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To: Clients and Friends

From: David F. Dulock

Subject: Texas Legislative Update III – Bills Effective Immediately

This legislative update summarizes bills from the 2019 Legislative Session that are effective immediately that we consider are of interest to our clients. Previous to this legislative update, we issued Legislative Update I, summarizing Senate Bill 2330 granting certain individuals temporary authority to act as residential mortgage loan originators in Texas, and Legislative Update II, summarizing Senate Bill 614 and House Bill 1442 that continue in existence the Finance Commission of Texas, the Department of Banking, the Savings and Mortgage Lending Department, and the Office of Consumer Credit Commissioner. Legislative Updates I and II are found on the Resources page of the firm's website www.bmandg.com.

1. LIMITATIONS ON THE INFORMATION REPORTED BY CONSUMER REPORTING AGENCIES (Senate Bill 1037)

Senate Bill 1037 amends Section 20.05, Business & Commerce Code, by amending subsection (a) and adding subsection (d), to place limitations on medical collection account information reported by consumer reporting agencies. According to the Senate Research Center's Bill Analysis of Senate Bill 1037, studies show that about one in five insured Americans has difficulty paying medical bills and unpaid medical bills can reduce credit scores, costing consumers in higher interest rates. Senate Bill 1037 amends subsection (a) by adding (a)(5) prohibiting a consumer credit reporting agency from furnishing a consumer report containing information on a collection account with a medical industry code if the consumer was covered by a health benefit plan at the time services were received and the collection is for an outstanding balance, after copayments, deductibles, and coinsurance, owed to an emergency care provider or a facility-based provider for an out-of-network benefit claim. Senate Bill 1037 adds subsection (d) to define "emergency care provider," "facility," "facility-based provider," and "health care practitioner" for purposes of Section 20.05.

The six consumer report information prohibitions described in subsection (a) do not apply to the following situations described in existing subsection (b) – *i.e.*, a credit transaction with a principal amount of or reasonably expected to be $150,000 or more; underwriting of life insurance for a face amount of or reasonably expected to be $150,000 or more; and employment of a consumer at an annual salary of or reasonably expected to be $75,000 or more.

2. THE PERIOD FOR WHICH A PROPERTY OWNER MAY RECEIVE A RESIDENCE HOMESTEAD EXEMPTION FROM AD VALOREM TAXATION FOR PROPERTY THAT IS RENDERED UNINHABITABLE OR UNUSABLE BY A DISASTER (Senate Bill 443)

Section 11.135 of the Tax Code provides for a two year period to continue the residence homestead exemption under Section 11.13 for a property when the residential structure is rendered uninhabitable or unusable by a casualty or by wind or water

(2 pages)

damage if the owner complies with the requirements of subsection (a), which includes the requirement to begin construction of the replacement residential structure or site preparation for the structure not later than the first anniversary of the date the owner ceases to occupy the former residential structure as the owner's principal residence.

Senate Bill 443 amends Section 11.135 by amending subsection (a) and adding subsection (a-1) to provide in subdivision (a-1)(1) a five year period to begin construction or site preparation and a five year period to continue the residence homestead exemption for a property located in an area declared to be a disaster area by the governor following a disaster when the residential structure located on the property is rendered uninhabitable or unusable as a result of the disaster. Senate Bill 443 retains the two year residence homestead exemption period and one year period to begin construction or site preparation for residential structures rendered unusable or uninhabitable by a casualty or by wind or water damage if subsection (a-1)(1) does not apply.

3. THE APPLICATION OF THE LIMIT ON APPRAISED VALUE OF A RESIDENCE HOMESTEAD FOR AD VALOREM TAX PURPOSES TO AN IMPROVEMENT THAT IS A REPLACEMENT STRUCTURE FOR A STRUCTURE THAT WAS RENDERED UNINHABITABLE OR UNUSABLE BY A CASUALTY OR BY WIND OR WATER DAMAGE. (Senate Bill 812)

Section 1 of Senate Bill 812 amends Section 23.23(g) of the Tax Code to revise the definition of "disaster recovery program" as that definition relates to federal funding for such recovery and the limitation on the appraised value of a residence homestead for property tax purposes provided for an improvement to the homestead that is a replacement structure for a structure that was rendered uninhabitable or unusable by a casualty or by wind or water damage. Section 2 of Senate Bill 812 provides for the correction or supplementation, as appropriate, of the appraisal records to correct the appraised value of each replacement structure that has been constructed since January 1, 2018, under such a disaster recovery program administered by the General Land Office or a political subdivision of this state for the current tax year, if necessary, and for the refunding of any taxes paid in excess of the corrected amount due. Section 3 of Senate Bill 812 provides that the bill applies only to the appraisal of a residence homestead for property tax purposes for a tax year that begins on or after January 1, 2019.

No attempt was made by this legislative update to summarize all the bills effective immediately that could affect mortgage lending or mortgage lenders or loan originators. This legislative update is simply an attempt to advise our clients as to those bills that we believe are of interest to our clients. The above summaries are not complete descriptions of these bills, and you are advised to review the entirety of any bill summarized above that you believe affects your business. You may request copies of these bills from us or you may click on the hyperlink in the title to each bill.