

BILL ANALYSIS

H.B. 1637
By: Menendez
Urban Affairs
Committee Report (Amended)

BACKGROUND AND PURPOSE

The Texas Department of Housing and Community Affairs (TDHCA) administers a low income, first time homebuyer program for qualified families throughout Texas. The program offers low, fixed rate 30 year mortgages for families who would not otherwise qualify for a home loan or who would only qualify at significantly higher commercial terms for a home.

The TDHCA first-time homebuyer program also includes down payment and closing cost grant assistance to income eligible applicants. Eligibility is determined by the families gross income percentage compared to the Average Mean Family Income (AMFI) for the state. Typically this percentage has been established in the appropriations rider at 60% of AMFI. A family that exceeds that percentage of AMFI is still eligible for the loan but without the down payment grant assistance.

While the program has been tremendously successful in many parts of the state, areas where housing costs are higher and where the AMFI is at or above the state average have been able to take better advantage of the grant assistance. Areas of the state where housing prices are lower and where AMFI is below the state average have far more applicants denied down payment assistance because while the family qualifies for the mortgage they make just slightly above the 60% ceiling currently imposed by the appropriations process.

House Bill No. 1637 would raise the AMFI cap to 80% of the state average mean family income which will make the program mirror the gross family income eligibility standards that are currently in statute for the similar first time home buyer programs administered by the Texas State Affordable Housing Corporation. This will allow more people throughout the state to take advantage of the opportunity for home ownership this program offers to working families of Texas.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Texas Department of Housing and Community Affairs is modified in SECTION 1 (Section 2306.1073(b), Government Code) and SECTION 2(a) of this bill.

SECTION-BY-SECTION ANALYSIS

SECTION 1. Amends Chapter 2306, Government Code by adding Subchapter MM, "Texas First-Time Homebuyer Program," as follows:

Section 2306.1071 defines "First-time homebuyer," "Home," "Mortgage lender;" "Program," and "Targeted area;" Requires the First-Time Homebuyer Program to facilitate the origination of single-family mortgage loans for eligible first-time homebuyers.

Section 2306.1072, "Texas First-Time Homebuyer Program:" (a) Requires the facilitation of the origination of single-family mortgage loans for eligible first-time homebuyers.

(b) Includes that the program may include down payment and closing cost assistance.

Section 2306.1073, "Administration of Program, Rules:" (a) Requires the Texas Department of Housing and Community Affairs (TDHCA) to administer the program.

(b) Requires the board of TDHCA to adopt rules governing the administration of the program; the making of loans under the program; the criteria for approving participating mortgage lenders; the use of insurance on the loans the homes financed under the program; the verification of occupancy of the home by the homebuyer as the homebuyer's principal residence; and the terms of any contract made with any mortgage lender for processing, origination, servicing, or administering the loans.

Section 2306.1074, "Eligibility:" (a) For a mortgage loan, requires a homebuyer to qualify as a first-time homebuyer; have an income of not more than 115% of area median income, adjusted for family size; and meet any additional limitations or requirements prescribed by TDHCA.

(b) For a loan for closing costs and downpayment assistance, requires a homebuyer to qualify as a first-time homebuyer; have an income of not more than 80% of area median family income, adjusted for family size, if the homebuyer is purchasing a property that is not located in a targeted area; and meet any additional requirements or limitations prescribed by TDHCA.

(c) Authorizes TDHCA to contract with other agencies of the state or with private entities to determine whether applicants qualify as first-time homebuyers.

Section 2306.1075, "Fees:" Authorizes the board of directors of TDHCA to set and collect from each applicant reasonable and necessary fees to cover the expenses of the program.

Section 2306.1076, "Funding:" (a) Requires TDHCA to ensure that a loan is structured in a way that complies with any requirements associated with the source of the funds used for the loan.

(b) Includes that in addition to funds set aside under Section 1372.023 (Dedication of Portions of State Ceiling to Texas Department of Housing and Community Affairs), requires TDHCA to solicit and accept funding from gifts and grants and any source of funds or subsidy available to TDHCA as provided by Section 2306.142 (Authorization of Bonds);

SECTION 2. (a) Requires TDHCA to adopt rules required by Section 2306.1073 not later than December 1, 2007.

(b) Provides that the changes in law apply only to an application for assistance that is filed on or after January 1, 2008.

SECTION 3. Effective date: September 1, 2007.

EFFECTIVE DATE

September 1, 2007.

EXPLANATION OF AMENDMENTS

Committee Amendment No. 1 would modify the original bill by making statutory consistency changes and the following:

(1) removes the requirement for the first time homebuyer to reside in Texas on the date the application is filed.

(2) removes the definition of "targeted area."

(3) changes the eligibility for an applicant for a mortgage loan to have an income of not more than 140%, rather than 115%, of the area median family income.

(4) removes the requirement that income for both mortgage loans and for down payment and closing cost assistance must be adjusted for family size.

(5) removes the authority for the First-Time Homebuyer Program to be funded with any funds other than from the portion of the state ceiling of private activity bonds dedicated to the Texas Department of Housing and Community Affairs and gifts and grants received for the purposes of the program.