

BILL ANALYSIS

Senate Research Center
78R2455 DWS-F

H.J.R. 23
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Engrossed

DIGEST AND PURPOSE

Home equity loans made in Texas can be refinanced but must remain home equity loans. In other words, they cannot be converted to "first mortgages" by the process of refinancing. This requirement assures that the constitutional consumer protections applicable to home equity loans are not circumvented by refinancing the loan.

However, this has the effect of preventing a home equity loan from being converted into a reverse mortgage. Like home equity loans, reverse mortgages have strong constitutional consumer protections, including a limit on the ability of a lender to foreclose on a homestead.

H.J.R. 23 requires the submission to the voters of an amendment to the Texas Constitution to permit a home equity loan to be refinanced as a reverse mortgage.

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 Section 50(f), Article XVI, Texas Constitution, to prohibit a refinance of debt secured by the homestead, any portion of which is an extension of credit described by Subsection (a)(6) of this section from being secured by a valid lien against the homestead unless the refinance of the debt is an extension of credit described by Subsection (a)(6) or (a)(7) of this section.

SECTION 2. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held November 4, 2003. Requires the ballot be printed to permit voting for or against the proposition: "The constitutional amendment permitting refinancing of a home equity loan with a reverse mortgage."