HOUSE BILL REPORT

EHB 1748

As Amended by the Senate

Title: An act relating to financial aid.

Brief Description: Changing financial aid provisions.

Sponsors: Representatives Shin, Quall, Wood, Jacobsen, Veloria, Wineberry, Valle, Morris, Basich, Kessler, Orr, L. Johnson and J. Kohl.

Brief History:
Reported by House Committee on:
Higher Education, February 19, 1993, DPA;
Passed House, March 9, 1993, 98-0;
Amended by Senate.

HOUSE COMMITTEE ON HIGHER EDUCATION

Majority Report: Do pass as amended. Signed by 17 members: Representatives Jacobsen, Chair; Quall, Vice Chair; Brumsickle, Ranking Minority Member; Sheahan, Assistant Ranking Minority Member; Bray; Carlson; Casada; Finkbeiner; Flemming; Kessler; J. Kohl; Mielke; Ogden; Orr; Rayburn; Shin; and Wood.

Staff: Susan Hosch (786-7120).

Background: By law, with one exception, each state college and university must deposit 2.5 percent of the money collected for tuition and services and activities fees into a local fund. The fund is called the institutional long-term loan fund. The fund was originally created in 1981 when attempts were contemplated nationally to scale back or eliminate the Guaranteed Student Loan Program. Technical colleges are not required to have a long-term loan fund.

The law permits institutions to act as lenders in that federal program. Each institution can use the money in the fund to make loans to students who cannot get educational loans from private financial institutions. In addition, money in the fund may be used to make short-term loans to students waiting to receive a guaranteed student loan. Short-term loans cannot exceed 120 days.

The institutions of higher education were never required to undertake their role as lenders. Therefore, in 1983, the purpose of the fund was expanded. Each college and university may use the money in the fund for financial aid for needy students.

Under the law, in order to be eligible for any money from the fund, a student must be financially needy, must be taking six or more credit hours, and must be eligible to pay resident tuition and fee rates.

Summary of Bill: With one exception, state colleges and universities may use money in the institutional long-term loan fund to make short-term loans to any student enrolled at the institution. Students who are in default or delinquent in the payment of an outstanding student loan are not eligible for a short-term loan. Institutions are not required to limit the loans to 120 days.

EFFECT OF SENATE AMENDMENT(S): <u>Of the money in the institutional long-term loan fund, 20 percent must be used for long-term loans, and 20 percent must be used for short-term loans. Short-term loans may be made for a maximum of one year. In addition, institutions may make short-term loans only if the institution has ample evidence that the borrower has the capability of repaying the loan within the specified time frame.</u>

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill would allow three things not allowed under current law: (1) short-term loans could be made to any student in good standing; (2) the term of short-term loans is left to the discretion of the institution; and, (3) individual institutions could establish criteria for short-term loans according to the needs of those individual institutions.

Testimony Against: None.

Witnesses: (in favor) Gretchen Whippel, The Washington Student Lobby.

VOTE ON FINAL PASSAGE:

Yeas 98