

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Internal Audit of the My First Texas Home (MFTH) Program
Audit Report # 26-003

Executive Summary

The Office of Internal Audit (OIA) performed an audit of the My First Texas Home program at TDHCA to examine and evaluate the program's processes for effectiveness and efficiency, and to assess the adequacy of the existing administrative and internal controls.

Based on our review and testing, the My First Texas Home Program seems to be operating effectively in meeting its intended purpose of providing mortgage options, down payment assistance, and MCCs, as well as supporting eligible homebuyers across Texas. We identified some areas for improvement and made recommendations to the staff. Details of our recommendations and management responses are included in the report.

Observations and Recommendations

- OIA recommends management periodically review borrower-facing content and resources to promote transparency.

Objective, Scope, and Methodology

Our scope included a review of the Texas Government Code (TCG 2306.142), Texas Administrative Code (Section 10.403 of the Rules in 10 TAC Chapter 27.1, 10 TAC Chapter 28), service agreements, and SOP related to My First Texas Home activities.



Mark Scott, CPA, CIA, CISA, CFE, MBA
Director, Internal Audit

5/29/26
Date Signed



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS
Leo Vasquez, Chair
Kenny Marchant, Vice Chair
Cindy Conroy, Member
Anna Maria Farías, Member
Holland Harper, Member
Ajay Thomas, Member

May 29, 2026

Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.texas.gov

Board Members of the Texas Department of Housing and Community Affairs ("TDHCA")

RE: Internal Audit of the My First Texas Home program

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "*Audit of the My First Texas Home Program at TDHCA*". This audit was conducted in accordance with applicable audit standards. It included the objectives to assessing and evaluating the internal controls of the activities related to this function, as well as accuracy and compliance of the approval process with applicable rules and regulations. My First Texas Home Program was identified during the fiscal year 2026 risk assessment and rated high on the risk assessment matrix due to lack of recent audits and its overall importance to the Department's mission.

For this audit, we reviewed applicable Texas Administrative Code, TX Gov Code, function-specific SOP, and other applicable rules and regulations. We conducted interviews with several division staff and performed testing and analysis of the processes involved in operating the My First Texas Home Program and delivering its mortgage, down payment assistance, and MCC offerings to eligible Texas homebuyers.

This report includes the following sections:

- A. Overall Result
- B. Background Information
- C. Scope and Methodology
- D. Roles and responsibilities
- E. Testing and Recommendations

A. Overall Results

Based on our review and testing, the My First Texas Home Program seems to be operating effectively in meeting its intended purpose of providing mortgage options, down payment assistance, and MCCs, as well as supporting eligible homebuyers across Texas. We identified some areas for improvement and made recommendations to the staff. Details of our recommendations and management responses are included in later sections of this report.

B. Background Information

In accordance with Texas Administrative Code 27.1 (a) The purpose of the Texas First Time Homebuyer Program is to facilitate the origination of single-family Mortgage Loans for eligible first-time Homebuyers, and to make available down payment and closing cost assistance to eligible Homebuyers. The Texas First Time Homebuyer Program is administered in accordance with Texas Government Code, Chapter 2306. Chapter 20 of this title (relating to the Single Family Programs Umbrella Rule) does not apply to the activities under this chapter, except if these activities are combined with activities subject to Chapter 20 of this title.

(b) Assistance under this Program is dependent, in part, on the availability of funds. The Department may cease offering all or a part of the assistance available under the program at any time and in its sole discretion.

While TDHCA has administered various down payment assistance programs since the Department's inception, it is understood that around September 2012 the My First Texas Home Program was officially branded as the Department's first-time homebuyer program, offering low-rate mortgage loans, down payment assistance loans, and Mortgage Credit Certificates (MCCs) to qualified first-time homebuyers (FTHBs) or otherwise exempt borrowers, such as qualified veterans or borrowers purchasing in qualified targeted census tracts.

C. Scope and Methodology

Our scope included a review of the Texas Government Code (TCG 2306.142), Texas Administrative Code (Section 10.403 of the Rules in 10 TAC Chapter 27.1, 10 TAC Chapter 28), service agreements, and SOP related to My First Texas Home activities.

We also held interviews with several division staff and performed testing and analysis of the processes involved in operating the My First Texas Home Program and delivering its mortgage, down payment assistance, and MCC offerings to eligible Texas homebuyers. The result of our reviews and testing is provided in the Testing section of the report.

D. Roles and Responsibilities

The Texas Homeownership Division

The Texas Homeownership Division is primarily responsible for the creation, oversight, and administration of the Department's homeownership programs, which are designed to assist low- to moderate-income homebuyers. The program accomplishes this through both bond proceeds and a TBA program, managed by the Bond Finance Division, in which funds are generated through private investors. Program options are made available to Texas consumers through the Department's network of approved participating lender partners.

Bond Finance Division

The Bond Finance Division is responsible for structuring, restructuring, administering, and monitoring the Department's Mortgage Revenue Bond (MRB) issues. Bond Finance coordinates all activities related to the issuance and/or remarketing of MRBs and notes. Bond proceeds generated through these activities are allocated to TDHCA's Texas Homebuyer programs.

Homebuyer Education Course

The TDHCA Homebuyer Program requires completion of a HUD Certified homebuyer education course in accordance with Texas Administrative Code, 10 TAC §27.1. TDHCA has a Memorandum of Agreement in place with FinallyHome!, which provides an online homebuyer education course approved for use under the MFTH Program. The course is designed to prepare first-time and otherwise eligible homebuyers for the mortgage process by covering topics such as budgeting, credit readiness, loan types, and the responsibilities of homeownership. In addition to the FinallyHome! course, TDHCA also accepts homebuyer education courses offered through Fannie Mae and Freddie Mac, which meet the same program requirements. Homebuyers may select any of the approved education options to satisfy the mandatory education requirement prior to loan closing.

Master Servicer

The Money Source (TMS) has the responsibilities including the oversight and ongoing servicing of existing loans, provides lender support and training, and reports to TDHCA with loan activity, loan performance, compliance issues and any exceptions. TMS works closely with TDHCA staff on program updates, rule changes, system integrations, and required data reporting.

Program Administrator

Hilltop Securities is the Program Administrator for TDHCA's Homeownership programs. They are responsible for providing, managing and maintaining the mortgage loan reservation system used by TDHCA lenders. Their role is to oversee the mortgage application process from submission to final approval. Other duties include managing lender relationships and tracking funds, compliance review for adherence with TDHCA guidelines, and Administering the TDHCA Mortgage Credit Certificate program.

TBA Program

TBA stands for "to be announced" and refers to a private-sector mortgage brokerage model in which a TBA provider commits to a price—based on the mortgage rate—for mortgage-backed securities (MBS) that will be issued in the future and backed by mortgage loans not yet originated. The TBA Administrator provides daily mortgage loan pricing to enable TDHCA to set mortgage rates. The TBA program is designed to improve liquidity. Hilltop Securities tracks TDHCA's TBA loan reservations and assumes pipeline risk by agreeing to purchase MBS from TDHCA at predetermined prices. This results in the TBA Administrator assuming all risks associated with the TBA program, including market risk, extension risk, and fallout risk.

E. Reviews, Testing and Recommendations

Testing of the MFTH Program consisted of several components, including an assessment of the efficiency and usability of the homebuyer education course and a review of the TDHCA homebuyer section of the website. The TDHCA recommended education course provided by the partnering entity, FinallyHome!, was compared to the Fannie Mae homebuyer course which can also be found on the homebuyer section of the TDHCA website. No notable superior features were identified between the two. The Fannie Mae course is offered at no cost, while the FinallyHome! course is priced at \$50 unless the buyer has a discount code. Before beginning the FinallyHome! course, users must accept a privacy policy that permits the partnering entity to store and potentially sell personal information. Upon completion of the course, FinallyHome! does not redirect buyers back to the TDHCA website and later sends multiple next-step emails directly to the buyer. It was additionally recognized that although FinallyHome! provides passthrough buyer reports containing non-PPI data for anyone using the TDHCA landing page, the lack of traceable information may prevent TDHCA from determining whether buyers referred from the TDHCA website who completed the course received appropriate assistance.

It was identified that the TDHCA website does not disclose that the partnering entity collects and may share personal information, directs next-step communication to the buyer rather than returning them to the TDHCA website, or charges a fee for a service that is available at no cost through other approved education providers. Given TDHCA's role in serving and protecting Texas consumers, increased transparency regarding these differences may help ensure homebuyers are fully informed when selecting an education option.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
26-003.01	OIA recommends management periodically review borrower-facing content and resources to promote transparency.	Ongoing	MFTH Director

Management Response

As stated above, FinallyHome! Is offered to TDHCA participants at a reduced \$50 fee. In addition to the FinallyHome! course, TDHCA also accepts any HUD Certified homebuyer education course and also lists two free options on the TDHCA Homebuyer Program website that are offered through Fannie Mae and Freddie Mac, which meet the same program requirements. However, Homebuyers may select any HUD Certified Homebuyer education course, not just what is listed on the TDHCA website page as options, to satisfy the mandatory education requirement prior to loan closing.

Typically HBE courses for other Housing Finance Agencies cost between \$70-\$100. FinallyHome! offers customer support to students via email, chat and phone during normal business hours with, life of the loan homeowner counseling, financial literacy and landlord training for homebuyers purchasing owner occupied Duplexes, whereas other HBE courses do not offer this level of extended support.

Management agrees that periodic review of borrower-facing information is appropriate and will revisit the applicable education and landing pages on the TDHCA program website to ensure clarity regarding available course options, associated fees, and third-party provider disclosures where applicable.

According to staff interviews and workflow reviews, the staff of My First Texas Home is currently operating with one Director, one Program Manager, one Business Development Specialist, and one Loan Servicing Specialist who collectively manage the MFTH as well as the applicable combinations of the other TDHCA Homebuyer Program options. While the division has established process documentation, cross-training practices, and effective teamwork, the current staffing model requires the team to maintain routine operations even during planned absences, such as holidays or scheduled leave. Operational indicators such as staff comments and evidence of redistributed job functions suggest that the team may be approaching capacity limitations, which could introduce risks to maintaining adequate segregation of duties. It was communicated that the division currently has two available FTEs due to a recent resignation and ongoing organizational realignment and onboarding efforts to further support operational continuity and workload management are in progress.

We conducted this performance audit in accordance with applicable auditing standards. We provided our observation and recommendation based on evidence obtained through our reviews and based on our audit objectives.

We extend our appreciation to the My First Texas Home staff for their cooperation and assistance during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Scott", with a stylized flourish at the end.

Mark Scott, CPA, CIA, CISA, CFE, MBA
Internal Audit Director

MS/EH