

BILL ANALYSIS

Senate Research Center
87R1545 JES-D

H.B. 735
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Business & Commerce
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The 85th Legislature passed S.B. 1199, permitting Texas consumers to purchase a depreciation member benefit program from their auto dealer. This product is an optional membership benefit where 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.

The intent of S.B. 1199 was to allow this benefit to be purchased through any means, including a finance agreement, lease, or cash payment. However, the language in S.B. 1199 was unintentionally silent on the purchase of the benefit program through a cash transaction or a lease agreement. H.B. 735 clarifies that this benefit program applies to all depreciation member benefit program purchases including lease agreements, financing, and cash transactions.

H.B. 735 amends Sections 1304.003(a)(2) and (3), Occupations Code, to enable Texans to purchase a depreciation member benefit program from their auto dealer through a finance agreement, lease, or cash payment.

H.B. 735 amends current law relating to service contracts for leased or purchased motor vehicles.

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 Sections 1304.003(a)(2) and (3), Occupations Code, as follows:

(2) Redefines "service contract" for the purposes of Chapter 1304 (Service Contract Providers and Administrators) to mean an agreement that is entered into for a separately stated consideration and for a specified term under which a provider agrees to:

(A) and (B) makes no changes to these paragraphs; or

(C) provide compensation to the lessee or buyer, rather than the buyer, of a vehicle on the total constructive loss under a depreciation benefit optional member program.

(3) Redefines "depreciation benefit optional member program" for the purposes of Chapter 1304.

SECTION 2. Amends Section 1304.003(e), Occupations Code, as follows:

(e) Provides that a service contract described by Subsection (a)(2)(C):

(1) is prohibited from being required as a condition of approval of a lease of a vehicle or a loan, rather than as a condition of approval of a loan, for the purchase of a vehicle;

(2) makes no changes to this subdivision;

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

(4) makes conforming changes to this subdivision; and

(5) makes no changes to this subdivision.

SECTION 3. Makes application of this Act prospective.

SECTION 4. Effective date: September 1, 2021.