

BILL ANALYSIS

Senate Research Center

H.B. 3294
By: Wise (Lucio)
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Engrossed

DIGEST AND PURPOSE

Currently, the state funds the operation of colonia self-help centers to provide home finance assistance, counseling, a tool library, instruction, technical assistance on installation of and financing for septic systems, and related services to colonia residents residing along the Texas and Mexico border. The state also operates the owner-builder loan program to provide loans through the colonia self-help centers for the construction and improvement of residential housing for low-income individuals and families. However, improvements to these programs could help them address the needs of colonia residents more effectively. H.B. 3294 requires the issuance of single-family mortgage revenue bonds, modifies the existing colonia self-help center program, establishes a new colonia model subdivision program, and modifies the existing owner-builder loan program, including the establishment of a permanent revolving loan fund.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to to the Texas Department of Housing and Community Affairs in SECTION 2, (Section 2306.142 Government Code), SECTION 10 (Section 2306.755 Government Code), and SECTION 13 (Section 2306.786 Government Code) of this bill.

SECTION BY SECTION ANALYSIS

H.B. 3294 amends the Government Code to require for the issuance of single-family mortgage revenue bonds by the Texas Department of Housing and Community Affairs (department) to make home mortgage credit available to economic and geographic submarkets of borrowers who are not served or who are substantially underserved by the conventional home mortgage lending industry or by housing finance corporations. The bill requires the governing board of the department (board) by rule to adopt a methodology for determining through a market study the home mortgage credit needs in underserved economic and geographic submarkets in the state. The bill sets forth requirements for the department or its designee when conducting the market study and for the department to obtain the authorization to issue the single-family mortgage revenue bonds (Sec. 2306.142). The bill sets forth certain requirements of the market survey if the United States Department of Housing and Urban Development ceases to prepare or make public a subprime lender list (Sec. 2306.143).

The bill authorizes the department to change the designation of colonias in consultation with the colonia advisory committee and the appropriate self-help center, and requires the department to consult with the colonia advisory committee to designate five colonias in each service area to receive concentrated attention from that center (Sec. 2306.583).

The bill requires that in order to operate a colonia self-help center, the department is to enter into a fouryear contract directly with a local nonprofit organization or a local housing authority subject to the availability of revenue for that purpose. The department is solely responsible for contract oversight and for the monitoring of colonia self-help centers (Sec. 2306.587).

The bill authorizes the department to contribute money to the fund from any available source of revenue that the department considers appropriate to implement the purposes of this subchapter, with certain

exceptions (Section 2306.589).

The bill deletes the provision that to be eligible for a loan from a colonia self-help center, an owner-builder must reside with at least two other persons related to the owner-builder in the first degree (Sec. 2306.753). The bill increases from \$25,000 to \$30,000 the maximum amount of a loan that may be given through a colonia self-help center (Sec. 2306.754).

The bill authorizes the department to certify nonprofit owner-builder housing programs operated by a tax-exempt organization to originate or service loans made under the department's owner-builder housing program. The bill requires the department by rule to adopt procedures for the certification of nonprofit owner-builder housing programs (Sec. 2306.755).

The bill authorizes the department to use in a fiscal year no more than 10 percent of the revenue available for the owner-builder housing program to enhance the ability of tax-exempt organizations to implement the purposes of the department (Sec. 2306.758).

The bill requires the department to establish an owner-builder revolving loan fund in the department for the sole purpose of funding loans under the owner-builder loan program using any available source of revenue, including the required transfer by the department to the fund of at least \$3 million each state fiscal year until August 31, 2010. Sets forth certain temporary requirements for the department to transfer money to the fund from money received under the federal HOME Investment Partnerships program. The department is required to deposit money received in repayment of an owner-builder loan to the owner-builder revolving loan fund (Sec. 2306.7581).

The department is required to establish the colonia model subdivision program (program) to promote the development of new, high-quality, residential subdivisions that provide alternatives to substandard colonias and housing options affordable to individuals and families of extremely low and very low income who would otherwise move into substandard colonias (Sec. 2306.782). The bill requires the department to establish the colonia model subdivision revolving loan fund. The department is required to deposit money repaid from loans under the program to the fund, and is authorized to use up to \$2 million of the community development block grant that is set aside for colonias in each state fiscal year until August 31, 2010 to provide colonia model subdivision loans (Sec. 2306.783). The bill sets forth provisions relating to the terms and uses of loans given by the department from the colonia model subdivision loan fund (Sec. 2306.785). In administering the program, the department by rule is required to adopt any subdivision standards in excess of local standards the department considers necessary, as well as loan application procedures, program guidelines, and contract award procedures. The bill requires the department to adopt rules for the program to ensure that a borrower sells real property under the program only to an individual borrower, nonprofit housing developer, or to a for-profit housing developer for the purposes of constructing residential dwelling units, and that require a borrower to convey real property under the program at a cost that is affordable to individuals and families of extremely low income or individuals and families of very low income (Sec. 2306.786).

H.B. 3294 amends the Tax Code to entitle a charitable organization to an exemption from taxation of unimproved real property purchased through the colonia model subdivision program as well as an exemption from taxation on any building or tangible personal property the organization owns and uses in the administration of its acquisition, building, repair, or sale of the property. If the charitable organization sells the property to a person other than an individual borrower, nonprofit housing developer, or for-profit housing developer for the purposes of constructing residential dwelling units, a penalty is imposed on the property equal to the taxes that would have been imposed on the property in each tax year plus interest at an annual rate of 12 percent computed from the dates on which the taxes would have become due (Sec. 11.184).

The bill repeals the provision that the owner-builder loan program expires September 1, 2005 (SECTION 16).

Effective Date: September 1, 2001.