

BILL ANALYSIS

Senate Research Center
76R3629 WP-D

C.S.S.B. 172
By: Harris
Economic Development
3/16/1999
Committee Report (Substituted)

DIGEST

Currently, investors on a qualified commercial loan, e.g., a loan over \$3,000,000, may take an equity position in the company in which they are investing without violating the Texas usury law. C.S.S.B. 172 amends the definition of a “qualified commercial loan” under Title 79, V.T.C.S., regarding consumer credit and consumer protection in commercial transactions, by decreasing the commercial loan amount from \$3,000,000 to \$1,000,000.

PURPOSE

As proposed, C.S.S.B. 172 redefines the minimum amounts of a “qualified commercial loan.”

RULEMAKING AUTHORITY

This bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subdivision (9), Article 5069-1H.001, Title 79, V.T.C.S., to redefine a “qualified commercial loan” including resetting the loan value to \$250,000, rather than \$3 million; prohibiting a qualified loan under \$3 million from being secured by real estate; and providing that the provisions of article 1H.001 are not applicable to a loan made to a licensee of the Texas Motor Vehicle Board.

SECTION 2. Amends Subsection (b), Article 5069-1H.101, V.T.C.S., to authorize the parties to contract for the additional charge of an option or other right to participate in or own a share of certain appreciations in value or profits.

SECTION 3. (a) Effective date: September 1, 1999, except as provided by Subsections (b) and (c).

(b) Provides that SECTION 1 of this Act will take effect only if nonsubstantive additions to and corrections in enacted codes do not take effect.

(c) Provides that SECTION 2 of this Act takes effect only if nonsubstantive additions to and corrections in enacted codes do not take effect.

SECTION 4. Emergency clause.

SUMMARY OF COMMITTEE CHANGES

SECTION 1.

Amends Subdivision (9), Article 5069-1H.001, V.T.C.S., to redefine a “qualified commercial loan,” including resetting the loan value to \$250,000 rather than \$3 million; prohibiting a qualified loan under \$3 million from being secured by real estate; and providing that the provisions of Article 1H.001 are not applicable to a loan made to a licensee of the Texas Motor Vehicle Board.