

1-1 By: Branch (Senate Sponsor - Patrick) H.B. No. 2911
1-2 (In the Senate - Received from the House May 4, 2011;
1-3 May 5, 2011, read first time and referred to Committee on Higher
1-4 Education; May 19, 2011, reported favorably by the following vote:
1-5 Yeas 6, Nays 0; May 19, 2011, sent to printer.)

1-6 A BILL TO BE ENTITLED
1-7 AN ACT

1-8 relating to guaranteed student loans and alternative education
1-9 loans.

1-10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-11 SECTION 1. The heading to Section 53B.47, Education Code,
1-12 is amended to read as follows:

1-13 Sec. 53B.47. GUARANTEED STUDENT LOANS AND ALTERNATIVE
1-14 ~~[ALTERNATE]~~ EDUCATION LOANS; BONDS FOR THE PURCHASE OF EDUCATION
1-15 LOAN NOTES.

1-16 SECTION 2. Sections 53B.47(a), (b), (c), (d), (f), and (h),
1-17 Education Code, are amended to read as follows:

1-18 (a) An authority may, upon approval of the city or cities
1-19 which created the same, issue revenue bonds or otherwise borrow
1-20 money to obtain funds to purchase or to make guaranteed student
1-21 loans or alternative education loans. Revenue bonds issued for
1-22 such purpose shall be issued in accordance with and with the effect
1-23 provided in this chapter. Such bonds shall be payable from and
1-24 secured by a pledge of revenues derived from or by reason of the
1-25 ownership of guaranteed student loans or alternative education
1-26 loans and investment income after deduction of such expenses of
1-27 operating the loan program as may be specified by the bond
1-28 resolution or trust indenture.

1-29 (b) An authority may cause money to be expended to make or
1-30 purchase for its account guaranteed student loans that are
1-31 guaranteed by the Texas Guaranteed Student Loan Corporation, other
1-32 guaranteed student loans, or alternative education loans that are
1-33 executed by or on behalf of students who:

1-34 (1) are residents of this state; or

1-35 (2) have been admitted to attend an accredited
1-36 institution within this state.

1-37 (c) The authority shall contract with a nonprofit
1-38 corporation, organized under the laws of this state, whereby such
1-39 corporation will provide the reports and other information required
1-40 for continued participation in the federally guaranteed loan
1-41 program provided by the Higher Education Act of 1965, as amended, or
1-42 in an alternative education loan program.

1-43 (d) The authority, as a municipal corporation of the state,
1-44 is charged with a portion of the responsibility of the state to
1-45 provide educational opportunities in keeping with all applicable
1-46 state and federal laws. Nothing in this section shall be construed
1-47 as a prohibition against establishing policies to limit the
1-48 purchase of guaranteed student loans or alternative education loans
1-49 ~~[to guaranteed student loans]~~ executed by students attending school
1-50 in a certain geographical area or by students who are residents of
1-51 the area.

1-52 (f) A nonprofit corporation, whether acting at the request
1-53 of a city or cities under Subsection (e) or acting as a servicer or
1-54 administrator for another corporation that purchases or makes
1-55 guaranteed student loans or alternative education loans, or that on
1-56 its own behalf issues securities or otherwise obtains funds to
1-57 purchase or make guaranteed student loans or alternative education
1-58 loans, may:

1-59 (1) exercise the powers granted by Chapters 20 and 22,
1-60 Business Organizations Code, and any provision of Title 1, Business
1-61 Organizations Code, applicable to a nonprofit corporation [the
1-62 Texas Non-Profit Corporation Act (Article 1396-1.01 et seq.,
1-63 Vernon's Texas Civil Statutes)];

1-64 (2) service loans purchased or made from its funds or

2-1 contract with another person to service the loans;

2-2 (3) grant a security interest in a trust estate
2-3 securing its securities; and

2-4 (4) make investments as authorized by Subsection (e).

2-5 (h) An alternative education loan may be made under this
2-6 section only by or on behalf of a qualified alternative education
2-7 loan lender. An alternative education loan may not be in an amount
2-8 in excess of the difference between the cost of attendance and the
2-9 amount of other student assistance to the student, other than loans
2-10 under Section 428B(a)(1), Higher Education Act of 1965 (20 U.S.C.
2-11 Section 1078-2) (relating to parent loans), for which the student
2-12 borrower may be eligible. An alternative education loan covered by
2-13 this subsection is subject to Chapter 342, Finance Code, as
2-14 applicable, except that:

2-15 (1) the maximum interest rate on the loan may not
2-16 exceed the rate permitted under Subchapter A, Chapter 303, Finance
2-17 Code; and

2-18 (2) application and origination fees may be agreed to
2-19 by the parties and assessed at the inception of the loan, provided
2-20 that if any such fees constitute additional interest under
2-21 applicable law, the effective rate of interest agreed to over the
2-22 stated term of the loan may not exceed the rate allowed by
2-23 Subchapter A, Chapter 303, Finance Code, and accrued unpaid
2-24 interest may be added to unpaid principal at the beginning of the
2-25 agreed repayment period at the borrower's option and in accordance
2-26 with the terms of the agreement for purposes of determining the
2-27 total principal amount due at the inception of the repayment
2-28 period.

2-29 SECTION 3. Sections 1372.033(a) and (d), Government Code,
2-30 are amended to read as follows:

2-31 (a) In this section:

2-32 (1) ~~["Additional need" means the additional need of a~~
2-33 ~~qualified nonprofit corporation determined by subtracting the~~
2-34 ~~floor allocation for that qualified nonprofit corporation from that~~
2-35 ~~corporation's annual need.~~

2-36 ~~[(2) "Annual need" means, for a qualified nonprofit~~
2-37 ~~corporation, one-half of the total principal amount of Texas~~
2-38 ~~eligible loans the qualified nonprofit corporation purchased in the~~
2-39 ~~two most recently completed fiscal years ending June 30.~~

2-40 ~~[(3) "Floor allocation" means, for a qualified~~
2-41 ~~nonprofit corporation, an allocation in the amount of the lesser of~~
2-42 ~~\$27 million or the qualified nonprofit corporation's annual need.~~

2-43 ~~[(4)] "Qualified nonprofit corporation" has the~~
2-44 meaning assigned by Section 53B.02(11) [53.47], Education Code.

2-45 ~~[(5) "Remaining amount to be allocated" is the~~
2-46 ~~total amount to be allocated under Section 1372.022(a)(5) in a~~
2-47 ~~calendar year less the sum of the floor allocations of the qualified~~
2-48 ~~nonprofit corporations that have applied for a student loan bond~~
2-49 ~~allocation for the calendar year.~~

2-50 ~~[(6)] "Student loan bond allocation" means the total~~
2-51 ~~amount of the [an] allocation for private activity bonds under~~
2-52 ~~Section 1372.022(a)(5) for a program year divided by the number of~~
2-53 ~~qualified nonprofit corporation applicants that comply with all~~
2-54 ~~applicable application requirements for that year.~~

2-55 ~~[(7) "Texas eligible loan" means a Texas loan~~
2-56 ~~purchased from the originating lender by a nonprofit corporation~~
2-57 ~~acting as described by Section 53.47(g), Education Code.~~

2-58 ~~[(8) "Texas loan" means a guaranteed student loan, as~~
2-59 ~~defined by Section 53.47, Education Code, made on behalf of a~~
2-60 ~~borrower who is:~~

2-61 ~~[(A) a resident of this state, or~~

2-62 ~~[(B) a student attending an accredited~~
2-63 ~~institution, as defined by Section 53.47, Education Code, that is~~
2-64 ~~located in this state.~~

2-65 ~~[(9) "Total amount to be allocated" means the total~~
2-66 ~~available under Section 1372.022(a)(5) for all applicants.]~~

2-67 (d) Each qualified nonprofit corporation that applies for a
2-68 student loan bond allocation in compliance with all applicable
2-69 application requirements for a program year is entitled to receive

3-1 a student loan bond [a floor] allocation for that year [except as
3-2 provided by this section. If the total amount to be allocated is
3-3 less than the sum of the floor allocations for all of the
3-4 applicants, each applicant is entitled to a proportion of the total
3-5 amount to be allocated equal to the proportion its floor allocation
3-6 bears to the total of the floor allocation for all of the
3-7 applicants. A qualified nonprofit corporation whose annual need is
3-8 zero is not entitled to apply for a student loan bond allocation].

3-9 SECTION 4. Sections 1372.033(c), (e), and (f), Government
3-10 Code, are repealed.

3-11 SECTION 5. The change in law made by this Act to Section
3-12 1372.033, Government Code, applies to the allocation of the
3-13 available state ceiling under that section beginning with the 2011
3-14 program year under Chapter 1372, Government Code.

3-15 SECTION 6. This Act takes effect immediately if it receives
3-16 a vote of two-thirds of all the members elected to each house, as
3-17 provided by Section 39, Article III, Texas Constitution. If this
3-18 Act does not receive the vote necessary for immediate effect, this
3-19 Act takes effect September 1, 2011.

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