

By: Averitt

S.B. No. 774

A BILL TO BE ENTITLED

AN ACT

relating to revolving credit accounts.

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

SECTION 1. Section 346.005, Finance Code, is amended to read as follows:

Sec. 346.005. APPLICATION OF OTHER CODE PROVISIONS. (a) A revolving credit account is subject to Chapters 303 and 349 but is not subject to another chapter of this title unless specifically provided by this chapter.

(b) A creditor in a revolving credit account under this chapter for personal, family, or household use must hold a license under Chapter 342, unless the person is not required to obtain a license under Section 342.051.

SECTION 2. Section 346.101(a), Finance Code, is amended to read as follows:

(a) A revolving credit account may provide for interest on an account at an annual rate that does not exceed the greater of:

(1) 18 percent a year; or

(2) the applicable alternative rate ceiling under Chapter 303.

SECTION 3. Section 346.103, Finance Code, is amended by adding Subsection (d) to read as follows:

(d) With respect to a revolving credit account secured by an interest in real property, a creditor may contract for, charge, and

1 receive additional fees or charges permitted under Section 342.308
2 as if the revolving credit account were a secondary mortgage loan
3 under Chapter 342.

4 SECTION 4. Section 346.201, Finance Code, is amended to
5 read as follows:

6 Sec. 346.201. INSURANCE; COLLATERAL. In connection with a
7 revolving credit account, a creditor may require or take insurance
8 [~~or collateral~~] subject to the provisions of Chapter 342, relating
9 to insurance [~~and security~~], as if the revolving credit account
10 were a loan contract under that chapter. A creditor may require or
11 take real or personal property as collateral.

12 SECTION 5. Section 346.202, Finance Code, is amended to
13 read as follows:

14 Sec. 346.202. AMOUNTS AUTHORIZED TO BE RECOVERED FROM
15 CUSTOMER. (a) A creditor may recover from a customer amounts
16 incurred by the creditor for:

- 17 (1) court costs;
- 18 (2) attorney's fees assessed by a court;
- 19 (3) a fee authorized by law for filing or recording in
20 a public office a document securing a revolving credit account,
21 including a document releasing a security interest;
- 22 (4) a fee for recording a lien on or transferring a
23 certificate of title to a motor vehicle securing a revolving credit
24 account;
- 25 (5) a reasonable amount spent for repossessing,
26 storing, preparing for sale, or selling collateral; or
- 27 (6) a premium or an identifiable charge received in

1 connection with sale of insurance authorized for a revolving credit
2 account.

3 (b) With respect to a revolving credit account secured by an
4 interest in real property, a creditor may contract for, charge, and
5 receive additional fees or charges permitted under Section 342.307
6 as if the revolving credit account were a secondary mortgage loan
7 under Chapter 342.

8 SECTION 6. Section 346.204, Finance Code, is amended by
9 adding Subsection (c) to read as follows:

10 (c) With respect to a revolving credit account secured by an
11 interest in real property, a creditor who makes a change under
12 Subsection (a) that relates to an existing or future balance of the
13 account and that is adverse to the customer must comply with the
14 procedures in Section 303.103.

15 SECTION 7. Subchapter C, Chapter 346, Finance Code, is
16 amended by adding Section 346.206 to read as follows:

17 Sec. 346.206. ACCELERATION OR IMMEDIATE PAYMENT DEMAND
18 PROHIBITED. With respect to a revolving credit account secured by
19 an interest in real property, a creditor may not accelerate or
20 demand immediate payment of an amount owed under the account unless
21 the customer is in default under the terms of the account agreement.

22 SECTION 8. This Act takes effect September 1, 2003, and
23 applies only to a revolving credit account agreement entered into
24 or modified on or after that date.