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Bill Analysis

AB-1895 California DREAM Loan Program: repayment, deferment, and forbearance

The California **Dream Loan** is a subsidized loan program specifically developed to assist the California Dream Act students, also known as an AB-540 student. This loan is borrowed money that must be repaid with interest. The loan is deferrable and does not accrue any interest while a student is enrolled at least half-time. The loan interest rate for 2015-2016 is 4.29% and 2016-2017 is 3.76% and 2017-2018 is 4.45%.

Assembly Bill **No. 1895** would require participating campus on or before January 1, 2020, to adopt procedures for a borrower to select an income-based repayment plan for the repayment of a DREAM loan.

Pro: Repayment is based on income analysis and loans may not exceed the financial need. Along with creating a ceiling of \$20,000 and making the loan subsidized as long as a student is enrolled in academics part-time.

Con: Decision are made by the institution and is subject to interpretation. A loophole might be the interpretation of income-driven repayment. Implementation is based on participating campuses not all campuses.

Recommendation: If clarification income-repayment calculation. Are we talking about prosper income in the field of study or the current income when applying for loan? Overall the implementation of a cap for the DREAM loan ensures responsible lending.

Reference:

http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1895&search_key=words=postsecondary