

BILL ANALYSIS

Senate Research Center
78R8509 KEG-F

H.B. 2396
By: Corte (Van de Putte)
Administration
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Engrossed

DIGEST AND PURPOSE

The Veterans Land Board, through its authority in Chapter 161, Natural Resources Code, provides loans for the purchase of land to eligible veterans. The Veterans Land Board Land Program has been making land loans to veterans since 1949 and is the only program of its kind in the nation.

Unlike a traditional land purchase, the veteran decides on a property to purchase, the VLB then purchases the land for the veteran, and the veteran repays the VLB. This allows the veteran to purchase the land at a lower interest rate. Since its inception, the Veterans Land Board has made more than 100,000 land loans to veterans, and more than 50,000 housing and home improvement loans worth more than \$4,000,000,000.

H.B. 2396 reduces the minimum acreage requirements of VLB land loans from five acres to one acre. This bill also changes provisions bringing the board closer to industry standards and streamlines processes, including increasing the loan amount and making title insurance corrections.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 161.212(a), (b), and (c), Natural Resources Code, as follows:

- (a) Requires the Veterans' Land Board (VLB) to have an appraisal, rather than appraisement, of the property before buying land under the provisions of this chapter.
- (b) Requires a person making an appraisal, rather than an appraiser, on behalf of VLB to be licensed or certified as an appraiser by the State of Texas, rather than reasonably qualified.
- (c) Requires the appraiser to make a written report to the VLB in a VLB-required form and manner. Deletes text referring to an affidavit and its required contents.

SECTION 2. Amends Section 161.214, Natural Resources Code, as follows:

- Sec. 161.214. TITLE. (a) Authorizes VLB to require a title insurance policy or appropriate examination of title of the property, before making payment for land.
- (b) Authorizes VLB to purchase land that has mineral interests outstanding or is subject to title exceptions acceptable to the VLB. Deletes text referring to land being subject to outstanding mineral leases and the requirement that a title be otherwise marketable and good.

SECTION 3. Amends Section 161.227, Natural Resources Code, as follows:

Sec. 161.227. LEASE OF LAND. (a) Includes in the list of leases exempt from the prohibition that land not be leased for more than 10 years, leases, whether referred to as such or by certain other titles, for certain communication towers, which are authorized to be for a term of not more than 50 years. Makes a nonsubstantive change.

(b) Makes a conforming change.

SECTION 4. Amends Section 161.281(c), Natural Resources Code, to decrease the acreage below which VLB is prohibited from setting the minimum acreage required for a veteran to purchase from five acres to one acre.

SECTION 5. Amends Section 161.283(b), Natural Resources Code, to increase the maximum VLB is allowed to pay for property from \$40,000 to \$60,000 and to authorize VLB to pay more if the veteran pays VLB, or VLB's designee, the additional amount in cash, in accordance with VLB rules.

SECTION 6. Amends Section 161.288, Natural Resources Code, to make a conforming change.

SECTION 7. Amends Section 161.315, Natural Resources Code, to require the county clerk to record the notice of forfeiture.

SECTION 8. Amends Section 161.317, Natural Resources Code, as follows:

Sec. 161.317. REINSTATEMENT OF PURCHASE. (a) Replaces gender specific language with gender neutral language. Authorizes VLB, if a contract is forfeited more than two times, to require that the purchaser or the purchaser's vendee pay the account in full, as a condition of reinstatement.

SECTION. 9. Amends Section 161.320, Natural Resources Code, as follows:

Sec. 161.320. LATE PAYMENTS; DEFAULT INTEREST RATE. (a) Authorizes VLB to impose charges for late payments.

(b) Authorizes VLB, in addition to charging for late payments under Subsection (a), to set and impose a default rate of interest on the past due amounts or the entire unpaid balance. Deletes text referring to paying delinquent principal and interest at a rate determined by VLB.

SECTION 10. Amends Section 161.323, Natural Resources Code, to authorize VLB to release an assignor from liability under this section if at least three years have passed since the approved assignment.

SECTION 11. Amends Section 161.361, Natural Resources Code, as follows:

Sec. 161.361. New heading: DEFINITION. Redefines "person purchasing land under the program." Deletes definitions for "person in the group" and "the indebtedness due to the board."

SECTION 12. Amends Sections 161.362(a) and (b), Natural Resources Code, as follows:

(a) Requires persons purchasing land under the program, rather than each veteran purchaser, to carry insurance on the improvements on the property in an amount, rather than under contract of purchase, VLB considers necessary. Provides that failure to do so will subject the contract to forfeiture or the mortgage to foreclosure. Deletes a reference to Subchapter H.

(b) Authorizes VLB to promulgate rules necessary to enforce this subchapter.

SECTION 13. Amends Section 161.363, Natural Resources Code, as follows:

Sec. 161.363. New heading: INSURANCE CONTRACT. Authorizes VLB to enter in to a contract, rather than a master contract, or agreement with one or more insurance companies, rather than life insurance companies, authorized to do business in this state to provide life, disability, or other insurance coverage to persons purchasing land under the program, if it is in the program's best interest. Deletes text referring to cancelling indebtedness upon death.

SECTION 14. Amends Section 161.366, Natural Resources Code, to provide that it is not mandatory that a person purchasing land under the program accept the offer of the insurance coverage, and to prohibit the VLB from using that refusal to accept the coverage offer as a ground for not entering into a contract of sale or a mortgage with the person.

SECTION 15. Amends Section 161.368, Natural Resources Code, to authorize VLB to collect or provide for collection of the insurance premium, rather than the premium for insurance coverage, in a reasonable manner.

SECTION 16. Amends Section 161.370, Natural Resources Code, to make a conforming change.

SECTION 17. Amends the heading to Section 161.371, Natural Resources Code, to read as follows:

Sec. 161.371. TERMINATION OF INDIVIDUAL COVERAGE.

SECTION 18. Amends Section 161.371(a), Natural Resources Code, to authorize individual insurance coverage, rather than requiring insurance coverage, to be terminated for any person on terms agreed to by the insurer and VLB. Deletes a list of reasons for insurance termination.

SECTION 19. Amends Section 161.503(c), Natural Resources Code, to require VLB to adopt credit, underwriting, and appraisal standards that protect the best interest of the program and limit the exposure of the fund to any losses. Deletes text referring to insurance requirements.

SECTION 20. Amends Section 161.509, Natural Resources Code, as follows:

Sec. 161.509. New heading: LATE PAYMENTS; DEFAULT INTEREST RATE. (a) Authorizes VLB to impose charges for late payments.

(b) Authorizes VLB, in addition to charging for late payments under Subsection (a), to set and impose a default rate of interest on the past due amounts or the entire unpaid balance. Deletes text referring to paying delinquent principal and interest at a rate determined by VLB.

SECTION 21. Repealer: Sections 161.212(d) (Appraisal), 161.362(c) (Insurance Requirement), 161.364 (Provisions of Insurance), 161.365 (Approval of Contract; Contractual Relationship), 161.367 (Amount of Coverage), 161.369 (Death of Insured), and 161.371 (b) and (c) (Termination of Insurance), Natural Resources Code.

SECTION 22. Effective date: September 1, 2003.
Makes application of this Act prospective.