

BILL ANALYSIS

C.S.S.B. 1185
By: Nelson
Urban Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The State of Texas is authorized by Federal law to allocate its annual allotment, or "ceiling," of private activity bond reservations among all eligible issuers. The first tier of this allocation is among six categories of issuers.

Each of these categories (or "sub-ceilings") receives a statutory percentage of the total ceiling, which fluctuates in total dollar amount each year. Several of these sub-ceilings are further allocated among specific groups of issuers and specific entities.

The proposed complete committee substitute for Senate Bill No. 1185 affects only the sub-ceiling that is reserved for issuers of qualified mortgage bonds, also known as mortgage revenue bonds.

Presently, one-third of the sub-ceiling is allocated to the Texas Department of Housing and Community Affairs (department), \$55,000,000 is allocated to the Texas State Affordable Housing Corporation (corporation), and any residual amounts are allocated to local housing finance corporations.

The proposed substitute for Senate Bill No. 1185 establishes a percentage based allocation method for this sub-ceiling. Under this provision, the department will continue to receive the percentage of one-third, the corporation will receive 10 percent, and local housing finance agencies will receive 56.66 percent of the sub-ceiling. For 2007, the dollar difference is \$948,524, less than 0.2 percent of the sub-ceiling.

The Legislature established professional educator and nursing faculty home loan programs as a way to acknowledge the personal sacrifices made by persons who enter these professions and make it easier for them to become homeowners. Home loan programs for professional educators and nursing faculty are held separately. Tying these programs together may bring increased efficiency. Currently, allied health professionals are not included in the existing home loan program.

Additionally, these home loan programs, administered by the Texas State Affordable Housing Corporation (corporation), are mandated to only consider applications from individuals at or below 115 percent of the area median family income.

The Federal government recently authorized an increase of the income limits for persons applying for home loans under these programs in areas affected by Hurricane Rita, and may make similar allowances in other areas. Statutory change is required to authorize the corporation to do the same.

The substitute for Senate Bill No. 1185 creates a home loan program for allied health professionals in combination with the home loan programs for professional educators and nursing faculty.

RULEMAKING AUTHORITY

This legislation does not expressly grant any additional rulemaking authority to a State officer, institution, department or agency.

SECTION-BY-SECTION ANALYSIS

SECTION 1. Amends Section 1372.0221, Government Code, as follows:

Sec. 1372.0221. DEDICATION OF PORTION OF STATE CEILING FOR PROFESSIONAL EDUCATORS HOME LOAN PROGRAM. Until August 7, out of that portion of the state ceiling that is available exclusively for reservations by the Texas State Affordable Housing Corporation under Section 1372.0223, 54.5 percent shall be allotted each year and made available to the corporation for the purpose of issuing qualified mortgage bonds in connection with the professional educators home loan program established under Section 2306.562

SECTION 2. Section 1372.0222, Government Code, is amended to read as follows:

Sec. 1372.0222. DEDICATION OF PORTION OF STATE CEILING FOR FIRE FIGHTER AND LAW ENFORCEMENT OR SECURITY OFFICER HOME LOAN PROGRAM. Until August 7, out of that portion of the state ceiling that is available exclusively for reservations by the Texas State Affordable Housing Corporation under Section 1372.0223, 45.5 percent shall be allotted each year and made available to the corporation for the purpose of issuing qualified mortgage bonds in connection with the fire fighter, law enforcement officer, and security officer home loan program established under Section 2306.5621.

SECTION 3. Section 1372.0223, Government Code, is amended to read as follows:

Sec. 1372.0223. DEDICATION OF PORTION OF STATE CEILING TO CERTAIN ISSUERS OF QUALIFIED MORTGAGE BONDS. Until August 7, out of that portion of the state ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds under Section 1372.022:

- (1) 10 percent is available exclusively to the Texas State Affordable Housing Corporation for the purpose of issuing qualified mortgage bonds; and
- (2) 56.66 percent is available exclusively to housing finance corporations for the purpose of issuing qualified mortgage bonds.

SECTION 4. Section 1372.023(a), Government Code, is amended to read as follows:

(a) Until August 7, of that portion of the state ceiling that is available exclusively for reservations by issuers of qualified mortgage bonds, 33.34 percent is available exclusively to the Texas Department of Housing and Community Affairs for the purpose of issuing qualified mortgage bonds.

SECTION 5. Section 1372.037 (a), Government Code, is amended to read as follows:

- (a) Except as provided by Subsection (b), before August 7 the board may not grant for any single project a reservation for that year that is greater than:
- (1) \$25 million, if the issuer is an issuer of qualified mortgage bonds, other than the Texas Department of Housing and Community Affairs or the Texas State Affordable Housing Corporation;
 - (2) \$50 million, if the issuer is an issuer of a state-voted issue, other than the Texas Higher Education Coordinating Board, or \$75 million, if the issuer is the Texas Higher Education Coordinating Board;
 - (3) the amount to which the Internal Revenue Code limits issuers of qualified small issue bonds and enterprise zone facility bonds, if the issuer is an issuer of those bonds;
 - (4) the lesser of \$15 million or 15 percent of the amount set aside for reservation by issuers of qualified residential rental project bonds, if the issuer is an issuer of those bonds;

(5) the amount as prescribed in Sections 1372.033(d), (e), and (f), if the issuer is an issuer authorized by Section 53.47, Education Code, to issue qualified student loan bonds; or

(6) \$50 million, if the issuer is any other issuer of bonds that require an allocation.

SECTION 6. Amends Sections 2306.553(a) and (b), Government Code, as follows:

(a) Provides that the corporation is to provide adequate, safe, and sanitary housing for persons who are eligible for loans, rather than professional educators, under Sections 2306.562 (Professional Educators Home Loan Program) and 2306.5621 (Fire Fighter and Law Enforcement or Security Officer Home Loan Program) under home loan programs applicable to individuals in certain professions, rather than the professional educators home loan program. Deletes existing text relating to loan programs for persons in certain occupations.

(b) Provides that the corporation's primary public purpose is to facilitate the provision of housing to persons who are eligible for loans under programs provided by Sections 2306.562 and 2306.5621, Government Code. Deletes existing text relating to certain programs designed to provide home loans to individuals in certain professions.

SECTION 7. Amends Sections 2306.562(a), (b), and (c) Government Code, as follows:

(a) Defines:

"allied health program faculty member,"

"graduate allied health program,"

"graduate professional nursing program,"

"undergraduate professional nursing program,"

"Home,"

"Mortgage Lender,"

"Program,"

"professional nursing program faculty member," and

"undergraduate allied health program."

Redefines "professional educator."

Makes conforming changes.

(b) Requires the corporation to establish a program to provide low-interest home mortgage loans to eligible professional educators whose income does not exceed the greater of 115 percent of area median family income, adjusted for family size, or the maximum amount permitted by Section 143f (Income Requirements), Internal Revenue Code of 1986. Makes a conforming change.

(c) Lists eligibility requirements that a professional educator must meet in order to get a loan. Adds "or be an allied health or professional nursing program faculty member" to subsection 2.

SECTION 8. Repealer: Section 2306.5622 (Professional Nursing Program Faculty Member Home Loan Program), Government Code.

SECTION 9. Requires the corporation to aggressively pursue funding for the professional educators home loan program required by Section 2306.562, Government Code as amended by this Act.

SECTION 10. Effective date: September 1, 2007.

EFFECTIVE DATE

September 1, 2007

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COMPARISON OF ORIGINAL TO SUBSTITUTE

The proposed complete committee substitute adds SECTIONS 1 through 5 which establish a percentage-based allocation method for issuers of Qualified Mortgage Bonds. The subsequent sections are renumbered.

In the committee substitute, Section 1372.0223 of the Government Code is not repealed.

In the substitute, Section 2306.562(c) is amended.