

By: Cyrier

H.B. No. 454

A BILL TO BE ENTITLED

AN ACT

relating to the use of insurance proceeds paid to an insured and a lender for residential property damage.

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

SECTION 1. Subchapter B, Chapter 343, Finance Code, is amended by adding Section 343.107 to read as follows:

Sec. 343.107. NOTICE REQUIRED BY LENDER BEFORE APPLICATION OF CERTAIN INSURANCE PROCEEDS. A lender may not apply the proceeds of an insurance claim described by Section 557.002(a), Insurance Code, to reduce the balance of the home loan secured by the insured property at any time before the 90th day after the date the lender sends the notice required by Section 557.002(a)(1), Insurance Code.

SECTION 2. Section 557.002(a), Insurance Code, is amended to read as follows:

(a) If a claim under an insurance policy for damage to residential real property is paid to the insured and a lender, ~~and the lender holds all or part of the proceeds from the insurance claim payment pending completion of all or part of the repairs to the property,~~ the lender shall notify the insured of:

(1) the insured's options with respect to having the lender place the proceeds of the claim in escrow for repair or rebuilding of the property or apply the proceeds to reduce the balance of the loan secured by the property; and

(2) each requirement with which the insured must

1 comply for the lender to release [~~the~~] insurance proceeds held by
2 the lender.

3 SECTION 3. Section 343.107, Finance Code, as added by this
4 Act, applies only to a home loan entered into on or after the
5 effective date of this Act. A home loan entered into before the
6 effective date of this Act is governed by the law in effect on the
7 date the home loan was entered into, and the former law is continued
8 in effect for that purpose.

9 SECTION 4. Section 557.002(a), Insurance Code, as amended
10 by this Act, applies only to notice concerning insurance proceeds
11 paid to a lender on or after the effective date of this Act. Notice
12 concerning insurance proceeds paid to a lender before the effective
13 date of this Act is governed by the law as it existed immediately
14 before the effective date of this Act, and that law is continued in
15 effect for that purpose.

16 SECTION 5. This Act takes effect September 1, 2017.