

SUBJECT: Regulation of motor vehicle leasing businesses

COMMITTEE: Transportation — favorable, without amendment

VOTE: 7 ayes — Alexander, Bosse, Alonzo, Clemons, Edwards, Moreno, Siebert

0 nays

2 absent — Price, Uher

SENATE VOTE: On final passage, April 6 — 30-0

WITNESSES: None

DIGEST: SB 921 would amend VACS art. 4413(36), the Texas Motor Vehicle Code, to authorize the Motor Vehicle Board of the Texas Department of Transportation to regulate motor vehicle leasing and license lessors and lease facilitators.

The bill would establish license fees according to how many vehicles a lessor leases each year. The bill would exempt from licensing state or federally chartered financial institutions. The bill also would:

- define lease, lessor and lease facilitator;
- authorize the Motor Vehicle Board to regulate all aspects of the distribution, sale and leasing of new motor vehicles;
- require the commission to adopt rules establishing the qualifications of licensees and ensure that the distribution, sale and leasing of vehicles is conducted according to the rules established under the laws governed by the Texas Motor Vehicle Commission Code;
- prohibit anyone from engaging in business as a lessor or lease facilitator without a valid license granted by the commission;

- prohibit any dealer from directly or indirectly paying a fee to a lessor or lease facilitator; prohibits a lessor from directly or indirectly accepting a fee from a dealer;
- prohibit lessors from engaging in the practice of brokering vehicles;
- require the lessor, in a lease contract between a lessor and a lessee solicited, procured, or produced by a lease facilitator, to disclose to the lessee that a fee was paid or will be paid to the lease facilitator;
- allow a lessor to prohibit a lessee from taking a leased vehicle into a foreign nation. The legislation requires the commission to give due consideration to the proximity of international borders to prospective Texas lessees; and
- prohibit the commission from imposing regulations on the contents of a motor vehicle lease contract that are more stringent than the minimum standards imposed by federal laws.

The bill would take immediate effect if approved by two-thirds of the membership of each house.

**SUPPORTERS  
SAY:**

The increasing popularity of vehicle leasing is causing a substantial growth in the number of independent lessors and leasing companies that operate outside the authority of TxDOT. SB 921 would authorize the Motor Vehicle Board of TxDOT to regulate all aspects of the distribution, sale and leasing of new motor vehicles.

This bill is designed to protect the auto-buying consumer by licensing lessors and lease facilitators. Some individuals are representing themselves as lessors when they are acting as brokers. The long-standing prohibition against brokering is continued under this bill.

The state of Texas should encourage the growth of the auto leasing business in Texas, as the average lease term is 38 months, while new cars on average are kept 67 months. By promoting automotive leasing businesses, the state will receive sales tax revenue almost twice as often on leased cars as the state receives on new cars.

OPPONENTS      No apparent opposition.  
SAY: