

SUBJECT: Allowing certain lenders to offer life insurance to borrowers

COMMITTEE: Investments and Financial Services — favorable, without amendment

VOTE: 7 ayes — Parker, Longoria, Capriglione, Flynn, Landgraf, Pickett, Stephenson

0 nays

WITNESSES: For — Kevin Fontenette and Brad Steveson, Springleaf Financial Services, Inc.; Joseph D. Fagan, Springleaf Financial Services and Merit Life Insurance Co.; (*Registered, but did not testify*: Deborah Polan, Springleaf Financial Services, Inc.)

Against — Ann Baddour, Texas Appleseed; (*Registered, but did not testify*: Tim Morstad, AARP; Joe Sanchez, AARP Texas; Kathryn Freeman, Christian Life Commission; Woody Widrow, RAISE Texas; Yannis Banks, Texas NAACP; Felice Garza and Estela Soza Garza, Valley Interfaith; Myrna Perez and Francisco Perez, Valley Interfaith, St. Joseph the Worker Church, McAllen, TX)

On — Leslie Pettijohn, Office of Consumer Credit Commissioner

BACKGROUND: Finance Code, ch. 342 regulates consumer loans. An increasing number of Texans are using the services of small consumer lenders, such as payday and car title lenders.

DIGEST: HB 3938 would allow a lender on a loan subject to Finance Code, ch. 342, subch. E to offer life insurance premiums to borrowers. The lender would be required to offer the insurance through a properly licensed insurance agent and could not require the borrower to accept the insurance. The lender would have to provide the option to pay the premium from the borrower's own funds or with a portion of the loan proceeds.

The bill would take effect January 1, 2016, and would apply only to an insurance policy delivered, issued, or renewed after that date.