

BILL ANALYSIS

Senate Research Center

S.B. 194
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Higher Education
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2007, news reports uncovered potentially severe conflicts of interest by employees of financial aid offices in universities across the country. Major lending companies offered gifts to financial aid employees and encouraged the employees to purchase stock in the lending companies.

Today's college students graduate saddled with enormous amounts of student loan debt. According to The Project on Student Debt, Texas students graduating in 2007 graduated with an average debt of \$18,153. Texas must act to prevent even the semblance of conflicts of interest and other ethical lapses by those in financial aid offices who may have the power to direct students to a particular loan company.

S.B. 194 amends current law relating to a prohibition against certain activities by a person employed in the financial aid office of a public institution of higher education or of a career school or college.

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 from 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. Amends Subchapter F, Chapter 132, Education Code, by adding Section 132.158, as follows:

Sec. 132.158. PROHIBITION AGAINST CERTAIN ACTIVITIES BY FINANCIAL AID EMPLOYEES. (a) Defines "student loan" and "student loan lender."

(b) Prohibits a person employed by a career school or college in the financial aid office of the school or college 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) Prohibits a career school or college from knowingly employing a person who violates Subsection (b). Requires the school or college, if a career school or college discovers that its employee is in violation of Subsection (b), to promptly take appropriate action to cure the violation, including appropriate disciplinary action, based on the severity of the violation and whether the violation was inadvertent.

SECTION 3. Effective date: upon passage or September 1, 2009.