

BILL ANALYSIS

Senate Research Center

S.B. 1199
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Business & Commerce
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Interested parties note the need for consumers in Texas to be able to purchase a depreciation member benefit program from their auto dealer. This product is an optional membership benefit, so the consumer becomes a member of a particular auto group or dealer. In event of total loss, a benefit of a specified dollar amount applies towards the purchase of a new vehicle. Currently in Texas, financial institutions may offer this service, but auto dealers are not authorized.

This benefits product, under Texas statute, fits within the purview of a service contract; however, current code does not allow auto dealers to offer this product. S.B. 1199 amends the Occupations Code to enable Texans to purchase a depreciation member benefit program from their auto dealer. (Original Author's / Sponsor's Statement of Intent)

S.B. 1199 amends current law relating to service contract providers.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1304.003, Occupations Code, by amending Subsection (a) and adding Subsection (e), as follows:

(a) Redefines "service contract" and defines "depreciation benefit optional member program."

(e) Provides that a service contract described by Subsection (a)(2)(C) (relating to defining "service contract" as a provider agreeing to provide certain compensation to the buyer of a vehicle) is:

(1) prohibited from being required as a condition of approval of a loan for the purchase of a vehicle;

(2) prohibited from being offered by a dealer who requires a loan for the purchase of a vehicle to be financed exclusively with the dealer;

(3) authorized to be cancelled by the buyer not later than the 30th day after a buyer enters into the contract, without a penalty;

(4) authorized to be cancelled by the buyer later than the 30th day after a buyer enters into the contract, with a pro rata refund to be provided to the buyer; and

(5) authorized to only charge a fee that is reasonable in relation to the benefit provided by the service contract.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2017.