

## **BILL ANALYSIS**

C.S.H.B. 2424  
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Business & Industry  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Rural Texans face difficulties when attempting to insure non-home equity cash out loan liens on rural property, among other lending issues raised by rural community banks. There have been calls to address the extreme reluctance of title insurers to insure these liens on rural property as rural borrowers and lenders face lending difficulties not faced by urban borrowers and lenders. C.S.H.B. 2424 seeks to help level the playing field between rural borrowers and lenders and their urban counterparts by providing for the exclusion of certain conveyances from classification as pretended sales.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 2424 amends the Property Code to establish that the conveyance of one or more parcels that do not meet certain statutory definitions of an urban homestead by an individual to an entity in which the individual or individual's spouse has a direct or indirect ownership interest is not a pretended sale involving any condition of defeasance under the following circumstances:

- the deed conveying the parcel is recorded at least 30 days before the entity grants a mortgage, trust deed, or other lien on the parcel;
- the individual does not reside on the parcel at the time of the conveyance;
- the parcel is not contiguous to the parcel on which the individual resides;
- the deed conveying the parcel does not contain a condition of defeasance; and
- the individual recorded an affidavit contemporaneously with the deed.

The bill sets out the required form and contents of the affidavit and requires an individual's spouse to join in the execution of the deed and affidavit, if applicable. The bill establishes that an individual executing such a deed is estopped from claiming the conveyance is a pretended sale involving any condition of defeasance. The bill defines "entity" for the purposes of the conveyance as a domestic or foreign corporation, professional corporation, professional association, limited liability company, professional limited liability company, or limited partnership.

### **EFFECTIVE DATE**

September 1, 2021.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 2424 differs from the original in minor or nonsubstantive ways by conforming to certain bill drafting conventions.