

BILL ANALYSIS

Senate Research Center

S.B. 1940
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Economic Development
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As Filed

DIGEST

Currently, the Texas statutes do not prohibit licensed consumer finance lenders from offering non-credit insurance and products. However, even though lenders may offer non-credit insurance and products, the cost cannot be paid for out of loan proceeds or made a part of the amount financed without violating the Texas statute on other charges. This bill will provide regulations regarding charges for certain types of noncredit insurance and products.

PURPOSE

As proposed, S.B. 1940 provides regulations regarding charges for certain types of noncredit insurance and products.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 3, Title 79, V.T.C.S., by adding Article 3.18A, as follows:

Art. 3.18A. NONCREDIT INSURANCE AND PRODUCTS. Authorizes an authorized lender, in connection with a loan made under this chapter, to charge and collect a charge for certain types of noncredit insurance or products if agent licensing requirements and policy forms comply with the applicable provisions of the Insurance Code and other insurance laws of this state. Provides that a borrower of a loan made under this chapter has the option of including in the amount financed the cost of noncredit insurance or products purchased by the borrower under this article if certain requirements are met. Prohibits an authorized lender from charging or collecting a charge for a type of noncredit insurance or product that is not specified in Subsection (a) of this article unless the commissioner of insurance authorizes the charge or collection. Provides that, notwithstanding Article 3.15 of this chapter, the cost of noncredit insurance or products purchased under this article, and any gain or advantage received by certain persons as a result of a charge for noncredit insurance or products imposed under this article, is not considered a further or other charge or amount received in connection with a loan made under this chapter.

SECTION 2. Effective date: September 1, 1997.
Makes application of this Act prospective.

SECTION 3. Emergency clause.