

AMENDED IN SENATE MAY 3, 2012
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, private, or independent postsecondary educational institution, *except the California Community Colleges*, 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, if the institution provides a private loan lender list, 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 *authorize and request the California Community Colleges to comply with these provisions, and 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, private, or independent postsecondary
8 educational institution, *except the California Community Colleges*,
9 shall do all of the following:

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

14 (A) Private loans lack flexible repayment options and borrower
15 protections that federal loans are required to provide.

16 (B) Private loans may cost more than federal loans.

17 (C) Federal direct loans are available to students regardless of
18 income.

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

25 (b) Clearly distinguish private loans from federal loans in
26 individual financial aid awards by stating, for any private loans
27 included by the institution as part of the institution’s award
28 package, all of the following:

29 (1) Whether the rate is fixed or variable.

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

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

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

3 (c) If the institution provides a private loan lender list, it also
4 shall provide general information on the terms of the loan available
5 through the lender and disclose the reason for each lender's
6 inclusion on the list. The institution shall also inform the student
7 of his or her right to choose other lenders.

8 *69800.5. The California Community Colleges may, and are*
9 *requested to, comply with the provisions of this article.*

10 69801. This article shall apply to the University of California
11 only to the extent that the Regents of the University of California
12 act, by resolution, to make it applicable.

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