

Date of Hearing: March 18, 2025

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Mike Fong, Chair

AB 681 (Elhawary) – As Introduced February 14, 2025

SUBJECT: California DREAM Loan Program: limits.

SUMMARY: Prohibits a student enrolled in an undergraduate program from borrowing more than \$4,000 within a single academic year, and a student enrolled in a graduate program from borrowing more than \$20,500 within a single academic year. Additionally, the measure increases the aggregate limit under the program for a student enrolled in a graduate program to \$118,500 as a graduate student, while maintaining the \$20,000 aggregate limit under the program for a student enrolled in an undergraduate program, thereby increasing the overall aggregate limit under the program for a student who receives a DREAM loan for both undergraduate and graduate enrollment to \$138,500.

EXISTING LAW:

- 1) Establishes the California Student Aid Commission (CSAC) for the purpose of administering specified student financial aid programs (Education Code (EC) Section 69510, et seq.).
- 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 Section 66021.6).
- 3) Authorizes, AB 540 students attending University of California (UC), California State University (CSU), or the California Community Colleges (CCC) to be eligible to receive a scholarship derived from nonstate funds, as received by the respective segment for the purpose of scholarships (EC Section 66021.7).
- 4) Establishes the DREAM Loan Program at UC and 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 as an undergraduate student; and, no more than \$20,000 as a graduate student. The repayment term for the loan is 10 years, and repayment commences following a six-month grace period beginning 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 Section 70033).
- 5) Specifies that the proportion of program funding used for instructional programs and for graduate programs be determined at the discretion of the participating institution and that priority be given to loans for instructional programs. Current law further defines “instructional programs” to mean a program of study that results in the award of a baccalaureate degree or undergraduate certificate, or undergraduate coursework in a program of study leading directly to a first professional degree for which no baccalaureate degree or undergraduate degree is awarded (EC Section 70032 (i) and 70034 (a)(6)).

- 6) Requires, by January 1, 2020, a UC and the 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 (EC Section 70034 (d)).
- 7) 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 Section 70035).
- 8) Authorizes, commencing with the 2024-25 academic year, a CSU or UC campus that participates in the DREAM Loan Program to award DREAM grants to eligible students if that campus has unawarded funds in the institution's DREAM Loan revolving fund that were new state, institutional matching, or loan repayment funds deposited during the previous academic year (EC Section 70035.5).

FISCAL EFFECT: Unknown

COMMENTS: *Background.* In 2014, the Legislature enacted SB 1210 (Lara), Chapter 754, Statutes of 2014, which established the California DREAM Loan Program, an affordable loan option that is offered at UC and CSU for undergraduate AB 540 [(Firebaugh), Chapter 814, Statutes of 2001] students to assist in financing their education. The loan was designed to mirror federal student loan programs with including provisions that placed a cap on loan amounts and provided low interest rates.

In 2019, the Legislature enacted SB 354 (Durazo), Chapter 526, Statutes of 2019, which expanded the provisions of the DREAM Loan Program to include eligible graduate students seeking a graduate or professional degree program.

Since the enactment of AB 540, several legislative measures have modified or expanded eligibility for the exemption from nonresident tuition in order to better accommodate the diverse student population.

Under current law, CSAC is only permitted to provide undocumented students with state financial aid if they apply for aid through the California Dream Act Application (CADAA).

The CADAA. In 2011, AB 131 (Cedillo), Chapter 604, Statutes of 2011, allowed students with AB 540 status to apply and be eligible for state financial aid such as the Cal Grant. AB 131 also charged CSAC with establishing and administering procedures and forms to enable eligible undocumented students' access to state aid. As a result, CSAC developed the CADAA and made it available to students in Fall 2012. Aid was dispersed for CADAA applicants in the Summer of 2013.

Need for the measure. According to the author, "the DREAM Loan Program helps undergraduate students, but doesn't account for the higher costs of graduate education. As a result, many undocumented students are forced to take on private loans or forgo graduate school altogether."

The author states that, “AB 681 expands loan limits, making the DREAM Loan a more viable option for undocumented graduate students and more closely aligning it with federal loan programs they cannot access. This change will create greater access to higher education and career advancement, empowering individuals to achieve the American Dream.”

Existing numbers at the UC and CSU. According to the UC the following tables provide data on the DREAM Loan borrowers from the 2023-24 Academic Year (AY):

Cumulative Dream Loan Debt at Graduation for 2023-24 Graduate CADAA Students

Table 1. By Degree Type, 2023-24

Grad Degree Type	Loans	# Borrowers	Avg Loan	Total Graduates	Percent Borrowers
Grad Academic	\$12,000	3	\$4,000	14	21%
Grad Professional	\$85,000	12	\$7,083	33	36%
All Grad Students	\$97,000	15	\$6,467	47	32%

Table 2. Academic Graduate Programs by Broad Discipline, 2023-24

Broad Discipline	Loans	# Borrowers	Avg loan	Total # Graduates	Percent Borrowers
Engineering/Computer Sciences	\$4,000	1	\$4,000	6	17%
Health Professional & Clinical Sciences	\$4,000	1	\$4,000	1	100%
Professional Fields	\$4,000	1	\$4,000	1	100%
All Grad Academic Programs	\$12,000	3	\$4,000	14	21%

Table 3. Graduate Professional Programs by Discipline, 2023-24

Professional Discipline	Loans	# Borrowers	Avg Loan	Total Graduates	Percent Borrowers
Law	\$32,000	3	\$10,667	3	100%
Other Health	\$17,000	3	\$5,667	4	75%
Other Non-Health	\$36,000	6	\$6,000	24	25%
All Grad Professional	\$85,000	12	\$7,083	33	36%

Programs					
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**Loan amounts may include borrowing from previous academic years. These numbers reflect total borrowing.

According to the CSU, in the 2023-24 AY, the CSU had 435 DREAM Loan borrowers, who, collectively received \$1,469,349 (an average of \$3,376 per student). Of the 435 awardees, 351 were undergraduate students, and collectively received \$1,168,479 (an average of \$3,329 per student). Of the 435 awardees, 84 were graduate students, and collectively received \$299,870 (an average of \$3,570 per student).

Arguments in support. According to the UC, sponsors of this measure, “graduate and undergraduate students have a variety of financial aid options when it comes to pursuing higher education, including grant aid through Cal Grants, Pell Grants, or institutional aid. Where direct aid doesn’t fully cover tuition and other fees, loans are available through the U.S. Department of Education and private lenders. However, undocumented students are not eligible for federal loans. In 2021-22, data from the California Student Aid Commission shows that only 14 percent of undocumented students receive financial aid.”

The UC states that, “in 2014, the California DREAM Loan Program was created to provide a loan option for undocumented students and the program has subsequently expanded eligibility to graduate students. However, graduate programs range in costs from \$45,000 to \$115,000 annually; the loan limit is currently set at \$4,000 per year, or \$40,000 for the entirety of the program, including undergraduate and graduate degrees. Undocumented graduate students are left to pursue private loan options, which typically have higher interest rates and less favorable repayment options. AB 681 would increase the loan limit of the DREAM Loan Program for graduate students from \$4,000 per year to \$20,500 per year. The total cap on the loan program would be \$118,500 for graduate students, and \$138,500 if the student also utilized the program for their undergraduate degree. These limits more closely mirror federal loan limits for graduate students.”

Further, according to the California Chamber of Commerce, “AB 681 would raise the caps on funding available to an individual student who receives a DREAM loan for both undergraduate and graduate schooling to \$138,500. We view this as a small but well-reasoned adjustment to the DREAM loan program – as it will not add costs to the program but will add some flexibility for existing funds to be utilized to support students whose overall needs may not be met by the present limits on loan amounts.”

Prior legislation. SB 633 (Gonzalez), Chapter 622, Statutes of 2023, in part, authorizes, commencing with the 2024-25 academic year, a CSU or UC campus that participates in the DREAM Loan Program to award DREAM grants to eligible students, as defined, if that campus has unawarded funds in the institution’s DREAM Loan revolving fund.

SB 354 (Durazo), Chapter 526, Statutes of 2019, in part, expands eligibility for the California DREAM Loan Program at the CSU and UC to students who are enrolled in programs leading to a professional or graduate degree.

SB 1210 (Lara), Chapter 754, Statutes of 2014, in part, establishes the California DREAM Loan Program for purposes of extending loans to students who meet specified requirements and have financial need, and authorizes any campus of the UC and the CSU to participate, as specified.

REGISTERED SUPPORT / OPPOSITION:

Support

Asian Americans Advancing Justice Southern California
California Chamber of Commerce
University of California (Sponsor)

Opposition

None on file.

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