Texas Appleseed

OPPOSE HB 3466:

HB 3466 Removes Key Protections for Texans Against Fraudulent Door-to-door and Direct Sales for All Service Contracts

Carve Outs from Direct Sales Protections Will Hurt Vulnerable Texans

The protections in Chapter 601 of the Business and Commerce Code date back to the early 1970's. These protections exist because of long-standing problems with door-to-door and other direct sales outside of the merchant's place of business. When someone comes to a person's home or engages in direct sales, potential customers are more susceptible to:

- Deceptive sales practices;
- High pressure sales;
- Misrepresentation about the product; and
- High prices for products or services.

The protections under Chapter 601 of the Business and Commerce Code have been a constant small, but beneficial backstop to ensure that people have a cooling off period in door-to-door sales or other direct sales transactions with a clear and easy path to cancel and void the underlying contract and any associated loan, and receive a full refund of any amount paid. **These protections are particularly important for older Texans who may be more vulnerable to the pressure tactics and misrepresentations used by some who engage in direct sales.**

According to the Direct Selling Association, door-to-door or other direct selling to consumers in Texas is a $3.9 billion industry, with over 30% of sales involving service contract.

HB 3466 would carve out the sale of service contracts from key consumer protections under the state law applicable to these transactions, including over 550 companies licensed under Ch. 1304 Occupations Code and an additional unknown number of unlicensed merchants who sell services.

WHY ARE THE STATE LAW PROTECTIONS UNDER CH. 601 IMPORTANT?

While the state protections include many of the same provisions in the Federal Trade Commission Cooling Off rule (16 CFR 429), there are four key provisions that are not present in the federal law. State law:

- Voids the contract and ensures consumers do not owe payment if a merchant violates the law;
- Creates an individual cause of action if a merchant violates the law, including actual damages, reasonable attorney's fees and court cost;
- Establishes a violation of the chapter as a false, misleading, or deceptive act or practice; and
- Permits the Texas attorney general to bring an action to stop a merchant from violating this chapter.

These are important protections that should not be compromised. **Carving out businesses from this basic law enables bad actors to exploit Texans.**

89th Legislative Session, April 2025

Texas Appleseed | 1609 Shoal Creek Blvd, Suite 201, Austin, TX 78701 | abaddour@texasappleseed.org