

BILL ANALYSIS

S.B. 1587
By: Carona
Local Government Ways & Means
Committee Report (Unamended)

BACKGROUND AND PURPOSE

In Texas, there are businesses, which call themselves a "tax service," that review the county tax records to find property owners who self-escrow and are delinquent on their property taxes. The tax service offers to loan the property owners money to pay the taxes. In exchange, the owner conveys title to the property into a "trust," and the owner signs a note to the tax service for repayment. The interest rates may be as high as 18 percent.

Once title is transferred, the tax service pays the taxes and proceeds to foreclose any other liens secured by the property, including mortgage liens. Under current Texas law, there is no requirement that the tax lender provide notice to a lienholder of the intent to foreclose.

As proposed, S.B. 1587 requires a transferee of a tax lien to notify the holders of all recorded liens on the property prior to foreclosure and requires any contract, with provisions relating to foreclosure of tax liens, to notify the holders of all recorded liens on the property prior to foreclosure.

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

SECTION 1. Amends Section 32.06(g), Tax Code, as follows:

(g) Adds requirement that in a suit to foreclose a tax lien, the transferee of a tax lien or any successor in interest must notify the holders of all recorded liens of the property before foreclosure under Section 51.002 (Sale of Real Property Under Contract Liens), Property Code.

SECTION 2. Amends Section 32.065, Tax Code, by adding Subsection (g), as follows:

(g) Requires that a contract under this section require that the lienholder notify the holders of all recorded liens of the property before foreclosure as specified.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: September 1, 2005.

EFFECTIVE DATE

September 1, 2005.