

**BILL ANALYSIS**

C.S.H.B. 1978  
By: Villarreal  
Investments & Financial Services  
Committee Report (Substituted)

**BACKGROUND AND PURPOSE**

Current law prescribes the requirements for an effectively filed financing statement for the perfection of certain security interests and establishes when such a financing statement may be rejected for filing or considered not effectively filed. Interested parties note that the state's filing offices are prohibited from refusing to accept industry standard forms, including those prescribed by the International Association of Commercial Administrators (IACA). Interested parties report that IACA is amending its financing statement form as of July 1, 2013, to remove certain organizational information, such as type of organization, jurisdiction, and organizational identifier. C.S.H.B. 1978 seeks to bring current law in line with the IACA changes as of July 1, 2013, in order to continue the state's policy of accepting industry standard forms.

**RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

**ANALYSIS**

C.S.H.B. 1978 amends the Business & Commerce Code to clarify that filing does not occur with respect to an initial financing statement provided to perfect certain security interests that a filing office refuses to accept because the financing statement, or an amendment providing a name of a debtor that was not previously provided in the financing statement to which the amendment relates, does not indicate whether the name provided as the name of the debtor is the name of an individual or an organization. The bill removes provisions establishing that filing does not occur with respect to such a financing statement or amendment for a debtor that is an organization if that statement or amendment does not provide the debtor's organization type, jurisdiction, or organizational identification number or an indication that the debtor has no such number.

**EFFECTIVE DATE**

July 1, 2013, or, if the bill does not receive the necessary vote, September 1, 2013.

**COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 1978 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED	HOUSE COMMITTEE SUBSTITUTE
SECTION 1. Section 9.516(b), Business & Commerce Code, as effective July 1, 2013, is amended to read as follows:	SECTION 1. Section 9.516(b), Business & Commerce Code, as effective July 1, 2013, is amended to read as follows:

(b) Filing does not occur with respect to a record that a filing office refuses to accept because:

(1) the record is not communicated by a method or medium of communication authorized by the filing office;

(2) an amount equal to or greater than the applicable filing fee is not tendered;

(3) the filing office is unable to index the record because:

(A) in the case of an initial financing statement, the record does not provide a name for the debtor;

(B) in the case of an amendment or information statement, the record:

(i) does not identify the initial financing statement as required by Section 9.512 or 9.518, as applicable; or

(ii) identifies an initial financing statement whose effectiveness has lapsed under Section 9.515;

(C) in the case of an initial financing statement that provides the name of a debtor identified as an individual or an amendment that provides a name of a debtor identified as an individual that was not previously provided in the financing statement to which the record relates, the record does not identify the debtor's surname; or

(D) in the case of a record filed or recorded in the filing office described in Section 9.501(a)(1), the record does not provide the name of the debtor and a sufficient description of the real property to which it relates;

(4) in the case of an initial financing statement or an amendment that adds a secured party of record, the record does not provide a name and mailing address for the secured party of record;

(5) in the case of an initial financing statement or an amendment that provides a name of a debtor that was not previously provided in the financing statement to which the amendment relates, the record does not:

(A) provide a mailing address for the debtor; or

(B) indicate whether the debtor is an individual or an organization[; ~~or~~

~~[(C) if the financing statement indicates that the debtor is an organization, provide:~~

~~[(i) a type of organization for the debtor;~~

~~[(ii) a jurisdiction of organization for the debtor; or~~

(b) Filing does not occur with respect to a record that a filing office refuses to accept because:

(1) the record is not communicated by a method or medium of communication authorized by the filing office;

(2) an amount equal to or greater than the applicable filing fee is not tendered;

(3) the filing office is unable to index the record because:

(A) in the case of an initial financing statement, the record does not provide a name for the debtor;

(B) in the case of an amendment or information statement, the record:

(i) does not identify the initial financing statement as required by Section 9.512 or 9.518, as applicable; or

(ii) identifies an initial financing statement whose effectiveness has lapsed under Section 9.515;

(C) in the case of an initial financing statement that provides the name of a debtor identified as an individual or an amendment that provides a name of a debtor identified as an individual that was not previously provided in the financing statement to which the record relates, the record does not identify the debtor's surname; or

(D) in the case of a record filed or recorded in the filing office described in Section 9.501(a)(1), the record does not provide the name of the debtor and a sufficient description of the real property to which it relates;

(4) in the case of an initial financing statement or an amendment that adds a secured party of record, the record does not provide a name and mailing address for the secured party of record;

(5) in the case of an initial financing statement or an amendment that provides a name of a debtor that was not previously provided in the financing statement to which the amendment relates, the record does not:

(A) provide a mailing address for the debtor; or

(B) indicate whether the name provided as the name of the debtor is the name of an individual or an organization[; ~~or~~

~~[(C) if the financing statement indicates that the debtor is an organization, provide:~~

~~[(i) a type of organization for the debtor;~~

~~[(ii) a jurisdiction of organization for the debtor; or~~

~~[(iii) an organizational identification number for the debtor or indicate that the debtor has none];~~

(6) in the case of an assignment reflected in an initial financing statement under Section 9.514(a) or an amendment filed under Section 9.514(b), the record does not provide a name and mailing address for the assignee;

(7) in the case of a continuation statement, the record is not filed within the six-month period prescribed by Section 9.515(d); or

(8) the record is not on an industry standard form, including a national standard form or a form approved by the International Association of Commercial Administrators, adopted by rule by the secretary of state.

SECTION 2. This Act takes effect July 1, 2013, if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for effect on that date, this Act takes effect September 1, 2013.

~~[(iii) an organizational identification number for the debtor or indicate that the debtor has none];~~

(6) in the case of an assignment reflected in an initial financing statement under Section 9.514(a) or an amendment filed under Section 9.514(b), the record does not provide a name and mailing address for the assignee;

(7) in the case of a continuation statement, the record is not filed within the six-month period prescribed by Section 9.515(d); or

(8) the record is not on an industry standard form, including a national standard form or a form approved by the International Association of Commercial Administrators, adopted by rule by the secretary of state.

SECTION 2. Same as introduced version.