

## **BILL ANALYSIS**

C.S.S.B. 194  
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Higher Education  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

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 debt. According to the Project on Student Debt, Texas students graduating in 2007 had an average debt of more than \$18,000. Texas must act to prevent 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.

C.S.S.B. 194 prohibits a person employed in the financial aid office of an institution of higher education or a career school or college 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 such a person from soliciting or accepting any gift from a student loan lender.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.S.B. 194 amends the Education Code to prohibit a person employed by an institution of higher education in the institution's financial aid office 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. The bill makes a person who violates this prohibition subject to dismissal or other disciplinary action.

C.S.S.B. 194 applies the same prohibition to a person employed by a career school or college in the financial aid office of the school or college and prohibits a career school or college from knowingly employing a person who violates the prohibition. The bill requires a career school or college, if it discovers that its employee is in violation of the prohibition, to promptly take action to cure the violation, including appropriate disciplinary action, based on the severity of the violation and whether the violation was inadvertent.

C.S.S.B. 194 defines "institution of higher education," "student loan," and "student loan lender."

### **EFFECTIVE DATE**

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.

## **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.S.B. 194 adds a provision not in the original prohibiting an employee in the financial aid office of a career school or college 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 or from soliciting or accepting any gift from a student loan lender. The substitute adds provisions not in the original prohibiting a career school or college from knowingly employing a person who violates this prohibition, requiring a career school or college, if it discovers that its employee is in violation of the prohibition, to promptly take action to cure the violation based on its severity and whether it was inadvertent, and defining "student loan" and "student loan lender" as the terms relate to career schools and colleges.