

# HOUSE BILL REPORT

## HB 2371

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### As Reported By House Committee On:

Higher Education

**Title:** An act relating to repayment of student loans.

**Brief Description:** Suspending the professional licenses for failure to repay student loans.

**Sponsors:** Representatives Blanton, Elliot, Mastin, Goldsmith, Pelesky, Carlson, Cairnes, Hymes, Hankins, Benton, Tokuda, Mason, Scott, McMahan, Quall, Dickerson, Mitchell, Jacobsen, D. Schmidt, Cooke, Hargrove, Conway, Sheldon, Costa, McMorris, Mulliken and Silver.

**Brief History:**

**Committee Activity:**

Higher Education: 2/1/96, 2/2/96 [DPS].

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### HOUSE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Carlson, Chairman; Mulliken, Vice Chairman; Jacobsen, Ranking Minority Member; Mason, Assistant Ranking Minority Member; Basich; Blanton; Delvin; Goldsmith; Mastin; Scheuerman and Sheahan.

**Staff:** Marilee Scarbrough (786-7196).

**Background:** The Health Education Assistance Loan (HEAL) program encourages lenders to make loans to students in health professions. The loan must be used to pay for educational costs. The secretary of the federal Department of Health and Human Services insures each lender for the loss of principal and interest in the event of default. Recently, administrators of the HEAL program began the process of annually publicizing in the federal register the names of defaulters. The default rate of the HEAL loan is approximately 4 percent.

The Stafford loan is another example of a federal guaranteed student loan. Graduates, as well as undergraduate students, who attend public institutions, private institutions, and vocational and technical colleges are recipients of the Stafford loan. In Washington State, the default rate varies from 35 percent to 1.3 percent.

In 1994, an American Council on Education (ACE) study found that borrowing under federal loan programs for graduate and professional students at 347 institutions rose 47 percent between 1992 and 1994, increasing from an average \$1.6 million to \$2.4 million.

Several states have adopted statutes revoking the licenses of professionals who are in default on federal or state guaranteed student loans. Oregon provides for the suspension of a license, certification, or registration if an individual is in default on a student loan guaranteed or insured by the State Scholarship Commission. The California Health Code provides for the licensing board to take appropriate disciplinary action if it determines that a medical professional failed to provide service as provided in a federal loan insurance program.

In Florida, health professionals who fail to pay loans are ineligible for professional licenses or renewal of licenses. Similarly, Texas statutes provide that a licensing agency will not renew or issue a license to a person who is in default. Illinois statutes contain provisions for a state agency to revoke, suspend, refuse to renew, or place on probationary status, or take other disciplinary action against nurses who default on educational loans. In Utah, North Dakota, Nevada, Maryland, and New York, it is unprofessional conduct for a physician to fail to repay a loan.

**Summary of Substitute Bill:** Licensing agencies must suspend the Washington State professional license, certificate, or registration of a licensee when notified by a lending agency of default on a federal or state guaranteed educational loan or a service conditional scholarship. The suspension will occur after the agency provides the licensee with an opportunity for a brief adjudicative hearing. The licensee, certificate holder, or registrant is reinstated when the agency receives notice that payments have resumed. The following is a partial list of the professionals subject to license suspension in the bill: architects, auctioneers, cosmetologist, barbers, manicurists, nurses, landscape architects, plumbers, athlete agents, bail bond agents, teachers, accountants, attorneys, psychologists, pharmacists, opticians, naturopaths, midwives, oculists, massage operators, acupuncturists, chiropractors, osteopaths, dentists, physical therapists, counselors, physicians, optometrists, and podiatrists.

**Substitute Bill Compared to Original Bill:** The substitute contains language that will provide for due process. It clarifies that the borrower must establish an approved payment plan before the license is reinstated. The Supreme Court may draft rules governing nonpayment by attorneys.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Substitute Bill:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** People who borrow should repay their loans. Failure to pay penalizes students who need loans. This bill will force defaulters to honor repayment. This bill is straightforward and on the cutting edge. It is the most inclusive program in the nation. The bill should have a due process provision.

**Testimony Against:** None.

**Testified:** Representative Jerry Blanton, prime sponsor; Michael Heningburg, Director, Division of Student Assistance, U. S. Department of Health and Human Services (pro); Diana Erie, Department of Health; and Alan Rathbun, Department of Licensing (responded to questions).