

1-1 By: Averitt S.B. No. 774
1-2 (In the Senate - Filed February 28, 2003; March 5, 2003,
1-3 read first time and referred to Committee on Business and Commerce;
1-4 March 26, 2003, reported favorably by the following vote: Yeas 9,
1-5 Nays 0; March 26, 2003, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to revolving credit accounts.

1-9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-10 SECTION 1. Section 346.005, Finance Code, is amended to
1-11 read as follows:

1-12 Sec. 346.005. APPLICATION OF OTHER CODE PROVISIONS. (a) A
1-13 revolving credit account is subject to Chapters 303 and 349 but is
1-14 not subject to another chapter of this title unless specifically
1-15 provided by this chapter.

1-16 (b) A creditor in a revolving credit account under this
1-17 chapter for personal, family, or household use must hold a license
1-18 under Chapter 342, unless the person is not required to obtain a
1-19 license under Section 342.051.

1-20 SECTION 2. Subsection (a), Section 346.101, Finance Code,
1-21 is amended to read as follows:

1-22 (a) A revolving credit account may provide for interest on
1-23 an account at an annual rate that does not exceed the greater of:

1-24 (1) 18 percent a year; or
1-25 (2) the applicable alternative rate ceiling under
1-26 Chapter 303.

1-27 SECTION 3. Section 346.103, Finance Code, is amended by
1-28 adding Subsection (d) to read as follows:

1-29 (d) With respect to a revolving credit account secured by an
1-30 interest in real property, a creditor may contract for, charge, and
1-31 receive additional fees or charges permitted under Section 342.308
1-32 as if the revolving credit account were a secondary mortgage loan
1-33 under Chapter 342.

1-34 SECTION 4. Section 346.201, Finance Code, is amended to
1-35 read as follows:

1-36 Sec. 346.201. INSURANCE; COLLATERAL. In connection with a
1-37 revolving credit account, a creditor may require or take insurance
1-38 [~~or collateral~~] subject to the provisions of Chapter 342, relating
1-39 to insurance [~~and security~~], as if the revolving credit account
1-40 were a loan contract under that chapter. A creditor may require or
1-41 take real or personal property as collateral.

1-42 SECTION 5. Section 346.202, Finance Code, is amended to
1-43 read as follows:

1-44 Sec. 346.202. AMOUNTS AUTHORIZED TO BE RECOVERED FROM
1-45 CUSTOMER. (a) A creditor may recover from a customer amounts
1-46 incurred by the creditor for:

1-47 (1) court costs;
1-48 (2) attorney's fees assessed by a court;
1-49 (3) a fee authorized by law for filing or recording in
1-50 a public office a document securing a revolving credit account,
1-51 including a document releasing a security interest;

1-52 (4) a fee for recording a lien on or transferring a
1-53 certificate of title to a motor vehicle securing a revolving credit
1-54 account;

1-55 (5) a reasonable amount spent for repossessing,
1-56 storing, preparing for sale, or selling collateral; or

1-57 (6) a premium or an identifiable charge received in
1-58 connection with sale of insurance authorized for a revolving credit
1-59 account.

1-60 (b) With respect to a revolving credit account secured by an
1-61 interest in real property, a creditor may contract for, charge, and
1-62 receive additional fees or charges permitted under Section 342.307
1-63 as if the revolving credit account were a secondary mortgage loan
1-64 under Chapter 342.

2-1 SECTION 6. Section 346.204, Finance Code, is amended by
2-2 adding Subsection (c) to read as follows:

2-3 (c) With respect to a revolving credit account secured by an
2-4 interest in real property, a creditor who makes a change under
2-5 Subsection (a) that relates to an existing or future balance of the
2-6 account and that is adverse to the customer must comply with the
2-7 procedures in Section 303.103.

2-8 SECTION 7. Subchapter C, Chapter 346, Finance Code, is
2-9 amended by adding Section 346.206 to read as follows:

2-10 Sec. 346.206. ACCELERATION OR IMMEDIATE PAYMENT DEMAND
2-11 PROHIBITED. With respect to a revolving credit account secured by
2-12 an interest in real property, a creditor may not accelerate or
2-13 demand immediate payment of an amount owed under the account unless
2-14 the customer is in default under the terms of the account agreement.

2-15 SECTION 8. This Act takes effect September 1, 2003, and
2-16 applies only to a revolving credit account agreement entered into
2-17 or modified on or after that date.

2-18

* * * * *