

AMENDED IN SENATE AUGUST 19, 2014

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~~. *education, including the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program (Cal Grant Program), which establishes the Cal Grant A and B Entitlement Awards, the California Community College Transfer Cal Grant Entitlement Awards, the Competitive Cal Grant A and B Awards, the Cal Grant C Awards, and the Cal Grant T Awards under the administration of the Student Aid Commission, and establishes eligibility*

requirements for awards under these programs for participating students attending qualifying institutions.

This bill would require the Board of Governors of the California Community ~~Colleges and Colleges~~, the Trustees of the California State University, ~~and would request~~ the Regents of the University of ~~California California~~, and the governing bodies of accredited private nonprofit and for-profit postsecondary educational institutions, *as a condition for participation in the Cal Grant Program*, to adopt policies to be used for negotiating contracts 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 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; 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; providing a clear and conspicuous disclosure to students of all fees associated with the debit card, prepaid card, or preloaded card; and requiring the postsecondary educational institution to disclose to students the benefits and student responsibilities 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~~ *As a condition for participation in the Cal*
- 4 *Grant Program established pursuant to Chapter 1.7 (commencing*
- 5 *with Section 69430) , the Board of Governors of the California*
- 6 *Community ~~Colleges and Colleges~~, the Trustees of the California*
- 7 *State University shall, and University, the Regents of the University*

1 of ~~California~~ *California*, and the governing bodies of accredited
2 private nonprofit and for-profit postsecondary educational
3 institutions ~~are requested to~~, *shall* adopt policies to be used for
4 negotiating contracts for the disbursement of students' financial
5 aid awards and other refunds onto debit cards, prepaid cards, or
6 preloaded cards. These policies shall not be finalized before public
7 comment is sought and considered.

8 (b) The policies adopted pursuant to subdivision (a) shall best
9 serve the needs of students and ensure that contracts between
10 postsecondary educational institutions and banks or other financial
11 institutions to disburse a student's financial aid award and other
12 refunds onto a debit card, prepaid card, or preloaded card meet
13 both of the following sets of requirements:

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

17 (A) Ensure that the student does not incur any cost to open the
18 account or initially receive the debit card, prepaid card, or
19 preloaded card, as provided in Section 668.164(c)(3)(iv) of Title
20 34 of the Code of Federal Regulations, as that section read on July
21 1, 2011.

22 (B) Ensure that the student has convenient access to a branch
23 office of the bank or an automated teller machine of the bank in
24 which the account was opened or of another bank, so that the
25 student does not incur any cost to make withdrawals from that
26 office or those automated teller machines, and that the branch
27 office or automated teller machines be located on the postsecondary
28 educational institution's campus, in an institutionally owned or
29 operated facility, or immediately adjacent to and accessible from
30 the campus, as provided in Section 668.164(c)(3)(v) of Title 34
31 of the Code of Federal Regulations, as that section read on July 1,
32 2011.

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

38 (D) Forbid the marketing or portrayal of the account or debit
39 card, prepaid card, or preloaded card as a credit card or credit
40 instrument, or the subsequent conversion of the account or debit

1 card, prepaid card, or preloaded card to a credit card or credit
2 instrument, as provided in Section 668.164(c)(3)(vii) of Title 34
3 of the Code of Federal Regulations, as that section read on July 1,
4 2011.

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

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

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

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

34 (D) Require the card-issuing bank or other financial institution
35 to provide a clear and conspicuous disclosure to students of all
36 fees associated with the debit card, prepaid card, or preloaded card
37 in no less than 10-point font, before they opt to open an account
38 or receive a debit card, prepaid card, or preloaded card issued by
39 that bank or financial institution, and to provide a readily accessible

1 link to a printable version of this fee list from the homepage of the
2 Internet Web site of the bank or other financial institution.

3 (E) If the debit card, prepaid card, or preloaded card is
4 cobranded, require the card-issuing bank or other financial
5 institution to provide a clear and conspicuous disclosure to students
6 in no less than 10-point font, before they opt to open an account
7 or receive a debit card, prepaid card, or preloaded card issued by
8 that bank or financial institution, that the card is not endorsed by
9 the postsecondary educational institution.

10 (F) Require the postsecondary educational institution to disclose
11 to students the benefits and student responsibilities associated with
12 all financial aid disbursement options offered by the postsecondary
13 educational institution.

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

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

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