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HOUSE BILL 1191

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State of Washington                      52nd Legislature                      1991 Regular Session

By Representatives Ogden, Jacobsen, Roland, Prentice, Wood, Edmondson, Fraser, Franklin, H. Myers, Ferguson, Winsley, D. Sommers, Paris, Bowman, Forner, Rayburn, Dellwo, Jones, Wynne, R. Johnson, Riley, Scott, Moyer, Phillips, Brekke, Basich, Spanel, Mitchell, Leonard and Anderson.

Read first time January 23, 1991. Referred to Committee on Higher Education.

1            AN ACT Relating to higher education; and amending RCW 28B.15.820.

2    BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

3            **Sec. 1.** RCW 28B.15.820 and 1985 c 390 s 35 are each amended to  
4 read as follows:

5            (1) Each institution of higher education shall deposit two and one-  
6 half percent of revenues collected from tuition and services and  
7 activities fees in an institutional long-term loan fund which is hereby  
8 created and which shall be held locally. Moneys in such fund shall be  
9 used to make guaranteed loans to eligible students except as provided  
10 for in subsection (10) of this section.

11            (2) An "eligible student" for the purposes of this section is a  
12 student registered for at least six credit hours or the equivalent, who  
13 is eligible for resident tuition and fee rates as defined in RCW  
14 28B.15.012 through 28B.15.015, and who is a "needy student" as defined  
15 in RCW 28B.10.802.

1           (3) The amount of the loans made under subsection (1) of this  
2 section shall not exceed the demonstrated financial need of the  
3 student. Each institution shall establish loan terms and conditions  
4 which shall be consistent with the terms of the guaranteed loan program  
5 established by 20 U.S. Code Section 1071 et seq., as now or hereafter  
6 amended. All loans made shall be guaranteed by the Washington student  
7 loan guaranty association or its successor agency. Institutions are  
8 hereby granted full authority to operate as an eligible lender under  
9 the guaranteed loan program.

10           (4) Before approving a guaranteed loan, each institution shall  
11 analyze the ability of the student to repay the loan based on factors  
12 which include, but are not limited to, the student's accumulated total  
13 education loan burdens and the employment opportunities and average  
14 starting salary characteristics of the student's chosen fields of  
15 study. The institution shall counsel the student on the advisability of  
16 acquiring additional debt, and on the availability of other forms of  
17 financial aid.

18           (5) Each institution is responsible for collection of loans made  
19 under subsection (1) of this section and shall exercise due diligence  
20 in such collection, maintaining all necessary records to insure that  
21 maximum repayments are made. Institutions shall cooperate with other  
22 lenders and the Washington student loan guaranty association, or its  
23 successor agency, in the coordinated collection of guaranteed loans,  
24 and shall assure that the guarantability of the loans is not violated.  
25 Collection and servicing of loans under subsection (1) of this section  
26 shall be performed by entities approved for such servicing by the  
27 Washington student loan guaranty association or its successor agency:  
28 PROVIDED, That institutions be permitted to perform such servicing if  
29 specifically recognized to do so by the Washington student loan  
30 guaranty association or its successor agency. Collection and servicing

1 of loans made by community colleges under subsection (1) of this  
2 section shall be coordinated by the state board for community college  
3 education and shall be conducted under procedures adopted by such state  
4 board.

5 (6) Receipts from payment of interest or principal or any other  
6 subsidies to which institutions as lenders are entitled, which are paid  
7 by or on behalf of borrowers of funds under subsection (1) of this  
8 section, shall be deposited in each institution's general local fund  
9 and shall be used to cover the costs of making the loans under  
10 subsection (1) of this section and maintaining necessary records and  
11 making collections under subsection (5) of this section: PROVIDED,  
12 That such costs shall not exceed five percent of aggregate outstanding  
13 loan principle. Institutions shall maintain accurate records of such  
14 costs, and all receipts beyond those necessary to pay such costs, shall  
15 be used for the support of the institution's operating budget.

16 (7) The boards of regents of the state universities, the boards of  
17 trustees of the regional universities and The Evergreen State College,  
18 and the state board for community college education, on behalf of the  
19 community colleges, shall each adopt necessary rules and regulations to  
20 implement this section.

21 (8) Lending activities under this section shall be directed toward  
22 students who would not normally have access to educational loans from  
23 private financial institutions in Washington state, and maximum use  
24 shall be made of secondary markets in the support of loan  
25 consolidation.

26 (9) Short-term interim loans, not to exceed one hundred twenty  
27 days, may be made from the institutional long-term loan fund to  
28 students eligible for guaranteed student loans and whose receipt of  
29 such loans is pending. Such short-term loans shall not be subject to  
30 the guarantee restrictions or the constraints of federal law imposed by

1 subsection (3) of this section. No such loan shall be made to any  
2 student who is known by the institution to be in default or delinquent  
3 in the payment of any outstanding student loan.

4 (10) Any moneys deposited in the institutional long-term loan fund  
5 which are not used in making long or short term loans or transferred to  
6 institutional operating budgets may be used by the institution for  
7 locally-administered financial aid programs for needy students, such as  
8 need-based institutional employment programs or need-based tuition and  
9 fee waiver programs. These funds shall be used in addition to and not  
10 to replace institutional funds which would otherwise support these  
11 locally-administered financial aid programs. First priority in the use  
12 of these funds shall be given to needy students who have accumulated  
13 excessive educational loan burdens. An excessive educational loan  
14 burden is a burden that will be difficult to repay given employment  
15 opportunities and average starting salaries in the student's chosen  
16 fields of study. Second priority in the use of these funds shall be  
17 given to needy single parents, including family independence program  
18 participants, to assist these students with their educational expenses,  
19 including expenses associated with childcare and transportation.