

By: Craddick

H.B. No. 410

A BILL TO BE ENTITLED

AN ACT

relating to the regulation of activities with respect to certain extensions of consumer credit.

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

SECTION 1. Subchapter A, Chapter 302, Finance Code, is amended by adding Section 302.003 to read as follows:

Sec. 302.003. PROHIBITION ON THIRD-PARTY FEES TO ARRANGE OR GUARANTEE CERTAIN EXTENSIONS OF CONSUMER CREDIT. (a) A fee paid or to be paid to a third party to assist a consumer in the transacting, arranging, guaranteeing, or negotiating of an extension of credit may not be contracted for, charged, or received by a creditor or third party in connection with the extension of credit if:

(1) the extension of credit is secured by a non-purchase money security interest in personal property or is unsecured; and

(2) the proceeds of the extension of credit are used for personal, family, or household purposes.

(b) The amount of a fee contracted for, charged, or received in violation of Subsection (a) is considered interest for usury purposes under state law.

SECTION 2. Section 393.001(3), Finance Code, is amended to read as follows:

(3) "Credit services organization" means a person who provides, or represents that the person can or will provide, for the

1 payment of valuable consideration any of the following services
2 with respect to the extension of consumer credit by others:

3 (A) improving a consumer's credit history or
4 rating; or

5 (B) [~~obtaining an extension of consumer credit~~
6 ~~for a consumer; or~~

7 [~~(C)~~] providing advice or assistance to a
8 consumer with regard to Paragraph (A) [~~or (B)~~].

9 SECTION 3. Subchapter D, Chapter 393, Finance Code, is
10 amended by adding Section 393.308 to read as follows:

11 Sec. 393.308. OBTAINING EXTENSIONS OF CONSUMER CREDIT
12 PROHIBITED. A credit services organization may not obtain an
13 extension of consumer credit for a consumer or assist a consumer in
14 obtaining an extension of consumer credit.

15 SECTION 4. This Act takes effect September 1, 2011.