

AMENDED IN SENATE JUNE 24, 2015

AMENDED IN ASSEMBLY MAY 28, 2015

AMENDED IN ASSEMBLY APRIL 13, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

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 amended, 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 to the public upon request and in a prominent location on its Internet Web site specified student loan debt statistics on graduates, to provide students information concerning unused *state and federal financial assistance including unused* federal student loan moneys available to them before certifying their eligibility for private

student 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.

1 (3) An explanation that private student loans have a range of
2 interest rates and fees and students should determine the interest
3 rate of, and any fees associated with, the private student loan
4 included in their financial aid award package before accepting the
5 loan.

6 (4) An explanation that students should contact the lender of
7 the private student loan or their postsecondary educational
8 institution's financial aid office if they have any questions about
9 a private student loan.

10 (5) An explanation that the interest rate on a private loan may
11 depend on the borrower's credit rating.

12 (c) If the institution provides a private loan lender list, it also
13 shall provide general information about the loans available through
14 the lender and disclose the basis for each lender's inclusion on the
15 list. The institution shall also disclose with the list that the student
16 has the ability to choose any lender.

17 (d) (1) Make available to the public upon request and in a
18 prominent location on its Internet Web site the following
19 information concerning graduates and student loan debt:

20 (A) The number of students who started as first-time
21 postsecondary students at the institution and received a certificate,
22 associate's degree, or bachelor's degree during that academic year.
23 *For purposes of this paragraph, "academic year" means the most*
24 *recently completed federal award year of July 1 to June 30.*

25 (B) (i) ~~The~~ *For each type of credential specified in*
26 *subparagraph (A), the number and percentage of the students*
27 *identified pursuant to subparagraph (A) who borrowed at any time*
28 *while enrolled at the institution through any student loan program,*
29 *including, but not necessarily limited to, institutional loans, state*
30 *loans, federal Perkins loans, federal Stafford subsidized and*
31 *unsubsidized loans, and private loans that were certified by the*
32 *institution, including both federal direct student loans and federal*
33 *family education loans.*

34 (ii) The total principal borrowed *for each type of credential* in
35 those loans described in clause (i).

36 (C) (i) ~~The~~ *For each type of credential specified in*
37 *subparagraph (A), the number and percentage of the students*
38 *identified pursuant to subparagraph (A) who borrowed at any time*
39 *while enrolled at the institution through a federal student loan*
40 *program, including, but not necessarily limited to, federal Perkins*

1 loans, federal Stafford subsidized and unsubsidized loans, federal
2 direct student loans, and federal family education loans, but
3 excluding institutional loans, state loans, and private loans.

4 (ii) The total principal borrowed *for each type of credential* in
5 those loans described in clause (i).

6 (D) The average cumulative principal borrowed by those
7 students counted for purposes of the calculations required by
8 subparagraphs (B) and (C) *by credential type*, calculated by
9 dividing the sum identified in clause (ii) of each of those
10 subparagraphs *for each type of credential* by the number of *that*
11 *type of credential issued* for students receiving the loans described
12 in the respective subparagraph. ~~The institution shall report average~~
13 ~~loan debt information for certificate, associate degree, and bachelor~~
14 ~~degree programs separately.~~

15 (2) For purposes of this subdivision, “loans” shall include
16 cosigned loans that financed a student’s own enrollment or
17 attendance, but shall not include parental loans.

18 SEC. 2. Section 69800.2 is added to the Education Code, to
19 read:

20 69800.2. (a) Before certifying a borrower’s eligibility for a
21 private student loan, a public, private, or independent
22 postsecondary educational institution shall provide to the student
23 information concerning all unused *state and federal financial*
24 *assistance, including unused federal* student loan moneys available
25 to that student.

26 (b) An institution that does not participate in federal student
27 loan programs ~~shall, before processing a private loan, inform the~~
28 ~~student~~ *shall inform students* that the institution does not participate
29 in federal loan programs and that ~~the student~~ *students* may be
30 eligible for federal loans at a participating institution. The
31 institution shall provide the student with information regarding
32 the Cal Grants Web link on the California Student Aid
33 Commission’s Web site and the Federal Student Aid Web link on
34 the United States Department of Education’s Web site.

35 SEC. 3. Section 69800.5 of the Education Code is amended to
36 read:

37 69800.5. The California Community Colleges may, and are
38 requested to, comply with the provisions of Section 69800.

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