

## **BILL ANALYSIS**

Senate Research Center  
83R5492 RWG-F

S.B. 824  
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Business & Commerce  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In Texas, traditional installment lenders who provide consumer loans of \$1,000 or more are regulated under Subchapter E (Interest Charges on Non-Real Property Loans), Chapter 342 (Consumer Loans), Finance Code. At one time, the state had a competitive marketplace of lenders who offered cash advances of this kind. However, in recent years these lenders have disappeared, and now only two major lenders remain whose chief business is providing this type of loan to consumers.

Unlike payday and auto title lenders, who offer loans that must adhere to very few regulatory requirements, traditional installment lenders must comply with statutory limits that affect the size, term, interest rate, and fees charged pursuant to every loan. As a result of these limits, traditional installment loans tend to be much more affordable for consumers than any comparable payday or auto title loan product.

However, traditional installment lenders are trying to compete within a skewed marketplace and absorb increasingly expensive compliance costs while charging statutorily-capped administrative fees that date back to 1997 for loans that exceed \$1,000. This fee limit is incompatible with current business costs and makes it difficult for the traditional installment lending industry to grow under the current regulatory scheme.

S.B. 824 changes the administrative fee limit that is currently in statute from \$25 for a loan of more than \$1,000 or \$20 for a loan of \$1,000 or less to the lesser of five percent of the total amount financed or \$100.

As proposed, S.B. 824 amends current law relating to the administrative fee authorized for certain consumer loans; changing the amount of the fee.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 342.201(f), Finance Code, to authorize a loan contract under Subchapter E (Interest Charges on Non-Real Property Loans) to provide for an administrative fee in an amount not to exceed five percent of the total amount financed or \$100, whichever is less, rather than an amount not to exceed \$25 for a loan of more than \$1,000 or \$20 for a loan of \$1,000 or less.

SECTION 2. Provides that Section 342.201(f), Finance Code, as amended by this Act, applies to a loan that is made or refinanced before the effective date of this Act. Provides that a loan that is made or refinanced before the effective date of this Act is governed by the law in effect on the date the loan was made or refinanced, and the former law is continued in effect for that purpose.

SECTION 3. Effective date: September 1, 2013.