

BILL ANALYSIS

Senate Research Center
83R27056 RWG-D

C.S.H.B. 2462
By: Thompson, Senfronia (Carona)
Business & Commerce
5/7/2013
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current law, consumers may finance the purchase of automobile club memberships that provide roadside assistance and other services in connection with consumer loans. However, current law does not provide the same opportunity with regard to motor vehicle retail installment transactions, which are directly related to the services a consumer obtains through automobile club memberships. Despite this omission, motor vehicle retail installment transactions may be used to finance related items such as registration and title fees, taxes, insurance and warranty fees, and debt cancellation agreements, which are also known as GAP waivers.

C.S.H.B. 2462 adds charges relating to automobile club memberships to the list of items that a consumer may finance through a motor vehicle retail installment transaction pursuant to Chapter 348 (Motor Vehicle Installment Sales), Finance Code. In addition, C.S.H.B. 2462 stipulates that a retail seller must notify a retail buyer that purchasing the membership is not required for approval of the contract, that the retail buyer is entitled to cancel the membership and receive a refund, and that the amount charged for the membership must be reasonable. The retail seller must also notify a retail buyer if the membership includes services that are provided by the manufacturer as part of the motor vehicle purchase.

C.S.H.B. 2462 amends current law relating to automobile club memberships offered in connection with certain motor vehicle retail installment contracts.

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 Section 348.005, Finance Code, as follows:

Sec. 348.005. ITEMIZED CHARGE. Provides that an amount in a retail installment contract is an itemized charge if the amount is not included in the cash price and is the amount of:

- (1) fees for registration, certificate of title, and license and any additional registration fees charged by a full service deputy under Section 520.008 (Full-Service Deputies), rather than under Section 502.114 [transferred and redesignated as Section 520.008, Transportation Code, 82nd Legislature, 2011], Transportation Code;
- (2)-(3) Makes no change to these subdivisions; and
- (4) charges authorized for insurance, service contracts, warranties, automobile club memberships, or a debt cancellation agreement by Subchapter C (Insurance).

SECTION 2. Amends Subchapter E, Chapter 348, Finance Code, by adding Section 348.414, as follows:

Sec. 348.414. AUTOMOBILE CLUB MEMBERSHIP OFFERED IN CONNECTION WITH RETAIL INSTALLMENT CONTRACT. (a) Authorizes a retail seller to, at the time a retail installment contract is executed, offer to sell to the retail buyer an automobile club membership.

(b) Requires the retail seller to give the retail buyer written notice at the time the retail installment contract is executed that the retail buyer is not required to purchase the membership as a condition for approval of the contract and is entitled to cancel the membership and receive a full refund of the purchase price of the membership before the 31st day after the date the contract is executed.

(c) Requires the retail seller to notify the retail buyer if the membership includes services that are provided by the manufacturer as part of the motor vehicle purchase.

(d) Requires that the amount charged for a membership as authorized by Subsection (a) be reasonable.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: September 1, 2013.