

FINAL BILL REPORT

HB 1499

C 13 L 18
Synopsis as Enacted

Brief Description: Creating protections and fairness for students in the student loan disbursement process.

Sponsors: Representatives Pollet, Ryu, Sells, Lovick, Bergquist and Stanford.

House Committee on Higher Education
Senate Committee on Higher Education
Senate Committee on Ways & Means
Senate Committee on Higher Education & Workforce Development

Background:

Postsecondary institutions receiving federal financial aid must comply with federal regulations regarding the disbursement of funds. After the institution credits the student's account for tuition and fees and other allowable charges, any aid that is left must be paid to the student within a certain time. An institution may issue a check to the student, directly deposit the funds into a student's bank account, or contract with a third-party servicer or financial institution to process the refunds to students on behalf of the institution. Third-party servicers or financial institutions may provide the student's refund on a debit card or other access device.

Recently enacted federal regulations created new requirements for institutions using third-party servicers or financial institutions to process federal financial aid refunds to students. In general, the new requirements include the following:

- institutions must establish a process where students have a choice of how to receive their federal financial aid refunds;
- institutions may not require students to open accounts with a financial institution as a condition of receiving their refunds;
- institutions must provide a list of account options and each option must be presented in a neutral manner, with the student's pre-existing bank account listed first and prominently;
- students must have reasonable access to surcharge-free automated teller machines (ATMs) to access their refunds;
- contracts between institutions and third-party services or financial institutions must be publicly disclosed; and

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- institutions must evaluate their contracts in light of the best financial interests of the students.

Summary:

Federal regulations applicable to federal financial aid disbursements using third-party servicers or financial institutions also apply to the disbursement of state financial aid.

Postsecondary institutions disbursing federal or state financial aid refunds by means other than direct deposit or issuing a check to the student must:

- provide notice to students of key features associated with the debit card, access device, or financial account associated with the disbursement of the student's aid, including fees students might incur (notice may be via website);
- provide students with information on the location of every surcharge-free ATM located on campus that allows students to access funds, and whether the ATMs are accessible 24 hours a day;
- provide students with full disclosure of the contract between the institution and the third-party servicer or financial institution (disclosure may be via website);
- provide notice of the student's consumer rights and notice of a complaint process for students who are being charged excessive fees or are unable to access funds without incurring fees;
- develop and maintain a complaint resolution process that includes the student's ability to have the Washington Student Achievement Council (WSAC) review unresolved complaints; and
- comply with the rules adopted by the WSAC.

An institution is not required to duplicate notices or disclosures or provide additional notices or disclosures on federal financial aid that would otherwise be required under federal law.

The WSAC's rules must assure that contracts between postsecondary institutions and third-party servicers or financial institutions:

- are in the best financial interest of the students;
- require that the institution does not have a revenue-sharing agreement with the third-party servicer or financial institution;
- ensure that 100 percent of the state financial aid is available to the student without incurring any fees;
- provide that the student's access to his or her disbursement is geographically convenient and practical;
- provide that students are given a choice on how to receive their financial aid disbursement; and
- provide that the institution has an effective process for reviewing complaints regarding disbursements.

The WSAC must compile a list on its website of all the postsecondary institutions that use third-party servicers or financial institutions.

Postsecondary institution means the public institutions of higher education and any degree-granting institution, for-profit institution, or for-profit vocational institute, operating in the

state and offering instruction and training beyond the high school level for gainful employment in a recognized profession.

Votes on Final Passage:

House	96	1
House	98	0
Senate	49	0

Effective: June 7, 2018