

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 1076
By: Carona
Economic Development
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Committee Report (Substituted)

DIGEST

Currently, when consumers make a small loan, they have an option of purchasing credit insurance from regulated loan licensees to insure the amount of the loan in the event of an unexpected occurrence. Consumers also have the option of purchasing from these licensees noncredit insurance such as term life, disability, accident and health, or loss of income coverage and other products such as home security plans, automobile club memberships, and extended service contracts. While consumers may finance the premiums for credit insurance, state law does not permit such financing for noncredit insurance. This bill would authorize customers of regulated loan licensees to finance the charges for noncredit insurance and other products.

PURPOSE

As proposed, C.S.S.B. 1076 authorizes customers of regulated loan licensees to finance the charges for noncredit insurance and other products.

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

ARTICLE 1. AMENDMENTS TO TITLE 79, REVISED STATUTES

SECTION 1.01. Amends Article 5069-3A.701 et seq., V.T.C.S., by adding Article 3A.717, as follows:

Art. 3A.717. NONCREDIT INSURANCE AND OTHER PRODUCTS. Authorizes an authorized lender to offer certain types of non-credit insurance and other products, in connection with or subsequent to a loan made under Subchapter E or G, if agent licensing requirements and policy forms comply with the applicable provisions of the Insurance Code and other insurance laws of the state. Authorizes the cost of non-credit insurance or another product under Subsection (a) to be collected from the borrower only under certain conditions. Prohibits an authorized lender from charging or collecting an amount for a type of noncredit insurance or other product that is not specified in Subsection (a) unless the insurance commissioner authorizes the charge or collection. Provides that the cost of noncredit insurance and other products purchased under this chapter, and any gain or advantage received by an authorized lender or an employee, officer, director, general or other agent, affiliate, or associate of the lender as a result of a charge for noncredit insurance or other products authorized under this chapter, is not considered a further or other charge or amount received in connection with a loan made under this chapter. Makes conforming and nonsubstantive changes.

SECTION 1.02. Amends Article 5069-3A.710, V.T.C.S., as follows:

Art. 3A.710. New heading: PAYMENT FOR INSURANCE OR OTHER PRODUCTS FROM LOAN PROCEEDS. Provides that a lender who offers insurance, rather than accepts insurance, or another product as permitted by this subchapter may deduct the premium for the insurance or charge for the other product from the proceeds of the loan and shall pay the deducted amounts to the insurance company writing the insurance or to the vendor of the other product. Deletes text authorizing the lender to deduct an identifiable charge for the insurance.

SECTION 1.03. Amends Article 5069-3A.852(b), V.T.C.S., to authorize a lender to assess and collect

from the borrower an amount incurred by the lender for the premium, received in connection with the sale of insurance or the charge for any other product authorized under this chapter, on a loan subject to Subchapter E or a secondary mortgage loan subject to Subchapter G. Makes conforming changes.

ARTICLE 2. AMENDMENTS TO FINANCE CODE

SECTION 2.01. Amends Chapter 342I, Finance Code, by adding Section 342.4021, as follows:

Sec. 342.4021. NONCREDIT INSURANCE AND OTHER PRODUCTS. Makes conforming changes.

SECTION 2.02. Amends Section 342.410, Finance Code, as follows:

Sec. 342.410. New heading: PAYMENT FOR INSURANCE OR OTHER PRODUCTS FROM LOAN PROCEEDS. Makes conforming and nonsubstantive changes.

SECTION 2.03. Amends Section 342.502(b), Finance Code, to make conforming changes.

ARTICLE 3. EFFECTIVE DATE; APPLICATION; EMERGENCY

SECTION 3.01. Effective date: September 1, 1999, except as provided by Subsections (b) and (c). Provides that Article 1 of this Act takes effect only if the Act of the 76th Legislature, Regular Session, 1999, relating to nonsubstantive additions to and corrections in enacted codes does not take effect. Provides that Article 2 of this Act takes effect only if the Act of the 76th Legislature, Regular Session, 1999 relating to nonsubstantive additions to and corrections in enacted codes takes effect.

SECTION 3.02. Makes application of this Act prospective.

SECTION 3.03. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.01.

Amends Article 5069-3A.701, V.T.C.S., to authorize an authorized lender to offer certain types of noncredit insurance and other products, in connection with or subsequent to a loan made under Subchapter E or G, if agent licensing requirements and policy forms comply with the applicable provisions of the Insurance Code and other insurance laws of the state. Provides that the cost of noncredit insurance and other products purchased under this chapter, and any gain or advantage received by an authorized lender or an employee, officer, director, general or other agent, affiliate, or associate of the lender as a result of a charge for noncredit insurance or other products authorized under this chapter, is not considered a further or other charge or amount received in connection with a loan made under this chapter. Makes conforming and nonsubstantive changes.

SECTION 1.02.

Amends Article 5069-3A.710, V.T.C.S., to amend the heading. Makes conforming and nonsubstantive changes.

SECTION 1.03.

Amends Article 3A.852(b), Title 79, V.T.C.S., to make nonsubstantive changes.

SECTION 2.01.

Amends Chapter 342I, Finance Code, to make conforming and nonsubstantive changes.

SECTION 2.02.

Amends Section 342.410, Finance Code, to amend the heading. Makes conforming and

nonsubstantive changes.