

## **BILL ANALYSIS**

Senate Research Center  
76R13041 ESH-F

C.S.S.B. 1287  
By: Lucio  
Border Affairs - Special  
4/26/1999  
Committee Report (Substituted)

### **DIGEST**

Currently, housing loans are difficult to attain for low-income families. C.S.S.B. 1287 would allow the Texas Department of Housing and Community Affairs to provide housing loans to residents of low-income families.

### **PURPOSE**

As proposed, C.S.S.B. 1287 sets forth provisions for housing loans for low-income families.

### **RULEMAKING AUTHORITY**

Rulemaking authority is granted to the Texas Department of Housing and Community Affairs in SECTION 1 (Section 2306.752(b), Government Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 2306, Government Code, by adding Subchapter FF, as follows:

#### **SUBCHAPTER FF. OWNER-BUILDER LOAN PROGRAM**

Sec. 2306.751. DEFINITION. Defines “owner-builder.”

Sec. 2306.752. OWNER-BUILDER LOAN PROGRAM. Requires the Texas Department of Housing and Community Affairs (TDHCA), through the colonia self-help centers established under Subchapter Z and nonprofit organizations identified by TDHCA, to make loans for owner-builders to enable them to purchase or refinance real property on which to build new residential housing, build new residential housing, or improve existing residential housing, to provide for the development of affordable housing in this state. Authorizes TDHCA to adopt rules necessary to accomplish the purposes of this subchapter.

Sec. 2306.753. OWNER-BUILDER ELIGIBILITY. Requires TDHCA to establish eligibility requirements for an owner-builder to receive a loan under this subchapter, subject to this section. Requires the eligibility requirements to provide that at least 50 percent of the loans made under this subchapter be made to owner-builders with an annual income, as determined under Subsection (b)(2), of less than \$17,500. Sets forth eligibility requirements for a loan under this subchapter. Authorizes TDHCA to select nonprofit owner-builder housing programs to certify the eligibility of owner-builders to receive a loan under this subchapter. Requires a nonprofit housing assistance organization selected by TDHCA to use the eligibility requirements established by TDHCA to certify the eligibility of an owner-builder for the program.

Sec. 2306.754. AMOUNT OF LOAN; LOAN TERMS. Authorizes TDHCA to establish the minimum amount of a loan under this subchapter, but a loan may not exceed \$25,000. Requires the owner-builder to obtain the amount necessary that exceeds \$25,000 from one or more local governmental entities, nonprofit organizations, or private lenders, if it is not possible for an owner-builder to purchase necessary real property and build adequate housing for \$25,000. Prohibits the total amount of loans made by TDHCA and other entities under this subchapter from exceeding \$60,000. Sets forth requirements for a loan made by TDHCA under this subchapter. Prohibits TDHCA from disbursing any portion of a loan made under this subchapter until the owner-builder fully completes the owner-builder’s obligation under the contract and receives a deed to the property, or refinances the owner-builder’s obligation under the contract and converts the

obligation to a note secured by a deed of trust, if an owner-builder is purchasing real property under a contract for deed.

Sec. 2306.755. NONPROFIT OWNER-BUILDER HOUSING PROGRAMS. Authorizes TDHCA to certify nonprofit owner-builder housing programs to qualify potential owner-builders for loans under this subchapter, provide owner-builder education classes under Section 2306.756, assist owner-builders in building housing, and administer loans made by TDHCA under this subchapter.

Sec. 2306.756. HOME BUYER EDUCATION CLASSES. Requires a state-certified nonprofit owner-builder housing program to offer owner-builder education classes to potential owner-builders. Sets forth requirements for a class under this section. Authorizes a nonprofit owner-builder housing program to charge a potential owner-builder who enrolls in a class under this section a reasonable fee not to exceed \$50 to offset the program's costs in providing the class.

Sec. 2306.757. LOAN PRIORITY FOR WAIVER OF LOCAL GOVERNMENT FEES. Requires TDHCA to give priority to loans to owner-builders who will reside in counties or municipalities that agree in writing to waive capital recovery fees, building permit fees, inspection fees, or other fees related to the building of the housing to be built with the loan proceeds, in making loans under this subchapter.

Sec. 2306.758. FUNDING. Requires TDHCA to solicit gifts and grants to make loans under this subchapter. Authorizes TDHCA to also make loans under this subchapter from certain funds.

Sec. 2306.759. REPORTING DUTIES. Requires TDHCA to prepare a report that evaluates the repayment history of owner-builders who receive loans under this subchapter, and deliver a copy of the report to the governor, the lieutenant governor, and the speaker of the house of representatives, no later than November 15, 2000.

Sec. 2306.760. EXPIRATION. Provides that this subchapter expires September 1, 2005.

SECTION 2. Effective date: January 1, 2000, but only if the constitutional amendment proposed by S.J.R. No. 34, 76th Legislature, Regular Session, 1999, is approved by the voters. Provides that this Act has no effect, if the proposed amendment is not approved by the voters.

SECTION 3. Requires the office of the secretary of state to assist TDHCA in administering the owner-builder loan program under Subchapter FF, Chapter 2306, Government Code, as added by this Act, until August 31, 2000. Requires TDHCA to administer the owner-builder loan program, beginning on September 1, 2000.

SECTION 4. Emergency clause.

## **SUMMARY OF COMMITTEE CHANGES**

### **SECTION 1.**

Amends Section 2306.751, Government Code, to redefine "owner-builder."

Amends Section 2306.752, Government Code, to require TDHCA, through the colonia self-help centers established under Subchapter Z and nonprofit organizations identified by TDHCA, to make loans for owner-builders to enable them to purchase or refinance real property on which to build new residential housing, build new residential housing, or improve existing residential housing, to provide for the development of affordable housing in this state.

Amends Section 2306.753, Government Code, to delete text prohibiting an owner-builder from having owned a home in the preceding 10 years, to be eligible for a loan.

Amends Section 2306.754, Government Code, to authorize TDHCA to establish the minimum amount of a loan under this subchapter, but a loan may not exceed \$25,000. Sets forth loan provisions made by TDHCA, including that the loan may be secured by a lien on the real property, including a lien that is subordinate to a lien that secures a loan made under Subsection (b) and that

is greater than TDHCA's lien. Prohibits TDHCA from disbursing any portion of a loan made under this subchapter until the owner-builder fully completes the owner-builder's obligation under the contract and receives a deed to the property, or refinances the owner-builder's obligation under the contract and converts the obligation to a note secured by a deed of trust, if an owner-builder is purchasing real property under a contract for deed. Deletes text regarding a loan made by TDHCA that may not provide for a payment in excess of \$70 per month for the first 10 years of the loan, and may not provide for a payment in excess of \$134 per month for the loan term remaining after the first 10 years, Makes conforming changes.

Amends Section 2306.755, Government Code, to make a conforming change. Deletes text regarding home buyer.

Adds a new section heading to Section 2306.757, Government Code. Amends Section 2306.757, Government Code, to require TDHCA to give priority to loans to owner-builders who will reside in counties or municipalities that agree in writing to waive capital recovery fees, building permit fees, inspection fees, or other fees related to the building of the housing to be built with the loan proceeds, in making loans under this subchapter.

Deletes Section 2306.759, Government Code, regarding the maximum number of loans.

Redesignates proposed Section 2306.760 as Section 2306.759.

Amends Section 2306.760, Government Code, to provide that this subchapter expires September 1, 2005. Redesignates proposed Section 2306.761 as Section 2306.760.

## SECTION 2.

Adds the effective date of January 1, 2000, but only if the constitutional amendment proposed by S.J.R. No. 34, 76th Legislature, Regular Session, 1999, is approved by the voters. Provides that this Act has no effect, if the proposed amendment is not approved by the voters.

## SECTION 3.

Adds text to require the office of the secretary of state to assist TDHCA in administering the owner-builder loan program under Subchapter FF, Chapter 2306, Government Code, as added by this Act, until August 31, 2000. Requires TDHCA to administer the owner-builder loan program, beginning on September 1, 2000. Redesignates proposed SECTION 3 as SECTION 4.