

SUBJECT: Updating certain portions of the Finance Code relating to consumer credit

COMMITTEE: Investments and Financial Services — committee substitute recommended

VOTE: 7 ayes — Parker, Longoria, Capriglione, Flynn, Landgraf, Pickett,
Stephenson

0 nays

WITNESSES: For — Bee Moorhead, Texas Impact; (*Registered, but did not testify*: Mandy Balch, GMDD Investments, Inc., d/b/a Team Dodge Chrysler Jeep of Navasota; David Emerick, JPMorgan Chase; Deborah Polan, One Main Financial, Springleaf Financial, Inc.; Robert Howden, Texas Consumer Finance Association; Jeff Martin, Texas Independent Automobile Dealers Association; Allen Beinke, Texas Property Tax Lienholders Association)

Against — Rob Kohler, Christian Life Commission of the Baptist General Convention of Texas; (*Registered, but did not testify*: Joe Sanchez, AARP Texas; Woody Widrow, RAISE Texas; Yannis Banks, Texas NAACP)

On — Leslie Pettijohn, Office of Consumer Credit Commissioner; Ann Baddour, Texas Appleseed; (*Registered, but did not testify*: Matthew Nance, Office of Consumer Credit Commissioner; Joshua Godbey, Office of the Attorney General)

BACKGROUND: Various sections of the Finance Code cite certain standards and guidelines found in federal statutes and regulations adopted by the Federal Reserve Board and other federal entities to give guidance to Texas courts in interpreting the state's finance laws. Congress created the Consumer Finance Protection Bureau through the federal Dodd-Frank Act of 2010 and made substantial amendments to existing financial regulations and statutes. These reforms changed the context and authority of many of the statutes and regulations cited by the Finance Code.

DIGEST: CSHB 3094 would make revisions and additions to various sections of the Finance Code.

Several provisions in the bill would update sections of the code that cite rules promulgated by certain federal agencies. These sections would reference, instead of or in addition to rules of the Federal Reserve Board, relevant sections of the Truth in Lending Act and rules adopted by the Consumer Financial Protection Bureau and the Comptroller of the Currency.

One provision of the bill would expand on current law relating to restitution orders made by the consumer credit commissioner. These restitution orders would be subject to the same notice, procedural, and enforcement provisions as administrative penalties imposed by the commissioner for certain violations.

The bill also would allow the consumer credit commissioner to disclose confidential information related to an investigation only if the person under investigation received the information that would be disclosed and consented to the disclosure.

CSHB 3094 would expand on Finance Code, sec. 342.201, which provides maximum interest charges and administrative fees that may be associated with certain consumer loans that are not secured by real property. The new provisions would require that the amount of interest for these loans computed using the true daily earnings method or the scheduled installment earnings method be contracted for, charged, or received using methods specified in the bill.

The bill also would include additional amounts that would be considered itemized charges in a motor vehicle installment sale. An amount in a retail installment contract would be an itemized charge if the amount was not in the cash price and was the amount of the price of accessories and the price of services related to the sale, among other amounts considered to be itemized charges specified in current law.

In addition, a new section would be added to the chapter of the Finance Code governing property tax lenders. The bill would require property tax lenders to maintain a record of each loan they made for four years after

the date of the property tax loan or for two years of the date the final entry was made in the record, whichever was later. The record would have to be prepared using accepted accounting practices. Property tax lenders also would be required to keep each obligation signed by a property owner at an office in the state designated by the lender, unless the obligation was transferred under an agreement that gave the commissioner access to the obligation.

CSHB 3094 also would repeal a portion of the Finance Code that created a program to study and report on lenders who provide high-cost loans to agricultural businesses, small businesses, and individual consumers.

The bill would take effect September 1, 2015.