SETH

SOUTHEAST TEXAS HOUSING FINANCE CORPORATION

August 4, 2025

The Honorable Mark Henry
Galveston County Judge's Office
722 Moody Avenue
21st Street, 2nd Floor
Galveston, TX 77550

Re: The Southeast Texas Housing Finance Corporation Single Family Mortgage Origination Program

Dear Judge Henry:

The Southeast Texas Housing Finance Corporation ("SETH") has applied to the Texas Bond Review Board for an allocation of private activity bond volume cap (the *"Volume Cap Allocation"*) to facilitate a single family mortgage origination program. SETH intends to assign a portion of the Volume Cap Allocation to the Texas Department of Housing and Community Affairs (*"TDHCA"*) in connection with TDHCA's single family mortgage revenue bond programs. The Volume Cap Allocation, once assigned, will be used to provide a means of financing single family home mortgages for residents in SETH's jurisdictions.

Pursuant to the provisions of Section 1372.044 of the Texas Government Code (the *"Act"*), the City or County, as a sponsoring political subdivision of SETH, must approve of the assignment of the Volume Cap Allocation by the Corporation to TDHCA. Accordingly, we are asking the Commissioners' Court or City Council to pass the attached Resolution as soon as possible in order to meet the requirements of the Act.

It is important to note that any bonds issued by TDHCA will be special limited obligations of TDHCA and neither the sponsoring political subdivisions of SETH, nor SETH, will be liable in any manner for the payment of such bonds.

Please review the Resolution and please contact me by phone at 281-484-4663 ext. 108 or, by email at rwilliams@sethfc.com with any questions or comments you may have. Otherwise, if all is in order, please **return the two (2) original signature pages** of the signed Resolution to SETH using the enclosed prepaid Federal Express envelope for delivery **no later than September 5, 2025.**

Sincerely,

Ron Williams
Executive Director

ENCLOSURES

xc: Chief Legal Counsel, Paul Ready
County Clerk, Dwight Sullivan
SETH Representative, John Towner (Letter Only)

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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 Southeast Texas Housing Finance Corporation (the *"Corporation"*) was created by the Texas Counties of Austin, Brazoria, Chambers, Galveston (excluding the City of Galveston), Liberty, Matagorda, Walker, Waller and Wharton and the Cities of Baytown, Deer Park, Dickinson, La Marque, La Porte, Pasadena, Santa Fe, Shoreacres, Texas City and Tomball pursuant to the provisions of the Texas Housing Finance Corporations Act, as amended, formerly Article 1269l-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 July 17, 2025, the Board of Directors of 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 $60,000,000 (the *"Reservation"*); and

WHEREAS, by resolution adopted on July 17, 2025, 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 a governmental unit that created the Corporation, the Commissioners Court of Galveston County, Texas (the *"Governing Body"*) desires to approve the assignment of a portion 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 COMMISSIONERS COURT OF GALVESTON COUNTY, TEXAS THAT:

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

Section 2. The County Judge of Galveston County, 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.

PASSED AND APPROVED this 18th day of August, 2025.

Judge Mark Henry

(SEAL)

ATTEST:

County Clerk

BY: Deputy

Melissa A. Childs

Exhibit A

NOTICE:

THE FOLLOWING EXHIBIT PAGES ARE FOR YOUR INFORMATION ONLY.

EXHIBIT A

FORM OF ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (this *"Agreement"*) is made as of the ____ day of ___________, 2025 by and between THE SOUTHEAST TEXAS HOUSING FINANCE CORPORATION (*"HFC"*), 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. HFC 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 HFC to issue bonds for the purpose of obtaining funds to financehome mortgage loans (or participation interests therein) for persons of low and moderate income forhomes within the geographic limits of the Counties of Austin, Brazoria, Chambers, Galveston (excluding the City of Galveston), Liberty, Matagorda, Walker, Waller and Wharton, and the Cities of Baytown, Deer Park, Dickinson, La Marque, La Porte, Pasadena, Santa Fe, Shoreacres, Texas City and Tomball.

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 HFC, 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 July 17, 2025, HFC authorized the filing of an Application for Reservation with the Bond Review Board in the maximum amount of $60,000,000 or such lesser amount as determined by HFC staff, 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. HFC has determined to (a) delegate to TDHCA HFC'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. HFC was created by the Counties of Austin, Brazoria, Chambers, Galveston (excluding the City of Galveston), Liberty, Matagorda, Walker, Waller and Wharton, and the Cities of Baytown, Deer Park, Dickinson, La Marque, La Porte, Pasadena, Santa Fe, Shoreacres, Texas City and Tomball (collectively, the *"Sponsors"*) pursuant to the Act.

K. As the governmental unit that created HFC, 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. HFC hereby assigns, conveys and transfers to TDHCA, to the full extent assignable under applicable law, all of HFC'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 2025 program year.

Section 2. Consents. HFC 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.

Section 4. Agreement. In exchange for the Assignment, TDHCA agrees to originate in the geographic service area of HFC (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 *"HFC Loans"*), until an aggregate amount of $60,000,000 of HFC Loans (accounting for the amount of Pooled Loans originated, pooled and purchased by the trustee, and the combined total mortgage loan principal amount of the Combo Loans) have been originated or issued, respectively. HFC Loans will be originated on a first-in, first-out basis.

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

Section 6. *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.

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.

THE SOUTHEAST TEXAS HOUSING FINANCE CORPORATION

By: ______________________________

Name: ___________________________

Title: ___________________________

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: ______________________________

Name: ___________________________

Title: ___________________________