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ACA Builds Coalition with Educational Institutions on California Student Loan Debt Bill

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The bill, which adds protections to existing law for students with higher education debt, was approved by California's Assembly and is pending consideration in the California State Senate.

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California's legislature is advancing a bill that seeks to remove educational barriers based on institutional student loan debt, prompting a joint effort with ACA International and higher education institutions addressing proposals in the bill impacting third-party collections.

The Protecting Students from Creditor Colleges Act ([AB 1160](#)) was approved in the Assembly 61-8 in late January 2024 and will next be considered by the California Senate Rules Committee.

Assemblymember Blanca Pancheco, D-Downey, introduced the bill in February 2023 to enact protections for student loan borrowers with debt owed directly to a higher education institution versus federal student loans or other privately held debts.

Debt owed to a higher education institution could include payments on a meal plan, books or tuition if the student did not have a loan, for example.

ACA and the California Association of Collectors Inc. connected with the Coalition of Higher Education Assistance Organizations (COHEAO) and The DRG Group in support of measures to protect all consumers with student loans in the legislation but to ensure it did not advance overly burdensome rules to an already highly regulated industry in California and at the federal level.

For example, the bill as proposed would have prohibited third-party debt collection of institutional debt as well as selling the debt to a debt buyer.

After significant opposition from the accounts receivable management (ARM) industry and the higher education institution community to removing those industry resources for working with consumers, both of those prohibitions were removed from the bill through committee amendments.

ACA, in partnership with COHEAO, provided updates to their members on the legislation and strategies to address misguided proposals within the bill. COHEAO also has a [letter](#) in opposition to the legislation for stakeholders to sign. It has support from more than 60 schools.

ACA will continue to work with COHEAO and The DRG Group, a consultant to the ARM industry and higher education industries, on onerous proposals in the bill schools would have to comply with to collect debt they are owed.

Among other proposals, the bill, according to a [summary \(PDF\)](#), would:

- Prohibit an institution of higher education (any private or public postsecondary educational institution operating in the state) from taking specified actions, including, among other things, placing an enrollment or registration hold on a current or former student's account, on the grounds that the student owes an institutional debt directly to their school.

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- Require the governing boards of institutions of higher education and request the office of the president of the University of California to require each institution to report, every other year, specified information regarding the number and dollar amount of institutional debts at each institution.

Higher education institutions would be prohibited from the following actions when collecting on a debt they are owed:

- Engaging a third-party debt collector that is not licensed.
- Engaging a third-party debt collector before 180 days has passed from the first communication from the institution of higher education requesting payment, and the institution of higher education has made all reasonable efforts, in accordance with its written policy, to communicate with the current or former student.
- Engaging a third-party debt collector to collect on an institutional debt without a written agreement with the debt collector that requires the debt collector to comply with the institution of higher education's written debt collection policy, as specified.

In addition, higher education institutions will make all reasonable efforts, in accordance with their written policy, to contact a current or former student to notify them of an outstanding institutional debt and before assigning an institutional debt to a third-party debt collector, shall send a notice to the current or former student with all the following information, as specified.

The schools or third-party debt collector are not permitted to report adverse information to a consumer credit reporting agency or commence civil action against a student or former student for nonpayment of an institutional debt before 180 days after the first communication from the institution to the current or former student requesting payment.

ACA is continuing to track the bill with its coalition partners and will provide updates to ACA members.

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