

BILL ANALYSIS

Senate Research Center
79R5122 DWS-F

S.B. 807
By: Averitt
Business & Commerce
3/23/2005
As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Current law limits the interest rate on all loans, including commercial loans. This places banks domiciled 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.B. 807 exempts commercial loans of more than \$7 million that are secured by real property and commercial loans of more than \$500,000 that are not secured by real property from interest rate regulation.

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 306.001, Finance Code, by adding Subdivision (5-a) and amending Subdivision (9), as follows:

(5-a) Defines "exempt qualified commercial loan."

(9) Redefines "qualified commercial loan."

SECTION 2. Amends Section 306.002(a), Finance Code, to provide an exception to this section as provided by Section 306.1015.

SECTION 3. Amends Subchapter B, Chapter 306, Finance Code, by adding Section 306.1015, as follows:

Sec. 306.1015. EXEMPT QUALIFIED COMMERCIAL LOAN--RATE CEILINGS INAPPLICABLE. (a) Authorizes the parties to an exempt qualified commercial loan agreement to contract for, charge, and receive any rate or amount of interest to which the parties agree, however computed.

(b) Provides that a rate ceiling provided by this title or another law of this state does not apply to an exempt qualified commercial loan.

SECTION 4. Provides that this Act takes effect on the date on which the constitutional amendment proposed by the 79th Legislature, Regular Session, 2005, authorizing the legislature to define rates of interest for commercial loans, takes effect. Provides that this Act has no effect if that amendment is not approved by the voters.