

By: Nixon

H.B. No. 2987

A BILL TO BE ENTITLED

AN ACT

relating to funding advanced in connection with a lawsuit that is at a rate above the usurious interest prohibition.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Title 6, Civil Practice and Remedies Code, is amended by adding Chapter 151 to read as follows:

CHAPTER 151. PROHIBITION ON LAWSUIT ADVANCE FUNDING

FOR USURIOUS INTEREST

Sec. 151.001. PROHIBITION ON LAWSUIT ADVANCE FUNDING FOR USURIOUS INTEREST. (a) All funding advanced to a person whose repayment is contingent upon the person's recovery in a lawsuit is a loan subject to the usurious interest prohibition in Section 302.001, Finance Code, and the penalties prescribed by Chapter 305, Finance Code. A contract to provide such funding that allows a rate of return in excess of the usurious interest prohibition in Section 302.001, Finance Code, is against the public policy of this state.

(b) This section does not apply to contracts entered into between an attorney and a client for the purpose of compensating the attorney for providing legal services.

SECTION 2. This Act takes effect September 1, 2005. This section applies to any case in which a final judgment is signed or subject to appeal on or after the effective date of this Act.