

By: Carona

S.B. No. 952

A BILL TO BE ENTITLED

AN ACT

relating to interest on commercial loans.

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

SECTION 1. Section 306.002, Finance Code, is amended by adding Subsection (c) to read as follows:

(c) The provisions of this chapter providing authorizations with respect to certain transactions do not affect or negatively impact any rules of law applicable either to other transactions subject to this chapter or to any transactions not subject to this chapter.

SECTION 2. Section 306.003, Finance Code, is amended to read as follows:

Sec. 306.003. COMPUTATION OF LOAN TERMS [~~TERM~~]. (a) In addition to any other method otherwise permitted under this title, a creditor and an obligor may agree to compute an annual interest rate on a commercial loan on a 365/360 basis or a 366/360 basis, as applicable, determined by applying the ratio of the percentage annual interest rate agreed to by the parties over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding.

A creditor and an obligor may also agree to compute the term and rate of a commercial loan based on a 360-day year consisting of 12 30-day months. Each interest [~~For purposes of this chapter, each~~] rate ceiling under Chapters 302 and 303 expressed as a rate per year

1 may mean a rate per year computed in accordance with this section
2 [~~consisting of 360 days and of 12 30-day months~~].

3 (b) A creditor and an obligor may agree that one or more
4 payments of interest due or that are scheduled to be due with
5 respect to a commercial loan may be paid on a periodic basis when
6 due wholly or partly by adding to the principal balance of the loan
7 the amount of unpaid interest due or scheduled to be due, regardless
8 of whether the interest added to the principal balance is evidenced
9 by an existing or a separate promissory note or other agreement. On
10 and after the date an amount of interest is added to the principal
11 balance under this subsection, that amount no longer constitutes
12 interest, but instead constitutes part of the principal for
13 purposes of calculating the maximum lawful rate or amount of
14 interest on the loan.

15 SECTION 3. The changes in law made by this Act apply only to
16 a loan agreement entered into on or after the effective date of this
17 Act. A loan agreement entered into before the effective date of
18 this Act is governed by the law in effect on the date the agreement
19 was entered into, and the former law is continued in effect for that
20 purpose.

21 SECTION 4. This Act takes effect September 1, 2013.