

# HOUSE BILL REPORT

## HB 1499

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### As Reported by House Committee On: Higher Education

**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:**

##### **Committee Activity:**

Higher Education: 2/7/17, 2/14/17 [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 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.

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### HOUSE COMMITTEE ON HIGHER EDUCATION

**Majority Report:** Do pass. Signed by 8 members: Representatives Hansen, Chair; Pollet, Vice Chair; Holy, Ranking Minority Member; Van Werven, Assistant Ranking Minority Member; Orwall, Sells, Stambaugh and Tarleton.

**Staff:** Trudes Tango (786-7384).

#### **Background:**

Postsecondary institutions receiving federal financial aid must comply with federal regulations regarding the disbursement of funds. After the institution credits the student's

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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.

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### **Summary of Bill:**

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

Postsecondary institutions disbursing federal or state student financial aid refunds by means other than direct deposit or issuing a check must:

- provide notice to students of key features associated with the debit card, access device, or financial account associated with the disbursement of the student's aid, including fees students might incur (notice may be via website);
- provide students with information on the location of every surcharge-free ATM located on campus that allows students to access funds, and whether the ATMs are accessible 24 hours a day;
- provide students with full disclosure of the contract between the institution and the third-party servicer or financial institution (disclosure may be via website);
- provide notice of the student's consumer rights and notice of a complaint process for students who are being charged excessive fees or are unable to access funds without incurring fees;
- develop and maintain a complaint resolution process that includes the student's ability to have the Washington Student Achievement Council (WSAC) review unresolved complaints; and
- comply with the rules adopted by the WSAC.

An institution is not required to duplicate notices or disclosures or provide additional notices or disclosures on federal financial aid that would otherwise be required under federal law.

The WSAC's rules must assure that contracts between postsecondary institutions and third-party servicers or financial institutions:

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

The WSAC must compile a list on its website of all the postsecondary institutions that use third-party servicers or financial institutions.

Postsecondary institution means the public institutions of higher education and any degree-granting institution, for-profit institution, or for-profit vocational institute, operating in the state and offering instruction and training beyond the high school level for gainful employment in a recognized profession.

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**Appropriation:** None.

**Fiscal Note:** Available.

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

**Staff Summary of Public Testimony:**

(In support) Students should get 100 percent of their financial aid with no fees. It is important to replicate federal rules because the state offers financial aid and those same requirements should apply. The same problems are showing up in the disbursement of social security funds. It is okay for students to use debit cards to access their financial aid if they want to, but there should be no fees associated with that use. Students should not have to face any external pressures from third-party servicers.

(Opposed) None.

**Persons Testifying:** Representative Pollet, prime sponsor; and Ben Huff, Washington Student Association.

**Persons Signed In To Testify But Not Testifying: None.**