

CHAPTER 500

H.B. No. 606

AN ACT

relating to finance charge limitations.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. Section (6), Article 7.03, Title 79, Revised Statutes (Article 5069-7.03, Vernon's Texas Civil Statutes), is amended to read as follows:

(6) The holder of a retail installment contract, other than for the purchase of a heavy commercial vehicle, may collect a delinquency charge on each installment in default for a period of more than *fifteen* [~~ten~~] days in an amount not to exceed five percent of each installment [~~or Five Dollars, whichever is less~~], or, in lieu thereof, interest after maturity on

each such installment not to exceed the highest lawful contract rate. The holder of a retail installment contract for the purchase of a heavy commercial vehicle may collect a delinquency charge on each installment in default for a period of more than ten days in an amount not to exceed five percent of the installment or, in lieu of the delinquency charge, interest after maturity on the installment that does not exceed the highest lawful contract rate. In any retail installment contract, only one delinquency charge under this section may be collected on any installment regardless of the period during which it remains in default. In addition, such contracts may provide for the payment of an attorney's reasonable fee where it is referred for collection to an attorney not a salaried employee of the seller or holder of the contract, and for court costs and disbursements, and in the event of repossession, sequestration, or other action necessary to secure possession of a motor vehicle securing the payment of a retail installment contract, such contracts may provide for the charge and collection of actual and reasonable out-of-pocket expenses incurred in connection with such repossession or foreclosure, including costs of storing, reconditioning and reselling such motor vehicle, subject to the standards of good faith and commercial reasonableness set by the Uniform Commercial Code as adopted in Texas.

SECTION 2. This Act applies only to installment contracts initiated on or after the effective date of the passage of this Act. Finance charges on installment contracts under this section shall be charged according to the law in existence and the law is continued in effect for that purpose. For purposes of this section a contract takes effect before the effective date of this Act if any element of the contractual agreement occurs before that date.

SECTION 3. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

Passed by the House on April 23, 1993, by a non-record vote; passed by the Senate on May 20, 1993, by a viva-voce vote.

Approved June 3, 1993.

Effective Aug. 30, 1993, 90 days after date of adjournment.