

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1703
By: Ellis
Border Affairs - Special
4/19/1999
Committee Report (Substituted)

DIGEST

Owner-built houses can result in substandard housing for persons who lack the financing or skills to produce an adequate structure. The most significant barrier to quality owner-construction is financing. C.S.S.B. 1703 provides loan assistance to low-income individuals and their families.

PURPOSE

As proposed, C.S.S.B. 1703 provides loan assistance to low-income individuals and their 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) 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 (TDHCA) to establish a program in which TDHCA cooperates with construction supply companies or nonprofit housing assistance organizations to provide interim construction loans for owner-builders; and provides other services in the development of affordable housing in this state. Authorizes an interim construction loan under this program to provide resources to build new residential hearing, or develop, renovate, or otherwise make improvements to existing residential housing. Authorizes TDHCA to adopt rules necessary to accomplish the purposes of this subchapter. Makes a conforming change.

Sec. 2306.753. PARTICIPATION AGREEMENT. Requires TDHCA to enter into a participation agreement with one or more construction supply companies or nonprofit housing assistance organizations to provide loan guarantees from TDHCA for interim construction loans made by the company or organization to eligible owner-builders under this subchapter, under the program. Authorizes TDHCA, by rule, to establish a limit for the percentage of an interim construction loan that TDHCA guarantees under the program that is based on the estimated value of the property after the improvements to the property are completed. Prohibits TDHCA from agreeing to a guarantee for an interim builder loan issued to an owner-builder by a participating construction supply company or nonprofit housing assistance organization that exceeds that limit. Prohibits TDHCA from making an agreement with a construction supply company or nonprofit housing assistance organization under the program unless TDHCA is allowed to annually renegotiate the guarantee percentage for an interim construction loan issued by the construction supply company or nonprofit housing assistance organization. Requires TDHCA to renegotiate the terms of an interim construction loan guarantee when possible to obtain a better guarantee percentage for the state from the construction supply company or nonprofit housing assistance organization. Authorizes a participating construction supply company or nonprofit housing assistance organization 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 for the loan.

Sec. 2306.754. OWNER-BUILDER ELIGIBILITY. Requires TDHCA to establish eligibility requirements for owner-builders to participate in the program. Requires the eligibility requirements to include a priority for owner-builders who are individuals or families of low, very low, or extremely low income. Authorizes TDHCA to select nonprofit housing assistance organizations to certify the eligibility of owner-builders to participate in the interim construction loan program. Requires a nonprofit housing assistance organization selected by TDHCA to use the eligibility requirements established by TDHCA to certify the eligibility of an owner-builder for the program.

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

Sec. 2306.756. REFINANCING ASSISTANCE. Requires TDHCA to assist an owner-builder who obtains an interim construction loan under the program to refinance the loan to pay the balance of the interim construction loan and other debts on the property; and obtain a mortgage loan on the improved property. Requires TDHCA to identify private lenders to provide private market rate mortgages for low-income owner-builders who obtain loans under the program; and nonprofit housing assistance organizations and housing assistance programs to aid owner-builders who do not qualify for private market-rate mortgages.

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

Sec. 2306.758. REPORTING DUTIES. Requires TDHCA to compose an annual report that evaluates the repayment history and coinciding guarantee percentages for guarantees issued under a program under this subchapter; and deliver a copy of the report to the governor, the lieutenant governor, and the speaker of the house or representatives.

SECTION 2. (a) Effective date: September 1, 1999.

(b) Requires TDHCA to deliver the first report required by Section 2306.758, Government Code, as added by this Act, no later than January 1, 2001.

SECTION 3. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Amends Section 2306.751, Government Code, to add the definition of “nonprofit housing assistance organization.” Requires TDHCA to establish certain requirements, including those for nonprofit housing assistance organizations, to provide for the development of affordable housing in this state.

Amends Section 2306.753, Government Code, to delete text regarding construction supply companies. Makes conforming changes.

Amends Section 2306.755, Government Code, to add a new heading. Makes a conforming change.

SECTION 2.

Deletes Section 2306.255, Government Code.

Adds the effective date of September 1, 1999, and text requiring TDHCA to deliver the first report required by Section 2306.758, Government Code, as added by this Act, no later than

January 1, 2001.

SECTION 3.

Adds the emergency clause. Deletes SECTION 4.