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Lucio Bill To Protect Low-Income Homebuyers Passes Senate

AUSTIN - Today, Senator Eddie Lucio, Jr. (D-Brownsville) announces Senate passage of a bill to assist homebuyers who use seller-financed loans. The bill would ensure that borrowers get annual account information like that provided to borrowers who use traditional bank loans. Annual statements allow borrowers to more easily keep up with their payments and protect against potentially losing their home.

"Seller-financed loans are often used by low-income homebuyers who do not qualify for typical bank loans," Senator Lucio said. "Too many Texans have lost homes under these arrangements. Senate Bill 1334 would arm borrowers with the information they need to keep up with their payments and realize the dream of home ownership."

In seller-financed loans, the seller of the home is also the mortgage lender, rather than a bank or credit union. Current law does not adequately ensure that borrowers using seller-financed loans will receive clear information about their current loan repayment status. The federal [Real Estate Settlement Procedures Act](#) requires that lenders deliver to borrowers an annual statement summarizing all deposits and payments made during the year. However, the Act [only applies to certain bank loans](#), and does not typically apply to seller-financed loans.

Without access to annual loan statements, borrowers are unable to catch errors in payment, may not know whether taxes on the home are paid, how late payments affect their principal balance, or whether some other issue with their loan puts them at risk of foreclosure. Further, without a statement, borrowers may have difficulty claiming federal tax credits they are entitled to for payment of mortgage interest and property taxes.

[Senate Bill 1334](#) seeks to provide consumers who buy their homes through seller-finance loans with annual statements. Specifically, the bill requires that lenders provide to borrowers an annual accounting statement in January of each year for the term of the loan. This statement must include:

- the amount paid toward the outstanding balance of the loan, including separate amounts showing the total amount applied to interest and the total amount applied to principal;
- the remaining principal balance owed on the loan;
- the number of payments remaining on the loan;
- the amount of taxes paid, if any; and
- the amount paid to insure the property, in any.

Senate Bill 1334 passed the Texas Senate late last week and has since been referred to the House Investments & Financial Services Committee. A companion bill, [House Bill 1441](#) by Representative Terry Canales (D-Edinburg), has already received a hearing in this Committee early last week and was left pending.

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