

Introduced by Senator McGuireFebruary 26, 2015

An act to amend Section 28000 of the Financial Code, relating to college loans.

LEGISLATIVE COUNSEL'S DIGEST

SB 565, as introduced, McGuire. College loans: rates.

Existing law authorizes educational institutions of collegiate grade to make loans or forbearances to finance student educational expenses including tuition, room and board, and other costs of attendance or living at the institution, at rates not to exceed the higher of 10% per annum or 5% per annum plus the rate established by the Federal Reserve Bank of San Francisco, as provided.

This bill would change those rates to 7.5% per annum or 3% per annum plus the rate established by the Federal Reserve Bank of San Francisco, as provided. The bill would also update an obsolete reference.

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. Section 28000 of the Financial Code is amended
- 2 to read:
- 3 28000. (a) Pursuant to the authority contained in Section 1 of
- 4 Article XV of the State Constitution, and subject to subdivision
- 5 (b), educational institutions of collegiate grade are authorized to
- 6 make loans or forbearances to finance student educational expenses
- 7 including tuition, room, and board, and other costs of attendance
- 8 or living at the institution, at rates not to exceed the higher of:

1 (1) ~~Ten percent per annum.~~ *Seven and one-half percent per*
2 *annum.*

3 (2) ~~Five~~ *Three* percent per annum plus the rate established by
4 the Federal Reserve Bank of San Francisco on advances to member
5 banks under Sections 13 and 13(a) of the Federal Reserve Act as
6 now in effect or hereafter from time to time amended or, if there
7 is no such single determinable rate of advances, the closest
8 counterpart of this rate as shall be designated by the Commissioner
9 of ~~Financial Institutions~~ *Business Oversight* of the State of
10 California unless some other person or agency is delegated such
11 authority by the Legislature. The date of determining the applicable
12 rate established by the Federal Reserve bank shall be the 25th day
13 of the month preceding the earlier of the date of execution of the
14 contract to make the loan or forbearance, or the date of making
15 the loan or forbearance.

16 (b) Where the institution has obtained a loan specifically in
17 order to make loans to finance student educational expenses, the
18 rate of interest shall not exceed the lower of:

19 (1) The rate determined pursuant to subdivision (a).

20 (2) One percentage point in excess of the interest rate imposed
21 upon the loan made to the institution, as of the date of execution
22 of the contract to make the student loan to such extent the foregoing
23 creates and authorizes a class of exempt persons pursuant to Section
24 1 of Article XV of the Constitution.

25 (c) Solely with respect to loans or forbearances made by
26 educational institutions of collegiate grade to their faculty or staff,
27 secured by real property consisting of a residential dwelling, these
28 institutions are hereby declared to be an exempt class of persons
29 as this term is used in Section 1 of Article XV of the Constitution.