

By: Wentworth

S.B. No. 1425

A BILL TO BE ENTITLED

AN ACT

relating to certain deposits in a construction account.

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

SECTION 1. Section 162.006, Property Code, is amended by amending Subsection (b) and adding Subsection (c) to read as follows:

(b) A property owner who enters into a construction loan or financing agreement to pay toward the improvement of specific real property that is secured wholly or partly by a lien on the property shall deposit in a construction account 10 percent of the loan receipts that are advanced for paying toward the construction of the improvement to be held in trust for a person described by Section 162.003(a). The trust funds under this subsection may be used only in satisfying the owner's obligations and the claimant's rights under Subchapter E, Chapter 53. Trust funds remaining in the construction account after the date that the owner satisfies the obligations and rights under Subchapter E, Chapter 53, may be used to satisfy other obligations under this chapter.

(c) The periodic statement received from the financial institution must refer to the account as a "construction account" to satisfy the requirements of this section.

SECTION 2. The change in law made by this Act applies only to the satisfaction of an obligation incurred and a right accrued under Subchapter E, Chapter 53, Property Code, on or after the

1 effective date of this Act. An obligation incurred or a right
2 accrued under Subchapter E, Chapter 53, Property Code, before the
3 effective date of this Act is governed by the law as it existed
4 immediately before that date, and that law is continued in effect
5 for that purpose.

6 SECTION 3. This Act takes effect September 1, 2011.