

## **BILL ANALYSIS**

H.B. 2396  
By: McCall  
Financial Institutions  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

In 2005, the Legislature adopted changes to Chapter 394 of the Finance Code to regulate Consumer Debt Management Services. The Act was intended to provide a substantial level of protection for consumers seeking assistance in managing their debts. The Act allowed only tax-exempt 501(c)(3) organizations to provide debt management services to consumers in Texas.

Over the past several years, the Internal Revenue Service (IRS), Congress and the Federal Trade Commission criticized and took action against the debt management services activities of tax-exempt organizations. The IRS determined that these organizations' activities did not meet the charitable or educational purpose upon which their tax-exempt status is based.

H.B. 2396 amends the Finance Code to enable Texas to effectively regulate nonprofit and for-profit financial services organizations, schools, hospitals, utilities and day care facilities.

### **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**

H.B. 2396 amends the Finance Code to include detailed business information of each applicant on applications for an initial registration of consumer debt services. H.B. 2396 amends the Finance Code to remove the requirement that a provider be organized as a nonprofit tax-exempt organization. H.B. 2396 allows the commissioner to establish reasonable fees.

### **EFFECTIVE DATE**

September 1, 2007.