

**SUBJECT:** Raising the permissible documentary fee on certain loans from \$50 to \$75

**COMMITTEE:** Financial Institutions — favorable, without amendment

**VOTE:** 8 ayes — Averitt, Solomons, Denny, Grusendorf, Hopson, Marchant, Menendez, Wise

0 nays

1 absent —Pitts

**WITNESSES:** For — Gene Fondren, Texas Automobile Dealers Association

Against — Rob Schneider, Consumers Union, Southwest Regional Office

On — Leslie Pettijohn, Consumer Credit Commissioner

**BACKGROUND:** Finance Code, secs. 345.251 and 348.006 specify the fees that retail sellers can charge for doing the paperwork involved in the purchase and title transfer of motor vehicles and other titled vehicles when the purchase is made through an installment loan. The documentary fee currently may not exceed \$50. These sections also outline the required notices that the seller/lender must provide the consumer/borrower regarding the documentary fee.

**DIGEST:** HB 1994 would increase the permissible documentary fee to \$75 and modify the notice the seller must provide the buyer to reflect that increase.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2001.

**SUPPORTERS SAY:** HB 1994 is needed because the retailers' cost of initiating installment loans has increased since the last documentary fee increase in 1993. Without a fee increase, fewer retailers might offer to sell vehicles through installment loans, which would reduce many consumers' ability to make these large purchases.

**OPPONENTS SAY:** By increasing the documentary fee, HB 1994 would raise the effective interest rate on installment loans, thus hurting consumers. Given the approximately 3.4 million vehicle purchases made in Texas per year, the

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bill's \$25 fee increase potentially could transfer almost \$86 million per year from consumers to vehicle retailers.

NOTES: The companion bill, SB 566 by Carona, is pending in the Senate Business and Commerce Committee.