

## **BILL ANALYSIS**

Senate Research Center  
77R4459 DWS-F

S.B. 401  
By: West, Royce  
Business & Commerce  
4/18/2001  
As Filed

### **DIGEST AND PURPOSE**

As proposed, S.B. 401 requires borrowers receiving high cost home loans to receive home loan counseling from a United States Department of Housing and Urban Development (HUD) certified counselor as a condition of getting a loan.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 341E, Finance Code, by adding Sections 341.407 and 341.408, as follows:

Sec. 341.407. COUNSELING IN CONNECTION WITH HIGH COST HOME LOAN. Defines “high cost home loan.” Prohibits a lender from making a high cost home loan to a borrower who has not received counseling on the advisability of and alternatives to the loan from a counselor certified by the United States Department of Housing and Urban Development.

Sec. 341.408. PENALTIES FOR FAILURE TO PROVIDE COUNSELING. Provides that a person who violates Section 341.407 is liable to the aggrieved borrower for the actual damages caused by the violation; punitive damages not to exceed \$10,000 in an action brought by the aggrieved borrower; and court costs. Provides that a license issued under this subtitle that is held by a person who violates Section 341.407, in addition to other liabilities prescribed by this section, is subject to revocation or suspension.

SECTION 2. Effective date: September 1, 2001  
Makes application of this Act prospective.