April 25, 2019

The Southeast Texas Housing Finance Corporation
Houston, Texas

Re: SETH 5 Star Texas Advantage Program
SETH GoldStar Program

Ladies and Gentlemen:

We are special counsel to The Southeast Texas Housing Finance Corporation ("SETH") in connection with SETH 5 Star Texas Advantage Program and SETH GoldStar Program, pursuant to which SETH provides down payment assistance to eligible borrowers (collectively, the "Programs"). You have requested this letter from us as your special counsel in order for you to comply with the requirements set forth in Mortgagee Letter 19-06 (the "HUD Letter") that was promulgated by the U.S. Department of Housing and Urban Development ("HUD") on April 18, 2019. Any capitalized term used herein and not defined herein shall have the same meaning set forth in the HUD Letter unless the context shall otherwise clearly require.

For purposes of this letter we have reviewed and considered the following materials:

(a) Chapter 394, Texas Local Government Code, as amended (the "Act");

(b) the HUD Letter;

(c) 12 USC 1707(d);

(d) 12 USC 1735f-6;

(e) 24 CFR 203.32(b);

(f) HUD’s Single Family Housing Policy Handbook 4000.1; and
(g) such other documents, instruments, certificates and matters of law as we have deemed relevant to the Program with respect to the matters set forth herein (collectively, the “Program Documents”).

In the course of such review, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein; and we have assumed the genuineness of all signatures thereto. The opinions expressed in this letter is based upon an analysis and interpretation of existing laws, regulations, rulings and court decisions. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have neither undertaken to determine nor to inform any person whether any such actions are taken or omitted or events do occur.

Pursuant to Section 394.002 of the Act, a housing finance corporation such as SETH, constitutes a “public instrumentality” that “performs an essential governmental function on behalf of and for the benefit of the general public, the local government, and [the State of Texas]” formed for purposes, among others, of assisting “persons of low and moderate income to acquire and own decent, safe, sanitary, and affordable housing.” Under Section 394.039 of the Act, a housing finance corporation, such as SETH, may “lend money for its corporate purposes, invest and reinvest its funds, and take and hold real or personal property as security for the payment of the loaned or invested funds.”

Based on the above provisions, and certain other provisions of the Act, we believe, and have assumed for the purposes set forth herein, that a reasonable interpretation of the Act would permit the operation of the Programs by SETH throughout the State of Texas.

Based on and subject to the assumptions, interpretations and qualifications herein, we are of the opinion that, in a properly presented and argued case, a court correctly and reasonably applying current law to these facts should find that:

1. SETH is public, nonprofit housing finance corporation, duly created and validly existing pursuant to the Act.

2. SETH is a Governmental Entity as described in the HUD Letter, and in conducting the Programs, is acting in its governmental capacity as part of governmental sponsored homeownership programs.

3. SETH is considered within the jurisdiction in which the properties financed pursuant to the Programs are located to be either a federal, state, or local government or agency or instrumentality thereof, as set forth in the HUD Letter.
The foregoing opinions are limited to matters involving laws of the State of Texas and federal laws of the United States of America and we do not express any opinions as to the laws of any other jurisdictions.

This letter is given as of the date hereof. No one other than the addressee hereof shall be entitled to rely on this letter and this letter may not be used or quoted by you for any other purpose whatsoever or delivered, in whole or part, to any other person without our prior written consent. We assume no obligation to update, revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. We are passing upon only those matters set forth in this letter. We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

CHAPMAN AND CUTLER LLP