

Date of Hearing: April 18, 2017

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 1178 (Calderon) – As Amended March 30, 2017

SUBJECT: Postsecondary education: student loans.

SUMMARY: Requires, commencing in 2018, that each higher education institution, to the extent feasible, send an individualized letter to their students regarding information on their student loans. Specifically, **this bill**:

- 1) Requires, beginning in 2018, between June 1 and August 1 of each year, that each higher education institution, to the extent that the institution receives a student borrower's federal, state and private education loan information, send an individualized letter, by regular mail or electronic mail, to the student that includes all of the following information:
 - a) An estimate of all 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; and,
 - 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 the estimates provided are general in nature and not meant as a guarantee or promise of the actual projected amounts; and,
 - c) Contact information for the institution's financial aid office or financial aid or academic adviser of the institution.
- 2) Requires, commencing in 2020, on or before January 1 of each year, each institution, as specified, to annually report to the Legislative Analyst's Office (LAO) on the effectiveness of the letters provided in reducing the education loan debt of its students for the academic year preceding the report.
- 3) Exempts the California Community Colleges from participating in all of numbers 1 and 2 above.

EXISTING LAW: Establishes the Donahoe Higher Education Act, setting forth the mission of the UC, CSU, and CCC; and, defines "independent institutions of higher education" as nonpublic higher education institutions that grant undergraduate degrees, graduate degrees, or both, and that are formed as nonprofit corporations in California and are accredited by an agency recognized by the United States Department of Education (Education Code (EC) Section 66010, et seq.).

FISCAL EFFECT: Unknown.

COMMENTS: *Background.* According to The Institute for College Access and Success (TICAS) October 2016 report, "Student Debt and the Class of 2015, 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 found that the share of graduates with debt rose modestly over the last decade (from 65 percent to 69 percent). Additionally, TICAS found that average debt in California is \$22,191 at public and private nonprofit colleges and that about 54 percent of students graduate with debt, ranking California 48th and 42nd nationally, respectively.

To note, TICAS found that better data on student loan debt is urgently needed. The total debt at graduation – including both federal and private loans – remains unavailable for every college. Additionally, the debt for each type of credential offered by a given school also remains unavailable.

Purpose of this measure. According to the author, college students need to have up to date information about their cumulative student loan debt while they are making borrowing decisions. The author contends that when students have this information it may lead to decreased impulsive borrowing and student loan regret. The author states, "A study by Citizens Bank found 60 percent of recent college graduates surveyed underestimated their own monthly loan repayment amount. In a Consumer Report study of student loan behavior, 47 percent of recent college graduates reported they would have accepted less financial aid during college if they had to make the decision again."

The author contends that under federal law, "students are required to undergo entrance counseling before receiving loans and exit counseling at fruition. The interim time spans the entire length of a student's enrollment at a post-secondary institution. In the years between these two counseling sessions, qualifying students receive financial aid packages and accept debt burden for each academic year." The author argues that, "at no time during these interim academic years are universities required to disclose how much debt a student has cumulatively accrued or provide information on approximate monthly loan payments."

This measure will require each higher education institution, except for the CCC, to the extent possible, to provide students a detailed letter itemizing their total cumulative loan amount, the percentage of the federal loans borrowing limit they have reached, and an estimated monthly payment based on a formula created by each institution.

Existing efforts to inform students about their loans. The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (USDE) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other USDE programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data. The link to the NSLDS website can be found here: https://www.nsls.ed.gov/nsls/nsls_SA/.

Additionally, students can now view their financial aid history at <https://studentaid.ed.gov/sa/>. Students have to log in to access their information from NSLDS. Once they log in to their "My Federal Student Aid account", they will be able to access their financial aid summary, as well as details about each federal student loan or grant they have received. Students can also view the contact information of their federal student loan servicer.

Lastly, when students are logged into their account, they have access to the "Repayment Estimator" whereby they can receive estimates on what their loan payments will entail and learn more about repayment plans.

To note, the "My Federal Student Aid" account shows information about financial aid students' already received. If students are wondering what aid they will receive in the future, how much they have been awarded, when it will be paid out, etc., they will need to check with the financial aid office at their school.

Committee staff understands that students are informed of the aforementioned websites when they have their financial aid entrance and exit interviews. However, it is presently unclear how many students utilize these resources.

Efforts in other states. According to information provided by the author, the states of Indiana and Nebraska have enacted proposals similar in nature to this measure. Additionally, students attending Montana State University receive letters similar in nature to what is called for in this measure.

Policy considerations. This measure requires, commencing in 2020, on or before January 1 of each year, that each institution, as specified, annually report to the LAO on the effectiveness of the letters provided to their students. The measure is silent as to what, if anything, the LAO would need to do with all the reports received from the institutions. Additionally, this bill does not include metrics for assessing the effectiveness of the letters students will receive.

Committee staff recommends, and the author has agreed to take the following amendment:

Strike 69509.6 (b) of the measure – which would delete the requirement of the institutions having to send reports to the LAO.

Moving forward, the author may wish to direct each segment to work with the California Student Aid Commission in creating an appropriate and feasible letter that can be sent out to students by each institution.

Additionally, Committee staff understands that campuses do not necessarily have direct access to the federal loan history of their students; including federal loan information in the letter may not be feasible.

Furthermore, Committee staff understands that many institutions have adopted the national shopping sheet, which can be found here: <https://ifap.ed.gov/eannouncements/attachments/ShoppingSheetTemplate20172018.pdf> when assisting their students with their financial aid. Said sheet provides what may be helpful loan information for students and their financial aid officers.

Moving forward, the author may wish to require all institutions use the federal financial aid shopping sheet.

Lastly, as mentioned in the "Existing Efforts to Inform Students About Their Loans" section of this analysis, current websites are in place that allow for students to check the status of their loan balances and learn about loan repayment program options. Committee staff understands that many students may not be utilizing these tools.

Moving forward, the author may wish to examine the feasibility of requiring each institution to notify their students about existing resources available to them in order to view and obtain their loan history.

REGISTERED SUPPORT / OPPOSITION:

Support

American Student Assistance
The Institute for College Access & Success

Opposition

California Association of Private Postsecondary Schools
University of Phoenix

Analysis Prepared by: Jeanice Warden / HIGHER ED. / (916) 319-3960