By: Lucio

S.B. No. 1637

A BILL TO BE ENTITLED

AN ACT

relating to housing assistance and other assistance provided by the Texas Department of Housing and Community Affairs.

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

SECTION 1. Subsection (a), Section 1372.006, Government Code, is amended to read as follows:

(a) An application for a reservation under Subchapter B or a carryforward designation under Subchapter C must be accompanied by a nonrefundable fee in the amount of $500, except that for issuers of qualified residential rental project bonds the application must be accompanied by a nonrefundable fee of $5,000, of which the board shall retain $1,000 to offset the costs of the private activity bond allocation program and the administration of that program and of which the board shall transfer $4,000 through an interagency agreement to the Texas Department of Housing and Community Affairs for use in the affordable housing research and information programs [~~program~~] as provided by Sections [~~Section~~] 2306.259 and 2306.260.

SECTION 2. Section 2306.142, Government Code, is amended by adding Subsections (p) and (q) to read as follows:

(p) The department shall provide credit enhancements and guarantees to ensure that bonds issued under this section are continuously rated not less than AAA or its equivalent by at least one nationally recognized investment rating firm.

(q) The department shall supplement the single-family

mortgage revenue bond loan program under this section by allocating home mortgage loan volume, creating alternate loan products, and providing other related assistance to meet the credit needs of the individuals and families of low and very low income who reside in the region of the state adjacent to the international border of the state. The department shall provide assistance under the supplemental loan program to borrowers who would be ineligible for assistance under the other provisions of this section. The department by rule shall determine the appropriate manner for administering the assistance authorized by this subsection and provide eligibility standards for borrowers participating in the supplemental loan program. The department shall fund the supplemental loan program using money appropriated to the department that may be used for this purpose.

SECTION 3. Subchapter H, Chapter 2306, Government Code, is amended by adding Section 2306.1712 to read as follows:

Sec. 2306.1712. ANNUAL HOUSING ASSISTANCE GOAL. (a) The department shall adopt an annual goal to apply not less than $30 million of the money available through the housing trust fund program, the HOME investment partnerships program, the low income housing tax credit program, the Section 8 housing assistance payments program, and the multifamily housing and single-family housing mortgage revenue bond programs toward housing assistance for individuals and families earning not more than 30 percent of the area median income.

(b) Notwithstanding Section 2306.123, for the purpose of establishing eligibility for assistance under a program identified

by Subsection (a), the department in implementing this section shall determine for each county the median income of an individual or family. The department shall determine the statewide median income of an individual or family based on the median income for each county. If the statewide median income is higher than the median income for a county, the department shall use the statewide median income for the purpose of establishing eligibility for assistance in that county for the applicable program.

(c) Not later than September 1 of each year, the department shall report to the Legislative Budget Board its expenditures for that year in the income category described by this section.

SECTION 4. Subchapter K, Chapter 2306, Government Code, is amended by adding Sections 2306.2595 and 2306.260 to read as follows:

Sec. 2306.2595. BORDER REGION FIRST MORTGAGE PROGRAM. (a) The department shall develop a program to provide assistance for the purchase of single-family homes to first-time homebuyers who reside in a county adjacent to an international border of this state.

(b) As part of the program, the department shall offer a three-year balloon mortgage loan product to first-time homebuyers described by Subsection (a) who, because of a low credit score or the inability to make a down payment, cannot qualify for a mortgage loan product offered by the conventional, Fannie Mae, Freddie Mac, or Federal Housing Administration home mortgage lending industry or by housing finance corporations organized under Chapter 394, Local Government Code, and who:

(1) complete:

(A) a credit counseling program; and

(B) a homebuyer education program;

(2) have a depository relationship with a financial institution;

(3) demonstrate the willingness and ability to make monthly payments on a mortgage loan; and

(4) meet other eligibility requirements considered appropriate by the department.

(c) As part of the program, the department shall:

(1) during the loan period, provide continued credit counseling to recipients of the mortgage loans; and

(2) actively assist the recipients of the mortgage loans as they prepare to refinance at the end of the three-year period into an alternative mortgage loan described by Subsection (b).

(d) The department may extend the period of a mortgage loan made under this section on a year-to-year basis for not more than an additional two years to further assist a loan recipient with the transition to an alternative mortgage loan described by Subsection (b).

(e) The department may contract with a nonprofit organization to provide the counseling and education programs required by this section.

(f) In evaluating applications for mortgage loans under this section, the department shall accept alternative credit information, such as written evidence that the applicant has paid

rent or utility, telephone, or other bills in a timely manner.

Sec. 2306.260. FINANCIAL LITERACY EDUCATION PROGRAM: BORDER RESIDENTS. (a) In this section:

(1) "Public junior college" has the meaning assigned by Section 61.003, Education Code.

(2) "Texas-Mexico border region" has the meaning assigned by Section 2056.002.

(b) With money available under Section 1372.006(a), the department shall:

(1) solicit participation by appropriate nonprofit organizations and public entities, including public junior colleges and school districts, in a financial literacy education program for individuals and families of low income who reside in the Texas-Mexico border region; and

(2) collaborate with those entities to develop and establish the program.

(c) The financial literacy education program established by the department and appropriate entities under this section must emphasize teaching individuals and families of low income to make informed financial decisions regarding the purchase or ownership of homes in the region. As part of the program, the department and the entities shall develop and distribute educational materials addressing the financial issues most relevant to home ownership by individuals and families of low income, including materials regarding:

(1) how to eliminate credit card debt, establish good credit, and become a low-risk borrower;

(2) how to manage money;

(3) how to be a prudent investor and begin a savings program;

(4) how to avoid bankruptcy;

(5) the types of bank accounts available to consumers and the benefits of maintaining a bank account; and

(6) the types of loans available to consumers.

SECTION 5. Subchapter M, Chapter 2306, Government Code, is amended by adding Section 2306.298 to read as follows:

Sec. 2306.298. SECONDARY MORTGAGE MARKET. (a) The department shall authorize colonia self-help centers and any other appropriate community-based, nonprofit institutions to originate mortgage loans on behalf of the department for individuals and families of low income and families of moderate income who have a credit rating of less than "B-" according to Standard and Poor's credit underwriting criteria and who meet other eligibility criteria adopted by board rule. The department may require that lenders who originate mortgage loans under this section meet appropriate eligibility requirements as determined under Section 2306.142(n).

(b) The department shall purchase and service a mortgage loan originated under this section and may sell the loan to a mortgage lender or the federal government after the second anniversary of the date of origination.

(c) Proceeds from the sale of mortgage loans under this section shall be used to make additional mortgage loans on behalf of the department.

(d) After public notice and comment, the board shall adopt rules creating underwriting standards and borrower eligibility standards for mortgage loans originated under this section.

SECTION 6. The Texas Department of Housing and Community Affairs and appropriate nonprofit organizations and public entities shall establish the financial literacy education program under Section 2306.260, Government Code, as added by this Act, not later than January 1, 2006.

SECTION 7. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2005.

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AN ACT: relating to housing assistance and other assistance provided by the Texas Department of Housing and Community Affairs.

MAR 1 1 2005 Filed with the Secretary of the Senate

MAR 2 3 2005 Read and referred to Committee on INTERGOVERNMENTAL RELATIONS

_____ Reported favorably _____

_____ Reported adversely, with favorable Committee Substitute; Committee Substitute read first time.

_____ Ordered not printed

_____ Laid before the Senate

_____ Senate and Constitutional Rules to permit consideration suspended by: { unanimous consent / _____ yeas, _____ nays

_____ Read second time, _____, and ordered engrossed by: { unanimous consent / a viva voce vote / _____ yeas, _____ nays

_____ Senate and Constitutional 3 Day Rule suspended by a vote of _____ yeas, _____ nays.

_____ Read third time, _____, and passed by: { A viva voce vote / _____ yeas, _____ nays

_____
SECRETARY OF THE SENATE

OTHER ACTION:

_____ Engrossed

_____ Sent to House

Engrossing Clerk _____

_____ Received from the Senate

_____ Read first time and referred to Committee on _____

_____ Reported ____favorably (as amended) (as substituted)

_____ Sent to Committee on (Calendars) (Local & Consent Calendars)

_____ Read second time (comm. subst.) (amended); passed to third reading (failed) by a (non-record vote) (record vote of _____ yeas, _____ nays, _____ present, not voting)

_____ Constitutional rule requiring bills to be read on three several days suspended (failed to suspend) by a vote of _____ yeas, _____ nays, _____ present, not voting.

_____ Read third time (amended); finally passed (failed to pass) by a (non-record vote) (record vote of _____ yeas, _____ nays, _____ present, not voting)

_____ Returned to Senate.

_____
CHIEF CLERK OF THE HOUSE

_____ Returned from House without amendment.

_____ Returned from House with _____ amendments.

_____ Concurred in House amendments by a viva voce vote _____ yeas, _____ nays.

_____ Refused to concur in House amendments and requested the appointment of a Conference Committee to adjust the differences.

_____ Senate conferees instructed.

_____ Senate conferees appointed: _____, Chairman; _____

_____, _____, and _____

_____ House granted Senate request. House conferees appointed: _____ , Chairman;

_____ , _____ , _____ .

_____ Conference Committee Report read and filed with the Secretary of the Senate.

_____ Conference Committee Report adopted on the part of the House by: _____

{ a viva voce vote
{ _____ yeas, _____ nays

_____ Conference Committee Report adopted on the part of the Senate by:

{ a viva voce vote
{ _____ yeas, _____ nays

OTHER ACTION:

_____ Recommitted to Conference Committee

_____ Conferees discharged.

_____ Conference Committee Report failed of adoption by: _____

{ a viva voce vote
{ _____ yeas, _____ nays