

## **BILL ANALYSIS**

Senate Research Center  
81R24545 JAM-D

H.B. 2308  
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Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In Texas, many hard-working families cannot qualify for a loan to buy a home and there is a dire need to develop a good loan model that hard-working families who play by the rules can use to buy a home and have some safety and assurance that they will be able to hang on to that home. This bill challenges the Texas housing agency to develop such a model.

H.B. 2308 sets up a pilot home loan program, using available resources through which the Texas Department of Housing and Community Affairs will work with private lenders to develop an alternative to subprime home mortgage loans.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Texas Department of Housing and Community Affairs in SECTION 1 (Sections 2306.1083, Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 2306, Government Code, by adding Subchapter NN, as follows:

#### **SUBCHAPTER NN. TEXAS SECURE LOAN PILOT PROGRAM**

Sec. 2306.1081. DEFINITION. Defines "program."

Sec. 2306.1082. TEXAS SECURE LOAN PILOT PROGRAM. (a) Requires the Texas Department of Housing and Community Affairs (TDHCA) to establish the Texas secure loan pilot program (program) to provide first lien and second lien single-family mortgage loans to individuals and families of low income.

(b) Authorizes the program to include the provision of down payment and closing cost assistance.

Sec. 2306.1083. ADMINISTRATION OF PROGRAM; RULES. (a) Requires TDHCA to administer the program.

(b) Requires TDHCA to adopt rules governing the administration of the program, including the origination of loans under the program; the criteria for approving another entity to service loans originated under the program; the use of insurance on the loans and the homes financed under the program, as considered appropriate by the board to provide additional security for the loans; the verification of occupancy of the home by the homebuyer as the homebuyer's principal residence; the terms of any memorandum of understanding or contract with another entity for processing, servicing, or administering the loans; and criteria for authorizing the modification of loan terms for homebuyers whose income is adversely affected by circumstances such as unemployment, a reduction of wages or hours of employment, illness, or the death of a spouse or other person contributing to the income of a homebuyer.

Sec. 2306.1084. ELIGIBILITY. (a) Requires a homebuyer, to be eligible for a mortgage loan issued by TDHCA under this subchapter, to earn an income, adjusted for family size of not more than 80 percent of the area median income if the homebuyer lives in a rural

area or 60 percent of the area median income if the homebuyer lives in an urban area; and to intend to occupy, as the homebuyer's principal residence, the home for which the mortgage loan is issued; and meet any additional eligibility requirements or limitations prescribed by TDHCA.

(b) Authorizes TDHCA to enter into memoranda of understanding with other agencies of the state or to contract with private entities to process, service, or administer all or a portion of the loans issued under this subchapter. Prohibits TDHCA from contracting with more than three private entities at any one time for purposes of this subsection.

Sec. 2306.1085. ALLOCATION OF LOANS. Requires TDHCA to issue at least 50 percent of all loans under this subchapter to homebuyers whose incomes do not exceed 60 percent of area median family income, adjusted for family size.

Sec. 2306.1086. LOAN TERMS; RECOVERY OF PRINCIPAL. (a) Requires TDHCA to establish reasonable interest rates for the first lien and second lien mortgage loans under this subchapter to allow full repayment of those loans by low-income homebuyers.

(b) Requires TDHCA to recover the full amount of the principal of a loan issued under this subchapter.

Sec. 2306.1087. MODIFICATION OF LOAN TERMS. Authorizes TDHCA or other servicer of the loan, if the homebuyer meets the criteria adopted by TDHCA under Section 2306.1083(b)(6), to modify the terms of the loan by suspending payments for a specific period, extending the term of the loan to reduce the amount of the payments, or lowering the interest rate to reduce the amount of the payments.

Sec. 2306.1088. INITIATION OF MODIFIED LOAN TERMS. (a) Authorizes that the modification of loan terms under Section 2306.1087 be requested by the homebuyer or initiated by TDHCA or other servicer of the loan regardless of whether a loan payment is missed.

(b) Requires TDHCA or other servicer of the loan, if a homebuyer misses a scheduled payment for a loan under this subchapter, to contact the homebuyer and determine the reason for the missed payment. Authorizes TDHCA or servicer to modify the terms of the loan under Section 2306.1087 if the payment was missed for a reason meeting the criteria adopted by the board under Section 2306.1083(b)(6).

Sec. 2306.1089. EDUCATION SERVICES FOR HOMEBUYERS. Requires TDHCA to provide homebuyer and homeowner education and counseling services to persons receiving loans under this subchapter.

Sec. 2306.1090. FUNDING. (a) Requires TDHCA to ensure that a loan issued under this subchapter is structured in a way that complies with any requirements associated with the source of the funds used for the loan.

(b) Authorizes TDHCA to solicit and accept gifts and grants for the purposes of this subchapter in addition to funds set aside for the program under Section 1372.023 (Dedication of Portions of State Ceiling to Texas Department of Housing and Community Affairs) and other available funds.

(c) Authorizes TDHCA to use the proceeds of loans issued under this subchapter to issue additional loans.

SECTION 2. Requires TDHCA to adopt the rules required by Subchapter NN, Government Code, as added by this Act, not later than October 1, 2009, and to begin issuing loans under the Texas secure loan pilot program not later than January 1, 2010.

SECTION 3. Effective date: September 1, 2009.