

- SUBJECT:** Providing grants for mortgage lenders in low income neighborhoods
- COMMITTEE:** Investments and Financial Services — committee substitute recommended
- VOTE:** 7 ayes — Parker, Longoria, Capriglione, Flynn, Landgraf, Pickett, Stephenson
- 0 nays
- WITNESSES:** For — Kristen Schulz, Dallas Area Habitat for Humanity; John Fleming, Texas Mortgage Bankers Association
- Against — None
- On — (*Registered, but did not testify:* Caroline Jones, Department of Savings and Mortgage Lending; Homero Cabello, Texas Department of Housing and Community Affairs)
- BACKGROUND:** In 2012, the federal government, 49 states, and individual borrowers entered an agreement with the five largest home lending institutions in the United States for \$25 billion to settle claims of improper lending practices. Texas received about \$134.6 million under the settlement, about \$10 million of which was deposited in the attorney general’s dedicated judicial fund and the rest into general revenue. The House-passed version of the general appropriations act for fiscal 2016-17 includes \$125.2 million in Article 11 contingent on the enactment of HB 2473 for the Department of Housing and Community Affairs to create and administer an affordable homeownership assistance program.
- DIGEST:** CSHB 2473 would direct the Texas Department of Housing and Community Affairs to create and administer a program to provide grants to organizations that:
- had a history of making below-market rate residential mortgage loans to low and moderate income households;
  - provided homebuyer education services; and

- provided post-home purchase counseling and support services.

An organization that received a grant would be required to use the grant money to make residential loans in neighborhoods where homeownership rates were lower than 50 percent. Priority for grants would be given to organizations that qualified for matching funds from federal or private sources.

An organization awarded a grant also would be required to submit an annual report to the department regarding the organization's use of the grant money and the reinvestment of loan principal and interest payments made to the organization.

The bill would require the Texas Department of Housing and Community Affairs to consult with the Department of Savings and Mortgage Lending in creating and administering the program. The Department of Housing and Community Affairs would be required to adopt rules for the implementation of the bill no later than December 1, 2015.

The bill would take effect September 1, 2015.

NOTES:

The Legislative Budget Board estimates that the bill would have a negative impact of \$124.6 million in general revenue funds through fiscal 2016-17, assuming the grant program costs would match the amount received by the state through the mortgage fraud settlement.