

FINAL BILL REPORT

SSB 5022

C 154 L 17
Synopsis as Enacted

Brief Description: Providing information to students about education loans.

Sponsors: Senate Committee on Ways & Means (originally sponsored by Senators Bailey, Rolfes, Liias, Keiser, Conway, Wellman, Hasegawa, Mullet, Frockt and Kuderer; by request of Attorney General).

Senate Committee on Higher Education
Senate Committee on Ways & Means
House Committee on Higher Education
House Committee on Appropriations

Background: Federal Student Loan Options. Federal loans include direct loans in which the U.S. Department of Education is the lender. Federal Perkins Loans are for undergraduates and graduate students with exceptional financial aid from the school they attend. Direct loans include subsidized loans in which students are able to demonstrate financial need to help cover the costs of higher education, and unsubsidized loans that do not require a demonstration of financial need. Undergraduate students can borrow up to \$5,500 per year in Perkins loans, and between \$5,500 and \$12,500 in direct subsidized and unsubsidized loans depending on certain factors. Graduate students are eligible for up to \$8,000 each year in Perkins loans and up to \$20,500 in direct unsubsidized loans.

Options for Repayment of Direct Federal Student Loans.

- *Standard Repayment Plan* - Payments are a fixed amount. Terms vary between 10-30 years.
- *Graduated Repayment Plan* - Payments are lower at first and then gradually increase every two years. Terms vary between 10-30 years.
- *Extended Repayment Plan* - Payments may be fixed or graduated and terms can last as long as 25 years.
- *Revised Pay As You Earn Repayment Plan* - Payments are 10 percent of discretionary income. Payments are recalculated each year based on the student debt holder's updated income and family size. Married students use the combined family income. Any outstanding balance on the loan is forgiven if the student debt holder hasn't repaid the debt in full in 20 or 25 years.
- *Pay As You Earn Repayment Plan* - Payments are 10 percent of discretionary income. Payments are recalculated each year based on the student debt holder's updated income and family size. Married students may use their income as the basis of

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repayment if they file an individual tax return, rather than a joint tax return. Any outstanding balance on the loan is forgiven if the student debt holder hasn't repaid the debt in full in 20 or 25 years.

- *Income-based Repayment Plan* - Payments are 10-15 percent of discretionary income. Payments are recalculated each year based on the student debt holder's updated income and family size. Married students may use their income as the basis of repayment if they file an individual tax return, rather than a joint tax return. Any outstanding balance on the loan is forgiven if the student debt holder hasn't repaid the debt in full in 20 or 25 years. Any amount of forgiven loans may be subject to income tax.
- *Income-contingent Repayment Plan* - Payment is the lesser of either 20 percent of discretionary income or the amount a student would pay on a fixed payment schedule over 12 years, adjusted according to the student's income. Payments are recalculated each year based on the student debt holder's updated income and family size. Married students may use their income as the basis of repayment if they file an individual tax return, rather than a joint tax return. Any outstanding balance on the loan is forgiven if the student debt holder hasn't repaid the debt in full in 20 or 25 years. Any amount of forgiven loans may be subject to income tax.
- *Income Sensitive Repayment Plan* - Payment is based on annual income for up to 15 years. This payment plan is more expensive than the 10 year standard plan and the formula for determining the monthly payment can vary from lender to lender.

Federal Perkins Loan repayment options are not the same as the Direct Loan Program and can vary by institution.

Student Loan Debt in Washington. According to the Institute for College Access and Success' Project on Student Debt, the an average debt balance of a student loan in Washington State is \$24,804. The percentage of graduates with student loan debt is 58 percent.

Summary: The act is known as the Washington Student Loan Transparency Act.

Information Required to Be Made Available to Student Borrowers by Post Secondary Institutions. Subject to appropriations, student borrowers, who have applied for financial aid, are entitled to receive notification about their loans from the institution every time the institution certifies a new financial package to the student that includes loans. The notification must include an estimate on the:

- total amount of education loans taken out by the student;
- potential total payoff amount of the education loans incurred, or a range of the total payoff amount, including principal and interest;
- monthly repayment amounts, for the amount of education loans the student has taken out; and
- percentage of the aggregate federal direct loan borrowing limit applicable to the student program of study the student has reached.

The estimates and/or ranges provided must be noted to be general in nature and must provide a statement that a variety of repayment plans are available for student loans that may limit the

monthly repayment amount based on income. The notification must also include information on how to access resources for student loan borrowers from federal and state agencies.

Reporting and Compliance Requirements for Post Secondary Institutions. Institutions must provide notifications by e-mail. In addition, notification may be provided in writing, electronic format, or in person. An institution does not incur liability, including actions by the Attorney General, for any good faith representations made by providing estimates on future debts. The notifications provided by institutions must begin July 1, 2018, and must be provided every time a new financial aid package that includes a new or revised student education loan is offered to a student.

Reporting and Compliance Requirements. Subject to appropriations, an organization representing the four-year public colleges and universities, an organization representing the private non-profit institutions, the State Board for Community and Technical Colleges, the Workforce Training and Education Coordinating Board, and the Department of Licensing to develop a form for reporting compliance by July 1, 2018. Beginning December 1, 2019, and biennially thereafter, the organizations and agencies must submit a compliance report to the Legislature that details how the institutions are in compliance with the reporting requirements. This reporting requirement expires December 25, 2025.

Votes on Final Passage:

Senate	49	0	
House	91	7	(House amended)
Senate	49	0	(Senate concurred)

Effective: July 23, 2017