



Senate Business and Commerce Committee  
Public Hearing – 2012 Interim Studies  
October 9, 2012

HB 2592 and HB 2594

In 2011, the Texas Legislature gave the Texas Finance Commission and the Office of the Consumer Credit Commissioner (OCCC) comprehensive licensing, examination, and enforcement authority over CABs. The legislation preserves access to credit and consumer choice while establishing a rigorous system of supervision checks and balances to protect the vast majority of small loan borrowers in Texas. Important new consumer protections related to transparency, disclosures and contractual requirements were also imposed.

The legislation is comprehensive and significant. Rulemaking is substantially complete. The Office of the Consumer Credit Commissioner solicited input from the public and all interested stakeholders before and after drafting proposed rules. The Texas Finance Commission spent months painstakingly reviewing the details of the regulatory proposals, testimony, and written comments before adopting final regulations. [\[Please see the attached timeline of regulatory activities\]](#)

On site audits of CAB store locations by OCCC examination teams began in April. CABs also began filing quarterly data reports with the OCCC in April. Administrative hearings for license denials and license revocations are on-going. [\[Please see the attached HB 2592 and HB 2594 update\]](#)

Texas Finance Commission Uniformity of Law Resolution

The Texas Finance Commission has a statutory responsibility to ensure banks, savings institutions, consumer credit providers, and other regulated entities chartered or licensed under state law operate as sound and responsible institutions that enhance the financial well-being of the citizens of Texas. Through its review of consumer complaints filed with the OCCC (and corrective action taken in response to valid complaints), CAB quarterly data reports, and on site examination findings, the Commission will exercise close oversight of the industry and make legislative recommendations, when appropriate, to improve the finances of Texas consumers.

The Commission recently passed a resolution supporting the uniformity of laws governing credit access businesses and encouraging the Legislature to take appropriate steps to clarify its intent with regard to the statewide application of consistent rules to eliminate consumer confusion, disparate treatment and the potential of additional costs. [\[Please see the attached Resolution\]](#)

## Best Practices

Despite detailed underwriting standards, careful planning and budgeting, and customers' best intentions, there are those that suffer financial setbacks after they obtain credit and have difficulty repaying their financial obligations.

To prevent consumers from being trapped in a cycle of debt, CSAT member companies are expanding their industry Best Practices to include no cost extended payment plans, transaction limits and mandatory fee reductions with the refinance of single payment auto title loans. These changes will go into effect statewide in September, 2012, for all CSAT member companies.

The new Best Practices are a comprehensive solution to the product design limitations applied in recent municipal ordinances and are consistent with detailed negotiations that occurred during the last legislative session. Importantly, they put every consumer --- regardless of the type of loan obtained --- on a path to full repayment in a time certain, or in a *no cost extended payment plan* that will *fully repay* their debt. [\[Please see the attached Best Practices-2012 Additions\]](#)

CSAT members have also instituted an accountability program to encourage compliance with the Best Practices. Member companies will confirm, in writing, adherence to the Best Practices annually. Members will conduct mid-year self-assessments to ensure compliance. External audits will be conducted periodically by independent, outside firms. [\[Please see the attached CSAT Best Practices Compliance Program\]](#)

*The Consumer Service Alliance of Texas (CSAT) is a trade association advocating for the protection of financial choice based on personal responsibility for Texas consumers. CSAT represents the interests of consumers and Credit Access Businesses (CABs) providing retail financial products and services to Texas consumers. CABs secure loans from independent third-party lenders for customers who need access to short-term credit for immediate financial needs, loans often unavailable from banks or other sources.*