
ENGROSSED HOUSE BILL 1748

State of Washington

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

Read first time 02/08/93. Referred to Committee on Higher Education.

1 AN ACT Relating to financial aid; and amending RCW 28B.15.820.

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

3 **Sec. 1.** RCW 28B.15.820 and 1985 c 390 s 35 are each amended to
4 read as follows:

5 (1) Each institution of higher education shall deposit two and one-
6 half percent of revenues collected from tuition and services and
7 activities fees in an institutional long-term loan fund which is hereby
8 created and which shall be held locally. Moneys in such fund shall be
9 used to make guaranteed loans to eligible students except as provided
10 for in subsections (9) and (10) of this section.

11 (2) With the exception of subsection (9) of this section, an
12 "eligible student" for the purposes of this section is a student
13 registered for at least six credit hours or the equivalent, who is
14 eligible for resident tuition and fee rates as defined in RCW
15 28B.15.012 through 28B.15.015, and who is a "needy student" as defined
16 in RCW 28B.10.802.

17 (3) The amount of the loans made under subsection (1) of this
18 section shall not exceed the demonstrated financial need of the
19 student. Each institution shall establish loan terms and conditions

1 which shall be consistent with the terms of the guaranteed loan program
2 established by 20 U.S. Code Section 1071 et seq., as now or hereafter
3 amended. All loans made shall be guaranteed by the Washington student
4 loan guaranty association or its successor agency. Institutions are
5 hereby granted full authority to operate as an eligible lender under
6 the guaranteed loan program.

7 (4) Before approving a guaranteed loan, each institution shall
8 analyze the ability of the student to repay the loan based on factors
9 which include, but are not limited to, the student's accumulated total
10 education loan burdens and the employment opportunities and average
11 starting salary characteristics of the student's chosen fields of
12 study. The institution shall counsel the student on the advisability
13 of acquiring additional debt, and on the availability of other forms of
14 financial aid.

15 (5) Each institution is responsible for collection of loans made
16 under subsection (1) of this section and shall exercise due diligence
17 in such collection, maintaining all necessary records to insure that
18 maximum repayments are made. Institutions shall cooperate with other
19 lenders and the Washington student loan guaranty association, or its
20 successor agency, in the coordinated collection of guaranteed loans,
21 and shall assure that the guarantability of the loans is not violated.
22 Collection and servicing of loans under subsection (1) of this section
23 shall be performed by entities approved for such servicing by the
24 Washington student loan guaranty association or its successor agency:
25 PROVIDED, That institutions be permitted to perform such servicing if
26 specifically recognized to do so by the Washington student loan
27 guaranty association or its successor agency. Collection and servicing
28 of loans made by community colleges under subsection (1) of this
29 section shall be coordinated by the state board for community and
30 technical colleges ~~((education))~~ and shall be conducted under
31 procedures adopted by such state board.

32 (6) Receipts from payment of interest or principal or any other
33 subsidies to which institutions as lenders are entitled, which are paid
34 by or on behalf of borrowers of funds under subsection (1) of this
35 section, shall be deposited in each institution's general local fund
36 and shall be used to cover the costs of making the loans under
37 subsection (1) of this section and maintaining necessary records and
38 making collections under subsection (5) of this section: PROVIDED,
39 That such costs shall not exceed five percent of aggregate outstanding

1 loan principle. Institutions shall maintain accurate records of such
2 costs, and all receipts beyond those necessary to pay such costs, shall
3 be used for the support of the institution's operating budget.

4 (7) The boards of regents of the state universities, the boards of
5 trustees of the regional universities and The Evergreen State College,
6 and the state board for community and technical colleges ~~((education))~~,
7 on behalf of the community colleges, shall each adopt necessary rules
8 and regulations to implement this section.

9 (8) Lending activities under this section shall be directed toward
10 students who would not normally have access to educational loans from
11 private financial institutions in Washington state, and maximum use
12 shall be made of secondary markets in the support of loan
13 consolidation.

14 (9) Short-term ~~((interim))~~ loans ~~((, not to exceed one hundred
15 twenty days,))~~ may be made from the institutional long-term loan fund
16 to students ~~((eligible for guaranteed student loans and whose receipt
17 of such loans is pending. Such short term loans shall not be subject
18 to the guarantee restrictions or the constraints of federal law imposed
19 by subsection (3) of this section))~~ enrolled in the institution. No
20 such loan shall be made to any student who is known by the institution
21 to be in default or delinquent in the payment of any outstanding
22 student loan.

23 (10) Any moneys deposited in the institutional long-term loan fund
24 which are not used in making long or short term loans or transferred to
25 institutional operating budgets may be used by the institution for
26 locally-administered financial aid programs for needy students, such as
27 need-based institutional employment programs or need-based tuition and
28 fee waiver programs. These funds shall be used in addition to and not
29 to replace institutional funds which would otherwise support these
30 locally-administered financial aid programs. Priority in the use of
31 these funds shall be given to needy students who have accumulated
32 excessive educational loan burdens. An excessive educational loan
33 burden is a burden that will be difficult to repay given employment
34 opportunities and average starting salaries in the student's chosen
35 fields of study.

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