

By: Thompson

H.B. No. 2721

A BILL TO BE ENTITLED

AN ACT

relating to consumer protection for and remedies available to a homebuyer whose home does not comply with certain warranties; providing an administrative penalty.

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

SECTION 1. Title 4, Property Code, is amended by adding Chapter 30 to read as follows:

CHAPTER 30. TEXAS HOMEBUYER PROTECTION ACT

Sec. 30.001. SHORT TITLE. This chapter may be cited as the Texas Homebuyer Protection Act.

Sec. 30.002. DEFINITIONS. In this chapter:

(1) "Administrator" means the administrator of the Texas Real Estate Commission.

(2) "Commission" means the Texas Real Estate Commission.

(3) "Contractor" means a person who, for compensation, engages in the construction, remodeling, repair, modification, or improvement of a building or a portion of a building used primarily for residential purposes.

(4) "Defect" means a condition that prevents a home from conforming to a contractor's warranty, including the implied warranty that the home will conform to each applicable building code.

(5) "Home" means a single-family house, duplex,

1 triplex, or quadruplex or a unit in a multiunit structure used for  
2 residential purposes that is used or intended to be used as a  
3 dwelling by one of the owners.

4 (6) "Homebuyer" means a person who:

5 (A) purchased a home from a contractor and is  
6 entitled to enforce the terms of a contractor's warranty with  
7 respect to the home;

8 (B) is a lessor or lessee, other than a  
9 sublessee, who purchased or leased the home from a contractor; or

10 (C) is a transferee or assignee of a person  
11 described by Paragraph (A) or (B) if the transferee or assignee is a  
12 resident of this state and entitled to enforce the terms of a  
13 contractor's warranty.

14 (7) "Serious safety hazard" means a life-threatening  
15 malfunction, installation defect, or nonconformity that  
16 substantially impedes a person's ability to live in or use a home or  
17 that creates a substantial risk of fire, explosion, or exposure to a  
18 toxic substance.

19 (8) "Warranty" means an express or implied warranty.

20 Sec. 30.003. APPLICABILITY OF CERTAIN OTHER LAW OR CONTRACT  
21 PROVISIONS. (a) This chapter supersedes any other law or contract  
22 provision that conflicts with this chapter.

23 (b) The remedies provided by this chapter supersede  
24 remedies available under Chapter 27.

25 (c) Except as provided by this section, this chapter does  
26 not limit the rights or remedies otherwise available to a homebuyer  
27 under any other law.

1       (d) A contract provision that excludes or modifies the  
2 remedies provided by this chapter is prohibited and is void as  
3 against public policy unless the exclusion or modification is  
4 included in a settlement agreement between a homebuyer and a  
5 contractor.

6       Sec. 30.004. COMPLAINT. A homebuyer may seek a remedy  
7 provided by this chapter by:

8           (1) providing to the contractor written notice  
9 identifying each defect in the home that is covered by the  
10 contractor's warranty; and

11           (2) filing a complaint with the commission that  
12 includes a copy of the notice provided under Subdivision (1) on or  
13 before the 30th day after the date the notice is provided.

14       Sec. 30.005. HEARING. (a) The administrator may set a  
15 hearing on any allegation in a complaint that is not privately  
16 resolved between the homebuyer and the contractor.

17           (b) The contested case provisions of Chapter 2001,  
18 Government Code, apply to a hearing conducted under this chapter.

19       Sec. 30.006. TIME FOR FILING COMPLAINT. (a) Except as  
20 provided by Subsection (b), a homebuyer must file a complaint under  
21 this chapter before the earlier of:

22           (1) the date the express warranty period expires; or

23           (2) the 10th anniversary of the closing date.

24           (b) A homebuyer may file a complaint to which Section 30.010  
25 applies on or before the 10th anniversary of the closing date.

26       Sec. 30.007. AFFIRMATIVE DEFENSE. In a hearing before the  
27 administrator under this chapter, a contractor may assert as an

1 affirmative defense to an allegation of a defect made in a complaint  
2 filed under this chapter that the defect is the result of abuse,  
3 neglect, or modifications or alterations of the home made by a  
4 person other than the contractor.

5 Sec. 30.008. REPAIR REQUIRED. (a) Except as provided by  
6 Section 30.010, if a defect exists, the contractor shall make the  
7 repairs necessary to conform the home to the contractor's  
8 warranties if:

9 (1) the homebuyer or the homebuyer's designated agent  
10 reported the defect to the contractor or the contractor's agent  
11 before the expiration of the applicable time limit under Section  
12 30.006; or

13 (2) a breach of an implied warranty on the home is  
14 established under Subsection (c).

15 (b) The contractor must make the repairs required under  
16 Subsection (a) not later than the 120th day after the date the  
17 notice of the defect required by Section 30.004 is received by the  
18 commission.

19 (c) There is a presumption that a breach of an implied  
20 warranty on a home exists if the home does not comply with:

21 (1) a building code applicable to the home;

22 (2) the latest edition, published before the  
23 construction of the home, of:

24 (A) the International Building Code for One- and  
25 Two-Family Dwellings;

26 (B) the National Electric Code; or

27 (C) the manufacturer's specific installation

1 instructions for the part or component used in construction of the  
2 home; or

3 (3) structural engineering standards or practices  
4 intended to prevent structural damage or a decrease in the market  
5 value of the home resulting from the failure of the foundation or  
6 other load-bearing portions of the home, including standards or  
7 practices used to ensure that a foundation is structurally  
8 sufficient without artificial moisture controls or other  
9 extraordinary maintenance by the homeowner.

10 Sec. 30.009. RETURN OR REPLACEMENT REQUIRED. (a) Except as  
11 provided by Section 30.010, if the contractor is unable to cure a  
12 defect within the 120-day period prescribed by Section 30.008(b)  
13 and the defect creates a serious safety hazard, substantially  
14 impairs the use of the home, or decreases the home's market value by  
15 more than five percent, the contractor shall at the homebuyer's  
16 option:

17 (1) replace the home with a comparable home in the same  
18 neighborhood; or

19 (2) accept return of the home from the homebuyer and  
20 refund to the homebuyer the full purchase price and any closing  
21 costs and reasonable moving costs.

22 (b) The administrator may not order a remedy under this  
23 section unless the contractor has been provided at least 120  
24 calendar days to cure the defect that is subject to the remedy  
25 provided by this section. The 120-day period required by this  
26 subsection is extended by the amount of time during which repair  
27 services are not available to a homebuyer because of a war,

1 invasion, strike, or fire, flood, or other natural disaster.

2 Sec. 30.010. MOLD CONTAMINATION. (a) Not later than the  
3 30th day after the date of a hearing examiner's order of a remedy  
4 under this section, the contractor shall accept return of the home  
5 from the homebuyer and refund to the homebuyer the full purchase  
6 price and any closing costs and moving costs if, in addition to  
7 notice of a defect required by Section 30.004, a homebuyer:

8 (1) provides to the contractor and the commission  
9 written results of tests that:

10 (A) are conducted by a mold testing laboratory  
11 certified for the purposes of this section; and

12 (B) demonstrate proof of unacceptable levels of  
13 toxic mold contamination that pose an imminent threat to the  
14 health, safety, or welfare of the inhabitants; and

15 (2) establishes that the contamination arises out of  
16 the defect.

17 (b) The commission by rule shall designate at least one  
18 private organization that certifies mold testing laboratories from  
19 whom certification is sufficient for the purposes of this section.

20 Sec. 30.011. REIMBURSEMENT OF EXPENSES. (a) If a  
21 contractor is ordered to replace a home or refund the purchase price  
22 under Section 30.009 or 30.010, the contractor shall reimburse the  
23 homebuyer for:

24 (1) reasonable incidental costs resulting from the  
25 loss of the use of the home because of the defect; and

26 (2) lost wages resulting from time required for  
27 appointments with the contractor or the contractor's

1 representative that are necessary because of the defect.

2 (b) As necessary to promote the public interest, the  
3 commission by rule:

4 (1) shall define the incidental costs that are  
5 eligible for reimbursement under Subsection (a) and specify other  
6 requirements necessary to determine an eligible cost; and

7 (2) may set a maximum amount that is eligible for  
8 reimbursement, either by type of eligible cost or by a total for all  
9 costs.

10 (c) Refunds shall be made to the homebuyer and primary  
11 lienholder, as applicable.

12 Sec. 30.012. OTHER REMEDIES NOT PRECLUDED. This chapter  
13 does not prevent a homebuyer from obtaining a remedy available to  
14 the homebuyer under a new home warranty that provides remedies in  
15 addition to those provided by this chapter.

16 Sec. 30.013. RIGHT TO FILE ACTION. (a) Except as provided  
17 by this section, a homebuyer may not seek the remedies provided by  
18 this chapter in a civil action unless the homebuyer files a  
19 complaint against the contractor under this chapter and exhausts  
20 the administrative proceedings provided by this chapter. A court  
21 shall dismiss an action filed in violation of this section.

22 (b) If the hearing examiner does not issue a proposal for  
23 decision and make a recommendation to the administrator for a final  
24 order on or before the 150th day after the date a complaint is filed  
25 under this chapter, the administrator shall provide written notice,  
26 by certified mail, to the complainant and the contractor.

27 (c) The notice must inform the recipient of:

1           (1) the date the period for issuing a final order under  
2 this chapter expires; and

3           (2) the complainant's right to file an action under  
4 this section.

5           (d) After receiving a notice of the right to file an action  
6 under Subsection (b), a complainant may file an action against a  
7 contractor named in the complaint. The administrator's failure to  
8 issue a notice of the right to file an action does not affect a  
9 complainant's right to bring an action under this section.

10           Sec. 30.014. JUDICIAL REVIEW. A final order of the  
11 administrator under this chapter:

12           (1) is the final action of the commission under this  
13 chapter; and

14           (2) is subject to review only by judicial review as  
15 provided by Chapter 2001, Government Code, to the extent that  
16 chapter is not inconsistent with this chapter.

17           Sec. 30.015. INITIATION OR REMOVAL OF ACTION. (a) Except  
18 as otherwise provided by this chapter, an appeal initiated under  
19 this chapter may be removed to the Third Court of Appeals District  
20 if any party to the action files a notice of removal with the  
21 district court before the trial in the district court begins.

22           (b) An appeal initiated in or removed to the Third Court of  
23 Appeals District:

24           (1) must be initiated under Chapter 2001, Government  
25 Code, as if initiated in a Travis County district court; and

26           (2) is governed from the time of filing by the Texas  
27 Rules of Appellate Procedure.



1       (c) If evidence outside the commission's record is to be  
2 admitted in an appeal under Chapter 2001, Government Code, or  
3 otherwise, the action:

4           (1) must be initiated in a Travis County district  
5 court; or

6           (2) if initiated in the Third Court of Appeals  
7 District, is subject to remand to a Travis County district court for  
8 proceedings in accordance with instructions from the court of  
9 appeals.

10       (d) Citation must be served on the administrator and each  
11 party of record before the commission. For an appeal initiated in  
12 the Third Court of Appeals District, the court shall cause citation  
13 to be issued.

14       Sec. 30.016. DILIGENCE REQUIRED. (a) An appellant must  
15 pursue an appeal with reasonable diligence. If an appellant fails  
16 to prosecute an appeal in the six-month period after the appeal is  
17 filed, the court shall presume that the appeal has been abandoned  
18 and dismiss the appeal if a motion for dismissal is submitted by the  
19 attorney general or another party.

20       (b) An appeal may not be dismissed under this section if the  
21 appellant, after receiving notice and an opportunity to be heard,  
22 demonstrates good cause for a delay.

23       Sec. 30.017. DISCLOSURE REQUIRED. (a) A contractor that is  
24 ordered to refund the purchase price of or replace a home under this  
25 chapter shall provide to the first retail purchaser of the home  
26 after the home was repurchased or replaced by the contractor a  
27 disclosure statement stating that the home was repurchased or

1 replaced by the contractor under this chapter.

2 (b) The disclosure statement must include the toll-free  
3 telephone number established by the commission under Section  
4 30.019.

5 (c) Before a home repurchased or replaced under this chapter  
6 may be sold again, the deed that transfers title to the home must be  
7 marked with a clear statement that indicates that the home was  
8 repurchased or replaced under this chapter.

9 Sec. 30.018. RESTORATION OF WARRANTY REQUIRED. A  
10 contractor who sells a home after repurchasing or replacing the  
11 home under this chapter must:

12 (1) restore the home in a manner that conforms with  
13 applicable building codes; and

14 (2) issue an express warranty for the home.

15 Sec. 30.019. TOLL-FREE TELEPHONE NUMBER. The commission  
16 shall establish a toll-free telephone number for providing  
17 information to persons who request information about a defect that  
18 was the basis for ordering a remedy under this chapter. The  
19 commission shall maintain an effective method of providing  
20 information to persons who make requests.

21 Sec. 30.020. ANNUAL REPORT. (a) The commission shall  
22 publish and make available to the public an annual report relating  
23 to homes ordered repurchased or replaced by a contractor under this  
24 chapter.

25 (b) The report must:

26 (1) list the number of homes by subdivision name, if  
27 any;

1           (2) identify the contractor; and  
2           (3) include a brief description of each defect that  
3 was the subject of a remedy provided by this chapter.

4           (c) The commission may charge a reasonable fee to recover  
5 the cost of the report.

6           Sec. 30.021. ADMINISTRATIVE PENALTY. (a) The commission  
7 may impose an administrative penalty on a person who violates this  
8 chapter or a rule or order adopted under this chapter.

9           (b) The imposition of a penalty is governed by Subchapter O,  
10 Chapter 1101, Occupations Code.

11           Sec. 30.022. RULES. The commission, in consultation with  
12 the Texas Real Estate Inspector Committee, shall adopt rules  
13 necessary for the enforcement and administration of this chapter.

14           SECTION 2. (a) This Act takes effect September 1, 2003.

15           (b) This Act applies only to the sale of a new home for which  
16 the closing date is on or after September 1, 2003. A sale of a new  
17 home for which the closing date was before September 1, 2003, is  
18 governed by the law in effect at the time of the sale, and that law  
19 is continued in effect for that purpose.