

By: Carona

S.B. No. 1132

A BILL TO BE ENTITLED

AN ACT

relating to a documentary fee included in the principal balance of a retail installment contract for the purchase of a motor vehicle.

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

SECTION 1. Sections 348.006(a) and (c), Finance Code, are amended to read as follows:

(a) The principal balance under a retail installment contract is computed by:

(1) adding:

(A) the cash price of the motor vehicle;

(B) each amount included in the retail installment contract for an itemized charge; and

(C) subject to Subsection (c), a documentary fee for services rendered for or on behalf of the retail buyer in preparing, handling, and processing documents and complying with federal and state statutes, rules, and regulations, including those regarding privacy, security safeguards, and reporting requirements, relating to the motor vehicle and to the closing of the retail installment transaction; and

(2) subtracting from the results under Subdivision (1) the amount of the retail buyer's down payment in money, goods, or both.

(c) For a documentary fee to be included in the principal balance of a retail installment contract:

1 (1) the retail seller must charge the documentary fee
2 to cash buyers and credit buyers;

3 (2) the documentary fee may not exceed \$100 [~~\$50~~] for a
4 motor vehicle retail installment contract or a reasonable amount
5 agreed to by the retail seller and retail buyer for a heavy
6 commercial vehicle retail installment contract; and

7 (3) the buyer's order and the retail installment
8 contract must include:

9 (A) a statement of the amount of the documentary
10 fee; and

11 (B) in reasonable proximity to the place in each
12 where the amount of the documentary fee is disclosed, the following
13 notice in type that is bold-faced, capitalized, underlined, or
14 otherwise conspicuously set out from surrounding written material:

15 "A DOCUMENTARY FEE IS NOT AN OFFICIAL FEE. A DOCUMENTARY FEE
16 IS NOT REQUIRED BY LAW, BUT MAY BE CHARGED TO BUYERS FOR HANDLING
17 DOCUMENTS AND PERFORMING SERVICES RELATING TO THE CLOSING OF A
18 SALE. A DOCUMENTARY FEE MAY NOT EXCEED \$100 [~~\$50~~] FOR A MOTOR
19 VEHICLE CONTRACT OR A REASONABLE AMOUNT AGREED TO BY THE PARTIES FOR
20 A HEAVY COMMERCIAL VEHICLE CONTRACT. THIS NOTICE IS REQUIRED BY
21 LAW."

22 SECTION 2. The change in law made by this Act applies only
23 to a retail installment contract entered into on or after the
24 effective date of this Act. A retail installment contract entered
25 into before the effective date of this Act is governed by the law in
26 effect when the retail installment contract is entered into, and
27 the former law is continued in effect for that purpose.

1 SECTION 3. This Act takes effect immediately if it receives
2 a vote of two-thirds of all the members elected to each house, as
3 provided by Section 39, Article III, Texas Constitution. If this
4 Act does not receive the vote necessary for immediate effect, this
5 Act takes effect September 1, 2007.