LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 24, 2013

TO: Honorable Juan Hinojosa, Chair, Senate Committee on Intergovernmental Relations

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1731** by Lucio (Relating to the establishment, fiscal oversight and administration of the Texas secure loan pilot program by the Texas Department of Housing and Community Affairs.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1731, As Introduced: a negative impact of ($2,964,892) through the biennium ending August 31, 2015.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	($1,506,296)
2015	($1,458,596)
2016	$95,400
2017	$95,400
2018	$95,400

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from *General Revenue Fund* 1	Probable Revenue Gain from *General Revenue Fund* 1
2014	($1,506,296)	$0
2015	($1,506,296)	$47,700
2016	$0	$95,400
2017	$0	$95,400
2018	$0	$95,400

Fiscal Analysis

The bill would amend the Government Code relating to the establishment, fiscal oversight and administration of the Texas secure loan pilot program by the Texas Department of Housing and

Community Affairs (TDHCA).

The bill would require TDHCA to establish the Texas secure pilot program and provide first lien single-family mortgage loans to low income households and adopt rules governing program administration, including loan servicing. The bill would set eligibility criteria and state that homebuyers must have incomes at or below 80 percent of area medium income (AMI) in rural areas and at or below 60 percent of AMI in urban areas. The bill would require at least 50 percent of all loans to be issued to households at or below 60 percent. The bill would direct TDHCA to establish reasonable interest rates for mortgage loans issued. In addition, the bill would require TDHCA to provide homebuyer and homeowner education services to persons served by the program. The bill would authorize TDHCA to package, securitize, and sell the loans issued under the provisions ofthe bill and use the proceeds of the sale to issue additional loans.

The bill would require TDHCA to adopt rules not later than October 1, 2013 and to begin issuing loans under the Texas secure loan pilot program not later than January 1, 2013.

The bill would take effect September 1, 2013.

Methodology

Based on information provided by TDHCA, it is assumed that new mortgage loans would be provided through a two-year pilot program; the agency would identify households consistent with fair housing requirements; a 0 percent interest rate would be assessed on loans originated under the pilot program and that the term of the loans would be 30 years; the average loan amount for the Pilot Program would be $119,248 (based on the average loan amount for TDHCA First-Time Homebuyer loans from state fiscal year 2012 and combined with 3 percent closing costs); and that 12 loans each fiscal year in the 2014-15 biennium would be issued under the pilot, totaling $1,430,976 each fiscal year.

In addition, the agency estimates it would need $75,317 for professional services in fiscal years 2014 and 2015 to implement the provisions of the bill. According to TDHCA, professional costs include the utilization of outside legal counsel to draft legal mortgage documentation and conduct loan closing activities, the running credit reports, and the marketing the loan program to eligible households. This analysis assumes TDHCA would be able to absorb the cost of servicing the 24 loans and issuing new loans using associated accrued repayments in fiscal years 2016-2018.

This analysis assumes no repayments in fiscal year 2014 since it is the first year of issuance. For fiscal year 2015, it is assumed that the 12 loans issued under the pilot program in the previous year would result in repayments at a rate of $331.25 per month, or $47,700 for the year. For fiscal years 2016-2018, this analysis assumes all 24 loans made under the pilot program would be in repayment at a rate of $662.50 per month, or $95,400 each fiscal year. TDHCA assumes that repayments would continue for the remaing years of the 30 year period for each loan that these repayments would be deposited to the credit of the General Revenue fund. This analysis also assumes TDHCA would not package, securitize, and sell the loans issued under the provisions of the bill to use the proceeds of the sale to issue additional loans within the first five years after implementing the provisions of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 332 Department of Housing and Community Affairs

LBB Staff: UP, KKR, MW, NV