
SUBSTITUTE HOUSE BILL 1542

State of Washington

66th Legislature

2019 Regular Session

By House College & Workforce Development (originally sponsored by Representatives Sullivan, Appleton, Tarleton, Doglio, Stanford, and Valdez)

READ FIRST TIME 02/18/19.

1 AN ACT Relating to establishing a state student loan program;
2 adding a new chapter to Title 28B RCW; and repealing RCW 28B.97.010
3 and 28B.97.020.

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

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that college
6 students continue to borrow in order to fund their higher education.
7 In Washington state, the institute for college access and success
8 estimates over fifty percent of 2017 graduates had student debt with
9 an average balance just under twenty-four thousand dollars. Student
10 loan debt now outpaces other sources of consumer debt, such as credit
11 card and vehicle debt. While research shows that earning a
12 postsecondary credential positively impacts a person's earning
13 potential, high student loan debt erodes much of this benefit.

14 (2) The legislature recognizes that people with student loan debt
15 are less likely to get married and start a family, establish small
16 businesses, and buy homes. High student loan debt negatively impacts
17 a person's credit score and their debt-to-income ratio, which impacts
18 their ability to qualify for a mortgage. A federal reserve study
19 looking at the impact of student loan debt on home ownership found
20 that a one thousand dollar increase in student loan debt causes a one
21 to two percentage point drop in the homeownership rate for borrowers

1 during their late twenties and early thirties. The study found that
2 between 2005 and 2014, about twenty percent of the decline in
3 homeownership among individuals aged twenty-four to thirty-two is
4 attributed to the rise in student loan debt. This indicates that over
5 four hundred thousand individuals would have owned a home in 2014 had
6 it not been for the rise in student loan debt.

7 (3) Therefore, the legislature intends to support students
8 pursuing higher education by establishing an affordable state student
9 loan program. The legislature recognizes that student loans are
10 beneficial for students who have no other way to pay for college, but
11 finds that high interest rates that accumulate while the student is
12 in school negatively impact the student's ability to prosper
13 financially and contribute to the state's economy after graduation.
14 Therefore, the legislature intends to offer student loans to state
15 residents who graduated from Washington high schools and are pursuing
16 undergraduate studies at a subsidized, one percent interest rate. The
17 legislature intends to fund the state student loan program by
18 increasing the real estate excise tax on properties over one million
19 dollars, identifying the economic relationship between student loans
20 and homeownership.

21 NEW SECTION. **Sec. 2.** The definitions in this section apply
22 throughout this chapter unless the context clearly requires
23 otherwise.

24 (1) "Borrower" means an eligible student who has received a
25 student loan under the Washington student loan program.

26 (2) "Eligible expenses" means reasonable expenses associated with
27 the costs of acquiring an education, such as tuition, fees, books,
28 equipment, room and board, and other expenses as determined by the
29 office.

30 (3) "Eligible program" means a postsecondary education program
31 that leads to a certificate, associate's degree, or bachelor's
32 degree.

33 (4) "Eligible student" means a student who meets the definition
34 of resident student, graduated from a Washington high school, is
35 enrolled in an institution of higher education in an eligible
36 program, and has completed either the free application for federal
37 student aid or the Washington application for state financial aid.

38 (5) "Gift aid" means federal, state, institutional, or private
39 financial aid provided for educational purposes with no obligation of

1 repayment. "Gift aid" does not include student loans or work-study
2 programs.

3 (6) "Institutions of higher education" include the state
4 universities, the regional universities, The Evergreen State College,
5 the community and technical colleges, and private not-for-profit
6 institutions of higher education authorized to participate in state
7 financial aid programs.

8 (7) "Office" means the office of student financial assistance
9 established under chapter 28B.76 RCW.

10 (8) "Program" means the Washington student loan program.

11 (9) "Resident student" has the same meaning as provided in RCW
12 28B.15.012(2) (a) through (e).

13 (10) "Student loan" means a loan that is approved by the office
14 and awarded to an eligible student.

15 (11) "Washington high school" means a Washington public high
16 school, a Washington private high school under chapter 28A.195 RCW,
17 or home-based instruction under chapter 28A.200 RCW.

18 NEW SECTION. **Sec. 3.** (1) The Washington student loan program is
19 created to assist students who need additional financial support to
20 obtain postsecondary education.

21 (2) The Washington student loan program must be administered by
22 the office. In administering the program, the office must:

23 (a) Screen and select eligible students to receive student loans;

24 (b) Issue low-interest student loans;

25 (c) Establish annual and lifetime loan limits;

26 (d) Define the terms of repayment;

27 (e) Collect and manage repayments from borrowers;

28 (f) Establish an appeals process;

29 (g) Exercise discretion to revise repayment obligations in
30 certain cases, such as economic hardship or disability;

31 (h) Publicize the program; and

32 (i) Adopt necessary rules.

33 NEW SECTION. **Sec. 4.** (1) Beginning with the academic year
34 2021-22, the office may award student loans under the program to
35 eligible students from the funds available in the Washington student
36 loan account created in section 6 of this act.

37 (2) The office must set the interest rate for student loans
38 issued under the program at one percent to begin accruing six months

1 after the borrower is no longer enrolled on at least a half-time
2 basis at an institution of higher education.

3 (3) The office must establish repayment procedures for student
4 loans issued under the program, but in no event shall the period of
5 repayment exceed ten years from the borrower's termination of
6 enrollment at an institution of higher education, or fifteen years
7 from the date of the borrower's first loan, whichever is less.

8 (4) The office must determine annual and lifetime loan limits,
9 but a loan may not exceed the eligible student's cost of attendance
10 as determined by the institution of higher education, less all gift
11 aid.

12 (5) The office must establish an appeals process for borrowers
13 who believe there is an unresolved error in the servicing of their
14 loan. The office must provide borrowers with a description of the
15 appeals process.

16 NEW SECTION. **Sec. 5.** The office may contract with a third-party
17 entity to provide loan servicing for student loans issued under the
18 program. The third-party entity must comply with all of the
19 requirements for student education loan servicers under chapter 31.04
20 RCW.

21 NEW SECTION. **Sec. 6.** The Washington student loan account is
22 created in the custody of the state treasurer. All receipts from RCW
23 82.45.060(2)(a)(iii) must be deposited in the account. Expenditures
24 from the account may be used only for the program. Only the director
25 of the office or the director's designee may authorize expenditures
26 from the account. The account is subject to the allotment procedures
27 under chapter 43.88 RCW, but an appropriation is not required for
28 expenditures.

29 NEW SECTION. **Sec. 7.** (1) The office must collect data on the
30 program. The data must include, but is not limited to, the following:

31 (a) The number of eligible students who were awarded a student
32 loan;

33 (b) The number of borrowers;

34 (c) The average borrowed annual and total balances;

35 (d) Borrower demographics; and

36 (e) Repayment statistics, such as the number of borrowers in
37 active repayment, delinquency, forbearance, and default.

1 (2) By December 1, 2026, and in compliance with RCW 43.01.036,
2 the office must submit an annual report on the data under subsection
3 (1) of this section and any other relevant information regarding the
4 program to the appropriate committees of the legislature.

5 NEW SECTION. **Sec. 8.** The following acts or parts of acts are
6 each repealed:

7 (1) RCW 28B.97.010 (Washington higher education loan program) and
8 2011 1st sp.s. c 11 s 174 & 2009 c 215 s 13; and

9 (2) RCW 28B.97.020 (Definitions) and 2012 c 229 s 561, 2011 1st
10 sp.s. c 11 s 175, & 2009 c 215 s 14.

11 NEW SECTION. **Sec. 9.** Sections 1 through 7 of this act
12 constitute a new chapter in Title 28B RCW.

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