

## **BILL ANALYSIS**

Senate Research Center  
81R973 KSD-D

S.B. 194  
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Higher Education  
3/13/2009  
As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

In 2007, news reports uncovered potentially severe conflicts of interest by employees of financial aid offices in universities across the country. Major lending companies offered gifts to financial aid employees and encouraged the employees to purchase stock in the lending companies.

Today's college students graduate saddled with enormous amounts of student loan debt. According to The Project on Student Debt, Texas students graduating in 2007 graduated with an average debt of \$18,153. Texas must act to prevent even the semblance of conflicts of interest and other ethical lapses by those in financial aid offices who may have the power to direct students to a particular loan company.

As proposed, S.B. 194 prohibits a person employed by an institution of higher education in the financial aid office from owning stock or other ownership interest in a student loan lender, other than through ownership of shares in a publicly traded mutual fund or a similar investment vehicle. The bill also prohibits a person employed by an institution of higher education in the financial aid office from soliciting or accepting any gift from a student loan lender.

### **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. PROHIBITION AGAINST CERTAIN ACTIVITIES BY FINANCIAL AID EMPLOYEES. (a) Defines "institution of higher education," "student loan," and "student loan lender."

(b) Prohibits a person employed by an institution of higher education in the financial aid office of the institution from owning stock or holding another ownership interest in a student loan lender, other than through ownership of shares in a publicly traded mutual fund or similar investment vehicle in which the person does not exercise any discretion regarding the investment of the assets of the fund or other investment vehicle, or from soliciting or accepting any gift from a student loan lender.

(c) Provides that a person who violates this section is subject to dismissal or other appropriate disciplinary action.

SECTION 2. Effective date: upon passage or September 1, 2009.