

1 AN ACT

2 relating to notice and disclosure requirements for certain credit
3 services organizations regarding charges and consumer borrowing;
4 providing an administrative penalty.

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

6 SECTION 1. Chapter 393, Finance Code, is amended by adding
7 Subchapter C-1 to read as follows:

8 SUBCHAPTER C-1. NOTICE AND DISCLOSURE REQUIREMENTS FOR CERTAIN
9 CREDIT SERVICES ORGANIZATIONS

10 Sec. 393.221. DEFINITIONS. In this subchapter:

11 (1) "Credit access business" means a credit services
12 organization that obtains for a consumer or assists a consumer in
13 obtaining an extension of consumer credit in the form of a deferred
14 presentment transaction or a motor vehicle title loan.

15 (2) "Deferred presentment transaction" has the
16 meaning assigned by Section 341.001. For purposes of this chapter,
17 this definition does not preclude repayment in more than one
18 installment. The term is also referred to as a payday loan.

19 (3) "Motor vehicle title loan" or "auto title loan"
20 means a loan in which an unencumbered motor vehicle is given as
21 security for the loan. The term does not include a retail
22 installment transaction under Chapter 348 or another loan made to
23 finance the purchase of a motor vehicle.

24 Sec. 393.222. POSTING OF FEE SCHEDULE; NOTICES. (a) A

1 credit access business shall post, in a conspicuous location in an
2 area of the business accessible to consumers and on any Internet
3 website, including a social media site, maintained by the credit
4 access business:

5 (1) a schedule of all fees to be charged for services
6 performed by the credit access business in connection with deferred
7 presentment transactions and motor vehicle title loans, as
8 applicable;

9 (2) a notice of the name and address of the Office of
10 Consumer Credit Commissioner and the telephone number of the
11 office's consumer helpline; and

12 (3) a notice that reads as follows:

13 "An advance of money obtained through a payday loan or auto
14 title loan is not intended to meet long-term financial needs. A
15 payday loan or auto title loan should only be used to meet immediate
16 short-term cash needs. Refinancing the loan rather than paying the
17 debt in full when due will require the payment of additional
18 charges."

19 (b) The Finance Commission of Texas may adopt rules to
20 implement this section.

21 Sec. 393.223. CONSUMER TRANSACTION INFORMATION. (a)
22 Before performing services described by Section 393.221(1), a
23 credit access business must provide to a consumer a disclosure
24 adopted by rule of the Finance Commission of Texas that discloses
25 the following in a form prescribed by the commission:

26 (1) the interest, fees, and annual percentage rates,
27 as applicable, to be charged on a deferred presentment transaction

1 or on a motor vehicle title loan, as applicable, in comparison to
2 interest, fees, and annual percentage rates to be charged on other
3 alternative forms of consumer debt;

4 (2) the amount of accumulated fees a consumer would
5 incur by renewing or refinancing a deferred presentment transaction
6 or motor vehicle title loan that remains outstanding for a period of
7 two weeks, one month, two months, and three months; and

8 (3) information regarding the typical pattern of
9 repayment of deferred presentment transactions and motor vehicle
10 title loans.

11 (b) If a credit access business obtains or assists a
12 consumer in obtaining a motor vehicle title loan, the credit access
13 business shall provide to the consumer a notice warning the
14 consumer that in the event of default the consumer may be required
15 to surrender possession of the motor vehicle to the lender or other
16 person to satisfy the consumer's outstanding obligations under the
17 loan.

18 (c) The Finance Commission of Texas shall adopt rules to
19 implement this section.

20 Sec. 393.224. ADMINISTRATIVE PENALTY. The consumer credit
21 commissioner, in accordance with rules adopted by the Finance
22 Commission of Texas, may assess an administrative penalty against a
23 credit access business that knowingly and wilfully violates this
24 subchapter or a rule adopted under this subchapter in the manner
25 provided by Subchapter F, Chapter 14.

26 SECTION 2. Notwithstanding Section 393.223(a), Finance
27 Code, as added by this Act, a credit access business is not required

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1 to comply with that section until the Finance Commission of Texas
2 prescribes the form required by that section.

3 SECTION 3. This Act takes effect January 1, 2012.

President of the Senate

Speaker of the House

I certify that H.B. No. 2592 was passed by the House on May 12, 2011, by the following vote: Yeas 123, Nays 23, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 2592 on May 26, 2011, by the following vote: Yeas 117, Nays 28, 2 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 2592 was passed by the Senate, with amendments, on May 23, 2011, by the following vote: Yeas 29, Nays 1, 1 present, not voting.

Secretary of the Senate

APPROVED: _____

Date

Governor