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SENATE BILL 5853

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State of Washington                      52nd Legislature                      1991 Regular Session

By Senators Stratton and Saling.

Read first time February 26, 1991. Referred to Committee on Higher Education

1            AN ACT Relating to the state financial aid program; amending RCW  
2 28B.10.808, 28B.10.821, 28B.101.005, 28B.101.010, 28B.101.020,  
3 28B.101.030, and 28B.101.040; adding a new section to chapter 28B.10  
4 RCW; creating a new section; and providing an effective date.

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

6            **Sec. 1.** RCW 28B.10.808 and 1989 c 254 s 4 are each amended to read  
7 as follows:

8            In awarding grants or loans, the ((~~commission~~)) board shall proceed  
9 substantially as follows: PROVIDED, That nothing contained herein  
10 shall be construed to prevent the ((~~commission~~)) board, in the exercise  
11 of its sound discretion, from following another procedure when the best  
12 interest of the program so dictates:

13            (1) The ((~~commission~~)) board shall annually select the financial  
14 aid award winners from among Washington residents applying for student  
15 financial aid who have been ranked according to financial need as

1 determined by the amount of the family contribution and other  
2 considerations brought to the (~~commission's~~) board's attention.

3 (2) Until July 1, 1993, the financial need of the highest ranked  
4 students shall be met by grants depending upon the evaluation of  
5 financial need until the total allocation has been disbursed. Funds  
6 from grants which are declined, forfeited or otherwise unused shall be  
7 reawarded until dispersed. After July 1, 1993, all state-appropriated  
8 funds for the state financial aid program, other than those dedicated  
9 to the college work-study program established by chapter 28B.12 RCW and  
10 scholarship programs under chapters 28B.102, 28B.104, 28B.107, and  
11 28B.108 RCW, shall be utilized in the state educational loan program  
12 established in section 3 of this act.

13 (3) A grant may be renewed until the course of study is completed  
14 or until July 1, 1993, whichever occurs first, but not for more than an  
15 additional four academic years beyond the first year of the award.  
16 These shall not be required to be consecutive years. Qualifications  
17 for renewal will include maintaining satisfactory academic standing  
18 toward completion of the course of study, and continued eligibility as  
19 determined by the (~~commission~~) board. Should the recipient terminate  
20 his or her enrollment for any reason during the academic year, the  
21 unused portion of the grant shall be returned to the state educational  
22 (~~grant~~) loan fund by the institution according to the institution's  
23 own policy for issuing refunds.

24 (4) In computing financial need the (~~commission~~) board shall  
25 determine a maximum student expense budget allowance, not to exceed an  
26 amount equal to the total maximum student expense budget at the public  
27 institutions plus the current average state appropriation per student  
28 for operating expense in the public institutions.

29 (5) Beginning July 1, 1993, the board may no longer offer grants to  
30 students through the state need grant program. The state need grant

1 program shall cease and be replaced by the state educational loan  
2 program established in section 3 of this act.

3       **Sec. 2.** RCW 28B.10.821 and 1985 c 57 s 10 are each amended to read  
4 as follows:

5       The state educational ((grant)) loan account is hereby established  
6 in the state treasury. The ((commission)) board shall deposit any  
7 refunds ((and recoveries)) or returns of unused portions of student  
8 financial aid funds ((expended in prior biennia)) in such account.  
9 Expenditures from such account shall be for ((financial aid))  
10 guaranteed student loans to needy or disadvantaged students pursuant to  
11 section 3 of this act. All earnings of investments of balances in the  
12 state educational ((grant)) loan account shall be credited to the  
13 general fund.

14       NEW SECTION. **Sec. 3.** A new section is added to chapter 28B.10 RCW  
15 to read as follows:

16       (1) All state-appropriated funds for the state financial aid  
17 program, other than those for the college work-study program  
18 established under chapter 28B.12 RCW and scholarship programs under  
19 chapters 28B.102, 28B.104, 28B.107, and 28B.108 RCW, shall be utilized  
20 for the state educational loan program. Such appropriated funds shall  
21 be deposited in the state educational loan account established in RCW  
22 28B.10.821. Moneys in the loan account shall be used to make  
23 guaranteed loans to needy or disadvantaged students, as defined in RCW  
24 28B.10.802 (3) and (4).

25       (2) The amount of the loans made under subsection (1) of this  
26 section shall not exceed the demonstrated financial need of the  
27 student. The board shall establish loan terms and conditions that are  
28 consistent with the terms of the guaranteed loan program established by

1 20 U.S. Code Sec. 1701 et seq., as now or hereafter amended. All loans  
2 made shall be guaranteed by the Washington student loan guaranty  
3 association or its successor agency. The board is hereby granted full  
4 authority to operate as an eligible lender under the guaranteed loan  
5 program.

6 (3) Before approving a guaranteed loan, the board shall analyze the  
7 ability of the student to repay the loan based on factors which  
8 include, but are not limited to, the student's accumulated total  
9 education loan burdens. The board shall direct institutions of higher  
10 education to counsel students on the advisability of acquiring  
11 additional debt, and on the availability of other forms of financial  
12 aid.

13 (4) The board is responsible for collection of loans made under  
14 subsection (1) of this section and shall exercise due diligence in such  
15 collection, maintaining all necessary records to ensure that maximum  
16 repayments are made. The board shall cooperate with other lenders and  
17 the Washington student loan guaranty association, or its successor  
18 agency, in the coordinated collection of guaranteed loans and shall  
19 assure that the loans continue to meet guarantee requirements.  
20 Collection and servicing of loans under subsection (1) of this section  
21 shall be performed by entities approved for such servicing by the  
22 Washington student loan guaranty association or its successor agency.  
23 The board is permitted to perform such servicing if specifically  
24 recognized to do so by the Washington student loan guaranty association  
25 or its successor agency.

26 (5) Receipts from payment of interest or principal or any other  
27 subsidies to which the board as lender is entitled, which are paid by  
28 or on behalf of borrowers of funds under subsection (1) of this  
29 section, shall be deposited in the state general fund.

1 (6) The board shall maintain accurate records of the costs of  
2 making the loans under subsection (1) of this section, including the  
3 costs of recordkeeping and making collections under subsection (4) of  
4 this section. The board shall endeavor to keep such costs as low as is  
5 feasible and shall report such costs on an annual basis to the office  
6 of financial management.

7 (7) Lending activities under this section shall make maximum use of  
8 secondary markets in the support of loan consolidation. No loans may  
9 be made to any student who is known by the board or by an institution  
10 of higher education to be in default or delinquent in the payment of an  
11 outstanding student loan.

12 (8) The board shall adopt necessary rules and regulations to  
13 implement this section. The institutions of higher education shall  
14 cooperate fully with the board in fulfilling the provisions of this  
15 section and in providing an efficient transition between the state need  
16 grant program and the state educational loan program.

17 **Sec. 4.** RCW 28B.101.005 and 1990 c 288 s 2 are each amended to  
18 read as follows:

19 The legislature finds that many individuals in the state of  
20 Washington have attended college and received an associate of arts  
21 degree, or its equivalent, but are placebound.

22 The legislature intends to establish an educational opportunity  
23 (~~grant~~) loan program for placebound students who have completed an  
24 associate of arts degree, or its equivalent, in an effort to increase  
25 their participation in and completion of upper-division programs.

26 **Sec. 5.** RCW 28B.101.010 and 1990 c 288 s 3 are each amended to  
27 read as follows:

1       The educational opportunity ((grant)) loan program is hereby  
2 created as a demonstration project to serve placebound financially  
3 needy students by assisting them to obtain a baccalaureate degree at  
4 public and private institutions of higher education which have the  
5 capacity to accommodate such students within existing educational  
6 programs and facilities.

7       **Sec. 6.** RCW 28B.101.020 and 1990 c 288 s 4 are each amended to  
8 read as follows:

9       (1) For the purposes of this chapter, "placebound" means unable to  
10 relocate to complete a college program because of family or employment  
11 commitments, health concerns, monetary inability, or other similar  
12 factors.

13       (2) To be eligible for an educational opportunity ((grant)) loan,  
14 applicants must be placebound residents of the state of Washington who  
15 are needy students as defined in RCW 28B.10.802(3) and who have  
16 completed the associate of arts degree or its equivalent. A placebound  
17 resident is one who may be influenced by the receipt of an enhanced  
18 student financial aid award to attend an institution that has existing  
19 unused capacity rather than attend a branch campus established pursuant  
20 to chapter 28B.45 RCW. An eligible placebound applicant is further  
21 defined as a person whose residence is located in an area served by a  
22 branch campus who, because of family or employment commitments, health  
23 concerns, monetary need, or other similar factors, would be unable to  
24 complete an upper-division course of study but for receipt of an  
25 educational opportunity ((grant)) loan.

26       **Sec. 7.** RCW 28B.101.030 and 1990 c 288 s 5 are each amended to  
27 read as follows:

1       The higher education coordinating board shall develop and  
2 administer the educational opportunity (~~grant~~) loan program. The  
3 board shall adopt necessary rules and guidelines and develop criteria  
4 and procedures to select eligible participants in the program.  
5 (~~Payment~~) Loans shall be made directly to the eligible participant  
6 periodically upon verification of enrollment and satisfactory progress  
7 towards degree completion. Beginning July 1, 1993, the educational  
8 opportunity grant program shall become the educational opportunity loan  
9 program, which shall be a subprogram of the state educational loan  
10 program. Loans made to eligible students under this program shall be  
11 made under the same terms and conditions as those made under the state  
12 educational loan program established in section 3 of this act. All  
13 funds appropriated for the support of this program shall be deposited  
14 in the state educational loan account created in RCW 28B.10.821.

15       **Sec. 8.** RCW 28B.101.040 and 1990 c 288 s 6 are each amended to  
16 read as follows:

17       (~~Grants~~) Loans may be used by eligible participants to attend any  
18 public or private college or university in the state of Washington that  
19 has an existing unused capacity. (~~Grants~~) Loans shall not be used to  
20 attend any branch campus or educational program established under  
21 chapter 28B.45 RCW. The participant shall not be eligible for a  
22 (~~grant~~) loan if it will be used for any programs that include  
23 religious worship, exercise, or instruction or to pursue a degree in  
24 theology. Each participating student may receive (~~up to~~) a maximum  
25 loan of two thousand five hundred dollars per academic year, not to  
26 exceed the student's demonstrated financial need for the course of  
27 study.

1        NEW SECTION.    **Sec. 9.**        Sections 1 through 8 of this act shall  
2 take effect July 1, 1993.

3        NEW SECTION.    **Sec. 10.**        The higher education coordinating board  
4 may take such action as it deems necessary to be able to fully  
5 implement this act on its effective date.