

TEXAS CREDIT LAW GUIDE
Commercial and Consumer Interest Rate and Usury Law
TABLE OF CONTENTS

INTRODUCTION	1
What's New.....	2
GENERAL PROVISIONS	3
What Constitutes Interest	3
Elements of Usury Claim.....	8
Maximum Rates/Legal Rate	9
Limit on Rate (General)	10
<i>Rate Ceilings</i>	10
<i>Limitations on Use of Rate Ceilings</i>	11
<i>Open-End Account Rate Ceiling Provisions</i>	11
<i>Amendment of Open-End Account Agreements</i>	12
<i>Additional Issues</i>	13
Safe Harbor Provision.....	13
Official Interpretations by Consumer Credit Commissioner	14
Collateral Protection Insurance	14
Reporting Fraudulent Activity	15
Property Tax Lending	15
BUSINESS-RELATED CREDIT	16
Rates on Real Estate Loans.....	16
Revolving Credit.....	16
Special Commercial Loan Provision	17
CONSUMER LOANS	19
General Consumer Provisions	19
<i>Special Restrictions on Certain Types of Loans</i>	19
<i>Credit Union Loans</i>	21
<i>Variable Rate Disclosure</i>	21
<i>Plain Lanuage and Spanish-Language Disclosures</i>	21
<i>Additional Consumer Credit Protections</i>	22
Residential Mortgage Loans	22
Credit Card Rates.....	23
Regulated Loans	24
<i>Who May Make Loans</i>	24
<i>Description of Loans</i>	25
<i>Deferred Presentment and Sale-Leaseback Transactions</i>	26
<i>Rates</i>	27
<i>Other Charges</i>	29
<i>Contract Terms & Disclosures</i>	35
<i>Limitation on Loan Period</i>	37

<i>Prepayment</i>	37
<i>Advertising</i>	38
Manufactured Home Loans	38
Tax Refund Anticipation Loans.....	39
Comparison of Precomputed and Simple Interest Contracts	40
Calculation of Prepayment Rebates	41
Home Equity Lending.....	45
<i>Interpretive authority</i>	45
<i>Application and closing requirements</i>	45
<i>Collateral limitations</i>	47
<i>Fees and charges</i>	47
<i>Limitations on credit provisions and terms</i>	48
<i>Limitations on remedies of creditors</i>	49
<i>Home equity lines of credit</i>	50
<i>Penalties and correction of violations</i>	50
<i>Refinances</i>	51
CREDIT SALES	53
Retail Installment Sales.....	53
<i>Definitions & Scope</i>	53
<i>Registration</i>	55
<i>Rates</i>	55
<i>Contract Terms & Disclosures; Other Charges</i>	56
<i>Prohibited Provisions</i>	62
<i>Certificate of Completion or Satisfaction</i>	63
<i>Assignment & Negotiation</i>	64
Manufactured Home Credit Transactions.....	65
<i>Definitions & Scope</i>	65
<i>Registration</i>	65
<i>Rates</i>	65
<i>Contract Terms & Disclosures</i>	68
<i>Prohibited Provisions</i>	74
Motor Vehicle Installment Sales.....	74
<i>Definitions & Scope</i>	74
<i>Registration</i>	75
<i>Rates</i>	75
<i>Contract Terms & Disclosures; Other Charges</i>	76
<i>Prohibited Provisions</i>	84
<i>Assignment & Negotiation</i>	85
PENALTIES	87
Penalties Under General Provisions	87
Penalties on Regulated Loans and Credit Sales.....	88
<i>Scope</i>	88
<i>Interest & Charge Violations</i>	88
<i>Non-Monetary Violations</i>	88
<i>Special Chapter 347 Penalty Provisions</i>	88
<i>Charged in Excess of Double the Legal Amount</i>	89
<i>Multiple Violations</i>	89
<i>Bona Fide Error and Reliance Defenses</i>	90
<i>Making Regulated Loans Without a License</i>	90

<i>Administrative Penalties</i>	90
<i>Cease and Desist Orders; Injunctions</i>	90
<i>Violation of Equal Credit Opportunity</i>	91
<i>Class Actions</i>	91
<i>Venue and Limitations</i>	91
Common Law Usury Penalties	92
<i>De Minimis</i> Violations	92
Cure and Correction of Violations	93
Who May Assert	95
Who May Be Liable.....	96
Charging Interest.....	97
Intent and Accidental and Bona Fide Error	101
SPECIAL ISSUES	103
Federal Preemption	103
<i>National Banks</i>	103
<i>Insured State Banks, Insured Savings Associations; Insured Credit Unions</i>	104
<i>First Lien Residential Mortgage Loans</i>	105
<i>Preferred Ship Mortgage Act</i>	107
Assumption of Third Party Debt.....	107
Leases as Loans	109
Equity Participations.....	110
Compensating Balances and Cash Security.....	116
Calculating Interest on 360 Day Basis.....	117
Compounding Interest and Interest on Interest.....	118
Spreading Interest	118
Savings Clauses	120
Usury by Exceeding Contract Rate.....	121
GLOSSARY OF ABBREVIATIONS AND TERMS	123
APPENDIX A: Notice of Default for Manufactured Home Transactions	126
APPENDIX B: Required Home Equity Notice	127
INDEX	131