

Senate Bill No. 1289

CHAPTER 623

An act to add Article 14.5 (commencing with Section 69800) to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, relating to student financial aid.

[Approved by Governor September 27, 2012. Filed with
Secretary of State September 27, 2012.]

LEGISLATIVE COUNSEL'S DIGEST

SB 1289, Corbett. Postsecondary education: private student loans.

Existing law establishes the University of California, California State University, the California Community Colleges, and independent colleges and universities as the 4 segments of postsecondary education in this state. Existing law establishes various student financial aid programs for students attending all segments of postsecondary education.

This bill would require 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. The bill would authorize and request the California Community Colleges to comply with these provisions, and would apply to the University of California only to the extent that the Regents of the University of California act, by resolution, to make it applicable.

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

SECTION 1. Article 14.5 (commencing with Section 69800) is added to Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code, to read:

Article 14.5. Private Student Loans

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.

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

69801. This article shall apply to the University of California only to the extent that the Regents of the University of California act, by resolution, to make it applicable.