

## **BILL ANALYSIS**

S.B. 774  
By: Averitt  
Financial Institutions  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Current Texas law is unclear concerning procedures for revolving lines of credit secured by real property. S.B. 774 provides the necessary statutory framework to ensure that transactions involving a line of credit secured by real property are handled appropriately by lending institutions.

### **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**

S.B. 774 expressly permits a creditor to take real or personal property as collateral. The bill limits the interest rate of a revolving credit account to the greater of 18 percent or the applicable alternative rate ceiling under Chapter 303, Finance Code. A creditor is permitted to receive certain fees or charges as if the revolving credit account were a secondary mortgage loan. The bill prohibits a creditor from accelerating or demanding immediate payment unless the customer is in default under the terms of a revolving credit account secured by real property.

The bill requires creditors in a revolving credit account to hold a license under Chapter 342, Finance Code unless specifically exempted.

### **EFFECTIVE DATE**

September 1, 2003