

BILL ANALYSIS

H.B. 3855
By: Longoria
Pensions, Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

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.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 3855 amends the Finance Code to require 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 the following methods:

- applying the applicable daily rate to each part of the unpaid principal balance corresponding to the applicable brackets for the actual or scheduled number of days during a payment period; or
- 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 authorized amount of interest if the debt were paid to maturity according to the schedule of payments.

EFFECTIVE DATE

September 1, 2019.