

# SENATE BILL REPORT

## EHB 1436

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As of March 15, 2007

**Title:** An act relating to authorizing the Washington higher education facilities authority to originate and purchase educational loans and to issue student loan revenue bonds.

**Brief Description:** Providing the Washington higher education facilities authority the ability to originate and purchase educational loans and to issue student loan revenue bonds.

**Sponsors:** Representatives McIntire, Chase, Dunshee, Sells, Wallace, Jarrett, Anderson, Kenney, Ormsby, Roberts, Haigh, Ericks and O'Brien; by request of Washington State Higher Education Facilities Authority.

**Brief History:** Passed House: 3/07/07, 94-0.

**Committee Activity:** Higher Education: 3/15/07.

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### SENATE COMMITTEE ON HIGHER EDUCATION

**Staff:** Aldo Melchiori (786-7439)

**Background:** The Washington Higher Education Facilities Authority (WHEFA) was created in 1983. The statutory purpose of WHEFA is to "enable the building, providing, and utilization of modern, well-equipped, efficient, and reasonably priced higher educational facilities, as well as the improvement, expansion, and modernization of such facilities." WHEFA accomplishes this by the issuance of tax-exempt, nonrecourse revenue bonds for the independent qualified institutions of higher education in Washington State. In late 2005, the non-profit Student Loan Finance Association (SLFA) was sold to Sallie Mae (a for-profit corporation). Based on the terms of the sale, SLFA was prohibited from issuing tax-exempt bonds under the Federal Revenue Code (SS 150(d)) and Washington law. The state Department of Community, Trade and Economic Development (CTED) assessed the options for replacing SLFA. CTED concluded that the state should establish a new qualified issuer for student loan private activity bonds and that out-of-state non-profits offer the widest range of established capabilities. CTED found that none of the six states that offer supplemental student loans use non-profits for administration. CTED also found that 23 states have federal student loan-backed bond programs administered by state agencies or authorities. WHEFA was identified as a state authority with experience in bond financing.

**Summary of Bill:** WHEFA is authorized to originate and purchase educational loans and to issue student loan revenue bonds. The educational loans include both guaranteed federal educational loans and alternative state educational loans. WHEFA incurs no expense or liability that is an obligation of the state. State educational loans are not guaranteed by the

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state and the proceeds from loan repayment are used to make required payments to bondholders. WHEFA may form non-profit special purpose corporations or may contract with non-profit corporations to accomplish these purposes. They may also contract with an agency, financial institution, or corporation for billing, accounting, reporting, or administrative services required for the educational loan programs. Four of the seven members of WHEFA are still required to constitute a quorum at meetings of WHEFA. However, members who participate by a means of communication that allows all members to hear each other during a meeting are deemed to be present in person at the meeting.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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

**Staff Summary of Public Testimony:** PRO: This is a great opportunity to help families afford higher education through low interest loans. Students will save a significant amount of money over the term of the loan.

**Persons Testifying:** PRO: Representative McIntire, prime sponsor; Kim Herman, Washington Higher Education Facilities Authority.