

BILL ANALYSIS

Senate Research Center

S.B. 1791
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State Affairs
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

This bill improves account disclosures associated with payable-on-death (POD) accounts to increase account holders' awareness of the availability of this type of account. POD accounts are an alternative to probate administration that enable an account holder to designate one or more beneficiaries to receive the account funds upon the account holder's death. POD accounts are especially beneficial for low-income Texans because the cost of obtaining the account funds through probate is often more than the amount in the account.

Current Texas law allows banks to create POD accounts and sets forth a uniform form that financial institutions may use for account selection. S.B. 1791 modifies the existing statute by requiring banks to explicitly provide information on POD and other account types to people who are opening or modifying an account. The bill requires that account holders initial each paragraph of the form when the statutory form is used. If the suggested form is not used, the statute requires the bank to disclose the information in a specified manner: the disclosures must be made separately from any other account information, before account selection, and in 14-point bold-faced type. If account discussions take place primarily in another language, the disclosures would have to be provided in that language. Finally, the financial institution is required to notify the customer of the type of account selected.

S.B. 1791 amends current law relating to disclosures on selection or modification of an account by a customer of a financial institution.

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 113.053, Estates Code, as follows:

Sec. 113.053. New heading: **REQUIRED DISCLOSURE; USE OF FORM.** (a) Requires a financial institution to disclose the information provided in this subchapter to a customer at the time the customer selects or modifies an account. Provides that a financial institution is considered to have disclosed, rather than adequately disclosed, the information provided in this subchapter if:

(1) the financial institutions uses the form proved by Section 113.052 (Form); and

(2) the customer places the customer's initials to the right of each paragraph of the form.

(b) Authorizes the financial institution, if a financial institution varies the format of the form provided by Section 113.052, to make disclosures in the account agreement or in any other form that discloses, rather than adequately discloses, the information provided by this subchapter. Requires that disclosures under this subsection:

- (1) be given separately from other account information;
- (2) be provided before account selection or modification;
- (3) be printed in 14-point boldfaced type; and
- (4) if the discussions that precede the account opening or modification are conducted primarily in a language other than English, be in that language.

(c) Requires the financial institution to notify the customer of the type of account the customer selected. Deletes existing text authorizing a financial institution, if the customer receives adequate disclosure of the ownership rights to an account and the names of the parties are appropriately indicated, to combine any of the provisions in, and vary the format of, the form and notices described in Section 113.052 in a universal account form with options listed for selection and additional disclosures provided in the account agreement or any other manner that adequately discloses the information provided by this subchapter.

(d) Provides that this section does not apply to a credit union.

SECTION 2. Amends Subchapter B, Chapter 113, Estates Code, by adding Section 113.0531, as follows:

Sec. 113.0531. **USE OF FORM AND DISCLOSURE BY CREDIT UNIONS.** (a) Provides that a credit union is considered to have disclosed the information provided by this subchapter if the credit union uses the form provided by Section 113.052.

(b) Authorizes a credit union, if the credit union varies the format of the form provided by Section 113.052, to make disclosures in the account agreement or in any other form that discloses the information provided by this subchapter.

(c) Authorizes a credit union, if the customer receives disclosure of the ownership rights to an account and the names of the parties are indicated, to combine any of the provisions in, and vary the format of, the form and notices described in Section 113.052 in:

(1) a universal account form with options listed for selection and additional disclosures provided in the account agreement; or

(2) any other manner that adequately discloses the information provided by this subchapter.

SECTION 3. Provides that this Act applies only to an account created or modified on or after the effective date of this Act. Makes application of this Act prospective.

SECTION 4. Effective date: September 1, 2015.