

AMENDED IN SENATE JULY 8, 2015
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 *within 12 months of a completed academic year, as defined*, 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.

1 (2) An explanation that private student loan lenders can offer
2 variable interest rates that can increase or decrease over time,
3 depending on market conditions.

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

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

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

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

20 (d) (1) Make available to the public upon request and in a
21 prominent location on its Internet Web site *within 12 months of a*
22 *completed academic year* the following information concerning
23 graduates and student loan debt:

24 (A) The number of students who started as first-time
25 postsecondary students at the institution and received a certificate,
26 associate's degree, or bachelor's degree during that academic year.
27 For purposes of this ~~paragraph~~, *section*, "academic year" means
28 the most recently completed federal award year of July 1 to June
29 30.

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

38 (ii) The total principal borrowed for each type of credential in
39 those loans described in clause (i).

1 (C) (i) For each type of credential specified in subparagraph
 2 (A), the number and percentage of the students identified pursuant
 3 to subparagraph (A) who borrowed at any time while enrolled at
 4 the institution through a federal student loan program, including,
 5 but not necessarily limited to, federal Perkins loans, federal
 6 Stafford subsidized and unsubsidized loans, federal direct student
 7 loans, and federal family education loans, but excluding
 8 institutional loans, state loans, and private loans.

9 (ii) The total principal borrowed for each type of credential in
 10 those loans described in clause (i).

11 (D) The average cumulative principal borrowed by those
 12 students counted for purposes of the calculations required by
 13 subparagraphs (B) and (C) by credential type, calculated by
 14 dividing the sum identified in clause (ii) of each of those
 15 subparagraphs for each type of credential by the number of that
 16 type of credential issued for students receiving the loans described
 17 in the respective subparagraph.

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

21 SEC. 2. Section 69800.2 is added to the Education Code, to
 22 read:

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

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

37 SEC. 3. Section 69800.5 of the Education Code is amended to
 38 read:

1 69800.5. The California Community Colleges may, and are
2 requested to, comply with the provisions of Section 69800.

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