**SENATE BILL REPORT**

**EHB 1748**

**AS REPORTED BY COMMITTEE ON HIGHER EDUCATION, MARCH 30, 1993**

**Brief Description:** Changing financial aid provisions.

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

**HOUSE COMMITTEE ON HIGHER EDUCATION**

**SENATE COMMITTEE ON HIGHER EDUCATION**

**Majority Report:** Do pass as amended.
Signed by Senators Bauer, Chairman; Drew, Vice Chairman; Cantu, Jesernig, Prince, Quigley, Sheldon, von Reichbauer, and West.

**Staff:** Scott Huntley (786-7421)

**Hearing Dates:** March 19, 1993; March 30, 1993

**BACKGROUND:**

By law 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 other forms of financial aid for needy students.

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

**SUMMARY:**

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.

**SUMMARY OF PROPOSED SENATE AMENDMENT:**

Short-term loans may not exceed one year in duration. An institution must have ample evidence that a short-term loan can be repaid by the student within the specified timeframe. Twenty percent of the total institutional long-term loan fund is to be used for the purpose of long-term loans and 20 percent of the total institutional long-term loan fund is to be used for the purpose of short-term loans.

**Appropriations:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:**

This bill will allow short-term loans to any student in good standing. The institutions can use these funds to meet the needs of a broader range of students. They can tailor the use of the funds to meet specific needs at their institutions.

**TESTIMONY AGAINST:** None

**TESTIFIED:** Representative Shin, prime sponsor