

FINAL BILL REPORT

E2SHB 1736

C 206 L 22
Synopsis as Enacted

Brief Description: Establishing a state student loan program.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Sullivan, Slatter, Leavitt, Valdez, Walen, Goodman, Gregerson, Ramel, Santos, Wylie, Paul, Simmons, Chopp, Bergquist, Pollet, Johnson, J., Riccelli, Ormsby and Frame).

House Committee on College & Workforce Development
House Committee on Appropriations
Senate Committee on Higher Education & Workforce Development
Senate Committee on Ways & Means

Background:

State Student Loan Programs.

Washington had two laws granting the state authority to develop student loan programs. In 2007 the Washington Higher Education Facilities Authority (WHEFA) was granted permission to issue taxable and tax-exempt bonds to acquire or originate student loans. The law prohibits the state from guaranteeing the loans. However, the WHEFA never used the authority because the auction-rate security market in which student loan bonds were issued ended in 2007. In addition, in 2010 the federal government changed the Stafford Loan program to the Direct Loan program, and the federal government began administering loans itself rather than using a private entity. Without a state guarantee or a significant reserve fund, the WHEFA found that the interest rate on the state student loans would not be competitive with the federal Direct Loan program.

In 2009 the Higher Education Loan Program (HELP) was created to issue low-interest educational loans and was to be administered by the Washington Student Achievement Council (WSAC). However, the program was never funded, and it was repealed in 2019.

The state has established and funded smaller loan programs for specific fields. For example, the WSAC administers the Aerospace Training Student Loan Program and

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provides student loan repayment under the Washington Health Corps. The state also administers a variety of conditional scholarship programs in which the scholarships are turned into loans if the student fails to complete a required service obligation.

Summary:

The Washington Student Loan Program is created. The WSAC must administer the program and is required to consult with the Office of the State Treasurer and the State Investment Board on the program design and an implementation plan. The program's design must include recommendations about the following program features:

- a low-interest rate that is below current federal subsidized student loan interest rates, with one option being a 1 percent interest rate;
- the distribution of loans between graduate and undergraduate students;
- loan terms and rules, including loan limits, grace periods, and minimum postsecondary enrollment standards;
- terms and administration of repayments including repayment options, income-based repayment plans, and loan forgiveness;
- types and characteristics of borrowers permitted to participate in the program; and
- an appeals process that resolves appeals within 90 days of receipt.

The WSAC must contract with an independent actuary to conduct an analysis on the sustainability of the program design, including the ability of the program to operate as self-sustaining if issuing 1 percent interest rate loans. The WSAC must report to the Governor and Legislature on the program's design, sustainability, and implementation by December 1, 2022.

The WSAC may award student loans beginning with the 2024-25 academic year. To the extent feasible, the program must include the design recommendations as recommended in the report. However, if the independent actuary determines that the program design is not self-sustaining with a 1 percent interest rate, student loans may not be issued under the program.

To qualify for a student loan under the program, a student must be a resident, have a family income at or below the state median family income, be enrolled on at least a half-time basis at an institution of higher education, and complete a financial aid application. All undergraduate students who meet the requirements are eligible, but graduate students need to be enrolled in a specialized field of study that has a workforce shortage or is considered high-demand, as determined by the WSAC. The WSAC must also ensure that institutions of higher education have a policy for prioritizing student loans for eligible students who have greater unmet financial need, are lowest income, are first generation college students, and who have received loans under the program in prior years.

The WSAC must contract with one or more state-based financial institutions regulated under either the Washington State Credit Union Act or the Washington Commercial Bank

Act for loan origination and may contract with a third-party for loan servicing. The WSAC must use an open and competitive bid process in the selection of one or more state-based financial institutions. A third-party entity providing loan servicing must comply with the requirements of student loan servicers under the Consumer Loan Act.

The WSAC must collect data on the program in collaboration with institutions of higher education and submit an annual report to the Legislature beginning December 1, 2026. The data WSAC must collect includes:

- number of borrowers;
- borrower demographics;
- institutions of higher education and educational fields of borrowers; and
- repayment statistics, including data on borrowers in repayment, deferment, delinquency, forbearance, and default.

The Washington Student Loan Account (account) is created in the custody of the State Treasurer as an appropriated account. Program funds are permitted to be held in the Treasurer's Trust Fund and must receive its proportionate share of earnings.

Votes on Final Passage:

House	59	39	
Senate	27	21	(Senate amended)
			(House refuses to concur/asked Senate to recede)
Senate	27	21	(Senate receded/amended)
House	57	40	(House concurred)

Effective: June 9, 2022