

HOUSE RESEARCH

Bill Summary

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Current law prohibits a legal instrument relating to real estate from being used as a security for a debt unless the instrument specifically states that it is intended to be used in that way.

This bill retains the requirement that an instrument explicitly state its intent to be used as security for a debt, but caps the amount of the debt to the initial amount stated in the instrument. In other words, the amount of debt that may be secured by the instrument could be the full amount, or only a portion of the debt, but in any case, the secured amount of debt can not exceed whatever amount is expressed in the instrument.

The changes are effective July 1, 2010, and apply to instruments executed or record on or after that date.