

- SUBJECT:** Creating a separate code chapter for commercial motor vehicle sales
- COMMITTEE:** Pensions, Investments, and Financial Services — committee substitute recommended
- VOTE:** 9 ayes — Truitt, Anchia, C. Anderson, Creighton, Hernandez Luna, Legler, Nash, Orr, Veasey  
0 nays
- WITNESSES:** For — William Daniel, Mercedes Benz Financial Services; Carol Dmytriw, Daimler Financial Services; Jay Hendrix, Freightliner of Austin  
Against — None  
On — Leslie Pettijohn, Office of Consumer Credit Commissioner
- BACKGROUND:** Finance Code, ch. 348 regulates all motor vehicle installment sales, both commercial and noncommercial. Some provisions apply only to commercial transactions, some apply only to noncommercial transactions, and some apply to both but include exceptions for one or the other.
- DIGEST:** CSHB 2559 would create a new chapter of the Finance Code for provisions relating to commercial motor vehicle installment sales. The new chapter, 353, would cover general provisions; retail installment contracts; insurance required by a retail installment contracts; acquisition of contracts or balances; contract holders' rights, duties, and limitations; and contract holder licensing.  
  
CSHB 2559 would remove provisions relating to commercial motor vehicle installment sales from Finance Code, ch. 348.  
  
The bill would add cross-references to the new chapter to the Government Code, Occupations Code, Tax Code, Transportation Code, and Water Code, and various other sections of the Finance Code.  
  
The bill would take effect September 1, 2011.

**SUPPORTERS  
SAY:**

CSHB 2559 would make only organizational, nonsubstantive changes to the law to make it easier to understand and manage. The bill simply would split Chapter 348 into a commercially related component and a consumer-related one, moving the commercially related law into a new chapter, Chapter 353, and leaving all law applying to consumer transactions in Chapter 348.

The current interspersing of commercial vehicle sales law with consumer (noncommercial) vehicle sales law within a single, complicated chapter of the Finance Code causes potential confusion, misreading, and unintentional noncompliance by vehicle dealers. Unlike when the Finance Code was adopted in 1967, many dealers today specialize in exclusively commercial or noncommercial vehicle sales, and the differences in law regulating the two have grown more numerous and substantial. Dealers now have to pick through Chapter 348 and sort out which parts of the law apply to them and which do not. By separating the commercial transaction provisions from the consumer transaction provisions, CSHB 2559 would make it easier for dealers and their personnel to understand and comply with the law applicable to them.

The bill also would make it easier for the courts and attorneys to apply the law. It also would aid future legislatures wishing to enact new law related to one kind of vehicle installment sales without causing unintended consequences for the other.

CSHB 2559 would continue current policy and would not change existing rates, charges, or requirements. The committee substitute incorporates numerous suggestions and comments from the Office of the Consumer Credit Commissioner to ensure consistency with existing law and practice. The bill would have no significant fiscal implication to the state.

**OPPONENTS  
SAY:**

No apparent opposition.

**NOTES:**

The committee substitute differs from the bill as filed by adding a statement that Chapter 353 would apply to a retail installment transaction only if the transaction contract stated that it applied; correcting the definition of “precomputed earnings method”; revising language regarding refund credits; adding cross-references; and making various other corrections and conforming changes.