

AN ACT

relating to an automobile club membership offered in connection with a loan.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter C, Chapter 303, Finance Code, is amended by adding Section 303.203 to read as follows:

Sec. 303.203. AUTOMOBILE CLUB MEMBERSHIP OFFERED IN CONNECTION WITH A LOAN. (a) A lender may, at the time or after a loan is made, offer to sell to the borrower and finance in the loan contract a charge for an automobile club membership.

(b) The lender may not require the purchase of the membership authorized under Subsection (a) as a condition for approval of the loan.

(c) The borrower shall provide the lender with written acknowledgment of the borrower's intent to purchase the membership.

(d) The amount charged for a membership as authorized by Subsection (a) must be reasonable.

SECTION 2. Subchapter J, Chapter 342, Finance Code, is amended by adding Section 342.457 to read as follows:

Sec. 342.457. AUTOMOBILE CLUB MEMBERSHIP OFFERED IN CONNECTION WITH A LOAN. (a) An authorized lender may, at the time or after a loan under Subchapter E is made, offer to sell to the borrower and finance in the loan contract a charge for an automobile club membership.

1       (b) The lender may not require the purchase of the  
2 membership authorized under Subsection (a) as a condition for  
3 approval of the loan.

4       (c) The borrower shall provide the lender with written  
5 acknowledgment of the borrower's intent to purchase the membership.

6       (d) The lender shall give the borrower written notice at the  
7 time the loan is made that the borrower:

8             (1) is not required to purchase the membership as a  
9 condition for approval of the loan; and

10            (2) is entitled to cancel the transaction and receive  
11 a full refund of the purchase price of the membership before the  
12 31st day after the date the loan is made.

13       (e) The commissioner shall:

14             (1) adopt a rule providing for disclosure in Spanish  
15 of the information required by Subsection (d); and

16             (2) establish a form for the disclosure of the  
17 information required by Subsection (d) that conforms to the plain  
18 language and readability requirements applicable to loan contracts  
19 under Section 341.502.

20       (f) The amount charged for a membership as authorized by  
21 Subsection (a) must be reasonable.

22       SECTION 3. The change in law made by this Act applies only  
23 to a loan contract made on or after the effective date of this Act.  
24 A loan contract made before the effective date of this Act is  
25 governed by the law in effect when the loan contract was made, and  
26 the former law is continued in effect for that purpose.

27       SECTION 4. This Act takes effect September 1, 2005.

H.B. No. 1088

---

President of the Senate

---

Speaker of the House

I certify that H.B. No. 1088 was passed by the House on April 19, 2005, by a non-record vote.

---

Chief Clerk of the House

I certify that H.B. No. 1088 was passed by the Senate on May 17, 2005, by the following vote: Yeas 31, Nays 0.

---

Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

---

Governor