

BILL ANALYSIS

Senate Research Center
80R4182 ATP-F

S.B. 856
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Business & Commerce
3/29/2007
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Chapter 393 (Credit Services Organizations), Finance Code, provides guidance for credit services organizations (CSOs), that offer debt repair or counseling services to Texans. Due to broad definitions in that statute, however, most major payday lenders have registered as CSOs, and in so doing are no longer subject to Texas' small loan law or regulation by the Office of Consumer Credit Commissioner (office). The breadth of current law allows payday lenders to use the CSO model to charge the consumer with a fee based on the amount borrowed, then to compute 10 percent interest on the loan based on extension of credit made by a third party lender who has an established relationship with the payday lender storefront or Internet-based service.

As proposed, S.B. 856 prohibits CSOs from extending credit when the CSO has a relationship with the lender, collects fees on behalf of the lender, or receives an economic interest in the loan revenue, among other prohibitions.

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 Subchapter D, Chapter 393, Finance Code, by adding Section 393.308, as follows:

Sec. 393.308. ACTING AS OR ASSOCIATING WITH LENDER. (a) Sets forth certain conditions relating to conflicts of interest under which a credit services organization is prohibited from facilitating or assisting in obtaining credit for a consumer.

(b) Prohibits a credit services organization from using a scheme, device, or contrivance to evade the application of this section.

SECTION 2. Effective date: September 1, 2007.