

By: Davis of Dallas, Flores, Hodge

H.B. No. 2308

A BILL TO BE ENTITLED

AN ACT

relating to the establishment of the Texas secure loan pilot program by the Texas Department of Housing and Community Affairs.

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

SECTION 1. Chapter 2306, Government Code, is amended by adding Subchapter NN to read as follows:

SUBCHAPTER NN. TEXAS SECURE LOAN PILOT PROGRAM

Sec. 2306.1081. DEFINITION. In this subchapter, "program" means the Texas secure loan pilot program.

Sec. 2306.1082. TEXAS SECURE LOAN PILOT PROGRAM. (a) The department shall 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.

(b) The program may include the provision of down payment and closing cost assistance.

Sec. 2306.1083. ADMINISTRATION OF PROGRAM; RULES. (a) The department shall administer the program.

(b) The board shall adopt rules governing:

(1) the administration of the program, including the origination of loans under the program;

(2) the criteria for approving another entity to service loans originated under the program;

(3) the use of insurance on the loans and the homes financed under the program, as considered appropriate by the board

1 to provide additional security for the loans;

2 (4) the verification of occupancy of the home by the
3 homebuyer as the homebuyer's principal residence;

4 (5) the terms of any memorandum of understanding or
5 contract with another entity for processing, servicing, or
6 administering the loans; and

7 (6) criteria for authorizing the modification of loan
8 terms for homebuyers whose income is adversely affected by
9 circumstances such as unemployment, a reduction of wages or hours
10 of employment, illness, or the death of a spouse or other person
11 contributing to the income of a homebuyer.

12 Sec. 2306.1084. ELIGIBILITY. (a) To be eligible for a
13 mortgage loan issued by the department under this subchapter, a
14 homebuyer must:

15 (1) earn an income, adjusted for family size, of not
16 more than:

17 (A) 80 percent of the area median income if the
18 homebuyer lives in a rural area; or

19 (B) 60 percent of the area median income if the
20 homebuyer lives in an urban area;

21 (2) intend to occupy, as the homebuyer's principal
22 residence, the home for which the mortgage loan is issued; and

23 (3) meet any additional eligibility requirements or
24 limitations prescribed by the department.

25 (b) The department may enter into memoranda of
26 understanding with other agencies of the state or may contract with
27 private entities to process, service, or administer all or a

1 portion of the loans issued under this subchapter. The department
2 may not contract with more than three private entities at any one
3 time for purposes of this subsection.

4 Sec. 2306.1085. ALLOCATION OF LOANS. The department shall
5 issue at least 50 percent of all loans under this subchapter to
6 homebuyers whose incomes do not exceed 60 percent of area median
7 family income, adjusted for family size.

8 Sec. 2306.1086. LOAN TERMS; RECOVERY OF PRINCIPAL. (a) The
9 department shall establish reasonable interest rates for first lien
10 and second lien mortgage loans under this subchapter to allow full
11 repayment of those loans by low-income homebuyers.

12 (b) The department shall recover the full amount of the
13 principal of a loan issued under this subchapter.

14 Sec. 2306.1087. MODIFICATION OF LOAN TERMS. If a homebuyer
15 meets the criteria adopted by the department under Section
16 2306.1083(b)(6), the department or other servicer of the loan may
17 modify the terms of the loan by:

18 (1) suspending payments for a specific period;
19 (2) extending the term of the loan to reduce the amount
20 of the payments; or

21 (3) lowering the interest rate to reduce the amount of
22 the payments.

23 Sec. 2306.1088. INITIATION OF MODIFIED LOAN TERMS. (a)
24 Regardless of whether a loan payment is missed, the modification of
25 loan terms under Section 2306.1087 may be requested by the
26 homebuyer or initiated by the department or other servicer of the
27 loan.

1 (b) If a homebuyer misses a scheduled payment for a loan
2 under this subchapter, the department or other servicer of the loan
3 shall contact the homebuyer and determine the reason for the missed
4 payment. If the payment was missed for a reason meeting the
5 criteria adopted by the board under Section 2306.1083(b)(6), the
6 department or servicer may modify the terms of the loan under
7 Section 2306.1087.

8 Sec. 2306.1089. EDUCATION SERVICES FOR HOMEBUYERS. The
9 department shall provide homebuyer and homeowner education and
10 counseling services to persons receiving loans under this
11 subchapter.

12 Sec. 2306.1090. FUNDING. (a) The department shall ensure
13 that a loan issued under this subchapter is structured in a way that
14 complies with any requirements associated with the source of the
15 funds used for the loan.

16 (b) In addition to funds set aside for the program under
17 Section 1372.023 and any other available funds, including
18 legislative appropriations, the department may solicit and accept
19 gifts and grants for the purposes of this subchapter.

20 (c) The department may use the proceeds of loans issued
21 under this subchapter to issue additional loans.

22 SECTION 2. The Texas Department of Housing and Community
23 Affairs shall adopt the rules required by Subchapter NN, Government
24 Code, as added by this Act, not later than October 1, 2009, and
25 shall begin issuing loans under the Texas secure loan pilot program
26 not later than January 1, 2010.

27 SECTION 3. This Act takes effect September 1, 2009.