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## SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

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<b>Bill No:</b>	AB 1895	<b>Hearing Date:</b>	June 13, 2018
<b>Author:</b>	Calderon		
<b>Version:</b>	March 15, 2018		
<b>Urgency:</b>	No	<b>Fiscal:</b>	Yes
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**Subject:** California DREAM Loan Program: repayment, deferment, and forbearance.

### SUMMARY

This bill requires, by January 1, 2020, a University of California (UC) and California State University (CSU) campuses participating in the state DREAM Loan Program to adopt procedures allowing a borrower to select an income-based repayment plan for the repayment of a DREAM Loan, as specified.

### BACKGROUND

Existing law:

- 1) Exempts specified California nonresidents from paying nonresident tuition at UC, CSU, and California Community Colleges (CCC), also known as the AB 540 nonresident tuition waiver, if they meet all of the following: (Education Code § 68130.5.)
  - a) Attended or attained credits at a California high school, an adult school, a CCC campus, or a combination of these entities, for the equivalent of three or more years; or completed three or more years of full-time high school coursework, and a total of three or more years of attendance in California elementary schools, California secondary schools, or a combination of such elementary and secondary schools.
  - b) Graduated from a California high school or attained an equivalent degree; attained a CCC associate degree; or fulfilled the minimum transfer requirements from a CCC campus to a UC or CSU campus.
  - c) Registered or attended an accredited California higher education institution beginning after fall of the 2001-02 academic year; and,
  - d) If an undocumented student has filed an affidavit stating that the student has filed an application to legalize his or her immigration status or will file such an application as soon as he or she is eligible to so do.
- 2) Authorizes, beginning January 1, 2013, AB 540 students to be eligible to apply for, and participate in, any student financial aid program administered by the State of California to the full extent permitted by federal law. (EC § 66021.6.)
- 3) Authorizes, beginning January 1, 2013, AB 540 students attending UC, CSU, or the CCC to be eligible to receive a scholarship derived from nonstate funds, as

received by the respective segment for the purpose of scholarships (EC § 66021.7.).

- 4) Establishes the Dream Loan Program at University of California (UC) and California State University (CSU) campuses that elect to participate in the program. Under the program, an AB 540 student meeting specified requirements, including demonstrating financial need, may obtain a loan of up to \$4,000 per academic year, up to a maximum of \$20,000. The repayment term for the loan is 10 years, and repayment commences following a six-month grace period commencing when the student graduates or ceases to maintain at least half-time enrollment. Eligibility for deferment or forbearance of loan repayments is consistent with the federal direct student loan program. (EC § 70033.)
- 5) Requires the annual Budget Act to allocate funding to participating institutions based on the number of AB 540 students who applied for state financial aid in the prior academic year. Participating institutions must at least match the state allocation using the institution's discretionary funds. Both the state and local funding is deposited into a DREAM revolving fund. Loan repayments are also deposited into the revolving fund and are intended to reduce the annual state and campus contributions equally. (EC § 70035.)

## ANALYSIS

This bill:

- 1) This bill requires, by January 1, 2020, a UC and CSU campuses participating in the state DREAM Loan Program to adopt procedures allowing a borrower to select an income-based repayment plan for the repayment of a DREAM Loan, in accordance with the standards set forth in the William D. Ford Federal Direct Loan Program for income-based repayment plans.
- 2) Makes conforming changes.

## STAFF COMMENTS

- 1) ***Need for the bill.*** As mentioned in the background of this analysis, existing law provides repayment terms for DREAM Loans that is limited to standard repayment plans. Under this standard repayment plan, after a six month grace period, students make at least equal payments, over a ten year period, regardless of ability to pay.

According to the author, “the lack of flexibility in payment is problematic for three reasons. First, a student who risk taking out DREAM loans will face the uncertainty of repayment if they cannot be lawfully employed in the United States. Second, a student who is undocumented who is worried about repaying a loan may be dissuaded from pursuing a career in public service or non-profit work because of limited entry level pay. Finally, Latino students, who are the largest population of people who are undocumented in California, experience historic wage discrimination (based on research). By creating income based repayment plans for DREAM Loans, our public universities communicate to these

students they have the same opportunities to pursue an education as their peers. Without flexibility in repayment, students may forgo DREAM Loans use for educational opportunities if they do not see a viable path to repaying loans. One simple change we can make is allowing more flexibility in repayment of DREAM Loans.”

This bill seeks to offer Dream Loan applicants with an income-based repayment option that mirrors the federal loan program.

- 2) **California Dream Loan program.** Existing law establishes the California Dream Loan Program, a voluntary campus-based student loan program, patterned after the Federal Direct Loan Program. Both the State and the university contribute (1:1 match) to the loan fund until the program becomes self-sustaining. This program serves undocumented AB 540 students at University of California (UC) and California State University (CSU) who, under the terms of the California Dream Act, became eligible for state and institutional grant programs but are ineligible for federal student loan programs. For the 2015-16 academic year, 280 CSU students and 434 UC students received funding and in the following year, 536 CSU students and 1,384 UC students received a loan. The average award per UC student was \$2,696 and \$2,697 at CSU.
- 3) **How would it work?** The bill specifies that each segment offer one income-based repayment plan option, in accordance with the federal loan program. Under the federal loan program, an income-driven repayment plan sets a monthly student loan payment at an amount that is intended to be affordable based on your income and family size. The federal program offers four income-based repayment plans and most loans are discharged after 20 years or 25 years depending on the plan. In contrast, under current law the repayment term for a Dream loan is 10 years. This bill allows the CSU and UC to adopt procedures to implement the loan repayment program.
- 4) **Who is eligible for a Dream loan?** Students who are eligible for the AB 540 nonresident tuition waiver and are Cal Grant recipients, among other things, are eligible for a Dream Loan. Staff notes that some students may have Deferred Action for Childhood Arrivals (DACA) status. DACA is a federal process that defers removal action of an individual for a specified number of years. It allows those who are eligible to have work authorization. A person can be eligible for both the exemption established by AB 540 and DACA status or just either one. The state and federal programs are independent of each other.
- 5) **Segments' Concerns.** CSU maintains that adding this additional repayment option will likely increase administrative costs, which are limited by statute to 5 percent of total loan awards annually. CSU is also concerned about the self-sustainability of the program, as the use of income-based repayment plans will to some extent reduce program revenue from loan repayments, which will extend the time that state and CSU resources will be required to fund the program. CSU notes that, consistent with the federal student loan program, campuses can approve a deferment of DREAM Loan repayments for up to three years for unemployment and up to three years for economic hardship, for a total of up to six years of deferment.

UC cites similar concerns regarding increased administrative costs and added state and university costs due to the program taking longer to become self-supporting. UC also notes the current ability to provide relief to borrowers through deferment or forbearance. It should be noted that, in order to reduce the additional administrative burden, the author is proposing that only one of the four income-driven options available to federal student loan borrowers would be available to DREAM Loan recipients.

**SUPPORT**

Coalition for Humane Immigrant Rights  
Community College League of California  
Educators for Fair Consideration  
Hispanic Association of Colleges and Universities  
Kid City Hope Place  
Los Angeles Area Chamber of Commerce  
MALDEF  
Southern California College Access Network  
Students Making a Change  
The Campaign for College Opportunity  
The Education Trust-West  
The Institute for College Access and Success  
The UCLA Civil Rights Project  
USC Rosier Pullias Center for Higher Education  
Youn Invincibles

**OPPOSITION**

None received

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