

FINANCE CODE

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

SUBTITLE B. LOANS AND FINANCED TRANSACTIONS

CHAPTER 346. REVOLVING CREDIT ACCOUNTS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 346.001. DEFINITIONS. In this chapter:

(1) "Billing cycle" means the interval between periodic billing statements.

(2) "Credit card" means a card, confirmation, or identification or check or other written request by which a customer obtains access to a revolving credit account.

(3) "Creditor" means an authorized lender who directly or through another who honors a credit card issued by the person, extends credit, including money loaned, to a customer under an agreement that provides for the use of a credit card.

(4) "Customer" means a person who has accepted a revolving credit account.

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997.

Sec. 346.002. AVERAGE DAILY BALANCE. (a) The average daily balance of a revolving credit account is computed by:

(1) adding all of the ending balances in the account during each day of a billing cycle; and

(2) dividing the total under Subdivision (1) by the number of days in the billing cycle.

(b) For purposes of Subsection (a), a day's ending balance is computed by:

(1) adding the previous day's ending balance and the amount of each loan, lease of goods, or purchase of goods or services posted to the account on the day for which the ending balance is being computed; and

(2) subtracting from the result under Subdivision (1) each credit or payment posted to the account on the day for which the ending balance is being computed.

(c) A day's ending balance may not include interest.

Sec. 346.003. REVOLVING CREDIT ACCOUNTS. (a) A revolving credit account is an open-end account:

(1) that is established by a creditor for a customer under a written agreement between the creditor and the customer;

(2) that the customer accepts by using the account; and

(3) under which:

(A) the unpaid balance of and interest on the extensions of credit are debited to the account;

(B) interest is not precomputed but may be computed on the balances of the account outstanding from time to time;

(C) the customer may defer payment of any part of the balance of the account; and

(D) the customer may obtain from the creditor one or more extensions of credit as described by Subsection (b) or (c).

(b) A revolving loan account is a revolving credit account under which a customer may obtain a loan from a creditor.

(c) A revolving triparty account is a revolving credit account under which:

(1) a customer may use a credit card to:

(A) obtain a loan from a creditor, with the advance made by the creditor or a person participating with the creditor;

(B) lease goods from a person participating with the creditor; or

(C) purchase goods or services from a person participating with the creditor;

(2) the creditor is obligated to pay the participating person; and

(3) the customer is obligated to pay the creditor the amount of the loan or cost of the lease or purchase.

(d) Interest may be computed on the balance of the account from time to time.

Sec. 346.004. APPLICATION OF CHAPTER TO REVOLVING CREDIT ACCOUNTS. (a) Unless the contract for the account provides otherwise, this chapter applies to a revolving credit account described by Section 346.003 if the loan or extension of credit 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 or the extension of credit is entered into.

(b) Unless the contract for the account provides that this chapter applies, this chapter does not apply to a revolving credit account described by Section 346.003 if the loan or extension of credit is for business, commercial, investment, or similar purposes.

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 1018 (H.B. 955), Sec. 2.17, eff. September 1, 2005.

Acts 2019, 86th Leg., R.S., Ch. 767 (H.B. 1442), Sec. 29, eff. September 1, 2019.

Sec. 346.005. APPLICATION OF OTHER CODE PROVISIONS. (a) A revolving credit account is subject to Chapters 303 and 349 but is not subject to another chapter of this title unless specifically provided by this chapter.

(b) A creditor in a revolving credit account under this chapter for personal, family, or household use must hold a license under Chapter 342, unless the person is not required to obtain a license under Section 342.051.

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997. Amended by Acts 2003, 78th Leg., ch. 887, Sec. 1, eff. Sept. 1, 2003.

SUBCHAPTER B. INTEREST CHARGE AND FEES

Sec. 346.101. MAXIMUM INTEREST RATE. (a) A revolving credit account may provide for interest on an account at an annual rate that does not exceed the greater of:

- (1) 18 percent a year; or

(2) the applicable alternative rate ceiling under Chapter 303.

(b) A revolving credit account may provide for interest computed under a method other than the average daily balance method if the amount of interest computed under that method does not exceed the amount of interest computed under the average daily balance method.

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997. Amended by Acts 1999, 76th Leg., ch. 1348, Sec. 1, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 887, Sec. 2, eff. Sept. 1, 2003.

Sec. 346.102. PERMISSIBLE INTEREST RATE FOR BILLING CYCLE.

(a) A revolving credit account that provides for equal billing cycles may provide for interest for a billing cycle at the rate equal to one-twelfth of the applicable annual interest rate on the average daily balance of the account during that billing cycle.

(b) In any 12-month period, billing cycles are considered to be equal if:

(1) the number of billing cycles in the period does not exceed 12; and

(2) the difference between the length of the longest and the shortest billing cycles in the period does not exceed eight days.

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997.

Sec. 346.103. FEES. (a) The following fees may be charged to or collected from a customer in connection with an account under this chapter:

(1) an annual fee not to exceed:

(A) \$50 a year on an account with a credit limit of \$5,000 or less;

(B) \$75 a year on an account with a credit limit exceeding \$5,000 but not exceeding \$25,000; and

(C) \$125 a year on an account with a credit limit exceeding \$25,000;

(2) a late charge not to exceed the lesser of \$15 or five percent of the payment due after the payment continues unpaid

for 10 days or more after the date the payment is due, including Sundays and holidays;

(3) a cash advance charge not to exceed the greater of \$2 or two percent of the cash advance;

(4) a returned check fee as provided for a loan agreement under Chapter 342 by Section 3.506, Business & Commerce Code; and

(5) a fee for exceeding a credit limit not to exceed the greater of \$15 or five percent of the amount by which the credit limit is exceeded.

(b) A creditor may not charge, contract for, or receive interest on fees authorized under this section.

(c) A customer's monthly statement must contain the following notice printed or typed in at least 10-point type that is boldfaced, capitalized, underlined, or otherwise conspicuously set out from the surrounding written material: "A LATE CHARGE OF FIVE PERCENT OF THE PAYMENT DUE OR A MAXIMUM OF \$15 WILL BE ASSESSED FOR A PAYMENT MADE 10 DAYS OR MORE AFTER THE DATE PAYMENT OF THIS BILL IS DUE."

(d) With respect to a revolving credit account secured by an interest in real property, a creditor may contract for, charge, and receive additional fees or charges permitted under Section 342.308 as if the revolving credit account were a secondary mortgage loan under Chapter 342.

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997. Amended by Acts 1999, 76th Leg., ch. 1348, Sec. 2, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 887, Sec. 3, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1182 (H.B. 3453), Sec. 9, eff. September 1, 2011.

SUBCHAPTER C. CREDITOR'S DUTIES AND AUTHORITY

Sec. 346.201. INSURANCE; COLLATERAL. In connection with a revolving credit account, a creditor may require or take insurance subject to the provisions of Chapter 342, relating to insurance, as if the revolving credit account were a loan contract under that

chapter. A creditor may require or take real or personal property as collateral.

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997. Amended by Acts 1999, 76th Leg., ch. 62, Sec. 7.55, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 887, Sec. 4, eff. Sept. 1, 2003.

Sec. 346.202. AMOUNTS AUTHORIZED TO BE RECOVERED FROM CUSTOMER. (a) A creditor may recover from a customer amounts incurred by the creditor for:

(1) court costs;

(2) attorney's fees assessed by a court;

(3) a fee authorized by law for filing or recording in a public office a document securing a revolving credit account, including a document releasing a security interest;

(4) a fee for recording a lien on or transferring a certificate of title to a motor vehicle securing a revolving credit account;

(5) a reasonable amount spent for repossessing, storing, preparing for sale, or selling collateral; or

(6) a premium or an identifiable charge received in connection with sale of insurance authorized for a revolving credit account.

(b) With respect to a revolving credit account secured by an interest in real property, a creditor may contract for, charge, and receive additional fees or charges permitted under Section [342.307](#) as if the revolving credit account were a secondary mortgage loan under Chapter [342](#).

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997. Amended by Acts 2003, 78th Leg., ch. 887, Sec. 5, eff. Sept. 1, 2003.

Sec. 346.203. MORE THAN ONE REVOLVING CREDIT ACCOUNT AUTHORIZED. (a) On a customer's request, a creditor may enter into more than one revolving credit account with the customer and may charge interest on each account.

(b) A creditor may not require that a customer enter into more than one revolving credit account for the purpose of collecting interest at a rate greater than the rate authorized by

law.

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997.

Sec. 346.204. AMENDMENT OF REVOLVING CREDIT ACCOUNT BY CREDITOR. (a) A creditor unilaterally may amend a revolving credit account.

(b) A change made under Subsection (a) that relates to an existing or future balance of a revolving credit account and that is adverse to the customer may not take effect before the first billing cycle that begins after the 90th day after the date of written notice of the change to the customer unless the amendment is made under Section 303.103.

(c) With respect to a revolving credit account secured by an interest in real property, a creditor who makes a change under Subsection (a) that relates to an existing or future balance of the account and that is adverse to the customer must comply with the procedures in Section 303.103.

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997. Amended by Acts 2001, 77th Leg., ch. 1235, Sec. 16, eff. Sept. 1, 2001; Acts 2003, 78th Leg., ch. 887, Sec. 6, eff. Sept. 1, 2003.

Sec. 346.205. COMPLIANCE WITH FEDERAL CONSUMER CREDIT PROTECTION ACT. This chapter does not change a creditor's obligation to comply with the Consumer Credit Protection Act (15 U.S.C. Section 1601 et seq.)

Acts 1997, 75th Leg., ch. 1008, Sec. 1, eff. Sept. 1, 1997.

Sec. 346.206. ACCELERATION OR IMMEDIATE PAYMENT DEMAND PROHIBITED. With respect to a revolving credit account secured by an interest in real property, a creditor may not accelerate or demand immediate payment of an amount owed under the account unless the customer is in default under the terms of the account agreement. Added by Acts 2003, 78th Leg., ch. 887, Sec. 7, eff. Sept. 1, 2003.