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FISCAL AND POLICY NOTE
First Reader

House Bill 1404
Appropriations

(Delegate Hettleman)

Institutions of Postsecondary Education - Provision of Information Relating to
the Cost of Higher Education

This bill requires each institution of postsecondary education in the State to provide specified information related to the costs of higher education to prospective students. The information must be provided before a prospective student signs an enrollment agreement, completes registration, or makes a financial commitment to the institution. A related requirement for institutions of postsecondary education to provide similar information is repealed. **The bill takes effect June 1, 2018.**

Fiscal Summary

State Effect: Public institutions of higher education can likely provide the required information with existing processes and resources. To the extent this is not the case for a particular institution, higher education expenditures increase for any necessary staff and/or information technology expenses. Revenues are not affected.

Local Effect: Community colleges can likely provide the required information with existing processes and resources. To the extent this is not the case for a particular community college, local expenditures increase for any necessary staff and/or information technology expenses. Revenues are not affected.

Small Business Effect: Meaningful.

Analysis

Bill Summary: Before a prospective student signs an enrollment agreement, completes registration, or makes a financial commitment to an institution of postsecondary education that operates in the State, the institution must provide the following information to the student:

- cost of attendance and any additional cost of attendance disclosed by the student;
- any financial assistance awarded through (1) institution-based and other sources of grants and scholarships; (2) State and federal-based financial assistance; (3) subsidized, unsubsidized, Parent PLUS, and private loans, including the interest rate and loan fees for each private loan; (4) the expected family contribution as required on the federal Free Application for Federal Student Aid (*i.e.*, FAFSA); and (5) any additional grants or scholarships;
- the prospective student's total debt from the institution at the time of repayment and the corresponding monthly loan payments over a term of years based on current interest rate information;
- graduation rates at the institution;
- expected average salary for recent graduates of the institution, disaggregated by program; and
- an estimation, based on regional data, of the prospective student's post-graduation expenses, including personal financial obligations such as rent or mortgage payments, car payments, child care expenses, and utilities.

The information must be provided separately from any other information provided by the institution and may be provided by mail or electronically. The institution must maintain records of its efforts to provide the information.

Current Law/Background: The bill applies to all two- and four-year public institutions of higher education, private nonprofit and for-profit institutions of higher education, and private career schools.

Financial Aid Shopping Sheet

Chapters 269 and 270 of 2014 require postsecondary institutions of higher education to provide all first-time, full-time undergraduate freshmen with information on the cost of higher education at the institution by completing and mailing or providing electronically, at a minimum, the information contained on the form known as the [Financial Aid Shopping Sheet](#), as promulgated by the U.S. Department of Education. The shopping sheet or the information contained on the sheet must be mailed or provided electronically at the same

time that an award of federal financial aid is sent to a student. The sheet includes the following key information:

- estimated cost of attendance per year;
- financial aid options, with a clear differentiation between grants and scholarships, which do not have to be repaid, and loans, which do;
- the net cost of attendance after accounting for scholarships and loans;
- vital information about student results, including comparative information about default rates, graduation rates, and median debt levels for the school; and
- potential monthly payments for the federal student loans a typical student will owe after graduation.

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; and
- sample monthly repayment amounts.

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; and
- options and consequences of loan consolidation.

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 the U.S Department of Education.

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.

Student Loan Notification Letter

Separate from the Financial Aid Shopping Sheet notification process, Chapter 658 of 2017 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.

State Expenditures: Much of the information required to be provided is already collected, otherwise available, or can be reasonably determined. Therefore, public institutions of higher education can likely provide the required information with existing processes and resources. To the extent this is not the case for a particular institution, higher education expenditures increase for any necessary staff and/or information technology expenses.

Local Expenditures: For the same reasons as discussed above, community colleges can likely provide the required information with existing processes and resources. To the extent this is not the case for a particular community college, local expenditures increase for any necessary staff and/or information technology expenses.

Small Business Effect: For-profit institutions that are small businesses must provide the required information to prospective students. Smaller institutions may not have the same staff and information technology resources as larger public and private institutions and may be affected to a greater extent.

Additional Comments: Private nonprofit institutions of higher education can likely provide the required information with existing processes and resources. To the extent this is not the case for a particular institution, its expenditures increase for any necessary staff and/or information technology expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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