
SUBSTITUTE SENATE BILL 5893

State of Washington

53rd Legislature

1994 Regular Session

By Senate Committee on Higher Education (originally sponsored by Senators Quigley and Hochstatter)

Read first time 02/04/94.

1 AN ACT Relating to expanding access to higher education; amending
2 RCW 28B.10.808; and adding new sections to chapter 28B.10 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. **Sec. 1.** A new section is added to chapter 28B.10 RCW
5 to read as follows:

6 (1) Seventy percent of the state-appropriated funds for the state
7 financial aid program, other than those for the college work-study
8 program established under chapter 28B.12 RCW and programs under
9 chapters 28B.101, 28B.102, 28B.104, 28B.107, and 28B.108 RCW, shall be
10 used for the state educational loan program. Such appropriated funds
11 shall be deposited in the state educational loan account established in
12 section 2 of this act. Moneys in the loan account shall be used to
13 make guaranteed loans to needy or disadvantaged students, as defined in
14 RCW 28B.10.802 (3) and (4).

15 (2) The amount of the loans made under subsection (1) of this
16 section shall not exceed the demonstrated financial need of the
17 student. The board shall establish loan terms and conditions that are
18 consistent with terms of the guaranteed loan program established by 20
19 U.S.C. Sec. 1701 et seq. The terms and conditions established by the

1 board shall allow interest accumulation on the loans to be deferred for
2 one year following the recipient's cessation of full-time studies.

3 (3) All loans made under this section shall be guaranteed by the
4 Washington student loan guaranty association or its successor agency.
5 The board is hereby granted full authority to operate as an eligible
6 lender under the guaranteed loan program.

7 (4) Before approving a guaranteed loan, the board shall analyze the
8 ability of the student to repay the loan based on factors that include,
9 but are not limited to, the student's accumulated total education loan
10 burdens. The board shall direct institutions of higher education to
11 counsel students on the advisability of acquiring additional debt and
12 on the availability of other forms of financial aid.

13 (5) The board is responsible for collection of loans made under
14 subsection (1) of this section and shall exercise due diligence in such
15 collection, maintaining all necessary records to ensure that maximum
16 repayments are made. The board shall cooperate with other lenders and
17 the Washington student loan guaranty association, or its successor
18 agency, in the coordinated collection of guaranteed loans and shall
19 assure that the loans continue to meet guarantee requirements.
20 Collection and servicing of loans under subsection (1) of this section
21 shall be performed by entities approved for such servicing by the
22 Washington student loan guaranty association or its successor agency.
23 The board may perform such servicing if specifically recognized to do
24 so by the Washington student loan guaranty association or its successor
25 agency.

26 (6) Receipts from payment of interest and principal or any other
27 subsidies to which the board as lender is entitled, that are paid by or
28 on behalf of borrowers of funds under subsection (1) of this section,
29 shall be deposited in the state general fund.

30 (7) The board shall maintain accurate records of the costs of
31 making the loans under subsection (1) of this section, including the
32 costs of recordkeeping and making collections under subsection (5) of
33 this section. The board shall endeavor to keep such costs as low as is
34 feasible and shall report such costs on an annual basis to the office
35 of financial management.

36 (8) Lending activities under this section shall make maximum use of
37 secondary markets in the support of loan consolidation. No loans may
38 be made to any student who is known by the board or by an institution

1 of higher education to be in default or delinquent in the payment of an
2 outstanding student loan.

3 (9) The board shall adopt necessary rules to implement this
4 section. The institutions of higher education shall cooperate fully
5 with the board in fulfilling the provisions of this section, RCW
6 28B.10.808, and section 2 of this act.

7 NEW SECTION. **Sec. 2.** A new section is added to chapter 28B.10 RCW
8 to read as follows:

9 The state education loan account is hereby established in the state
10 treasury. Seventy percent of all state-appropriated funds for the
11 state financial aid program, other than those for the college work-
12 study program established under chapter 28B.12 RCW and programs under
13 chapters 28B.101, 28B.102, 28B.104, 28B.107, and 28B.108 RCW, shall be
14 deposited in this account. Expenditures from this account shall be for
15 guaranteed student loans to needy or disadvantaged students pursuant to
16 section 1 of this act. The board may authorize expenditures from this
17 account. The board shall deposit any refunds or returns of unused
18 portions of student loans in this account. All earnings of investments
19 of balances in the state educational loan account shall be credited to
20 the general fund. Receipts from the payment of interest or principal
21 or any other subsidies that are paid by or on behalf of borrowers of
22 funds provided through this account shall be deposited in the general
23 fund.

24 **Sec. 3.** RCW 28B.10.808 and 1991 c 164 s 4 are each amended to read
25 as follows:

26 In awarding grants, the ~~((commission))~~ board shall proceed
27 substantially as follows: PROVIDED, That nothing contained herein
28 shall be construed to prevent the ~~((commission))~~ board, in the exercise
29 of its sound discretion, from following another procedure when the best
30 interest of the program so dictates:

31 (1) The ~~((commission))~~ board shall annually select the financial
32 aid award winners from among Washington residents applying for student
33 financial aid who have been ranked according to financial need as
34 determined by the amount of the family contribution and other
35 considerations brought to the ~~((commission's))~~ board's attention.

36 (2) The financial need of the highest ranked students shall be met
37 by grants depending upon the evaluation of financial need until the

1 total allocation has been disbursed. However, no individual student
2 may receive more than two-thirds of his or her total state financial
3 aid program award, yearly, in the form of grants. At least one-third
4 of each student's total state financial aid program award, yearly,
5 shall be in the form of loans. Funds from grants which are declined,
6 forfeited or otherwise unused shall be reawarded until dispersed.

7 (3) A grant may be renewed until the course of study is completed,
8 but not for more than an additional four academic years beyond the
9 first year of the award. These shall not be required to be consecutive
10 years. Qualifications for renewal will include maintaining
11 satisfactory academic standing toward completion of the course of
12 study, and continued eligibility as determined by the (~~commission~~)
13 board. Should the recipient terminate his or her enrollment for any
14 reason during the academic year, the unused portion of the grant shall
15 be returned to the state educational grant fund by the institution
16 according to the institution's own policy for issuing refunds, except
17 as provided in RCW 28B.10.8081.

18 (4) In computing financial need the (~~commission~~) board shall
19 determine a maximum student expense budget allowance, not to exceed an
20 amount equal to the total maximum student expense budget at the public
21 institutions plus the current average state appropriation per student
22 for operating expense in the public institutions.

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