

AN ACT

relating to underwriting standards for evaluating applications for low income housing tax credits.

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

SECTION 1. Section 2306.148, Government Code, is amended to read as follows:

Sec. 2306.148. UNDERWRITING STANDARDS. (a) The board shall have the specific duty and power to adopt underwriting standards for:

(1) loans made or financed by the housing finance division; and

(2) housing tax credits allocated by the department.

(b) Underwriting standards adopted under Subsection (a)(2) and used to determine the feasibility of a proposed development must be consistent with criteria established under Section 2306.185.

SECTION 2. Section 2306.185, Government Code, is amended by adding Subsections (d-1), (d-2), (d-3), and (d-4) and amending Subsection (e) to read as follows:

(d-1) For developments receiving housing tax credits, the department shall determine the feasibility of the development at the time of cost certification using:

(1) actual net operating income, adjusted for stabilization of rents and extraordinary lease-up expenses; and

1           (2) a maximum debt coverage ratio of 1.50 or higher as  
2 adopted by department rule.

3           (d-2) A feasibility determination made under Subsection  
4 (d-1) may not include a maximum operating expense-to-income ratio.

5           (d-3) In determining net operating income and making the  
6 appropriate adjustments under Subsection (d-1)(1), the department  
7 shall consider the permanent lender and equity partner  
8 stabilization requirements documented in the loan and in the  
9 partnership or entity agreements.

10           (d-4) The department may adopt rules providing for  
11 exceptions to the maximum debt coverage ratio requirement of  
12 Subsection (d-1)(2) with respect to specific types of projects.

13           (e) Subsections (c), ~~[and]~~ (d), (d-1), (d-2), (d-3), and  
14 (d-4) and Section 2306.269 apply only to multifamily rental housing  
15 developments to which the department is providing one or more of the  
16 following forms of assistance:

17           (1) a loan or grant in an amount greater than 33  
18 percent of the market value of the development on the date the  
19 recipient completed the construction of the development;

20           (2) a loan guarantee for a loan in an amount greater  
21 than 33 percent of the market value of the development on the date  
22 the recipient took legal title to the development; or

23           (3) a low income housing tax credit.

24           SECTION 3. The change in law made by this Act applies only  
25 to an application for low income housing tax credits that is  
26 submitted to the Texas Department of Housing and Community Affairs  
27 during an application cycle that begins on or after the effective

1 date of this Act. An application that is submitted during an  
2 application cycle that began before the effective date of this Act  
3 is governed by the law in effect at the time the application cycle  
4 began, and the former law is continued in effect for that purpose.

5 SECTION 4. This Act takes effect September 1, 2015.

\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 1989 passed the Senate on  
May 11, 2015, by the following vote: Yeas 30, Nays 1.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 1989 passed the House on  
May 22, 2015, by the following vote: Yeas 140, Nays 0,  
two present not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor