

1-1 By: Harris S.B. No. 1966  
1-2 (In the Senate - Filed March 12, 2009; March 24, 2009, read  
1-3 first time and referred to Committee on Business and Commerce;  
1-4 April 2, 2009, reported adversely, with favorable Committee  
1-5 Substitute by the following vote: Yeas 9, Nays 0; April 2, 2009,  
1-6 sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR S.B. No. 1966 By: Harris

1-8 A BILL TO BE ENTITLED  
1-9 AN ACT

1-10 relating to debt cancellation agreements offered in connection with  
1-11 motor vehicle retail installment contracts.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Section 348.001, Finance Code, is amended by  
1-14 adding Subdivision (1-a) to read as follows:

1-15 (1-a) "Debt cancellation agreement" means a retail  
1-16 installment contract term or a contractual arrangement modifying a  
1-17 retail installment contract term under which a retail seller or  
1-18 holder agrees to cancel all or part of an obligation of the retail  
1-19 buyer to repay an extension of credit from the retail seller or  
1-20 holder upon the occurrence of a total loss or theft of the motor  
1-21 vehicle and does not include an offer to pay a specified amount on  
1-22 the total loss or theft.

1-23 SECTION 2. Section 348.005, Finance Code, is amended to  
1-24 read as follows:

1-25 Sec. 348.005. ITEMIZED CHARGE. An amount in a retail  
1-26 installment contract is an itemized charge if the amount is not  
1-27 included in the cash price and is the amount of:

1-28 (1) fees for registration, certificate of title, and  
1-29 license and any additional registration fees charged by a full  
1-30 service deputy under Section 502.114, Transportation Code;

1-31 (2) any taxes;

1-32 (3) fees or charges prescribed by law and connected  
1-33 with the sale or inspection of the motor vehicle; and

1-34 (4) charges authorized for insurance, service  
1-35 contracts, ~~or~~ warranties, or a debt cancellation agreement by  
1-36 Subchapter C.

1-37 SECTION 3. Subchapter B, Chapter 348, Finance Code, is  
1-38 amended by adding Section 348.124 to read as follows:

1-39 Sec. 348.124. DEBT CANCELLATION AGREEMENTS. (a) In  
1-40 connection with a retail installment transaction under this  
1-41 chapter, a retail seller may offer to the retail buyer a debt  
1-42 cancellation agreement. The retail seller may not require that the  
1-43 purchase of a debt cancellation agreement by the retail buyer be  
1-44 made in order to enter into a retail installment transaction.

1-45 (b) A debt cancellation agreement may not be considered an  
1-46 insurance product.

1-47 (c) The amount charged for a debt cancellation agreement in  
1-48 a retail installment contract must be reasonable.

1-49 (d) In addition to other disclosures required by state or  
1-50 federal law, the retail seller shall provide to the retail buyer a  
1-51 notice separate from the retail installment contract stating that  
1-52 the buyer is not required to accept or provide the debt cancellation  
1-53 agreement in order to purchase the vehicle under a retail  
1-54 installment contract.

1-55 SECTION 4. Subsections (b) and (c), Section 348.208,  
1-56 Finance Code, are amended to read as follows:

1-57 (b) A retail installment contract may include as a separate  
1-58 charge an amount for:

1-59 (1) motor vehicle property damage or bodily injury  
1-60 liability insurance;

1-61 (2) mechanical breakdown insurance;

1-62 (3) participation in a motor vehicle theft protection  
1-63 plan;

2-1 (4) insurance to reimburse the retail buyer for the  
2-2 amount computed by subtracting the proceeds of the buyer's basic  
2-3 collision policy on the motor vehicle from the amount owed on the  
2-4 vehicle if the vehicle has been rendered a total loss; [~~or~~]

2-5 (5) a warranty or service contract relating to the  
2-6 motor vehicle; or

2-7 (6) a debt cancellation agreement if the agreement is  
2-8 included as a term of a retail installment contract under Section  
2-9 348.124.

2-10 (c) Notwithstanding any other law, service contracts and  
2-11 debt cancellation agreements sold by a retail seller of a motor  
2-12 vehicle to a retail buyer are not subject to Chapter 101 or 226,  
2-13 Insurance Code.

2-14 SECTION 5. This Act takes effect September 1, 2009.  
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