

## **BILL ANALYSIS**

S.B. 1375  
By: West  
Business & Industry  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Currently, low-income families are provided homeownership assistance through the use of HOME Investment Partnerships Program funds by the Texas Department of Housing and Community Affairs (TDHCA) and through mortgage revenue bond programs offered by both TDHCA and the Texas State Affordable Housing Corporation. These programs, funded through the state private activity bond authority, provide first-time homeowners with down payment assistance and low-interest, fixed-rate mortgages.

Since an investment of state resources is necessary to ensure the success of these programs, state policymakers should have a continued interest in how these resources are used. This bill allows for better stewardship of the state's housing dollars by providing a second look and independent evaluation to determine whether refinancing is desirable for those individuals who have received state-assisted loans. The bill requires TDHCA and the corporation to work with national and local experts to develop best practices to provide counseling to individuals on mortgage refinancing options, including home equity and predatory lending practices. The bill further requires that individuals notify TDHCA prior to changing loan conditions and undergo a counseling session to ensure they are not jeopardizing or worsening the terms of their current loan.

S.B. 1375 creates the Texas savvy homeowner program to make refinancing education and assistance available to all individuals residing in a home for which they have received mortgage loan, mortgage credit certificate, down payment, or other loan assistance from TDHCA, the Texas State Affordable Housing Corporation, or a housing finance corporation.

### **RULEMAKING AUTHORITY**

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

### **ANALYSIS**

S.B. 1375 amends the Government Code to require the Texas Department of Housing and Community Affairs (TDHCA), in coordination with the Texas State Affordable Housing Corporation, the Department of Savings and Mortgage Lending, the Office of Consumer Credit Commissioner, and local housing finance corporations, to establish the Texas savvy homeowner program to make refinancing education and assistance available to all individuals residing in a home for which they have received mortgage loan, mortgage credit certificate, down payment, or other loan assistance from TDHCA, the Texas State Affordable Housing Corporation, or a housing finance corporation, including assistance through mortgage revenue bonds or through TDHCA's allocation of funds provided to Texas under the federal Cranston-Gonzalez National Affordable Housing Act. The bill provides that participation in the program is voluntary except for individuals receiving such loan assistance on or after December 1, 2009, for whom participation is mandatory. The bill requires any such assistance issued on or after that date to be provided to the individual with information concerning the requirements and procedures of the

program and the contact information of the program administrator.

S.B. 1375 requires TDHCA, in coordination with the Texas State Affordable Housing Corporation, the Department of Savings and Mortgage Lending, the Office of Consumer Credit Commissioner, and housing finance corporations, to develop best practices for home refinancing and a curriculum for the provision of individualized counseling to program participants that includes information concerning mortgage refinancing options, home equity practices, predatory lending practices, and a comparison of any refinancing terms being offered to the individual and refinancing terms otherwise available to the individual. The bill requires TDHCA to administer the program directly or to prepare and issue a request for proposal and enter into a contract providing for the administration of the program by a nonprofit corporation that is a housing counselor certified by the United States Department of Housing and Urban Development or TDHCA and that complies with any requirements imposed on the program administrator in relation to the best practices and curriculum developed by TDHCA. The bill requires the program administrator, if TDHCA does not administer the program, to submit quarterly reports to TDHCA detailing the counseling services provided and whether the counseling recipients obtained refinancing.

S.B. 1375 requires a program participant, as a condition of receiving mortgage loan, mortgage credit certificate, down payment, or other loan assistance from TDHCA, the Texas State Affordable Housing Corporation, or a local housing finance corporation, to agree to notify the program administrator in writing of any intent to modify the terms of any loan secured by the home in which the participant resides. The bill requires the notice to be provided not later than the 60th day before the date the loan terms are modified. The bill requires the program administrator, on receipt of the notice, to contact the loan recipient not later than the 30th day after the date of receipt of the notice and to provide the loan recipient, on the phone or in person, with an individualized counseling session based on the curriculum developed by TDHCA.

S.B. 1375 authorizes TDHCA, not later than December 1, 2009, to adopt rules necessary to implement the program. The bill defines "program."

**EFFECTIVE DATE**

September 1, 2009.