

**QUARTERLY UPDATE TO THE  
SENATE BUSINESS AND COMMERCE COMMITTEE**

**January 4, 2012**

**BY THE OFFICE OF CONSUMER CREDIT COMMISSIONER (OCCC)**

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**Implementation of Legislation from the 82<sup>nd</sup> Legislature:**

**HB 2592: Payday and Title Loan Disclosures**

**HB 2594: Payday and Title Loan Licensing**

***Summary of Legislation***

These bills amend Chapter 393 of the Finance Code to establish new requirements for “credit access businesses,” which are credit services organizations that provide payday loans or title loans. Under HB 2592, credit access businesses (CAB) are required to provide a disclosure prescribed by the Finance Commission. The disclosure must include interest, fees, and APR for the loan and a comparison of those charges to “alternative forms of consumer debt,” and it must describe fees that the consumer will incur for renewing the loan. Under HB 2594, credit access businesses are required to obtain a license with the OCCC. The OCCC has examination and investigation authority over credit access businesses. HB 2594 also requires the Finance Commission to create an endowment for financial education in Texas. The bills became effective January 1, 2012.

***Implementation Actions***

The Finance Commission adopted model disclosures for payday and title loan contracts in December 2011. The commission also promulgated rules regarding licensing and examination of credit access businesses and adopted a rule authorizing the issuance of a 90-day provisional license to help manage the licensing process through the transition. HB 2594 further requires data reporting by the CABs. The first quarterly reports are expected to be submitted during April 2012. Consumer assistance reporting and data collection processes have been amended to include CABs and agency representatives have been trained and prepared to address consumer concerns or complaints. The examination process for CABs is expected to begin during April 2012.

<b>CAB Applications</b>	<b>Data as of 12/31/11</b>
<b>Applications filed</b>	3,163
<b>Applications fully approved</b>	236
<b>Applications withdrawn</b>	104
<b>Provisional licenses issued</b>	1,540

## **HB 2490: Metal Dealers**

### ***Summary of Legislation***

HB 2490 amends Chapter 1956 of the Occupations Code, requiring crafted precious metal dealers (including gold-buying businesses) to register with the OCCC. For each purchase, the dealer must complete a form listing the date of the transaction, a description of the metal product, and the name and address of the buyer and seller and then submit those transaction forms to local law enforcement authorities. If a peace officer notifies the dealer about an allegedly stolen item, the dealer will be required to hold the item for 60 days without altering or selling it. The OCCC has the authority to investigate complaints about metal dealers; consumer assistance reporting and data collection processes have been amended to include crafted precious metal dealers and agency representatives are prepared to address any received concerns or complaints. The registration requirement became effective January 1, 2012.

### ***Implementation Actions***

The Finance Commission adopted rules regarding registration of metal dealers as required by the statute. The commission also promulgated rules relating to the required data elements for each purchased precious metal transaction. The OCCC launched an online registration application in mid-December, with assistance from Department of Public Safety (TxDPS) whose experience with the metals recycling industry was adaptable to the registration requirements of the crafted precious metals industry.

<b>Registered Precious Metal Dealers</b>	<b>Data as of 1/3/12</b>
<b>Permanent locations</b>	1,229
<b>Temporary locations</b>	11

## **SB 762: Property Tax Loan Fees**

### ***Summary of Legislation and Implementation Actions***

SB 762 adds Section 351.0021 to the Finance Code, providing an exclusive list of post-closing fees that property tax lenders may charge. The bill became effective September 1, 2011. The bill also requires that the Finance Commission conduct a study of the interest, fees, and charges that are assessed by property tax lenders. The methodology for the study is being finalized, and fieldwork to collect study data should occur during February and March 2012. A final report is expected in June 2012.

## **HB 2931: Motor Vehicle Debt Cancellation Agreements**

### ***Summary of Legislation and Implementation Activities***

HB 2931 provides a new statutory framework for debt cancellation agreements on financed motor vehicles where the motor vehicle is required to be insured for property damage. A debt cancellation agreement (DCA) is an agreement in which the holder of a retail installment contract will cancel the remaining amount owed on the finance contract if the vehicle is stolen or totaled. If a DCA requires the buyer to maintain insurance on the vehicle, the holder will cancel only the difference between the insurance coverage on the vehicle and the remaining amount owed. HB 2931 adds a new subchapter to Chapter 348 of the Finance Code, detailing the provisions that may be included in a DCA that requires insurance. The bill also requires the OCCC to approve or disapprove DCA forms within 45 days after they are submitted to the agency. The bill does not affect DCAs where the buyer is not required to obtain insurance. These agreements would still have to comply with the rules that the Finance Commission adopted in 2010. HB 2931 became effective September 1, 2011. As a result of HB 2931, existing rules relating to DCAs that required insurance were repealed, as the new provisions of HB 2931 will control these agreements. The OCCC issued a bulletin detailing the process for submission of a DCA form for review.

<b>Debt Cancellation Agreement Review Status</b>	<b>Data as of 1/4/12</b>
<b>Approved DCAs</b>	176
<b>Denied DCAs</b>	44
<b>DCAs Pending Review</b>	28

## **SB 141: Debt Management and Debt Settlement**

### ***Summary of Legislation and Implementation Activities***

SB 141 amends several provisions of Chapter 394 of the Finance Code relating to debt relief providers. SB 141 applies Chapter 394 to the debt settlement model, in which consumer funds are placed into an account that the company does not control, and the company obtains concessions allowing the debt to be settled for less than the principal amount owed. SB 141 became effective September 1, 2011 and 14 debt settlement providers have registered. The Finance Commission has promulgated rule amendments to conform the debt management rules with the modifications made by SB 141.

## **HB 2615: Financial Literacy Resources**

### ***Summary of Legislation and Implementation Activities***

HB 2615 requires the OCCC to prepare a one-page document that will give the public guidance on financial literacy classes and programs. The bill also requires health and human service agencies to make the document available to their clients. The OCCC must post the document on its website. The bill became effective September 1, 2011, and required the OCCC to post the document on its web site by December 1, 2011. The document was developed in coordination with representatives of the Health and Human Services Commission and posted on the OCCC website as required; a quick link is located at the top of the OCCC's home page and the web address is provided in all printable flyers and materials related to the bill. Additionally, the web address is provided in the consumer disclosure forms required by HB 2592.