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Bill Analysis

AB-379 California Kickstart My Future Loan Forgiveness Program.

Assembly Bill No. 379 (Jimmy Gomez) proposes the establishment of California Kickstart My Future Loan Forgiveness Program to provide student loan forgiveness awards for 24 months, alleviating burden of federal student loan debt for recent graduates meeting specified requirements. Some important requirements include being enrolled in Federal Income-driven Repayment Plan and in good standing. Income-driven repayment plan interest rate is 6%.

PRO: The bill would, subject to an available and sufficient appropriation, authorize an eligible applicant to receive a student loan forgiveness award equal to 100% of his or her monthly federal income-driven repayment plan payments for 24 months of repayment under the federal program.

CON: Income-driven repayment plans usually lower your federal student loan payments. However, whenever you make lower payments or extend your repayment period, you will likely pay more in interest over time, sometimes significantly more. In addition, under current Internal Revenue Service (IRS) rules, you may be required to pay income tax on any amount that's forgiven if you still have a remaining balance at the end of your repayment period.

<https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven>

Recommendation: Support, if amended to lower interest rate to zero (0%) while enrolled in student loan forgiveness period of 24-month. As stated in the income-driven program, students will pay more in interest over time due to low payments readjustment.