

BILL ANALYSIS

C.S.H.B. 2534
By: Solomons
Financial Institutions
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Currently, auto dealers can make the financing of motor vehicle to a consumer conditioned upon selling the contract to a holder on the secondary market. If the dealer is unable to sell the contract, which can range from one day to two months, then the dealer can repossess the motor vehicle from the consumer unless the consumer makes a larger down-payment or refinances the contract.

C.S.H.B. 2534 amends the Finance Code to state that a retail installment contract may not be conditioned on the subsequent sale of the contract to a holder.

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. 2534 amends the Finance Code to state that a retail installment contract may not be conditioned on the subsequent sale of the contract to a holder. A provision in violation of this subsection is void. Subject to this subsection, C.S.H.B. 2534 requires that a retail installment contract shall provide that it is subject to rescission at the election of the seller in the event that the seller is unable to assign the contract to a holder because the buyer provided materially false information in negotiating the contract. In order to provide the basis for rescission under this subsection, C.S.H.B. 2534 requires that information provided by the buyer must have been materially false, and included on an application for credit, included on an odometer statement, or related to whether or not the manufacturer of the vehicle had ever been required by state law to repurchase the vehicle. C.S.H.B. 2534 requires that all money paid by the buyer to the seller under the rescinded contract shall be refunded in hand to the buyer before the parties may execute a new retail installment contract for a vehicle.

EFFECTIVE DATE

September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

C.S.H.B. 2534 amends the original by adding subsections f and g. C.S.H.B. 2534 requires that a retail installment contract shall provide that it is subject to rescission at the election of the seller in the event that the seller is unable to assign the contract to a holder because the buyer provided materially false information in negotiating the contract. In order to provide the basis for rescission under this subsection, C.S.H.B. 2534 requires that information provided by the buyer must have been materially false, and included on an application for credit, included on an odometer statement, or related to whether or not the manufacturer of the vehicle had ever been required by state law to repurchase the vehicle. C.S.H.B. 2534 requires that all money paid by the buyer to the seller under the rescinded contract shall be refunded in hand to the buyer before the parties may execute a new retail installment contract for a vehicle.