

Date of Hearing: June 21, 2022

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

HR 118 (Mia Bonta) – As Introduced June 13, 2022

SUBJECT: Student Loan Debt Awareness Month.

SUMMARY: Declares the month of August 2022 as Student Loan Debt Awareness Month in California; and, urges all employers, especially public service employers and state agencies, to engage in outreach and notification to employees about the various student loan programs during this month. Specifically, **this resolution:**

- 1) Makes several legislative findings and declarations, including, but not limited to the following:
 - a) More than 45,000,000 Americans collectively owe approximately \$1.7 trillion in student loan debt;
 - b) There are nearly 4,000,000 Californians carrying roughly \$140 billion in student loan debt, with the average amount owed around \$38,530;
 - c) Federal student loans come with basic consumer protections and have fixed interest rates, hardship deferment provisions, and default rehabilitation options;
 - d) Federal loans also come with federal programs that provide affordable repayment options and federal public service loan forgiveness programs;
 - e) Private student loans have no connection to the federal government, lack the same consumer protections as federal loans, are awarded based on credit history, have variable interest rates, and provide neither hardship deferment provisions, nor repayment options, nor forgiveness plans;
 - f) More than 650,000 Californians hold private student loans totaling over \$10.3 billion;
 - g) Black and Latinx borrowers disproportionately take out more student loan debt than other populations to access higher education;
 - h) Two-thirds of the total national student debt is held by women, who only account for 57% of total higher education enrollment, and Black women accrue more student loan debt in their undergraduate education than any other group;
 - i) The federal Public Service Loan Forgiveness (PSLF) program was created to provide public service workers with federal student loan debt relief in exchange for a decade of public service in their communities;
 - j) The PSLF program is designed to support individuals working in vitally important public service jobs in sectors such as nonprofits, social services, health care, law enforcement, government at all levels, and other public service professions;

- k) On October 6, 2021, the United States Department of Education (USDE) overhauled the PSLF program for a limited time, providing previously ineligible borrowers with a limited PSLF waiver to receive credit toward loan forgiveness for their years of public service work;
 - l) The limited PSLF waiver ends October 31, 2022, and borrowers must take action to apply by that date; and,
 - m) The Assembly seeks to raise awareness of, as well as increase, the number of Californians accessing federal repayment and loan forgiveness programs.
- 2) Declares the month of August 2022 as Student Loan Debt Awareness Month in California.
- 3) Urges all employers, especially public service employers and state agencies, to engage in outreach and notification to employees about the various student loan programs during this month.

EXISTING LAW: Establishes the William D. Ford Federal Direct Loan Program (formerly known as the Federal Direct Student Loan Program) and authorizes the Secretary of Education to provide loans to students or parents for the purpose of paying for the cost of attendance to a postsecondary school. Further, establishes the Federal Direct Stafford/Ford Loan Program, the Federal Direct Unsubsidized Stafford/Ford Loan Program, the Federal Direct PLUS Program, and the Federal Direct Consolidation Loan Program, as defined (34 Code of Federal Regulation Title Section 685.100).

FISCAL EFFECT: Unknown. This resolution is keyed non-fiscal by Legislative Counsel.

COMMENTS: *Need for this measure.* According to the author, “This resolution seeks to increase awareness around federal student loan repayment options and public service loan forgiveness programs as critical deadlines approach this year.”

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136) of 2020 enacted a pause on federal student loan principal and interest payments, which has been extended by executive action through at least August 31, 2022. This means federal student loan payments are currently set to resume this September after more than two years and over 60% of borrowers report they are not ready for payments to resume.

The author contends that, “There is also a once-in-a-generation opportunity for public service workers to access Public Service Loan Forgiveness (PSLF) who were previously ineligible, through a limited PSLF waiver with a deadline of October 31, 2022 that borrowers must apply for. Further, over one third of California borrowers will have their loan servicer changed before the end of the year as student loan servicers have exited the industry, which creates confusing situations and risks of servicing errors.”

Additionally, the author states that, “By bringing awareness around existing public benefits, this resolution will help the nearly four million Californians who collectively owe \$140 billion in student loan debt pay off their debt.”

Student loan debt of California's college graduates. According to The Institute for College Access and Success (TICAS) and its Project on Student Debt, 62% of college seniors who graduated from public and private nonprofit colleges in 2019 had student loan debt, with an average nationally of \$28,950 per borrower. TICAS reports that the share of graduates with debt declined very slightly (less than 1%) from the 2018 average of 29,200. TICAS also reports that the average debt in California is \$21,485 at public and private non-profit colleges and that about 47% of students graduate with debt, ranking California fourth lowest nationally.

Further, TICAS finds that for-profit colleges are not included in the state averages because few of these colleges report relevant debt data. The report notes that, although student loan debt is slowing, the public health crisis has already reshaped the higher education landscape in important ways and has placed profound financial pressures on states, colleges, and students that could already be making college less affordable and increasing reliance on student debt.

Federal loans. Existing federal law provides for student loans through the William D. Ford Federal Direct Loan Program, administered by the Federal Student Aid Office within the USDE. These include:

- 1) *Direct Subsidized Loans:* These are need-based loans that cover the difference between a student's resources and the cost of attending a college or university; the amount of the loan is dependent on the level of need, dependent status, and year in college. The federal government pays the interest while the student is attending the college or university and subsidizes the interest throughout the life of the loan.
- 2) *Direct Unsubsidized Loans:* Not based on financial need, these loans generally cover the difference between other financial aid received and the total cost of attending college. Loans are made to eligible undergraduate, graduate, and professional students. The student is responsible for paying the interest during all periods. The federal government sets the interest rates and fees.
- 3) *Parent Loans for Undergraduate Students (PLUS):* These loans are available to creditworthy parents of dependent students. These are not need-based and are federally guaranteed. In addition, these types of loans have been expanded for graduate or professional degree students. The borrower is responsible for paying the interest on PLUS loans during all periods, starting from the date the loan is first disbursed.
- 4) *Direct Consolidation Loans:* These loans allow for consolidation of multiple federal education loans into one loan with a fixed interest rate at no cost.

Existing loan repayment programs. The USDE provides a number of student loan repayment plan options. Some of those plans include, but are not limited to, the following:

- 1) *Public Service Loan Forgiveness* – Will forgive the remaining balance of a federal direct student loan if the borrower has made 10 years' worth of loan payments while being consistently employed by a government or defined, non-profit organization. As of April 2022, 130,728 borrowers have received loan forgiveness under this program.
- 2) *Teacher Loan Forgiveness* – Will forgive up to \$17,500 of a direct federal student loan if the borrower has taught full-time for five consecutive academic years in a low-income

elementary school, secondary school, or a defined educational agency. As of February 2022, 433,500 borrowers have received loan forgiveness under this program.

- 3) *The Standard Repayment Plan* – All borrowers are eligible and under this plan, the payments are fixed for an amount that ensures the loans are paid off within 10 years. While this plan may save the borrower money over time due to interest, the monthly payments are higher than those of other plans.
- 4) *The Extended Repayment Plan* – This plan is for direct loan borrowers who have more than \$30,000 in debt. Under this plan, the borrower will pay a fixed or graduated monthly payment that will pay off the loans within 25 years.
- 5) *The Revised Pay As You Earn Repayment Plan* – This plan is for direct loan borrowers with an eligible loan. Under this plan, the borrower will pay 10% of their discretionary income (different calculation from disposable income) and the payments are recalculated each year based on the borrower's income and family size. If the borrower has not paid off the balance of their loan within 20 years for undergraduates or 25 years for graduates, the loan will be forgiven.

On June 1, 2022, the Biden Administration approved \$5.8 billion in loan forgiveness to 560,000 borrowers who attended Corinthian colleges. Since January 2021, the Biden-Harris Administration has approved \$25 billion in loan relief to borrowers.

Arguments in support. According to NextGen California, Co-Sponsor's of this measure, "The proposed California Student Debt Awareness Month is another step in continuing California's leadership when it comes to the issue of student debt. The creation of a California Student Debt Awareness Month in August would also complement the state's budget investment which requires the Department of Financial Protection and Innovation (DFPI) to develop an outreach and education program to assist borrowers in understanding federal student loan repayment options and completing the Public Service Loan Forgiveness limited waiver by the October 31, 2022 deadline."

REGISTERED SUPPORT / OPPOSITION:

Support

Consumer Reports
 Improve Your Tomorrow, Inc.
 NextGen California (Co-Sponsor)
 Student Borrower Protection Center (Co-Sponsor)
 Student Debt Crisis Center (Co-Sponsor)
 uAspire
 UnidosUS
 Western Center on Law and Poverty
 Young Invincibles

Opposition

None on file.

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