

BILL ANALYSIS

Senate Research Center
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S.J.R. 18
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Business & Commerce
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

A reverse mortgage for purchase allows homeowners, age 62 or older, to use a Federal Housing Administration-insured home equity conversion mortgage to finance the acquisition of a new home. Currently, reverse mortgages for purchase are not expressly permitted in the Texas Constitution, although traditional reverse mortgages are authorized. A traditional reverse mortgage allows homeowners age 62 or older to borrow against the equity of their homestead. Under current law, borrowers are not obligated to make principal or interest payments unless triggered by specific occurrences codified in the Texas Constitution. Current law further requires mandatory counseling for all reverse mortgages, with the prerequisite that the individual own their home.

S.J.R. 18 amends Article XVI Section 50(k) of the Texas Constitution to authorize reverse mortgages for purchase of a homestead property. Consistent with current law, S.J.R. 18 requires the borrower to participate in counseling prior to closing, and the borrower must also be issued a detailed disclosure twelve days prior to closing. Additionally, S.J.R. 18 strengthens existing law by requiring that the disclosure clearly and conspicuously inform the borrower of situations where foreclosure could occur.

As proposed, S.J.R. 18 proposes a constitutional amendment to authorize the making of a reverse mortgage loan for the purchase of homestead property and to amend certain requirements in connection with a reverse mortgage loan.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 50(k), Article XVI, Texas Constitution, to redefine "reverse mortgage."

SECTION 2. Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 5, 2013. Sets forth the required language of the ballot.