

SENATE BILL REPORT

HB 1499

As Reported by Senate Committee On:
Higher Education, March 28, 2017
Ways & Means, April 3, 2017
Higher Education & Workforce Development, February 20, 2018

Title: An act relating to creating protections and fairness for students in the student loan disbursement process.

Brief Description: Creating protections and fairness for students in the student loan disbursement process.

Sponsors: Representatives Pollet, Ryu, Sells, Lovick, Bergquist and Stanford.

Brief History: Passed House: 3/03/17, 96-1; 1/11/18, 98-0.

Committee Activity: Higher Education: 3/21/17, 3/28/17 [DP-WM].

Ways & Means: 3/30/17, 4/03/17.

Higher Education & Workforce Development: 2/15/18, 2/20/18 [DP].

Brief Summary of Bill

- Creates notice and other requirements applicable to postsecondary institutions that use third-party servicers or financial institutions to disburse financial aid refunds to students.
- Requires the Washington Student Achievement Council (WSAC) to have rules ensuring that contracts between institutions and third-party servicers or financial institutions are in the best financial interest of the students and meet other criteria.

SENATE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Wilson, Chair; Bailey, Vice Chair; Palumbo, Ranking Minority Member; Frockt.

Staff: Clint McCarthy (786-7319)

SENATE COMMITTEE ON WAYS & MEANS

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: Julie Murray (786-7711)

SENATE COMMITTEE ON HIGHER EDUCATION & WORKFORCE DEVELOPMENT

Majority Report: Do pass.

Signed by Senators Ranker, Chair; Palumbo, Vice Chair; Hawkins, Ranking Member; Carlyle, Lias, Miloscia, Nelson and Short.

Staff: Kellee Gunn (786-7429)

Background: Postsecondary institutions receiving federal financial aid must comply with federal regulations regarding the disbursement of funds. After the institution credits the student's account for tuition and fees and other allowable charges, any aid that is left must be paid to the student within a certain time. An institution may issue a check to the student, directly deposit the funds into a student's bank account, or contract with a third-party servicer or financial institution to process the refunds to students on behalf of the institution. Third-party servicers or financial institutions may provide the student's refund on a debit card or other access device.

Recently enacted federal regulations created new requirements for institutions using a third-party servicer or financial institution to process federal financial aid refunds to students. In general, the new requirements include the following:

- institutions must establish a process where students have a choice of how to receive their federal financial aid refunds;
- institutions may not require students to open accounts with a financial institution as a condition of receiving their refunds;
- institutions must provide a list of account options and each option must be presented in a neutral manner, with the student's pre-existing bank account listed first and prominently;
- students must have reasonable access to surcharge-free automated teller machines (ATMs) to access their refunds;
- contracts between institutions and third-party services or financial institutions must be publicly disclosed; and
- institutions must evaluate their contracts in light of the best financial interests of the students.

Summary of Bill: Postsecondary institutions, and any-degree granting institution, for profit institution, or for-profit vocational institute operating in Washington State and that disburses a student's federal and state financial aid must comply with certain requirements regarding disbursement. The postsecondary institution must:

- provide the student a summary of the features of the debit card, access device, or financial account associated with the financial aid and commonly assessed fees;
- provide the student the location of surcharge-free ATMs to access their financial aid disbursement and whether they are 24 hours per day;
- provide the contract the institution has entered with the third-party servicer or financial institution in the disbursement of the financial aid;

- provide the student their rights as a consumer and notice of the complaint process if the student is being charged with excessive fees or unable to access funds without incurring fees;
- develop and maintain a complaint resolution process regarding disbursement including review by the WSAC; and
- comply with rules and requirements adopted by WSAC.

Federal regulations applicable to federal financial aid disbursements using third-party servicers or financial institutions also apply to the disbursement of state financial aid.

WSAC must have rules and other requirements regarding contracts between postsecondary institutions and financial institutions or third-party servicers for the disbursement of student financial aid. The rules imposed by WSAC must:

- ensure that 100 percent of the state financial aid is available to the student without incurring any fees;
- be in the best financial interest of the students;
- provide that the student's access to the student's disbursement is geographically convenient and practical;
- provide that the student is given a choice on how to receive financial aid disbursement;
- provide that the institution has an effective process for reviewing complaints regarding disbursements; and
- require that the institution does not have a revenue-sharing agreement with the third-party servicer or financial institution.

WSAC must compile a list of all postsecondary institutions that use third-party servicers or financial institutions for student financial aid disbursements and provide it on their website.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony (Higher Education): *Testimony from 2017 Regular Session.* PRO: This is a simple bill that safeguards students from having to pay fees. The biggest point of this bill is that money should be going to the students and not to financial institutions or third party servicers. A state resource should stay in the hands of students and not be syphoned off to banks and corporations.

Persons Testifying (Higher Education): PRO: Representative Gerry Pollet, Prime Sponsor; Elissa Goss, Executive Director, Washington Student Association.

Persons Signed In To Testify But Not Testifying (Higher Education): No one.

Staff Summary of Public Testimony (Regular Session 2017) (Ways & Means): No public hearing was held.

Persons Testifying (Ways & Means): N/A.

Persons Signed In To Testify But Not Testifying (Ways & Means): N/A.

Staff Summary of Public Testimony (Higher Education & Workforce Development):
PRO: This bill passed the House unanimously and passed this committee last year. Students should be receiving 100 percent of their financial aid. Under contracts by individual institutions, there are no fee-free ATMs available and students are charged fees to access their financial aid. This is a transparency bill on the contracts and ensures that 100 percent of the financial aid refund is disbursed to the student.

Persons Testifying (Higher Education & Workforce Development): PRO: Representative Gerry Pollet, Prime Sponsor.

Persons Signed In To Testify But Not Testifying (Higher Education & Workforce Development): No one.