

Housing Finance Corporation (HFC)

Definitions & Reporting Requirements

May 2026

Lunch & Learn Series



Contact Information

Mailing Address:

TDHCA
PO Box 13941
Austin, TX 78711-3941

Physical Address:

TDHCA
221 East 11th Street
Austin, TX 78701



Website: <https://www.tdhca.texas.gov>

Department Phone Number: (512) 475-3800
or (800) 525-0657 (toll free in Texas only)

Announcements

Schedule

- The training will run from 12 pm until approximately 1 pm
- Staff will present the training and allow for questions at the end of the presentation

Housekeeping:

- We suggest you silence your phones and put an “out of office” email response, to help avoid distractions during the training
- Please pose questions and comments in the “Chat Box” or the “Questions Box”.
- Please limit questions to today's content.





Definitions

§ 10.1202

Definitions

HFC User

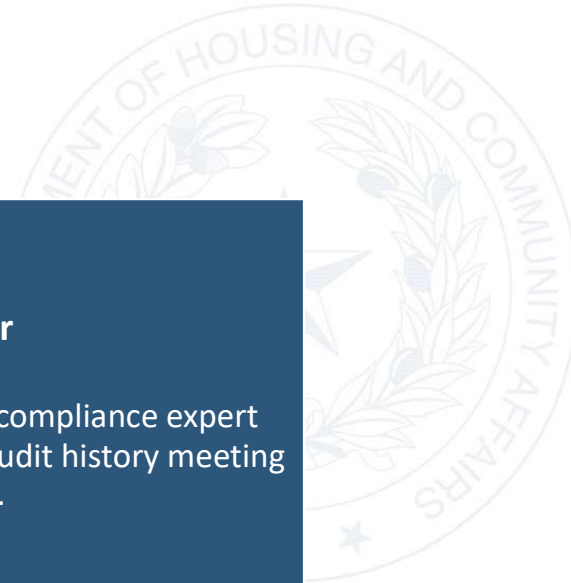
An HFC; or, for a Development not directly owned by an HFC, any entity or individual with an ownership, leasehold, or other possessory interest in an HFC-financed or HFC-supported Development

Auditor

Independent auditor or compliance expert with housing compliance audit history meeting criteria.

Department

The Texas Department of Housing and Community Affairs



Definitions

Understanding the HFC User → Auditor → TDHCA structure

HFC USER

Secures an independent Auditor to conduct the annual compliance audit.

AUDITOR

The Auditor performs the annual compliance audit. This audit states whether the Development meets the requirements to qualify for the ad valorem tax exemption under §394.9026.

TDHCA

Reviews completed Audit Reports and assesses overall compliance with Chapter 394 TLGC and 10 TAC Chapter 10, Subchapter J, §§10.1201–10.1207 and issues a monitoring report.

Direct property-specific compliance questions to your Auditor.

Definitions

Audit Report

Report required by §394.9027 TLGC, completed by an Auditor in Department-prescribed format.

Board

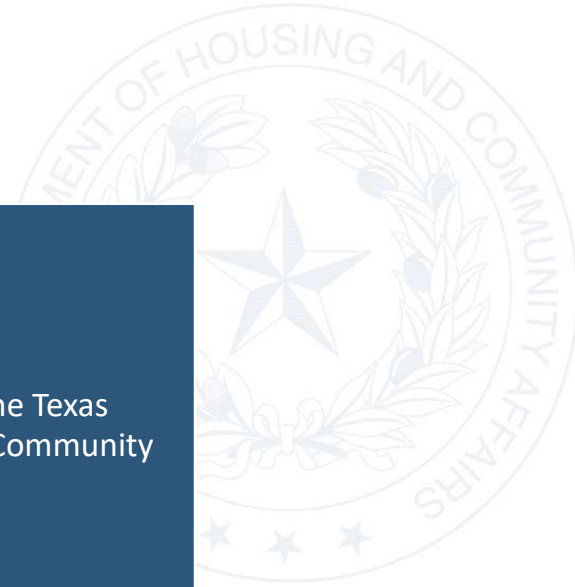
The governing board of the Texas Department of Housing and Community Affairs.

Chief Appraiser

The chief appraiser of any appraisal district in which a Development is located.

Housing Choice Voucher Program

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



Definitions



Maximum Market Rent

With respect to a particular Restricted Unit Type, the average annual Rent charged for all non-income-restricted units in the Development having the same or substantially similar floor plan as the Restricted Unit Type.

Rent

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, amenity, or facility reasonably associated with the residential rental property.

Rent does not include fees for services or amenities that are optional for a tenant, such as pet fees and fees for storage or covered parking. For Developments acquired prior to May 28, 2025, starting with reporting year 2026, the Development must comply with this rent definition.

Definitions

Multifamily Residential Development

Any rental development with four or more units. Multiple developments under the same HFC, HFC User, single-purpose entity, jurisdictional boundaries, and Regulatory Agreement are treated as one.

Regulatory Agreement

A Land Use Restriction Agreement (LURA), Ground Lease, Deed Restriction, or any similar restrictive instrument that is recorded in the real property records of the county in which the Development is located or an agreement between the HFC and HFC User which is not recorded in the real property records.



Definitions

Rent Reduction

The projected difference between the annual Rent charged for a Restricted Unit and the Maximum Market Rent that could be charged for that same unit without the income restrictions.

Responsible Parties

The Housing Finance Corporation that owns or is associated with the Development, the Housing Finance Corporation User of the Development, the Texas Comptroller, and the governing body of the Sponsor.

Restricted Unit

A unit reserved for or occupied by a household meeting certain income limitations, in accordance with Section 394.9026(c)(1) of Texas Local Government Code, with Rent for such unit restricted as set forth in these rules. Restricted Units may float in a Development and need not be permanently fixed.

Definitions

Sponsor

A municipality, county or collection of municipalities and counties that causes a corporation to be created to act in accordance with Chapter 394, of the Texas Local Government Code.

Substantially Similar Floor Plan

means a Unit Type.

Tax Year

Is a calendar year. For the purposes of all provisions within the rule, the terms "Tax Year" and "Calendar Year" shall have the same meaning and shall be interchangeable.

Unit Type

Means the type of unit determined by the number of bedrooms.



Definitions

Very Low Income Housing Unit

Reserved for Households

≤ 50% AMI

of Area Median Income
adjusted for family size

Lower Income Housing Unit

Reserved for Households

≤ 60% AMI

of Area Median Income
adjusted for family size

Moderate Income Housing Unit

Reserved for Households

≤ 80% AMI

of Area Median Income
adjusted for family size

Middle Income Housing

Reserved for Households

≤ 100% AMI

of Area Median Income
adjusted for family size





Reporting Requirements

§ 10.1203

Reporting Requirements

All Housing Finance Corporation (HFC) Multifamily Residential Developments claiming an ad valorem tax exemption under Chapter 394 must report regardless of when approved or acquired.

Audit Reports are due by June 1, each year for the prior annual occupancy period.

For example: Audit Reports due June 1, 2026, are reporting for the occupancy period January 1, 2025 - December 31, 2025.

HFC Developments that receive low-income housing tax credits allocated under Subchapter DD, Chapter 2306, Government Code, are exempt from reporting requirements under Chapter 394.

Audit Report Extensions

An Extension request must be submitted to hfc@tdhca.texas.gov no later than May 1 of the current reporting year.

The request must include a reason and explanation for the request.

Extensions cannot exceed 60 days after June 1

The Department will issue a determination within 7 calendar days of receipt of the request.



First Audit Report

The first Audit Report for a Development must be submitted to the Department no later than **June 1** of the Tax Year following:

- The date of acquisition by the HFC for an occupied Development;
- or**
- The date a newly constructed Development first becomes occupied by one or more tenants.

Completed Audit Reports must be submitted via a Serv-U account.

First Audit Report

Example 1:

An occupied development was acquired by an HFC on March 15, 2026.

- The acquisition Tax Year is 2026.
- The Tax Year following the acquisition Tax Year is 2027.
- Therefore, the first Audit Report is due June 1, 2027.



First Audit Report

Example 2:

An HFC new construction development was first occupied by tenants on October 15, 2027.

- The acquisition Tax Year is 2027.
- The Tax Year following the acquisition Tax Year is 2028.
- Therefore, the first Audit Report is due June 1, 2028.



First Audit Report

Documents Required with First Audit Submission

- Underwriting Assessment (if applicable)
- Regulatory Agreement
- One-time property tax exemption application (Form 50-849)
- Proof of Development approval (e.g., minutes, hearing record, or resolution)
- If HFC is outside its sponsoring jurisdiction
 - City approval resolution/ordinance
 - County approval order/resolution
 - Sponsoring HFC Resolution
 - Proof of adoption (e.g., minutes or official records)

Reporting Requirements

All Audit Reports Must:

- Cover the full prior reporting year ending December 31
- Include a rent roll for the same period
- Include contact information for all Responsible Parties
- Be complete and submitted in Excel format
- Be submitted to TDHCA via a Serv-U account
- Include a cover Letter (optional but preferred)
- Include Annual Service Fee (proof of payment)

To request a Serve-U account, email TDHCA at hfc@tdhca.texas.gov



Annual Service Fee

The annual service fee is
\$35 per Restricted Unit required in the audit sample
or
\$500 minimum,
whichever amount is higher.

Example 1:

An HFC Development has 200 total units, 50% of which are required to be income restricted. Resulting in 100 required restricted units.

The required audit sample is 20% of the Restricted Units:
 $100 \times 20\% = 20$ units in the audit sample

Service fee calculation: $20 \times \$35 = \mathbf{\$700}$

Since \$700 exceeds the \$500 minimum, the **annual service fee = \$700**



Annual Service Fee

The annual service fee is
\$35 per Restricted Unit required in the audit sample
or
\$500 minimum,
whichever amount is higher.

Example 2:

An HFC Development has 40 total units, 50% of which are required to be income restricted. Resulting in 20 required restricted units.

The required audit sample is 20% of restricted units:
 $20 \times 20\% = 4$ units in the audit sample

Service fee calculation: $4 \times \$35 = \mathbf{\$140}$

Since \$140 does not meet the \$500 minimum, **the annual service fee = \$500.**



Annual Service Fee

The annual service fee is
\$35 per Restricted Unit required in the audit sample
or
\$500 minimum,
whichever amount is higher.

Example 3:

An HFC Development has 200 total units, 50% of which are required to be income restricted. However, the Development is currently in lease-up with only 60 Restricted Units are occupied.

Since the Development is in lease-up, the audit sample is calculated based on occupied restricted units only.

The required audit sample is 20% of current occupied restricted units:

$60 \times 20\% = 12$ units in the audit sample

Service fee calculation: $12 \times \$35 = \mathbf{\$420}$

Since \$420 does not meet the \$500 minimum, **the annual service fee = \$500.**



Annual Service Fee Instructions

HFC Service Fee Submission Instructions

HFC Users must remit service fee to the Department by June 1 annually. The process to submit is provided below.

1. To Determine the Fee Amount

Per §10.1204(2) the required annual service fee is the greater of:

- \$35 per Restricted Unit of the required audit sample; or
- \$500

*Example: If the required audit sample for the development is 20 Restricted Units.
20 (units) × \$35 = \$700 → Submit \$700 as the annual service fee.*

2. Prepare the Payment

Must be check or money order.

Payable to: Texas Department of Housing and Community Affairs
Memo Line: HFC – Property Full Address

Example: HFC – 123 Sesame Street, New York, NY 10023

3. Complete the HFC Annual Service Fee Form

Ensure all fields are completed and fee amount listed on the form matches payment.

4. Assemble the Submission Package

Include in one package (do not staple):

- Check or money order
- Completed HFC Annual Service Fee Form

5. Submit Payment and Form: |

Submissions must be received by June 1 (not postmarked).

Deliver to:
221 E. 11th St.
Austin, TX 78701

Mail to:
PO Box 13941
Austin, TX 78711-3941

HFC Annual Service Fee Submission Instructions

- A detailed process of how to make your annual service fee payment.
- Is on the HFC webpage

<https://www.tdhca.texas.gov/housing-finance-corporation-compliance-monitoring>

Annual Service Fee Form

HOUSING FINANCE CORPORATION (HFC) ANNUAL SERVICE FEE FORM

TDHCA | Deliver to: 221 E. 11th St., Austin, TX 78701 | Mail to: PO Box 13941, Austin, TX 78711-3941

(This form does not attest to the sufficiency of documentation to fulfill Program requirements.)

This fee, when received in connection with an Audit Report, is earned and is not subject to refund.

HFC Property Name:		Operator:	
HFC Property Address:		Manager:	
Payor Contact Name:		Email:	
		Tel:	

The service fee is due to the Department by June 1, annually.
The fee is \$35 per Restricted Unit required in the audit sample or \$500, whichever is greater.

Annual Service Fee	TDHCA Date/Time Stamp:
Reporting Year:	
Sample Size (# of units)	
Fee Amount:	

Payment Information			
Enter Check or Money Order as Payment Type			
Payment Type:		Check Number:	
Account Holder:		Amount:	
Payment Type:		Check Number:	
Account Holder:		Amount:	

HFC Annual Service Fee Form

- Must be submitted **with** the check/money order to the Department
- Ensure all fields are completed and fee amount listed on the form matches payment
- **Deliver to:**
221 E. 11th St.
Austin, TX 78701
- **Mail to:**
PO Box 13941
Austin, TX 78711-3941

Annual Service Fee

Instructions and Form are available on the HFC Webpage

<https://www.tdhca.texas.gov/housing-finance-corporation-compliance-monitoring>

 [tdhca.texas.gov/housing-finance-corporation-compliance-monitoring](https://www.tdhca.texas.gov/housing-finance-corporation-compliance-monitoring)

Audit Information

Annual Service Fee Submissions

HFC Users are required to submit a service fee to the Department by June 1 annually, as provided in Title 10 of the Texas Administrative Code, Chapter 10, Subchapter J §10.1204(2).

- [Service Fee Submission Instructions](#) 
- [HFC Annual Service Fee Form](#)  (Excel Version )

Submissions must be received by June 1 (not postmarked).

Deliver to:

221 E. 11th St.
Austin, TX 78701

Mail to:

PO Box 13941
Austin, TX 78711-3941



Reporting Requirements

Annual Service Fee

- Due to the Department by June 1
- Payment Method:
 - Check or money order
 - Payable to the Texas Department of Housing and Community Affairs
 - Include the HFC Annual Service Fee Form
- Remit Payment:
 - Deliver to - 221 E. 11th St. Austin, TX 78701
 - Mail to - PO Box 13941 Austin, TX 78711-3941

The service fee is earned upon receipt and not refundable when submitted with an Audit Report.

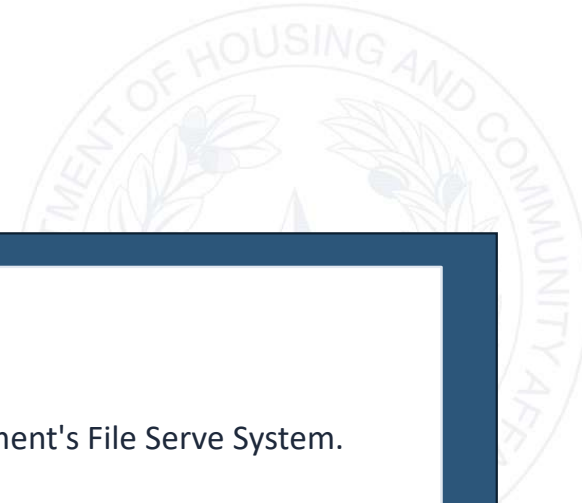
Auditor Qualifications



The same Auditor may conduct audit reports for a Development for up to three years in a row but must then be rotated out for at least two years.

Reporting Requirements

How to Submit Your Audit Report



1

Request Serv-U Access

HFC User or Audit must email hfc@tdhca.texas.gov to request access to the Department's File Serve System.

2

Submit via File Serve System

All Audit Reports, supporting documentation, and required forms must be submitted through the Serv-U system.

3

Confirm Submission

After submitting, send a confirmation email to hfc@tdhca.texas.gov notifying the Department that your submission has been completed.

Reporting Requirements

Department Review Process



Day 0	Audit Report Received HFC User, Auditor etc., submits via Serv-U
Within 60 Days	Summary Posted Department posts summary on website. Copies sent to all Responsible Parties. Notice is not a final determination.
Within 120 Days	Monitoring Report Issued If noncompliance is identified in the Audit Report.
180 Days	Corrective Action Period HFC User has 180 days from monitoring report issuance to correct noncompliance.
End of 180 Days	Final Report Posted If noncompliance remains uncorrected: Department notifies Responsible Parties, Chief Appraiser, and Texas Comptroller. Recommends loss of ad valorem tax exemption.

Questions & Answers



Please limit questions to today's content

Next Session: Wednesday, May 13, 2026 | Audit Report Requirements under TAC §10.1204



Thank you!

Texas Department of Housing and
Community Affairs

RESOURCES CAN BE FOUND ONLINE AT TDHCA.TEXAS.GOV.

