

BILL ANALYSIS

Senate Research Center

H.B. 2568
By: Cuellar (Zaffirini)
Education
5/4/1999
Engrossed

DIGEST

In 1979, the 66th Legislature, established the Texas Guaranteed Student Loan Corporation (TGSLC) to administer the federal Guaranteed Student Loan Program, later renamed the Federal Family Education Loan Program (FFELP). TGSLC is established as a public nonprofit corporation and receives no appropriations from the legislature; however, the TGSLC board of directors is appointed by the governor and confirmed by the senate. TGSLC is subject to the statutory provisions of the Texas Sunset Act and Open Meetings Act and the Open Records Act by the attorney general's opinion. The state auditor also has the authority to conduct audits of TGSLC. FFELP is the largest source of student financial aid in Texas, providing \$1.6 billion in 410,000 educational loans to 120,000 postsecondary education students and parents. TGSLC has processed approximately \$12 billion in federally insured educational loans for students and parents since 1981. The annual default rate on which TGSLC's reinsurance is based is less than five percent. FFELP provides 67 percent of all state and federal student financial aid allocated each year. H.B. 2568 would amend TGSLC's authorizing statute to conform with changes made in 1998 to FFELP provisions in the federal Higher Education Act of 1965, and would require TGSLC to work with other entities to develop, implement, and coordinate awareness and outreach activities regarding student financial aid and postsecondary educational opportunities.

PURPOSE

As proposed, H.B. 2568 sets forth provisions regarding the Texas Guaranteed Student Loan Corporation.

RULEMAKING AUTHORITY

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

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 57.01, Education Code, to provide that it is the purpose of this chapter to establish the Texas Guaranteed Student Loan Corporation (TGSLC) to provide necessary and desirable services related to the loan program, including cooperative awareness efforts with appropriate educational and civic associations designed to disseminate postsecondary education awareness information, including information regarding student financial aid and the federal Family Education Loan Program, and other relevant topics, including the prevention of student loan default. Makes conforming changes.

SECTION 2. Amends Section 57.11, Education Code, by adding Subsection (d), to provide that student loan borrower information collected, assembled, or maintained by the corporation is confidential and is not subject to disclosure under Chapter 552, Government Code.

SECTION 3. Amends Section 57.12(a), Education Code, to provide that TGSLC is abolished and this chapter expires September 1, 2005, rather than 2003, unless continued in existence as provided by that chapter.

SECTION 4. Amends Chapter 57B, Education Code, by adding Sections 57.21 and 57.211, as follows:

Sec. 57.21. PROGRAMS RELATED TO STUDENT FINANCIAL AID AND COMPLETION OF POSTSECONDARY EDUCATION. Requires TGSLC to take an active role in coordinating, facilitating, promoting, and providing assistance and support to certain programs. Requires TGSLC to coordinate its efforts under this section with other entities, including the Texas Higher Education Coordinating Board, the Texas Education Agency, professional, educational, and civic associations, postsecondary educational institutions that participate in TGSLC's programs, and

lender advisory committees established under Section 57.461.

Sec. 57.211. SUPPORT OF EDUCATIONAL PURPOSES. Authorizes TGSLC to support educational purposes with the approval of the board of directors of TGSLC (board).

SECTION 5. Amends Section 57.22, Education Code, to provide that Subsection (a)(1) does not prohibit TGSLC from supporting educational purposes under Section 57.211. Deletes text regarding educational. Makes conforming changes.

SECTION 6. Amends Section 57.41(c), Education Code, to require TGSLC to make loans to eligible students, as a lender of last resort, under certain conditions, including that the borrower certifies and provides evidence to TGSLC that the borrower has made an application to at least two qualified lenders. Deletes text regarding funds availability. Makes a conforming change.

SECTION 7. Amends Section 57.43, Education Code, to delete text regarding corporations imposing an insurance premium under this section. Makes a nonsubstantive change.

SECTION 8. Amends Section 57.45(g), Education Code, to require TGSLC to pay the lender or holder, rather than claim out of the guarantee account established, under the provisions of the Higher Education Act of 1965, as amended, any loan assigned or transferred. Deletes certain parts of the text regarding Section 57.72 of this code.

SECTION 9. Amends Section 57.461(b), Education Code, to require the board to appoint advisory committee members on the recommendation of the president, rather than the executive director.

SECTION 10. Amends Section 57.49, Education Code, to require each agency and political subdivision of the state to cooperate with TGSLC in providing information to the clients of state agencies or political subdivisions concerning student financial aid, including information about default prevention. Requires each state agency and political subdivision to provide information to TGSLC on request to assist TGSLC in curing delinquent loans and collecting defaulted loans. Deletes text regarding to the extent allowed by law. Makes conforming changes.

SECTION 11. Amends Section 57.71, Education Code, as follows:

Sec. 57.71. New heading: RESERVE AND OPERATING FUNDS. Requires TGSLC to establish reserve and operating funds in accordance with Section 422 of the Higher Education Act of 1965 (20 U.S.C. Section 1072), as amended. Deletes text requiring that all the money received by the corporation be deposited, and establishing accounts in that fund in accordance with this section.

SECTION 12. Amends Section 57.78, Education Code, as follows:

Sec. 57.78. New heading: INVESTMENTS. Authorizes all money of TGSLC to be invested in accordance with Chapter 2256, Government Code. Deletes text regarding investments of TGSLC funds.

SECTION 13. Repealer: Section 57.72, Education Code (Guaranteed Account).

Repealer: Section 57.73, Education Code (Operating Account).

Repealer: Section 57.74, Education Code (Other Corporate Accounts).

SECTION 14. Emergency clause.

Effective date: upon passage.