

BILL ANALYSIS

C.S.H.B. 2240
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Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Based on the rapidly changing landscape for making payments and the significant increase in mortgage wire fraud, it is in the best interest of Texas homebuyers to have multiple options for securely transmitting escrow funds in connection with real estate transactions. C.S.H.B. 2240 seeks to address this issue by providing that an Automated Clearing House (ACH) transaction that results in funds being irrevocably transferred to an escrow holder represents "good funds" for purposes of real estate transactions.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

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. 2240 amends the Insurance Code to specify that "good funds," for purposes of provisions authorizing a title insurance company, title insurance agent, or escrow officer to disburse funds from a trust fund account only when related good funds have been received and deposited in the account in amounts sufficient to fund any disbursements from the transaction, includes money received and deposited through an Automated Clearing House (ACH) transaction that is irrevocable, final, and cannot be canceled or reversed. The bill establishes the following requirements regarding the nature of the ACH transaction and handling of the transferred funds:

- the transaction must be a bank-to-bank transfer of funds or a deposit of funds from a customer's account at a depository institution and must not be treated by the depository institution as a consumer payment with respect to chargeback and pullback consumer payment protections; and
- the transferred funds must be directly linked to and backed by funds in the customer's account and be directly transferred and deposited into the settlement service provider's escrow account.

EFFECTIVE DATE

September 1, 2021.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 2240 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes requirements regarding the nature of the ACH transaction and handling of the transferred funds.

The substitute changes the bill's effective date from January 1, 2022, to September 1, 2021.