

BILL ANALYSIS

Senate Research Center
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S.B. 867
By: Lucio
Border Affairs - Special
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As Filed

DIGEST

Currently, Texas law does not provide a contract for deed conversion programs. S.B. 867 would create a loan guarantee to convert a contract for deed to a warranty deed program.

PURPOSE

As proposed, S.B. 867 creates a contract for deed conversion programs.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Texas Department of Housing and Community Affairs in SECTION 1 (Section 2306.255(i), Government Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 2306K, Government Code, by adding Section 2306.255, as follows:

Sec. 2306.255. CONTRACT FOR DEED CONVERSION PROGRAM. Provides that the definition of "office" means the office established by the Texas Department of Housing and Community Affairs (TDHCA) to promote initiatives for colonias. Requires the office to establish a program to guarantee loans made by private lenders to convert a contract for deed into a warranty deed. Requires the office to make agreements with private lenders that will issue loans for contract conversions under the guarantee of TDHCA. Requires the office and the lender to agree on the criteria for issuing a deed conversion loan, including the percentage of the guarantee to be issued by TDHCA. Prohibits the office from making an agreement with a lender unless the agreement allows the office to annually renegotiate the guarantee percentage for a loan issued by the lender. Requires the office to renegotiate the terms of a guarantee when possible to obtain a better guarantee percentage for the state from the lender. Authorizes the office to establish eligibility criteria for a holder of a contract for deed who participates in this program. Requires the criteria to include a priority for homeowners and owners of residential real property who are individuals or families of low, very low, or extremely low income. Requires the office to use funds allocated to TDHCA under the federal HOME Investment Partnerships program established under Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Section 12701 et seq.) for a guarantee issued under this section. Prohibits the office from spending state money to fund a guarantee for a loan under the program. Authorizes the office to use the services of the Texas State Affordable Housing Corporation when necessary to accomplish the purposes of this section. Requires the office to compose an annual report that evaluates the repayment history and coinciding guarantee percentages for guarantees issued under this section, and deliver a copy of the report to the governor, the lieutenant governor, and the speaker of the house of representatives. Authorizes TDHCA to adopt rules necessary to accomplish the purposes of this section.

SECTION 2. (a) Effective date: September 1, 1999.

(b) Requires the office established by TDHCA to promote initiatives for colonias to deliver the first report required by Section 2306.255(h), Government Code, as added by this Act, no later than January 1, 2001.

SECTION 3. Emergency clause.