

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

House Bill 509
Appropriations

(Delegate Hettleman, *et al.*)

Education, Health, and Environmental Affairs

Higher Education - Student Loan Notification Letter

This bill requires each institution of higher education that receives funding from the State to provide specified student loan information to each undergraduate enrolled in the institution who applies for federal student aid in the applicable award year. Each institution must provide the information annually with the student's financial aid award notice.

The bill takes effect July 1, 2018.

Fiscal Summary

State Effect: No effect in FY 2018 due to the bill's delayed effective date. Beginning in FY 2019, public institutions of higher education can likely provide the required student loan information within existing processes and with existing resources. To the extent this is not the case for a particular institution, higher education expenditures increase for any necessary staff or programming expenses. The amount, if any, cannot be reliably estimated at this time. Although the bill applies to Baltimore City Community College (BCCC), it likely does not impact the college. Revenues are not affected.

Local Effect: No effect in FY 2018 due to the bill's delayed effective date. Beginning in FY 2019, community colleges can likely provide the required student loan information within existing processes and with existing resources. To the extent this is not the case for a particular community college, local expenditures for community colleges increase for any necessary staff or programming expenses. The amount, if any, cannot be reliably estimated at this time. Revenues are not affected.

Small Business Effect: None.

Analysis

Bill Summary: “Education loan” means a direct loan administered by the U.S. Department of Education (ED) that is made to assist a student in obtaining postsecondary education. It does not include a Parent PLUS loan or a private student loan. An institution of higher education that receives education loan information from ED must provide to each undergraduate student enrolled in the institution who applies for federal student aid in the applicable award year:

- the information reported on the Student Aid Report issued by ED from the most recent award year, including (1) the total amount of outstanding loans and (2) the monthly payment amount for a 10-year period for every \$1,000 owed by the borrower;
- the lifetime loan limit for undergraduate student borrowers;
- a statement that the actual repayment amount is dependent on specified factors, including the total amount borrowed, the interest rate, accrued interest, and the length of the repayment term;
- a link to the National Student Loan Data System (NSLDS) for Students website and an income-driven repayment plan website; and
- the address of the financial aid office where the student may seek financial aid counseling.

This information must be provided annually with the student’s financial aid award notice.

The information may include a related statement that specifies that the information is not meant as a guarantee or promise and that the information does not include Parent PLUS loans or private student loans. If an institution includes this statement, the institution does not incur liability for any inaccurate representations made under the bill if the representations are made based on incorrect information provided by ED and reasonably relied on in good faith by the institution.

Current Law/Background: The bill applies to all two- and four-year public institutions of higher education. It also applies to four-year private, nonprofit institutions of higher education in the State since they receive State funding. For-profit institutions are likely not affected as they do not receive State operating funding or student financial aid. Private career schools are not included in the definition of “institution of higher education.”

Federal Student Loan Disclosures

Federal regulations require institutions that participate in federal loan programs to make certain disclosures related to student loans. For example, prior to the first disbursement,

each institution must provide to a first-time borrower of a Federal Direct Loan (other than a consolidated or Parent PLUS loan) comprehensive information on the terms and conditions of the loan and of the borrower's responsibilities, including:

- the effect of the loan on the eligibility of the borrower for other forms of aid;
- information on the accrual and capitalization of interest;
- sample monthly repayment amounts;
- consequences of default; and
- information about NSLDS and how the borrower can access the borrower's records.

Each of these institutions must also provide exit counseling to borrowers of loans under the Federal Direct Loan or Perkins Loan programs (other than consolidated or Parent PLUS loans) shortly before the student borrower ceases at least half-time study at the institution, including information on:

- the average anticipated monthly repayment amount;
- repayment plan options;
- debt management strategies;
- the terms and conditions for forgiveness or cancellation;
- a copy of information provided by ED;
- consequences of default;
- options and consequences of loan consolidation;
- tax benefits available to borrowers; and
- information about NSLDS.

Disclosure Requirements for Private Loans

Institutions that receive any federal funds must also provide certain information and disclosures related to private education loans. A more complete summary of the disclosure requirements for student loans can be found beginning on page 37 of [Consumer Information Disclosures at a Glance Document](#) provided by ED.

Federal regulations require private student loan issuers to make disclosures directly to borrowers as well, both during the application/solicitation period and after final acceptance of the loan. The disclosures include the interest rate or range of interest rates, fees and default or late payment costs, repayment terms, cost estimates, and alternatives to private education loans.

National Student Loan Data System

NSLDS is ED's central database for student aid. It receives data from schools, agencies that guarantee loans, the Federal Direct Loan program, and other ED programs. Federal websites such as studentloans.gov and NSLDS provide an in-depth view of student debt. They also provide a number of added incentives such as repayment opportunities, budgeting, and responsible borrowing tools and guides. Borrowers also have access to their loan history data through their federal loan servicer's website.

Student Aid Report

A Student Aid Report is a document that gives students basic information about their eligibility for federal student aid as well as a listing of their answers to the questions on their Free Applications for Federal Student Aid (FAFSAs). The report is typically sent within two weeks of submitting a FAFSA. The report provides a representative monthly payment using a 10-year repayment. Institutions of higher education use the Student Aid Report to determine eligibility for federal and possibly other types of financial aid. An example [Student Aid Report](#) can be found on ED's [website](#).

Similar Legislation

The bill is similar to a 2015 Indiana law that requires postsecondary educational institutions to annually provide each student with information concerning the student's education loans. The institutions must provide information related to the total amount of education loans, the potential total payoff amount, and representative monthly payment estimates.

State Expenditures: The bill requires institutions of higher education to provide certain information to student borrowers and provide website addresses to certain online student loan resources. The student loan information is available to the institutions via Student Aid Reports, and the rest of the information is also readily available.

The information must be provided annually with the student's financial aid award notice (typically in the spring prior to the upcoming academic year). The bill does not specify the method through which the information must be delivered; it is assumed that each institution can integrate the information into existing correspondence. There is no effect in fiscal 2018 due to the bill's delayed effective date.

Therefore, beginning in fiscal 2019, public institutions of higher education can likely provide the required student loan information within existing processes and with existing resources. To the extent this is not the case for a particular institution, higher education expenditures increase for any necessary staff or programming expenses. The amount, if

any, cannot be reliably estimated at this time. BCCC is likely not affected by the bill, as it does not participate in federal student loan programs.

Local Expenditures: For the same reasons as discussed above for State institutions, beginning in fiscal 2019, community colleges can likely provide the required student loan information within existing processes and with existing resources. To the extent this is not the case for a particular community college, local expenditures for community colleges increase for any necessary staff or programming expenses. The amount, if any, cannot be reliably estimated at this time.

Additional Comments: The bill places the same requirements on private nonprofit institutions of higher education as on public institutions. These institutions are likely affected in the same way. For-profit institutions are likely not affected as they do not receive State operating funding or student financial aid. Private career schools are not included in the definition of “institution of higher education.”

Additional Information

Prior Introductions: None.

Cross File: SB 429 (Senator Klausmeier, *et al.*) - Education, Health, and Environmental Affairs.

Information Source(s): University System of Maryland; Maryland Higher Education Commission; Baltimore City Community College; Morgan State University; St. Mary’s College of Maryland; University of Maryland Baltimore; Maryland Association of Community Colleges; Maryland Independent College and University Association; U.S. Department of Education; Department of Legislative Services

Fiscal Note History: First Reader - February 13, 2017
kb/rhh Third Reader - March 27, 2017
Revised - Amendment(s) - March 27, 2017
Enrolled - May 4, 2017
Revised - Amendment(s) - May 4, 2017

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510