

BUSINESS AND COMMERCE CODE
TITLE 2. COMPETITION AND TRADE PRACTICES
CHAPTER 21. REGULATION OF CERTAIN RESIDENTIAL FORECLOSURE
CONSULTING SERVICES

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 21.001. DEFINITIONS. (a) In this chapter:

(1) "Foreclosure consultant" means a person who makes a solicitation, representation, or offer to a homeowner to perform for compensation, or who for compensation performs, a service that the person represents will do any of the following:

- (A) prevent or postpone a foreclosure sale;
- (B) obtain a forbearance from:
 - (i) a mortgagee;
 - (ii) a beneficiary of a deed of trust; or
 - (iii) another person who holds a lien secured by the residence in foreclosure;
- (C) assist the homeowner:
 - (i) to cure the default giving rise to the foreclosure action; or
 - (ii) to exercise the right of reinstatement of the homeowner's obligation secured by the residence in foreclosure;
- (D) obtain an extension of the period within which the homeowner may reinstate the homeowner's obligation secured by the residence in foreclosure;
- (E) obtain a waiver of an acceleration clause contained in a promissory note or contract secured by a deed of trust or mortgage on a residence in foreclosure or contained in the deed of trust or mortgage;
- (F) assist the homeowner to obtain a loan or advance of funds to prevent foreclosure;
- (G) avoid or ameliorate the impairment of the homeowner's credit resulting from the recording of a notice of default or the conduct of a foreclosure sale;
- (H) save the homeowner's residence from

foreclosure; or

(I) assist the homeowner in obtaining excess proceeds from a foreclosure sale of the homeowner's residence.

(2) "Homeowner" means a person that holds record title to a residence in foreclosure at the time the foreclosure action has been commenced.

(3) "Mortgage servicer" has the meaning assigned by Section 51.0001, Property Code.

(4) "Residence in foreclosure" means residential real property consisting of not more than four single-family dwelling units, at least one of which is occupied as the property owner's principal place of residence, and against which a foreclosure action has been commenced.

(b) For purposes of Subsections (a)(2) and (4), a foreclosure action has been commenced if:

(1) notice of sale has been filed under Section 51.002(b), Property Code; or

(2) a judicial foreclosure action has been commenced.
Added by Acts 2011, 82nd Leg., R.S., Ch. 902 (S.B. 767), Sec. 1, eff. September 1, 2011.

Sec. 21.002. EXCEPTION FROM APPLICABILITY OF CHAPTER.

(a) Except as provided by Subsection (b), this chapter does not apply to the following persons that perform foreclosure consulting services:

(1) an attorney admitted to practice in this state who performs those services in relation to the attorney's attorney-client relationship with a homeowner or the beneficiary of the lien being foreclosed;

(2) a person that holds or is owed an obligation secured by a lien on a residence in foreclosure if the person performs those services in connection with the obligation or lien;

(3) a mortgage servicer of an obligation secured by a lien on a residence in foreclosure if the servicer performs those services in connection with the obligation or lien;

(4) a person that regulates banks, trust companies, savings and loan associations, credit unions, or insurance

companies under the laws of this state or the United States if the person performs those services as part of the person's normal business activities;

(5) an affiliate of a person described by Subdivision (4) if the affiliate performs those services as part of the affiliate's normal business activities;

(6) a judgment creditor of the homeowner of the residence in foreclosure, if:

(A) the legal action giving rise to the judgment was commenced before the notice of default required under Section [5.064](#), [5.066](#), or [51.002\(d\)](#), Property Code; and

(B) the judgment is recorded in the real property records of the clerk of the county where the residence in foreclosure is located;

(7) a licensed title insurer, title insurance agent, or escrow officer authorized to transact business in this state if the person is performing those services in conjunction with title insurance or settlement services;

(8) a licensed real estate broker or real estate salesperson if the person is engaging in an activity for which the person is licensed;

(9) a person licensed or registered under Chapter [156](#), Finance Code, if the person is engaging in an activity for which the person is licensed or registered under that chapter;

(10) a person licensed or registered under Chapter [157](#), Finance Code, if the person is engaging in an activity for which the person is licensed or registered under that chapter;

(11) a nonprofit organization that provides solely counseling or advice to homeowners who have a residence in foreclosure or have defaulted on their home loans, unless the organization is an associate of the foreclosure consultant;

(12) a depository institution, as defined by Section [31.002](#), Finance Code, subject to regulation or supervision by a state or federal regulatory agency; or

(13) an affiliate or subsidiary of a depository institution described by Subdivision (12).

(b) This chapter applies to a person described by Subsection

(a) if the person is providing foreclosure consulting services to a homeowner designed or intended to transfer title, directly or indirectly, to a residence in foreclosure to that person or the person's associate, unless the person is a mortgagee or mortgage servicer that negotiates with or accepts from the mortgagor a deed in lieu of foreclosure for the benefit of the mortgagee.

Added by Acts 2011, 82nd Leg., R.S., Ch. 902 (S.B. 767), Sec. 1, eff. September 1, 2011.

Sec. 21.003. CONFLICT WITH OTHER LAW. To the extent of a conflict between this chapter and Chapter 393, Finance Code, this chapter controls.

Added by Acts 2011, 82nd Leg., R.S., Ch. 902 (S.B. 767), Sec. 1, eff. September 1, 2011.

SUBCHAPTER B. CONTRACT FOR SERVICES

Sec. 21.051. FORM AND TERMS OF CONTRACT. Each contract for the purchase of the services of a foreclosure consultant by a homeowner of a residence in foreclosure must be in writing, dated, and signed by each homeowner and the foreclosure consultant.

Added by Acts 2011, 82nd Leg., R.S., Ch. 902 (S.B. 767), Sec. 1, eff. September 1, 2011.

Sec. 21.052. REQUIRED DISCLOSURE. Before entering into a contract with a homeowner of a residence in foreclosure for the purchase of the services of a foreclosure consultant, the foreclosure consultant shall provide the homeowner written notice stating the following, in at least 14-point boldfaced type:

NOTICE REQUIRED BY TEXAS LAW

_____ (Name) or an associate of _____ (Name) cannot ask you to sign or have you sign any document that transfers any interest in your home or property to _____ (Name) or _____ (Name's) associate.

_____ (Name) or _____ (Name's) associate cannot guarantee you that they will be able to refinance your home or arrange for you to keep your home.

You may, at any time, cancel or rescind this contract, without penalty of any kind.

If you want to cancel this contract, mail or deliver a signed and dated copy of this notice of cancellation or rescission, or any other written notice, indicating your intent to cancel or rescind to _____ (Name and address of foreclosure consultant) at _____ (Address of foreclosure consultant, including facsimile and electronic mail address).

As part of any cancellation or rescission, you (the homeowner) must repay any money spent on your behalf by _____ (Name of foreclosure consultant) prior to receipt of this notice and as a result of this agreement, within 60 days, along with interest calculated at the rate of eight percent per year.

Added by Acts 2011, 82nd Leg., R.S., Ch. 902 (S.B. 767), Sec. 1, eff. September 1, 2011.

SUBCHAPTER C. LIMITATIONS, PROHIBITIONS, AND DUTIES REGARDING SERVICES

Sec. 21.101. RESTRICTIONS ON CHARGE OR RECEIPT OF CONSIDERATION. A foreclosure consultant may not:

(1) charge or receive compensation until the foreclosure consultant has fully performed each service the foreclosure consultant has contracted to perform or has represented the foreclosure consultant can or will perform unless the foreclosure consultant has obtained a surety bond or established and maintained a surety account for each location at which the foreclosure consultant conducts business in the manner that Subchapter E, Chapter 393, Finance Code, provides for credit services organizations; or

(2) receive any consideration from a third party in connection with foreclosure consulting services provided to the homeowner of a residence in foreclosure unless the consideration is fully disclosed in writing to the homeowner.

Added by Acts 2011, 82nd Leg., R.S., Ch. 902 (S.B. 767), Sec. 1, eff. September 1, 2011.

Sec. 21.102. PROHIBITED CONDUCT. A foreclosure consultant may not:

(1) take any power of attorney from a homeowner for any purpose other than to inspect documents;

(2) for purposes of securing payment of compensation, acquire an interest, directly or indirectly, in the real or personal property of the homeowner of a residence in foreclosure with whom the foreclosure consultant has contracted to perform services; or

(3) take an assignment of wages to secure payment of compensation.

Added by Acts 2011, 82nd Leg., R.S., Ch. 902 (S.B. 767), Sec. 1, eff. September 1, 2011.

Sec. 21.103. RETENTION OF RECORDS. (a) A foreclosure consultant shall keep each record and document, including the foreclosure consultant contract, related to foreclosure consulting services performed on behalf of a homeowner.

(b) A foreclosure consultant shall retain the records described by Subsection (a) until at least the third anniversary of the day the foreclosure consultant contract entered into by the consultant and the homeowner was terminated or concluded.

Added by Acts 2011, 82nd Leg., R.S., Ch. 902 (S.B. 767), Sec. 1, eff. September 1, 2011.

SUBCHAPTER D. ENFORCEMENT

Sec. 21.151. CRIMINAL PENALTY. (a) A person commits an offense if the person violates this chapter.

(b) An offense under this chapter is a Class C misdemeanor.

Added by Acts 2011, 82nd Leg., R.S., Ch. 902 (S.B. 767), Sec. 1, eff. September 1, 2011.