

1-1 By: Averitt S.B. No. 1429
1-2 (In the Senate - Filed March 13, 2003; March 20, 2003, read
1-3 first time and referred to Committee on Business and Commerce;
1-4 May 1, 2003, reported adversely, with favorable Committee
1-5 Substitute by the following vote: Yeas 7, Nays 0; May 1, 2003, sent
1-6 to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1429 By: Averitt

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to certain agreements offered in connection with a loan.
1-11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
1-12 SECTION 1. Section 342.308, Finance Code, is amended by
1-13 adding Subsection (d) to read as follows:
1-14 (d) Costs that conform to Section 342.4021(a) may be added
1-15 to the loan contract.

1-16 SECTION 2. Subchapter I, Chapter 342, Finance Code, is
1-17 amended by adding Section 342.4021 to read as follows:

1-18 Sec. 342.4021. AGREEMENTS REGARDING DEBT SUSPENSION, DEBT
1-19 CANCELLATION, GAP WAIVER, AND MOTOR VEHICLE SERVICE. (a) In
1-20 connection with a loan made under this chapter that is subject to
1-21 Section 342.201(d) or 342.301(c), a lender may offer to the
1-22 borrower a debt suspension agreement or debt cancellation agreement
1-23 under similar terms and conditions as such an agreement may be
1-24 offered by a bank or savings association.

1-25 (b) In connection with a loan made under this chapter that
1-26 is subject to Section 342.201(d) and that is secured by a motor
1-27 vehicle, a lender may offer to the borrower at the time the loan is
1-28 made a gap waiver agreement, a service contract, or both.

1-29 (c) A lender may not require that a borrower accept or
1-30 provide an agreement or contract under Subsection (a) or (b).

1-31 (d) In addition to other disclosures required by state or
1-32 federal law and before offering an agreement or contract authorized
1-33 by this section, the lender shall provide to the borrower a notice
1-34 separate from the loan documents stating that the borrower is not
1-35 required to accept or provide the agreement or contract to obtain
1-36 the loan.

1-37 (e) The amount charged for a product authorized by
1-38 Subsections (a) and (b) must be reasonable.

1-39 SECTION 3. Section 342.411, Finance Code, is amended to
1-40 read as follows:

1-41 Sec. 342.411. INSURANCE OR OTHER GAIN NOT INTEREST. Any
1-42 gain or advantage to the lender or the lender's employee, officer,
1-43 director, agent, general agent, affiliate, or associate from
1-44 insurance or from another agreement or contract permitted under
1-45 this subchapter or the provision or sale of insurance or another
1-46 agreement or contract permitted under this subchapter is not
1-47 additional interest or an additional charge in connection with a
1-48 loan made under this chapter except as specifically provided by
1-49 this chapter.

1-50 SECTION 4. This Act takes effect immediately if it receives
1-51 a vote of two-thirds of all the members elected to each house, as
1-52 provided by Section 39, Article III, Texas Constitution. If this
1-53 Act does not receive the vote necessary for immediate effect, this
1-54 Act takes effect September 1, 2003.

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