

BILL ANALYSIS

C.S.H.B. 2308
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Urban Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

C.S.H.B. 2308 establishes the Texas secure loan pilot program, to be administered by the Texas Department of Housing and Community Affairs. The program provides first lien and second lien single-family mortgage loans to individuals and families of low income.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the governing board of the Texas Department of Housing and Community Affairs in SECTIONS 1 and 2 of this bill.

ANALYSIS

C.S.H.B. 2308 amends the Government Code to require the Texas Department of Housing and Community Affairs (TDHCA) to establish the Texas secure loan pilot program to provide first lien and second lien single-family mortgage loans to individuals and families of low income. The bill authorizes the program to include the provision of down payment and closing cost assistance. The bill requires TDHCA to administer the program and requires TDHCA's governing board to adopt rules relating to the administration of the program, including the origination of loans under the program; the criteria for approving another entity to service loans originated under the program; the use of insurance on the loans and the homes financed under the program, as considered appropriate by the board to provide additional security for the loans; the verification of occupancy of the home by the homebuyer as the homebuyer's principal residence; the terms of any memorandum of understanding or contract with another entity for processing, servicing, or administering the loans; and criteria for authorizing the modification of loan terms for homebuyers whose income is adversely affected by circumstances such as unemployment, a reduction of wages or hours of employment, illness, or the death of a spouse or other person contributing to the income of the homebuyer. The bill requires TDHCA to adopt the rules not later than October 1, 2009, and to issue loans under the program not later than January 1, 2010.

C.S.H.B. 2308 establishes that a homeowner, to be eligible for a mortgage loan issued by TDHCA under the program, must earn an income, adjusted for family size, of not more than 80 percent of the area median income if the homebuyer lives in a rural area or 60 percent of the area median income if the homebuyer lives in an urban area; intend to occupy, as the homebuyer's principal residence, the home for which the mortgage loan is issued; and meet any additional eligibility requirements or limitations prescribed by TDHCA. The bill authorizes TDHCA to enter into memoranda of understanding with other agencies of the state or to contract with private entities to process, service, or administer all or a portion of the loans issued by TDHCA under the program. The bill prohibits TDHCA from contracting with more than three private entities at any one time for purposes of processing, servicing, or administering all or a portion of the loans issued by TDHCA under the program.

C.S.H.B. 2308 requires TDHCA to issue at least 50 percent of all loans under the program to homebuyers whose incomes do not exceed 60 percent of area median family income, adjusted for family size. The bill requires TDHCA to establish reasonable interest rates for first lien and second lien mortgage loans to allow full repayment of those loans by low-income homebuyers and to recover the full amount of the principal of a loan issued under the program.

C.S.H.B. 2308 establishes that if a homebuyer's income is adversely affected by certain circumstances, TDHCA or another servicer of the loan is authorized to modify the terms of the loan by suspending payments for a specific period, extending the term of the loan to reduce the amount of the payments, or lowering the interest rate to reduce the amount of the payments. The bill establishes that such modifications may be requested by the homebuyer or initiated by TDHCA or other servicer of the loan, regardless of whether a loan payment is missed. The bill requires TDHCA or other servicer of the loan to contact the homebuyer and determine the reason the homebuyer missed a scheduled payment for a loan, if a payment is missed. The bill authorizes TDHCA or other servicer to modify the terms of the loan if the payment was missed because of unemployment, a reduction of wages or hours of employment, illness, or the death of a spouse or other person contributing to the income of the homebuyer.

C.S.H.B. 2308 requires TDHCA to provide homebuyer and homeowner education and counseling services to persons receiving loans under the program and to ensure that a loan issued under the program is structured in a way that complies with any requirements associated with the source of the funds used for the loan. The bill authorizes TDHCA to solicit and accept gifts and grants for the purposes of the program, in addition to funds set aside for the program under a provision on dedicated private activity bonds and any other available funds, including legislative appropriations. The bill authorizes TDHCA to use the proceeds of loans issued under the program to issue additional loans. The bill defines "program."

EFFECTIVE DATE

September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 2308 adds a provision not in the original prohibiting the Texas Department of Housing and Community Affairs (TDHCA) from contracting with more than three private entities at any one time for the purposes of processing, servicing, or administering all or a portion of the loans issued under the Texas secure loan pilot program.

C.S.H.B. 2308 authorizes TDHCA to use the proceeds of loans issued under the program to issue additional loans, whereas the original authorizes TDHCA to package, securitize, and sell the loans issued under the program and to use the proceeds of the sale to issue additional loans.