87R1545 JES-D

By:  Minjarez H.B. No. 735

A BILL TO BE ENTITLED

AN ACT

relating to service contracts for leased or purchased motor vehicles.

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

SECTION 1.  Sections 1304.003(a)(2) and (3), Occupations Code, are amended to read as follows:

(2)  "Service contract" means an agreement that is entered into for a separately stated consideration and for a specified term under which a provider agrees to:

(A)  repair, replace, or maintain a product, or provide indemnification for the repair, replacement, or maintenance of a product, for operational or structural failure or damage caused by a defect in materials or workmanship or by normal wear;

(B)  provide identity recovery, if the service contract is financed under Chapter 348 or 353, Finance Code; or

(C)  provide compensation to the lessee or buyer of a vehicle on the total constructive loss under a depreciation benefit optional member program.

(3)  "Depreciation benefit optional member program" means a service contract for a vehicle, regardless of whether the vehicle is purchased for cash, financed, or leased [~~financed under Chapter 348 or 353, Finance Code~~], that pays to the lessee or buyer a specified amount, as a credit that may be used toward the lease or purchase of a replacement vehicle at a participating dealer after [~~, an amount less than or equal to the difference between the purchase price and actual cash value for~~] a total constructive loss of the vehicle.

SECTION 2.  Section 1304.003(e), Occupations Code, is amended to read as follows:

(e)  A service contract described by Subsection (a)(2)(C):

(1)  may not be required as a condition of approval of a lease of a vehicle or a loan for the purchase of a vehicle;

(2)  may not be offered by a dealer who requires a loan for the purchase of a vehicle to be financed exclusively with the dealer;

(3)  may be canceled by the buyer of the service contract not later than the 30th day after the [~~a~~] buyer enters into the contract, without a penalty;

(4)  may be canceled by the buyer of the service contract later than the 30th day after the [~~a~~] buyer enters into the contract, with a pro rata refund to be provided to the buyer; and

(5)  may only charge a fee that is reasonable in relation to the benefit provided by the service contract.

SECTION 3.  The changes in law made by this Act apply only to a service contract entered into or renewed on or after the effective date of this Act. A service contract entered into or renewed before the effective date of this Act is governed by the law in effect immediately before the effective date of this Act, and that law is continued in effect for that purpose.

SECTION 4.  This Act takes effect September 1, 2021.