

BILL ANALYSIS

Senate Research Center
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S.B. 1470
By: Lucio
Border Affairs - Special
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As Filed

DIGEST

Currently, there is no interim construction loan program designed to assist in the development of affordable housing. S.B. 1470 would establish provisions regarding loan assistance for low-income individuals and families.

PURPOSE

As proposed, S.B. 1470 establishes provisions regarding loan assistance for low-income individuals and families.

RULEMAKING AUTHORITY

Rulemaking authority is granted to the Texas Department of Housing and Community Affairs in SECTION 1 (Sections 2306.752(c) and 2306.753(b), Government Code) and SECTION 2 (Section 2306.255, 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” and “owner-builder.”

Sec. 2306.752. INTERIM CONSTRUCTION LOAN PROGRAM. Sets forth requirements which the Texas Department of Housing and Community Affairs (department) shall fulfill, to provide for the development of affordable housing in this state. Sets forth conditions by which an interim construction loan (loan) under this program may provide resources. Authorizes the department to adopt rules in order to accomplish the purposes of this chapter.

Sec. 2306.753. PARTICIPATION AGREEMENT. Requires the department to enter into a participation agreement with one or more construction supply companies to provide loan guarantees for loans made by the construction companies to eligible owner-builders. Requires the department by rule to establish a threshold limit for the percentage of a loan based on the estimated value of the property based on certain completed property values. Prohibits the department from agreeing to guarantee certain loans that exceed the threshold. Prohibits the department from making an agreement with a construction supply company unless the participation agreement allows the department to annually renegotiate the percentage for a loan. Requires the department to renegotiate the terms of a loan in order to obtain a better guarantee percentage for the state from the supply company. Authorizes a participating construction supply company to require an owner-builder to provide a warranty deed for the property that is the proposed subject of the interim construction loan as collateral.

Sec. 2306.754. OWNER-BUILDER ELIGIBILITY. Requires the department to establish eligibility requirements for owner-builders to participate in the loan program. Sets forth certain eligibility requirements. Authorizes the department to select nonprofit housing assistance organizations to certify the eligibility of owner-builders to participate in the loan program. Requires a nonprofit housing assistance organization to use the established eligibility requirements to certify the eligibility of an owner-builder for the loan program.

Sec. 2306.755. CONSTRUCTION SUPPLY COMPANY DUTIES. Sets forth the requirements of a construction supply company that participates in the program.

Sec. 2306.756. REFINANCING ASSISTANCE. Requires the department to assist an owner-builder who obtains a loan to refinance the loan to fulfill certain conditions. Requires the department to identify certain conditions regarding mortgages.

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 loan program. Authorizes the department to cooperate with nonprofit housing assistance organizations to establish loan guarantee pools.

Sec. 2306.758. REPORTING DUTIES. Sets forth requirements for the department regarding annual report and delivery of the 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 promote initiatives for colonias (office) to establish a program to guarantee loans made by private lenders to convert a contract for deed into a warranty deed. Requires the office to make agreements with private lenders that will issue loans for contract conversions. Sets forth required terms of the agreement between the office and lender. Prohibits the office from making an agreement with a lender unless the agreement allows the office, in order to obtain a better guarantee percentage for the state, to annually renegotiate the guarantee percentage for a loan issued by the lender. Requires the office to establish eligibility criteria for a holder of a contract for deed who participates in the loan program. Requires the criteria to include priority for certain individuals. Requires the office to use funds allocated to the department under the federal HOME Investment Partnerships program established under Title II of the Cranston-Gonzalez National Affordable Housing Act for guarantees issued under this section. Prohibits the office from spending state money to fund a guarantee for a loan under the program. Authorizes the office to use the services of the Texas State Affordable Housing Corporation when necessary. Sets forth requirements for the office regarding annual report and delivery of the report. Authorizes the department to adopt rules necessary to accomplish the purposes of this section.

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

(b) Requires the department to deliver the first required report not later than January 1, 2001.

(c) Requires the office to deliver the first required report not later than January 1, 2001.

SECTION 4. Emergency clause.