

Texas Department of Housing and Community Affairs
Housing Trust Fund
Rural Housing Expansion Program:
2011 USDA Section 502 Direct Loan Application Assistance
Notice of Funding Availability (NOFA)
Published and Re-Released July 29, 2011

1) Summary

- a) The Texas Department of Housing and Community Affairs (“the Department”) announces the availability of up to \$413,000 in funding from the 2010-2011 Housing Trust Fund (HTF) appropriation for the HTF Rural Housing Expansion - USDA Section 502 Direct Loan Application Assistance Program (“Program”). The purpose of USDA Section 502 Direct Loan Application Assistance is to support rural housing organizations that package and submit Section 502 Direct Loan (“502 Direct Loan”) applications to the U.S. Department of Agriculture for low income households in rural Texas. Funds awarded under this activity are intended to secure USDA Section 502 funding for Texas that may otherwise not be accessed.
- b) Of the \$413,000 in funds available, a minimum of \$363,000 is set aside as grant assistance related to packaging and submitting 502 Direct Loan applications to their local USDA field office. Up to \$1,500 in granted funds may be provided for administrative cost reimbursement for every 502 Direct Loan closed.
- c) Of the \$413,000 in funds available, up to \$50,000 is set aside for capacity building grants (maximum \$5000 per award) for costs related to submitting 502 Direct Loan Applications. Capacity building requirements are further outlined in Section 6 of this NOFA.
- d) Households served by the proposed activities will be limited to those whose incomes do not exceed 80% of the Area Median Family Income (AMFI) defined by the Department.
- e) All of the state rules that govern the Program and applicable guidelines must be followed. The availability and use of these funds are subject to the Texas Administrative Code, Title 10, Part 1, Chapter 51 (“Housing Trust Fund Rule”) and Chapter 2306 of the Texas Government Code.

2) Definitions

- a) This Notice of Funding Availability uses the following definitions and acronyms:
 - 1) 502 Direct Loan- Direct single family housing loan operated by the Rural Housing Service of the U.S. Department of Agriculture.
 - 2) Department- Texas Department of Housing and Community Affairs (TDHCA)
 - 3) Draw- Upon closing and funding of the 502 Direct Loan, the submission of required documents that are needed in order to receive reserved funds.

- 4) Contract System- the Department's online contract system, which will be used to submit documentation needed to reserve and receive funds using the funding reservation process. The contract system is also utilized to provide notes and status of all submissions.
 - 5) HTF- Housing Trust Fund
 - 6) Participant- An eligible entity as further outlined in this NOFA that has applied or will apply for access to the 502 Direct Loan funding Reservation System through the Housing Trust Fund at the Texas Department of Housing and Community Affairs (TDHCA). Entities that have been granted access to the Reservation System are also included in this definition.
 - 7) Program- Housing Trust Fund USDA Section 502 Direct Loan Application Assistance Program as outlined in this NOFA.
 - 8) Reservation System- Funding reservation system (through the Department's online contract system) that Program Participants will utilize to reserve and draw of funds for the purposes specified in this NOFA.
 - 9) Setup- The submission of required documents to the funding Reservation System in order to reserve funds.
 - 10) USDA- United States Department of Agriculture.
- b) Additional definitions are provided in the Housing Trust Fund Rule and Chapter 2306 of the Texas Government Code.

3) Participant Access to the Reservation System

- a) The Department will begin accepting reservations to access the funding Reservation System on an ongoing basis during regular business days until 5:00 pm Central Standard Time (CST) on **Friday, August 31, 2012** or until funds are no longer available, whichever is earlier. This NOFA is not subject to the Regional Allocation Formula because funds were regionally allocated during the previous release of this NOFA on September 30, 2010.
- b) Eligible Participants are rural municipalities and rural counties, Nonprofit Organizations that serve rural communities, or consortia of several such entities. Approved Participants must package and submit 502 Direct Loans in areas eligible for funding by USDA.
- c) Organizations interested in applying to administer the Program must complete the Reservation System Access Application, which may be downloaded from the Department's website at <http://www.tdhca.state.tx.us/htf/nofa.htm>. Upon approval, a Reservation System Access Agreement must be executed in order to participate in the Reservation System.
- d) A Participant is ineligible to access the Reservation System until any past due audit has been submitted to the Department in a satisfactory format with no unresolved findings.
- e) In order to access the reservation system, all required materials must be submitted in accordance with the guidelines of this NOFA and the application.

Submission Delivery Address:

Hand delivery or overnight delivery	U.S. Postal Service delivery
Texas Department of Housing & Community Affairs Housing Trust Fund Division 221 East 11 th Street Austin, TX 78701-2410	Texas Department of Housing & Community Affairs Housing Trust Fund Division Post Office Box 13941 Austin, TX 78711-3941

4) Program Requirements

- a) Participants will market the Program to identify potential low-income borrowers, complete application intake, qualify households for participation in the program and then assemble a complete 502 Direct Loan package as required by USDA.
- b) Reimbursement may only be provided for 502 Direct Loans that have been reserved in the Reservation System before being closed and funded.
- c) Prior to submission of a loan application package to USDA, the Participant must ensure that a quality review is performed by an entity, organization or individual approved and certified by USDA to perform quality reviews for 502 Direct Loan packages in accordance with USDA quality review guidelines. The approved quality reviewer may submit the loan application package directly to USDA for processing, closing and funding. An executed contract or similar agreement for quality review services must be provided to the Department to evidence meeting this requirement.
- d) Department has determined that the Section 502 Direct Loan program income determination guidelines are sufficient to meet HTF income limits. Therefore, **if a Household qualifies for Direct Loan assistance utilizing USDA income determination guidelines, they are deemed eligible for this Program.**
- e) Funds may not be used to duplicate payments that are provided by USDA, the borrower, or any other source to the Participant for packaging and submitting the 502 Direct Loan.

5) Capacity Building Program Guidelines

- a) Up to \$50,000 is set aside for capacity building related to packaging and submitting 502 Direct Loan applications. Applicants who request capacity building funds may receive a grant of up to \$5,000 for this purpose. Upon award of capacity building funds, Participants will execute a capacity building agreement “contract” with the Department.
- b) Grant funds for capacity building are limited to activities approved by the Department. Examples of capacity building activities may include, but are not limited to costs of training and related travel, required equipment or software, staff salaries, supplies, consultant and professional fees, affirmative marketing and outreach, and other expenses as determined by and approved the Department prior to the purchase or expenditure of funds.
- c) Setups and draws. Participants receiving capacity building funds must submit documentation requesting payment for the eligible activity from a third party, such as, but not limited to the agenda and registration for approved training, a purchase order request, bid estimate or invoice.

6) Funding Reservation System Guidelines

- a) Program funds are available on a first-come, first-serve basis in the Reservation System.
- b) Prior to closing each 502 Direct Loan, the Participant may reserve up to \$1,500 per 502 Direct Loan in the Department's online contract system. After closing and funding of the 502 Direct Loans, the Participant may request the reserved funds as a draw.
- c) Submission of reservations (setups). The Participant must submit a correct and complete *Reservation Set-Up Checklist*, an executed Form 1003 (Uniform Residential Loan Application) as provided on the Department's website and the executed home purchase contract.
- d) Submission of draw requests. The Participant must submit a correct and complete *Draw Request Checklist*, executed HUD-1 Settlement Statement, and executed Form 1008 (Underwriting and Transmittal Summary) within 45 days of the 502 Direct Loan closing and funding. If funds are not requested within 45 days of 502 Direct Loan closing, the Department will cancel the reservation.
- e) Reservation changes after approval. If the terms and/or conditions of the submitted home purchase contract change after the reservation has been approved, the Participant must submit the replacement contract to the Department prior to closing the 502 Direct Loan. If the borrower(s) listed on an approved setup change at any time, the reservation will be cancelled and the Participant will be instructed to submit a new reservation setup.
- f) Funding Reservation Approval Process.
 - i. The Department's Housing Trust Fund staff will review the setup or draw to ensure all program guidelines are met. If the submission is incomplete and/or has deficiencies, the Department will note the deficiency in the contract system. If the submission has no deficiencies and is complete, the Department will approve the submission in the contract system and funds will be reserved and dispersed.
 - ii. **For reservation of funding (setups) only:** the Participant will have **ten (10) calendar** days to clear any deficiencies on setup documents or the Department will cancel the reservation. Once the reservation has been approved, funds will be reserved for up to **ninety (90) days**, at which time, the 502 Direct Loan must close and fund.
- g) Extensions. The Department may grant one-time extension of **thirty (30) days** to any set-up or draw request timeline due to extenuating circumstances that were beyond the Participant's control upon receipt and approval of a written request from the Participant. If the Participant cannot meet the required benchmark after **thirty (30) days** of the extension, the reservation will be cancelled. The Participant will be instructed to submit another reservation if funds are available.
- h) If no funds are available for USDA Section 502 loans (funds are in a pooling process), the reservation may be placed on hold until additional USDA funds become available, not to exceed 12 months.
- i) **De-authorization.** In accordance to the HTF Rule, the Department may de-authorize access to Reservation System and the Reservation System Access Agreement will be

terminated if the requirements in this NOFA are not met. For the purposes of this NOFA, de-authorization is treated as a funding deobligation as outlined in the HTF Rule.

7) Questions regarding this NOFA should be addressed to:

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Housing Trust Fund Division
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