

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 417
By: Harris
Business & Commerce
3/11/2003
Committee Report (Substituted)

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. C.S.S.B. 417 creates a new category of commercial loans called exempt qualified commercial loans and provides exempt qualified commercial loans an exemption from the applicable interest rate ceiling. C.S.S.B. 417 allows the parties to an exempt qualified commercial loan to contract for, charge, and receive a mutually agreeable rate of interest, however computed, and modifies the definition of a qualified commercial loan. C.S.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 306.001, Finance Code, by adding Subdivision (5-a) and amending Subdivision (9), as follows:

(5-a) Defines "exempt qualified commercial loan."

(9) Redefines "qualified commercial loan."

SECTION 2. Amends Section 306.002(a), Finance Code, to make a conforming change.

SECTION 3. Amends Chapter 306B, Finance Code, by adding Section 306.1015, as follows:

Sec. 306.1015. EXEMPT QUALIFIED COMMERCIAL LOAN--RATE CEILINGS INAPPLICABLE. (a) Authorizes the parties to an exempt qualified commercial loan agreement to contract for, charge, and receive any rate or amount of interest to which the parties agree, however computed.

(b) Provides that a rate ceiling provided by this title or another law of this state does not apply to an exempt qualified commercial loan.

SECTION 4. Effective date: January 1, 2004, but only if the proposed constitutional amendment is approved by the voters: otherwise this Act has no effect.

SUMMARY OF COMMITTEE CHANGES

SECTION 1. Differs from original by proposing a new SECTION 1.

SECTION 2. Redesignated from SECTION 1 in the original, with a conforming change.

SECTION 3. Differs from original by proposing a new SECTION 3.

SECTION 4. Redesignated from original SECTION 3.