

BILL ANALYSIS

Senate Research Center

H.B. 3334
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Finance
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Engrossed

DIGEST

Currently, many financial institutions use collateralized mortgage obligations with maturity dates greater than 10 years as investments. Because the Public Funds Investment Act only permits collateralized mortgage obligations with a stated maturity dates of 10 years or less to be used as an investment, some of these obligations are not authorized to be used as collateral. This bill allows collateralized mortgage obligation investments to be used as collateral.

PURPOSE

As proposed, H.B. 3334 allows collateralized mortgage obligation investments to be used as collateral.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2257.002(5), Government Code, to redefine "eligible security," to include a fixed-rate collateralized mortgage obligation that has an unexpected weighted average life of 10 years or less and does not constitute a high-risk mortgage security, or a floating-rate collateralized mortgage obligation that does not constitute a high-risk mortgage security.

SECTION 2. Amends Chapter 2257A, Government Code, by adding Section 2257.0025, as follows:

Sec. 2257.0025. HIGH-RISK MORTGAGE SECURITY. Provides that a fixed-rate collateralized mortgage obligation is a high-risk mortgage security if the security meets certain provisions, for purposes of this chapter. Provides that a floating-rate collateralized mortgage obligation is a high-risk mortgage security if the security meets certain provisions, for purposes of this chapter.

SECTION 3. Effective date: September 1, 1997.

SECTION 4. Emergency clause.