

## TABLE OF CONTENTS

About the Author .....	i
Acknowledgments .....	i

### CHAPTER ONE

## INTRODUCTION

	<u>Page</u>
<b>1.1</b> <b><u>BACKGROUND</u></b> .....	1-1
<b>1.1.1</b> <b>The Statutes</b> .....	1-1
<b>1.1.2</b> <b>Legislative Intent</b> .....	1-1
<b>1.2</b> <b><u>ORGANIZATION</u></b> .....	1-2
<b>1.2.1</b> <b>The Former Texas Credit Code</b> .....	1-2
<b>1.2.2</b> <b>The Texas Finance Code - HB 10 (September 1, 1997)</b> .....	1-3
<b>1.2.3</b> <b>The Texas Credit Title - HB 1971 (September 1, 1997 - August 31, 1999)</b> .....	1-3
<b>1.2.4</b> <b>The Texas Finance Code - SB 1368 (September 1, 1999)</b> .....	1-5
<b>1.3</b> <b><u>REFERENCES</u></b> .....	1-5
<b>1.4</b> <b><u>PURPOSE OF THIS BOOK</u></b> .....	1-6

### CHAPTER TWO

## PENALTIES

	<u>Page</u>
<b>2.1</b> <b><u>USURY</u></b> .....	2-1
<b>2.1.1</b> <b>Finance Code</b> .....	2-1
<b>2.1.1(a)</b> <b>Violations of Subtitle B (Chapters 341-353)</b> .....	2-1
<b>2.1.1(b)</b> <b>Other Charges</b> .....	2-2
<b>2.1.1(c)</b> <b>Violations of Subtitle A</b> .....	2-3
<b>2.1.1(d)</b> <b>Double Usury Penalty</b> .....	2-6
<b>2.1.1(e)</b> <b>Administrative Penalties and Restitution</b> .....	2-9
<b>2.1.2</b> <b>Common Law</b> .....	2-10
<b>2.1.3</b> <b>Interest on Usury Judgment</b> .....	2-11
<b>2.1.4</b> <b>National Banks</b> .....	2-11
<b>2.2</b> <b><u>OTHER DUTIES</u></b> .....	2-12
<b>2.2.1</b> <b>In General</b> .....	2-12
<b>2.2.2</b> <b>Failure to Register or Obtain a License</b> .....	2-13
<b>2.2.3</b> <b>Credit Unions and Federally Insured Lenders</b> .....	2-15
<b>2.3</b> <b><u>VENUE AND LIMITATION PERIODS</u></b> .....	2-18
<b>2.3.1</b> <b>Venue</b> .....	2-18

2.3.2	Limitation Periods	2-18
2.3.2(a)	Penalties	2-18
2.3.2(b)	Suit by a Creditor	2-20
2.4	<b><u>MULTIPLE RECOVERIES</u></b>	2-23
2.4.1	Usury Penalties	2-23
2.4.2	Usury and Other Duties	2-23
2.4.3	Multiple Violations in a Single Transaction	2-23
2.4.4	Limitation on Multiple Recovery	2-23
2.4.5	Truth-in-Lending Violations	2-24
2.5	<b><u>CURING VIOLATIONS</u></b>	2-24
2.5.1	Benefits of Curing a Violation	2-25
2.5.2	Timing of the Cure	2-26
2.5.3	Contents of the Cure Notice	2-28
2.5.4	Cure Procedure	2-29
2.6	<b><u>CLASS ACTIONS</u></b>	2-29
2.6.1	Actual Damages	2-29
2.6.2	Statutory Penalty	2-29
2.6.3	Limits on Statutory Recovery	2-29
2.6.4	Non-Opt-Out Defendant Class Actions	2-31
2.6.5	Access to Federal Courts	2-31

## CHAPTER THREE

# INTEREST

	<u>Page</u>
3.1	<b><u>DEFINITION OF INTEREST</u></b> . . . . . 3-1
3.2	<b><u>WHAT IS INTEREST? SOME EXAMPLES</u></b> . . . . . 3-3
3.2.1	Front End Fees . . . . . 3-3
3.2.2	Commitment Fee . . . . . 3-3
3.2.3	Financial Institution Fees and Expenses . . . . . 3-5
3.2.3(a)	Banks . . . . . 3-5
3.2.3(b)	Savings Banks . . . . . 3-6
3.2.3(c)	Savings and Loan Associations . . . . . 3-7
3.2.3(d)	Credit Unions . . . . . 3-7
3.2.4	Fees Paid to Third Parties . . . . . 3-8
3.2.4(a)	In General . . . . . 3-8
3.2.4(b)	Truth in Lending . . . . . 3-10
	3.2.4.(b)(1) Mortgage Broker Fees . . . . . 3-10
	3.2.4.(b)(2) Title Company Escrow Fees . . . . . 3-11
3.2.5	Prepayment Penalties . . . . . 3-13
3.2.6	Late Charges . . . . . 3-17
3.2.7	360 Day Base . . . . . 3-19
3.2.8	Insurance Premiums . . . . . 3-21
3.2.9	Loan Discount . . . . . 3-22

3.2.10	Trade Discount	3-22
3.2.11	Sale of Note	3-23
3.2.12	Factoring and Account Purchase Transactions	3-24
3.2.13	Time Price Differential	3-26
3.2.14	Leases	3-27
3.2.15	Compensating Balances	3-29
3.2.16	Assumption of Another's Debt	3-30
3.2.17	Equity Participations	3-32
3.2.18	Wraparound Mortgages	3-35
3.2.19	Overdraft and NSF Charges	3-36
3.2.20	Manure?	3-39

## CHAPTER FOUR

# USURY

	<u>Page</u>
<b>4.1</b>	<b><u>DEFINITION OF USURY</u></b> . . . . . 4-1
4.1.1	Definition . . . . . 4-1
4.1.2	Intent . . . . . 4-3
4.1.3	Interpretation . . . . . 4-3
<b>4.2</b>	<b><u>APPLICABILITY OF PENALTIES</u></b> . . . . . 4-4
4.2.1	Contracting for Usurious Interest . . . . . 4-4
4.2.2	Receiving Usurious Interest . . . . . 4-5
4.2.3	Charging Usurious Interest . . . . . 4-5
<b>4.3</b>	<b><u>DEFENSES</u></b> . . . . . 4-8
4.3.1	Bona Fide Error . . . . . 4-8
4.3.2	Interpretations and Decisions . . . . . 4-9
4.3.3	"De Minimis" Violations . . . . . 4-10
4.3.4	Standing (i.e., Who can sue or be sued?) . . . . . 4-10
4.3.5	Spreading . . . . . 4-12
4.3.6	Usury Savings Clause . . . . . 4-14
4.3.7	Waiver and Estoppel . . . . . 4-16
4.3.8	Incapacity . . . . . 4-17
<b>4.4</b>	<b><u>APPLICABLE CEILINGS</u></b> . . . . . 4-17
4.4.1	Federal Preemption of State Usury Laws . . . . . 4-17
4.4.1(a)	Loan Secured by a First Lien on Residential Real Property . . . . . 4-17
4.4.1(a)(i)	Authorized Creditors . . . . . 4-18
4.4.1(a)(ii)	First Lien . . . . . 4-19
4.4.1(a)(iii)	Manufactured Homes . . . . . 4-20
4.4.1(b)	Precomputed Interest Rebates . . . . . 4-20
4.4.1(c)	First Preferred Ship Mortgage . . . . . 4-22
4.4.1(d)	Other Ceilings . . . . . 4-22
4.4.2	Texas Law . . . . . 4-23
4.4.2(a)	General . . . . . 4-23
4.4.2(b)	Chapter 303 . . . . . 4-25

	4.4.2(b)(i)	Ceilings	4-25
	4.4.2(b)(ii)	Variable Rate Contracts	4-26
	4.4.2(b)(iii)	Open End Accounts	4-30
	4.4.2(b)(iv)	Applicable Rates	4-31
	4.4.2(b)(v)	Compounding Interest	4-32
4.4.2(c)		Commercial Loans - Chapter 306	4-33
	4.4.2(c)(i)	Late Charges and Returned Check Charges	4-34
	4.4.2(c)(ii)	Prepayment Charges	4-34
	4.4.2(c)(iii)	Spreading	4-35
	4.4.2(c)(iv)	360 Day Base, Paid In Kind and Compounding	4-35
	4.4.2(c)(v)	Qualified Commercial Loan - Equity Interests	4-36
	4.4.2(c)(vi)	Asset-Backed Securities Transaction	4-38
	4.4.2(c)(vii)	Account Purchase Transaction	4-39
4.4.2(d)		Prompt Payment Statute	4-39
4.4.2(e)		Judgments - Chapter 304	4-39
	4.4.2(e)(i)	Post-Judgment Interest	4-40
	4.4.2(e)(ii)	Pre-Judgment Interest	4-41
4.4.2(f)		Ad Valorem Tax Lien Refinance Loans	4-43
	4.4.2(f)(i)	Licensing	4-44
	4.4.2(f)(ii)	Advertising and Solicitation	4-45
	4.4.2(f)(iii)	Transfer Procedures	4-46
	4.4.2(f)(iv)	Payoffs by Existing Lienholders	4-51
	4.4.2(f)(v)	Post Closing Charges	4-53
	4.4.2(f)(vi)	Foreclosure	4-55
4.4.2(g)		Negotiable Instruments	4-56
4.4.2(h)		Miscellaneous Statutes	4-57
4.5		<b><u>CHOICE OF LAW</u></b>	4-57
	4.5.1	Which State's Laws Apply	4-57
		4.5.1(a) In General	4-57
		4.5.1(b) Federally Insured Lenders	4-62
		4.5.1(c) The Dodd-Frank Act and Federal Preemption	4-68
	4.5.2	Retroactive Application of New Usury Laws?	4-69

## CHAPTER FIVE

# CONSUMER LOANS

		<u>Page</u>
5.1	<b><u>COVERAGE</u></b>	5-1
	5.1.1 In General	5-1
	5.1.2 Loans with Interest Rates of 10% or Less	5-2
	5.1.3 Banks, Thrifts, and Credit Unions	5-3
5.2	<b><u>AUTHORIZED RATES</u></b>	5-4
	5.2.1 Non-Real Property Secured Loans of \$1,460 or Less (Subchapter F)	5-4
		5.2.1(a) Threshold Amount - \$1,460 or Less
		5.2.1(b) Available Rates

5.2.1(c)	<b>Maximum Term</b> .....	5-7
5.2.1(d)	<b>Prepayment Refunds</b> .....	5-7
5.2.1(e)	<b>Default and Deferment Charges</b> .....	5-9
5.2.1(f)	<b>Other Charges</b> .....	5-9
5.2.2	<b>Other Non-Real Property Secured Loans (Subchapter E)</b> .....	5-10
5.2.2(a)	<b>Regular v. Irregular Transactions</b> .....	5-10
5.2.2(b)	<b>Loans of \$18,250 or Less</b> .....	5-10
5.2.2(c)	<b>Chapter 303 Rates</b> .....	5-13
5.2.2(d)	<b>Interest Computation Methods</b> .....	5-14
5.2.2(e)	<b>360 Day Base</b> .....	5-15
5.2.2(f)	<b>Prepaid Interest</b> .....	5-16
5.2.3	<b>Precomputed Interest Refunds</b> .....	5-17
5.2.3(a)	<b>Regular Transactions</b> .....	5-18
5.2.3(b)	<b>Irregular Transactions</b> .....	5-18
5.2.3(c)	<b>Federal Law</b> .....	5-19
5.3	<b><u>AUTHORIZED CHARGES</u></b> .....	5-21
5.3.1	<b>Authorized Fees</b> .....	5-21
5.3.2	<b>Administrative Fee</b> .....	5-22
5.3.3	<b>Default Charges</b> .....	5-24
5.3.4	<b>Deferment Charges</b> .....	5-26
5.4	<b><u>INSURANCE</u></b> .....	5-27
5.4.1	<b>Type of Insurance</b> .....	5-27
5.4.1(a)	<b>Property Insurance</b> .....	5-28
5.4.1(b)	<b>Credit Life, Health and Accident Insurance</b> .....	5-29
5.4.1(c)	<b>Involuntary Unemployment Insurance</b> .....	5-30
5.4.1(d)	<b>Force Placed Insurance</b> .....	5-30
5.4.1(e)	<b>Nonfiling Insurance</b> .....	5-31
5.4.1(f)	<b>Debt Cancellation Contracts and Gap Waiver Agreements</b> .....	5-31
5.4.1(g)	<b>Other Products</b> .....	5-34
5.4.2	<b>Insurance Disclosures and Duties</b> .....	5-35
5.4.3	<b>Insurance Premium and Charges</b> .....	5-37
5.5	<b><u>LENDER'S DUTIES AND PROHIBITED PRACTICES</u></b> .....	5-39
5.5.1	<b>Contractual Terms</b> .....	5-39
5.5.2	<b>Plain Language, Form Submission, and Spanish Language Translation</b> .....	5-41
5.5.3	<b>Payday Loans; Deferred Presentment Transactions</b> .....	5-43
5.5.4	<b>Total Sale Price Disclosures</b> .....	5-47
5.5.5	<b>Student Loan Disclosures</b> .....	5-48
5.6	<b><u>LICENSE</u></b> .....	5-49
5.6.1	<b>Regulated Loan License</b> .....	5-49
5.6.2	<b>Tax Refund Anticipation Facilitator Registration</b> .....	5-50

CHAPTER SIX

**SECONDARY MORTGAGE LOANS**

	<u>Page</u>
<b>6.1</b>	<b><u>COVERAGE</u></b> ..... 6-1
<b>6.2</b>	<b><u>AUTHORIZED RATES</u></b> ..... 6-4
6.2.1	Regular and Irregular Transactions ..... 6-4
6.2.2	Earnings Methods ..... 6-5
6.2.3	Precomputed Interest ..... 6-5
6.2.4	Interest Bearing Loans ..... 6-7
<b>6.3</b>	<b><u>AUTHORIZED FEES AND CHARGES</u></b> ..... 6-8
6.3.1	Amounts Collected on or Before Closing ..... 6-8
6.3.1(a)	Attorneys Fees for Document Preparation ..... 6-9
6.3.1(b)	Title Insurance and Recording Fees ..... 6-9
6.3.1(c)	Title Company Escrow Fees ..... 6-10
6.3.1(d)	Appraisal Fees ..... 6-12
6.3.1(e)	Credit Report Fees ..... 6-12
6.3.1(f)	Survey Fees ..... 6-12
6.3.1(g)	Private Mortgage Insurance ..... 6-12
6.3.1(h)	Flood Zone Determination Fees ..... 6-14
6.3.1(i)	Administrative Fee ..... 6-15
6.3.1(j)	Credit Insurance ..... 6-16
6.3.1(k)	Property Insurance ..... 6-17
6.3.1(l)	Debt Cancellation Contracts ..... 6-18
6.3.1(m)	Other Fees and Charges ..... 6-20
6.3.2	Amounts Charged After Closing ..... 6-21
6.3.2(a)	In General ..... 6-21
6.3.2(b)	Attorneys Fees for Collection ..... 6-22
6.3.2(c)	Returned Check Charges ..... 6-22
6.3.3	Late Charges ..... 6-24
6.3.4	Deferment Fees ..... 6-25
6.3.5	Post Maturity Interest ..... 6-26
6.3.6	Payments ..... 6-26
<b>6.4</b>	<b><u>MODIFICATIONS AND DISCLOSURE OF THE AMOUNT FINANCED</u></b> ..... 6-27
<b>6.5</b>	<b><u>RESIDENTIAL MORTGAGE LOAN COMPANY AND RESIDENTIAL MORTGAGE LOAN ORIGINATORS LICENSING</u></b> ..... 6-28
6.5.1	Covered Persons ..... 6-28
6.5.2	Licensing and Registration ..... 6-30
6.5.3	Other Duties and Forms ..... 6-31
6.5.4	Penalties and Enforcement ..... 6-33
<b>6.6</b>	<b><u>MORTGAGE BANKER REGISTRATION</u></b> ..... 6-34
<b>6.7</b>	<b><u>RESIDENTIAL MORTGAGE LOAN SERVICER REGISTRATION</u></b> ..... 6-35

6.8	<u>SAFE ACT LICENSING</u> .....	6-36
6.9	<u>HOMESTEADS</u> .....	6-40
6.10	<u>PREDATORY LENDING</u> .....	6-40

CHAPTER SEVEN

**EQUITY LENDING**  
**TEXAS CONSTITUTION, ARTICLE XVI,**  
**SECTION 50(a)(6)**

		<u>Page</u>
7.1	<u>HOMESTEAD - TEXAS CONSTITUTION AND STATUTES</u> .....	7-1
7.1.1	The Homestead .....	7-1
7.1.2	Urban v. Rural .....	7-4
7.1.3	Effect of Homestead - Exemption .....	7-6
7.1.4	Termination of Homestead .....	7-7
	7.1.4(a) Abandonment .....	7-7
	7.1.4(b) Sale .....	7-8
	7.1.4(c) Death .....	7-9
7.1.5	Lawful Encumbrances Against a Homestead .....	7-9
7.2	<u>EQUITY LENDING</u> .....	7-11
7.2.1	The Constitutional Provision .....	7-11
7.2.2	Structure of Loans .....	7-14
	7.2.2(a) Voluntary Lien .....	7-14
	7.2.2(b) Closed-end .....	7-16
	7.2.2(c) Equal Payments .....	7-17
	7.2.2(d) Fixed or Variable Rate .....	7-19
	7.2.2(e) No Personal Liability .....	7-20
	7.2.2(f) No Additional Collateral .....	7-20
	7.2.2(g) No Cross-Default .....	7-22
	7.2.2(h) No Prepayment Penalty .....	7-22
	7.2.2(i) Use of Proceeds .....	7-22
	7.2.2(j) Fees .....	7-24
	7.2.2(k) Cooling Off Period/Notice .....	7-29
	7.2.2(l) Preclosing Disclosure .....	7-31
	7.2.2(m) One Year Prohibition .....	7-34
	7.2.2(n) Number of Loans .....	7-37
	7.2.2(o) Disclosure of Loan Type .....	7-37
	7.2.2(p) Loan to Value .....	7-38
	7.2.2(q) Acceleration .....	7-41
	7.2.2(r) Agricultural Property .....	7-42
	7.2.2(s) Authorized Lenders, Plain Language, Form Submission, and Spanish Language Translation .....	7-43
	7.2.2(t) Closing .....	7-48
	7.2.2(u) Prohibited Terms and Blanks .....	7-50
	7.2.2(v) Copies of Documents .....	7-51

7.2.2(w)	Right to Cancel	7-51
7.2.2(x)	Release of Lien	7-53
7.2.2(y)	Foreclosure with a Court Order	7-54
7.2.2(z)	Penalty	7-56
7.2.3	Lines of Credit ("HELOC")	7-64
7.2.3(a)	The Constitutional Requirements	7-64
7.2.3(b)	Regulations	7-65
7.2.3(c)	Truth in Lending	7-67
7.2.3(d)	End-of-Draw Period Guidance	7-68
7.3	<b><u>REFINANCES OF EXISTING LIENS</u></b>	7-68
7.3.1	Refinance of a Non-Home Equity Loan	7-68
7.3.2	Refinance of a Home Equity Loan as a Non-Home Equity Loan	7-72
7.4	<b><u>REVERSE MORTGAGES</u></b>	7-75

## CHAPTER EIGHT

# **RETAIL INSTALLMENT SALES**

		<u>Page</u>
8.1	<b><u>COVERAGE</u></b>	8-1
8.1.1	In General	8-1
8.1.2	Retail Sellers and Holders	8-2
8.1.3	Goods and Services	8-2
8.2	<b><u>RETAIL INSTALLMENT CONTRACTS</u></b>	8-6
8.2.1	Definition	8-6
8.2.2	Authorized Rates	8-7
8.2.3	Precomputed Interest Rebates	8-10
8.2.3(a)	In General	8-10
8.2.3(b)	"Regular" Installments	8-11
8.2.3(c)	"Irregular" Installments	8-12
8.2.3(d)	Federal Preemption	8-13
8.2.4	Other Charges and Fees	8-13
8.2.4(a)	Late Charges	8-13
8.2.4(b)	Deferment and Amendment Charges	8-14
8.2.4(c)	Documentary Fee	8-14
8.2.4(d)	Real Estate Document Preparation Fees	8-17
8.2.4(e)	Dishonored Payment Device Fee	8-18
8.2.4(f)	Flood Zone Determination Fee	8-18
8.2.4(g)	Debt Cancellation Agreements	8-19
8.2.5	Disclosures	8-20
8.3	<b><u>RETAIL CHARGE AGREEMENTS</u></b>	8-24
8.3.1	Definitions	8-24
8.3.2	Authorized Rates	8-25
8.3.2(a)	In General	8-25
8.3.2(b)	Chapter 303	8-26



	8.3.2(c)	Delinquency Charges	8-27
	8.3.2(d)	Other Charges	8-28
8.3.3		Disclosures	8-28
8.4		<b><u>INSURANCE</u></b>	8-29
	8.4.1	Types of Insurance	8-29
		8.4.1(a) Credit Insurance	8-29
		8.4.1(b) Property Insurance	8-30
		8.4.1(c) Optional Insurance	8-31
		8.4.1(d) Single Interest (or "Force Placed") Insurance	8-32
	8.4.2	Insurance Disclosures	8-33
	8.4.3	Insurance Premiums and Charges	8-34
8.5		<b><u>PROHIBITED PRACTICES</u></b>	8-35
8.6		<b><u>HOME IMPROVEMENT CONTRACTS</u></b>	8-38
	8.6.1	Certificate of Completion	8-38
	8.6.2	Creating a Valid Lien	8-39
	8.6.3	Residential Construction Disclosures	8-44
8.7		<b><u>ASSIGNMENT AND NEGOTIATION</u></b>	8-47
8.8		<b><u>REGISTRATION</u></b>	8-49
8.9		<b><u>NOTICE OF REGULATION</u></b>	8-50
8.10		<b><u>FEDERAL REAL ESTATE DISCLOSURES</u></b>	8-51

## CHAPTER NINE

# **MANUFACTURED HOMES**

		<u>Page</u>
9.1	<b><u>PURPOSE AND COVERAGE</u></b>	9-1
	9.1.1 Legislative Purpose	9-1
	9.1.2 Definitions	9-1
		9-1
	9.1.2(a) Credit Transaction	9-1
	9.1.2(b) Manufactured Home	9-4
9.2	<b><u>AUTHORIZED RATES</u></b>	9-6
	9.2.1 Chapter 303	9-6
	9.2.2 Adjustable Rates	9-6
	9.2.3 Federal Preemption	9-6
	9.2.4 Prepayment	9-7
	9.2.5 Late Charges	9-9
	9.2.6 Deferral Fees	9-10
	9.2.7 Documentary and Official Fees	9-11
	9.2.8 Returned Check Charges	9-12
	9.2.9 Flood Zone Determination Fee	9-12

<b>9.3</b>	<b><u>DEFAULT</u></b> .....	9-14
	9.3.1 Events of Default .....	9-14
	9.3.2 Notice .....	9-14
	9.3.3 Fees and Amount Due Upon Default .....	9-16
	9.3.4 Repossession .....	9-16
<b>9.4</b>	<b><u>DISCLOSURES</u></b> .....	9-17
	9.4.1 Chapter 347 .....	9-17
	9.4.2 <b>Manufactured Housing Standards Act</b> .....	9-19
	9.4.2(a) <b>Written Warranties</b> .....	9-19
	9.4.2(b) <b>Retailer Disclosures</b> .....	9-19
	9.4.2(c) <b>Down Payment</b> .....	9-21
	9.4.2(d) <b>Deposit</b> .....	9-21
	9.4.2(e) <b>Right to Rescind</b> .....	9-21
	9.4.3 <b>Additional Federal Disclosure Requirements</b> .....	9-21
<b>9.5</b>	<b><u>INSURANCE</u></b> .....	9-23
	9.5.1 <b>In General</b> .....	9-23
	9.5.2 <b>Property Insurance</b> .....	9-23
	9.5.3 <b>Force Placed Insurance</b> .....	9-24
	9.5.4 <b>Optional Insurance</b> .....	9-25
	9.5.5 <b>Refunds</b> .....	9-25
	9.5.6 <b>Additional Gain</b> .....	9-25
<b>9.6</b>	<b><u>TAX AND INSURANCE ESCROWS</u></b> .....	9-25
	9.6.1 <b>Escrows</b> .....	9-25
	9.6.2 <b>Unpaid Taxes</b> .....	9-26
<b>9.7</b>	<b><u>TRANSFERS</u></b> .....	9-26
	9.7.1 <b>Assignment by the Creditor</b> .....	9-26
	9.7.2 <b>Sale by the Debtor</b> .....	9-28
<b>9.8</b>	<b><u>LAND AND HOME TRANSACTIONS</u></b> .....	9-28
	9.8.1 <b>Personal v. Real Property</b> .....	9-28
	9.8.1(a) <b>In General</b> .....	9-28
	9.8.1(b) <b>Effective June 18, 2003</b> .....	9-29
	9.8.2 <b>Attorneys Fees for Real Estate Document Preparation</b> .....	9-32
	9.8.3 <b>Equity Lending</b> .....	9-32
<b>9.9</b>	<b><u>SECURITY INTERESTS</u></b> .....	9-33
	9.9.1 <b>Personal Property</b> .....	9-33
	9.9.1(a) <b>In General</b> .....	9-33
	9.9.1(b) <b>Inventory</b> .....	9-33
	9.9.1(c) <b>Statement of Ownership and Location</b> .....	9-36
	9.9.2 <b>Real Property</b> .....	9-36
<b>9.10</b>	<b><u>LENDER'S DUTIES</u></b> .....	9-37
	9.10.1 <b>Prohibited Provisions</b> .....	9-37
	9.10.2 <b>Arbitration</b> .....	9-38
	9.10.3 <b>Ad Valorem Tax Liens</b> .....	9-39

9.10.4	Installation	9-40
9.10.5	Kickbacks	9-40
9.10.6	Orders	9-41
9.10.7	Unpaid Real Property Rental	9-41
9.11	<u>REGISTRATION</u>	9-42
9.12	<u>NOTICE OF REGULATION</u>	9-44

## CHAPTER TEN

# MOTOR VEHICLE INSTALLMENT SALES

	<u>Page</u>
10.1	<u>COVERAGE</u> . . . . . 10-1
10.1.1	In General . . . . . 10-1
10.1.2	Motor Vehicle . . . . . 10-3
10.1.3	Retail Installment Transactions . . . . . 10-6
10.2	<u>AUTHORIZED RATES</u> . . . . . 10-8
10.2.1	In General . . . . . 10-8
10.2.1(a)	Principal Balance . . . . . 10-8
10.2.1(b)	Cash Price . . . . . 10-8
10.2.1(c)	Itemized Charges . . . . . 10-10
10.2.1(d)	Negative Equity . . . . . 10-11
10.2.2	Chapter 303 . . . . . 10-15
10.2.3	Other Precomputed Rates . . . . . 10-15
10.2.4	Precomputed Interest Rebates . . . . . 10-18
10.2.4(a)	In General . . . . . 10-18
10.2.4(b)	"Regular" Installments . . . . . 10-21
10.2.4(c)	"Irregular" Installments . . . . . 10-21
10.2.4(d)	Federal Preemption . . . . . 10-22
10.2.4(e)	Heavy Commercial Vehicle Rebates . . . . . 10-22
10.2.4(f)	Balloon Payments . . . . . 10-22
10.3	<u>OTHER CHARGES AND FEES</u> . . . . . 10-24
10.3.1	Late Charges . . . . . 10-24
10.3.2	Collection Costs . . . . . 10-25
10.3.3	Deferment and Amendment Charges . . . . . 10-25
10.3.4	Documentary Fee . . . . . 10-27
10.3.5	Transfer of Equity Fee . . . . . 10-30
10.3.6	Dishonored Check Fee . . . . . 10-30
10.3.7	Dealer Inventory Tax . . . . . 10-31
10.3.8	Warranty and Service Contracts . . . . . 10-31
10.3.9	Debt Cancellation Agreements . . . . . 10-34
10.3.10	Trade-In Credit Agreements . . . . . 10-36
10.3.11	Vehicle Protection Products . . . . . 10-37

<b>10.4</b>	<b><u>DISCLOSURES</u></b> .....	10-38
	<b>10.4.1 In General</b> .....	10-38
	<b>10.4.2 Plain Language, Spanish Language Summary, and Form Submission</b> .....	10-45
<b>10.5</b>	<b><u>INSURANCE</u></b> .....	10-46
	<b>10.5.1 Types of Insurance</b> .....	10-46
	<b>10.5.1(a) Credit Insurance</b> .....	10-47
	<b>10.5.1(b) Property Insurance</b> .....	10-48
	<b>10.5.1(c) Optional Insurance</b> .....	10-51
	<b>10.5.1(d) Single Interest (or "Force Placed") Insurance</b> .....	10-52
	<b>10.5.2 Insurance Disclosures</b> .....	10-52
	<b>10.5.3 Insurance Premiums and Charges</b> .....	10-54
<b>10.6</b>	<b><u>PROHIBITED PRACTICES</u></b> .....	10-55
<b>10.7</b>	<b><u>ASSIGNMENT AND NEGOTIATION</u></b> .....	10-59
<b>10.8</b>	<b><u>LICENSING</u></b> .....	10-60
	<b>10.8.1 Licensing</b> .....	10-60
	<b>10.8.2 SAFE Act</b> .....	10-61

## CHAPTER ELEVEN

# OPEN-END CREDIT

	<u>Page</u>	
<b>11.1</b>	<b><u>OPEN-END ACCOUNTS</u></b> .....	11-1
<b>11.2</b>	<b><u>CHAPTER 346</u></b> .....	11-2
	<b>11.2.1 Coverage</b> .....	11-2
	<b>11.2.2 Requirements of Chapter 346</b> .....	11-4
	<b>11.2.2(a) Collateral and Insurance</b> .....	11-4
	<b>11.2.2(b) Authorized Rates</b> .....	11-5
	<b>11.2.2(c) Fees and Expenses</b> .....	11-6
	<b>11.2.2(d) Variable Rates</b> .....	11-9
	<b>11.2.2(e) Amendments</b> .....	11-9
	<b>11.2.2(f) Demand Feature</b> .....	11-12
	<b>11.2.2(g) Licensing</b> .....	11-12
	<b>11.2.2(h) Other Requirements</b> .....	11-13
<b>11.3</b>	<b><u>CREDIT CARD TRANSACTIONS</u></b> .....	11-13
	<b>11.3.1 Definitions</b> .....	11-13
	<b>11.3.1(a) Credit Card Transactions</b> .....	11-13
	<b>11.3.1(b) Merchant Discount</b> .....	11-14
	<b>11.3.1(c) Merchant Credit Card Surcharge</b> .....	11-15
	<b>11.3.1(d) Lender Credit Card Agreement</b> .....	11-18
	<b>11.3.2 No Merchant Discount</b> .....	11-19
	<b>11.3.3 Merchant Discount</b> .....	11-20
	<b>11.3.4 Other Rules</b> .....	11-21

11.3.4(a)	Truth-in-Lending .....	11-21
11.3.4(b)	Choice of Law .....	11-22
11.3.4(c)	Student Advertising .....	11-22
11.3.4(d)	Zip Code Verification.....	11-22
11.4	<b><u>OVERDRAFT CHECKING ACCOUNTS</u></b> .....	11-22
11.4.1	Not "Credit Card Transactions".....	11-22
11.4.2	Common Violations .....	11-23
11.4.2(a)	Right of Offset.....	11-23
11.4.2(b)	Real Estate Collateral.....	11-24
11.4.3	Overdraft Protection Plans .....	11-24
11.5	<b><u>HOME EQUITY LINES OF CREDIT</u></b> .....	11-25

CHAPTER TWELVE

## **HOME SOLICITATION TRANSACTIONS**

	<u>Page</u>	
12.1	<b><u>COVERAGE</u></b> .....	12-1
12.2	<b><u>RIGHT TO CANCEL</u></b> .....	12-3
12.3	<b><u>VIOLATIONS</u></b> .....	12-5
12.3.1	Penalties.....	12-5
12.3.2	Violations.....	12-5
12.4	<b><u>DEBTOR'S DUTIES</u></b> .....	12-7

CHAPTER THIRTEEN

## **FAIR CREDIT REPORTING**

	<u>Page</u>	
13.1	<b><u>FEDERAL FAIR CREDIT REPORTING ACT.</u></b> .....	13-1
13.1.1	Consumer Reports and Reporting Agencies .....	13-4
13.1.2	Permissible Purposes .....	13-6
13.1.3	Prescreening .....	13-8
13.1.4	The Disposal Rule .....	13-9
13.1.5	Notice of Negative Information .....	13-11
13.1.6	Red Flag Guidelines .....	13-13
13.1.7	Affiliate Marketing Rule .....	13-15
13.1.8	The Furnisher Rule.....	13-15
13.1.9	Risk-Based Pricing Notices .....	13-16
13.1.10	Civil Penalties .....	13-17

<b>13.2</b>	<b><u>TEXAS FAIR CREDIT REPORTING ACT</u></b>	13-20
13.2.1	In General	13-20
13.2.2	Furnishers and Users of Information	13-20
13.2.3	Federal Preemption	13-20
13.2.4	Requirements	13-20
13.2.4(a)	Definitions	13-20
13.2.4(b)	Permissible Purposes	13-21
13.2.4(c)	Disclosure Upon Request	13-21
13.2.4(d)	Security Alerts and Freezes	13-22
13.2.4(e)	Security Freeze for a Child	13-22
13.2.4(f)	Charges for Providing Information	13-23
13.2.4(g)	Information that Cannot be Reported	13-23
13.2.4(h)	Dispute Procedures	13-23
13.2.4(i)	Correction of Inaccurate Information	13-23
13.2.4(j)	Right to Sue or Arbitrate	13-23
13.2.4(k)	Civil Liability	13-24
13.2.4(l)	Remedies Cumulative	13-24
<b>13.3</b>	<b><u>CHECK VERIFICATION ENTITIES</u></b>	13-25

**CHAPTER FOURTEEN**

**CONSUMER PROTECTION**

	<u>Page</u>	
<b>14.1</b>	<b><u>FURNISHING FALSE CREDIT INFORMATION</u></b>	14-1
<b>14.2</b>	<b><u>DEBT COLLECTION</u></b>	14-1
14.2.1	Coverage	14-1
14.2.2	Prohibited Actions	14-2
14.2.3	Third-Party Debt Collectors and Credit Bureaus	14-4
14.2.3(a)	Correction of Files	14-4
14.2.3(b)	Surety Bond	14-4
14.2.4	Penalties and Remedies	14-5
14.2.5	Federal Fair Debt Collection Practices Act	14-6
14.2.5(a)	Delinquent Debt Purchasers are not Debt Collectors	14-6
14.2.5(b)	Non-Judicial Foreclosure	14-7
14.2.5(c)	Filing a Bankruptcy Proof of Claim for a Time-Barred Debt	14-7
14.2.5(d)	Time-Barred Debt	14-7
14.2.5(e)	Can the Debt Increase?	14-9
14.2.5(f)	Communication - Dispute and Verification Requests	14-9
14.2.5(g)	Mortgage Servicing	14-10
14.2.5(h)	Telephone Consumer Protection Act	14-10
14.2.5(i)	Meaningful Attorney Review and Spokeo	14-11
14.2.6	Federal Servicemembers Civil Relief Act	14-11
14.2.7	Foreclosure Updates	14-15
14.2.7(a)	Military Notice	14-15
14.2.7(b)	2015 Legislation	14-15
14.2.7(c)	Residential Mortgage Foreclosure Consulting Services	14-16

	14.2.7(d)	Deeds in Lieu of Foreclosure .....	14-16
14.3		<b><u>CREDIT SERVICES ORGANIZATIONS</u></b> .....	14-16
	14.3.1	The CSO Model .....	14-16
	14.3.2	Requirements - In General .....	14-19
	14.3.3	Credit Access Businesses .....	14-19
	14.3.4	Penalties .....	14-21
	14.3.5	CFPB Regulations and Enforcement Actions .....	14-23
	14.3.6	Federal Credit Repair Organizations Act .....	14-25
14.4		<b><u>DEBTOR ASSISTANCE</u></b> .....	14-26
	14.4.1	Debt Counseling .....	14-26
	14.4.2	Debt Management Services .....	14-26
14.5		<b><u>EQUAL CREDIT OPPORTUNITY</u></b> .....	14-27
14.6		<b><u>ADVERTISING</u></b> .....	14-28
14.7		<b><u>COLLATERAL PROTECTION INSURANCE</u></b> .....	14-30
	14.7.1	Defined .....	14-30
	14.7.2	Creditor Duties .....	14-31
	14.7.3	Cancellation and Refund .....	14-33
	14.7.4	Other Rights Not Affected .....	14-34
14.8		<b><u>MISCELLANEOUS CHAPTERS</u></b> .....	14-34
	14.8.1	Residential Mortgage Loan Originators .....	14-34
	14.8.2	Pawnshops .....	14-34
	14.8.3	Telephone Solicitations .....	14-34
	14.8.4	Telemarketing Disclosure and Privacy .....	14-35
	14.8.5	Contests and Gift Giveaways - Sweepstakes .....	14-35
	14.8.6	Business Opportunities .....	14-35
	14.8.7	Rental-Purchase Agreements .....	14-36
	14.8.8	Registration of Tax Refund Loan Facilitators .....	14-36
14.9		<b><u>FEDERAL: DODD-FRANK REVISIONS TO REGULATIONS Z, X AND B</u></b> .....	14-36
	14.9.1	Dodd-Frank & The CFPB .....	14-36
		14.9.1(a) Dodd-Frank .....	14-36
		14.9.1(b) CFPB .....	14-36
	14.9.2	Ability-To-Repay ("ATR") and Qualified Mortgage ("QM") .....	14-36
		14.9.2(a) Coverage .....	14-36
		14.9.2(b) Ability-To-Repay .....	14-37
		14.9.2(c) Qualified Mortgage .....	14-38
		14.9.2(d) June, 2020 Proposals .....	14-39
	14.9.3	Loan Originator Compensation .....	14-40
		14.9.3(a) Loan Originator - Defined .....	14-40
		14.9.3(b) Disclosures .....	14-42
		14.9.3(c) Mandatory Arbitration .....	14-43
		14.9.3(d) Single Premium Credit Insurance .....	14-43
		14.9.3(e) Record Retention .....	14-43
	14.9.4	Mortgage Servicing .....	14-43
		14.9.4(a) General Servicing Requirements - All Servicers .....	14-43

14.9.4(b)	ARMs . . . . .	14-44
14.9.4(c)	Forced Placed Insurance . . . . .	14-44
14.9.4(d)	Requests for Information and Error Resolution . . . . .	14-44
14.9.4(e)	Foreclosure Notices - 120 Days Delinquent . . . . .	14-45
14.9.4(f)	Large Servicer Requirements . . . . .	14-46
14.9.5	High Cost Mortgages . . . . .	14-47
14.9.5(a)	Effective Date: Citations . . . . .	14-47
14.9.5(b)	Definition . . . . .	14-47
14.9.6	Homeownership Counseling Notice - At Application . . . . .	14-50
14.9.7	Higher-Priced Mortgage Loan - Escrow Requirements . . . . .	14-51
14.9.8	Higher-Priced Mortgage Loan - Appraisal Requirements . . . . .	14-52
14.9.8(a)	Effective Date: Citations . . . . .	14-52
14.9.8(b)	Exemptions . . . . .	14-52
14.9.8(c)	Appraisal Disclosure . . . . .	14-53
14.9.8(d)	Appraisal Required . . . . .	14-53
14.9.8(e)	Delivery of Appraisal . . . . .	14-53
14.9.8(f)	Second Appraisal . . . . .	14-53
14.9.9	Regulation B - Providing Appraisals . . . . .	14-54
14.9.9(a)	Effective Date: Citations . . . . .	14-54
14.9.9(b)	Coverage . . . . .	14-55
14.9.9(c)	Appraisal Notice . . . . .	14-55
14.9.9(d)	Delivery of Appraisal or Valuation . . . . .	14-55
14.9.10	TRID Disclosures . . . . .	14-56
14.9.10(a)	Effective Date: Citations . . . . .	14-56
14.9.10(b)	Exemptions . . . . .	14-56
14.9.10(c)	Application Redefined . . . . .	14-57
14.9.10(d)	Pre-Qualification and Preapproval . . . . .	14-57
14.9.10(e)	Loan Estimate . . . . .	14-57
14.9.10(f)	RESPA Special Information Booklet . . . . .	14-58
14.9.10(g)	Intent to Proceed . . . . .	14-58
14.9.10(h)	Changed Circumstances . . . . .	14-58
14.9.10(i)	Tolerances . . . . .	14-58
14.9.10(j)	Closing Disclosure . . . . .	14-59
14.9.11	Homeownership Counseling Notice - Upon Default . . . . .	14-59
14.10	<b><u>PREDATORY LENDING</u></b> . . . . .	14-62
14.10.1	Disclosure . . . . .	14-63
14.10.2	Payoff Statements . . . . .	14-63
14.10.3	Refinances of Low-Rate Home Loans . . . . .	14-63
14.10.4	High-Cost Home Loans . . . . .	14-64
14.10.4(a)	Definitions . . . . .	14-64
14.10.4(b)	Balloon Payments . . . . .	14-65
14.10.4(c)	Negative Amortization . . . . .	14-66
14.10.4(d)	Payment Ability . . . . .	14-66
14.10.4(e)	Prepayment Penalties . . . . .	14-66
14.10.5	Single Premium Credit Insurance . . . . .	14-67
14.10.6	Mortgage Fraud . . . . .	14-67
14.10.6(a)	Notice of Penalties . . . . .	14-68
14.10.6(b)	Reporting Mortgage Fraud . . . . .	14-68
14.10.6(c)	Criminal Penalties . . . . .	14-69
14.10.6(d)	Improperly Induced Appraisals . . . . .	14-69



<b>14.11</b>	<b><u>CONTRACTS FOR DEED</u></b> .....	14-70
	14.11.1 Introduction .....	14-70
	14.11.2 Definition .....	14-70
	14.11.3 Restrictions Effective September 1, 2001 .....	14-72
	14.11.4 Changes Effective September 1, 2003 .....	14-74
	14.11.5 HB 1823 - Effective September 1, 2005 .....	14-75
	14.11.5(a) Existing Contracts .....	14-76
	14.11.5(b) Residential Lease with a Purchase Option .....	14-79
	14.11.6 HB 311 - Effective September 1, 2015 .....	14-80
	14.11.7 Lender Documentation .....	14-81
	14.11.8 Assignment of an Option or Contract .....	14-83
<b>14.12</b>	<b><u>TEXAS COMPLAINT NOTICE</u></b> .....	14-83