
Higher Education Committee

HB 1057

Brief Description: Providing information to students about education loans.

Sponsors: Representatives Orwall, Shea, Pollet, Van Werven, Hargrove, Fitzgibbon, Nealey, Kilduff, Ormsby, Jinkins, Goodman, Gregerson, Stambaugh, Hudgins and Tarleton; by request of Attorney General.

Brief Summary of Bill

- Requires a post secondary institution to send a notification with education loan information, including the estimated total payoff and monthly repayment amounts, to an enrolled student who has education loans the institution has certified.
- Requires the notification to be provided to an enrolled student, via e-mail or in writing, anytime the student is offered a new financial aid package including loans.
- Requires the post secondary institutions to report their compliance with the notification requirement to the appropriate agency on an annual basis beginning January 1, 2019.

Hearing Date: 1/17/17

Staff: Megan Mulvihill (786-7304).

Background:

The Federal Student Loan Process.

Federal student loans can be used to attend eligible post secondary institutions to receive certificates and associate, bachelor, master, professional, and doctorate degrees. To receive a federal student loan, a student must fill out the Free Application for Federal Student Aid annually. If a student has never received a federal student loan before, the student must complete entrance counseling. This is completed online in a 30-minute segment and includes information about the types of federal student loans available, loan terms, and loan limits, such as interest rates and the maximum amount a student is allowed to borrow per loan type. Entrance counseling also includes information about managing spending during college, repayment, the

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different options available for repayment, and how to avoid default if the student has trouble repaying their student loan. Once entrance counseling is completed, the student must sign a Master Promissory Note, which is the legal contract for the federal student loan.

While in school, the federal student loans that a student qualifies for and decides to receive are dispersed on a term-by-term basis. If a student is eligible for a federal Perkins loan, in which the post secondary institution is the lender, then the institution must provide the student with a disclosure statement prior to the loan being disbursed. The disclosure must include the terms of the loan, such as the principal balance, the interest rate, additional charges incurred, the minimum and maximum repayment term, and an explanation of when repayment will occur. These disclosures are also required prior to repayment, and may be provided to the student in the application form, as part of the promissory note, or on a separate form.

If a student drops below half-time enrollment, leaves their post secondary institution, or graduates, he or she must complete exit counseling to prepare them for repaying their federal student loan. Exit counseling is similar to entrance counseling.

Similar State Legislation.

Recently, Indiana, Nebraska, and Wisconsin have enacted legislation that requires post secondary institutions to send annual notices to enrolled students regarding their student loan debt. The notices include information on a student's debt, such as the total amount of student loan debt accrued, the interest rate or rates, standard repayment terms, and total projected amount to be repaid with principal and interest.

Student Loan Debt in Washington.

According to the Institute for College Access and Success' Project on Student Debt, 58 percent of 2015 Washington graduates of four-year public and private non-profit institutions had student loan debt with an average balance of \$24,804.

Summary of Bill:

Post secondary institutions that receive education loan information for an enrolled student must provide the student with a notification about the education loans the institution has certified. The notification must include an estimate, based on the information available at the time the notification is provided, of the:

- total amount of education loans taken out by the student;
- potential total payoff amount of the education loans incurred or a range of the total payoff amount;
- monthly repayment amounts, including principal and interest and based on the federal loan repayment plan borrowers are automatically enrolled in, for the amount of education loans the student has taken out; and
- percentage of the federal direct loan borrowing limit the student has reached.

In addition, the notification must provide information about the differences between federal and private student loans, including the availability of income-based repayment options for federal education loans and that repayment plans may limit the monthly repayment amount based on a student's income. The notification must also include a statement that the estimates and ranges provided are general in nature and not meant as a guarantee of the actual projected amount.

Lastly, the notification must include information on federal or state resources for student loan borrowers.

The post secondary institutions are required to provide the notifications, via e-mail or in writing, by January 1, 2018, each time a student is offered a new financial aid package including loans. The post secondary institutions do not incur liability for any good faith representations made in the notifications.

The Washington Student Achievement Council (Council), the Workforce Training and Education Coordinating Board (Workforce Board), or the Department of Licensing (DOL) must develop a form for reporting compliance by January 1, 2018, and the post secondary institutions must report compliance with the agency at least annually beginning January 1, 2019. Beginning December 1, 2019, and biannually thereafter until December 25, 2025, the Council, Workforce Board, and the DOL must submit a report to the Legislature that details how the post secondary institutions are in compliance.

The act is known as the Washington Student Loan Transparency Act.

Appropriation: None.

Fiscal Note: Requested on 01/09/2017.

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