
HOUSE BILL 1354

State of Washington 60th Legislature 2007 Regular Session

By Representatives Chase, Wallace, Simpson, Dunn, Morrell and Santos

Read first time 01/17/2007. Referred to Committee on Higher Education.

1 AN ACT Relating to creating a low-interest student loan program for
2 higher education; adding a new chapter to Title 28B RCW; providing an
3 effective date; and declaring an emergency.

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

5 NEW SECTION. **Sec. 1.** (1) The legislature finds that:

6 (a) The cost of college attendance has risen faster than inflation
7 over the past decade;

8 (b) Grant and loan aid available from the federal government has
9 failed to keep pace with inflation;

10 (c) More people are borrowing large amounts to pay for college than
11 ever before;

12 (d) An increasing number of students are using high-interest rate
13 private student loans and credit cards to pay the costs of college
14 attendance; and

15 (e) The provision of access to higher education is a fundamental
16 purpose of state government.

17 (2) It is the intent of the legislature to offer a low-interest
18 loan program with affordable and manageable repayment options to
19 financially needy higher education students.

1 NEW SECTION. **Sec. 2.** The definitions in this section apply
2 throughout this chapter.

3 (1) "Board" means the higher education coordinating board.

4 (2) "Eligible institutions" means the public and private two and
5 four-year institutions of higher education in Washington as defined in
6 RCW 28B.92.030.

7 (3) "Loan" means a low-interest loan provided by the Washington
8 low-interest student loan program.

9 (4) "Program" means the Washington low-interest student loan
10 program.

11 NEW SECTION. **Sec. 3.** (1) The Washington low-interest student loan
12 program is created for students attending eligible institutions of
13 higher education who have unmet financial needs after accessing all
14 need-based federal, state, and institutional financial aid programs
15 available to them. This program creates a revolving loan fund from
16 which loans may be made to eligible students as identified under
17 section 2(1) of this act for higher education purposes at a low-
18 interest rate. The program shall be administered by the higher
19 education coordinating board. In administering the program, the board
20 shall:

21 (a) Select students to receive loans;

22 (b) Adopt necessary rules and guidelines;

23 (c) Publicize the program;

24 (d) Collect and manage repayments from students; and

25 (e) Solicit and accept grants and donations from public and private
26 sources for the program.

27 (2) The board shall begin developing the program no later than July
28 1, 2007, and issue the first student loans no later than January 14,
29 2008.

30 (3) The board, in implementing the program, may make loans to
31 eligible participants from the moneys appropriated to the board for
32 this purpose, or from any private donations, or any other moneys given
33 to the board for this program.

34 NEW SECTION. **Sec. 4.** The board shall design the Washington low-
35 interest student loan program with the following parameters:

1 (1) Subject to availability of moneys in the low-interest student
2 loan account, loans may be made to financially needy Washington
3 residents applying for student financial aid. Students will be ranked
4 by need with priority given to:

5 (a) Students who are classified as independent for financial aid
6 purposes; and

7 (b) Students enrolled in high-demand programs at eligible
8 institutions.

9 (2) Loans are not intended to supplant any grant, scholarship, or
10 tax program related to postsecondary education. If the board finds
11 that low-interest loans supplant or reduce any grant, scholarship, or
12 tax program for categories of students, then the board shall adjust the
13 financial eligibility criteria or the amount of the loan to the level
14 necessary to avoid supplanting.

15 (3) Students must be pursuing undergraduate coursework at eligible
16 institutions.

17 (4) Loans may be used only for college-related expenses, including
18 but not limited to, tuition, room and board, books, and materials.

19 (5) The interest rate on the loans shall be fixed at five percent,
20 and loans must have an origination fee of five percent. The
21 origination fee shall be deducted from the amount disbursed to the
22 student. The board retains the origination fee to offset the cost of
23 making, tracking, and collecting the loans.

24 (6) Loans may be made to an individual student for a maximum of
25 four years.

26 (7) The amount loaned to an individual student may not exceed three
27 thousand dollars per academic year.

28 (8) Loans may not be awarded to any student who is pursuing a
29 degree in theology.

30 NEW SECTION. **Sec. 5.** (1) Repayment of the student loan begins
31 when the borrower meets whichever of the following criteria that occurs
32 first:

33 (a) Six months after completing an associate degree, unless the
34 student has entered a baccalaureate program during that time;

35 (b) Six months after completing a baccalaureate degree;

36 (c) Six months after a student leaves or withdraws from school, or
37 drops below half-time attendance; or

1 (d) Five years after first receiving a loan under this chapter,
2 even if the borrower has not yet completed an undergraduate degree.

3 (2) Students who begin repayment before earning their first
4 associate or baccalaureate degree are entitled to have their loans
5 deferred without accruing interest upon enrollment more than half time
6 at an eligible institution to complete an associate or baccalaureate
7 degree.

8 (3) The maximum period for repayment is ten years from the date the
9 first payment is required.

10 (4) The board is responsible for collection of repayments made
11 under this section and shall exercise due diligence in such collection,
12 maintaining all necessary records to ensure that maximum repayments are
13 made. Collection and servicing of repayments under this section shall
14 be pursued using the full extent of the law, including wage garnishment
15 if necessary.

16 (5) Receipts from the payment of principal, interest, origination
17 fees, or any other subsidies to which the board as administrator is
18 entitled, that are paid by or on behalf of participants under this
19 section, shall be deposited in the low-interest student loan account
20 and shall be used to cover the costs of granting the loans, maintaining
21 necessary records, and making collections under subsection (4) of this
22 section. The board shall maintain accurate records of these costs, and
23 all receipts beyond those necessary to pay such costs shall be used to
24 grant loans to eligible students.

25 (6) The board shall adopt rules to define the terms of repayment,
26 fees other than origination fees, and provisions for deferments or
27 exemption. In adopting rules, the board shall incorporate the
28 following recommendations from the project on student debt:

29 (a) Loan payments for all student loans are limited to a reasonable
30 percentage of income;

31 (b) Family size shall be taken into consideration when determining
32 reasonable payments; and

33 (c) A simple application process for hardship deferments and other
34 repayment options shall be developed.

35 NEW SECTION. **Sec. 6.** (1) The low-interest student loan account is
36 created in the custody of the state treasurer. An appropriation is not

1 required for expenditures of funds from the account. The account is
2 not subject to allotment procedures under chapter 43.88 RCW except for
3 moneys used for program administration.

4 (2) The board shall deposit in the account all moneys appropriated
5 or received for the program. Revenues to the account shall consist of
6 funds appropriated by the legislature for the low-interest student loan
7 program, private contributions to the program, and receipts from
8 participant repayments.

9 (3) Expenditures from the account may be made solely for low-
10 interest student loans to participants in the program established by
11 this chapter and costs associated with program administration by the
12 board.

13 (4) Disbursements from the account may be made only on the
14 authorization of the board or its designee.

15 NEW SECTION. **Sec. 7.** Sections 1 through 6 of this act constitute
16 a new chapter in Title 28B RCW.

17 NEW SECTION. **Sec. 8.** This act is necessary for the immediate
18 preservation of the public peace, health, or safety, or support of the
19 state government and its existing public institutions, and takes effect
20 July 1, 2007.

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