

Department of Legislative Services  
Maryland General Assembly  
2018 Session

FISCAL AND POLICY NOTE  
Third Reader

House Bill 17  
Appropriations

(Delegates Hettleman and Queen)

Education, Health, and Environmental Affairs

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Higher Education - Student Loan Notification Letter - Modifications

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This bill expands the institutions that must provide specified student loan information to students to include *all* private career schools, for-profit institutions, and nonprofit institutions of postsecondary education that receive student loan information from the U.S. Department of Education (ED). Each institution must provide the information annually with the student's financial aid award notice. **The bill takes effect July 1, 2019.**

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Fiscal Summary

**State Effect:** None. The bill applies to non-State institutions.

**Local Effect:** None.

**Small Business Effect:** Minimal overall, but potentially meaningful for particular private career schools and for-profit institutions.

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Analysis

**Bill Summary/Current Law:** As under current law, the bill only applies to undergraduate students who are enrolled in the institutions and apply for federal student aid in the applicable award year. Annually, with the students' financial award notice, institutions must provide:

- 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.

The information may include a related statement that it is not meant as a guarantee or promise and does not include Parent PLUS loans or private student loans. Institutions that include this statement do not incur liability for any inaccurate representations made based on incorrect information provided by ED and reasonably relied on in good faith.

### *Types of Institutions*

"Institution of higher education" is defined as an institution of postsecondary education that generally limits enrollment to graduates of secondary schools, and awards degrees at either the associate, baccalaureate, or graduate level. "Institution of higher education" includes public, private nonprofit, and for-profit institutions of higher education.

"Institution of postsecondary education" is defined as a school or other institution that offers an educational program in the State for individuals who are at least 16 years and who have graduated from or left elementary or secondary school. However, it does not include: (1) any adult education, evening high school, or high school equivalence program conducted by a public school system of the State; or (2) any apprenticeship or on-the-job training program subject to approval by the Apprenticeship and Training Council.

### *Applicability of Chapter 658 of 2017*

Under Chapter 658 of 2017, beginning July 1, 2018, each institution of higher education that receives funding from the State must provide the student loan information noted above to each undergraduate enrolled in the institution who applies for federal student aid in the applicable award year. Chapter 658 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 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."

## **Background:**

### *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](http://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](#).

**Small Business Impact/Additional Comments:** The bill requires private career schools, for-profit institutions of higher education, and private nonprofit institutions of postsecondary education that do not receive State funding to provide certain information to student borrowers and provide website addresses to certain online student loan resources. Chapter 658 of 2017 already requires public four-year and two-year and private nonprofit institutions of higher education that receive State funding to provide this information beginning July 1, 2018. 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 2019 due to the bill's delayed effective date.

Therefore, beginning in fiscal 2020, private career schools, for-profit institutions, and specified private nonprofit institutions 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. Any institution that does not participate in the federal student loan program is not affected by the bill.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 69 (Senator Klausmeier) - Education, Health, and Environmental Affairs.

**Information Source(s):** Maryland Higher Education Commission; Maryland Independent College and University Association; U.S. Department of Education; Department of Legislative Services

**Fiscal Note History:** First Reader - January 16, 2018  
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