Table of Contents

CHAPTER 1. CONSUMER CREDIT PROTECTION

I. OVERVIEW

§ 1:1 Introduction to consumer credit
§ 1:2 Purposes of consumer credit legislation
§ 1:3 Definition of open- and closed-end credit
§ 1:4 Definition of direct and indirect credit

II. OVERVIEW OF FEDERAL REGULATION

A. OVERVIEW

§ 1:5 In general
§ 1:6 Bureau of consumer financial protection
§ 1:7 Federal consumer financial law
§ 1:8 Covered persons
§ 1:9 Exemptions
§ 1:10 Price control and substantive changes
§ 1:11 No CFPB authority to set usury ceilings
§ 1:12 Federal preemption of usury and state law after Dodd-Frank
§ 1:13 Unfair, deceptive or abusive acts or practices
§ 1:14 Public enforcement
§ 1:15 Civil penalties
§ 1:16 Criminal proceedings
§ 1:17 Pre-dispute arbitration
§ 1:18 Disclosures
§ 1:19 Consumer complaints
§ 1:20 Whistleblower protection
§ 1:21 Mortgage reform under Dodd-Frank
§ 1:22 Regulation of payday lending and other credit products

III. FEDERAL REGULATION

A. EQUAL CREDIT OPPORTUNITY ACT

§ 1:23 In general
§ 1:24 Purpose of Act
§ 1:25 Discriminatory activities
§ 1:26 Nondiscriminatory activities
§ 1:27 Refusal of credit extensions

§ 1:28 Administrative enforcement in general
§ 1:29 —Regulation B
§ 1:30 Civil liability
§ 1:31 —Actual damages
§ 1:32 —Punitive damages
§ 1:33 —Equitable and declaratory relief
§ 1:34 —Costs and attorney's fees
§ 1:35 —Statute of limitations
§ 1:36 Effect on state law

B. TRUTH IN LENDING ACT

§ 1:37 Purpose of Act
§ 1:38 Scope of coverage
§ 1:39 Regulation Z
§ 1:40 Required disclosures by lender
§ 1:41 Liability of credit card holder
§ 1:42 —For unauthorized use
§ 1:43 Advertising restrictions
§ 1:44 Billing regulations
§ 1:45 Enforcement

C. FEDERAL USURY LAWS

§ 1:46 Preemption of state law in general
§ 1:47 —National banks
§ 1:48 —Insured banks and savings and loan associations
§ 1:49 —Insured credit unions
§ 1:50 —Small business investment companies
§ 1:51 —Federally related lenders

D. FAIR CREDIT REPORTING ACT

§ 1:52 In general
§ 1:53 Purpose of Act
§ 1:54 Permissible uses of credit report
§ 1:55 —Furnishing report
§ 1:56 — —For employment purposes
§ 1:57 — —For credit or insurance transactions
§ 1:58 Prohibited uses of credit report
§ 1:59 —Exemptions
§ 1:60 Investigative consumer reports
§ 1:61 —Disclosure of investigative consumer report
§ 1:62 Compliance procedures for credit reporting agencies
§ 1:63 —Reasonable procedures
§ 1:64 —Maximum possible accuracy

§ 1:65 —Consumer's right to notice of adverse action
§ 1:66 —Notice of responsibilities to consumer report users
§ 1:67 —Reselling consumer reports
§ 1:68 Disclosures to government agencies
§ 1:69 —Federal Bureau of Investigations
§ 1:70 Disclosure to consumers
§ 1:71 —Information on file
§ 1:72 —Sources of information
§ 1:73 —Report recipients
§ 1:74 —Miscellaneous disclosures
§ 1:75 —Summary of rights
§ 1:76 Form of disclosures
§ 1:77 Disclosure charges
§ 1:78 Information on overdue child support
§ 1:79 Requirements on consumer report users
§ 1:80 Responsibilities of information furnishers
§ 1:81 Dispute procedures
§ 1:82 Civil liability
§ 1:83 —Willful noncompliance
§ 1:84 —Negligent noncompliance
§ 1:85 —Venue
§ 1:86 —Statute of limitations
§ 1:87 Administrative enforcement in general
§ 1:88 —Federal Trade Commission
§ 1:89 —State actions
§ 1:90 Relation to state law

E. CREDIT REPAIR

§ 1:91 Purpose
§ 1:92 Definition
§ 1:93 Prohibited practices
§ 1:94 —No advances
§ 1:95 Disclosures
§ 1:96 Written contracts required
§ 1:97 —Terms required
§ 1:98 Right to cancel contract
§ 1:99 No waiver allowed
§ 1:100 Contract that does not comply may be treated as void
§ 1:101 Civil liability
§ 1:102 —Punitive damages in class actions
§ 1:103 —Punitive damage factors
§ 1:104 Administrative enforcement
§ 1:105 Statute of limitations
§ 1:106 Relation to state law

IV. STATE REGULATION

A. OVERVIEW

§ 1:107 Types of consumer credit governed by Texas Finance Code
§ 1:108 Consumer Credit Commissioner
§ 1:109 Prohibition of credit discrimination
§ 1:110 Persons protected
§ 1:111 Penalties
§ 1:112 Advertising requirements
§ 1:113 Consumer loans
§ 1:114 Installment loans not secured by real estate
§ 1:115 Single payment loans
§ 1:116 Secondary mortgage loans
§ 1:117 Texas constitutional protection
§ 1:118 Retail installment sales
§ 1:119 Revolving credit accounts
§ 1:120 Manufactured home credit transactions
§ 1:121 Motor vehicle installment sales

B. PENALTIES AND LIABILITIES

§ 1:122 Governing law
§ 1:123 Charging excessive amounts
§ 1:124 —Charging twice authorized amount
§ 1:125 —Failing to perform required acts or performing prohibited acts
§ 1:126 — —Material violation
§ 1:127 Limitation on liability
§ 1:128 —Unintentional error
§ 1:129 —Multiple violations
§ 1:130 —Correcting violations
§ 1:131 — —No liability
§ 1:132 — —Limited liability
§ 1:133 — —Limited liability for excessive amounts
§ 1:134 Civil actions
§ 1:135 —Venue
§ 1:136 —Statute of limitations
§ 1:137 —Class actions
§ 1:138 —Previous recovery under Consumer Credit Protection Act

C. USURY LAWS

§ 1:139 Constitutional authority

§ 1:140 Subtitles A and B, Title 4, Texas Finance Code
§ 1:141 —Scope of coverage
§ 1:142 —Alternate rate ceiling under Chapter 303
§ 1:143 —Exclusive authority
§ 1:144 Regulation of credit unions; Chapter 124 of the Texas Finance Code
§ 1:145 —Exemption from Title 4
§ 1:146 Court interpretations
§ 1:147 —Dodd-Frank impact on federal preemption
§ 1:148 —Common-law doctrine of time-price differential
§ 1:149 Penalties; dual penalty structure
§ 1:150 —Chapter 349
§ 1:151 —Common-law remedies
§ 1:152 Procedural matters
§ 1:153 —Proper claimants
§ 1:154 —Proper defendants
§ 1:155 —Jurisdiction
§ 1:156 —Venue
§ 1:157 —Statute of limitations

D. CREDIT REPORTING LAWS

§ 1:158 Governing law
§ 1:159 Permissible uses of credit report
§ 1:160 Consumer's rights
§ 1:161 —Form of disclosure
§ 1:162 —Permissible charges
§ 1:163 —Prohibited charges
§ 1:164 —Prohibited information
§ 1:165 — —Exceptions allowing disclosure of prohibited information
§ 1:166 Correction of inaccurate information
§ 1:167 Dispute procedure
§ 1:168 —Consumer's dispute notice
§ 1:169 —Agency reinvestigation
§ 1:170 —Agency dispute notice
§ 1:171 —Agency reinvestigation termination
§ 1:172 —Disposition of disputed information
§ 1:173 —Notice of reinvestigation results
§ 1:174 —Availability of arbitration
§ 1:175 — —Arbitration results
§ 1:176 — —Waiting period
§ 1:177 Civil actions
§ 1:178 —Willful violation
§ 1:179 —Negligent violation

§ 1:180 —Cumulative remedies
§ 1:181 —Attorney's fees and costs

E. CREDIT SERVICES ORGANIZATIONS

§ 1:182 Definition of credit services organization; governing law
§ 1:183 Exemptions
§ 1:184 Registration of credit services organization
§ 1:185 Disclosure statements
§ 1:186 —Required information
§ 1:187 Contract for services
§ 1:188 —Content of contract
§ 1:189 —Notice of cancellation
§ 1:190 Prohibited actions of representatives
§ 1:191 —Breach of contract
§ 1:192 —Charging before surety accounts obtained
§ 1:193 —Charging for referrals
§ 1:194 —Fraudulent or deceptive conduct
§ 1:195 —Advertising without registering
§ 1:196 —Prohibited waivers
§ 1:197 Surety accounts and bonds
§ 1:198 —Surety maintenance
§ 1:199 —Surety remedies
§ 1:200 Civil actions
§ 1:201 —Injunctive relief
§ 1:202 —Damages
§ 1:203 —Relief available under Deceptive Trade Practices Act
§ 1:204 —Statute of limitations
§ 1:205 —Relation to federal law
§ 1:206 Criminal offenses
§ 1:207 Relation of credit service organization and lender
§ 1:208 Regulation of credit access businesses

V. SUPPLEMENTAL MATERIALS ON CREDIT PROTECTION LAWS

§ 1:209 Fee for Dishonored Payment Device
§ 1:210 Tax Refund Anticipation Loans
§ 1:211 Texas Debt Management Services
§ 1:212 Texas Business and Commerce Code
§ 1:213 Plain language and model forms
§ 1:214 Texas fair notice doctrine
§ 1:215 Language skills

§ 1:216 Credit card and debit card surcharges
§ 1:217 Financial exploitation
§ 1:218 Annual statements by mortgage servicers
§ 1:219 Finance Code chapter 398: Commercial sales-based financing

VI. CHECKLISTS

§ 1:220 Checklist—Disclosures required under Truth in Lending Act for closed-end credit
§ 1:221 —Transactions exempt from Federal Truth in Lending Act
§ 1:222 —Credit services organizations statutory exemptions
§ 1:223 —Information required in credit services organizations disclosure statements
§ 1:224 —Consumer rights under the Fair Credit Reporting Act
§ 1:225 —Permissible purposes of consumer reports
§ 1:226 —E-commerce privacy statement

VII. FORMS

§ 1:227 Form—General
§ 1:228 Model privacy forms under Gramm-Leach-Bliley

CHAPTER 2. CONSUMER LOANS

I. INTRODUCTION

§ 2:1 Statutory History
§ 2:2 Applicability of Subtitle B, Title 4, Texas Finance Code
§ 2:3 —Parties' rights
§ 2:4 Applicability of Chapter 342, Texas Finance Code
§ 2:5 —Types of loans under Chapter 342
§ 2:6 — —Texas Credit Code loans
§ 2:7 Use of optional rate ceiling

II. LICENSING

§ 2:8 License required
§ 2:9 —Exceptions
§ 2:10 Criminal penalties for operating without license
§ 2:11 Liability to borrower
§ 2:12 Agency responsible for licensing

III. REGISTRATION OF MORTGAGE BANKERS

§ 2:13 Application of Act

§ 2:14 Definitions under MBRA
§ 2:15 Registration under MBRA
§ 2:16 —Termination of registration
§ 2:17 —Reregistration
§ 2:18 Required disclosure statement under MBRA
§ 2:19 Complaints under MBRA
§ 2:20 Regulation of "residential mortgage loan originators" under the Texas Secure and Fair Enforcement for Mortgage Licensing Act of 2009
§ 2:21 Residential mortgage fraud

IV. CONSUMER LOAN INTEREST RATES IN GENERAL

§ 2:22 Introduction
§ 2:23 Interest defined
§ 2:24 —Use
§ 2:25 —Forbearance
§ 2:26 —Detention
§ 2:27 —Distinction from time price differential
§ 2:28 Usurious transaction
§ 2:29 —Necessity that money be interest
§ 2:30 — —Substance of transaction essential to determination
§ 2:31 —Lender's intent
§ 2:32 —Presumption against usury
§ 2:33 —Use of savings clauses
§ 2:34 Presumption in favor of savings clauses
§ 2:35 Construction
§ 2:36 Strict construction of usury statutes
§ 2:37 Applicability of Chapter 349 penalties

V. CONSUMER LOANS NOT OVER 10% PER YEAR SUBJECT TO TEXAS FINANCE CODE § 302.001

§ 2:38 Introduction
§ 2:39 Maximum rate
§ 2:40 Public policy
§ 2:41 Penalties
§ 2:42 —Liability amount
§ 2:43 — —Other remedies
§ 2:44 —More than twice authorized amount
§ 2:45 —Charge or present demand
§ 2:46 —Penalties exclusive
§ 2:47 —Criminal penalties

§ 2:48 Interest rate determination
§ 2:49 —Actuarial method defined
§ 2:50 No rate specified
§ 2:51 No requirement to specify a rate

VI. CLOSED-END CONSUMER INSTALLMENT LOANS

A. OVERVIEW

§ 2:52 Chapter 342 in general
§ 2:53 Federal laws

B. NONREAL PROPERTY LOANS

§ 2:54 Introduction
§ 2:55 Regular transactions
§ 2:56 —18/8-split interest rate
§ 2:57 — —When computed
§ 2:58 — —15-day rule
§ 2:59 —Precomputed interest
§ 2:60 — —Refund of precomputed interest
§ 2:61 — — —Prepayment or demand occurs before first installment date
§ 2:62 Irregular transactions
§ 2:63 —Interest method or formula
§ 2:64 Simple interest installment loans
§ 2:65 —Scheduled installment earnings method
§ 2:66 —True daily earnings method
§ 2:67 —Daily rate
§ 2:68 —Accrued interest
§ 2:69 Single payment loans
§ 2:70 —Prepaid loan
§ 2:71 Regular transaction defaults
§ 2:72 —Five cents per one dollar rule
§ 2:73 —Collection
§ 2:74 — —Time for collection
§ 2:75 Additional interest for installment deferment
§ 2:76 —Definition of deferment period
§ 2:77 —Maximum amount
§ 2:78 —Prepaying during deferment
§ 2:79 —Time for collection
§ 2:80 Irregular transaction defaults
§ 2:81 —Precomputed interest loans
§ 2:82 — —Maximum rate
§ 2:83 —Simple interest loans

§ 2:84 — —Five cents per one dollar rule
§ 2:85 — —Collection
§ 2:86 Small high-interest rate loans

C. SECONDARY MORTGAGE LOANS

§ 2:87 Definition of secondary mortgage loan
§ 2:88 Precomputed interest installment loans
§ 2:89 —Computing interest charge
§ 2:90 —15-day rule
§ 2:91 —Amount of loan
§ 2:92 Simple interest installment loans
§ 2:93 —Rate ceiling
§ 2:94 —Interest accrual
§ 2:95 —Precomputed interest not allowed
§ 2:96 Regular transaction defaults
§ 2:97 —Five cents per one dollar rule
§ 2:98 —Collection
§ 2:99 — —Time for collection
§ 2:100 Additional interest for installment deferment
§ 2:101 —Definition of deferment period
§ 2:102 —Computing amount
§ 2:103 —Applicable interest
§ 2:104 —Loan prepayment
§ 2:105 —Time for collection
§ 2:106 Irregular transaction defaults
§ 2:107 —Maximum rate
§ 2:108 Date of first scheduled installment
§ 2:109 Amounts authorized to be included in contract
§ 2:110 —Trustee fees
§ 2:111 —Attorney's fees
§ 2:112 —Court costs
§ 2:113 Amounts authorized to be collected or added to loan
§ 2:114 —Title examination
§ 2:115 —Title insurance premiums
§ 2:116 —Attorney's fees
§ 2:117 —Fees connected to security interests
§ 2:118 —Real-estate appraisal
§ 2:119 —Credit report
§ 2:120 —Real-estate survey
§ 2:121 —Insurance premiums
§ 2:122 —Fees for compliance with federal programs
§ 2:123 —Administrative fee
§ 2:124 — —Timing
§ 2:125 Property insurance

§ 2:126 Debt suspension, debt cancellation and gap waiver agreements

D. INSURANCE

§ 2:127 In general
§ 2:128 Requiring borrower to obtain insurance—Nonreal property loans
§ 2:129 —Secondary mortgage loans
§ 2:130 —Coverage required
§ 2:131 —Duplicate property insurance
§ 2:132 Additional insurance—Nonreal property loans
§ 2:133 —Secondary mortgage loans
§ 2:134 Maximum amount of insurance coverage
§ 2:135 Required notice
§ 2:136 —Form of notice
§ 2:137 —Rate not fixed or approved by Commissioner of Insurance
§ 2:138 Borrower's furnishing of insurance
§ 2:139 Borrower's failure to provide insurance
§ 2:140 —Nonreal property loans
§ 2:141 —Addition to loan contract
§ 2:142 Insurance requirements
§ 2:143 Lender's duty to furnish insurance documents to borrower
§ 2:144 Lender's duty if insurance is adjusted or terminated
§ 2:145 Effect of unauthorized insurance charges
§ 2:146 Nonfiling insurance

E. LENDER'S DUTIES AND PROHIBITIONS

§ 2:147 In general
§ 2:148 Delivery of information to borrower
§ 2:149 Receipt for cash payment
§ 2:150 Acceptance of prepayment
§ 2:151 Return of instruments to borrower on repayment
§ 2:152 Modification of secondary mortgage loan contract
§ 2:153 Obligations under more than one contract
§ 2:154 Authorized charges
§ 2:155 Security for loan
§ 2:156 —Loans under Subchapter E or F
§ 2:157 Confession of judgment; power of attorney
§ 2:158 Disclosure of amount financed and payment schedule
§ 2:159 Instrument with blanks
§ 2:160 Waiver of borrower's rights
§ 2:161 Maximum loan term

VII. CERTAIN CONSUMER LOANS SUBJECT TO TEXAS FINANCE CODE CHAPTER 303

§ 2:162 Exclusive authority
§ 2:163 Scope
§ 2:164 Interest rate ceilings
§ 2:165 Use of ceilings
§ 2:166 Weekly ceiling
§ 2:167 —Computation of weekly ceiling
§ 2:168 — —Auction rate
§ 2:169 —Effective dates
§ 2:170 Monthly ceiling
§ 2:171 Quarterly ceiling
§ 2:172 Annualized ceiling
§ 2:173 Computation of quarterly and annualized ceiling
§ 2:174 —Computation dates
§ 2:175 —Quarterly effective dates
§ 2:176 —Annualized effective dates
§ 2:177 Maximum ceiling
§ 2:178 Minimum ceiling
§ 2:179 28% ceiling
§ 2:180 21% ceiling
§ 2:181 Contract renewals or extensions
§ 2:182 Variable rate contracts
§ 2:183 —Exceptions to use
§ 2:184 —Required disclosure

VIII. HOMESTEAD LOANS

§ 2:185 Types of homestead loans
§ 2:186 Constitutional protection for homestead loans
§ 2:187 Requirements for enforceable homestead loans
§ 2:188 —Notice of constitutional protection
§ 2:189 Requirements for enforceable refinance loans
§ 2:190 Requirements for enforceable home equity line of credit
§ 2:191 Requirements for enforceable reverse mortgages
§ 2:192 Administrative interpretations
§ 2:193 Model forms

IX. SUPPLEMENTAL MATERIALS ON CONSUMER LOANS

§ 2:194 Constrained by Law Clauses
§ 2:195 Plain Language and Model Forms

CHAPTER 3. RETAIL INSTALLMENT CREDIT

I. FEDERAL REGULATION—TRUTH IN LENDING ACT

§ 3:1 Scope of Act
§ 3:2 Purpose of Act
§ 3:3 Federal Reserve Board
§ 3:4 —Regulation Z
§ 3:5 — —Model forms
§ 3:6 — —Rate tables
§ 3:7 Applicability to retail installment credit
§ 3:8 —Transactions covered
§ 3:9 — —Definition of consumer
§ 3:10 — —Personal, family or household purposes
§ 3:11 — —Leases and bailments
§ 3:12 —Transactions not covered
§ 3:13 — —Non-natural persons
§ 3:14 — —Not repayable in less than four installments
§ 3:15 — —By person who does not regularly extend credit
§ 3:16 — —Amounts greater than $25,000
§ 3:17 — —State regulated transactions
§ 3:18 — —Waivers and exemptions
§ 3:19 Required disclosures
§ 3:20 —Annual percentage rate
§ 3:21 — —Non open-end credit calculations
§ 3:22 —Finance charge
§ 3:23 — —Examples of charges included in finance charge
§ 3:24 —Advertising
§ 3:25 Format of disclosure
§ 3:26 Prepayment and disclosure of penalty for prepayment
§ 3:27 Enforcement responsibilities in general
§ 3:28 —Civil liability
§ 3:29 — —Ability of individuals to bring actions
§ 3:30 — — —Individual damages
§ 3:31 — — —Class actions
§ 3:32 — —Maintaining action against creditor's assignee
§ 3:33 —Criminal liability
§ 3:34 —Consumer's right of rescission
§ 3:35 — —Exemptions

II. STATE REGULATION

A. RETAIL INSTALLMENT SALES

§ 3:36 Governing law

§ 3:37 Definition of retail installment transaction
§ 3:38 Definition of goods
§ 3:39 Goods excluded from regulation
§ 3:40 Definition of services
§ 3:41 Services excluded from regulation
§ 3:42 Definition of retail installment contract
§ 3:43 —Bailments or leases
§ 3:44 Transactions not covered under Chapter 345 of the Texas Finance Code
§ 3:45 —Purchases under retail charge agreements
§ 3:46 —Certain rental purchase agreements
§ 3:47 —Federal preemption
§ 3:48 Form of contract
§ 3:49 —Contracts in more than one document
§ 3:50 —Acknowledgment of delivery
§ 3:51 — —Presumptive or conclusive proof of delivery
§ 3:52 —Insurance statements
§ 3:53 —Insurance obtained by the holder
§ 3:54 —Insurance as itemized charge
§ 3:55 — —Special disclosures for insurance as itemized charge
§ 3:56 —Charging a documentary fee
§ 3:57 — —Maximum amount of fee allowed
§ 3:58 — —Disclosure requirements
§ 3:59 —Compensation for referral
§ 3:60 Time price differential
§ 3:61 —Limits on add-on charges
§ 3:62 —Calculations
§ 3:63 — —Optional ceiling
§ 3:64 — —Unequal payments
§ 3:65 — —Minimum time price differential
§ 3:66 — —Prepaid funeral benefits; medical and dental services
§ 3:67 Calculation methods of principal balance and refund credits
§ 3:68 —Principal balance
§ 3:69 —Amended principal balance
§ 3:70 —Refund credit for precomputed time price differential monthly installment contract
§ 3:71 — —Calculation of days
§ 3:72 Deferred installments
§ 3:73 Amendment of contract
§ 3:74 Permissible charges on principal balance if amended
§ 3:75 —Default on installment
§ 3:76 —Collection charges

§ 3:77 — —Acceleration of debt
§ 3:78 Consolidation of contracts
§ 3:79 —Allocation of payments
§ 3:80 —Mandatory consolidation
§ 3:81 Acquisition of contract
§ 3:82 Insurance on property purchased or improved
§ 3:83 —Property insurance
§ 3:84 —Other insurance
§ 3:85 —Choice of insurer
§ 3:86 —Payment of insurance
§ 3:87 —Rights of buyers
§ 3:88 —Prepayment of unpaid balance
§ 3:89 — —Refund credit
§ 3:90 —Rescission of contract
§ 3:91 —Certificate of completion
§ 3:92 —Statement of payments
§ 3:93 —Prohibition on certain repossession acts
§ 3:94 —Prohibition on certain liens
§ 3:95 — —Texas Constitutional protection
§ 3:96 —Nonwaivability of rights

B. MOTOR VEHICLE RETAIL INSTALLMENT SALES

§ 3:97 Governing law
§ 3:98 Transactions covered
§ 3:99 —Motor vehicle defined
§ 3:100 —Heavy commercial vehicle defined
§ 3:101 —Motor home defined
§ 3:102 —Towable recreation vehicle defined
§ 3:103 —Bailments or leases
§ 3:104 —Classification as retail installment
§ 3:105 Transactions not excluded
§ 3:106 —Noncovered vehicles
§ 3:107 —Mobile homes
§ 3:108 —Loans
§ 3:109 Form and contents of motor vehicle retail installment contract
§ 3:110 —Including information not required by Chapter 348; sequence of required information
§ 3:111 —Inclusion of documentary fee
§ 3:112 Required disclosures in general
§ 3:113 —TILA required disclosures
§ 3:114 —Documentary fee
§ 3:115 —Nonattached personal property

§ 3:116 — —Form of notice
§ 3:117 —Inconsistent or conflicting disclosures
§ 3:118 Calculation methods
§ 3:119 —Cash price
§ 3:120 — —Itemized charge
§ 3:121 —Principal balance
§ 3:122 Time price differential
§ 3:123 —Legislative history
§ 3:124 —Optional ceiling
§ 3:125 —Unequal payments
§ 3:126 —Time price differential computations
§ 3:127 —Time price differential add-on charges
§ 3:128 Permissible charges
§ 3:129 —Default on installment
§ 3:130 —Documentary fee
§ 3:131 —Collection charges
§ 3:132 — —Acceleration of maturity
§ 3:133 Amendment of contract
§ 3:134 Refinancing
§ 3:135 —Transactions where refinancing not applicable
§ 3:136 Transfer of equity
§ 3:137 —Allocation of payments
§ 3:138 Acquisition of contract
§ 3:139 Insurance
§ 3:140 —Property insurance
§ 3:141 —Other insurance
§ 3:142 —Choice of insurer
§ 3:143 —Payment of insurance
§ 3:144 — —Substitute insurance
§ 3:145 Rights of buyers
§ 3:146 —Prepayment
§ 3:147 — —Refund credit
§ 3:148 —Statement of payments
§ 3:149 —Outstanding balance information
§ 3:150 —Liability
§ 3:151 —Prohibition on certain acts of repossession
§ 3:152 —Nonwaivable rights
§ 3:153 Holder registration or license

C. PENALTIES FOR RETAIL INSTALLMENT SALES

§ 3:154 Governing law
§ 3:155 Charging excessive amounts of interest or time price differential

§ 3:156 —Charging other excessive amounts
§ 3:157 —Charging twice authorized amount
§ 3:158 —Failing to perform required acts or performing prohibited acts
§ 3:159 Limitations on liability
§ 3:160 —Unintentional error
§ 3:161 —Multiple violations
§ 3:162 —Correction of violation
§ 3:163 — —No liability
§ 3:164 — —Limited liability
§ 3:165 Procedures for civil actions
§ 3:166 —Venue
§ 3:167 —Limitations period
§ 3:168 —Class actions
§ 3:169 —Previous recovery under Consumer Credit Protection Act

III. CHECKLISTS

§ 3:170 Checklist—Drafting a retail installment contract
§ 3:171 —Prohibited contract provisions

IV. SUPPLEMENTAL MATERIALS ON RETAIL INSTALLMENT CREDIT

§ 3:172 Fee for dishonored payment device
§ 3:173 Constrained by law clauses
§ 3:174 Plain language and model forms

V. FORMS

§ 3:175 Retail installment contract—Goods and services
§ 3:176 —Home improvement
§ 3:177 —Motor vehicle
§ 3:178 —Mobile home
§ 3:179 Documentary fee disclosure clauses

CHAPTER 4. OPEN-END CREDIT

I. OVERVIEW

§ 4:1 Definition of open-end credit
§ 4:2 —Distinction from closed-end credit
§ 4:3 — —Importance of distinction
§ 4:4 Types of open-end credit
§ 4:5 —Credit cards

§ 4:6 —Lender card agreements

II. TRUTH IN LENDING ACT

§ 4:7 Purpose of Act
§ 4:8 Regulation Z
§ 4:9 —Applicability to commercial credit
§ 4:10 Conspicuousness of disclosures
§ 4:11 Use of estimates
§ 4:12 Effect of subsequent events
§ 4:13 Initial disclosure statement
§ 4:14 —Finance charge
§ 4:15 —Other charges
§ 4:16 —Security interests
§ 4:17 —Statement of billing rights
§ 4:18 Credit and charge card applications and solicitations in general
§ 4:19 —Percentage-based fees
§ 4:20 —Fees that vary by state
§ 4:21 —Direct mail solicitations—Required disclosures—Annual percentage rate
§ 4:22 — —Fees for issuance or availability
§ 4:23 — —Minimum finance/transaction charges
§ 4:24 — —Grace period
§ 4:25 — —Balance computation method
§ 4:26 — —Charge card payments
§ 4:27 — —Fees
§ 4:28 —Telephone solicitations
§ 4:29 —Solicitations made to general public
§ 4:30 — —Alternative general public solicitation
§ 4:31 Disclosures prior to renewal
§ 4:32 Disclosures prior to change in terms
§ 4:33 —When notice not required
§ 4:34 Disclosures for credit secured by principal dwelling
§ 4:35 Credit card holder's liability for unauthorized use
§ 4:36 Advertising restrictions
§ 4:37 Billing
§ 4:38 —Correction of billing errors
§ 4:39 — —Definition of billing error
§ 4:40 — —Requirements of consumer's notice
§ 4:41 — —Creditor's investigation of error
§ 4:42 — — —Written acknowledgment to consumer
§ 4:43 — — —Time for resolving error
§ 4:44 — —Acceleration of debt

§ 4:45 — —Creditor's failure to comply with resolution requirements
§ 4:46 — —Credit reports
§ 4:47 Repayment without incurrence of additional finance charges
§ 4:48 Prohibited inducements
§ 4:49 Offset against other funds
§ 4:50 Claims and defenses

III. STATE REGULATION

A. OVERVIEW

§ 4:51 Types of open-end credit regulated
§ 4:52 —Open-end account under Chapter 342
§ 4:53 — —Maximum loan charge
§ 4:54 — —Requirements of agreement
§ 4:55 — —Delivery of copy of agreement to borrower

B. OPEN-END ACCOUNTS UNDER CHAPTER 303

§ 4:56 Use of ceilings in general
§ 4:57 —Effective dates—Annualized ceiling
§ 4:58 — —Quarterly ceiling
§ 4:59 Maximum ceiling
§ 4:60 Minimum ceiling
§ 4:61 28% ceiling
§ 4:62 21% ceiling
§ 4:63 Credit card and merchant discounts
§ 4:64 Contract renewals or extensions
§ 4:65 Variable rate agreements
§ 4:66 —Exceptions to use
§ 4:67 —Required disclosures
§ 4:68 Change of agreement term
§ 4:69 —Requirements of notice
§ 4:70 —Checkoff form
§ 4:71 —Obligor's consent to change
§ 4:72 —Obligor's rejection of rate change
§ 4:73 —Disclosure of decrease in interest rate
§ 4:74 —Disclosure of certain rate variations
§ 4:75 — —When notice must be provided

C. REVOLVING CREDIT ACCOUNTS UNDER CHAPTER 346

§ 4:76 Definitions

§ 4:77 —Billing cycle
§ 4:78 —Credit card
§ 4:79 —Creditor
§ 4:80 —Customer
§ 4:81 Types of revolving accounts
§ 4:82 —Revolving credit account
§ 4:83 — —Revolving loan account
§ 4:84 — —Revolving triparty account
§ 4:85 —Application
§ 4:86 Average daily balance—Computation
§ 4:87 —Day's ending balance computation
§ 4:88 — —Inclusion of interest
§ 4:89 Interest computation
§ 4:90 —Maximum interest rate
§ 4:91 — —Alternative interest computation
§ 4:92 —Billing cycle interest rates
§ 4:93 — —Equal billing cycles
§ 4:94 — — —Determining equal billing cycles
§ 4:95 Fees
§ 4:96 —Annual fee
§ 4:97 —Late charge
§ 4:98 — —Notice required
§ 4:99 —Cash advance charge
§ 4:100 —Returned check fee
§ 4:101 —Over-the-limit fee
§ 4:102 —Interest on statutory fees not permissible
§ 4:103 Insurance or collateral
§ 4:104 —When acceleration is prohibited
§ 4:105 Recovery of authorized amounts
§ 4:106 —Court costs
§ 4:107 —Attorney's fees
§ 4:108 —U.C.C. filing or recording fees
§ 4:109 —Transferring title certificate for motor vehicle
§ 4:110 —Sale of collateral
§ 4:111 —Sale of insurance
§ 4:112 Multiple revolving accounts
§ 4:113 —Exception
§ 4:114 Amendment of terms
§ 4:115 Relationship to other laws—Texas
§ 4:116 —Federal law
§ 4:117 Penalties and liabilities

D. RETAIL CHARGE AGREEMENTS UNDER TEXAS FINANCE CODE CHAPTER 345

§ 4:118 Coverage under Subchapter C

§ 4:119 Requirements of agreement
§ 4:120 —Effect of compliance with Consumer Credit Protection Act
§ 4:121 Prohibitions under Subchapter C—Blank spaces in agreement
§ 4:122 —Annual fee
§ 4:123 Prohibitions under Subchapter H
§ 4:124 Rate of time price differential
§ 4:125 —Blended rate
§ 4:126 —Alternative rates under Chapter 303
§ 4:127 —Market competitive rate ceiling
§ 4:128 —Late charges
§ 4:129 Processing fee for dishonored check
§ 4:130 Attorney's fees
§ 4:131 Penalties and liabilities

IV. SUPPLEMENTAL MATERIALS ON RETAIL INSTALLMENT CREDIT

§ 4:132 Fee for dishonored payment device
§ 4:133 Constrained by law clauses
§ 4:134 Plain language and model forms

V. CHECKLISTS

§ 4:135 Drafting a credit card application form
§ 4:136 Drafting a credit card agreement

VI. FORMS

§ 4:137 Retail charge agreement
§ 4:138 Statement of billing rights—Long form (model form)

CHAPTER 5. BANK DEPOSITS AND COLLECTIONS; NEGOTIABLE INSTRUMENTS

I. OVERVIEW OF BANK DEPOSITS AND COLLECTIONS

A. GOVERNING STATUTES AND REGULATIONS

§ 5:1 Mix of statutory and common law
§ 5:2 Texas Uniform Commercial Code Article 4
§ 5:3 Preemption by federal law
§ 5:4 —Expedited Funds Availability Act

§ 5:5 — —Regulation CC (12 C.F.R. Part 229)
§ 5:6 Federal Reserve regulations
§ 5:7 Conflict of law
§ 5:8 —Other U.C.C. articles
§ 5:9 Variation of U.C.C. provisions by agreement
§ 5:10 —Limitation on agreements
§ 5:11 Ordinary care
§ 5:12 —Damages for failure to exercise due care
§ 5:13 Statute of limitations

B. U.C.C. DEFINITIONS

§ 5:14 In general
§ 5:15 Relating to accounts
§ 5:16 —Types of drafts
§ 5:17 — —Checks
§ 5:18 — —Documentary drafts
§ 5:19 Relating to time or calculation of periods
§ 5:20 —Time of receipt of items
§ 5:21 — —Waiver, modification, extension of time limit
§ 5:22 — —Excusable delay
§ 5:23 Relating to settlement and means of collection
§ 5:24 Bank
§ 5:25 Depositary bank
§ 5:26 Payor bank
§ 5:27 —Payable at bank
§ 5:28 Intermediary bank
§ 5:29 Collecting bank
§ 5:30 —Payable through bank
§ 5:31 Presenting bank
§ 5:32 Electronic presentment

II. COLLECTION BY DEPOSITARY AND COLLECTING BANKS

A. DEPOSITARY BANK

§ 5:33 Warranties to other banks and drawer
§ 5:34 Holder of item

B. COLLECTING BANKS

§ 5:35 Liability flows from agency status
§ 5:36 —Change in status
§ 5:37 — —Agent or sub-agent
§ 5:38 —Effect of form of indorsement; nature of credit given

§ 5:39 —Simultaneous status as agent and holder in due course
§ 5:40 Pay any bank indorsement
§ 5:41 Collection or return
§ 5:42 —Responsibility
§ 5:43 — —Ordinary care
§ 5:44 Duty of depositary bank under Regulation CC
§ 5:45 Duty of returning bank under Regulation CC
§ 5:46 Instructions from transferor
§ 5:47 —Effect
§ 5:48 —Form
§ 5:49 —Exemptions
§ 5:50 Sending and presenting items
§ 5:51 —Methods
§ 5:52 — —Authorized methods

C. TRANSFER AND WARRANTIES

1. In General

§ 5:53 Transfer between banks

2. Transfer Warranties

§ 5:54 Purpose of warranties
§ 5:55 Liability for payment of item upon dishonor
§ 5:56 By whom and to whom
§ 5:57 Transferor's warranties
§ 5:58 —Signatures
§ 5:59 —No alteration
§ 5:60 —Not subject to defense or claim in recoupment
§ 5:61 —No knowledge of any insolvency proceeding
§ 5:62 Breach of transferor's warranties
§ 5:63 —Accrual of cause of action
§ 5:64 —Damages

3. Presentment Warranties

§ 5:65 Similar to presentment warranties for negotiable instruments
§ 5:66 Warranties on presentment and transfer mutually exclusive
§ 5:67 Disclaimer of presenter's warranties
§ 5:68 Presenter's warranties—By whom and to whom
§ 5:69 —Person entitled to enforce item
§ 5:70 —No knowledge that drawer's signature, or creation of draft, is unauthorized
§ 5:71 —No alteration

§ 5:72 Breach of presenter's warranties—Accrual of cause of action
§ 5:73 —Damages
§ 5:74 —As to acceptor's obligation

4. Other Warranties

§ 5:75 Encoding warranties
§ 5:76 —Damages for breach
§ 5:77 Retention warranties; electronic presentment agreement
§ 5:78 Federal warranties—Warranty of settlement amount, encoding, offset, and preferences
§ 5:79 —Breach
§ 5:80 — —After July 1, 2006

D. SECURITY INTERESTS OF COLLECTING BANK

§ 5:81 In general
§ 5:82 Duration and termination of interest
§ 5:83 Credit given or applied
§ 5:84 Withdrawn as matter of right
§ 5:85 Advances against item
§ 5:86 Extent of security interest where several items received
§ 5:87 When bank given value for purposes of holder in due course

E. PRESENTMENT BY NOTICE OF ITEM NOT PAYABLE BY, THROUGH, OR AT BANK; LIABILITY OF DRAWER OR INDORSER

§ 5:88 In general
§ 5:89 When notice timely
§ 5:90 Acceptance or dishonor

F. SETTLEMENT BY BANK

§ 5:91 Applicable laws and regulations
§ 5:92 —Default medium of settlement
§ 5:93 —Default time of settlement
§ 5:94 —When settlement becomes final
§ 5:95 Bank's right to charge-back or refund
§ 5:96 —When collecting bank's right arises
§ 5:97 —Effect on other rights of collecting banks
§ 5:98 —Requirements for charge-back or refund

§ 5:99 —When item has been returned or notice of non-payment sent
§ 5:100 —Charge-back of items payable in foreign currency
§ 5:101 —Right of depositary bank to charge-back or refund

G. AVAILABILITY OF FUNDS

§ 5:102 In general
§ 5:103 Mandatory funds availability schedule under Regulation CC
§ 5:104 —Institutions required to comply
§ 5:105 —Next-day availability
§ 5:106 —Second-day availability
§ 5:107 —Fifth-day availability
§ 5:108 —One-day extension for cash withdrawals and case-by-case exceptions
§ 5:109 —Extension for out-of-state deposits
§ 5:110 —Exception for new accounts, large deposits, etc
§ 5:111 —Disclosure of availability policy
§ 5:112 —Liability for violation

III. COLLECTION BY PAYOR BANKS

§ 5:113 Revocation and recovery of settlement
§ 5:114 —Deferred posting
§ 5:115 —Exceptions to revocation of settlement
§ 5:116 Duty to settle on day of receipt
§ 5:117 Right to revoke settlement
§ 5:118 —Returning item
§ 5:119 — —Expedited return under Regulation CC
§ 5:120 —Sending notice of dishonor
§ 5:121 —Time of dishonor
§ 5:122 Payor bank's responsibility for late return of item
§ 5:123 —Documentary drafts and items not payable on demand
§ 5:124 —Defenses to liability
§ 5:125 Order in which items may be paid
§ 5:126 —Priorities
§ 5:127 —Timeliness of stop-payment orders, writs of garnishment, notices, and set-offs
§ 5:128 Final payment of item by payor bank
§ 5:129 —What constitutes final payment—Payment in cash
§ 5:130 — —Settling without reserving right to revoke
§ 5:131 — —Provisional settlement for item
§ 5:132 —Relationship between final settlement and final payment

IV. RELATIONSHIP BETWEEN PAYOR BANK AND ITS CUSTOMER

A. WHEN BANK MAY CHARGE CUSTOMER'S ACCOUNT

§ 5:133 Properly payable items
§ 5:134 Items creating overdrafts
§ 5:135 —Bank's voluntary payment of overdraft is loan
§ 5:136 Right to charge account for altered or incomplete instruments
§ 5:137 Postdated checks

B. BANK'S LIABILITY TO CUSTOMER FOR WRONGFUL DISHONOR

§ 5:138 In general—Effect of overdraft
§ 5:139 —Time for determining account balance
§ 5:140 Duty owed only to customer
§ 5:141 Damages

C. CUSTOMER'S RIGHT TO STOP PAYMENT

§ 5:142 In general
§ 5:143 Who may stop payment
§ 5:144 Items subject to stop-payment order
§ 5:145 Stop-payment order—Requirements
§ 5:146 —Time to effect
§ 5:147 —Expiration and renewal
§ 5:148 Damages

D. STALE CHECKS; DEATH OR INCOMPETENCE OF CUSTOMER

§ 5:149 Bank not obligated to pay check over six months old
§ 5:150 —Right of bank to pay stale check
§ 5:151 Incompetence of customer
§ 5:152 Death of customer
§ 5:153 —Right of person claiming interest in estate to stop payment

E. CUSTOMER'S DUTY TO DISCOVER AND REPORT UNAUTHORIZED SIGNATURE OR ALTERATION

§ 5:154 Bank's provision of statements of account
§ 5:155 Customer's duty to examine statement or items

§ 5:156 Duty of bank to return item or maintain copy
§ 5:157 Effect of customer's failure to comply with duty
§ 5:158 —Bank's duty to prove loss
§ 5:159 —Repeat alterations or forgeries by same wrongdoer; repeater rule
§ 5:160 Comparative negligence
§ 5:161 Absolute preclusion after one year

F. BANK'S RIGHT TO SUBROGATION

§ 5:162 Payor bank's right to subrogation on improper payment
§ 5:163 —To whom subrogated

V. COLLECTION OF DOCUMENTARY DRAFTS

§ 5:164 Handling documentary drafts
§ 5:165 Presentment of on arrival drafts
§ 5:166 Presenting bank's responsibility for documents and goods
§ 5:167 Referee in case of need
§ 5:168 —Decision not to use referee
§ 5:169 Privilege of presenting bank to deal with goods; security interest for expenses

VI. INSOLVENCY OF BANKS AND PREFERENCE

§ 5:170 In general
§ 5:171 Suspension of payment prior to final payment
§ 5:172 Final payment without settlement

VII. TEXAS UNIFORM COMMERCIAL CODE ARTICLE 3

A. REQUIREMENTS OF NEGOTIABLE INSTRUMENTS

§ 5:173 Introduction
§ 5:174 Conflict between U.C.C. Articles 3 and 4
§ 5:175 Definition of negotiable instrument
§ 5:176 —Order must be unconditional
§ 5:177 — —Countersignature on traveler's checks
§ 5:178 —Payable to bearer or order
§ 5:179 —Payable on demand or at definite time
§ 5:180 — —Demand
§ 5:181 — —At definite time
§ 5:182 —Contain only permissible additions

§ 5:183 —Amount payable
§ 5:184 — —Fixed sum
§ 5:185 — —Foreign currency
§ 5:186 Identification of payee
§ 5:187 —Multiple signers
§ 5:188 —Automated signature of issuer
§ 5:189 —Method of identification
§ 5:190 — —Rules for determination of holder
§ 5:191 — — —Instrument payable to account
§ 5:192 — — —Instrument payable to trust or estate
§ 5:193 — — —Instrument payable to agent or representative
§ 5:194 — — —Instrument payable to fund or organization that is not legal entity
§ 5:195 — — —Instrument payable to office or officeholder
§ 5:196 — —Instrument payable to two or more persons alternatively
§ 5:197 Payment place
§ 5:198 Date of instrument
§ 5:199 —Exception for checks
§ 5:200 —Undated instrument
§ 5:201 Contradictory terms in instrument
§ 5:202 Incomplete instrument
§ 5:203 —Incomplete instrument qualifying as instrument
§ 5:204 —Alteration of incomplete instrument
§ 5:205 — —Burden of proof

B. TRANSFER OF NEGOTIABLE INSTRUMENTS

§ 5:206 Definition of negotiation
§ 5:207 Indorsement by holder required
§ 5:208 —Definition of indorsement
§ 5:209 —Signature considered indorsement
§ 5:210 —Instrument payable to holder under name not that of holder
§ 5:211 —Types of indorsement—Special indorsement
§ 5:212 — —Effect of special indorsement
§ 5:213 — —Blank indorsement
§ 5:214 — — —Effect of blank indorsement
§ 5:215 — — —Conversion of blank indorsement to special indorsement
§ 5:216 — —Anomalous indorsement
§ 5:217 — —Restrictive indorsement
§ 5:218 — — —Checks indorsed pay any bank, for deposit or for collection
§ 5:219 — — —Indorsee as agent, trustee or fiduciary

§ 5:220 — — —Defense of payment in violation of indorsement
§ 5:221 —Right to require indorsement
§ 5:222 Negotiation subject to rescission
§ 5:223 Rights acquired by transfer
§ 5:224 Partial transfer

C. PRESENTMENT AND DISHONOR

1. Presentment

§ 5:225 Definition
§ 5:226 Rules governing presentment
§ 5:227 Place of presentment
§ 5:228 Method of presentment
§ 5:229 When presentment effective
§ 5:230 Obligations of person to whom presentment made
§ 5:231 Rights of person to whom presentment made

2. Dishonor

§ 5:232 Right to dishonor
§ 5:233 Unaccepted draft (other than documentary draft)
§ 5:234 —Check presented for immediate payment over the counter
§ 5:235 —Time draft
§ 5:236 Accepted draft
§ 5:237 Dishonor without presentment
§ 5:238 Notice of dishonor
§ 5:239 —Method of giving notice
§ 5:240 —Time for notice—Instrument taken for collection by collecting bank
§ 5:241 — —Instrument not taken for collection by collecting bank
§ 5:242 —Sufficiency of notice
§ 5:243 —Excused notice of dishonor
§ 5:244 —Excused delay in notice of dishonor
§ 5:245 Evidence of dishonor

D. ENFORCEMENT RIGHTS

1. Person Entitled to Enforcement

§ 5:246 Introduction
§ 5:247 Nonholder in possession
§ 5:248 Lost, destroyed or stolen instruments
§ 5:249 —Proof of terms
§ 5:250 —Findings required for judgment

§ 5:251 —Special rules for cashier's checks, teller's checks, and certified checks
§ 5:252 — —Necessity of declaration of loss
§ 5:253 — —Required time frame
§ 5:254 — —Enforceability of claim
§ 5:255 — — —Obligation to pay check
§ 5:256 — — —Payment of check before claim enforceable
§ 5:257 — — —Claim enforceable before check presented
§ 5:258 — —Check presented by holder in due course
§ 5:259 Holder in due course
§ 5:260 —Value
§ 5:261 —Good faith
§ 5:262 —No notice of overdue instrument
§ 5:263 —No notice of unauthorized signature or alteration
§ 5:264 — —Proof of signature
§ 5:265 — — —Status as holder in due course
§ 5:266 —No notice of claims to instrument
§ 5:267 —No notice of defenses or claims in recoupment
§ 5:268 — —Notice of discharge
§ 5:269 —Limitation on rights of holder in due course—Effect of partial performance
§ 5:270 —Effect of instrument on obligation taken
§ 5:271 — —Suspension of obligation until dishonor or payment
§ 5:272 — —Obligee may enforce either check or obligation
§ 5:273 —Obligee may not enforce to extent obligation suspended
§ 5:274 —Obligee entitled to enforce but not in possession
§ 5:275 —Person not acquiring rights of holder in due course

2. Defenses

§ 5:276 Defenses against holder in due course
§ 5:277 Defenses against holders not in due course
§ 5:278 —Claims in recoupment
§ 5:279 —Lack of consideration
§ 5:280 —Statute of limitations
§ 5:281 —Accord and satisfaction by use of instrument
§ 5:282 — —Instrument with conspicuous statement of tender in full satisfaction of claim
§ 5:283 — —Claim not discharged—Claimant is an organization
§ 5:284 — — —Claimant proves tender of repayment within 90 days after payment
§ 5:285 — —Claim discharged
§ 5:286 —Notice of breach of fiduciary duty

§ 5:287 — —Notice of breach of fiduciary duty is notice of claim
§ 5:288 — —Taker's notice where instrument payable to fiduciary
§ 5:289 — —Taker's notice where instrument issued by fiduciary and payable to fiduciary personally
§ 5:290 — —Taker's notice where instrument issued by fiduciary to taker as payee
§ 5:291 —Alteration
§ 5:292 — —Discharge of obligation
§ 5:293 — —Enforcement of altered instrument
§ 5:294 Obligor's assertion of defenses or claims of another person
§ 5:295 Consumer transaction

E. LIABILITIES OF PARTIES

§ 5:296 Joint and several liability
§ 5:297 —Right of contribution
§ 5:298 Signature required for liability
§ 5:299 —Manner of signature
§ 5:300 —Unauthorized signature
§ 5:301 —Signature of organization
§ 5:302 Impostors or fictitious payees
§ 5:303 —Rules applicable until negotiation by special indorsement
§ 5:304 —Negligence in paying or taking instrument
§ 5:305 Employer liability for fraudulent employee indorsement; padded payroll rule
§ 5:306 —Contributory negligence of bank
§ 5:307 — —Definitions—Fraudulent indorsement
§ 5:308 — — —Responsibility with respect to instruments
§ 5:309 — — —Indorsement in name of person to whom payable
§ 5:310 Negligence contributing to forged signature of instrument alteration
§ 5:311 —Contributory negligence of person asserting preclusion
§ 5:312 Drawee's liability on unaccepted draft
§ 5:313 Acceptance of certified check
§ 5:314 Refusal to pay cashier's checks, teller's check's, and certified checks
§ 5:315 Obligation of issuer of cashier's check
§ 5:316 —Person to whom obligation owed
§ 5:317 Obligation of acceptor on certified checks
§ 5:318 Obligation of drawer—Unaccepted draft

§ 5:319 — —To whom obligation owned
§ 5:320 —Accepted draft
§ 5:321 Obligation of indorser
§ 5:322 —To whom obligation owed
§ 5:323 —Indorsement without recourse
§ 5:324 —Lack of notice of dishonor
§ 5:325 —Draft accepted by bank after indorsement
§ 5:326 —Check collection delayed
§ 5:327 Transfer warranties
§ 5:328 —Recovery from warrantor
§ 5:329 —Warranties with respect to checks
§ 5:330 —Accrual of cause of action
§ 5:331 Presentment warranties—Unaccepted drafts
§ 5:332 — —Damages for breach
§ 5:333 — — —Defenses
§ 5:334 —Dishonored drafts
§ 5:335 — —Damages for breach
§ 5:336 —No disclaimer with respect to checks
§ 5:337 —Accrual of cause of action
§ 5:338 Payment or acceptance by mistake
§ 5:339 —Limitation of remedies
§ 5:340 —Effect of recovering payment or revoking acceptance
§ 5:341 Conversion of instrument
§ 5:342 —Persons prohibited from bringing conversion action
§ 5:343 —Measure of liability in conversion action
§ 5:344 —Limitation on liability of good faith representative
§ 5:345 Notice to third party of right to defend action
§ 5:346 —Binding notification

F. DISCHARGE AND PAYMENT

§ 5:347 Discharge and effect of discharge
§ 5:348 —Notice to holder in due course
§ 5:349 Payment
§ 5:350 —Obligation discharged
§ 5:351 —Notice deemed
§ 5:352 —Obligation not discharged
§ 5:353 — —Claim to instrument enforceable against party receiving payment
§ 5:354 — — —Person making payment knows instrument stolen and pays it
§ 5:355 Tender of payment
§ 5:356 —Refusal of tender
§ 5:357 Discharge by cancellation or renunciation

§ 5:358 —Effect of cancellation of indorsement
§ 5:359 Discharge of secondary obligors—Releases
§ 5:360 —Release—Obligations between primary and secondary obligors not affected
§ 5:361 — —Secondary obligor is discharged
§ 5:362 — — —Exception
§ 5:363 —Extensions
§ 5:364 — —Obligations between primary and secondary obligors not affected
§ 5:365 —Release—Secondary obligor is discharged
§ 5:366 —Modification
§ 5:367 — —Obligations between primary and secondary obligors not affected
§ 5:368 — —Secondary obligor is discharged
§ 5:369 —Collateral
§ 5:370 —No discharge
§ 5:371 —No discharge if secondary obligor consents
§ 5:372 —Secondary obligor's recourse preserved
§ 5:373 —Secondary obligor's burden
§ 5:374 — —Amount of loss

VIII. CHECKLISTS

§ 5:375 Checklist—Preparing Negotiable Instruments
§ 5:376 —Requirements of Negotiability

IX. FORMS

A. BANK REGULATIONS

§ 5:377 Statement of deposit cut-off time
§ 5:378 Night depository agreement—Long Form
§ 5:379 —Short Form

B. NEGOTIABLE INSTRUMENTS

§ 5:380 Note—Payable on demand
§ 5:381 — —Security provision
§ 5:382 —Payable at specific time
§ 5:383 — —Multiple Payees
§ 5:384 — —Secured

CHAPTER 6. FUNDS TRANSFERS, CURRENCY EXCHANGE AND TRANSMISSION, AND CHECK SELLERS

I. OVERVIEW

§ 6:1 Different types of funds transfer

II. TEXAS UNIFORM COMMERCIAL CODE ARTICLE 4A

A. BACKGROUND AND SCOPE OF LAW

§ 6:2 Background of law
§ 6:3 Scope of law
§ 6:4 Federal reserve regulations/other federal regulations
§ 6:5 Relationship with federal law; federal preemption
§ 6:6 Agreement between parties to vary provisions
§ 6:7 Choice of law—By agreement
§ 6:8 —By funds transfer system rule
§ 6:9 —Absent agreement or rule

B. U.C.C. DEFINITIONS

§ 6:10 In general
§ 6:11 —Payment order
§ 6:12 — —Payment order requiring multiple payments
§ 6:13 — —Forms of transmission distinguished
§ 6:14 —Beneficiary and beneficiary's bank
§ 6:15 —Receiving bank
§ 6:16 —Sender
§ 6:17 —Funds transfers
§ 6:18 — —Credit and debit transfers distinguished
§ 6:19 — —Credit card and check transactions excluded
§ 6:20 —Intermediary bank
§ 6:21 —Originator and originator's bank

C. ISSUANCE AND ACCEPTANCE OF PAYMENT ORDERS

§ 6:22 Time of issuance
§ 6:23 Security procedure
§ 6:24 —Sufficiency of particular methods
§ 6:25 —Effect on determining who bears loss
§ 6:26 —Time of receipt of payment order
§ 6:27 Authorized and verified payment orders

§ 6:28 —Written agreements
§ 6:29 —Verification test
§ 6:30 — —Commercial reasonableness
§ 6:31 — — —Customer chooses security measure
§ 6:32 Unenforceability of certain verified payment orders
§ 6:33 —Bank's agreement to limit enforcement
§ 6:34 —Refund of payment
§ 6:35 Acceptance of payment orders and liability for non-acceptance
§ 6:36 —Time of acceptance
§ 6:37 — —Premature acceptance
§ 6:38 —Liability for non-acceptance

D. REJECTION OF PAYMENT ORDERS

§ 6:39 Notice of rejection
§ 6:40 —Form of notice
§ 6:41 — —Reasonable means of transmission of notice
§ 6:42 — — —By agreement
§ 6:43 Acceptance precludes rejection
§ 6:44 Effect of suspension of payments

E. AMENDMENT AND CANCELLATION OF PAYMENT ORDERS

§ 6:45 Amendment
§ 6:46 Cancellation
§ 6:47 —Mode of communication; effect of security procedures
§ 6:48 —Cancellation by operation of law
§ 6:49 —Effect of acceptance prior to cancellation

F. EXECUTION OF PAYMENT ORDERS

§ 6:50 Execution date
§ 6:51 —Determination by sender's instruction
§ 6:52 Execution by the receiving bank
§ 6:53 —Obligation in executing order
§ 6:54 —Erroneous execution
§ 6:55 —Wrong beneficiary
§ 6:56 —Damages for delay
§ 6:57 —Sender's duty to report erroneous execution

G. PAYMENT OF PAYMENT ORDERS

§ 6:58 In general
§ 6:59 Payment date

§ 6:60 Sender's obligation to pay receiving bank
§ 6:61 —Effect where intermediary bank involved
§ 6:62 Beneficiary's bank obligations
§ 6:63 —Notice to beneficiary
§ 6:64 — —Effect of failure to notify
§ 6:65 Payment by beneficiary's bank to beneficiary
§ 6:66 Discharge of underlying obligation

III. FEDERAL ELECTRONIC FUNDS TRANSFER ACT (15 U.S.C.A. §§ 1693 TO 1683R; REGULATION E (12 C.F.R. PART 205))

§ 6:67 Scope of Act
§ 6:68 Definitions—Electronic funds transfer
§ 6:69 —Exclusions from definition
§ 6:70 —Unauthorized electronic fund transfer
§ 6:71 —Preauthorized electronic fund transfer
§ 6:72 —Electronic terminal
§ 6:73 —Other definitions
§ 6:74 Disclosure of terms and conditions of transfers
§ 6:75 Transfers
§ 6:76 Resolution of errors
§ 6:77 —Investigation of error
§ 6:78 —Annual error resolution notice
§ 6:79 —What constitutes error
§ 6:80 —Liabilities of financial institution
§ 6:81 — —Defenses
§ 6:82 —Liabilities of consumer
§ 6:83 —Means of access to consumer's account
§ 6:84 —Compulsory use; waiver of rights
§ 6:85 Enforcement

IV. REGULATION OF MONEY SERVICES BUSINESSES (CHAPTER 151, TEXAS FINANCE CODE)

§ 6:86 Scope of law
§ 6:87 Regulatory agencies
§ 6:88 Investigatory powers
§ 6:89 Definitions—Money Services
§ 6:90 —Currency exchange
§ 6:91 —Money transmission
§ 6:92 —Payment instrument
§ 6:93 —Money
§ 6:94 —Stored value

§ 6:95 Exclusions
§ 6:96 Money services license
§ 6:97 Minimum qualifications for a license
§ 6:98 Application for license
§ 6:99 Conduct of money transmission business
§ 6:100 Disclosure requirements for money transmission transactions
§ 6:101 Examinations
§ 6:102 Records
§ 6:103 Confidentiality
§ 6:104 Administrative and criminal penalties
§ 6:105 Administrative procedures
§ 6:106 Money transmission—Conducting business through delegate—Contract requirements
§ 6:107 — —Reporting requirements
§ 6:108 — —List of delegates
§ 6:109 — —Authorized conduct
§ 6:110 — —Trust imposed
§ 6:111 — —No commingling
§ 6:112 —Conducting business
§ 6:113 Currency exchange
§ 6:114 —License required
§ 6:115 Enforcement—Cease and desist orders
§ 6:116 —Consent order
§ 6:117 —Administrative penalty
§ 6:118 — —Determination
§ 6:119 — —Amount
§ 6:120 — —Hearing
§ 6:121 — —Order and collection
§ 6:122 —Criminal offense
§ 6:123 —Notice and hearing procedures for non-emergency orders
§ 6:124 —Notice and hearing procedures for emergency orders
§ 6:125 — —Requirements of order
§ 6:126 — —Hearing
§ 6:127 — —Finality of order
§ 6:128 Administrative proceedings

V. REGULATION OF FOREIGN CURRENCY TRANSMISSIONS (CHAPTER 278, TEXAS FINANCE CODE)

§ 6:129 Scope of law
§ 6:130 Definitions—Currency and fee

§ 6:131 —Currency transmission and currency transmission business
§ 6:132 Currency transmission disclosures
§ 6:133 —When rate of exchange is fixed
§ 6:134 —When rate of exchange is not fixed
§ 6:135 —Language of disclosure
§ 6:136 Cancellation and Refund of Transaction
§ 6:137 Civil penalty for violation

VI. CHECKLISTS

§ 6:138 Drafting a U.C.C. funds transfer agreement

VII. FORMS

§ 6:139 U.C.C. funds transfer agreement
§ 6:140 Payment order
§ 6:141 Cancellation of payment order
§ 6:142 Notice to bank from customer—Report of erroneous payment order
§ 6:143 Application for currency exchange, transmission, or transportation
§ 6:144 Personal financial statement
§ 6:145 Statement of personal history
§ 6:146 Application for check sellers license

Table of Contents

CHAPTER 7. COMMERCIAL LOANS

I. OVERVIEW

§ 7:1 Definition of commercial loan
§ 7:2 Regulatory compliance
§ 7:3 Regulation of interest rates on commercial loans
§ 7:4 —Rate
§ 7:5 —What constitutes interest
§ 7:6 — —Prepayment premium
§ 7:7 — —Delinquency charge
§ 7:8 — —Returned check fee
§ 7:9 — —Excess interest resulting from prepayment
§ 7:10 —Computation
§ 7:11 —Special rules for qualified commercial loans
§ 7:12 — —Consideration excluded from usury calculation
§ 7:13 — —Renewals and extensions covered
§ 7:14 —Special rule for asset-backed securities transactions
§ 7:15 —Special rule for account purchase transactions
§ 7:16 Commercial loan process
§ 7:17 —Loan application
§ 7:18 — —Financial information
§ 7:19 — —Business plan
§ 7:20 —Agreement on terms
§ 7:21 —Loan documentation
§ 7:22 —Loan closing
§ 7:23 —Participating the loan

II. CLASSIFICATION OF LOANS

§ 7:24 By security
§ 7:25 —Unsecured
§ 7:26 —Secured
§ 7:27 — —Borrowing base loans
§ 7:28 — —Distinguished from factoring
§ 7:29 — — —Underwriting
§ 7:30 — — —Structuring
§ 7:31 — — —Pricing
§ 7:32 — — —Credit risk concentrations
§ 7:33 — — —Elements of factoring agreement
§ 7:34 — — —Advance factoring

§ 7:35 By interest terms
§ 7:36 —Fixed
§ 7:37 —Floating
§ 7:38 — —Prime based—Determined internally
§ 7:39 — — —Determined by publication
§ 7:40 — — —Prime plus
§ 7:41 — —Matched funds indices
§ 7:42 — —United States treasury bills
§ 7:43 — — —Determined by reference to publication
§ 7:44 —Floating—SOFR
§ 7:45 — —Determined by reference to publication
§ 7:46 By funding terms
§ 7:47 —Term loan
§ 7:48 — —Constant or reducing loan
§ 7:49 — —Single funding or several draws
§ 7:50 — —Single payment or amortization
§ 7:51 —Revolving credit
§ 7:52 — —Notice of borrowing
§ 7:53 — — —Amounts and dates requested
§ 7:54 — — —Certification
§ 7:55 — —Letter of credit options
§ 7:56 —Discretionary loan
§ 7:57 By lender
§ 7:58 —Single lender
§ 7:59 —Multibank

III. TERM SHEETS

§ 7:60 Basic terms
§ 7:61 —Borrower
§ 7:62 —Loan amount
§ 7:63 —Funding terms
§ 7:64 —Interest rate
§ 7:65 —Repayment terms
§ 7:66 —Term of loan
§ 7:67 —Loan fees
§ 7:68 —Guarantors
§ 7:69 —Collateral
§ 7:70 —Satisfactory loan documentation
§ 7:71 Detailed terms
§ 7:72 —Representations and warranties
§ 7:73 —Financial covenants
§ 7:74 —Other covenants
§ 7:75 —Opinion of borrower's counsel
§ 7:76 —Conditions to closing

§ 7:77 —Events of default
§ 7:78 —Governing law
§ 7:79 —Expiration and/or withdrawal date
§ 7:80 Commitment letters
§ 7:81 —Drafting
§ 7:82 —Conditions to funding
§ 7:83 — —Satisfaction clauses
§ 7:84 —Commitment acceptance
§ 7:85 —Commitment fees
§ 7:86 Letters of intent

IV. LOAN AGREEMENTS

§ 7:87 Recitals
§ 7:88 Definitions
§ 7:89 Terms of credit
§ 7:90 Accordion provision
§ 7:91 Economic protections for lenders
§ 7:92 —Yield protection
§ 7:93 —Changes in capital adequacy regulations
§ 7:94 —Availability of types of advances
§ 7:95 —Funding indemnification
§ 7:96 —Taxes
§ 7:97 —Lender statements; survival of indemnity
§ 7:98 Conditions of credit
§ 7:99 —Delivery of documents
§ 7:100 —Absence of defaults
§ 7:101 Representations and warranties
§ 7:102 —Organization or formation and existence
§ 7:103 —Authorization
§ 7:104 —Enforceability
§ 7:105 —No violation
§ 7:106 —Financial condition
§ 7:107 —Title to properties
§ 7:108 —Litigation
§ 7:109 —Environmental compliance
§ 7:110 —Use of proceeds
§ 7:111 —Capitalization
§ 7:112 —Subsidiaries
§ 7:113 —Solvency
§ 7:114 —Real property
§ 7:115 —Compliance with laws and agreements
§ 7:116 —Investment and holding company status
§ 7:117 —Payment of taxes
§ 7:118 —ERISA

§ 7:119 —Disclosure
§ 7:120 Compliance with foreign assets control regulations
§ 7:121 Affirmative covenants
§ 7:122 —Financial reporting
§ 7:123 —Payment of taxes
§ 7:124 —Further assurances
§ 7:125 —Use of proceeds
§ 7:126 —Maintenance of collateral
§ 7:127 —Insurance
§ 7:128 Required Flood Insurance Notice
§ 7:129 Affirmative covenants—Right of inspection
§ 7:130 —Notice of litigation
§ 7:131 —Notice of change of name or location
§ 7:132 —Maintenance of corporate standing
§ 7:133 —Compliance with laws
§ 7:134 —ERISA compliance
§ 7:135 —Notice of material event
§ 7:136 —Performance of obligations
§ 7:137 —Accounts receivable and accounts payable reports
§ 7:138 Negative covenants
§ 7:139 —Financial covenants
§ 7:140 — —Leverage ratio
§ 7:141 — —Tangible net worth
§ 7:142 — —Fixed charge coverage ratio
§ 7:143 —Restriction on additional debt
§ 7:144 — —Importance of definition of indebtedness
§ 7:145 —Fundamental changes
§ 7:146 —Liens
§ 7:147 — —Permitted liens
§ 7:148 —Leases
§ 7:149 —Investments
§ 7:150 —Transfer of assets
§ 7:151 —Issuance of stock and dividends
§ 7:152 —Subchapter S corporation
§ 7:153 —Off-balance sheet transactions
§ 7:154 Events of default
§ 7:155 —Failure to pay principal and interest
§ 7:156 —Breach of representations and warranties
§ 7:157 —Insolvency
§ 7:158 — —Involuntary proceeding
§ 7:159 — —Voluntary proceeding
§ 7:160 — —Inability to pay debts
§ 7:161 —Failure to observe covenants
§ 7:162 —Failure to pay other debt

§ 7:163 —ERISA default
§ 7:164 —Change in control
§ 7:165 —Discontinuation of business
§ 7:166 —Entry of judgment against borrower
§ 7:167 —Default under or termination of guaranty
§ 7:168 Remedies on default
§ 7:169 Agreement between agent and banks
§ 7:170 —Appointment; nature of relationship
§ 7:171 —Powers
§ 7:172 —General immunity
§ 7:173 —No responsibility for loans, recitals, etc
§ 7:174 —Action on instructions of lenders
§ 7:175 —Employment of agents and counsel; delegation of duties
§ 7:176 —Reliance on documents; counsel
§ 7:177 —Agent's reimbursement and indemnification
§ 7:178 —Notice of default
§ 7:179 —Rights as a lender
§ 7:180 —Lender credit decision
§ 7:181 —Successor agent
§ 7:182 —Agent's fee
§ 7:183 —Execution of collateral documents
§ 7:184 —Collateral releases
§ 7:185 —Co-agents, documentation agent, syndication agent, etc
§ 7:186 Guaranty
§ 7:187 Security agreement and pledge
§ 7:188 Miscellaneous provisions
§ 7:189 —Construction
§ 7:190 —Lender expenses
§ 7:191 —Indemnification of lender
§ 7:192 —Notices
§ 7:193 —Amendments
§ 7:194 —Assignments and participations
§ 7:195 —Confidentiality of information
§ 7:196 —Choice of law
§ 7:197 —Consent to jurisdiction
§ 7:198 —Waiver of jury trial
§ 7:199 Arbitration provision
§ 7:200 Counterparts/fax signatures
§ 7:201 Right of set-off
§ 7:202 —Recoupment distinguished
§ 7:203 Usury savings clause
§ 7:204 Severability
§ 7:205 Damage waiver

§ 7:206 USA Patriot Act compliance
§ 7:207 Press releases and other public disclosures
§ 7:208 Compliance with statute of frauds
§ 7:209 —Notice to obligor
§ 7:210 Schedules
§ 7:211 Exhibits

V. LOAN CLOSING

§ 7:212 Closing process
§ 7:213 Closing date
§ 7:214 Closing checklist
§ 7:215 Document execution
§ 7:216 —Representative capacity
§ 7:217 —Signatures on contract unambiguous
§ 7:218 —Signatures on contract in ambiguous capacity
§ 7:219 Wire transfers
§ 7:220 Payoff letters
§ 7:221 Post-closing documents
§ 7:222 —Delay closing
§ 7:223 —Close with agreement to provide certain documents after close
§ 7:224 —Post-closing delivery letter

VI. PARTICIPATION AGREEMENTS

§ 7:225 Basic structure
§ 7:226 Types of participations
§ 7:227 —Funded participants
§ 7:228 —Risk participants
§ 7:229 — —Generally impermissible for bank
§ 7:230 — —Permissible risk participations
§ 7:231 Reasons for participations from participant's perspective
§ 7:232 —Low transaction costs
§ 7:233 —Attractive lending opportunities
§ 7:234 —Utilizing lead's expertise
§ 7:235 —Diversification
§ 7:236 —New borrower relationships
§ 7:237 —Strengthened correspondent relationships
§ 7:238 —Utilization of available funds
§ 7:239 Problems from participant's perspective
§ 7:240 —Lack of information
§ 7:241 —Lack of involvement in negotiations
§ 7:242 —Dependency upon lead
§ 7:243 —Insolvency of lead

§ 7:244 — —Loan by participant to lead
§ 7:245 — —Purchase by participant from lead
§ 7:246 — —Set-off
§ 7:247 —Conflicts of interest
§ 7:248 Fiduciary duties of lead
§ 7:249 —Duties under terms of agreement
§ 7:250 —Misrepresentations by lead
§ 7:251 Regulatory aspects of participations
§ 7:252 —Comptroller of the Currency
§ 7:253 —Federal Reserve Board
§ 7:254 —FDIC
§ 7:255 Documentation
§ 7:256 —Loan agreement
§ 7:257 — —Permissibility of participations
§ 7:258 — —Participant's direct rights
§ 7:259 — —Set-offs
§ 7:260 — —Information
§ 7:261 —Participation agreement
§ 7:262 — —Relationship of parties
§ 7:263 — —Interest in collateral and guaranties
§ 7:264 — —Due diligence
§ 7:265 — —Payment of purchase price
§ 7:266 — —Right to receive payments in respect of loan
§ 7:267 — —Loan administration
§ 7:268 — — —Consent to amendments
§ 7:269 — — —Financial stability of lead
§ 7:270 — — —Restrictions on transfer
§ 7:271 — — —Purchase options
§ 7:272 — —Information
§ 7:273 — —Representations
§ 7:274 — —Standard of care
§ 7:275 — —Reimbursement and indemnification
§ 7:276 — —Assignments
§ 7:277 —Set-off
§ 7:278 —Duties of agent or lead lender
§ 7:279 —Duties of agent or lead bank—Transmittal of notice
§ 7:280 — —Exercise due care
§ 7:281 Exculpatory clause
§ 7:282 Participation certificate
§ 7:283 Sharing information
§ 7:284 Voting rules
§ 7:285 Collateral and setoffs
§ 7:286 —*Pro rata* distribution of setoff funds

VII. FORMS

§ 7:287 Loan closing checklist

§ 7:288 Short form letter of intent
§ 7:289 Long form term sheet
§ 7:290 Commitment letter
§ 7:291 Letter loan agreement
§ 7:292 Loan agreement—Single bank/term and revolver
§ 7:293 Credit agreement—Multibank/term and revolver
§ 7:294 Form of assignment and acceptance
§ 7:295 Form of opinion of counsel for the borrower
§ 7:296 Borrowing base certificate
§ 7:297 Notice of borrowing
§ 7:298 Officer's certificate
§ 7:299 Corporate resolution authorizing borrowing
§ 7:300 Borrower's counsel's legal opinion for loan secured by Texas real estate
§ 7:301 Default waiver letter
§ 7:302 Participation agreement
§ 7:303 Entire agreement statement
§ 7:304 Factoring documentation checklist
§ 7:305 Factoring agreement (limited recourse)
§ 7:306 Factoring agreement (full recourse)
§ 7:307 Notice to customer re: purchase of accounts
§ 7:308 Notice to customer requesting acknowledgment of no defenses to payment

CHAPTER 8. PROMISSORY NOTES

I. OVERVIEW

§ 8:1 Definition; general construction principles
§ 8:2 Negotiability under Uniform Commercial Code
§ 8:3 Statutory history

II. TYPES OF PROMISSORY NOTES

§ 8:4 Introduction
§ 8:5 Demand note
§ 8:6 Balloon note
§ 8:7 Installment note
§ 8:8 Secured note
§ 8:9 —Real estate lien note
§ 8:10 —Recourse versus nonrecourse notes
§ 8:11 Fixed rate note
§ 8:12 Variable rate note
§ 8:13 Original issue discount note
§ 8:14 Payment-in-kind note

§ 8:15 Note in series
§ 8:16 Note as a security
§ 8:17 Certificate of deposit

III. REQUIREMENTS OF NEGOTIABLE PROMISSORY NOTES

§ 8:18 In general
§ 8:19 —Question of law
§ 8:20 Promise unconditional
§ 8:21 —Reference to other record
§ 8:22 —Contain only permissible additions
§ 8:23 Payable to bearer or order
§ 8:24 Payable on demand or at definite time
§ 8:25 —Demand
§ 8:26 —At definite time
§ 8:27 — —Effect of extension option
§ 8:28 —Payable both at fixed date and on demand prior to fixed date
§ 8:29 Amount payable
§ 8:30 —Fixed sum
§ 8:31 —Foreign currency
§ 8:32 Interest
§ 8:33 —Interest on interest-bearing instrument
§ 8:34 —Statement of interest
§ 8:35 —Late charges
§ 8:36 —Default interest
§ 8:37 —Amount of interest indeterminable
§ 8:38 —Avoiding usury
§ 8:39 Identification of payee
§ 8:40 —Rules for determination of payee
§ 8:41 — —Note payable to account
§ 8:42 — —Note payable to trust or estate
§ 8:43 — —Note payable to agent or representative
§ 8:44 — —Note payable to fund or organization that is not legal entity
§ 8:45 — —Note payable to office or officeholder
§ 8:46 —Note payable to two or more persons alternatively
§ 8:47 Payment place
§ 8:48 —Payment place not stated in note
§ 8:49 —Maker's address not stated
§ 8:50 —Maker has more than one address
§ 8:51 —Maker has no place of business
§ 8:52 Date of note
§ 8:53 Contradictory terms in note

§ 8:54 Incomplete note
§ 8:55 —Incomplete note qualifying as instrument
§ 8:56 —Alteration of incomplete instrument
§ 8:57 — —Burden of proof
§ 8:58 Effect of other agreements on instrument
§ 8:59 —Other agreements as defense
§ 8:60 Statement of non-negotiability
§ 8:61 Non-negotiable promissory notes compared—Definition of non-negotiable note
§ 8:62 —Non-negotiable notes and Chapter 3
§ 8:63 —Texas courts apply Chapter 3 principles to nonnegotiable notes by analogy

IV. DRAFTING CONSIDERATIONS

§ 8:64 Introduction
§ 8:65 Nonrecourse language
§ 8:66 —Loans to partnerships
§ 8:67 —Loans secured by real estate
§ 8:68 Limited recourse
§ 8:69 Notes given in renewal and extension
§ 8:70 —Renewal of collateral documents
§ 8:71 —Renewal or ratification of guaranty
§ 8:72 Usury savings clause
§ 8:73 —Ineffective for note usurious on its face
§ 8:74 Prepayment rights and penalties
§ 8:75 Attorney's fees
§ 8:76 Choice of law provisions
§ 8:77 Forum selection
§ 8:78 Subordination
§ 8:79 Waivers
§ 8:80 Basis of interest calculation
§ 8:81 Default
§ 8:82 Regulatory Approvals

V. CONSUMER ISSUES

§ 8:83 Introduction
§ 8:84 Truth-in-lending disclosures
§ 8:85 Texas Finance Code
§ 8:86 FTC regulations—Notice to cosigner
§ 8:87 —Holder of consumer credit contract

VI. TRANSFER OF PROMISSORY NOTES

§ 8:88 Introduction

§ 8:89 Negotiation
§ 8:90 —Indorsement
§ 8:91 — —Use of allonge
§ 8:92 — — —Allonge affixed to note
§ 8:93 — —Right to require indorsement
§ 8:94 —Holder status
§ 8:95 —Negotiation subject to rescission
§ 8:96 Rights acquired by transfer
§ 8:97 Partial transfer
§ 8:98 Transfer of secured notes
§ 8:99 —Securitization
§ 8:100 Transfer of non-negotiable notes

VII. PRESENTMENT AND DISHONOR

§ 8:101 Presentment
§ 8:102 —Rules governing presentment
§ 8:103 —Excused presentment
§ 8:104 Dishonor—Right to dishonor
§ 8:105 —Excused notice of dishonor
§ 8:106 — —Notice not required by note
§ 8:107 — —Notice waived

VIII. ENFORCEMENT RIGHTS

A. PERSON ENTITLED TO ENFORCEMENT

§ 8:108 Introduction
§ 8:109 Nonholder in possession
§ 8:110 Lost, destroyed or stolen note
§ 8:111 —Essential elements
§ 8:112 —Proof of terms
§ 8:113 —Findings required for judgment
§ 8:114 Holder
§ 8:115 —Holder in due course
§ 8:116 — —Value
§ 8:117 — —Good faith
§ 8:118 — —No notice of default
§ 8:119 — — —Payable on demand
§ 8:120 — — —Payable at definite time
§ 8:121 — — —Default in payment of interest
§ 8:122 — —No notice of unauthorized signature or alteration
§ 8:123 — — —Proof of signature
§ 8:124 — — —Status as holder in due course
§ 8:125 — —No notice of claims to note
§ 8:126 — —No notice of defenses or claims in recoupment

§ 8:127 — — —Notice of discharge
§ 8:128 — — —Public filing itself not notice
§ 8:129 — — —Effectiveness of notice
§ 8:130 — —Limitations on rights of holder in due course—Effect of partial performance
§ 8:131 — — —Effect of security interest
§ 8:132 — —Effect of instrument on obligation taken
§ 8:133 — — —Suspension of obligation until payment
§ 8:134 — — —Obligee may enforce either note or obligation
§ 8:135 — —Obligee may not enforce to extent obligation suspended
§ 8:136 — —Obligee entitled to enforce but not in possession
§ 8:137 —Person not acquiring rights of holder in due course
§ 8:138 —FDIC deemed holder in due course

B. DEFENSES

§ 8:139 Defenses against holder in due course
§ 8:140 Defenses against holders not in due course
§ 8:141 —Claims in recoupment and setoff
§ 8:142 —Lack of consideration as defense
§ 8:143 —Statute of limitations
§ 8:144 Acceleration
§ 8:145 Defenses against holders not in due course—Statute of limitations—Laches
§ 8:146 —Breach of duty of good faith
§ 8:147 —Tender of payment
§ 8:148 — —Effect of refusal of tender on third parties
§ 8:149 — —Interest payments after tender
§ 8:150 —Accord and satisfaction by use of note
§ 8:151 —Acceptance of partial payment in full satisfaction of note
§ 8:152 —Notice of breach of fiduciary duty
§ 8:153 — —Notice of breach of fiduciary duty is notice of claim
§ 8:154 — —Taker's notice where note payable to fiduciary
§ 8:155 — —Taker's notice where note issued by fiduciary and payable to fiduciary personally
§ 8:156 — —Taker's notice where note issued by fiduciary to taker as payee
§ 8:157 —Alteration of note
§ 8:158 — —Discharge of obligation
§ 8:159 — —Enforcement of altered note
§ 8:160 Obligor's assertion of defenses or claims of another person
§ 8:161 Defenses of accommodation party

§ 8:162 Defenses in consumer transaction
§ 8:163 Burden of proof

C. MAKING DEMAND ON MAKER

§ 8:164 In general
§ 8:165 Notice requirements
§ 8:166 —Demand for payment
§ 8:167 —Notice of intent to accelerate
§ 8:168 —Notice of acceleration
§ 8:169 —Abandonment of acceleration

D. REINSTATEMENT

§ 8:170 In general

E. FILING SUIT ON A NOTE

§ 8:171 Introduction
§ 8:172 Texas Business Court venue
§ 8:173 Basic elements of suit
§ 8:174 Additional allegations
§ 8:175 —Unmatured note
§ 8:176 —Deficiency judgment
§ 8:177 Presumptions
§ 8:178 Summary judgment

IX. LIABILITIES OF PARTIES

§ 8:179 Joint and several liability
§ 8:180 —Right of contribution
§ 8:181 Signature required for liability
§ 8:182 —Signature of individuals
§ 8:183 —Signature of representative
§ 8:184 —Rules of construction
§ 8:185 — —Signature on note in unambiguous capacity
§ 8:186 — —Signature on note in ambiguous capacity
§ 8:187 — — —Exception—Signature of guarantor in ambiguous capacity
§ 8:188 — — —Note made in assumed name
§ 8:189 — —Representative liable to holder in due course
§ 8:190 — —Representative liable to other person
§ 8:191 Unauthorized signature/forgery
§ 8:192 Signature of organization
§ 8:193 Obligation of issuer of note
§ 8:194 —Issuer signed incomplete note

§ 8:195 —Person to whom obligation owed
§ 8:196 Co-signors and other accommodation parties
§ 8:197 —Obligation of accommodation party
§ 8:198 —Presumption and notice of accommodation status
§ 8:199 — —Effect of enforcer's notice of accommodation status
§ 8:200 — —Guarantee of collection rather than payment
§ 8:201 — —Other indication
§ 8:202 — —Reimbursement and enforcement
§ 8:203 Conversion of note
§ 8:204 —Persons prohibited from bringing conversion action
§ 8:205 —Measure of liability in conversion action
§ 8:206 —Limitation on liability of good faith representative

X. DISCHARGE AND PAYMENT

§ 8:207 Discharge and effect of discharge
§ 8:208 —Notice to holder in due course
§ 8:209 Payment
§ 8:210 —Notification of transfer
§ 8:211 —Obligation not discharged
§ 8:212 — —Claim to note enforceable against party receiving payment
§ 8:213 Discharge by cancellation or renunciation
§ 8:214 Discharge of secondary obligors
§ 8:215 —Effect of extension of due date
§ 8:216 —Effect of material modification
§ 8:217 —Effect of security interest
§ 8:218 Discharge of indorsers and accommodation parties—Notice
§ 8:219 Discharge of secondary obligors—Consent and waiver
§ 8:220 —Right to enforce retained
§ 8:221 —Burden of proof
§ 8:222 — —Presumption

XI. CHECKLISTS

§ 8:223 Drafting a promissory note

XII. FORMS

§ 8:224 Promissory note (prime rate/semi-annual installments with demand option)
§ 8:225 Fixed rate commercial promissory note with security agreement
§ 8:226 Secured fixed rate promissory note with balloon payment

§ 8:227 Promissory note (fixed rate/term with monthly installments/non-assignable)
§ 8:228 Short form non-negotiable promissory note for use with credit agreement
§ 8:229 Demand promissory note (Eurodollar/nontransferable)
§ 8:230 Allonge with recourse
§ 8:231 Allonge without recourse
§ 8:232 Corporate resolutions authorizing execution of promissory note
§ 8:233 Assignment of note and lien (personal property)
§ 8:234 Assignment of note and lien (real estate)
§ 8:235 Agreement to indemnify for altered or lost notes
§ 8:236 Affidavit of lost note

CHAPTER 9. GUARANTIES

I. INTRODUCTION

§ 9:1 Definition

II. TYPES OF GUARANTIES

§ 9:2 Guaranty of payment
§ 9:3 Guaranty of collection
§ 9:4 —Collection efforts required
§ 9:5 —Collection efforts excused
§ 9:6 Unconditional guaranties vs. conditional guaranties
§ 9:7 Guaranty of negotiable instrument
§ 9:8 Limited guaranty
§ 9:9 Liability of certain guarantors under leases
§ 9:10 Specialty guaranties
§ 9:11 Continuing guaranty
§ 9:12 —Revocation of continuing guaranty by notice
§ 9:13 — —Requirement of written revocation
§ 9:14 —Revocation of continuing guaranty by death of guarantor
§ 9:15 Multiple guarantors
§ 9:16 —Joint and several liability
§ 9:17 — —Partnership issues
§ 9:18 —Joint liability
§ 9:19 Tax characterization
§ 9:20 Government guaranties
§ 9:21 Collateralized guaranties

III. REQUIREMENTS OF VALID GUARANTY

§ 9:22 Contract principles apply

§ 9:23 Material terms; special and general guaranties
§ 9:24 Writing
§ 9:25 —Exception—Main purpose doctrine
§ 9:26 —No necessity of date on guaranty
§ 9:27 —Existence of blanks in guaranty
§ 9:28 —Ambiguity
§ 9:29 Consideration
§ 9:30 —General presumption of consideration
§ 9:31 — —Corporate presumption of consideration
§ 9:32 —Unnecessary if agreements executed contemporaneously
§ 9:33 —Consideration required if guaranty contract entered into independently
§ 9:34 — —Sufficiency and types of independent consideration
§ 9:35 — — —Postponement of enforcement as consideration
§ 9:36 — — —Extension of future credit as consideration
§ 9:37 — — —Detrimental reliance on guaranty as consideration
§ 9:38 — —Guarantor does not actually have to receive value
§ 9:39 Capacity to enter into guaranty
§ 9:40 Capacity in which guaranty signed
§ 9:41 Acceptance and notice of acceptance
§ 9:42 Special consumer Federal Trade Commission notice
§ 9:43 Subordination
§ 9:44 Assignability
§ 9:45 Waivers and consents
§ 9:46 Choice of venue
§ 9:47 Jury waiver and arbitration
§ 9:48 Construction of guaranty agreements

IV. GUARANTY SUBSTITUTES

§ 9:49 Joint and several note
§ 9:50 Third-party pledge agreement
§ 9:51 Indemnity/surety agreement
§ 9:52 Keep-well agreement
§ 9:53 Non-disposal agreements
§ 9:54 Note purchase agreement
§ 9:55 Take-or-pay contract
§ 9:56 Comfort Letters

V. BANKRUPTCY ISSUES

§ 9:57 Automatic stay
§ 9:58 —Effect

§ 9:59 —Exceptions to automatic stay
§ 9:60 —Nondebtor guarantors
§ 9:61 — —Chapter 13 exception
§ 9:62 — —General exception
§ 9:63 Discharge of debtor in bankruptcy
§ 9:64 Modification of underlying debt in bankruptcy
§ 9:65 Guaranty as fraudulent transfer
§ 9:66 —Execution of a guaranty is transfer
§ 9:67 —Transfers made with actual intent to defraud
§ 9:68 —Transfers for less than reasonably equivalent value
§ 9:69 —Reasonably equivalent value defined
§ 9:70 — —Reasonably equivalent value for a guaranty
§ 9:71 — — —Burden of proof
§ 9:72 —Intercompany guaranties
§ 9:73 — —General principles
§ 9:74 — — —Upstream guaranty
§ 9:75 — — —Cross-stream guaranty
§ 9:76 — — —Downstream guaranty
§ 9:77 Payment on guaranty as preferential transfer
§ 9:78 —Elements of preference
§ 9:79 —One-year avoidance period for insider transfers
§ 9:80 Bankruptcy drafting issues

VI. ENFORCEMENT

§ 9:81 Demand for payment
§ 9:82 —Notice of acceleration of underlying debt not required
§ 9:83 Requirements for creditor to recover on guaranty
§ 9:84 —Validity of signatures presumed
§ 9:85 — —Verified denial required
§ 9:86 —No presumption of validity
§ 9:87 Proper parties/Joinder
§ 9:88 Motion for summary judgment against guarantor
§ 9:89 Rights and remedies of guarantor
§ 9:90 —Subrogation to rights of obligee
§ 9:91 —Setoff
§ 9:92 —Contribution from co-guarantors
§ 9:93 Creditor's duties to guarantor
§ 9:94 —Notice of sale of U.C.C. collateral
§ 9:95 — —Commercially reasonable sale
§ 9:96 — —Compare—No duty to sell
§ 9:97 —Notice of sale of real property not required
§ 9:98 Defenses of guarantor
§ 9:99 —Statute of limitations

§ 9:100 —Laches
§ 9:101 —Illegality of underlying obligation
§ 9:102 —Misrepresentation of fact
§ 9:103 — —Waiver/ratification of fraud defense
§ 9:104 —Duress
§ 9:105 —Forgery of underlying obligation
§ 9:106 —Failure to accept tender of performance
§ 9:107 —Mutual mistake
§ 9:108 —Material alteration or modification
§ 9:109 — —Elements of pleading defense
§ 9:110 — —Non-material modification or alteration
§ 9:111 —Impairment of guarantor's rights or remedies
§ 9:112 —Impairment of collateral
§ 9:113 — —Failure to conduct proper U.C.C. foreclosure sale
§ 9:114 — —Failure to comply with Texas Property Code in deficiency suit arising from nonjudicial foreclosure of realty
§ 9:115 Waiver of defenses
§ 9:116 Repudiation
§ 9:117 Release
§ 9:118 Attorney's fees
§ 9:119 Application of D'Oench Duhme doctrine
§ 9:120 Dodd-Frank Act Guarantor Rule

VII. CHECKLISTS

§ 9:121 Drafting a guaranty

VIII. FORMS

§ 9:122 Absolute guarantee of payment of obligation
§ 9:123 —Limited as to time and amount
§ 9:124 Absolute guaranty of payment of obligation—In consideration to credit line extension
§ 9:125 Short form of continuing guaranty of payment for one or more guarantors
§ 9:126 Commercial guaranty of specific indebtedness for one or more individual guarantors
§ 9:127 Continuing subsidiary guaranty for multiple guarantors
§ 9:128 Conditional guaranty of payment of obligation
§ 9:129 Plain language consumer guaranty of specific indebtedness
§ 9:130 Certificate of corporate resolutions and incumbency authorizing guaranty by corporation
§ 9:131 Notice of revocation of continuing guaranty

§ 9:132 Guaranty of collection of obligation

CHAPTER 10. INTERCREDITOR AND SUBORDINATION AGREEMENTS

I. OVERVIEW

§ 10:1 Private vs. institutional financing
§ 10:2 Nature of multiple creditor agreements
§ 10:3 Intercreditor agreements in general
§ 10:4 Subordination agreements in general
§ 10:5 —Debt subordination
§ 10:6 —Lien subordination
§ 10:7 — —Right of subordination
§ 10:8 — —Consensual or statutory liens
§ 10:9 — —Statutory subordination of real estate mortgage to oil and gas lease
§ 10:10 — —Rights relative to third parties
§ 10:11 Distinction between contractual and equitable subordination
§ 10:12 Intercreditor and subordination agreements distinguished
§ 10:13 Formal requirements
§ 10:14 Interpretation and construction

II. PARTIES

§ 10:15 Senior creditor or lienholder
§ 10:16 Statutory lienholder
§ 10:17 Junior creditor or lienholder
§ 10:18 Creditors of equal footing; *pari passu*
§ 10:19 Insider creditors
§ 10:20 Contractual subordination of intercompany debt
§ 10:21 Equitable subordination of insider claims
§ 10:22 Borrower/debtor

III. DRAFTING THE AGREEMENT

§ 10:23 Introduction
§ 10:24 Defining senior debt
§ 10:25 —Inclusion of interest
§ 10:26 — —Effect of interest rates
§ 10:27 —Renewing, extending, altering terms of senior debt
§ 10:28 —Cap on senior debt
§ 10:29 —Priority of future advances
§ 10:30 Payment in full of senior debt

§ 10:31 Defining junior debt
§ 10:32 —Insider debt
§ 10:33 —Renewing, extending, altering terms of junior debt
§ 10:34 Identification of collateral
§ 10:35 Releasing and selling collateral
§ 10:36 Perfection of liens
§ 10:37 —Filing of subordination agreement
§ 10:38 —Failure of senior creditor to perfect lien
§ 10:39 — —Bankruptcy trustee's avoidance powers
§ 10:40 — — —Effect on subordination agreements
§ 10:41 —Intervening liens
§ 10:42 —Circular priority
§ 10:43 — —Texas circular priority law
§ 10:44 General debt subordination provisions
§ 10:45 Partial (inchoate) subordination
§ 10:46 —Limitations on debt payment
§ 10:47 —Junior creditor payments held in trust
§ 10:48 Triggering, blockage or stopping events
§ 10:49 —Automatic subordination
§ 10:50 —Declaration of subordination
§ 10:51 —Effect of triggering event
§ 10:52 —Default of senior loan as triggering event
§ 10:53 — —Written notice of default of senior loan
§ 10:54 — —Limitation on stops in non-monetary defaults
§ 10:55 —Debtor's bankruptcy as triggering event
§ 10:56 —"Standstill" of enforcement by junior lender
§ 10:57 Length of "standstill"
§ 10:58 Number of "standstills"
§ 10:59 Partial standstill
§ 10:60 Payment after triggering event
§ 10:61 —Length of payment stop
§ 10:62 —Junior creditor's rights after triggering event
§ 10:63 Triggering, purchase option
§ 10:64 Marshaling of collateral
§ 10:65 Threshold requirements
§ 10:66 Waiver of marshaling
§ 10:67 Invoking the doctrine
§ 10:68 Notices
§ 10:69 —From third parties
§ 10:70 Warranties and representations
§ 10:71 Payover of insurance/condemnation proceeds
§ 10:72 Modification of agreement
§ 10:73 Effect of adding new parties; new intercreditor agreement

§ 10:74 Binding on assignees, successors
§ 10:75 Bankruptcy issues
§ 10:76 Double dividends to senior debt
§ 10:77 Prohibition on conversion of junior debt into equity
§ 10:78 Filing proof of claim
§ 10:79 —Senior files proof of claim on junior creditor's behalf
§ 10:80 Assignment of voting rights under chapter 11
§ 10:81 Purchase/assignment of junior claims to senior creditor
§ 10:82 Senior creditor's receipt of postpetition interest
§ 10:83 —Rule of explicitness
§ 10:84 —Rule's continuing viability questioned
§ 10:85 Junior creditor's receipt of securities of reorganized debtor
§ 10:86 —"X" clause
§ 10:87 —Operation
§ 10:88 Junior's subrogation rights
§ 10:89 SBA Lien Subordination
§ 10:90 HUD Intercreditor Agreement
§ 10:91 Creditor-on-creditor violence issues

IV. ENFORCING THE AGREEMENT

§ 10:92 Overview
§ 10:93 Enforceable in bankruptcy
§ 10:94 —No proof of senior creditor's reliance
§ 10:95 Theories of enforcement
§ 10:96 —Contract
§ 10:97 —Equitable lien
§ 10:98 —Equitable assignment
§ 10:99 —Constructive trust
§ 10:100 Standing to enforce
§ 10:101 Defenses
§ 10:102 —Lack of consideration
§ 10:103 —Fraud
§ 10:104 —Unexecuted subordination agreements

V. CHECKLISTS

§ 10:105 Checklist—Drafting an intercreditor agreement

VI. FORMS

§ 10:106 Form—Intercreditor agreement
§ 10:107 —Subordination agreement
§ 10:108 —Short form landlord's subordination agreement

§ 10:109 —Long form landlord's subordination agreement
§ 10:110 —Intercompany subordination agreement
§ 10:111 —SBA Subordination Agreement

Table of Contents

CHAPTER 11. SECURED TRANSACTIONS

I. OVERVIEW

§ 11:1 Governing laws—Texas Uniform Commercial Code Article 9
§ 11:2 —Revisions of Article 9
§ 11:3 —Transactions covered by Article 9 of the UCC
§ 11:4 — —General exclusions under Article 9 of the UCC
§ 11:5 — —Lease and other interest in real estate excluded from Article 9
§ 11:6 — —Statutory liens
§ 11:7 — —Landlord's liens
§ 11:8 — —Security interest affected by other statutes
§ 11:9 — —Effect of obligation secured by interest not subject to Article 9

II. TYPES OF COLLATERAL

A. TANGIBLE PERSONAL PROPERTY

§ 11:10 Overview
§ 11:11 Tangible personal property
§ 11:12 —Goods
§ 11:13 — —Consumer goods
§ 11:14 — —Equipment
§ 11:15 — —Farm products
§ 11:16 — —Inventory
§ 11:17 — —Accessions
§ 11:18 —Fixtures
§ 11:19 —Manufactured homes
§ 11:20 —Aircraft
§ 11:21 —Motor vehicles
§ 11:22 —Rolling stock
§ 11:23 —Vessels
§ 11:24 —As-extracted collateral

B. INTANGIBLE PERSONAL PROPERTY

§ 11:25 Accounts
§ 11:26 —Health-care-insurance receivables
§ 11:27 —Government contracts
§ 11:28 Chattel paper

§ 11:29 —Electronic chattel paper
§ 11:30 —Tangible chattel paper
§ 11:31 Instrument
§ 11:32 —Promissory notes
§ 11:33 Investment property
§ 11:34 General intangibles
§ 11:35 —Payment intangibles
§ 11:36 —Software
§ 11:37 Deposit accounts
§ 11:38 —Nonnegotiable certificate of deposit
§ 11:39 Life insurance
§ 11:40 Documents
§ 11:41 —Documents of title
§ 11:42 —Warehouse receipts
§ 11:43 Letter-of-credit rights
§ 11:44 Commercial tort claims
§ 11:45 Virtual currency

III. CREATION OF SECURITY INTEREST

§ 11:46 Security agreements
§ 11:47 —Title to collateral immaterial
§ 11:48 —Collateral description
§ 11:49 — —Security entitlement; securities account; commodity account
§ 11:50 — —After-acquired property
§ 11:51 —Obligations secured by lien
§ 11:52 — —Future advances
§ 11:53 —Signature of debtor
§ 11:54 — —Nonsignatory bound by agreement
§ 11:55 —Arbitration provisions
§ 11:56 —Language evidencing intent of parties
§ 11:57 — —Special oil and gas rule
§ 11:58 — —Security agreement vs. sale
§ 11:59 — —Security agreement vs. true lease
§ 11:60 — — —Significance in bankruptcy
§ 11:61 — — —Test
§ 11:62 Attachment
§ 11:63 —Time attachment occurs
§ 11:64 —Effect of attachment: Continuation of security interest
§ 11:65 — —Waiver of security interest
§ 11:66 — —Right to proceeds
§ 11:67 — —Right to payment or performance

§ 11:68 —Limitations on attachment of after-acquired property
§ 11:69 — —Consumer goods
§ 11:70 — —Commercial tort claims
§ 11:71 — —After-acquired property of new debtor
§ 11:72 —Attachment of commingled goods
§ 11:73 Purchase money security interests (PMSI)
§ 11:74 —Superpriority rule
§ 11:75 — —Collateral other than inventory and livestock
§ 11:76 — —Livestock
§ 11:77 — —Inventory
§ 11:78 —Dual status rule
§ 11:79 —Allocation of payment rules
§ 11:80 —Burden of establishing extent of PMSI

IV. PERFECTION

§ 11:81 Overview
§ 11:82 Methods of perfection
§ 11:83 —Collateral subject to perfection by possession
§ 11:84 —Registered certificated security
§ 11:85 —Perfection by possession through third person/agent
§ 11:86 —Perfection by control
§ 11:87 — —Control of investment property
§ 11:88 — — —Control of deposit account
§ 11:89 — — —Deposit account at secured party bank
§ 11:90 — — —Deposit account at third party bank
§ 11:91 — —Control of letter-of-credit rights
§ 11:92 — — —Multiple consents required
§ 11:93 — — —Transfer v. assignment
§ 11:94 — — —Automatic perfection
§ 11:95 — —Control of electronic chattel paper
§ 11:96 — —Control of virtual currency
§ 11:97 — —Duration of perfection
§ 11:98 —Perfection by filing
§ 11:99 — —UCC-1 financing statement
§ 11:100 — — —When to file
§ 11:101 — — —Content of financing statement
§ 11:102 — — — —Name of debtor
§ 11:103 — — — —Use of trade name or assumed name
§ 11:104 — — — —Effect of change of debtor's name
§ 11:105 — — — —Name of secured party
§ 11:106 — — — —Description of collateral
§ 11:107 — — — —Signature requirements

§ 11:108 — — — —Description of real estate on which collateral located
§ 11:109 — — — —Fixtures
§ 11:110 — — — —As-extracted collateral
§ 11:111 — — —Effect of errors or minor omissions
§ 11:112 — — —Where to file
§ 11:113 — — — —Local filing
§ 11:114 — — — —Central filing
§ 11:115 — — —Methods of filing
§ 11:116 — — — —Delivery of original
§ 11:117 — — — —Online filing
§ 11:118 — — — —Facsimile filing
§ 11:119 — — —When filing deemed complete; tender rule
§ 11:120 — — —Duration of filing
§ 11:121 — — — —Effect of lapse
§ 11:122 — — — —Form UCC-3
§ 11:123 — — — —Continuation statement
§ 11:124 — — — —Assignment of security interest
§ 11:125 — — — —Amendment of financing statement
§ 11:126 — — — —Master amendment or assignment
§ 11:127 — — — —Termination statement
§ 11:128 — — — —Response period
§ 11:129 — — — —Debtor may file termination
§ 11:130 — — — —Duty of secured party to provide notice upon assignment
§ 11:131 — — —Form UCC-5 information statement
§ 11:132 Method of perfection—Perfection by filing—UCC-1 financing statement—Fraudulently filed termination procedure
§ 11:133 Methods of perfection—Perfection by filing—Automatic perfection
§ 11:134 — —Temporary perfection—Instruments, certificated securities and negotiable documents
§ 11:135 — —Perfection of security interest in proceeds
§ 11:136 —Accounts
§ 11:137 —Chattel paper
§ 11:138 —Instruments
§ 11:139 —Investment property
§ 11:140 — —Special rules effecting securities intermediaries
§ 11:141 — —Choice of law governing perfection
§ 11:142 — —Priority rules
§ 11:143 —General intangibles
§ 11:144 — —Intellectual property
§ 11:145 —Commercial tort claims
§ 11:146 —Deposit accounts

§ 11:147 —Virtual currencies
§ 11:148 —Life insurance
§ 11:149 —Documents
§ 11:150 — —Period of perfection without filing
§ 11:151 — —Priority rule
§ 11:152 —Letter-of-credit rights
§ 11:153 —Money
§ 11:154 —Goods—Consumer goods—Perfection
§ 11:155 — — —Priority rule
§ 11:156 — —Farm products—Perfection
§ 11:157 — — —Agricultural lien priority
§ 11:158 — — —Priority between secured party and landlord
§ 11:159 — — —Compliance with Food Security Act of 1985
§ 11:160 — —Inventory
§ 11:161 — —Equipment
§ 11:162 —Fixtures—Perfection
§ 11:163 — —Priority rule
§ 11:164 —Aircraft
§ 11:165 —Vessels
§ 11:166 —Rolling stock
§ 11:167 —Motor vehicles and manufactured homes
§ 11:168 —Motor vehicles and other goods covered by a certificate of title—Choice of law governing perfection
§ 11:169 — —Priority rules
§ 11:170 —As-extracted collateral—Choice of law governing perfection
§ 11:171 — —Special automatic perfection rule
§ 11:172 — —Continuous perfection rule
§ 11:173 — —Priority rules

V. GENERAL RULES OF PRIORITY

§ 11:174 Introduction
§ 11:175 Unperfected security interests
§ 11:176 Purchase Money Security Interest rules
§ 11:177 Conflicting perfected interests in same collateral
§ 11:178 Ordinary course of business transactions
§ 11:179 Transactions outside the ordinary course of business
§ 11:180 —Buyer of goods
§ 11:181 —Lessee of goods
§ 11:182 Interest arising under U.C.C. Articles 2, 2A
§ 11:183 Future advances
§ 11:184 —Intervening lien creditor
§ 11:185 Statutory possessory liens

§ 11:186 Mechanics' liens
§ 11:187 Commingled goods
§ 11:188 Consigned goods

VI. BANKRUPTCY ISSUES

§ 11:189 Preferences
§ 11:190 —Elements of preference
§ 11:191 — —"Transfer" broadly defined
§ 11:192 — —Transfer must enhance creditor's position
§ 11:193 —When transfer made
§ 11:194 — —Time transfer takes effect
§ 11:195 — —Time of perfection
§ 11:196 — —Date of bankruptcy filing
§ 11:197 — —What constitutes "perfection"
§ 11:198 —Creditor's defenses to preference attach
§ 11:199 — —Enabling loans
§ 11:200 — —Security interests in inventory/receivables
§ 11:201 —Effect of bankruptcy on security interest in proceeds

VII. RIGHTS AND OBLIGATIONS OF PARTIES PRIOR TO DEFAULT

§ 11:202 Duty of reasonable care; criminal liability of debtor
§ 11:203 Duty to provide statement of account
§ 11:204 —Defenses to payment
§ 11:205 —Waiver of buyer's rights
§ 11:206 —Exception for consumer goods
§ 11:207 —Other exceptions
§ 11:208 —Assignability of account
§ 11:209 —Modification of, or substitution for, contract underlying account
§ 11:210 —Direct payment from account debtor to secured party
§ 11:211 —Debtor's control over collateral
§ 11:212 Consent to sale of collateral
§ 11:213 —Right to setoff
§ 11:214 —Right of purchaser of production to terminate security interest
§ 11:215 —Right of purchaser to buy free and clear of production interest or statutory lien

VIII. EXTINGUISHMENT OF LIENS, RELEASES OF COLLATERAL AND TERMINATION STATEMENTS

§ 11:216 Extinguishment of Lien

§ 11:217 UCC-3 Releases and Terminations

IX. CHOICE OF LAW RULES

§ 11:218 Introduction

X. CHECKLISTS

§ 11:219 Security agreement drafting checklist
§ 11:220 Inventory checklist
§ 11:221 Accounts checklist
§ 11:222 Tangible chattel paper checklist
§ 11:223 Equipment checklist
§ 11:224 Fixtures checklist
§ 11:225 Farm products checklist
§ 11:226 Consumer goods checklist
§ 11:227 General intangibles checklist
§ 11:228 Instruments checklist
§ 11:229 Life insurance checklist
§ 11:230 Motor vehicles checklist
§ 11:231 Manufactured home checklist
§ 11:232 U.S. vessel checklist
§ 11:233 Texas vessel checklist
§ 11:234 Aircraft document checklists
§ 11:235 Bills of lading and warehouse receipts checklist
§ 11:236 Investment property checklist
§ 11:237 Deposit account checklist
§ 11:238 Railroad rolling stock checklist

XI. FORMS

§ 11:239 Form—UCC-1 Financing Statement
§ 11:240 —UCC-3
§ 11:241 —UCC-5
§ 11:242 —UCC-11
§ 11:243 —Pledge and security agreement (all assets)
§ 11:244 —Security agreement (equipment)
§ 11:245 Secured party in possession of collateral
§ 11:246 Accounts receivable financing security agreement
§ 11:247 Form—Stock pledge agreement
§ 11:248 —Stock power
§ 11:249 —Federal Reserve Form U-1
§ 11:250 —Investment property security agreement
§ 11:251 —Investment property account control agreement
§ 11:252 —Security agreement and mortgage (trademarks and patents)

§ 11:253 —Assignment for security (patents)
§ 11:254 —Assignment for security (trademarks)
§ 11:255 —Special power of attorney (trademarks and patents)
§ 11:256 —Aircraft security agreement and Privacy Act Statement together with recording instructions
§ 11:257 —First preferred ship mortgage and optional application for filing form CG 5542 and information
§ 11:258 —Application for Texas certificate of title for vessel/boat
§ 11:259 —Application for Texas certificate of title for outboard motor
§ 11:260 —130-U Motor Vehicle
§ 11:261 —Letter of credit control agreement
§ 11:262 —Deposit account control agreement

CHAPTER 12. LETTERS OF CREDIT

I. OVERVIEW

§ 12:1 Introduction
§ 12:2 Transaction structure
§ 12:3 —Three separate contracts
§ 12:4 —Relationship of parties
§ 12:5 — —Independence principle
§ 12:6 Types of letters of credit
§ 12:7 —Commercial
§ 12:8 Commercial letters of credit—Typical documents presented
§ 12:9 Standby letters of credit
§ 12:10 —Distinction from guaranty contract
§ 12:11 Red clause in letter of credit
§ 12:12 Clean letters of credit
§ 12:13 Reducing letters of credit
§ 12:14 Revolving letters of credit
§ 12:15 Drafts
§ 12:16 Sight draft
§ 12:17 Time demand draft

II. GOVERNING LAWS

§ 12:18 Uniform Commercial Code Article 5
§ 12:19 —Current revision
§ 12:20 Letter of credit defined
§ 12:21 Participating parties
§ 12:22 Adviser defined

§ 12:23 Beneficiary defined
§ 12:24 Applicant defined
§ 12:25 Confirmer defined
§ 12:26 Nominated person defined
§ 12:27 Scope of UCC
§ 12:28 Engagements not subject to UCC
§ 12:29 Uniform Customs and Practice for Documentary Credits (UCP) and International Standby Practices 1998 (ISP98)
§ 12:30 UCP definition of credit
§ 12:31 Making letter of credit subject to UCP or ISP98
§ 12:32 Scope of UCP
§ 12:33 Obtaining UCP 600 or ISP 98
§ 12:34 Conflicting UCC and UCP and ISP98 provisions
§ 12:35 Applicability of other UCC articles
§ 12:36 Conflicting UCC provisions
§ 12:37 Federal regulations

III. FORM AND CONTENT

§ 12:38 Formal requirements
§ 12:39 Requirements
§ 12:40 Expiration date
§ 12:41 Definitive undertaking by parties
§ 12:42 Consideration
§ 12:43 General rules of contract construction
§ 12:44 Intention of parties
§ 12:45 Construction against drafter
§ 12:46 Reformation
§ 12:47 Time of establishment of credit
§ 12:48 Issue date
§ 12:49 Revocability
§ 12:50 Necessity of indicating whether revocable or irrevocable
§ 12:51 Irrevocable letter of credit
§ 12:52 —Withdrawal
§ 12:53 Revocable letter of credit
§ 12:54 Special provisions applicable to national banks
§ 12:55 Special provisions applicable to Texas savings and loan associations (TXS&L)
§ 12:56 Texas agency statutory requirements

IV. PRESENTMENT FOR PAYMENT

§ 12:57 Issuer's duty in general
§ 12:58 Demand must be by beneficiary

§ 12:59 Time allowed for honoring
§ 12:60 Required documents
§ 12:61 UCP and ISP98 acceptance provisions
§ 12:62 Standard for examination of documents
§ 12:63 Strict compliance defined
§ 12:64 Standard banking practice
§ 12:65 Knowledge of other industries
§ 12:66 Strict compliance defined is a question of law
§ 12:67 Substantial compliance distinguished
§ 12:68 Obligation on nondocumentary conditions
§ 12:69 Notice of discrepancies of documents
§ 12:70 Effect of not giving timely notice of discrepancies
§ 12:71 Drawing on a letter of credit during a global crisis or state of emergency

V. OBLIGATION OF OTHER PARTIES

§ 12:72 Direct obligation of confirmer
§ 12:73 Nominated person
§ 12:74 Adviser
§ 12:75 Duty to advise
§ 12:76 Timeliness of duty to advise
§ 12:77 Liability for errors made in advice

VI. FRAUD

§ 12:78 Fraud in the transaction and forgery
§ 12:79 Issuer's obligation to honor
§ 12:80 Issuer's proper dishonor
§ 12:81 Materiality requirement
§ 12:82 Notice of fraud
§ 12:83 Injunctions against honor
§ 12:84 Statutory requirements for injunctions against honor
§ 12:85 Issuance in general
§ 12:86 Showing of fraud
§ 12:87 Injunctions against honor—Showing of fraud—Inclusion of untrue statements
§ 12:88 Effect of lifting of injunction

VII. REIMBURSEMENT

§ 12:89 Reimbursement agreements
§ 12:90 Right to immediate reimbursement
§ 12:91 Preclusion from restitution

VIII. WARRANTIES

§ 12:92 Article 5 warranties

§ 12:93 Timing of warranties
§ 12:94 Warranties under other U.C.C. articles

IX. REMEDIES

§ 12:95 Overview
§ 12:96 Wrongful dishonor or repudiation
§ 12:97 Wrongfully threatening to draw
§ 12:98 Specific performance
§ 12:99 Injunctive relief to extend or reinstate
§ 12:100 Incidental and consequential damages
§ 12:101 Mitigation of damages
§ 12:102 Breach
§ 12:103 Liquidated damages
§ 12:104 Attorney's fees
§ 12:105 Interest
§ 12:106 Statute of limitations
§ 12:107 —Under prior Article 5

X. TRANSFER AND ASSIGNMENT

§ 12:108 Transfer of letter of credit
§ 12:109 Transfer of letter of credit by operation of law
§ 12:110 Beneficiary's successor by operation of law
§ 12:111 Issuer's recognition of disclosed successor by operation of law
§ 12:112 Beneficiary's name change
§ 12:113 Assignment of proceeds
§ 12:114 Consent to assignment
§ 12:115 Transferee's rights superior to assignee's rights
§ 12:116 Mode of assignment

XI. SUBROGATION

§ 12:117 Of issuer
§ 12:118 Of applicant
§ 12:119 Of nominated person
§ 12:120 When subrogation rights arise

XII. BANKRUPTCY ISSUES

§ 12:121 Applicant's bankruptcy
§ 12:122 —Automatic stay
§ 12:123 Letter of credit and proceeds not subject to stay
§ 12:124 Preferential transfers
§ 12:125 Letter of credit not property of the bankruptcy estate

§ 12:126 Collateral pledged as security
§ 12:127 Assets subject to reimbursement
§ 12:128 New value
§ 12:129 Preference toward beneficiary
§ 12:130 Direct/indirect transfer doctrine
§ 12:131 No new value given
§ 12:132 Issuer's insolvency and validity of letters of credit
§ 12:133 —Role of Federal Deposit Insurance Corporation (FDIC)
§ 12:134 Liquidation of insolvent bank
§ 12:135 Purchase and assumption agreements
§ 12:136 Exclusion of letters of credit from P&A agreement
§ 12:137 Power to repudiate contracts
§ 12:138 Damages for repudiation
§ 12:139 Letter of credit as provable claim
§ 12:140 What constitutes provability—Three-part test
§ 12:141 Applicability to letters of credit
§ 12:142 Letter of credit as insured deposit
§ 12:143 Standby letter of credit

XIII. CHOICE OF LAW

§ 12:144 Choice of law and forum
§ 12:145 Effect of not choosing
§ 12:146 Bank branches

XIV. CHECKLISTS

§ 12:147 Provisions to include in letter of credit under Chapter 5/UCP600/ISP98

XV. FORMS

§ 12:148 Application for letter of credit
§ 12:149 Application of letter of credit—To Bank
§ 12:150 Revocable Letter of Credit
§ 12:151 Irrevocable standby letter of credit
§ 12:152 Irrevocable documentary/commercial letter of credit
§ 12:153 General letter of credit—With guaranty
§ 12:154 Special letter of Credit
§ 12:155 Draft
§ 12:156 Certificate
§ 12:157 Notice of dishonor
§ 12:158 Transfer certificate
§ 12:159 Notice of Assignment—To issuer
§ 12:160 Amendment to letter of credit—Issued by bank

§ 12:161 Request to issue letter of advice
§ 12:162 Advice of credit
§ 12:163 Confirmation of Credit
§ 12:164 Confirmation of issued letter of credit

Table of Laws and Rules

Table of Cases

Index