

By: Orr

H.B. No. 3274

A BILL TO BE ENTITLED

AN ACT

relating to the use of proceeds of an extension of credit as collateral for the extension of credit.

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

SECTION 1. The heading to Chapter 276, Finance Code, is amended to read as follows:

CHAPTER 276. FINANCIAL INSTITUTION AND OTHER LENDER ACCOUNTS

SECTION 2. The heading to Section 276.003, Finance Code, is amended to read as follows:

Sec. 276.003. USE OF PROCEEDS OF EXTENSION OF CREDIT AS COLLATERAL [~~FOR FINANCIAL INSTITUTION ACCOUNT~~].

SECTION 3. Section 276.003, Finance Code, is amended by amending Subsection (a) and adding Subsection (a-1) to read as follows:

(a) An obligor may use proceeds of an extension of credit made by a financial institution or other lender [~~for business, commercial, investment, or similar purposes~~] to establish collateral for the extension of credit by:

- (1) making deposits;
- (2) purchasing certificates of deposit; or
- (3) establishing other accounts:

(A) at the financial institution; or

(B) if the extension of credit is made by a lender other than a financial institution, with the lender or with a

1 financial institution in accordance with Subsection (a-1).

2 (a-1) If the extension of credit is made by a lender other  
3 than a financial institution, the obligor must have the contractual  
4 right to, on request:

5 (1) use the collateral to repay the extension of  
6 credit; and

7 (2) to the extent the collateral amount exceeds the  
8 outstanding balance of the extension of credit, have that amount  
9 deposited and maintained in an account at a financial institution.

10 SECTION 4. This Act takes effect September 1, 2011.