

BILL ANALYSIS

C.S.H.B. 2840
By: Solomons
Pensions, Investments & Financial Services
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The 80th Legislature, Regular Session, 2007, enacted H.B. 716 to address rising concerns regarding fraud in the residential mortgage arena. The effects of mortgage fraud on the residential lending industry range from monetary losses incurred by financial companies to criminal and administrative actions. Consumers consequently suffer higher loan rates and fees, stolen identities, and, quite possibly, impaired credit ratings. These losses increase the cost of financing for consumers and increase the risk to all participants in the mortgage process. This bill seeks to provide law enforcement and the Texas Department of Housing and Community Affairs (TDHCA) additional tools to fight fraudulent conduct in the mortgage lending process.

C.S.H.B. 2840 adds TDHCA to statutes relating to reporting, sharing information on, and investigating fraudulent activity. The bill makes it an offense to intentionally or knowingly make a false or misleading written statement in providing a property appraisal for compensation.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 2840 amends Section 402.031(a)(1), Government Code, as added by Chapter 285 (H.B. 716), Acts of the 80th Legislature, Regular Session, 2007, to redefine "authorized governmental agency," for purposes of reporting fraudulent activity, by adding the Texas Department of Housing and Community Affairs (TDHCA) to the list of authorized governmental agencies to which a person is required to report information regarding fraudulent activity. The bill amends the Government Code to add a representative of TDHCA to the residential mortgage fraud task force. The bill adds TDHCA to those state agencies authorized to share confidential information or information that is otherwise restricted by law and that relates to the possible commission of corporate fraud or mortgage fraud by a person who is licensed or otherwise regulated by any of those state agencies.

C.S.H.B. 2840 amends the Penal Code to make it an offense to intentionally or knowingly make a materially false or misleading written statement in providing an appraisal of real property for compensation. The bill adds TDHCA to the list of agencies required to assist a prosecuting attorney of the United States or of a county or judicial branch of Texas, or a county, state, or federal law enforcement agency in the investigation of an offense involving a mortgage loan.

EFFECTIVE DATE

September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 2840 differs from the original by omitting an amendment to a provision of the Finance Code included in the original requiring a title company representative who interacts with an applicant for a home loan at closing to provide to the applicant at closing a written notice warning the applicant of the penalties for intentionally or knowingly making a materially false or misleading written statement. The substitute differs from the original by removing from the conditions that constitute the offense of intentionally or knowingly making a materially false or misleading statement in providing an appraisal of real property for compensation, statements made in providing any other service related to the closing or settlement of a real property transaction.