

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

Sec. 342.4021. DEBT CANCELLATION AND DEBT SUSPENSION AGREEMENTS, GAP WAIVER AGREEMENTS, SERVICE CONTRACTS. (a) On a loan made under this chapter that is subject to Section 342.201(d), a lender may offer to the borrower at the time the loan is made:

(1) a debt cancellation agreement and debt suspension agreement, if the cash advance of the loan is \$100 or more; or

(2) a gap waiver agreement, service contract, debt suspension agreement, debt cancellation agreement, or any of the above, if the loan is secured by a motor vehicle.

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

(c) Prior to offering the products authorized in this section, the lender shall provide a disclosure comparable to that provided in Section 305 of the Gramm-Leach-Bliley Act informing the borrower that purchase of the product is not required in order to obtain the credit. As applicable, the disclosure shall also inform the borrower that the product is not a deposit or other obligation of, or guaranteed by the insured depository institution and the product is not insured by the FDIC or any other agency of the United

1 States, the depository financial institution, or (if applicable) an  
2 affiliate of the institution.

3 (d) The Finance Commission shall issue rules implementing  
4 paragraph (c).

5 SECTION 2. Section 342.411, Finance Code, is amended to  
6 read as follows:

7 Sec. 342.411. INSURANCE OR OTHER PRODUCT GAIN NOT INTEREST.

8 Any gain or advantage to the lender or the lender's employee,  
9 officer, director, agent, general agent, affiliate, or associate  
10 from insurance or other products under this subchapter or the  
11 provision or sale of insurance or other products under this  
12 subchapter is not additional interest or an additional charge in  
13 connection with a loan made under this chapter except as  
14 specifically provided by this chapter.

15 SECTION 3. This Act takes effect immediately if it receives  
16 a vote of two-thirds of all the members elected to each house, as  
17 provided by Section 39, Article III, Texas Constitution. If this  
18 Act does not receive the vote necessary for immediate effect, this  
19 Act takes effect September 1, 2003.