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**SUBSTITUTE HOUSE BILL 1587**

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**State of Washington**

**53rd Legislature**

**1993 Regular Session**

**By** House Committee on Higher Education (originally sponsored by Representatives Ogden, Wood, J. Kohl, Jacobsen, Forner, Quall, Ludwig, Pruitt, Jones, Basich, King, Johanson, Thibaudeau, R. Meyers, Kessler, Bray, Dorn, Karahalios, Roland, Eide, Sheldon, Kremen, Finkbeiner, Veloria, Morris, Hansen, Leonard, Van Luven, H. Myers and L. Johnson)

Read first time 03/01/93.

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.

16 (3) The amount of the loans made under subsection (1) of this  
17 section shall not exceed the demonstrated financial need of the  
18 student. Each institution shall establish loan terms and conditions  
19 which shall be consistent with the terms of the guaranteed loan program

1 established by 20 U.S. Code Section 1071 et seq., as now or hereafter  
2 amended. All loans made shall be guaranteed by the Washington student  
3 loan guaranty association or its successor agency. Institutions are  
4 hereby granted full authority to operate as an eligible lender under  
5 the guaranteed loan program.

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

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

31 (6) Receipts from payment of interest or principal or any other  
32 subsidies to which institutions as lenders are entitled, which are paid  
33 by or on behalf of borrowers of funds under subsection (1) of this  
34 section, shall be deposited in each institution's general local fund  
35 and shall be used to cover the costs of making the loans under  
36 subsection (1) of this section and maintaining necessary records and  
37 making collections under subsection (5) of this section: PROVIDED,  
38 That such costs shall not exceed five percent of aggregate outstanding  
39 loan ((principle)) principal. Institutions shall maintain accurate

1 records of such costs, and all receipts beyond those necessary to pay  
2 such costs, shall be used for the support of the institution's  
3 operating budget.

4 (7) The boards of regents of the state universities, the boards of  
5 trustees of the regional universities and The Evergreen State College,  
6 and the state board for community and technical colleges ~~((education))~~,  
7 on behalf of the community colleges, shall each adopt necessary rules  
8 and regulations to implement this section.

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

14 (9) Short-term interim loans, not to exceed one hundred twenty  
15 days, may be made from the institutional long-term loan fund to  
16 students eligible for guaranteed student loans and whose receipt of  
17 such loans is pending. Such short-term loans shall not be subject to  
18 the guarantee restrictions or the constraints of federal law imposed by  
19 subsection (3) of this section. No such loan shall be made to any  
20 student who is known by the institution to be in default or delinquent  
21 in the payment of any outstanding student loan.

22 (10) Any moneys deposited in the institutional long-term loan fund  
23 ~~((which))~~ that are not used in making long or short term loans ~~((or~~  
24 ~~transferred to institutional operating budgets))~~ may be used by the  
25 institution for locally-administered financial aid programs for needy  
26 students, such as need-based institutional employment programs or need-  
27 based tuition and fee waiver programs. These funds shall be used in  
28 addition to and not to replace institutional funds which would  
29 otherwise support these locally-administered financial aid programs.  
30 First priority in the use of these funds shall be given to needy  
31 students who have accumulated excessive educational loan burdens. An  
32 excessive educational loan burden is a burden that will be difficult to  
33 repay given employment opportunities and average starting salaries in  
34 the student's chosen fields of study. Second priority in the use of  
35 these funds shall be given to needy single parents, to assist these  
36 students with their educational expenses, including expenses associated  
37 with child care and transportation.

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