

HOUSE BILL REPORT

2SHB 2513

As Amended by the Senate

Title: An act relating to prohibiting the practice of transcript withholding and limiting the practice of registration holds at institutions of higher education as debt collection practices.

Brief Description: Prohibiting the practice of transcript withholding and limiting the practice of registration holds at institutions of higher education as debt collection practices.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Slatter, Leavitt, Ortiz-Self, Valdez, Bergquist, Davis, J. Johnson, Pollet, Goodman, Lekanoff, Ormsby and Riccelli; by request of Lieutenant Governor).

Brief History:

Committee Activity:

College & Workforce Development: 1/22/20, 2/5/20 [DPS];

Appropriations: 2/8/20, 2/10/20 [DP2S(w/o sub CWD)].

Floor Activity:

Passed House: 2/17/20, 59-39.

Senate Amended.

Passed Senate: 3/6/20, 36-13.

Brief Summary of Second Substitute Bill

- Prohibits institutions of higher education from withholding a student's official transcripts as a tool for debt collection, except for debt related to unpaid tuition fees.
- Limits the practice of registration holds at institutions of higher education as a tool for debt collection.
- Requires institutions of higher education to report information to the Governor and higher education committees of the Legislature annually, on data related to transcript and registration holds.

HOUSE COMMITTEE ON COLLEGE & WORKFORCE DEVELOPMENT

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.

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Hansen, Chair; Entenman, Vice Chair; Leavitt, Vice Chair; Bergquist, Mead, Paul, Pollet, Ramos, Rude, Sells, Slatter and Sutherland.

Minority Report: Do not pass. Signed by 4 members: Representatives Van Werven, Ranking Minority Member; Gildon, Assistant Ranking Minority Member; Kraft and Young.

Minority Report: Without recommendation. Signed by 1 member: Representative Graham, Assistant Ranking Minority Member.

Staff: Elizabeth Allison (786-7129).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on College & Workforce Development. Signed by 22 members: Representatives Ormsby, Chair; Robinson, 1st Vice Chair; Bergquist, 2nd Vice Chair; Stokesbary, Ranking Minority Member; Rude, Assistant Ranking Minority Member; Chopp, Cody, Dolan, Fitzgibbon, Hansen, Hudgins, Kilduff, Macri, Pettigrew, Pollet, Ryu, Senn, Springer, Sullivan, Sutherland, Tarleton and Tharinger.

Minority Report: Do not pass. Signed by 10 members: Representatives Caldier, Chandler, Corry, Dye, Hoff, Kraft, Mosbrucker, Schmick, Steele and Ybarra.

Staff: Kate Henry (786-7349).

Background:

Institutions of higher education may impose reasonable financing and late charges, as well as reasonable costs and expenses incurred in the collection of debts owed to the institution, if provided for in the note or agreement signed by the debtor.

A transcript hold stops a student from getting a copy of their transcript. A registration hold stops students from registering for classes.

All public four-year institutions and most community and technical colleges impose a hold on students' transcripts, or refuse to release the transcripts, if the student owes outstanding fees or charges to the institutions. Almost all four-year institutions impose a registration hold for outstanding fees or charges.

Summary of Second Substitute Bill:

Institutions of higher education may only withhold a student's official transcripts for the purposes of collecting debt related to unpaid tuition fees or fees charged to provide the official transcript. An institution may not withhold an official transcript if the transcript is requested for a job application, transfer to another institution, or financial aid application. An

institution is required to release a student's transcript if the institution assigns the student's unpaid debt to a collection agency.

Institutions of higher education may only withhold a student's registration privileges as a debt collection tool for unpaid tuition fees, unpaid room and board fees, or any financial aid funds owed to the institution under Title IV due to miscalculation, withdrawal, misinformation, or other reason, not including standard student loan repayments.

Institutions of higher education that choose to withhold official transcripts or registration privileges as a tool for debt collection must disclose to students through electronic mail and as part of the registration process any debts owed by the student including the amount of the debt, information on setting up a payment plan, and any consequences that will result from nonpayment of the debt.

Institutions of higher education are required to report to the Governor and the higher education committees of the Legislature annually beginning on December 1, 2020, the following regarding transcript and registration holds used as debt collection tools:

- institutions' policies on withholding transcripts and registration privileges, including time frames and amounts for which debts are assigned to a third-party collection agency;
- the actual lowest amount of debt for which an institution withholds transcripts and registration privileges;
- the number of transcripts and registration privileges withheld;
- the categories of debt for which transcripts and registration privileges were withheld and the average amount of debt for each category;
- the average past-due time period for debts in which transcripts and registration privileges are withheld;
- the number of past-due accounts assigned to a third-party collection agency; and
- the actual lowest amount of debt for which an institution assigns a debt to a third-party collection agency.

"Debt," "tuition fees," and "institutions of higher education" are defined.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment:

- adds debt related to room and board fees and debt related to financial aid funds to the debt for which institutions of higher education may withhold a student's official transcript;
- clarifies that institutions of higher education may charge a fee for a transcript, even when the transcript must be released;
- removes the provision requiring institutions of higher education to release a student's official transcript if the institution assigns the student's unpaid debt to a collection agency;
- adds pursuit of military, national guard, or other postsecondary opportunities to the circumstances under which an institution of higher education must release an official transcript; regardless of debt;

- modifies the reporting requirement to require public institutions of higher education to report on the use of transcript and registration holds, debt levels, and debt collection practices; and
- defines "financial aid funds owed" as any financial aid funds owed to the institution under Title IV, or to the state, due to miscalculation, withdrawal, misinformation, or other reason, not including standard repayment of student loans.

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 (College & Workforce Development):

(In support) Institutions withhold transcripts for unpaid debt including parking fees, and students may lose access to jobs or other opportunities based on the inability to get their transcript. Once a student completes the coursework, the student's transcripts should be released. Preventing institutions from withholding transcripts would help low-income students and help ensure that students would be able to enter the workforce. The bill does not waive the student's debt.

(Opposed) The restrictions around the registration holds are not applicable to transcript holds. The provision on registration holds has some bumpers around it, but the transcript hold provision does not exclude tuition. Transcript holds are a tool colleges have to collect debt without assigning the debt to a collections agency.

(Other) A cap on the debt, such as \$250, would be helpful. There is concern that eliminating an institution's ability to withhold transcripts for unpaid debt would hurt students by pushing institutions to assign debt to collection agencies rather than withholding transcripts. The current practice of the University of Washington is to release transcripts if an employer is seeking the information because this is in the best interest of the students and the institution.

Staff Summary of Public Testimony (Appropriations):

(In support) It is common practice among institutions to withhold transcripts and the ability to register for classes until debt is paid by students. Withholding a credential which a student has earned for the ability to make more money does not assist with repayment of debts. Two-thirds of borrowers are not making progress on their student loans, and withholding transcripts only exacerbates the problem. The bill protects low- and middle- income students who struggle to pay debts and are unable to register for the classes needed to graduate.

(Opposed) Collections companies work on behalf of the institutions to collect the money that is owed to them. The bill will decrease institution revenues, which are already in need of additional money. An alternative could be to create a pool of funds where a student can apply for their fees to be paid by the state.

Persons Testifying (College & Workforce Development): (In support) Representative Slatter, prime sponsor; Cyrus Habib, Office of the Lieutenant Governor; Juliette Schindler Kelly, College Success Foundation; and Spencer Lively, Associated Students of the University of Washington.

(Opposed) Terri Standish-Kuon, Independent Colleges of Washington.

(Other) Gwen Turner, Fairway Collections; Scott Copeland, State Board for Community and Technical Colleges; Becca Kenna-Schenk, Western Washington University; and Joe Dacca, University of Washington.

Persons Testifying (Appropriations): (In support) Bennett Massey-Helber, Associated Students of Western Washington University; and Spencer Lively, Associated Students of the University of Washington.

(Opposed) Chester Baldwin, Washington Collectors Association.

Persons Signed In To Testify But Not Testifying (College & Workforce Development): None.

Persons Signed In To Testify But Not Testifying (Appropriations): None.