

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/26/2012
POSITION: Neutral

BILL NUMBER: SB 1289
AUTHOR: Corbett, Ellen

BILL SUMMARY: Postsecondary education: private student loans.

This bill would require all California public or private postsecondary institutions, except for the California Community Colleges (CCC), to distinguish between private loans and federal loans in the financial aid materials they distribute to students applying to or enrolled at their institutions, and in private loan applications they may provide. In particular, the bill would require information on the differences in costs and terms and the availability of federal loans, as well as the range of repayment options provided by federal student loans. For any institutional financial aid package that includes a private loan offered by that postsecondary institution, the institution would be required to provide specific details on the interest rates and fees charged on the private loan. Campuses that provide a private loan lender list to students would be required to provide general information about the loans available through such lenders and disclose the basis for including each lender on this list.

The measure would request that the CCC comply with the bill's provisions, and would apply to the Regents of the University of California (UC) only if the Regents adopt a resolution to do so.

FISCAL SUMMARY

Both UC and the California State University indicate that this bill would impose only minor, absorbable costs, as both segments already comply with most if not all of the bill's provisions. In general, neither institution offers private loans directly to students.

The bill would not create any state costs applicable to the CCC because they are not required to comply with the provisions of this bill. Further, the CCC Chancellor's Office states that the colleges may not implement the bill due to cost concerns. However, to the extent that community colleges choose to comply with the bill, they could incur local costs that would vary based on local implementation decisions.

COMMENTS

The Department of Finance is neutral on this bill for the following reasons:

- It would help students compare the costs and benefits of the various student loan options available. The bill could be particularly beneficial in assisting graduate students to choose the most favorable student loan available to them, in light of the recently enacted reform of federal student loan policy. Effective July 1, 2012, graduate students are no longer eligible for federally subsidized student loans, so these students are more likely to consider taking out private loans.
- While federal legislation (House Resolution 4137, the Higher Education Opportunity Act, which reauthorizes the Higher Education Act of 1965) already requires private educational lenders to disclose to borrowers specified information on the availability of federal, state, and institutional financial aid, this information is not provided until the loan application is completed. Students' first point of contact in financing their education is typically the financial aid office of the institution they will

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| Analyst/Principal (0384) S.Swan | Date | Program Budget Manager Nicolas Schweizer | Date |
| Department Deputy Director | | | Date |
| Governor's Office: | By: | Date: | Position Approved _____ Position Disapproved _____ |
| BILL ANALYSIS | | | Form DF-43 (Rev 03/95 Buff) |

BILL ANALYSIS--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

Corbett, Ellen

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COMMENTS (continued)

be attending; requiring this office to disclose the bill's specified loan information would help students make an informed decision before actually applying for a federal or private loan.

| Code/Department Agency or Revenue Type | SO | (Fiscal Impact by Fiscal Year) | | | | | Fund Code |
|--|----|--------------------------------|----|------------------------------------|--------------|-----------|--------------|
| | LA | (Dollars in Thousands) | | | | | |
| | CO | PROP | | | | | |
| | RV | 98 | FC | 2012-2013 FC | 2013-2014 FC | 2014-2015 | |
| 6440/UC | SO | No | | ----- No/Minor Fiscal Impact ----- | | | 0001 |
| 6610/CSU | SO | No | | ----- No/Minor Fiscal Impact ----- | | | 0001 |
| 6870/Comm College | SO | No | | ----- No/Minor Fiscal Impact ----- | | | 0001 |
| 6870/Comm College | LA | Yes | | ----- See Fiscal Summary ----- | | | 0001 |