

Chapter 28B.93 RCW
WASHINGTON STUDENT LOAN PROGRAM

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RCW 28B.93.005 Findings—Intent. (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 \$29.4 billion. 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 high-demand graduate

studies at a subsidized interest rate not to exceed 2.5 percent. 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. [2023 c 389 § 1; 2022 c 206 § 1.]

RCW 28B.93.010 Definitions. The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.

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

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

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

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

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

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

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

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

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

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

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

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

(9) "Student loan" means a loan that is approved by the office and awarded to an eligible student to pay for eligible expenses. [2023 c 389 § 2; 2022 c 206 § 2.]

RCW 28B.93.020 Program design recommendations—Consultation on sustainability. (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 of a state student loan program and implementation plan:

- (a) A low interest rate that is below current federal subsidized student loan interest rates not to exceed 2.5 percent;
 - (b) The terms of the loans, including:
 - (i) Loan limits not to exceed \$20,000 annually per borrower;
 - (ii) Grace periods, including grace periods for active duty members of the national guard who may lose eligibility when being called up for active duty; and
 - (iii) Minimum postsecondary enrollment standards;
 - (c) 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, which shall not exceed 25 years;
 - (ii) Income-based repayment plans; and
 - (iii) Terms of loan forgiveness;
 - (d) 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
 - (e) The design and administration of an appeals process.
- (3) In the design of the program, the Washington student achievement council 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. The Washington student achievement council must use an open and competitive bid process in the selection of one or more financial institutions for loan origination and 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 Washington student achievement council may retain a consultant to design a loan program, including one or more financial advisors, to provide consultation on the sustainability of the loan program.
- (5) The Washington student achievement council shall provide a report on the design, sustainability, and implementation plan for the program to the governor and the higher education committees of the legislature by December 1, 2023, in accordance with RCW 43.01.036. [2023 c 389 § 3; 2022 c 206 § 3.]

RCW 28B.93.030 Program administration. (1) The Washington student loan program is created to assist students who need additional financial support to obtain postsecondary education. Beginning in the 2025-26 academic year, the office may award student loans under the program to eligible students from the funds available in RCW 28B.93.060.

(2) The program shall be administered by the office. To the extent practicable, the program design must include the recommendations for program design as provided in the report required under RCW 28B.93.020, including that the Washington student loan account have a minimum life cycle of seven years and that loans issued under the program do not exceed 2.5 percent.

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

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

(b) Issue low-interest student loans not to exceed 2.5 percent, of which interest accrues during all periods except when enrolled in an eligible graduate degree program;

(c) Define the terms of repayment, which shall not exceed 25 years in length unless provided for under (f) of this subsection;

(d) Collect and manage repayments from borrowers;

(e) Establish an appeals process;

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

(g) Publicize the program; and

(h) Adopt necessary rules.

(4) The office is responsible for establishing and administering an appeals process that resolves appeals from borrowers within ninety days of receipt. [2023 c 389 § 4; 2022 c 206 § 4.]

RCW 28B.93.040 Loan origination—Third-party loan servicing.

The office may contract with one or more state-based financial institutions regulated by either chapter 31.12 RCW or chapter 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. [2023 c 389 § 5; 2022 c 206 § 5.]

RCW 28B.93.050 Data collection. (1) The office shall collect data on the program in collaboration with the institutions of higher education. The data must include, but is not limited to:

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

(b) The number of borrowers;

(c) The average borrowed annual and total balances;

(d) Borrower demographics;

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

(f) Postgraduation employment data;

(g) Time to degree completion; and

(h) Repayment statistics, including:

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

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

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

(iv) Demographic and educational data of borrowers in different repayment statuses, including delinquency and default; and

(v) Information about what happened to borrowers who defaulted.

(2) Beginning December 1, 2027, and in compliance with RCW 43.01.036, the office must submit an annual report on the data collected under subsection (1) of this section and any other relevant information regarding the program to the higher education committees of the legislature. [2023 c 389 § 6; 2022 c 206 § 6.]

RCW 28B.93.060 Washington student loan account. (1) The Washington student loan account is created in the state treasury. All receipts from the Washington student loan program must be deposited in the account. Expenditures from the account may be used only for administration and the issuance of new student loans. Moneys in the account may be spent only after appropriation. During the 2023-2025 fiscal biennium, the legislature may direct the state treasurer to make transfers of moneys in the Washington student loan account to the state general fund.

(2) (a) The legislature may appropriate no more than a total of \$40,000,000 for the program during four consecutive fiscal years, beginning with the first fiscal year from which loans are issued from the account. In the fifth fiscal year following the fiscal year in which the first student loan was issued, the legislature may appropriate up to \$10,000,000 for the program.

(b) The legislature may appropriate moneys from the account for the administrative and implementation costs of the program in the fiscal years prior to the first fiscal year in which loans are issued from the account. [2023 c 475 § 924; 2023 c 389 § 7; 2022 c 206 § 7.]

Reviser's note: This section was amended by 2023 c 389 § 7 and by 2023 c 475 § 924, each without reference to the other. Both amendments are incorporated in the publication of this section under RCW 1.12.025(2). For rule of construction, see RCW 1.12.025(1).

Effective date—2023 c 475: See note following RCW 16.76.030.