

BILL ANALYSIS

Senate Research Center
82R9071 TRH-F

S.B. 1391
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4/11/2011
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Taxpayers invest federal Community Development Block Grant (CDBG) funds and other disaster recovery funds to help stabilize a disaster-stricken community and allow homeowners to rebuild with low-interest loans. Consumers who refinance those low-interest loans with higher-interest or adjustable rate loans that they cannot afford place taxpayers' investment in community revitalization at risk of loss to foreclosure. Existing law prohibits refinancing of similar types of low-interest loans made by government entities or nonprofits. This bill extends that prohibition to CDBG-funded disaster recovery loans.

S.B. 1391 amends Subchapter B (Loans and Financed Transactions), Chapter 343 (Home Loans), Finance Code, to prohibit refinancing and attachment of a replacement lien on a CDBG-funded disaster recovery loans.

As proposed, S.B. 1391 amends current law relating to refinancing low-rate home loans involving natural disaster recovery funds.

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 Subchapter B, Chapter 343, Finance Code, by adding Section 343.1011, as follows:

Sec. 343.1011. REFINANCING OF LOAN MADE WITH DISASTER RECOVERY FUNDS. (a) Provides that for purposes of this section, a low-rate home loan, including an open-end account and notwithstanding Section 343.002 (Applicability), is a home loan that at its inception carries an interest rate two percentage points or more below the yield on treasury securities having comparable periods of maturity to the loan maturity, except that if the loan's interest rate is subject to change, the maximum rate that may be charged at any time during the loan shall be used instead of the rate at the loan's inception to determine whether the loan is a low-rate home loan.

(b) Prohibits a lender from refinancing, replacing, or consolidating a low-rate home loan directly made by a government or nonprofit lender wholly or partly using or funded by community development block grant disaster recovery funds before the seventh anniversary of the date of the loan unless the new or consolidated loan has a lower interest rate and requires payment of a lesser amount of points and fees than the original loan or is a restructure to avoid foreclosure.

(c) Provides that, in addition to other remedies provided by law, a lien does not attach to real property that is based on a loan made in violation of this section.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2011.