

Another Disclosure Requirement for California Higher Education Institutions Signals an Accelerating State Role in Student Disclosure

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All higher education institutions in California, with the sole exception of the California Community College system, will – beginning with the 2018-19 academic year – have to provide their students an annual summary of their total borrowing to pursue their education and an estimate of their future monthly payments.

Majority Leader Ian Calderon, the author of the [new law](#), describes its purpose as ensuring that college students have up-to-date information about their cumulative student loan debt when they are making borrowing decisions. In a [statement](#) issued when Governor Brown signed this bill into law in early October, Assemblyman Calderon said the new law “takes proactive steps to alleviate the student loan crisis by requiring that students receive up-to-date, accurate information about their mounting student debt so they can make informed borrowing decisions.” He added that “with the recent rollback of student loan disclosure requirements at the federal level, California is taking the lead in ensuring students are better informed.”

As all institutions participating in the Federal Student Aid program are aware, students are required to receive both entrance and exit counseling when they obtain education loans through the Department of Education. In the interim period between signing for their first semester’s loans and graduation or withdrawal, students are “repackaged” multiple times, often with no sense of how much they have already borrowed and what the impact of the new loan will have on their overall debt and repayment picture.

This new law mandates that, beginning July 1, 2018 and continuing each academic year thereafter, institutions will have to distribute to every student borrower “an individualized letter” that includes an estimate of 1) the total cumulative principal amount of his or her federal, state and private education loans; 2) the potential total payoff amount of those loans or a range of the total payoff amount; and 3) monthly repayment amounts, 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.

The law is modelled after a plan developed by the Indiana University system that provided its 100,000+ students with a similar individualized loan profile, including their total loan amount, estimated future monthly payment and the percentage of the cumulative federal borrowing limit a student has reached. Assemblyman Calderon cited the [Indiana experience](#) as having resulted in a 15% decrease in student borrowing. The Indiana legislature has now extended the IU plan to all students attending postsecondary institutions in the state, with similar laws now on the books in Wisconsin and Nebraska.

These laws – which, like that in California, apply to all college students regardless of the type of institution (other than California community colleges, as noted above) – are indicative of the increasingly activist role the states are playing in seeking to provide information and protect student interests, an area that previously has been the province of the federal Department of Education. As attention focuses on changes in the federal regulatory landscape, it is clear that an increasing number of states are looking to fill any gaps. And one should not ignore the effect of what appear to be consumer-friendly state laws: earlier this year members of the Indiana Congressional delegation, led by Rep. Luke Messer, R-IN (6th) introduced a [similar bill](#) applicable to all students borrowing through the Title IV federal student aid programs.

Cooley is available to assist institutions seeking guidance on the best ways to implement these new procedures, and of course we will be looking out for similar developments in other states and in Congress as the [Higher Education Reauthorization](#) begins to move forward.

Kate Lee Carey focuses on the legal, accreditation, administrative and regulatory aspects of regionally and nationally accredited higher education institutions and companies that provide services to the education industry.

Mike Goldstein has been a pioneer in the development of new and more effective and efficient approaches to education

in general and eLearning in particular through the creation of innovative approaches to combining the resources and interests of the various sectors of the education, technology, financial and governmental communities.

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