

By: Anchia

H.B. No. 1040

A BILL TO BE ENTITLED

1 AN ACT

2 relating to the repayment of certain extensions of consumer credit  
3 facilitated by a credit access business.

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

5 SECTION 1. Subchapter C-1, Chapter 393, Finance Code, is  
6 amended by adding Sections 393.225 and 393.226 to read as follows:

7 Sec. 393.225. EXTENDED PAYMENT PLAN. (a) A credit access  
8 business may obtain for a consumer or assist a consumer in obtaining  
9 an extended payment plan for an extension of consumer credit in the  
10 form of a deferred presentment transaction or motor vehicle title  
11 loan that the credit access business obtained for the consumer or  
12 assisted the consumer in obtaining.

13 (b) A consumer is eligible for an extended payment plan  
14 under this section if:

15 (1) the consumer has not entered into an extended  
16 payment plan with the credit access business during the preceding  
17 12 months;

18 (2) the extension of consumer credit has been  
19 refinanced four times; and

20 (3) the extended payment plan was requested before the  
21 debt was due.

22 (c) An extended payment plan must:

23 (1) be in writing;

24 (2) be signed by the credit access business and the

1 consumer; and

2 (3) describe the terms of the plan.

3 (d) The credit access business may not charge the consumer  
4 fees or other charges in connection with the making of payments of  
5 principal or other amounts owed under an extended payment plan.

6 (e) An extended payment plan must provide for four equal or  
7 nearly equal payments of principal and interest, with all principal  
8 and interest to be paid in full in the fourth payment. The consumer  
9 may prepay the debt without penalty at any time.

10 (f) During the period of the extended payment plan:

11 (1) the credit access business may not obtain for the  
12 consumer or assist the consumer in obtaining an additional  
13 extension of consumer credit; and

14 (2) a person may not engage in debt collection  
15 activities for the debt being repaid under the extended payment  
16 plan, if the consumer has made timely payments under the plan.

17 Sec. 393.226. PAYMENT SCHEDULES FOR CERTAIN DEFERRED  
18 PRESENTMENT TRANSACTIONS. A deferred presentment transaction that  
19 a credit access business obtains for a consumer or assists a  
20 consumer in obtaining and that is payable in installments must be  
21 payable on a fully amortizing, declining principal balance basis,  
22 with substantially equal payments to be made as agreed to by the  
23 parties to the transaction. If fees are precomputed and the debt is  
24 prepaid in full, any unearned fees must be refunded to the consumer.

25 SECTION 2. The heading to Subchapter C-1, Chapter 393,  
26 Finance Code, is amended to read as follows:

27 SUBCHAPTER C-1. NOTICE, ~~AND~~ DISCLOSURE, AND EXTENSION OF CREDIT

1 PROVISION REQUIREMENTS APPLICABLE TO [~~FOR~~] CERTAIN CREDIT SERVICES  
2 ORGANIZATIONS

3 SECTION 3. Section 393.222(a), Finance Code, is amended to  
4 read as follows:

5 (a) A credit access business shall post, in a conspicuous  
6 location in an area of the business accessible to consumers and on  
7 any Internet website, including a social media site, maintained by  
8 the credit access business:

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

13 (2) a notice of the name and address of the Office of  
14 Consumer Credit Commissioner and the telephone number of the  
15 office's consumer helpline;

16 (3) a notice of the right to enter into an extended  
17 payment plan; and

18 (4) [~~(3)~~] a notice that reads as follows:

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

25 SECTION 4. Section 393.223(a), Finance Code, is amended to  
26 read as follows:

27 (a) Before performing services described by Section

1 393.221(1), a credit access business must provide to a consumer a  
2 disclosure adopted by rule of the Finance Commission of Texas that  
3 discloses the following in a form prescribed by the commission:

4 (1) the interest, fees, and annual percentage rates,  
5 as applicable, to be charged on a deferred presentment transaction  
6 or on a motor vehicle title loan, as applicable, in comparison to  
7 interest, fees, and annual percentage rates to be charged on other  
8 alternative forms of consumer debt;

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

13 (3) information regarding the typical pattern of  
14 repayment of deferred presentment transactions and motor vehicle  
15 title loans; and

16 (4) the right to enter into an extended payment plan.

17 SECTION 5. Section 393.226, Finance Code, as added by this  
18 Act, applies only to an extension of consumer credit made on or  
19 after the effective date of this Act. An extension of consumer  
20 credit made before the effective date of this Act is governed by the  
21 law in effect on the date the extension of consumer credit was made,  
22 and the former law is continued in effect for that purpose.

23 SECTION 6. This Act takes effect September 1, 2013.