

BILL ANALYSIS

Senate Research Center
76R10645 DB-D

H.B. 3315
By: Cuellar (Ellis)
Intergovernmental Relations
5/12/1999
Engrossed

DIGEST

Currently, close to 1,500 colonias lie along the Texas side of the Mexican border. These unincorporated communities are characterized by poverty, substandard housing, and inadequate basic services; mortgage loans are generally unavailable for many of these colonia residents. The most significant barrier hindering quality owner-builder housing construction is financing. H.B. 3315 requires the Texas Department of Housing and Community Affairs to establish an owner-builder interim construction loan program in partnership with certain entities, and creates a guaranteed loan fund.

PURPOSE

As proposed, H.B. 3315 requires the Texas Department of Housing and Community Affairs to establish an owner-builder interim construction loan program in partnership with certain entities, and creates a guaranteed loan fund.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Texas Department of Housing and Community Affairs in SECTION 1 (Sections 2306.752(c) and Section 2306.753(b), Government Code) and SECTION 2 (Section 2306.255(i), Government Code), of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 2306, Government Code, by adding Subchapter FF, as follows:

SUBCHAPTER FF. INTERIM CONSTRUCTION LOAN PROGRAM

Sec. 2306.751. DEFINITIONS. Defines “construction supply company,” “nonprofit housing assistance organization,” and “owner-builder.”

Sec. 2306.752. INTERIM CONSTRUCTION LOAN PROGRAM. Requires the Texas Department of Housing and Community Affairs (department), to establish a program to provide for the development of affordable housing, and sets forth responsibilities of the department. Authorizes an interim construction loan under this program to provide certain resources. Authorizes the department to adopt rules necessary to accomplish the goals of this subchapter.

Sec. 2306.753. PARTICIPATION AGREEMENT. Requires the department to enter into a participation agreement with certain entities to provide loan guarantees for interim construction loans made to eligible owner-builders. Requires the department, by rule, to establish a limit for the loan that is based on the estimated value of the property after improvements are completed. Prohibits the department from agreeing to a guarantee that exceeds that limit. Prohibits the department from making an agreement unless it allows for an annual renegotiation of the loan guarantee percentage. Requires the department to renegotiate to obtain a better guarantee percentage for the state from certain entities. Authorizes a participating construction supply company or nonprofit housing assistance organization to require the provision of a warranty deed for property as collateral for the loan.

Sec. 2306.754. OWNER-BUILDER ELIGIBILITY. Requires the department to establish eligibility requirements for owner-builders to participate in the program. Requires prioritization for owner-builders who are categorized as low, very low, or extremely low income. Sets forth provisions for the selection of nonprofit housing assistance programs.

Sec. 2306.755. PARTICIPANT DUTIES. Sets forth requirements for a construction supply company or nonprofit housing assistance organization that participates in the program.

Sec. 2306.756. REFINANCING ASSISTANCE. Sets forth refinancing assistance which the department is required to provide to an owner-builder who obtains a loan. Sets forth entities which the department is required to identify.

Sec. 2306.757. FUNDING. Prohibits the department from spending state money to fund a loan guarantee issued under this subchapter. Requires the department to identify funds that are appropriate for the program. Authorizes the department to cooperate with nonprofit housing assistance organizations to establish loan guarantee pools to be used for certain purposes.

Sec. 2306.758. REPORTING DUTIES. Sets forth requirements for the department regarding the composition and deliver of an annual report.

SECTION 2. Amends Chapter 2306K, Government Code, by adding Section 2306.255, as follows:

Sec. 2306.255. CONTRACT FOR DEED CONVERSION PROGRAM. Defines "office." Requires the office to establish a program to guarantee loans made by private lenders to convert a contract for a deed into a warranty deed. Sets forth provisions for agreements with private lenders. Prohibits the office from making an agreement unless it allows the office to annually renegotiate the guarantee percentage for a loan issued by the lender. Requires the office to use funds allocated under the federal HOME Investment Partnerships program. Authorizes the office to use the services of the Texas State Affordable Housing Corporation to accomplish the purposes of this section. Authorizes the department to adopt rules to accomplish the purposes of this section. Makes conforming changes.

SECTION 3. (a) Effective date: September 1, 1999.

(b) Requires the department to deliver the first required report by January 1, 2001.

(c) Requires the office established by the department to deliver the first required report by January 1, 2001.

SECTION 4. Emergency clause.