
ENGROSSED HOUSE BILL 1823

State of Washington

68th Legislature

2023 Regular Session

By Representatives Timmons, Slatter, and Ramel

Read first time 02/13/23. Referred to Committee on Postsecondary Education & Workforce.

1 AN ACT Relating to the Washington student loan program; and
2 amending RCW 28B.93.005, 28B.93.010, 28B.93.020, 28B.93.030,
3 28B.93.040, and 28B.93.050.

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

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

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

17 (2) The legislature recognizes that people with student loan debt
18 are less likely to get married and start a family, establish small
19 businesses, and buy homes. High student loan debt negatively impacts
20 a person's credit score and their debt-to-income ratio, which impacts

1 their ability to qualify for a mortgage. However, student loan debt
2 does not impact all borrowers the same.

3 (3) Student loan borrowers who struggle the most are typically
4 lower income, first generation, and students of color. Data from the
5 national center for education statistics of a 12-year longitudinal
6 study based on students who began their education in the 2003-04
7 academic year found the following for students who defaulted: Almost
8 90 percent had received a Pell grant at one point; 70 percent were
9 first generation college students; 40 percent were in the bottom
10 quarter of income distribution; and 30 percent were African American.

11 (4) The legislature recognizes though that student loans are
12 beneficial for students who have no other way to pay for college or
13 have expenses beyond tuition and fees. Student loans can open up
14 postsecondary education opportunities for many and help boost the
15 state's economy by increasing the number of qualified graduates to
16 fulfill workforce shortages. However, the legislature finds that high
17 interest rates that accumulate while the student is in college
18 negatively impact the student's ability to prosper financially and
19 contribute to the state's economy after graduation. The legislature
20 also recognizes that there is very little financial aid available to
21 assist students pursuing graduate studies, despite the state's high
22 demand for qualified professionals in fields with workforce shortages
23 such as behavioral health, nursing, software development, teaching,
24 and more. Therefore, the legislature intends to support students
25 pursuing higher education by establishing a state student loan
26 program that is more affordable than direct federal student loans and
27 private loans. The legislature intends to offer student loans to
28 state residents with financial need who are pursuing (~~undergraduate~~
29 ~~and~~) high-demand graduate studies at a subsidized(~~(, one percent)~~)
30 interest rate not to exceed one percent. The legislature intends for
31 the Washington state student loan program to align with the
32 Washington college grant program, recognizing that student loans are
33 secondary forms of financial aid that often cover expenses beyond
34 tuition. Based on the feasibility of the state student loan program
35 recommendations developed by the Washington student achievement
36 council, in consultation with the Washington state investment board,
37 and the office of the state treasurer, the legislature intends to
38 finance the Washington state student loan program with a one-time
39 \$150,000,000 appropriation to cover annual student loan originations

1 and expenses until repayments are substantial enough to support the
2 program on an ongoing basis.

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

5 The definitions in this section apply throughout this chapter
6 unless the context clearly requires otherwise.

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

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

13 (3) "Eligible graduate program" means an advanced academic degree
14 in a specialized field of study that has a workforce shortage or is
15 considered high demand including, but not limited to, professions in
16 health care, behavioral and mental health, early education, K-12,
17 higher education, law enforcement, public safety, and others, as
18 determined by the office.

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

20 (a) Meets the definition of "resident student" under RCW
21 28B.15.012(2) (a) through (e);

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

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

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

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

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

36 ~~((7))~~ (6) "Institutions of higher education" includes
37 institutions of higher education authorized to participate in state
38 financial aid programs in accordance with chapter 28B.92 RCW.

1 ~~((8))~~ (7) "Office" means the office of student financial
2 assistance established under chapter 28B.76 RCW.

3 ~~((9))~~ (8) "Program" means the Washington student loan program.

4 ~~((10))~~ (9) "Student loan" means a loan that is approved by the
5 office and awarded to an eligible student to pay for eligible
6 expenses.

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

9 (1) The Washington student achievement council, in consultation
10 with the office of the state treasurer and the state investment
11 board~~((7,))~~, shall design a student loan program to assist students
12 who need additional financial support to obtain postsecondary
13 education.

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

17 (a) A low interest rate that is below current federal subsidized
18 student loan interest rates~~((, with one option being a))~~ not to
19 exceed one percent ~~((interest rate))~~;

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

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

23 (i) Loan limits;

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

27 (iii) Minimum postsecondary enrollment standards;

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

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

32 (ii) Income-based repayment plans; and

33 (iii) Terms of loan forgiveness;

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

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

1 (3) In the design of the program, the Washington student
2 achievement council may recommend contracting with one or more state-
3 based financial institutions regulated by either chapter 31.12 or
4 30A.04 RCW to provide loan origination and may contract with a third-
5 party entity to provide loan servicing for the program. The
6 Washington student achievement council must use an open and
7 competitive bid process in the selection of one or more state-based
8 financial institutions for loan origination and servicing for the
9 program. A third-party entity providing loan servicing shall comply
10 with all of the requirements for student education loan servicers
11 under chapter 31.04 RCW.

12 (4) The Washington student achievement council (~~shall contract~~
13 ~~with an independent actuary to conduct an analysis on the~~
14 ~~sustainability of the program design, including the ability of the~~
15 ~~program to operate as self-sustaining if issuing one percent interest~~
16 ~~rate loans~~) may retain a consultant to design a loan program,
17 including one or more financial advisors, to provide consultation on
18 the sustainability of the loan program.

19 (5) The Washington student achievement council shall provide a
20 report on the design, sustainability, and implementation plan for the
21 program to the governor and the higher education committees of the
22 legislature by December 1, ((2022)) 2023, in accordance with RCW
23 43.01.036.

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

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

31 (2) The program shall be administered by the office. To the
32 extent practicable, the program design must include the
33 recommendations for program design as provided in the report required
34 under RCW 28B.93.020 (~~Student loans shall not be issued unless the~~
35 ~~program design recommended in RCW 28B.93.020 is forecasted by an~~
36 ~~independent actuary to be self-sustaining and the interest rates for~~
37 ~~the loans issued under the program do not exceed one percent~~),
38 including that the Washington student loan account have a minimum

1 life cycle of seven years and that loans issued under the program do
2 not exceed one percent.

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

6 (a) Ensure institutions of higher education have a policy for
7 awarding student loans under the program that prioritizes funding for
8 eligible students who have greater unmet financial need, are lowest
9 income, are first generation college students, ~~((and))~~ are
10 demographically underrepresented, do not qualify for federally funded
11 student financial aid, or who have received loans under the program
12 in prior years;

13 (b) Issue low-interest student loans not to exceed one percent;

14 (c) Define the terms of repayment;

15 (d) Collect and manage repayments from borrowers;

16 (e) Establish an appeals process;

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

19 (g) Publicize the program; and

20 (h) Adopt necessary rules.

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

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

26 The office ~~((shall))~~ may contract with one or more state-based
27 financial institutions regulated by either chapter 31.12 RCW or
28 chapter 30A.04 RCW to provide loan origination and may contract with
29 a third-party entity to provide loan servicing for the program. A
30 third-party entity providing loan servicing shall comply with all of
31 the requirements for student education loan servicers under chapter
32 31.04 RCW.

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

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

1 (a) The number of eligible students who were awarded a student
2 loan;
3 (b) The number of borrowers;
4 (c) The average borrowed annual and total balances;
5 (d) Borrower demographics;
6 (e) The institutions of higher education and educational fields
7 of borrowers; (~~and~~)
8 (f) Postgraduation employment data;
9 (g) Time to degree completion; and
10 (h) Repayment statistics, including:
11 (i) The number of borrowers in active repayment, deferment,
12 delinquency, forbearance, and default;
13 (ii) The average time it took for borrowers to enter delinquency
14 and default;
15 (iii) Demographic and educational data of borrowers enrolled in
16 the income-based repayment plan option;
17 (iv) Demographic and educational data of borrowers in different
18 repayment statuses, including delinquency and default; and
19 (v) Information about what happened to borrowers who defaulted.
20 (2) Beginning December 1, (~~2026~~) 2027, and in compliance with
21 RCW 43.01.036, the office must submit an annual report on the data
22 collected under subsection (1) of this section and any other relevant
23 information regarding the program to the higher education committees
24 of the legislature.

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