

By: Anchia

H.B. No. 886

A BILL TO BE ENTITLED

AN ACT

relating to restrictions in connection with motor vehicle title loans that a credit access business obtains for a consumer or assists a consumer in obtaining.

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

SECTION 1. The heading to Subchapter C-1, Chapter 393, Finance Code, is amended to read as follows:

SUBCHAPTER C-1. ~~[NOTICE AND DISCLOSURE]~~ REQUIREMENTS FOR CERTAIN CREDIT SERVICES ORGANIZATIONS AND RESTRICTIONS PERTAINING TO CERTAIN EXTENSIONS OF CONSUMER CREDIT FACILITATED BY THE ORGANIZATIONS

SECTION 2. Subchapter C-1, Chapter 393, Finance Code, is amended by adding Section 393.225 to read as follows:

Sec. 393.225. RESTRICTIONS PERTAINING TO CERTAIN MOTOR VEHICLE TITLE LOANS. (a) This section applies only to an extension of consumer credit in the form of a motor vehicle title loan that a credit access business obtains for a consumer or that a credit access business assists a consumer in obtaining.

(b) The cash advanced under the extension of consumer credit may not exceed 70 percent of the retail value of the motor vehicle.

(c) If the extension of consumer credit is payable in a single payment, the consumer must make a payment that reduces the principal amount of the loan by at least five percent each time the loan is refinanced. If the consumer does not make the required

1 payment, the loan may be refinanced, except that the credit access  
2 business must compute its fees as if the consumer has made the  
3 required payment each time the loan is refinanced. Accrued credit  
4 access business fees may not be added to the unpaid loan amount.

5 (d) If the consumer does not make the payment required by  
6 Subsection (c) and the lender chooses not to refinance the motor  
7 vehicle title loan, the loan becomes due and payable under the  
8 loan's original terms.

9 (e) An extension of consumer credit that is payable in  
10 installments must be payable on a fully amortizing, declining  
11 principal balance basis, with substantially equal payments to be  
12 made as agreed to by the parties to the loan. If credit access  
13 business fees are precomputed and the loan is prepaid in full, the  
14 business must refund any unearned fees to the consumer.

15 SECTION 3. The changes in law made by this Act apply only to  
16 an extension of consumer credit made on or after the effective date  
17 of this Act. An extension of consumer credit made before the  
18 effective date of this Act is governed by the law in effect on the  
19 date the extension of consumer credit was made, and the former law  
20 is continued in effect for that purpose.

21 SECTION 4. This Act takes effect September 1, 2013.