

By: Lucio

S.B. No. 987

A BILL TO BE ENTITLED

AN ACT

relating to requiring counseling before closing certain high-risk loans.

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

SECTION 1. Subchapter B, Chapter 343, Finance Code, is amended by adding Section 343.105 to read as follows:

Sec. 343.105. COUNSELING REQUIRED BEFORE CLOSING HIGH-RISK LOAN. (a) In this section, "high-risk loan" means a mortgage loan that:

(1) has a variable interest rate;  
(2) has a prepayment penalty;  
(3) requires the payment of interest only;  
(4) provides for a payment schedule with regular periodic payments that cause the principal balance to increase; or  
(5) provides for a scheduled payment that is more than twice as large as the average of earlier scheduled monthly payments.

(b) A lender may not make a high-risk loan for less than \$125,000 unless the loan applicant presents to the lender a certificate of completion of counseling signed by the housing counseling agency and the loan applicant that establishes that, not later than the 10th day before the date of closing, the loan applicant received counseling in person or by phone from a housing counseling agency approved by the United States Department of

1 Housing and Urban Development regarding the advisability of a  
2 high-risk loan and the availability of financial alternatives.

3 (c) The lender shall provide to the loan applicant and  
4 housing counseling agency, before the applicant receives  
5 counseling as required by Subsection (b), a written notice on a form  
6 prescribed by the Texas Department of Banking under Subsection (e)  
7 that states:

8 (1) the proposed terms of the loan;

9 (2) that the proposed loan is a high-risk loan; and

10 (3) that financial alternatives are available.

11 (d) The lender shall maintain in the lender's records any  
12 certificate of completion of counseling provided to the lender  
13 under Subsection (b).

14 (e) The Texas Department of Banking shall prescribe the form  
15 and content of the:

16 (1) certificate of completion of counseling required  
17 by Subsection (b); and

18 (2) notice required by Subsection (c).

19 SECTION 2. The change in law made by this Act applies only  
20 to a loan closed on or after the effective date of this Act. A loan  
21 closed before the effective date of this Act is covered by the law  
22 in effect on the date the loan was closed, and the former law is  
23 continued in effect for that purpose.

24 SECTION 3. This Act takes effect September 1, 2007.