

BILL ANALYSIS

Senate Research Center
78R3813 DWS-F

S.J.R. 22
By: Harris
Business & Commerce
2/28/2003
As Filed

DIGEST AND PURPOSE

Current state law provides interest rate ceilings for all loans, including commercial loans. Independent and community banks in Texas may be at a competitive disadvantage in the area of commercial lending because of constitutional limitations on interest rates compared with lenders who are headquartered outside of Texas, and therefore not subject to Texas usury restrictions. As proposed, S.J.R. 22 proposes a constitutional amendment to allow the Texas Legislature to create exemptions from the maximum rate of interest for commercial loans, defined to be those made primarily for business, commercial, investment, agricultural or similar purposes and not primarily for personal, family, or household purposes.

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 11, Article XVI, Texas Constitution, as follows:

- (a) Creates Subsection (a) from existing text.
- (b) Authorizes the Legislature to create exemptions from the maximum rates of interest, notwithstanding Subsection (a). Defines “commercial loan.”

SECTION 2. Requires this proposed constitutional amendment to be submitted to the voters at an election on November 4, 2003. Requires the proposition on the ballot to read: “The constitutional amendment allowing the legislature to define rates of interest for commercial loans.”