

1-1 By: Minjarez (Senate Sponsor - Campbell) H.B. No. 735  
 1-2 (In the Senate - Received from the House April 12, 2021;  
 1-3 April 13, 2021, read first time and referred to Committee on  
 1-4 Business & Commerce; April 23, 2021, reported favorably by the  
 1-5 following vote: Yeas 8, Nays 0; April 23, 2021, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	X			
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13			X	
1-14	X			
1-15	X			
1-16	X			

1-17 A BILL TO BE ENTITLED  
 1-18 AN ACT

1-19 relating to service contracts for leased or purchased motor  
 1-20 vehicles.

1-21 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-22 SECTION 1. Sections 1304.003(a)(2) and (3), Occupations  
 1-23 Code, are amended to read as follows:

1-24 (2) "Service contract" means an agreement that is  
 1-25 entered into for a separately stated consideration and for a  
 1-26 specified term under which a provider agrees to:

1-27 (A) repair, replace, or maintain a product, or  
 1-28 provide indemnification for the repair, replacement, or  
 1-29 maintenance of a product, for operational or structural failure or  
 1-30 damage caused by a defect in materials or workmanship or by normal  
 1-31 wear;

1-32 (B) provide identity recovery, if the service  
 1-33 contract is financed under Chapter 348 or 353, Finance Code; or

1-34 (C) provide compensation to the lessee or buyer  
 1-35 of a vehicle on the total constructive loss under a depreciation  
 1-36 benefit optional member program.

1-37 (3) "Depreciation benefit optional member program"  
 1-38 means a service contract for a vehicle, regardless of whether the  
 1-39 vehicle is purchased for cash, financed, or leased [~~financed under~~  
 1-40 ~~Chapter 348 or 353, Finance Code~~], that pays to the lessee or buyer  
 1-41 a specified amount, as a credit that may be used toward the lease or  
 1-42 purchase of a replacement vehicle at a participating dealer after  
 1-43 [~~, an amount less than or equal to the difference between the~~  
 1-44 ~~purchase price and actual cash value for~~] a total constructive loss  
 1-45 of the vehicle.

1-46 SECTION 2. Section 1304.003(e), Occupations Code, is  
 1-47 amended to read as follows:

1-48 (e) A service contract described by Subsection (a)(2)(C):

1-49 (1) may not be required as a condition of approval of a  
 1-50 lease of a vehicle or a loan for the purchase of a vehicle;

1-51 (2) may not be offered by a dealer who requires a loan  
 1-52 for the purchase of a vehicle to be financed exclusively with the  
 1-53 dealer;

1-54 (3) may be canceled by the buyer of the service  
 1-55 contract not later than the 30th day after the [a] buyer enters into  
 1-56 the contract, without a penalty;

1-57 (4) may be canceled by the buyer of the service  
 1-58 contract later than the 30th day after the [a] buyer enters into the  
 1-59 contract, with a pro rata refund to be provided to the buyer; and

1-60 (5) may only charge a fee that is reasonable in  
 1-61 relation to the benefit provided by the service contract.

2-1 SECTION 3. The changes in law made by this Act apply only to  
2-2 a service contract entered into or renewed on or after the effective  
2-3 date of this Act. A service contract entered into or renewed before  
2-4 the effective date of this Act is governed by the law in effect  
2-5 immediately before the effective date of this Act, and that law is  
2-6 continued in effect for that purpose.

2-7 SECTION 4. This Act takes effect September 1, 2021.

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