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# Breaking Ground

The quarterly newsletter of the Texas Department of Housing and Community Affairs

Providing information about community resources and affordable housing in Texas.

June-August 2002

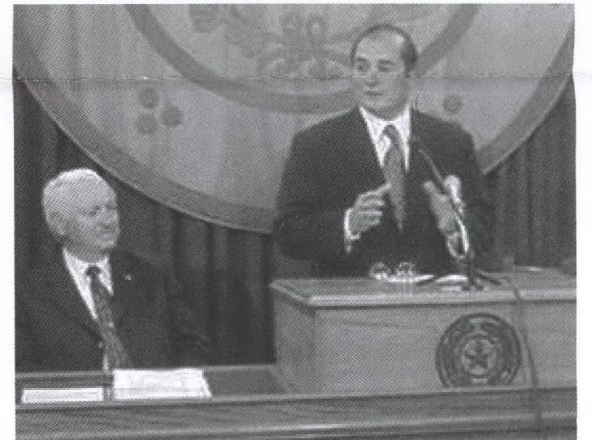
## TDHCA Introduces Fannie Mae Expanded Approval Mortgage Loan Products for First Time Homebuyers

By: Heather Hodnett  
TDHCA Bond Finance

TDHCA made available \$10,000,000 for Fannie Mae Expanded Approval Mortgage Loans on July 1, 2002, through the Department's Single Family Mortgage Revenue Bond Program and its *Texas First Time Homebuyer Program* (see related article, page 5). Typical borrowers qualifying for Fannie Mae Expanded Approval Mortgage Loans include consumers who may possibly pay more than fair market value for the credit quality associated with their loan. Also, the Department made available Fannie Mae Expanded Approval Mortgage Loans for borrowers with minimal funds for a down payment or

closing costs, who may have had minor credit problems in the past. The Department employed *Expanded Approval* products to reach previously underserved and overcharged borrowers by offering mortgage rates that may be as much as two percentage points lower than alternative sub-prime mortgage financing, saving borrowers thousands of dollars in interest costs over the life of their loans. The interest rates charged to borrowers range from 7.20 percent to 7.45 percent, depending on the borrower's credit quality. TDHCA has continuously monitored and analyzed the sub-prime mortgage market since July 2000. TDHCA launched its *Expanded*

*Approval* initiative as a result of its ongoing analysis of the sub-prime mortgage market in Texas. The introduction of *Expanded Approval* "A-" mortgage products marks TDHCA's entry into the non-prime sector and its efforts to comply with TDHCA's Sunset Bill. For more information about the *Texas First Time Homebuyer Program* or the new *Expanded Approval* component, call 1-800-792-1119 or visit the Internet at: [www.tdhca.state.tx.us/hf\\_sfbp.htm](http://www.tdhca.state.tx.us/hf_sfbp.htm)



Michael Hernandez, Vice President of Housing and Community Development for Fannie Mae's Southwest Region, speaks at an August 22 joint news conference with TDHCA to announce the "Expanded Approval" loan program. Representative Bill Carter, (left) Chair of the House Committee on Urban Affairs, also spoke at the event.

## TDHCA Reorganization Aimed at Improving Production, Accountability, and Efficiencies

By: Gordon Anderson  
TDHCA Communications

The Texas Department of Housing and Community Affairs (TDHCA) is undergoing a substantial reorganization of the department and its programs. The primary goal of the reorganization, expected to last over the next six months, will be to align

housing programs along production lines, and to create multifamily and single family housing production under one Housing Finance Production director. The Department's housing programs are currently aligned according to each program's funding source.

"My vision is to create a state housing finance and community affairs agency that will be a model of professionalism and integrity," Carrington stated in explaining the reorganization. "We will design and implement our programs in a manner that is consistent with agency goals and strategic priorities through

processes that are logical, transparent, and focus on production." She noted that while TDHCA's Sunset Bill (SB 322) was a driving force behind her decision, recommending certain structural changes to the Department, Carrington added that the

Continued on page 2

# Executive Message

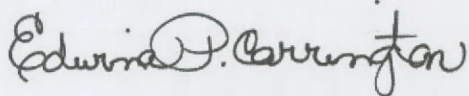
News from TDHCA's Executive Director

Dear Reader:

TDHCA finds itself passing through extremely significant times. The Department is in the midst of a major reorganization aimed at aligning divisions along production lines, rather than by funding source. Such reorganizations do not necessarily come easily or quickly. However, the result will be a state housing and community affairs agency that is both more effective and responsive to the needs of low-income Texans. We cannot allow ourselves to lose sight of this goal, as this is our very purpose as a state agency.

During this transition, the Department allocated tax credits through the 2002 Low Income Housing Tax Credit (LIHTC) Program cycle. This year's cycle was the most transparent, open round in the history of the Texas LIHTC program, a testament to the hard work on the part of staff to implement program changes in accordance with our Sunset legislation.

TDHCA also launched a pioneering collaboration with Fannie Mae to expand homeownership opportunities among households with slightly blemished credit. This is an excellent example of the type of innovative public-private partnership that defines creative government. You may expect continued creativity on the part of TDHCA as we strive to serve our clients and our purpose.



Edwina P. Carrington, Executive Director  
Texas Department of Housing and Community Affairs

# TDHCA Launches Internet Information Clearinghouse

By: Jorge Reyes  
TDHCA Housing Resource Center

In the spirit of Senate Bill 322's focus on customer service, The Texas Department of Housing and Community Affairs (TDHCA) launched its online *Housing Resource Center Information Clearinghouse* on July 1, 2002. The Clearinghouse was created by TDHCA's Housing Resource Center (HRC) and Information Systems Division to provide the citizens of Texas easy access to information on homebuyer assistance, rental housing assistance, home repair/weatherization and other community services throughout Texas.

The Clearinghouse uses the HRC's extensive database of local service providers, state and federal affordable housing programs, private and non-profit organizations, public housing authorities, housing finance agencies and other service organizations throughout the State. HRC has compiled the database over the last few years, and even though it is not complete, it is a comprehensive listing of housing and housing related service organizations and programs.

By logging onto the TDHCA website at [www.tdhca.state.tx.us](http://www.tdhca.state.tx.us) and choosing an option on the "Consumer Assistance" menu, or by selecting "TDHCA Interactive," the Clearinghouse allows anyone to search for local service providers by either city or county. The Clearinghouse section offers five search options: Home Buying Assistance, Home Buyer Education, Rental Assistance, Home Repair/Weatherization Assistance and Other Assistance. A brief description of several programs offered by TDHCA and other state and federal programs, including hyperlinks, is also available on the site.

A list of TDHCA-funded properties is also available by city and county in the Rental Assistance section. Information on the properties, including phone numbers, rents, amenities and units designed for persons with disabilities, is included where such information was made available to the HRC. Please note, however, that the properties listed are only properties funded by TDHCA and that only a certain number of affordable units are set aside for low-income persons. Persons must contact the properties directly for information on affordable unit vacancies.

"The Clearinghouse is an excellent customer service tool," said TDHCA's Executive Director, Edwina Carrington. "By putting all of the data compiled by the Housing Resource Center over the years into a simple easy to use system, the Clearinghouse allows people immediate access to local resource information that may help them address their particular needs; whether it be to locate a local mortgage company that offers a low-interest first time homebuyer loan, or a local non-profit organization that offers a weatherization program. The Clearinghouse is a prime example of how the Department is working to meet the initiatives set by SB322."

For more information on the Clearinghouse, contact TDHCA's Housing Resource Center at (512)475-3976 or you can email [info@tdhca.state.tx.us](mailto:info@tdhca.state.tx.us), or write to TDHCA, Attention HRC, P. O. Box 13941, Austin, TX 78711. For questions specific to website functionality, please send an email to [webmaster@tdhca.state.tx.us](mailto:webmaster@tdhca.state.tx.us).

*Reorganization continued from page 1*

reorganization will increase efficiency and effectiveness, increase service delivery and scope, and focus on productivity with accountability.

The reorganization is being implemented over three phases, with the change management facilitation assistance provided by Management Advisory Services (MAS) staff from the State Auditor's Office. Delivering the message to employees was the goal of Phase I, which ended June 14. Phase II involves reviewing current processes and designing the implementation of the new organizational structure. This phase began June 17 and is projected to end September 1. Phase III, which the Department expects to take approximately one to two months for initial implementation, will involve the actual "migration" of personnel and responsibilities between former divisions.

Carrington stressed that all divisions will continue to function as usual during this transition, with no disruption in the delivery of services or contract administration. The Department will communicate further information regarding TDHCA's day-to-day operations to legislators, advocates, subgrantees, contractor service providers, and the general public as this process evolves. No actual changes are planned to be implemented until November 2002.

For further information about the Department's reorganization, please visit the TDHCA website at: <http://www.tdhca.state.tx.us/pdf/agendas/020613book.pdf>. This link will take visitors to a PowerPoint presentation contained within the June 13, 2002, TDHCA Board Book, which highlights the rationale and benefits of the reorganization. Interested parties are encouraged to continue monitoring TDHCA's website for information on this important process.

<b>TDHCA toll free telephone numbers</b>	Compliance .....	800-643-8204
	Energy Assistance .....	877-399-8939
	Office of Colonia Initiatives .....	800-462-4251
	Section 8 .....	800-237-6500
	Texas First-Time Homebuyer Program .....	800-792-1119
	Manufactured Housing Division .....	800-500-7074

**Governor:** Rick Perry  
**TDHCA Governing Board:** Michael E. Jones, *Chair*  
 Elizabeth Anderson      Shadrick Bogany      C. Kent Conine  
 Vidal Gonzalez      Norberto Salinas  
**Executive Director:** Edwina P. Carrington  
**Director of Communications:** Michael Lyttle      **Editor/Layout Artist:** Brian Caughey

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## Avenue CDC Wins Support for Summer Street

By: Keith Hoffpauir  
TDHCA Housing Trust Fund

Houston's City Council approved a grant of \$298,000 to Avenue Community Development Corporation's Summer Street Rental project. Avenue is a recipient of a capacity building grant through TDHCA's Housing Trust Fund. Avenue hired their Director of Rental Housing, Steven Kirkland to develop rental housing for very low-income residents in Avenue's target area.

The Summer Street project includes nine units of housing in six houses, duplexes or garage apartments in Houston's First Ward. The houses are all historic structures that will be rehabbed in a manner compatible with historic preservation practices, and then rented to persons earning less than 50 percent of Houston's Median Income. Six of the units are occupied and the current occupants, who earn closer to 30 percent of the Area Median Gross Income (AMGI), will stay. Although their rents have been raised \$5 per month, there will be no further rent increases thanks to the generous subsidy from the city.



Shatwanna Francisco welcomes the improvements to the new Summer Street Rental Project.



Houston's First Ward benefits from a housing rehabilitation project funded by an award from TDHCA's Housing Trust Fund

Long recognized as a need, developing affordable rental housing in Houston's inner city has been a goal that has eluded the group until now. Thanks to the Housing Trust Fund's Capacity building grant from TDHCA, Avenue had the people power to devote to the intensive process of developing a very low-income rental project. In addition to the usual development process of finding the right land at the right price, very low income projects also require intensive effort with local government and other funders.

Houston's City Council action follows a year of intensive activity. Avenue evaluated numerous sites

before finding Summer Street. Kirkland spent many hours with the former owner to convince him to stay with Avenue while Avenue began the process of getting city involvement.

The project, Kirkland, and the former owner endured several rounds of inspections by the banks, the city and other supporters. The budgets were analyzed and re-analyzed several times. In the end, the Director and other Avenue people met with Council members to push the project forward. The effort was tremendously successful and passed city council unanimously. Rehab construction is expected to begin in the fall.

## TDHCA Governing Board Approves 2002 Tax Credit Allocation; Credits to Help Create 7,000 Housing Units

By: Gordon Anderson  
TDHCA Communications

The Governing Board of the Texas Department of Housing and Community Affairs (TDHCA) on Monday, July 29, 2002, approved the allocation of federal tax credits to 73 housing developments totaling \$38 million, helping finance an estimated 7,000 units of affordable housing. The allocation was made through the Low Income Housing Tax Credit (LIHTC) Program, a federal program administered in Texas by TDHCA.

In addition, on August 8, the Board approved a forward commitment of \$5.7 million from the 2003 state credit ceiling. This forward commitment will help finance eight developments for a total of 897 additional units of affordable housing. Another 18 developments are on the waiting list and will receive credits if any developments receiving credits in the 2002 allocation return their credits or TDHCA receives additional credits from the national pool.

The award included \$5.5 million to 10 developments committed in 2001 as part of the 2002 credit ceiling. The Board did not take action on any developments involving forward commitments from the 2003 credit ceiling. According to Edwina Carrington, TDHCA Executive Director, this year's round represented a new era for the Texas LIHTC Program.

"The 2002 LIHTC allocation round was the most transparent, most visible and open cycle in history of the Texas program," Carrington stated. "We want to be a model for other state housing agencies." Carrington pointed to the pre-application phase, the fact that each application was available to the public for

review, and an appeals process as examples of new procedures implemented this year.

"TDHCA has made a sincere and determined effort to implement the many program changes called for in Senate Bill 322, the Department's Sunset bill," she continued. "Certainly, we will continue to seek ways to improve the program and the process; however, I am convinced that we have taken a huge step toward our goal of instilling confidence in a program that is arguably the most powerful tool available to states for the creation of affordable rental property."

The LIHTC Program, created through the Federal Tax Reform Act of 1986, is the state's primary means of directing private capital toward the creation of affordable housing. The program has recently been overhauled to increase the amount of credits available to each state, currently rationed at a credit allowance of \$1.75 per capita per state.

The program encourages developers of affordable housing to apply for tax credits which are then used to offset a portion of their federal tax liability in exchange for the construction of new rental housing or the rehabilitation of existing units affordable to low-income renters. The LIHTC Program has helped create approximately 90,000 units of affordable rental housing since 1987, the program's first funding year.

# Education, Volunteerism Mark Homeownership Month

By: Gordon Anderson  
TDHCA Communications

The Texas Department of Housing and Community Affairs (TDHCA) joined Governor Rick Perry in recognizing June as “Home Ownership Month” in Texas. TDHCA staff observed the month with events in Corpus Christi and Austin, capping it off—coincidentally—with a July 1 release of \$100 million in below-market interest rate home loans through the Department’s *Texas First Time Homebuyer Program* (see related article).

Governor Perry issued a proclamation in support of the national designation for “National Home Ownership Month” by the U.S. Department of Housing and Urban Development. Throughout the month, federal, state, and local housing finance agencies and housing authorities celebrated home ownership month in Texas and throughout the nation.

TDHCA Executive Director Edwina Carrington reiterated the Department’s commitment to increasing home ownership opportunities for low-income households.

“The benefits of owning the home in which one lives have been cited time and again,” she explained. “Home ownership promotes stronger families, more cohesive neighborhoods, and greater educational and economic opportunities. TDHCA will continue to create innovative lending tools to expand these benefits.”

Education played a large role in the Department’s June outreach efforts. The Department’s *Texas Statewide Homebuyer Education Program* (TSHEP) held a “Train the Trainer” workshop June 17-20 in Corpus Christi. The TSHEP event provided training to nonprofit

*“Home ownership promotes stronger families, more cohesive neighborhoods, and greater educational and economic opportunities.”*

*Edwina Carrington  
TDHCA Executive Director*

organizations interested in providing homebuyer education to their low-income clients. As a result, the Department certified 89 new homebuyer counselors.

Training was provided, sponsored, or otherwise supported by the Neighborhood Reinvestment Corp., Texas Affiliation of Affordable Housing Providers, Texas State Affordable Housing Corp., Countrywide Home Loan Corp., Bank One, United Cerebral Palsy of Texas/Home of Your Own Coalition, and United Guaranty.

Later in the month, approximately 20 TDHCA staff members traded their business suits for tool belts and volunteered at a Habitat for Humanity construction site for a day. Braving high temperatures (and higher humidity levels), the TDHCA crew worked on two East Austin homes on a variety of tasks at the direction of a Habitat team leader.

## TDHCA Builds Capacity in Houston, Giving “New Hope” to Those in Need

By: Keith Hoffpauir, Manager  
TDHCA Housing Trust Fund

“At night, you laid there with one eye open and one eye shut.” These words are attributed to Mary, a grandmother of four and great grandmother of seven in Houston, as she described the rooming house where she used to live. With a meager Social Security check, she was only able to afford rent in a house that had rats, sewage back ups, and other tenants who abused drugs. She calls it the worst place she ever lived.

In Houston, the average rate for a one-bedroom apartment is \$548 per month, or about \$6,600 per year. Like many cities across the nation that leaves people, with low incomes, unable to pay for adequate housing and other basic needs at the same time.

Today, Mary lives in New Hope Housing, Inc.’s Hamilton Street Residence. New Hope was founded through the inspiration of Christ Church Cathedral-Episcopal as an independent charity to build and operate affordable single room occupancy (SRO) housing to help very

low-income individuals stabilize their lives. The Residence makes it possible for 129 women and men, who live singly on a low income (typically \$600 to \$1,000 per month), to have a safe, clean, quality living environment at an affordable rate of \$300 per month including utilities. New Hope also provides access to social services and a Resident Support Program.

The Texas Department of Housing and Community Affairs’s Capacity Building program provided funds for the development of New Hope’s new SRO property, the Canal Street Apartments. This property will be located in Houston’s Hispanic Second Ward/East End. It will build on the success of New Hope’s first residence and respond to the dire need for affordable housing in Houston.

New Hope was fortunate to retain the services of award-winning Texas architect Val Glitsch, FAIA. TDHCA covered part of her fees, including the preparation of construction

documents, and assisted with costs associated with clearing the land for the new property.

In designing the 133-unit Canal Street Apartments, Glitsch worked with the Second Ward Architectural Advisory Committee, comprised of neighborhood business, civic and political leaders. Each efficiency-style apartment will have a kitchenette, a private bath and will be modestly furnished. We envision shared spaces will include a building office/reception area, two communal kitchens, living/meeting rooms, a dining room, a library and a courtyard. There will also be space for computers for education and employment purposes.

The idea for building in this community was brought to New Hope by former Houston City Council Member Felix Fraga. With his help, the Board of Directors introduced New Hope to the Second Ward neighborhood, and built consensus with area civic associations; Leaders such as: City Council Member Gabriel

Vasquez, State Senator Mario Gallegos, U.S. Representative Gene Green, and local business owners.

The Canal Street Apartments will follow the model established on Hamilton Street. The building will be constructed debt free and will operate in the black, with rental income covering building operating costs and a long-term maintenance set aside.

The building will serve those who live in the Second Ward/East End, including young people who want to have an independent life, but can’t afford the price of an apartment in their home community. According to *The State of the Nation’s Housing*, in 1999, the number of 25-34 year-olds living with their parents remained near historic highs, with 1 in 7 males and 1 in 12 females living at home. Many of these young adults could not afford to pay rent and cover basic living expenses. The apartments will be important for older individuals, too, who want to be near their families, but do not want to feel as though they are a burden.

# How To Best Prepare For an Onsite Review From the Department

By: Patricia Murphy,  
TDHCA Compliance Division

- Submit the updated **Unit Status Report** to the Department prior to the onsite visit. The Unit Status Report *must* be maintained on a monthly basis.
- **Physical Inspection:**  
The Department will perform a physical inspection of a select number of units. It is important to provide the tenants with the necessary notice so that we may have access to the interior of all units. Also, it is recommended that all smoke detectors be tested prior to the onsite to ensure they function properly.
- **File Review:**  
All tenant files need to be accessible and should contain applications, income verifications, tenant income certifications (TIC) and leases. Also, the Department will need copies of the following:
  1. Utility Allowance Schedule for the current and previous years

2. Current Rent Rolls
3. Inspection reports completed by Code Enforcement (or the local equivalent)
4. If your property has an affirmative marketing plan, please have a copy available along with all marketing documentation. Be sure to provide a copy of any correspondence with the Public Housing Authority.
5. If your property provides supportive services, have a copy of the contract and documentation of all services offered available for review.

And remember, if any questions arise prior to the onsite review, please do not hesitate to contact the monitor performing the onsite review.

Unfortunately, the Department is not able to reschedule onsite-monitoring visits after the date has been announced. If the owner or property supervisor is not able to attend the visit, the Department will be happy to make accommodations such as conference call entrance and exit interviews. However, it will not be possible to change the date of the visit.

## Contract for Deed Program Changing Lives In South Texas

By: Brian Caughey  
TDHCA Communications

Typically, low-income residents do not have access to traditional financing or professional assistance when they purchase a real property. They have limited credit or even non-existent credit histories and, for some, it is difficult to save the amount required for the necessary down payment to qualify for a conventional loan mortgage.

This is particularly true for residents of Texas' *colonias*, thousands of substandard housing developments along the Texas-Mexico border, which often lack in essential infrastructure such as water, wastewater, drainage systems and paved highways. Many colonia residents turn to a common homebuyer transaction known as a contract for deed. Unlike a conventional mortgage, where the borrower is continually building equity on the property, a contract for deed does not allow for property rights until the borrower has paid the purchase price in full and receives title to the property.

The Community Action Council of South Texas's (CACST) Housing/Colonias Initiatives Program has been getting positive results for the resident population that it has prioritized for service. Among these successful programs is the Contract for Deed Conversion Program (CFD).

The function of the CFD program is to help colonia residents convert residential property under contracts for deed into traditional loans so those residents can attain ownership. After residents convert their contracts for deed to traditional loans, the program provides colonia residents with the opportunity to seek funding for construction, rehabilitation and other benefits that come with owning property.

The 77<sup>th</sup> Legislature passed Appropriations Rider 13, a legislative directive requiring the Department to spend no less than \$4 million on contract for deed conversions for families that reside in a colonia and earn 60 percent or less of the Applicable Area Median Family Income (AMFI), and convert no less than 400 contracts for deed into traditional notes and deeds of trust by August 31, 2003.

Participants in this program must be U.S. citizens or permanent residents of this country and must not earn more than 60 percent of AMFI. The properties proposed for this initiative must be located in a colonia as identified by the Texas Water Development Board colonia list or meet the Department's definition of a colonia.

For FY 2002, the Department has set-aside \$2 million through the HUD-funded HOME Investment Partnerships (HOME) Program. Due to this funded program, the OCI Division has acquired additional funding for this initiative through the HOME Program and the Department's Bond Finance Division to proceed with this initiative.

## First-Time Homebuyer Program Releases \$100 Million in Mortgage Loans

By: Brian Caughey  
TDHCA Communications

The Texas Department of Housing and Community Affairs (TDHCA) on July 1 released \$100 million in below market interest rate mortgage loans through the Department's *Texas First Time Homebuyer Program*. The 30-year fixed rate mortgage loans, offered by 40 participating lending institutions with more than 300 branches throughout Texas, carry interest rates as low as 5.9 percent.

The popular homebuyer program offers very low- to moderate-income individuals and families an opportunity to qualify for mortgage loans with monthly payments that might otherwise be out of their reach at current market interest rates. These include households earning between 30 percent and 115 percent of the area median family income.

A portion of the funds have been set aside to provide 30-year fixed rate mortgage loans at a low 5.9 percent interest rate. Loans offering this low 5.9 percent rate are available to qualified homebuyers who do not need down payment and closing cost assistance.

For Texans who need assistance with down payment and closing costs, funds are available to income eligible homebuyers for up to 4 percent of the mortgage amount. Mortgage loans that include the down payment and closing cost assistance are available at a comfortable 6.65 percent interest rate. Another 10 percent has been set aside for the Department's pilot *Expanded Approval Mortgage Loans*, designed to reach households with issues relating to their credit status (see related story, page 1). TDHCA is the first state housing finance agency in the nation to participate with Fannie Mae in this pioneering homebuyer program.

"There are many eligible Texas families and individuals who pay rent every month, hoping to one day enjoy the many benefits of homeownership," said TDHCA Executive Director Edwina Carrington. "We want to support the housing goals of these and all Texans. The *Texas First Time Homebuyer Program* and the *Down Payment Assistance Program* are just two ways the Department addresses this mission. I encourage all eligible Texans to take advantage of these programs. They are here for you."

To qualify for the programs, individuals and families must meet certain area income requirements, and may not have owned a home within the past three years. For more information call the *Texas First Time Homebuyer Program* toll free hotline at 1-800-792-1119 or visit TDHCA's *Texas First Time Homebuyer Program* page online at: [http://www.tdhca.state.tx.us/hf\\_sfbp.htm](http://www.tdhca.state.tx.us/hf_sfbp.htm).



**Breaking Ground**



## News from Washington, D.C.

News from TDHCA's federal liaison in Washington, DC

# Committee's Passage of Legislation a Preview of Future Debate on Nation's Housing Crisis

By: Christopher Ptomey  
Office of State and Federal Relations

On July 10, 2002, the House Financial Services Committee approved the Housing Affordability for America Act of 2002 (HR 3995), legislation to reform and reauthorize federal housing programs. During its consideration of the bill, members of the committee highlighted the critical nature of the country's affordable housing shortage and provided insight into the housing priorities likely to receive consideration in the 108<sup>th</sup> Congress, which will convene next January.

The most interesting moments of the committee's mark-up of the bill surrounded passage of an amendment authored by Rep. Bernie Sanders (I-VT), who fills a Democratic seat on the committee. Rep. Sanders' amendment would have created a national housing trust fund to provide matching funds for construction or renovation of 1.5 million affordable rental units. The fund would be financed primarily with profits from the Federal Housing Administration (FHA) mortgage insurance program.

Citing the recently released report of the Millennial Housing Commission, Sanders noted that "nearly 28 million Americans are paying more than 30 percent of their limited incomes on housing and at least 800,000 people, including 200,000 children, are homeless on any given night . . . The federal government has a responsibility to correct this crisis."

Ultimately, Sanders' amendment was, itself, amended. Instead of providing for a new trust fund with a dedicated funding source, as Sanders proposed, the committee-approved bill authorizes federal matching funds to be provided to the 280 state and local housing trust funds already in existence, including the Texas Housing Trust Fund (HTF). Under the amendment, funds would, however, be subject to the annual appropriations process.

Two other amendments were adopted by the committee. A voice vote led to the adoption of an amendment offered by Rep. Barbara Lee (D-CA) that allows domestic violence victims to remain in public housing following the eviction of their

attackers. The committee also adopted an amendment offered by Rep. Melvin Watt (D-NC) to allow the payment standard for Section 8 housing vouchers in some areas to increase up to 120 percent of the fair market rent. The committee rejected an attempt by Rep. Lee to restore funding to the drug elimination grants program to fight drugs in public housing projects. The program, which has been plagued by accusations of fraud and misuse of public funds, will expire at the end of fiscal 2003.

In general, HR 3995 would reform and reauthorize key federal housing programs, including the HOME Investment Partnerships Program, FHA Mortgage Insurance, Section 8 and a number of important homeless assistance programs. Additionally, the bill would create a new housing production program to increase the supply of affordable rental housing, would increase local flexibility and enhance leveraging opportunities.

On July 22, the House Judiciary Committee approved the portion of HR 3995 under its jurisdiction (a provision

to require all federal agencies to provide housing impact statements before issuing new regulations.), clearing the bill for action on the House floor. Final action is expected in the House in September. The Senate is not expected to take up the bill, but is expected to consider narrower legislation focused on reforming the Section 8 program.

Although HR 3995 will not be enacted this year, it provides a useful outline of issues likely to receive consideration in the 108<sup>th</sup> Congress, which will convene in January. Critical programs, including the majority of federal homelessness programs, are only authorized to receive funding through FY 2005, and many believe that those programs not in need of immediate reauthorization are in need of reform. The rising tide of economic uncertainty makes access to affordable housing an even more important issue to Americans, and as the adoption of the Sanders amendment demonstrates, Congress is beginning to take note.

## Senate Voucher Proposal Likely to be Last Major Housing Legislation of 107<sup>th</sup> Congress

By: Christopher Ptomey  
Office of State and Federal Relations

On July 12<sup>th</sup>, Senate Banking, Housing and Urban Affairs Subcommittee on Housing and Transportation Chairman Paul Sarbanes (D-MD) introduced the Housing Voucher Improvement Act of 2002 (S. 2721), legislation to reform and enhance the Section 8 housing voucher program, which serves over 2100 Texas households. The legislation serves three objectives: ensuring that the voucher program works effectively and that families receiving vouchers are able to find adequate housing; providing families with vouchers the widest possible range of options of where to live; and assisting families receiving housing assistance in attaining self-sufficiency.

To help people find decent and safe affordable housing, the bill offers public housing agencies flexibility to use some federal funds for voucher "success programs" to assist Section 8 beneficiaries in locating housing. Even more importantly, the bill authorizes qualified public housing agencies (those located in high cost areas) to increase the voucher amounts to 120 percent of the fair market rent (FMR) when a significant number of families remain unable to find adequate housing.

To make participation in the Section 8 program more attractive to landlords, the Housing Voucher Improvement Act (1) allows PHAs to use federal funds to reach out to local property owners, (2) scales penalties for inspection violations to the magnitude of the violation, and (3) helps guarantee timely payments to apartment owners by creating PHA incentives to use automatic payment systems.

The bill also includes a provision that would authorize the creation of a new category of housing vouchers – thrifty production vouchers (TPVs) — to increase housing access for extremely low-income families. TPVs are lower cost vouchers designed for use in conjunction with capital subsidy programs such as LIHTC, HOME or CDBG. The value of the voucher would be determined based on operating costs, rather than on the determination of an area's FMR. Since such costs are generally substantially below the FMR, TPVs are estimated to cost about one-third less than a regular voucher. Where operating costs are below the maximum – this is particularly likely in areas with high FMRs — savings will be even greater. A limit on operating expenses would be set at 75% of the regular voucher payment standard to ensure that TPVs would, in fact, be thrifty.

Though Senate action has not yet been scheduled, Chairman Sarbanes has said that he intends to move forward before the end of the session. On the other side of the Hill, the House Financial Services Committee has already approved its own major housing legislation (HR 3995) that includes several of the reforms proposed in S 2721, including the creation of TPVs. The full House is expected to act on its legislation following the August congressional recess. If the Senate should follow suit, the bills would be referred to a House/Senate conference committee, and Section 8 reform could become a reality before Congress heads home for the November elections.

# Cooperative Study To Measure and Lower Energy Consumption with New Weatherization Procedures

By: Wendy Pollard  
TDHCA Energy Assistance Section

The Texas Department of Housing and Community Affairs (TDHCA), Energy Assistance Section and Oak Ridge National Laboratory joined together in a Cooperative Study in early 2001. The purpose of the Study was to measure and lower energy consumption in low-income weatherized homes by using the newest, most innovative weatherization measures and procedures. This study allowed the consumption in the homes to be monitored with a SPEED/NIALMS recorder which looks like a standard residential meter, but is in fact enhanced to transmit the consumption per electrical appliance to a master computer station at Oak Ridge National Laboratory.

**Study Phase I**— SPEED/NIALMS Recorder installation and monitoring for one full year. The first phase, in the summer of 2001, involved installing a SPEED/NIALMS recorder in (41) Texas Weatherization Assistance Program (WAP) homes to monitor and track electric usage. Examples of electrical appliances that the recorder can give detailed information on are: home clothes dryers, washing machines, central a/c units, window a/c units, refrigerators, freezers and dishwashers. The electric data was sent daily from each home recorder through telephone lines to the main computer analysis station at Oak Ridge National Laboratory. The electric kWh usage has been monitored by Oak Ridge National Laboratory for one full year **prior** to weatherization of the homes.

## Study Phase II—Weatherization of homes

The second phase, in the summer of 2002, is to weatherize the homes. The Standard homes are retrofitted with normal weatherization measures that are presently being used by TDHCA contractors. The Demonstration homes, being supervised by Oak Ridge National Laboratory, are being weatherized with the newest technology and energy savings measures on the market. Oak Ridge National Laboratory plans to compare and analyze both sets of homes to find new and improved methods of retrofitting WAP homes.

## Study Phase III—Monitoring for a second full year

In the third phase, after weatherization is completed, the homes will be monitored with the recorder for another full year, until the summer of 2003. In conclusion, the Oak Ridge National Laboratory will compare the electric kWh usage in the Demonstration homes and Standard homes both before and after weatherization. The ultimate goal of the study is to see a substantial reduction in electric kWh usage in the Demonstration/enhanced weatherization homes compared to the Standard homes, and to look for patterns in the energy data that can be used as a tool to evaluate and improve all Weatherization Assistance Programs in the future.



## Program Updates

# The Home Program Overview

By: Ann Gusman-MacBeth  
TDHCA HOME Program

The HOME Program funds hundreds of organizations around the state that are helping eliminate some of the state's housing shortage in their communities. For new Administrators, there are many questions that come up about the HOME Program and how it works. Recent changes in the department's HOME Program have resulted in a user friendly system that provides fast and efficient information about the program and the HOME Application Process. As an Administrator, you may be asking how your organization can encourage homeownership by applying for HOME funds. Here are 8 important things you should know about the HOME Program.

### 1 What Is the HOME Program?

The [Cranston-Gonzales National Affordable Housing Act \(NAHA\)](#) was enacted by Congress in 1990 and was the first major housing legislation since 1974. A principal part of NAHA was the HOME Investment Partnerships Program. Congress annually allocates HOME dollars to HUD, who distributes the federal funds to states and local jurisdictions. The State of Texas then allocates HOME funds to local eligible applicants.

The HOME Program objectives are: to empower low, very low, and extremely low income families and their communities by providing a supply of decent, safe, sanitary, and affordable housing; to expand and strengthen partnerships between local government and the private sector; and to encourage the development of community based nonprofit housing groups.

### 2 Who Can Apply for HOME Funds?

TDHCA awards HOME funds to various entities around the state through a competitive application process. Housing activities include: Owner Occupied Housing Assistance (OCC); Homebuyer Assistance

(HBA); Tenant Based Rental Assistance (TBRA) and Rental Housing Development (RHD). Eligible applicants by program are:

Units of Local Government: HBA, OCC, TBRA  
Non-Profit Organizations: HBA, OCC, TBRA  
Public Housing Agencies: HBA, OCC, TBRA  
Sole Proprietors, Financial Lending Institutions: HBA  
Certified Community Housing Development Organizations (CHDO):  
HBA, RHD

A CHDO is a private nonprofit organization with a 501 (c) federal tax exemption; its charter must include the function of providing decent, affordable housing to low income households; it must serve a specific delineated area, it can not include the entire state; and the CHDO must be certified through the department's Center for Housing Research, Planning and Communications.

### 3 How Are HOME Funds Used?

HOME funds are used for the following eligible housing activities:

Owner Occupied Housing Assistance (OCC) provides:  
Rehabilitation, Reconstruction of existing owner-occupied property;  
OCC has a 14-month contract period.

Homebuyer Assistance (HBA), provides: Down Payment Assistance, Closing Costs Assistance, Gap Financing, Homebuyer Counseling, Rehabilitation; HBA is an 18-month contract.

Tenant Based Rental Assistance (TBRA), provides: Portable Rental Assistance for up to 24 months; Security deposits; Utility Allowances;

Continued on page 8

# Community Affairs Executive Director's Conference

By: *Mayela Medina*  
 TDHCA Community Affairs

The 9th Annual Community Affairs Division Executive Directors' Conference was held August 7-9, 2002, in San Antonio, Texas. The conference was attended by executive directors and top management staff, who administer the Community Services Block Grant (CSBG), the Comprehensive Energy Assistance Program (CEAP) and the Weatherization Assistance Program (WAP).

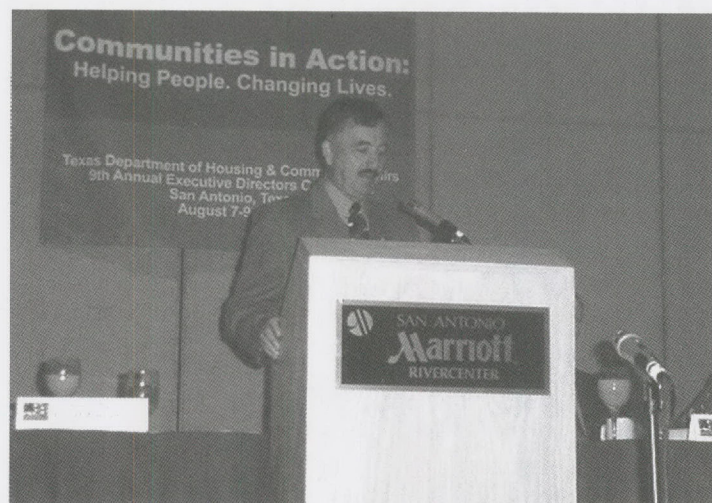
This year's conference theme was "Communities in Action: Helping People, Changing Lives." The keynote speaker was Mr. Clarence Carter, Director of the Federal Office of Community Services (OCS).

Carter addressed the role of community action in dealing with poverty issues emphasizing such national initiatives as Fatherhood, Healthy Marriage, Positive Youth Development and Rural Development. Agencies in Texas that have implemented projects that exemplify the national initiatives were highlighted during the conference.

A reception was held on Thursday, when the Department presented Lifetime Achievement awards to six individuals who have worked in community action for at least 20 years. This award is given to persons who have promoted the community action concept both in their work and involvement in community services.

On Friday, the Department sponsored a breakfast at which cash awards were presented to those CSBG agencies that have successfully assisted individuals to transition out of poverty. Twenty-four Community Action Agencies received monetary awards ranging from \$2,770 to \$12,180 for their work in assisting a total of 962 individuals to achieve incomes above the federal poverty level.

Community Action Agencies work to better focus available local, state, private and federal resources to assist low-income individuals and families to acquire useful skills and knowledge, gain access to new opportunities and achieve economic self-sufficiency.



*U.S. Congressman Ciro Rodriguez was Friday morning's featured speaker, where he helped present awards to CSBG agencies for transitioning persons out of poverty.*

## TDHCA Hires General Counsel

By: *Brian Caughey*  
 TDHCA Communications

Chris Wittmayer joined the Texas Department of Housing and Community Affairs as General Counsel. Wittmayer, who officially began work at TDHCA July 1, serves as the chief legal counsel to the Department's Executive Director and Governing Board.

Wittmayer previously served as Assistant City Attorney for the City of Dallas since 1992. While serving the city of Dallas, Wittmayer was responsible for litigation, compliance, and oversight of a broad range of city functions including affordable housing, community development, and economic development, in the landmark fair housing and civil rights lawsuit *Walker v. HUD*.

He received his initial training at the United States Military Academy in West Point, New York, earning his bachelor's degree in Public Management. He then earned a Master's degree in Systems Management at the Florida Institute of Technology.

### HOME Program Overview Continued from page 7

Requires participation in a Self-Sufficiency program; TBRA has a 30-month contract period.

Rental Housing Development (RHD) provides: Acquisition, Rehabilitation, or New Construction of affordable multifamily rental properties.

RHD contract periods are 18 months, which includes: 18-month development period; 6 month termination clause to close by 7th month from effective date of contract; Affordability requirement in the Final Rule; Loan repayment period.

Special Needs Populations: Elderly, Persons with Disabilities, Persons with HIV/AIDS, Homeless

Eligible Applicants: Non profits; Units of local government, Public Housing Authorities...

Eligible Activities: OCC, HBA, TBRA...

#### 4 Who Do HOME Administrators Target?

The HOME Program funds local administrators and ensures that low-income families are targeted by requiring that the target population include: Low Income - 61% to 80% AMFI, Very Low Income - 31% to 60% AMFI, Extremely Low - 30% and below AMFI.

#### 5 What are the Maximum HOME Administrator Awards?

- OCC, HBA, TBRA \$500,000.00
- RHD \$1,000,000.00

The department awards HOME funds based on the Regional Allocation Plan (RAF), the RAF is determined annually and is a dynamic measure of affordable housing need that is used to distribute funds

#### 6 How does an Administrator participate in the HOME Program?

Annually, TDHCA provides an application process and guidelines for Administrators about the HOME funding process. Administrators should contact TDHCA for an application package. TDHCA will also: Publish a Notice of Funding Availability (NOFA) in the Texas Register, Publish dates for the Application Workshops that are held to assist Administrators with the application process, Take applications for funding during a specific time period, Announce the Application Deadline, Make award recommendations to the TDHCA Board, Execute Contract Awards to awardees.

#### 7 HOME Program Mailing

To receive information and regular updates on a variety of HOME Program topics, you may sign up on the TDHCA website mailing list. For additional information about the HOME Program: #512-475-3328 [www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

#### 8 Other Informational Resources:

TDHCA Newsletter, *Breaking Ground*; Housing Assistance Council, "HAC News," [www.ruralhomes.org](http://www.ruralhomes.org). HUD web page: [www.hud.gov](http://www.hud.gov).