

AMENDED IN SENATE APRIL 24, 2012

SENATE BILL

No. 1289

Introduced by Senator Corbett

February 23, 2012

An act to add Article 14.5 (commencing with Section 69800) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

SB 1289, as amended, Corbett. Postsecondary education: private student loans.

Existing law establishes the University of California, California State University, the California Community Colleges, and independent colleges and universities as the 4 segments of postsecondary education in this state. Existing law establishes various student financial aid programs for students attending all segments of postsecondary education.

This bill would require a public ~~or~~, private, *or independent* postsecondary educational institution to make specified disclosures related to private student loans in financial aid material and private loan applications provided or made available by the institution, to distinguish private loans from federal loans in individual financial aid awards, and, ~~for any if the institution provides a private loan lender list provided by the institution~~, to provide general information on the terms of the loan available through the lender and disclose the reason for each lender's inclusion on the list. The bill would apply to the University of California only to the extent that the Regents of the University of California act, by resolution, to make it applicable.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Article 14.5 (commencing with Section 69800)
 2 is added to Chapter 2 of Part 42 of Division 5 of Title 3 of the
 3 Education Code, to read:

4
 5 Article 14.5. Private Student Loans
 6

7 69800. A public ~~or~~, private, *or independent* postsecondary
 8 educational institution shall do all of the following:

9 (a) (1) State all of the following in all printed and online
 10 financial aid materials issued or distributed by the institution to
 11 applicants for admission or matriculated students and with private
 12 loan applications provided or made available by the institution:

13 ~~(1)~~
 14 (A) Private loans ~~are not guaranteed by the federal government~~
 15 *lack flexible repayment options and borrower protections that*
 16 *federal loans are required to provide.*

17 ~~(2)~~
 18 (B) Private loans may cost more than federal loans.

19 ~~(3)~~
 20 (C) Federal direct loans are available to students regardless of
 21 income.

22 (2) *The institution may continue to use financial aid materials*
 23 *that are printed before January 1, 2013, if the institution includes*
 24 *an insert with the printed material that provides the information*
 25 *required in paragraph (1). All financial aid materials printed on*
 26 *or after January 1, 2013, shall include the information required*
 27 *in paragraph (1).*

28 (b) Clearly distinguish private loans from federal loans in
 29 individual financial aid awards by stating, for any private loans
 30 ~~offered~~ *included* by the institution as part of the institution’s award
 31 package, all of the following:

32 ~~(1) The range of interest rates that may be charged on the private~~
 33 ~~loan.~~

34 ~~(2)~~
 35 (1) Whether the rate is fixed or variable.

36 ~~(3) If the interest rate on the loan is variable, the frequency of~~
 37 ~~interest rate changes, the explanation for that rate change, and, if~~
 38 ~~applicable, the maximum interest rate increase.~~

1 (2) *An explanation that private loan interest rates may be higher*
2 *than federal loan interest rates and may increase over time through*
3 *no fault of the borrower, and that there is no legal limit to the*
4 *interest rate that borrowers may be charged on private loans.*

5 ~~(4)~~

6 (3) Any and all fees associated with the assumption of the loan.

7 ~~(5)~~

8 (4) An explanation that the interest rate on a private loan may
9 depend on the borrower's credit rating.

10 (c) ~~For any~~ *If the institution provides a private loan lender list*
11 ~~provided by the institution, it also shall~~ provide general information
12 on the terms of the loan available through the lender and disclose
13 the reason for each lender's inclusion on the list. The institution
14 shall also inform the student of his or her right to choose other
15 lenders.

16 69801. This article shall apply to the University of California
17 only to the extent that the Regents of the University of California
18 act, by resolution, to make it applicable.