

BILL ANALYSIS

Senate Research Center
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S.B. 1479
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AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Members of the military and their families are prime targets for payday lenders. Military personnel are paid regularly, never get laid off, and face penalties for failing to repay debts. This makes them a wise investment for payday lenders because the chances of default are very slim. Lenders know they will recoup their money because they can call the commanders of soldiers who do not pay their debts. Soldiers who do not pay can face a court-martial and, in some cases, can be discharged.

Military families are vulnerable when it comes to this form of predatory lending. Many payday loans result in triple-digit interest rates. The financial burden on the borrower and the consequences of being unable to repay lead the borrower to refinance loans, creating an onerous cycle of increasing fees. The relative youth of military personnel, and a lack of sophistication in financial matters, make them ill equipped to deal with the financial burden produced by payday loans.

As proposed, S.B. 1479 protects military members and their families from certain actions by payday lenders. S.B. 1479, among other things, prohibits lenders from taking certain actions against military personnel and requires lenders to make certain disclosures to military customers.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 342, Finance Code, by adding Subchapter M, as follows:

SUBCHAPTER M. DEFERRED PRESENTMENT TRANSACTIONS

Sec. 342.601. **DEFINITIONS.** Defines "lender" and "member of the United States military."

Sec. 342.602. **DISCLOSURES TO MILITARY BORROWERS.** Requires a lender, before engaging in a deferred presentment transaction, to provide to a customer who is a member of the United States military or the member's spouse a written statement that clearly and conspicuously states certain requirements and restrictions for the lender.

Sec. 342.603. **PROHIBITED PRACTICES.** Prohibits a lender from contacting the employer of a member of the United States military about deferred presentment debt of the member or the member's spouse.

Sec. 342.604. **MILITARY BORROWER.** (a) Prohibits a lender from engaging in collection activity against a certain military borrower and spouse of a certain military borrower.

(b) Prohibits a lender from garnishing the wages of a borrower who is a member of the United States military or the member's spouse.

Sec. 342.605. REPAYMENT AGREEMENT. Requires a lender, with respect to a deferred presentment transaction, to honor a repayment agreement entered into with a borrower who is a member of the United States military or the member's spouse, including a repayment agreement negotiated through a military counselor or a third-party credit counselor.

SECTION 2. Effective date: September 1, 2005.