

By: Villarreal

H.B. No. 727

A BILL TO BE ENTITLED

AN ACT

relating to a program of grants and loans to provide capital for community development and economic development institutions in economically distressed and low-income areas.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 12, Finance Code, is amended by adding Subchapter C to read as follows:

SUBCHAPTER C. TEXAS COMMUNITY DEVELOPMENT INVESTMENT PROGRAM

Sec. 12.201. DEFINITIONS. In this subchapter:

(1) "Community development financial institution" has the meaning assigned by 12 U.S.C. Section 4702, as amended.

(2) "Community development investment" means a loan or grant made to a community development financial institution for the purpose of enhancing the provision of basic consumer financial services.

(3) "Community development loan" means a loan from a community development financial institution to a low-income business or nonprofit organization for the purpose of revitalizing a distressed community.

(4) "Eligible institution" means a community development financial institution meeting the minimum selection criteria described by 12 U.S.C. Section 4704, as amended.

(5) "Program" means the community investment program established under this subchapter.

1 Sec. 12.202. COMMUNITY INVESTMENT PROGRAM. Notwithstanding
2 any other law, the department shall establish a community
3 investment program in which the department makes grants or
4 interest-free loans to eligible institutions that use the money to
5 make community development loans in distressed areas of the state
6 or to assist low-income areas by providing basic consumer financial
7 services.

8 Sec. 12.203. ELIGIBILITY. (a) The department shall
9 determine the eligibility of an institution by verifying that the
10 institution meets the minimum selection criteria described by 12
11 U.S.C. Section 4704, as amended.

12 (b) The department may set a limit on the number of eligible
13 institutions that may participate in the program.

14 (c) To participate in the program, an eligible institution
15 must enter into a participation agreement with the department that
16 sets out the terms and conditions under which the department will
17 make a grant or loan to the eligible institution.

18 Sec. 12.204. CAPACITY BUILDING. (a) The department may
19 make a grant to an institution or nonprofit organization to assist
20 the institution or organization to:

21 (1) meet the minimum selection criteria described by
22 12 U.S.C. Section 4704, as amended, or to otherwise obtain
23 assistance under 12 U.S.C. 4701 et seq., as amended; and

24 (2) become an eligible institution and participate in
25 the program.

26 (b) The department may make a grant to a nonprofit
27 organization the department determines is performing activities

1 consistent with the goals of this subchapter to provide the
2 organization operating support, technical assistance, and training
3 assistance.

4 Sec. 12.205. RULEMAKING AUTHORITY. The finance commission
5 shall adopt rules relating to the implementation of the program and
6 any other rules necessary to accomplish the purposes of this
7 subchapter.

8 Sec. 12.206. APPLICATION. (a) An eligible institution may
9 file a grant or loan application with the department. The
10 application must be in a form approved by the department and include
11 a plan of investment that includes the type and number of community
12 development loans or investments that the institution plans to make
13 using money from the program.

14 (b) The department shall act on a completed application not
15 later than the 30th day after the date on which the application is
16 filed with the department.

17 Sec. 12.207. OWNERSHIP OF INCOME. All income received on a
18 loan or investment made with money received under the program is the
19 property of the eligible institution that makes the loan or
20 investment.

21 Sec. 12.208. SEMIANNUAL REPORT. (a) Not later than the 30th
22 day after the expiration of each six-month period for which there is
23 a participation agreement in effect between the department and an
24 eligible institution, the eligible institution shall submit a
25 report to the department that states in detail the status of each
26 investment or loan made under the program.

27 (b) The report must be in a form prescribed by the

1 department and must contain all information required by the
2 department as part of the institution's participation agreement.

3 Sec. 12.209. ANNUAL AUDIT. The participation agreement
4 entered into between the eligible institution and the department
5 must provide for an annual audit. The finance commission shall
6 adopt rules relating to the format of the audit, including rules
7 allowing not more than \$5,000 of the amount received by the eligible
8 institution under the program to be used to finance the audit.

9 SECTION 2. This Act takes effect September 1, 2005.