



Housing Finance Corporation (HFC)

Income and Rent Requirements,
Penalties and Options for Review

§10.1205, §10.1206 and §10.1207

May 2026

Lunch & Learn Series

Contact Information

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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.



Income & Rent Requirements

§ 10.1205

Compliance Requirements: Annual Income

Annual income for households in Restricted Units must be determined using the Section 8 methodology administered by HUD.

24 CFR §5.609

Defines "Annual Income" for Section 8 purposes. The baseline standard for what counts as includable income for HFC compliance.

HUD Handbook 4350.3

Provides detailed implementation guidance on how to apply §5.609 definitions. Updated periodically by publication in the Federal Register.

As HOTMA amended the Section 8 income rules incorporated by reference in §10.1205(a), HFC income determinations must comply with HOTMA's updated standards.

Compliance Requirements: BAH Exclusion for Qualified Military Buildings

Basic Allowance for Housing (BAH) payments under 37 U.S.C. §403 are excluded from annual income calculations for households in qualified buildings.

Qualified Building

A building located in:

(A) Any county containing a qualified military installation whose active-duty personnel count increased by 20% or more between December 31, 2005 and June 1, 2008; or

(B) Any county adjacent to a county described in (A).

Qualified Military Installation

Any military installation or facility with not less than 1,000 members of the Armed Forces assigned as of June 1, 2008.

Note: The 1,000-member threshold and the 20% growth test are both measured as of specific reference dates fixed in the statute.

Compliance Requirements: Income & Rent Limits

Source of Limits

Income and rent limits are derived from data released by HUD.

Limits are updated annually and posted by HUD. HFC Users and Auditors must ensure they are referencing the applicable limits for the correct year.

Controlling Document

The income and rent limits specified in the development's Regulatory Agreement are used to determine whether a household's income and rent are restricted.

Where a Regulatory Agreement establishes specific AMI tiers (e.g., 80%, 120%), those figures govern the compliance determination not a general HUD schedule alone.

How these two requirements work together

HUD data establishes the published limits. The Regulatory Agreement identifies which of those limits apply to the specific development. Both must be used in tandem: HUD data provides the current dollar figures; the RA determines which AMI tiers and unit types are covered.

Compliance Requirements: Income Eligibility Documentation

HFC Users must maintain sufficient documentation to support the income eligibility of each household occupying a Restricted Unit.

Income & Asset Application

An application that screens for all includable sources of income and assets. The application must be comprehensive and cannot omit categories of income that would be counted under the Section 8 methodology.

First-Hand or Third-Party Documentation

Verification of income and assets through direct documentation (pay stubs, bank statements) or third-party verification (employer letters, benefit award letters). Self-certification alone is not sufficient.

Income Certification Form

A signed Income Certification form completed by all adults in the household. This is the formal eligibility determination document and must reflect all income sources and the AMI designation for the unit.



Penalties

§ 10.1206

Compliance Requirements: Penalties

Noncompliance that continues after all available notice and corrective action periods have elapsed results in consequences beyond the audit finding itself.

TDHCA reports the noncompliance to the Texas Comptroller and the Chief Appraiser.

TDHCA recommends loss of the ad valorem tax exemption for the Tax Year in which the development is determined to be out of compliance.



Options for Review

§ 10.1207

Compliance Requirements: Pre-Submission: Resolve Issues with the Auditor First

Before the Audit Report is submitted to TDHCA, the HFC User must attempt to address any noncompliance findings directly with the Auditor.

HFC User
Identifies Issue

Attempts Resolution
with Auditor

Auditor Submits
Audit Report
to TDHCA

Compliance Requirements: Formal Appeal Process

During the corrective action period, the HFC User may appeal any noncompliance finding under §1.7 of the TDHCA rules (relating to Appeals).

CORRECTIVE ACTION PERIOD

The HFC User has 180 days to correct noncompliance findings. This period begins upon issuance of the Monitoring Report from TDHCA.

APPEAL DOES NOT PAUSE THE CLOCK

Filing an appeal does not extend or suspend the 180-day corrective action period.

DOCUMENTATION DEADLINE

The HFC User must provide all documentation requested by TDHCA within ten calendar days prior to any scheduled meeting.

Appeals are governed by §1.7 of TDHCA's rules. HFC Users should review that section carefully for procedural requirements before filing.

Compliance Requirements: Alternative Dispute Resolution (ADR)

In addition to the formal appeal process, an HFC User may request Alternative Dispute Resolution (ADR) under §1.17 of TDHCA's rules.

WHAT IS ADR?

Alternative Dispute Resolution is a structured, collaborative process designed to resolve disputes outside of formal adjudication. Under TDHCA's rules at §1.17, ADR may include mediation or other informal procedures facilitated by a neutral party.

ADR is a voluntary option available to the HFC User . It does not replace the formal appeal process under §1.7, but provides an additional pathway to reach resolution.

Reporting Requirements

How to Submit Your Audit Report

1

Request Serv-U Access

HFC User or Auditor 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.

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



Thank you!

Texas Department of Housing and
Community Affairs

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

