

## **BILL ANALYSIS**

Senate Research Center

H.B. 1277  
By: Eiland (Lucio)  
Economic Development  
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Engrossed

### **DIGEST**

Currently, the Consumer Credit Code limits credit card interest rates that may be charged by banks and other creditors based in Texas. A creditor may charge up to 14.4 percent interest on the entire average daily balance (ADB), or 18 percent interest on an ADB of up to \$1,500, 12 percent on an ADB between \$1,500 and \$2,500, and 10 percent on an ADB of more than \$2,500. Any additional fee for credit cards must be authorized by statute. HB 1277 would allow creditors to charge interest rates on credit cards of up to 18 percent. It would allow credit card issuers to charge certain annual fees: up to \$50 on accounts with a credit limit of \$5,000 or less, \$75 on accounts between \$5,000 and \$25,000, and \$125 for accounts of more than \$25,000. The creditor also could collect fees for late charges, cash advances, dishonored checks, and overextended accounts.

### **PURPOSE**

As proposed, H.B. 1277 increases the interest rates on revolving loan and revolving tri-party accounts (primarily credit cards) to the same rate as is permissible on all other written, lending transactions in Texas. In addition, reasonable fees are authorized in line with those commonly found in other states.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Article 15.02, Title 79, Article 5069-15.02, V.T.C.S., to delete existing Subsection (a). Prohibits the interest rate on a merchant discount account in excess of 18 percent. Deletes text regarding the interest rate on a merchant account. Authorizes a creditor to charge and collect certain charges and fees. Deletes text regarding an agreement to a rate of interest. Makes conforming changes.

SECTION 2. Amends Chapter 15, Title 79, Article 5069-15.01 et seq., V.T.C.S., by adding Articles 15.12-15.14, as follows:

Art. 15.12. VARIATION IN PERIODIC PERCENTAGE RATE. Sets forth requirements for variations in the periodic rate.

Art. 15.13. NOTICE OF VARIATION IN PERIODIC PERCENTAGE RATE. Sets forth notice requirements regarding variations in the periodic rate.

Art. 15.14. ACCOUNT CONNECTED WITH DEMAND DEPOSIT ACCOUNT. Sets forth requirements for the maintenance of an account offered and extended by a creditor connected with a demand deposit account.

SECTION 3. Amends Chapter 15, Title 79, Article 5069-15.01 et seq., V.T.C.S., by adding Article 15.15, as follows:

Art. 15.15. APPLICATION OF PAYMENT. Requires a payment toward the account to be applied to the repayment of a loan or purchase posted to the customer's account.

SECTION 4. Amends Article 1.04, Title 79, Article 5069-1.04, V.T.C.S., by adding Subsection (s), to provide that this article does not apply to a credit card transaction or other open-end accounts.

SECTION 5. Amends Article 5069-1.11(d), to make a conforming change.

SECTION 6. Makes application of this Act prospective.

SECTION 7. Provides that SECTION 1 applies only to credit card operations in this state at the time the interest rates are increased by the financial institution operating a credit card operation.

SECTION 8. Emergency clause.  
Effective date: upon passage.