

BILL ANALYSIS

Senate Research Center
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S.B. 838
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DIGEST AND PURPOSE

Community Development Financial Institutions (CDFIs) are certified by the United States Department of Treasury and are financial institutions that specialize in serving underserved communities and low-income individuals. As proposed, S.B. 838 requires the Texas Department of Banking to establish a community development investment program in which grants or interest-free loans are made to eligible CDFIs who make community development loans in distressed areas of the state.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the finance commission in SECTION 1 (Section 12.205 and Section 12.209, Finance Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 12, Finance Code, by adding Subchapter C, as follows:

SUBCHAPTER C TEXAS COMMUNITY DEVELOPMENT INVESTMENT PROGRAM

Sec. 12.201. DEFINITIONS. Defines “community development financial institution,” “community development investment,” “community development loan,” “eligible institution,” and “program.”

Sec. 12.202. COMMUNITY INVESTMENT PROGRAM. Requires the Department of Banking (department), notwithstanding any other law, to establish a community investment program in which the department makes grants or interest-free loans to eligible institutions that use the money to make community development loans in distressed areas of the state or to assist low-income areas by providing basic consumer financial services.

Sec. 12.203. ELIGIBILITY. Requires the department to determine the eligibility of an institution by verifying that the institution meets the minimum selection described by 12 U.S.C. Section 4704, as amended. Authorizes the department to set a limit on the number of eligible institutions that are authorized to participate in the program. Requires an eligible institution, to participate in the program, to enter into a participation agreement with the department that sets out the terms and conditions under which the department will make a grant or loan to the eligible institution.

Sec. 12.204. CAPACITY BUILDING. Authorizes the department to make a grant to an institution or nonprofit organization to assist the institution or organization to meet the minimum selection criteria described by 12 U.S.C. Section 4704, as amended, or to otherwise obtain assistance under 12 U.S.C. 4701 et seq., as amended; and become an eligible institution and participate in the program. Authorizes the department to make a grant to a nonprofit organization the department determines is performing activities consistent with the goals of this subchapter to provide the organization operating support, technical assistance, and training assistance.

Sec. 12.205. RULEMAKING AUTHORITY. Requires the finance commission to adopt rules relating to the implementation of the program and any other rules necessary to accomplish the purposes of this subchapter.

Sec. 12.206. APPLICATION. Authorizes an eligible institution to file a grant or loan application with the department. Requires the application to be in a form approved by the department and include a plan of investment that includes the type and number of community development loans or investments that the institution plans to make using money from the program. Requires the department to act on a completed application not later than the 30th day after the date on which the application is filed with the department.

Sec. 12.207. OWNERSHIP OF INCOME. Provides that all income received on a loan or investment made with money received under the program is the property of the eligible institution that makes the loan or investment.

Sec. 12.208 SEMIANNUAL REPORT. Requires the eligible institution, not later than the 30th day after the expiration of each six-month period for which there is a participation agreement in effect between the department and an eligible institution, to submit a report to the department that states in detail that status of each investment or loan made under the program. Requires the report to be in a form prescribed by the department and is required to contain all information required by the department as part of the institution's participation agreement.

Sec. 12.209. ANNUAL AUDIT. Requires the participation agreement entered into between the eligible institution and the department to provide for an annual audit. Requires the finance commission to adopt rules relating to the format of the audit, including rules allowing not more than \$5,000 of the amount received by the eligible institution under the program to be used to finance the audit.

SECTION 2. Effective date: September 1, 2001.