

BILL ANALYSIS

Senate Research Center
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S.J.R. 12
By: Carona
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DIGEST

Currently, the Texas Constitution authorizes senior citizens to obtain a reverse mortgage. Generally, a reverse mortgage, under current law, allows a senior citizen to receive an extension of credit by mortgaging the credit against the person's homestead without paying the credit until the person dies. Some of the constitutional provisions, however, conflict with federal law and force the Department of Housing and Urban Development (HUD) to not insure reverse mortgage loans in Texas. If a mortgage loan cannot be insured by HUD, the Federal National Mortgage Association (Fannie Mae), which underwrites more than 90 percent of reverse mortgages nationally, will not buy the mortgage on the secondary market. The absence of the underwriter creates a significant discouragement for lenders to offer reverse mortgage loans altogether. Opening up the mortgage market by constitutionally redefining a reverse mortgage would permit HUD to insure reverse mortgages, and, subsequently, permit Fannie Mae to buy the Texas mortgages. S.J.R. 12 would require a constitutional amendment to open the reverse mortgage market in Texas.

PURPOSE

As proposed, S.J.R. 12 requires the submission to the voters of a constitutional amendment to open the reverse mortgage market in Texas.

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 Sections 50(k) and (p), Article XVI, Texas Constitution, by redefining "reverse mortgage." Requires certain advances made on a reverse mortgage loan to be made according to certain terms established by the loan documents, rather than a requiring an advance made to be made at regular intervals according to a plan established by the original loan agreement.

SECTION 2. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held on November 1, 1999. Sets forth required language for the ballot.