

By: Lucio, et al.

S.B. No. 2288

Substitute the following for S.B. No. 2288:

By: Guillen

C.S.S.B. No. 2288

A BILL TO BE ENTITLED

AN ACT

relating to the provision of affordable housing in this state.

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

SECTION 1. Subchapter I, Chapter 487, Government Code, is amended by adding Sections 487.355 and 487.356 to read as follows:

Sec. 487.355. NONBORDER COLONIA FUND. (a) In this section, "nonborder colonia" means a geographic area that:

(1) is located in a county all parts of which are located at least 150 miles from the international border of this state;

(2) is located in a county or municipality that is eligible, as identified by office rule, to receive community development block grant money under this subchapter;

(3) consists of 11 or more dwellings that are located in close proximity to each other in an area that may be described as a community or neighborhood; and

(4) either:

(A) has a majority population composed of individuals and families of low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under Section 17.921, Water Code; or

(B) has the physical and economic characteristics of a colonia, as determined by the office.

1 (b) The nonborder colonia fund is an account in the general
2 revenue fund.

3 (c) In each state fiscal year, from amounts allocated to the
4 state under the federal community development block grant
5 nonentitlement program authorized by Title I of the Housing and
6 Community Development Act of 1974 (42 U.S.C. Section 5301 et seq.),
7 the office shall set aside and transfer to the account for the
8 purposes of this section the portion of that money, not to exceed
9 \$7.5 million each year, that exceeds the amount provided to the
10 state under that program for the state fiscal year ending August 31,
11 2008.

12 (d) Except as provided by Subsection (e), amounts deposited
13 to the account may be appropriated to the office only for the
14 benefit of counties and municipalities identified by office rule as
15 eligible to receive community development block grant money under
16 this subchapter for:

17 (1) housing initiatives for nonborder colonias
18 located in those counties and municipalities, including
19 infrastructure associated with new construction, rehabilitation,
20 or improvements; and

21 (2) the improvement of the housing conditions in those
22 colonias.

23 (e) Amounts deposited to the account may not be appropriated
24 to the office for financial assistance to political subdivisions
25 for the construction, acquisition, or improvement of water supply
26 and sewer services, as described by Section 17.922, Water Code.

27 (f) Sections 403.095 and 404.071 do not apply to the

1 account.

2 Sec. 487.356. COORDINATION WITH TEXAS DEPARTMENT OF HOUSING
3 AND COMMUNITY AFFAIRS. The office shall work with the Texas
4 Department of Housing and Community Affairs to:

5 (1) identify available sources of funding for housing
6 initiatives in a county or municipality that is eligible, as
7 identified by office rule, to receive financial assistance from the
8 nonborder colonia fund established by Section 487.355;

9 (2) coordinate housing initiatives that receive funds
10 under Section 487.355(d); and

11 (3) make available on or before August 1 of each year a
12 plan that addresses the housing and infrastructure needs for the
13 following state fiscal year for at least one colonia, as defined by
14 Section 2306.083.

15 SECTION 2. Subchapter E, Chapter 2306, Government Code, is
16 amended by adding Sections 2306.098 and 2306.099 to read as
17 follows:

18 Sec. 2306.098. COORDINATION WITH OFFICE OF RURAL COMMUNITY
19 AFFAIRS. The department shall work with the Office of Rural
20 Community Affairs to:

21 (1) identify available sources of funding for housing
22 initiatives in a county or municipality that is eligible, as
23 identified by office rule, to receive financial assistance from the
24 nonborder colonia fund established by Section 487.355;

25 (2) coordinate housing initiatives that receive funds
26 under Section 487.355(d); and

27 (3) make available on or before August 1 of each year a

1 plan that addresses the housing and infrastructure needs for the
2 following state fiscal year for at least one colonia, as defined by
3 Section 2306.083.

4 Sec. 2306.099. RURAL HOUSING FIELD OFFICES. (a) The board
5 by rule shall:

6 (1) establish field offices in rural areas of each
7 uniform state service region to assist political subdivisions and
8 nonprofit entities in developing or administering affordable
9 housing programs in those areas; and

10 (2) specify the duties for each field office.

11 (b) The rules under Subsection (a) must include the
12 following duties for each field office:

13 (1) identifying affordable housing needs for rural
14 areas of the uniform state service region in which the field office
15 is located;

16 (2) identifying state and federal programs that may
17 address the needs identified under Subdivision (1);

18 (3) facilitating the development of relationships
19 that will assist in building local capacity to address the needs
20 identified under Subdivision (1); and

21 (4) providing information regarding state programs to
22 assist in the development of affordable housing for rural areas of
23 the uniform state service region in which the field office is
24 located.

25 SECTION 3. Section 2306.201, Government Code, is amended by
26 amending Subsection (b) and adding Subsection (c) to read as
27 follows:

(b) The fund consists of:

(1) appropriations or transfers made to the fund;

(2) unencumbered fund balances;

(3) public or private gifts, ~~or~~ grants, or
donations;

(4) investment income, including all interest,
dividends, capital gains, or other income from the investment of
any portion of the fund;

(5) repayments received on loans made from the fund;
and

(6) funds from any other source.

(c) The department may accept gifts, grants, or donations
for the housing trust fund. All funds received for the housing
trust fund under Subsection (b) shall be deposited or transferred
into the Texas Treasury Safekeeping Trust Company.

SECTION 4. Section 2306.202(a), Government Code, is amended
to read as follows:

(a) The department, through the housing finance division,
shall use the housing trust fund to provide loans, grants, or other
comparable forms of assistance to local units of government, public
housing authorities, nonprofit organizations, and income-eligible
individuals, families, and households to finance, acquire,
rehabilitate, and develop decent, safe, and sanitary housing. In
each biennium the first \$2.6 million available through the housing
trust fund for loans, grants, or other comparable forms of
assistance shall be set aside and made available exclusively for
local units of government, public housing authorities, and

1 nonprofit organizations. Any additional funds may also be made
 2 available to for-profit organizations provided that ~~[so long as]~~ at
 3 least 45 percent of available funds, as determined on September 1 of
 4 each state fiscal year, in excess of the first \$2.6 million shall be
 5 made available to nonprofit organizations for the purpose of
 6 acquiring, rehabilitating, and developing decent, safe, and
 7 sanitary housing. The remaining portion shall be distributed to
 8 ~~[competed for by]~~ nonprofit organizations, for-profit
 9 organizations, and other eligible entities. Notwithstanding any
 10 other section of this chapter, but subject to the limitations in
 11 Section 2306.251(c), the department may also use the fund to
 12 acquire property to endow the fund.

13 SECTION 5. Section 2306.203, Government Code, is amended to
 14 read as follows:

15 Sec. 2306.203. RULES REGARDING ADMINISTRATION OF HOUSING
 16 TRUST FUND. The board shall adopt rules to administer the housing
 17 trust fund, including rules providing:

18 (1) that the division give priority to programs that
 19 maximize federal resources;

20 (2) for a process to set priorities for use of the
 21 fund, including the distribution of fund resources in accordance
 22 with a plan that is ~~[under a request for a proposal process]~~
 23 developed and approved by the board and included in the
 24 department's annual report regarding the housing trust fund as
 25 described in the General Appropriations Act;

26 (3) that the criteria used to evaluate a proposed
 27 activity ~~[rank proposals]~~ will include the:

(A) leveraging of ~~[federal]~~ resources;

(B) cost-effectiveness of the ~~[a]~~ proposed activity ~~[development]~~; and

(C) extent to which individuals and families of very low income are served by the proposed activity ~~[development]~~;

(4) that funds may not be made available for a proposed activity ~~[to a development]~~ that permanently and involuntarily displaces individuals and families of low income;

(5) that the board attempt to allocate funds to achieve a broad geographical distribution with:

(A) special emphasis on equitably serving rural and nonmetropolitan areas; and

(B) consideration of the number and percentage of income-qualified families in different geographical areas; and

(6) that multifamily housing developed or rehabilitated through the fund remain affordable to income-qualified households for at least 20 years.

SECTION 6. Chapter 2306, Government Code, is amended by adding Subchapter N to read as follows:

SUBCHAPTER N. OFFICE OF RURAL COMMUNITY AND SMALL MUNICIPALITY

HOUSING INITIATIVES

Sec. 2306.301. DEFINITION. In this subchapter, "office" means the office established by Section 2306.302 to support rural community and small municipality housing initiatives.

Sec. 2306.302. ESTABLISHMENT OF OFFICE. (a) The department shall establish an office to support rural community and small municipality housing initiatives.

1 (b) The department by rule shall define for purposes of this
2 subchapter:

3 (1) a rural community; and

4 (2) a small municipality.

5 (c) Subject to available funding, the department by rule may
6 establish not more than seven field offices as part of the office.

7 (d) The office shall work with each regional council of
8 government to:

9 (1) match housing sponsors to the housing needs of
10 rural communities and small municipalities; and

11 (2) identify available sources of funds for those
12 housing needs.

13 (e) The office shall use funds available from the housing
14 trust fund established under Section 2306.201 to administer
15 capacity building programs for rural communities and small
16 municipalities.

17 (f) The office shall coordinate a meeting at least two times
18 each year between department program directors and representatives
19 of rural communities and small municipalities to discuss best
20 practices for rural community and small municipality housing
21 initiatives.

22 (g) The office shall establish an online clearinghouse of
23 information relating to best practices for rural community and
24 small municipality housing initiatives.

25 (h) The director may assign additional duties to the office.

26 Sec. 2306.303. REGIONAL HOUSING DEVELOPMENT ORGANIZATIONS.

27 (a) The office shall establish regional nonprofit housing

1 development organizations that serve rural communities and small
2 municipalities in accordance with the purposes of this subchapter.

3 (b) To implement this section, the department may use any
4 money available to the department for the purpose, including gifts,
5 grants, and donations and funds allocated to the state under the
6 federal HOME Investment Partnerships program established under
7 Title II of the Cranston-Gonzalez National Affordable Housing Act
8 (42 U.S.C. Section 12701 et seq.).

9 Sec. 2306.304. TRAINING. (a) The office annually shall
10 provide to elected officials, community organizations, nonprofit
11 organizations, and private developers a training course that
12 addresses housing programs and techniques that increase housing
13 opportunities in rural communities and small municipalities. The
14 office shall provide the course at an appropriate location selected
15 by the office and shall make the course available online in real
16 time.

17 (b) The department periodically shall also provide to
18 elected officials a training course regarding housing programs and
19 sources of funding for these programs.

20 Sec. 2306.305. HOUSING DEVELOPMENT PLANNING ASSISTANCE. On
21 the request of the governing body of a municipality or county, the
22 office shall assign an employee or independent contractor to assist
23 the municipality or county in:

24 (1) developing comprehensive housing plans for rural
25 communities and small municipalities in that county;

26 (2) supporting housing development initiatives in
27 those communities and municipalities; and

1 (3) identifying financial resources available for
2 those plans and initiatives.

3 Sec. 2306.306. RURAL COMMUNITY AND SMALL MUNICIPALITY
4 HOUSING DEVELOPMENT PILOT PROJECTS. Notwithstanding other program
5 rules and procedures of the department, the department may
6 establish pilot projects to test and develop new approaches to
7 providing housing in rural communities and small municipalities
8 for:

9 (1) individuals and families of low income; and

10 (2) individuals and families of very low income.

11 Sec. 2306.307. AGRICULTURAL WORKER HOUSING INITIATIVE.
12 (a) The office shall fund housing initiatives that serve
13 agricultural workers and their families, including:

14 (1) new housing initiatives;

15 (2) housing rehabilitation initiatives; or

16 (3) tenant-based rental assistance.

17 (b) The office may designate as a pilot project a housing
18 initiative implemented under this section for agricultural workers
19 and their families.

20 (c) The office shall coordinate with appropriate divisions
21 of the department to:

22 (1) document agricultural worker housing needs;

23 (2) determine whether a housing need documented by the
24 department is critical; and

25 (3) develop initiatives to address those housing
26 needs.

27 (d) The department may use any available funds to implement

this section, including gifts, grants, and donations and funds allocated to the department under the federal HOME Investment Partnerships program established under Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Section 12701 et seq.).

(e) In this section, "agricultural worker":

(1) means a person who receives a substantial portion of income from employment that involves:

(A) the primary production of agricultural or aquacultural commodities; or

(B) the handling of agricultural or aquacultural commodities in an unprocessed state, including handling those commodities in a feedlot or a meat processing plant; and

(2) includes a person who is retired or disabled but was employed as described by Subdivision (1) at the time of that person's retirement or disablement.

Sec. 2306.308. COMMUNITY DEVELOPMENT CORPORATION FOR AGRICULTURAL WORKER HOUSING FACILITIES. (a) In this section, "community development corporation" means a private, nonprofit corporation organized to foster economic growth and revitalization, create small businesses, or develop affordable housing in a defined neighborhood or for a targeted population.

(b) Using existing resources, the department shall create a statewide community development corporation charged with developing, acquiring, and rehabilitating housing facilities in appropriate areas in the state for agricultural workers and their families.

1 (c) The department shall work with the community
2 development corporation to implement the findings and
3 recommendations of the department in the report submitted under
4 Section 2(f), Chapter 60 (H.B. 1099), Acts of the 79th Legislature,
5 Regular Session, 2005.

6 (d) The department may use any available funds to implement
7 this section, including gifts, grants, and donations and funds
8 allocated to the department under the federal HOME Investment
9 Partnerships program established under Title II of the
10 Cranston-Gonzalez National Affordable Housing Act (42 U.S.C.
11 Section 12701 et seq.).

12 (e) In this section, "agricultural worker":

13 (1) means a person who receives a substantial portion
14 of income from employment that involves:

15 (A) the primary production of agricultural or
16 aquacultural commodities; or

17 (B) the handling of agricultural or aquacultural
18 commodities in an unprocessed state, including handling those
19 commodities in a feedlot or a meat processing plant; and

20 (2) includes a person who is retired or disabled but
21 was employed as described by Subdivision (1) at the time of that
22 person's retirement or disablement.

23 SECTION 7. Chapter 2306, Government Code, is amended by
24 adding Subchapter EE to read as follows:

25 SUBCHAPTER EE. RURAL HOUSING LAND ASSEMBLAGE PROGRAM

26 Sec. 2306.701. SHORT TITLE. This subchapter may be cited as
27 the Rural Housing Land Assemblage Program Act.

1 Sec. 2306.702. DEFINITIONS. In this subchapter:

2 (1) "Affordable" means that the monthly mortgage
3 payment or contract rent does not exceed 30 percent of the
4 applicable median income for that unit size, in accordance with the
5 income and rent limit rules adopted by the department.

6 (2) "Low-income household" means:

7 (A) for rental housing, a household with a gross
8 income not to exceed 80 percent of the greater of the area median
9 income or national nonmetropolitan median income, adjusted for
10 household size, as determined annually by the United States
11 Department of Housing and Urban Development; or

12 (B) for purchased housing, a household with a
13 gross income not to exceed 80 percent of the greater of the area
14 median income or the state median income, adjusted for household
15 size, as determined annually by the United States Department of
16 Housing and Urban Development or by the department based on data
17 from the United States Department of Housing and Urban Development,
18 as appropriate.

19 (3) "Office" means the Office of Rural Community
20 Affairs.

21 (4) "Rural county" means, notwithstanding Section
22 2306.004, a county classified as a rural county by the United States
23 Department of Agriculture for purposes of the rural housing loan
24 programs authorized by the Housing Act of 1949 (42 U.S.C. Section
25 1471 et seq.).

26 (5) "Rural housing land assemblage entity" means an
27 entity established or designated by the governing bodies of one or

1 more rural municipalities or rural counties for the purpose of
2 participating in the rural housing land assemblage program.

3 (6) "Rural housing land assemblage program" means a
4 program established by the department to acquire, hold, and
5 transfer real property under this subchapter for the purpose of
6 providing affordable housing for low-income households.

7 (7) "Rural municipality" means a municipality
8 classified as a rural municipality by the United States Department
9 of Agriculture for purposes of the rural housing loan programs
10 authorized by the Housing Act of 1949 (42 U.S.C. Section 1471 et
11 seq.).

12 Sec. 2306.703. RURAL HOUSING LAND ASSEMBLAGE PROGRAM.

13 (a) The department, in consultation with the office, shall
14 establish the rural housing land assemblage program.

15 (b) The governing bodies of one or more rural municipalities
16 or rural counties may agree to establish a rural housing land
17 assemblage entity and for that purpose may apply to participate in
18 the rural housing land assemblage program.

19 (c) The department and the office shall:

20 (1) jointly select not more than five applications for
21 participation in the program; and

22 (2) enter into a memorandum of understanding to
23 establish a selection procedure and address performance of other
24 duties imposed on the department and the office under this
25 subchapter.

26 (d) If selected to participate in the program, a
27 municipality or county shall:

1 (1) enter into interlocal agreements with any other
2 municipalities or counties selected to participate in the program
3 with that municipality or county, subject to the provisions of this
4 subchapter; and

5 (2) establish or designate a rural housing land
6 assemblage entity to exercise powers as described by this
7 subchapter.

8 Sec. 2306.704. RURAL HOUSING LAND ASSEMBLAGE ENTITY. For
9 the purpose of providing affordable housing for low-income
10 households, a rural housing land assemblage entity may acquire,
11 hold, and transfer real property that is not improved with a
12 habitable building or buildings and is otherwise unoccupied.

13 Sec. 2306.705. PRIVATE SALE TO LAND ASSEMBLAGE ENTITY.
14 (a) Notwithstanding any other law and except as provided by
15 Subsection (f), real property that is ordered sold pursuant to
16 foreclosure of a tax lien may be sold in a private sale to a rural
17 housing land assemblage entity by the officer charged with the sale
18 of the property, without first offering the property for sale as
19 otherwise provided by Section 34.01, Tax Code, if:

20 (1) the property is used for the purpose of providing
21 affordable housing as described by Section 2306.704;

22 (2) the market value of the property as appraised by
23 the local appraisal district and as specified in the judgment of
24 foreclosure is less than the total amount due under the judgment,
25 including all taxes, penalties, and interest, plus the value of
26 nontax liens held by a taxing unit and awarded by the judgment,
27 court costs, and the cost of the sale;

1 (3) the property is not improved with a habitable
2 building or buildings and is otherwise unoccupied;

3 (4) there are delinquent taxes on the property for a
4 total of at least five years; and

5 (5) each municipality or county that established or
6 designated the rural housing land assemblage entity has executed
7 with the other taxing units that are parties to the tax suit an
8 interlocal agreement that enables those units to retain the right
9 to withhold consent to the sale of specific properties to the rural
10 housing land assemblage entity.

11 (b) A sale of property for use in connection with the rural
12 housing land assemblage program is a sale for a public purpose.

13 (c) If the person being sued in a suit for foreclosure of a
14 tax lien does not contest the market value of the property in the
15 suit, the person waives the right to challenge the amount of the
16 market value determined by the court for purposes of the sale of the
17 property under Section 33.50, Tax Code.

18 (d) For any sale of property under this section, each person
19 who was a defendant to the judgment, or that person's attorney,
20 shall be given, not later than the 60th day before the date of sale,
21 written notice of the proposed method of sale of the property by the
22 officer charged with the sale of the property. Notice shall be
23 given in the manner prescribed by Rule 21a, Texas Rules of Civil
24 Procedure.

25 (e) After receipt of the notice required by Subsection (d)
26 and before the date of the proposed sale, the owner of the property
27 subject to sale may file with the officer charged with the sale a

1 written request that the property not be sold in the manner provided
2 by this section.

3 (f) If the officer charged with the sale receives a written
4 request as provided by Subsection (e), the officer shall sell the
5 property as otherwise provided in Section 34.01, Tax Code.

6 (g) The owner of the property subject to sale may not
7 receive any proceeds of a sale under this section. However, the
8 owner does not have any personal liability for a deficiency of the
9 judgment as a result of a sale under this section.

10 (h) Notwithstanding any other law, if consent is given by
11 the taxing units that are a party to the judgment, property may be
12 sold to the rural housing land assemblage entity for less than the
13 market value of the property as specified in the judgment or less
14 than the total of all taxes, penalties, and interest, plus the value
15 of nontax liens held by a taxing unit and awarded by the judgment,
16 court costs, and the cost of the sale.

17 (i) The deed of conveyance of the property sold to a rural
18 housing land assemblage entity under this section conveys to the
19 entity the right, title, and interest acquired or held by each
20 taxing unit that was a party to the judgment, subject to the right
21 of redemption.

22 Sec. 2306.706. EXEMPTION FROM AD VALOREM TAXATION.
23 Property sold to and held by a rural housing land assemblage entity
24 for subsequent resale is entitled to an exemption from ad valorem
25 taxation for a period not to exceed three years from the date of
26 acquisition. The exemption period may be renewed for a property for
27 an additional period, not to exceed three years, on approval of the

1 governing body of each participating municipality or county and any
2 other taxing unit in which the property is located. Property is
3 entitled to an exemption under this section only during the period
4 the property is held by the rural housing land assemblage entity.

5 Sec. 2306.707. REGIONAL WORKSHOPS. (a) The department and
6 the office shall conduct regional workshops for rural housing land
7 assemblage entities. A workshop must include information regarding
8 the operation of the rural housing land assemblage program, such as
9 reporting and audit requirements for rural housing land assemblage
10 entities, affordability terms, additional income targeting, and
11 the imposition of deed and resale restrictions on real property
12 sold under the program to achieve the purpose of providing
13 affordable housing for low-income households.

14 (b) The department and the office shall contract for
15 technical assistance in conducting the workshops, if necessary.

16 Sec. 2306.708. FUNDING; REPORT. (a) The department shall
17 allocate \$1 million to the rural housing land assemblage program
18 from funds allocated to the department under the federal HOME
19 Investment Partnerships program established under Title II of the
20 Cranston-Gonzalez National Affordable Housing Act (42 U.S.C.
21 Section 12701 et seq.).

22 (b) The office shall allocate \$1 million to the rural
23 housing land assemblage program from funds allocated to the office
24 under the federal community development block grant nonentitlement
25 program authorized by Title I of the Housing and Community
26 Development Act of 1974 (42 U.S.C. Section 5301 et seq.).

27 (c) Not later than December 1, 2012, the department and the

1 office jointly shall submit a report to the legislature on the
2 establishment and implementation of the rural housing land
3 assemblage program.

4 (d) This section expires September 1, 2013.

5 Sec. 2306.709. OPEN RECORDS AND MEETINGS. A rural housing
6 land assemblage entity is subject to Chapters 551 and 552.

7 Sec. 2306.710. RECORDS; AUDIT. (a) A rural housing land
8 assemblage entity shall keep accurate minutes of its meetings and
9 shall keep accurate records and books of account that conform with
10 generally accepted principles of accounting and that clearly
11 reflect the income and expenses of the rural housing land
12 assemblage entity and all transactions in relation to its property.

13 (b) A rural housing land assemblage entity shall file with
14 the department and each participating municipality or county, not
15 later than the 120th day after the close of the entity's fiscal
16 year, annual audited financial statements prepared by a certified
17 public accountant. The financial transactions of the rural housing
18 land assemblage entity are subject to audit by a participating
19 municipality or county and by the department.

20 SECTION 8. Section 2306.753(b), Government Code, is amended
21 to read as follows:

22 (b) To be eligible for a loan under this subchapter, an
23 owner-builder:

24 (1) may not have an annual income that exceeds 60
25 percent, as determined by the department, of the greater of the
26 state or local median family income, when combined with the income
27 of any person who resides with the owner-builder;

(2) must have resided in this state for the preceding six months;

(3) must have successfully completed an owner-builder education class under Section 2306.756; and

(4) must agree to:

(A) provide through personal labor at least 65 ~~[60]~~ percent of the labor necessary to build or rehabilitate the proposed housing by working through a state-certified owner-builder housing program; ~~[or]~~

(B) provide an amount of personal labor equivalent to the amount required under Paragraph (A) in connection with building or rehabilitating housing for others through a state-certified ~~[nonprofit]~~ owner-builder housing program;

(C) provide through the noncontract labor of friends, family, or volunteers and through personal labor at least 65 percent of the labor necessary to build or rehabilitate the proposed housing by working through a state-certified owner-builder housing program; or

(D) if due to documented disability or other limiting circumstances as defined by department rule the owner-builder cannot provide the amount of personal labor otherwise required by this subdivision, provide through the noncontract labor of friends, family, or volunteers at least 65 percent of the labor necessary to build or rehabilitate the proposed housing by working through a state-certified owner-builder housing program.

SECTION 9. Sections 2306.754(a), (b), and (c), Government Code, are amended to read as follows:

1 (a) The department may establish the minimum amount of a
2 loan under this subchapter, but a loan made by the department may
3 not exceed \$45,000 [~~\$30,000~~].

4 (b) If it is not possible for an owner-builder to purchase
5 necessary real property and build or rehabilitate adequate housing
6 for \$45,000 [~~\$30,000~~], the owner-builder must obtain the amount
7 necessary that exceeds \$45,000 [~~\$30,000~~] from other sources of
8 funds [~~one or more local governmental entities, nonprofit~~
9 ~~organizations, or private lenders~~]. The total amount of amortized,
10 repayable loans made by the department and other entities to an
11 owner-builder under this subchapter may not exceed \$90,000
12 [~~\$60,000~~].

13 (c) A loan made by the department under this subchapter:

14 (1) may not exceed a term of 30 years;

15 (2) may bear interest at a fixed rate of not more than
16 three percent or bear interest in the following manner:

17 (A) no interest for the first two years of the
18 loan;

19 (B) beginning with the second anniversary of the
20 date the loan was made, interest at the rate of one percent a year;

21 (C) beginning on the third anniversary of the
22 date the loan was made and ending on the sixth anniversary of the
23 date the loan was made, interest at a rate that is one percent
24 greater than the rate borne in the preceding year; and

25 (D) beginning on the sixth anniversary of the
26 date the loan was made and continuing through the remainder of the
27 loan term, interest at the rate of five percent; and

(3) shall ~~[may]~~ be secured by:

(A) a first lien by the department on the real property if the loan is the largest amortized, repayable loan secured by the real property; or

(B) a co-first lien or subordinate lien as determined by department rule, if the loan is not the largest loan as described by Paragraph (A) ~~[, including a lien that is subordinate to a lien that secures a loan made under Subsection (b) and that is greater than the department's lien]~~.

SECTION 10. Section 2306.755(a), Government Code, is amended to read as follows:

(a) The department may certify nonprofit owner-builder housing programs operated by a tax-exempt organization listed under Section 501(c)(3), Internal Revenue Code of 1986, to:

(1) qualify potential owner-builders for loans under this subchapter;

(2) provide owner-builder education classes under Section 2306.756;

(3) assist owner-builders in building or rehabilitating housing; and

(4) originate or service loans made under this subchapter.

SECTION 11. Section 2306.756(a), Government Code, is amended to read as follows:

(a) A state-certified nonprofit owner-builder housing program shall offer owner-builder education classes to potential owner-builders. A class under this section must provide

1 information on:

2 (1) the financial responsibilities of an
3 owner-builder under this subchapter, including the consequences of
4 an owner-builder's failure to meet those responsibilities;

5 (2) the building or rehabilitation of housing by
6 owner-builders;

7 (3) resources for low-cost building materials
8 available to owner-builders; and

9 (4) resources for building or rehabilitation
10 assistance available to owner-builders.

11 SECTION 12. Section 2306.757, Government Code, is amended
12 to read as follows:

13 Sec. 2306.757. LOAN PRIORITY FOR WAIVER OF LOCAL GOVERNMENT
14 FEES. In making loans under this subchapter, the department shall
15 give priority to loans to owner-builders who will reside in
16 counties or municipalities that agree in writing to waive capital
17 recovery fees, building permit fees, inspection fees, or other fees
18 related to the building or rehabilitation of the housing to be built
19 or improved with the loan proceeds.

20 SECTION 13. Section 2306.758(c), Government Code, is
21 amended to read as follows:

22 (c) In a state fiscal year, the department may use not more
23 than 10 percent of the revenue available for purposes of this
24 subchapter to enhance the ability of tax-exempt organizations
25 described by Section 2306.755(a) to implement the purposes of this
26 chapter and to enhance the number of such organizations that are
27 able to implement those purposes. The department shall use that

1 available revenue to provide financial assistance, technical
2 training, and management support for the purposes of this
3 subsection.

4 SECTION 14. Section 2306.7581(a-1), Government Code, is
5 amended to read as follows:

6 (a-1) Each state fiscal year the department shall transfer
7 at least \$3 million to the owner-builder revolving fund from money
8 received under the federal HOME Investment Partnerships program
9 established under Title II of the Cranston-Gonzalez National
10 Affordable Housing Act (42 U.S.C. Section 12701 et seq.), from
11 money in the housing trust fund, or from money appropriated by the
12 legislature to the department. This subsection expires August 31,
13 2020 [~~2010~~].

14 SECTION 15. Chapter 2306, Government Code, is amended by
15 adding Subchapter JJ to read as follows:

16 SUBCHAPTER JJ. TEXAS SECURE LOAN PILOT PROGRAM

17 Sec. 2306.871. DEFINITION. In this subchapter, "program"
18 means the Texas secure loan pilot program.

19 Sec. 2306.872. TEXAS SECURE LOAN PILOT PROGRAM. (a) The
20 department shall establish the Texas secure loan pilot program to
21 provide to individuals and families of low income mortgage loans
22 that allow modifications to the terms of the loans, such as
23 adjustments to the period of the loans and to interest rates, to
24 assist program participants in avoiding foreclosure of those loans.

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

27 (c) The department may work with mortgage brokers, lenders,

1 and nonprofit organizations to design mortgage loan products
2 available under the program.

3 Sec. 2306.873. ADMINISTRATION OF PROGRAM; RULES. (a) The
4 department shall administer the program.

5 (b) The board shall adopt rules governing:

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

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

10 (3) the use of insurance on the loans and the homes
11 financed under the program, as considered appropriate by the board
12 to provide additional security for the loans;

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

15 (5) the terms of any memorandum of understanding or
16 contract with another entity for processing, servicing, or
17 administering the loans;

18 (6) the types of loan modifications that would assist
19 a homebuyer in avoiding foreclosure of a loan under this
20 subchapter; and

21 (7) criteria for authorizing loan modifications for
22 homebuyers whose income is adversely affected by circumstances such
23 as unemployment, a reduction of wages or hours of employment,
24 illness, or the death of a spouse or other person contributing to
25 the income of a homebuyer.

26 Sec. 2306.874. ELIGIBILITY. (a) To be eligible for a
27 mortgage loan issued by the department under this subchapter, a

1 homebuyer must:

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

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

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

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

10 (3) meet any additional eligibility requirements or
11 limitations prescribed by the department.

12 (b) The department may enter into memoranda of
13 understanding with other agencies of the state or may contract with
14 private entities to process, service, or administer all or a
15 portion of the loans issued under this subchapter.

16 SECTION 16. The change in law made by this Act in amending
17 Sections 2306.202, 2306.203, and 2306.758, Government Code,
18 applies beginning with the state fiscal year that begins September
19 1, 2009.

20 SECTION 17. The Texas Department of Housing and Community
21 Affairs shall create the community development corporations
22 required by Section 2306.308, Government Code, as added by this
23 Act, as soon as practicable after the effective date of this Act,
24 but not later than October 1, 2009.

25 SECTION 18. Not later than October 1, 2009, the Texas
26 Department of Housing and Community Affairs shall adopt the rules
27 required by Subchapter N, Chapter 2306, Government Code, as added

1 by this Act.

2 SECTION 19. Not later than January 1, 2010, the Texas
3 Department of Housing and Community Affairs and the Office of Rural
4 Community Affairs shall allocate the funds required by Section
5 2306.708, Government Code, as added by this Act, to the rural
6 housing land assemblage program established under Subchapter EE,
7 Chapter 2306, Government Code, as added by this Act.

8 SECTION 20. The change in law made by this Act in amending
9 Sections 2306.753 and 2306.754, Government Code, applies only to
10 owner-builder loans granted by the department on or after the
11 effective date of this Act. An owner-builder loan granted before
12 the effective date of this Act is governed by the law in effect at
13 the time the loan was granted, and the former law is continued in
14 effect for that purpose.

15 SECTION 21. The board of directors of the Texas Department
16 of Housing and Community Affairs shall adopt the rules required by
17 Subchapter JJ, Chapter 2306, Government Code, as added by this Act,
18 not later than October 1, 2009, and the Texas Department of Housing
19 and Community Affairs shall begin issuing loans under the Texas
20 secure loan pilot program not later than January 1, 2010.

21 SECTION 22. This Act does not make an appropriation. A
22 provision in this Act that creates a new governmental program,
23 creates a new entitlement, or imposes a new duty on a governmental
24 entity is not mandatory during a fiscal period for which the
25 legislature has not made a specific appropriation to implement the
26 provision.

27 SECTION 23. This Act takes effect September 1, 2009.