

By: Parker

H.B. No. 1057

A BILL TO BE ENTITLED

AN ACT

relating to the disclosure of a prepayment penalty for a home loan.

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

SECTION 1. Subchapter B, Chapter 343, Finance Code, is amended by adding Section 343.105 to read as follows:

Sec. 343.105. DISCLOSURE REGARDING PREPAYMENT PENALTIES.

(a) In this section, "prepayment penalty" means a fee imposed by a lender if a borrower repays all or part of the principal of a loan before it is due. The term includes a fee imposed only if the borrower repays a certain percentage of the principal before it is due.

(b) If a home loan provides a prepayment penalty, the lender shall orally and in writing disclose to the borrower the penalty and each provision of the prepayment penalty.

(c) The written disclosure of the prepayment penalty must:

(1) be signed before the loan is closed by:

(A) the lender's representative, acknowledging that the representative has disclosed to the borrower the loan's prepayment penalty and each provision of the penalty; and

(B) the borrower, acknowledging that the borrower has read the disclosure and understands each provision of the prepayment penalty;

(2) be separate from any other document; and

(3) state at the top of the first page of the document,

1 in 24-point bold type or larger:

2 Pursuant to Chapter 343 of the Texas Finance Code
3 Notice of Acknowledgment of the Inclusion of Any and All Prepayment
4 Penalties Included in Mortgage Agreement.

5 (d) A home loan contract is not legally binding until both
6 the lender's representative and the borrower have signed the
7 written disclosure.

8 SECTION 2. Section 343.105, Finance Code, as added by this
9 Act, applies only to a home loan closed on or after the effective
10 date of this Act. A home loan closed before the effective date of
11 this Act is governed by the law in effect when the loan was closed,
12 and the former law is continued in effect for that purpose.

13 SECTION 3. This Act takes effect September 1, 2007.