

BILL ANALYSIS

Senate Research Center

S.J.R. 7
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Business and Commerce
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Enrolled

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Currently, the Texas Constitution permits advances under a reverse mortgage to be made only in a lump sum after settlement or in regular periodic, predetermined equal amounts over a term of years or the lifetimes of homeowners. S.J.R. 7 amends the provisions of Section 50, Article XVI, of the Texas Constitution to allow senior homeowners to draw advances under a reverse mortgage at unscheduled intervals if and when needed, and only in amounts needed, during the loan term. The legislation includes other safeguards regarding how advances are obtained, fees, and amendment of the credit terms.

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 Section 50(p), Article XVI, Texas Constitution, as follows:

(p) Requires the advances made on a reverse mortgage loan under which more than one advance is made to be according to the terms established by the loan documents by one or more of the following methods:

an initial advance at any time and future advances at regular intervals; an initial advance at any time and future advances at regular intervals in which the amounts advanced may be reduced, for one or more advances, at the request of the borrower; an initial advance at any time and future advances at times and in amounts requested by the borrower until the credit limit established by the loan documents is reached; an initial advance at any time, future advances at times and in amounts requested by the borrower until the credit limit established by the loan documents is reached, and subsequent advances at times and in amounts requested by the borrower to the extent that the outstanding balance is repaid; or at any time by the lender, on behalf of the borrower, if the borrower fails to timely pay certain costs that the borrower is obligated to pay under the loan documents to the extent necessary to protect the lender's interest in or the value of the homestead property.

SECTION 2. Amends Section 50, Article XVI, Texas Constitution, by adding Subsection (v), to set forth certain stipulations regarding a reverse mortgage.

SECTION 3. Requires the proposed constitutional amendment to be submitted to the voters at an election to be held November 8, 2005. Requires the ballot to be printed to permit voting for or against the proposition and sets forth appropriate language.