

BILL ANALYSIS

S.B. 1203
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Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The Texas Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act of 2009 exempts from licensure nonprofit organizations that provide self-help housing programs but only if the borrowers in these programs obtain zero interest residential mortgage loans. Although mortgage loans made to borrowers in these programs are generally made at low rates, interested parties note that very few are zero interest loans. As a result, the parties maintain that the zero interest exemption criteria imposes burdensome licensing requirements on nonprofit entities engaged in self-help homebuilding or requires these nonprofits to direct their clients to unaffiliated licensed mortgage loan originators who may not be as familiar with the self-help homebuilding programs. Moreover, the parties contend that nonprofit organizations offering these programs would be able to serve their clients more efficiently if their employees could originate mortgage loans for borrowers in their programs. S.B. 1203 seeks to address issues relating to exemptions from the applicability of the SAFE Act of 2009 and other laws applicable to residential mortgage loan originators.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

S.B. 1203 amends the Finance Code to include among the nonprofit organizations exempt from the Residential Mortgage Loan Company Licensing and Registration Act a nonprofit organization that has designation as a Section 501(c)(3) organization by the Internal Revenue Service and that originates residential mortgage loans for borrowers who, through a self-help program, have provided at least 200 labor hours or 65 percent of the labor to construct the dwelling securing the loan. The bill includes the employees of such a nonprofit organization among the employees of certain entities who are exempt from the licensing and other requirements of the Mortgage Banker Registration and Residential Mortgage Loan Originator License Act applicable to residential mortgage loan originators.

S.B. 1203 removes from the persons exempt from the Texas Secure and Fair Enforcement for Mortgage Licensing Act of 2009 a nonprofit organization providing self-help housing that originates zero interest residential mortgage loans for borrowers who have provided part of the labor to construct the dwelling securing the loan.

S.B. 1203 establishes that the bill's provisions or the applications of those provisions are

severable as provided by the Code Construction Act and provides that, if the director of the Consumer Financial Protection Bureau determines that any of the bill's amendatory provisions fail to meet the requirements of the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008, the provision is required to be held invalid but provides that the remainder of the bill or the application of the provision to other persons or circumstances is not affected.

EFFECTIVE DATE

September 1, 2015.