

AMENDED IN SENATE JUNE 19, 2014

AMENDED IN SENATE JUNE 4, 2014

AMENDED IN ASSEMBLY MAY 5, 2014

AMENDED IN ASSEMBLY APRIL 10, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1927

Introduced by Assembly Member Frazier

February 19, 2014

An act to add Section 69505.7 to the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

AB 1927, as amended, Frazier. Student financial aid: debit cards.

Existing law provides for the missions and functions of the private and public segments of postsecondary education in the state. Existing law establishes various student financial aid programs for students attending all segments of postsecondary education.

This bill would require the Board of Governors of the California Community Colleges and the Trustees of the California State University, and *would* request the Regents of the University of California and the governing bodies of accredited private nonprofit and for-profit postsecondary educational institutions, to adopt policies to be used for negotiating contracts between their postsecondary educational institutions and banks and other financial institutions to disburse a student's financial aid award and other refunds onto a debit card, prepaid card, or preloaded card that best serves the needs of the students. The bill would require the policies to ensure that contracts between

postsecondary educational institutions and banks or other financial institutions to disburse a student’s financial aid award *are consistent with certain provisions of federal law, and, in addition, do certain other things, including, among other things,* prohibit the sale or sharing of personal information, as defined, that the student or the postsecondary educational institution provides the bank or other financial institution, ~~except~~ as specified; prohibit the bank or other financial institution from imposing a point-of-sale transaction fee on a student for the use of the debit card, prepaid card, or preloaded card; provide a clear and conspicuous disclosure to students of all fees associated with the debit card, prepaid card, or preloaded card; ~~ensure that a student does not incur any cost in opening the account or initially receiving the card; not market or portray the account or card as a credit card or credit instrument, or subsequently convert the card to a credit card or credit instrument;~~ and require the postsecondary educational institution to disclose to students the benefits and student responsibilities for all financial aid disbursement options offered by the postsecondary educational institution.

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. Section 69505.7 is added to the Education Code,
- 2 to read:
- 3 69505.7. (a) The Board of Governors of the California
- 4 Community Colleges and the Trustees of the California State
- 5 University shall, and the Regents of the University of California
- 6 and the governing bodies of accredited private nonprofit and
- 7 for-profit postsecondary educational institutions are requested to,
- 8 adopt policies to be used for negotiating contracts between their
- 9 postsecondary educational institutions and banks and other
- 10 financial institutions to disburse a student’s financial aid award
- 11 and other refunds onto a debit card, prepaid card, or preloaded
- 12 card that best serves the needs of the students.
- 13 (b) The policies adopted pursuant to subdivision (a) ~~shall,~~
- 14 ~~consistent with federal law, including Section 668.164 of Title 34~~
- 15 ~~of the Code of Federal Regulations,~~ *shall* ensure that contracts
- 16 between postsecondary educational institutions and banks or other
- 17 financial institutions to disburse a student’s financial aid award

1 and other refunds onto a debit card, prepaid card, or preloaded
2 card ~~do at least all of the following:~~ *meet both of the following sets*
3 *of requirements:*

4 (1) *The policies shall ensure that those contracts are consistent*
5 *with federal law, including, but not limited to, provisions in federal*
6 *law that require these contracts to do all of the following:*

7 (A) *Ensure that the student does not incur any cost in opening*
8 *the account or initially receiving the debit card, prepaid card, or*
9 *preloaded card, as provided in Section 668.164(c)(3)(iv) of the*
10 *Code of Federal Regulations, as that section read on July 1, 2011.*

11 (B) *Ensure that the student has convenient access to a branch*
12 *office of the bank or an automated teller machine of the bank in*
13 *which the account was opened or of another bank, so that the*
14 *student does not incur any cost in making withdrawals from that*
15 *office or those automated teller machines, and that the branch*
16 *office or automated teller machines be located on the*
17 *postsecondary educational institution's campus, in an*
18 *institutionally owned or operated facility, or immediately adjacent*
19 *to and accessible from the campus, as provided in Section*
20 *668.164(c)(3)(v) of the Code of Federal Regulations, as that section*
21 *read on July 1, 2011.*

22 (C) *Ensure that the debit card, prepaid card, or preloaded card*
23 *can be widely used, as provided in Section 668.164(c)(3)(vi) of*
24 *the Code of Federal Regulations, as that section read on July 1,*
25 *2011.*

26 (D) *Forbid the marketing or portrayal of the account or debit*
27 *card, prepaid card, or preloaded card as a credit card or credit*
28 *instrument, and the subsequent conversion of the account or debit*
29 *card, prepaid card, or preloaded card to a credit card or credit*
30 *instrument, as provided in Section 668.164(c)(3)(vii) of the Code*
31 *of Federal Regulations, as that section read on July 1, 2011.*

32 (2) *In addition to the requirements specified in paragraph (1),*
33 *the policies shall do at least all of the following:*

34 ~~(1)~~

35 (A) *Prohibit revenue sharing between a postsecondary*
36 *educational institution and banks or other financial institutions.*

37 ~~(2)~~

38 (B) *Prohibit the sale or sharing of personal information, as*
39 *defined in paragraph (1) of subdivision (d) of Section 1798.81.5*
40 *of the Civil Code, that the student or the postsecondary educational*

1 institution provides the bank or other financial institution, unless
2 it is necessary for the purpose of providing services related to the
3 opening or maintenance of a debit card, prepaid card, or preloaded
4 card account. *The personal information disclosed by the*
5 *postsecondary educational institution or solicited by the bank or*
6 *other financial institution, and the treatment of that information,*
7 *shall be consistent with the federal Family Educational Rights and*
8 *Privacy Act of 2001 (20 U.S.C. Sec. 1232g).*

9 ~~(3)~~

10 (C) Prohibit the bank or other financial institution from imposing
11 a point-of-sale transaction fee on a student for the use of the debit
12 card, prepaid card, or preloaded card.

13 ~~(4)~~

14 (D) Provide a clear and conspicuous disclosure to students of
15 all fees associated with the debit card, prepaid card, or preloaded
16 card.

17 ~~(5)~~

18 (E) If the debit card, prepaid card, or preloaded card is
19 cobranded, provide a clear and conspicuous disclosure to students
20 that the card is not endorsed by the postsecondary educational
21 institution.

22 ~~(6) Ensure that the student does not incur any cost in opening~~
23 ~~the account or initially receiving the debit card, prepaid card, or~~
24 ~~preloaded card.~~

25 ~~(7) (A) Ensure that the student has convenient access to a branch~~
26 ~~office of the bank or an automated teller machine of the bank in~~
27 ~~which the account was opened or of another bank, so that the~~
28 ~~student does not incur any cost in making withdrawals from that~~
29 ~~office or those automated teller machines.~~

30 ~~(B) The branch office or automated teller machines must be~~
31 ~~located on the postsecondary educational institution's campus, in~~
32 ~~an institutionally owned or operated facility, or immediately~~
33 ~~adjacent to and accessible from the campus.~~

34 ~~(8) Ensure that the debit card, prepaid card, or preloaded card~~
35 ~~can be widely used.~~

36 ~~(9) Not market or portray the account or debit card, prepaid~~
37 ~~card, or preloaded card as a credit card or credit instrument, or~~
38 ~~subsequently convert the account or debit card, prepaid card, or~~
39 ~~preloaded card to a credit card or credit instrument.~~

40 ~~(10)~~

1 (*F*) Require the postsecondary educational institution to disclose
2 to students the benefits and student responsibilities for all financial
3 aid disbursement options offered by the postsecondary educational
4 institution.

5 (c) The policies adopted pursuant to subdivision (a) shall only
6 apply to negotiating contracts between a bank or other financial
7 institution and a postsecondary educational institution for purposes
8 of disbursing a student’s financial aid award and other refunds
9 onto a debit card, prepaid card, or preloaded card.

10 (d) For purposes of this section, a “bank or other financial
11 institution” includes, but is not limited to, a depository institution
12 or an entity that partners with one or more depository institutions.