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## AB-2004 California DREAM Loan Program. (2021-2022)

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### Assembly Bill No. 2004

#### CHAPTER 484

An act to amend Sections 70034, 70035, and 70036 of the Education Code, relating to public postsecondary education.

[ Approved by Governor September 23, 2022. Filed with Secretary of State September 23, 2022. ]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 2004, Cristina Garcia. California DREAM Loan Program.

Existing law establishes the California DREAM Loan Program, which authorizes a student attending a participating campus of the University of California or California State University to receive a loan, referred to as a DREAM loan, if the student satisfies certain requirements. Existing law prohibits a student from borrowing more than \$20,000 in the aggregate under the program from any one participating institution. Existing law requires each participating institution to provide entrance and exit counseling to borrowers that is generally comparable to that required by federal student loan programs.

This bill would prohibit a student from borrowing more than \$40,000 in the aggregate under the program. The bill would prohibit a student who is enrolled in an undergraduate program from borrowing, as an undergraduate student, or a student who is enrolled in a graduate program from borrowing, as a graduate student, more than \$20,000 in the aggregate under the program. The bill would require a participating institution, on or before January 1, 2024, to establish DREAM loan forgiveness options for borrowers with similar standards as those set forth in the Federal Perkins Loan Program. The bill would require borrowers to qualify for or be granted certain administrative relief, and would require borrowers to qualify for state of emergency administrative forbearance, as specified. The bill would specify that exit counseling provided by a participating institution includes information about DREAM loan repayment, forbearance, deferment, discharge, and forgiveness. The bill would require a participating institution to post information about the DREAM loan on its internet website, as specified.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

#### THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

**SECTION 1.** (a) It is the intent of the Legislature that each participating institution achieves all of the following:

- (1) To extend DREAM loan deferment options to each student who is participating in a graduate fellowship program or rehabilitation from a disability program, or is an active duty member or postactive duty member of the Armed Forces of the United States.
- (2) To extend DREAM loan discharge options to each student who files for bankruptcy or would be eligible for DREAM loan forgiveness in accordance with the standards set forth in the federal Teacher Loan Forgiveness Program or Public Service Loan Forgiveness Program.

(3) To extend DREAM loan forbearance to each student who serves in local- or state-operated AmeriCorps programs, would be eligible to repay their DREAM loan in a repayment plan in accordance with the standards set forth in a United States Department of Defense loan repayment plan, or would be eligible to receive loan forgiveness in accordance with the standards set forth in the federal Teacher Loan Forgiveness Program or Public Service Loan Forgiveness Program.

(b) It is the intent of the Legislature to ensure that each eligible student who receives a DREAM loan can have that loan forgiven under any of the following programs:

- (1) The CalHealthCares loan repayment program.
- (2) The Bachelor of Science Nursing Loan Repayment Program.
- (3) The Allied Healthcare Loan Repayment Program.
- (4) The California State Loan Repayment Program.
- (5) The Licensed Vocational Nurse Loan Repayment Program.

(c) As used in this section, the following definitions apply:

(1) "DREAM loan" means a loan awarded pursuant to the California DREAM Loan Program, established in Article 23 (commencing with Section 70030) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code.

(2) "Participating institution" has the same meaning as in Section 70032 of the Education Code.

**SEC. 2.** Section 70034 of the Education Code is amended to read:

**70034.** (a) The amount of a DREAM loan offered to an individual student by a participating institution shall be determined by the institution, subject to the following provisions:

- (1) The loan may not exceed the financial need of the student.
- (2) A student may not borrow more than four thousand dollars (\$4,000) under this program within a single academic year.
- (3) A student may not borrow more than forty thousand dollars (\$40,000) in the aggregate under the program.
- (4) A student who is enrolled in an undergraduate program may not borrow, as an undergraduate student, more than twenty thousand dollars (\$20,000) in the aggregate under the program.
- (5) A student who is enrolled in a graduate program may not borrow, as a graduate student, more than twenty thousand dollars (\$20,000) in the aggregate under the program.
- (6) The proportion of program funding used for instructional programs and for graduate programs shall be determined at the discretion of the participating institution. Priority shall be given to loans for instructional programs.

(b) 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 (20 U.S.C. Sec. 1087a et seq.).

(c) Except as provided in subdivision (d), 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.

(d) On or before January 1, 2020, a participating institution shall 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.

(e) Interest shall not accrue on a DREAM loan during periods of at least half-time enrollment in a degree or certificate program or during the six-month grace period specified in subdivision (c).

(f) Eligibility for deferment, discharge, 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.

(g) On or before January 1, 2024, a participating institution shall establish loan forgiveness options for borrowers who receive a DREAM loan with similar standards as those set forth in the Federal Perkins Loan Program.

(h) (1) A borrower shall qualify for administrative relief consistent with the standards set forth in the Federal Direct Loan Program during periods of national emergency declared by the President of the United States.

(2) A borrower shall qualify for any state of emergency administrative forbearance on student loans that is provided by the Governor by executive order or the participating institution.

(3) A borrower shall be granted administrative relief for 90 days if the borrower lives or works where a natural disaster has occurred upon notification by the borrower, a member of the borrower's family, or another reliable source that the borrower has been affected by the natural disaster.

(i) Participating institutions shall use a common promissory note, approved by the Treasurer, to issue DREAM loans.

**SEC. 3.** Section 70035 of the Education Code is amended to read:

**70035.** (a) It is the intent of the Legislature that, each fiscal year, funds shall be appropriated in the annual Budget Act to participating institutions for purposes of the DREAM Program.

(b) The annual Budget Act shall allocate funding to participating institutions based on the number of eligible students attending the institution who applied for student financial aid pursuant to Section 69508.5 the prior academic year.

(c) (1) Each participating institution shall deposit funds appropriated pursuant to subdivision (a) in a DREAM revolving fund established by each institution, subject to subdivision (e). DREAM loans shall be awarded from, and DREAM loan repayments shall be deposited into, these revolving funds.

(2) In accordance with subdivision (d), participating institutions shall make DREAM loan repayment revenue available to offset state and institutional contributions to the DREAM loan program so that, as much as practicable, the respective annual costs to the state and to participating institutions shall be reduced equally.

(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 sum of the institution's contribution of funds and the institution's share of DREAM loan repayments equals or exceeds 50 percent of all funds in the institution's DREAM revolving fund for each year of an institution's participation.

(e) A participating institution shall not receive any additional state funds if the receipt of these funds would reduce the percentage of the DREAM revolving fund derived from the sum of the institution's contribution of funds and DREAM loan repayments to less than the specified percentage of all funds in the institution's DREAM revolving fund as described in subdivision (d).

(f) (1) In the event that 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 (15 U.S.C. Sec. 1681 et seq.) until the last students at that institution issued loans under the DREAM Program before the institution terminated its participation have repaid their loans.

(2) An institution described in paragraph (1) that terminates its participation in the DREAM Program shall annually repay all funds provided by the state as the institution collects DREAM loan repayments.

(g) (1) The California State University and the University of California shall 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.

(2) Each institution, including an institution described in subdivision (f), shall annually report all of the following:

(A) The total amount of funding in the institution's DREAM revolving fund.

(B) The annual amount contributed by the state to the institution's DREAM revolving fund.

(C) The annual amount contributed by the institution to the institution's DREAM revolving fund.

(D) The annual administrative costs of the DREAM Program at the institution.

(E) The annual amount contributed by DREAM loan repayments to the institution's DREAM revolving fund.

(F) The annual amount of DREAM loans issued by campus.

(G) The annual amount of remaining DREAM loan debt owed by borrowers.

(H) The number of borrowers in DREAM loan income-driven repayment, deferment, discharge, forbearance, and loan forgiveness at the end of each fiscal year.

(I) Borrower demographic information, which shall include, but is not limited to, age, gender, race, ethnicity, completed education level, and family education level.

**SEC. 4.** Section 70036 of the Education Code is amended to read:

**70036.** Each participating institution is responsible for all the following:

- (a) The participating institution shall determine a student's eligibility for a DREAM loan.
- (b) The participating institution shall award DREAM loan funds to students.
- (c) The participating institution shall provide entrance and exit loan counseling to borrowers that is generally comparable to that required by federal student loan programs. Exit loan counseling shall include, but is not limited to, information about DREAM loan repayment, including repayment options, forbearance, deferment, discharge, and forgiveness.
- (d) The participating institution shall service DREAM loans, collect DREAM loan repayments, and perform all of the due diligence required by the federal Fair Credit Reporting Act (15 U.S.C. Sec. 1681 et seq.).
- (e) The participating institution shall establish mechanisms for recording the annual amount of the DREAM loan borrowed by each recipient, and the aggregate amount of DREAM loans borrowed by each recipient, in order to comply with the annual and aggregate borrowing limits set forth in Section 70034.
- (f) The participating institution shall post information about the DREAM loan on the institution's internet website. That information shall include, but is not limited to, DREAM loan eligibility requirements, DREAM loan interest rates for the past five years, how to apply for and accept a DREAM loan, and information about DREAM loan repayment, including repayment options, forbearance, deferment, discharge, and forgiveness. The participating institution shall update its internet website to include information about administrative relief granted to borrowers.