

BILL ANALYSIS

C.S.S.B. 1429
By: Averitt
Financial Institutions
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Under federal law, nationally chartered institutions have the authority to offer certain contracts, including debt cancellation and debt suspension agreements to their customers. State commercial and savings banks have similar authority under parity rules. Therefore, under current law, they are both authorized to engage in this activity, but Texas statutes are inconsistent with federal law. C.S.S.B. 1429 brings state law into conformity with applicable federal law with respect to these contracts.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.S.B. 1429 creates new Section 342.4021, Finance Code to authorize lenders to offer debt cancellation and debt suspension agreements to borrowers of consumer loans not secured by real property. The bill authorizes lenders to offer gap waiver agreements and service contracts, in addition to debt cancellation and debt suspension agreements, for consumer loans secured by motor vehicles. The cost of a debt cancellation or debt suspension agreement may be financed as part of the loan contract.

The bill prohibits a lender from requiring a borrower to accept any of these agreements or contracts. The bill requires a lender to provide a separate notice to borrowers disclosing that the borrower is not required to accept any of these agreements or contracts. The bill amends Section 342.111, Finance Code to provide that any gain or advance to the lender for the sale of these agreements or contracts is not interest.

EFFECTIVE DATE

On passage or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2003.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute deletes language in the original relating to the amount that may be charged for these agreements or contracts.