

AN ACT

relating to debt cancellation agreements offered in connection with motor vehicle retail installment contracts.

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

SECTION 1. Section 348.001, Finance Code, is amended by adding Subdivision (1-a) to read as follows:

(1-a) "Debt cancellation agreement" means a retail installment contract term or a contractual arrangement modifying a retail installment contract term under which a retail seller or holder agrees to cancel all or part of an obligation of the retail buyer to repay an extension of credit from the retail seller or holder on the occurrence of the total loss or theft of the motor vehicle that is the subject of the retail installment contract but does not include an offer to pay a specified amount on the total loss or theft of the motor vehicle.

SECTION 2. Section 348.005, Finance Code, is amended to read as follows:

Sec. 348.005. ITEMIZED CHARGE. An amount in a retail installment contract is an itemized charge if the amount is not included in the cash price and is the amount of:

(1) fees for registration, certificate of title, and license and any additional registration fees charged by a full service deputy under Section 502.114, Transportation Code;

(2) any taxes;

1           (3) fees or charges prescribed by law and connected  
2 with the sale or inspection of the motor vehicle; and

3           (4) charges authorized for insurance, service  
4 contracts, ~~[or]~~ warranties, or a debt cancellation agreement by  
5 Subchapter C.

6           SECTION 3. Subchapter B, Chapter 348, Finance Code, is  
7 amended by adding Section 348.124 to read as follows:

8           Sec. 348.124. DEBT CANCELLATION AGREEMENTS. (a) In  
9 connection with a retail installment transaction under this  
10 chapter, a retail seller may offer to the retail buyer a debt  
11 cancellation agreement. The retail seller may not require that the  
12 purchase of a debt cancellation agreement by the retail buyer be  
13 made in order to enter into a retail installment transaction.

14           (b) A debt cancellation agreement is not considered an  
15 insurance product.

16           (c) The amount charged for a debt cancellation agreement  
17 made in connection with a retail installment contract must be  
18 reasonable.

19           (d) In addition to other disclosures required by state or  
20 federal law, the retail seller shall provide to the retail buyer a  
21 separate notice in connection with the retail installment contract  
22 stating that the retail buyer is not required to accept or provide a  
23 debt cancellation agreement in order to purchase the motor vehicle  
24 under a retail installment contract.

25           SECTION 4. Subsections (b) and (c), Section 348.208,  
26 Finance Code, are amended to read as follows:

27           (b) A retail installment contract may include as a separate

1 charge an amount for:

2 (1) motor vehicle property damage or bodily injury  
3 liability insurance;

4 (2) mechanical breakdown insurance;

5 (3) participation in a motor vehicle theft protection  
6 plan;

7 (4) insurance to reimburse the retail buyer for the  
8 amount computed by subtracting the proceeds of the buyer's basic  
9 collision policy on the motor vehicle from the amount owed on the  
10 vehicle if the vehicle has been rendered a total loss; ~~or~~

11 (5) a warranty or service contract relating to the  
12 motor vehicle; or

13 (6) a debt cancellation agreement if the agreement is  
14 included as a term of a retail installment contract under Section  
15 348.124.

16 (c) Notwithstanding any other law, service contracts and  
17 debt cancellation agreements sold by a retail seller of a motor  
18 vehicle to a retail buyer are not subject to Chapter 101 or 226,  
19 Insurance Code.

20 SECTION 5. This Act takes effect September 1, 2009.

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President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 1966 passed the Senate on April 16, 2009, by the following vote: Yeas 31, Nays 0; and that the Senate concurred in House amendment on May 12, 2009, by the following vote: Yeas 31, Nays 0.

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Secretary of the Senate

I hereby certify that S.B. No. 1966 passed the House, with amendment, on April 30, 2009, by the following vote: Yeas 144, Nays 0, one present not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor