

By: Truitt

H.B. No. 2593

A BILL TO BE ENTITLED

1 AN ACT

2 relating to restrictions on amounts, fees, renewals, and payment of  
3 deferred presentment transactions and certain loans secured by  
4 motor vehicle certificates of title.

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

6 SECTION 1. Subchapter M, Chapter 342, Finance Code, is  
7 amended by adding Sections 342.607, 342.608, and 342.609 to read as  
8 follows:

9 Sec. 342.607. ADVANCED AMOUNT RESTRICTED. An authorized  
10 lender may not enter into a deferred presentment transaction in  
11 which the amount of cash advanced exceeds the lesser of:

12 (1) \$2,000; or

13 (2) 35 percent of the borrower's gross monthly income.

14 Sec. 342.608. REAUTHORIZATION. (a) In this section,  
15 "consecutive reauthorization" means a transaction in which a  
16 borrower refinances or pays all or part of the finance charges and  
17 advance of a deferred presentment transaction with a new deferred  
18 presentment transaction.

19 (b) An authorized lender may not make more than three  
20 consecutive reauthorizations of a deferred presentment  
21 transaction.

22 Sec. 342.609. ACCEPTANCE OF PARTIAL PAYMENT. (a) An  
23 authorized lender shall accept partial payment of an amount owed  
24 under a deferred presentment transaction and shall apply any

1 partial payment to the principal amount owed.

2 (b) On payment of 25 percent or more of the principal amount  
3 owed under a deferred presentment transaction, the lender may not  
4 charge additional fees or other charges related to the transaction.

5 (c) This section does not:

6 (1) prohibit a lender from charging interest  
7 authorized by law and the deferred presentment transaction  
8 agreement; or

9 (2) require a lender to accept a final payment that  
10 does not include the total amount of interest owed to the lender.

11 SECTION 2. Chapter 342, Finance Code, is amended by adding  
12 Subchapter N to read as follows:

13 SUBCHAPTER N. MOTOR VEHICLE CERTIFICATE OF TITLE LOANS

14 Sec. 342.651. DEFINITION. In this subchapter, "motor  
15 vehicle certificate of title loan" means a loan in which a motor  
16 vehicle certificate of title is given by the borrower as security  
17 for the loan. The term does not include a retail installment  
18 transaction under Chapter 348 or another loan made to finance the  
19 purchase of a motor vehicle.

20 Sec. 342.652. LOAN AMOUNT RESTRICTED. An authorized lender  
21 may not make a motor vehicle certificate of title loan in an amount  
22 that exceeds the lesser of:

23 (1) \$2,500; or

24 (2) 50 percent of the borrower's gross monthly income.

25 Sec. 342.653. REAUTHORIZATION OF LOAN. (a) In this  
26 section, "consecutive reauthorization" means a transaction in  
27 which a borrower refinances or pays all or part of the finance

1 charges and advance under a loan with a new loan.

2 (b) An authorized lender may not make more than three  
3 consecutive reauthorizations of a motor vehicle certificate of  
4 title loan.

5 Sec. 342.654. ACCEPTANCE OF PARTIAL PAYMENT. (a) An  
6 authorized lender shall accept partial payment of a motor vehicle  
7 certificate of title loan and shall apply any partial payment to the  
8 principal amount of the loan.

9 (b) On payment of 33 percent or more of the loan principal,  
10 the lender may not charge additional fees related to the loan.

11 (c) This section does not:

12 (1) prohibit a lender from charging interest  
13 authorized by law and the loan agreement; or

14 (2) require a lender to accept a final payment that  
15 does not include the total amount of interest owed to the lender.

16 SECTION 3. Chapter 393, Finance Code, is amended by adding  
17 Subchapters D-1 and D-2 to read as follows:

18 SUBCHAPTER D-1. RESTRICTIONS RELATING TO MOTOR VEHICLE

19 CERTIFICATES OF TITLE

20 Sec. 393.351. APPLICABILITY OF SUBCHAPTER. This subchapter  
21 does not apply to an extension of consumer credit for the express  
22 purpose of financing the purchase of a motor vehicle used as  
23 security for the debt.

24 Sec. 393.352. DEBT AMOUNT RESTRICTED. A credit services  
25 organization may not obtain, facilitate, or otherwise assist in  
26 obtaining for a consumer an extension of consumer credit in which a  
27 motor vehicle certificate of title is given by the consumer as

1 security for the debt that is in an amount that exceeds the lesser  
2 of:

3 (1) \$2,500; or

4 (2) 50 percent of the consumer's gross monthly income.

5 Sec. 393.353. REAUTHORIZATION OF DEBT. (a) In this  
6 section, "consecutive reauthorization" means a transaction in  
7 which a consumer refinances or pays all or part of any finance  
8 charges and advance under an extension of consumer credit with a new  
9 extension of consumer credit.

10 (b) A credit services organization may not obtain,  
11 facilitate, or otherwise assist in obtaining for a consumer more  
12 than three consecutive reauthorizations of an extension of consumer  
13 credit in which a motor vehicle certificate of title is given by the  
14 consumer as security for the debt.

15 Sec. 393.354. ACCEPTANCE OF PARTIAL PAYMENT BY LENDER. (a)  
16 A credit services organization may not obtain, facilitate, or  
17 otherwise assist in obtaining for a consumer an extension of  
18 consumer credit in which a motor vehicle certificate of title is  
19 given by the consumer as security for the debt and for which partial  
20 payment of the principal amount is not accepted.

21 (b) On payment of 33 percent or more of the principal amount  
22 of the extension of consumer credit described by this section, the  
23 credit services organization may not charge the consumer additional  
24 fees related to the extension of consumer credit.

25 SUBCHAPTER D-2. RESTRICTIONS RELATING TO DEFERRED

26 PRESENTMENT TRANSACTIONS

27 Sec. 393.371. DEFINITION. In this subchapter, "deferred

1 presentment transaction" has the meaning assigned by Section  
2 341.001.

3 Sec. 393.372. DEBT AMOUNT RESTRICTED. A credit services  
4 organization may not obtain, facilitate, or otherwise assist in  
5 obtaining for a consumer an extension of consumer credit in the form  
6 of a deferred presentment transaction that is in an amount that  
7 exceeds the lesser of:

8 (1) \$2,000; or

9 (2) 35 percent of the consumer's gross monthly income.

10 Sec. 393.373. REAUTHORIZATION OF DEBT. (a) In this  
11 section, "consecutive reauthorization" means a transaction in  
12 which a consumer refinances or pays all or part of any finance  
13 charges and advance under an extension of consumer credit with a new  
14 extension of consumer credit.

15 (b) A credit services organization may not obtain,  
16 facilitate, or otherwise assist in obtaining for a consumer more  
17 than three consecutive reauthorizations of an extension of consumer  
18 credit in the form of a deferred presentment transaction.

19 Sec. 393.374. ACCEPTANCE OF PARTIAL PAYMENT BY LENDER. (a)  
20 A credit services organization may not obtain, facilitate, or  
21 otherwise assist in obtaining for a consumer an extension of  
22 consumer credit in the form of a deferred presentment transaction  
23 for which partial payment of the principal amount is not accepted.

24 (b) On payment of 25 percent or more of the principal amount  
25 of the extension of consumer credit described by this section, the  
26 credit services organization may not charge the consumer additional  
27 fees or other charges related to the extension of consumer credit.

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