

Mortgage Grant Administration Manual

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PURPOSE

The Mortgage Grant Administration Manual (MGAM)'s purpose is to establish 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) contained in 7 Texas Administrative Code Chapter 51, Subchapter E. The MGF is funded primarily by excess revenue transferred from the Recovery Fund (Texas Finance Code Chapter 156, Subchapter F) and penalties collected by SML. Funds distributed from the MGF are only used for the purposes set forth in Texas Finance Code Section 156.554.

ADMINISTRATION AND INVESTMENT

The Commissioner, as manager of the MGF, manages the fund in accordance with Texas Finance Code Chapter 156, Subchapter G.

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

ROLES AND RESPONSIBILITIES

Finance Commission (FC)

- a) May request reports from the Commissioner regarding the status and activities of the MGF.
- b) Makes recommendations to the Commissioner as appropriate.

Finance Commission Audit Committee (AC)

- a) Proposes program amendments to the Commissioner, including amendments to the MGAM.
- b) Approves the MGAM, and any amendments to the MGAM.
- c) Receives periodic reports from the Commissioner regarding the status and activities of the MGF grant program and makes recommendations to the Commissioner as appropriate.

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

- a) Serves as manager of the fund and grant coordination oversight.
- b) Administers all aspects of the fund, which includes the deposit, transfer, disbursement, allocation, investment, and reinvestment of assets of the MGF.

- c) Maintains financial records of revenue and expenditures.
- d) Appears at hearings or judicial proceedings related to the fund.
- e) Allocates funds to the MGF grant program each grant cycle.
- f) Reviews and approves recommendations regarding program improvements.
- g) Develops program objectives and identifies methods to support mortgage financial education to consumers regarding mortgage loans.
- h) Appoints members to the Mortgage Grant Advisory Committee (MGAC).
- i) Determines the final selection of grant recipients and award amounts.

Grant Coordinator

- a) Works under the direction and oversight of the Commissioner.
- b) Provides reports and presentations regarding the status of the grant program and Grantee activities.
- c) Acts as liaison between Grantees and the MGAC.
- d) Makes recommendations based on observed program needs to the MGAC and the Commissioner.
- e) Ensures compliance with the records retention policy.
- f) Recommends policy and procedure amendments to ensure successful and effective implementation of the grant program.
- g) Makes recommendations concerning MGAC membership.
- h) Publicizes and promotes MGF grant application opportunities.
- i) Ensures consistency with the Texas Grant Management Standards (TxGMS) adopted by the Texas Comptroller of Public Accounts.
- j) Maintains the MGF webpages, located on the SML website, with program information and materials.

Mortgage Grant Advisory Committee (MGAC)

- a) Recommends program improvements to the Commissioner and Grant Coordinator.
- b) Considers potential amendments to the MGAM.
- c) Evaluates potential candidates for appointment to the MGAC.
- d) Monitors ongoing grant awards to determine compliance.
- e) Reviews and recommends potential grant recipients for the MGF grant program to the Commissioner and Grant Coordinator.

MORTGAGE GRANT ADVISORY COMMITTEE POLICY

Composition

- a) The MGAC serves in an advisory role to the Commissioner and Grant Coordinator concerning administration of the fund and the grant awards to be made from the fund as stated in 7 Texas Administrative Code § 51.404.
- b) The MGAC consists of no more than six members with varied experience in mortgage lending, mortgage financial education, or grant administration. The list below is not all-inclusive, and the Commissioner reserves the right to include other appropriate backgrounds.
 - (1) Mortgage Loan Financial Education Consultant – informs the group of existing programs and advocates for the needs of the mortgage financial education community.
 - (2) Educational Consultant – understands best practices for impacting education. Assesses the program proposals for effective measures of knowledge gained.
 - (3) Office of Consumer Credit Commissioner (OCCC) Representative – Recommended by OCCC to advocate for programs that include mortgage loan education concerning loans or transactions regulated by the OCCC (secondary mortgage loans, home equity loans, residential property tax loans, and manufactured housing loans).
 - (4) Grant Administrator – Objectively assesses, evaluates, and makes recommendations regarding the grant administration process.
 - (5) Consumer Advocate – Advocates for consumers based on community engagement and needs assessment.
- c) The MGAC designates, through a majority vote, one MGAC member to serve as the presiding officer at MGAC meetings.

Conflict of Interest

- a) Members may not derive any personal profit or gain, directly or indirectly, by participating with the MGF.
- b) Members must attest to the MGAC Conflict of Interest Policy annually, prior to participating in the Grantee selection process and program discussions.
- c) Members 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 related to the conflict of interest or funding decisions.

- d) Members must refrain from obtaining applicant or Grantee information for personal or private solicitation purposes at any time during the term of their appointment.

Appointment and Terms

- a) Prospective MGAC members are recommended by the MGAC and appointed by the Commissioner.
- b) 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.
- c) In the event of an MGAC vacancy due to a regularly expired term or vacancy during an unexpired term, the Commissioner appoint a new MGAC member(s).

Meetings

- a) Meetings are attended by:
 - (1) the Commissioner;
 - (2) the Grant Coordinator;
 - (3) MGAC Members; and
 - (4) any other participant(s) invited by the Commissioner.
- b) The MGAC meets during the grant cycle for the following purposes. This list is not all-inclusive.
 - (1) Providing consultation and technical assistance to the Grant Coordinator.
 - (2) 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 Grantee project's unspent funds and associated funding; and
 - iii. offering input, interviewing, and recommending new MGAC members to the Commissioner and Grant Coordinator.
 - (3) 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.

MORTGAGE GRANT FUND OVERSIGHT

MGF grant funds are used to support the priority and goals for the MGF grant program set by the Commissioner. The priority of the grant fund is to promote financial literacy that enables Texans to secure home ownership.

Audits

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

Reimbursement Requests

- a) Are executed pursuant to the grant agreement.
- b) Are based upon satisfactory compliance and performance outcomes.

MAXIMUM GRANT AWARDS

- a) The Commissioner determines the funding available and allocated to each of the purposes of Finance Code § 156.554(b).
- b) The aggregate award amount is determined by the Commissioner prior to each grant cycle.

PROCESS OVERVIEW

Intention

The MGF may have one competitive grant cycle every two years. Announcements for grant proposals are made available after the June Texas Finance Commission meeting, with submissions due by the end of August of every even numbered year.

Stage 1 – Administration

- a) The MGAC and Grant Coordinator provide the Commissioner with policy recommendations based on observed program needs.
- b) The Grant Coordinator 1) develops and revises forms for the Grant Application; Grant Agreement; grant reports; and evaluation and tracking tools; 2) establishes the timeline for the grant cycle; and 3) publicizes opportunities to apply for a grant from the MGF.

Stage 2 – Policy Development and Implementation

- a) The MGAC provides recommendations to the Commissioner to approve program development and to approve program modifications.
- b) Upon Commissioner's approval, the Grant Coordinator ensures all administrative and Grantee documentation are in place for grant

announcements, such as applications, webinars, grant reports, grant agreements, and policies and procedures; and updates the MGF webpage accordingly.

Stage 3 – Grantee Selection

- a) The Grant Coordinator receives and prepares applications for the first phase of screening by: confirming eligibility, ensuring applications are complete and have been timely submitted, logging applicant information, conducting a risk assessment, and submitting to the MGAC for evaluation.
- b) The MGAC evaluates applications and provides recommendations to the Commissioner upon review of the MGF budget, grant structure, number of awards and amounts to be funded, method of funding and reporting requirements.
- c) The Commissioner reviews recommendations from the MGAC and selects award recipients.
- d) After selections have been made, the Grant Coordinator sends each applicant an award letter or 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, or designee, and the Grantee, before grant activities may begin.

Stage 4 – Manage Grant and Measure Progress

- a) In collaboration with the MGAC, the Grant Coordinator develops a strategy for ongoing grant management and to ensure reports are timely submitted.
- b) Funding is dependent on program impact and compliance.
- c) The Grantee is responsible for tracking and reporting program progress, as well as assessing and communicating program success, challenges, and impact.
- d) The Grant Coordinator provides technical assistance to Grantees and offers opportunities for regular consultation.
- e) The Grantee submits a final report summarizing the impact, results, and consumer follow-up surveys (longitudinal report, due six months after program completion).
- f) Program evaluation addresses issues of non-compliance, identifies risks, and recommends specific deliverables.
- g) The MGAC makes recommendations to remedy issues of non-compliance.

FUNDING PRIORITIES AND GOALS

Priorities

This section identifies priorities that support statewide mortgage financial education and consumer credit building activities that lead to tangible improvements in financial health, enabling consumers to obtain and maintain mortgage loans. With recommendations from MGAC, the Commissioner selects where the program's efforts will focus prior to the start of a new grant award cycle.

Goals

The type of activities (goals) that support the MGF grant program are those that:

- a) Identify and support financial literacy education;
- b) Counseling that leads to homeownership; and
- c) Train-the-trainer programs relating to goals (a) and (b) above.

These activities must provide financial literacy that leads to home ownership by working directly with members of the community without financial prejudice.

Key areas to financial literacy that lead to home ownership include the following topics:

- a) Budgeting and saving
- b) Building and improving credit
- c) Investment - homeownership
- d) Debt management

PRE-AWARD REQUIREMENTS

Organizational Eligibility

Non-profit organizations, governmental organizations, schools, for-profit entities impacting Texans, and auxiliary mortgage loan activity companies (see Appendix A, Definitions) licensed by SML are eligible to apply for grant funding. Other than auxiliary mortgage loan activity companies, eligibility is not open to financial service providers, or any entities regulated by the Finance Commission of Texas.

Program Criteria and Grant Application

- a) The Program Guidelines and Instructions for application submission are posted on the [MGF webpage](#), located on the SML website.
- b) An Applicant's program must accomplish the following:
 - (1) Align with MGF goals or strategies.

- (2) Demonstrate effective evaluative tools and metrics, including the ability to collect and report required data in the semi-annual report.
 - (3) Predict or provide evidence of program impact.
 - (4) Provide longitudinal evidence of performance and outcomes at the end of the grant cycle including the ability to demonstrate adequate return on investment and documented strategic goals.
- c) Applicants must read and follow all application guidelines and instructions.
 - d) Applications that do not comply with the guidelines and instructions on the MGF webpage are not considered.
 - e) Meeting eligibility criteria and timely submission of a Grant Application does not guarantee award of a grant in any amount.

Application Submission

- a) Applicants may apply via mail or email. Documents submitted by email receive an automatic date stamp upon receipt; this “digital” date stamp provides sufficient and accurate evidence of timely submission. Documents received by regular mail are stamped with a date received on the day the document is physically received.
- b) A new grant programming cycle opens on January 1 of every odd-numbered year. The application submission period occurs in the even-numbered year preceding the grant programming cycle.
- c) Applicants may apply for a grant programming cycle of 1) one year, beginning on January 1 and ending December 31 of every odd-numbered year, or 2) two years, beginning on January 1 of every odd-numbered year and ending December 31 of the following even-numbered year.
- d) The Grant Coordinator confirms receipt via email to Applicants, of Grant Applications received. Applications are only accepted on or before the due date. Late or incomplete applications are not considered.

Application Review and Selection Process

- a) Funding consideration is given to organizations whose programs align with MGF grant program priorities and goals. Successful applicants must demonstrate evidence-based programming that increases financial education, literacy, and capability that leads to long-term, tangible improvements in financial health that would enable the consumer to obtain and maintain a mortgage loan.
- b) The application review and selection process consist of the following steps.
 - (1) The Grant Coordinator collects and reviews each application for eligibility.

- (2) The Grant Coordinator conducts a risk assessment.
 - (3) The Grant Coordinator submits eligible applications to the MGAC for evaluation.
 - (4) The MGAC evaluates applications and recommends funding for programs.
 - (5) The Commissioner makes the final selections of award recipients and award amounts.
- c) Upon completion of the competitive application and review process, 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.

Public Records

- a) 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).
- b) A full list of individuals and organizations selected for an award is published on the MGF webpage, located on the SML website.
- c) Information may be publicly available and published online (MGF webpage, SML website, or Finance Commission website).

POST-AWARD REQUIREMENTS

Grant Agreements

- a) Grant Agreement has the meaning assigned in Appendix A, Definitions.
- b) Once a Grantee has been selected, and prior to initiating any grant-funded activities, the Grantee and the Commissioner or the Commissioner's designee, must sign the Grant Agreement.
- c) The terms of the grant award are defined in the Grant Agreement and end either one or two years after the grant has been awarded unless it ends earlier in accordance with another provision.
- d) Expenses incurred before the beginning or after the Grant Agreement ends are not eligible for reimbursement.
- e) Grantee must collect required data and report grant-funded activities until the end of the grant cycle unless otherwise specified by the Grant Agreement.

Mortgage Grant Fund's (Grantor) Obligation

- a) 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.

- b) The Grantor is not obligated to pay unauthorized costs. The Grantee must obtain prior written approval from Grantor, if the Grantee anticipates any of the following:
 - (1) altering the scope of the grant;
 - (2) adding funds to previously unapproved budget categories;
 - (3) changing funds in any awarded budget category by more than 10% of the total amount awarded; or
 - (4) adding new line items to any awarded budget category.
- c) The Grantor's maximum liability under the Grant Agreement is the "Amount Awarded."
- d) Reimbursement of awarded funds is not an entitlement or right. Reimbursement depends on, among other things, strict compliance with all terms, conditions, and provisions of the Grant Agreement.
- e) The Grantor monitors a Grantee's performance and expenditures. The Grantor may conduct virtual or on-site audits of grant programs.

Grantee's Obligation

- a) Grantee may use grant funds only to create, deliver, or expand the Grantee's financial education programs within the State of Texas.
- b) Grantee must use grant funds in accordance with all the following:
 - (1) all applicable federal and state laws and regulations;
 - (2) Grantee's application;
 - (3) the terms of the Grant Agreement;
 - (4) the MGAM; and
 - (5) any other guidelines and instructions as posted on the MGF webpage for the applicable grant cycle.
- c) Grantee must cooperate fully with the Grantor.
- d) Grantee must notify the Grantor within 30 days of discovering any significant changes or events occurring during the term of Grant Agreement that could potentially impact the progress or outcome of the grant program, including, but not limited to, the following changes:
 - (1) Grantee's management personnel
 - (2) Physical or mailing address
 - (3) Loss of funding

- (4) Changes to Grantee's non-profit status with the Internal Revenue Service, if applicable
- e) Failure to give the required 30-day notice of significant change or events is grounds for termination of the Grant Agreement.
- f) The Grantee's fiscal and programmatic management includes accountability for all funds and materials received from the Grantor; compliance with Grantor's rules, policies, and procedures, as well as applicable federal and state laws and regulations; and correction of fiscal and program deficiencies identified through self-evaluation or the Grantor's monitoring processes.
- g) Grantee must develop, implement, and maintain all the following:
 - (1) 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;
 - (2) financial management systems, including accurate and complete payroll, accounting, and financial reporting records;
 - (3) cost source documentation such as receipts, bills, invoices, and statements;
 - (4) effective internal and budgetary controls to trace the use of MGF funds specifically and separately from other funds used to support the same program;
 - (5) documentation evidencing determination of reasonableness, allocation of costs, and timely and appropriate audits and resolution of any findings; and
 - (6) 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.
- h) Grantee must submit reimbursement requests using the semi-annual report. Each reimbursement request must contain legible supporting documentation for all amounts shown in the request.
- i) 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.
- j) If a Grantee fails to use grant funds to create, deliver, or expand financial education, literacy, and capability building programs as described in the Grantee's application, the Grantor reserves the right to do one or more of the following:

- (1) terminate the Grant Agreement;
- (2) withhold the grant funds;
- (3) require that the Grantee refund grant funds received;
- (4) submit an amended report to the Coordinator; and
- (5) determine that the Grantee is ineligible for future awards from the MGF.

Grantee's Reporting Requirements

- a) MGF Semi-Annual Report: Grantee must submit the completed MGF Semi-Annual Report covering the period of January 1st through June 30th, no later than July 30th; and covering the period of July 1st through December 31st, no later than January 30th of each grant year. This report includes the reimbursement requests.
- b) Supporting documentation: 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:
 - (1) Pay stubs covering the hours and days worked **on MGF related activities** during the reimbursement request period.
 - (2) Dated and itemized invoices, receipts, and contracts indicating services were rendered and payment was made during the semi-annual reporting period.
- c) MGF Personnel Time Tracker: 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. Pay stubs may be redacted to remove personal information.
- d) Sign-In Sheets: Grantees who offer mortgage financial education programs must submit copies of sign-in sheets, 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 and accepts any format submitted by Grantee so long as it contains the information listed in this section.
- e) Inventory Report: 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 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.

- f) MGF Budget or Goal Change Request: Grantee must submit the MGF Budget or Goal Change Request immediately if the Grantee requests a +/-10% change to any approved budget category or their goals.
- g) MGF Longitudinal Report: Grantee must submit this report to the Grantor no later than six months after the end of the grant cycle or as otherwise stated in the Grant Agreement.
- h) Pre- and Post- Program Surveys: Survey data is included in and is submitted with each MGF Semi-Annual Report. Grantee must also submit the completed surveys to the Grant Coordinator. Surveys may be completed on paper or using an electronic survey mechanism such as Survey Monkey, provided 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).
- i) The Grantee must promptly answer any questions by the Grantor, whether in writing or otherwise, in connection with the reports presented to the Grantor.
- j) If Grantee fails to comply with any of the reporting requirements as set forth in the MGAM, Grantor may do one or more of the following:
 - (1) terminate the Agreement;
 - (2) withhold Grant reimbursements;
 - (3) require that Grantee refund Grant reimbursements;
 - (4) require that Grantee submit amended report(s) to Grantor; and
 - (5) determine that Grantee is ineligible for future MGF grant awards.
- k) 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.

RECORDKEEPING AND MONITORING

Duty to Maintain Records

- a) The Grantee must maintain adequate records to support its charges, procedures, and performance for all work related to the Grant Agreement.
- b) 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.

Record Retention

- a) For a period of 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, Grantee must maintain any records that are necessary to fully disclose the extent of services provided under the Grant Agreement. There are no exceptions to this requirement.
- b) The three-year count begins on the date the Grant Coordinator provides notification to 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 of equipment purchased, using grant funds, during the grant cycle.

Access by Grantor and State Auditor's Office

- a) During the term of the Grant Agreement and for at least three years thereafter, 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 Mortgage Grant Fund program guidelines.
- b) The Grantee must maintain these records at a location that is readily accessible to the Grantor.
- c) The Grantor has the right to make a visual inspection of any assets, goods, or products purchased with grant funds.

Audits and Investigations

- a) Acceptance of grant funds under the Grant Agreement acts as acceptance of the authority of the Grantor to conduct an audit or investigation in connection with grant funds.
- b) 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.
- c) 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.
- d) Any audit of records may be conducted at Grantee's principal place of business or a location of the Grantee's operations during the Grantee's normal business hours.

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.

RISK ASSESSMENTS

- a) 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.
- b) The Grant Coordinator performs a risk assessment for each Applicant after the completed application is received and before the MGAC reviews the application.
- c) The Grant Coordinator performs a risk assessment for each Grantee approximately halfway through their grant cycle.
 - (1) Grantees on a one-year grant cycle undergo a risk assessment approximately six months into their grant cycle.
 - (2) Grantees on a two-year grant cycle undergo a risk assessment approximately one year into their grant cycle.
- d) The Grant Coordinator may conduct subsequent additional analyses as needed to ensure the Grantee's program meets the requirements of the grant.
- e) Monitoring actions are taken based on the low-risk, moderate-risk, or high-risk assessment provided by the risk assessment.
- f) Grantee is required to provide explanations to the Grant Coordinator, upon request and within 5 business days (business days are considered Monday through Friday) of the request, on how the Grantee plans to minimize risks identified by the assessment.
- g) 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.

USE OF GRANT FUNDS AND PROPERTY

Disbursement of Grant Funds

- a) Payments are made on a reimbursement basis after the Grantor receives the Grantee's Semi-Annual Report, including receipts and invoices for all expenditures and accompanying reports.
- b) Receipts and invoices must match the funds requested on Grantee's initial budget, unless otherwise approved in writing by the Grantor.

Allowable Expenditures

- a) Grantees may use the grant funds only for allowable expenditures as identified in the Grantee's application and authorized agreement 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.
- b) Grant funds may not be used for general operating or capital expenditures (e.g., real estate, or any item with a useful life of more than one year and valued over \$5,000).
- c) Grantees must produce proof of payment (stamped paid invoices or receipts) of all allowable expenditures.
- d) All costs must be directly attributable to the project that is the subject of the Grant Agreement.

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.

Consultant Services

- a) Grantees normally are expected to utilize 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.
- b) If the need for consultant services is anticipated, the proposal narrative 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).
- c) 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.

- d) 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 a sub-award for the service 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 (e.g., what new problems have arisen)
 - (5) The service can be performed more economically by employment 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

Travel Expenditures

- a) 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).
- b) 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 delay of payment or rejection of travel reimbursement. When tracking mileage, Grantees must use the Mileage Log included with the grant report.
- c) 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 are not reimbursed.

- d) 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.
- e) Parking is eligible for reimbursement if it is incurred in connection with official MGF related business.
- f) 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 contain the following information: Grantee (employee) name, airline, cost of airfare, travel dates, destinations, ticket number, and seating class. Grantees must also show proof of payment for airfare.

Property

Use of Property

During the term of the Grant Agreement, any property acquired with grant funds must be used in accordance with the Grant Agreement, to accomplish the purposes of the MGF and the grant program.

Records of Property

Grantee must maintain appropriate records of goods or property 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.

Purchase of Equipment; Title Upon Termination

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

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, Grantee may copyright such material subject to a royalty-free, non-exclusive, fully paid-up, and irrevocable license that is reserved by Grantor.
- b) Grantor has the unrestricted right to use, copy, modify, prepare derivative works, publish, and distribute, at no additional cost to Grantor, in any manner that Grantor deems appropriate in its sole discretion, any component of intellectual property developed or created within the scope of the Grant Agreement.

Non-allowable Expenditures

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

- a) Advertising, except for hiring and contracting (does not include information sharing and promotion critical to program implementation);
- b) Alcoholic beverages;
- c) Any salary or compensation for an elected or appointed city, county, or state government official;
- d) Costs incurred outside the project period;
- e) Fundraising;
- f) Mortgage payments;

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.

Unlawful use of Grant Funds

- a) Grantor may require a refund of grant funds already disbursed to Grantee if one or more of the following events occur.
 - (1) Grant funds are misused
 - (2) Grant funds are used in an illegal manner
 - (3) Grant funds are used for non-allowable expenses

- (4) Grantee violates the terms or conditions of the Grant Agreement
 - (5) Grantor discovers that Grantee made any misrepresentations to Grantor in obtaining the grant award.
- b) 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 Grantor.

GRANT AGREEMENT TERMINATION AND ADVERSE ACTIONS

Grant Agreement Termination

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 Grantee from reporting requirements, recordkeeping requirements, or liability to refund Grant funds in the event of misuse.
- c) If 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, then Grantee must refund the portion of the reimbursement that exceeds the pro rata portion of the total amount awarded.

Termination for Cause

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

No Reimbursement Upon Termination

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

Adverse Actions

Misuse of Grant Funds

If a Grantee fails to comply with reporting requirements or use grant funds to create, deliver, or expand financial education, literacy, and capability building programs as described in the Grantee's application, the Grantor may do one or more of the following:

- a) terminate the Grant Agreement;
- b) withhold grant funds;
- c) require that Grantee refund grant funds received;
- d) submit an amended report to the Coordinator; and
- e) determine that Grantee is ineligible for future awards from the MGF.

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 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 to Grantor in obtaining the grant award.

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

DISPUTE RESOLUTION – MEDIATION; NONCOMPLIANCE ACTIONS

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

DEFINITIONS

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

Financial education, literacy, and capability: acquired consumer behaviors and knowledge that lead to tangible improvements in financial health, enabling the consumer to obtain and maintain a mortgage loan.

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 as Grantor under the Grant Agreement.