

## **BILL ANALYSIS**

H.B. 207  
By: Murr  
Business & Industry  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Rural community banks have raised concerns regarding the difficulties that rural Texans face when attempting to insure non-home equity cash-out loan liens on rural property. There have been calls to address the extreme reluctance of title insurers to insure these liens on rural property as rural borrowers and lenders face lending difficulties not faced by urban borrowers and lenders. H.B. 207 seeks to help level the playing field between rural borrowers and lenders and their urban counterparts and give title insurers a safe harbor for insuring liens on rural property by providing a method for rural borrowers to obtain cash-out financing on rural property that is not the borrower's residence or contiguous to the borrower's residence.

### **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**

H.B. 207 amends the Property Code to establish that the conveyance of one or more parcels that do not meet certain statutory definitions of an urban homestead by an individual to an entity in which the individual or individual's spouse has a direct or indirect ownership interest is not a sham or pretended sale involving any condition of defeasance under the following circumstances:

- the deed conveying the parcel is recorded at least 30 days before the entity grants a mortgage, trust deed, or other lien on the parcel;
- the individual does not reside on the parcel at the time of the conveyance;
- the parcel is not contiguous to the parcel on which the individual resides;
- the deed conveying the parcel does not contain a condition of defeasance; and
- the individual recorded an affidavit contemporaneously with the deed.

The bill sets out the required form and contents of the affidavit, requires an individual's spouse to join in the execution of the deed and affidavit, if applicable, and establishes that the entity or a lender for value may conclusively rely on such an affidavit.

H.B. 207 provides that the individual executing such a deed is estopped from claiming the following:

- that the conveyance is a sham or pretended sale involving any condition of defeasance; or
- that the individual had not abandoned homestead rights, if any, in the parcel by executing the deed.

H.B. 207 defines "entity" for the purposes of the conveyance as a domestic or foreign corporation, professional corporation, professional association, limited liability company, professional limited liability company, or limited partnership.

**EFFECTIVE DATE**

September 1, 2023.