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A BILL TO BE ENTITLED

AN ACT

relating to restrictions on the acquisition of single-family residential property by insurance companies and other institutional investors; providing a civil penalty.

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

SECTION 1. Chapter 5, Property Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. ACQUISITION OF SINGLE-FAMILY RESIDENCES BY CERTAIN INSTITUTIONAL INVESTORS

Sec. 5.301. DEFINITIONS. In this subchapter:

(1) "Affiliate" means a person that directly or indirectly controls, is controlled by, or is under common control with another person. "Control" means the power to direct the management, investment decisions, or acquisition or disposition of real property of a person through ownership, contract, service as investment adviser or manager, or otherwise.

(2) "Business entity" means a corporation, limited liability company, partnership, real estate investment trust, business trust, investment fund, or other for-profit legal entity.

(3) "Covered institutional investor" means:

(A) an insurer, insurance holding company, or affiliate controlled by an insurer or insurance holding company;

(B) a business entity that, together with its affiliates, has consolidated total assets of at least $100 million,

as shown by financial statements prepared in the ordinary course of business for the most recent fiscal year;

(C) a business entity that, alone or together with its affiliates, directly or indirectly owns or exercises investment control over 100 or more single-family residences in the United States; or

(D) an agent, nominee, trust, or other person acting on behalf of or for the benefit of a person described by Paragraph (A), (B), or (C) in acquiring a single-family residence.

(4) "Insurer" means a person authorized or required to be authorized under the Insurance Code to engage in the business of insurance in this state, or licensed to engage in that business in another state.

(5) "Investment purpose" means acquiring property principally to receive rental income, obtain appreciation in value, or resell or assign the property for investment profit. The term does not include a purchase principally for occupancy by an individual as the individual's residence.

(6) "Single-family residence" means real property in this state improved with a dwelling containing not more than two residential units, including a detached residence, townhouse, or separately owned condominium unit. The term does not include a manufactured home, a building containing three or more residential units, or unimproved land.

Sec. 5.302. PROHIBITED ACQUISITIONS. (a) Except as provided by Section 5.303, a covered institutional investor may not purchase or otherwise acquire, directly or indirectly, an ownership

or beneficial ownership interest in a single-family residence for an investment purpose.

(b) The prohibition applies to an acquisition through a deed, contract for deed, assignment, option exercised to acquire ownership, transfer of a controlling ownership interest in a property-owning entity, or any other transaction that gives a covered institutional investor investment control of the residence.

(c) In determining whether a person is a covered institutional investor, residences and assets held or controlled by affiliates and by entities subject to common investment management or acquisition decisions must be aggregated. A person may not divide acquisitions among affiliated persons, trusts, or nominees to avoid this subchapter.

(d) This section applies without regard to the state or country in which a covered institutional investor is organized or maintains its principal place of business.

Sec. 5.303. EXCEPTIONS. (a) Section 5.302 does not prohibit:

(1) the acquisition of a residence by an individual for the individual's own occupancy, or by a revocable trust or entity solely for that purpose and wholly owned by the occupying individual or members of the individual's family;

(2) an acquisition by this state, a political subdivision, a housing authority, or a nonprofit organization exempt from federal income taxation under Section 501(c)(3), Internal Revenue Code of 1986, for an affordable housing or

homeownership program;

(3) the construction of a new residence by a developer, the ownership of the residence by the developer pending its initial sale, or the initial sale of the residence by the developer to an individual for occupancy as a residence;

(4) an acquisition through foreclosure, a deed in lieu of foreclosure, enforcement of a valid security interest, or satisfaction of a debt previously contracted in good faith, if the acquiring person does not use the acquisition as a means of expanding a residential investment portfolio and offers the residence for sale within 24 months after acquiring it;

(5) an acquisition of a residence for bona fide temporary occupancy by an employee of the purchaser, if the residence is not held principally to produce rental income or investment appreciation; or

(6) a transfer between affiliates of a residence lawfully owned before September 1, 2027, if the transfer does not result in a new person obtaining ultimate investment control of the residence.

(b) A district court may extend the 24-month period under Subsection (a)(4) for good cause shown, including pending litigation, an inability to deliver marketable title, or other circumstances beyond the owner's reasonable control.

(c) This section does not exempt a purchase prohibited by federal law.

Sec. 5.304. PURCHASER CERTIFICATION. (a) Before closing on the acquisition of a single-family residence, a purchaser that

is a business entity shall deliver to the seller a written certification identifying the purchaser and any person that directly or indirectly controls the purchaser and stating either:

(1) that the purchaser is not a covered institutional investor; or

(2) the specific exception under Section 5.303 under which the acquisition is permitted.

(b) The purchaser shall retain the certification and reasonable supporting records for four years after the acquisition and provide them to the attorney general on lawful request.

(c) A seller, real estate broker, title insurance company, escrow agent, or county clerk is not required to investigate the accuracy of a certification and is not liable under this subchapter solely for participating in a transaction unless the person knowingly makes a material false statement to facilitate a prohibited acquisition.

(d) A county clerk may not refuse to record an otherwise recordable instrument solely because a certification under this section was not presented to the clerk.

Sec. 5.305. ENFORCEMENT; CIVIL PENALTY. (a) The attorney general may investigate a suspected violation of this subchapter and bring an action in a district court in the county in which the residence is located to obtain injunctive relief, a civil penalty, or an order under Section 5.306.

(b) A covered institutional investor that knowingly violates Section 5.302 or knowingly provides a materially false certification under Section 5.304 is liable to the state for a civil

penalty for each affected residence in an amount not to exceed the greater of $100,000 or 20 percent of the purchase price of the residence.

(c) The court may award the attorney general reasonable attorney's fees and costs if the attorney general prevails in an action under this section. A civil penalty collected under this section shall be deposited in the general revenue fund.

Sec. 5.306. DIVESTITURE; PROTECTION OF INNOCENT PARTIES. (a) On finding that a covered institutional investor acquired a residence in violation of Section 5.302, a district court may order the investor to convey the residence to a purchaser not prohibited from acquiring it under this subchapter within 180 days after the date the judgment becomes final.

(b) If the investor fails to comply with an order under Subsection (a), the court may appoint a receiver to sell the residence under court supervision. Sale proceeds remaining after payment of reasonable sale expenses, valid liens, and amounts owed under a final judgment shall be paid to the owner.

(c) A violation of this subchapter does not automatically invalidate a deed or impair the rights of an innocent seller, tenant, lienholder, or subsequent bona fide purchaser for value without notice of the violation. An order under this section is subject to applicable federal law and the rights of persons not responsible for the violation.

(d) An action seeking divestiture of a residence under this section must be filed not later than the fourth anniversary of the date the prohibited acquisition is recorded in the real property

records.

Sec. 5.307. CONSTRUCTION OF SUBCHAPTER. (a) This subchapter does not require the sale or divestiture of a single-family residence lawfully acquired before September 1, 2027, or prohibit the renewal of a lease of that residence.

(b) This subchapter does not prohibit an investment in a mortgage, mortgage-backed security, or other debt instrument that does not convey an ownership or controlling beneficial interest in a specific single-family residence, except when the investment is a device to evade Section 5.302.

(c) This subchapter supplements and does not limit any restriction or remedy provided by federal law, including 42 U.S.C. Section 19521. Nothing in this subchapter authorizes an acquisition prohibited by federal law.

SECTION 2. Section 424.064, Insurance Code, is amended by adding Subsection (g) to read as follows:

(g) Nothing in this section, including Subsection (d), authorizes an insurer to acquire a single-family residence for an investment purpose in violation of Subchapter I, Chapter 5, Property Code.

SECTION 3. Section 425.119, Insurance Code, is amended by adding Subsection (i) to read as follows:

(i) Nothing in this section, including Subsection (f), authorizes an insurance company to acquire a single-family residence for an investment purpose in violation of Subchapter I, Chapter 5, Property Code.

SECTION 4. Subchapter I, Chapter 5, Property Code, as added

by this Act, applies only to a contract to purchase or other transaction to acquire an interest in a single-family residence entered into on or after the effective date of this Act. A contract or transaction entered into before that date is governed by the law in effect immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 5. This Act takes effect September 1, 2027.