

By: Parker

S.B. No. 1407

A BILL TO BE ENTITLED

AN ACT

relating to the withdrawal of certain deposits placed in escrow in connection with the purchase or reservation of a condominium unit.

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

SECTION 1. Section 82.158, Property Code, is amended to read as follows:

Sec. 82.158. ESCROW OF DEPOSITS. (a) Except as provided by Subsection (b), a [A] deposit made in connection with the purchase or reservation of a unit from a declarant shall be placed in escrow and held in this state in an account designated for that purpose by a real estate broker, an attorney, a title insurance company licensed in this state, an independent bonded escrow company, or an institution whose accounts are insured by a governmental agency or instrumentality until delivered to the declarant at closing, delivered to the declarant because of the purchaser's default under a contract to purchase the unit, or refunded to the purchaser. Escrow deposits may be placed in interest-bearing accounts, and the interest is payable as may be agreed in writing between the declarant and the purchaser.

(b) If a contract to purchase a unit provides that the deposit made in connection with the purchase or reservation of the unit may be used for construction costs and the declarant obtains and maintains a surety bond or insurance as described by Subsection (c), the declarant may withdraw escrow funds when construction of

1 improvements begins. The funds may be used only for actual building  
2 and construction costs of the project in which the unit is located.

3 (c) The bond or insurance required under Subsection (b) must  
4 be issued by an insurer licensed in this state in favor of the  
5 purchaser in an amount adequate to cover the amount of the deposit  
6 to be withdrawn from escrow funds under Subsection (b). The  
7 declarant may not withdraw an amount from the escrow funds greater  
8 than the face amount of the bond or the insurance coverage amount.  
9 The bond or insurance must be payable to the purchaser if the  
10 purchaser obtains a final judgment against the declarant requiring  
11 the declarant to return the deposit under the purchase agreement.  
12 The bond or insurance may be either in the form of an individual  
13 bond or policy for each deposit accepted by the declarant or in the  
14 form of a blanket bond or policy assuring the return of all deposits  
15 received by the declarant.

16 (d) The party holding escrow funds who releases any portion  
17 of the funds to the declarant has no obligation to monitor the  
18 progress of construction or the expenditure of the funds by the  
19 declarant and is not liable to any purchaser for the release of  
20 funds under this section.

21 SECTION 2. This Act takes effect September 1, 2025.