

## CHAPTER 989

## S.B. No. 551

## AN ACT

relating to excluding certain sums related to asset-backed securities from the definition of interest.

*Be it enacted by the Legislature of the State of Texas:*

SECTION 1. Subtitle 1, Title 79, Revised Statutes (Article 5069–1.01 et seq., Vernon's Texas Civil Statutes), is amended by adding Article 1.13 to read as follows:

**Art. 1.13. CERTAIN SUMS EXCLUDED FROM DEFINITION OF INTEREST WITH RESPECT TO ASSET-BACKED SECURITIES.** (a) *In this article:*

(1) *"Asset-backed securities" means debt obligations or certificates of beneficial ownership that are:*

(A) *part of a single issue or single series of securities aggregating \$1,000,000 or more issuable in one or more classes;*

(B) *secured by a pledge of or represent an undivided ownership interest in one or more financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period plus any rights or other assets designed to assure the servicing or timely distribution of proceeds to security holders; and*

(C) *issued by a pass-through entity for a business, commercial, agricultural, investment, or similar purpose.*

(2) *"Pass-through entity" means a corporation, limited liability company, association, general partnership, registered limited liability partnership, limited partnership or business, grantor or common-law trust under state law, or segregated pool of assets under federal tax law that, on the date of original issuance of asset-backed securities, does not have significant assets other than:*

(A) *assets pledged to or held for the benefit of holders of the asset-backed securities;*  
or

(B) *assets pledged to or held for the benefit of holders of other asset-backed securities issued on an earlier date.*

(b) *Notwithstanding Article 1.01 of this subtitle, for purposes of this title the term "interest" excludes any sums paid or passed through, obligated to be paid or to be passed through, or not paid as a result of a discounted sale price to the holders of asset-backed securities by a pass-through entity, in connection with the original issuance or otherwise, regardless of the denomination of the sums under the terms of the asset-backed securities. Sums excluded from the definition of interest by this article are not subject to Article 1.04 of this subtitle.*

(c) *This article does not affect or otherwise apply to conventional interest, as defined by Article 1.01 of this subtitle, paid, charged, or received on the ultimate underlying assets pledged to or held for the benefit of the holders of asset-backed securities.*

SECTION 2. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the Senate on March 9, 1993: Yeas 30, Nays 0; the Senate concurred in House amendment on May 28, 1993: Yeas 31, Nays 0; passed the House, with amendment, on May 26, 1993, by a non-record vote.

Approved June 19, 1993.

Effective Aug. 30, 1993, 90 days after date of adjournment.