
SENATE BILL 5893

State of Washington

53rd Legislature

1993 Regular Session

By Senators Quigley and Hochstatter

Read first time 02/23/93. Referred to Committee on Higher Education.

1 AN ACT Relating to expanding access to higher education; amending
2 RCW 28B.10.808; and adding new sections to chapter 28B.10 RCW.

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

4 NEW SECTION. **Sec. 1.** A new section is added to chapter 28B.10 RCW
5 to read as follows:

6 (1) Seventy percent of the state-appropriated funds for the state
7 financial aid program, other than those for the college work-study
8 program established under chapter 28B.12 RCW and programs under
9 chapters 28B.101, 28B.102, 28B.104, 28B.107, and 28B.108 RCW, shall be
10 used for the state educational loan program. Such appropriated funds
11 shall be deposited in the state educational loan account established in
12 section 2 of this act. Moneys in the loan account shall be used to
13 make guaranteed loans to needy or disadvantaged students, as defined in
14 RCW 28B.10.802 (3) and (4).

15 (2) The amount of the loans made under subsection (1) of this
16 section shall not exceed the demonstrated financial need of the
17 student. The board shall establish loan terms and conditions that are
18 consistent with terms of the guaranteed loan program established by 20

1 U.S.C. Sec. 1701 et seq. The terms and conditions established by the
2 board shall include the following:

3 (a) Interest accumulation on these loans shall be deferred for one
4 year following the recipient's cessation of full-time studies;

5 (b) Interest accumulation, and payments on any accumulated
6 principal and interest, on these loans shall be deferred, for up to
7 five years, following the recipient's cessation of studies for each
8 payment period in which the recipient teaches at a public school in
9 this state, as defined in RCW 28B.102.020;

10 (c) Any recipient who teaches at a public school in this state, as
11 defined in RCW 28B.102.020, for five consecutive years immediately
12 following his or her cessation of studies shall have the entire
13 principal and interest of these loans forgiven.

14 (3) All loans made under this section shall be guaranteed by the
15 Washington student loan guaranty association or its successor agency.
16 The board is hereby granted full authority to operate as an eligible
17 lender under the guaranteed loan program.

18 (4) Before approving a guaranteed loan, the board shall analyze the
19 ability of the student to repay the loan based on factors that include,
20 but are not limited to, the student's accumulated total education loan
21 burdens. The board shall direct institutions of higher education to
22 counsel students on the advisability of acquiring additional debt and
23 on the availability of other forms of financial aid.

24 (5) The board is responsible for collection of loans made under
25 subsection (1) of this section and shall exercise due diligence in such
26 collection, maintaining all necessary records to ensure that maximum
27 repayments are made. The board shall cooperate with other lenders and
28 the Washington student loan guaranty association, or its successor
29 agency, in the coordinated collection of guaranteed loans and shall
30 assure that the loans continue to meet guarantee requirements.
31 Collection and servicing of loans under subsection (1) of this section
32 shall be performed by entities approved for such servicing by the
33 Washington student loan guaranty association or its successor agency.
34 The board may perform such servicing if specifically recognized to do
35 so by the Washington student loan guaranty association or its successor
36 agency.

37 (6) Receipts from payment of interest and principal or any other
38 subsidies to which the board as lender is entitled, that are paid by or

1 on behalf of borrowers of funds under subsection (1) of this section,
2 shall be deposited in the state general fund.

3 (7) The board shall maintain accurate records of the costs of
4 making the loans under subsection (1) of this section, including the
5 costs of recordkeeping and making collections under subsection (5) of
6 this section. The board shall endeavor to keep such costs as low as is
7 feasible and shall report such costs on an annual basis to the office
8 of financial management.

9 (8) Lending activities under this section shall make maximum use of
10 secondary markets in the support of loan consolidation. No loans may
11 be made to any student who is known by the board or by an institution
12 of higher education to be in default or delinquent in the payment of an
13 outstanding student loan.

14 (9) The board shall adopt necessary rules to implement this
15 section. The institutions of higher education shall cooperate fully
16 with the board in fulfilling the provisions of this section, RCW
17 28B.10.808, and section 2 of this act.

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

20 The state education loan account is hereby established in the state
21 treasury. Seventy percent of all state-appropriated funds for the
22 state financial aid program, other than those for the college work-
23 study program established under chapter 28B.12 RCW and programs under
24 chapters 28B.101, 28B.102, 28B.104, 28B.107, and 28B.108 RCW, shall be
25 deposited in this account. Expenditures from this account shall be for
26 guaranteed student loans to needy or disadvantaged students pursuant to
27 section 1 of this act. The board may authorize expenditures from this
28 account. The board shall deposit any refunds or returns of unused
29 portions of student loans in this account. All earnings of investments
30 of balances in the state educational loan account shall be credited to
31 the general fund. Receipts from the payment of interest or principal
32 or any other subsidies that are paid by or on behalf of borrowers of
33 funds provided through this account shall be deposited in the general
34 fund.

35 **Sec. 3.** RCW 28B.10.808 and 1991 c 164 s 4 are each amended to read
36 as follows:

1 In awarding grants, the ((~~commission~~)) board shall proceed
2 substantially as follows: PROVIDED, That nothing contained herein
3 shall be construed to prevent the ((~~commission~~)) board, in the exercise
4 of its sound discretion, from following another procedure when the best
5 interest of the program so dictates:

6 (1) The ((~~commission~~)) board shall annually select the financial
7 aid award winners from among Washington residents applying for student
8 financial aid who have been ranked according to financial need as
9 determined by the amount of the family contribution and other
10 considerations brought to the ((~~commission's~~)) board's attention.

11 (2) The financial need of the highest ranked students shall be met
12 by grants depending upon the evaluation of financial need until the
13 total allocation has been disbursed. However, no individual student
14 may receive more than two-thirds of his or her total state financial
15 aid program award, yearly, in the form of grants. At least one-third
16 of each student's total state financial aid program award, yearly,
17 shall be in the form of loans. Funds from grants which are declined,
18 forfeited or otherwise unused shall be reawarded until dispersed.

19 (3) A grant may be renewed until the course of study is completed,
20 but not for more than an additional four academic years beyond the
21 first year of the award. These shall not be required to be consecutive
22 years. Qualifications for renewal will include maintaining
23 satisfactory academic standing toward completion of the course of
24 study, and continued eligibility as determined by the ((~~commission~~))
25 board. Should the recipient terminate his or her enrollment for any
26 reason during the academic year, the unused portion of the grant shall
27 be returned to the state educational grant fund by the institution
28 according to the institution's own policy for issuing refunds, except
29 as provided in RCW 28B.10.8081.

30 (4) In computing financial need the ((~~commission~~)) board shall
31 determine a maximum student expense budget allowance, not to exceed an
32 amount equal to the total maximum student expense budget at the public
33 institutions plus the current average state appropriation per student
34 for operating expense in the public institutions.

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