

BILL ANALYSIS

Senate Research Center

S.B. 37
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas is one of 19 states that can bar professional license holders, including teachers, social workers, nurses, physicians, and attorneys, from renewing their professional licenses if they are in default on student loans. Proponents of these laws when they were created believed them to be in the taxpayer's interest, as many student loans are guaranteed by the state or federal government, which foots the bill if borrowers default. In reality, however, such laws often have been counterproductive. By threatening a person's ability to work by suspending or failing to renew his or her professional license, such policies not only threaten a person's employment and financial security, but also inhibit his or her ability to repay the student loan debt. Such tactics are especially unnecessary today, when lenders and loan guarantors have an array of tools they could use to pressure borrowers into repayment, including by creating repayment plans, filing lawsuits, garnishing wages, and seizing tax refunds.

S.B. 37 would eliminate state agencies' authority to deny, revoke, suspend, or fail to renew a professional license due to the licensee or applicant being in default on a student loan. Specifically, it would eliminate all statutory references to this policy and effectively render any agency rules to the same effect inoperative. (Original Author's/Sponsor's Statement of Intent)

S.B. 37 amends current law relating to a prohibition on the use of student loan default or breach of a student loan repayment or scholarship contract as a ground for refusal to grant or renew an occupational license or other disciplinary action in relation to an occupational license.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to licensing agencies, the Supreme Court of Texas, the Judicial Branch Certification Commission, and the Texas Court of Criminal Appeals is rescinded in SECTION 7 of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends the heading to Chapter 56, Occupations Code, to read as follows:

CHAPTER 56. DISCIPLINARY ACTION AGAINST RECIPIENTS OF STUDENT FINANCIAL ASSISTANCE PROHIBITED

SECTION 2. Amends Sections 56.001(3), (4), (5), and (6), Occupations Code, to redefine "licensing authority," "scholarship contract," "student loan," and "student loan repayment contract."

SECTION 3. Amends Section 56.003, Occupations Code, as follows:

Sec. 56.003. New heading: **DISCIPLINARY ACTION IN EVENT OF DEFAULT OR BREACH PROHIBITED**. Deletes existing text authorizing a licensing authority, on receipt of information from an administering entity that a person has defaulted on a student loan or has breached a student loan repayment contract or scholarship contract by failing to perform the person's service obligation under the contract, to take certain actions. Prohibits a licensing authority from taking disciplinary action against a person based on the person's default on a student loan or breach of a student loan repayment

contract or scholarship contract, including by taking certain enumerated actions. Makes nonsubstantive changes.

SECTION 4. Amends Sections 157.015(f) and (g), Finance Code, as follows:

(f) Authorizes the savings and mortgage lending commissioner (commissioner) to deny the renewal application for a residential mortgage loan originator license for the same reasons and grounds on which the commissioner could have denied an original application for a license, other than on the basis of the person's default on a student loan.

(g) Deletes existing text authorizing the commissioner to deny the renewal application for a residential mortgage loan originator license if the person seeking the renewal of the residential mortgage loan originator license is in default on a student loan administered by the Texas Guaranteed Student Loan Corporation, under Section 57.491 (Loan Default Ground For Nonrenewal of Professional or Occupational License), Education Code. Creates Subdivision (3) from former Subdivision (4) and makes nonsubstantive changes.

SECTION 5. Amends Section 180.055(d), Finance Code, to prohibit a determination that an individual has not shown financial responsibility from being based on the individual's default on a student loan but provides that the determination may include certain components, including a pattern of seriously delinquent accounts, other than student loan accounts, during the three-year period preceding the date of the application.

SECTION 6. Amends Sections 466.155(a) and (g), Government Code, as follows:

(a) Requires the director of the lottery division (director), after a hearing, to deny an application for a license or the Texas Lottery Commission (commission) to suspend or revoke a license if the director or commission, as applicable, finds that the applicant or sales agent:

(1)–(2) makes no changes to these subdivisions;

(3) deletes existing text relating to the individual being in default on a loan made under Chapter 52 (Student Loan Program), Education Code, or in default on a loan guaranteed under Chapter 57 (Guaranteed Student Loans), Education Code, and makes nonsubstantive changes; or

(4)–(5) makes no changes to these subdivisions.

(g) Deletes existing text that included the Texas Higher Education Coordinating Board and the Texas Guaranteed Student Loan Corporation among a list of agencies required to provide the executive director of the commission with a report of persons who have been finally determined to be delinquent in the payment of any money owed to or collected by that agency.

SECTION 7. Repealer: Section 57.491 (Loan Default Ground For Nonrenewal of Professional or Occupational License), Education Code.

Repealer: Section 82.022(c) (relating to the nonrenewal of the license of a lawyer who is in default on a loan), Government Code.

Repealer: Section 154.110(e) (relating to the nonrenewal of the certification of a court reporter who is in default on a loan), Government Code.

Repealer: Section 56.001(1) (relating to the definition of "administering entity"), Occupations Code.

Repealer: Section 56.002 (Applicability), Occupations Code.

Repealer: Section 56.004 (Rebuttable Presumption), Occupations Code.

Repealer: Section 56.005 (Rescission of Action), Occupations Code.

Repealer: Section 56.006 (Reinstatement of Action), Occupations Code.

SECTION 8. Provides that a disciplinary action proceeding under Chapter 56, Occupations Code, that was initiated before the effective date of this Act and that is pending on the effective date of this Act is terminated on that date.

SECTION 9. Effective date: upon passage or September 1, 2019.