
SENATE COMMITTEE ON EDUCATION

Senator Carol Liu, Chair
2015 - 2016 Regular

Bill No: AB 721
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Fiscal: Yes

Subject: Student financial aid: private student loans

SUMMARY

This bill requires public, private or independent postsecondary education institutions and requests the California Community Colleges (CCC) to disclose data on student loan debt and to disclose specified information to students seeking private student loans.

BACKGROUND

Existing law requires a public, private or independent postsecondary educational institution, except the CCC, to make specified disclosures related to private student loans in financial material and applications provided or made available by the institution for the purposes of distinguishing private loans from federal loans in individual financial aid awards. (Education Code § 69800)

ANALYSIS

This bill:

- 1) Requires public, private or independent postsecondary educational institutions and requests the CCC to make available to the public upon request and in a prominent location on its website the following information concerning graduates and student loan debt.
 - a) The number of students who started as first-time postsecondary students who started and received a certificate, associates' degree, or bachelor's degree during most recently completed federal award year of July 1 to June 30.
 - b) For each type of credential in (a), the number and percentage of students in (a) who borrowed while enrolled through any student loan program and total principal borrowed in each of those loan programs.
 - c) For each type of credential in (a), the number and percentage of students in (a) who borrowed while enrolled through any federal student loan program and total principle borrowed in each of the federal student loan programs.
 - d) The average principal borrowed by the students counted in (b) and in (c) by each credential type, as specified.

- 2) Requires all private, independent, and public institutions, prior to certifying a borrower's eligibility for a private student loan to inform the student of all unused state and federal financial assistance.
- 3) Requires an institution that does not participate in federal student loan programs to inform the students of such and that the student may be eligible for federal loans at a participating institution. The institution is required to provide the student with information regarding the Cal Grants and Federal Student Aid websites.

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, students and their families need clear, timely, accurate and comparable information on student financial aid to make the best financial and educational decisions about which postsecondary educational institution to attend. This bill seeks to expand financial aid information available to the student and their families by requiring the postsecondary education institution to annually report on cumulative student loan debt and inform students of their unused state and federal student loan options.
- 2) ***Existing online tools.*** Several federal online tools exist to assist prospective college students in making informed decisions about their postsecondary education options. These include the following:
 - a) ***The College Scorecards.*** In February 2013, the U.S. Department of Education's (USDOE) College Affordability and Transparency Center released an interactive college scorecard, intended to provide information on a college's affordability and value to enable parents and prospective students to make informed decisions about which college to attend. According to the USDOE, the Scorecard highlights key indicators about the cost and value of institutions across the country to help students choose a school that is well-suited to meet their needs, priced affordably, and is consistent with their educational and career goals. Each Scorecard includes five key pieces of data about a college: costs, graduation rate, loan default rate, average amount borrowed, and employment. USDOE reports that these data will be updated periodically, and that they plan to publish information on average earnings in the coming year.
 - b) ***Net Price Calculators.*** Federal law requires any college that participates in Title IV financial aid programs to post on-line "net price calculators" to help parents and students determine the potential cost of different colleges before they apply. This calculator allows students to calculate an estimated net price of attendance at an institution (defined as cost of attendance minus grant and scholarship aid) based on what similar students paid in a previous year. The net price calculator is required for all Title IV institutions that enroll full-time, first-time degree- or certificate seeking undergraduate students. The USDOE College Affordability and Transparency Center provides a link to the net-price calculator for individual colleges nationally.
 - c) ***Financial Aid Shopping Sheet.*** In 2012, the USDOE partnered with the Consumer Financial Protection Bureau to develop the Financial Aid Shopping Sheet to promote transparency in student financial disclosures. The Shopping

Sheet is designed to help students better understand the amount of grants and scholarships they would receive from a given institution, and the amount of loans an institution recommends a student take out to cover out-of-pocket costs. The Shopping Sheet is not mandatory, but the federal government did ask institutions to voluntarily adopt the Shopping Sheet beginning with the 2013-14 academic year. To date, about 3,000 institutions nationally have agreed to use the Shopping Sheet template, and many California public, private and independent institutions including all University of California (UC) and most California State University (CSU) campuses are listed among those institutions who have adopted the tool.

- d) *The College Navigator*. The National Center for Higher Education Management Statistics (located within the U.S. Department of Education and the Institute of Education Sciences) is the primary federal entity for collecting and analyzing data related to education in the U.S. and other nations. College Navigator provides comprehensive information to compare colleges on criteria that includes costs, majors offered, size of school, campus safety, and graduation rates.

Typically, institutions report student loan information through the Integrated Postsecondary Education Data System, Common Data Set, and/or U.S. Department of Education and are made available to students and their families via the tools mentioned above. This bill requires institutions to annually report cumulative debt levels at the end of graduation for each credential and loan program rather than reporting figures for annual borrowing.

- 3) ***Private student loans***. Private loans are not subsidized or guaranteed by the federal government, have higher, variable market-based interest rates and charge guarantee fees, making them more expensive and less favorable for borrowers than federal loan options. This bill seeks to minimize private student loan borrowing by ensuring students and families are informed about their state and federal aid eligibility before an institution can certify students' request for private loans.
- 4) ***Related TICAS study***. According to a recent report, Student Debt and the Class of 2013, issued by the Institute for College Access and Success (TICAS), statewide, 55 percent of college seniors who graduated in 2013 had student loan debt, with an average debt of \$20,340 per borrower. Nationally, private loans are most prevalent at for-profit colleges, with 41 percent of their seniors graduating with private loans in 2012. TICAS additionally notes that 47 percent of private loan borrowers borrow less than they could in federal student loans. The report highlighted high debt and low debt states, and California was noted as being among the low debt states. Among its recommendations, TICAS advised the collection of better college level data on student borrowing at the point of completion including private loans for which little data is reported and additionally supported the improvement and promotion of federal tools and processes that provide more and better consumer information throughout the college process. The report specifically noted tools such as the College Scorecard, the Net Price Calculator, and the Shopping Sheet.

5) ***Prior legislation.***

AB 330 (Chau, 2014) would have required the California Student Aid Commission and Bureau for Private Postsecondary Education to post additional links on their Internet Web sites to provide information such as net cost, financial aid, and student loan debt that can be used by students and families to evaluate their college choices. AB 330 died in the Senate inactive file.

SUPPORT

California Competes
California Faculty Association
California Federation of Teachers
East Bay Community Law Center
National Association of Social Workers
Public Advocates
The Institute for College Access and Success

OPPOSITION

None received.

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