

BILL ANALYSIS

Senate Research Center
79R4315 DWS-D

S.J.R. 21
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Business & Commerce
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As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Currently, Texas law limits the interest rate on all loans, including commercial loans. This places banks in Texas at a competitive disadvantage in the area of commercial lending. Most states do not regulate interest rates for commercial loans among sophisticated parties. Because federal law allows banks to import interest rates from the state in which they are headquartered, banks with headquarters outside the state of Texas are not subject to our interest rate ceilings. As a result, there are few large banks headquartered in Texas.

As proposed, S.J.R. 21 allows the legislature to create exemptions to the maximum rates of interest provision in the Texas Constitution.

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:

Sec. 11(a) Creates this subsection from existing text relating to the legislature's authority to fix rates of interest.

(b) Authorizes the legislature, notwithstanding Subsection (a), with respect to commercial loans, to create exemptions from the maximum rates of interest. Defines "commercial loan."

SECTION 2. Requires the proposed constitutional amendment to be submitted to the voters at an election to be held on November 8, 2005. Requires the ballot to be printed to permit voting for or against the specific proposition.