

EHB 1823 - S COMM AMD

By Committee on Higher Education & Workforce Development

NOT CONSIDERED 04/12/2023

1 Strike everything after the enacting clause and insert the
2 following:

3 **"Sec. 1.** RCW 28B.93.005 and 2022 c 206 s 1 are each amended to
4 read as follows:

5 (1) The legislature finds that college students continue to
6 borrow in order to fund their higher education, despite an increase
7 in access to state financial aid. In Washington state, estimates for
8 the number of borrowers carrying student loan debt are around 800,000
9 with an average balance around \$33,500, resulting in a total
10 outstanding balance of \$29.4 billion. Student loan debt outpaces
11 other sources of consumer debt, such as credit card and vehicle debt.
12 While research shows that earning a postsecondary credential
13 positively impacts a person's earning potential, high student loan
14 debt erodes much of this benefit.

15 (2) The legislature recognizes that people with student loan debt
16 are less likely to get married and start a family, establish small
17 businesses, and buy homes. High student loan debt negatively impacts
18 a person's credit score and their debt-to-income ratio, which impacts
19 their ability to qualify for a mortgage. However, student loan debt
20 does not impact all borrowers the same.

21 (3) Student loan borrowers who struggle the most are typically
22 lower income, first generation, and students of color. Data from the
23 national center for education statistics of a 12-year longitudinal
24 study based on students who began their education in the 2003-04
25 academic year found the following for students who defaulted: Almost
26 90 percent had received a Pell grant at one point; 70 percent were
27 first generation college students; 40 percent were in the bottom
28 quarter of income distribution; and 30 percent were African American.

29 (4) The legislature recognizes though that student loans are
30 beneficial for students who have no other way to pay for college or
31 have expenses beyond tuition and fees. Student loans can open up
32 postsecondary education opportunities for many and help boost the

1 state's economy by increasing the number of qualified graduates to
2 fulfill workforce shortages. However, the legislature finds that high
3 interest rates that accumulate while the student is in college
4 negatively impact the student's ability to prosper financially and
5 contribute to the state's economy after graduation. The legislature
6 also recognizes that there is very little financial aid available to
7 assist students pursuing graduate studies, despite the state's high
8 demand for qualified professionals in fields with workforce shortages
9 such as behavioral health, nursing, software development, teaching,
10 and more. Therefore, the legislature intends to support students
11 pursuing higher education by establishing a state student loan
12 program that is more affordable than direct federal student loans and
13 private loans. The legislature intends to offer student loans to
14 state residents with financial need who are pursuing (~~undergraduate~~
15 ~~and~~) high-demand graduate studies at a subsidized(~~(, one percent)~~)
16 interest rate not to exceed two percent. The legislature intends for
17 the Washington state student loan program to align with the
18 Washington college grant program, recognizing that student loans are
19 secondary forms of financial aid that often cover expenses beyond
20 tuition. Based on the feasibility of the state student loan program
21 recommendations developed by the Washington student achievement
22 council, in consultation with the Washington state investment board,
23 and the office of the state treasurer, the legislature intends to
24 finance the Washington state student loan program with a one-time
25 \$150,000,000 appropriation to cover annual student loan originations
26 and expenses until repayments are substantial enough to support the
27 program on an ongoing basis.

28 **Sec. 2.** RCW 28B.93.010 and 2022 c 206 s 2 are each amended to
29 read as follows:

30 The definitions in this section apply throughout this chapter
31 unless the context clearly requires otherwise.

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

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

38 (3) "Eligible graduate program" means an advanced academic degree
39 in a specialized field of study that has a workforce shortage or is

1 considered high demand including, but not limited to, professions in
2 health care, behavioral and mental health, early education, K-12,
3 higher education, law enforcement, public safety, and others, as
4 determined by the office.

5 (4) "Eligible student" means a student who:

6 (a) Meets the definition of "resident student" under RCW
7 28B.15.012(2) (a) through (e);

8 (b) Has a median family income of 100 percent or less of the
9 state median family income;

10 (c) Is enrolled in an institution of higher education in an
11 eligible (~~undergraduate or~~) graduate program on at least a half-
12 time basis; and

13 (d) Has completed an annual application for financial aid as
14 approved by the office.

15 (~~(5) ("Eligible undergraduate program" means a postsecondary~~
16 ~~education program that leads to a certificate, associate's degree, or~~
17 ~~bachelor's degree.~~

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

22 (~~(7))~~ (6) "Institutions of higher education" includes
23 institutions of higher education authorized to participate in state
24 financial aid programs in accordance with chapter 28B.92 RCW.

25 (~~(8))~~ (7) "Office" means the office of student financial
26 assistance established under chapter 28B.76 RCW.

27 (~~(9))~~ (8) "Program" means the Washington student loan program.

28 (~~(10))~~ (9) "Student loan" means a loan that is approved by the
29 office and awarded to an eligible student to pay for eligible
30 expenses.

31 **Sec. 3.** RCW 28B.93.020 and 2022 c 206 s 3 are each amended to
32 read as follows:

33 (1) The Washington student achievement council, in consultation
34 with the office of the state treasurer and the state investment
35 board(~~(+,+)~~), shall design a student loan program to assist students
36 who need additional financial support to obtain postsecondary
37 education.

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

4 (a) A low interest rate that is below current federal subsidized
5 student loan interest rates (~~(, with one option being a one)~~) not to
6 exceed two percent (~~(interest rate)~~);

7 (~~(The distribution of loans between graduate students and~~
8 ~~undergraduate students;~~

9 ~~(e))~~) The terms of the loans, including:

10 (i) Loan limits;

11 (ii) Grace periods, including grace periods for active duty
12 members of the national guard who may lose eligibility when being
13 called up for active duty; and

14 (iii) Minimum postsecondary enrollment standards;

15 (~~(d))~~) (c) The terms and administration of a repayment program,
16 including:

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

19 (ii) Income-based repayment plans; and

20 (iii) Terms of loan forgiveness;

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

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

26 (3) In the design of the program, the Washington student
27 achievement council may recommend contracting with one or more state-
28 based financial institutions regulated by either chapter 31.12 or
29 30A.04 RCW to provide loan origination and may contract with a third-
30 party entity to provide loan servicing for the program. The
31 Washington student achievement council must use an open and
32 competitive bid process in the selection of one or more state-based
33 financial institutions for loan origination and servicing for the
34 program. A third-party entity providing loan servicing shall comply
35 with all of the requirements for student education loan servicers
36 under chapter 31.04 RCW.

37 (4) The Washington student achievement council (~~(shall contract~~
38 ~~with an independent actuary to conduct an analysis on the~~
39 ~~sustainability of the program design, including the ability of the~~
40 ~~program to operate as self-sustaining if issuing one percent interest~~

1 ~~rate loans))~~ may retain a consultant to design a loan program,
2 including one or more financial advisors, to provide consultation on
3 the sustainability of the loan program.

4 (5) The Washington student achievement council shall provide a
5 report on the design, sustainability, and implementation plan for the
6 program to the governor and the higher education committees of the
7 legislature by December 1, ~~((2022))~~ 2023, in accordance with RCW
8 43.01.036.

9 **Sec. 4.** RCW 28B.93.030 and 2022 c 206 s 4 are each amended to
10 read as follows:

11 (1) The Washington student loan program is created to assist
12 students who need additional financial support to obtain
13 postsecondary education. Beginning in the ~~((2024-25))~~ 2025-26
14 academic year, the office may award student loans under the program
15 to eligible students from the funds available in RCW 28B.93.060.

16 (2) The program shall be administered by the office. To the
17 extent practicable, the program design must include the
18 recommendations for program design as provided in the report required
19 under RCW 28B.93.020 ~~((Student loans shall not be issued unless the~~
20 ~~program design recommended in RCW 28B.93.020 is forecasted by an~~
21 ~~independent actuary to be self-sustaining and the interest rates for~~
22 ~~the loans issued under the program do not exceed one percent))~~,
23 including that the Washington student loan account have a minimum
24 life cycle of seven years and that loans issued under the program do
25 not exceed two percent.

26 (3) The office is responsible for providing administrative
27 support to execute the duties and responsibilities provided in this
28 chapter. The duties and responsibilities include:

29 (a) Ensure institutions of higher education have a policy for
30 awarding student loans under the program that prioritizes funding for
31 eligible students who have greater unmet financial need, are lowest
32 income, are first generation college students, ~~((and))~~ are
33 demographically underrepresented, do not qualify for federally funded
34 student financial aid, or who have received loans under the program
35 in prior years;

36 (b) Issue low-interest student loans not to exceed two percent;

37 (c) Define the terms of repayment;

38 (d) Collect and manage repayments from borrowers;

39 (e) Establish an appeals process;

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

3 (g) Publicize the program; and

4 (h) Adopt necessary rules.

5 (4) The office is responsible for establishing and administering
6 an appeals process that resolves appeals from borrowers within ninety
7 days of receipt.

8 **Sec. 5.** RCW 28B.93.040 and 2022 c 206 s 5 are each amended to
9 read as follows:

10 The office (~~shall~~) may contract with one or more state-based
11 financial institutions regulated by either chapter 31.12 RCW or
12 chapter 30A.04 RCW to provide loan origination and may contract with
13 a third-party entity to provide loan servicing for the program. A
14 third-party entity providing loan servicing shall comply with all of
15 the requirements for student education loan servicers under chapter
16 31.04 RCW.

17 **Sec. 6.** RCW 28B.93.050 and 2022 c 206 s 6 are each amended to
18 read as follows:

19 (1) The office shall collect data on the program in collaboration
20 with the institutions of higher education. The data must include, but
21 is not limited to:

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

24 (b) The number of borrowers;

25 (c) The average borrowed annual and total balances;

26 (d) Borrower demographics;

27 (e) The institutions of higher education and educational fields
28 of borrowers; (~~and~~)

29 (f) Postgraduation employment data;

30 (g) Time to degree completion; and

31 (h) Repayment statistics, including:

32 (i) The number of borrowers in active repayment, deferment,
33 delinquency, forbearance, and default;

34 (ii) The average time it took for borrowers to enter delinquency
35 and default;

36 (iii) Demographic and educational data of borrowers enrolled in
37 the income-based repayment plan option;

1 (iv) Demographic and educational data of borrowers in different
2 repayment statuses, including delinquency and default; and
3 (v) Information about what happened to borrowers who defaulted.
4 (2) Beginning December 1, (~~2026~~) 2027, and in compliance with
5 RCW 43.01.036, the office must submit an annual report on the data
6 collected under subsection (1) of this section and any other relevant
7 information regarding the program to the higher education committees
8 of the legislature."

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9 On page 1, line 1 of the title, after "program;" strike the
10 remainder of the title and insert "and amending RCW 28B.93.005,
11 28B.93.010, 28B.93.020, 28B.93.030, 28B.93.040, and 28B.93.050."

EFFECT: Requires that the maximum interest rate for the student loan program does not exceed two percent.

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