

**E2SHB 1736** - S COMM AMD  
By Committee on Ways & Means

**ADOPTED 03/04/2022**

1 Strike everything after the enacting clause and insert the  
2 following:

3 "NEW SECTION. **Sec. 1.** (1) The legislature finds that college  
4 students continue to borrow in order to fund their higher education,  
5 despite an increase in access to state financial aid. In Washington  
6 state, estimates for the number of borrowers carrying student loan  
7 debt are around 800,000 with an average balance around \$33,500,  
8 resulting in a total outstanding balance of \$29,400,000,000. Student  
9 loan debt outpaces other sources of consumer debt, such as credit  
10 card and vehicle debt. While research shows that earning a  
11 postsecondary credential positively impacts a person's earning  
12 potential, high student loan debt erodes much of this benefit.

13 (2) The legislature recognizes that people with student loan debt  
14 are less likely to get married and start a family, establish small  
15 businesses, and buy homes. High student loan debt negatively impacts  
16 a person's credit score and their debt-to-income ratio, which impacts  
17 their ability to qualify for a mortgage. However, student loan debt  
18 does not impact all borrowers the same.

19 (3) Student loan borrowers who struggle the most are typically  
20 lower income, first generation, and students of color. Data from the  
21 national center for education statistics of a 12-year longitudinal  
22 study based on students who began their education in the 2003-04  
23 academic year found the following for students who defaulted: Almost  
24 90 percent had received a Pell grant at one point; 70 percent were  
25 first generation college students; 40 percent were in the bottom  
26 quarter of income distribution; and 30 percent were African American.

27 (4) The legislature recognizes though that student loans are  
28 beneficial for students who have no other way to pay for college or  
29 have expenses beyond tuition and fees. Student loans can open up  
30 postsecondary education opportunities for many and help boost the  
31 state's economy by increasing the number of qualified graduates to  
32 fulfill workforce shortages. However, the legislature finds that high

1 interest rates that accumulate while the student is in college  
2 negatively impact the student's ability to prosper financially and  
3 contribute to the state's economy after graduation. The legislature  
4 also recognizes that there is very little financial aid available to  
5 assist students pursuing graduate studies, despite the state's high  
6 demand for qualified professionals in fields with workforce shortages  
7 such as behavioral health, nursing, software development, teaching,  
8 and more. Therefore, the legislature intends to support students  
9 pursuing higher education by establishing a state student loan  
10 program that is more affordable than direct federal student loans and  
11 private loans. The legislature intends to offer student loans to  
12 state residents with financial need who are pursuing undergraduate  
13 and high-demand graduate studies at a subsidized, one percent  
14 interest rate. The legislature intends for the Washington state  
15 student loan program to align with the Washington college grant  
16 program, recognizing that student loans are secondary forms of  
17 financial aid that often cover expenses beyond tuition.

18 NEW SECTION. **Sec. 2.** (1) The Washington student achievement  
19 council, in consultation with the office of the state treasurer and  
20 the state investment board shall design a student loan program to  
21 assist students who need additional financial support to obtain  
22 postsecondary education.

23 (2) At a minimum, the program design must make recommendations  
24 about the following features for a state student loan program and  
25 implementation plan:

26 (a) A low interest rate that is below current federal subsidized  
27 student loan interest rates, with one option being a one percent  
28 interest rate;

29 (b) The distribution of loans between graduate students and  
30 undergraduate students;

31 (c) The terms of the loans, including:

32 (i) Loan limits;

33 (ii) Grace periods; and

34 (iii) Minimum postsecondary enrollment standards;

35 (d) The terms and administration of a repayment program,  
36 including:

37 (i) Repayment options such as standard loan repayment contracts  
38 and the length of the repayment contracts;

39 (ii) Income-based repayment plans; and

1 (iii) Terms of loan forgiveness;

2 (e) The types and characteristics of borrowers permitted to  
3 participate in the program including family income, degree and  
4 credential types, and other borrower characteristics. The program  
5 must prioritize low-income borrowers; and

6 (f) The design and administration of an appeals process.

7 (3) In the design of the program, the office may recommend  
8 contracting with one or more state-based financial institutions  
9 regulated by either chapter 31.12 or 30A.04 RCW to provide loan  
10 origination and may contract with a third-party entity to provide  
11 loan servicing for the program. A third-party entity providing loan  
12 servicing shall comply with all of the requirements for student  
13 education loan servicers under chapter 31.04 RCW.

14 (4) The student achievement council, in consultation with the  
15 office of the treasurer and the state investment board shall include  
16 an analysis on the sustainability of the program design.

17 (5) The student achievement council shall provide a report on the  
18 design and implementation plan for the state student loan program to  
19 the governor and the higher education committees of the legislature  
20 by December 1, 2022, in accordance with RCW 43.01.036.

21 NEW SECTION. **Sec. 3.** Sections 1 and 2 of this act constitute a  
22 new chapter in Title 28B RCW."

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23 On page 1, at the beginning of line 2 of the title, strike the  
24 remainder of the title and insert "and adding a new chapter to Title  
25 28B RCW."

**EFFECT:** Directs the Washington Student Achievement Council, in  
consultation with the Office of the State Treasurer and the State  
Investment Board (SIB) to design a student loan program and provide a  
report to the legislature by December 1, 2022. At a minimum the  
program design must include:

- (1) A low interest rate, which may be 1 percent;
- (2) Loans for undergraduate and graduate students;
- (3) The terms of the loans;
- (4) The terms and administration of the repayment program; and
- (5) The types of borrowers permitted to participate. The program  
must prioritize low-income borrowers.

WSAC may recommend contracting with one or more state-based financial institutions for loan origination and servicing.

WSAC, in consultation with the Treasurer and SIB must include an analysis of the sustainability of the program design.

--- **END** ---