME funds request submitted on 12/23/2008 the Applicant's revised exhibits appear to have taken advantage of the higher income and rent limits for Corsicana. However, an update to the original market study has not been provided by the Applicant or Market Analyst to account for these new income and rent limits. Therefore, the Underwriter's capture rate calculations will utilize the original income limits for the area to be consistent with the set of data that was available and utilized by the Market Analyst. This will be discussed in more detail below.

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/50% Rent Limit	0	38	51	89	6	19	28%
1 BR/60% Rent Limit	0	42	55	97	6	19	26%
2 BR/30% Rent Limit	0	42	37	79	1	1	3%
2 BR/50% Rent Limit	0	61	52	113	6	3	8%
2 BR/60% Rent Limit	0	72	61	133	17	4	16%
3 BR/30% Rent Limit	0	19	15	34	1	0	3%
3 BR/50% Rent Limit	0	33	25	58	2	0	3%
3 BR/60% Rent Limit	0	33	24	57	1	0	2%

Comments:

The Market Analyst's demand by unit type calculations result in significantly understated inclusive capture rates due to several methods utilized. First, the Analyst included households that are too large for the proposed unit types by including 6 and 7-plus households in the demand calculations for one, two and three bedroom units. Generally, 1 and 2 person households would be considered in the demand for one bedroom units, 1 to 3 person households would be considered in the demand for two bedroom units and 3 to 5 person households would be considered for three bedroom units.

Second, the Market Analyst included demand from the secondary market by concluding that the secondary market would result in an additional 25% of the demand from the primary market. The Department's rules allow demand from a secondary market area but the demand must be derived from that area, rather than just increasing primary market demand. The Market Analyst indicated that this percentage was determined by a general survey of property managers.

The result of the Market Analyst's methodology is overstated demand figures yielding an understated inclusive capture rate. In determining the overall inclusive capture rate, the Market Analyst summed the demand for each unit type to determine the overall demand. This results in overstatement of demand for two reasons, which compound the previous issues.

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First, the Analyst included the same households in demand for each unit type, which counts the same households multiple times. For example, some two person households are qualified for a one or two bedroom unit, but in determining overall demand, these households should only be included once. Because the Market Analyst's total demand is the sum of the qualified renters for each unit type, many households are counted two times or more.

Second, the income bands for 50% and 60% units overlap, which means that some households are qualified for units at both income levels. However, as was the case in the previous paragraph, these households should only be counted once in the overall demand.

Despite these significant differences, however, the Underwriter derived an inclusive capture rate that meets the Department's threshold and effectively excludes the overlap described above. Therefore, a revision of the study was not necessary.

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
MA-Qualified Renters	40	0	0	40	742	5.4%
MA-Overburdened Rtrs	40	0	0	40	319	12.5%
MA-Growth&Movership	40	0	0	40	342	11.7%
UW-Conventional	40	0	0	40	662	6.08%
Underwriter-HISTA Data	40	0	0	40	634	6.31%

MA is Market Analyst, and UW is Underwriter

Comments:

The Market Analyst did not provide a single inclusive capture rate, but provided a demand analysis and inclusive capture rate of qualified renters, an analysis and inclusive capture rate of overburdened renters and an analysis and inclusive capture rate of growth and movership in substandard housing. His analysis provided an inclusive capture rate of 5.4% for qualified renters, 12.5% for overburdened renters and 11.7% for growth and movership. According to the Market Analyst "these capture rates fall within acceptable limits", and "the property is feasible from a market standpoint".

The Underwriter's inclusive capture rate using the conventional method is 6%. Additionally the Underwriter calculated an inclusive capture rate of 6% using the HISTA data method. There are two other applications for tax credits in the PMA: Cambridge Crossing Apartments with 58 units and West Park Seniors with 48 units. Neither has been included in the supply because both developments target seniors, whereas the subject property will target all family households. The Underwriter's conventional method calculation and Market Analyst calculations are within the Department's maximum rate of 75% for rural properties, and are therefore considered acceptable.

Primary Market Occupancy Rates:

The overall occupancy rate is 94% for the 1,018 confirmed and stabilized family units in the market area.

Absorption Projections:

"Our analysis suggests that the subject property will stabilize at 97 percent occupancy. We estimate a 5 month absorption period and an average absorption rate of 7.76 units per month for this project." (p. 22)

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RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 834 SF 50%/LH	$304	$304	$550	$304	$246
1 BR 834 SF 60%	$389	$435	$550	$435	$115
2 BR 1,192 SF 30%/LH	$159	$187	$730	$187	$543
2 BR 1,192 SF 50%/LH	$362	$362	$730	$362	$368
2 BR 1,192 SF 60%	$464	$520	$730	$520	$210
3 BR 1,359 SF 30%/LH	$172	$204	$780	$204	$576
3 BR 1,359 SF 50%/LH	$407	$407	$780	$407	$373
3 BR 1,359 SF 60%	$525	$588	$780	$588	$192

Market Impact:

Based on the demand in the market area, the market impact for the subject units should be minimal.

Comments:

The Market Analyst provided sufficient information for the Underwriter to reach an acceptable inclusive capture rate.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with Section 1.32(i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 7 units per square mile, which is less than the 1,432 units per square mile limit; and a Primary Market Area concentration of 1.5 units per square mile, which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 1/23/2009

The Applicant's original 2008 HTC application utilized the maximum program rents for the 50% and 60% units. However, as modified by The Housing and Economic Recovery Act of 2008, Corsicana is allowed to utilize higher income and rent limits. Based on the Applicant's revised information submitted with the amended HOME loan request, the Applicant has taken advantage of these higher limits. Therefore, the Applicant utilized the higher rent limits for its 50% and 60% units . However, the Applicant utilizes incorrect and understated program rents for the 30% units. These rents are adjusted by utility allowances for electricity, water and sewer. The Underwriter's projected rents were calculated by subtracting tenant paid utilities from the more restrictive of the current HTC or HOME program gross rents.

The Applicant's projected secondary income and losses due to vacancy and collection are consistent with underwriting guidelines. The Applicant's projected effective gross income is within 1% of the underwriting estimate.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 1/23/2009

The original HTC application indicated annual operating expenses totaling $3,500 per unit. The Applicant submitted revised expenses on 12/23/08 in conjunction with a revised request for HOME funds. The Applicant's revised expenses were reduced to $3,170 per unit. This is 8% less than the underwriting estimate of $3,447 per unit. The underwriting estimate is based primarily on historical data, available through the Department's CMTS database, for several other comparable developments managed by the Applicant, in addition to the Department database and other sources. Line items that vary significantly include general & administrative (the Applicant's figure is $4K higher than the underwriting estimate); payroll & payroll tax (the Applicant's figure is $4K higher than the underwriting estimate); repairs & maintenance (the Applicant's figure is $14K lower); water, sewer, and trash (the Applicant's figure is $4K lower); and property insurance (the Applicant's figure is $4K lower).

In previous conversations the Applicant indicated to the Department staff that management and maintenance personnel from an adjacent property operated by the Applicant (Windvale Apartments) will be shared with the subject development and another proposed property in the same area that is also on the 2008 Waiting List to be underwritten (West Park Senior Housing). The Underwriter has taken this into account in the operating expense estimates.

Conclusion:

The Applicant's annual expenses and net operating income each differ from the underwriting estimates by more than 5%; therefore, Department guidelines require that the underwriting estimates be used to determine debt capacity and feasibility. The underwriting estimates indicate a first-year debt coverage ratio (DCR) of 1.12, which falls below the allowable range of 1.15 to 1.35. Therefore, the Underwriter's recommended financing structure includes a reduction in the requested HOME loan to $1,509,811 in order to achieve the minimum DCR of 1.15.

However, the underwriting estimates indicate an expense to income ratio of 70.43%. The Department's rules require that the year one expense to income ratio be less than 65% in order to be considered feasible. As a result, pursuant to 10 TAC §1.32(i)(5) the development must be characterized as infeasible and cannot be recommended for funding. It should be noted that the Applicant's proforma estimates reflect an expense to income ratio marginally below 65%. A high expense to income ratio suggests the feasibility of the development would be particularly vulnerable to periods of rising expenses accompanied by flat rents.

Feasibility:

The underwriting estimates and the recommended debt amount (sized to achieve the minimum DCR), are used to create a 30-year operating proforma, applying a 3% growth factor to income and 4% to expenses. This analysis indicates a DCR above 1.15 through year 15; however, the DCR falls below 1.15 by year 20, and cash flow becomes negative by year 30.

It should be noted that the primary principal of the Applicant also has a nearby 76 unit development, Windvale Park Apartments that was awarded tax credits and a HOME loan in 2005, and recently (October 2008) requested a loan modification to reduce the development's annual HOME loan payment from approximately $50,000 per year down to $12,000 per year. The developer of this property stated that 1) at application they had requested a 40 year loan term but were given a 30 year term instead by the Department, and 2) because of dramatic increases in utility allowances, collected rents will now be substantially lower than anticipated. The utility allowances at the time of application were $53 for 1-bedroom units, $60 for 2-bedroom and $67 for 3-bedroom. Effective November 1, 2008 utility allowances increased to $119 for 1-bedroom units, $146 for 2-bedroom and $180 for 3-bedroom.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only:	4.01 Prorated	$6,800	Tax Year:	2007
Existing Buildings:		$0	Valuation by:	Navarro CAD
Total Assessed Value:		$6,800	Tax Rate:	2.6445

EVIDENCE of PROPERTY CONTROL

Type: Purchase Option — Acreage: 4.01

Contract Expiration: 12/31/2009 — Valid Through Board Date? [X] Yes [ ] No

Acquisition Cost: $110,000 — Other:

Seller: Wedlock Energy, LP — Related to Development Team? [ ] Yes [X] No

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CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 11/21/2008

Acquisition Value:

The site cost of $27,431 per acre or $2,740 per unit is assumed to be reasonable since the acquisition is an arm's length transaction.

Off-Site Cost:

The Applicant has indicated that there is to be $30,000 in off-site costs for utilities, and $30,000 for off-site paving. These items appear to be reasonable, however, both the Applicant and Underwriter have designated this cost as ineligible and they are not included in eligible basis.

Sitework Cost:

The Applicant's proposed site work cost of $7,500 per unit is considered to be reasonable and is within the Department's guidelines; therefore, no additional third party substantiation is needed.

Direct Construction Cost:

Of note, the Applicant provided an updated cost schedule on 12/23/08 in conjunction with the revised HOME funds request. This revised cost schedule was not provided, however, as a result of a request for additional information by staff. In fact, it appears that the Applicant provided the revision after the Board's November 13th decision to allow a 10% increase in construction costs. However the Applicant's new cost schedule was not considered in this analysis, as developments awarded additional credits per the November 13, 2008 TDHCA Board policy were based on original costs only. Similarly, the subject development will be evaluated using those same standards and any additional credit will be applied in the same manner as other 2008 9% cycle applications.

The Applicant's direct construction cost estimate, as submitted in the original 2008 HTC application, is $2.2M and is within 1% of the underwriting estimate, derived from the Marshall & Swift Residential Cost Handbook.

Interim Interest Expense:

The Applicant has included $150K in construction loan interest expense and a letter from the proposed syndicator stating that their estimates support interest from a bridge loan in the amount of $135,000. The Applicant has included no documentation of a bridge loan and based on the equity pay-in schedule reflected in the latest commitment provided, the need for a bridge loan is not apparent.

Therefore, the Underwriter has limited eligible interim interest to one year of fully drawn interest expense on the documented construction period financing. Generally, this amount of interest expense is generous given that the funds are drawn down as needed through construction and only at the end of the construction is interest incurred on the full amount of construction financing; however, the Applicant has requested a 0% interest $1.55M TDHCA loan and interest expense during construction should be minimal. The Applicant's excess interest expense has been shifted to ineligible costs.

Contingency & Fees:

Due to the misallocation of interest expense described above, the Applicant's developer fees, contingency and contractor fees are slightly adjusted; however, these amounts are minimal.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. The TDHCA Board acted on November 13, 2008 to allow all transactions the benefit of the 9% applicable percentage, which is accounted for in this calculation. In addition the Board approved an increase in the credit amount for all 2008 transactions based on an additional 10% of direct construction and site work cost as contingency. In this case the adjusted cost results in $250,200 in additional eligible basis for a total eligible basis of $4,485,000, and $22,518 in additional credit for a total eligible credit allocation of $517,990. This amount will be compared to the amount determined by the gap in financing to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 1/6/2009

Source: TDHCA HOME Loan Type: **Interim to Permanent Financing**

Interim:	$1,550,000	Interest Rate:	0.0%		Fixed	Term:	12 months
Permanent	$1,550,000	Interest Rate:	0.0%		Fixed	Term:	360 months

Source: Callaway Lumber Company Type: **Interim Financing**

Interim:	$100,000	Interest Rate:	8.00%	X	Fixed	Term	1 months

Source: Boston Capital Corporation Type: **Syndication**

Proceeds: $3,553,611 Syndication Rate: 65% Anticipated HTC: $ 546,709

Amount: $29,589 Type: **Deferred Developer Fees**

Comments:

The committed credit price appears to be consistent with recent trends in pricing. However, the Underwriter has performed a sensitivity test and determined that the credit price can decline to $0.635. At this point, the deferred developer fee required would exceed the 15 year projected cashflow and the transaction would not be viable. Alternatively, should the final credit price increase to more than $0.68, all deferred developer fees would be eliminated and an adjustment to the credit amount may be warranted.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

CONCLUSIONS

Recommended Financing Structure:

At its November 13, 2008 meeting, the Governing Board approved an increase in tax credits for all competitive 2007 and 2008 transactions based on the 9% credit rate and a 10% increase in direct and sitework construction costs. As a result, all applications on the 2008 waiting list to be considered for a forward commitment will be treated in the same manner. As discussed previously, the Applicant's total development cost estimate is within 5%; therefore, their cost will be used for purposes of determining the development's eligible basis and funding need. Accordingly, the Applicant's development cost has been increased by 10% as approved by the TDHCA Board for purposes of determining the recommended tax credit allocation.

The Applicant's total development cost estimate (including the 10% increase) less the maximum recommended HOME loan of $1,509,811 indicates the need for $3,553,389 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $546,749 annually would be required to fill this gap in financing. Of the two possible tax credit amounts, eligible basis amount ($517,900) and the gap-driven amount ($546,759), the eligible basis amount of $517,990 would be recommended.

However, as discussed previously in this report, the Underwriter's proforma has determined that the year one expense to income ratio exceeds the Department's guideline of 65%. Therefore, pursuant to 10 TAC §1.32(i)(5) of the 2008 Real Estate Analysis Rules the development must be characterized as infeasible and cannot be recommended for funding.

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Additionally, if the Board were to approve this application and waive §1.32(i)(5) of the 2008 Real Estate Analysis Rules, the Underwriter's recommended financing structure would require an additional $186,974 in permanent funds. Deferred developer fees in this amount cannot be repaid within fifteen years of stabilized operation. Therefore, this development is also considered to be infeasible and not recommended for funding pursuant to 10 TAC §1.32(i)(3) of the 2008 Real Estate Analysis Rules. Finally, the HOME loan if awarded is not projected to be fully repayable in the last 10 years of the amortization period. For all the reasons discussed above the award of tax credits and HOME funds is not recommended.

Should the Board approve this application and waive §1.32(i)(3) and §1.32(i)(5) of the 2008 Real Estate Analysis Rules, the Underwriter recommends an annual housing tax credit allocation not to exceed $517,990 and a HOME award in the amount of $1,509,811 structured as a repayable first lien mortgage with a 0% interest rate and amortization of 30 years.

Underwriter:	*D. Burrell*	Date:	January 28, 2009
Reviewing Underwriter:	*Tom Cavanagh*	Date:	January 28, 2009
Acting Director of Real Estate Analysis:	*Raquel Morales*	Date:	January 28, 2009

Westway Place, Corsicana, HTC 9% #08256

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	Trash Only
TC50%/LH	6	1	1	834	$423	$304	$1,824	$0.36	$119	$10
TC 60%	6	1	1	834	$554	$435	$2,610		$119	$10
TC30%/LH	1	2	2	1,192	$333	$187	$187		$146	$10
TC50%/LH	6	2	2	1,192	$508	$362	$2,172		$146	$10
TC 60%	17	2	2	1,192	$666	$520	$8,840		$146	$10
TC30%/LH	1	3	2	1,359	$384	$204	$204		$180	$10
TC50%/LH	2	3	2	1,359	$587	$407	$814		$180	$10
TC 60%	1	3	2	1,359	$768	$588	$588		$180	$10
TOTAL:	40		**AVERAGE:**	1,101		$431	$17,239	$0.39	$141	$10

INCOME	Total Net Rentable Sq Ft: 44,052			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$206,868	$206,148	Navarro		3
Secondary Income	Per Unit Per Month:	$10.00		4,800	4,800	$10.00	Per Unit Per Month	
Other Support Income:				0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$211,668	$210,948			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(15,875)	(15,816)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$195,793	$195,132			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.18%	$204	0.19	$8,175	$12,000	$0.27	$300	6.15%
Management		5.00%	245	0.22	$9,790	10,800	0.25	270	5.53%
Payroll & Payroll Tax		13.73%	672	0.61	$26,892	30,600	0.69	765	15.68%
Repairs & Maintenance		18.06%	884	0.80	$35,352	21,300	0.48	533	10.92%
Utilities		3.68%	180	0.16	7,202	9,000	0.20	225	4.61%
Water, Sewer, & Trash		3.83%	187	0.17	7,491	3,600	0.08	90	1.84%
Property Insurance		6.62%	324	0.29	12,967	9,000	0.20	225	4.61%
Property Tax	2.64	8.64%	423	0.38	16,925	16,900	0.38	423	8.66%
Reserve for Replacements		5.11%	250	0.23	10,000	10,000	0.23	250	5.12%
TDHCA Compliance Fees		0.82%	40	0.04	1,600	1,600	0.04	40	0.82%
Other:Supportive Srv & Cable TV		0.77%	38	0.03	1,500	2,000	0.05	50	1.02%
TOTAL EXPENSES		70.43%	$3,447	$3.13	$137,893	$126,800	$2.88	$3,170	64.98%
NET OPERATING INC		29.57%	$1,448	$1.31	$57,900	$68,332	$1.55	$1,708	35.02%
DEBT SERVICE									
TDHCA HOME Loan		26.39%	$1,292	$1.17	$51,667	$51,666	$1.17	$1,292	26.48%
		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		3.18%	$156	$0.14	$6,234	$16,666	$0.38	$417	8.54%
AGGREGATE DEBT COVERAGE RATIO					1.12	1.32			
RECOMMENDED DEBT COVERAGE RATIO					1.15				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.31%	$2,750	$2.50	$110,000	$110,000	$2.50	$2,750	2.17%
Off-Sites		1.26%	1,500	1.36	60,000	60,000	1.36	1,500	1.19%
Sitework		6.31%	7,500	6.81	300,000	300,000	6.81	7,500	5.93%
Direct Construction		46.15%	54,840	49.80	2,193,615	2,202,000	49.99	55,050	43.49%
Contingency	5.00%	2.62%	3,117	2.83	124,681	125,000	2.84	3,125	2.47%
Contractor's Fees	14.00%	7.34%	8,728	7.92	349,106	350,000	7.95	8,750	6.91%
Indirect Construction		9.97%	11,850	10.76	474,000	474,000	10.76	11,850	9.36%
Ineligible Costs		5.83%	6,925	6.29	277,000	277,000	6.29	6,925	5.47%
Developer's Fees	20.00%	14.81%	17,597	15.98	703,880	737,000	16.73	18,425	14.56%
Interim Financing		1.64%	1,950	1.77	78,000	78,000	1.77	1,950	1.54%
Reserves		1.75%	2,083	1.89	83,335	100,000	2.27	2,500	1.98%
TOTAL COST		100.00%	$118,840	$107.91	$4,753,618	$5,063,200	$114.94	$126,580	100.00%
Construction Cost Recap		*62.42%*	***$74,185***	***$67.36***	***$2,967,402***	***$2,977,000***	***$67.58***	***$74,425***	*58.80%*

SOURCES OF FUNDS

					RECOMMENDED	
	0.00%	$0	$0.00	$0		Developer Fee Available
TDHCA HOME Loan	32.61%	$38,750	$35.19	1,550,000	1,550,000	1,509,811	$705,800
HTC Syndication Proceeds	74.76%	$88,849	$80.68	3,553,966	3,553,966	3,366,414	% of Dev. Fee Deferred
Deferred Developer Fees	0.61%	$731	$0.66	29,234	29,234	186,974	26%
Additional (Excess) Funds Req'd	-7.99%	($9,490)	($8.62)	(379,582)	(70,000)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$4,753,618	$5,063,200	$5,063,200	$138,070

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$53.75	$2,367,928
Adjustments				
Exterior Wall Finish	6.00%		$3.23	$142,076
Elderly			0.00	0
9-Ft. Ceilings	3.75%		2.02	88,797
Roofing			0.00	0
Subfloor			(1.65)	(72,539)
Floor Cover			2.43	107,046
Breezeways/Balconies	$22.31	9,807	4.97	218,786
Plumbing Fixtures	$805	84	1.54	67,620
Rough-ins	$400	40	0.36	16,000
Built-In Appliances	$1,850	40	1.68	74,000
Exterior Stairs	$1,800	6	0.25	10,800
Enclosed Corridors	$43.83		0.00	0
Heating/Cooling			1.90	83,699
Garages/Carports			0.00	0
Comm &/or Aux Bldgs			0.00	0
Other: fire sprinkler	$1.95	0	0.00	0
SUBTOTAL			70.47	3,104,213
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(9.16)	(403,548)
TOTAL DIRECT CONSTRUCTION COSTS			$61.31	$2,700,665
Plans, specs, survy, bld prm	3.90%		($2.39)	($105,326)
Interim Construction Interest	3.38%		(2.07)	(91,147)
Contractor's OH & Profit	11.50%		(7.05)	(310,577)
NET DIRECT CONSTRUCTION COSTS			$49.80	$2,193,615

PAYMENT COMPUTATION

Primary	$1,550,000	Amort	360
Int Rate	0.00%	DCR	1.12
Secondary		Amort	
Int Rate		Subtotal DCR	1.12
Additional	$0	Amort	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE

Primary Debt Service	$50,327
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$7,573

Primary	$1,509,811	Amort	360
Int Rate	0.00%	DCR	1.15
Secondary		Amort	0
Int Rate	0.00%	Subtotal DCR	1.15
Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.15

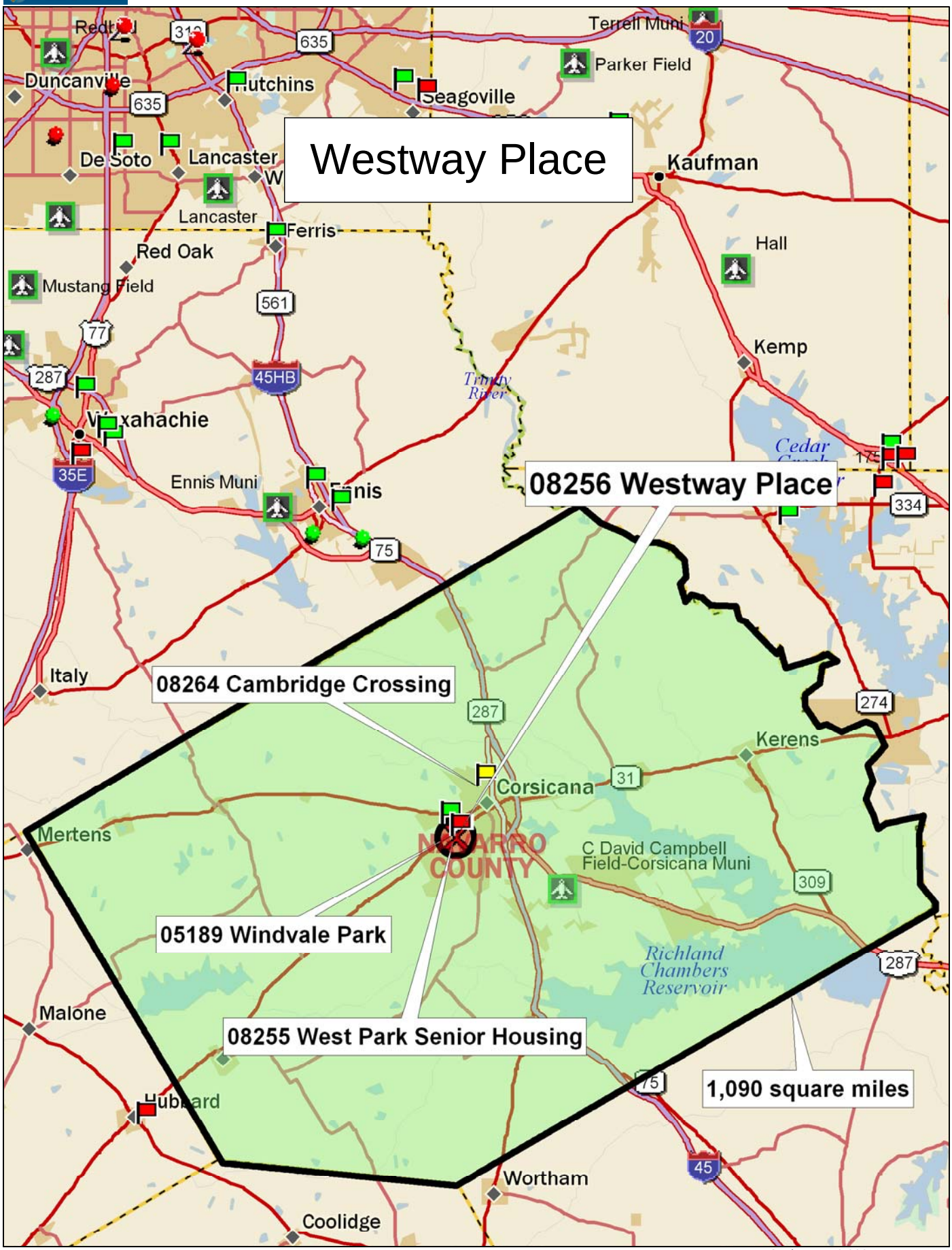
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$206,868	$213,074	$219,466	$226,050	$232,832	$269,916	$312,906	$362,744	$487,498
Secondary Income	4,800	4,944	5,092	5,245	5,402	6,263	7,260	8,417	11,312
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	211,668	218,018	224,559	231,295	238,234	276,179	320,167	371,161	498,810
Vacancy & Collection Loss	(15,875)	(16,351)	(16,842)	(17,347)	(17,868)	(20,713)	(24,013)	(27,837)	(37,411)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$195,793	$201,667	$207,717	$213,948	$220,367	$255,465	$296,154	$343,324	$461,399
EXPENSES at 4.00%									
General & Administrative	$8,175	$8,502	$8,842	$9,195	$9,563	$11,635	$14,156	$17,223	$25,494
Management	9,790	10,083	10,386	10,697	11,018	12,773	14,808	17,166	23,070
Payroll & Payroll Tax	26,892	27,968	29,086	30,250	31,460	38,276	46,568	56,657	83,867
Repairs & Maintenance	35,352	36,767	38,237	39,767	41,357	50,318	61,219	74,482	110,252
Utilities	7,202	7,490	7,789	8,101	8,425	10,250	12,471	15,173	22,459
Water, Sewer & Trash	7,491	7,790	8,102	8,426	8,763	10,661	12,971	15,781	23,360
Insurance	12,967	13,486	14,025	14,586	15,169	18,456	22,454	27,319	40,439
Property Tax	16,925	17,602	18,306	19,038	19,800	24,089	29,308	35,658	52,783
Reserve for Replacements	10,000	10,400	10,816	11,249	11,699	14,233	17,317	21,068	31,187
Other	3,100	3,224	3,353	3,487	3,627	4,412	5,368	6,531	9,668
TOTAL EXPENSES	$137,893	$143,310	$148,942	$154,796	$160,881	$195,104	$236,641	$287,060	$422,579
NET OPERATING INCOME	$57,900	$58,356	$58,775	$59,152	$59,486	$60,362	$59,514	$56,264	$38,820
DEBT SERVICE									
First Lien Financing	$50,327	$50,327	$50,327	$50,327	$50,327	$50,327	$50,327	$50,327	$50,327
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$7,573	$8,029	$8,448	$8,825	$9,159	$10,034	$9,187	$5,937	($11,507)
DEBT COVERAGE RATIO	1.15	1.16	1.17	1.18	1.18	1.20	1.18	1.12	0.77

HTC ALLOCATION ANALYSIS -Westway Place, Corsicana, HTC 9% #08256

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS	10% Increase
Acquisition Cost					
Purchase of land	$110,000	$110,000			
Purchase of buildings					
Off-Site Improvements	$60,000	$60,000			
Sitework	$300,000	$300,000	$300,000	$300,000	$30,000
Construction Hard Costs	$2,202,000	$2,193,615	$2,202,000	$2,193,615	$220,200
Contractor Fees	$350,000	$349,106	$350,000	$349,106	
Contingencies	$125,000	$124,681	$125,000	$124,681	
Eligible Indirect Fees	$474,000	$474,000	$474,000	$474,000	
Eligible Financing Fees	$78,000	$78,000	$78,000	$78,000	
All Ineligible Costs	$277,000	$277,000			
Developer Fees			$705,800		
Developer Fees	$737,000	$703,880		$703,880	
Development Reserves	$100,000	$83,335			
TOTAL DEVELOPMENT COSTS	$4,813,000	$4,753,618	$4,234,800	$4,223,283	$250,200

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS		$4,234,800	$4,223,283	$250,200
High Cost Area Adjustment		130%	130%	100%
TOTAL ADJUSTED BASIS		$5,505,240	$5,490,268	$250,200
Applicable Fraction		100%	100%	100%
TOTAL QUALIFIED BASIS		$5,505,240	$5,490,268	$250,200
Applicable Percentage		9.00%	9.00%	9.00%
TOTAL AMOUNT OF TAX CREDITS		$495,472	$494,124	$22,518
Syndication Proceeds	**0.6499**	**$3,220,070**	**$3,211,313**	**$146,344**
Total Tax Credits (Eligible Basis Method)		**$495,472**	**$494,124**	**$517,990**
Syndication Proceeds		**$3,220,070**	**$3,211,313**	**$3,366,414**
Requested Tax Credits		**$478,392**		
Syndication Proceeds		**$3,109,070**		
Gap of Syndication Proceeds Needed		**$3,553,389**	**$3,243,807**	
Total Tax Credits (Gap Method)		**$546,759**	**$499,124**	



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TN
MN (4.1°E)

Scale 1 : 450,000
1" = 7.10 mi
Data Zoom 8-1

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 01/28/09 PROGRAM: 9% HTC / HOME FILE NUMBER: **08255**

DEVELOPMENT

West Park Senior Housing

Location: West Park Row and 44th Street Region: 3

City: Corsicana County: Navarro Zip: 75110 [ ] QCT [x] DDA

Key Attributes: Multifamily, Elderly, Rural, New Construction

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$1,600,000	0.00%	30/30	**$0**		
Housing Tax Credit (Annual)	$507,268			**$0**		

NOT RECOMMENDED DUE TO THE FOLLOWING:

The transaction is financially infeasible due to the ratio of annual operating expenses to effective gross income, as determined by the Underwriter, exceeding the Department's minimum of 65%, per 10 TAC §1.32(i)(5) of the 2008 Real Estate Analysis Rules.

The HOME loan as proposed cannot be projected to be fully repaid as cash flow may be insufficient to service the proposed debt in the last years of the amortization period.

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

1 A tax credit allocation not to exceed $550,576 annually for ten years and a HOME loan not to exceed $1,600,000 amortized over 30 years at 0% interest.

2 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	3
50% of AMI	50% of AMI	22
60% of AMI	60% of AMI	23

TDHCA SET-ASIDES for HOME LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	Low HOME	3
50% of AMI	Low HOME	22

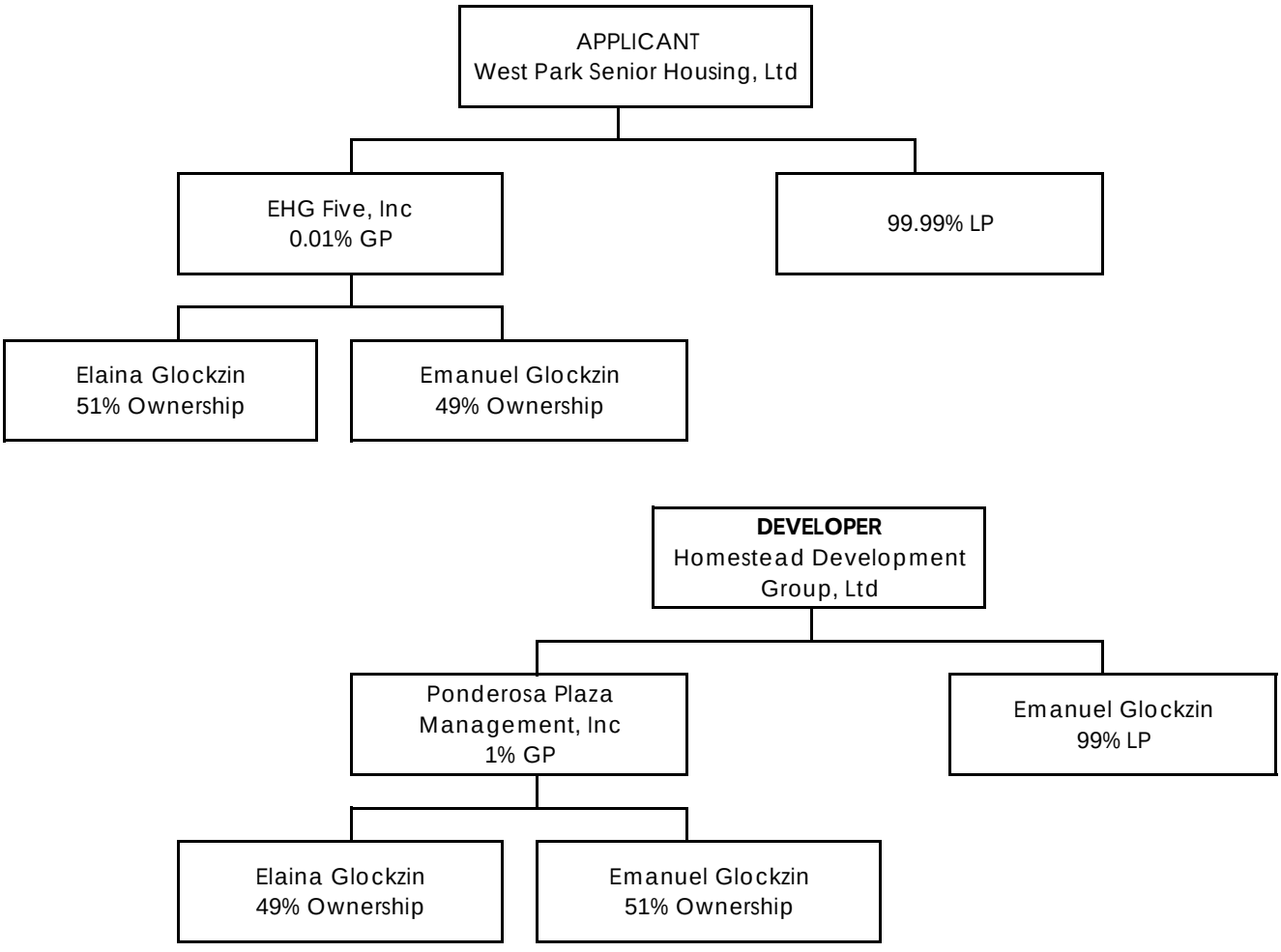
PROS	CONS
▫ The Development team has substantial experience with the Department's programs and development of multifamily housing.	▫ The expense to income ratio as determined by the Underwriter exceeds the 65% maximum; the Applicant's ratio is right at the 65% maximum. Expense ratios at this level indicate the feasibility of the development is particularly vulnerable to periods of increasing expenses accompanied by flat rental income.
▫ The Applicant has elected to set aside more than 50% of the proposed units for households at or below 50% of AMI.	▫ Another 60 unit development has recently been approved for the same community and the market study for it indicates no additional available demand to support both developments.

PREVIOUS UNDERWRITING REPORTS

None.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact:	Emanuel H. Glockzin, Jr	Phone:	979.846.8878	Fax:	979.846.0783
Email:	emanuel@edgproperties.net				

KEY PARTICIPANTS

Name	Financial Notes	# Completed Developments
EHG Five, Inc	None	--
Homestead Development Group	None	--
Ponderosa Plaza Management	None	--
Emanuel Glockzin	None	24
Elaina Glockzin	None	24

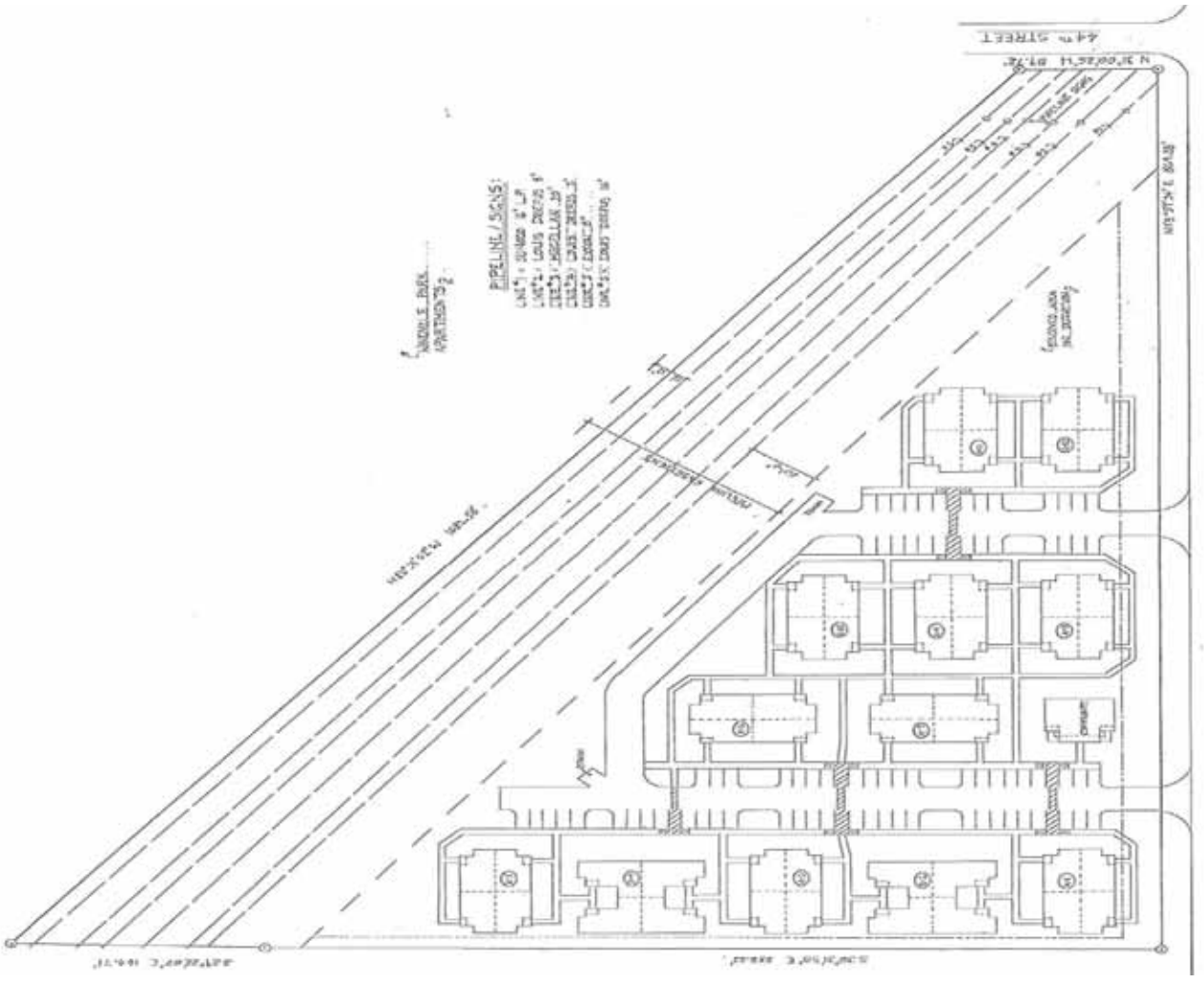
IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, Architect, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

- The Seller is related to the Owners of the GP and the transfer of the property is therefore regarded as a related party transaction.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B									Total Buildings
Floors/Stories	1	1									
Number	10	2									**12**

BR/BA	SF	Units										Total Units	Total SF
1/1	811	4										40	32,440
2/1	1,034		4									8	8,272
Units per Building		4	4									**48**	**40,712**

SITE ISSUES

Total Size:	8.366 acres	Scattered site?	[ ]	Yes	[x]	No	
Flood Zone:	C	Within 100-yr floodplain?	[ ]	Yes	[x]	No	
Zoning:	MF-1/Multifamily	Needs to be re-zoned?	[ ]	Yes	[x]	No	[ ] N/A

TDHCA SITE INSPECTION

Inspector: ORCA Staff Date: 4/24/2008

Overall Assessment:

[ ] Excellent [x] Acceptable [ ] Questionable [ ] Poor [ ] Unacceptable

Surrounding Uses:

North: West Park Row (street) / multifamily East: Several multifamily developments

South: Windvale Park Apartments West: Windvale Park / school

Comments:

The proposed site is located adjacent to an existing 2005 funded 9% tax credit property, Windvale Park, that targets families.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Hodges Engineering, Inc. Date: 2/25/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- No RECs or other concerns or recommendations are reflected in the ESA provided.

MARKET HIGHLIGHTS

Provider: Allen & Associates Consulting Date: 2/25/2008

Contact: Jeffrey B Carroll Phone: 704.905.2276 Fax: 704.708.4261

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 1,090 square miles (18.63 mile radius)

The Primary Market Area includes the 10 census tracts that make up Navarro County. The Analyst notes, "We defined the primary market area by generating a drive time zone around the subject property and analyzing median rents and average household income levels in the area. We also considered population densities, existing multifamily properties and the nearest census tract boundaries in our analysis" (p. 45).

Secondary Market Area (SMA):

The Market Analyst did not explicitly define an SMA.

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	25% Comp Units
Westway Place	08256	40	family	N/A			
Cambridge Crossing	08264	58	58	N/A			

Comments:

There are two other proposed 2008 9% HTC developments in Corsicana. Westway Place (08256) is a proposed 40 unit new construction development that will target families, and Cambridge Crossing (08264) is a proposed 60 unit new construction development that will target elderly households. The Market Analyst did not include the units from Cambridge Crossing in determining the capture rate because at the time it had not received an award. For purposes of this analysis the Underwriter included the units from Cambridge Crossing in the total number of unstabilized units because it received an award of HTC in July 2008. This will be discussed in more detail later in this report.

INCOME LIMITS						
Navarro						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$9,500	$10,850	$12,200	$13,550	$14,650	$15,700
40	$12,640	$14,480	$16,280	$18,080	$19,520	$20,960
50	$15,800	$18,100	$20,350	$22,600	$24,400	$26,200
60	$18,960	$21,720	$24,420	$27,120	$29,280	$31,440

REVISED INCOME LIMITS (revised per HERA of 2008)						
Navarro						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$10,350	$11,820	$13,320	$14,790	$15,960	$17,160
40	$13,800	$15,760	$17,760	$19,720	$21,280	$22,880
50	$17,250	$19,700	$22,200	$24,650	$26,600	$28,600
60	$20,700	$23,640	$26,640	$29,580	$31,920	$34,320

Comments:

The Applicant's original 2008 HTC application utilized the maximum program rents and limits available at the time the application was submitted. However, in July 2008 the Housing and Economic Recovery Act increased the income limits for certain HTC rural properties. An analysis performed by the Department's Portfolio Management and Compliance Department resulted in a list of specific cities and counties that qualified to use the increased income and rent limits. A memo dated 9/3/2008 was published on the Department's website identifying those cities and counties.

With the revised HOME funds request submitted on 12/23/2008 the Applicant's revised exhibits appears to have taken advantage of the higher income and rent limits for Corsicana. However, an update to the original market study has not been provided by the Applicant or Market Analyst to account for these new income and rent limits. Therefore, the Underwriter's capture rate calculations will utilize the original income limits for the area to be consistent with the set of data that was available and utilized by the Market Analyst. This will be discussed in more detail below.

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand*	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1 BR/30% Rent Limit	0	18	60	78	2	0	3%
1 BR/50% Rent Limit	0	29	109	138	19	0	14%
1 BR/60% Rent Limit	0	34	128	162	19	0	12%
2 BR/30% Rent Limit	0	4	13	17	1	0	6%
2 BR/50% Rent Limit	0	12	43	55	3	0	5%
2 BR/60% Rent Limit	0	14	50	64	4	0	6%

Comments:

The Market Analyst's demand by unit type calculations result in significantly understated inclusive capture rates due to several methods utilized. First, the Analyst included households that are too large for the proposed unit types by including 4, 5, 6, and 7-plus households in the demand calculations for both one and two bedroom units. Generally, 1 and 2 person households would be considered in the demand for one bedroom units and 1 to 3 person households would be considered in the demand for two bedroom units. Because most elderly households are 1 and 2 persons, this alone does not have a significant impact.

Second, the Market Analyst included demand from the secondary market by concluding that the secondary market would result in an additional 25% of the demand from the primary market. The Department's rules allow demand from a secondary market area but the demand must be derived from that area, rather than just increasing primary market demand. The Market Analyst indicated that this percentage was determined by a general survey of property managers.

The result of the Market Analyst's methodology is overstated demand figures yielding an understated inclusive capture rate. In determining the overall inclusive capture rate, the Market Analyst summed the demand for each unit type to determine the overall demand. This results in overstatement of demand for two reasons, which compound the previous issues.

First, the Analyst included the same households in demand for each unit type, which counts the same households multiple times. For example, some two person households are qualified for a one or two bedroom unit, but in determining overall demand, these households should only be included once. Because the Market Analyst's total demand is the sum of the qualified elderly renters for each unit type, many households are counted two times or more.

Second, the income bands for 50% and 60% units overlap, which means that some households are qualified for units at both income levels. However, as was the case in the previous paragraph, these households should only be counted once in the overall demand.

Despite these significant differences, the Underwriter derived an inclusive capture rate that meets the Department's 75% threshold and effectively excludes the overlap described above. Therefore, a revision of the study was not necessary; however, Department staff discussed each of these issues with the Market Analyst.

INCLUSIVE CAPTURE RATES						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
*MA-Qualified Renters	48	0	0	48	847	5.7%
MA-Overburdened Rtrs.	48	0	0	48	404	11.9%
MA-Growth&Movership	48	0	0	48	111	43.2%
*UW-Conventional	48	58	0	106	142	74.65%
Underwriter-HISTA Data	48	58	0	106	118	89.5%

MA is Market Analyst, and UW is Underwriter

Comments:

The Market Analyst did not provide a single inclusive capture rate, but provided a demand analysis and inclusive capture rate of qualified renters, an analysis and inclusive capture rate of overburdened renters and an analysis and inclusive capture rate of growth and movership in substandard housing. This analysis provided an inclusive capture rate of 5.7% for qualified renters, 11.9% for overburdened renters and 43.1% for growth and movership. According to the Market Analyst "these capture rates fall within acceptable limits", and that "the property is feasible from a market standpoint".

The Underwriter's inclusive capture rate using the conventional method and the original rent and income limits is 74.65%. This is marginally below the 75% capture rate limit for rural and elderly transactions. Additionally the Underwriter calculated an inclusive capture rate of 89.5% using the HISTA data method; however, as has been the case in all other underwriting reports in the past year's cycle, the HISTA data method will not be used in making a recommendation on the feasibility of the development. The primary reason the Underwriter's capture rates are substantially higher than the Market Analyst's is that the Underwriter included 58 comparable units for the Cambridge Crossing Apartments that were approved for tax credit funding in July 2008. The Market Analyst had not included those units in his calculations in February 2008, as those units had not been approved for funding; however, both the Underwriter's conventional method calculation and Market Analyst calculations are within the Department's maximum rate of 75% for rural properties, and are therefore considered acceptable.

The Housing and Economic Recovery Act of 2008 modified the rent and income limits for specific rural areas so that these limits could be increased. Corsicana is one of those areas that received the benefit of these higher limits. The Applicant's revised information appears to take advantage of these higher limits. A re-evaluation of the demand and capture rate calculations utilizing these higher limits results in a capture rate of 60.2%, which is lower than the capture rate calculated using the original rent and income limits. As stated previously, the market study was not updated to account for these increased limits. Therefore, the Underwriter's calculated capture rate for purposes of this analysis utilizes the same set of data that was available to the market analyst for purposes of the original HTC application.

It should be noted that the underwriting analysis for Cambridge Crossing (08264) discussed concerns with the potential impact on the capture rate calculation for Cambridge if the subject development was approved for funding. Specifically the Underwriter's independent capture rate calculation for Cambridge Crossing concluded a rate of 52.23%, excluding the units of the subject development. At the time that Cambridge Crossing was underwritten, it had higher priority over West Park and, as a result, the units from West Park were not included in the Underwriter's calculation. However, the Underwriter did note that if the units were included in the inclusive capture rate calculation, the Underwriter's capture rate would increase to 95%, which exceeds the Department's guidelines for developments in rural areas. As a result, a condition was placed on the award recommendation for Cambridge Crossing that West Park Senior Housing not receive an allocation of housing tax credits.

On November 13th the Board approved an allocation of tax credits to all applications on the 2008 Waiting List, subject to underwriting. West Park is on that list. As a result, the Underwriter's evaluation of the market study and potential demand for West Park indicates that there is marginally sufficient demand for both properties, concluding a capture rate of 74.65%. It appears that the difference in capture rate conclusions for Cambridge Crossing and West Park is attributed primarily to the fact that West Park includes a two-bedroom unit targeted at households with income at 30% of AMI, whereas the only 30% units at Cambridge are one-bedroom. This expands the demand pool by including lower-income 3-person households. As a result, the demand calculations for West Park conclude a marginally acceptable capture rate with both developments included.

Primary Market Occupancy Rates:

"Our research suggests an overall occupancy rate of 98 percent for the 100 confirmed and stabilized elderly units included in this report. ... Our research suggests an overall occupancy rate of 95 percent for the 1,118 confirmed and stabilized units included in this report." (p. 99)

Absorption Projections:

"Our analysis suggests that the subject property will stabilize at 97 percent occupancy. We estimate a 10 month absorption period and an average absorption rate of 7.76 units per month for this project. In our opinion, the absorption period suggests an appropriate number and mix of units for the subject property." (p. 149).

This section intentionally left blank.

RENT ANALYSIS (Tenant-Paid Net Rents)					
Unit Type (% AMI)	Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR 811 SF 30%	$168	$191	$550	$191	$359
1 BR 811 SF 50%	$337	$337	$550	$337	$213
1 BR 811 SF 60%	$468	$468	$550	$468	$82
2 BR 1,034 SF 30%	$194	$222	$680	$222	$458
2 BR 1,034 SF 50%	$397	$397	$680	$397	$283
2 BR 1,034 SF 60%	$555	$555	$680	$555	$125

Market Impact:

The Market Analyst does not explicitly discuss the market impact but does indicate that no other affordable elderly properties have been developed in Navarro County during the 2000s. Additionally, the existing elderly properties have a 97% occupancy rate.

Comments:

The Market Analyst's demand calculations differ from the Underwriter's in several ways as discussed above. However, the Underwriter was able to derive an acceptable inclusive capture rate from the information presented in the study. Therefore, the Underwriter's inclusive capture rate provides sufficient information on which to base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 7 units per square mile, which is less than the 1,432 units per square mile limit; and a Primary Market Area concentration of 1.5 units per square mile, which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 12/23/2008

The Applicant's original 2008 HTC application utilized the maximum program rents for the 50% and 60% units. However, as modified by The Housing and Economic Recovery Act of 2008, Corsicana is allowed to utilize higher income and rent limits. Based on the Applicant's revised information submitted with the amended HOME loan request, the Applicant has taken advantage of these higher limits. Therefore, the Applicant utilized the higher rent limits for its 50% and 60% units . However, the Applicant utilizes incorrect and understated program rents for the 30% units. These rents are adjusted by utility allowances for electricity only; the development will pay for water, sewer, and trash collection. This rent structure differs from the Applicant's recent developments and another pending application in the same city as the subject, all of which require tenants to pay for water and sewer. The Underwriter's projected rents were calculated by subtracting tenant paid utilities from the more restrictive of the current HTC or HOME program gross rents.

The Applicant's projected secondary income and losses due to vacancy and collection are consistent with underwriting guidelines. The Applicant's projected effective gross income is within 1% of the underwriting estimate.

Expense: Number of Revisions: 2 Date of Last Applicant Revision: 12/23/2008

The original HTC application indicated annual operating expenses totaling $3,018 per unit. The Applicant submitted revised expenses on 12/23/08 in conjunction with a revised request for HOME funds. The Applicant's revised expenses were reduced to $2,964 per unit. This is 6% less than the underwriting estimate of $3,167 per unit. The underwriting estimate is based primarily on historical data, available through the Department's CMTS database, for several other comparable developments managed by the Applicant, in addition to the Department database and other sources. Line items that vary significantly include payroll & payroll tax (the Applicant's figure is $5K higher than the underwriting estimate); repairs & maintenance (the Applicant's figure is $17K lower); and water, sewer, and trash (the Applicant's figure is $8K lower).

In previous conversations the Applicant indicated to the Underwriter that management and maintenance personnel from an adjacent property operated by the Applicant (Windvale Apartments) will be shared with the subject development and another proposed property in the same area that is also on the 2008 Waiting List to be underwritten (Westway Apartments). The Underwriter has taken this into account in the operating expense estimates.

Conclusion:

The Applicant's projected annual expenses and net operating income each differ from the underwriting estimates by more than 5%; therefore, the Underwriter's projections will be used to determine debt capacity and feasibility. Based on the Applicant's proposed financing structure the Underwriter's projections indicate a first-year debt coverage ratio (DCR) of 1.27, which falls within the allowable range of 1.15 to 1.35.

However, the underwriting estimates indicate an expense to income ratio of 69.20%. The Department's rules require that the year one expense to income ratio be less than 65% in order to be considered feasible. As a result, pursuant to 10 TAC §1.32(i)(5) the development must be characterized as infeasible and cannot be recommended for funding. It should be noted that the Applicant's proforma estimates also reflect an expense to income ratio of exactly 65%. A high expense to income ratio suggests the feasibility of the development would be particularly vulnerable to periods of rising expenses accompanied by flat rents.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expenses and net operating income were utilized. This analysis indicates positive cash flow and a DCR above 1.15 through year 20; however, by year 30 cash flow is negative.

It should be noted that the primary principal of the Applicant also has a nearby 76 unit development, Windvale Park Apartments, that was awarded tax credits and a HOME loan in 2005, and recently (October 2008) requested a loan modification to reduce the development's annual HOME loan payment from approximately $50,000 per year down to $12,000 per year. The developer of this property stated that 1) at application they had requested a 40 year loan term but were given a 30 year term instead by the Department, and 2) because of dramatic increases in utility allowances, collected rents will now be substantially lower than anticipated. The utility allowances at the time of application were $53 for 1-bedroom units, $60 for 2-bedroom and $67 for 3-bedroom. Effective November 1, 2008 utility allowances increased to $119 for 1-bedroom units, $146 for 2-bedroom and $180 for 3-bedroom.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider: Allen & Associates Consulting | Date: 2/25/2008

Number of Revisions: 0 | Date of Last Applicant Revision: N/A

Land Only: 8.37 acres | $168,000 | As of: 2/25/2008

ASSESSED VALUE

Land Only:	8.37 acres	$100,000	Tax Year:	2007
Existing Buildings:		$0	Valuation by:	Navarro CAD
Total Assessed Value:		$100,000	Tax Rate:	2.6445

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Contract | Acreage: 8.366

Contract Expiration: 12/31/2009 | Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $135,000 | Other:

Seller: Glockzin Family Partners, Ltd | Related to Development Team? [x] Yes [ ] No

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 12/23/2008

Acquisition Value:

The property is currently owned by Glockzin Family Partners, a related party to the Applicant and principals of the Developer and General Partner. The 8.366 acre site was purchased in February 2005 for $100,124 (inclusive of settlement costs). The Applicant provided a schedule to support the proposed purchase price of $135,000, which includes taxes for 2006 and 2007, an 8% annual return, and projected closing costs for the transfer to the partnership. The Underwriter has made prorata adjustments for the one month of 2006 prior to the purchase and for the expectation that the property will be transferred to the partnership during 2008 or 2009. These adjustments result in a slightly lower transfer price of $132,095. The appraised value of $168,000 supports this transfer price.

If the Applicant's development cost schedule is ultimately used to determine the sources and uses of funds, the difference between the Underwriter's and Applicant's acquisition cost will be deducted to ensure that proper cost allocations are made.

Sitework Cost:

The Applicant's sitework costs of $7,500 per unit are below the Department's threshold, and therefore, no additional third-party verification is necessary.

Direct Construction Cost:

Of note, the Applicant provided an updated cost schedule on 12/23/08 in conjunction with the revised HOME funds request. This revised cost schedule was not provided, however, as a result of a request for additional information by staff. In fact, it appears that the Applicant provided the revision after the Board's November 13th decision to allow a 10% increase in construction costs. However the Applicant's new cost schedule was not considered in this analysis, as developments awarded additional credits per the November 13, 2008 TDHCA Board policy were based on original costs only. Similarly, the subject development will be evaluated using those same standards and any additional credit will be applied in the same manner as other 2008 9% cycle applications.

The Applicant's direct construction cost estimate, as submitted with the 2008 HTC application, of $2.3 M is 6% lower than the Underwriter's estimate based on the Marshall & Swift Residential Cost Handbook.

Interim Interest Expense:

The Applicant has included $150K in construction loan interest expense and an additional $30K in bridge loan interest expense. The Applicant has included no documentation of a bridge loan and based on the equity pay-in schedule reflected in the latest commitment provided, the need for a bridge loan is not apparent. The Applicant did however provide an e-mail from a previous potential syndicator indicating that "if a bridge loan were provided" the interest costs "could be as much as $100,000." No other documentation to support the need for or anticipation that a bridge loan be provided is included in the application.

Therefore, the Underwriter has limited eligible interim interest to one year of fully drawn interest expense on the documented construction period financing. Generally, this amount of interest expense is generous given that the funds are drawn down as needed through construction and only at the end of the construction is interest incurred on the full amount of construction financing; however, the Applicant has requested a 0% interest $1.6 M TDHCA loan and interest expense during construction should be minimal. The Applicant's excess interest expense has been shifted to ineligible costs.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. The TDHCA Board acted on November 13, 2008 to allow all transactions the benefit of the 9% applicable percentage which is accounted for in this calculation. In addition the Board approved an increase in the credit amount for all 2008 transactions based on an additional 10% of direct construction and site work cost as contingency. In this case the adjusted cost results in an additional $269,960 in eligible basis, for a total eligible basis of $4,768,076. This equates to an additional $24,296 in credits for a total eligible credit allocation of $550,576. This will be compared to the amount determined by the gap in financing to determine any recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 4 Date of Last Applicant Revision: 12/23/2008

Source: Callaway Lumber Company Type: **Interim Financing**

Principal: $101,000 Interest Rate: 8.0% [x] Fixed Term: 1 month

Source: TDHCA HOME Loan Type: **Interim to Permanent Financing**

Principal: $1,600,000 Interest Rate: 0.0% [x] Fixed Amort: 360 months

Comments:

Source: WNC & Associates, Inc. Type: **Syndication**

Proceeds: $3,763,374 Syndication Rate: 65% Anticipated HTC: $ 579,596

Amount: $16,936 Type: **Deferred Developer Fees**

Comments:

Should the final credit price decrease to less than $0.63, all else equal, the gap in financing would increase and the resulting deferred developer fee would not be repayable within the required 15 years. Alternatively, an increase in the credit price to more than $0.67, all else equal, could warrant a reduction in the HTC allocation because the gap in financing would decrease and the credits needed to fill this gap would also decrease.

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

CONCLUSIONS

Recommended Financing Structure:

At its November 13, 2008 meeting, the Governing Board approved an increase in tax credits for all competitive 2007 and 2008 transactions based on the 9% credit rate and a 10% increase in direct and sitework construction costs. As a result, all applications on the 2008 waiting list to be considered for a forward commitment will be treated in the same manner. As discussed previously, the Applicant's total development cost estimate is within 5%; therefore, their cost will be used for purposes of determining the development's eligible basis and funding need. Accordingly, the Applicant's development cost has been increased by 10% as approved by the TDHCA Board for purposes of determining the recommended tax credit allocation.

The Applicant's total development cost estimate (including the 10% increase) less the requested HOME loan of $1,600,000 indicates the need for $3,711,405 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $571,073 annually would be required to fill this gap in financing. Of the two possible tax credit amounts, eligible basis amount ($550,576) and the gap-driven amount ($571,073), the eligible basis amount of $550,576 would be recommended.

However, as discussed previously in this report, the Underwriter's proforma is used in this analysis for purposes of determining the development's debt service capacity. The Underwriter's year one expense to income ratio exceeds the Department's guideline of 65%. Therefore, pursuant to 10 TAC §1.32(i)(5) of the 2008 Real Estate Analysis Rules the development must be characterized as infeasible and cannot be recommended for funding. In addition, the HOME loan is not projected to be fully repayable in the last years of the amortization period. For these reasons the award of tax credits and HOME funds is not recommended.

Should the Board approve this application and waive §1.32(i)(5) of the 2008 Real Estate Analysis Rules, the Underwriter recommends a housing tax credit allocation not to exceed $550,576 and a HOME award in the amount of $1,600,000 structured as a repayable first lien mortgage with a 0% interest rate and amortization of 30 years. Based on this financing structure an additional $133,211 in permanent funds is required. Deferred developer fees in this amount appear to be repayable by year 10 of stabilized operations.

The HOME award requested is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number of HOME units to total units.

Underwriter:	*D. Burrell*	Date:	January 28, 2009
Reviewing Underwriter:	*Tom Cavanagh*	Date:	January 28, 2009
Acting Director of Real Estate Analysis:	*Raquel Morales*	Date:	January 28, 2009

West Park Senior Housing, Corsicana, 9% HTC / HOME #08255

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WST
TC 30%/LH	2	1	1	811	$277	$191	$382	$0.24	$86.00	$43.00
TC 50%/LH	19	1	1	811	$423	$337	$6,403	$0.42	$86.00	$43.00
TC 60%	19	1	1	811	$554	$468	$8,892	$0.58	$86.00	$43.00
TC 30%/LH	1	2	1	1,034	$333	$222	$222	$0.21	$111.00	$45.00
TC 50%/LH	3	2	1	1,034	$508	$397	$1,191	$0.38	$111.00	$45.00
TC 60%	4	2	1	1,034	$666	$555	$2,220	$0.54	$111.00	$45.00
TOTAL:	48		**AVERAGE:**	848		$402	$19,310	$0.47	$90.17	$43.33

INCOME	0	Total Net Rentable Sq Ft:	40,712		TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT					$231,720	$230,832	Navarro		3
Secondary Income		Per Unit Per Month:	$10.00		5,760	5,760	$10.00	Per Unit Per Month	
Other Support Income:					0	0	$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME					$237,480	$236,592			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(17,811)	(17,748)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					$219,669	$218,844			
EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.83%	$175	0.21	$8,408	$13,728	$0.34	$286	6.27%
Management		5.00%	229	0.27	$10,983	14,400	0.35	300	6.58%
Payroll & Payroll Tax		12.59%	576	0.68	$27,660	32,900	0.81	685	15.03%
Repairs & Maintenance		16.55%	758	0.89	$36,363	19,000	0.47	396	8.68%
Utilities		3.93%	180	0.21	8,642	8,500	0.21	177	3.88%
Water, Sewer, & Trash		7.76%	355	0.42	17,040	9,260	0.23	193	4.23%
Property Insurance		5.46%	250	0.29	11,984	13,268	0.33	276	6.06%
Property Tax	2.6445	7.51%	344	0.41	16,502	17,500	0.43	365	8.00%
Reserve for Replacements		5.46%	250	0.29	12,000	12,000	0.29	250	5.48%
TDHCA Compliance Fees		0.87%	40	0.05	1,920	1,200	0.03	25	0.55%
Other: Cable TV		0.23%	10	0.01	500	500	0.01	10	0.23%
TOTAL EXPENSES		69.20%	$3,167	$3.73	$152,002	$142,256	$3.49	$2,964	65.00%
NET OPERATING INC		30.80%	$1,410	$1.66	$67,667	$76,588	$1.88	$1,596	35.00%
DEBT SERVICE									
0		0.00%	$0	$0.00	$0	$0	$0.00	$0	0.00%
TDHCA HOME		24.28%	$1,111	$1.31	53,333	53,333	$1.31	$1,111	24.37%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		6.53%	$299	$0.35	$14,334	$23,255	$0.57	$484	10.63%
AGGREGATE DEBT COVERAGE RATIO					1.27	1.44			
RECOMMENDED DEBT COVERAGE RATIO					1.27				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.55%	$2,752	$3.24	$132,095	$135,000	$3.32	$2,813	2.54%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.96%	7,500	8.84	360,000	360,000	8.84	7,500	6.77%
Direct Construction		47.97%	51,697	60.95	2,481,450	2,339,600	57.47	48,742	44.02%
Contingency	4.54%	2.49%	2,688	3.17	129,000	129,000	3.17	2,688	2.43%
Contractor's Fees	12.73%	6.99%	7,536	8.89	361,750	361,750	8.89	7,536	6.81%
Indirect Construction		9.28%	10,000	11.79	480,000	480,000	11.79	10,000	9.03%
Ineligible Costs		5.74%	6,186	7.29	296,920	296,920	7.29	6,186	5.59%
Developer's Fees	19.64%	14.77%	15,917	18.77	764,000	764,000	18.77	15,917	14.38%
Interim Financing		1.51%	1,627	1.92	78,080	78,080	1.92	1,627	1.47%
Reserves		1.74%	1,874	2.21	89,966	100,000	2.46	2,083	1.88%
TOTAL COST		100.00%	$107,776	$127.07	$5,173,261	$5,314,310	$130.53	$110,715	100.00%
Construction Cost Recap		*64.41%*	***$69,421***	***$81.85***	***$3,332,200***	***$3,190,350***	***$78.36***	***$66,466***	*60.03%*

SOURCES OF FUNDS

				TDHCA	APPLICANT	RECOMMENDED	
	0.00%	$0	$0.00	$0	$0	$0	Developer Fee Available
TDHCA HOME	30.93%	$33,333	$39.30	1,600,000	1,600,000	1,600,000	$749,686
Boston Capital HTC Equity	72.82%	$78,487	$92.54	3,767,374	3,767,374	3,578,193	% of Dev. Fee Deferred
Deferred Developer Fees	0.33%	$353	$0.42	16,936	16,936	133,211	18%
Additional (Excess) Funds Req'd	-4.08%	($4,397)	($5.18)	(211,049)	(70,000)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$5,173,261	$5,314,310	$5,311,405	$255,415

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

West Park Senior Housing, Corsicana, 9% HTC / HOME #08255

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Townhome Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$68.70	$2,796,903
Adjustments				
Exterior Wall Finish	6.65%		$4.57	$185,994
Elderly	3.00%		2.06	83,907
9-Ft. Ceilings	3.95%		2.71	110,478
Roofing			0.00	0
Subfloor			(2.42)	(98,523)
Floor Cover			2.38	96,895
Breezeways/Balconies	$20.39	2,470	1.24	50,363
Plumbing Fixtures	$965	0	0.00	0
Rough-ins	$425	48	0.50	20,400
Built-In Appliances	$1,800	48	2.12	86,400
Exterior Stairs	$1,800		0.00	0
Enclosed Corridors	$58.78		0.00	0
Heating/Cooling			1.90	77,353
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$85.25	1,189	2.49	101,362
Other: fire sprinkler	$1.95		0.00	0
SUBTOTAL			86.25	3,511,531
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(11.21)	(456,499)
TOTAL DIRECT CONSTRUCTION COSTS			$75.04	$3,055,032
Plans, specs, survy, bld prm	3.90%		($2.93)	($119,146)
Interim Construction Interes	3.38%		(2.53)	(103,107)
Contractor's OH & Profit	11.50%		(8.63)	(351,329)
NET DIRECT CONSTRUCTION COSTS			$60.95	$2,481,450

PAYMENT COMPUTATION

Primary	$0	Amort	360
Int Rate	0.00%	DCR	#DIV/0!

Secondary	$1,600,000	Amort	360
Int Rate	0.00%	Subtotal DCR	1.27

Additional	$0	Amort	
Int Rate		Aggregate DCR	1.27

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$0
Secondary Debt Service	53,333
Additional Debt Service	0
NET CASH FLOW	$14,334

Primary	$0	Amort	360
Int Rate	0.00%	DCR	#DIV/0!

Secondary	$1,600,000	Amort	360
Int Rate	0.00%	Subtotal DCR	1.27

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.27

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

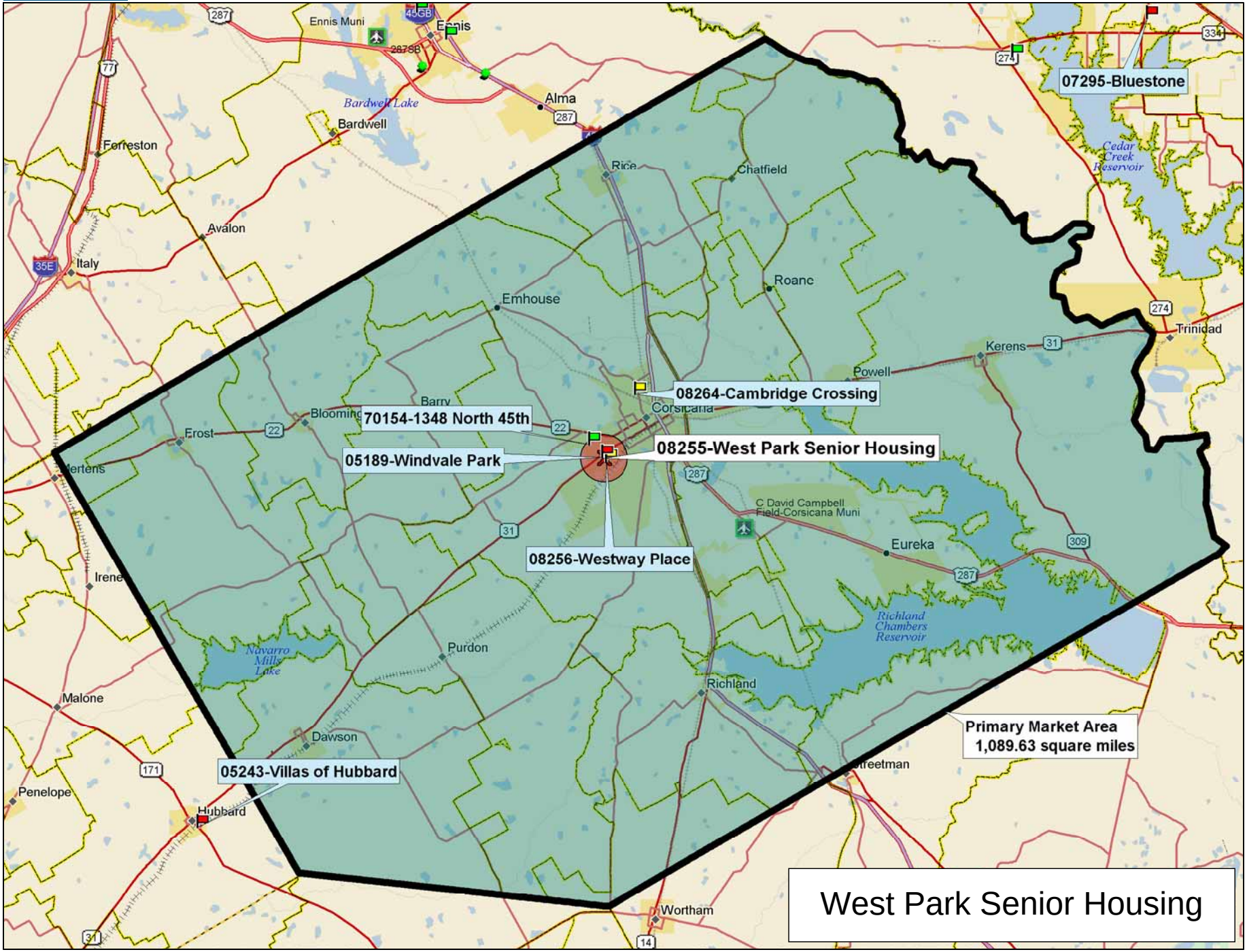
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$231,720	$238,672	$245,832	$253,207	$260,803	$302,342	$350,497	$406,322	$546,063
Secondary Income	5,760	5,933	6,111	6,294	6,483	7,515	8,713	10,100	13,574
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	237,480	244,604	251,943	259,501	267,286	309,858	359,210	416,423	559,637
Vacancy & Collection Loss	(17,811)	(18,345)	(18,896)	(19,463)	(20,046)	(23,239)	(26,941)	(31,232)	(41,973)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$219,669	$226,259	$233,047	$240,038	$247,239	$286,618	$332,269	$385,191	$517,664
EXPENSES at 4.00%									
General & Administrative	$8,408	$8,745	$9,094	$9,458	$9,836	$11,968	$14,560	$17,715	$26,222
Management	10,983	11,313	11,652	12,002	12,362	14,331	16,613	19,260	25,883
Payroll & Payroll Tax	27,660	28,767	29,917	31,114	32,359	39,369	47,899	58,276	86,263
Repairs & Maintenance	36,363	37,817	39,330	40,903	42,539	51,755	62,968	76,610	113,402
Utilities	8,642	8,988	9,347	9,721	10,110	12,300	14,965	18,207	26,951
Water, Sewer & Trash	17,040	17,722	18,430	19,168	19,934	24,253	29,508	35,901	53,142
Insurance	11,984	12,463	12,962	13,480	14,019	17,057	20,752	25,248	37,373
Property Tax	16,502	17,162	17,848	18,562	19,305	23,487	28,576	34,767	51,463
Reserve for Replacements	12,000	12,480	12,979	13,498	14,038	17,080	20,780	25,282	37,424
Other	2,420	2,517	2,617	2,722	2,831	3,444	4,191	5,099	7,547
TOTAL EXPENSES	$152,002	$157,972	$164,178	$170,629	$177,334	$215,044	$260,812	$316,364	$465,671
NET OPERATING INCOME	$67,667	$68,287	$68,869	$69,410	$69,906	$71,574	$71,457	$68,827	$51,994
DEBT SERVICE									
First Lien Financing	$0	$0	$0	$0	$0	$0	$0	$0	$0
Second Lien	53,333	53,333	53,333	53,333	53,333	53,333	53,333	53,333	53,333
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$14,334	$14,954	$15,536	$16,076	$16,572	$18,241	$18,124	$15,493	($1,340)
DEBT COVERAGE RATIO	1.27	1.28	1.29	1.30	1.31	1.34	1.34	1.29	0.97

HTC ALLOCATION ANALYSIS -West Park Senior Housing, Corsicana, 9% HTC / HOME #08255

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS	10% Increase
Acquisition Cost					
Purchase of land	$135,000	$132,095			
Purchase of buildings					
Off-Site Improvements					
Sitework	$360,000	$360,000	$360,000	$360,000	$36,000
Construction Hard Costs	$2,339,600	$2,481,450	$2,339,600	$2,481,450	$233,960
Contractor Fees	$361,750	$361,750	$361,750	$361,750	
Contingencies	$129,000	$129,000	$129,000	$129,000	
Eligible Indirect Fees	$480,000	$480,000	$480,000	$480,000	
Eligible Financing Fees	$78,080	$78,080	$78,080	$78,080	
All Ineligible Costs	$296,920	$296,920			
Developer Fees			$749,686		
Developer Fees	$764,000	$764,000		$764,000	
Development Reserves	$100,000	$89,966			
TOTAL DEVELOPMENT COSTS	$5,044,350	$5,173,261	$4,498,116	$4,654,280	$269,960

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS	$4,498,116	$4,654,280	$269,960	
High Cost Area Adjustment	130%	130%	100%	
TOTAL ADJUSTED BASIS	$5,847,551	$6,050,564	$269,960	
Applicable Fraction	100%	100%	100%	
TOTAL QUALIFIED BASIS	$5,847,551	$6,050,564	$269,960	
Applicable Percentage	9.00%	9.00%	9.00%	
TOTAL AMOUNT OF TAX CREDITS	$526,280	$544,551	$24,296	

Syndication Proceeds	**0.6499**	**$3,420,291**	**$3,539,035**	**$157,902**
Total Tax Credits (Eligible Basis Method)		**$526,280**	**$544,551**	**$550,576**
Syndication Proceeds		**$3,420,291**	**$3,539,035**	**$3,578,193**
Requested Tax Credits		**$507,268**		
Syndication Proceeds		**$3,296,735**		
Gap of Syndication Proceeds Needed		**$3,711,405**		
Total Tax Credits (Gap Method)		**$571,073**		



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TN

MN (4.2°E)

Scale 1 : 350,000

1" = 5.52 mi

Data Zoom 9-2

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report Addendum

REPORT DATE: 01/27/09 PROGRAM: HOME 9% HTC FILE NUMBER: **08342/HTC 08257**

DEVELOPMENT

Constitution Court

Location: Constitution Drive, off U.S. Highway 190 Region: 8

City: Copperas Cove County: Coryell Zip: 76522 ☐ QCT ☐ DDA

Key Attributes: Family, New Construction, Urban, and Multifamily

ALLOCATION

	PREVIOUS REQUEST			**PREVIOUS RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$2,900,000	0.00%	35/35	**$2,900,000**	**0.00%**	**35/35**
*Housing Tax Credit (Annual)	$962,957			**$947,423**		

	CURRENT REQUEST			**CURRENT RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME CHDO Loan Funds	$4,000,000	0.00%	25/25	**$4,000,000**	**0.00%**	**25/25**
HOME CHDO Operating Expenses	$50,000			**$50,000**		
*Housing Tax Credit (Annual)	$1,043,010			**$1,091,187**		

*The recommended tax credit allocation incorporates the November 13, 2008 TDHCA Board approval to use the 9% credit rate and a 10% increase in direct and sitework construction costs for all competitive 2007 and 2008 transactions as well as all applications on the 2008 waiting list to be considered for a forward commitment.

CONDITIONS

1 Receipt, review, and acceptance, by carryover, of evidence that the construction of the proposed road (Constitution Drive extension/US 190 Reliever bypass) and water and sewer improvements will be completed in conjunction with the proposed development, and evidence that the associated costs are not a part of the eligible basis costs claimed by the Applicant at cost certification.

2 Receipt, review, and acceptance, by cost certification, of documentation verifying that the subject property will have access to the dedicated roadway as indicated in the Commitment for Title Insurance Schedule B, item 10a, dated January 18, 2008. Also, documentation that all requirements indicated in Schedule C, item 5 have been met, including the submission of a survey plat, with a correct description of the property, showing all easements, and access to the dedicated roadway, all requirements to obtain and place of record, payment of all taxes including 2006, and issuance of a waiver of inspection.

3 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

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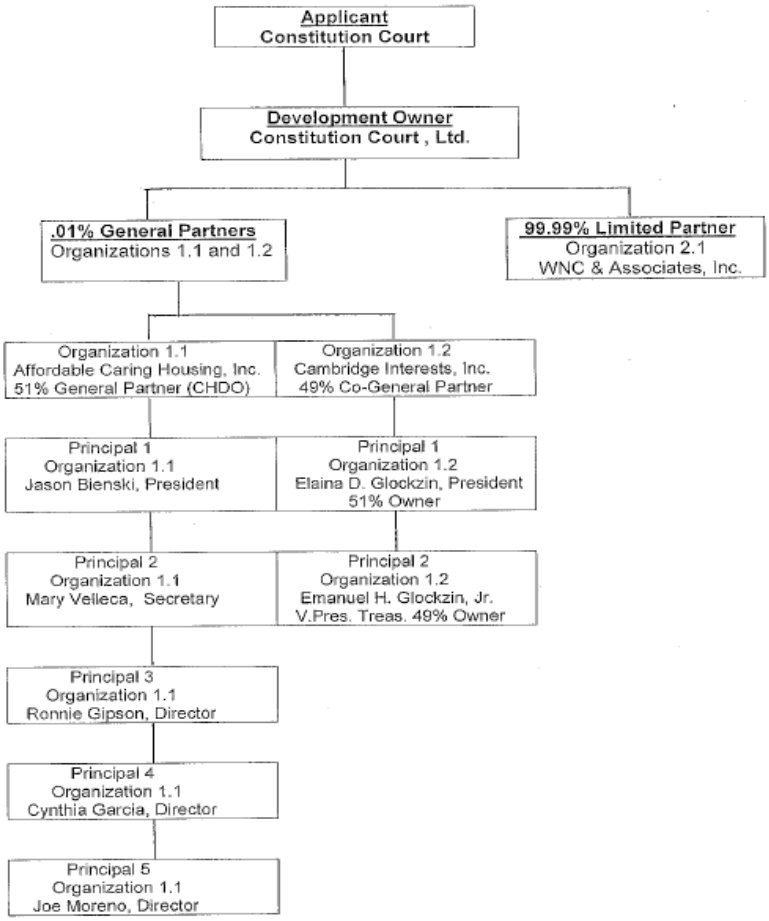
NEW OWNERSHIP STRUCTURE



ADDENDUM

Constitution Court was submitted during the 2007 competitive tax credit cycle but was not recommended due to the termination of a HOME loan application which totaled $2,900,000. Without these funds the proposed transaction was rendered financially infeasible. The termination of the HOME funds occurred because the HOME application failed to achieve the minimum threshold score after it was confirmed that the Department had funded other developments in the area (the absence of which would have allowed the Applicant to keep 10 points claimed for this item and exceed the minimum threshold score). The developer appealed the termination of the HOME funds to the TDHCA Board on June 14, 2007 and the Board denied the appeal.

The Applicant resubmitted an application in the 2008 competitive tax credit cycle and tax credits in the amount of $947,423 were awarded along with a TDHCA HOME loan in the amount of $2,900,000. Subsequent to receiving the award, the proposed conventional lender, First Victoria National Bank refused to subordinate their proposed loan of $1,300,000 to the TDHCA HOME loan. Without the conventional loan, the development would not able to move forward because the TDHCA HOME loan could not be increased to an amount large enough to make up for the loss of the conventional loan.

As a result of the $1.3M loss in conventional debt from First Victoria National Bank, the Applicant has made application to the Department for $4M in TDHCA Community Development Housing Organization "CHDO" funds. In order to qualify for the CHDO funds, the Applicant has also requested a change in its ownership structure to include a CHDO entity, Affordable Caring Housing, Inc. which is to be 51% owner of the General Partner. Cambridge Interest, Inc. is to remain an owner of the General Partner, but with a 49% ownership interest rather than the 100% ownership interest which they were to originally hold.

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The Applicant is currently requesting a CHDO loan in the amount of $4M with an interest rate of 0%, fully amortized over 25 years. The Applicant is also requesting a non-repayable HOME CHDO Operating Expense award of $50K.

Of note, the Applicant's amendment request also included an increase in their annual tax credit award from $947,423 (approved by TDHCA board in July 2008) to $1,043,010, due to a change in syndicator and the pricing adjustments made by the new syndicator. However, subsequent to the revised request, the TDHCA Board approved an additional allocation of tax credits to all 2007 and 2008 competitive HTC applications based upon a 10% increase in site work and direct construction costs. As a result, the subject development received an amended annual tax credit allocation of $1,091,187 via a 2008 Carryover Allocation document, in accordance with the Board's approval.

The Applicant provided an updated development cost schedule, sources and uses, and updated commitments for the permanent loan and syndication proceeds.

The Underwriter has evaluated the impact of these changes on the financial viability of the transaction and the tax credit award based on the documentation provided and the requested changes. Only those portions of the report that are materially affected by the proposed changes are discussed below. This report should be read in conjunction with the original underwriting report for a full evaluation of the originally proposed development plan and structure.

OPERATING PROFORMA ANALYSIS

The Applicant's income and expense projections remain unchanged from the original underwriting analysis. As a result, the Underwriter's income and expense estimates also remain unchanged. As in the 2008 HTC underwriting analysis the Underwriter's proforma continues to be used for purposes of determining the development's debt service capacity. Therefore, based on the currently submitted debt service structure, the proposed permanent financing structure results in an initial year's debt coverage ratio of 1.29, which falls within the Department's guidelines.

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

CONSTRUCTION COST ESTIMATE EVALUATION

The Applicant's revised development cost schedule reflects an overall $391K or 3% increase in total development costs. No increases to the sitework and direct construction cost line items are reflected in the current information provided. Consequently, certain other eligible and ineligible costs have shifted according to the new cost schedule. Specifically, it appears that the increase in costs is attributed to an increase of $143K in ineligible costs and a significant increase of $350K in reserves. While the Applicant's current costs have increased slightly the current estimates do not reflect an increase of 10% since the original 2008 application submission.

Of note, the Applicant has included $245K in bridge loan interest and fees as an eligible cost. These costs are generally regarded to be ineligible; therefore, the Underwriter reduced the Applicant's eligible basis by an equivalent amount.

The Underwriter reduced the Applicant's eligible interim financing fees by $60,000 to bring the eligible interest expense down to one year of fully drawn interest expense for both the First Victoria National Bank loan at 8% and the short term lumberyard credit at 8%. This results in an equivalent reduction to the Applicant's eligible basis estimate.

The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines, but after the reduction in eligible interest expense, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by $30,150 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis with the adjustments discussed above for excess interim interest and developer fee. Eligible basis of $11,268,850 supports annual tax credits of $1,014,197. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

REVISED FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 2 Date of Last Applicant Revision: 10/6/2008

Source: Callaway Lumber Company Type: **Interim Financing**

Principal: $300,000 Interest Rate: 8.0% [x] Fixed Term: 12 months

Comments:
In the form of a pre-development loan for the purchase of lumber; 1 month term, with one 30 day extension.

Source: First Victoria National Bank Type: **Interim to Permanent Financing**

Interim: $200,000 Interest Rate: 8.0% [x] Fixed Amort: 12 months

Permanent: $200,000 Interest Rate: 8.0% [x] Fixed Amort: 300 months

Comments:
Initial 12 months of the loan (Construction phase) interest payable quarterly at 8%. Commencing with the 13th month (Term phase): Monthly principal and interest payments based on a 25 year amortization. This loan is to be in a 2nd lien position.

Source: WNC & Associates, Inc. Type: **Syndication**

Proceeds: $8,083,224 Syndication Rate: 77.5% Anticipated HTC: $ 1,043,010

Comments:
The committed credit price dropped from $0.86 per credit a year ago but this appears to be consistent with recent trends in pricing. The Underwriter has performed a sensitivity test and determined that the credit price can decline to $0.6925, all else held equal, before the financial viability of the transaction is jeopardized. Alternatively, should the final credit price increase to above $0.786 all deferred developer fees would be eliminated and a gap based adjustment to the credit amount may be warranted.

Amount: $496,494 Type: **Deferred Developer Fees**

Market Uncertainty:
The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

CONCLUSIONS

As discussed previously the Applicant's currently proposed financing structure results in a debt coverage ratio that falls within the Department's guidelines. As a result, the Underwriter recommends a TDHCA HOME CHDO loan award of $4,000,000 fully repayable at 0% interest with an amortization and term of 25 years. The Underwriter also recommends an award of $50,000 of CHDO Operating Expense funds for the development of the subject property.

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The Applicant's current total development cost estimate less the $200K First Victoria National Bank Loan and the requested $4M in TDHCA HOME CHDO funds indicates the need for $8,579,718 in gap funds. Based on the currently submitted syndication terms a tax credit allocation of $1,107,061 annually would be required to fill this gap in financing. Of the two possible tax credit allocations, the previously awarded amount ($1,091,087) and the revised gap-driven amount ($1,107,061), the previously awarded tax credit amount of $1,091,087 continues to be supported by the revised information and recommended.

The Underwriter's recommended financing structure indicates the need for $123,797 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cash flow within three years of stabilized operation.

If the CHDO loan is ultimately not awarded, the gap in financing would increase to an amount greater than the developer fee available and the transaction would not be financially viable unless another source of funds was received.

Underwriter:		Date:	January 27, 2009
	D. Burrell		
Acting Director of Real Estate Analysis:		Date:	January 27, 2009
	Raquel Morales		

MULTIFAMILY COMPARATIVE ANALYSIS

Constitution Court, Copperas Cove, HOME 9% HTC #

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected		Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30% LH	2	1	1	834	$292	$200		$400	$0.24	$92.00	$43.50
TC 50% LH	9	1	1	834	$487	$395		$3,555	$0.47	$92.00	$43.50
TC 60%	13	1	1	834	$585	$493		$6,409	$0.59	$92.00	$43.50
TC 30% LH	2	2	2	1,192	$351	$225		$450	$0.19	$126.00	$47.50
TC 50% LH	20	2	2	1,192	$585	$459		$9,180	$0.39	$126.00	$47.50
TC 60%	30	2	2	1,192	$702	$576		$17,280	$0.48	$126.00	$47.50
TC 30% LH	2	3	2	1,359	$405	$261		$522	$0.19	$144.00	$54.20
TC 50% LH	10	3	2	1,359	$676	$532		$5,320	$0.39	$144.00	$54.20
TC 60%	20	3	2	1,359	$811	$667		$13,340	$0.49	$144.00	$54.20
TOTAL:	108		**AVERAGE:**	1,162		$523		$56,456	$0.45	$123.78	$48.60

INCOME Total Net Rentable Sq Ft: 125,488				TDHCA-HOME Amendment	TDHCA-Original	APP-Original	APP-HOME Amendment	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$677,472	$677,472	$677,472	$677,472	Coryell		8
Secondary Income	Per Unit Per Month:		$10.00	12,960	12,960	12,960	12,960	$10.00	Per Unit Per Month	
Other Support Income:				0	0			$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$690,432	$690,432	$690,432	$690,432			
Vacancy & Collection Loss	% of Potential Gross Income:		-7.50%	(51,782)	(51,782)	(51,780)	(51,780)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0					
EFFECTIVE GROSS INCOME				$638,650	$638,650	$638,652	$638,652			
EXPENSES	% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.29%	$313	0.27	$33,775	$33,775	$28,986	$28,986	$0.23	$268	4.54%
Management	3.88%	230	0.20	24,791	24,791	30,000	30,000	0.24	278	4.70%
Payroll & Payroll Tax	14.80%	875	0.75	94,500	94,500	92,000	92,000	0.73	852	14.41%
Repairs & Maintenance	7.89%	467	0.40	50,414	50,414	43,979	43,979	0.35	407	6.89%
Utilities	5.32%	314	0.27	33,956	33,956	30,564	30,564	0.24	283	4.79%
Water, Sewer, & Trash	7.52%	445	0.38	48,032	48,032	47,725	47,725	0.38	442	7.47%
Property Insurance	4.70%	278	0.24	29,995	29,995	26,281	26,281	0.21	243	4.12%
Property Tax 2.46207	8.74%	517	0.44	55,840	55,840	54,145	54,145	0.43	501	8.48%
Reserve for Replacements	4.23%	250	0.22	27,000	27,000	27,000	27,000	0.22	250	4.23%
TDHCA Compliance Fees	0.68%	40	0.03	4,320	4,320	4,320	4,320	0.03	40	0.68%
Other: Supp. Serv., Security	0.94%	56	0.05	6,000	6,000	6,000	6,000	0.05	56	0.94%
TOTAL EXPENSES	63.98%	$3,784	$3.26	$408,623	$408,623	$391,000	$391,000	$3.12	$3,620	61.22%
NET OPERATING INC	36.02%	$2,130	$1.83	$230,026	$230,026	$247,652	$247,652	$1.97	$2,293	38.78%
DEBT SERVICE										
First Victoria National Bank	2.90%	$172	$0.15	$18,524	$99,662	$100,399	$18,736	$0.15	$173	2.93%
TDHCA HOME	25.05%	$1,481	$1.28	160,000	82,857	82,857	160,000	$1.28	$1,481	25.05%
Additional Financing	0.00%	$0	$0.00	0	0			$0.00	$0	0.00%
NET CASH FLOW	8.06%	$477	$0.41	$51,503	$47,507	$64,396	$68,916	$0.55	$638	10.79%
AGGREGATE DEBT COVERAGE RATIO				1.29	1.26	1.35	1.39			
RECOMMENDED DEBT COVERAGE RATIO				1.29	1.26					

CONSTRUCTION COST Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA-HOME Amendment	TDHCA-Original	APP-Original	APP-HOME Amendment	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		4.63%	$5,324	$4.58	$575,000	$575,000	$575,000	$575,000	$4.58	$5,324	4.50%
Off-Sites		0.00%	0	0.00	0	0	0	0	0.00	0	0.00%
Sitework		6.52%	7,500	6.45	810,000	810,000	810,000	810,000	6.45	7,500	6.34%
Direct Construction		52.22%	60,044	51.68	6,484,782	6,484,782	6,560,000	6,560,000	52.28	60,741	51.33%
Contingency	4.94%	2.90%	3,333	2.87	360,000	360,000	360,000	360,000	2.87	3,333	2.82%
Contractor's Fees	14.00%	8.22%	9,456	8.14	1,021,270	1,021,270	1,031,000	1,031,000	8.22	9,546	8.07%
Indirect Construction		7.27%	8,361	7.20	903,000	903,000	903,000	903,000	7.20	8,361	7.07%
Ineligible Costs		3.30%	3,796	3.27	410,000	267,000	267,000	410,000	3.27	3,796	3.21%
Developer's Fees	15.00%	11.73%	13,492	11.61	1,457,108	1,472,558	1,500,000	1,500,000	11.95	13,889	11.74%
Interim Financing		1.09%	1,250	1.08	135,000	238,000	238,000	135,000	1.08	1,250	1.06%
Reserves		2.11%	2,431	2.09	262,518	145,000	145,000	495,718	3.95	4,590	3.88%
TOTAL COST		100.00%	$114,988	$98.96	$12,418,678	$12,276,610	$12,389,000	$12,779,718	$101.84	$118,331	100.00%
Construction Cost Recap		*69.86%*	***$80,334***	***$69.14***	***$8,676,052***	***$8,676,052***	***$8,761,000***	***$8,761,000***	***$69.82***	***$81,120***	*68.55%*

SOURCES OF FUNDS								RECOMMENDED	
First Victoria National Bank	1.61%	$1,852	$1.59	$200,000	$1,300,000	$1,300,000	$200,000	$200,000	Developer Fee Available
TDHCA HOME	32.21%	$37,037	$31.88	4,000,000	2,900,000	2,900,000	4,000,000	4,000,000	$1,469,850
HTC Syndication Proceeds	65.09%	$74,845	$64.41	8,083,224	7,896,247	7,896,247	8,083,224	8,455,921	% of Dev. Fee Deferred
Deferred Developer Fees	4.00%	$4,597	$3.96	496,494	292,753	292,753	496,494	123,797	8%
Additional (Excess) Funds Req'd	-2.91%	($3,343)	($2.88)	(361,040)	(112,390)	0	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$12,418,678	$12,276,610	$12,389,000	$12,779,718	$12,779,718	$1,039,701

Constitution Court, Copperas Cove, HOME 9% HTC #

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$53.22	$6,678,991
Adjustments				
Exterior Wall Finish	6.00%		$3.19	$400,739
Elderly			0.00	0
9-Ft. Ceilings	3.75%		2.00	250,462
Roofing			0.00	0
Subfloor			(2.47)	(309,955)
Floor Cover			2.43	304,936
Breezeways/Balconies	$21.66	26,703	4.61	578,253
Plumbing Fixtures	$805	252	1.62	202,860
Rough-ins	$400	216	0.69	86,400
Built-In Appliances	$1,850	108	1.59	199,800
Exterior Stairs	$1,800	18	0.26	32,400
Enclosed Corridors	$43.30		0.00	0
Heating/Cooling			1.90	238,427
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$70.95	3,787	2.14	268,683
Other: fire sprinkler	$1.95	125,488	1.95	244,702
SUBTOTAL			73.13	9,176,698
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(9.51)	(1,192,971)
TOTAL DIRECT CONSTRUCTION COSTS			$63.62	$7,983,727
Plans, specs, survy, bld prm	3.90%		($2.48)	($311,365)
Interim Construction Interes	3.38%		(2.15)	(269,451)
Contractor's OH & Profit	11.50%		(7.32)	(918,129)
NET DIRECT CONSTRUCTION COSTS			$51.68	$6,484,782

PAYMENT COMPUTATION

Primary	$200,000	Amort	300
Int Rate	8.00%	DCR	12.42

Secondary	$4,000,000	Amort	300
Int Rate	0.00%	Subtotal DCR	1.29

Additional	$0	Amort	
Int Rate		Aggregate DCR	1.29

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$18,524
Secondary Debt Service	160,000
Additional Debt Service	0
NET CASH FLOW	$51,503

Primary	$200,000	Amort	300
Int Rate	8.00%	DCR	12.42

Secondary	$4,000,000	Amort	300
Int Rate	0.00%	Subtotal DCR	1.29

Additional	$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.29

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$677,472	$697,796	$718,730	$740,292	$762,501	$883,947	$1,024,737	$1,187,951	$1,596,507
Secondary Income	12,960	13,349	13,749	14,162	14,587	16,910	19,603	22,725	30,541
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	690,432	711,145	732,479	754,454	777,087	900,857	1,044,340	1,210,677	1,627,048
Vacancy & Collection Loss	(51,782)	(53,336)	(54,936)	(56,584)	(58,282)	(67,564)	(78,326)	(90,801)	(122,029)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$638,650	$657,809	$677,543	$697,870	$718,806	$833,293	$966,015	$1,119,876	$1,505,020
EXPENSES at 4.00%									
General & Administrative	$33,775	$35,126	$36,531	$37,993	$39,512	$48,073	$58,488	$71,159	$105,333
Management	24,791	25,535	26,301	27,090	27,902	32,346	37,498	43,471	58,421
Payroll & Payroll Tax	94,500	98,280	102,211	106,300	110,552	134,503	163,643	199,097	294,713
Repairs & Maintenance	50,414	52,431	54,528	56,709	58,977	71,755	87,301	106,215	157,224
Utilities	33,956	35,314	36,727	38,196	39,724	48,330	58,801	71,540	105,897
Water, Sewer & Trash	48,032	49,954	51,952	54,030	56,191	68,365	83,176	101,197	149,796
Insurance	29,995	31,195	32,443	33,740	35,090	42,692	51,942	63,195	93,544
Property Tax	55,840	58,073	60,396	62,812	65,325	79,477	96,696	117,646	174,145
Reserve for Replacements	27,000	28,080	29,203	30,371	31,586	38,429	46,755	56,885	84,204
Other	10,320	10,733	11,162	11,609	12,073	14,689	17,871	21,743	32,184
TOTAL EXPENSES	$408,623	$424,720	$441,454	$458,849	$476,932	$578,660	$702,172	$852,148	$1,255,461
NET OPERATING INCOME	$230,026	$233,089	$236,089	$239,021	$241,874	$254,633	$263,843	$267,728	$249,558
DEBT SERVICE									
First Lien Financing	$18,524	$18,524	$18,524	$18,524	$18,524	$18,524	$18,524	$18,524	$18,524
Second Lien	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$51,503	$54,565	$57,566	$60,497	$63,350	$76,109	$85,319	$89,204	$71,035
DEBT COVERAGE RATIO	1.29	1.31	1.32	1.34	1.35	1.43	1.48	1.50	1.40

HTC ALLOCATION ANALYSIS -Constitution Court, Copperas Cove, HOME 9% HTC

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$575,000	$575,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$810,000	$810,000	$810,000	$810,000
Construction Hard Costs	$6,560,000	$6,484,782	$6,560,000	$6,484,782
Contractor Fees	$1,031,000	$1,021,270	$1,031,000	$1,021,270
Contingencies	$360,000	$360,000	$360,000	$360,000
Eligible Indirect Fees	$903,000	$903,000	$903,000	$903,000
Eligible Financing Fees	$135,000	$135,000	$135,000	$135,000
All Ineligible Costs	$410,000	$410,000		
Developer Fees			$1,469,850	
Developer Fees	$1,500,000	$1,457,108		$1,457,108
Development Reserves	$495,718	$262,518		
TOTAL DEVELOPMENT COSTS	$12,779,718	$12,418,678	$11,268,850	$11,171,160

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$11,268,850	$11,171,160
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$11,268,850	$11,171,160
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$11,268,850	$11,171,160
Applicable Percentage		9.00%	9.00%
TOTAL AMOUNT OF TAX CREDITS		$1,014,197	$1,005,404

Syndication Proceeds	**0.7750**	**$7,860,020**	**$7,791,881**
Total Tax Credits (Eligible Basis Method)		**$1,014,197**	**$1,005,404**
Syndication Proceeds		**$7,860,020**	**$7,791,881**
Previously Approved Tax Credits		**$1,091,087**	
Syndication Proceeds		**$8,455,921**	
Gap of Syndication Proceeds Needed		**$8,579,718**	
Total Tax Credits (Gap Method)		**$1,107,061**	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 06/19/08 PROGRAM: HOME 9% HTC FILE NUMBER: **08257**

DEVELOPMENT

Constitution Court

Location: Constitution Drive, off U.S. Highway 190 Region: 8

City: Copperas Cove County: Coryell Zip: 76522 ☐ QCT ☐ DDA

Key Attributes: Family, New Construction, Urban, and Multifamily

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$2,900,000	0.00%	35/35	**$2,900,000**	**0.00%**	**35/35**
Housing Tax Credit (Annual)	$962,957			**$947,423**		

CONDITIONS

1 Receipt, review and acceptance by carryover of evidence that the construction of the proposed road (Constitution Drive extension/US 190 Reliever bypass) and water and sewer improvements will be completed in conjunction with the proposed development, and evidence that the associated costs are not a part of the eligible basis costs claimed by the Applicant at carryover or cost certification.

2 Receipt, review, and acceptance by cost certification of documentation verifying that the subject property will have access to the dedicated roadway as indicated in the Commitment for Title Insurance Schedule B item 10a dated January 18, 2008. Also, documentation that all requirements indicated in Schedule C item 5 have been met, including the submission of a survey plat, with correct description of the property, showing all easements, and access to the dedicated roadway, all requirements to obtain and place of record, payment of all taxes including 2006, and issuance of a waiver of inspection.

3 Receipt, review, and acceptance, by carryover, of updated loan and equity commitments which are not more than 30 days old and confirmation that the largest TDHCA loan will have a first lien at conversion to permanent.

4 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI/Low HOME	6
50% of AMI	50% of AMI/Low HOME	39
60% of AMI	60% of AMI	63

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PROS	CONS
▫ The developer has a considerable amount of experience in affordable housing development and the capacity to support a transaction if necessary.	▫ The anticipated expense to income ratio is high at above 60% but both the Applicant and Underwriter's estimates are below the maximum 65% guideline. ▫ But for the significant below market rate HOME funds concurrently recommended for approval, the Development would not be financially feasible.

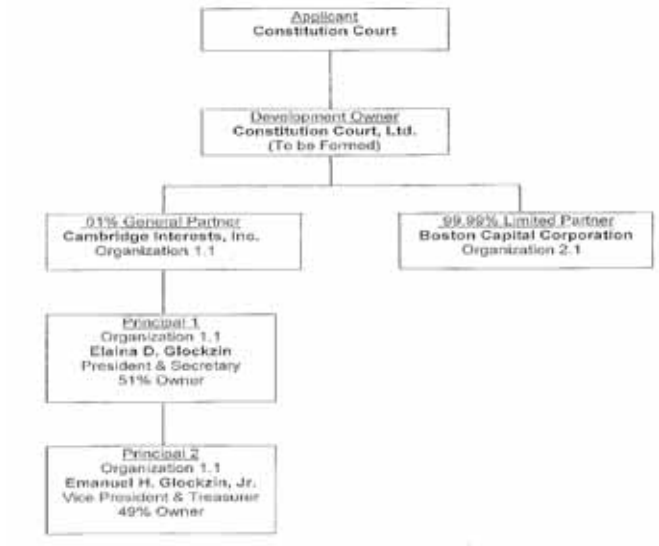
PREVIOUS UNDERWRITING REPORTS

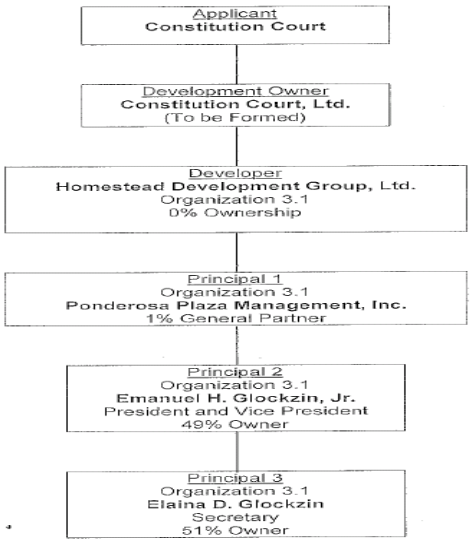
Constitution Court was submitted during the 2007 competitive tax credit cycle but not recommended due to the termination of the HOME fund application which totaled $2,900,000. Without these funds the transaction was rendered financially infeasible. The termination of the HOME funds occurred because the HOME application failed to achieve the minimum threshold score after it was confirmed that the Department had funded other developments in the area (the absence of which would have allowed the Applicant to keep the 10 points claimed for this item and exceed the minimum threshold score). The developer appealed the termination of the HOME funds to the board on June 14, 2007 and the board denied the appeal.

The threshold and scoring criteria for HOME awards for this year has been revised and the cycle was reconstituted as an open application round with minimum threshold activities but not a minimum score. Generally the application is similar to last year's application except it targets fewer 50% and below households replacing them with 60% households and therefore can service more conventional debt. In addition the Applicant's direct construction and total development costs have declined somewhat while the Underwriter's costs have increased slightly such that total and direct construction costs are more comparable to the underwritten estimates than last year. The property has also been properly rezoned and the proposed development conforms to the new zoning according to the documentation provided by the Applicant.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE





CONTACT

Contact: Emanuel H. Glockzin, Jr. Phone: (979) 846-8878 Fax: (979) 846-0783

Email: emanuel@edgproperties.net

KEY PARTICIPANTS

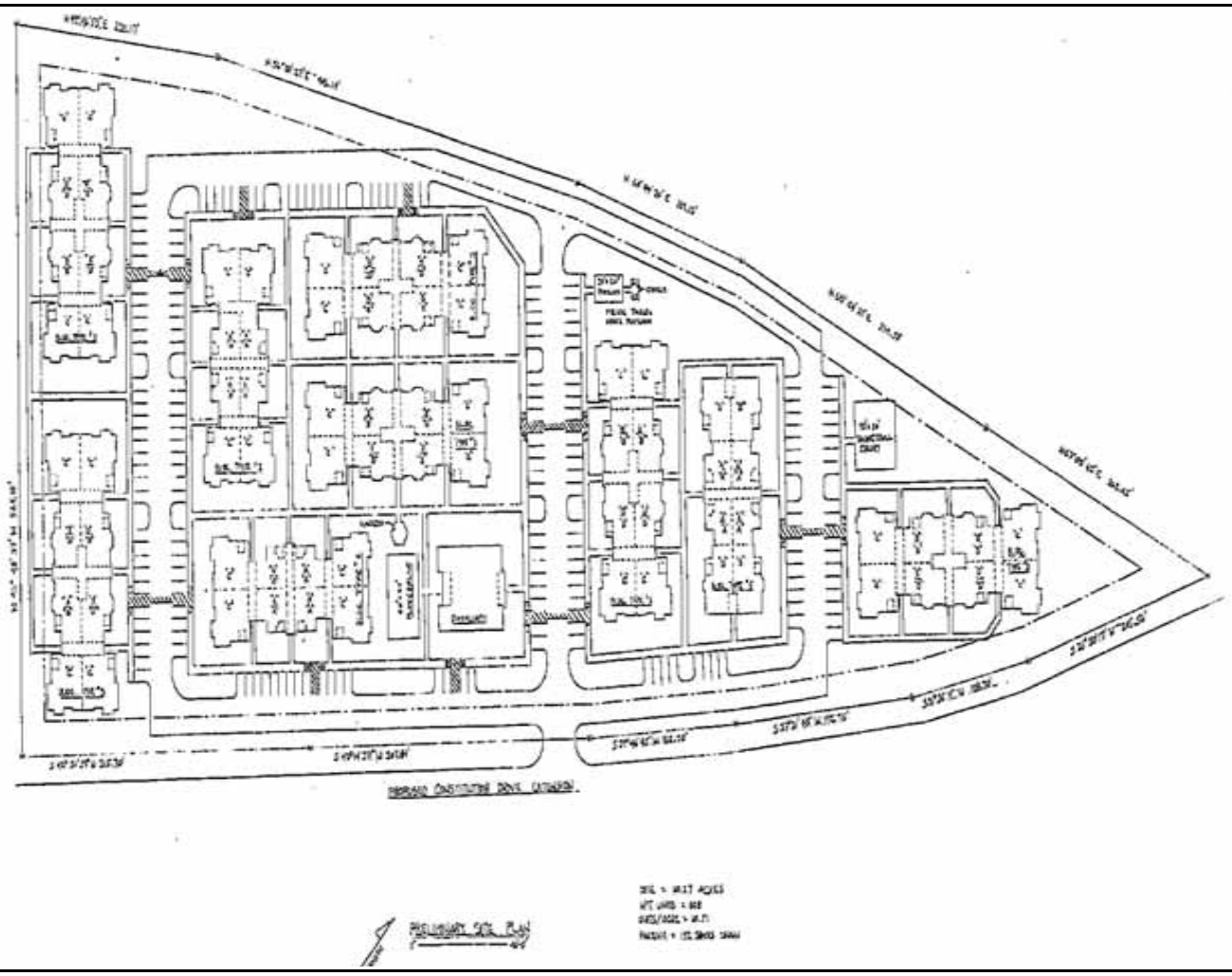
Name	Financial Notes	# Completed Developments
Cambridge Interests, Inc.	N/A	1
Homestead Development Group Ltd	N/A	4
Emanuel H. Glockzin, Jr.	N/A	24

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	2	3	5								Total Buildings
Floors/Stories	2	2	2								
Number	2	6	1								**9**

BR/BA	SF	Units										Total Units	Total SF
1/1	834	8		8								24	20,016
2/2	1,192		8	4								52	61,984
3/2	1,359	4	4									32	43,488
Units per Building		12	12	12								**108**	**125,488**

SITE ISSUES

Total Size:	10.3 acres	Scattered site?	☐	Yes	☒	No		
Flood Zone:	X	Within 100-yr floodplain?	☐	Yes	☒	No		
Zoning:	R-3 Multifamily	Needs to be re-zoned?	☐	Yes	☒	No	☐	N/A

Comments:

It appears that a road will be constructed adjacent to the site to provide access from Constitution Drive to US Highway 190, along with water and sewer infrastructure. The seller Copperas Cove Economic Development Corporation has made application for a Federal Economic Development Administration grant to fund infrastructure improvements totaling $570,560 and this amount of these improvements were included in the sale price of the land to the developer as an in-kind contribution. Receipt, review and acceptance of evidence that the construction of the proposed road (Constitution Drive extension/US 190 Reliever bypass) and water and sewer improvements will be completed in conjunction with the proposed development, and evidence that the associated costs are not a part of the eligible basis costs claimed by the Applicant are a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 3/27/2008

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Vacant land East: Ft. Hood

South: Ft. Hood West: Vacant land

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Hodges Engineering, Incorporated Date: 4/2/2008

Recognized Environmental Concerns (RECs) and Other Concerns:

- None

MARKET HIGHLIGHTS

Provider: Allen & Associates Consulting Date: 2/23/2008

Contact: Jeffery Carroll Phone: (704) 905-2276 Fax: (704) 708-4261

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA): 196.02 square miles (7.9 miles radius)

"Based on our evaluation of the local market, we concluded that the primary market area includes the following 2000 Census Tracts: 231.02, 231.04, 105, 106.01, 106.02, 107.01, 107.02, 108.01, 108.02, and 9503." (p. 46) The estimated 2010 population for the PMA is 75,021 according to the Market Analyst.

Secondary Market Area (SMA):

"Because we cannot define a more precise secondary market area for this project, it will be disregarded from this analysis." (p. 46)

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units (25%)
None				N/A			

INCOME LIMITS						
Coryell						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
30	$10,900	$12,500	$14,050	$15,600	$16,850	$18,100
50	$18,200	$20,800	$23,400	$26,000	$28,100	$30,150
60	$21,840	$24,960	$28,080	$31,200	$33,720	$36,180

MARKET ANALYST'S PMA DEMAND by UNIT TYPE							
Unit Type	Turnover Demand	Growth Demand	Other Demand	Total Demand	Subject Units	Unstabilized Comparable (PMA)	Capture Rate
1BR/30% Rent Limit	28			28	2	0	7%
1BR/50% Rent Limit	51			51	9	0	18%
1BR/60% Rent Limit	76			76	13	0	17%
2BR/30% Rent Limit	54			54	2	0	4%
2BR/50% Rent Limit	109			109	20	0	18%
2BR/60% Rent Limit	139			139	30	0	22%
3BR/30% Rent Limit	43			43	2	0	5%
3BR/50% Rent Limit	94			94	10	0	11%
3BR/60% Rent Limit	118			118	20	0	17%

OVERALL DEMAND					
	Target Households	Household Size	Income Eligible	Tenure	Demand
PMA DEMAND from TURNOVER					
Market Analyst p. 110	The Market Analyst only identified project-specific demand for each unit/income type				
Underwriter	100% 12,624	100% 12,624	37% 4,670	42% 1,961	50% 981
PMA DEMAND from HOUSEHOLD GROWTH					
Market Analyst p. 110	The Market Analyst only identified project-specific demand for each unit/income type				
Underwriter		100% 550	37% 204	42% 86	100% 86

INCLUSIVE CAPTURE RATE						
	Subject Units	Unstabilized Comparable (PMA)	Unstabilized Comparable (25% SMA)	Total Supply	Total Demand (w/25% of SMA)	Inclusive Capture Rate
Market Analyst p. 110	108	0	0	108	711	15.2%
Underwriter	108	0	0	108	1,066	10.1%

The Market Analyst used a more innovative method for determining demand than what is typical of market studies for Texas tax credit developments. The Market Analyst calculated the demand for each unit type and income level and then summed these individual demand amounts. Unfortunately, the Market Analyst did not provide the raw data detail for all of the calculations with this approach. It would seem obvious that some units would have overlapping demand from the same household size. The Underwriter used less specific data that was available in the market study to conclude ample demand to support an acceptable inclusive capture rate.

The Underwriter also calculated the inclusive capture rate using a demand model based on HISTA Data and determined that the capture rate would be an acceptable 13.8%.

Primary Market Occupancy Rates:

"Occupancies by rent type for stabilized family properties follow: Market rate, 92.7% (1334 units in sample); restricted rents, 90.0% (30 units in sample); and subsidized rents, 100.0% (50 units in sample). Overall market occupancies for all properties stand at 93.0% (1463 units in sample). Overall market occupancies for stabilized properties currently stand at 93.0% (1463 units in sample)." (p. 77)

Absorption Projections:

"We estimate a 10-month absorption period and an average absorption rate of 10.04 units per month to stabilization for the subject property. The absorption period breaks down by unit type and income level as follows: 3 month(s) for 1BR units at 30% of AMI; 8 month(s) for 1BR units at 50% of AMI; 10 month(s) for 1BR units at 60% of AMI; 1 month(s) for 2BR units at 30% of AMI; 7 month(s) for 2BR units at 50% of AMI; 10 month(s) for 2BR units at 60% of AMI; 1 month(s) for 3BR units at 30% of AMI; 3 month(s) for 3BR units at 50% of AMI; and 6 month(s) for 3BR units at 60% of AMI." (p.124)

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)		Proposed Rent	Program Maximum	Market Rent	Underwriting Rent	Savings Over Market
1 BR	834 SF 30%	$200	$200	$615	$200	$415
1 BR	834 SF 50%	$395	$395	$615	$395	$220
1 BR	834 SF 60%	$493	$493	$615	$493	$122
2 BR	1,192 SF 30%	$225	$225	$715	$225	$490
2 BR	1,192 SF 50%	$459	$459	$715	$459	$256
2 BR	1,192 SF 60%	$576	$576	$715	$576	$139
3 BR	1,359 SF 30%	$261	$261	$775	$261	$514
3 BR	1,359 SF 50%	$532	$532	$775	$532	$243
3 BR	1,359 SF 60%	$667	$667	$775	$667	$108

Market Impact:

"While we believe that this property is feasible from a market standpoint as proposed, in our opinion it will draw residents from other properties in the immediate area. Most of these properties are market rate and will experience a modest adverse impact (1 to 2 percent occupancy decline) from this development." (p. 13)

Comments:

While the Market Analyst did not provide data in the form that would allow the market study to be considered a fully self contained study from the Department's perspective, it provided sufficient information on which to potentially base a funding recommendation.

Concentration:

Staff has calculated the concentration rate of the areas surrounding the property in accordance with section 1.32 (i)(2) of the Texas Administrative Code approved in 2007. The Underwriter has concluded a census tract concentration of 3.3 units per square mile which is less than the 1,432 units per square mile limit and a Primary Market Area concentration of 6.1 units per square mile which is less than the 1,000 units per square mile limit. Therefore, the proposed development is in an area which has an acceptable level of apartment dispersion based upon the Department's standard criteria.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting "All Electric" tenant-paid utility allowances as of April 1, 2007, maintained by The City of Copperas Cove, from the 2008 program gross rent limits. The Applicant is proposing that all the HOME units be low HOME or units targeting households earning 50% or less of the area median income. Since the fair market rent is well above the calculated 50% rent the HOME rents at 50% and the HTC rents at 50% are the same. Tenants will be required to pay electric utility costs only.

The Applicant's secondary income and vacancy and collection loss assumptions are in line with current TDHCA underwriting guidelines, and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/1/2008

The Applicant's total annual operating expense projection at $3,620 per unit is within 5% of the Underwriter's estimate of $3,784, derived from the TDHCA database, and third-party data sources.

Conclusion:

While the Applicant's income and expenses are within 5% of the Underwriter's estimates, the Applicant's net operating income is not within 5%. Therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity. The proposed permanent financing structure results in an initial year's debt coverage ratio of 1.26, which falls within the Department's guidelines.

The Applicant's and Underwriter's expense to income ratios are quite high at above 60%. An expense to income ratio above 60% reflects an increased risk that the development will not be able to sustain even a moderate period of flat income and rent growth with rising expenses. However both are below the Department's 65% maximum and therefore no other mitigation is required.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible for the long-term.

ACQUISITION INFORMATION

ASSESSED VALUE

Land Only: 7.8 acres	$703,640	Tax Year:	2007
Existing Buildings:	$0	Valuation by:	Coryell CAD
Total Assessed Value:	$703,640	Tax Rate:	2.46207

EVIDENCE of PROPERTY CONTROL

Type: Unimproved Property Commercial Contract Acreage: 10.3

Contract Expiration: 11/30/2008 Valid Through Board Date? [x] Yes [ ] No

Acquisition Cost: $550,000 Other:

Seller: Copperas Cove Economic Development Corporation Related to Development Team? [ ] Yes [x] No

TITLE

Comments:

Schedule B, item 10a of the title commitment indicates that the subject property does not have access to a dedicated roadway. Also, Schedule C, item 5 lists several items of concern that may not currently be resolved. The Underwriter has asked the Applicant for clarification on these items. The Applicant is working to address them, though these are items that were a concern last year as well. Receipt, review, and acceptance of documentation verifying these title items have been resolved is a condition of this report.

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CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 5/14/2008

Acquisition Value:

The site cost of $55,825 per acre or $5,324 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost:

The Applicant's claimed sitework costs of $7,500 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is $75K or 1% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by $172,000 to bring the eligible interest expense down to one year of fully drawn interest expense including both the First Victoria National Bank loan at 8% and the short term lumberyard credit at 8%. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Contingency & Fees:

The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines, but after the reduction in eligible interest, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by $14,700 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis with the adjustments discussed above for excess interim interest and developer fee. An eligible basis of $11,387,300 supports annual tax credits of $947,423. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/14/2008

Source: Callaway Lumber Company Type: **Interim Financing**

Principal: $300,000 Interest Rate: 8.0% [x] Fixed Term: 12 months

Comments:

In the form of a pre-development loan for the purchase of lumber; 1 month term, with one 30 day extension. It should be noted that this loan is ultimately more costly than the existing construction loan or alternative financing that may be available. Encouraging local private loans in this case as part of the local public support is inconsistent with the general concept of an efficient allocation of funds.

Source: First Victoria National Bank Type: **Permanent Financing**

Principal: $1,300,000 Interest Rate: 7.0% [x] Fixed Amort: 420 months

Comments:

Initial 12 months of the loan (Construction phase) interest payable quarterly at 8%. Commencing with the 13th month (Term phase): Monthly principal and interest payments based on a 35 year amortization.

Source: Boston Capital Corporation Type: **Syndication**

Proceeds: $7,896,247 Syndication Rate: 82% Anticipated HTC: $ 962,957

Comments:

The committed credit price dropped from $0.86 per credit a year ago but this appears to be consistent with recent trends in pricing. The Underwriter has performed a sensitivity test and determined that the credit price can decline to $0.76, all else held equal, before the financial viability of the transaction is jeopardized. Alternatively, should the final credit price increase to above $0.87 all deferred developer fees would be eliminated and a gap based adjustment to the credit amount may be warranted.

Amount: $267,753 Type: **Deferred Developer Fees**

Market Uncertainty:

The financial market for tax credit developments from both a loan and equity perspective are in their greatest period of uncertainty since the early 1990's and fluctuations in pricing and private funding are expected to continue to occur. The Underwriter has evaluated the pricing flexibility independently for credits and interest rates under which this development could continue to be considered financially feasible. Because of the significant number of potential scenarios, the Underwriter has not modeled the potential impact of movement on both interest rates and equity pricing occurring at the same time.

Due to the uncertainty in the market and the potential for such movement in both equity pricing and interest rates, this report is conditioned upon updated loan and equity commitments at the submission of carryover. Should the revised commitments reflect changes in the anticipated permanent interest rate(s) and equity price, a re-evaluation of the financial feasibility of the transaction should be conducted.

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of $1,300,000 and the HOME Funds of $2,900,000 indicates the need for $8,189,000 in gap funds. Based on the submitted syndication terms, a tax credit allocation of $998,659 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request ($962,957), the gap-driven amount ($998,659), and eligible basis-derived estimate ($947,423), the Applicant's eligible basis-derived estimate of $947,423 is recommended resulting in proceeds of $7,768,871 based on a syndication rate of 82%.

The Underwriter's recommended financing structure indicates the need for $420,129 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within ten years of stabilized operation. If the HOME award is ultimately not awarded, the gap in financing would increase to an amount greater than the developer fee available and the transaction would not be financially viable unless another source of funds was received.

The HOME award amount is below the 221(d)(3) limit for this project. In addition, the HOME award is below the prorata share of development cost based on the number HOME units to total units.

The proposed HOME loan is anticipated to be more than twice as large as the proposed conventional debt and as such it would be prudent to require that the HOME loan have a priority lien to the conventional debt so that any future foreclosure does not wipe away the Department's LURA and ability to recover and repay its obligation to provide affordable units to HUD. Therefore, the Underwriter has conditioned this report upon the receipt, review and acceptance of revised lender and syndicator commitments reflecting a first lien for the Department's proposed HOME loan.

This section intentionally left blank.

Return on Equity:

A subsidy layering evaluation of the cash on cash return on the deferred developer fee and syndication proceeds reflects a return of less than 1% annually over 30 years not accounting for the value of the credits to the investors. A simple return on only deferred developer fee based upon first year income is relatively high but this is less meaningful because it neglects to consider the tax credit induced equity. The Department's objectives of providing not more than is necessary to develop and operate safe decent and affordable housing will be met under the proposed financing structure.

Underwriter:	*Carl Hoover*	Date:	June 19, 2008
Reviewing Underwriter:	*Raquel Morales*	Date:	June 19, 2008
Director of Real Estate Analysis:	*Tom Gouris*	Date:	June 19, 2008

MULTIFAMILY COMPARATIVE ANALYSIS

Constitution Court, Copperas Cove, HOME 9% HTC #08257

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
TC 30% LH	2	1	1	834	$292	$200	$400	$0.24	$92.00	$43.50
TC 50% LH	9	1	1	834	$487	$395	$3,555		$92.00	$43.50
TC 60%	13	1	1	834	$585	$493	$6,409		$92.00	$43.50
TC 30% LH	2	2	2	1,192	$351	$225	$450		$126.00	$47.50
TC 50% LH	20	2	2	1,192	$585	$459	$9,180		$126.00	$47.50
TC 60%	30	2	2	1,192	$702	$576	$17,280		$126.00	$47.50
TC 30% LH	2	3	2	1,359	$405	$261	$522		$144.00	$54.20
TC 50% LH	10	3	2	1,359	$676	$532	$5,320		$144.00	$54.20
TC 60%	20	3	2	1,359	$811	$667	$13,340		$144.00	$54.20
TOTAL:	108		**AVERAGE:**	1,162		$523	$56,456	$0.45	$123.78	$48.60

INCOME	Total Net Rentable Sq Ft: 125,488			**TDHCA**	**APPLICANT**	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$677,472	$677,472	Coryell		8
Secondary Income	Per Unit Per Month:	$10.00		12,960	12,960	$10.00	Per Unit Per Month	
Other Support Income:				0		$0.00	Per Unit Per Month	
POTENTIAL GROSS INCOME				$690,432	$690,432			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(51,782)	(51,780)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$638,650	$638,652			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative	5.29%	$313	0.27	$33,775	$28,986	$0.23	$268	4.54%
Management	3.88%	230	0.20	24,791	30,000	0.24	278	4.70%
Payroll & Payroll Tax	14.80%	875	0.75	94,500	92,000	0.73	852	14.41%
Repairs & Maintenance	7.89%	467	0.40	50,414	43,979	0.35	407	6.89%
Utilities	5.32%	314	0.27	33,956	30,564	0.24	283	4.79%
Water, Sewer, & Trash	7.52%	445	0.38	48,032	47,725	0.38	442	7.47%
Property Insurance	4.70%	278	0.24	29,995	26,281	0.21	243	4.12%
Property Tax 2.46207	8.74%	517	0.44	55,840	54,145	0.43	501	8.48%
Reserve for Replacements	4.23%	250	0.22	27,000	27,000	0.22	250	4.23%
TDHCA Compliance Fees	0.68%	40	0.03	4,320	4,320	0.03	40	0.68%
Other: Supp. Serv., Security	0.94%	56	0.05	6,000	6,000	0.05	56	0.94%
TOTAL EXPENSES	63.98%	$3,784	$3.26	$408,623	$391,000	$3.12	$3,620	61.22%
NET OPERATING INC	36.02%	$2,130	$1.83	$230,026	$247,652	$1.97	$2,293	38.78%
DEBT SERVICE								
First Victoria National Bank	15.61%	$923	$0.79	$99,662	$100,399	$0.80	$930	15.72%
TDHCA HOME	12.97%	$767	$0.66	82,857	82,857	$0.66	$767	12.97%
Additional Financing	0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW	7.44%	$440	$0.38	$47,507	$64,396	$0.51	$596	10.08%
AGGREGATE DEBT COVERAGE RATIO				1.26	1.35			
RECOMMENDED DEBT COVERAGE RATIO				1.26				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	**TDHCA**	**APPLICANT**	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		4.68%	$5,324	$4.58	$575,000	$575,000	$4.58	$5,324	4.64%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		6.60%	7,500	6.45	810,000	810,000	6.45	7,500	6.54%
Direct Construction		52.82%	60,044	51.68	6,484,782	6,560,000	52.28	60,741	52.95%
Contingency	4.94%	2.93%	3,333	2.87	360,000	360,000	2.87	3,333	2.91%
Contractor's Fees	14.00%	8.32%	9,456	8.14	1,021,270	1,031,000	8.22	9,546	8.32%
Indirect Construction		7.36%	8,361	7.20	903,000	903,000	7.20	8,361	7.29%
Ineligible Costs		2.17%	2,472	2.13	267,000	267,000	2.13	2,472	2.16%
Developer's Fees	15.00%	11.99%	13,635	11.73	1,472,558	1,500,000	11.95	13,889	12.11%
Interim Financing		1.94%	2,204	1.90	238,000	238,000	1.90	2,204	1.92%
Reserves		1.18%	1,343	1.16	145,000	145,000	1.16	1,343	1.17%
TOTAL COST		100.00%	$113,672	$97.83	$12,276,610	$12,389,000	$98.73	$114,713	100.00%
Construction Cost Recap		*70.67%*	***$80,334***	***$69.14***	***$8,676,052***	***$8,761,000***	***$69.82***	***$81,120***	*70.72%*

SOURCES OF FUNDS						RECOMMENDED	
First Victoria National Bank	10.59%	$12,037	$10.36	$1,300,000	$1,300,000	$1,300,000	Developer Fee Available
TDHCA HOME	23.62%	$26,852	$23.11	2,900,000	2,900,000	2,900,000	$1,485,300
HTC Syndication Proceeds	64.32%	$73,113	$62.92	7,896,247	7,896,247	7,768,871	% of Dev. Fee Deferred
Deferred Developer Fees	2.38%	$2,711	$2.33	292,753	292,753	420,129	28%
Additional (Excess) Funds Req'd	-0.92%	($1,041)	($0.90)	(112,390)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$12,276,610	$12,389,000	$12,389,000	$979,774

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$53.22	$6,678,991
Adjustments				
Exterior Wall Finish	6.00%		$3.19	$400,739
Elderly			0.00	0
9-Ft. Ceilings	3.75%		2.00	250,462
Roofing			0.00	0
Subfloor			(2.47)	(309,955)
Floor Cover			2.43	304,936
Breezeways/Balconies	$21.66	26,703	4.61	578,253
Plumbing Fixtures	$805	252	1.62	202,860
Rough-ins	$400	216	0.69	86,400
Built-In Appliances	$1,850	108	1.59	199,800
Exterior Stairs	$1,800	18	0.26	32,400
Enclosed Corridors	$43.30		0.00	0
Heating/Cooling			1.90	238,427
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	$70.95	3,787	2.14	268,683
Other: fire sprinkler	$1.95	125,488	1.95	244,702
SUBTOTAL			73.13	9,176,698
Current Cost Multiplier	1.00		0.00	0
Local Multiplier	0.87		(9.51)	(1,192,971)
TOTAL DIRECT CONSTRUCTION COSTS			$63.62	$7,983,727
Plans, specs, survy, bld prm	3.90%		($2.48)	($311,365)
Interim Construction Interest	3.38%		(2.15)	(269,451)
Contractor's OH & Profit	11.50%		(7.32)	(918,129)
NET DIRECT CONSTRUCTION COSTS			$51.68	$6,484,782

PAYMENT COMPUTATION

Primary	$1,300,000	Amort	420
Int Rate	7.00%	DCR	2.31
Secondary	$2,900,000	Amort	420
Int Rate	0.00%	Subtotal DCR	1.26
Additional	$7,896,247	Amort	
Int Rate		Aggregate DCR	1.26

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$99,662
Secondary Debt Service	82,857
Additional Debt Service	0
NET CASH FLOW	$47,507

Primary	$1,300,000	Amort	420
Int Rate	7.00%	DCR	2.31
Secondary	$2,900,000	Amort	420
Int Rate	0.00%	Subtotal DCR	1.26
Additional	$7,896,247	Amort	0
Int Rate	0.00%	Aggregate DCR	1.26

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

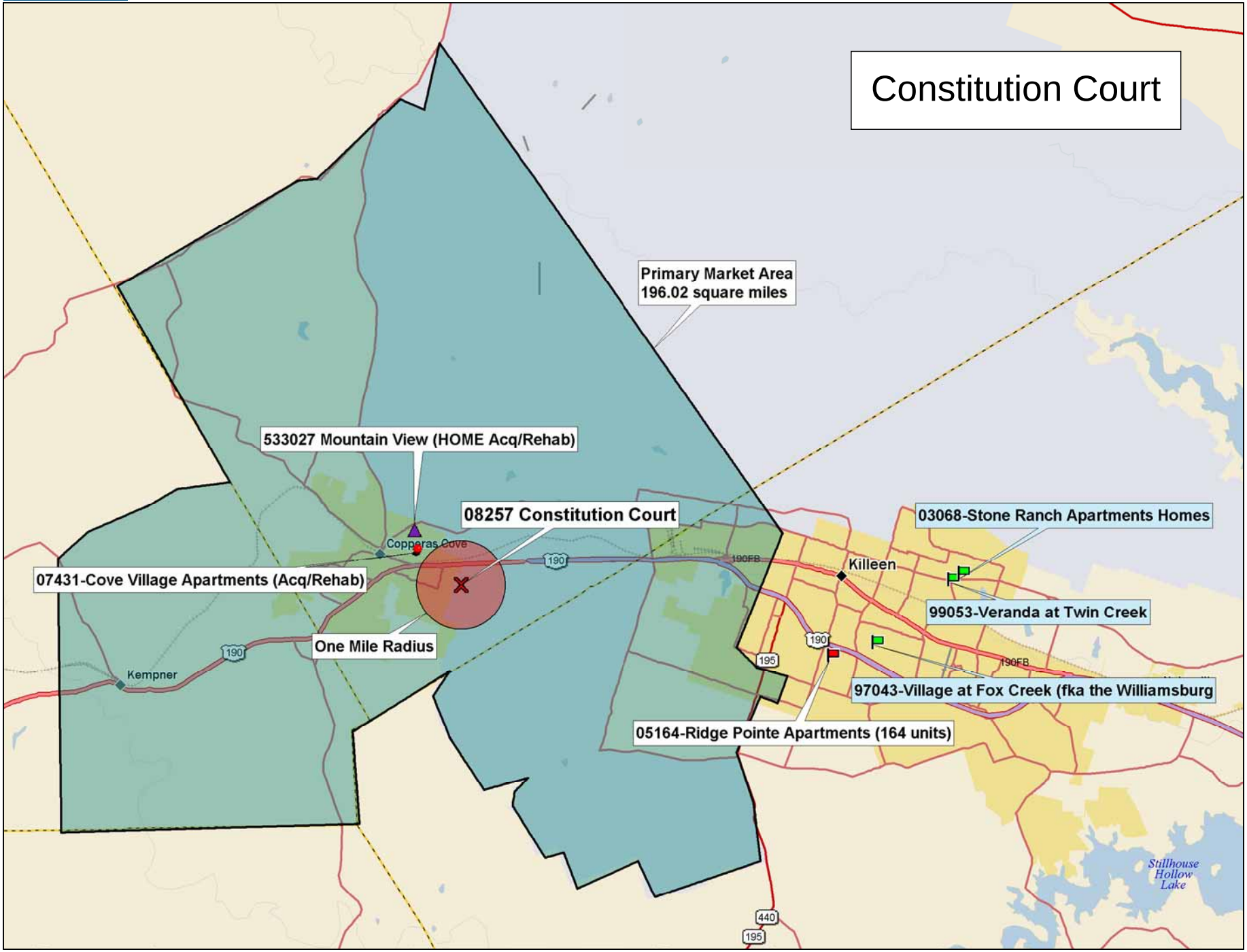
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$677,472	$697,796	$718,730	$740,292	$762,501	$883,947	$1,024,737	$1,187,951	$1,596,507
Secondary Income	12,960	13,349	13,749	14,162	14,587	16,910	19,603	22,725	30,541
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	690,432	711,145	732,479	754,454	777,087	900,857	1,044,340	1,210,677	1,627,048
Vacancy & Collection Loss	(51,782)	(53,336)	(54,936)	(56,584)	(58,282)	(67,564)	(78,326)	(90,801)	(122,029)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$638,650	$657,809	$677,543	$697,870	$718,806	$833,293	$966,015	$1,119,876	$1,505,020
EXPENSES at 4.00%									
General & Administrative	$33,775	$35,126	$36,531	$37,993	$39,512	$48,073	$58,488	$71,159	$105,333
Management	24,791	25,535	26,301	27,090	27,902	32,346	37,498	43,471	58,421
Payroll & Payroll Tax	94,500	98,280	102,211	106,300	110,552	134,503	163,643	199,097	294,713
Repairs & Maintenance	50,414	52,431	54,528	56,709	58,977	71,755	87,301	106,215	157,224
Utilities	33,956	35,314	36,727	38,196	39,724	48,330	58,801	71,540	105,897
Water, Sewer & Trash	48,032	49,954	51,952	54,030	56,191	68,365	83,176	101,197	149,796
Insurance	29,995	31,195	32,443	33,740	35,090	42,692	51,942	63,195	93,544
Property Tax	55,840	58,073	60,396	62,812	65,325	79,477	96,696	117,646	174,145
Reserve for Replacements	27,000	28,080	29,203	30,371	31,586	38,429	46,755	56,885	84,204
Other	10,320	10,733	11,162	11,609	12,073	14,689	17,871	21,743	32,184
TOTAL EXPENSES	$408,623	$424,720	$441,454	$458,849	$476,932	$578,660	$702,172	$852,148	$1,255,461
NET OPERATING INCOME	$230,026	$233,089	$236,089	$239,021	$241,874	$254,633	$263,843	$267,728	$249,558
DEBT SERVICE									
First Lien Financing	$99,662	$99,662	$99,662	$99,662	$99,662	$99,662	$99,662	$99,662	$99,662
Second Lien	82,857	82,857	82,857	82,857	82,857	82,857	82,857	82,857	82,857
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	$47,507	$50,570	$53,571	$56,502	$59,355	$72,114	$81,324	$85,209	$67,040
DEBT COVERAGE RATIO	1.26	1.28	1.29	1.31	1.33	1.40	1.45	1.47	1.37

HTC ALLOCATION ANALYSIS -Constitution Court, Copperas Cove, HOME 9% HTC #08257

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$575,000	$575,000		
Purchase of buildings				
Off-Site Improvements				
Sitework	$810,000	$810,000	$810,000	$810,000
Construction Hard Costs	$6,560,000	$6,484,782	$6,560,000	$6,484,782
Contractor Fees	$1,031,000	$1,021,270	$1,031,000	$1,021,270
Contingencies	$360,000	$360,000	$360,000	$360,000
Eligible Indirect Fees	$903,000	$903,000	$903,000	$903,000
Eligible Financing Fees	$238,000	$238,000	$238,000	$238,000
All Ineligible Costs	$267,000	$267,000		
Developer Fees			$1,485,300	
Developer Fees	$1,500,000	$1,472,558		$1,472,558
Development Reserves	$145,000	$145,000		
TOTAL DEVELOPMENT COSTS	$12,389,000	$12,276,610	$11,387,300	$11,289,610

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$11,387,300	$11,289,610
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$11,387,300	$11,289,610
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$11,387,300	$11,289,610
Applicable Percentage		8.32%	8.32%
TOTAL AMOUNT OF TAX CREDITS		$947,423	$939,296

Syndication Proceeds	**0.8200**	**$7,768,871**	**$7,702,223**
Total Tax Credits (Eligible Basis Method)		**$947,423**	**$939,296**
Syndication Proceeds		**$7,768,871**	**$7,702,223**
Requested Tax Credits		**$962,957**	
Syndication Proceeds		**$7,896,247**	
Gap of Syndication Proceeds Needed		**$8,189,000**	
Total Tax Credits (Gap Method)		**$998,659**	



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HOME AND HOUSING TRUST PROGRAMS DIVISION

BOARD ACTION REQUEST

February 5, 2009

Action Item

Presentation, Discussion and Possible Approval of the Housing Trust Fund Program Award Recommendations.

Requested Action

Approve, Deny or Approve with Amendments the Housing Trust Fund Program Award Recommendations.

RENTAL PRODUCTION PROGRAM

Background

A Notice of Funding Availability (NOFA) for $2,594,000 for Rental Production was approved by the Board in September 2008, consistent with the 2009 Housing Trust Fund Annual Plan. The NOFA allows applications for funding on a statewide first-come, first-served basis and establishes a submission deadline of April 6, 2009. The Department has received six applications to date requesting a total of $2,754,000, $200,000 more in funds than are available under the NOFA. One of these applications was awarded $384,000 at the November 13, 2008 Board meeting, one application for $450,000 is being recommended on today's agenda, and the remaining three applications are under review for possible award recommendations at a future Board meeting. If the application being considered today is awarded the recommended $450,000 in HTF, $1,760,000 in funds will remain available under the NOFA.

The subject applications have completed the two stages of the review process in accordance with the Housing Trust Fund Rule. The Real Estate Analysis (REA) Division has evaluated the applications and the underwriting reports are included in today's board book. All recommendations are subject to conditions reflected in the underwriting reports.

Parkwood Apartments (08334) is a USDA Section 515 transaction with an existing HOME contract for $732,125 approved by the Board in August 2007. The rent structure that was proposed in this application met the HOME requirements but the structure resulted in less USDA Rental Assistance and ultimately an inability to support the HOME debt. As a result, the Applicant has proposed a reduction in the existing HOME funds from $732,125 to $500,000. Layering Housing Trust Funds with the existing HOME and USDA funds will alleviate the problems previously created by layering only HOME with USDA. Staff recommendation is subject to an amendment to the HOME Contract to reduce the HOME loan to $500,000.

Attached:

- 2009 Housing Trust Fund Rental Production Program – Award Recommendations Log;
- 2009 Housing Trust Fund Rental Production Program - Application Log; and,

- Real Estate Analysis Division underwriting report.

Recommendation

Staff recommends approval of the Housing Trust Fund award recommendation ($450,000 loan amortized over 40 years at 2% interest) as detailed in the Award Recommendations logs attached subject to conditions of the underwriting report and subject to an amendment to HOME Contract #1000878 to decrease the HOME loan to $500,000.

HTF Rental Housing Development Program Award Recommendations
Sorted by Date and Time Received

Wednesday, January 21, 2009

Available General Set-Aside: $2,594,000

File #	Region	Received By Date:	Development Name	City	Housing Activity(1)	LI Units	Total Units	Target (2) Population	Layering HOME	Requested Project Funds	Awarded and/or Recommended Project Funds	Status
08334	10	8/27/2008	Parkwood Apartments	Nixon	R	0	24	General	No	$450,000	$450,000	Pending Award
Total HTF Applications	**1**				**Unit Totals:**	**0**	**24**	**Fund Totals:**		**$450,000**	**$450,000**	

1 = Housing Activity= New Construction = NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg

HTF Rental Production Program - Application Log
Sorted by Date and Time Received

Wednesday, January 21, 2009

Available General Set-Aside: $2,594,000

File #	Region	Received By Date:	Development Name	City	Housing Activity(1)	LI Units	Total Units	Target (2) Population	Layering HOME	Requested Project Funds	Awarded and/or Recommended Project Funds	Status
08418	9	8/21/2008	The Mirabella	San Antonio	NC	18	172	Elderly	Yes	$384,000	$384,000	Awarded
08334	10	8/27/2008	Parkwood Apartments	Nixon	R	8	24	General	No	$450,000	$450,000	Pending Award
08335	7	8/28/2008	Meadow Park Village Apartments	Lockhart	R	36	36	General	No	$500,000	$0	Under Review
08615	3	10/3/2008	Woodmont Apartments	Fort Worth	NC	26	252	General	Yes	$460,000		Under Review
08339	3	10/29/2008	Crown Point Apartments	Venus	R	24	24	General	No	$500,000		Under Review
08343	7	11/13/2008	The Willows Apartments	Smithville	R	31	0	Family	No	$500,000		Under Review
Total HTF Applications	**6**				**Unit Totals:**	**143**	**508**	**Fund Totals:**		**$2,794,000**	**$834,000**	

1 = Housing Activity= New Construction = NC, Rehabilitation = R
2 = Target Population Abbreviation: Intergenerational=Intg

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report ADDENDUM

REPORT DATE: 01/21/09 PROGRAM: HOME/HTF FILE NUMBER: **07343/08334**

DEVELOPMENT

Parkwood Apartments

Location: 114 West 10th Street Region: 10

City: Nixon County: Gonzales Zip: 78140 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Family, USDA, Rural, Rehabilitation, At Risk

ALLOCATION

	PREVIOUS REQUEST			**PREVIOUS RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$732,125	0.00%	30/30	**$732,125**	**0.00%**	**40/40**

	CURRENT REQUEST			**CURRENT RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
Housing Trust Fund	$450,000	0.00%	40/40	**$450,000**	**0.00%**	**40/40**
HOME Activity Funds	$500,000*	0.00%	40/40	**$500,000**	**0.00%**	**40/40**

* The requested HOME funds have been reduced from the previously awarded amount of $732,125.

1 Approval, by closing, from USDA-RD of a parity lien position for the approved TDHCA HOME award.

2 Receipt, review, and acceptance, by closing, of documentation that a 12% increase on average in the existing contract rents has been approved by USDA-RD prior to closing.

3 Receipt, review, and acceptance, prior to closing, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the Applicant's budget.

4 Receipt, review, and acceptance, prior to closing of the HTF award, of documentation of the existing reserves.

5 Should the terms and rates of the proposed debt structure change, the transaction should be re-evaluated and an adjustment to the HTF award may be warranted.

SALIENT ISSUES

HOME SET-ASIDES for LURA			
		Number of Units	
Income Limit	Rent Limit	Proposed	Recommended
50% of AMI	Low HOME	11	13

HTF SET-ASIDES for LURA			
Income Limit	Rent Limit	Number of Units	
		Proposed	Recommended
HTF/30% of AMI	HTF/30% of AMI	5	5
HTF/50% of AMI	HTF/50% of AMI	3	19

PROS	CONS
▫ The development receives rental assistance on 15 of the 24 units from USDA-RD which allows the property to maintain feasibility & service debt on the Department's awarded funds during periods of increasing expenses and flat rents.	▫ The development has an income to expense ratio of over 65% and project-based rental assistance is necessary to maintain the developments viability and feasibility.
▫ The development team is experienced and has substantial financial capacity.	▫ The recommended structure requires an unusual rent structure to fit within the HOME, HTF and USDA requirements.
▫ The application proposes the rehabilitation and revitalization of a 24 year old USDA-RD property.	

ADDENDUM

Parkwood Apartments was submitted and underwritten in July 2007 under the TDHCA HOME program(#07343). The underwriting analysis recommended the project be approved for a loan of $732,125 (the requested amount) to be structured as a fully repayable loan carrying a 0% interest rate and a term/amortization period of 40 years, subject to conditions. The Applicant has now requested a change to the financing structure via an application for Housing Trust Funds. As a result, an updated rent schedule, operating expense estimate, development cost schedule and sources and uses has been provided. The Underwriter has evaluated the impact of these changes on the financial viability of the transaction based on the revised documentation provided. Only those portions of the report that are materially affected by the proposed changes are discussed below. This report should be read in conjunction with the original HOME underwriting report for a full evaluation of the originally proposed development plan and structure.

The property was originally constructed in 1983 and is a USDA-RD property receiving rental assistance on 15 of the 24 units. The original HOME underwriting report included discussion regarding the submitted Capital Needs Assessment (CNA) performed by On-Sight Insight, Inc. Specifically, the CNA did not appear to contemplate the entire scope of work that the Applicant has planned for the subject development. Therefore, the CNA cost estimate was not used in the original HOME analysis to reasonably verify the Applicant's cost estimate or to project the property's long term capital needs. As a result, the original HOME underwriting report included a condition that the Applicant provide a revised Capital Needs Assessment with the entire scope of work and which fully accounts for the Applicant's budget.

Staff previously discussed these issues with the Applicant and the Applicant agreed to provide a revision to the CNA that accounted for the entire planned scope of work; however, the Applicant only appears to have submitted another copy of the original CNA with their HTF application. The Underwriter has continued to use the Applicant's estimates subject to verification. Therefore, this addendum will continue to condition any award of Department funds upon receipt, review, and acceptance, prior to closing of the HTF award, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the Applicant's budget.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 3 Date of Last Applicant Revision: 11/5/2008

The Applicant's projected net rents per unit are the contract rents that the Applicant has requested as part of the proposal to USDA-RD. The requested contract rents are 6% to 18% higher than the current contract rents. Moreover, while 15 of the units receive rental assistance from USDA-RD, the remaining 9 units receive no subsidy. Therefore, while it may seem unlikely that rents in excess of the market rents could ever be achieved on these 9 units, the current contract rents for the one-bedroom units are slightly higher than the market rents.

Since the application for HOME funds in 2007 was approved the USDA-RD approved Basic Rents for this development have increased by approximately 12% on average. The Underwriter's current analysis has determined that another average increase of at least 12% is required for income to remain unchanged and to maintain a healthy Year One debt coverage ratio.

It should be noted that the Underwriter's recommended number of HTF and HOME units in this analysis is different than what was proposed by the Applicant in the HTF application materials. The recommended number of units for each program are outlined at the beginning of this addendum. Specifically, the Applicant originally designated 11 of the 24 total units to be HOME units and 8 to be HTF units. However, based on the amount of funds being requested under each program the required number of units, based on the prorata of funds requested to total cost, are a minimum of 13 HOME units and a minimum of 11 HTF units. Beyond this, the Underwriter also recommends that all units be restricted as Housing Trust Fund units. This is because the HOME and HTF units can "float" and potentially overlap which could leave some units unrestricted. In order to prevent units from being unrestricted the less difficult to manage HTF restrictions should apply to all units.

The Applicant's secondary income is slightly higher than the underwriting standard of $15 per unit per year. Both the Applicant and the Underwriter used a vacancy and collection loss of 5%, which is typical of transactions with significant subsidies. Despite these differences, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 11/5/2008

The Applicant's total revised annual operating expense projection of $4,140 per unit is not within 5% of the Underwriter's revised estimate of $3,871 per unit, derived from the actual operating history of the property for 2006, 2007 and 2008, the TDHCA database, IREM, and other sources. The Applicant also has several line item expenses that differ significantly when compared to the Underwriter's estimate, including: payroll and payroll taxes ($4K higher); repairs and maintenance ($5K lower); water, sewer, trash ($3K lower); property tax ($2K higher), and reserve for replacements ($2K higher). It should be noted that the Applicant's projected operating expenses are $437 per unit or 12% more than the actual 2008 expenses, and $567 per unit or 16% more than the average actual operating expenses at the property over the last three years.

The Applicant's current HTF application has estimated a reserve account expense of $400 per unit. As discussed previously, the CNA provided does not fully take into account the proposed rehabilitation plan. As a result, the reserve for replacements analysis is likely overstated due to the inclusion of future repairs that are to be included in the proposed rehab scope of work. The Underwriter has used the standard minimum annual reserve requirement for rehab developments of $300 per unit. Of note, the Applicant included TDHCA compliance fees of $40 per unit, but compliance fees are not required on HTF only properties.

Additionally, the Applicant's expense to income ratio is above the 65% maximum; however, USDA-RD properties receiving rental assistance are exempt from meeting the 65% expense to income ratio requirement.

Conclusion:

The Applicant's effective gross income is within 5% of the Underwriter's estimate; however, total expense and net operating income estimates are not within 5% of the Underwriter's. Therefore, the Underwriter's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio. The proforma results in a DCR above the Department's current maximum of 1.35. As a result the Underwriter is recommending an increase in the interest rate on the requested HTF in order to bring the DCR within acceptable Department guidelines.

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 11/5/2008

Acquisition Value:

The site was acquired by the Applicant in 1981 and the property was developed in 1982-1983. Originally, the Applicant did not reflect the original USDA-loan that will remain on the property in the cost schedule, however this loan has been reflected in the current cost schedule. Moreover, the Applicant included the original USDA-RD loan amount as a use of funds. As this loan amount has been included as a source of funds, the value must also be reflected as a use of funds. The Underwriter has also reflected the current existing USDA-RD loan balance of $319,254 in the acquisition cost line item of the development cost schedule and as an offsetting source of funds even though an acquisition is not truly taking place.

Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of $4,479 per unit. This estimate cannot be verified based on the lack of information specific to proposed sitework in the submitted CNA. As discussed above, receipt, review, and acceptance, prior to closing, of a revised Capital Needs Assessment with the entire scope of planned rehab work and budget fully accounted for is a condition of this report. In addition, USDA-RD will also review and need to approve the scope of work and budget before construction begins and receipt review and acceptance of same prior closing is a condition of this report.

Direct Construction Cost:

Again the Applicant submitted a USDA-RD Capital Needs Assessment (CNA), which the Department typically accepts in lieu of a Property Condition Assessment for existing USDA-RD properties. The submitted CNA did not provide a cost estimates for the rehab work beyond the immediate repair needs. Therefore, for purposes of this analysis, the Underwriter has used the Applicant's direct construction cost estimate. As discussed above, because of scheduling issues the CNA could not be updated before this report was completed but will be required prior to closing of the HTF award and USDA-RD will review the proposed rehab budget prior to commencement of construction.

Reserves:

The Applicant has indicated that the existing reserve balance will be maintained; however, no documentation was provided to indicate that the reserves are fully funded. The Underwriter has not included any reserves in the development costs with the understanding that USDA-RD will continuously monitor the Applicant's reserve balance. However, receipt, review, and acceptance, prior to closing of the HTF award, of documentation of the existing reserves is a condition of this report.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials based on the Applicant's estimates. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: None Date of Last Applicant Revision: N/A

Source: USDA-RD Existing Loan (First Lien) Type: **Existing Permanent Financing**

Principle: $319,249 Interest Rate: 1.00% ☐ Fixed Amort: ____ months

Comments:

The property has an existing USDA-RD first lien mortgage that will remain on the property during and after rehabilitation. The original $588,000 loan funded in 1982 for a term of 600 months at a rate of 13.25%; however, the Applicant also has an Interest Credit Agreement that subsidizes the interest rate on the note to an effective rate of approximately 1%. The amortization of the loan commenced in July 1983. The outstanding principal balance of this loan as of 08/01/2008 was $319,249, which has been used as a source of funds by the Underwriter.

Amount: $0 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant's formal request indicates a reduced amount of HOME funds of $500,000, structured as a repayable loan at 0% interest and 40 year amortization. The Applicant was previously awarded $732,125 in HOME funds structured at 0% with a 40-year amortization. Additionally, the Applicant is requesting a HTF award of $450,000 in the form of a cash flow loan that would ultimately be forgiven in 10 years. Although the Applicant is requesting that the HTF loan be forgivable, this analysis has concluded that both the HOME and HTF loans can be structured as repayable with a DCR that falls within the Department's guidelines.

Therefore, the Underwriter recommends a HOME award of $500K to be structured as a fully repayable loan carrying a 0% interest rate and a term/amortization period of 40 years. The Underwriter also recommends a HTF award of $450,000 to be structured as a fully repayable loan carrying a 0% interest rate and a term/amortization period of 40 years. Based on this award, the Underwriter's total development cost of $1,269,249 less the existing USDA-RD loan of $319,249, recommended HOME award of $500K, and recommended HTF award of $450,000 indicates no need for additional permanent funds.

The Underwriter's recommendation is conditioned upon approval from USDA-RD of a parity lien position for the approved TDHCA HOME award.

Underwriter: _____ Date: January 21, 2009

Diamond Unique Thompson

Acting Director of Real Estate Analysis: _____ Date: January 21, 2009

Raquel Morales

MULTIFAMILY COMPARATIVE ANALYSIS

Parkwood Apartments, Nixon, HOME/HTF #07343/08334

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected		Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
LH/HTF50%	4	1	1	570	$408	$408		$1,632	$0.72	$105.00	$18.00
HTF30%	2	1	1	570	$245	$408		$816	$0.72	$105.00	18.00
HTF50%	2	1	1	570	$408	$408		$816	$0.72	$105.00	18.00
LH/HTF50%	4	2	1	802	$490	$490		$1,960	$0.61	$138.00	19.75
HTF30%	3	2	1	802	$295	$490		$1,470	$0.61	$138.00	19.75
HTF50%	3	2	1	802	$490	$490		$1,470	$0.61	$138.00	19.75
LH/HTF50%	3	3	1	870	$566	$566		$1,698	$0.65	$158.00	21.75
HTF50%	1	3	1	870	$566	$566		$566	$0.65	$158.00	$21.75
LH/HTF50%	2	3	1	870	$566	$566		$1,132	$0.65	$158.00	$21.75
TOTAL:	24		**AVERAGE:**	742		$482		$11,560	$0.65	$132.00	$19.67

INCOME	Total Net Rentable Sq Ft: 17,800			TDHCA HTF	TDHCA HOME	APP HOME	APP HTF	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$138,720	$129,672	$128,064	$138,720	Gonzales		10
Secondary Income	Per Unit Per Month:	$15.00		4,320	4,140	4,440	5,160	$17.92	Per Unit Per Month	
Other Support Income:				0	0	3,672		$0.00	Per Unit Per Month	
				$143,040	$133,812	$136,176	$143,880			
Vacancy & Collection Loss	% of Potential Gross Income:	-5.00%		(7,152)	(6,691)	(10,212)	(7,200)	-5.00%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0	0				
EFFECTIVE GROSS INCOME				$135,888	$127,121	$125,964	$136,680			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT					PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.70%	$266	0.36	$6,388	$4,662	$5,530	$6,967	$0.39	$290	5.10%
Management		9.01%	510	0.69	12,240	11,122	10,332	11,808	0.66	492	8.64%
Payroll & Payroll Tax		16.36%	926	1.25	22,235	19,205	23,356	25,315	1.42	1,055	18.52%
Repairs & Maintenance		13.98%	792	1.07	19,002	12,945	20,065	14,107	0.79	588	10.32%
Utilities		3.79%	215	0.29	5,154	4,116	4,700	5,242	0.29	218	3.84%
Water, Sewer, & Trash		8.39%	475	0.64	11,397	10,640	12,650	14,217	0.80	592	10.40%
Property Insurance		3.30%	187	0.25	4,486	5,926	5,210	5,150	0.29	215	3.77%
Property Tax	2.1097	3.53%	200	0.27	4,796	7,140	5,004	6,000	0.34	250	4.39%
Reserve for Replacements		5.30%	300	0.40	7,200	6,900	9,600	9,600	0.54	400	7.02%
TDHCA Compliance Fees		0.00%	0	0.00		0	960	960	0.05	40	0.70%
Other: supportive services		0.00%	0	0.00	0	0	0		0.00	0	0.00%
TOTAL EXPENSES		68.36%	$3,871	$5.22	$92,898	$82,655	$97,407	$99,366	$5.58	$4,140	72.70%
NET OPERATING INC		31.64%	$1,791	$2.42	$42,990	$44,466	$28,557	$37,314	$2.10	$1,555	27.30%
DEBT SERVICE											
USDA-RD Existing Loan (First Lien)		11.22%	$636	$0.86	$15,252	$15,252	$15,252	$15,252	$0.86	$636	11.16%
TDHCA HOME		9.20%	$521	$0.70	12,500	6,109	6,109	12,500	$0.70	$521	9.15%
Additional Financing		0.00%	$0	$0.00	0	0	0		$0.00	$0	0.00%
NET CASH FLOW		11.21%	$635	$0.86	$15,238	$23,105	$7,196	$9,562	$0.54	$398	7.00%
AGGREGATE DEBT COVERAGE RATIO					1.55	2.08	1.34	1.34			
RECOMMENDED DEBT COVERAGE RATIO					1.29	1.33					

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA HTF	TDHCA HOME	APP HOME	APP HTF	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		25.15%	$13,302	$17.94	$319,254	$319,254	$0	$319,254	$17.94	$13,302	25.15%
Off-Sites		0.00%	0	0.00	0	0	0	0	0.00	0	0.00%
Sitework		8.47%	4,479	6.04	107,500	107,500	87,000	107,500	6.04	4,479	8.47%
Direct Construction		38.15%	20,178	27.21	484,280	484,280	463,000	484,280	27.21	20,178	38.15%
Contingency	6.62%	3.08%	1,631	2.20	39,150	29,589	0	39,150	2.20	1,631	3.08%
Contractor's Fees	14.00%	6.53%	3,452	4.65	82,849	82,849	77,000	82,850	4.65	3,452	6.53%
Indirect Construction		4.61%	2,440	3.29	58,550	58,550	28,550	58,550	3.29	2,440	4.61%
Ineligible Costs		1.02%	542	0.73	13,000	13,000	1,000	13,000	0.73	542	1.02%
Developer's Fees	20.00%	12.30%	6,507	8.77	156,166	154,254	105,975	156,166	8.77	6,507	12.30%
Interim Financing		0.67%	354	0.48	8,500	8,500	50,950	8,500	0.48	354	0.67%
Reserves		0.00%	0	0.00	0	0	0		0.00	0	0.00%
TOTAL COST		100.00%	$52,885	$71.31	$1,269,249	$1,257,776	$813,475	$1,269,250	$71.31	$52,885	100.00%
Construction Cost Recap		*56.24%*	***$29,741***	***$40.10***	***$713,779***	***$704,218***	***$627,000***	***$713,780***	***$40.10***	***$29,741***	*56.24%*

SOURCES OF FUNDS								RECOMMENDED	
USDA-RD Existing Loan (First Lien)	25.15%	$13,302	$17.94	$319,249	$331,309	$588,000	$319,249	$319,249	Developer Fee Available
First State Bank	0.00%	$0	$0.00		$81,350	$81,350			
TDHCA HOME	39.39%	$20,833	$28.09	500,000	732,125	732,125	500,000	500,000	$156,166
TDHCA HTF	35.45%	$18,750	$25.28	450,000			450,000	450,000	% of Dev. Fee Deferred
Deferred Developer Fees	0.00%	$0	$0.00	0	0				0%
Additional (Excess) Funds Req'd	0.00%	$0	$0.00	0	0	(588,000)	1	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$1,269,249	$1,144,784	$813,475	$1,269,250	$1,269,249	$181,108

PAYMENT COMPUTATION

Primary	$319,249	Amort	480
Int Rate	1.00%	DCR	2.82

Secondary	$500,000	Amort	480
Int Rate	0.00%	Subtotal DCR	1.55

Additional	$450,000	Amort	
Int Rate		Aggregate DCR	1.55

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$9,687
Secondary Debt Service	12,500
Additional Debt Service	11,250
NET CASH FLOW	$9,553

Primary	$319,249	Amort	480
Int Rate	1.00%	DCR	4.44

Secondary	$500,000	Amort	480
Int Rate	0.00%	Subtotal DCR	1.94

Additional	$450,000	Amort	480
Int Rate	0.00%	Aggregate DCR	1.29

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$138,720	$142,882	$147,168	$151,583	$156,131	$180,998	$209,826	$243,246	$326,903
Secondary Income	4,320	4,450	4,583	4,721	4,862	5,637	6,534	7,575	10,180
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	143,040	147,331	151,751	156,304	160,993	186,635	216,361	250,822	337,083
Vacancy & Collection Loss	(7,152)	(7,367)	(7,588)	(7,815)	(8,050)	(9,332)	(10,818)	(12,541)	(16,854)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$135,888	$139,965	$144,164	$148,488	$152,943	$177,303	$205,543	$238,280	$320,229
EXPENSES at 4.00%									
General & Administrative	$6,388	$6,644	$6,909	$7,186	$7,473	$9,092	$11,062	$13,459	$19,922
Management	12,240	12,607	12,985	13,375	13,776	15,970	18,514	21,463	28,844
Payroll & Payroll Tax	22,235	23,124	24,049	25,011	26,012	31,647	38,504	46,846	69,343
Repairs & Maintenance	19,002	19,762	20,553	21,375	22,230	27,046	32,906	40,035	59,261
Utilities	5,154	5,360	5,575	5,798	6,029	7,336	8,925	10,859	16,074
Water, Sewer & Trash	11,397	11,853	12,327	12,820	13,333	16,221	19,736	24,012	35,543
Insurance	4,486	4,665	4,852	5,046	5,248	6,385	7,768	9,451	13,989
Property Tax	4,796	4,988	5,187	5,395	5,611	6,826	8,305	10,104	14,957
Reserve for Replacements	7,200	7,488	7,788	8,099	8,423	10,248	12,468	15,169	22,454
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$92,898	$96,491	$100,225	$104,104	$108,135	$130,772	$158,187	$191,397	$280,388
NET OPERATING INCOME	$42,990	$43,473	$43,939	$44,384	$44,809	$46,531	$47,355	$46,884	$39,841
DEBT SERVICE									
First Lien Financing	$9,687	$9,687	$9,687	$9,687	$9,687	$9,687	$9,687	$9,687	$9,687
Second Lien	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Other Financing	11,250	11,250	11,250	11,250	11,250	11,250	11,250	11,250	11,250
NET CASH FLOW	$9,553	$10,036	$10,502	$10,947	$11,372	$13,094	$13,918	$13,447	$6,404
DEBT COVERAGE RATIO	1.29	1.30	1.31	1.33	1.34	1.39	1.42	1.40	1.19

HTC ALLOCATION ANALYSIS -Parkwood Apartments, Nixon, HOME/HTF #07343/08334

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
Acquisition Cost				
Purchase of land	$319,254	$319,254		
Purchase of buildings	$0			
Off-Site Improvements				
Sitework	$107,500	$107,500	$107,500	$107,500
Construction Hard Costs	$484,280	$484,280	$484,280	$484,280
Contractor Fees	$82,850	$82,849	$82,849	$82,849
Contingencies	$39,150	$39,150	$39,150	$39,150
Eligible Indirect Fees	$58,550	$58,550	$58,550	$58,550
Eligible Financing Fees	$8,500	$8,500	$8,500	$8,500
All Ineligible Costs	$13,000	$13,000		
Developer Fees			$156,166	
Developer Fees	$156,166	$156,166		$156,166
Development Reserves				
TOTAL DEVELOPMENT COSTS	$1,269,250	$1,269,249	$936,995	$936,995

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$936,995	$936,995
High Cost Area Adjustment		100%	100%
TOTAL ADJUSTED BASIS		$936,995	$936,995
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$936,995	$936,995
Applicable Percentage		9.00%	9.00%
TOTAL AMOUNT OF TAX CREDITS		$84,330	$84,330
Syndication Proceeds	**0.0387**	**$32,638**	**$32,638**

Total Tax Credits (Eligible Basis Method)	**$84,330**	**$84,330**
Syndication Proceeds	**$32,638**	**$32,638**
Requested HOME Funds	**$2,283,745**	
Syndication Proceeds	**$883,884**	
Gap of Syndication Proceeds Needed	**$450,001**	
Total Tax Credits (Gap Method)	**$1,162,696**	

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Real Estate Analysis Division
Underwriting Report

REPORT DATE: 07/08/07 PROGRAM: HOME FILE NUMBER: **07343**

DEVELOPMENT

Parkwood Apartments

Location: 114 West 10th Street Region: 10

City: Nixon County: Gonzales Zip: 78140 ☐ QCT ☐ DDA

Key Attributes: Multifamily, Family, USDA, Rural, Rehabilitation, At Risk

ALLOCATION

	REQUEST			**RECOMMENDATION**		
TDHCA Program	Amount	Interest	Amort/Term	**Amount**	**Interest**	**Amort/Term**
HOME Activity Funds	$732,125	0.00%	360	**$732,125**	**0.00%**	**480**

CONDITIONS

1 Approval, by closing, from USDA-RD of a parity lien position for the approved TDHCA HOME award.
2 Receipt, review, and acceptance of documentation that a 15% increase on average in the existing contract rents has been approved by USDA-RD prior to closing.
3 Receipt, review, and acceptance, by commitment, of approval from USDA-RD of the proposed rehab budget.
4 Receipt, review, and acceptance, by commitment, of documentation of the existing reserves.
5 Receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the applicant's budget.
6 Receipt, review, and acceptance, by commitment, of documentation that the permanent loan from the First State Bank of Burnet will not be used as proposed.
7 Should the terms and rates of the proposed debt structure change, the transaction should be re-evaluated and an adjustment to the HOME award may be warranted.

SALIENT ISSUES

TDHCA SET-ASIDES for LURA			
Income Limit	Rent Limit	Number of Units	
		Proposed	Recommended
50% of AMI	Low HOME	5	15
80% of AMI	High HOME	19	9

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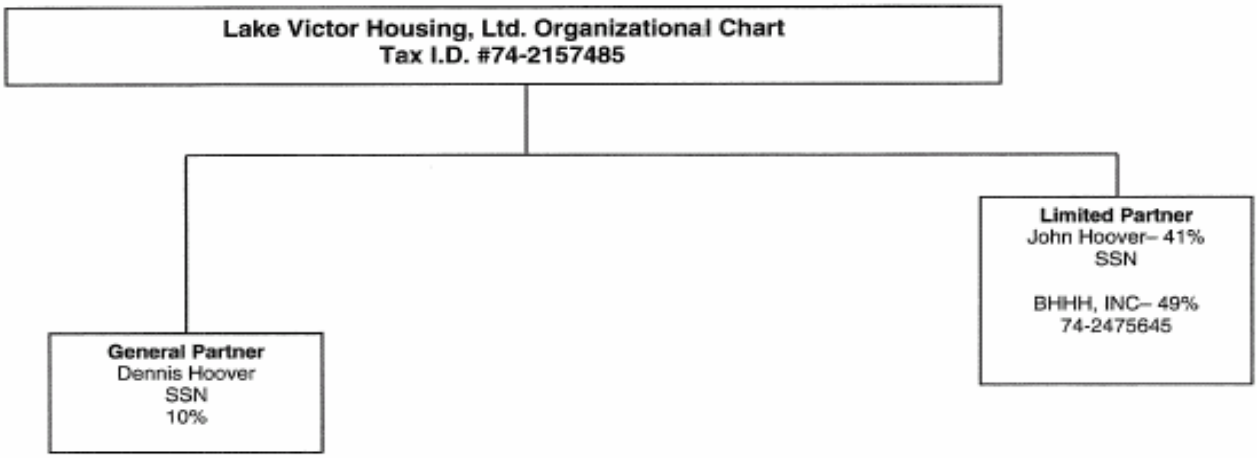
PROS	CONS
▫ The development receives rental assistance on 15 of the 24 units from USDA-RD which allows the property to maintain feasibility service debt on the Department's awarded funds during periods of increasing expenses and flat rents.	▫ The development has an income to expense ratio of over 65% and project-based rental assistance is necessary to maintain the developments viability and feasibility.
▫ The development team is experienced and has substantial financial capacity.	▫ The recommended structure requires an unusual rent structure to fit within both the HOME and USDA requirements.
▫ The application proposes the rehabilitation and revitalization of a 24 year old USDA-RD property.	

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Dennis Hoover Phone: (512) 756-6809 Fax: (512) 756-9885
Email: dennishoover@hamiltonvalley.com

KEY PARTICIPANTS

Name	Net Assets	Liquidity[1]	# Completed Developments
BHHH, Inc.	$9.7M	$391K	15
Dennis Hoover	Confidential		15
John Hoover	Confidential		15

[1] Liquidity = Current Assets - Current Liabilities

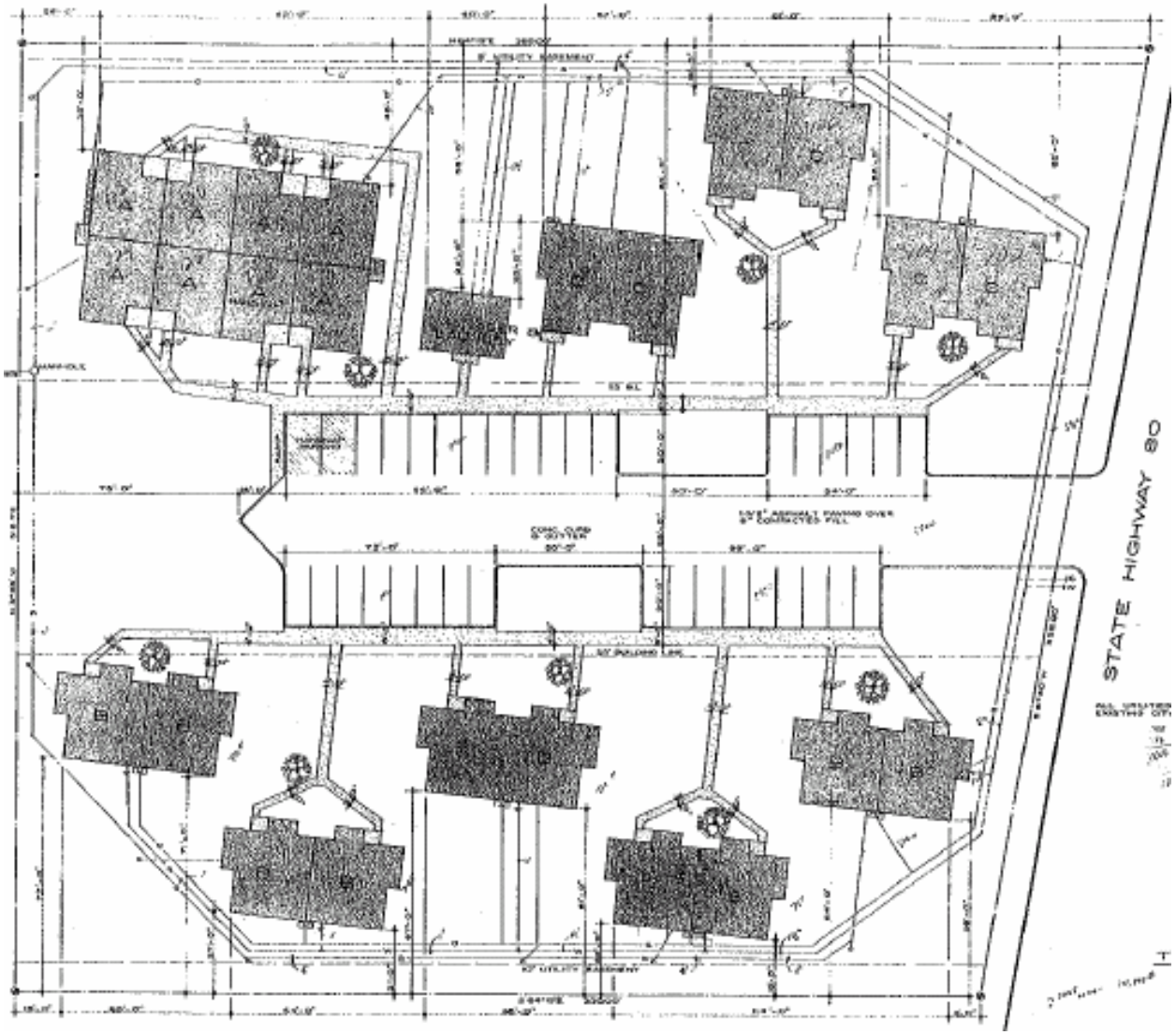
IDENTITIES of INTEREST

▫ The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

- A change in ownership is not proposed in the application. The HOME funds will be used by the current owner for rehabilitation and the existing USDA-RD debt is proposed to remain in place with the same rate and terms.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

Building Type	A	B	C								Total Buildings
Floors/Stories	1	1	1								
Number	1	5	3								**9**

BR/BA	SF	Units										Total Units	Total SF
1/1	570	8										8	4,560
2/1	802		2									10	8,020
3/1	870			2								6	5,220
Units per Building		8	2	2								**24**	**17,800**

Rehabilitation Plan:

The property was originally constructed in 1986 and is a USDA-RD property receiving rental assistance on 15 of the 24 units.

The Applicant provided a Capital Needs Assessment (CNA) performed by On-Site Insight, Inc. A CNA is generally an acceptable substitute for the Property Condition Assessment (PCA) required by the department for all rehabilitation developments to evaluate the cost of the rehabilitation and the prospective future reserve requirements. However, the CNA provided in this case does not contemplate the entire scope of work that the Applicant is planning. As such, the CNA cost estimate cannot be used to reasonably verify the Applicant's cost estimate or to project the property's long-term capital needs.

Staff has discussed these issues with the Applicant and the Applicant has agreed to provide a revision to the CNA that accounts for the entire planned scope of work. There has been some confusion over the requirements between the report provider and the Applicant. Due to scheduling issues with the report provider, the said revision has not been completed as of the date of this report. The Underwriter has used the Applicant's estimates subject to verification. Therefore, receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and which fully accounts for the Applicant's budget is a condition of this report.

SITE ISSUES

Total Size:	2.232 acres	Scattered site?	☐	Yes	☒	No	
Flood Zone:	C	Within 100-yr floodplain?	☐	Yes	☒	No	
Zoning:	None	Needs to be re-zoned?	☐	Yes	☒	No	☐ N/A

Comments:

The Applicant provided a letter from the City of Nixon which states that the apartments are not located within the boundaries of the city, and therefore it is not affected by any zoning ordinances within the City of Nixon.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 5/8/2007

Overall Assessment:

☐ Excellent ☒ Acceptable ☐ Questionable ☐ Poor ☐ Unacceptable

Surrounding Uses:

North: Farmland immediately adjacent and beyond

East: School immediately adjacent and single-family residential beyond

South: Single-family residential adjacent and beyond

West: Farmland immediately adjacent and beyond

HIGHLIGHTS of ENVIRONMENTAL REPORTS

A Phase I Environmental Site Assessment was not provided because USDA-RD financed projects are not required to submit this report; however, an appraisal was provided and the appraiser, Rafael Luebbert, MAI, SRA stated that no detrimental issues were noted in his observations of the ground cover, building components nor finishing materials.

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MARKET HIGHLIGHTS

Provider: Rafael C Luebbert Date: 3/9/2007

Contact: Rafael C Luebbert Phone: 210.408.6041 Fax: 210.408.2539

Number of Revisions: 0 Date of Last Applicant Revision: N/A

Primary Market Area (PMA):

The Appraiser defined the market area as "that geographical region enveloped by the easterly sector of Hidalgo County and the westerly quadrant of the county of Gonzalez, the southeasterly quadrant of the county of Guadalupe and the northeasterly quadrant of the county of Wilson."

PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS							
PMA				SMA			
Name	File #	Total Units	Comp Units	Name	File #	Total Units	Comp Units (25%)
None				N/A			

INCOME LIMITS						
Gonzales						
% AMI	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
50	$15,100	$17,250	$19,400	$21,550	$23,250	$25,000
80	$24,150	$27,600	$31,050	$34,500	$37,250	$40,000

RENT ANALYSIS (Tenant-Paid Net Rents)						
Unit Type (% AMI)	Current Contract Rent	Proposed Contract Rent	Market Rent	Underwriting Rent	Increase Over Contract
1BR 570SF (50%)	$340	$398	$381	$398	$58
1BR 570SF (80%)	$340	$398	$381	$398	$58
2BR 802SF (50%)	$395	$453	$476	$453	$58
2BR 802SF (80%)	$395	$453	$476	$453	$58
3BR 870SF (50%)	$395	$453	$476	$384	($11)
3BR 870SF (80%)	$435	$493	$499	$493	$58

Comments:

A Market Study report was not included, as USDA-RD-financed projects are not required to submit this report. A required appraisal is sufficient to satisfy the requirement for a market analysis. An "As Is" appraisal dated March 9, 2007 was prepared by Rafael C Luebbert ("Appraiser"). Additionally, the property is currently 92% occupied and it is likely that many of the existing tenants will choose to remain at the property after rehabilitation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 1 Date of Last Applicant Revision: 5/17/2007

The Applicant's projected net rents per unit are the contract rents that the Applicant has requested as part of the proposal to USDA-RD. The requested contract rents are 13% to 17% higher than the current contract rents. However, the proposed increased rent for the one-bedroom units ($398) is higher than the market rent derived by the Appraiser ($381). It is unlikely that USDA-RD will approve a contact rent that is higher than the comparable market rent. Moreover, while 15 of the units receive rental assistance from USDA-RD, the remaining 9 units received no subsidy. Therefore, it is unlikely that rents in excess of the market rents could ever be achieved on these 9 units.

However, the proposed contract rents for the two and three bedroom units remains below the Appraiser's market rent. It is foreseeable that if USDA-RD chooses to limit the contract rent for the one-bedroom to the market rent level, the two and three bedroom rents could be increased to a slightly higher level to compensate for the potentially lower rent on the one-bedroom units.

On average, a 15% increase in the existing contract rents is required for income to remain unchanged and to maintain a healthy Year One debt coverage ratio. The Underwriter has assumed the Applicant's proposed rents; however, receipt, review, and acceptance of documentation that a 15% increase on average in the existing contract rents has been approved by USDA-RD is a condition of this report.

It should also be noted that the High HOME rents and Low HOME rents for the one and two bedroom units and the Low HOME rents for the three bedroom units are all below the projected USDA basic/contract rent. The HOME final rule states that owners can collect more than the Low HOME rent as long as the tenant pays not more than the Low HOME rent and the remainder is paid for with a project based subsidy such as Rental Assistance. Owners cannot collect more rent than the High HOME rent even with rental assistance.

Therefore, all of the one and two bedroom units should be designated Low HOME units and all of the rental assistance available for the development should be focused on those units. Since there is not enough rental assistance to support all of the one and two bedroom units, three of the two bedroom units should remain High HOME and their rents will have to be restricted to less than the USDA basic rent for those units. In other words, they will be HIGH HOME units collecting rent 100% from the tenant but that rent will be less than the total of the rent and rental assistance for the Low HOME two bedroom units.

The Applicant's secondary income is slightly higher than the underwriting standard of $15 per unit per year. In addition, the Applicant included $3,672 in annual rental assistance. However, the rental assistance from USDA-RD is embedded in the contract rents. Therefore, the Underwriter has not included this redundant source of rental assistance. While the Applicant used a vacancy and collection loss of 7.5%, due to the rental assistance on the property, the Underwriter has used a vacancy and collection loss of 5%, which is typical of transactions with significant subsidies. Despite these differences, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/17/2007

The Applicant's total annual operating expense projection of $4,059 per unit is not within 5% of the Underwriter's estimate of $3,530, derived from the actual operating history of the property, the TDHCA database, IREM, and other sources. The Applicant also has several line item expenses that differ significantly when compared to the Underwriter's estimate, including: payroll and payroll taxes ($3K higher); repairs and maintenance ($7K higher); property tax ($2K lower), and reserve for replacements ($2K higher).

The Applicant has estimated a reserve account expense of $400 per unit. The Applicant provided a Capital Needs Assessment (CNA) in order to meet USDA-RD requirements. However, the CNA does not fully take into account the proposed rehabilitation plan. As a result, the reserve for replacements analysis is likely overstated due to the inclusion of future repairs that are to be included in the proposed rehab scope of work. The Underwriter has used the standard minimum annual reserve requirement for rehab developments of $300 per unit. Of note, the Applicant included TDHCA compliance fees of $40 per unit, but compliance fees are not required on HOME only properties.

Additionally, the Applicant's and Underwriter's expense to income ratios are above the 65% maximum; however, USDA-RD properties receiving rental assistance are exempt from meeting the 65% expense to income ratio requirement.

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Conclusion:

The Applicant's effective gross income is within 5% of the Underwriter's estimate; however, total expense and net operating income estimates are not within 5% of the Underwriter's. Therefore, the Underwriter's Year One proforma will be used to determine the development's debt capacity and debt coverage ratio. The proforma results in a DCR above the Department's current maximum of 1.35. However, as discussed below, the recommended financing structure results in a DCR within the current guideline of 1.15 to 1.35.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense, net operating income and revised debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the 15 year minimum feasibility period.

ACQUISITION INFORMATION

APPRAISED VALUE

Provider:	Rafael Luebbert, MAI, SRA		Date:	3/9/2007
Number of Revisions:	0	Date of Last Applicant Revision:	N/A	
Land Only: 2.23 acres	$85,586	As of:	3/9/2007	
Existing Buildings: (as-is)	$577,414	As of:	3/9/2007	
Total Development: (as-is)	$663,000	As of:	3/9/2007	

ASSESSED VALUE

Land Only: 2.23 acres	$13,240	Tax Year:	2006
Existing Buildings:	$210,440	Valuation by:	Gonzales CAD
Total Assessed Value:	$223,680	Tax Rate:	2.0696

EVIDENCE of PROPERTY CONTROL

Type:	Warranty Deed	Acreage:	2.23
Deed Date:	7/30/1981	Valid Through Board Date?	[X] Yes [ ] No
Acquisition Cost:	N/A	Other:	Property developed 1981-1983.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 0 Date of Last Applicant Revision: N/A

Acquisition Value:

The site was acquired by the Applicant in 1981 and the property was developed in 1982-1983. The Applicant did not reflect the original USDA-loan that will remain on the property in the cost schedule. However, the Applicant included the original USDA-RD loan amount as a use of funds. As this loan amount has been included as a source of funds, the value must also be reflected as a use of funds. The Underwriter has reflected the existing USDA-RD loan balance of $331,309 in the acquisition cost line item of the development cost schedule and as an offsetting source of funds even though an acquisition is not truly taking place.

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Sitework Cost:

Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of $3,625 per unit. This estimate cannot be verified based on the lack of information specific to proposed sitework in the submitted CNA. As discussed above, receipt, review, and acceptance, by the Board meeting at which this award is considered, of a revised Capital Needs Assessment with the entire scope of planned rehab work and budget fully accounted for is a condition of this report. In addition, USDA-RD will also review and need to approve the scope of work and budget before construction begins and receipt review and acceptance of same prior to the 10% test is a condition of this report.

Direct Construction Cost:

Again the Applicant submitted a USDA-RD Capital Needs Assessment (CNA), which the Department typically accepts in lieu of a Property Condition Assessment for existing USDA-RD properties. The submitted CNA did not provide a cost estimates for the rehab work beyond the immediate repair needs. Therefore, for purposes of this analysis, the Underwriter has used the Applicant's direct construction cost estimate. As discussed above, because of scheduling issues the CNA could not be updated before this report was completed but will be required prior to the Board meeting at which this award is considered and USDA-RD will review the proposed rehab budget prior tot commencement of construction.

Reserves:

The Applicant has indicated that the existing reserve balance will be maintained; however, no documentation was provided to indicate that the reserves are fully funded. The Underwriter has not included any reserves in the development costs with the understanding that USDA-RD will continuously monitor the Applicant's reserve balance. However, receipt, review, and acceptance, by commitment, of documentation of the existing reserves is a condition of this report.

Conclusion:

The Underwriter's cost schedule was derived from information presented in the Application materials based on the Applicant's estimates. Any deviations from the Applicant's estimates are due to program and underwriting guidelines. Therefore, the Underwriter's development cost schedule will be used to determine the development's need for permanent funds.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 5/22/2007

Source: BHHH, Inc. dba The Hoover Companies Type: **Interim Financing**

Principal: $300,500 Interest Rate: 8.0% [X] Fixed Term: 12 months

Comment:

This construction loan provider is related to the Applicant; therefore, the Department has requested and received documentation verifying the capacity of BHHH, Inc. to provide said financing. The Applicant has provided a letter from First State Bank of Burnet and a letter from Lou Ann Montey and Associates, PC which supports the company's capacity to provide the anticipated construction funding. The Applicant has also submitted 9% HTC applications for three developments that are currently being underwritten and each application includes commitments for construction funds from The Hoover Companies. The CPA and First State Bank of Burnet letters indicate that the Applicant has the capacity to provide the entire combined amount of construction funding committed in the applications for each development.

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Source: City of Nixon Type: **Interim Financing**

Principal: $407,000 Interest Rate: 4.9% [X] Fixed Term 12 months

Comment:

The City of Nixon's commitment states that the rate is to be the Applicable Federal Rate (AFR) as of the start of the rehabilitation, estimated to be June 1, 2008. The Underwriter has estimated the rate to be 4.9% for the purpose of underwriting of the application.

Source: USDA-RD (Existing 1st Lien Mortgage) Type: **Existing Permanent Financing**

Principal: $331,309 Interest Rate: 1.09% [X] Fixed Term 600 months

Comment:

The property has an existing USDA-RD first lien mortgage that will be remain on the property during and after rehabilitation. The original $588,000 loan funded in 1982 for a term of 600 months at a rate of 13.25%; however, the Applicant also has an Interest Credit Agreement that subsidizes the interest rate on the note to an effective rate of approximately 1%. The amortization of the loan commenced in July 1983. The outstanding principal balance of this loan as of 12/31/2006 was $331,309, which has been used as a source of funds by the Underwriter.

Source: First State Bank of Burnet Type: **Permanent Financing**

Principal: $81,350 Interest Rate: 6.4% [X] Fixed Amort: 360 months

Comments:

The Applicant has included a permanent loan from First State Bank of Burnet. As reflected in the "Recommended Financing Structure" below, the Underwriter has conditioned this report upon this source of funds not being used. The inclusion of this source limits the development's ability to repay the requested HOME funds and unnecessarily burdens the property.

Amount: $0 Type: **Deferred Developer Fees**

CONCLUSIONS

Recommended Financing Structure:

The Applicant's formal request indicates a $732,125 award of HOME funds structured as repayable loan at a 1% interest rate and 30 year amortization. However, at another point in the application, the Applicant clarifies that the request is for $732,125 in HOME funds in the form of a grant or a forgivable cashflow loan. According to the Applicant, a grant or cashflow loan is necessary due to the low level of rents that must be charged to their low income residents.

In the recommended financing structure, the Underwriter has removed the First State Bank of Burnet loan. Removing this unnecessary and burdensome loan frees up additional cashflow that will allow the requested HOME funds to be repayable. Receipt, review, and acceptance, by commitment, of documentation that the loan from the First State Bank of Burnet will not be used as proposed is a condition of this report.

The Underwriter recommends a HOME award of $732,125 to be structured as a fully repayable loan carrying a 0% interest rate and a term/amortization period of 40 years. Based on this award, the Underwriter's total development cost of $1,144,784 less the existing USDA-RD loan of $331,309 and recommended HOME award of $732,125 indicates the need for $81,350 in additional permanent funds. Deferred developer fees in this amount appear to be repayable within 10 years of operation.

The Underwriter's recommendation is conditioned upon approval from USDA-RD of a parity lien position for the approved TDHCA HOME award.

Underwriter: *Cameron Dorsey* Date: July 8, 2007

Director of Real Estate Analysis: *Tom Gouris* Date: July 8, 2007

MULTIFAMILY COMPARATIVE ANALYSIS

Parkwood Apartments, Nixon, HOME #07343

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Rent Collected	Rent per Month	Rent per SF	Tnt-Pd Util	WS&T
LH	2	1	1	570	$394	$398	$796	$0.70	$90.00	$18.00
(Was HH) LH	6	1	1	570	394	398	2,388	0.70	90.00	18.00
LH	2	2	1	802	485	453	906	0.56	120.00	19.75
(Was HH) LH	5	2	1	802	504	453	2,265	0.56	120.00	19.75
HH	3	2	1	802	504	384	1,152	0.48	120.00	19.75
(Was LH) HH	1	3	1	870	560	493	493	0.57	128.00	21.75
HH	5	3	1	870	694	493	2,465	0.57	128.00	21.75
TOTAL:	24		**AVERAGE:**	742		$436	$10,465	$0.59	$112.00	$19.67

INCOME	Total Net Rentable Sq Ft: 17,800			TDHCA	APPLICANT	COUNTY	IREM REGION	COMPT. REGION
POTENTIAL GROSS RENT				$125,580	$128,064	Gonzales		10
Secondary Income	Per Unit Per Month:	$15.00		4,320	4,440	$15.42	Per Unit Per Month	
Other Support Income: Rental Assistance				0	3,672	$12.75	Per Unit Per Month	
POTENTIAL GROSS INCOME				$129,900	$136,176			
Vacancy & Collection Loss	% of Potential Gross Income:	-5.00%		(6,495)	(10,212)	-7.50%	of Potential Gross Income	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$123,405	$125,964			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI
General & Administrative		3.78%	$194	0.26	$4,662	$5,530	$0.31	$230	4.39%
Management		8.75%	450	0.61	10,796	10,332	0.58	431	8.20%
Payroll & Payroll Tax		16.30%	838	1.13	20,112	23,356	1.31	973	18.54%
Repairs & Maintenance		10.95%	563	0.76	13,508	20,065	1.13	836	15.93%
Utilities		3.34%	172	0.23	4,116	4,700	0.26	196	3.73%
Water, Sewer, & Trash		8.62%	443	0.60	10,640	12,650	0.71	527	10.04%
Property Insurance		5.05%	260	0.35	6,230	5,210	0.29	217	4.14%
Property Tax	2.0696	6.04%	310	0.42	7,451	5,004	0.28	209	3.97%
Reserve for Replacements		5.83%	300	0.40	7,200	9,600	0.54	400	7.62%
TDHCA Compliance Fees		0.00%	0	0.00	0	960	0.05	40	0.76%
Other:		0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL EXPENSES		68.65%	$3,530	$4.76	$84,715	$97,407	$5.47	$4,059	77.33%
NET OPERATING INC		31.35%	$1,612	$2.17	$38,690	$28,557	$1.60	$1,190	22.67%
DEBT SERVICE									
USDA-RD Existing Loan (First Lien)		12.36%	$636	$0.86	$15,252	$15,252	$0.86	$636	12.11%
First State Bank		4.95%	$255	$0.34	6,109	6,109	$0.34	$255	4.85%
TDHCA HOME Loan		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		14.04%	$722	$0.97	$17,329	$7,196	$0.40	$300	5.71%
AGGREGATE DEBT COVERAGE RATIO					1.81	1.34			
RECOMMENDED DEBT COVERAGE RATIO					1.15				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		28.94%	$13,805	$18.61	$331,309	$0	$0.00	$0	0.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.60%	3,625	4.89	87,000	87,000	4.89	3,625	10.69%
Direct Construction		40.44%	19,292	26.01	463,000	463,000	26.01	19,292	56.92%
Contingency	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Contractor's Fees	14.00%	6.73%	3,208	4.33	77,000	77,000	4.33	3,208	9.47%
Indirect Construction		2.49%	1,190	1.60	28,550	28,550	1.60	1,190	3.51%
Ineligible Costs		0.09%	42	0.06	1,000	1,000	0.06	42	0.12%
Developer's Fees	15.00%	9.26%	4,416	5.95	105,975	105,975	5.95	4,416	13.03%
Interim Financing		4.45%	2,123	2.86	50,950	50,950	2.86	2,123	6.26%
Reserves		0.00%	0	0.00	0	0	0.00	0	0.00%
TOTAL COST		100.00%	$47,699	$64.31	$1,144,784	$813,475	$45.70	$33,895	100.00%
Construction Cost Recap		*54.77%*	***$26,125***	***$35.22***	***$627,000***	***$627,000***	***$35.22***	***$26,125***	*77.08%*

SOURCES OF FUNDS						RECOMMENDED	
USDA-RD Existing Loan (First Lien)	28.94%	$13,805	$18.61	$331,309	$588,000	$331,309	Developer Fee Available
First State Bank	7.11%	$3,390	$4.57	81,350	81,350	0	$211,950
TDHCA HOME Loan	63.95%	$30,505	$41.13	732,125	732,125	732,125	% of Dev. Fee Deferred
Deferred Developer Fee	0.00%	$0	$0.00	0	0	81,350	38%
Excess	0.00%	$0	$0.00	0	(588,000)	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$1,144,784	$813,475	$1,144,784	$109,241

PAYMENT COMPUTATION

Primary	$588,000	Amort	600
Int Rate	1.00%	DCR	2.54

Secondary	$81,350	Amort	360
Int Rate	6.40%	Subtotal DCR	1.81

Additional	$0	Amort	360
Int Rate	0.00%	Aggregate DCR	1.81

RECOMMENDED FINANCING STRUCTURE:

USDA-RD Existing Loan (First Lien)	$15,252
First State Bank	0
TDHCA HOME Loan	18,303
NET CASH FLOW	$5,135

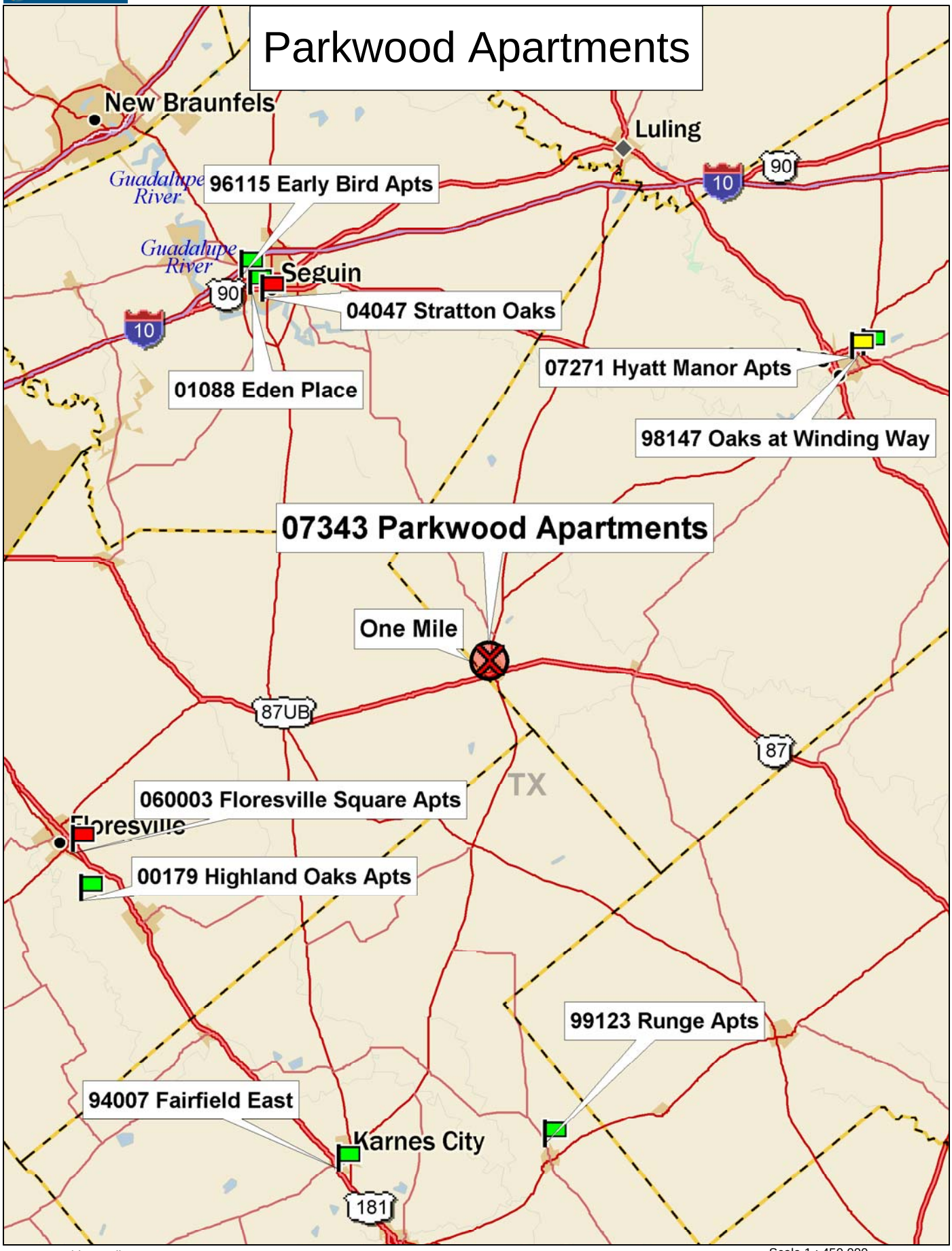
Primary	$331,309	Amort	480
Int Rate	1.09%	DCR	2.54

Secondary	$0	Amort	360
Int Rate	6.40%	Subtotal DCR	2.54

Additional	$732,125	Amort	480
Int Rate	0.00%	Aggregate DCR	1.15

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$125,580	$129,347	$133,228	$137,225	$141,341	$163,853	$189,951	$220,205	$295,937
Secondary Income	4,320	4,450	4,583	4,721	4,862	5,637	6,534	7,575	10,180
Other Support Income: Rental	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	129,900	133,797	137,811	141,945	146,204	169,490	196,485	227,780	306,118
Vacancy & Collection Loss	(6,495)	(6,690)	(6,891)	(7,097)	(7,310)	(8,475)	(9,824)	(11,389)	(15,306)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$123,405	$127,107	$130,920	$134,848	$138,893	$161,016	$186,661	$216,391	$290,812
EXPENSES at 4.00%									
General & Administrative	$4,662	$4,848	$5,042	$5,244	$5,454	$6,635	$8,073	$9,822	$14,539
Management	10,796	11,120	11,454	11,798	12,151	14,087	16,331	18,932	25,443
Payroll & Payroll Tax	20,112	20,916	21,753	22,623	23,528	28,626	34,827	42,373	62,722
Repairs & Maintenance	13,508	14,049	14,611	15,195	15,803	19,226	23,392	28,460	42,128
Utilities	4,116	4,281	4,452	4,630	4,815	5,858	7,128	8,672	12,836
Water, Sewer & Trash	10,640	11,066	11,508	11,969	12,447	15,144	18,425	22,417	33,182
Insurance	6,230	6,479	6,738	7,008	7,288	8,867	10,788	13,126	19,429
Property Tax	7,451	7,749	8,059	8,381	8,716	10,604	12,902	15,697	23,236
Reserve for Replacements	7,200	7,488	7,788	8,099	8,423	10,248	12,468	15,169	22,454
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	$84,715	$87,996	$91,405	$94,946	$98,626	$119,296	$144,334	$174,667	$255,970
NET OPERATING INCOME	$38,690	$39,111	$39,516	$39,902	$40,267	$41,719	$42,327	$41,724	$34,842
DEBT SERVICE									
First Lien Financing	$15,252	$15,252	$15,252	$15,252	$15,252	$15,252	$15,252	$15,252	$15,252
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	18,303	18,303	18,303	18,303	18,303	18,303	18,303	18,303	18,303
NET CASH FLOW	$5,135	$5,556	$5,961	$6,347	$6,712	$8,164	$8,772	$8,169	$1,287
DEBT COVERAGE RATIO	1.15	1.17	1.18	1.19	1.20	1.24	1.26	1.24	1.04



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MN (5.1°E)

Scale 1 : 450,000

1" = 7.10 mi

Data Zoom 7-7

To Be Posted
three days
prior to the meeting

REPORT ITEMS

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Michael Gerber

From: Gordon Anderson

cc: Tim Irvine, Michael Lyttle

Date: January 26, 2009

Re: TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for December 2008 and January 2009. The information provided focuses primarily on activities Executive and staff has taken on voluntarily, as opposed to those mandated by the Legislature (i.e., tax credit hearings, TEFRA hearings, etc.). This list may not account for every activity undertaken by staff, as there may be a limited number of events not brought to my attention.

For brevity sake, the chart provides the name of the event, its location, the date of the event, division(s) participating in the event, and an explanation of what role staff played in the event. Should you wish to obtain additional details regarding these events, I will be happy to provide you with this information.

TDHCA Outreach Activities, December 2008-January 2009

A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public

Event	Location	Date	Division	Purpose
Uniform and Supplemental Application Workshop	Austin	December 1	Multifamily Finance, Real Estate Analysis	Training
Uniform and Supplemental Application Workshop	Houston	December 2	Multifamily Finance, Real Estate Analysis	Training
HOME Application Workshop	Lubbock	December 2	HOME	Training
Uniform and Supplemental Application Workshop	Dallas	December 3	Multifamily Finance, Real Estate Analysis	Training
United Cerebral Palsy of Texas Meeting	Austin	December 3	Housing Resource Center	Participant
First Thursday Income Eligibility Training	Austin	December 4	Portfolio Management & Compliance	Training
Alamo Area COG Housing Round Table	San Antonio	December 4	Housing Resource Center	Presentation
Hearing on Supplemental Disaster Recovery Funds for Hurricanes Ike and Dolly	Livingston	December 5	Disaster Recovery	Public Hearing
Hearing on Supplemental Disaster Recovery Funds for Hurricanes Ike and Dolly	Galveston	December 8	Disaster Recovery	Public Hearing
Hearing on Supplemental Disaster Recovery Funds for Hurricanes Ike and Dolly	Houston	December 9	Disaster Recovery	Public Hearing
Invest in the American Dream Initiative	El Paso	December 9	Office of Colonia Initiatives	Participant
2008 Market Analysts' Roundtable	Austin	December 9	Real Estate Analysis	Presentation
High Ground of Texas Annual Austin Conference	Austin	December 10	Housing Resource Center	Presentation, Participant
2008 Property Condition Assessment Providers' Roundtable	Austin	December 11	Real Estate Analysis	Presentation
Texas Interagency Council for the Homeless Meeting	Austin	December 11	Housing Resource Center	Participant
Hearing on Supplemental Disaster Recovery Funds for Hurricanes Ike and Dolly	Harlingen	December 15	Disaster Recovery	Public Hearing
Hearing on Supplemental Disaster Recovery Funds for Hurricanes Ike and Dolly	Beaumont	December 16	Disaster Recovery	Public Hearing
HTF Homeownership SuperNOFA/Administration Training	Austin	December 17	Housing Trust Fund	Training
El Paso Housing Authority Self Sufficiency Program	El Paso	December 19	Office of Colonia Initiatives	Presentation
First Thursday Income Eligibility Training	Austin	January 8	Portfolio Management & Compliance	Training
"Money Follows the Person" Meeting	Austin	January 9	Housing Resource Center	Participant
Texas Council on Family Violence	Austin	January 13	Housing Resource Center	Participant

Disability Advisory Workgroup	Austin	January 14	Executive, Housing Resource Center	Participant
Promoting Independence Advisory Council	Austin	January 15	Housing Resource Center	Participant
Regional Housing Workshop	Odessa	January 16	Policy & Public Affairs	Presentation
Texas Interagency Council for the Homeless Planning	Austin	January 16	Housing Resource Center	Participant
Interagency Coordinating Council for Healthy Families	Austin	January 21	Housing Resource Center	Participant
Dept. of Family & Protective Services Program Overview	Austin	January 21	Housing Resource Center	Presentation
DOE-Weatherization Assistance Program State Plan	Austin	January 22	Community Affairs	Public Hearing
Skyline Terrace Open House	Austin	January 27	Housing Resource Center	Participant
Texas Foreclosure Prevention Task Force Presentation	Austin	January 29	Housing Resource Center	Presentation

TEXAS HOMEOWNERSHIP DIVISION

SINGLE FAMILY MORTGAGE REVENUE BOND PROGRAM
DELINQUENCY REPORT ITEM
FEBRUARY 5, 2009

Due to the increase nationally in delinquencies, the TDHCA Board previously requested a quarterly report item on the Single Family Mortgage Revenue Bond ("MRB") Portfolio. Attached is a report summarizing the delinquency figures for the 4th quarter of calendar year 2008 for MRB Programs 52 – 70. Countrywide Bank is the Master Servicer for each of these programs. In addition to listing the total number of 30 day to 120 day delinquencies by program, a separate row reflects the quarterly net change over time from quarter to quarter. Due to last year's acquisition, it is anticipated Countrywide Bank will begin operating under the Bank of America name beginning April 27, 2009.

As reflected on the report, delinquencies averaged 17.13% for the last quarter of 2008 up from the third quarter average of 14.49%. Since TDHCA's portfolio consists primarily of Federal Housing Administration ("FHA") mortgage loans, we generally track the national FHA delinquency rates and we continue to be in line with their percentages. As delinquencies continue to rise throughout the country, the MRB portfolio has also seen an increase in the number of delinquencies. Please note that the majority of loans listed on the report are categorized as 30 days delinquent and historically these tend to cure on their own.

In an effort to help reduce the number of delinquencies, TDHCA implemented a foreclosure prevention rescue program funded from the Housing Trust Fund ("HTF"). At the Board's direction, the program's Master Servicer entered into an agreement with a third party counseling provider to assist borrowers that are between 60 days and 90 days delinquent. On a monthly basis as new borrowers reach this threshold, a notification letter available in English and in Spanish is sent on behalf of TDHCA urging the borrower to contact the counseling provider. Once a borrower contacts the counseling agency, their financial situation is evaluated and a course of action is taken. If it is determined that the borrower meets the eligibility distress criteria established by the Board (two years of successful loan history, change of life event such as medical or temporary financial hardship due to loss of job and high probability for future success of payback), rescue funds may be advanced to help salvage the delinquent loan. Foreclosure counseling is available for this and all TDHCA related programs free of charge.

The foreclosure prevention rescue program counseling provider, Business & Community Lenders ("BCL") of Texas has received a number of calls from homeowners that are delinquent on their mortgage loans. As with many borrowers, there has been an unwillingness or reluctance for some of them to make initial contact. However, once a borrower contacts BCL, an application intake questionnaire is completed and the borrower's budget is reviewed. Depending on individual circumstances, available options are discussed. In an effort to reflect year end activity, a report on the status of the rescue program will be presented at next month's TDHCA Board meeting.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Single Family MRB Portfolio Bond Programs 52 - 70 Delinquency Summary

Master Servicer: Countrywide Home Loans

SECURITIZED LOAN PORTFOLIO Bond Programs 52 - 70	Loan Count	CURRENT	1 mo	2 mo	3 mo	4+ mo	TOTAL DELINQ *
October	13,916	11,645	1,131	512	231	397	**2,271**
		83.68%	8.13%	3.68%	1.66%	2.85%	**16.32%**
November	13,951	11,505	1,163	573	267	443	**2,446**
		82.47%	8.34%	4.11%	1.91%	3.18%	**17.53%**
December	14,009	11,553	1,062	567	319	508	**2,456**
		82.47%	7.58%	4.05%	2.28%	3.63%	**17.53%**
Quarterly Average	**13,959**	**11,568**	**1,119**	**551**	**272**	**449**	**2,391**
		82.87%	8.01%	3.94%	1.95%	3.22%	**17.13%**
Net Change	**114**	**-271**	**71**	**123**	**83**	**107**	**384**
		-238.12%	62.76%	107.92%	73.31%	94.13%	**2.64%**