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# SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

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**Bill No:** AB 1178 **Hearing Date:** July 5, 2017  
**Author:** Calderon  
**Version:** May 30, 2017  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Olgalilia Ramirez

**Subject:** Postsecondary education: student loans

## SUMMARY

This bill requires, commencing with the 2018-19 award year, that each higher education institution, except for the California Community Colleges (CCC), to the extent possible, send an individualized letter to their students regarding information on their student loans.

## BACKGROUND

Existing law:

- 1) 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)
- 2) Requires public, private, or independent institution, except the CCCs, to make available to the public upon request and in a prominent location on its Internet Web site within 12 months of a completed academic year, specified student loan debt statistics on graduates.
- 3) Requires all public, private, and independent postsecondary institutions to provide students information concerning unused state and federal financial assistance including unused federal student loan moneys available to them before certifying their eligibility for private student loans and, if the institution does not participate in federal student loan programs, to inform students that they may be eligible for federal student loans at participating institutions and provide them information regarding Cal Grants and federal student aid. (EC § 69800.2)

## ANALYSIS

This bill:

- 1) Requires, commencing with the 2018-19 award year, that each higher education institution, except for the CCCs, to the extent possible, send an individualized letter to their students regarding information on their student loans that includes all of the following information:

- a) An estimate of all of the following:
    - i) The total cumulative amount of his or her federal, state, and private education loans.
    - ii) The potential total payoff amount of his or her federal, state, and private education loans incurred or a range of the total payoff amount.
    - iii) Monthly repayment amounts that a similarly situated borrower may incur including principal and interest, for the amount of loans the student has taken out at the time the information is provided.
  - b) A statement that estimates provided are general in nature and not meant as a guarantee or promise of the actual projected amounts.
  - c) Contact information for the institution's financial aid office or a financial aid or academic adviser of the institution.
- 2) Specifies that institutions are not to incur liability for any representation made in the specified estimates.
  - 3) In the event that an institution is not able to provide a student with specified estimates, requires an institution to inform a student in the letter that he or she may view his or financial aid history via the National Student Loan Data System and must provide the internet Web site line to the system.

## STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, "College students are not actively informed about their cumulative student loan debt while they are making borrowing decisions. Each year, qualifying students receive financial aid packages for the upcoming academic year. At no time during this process are lenders or universities required to disclose how much debt a student has accrued. A study by Citizens Bank found that 60% of recent college graduates surveyed underestimated their own monthly loan repayment amount. Student borrowers may decide to accept more loans than necessary without understanding the full consequences of repayment upon graduation."

This bill aims to inform students of their cumulative loan debt by requiring postsecondary institutions to send individualized loan letters to students including, a student's total loan amount and estimated monthly payment.

- 2) ***Student loan debt.*** According to The Institute for College Access and Success (TICAS) and its Project on Student Debt, 68 percent of seniors who graduated from public and nonprofit colleges in 2015 had student loan debt, with an average nationally of \$30,100 per borrower. TICAS reports that the share of graduates with debt rose modestly over the last decade (from 65 percent to 69 percent). TICAS also reports that average debt in California is \$22,191 at public

and private non-profit colleges and that about 54 percent of students graduate with debt, ranking California 48th and 42nd nationally, respectively. California falls below the national average in student loan debt.

- 3) **Impact on students.** Various federal and state efforts are underway to help students make informed decisions about their borrowing options and monitor existing loan debt. The U.S. Department of Education (USDE) maintains a database tracking students loans known as the National Student Loan Data System (NSLDS). NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other USDE programs. Students may view the status of federal loans and grants through the website. However, private loans are not included in NSLDS. Additionally, all federal student loan borrowers are required to receive entrance and exit counseling. Lastly, current state law requires all public, private, and independent postsecondary institutions to provide students information concerning unused state and federal financial assistance including unused federal student loan moneys available to them before certifying their eligibility for private student loans.

This measure aims to ensure that colleges take a proactive approach toward delivery of student loan debt data. Arguably, a student can independently access loan information through the NSDLDS or other entities. However, the proposed methodology could encourage a greater number of students to make well-informed borrowing decisions and repay their loans.

- 4) **Technical and clarifying amendments.** Staff recommends and the author agrees to make the following clarifying amendments:
- 69509.6 (a)(1)(A) The total cumulative **principal** amount of his or her federal, state, and private education loans.
  - 69509.6 (a)(1) (C) Monthly repayment amounts that a similarly situated borrower may incur, including principal and interest, for the amount of loans the student has taken out at the time the information is provided, **assuming a 10-year repayment plan under current federal loan interest rates.**
  - 69509.6 (a)(2) A statement that the estimates provided pursuant to paragraph (1) are general in nature and not meant as a guarantee or promise of the actual projected amounts, **and that they are based on the loan amounts that the institution is aware of and may not include all student debt incurred; that borrowers with private loans may have substantially higher payments; and that federal student loan borrowers may be eligible for repayment plans that extend beyond ten years.**

## SUPPORT

American Student Assistance  
California State Student Association  
College Access and Success

uAspire

**OPPOSITION**

American Career College  
California Association of Private Postsecondary Schools  
University of Phoenix

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