

BILL ANALYSIS

H.B. 3938
By: Longoria
Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties observe that a significant number of states currently authorize the charge of a non-credit, single premium term life insurance policy in connection with a consumer loan. The parties assert that such authorization provides an underinsured segment of the population with an opportunity to protect their families with life insurance. The parties contend that providing Texas lenders with the flexibility to offer the same products offered in other states will give Texas borrowers a chance to provide a safety net for their loved ones. H.B. 3938 seeks to address this issue.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 3938 amends the Finance Code to authorize a lender, on a consumer loan subject to statutory provisions regulating interest charges for non-real property loans, to offer a borrower single premium term life insurance through a properly licensed insurance agent. The bill prohibits the lender from requiring the borrower to accept the single premium term life insurance and requires the lender to provide the borrower the option to pay the insurance premium from the borrower's own funds or to pay the premium with a portion of the loan proceeds. The bill requires single premium term life insurance for which a charge is included in a loan contract to be written through a licensed insurance agent. The bill excepts the sale of a single premium term life insurance policy to a borrower from the specification that arranging for insurance or collecting an identifiable charge for insurance in connection with a consumer loan is not a sale of insurance.

EFFECTIVE DATE

January 1, 2016.