

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 1375  
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Intergovernmental Relations  
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Committee Report (Substituted)

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

Currently, low-income families are provided homeownership assistance through the use of HOME Investment Partnerships Program funds by the Texas Department of Housing and Community Affairs (TDHCA), and through mortgage revenue bond programs offered by both TDHCA and the Texas State Affordable Housing Corporation (TSAHC). These programs, funded through the state private activity bond authority, provide first-time homeowners with down-payment assistance and low-interest, fixed-rate mortgages.

Since an investment of state resources is necessary to ensure the success of these programs, state policymakers should have a continued interest in how these resources are used. This bill allows for better stewardship of the state's housing dollars by providing a second look and independent evaluation to determine whether refinancing is desirable for those individuals who have received state-assisted loans. The bill requires TDHCA and TSAHC to work with national and local experts to develop best practices to provide counseling to individuals on mortgage refinancing options, including home-equity and predatory lending practices. The bill further requires that individuals notify TDHCA prior to changing loan conditions and undergo a counseling session to ensure they are not jeopardizing or worsening the terms of their current loan.

C.S.S.B. 1375 amends current law relating to the establishment of the Texas savvy homeowner program.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Texas Department of Housing and Community Affairs in SECTION 1 (Section 2306.2005, Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

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

#### **SUBCHAPTER OO. TEXAS SAVVY HOMEOWNER PROGRAM**

Sec. 2306.2001. Defines "program."

Sec. 2306.2002. ESTABLISHMENT OF PROGRAM. (a) Requires the Texas Department of Housing and Community Affairs (TDHCA), in coordination with the Texas State Affordable Housing Corporation (TSAHC), the Department of Savings and Mortgage Lending (SML), the Office of Consumer Credit Commissioner (CCC), and local housing finance corporations, to establish the Texas savvy homeowner program to make refinancing education and assistance available to all individuals residing in a home for which they have received mortgage loan, mortgage credit certificate, down payment, or other loan assistance from TDHCA or TSAHC, or a housing finance corporation, including assistance through mortgage revenue bonds or through TDHCA's allocation of funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Section 12701 et seq.).

(b) Provides that except as provided by Subsection (c), participation in the program is voluntary.

(c) Provides that participation in the program is mandatory for individuals receiving mortgage loan, mortgage credit certificate, down payment, or other loan assistance from TDHCA or TSAHC, or a housing finance corporation on or after December 1, 2009. Requires that any assistance described by this subsection that is issued on or after that date be provided to the individual with information concerning the requirements and procedures of the program and the contact information of the program administrator.

Sec. 2306.2003. PROGRAM DEVELOPMENT AND ADMINISTRATION. (a) Requires TDHCA, in coordination with TSAHC, SML, CCC, and local housing finance corporations to develop best practices for home refinancing; and develop a curriculum for the provision of individualized counseling to program participants that includes information concerning mortgage refinancing options, home equity practices, predatory lending practices, and a comparison of any refinancing terms being offered to the individual and refinancing terms otherwise available to the individual;

(b) Requires TDHCA to administer the program directly; or prepare and issue a request for proposal and enter into a contract providing for the administration of the program by a nonprofit corporation that is a housing counselor certified by the United States Department of Housing and Urban Development or TDHCA; and complies with any requirements imposed on the program administrator in relation to the best practices and curriculum developed by TDHCA under Subsection (a).

(c) Requires the program administrator, if TDHCA does not administer the program, to submit quarterly reports to TDHCA detailing the counseling services provided and whether the counseling recipients obtained refinancing.

Sec. 2306.2004. MODIFICATION OF LOAN TERMS. (a) Requires a program participant to agree to notify the program administrator in writing of any intent to modify the terms of any loan secured by the home in which the participant resides, as a condition of receiving mortgage loan, mortgage credit certificate, down payment, or other loan assistance from TDHCA, TSAHC, or a local housing finance corporation. Requires that the notice be provided not later than the 60th day before the date the loan terms are modified.

(b) Requires the program administrator, on receipt of notice under Subsection (a), to contact the loan recipient not later than the 30th day after the date of receipt of the notice and, on the phone or in person, provide the loan recipient with an individualized counseling session based on the curriculum developed by TDHCA under Section 2306.2003(a).

Sec. 2306.2005. RULES. Authorizes TDHCA to adopt rules necessary to implement this subchapter.

SECTION 2. Requires TDHCA to adopt any rules required by Subchapter OO, Chapter 2306, Government Code, as added by this Act, not later than December 1, 2009.

SECTION 3. Effective date: September 1, 2009.