

By: Truitt

H.B. No. 2592

Substitute the following for H.B. No. 2592:

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C.S.H.B. No. 2592

A BILL TO BE ENTITLED

AN ACT

relating to notice and disclosure requirements for certain credit services organizations regarding charges and consumer borrowing.

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

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

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

Sec. 393.221. DEFINITIONS. In this subchapter:

(1) "Credit access business" means a credit services organization that obtains for a consumer or assists 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.

(2) "Deferred presentment transaction" has the meaning assigned by Section 341.001. The term is also referred to as a payday loan.

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

Sec. 393.222. POSTING OF FEE SCHEDULE; NOTICES. (a) A credit access business shall post, in a conspicuous location in an

area of the business accessible to consumers:

(1) 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;

(2) 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

(3) a notice that reads as follows:

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

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

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

(1) 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, as applicable, in comparison to:

(A) interest, fees, and annual percentage rates

1 to be charged on other alternative financial products that a  
2 consumer might consider, such as credit card finance charges or  
3 pawn service charges; and

4 (B) late charge fees or other typical costs that  
5 a consumer considering a deferred presentment transaction or a  
6 motor vehicle certificate of title loan may otherwise incur in lieu  
7 of the transaction or loan, including a bank overdraft charge or a  
8 late charge on a utility service bill;

9 (2) a comparison of the amount of accumulated fees a  
10 consumer would incur in obtaining and refinancing a deferred  
11 presentment transaction or motor vehicle certificate of title loan  
12 in various sample amounts that remain outstanding for a period of  
13 two weeks, one month, two months, and three months to the amount of  
14 equivalent fees the consumer would incur in borrowing the same  
15 amounts on a credit card for those same extended periods; and

16 (3) information regarding the typical pattern of  
17 repayment of deferred presentment transactions and motor vehicle  
18 certificate of title loans.

19 (b) If a credit access business obtains or assists a  
20 consumer in obtaining a motor vehicle certificate of title loan,  
21 the credit access business shall provide to the consumer a notice  
22 warning the consumer that in the event of default the consumer may  
23 be required to surrender possession of the motor vehicle to the  
24 lender or other person to satisfy the consumer's outstanding  
25 obligations under the loan.

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

1       SECTION 2.   This Act takes effect January 1, 2012.