

By: Lambert

H.B. No. 4219

A BILL TO BE ENTITLED

AN ACT

relating to increasing the interest rate of certain consumer loans.

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

SECTION 1. Section 342.201(e), Finance Code, is amended 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 \$2,500.

As used in this section, the "federal funds rate" means the rate

1 published by the Board of Governors of the Federal Reserve System in
2 its statistical release H.15 Selected Interest Rates subject to
3 section XXX.

4 SECTION 2. Section XXX:

5 (a) On September 1 and March 1 of each year, the consumer
6 credit commissioner shall compute the 342.201(e) ceilings for the
7 calendar quarter effective the following November 1 and May 1,
8 respectively. The 342.201(e) semi-annual ceilings become effective
9 for six month periods beginning on the effective dates set out in
10 this subsection and are subject to adjustment after each six month
11 period.

12 (b) The 342.201(e) semi-annual ceilings are computed by
13 averaging all of the published federal funds rates during the six
14 calendar months preceding the computation date of the ceiling. For
15 the purposes of this section, if the average computed for the
16 federal funds rate is more than five percent, the rate for the
17 purposes of calculation is five percent; if the average rate
18 computed for the federal funds rate is less than zero, the rate for
19 the purposes of calculation is zero.

20 (c) The ceiling shall be published before the 11th day after
21 the date on which the ceiling is computed.

22 SECTION 3. The change in law made by this Act applies only
23 to a loan made on or after the effective date of this Act. A loan
24 made before the effective date of this Act is governed by the law in
25 effect on the date the loan was made, and the former law is
26 continued in effect for that purpose. For purposes of this section,
27 a refinance or renewal of a loan is considered made on the date the

1 loan being refinanced or renewed was made.

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