

## Assembly Bill No. 721

### CHAPTER 632

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.

[Approved by Governor October 8, 2015. Filed with  
Secretary of State October 8, 2015.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 721, 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, except the California Community Colleges, 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. The bill would require all public, private, and independent postsecondary institutions 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.

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

SECTION 1. Section 69800 of the Education Code is amended to read: 69800. A public, private, or independent postsecondary educational institution, except the California Community Colleges, shall do all of the following:

(a) (1) State both of the following in all printed and online financial aid materials issued or distributed by the institution to applicants for admission or matriculated students and with private loan applications provided or made available by the institution:

(A) Federal student loans are required by law to provide a range of flexible repayment options, including, but not limited to, income-based repayment and income-contingent repayment plans, and loan forgiveness benefits, which other student loans are not required to provide.

(B) Federal direct loans are available to students regardless of income.

(2) The institution may continue to use financial aid materials that are printed before January 1, 2013, if the institution includes an insert with the printed material that provides the information required in paragraph (1). All financial aid materials printed on or after January 1, 2013, shall include the information required in paragraph (1).

(b) Clearly distinguish private loans from federal loans in individual financial aid awards by stating, for any private loans included by the institution as part of the institution's award package, all of the following:

(1) Whether the rate is fixed or variable.

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

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

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

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

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

(d) (1) 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 the following information concerning graduates and student loan debt:

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

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

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

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

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

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

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

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

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

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

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

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