

## **BILL ANALYSIS**

Senate Research Center  
76R7021 DWS-D

S.J.R. 37  
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### **DIGEST**

In 1997, Texas voters approved home equity lending, with a provision for a three percent cap on fees and charges, and to bar any additional collateral for making the loans. However, this prohibits the federal Farm Credit System (system) from making home equity loans. Under federal law, the system operates Production Credit Associations (PSA) and Federal Land Banks (FLB) that make rural loans. Loan applicants leave between two and five percent of the loan amounts in the system as a membership to get a loan. During the time of the loan, the member receives interest on the loan. The amount reverts to the member when the loan is paid off. The federal requirements of this long-standing program prohibit the 13 PSAs and 14 FLBs in Texas from making home equity loans for dairy farming and moderately priced rural housing. S.J.R. 37 would enable a voter through an election to make housing and business loans more readily available to rural areas in Texas.

### **PURPOSE**

As proposed, S.J.R. 37 requires the submission to the voters of a constitutional amendment to authorize Texas voters to decide on whether the Farm Credit Bank will be able to make home equity loans in Texas, by excluding cooperative membership fees and cooperative membership certificates from the three percent closing cap and the requirement of no additional collateral under the existing Texas home equity law.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 50(a), Article XVI, Texas Constitution, to require the homestead of a family or of a single adult person to be protected from forced sale for the payment of all debts, except for an extension of credit that does not require the owner or the owner's spouse to pay, in addition to any interest or cooperative membership fees, fees to any person. Makes conforming changes.

SECTION 2. Amends Section 50(g), Article XVI, Texas Constitution, to set forth standard language regarding a notice concerning extensions of credit defined by Section 50(a)(6), Article XVI, Texas Constitution.

SECTION 3. Requires this proposed constitutional amendment to be submitted to the voters at an election to be held on November 2, 1999. Sets forth required language for the ballot.