
HOUSE BILL 1499

State of Washington

65th Legislature

2017 Regular Session

By Representatives Pollet, Ryu, Sells, Lovick, Bergquist, and Stanford

Read first time 01/20/17. Referred to Committee on Higher Education.

1 AN ACT Relating to creating protections and fairness for students
2 in the student loan disbursement process; adding a new section to
3 chapter 28B.10 RCW; adding a new section to chapter 28B.77 RCW; and
4 creating a new section.

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

6 NEW SECTION. **Sec. 1.** (1) In the last few years, there has been
7 an increase in the number of postsecondary institutions entering into
8 agreements with financial account providers to disburse students'
9 federal financial aid. Disbursement of financial aid often is made
10 using access cards, such as debit cards or prepaid cards, that have
11 fees associated with the use of those cards. Recent reports from the
12 federal government and consumer groups have documented troubling
13 practices used by some financial account providers, such as providers
14 prioritizing disbursements to their own affiliated accounts over the
15 student's preexisting bank accounts, providers and schools giving
16 students the impression that signing up for the financial provider's
17 card account is required to receive financial aid, and students being
18 charged unavoidable fees to access their funds. The federal
19 government adopted regulations in 2015 to address these issues. The
20 legislature intends for sections 2 and 3 of this act to be compatible
21 with federal rules.

1 (2) The legislature finds that although the federal regulations
2 provide some protection for students, Washington's postsecondary
3 institutions must ensure that students are treated fairly and that
4 one hundred percent of state financial aid awards be available to
5 students for purposes for which aid is granted, rather than for fees
6 or other costs incurred by the student to access their aid awards.
7 The legislature intends to strengthen protections for students by
8 requiring that postsecondary institutions give students full
9 disclosure and notice, comply with all federal and state rules and
10 regulations, and operate their student financial aid disbursements in
11 a manner where students bear none of the financial weight of
12 accessing their own funds and are not discouraged from having funds
13 disbursed to them in the manner that provides the greatest ease of
14 access. The legislature intends to extend similar protections
15 required under federal rules for federal financial aid to the
16 disbursement of state financial aid.

17 NEW SECTION. **Sec. 2.** A new section is added to chapter 28B.10
18 RCW to read as follows:

19 (1) For purposes of this section and section 3 of this act,
20 "postsecondary institution" means the institutions of higher
21 education as defined in RCW 28B.10.016 and any degree-granting
22 institution, for-profit institution, or for-profit vocational
23 institute, operating in the state and offering instruction and
24 training beyond the high school level for gainful employment in a
25 recognized profession.

26 (2) A postsecondary institution that disburses a student's
27 federal or state financial aid balance by means other than directly
28 depositing the student's balance into the student's existing account
29 or issuing a check directly from the postsecondary institution must
30 comply with the requirements of this section.

31 (3) The postsecondary institution must:

32 (a) Provide the student, in a readily noticeable way and a
33 reasonably understandable format, a summary of the key features
34 associated with the debit card, access device, or financial account
35 associated with the student's financial aid disbursement and the
36 commonly assessed fees that the student may incur, such as surcharges
37 if a student uses an automated teller machine that is not affiliated
38 with the third-party servicer or financial institution issuing the

1 disbursement. The notice may be provided by a link to a public web
2 site;

3 (b) Provide the student with information on the location of every
4 surcharge-free automated teller machine located on campus that the
5 student may use to access the student's financial aid disbursement
6 funds without incurring a fee and whether the machines are accessible
7 twenty-four hours a day;

8 (c) Provide the student with full disclosure of the contract the
9 postsecondary institution has entered into with a third-party
10 servicer or financial institution in the disbursement of student
11 financial aid balances. The disclosure may be provided by a link to a
12 public web site;

13 (d) Provide easily understandable and prominent notice to the
14 student of the student's rights as a consumer and notice of a
15 complaint process for students to file complaints with the
16 postsecondary institution if the student is being charged excessive
17 fees or is unable to access his or her funds without incurring fees;

18 (e) Develop and maintain a complaint resolution process to be
19 used by students who have complaints regarding the timeliness of the
20 student's financial aid disbursement or fees charged related to the
21 disbursement. The process must include procedures for students to
22 have the student achievement council review unresolved complaints;
23 and

24 (f) Comply with the rules or requirements for participation in
25 the state financial aid programs adopted by the student achievement
26 council, as authorized under section 3 of this act.

27 (4) The federal laws and regulations that apply to the
28 disbursement of federal financial aid using third-party servicers or
29 financial institutions also applies to the disbursement of state
30 financial aid using third-party servicers or financial institutions.

31 (5) Nothing in this section requires a postsecondary institution
32 to duplicate notices or disclosures or provide additional notices or
33 disclosures on federal financial aid that would otherwise be required
34 under federal law.

35 NEW SECTION. **Sec. 3.** A new section is added to chapter 28B.77
36 RCW to read as follows:

37 (1) The council's rules or other requirements for institutions to
38 participate in state financial aid programs shall assure that
39 contracts between postsecondary institutions participating in state

1 financial aid programs, as defined in section 2 of this act, and
2 financial institutions or third-party servicers for the disbursement
3 of student financial aid:

4 (a) Ensure that all state aid to students is available for the
5 student's educational purposes with one hundred percent of the
6 student's state financial aid available to the student without
7 incurring any fees;

8 (b) Are in the "best financial interest of the students";

9 (c) Provide that the student's ability to access his or her
10 disbursement is geographically convenient and practical for the
11 student;

12 (d) Provide that the student is given a choice regarding the
13 method by which the student receives his or her financial aid
14 disbursement, for example, whether disbursed by direct deposit,
15 check, or debit card, in accordance with federal regulations;

16 (e) Provide that the postsecondary institution has an effective
17 process for reviewing complaints filed by students regarding student
18 state financial aid disbursements, with appropriate notice to
19 students; and

20 (f) Require that the postsecondary institution does not have a
21 revenue-sharing agreement with the third-party servicer or financial
22 institution.

23 (2) The council must compile a list of all postsecondary
24 institutions that use third-party servicers or financial institutions
25 for student financial aid disbursements and make the list available
26 on the council's web site.

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