

By: Flores

S.B. No. 2197

A BILL TO BE ENTITLED

AN ACT

relating to alternative education loans and qualified student loan bonds.

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

SECTION 1. Sections 53B.02(2) and (7), Education Code, are amended to read as follows:

(2) "Alternative education loan" means a loan other than a guaranteed student loan that is made to a student, a former student, or any other person ~~[or]~~ for the benefit of the ~~[a]~~ student or former student for the purpose of financing or refinancing all or part of the student's or former student's cost of attendance at an accredited institution. The term includes:

(A) indebtedness that meets the definition of a qualified education loan under Section 221(d)(1), Internal Revenue Code of 1986; and

(B) indebtedness used to refinance indebtedness that meets the definition of a qualified education loan under Section 221(d)(1), Internal Revenue Code of 1986.

(7) "Cost of attendance" means all costs of a student or former student incurred in connection with that student's ~~[a]~~ program of study at an accredited institution, as determined by the institution, including tuition and instructional fees, the cost of room and board, books, computers, and supplies, and other related fees, charges, and expenses.

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

3 (b) An authority may cause money to be expended to make or
4 purchase for its account guaranteed student loans that are
5 guaranteed by the Texas Guaranteed Student Loan Corporation, other
6 guaranteed student loans, or alternative education loans that are
7 executed by or on behalf of students or former students [~~who~~]:

8 (1) who are residents of this state; or

9 (2) who have been admitted to attend or who attended an
10 accredited institution within this state.

11 (d) The authority, as a municipal corporation of the state,
12 is charged with a portion of the responsibility of the state to
13 provide educational opportunities in keeping with all applicable
14 state and federal laws. This [~~Nothing in this~~] section may not
15 [~~shall~~] be construed as a prohibition against establishing policies
16 to limit the purchase of guaranteed student loans or alternative
17 education loans executed by or on behalf of students or former
18 students who are attending or who attended [~~attending~~] school in a
19 certain geographical area or by or on behalf of students or former
20 students who are residents of the area.

21 (h) An alternative education loan may be made under this
22 section only by or on behalf of a qualified alternative education
23 loan lender. An alternative education loan may not be in an amount
24 in excess of the difference between the cost of attendance and the
25 amount of other student-based [~~student~~] assistance for which the
26 borrower may be eligible [~~to the student~~], other than loans under
27 Section 428B(a)(1), Higher Education Act of 1965 (20 U.S.C. Section

1 1078-2) (relating to parent loans) [~~for which the student borrower~~
2 ~~may be eligible~~]. An alternative education loan covered by this
3 subsection is subject to Chapter 342, Finance Code, as applicable,
4 except that:

5 (1) the maximum interest rate on the loan may not
6 exceed the rate permitted under Subchapter A, Chapter 303, Finance
7 Code; and

8 (2) application and origination fees may be agreed to
9 by the parties and assessed at the inception of the loan, provided
10 that if any such fees constitute additional interest under
11 applicable law, the effective rate of interest agreed to over the
12 stated term of the loan may not exceed the rate allowed by
13 Subchapter A, Chapter 303, Finance Code, and accrued unpaid
14 interest may be added to unpaid principal at the beginning of the
15 agreed repayment period at the borrower's option and in accordance
16 with the terms of the agreement for purposes of determining the
17 total principal amount due at the inception of the repayment
18 period.

19 SECTION 3. Section 1372.002(a), Government Code, is amended
20 to read as follows:

21 (a) For purposes of this chapter, a project is:

22 (1) an eligible facility or facilities that are
23 proposed to be financed, in whole or in part, by an issue of
24 qualified residential rental project bonds;

25 (2) in connection with an issue of qualified mortgage
26 bonds or qualified student loan bonds, the providing of financial
27 assistance to qualified borrowers if those borrowers are

1 [~~mortgagors or students~~] located in all or any part of the
2 jurisdiction of the issuer; or

3 (3) an eligible facility or facilities that are
4 proposed to be financed, in whole or in part, by an issue of bonds
5 other than bonds described by Subdivision (1) or (2).

6 SECTION 4. Section [1372.033](#)(g), Government Code, is amended
7 to read as follows:

8 (g) A qualified nonprofit corporation that receives a
9 student loan bond allocation may not:

10 (1) transfer the allocation to another entity; or

11 (2) loan to another entity, other than a qualified
12 borrower, [~~student~~] proceeds of bonds issued under the allocation.

13 SECTION 5. The change in law made by this Act to Chapter
14 [1372](#), Government Code, applies to the allocation of the available
15 state ceiling under that chapter beginning with the 2019 program
16 year.

17 SECTION 6. This Act takes effect September 1, 2019.