A BILL TO BE ENTITLED
AN ACT
relating to certain extensions of consumer credit facilitated by
credit access businesses; providing a civil penalty.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
SECTION 1. Subchapter C, Chapter 393, Section 201, Finance
Code, is amended by adding Subsections (d) and (e) to read as
follows:
(d) A deferred presentment transaction, as defined by
Section 393.601, for the performance of services described by
Section 393.602(a)(1) must comply with the following terms.
(1) The proceeds given to a consumer in connection
with a deferred presentment transaction extended to the consumer
may not exceed:
(A) 35 percent of the consumer's gross monthly
income for a single payment transaction; and
(B) 25 percent of the consumer’s gross monthly
income for a scheduled payment on a multiple payment transaction.
The term of a single payment transaction may not exceed 30 days. In
determining a consumer’s gross monthly income, a credit access
business may utilize payroll documents, checks, bank statements and
reports from nationally or regionally recognized credit and data
reporting companies, and may rely on the representations of a
consumer to form a reasonable belief about the consumer’s gross
monthly income.
(2) A consumer who is unable to fully repay the fourth refinance of an initial single payment deferred presentment transaction may elect to repay the loan by means of an extended payment plan provided the consumer is not otherwise in default of such loan. For the purposes of this subsection, a "refinance" means any transaction a credit access business assists a consumer in obtaining that extends the repayment period of a then-outstanding deferred presentment transaction beyond its original term. A refinance shall include both a traditional refinance that is evidenced by new written loan documents with new disclosures that satisfy and replace the prior loan documents, as well as a renewal of a single-payment transaction in which the term of the transaction is extended for an additional identical period. A refinance shall not include a workout agreement. "Refinance" includes the terms "renewal" and "rollover."

(A) At every licensed location, a credit access business must notify a consumer of the consumer’s right to an extended payment plan by posting the following notice in a conspicuous location visible to the general public: "If you are unable to repay your transaction when due, you may be eligible for an extended payment plan. You are eligible for an extended payment plan if you have refinanced your initial transaction four times. You are eligible for an extended payment plan at least once in any 12 month period. If you meet the requirements for an extended payment plan, we will offer you a plan before the due date of your existing transaction. To accept our offer of an extended payment plan, you must sign a written agreement that describes the terms of
the plan before the due date of your exiting transaction." The notice shall also be included, in at least 12-point bold type, on the first page of a contract with a credit access business.

(B) An extended payment shall comply with the following:

(i) A credit access business must offer to assist an eligible consumer, as described in (d)(2) of this subsection, in obtaining an extended payment plan at least once every 12 months. The 12 month period is measured from the date of such extended payment plan.

(ii) A credit access business must offer a consumer an extended payment plan before the due date of the fourth refinance of the outstanding transaction.

(iii) A credit access business may not charge the consumer additional fees during an extended payment plan.

(iv) A consumer must sign a written agreement that describes the terms of the extended payment plan.

(v) An extended payment plan must allow a consumer to repay all outstanding amounts owing at the time such extended payment plan is offered in at least four substantially equal payments.

(vi) A consumer may prepay an extended payment plan in full at any time without penalty.

(C) If a consumer continues to make timely payments pursuant to an extended payment plan, a credit access business is prohibited from:
(i) engaging in collection activities with respect to such deferred presentment transaction; and

(ii) obtaining, or assisting the consumer in obtaining, additional deferred presentment transactions.

(3) A multiple payment deferred presentment transaction shall be payable on a fully-amortizing, declining principal balance basis with substantially equal payments as agreed upon by the parties. Fees may be pre-computed or charged on a daily accrual method. If fees are pre-computed, a credit access business shall refund unearned fees calculated on an actuarial basis upon the prepayment in full of a deferred presentment transaction. A multiple payment deferred presentment transaction may not exceed 180 days.

(e) A motor vehicle title loan, as defined by Section 393.601, for the performance of services described by Section 393.602(a)(2), must comply with the following terms.

(1) The proceeds given to a consumer in connection with a motor vehicle title loan given to the consumer may not exceed the lesser of:

(A) 7 percent of the consumer’s gross monthly income for a single payment loan;

(B) 30 percent of the consumer’s gross monthly income for a scheduled payment on a multiple payment loan; or

(C) 70 percent of the retail value of the motor vehicle as determined pursuant to this subsection.

The term of a single payment loan may not exceed 30 days and the term of a multiple-payment loan shall not exceed 365 days. The retail
value of a motor vehicle shall be based upon nationally or regionally recognized motor-vehicle appraisal guides if the vehicle is listed in such guides. If a value for the motor vehicle is not listed in such guides, then the credit access business and the consumer shall agree in good faith on an appropriate retail value for the vehicle using generally available information relating to such motor vehicle. In determining a consumer's gross monthly income, a credit access business may utilize payroll documents, checks, bank statements and reports from nationally or regionally recognized credit and data reporting companies, and may rely on the representations of a consumer to form a reasonable belief about the consumer’s gross monthly income.

(2) A consumer who is unable to fully repay the eighth refinance of an initial single payment motor vehicle title loan may elect to repay the loan by means of an extended payment plan provided the consumer is not otherwise in default of such loan. For the purposes of this subsection, a "refinance" means any transaction a credit access business assists a consumer in obtaining that extends the repayment period of a then-outstanding motor vehicle title loan beyond its original term. A refinance shall include both a traditional refinance that is evidenced by new written loan documents with new disclosures that satisfy and replace the prior loan documents, as well as a renewal of a single-payment loan in which the term of the loan is extended for an additional identical period. A refinance shall not include a workout agreement. "Refinance" includes the terms "renewal" and "rollover."
(A) At every licensed location, a credit access business must notify a consumer of the consumer’s right to an extended payment plan by posting the following notice in a conspicuous location visible to the general public: "If you are unable to repay your loan when due, you may be eligible for an extended payment plan. You are eligible for an extended payment plan if you have refinanced your initial loan eight times. You are eligible for an extended payment plan at least once in any 12 month period. If you meet the requirements for an extended payment plan, we will offer you a plan before the due date of your existing loan. To accept our offer of an extended payment plan, you must sign a written agreement that describes the terms of the plan before the due date of your exiting loan." The notice shall also be included, in at least 12-point bold type, on the first page of a contract with a credit access business.

(B) An extended payment shall comply with the following:

(i) A credit access business must offer to assist an eligible consumer, as described in (e)(2) of this subsection, in obtaining an extended payment plan at least once every 12 months. The 12 month period is measured from the date of such extended payment plan.

(ii) A credit access business must offer a consumer an extended payment plan before the due date of the eighth refinance of the outstanding loan.

(iii) A credit access business may not charge the consumer additional fees during an extended payment plan.
(iv) A consumer must sign a written agreement that describes the terms of the extended payment plan.

(v) An extended payment plan must allow a consumer to repay all outstanding amounts owing in at least four substantially equal payments.

(vi) A consumer may prepay an extended payment plan in full at any time without penalty.

(C) If a consumer continues to make timely payments pursuant to an extended payment plan, a credit access business is prohibited from:

(i) engaging in collection activities with respect to such motor vehicle title loan; and

(ii) obtaining, or assisting the consumer in obtaining, additional motor vehicle title loans.

(3) A multiple payment motor vehicle title loan shall be payable on a fully-amortizing, declining principal balance basis with substantially equal payments as agreed upon by the parties. Fees may be pre-computed or charged on a daily accrual method. If fees are pre-computed, a credit access business shall refund unearned fees calculated on an actuarial basis upon the prepayment in full of a motor vehicle title loan.

(4) Notwithstanding other law to the contrary, a motor vehicle title loan must provide that, except for fraud or other misconduct, including without limitation creating or not disclosing additional liens, or intentionally concealing or damaging the motor vehicle, the consumer shall have no personal
liability with respect to the amount owed pursuant to either the
motor vehicle title loan agreement or credit access agreement or
any deficiency resulting from foreclosure against the motor vehicle
pledged by the consumer.