

RESOLUTION APPROVING ASSIGNMENT OF PRIVATE ACTIVITY BOND
AUTHORITY TO TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS; AND CONTAINING OTHER PROVISIONS RELATING TO THE
SUBJECT

WHEREAS, the Capital Area Housing Finance Corporation (the "*Corporation*") was created by the Counties of Bastrop, Blanco, Burnet, Caldwell, Fayette, Hays, Lee, Llano and Williamson and the Texas City of San Marcos pursuant to the provisions of the Texas Housing Finance Corporations Act, as amended, formerly Article 12691-7, Vernon's Annotated Texas Civil Statutes, and now codified as Texas Local Government Code, Chapter 394 (the "*Act*"); and

WHEREAS, by resolution adopted on June 14, 2023, the Corporation authorized filing with the Texas Bond Review Board an application for reservation of state ceiling for issuance of qualified mortgage revenue bonds in the maximum amount of \$61,000,000 (the "*Reservation*"); and

WHEREAS, by resolution adopted on June 14, 2023, the Board of Directors of the Corporation determined to delegate to the Texas Department of Housing and Community Affairs ("*TDHCA*"), pursuant to Chapter 394.032(e) of the Texas Local Government Code, the authority to act on its behalf in the financing, refinancing, acquisition, leasing, ownership, improvement, and disposal of certain home mortgages or residential developments, within and outside the jurisdiction of the Corporation, including its authority to issue bonds for those purposes; and

WHEREAS, as the governmental unit that created the Corporation, the City Council of the City of San Marcos, Texas (the "*Governing Body*") desires to approve the assignment of the Reservation to TDHCA in accordance with Chapter 1372.044 of the Texas Government Code; and

WHEREAS, the Governing Body desires to approve the Assignment Agreement in substantially the form attached as Exhibit A between the Corporation and TDHCA (the "*Assignment Agreement*"); and

WHEREAS, it is deemed necessary and advisable that this Resolution be adopted;

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN MARCOS, TEXAS THAT:

Section 1. The Governing Body specifically approves and consents to the assignment of the Reservation to TDHCA in accordance with Chapter 1372.044 of the Texas Government Code and approves the Assignment Agreement.

Section 2. The Mayor of the City of San Marcos, Texas is hereby authorized, jointly and severally, to execute and deliver such endorsements, instruments, certificates, documents, or papers necessary and advisable to carry out the intent and purposes of this Resolution.

[Execution page follows]

PASSED AND APPROVED this _____ day of _____, 2023.

Mayor Jane Hughson

(SEAL)

ATTEST:

City Clerk

Exhibit A

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this “*Agreement*”) is made as of the ____ day of _____, 2023 by and between the CAPITAL AREA HOUSING FINANCE CORPORATION (“*CAHFC*”), a Texas nonprofit housing finance corporation and the TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (“*TDHCA*”), a public and official agency of the State of Texas.

RECITALS:

A. CAHFC has been duly created and organized pursuant to and in accordance with the provisions of the Texas Housing Finance Corporations Act, as amended, Texas Local Government Code, Chapter 394 (the “*Act*”), for the purpose of providing a means of financing the costs of residential ownership and development that will provide decent, safe and sanitary housing for persons of low and moderate income at prices they can afford.

B. The Act authorizes CAHFC to issue bonds for the purpose of obtaining funds to finance home mortgage loans (or participation interests therein) for persons of low and moderate income for homes within the geographic limits of the Counties of Bastrop, Blanco, Burnet, Caldwell, Fayette, Hays, Lee, Llano and Williamson and the City of San Marcos.

C. 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.

D. 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.

E. The private activity bond “State ceiling” (as defined in Section 146(d) of the Code) applicable to the State of Texas (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*”).

F. The Allocation Act requires CAHFC, in order to reserve a portion of the State ceiling for qualified mortgage bonds and satisfy the requirements of Section 146(a) of the Code, to file an application for reservation (an “*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.

G. 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.

H. By resolution adopted on June 14, 2023, CAHFC authorized the filing of an Application for Reservation with the Bond Review Board in the maximum amount of \$61,000,000 with respect to qualified mortgage bonds, and the Bond Review Board has issued or is expected to issue a reservation of "State Ceiling" in connection with such Application for Reservation (the "Reservation").

I. CAHFC has determined to (a) delegate to TDHCA CAHFC's authority to issue bonds or mortgage credit certificates ("MCCs") for the purposes specified above, pursuant to Section 394.032(e) of the Act, which provides that "a housing finance corporation may delegate to the Texas Department of Housing and Community Affairs the authority to act on its behalf in the financing, refinancing, acquisition, leasing, ownership, improvement, and disposal of home mortgages or residential developments, within and outside the jurisdiction of the housing finance corporation, including its authority to issue bonds for those purposes," and (b) assign the Reservation to TDHCA, pursuant to Section 1372.044 of the Texas Government Code.

J. CAHFC was created by the Counties of Bastrop, Blanco, Burnet, Caldwell, Fayette, Hays, Lee, Llano and Williamson and the City of San Marcos (collectively, the "Sponsors") pursuant to the Act.

K. As the governmental unit that created CAHFC, the Sponsors have approved the assignment of the Reservation to TDHCA in accordance with Section 1372.044 of the Texas Government Code.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and conditions contained herein, the parties hereto hereby agree as follows:

Section 1. Assignment. CAHFC hereby assigns, conveys and transfers to TDHCA, to the full extent assignable under applicable law, all of CAHFC's right, title and interest in, to and under the Reservation (the "Assignment"), including without limitation, the right to file a carryforward designation request and to elect to use the Reservation to issue MCCs. The Assignment is irrevocable and applies only to the Reservation for the 2023 program year.

Section 2. Consents. CAHFC agrees to obtain and deliver to TDHCA, such consents to the Assignment of the Reservation as may be required.

Section 3. Expenses. TDHCA shall be responsible for payment of all fees and expenses incurred from and after the date of this Agreement with respect to the Reservation, including any carryforward application fee and/or closing fees payable to the Bond Review Board; and TDHCA will pay all costs associated with the issuance of the bonds.

Section 4. Agreement. In exchange for the Assignment, TDHCA agrees to originate in the geographic service area of CAHFC (a) mortgage loans that are eligible for pooling into mortgage certificates and purchase by the trustee for one or more series of tax-exempt bonds issued by TDHCA ("Pooled Loans"), and/or (b) My First Texas Home Combo Loans with MCCs ("Combo Loans," and referred to herein together with the Pooled Loans collectively as "CAHFC Loans"), until an aggregate amount of \$61,000,000 of CAHFC Loans (accounting for

the amount of Pooled Loans originated, pooled and purchased by the trustee, and the amount of volume cap used to originate the Combo Loans) have been originated or issued, respectively. CAHFC Loans will be originated on a first-in, first-out basis. The provisions in the Term Sheet attached hereto as Exhibit A are incorporated herein and supplement the provisions of this Agreement; *however*, in the event of any inconsistency between the provisions of this Agreement and the Term Sheet, the provisions of this Agreement shall supersede those of the Term Sheet.

Section 5. Fees. TDHCA will pay an ongoing fee of 4.75 basis points (collectively, "CAHFC Fees") of the aggregate outstanding balance of CAHFC Loans that have been pooled into mortgage-backed securities or for which an MCC has been issued. CAHFC Fees will be paid for a period of 10 years for each CAHFC Loan originated under this Agreement and purchased by the trustee that is not more than 30-days delinquent at the time an CAHFC Fee is calculated. The outstanding balance of CAHFC Loans will be reduced monthly to reflect principal repayments and prepayments (including foreclosures of CAHFC Loans). CAHFC Fees cease to accrue with respect to any CAHFC Loan once that CAHFC Loan has been repaid or prepaid. CAHFC Fees will be paid annually, in accordance with payment instructions to be provided by CAHFC.

Section 6. Reporting. Once CAHFC Loans have been pooled into mortgage-backed securities or an MCC has been issued, TDHCA will provide quarterly loan level detail with respect to the outstanding loan balances; no personally identifiable information will be included.

Section 7. Governing Law. This Agreement shall be governed by and enforced in accordance with the laws of the State of Texas.

Section 8. Severability. The invalidity, illegality or unenforceability of any provision of this Agreement shall not affect the validity, legality or enforceability of any other provision, and all other provisions shall remain in full force and effect.

Section 9. Entire Agreement; Amendment and Waiver. This Agreement contains the complete and entire understanding of the parties with respect to the matters covered herein. This Agreement may not be amended, modified or changed, nor shall any waiver of any provision hereof be effective, except by a written instrument signed by the party against whom enforcement of the waiver, amendment, change, or modification is sought, and then only to the extent set forth in that instrument. No specific waiver of any of the terms of this Agreement shall be considered as a general waiver.

Section 10. Counterparts. This Agreement may be executed in one or more counterparts, each of which is an original and all of which together constitute one and the same Agreement. Electronically transmitted counterparts shall be deemed originals.

[EXECUTION PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement to be effective as of the date first set forth above.

CAPITAL AREA HOUSING FINANCE
CORPORATION

By: _____
Name: _____
Title: _____

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

By: _____
Name: _____
Title: _____

EXHIBIT A

2023 Term Sheet Housing Finance Corporation Volume Cap Assignment

Issuer:	Texas Department of Housing and Community Affairs ("TDHCA")
HFC Partner:	Housing Finance Corporation ("HFC")
Volume Cap:	To be reserved by the HFC for subsequent assignment to TDHCA ("Reservation").
Assignment:	TDHCA and the HFC will execute an Assignment Agreement to assign the Reservation to TDHCA. The HFC's governing body will be required to approve the Assignment.
Assignment Purpose:	To be used by TDHCA to originate (a) My First Texas Home Bond Loans that are eligible for pooling into mortgage backed securities and purchased by tax- exempt bonds issued by TDHCA ("Pooled Loans"), and/or (b) My First Texas Home Combo Loans with MCCs ("Combo Loans", collectively "HFC Loans").
Loan Prioritization	The HFC Loans shall be recorded on a first in first out ("FIFO") basis until the equivalent of the assigned volume cap has been exhausted.
Volume Cap Utilization:	Pooled Loans will be credited at par. Combo Loans will be credited in accordance with the volume cap used to originate such loan.
HFC Fees:	TDHCA will pay an ongoing fee of 4.75 basis points against the aggregate outstanding balance of HFC Loans that have been pooled into mortgage- backed securities or for which an MCC has been issued. The HFC Fees will be paid for a period of ten years for each loan originated under the Assignment Agreement that is not more than 30-days delinquent at the time the Pooled Loan Fee is calculated. The outstanding balance will be reduced monthly to reflect principal repayments and prepayments (including foreclosures). HFC Fees cease to accrue with respect to any HFC Loan once that loan has been repaid or prepaid. HFC Fees will be paid annually, in accordance with payment instructions to be provided by the HFC.

Related Costs: TDHCA shall be responsible for payment of all fees and expenses incurred from and after the date of the Assignment Agreement with respect to the Reservation, including any carryforward application fee and/or closing fees payable to the Bond Review Board; and will pay all costs associated with the issuance of the bonds.

Reporting: Once HFC Loans have been pooled into mortgage-backed securities or an MCC has been issued, TDHCA will provide quarterly loan level detail with respect to the outstanding loan balances; no personally identifiable information will be included.

Mortgage Loan Program

While TDHCA may originate more loans within the HFC's jurisdiction, the maximum amount of HFC Loans is limited to the volume cap assigned.

Loans originated through a bond issue include FHA, VA, and USDA loans (no conventional loans). All loans must have a term of 30 years.