

By: Virdell

H.B. No. 305

A BILL TO BE ENTITLED

AN ACT

relating to the creation of a flood recovery loan program to provide low-interest loans to persons who are victims of flood-related disasters.

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

SECTION 1. Chapter 418, Government Code, is amended by adding Subchapter N to read as follows:

SUBCHAPTER N. FLOOD RECOVERY LOAN PROGRAM

Sec. 418.501. DEFINITIONS. In this subchapter:

(1) "Critical infrastructure" has the meaning assigned by Section 421.001.

(2) "Disaster area" means an area of this state that has been declared to be a disaster area by the governor.

(3) "Eligible property" means real or personal property, including a residential, agricultural, or commercial structure, that is located in a disaster area and that has been damaged by a flood-related disaster.

(4) "Fund" means the flood recovery loan fund established under Section 418.507.

(5) "Program" means the flood recovery loan program established under Section 418.502.

Sec. 418.502. FLOOD RECOVERY LOAN PROGRAM. (a) The division shall establish and administer the flood recovery loan program to provide assistance to an eligible person to:

1 (1) repair or replace eligible property the person
2 owns; or

3 (2) rebuild, relocate, upgrade, or retrofit for flood
4 resilience eligible property the person owns.

5 (b) A loan provided under the program may be used only to:

6 (1) remove debris from eligible property;

7 (2) repair or replace eligible property;

8 (3) rebuild, relocate, or retrofit eligible property
9 for flood resilience;

10 (4) perform upgrades to eligible property so that the
11 property exceeds the applicable minimum building code standards
12 regarding flood resilience; or

13 (5) purchase equipment or vehicles that are essential
14 to the operation of eligible property, including farm machinery,
15 utility vehicles, watercraft, or other work-related
16 transportation.

17 (c) The division shall:

18 (1) monitor the operation of the program to ensure
19 that loans are used only for the purposes described by Subsection
20 (b);

21 (2) periodically audit a random sample of loans made
22 under the program to ensure compliance with applicable state law
23 and division rules;

24 (3) establish a procedure for the collection of loans
25 made under the program that are in default or delinquent, which may
26 include referral to the attorney general for additional collection
27 efforts;

1 (4) develop interlocal agreements with county
2 emergency management authorities or other qualified local
3 authorities to facilitate damage verification, community outreach,
4 and loan awareness efforts; and

5 (5) establish a toll-free telephone assistance line
6 and a multilingual online resource center to assist applicants with
7 applying for a loan from the program, understanding the
8 documentation required to secure a loan under the program, and
9 resolving disputes.

10 Sec. 418.503. ELIGIBILITY FOR LOAN. (a) A person is
11 eligible to apply to the division for a loan under the program if
12 the person:

13 (1) owns eligible property and was the owner of that
14 property on the date the disaster that damaged the property
15 occurred;

16 (2) provides proof of flood-related damage to the
17 eligible property; and

18 (3) submits all required legal documentation
19 demonstrating ownership of and damage to the eligible property.

20 (b) A person who is otherwise eligible to apply for a loan
21 under Subsection (a) is ineligible to apply if on the date of the
22 application the person is in default on a state or federally backed
23 mortgage or disaster loan.

24 Sec. 418.504. PROGRAM LOANS. (a) A loan made to an
25 eligible person from the fund shall:

26 (1) be for a term that may not exceed 30 years; and

27 (2) subject to Subsection (b), bear interest at a rate

1 equal to:

2 (A) if the loan is made for eligible property
3 that is a primary residence or a business, two percent; or

4 (B) if the loan is made for eligible property
5 other than property described by Paragraph (A), a rate set by the
6 division that may not exceed the applicable federal rate, as
7 published by the Internal Revenue Service, appropriate for the term
8 of the loan.

9 (b) Interest on a loan made under the program does not begin
10 to accrue until the first anniversary of the date the loan is
11 issued.

12 (c) The amount of a loan made under the program may not
13 exceed 200 percent of the cost of the repairs to or the replacement
14 value of the eligible property for which the loan is issued as
15 determined by:

16 (1) an independent appraiser; or

17 (2) a division employee trained in property damage
18 assessment and approved by the division.

19 (d) A person may not receive a loan under the program for
20 business interruption costs or other economic losses unless
21 authorized by division rule.

22 (e) At least 50 percent of the loans made from the fund in
23 each state fiscal year must be awarded to applicants for the repair
24 or replacement of eligible property consisting of:

25 (1) primary residences;

26 (2) critical infrastructure; or

27 (3) housing for individuals who are low-income,

1 elderly, or disabled.

2 (f) After the award of loans under Subsection (e), the
3 remaining amount appropriated to the division for the state fiscal
4 year may be awarded by the division to the owners of eligible
5 property other than the property described by that subsection. The
6 division shall prioritize the award of the remaining amount
7 available for loans to:

- 8 (1) small businesses with fewer than 50 employees;
9 (2) actively producing agricultural operations; and
10 (3) properties that provide community utility or
11 resilience, including food supply, fuel, and logistics.

12 (g) The division by rule shall establish a process an
13 applicant may use to appeal:

- 14 (1) a valuation made for purposes of Subsection (c);
15 or
16 (2) the denial of the applicant's application.

17 (h) The division shall publish the criteria used to award
18 loans under the program on the division's Internet website.

19 Sec. 418.505. EXPEDITED LOAN. (a) The division by rule may
20 establish an expedited process for the review and approval of loans
21 made under the program that are requested for emergency
22 stabilization repairs, including the reconnection of utility
23 services and mold remediation.

24 (b) Notwithstanding any other provision of this subchapter,
25 the amount of a loan awarded under this section may not exceed
26 \$35,000.

27 (c) The approval of a loan awarded under this section is

1 subject to the applicant submitting all documentation requested by
2 the division not later than the 60th day after the date the
3 applicant submits an application.

4 Sec. 418.506. LOAN FORGIVENESS. (a) The division by rule
5 may establish a process to allow the division to forgive not more
6 than 25 percent of the principal amount of a loan made under the
7 program to a person:

8 (1) with a household income that does not exceed the
9 greater of:

10 (A) 300 percent of the federal poverty level; or
11 (B) 80 percent of the median household income in
12 the county in which the eligible property for which the loan was
13 issued is located; or

14 (2) to repair eligible property that is critical
15 infrastructure.

16 (b) The division shall establish a scoring system for
17 applications for loan forgiveness and by rule may prioritize
18 applicants based on factors including:

19 (1) the number of dependents in a household;
20 (2) the age of the head of a household;
21 (3) the documented disability of an applicant; or
22 (4) the category of critical infrastructure for which
23 the loan was made, such as hospitals, emergency service facilities,
24 or utilities essential to public safety.

25 (c) In each year of a state fiscal biennium, the division:

26 (1) may approve an application for loan forgiveness
27 only if the estimated balance of the fund on the last day of that

year is at least 10 percent of the total balance of the fund on the first day of that year; and

(2) may not use more than 20 percent of the total amount appropriated to the division from the fund in that year for loan forgiveness.

Sec. 418.507. FLOOD RECOVERY LOAN FUND. (a) The flood recovery loan fund is a special fund in the state treasury outside the general revenue fund administered by the division.

(b) Money in the fund may be appropriated to the division only for the purpose of providing loans and loan forgiveness in the manner authorized by this subchapter.

(c) The fund consists of:

(1) money appropriated, credited, or transferred to the fund by the legislature;

(2) money received by the comptroller for the repayment of a loan made from the fund;

(3) gifts, grants, or donations to the fund, including federal grants; and

(4) money received from the federal government that may be used for a purpose of the fund.

(c-1) Notwithstanding any other provision of this subchapter, the division may not award more than \$500 million in loans or loan forgiveness from the fund during the state fiscal biennium ending August 31, 2027. This subsection expires December 1, 2027.

(d) In each state fiscal biennium, the division:

(1) may not use more than five percent of the money

appropriated to the division from the fund in that biennium to pay costs associated with administering the program; and

(2) shall allocate 10 percent of the money received in repayment of a loan made under the program in that biennium to a reserve account in the fund.

Sec. 418.508. RULES. After holding two public hearings or soliciting written feedback from affected parties, the division may adopt rules to administer this subchapter, including rules regarding:

(1) the process for applying for a loan or loan forgiveness under the program, including the documents required to be submitted with the application;

(2) underwriting and approval criteria by property type;

(3) the process by which an independent appraiser or a qualified state employee must verify damage claims;

(4) penalties for fraudulent applications;

(5) ownership requirements for entities other than individuals; and

(6) eligibility criteria for loan forgiveness and pre-qualification for a loan under the program.

Sec. 418.509. PUBLIC DASHBOARD. The division shall establish on the division's publicly available Internet website a dashboard that is updated on a quarterly basis that identifies, for each month of the most recent calendar quarter:

(1) the number and value of applications for loans and loan forgiveness under the program;

1 (2) the number and value of applications for loans and
2 loan forgiveness under the program approved by the division;

3 (3) the total amount disbursed from the fund;

4 (4) the geographic and demographic distribution of
5 loans and loan forgiveness under the program; and

6 (5) the findings of the most recent audit conducted by
7 the division under Section 418.502(c)(2) and the outcome of any
8 fraud prevention procedures implemented as a result of that audit.

9 Sec. 418.510. ANNUAL REPORT. (a) Not later than December 1
10 of each year, the division shall submit to the governor, the
11 lieutenant governor, the speaker of the house of representatives,
12 and each other member of the legislature a report that includes:

13 (1) a statement of the financial status of the fund,
14 including projections for sustainability and reserve growth;

15 (2) for loans and loan forgiveness awarded under the
16 program during the preceding state fiscal year:

17 (A) the geographic, demographic, and economic
18 distribution;

19 (B) the approval rate; and

20 (C) the average amount;

21 (3) the number of loans forgiven during the preceding
22 state fiscal year and the value of the loan forgiveness; and

23 (4) the findings of any audit conducted during the
24 preceding state fiscal year by the division under Section
25 418.502(c)(2).

26 (b) The division shall publish the report required under
27 Subsection (a) on the division's publicly available Internet

1 website.

2 Sec. 418.511. SUNSET REVIEW OF PROGRAM. (a) In this
3 section, "commission" means the Sunset Advisory Commission.

4 (b) Each state fiscal biennium, the division is subject to a
5 limited review under Chapter 325 (Texas Sunset Act) of its
6 administration of the program.

7 (c) The commission shall submit a report of the findings of
8 the review conducted under Subsection (b) to the Legislative Budget
9 Board, the House Appropriations Committee, and the Senate Finance
10 Committee. The report shall include:

11 (1) a recommendation on whether the program should be
12 continued for another biennium; and

13 (2) policy recommendations to improve the program.

14 SECTION 2. (a) As soon as practicable after the effective
15 date of this Act, the Texas Division of Emergency Management shall:

16 (1) post the information required by Section
17 418.504(h), Government Code, as added by this Act, on the
18 division's Internet website; and

19 (2) adopt the rules necessary to implement Subchapter
20 N, Chapter 418, Government Code, as added by this Act.

21 (b) Not later than March 1, 2026, the Texas Division of
22 Emergency Management shall establish and implement the flood
23 recovery loan program required under Subchapter N, Chapter 418,
24 Government Code, as added by this Act.

25 SECTION 3. This Act takes effect immediately if it receives
26 a vote of two-thirds of all the members elected to each house, as
27 provided by Section 39, Article III, Texas Constitution. If this

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1 Act does not receive the vote necessary for immediate effect, this
2 Act takes effect on the 91st day after the last day of the
3 legislative session.