

## **BILL ANALYSIS**

Senate Research Center  
77R14851 JSA-F

C.S.H.B. 1938  
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Education  
5/3/2001  
Committee Report (Substituted)

### **DIGEST AND PURPOSE**

Higher Education Servicing Corporations service student loans of the six higher education authorities in various parts of the state. These authorities are nonprofit corporations and were established to provide student loan access in the state of Texas. The authorities provide liquidity to financial institutions that make student loans by purchasing their guaranteed student loans, and funding their programs primarily through the sale of tax-exempt bonds. In an effort to make sure that student borrowers are protected against unreasonable fees, proponents seek to designate reliable sources of long-term education loans so that Texas students can afford to attend the college or university of their choice. C.S.H.B. 1938 limits the authority for making education loans to qualified Texas nonprofit corporations that have already established a record of servicing loans under the Higher Education Authority Act.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Section 53.47, Education Code, as follows:

Sec. 53.47. New heading: GUARANTEED STUDENT LOANS AND ALTERNATIVE EDUCATION LOANS; BONDS FOR THE PURCHASE OF EDUCATION LOAN NOTES. (a) Defines “accredited institution,” “alternative education loan,” “cost of attendance,” “guaranteed student loan,” “qualified education loan,” and “qualified nonprofit corporation.”

(b) Changes references from “student or parent loan notes which are guaranteed under the provisions of the Higher Education act of 1965” to “guaranteed student loans,” and “Chapter 3, Acts of the 61st Legislature, Regular Session, 1969, as amended (Article 717k-2, Vernon's Texas Civil Statutes), and by Chapter 784, Acts of the 61st Legislature, Regular Session, 1969 (Article 717k-3, Vernon's Texas Civil Statutes)” to “Chapter 1204, Government Code, and Subchapters A and D, Chapter 1207, Government Code.” Makes a conforming change.

(c) Deletes language relating to an authority that is not an eligible lender under the Higher Education Act of 1965, acting through a bank with trust powers. Adds language to authorize an authority to cause money to be expended to make for its account certain education loans. Deletes language defining “accredited institution” and makes a conforming change.

(d) Deletes language requiring the custody of student or parent loan notes, purchased by the bank on behalf of the authority, to remain under the control of a bank with trust powers.

(e) Makes a conforming change.

(f) Deletes a reference to the Federal Savings and Loan Insurance Corporation, deletes references to certain investments, and makes conforming changes.

(g) Adds language to authorize a nonprofit corporation, whether acting at the request of a city or cities under Subsection (f) or acting as a servicer or administrator for another corporation that purchases guaranteed student loans or that on its own behalf issues securities or otherwise obtains funds to purchase or make guaranteed student loans or alternative education loans, to carry out certain duties. Deletes language authorizing a nonprofit corporation to purchase or make a student or parent loan that is guaranteed or insured, in whole or part, by one or more persons engaged in guaranteeing or insuring student or parent loans, including any agency of the federal government. Makes a conforming change.

(h) Makes a conforming change.

(i) Authorizes an alternative education loan made under this section to be made only by a qualified alternative education loan lender and prohibits it from being in an amount in excess of the difference between the cost of attendance and the amount of other student assistance to the student, other than loans under Section 428B(a)(1), Higher Education Act of 1965 (20 U.S.C. Section 1078-2) (relating to parent loans), for which the student borrower may be eligible. Provides that an alternative education loan covered by this subsection is subject to Chapter 342 (Consumer Loans), Finance Code, as applicable, except under certain conditions.

(j) Provides that an authority or nonprofit corporation making education loans under this section is exempt from the licensing requirements of Chapter 342, Finance Code.

(k) Provides that Subsection (a)(6) expires September 1, 2003. Provides that on or after September 1, 2003, in this section, the term “qualified nonprofit corporation” means any nonprofit corporation authorized by a city to exercise the powers of an authority under this section.

SECTION 2. Effective date: upon passage or September 1, 2001.