

## **BILL ANALYSIS**

Senate Research Center  
88R8803 SRA-D

S.B. 1464  
By: West  
Business & Commerce  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Current Texas law does not prohibit automobile dealers from engaging in a practice known as forced financing—requiring a consumer to use financing made available through the dealership and disallowing the use of loans obtained by a consumer at a bank, credit union, or other financial institution, and even refusing cash sales.

The Office of the Consumer Credit Commissioner (COCC) has received numerous complaints related to forced financing. In fact, from August 2021 to the present, COCC has received a total of 151 complaints related to forced financing practices by automobile dealers. This problem exists statewide, not just in large metropolitan areas.

Currently, no other state has laws that prohibit the practice of automobile dealers mandating their customers utilize in-house financing options, according to the National Conference of State Legislatures. At least one state, Massachusetts, has proposed such legislation, aside from Texas.

Automobile dealers have traditionally offered financing to their customers. But this differs from conditioning a sale on dealer-offered financing, a situation that automobile dealer representatives explained came about due to low inventory during the pandemic. They say the situation should improve as auto manufacturing increases and more new cars become available.

S.B. 1464 would prevent new car dealerships from declining customer preferred financing or cash payments offered for the purchase of a new vehicle.

S.B. 1464 would amend the Texas Finance Code by adding Section 348.415, which would prohibit retail sellers of new motor vehicles from imposing certain restrictions on the purchase of a new motor vehicle. Specifically, a retail seller may not increase the cash price of a motor vehicle for a buyer who purchases the vehicle with their own money or a loan from a third-party lender. Additionally, a retail seller may not prohibit a prospective buyer from paying the cash price at the time of sale with their own money or a loan from a third-party lender. The retail seller is also prohibited from making a false or misleading representation that is inconsistent with this section.

As proposed, S.B. 1464 amends current law relating to prohibiting a retail seller of motor vehicles from imposing certain restrictions on the purchase of a motor vehicle.

### **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 Subchapter E, Chapter 348, Finance Code, by adding Section 348.415, as follows:

Sec. 348.415. RESTRICTIONS ON CASH PURCHASES OR THIRD-PARTY FINANCING PROHIBITED. (a) Prohibits a retail seller from increasing the cash price of a motor vehicle for a buyer who purchases the motor vehicle with:

(1) the buyer's own money; or

(2) a loan from a third-party lender.

(b) Prohibits a retail seller from prohibiting a prospective buyer from paying the cash price at the time of sale with:

(1) the prospective buyer's own money; or

(2) a loan from a third-party lender.

(c) Prohibit a retail seller from making a false or misleading representation that is inconsistent with this section.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2023.