

SUBJECT: Providing loan summaries for transactions conducted in Spanish

COMMITTEE: Financial Institutions — committee substitute recommended

VOTE: 6 ayes — Solomons, McCall, Chavez, Flynn, Guillen, Orr

0 nays

1 absent — Riddle

WITNESSES: For — Eric Glenn, HSBC, North America; (*Registered but did not testify*: Deborah Reyes, Advance America)

Against — John Heasley, Texas Bankers Association

On — Leslie Pettijohn, Consumer Credit Commissioner; (*Registered but did not testify*: Deborah Polan)

BACKGROUND: Finance Code, sec. 341.502 requires that contracts for consumer loans, motor vehicle retail installment transactions, and home equity loans be written in plain language designed to be understood by the average consumer and easily readable whether they are in English or in Spanish.

DIGEST: CSHB 1547 would require that if a contract was negotiated in Spanish for a consumer loan, a motor vehicle retail installment transaction, or a home equity loan, the debtor would receive a copy of a summary of the terms and other pertinent information in Spanish. The summary would have to conform to federal Truth in Lending requirements.

The bill would take effect September 1, 2005.

SUPPORTERS SAY: CSHB 1547 would be of great benefit to both Texas borrowers and lenders. At least 27 percent of people in Texas speak Spanish as their primary language. These individuals all too often are victimized by unscrupulous lenders who entice borrowers with Spanish advertisements and negotiate loan terms in Spanish, yet force the borrower to sign a loan contract that is written in English and does not contain the same terms to which the parties verbally agreed. Supplying borrowers with a summary of

agreed upon loan terms in Spanish for transactions that were conducted entirely in this language would provide a reasonable and necessary protection to borrowers.

The bill also would protect lenders because it is costly for legitimate lenders to foreclose on a loan. On occasion, misunderstandings occur in translating financial terms, and lenders prepare loan contracts under the legitimate impression that the borrower is willing and able to fulfill the terms. If this is not the case, and the borrower defaults, both the lender and borrower are injured. CSHB 1547 would help prevent the occurrence of such costly misunderstandings.

Many lenders already provide borrowers with Spanish documents similar to the one required in this bill, and it would do little to change their standard practices. Requirements for the summary would follow those prescribed by the federal Truth in Lending Act. Such a summary would need to be provided only to borrowers with whom the lender conducted the entire transaction in Spanish, from advertising to actual negotiations. The bill would not necessitate the provision of a summary to those who conducted transactions with the aid of an interpreter.

The committee substitute resolved concerns that the bill as introduced would have posed a cost and administrative burden for both translating documents into multiple languages as well as maintaining files of 55 standardized loan documents in multiple languages. The substitute would require only a single summary document in Spanish.

OPPONENTS
SAY:

No apparent opposition.

NOTES:

The original bill would have required lenders to provide borrowers a copy the loan contract and all related documents that included terms of repayment in the language in which a loan was negotiated. The substitute removed these provisions.