

LOCAL GOVERNMENT CODE

TITLE 12. PLANNING AND DEVELOPMENT

SUBTITLE C. PLANNING AND DEVELOPMENT PROVISIONS APPLYING TO MORE
THAN ONE TYPE OF LOCAL GOVERNMENT

CHAPTER 394. HOUSING FINANCE CORPORATIONS IN MUNICIPALITIES AND
COUNTIES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 394.001. SHORT TITLE. This chapter may be cited as the Texas Housing Finance Corporations Act.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.002. PURPOSE; LEGISLATIVE FINDINGS. (a) The purpose of this chapter is to provide a means to finance the cost of residential ownership and development that will provide decent, safe, and sanitary housing at affordable prices for residents of local governments.

(b) The legislature finds that residential ownership and development:

(1) promotes the public health, safety, morals, and welfare;

(2) relieves conditions of unemployment and encourages the increase of industry, commercial activity, and other economic development to reduce the adverse effects of unemployment;

(3) provides for efficient and well-planned urban growth and development, including the elimination and prevention of potential urban blight and the proper coordination of industrial facilities with public services, mass transportation, and residential development;

(4) assists persons of low and moderate income to acquire and own decent, safe, sanitary, and affordable housing; and

(5) preserves and increases the ad valorem tax bases of local governments.

(c) The legislature finds that the accomplishment of the results described by Subsection (b) is a public purpose and

function and lessens the burdens of government. The legislature further finds that:

(1) the creation of a housing finance corporation is for the benefit of the people of the state, improves the public health and welfare, and promotes the economy;

(2) those purposes are public purposes; and

(3) the corporation, as a public instrumentality and nonprofit corporation, performs an essential governmental function on behalf of and for the benefit of the general public, the local government, and this state.

(d) It is the intent of the legislature to authorize local governments to create and use public nonprofit corporations to issue obligations to accomplish the results described by Subsection (b).

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.003. DEFINITIONS. In this chapter:

(1) "Bond" means a revenue bond authorized under this chapter and includes a note and any other limited obligation payable as provided by this chapter.

(2) "Development cost" means the sum total of reasonable or necessary costs incidental to the provision, acquisition, construction, reconstruction, rehabilitation, repair, alteration, improvement, and extension of a residential development. The term includes:

(A) the cost of studies, surveys, plans, and specifications;

(B) underwriting fees;

(C) the cost of architectural, engineering, financial advisory, mortgage banking, and administrative services;

(D) the cost of legal, accounting, marketing, and other special services that relate to residential development or are incurred in connection with the issuance and sale of bonds;

(E) necessary application fees and other fees paid to federal, state, and local government agencies for approvals required for construction, for assisted financing, or for other purposes;

(F) financing, acquisition, demolition, construction, equipment, and site development costs for new and rehabilitated buildings;

(G) relocation costs for utilities, public ways, and parks;

(H) construction costs for recreational, cultural, and commercial facilities;

(I) rehabilitation, reconstruction, repair, or remodeling costs for existing buildings and all other necessary and incidental expenses, including trustee and rating agency fees and an initial bond and interest reserve together with interest on bonds issued to finance a residential development to a date 12 months after the estimated date of completion;

(J) premiums for mortgage insurance or other insurance with respect to bonds; and

(K) other expenses considered appropriate by a housing finance corporation to carry out the purposes of this chapter.

(3) "Economically depressed or blighted area" means:

(A) an area determined by the issuer to be a qualified census tract or an area of chronic economic distress under Section 143, Internal Revenue Code of 1986 (26 U.S.C.A. Section 143);

(B) an area established within a municipality that has a substantial number of substandard, slum, deteriorated, or deteriorating structures, that suffers from a high relative rate of unemployment; or

(C) an area designed and included in a tax increment district created under Chapter 695, Acts of the 66th Legislature, Regular Session, 1979 (Article 1066d, Vernon's Texas Civil Statutes).

(4) "Elderly person" means a person who is 60 years of age or older.

(5) "Federally assisted new community" means an area:

(A) that receives federal assistance in the form of loan guarantees under Title X of the National Housing Act (12 U.S.C.A. Section 1749aa et seq.); and

(B) a part of which has received grants under Section 107(a)(1), Housing and Community Development Act of 1974 (42 U.S.C.A. Section 5307(a)(1)).

(6) "Home" means real property and improvements on that property consisting of not more than four connected dwelling units, which may include condominium units, located within a local government and owned by one mortgagor who occupies or intends to occupy one of the units.

(7) "Home mortgage" means an interest-bearing loan to a mortgagor, or a participation in such a loan, that is:

(A) made to purchase, improve, or construct a home;

(B) evidenced by a promissory note;

(C) secured by a mortgage, mortgage deed, deed of trust, or other instrument that constitutes a lien on the home; and

(D) except as provided by Section [394.906](#), guaranteed or insured by the United States, an instrumentality of the United States, or a private mortgage insurance or surety company to the extent the loan amount exceeds 80 percent of the lesser of the appraised value of the home at the time the loan is made or the sale price of the home.

(8) "Housing finance corporation" means a public, nonprofit corporation organized under this chapter.

(9) "Lending institution" means a bank, trust company, savings bank, national banking association, savings and loan association, mortgage banker, mortgage company, credit union, life insurance company, or other financial institution or government agency that customarily provides services or assistance in mortgage financing on single family residential housing or multifamily residential housing located in the local government. The term includes a holding company for such an institution.

(10) "Local government" means any municipality or county.

(11) "Mortgagor" means a person of low or moderate income whose adjusted gross aggregate income, together with the adjusted gross aggregate income of all persons who intend to reside with that person in one dwelling unit, did not, for the preceding

tax year, exceed the maximum amount established as constituting moderate income by the housing finance corporation's rules, resolutions relating to the issuance of bonds, or financing documents relating to the issuance of bonds. In an economically depressed or blighted area or in a federally assisted new community located within a home-rule municipality, the term includes:

(A) a person whose adjusted gross aggregate income exceeds the amount constituting moderate income if at least 90 percent of the total mortgage amount available under a home mortgage revenue bond issue is designated for persons of low or moderate income; or

(B) a person permitted to be a mortgagor under Section 143, Internal Revenue Code of 1986 (26 U.S.C.A. Section 143), as it applies to that area or community.

(12) "Person" means, if used in reference to a mortgagor or owner of a home, a natural person or a trust for the benefit of a natural person.

(13) "Residential development" means the acquisition, construction, reconstruction, rehabilitation, repair, alteration, improvement, or extension of any of the following items or any combination of the following items for the purpose of providing decent, safe, and sanitary housing and nonhousing facilities that are an integral part of or are functionally related to any affordable housing project, whether in one or multiple locations, including any facilities used for the purpose of delivering tenant services, as defined by Section 2306.254, Government Code:

(A) land, an interest in land, a building or other structure, facility, system, fixture, improvement, addition, appurtenance, or machinery or other equipment;

(B) real or personal property considered necessary in connection with an item described by Paragraph (A); or

(C) real or personal property or improvements functionally related and subordinate to an item described by Paragraph (A).

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1999, 76th Leg., ch. 1250, Sec. 1, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 113, Sec. 1, eff. May 11, 2001.

Sec. 394.004. APPLICATION OF CHAPTER TO CERTAIN RESIDENTIAL DEVELOPMENTS. This chapter applies only to a residential development at least 90 percent of which is for use by or is intended to be occupied by households of low and moderate income whose adjusted gross income did not for the preceding tax year exceed the maximum amount constituting moderate income as defined under the housing finance corporation's rules, resolutions relating to the issuance of bonds, or financing documents relating to the issuance of bonds.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Amended by:

Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. 21), Sec. 1, eff. May 28, 2025.

Sec. 394.0045. APPLICABILITY OF OPEN MEETINGS AND OPEN RECORDS LAWS. (a) Chapter 551, Government Code, applies to actions and proceedings under this chapter.

(b) Chapter 552, Government Code, applies to all records of a housing finance corporation.

Added by Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. 21), Sec. 2, eff. May 28, 2025.

SUBCHAPTER B. INCORPORATION OF HOUSING FINANCE CORPORATIONS

Sec. 394.011. APPLICATION FOR INCORPORATION. (a) The governing body of a local government shall consider a written application for the incorporation of a housing finance corporation filed with the governing body by at least three residents of the local government who are citizens of this state and at least 18 years of age.

(b) If the governing body by resolution determines that the formation of the housing finance corporation is wise, expedient, necessary, or advisable and approves the form of the proposed articles of incorporation of the corporation, the articles may be filed as provided by this chapter. A corporation may not be formed unless the application is filed with the governing body and the

governing body adopts the resolution.

(c) The approval of the articles of incorporation of one housing finance corporation does not preclude the approval by the governing body of the articles of incorporation of additional corporations that have names or designations sufficient to distinguish them from previously created corporations. The governing body may not permit the incorporation on its behalf of more than one corporation that has the power to make or acquire home mortgages, or to make loans to lending institutions, the proceeds of which are to be used to make home mortgages or to make loans on residential developments.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.012. APPLICATION FOR INCORPORATION OF, AND OTHER SPECIAL PROVISIONS FOR, JOINT CORPORATION. (a) The governing bodies of more than one local government may consider a written application for the incorporation of a joint housing finance corporation to act on behalf of the local governments filed by at least three residents of each sponsoring local government who are citizens of this state and at least 18 years of age.

(b) If each governing body by resolution determines that the formation of the joint housing finance corporation is wise, expedient, necessary, or advisable and approves the form of the proposed articles of incorporation of the joint corporation, the articles may be filed as provided by this chapter. The joint corporation may not be formed unless the application is filed with the governing body of each sponsoring local government and each governing body adopts the resolution.

(c) The approval of the articles of incorporation of the joint housing finance corporation does not preclude the approval by the governing body of the articles of incorporation of additional corporations that have names or designations sufficient to distinguish them from previously created corporations. A governing body that creates the joint corporation may not later create a corporation that has the power to make home mortgages or to make loans to lending institutions, the proceeds of which are to be used to make home mortgages or to make loans on residential

developments.

(d) Each incorporator or director of the joint housing finance corporation must reside in a sponsoring local government. The initial directors of the joint corporation shall be appointed by all the sponsoring local governments. Succeeding directors shall be appointed by one or more of the sponsoring local governments as provided in the articles of incorporation or the bylaws of the joint corporation.

(e) The sponsoring local governments of the joint housing finance corporation are considered to be one local government for the purposes of this chapter. If the action of the governing body of a local government is required, this chapter requires the action to be taken by the governing body of each sponsoring local government of the joint corporation.

(f) The joint housing finance corporation has all the powers granted to a housing finance corporation under this chapter. The joint corporation acts on behalf of each of the sponsoring local governments as provided by the articles of incorporation.

(g) The net earnings of the joint housing finance corporation and funds and properties of the joint housing finance corporation on dissolution shall be disbursed to the sponsoring local governments as provided by the articles of incorporation.

(h) For the purposes of determining the applicable population for Section [1372.026](#), Government Code, the joint housing finance corporation may only consider areas in its own state planning region.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1997, 75th Leg., ch. 1420, Sec. 10, eff. June 20, 1997; Acts 2001, 77th Leg., ch. 1420, Sec. 8.344, eff. Sept. 1, 2001.

Sec. 394.013. INCORPORATORS. Three or more residents of the local government who are at least 18 years of age may act as incorporators of the housing finance corporation by signing, verifying, and delivering in duplicate to the secretary of state the articles of incorporation for the corporation. An incorporator may be a member of the governing body, an officer, or an employee of the local government.

Sec. 394.014. ARTICLES OF INCORPORATION. (a) The articles of incorporation of the housing finance corporation must contain:

- (1) the name of the corporation;
- (2) a statement that the corporation is a public, nonprofit corporation;
- (3) the period of duration, which may be perpetual;
- (4) a statement that the corporation is organized solely to carry out the purposes of this chapter;
- (5) a statement that the corporation is to have no members;
- (6) any provision not inconsistent with law, including any provision required or permitted under this chapter to be included in the bylaws, for the regulation of the internal affairs of the corporation;
- (7) the street address of the corporation's initial registered office, which must be located in the local government, and the name of its initial registered agent at that address;
- (8) the number of directors constituting the initial board of directors and the names and addresses of those directors, with a statement that each of them resides in the local government;
- (9) the name and street address of each incorporator with a statement that each of them resides in the local government; and
- (10) a statement that a resolution approving the form of the articles of incorporation has been adopted by the governing body of the local government and the date of the adoption of the resolution.

(b) A housing finance corporation may exercise any power prescribed by this chapter regardless of whether the power is stated in its articles of incorporation. The articles may prohibit the exercise of any power prescribed by this chapter.

(c) Unless the articles of incorporation provide that a change in the number of directors may be made only by amendment to the articles, a change in the number of directors may be made by an amendment to the bylaws. In all other cases if a provision of the

articles is inconsistent with the bylaws, the articles provision controls.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.015. FILING OF ARTICLES OF INCORPORATION; ISSUANCE OF CERTIFICATE OF INCORPORATION. (a) Duplicate originals of the articles of incorporation must be delivered to the secretary of state. If the secretary of state finds that the articles of incorporation conform to this chapter, the secretary shall, when a \$25 fee is paid:

(1) endorse on each duplicate original the word "Filed" and the date of the filing;

(2) file one of the duplicate originals in the office of the secretary of state; and

(3) issue a certificate of incorporation, to which the secretary shall affix the other duplicate original.

(b) The secretary of state shall deliver the certificate of incorporation, with the affixed duplicate original, to the incorporators or their representatives.

(c) On the issuance of the certificate of incorporation, corporate existence begins. The certificate of incorporation is conclusive evidence that all conditions precedent required to be performed by the local government and the incorporators have been met and that the housing finance corporation is properly incorporated under this chapter.

(d) The housing finance corporation constitutes a public instrumentality and a nonprofit corporation under the name stated in the articles of incorporation. The corporation does not constitute a municipality, county, or other political corporation or subdivision of this state. The corporation may issue bonds and carry out the public purposes for which it is incorporated on behalf of and for the benefit of the general public, the local government, and this state.

(e) A copy of the articles of incorporation shall be delivered to the Texas Department on Aging.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.016. AMENDMENT OF ARTICLES OF INCORPORATION. (a) The articles of incorporation may be amended at any time in the manner provided by this section.

(b) The board of directors of the housing finance corporation may file a written application with the governing body of the local government requesting permission to amend the articles and specifying the proposed amendment. The governing body shall consider the application. If the governing body by resolution determines that the making of an amendment is wise, expedient, necessary, or advisable, authorizes the amendment, and approves the form of the amendment the board of directors may amend the articles by adopting the amendment at a meeting and delivering articles of amendment to the secretary of state.

(c) At a meeting, the governing body in its sole discretion may amend the articles of incorporation to change the structure, organization, programs, or activities of the housing finance corporation, including the power to terminate the corporation, subject to any limitation on the impairment of contracts. The governing body shall deliver the articles of amendment to the secretary of state.

(d) The articles of amendment must be executed in duplicate. The president or vice-president of the housing finance corporation and the secretary or assistant secretary of the corporation must execute articles of amendment adopted by the board of directors. The presiding officer of the governing body of the local government and the local government's secretary or clerk must execute articles of amendment adopted by the governing body. The articles of amendment must be verified by one of the officers signing the articles. The articles of amendment must contain:

(1) the name of the corporation;

(2) if the amendment alters an original or amended provision of the articles of incorporation, an identification by reference to or description of the altered provision and a statement of the text as amended;

(3) if the amendment is an addition to the original or amended articles of incorporation, a statement of that fact and the full text of the added provision; and

(4) the date of the meeting of the board of directors or the governing body at which the amendment was adopted and a statement that the amendment received a majority vote of the corporation's directors or the governing body's members in office. Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.017. FILING OF ARTICLES OF AMENDMENT; ISSUANCE OF CERTIFICATE OF AMENDMENT. (a) Duplicate originals of the articles of amendment must be delivered to the secretary of state. If the secretary of state finds that the articles of amendment conform to law, the secretary shall, when a \$25 fee is paid:

(1) endorse on each duplicate original the word "Filed" and the date of the filing;

(2) file one of the duplicate originals in the office of the secretary of state; and

(3) issue a certificate of amendment, to which the secretary shall affix the other duplicate original.

(b) The secretary of state shall deliver the certificate of amendment, with the affixed duplicate original, to the housing finance corporation or its representative.

(c) On the issuance of the certificate of amendment, the amendment takes effect and the articles of incorporation are amended accordingly.

(d) An amendment does not affect an existing cause of action or any pending action to which the housing finance corporation is a party, or the existing rights of persons other than members. If the amendment changes the housing finance corporation's name, the change does not abate a suit brought by or against the corporation under its former name.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

SUBCHAPTER C. CORPORATE ADMINISTRATION AND OPERATION

Sec. 394.021. BOARD OF DIRECTORS. (a) A housing finance corporation must have a board of directors in which all the powers of the corporation are vested. The board may consist of any number of directors, all of whom must be residents of the local government.

A director may be a member of the governing body, an officer, or an employee of the local government.

(b) Members of the initial board of directors hold office for the period specified in the articles of incorporation. After the initial directors, the governing body of the local government shall appoint directors in the manner and for the terms provided by the articles of incorporation or the bylaws. Directors may be divided into classes, and the terms of office of the various classes may differ.

(c) Each director shall hold office for the term for which the director is elected or appointed and until the director's successor is elected or appointed and has qualified. A director may be removed from office under any removal procedure provided by the articles of incorporation or the bylaws. The governing body shall fill any vacancy in the board of directors by appointment in the manner provided by the articles of incorporation or the bylaws.

(d) A majority of the directors constitutes a quorum. The directors may take action by a majority vote when a quorum is present. Board meetings may be held inside or outside this state. A regular meeting may be held with or without notice as provided by the bylaws. A special meeting may be held on notice as provided by the bylaws.

(e) The officers of a housing finance corporation consist of a president, one or more vice-presidents, a secretary, a treasurer, and other officers and assistant officers as considered necessary. Each officer shall be elected or appointed in the manner and for the term provided by the articles of incorporation or the bylaws.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.022. ORGANIZATIONAL MEETING. (a) After the issuance of the certificate of incorporation, the board of directors named in the articles of incorporation, at the call of a majority of the incorporators, shall hold an organizational meeting to adopt bylaws, elect officers, and consider other issues that come before the meeting. The meeting may be held inside or outside this state.

(b) The incorporators who call the meeting must give at

least three days' notice of the meeting to each director by mailing to the director a notice that states the time and place of the meeting.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.023. DISPOSITION OF CORPORATE EARNINGS. (a) The housing finance corporation may not pay dividends. The net earnings of the corporation may not be distributed to or benefit the directors or officers of the corporation or any person except as reasonable compensation for services rendered to the corporation.

(b) If the board of directors determines that sufficient provision has been made for full payment of the expenses, bonds, and other obligations of the corporation, any net corporate earnings accruing after the determination shall be paid to the local government. The local government shall use amounts received under this subsection only to provide for the housing needs of individuals and families of low and moderate incomes, including single-family units and mixed income multifamily projects found by the local government to serve the interests of low and moderate income individuals and families if the single-family and multifamily projects have as a major purpose the provision of safe, sanitary, and decent housing for individuals and families of low income.

(c) This section does not prohibit the board of directors from transferring corporate property as provided by a contract made by the corporation.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1995, 74th Leg., ch. 951, Sec. 7, eff. June 16, 1995.

Sec. 394.024. REGISTERED OFFICE AND AGENT. The housing finance corporation shall maintain a registered office and a registered agent as provided by Article 2.05, Texas Non-Profit Corporation Act (Article 1396-2.05, Vernon's Texas Civil Statutes). The corporation may change its registered office or agent as provided by Article 2.06 of that Act. Process may be served on the corporation as provided by Article 2.07 of that Act.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.025. CORPORATE BOOKS AND RECORDS. A housing finance corporation shall keep complete books and records of account and shall keep minutes of the proceedings of its board of directors.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.026. DISSOLUTION OF CORPORATION. (a) If the board of directors determines by resolution that the purposes for which the housing finance corporation was formed have been substantially met and that all bonds issued by and all obligations incurred by the corporation have been fully paid, the directors shall execute a certificate of dissolution stating those facts and declaring that the corporation is dissolved. The directors shall file the certificate for recording in the office of the secretary of state. The directors shall execute the certificate under the corporation's seal.

(b) On the filing of the certificate of dissolution, the corporation is dissolved. The title to all funds and property owned by the corporation at the time of dissolution vests in the local government to be used exclusively by the local government to provide for the housing needs of individuals and families of low and moderate incomes, including single-family units and mixed income multifamily projects found by the local government to serve the interests of low and moderate income individuals and families if the single-family and multifamily projects have as a major purpose the provision of safe, sanitary, and decent housing for individuals and families of low income. The funds and property shall be promptly delivered to the local government.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1995, 74th Leg., ch. 951, Sec. 8, eff. June 16, 1995.

Sec. 394.027. ANNUAL REPORT. (a) Before August 31 of each year, a housing finance corporation shall file with the Texas Department of Housing and Community Affairs a report in accordance with this section. The department by rule shall prescribe the form of the report.

(b) The report must include for each single-family home mortgage loan made by the housing finance corporation during the preceding 12 months ending June 30 of the year the report is filed, the data reported by originating lenders under the Federal Home Mortgage Disclosure Act.

(c) The report must include for persons residing in multifamily housing units financed by the housing finance corporation information similar to the geographic and demographic information contained in the Texas Department of Housing and Community Affairs compliance monitoring form and tenant income certification, including household size, total household income, and project location.

Added by Acts 1995, 74th Leg., ch. 951, Sec. 9, eff. June 16, 1995.

SUBCHAPTER D. CORPORATE POWERS

Sec. 394.031. EXERCISE OF POWERS; AREA OF OPERATION. (a) A housing finance corporation may exercise any powers incidental to or necessary for the performance of the powers prescribed by this subchapter and may exercise other powers necessary or appropriate to carry out the purposes for which the corporation is organized.

(b) A housing finance corporation may exercise powers under this chapter by resolution of the board of directors. The resolution takes effect immediately on adoption.

(c) Subject to Subsection (d), the area in which a housing finance corporation may own real property for residential development or engage in residential development is limited to:

(1) for a housing finance corporation sponsored by a municipality under Section 394.011, the boundaries of the municipality that sponsored the corporation;

(2) for a housing finance corporation sponsored by a county under Section 394.011, the boundaries of the county that sponsored the corporation; or

(3) for a housing finance corporation sponsored by more than one local government under Section 394.012:

(A) the boundaries of each municipal sponsor of the corporation; and

(B) the boundaries of each county sponsor of the corporation.

(d) A housing finance corporation may own real property for residential development or engage in residential development outside an area described by Subsection (c) only if a resolution or order, as applicable, approving that ownership or development in the outside area is adopted by the governing bodies of:

(1) each municipality that contains any part of the outside area in which the corporation proposes to own real property for residential development or engage in residential development;

(2) for a residential development or home located in the unincorporated area of a county, each county that contains any part of the outside area in which the corporation proposes to own real property for residential development or engage in residential development; and

(3) any housing finance corporation sponsored by a municipality or county described by Subdivision (1) or (2), as applicable.

(e) This section does not prohibit or limit a housing finance corporation from owning real property outside an area described by Subsection (c) or (d) if the property is not owned for purposes of residential development.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Amended by:

Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. 21), Sec. 3, eff. May 28, 2025.

Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. 21), Sec. 4, eff. May 28, 2025.

Sec. 394.032. GENERAL POWERS. (a) A housing finance corporation may:

(1) make contracts and other instruments as necessary or convenient to the exercise of powers under this chapter;

(2) incur liabilities;

(3) borrow money at rates determined by the corporation;

(4) issue notes, bonds, and other obligations; and

(5) secure any of its obligations by the mortgage or pledge of all or part of the corporation's property, franchises, and income.

(b) A housing finance corporation may plan, research, study, develop, and promote the establishment of residential development.

(c) A housing finance corporation may make donations for the public welfare or for charitable, scientific, or educational purposes.

(d) A housing finance corporation may enter into contracts to perform services for any other housing finance corporation or any individual or entity acting on behalf of any other housing finance corporation or, with respect to residential development, any housing authority, nonprofit enterprise, or similar entity.

(e) 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, including its authority to issue bonds for those purposes.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1989, 71st Leg., ch. 258, Sec. 1, eff. Aug. 28, 1989; Acts 1997, 75th Leg., ch. 1420, Sec. 11, eff. June 20, 1997.

Amended by:

Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. [21](#)), Sec. 5, eff. May 28, 2025.

Sec. 394.033. CORPORATE NAME; DURATION; SEAL. (a) A housing finance corporation may have perpetual succession under its corporate name, unless a limited period of duration is stated in the articles of incorporation, and may sue and be sued, and complain and defend, under its corporate name.

(b) A housing finance corporation may have a corporate seal, which may be altered at will, and may use the seal by causing it, or a facsimile of it, to be impressed on, affixed to, or otherwise reproduced on any instrument required to be executed by the corporation's officers.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.034. OFFICERS; AGENTS. A housing finance corporation may elect or appoint corporate officers or agents for a period determined by the corporation, define their duties, and may set their compensation.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.035. BYLAWS. A housing finance corporation may make, amend, and repeal bylaws, not inconsistent with the articles of incorporation or this chapter, for the administration and regulation of the corporation's affairs.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.036. ACCEPTANCE OF FINANCIAL ASSISTANCE. (a) A housing finance corporation may apply for and accept, on its own behalf or on behalf of another person, advances, loans, grants, contributions, guarantees, rent supplements, mortgage assistance, and other forms of financial assistance from the federal government, the state, a county, a municipality, or any other public or quasi-public body, corporation, or foundation, or from any other public or private source, for any of the purposes of this chapter.

(b) The corporation may include reasonable and appropriate terms, not inconsistent with the purposes of this chapter, in any contract for financial assistance obtained under this section.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.037. BONDS. (a) A housing finance corporation may issue bonds to defray, in whole or in part:

(1) the development costs of a residential development;

(2) the costs of purchasing or funding the making of home mortgages, either on a first-come, first-served basis or by selling lender commitments, including the costs of studies and surveys, insurance premiums, financial advisory services, mortgage banking services, administrative services, underwriting fees,

legal services, accounting services, and marketing services incurred in connection with the issuance and sale of the bonds, including bond and interest reserve accounts, capitalized interest accounts, and trustee, custodian, and rating agency fees; or

(3) any other costs associated with the provision of decent, safe, and sanitary housing and nonhousing facilities that are an integral part of or are functionally related to an affordable housing project.

(a-1) A housing finance corporation may issue bonds under this chapter for a purpose described by Subsection (a) only to finance or support a residential development or home that is located or will be constructed:

(1) within the boundaries of a local government in which a housing finance corporation is permitted to own real property for residential development or engage in residential development under Section [394.031\(c\)](#); or

(2) outside the boundaries of a local government described by Subdivision (1) if a resolution or order, as applicable, approving the issuance of bonds is adopted by the governing body of:

(A) each municipality that contains any part of the residential development or home; and

(B) for a residential development or home located in the unincorporated area of a county, each county that contains any part of the residential development or home.

(b) The corporation may pledge all or a part of the revenues, receipts, or resources of the corporation, including any revenues or receipts received from residential development or home mortgages, to the prompt payment of bonds authorized under this chapter and to the interest and any redemption premiums on those bonds. It may issue bonds to refund in whole or in part at any time any bonds previously issued under this chapter by the corporation.

(c) The corporation may designate appropriate names for bonds issued under this chapter.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1997, 75th Leg., ch. 1420, Sec. 12, eff. June 20, 1997; Acts 2001, 77th Leg., ch. 113, Sec. 2, eff. May 11, 2001.

Amended by:

Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. [21](#)), Sec. 6, eff. May 28, 2025.

Sec. 394.038. ACQUISITION OF SHARES OR OBLIGATIONS. A housing finance corporation may purchase, receive, subscribe for, or otherwise acquire, own, hold, vote, use, employ, mortgage, lend, pledge, sell, or otherwise dispose of, and otherwise use and deal in and with:

(1) shares and other interests in or obligations of other domestic or foreign corporations, whether profit or nonprofit, associations, partnerships, or individuals; or

(2) direct or indirect obligations of the United States or of any other government, state, political subdivision of a state, territory, government district, or any instrumentality of such a governmental entity.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.039. SPECIFIC POWERS RELATING TO FINANCIAL AND PROPERTY TRANSACTIONS. Subject to Sections [394.031](#)(c), (d), and (e), a housing finance corporation may:

(1) lend money for its corporate purposes, invest and reinvest its funds, and take and hold real or personal property as security for the payment of the loaned or invested funds;

(2) mortgage, pledge, or grant security interests in any residential development, home mortgage, note, or other property in favor of the holders of bonds issued for those items;

(3) purchase, receive, lease, or otherwise acquire, own, hold, improve, use, or deal in and with real or personal property or interests in that property, as required by the purposes of the corporation or as donated to the corporation; and

(4) sell, convey, mortgage, pledge, lease, exchange, transfer, and otherwise dispose of all or part of its property and assets.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Amended by:

Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. [21](#)), Sec. 7, eff.

May 28, 2025.

Sec. 394.040. TRANSACTIONS WITH LENDING INSTITUTIONS. (a) A housing finance corporation may make, contract to make, but is not required to make, and enter into advance commitments to make home mortgages originated, administered, and serviced by lending institutions. It may pay the reasonable value of services rendered under those contracts. It may acquire, contract to acquire, and enter into advance commitments to acquire, by assignment or other means, home mortgages owned by lending institutions at purchase prices and on other terms determined by the corporation or its agent.

(b) The corporation may require each lending institution from which home mortgages are proposed to be purchased or to which loans are made to submit evidence satisfactory to the corporation of the ability and intention of the lending institution to make home mortgages, and require the submission, within the time specified by the corporation for making disbursements for home mortgages, of evidence satisfactory to the corporation of the making of home mortgages and of the compliance with the standards and requirements established by the corporation under Section [394.041](#).

(c) The corporation may make loans to lending institutions under terms that, in addition to other provisions determined by the corporation, require:

(1) the institutions to use substantially all of the net proceeds of the loans, directly or indirectly, to make home mortgages in an aggregate principal amount substantially equal to the amount of the net proceeds; and

(2) the loans to be fully secured, to the extent not secured by home mortgages, in the same manner as deposits of public funds of the local government.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1997, 75th Leg., ch. 1420, Sec. 13, eff. June 20, 1997.

Sec. 394.041. STANDARDS FOR MORTGAGES OR LOANS. A housing finance corporation may establish by rule, in resolutions or financing documents relating to the issuance of bonds, standards

and requirements applicable to making or purchasing home mortgages or making loans to lending institutions as considered necessary or desirable by the corporation, including standards and requirements related to:

(1) the time within which lending institutions must make commitments and disbursements for home mortgages;

(2) the location and other characteristics of homes financed by home mortgages;

(3) the terms of home mortgages made or acquired;

(4) the amounts and types of insurance coverage required on homes, home mortgages, and bonds;

(5) the representations and warranties of lending institutions confirming compliance with the standards and requirements;

(6) restrictions as to interest rates and other terms of home mortgages or as to the return realized on those mortgages by lending institutions;

(7) the type and amount of collateral security required on a loan from the corporation and to assure repayment of bonds; and

(8) other matters regarding the making or purchasing of home mortgages or the making of loans to lending institutions as the corporation considers relevant.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.042. DISPOSAL OF RESIDENTIAL DEVELOPMENTS OR HOME MORTGAGES. (a) A housing finance corporation may sell and convey any residential development or home mortgage, including a sale and conveyance subject to a mortgage, pledge, or security interest, as provided in the resolution relating to the issuance of bonds and for the prices and at the times determined by the board of directors.

(b) The corporation may rent, lease, sell, or otherwise dispose of any residential development or home mortgages in whole or in part, or lend sufficient funds to any person to defray in whole or in part the development costs of any residential development or the costs of purchasing home mortgages, so that the rent or other revenue derived from the residential development or

home mortgages, combined with any insurance proceeds, reserve accounts, and earnings on those accounts, is designed to produce revenues and receipts at least sufficient to provide for the prompt payment on maturity of principal, interest, and any redemption premiums on bonds issued to finance those costs.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

SUBCHAPTER E. HOUSING FINANCE CORPORATION BONDS

Sec. 394.051. BONDS; INVESTMENT. (a) A housing finance corporation may issue its bonds by resolution of the board of directors for the purposes prescribed by this chapter. The resolution takes effect immediately on adoption. The bonds bear interest at a rate authorized by Chapter 1204, Government Code, and are subject to the following terms provided by the resolution:

- (1) the time at which the bonds are payable;
- (2) the number of series in which the bonds are issued;
- (3) the dates that the bonds bear;
- (4) the time of maturity of the bonds;
- (5) the medium of payment and the place of payment of the bonds;
- (6) any registration privileges;
- (7) terms of redemption at certain premiums;
- (8) manner of execution of the bonds;
- (9) covenants and other terms of the bonds; and
- (10) the form of the bonds, either coupon or registered.

(b) The bonds may be sold at public or private sale in the manner and on the terms provided by the resolution. Pending the preparation of definitive bonds, any interim receipts or certificates in the form and with the provisions provided by the resolution may be issued to the purchasers of bonds sold under this chapter.

(c) The aggregate principal amount of bonds that a housing finance corporation may issue in a calendar year to defray costs described by Section 394.037(a)(2) may not exceed the total of:

- (1) the cost of issuance of the bonds, any reserves or

capitalized interest required by the resolutions authorizing the bonds, plus any bond discounts; and

(2) the largest of:

(A) \$20 million;

(B) the product of \$150 and the population of the local government as determined by the corporation's rules, resolutions relating to the issuance of bonds, or financing documents relating to the issuance of the bonds; or

(C) an amount equal to 25 percent of the total dollar amount of the market demand for home mortgages during that calendar year as determined by the corporation's rules, resolutions relating to the issuance of bonds, or financing documents relating to the issuance of the bonds.

(d) A determination made under Subsection (c)(2)(B) or (c)(2)(C) is conclusive.

(e) The housing finance corporation shall notify the Texas Department on Aging of each bond issuance and shall deliver to the department a copy of each certificate of resolution authorizing the issuance and any other information required by the department.

(f) The housing finance corporation, or any trustee or custodian on behalf of the corporation, may invest any funds held by it as provided by the resolution authorizing the issuance of the bonds.

(g) The housing finance corporation is not required to acquire or hold title to a residential development, a home mortgage, or any interest in the development or mortgage.

(h) The housing finance corporation is not required to sell commitments to lenders to originate home mortgages. A housing financing corporation may establish a program so that lenders will utilize the proceeds of the bonds to originate home mortgages on a first-come, first-served basis.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1997, 75th Leg., ch. 1420, Sec. 14, eff. June 20, 1997; Acts 2001, 77th Leg., ch. 1420, Sec. 8.345, eff. Sept. 1, 2001.

Sec. 394.052. BOND COVENANTS. (a) A resolution authorizing the issuance of bonds under this chapter may contain

covenants relating to:

(1) the use and disposition of the bond proceeds and of the revenue and receipts from any residential development or home mortgages for which the bonds are issued, including the creation and maintenance of reserves;

(2) the issuance of other or additional bonds relating to any residential development or to any rehabilitation, improvement, renovation, or enlargement of, or addition to, a residential development;

(3) the maintenance and repair of a residential development or any homes;

(4) the insurance carried on any residential development, home, home mortgage, or bonds, and the use and disposition of insurance money;

(5) the appointment of one or more banks or trust companies located inside or outside this state that have the necessary trust powers as trustee or custodian for the benefit of the bondholders, paying agent, or bond registrar, and the investment of any funds held by the trustee or custodian;

(6) the appointment of one or more mortgage bankers to provide necessary administrative and mortgage servicing functions to assure the proper administration of the corporation's portfolio of home mortgage loans for the benefit of the bondholders;

(7) the maximum interest rate payable on any home mortgage; and

(8) the terms on which the bondholders or the trustees for the bonds are entitled to the appointment of a receiver by a court of competent jurisdiction.

(b) The terms established under Subsection (a)(8) relating to the appointment of a receiver may provide that the receiver may:

(1) enter and take possession of all or part of the residential development or home mortgage;

(2) maintain, lease, sell, or otherwise dispose of the development or mortgage;

(3) prescribe rentals or other payments; and

(4) collect, receive, and apply all income and other revenues that arise from the development or mortgage after the

receiver takes possession.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.053. VALIDITY OF BONDS; SIGNATURES. (a) Bonds issued under this chapter must bear the actual or facsimile signature of the housing finance corporation's officers designated in the resolution authorizing the bonds. The validity of a signature of an officer of the corporation is not affected by the fact that before the delivery of the bond or its payment, a person whose signature appears on the bond ceases to be an officer.

(b) The validity of the bonds is not dependent on or affected by the validity or regularity of any proceedings relating to the residential development or home mortgages for which the bonds are issued.

(c) The resolution authorizing the bonds may require that the bonds contain a statement that they are issued under this chapter. The statement is conclusive evidence of the validity of the bonds and the regularity of their issuance.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.054. SECURITY FOR BONDS. (a) A resolution authorizing the issuance of bonds under this chapter may require that the principal of and interest on the bonds be secured by a mortgage, pledge, security interest, insurance agreement, or indenture of trust that covers the residential development or home mortgages for which the bonds are issued and may include any improvements or extensions made after the bonds are issued. A security instrument may contain covenants and agreements to properly safeguard the bonds as provided by the resolution authorizing the bonds and shall be executed in the manner provided by the resolution.

(b) This chapter, the resolution, and the mortgage, pledge, security interest, or indenture of trust constitute a contract with the bondholders that continues in effect until the principal of and interest on the bonds and any redemption premiums have been fully paid or provision for payment has been made.

(c) The resolution, the mortgage, pledge, security

interest, or indenture of trust, and the duties under this chapter of the housing finance corporation and its officers and other authorities are enforceable as provided by the resolution, the instrument, or this chapter by any bondholder by mandamus, by foreclosure of the mortgage, pledge, security interest, or indenture of trust, or by any other appropriate action in a court of competent jurisdiction. The resolution or the mortgage, pledge, security interest, or indenture of trust may provide that the remedies and rights to enforcement may be vested in a trustee, with full power of appointment, for the benefit of all the bondholders. The trustee is subject to the control of a number of bondholders or bond owners as provided in the resolution or instrument.

(d) Bonds issued under this chapter may be secured by a pledge of or a lien on all or part of the revenues, receipts, or other resources of the housing finance corporation, including the revenues and receipts derived from the residential development or home mortgages or from any notes or other obligations of lending institutions with respect to which the bonds have been issued. The board of directors may provide in the resolution authorizing the bonds for the issuance of additional bonds equally and ratably secured by a lien on the revenues and receipts or may provide that the lien on the revenues and receipts is subordinate. Subordinate lien bonds may also be issued unless prohibited by a bond resolution.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.055. LIABILITY FOR BONDS AND CONTRACTS; DEBT NOT CREATED. (a) Bonds issued under this chapter are limited obligations of the housing finance corporation and are payable solely from the revenue, receipts, and other resources pledged to their payment. A bondholder may not compel the local government to pay the bond, the interest, or any redemption premium.

(b) The local government and this state are not liable in any way regarding bonds issued by the housing finance corporation. An agreement or obligation of the corporation does not constitute, within the meaning of a statutory or constitutional provision, an agreement, obligation, or debt of the state or the local

government.

(c) The bonds do not constitute, within the meaning of a statutory or constitutional provision, an indebtedness, an obligation, or a loan of credit of the state, the local government, or any other municipality, county, or other municipal or political corporation or subdivision of the state. The bonds do not create a moral obligation on the part of any of those governmental entities with respect to the payment of the bonds. Those governmental entities may not make payments with respect to the bonds.

(d) The face of each bond must plainly state that it has been issued under this chapter and that it does not constitute, within the meaning of any statutory or constitutional provision, an indebtedness, an obligation, or a loan of credit of the state, the local government, or any other municipality, county, or other municipal or political corporation or subdivision of the state.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.056. BOND AS SECURITY. (a) A bond issued under this chapter or a coupon representing interest on the bond is, when delivered, a security as that term is defined under Chapter 8 of the Uniform Commercial Code (Chapter 8, Title 1, Business & Commerce Code) and is an exempt security under The Securities Act (Title 12, Government Code).

(b) A contract made under this chapter is not a security under The Securities Act.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 491 (H.B. 4171), Sec. 2.36, eff. January 1, 2022.

Sec. 394.057. BOND AS AUTHORIZED INVESTMENT OR AS SECURITY FOR DEPOSIT. (a) Bonds issued under this chapter are legal and authorized investments for any bank, savings bank, trust company, savings and loan association, insurance company, fiduciary, trustee, guardian, or sinking fund of a municipality, county, school district, or other political corporation or subdivision of the state.

(b) The bonds are eligible to secure the deposit of any public funds of this state or of a municipality, county, school district, or other political corporation or subdivision of the state, and are lawful and sufficient securities for the deposits at face value if accompanied by all unmatured coupons, if any, appurtenant to the bonds.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

SUBCHAPTER Z. MISCELLANEOUS PROVISIONS

Sec. 394.901. DESIGNATION OF AREA AS ECONOMICALLY DEPRESSED OR BLIGHTED; NOTICE. (a) To designate an area as economically depressed or blighted under the meaning provided by Section [394.003](#)(3)(B) or (C), the governing body of the affected municipality must hold a public hearing and must find that the area substantially impairs or arrests the sound growth of the municipality or that it constitutes an economic or social liability and is, in its current condition and use, a menace to the public health, safety, morals, or welfare.

(b) The governing body shall give notice of the hearing as provided by Chapter [551](#), Government Code, except that the notice must be published at least 10 days before the date of the hearing.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987. Amended by Acts 1995, 74th Leg., ch. 76, Sec. 5.95(78), eff. Sept. 1, 1995.

Sec. 394.902. HOUSING FOR ELDERLY. (a) The housing finance corporation shall require that at least five percent of the units in a multifamily residential development be built or renovated and be reserved for the lifetime of the development for occupancy by elderly persons of low income or by families of low or moderate income in which an elderly person is the head of a household if the development:

(1) contains at least 20 units; and

(2) is financed by bonds issued under this chapter as a result of an official decision to issue bonds that occurs on or after January 1, 1986.

(b) Instead of requiring a reservation of units as required

under Subsection (a), the housing finance corporation may collect a fee equal to one-tenth percent of the total principal amount of the loan made for the multifamily residential development. The corporation shall collect the fee from the person who receives the loan at the time the loan is delivered. Immediately after the receipt of the fee, the corporation shall remit the fee to the Texas Department on Aging. The department shall deposit all funds received under this subsection to the credit of a special account in the general revenue fund. Funds in the special account may be used only to assist in obtaining housing for elderly persons or families in which an elderly person is the head of a household.

(c) If the housing finance corporation requires a reservation under Subsection (a), the design engineer for the development must certify to the corporation that the reserved units in the development meet standards set by the Texas Department on Aging for elderly persons.

(d) The governing body of the local government that authorizes, sponsors, or otherwise participates in the creation of the housing finance corporation shall cooperate with the Texas Department on Aging to implement this section and shall submit to the department an annual report relating to the number of developments financed under this chapter, the number of units reserved for the elderly persons or for families in which an elderly person is the head of the household, the amount of fees collected, and other information required by the department.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.9025. MULTIFAMILY RESIDENTIAL DEVELOPMENT.

(a) Following a public hearing by the governing body of the applicable local government, a housing finance corporation may, subject to the geographic limitations of Section [394.037\(a-1\)](#), issue bonds to finance a multifamily residential development to be owned by the housing finance corporation if:

(1) at least 50 percent of the units in the multifamily residential development are reserved for occupancy by individuals and families earning less than 80 percent of the area median family income; or

(2) the units in the multifamily residential development are reserved in the manner provided by Section [394.9026](#)(c)(1).

(b) Following a public hearing by the governing body of the applicable local government, a housing finance corporation may, subject to the geographic limitations of Section [394.037](#)(a-1), issue bonds to finance a multifamily residential development to be owned by the housing finance corporation in accordance with Section [394.004](#) if the housing finance corporation receives approval of the governing body of the local government.

Added by Acts 2001, 77th Leg., ch. 1493, Sec. 3, eff. Aug. 31, 2002.

Amended by:

Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. [21](#)), Sec. 8, eff. May 28, 2025.

Sec. 394.9026. ADDITIONAL CONDITIONS FOR BENEFICIAL AD VALOREM TAX TREATMENT RELATING TO CERTAIN MULTIFAMILY RESIDENTIAL DEVELOPMENTS. (a) In this section:

(1) "Housing choice voucher program" means the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S.C. Section 1437f).

(2) "Housing finance corporation user" means:

(A) a housing finance corporation; or

(B) for a multifamily residential development that is not owned directly by a housing finance corporation, a public-private partnership entity or a developer or other person or entity that has an ownership interest or a leasehold or other possessory interest in multifamily residential development financed or supported by a housing finance corporation.

(3) "Lower income housing unit" means a residential unit reserved for occupancy by an individual or family earning not more than 60 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development.

(4) "Maximum market rent" means, with respect to a particular income-restricted unit, the average annual rent charged for all non-income-restricted units in the development having the

same or substantially similar floor plan as the income-restricted unit.

(5) "Middle income housing unit" means a residential unit reserved for occupancy by an individual or family earning not more than 100 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development.

(6) "Moderate income housing unit" means a residential unit reserved for occupancy by an individual or family earning not more than 80 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development.

(7) "Multifamily residential development" means any residential development consisting of four or more residential units intended for occupancy as rentals, regardless of whether the units are attached or detached.

(8) "Rent" means any recurring fee or charge a tenant is required to pay as a condition of occupancy, including a fee or charge for the use of a common area or facility reasonably associated with residential rental property. The term does not include fees and charges for services or amenities that are optional for a tenant, such as pet fees and fees for storage or covered parking.

(9) "Rent reduction" means the projected difference between the rent charged for an income-restricted unit and the maximum market rent that could be charged for that same unit without the income restrictions.

(10) "Very low income housing unit" means a residential unit reserved for occupancy by an individual or family earning not more than 50 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development.

(b) This section does not apply to a multifamily residential development that is the recipient of a low income housing tax credit allocated under Subchapter DD, Chapter 2306, Government Code.

(c) Subject to Subsection (g), an ad valorem tax exemption under Section 394.905 for a multifamily residential development

owned by a housing finance corporation is available only if the other requirements of this chapter are satisfied and if:

(1) at least:

(A) 10 percent of the units in the development are reserved for occupancy as lower income housing units and at least 40 percent of the units in the development are reserved for occupancy as moderate income housing units; or

(B) 10 percent of the units in the development are reserved for occupancy as very low income housing units and at least 40 percent of the units in the development are reserved for occupancy as middle income housing units;

(2) the rent reduction at the development in the preceding tax year was:

(A) not less than 50 percent of the amount of the estimated ad valorem taxes that would have been imposed on the applicable property in the same preceding tax year if the property did not receive an exemption from those taxes under Section [394.905](#), beginning with:

(i) for a multifamily residential development that is acquired by the corporation, the first tax year after the tax year that the corporation acquires the development; and

(ii) for a newly constructed multifamily residential development not described by Subparagraph (i), the first tax year after the tax year in which construction first begins on the development; or

(B) less than 50 percent of the amount of the estimated ad valorem taxes described by Paragraph (A) beginning with the tax year specified by that paragraph, but the housing finance corporation user paid to each taxing unit authorized to impose ad valorem taxes on the applicable property for the applicable tax year an amount equal to that taxing unit's pro rata share of the rent reduction shortfall that exists based on the difference between the minimum rent reduction amount described by Paragraph (A) and the amount of actual rent reduction at the development in the preceding tax year;

(3) the income-restricted residential units in the

development have the same unit finishes and equipment and access to community amenities and programs as residential units that are not income-restricted;

(4) the percentage of very low, lower, moderate, and middle income housing units reserved in each category of income-restricted residential units in the development, based on the number of bedrooms per unit, is the same as the percentage of each category of income-restricted residential units reserved in the development as a whole;

(5) the monthly rent charged per unit does not exceed:

(A) for a very low income housing unit, 30 percent of 50 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development;

(B) for a lower income housing unit, 30 percent of 60 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development;

(C) for a moderate income housing unit, 30 percent of 80 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development; or

(D) for a middle income housing unit, 30 percent of 100 percent of the area median income, adjusted for family size, as defined by the United States Department of Housing and Urban Development;

(6) the housing finance corporation user and the development do not:

(A) refuse to rent a residential unit in the development to an individual or family because the individual or family participates in the housing choice voucher program; or

(B) use a financial or minimum income standard that requires an individual or family participating in the housing choice voucher program to have a monthly income of more than 250 percent of the individual's or family's share of the total monthly rent payable for a unit;

(7) the housing finance corporation user causes to be

published on the Internet website of the development information about the development's policies regarding tenant participation in the housing choice voucher program;

(8) the housing finance corporation user for the development:

(A) affirmatively markets available residential units directly to individuals and families participating in the housing choice voucher program; and

(B) notifies local housing authorities of the development's acceptance of tenants in the housing choice voucher program; and

(9) each lease agreement for an income-restricted residential unit in the development provides that:

(A) the landlord may not retaliate against the tenant or the tenant's guests by taking an action because the tenant established, attempted to establish, or participated in a tenant organization;

(B) the landlord may only choose to not renew the lease if the tenant:

(i) committed one or more substantial violations of the lease;

(ii) failed to provide required information on the income, composition, or eligibility of the tenant's household; or

(iii) committed repeated minor violations of the lease that disrupt the livability of the property, adversely affect the health and safety of any person or the right to quiet enjoyment of the leased premises and related development facilities, interfere with the management of the development, or have an adverse financial effect on the development, including the failure of the tenant to pay rent in a timely manner; and

(C) to not renew the lease, the landlord must serve a written notice of proposed nonrenewal on the tenant not later than the 30th day before the effective date of nonrenewal.

(d) In calculating the income of an individual or family for a very low, lower, moderate, or middle income housing unit, the housing finance corporation user must use the definition of annual

income described in 24 C.F.R. Section 5.609, as implemented by the United States Department of Housing and Urban Development. If the income of a tenant exceeds an applicable limit at the time of the renewal of a lease agreement for a residential unit, the provisions of Section 42(g)(2)(D), Internal Revenue Code of 1986, apply in determining whether the unit may still qualify as a very low, lower, moderate, or middle income housing unit.

(e) A housing finance corporation user may require an individual or family participating in the housing choice voucher program to pay the difference between the monthly rent for the applicable unit and the amount of the monthly voucher if the amount of the voucher is less than the rent.

(f) A tenant may not waive the protections provided by Subsection (c)(9). A housing finance corporation user may adopt tenant protections that are more protective of tenants than the tenant protections provided by Subsection (c)(9).

(g) A multifamily residential development that is acquired by a housing finance corporation and is occupied on the date of the acquisition is eligible for an ad valorem exemption under Section [394.905](#) for the two tax years following the date of the acquisition, regardless of whether the development complies with the conditions prescribed by Subsections (c)(1), (3), (4), and (5), if the development comes into compliance with Subsections (c)(1), (3), (4), and (5) not later than the end of the second tax year after the date of the acquisition.

Added by Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. [21](#)), Sec. 9, eff. May 28, 2025.

Sec. 394.9027. AUDIT REQUIREMENTS FOR CERTAIN MULTIFAMILY RESIDENTIAL DEVELOPMENTS. (a) In this section:

(1) "Department" means the Texas Department of Housing and Community Affairs.

(2) "Housing finance corporation user" has the meaning assigned by Section [394.9026](#).

(b) A housing finance corporation or housing finance corporation user that claims an ad valorem tax exemption for a multifamily residential development under Section [394.905](#) must

annually submit to the department an audit report for a compliance audit, prepared at the expense of the housing finance corporation user and conducted by an independent auditor or compliance expert with an established history of providing similar audits on housing compliance matters, that:

(1) states whether the corporation is in compliance with the requirements imposed for the exemption by Section [394.9026](#); and

(2) identifies the difference in the rent charged for income-restricted residential units and the estimated maximum market rents that could be charged for those units without the income restrictions.

(c) Not later than the 60th day after the date of receipt of the audit conducted under Subsection (b), the department shall examine the audit report and publish a report summarizing the findings of the audit. The report must:

(1) be made available on the department's Internet website;

(2) be issued to the housing finance corporation that owns or is associated with the development that is the subject of an audit, the housing finance corporation user of the development, the comptroller, and the governing body of the sponsoring local government or governments of the housing finance corporation; and

(3) describe in detail the nature of any failure to comply with the requirements of Section [394.9026](#).

(d) If an audit report submitted under Subsection (b) indicates noncompliance with Section [394.9026](#), a housing finance corporation user, the associated housing finance corporation, and the chief appraiser of the appraisal district in which the development is located must be given written notice from the department that is provided not later than the 120th day after the date a report has been submitted under Subsection (b) and specifies the reasons for noncompliance. For a finding of noncompliance with any provision of Section [394.9026\(c\)](#), a housing finance corporation user and the associated housing finance corporation must be given:

(1) additional written notice that:

(A) otherwise complies with the notice

requirements of this section;

(B) contains at least one option for a corrective action to resolve the noncompliance; and

(C) informs the housing finance corporation user and associated housing finance corporation that failure to resolve the noncompliance within the period provided by Subdivision (2) will result in the loss of the ad valorem tax exemption under Section [394.905](#);

(2) a period of 180 days after the date notice is received under Subdivision (1) to resolve the matter that is the subject of the notice; and

(3) if a matter that is the subject of a notice provided under this subdivision is not resolved to the satisfaction of the department during the period provided by Subdivision (2), a second notice that informs the housing finance corporation of the loss of the ad valorem tax exemption for the development due to noncompliance with Section [394.9026](#).

(e) The initial audit report required by Subsection (b) is due not later than June 1 of the tax year following:

(1) the date of acquisition for an existing multifamily residential development that is acquired by a housing finance corporation; or

(2) the date a newly constructed multifamily residential development first becomes occupied by one or more tenants.

(f) Subsequent audit reports following the issuance of the initial audit report under Subsection (e) are due not later than June 1 of each year.

(g) The department may extend the deadline for submitting any audit required under this section for good cause shown, as determined by the department.

(h) An independent auditor or compliance expert may not prepare an audit under Subsection (b) for more than three consecutive tax years for the same housing finance corporation. After the third consecutive audit, the independent auditor or compliance expert may prepare an audit only after the second anniversary of the preparation of the third consecutive audit.

(i) The department:

(1) shall adopt forms and reporting standards for the auditing process;

(2) may charge a fee for the submission of an audit report under this section in a reasonable amount necessary to cover the expenses of administering this section; and

(3) shall adopt rules necessary to implement this section and Section 394.9026.

(j) Rules adopted under Subsection (i)(3) must include administrative processes and a process by which a housing finance corporation user may appeal a finding of noncompliance made under this section or a loss of a tax exemption due to a finding of noncompliance with Section 394.9026 or any other provision of this chapter.

(k) An audit conducted under Subsection (b) is subject to disclosure under Chapter 552, Government Code, except that information containing tenant names, unit numbers, or other tenant identifying information may be redacted.

(l) This section does not apply to a multifamily residential development during any period that the development is the recipient of a low income housing tax credit allocated under Subchapter DD, Chapter 2306, Government Code.

Added by Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. 21), Sec. 9, eff. May 28, 2025.

Sec. 394.903. TRANSFER OF RESIDENTIAL DEVELOPMENT SITES. Subject to Sections 394.031(c) and (d), a local government may transfer any residential development site to a housing finance corporation by sale or lease. The governing body of the local government may authorize the transfer by resolution without submitting the issue to the voters and without regard to the requirements, restrictions, limitations, or other provisions contained in any other general, special, or local law.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Amended by:

Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. 21), Sec. 10, eff. May 28, 2025.

Sec. 394.904. EXEMPTION FROM REQUIREMENTS AND RESTRICTIONS APPLYING TO PUBLIC PROPERTY. (a) The acquisition, construction, or rehabilitation of a private residential development or a home is not subject to requirements relating to public buildings, structures, grounds, works, or improvements imposed by the laws of this state, or to any other similar requirements.

(b) Any competitive bidding requirement or restriction imposed on the procedure regarding the award of contracts for that acquisition, construction, or rehabilitation or regarding the lease, sale, or other disposition of property of the local government is not applicable to any action taken under this chapter.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.905. EXEMPTION FROM TAXES AND FEES. (a) Subject to compliance with the requirements of this chapter, a housing finance corporation and all property owned by the corporation, the income from that property, all bonds issued by the corporation, the income from those bonds, and the transfer of those bonds are exempt, as public property used for public purposes, from license fees, recording fees, and all other taxes imposed by this state or any political subdivision of this state.

(b) A multifamily residential development owned by a housing finance corporation is eligible for an exemption from ad valorem taxes, and the materials used to improve the applicable property are eligible for an exemption from sales and use taxes, only if:

(1) the property is located in an area in which the housing finance corporation is authorized to own real property or engage in residential development under Section [394.031](#)(c) or (d);

(2) the board of directors of the corporation has adopted a resolution approving the multifamily residential development;

(3) before approval of the board of directors under Subdivision (2), the housing finance corporation or a sponsoring local government of the corporation:

(A) conducts, or obtains from a professional entity that has experience underwriting affordable residential developments and does not have a financial interest in the corporation or the applicable development, developer, or investors, an underwriting assessment of the proposed development that is dated not earlier than 180 days before the date of the board resolution;

(B) based on the underwriting assessment, makes a good faith determination that the total amount of annual rent reduction applicable to the development, as defined by Section [394.9026\(a\)](#), will be not less than 50 percent of the amount of estimated ad valorem taxes that would be imposed on the property in the same tax year if the applicable property did not receive an exemption from those taxes under this section:

(i) for a development that is acquired by the corporation, each of the third, fourth, and fifth tax years after the tax year that the corporation acquires the development; and

(ii) for a newly constructed development not described by Subparagraph (i), each of the first, second, and third tax years after the tax year in which the development first achieves an occupancy rate of 90 percent; and

(C) publishes on its Internet website a copy of the underwriting assessment required by this subsection; and

(4) the housing finance corporation submits to the Texas Department of Housing and Community Affairs and to the chief appraiser for each appraisal district in which the exemption is sought a one-time exemption application on a form promulgated by the comptroller.

(c) Notwithstanding Subsections (a) and (b), and subject to Section [394.9027](#), a multifamily residential development owned by a housing finance corporation or a housing finance corporation user is not entitled to an ad valorem tax exemption for any given tax year in which:

(1) the corporation or the housing finance corporation user is not in compliance with any provisions of Section [394.9026\(c\)](#) and:

(A) the notice requirements in Section 394.9027(d) have been fulfilled; and

(B) the noncompliance is not resolved to the satisfaction of the department within the period provided by Section 394.9027(d)(2); or

(2) the corporation or the housing finance corporation user has not timely submitted the audit report required by Section 394.9027.

(d) Subsection (a) does not apply to ad valorem taxes imposed on a multifamily residential development by:

(1) a conservation or reclamation district created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, that provides water, sewer, or drainage service to the development, unless the applicable corporation has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement; or

(2) an emergency services district created under Chapter 775, Health and Safety Code, unless the applicable corporation has entered into a written agreement with the district to make a payment to the district in lieu of taxation, in the amount specified in the agreement.

(e) Subsections (b)(3), (b)(4), and (c) do not apply to a multifamily residential development that is:

(1) owned by a housing finance corporation; and

(2) the recipient of a low income housing tax credit allocated under Subchapter DD, Chapter 2306, Government Code.

(f) The corporation is exempt from the franchise tax imposed by Chapter 171, Tax Code, only if the corporation is exempted by that chapter.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Amended by:

Acts 2025, 89th Leg., R.S., Ch. 208 (H.B. 21), Sec. 11, eff. May 28, 2025.

Sec. 394.906. CONDITIONS UNDER WHICH FEDERAL GUARANTEE OR HOME MORTGAGE INSURANCE NOT REQUIRED. A home mortgage does not

require a federal guarantee or home mortgage insurance if the principal of and interest on the housing finance corporation's bonds issued to make or purchase the home mortgage or to make loans to lending institutions are guaranteed or insured by an agency, department, or instrumentality of the United States or by an insurance or surety company authorized to issue municipal bond insurance.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.

Sec. 394.907. CORPORATION POWERS NOT RESTRICTED; POLICE POWERS NOT AFFECTED. (a) This chapter does not restrict or otherwise limit any powers that the housing finance corporation may otherwise exercise under the laws of this state.

(b) Except as provided by this chapter, no proceeding, notice, or approval is required for the organization of the housing finance corporation, the issuance of bonds, or the issuance of any instrument as security for the bonds.

(c) This chapter does not deprive this state or a governmental subdivision of this state of their respective police powers over property of the housing finance corporation and does not impair any power over the property that is otherwise provided by law to any official or agency of the state or its governmental subdivisions.

Acts 1987, 70th Leg., ch. 149, Sec. 1, eff. Sept. 1, 1987.