

By: Lambert

H.B. No. 4219

A BILL TO BE ENTITLED

AN ACT

relating to the maximum rate or amount of interest of certain consumer loans.

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

SECTION 1. Section 342.201, Finance Code, is amended by amending Subsection (e) and adding Subsections (e-2) and (e-3) to read as follows:

(e) A loan contract under this chapter that is not secured by real property may 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, Chapter 341, using the reference base amount of \$500;

(2) 24 percent plus the federal funds rate a year on that part of the cash advance that is more than the amount computed for Subdivision (1) but less than or equal to an amount computed under Subchapter C, Chapter 341, using the reference base amount of \$1,050; and

(3) 18 percent plus the federal funds rate a year on that part of the cash advance that is more than the amount computed for Subdivision (2) but less than or equal to an amount computed under Subchapter C, Chapter 341, using the reference base amount of

1 \$2,500.

2 (e-2) On March 1 and September 1 of each year, the
3 commissioner shall compute the ceilings applicable under
4 Subsection (e) for the six-month period effective the following May
5 1 and November 1, respectively. As prescribed by this subsection,
6 the ceilings are effective for the six-month period beginning on
7 the effective date and are subject to adjustment after each
8 six-month period. The commissioner shall submit to the secretary
9 of state for publication in the Texas Register the ceilings
10 computed under this subsection not later than the 11th day after the
11 date on which the ceiling is computed.

12 (e-3) For purposes of this section:

13 (1) "Ceiling" means the maximum rate or amount of
14 interest.

15 (2) "Federal funds rate" means an interest rate
16 computed by averaging the Federal Funds rates published by the
17 Federal Reserve Bank of New York for each day during the six
18 calendar months preceding the computation date of the ceilings,
19 except that if that average:

20 (A) is greater than five percent, the federal
21 funds rate is five percent; and

22 (B) is less than zero percent, the federal funds
23 rate is zero percent.

24 SECTION 2. The change in law made by this Act applies only
25 to a loan made on or after the effective date of this Act. A loan
26 made before the effective date of this Act is governed by the law in
27 effect on the date the loan was made, and the former law is

1 continued in effect for that purpose. For purposes of this section,
2 a refinance or renewal of a loan is considered made on the date the
3 loan being refinanced or renewed was made.

4 SECTION 3. This Act takes effect September 1, 2023.