

## **BILL ANALYSIS**

C.S.H.B. 2911  
By: Branch  
Higher Education  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Interested parties observe that higher education loan authorities finance guaranteed student loans through a combination of tax-exempt and taxable bonds, the authority for which is provided through the state's private activity bonding allocation process. According to these interested parties, a recent change in federal law makes the federal government the only issuer of guaranteed student loans. C.S.H.B. 2911 seeks to allow higher education loan authorities to make alternative education loans using the existing private activity bonding allocation and to change the method of allocating private activity bond authority.

### **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.H.B. 2911 amends the Education Code to authorize a higher education loan authority, upon approval of the city or cities which created the authority, to issue revenue bonds or otherwise borrow money to obtain funds to purchase or to make alternative education loans, in addition to guaranteed student loans. The bill establishes that such bonds are payable from and secured by a pledge of revenues derived from or by reason of the ownership of the alternative education loans after the deduction of operating expenses. The bill adds other guaranteed student loans and alternative education loans to the loans which an authority is authorized to make or purchase under certain conditions. The bill requires the authority to contract with a nonprofit corporation, organized under the laws of the state, to provide the reports and other information required for continued participation in an alternative education loan program, in addition to the federally guaranteed loan program. The bill establishes that nothing in provisions of law relating to guaranteed student loans, alternative education loans, and bonds for the purchase of education loan notes can be construed as a prohibition against establishing policies to limit the purchase of guaranteed student loans or alternative education loans executed by certain students, rather than a prohibition against establishing policies to limit the purchase of guaranteed student loans executed by those students.

C.S.H.B. 2911 expands the activities to include making guaranteed student loans or alternative education loans as activities of a nonprofit corporation acting as a servicer or administrator that qualify the nonprofit corporation to be authorized to exercise certain powers, service certain loans, grant certain security interests, and make certain investments. The bill authorizes an alternative education loan to be made on behalf of a qualified alternative education loan lender, in addition to being made by a qualified alternative education loan lender.

C.S.H.B. 2911 amends the Government Code to entitle each qualified nonprofit corporation that applies for a student loan bond allocation in compliance with all applicable application requirements for a program year to receive a student loan bond allocation for that year and to remove provisions relating to the entitlement of a floor allocation for such a nonprofit

corporation. The bill specifies that the changes made to the Government Code apply to the allocation of the available state ceiling beginning with the 2011 program year.

C.S.H.B. 2911 redefines "qualified nonprofit corporation" and "student loan bond allocation." The bill removes the definitions for "additional need," "annual need," "floor allocation," "remaining amount to be allocated," "Texas eligible loan," "Texas loan," and "total amount to be allocated." The bill makes conforming and nonsubstantive changes.

C.S.H.B. 2911 repeals Section 1372.033(c), Government Code, requiring an application for a student loan bond allocation to include a statement containing certain information relating to Texas eligible loans purchased by the applicant. The bill repeals Sections 1372.033(e) and (f), Government Code, relating to the entitlement of a qualified nonprofit corporation that applies for a student loan bond allocation and that has additional need to a proportion of the remaining amount of the available state ceiling after allocations have been computed for each qualified nonprofit corporation.

#### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2011.

#### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

C.S.H.B. 2911 differs from the original by making a technical correction relating to the Texas Nonprofit Corporation Law.