

SENATE BILL REPORT

SHB 2371

As Reported By Senate Committee On:
Higher Education, February 22, 1996

Title: An act relating to repayment of student loans.

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

Sponsors: House Committee on Higher Education (originally sponsored by 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: 2/20/96, 2/22/96 [DPA].

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass as amended.

Signed by Senators Bauer, Chair; Drew, Hale, McAuliffe, Prince, Rasmussen, Sheldon, West, Wood and Zarelli.

Staff: Jennifer Hanlon (786-7784)

Background: The Health Education Assistance Loan (HEAL) program encourages lenders to make loans to students in health professions 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. The default rate of the HEAL loan is approximately 4 percent. Administrators of the HEAL program recently began publicizing the names of defaulters in the Federal Register.

The Stafford loan is another federal guaranteed student loan. Graduates and undergraduates who attend public institutions, private institutions, and vocational and technical colleges are eligible for the Stafford loan. In Washington, 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. Loan amounts increased from an average of \$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 disciplinary action if a medical professional failed to provide service required by 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 take disciplinary action against nurses who default on educational loans. In Utah, North Dakota, Nevada, Maryland, and New York, a physician's failure to repay a student loan constitutes unprofessional conduct.

Summary of Amended Bill: Licensing agencies must suspend the 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. Prior to suspension, the agency must provide 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 professionals subject to license suspension in the bill: architects, nurses, plumbers, bail bond agents, teachers, accountants, attorneys, psychologists, pharmacists, dentists, physical therapists, counselors, physicians, optometrists, and podiatrists.

Amended Bill Compared to Substitute Bill: Statutory reference is changed so agencies may use a brief adjudicative proceeding without adopting a rule permitting the agency to use the proceeding.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The federal government is considering eliminating these programs if people do not pay back the money. Many people do not consider student loans a serious contractual arrangement. We should send a message that student loan debt is a serious obligation. One minor amendment to the referenced statutory sections would be helpful for the agencies who will carry out this law.

Testimony Against: None.

Testified: Rep. Jerry Blanton, prime sponsor; Alan Rathbun, Department of Licensing.