

**SUBJECT:** Suits for default on a student loan administered by the THECB

**COMMITTEE:** Government Efficiency and Reform — committee substitute recommended

**VOTE:** 7 ayes — Harper-Brown, Perry, Capriglione, Stephenson, Taylor, Scott Turner, Vo  
0 nays

**WITNESSES:** For — None  
Against — None  
On — Amy Harrison (TABC); (*Registered, but did not testify:* John Adams, Office of the Attorney General; Bill Franz and Dan Weaver, Texas Higher Education Coordinating Board)

**DIGEST:** HB 3198 would amend the default collection statutes on student loans issued by the Texas Higher Education Coordinating Board. The bill would grant the attorney general discretion to file collection lawsuits, including suits against the cosigners and guarantors of defaulted student loans. It also would establish exclusive jurisdiction for these lawsuits in Travis County.  
  
The bill would take effect September 1, 2013 and would only affect default student loan collection lawsuits by the attorney general that were filed on or after that date.

**SUPPORTERS SAY:** HB 3198 would increase the efficiency of the attorney general's efforts to collect defaulted student loans that were issued by the coordinating board.  
  
It is important to grant the attorney general the discretion to select the cases on which it is practical to file a collection suit. Because it costs a least \$1,000 to pay for attorney time and basic court fees, the attorney general should not have to file suit on cases with low balances due. The attorney general should not have to file cases when the office cannot locate the debtor, and it is simply not practical to file suits against deployed military. Discretion would allow the attorney general to file

lawsuits when it made sense to do so.

By allowing the attorney general to sue the cosigners and guarantors of these loans, the state would collect more the outstanding debt. There is about \$110 million of outstanding student loan debt that the attorney general is attempting to collect. Currently, about one-third of these cases have cosigners on the loans.

By creating exclusive jurisdiction for these cases in Travis County, the bill would allow the local judges to develop expertise in these matters, while also saving the attorney general substantial travel expenses. Former students would not be prejudiced by this change because it would not be difficult for geographically remote former students to attend. Travis County courts allow former students to attend these hearings telephonically, if they choose. Further these students may always request alternate dates and times for these hearings.

Forcing the state to file a lawsuit is expensive for taxpayers, and HB 3198's efficiency improvements would help to contain that cost. The coordinating board and the attorney general only file collection lawsuits as a last resort. The coordinating board goes through many, repeated notifications to former students offering deferment, postponement, forbearance, and payment plans to those who are having trouble making payments. The bill would make the final collection action, which is forced upon the state by former students, more affordable for taxpayers to fund.

**OPPONENTS  
SAY:**

The bill would inconvenience students at debt collection hearings by placing exclusive jurisdiction for these cases in Travis County. Students in remote parts of the state would could face a travel burden when forced to defend themselves against charges of default by the state.