

BILL ANALYSIS

C.S.H.B. 1088
By: Thompson
Financial Institutions
Committee Reported (Substituted)

BACKGROUND AND PURPOSE

Current law permits regulated lenders to offer to customers the sale of automobile club memberships at the time or after a loan is made; however, the cost of the automobile club membership may not be financed in the loan.

C.S.H.B. 1088 would permit customers of regulated lenders to finance the charges for automobile club memberships in connection with non-property consumer loans.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Office of Consumer Credit Commissioner in SECTION 1 [Section 342.457(e), Finance Code] of this bill.

ANALYSIS

C.S.H.B. 1088 amends the Finance Code as follows:

The substitute allows authorized lenders to offer and include, in the loan contract, the costs of an automobile club membership. The lender shall not require the purchase of an automobile club membership as a condition of the loan. The lender must obtain the borrower's written acknowledgment of the borrower's intention to purchase the membership. The lender must also provide the borrower with a separate written disclosure outlining the borrower's right to obtain the loan without the purchase of an automobile club membership and the borrower's right to cancel the membership and receive a full refund before the 31st day after the loan is made.

The substitute provides that the Consumer Credit Commissioner shall establish a disclosure form that conforms to plain language and readability requirements, including disclosures in Spanish. The cost of the membership must be reasonable as determined by the Consumer Credit Commissioner.

EFFECTIVE DATE

September 1, 2005

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 1088 modifies the original by adding new language, similar to the original, to a different section of the Finance Code. This provides the commission enforcement tools over unregulated lenders that make these types of transactions.