

By: Davis of Dallas

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.

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

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

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

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

16 (1) suspending payments for a specific period;

17 (2) extending the term of the loan to reduce the amount  
18 of the payments; or

19 (3) lowering the interest rate to reduce the amount of  
20 the payments.

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

26 (b) If a homebuyer misses a scheduled payment for a loan  
27 under this subchapter, the department or other servicer of the loan

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

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

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

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

18 (c) The department may package, securitize, and sell the  
19 loans issued under this subchapter and use the proceeds of the sale  
20 to issue additional loans.

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

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