ASSEMBLY BILL   No. 721

Introduced by Assembly Member Medina

February 25, 2015

An act to amend Sections 69800 and 69800.5 of, and to add Section 69800.2 to, the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

AB 721, as introduced, Medina. Student financial aid: private student loans.

Existing law requires 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 about the loans available through the lender and disclose the basis for each lender's inclusion on the list.

This bill would require the public, private, or independent institution to make available on its Internet Web site specified student loan debt statistics on graduates, to provide students information concerning unused federal student loan moneys available to them before processing their private loans, and, if the institution does not participate in federal student loan programs, to inform students that they may be eligible for federal student loans at participating institutions and provide them information regarding Cal Grants and federal student aid. The bill would make nonsubstantive and conforming changes.

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 69800 of the Education Code is amended
2   to read:
3   69800.   A public, private, or independent postsecondary
4   educational institution, except the California Community Colleges,
5   shall do all of the following:
6   (a) (1) State both of the following in all printed and online
7   financial aid materials issued or distributed by the institution to
8   applicants for admission or matriculated students and with private
9   loan applications provided or made available by the institution:
10   (A) Federal student loans are required by law to provide a range
11   of flexible repayment options, including, but not limited to,
12   income-based repayment and income-contingent repayment plans,
13   and loan forgiveness benefits, which other student loans are not
14   required to provide.
15   (B) Federal direct loans are available to students regardless of
16   income.
17   (2) The institution may continue to use financial aid materials
18   that are printed before January 1, 2013, if the institution includes
19   an insert with the printed material that provides the information
20   required in paragraph (1). All financial aid materials printed on or
21   after January 1, 2013, shall include the information required in
22   paragraph (1).
23   (b) Clearly distinguish private loans from federal loans in
24   individual financial aid awards by stating, for any private loans
25   included by the institution as part of the institution's award
26   package, all of the following:
27   (1) Whether the rate is fixed or variable.
28   (2) An explanation that private student loan lenders can offer
29   variable interest rates that can increase or decrease over time,
30   depending on market conditions.
31   (3) An explanation that private student loans have a range of
32   interest rates and fees and students should determine the interest
33   rate of, and any fees associated with, the private student loan
34   included in their financial aid award package before accepting the
35   loan.

1 (4) An explanation that students should contact the lender of
2 the private student loan or their postsecondary educational
3 institution's financial aid office if they have any questions about
4 a private student loan.
5 (5) An explanation that the interest rate on a private loan may
6 depend on the borrower's credit rating.
7 (c) If the institution provides a private loan lender list, it also
8 shall provide general information about the loans available through
9 the lender and disclose the basis for each lender's inclusion on the
10 list. The institution shall also disclose with the list that the student
11 has the ability to choose any lender.
12 *(d) (1) Make available on its Internet Web site student loan*
13 *debt information concerning graduates calculated and reported*
14 *as follows:*
15 *(A) The institution shall calculate the number of students who*
16 *started as first-time postsecondary students at the institution and*
17 *received a certificate, associate's degree, or bachelor's degree*
18 *during that academic year.*
19 *(B) (i) The institution shall calculate the number and percentage*
20 *of the students identified pursuant to subparagraph (A) who*
21 *borrowed at any time while enrolled at the institution through any*
22 *student loan program, including, but not necessarily limited to,*
23 *institutional loans, state loans, federal Perkins loans, federal*
24 *Stafford subsidized and unsubsidized loans, and private loans that*
25 *were certified by the institution, including both federal direct*
26 *student loans and federal family education loans.*
27 *(ii) The institution shall calculate the total principal borrowed*
28 *in those loans described in clause (i).*
29 *(C) (i) The institution shall calculate the number and percentage*
30 *of the students identified pursuant to subparagraph (A) who*
31 *borrowed at any time while enrolled at the institution through a*
32 *federal student loan program, including, but not necessarily limited*
33 *to, federal Perkins loans, federal Stafford subsidized and*
34 *unsubsidized loans, federal direct student loans, and federal family*
35 *education loans, but excluding institutional loans, state loans, and*
36 *private loans.*
37 *(ii) The institution shall calculate the total principal borrowed*
38 *in those loans described in clause (i).*
39 *(D) The institution shall report to the Student Aid Commission*
40 *both of the following:*

1   *(i) The percentages calculated pursuant to subparagraphs (B)*
2 *and (C).*
3   *(ii) The average cumulative principal borrowed by those*
4 *students counted for purposes of the calculations required by*
5 *subparagraphs (B) and (C), calculated by dividing the sum*
6 *identified in clause (ii) of each of those subparagraphs by the*
7 *number of students receiving the loans described in the respective*
8 *subparagraph. The institution shall report average loan debt*
9 *information for certificate, associate degree, and bachelor degree*
10 *programs separately.*
11   *(2) For purposes of this subdivision, "loans" shall include*
12 *cosigned loans that financed a student's own enrollment or*
13 *attendance, but shall not include parental loans.*
14   SEC. 2. Section 69800.2 is added to the Education Code, to
15 read:
16   69800.2. (a) Before processing a private student loan, a public,
17 private, or independent postsecondary educational institution shall
18 comply with Section 69800, and provide to the student information
19 concerning all unused federal student loan moneys available to
20 that student.
21   (b) An institution that does not participate in federal student
22 loan programs shall, before processing a private loan, inform the
23 student that the institution does not participate in federal loan
24 programs and that the student may be eligible for federal loans at
25 a participating institution. The institution shall provide the student
26 with information regarding the Cal Grants Web link on the
27 California Student Aid Commission's Web site and the Federal
28 Student Aid Web link on the United States Department of
29 Education's Web site.
30   SEC. 3. Section 69800.5 of the Education Code is amended to
31 read:
32   69800.5. ~~The~~ *Except as provided in Section 69800.2, the*
33 California Community Colleges may, and are requested to, comply
34 with the provisions of ~~this article.~~ *Section 69800.*

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