

AMENDED IN SENATE JULY 2, 2014
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 for disbursements of financial aid awards and other refunds onto debit cards, prepaid cards, or preloaded cards.~~ 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, ~~prohibit prohibiting~~ the sale or sharing of personal information, as defined, that the student or the postsecondary educational institution provides the bank or other financial institution, as specified; ~~prohibit prohibiting~~ 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 providing~~ a clear and conspicuous disclosure to students of all fees associated with the debit card, prepaid card, or preloaded card; and ~~require requiring~~ the postsecondary educational institution to disclose to students the benefits and student responsibilities ~~for associated with~~ all financial aid disbursement options offered by the postsecondary educational institution. *The bill would provide for policies adopted under these provisions and associated contracts with banks or other financial institutions to be publicly available on the postsecondary educational institution’s Internet Web site.*

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 for the disbursement~~
 13 ~~of students’ financial aid awards and other refunds onto debit~~

1 *cards, prepaid cards, or preloaded cards. These policies shall not*
2 *be finalized before public comment is sought and considered.*

3 (b) The policies adopted pursuant to subdivision (a) shall *best*
4 *serve the needs of students and* ensure that contracts between
5 postsecondary educational institutions and banks or other financial
6 institutions to disburse a student’s financial aid award and other
7 refunds onto a debit card, prepaid card, or preloaded card meet
8 both of the following sets of requirements:

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

12 (A) Ensure that the student does not incur any cost ~~in opening~~
13 *to open* the account or initially ~~receiving~~ *receive* the debit card,
14 prepaid card, or preloaded card, as provided in Section
15 668.164(c)(3)(iv) of *Title 34* of the Code of Federal Regulations,
16 as that section read on July 1, 2011.

17 (B) Ensure that the student has convenient access to a branch
18 office of the bank or an automated teller machine of the bank in
19 which the account was opened or of another bank, so that the
20 student does not incur any cost ~~in making~~ *to make* withdrawals
21 from that office or those automated teller machines, and that the
22 branch office or automated teller machines be located on the
23 postsecondary educational institution’s campus, in an institutionally
24 owned or operated facility, or immediately adjacent to and
25 accessible from the campus, as provided in Section
26 668.164(c)(3)(v) of *Title 34* of the Code of Federal Regulations,
27 as that section read on July 1, 2011.

28 (C) Ensure that the debit card, prepaid card, or preloaded card
29 can be widely used, *including ensuring that use of the card is not*
30 *limited by the card-issuing institution to particular vendors* as
31 provided in Section 668.164(c)(3)(vi) of *Title 34* of the Code of
32 Federal Regulations, as that section read on July 1, 2011.

33 (D) Forbid the marketing or portrayal of the account or debit
34 card, prepaid card, or preloaded card as a credit card or credit
35 instrument, ~~and~~ *or* the subsequent conversion of the account or
36 debit card, prepaid card, or preloaded card to a credit card or credit
37 instrument, as provided in Section 668.164(c)(3)(vii) of *Title 34*
38 *of* the Code of Federal Regulations, as that section read on July 1,
39 2011.

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

3 (A) Prohibit revenue sharing between a postsecondary
4 educational institution and banks or other financial institutions.
5 *For the purpose of this subparagraph, “revenue sharing” means*
6 *an arrangement between a postsecondary educational institution*
7 *and a bank or other financial institution pursuant to which the*
8 *postsecondary educational institution recommends, promotes,*
9 *utilizes, sponsors, or otherwise endorses the bank or other financial*
10 *institution or the debit card, prepaid card, or preloaded card issued*
11 *by the bank or other financial institution and, in exchange, the*
12 *bank or other financial institution pays a fee or provides other*
13 *material benefits, including revenue or profit sharing, to the*
14 *postsecondary educational institution or an officer, employee, or*
15 *agent of the postsecondary educational institution.*

16 (B) Prohibit the sale or sharing of personal information, as
17 defined in paragraph (1) of subdivision (d) of Section 1798.81.5
18 of the Civil Code, that the student or the postsecondary educational
19 institution provides the bank or other financial institution, unless
20 it is necessary for the purpose of providing services related to the
21 opening or maintenance of a debit card, prepaid card, or preloaded
22 card account. The personal information disclosed by the
23 postsecondary educational institution or solicited by the bank or
24 other financial institution, and the treatment of that information,
25 shall be consistent with the federal Family Educational Rights and
26 Privacy Act of 2001 (20 U.S.C. Sec. 1232g).

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

30 (D) ~~Provide~~ *Require the card-issuing bank or other financial*
31 *institution to provide a clear and conspicuous disclosure to students*
32 *of all fees associated with the debit card, prepaid card, or preloaded*
33 *card in no less than 10-point font, before they opt to open an*
34 *account or receive a debit card, prepaid card, or preloaded card*
35 *issued by that bank or financial institution, and to provide a readily*
36 *accessible link to a printable version of this fee list from the*
37 *homepage of the Internet Web site of the bank or other financial*
38 *institution.*

39 (E) If the debit card, prepaid card, or preloaded card is
40 cobranded, *require the card-issuing bank or other financial*

1 *institution to provide a clear and conspicuous disclosure to students*
2 *in no less than 10-point font, before they opt to open an account*
3 *or receive a debit card, prepaid card, or preloaded card issued*
4 *by that bank or financial institution, that the card is not endorsed*
5 *by the postsecondary educational institution.*

6 (F) Require the postsecondary educational institution to disclose
7 to students the benefits and student responsibilities ~~for~~ *associated*
8 *with all financial aid disbursement options offered by the*
9 *postsecondary educational institution.*

10 ~~(e) The policies adopted pursuant to subdivision (a) shall only~~
11 ~~apply to negotiating contracts between a bank or other financial~~
12 ~~institution and a postsecondary educational institution for purposes~~
13 ~~of disbursing a student's financial aid award and other refunds~~
14 ~~onto a debit card, prepaid card, or preloaded card.~~

15 ~~(d) For purposes of this section, a "bank or other financial~~
16 ~~institution" includes, but is not limited to, a depository institution~~
17 ~~or an entity that partners with one or more depository institutions.~~

18 (c) *The Board of Governors of the California Community*
19 *Colleges and the Trustees of the California State University shall,*
20 *and the Regents of the University of California and the governing*
21 *bodies of accredited private nonprofit and for-profit postsecondary*
22 *educational institutions are requested to, make publicly available*
23 *on their respective Internet Web sites every policy developed*
24 *pursuant to subdivisions (a) and (b) and every binding contract*
25 *negotiated by a postsecondary educational institution under the*
26 *jurisdiction of one of these governing bodies with a financial*
27 *institution for disbursement of students' financial aid awards and*
28 *other refunds onto debit cards, prepaid cards, or preloaded cards.*

29 (d) *This section shall only apply to contracts between*
30 *postsecondary educational institutions and entities, whether*
31 *specific depository institutions, financial institutions, or entities*
32 *that partner with one or more depository institutions or financial*
33 *institutions, for the direct disbursement of students' financial aid*
34 *awards and other refunds onto debit, prepaid, or preloaded cards*
35 *that are established or opened as an integrated feature of the*
36 *financial aid award disbursement process.*