

By: Harris

S.B. No. 1966

A BILL TO BE ENTITLED

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 a specified event and does not include an offer to pay a specified amount on a determinable contingency.

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;

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

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

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

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

12           (b) A debt cancellation agreement may not be considered an  
13 insurance product.

14           SECTION 4. Sections 348.208(b) and (c), Finance Code, are  
15 amended to read as follows:

16           (b) A retail installment contract may include as a separate  
17 charge an amount for:

18           (1) motor vehicle property damage or bodily injury  
19 liability insurance;

20           (2) mechanical breakdown insurance;

21           (3) participation in a motor vehicle theft protection  
22 plan;

23           (4) insurance to reimburse the retail buyer for the  
24 amount computed by subtracting the proceeds of the buyer's basic  
25 collision policy on the motor vehicle from the amount owed on the  
26 vehicle if the vehicle has been rendered a total loss; ~~[or]~~

27           (5) a warranty or service contract relating to the

1 motor vehicle; or

2 (6) a debt cancellation agreement if the agreement is  
3 included as a term of a retail installment contract under Section  
4 348.124.

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

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