

ASSEMBLY BILL

No. 2251

Introduced by Assembly Member Mark Stone

February 18, 2016

An act to add Article 24 (commencing with Section 70050) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

AB 2251, as introduced, Mark Stone. Student Loan Borrowers' Bill of Rights.

Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education in this state.

This bill would establish the Student Loan Borrowers' Bill of Rights, which would require student educational loan servicers to provide each of their student loan borrowers in this state with (1) reliable information about the borrower's loan and repayment options, (2) quality customer service and fair treatment, and (3) meaningful access to federal affordable repayment and loan forgiveness benefits available to the borrower.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

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

1 SECTION 1. Article 24 (commencing with Section 70050) is
2 added to Chapter 2 of Part 42 of Division 5 of Title 3 of the
3 Education Code, to read:

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5 Article 24. Student Loan Borrowers' Bill of Rights

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7 70050. This act shall be known, and may be cited, as the
8 Student Loan Borrowers' Bill of Rights.

9 70051. The Legislature finds and declares all of the following:

10 (a) Student loan debt is a national crisis. More than 40,000,000
11 people in the United States owe some amount of student
12 educational loan debt. Total student educational debt in the United
13 States has crossed the trillion dollar mark. It currently exceeds one
14 trillion two hundred billion dollars (\$1,200,000,000,000),
15 surpassing both the amount of credit card debt and car loans. With
16 college costs continuing to rise, student educational debt continues
17 to rise and there is no reduction in sight.

18 (b) While California's financial aid programs are some of the
19 strongest in the nation and our state's college graduates have among
20 the lowest educational debt burdens, California students and
21 graduates still incur significant debt. According to the Institute for
22 College Access & Success, 55 percent of California's graduating
23 class of 2014 has student educational loan debt. According to the
24 United States Department of Education, as of January 2015, there
25 were approximately 4,156,000 student educational loan borrowers
26 in California, and the total student educational loan debt
27 outstanding for Californians was about one hundred twelve billion
28 dollars (\$112,000,000,000).

29 (c) Student educational loan debt is a drag on the state's
30 economy, preventing borrowers from achieving financial
31 independence, buying property, and starting businesses.

32 (d) Student educational loan servicers administer student loans,
33 serving as a critical link between borrowers and lenders in
34 managing accounts, processing payments, and communicating
35 directly with borrowers. That said, according to the federal
36 Consumer Financial Protection Bureau (CFPB), there are no
37 consistent, marketwide federal standards for student educational

1 loan servicing. Currently, California does not have standards for
2 student loan servicing.

3 (e) The CFPB released a report in September 2015 that found
4 that student educational loan borrowers encounter servicers that
5 discourage borrower-friendly alternative payment plans, fail to
6 respond to questions and payment processing errors, and fail to
7 provide sufficient information to borrowers regarding payments,
8 benefits, interest rates, and other charges.

9 (f) Therefore, it is the intent of the Legislature that, as of the
10 enactment of this act, every student educational loan borrower
11 receive all of the following rights:

12 (1) The right to meaningful access to federal affordable
13 repayment and loan forgiveness benefits for which he or she is
14 eligible.

15 (2) The right to reliable information about his or her student
16 educational loan and loan repayment options.

17 (3) The right to quality customer service and fair treatment.

18 70052. (a) For purposes of this section, the following terms
19 have the following meanings:

20 (1) “Student educational loan” means any loan primarily for
21 personal use to finance education or other school-related expenses.

22 (2) “Student loan borrower” means any resident of this state
23 who has received or agreed to pay a student educational loan, or
24 any person who shares responsibility with that resident for repaying
25 the student educational loan.

26 (3) “Student loan servicer” means, to the extent authorized by
27 federal law, any entity or person, wherever located, responsible
28 for the servicing of any student educational loan to any student
29 loan borrower. Student loan servicer does not include banks or
30 credit unions.

31 (b) Student loan servicers shall provide each of their student
32 loan borrowers with all of the following:

33 (1) Reliable information about the borrower’s educational loan
34 and repayment options.

35 (2) Quality customer service and fair treatment.

36 (3) Meaningful access to federal affordable repayment and loan
37 forgiveness benefits available to the borrower.