

Date of Hearing: June 24, 2014

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Das Williams, Chair

SB 1210 (Lara) – As Amended: May 27, 2014

SENATE VOTE: 26-11

SUBJECT: Postsecondary education: California DREAM Loan Program.

SUMMARY: Establishes the California DREAM Loan Act to provide loans to students attending the California State University (CSU) and the University of California (UC). Specifically, this bill:

- 1) Establishes the DREAM Program to, commencing with the 2015-16 academic year provide student loans to students who meet the following requirements:
 - a) Exempt from paying nonresident tuition under Education Code §68130.5, or meets equivalent requirements;
 - b) Applies for financial aid using the Dream Act application, established by the California Student Aid Commission (CSAC);
 - c) Enrolled at least half time in good standing in an instructional program at a participating institution;
 - d) Determined by the participating institution to have financial need;
 - e) Maintains satisfactory academic progress at the participating institution;
 - f) Not incarcerated or in default on any federal student loan, state student loan, or student loan issued by CSU or UC; and,
 - g) Enrolled in a program eligible for participation in the Cal Grant Program;
- 2) Requires CSAC or the participating institution to require the student to affirm in writing that he or she satisfies the aforementioned requirements.
- 3) Requires a student seeking an award to authorize CSAC to access any information pertinent to certify that the student meets the aforementioned requirements.
- 4) Requires CSAC, in collaboration with the participating institution, to certify that the student satisfies all of the requirements before the participating institution may issue an award to the student pursuant to this article.
- 5) Provides that the amount of the DREAM loan offered to an individual student by a participating institution shall be determined by the institution, subject to, among others, the following provisions:

- a) The loan may not exceed the financial need of the student;
 - b) No student may borrow more than \$4,000 under this program within a single academic year;
 - c) No student may borrow more than \$20,000 in the aggregate under the program from any one participating institution;
 - d) The interest rate for loans issued under the program shall be the same as the then-current interest rate for undergraduate loans under the William D. Ford Federal Direct Loan Program;
 - e) The standard repayment term for a DREAM loan shall be 10 years. Repayment shall commence following a six-month grace period that begins when a student graduates or ceases to maintain at least half-time enrollment in a degree or certificate program; and
 - f) Eligibility for deferment or forbearance of a DREAM loan shall be determined by the participating institution in accordance with the standards set forth in the William D. Ford Federal Direct Loan Program;
- 6) Provides intent that, each fiscal year, funds shall be appropriated in the annual Budget Act to participating institutions for purposes of the DREAM Program.
 - 7) Provides that at the start of each academic year, before DREAM loans for that academic year are awarded, each participating institution shall contribute discretionary funds into its DREAM revolving fund so that the institution's contribution of funds equals or exceeds the following amounts:
 - a) Twenty-five percent of all funds for the institution's DREAM revolving fund for the institution's first and second year of participation;
 - b) Thirty-three percent of all funds in the institution's DREAM revolving fund for the institution's third and fourth year of participation; and,
 - c) Fifty percent of all funds in the institution's DREAM revolving fund for the institution's fifth year of participation, and every year thereafter.
 - 8) Provides that if an institution terminates its participation in the DREAM Program, the institution shall continue to service DREAM loans, collect DREAM loan repayments, and perform all due diligence required by the federal Fair Credit Reporting Act until the last students at that institution issued loans under the DREAM Program prior to the institution terminating its participation have repaid their loans. An institution that terminates its participation in the DREAM Program, is also required to annually repay all funds provided by the state as the institution collects DREAM loan repayments.
 - 9) Requires CSU and UC to annually report to the Legislature as part of their respective annual financial aid reports the dollar amount of each DREAM loan awarded and number of

students for whom a DREAM loan was awarded that academic year and other specified information.

- 10) Requires participating institutions to establish various processes and procedures, including those covering entrance and exit loan counselling, loan default procedures, and fund maintenance. Requires CSU and UC to adopt regulations governing withholding of institutional services from students or former students in default of their DREAM loan.
- 11) Provides that if a state court finds this bill, or any provision adopted by the UC Regents, as unlawful, the court may order, as equitable relief, that the participating institution subject to the lawsuit terminate all loans awarded deemed unlawful, but no money damages, loans, or other retroactive relief, may be awarded. Provides that the CSU and UC are immune from the imposition of any award of money damages, loans, or other retroactive relief.
- 12) Defines the various terms used in the bill to be generally consistent with existing law.
- 13) Establishes findings and declarations, including, the California DREAM Loan Act addresses barriers to federal student loan programs for students who are eligible for instate tuition and aid programs at California Community Colleges (CCC), CSU, and UC and represents an important step in the state's ongoing efforts to provide access to all academically qualified students pursuing the dream of a college or university degree.

EXISTING LAW:

- 1) Qualifies students that meet all of the following outlined requirements for lower "resident" fee/tuition payments at the CCC, CSU, and UC ("AB 540 Students"):
 - a) Is a student, other than a nonimmigrant alien within the meaning of paragraph (15) of subsection (a) of Section 1101 of Title 8 of the United States Code;
 - b) Attended high school in California for three or more years;
 - c) Graduated from a California high school or attainment of equivalency;
 - d) Registered as an entering student at, or enrolled at, an accredited institution of higher education in California not earlier than the fall semester or quarter of the 2001-02 academic year; and
 - e) In the case of a person without lawful immigration status, files an affidavit with the institution of higher education stating that the student has filed an application to legalize his or her immigration status, or will file an application as soon as he or she is eligible to do so.
- 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. CSAC is required to establish procedures and forms that enable AB 540 students to apply for, and participate to the extent permitted by federal law.

- 3) Provides that a student attending the CSU, the CCC, or the UC who is exempt from paying nonresident tuition under the provisions of AB 540 is eligible to receive a scholarship derived from nonstate funds received, for the purpose of scholarships, by the segment at which he or she is a student.
- 4) Requires the Trustees of the CSU and the Board of Governors of the CCC, and requests the UC Regents, to establish procedures and forms that enable AB 540 students to apply for, and participate in, all student aid programs administered by these segments to the full extent permitted by federal law.

FISCAL EFFECT: According to the Senate Appropriations Committee, the cost will depend on the number of participating CSU and UC campuses, and the number of participating students on each campus. The state's direct contribution level is linked to that of the campuses; the more campuses and students who participate, the higher the direct state contribution amount in the first year. The state share of cost decreases over time, as the campus share increases to 50% over the first 5 years of participation.

COMMENTS: Purpose of this bill. According to the author, undocumented students are exempt from paying nonresident tuition and are entitled to state and institutional financial aid, but lack access to student loans from the federal government. As a result, they have a "gap" in their financial aid packages of roughly \$5,000 to \$6,000 at UC and \$3,000 at CSU that other students with similar financial circumstances do not have. Unless students fill this gap by working additional hours for pay in addition to the student contribution already required by institutions, taking extraordinary steps to reduce their expenses, or finding outside resources, they risk having to withdraw from college. This bill would create the DREAM Program to serve UC and CSU students who meet eligibility requirements, but lack access to federal student loans through no fault of their own.

Program operation. Under the provisions of this bill, the Dream Loan Program is voluntarily implemented by UC and CSU campuses. Both the state and the individual campus would contribute to the loan fund, with the campus matching funds beginning at 25% and growing to 50% by the 5th year of participation. Institutions are authorized an administrative cost allowance of 5% of the institution's total loan funds. According to the author, once multiple cohorts of borrowers have entered repayment, the annual State and institutional contributions will decline and the program will become self-supporting.

Qualifying students. This bill provides that AB 540 students participating in the program must meet several other outlined requirements, including applying for financial aid using the California Dream Act application, enrolled at least half-time in good standing in a qualifying instructional program, have financial need, make satisfactory academic progress, and not incarcerated or in default on a student loan.

Loan terms. Under this bill, the campus determines loan amounts, subject to several provisions, including loan limits of \$4,000 per year and \$20,000 aggregate, interest rates set at the then-current rate for federal direct loans, repayment terms set at 10-years, and opportunities for deferment or forbearance determined by the institution within the standards of the federal direct loan program.

Defaults. This bill requires CSU and UC to adopt regulations governing student defaults. Specifically, the regulations must provide that services (provision of grades, transcripts, and diplomas) will be withheld until reasonable progress has been made to repay the loan, or a justification for the delay is determined by the institution.

Author's amendments. The author has proposed the following amendments:

- 1) On page 7, line 19 to clarify that loan repayments shall be deposited into the DREAM revolving fund and combined with campus funds to establish the required matching funds:

(d) At the start of each academic year, before DREAM loans for that academic year are awarded, each participating institution shall contribute discretionary funds into its DREAM revolving fund so that the institution's contribution of funds in combination with DREAM loan repayments equals or exceeds the following amounts:"

- 2) Technical correction on page 8, line 7 to delete "Program," and insert "Program".

REGISTERED SUPPORT / OPPOSITION:

Support

American Civil Liberties Union of California
Associated Students of the University of California, Davis
California Catholic Conference, Inc.
California Dream Network
California Immigrant Policy Center
California State Student Association
California State University
Coalition for Humane Immigrant Rights of Los Angeles
Equality California
Hispanic Association of Colleges and Universities
Mexican American Legal Defense and Educational Fund
National Council of La Raza
Parent Institute for Quality Education
Service Employees International Union
University of California
University of California Student Association
Young Invincibles

Opposition

None on file.

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