

HOUSE BILL REPORT

SSB 5022

As Reported by House Committee On:
Higher Education
Appropriations

Title: An act relating to providing information to students about education loans.

Brief Description: Providing information to students about education loans.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Bailey, Rolfes, Lias, Keiser, Conway, Wellman, Hasegawa, Mullet, Frockt and Kuderer; by request of Attorney General).

Brief History:

Committee Activity:

Higher Education: 3/15/17, 3/22/17 [DPA];

Appropriations: 4/3/17, 4/4/17 [DPA(HE)].

Brief Summary of Substitute Bill
(As Amended by Committee)

- Requires a postsecondary 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 anytime the student is offered a financial aid package that includes a new or revised student loan.
- Requires organizations representing the postsecondary institutions to report compliance with the notification requirement to the Legislature on a biannual basis beginning December 1, 2019.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass as amended. Signed by 9 members: Representatives Hansen, Chair; Pollet, Vice Chair; Holy, Ranking Minority Member; Van Werven, Assistant Ranking Minority Member; Haler, Orwall, Sells, Stambaugh and Tarleton.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Staff: Megan Mulvihill (786-7304).

Background:

The Federal Student Loan Process.

Federal student loans can be used to attend eligible postsecondary 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 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 postsecondary 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 postsecondary 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 postsecondary 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 nonprofit institutions had student loan debt with an average balance of \$24,804.

Summary of Amended Bill:

Subject to appropriation, postsecondary institutions that receive student loan information for an enrolled student must provide the student with a notification about the student 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 student loans taken out by the student;
- potential total payoff amount of the student loans incurred or a range of the total payoff amount;
- monthly repayment amounts based on the federal loan repayment plan borrowers are automatically enrolled in, for the amount of student loans the student has taken out; and
- percentage of the aggregate federal direct loan borrowing limit applicable to the student's program of study that the student has reached at the time of the notification.

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 student 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 postsecondary institutions must provide the notifications to students via electronic mail (e-mail) by July 1, 2018, each time a student is offered a financial aid package that includes a new or revised student loan. In addition, the postsecondary institutions may provide the notification in writing, in person, or in electronic format. The postsecondary institutions do not incur liability for any good faith representations made in the notifications.

Subject to appropriation, an organization representing the public four-year colleges and universities, an organization representing the private nonprofit institutions, the State Board for Community and Technical Colleges, the Workforce Training and Education Coordinating Board, and the Department of Licensing must develop a form for the institutions to use to report compliance by July 1, 2018. Beginning December 1, 2019, and biannually thereafter until December 25, 2025, the organizations that developed the form must submit a report to the Legislature that details how the postsecondary institutions are in compliance.

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

Amended Bill Compared to Substitute Bill:

The delivery method for how the postsecondary institutions deliver the notification to students was changed so that e-mail is required, but additional methods such as in person, in writing, or in other electronic format are also allowed.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on February 27, 2017.

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

Staff Summary of Public Testimony:

(In support) The future lies with the students who are attending college, and these students do not need to graduate with an overwhelming amount of debt. In addition, there are quite a few students who accumulate student debt, but never finish their degree. Students should be educated on how much debt they are accumulating. If the student is aware of their debt, it can influence their choices and they, and their parents, can make better decisions. There is \$1.3 trillion in student debt nationally.

There are minor differences in the Senate Bill compared to the House Bill. To the degree the bills are different, the House version is preferred. In stakeholder meetings about the policy, students indicated that emails were the preferred communication method about their student loan debt and the most useful. Students emphasized the need to mandate and require e-mail notifications. If the policy is not implemented equally at each institution, the students lose opportunity across the state. If the notice is mailed to the parent's address, it defeats the point of fiscal literacy for the student. If the notice is in person, it can be hard to validate and track. In person is appreciated, but e-mail is best.

(Opposed) None.

(Other) Campuses are passionate about informing students about their debt and reducing debt. In meeting with various financial aid directors and financial aid offices, it was clear that these individuals go above and beyond the minimum federal requirements for helping students with student debt.

Persons Testifying: (In support) Senator Bailey, prime sponsor; Laura Baird, Office of the Attorney General; Benjamin Rowe and Elissa Goss, Washington Student Association.

(Other) Ruben Flores, State Board for Community and Technical Colleges.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Higher Education. Signed by 30 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Buys, Cody, Fitzgibbon, Haler, Hansen, Harris, Hudgins, Jinkins, Kagi, Lytton, Manweller, Nealey, Pettigrew, Pollet, Sawyer, Schmick, Senn, Springer, Stanford, Sullivan, Tharinger, Vick, Volz and Wilcox.

Minority Report: Do not pass. Signed by 2 members: Representatives Condotta and Taylor.

Staff: Lily Sobolik (786-7157).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Higher Education:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The costs associated with this bill are almost exclusively one-time costs. When Indiana passed a similar bill, the state implemented the policy using existing resources. A study showed an 18 percent drop in student loan borrowing following implementation of the similar Indiana bill. A student loan is the first loan for most individuals, and it is important to provide more financial literacy for students. This bill will help students understand loans and prevent them from borrowing too much money or reaching the loan limit before they earn a degree. Student loan debt is threatening the financial security of older adults, as older adults are paying off their own debt and that of their children and grandchildren. The number of adults over 60 years old with student loan debt has increased fourfold over the last 10 years to 2.8 million people. Over half of federal student loans held by borrowers over 75 years old are in default, which can lead to garnishment of social security increasing the chance that seniors become impoverished. This bill will help ensure the financial security of many of Washington's older residents.

(Opposed) None.

Persons Testifying: Laura Baird, Office of the Attorney General; Elissa Goss, Washington Student Association; Paige Campbell, Associated Students of Washington State University; and Joanna Grist, American Association of Retired Persons.

Persons Signed In To Testify But Not Testifying: None.