

By: Lucio S.B. No. 987
(In the Senate - Filed February 27, 2007; March 7, 2007,
read first time and referred to Committee on Business and Commerce;
April 12, 2007, reported adversely, with favorable Committee
Substitute by the following vote: Yeas 7, Nays 0, 1 present not
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COMMITTEE SUBSTITUTE FOR S.B. No. 987 By: Watson

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 loan secured
by a first lien or security interest against one-to-four-family
residential real estate that:

(1) has a variable interest rate;
(2) has a prepayment penalty;
(3) permits the payment of interest only;
(4) permits periodic payments that are less than the
amount of accrued interest on the scheduled payment date; 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 counselor and
the loan applicant that:

(1) 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 Housing and Urban Development or
from an attorney licensed to practice law in this state regarding
the advisability of a high-risk loan and the availability of
financial alternatives; and

(2) includes a signed statement by the counselor that
the counselor has training or experience in home loans.

(c) The lender shall provide to the loan applicant and
counselor, before the applicant receives counseling as required by
Subsection (b), a written notice on a form prescribed by the finance
commission under Subsection (e) that states:

(1) the proposed terms of the loan;
(2) that the proposed loan is a high-risk loan; and
(3) that financial alternatives are available.

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

(e) The finance commission shall prescribe the form and
content of the:

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

(2) notice required by Subsection (c).

(f) This section does not apply to an interim construction
loan with a maturity of less than 18 months.

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

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

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