

FINANCE CODE

TITLE 4. REGULATION OF INTEREST, LOANS, AND FINANCED TRANSACTIONS

SUBTITLE B. LOANS AND FINANCED TRANSACTIONS

CHAPTER 342. CONSUMER LOANS

SUBCHAPTER A. GENERAL PROVISIONS; APPLICABILITY OF CHAPTER

Sec. 342.001. DEFINITIONS. In this chapter:

(1) "Irregular transaction" means a loan:

(A) that is payable in installments that are not consecutive, monthly, and substantially equal in amount; or

(B) the first scheduled installment of which is due later than one month and 15 days after the date of the loan.

(2) "Regular transaction" means a loan:

(A) that is payable in installments that are consecutive, monthly, and substantially equal in amount; and

(B) the first scheduled installment of which is due within one month and 15 days after the date of the loan.

(3) "Regulated loan license" means a consumer loan license.

(4) "Secondary mortgage loan" means a loan that is:

(A) secured in whole or in part by an interest, including a lien or security interest, in real property that is:

(i) improved by a dwelling designed for occupancy by four or fewer families; and

(ii) subject to one or more liens, security interests, prior mortgages, or deeds of trust; and

(B) not to be repaid before the 91st day after the date of the loan.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.04, eff. Sept. 1, 1999.

Sec. 342.002. INTEREST COMPUTATION METHODS. (a) The scheduled installment earnings method is a method to compute an interest charge by applying a daily rate to the unpaid balance of the principal amount as if each payment will be made on its scheduled installment date. A payment received before or after the

due date does not affect the amount of the scheduled principal reduction.

(b) The true daily earnings method is a method to compute an interest charge by applying a daily rate to the unpaid balance of the principal amount. The earned finance charge is computed by multiplying the daily rate by the number of days the principal balance is outstanding.

(c) For the purposes of Subsections (a) and (b), the daily rate is 1/365th of the equivalent contract rate.

(d) Interest under the scheduled installment earnings method or true daily earnings method may not be compounded.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.05, eff. Sept. 1, 1999.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 784 (S.B. [1251](#)), Sec. 1, eff. September 1, 2013.

Sec. 342.003. PURCHASE FROM MORTGAGEE. For the purposes of this chapter, a purchase from a mortgagee of an interest in a secondary mortgage loan that was made to secure that loan is treated as if it were a secondary mortgage loan.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.004. CONSTITUTIONAL INTEREST; EXEMPTION FOR LOAN WITH INTEREST RATE OF 10 PERCENT OR LESS. (a) Except as otherwise fixed by law, the maximum rate of interest is 10 percent a year.

(b) A loan providing for a rate of interest that is 10 percent a year or less is not subject to this chapter.

(c) A loan described by Section [302.001](#)(d) may provide for a delinquency charge as provided by that section without being subject to this chapter or any other provision of this subtitle.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999. Amended by Acts 2001, 77th Leg., ch. 916, Sec. 10, eff. Sept. 1, 2001.

Sec. 342.005. APPLICABILITY OF CHAPTER. Except as provided

by Sections 302.001(d) and 342.004(c), a loan is subject to this chapter if the loan:

(1) provides for interest in excess of 10 percent a year;

(2) is extended primarily for personal, family, or household use to a person who is located in this state at the time the loan is made;

(3) is made by a person engaged in the business of making, arranging, or negotiating those types of loans; and

(4) either:

(A) is not secured by a lien on real property; or

(B) is described by Section 342.001(4), 342.301, or 342.456 and is predominantly payable in monthly installments.
Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999. Amended by Acts 2001, 77th Leg., ch. 916, Sec. 11, eff. Sept. 1, 2001; Acts 2001, 77th Leg., ch. 1235, Sec. 12, eff. Sept. 1, 2001.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. 1442), Sec. 14, eff. September 1, 2019.

Sec. 342.006. EXEMPTION FOR CERTAIN SECONDARY MORTGAGE LOANS. This chapter does not apply to a secondary mortgage loan made by a seller of property to secure all or part of the unpaid purchase price.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.007. DEFERRED PRESENTMENT TRANSACTION. The finance commission shall adopt rules providing for the regulation of deferred presentment transactions.

Added by Acts 2001, 77th Leg., ch. 1235, Sec. 13, eff. Sept. 1, 2001.

Sec. 342.008. ATTEMPT TO EVADE LAW. A person who is a party to a deferred presentment transaction may not evade the application of this subtitle or a rule adopted under this subchapter by use of

any device, subterfuge, or pretense. Characterization of a required fee as a purchase of a good or service in connection with a deferred presentment transaction is a device, subterfuge, or pretense for the purposes of this section.

Added by Acts 2001, 77th Leg., ch. 1235, Sec. 13, eff. Sept. 1, 2001.

Sec. 342.009. RETURN OF PROPERTY IN SALE-LEASEBACK TRANSACTION. The seller in a sale-leaseback agreement may terminate the agreement at any time by returning the property to the buyer in substantially the same condition as when the agreement was entered, less reasonable wear. On return of the property the seller is liable only for rental and other allowed charges under the agreement accruing before the date of the return.

Added by Acts 2001, 77th Leg., ch. 1235, Sec. 13, eff. Sept. 1, 2001.

SUBCHAPTER B. AUTHORIZED ACTIVITIES; LICENSE

Sec. 342.051. LICENSE REQUIRED. (a) A person must hold a license issued under this chapter to:

(1) engage in the business of making, transacting, or negotiating loans subject to this chapter; or

(2) contract for, charge, or receive, directly or indirectly, in connection with a loan subject to this chapter, a charge, including interest, compensation, consideration, or another expense, authorized under this chapter that in the aggregate exceeds the charges authorized under other law.

(b) A person may not use any device, subterfuge, or pretense to evade the application of this section.

(c) A person is not required to obtain a license under Subsection (a) if the person is:

(1) a bank, savings bank, or savings and loan association organized under the laws of the United States or under the laws of the institution's state of domicile; or

(2) subject to Chapter 651, Insurance Code.

(c-1) A person who is licensed or registered under Chapter

156 or 157 is not required to obtain a license under this section to make, negotiate, or transact a residential mortgage loan, as defined by Section 180.002.

(d) An insurance agent licensed under Subchapter B, C, D, or E, Chapter 4051, Insurance Code, is not required to obtain a license to negotiate or arrange a loan on behalf of a bank, savings bank, or savings and loan association provided that the insurance agent or the bank, savings bank, or savings and loan association does not make the provision of insurance a condition to apply for or obtain a loan or service from the bank, savings bank, or savings and loan association.

(e) An electronic return originator who is an authorized Internal Revenue Service e-file provider is not required to obtain a license to make, negotiate, or transact a loan that is based on a person's federal income tax refund on behalf of a bank, savings bank, savings and loan association, or credit union.

(f) Repealed by Acts 2011, 82nd Leg., R.S., Ch. 655, Sec. 65(a)(15), eff. September 1, 2011.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999. Amended by Acts 1999, 76th Leg., ch. 909, Sec. 2.06, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 604, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2005, 79th Leg., Ch. 728 (H.B. 2018), Sec. 11.116, eff. September 1, 2005.

Acts 2007, 80th Leg., R.S., Ch. 905 (H.B. 2783), Sec. 13, eff. September 1, 2007.

Acts 2011, 82nd Leg., R.S., Ch. 655 (S.B. 1124), Sec. 64, eff. September 1, 2011.

Acts 2011, 82nd Leg., R.S., Ch. 655 (S.B. 1124), Sec. 65(a)(15), eff. September 1, 2011.

Sec. 342.0515. RESIDENTIAL MORTGAGE LOAN ORIGINATOR ACTIVITIES. (a) In this section, "Nationwide Mortgage Licensing System and Registry" and "residential mortgage loan originator" have the meanings assigned by Section 180.002.

(b) Unless exempt under Section 180.003, or acting under the

temporary authority described under Section [180.0511](#), an individual who acts as a residential mortgage loan originator in the making, transacting, or negotiating of a loan subject to this chapter must:

(1) be individually licensed to engage in that activity under this chapter;

(2) be enrolled with the Nationwide Mortgage Licensing System and Registry as required by Section [180.052](#); and

(3) comply with other applicable requirements of Chapter [180](#) and rules adopted under that chapter.

(c) Subject to Section [14.112](#), the finance commission shall adopt rules establishing procedures for issuing, renewing, and enforcing an individual license under this section. In adopting rules under this subsection, the finance commission shall ensure that:

(1) the minimum eligibility requirements for issuance of an individual license are the same as the requirements of Section [180.055](#);

(2) the minimum eligibility requirements for renewal of an individual license are the same as the requirements of Section [180.059](#); and

(3) the applicant pays:

(A) an investigation fee in a reasonable amount determined by the commissioner; and

(B) a license fee in an amount determined as provided by Section [14.107](#).

(d) The finance commission may adopt rules under this chapter as required to carry out the intentions of the federal Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (Pub. L. No. 110-289).

Added by Acts 2009, 81st Leg., R.S., Ch. 1104 (H.B. [10](#)), Sec. 10, eff. June 19, 2009.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 695 (S.B. [2330](#)), Sec. 4, eff. November 24, 2019.

Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. [1442](#)), Sec. 15, eff. September 1, 2019.

Sec. 342.052. ISSUANCE OF MORE THAN ONE LICENSE FOR A PERSON. (a) The commissioner may issue more than one license to a person on compliance with this chapter for each license.

(b) A person who is required to hold a license under this chapter must hold a separate license for each office at which loans are made, negotiated, serviced, held, or collected under this chapter.

(c) A license is not required under this chapter for a place of business:

(1) devoted to accounting or other recordkeeping; and

(2) at which loans are not made, negotiated, serviced, held, or collected under this chapter or Chapter 346.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999. Amended by Acts 1999, 76th Leg., ch. 909, Sec. 2.07, eff. Sept. 1, 1999.

Sec. 342.053. AREA OF BUSINESS; LOANS BY MAIL OR ONLINE.

(a) A lender is not limited to making loans to residents of the community in which the office for which the license or other authority is granted.

(b) A lender may make, negotiate, arrange, and collect loans by mail or online from a licensed office.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. 1442), Sec. 16, eff. September 1, 2019.

Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. 1442), Sec. 17, eff. September 1, 2019.

SUBCHAPTER C. APPLICATION FOR AND ISSUANCE OF LICENSE

Sec. 342.101. APPLICATION REQUIREMENTS. (a) The application for a license under this chapter must:

(1) be under oath;

(2) give the approximate location from which business

is to be conducted;

(3) identify the business's principal parties in interest; and

(4) contain other relevant information that the commissioner requires for the findings required under Section [342.104](#).

(b) On the filing of one or more license applications, the applicant shall pay to the commissioner an investigation fee of \$200.

(c) On the filing of each license application, the applicant shall pay to the commissioner a license fee in an amount determined as provided by Section [14.107](#).

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 1235, Sec. 14, eff. Sept. 1, 2001.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. [1442](#)), Sec. 18, eff. September 1, 2019.

Sec. 342.102. BOND. (a) If the commissioner requires, an applicant for a license under this chapter shall file with the application a bond that is:

(1) in an amount not to exceed the total of:

(A) \$50,000 for the first license; and

(B) \$10,000 for each additional license;

(2) satisfactory to the commissioner; and

(3) issued by a surety company qualified to do business as a surety in this state.

(b) The bond must be in favor of this state for the use of this state and the use of a person who has a cause of action under this chapter against the license holder.

(c) The bond must be conditioned on:

(1) the license holder's faithful performance under this chapter and rules adopted under this chapter; and

(2) the payment of all amounts that become due to the state or another person under this chapter during the period for which the bond is given.

(d) The aggregate liability of a surety to all persons

damaged by the license holder's violation of this chapter may not exceed the amount of the bond.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.08, eff. Sept. 1, 1999.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. [1442](#)), Sec. 19, eff. September 1, 2019.

Sec. 342.103. INVESTIGATION OF APPLICATION. On the filing of an application and, if required, a bond, and on payment of the required fees, the commissioner shall conduct an investigation to determine whether to issue the license.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.104. APPROVAL OR DENIAL OF APPLICATION. (a) The commissioner shall approve the application and issue to the applicant a license to make loans under this chapter if the commissioner finds that:

(1) the financial responsibility, experience, character, and general fitness of the applicant are sufficient to:

(A) command the confidence of the public; and

(B) warrant the belief that the business will be operated lawfully and fairly, within the purposes of this chapter; and

(2) the applicant has net assets of at least \$25,000 available for the operation of the business.

(b) If the commissioner does not find the eligibility requirements of Subsection (a), the commissioner shall notify the applicant.

(c) If an applicant requests a hearing on the application not later than the 30th day after the date of notification under Subsection (b), the applicant is entitled to a hearing not later than the 60th day after the date of the request.

(d) The commissioner shall approve or deny the application not later than the 60th day after the date of the filing of a completed application with payment of the required fees, or if a

hearing is held, after the date of the completion of the hearing on the application. The commissioner and the applicant may agree to a later date in writing.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.105. DISPOSITION OF FEES ON DENIAL OF APPLICATION. If the commissioner denies the application, the commissioner shall retain the investigation fee and shall return to the applicant the license fee submitted with the application.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.106. LICENSE TERM. A license issued under this chapter is valid for the period prescribed by finance commission rule adopted under Section [14.112](#).

Added by Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. [1442](#)), Sec. 20, eff. September 1, 2019.

SUBCHAPTER D. LICENSE

Sec. 342.151. NAME AND PLACE ON LICENSE. (a) A license must state:

(1) the name of the license holder; and

(2) the address of the office from which the business is to be conducted.

(b) A license holder may not conduct business under this chapter under a name or at a place of business in this state other than the name or office stated on the license.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.152. LICENSE DISPLAY. A license holder shall display a license at the place of business provided on the license.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.153. MINIMUM ASSETS FOR LICENSE. (a) Except as provided by Subsection (b) or (c), a license holder shall maintain for each office for which a license is held net assets of at least \$25,000 that are used or readily available for use in conducting the business of that office.

(b) A license holder who held a license under the Texas Regulatory Loan Act and was issued a license to make loans under that chapter as provided by Section 4, Chapter 274, Acts of the 60th Legislature, Regular Session, 1967, shall maintain for the office for which that license is held net assets of at least \$15,000 that are used or readily available for use in conducting the business of that office.

(c) A license holder who paid the pawnbroker's occupational tax for 1967 and was issued a license to make loans under that chapter as provided by Section 4, Chapter 274, Acts of the 60th Legislature, Regular Session, 1967, is exempt from the minimum assets requirement of Subsection (a) for the office for which that license is held.

(d) If a license holder holds a license to which Subsection (b) or (c) applies and subsequently transfers the license to another person, the minimum assets required under Subsection (a) shall apply to the license and the subsequent license holder.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.154. LICENSE FEE. Not later than 30 days before the date the license expires, a license holder shall pay to the commissioner for each license held a fee in an amount determined as provided by Section 14.107.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 1235, Sec. 15, eff. Sept. 1, 2001.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. 1442), Sec. 21, eff. September 1, 2019.

Sec. 342.155. EXPIRATION OF LICENSE ON FAILURE TO PAY FEE. If the fee for a license is not paid before the 16th day after the

date on which the written notice of delinquency of payment has been given to the license holder, the license expires on that day.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. [1442](#)), Sec. 22, eff. September 1, 2019.

Sec. 342.1555. GROUNDS FOR REFUSING RENEWAL. The commissioner may refuse to renew the license of a person who fails to comply with an order issued by the commissioner to enforce this chapter.

Added by Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. [1442](#)), Sec. 23, eff. September 1, 2019.

Sec. 342.156. LICENSE SUSPENSION OR REVOCATION. After notice and opportunity for a hearing, the commissioner may suspend or revoke a license if the commissioner finds that:

(1) the license holder failed to pay the license fee, an examination fee, an investigation fee, or another charge imposed by the commissioner under this chapter;

(2) the license holder, knowingly or without the exercise of due care, violated this chapter or a rule adopted or order issued under this chapter;

(3) a fact or condition exists that, if it had existed or had been known to exist at the time of the original application for the license, clearly would have justified the commissioner's denial of the application; or

(4) the license holder has failed to ensure that an individual acting as a residential mortgage loan originator, as defined by Section [180.002](#), in the making, transacting, or negotiating of a loan subject to this chapter is licensed under this chapter in accordance with Section [342.0515](#).

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 1104 (H.B. [10](#)), Sec. 11, eff.

June 19, 2009.

Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. 1442), Sec. 24, eff. September 1, 2019.

Sec. 342.157. CORPORATE CHARTER FORFEITURE. (a) A license holder who violates this chapter is subject to revocation of the holder's license and, if the license holder is a corporation, forfeiture of its charter.

(b) When the attorney general is notified of a violation of this chapter and revocation of a license, the attorney general shall file suit in a district court in Travis County, if the license holder is a corporation, for forfeiture of the license holder's charter.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.158. LICENSE SUSPENSION OR REVOCATION FILED WITH PUBLIC RECORDS. The decision of the commissioner on the suspension or revocation of a license and the evidence considered by the commissioner in making the decision shall be filed in the public records of the commissioner.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.159. REINSTATEMENT OF SUSPENDED LICENSE; ISSUANCE OF NEW LICENSE AFTER REVOCATION. The commissioner may reinstate a suspended license or issue a new license on application to a person whose license has been revoked if at the time of the reinstatement or issuance no fact or condition exists that clearly would have justified the commissioner's denial of an original application for the license.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.160. SURRENDER OF LICENSE. A license holder may surrender a license issued under this chapter by complying with the commissioner's written instructions relating to license surrender.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Amended by:

Acts 2023, 88th Leg., R.S., Ch. 159 (S.B. [1371](#)), Sec. 13, eff. September 1, 2023.

Sec. 342.161. EFFECT OF LICENSE SUSPENSION, REVOCATION, OR SURRENDER. (a) The suspension, revocation, or surrender of a license issued under this chapter does not affect the obligation of a contract between the license holder and a debtor entered into before the revocation, suspension, or surrender.

(b) Surrender of a license does not affect the license holder's civil or criminal liability for an act committed before surrender.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.162. MOVING AN OFFICE. (a) A license holder shall give written notice to the commissioner before the 30th day preceding the date the license holder moves an office from the location provided on the license.

(b) The commissioner shall amend a license holder's license accordingly.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.163. TRANSFER OR ASSIGNMENT OF LICENSE. A license may be transferred or assigned only with the approval of the commissioner.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

SUBCHAPTER E. INTEREST CHARGES ON NON-REAL PROPERTY LOANS

Sec. 342.201. MAXIMUM INTEREST CHARGE AND ADMINISTRATIVE FEE. (a) A loan contract under this chapter that is a regular transaction and is not secured by real property may provide for an

interest charge on the cash advance that does not exceed the amount of add-on interest equal to the amount computed for the full term of the contract at an add-on interest amount equal to:

(1) \$18 for each \$100 per year on the part of the cash advance that is less than or equal to the amount computed under Subchapter C, Chapter 341, using the reference base amount of \$300; and

(2) \$8 for each \$100 per year on the part of the cash advance that is more than the amount computed for Subdivision (1) but less than or equal to an amount computed under Subchapter C, Chapter 341, using the reference base amount of \$2,500.

(b) For the purpose of Subsection (a):

(1) when the loan is made an interest charge may be computed for the full term of the loan contract;

(2) if the period before the first installment due date includes a part of a month that is longer than 15 days, that portion of a month may be considered a full month; and

(3) if a loan contract provides for precomputed interest, the amount of the loan is the total of:

(A) the cash advance; and

(B) the amount of precomputed interest.

(c) A loan contract under this chapter that is an irregular transaction and is not secured by real property may provide for an interest charge, using any method or formula, that does not exceed the amount that, having due regard for the schedule of installment payments, would produce the same effective return as allowed under this section if the loan were payable in equal successive monthly installments beginning one month from the date of the contract.

(d) A loan contract under this chapter that is not secured by real property may provide for a rate or amount of interest computed using the true daily earnings method or the scheduled installment earnings method that does not exceed the alternative interest rate as computed under Subchapter A, Chapter 303. Interest may accrue on the principal balance and amounts added to principal after the date of the loan contract from time to time unpaid at the rate provided for by the contract until the date of payment in full or demand for payment in full.

(e) A loan contract under this chapter that is not secured by real property may provide for a rate or amount of interest computed using the true daily earnings method or the scheduled installment earnings method that does not exceed:

(1) 30 percent a year on that part of the cash advance that is less than or equal to the amount computed under Subchapter C, Chapter 341, using the reference base amount of \$500;

(2) 24 percent a year on that part of the cash advance that is more than the amount computed for Subdivision (1) but less than or equal to an amount computed under Subchapter C, Chapter 341, using the reference base amount of \$1,050; and

(3) 18 percent a year on that part of the cash advance that is more than the amount computed for Subdivision (2) but less than or equal to an amount computed under Subchapter C, Chapter 341, using the reference base amount of \$2,500.

(e-1) The interest charge under Subsection (e) must be contracted for, charged, or received using the scheduled installment earnings method or the true daily earnings method under one of the following methods:

(1) applying the applicable daily rate to each part of the unpaid principal balance corresponding to the brackets described by Subsection (e) for the actual or scheduled number of days during a payment period; or

(2) applying a single equivalent daily rate to the unpaid principal balance for the actual or scheduled number of days during a payment period, where the single equivalent daily rate is determined at the inception of the loan using the scheduled installment earnings method and would earn an amount of interest authorized under Subsection (e) if the debt were paid to maturity according to the schedule of payments.

(f) A loan contract under this subchapter may provide for an administrative fee in an amount not to exceed \$25 for a loan of more than \$1,000 or \$20 for a loan of \$1,000 or less. The administrative fee is considered earned when the loan is made or refinanced and is not subject to refund. An administrative fee is not interest. A lender refinancing the loan may not contract for or receive an administrative fee for the loan more than once in any 180-day

period, except that if the loan has an interest charge authorized by Subsection (e) the lender may not contract for or receive the administrative fee more than once in any 365-day period. One dollar of each administrative fee may be deposited with the comptroller for use in carrying out the finance commission's responsibilities under Section [11.3055](#).

(g) The finance commission by rule may prescribe a reasonable maximum amount of an administrative fee for a loan contract under this subchapter that is greater than the maximum amount authorized by this section for the amount of the loan.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 935, Sec. 2.01, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 916, Sec. 1, eff. Sept. 1, 2001; Acts 2003, 78th Leg., ch. 211, Sec. 2.03(a), eff. June 16, 2003.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 784 (S.B. [1251](#)), Sec. 2, eff. September 1, 2013.

Acts 2013, 83rd Leg., R.S., Ch. 784 (S.B. [1251](#)), Sec. 3, eff. September 1, 2013.

Acts 2019, 86th Leg., R.S., Ch. 1003 (H.B. [3855](#)), Sec. 1, eff. September 1, 2019.

Sec. 342.202. MAXIMUM CHARGE FOR LOAN WITH SINGLE REPAYMENT. A loan contract that exceeds the maximum cash advance under Section [342.251](#) and that is payable in a single installment may provide for an interest charge on the cash advance that does not exceed a rate or amount that would produce the same effective return, determined as a true daily earnings rate, as allowed under Section [342.201](#) considering the amount and term of the loan. If a loan under this section is prepaid in full, the lender may earn a minimum interest charge of \$25.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.09, eff. Sept. 1, 1999.

Sec. 342.203. ADDITIONAL INTEREST FOR DEFAULT: REGULAR TRANSACTION. (a) A loan contract that includes precomputed interest or uses the scheduled installment earnings method and that

is a regular transaction may provide for additional interest for default if any part of an installment remains unpaid after the 10th day after the date on which the installment is due, including Sundays and holidays.

(b) A loan contract that uses the scheduled installment earnings method and that is a regular transaction may provide for additional interest for default if any part of an installment remains unpaid after the 10th day after the date on which the installment is due, including Sundays and holidays.

(c) A loan contract that includes simple interest and that is a regular transaction may provide for additional interest for default if any part of an installment remains unpaid after the 10th day after the date on which the installment is due, including Sundays and holidays.

(d) The additional interest may not exceed five cents for each \$1 of a scheduled installment.

(e) Interest under this section may not be collected more than once on the same installment.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.10, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 934, Sec. 2.01, eff. Sept. 1, 1999.

Sec. 342.204. ADDITIONAL INTEREST FOR INSTALLMENT DEFERMENT: REGULAR TRANSACTION. (a) On a loan contract that includes precomputed interest or uses the scheduled installment earnings method and that is a regular transaction, an authorized lender may charge additional interest for the deferment of an installment if:

- (1) the entire amount of the installment is unpaid;
- (2) no interest for default has been collected on the installment; and
- (3) payment of the installment is deferred for one or more full months and the maturity of the contract is extended for a corresponding period.

(b) The interest for deferment under Subsection (a) may not exceed the amount computed by:

- (1) taking the difference between the refund that

would be required for prepayment in full as of the date of deferment and the refund that would be required for prepayment in full one month before the date of deferment; and

(2) multiplying the results under Subdivision (1) by the number of months in the deferment period.

(c) The amount of interest applicable to each deferred balance or installment period occurring after a deferment period remains the amount applicable to that balance or period under the original loan contract.

(d) If a loan is prepaid in full during the deferment period, the borrower shall receive, in addition to the refund required under Subchapter H, a pro rata refund of that part of the interest for deferment applicable to the number of full months remaining in the deferment period on the payment date.

(e) For the purposes of this section, a deferment period is the period during which a payment is not required or made because of the deferment and begins on the day after the due date of the scheduled installment that precedes the first installment being deferred.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.11, eff. Sept. 1, 1999.

Sec. 342.205. COLLECTION OF DEFAULT OR DEFERMENT INTEREST. Interest for default under Section 342.203 or for installment deferment under Section 342.204 may be collected when it accrues or at any time after it accrues.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.206. ADDITIONAL INTEREST FOR DEFAULT: IRREGULAR TRANSACTION. (a) A loan contract that includes precomputed interest and that is an irregular transaction may provide for additional interest for default using the true daily earnings method for the period from the maturity date of an installment until the date the installment is paid. The rate of the additional interest may not exceed the maximum contract interest rate.

(b) A loan contract that includes simple interest and that

is an irregular transaction may provide for additional interest for default if any part of an installment remains unpaid after the 10th day after the date on which the installment is due, including Sundays and holidays. The additional interest may not exceed five cents for each \$1 of a scheduled installment. Interest under this subsection may not be collected more than once on the same installment.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 934, Sec. 2.02, eff. Sept. 1, 1999.

SUBCHAPTER F. ALTERNATE CHARGES FOR CERTAIN LOANS

Sec. 342.251. MAXIMUM CASH ADVANCE. The maximum cash advance of a loan made under this subchapter is an amount computed under Subchapter C, Chapter 341, using the reference base amount of \$100, except that for loans that are subject to Section 342.259 the reference base amount is \$200.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Amended by:

Acts 2005, 79th Leg., Ch. 1018 (H.B. 955), Sec. 2.22, eff. September 1, 2005.

Sec. 342.252. ALTERNATE CHARGES. (a) Instead of the charges authorized by Section 342.201, a loan contract may provide for:

(1) on a cash advance of less than \$30, an acquisition charge that is not more than \$1 for each \$5 of the cash advance;

(2) on a cash advance equal to or more than \$30 but not more than \$100:

(A) an acquisition charge that is not more than the amount equal to one-tenth of the amount of the cash advance; and

(B) an installment account handling charge that is not more than:

(i) \$3 a month if the cash advance is not more than \$35;

(ii) \$3.50 a month if the cash advance is

more than \$35 but not more than \$70; or

(iii) \$4 a month if the cash advance is more than \$70; or

(3) on a cash advance of more than \$100:

(A) an acquisition charge that is not more than \$10; and

(B) an installment account handling charge that is not more than the ratio of \$4 a month for each \$100 of cash advance.

(b) For an acquisition charge authorized by this subchapter, the finance commission by rule may prescribe a reasonable maximum amount for an acquisition charge that is greater than the maximum amount authorized by the applicable section of this subchapter for the amount of the cash advance.

(c) An acquisition charge under this subchapter is not interest.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 784 (S.B. [1251](#)), Sec. 4, eff. September 1, 2013.

Sec. 342.253. MAXIMUM INTEREST CHARGE FOR LOAN WITH SINGLE REPAYMENT. A loan contract to which Section [342.251](#) applies and that is payable in a single installment may provide for an acquisition charge and an interest charge on the cash advance that does not exceed a rate or amount that would produce the same effective return, determined as a true daily earnings rate, as allowed under Section [342.252](#) considering the amount and term of the loan. If a loan that has a term in excess of one month under this section is prepaid in full, the lender may earn a minimum of the acquisition charge and interest charge for one month. If a loan under this section has an initial term of less than one month, the lender may earn a minimum of the acquisition charge and an interest charge that produces the same effective return as the installment account handling charge computed at a daily rate for the term the loan is outstanding.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.12, eff. Sept. 1, 1999.

Sec. 342.254. NO OTHER CHARGES AUTHORIZED. (a) On a loan made under this subchapter a lender may not contract for, charge, or receive an amount unless this subchapter authorizes the amount to be charged.

(b) An insurance charge is not authorized on a loan made under this subchapter.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.255. MAXIMUM LOAN TERM. The maximum scheduled term of a loan made under this subchapter is:

(1) for a loan of \$100 or less, the lesser of:

(A) one month for each multiple of \$10 of cash advance; or

(B) six months; and

(2) for a loan of more than \$100, one month for each multiple of \$20 of cash advance.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 784 (S.B. [1251](#)), Sec. 5, eff. September 1, 2013.

Sec. 342.256. REFUND. (a) An acquisition charge authorized under Section [342.252](#)(1), (2), or (3) is considered to be earned at the time a loan is made and is not subject to refund.

(b) On the prepayment of a loan with a cash advance of \$30 or more, the installment account handling charge authorized under Section [342.252](#)(2) or (3) is subject to refund in accordance with Subchapter H.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999. Amended by Acts 2001, 77th Leg., ch. 189, Sec. 1, eff. Sept. 1, 2001.

Sec. 342.257. DEFAULT CHARGE; DEFERMENT OF PAYMENT. The provisions of Subchapter E relating to additional interest for default and additional interest for the deferment of installments apply to a loan made under this subchapter. Provided, that on a loan contract in which the cash advance is \$100 or more, instead of additional interest for default under Subchapter E, the contract may provide for a delinquency charge if any part of an installment remains unpaid after the 10th day after the date on which the installment is due, including Sundays and holidays. The delinquency charge on a loan with a cash advance of \$100 or more may not exceed the greater of \$10 or five cents for each \$1 of the delinquent installment.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Amended by:

Acts 2005, 79th Leg., Ch. 1018 (H.B. 955), Sec. 2.23, eff. September 1, 2005.

Sec. 342.258. SCHEDULES FOR WEEKLY, BIWEEKLY, OR SEMIMONTHLY INSTALLMENTS. The commissioner may prepare schedules that may be used by an authorized lender for the repayment of a loan made under this subchapter by weekly, biweekly, or semimonthly installments.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.259. LOANS WITH LARGER ADVANCES. (a) Instead of the charges authorized by Sections 342.201 and 342.252, a loan made under this subchapter with a maximum cash advance computed under Subchapter C, Chapter 341, using a reference base amount that is more than \$100 but not more than \$200, may provide for:

(1) an acquisition charge that is not more than \$10;
and

(2) an installment account handling charge that is not more than the ratio of \$4 a month for each \$100 of cash advance.

(b) An acquisition charge under this section is considered to be earned at the time a loan is made and is not subject to

refund. On the prepayment of a loan that is subject to this section, the installment account handling charge is subject to refund in accordance with Subchapter H.

(c) Except as provided by this section, provisions of this chapter applicable to a loan that is subject to Section 342.252 also apply to a loan that is subject to this section.

Added by Acts 2005, 79th Leg., Ch. 1018 (H.B. 955), Sec. 2.24, eff. September 1, 2005.

Sec. 342.260. ALTERNATE INTEREST CHARGE COMPUTATION METHODS. (a) A loan contract under this subchapter may provide for an interest charge computed using the true daily earnings method or the scheduled installment earnings method that does not exceed the equivalent rate or effective return of the installment account handling charge for the original scheduled term of the loan.

(b) The principal balance of a loan contract authorized by this section may not include the acquisition charge, installment account handling charge, default charges, or deferment charges or the return check fees authorized by Section 3.506, Business & Commerce Code.

(c) Interest may accrue on the principal balance from time to time unpaid at the rate provided for by the contract until the date of payment in full or demand for payment in full.

(d) A payment on a loan contract authorized by this section shall be applied to the borrower's account in the following order or, at the lender's option, under another method of applying a payment that is more favorable to the borrower:

(1) the straight line allocation of the acquisition charge using the original scheduled term of the loan based on the proportional scheduled payment that was paid or scheduled to be paid;

(2) default charges authorized by Section 342.257;

(3) return check fees authorized by Section 3.506, Business & Commerce Code;

(4) any other charges authorized by this subchapter;

(5) accrued interest authorized by this section; and

(6) principal.

Added by Acts 2013, 83rd Leg., R.S., Ch. 784 (S.B. 1251), Sec. 7, eff. September 1, 2013.

SUBCHAPTER G. INTEREST AND OTHER CHARGES ON SECONDARY MORTGAGE
LOANS

Sec. 342.301. MAXIMUM INTEREST CHARGE. (a) A secondary mortgage loan that is a regular transaction may provide for an interest charge on the cash advance that is precomputed and that does not exceed a rate or amount that would produce the same effective return as allowed under Subchapter A, Chapter 303.

(b) For the purpose of Subsection (a):

(1) when the loan is made an interest charge may be computed for the full term of the loan contract;

(2) if the period before the first installment due date includes a part of a month that is longer than 15 days, that portion of a month may be considered a full month; and

(3) if a loan contract provides for precomputed interest, the amount of the loan is the total of:

(A) the cash advance; and

(B) the amount of precomputed interest.

(c) A secondary mortgage loan may provide for a rate or amount of interest calculated using the true daily earnings method or the scheduled installment earnings method that does not exceed the alternative rate ceiling in Subchapter A, Chapter 303. Interest may accrue on the principal balance and amounts added to principal after the date of the loan contract from time to time unpaid at the rate provided for by the contract until the date of payment in full or demand for payment in full. An interest charge under this subsection may not be precomputed.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.302. ADDITIONAL INTEREST FOR DEFAULT: REGULAR TRANSACTION OR TRANSACTION INCLUDING SIMPLE INTEREST. (a) A secondary mortgage loan that includes precomputed interest and that

is a regular transaction may provide for additional interest for default if any part of an installment remains unpaid after the 10th day after the date on which the installment is due, including Sundays and holidays.

(b) A secondary mortgage loan contract that uses the scheduled installment earnings method and that is a regular transaction may provide for additional interest for default if any part of an installment remains unpaid after the 10th day after the date on which the installment is due, including Sundays and holidays.

(c) The additional interest for default under this section may not exceed five cents for each \$1 of a scheduled installment.

(d) Interest under this section may not be collected more than once on the same installment.

(e) A secondary mortgage loan that includes simple interest may provide for additional interest for default if any part of an installment remains unpaid after the 10th day after the date on which the installment is due, including Sundays and holidays.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 27, Sec. 1, 2, eff. May 12, 2003.

Sec. 342.303. ADDITIONAL INTEREST FOR INSTALLMENT DEFERMENT: REGULAR TRANSACTIONS. (a) On a secondary mortgage loan that includes precomputed interest or uses the scheduled installment earnings method and that is a regular transaction, an authorized lender may charge additional interest for the deferment of an installment if:

- (1) the entire amount of the installment is unpaid;
- (2) no interest for default has been collected on the installment; and
- (3) payment of the installment is deferred for one or more full months and the maturity of the contract is extended for a corresponding period.

(b) The interest for deferment under Subsection (a) may not exceed the amount computed by:

- (1) taking the difference between the refund that would be required for prepayment in full as of the date of deferment

and the refund that would be required for prepayment in full one month before the date of deferment; and

(2) multiplying the results under Subdivision (1) by the number of months in the deferment period.

(c) The amount of interest applicable to each deferred balance or installment period occurring after a deferment period remains the amount applicable to that balance or period under the original loan contract.

(d) If a loan is prepaid in full during the deferment period, the borrower shall receive, in addition to the refund required under Subchapter H, a pro rata refund of that part of the interest for deferment applicable to the number of full months remaining in the deferment period on the payment date.

(e) For the purposes of this section, a deferment period is the period during which a payment is not required or made because of the deferment and begins on the day after the due date of the scheduled installment that precedes the first installment being deferred.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.13, eff. Sept. 1, 1999.

Sec. 342.304. COLLECTION OF DEFAULT OR DEFERMENT INTEREST. Interest for default under Section [342.302](#) or for installment deferment under Section [342.303](#) may be collected when it accrues or at any time after it accrues.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.305. ADDITIONAL INTEREST FOR DEFAULT: IRREGULAR TRANSACTION. A secondary mortgage loan that includes precomputed interest and that is an irregular transaction may provide for additional interest for default using the true daily earnings method for the period from the maturity date of an installment until the date the installment is paid. The rate of the additional interest may not exceed the maximum contract interest rate.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.306. DATE OF FIRST SCHEDULED INSTALLMENT. On a secondary mortgage loan made under this chapter the due date of the first installment may not be scheduled later than three months after the date of the loan.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.307. AMOUNTS AUTHORIZED TO BE INCLUDED IN CONTRACT. A secondary mortgage loan contract may provide for:

(1) reasonable fees or charges paid to the trustee in connection with a deed of trust or similar instrument executed in connection with the secondary mortgage loan, including fees for enforcing the lien against or posting for sale, selling, or releasing the property secured by the deed of trust;

(2) reasonable fees paid to an attorney who is not an employee of the creditor in the collection of a delinquent secondary mortgage loan; or

(3) court costs and fees incurred in the collection of the loan or foreclosure of a lien created by the loan.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.14, eff. Sept. 1, 1999.

Sec. 342.308. AMOUNTS AUTHORIZED TO BE COLLECTED OR ADDED TO LOAN. (a) A lender or a person who is assigned a secondary mortgage loan may collect on or before the closing of the loan, or include in the principal of the loan:

(1) reasonable fees for:

(A) title examination and preparation of an abstract of title by:

(i) an attorney who is not an employee of the lender; or

(ii) a title company or property search company authorized to do business in this state; or

(B) premiums or fees for title insurance or title search for the benefit of the mortgagee and, at the mortgagor's option, for title insurance or title search for the benefit of the

mortgagor;

(2) reasonable fees charged to the lender by an attorney who is not a salaried employee of the lender for preparation of the loan documents in connection with the mortgage loan if the fees are evidenced by a statement for services rendered;

(3) charges prescribed by law that are paid to public officials for determining the existence of a security interest or for perfecting, releasing, or satisfying a security interest;

(4) reasonable fees for an appraisal of real property offered as security for the loan prepared by an appraiser who is not a salaried employee of the lender;

(5) the reasonable cost of a credit report;

(6) reasonable fees for a survey of real property offered as security for the loan prepared by a registered surveyor who is not a salaried employee of the lender;

(7) the premiums received in connection with the sale of credit life insurance, credit accident and health insurance, or other insurance that protects the mortgagee against default by the mortgagor, the benefits of which are applied in whole or in part to reduce or extinguish the loan balance; or

(8) reasonable fees relating to real property offered as security for the loan that are incurred to comply with a federally mandated program if the collection of the fees or the participation in the program is required by a federal agency; and

(9) an administrative fee, subject to Subsection (c), in an amount not to exceed \$25 for a loan of more than \$1,000 or \$20 for a loan of \$1,000 or less.

(b) Premiums for property insurance that conform with Section [342.401](#) may be added to the loan contract.

(c) An administrative fee under Subsection (a)(9) is considered earned when the loan is made or refinanced and is not subject to refund. A lender refinancing the loan may not contract for or receive an administrative fee for the loan more than once in any 180-day period. Fifty cents of each administrative fee may be deposited with the comptroller for use in carrying out the finance commission's responsibilities under Section [11.3055](#).

(d) Costs that conform to Section [342.4021\(a\)](#) may be added

to the loan contract.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999. Amended by Acts 1999, 76th Leg., ch. 909, Sec. 2.15, eff. Sept. 1, 1999, Acts 1999, 76th Leg., ch. 935, Sec. 2.02, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 211, Sec. 2.03(b), eff. June 16, 2003; Acts 2003, 78th Leg., ch. 1265, Sec. 1, eff. June 20, 2003.

Amended by:

Acts 2005, 79th Leg., Ch. 1018 (H.B. 955), Sec. 2.21, eff. September 1, 2005.

SUBCHAPTER H. REFUND OF PRECOMPUTED INTEREST

Sec. 342.351. REFUND OF PRECOMPUTED INTEREST: SUM OF THE PERIODIC BALANCES. (a) This section applies to a loan contract that includes precomputed interest authorized under Subchapter F or G and that is a regular transaction.

(b) If the contract is prepaid in full, including payment in cash or by a new loan or renewal of the loan, or if the lender demands payment in full of the unpaid balance, after the first installment due date but before the final installment due date, the lender shall refund or credit to the borrower the amount computed by:

(1) dividing the sum of the periodic balances scheduled to follow the installment date after the date of the prepayment or demand, as appropriate, by the sum of all the periodic balances under the schedule of payments set out in the loan contract; and

(2) multiplying the total interest contracted for under Section 342.252 or 342.301, as appropriate, by the result under Subdivision (1).

(c) If the prepayment in full or demand for payment in full occurs before the first installment due date, the lender shall:

(1) retain an amount computed by:

(A) dividing 30 into the amount that could be retained if the first installment period were one month and the loan were prepaid in full on the date the first installment is due; and

(B) multiplying the result under Paragraph (A) by

the number of days in the period beginning on the date the loan was made and ending on the date of the prepayment or demand; and

(2) refund or credit to the borrower the amount computed by subtracting the amount retained under Subdivision (1) from the interest contracted for under Section 342.252 or 342.301, as appropriate.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999. Amended by Acts 2001, 77th Leg., ch. 916, Sec. 2, eff. Sept. 1, 2001.

Sec. 342.352. REFUND OF PRECOMPUTED INTEREST ON CONTRACT: SCHEDULED INSTALLMENT EARNINGS. (a) This section applies to a loan contract:

(1) that includes precomputed interest and to which Section 342.351 does not apply;

(2) that includes interest contracted for under Section 342.201 or 342.260; or

(3) that has a term of more than 60 months.

(b) If the contract is prepaid in full, including payment in cash or by a new loan or renewal of the loan, or if the lender demands payment in full of the unpaid balance before final maturity of the contract, the lender earns interest for the period beginning on the date of the loan and ending on the date of the prepayment or demand, as applicable, an amount that does not exceed the amount allowed by Subsection (f) using the simple annual interest rate under the contract.

(c) If prepayment in full or demand for payment in full occurs during an installment period, the lender may retain, in addition to interest that accrued during any elapsed installment periods, an amount computed by:

(1) multiplying the simple annual interest rate under the contract by the unpaid principal balance of the loan determined according to the schedule of payments to be outstanding on the preceding installment due date;

(2) dividing 365 into the product under Subdivision (1); and

(3) multiplying the number of days in the period

beginning on the day after the installment due date and ending on the date of the prepayment or demand, as appropriate, by the result obtained under Subdivision (2).

(d) The lender may also earn interest on an addition to principal, or other permissible charges, added to the loan after the date of the loan contract, accruing at the simple annual interest rate under the contract from the date of the addition until the date paid or the date the lender demands payment in full of the total unpaid balance under the loan contract.

(e) The lender shall refund or credit to the borrower the amount computed by subtracting the total amount retained under Subsections (b), (c), and (d) from the total amount of interest contracted for and precomputed in the amount of the loan.

(f) For the purposes of this section, the simple annual interest rate under a contract is equal to the rate computed under the scheduled installment earnings method.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999. Amended by Acts 2001, 77th Leg., ch. 916, Sec. 3, eff. Sept. 1, 2001; Acts 2001, 77th Leg., ch. 916, Sec. 4, eff. Sept. 1, 2001. Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 784 (S.B. [1251](#)), Sec. 6, eff. September 1, 2013.

Sec. 342.353. NO REFUND ON PARTIAL PREPAYMENT OR OF AMOUNT LESS THAN \$1. A refund is not required under this subchapter for a partial prepayment or if the amount to be refunded is less than \$1. Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

SUBCHAPTER I. INSURANCE

Sec. 342.401. REQUIRED PROPERTY INSURANCE. (a) On a loan that is subject to Subchapter E with a cash advance of \$300 or more, a lender may require a borrower to insure tangible personal property offered as security for the loan.

(b) On a secondary mortgage loan, a lender may require a borrower to provide property insurance as security against

reasonable risks of loss, damage, and destruction.

(c) The insurance coverage and the premiums or charges for the coverage must bear a reasonable relationship to:

- (1) the amount, term, and conditions of the loan;
- (2) the value of the collateral; and
- (3) the existing hazards or risk of loss, damage, or destruction.

(d) The insurance may not:

- (1) cover unusual or exceptional risks; or
- (2) provide coverage not ordinarily included in policies issued to the general public.

(e) A creditor may not require the purchase of duplicate property insurance if the creditor has knowledge that the borrower:

- (1) has valid and collectible insurance covering the property; and
- (2) has provided a loss payable endorsement sufficient to protect the creditor.

(f) For purposes of determining the knowledge required under Subsection (e), a creditor may rely on a written consent to purchase insurance in which the borrower is given the opportunity to disclose the existence of other coverage.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.16, eff. Sept. 1, 1999.

Sec. 342.402. CREDIT LIFE INSURANCE, CREDIT HEALTH AND ACCIDENT INSURANCE, OR INVOLUNTARY UNEMPLOYMENT INSURANCE. (a) On a loan made under this chapter that is subject to Subchapter E with a cash advance of \$100 or more, a lender may:

- (1) offer a borrower credit life insurance and credit health and accident insurance as additional protection for the loan; and
- (2) offer involuntary unemployment insurance to the borrower at the time the loan is made.

(b) A lender may not require that the borrower accept or provide the insurance described by Subsection (a).

(c) On a secondary mortgage loan made under this chapter, a lender may require that a borrower provide credit life insurance

and credit accident and health insurance as additional protection for the loan.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.17, eff. Sept. 1, 1999.

Sec. 342.4021. AGREEMENTS REGARDING DEBT SUSPENSION, DEBT CANCELLATION, AND GAP WAIVER. (a) In connection with a loan made under this chapter that is subject to Section 342.201(d) or 342.301(c), a lender may offer to the borrower a debt suspension agreement or debt cancellation agreement under similar terms and conditions as such an agreement may be offered by a bank or savings association.

(b) In connection with a loan made under this chapter that is subject to Section 342.201(d) and that is secured by a motor vehicle, a lender may offer to the borrower at the time the loan is made a gap waiver agreement.

(c) A lender may not require that a borrower accept or provide an agreement or contract under Subsection (a) or (b).

(d) In addition to other disclosures required by state or federal law and before offering an agreement or contract authorized by this section, the lender shall provide to the borrower a notice separate from the loan documents stating that the borrower is not required to accept or provide the agreement or contract to obtain the loan.

(e) The amount charged for a product authorized by Subsection (a) or (b) must be reasonable.

Added by Acts 2003, 78th Leg., ch. 1265, Sec. 2, eff. June 20, 2003.

Sec. 342.403. MAXIMUM AMOUNT OF INSURANCE COVERAGE. (a) At any time the total amount of the policies of credit life insurance in force on one borrower on one loan contract may not exceed the greater of:

(1) the total amount repayable under the loan contract if the loan is an irregular transaction; or

(2) the greater of the scheduled or actual amount of unpaid indebtedness if the loan is a regular transaction.

(b) At any time the total amount of the policies of credit

accident and health insurance or involuntary unemployment insurance in force on one borrower on one loan contract may not exceed the total amount repayable under the loan contract, and the amount of each periodic indemnity payment may not exceed the scheduled periodic installment payment on the loan.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.404. INSURANCE NOTICE. (a) If insurance is required on a loan made under this chapter, the lender shall give to the borrower written notice that clearly and conspicuously states that:

(1) insurance is required in connection with the loan; and

(2) the borrower as an option may furnish the required insurance coverage through an insurance policy that is in existence and that is owned or controlled by the borrower or an insurance policy obtained from an insurance company authorized to do business in this state.

(b) If insurance requested or required on a loan made under this chapter is sold or obtained by a lender at a premium or rate of charge that is not fixed or approved by the commissioner of insurance, the lender shall notify the borrower of that fact. If notice is required under Subsection (a), the lender shall include that fact in the notice required by Subsection (a).

(c) A notice required under this section may be:

(1) a separate writing delivered with the loan contract; or

(2) a part of the loan contract.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.405. INSURANCE MAY BE FURNISHED BY BORROWER. (a) If insurance is required on a loan made under this chapter, the borrower may furnish the insurance coverage through an insurance policy that is in existence and that is owned or controlled by the borrower or an insurance policy obtained by the borrower from an

insurance company authorized to do business in this state.

(b) If insurance is required on a loan made under this chapter and the insurance is sold or obtained by the lender at a premium or rate of charge that is not fixed or approved by the commissioner of insurance, the borrower has the option of furnishing the required insurance under this section at any time before the sixth day after the date of the loan.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.406. BORROWER'S FAILURE TO PROVIDE REQUIRED INSURANCE. (a) If a borrower fails to obtain or maintain insurance coverage required under a loan contract or requests the lender to obtain that coverage, the lender may obtain substitute insurance coverage that is substantially equivalent to or more limited than the coverage originally required.

(b) If a loan is subject to Subchapter E, the lender may obtain insurance to cover only the interest of the lender as a secured party if the borrower does not request that the borrower's interest be covered.

(c) Insurance obtained under this section must comply with Sections [342.407](#) and [342.408](#).

(d) The lender may add the amount advanced by the lender for insurance coverage obtained under this section to the unpaid balance of the loan contract and may charge interest on that amount from the time it is added to the unpaid balance until it is paid. The rate of additional interest may not exceed the rate that the loan contract would produce over its full term if each scheduled payment were paid on the due date.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.407. REQUIREMENTS FOR INCLUDING INSURANCE CHARGE IN CONTRACT. Insurance for which a charge is included in a loan contract must be written:

- (1) at lawful rates;
- (2) in accordance with the Insurance Code; and

(3) by a company authorized to do business in this state.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.408. FURNISHING OF INSURANCE DOCUMENT TO BORROWER. If a lender obtains insurance for which a charge is included in the loan contract, the lender, not later than the 30th day after the date on which the loan contract is executed, shall deliver, mail, or cause to be mailed to the borrower at the borrower's address specified in the contract one or more policies or certificates of insurance that clearly set forth:

- (1) the amount of the premium;
- (2) the kind of insurance provided;
- (3) the coverage of the insurance; and
- (4) all terms, including options, limitations, restrictions, and conditions, of each insurance policy.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.409. LENDER'S DUTY IF INSURANCE IS ADJUSTED OR TERMINATED. (a) If insurance for which a charge is included in or added to the loan contract is canceled, adjusted, or terminated, the lender shall:

- (1) credit to the amount unpaid on the loan the amount of the refund received by the lender for unearned insurance premiums, less the amount of the refund that is applied to the purchase by the lender of similar insurance; and
- (2) if the amount to be credited under Subdivision (1) is more than the unpaid balance, refund promptly to the borrower the difference between those amounts.

(b) A cash refund is not required under this section if the amount of the refund is less than \$1.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.410. PAYMENT FOR INSURANCE FROM LOAN PROCEEDS. A

lender, including an officer, agent, or employee of the lender, who accepts insurance under this subchapter as protection for a loan:

(1) may deduct the premium or identifiable charge for the insurance from the proceeds of the loan; and

(2) shall pay the deducted amounts to the insurance company writing the insurance.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.411. INSURANCE OR OTHER GAIN NOT INTEREST. Any gain or advantage to the lender or the lender's employee, officer, director, agent, general agent, affiliate, or associate from insurance or from another agreement or contract permitted under this subchapter or the provision or sale of insurance or another agreement or contract permitted under this subchapter is not additional interest or an additional charge in connection with a loan made under this chapter except as specifically provided by this chapter.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 1265, Sec. 3, eff. June 20, 2003.

Sec. 342.412. ACTION UNDER SUBCHAPTER NOT SALE OF INSURANCE. Arranging for insurance or collecting an identifiable charge as authorized by this subchapter is not a sale of insurance.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.413. REQUIRED AGENT OR BROKER PROHIBITED. A lender may not by any direct or indirect method require the purchase of insurance from an agent or broker designated by the lender.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.414. DECLINATION OF EQUAL INSURANCE COVERAGE PROHIBITED. A lender may not decline at any time existing insurance coverage providing substantially equal benefits that comply with this subchapter.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.415. EFFECT OF UNAUTHORIZED INSURANCE CHARGE. (a) If a lender charges for insurance an amount that is not authorized under this subchapter, the lender:

(1) is not entitled to collect an amount for insurance or interest on an amount for insurance; and

(2) shall refund to the borrower or credit to the borrower's account all amounts collected for insurance and interest collected on those amounts.

(b) An overcharge that results from an accidental or bona fide error may be corrected as provided by Subchapter C, Chapter 349.

(c) The remedy provided by this section is not exclusive of any other remedy or penalty provided by this subtitle.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.416. NONFILING INSURANCE. (a) Instead of charging fees for the filing, recording, and releasing of a document securing a loan to which Subchapter E applies, an authorized lender may include in the loan contract a charge for a nonfiling insurance premium.

(b) The amount of a charge under Subsection (a) may not exceed the amount of fees authorized for filing and recording an original financing statement in the standard form prescribed by the secretary of state.

(c) A lender may receive an amount authorized under this section only if the lender purchases nonfiling insurance in connection with the loan contract.

(d) A lender is not required to furnish to a borrower a policy or certificate of insurance evidencing nonfiling insurance.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

SUBCHAPTER J. AUTHORIZED LENDER'S DUTIES AND AUTHORITY

Sec. 342.451. DELIVERY OF INFORMATION TO BORROWER. (a) When a loan is made under this chapter, the lender shall deliver to the borrower, or to one borrower if there is more than one, a copy of each document signed by the borrower, including the note or loan contract, and a written statement in English that contains:

(1) the names and addresses of the borrower and the lender; and

(2) any type of insurance for which a charge is included in the loan contract and the charge to the borrower for the insurance.

(b) If the note or loan contract shows the information required by Subsection (a), the written statement is not required. Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.452. RECEIPT FOR CASH PAYMENT. A lender shall give a receipt to a person making a cash payment on a loan.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.453. ACCEPTANCE OF PREPAYMENT. At any time during regular business hours, the lender shall accept prepayment of a loan in full or, if the amount tendered is less than the amount required to prepay the loan in full, prepayment of an amount equal to one or more full installments.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.454. RETURN OF INSTRUMENTS TO BORROWER ON REPAYMENT. Within a reasonable time after a loan is repaid in full or an open-end account is terminated according to the terms of the contract, a lender shall cancel and return to a borrower any instrument, including a note, assignment, security agreement, or mortgage that:

(1) secured the loan; and

(2) does not secure another indebtedness of the

borrower to the lender.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19, eff. Sept. 1, 1999. Amended by Acts 1999, 76th Leg., ch. 909, Sec. 2.18, eff. Sept. 1, 1999.

Sec. 342.455. AGREEMENT FOR MORE THAN ONE LOAN OR CASH ADVANCE. (a) A lender and a borrower may enter an agreement under which one or more loans or cash advances are from time to time made to or for the account of the borrower.

(b) An agreement under this section may provide for a maximum loan charge on the unpaid principal amounts from time to time outstanding at a rate that does not exceed the rate that produces the maximum interest charge computed under Section [342.201](#) for an equivalent loan amount.

(c) An agreement under this section must be written and signed by the lender and borrower.

(d) An agreement under this section must contain:

- (1) the date of the agreement;
- (2) the name and address of each borrower; and
- (3) the name and address of the lender.

(e) If a charge for insurance coverage is to be included in a loan contract, an agreement under this section must clearly set forth a simple statement of the amount of the charge or the method by which the charge is to be computed.

(f) The lender shall deliver a copy of an agreement under this section to the borrower.

(g) The commissioner may prescribe monthly rates of charge that produce the maximum interest charge computed under Section [342.201](#) for use under Subsection (b).

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.456. AGREEMENT TO MODIFY TERM OF SECONDARY MORTGAGE LOAN CONTRACT. (a) A lender and a borrower may enter into an agreement under which a term of a secondary mortgage loan contract is amended, restated, or rescheduled.

(b) An agreement under this section must be written and

signed by the lender and borrower.

(c) An agreement under this section must contain:

- (1) the date of the agreement;
- (2) the name and address of the lender; and
- (3) the name and address of each borrower.

(d) The lender shall deliver a copy of an agreement under this section to the borrower.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.457. AUTOMOBILE CLUB MEMBERSHIP OFFERED IN CONNECTION WITH A LOAN. (a) An authorized lender may, at the time or after a loan under Subchapter E is made, offer to sell to the borrower and finance in the loan contract a charge for an automobile club membership.

(b) The lender may not require the purchase of the membership authorized under Subsection (a) as a condition for approval of the loan.

(c) The borrower shall provide the lender with written acknowledgment of the borrower's intent to purchase the membership.

(d) The lender shall give the borrower written notice at the time the loan is made that the borrower:

(1) is not required to purchase the membership as a condition for approval of the loan; and

(2) 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) The commissioner shall:

(1) adopt a rule providing for disclosure in Spanish of the information required by Subsection (d); and

(2) 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](#).

(f) The amount charged for a membership as authorized by Subsection (a) must be reasonable.

Added by Acts 2005, 79th Leg., Ch. 252 (H.B. [1088](#)), Sec. 2, eff.

September 1, 2005.

SUBCHAPTER K. LIMITATIONS ON AUTHORIZED LENDER

Sec. 342.501. OBLIGATION UNDER MORE THAN ONE CONTRACT. (a) An authorized lender may not induce or permit a person or a husband and wife to be directly or indirectly obligated under more than one loan contract at any time for the purpose or with the effect of obtaining an amount of interest greater than the amount of interest otherwise authorized under this chapter for a loan of that aggregate amount with a maximum interest charge computed under Section 342.201(a), Section 342.201(e), Section 342.252, or any combination of those sections.

(b) Subsection (a) does not prohibit the purchase of a bona fide retail installment contract or revolving charge agreement of a borrower for the purchase of goods or services.

(c) A lender who purchases all or substantially all of the loan contracts of another authorized lender and who at the time of purchase has a loan contract with a borrower whose loan contract is purchased may collect principal and authorized charges according to the terms of each loan contract.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 916, Sec. 5, eff. Sept. 1, 2001.

Sec. 342.502. AMOUNT AUTHORIZED. (a) A lender may not directly or indirectly charge, contract for, or receive an amount that is not authorized under this chapter in connection with a loan to which this chapter applies, including any fee, compensation, bonus, commission, brokerage, discount, expense, and any other charge of any nature, whether or not listed by this subsection.

(b) On a loan subject to Subchapter E or a secondary mortgage loan subject to Subchapter G a lender may assess and collect from the borrower an amount incurred by the lender for:

- (1) court costs;
- (2) attorney's fees assessed by a court, in addition to those provided by Section 342.307;
- (3) a fee authorized by law for filing, recording, or

releasing in a public office a security for a loan;

(4) a reasonable amount spent for repossessing, storing, preparing for sale, or selling any security;

(5) a fee for recording a lien on or transferring a certificate of title to a motor vehicle offered as security for a loan made under this chapter; or

(6) a premium or an identifiable charge received in connection with the sale of insurance authorized under this chapter.

(c) Deleted by Acts 1999, 76th Leg., ch. 935, Sec. 2.04, eff. Sept. 1, 1999.

(d) On a loan subject to this chapter a lender may assess and collect a fee that does not exceed the amount prescribed by Section 3.506, Business & Commerce Code, for the return by a depository institution of a dishonored check, negotiable order of withdrawal, or share draft offered in full or partial payment of a loan.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 909, Sec. 2.19, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 935, Sec. 2.03, 2.04, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1182 (H.B. 3453), Sec. 5, eff. September 1, 2011.

Sec. 342.503. SECURITY FOR LOAN. (a) A lender may not take as security for a loan made under this chapter an assignment of wages.

(b) A lender may not take as security for a loan made under Subchapter E or F a lien on real property other than a lien created by law on the recording of an abstract of judgment.

(c) A lender may take as security for a loan made under Subchapter E or F an assignment of:

(1) a warrant drawn against a state fund; or

(2) a claim against a state fund or a state agency.

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997. Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.504. CONFESSION OF JUDGMENT; POWER OF ATTORNEY. A

lender may not take a confession of judgment or a power of attorney authorizing the lender or a third person to confess judgment or to appear for a borrower in a judicial proceeding.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.505. DISCLOSURE OF AMOUNT FINANCED AND SCHEDULE OF PAYMENTS. A lender may not take a promise to pay or loan obligation that does not disclose the amount financed and the schedule of payments, except for an open-end account.

Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.506. INSTRUMENT WITH BLANK PROHIBITED. A lender may not take an instrument in which a blank is left to be filled in after the loan is made.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.507. WAIVER OF BORROWER'S RIGHT PROHIBITED. A lender may not take an instrument in which a borrower waives any right accruing to the borrower under this chapter.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.508. MAXIMUM LOAN TERM. A lender may not enter a loan contract under Section 342.201(a) or Section 342.201(e) under which the borrower agrees to make a scheduled payment of principal more than:

(1) 37 calendar months after the date on which the contract is made, if the contract is for a cash advance of \$1,500 or less;

(2) 49 calendar months after the date on which the contract is made, if the contract is for a cash advance of more than \$1,500 but not more than \$3,000; or

(3) 60 months after the date on which the contract is made, if the contract is for a cash advance of more than \$3,000.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999. Amended by Acts 2001, 77th Leg., ch. 916, Sec. 6, eff. Sept. 1, 2001.

SUBCHAPTER L. ADMINISTRATION OF CHAPTER

Sec. 342.551. ADOPTION OF RULES. (a) The Finance Commission of Texas may adopt rules to enforce this chapter.

(b) The commissioner shall recommend proposed rules to the Finance Commission of Texas.

(c) Repealed by Acts 2023, 88th Leg., R.S., Ch. 159 (S.B. [1371](#)), Sec. 34(1), eff. September 1, 2023.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Amended by:

Acts 2023, 88th Leg., R.S., Ch. 159 (S.B. [1371](#)), Sec. 34(1), eff. September 1, 2023.

Sec. 342.552. EXAMINATION OF LENDERS; ACCESS TO RECORDS.

(a) The commissioner or the commissioner's representative shall, at the times the commissioner considers necessary:

(1) examine each place of business of each authorized lender; and

(2) investigate the lender's transactions, including loans, and records, including books, accounts, papers, and correspondence, to the extent the transactions and records pertain to the business regulated under this chapter.

(b) The lender shall:

(1) give the commissioner or the commissioner's representative free access to the lender's office, place of business, files, safes, and vaults; and

(2) allow the commissioner or the commissioner's authorized representative to make a copy of an item that may be investigated under Subsection (a)(2).

(c) During an examination the commissioner or the commissioner's representative may administer oaths and examine any person under oath on any subject pertinent to a matter that the

commissioner is authorized or required to consider, investigate, or secure information about under this chapter.

(d) Information obtained under this section is confidential.

(e) A lender's violation of Subsection (b) is a ground for the suspension or revocation of the lender's license.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.553. GENERAL INVESTIGATION. (a) To discover a violation of this chapter or to obtain information required under this chapter, the commissioner or the commissioner's representative may investigate the records, including books, accounts, papers, and correspondence, of a person, including an authorized lender, who the commissioner has reasonable cause to believe is violating this chapter regardless of whether the person claims to not be subject to this chapter.

(b) For the purposes of this section, a person who advertises, solicits, or otherwise represents that the person is willing to make a loan with a cash advance less than or equal to the amount computed under Subchapter C, Chapter 341, using the reference base amount of \$2,500 is presumed to be engaged in the business described by Section 342.051.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.554. CERTIFICATE; CERTIFIED DOCUMENT. On application by any person and on payment of any associated cost, the commissioner shall furnish under the commissioner's seal and signed by the commissioner or an assistant of the commissioner:

- (1) a certificate of good standing; or
- (2) a certified copy of a license, rule, or order.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.555. TRANSCRIPT OF HEARING: PUBLIC. The transcript of a hearing held by the commissioner under this chapter

is a public record.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.556. APPOINTMENT OF AGENT. (a) An authorized lender shall maintain on file with the commissioner the name and address of the lender's registered agent for service.

(b) Repealed by Acts 2023, 88th Leg., R.S., Ch. 159 (S.B. 1371), Sec. 34(2), eff. September 1, 2023.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Amended by:

Acts 2023, 88th Leg., R.S., Ch. 159 (S.B. 1371), Sec. 14, eff. September 1, 2023.

Acts 2023, 88th Leg., R.S., Ch. 159 (S.B. 1371), Sec. 34(2), eff. September 1, 2023.

Sec. 342.557. PAYMENT OF EXAMINATION COSTS AND ADMINISTRATION EXPENSES. An authorized lender shall pay to the commissioner an amount assessed by the commissioner to cover the direct and indirect cost of an examination of the lender under Section 342.552 and a proportionate share of general administrative expense.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.558. AUTHORIZED LENDER'S RECORDS. (a) An authorized lender shall maintain a record of each loan made under this chapter as is necessary to enable the commissioner to determine whether the lender is complying with this chapter.

(b) An authorized lender shall keep the record, make it available in this state, or, if the lender makes, transacts, or negotiates loans principally by mail, keep the record or make it available at the lender's principal place of business, until the later of:

- (1) the fourth anniversary of the date of the loan; or
- (2) the second anniversary of the date on which the

final entry is made in the record.

(c) A record described by Subsection (a) must be prepared in accordance with accepted accounting practices.

(d) The commissioner shall accept a lender's system of records if the system discloses the information reasonably required under Subsection (a).

(e) An authorized lender shall keep each obligation signed by a borrower at an office in this state designated by the lender unless the obligation is transferred under an agreement that gives the commissioner access to the obligation.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.559. ANNUAL REPORT. (a) Each year, not later than May 1 or a later date set by the commissioner, an authorized lender shall file with the commissioner a report that contains relevant information required by the commissioner concerning the lender's business and operations during the preceding calendar year for each office of the lender in this state where business is conducted under this chapter.

(b) A report under this section must be:

(1) under oath; and

(2) in the form prescribed by the commissioner.

(c) A report under this section is confidential.

(d) Annually the commissioner shall prepare and publish a consolidated analysis and recapitulation of reports filed under this section.

Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

Sec. 342.560. CONDUCTING ASSOCIATED BUSINESS. An authorized lender may conduct business under this chapter in an office, office suite, room, or place of business in which any other business is conducted or in combination with any other business unless the commissioner:

(1) finds after a hearing that the lender's conducting of the other business in that office, office suite, room, or place

of business has concealed an evasion of this chapter; and

(2) orders the lender in writing to desist from that conduct in that office, office suite, room, or place of business.
Added by Acts 1999, 76th Leg., ch. 62, Sec. 7.19(a), eff. Sept. 1, 1999.

SUBCHAPTER M. DEFERRED PRESENTMENT TRANSACTIONS

Sec. 342.601. DEFINITIONS. In this subchapter:

(1) "Lender" means a lender licensed under this chapter.

(2) "Member of the United States military" means:

(A) a member of the armed forces of the United States; or

(B) a member of the Texas National Guard who is called to federal active duty.

Added by Acts 2005, 79th Leg., Ch. 394 (S.B. 1479), Sec. 1, eff. September 1, 2005.

Sec. 342.602. DISCLOSURES TO MILITARY BORROWERS. Before engaging in a deferred presentment transaction, a lender shall provide to a customer who is a member of the United States military or the member's spouse a written statement that clearly and conspicuously states that:

(1) the lender is prohibited by law from:

(A) garnishing the wages of any borrower, including a borrower who is a member of the United States military;

(B) conducting any collection activity against a borrower who is:

(i) a member of the armed forces of the United States who is deployed to combat or a combat support posting, for the duration of the posting;

(ii) a member of the Texas National Guard who is called to federal active duty, for the duration of the duty;

(iii) the spouse of a person described by Paragraph (i), for the duration of the posting; or

(iv) the spouse of a person described by

Paragraph (ii), for the duration of the duty; or

(C) from contacting the employer of a member of the United States military about a deferred presentment debt of the member or the member's spouse;

(2) the lender shall honor the terms of a repayment agreement entered into with a member of the United States military or the member's spouse, including a repayment agreement negotiated through military counselors or third-party credit counselors; and

(3) the lender shall honor any statement made by a commanding officer of a member of the United States military declaring any location where deferred presentment transaction business is to be conducted by the lender to be a place at which a member of the United States military or the member's spouse is prohibited from transacting business.

Added by Acts 2005, 79th Leg., Ch. 394 (S.B. 1479), Sec. 1, eff. September 1, 2005.

Sec. 342.603. PROHIBITED PRACTICES. A lender may not contact the employer of a member of the United States military about a deferred presentment debt of the member or the member's spouse.

Added by Acts 2005, 79th Leg., Ch. 394 (S.B. 1479), Sec. 1, eff. September 1, 2005.

Sec. 342.604. MILITARY BORROWER. (a) A lender may not engage in collection activity against a borrower who is:

(1) a member of the armed forces of the United States who is deployed to combat or a combat support posting, for the duration of the posting;

(2) a member of the Texas National Guard who is called to federal active duty, for the duration of the duty;

(3) the spouse of a person described by Subdivision (1), for the duration of the posting; or

(4) the spouse of a person described by Subdivision (2), for the duration of the duty.

(b) A lender may not garnish the wages of a borrower who is a member of the United States military or the member's spouse.

(c) A lender who engages in a deferred presentment

transaction with a member of the United States military or a dependent of a member of the United States military must comply with 10 U.S.C. Section 987 and any regulations adopted under that law, to the extent applicable.

Added by Acts 2005, 79th Leg., Ch. 394 (S.B. [1479](#)), Sec. 1, eff. September 1, 2005.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 835 (H.B. [2008](#)), Sec. 1, eff. September 1, 2017.

Sec. 342.605. REPAYMENT AGREEMENT. With respect to a deferred presentment transaction, a lender shall honor a repayment agreement entered into with a borrower who is a member of the United States military or the member's spouse, including a repayment agreement negotiated through a military counselor or a third-party credit counselor.

Added by Acts 2005, 79th Leg., Ch. 394 (S.B. [1479](#)), Sec. 1, eff. September 1, 2005.