

FINAL BILL REPORT

EHB 1823

C 389 L 23
Synopsis as Enacted

Brief Description: Modifying the Washington student loan program.

Sponsors: Representatives Timmons, Slatter and Ramel.

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

Background:

The Washington Student Loan Program (Program) was created in 2022 to offer student loans to residents with financial need pursuing undergraduate and high-demand graduate studies at a subsidized, 1 percent interest rate. The Washington Student Achievement Council (WSAC) administers the program and consulted with the Office of the State Treasurer and the State Investment Board on the program design and implementation plan.

The WSAC is required to contract with an independent actuary to conduct an analysis on the sustainability of the Program design, including the ability of the Program to operate as self-sustaining if issuing 1 percent interest rate loans. In January 2023 the WSAC reported to the Governor and Legislature on the Program's design, sustainability, and implementation. That report makes policy recommendations to define self-sustainability as a target life cycle of the fund for five to 10 years.

The WSAC is authorized to start awarding student loans beginning with the 2024-25 academic year. To the extent feasible, the Program must include the design recommendations as recommended in the report. If the independent actuary determines the Program design is not self-sustaining with a 1 percent interest rate, student loans may not be issued under the Program.

To qualify for a student loan under the Program, a student must be a resident, have a family

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income at or below the state median family income, be enrolled on at least a half-time basis at an institution of higher education, and complete a financial aid application. All undergraduate students who meet the requirements are eligible, but graduate students must be enrolled in a specialized field of study that has a workforce shortage or is considered high-demand, as determined by the WSAC. The WSAC must also ensure that institutions of higher education have a policy for prioritizing student loans for eligible students who have greater unmet financial need, are lowest income, are first-generation college students, and who have received loans under the program in prior years.

The WSAC must contract with one or more state-based financial institutions regulated under either the Washington State Credit Union Act or the Washington Commercial Bank Act for loan origination and may contract with a third-party for loan servicing. The WSAC must use an open and competitive bid process in the selection of one or more state-based financial institutions. A third-party entity providing loan servicing must comply with the requirements of student loan servicers under the Consumer Loan Act.

The WSAC must collect data on the Program in collaboration with institutions of higher education and submit an annual report to the Legislature beginning December 1, 2026. The data WSAC must collect includes:

- number of borrowers;
- average borrowed annual and total balances;
- borrower demographics;
- institutions of higher education and educational fields of borrowers; and
- repayment statistics, including data on borrowers in repayment, deferment, delinquency, forbearance, and default.

The Program account is held in the State Treasury as an appropriated account. Only the Executive Director of the WSAC or their designee may authorize expenditures from the account.

Summary:

The requirement that WSAC contract with an independent actuary to conduct an analysis on the sustainability of the Program, including the ability of the Program to operate as self-sustaining if issuing 1 percent interest rate loans, is eliminated. Instead, the WSAC may retain a consultant and one or more financial advisors to design a loan program to provide consultation on the sustainability of the Program. To the extent practicable, the Program account is required to have a minimum life cycle of seven years.

Loan interest rates are limited to 2.5 percent or below and interest accrues during all periods except when enrolled in an eligible graduate degree program. Loan limits must not exceed \$20,000 per borrower annually and repayment options must not exceed 25 years, except under certain circumstances such as economic hardship or disability.

Through an open and competitive bid process, the WSAC may select one or more financial institutions for loan origination and servicing for the Program.

The WSAC may start awarding student loans beginning with the 2025-26 academic year. The WSAC is required to provide a second report on the design, sustainability, and implementation plan for the Program to the Governor and the Legislature by December 1, 2023.

Eligible participants are limited to graduate students enrolled in specialized fields of study that have a workforce shortage or are considered high-demand, such as professions in healthcare, behavioral and mental health, early education, kindergarten through grade 12, higher education, law enforcement, public safety, and others, as determined by the WSAC. Eligibility criteria for loan prioritization is expanded to eligible participants who are demographically underrepresented or do not qualify for federally funded student financial aid. An eligible participant no longer needs to meet all of the criteria to be prioritized, but at least one.

Postgraduate employment data and time to degree completion are elements added to the required data collection on the Program, which must be submitted annually to the Legislature beginning December 1, 2027.

The restriction that only the Executive Director of the WSAC or their designee may authorize expenditures from the account is eliminated. Administration from the account is also modified by limiting appropriation to no more than \$40 million for the first four consecutive fiscal years, beginning with the first fiscal year from which the loans are issued. In the fifth fiscal year following the first year loans were issued, an additional \$10 million may be appropriated. The Legislature is permitted to appropriate funds for administrative and implementation costs prior to the first year in which loans are issued.

Votes on Final Passage:

House	67	29	
Senate	36	13	(Senate amended)
House	57	40	(House concurred)

Effective: July 23, 2023
July 1, 2024 (Section 10)