



**SENATE SUBSTITUTE AMENDMENT 1,
TO SENATE BILL 595**

March 2, 2016 - Offered by Senators HANSEN and BEWLEY.

- 1 **AN ACT to create** 39.28 (7), 39.54, 39.56 and 224.30 (6) of the statutes; **relating**
2 **to:** student loans and granting rule-making authority.

Analysis by the Legislative Reference Bureau

Financial aid information

This substitute amendment requires the Department of Financial Institutions to compile data related to private student loans for the purpose of comparing private lending institutions' student loan interest rates and repayment plans. A "private student loan" is a loan issued by a private lending institution for the purpose of paying for or financing higher education expenses, including tuition and fees, books and supplies, and room and board. DFI must create and maintain a list of private lending institutions that provide the lowest rates and best repayment options on student loans. DFI must also compile a list of the top ten best private lending institutions based on rates and policies that are most favorable to the student borrower. DFI must place these lists on DFI's Internet site and update the Internet site monthly to ensure that the student loan information in these lists is current and accurate. DFI's Internet site must also contain information pertaining to lending institutions that do not make the top ten list, including identifying those lending institutions that provide the worst rates and strictest repayment options. DFI may satisfy its duties under the substitute amendment through a designee or third-party contractor.

The substitute amendment also requires an institution or college campus within the University of Wisconsin System, a technical college within the technical college system, a tribally controlled college, or a private, nonprofit institution of higher education located in this state (institution of higher education) to provide to a prospective or newly accepted student and to the student's parents clearly outlined and easy-to-understand information pertaining to all of the following:

1. The total cost of attendance at the institution of higher education.
2. The approximate or, if known, the actual total amount of financial aid that the student would receive from the institution of higher education, and the approximate or, if known, the actual total amount of student loan debt that the student would accumulate, over the course of four years, if the student were to attend the institution of higher education for four years (student loan debt).
3. Student loan rates, repayment plans, default rates, and the actual monthly payment that would be required to pay that student loan debt when the loan becomes due.

Finally, the substitute amendment requires an institution of higher education and the Higher Educational Aids Board to create on their Internet sites a link to that portion of DFI's Internet site containing the lists and other information required under the substitute amendment.

Student loan counseling

This substitute amendment requires any institution of higher education in this state that offers an associate degree or higher to provide loan counseling for its students. Under the substitute amendment, before a student enters into a student loan agreement, the institution must provide the student with comprehensive information on the terms and conditions of a loan and the responsibilities the student has with respect to the loan. A lender may not accept an application for a private student loan, or assess any fees for the loan, unless the lender has received certification from the applicant's institution of higher education that the applicant has received such counseling.

The substitute amendment also requires an institution of higher education to provide a student with information when the student leaves the institution, whether through graduation, transfer, or otherwise. The information must include available loan repayment plans, debt management strategies, options for prepayment of loans, and the consequences of defaulting on a loan.

Finally, the substitute amendment authorizes an institution of higher education to assess a lender a reasonable fee of up to \$50 to defray the cost of the student counseling required under the substitute amendment.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 39.28 (7) of the statutes is created to read:

1 39.28 (7) The board shall create on its Internet site a link to that portion of the
2 department of financial institutions' Internet site created under s. 224.30 (6) (c) and
3 (d).

4 **SECTION 2.** 39.54 of the statutes is created to read:

5 **39.54 Student lending transparency. (1)** In this section, "institution of
6 higher education" means an institution or college campus within the University of
7 Wisconsin System, a technical college within the technical college system, a tribally
8 controlled college, or a private, nonprofit institution of higher education located in
9 this state that provides an educational program for which the institution awards an
10 associate degree or higher or provides a program that is acceptable toward such a
11 degree.

12 **(2)** Each institution of higher education shall provide to a prospective or newly
13 accepted student and to the student's parents clearly outlined and
14 easy-to-understand information pertaining to all of the following:

15 (a) The total cost of attendance at the institution of higher education.

16 (b) The approximate or, if known, the actual total amount of financial aid that
17 the student would receive from the institution of higher education, and the
18 approximate or, if known, the actual total amount of student loan debt that the
19 student would accumulate, over the course of 4 years if the student were to attend
20 the institution of higher education for 4 years.

21 (c) Student loan rates, repayment plans, default rates, and the actual monthly
22 payment that would be required to pay the student loan debt described in par. (b)
23 when the loan becomes due.

1 **(3)** Each institution of higher education shall create on its Internet site a link
2 to that portion of the department of financial institutions' Internet site created under
3 s. 224.30 (6) (c) and (d).

4 **SECTION 3.** 39.56 of the statutes is created to read:

5 **39.56 Loan counseling. (1) DEFINITION.** In this section, "institution of higher
6 education" means an institution or college campus within the University of
7 Wisconsin System, a technical college under ch. 38, or any private, nonprofit,
8 educational institution located in this state that provides an educational program for
9 which it awards an associate degree or higher.

10 **(2) APPLICABILITY.** This section applies to any student loan offered by an
11 institution of higher education or a private lender or recommended to a student by
12 an institution of higher education, other than a federally funded, federally insured,
13 or federally guaranteed loan for which counseling is required by 20 USC 1092.

14 **(3) ENTRANCE COUNSELING. (a)** Before a student enters into a student loan
15 agreement, an institution of higher education shall provide the student with
16 comprehensive information on the terms and conditions of a loan and the
17 responsibilities the student has with respect to the loan. The institution shall
18 provide the information during a counseling session conducted in person, on a
19 written form provided to the student that the student signs and returns, or online,
20 with the student acknowledging receipt of the information. The information
21 provided shall include all of the following:

22 1. To the extent practicable, the effect of accepting the loan to be disbursed on
23 the eligibility of the borrower for other forms of student financial assistance.

24 2. How interest accrues and is capitalized during periods when the interest is
25 not paid by the borrower.

1 3. The definitions of full-time and half-time enrollment at the institution of
2 higher education, during regular terms and intersession terms, if applicable, and the
3 consequences of not maintaining full-time or half-time enrollment.

4 4. The importance of contacting the appropriate office at the institution of
5 higher education if the borrower withdraws before completing his or her program of
6 study so that the institution can provide counseling under sub. (4).

7 5. Sample monthly repayment amounts, based on a range of levels of
8 indebtedness.

9 6. The obligation of the borrower to repay the full amount of the loan,
10 irrespective of whether the borrower completes his or her program of study at the
11 institution.

12 7. The likely consequences of default on the loan, including adverse credit
13 reports, delinquent debt collection procedures, and litigation.

14 8. Whether the student has reached the limit on his or her federal student loan
15 opportunities.

16 9. The name of, and contact information for, an individual the borrower may
17 contact if he or she has any questions about the borrower's rights and responsibilities
18 or the terms and conditions of the loan.

19 10. How a student or any member of the public may file a complaint about a
20 lender with the federal Consumer Financial Protection Bureau by calling a toll-free
21 telephone number, or by completing a complaint form, which may be obtained on the
22 bureau's Internet site. The institution of higher education shall also include the
23 toll-free telephone number and Internet site address of the bureau.

24 (b) In conjunction with providing information under par. (a), the institution of
25 higher education shall also do all of the following:

1 1. Clearly distinguish private loans from federal loans in individual financial
2 aid awards by stating, for any private loans included by the institution as part of the
3 institution's award package, all of the following:

4 a. Whether the rate is fixed or variable.

5 b. An explanation that private student loan lenders can offer variable interest
6 rates that can increase or decrease over time, depending on market conditions.

7 c. An explanation that private student loans have a range of interest rates and
8 fees and students should determine the interest rate of, and any fees associated with,
9 the private student loan included in their financial aid award package before
10 accepting the loan.

11 d. An explanation that students should contact the lender of the private
12 student loan or their institution's financial aid office if they have any questions about
13 a private student loan.

14 e. An explanation that the interest rate on a private loan may depend on the
15 borrower's credit rating.

16 2. If the institution of higher education provides a private loan lender list,
17 provide general information about the loans available through the lender and
18 disclose the basis for each lender's inclusion on the list. The institution shall also
19 disclose with the list that the student may choose any lender.

20 (c) 1. A lender may not accept a final and complete application for a private
21 student loan from an applicant, or assess any fees upon an applicant, without first
22 receiving certification from the applicant's institution of higher education that the
23 applicant has received counseling from the institution under pars. (a) and (b) and
24 that the counseling was conducted in person, unless the certification specified that
25 the applicant elected to receive the counseling in a manner other than in person.

1 2. The certification required by subd. 1. shall be signed by the applicant and
2 the institutional counselor, and shall include the date of the counseling and the
3 name, address, and telephone number of both the counselor and the applicant. An
4 electronic facsimile copy of the counseling certification satisfies the requirement
5 under this subdivision. The lender shall maintain the certification in an accurate,
6 reproducible, and accessible format for the term of the student loan.

7 **(4) EXIT COUNSELING.** (a) As close as practicable to the date that a student
8 graduates from, transfers from, withdraws from, or otherwise completes his or her
9 program of study at the institution of higher education, the institution shall provide
10 the student with information relating to all of the following:

11 1. Repayment plans that are available, including a description of the different
12 features of each plan and sample information showing the average anticipated
13 monthly payments, and the difference in interest paid and total payments, under
14 each plan.

15 2. Debt management strategies designed to facilitate the repayment of
16 indebtedness.

17 3. The options to prepay each loan, pay each loan on a shorter schedule, or
18 change repayment plans.

19 4. The likely consequences of default on the loan, including adverse credit
20 reports, delinquent debt collection procedures, and litigation.

21 5. The effects of consolidation on a borrower's underlying loan benefits.

22 6. Grace periods, loan forgiveness, cancellation, and deferment opportunities.

23 7. The borrower benefit programs of different lenders.

24 8. The tax benefits that may be available to borrowers.

25 9. How to enroll in income-based repayment.

1 (b) With respect to a student who leaves an institution of higher education
2 without the knowledge of the institution, the institution shall attempt to provide the
3 information described in par. (a) to the student in writing.

4 (5) FEE. An institution of higher education may assess a reasonable fee to the
5 lender to defray the cost of counseling under this section in an amount not exceeding
6 \$50. The higher educational aids board and the department of financial institutions
7 shall jointly promulgate rules to implement and administer this subsection.

8 **SECTION 4.** 224.30 (6) of the statutes is created to read:

9 224.30 (6) STUDENT LENDING TRANSPARENCY. (a) In this subsection:

10 1. "Higher education expenses" includes all of the following:

- 11 a. Tuition and fees.
- 12 b. Books and supplies
- 13 c. Room and board.

14 2. "Private student loan" means a loan issued by a private lending institution
15 for the purpose of paying for or financing higher education expenses.

16 3. "Private lending institution" means any private entity that itself or through
17 an affiliate makes available student loans to pay for or finance higher education
18 expenses.

19 4. "Student borrower" means any individual who borrows money from a private
20 lending institution to finance higher education expenses.

21 (b) The department shall compile data related to private student loans for the
22 purpose of comparing private lending institutions' student loan interest rates and
23 repayment plans, including all of the following:

- 24 1. Policies relating to deferment and forbearance.
- 25 2. Loan default policies and penalties.

1 3. Any other information that the department deems relevant for the purpose
2 of creating a list of private lending institutions that provide the lowest rates and best
3 repayment options on student loans.

4 (c) 1. Using the data compiled under par. (b), the department shall create and
5 maintain a list of private lending institutions that provide the lowest rates and best
6 repayment options on student loans.

7 2. In addition to the list under subd. 1., the department shall compile a list of
8 the 10 best private lending institutions based on rates and policies that are most
9 favorable to the student borrower. The department may also consider the private
10 lending institutions' policies for allowing a student borrower to borrow more than 10
11 percent over the student borrower's total cost of higher education expenses when
12 determining if a private lending institution should be placed on this list.

13 (d) The department shall place the lists created and compiled under par. (c) at
14 an easily accessible location on the department's Internet site. The department shall
15 update its Internet site on a monthly basis to ensure that the student loan
16 information in these lists is current and accurate. Information pertaining to lending
17 institutions that do not make the list compiled under par. (c) 2. shall also be posted
18 on the department's Internet site and those lending institutions that provide the
19 worst rates and strictest repayment options shall be clearly indicated.

20 (e) The department shall make any list or other data under this subsection that
21 appears on the department's Internet site available to be linked as provided in ss.
22 39.28 (7) and 39.54 (3).

23 (f) The department may satisfy its duties under this subsection through a
24 designee or 3rd-party contractor.

