

BILL ANALYSIS

Senate Research Center
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S.B. 989
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas Bootstrap Loan Program (program) is a self-help housing construction program that provides very low-income families (owner-builders) an opportunity to purchase or refinance real property on which to build new housing or repair their existing homes through "sweat equity." To qualify, an owner-builder's household income may not exceed 60 percent of area median family income and the total loan amount the owner-builder secures for purchase of the land and construction cannot exceed \$90,000. The program receives \$3 million in funding annually from the state Housing Trust Fund (fund) as well as repayments on the loans issued in previous years.

There are two issues that have arisen. First, the \$90,000 cap has excluded many individuals in areas of the state that have experienced rapid property value growth. To remedy this problem, S.B. 989 removes that cap, but maintains the \$45,000 cap for funds loaned by the state—thereby qualifying more individuals, but not costing the state additional funds. The second is that this program is no longer able to finance the same number of homes as when it was initiated. When developed, the program was able to support the construction of 100 homes, but today that number has decreased to 67. S.B. 989 addresses this by increasing the amount to be used from the fund from \$3 million to \$5.5 million in order to fund the number of homes originally funded. By making these changes, more families will be empowered to build a home for themselves.

Lastly, S.B. 989 extends the Sunset date for the provision of funds from the fund to the later of September 1, 2025, or when the payments received from previously issued loans equal the amounts issued in new loans for that year.

As proposed, S.B. 989 amends current law relating to the amount of money transferred to the owner-builder revolving loan fund and the maximum loan amount made to persons under the owner-builder loan program.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Department of Housing and Community Affairs in SECTION 3 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 2306.754(b), Government Code, to delete existing text prohibiting the total amount of amortized, repayable loans made by the Texas Department of Housing and Community Affairs (TDHCA) and other entities to an owner-builder under this subchapter (Economic Development Programs Involving Both State and Local Governments) from exceeding \$90,000.

SECTION 2. Amends Section 2306.7581(a-1), Government Code, as follows:

(a-1) Increases from \$3 million to \$5.5 million the minimum amount that TDHCA is required to transfer to the owner-builder revolving loan fund each state fiscal year from money received under the federal HOME Investment Partnerships program, from money in the housing trust fund, or from money appropriated by the legislature to TDHCA. Provides that this subsection expires on, and prohibits a transfer from being made under this subsection for a state fiscal year that begins after the later of August 31, 2025, or the

last day of the first state fiscal year for which an audited financial statement completed by an independent certified public accountant confirms that annual repayments made to TDHCA under this subchapter equal the projected amount of funding made under this subchapter. Deletes existing text providing that this subsection expires August 31, 2020.

SECTION 3. (a) Requires TDHCA, as soon as practicable after the effective date of this Act, to adopt rules necessary to implement Sections 2306.754(b) and 2306.7581(a-1), Government Code.

(b) Provides that the change in law made by this Act in amending Section 2306.7581, Government Code, applies beginning with the state fiscal year that begins September 1, 2017.

SECTION 4. Effective date: upon passage or September 1, 2017.