

---

## Higher Education Committee

---

### HB 2429

**Brief Description:** Creating the Washington advance higher education loan program.

**Sponsors:** Representatives Stonier, Johnson, Harris, Wylie, Haler, Sawyer, Riccelli, Pollet, Habib, MacEwen, Tarleton, Bergquist, Farrell, Fitzgibbon, Moeller, Ryu, Sells, Goodman, Gregerson, S. Hunt, Senn, Santos, Ormsby and Freeman.

#### Brief Summary of Bill

- Finds that too many students at all income levels are leaving higher education programs with high levels of debt, and recognizes that a financial aid program that offers loans with repayments based on a student's income would reduce the burden of debt.
- Creates the Washington Advance Higher Education Loan Pilot Program to replace the Washington Higher Education Loan program.
- Creates the Washington Advance Higher Education Loan account in the custody of the State Treasurer.
- Directs that the program is to be administered by the Office of Student Financial Assistance (Office) within the Student Achievement Council, and report annually to the Governor and Legislature on the design and implementation.
- Includes an expiration date of July 1, 2020.

**Hearing Date:** 1/24/14

**Staff:** Madeleine Thompson (786-7304).

#### **Background:**

##### **The Higher Education Loan Program.**

Legislation enacted in 2009 created the Higher Education Loan Program (HELP) program to assist students in need of additional low-cost student loans and related loan benefits. The Washington Student Achievement Council (WSAC) is the program administrator. Since the

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

HELP was created, no funding has been provided. A 2012 budget proviso directed the WSAC to convene a work group of technical experts to identify and describe finance and program design options for the HELP and present them to the Legislature for future consideration.

### **Student Borrowing**

According to the annual financial aid report of the Council, in 2012-13, loan assistance represented 39 percent of financial aid to needy resident undergraduate students. Grant aid represented 60 percent of aid to needy students, and state work study represented 1 percent of aid to needy students.

Between 2010 and 2012 the number of student loan borrowers increased by 5 percent. In 2012-13 more than 89,000 identified as "needy" borrowed an average of \$6,775. An additional 10,515 non-needy resident undergraduate borrowers, who are not receiving need-based aid, took out federal unsubsidized student loans and borrowed an average of \$6,756.

Parent Loans for Undergraduate Students (PLUS) is a federal loan program used by parents to assist with the educational costs of their dependent children. In 2010-11 11,621 parents of Washington undergraduate students borrowed average annual PLUS loans of \$10,689. In 2011 eligibility criteria for the federal PLUS changed based on determining the credit worthiness of parents. In 2012-13 10,848 parents took out a PLUS loan. While there was a seven percent reduction of PLUS loans over a two-year period, loan amounts increased by 18 percent. The average loan amount for PLUS loans was \$12,595 in 2012-13.

### **Summary of Bill:**

The Legislature finds that too many students at all income levels are leaving higher education programs with high levels of debt. The Legislature recognizes that a financial aid program that offers loans with repayments based on a student's income would reduce the burden of debt.

The Washington Advance Higher Education Loan Pilot Program (Program) is created to for the purposes of assisting students in need of additional low-cost student loans and related loan benefits, as well as to meet the state's need for individuals with higher education degrees and certificates that are in demand by employers, such as in the fields of science, including health science, technology, engineering, and math. The Program replaces the Washington Higher Education Loan.

The Office of Student Financial Assistance (Office) within the WSAC is directed to administer the Program. In administering the Program, the Office has the following powers and duties: design and implement a low interest educational loan program with an interest rate that is less than federal student loan options for higher education students; loan repayment obligations that take total loan debt and family size into consideration; and loan repayments that do not commence until six months after a student has completed his or her degree or certificate, or six months after leaving their program in cases where a student leaves before completing a degree or certificate.

The Office is required to define other loan terms including fees and deferments. The Office must screen and select eligible students to receive the loan and collect and manage repayment from students who do not meet their repayment obligations. The Office may exercise discretion to

alter repayment obligations in cases of significant economic hardship. The Office may adopt necessary rules to administer this program.

In order to be eligible for this program, a student must be a resident, demonstrate financial need to access higher education or complete their higher education program, and be enrolled in one of the following programs:

- a program related to science, including health science, technology, engineering or math at Washington Statute University in Vancouver, Clark College, or Heritage University;
- an aerospace related program at Everett Community College;
- the MEDEX program at the University of Washington in Spokane; or
- the doctor of osteopathic medicine program at Pacific Northwest University of Health Sciences.

Undocumented students are added to the definition of "resident student" for this program.

In order to remain eligible for this program, a participant must be considered by the institution of higher education to be making satisfactory progress.

The Office must report on the program each year by December 1 to the Governor and to the higher education and fiscal committees of the Legislature with the collaboration of participating institutions and programs. The annual report must describe the design and implementation of the Program and specific report elements are described.

The Washington Advance Higher Education Loan Account is created in the custody of the State Treasurer. The Office has authority to make disbursements from the Account only for the purposes of the Program. The Program must become self-sufficient.

The program expires on July 1, 2020.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.