

SUBJECT: Combining home loan programs into the Homes for Texas Heroes program

COMMITTEE: Urban Affairs — favorable, without amendment

VOTE: 5 ayes — Dutton, Alvarado, Elkins, Leach, J. Rodriguez

0 nays

2 absent — Anchia, Sanford

WITNESSES: For — (*Registered, but did not testify*: Steve Bresnen and Mike Higgins, Texas State Association of Fire Fighters; Ramiro Canales, Texas Association of School Administrators; Monty Exter, The Association of Texas Professional Educators; Daniel Gonzalez and Chelsey Thomas, Texas Association of Realtors; Dwight Harris, Texas AFT; Chris Jones, Combined Law Enforcement Associations of Texas; Joyce McDonald, Frameworks Community Development Corporation; Scott Norman, Texas Association of Builders; Deena Perkins, Texas Association of Community Development Corporations; Charley Wilkison, Austin Police Association, Travis County Sheriff's Officers Association, Combined Law Enforcement Associations of Texas)

Against — None

On — David Long and Paige Omohundro, Texas State Affordable Housing Corporation

BACKGROUND: Government Code, sec. 2306.562, which authorized the Professional Educators Home Loan Program, expired September 1, 2012. The Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program, nicknamed "Homes for Heroes," is set to expire September 1, 2014.

The Texas State Affordable Housing Corporation receives 10 percent of the state ceiling for qualified mortgage bonds to administer both programs. Until the Professional Educators Home Loan Program expired, TSAHC reserved 45.5 percent of its bond allowance for the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program and 54.5 percent for the Professional

Educators Home Loan Program.

Through the two programs, TSAHC offers mortgage loans with a 30-year fixed interest rate (3.75 percent as of April 2013) and provides down payment and closing cost assistance grants equal to 5 percent of the loan amount for first time homebuyers. To be eligible, participants must be Texas residents with an income up to 115 percent of area median family income, adjusted for family size, or the maximum amount permitted by Section 143 (f), Internal Revenue Code of 1986, whichever is greater.

Members of the following professions are eligible for the “Homes for Heroes” program: fire fighters, corrections officers, county jailers, public security officers, peace officers, and emergency medical services personnel. The Professional Educators Home Loan Program served members of the following professions: classroom teachers, teacher’s aides, school librarians, school counselors, school nurses, and allied health or professional nursing program undergraduate or graduate faculty members.

DIGEST:

HB 1029 would add professions previously included under the Professional Educators Home Loan Program to the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program under one formal name: the Homes for Texas Heroes Home Loan Program.

HB 1029 would allow all eligible borrowers under the combined program to access the same pool of mortgage bonds. The following professions would be eligible for the combined program: fire fighters, corrections officers, county jailers, public security officers, peace officers, emergency medical services personnel, and professional educators, including classroom teachers, teacher’s aides, librarians, counselors, school nurses and allied health or professional nursing program undergraduate or graduate faculty members.

HB 1029 would repeal sections of the Government Code providing for two separate loan programs.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013.

SUPPORTERS

HB 1029 would ensure that the state’s heroes, from fire fighters to

SAY:

classroom teachers, could afford a home by continuing the two professional home loan programs together as the combined Homes for Texas Heroes program. As public servants, compensation for these individuals often does not equate with the service they provide to their communities. The program also would give underserved communities an additional tool for recruiting and retaining qualified public servants.

The two home loan programs did not receive state appropriations when separate, and the combined Homes for Texas Heroes program likewise would not receive any state appropriations. The bonds issued to fund the program are not general obligation bonds. Instead, they use mortgage-backed securities as collateral, and the bonds are paid back as borrowers pay off their mortgages.

Combining the two programs simply would allow the Texas State Affordable Housing Corporation to reduce marketing and outreach costs as well as bond application fees, attorney fees, and closing costs associated with running two loan programs instead of one. The combined program would not alter how the original programs functioned or who could enroll.

A combined, low-interest home mortgage loan program would streamline marketing and improve effectiveness of program outreach while making the formal name “Homes for Texas Heroes” easier for realtors, lenders, and borrowers to remember. The Texas State Affordable Housing Corporation has referred to the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program as “Homes for Heroes” for years. HB 1029 simply would allow the agency to formally apply the name to both programs.

HB 1029 would not disrupt the agency’s ability to divide funds between certain professions within the program as necessary. TSAHC has been able to meet demand for the program under the state ceiling for bond allowance and has not had issues with abuse of the program by public servants.

OPPONENTS
SAY:

HB 1029 would not resolve the fact that the two home loan programs did not have a job tenure requirement for eligibility. There remains a risk that loan dollars would be spent on individuals who entered public service only to take advantage of a low-interest loan and then left their jobs shortly thereafter. Any continuation of the program should include a statutory safeguard against such abuse.

NOTES: The identical companion, SB 286 by Hinojosa, passed the Senate by 31-0 on April 11 on the Local and Uncontested Calendar and has been referred to the House Urban Affairs Committee.