

By: Minjarez

H.B. No. 735

A BILL TO BE ENTITLED

AN ACT

1  
2 relating to service contracts for leased or purchased motor  
3 vehicles.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Sections 1304.003(a)(2) and (3), Occupations  
6 Code, are amended to read as follows:

7 (2) "Service contract" means an agreement that is  
8 entered into for a separately stated consideration and for a  
9 specified term under which a provider agrees to:

10 (A) repair, replace, or maintain a product, or  
11 provide indemnification for the repair, replacement, or  
12 maintenance of a product, for operational or structural failure or  
13 damage caused by a defect in materials or workmanship or by normal  
14 wear;

15 (B) provide identity recovery, if the service  
16 contract is financed under Chapter 348 or 353, Finance Code; or

17 (C) provide compensation to the lessee or buyer  
18 of a vehicle on the total constructive loss under a depreciation  
19 benefit optional member program.

20 (3) "Depreciation benefit optional member program"  
21 means a service contract for a vehicle, regardless of whether the  
22 vehicle is purchased for cash, financed, or leased [~~financed under~~  
23 ~~Chapter 348 or 353, Finance Code~~], that pays to the lessee or buyer  
24 a specified amount, as a credit that may be used toward the lease or

1 purchase of a replacement vehicle at a participating dealer after  
2 [~~, an amount less than or equal to the difference between the~~  
3 ~~purchase price and actual cash value for~~] a total constructive loss  
4 of the vehicle.

5 SECTION 2. Section 1304.003(e), Occupations Code, is  
6 amended to read as follows:

7 (e) A service contract described by Subsection (a)(2)(C):

8 (1) may not be required as a condition of approval of a  
9 lease of a vehicle or a loan for the purchase of a vehicle;

10 (2) may not be offered by a dealer who requires a loan  
11 for the purchase of a vehicle to be financed exclusively with the  
12 dealer;

13 (3) may be canceled by the buyer of the service  
14 contract not later than the 30th day after the [~~a~~] buyer enters into  
15 the contract, without a penalty;

16 (4) may be canceled by the buyer of the service  
17 contract later than the 30th day after the [~~a~~] buyer enters into the  
18 contract, with a pro rata refund to be provided to the buyer; and

19 (5) may only charge a fee that is reasonable in  
20 relation to the benefit provided by the service contract.

21 SECTION 3. The changes in law made by this Act apply only to  
22 a service contract entered into or renewed on or after the effective  
23 date of this Act. A service contract entered into or renewed before  
24 the effective date of this Act is governed by the law in effect  
25 immediately before the effective date of this Act, and that law is  
26 continued in effect for that purpose.

27 SECTION 4. This Act takes effect September 1, 2021.