

BILL ANALYSIS

Senate Research Center
80R16715 KSD-D

S.B. 2049
By: Zaffirini
S/C on Higher Education
5/12/2007
As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Some ban companies and institutions of higher education have come under recent scrutiny for ethically questionable practices that have not been in the best interest of students seeking financial aid.

As proposed, S.B. 2049 prohibits loan companies from sharing revenue from student loans with institutions of higher education. The bill prohibits these companies from offering gifts to the institution in exchange for the institution's recommendation of the lender to students and from providing payment to an institution employee for service on a lender advisory board. The bill prohibits school officials from accepting any payment for service on such a board.

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 Subchapter Z, Chapter 51, Education Code, by adding Section 51.9645, as follows:

Sec. 51.9645. PROHIBITIONS REGARDING THE RELATIONSHIP BETWEEN STUDENT LOAN LENDERS AND PUBLIC OR PRIVATE INSTITUTIONS OF HIGHER EDUCATION. (a) Defines "public or private institution of higher education" (institution), "student loan" (loan), and "student loan lender" (lender).

(b) Prohibits a lender and an institution from entering into an agreement under which the lender pays the institution a percentage of the principal of loans directed towards the lender from a borrower for higher education expenses related to attending the institution or from sharing the proceeds from the lender's loan activities with the institution in any other matter.

(c) Prohibits a lender from offering or providing any gift to an institution or an institution employee in exchange for the institution's or employee's recommendation of the lender to students or potential students of the institution seeking financial aid or from providing remuneration to an institution employee for service on a lender advisory board.

(d) Prohibits an institution or institution employee from soliciting or accepting any gift from a lender in exchange for the institution or employee recommending the lender to institution students or potential students who are seeking financial aid.

(e) Prohibits an institution employee from accepting any remuneration for service on a lender advisory board.

SECTION 2. Effective date: upon passage or September 1, 2007.