

By: Patrick, Hinojosa

S.B. No. 1823

A BILL TO BE ENTITLED

AN ACT

relating to guaranteed student loans and alternative education loans.

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

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

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

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

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

(b) An authority may cause money to be expended to make or purchase for its account guaranteed student loans that are

1 guaranteed by the Texas Guaranteed Student Loan Corporation, other
2 guaranteed student loans, or alternative education loans that are
3 executed by or on behalf of students who:

4 (1) are residents of this state; or

5 (2) have been admitted to attend an accredited
6 institution within this state.

7 (c) The authority shall contract with a nonprofit
8 corporation, organized under the laws of this state, whereby such
9 corporation will provide the reports and other information required
10 for continued participation in the federally guaranteed loan
11 program provided by the Higher Education Act of 1965, as amended, or
12 in an alternative education loan program.

13 (d) The authority, as a municipal corporation of the state,
14 is charged with a portion of the responsibility of the state to
15 provide educational opportunities in keeping with all applicable
16 state and federal laws. Nothing in this section shall be construed
17 as a prohibition against establishing policies to limit the
18 purchase of guaranteed student loans or alternative education loans
19 [~~to guaranteed student loans~~] executed by students attending school
20 in a certain geographical area or by students who are residents of
21 the area.

22 (f) A nonprofit corporation, whether acting at the request
23 of a city or cities under Subsection (e) or acting as a servicer or
24 administrator for another corporation that purchases or makes
25 guaranteed student loans or alternative education loans, or that on
26 its own behalf issues securities or otherwise obtains funds to
27 purchase or make guaranteed student loans or alternative education

1 loans, may:

2 (1) exercise the powers granted by Chapter 22,
3 Business Organizations Code [~~the Texas Non-Profit Corporation Act~~
4 ~~(Article 1396-1.01 et seq., Vernon's Texas Civil Statutes)~~];

5 (2) service loans purchased or made from its funds or
6 contract with another person to service the loans;

7 (3) grant a security interest in a trust estate
8 securing its securities; and

9 (4) make investments as authorized by Subsection (e).

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

20 (1) the maximum interest rate on the loan may not
21 exceed the rate permitted under Subchapter A, Chapter 303, Finance
22 Code; and

23 (2) application and origination fees may be agreed to
24 by the parties and assessed at the inception of the loan, provided
25 that if any such fees constitute additional interest under
26 applicable law, the effective rate of interest agreed to over the
27 stated term of the loan may not exceed the rate allowed by

1 Subchapter A, Chapter 303, Finance Code, and accrued unpaid
2 interest may be added to unpaid principal at the beginning of the
3 agreed repayment period at the borrower's option and in accordance
4 with the terms of the agreement for purposes of determining the
5 total principal amount due at the inception of the repayment
6 period.

7 SECTION 3. Sections 1372.033(a) and (d), Government Code,
8 are amended to read as follows:

9 (a) In this section:

10 (1) [~~"Additional need" means the additional need of a~~
11 ~~qualified nonprofit corporation determined by subtracting the~~
12 ~~floor allocation for that qualified nonprofit corporation from that~~
13 ~~corporation's annual need.~~

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

18 [~~(3) "Floor allocation" means, for a qualified~~
19 ~~nonprofit corporation, an allocation in the amount of the lesser of~~
20 ~~\$27 million or the qualified nonprofit corporation's annual need.~~

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

23 (2) [~~(5) "Remaining amount to be allocated" is the~~
24 ~~total amount to be allocated under Section 1372.022(a)(5) in a~~
25 ~~calendar year less the sum of the floor allocations of the qualified~~
26 ~~nonprofit corporations that have applied for a student loan bond~~
27 ~~allocation for the calendar year.~~

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

6 ~~[(7)]~~ "Texas eligible loan" means ~~a Texas loan~~
7 ~~purchased from the originating lender by a nonprofit corporation~~
8 ~~acting as described by Section 53.47(g), Education Code.~~

9 ~~[(8)]~~ "Texas loan" means ~~a guaranteed student loan, as~~
10 ~~defined by Section 53.47, Education Code, made on behalf of a~~
11 ~~borrower who is:~~

12 ~~[(A)]~~ ~~a resident of this state, or~~

13 ~~[(B)]~~ ~~a student attending an accredited~~
14 ~~institution, as defined by Section 53.47, Education Code, that is~~
15 ~~located in this state.~~

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

18 (d) Each qualified nonprofit corporation that applies for a
19 student loan bond allocation in compliance with all applicable
20 application requirements for a program year is entitled to receive
21 a student loan bond ~~[a floor]~~ allocation for that year ~~[except as~~
22 ~~provided by this section. If the total amount to be allocated is~~
23 ~~less than the sum of the floor allocations for all of the~~
24 ~~applicants, each applicant is entitled to a proportion of the total~~
25 ~~amount to be allocated equal to the proportion its floor allocation~~
26 ~~bears to the total of the floor allocation for all of the~~
27 ~~applicants. A qualified nonprofit corporation whose annual need is~~

1 ~~zero is not entitled to apply for a student loan bond allocation].~~

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

4 SECTION 5. The change in law made by this Act to Section
5 1372.033, Government Code, applies to the allocation of the
6 available state ceiling under that section beginning with the 2011
7 program year under Chapter 1372, Government Code.

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