

Mortgage Grant Administration Manual

Effective: 10/28/2022

Revised: 08/15/2025

Contents

I.	PURPOSE	4
II.	ADMINISTRATION AND INVESTMENT	4
III.	ROLES AND RESPONSIBILITIES.....	4
A.	Finance Commission (FC).....	4
B.	Finance Commission Audit Committee (AC).....	4
C.	Department of Savings and Mortgage Lending (SML) Commissioner (Commissioner)	4
D.	Grant Coordinator	5
E.	Mortgage Grant Advisory Committee (MGAC).....	5
IV.	MORTGAGE GRANT ADVISORY COMMITTEE POLICY.....	6
A.	Composition	6
B.	Conflict of Interest.....	6
C.	Appointment and Terms	7
D.	Meetings	7
V.	MORTGAGE GRANT FUND OVERSIGHT	8
A.	Audits	8
B.	Reimbursement Requests	8
VI.	MAXIMUM GRANT AWARDS.....	8
VII.	PROCESS OVERVIEW	8
A.	Intention	8
B.	Stage 1 – Administration.....	8
C.	Stage 2 – Policy Development and Implementation.....	8
D.	Stage 3 – Grantee Selection.....	9
E.	Stage 4 – Manage Grant and Measure Progress.....	9
VIII.	PURPOSE OF THE MGF GRANT PROGRAM.....	10
IX.	PRE-AWARD REQUIREMENTS	10
A.	Organizational Eligibility.....	10
B.	Program Criteria and Grant Application.....	10
C.	Application Submission.....	11
D.	Application Review and Selection Process	11
E.	Public Records.....	12

X.	POST-AWARD REQUIREMENTS.....	12
A.	Grant Agreements	12
B.	Mortgage Grant Fund's (Grantor) Obligation.....	12
C.	Grantee's Obligation	13
D.	Grantee's Reporting Requirements	15
XI.	RECORDKEEPING AND MONITORING	17
A.	Duty to Maintain Records	17
B.	Record Retention.....	17
C.	Access by Grantor and State Auditor's Office	17
D.	Audits and Investigations.....	18
E.	Disallowance of Grant Funds.....	18
XII.	RISK ASSESSMENTS	18
XIII.	USE OF GRANT FUNDS AND PROPERTY	19
A.	Disbursement of Grant Funds	19
B.	Allowable Expenditures	19
C.	Property	22
D.	Non-allowable Expenditures	23
E.	Unlawful use of Grant Funds	24
XIV.	GRANT AGREEMENT TERMINATION AND ADVERSE ACTIONS	24
A.	Grant Agreement Termination	24
B.	Adverse Actions	25
XV.	DISPUTE RESOLUTION – MEDIATION; NONCOMPLIANCE ACTIONS.....	26
XVI.	DEFINITIONS	26

I. Purpose

The Mortgage Grant Administration Manual (MGAM)'s purpose is to outline the policies and procedures for the administration of the Mortgage Grant Fund (MGF) grant program.

Background

The MGF was established by the 87th Texas Legislature by enactment of Texas Finance Code Chapter 156, Subchapter G. The MGF is also governed by SML's administrative rules (regulations) in 7 Texas Administrative Code Chapter 52. Funds distributed from the MGF are used to provide grants to qualified organizations that provide adult financial education to consumers relating to mortgage loans.

II. Administration and Investment

The Commissioner of the Department of Savings and Mortgage Lending (SML) serves as manager of the MGF and administers all aspects of the MGF, with oversight from the Finance Commission of Texas.

The MGF is subject to the Investment Policy adopted by SML.

III. Roles and Responsibilities

A. Finance Commission (FC)

1. May request reports from the Commissioner regarding the status and activities of the MGF.
2. Makes recommendations to the Commissioner as appropriate.
3. Approves the MGAM, and any amendments to the MGAM.

B. Finance Commission Audit Committee (AC)

1. Receives periodic reports from the Commissioner regarding the status and activities of the MGF grant program.
2. Makes recommendations to the Commissioner as appropriate.

C. Department of Savings and Mortgage Lending (SML) Commissioner (Commissioner)

1. Serves as manager of the fund and provides grant coordination oversight.
2. Administers all aspects of the fund, which includes the deposit, transfer, disbursement, allocation, investment, and reinvestment of assets of the MGF.

3. Maintains financial records of revenue and expenditures.
4. Appears at hearings or judicial proceedings related to the fund.
5. Allocates funds to the MGF grant program each grant cycle.
6. Reviews and approves recommendations regarding program improvements.
7. Develops funding priorities and identifies methods to support adult financial education to consumers relating to mortgage loans.
8. Appoints members to the Mortgage Grant Advisory Committee (MGAC).
9. Determines the final selection of grant recipients, funded grant activities, and award amounts.

D. Grant Coordinator

1. Works under the direction and oversight of the Commissioner.
2. Provides reports and presentations regarding the status of the status and activities of the MGF grant program.
3. Acts as liaison between Grantees, the Commissioner, and the MGAC.
4. Makes recommendations based on observed program needs to the MGAC and the Commissioner.
5. Ensures compliance with the records retention policy.
6. Recommends policy and procedure amendments to ensure successful and effective implementation of the MGF grant program.
7. Makes recommendations concerning MGAC membership.
8. Publicizes and promotes MGF grant opportunities.
9. Ensures consistency with the Texas Grant Management Standards (TxGMS) adopted by the Texas Comptroller of Public Accounts.
10. Maintains the MGF webpages located on the SML website (sml.texas.gov).

E. Mortgage Grant Advisory Committee (MGAC)

1. Evaluates grant applications to determine whether the application should be approved, recommends modifications to the goals for funded grant activities, and the amount of the grant award.
2. At the request of the Grant Coordinator, evaluates grant compliance and address issues of non-compliance.
3. Considers potential amendments to the MGAM.

4. Evaluates potential candidates for appointment to the MGAC.

IV. Mortgage Grant Advisory Committee Policy

A. Composition

1. The MGAC serves in an advisory role to the Commissioner and Grant Coordinator concerning administration of the MGF grant program.
2. The MGAC consists of no more than six members with varied experience in mortgage lending, mortgage financial education, or grant administration, as described by the list of roles below (list is not exhaustive, and the Commissioner may include other appropriate backgrounds as appropriate).
 - a) Mortgage Loan Financial Education Consultant – informs the group of existing programs and advocates for the needs of the mortgage financial education community.
 - b) Educational Consultant – understands best practices for delivering education. Assesses grant proposals for effective measures of knowledge gained.
 - c) Office of Consumer Credit Commissioner (OCCC) Representative – Recommended by OCCC to advocate for programs focused on asset building, affordable housing, and preparation for home ownership.
 - d) Grant Administrator – Assesses, evaluates, and makes recommendations regarding the grant administration process.
 - e) Consumer Advocate – Advocates for consumers based on community engagement and needs assessment.
3. The MGAC designates, through a majority vote, one MGAC member to serve as the presiding officer at MGAC meetings.

B. Conflict of Interest

1. An MGAC member may not derive any personal profit or gain, directly or indirectly, by participating with the MGF.
2. Each MGAC member must sign a Conflict of Interest form prior to participating in the Grantee selection process.
3. Each MGAC member must disclose to the Grant Coordinator any personal or professional interests that may pose a potential conflict and must refrain from participating in any discussion or funding decisions related to the conflict of interest.

4. Each MGAC member must refrain from using applicant or Grantee information for personal or private solicitation purposes at any time during the term of their appointment.

C. Appointment and Terms

1. Prospective MGAC members may be recommended by the MGAC and are appointed by the Commissioner.
2. Each MGAC member is appointed to a four-year term that corresponds with grant cycles. The Commissioner may establish shorter or longer terms to maintain staggered terms. MGAC members take office immediately following their appointment.
3. In the event of an MGAC vacancy due to a regularly expired term or vacancy during an unexpired term, the Commissioner appoints a new MGAC member.

D. Meetings

1. Meetings are attended by:
 - a) the Commissioner;
 - b) the Grant Coordinator;
 - c) MGAC Members; and
 - d) any other participants the Commissioner deems helpful or appropriate.
2. The MGAC meets during the grant cycle for the following purposes (list is not exhaustive).
 - a) Providing consultation and technical assistance to the Grant Coordinator.
 - b) Assisting with major project management decisions associated with awarded grants, including:
 - i. evaluating and recommending candidates for the MGF grant program to the Commissioner and Grant Coordinator;
 - ii. monitoring a Grantee's budget and unspent funds; and
 - iii. offering input, interviewing, and recommending new MGAC members to the Commissioner and Grant Coordinator.
 - c) The MGAC makes recommendations to the Commissioner and Grant Coordinator for MGAC membership, consideration of specific award allocations, termination of grant agreements for noncompliance, and amendments to program policies and procedures.

V. Mortgage Grant Fund Oversight

A. Audits

The Commissioner, AC, or FC may request an internal or external audit to examine compliance when deemed necessary.

B. Reimbursement Requests

1. Are executed pursuant to the grant agreement.
2. Are based upon satisfactory compliance and performance outcomes.

VI. Maximum Grant Awards

1. The Commissioner determines the funding available for each grant cycle.
2. The aggregate award amount is determined by the Commissioner prior to each grant cycle.

VII. Process Overview

A. Intention

The MGF may have one competitive grant cycle every two years. Announcements for the grant application period are made in Summer of each even-numbered year, with grant applications due by the end of August of that year.

B. Stage 1 – Administration

1. The MGAC and Grant Coordinator provide the Commissioner with policy recommendations based on observed program needs.
2. The Grant Coordinator:
 - a) develops and revises forms for the grant cycle, including the grant application, grant agreement, grant reports, and evaluation and tracking tools;
 - b) establishes the timeline for the grant cycle; and
 - c) publicizes opportunities to apply for a grant from the MGF.

C. Stage 2 – Policy Development and Implementation

1. The MGAC provides recommendations to the Commissioner for program development and modifications.

2. On the Commissioner's approval of program requirements for the grant cycle, the Grant Coordinator ensures all administrative and Grantee documentation is in place and updates the MGF webpage accordingly.

D. Stage 3 – Grantee Selection

1. The Grant Coordinator receives and prepares applications for the first phase of screening by: confirming eligibility, ensuring applications are complete and were timely submitted, logging applicant information, conducting a risk assessment, and submitting eligible applications to the MGAC for evaluation.
2. The MGAC evaluates applications and provides recommendations to the Commissioner after reviewing the MGF budget, grant structure, number of awards, and amounts to be funded, method of funding, and reporting requirements.
3. The Commissioner reviews recommendations from the MGAC and selects award recipients.
4. After selections have been made, the Grant Coordinator sends each applicant an award letter or a letter of regret. The Grant Coordinator sends grant recipients a grant agreement for their review and signature. The grant agreement must be fully executed by the Commissioner and the Grantee before grant activities approved for funding may begin.

E. Stage 4 – Manage Grant and Measure Progress

1. The grant cycle starts, and the Grantee begins funded grant activities. The Grantee tracks and reports program progress to the Grant Coordinator, as well as assesses and communicates program successes, challenges, and impact.
2. The Grant Coordinator monitors grant compliance and ensures Grantee reports are submitted timely.
3. The Grant Coordinator processes reimbursement requests and recommends disbursements from the fund. The Commissioner approves eligible disbursements from the fund. Funding is dependent on program impact and grant compliance.
4. The Grant Coordinator provides technical assistance to Grantees and offers opportunities for regular consultation.
5. The Grant Coordinator evaluates areas of risk or concern, identifies issues of non-compliance, and directs corrective action to remedy non-compliance. The Grant Coordinator may request the assistance of the MGAC for this purpose, which may make recommendations.

VIII. Purpose of the MGF Grant Program

The purpose of the MGF grant program is to provide funding to qualified organizations that provide adult financial education to consumers relating to mortgage loans. Applicants for a grant must establish goals that demonstrate how their proposed grant activities align with the purpose of the MGF grant program. Goals approved for funding are included in the grant agreement governing the grant award. Prohibited and permissible uses of MGF grant funds are specified in the grant agreement. Activities that align with the purpose of the MGF grant program include, but are not limited to:

1. Education that helps Texans understand the benefits and potential drawbacks of home ownership;
2. Educating Texans about the different mortgage loan types (e.g., conventional (conforming loans), FHA, VA, and USDA), their eligibility requirements, and associated costs;
3. Educating Texans about the typical criteria used to evaluate a consumer's qualifications for a mortgage loan (e.g., credit score, debt-to-income, loan-to-value);
4. Educating Texans about opportunities for financial assistance to obtain a mortgage loan (e.g., down payment assistance programs);
5. Consumer credit counseling that improves the financial characteristics of Texas consumers to qualify for a mortgage loan, including budgeting and saving strategies, building credit, and improving credit scores; and
6. Train-the-trainer programs relating to the above.

IX. Pre-award Requirements

A. Organizational Eligibility

Non-profit organizations, political subdivisions of Texas, auxiliary mortgage loan activity companies (see Appendix A, Definitions) licensed by SML, and mortgage loan servicers (see Appendix A) registered with SML that are non-profit organizations are eligible to apply for grant funding. Other than auxiliary mortgage loan activity companies and mortgage loan servicers that are non-profit organizations, eligibility is not open to any other entities licensed by or registered with SML.

B. Program Criteria and Grant Application

1. During the application period for a grant cycle, Program Guidelines and Instructions for application submission are posted on the [MGF webpage](#), located on SML's website (sml.texas.gov).
2. An Applicant's program must:

- a) Align with the purpose of the MGF grant program.
 - b) Demonstrate effective evaluation tools and metrics, including the ability to collect and report required data in the semi-annual report.
3. Applicants must read and follow all application instructions.
4. Meeting eligibility criteria and timely submitting a Grant Application does not guarantee the award of a grant in any amount.

C. Application Submission

1. Applicants must apply electronically and follow all instructions for submitting the application.
2. A new grant cycle opens on January 1 of every odd-numbered year. The application submission period occurs in the even-numbered year preceding the grant cycle, typically beginning in the Summer, and with applications due by the end of August of that year.
3. Applicants may apply for a grant programming cycle of:
 - a) one year, beginning on January 1 of every odd-numbered year and ending December 31 of that year; or
 - b) two years, beginning on January 1 of every odd-numbered year and ending December 31 of the following even-numbered year.
4. The Grant Coordinator confirms receipt of a grant application via responsive email sent to the Applicant. Applications are only accepted on or before the due date. Late or incomplete applications are not considered.

D. Application Review and Selection Process

1. Funding consideration is given to organizations whose programs align with the purpose of the MGF grant program. The application review and selection process consists of the following steps.
 - a) The Grant Coordinator collects and reviews each application for eligibility.
 - b) The Grant Coordinator conducts a risk assessment.
 - c) The Grant Coordinator submits eligible applications to the MGAC for consideration.
 - d) The MGAC evaluates applications and recommends goal modifications, if warranted, and funding for programs.
 - e) The Commissioner makes the final selections of award recipients and award amounts.

2. When the competitive application and review process is complete, the Grant Coordinator sends each applicant an award letter or letter of regret no later than the end of December of the year preceding the grant cycle year.

E. Public Records

1. Texas Public Information Act: All information, documentation, and other materials submitted are subject to public disclosure under the Texas Public Information Act (Texas Government Code Chapter 552), unless a specific exception applies.
2. A list of organizations selected for an award is published on the MGF webpage, located on the SML website (sml.texas.gov).
3. Information may be publicly available and published online (MGF webpage, SML website, or Finance Commission website).

X. Post-award Requirements

A. Grant Agreements

1. Grant Agreement has the meaning assigned in Appendix A, Definitions.
2. Once a Grantee has been selected, and prior to the Grantee beginning any funded grant activities, the Grantee and the Commissioner must sign the Grant Agreement.
3. The terms of the grant award are specified in the Grant Agreement.
4. Expenses incurred before the beginning of or after the Grant Agreement ends are not eligible for reimbursement.
5. The Commissioner may withhold reimbursements when a grantee is not in compliance with the Grant Agreement or other requirements outlined in 7 Texas Administrative Code Section 52.6(g).
6. Unless otherwise specified by the Grant Agreement, the Grantee must collect required data and report grant-funded activities until the end of the grant cycle.

B. Mortgage Grant Fund's (Grantor) Obligation

1. The Grantor reimburses the Grantee for actual, allowable, and allocable costs incurred by the Grantee pursuant to the Grant Agreement up to the maximum amount of the grant award.
2. The Grantor is not obligated to pay unauthorized costs. The Grantee must obtain prior written approval from the Grantor if the Grantee anticipates any of the following:

- a) altering the scope of the grant including changes to the approved budget or goals; or
 - b) changing funds in any awarded budget category by more than 10% of the amount awarded for that category.
3. The Grantor's maximum liability under the Grant Agreement is amount of the grant award specified in the Grant Agreement.
4. Reimbursement of awarded funds is not an entitlement or right. Reimbursement depends on strict compliance with all terms, conditions, and provisions of the Grant Agreement, statutory requirements, and the MGAM.
5. The Grantor monitors Grantee performance and expenditures. The Grantor may conduct virtual or on-site audits of grant programs.

C. Grantee's Obligation

1. The Grantee must use grant funds in accordance with all the following:
 - a) all applicable federal and state laws and regulations;
 - b) the MGAM;
 - c) the Grant Agreement;
 - d) all reporting and monitoring requirements, as outlined in the Grant Agreement; and
 - e) any other guidelines and instructions posted on the MGF webpage for the applicable grant cycle.
2. The Grantee must cooperate fully with the Grantor.
3. The Grantee must notify the Grantor within 30 days of discovering any significant changes or events occurring during the term of the Grant Agreement that could potentially impact the progress or outcome of the grant program, including, but not limited to:
 - a) Changes in the Grantee's management personnel or other key individuals;
 - b) Changes in the Grantee's operating location, the location of business records, or the location where funded assets or equipment is located;
 - c) Loss of operating funds (other than MGF grant funds), including any funding disclosed in the grant application; and
 - d) Changes to the Grantee's non-profit status with the Internal Revenue Service, if applicable.

4. Failure to give the required 30-day notice of significant changes or events is grounds for termination of the Grant Agreement.
5. The Grantee's fiscal and programmatic management must include internal controls designed to:
 - a) ensure accountability for all funds and materials received from the Grantor;
 - b) compliance with the Grantor's rules, policies, and procedures, as well as applicable federal and state laws and regulations; and
 - c) correct fiscal and program management deficiencies identified through self-evaluation or the Grantor's monitoring processes.
6. The Grantee must develop, implement, and maintain all the following:
 - a) financial management and control systems that include appropriate financial planning, including the development of budgets that adequately reflect all functions and resources necessary to carry out authorized activities and the adequate determination of costs;
 - b) financial management systems, including accurate and complete payroll, accounting, and financial reporting records;
 - c) cost source documentation such as receipts, bills, invoices, and statements;
 - d) effective internal and budgetary controls to trace the use of MGF funds specifically and separately from other funds used to support the same program;
 - e) documentation evidencing determination of reasonableness, allocation of costs, and timely and appropriate audits and resolution of any findings; and
 - f) annual financial statements, including statements of financial position, activities, and cash flows, prepared on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) or other recognized accounting principles deemed acceptable to the Grantor.
7. The Grantee must submit progress reports and reimbursement requests using the current forms prescribed by the Commissioner for the applicable grant cycle. The progress report must be detailed and include supporting documentation to justify the reimbursement request.
8. The Grantee must comply with all laws, regulations, requirements, and guidelines applicable to a Grantee providing services to the State of Texas, as these laws, regulations, requirements, and guidelines currently exist and as they are amended throughout the term of the Grant Agreement.

9. If a Grantee fails to use grant funds to Grantee's approved goals as specified in the Grant Agreement, the Grantor reserves the right to do one or more of the following:
 - a) terminate the Grant Agreement;
 - b) withhold grant funds;
 - c) require that the Grantee refund grant funds received;
 - d) submit an amended report to the Coordinator; and
 - e) determine that the Grantee is ineligible for future awards from the MGF.

D. Grantee's Reporting Requirements

1. MGF Semi-Annual Report: the Grantee must complete and submit a MGF Semi-Annual Report documenting all funded grant activities. The report is the mechanism by which reimbursement requests are made. The MGF Semi-Annual Report covers the following time periods for each grant year and has the following due dates:
 - a) January 1 through June 30, due no later than July 31; and
 - b) July 1 through December 31, due no later than January 31.
2. Supporting documentation: the Grantee must submit legible supporting documentation for all expenditures with the submission of the MGF Semi-Annual Report. Examples of supporting documentation include, but are not limited to:
 - a) Pay stubs covering the hours and days worked on MGF-related activities during the reimbursement request period; and
 - b) Dated and itemized invoices, receipts, and contracts indicating services were rendered and payment was made during the semi-annual reporting period.
3. MGF Personnel Time Tracker: the Grantee must use and submit the MGF Personnel Time Tracker provided by the Grantor and submit the tracker and pay stubs, with their MGF Semi-Annual Report, only if submitting for reimbursement of salaries, wages, or fringe benefits. Pay stubs may be redacted to remove sensitive personal information, but must sufficiently identify personnel.
4. Sign-In Sheets or Rosters: the Grantee must submit copies of sign-in sheets or rosters, physical or electronic, listing the name or initials of attendees, and title, date, and length of the education course. The MGF does not prescribe a format

- for sign-in sheets or rosters and accepts any format submitted by Grantee so long as it contains the information listed in this section.
5. Inventory Report: the Grantee must submit a current inventory report listing all equipment purchased with grant funds. The MGF does not prescribe a format for inventory reports and accepts any format submitted by the Grantee so long as it contains the following information: item, date of purchase, cost, where the equipment is being used (location of the property), percentage of time the equipment is being used for the program; and make, model, and serial number, if applicable.
 6. MGF Budget or Goal Change Request: If the Grantee requests a +/-10% change to any approved budget category or their approved goals, the Grantee must submit the MGF Budget or Goal Change Request immediately.
 7. Reimbursement Request Discrepancy Form: If the Grantor discovers errors or missing information in a Grantee's reimbursement request, the Grantor will give the Grantee a completed EXE 6.1.1M MGF Reimbursement Request Discrepancy Form listing each discrepancy. The Grantee must document how the issue was resolved in the space provided. The Grantee must (1) complete all response fields, (2) attach any supporting documentation requested, and (3) resubmit corrected forms and documentation to the Grantor within the timeframe stated in the notification so processing can resume.
 8. Pre- and Post-Program Surveys: Survey data is included in and is submitted with each MGF Semi-Annual Report. The Grantee must also submit the completed surveys to the Grant Coordinator. Surveys may be completed on paper or using an electronic survey mechanism as directed by the Grant Coordinator. Surveys should be provided to persons who attend the supported MGF program prior to the class, seminar, or similar event (pre-program survey) and after completion of the class, seminar, or similar event (post-program survey).
 9. The Grantee must promptly answer any questions by the Grantor, whether in writing or otherwise, related to the grant.
 10. If the Grantee fails to comply with any of the reporting requirements as set forth in the MGAM, the Grantor may do one or more of the following:
 - a) terminate the Grant Agreement;
 - b) withhold grant funds;
 - c) require that the Grantee refund grant funds received;
 - d) submit an amended report to the Coordinator; and

- e) determine that the Grantee is ineligible for future awards from the MGF.
11. If the Grantee exhausts all funds prior to the completion of the grant term, the Grantee is obligated to continue to track and report grant-related activities for the remaining duration of the term outlined in the Grant Agreement.

XI. Recordkeeping and Monitoring

A. Duty to Maintain Records

1. The Grantee must maintain adequate records to support its charges, procedures, and performance for all work related to the Grant Agreement.
2. The Grantee must maintain records that are deemed necessary by the Grantor, the State Auditor's Office, other auditors of the State of Texas, or any other persons designated by the Grantor, to ensure proper accounting for all costs and performances related to the Grant Agreement.

B. Record Retention

1. For three years after the end of the grant cycle or until full and final resolution of all audit or litigation matters that arise after the expiration of the term, whichever is later, the Grantee must maintain any records necessary to fully disclose the extent of services provided under the Grant Agreement. There are no exceptions to this requirement.
2. The three-year count begins on the date the Grant Coordinator notifies the Grantee that all administrative functions have been closed out for the grant cycle. The notification includes language advising the Grantee that the retention period has started and disposition instructions for equipment purchased using grant funds during the grant cycle.

C. Access by Grantor and State Auditor's Office

1. During the term of the Grant Agreement and for at least three years thereafter, the Grantee must allow the Grantor and the State Auditor's Office access to and the right to examine the organization, program, premises, books, accounts, records, files, and other papers or property belonging to or in use by the Grantee and pertaining to the Grant Agreement or the use of funds pursuant to the Grant Agreement, in order to ascertain full compliance with the provisions of the Grant Agreement and with MGF guidelines.
2. The Grantee must maintain records at a location that is readily accessible to the Grantor.

3. The Grantor has the right to inspect any assets, goods, or products purchased with grant funds.

D. Audits and Investigations

1. Acceptance of grant funds under the Grant Agreement acts as acceptance of the Grantor's authority to conduct an audit or investigation related to grant funds.
2. The Grantee agrees to cooperate fully with the Grantor and the State Auditor's Office, or their successors, in the conduct of any audit or investigation, including providing all records requested.
3. The Grantee must ensure that this clause concerning the authority to audit the funds received by the Grantee is included in any subcontract it awards.
4. Any audit of records may be conducted at the Grantee's principal place of business or a location of the Grantee's operations during the Grantee's normal business hours.

E. Disallowance of Grant Funds

The Grantee is liable to the Grantor for any costs disallowed as a result of an audit or investigation, and must, upon demand, immediately reimburse the Grantor for disallowed costs. See Grant Agreement Termination and Adverse Actions for more information.

XII. Risk Assessments

1. The MGF Risk Assessment is a risk-based monitoring system applicable to MGF Applicants and each Grantee, used to analyze a program's potential risk levels and establish effective monitoring processes.
2. The Grant Coordinator performs a risk assessment for each Applicant after the completed application is received and before the MGAC reviews the application.
3. The Grant Coordinator performs a risk assessment for each Grantee approximately halfway through their grant cycle.
 - a) Grantees on a one-year grant cycle undergo a risk assessment approximately six months into their grant cycle.
 - b) Grantees on a two-year grant cycle undergo a risk assessment approximately one year into their grant cycle.
4. The Grant Coordinator may conduct subsequent additional analyses as needed to ensure the Grantee's program meets the goals specified in the Grant Agreement.

5. Monitoring actions are taken based on the low-risk, moderate-risk, or high-risk assessment provided by the risk assessment.
6. The Grantee is required to provide explanations to the Grant Coordinator, upon request and within 5 business days (Monday through Friday, and excluding federal holidays) of the request, on how the Grantee plans to minimize risks identified by the assessment.
7. Grantees are not automatically disqualified based on their risk level or if their risk level increases from a prior risk assessment. The risk level is considered when establishing effective monitoring practices. Higher risk levels may warrant increased scrutiny to ensure the program goals are met.

XIII. Use of Grant Funds and Property

A. Disbursement of Grant Funds

1. Payments are made on a cost reimbursement basis after the Grantor receives the Grantee's Semi-Annual Report, including receipts and invoices for all expenditures and accompanying reports.
2. Receipts and invoices must match the funds requested on the Grantee's approved budget.

B. Allowable Expenditures

1. Grantees may use the grant funds only for allowable expenditures and the goals identified in the Grant Agreement and allowable pursuant to the Texas Grant Management Standards (TxGMS) adopted by the Texas Comptroller of Public Accounts pursuant to Chapter 783 of the Texas Government Code.
2. Capital expenditures and real estate costs are generally unallowable unless pre-approved. Grantees may not use grant funds for the purchase or lease of real estate, construction, or building renovations. Equipment purchases over \$5,000 per item are also unallowable unless expressly pre-approved by the Grantor. Grantees must obtain written approval before incurring any such expenses to be eligible for reimbursement. Grantees must produce proof of payment, such as stamped paid invoices or receipts of all allowable expenditures.
3. All costs must be directly attributable to the program's approved goals.
 - a) Salaries

Salary costs are reimbursed for direct program activity only. Any salary expenses sought for reimbursement must be accurately recorded. Grantees

must submit timesheets with specific duties performed in relation to grant activity for salary to be considered for reimbursement. This documentation is submitted with the Semi-Annual Report.

b) Consultant Services

- i. Grantees normally are expected to use the services of their own officers or employees to the maximum extent in managing and performing the activities supported by the MGF grant award. Where it is necessary for a Grantee to contract for the services of persons who are not its officers or employees, it is expected to do so in accordance with its own written organizational standards.
- ii. If the need for consultant services is anticipated, the grant application should provide appropriate rationale, and the summary proposal budget should estimate the amount of funds that may be required for this purpose. To the extent possible, consultant rates should show separate amounts for actual services and each of the components of the rate (such as fringe benefits, indirect costs, and other expenses).
- iii. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill and who are not officers or employees of the performing organization are allowable when reasonable in relation to the services rendered. However, payment for a consultant's services may not exceed more than 20% of actual award unless approved by the Commissioner.
- iv. In determining the allowable costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors, among others, are relevant.
 - (1) The nature and scope of the service rendered in relation to the service required.
 - (2) The necessity of issuing securing the services of a third-party, considering the organization's capability in the particular area.
 - (3) The past pattern of such costs, particularly in the years prior to the grant award.
 - (4) The impact of government contracts and grants on the organization's total activity (i.e., what new problems have arisen).
 - (5) The service can be performed more economically by employing rather than by consulting.

- (6) The qualifications of the person rendering the service and the normal/customary fees charged and received by the person for comparable services.
- (7) The adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).
- (8) The extent to which the costs would be allowable if performed directly by the Grantee.

c) Travel Expenditures

- i. Travel costs are reimbursed for certain expenses at the rates authorized by the Grant Agreement and limited by [rules](#) and [rates](#) promulgated by the Texas Comptroller of Public Accounts (Comptroller).
- ii. All travel must be performed in conjunction with official MGF-related business. It is the responsibility of each Grantee to track and submit (with grant reports) the completed Mileage Log for travel reimbursement. Failure to comply with the travel guidelines will result in a delay of payment or rejection of travel reimbursement. When tracking mileage, Grantees must use the Mileage Log included with the grant report.
- iii. Grantees should use online mapping tools to compare and compute point-to-point mileage. The allowable reimbursement is determined using the lower of the actual miles driven or the mileage calculated, point-to-point. The Grantor is not required to reimburse Grantees at the maximum rate. The Grantor's maximum mileage reimbursement rate for travel by Grantees is in accordance with the Comptroller. Mileage to and from ordinary in-town errands is not reimbursed.
- iv. Mileage is consistent with state reimbursement rates set by the Comptroller and is subject to change. Refer to TxGMS for conditions related to all travel, lodging, and food-related reimbursement expenses. Refer to the Comptroller for specific travel allowances, definitions, and restrictions.
- v. Parking is eligible for reimbursement if it is incurred in connection with official MGF-related business.
- vi. Grantees are encouraged to compare airline costs and use the least costly option available, also considering the efficiency of such travel and employee compensation. To be reimbursed for airline travel, a Grantee must submit receipts that show, at a minimum: Grantee (employee)

name, airline, cost of airfare, travel dates, destinations, ticket number, and seating class. Grantees must also show proof of payment for airfare.

C. Property

1. Use of Property

During the term of the Grant Agreement, any property acquired in whole or in part with MGF funds, must be used for activities that advance the purposes of the MGF program. Property must remain under the control of the Grantee and be used as intended under the Grant Agreement.

2. Records of Property

The Grantee must maintain appropriate records of all equipment purchased with grant funds, and must develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of these goods or property. Property records must include:

- a) A description of the property;
- b) serial number or other identification number;
- c) source of funding;
- d) who holds the title;
- e) acquisition date;
- f) cost;
- g) location;
- h) use and condition; and
- i) disposition data (date, method, and sale price if applicable).

3. Purchase of Equipment; Title Upon Termination

- a) The Grantee may not create a security interest, lien, or otherwise encumber any item of equipment purchased with grant funds.
- b) The Grantee must permanently identify all equipment purchased using grant funds by affixing appropriate tags or labels to it.
- c) The Grantee must maintain a current inventory of all equipment or assets acquired using grant funds and always make said inventory available to the Grantor upon request. The Grantee must also administer a program of maintenance, repair, and protection of equipment or assets to ensure their full availability and usefulness.

- d) If the Grantee is indemnified, reimbursed, or otherwise compensated for any loss of, destruction of, or damage to the assets obtained using grant funds, it must use the proceeds to repair or replace such equipment or assets. To the extent that the Grantor reimburses the Grantee for its purchase of equipment and supplies using grant funds, upon termination of the Grant Agreement, title to or ownership of all purchased equipment and supplies, at the sole option of the Grantor, will remain with the Grantor.
4. Intellectual Property
- a) Where funds obtained under the Grant Agreement may be used to produce original books, manuals, films, or other original material and intellectual property, the Grantee may copyright such material subject to a royalty-free, non-exclusive, fully paid-up, and irrevocable license that is reserved by the Grantor.
- b) The Grantor has the unrestricted right to use, copy, modify, prepare derivative works, publish, and distribute, at no additional cost to the Grantor, in any manner that the Grantor deems appropriate in its sole discretion, any component of intellectual property developed or created within the scope of the Grant Agreement.

D. Non-allowable Expenditures

Grantees may not use grant funds for any of the following (list is not exhaustive):

1. Advertising, except for hiring and contracting (does not include information sharing and promotion critical to program implementation);
2. Alcoholic beverages or other intoxicants;
3. Any salary or compensation for an elected or appointed city, county, or state government official;
4. Costs incurred outside the project period;
5. Fundraising;
6. Mortgage payments;
7. Lobbying.

See Appendix 7, Selected Items of Cost Supplement Chart, in the [Texas Grant Management Standards \(TxGMS\)](#) for more information. The Grant Coordinator is available to address questions regarding expense eligibility.

E. Unlawful use of Grant Funds

1. The Grantor may require a refund of grant funds already disbursed to Grantee if one or more of the following events occur.
 - a) Grant funds are misused
 - b) Grant funds are used in an illegal manner
 - c) Grant funds are used for non-allowable expenses
 - d) The Grantee violates the terms or conditions of the Grant Agreement
 - e) The Grantor discovers that the Grantee made any material misrepresentations to the Grantor in obtaining the grant award.
2. This provision is not exclusive of other grounds for withholding or requiring the refunding of funds, or any other remedy, civil or criminal, which may be available to the Grantor.

XIV. Grant Agreement Termination and Adverse Actions

A. Grant Agreement Termination

1. Termination for Convenience
 - a) The Grantor or Grantee may terminate a Grant Agreement before the end of the term of the agreement, without cause, by delivering a written notice of termination to the other party at least 30 days before the termination.
 - b) Early termination of the Grant Agreement does not relieve the Grantee from reporting requirements, recordkeeping requirements, or liability to refund Grant funds in the event of misuse.
 - c) If the Grantee terminates the Grant Agreement after receiving reimbursements in an amount that exceeds a pro rata portion of the total amount awarded over the elapsed term of the Grant Agreement, the Grantee must refund the portion of the reimbursement that exceeds the pro rata portion of the total amount awarded.
2. Termination for Cause

If the Grantee fails to perform or comply with an obligation of the terms, conditions, and provisions of the Grant Agreement, the Grantor may, upon written notice of the breach to the Grantee, immediately terminate all or any part of the Grant Agreement.

3. No Reimbursement Upon Termination

In the event of termination of the Grant Agreement, the Grantor will make no further disbursement of grant funds to the Grantee beyond those already approved at the time of termination, and the Grantee specifically waives all rights to any of such funds.

B. Adverse Actions

1. Misuse of Grant Funds

If a Grantee fails to comply with reporting requirements or use grant funds in compliance with the Grant Agreement, the Grantor may do one or more of the following:

- a) Terminate the Grant Agreement.
- b) Withhold grant funds.
- c) Require that the Grantee refund grant funds received.
- d) Submit an amended report to the Coordinator.
- e) Determine that the Grantee is ineligible for future awards from the MGF.

2. Refund of Grant Funds

The Grantor may require the Grantee to refund grant funds already disbursed to the Grantee if one or more of the following events occur. This provision is not exclusive of other grounds for withholding or requiring the refunding of funds, or any other remedy, civil or criminal, which may be available to the Grantor.

- a) Grant funds are misused.
- b) Grant funds are used in an illegal manner.
- c) Grant funds are used for non-allowable expenses.
- d) The Grantee violates the terms or conditions of the Grant Agreement.
- e) The Grantor discovers the Grantee made any misrepresentations in obtaining the grant award.

3. Tax Delinquent Status

If the Texas Comptroller of Public Accounts or Texas Secretary of State (SoS) forfeits a Grantee's right to transact business in Texas because the Grantee is in a tax delinquent status with the SoS, the Grantor may do one or more of the following:

- a) Terminate the Grant Agreement.
- b) Suspend the Grant Agreement until the Grantee restores its right to transact business in Texas.
- c) Take any other action provided for in the Grant Agreement.

XV. Dispute Resolution – Mediation; Noncompliance Actions

1. To the extent authorized by law, the Grantor and Grantee may use a dispute resolution process before pursuing termination or litigation.
2. The Grantor and Grantee may sign an amended Grant Agreement or noncompliance action plan agreeing to the amended terms.
3. The noncompliance action plan may include increased communications between the Grantor and Grantee, site visits, audits, and additional reporting requirements.
4. The dispute may be mediated by a mutually acceptable third party.
5. If mediation occurs, the Grantor and Grantee (without using funds derived from the MGF) will pay all costs of any mediation equally.
6. The Grantor's participation in any mediation or nonbinding dispute resolution process will not be construed as a waiver (by the Grantor) of any of the following:
 - a) any rights, privileges, defenses, remedies, or immunities available to the Grantor as an agency or governmental unit of the State of Texas, or otherwise available to the Grantor;
 - b) the Grantor's termination rights; or
 - c) other termination provisions or expiration dates of the Grant Agreement.

XVI. Definitions

Auxiliary mortgage loan activity company: has the meaning assigned by [Finance Code § 156.002](#).

Equipment: tangible personal property with a per-unit acquisition cost of \$5,000 or more and a useful life of more than one year.

Grant Agreement: the written contract between the Grantor and Grantee governing the terms and conditions of the grant award.

Grantee: a recipient of Mortgage Grant Funds awarded pursuant to a fully executed Grant Agreement.

Grantor: the Department of Savings and Mortgage Lending (SML) and the Mortgage Grant Fund. The Commissioner may authorize one or more persons, including the Grant Coordinator, to perform any action that the Commissioner is authorized to perform under the Grant Agreement.

Mortgage loan servicer: has the meaning assigned by Finance Code § 158.002 in defining “residential mortgage loan servicer.”

Supplies: all tangible personal property that does not meet the threshold for equipment (e.g., office supplies, laptops under \$5,000).