

## BILL ANALYSIS

Senate Research Center  
79R9726 HLT-F

H.B. 1088  
By: Thompson (Harris)  
Business & Commerce  
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Engrossed

### AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Current law permits regulated lenders to offer to customers the sale of automobile club memberships at the time or after a loan is made under Chapter 303 or Chapter 342, Finance Code. However, the cost of the automobile club membership may not be financed in the loan.

H.B. 1088 permits customers of regulated lenders to finance the charges for automobile club memberships in connection with certain consumer loans and adds important consumer protections. H.B. 1088 prohibits making the purchase of an automobile club membership a condition of the loan and requires the consumer credit commissioner to determine that the cost of the membership is reasonable.

### RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the consumer credit commissioner in SECTION 2 (Section 342.457, Finance Code) of this bill.

### SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter C, Chapter 303, Finance Code, by adding Section 303.203, as follows:

Sec. 303.203. AUTOMOBILE CLUB MEMBERSHIP OFFERED IN CONNECTION WITH A LOAN. (a) Authorizes a lender, at the time or after a loan is made, to offer to sell to the borrower and finance in the loan contract a charge for an automobile club membership.

(b) Prohibits the lender from requiring the purchase of the membership authorized under Subsection (a) as a condition for approval of the loan.

(c) Requires the borrower to provide the lender with written acknowledgement of the borrower's intent to purchase the membership.

(d) Requires the amount charged for a membership as authorized by Subsection (a) to be reasonable.

SECTION 2. Amends Subchapter J, Chapter 342, Finance Code, by adding Section 342.457, as follows:

Sec. 342.457. AUTOMOBILE CLUB MEMBERSHIP OFFERED IN CONNECTION WITH A LOAN. (a) Authorizes an authorized lender, at the time or after a loan under Subchapter E (Interest Charges on Non-Real Property Loans) is made, to offer to sell to the borrower and finance in the loan contract a charge for an automobile club membership.

(b) Prohibits the lender from requiring the purchase of the membership authorized under Subsection (a) as a condition for approval of the loan.

(c) Requires the borrower to provide the lender with written acknowledgement of the borrower's intent to purchase the membership.

(d) Requires the lender to give the borrower written notice at the time the loan is made that the borrower is not required to purchase the membership as a condition for approval of the loan and is entitled to cancel the transaction and receive a full refund of the purchase price of the membership before the 31st day after the date the loan is made.

(e) Requires the consumer credit commissioner to adopt a rule providing for disclosure in Spanish of the information required by Subsection (d) and to establish a form for the disclosure of the information required by Subsection (d) that conforms to the plain language and readability requirements applicable to loan contracts under Section 341.502 (Form of Loan Contract).

(f) Requires the amount charged for a membership as authorized by Subsection (a) to be reasonable.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: September 1, 2005.