

By: Lucio

S.B. No. 1731

A BILL TO BE ENTITLED

AN ACT

relating to the establishment, fiscal oversight and administration of the Texas secure loan pilot program by the Texas Department of Housing and Community Affairs.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 2306, Government Code, is amended by adding Subchapter OO to read as follows:

SUBCHAPTER OO. TEXAS SECURE LOAN PILOT PROGRAM

Sec. 2306.1081. DEFINITION. In this subchapter, "program" means the Texas secure loan pilot program.

Sec. 2306.1082. TEXAS SECURE LOAN PILOT PROGRAM. (a) The department shall establish the Texas secure loan pilot program to provide first lien single-family mortgage loans to individuals and families of low income.

(b) The program may include the provision of down payment and closing cost assistance.

Sec. 2306.1083. ADMINISTRATION OF PROGRAM; RULES. (a) The department shall administer the program.

(b) The board shall adopt rules governing:

(1) the administration of the program, including the origination of loans under the program;

(2) the criteria for approving another entity to service loans originated under the program;

(3) the use of insurance on the loans and the homes

1 financed under the program, as considered appropriate by the board
2 to provide additional security for the loans;

3 (4) the verification of occupancy of the home by the
4 homebuyer as the homebuyer's principal residence; and

5 (5) the terms of any memorandum of understanding or
6 contract with another entity for processing, servicing, or
7 administering the loans.

8 (c) The department may adopt rules governing loan
9 modifications, including specific criteria for authorizing the
10 modification of loan terms for homebuyers whose income is adversely
11 affected by circumstances such as unemployment, a reduction of
12 wages or hours of employment, illness, or the death of a spouse or
13 other person contributing to the income of a homebuyer.

14 Sec. 2306.1084. ELIGIBILITY. (a) To be eligible for a
15 mortgage loan issued by the department under this subchapter, a
16 homebuyer must:

17 (1) earn an income, adjusted for family size, of not
18 more than:

19 (A) 80 percent of the area median income if the
20 homebuyer lives in a rural area; or

21 (B) 60 percent of the area median income if the
22 homebuyer lives in an urban area;

23 (2) intend to occupy, as the homebuyer's principal
24 residence, the home for which the mortgage loan is issued; and

25 (3) meet any additional eligibility requirements or
26 limitations prescribed by the department.

27 (b) The department may enter into memoranda of

1 understanding with other agencies of the state or may contract with
2 private entities to process, service, or administer all or a
3 portion of the loans issued under this subchapter.

4 Sec. 2306.1085. ALLOCATION OF LOANS. The department shall
5 issue at least 50 percent of all loans under this subchapter to
6 homebuyers whose incomes do not exceed 60 percent of area median
7 family income, adjusted for family size.

8 Sec. 2306.1086. LOAN TERMS; RECOVERY OF PRINCIPAL.

9 (a) The department shall establish reasonable interest rates for
10 mortgage loans under this subchapter to allow full repayment of
11 those loans by low-income homebuyers.

12 (b) The department shall recover the full amount of the
13 principal of a loan issued under this subchapter.

14 Sec. 2306.1087. MODIFICATION OF LOAN TERMS. If a
15 homebuyer meets the criteria adopted by the department under
16 Section 2306.1083(b)(6), the department or other servicer of the
17 loan may modify the terms of the loan by:

18 (1) suspending payments for a specific period;

19 (2) extending the term of the loan to reduce the amount
20 of the payments; or

21 (3) lowering the interest rate to reduce the amount of
22 the payments.

23 Sec. 2306.1088. INITIATION OF MODIFIED LOAN TERMS.

24 (a) Regardless of whether a loan payment is missed, the
25 modification of loan terms under Section 2306.1087 may be requested
26 by the homebuyer or initiated by the department or other servicer of
27 the loan.

1 (b) If a homebuyer misses a scheduled payment for a loan
2 under this subchapter, the department or other servicer of the loan
3 shall contact the homebuyer and determine the reason for the missed
4 payment. If the payment was missed for a reason meeting the
5 criteria adopted by the board under Section 2306.1083(b)(6), the
6 department or servicer may modify the terms of the loan under
7 Section 2306.1087.

8 Sec. 2306.1089. EDUCATION SERVICES FOR HOMEBUYERS. The
9 department shall provide homebuyer and homeowner education and
10 counseling services to persons receiving loans under this
11 subchapter.

12 Sec. 2306.1090. FUNDING. (a) The department shall ensure
13 that a loan issued under this subchapter is structured in a way that
14 complies with any requirements associated with the source of the
15 funds used for the loan.

16 (b) In addition to funds set aside for the program under
17 Section 1372.023 and any other available funds, including
18 legislative appropriations, the department may solicit and accept
19 gifts and grants for the purposes of this subchapter.

20 (c) The department may package, securitize, and sell the
21 loans issued under this subchapter and use the proceeds of the sale
22 to issue additional loans.

23 SECTION 2. The Texas Department of Housing and Community
24 Affairs shall adopt the rules required by Subchapter OO, Government
25 Code, as added by this Act, not later than October 1, 2013, and
26 shall begin issuing loans under the Texas secure loan pilot program
27 not later than January 1, 2013.

1 SECTION 3. This Act takes effect September 1, 2013.