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**SUBSTITUTE HOUSE BILL 1542**

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**State of Washington 66th Legislature 2019 Regular Session**

**By** House College & Workforce Development (originally sponsored by Representatives Sullivan, Appleton, Tarleton, Doglio, Stanford, and Valdez)

AN ACT Relating to establishing a state student loan program; adding a new chapter to Title 28B RCW; and repealing RCW 28B.97.010 and 28B.97.020.

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

NEW SECTION. **Sec.**  (1) The legislature finds that college students continue to borrow in order to fund their higher education. In Washington state, the institute for college access and success estimates over fifty percent of 2017 graduates had student debt with an average balance just under twenty-four thousand dollars. Student loan debt now outpaces other sources of consumer debt, such as credit card and vehicle debt. While research shows that earning a postsecondary credential positively impacts a person's earning potential, high student loan debt erodes much of this benefit.

(2) The legislature recognizes that people with student loan debt are less likely to get married and start a family, establish small businesses, and buy homes. High student loan debt negatively impacts a person's credit score and their debt-to-income ratio, which impacts their ability to qualify for a mortgage. A federal reserve study looking at the impact of student loan debt on home ownership found that a one thousand dollar increase in student loan debt causes a one to two percentage point drop in the homeownership rate for borrowers during their late twenties and early thirties. The study found that between 2005 and 2014, about twenty percent of the decline in homeownership among individuals aged twenty-four to thirty-two is attributed to the rise in student loan debt. This indicates that over four hundred thousand individuals would have owned a home in 2014 had it not been for the rise in student loan debt.

(3) Therefore, the legislature intends to support students pursing higher education by establishing an affordable state student loan program. The legislature recognizes that student loans are beneficial for students who have no other way to pay for college, but finds that high interest rates that accumulate while the student is in school negatively impact the student's ability to prosper financially and contribute to the state's economy after graduation. Therefore, the legislature intends to offer student loans to state residents who graduated from Washington high schools and are pursuing undergraduate studies at a subsidized, one percent interest rate. The legislature intends to fund the state student loan program by increasing the real estate excise tax on properties over one million dollars, identifying the economic relationship between student loans and homeownership.

NEW SECTION. **Sec.**  The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

(1) "Borrower" means an eligible student who has received a student loan under the Washington student loan program.

(2) "Eligible expenses" means reasonable expenses associated with the costs of acquiring an education, such as tuition, fees, books, equipment, room and board, and other expenses as determined by the office.

(3) "Eligible program" means a postsecondary education program that leads to a certificate, associate's degree, or bachelor's degree.

(4) "Eligible student" means a student who meets the definition of resident student, graduated from a Washington high school, is enrolled in an institution of higher education in an eligible program, and has completed either the free application for federal student aid or the Washington application for state financial aid.

(5) "Gift aid" means federal, state, institutional, or private financial aid provided for educational purposes with no obligation of repayment. "Gift aid" does not include student loans or work-study programs.

(6) "Institutions of higher education" include the state universities, the regional universities, The Evergreen State College, the community and technical colleges, and private not-for-profit institutions of higher education authorized to participate in state financial aid programs.

(7) "Office" means the office of student financial assistance established under chapter 28B.76 RCW.

(8) "Program" means the Washington student loan program.

(9) "Resident student" has the same meaning as provided in RCW 28B.15.012(2) (a) through (e).

(10) "Student loan" means a loan that is approved by the office and awarded to an eligible student.

(11) "Washington high school" means a Washington public high school, a Washington private high school under chapter 28A.195 RCW, or home-based instruction under chapter 28A.200 RCW.

NEW SECTION. **Sec.**  (1) The Washington student loan program is created to assist students who need additional financial support to obtain postsecondary education.

(2) The Washington student loan program must be administered by the office. In administering the program, the office must:

(a) Screen and select eligible students to receive student loans;

(b) Issue low-interest student loans;

(c) Establish annual and lifetime loan limits;

(d) Define the terms of repayment;

(e) Collect and manage repayments from borrowers;

(f) Establish an appeals process;

(g) Exercise discretion to revise repayment obligations in certain cases, such as economic hardship or disability;

(h) Publicize the program; and

(i) Adopt necessary rules.

NEW SECTION. **Sec.**  (1) Beginning with the academic year 2021-22, the office may award student loans under the program to eligible students from the funds available in the Washington student loan account created in section 6 of this act.

(2) The office must set the interest rate for student loans issued under the program at one percent to begin accruing six months after the borrower is no longer enrolled on at least a half-time basis at an institution of higher education.

(3) The office must establish repayment procedures for student loans issued under the program, but in no event shall the period of repayment exceed ten years from the borrower's termination of enrollment at an institution of higher education, or fifteen years from the date of the borrower's first loan, whichever is less.

(4) The office must determine annual and lifetime loan limits, but a loan may not exceed the eligible student's cost of attendance as determined by the institution of higher education, less all gift aid.

(5) The office must establish an appeals process for borrowers who believe there is an unresolved error in the servicing of their loan. The office must provide borrowers with a description of the appeals process.

NEW SECTION. **Sec.**  The office may contract with a third-party entity to provide loan servicing for student loans issued under the program. The third-party entity must comply with all of the requirements for student education loan servicers under chapter 31.04 RCW.

NEW SECTION. **Sec.**  The Washington student loan account is created in the custody of the state treasurer. All receipts from RCW 82.45.060(2)(a)(iii) must be deposited in the account. Expenditures from the account may be used only for the program. Only the director of the office or the director's designee may authorize expenditures from the account. The account is subject to the allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

NEW SECTION. **Sec.**  (1) The office must collect data on the program. The data must include, but is not limited to, the following:

(a) The number of eligible students who were awarded a student loan;

(b) The number of borrowers;

(c) The average borrowed annual and total balances;

(d) Borrower demographics; and

(e) Repayment statistics, such as the number of borrowers in active repayment, delinquency, forbearance, and default.

(2) By December 1, 2026, and in compliance with RCW 43.01.036, the office must submit an annual report on the data under subsection (1) of this section and any other relevant information regarding the program to the appropriate committees of the legislature.

NEW SECTION. **Sec.**  The following acts or parts of acts are each repealed:

(1)RCW 28B.97.010 (Washington higher education loan program) and 2011 1st sp.s. c 11 s 174 & 2009 c 215 s 13; and

(2)RCW 28B.97.020 (Definitions) and 2012 c 229 s 561, 2011 1st sp.s. c 11 s 175, & 2009 c 215 s 14.

NEW SECTION. **Sec.**  Sections 1 through 7 of this act constitute a new chapter in Title 28B RCW.

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