

## **BILL ANALYSIS**

Senate Research Center  
88R12989 SRA-F

H.B. 4219  
By: Lambert (Creighton)  
Business & Commerce  
5/17/2023  
Engrossed

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

Rising inflation rates have increased many Texans' need for access to safe and affordable credit in the form of consumer loans. Unfortunately, credit availability has tightened, and many Texans who seek consumer loans that are not secured by real property are being turned away. Those unable to obtain a loan from lenders of such loans still need credit and are subsequently pushed into unregulated loans offered on the Internet and to other high-cost alternatives.

H.B. 4219 seeks to increase the credit available to Texas borrowers from lenders regulated by state law with respect to consumer loans not secured by real property by more closely aligning existing statutory rate caps to the cost of obtaining funds as reflected by the federal funds rate, which would account for fluctuations in such costs while maintaining the rate structure deemed appropriate by policymakers.

H.B. 4219 amends current law relating to the maximum rate or amount of interest of 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 amending Subsection (e) and adding Subsections (e-2) and (e-3), as follows:

(e) Authorizes a loan contract under Chapter 342 (Consumer Loans) that is not secured by real property to provide for a rate or amount of interest computed using the true daily earnings method or the scheduled installment earnings method that does not exceed:

- (1) 30 percent plus the federal funds rate a year on that part of the cash advance that is less than or equal to the amount computed under Subchapter C (Revised Ceilings and Brackets), Chapter 341, using the reference base amount of \$500;
- (2) makes a conforming change to this subdivision; and
- (3) makes a conforming change to this subdivision.

(e-2) Requires the consumer credit commissioner (commissioner), on March 1 and September 1 of each year, to compute the ceilings applicable under Subsection (e) for the six-month period effective the following May 1 and November 1, respectively. Provides that the ceilings, as prescribed by this subsection, are effective for the six-month period beginning on the effective date and are subject to adjustment after each six-month period. Requires the commissioner to submit to the secretary of state for publication in the Texas Register the ceilings computed under this subsection not later than the 11th day after the date on which the ceiling is computed.

(e-3) Defines "ceiling" and "federal funds rate."

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2023.