

SUBJECT: Creating a fire fighter and police officer home loan program

COMMITTEE: Urban Affairs — favorable, without amendment

VOTE: 6 ayes — Talton, Van Arsdale, Bailey, Edwards, Hunter, Wong

0 nays

1 absent — Menendez

WITNESSES: For — Jean Talerico, Texas Association of Local Housing Finance Agencies

Against — None

On — David Long, Texas State Affordable Housing Corporation

BACKGROUND: The Texas State Affordable Housing Corporation (TSAHC) is non-profit entity charged by the Legislature to issue tax-exempt mortgage revenue bonds to fund affordable housing units, and issue taxable mortgage revenue bonds to finance home purchases by Texas educators under the Teacher Home Loan Program.

Government Code, Title 9, ch. 1372 governs the state's private activity bonds. A private activity bond is a bond issued by the state that allows private interests to benefit from the bond. The state has a maximum amount of tax-exempt private activity bonds that may be issued during a given calendar year. This maximum amount is referred to as the "state ceiling." Under Section 1372.022, the state ceiling is divided into six sub-ceilings that allot portions of the ceiling to different purposes. Under sec. 1372.022(a)(1), 25 percent of the state ceiling is for qualified mortgage bonds to fund home loans by the Texas Department of Housing and Community Affairs (TDHCA) and housing finance corporations.

In 2001, the Legislature enacted HB 3451 by Gallego, which instituted the Teacher Home Loan Program. HB 3451 annually allocates \$25 million of the state ceiling for private activity bonds for the purpose of making home

mortgage loans to Texas teachers that are first-time home buyers. The program is administered by the Texas State Affordable Housing Corporation.

DIGEST: HB 1247 would expand TSAHC to finance home purchases for fire fighters and police officers.

Of the portion of the state ceiling for private activity bonds that is available before September 1 of each year for reservations by issuers of qualified mortgage bonds, \$25 million would be made available to TSAHC to issue mortgage bonds to fund a fire fighter and police officer home loan program. TSAHC would be directed to aggressively pursue funding for the fire fighter and police officer home loan program and implement the program no later than September 1, 2004.

Fire fighters and police officers who resided in Texas and had incomes no greater than 115 percent of area median family income, adjusted for family size, would be eligible under the program. TSAHC could partner with the state or private entities to assess eligibility under the program and could collect reasonable fees from applicants to cover the program's administration.

TSAHC's board of directors would be required to adopt rules governing the program's administration and oversight. The corporation also would be required to comply with any requirements regarding the structure of loans offered under this program.

TSAHC could supplement the \$25 million from the state ceiling with gifts and grants, money in the housing trust fund, federal block grants, other state or federal grants, and money received in repayment of loans made under this program.

If the Legislature decided not to continue TSAHC before its sunset date of January 1, 2005, the Fire Fighter and Police Officer Home Loan Program would be transferred to the Texas Department of Housing and Community Affairs.

The Fire Fighter and Police Officer Home Loan Program would expire on September 1, 2014.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

**SUPPORTERS
SAY:**

HB 1247 would help make the dream of home ownership a reality for many of the men and women who make our streets and homes safe. The September 11th terrorist attacks demonstrated to the nation the immense sacrifices that police officers and fire fighters are willing to make on a daily basis. As public servants, the compensation made to these brave individuals often does not equate with the service that they provide to their communities. By establishing a police officer and fire fighter home loan program, this bill would demonstrate the state's appreciation for the work of these public servants, and help many families purchase their first homes.

The Legislature established the Teacher Home Loan Program to recruit and reward teachers for the important service they provide to Texas, and HB 1247 would create a similar program for police officers and fire fighters. A home loan program for these public servants would aid in recruiting qualified Texans to serve in police and fire departments across the state.

HB 1247 would make it easier for police officers and fire fighters to purchase homes by extending low-interest home mortgage loans to eligible individuals. The income restrictions under the program would ensure that loans went only to individuals who truly needed them.

There currently is plenty of bond issuance capacity to fund a home loan program for police officers and fire fighters. More than enough money would remain available to fund the Teacher Home Loan Program, and HB 1247 would not affect this program in any way.

**OPPONENTS
SAY:**

HB 1247 is an admirable piece of legislation, but certain changes to the bill would ensure that it provided the greatest benefit to this constituency. Several communities that have committed to paying their fire fighters and police officers competitive salaries that would put them over the 115 percent of median area income cap determining eligibility. The bill should be amended so that all communities could benefit from a program that would receive money from across the state.

This bill would not require tenure with a police or fire department for program eligibility, and there would be no statutory safeguard against abuse by individuals who might sign up for a low-interest loan only to leave their jobs shortly after.

HB 1247 should establish a date prior to the September 1 rollover date that would allow unissued bonds from the police officer and fire fighter home loan program to go to other housing programs under the private activity bond ceiling. Additionally, HB 1247 would take the \$25 million for the police officer and fire fighter home loan program entirely from the portion of the bond authority available to housing finance corporations, rather than from the portion that is dedicated to the Texas Department of Housing and Community Affairs (TDHCA). The \$25 million in bond authority should be taken proportionately from TDHCA and the local housing programs, so the locals would not be forced to shoulder the entire weight of the new program.