

BILL ANALYSIS

S.J.R. 18
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Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

A reverse mortgage allows certain homeowners aged 62 or older to use a home equity conversion mortgage insured by the Federal Housing Administration to finance the acquisition of a new home. Interested parties note that while state law currently permits traditional home equity conversion mortgages, which enable homeowners to access the equity accumulated in their homes, the Texas Constitution does not expressly authorize reverse mortgages for purchase. S.J.R. 18 seeks to address this issue by authorizing reverse mortgages for the purchase of a homestead property.

RULEMAKING AUTHORITY

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

ANALYSIS

S.J.R. 18 proposes an amendment to the Texas Constitution to expand the definition of "reverse mortgage" to include an extension of credit under which advances are provided to a borrower for the purchase of homestead property that the borrower will occupy as a principal residence, and that requires no payment of principal or interest under those circumstances until the borrower fails to timely occupy the homestead property as the borrower's principal residence within a specified period after the date the extension of credit is made that is stipulated in the written agreement creating the lien on the property. The resolution clarifies that the definition of "reverse mortgage" includes an extension of credit that is not made unless the prospective borrower and the spouse of the prospective borrower, rather than the owner of the homestead, attests in writing that they received counseling regarding the advisability and availability of reverse mortgages and other financial alternatives, and adds a condition that such counseling be completed not earlier than the 180th day nor later than the 5th day before the date the extension of credit is closed. The resolution also includes in the definition of "reverse mortgage" an extension of credit that is not closed before the 12th day after the date the lender provides to the prospective borrower a written notice relating to a summary of rights under the Texas Constitution, which contains language prescribed by the resolution, on a separate instrument that the lender or originator and the borrower must sign in order for the notice to take effect.

ELECTION DATE

The constitutional amendment proposed by this joint resolution will be submitted to the voters at an election to be held November 5, 2013.