

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1211
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Business & Commerce
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Committee Report (Substituted)

DIGEST AND PURPOSE

Currently, Texas law limits collateral protection insurance for real property to the amount of the lender's interest in the collateral while the debtor's equity in the property is completely unprotected. Homeowners are having difficulty finding insurers willing to write homeowners insurance coverage in Texas. Consequently, many borrowers are without insurance coverage for their homes except that which may be force placed by their lenders. C.S.S.B. 1211 authorizes a creditor, at the creditor's option, with respect to collateral protection insurance covering real property, to obtain insurance that will cover either the replacement cost of improvements or the amount of unpaid indebtedness.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 307.051, Finance Code, by amending Subsection(e) and adding Subsection (e-1), as follows:

(e) Prohibits a premium for collateral protection insurance covering collateral other than real property from being based on an amount that exceeds the actual amount of unpaid indebtedness of the debtor as of the effective date of the policy.

(e-1) Authorizes a creditor, at the creditor's option, with respect to collateral protection insurance covering real property, to obtain insurance that will cover either the replacement cost of improvements or the amount of unpaid indebtedness, subject to policy limits. Requires the debtor to be obligated to reimburse the creditor for the premium, interest, and any other charges incurred by the creditor in connection with the placement of the insurance. Authorizes the creditor to use the previous evidence of insurance coverage furnished by the debtor to determine the sufficient level of replacement cost coverage to be provided.

SECTION 2. Amends Sections 307.052(a) and (b), Finance Code, as follows:

(a) Replaces the phrase "equal to the debtor's indebtedness to the creditor" with "the creditor specifies," in Subdivision (A)(i).

(b) Includes in the items the creditor must provide on a notice to each debtor "if collateral protection insurance covering real property is obtained under Section 307.051(e-1), that coverage may be available to the debtor through the Texas FAIR plan at a lower cost and contact information about the Texas Fair Plan."

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: upon passage or September 1, 2003.