

AMENDED IN ASSEMBLY JUNE 26, 2012

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~~ *about the loans* available through the lender and disclose the ~~reason~~ *basis* 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 (A) *Federal student loans are required by law to provide a range*
17 *of flexible repayment options, including, but not limited to,*
18 *income-based repayment and income-contingent repayment plans,*
19 *and loan forgiveness benefits, which private student loans are not*
20 *required to provide.*

21 (B) *Private student loans may or may not cost more than federal*
22 *loans.*

23 (C) *Federal direct loans are available to students regardless of*
24 *income.*

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

31 (b) Clearly distinguish private loans from federal loans in
32 individual financial aid awards by stating, for any private loans

1 included by the institution as part of the institution’s award
2 package, all of the following:

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

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

8 *(2) An explanation that private student loan lenders can offer
9 variable interest rates that can increase or decrease over time,
10 depending on market conditions.*

11 *(3) An explanation that private student loans have a wide range
12 of interest rates and students should determine the interest rate of
13 the private student loan included in their financial aid award
14 package before accepting the loan.*

15 *(4) An explanation that students should contact the lender of
16 the private student loan or their postsecondary educational
17 institution’s financial aid office if they have any questions about
18 a private student loan.*

19 ~~(3)~~

20 (5) Any and all fees associated with the assumption of the loan.

21 ~~(4)~~

22 (6) An explanation that the interest rate on a private loan may
23 depend on the borrower’s credit rating.

24 (c) If the institution provides a private loan lender list, it also
25 shall provide general information ~~on the terms of the loan~~ *about*
26 *the loans* available through the lender and disclose the ~~reason~~ *basis*
27 for each lender’s inclusion on the list. The institution shall also
28 ~~inform~~ *disclose with the list that the student of his or her right has*
29 *the ability to choose other lenders any lender.*

30 69800.5. The California Community Colleges may, and are
31 requested to, comply with the provisions of this article.

32 69801. This article shall apply to the University of California
33 only to the extent that the Regents of the University of California
34 act, by resolution, to make it applicable.

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