

Date of Hearing: April 16, 2024

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Mike Fong, Chair

AB 2507 (Friedman) – As Amended March 14, 2024

SUBJECT: Student financial aid: Students at Risk of Homelessness Emergency Pilot Program.

SUMMARY: Creates the Emergency Students Facing Housing Crisis and Homelessness Revolving Fund as the initial depository of all moneys appropriated, donated, or otherwise received for the program, and upon appropriation by the Legislature, and requires the California Student Aid Commission (CSAC) to distribute moneys in the fund to a nonprofit organization to award loans to eligible students. Specifically, **this bill:**

- 1) States the following declaration and intent of the Legislature:
 - a) Recognizes the crushing burden of student debt on hundreds of thousands of students and graduates, the need to financially support California students who demonstrate financial need, without onerous interest payments accelerating the debt crisis, and the lack of state budget resources to fully fund the needs of California students with grants for housing and college attendance costs; and,
 - b) It is the intent of this act to award loans for housing and college attendance costs to students attending the University of California (UC), Los Angeles, the California State University (CSU), Northridge (CSUN), and Glendale Community College (GCC) (a California Community College (CCC)) who demonstrate financial need, as specified.
- 2) Establishes the Students at Risk of Homelessness Emergency Pilot Program.
- 3) Defines the following for purposes of this measure:
 - a) “Financial need” to mean a student who meets any one, or combination of the following:
 - i) Is eligible for a federal Pell Grant;
 - ii) Has an annual expected family contribution (EFC) that is equal to, or less than, \$20,000;
 - iii) Is facing eviction;
 - iv) Is homeless; or,
 - v) Is food insecure.
 - b) “Fund” to mean the Emergency Students Facing Housing Crisis and Homelessness Revolving Fund;
 - c) “Institution” to mean the UCLA, the CSUN, and GCC;

- d) “Loan” to mean a loan awarded to a student under the program;
 - e) “Nonprofit organization” to mean a nonprofit organization that has existed for more than 100 years and operates an interest-free loan program remotely in three or more counties in the state on and before January 1, 2025; and,
 - f) “Program” to mean the Students at Risk of Homelessness Emergency Pilot Program.
- 4) Stipulates that the program is under the administration of CSAC to award loans for housing and college attendance costs to students attending institutions who demonstrate financial need.
 - 5) Requires CSAC to enter into a contract with a nonprofit organization and for the organization to award loans to eligible students. The contract may include a provision that authorizes 2.5% of the funds provided to the nonprofit organization to be used by the nonprofit organization for its administrative costs under for each year that the program is operational.
 - 6) Stipulates a student attending an institution may be awarded a loan if the student satisfies both of the following requirements:
 - a) Demonstrates financial need; and,
 - b) Is enrolled at least part-time in an undergraduate program, or a lower division community college program, at an institution.
 - 7) Requires that the nonprofit organization contracted, as specified, must be responsible for all of the following:
 - a) Upon the receipt of funds from CSAC for purposes of this measure, determining student eligibility for a loan;
 - b) Determining the amount of a loan. The amount of a loan must not exceed a reasonable estimate of housing and college attendance costs, as determined by the nonprofit organization, and shall be based on the financial need of the student; and,
 - c) Awarding loans to students.
 - 8) Stipulates that a loan awarded to an eligible student cannot have an interest rate. A student will not be charged a fee on a loan awarded or to participate in the program.
 - 9) Requires that the standard repayment term for a loan awarded under the program will be no more than 10 years, as determined in the contract entered into, as specified. The standard commencement and rate of loan repayment will be determined in the contract entered into, as specified.
 - 10) Stipulates that a student who is in default on any federal student loan, state student loan, or student loan issued by the segment or the institution is not eligible for a loan under the program.

- 11) Requires a student must confirm in writing that the student satisfies all of the requirements for loan eligibility.
- 12) Requires a student seeking a loan must authorize the nonprofit organization contracted, as specified, to access any information pertinent to certifying that the student meets all of the requirements for loan eligibility.
- 13) Requires that the nonprofit organization contracted, as specified, must certify that the student meets all of the requirements for loan eligibility before awarding a loan to the student.
- 14) Requires the nonprofit organization contracted, as specified, to submit an annual report to CSAC that includes, but is not limited to, both of the following for the previous award year:
 - a) The number of students who qualified for a loan; and,
 - b) The number of students awarded a loan.
- 15) Requires CSAC to submit an annual report to the Legislature that includes the information submitted to CSAC by the contracted nonprofit organization.
- 16) Stipulates that the information contained in both reports, as enumerated in 14 (a – b) and 15 inclusive, must be disaggregated by institution and the age, gender, race, and ethnicity of students.
- 17) Establishes the Emergency Students Facing Housing Crisis and Homelessness Revolving Fund as the initial depository of all moneys appropriated, donated, or otherwise received for the program. Upon appropriation by the Legislature, CSAC must distribute moneys in the fund to the nonprofit organization contracted, as specified, to award loans to students.
- 18) Sunsets and repeals the provisions of this measure on January 1, 2029.

EXISTING LAW:

- 1) Establishes the CSAC for the purpose of administering specified student financial aid programs (Education Code (EC) Section 69510, et seq.).
- 2) Authorizes CSAC to receive donations, bequests, grants, and philanthropic funding, subject to conditions or restrictions that the executive director of the CSAC may deem advisable, and subject to the approval, as specified. Beginning January 1, 2024, at the first regular CSAC meeting of the calendar year, CSAC must publicly report both of the following:
 - a) The source, and the amount from each source, of any philanthropic funding received during the calendar year immediately preceding the reporting deadline; and,
 - b) The purpose for which that philanthropic funding was used (EC Section 69514.3).
- 3) Establishes the mission and function of the CCC, which, in part is to: 1) offer academic and vocational instruction at the lower division level for both younger and older students,

including those persons returning to school; 2) authorizes the CCC to grant the associate in arts and the associate in science degrees; 3) requires the CCC to offer English as a Second Language instruction, adult noncredit instruction, and support services which help students succeed at the postsecondary level; and, 4) advance California's economic growth and global competitiveness through education, training, and services that contribute to continuous work force improvement (EC Section 66010.4).

- 4) Establishes the CSU system, made of 23 campuses, and bestows upon the CSU Trustees, through the Board of Trustees, the power, duties, and functions with respect to the management, administration, and control of the CSU system (EC Section 66606 and 89030, et seq.).
- 5) Establishes the UC as a public trust to be administered by the Regents of the UC; and, grants the Regents full powers of organization and government, subject only to such legislative control as may be necessary to insure security of its funds, compliance with the terms of its endowments, statutory requirements around competitive bidding and contracts, sales of property and the purchase of materials, goods and services (Article IX, Section (9)(a) of the California Constitution).

FISCAL EFFECT: Unknown

COMMENTS: *Purpose of the measure.* According to the author, “over a student’s lifetime, if loans are not repaid in a timely manner, the principal loan amount can more than double because of compounding interest. California, despite its commitment to helping students graduate from college, lacks the financial resources to provide grants to make education universally free for students regardless of socio-economic backgrounds.”

The author contends that, “AB 2507 would establish a pilot interest-free, no-fee student loan program at the University of California, Los Angeles, California State University, Northridge, and Glendale Community College to meet the skyrocketing demand for students who are low-income, homeless, at risk of homelessness, or food insecure to have their financial needs met while in pursuit of a higher education.”

Additionally, the author states that, “therefore, this pilot interest-free student loan program to support students with financial need to get a college degree without the burden of paying off interest would provide an alternative and viable pathway for students to get a college degree without accumulating unnecessary debt.”

Student loans. According to Bankrate, LLC, a consumer financial services company, student loans often times become a necessary method for filling financial gaps when scholarships, grants, and other forms of student financial aid fall short, but the money is not free. The interest rates determine how much money a student will ultimately owe and will also influence a student’s monthly payment.

Federal student loans for undergraduate students, as of April 2024, currently have an interest rate of 5.50% for the 2023-24 school year, while graduate students have interest rates of 7.05% or 8.05% for unsubsidized loans or Direct PLUS loans, respectively. However, students are not always able to secure federal student loans (which have the same rates for every borrower), and rely on private student loans, which, as of April 2024, have interest rates ranging from 4.50% to

16.99% and are based primarily on the borrower's credit score and could have fixed or variable interest rates.

Zero interest loan options. While it is virtually impossible for a lender to offer zero interest loans, Committee Staff understands that there is at least one entity in the state, the Jewish Free Loan Association (JFLA) who provides zero interest loans. Founded in 1904, the JFLA is a nonsectarian agency serving anyone facing a financial challenge and is equipped with the infrastructure in place to run a statewide interest-free lending program including the platform to track loans and store data, application, and processing forms.

Committee Staff understands that JFLA has 120 years of experience operating interest-free lending programs with staff who are experienced in evaluating prospective borrowers, reviewing loan applications, and handling the details of making and collecting loans. The JFLA's total outstanding loan balance for 908 education loans is \$7,468,602.47. Further, JFLA is currently averaging approximately 300 interest-free student loans per year.

According to JFLA, "when COVID hit in 2020, demand for student loans skyrocketed. JFLA had to reduce the size of its student loans from \$10,000 to \$7,500 to stretch available lending dollars and help more students."

Committee Staff understands that the goal of JFLA (who met the definition of "nonprofit organization" for purposes of this measure), is to increase the loan amount back to \$10,000 per student and assist more students annually.

Committee amendments and comments. This measure contains a very narrow definition of "nonprofit organization;" in order to broaden the definition, *Committee Staff recommends, and the author has agreed to accept, the following amendment:*

69851 (e) "Nonprofit organization" ~~means a nonprofit organization that has existed for more than 100 years and operates an interest-free loan program remotely in three or more counties in the state on and before January 1, 2025.~~ **means a nonprofit organization that has existed for more than 50 years and operates an interest-free program virtually in the state on or before January 1, 2025.**

Committee Staff understands that the goal of the author is to ensure that, "students who are low-income, homeless, at risk of homelessness, or food insecure have their financial needs met while in pursuit of a higher education." However, as this measure is currently drafted, a student could qualify for participation in the program if the student has an annual EFC that is equal to, or less than, \$20,000. That means that before a student would be eligible for state or federal aid, a student would be responsible for \$20,000 of the student's education. Given the three campuses in the pilot are public institutions, the \$20,000 EFC could cover the entire expenses for an academic year. It would appear that a student with an annual EFC of up to \$20,000 would fall within the higher threshold of middle class.

Moving forward, the author may wish to reduce the EFC threshold in order to ensure that the neediest students are able to benefit from the program.

Additionally, the measure is currently silent if undocumented students would be eligible to participate in the program.

Moving forward, the author may wish to clarify whether or not undocumented students would be eligible to participate in the program.

Further, the pilot currently only has three named campuses to participate in the pilot. Committee Staff understands the campuses of CSUN, GCC, and UCLA, were selected to participate in the pilot because an existing nonprofit organization, JFLA, currently provides zero interest loans to some students who attend the named campuses.

However, with the three campuses relatively in the same region of the State, *moving forward, the author may wish to expand the pilot to include campuses within various regions of the state, ensuring that there is representation of small, medium, and large campuses in rural, urban, and coastal areas of the State.*

This measure is currently silent as to how students will be informed of the program and an opportunity to receive zero interest loans.

Moving forward, the author may wish to work with CSAC and other stakeholders in order to determine how best to inform students of the program.

Lastly, this measure sunsets, on January 1, 2029, but the measure provides up to 10 years for loans to be paid back; which means that the measure could sunset before many of the loans are paid in full.

Moving forward, the author may wish to explore changing the length of loan repayment in order to align with the sunset of the program.

Arguments in support. According to the Jewish Public Affairs Committee (JPAC) and Jewish Free Loan Association (JFLA), sponsors of this measure, “with student loan interest rates soaring as high as 9%, many Californians are suffering. Over a twenty-year span, the interest on student loans often doubles from the original amount borrowed, casting a shadow over the lives of individuals and families. Borrowers sometimes make payments for decades and still find themselves under substantial, escalating debt. This severely hinders their ability to achieve key milestones such as homeownership, saving for their children's education, planning for retirement, and accumulating wealth. And this struggle is especially pronounced among those who are low-income, homeless, at risk of homelessness, or experiencing food insecurity.”

Further, JPAC and JFLA state, “implementing an interest-free, no-fee student loan program would afford graduates the chance to repay their loans within a reasonable timeframe while simultaneously saving for important milestones such as homeownership, retirement, and starting a family. Loans under the pilot program would be permitted for expenses such as tuition, books and supplies, housing, food, computers and other technology, transportation, summer bridge programming, tutoring, and other activities that promote college graduation rates.”

Lastly, JPAC and JFLA contend that, “loans will be serviced by the JFLA, a nonsectarian agency with a 120-year history of providing interest-free, fee-free loans. Since JFLA is not a bank, they can provide loans without interest or fees. In addition to helping borrowers, this also means that student loan repayment would fund the provision of more student loans, rather than benefiting for-profit financial lending institutions. AB 2507 aligns with our community’s belief in the value of education, and the impact that access to educational opportunities can have on a person’s life.

Fostering equality amongst individuals in our education system creates the conditions for equality amongst communities in California.”

REGISTERED SUPPORT / OPPOSITION:

Support

Jewish Public Affairs Committee (Sponsor)
Jewish Free Loan Association (Sponsor)
30 Years After
A Place Called Home
American Jewish Committee - Los Angeles
Apartment Association of Greater Los Angeles
Bet Tzedek
Cheviot Value Management
College Track
Council District 5, City of Los Angeles
Democrats for Israel - CA
Democrats for Israel Los Angeles
Esusu Financial
ETTA
Glyphix
Hadassah
Hankin Patent Law, APC
Hillel 818
Hillel at UCLA
Hillel of San Diego
Housing and Economic Rights Advocates (HERA)
Jewish Big Brothers Big Sisters of Los Angeles
Jewish Center for Justice
Jewish Community Federation and Endowment Fund
Jewish Community Relations Council, Santa Barbara
Jewish Democratic Club of Marin
Jewish Democratic Club of Solano County
Jewish Democratic Coalition of The Bay Area
Jewish Democrats of San Diego County
Jewish Family & Community Services East Bay
Jewish Family and Children's Service of Long Beach and Orange County
Jewish Family and Children's Services of San Francisco, the Peninsula, Marin and Sonoma Counties
Jewish Family Service of Los Angeles
Jewish Family Service of San Diego
Jewish Family Services of Silicon Valley
Jewish Federation of Greater Los Angeles, the
Jewish Federation of Greater Santa Barbara
Jewish Federation of the Greater San Gabriel and Pomona Valleys
Jewish Federation of the Sacramento Region
Jewish Long Beach
Jewish Silicon Valley

Jigsaw Analytics Group
Justice Design Group
JVS SoCal
Lift
Los Angeles City Council, District 1, Eunisses Hernandez
Merino Yebri
National Foster Youth Institute
Nithya Raman, 4th District, Los Angeles City Council
PowerCA Action
Powerca Action
Progressive Zionists of California
Raoul Wallenberg Jewish Democratic Club
Skirball Cultural Center
Supervisor Bob Nelson, District 4, County of Santa Barbara
Supervisor Das Williams, First District, County of Santa Barbara
The Rightway Foundation
USC Casden Institute
West Hollywood; City of
Yesh Tikva, Inc.
Yula High School
Individuals (107)

Opposition

None on file.

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