LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 30, 2015

TO: Honorable Tan Parker, Chair, House Committee on Investments & Financial Services

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2473** by Davis, Yvonne (Relating to establishing a grant program in the Texas Department of Housing and Community Affairs to assist certain organizations that make residential mortgage loans to residents of certain neighborhoods.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2473, Committee Report 1st House, Substituted: a negative impact of ($124,628,489) through the biennium ending August 31, 2017, assuming costs equivalent to the amount of the proceeds received by the state through the National Mortgage Fraud Settlement.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	($124,628,489)
2017	$0
2018	$0
2019	$0
2020	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2015
2016	($124,628,489)	1.0
2017	$0	1.0
2018	$0	1.0
2019	$0	1.0
2020	$0	1.0

Fiscal Analysis

The bill would amend the Government Code relating to establishing a grant program in the Texas Department of Housing and Community Affairs to assist certain organizations that make residential mortgage loans to residents of certain neighborhoods.

The bill would require the Texas Department of Housing and Community Affairs (TDHCA), in consultation with the Department of Savings and Mortgage Lending, to create and administer the Affordable Homeownership Assistance Program to provide grants to organizations to make below-market rate residential mortgage loans to residents of neighborhoods that have homeownership rates of less than 50 percent. The bill requires the TDHCA board to adopt rules required to establish this program.

The bill would take effect on September 1, 2015.

Methodology

Based on information provided by TDHCA, this analysis assumes the program will provide low income homebuyers assistance via proceeds received by the state through the National Mortgage Fraud Settlement In 2012, the state received $134,628,489 through the settlement, $10 million of which was deposited into the judicial fund and the remainder of which was deposited into General Revenue. Therefore, it is assumed that the cost of the program is equivalent to the $124,628,489 previously deposited into General Revenue, although those funds are not dedicated for this purpose.

This analysis further assumes that the program subrecipients will be restricted to nonprofit lenders, community development financial institutions and units of local government. The program would provide 30-year fixed, below-market rate interest loans to low income homebuyers. The average home loan is anticipated to be $120,000. The agency estimates that 900 to 1,100 loans will be made from the initial appropriated funds with 150 to 260 loans per year being originated during the first four years of the program. As subrecipients receive loan repayments, new loans will be issued.

TDHCA assumes that 1.0 FTE would be needed to administer the program, develop rules, provide training, ensure program compliance over the life of each loan, and ensure that loan repayments are used in accordance with statute. The agency assumes an annual salary cost of $65,000 with $21,047 annually in benefits and payroll costs. Additionally, the agency estimates costs pertaining to supplies, equipment and travel to be $7,200 in fiscal year 2016, $5,700 in fiscal year 2017, and $3,950 in each subsequent fiscal year.

TDHCA assumes that administrative costs in fiscal year 2016 will be funded through the initial General Revenue appropriations. In subsequent years, fees would be collected, of no more than one percent of the total loans made, for the purposes of TDHCA program administration in accordance with statute. These fees would be collected as Appropriated Receipts and any fees collected over and above actual costs would be returned to organizations for use for future loans.

The Department of Saving and Mortgage Lending anticipates any additional work resulting from the passage of the bill could be reasonably absorbed within their current resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 332 Department of Housing and Community Affairs, 450 Department of Savings and Mortgage Lending

LBB Staff: UP, CL, NV, JSm, SD, JLi