

# Housing Finance Corporation (HFC)

## Definitions & Reporting Requirements

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May 2026

Lunch & Learn Series



## Contact Information

**Mailing Address:**

TDHCA  
PO Box 13941  
Austin, TX 78711-3941

**Physical Address:**

TDHCA  
221 East 11<sup>th</sup> 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 hold questions to the end of the presentation.
- Please limit questions to today's content.



## 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.**



# Audit Report Requirements

§ 10.1204 (1)-(2)

# Compliance Transitions

The rule creates two distinct tracks based on acquisition date

## TRACK 1

**Acquired Prior to  
May 28, 2025**

**Most requirements:**

Comply by January 1, 2026

**Exceptions — §§(3)(B),(C),(J),(K),(L):**

By end of 10th Tax Year after  
May 28, 2025 (i.e., by 2035)  
or earlier if a triggering  
event occurs

## TRACK 2

**Acquired On or After  
May 28, 2025**

**All requirements:**

Must comply no later than the end of the  
Tax Year following the year of acquisition.

**No phased-in exceptions.**

## New Construction Developments: Compliance from Day One

New construction developments have no phased-in compliance timeline.

New construction developments must meet all requirements from the outset.

The first Audit Report is due June 1 of the Tax Year following the date the first tenant occupies the development — and it must reflect full compliance for that reporting year.

### IMPORTANT

**There is no grace period for new construction.**

If your development is newly built, compliance begins when your first tenant moves in.

**Full compliance is required from the first reporting year. There are no exceptions or phased-in provisions for new construction.**

# Acquired Prior to May 28, 2025

## The Five Excepted Provisions

The following five requirements have an extended compliance deadline through the end of the 10th Tax Year after May 28, 2025, unless an earlier triggering event occurs.

### **§10.1204(3)(B) Equitable Unit Finishes & Amenity Access**

Restricted Units must have the same finishes, equipment, and access to amenities as non-restricted units.

### **§10.1204(3)(C) Unit Type & Income Restriction Percentages**

Percentage of Restricted Units in each Unit Type and income category must match or exceed the Development as a whole.

### **§10.1204(3)(J) Income Restrictions**

Development must meet the applicable income restriction thresholds to qualify for the ad valorem tax exemption.

### **§10.1204(3)(K) Rent Restrictions**

Monthly rent for Restricted Units may not exceed 30% of the imputed household income limitation for the unit.

### **§10.1204(3)(L) Rent Reduction & Public Benefit Test**

Total Rent Reduction must not be less than 50% of the estimated ad valorem taxes that would have been imposed on the Development.

# Acquired Prior to May 28, 2025: Triggering Events

These events end the extended deadline early — the five excepted provisions become due at the end of the first Tax Year following the trigger

## Refinancing

Development is refinanced.

NOTE: Refinancing of construction loans — including conversion from construction to permanent phase, or replacement of bridge or short-term (less than 5 years) financing — does NOT count as a triggering event.

## Conveyance of Fee or Leasehold Title

Fee or leasehold title is conveyed to another party.

## Sale or Transfer of Majority Ownership

A sale or transfer of a majority of the beneficial ownership interest in the Development or HFC User occurs.

## Acquired Prior to May 28, 2025: Triggering Events

When a triggering event occurs the five excepted provisions must come into compliance by the end of the first Tax Year following the Tax Year in which the triggering event occurred.

# Triggering Event Example

A Development acquired prior to May 28, 2025, is refinanced on July 15, 2027.

1

## Triggering Tax Year

The refinancing occurs in 2027 → Triggering Tax Year = 2027

2

## First Tax Year Following the Trigger

The Tax Year following 2027 = 2028 → The five excepted provisions must be met by the end of Tax Year 2028.

3

## First Audit Report Including Excepted Provisions

The Audit Report covering Tax Year 2028 is due June 1, 2029, → This is the first report that must include §§(3)(B),(C),(J),(K),(L)

4

## Key Reminder

If the excepted provisions are not met by December 31, 2028, a finding can be issued in connection with the June 1, 2029, Audit Report submission.

# Monitoring Forms

## Department Monitoring Forms

The Auditor must use the Department's HFC monitoring forms available on the TDHCA website.

***Using an outdated or incorrect form is a compliance finding.***

Original records must be made available to the Auditor.

Forms available at:  
[tdhca.texas.gov/housing-finance-corporation-compliance-monitoring](http://tdhca.texas.gov/housing-finance-corporation-compliance-monitoring)

## Review Method Options

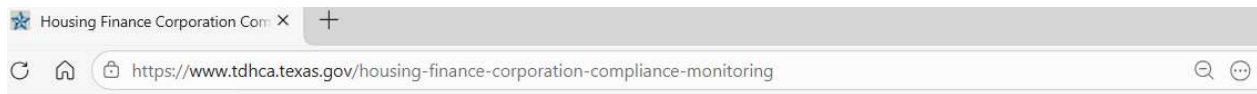
### Onsite Review

Auditor physically visits the Development to review original records and tenant files in person.

### Electronic Review

Auditor reviews records remotely. Original records must still be made available upon request.

# HFC Monitoring Forms On the Website

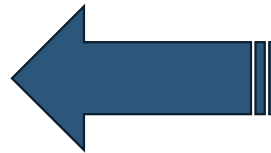


## HFC Monitoring Regulations

- [§10.1201 Purpose and Applicability](#)
- [§10.1202 Definitions](#)
- [§10.1203 Reporting Requirements](#)
- [§10.1204 Audit Requirements](#)
- [§10.1205 Income and Rent Calculations](#)
- [§10.1206 Penalties](#)
- [§10.1207 Options for Review](#)
- [HB 21](#)
- [Chapter 394](#)
- Section 8 Program for income determination and or link to 24 CFR §5.609

## Forms

- [HFC Audit Workbook](#)
- [HFC TIC \(PDF\)](#) or [\(DOCX\)](#)
- [HFC TIC Instructions](#)
- [Rent Reduction & Benefit Test Certification Form](#)



## 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:

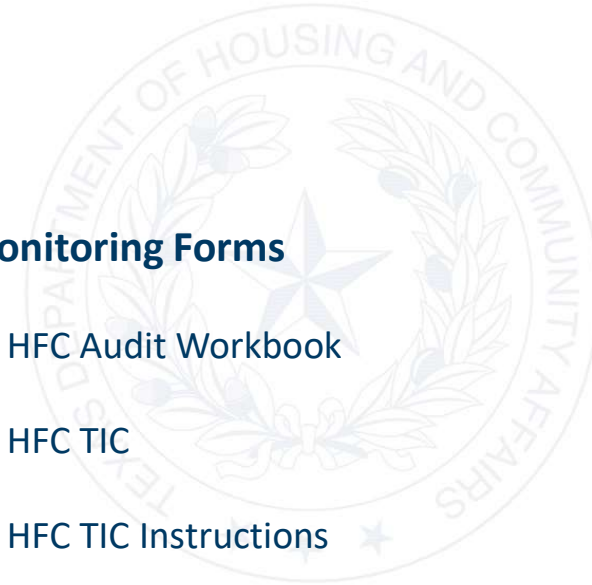
221 E. 11th St.  
Austin, TX 78701

#### Mail to:

PO Box 13941  
Austin, TX 78711-3941

## Monitoring Forms

- HFC Audit Workbook
- HFC TIC
- HFC TIC Instructions
- Rent Reduction & Benefit Test Certification Form



# HFC Monitoring Forms

## Audit Workbook



Texas Department of Housing and Community Affairs Housing Finance Corporation (HFC) Monitoring Workbook	
<b>Reporting Instructions</b>	
Reports are due annually by June 1 Upload completed Audit Reports to Serv-U Workbook must be submitted in Excel Format	
<b>Serv-U Access</b>	
To request a Serv-U account, email <a href="mailto:hfc@tdhca.texas.gov">hfc@tdhca.texas.gov</a>	
<b>Workbook Instructions</b>	
Effective January 30, 2026, this workbook applies exclusively to Housing Finance Corporation (HFC) Multifamily Residential Developments required to comply with Texas Local Government Code §§394.9026-394.9027, as amended by House Bill 21 which became effective on May 28, 2025, and supersedes all prior versions.	
<b>Instructions:</b>	<ul style="list-style-type: none"> <li>Complete all applicable sections and Tabs in the order listed.</li> <li>Fill all yellow fields (unless marked "if applicable"). Gray fields auto-populate.</li> <li>Use drop-down lists where provided (Yes/No/N/A).</li> <li>Do not modify "Summary" or "List" sections.</li> <li>Verify all required documentation is included via Tab 8 - Attachments Checklist.</li> <li>Save and submit via Serv-U.</li> </ul>
<b>Exempt from Annual Reporting</b>	
An HFC development is exempt from the annual reporting requirement for any period during which the development is the recipient of a low income housing tax credit allocated under Subchapter DD, Chapter 2306, Government Code.	
<b>Tab Legend</b>	
<b>Tab 1:</b>	Development Information Responsible Parties
<b>Tab 2:</b>	Auditor Information
<b>Tab 3:</b>	Income & Rent Limits
<b>Tab 4:</b>	Fees
<b>Tab 5:</b>	Unit & Occupancy
<b>Tab 6:</b>	Marketing, Vouchers, Tenant Lease & Policies
<b>Tab 7:</b>	Audit Sample - Household File Check Sheet
<b>Tab 8:</b>	Audit Attachments Checklist
<b>Tab 9:</b>	Rent & Public Benefit Test Certification Form
Summary: TDHCA USE ONLY Summary & List (Do not complete)	

<b>Tab Tips</b>	
Throughout the Workbook, Tab Tips are provided. These are intended to assist in completing each Tab by clarifying key terms and highlighting important information relevant to the data being entered and should be reviewed prior to entering data on each Tab.	
Developments approved prior to May 28, 2025 that have not experienced a Triggering Event may have additional time before certain HB 21 requirements apply.	
<b>Definitions</b>	
The following definitions are provided for workbook reference only and are not a substitute for the applicable statutes or rules.	
<b>Housing Finance Corporation (HFC)</b>	A public, nonprofit corporation organized under Chapter 394 of the Texas Local Government Code.
<b>HFC User</b>	The public-private partnership entity, or a developer or other person or entity that has an ownership interest, a leasehold interest, Ground Lease Lessee/Lessor or another possessory interest.
<b>HFC's Sponsoring Government</b>	The city or county whose governing body authorized and approved the creation of a Housing Finance Corporation under Chapter 394 (and, for a joint corporation, each such city or county), and on whose behalf the corporation is organized to act.
<b>HFC Governing Body</b>	The decision-making body of the HFC. Commonly this is the Board of Directors, Board Members etc.
<b>Management</b>	Individuals, organizations, or entities that are responsible for the oversight and daily operations of a HFC Development.
<b>Responsible Parties</b>	Individuals, organizations, or entities responsible for the operation, compliance, and management of a HFC Development.
<b>Regulatory Agreement</b>	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 a Partnership Agreement between the HFC and HFC User which is not recorded in the real property records.
<b>Income Certification</b>	Either the Department approved Income Certification or the Income Certification as required by the Regulatory Agreement. *At lease renewal, the use of the Department-approved Income Certification form is required per §10.1204 (3)(D).
<b>Maximum Market Rent:</b>	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.
<b>Restricted Rent</b>	Occupied units will reflect the highest rent charged for that unit type. Reserved units will reflect the maximum permitted rent.
<b>Sample Size</b>	The file sample used by the Auditor must contain at least twenty percent (20%) of the total number of Restricted Units for the Development, but no more than a total of fifty (50) household files. The selection of Restricted Units should include at least 75% of households that are newly moved in to the Development, but also include at least 10% of households that have recertified, or if 10% of households have not recertified, then units that have recertified (For Developments that are leasing up and not yet



# HFC Monitoring Forms TIC Instructions



## INSTRUCTIONS FOR COMPLETING HFC INCOME CERTIFICATION

*This form is to be completed by the owner or an authorized representative.*

### Income Certification

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other (enter brief explanation). If a household transfers from a unit, enter the unit number the household transferred from in the area below the Move-in Date.

#### Part I - Development Data

**Effective Date:** In general, for initial certifications, the effective date is the date of move-in. In general, the effective date for recertifications should be the anniversary of the original move-in date.

**NOTE:** Verifications must be valid (i.e., dated no more than 120 days prior to the effective date of the certification).

**Move-in Date:** Enter the date the tenant has or will take occupancy of the unit.

#### Part I - Development Data

**Property Name:** Enter the name of the development.

**County:** Enter the county (or equivalent) in which the building is located.

**Address:** Enter the address of the building.

**Unit Number:** Enter the unit number.

**# Bedrooms:** Enter the number of bedrooms in the unit.

#### Part II - Household Composition

List the last name, first name and middle initial of all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

H - Head of Household	S - Spouse
A - Adult co-tenant	O - Other family member
C - Child	F - Foster child(ren)/adult(s)
L - Live-in caretaker	

Enter the age at the date of certification, student status, and last four digits of the Social Security number/Noncitizen Registration number for each occupant. If Social Security/Noncitizen Registration numbers are not available, enter "0000". Student Status is determined by the academic institution.

*If there are more than six occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.*

# HFC Monitoring Forms

Texas Department of Housing and Community Affairs (TDHCA)

Effective January 30, 2026

## Housing Finance Corporation (HFC) Multifamily Development Rent Reduction and Public Benefit Certification Form

This form must be completed and certified by the HFC User and submitted to TDHCA as part of the annual Audit Report.

Development Name:

Development Address:

County:

Tax Year Being Reported:

Development Type  Acquired  New Construction

Instructions: For each item, select "Yes" or "No" from the dropdown and provide any requested written information. All sections must be completed.

Rent Reduction Calculation Methodology	
For each income-restricted unit, Rent Reduction was calculated as the Maximum Market Rent for the same unit type minus the lease rent shown on the rent roll.	<input type="text"/>
For income-restricted units assisted by rental assistance, the tenant-paid portion of rent was used for the Rent Reduction calculation.	<input type="text"/>
For income-restricted units vacant during the Tax Year, the maximum permitted rent under the Regulatory Agreement was used for each month of vacancy.	<input type="text"/>
For non-income-restricted units used to determine Maximum Market Rent that were vacant during the Tax Year, the Maximum Market Rent for the unit type was used for each month of vacancy.	<input type="text"/>
The Rent Reduction methodology was applied consistently for the entire Tax Year.	<input type="text"/>
Aggregate Rent Reduction Public Benefit Test	
Provide the total Rent Reduction for all income-restricted residential units at the Development for the preceding Tax Year.	<input type="text"/>
Provide the estimated amount of ad valorem taxes that would have been imposed on the Development for the same Tax Year if the Development did not receive the exemption.	<input type="text"/>
Provide the minimum required Rent Reduction amount, which is 50 percent of the estimated ad valorem taxes that would have been imposed on the Development for the Tax Year.	<input type="text"/>
Was the total Rent Reduction for the Development for the Tax Year at least 50 percent of the estimated ad valorem taxes that would have been imposed for that Tax Year?	<input type="text"/>
Rent Reduction Shortfall and Payments to Taxing Authorities	

## Rent Reduction and Public Benefit Certification Form

Must be completed by the HFC User or the HFC User's authorized representative and must be submitted with the Audit Report.

# File Sample Requirements

The audit sample must meet ALL of the following requirements

1

## Minimum Sample Size

At least 20% of the total number of Restricted Units in the Development

2

## Maximum Sample Size

No more than 50 household files total, regardless of Development size

3

## Newly Moved-In Households

At least 75% of the sample must be households that are newly moved in.

4

## Recertified Households

At least 10% of the sample must be households that have recertified. If fewer than 10% have recertified, then include all units that have recertified.

5

## Lease-Up Developments

For Developments not yet fully occupied, all percentages above apply to **occupied Restricted Units only** — not the total unit count.

## File Sample Example

A Development has 200 total units, 50% of which are Restricted — resulting in 100 Restricted Units.  
The Development is fully occupied.

Step 1 — Minimum Sample Size

$100 \text{ Restricted Units} \times 20\% = 20 \text{ files}$

**The audit sample must include at least 20 household files.**

Step 2 — Check the Cap

$20 \text{ files} < 50 \text{ file cap}$

**20 is below the 50-file maximum. No adjustment needed.**

Step 3 — Newly Moved-In Households

$20 \text{ files} \times 75\% = 15 \text{ files}$

**At least 15 of the 20 files must be newly moved-in households.**

Step 4 — Recertified Households

$20 \text{ files} \times 10\% = 2 \text{ files}$

**At least 2 of the 20 files must be households that have recertified.**

# File Sample Example

A Development has 400 total units, 50% of which are Restricted resulting in 200 Restricted Units.  
The Development is fully occupied.

Step 1 — Minimum Sample Size

$200 \text{ Restricted Units} \times 20\% = 40 \text{ files}$

**The audit sample would normally require 40 household files.**

Step 2 — Check the Cap

$40 \text{ files} < 50 \text{ file cap}$

**40 is below the 50-file maximum. No cap adjustment needed**

Step 3 — Newly Moved-In Households

$40 \text{ files} \times 75\% = 30 \text{ files}$

**At least 30 of the 40 files must be newly moved-in households.**

Step 4 — Recertified Households

$40 \text{ files} \times 10\% = 4 \text{ files}$

**At least 4 of the 40 files must be households that have recertified.**

# File Sample Example: Lease Up

A Development has 200 total units, 50% Restricted (100 Restricted Units).  
Currently in lease-up with 60 Restricted Units occupied.

Step 1 — Apply to Occupied Units Only

60 occupied Restricted Units  $\times$  20% = 12 files

**Because the Development is in lease-up, only occupied Restricted Units are used.**

Step 2 — Check the Cap

12 files < 50 file cap

**12 is below the 50-file maximum. No adjustment needed.**

Step 3 — Newly Moved-In Households

12 files  $\times$  75% = 9 files

**At least 9 of the 12 files must be newly moved-in households.**

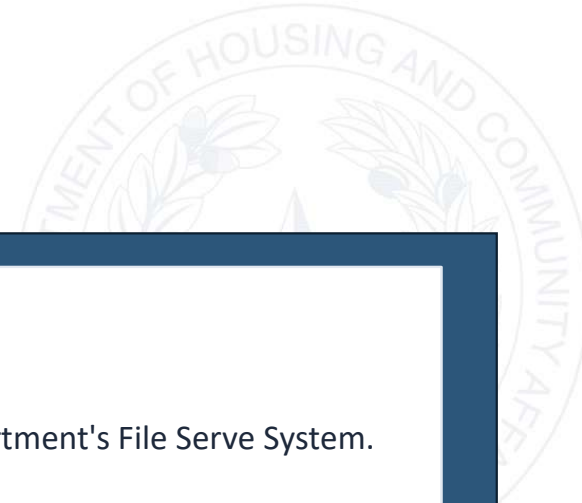
Step 4 — Recertified Households

12 files  $\times$  10% = 2 files

**At least 10% must be recertified. If fewer than 10% have recertified, include all units that have.**

# Reporting Requirements

## How to Submit Your Audit Report



1

### Request Serv-U Access

HFC User or Auditor must email [hfc@tdhca.texas.gov](mailto: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](mailto:hfc@tdhca.texas.gov) notifying the Department that your submission has been completed.

# Questions & Answers



**Please limit questions to today's content**

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

HFC Email Address: [hfc@tdhc.texas.gov](mailto:hfc@tdhc.texas.gov)

Next Session: Wednesday, May 20, 2026, covering Audit Report Requirements under TAC §10.1204

- Register at: <https://register.gotowebinar.com/register/2713639132583190105>



# Thank you!

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Texas Department of Housing and  
Community Affairs

RESOURCES CAN BE FOUND ONLINE AT [TDHCA.TEXAS.GOV](http://TDHCA.TEXAS.GOV).

