

BILL ANALYSIS

H.J.R. 23
By: Hochberg
Financial Institutions
Committee Report (Unamended)

BACKGROUND 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 amends the Texas Constitution to permit a home equity loan to be refinanced as a reverse mortgage.

RULEMAKING AUTHORITY

It is the committee’s opinion that this resolution does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.J.R. 23 amends Section 50(f), Article XVI, Texas Constitution to permit a borrower to refinance a home equity loan as a reverse mortgage.

FOR ELECTION

The proposed constitutional amendment would be submitted to the voters at an election to be held November 4, 2003.