

Introduced by Senator Karnette

February 19, 1998

An act to add Section 22360.5 to the Education Code, relating to the State Teachers' Retirement System.

LEGISLATIVE COUNSEL'S DIGEST

SB 1945, as introduced, Karnette. State Teachers' Retirement System: benefits.

The State Teachers' Retirement Law authorizes a member home loan program.

The bill would establish a 100% financing member home loan program.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 22360.5 is added to the
- 2 Education Code, to read:
- 3 22360.5. (a) It is the intent of the Legislature that the
- 4 provisions of this section be available to assist members in
- 5 obtaining homes in this state. The Legislature intends
- 6 that home loans made pursuant to Section 22360 and this
- 7 section shall be secured primarily by the property
- 8 acquired except as authorized pursuant to paragraph (1)
- 9 of subdivision (b) and shall not exceed the fair market
- 10 value of the property acquired.
- 11 (b) The board shall include in any program
- 12 established pursuant to Section 22360 a procedure



1 whereby a member may obtain 100 percent financing for
2 the purchase of a single-family dwelling unit in
3 accordance with the following criteria:

4 (1) The member shall obtain one loan with a
5 loan-to-value ratio not to exceed 95 percent secured by
6 the purchased home and a second personal loan with a
7 loan-to-value ratio not to exceed 5 percent secured by a
8 portion of the accumulated retirement contributions and
9 vested accrued benefits in the member's individual
10 account. A member can only have one outstanding
11 personal loan.

12 (2) The loan secured by the purchased home shall be
13 consistent with the loan-to-value ratios specified in the
14 schedules established pursuant to Section 22360.

15 (3) The amount of a conforming loan on a
16 single-family dwelling unit shall not exceed 95 percent of
17 the Federal National Mortgage Association (FNMA)
18 conforming loan limits. The amount shall be adjusted
19 annually as determined by the Federal National
20 Mortgage Association (FNMA). In no event, shall the
21 loan amount exceed three hundred fifty thousand dollars
22 (\$350,000).

23 (4) In no event may the personal loan secured by the
24 accumulated retirement contributions and vested
25 accrued benefits in the member's individual account
26 exceed 50 percent of the current value amount of the
27 accumulated contributions.

28 (5) The pledge of security under this section shall
29 remain in effect until the loan is paid in full.

30 (c) In the event of a default on the personal loan
31 secured by the member's contributions as authorized by
32 this section, the board may deduct an amount from the
33 member's contributions on deposit and adjust the
34 member's accrued benefit, up to the amount pledged as
35 security, prior to making any disbursement of retirement
36 benefits.

37 (d) The secured personal loan permitted under this
38 section shall be made available only to currently
39 employed members who meet eligibility criteria the
40 board deems advisable.



1 (e) If the member is married at the time the home is
2 purchased with a personal loan secured by the member's
3 contributions as authorized by this section, then the
4 member's spouse shall agree in writing to the pledge of
5 security, as to his or her community interest in the
6 amount pledged regardless of whether title to the home
7 is in joint tenancy.

8 (f) The pledge of security under this section shall take
9 binding effect, notwithstanding Section 22006. In the
10 event of default, the accumulated retirement
11 contributions in the member's account shall be reduced
12 as necessary to recover any outstanding loan balance, not
13 to exceed the pledged amount.

14 (g) Appropriate administrative costs of implementing
15 this section shall be paid by the members utilizing this
16 section. Those costs may be included in the loan amount.

17 (h) Appropriate interest rates shall be periodically
18 reviewed and adjusted to provide loans to members
19 consistent with the financial integrity of the member
20 home loan program and the sound and prudent
21 investment of the retirement fund.

22 (i) The board shall administer this section under other
23 terms and conditions it deems appropriate and in keeping
24 with the investment standard set forth in Section 22250.
25 The board may adopt procedural guidelines as necessary
26 for its administration of this section and to assure
27 compliance with applicable state and federal laws.

