

Assembly Bill No. 1927

Passed the Assembly August 28, 2014

Chief Clerk of the Assembly

Passed the Senate August 27, 2014

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2014, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

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

LEGISLATIVE COUNSEL'S DIGEST

AB 1927, 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, 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, the Trustees of the California State University, the Regents of the University of 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.

The people of the State of California do enact as follows:

SECTION 1. Section 69505.7 is added to the Education Code, to read:

69505.7. (a) As a condition for participation in the Cal Grant Program established pursuant to Chapter 1.7 (commencing with Section 69430), the Board of Governors of the California Community Colleges, the Trustees of the California State University, the Regents of the University of California, and the governing bodies of accredited private nonprofit and for-profit postsecondary educational institutions shall adopt policies to be used for negotiating contracts for the disbursement of students' financial aid awards and other refunds onto debit cards, prepaid cards, or preloaded cards. These policies shall not be finalized before public comment is sought and considered.

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

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

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

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

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

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

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

(A) Prohibit revenue sharing between a postsecondary educational institution and banks or other financial institutions. For the purpose of this subparagraph, "revenue sharing" means an arrangement between a postsecondary educational institution and a bank or other financial institution pursuant to which the postsecondary educational institution recommends, promotes, utilizes, sponsors, or otherwise endorses the bank or other financial institution or the debit card, prepaid card, or preloaded card issued by the bank or other financial institution and, in exchange, the bank or other financial institution pays a fee or provides other material benefits, including revenue or profit sharing, to the postsecondary educational institution or an officer, employee, or agent of the postsecondary educational institution.

(B) Prohibit the sale or sharing of personal information, as defined in paragraph (1) of subdivision (d) of Section 1798.81.5

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

(C) 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.

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

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

(F) Require 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.

(c) The Board of Governors of the California Community Colleges, the Trustees of the California State University, the Regents of the University of California, and the governing bodies of accredited private nonprofit and for-profit postsecondary educational institutions shall make publicly available on their respective Internet Web sites every policy developed pursuant to subdivisions (a) and (b) and every binding contract negotiated by a postsecondary educational institution under the jurisdiction of one of these governing bodies with a financial institution for

disbursement of students' financial aid awards and other refunds onto debit cards, prepaid cards, or preloaded cards.

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

Approved _____, 2014

Governor