

BILL ANALYSIS

Senate Research Center
78R3812 DWS-F

S.B. 417
By: Harris
Business & Commerce
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As Filed

DIGEST AND PURPOSE

Current state law provides interest rate ceilings for all loans, including commercial loans. Independent and community banks in Texas may be at a competitive disadvantage in the area of commercial lending because of constitutional limitations on interest rates compared with lenders who are headquartered outside of Texas, and therefore not subject to Texas usury restrictions. As proposed, S.B. 417 creates an exemption from the applicable interest rate ceiling for qualified commercial loans. S.B. 417 allows the parties to a qualified commercial loan to contract, charge and receive a mutually agreeable rate of interest, however computed, and deletes language regarding which charges may be contracted for in a qualified commercial loan. S.B. 417 would become effective only after a constitutional amendment authorizing the Legislature to amend certain provisions concerning commercial lending is approved by the voters.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 306.002(a), Finance Code, to make a conforming change.

SECTION 2. Amends Section 306.101, Finance Code, as follows:

Sec. 306.101. New Heading: QUALIFIED COMMERCIAL LOAN--RATE CEILING INAPPLICABLE. (a) Provides that the parties to a qualified commercial loan agreement may contract for, charge, and receive any rate or amount of interest to which the parties agree, however computed.

(b) Deletes existing Subsection (b) relating to the charges a party to a qualified commercial loan agreement may contract for and adds language that provides that a rate ceiling provided by this title or another law of this state does not apply to a qualified commercial loan.

(c) Deletes existing Subsection (c), which provides that a charge under Subsection (b) is not interest.

SECTION 3. Effective date: January 1, 2004, but only if the proposed constitutional amendment is approved by the voters: otherwise this Act has no effect.