

ASSEMBLY BILL

No. 2377

Introduced by Assembly Member John A. Pérez

February 21, 2014

An act to add Article 7.5 (commencing with Section 94200) to Chapter 2 of Part 59 of Division 10 of Title 3 of the Education Code, relating to student loans, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 2377, as introduced, John A. Pérez. Student loans: California Student Loan Refinancing Program.

Under existing law, the California Educational Facilities Authority Act, the California Educational Facilities Authority is, among other things, authorized to borrow money and issue bonds, notes, and other obligations. The authority is also authorized to hold or invest in student loans, create pools of student loans, and sell bonds bearing interest on a taxable or tax-exempt basis or other interests backed by the pools of student loans.

This bill would establish the California Student Loan Refinancing Program within the authority, and provide for its administration by the Treasurer's office, with the goals of helping eligible students and graduates to refinance loan debt at favorable rates and creating a revolving fund so that additional refinancing may occur to help more students and graduates. The bill would authorize the authority to issue bonds for purposes of providing student loan refinancing options, including loan consolidation, interest rate buy-down, debt restructuring, establishing a loan loss reserve account, and alignment with various federal student loan alternative repayment programs. The bill would establish eligibility requirements for students and graduates. The bill

would authorize the board of the authority to develop and adopt regulations and procedures for the implementation of the program established by the bill.

Because this bill would authorize the authority to raise and expend funds for new purposes, the bill would make an appropriation.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) Over the last decade, tuition within the California higher
4 education system increased 145 percent at the University of
5 California and 191 percent at the California State University.

6 (b) Recently, the Legislature, through the Middle Class
7 Scholarship Act, has pursued efforts to lower the costs of tuition
8 for prospective students, but little has been done for those who
9 have already graduated and suffered the worst of the affordability
10 squeeze, and have had to incur more student loan debt in order to
11 achieve their college degrees.

12 (c) Student loan debt is a drag on our economy, preventing
13 graduates from entering graduate schools, achieving financial
14 independence, buying property, starting businesses, or otherwise
15 reinvesting in the state.

16 (d) In the United States today, there is more than \$1.2 trillion
17 in outstanding student loan debt, which works out to an average
18 of more than \$26,000 per graduate. These debts lead to more than
19 \$200,000 per graduate in lost savings and home equity, which in
20 total accounts for \$4 trillion in lost national wealth.

21 (e) As of 2013, California residents have an average of just over
22 \$20,000 in student loan debt upon graduation. Of the approximately
23 250,000 California residents who received bachelor’s degrees both
24 in and out of the state in 2012, 52 percent had some level of student
25 loan debt.

26 (f) In the 1980s, the California State Treasurer administered a
27 \$75 million student loan program that provided borrowers with
28 access to low-interest loans through the issuance of tax-exempt
29 revenue bonds. In 1995, the California Educational Facilities
30 Authority (CEFA) took over administration of the loan program.

1 (g) The CEFA retains the bond authority for this program, and
2 has the authority to use proceeds from the sale of bonds for, among
3 other things, “the refinancing of existing debt.”

4 SEC. 2. Article 7.5 (commencing with Section 94200) is added
5 to Chapter 2 of Part 59 of Division 10 of Title 3 of the Education
6 Code, to read:

7
8 Article 7.5. California Student Loan Refinancing Program
9

10 94200. (a) The California Student Loan Refinancing Program
11 is hereby established, to be administered by the Treasurer’s office
12 with policy guidance from the authority. The goals of the program
13 are to help eligible students and graduates to refinance loan debt
14 at favorable rates and to create a revolving fund so that additional
15 refinancing may occur to help more students and graduates.

16 (b) The program may use the authority’s power to issue bonds
17 pursuant to Article 4 (commencing with Section 94140) for
18 purposes of providing student loan refinancing options that shall
19 include, but are not necessarily limited to, loan consolidation,
20 interest rate buy-down, debt restructuring, establishing a loan loss
21 reserve account, and alignment with various federal student loan
22 alternative repayment programs.

23 94201. Eligibility for the program shall be limited to persons
24 meeting all of the following requirements:

25 (a) Residency in California.

26 (b) Completion of a bachelor’s degree.

27 (c) Employment in a public service program or by a nonprofit
28 organization.

29 (d) Ability to repay, as determined by the authority.

30 (e) Any additional qualification imposed by the Treasurer.

31 94202. The board of the authority is authorized to develop and
32 adopt regulations and procedures for the implementation of this
33 article, including program administration requirements and
34 provisions to ensure the solvency of the financing.