

1-1 By: Villarreal (Senate Sponsor - Carona) H.B. No. 1979
 1-2 (In the Senate - Received from the House April 22, 2013;
 1-3 May 7, 2013, read first time and referred to Committee on Business
 1-4 and Commerce; May 14, 2013, reported favorably by the following
 1-5 vote: Yeas 8, Nays 0; May 14, 2013, sent to printer.)

1-6 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-7				
1-8	X			
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16			X	

1-17 A BILL TO BE ENTITLED
 1-18 AN ACT

1-19 relating to interest on commercial loans.
 1-20 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
 1-21 SECTION 1. Section 306.002, Finance Code, is amended by
 1-22 adding Subsection (c) to read as follows:
 1-23 (c) The provisions of this chapter providing authorizations
 1-24 with respect to certain transactions do not affect or negatively
 1-25 impact any rules of law applicable either to other transactions
 1-26 subject to this chapter or to any transactions not subject to this
 1-27 chapter.
 1-28 SECTION 2. Section 306.003, Finance Code, is amended to
 1-29 read as follows:
 1-30 Sec. 306.003. COMPUTATION OF LOAN TERMS [~~TERM~~]. (a) In
 1-31 addition to any other method otherwise permitted under this title,
 1-32 a creditor and an obligor may agree to compute an annual interest
 1-33 rate on a commercial loan on a 365/360 basis or a 366/360 basis, as
 1-34 applicable, determined by applying the ratio of the percentage
 1-35 annual interest rate agreed to by the parties over a year of 360
 1-36 days, multiplied by the outstanding principal balance, multiplied
 1-37 by the actual number of days the principal balance is outstanding.
 1-38 A creditor and an obligor may also agree to compute the term and
 1-39 rate of a commercial loan based on a 360-day year consisting of 12
 1-40 30-day months. Each interest [~~For purposes of this chapter, each~~]
 1-41 rate ceiling under Chapters 302 and 303 expressed as a rate per year
 1-42 may mean a rate per year computed in accordance with this section
 1-43 [consisting of 360 days and of 12 30-day months].
 1-44 (b) A creditor and an obligor may agree that one or more
 1-45 payments of interest due or that are scheduled to be due with
 1-46 respect to a commercial loan may be paid on a periodic basis when
 1-47 due wholly or partly by adding to the principal balance of the loan
 1-48 the amount of unpaid interest due or scheduled to be due, regardless
 1-49 of whether the interest added to the principal balance is evidenced
 1-50 by an existing or a separate promissory note or other agreement. On
 1-51 and after the date an amount of interest is added to the principal
 1-52 balance under this subsection, that amount no longer constitutes
 1-53 interest, but instead constitutes part of the principal for
 1-54 purposes of calculating the maximum lawful rate or amount of
 1-55 interest on the loan.
 1-56 SECTION 3. The changes in law made by this Act apply only to
 1-57 a loan agreement entered into on or after the effective date of this
 1-58 Act. A loan agreement entered into before the effective date of
 1-59 this Act is governed by the law in effect on the date the agreement
 1-60 was entered into, and the former law is continued in effect for that
 1-61 purpose.

2-1 SECTION 4. This Act takes effect September 1, 2013.

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