

BILL ANALYSIS

S.B. 1479
By: Shapleigh
Financial Institutions
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Members of the military and their families are prime targets for payday lenders. Military personnel are paid regularly, never get laid off, and face penalties for failing to repay debts. This makes them a wise investment for payday lenders because the chances of default are very slim. Lenders know they will recoup their money because they can call the commanders of soldiers who do not pay their debts. Soldiers who do not pay can face a court-martial and, in some cases, can be discharged.

Military families are vulnerable when it comes to this form of predatory lending. Many payday loans result in triple-digit interest rates. The financial burden on the borrower and the consequences of being unable to repay lead the borrower to refinance loans, creating an onerous cycle of increasing fees. The relative youth of military personnel, and a lack of sophistication in financial matters, make them ill equipped to deal with the financial burden produced by payday loans.

S.B. 1479 provides for deferred presentment transaction of certain military personnel to their spouses.

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

S.B. 1479 amends Chapter 342, Finance Code, as follows:

The bill requires a lender, before engaging in a deferred presentment transaction, to provide to a customer who is a member of the United States military or the member's spouse a written statement that clearly and conspicuously states certain requirements and restrictions for the lender.

The bill prohibits a lender from contacting the employer of a member of the United States military or the member's spouse about deferred presentment debt of the member.

The bill prohibits a lender from engaging in collection activity against a certain military borrower or their spouse.

The bill prohibits a lender from garnishing the wages of a borrower who is a member of the United States military or the member's spouse.

The bill requires a lender, with respect to a deferred presentment transaction, to honor a repayment agreement entered into with a borrower who is a member of the United States military or the member's spouse, including a repayment agreement negotiated through a military counselor or a third-party credit counselor.

EFFECTIVE DATE

September 1, 2005

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