

By: Averitt

S.B. No. 1429

A BILL TO BE ENTITLED

AN ACT

relating to certain agreements offered in connection with a loan.

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

SECTION 1. Section 342.308, Finance Code, is amended by adding Subsection (d) to read as follows:

(d) Costs that conform to Section 342.4021(a) may be added to the loan contract.

SECTION 2. Subchapter I, Chapter 342, Finance Code, is amended by adding Section 342.4021 to read as follows:

Sec. 342.4021. AGREEMENTS REGARDING DEBT SUSPENSION, DEBT CANCELLATION, GAP WAIVER, AND MOTOR VEHICLE SERVICE. (a) In connection with a loan made under this chapter that is subject to Section 342.201(d) or 342.301(c), a lender may offer to the borrower a debt suspension agreement or debt cancellation agreement under similar terms and conditions as such an agreement may be offered by a bank or savings association.

(b) In connection with a loan made under this chapter that is subject to Section 342.201(d) and that is secured by a motor vehicle, a lender may offer to the borrower at the time the loan is made a gap waiver agreement, a service contract, or both.

(c) A lender may not require that a borrower accept or provide an agreement or contract under Subsection (a) or (b).

(d) In addition to other disclosures required by state or federal law and before offering an agreement or contract authorized

1 by this section, the lender shall provide to the borrower a notice
2 separate from the loan documents stating that the borrower is not
3 required to accept or provide the agreement or contract to obtain
4 the loan.

5 (e) The amount charged for a product authorized by
6 Subsections (a) and (b) must be reasonable.

7 SECTION 3. Section 342.411, Finance Code, is amended to
8 read as follows:

9 Sec. 342.411. INSURANCE OR OTHER GAIN NOT INTEREST. Any
10 gain or advantage to the lender or the lender's employee, officer,
11 director, agent, general agent, affiliate, or associate from
12 insurance or from another agreement or contract permitted under
13 this subchapter or the provision or sale of insurance or another
14 agreement or contract permitted under this subchapter is not
15 additional interest or an additional charge in connection with a
16 loan made under this chapter except as specifically provided by
17 this chapter.

18 SECTION 4. This Act takes effect immediately if it receives
19 a vote of two-thirds of all the members elected to each house, as
20 provided by Section 39, Article III, Texas Constitution. If this
21 Act does not receive the vote necessary for immediate effect, this
22 Act takes effect September 1, 2003.