

By: Lucio

S.B. No. 1637

A BILL TO BE ENTITLED

AN ACT

1
2 relating to housing assistance and other assistance provided by the
3 Texas Department of Housing and Community Affairs.

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

5 SECTION 1. Subsection (a), Section 1372.006, Government
6 Code, is amended to read as follows:

7 (a) An application for a reservation under Subchapter B or a
8 carryforward designation under Subchapter C must be accompanied by
9 a nonrefundable fee in the amount of \$500, except that for issuers
10 of qualified residential rental project bonds the application must
11 be accompanied by a nonrefundable fee of \$5,000, of which the board
12 shall retain \$1,000 to offset the costs of the private activity bond
13 allocation program and the administration of that program and of
14 which the board shall transfer \$4,000 through an interagency
15 agreement to the Texas Department of Housing and Community Affairs
16 for use in the affordable housing research and information programs
17 [~~program~~] as provided by Sections [~~Section~~] 2306.259 and 2306.260.

18 SECTION 2. Section 2306.142, Government Code, is amended by
19 adding Subsections (p) and (q) to read as follows:

20 (p) The department shall provide credit enhancements and
21 guarantees to ensure that bonds issued under this section are
22 continuously rated not less than AAA or its equivalent by at least
23 one nationally recognized investment rating firm.

24 (q) The department shall supplement the single-family

1 mortgage revenue bond loan program under this section by allocating
2 home mortgage loan volume, creating alternate loan products, and
3 providing other related assistance to meet the credit needs of the
4 individuals and families of low and very low income who reside in
5 the region of the state adjacent to the international border of the
6 state. The department shall provide assistance under the
7 supplemental loan program to borrowers who would be ineligible for
8 assistance under the other provisions of this section. The
9 department by rule shall determine the appropriate manner for
10 administering the assistance authorized by this subsection and
11 provide eligibility standards for borrowers participating in the
12 supplemental loan program. The department shall fund the
13 supplemental loan program using money appropriated to the
14 department that may be used for this purpose.

15 SECTION 3. Subchapter H, Chapter 2306, Government Code, is
16 amended by adding Section 2306.1712 to read as follows:

17 Sec. 2306.1712. ANNUAL HOUSING ASSISTANCE GOAL. (a) The
18 department shall adopt an annual goal to apply not less than \$30
19 million of the money available through the housing trust fund
20 program, the HOME investment partnerships program, the low income
21 housing tax credit program, the Section 8 housing assistance
22 payments program, and the multifamily housing and single-family
23 housing mortgage revenue bond programs toward housing assistance
24 for individuals and families earning not more than 30 percent of the
25 area median income.

26 (b) Notwithstanding Section 2306.123, for the purpose of
27 establishing eligibility for assistance under a program identified

1 by Subsection (a), the department in implementing this section
2 shall determine for each county the median income of an individual
3 or family. The department shall determine the statewide median
4 income of an individual or family based on the median income for
5 each county. If the statewide median income is higher than the
6 median income for a county, the department shall use the statewide
7 median income for the purpose of establishing eligibility for
8 assistance in that county for the applicable program.

9 (c) Not later than September 1 of each year, the department
10 shall report to the Legislative Budget Board its expenditures for
11 that year in the income category described by this section.

12 SECTION 4. Subchapter K, Chapter 2306, Government Code, is
13 amended by adding Sections 2306.2595 and 2306.260 to read as
14 follows:

15 Sec. 2306.2595. BORDER REGION FIRST MORTGAGE PROGRAM.

16 (a) The department shall develop a program to provide assistance
17 for the purchase of single-family homes to first-time homebuyers
18 who reside in a county adjacent to an international border of this
19 state.

20 (b) As part of the program, the department shall offer a
21 three-year balloon mortgage loan product to first-time homebuyers
22 described by Subsection (a) who, because of a low credit score or
23 the inability to make a down payment, cannot qualify for a mortgage
24 loan product offered by the conventional, Fannie Mae, Freddie Mac,
25 or Federal Housing Administration home mortgage lending industry or
26 by housing finance corporations organized under Chapter 394, Local
27 Government Code, and who:

1 (1) complete:

2 (A) a credit counseling program; and

3 (B) a homebuyer education program;

4 (2) have a depository relationship with a financial
5 institution;

6 (3) demonstrate the willingness and ability to make
7 monthly payments on a mortgage loan; and

8 (4) meet other eligibility requirements considered
9 appropriate by the department.

10 (c) As part of the program, the department shall:

11 (1) during the loan period, provide continued credit
12 counseling to recipients of the mortgage loans; and

13 (2) actively assist the recipients of the mortgage
14 loans as they prepare to refinance at the end of the three-year
15 period into an alternative mortgage loan described by Subsection
16 (b).

17 (d) The department may extend the period of a mortgage loan
18 made under this section on a year-to-year basis for not more than an
19 additional two years to further assist a loan recipient with the
20 transition to an alternative mortgage loan described by Subsection
21 (b).

22 (e) The department may contract with a nonprofit
23 organization to provide the counseling and education programs
24 required by this section.

25 (f) In evaluating applications for mortgage loans under
26 this section, the department shall accept alternative credit
27 information, such as written evidence that the applicant has paid

1 rent or utility, telephone, or other bills in a timely manner.

2 Sec. 2306.260. FINANCIAL LITERACY EDUCATION PROGRAM:
3 BORDER RESIDENTS. (a) In this section:

4 (1) "Public junior college" has the meaning assigned
5 by Section 61.003, Education Code.

6 (2) "Texas-Mexico border region" has the meaning
7 assigned by Section 2056.002.

8 (b) With money available under Section 1372.006(a), the
9 department shall:

10 (1) solicit participation by appropriate nonprofit
11 organizations and public entities, including public junior
12 colleges and school districts, in a financial literacy education
13 program for individuals and families of low income who reside in the
14 Texas-Mexico border region; and

15 (2) collaborate with those entities to develop and
16 establish the program.

17 (c) The financial literacy education program established by
18 the department and appropriate entities under this section must
19 emphasize teaching individuals and families of low income to make
20 informed financial decisions regarding the purchase or ownership of
21 homes in the region. As part of the program, the department and the
22 entities shall develop and distribute educational materials
23 addressing the financial issues most relevant to home ownership by
24 individuals and families of low income, including materials
25 regarding:

26 (1) how to eliminate credit card debt, establish good
27 credit, and become a low-risk borrower;

1 (2) how to manage money;

2 (3) how to be a prudent investor and begin a savings
3 program;

4 (4) how to avoid bankruptcy;

5 (5) the types of bank accounts available to consumers
6 and the benefits of maintaining a bank account; and

7 (6) the types of loans available to consumers.

8 SECTION 5. Subchapter M, Chapter 2306, Government Code, is
9 amended by adding Section 2306.298 to read as follows:

10 Sec. 2306.298. SECONDARY MORTGAGE MARKET. (a) The
11 department shall authorize colonia self-help centers and any other
12 appropriate community-based, nonprofit institutions to originate
13 mortgage loans on behalf of the department for individuals and
14 families of low income and families of moderate income who have a
15 credit rating of less than "B-" according to Standard and Poor's
16 credit underwriting criteria and who meet other eligibility
17 criteria adopted by board rule. The department may require that
18 lenders who originate mortgage loans under this section meet
19 appropriate eligibility requirements as determined under Section
20 2306.142(n).

21 (b) The department shall purchase and service a mortgage
22 loan originated under this section and may sell the loan to a
23 mortgage lender or the federal government after the second
24 anniversary of the date of origination.

25 (c) Proceeds from the sale of mortgage loans under this
26 section shall be used to make additional mortgage loans on behalf of
27 the department.

1 (d) After public notice and comment, the board shall adopt
2 rules creating underwriting standards and borrower eligibility
3 standards for mortgage loans originated under this section.

4 SECTION 6. The Texas Department of Housing and Community
5 Affairs and appropriate nonprofit organizations and public
6 entities shall establish the financial literacy education program
7 under Section 2306.260, Government Code, as added by this Act, not
8 later than January 1, 2006.

9 SECTION 7. This Act takes effect immediately if it receives
10 a vote of two-thirds of all the members elected to each house, as
11 provided by Section 39, Article III, Texas Constitution. If this
12 Act does not receive the vote necessary for immediate effect, this
13 Act takes effect September 1, 2005.