

Spelling Out

Letters of Credit

History, Law, and Drafting

ALLISON BASTIAN-RODRIGUEZ

DENTON, NAVARRO, ROCHA, BERNAL, & ZECH, P.C.

1

Texas Business and Commerce Code Sec. 5.102(a)(10)

"Letter of credit" means a definite undertaking that satisfies the requirements of Section 5.104 by an issuer to a beneficiary at the request or for the account of an applicant or, in the case of a financial institution, to itself or for its own account, to honor a documentary presentation by payment or delivery of an item of value.

2

Why A Letter of Credit?

- Credit enhancement/
funding support
- Alternative to surety
bond or guaranty
- Independent
- “Foolproof”



3

Two types:

- Documentary Letter of Credit
- Standby Letter of Credit



4

Governing law

- UCC Article 5
- Texas Business and Commerce Code Chapter 5
- Caselaw/contract interpretation
- International Chamber of Commerce

Uniform Customs and Practice (UCP)

International Standby Practices (ISP98)

Governing law

- UCC Article 5
- Texas Business and Commerce Code
 - Nearly all fifty states have adopted a version of Section 5 of the Uniform Commercial Code to govern letters of credit. In Texas, this is the statutory law found in Title 1, Chapter 5 of the Texas Business and Commerce Code.

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the [UT Law CLE eLibrary \(utcle.org/elibrary\)](https://utcle.org/elibrary)

Title search: Spelling Out Letters of Credit: History, Law, and Drafting

Also available as part of the eCourse

[2021 New Development and Hot Topics in Real Estate Mortgage Practice](#)

First appeared as part of the conference materials for the
55th Annual William W. Gibson, Jr. Mortgage Lending and Servicing Institute session
"Spelling Out Letters of Credit"