

SUBJECT: Lowering the service contract security deposit for certain car dealerships

COMMITTEE: Licensing and Administrative Procedures — favorable, without amendment

VOTE: 10 ayes — T. King, Goldman, Geren, Guillen, Harless, Hernandez, K. King, Kuempel, Paddie, S. Thompson

0 nays

1 absent — Herrero

WITNESSES: For — Mark Jones (*Registered, but did not testify*: Jeff Martin, Texas Automobile Dealers Association)

Against — None

BACKGROUND: Occupations Code sec. 1304.151 requires the provider of certain service contracts to pay a security deposit of at least \$250,000.

Some suggest the high security deposit has had a negative effect on car dealerships that require service contracts to repair and maintain their vehicles.

DIGEST: HB 4120 would lower the minimum security deposit to \$25,000 for licensed motor vehicle dealers who offer to sell service contracts only on motor vehicles sold by the provider.

The bill would take effect September 1, 2019.