

1-1 By: Thompson (Senate Sponsor - Harris) H.B. No. 1088
1-2 (In the Senate - Received from the House April 20, 2005;
1-3 April 21, 2005, read first time and referred to Committee on
1-4 Business and Commerce; May 9, 2005, reported favorably by the
1-5 following vote: Yeas 8, Nays 0; May 9, 2005, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to an automobile club membership offered in connection
1-9 with a loan.

1-10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-11 SECTION 1. Subchapter C, Chapter 303, Finance Code, is
1-12 amended by adding Section 303.203 to read as follows:

1-13 Sec. 303.203. AUTOMOBILE CLUB MEMBERSHIP OFFERED IN
1-14 CONNECTION WITH A LOAN. (a) A lender may, at the time or after a
1-15 loan is made, offer to sell to the borrower and finance in the loan
1-16 contract a charge for an automobile club membership.

1-17 (b) The lender may not require the purchase of the
1-18 membership authorized under Subsection (a) as a condition for
1-19 approval of the loan.

1-20 (c) The borrower shall provide the lender with written
1-21 acknowledgment of the borrower's intent to purchase the membership.

1-22 (d) The amount charged for a membership as authorized by
1-23 Subsection (a) must be reasonable.

1-24 SECTION 2. Subchapter J, Chapter 342, Finance Code, is
1-25 amended by adding Section 342.457 to read as follows:

1-26 Sec. 342.457. AUTOMOBILE CLUB MEMBERSHIP OFFERED IN
1-27 CONNECTION WITH A LOAN. (a) An authorized lender may, at the time
1-28 or after a loan under Subchapter E is made, offer to sell to the
1-29 borrower and finance in the loan contract a charge for an automobile
1-30 club membership.

1-31 (b) The lender may not require the purchase of the
1-32 membership authorized under Subsection (a) as a condition for
1-33 approval of the loan.

1-34 (c) The borrower shall provide the lender with written
1-35 acknowledgment of the borrower's intent to purchase the membership.

1-36 (d) The lender shall give the borrower written notice at the
1-37 time the loan is made that the borrower:

1-38 (1) is not required to purchase the membership as a
1-39 condition for approval of the loan; and

1-40 (2) is entitled to cancel the transaction and receive
1-41 a full refund of the purchase price of the membership before the
1-42 31st day after the date the loan is made.

1-43 (e) The commissioner shall:

1-44 (1) adopt a rule providing for disclosure in Spanish
1-45 of the information required by Subsection (d); and

1-46 (2) establish a form for the disclosure of the
1-47 information required by Subsection (d) that conforms to the plain
1-48 language and readability requirements applicable to loan contracts
1-49 under Section 341.502.

1-50 (f) The amount charged for a membership as authorized by
1-51 Subsection (a) must be reasonable.

1-52 SECTION 3. The change in law made by this Act applies only
1-53 to a loan contract made on or after the effective date of this Act.
1-54 A loan contract made before the effective date of this Act is
1-55 governed by the law in effect when the loan contract was made, and
1-56 the former law is continued in effect for that purpose.

1-57 SECTION 4. This Act takes effect September 1, 2005.

1-58 * * * * *