

By: Harris

S.B. No. 417

A BILL TO BE ENTITLED

AN ACT

relating to interest rate ceilings on certain commercial loans.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 306.002(a), Finance Code, is amended to read as follows:

(a) Except as provided by Section 306.101, a [A] creditor may contract for, charge, and receive from an obligor on a commercial loan a rate or amount of interest that does not exceed the applicable ceilings computed in accordance with Chapter 303.

SECTION 2. Section 306.101, Finance Code, is amended to read as follows:

Sec. 306.101. QUALIFIED COMMERCIAL LOAN--RATE CEILINGS INAPPLICABLE. (a) The parties to a qualified commercial loan agreement may contract for, charge, and receive any [a] rate or amount of interest to which the parties agree, however computed.

(b) A rate ceiling provided by this title or another law of this state does not apply to a qualified commercial loan [~~that does not exceed the applicable rate ceiling.~~]

~~[(b) The parties to a qualified commercial loan agreement may contract for the following charges:~~

~~[(1) a discount or commission that an obligor has paid or agreed to pay to one or more underwriters of securities issued by the obligor,~~

~~[(2) an option or right to exchange, redeem, or~~

1 ~~convert all or a portion of the principal amount of the loan, or~~
2 ~~interest on the principal amount, for or into capital stock or other~~
3 ~~equity securities of an obligor or of an affiliate of an obligor,~~

4 ~~[(3) an option or right to purchase capital stock or~~
5 ~~other equity securities of an obligor or of an affiliate of an~~
6 ~~obligor,~~

7 ~~[(4) an option or other right created by contract,~~
8 ~~conveyance, or otherwise, to participate in or own a share of the~~
9 ~~income, revenues, production, or profits:~~

10 ~~[(A) of an obligor or of an affiliate of an~~
11 ~~obligor,~~

12 ~~[(B) of any segment of the business or operations~~
13 ~~of an obligor or of an affiliate of an obligor, or~~

14 ~~[(C) derived or to be derived from ownership~~
15 ~~rights of an obligor or of an affiliate of an obligor in property,~~
16 ~~including any proceeds of the sale or other disposition of~~
17 ~~ownership rights, or~~

18 ~~[(5) compensation realized as a result of the receipt,~~
19 ~~exercise, sale, or other disposition of an option or other right~~
20 ~~described by this subsection.~~

21 ~~[(c) A charge under Subsection (b) is not interest].~~

22 SECTION 3. This Act takes effect January 1, 2004, but only
23 if the constitutional amendment authorizing the legislature to
24 define rates of interest for commercial loans is approved by the
25 voters. If that amendment is not approved by the voters, this Act
26 has no effect.