

## **BILL ANALYSIS**

C.S.H.B. 2592

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Pensions, Investments & Financial Services  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

A consumer taking out certain loans using a credit services organization may not be getting adequate information about the fees the consumer will be required to pay in relation to the loans. C.S.H.B. 2592 seeks to increase consumer knowledge regarding certain loans by addressing matters relating to notice and disclosure requirements for credit access businesses regarding charges and consumer borrowing and by referring to brokering certain types of loans by obtaining for a consumer or assisting a consumer in obtaining an extension of consumer credit in the form of a deferred presentment transaction or a motor vehicle certificate of title loan as credit access business.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the Finance Commission of Texas in SECTION 1 of this bill.

### **ANALYSIS**

C.S.H.B. 2592 amends the Finance Code to require a credit access business to post in a conspicuous location in an area of the business accessible to consumers the following items: a schedule of all fees to be charged for services performed by the credit access business in connection with deferred presentment transactions and motor vehicle certificate of title loans, as applicable; a notice of the name and address of the Office of Consumer Credit Commissioner and the telephone number of the office's consumer helpline; and a notice stating that an advance of money obtained through a payday loan or auto title loan is not intended to meet long-term financial needs, that a payday loan or auto title loan should only be used to meet intermediate short-term cash needs, and that refinancing the loan rather than paying the debt in full when due will require the payment of additional charges. The bill authorizes the Finance Commission of Texas to adopt rules to implement the posting requirements.

C.S.H.B. 2592 requires a credit access business, before obtaining for a consumer or assisting a consumer in obtaining an extension of consumer credit in the form of a deferred presentment transaction or a motor vehicle certificate of title loan, to provide to the consumer a disclosure adopted by rule of the Finance Commission of Texas that discloses the following: the interest, fees, and annual percentage rates, as applicable, to be charged on such transaction or loan in comparison to interest, fees, and annual percentage rates to be charged on other alternative financial products that a consumer might consider, such as credit card finance charges or pawn service charges; and late charge fees or other typical costs that a consumer considering a deferred presentment transaction or a motor vehicle certificate of title loan may otherwise incur in lieu of the transaction or loan, including a bank overdraft charge or a late charge on a utility service bill. The bill requires a credit access business, before performing services described by the bill's provisions, to provide to a consumer a disclosure adopted by rule of the Finance Commission of Texas that discloses the following: a comparison of the amount of accumulated fees a consumer would incur in obtaining and refinancing a deferred presentment transaction or motor vehicle certificate of title loan in various sample amounts that remain outstanding for a

period of two weeks, one month, two months, and three months to the amount of equivalent fees the consumer would incur in borrowing the same amounts on a credit card for those same extended periods; and information regarding the typical pattern of repayment of deferred presentment transactions and motor vehicle certificate of title loans.

C.S.H.B. 2592 requires a credit access business that obtains or assists a consumer in obtaining a motor vehicle certificate of title loan to provide to the consumer a notice warning the consumer that in the event of default the consumer may be required to surrender possession of the motor vehicle to the lender or other person to satisfy the consumer's outstanding obligations under the loan. The bill requires the Finance Commission of Texas to adopt rules to implement the disclosure and information requirements.

C.S.H.B. 2592 defines "credit access business," "motor vehicle certificate of title loan," and "auto title loan" and provides for the meaning of "deferred presentment transaction" by reference.

### **EFFECTIVE DATE**

January 1, 2012.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 2592 contains a provision not included in the original defining "credit access business." The substitute differs from the original by making its provisions applicable to a credit access business, whereas the original makes its provisions applicable to a credit services organization.

C.S.H.B. 2592 differs from the original by requiring a credit access business to post a schedule of all fees to be charged for services performed by the business in connection with deferred presentment transactions and motor vehicle certificate of title loans, whereas the original requires a credit services organization to post a schedule of all fees to be charged for services performed by the organization, including fees to be charged in connection with deferred presentment transactions and motor vehicle certificate of title loans.

C.S.H.B. 2592 differs from the original by requiring the posted notice to state that refinancing a loan rather than paying the debt in full when due will require the payment of additional charges, whereas the original requires the posted notice to state that renewing the loan rather than paying the debt in full when due will require the payment of additional charges.

C.S.H.B. 2592 contains a provision not included in the original requiring a credit access business to provide to a consumer a disclosure adopted by rule of the Finance Commission of Texas before obtaining for a consumer or assisting a consumer in obtaining an extension of consumer credit.

C.S.H.B. 2592 differs from the original by requiring the disclosure to include a comparison of the interest, fees, and annual percentage rates, as applicable, to be charged on a deferred presentment transaction or on a motor vehicle certificate of title loan in comparison to interest, fees, and annual percentage rates to be charged on specified alternative financial products or transactions that a consumer might consider, whereas the original only requires a comparison to the annual percentage rate of all interest and fees to be charged on similar financial products without further specification.

C.S.H.B. 2592 differs from the original by requiring the disclosure to include a comparison of the amount of accumulated fees a consumer would incur in obtaining and refinancing a deferred presentment transaction or motor vehicle certificate of title loan in various sample amounts that remain outstanding for various specified intervals to the amount of equivalent fees the consumer would incur in borrowing the same amounts on a credit card for those same intervals, whereas

the original requires a disclosure of the amount of accumulated fees a consumer would incur for having a \$300 deferred presentment transaction or a \$300 motor vehicle certificate of title loan, by way of example, outstanding for similar intervals in comparison to the amount of equivalent fees incurred for borrowing the same amount on a credit card for those same intervals.

C.S.H.B. 2592 differs from the original by requiring the disclosure to include information regarding the typical pattern of repayment of deferred presentment transactions and motor vehicle certificate of title loans, whereas the original requires the disclosure to include information regarding the typical profile of such repayment.

C.S.H.B. 2592 contains a provision not included in the original requiring a credit access business that obtains or assists a consumer in obtaining a motor vehicle certificate of title loan to provide to the consumer a notice warning the consumer that in the event of default the consumer may be required to surrender possession of the motor vehicle to satisfy the consumer's outstanding obligations under the loan.

C.S.H.B. 2592 differs from the original by requiring the Finance Commission of Texas to adopt rules to implement the bill's provisions, whereas the original authorizes the commission to adopt such rules.

C.S.H.B. 2592 differs from the original by setting an effective date of January 1, 2012, whereas the original sets an effective date of September 1, 2011. The substitute differs from the original in nonsubstantive ways.