A BILL TO BE ENTITLED
AN ACT

relating to regulation of certain credit services organizations and
to certain extensions of consumer credit the organizations obtain
for a consumer or assist a consumer in obtaining.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Subchapter A, Chapter 393, Finance Code, is
amended by adding Section 393.004 to read as follows:

Sec. 393.004. EFFECT ON MUNICIPAL ORDINANCES. (a) In this
section, "credit access business" has the meaning assigned by
Section 393.601.

(b) This chapter does not preempt a municipal ordinance
regulating a credit access business or an extension of consumer
credit that a credit access business obtains for a consumer or
assists a consumer in obtaining.

(c) If a municipal ordinance described by Subsection (b)
conflicts with a provision of this chapter regulating a credit
access business or an extension of consumer credit described by
Subsection (b), the more stringent regulation controls to the
extent of the conflict.

SECTION 2. Section 393.203, Finance Code, is amended to
read as follows:

Sec. 393.203. ISSUANCE OF CONTRACT AND OTHER DOCUMENTS.

(a) A credit services organization shall give to the consumer, when
the document is signed, a copy of the completed contract and any
other document the organization requires the consumer to sign.

(b) The contract and other documents provided by a credit access business, as defined by Section 393.221, to a consumer under this section in relation to an extension of consumer credit must be:

(1) provided before signing wholly written in the language in which the contract is negotiated; and

(2) read before signing in their entirety in the language in which the contract is negotiated to any consumer who cannot read.

SECTION 3. Section 393.223, Finance Code, is amended by amending Subsection (a) and adding Subsection (b-1) to read as follows:

(a) Before performing services described by Section 393.602(a) [393.221(1)], a credit access business must provide to a consumer a written disclosure adopted by rule of the Finance Commission of Texas [that discloses the following] in a form prescribed by the commission that:

(1) discloses the interest, fees, and annual percentage rates, as applicable, to be charged on a deferred presentment transaction or on a motor vehicle title loan, as applicable, in comparison to interest, fees, and annual percentage rates to be charged on other alternative forms of consumer debt;

(2) discloses the amount of accumulated fees a consumer would incur by renewing or refinancing a deferred presentment transaction or motor vehicle title loan that remains outstanding for a period of two weeks, one month, two months, and three months; [and]
provides information regarding the typical pattern of repayment of deferred presentment transactions and motor vehicle title loans; and

references nonprofit agencies that provide financial education and training or cash assistance to borrowers.

(b-1) The disclosure and notice required by this section must be:

(1) available in English and Spanish at each location at which the credit access business performs services described by Section 393.602(a); and

(2) provided to a consumer wholly written, and read in their entirety at the time provided to any consumer who cannot read, in the language in which the contract is negotiated.

SECTION 4. Subchapter D, Chapter 393, Finance Code, is amended by adding Sections 393.308 and 393.309 to read as follows:

Sec. 393.308. RESTRICTIONS ON AMOUNT ADVANCED UNDER CERTAIN EXTENSIONS OF CONSUMER CREDIT. (a) In this section, "deferred presentment transaction" and "motor vehicle title loan" have the meanings assigned by Section 393.601.

(b) A credit services organization may not obtain for a consumer or assist a consumer in obtaining an extension of consumer credit in the form of a deferred presentment transaction if the amount of cash advanced exceeds 20 percent of the borrower's gross monthly income.

(c) A credit services organization may not obtain for a consumer or assist a consumer in obtaining an extension of consumer credit in the form of a motor vehicle title loan if the amount of
cash advanced exceeds the lesser of:

(1) three percent of the borrower's gross annual income; or

(2) 70 percent of the retail value of the motor vehicle.

(d) A credit services organization shall use a consumer's paycheck or other documentation establishing income to determine a consumer's income for purposes of this section.

Sec. 393.309. REPAYMENT OF CERTAIN EXTENSIONS OF CONSUMER CREDIT. (a) In this section, "deferred presentment transaction" and "motor vehicle title loan" have the meanings assigned by Section 393.221.

(b) An extension of consumer credit in the form of a deferred presentment transaction or motor vehicle title loan that a credit services organization obtains for a consumer or assists a consumer in obtaining may not be payable in more than four installments. Proceeds from each installment must be used to repay at least 25 percent of the principal amount of the debt. An extension of consumer credit described by this subsection that provides for repayment in installments may not be refinanced or renewed.

(c) An extension of consumer credit in the form of a deferred presentment transaction or motor vehicle title loan that a credit services organization obtains for a consumer or assists a consumer in obtaining and that provides for a single lump-sum payment may not be refinanced or renewed more than three times. Proceeds from each refinancing or renewal must be used to repay at
least 25 percent of the principal amount of the original debt.

(d) For purposes of this section, an extension of consumer credit in the form of a deferred presentment transaction or motor vehicle title loan that is made to a consumer on or before the seventh day after the date the consumer has paid a previous extension of consumer credit made by the same person is considered a refinance or renewal of the previous debt.

SECTION 5. Section 393.501, Finance Code, is amended by adding Subsection (c) to read as follows:

(c) Each day of a continuing violation of a provision of Subchapter C-1 or G constitutes a separate offense.

SECTION 6. Section 393.604(a), Finance Code, is amended to read as follows:

(a) An application for a license under this subchapter must:

(1) be under oath;

(2) contain the applicant's name and the street address, mailing address, facsimile number, and telephone number of the applicant at the location for which the license is sought;

(3) give the approximate location from which the business is to be conducted;

(4) [44] identify the business's principal parties in interest;

(5) [44] contain the name, physical address, and telephone number of all third-party lender organizations with which the business contracts to provide services described by Section 393.602(a) or from which the business arranges extensions of consumer credit described by Section 393.602(a); and
SECTION 7. Section 393.620, Finance Code, is amended to read as follows:

Sec. 393.620. TRANSFER OR ASSIGNMENT OF LICENSE PROHIBITED. A license may not be transferred or assigned [only with the approval of the commissioner].

SECTION 8. Subchapter G, Chapter 393, Finance Code, is amended by adding Section 393.629 to read as follows:

Sec. 393.629. MAINTENANCE OF RECORDS. (a) A credit access business shall maintain a complete set of records of all extensions of consumer credit obtained for consumers by the business or that the business assisted consumers in obtaining. The record pertaining to each extension of consumer credit must be retained until the third anniversary of the date the extension of consumer credit was obtained and must include:

(1) the name and address of the consumer;
(2) the principal amount of the cash advance or loan;
(3) the length of the original term of the extension of consumer credit, the number of installments or renewals, and the length of the term of any renewal or refinance;
(4) the fees charged by the credit access business for obtaining for a consumer or assisting the consumer in obtaining the extension of consumer credit; and
(5) the documentation used to establish a consumer's income under Section 393.308.
(b) A credit access business shall retain a copy of each written agreement between the business and a consumer pertaining to an extension of consumer credit, including any agreement regarding refinancing or renewing an extension of consumer credit, until the third anniversary of the date on which the agreement was entered into.

(c) A credit access business shall retain a copy of each report filed under Section 393.627 until the third anniversary of the date on which the report was filed.

(d) A record described by this section must be available for inspection on request by the office during the normal business hours of the credit access business.

SECTION 9. The changes in law made by this Act apply only to an extension of consumer credit made on or after the effective date of this Act. An extension of consumer credit made before the effective date of this Act is governed by the law in effect on the date the extension of consumer credit was made, and the former law is continued in effect for that purpose.

SECTION 10. (a) The change in law made by this Act to Section 393.223, Finance Code, applies only to a disclosure or notice provided by a credit access business on or after January 1, 2016. A disclosure or notice provided by a credit access business before January 1, 2016, is governed by Section 393.223, Finance Code, as that section existed immediately before the effective date of this Act, and that law is continued in effect for that purpose.

(b) The Finance Commission of Texas shall adopt rules prescribing forms under Section 393.223(a), Finance Code, as
amended by this Act, not later than November 1, 2015.

SECTION 11. Section 393.629, Finance Code, as added by this Act, applies only to a record created on or after the effective date of this Act. A record created before the effective date of this Act is governed by the law in effect when the record was created, and the former law is continued in effect for that purpose.

SECTION 12. This Act takes effect September 1, 2015.