

BILL ANALYSIS

C.S.H.B. 1089
By: Burnam
Financial Institutions
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Consumer debt has skyrocketed in the last decade, greatly outpacing the growth of personal disposable income, with much of this coming in the form of revolving credit card debt. Approximately half of all credit card holders pay only their minimum monthly requirements. If a consumer makes only the minimum monthly payments on a credit card debt of \$4000, it would take over twenty years to pay off. However, many consumers do not realize this fact.

C.S.H.B. 1089 requires credit card companies to post a general warning that paying only the minimum monthly payment will result in more interest and a longer payoff date.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 1089 amends Subchapter C, Chapter 346, Finance Code, as follows:

The substitute requires creditors of revolving credit accounts to display on the billing statement a warning that making the minimum payment will increase the amount of interest that is to be paid.

The substitute provides that the requirements for the billing statements apply to an account with a customer who is a resident of this state regardless of the location of the creditor.

EFFECTIVE DATE

September 1, 2005

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 1089 modifies the original by changing the heading of the section from "Statement of Pay-Off Date" to "Minimum Payment Notices."

The substitute modifies the original by adding language that requires the billing statement to have a warning statement that states making only the minimum payment will increase the amount of interest to be paid and the time it takes to repay the balance.