

BILL ANALYSIS

Senate Research Center
86R11039 GRM-F

H.B. 3855
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Business & Commerce
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

There are concerns that the blended interest rate on certain consumer loans is difficult to explain to consumers and can cause confusion for lenders attempting to comply with the rate structure requirements for purposes of calculating interest and ensuring accurate refunding for prepayment scenarios. H.B. 3855 seeks to address these concerns by requiring the interest charged by a consumer loan contract that is not secured by real property to be contracted for, charged, or received using the scheduled installment earnings method or the true daily earnings method under one of two optional methods.

H.B. 3855 amends current law relating to methods of computing interest charges on certain consumer loans.

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, Finance Code, by adding Subsection (e-1), as follows:

(e-1) Requires the interest charge under Subsection (e) (relating to authorizing interest rates for consumer loans not secured by real property to be computed using certain methods) to be contracted for, charged, or received using the scheduled installment earnings method or the true daily earnings method under one of the following methods:

(1) applying the applicable daily rate to each part of the unpaid principal balance corresponding to the brackets described by Subsection (e) for the actual or scheduled number of days during a payment period; or

(2) applying a single equivalent daily rate to the unpaid principal balance for the actual or scheduled number of days during a payment period, where the single equivalent daily rate is determined at the inception of the loan using the scheduled installment earnings method and would earn an amount of interest authorized under Subsection (e) if the debt were paid to maturity according to the schedule of payments.

SECTION 2. Effective date: September 1, 2019.