**1736-S2.E AMS WM S5099.1 - NOT FOR FLOOR USE**

**E2SHB 1736** - S COMM AMD

By Committee on Ways & Means

**ADOPTED 03/04/2022**

Strike everything after the enacting clause and insert the following:

"NEW SECTION. **Sec.**  (1) The legislature finds that college students continue to borrow in order to fund their higher education, despite an increase in access to state financial aid. In Washington state, estimates for the number of borrowers carrying student loan debt are around 800,000 with an average balance around $33,500, resulting in a total outstanding balance of $29,400,000,000. Student loan debt 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. However, student loan debt does not impact all borrowers the same.

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

(4) The legislature recognizes though that student loans are beneficial for students who have no other way to pay for college or have expenses beyond tuition and fees. Student loans can open up postsecondary education opportunities for many and help boost the state's economy by increasing the number of qualified graduates to fulfill workforce shortages. However, the legislature finds that high interest rates that accumulate while the student is in college negatively impact the student's ability to prosper financially and contribute to the state's economy after graduation. The legislature also recognizes that there is very little financial aid available to assist students pursuing graduate studies, despite the state's high demand for qualified professionals in fields with workforce shortages such as behavioral health, nursing, software development, teaching, and more. Therefore, the legislature intends to support students pursuing higher education by establishing a state student loan program that is more affordable than direct federal student loans and private loans. The legislature intends to offer student loans to state residents with financial need who are pursuing undergraduate and high-demand graduate studies at a subsidized, one percent interest rate. The legislature intends for the Washington state student loan program to align with the Washington college grant program, recognizing that student loans are secondary forms of financial aid that often cover expenses beyond tuition.

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

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

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

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

(c) The terms of the loans, including:

(i) Loan limits;

(ii) Grace periods; and

(iii) Minimum postsecondary enrollment standards;

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

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

(ii) Income-based repayment plans; and

(iii) Terms of loan forgiveness;

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

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

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

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

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

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

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On page 1, at the beginning of line 2 of the title, strike the remainder of the title and insert "and adding a new chapter to Title 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.