BACKGROUND

According to a 2014 report from the Public Policy Institute of California, California is home to between 2.35 and 2.6 million undocumented immigrants, constituting 6% of the state’s population.

In 2012, President Obama created Deferred Action for Childhood Arrival (DACA) providing two-years of deportation relief and work eligibility for qualifying youth who came to the U.S. as children. More than 4,000 students across the University of California’s (UC) nine campuses and 10,000 students in the California State University (CSU) system are DACA recipients.

In 2014, Governor Brown signed the DREAM Loan Program (AB 1210, Lara) which extends loans to students who are undocumented and have financial need. Participating students can apply for $4,000 a year and up to $20,000 over a lifetime to fill gaps in educational funding left by their ineligibility for federal loans. Currently, all UC’s and most CSU campuses participate in the DREAM Loan Program. DREAM Loan funding is shared equally between the General Fund and participating institutions. In the 2016-17 academic year, the UC loaned $4 million to eligible students. In the 2015-16 academic year, the CSU loaned $2 million.

PROBLEM

Under current law, repayment terms for DREAM Loans are limited to standard repayment plans. Under a standard repayment plan, students make equal payments over a ten year period regardless of ability to pay. The lack of flexibility in payment is problematic for three reasons.

First, since President Trump’s election in 2016, the future of DACA has been threatened through executive order and lack of action from Congress. Uncertainty around DACA has led to trepidation among these students about taking out loans. Students who risk taking out DREAM loans face the uncertainty of repayment if they cannot be lawfully employed in the United States. Second, a student who is undocumented who is worried about repaying a loan may be dissuaded from pursuing a career in public service or non-profit work because of limited entry level pay. Finally, Latino students, who are the primary recipients of DREAM Loans, experience historic wage discrimination. College-educated black and Hispanic men earn roughly 80% the hourly wages of white college educated men. This wage disparity makes it even harder to repay on a standard repayment plan.

SOLUTION

AB 1858 would require that participating UC and CSU campuses create procedures for income based repayment plans for DREAM Loans. Under an income based repayment (IBR) plan, students make payments based on their ability to pay. By creating an IBR plan, if a student cannot work because DACA is discontinued or altered they will not go into delinquency which can affect credit and future loan eligibility. Graduates who are undocumented will be able to pursue their chosen career path, without the low entry level compensation of many public service and nonprofit jobs serving as a barrier. Most importantly, offering an IBR plan will help DREAM Loan recipients afford their loan and pursue the American Dream.

FOR MORE INFORMATION

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