

BILL ANALYSIS

Senate Research Center
80R17066 KSD-D

S.B. 2048
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S/C on Higher Education
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Recent news reports have detailed potentially severe conflicts of interest by employees of financial aid offices in universities across the country. Major lending companies have offered gifts and to financial aid employees and encouraged the employees to purchase stock in the lending companies.

Today's college students graduate with enormous amounts of student loan debt. According to the Project on Student Debt, debt levels for graduating seniors with student loans more than doubled from \$9,250 to \$19,200 over the past decade. Texas must act to prevent the semblance of conflicts of interest and other ethical lapses by those in financial aid offices who may have power to steer students to a particular loan company.

As proposed, S.B. 2048 precludes a person employed by an institution of higher education in the financial aid office from owning stock or other ownership interest in a student loan lender, other than through ownership of shares in a publicly traded mutual fund or a similar investment vehicle. This bill prohibits a person employed by an institution of higher education in the financial aid office from soliciting or accepting any gift from a student loan lender.

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 Subchapter Z, Chapter 51, Education Code, by adding Section 51.9645, as follows:

Sec. 51.9645. PROHIBITION AGAINST CERTAIN ACTIVITIES BY FINANCIAL AID EMPLOYEES. (a) Defines "institution of higher education," "student loan," and "student loan lender."

(b) Prohibits a person employed by an institution of higher education in the financial aid office of the institution from owning stock or holding another ownership interest in a student loan lender, other than through ownership of shares in a publicly traded mutual fund or similar investment vehicle in which the person does not exercise any discretion regarding the investment of the assets of the fund or other investment vehicle, or soliciting or accepting any gift from a student loan lender.

(c) Provides that a person who violates this section is subject to dismissal or other appropriate disciplinary action.

SECTION 2. Effective date: upon passage or September 1, 2007.