

1-1 By: Corte (Senate Sponsor - Van de Putte) H.B. No. 2396
1-2 (In the Senate - Received from the House April 28, 2003;
1-3 May 1, 2003, read first time and referred to Committee on Veteran
1-4 Affairs and Military Installations; May 6, 2003, rereferred to
1-5 Committee on Administration; May 13, 2003, reported favorably by
1-6 the following vote: Yeas 7, Nays 0; May 13, 2003, sent to printer.)

1-7 A BILL TO BE ENTITLED
1-8 AN ACT

1-9 relating to the administration of and insurance requirements for
1-10 certain Veterans' Land Board programs.

1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-12 SECTION 1. Sections 161.212(a), (b), and (c), Natural
1-13 Resources Code, are amended to read as follows:

1-14 (a) Before purchasing land under the provisions of this
1-15 chapter, the board shall have an appraisal ~~[appraisement]~~ of the
1-16 property made to determine its value.

1-17 (b) A person making an appraisal on behalf of ~~[An appraiser~~
1-18 ~~representing]~~ the board shall be licensed or certified as an
1-19 appraiser by the State of Texas ~~[reasonably qualified to give~~
1-20 ~~competent appraisals of land]~~.

1-21 (c) The appraiser shall make a written report to the board
1-22 in the form and manner required by the board. ~~[affidavit form, duly~~
1-23 ~~sworn to before a notary public or other official authorized to~~
1-24 ~~administer oaths, and showing:~~

1-25 ~~[(1) the appraised value of the land;~~

1-26 ~~[(2) the name and address of any person contacted~~
1-27 ~~relative to the valuation of the land;~~

1-28 ~~[(3) that the appraiser has examined the records of~~
1-29 ~~the county clerk's office relative to the amount paid by the vendor~~
1-30 ~~for the land;~~

1-31 ~~[(4) that he has checked past sales of adjacent land to~~
1-32 ~~aid in determining valuation; and~~

1-33 ~~[(5) that neither the appraiser nor any member of his~~
1-34 ~~family has received any personal benefits from the transaction and~~
1-35 ~~does not expect to receive any future personal benefits from the~~
1-36 ~~transaction.]~~

1-37 SECTION 2. Section 161.214, Natural Resources Code, is
1-38 amended to read as follows:

1-39 Sec. 161.214. TITLE. (a) Before making payment for land,
1-40 the board shall have the title of the property sought to be
1-41 purchased examined and may require for this purpose a title
1-42 insurance policy or appropriate examination of title ~~[an abstract~~
1-43 ~~of title or policy of title insurance]~~. The board may submit the
1-44 title to the attorney general for examination and opinion.

1-45 (b) The board may purchase land that has ~~[is subject to~~
1-46 ~~outstanding mineral leases or that has all or part of the]~~ mineral
1-47 interests outstanding or that is subject to title exceptions
1-48 acceptable to the board ~~[, but the title must otherwise be~~
1-49 ~~marketable and good]~~.

1-50 SECTION 3. Section 161.227, Natural Resources Code, is
1-51 amended to read as follows:

1-52 Sec. 161.227. LEASE OF LAND. (a) No land purchased under
1-53 this chapter may be leased by the purchaser for a term of more than
1-54 10 years except as follows:

1-55 (1) leases for oil, gas, and other minerals may be for
1-56 a term of not more than 10 years, and as long thereafter as such oil,
1-57 gas, and other minerals are produced from the land in commercial
1-58 quantities; ~~[and]~~

1-59 (2) leases for coal and lignite may be for a term of
1-60 not more than 40 years, and as long thereafter as such coal and
1-61 lignite are produced from the land in commercial quantities; and

1-62 (3) leases, whether referred to as leases, licenses,
1-63 or easements, for microwave, radio, or other communication towers,
1-64 may be for a term of not more than 50 years.

(b) No lease may contain a provision for option or renewal of the lease or re-lease of the property for any term which would cause the entire fixed term of such lease or leases to exceed the applicable maximum fixed term set forth in Subsection (a)(1), ~~(2)~~, or (3) above, and the taking of any such option, renewal, or re-lease agreement in a separate instrument to take effect in the future is prohibited. A lease or instrument that contains an option, renewal, or re-lease agreement in violation of this section is expressly declared to be void.

SECTION 4. Section 161.281(c), Natural Resources Code, is amended to read as follows:

(c) In order to respond to market conditions, the board may from time to time by rule set the minimum acreage that a veteran may purchase. However, the board may not set the minimum acreage at less than one acre ~~[five acres]~~.

SECTION 5. Section 161.283(b), Natural Resources Code, is amended to read as follows:

(b) The board shall pay not more than \$60,000 ~~[\$40,000]~~ for the property, but may pay more if the veteran pays to the board or the board's designee in cash, in accordance with its rules, that portion of the purchase price in excess of the amount that the board agrees to pay. The amount shall be paid not later than the date on which the board acquires title to the property.

SECTION 6. Section 161.288, Natural Resources Code, is amended to read as follows:

Sec. 161.288. REFUND. If the title to the land is not approved and accepted by the board, any amount paid to the board or the board's designee in excess of the amount that the board agreed to pay for the selected land shall be refunded to the veteran together with any other down payment remitted to the board.

SECTION 7. Section 161.315, Natural Resources Code, is amended to read as follows:

Sec. 161.315. NOTICE TO COUNTY CLERK. Notice of the board's action in forfeiting the original contract shall be mailed to the county clerk of the county in which the land is located and the clerk shall:

- (1) enter a notation of the forfeiture on the margin of the page or pages containing the record of the original contract; or
- (2) record the notice of forfeiture.

SECTION 8. Section 161.317, Natural Resources Code, is amended to read as follows:

Sec. 161.317. REINSTATEMENT OF PURCHASE. (a) If a sale is forfeited and the title to the land reverted in the fund, the original purchaser or the original purchaser's ~~[his]~~ vendee is entitled to reinstate the ~~[his]~~ purchase contract at any time before the date on which the board meets and orders the land to be advertised for resale or for lease for mineral development but not after that time. If a contract is forfeited more than two times, the board may require, as a condition of reinstatement, that the purchaser or the purchaser's vendee pay the account in full.

(b) A person who exercises a right of reinstatement shall:

- (1) pay all delinquent installments, penalties, and costs incident to the reinstatement; and
- (2) fulfill any other requirements ~~[as]~~ prescribed by the board.

SECTION 9. Section 161.320, Natural Resources Code, is amended to read as follows:

Sec. 161.320. LATE PAYMENTS; DEFAULT INTEREST RATE [ON DELINQUENT PRINCIPAL AND INTEREST]. (a) The board may impose charges for late payments.

(b) In addition to charging for late payments under Subsection (a), the board may set and impose a default rate of interest on:

- (1) the past due amounts; or
- (2) the entire unpaid balance. ~~[Principal and interest that become delinquent shall bear interest from the date the principal and interest become delinquent until paid at a rate to be determined by the board.]~~

SECTION 10. Section 161.323, Natural Resources Code, is

3-1 amended to read as follows:

3-2 Sec. 161.323. LIABILITY. The liability of the original
3-3 veteran purchaser and any subsequent assignee or assignees of the
3-4 veteran are joint and several, but the original veteran purchaser
3-5 is primarily liable for payment of the money under the original
3-6 contract of sale and purchase. The board may release an assignor
3-7 from liability under this section if at least three years have
3-8 passed since the approved assignment.

3-9 SECTION 11. Section 161.361, Natural Resources Code, is
3-10 amended to read as follows:

3-11 Sec. 161.361. DEFINITION [~~DEFINITIONS~~]. In this
3-12 subchapter, "person~~+~~

3-13 [~~(1) "Persons~~] purchasing land under the program"
3-14 means a person or a person's [~~his~~] successor or assign who buys land
3-15 from the board under a contract of sale and purchase regardless of
3-16 whether the land is sold under Sections 161.175 and 161.231 through
3-17 161.234 or Section 161.319 [~~of this code~~] or Subchapter G, or who
3-18 buys land using a mortgage loan under Subchapter K [~~of this~~
3-19 ~~chapter~~].

3-20 [~~(2) "Person in the group" means a person purchasing~~
3-21 ~~land under the program who has elected to accept the offer of the~~
3-22 ~~insurance coverage provided in this subchapter.~~

3-23 [~~(3) "The indebtedness due to the board" means the~~
3-24 ~~principal of and interest on the indebtedness necessary to pay in~~
3-25 ~~full the obligation set forth in any contract of sale and purchase~~
3-26 ~~under which a person in the group is purchasing land from the board,~~
3-27 ~~exclusive of delinquent principal, interest, and penalties.]~~

3-28 SECTION 12. Sections 161.362(a) and (b), Natural Resources
3-29 Code, are amended to read as follows:

3-30 (a) Persons purchasing land under the program [~~Each veteran~~
3-31 ~~purchaser~~] shall carry insurance on the improvements on the
3-32 property in an amount [~~under contract of purchase~~] that the board
3-33 considers necessary. Failure [~~, and failure~~] to do so will subject
3-34 the contract to forfeiture or the mortgage to foreclosure [~~under~~
3-35 ~~Subchapter H of this chapter~~].

3-36 (b) The board may promulgate rules [~~it considers~~] necessary
3-37 to enforce this subchapter [~~section~~].

3-38 SECTION 13. Section 161.363, Natural Resources Code, is
3-39 amended to read as follows:

3-40 Sec. 161.363. [~~MASTER~~] INSURANCE CONTRACT. The board may
3-41 enter into a [~~master~~] contract or agreement with one or more [~~life~~]
3-42 insurance companies authorized to do business in this state to
3-43 provide [~~group~~] life, disability, or other insurance coverage to
3-44 persons purchasing land under the program, if it is in the best
3-45 interest of [~~cancelling on death the indebtedness due to the board~~
3-46 ~~of persons purchasing land under~~] the program.

3-47 SECTION 14. Section 161.366, Natural Resources Code, is
3-48 amended to read as follows:

3-49 Sec. 161.366. INSURANCE NOT MANDATORY. It is not mandatory
3-50 that a person purchasing land under the program accept the offer of
3-51 the insurance coverage, and refusal by the person to accept the
3-52 offer of the coverage shall not be a ground for the board to decline
3-53 to enter into a contract of sale and purchase or a mortgage with the
3-54 person.

3-55 SECTION 15. Section 161.368, Natural Resources Code, is
3-56 amended to read as follows:

3-57 Sec. 161.368. COLLECTION OF PREMIUM. The board may collect
3-58 or provide for collection of the insurance premium [~~for insurance~~
3-59 ~~coverage~~] in a reasonable manner.

3-60 SECTION 16. Section 161.370, Natural Resources Code, is
3-61 amended to read as follows:

3-62 Sec. 161.370. CANCELLATION BY INSURER. The [~~master~~]
3-63 contract or agreement shall not prohibit cancellation by the
3-64 insurer of the entire contract on reasonable notice to the board but
3-65 shall prohibit cancellation of individual coverage except as
3-66 provided in this subchapter.

3-67 SECTION 17. The heading to Section 161.371, Natural
3-68 Resources Code, is amended to read as follows:

3-69 Sec. 161.371. TERMINATION OF INDIVIDUAL COVERAGE

4-1 ~~[INSURANCE].~~

4-2 SECTION 18. Section 161.371(a), Natural Resources Code, is
4-3 amended to read as follows:

4-4 (a) Individual ~~[The]~~ insurance coverage may ~~[shall]~~ be
4-5 terminated for any person on terms agreed to by the insurer and the
4-6 board ~~[in the group on:~~

4-7 ~~(1) the satisfaction of the indebtedness due the~~
4-8 ~~board;~~

4-9 ~~(2) the board's approval of a transfer of interest in~~
4-10 ~~the land being purchased from the board; or~~

4-11 ~~(3) failure to make timely payment of the premium to~~
4-12 ~~be paid for the coverage].~~

4-13 SECTION 19. Section 161.503(c), Natural Resources Code, is
4-14 amended to read as follows:

4-15 (c) The board shall adopt credit, underwriting, and
4-16 appraisal standards that protect the best interest of the program
4-17 and limit the exposure of the fund to any losses. ~~[obtain insurance:~~

4-18 ~~(1) covering at least 50 percent of all losses~~
4-19 ~~anticipated in connection with payment defaults on loans secured by~~
4-20 ~~first or second mortgages, based on the advice of one or more~~
4-21 ~~qualified consultants to the board as to potential losses that may~~
4-22 ~~be reasonably expected on the loans as determined by analysis that~~
4-23 ~~includes actual experience in the residential mortgage lending~~
4-24 ~~industry on similar types of mortgage loans; or~~

4-25 ~~(2) that insures repayment of at least 50 percent of~~
4-26 ~~the outstanding principal amount of all loans made under this~~
4-27 ~~subchapter if the loans are not repaid by the recipients.]~~

4-28 SECTION 20. Section 161.509, Natural Resources Code, is
4-29 amended to read as follows:

4-30 Sec. 161.509. LATE PAYMENTS; DEFAULT INTEREST RATE [ON
4-31 DELINQUENT PRINCIPAL AND INTEREST]. (a) The board may impose
4-32 charges for late payments.

4-33 (b) In addition to charging for late payments under
4-34 Subsection (a), the board may set and impose a default rate of
4-35 interest on:

4-36 (1) the past due amounts; or

4-37 (2) the entire unpaid balance. ~~[Principal and interest~~
4-38 ~~that become delinquent bear interest at a rate determined by the~~
4-39 ~~board.]~~

4-40 SECTION 21. Sections 161.212(d), 161.362(c), 161.364,
4-41 161.365, 161.367, 161.369, and 161.371(b) and (c), Natural
4-42 Resources Code, are repealed.

4-43 SECTION 22. This Act takes effect September 1, 2003, and
4-44 applies only to an insurance contract or agreement that is
4-45 delivered or issued for delivery on or after that date. A contract
4-46 or agreement that is delivered or issued for delivery before
4-47 September 1, 2003, is governed by the law as it existed immediately
4-48 before the effective date of this Act, and that law is continued in
4-49 effect for that purpose.

4-50 * * * * *