

**ASSEMBLY BILL**

**No. 2251**

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**Introduced by Assembly Member Mark Stone**

February 18, 2016

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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.

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