

FINAL BILL REPORT

3SHB 1169

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Synopsis as Enacted

Brief Description: Enacting the student opportunity, assistance, and relief act.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Orwall, Pollet, Appleton, Goodman, Tarleton, Bergquist, Stanford, Fitzgibbon, Doglio and Wylie).

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

Background:

Student Loan Debt.

Federal and private student loans may be used to cover tuition and fees, books, supplies, and costs of attendance at a postsecondary institution. There are two federal student loan programs: the William D. Ford Federal Direct Loan (Direct Loan) Program and the Federal Perkins Loan Program. The Direct Loan Program is the largest program, and the United States Department of Education is the lender. Under the Perkins Loan Program the institution is the lender, and loans are provided to students with exceptional financial need. If a student does not qualify for federal student loans, or the student has unmet need, the student may use private student loans to cover their costs. Private student loans typically have higher interest rates, require good credit or a cosigner, and have less repayment options than federal student loans.

According to the Institute for College Access and Success' Project on Student Debt, 58 percent of 2015 Washington graduates of four-year public and private nonprofit institutions had student loan debt with an average balance of \$24,804.

Student Loan Default.

A federal student loan falls into default if a borrower fails to make a payment for 270 days. Upon default, the entire balance of the loan, including interest, becomes due, and the borrower loses the options of deferment, forbearance, and repayment plans. In addition to the collection's process, the federal government may collect payment through treasury

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offsets, tax offsets, and wage garnishment. The federal government may garnish up to 15 percent of a borrower's disposable pay and seize a borrower's federal or state tax refund or payments, such as Social Security.

Private student loans vary, but may have between 90 to 180 days in delinquency before a borrower defaults. Upon default, the loan is sent to a collection agency, and the lender may sue the borrower to obtain a judgment, in which case a judgment interest rate is added onto the loan. The judgment interest rate is either the rate set forth in the contract or 12 percent. The judgment can be used to obtain a writ of garnishment to garnish the borrower's bank accounts and wages. Private student loan debt is considered consumer debt, and a borrower is allowed an exemption of \$500 for all bank accounts, savings and loan accounts, stocks, bonds, or other securities. Wages exempt from garnishment is the greater of the following:

1. 35 times the federal minimum hourly wage; or
2. 75 percent of disposable earnings.

Professional License Suspension for Defaulted Education Loans.

In 1996 legislation was enacted that allowed an agency or board in charge of issuing a professional license to suspend the license of a borrower who defaults on a federal or state-guaranteed educational loan or service-conditional scholarship, if reported by the lending agency. There are 21 states, including Washington, that have similar laws.

Professional license suspension for educational loan default applies to lawyers, accountants, architects, auctioneers, cosmetologists, hair designers, barbers, manicurists, estheticians, assisted living facility providers, contractors, embalmers and funeral directors, engineers and land surveyors, escrow agents, birthing center operators, poison information specialists, real estate brokers and managing brokers, landscape architects, water well construction operators, plumbers, real estate appraisers, court reporters, fire sprinkler system contractors, private investigators, security guards, process servers, bail bond agents, boxers, martial artists, wrestlers, teachers, and health care professionals.

Summary:

Part I: Professional License Suspensions.

All provisions that allow an agency to suspend a professional license due to student loan default, if reported by a lending agency, are repealed, except for escrow agents.

Part II: Private Student Loan Debt.

For unpaid private student loan debt, the judgment interest rate is 2 percentage points above the prime rate, as published by the Board of Governors of the Federal Reserve System on the first business day of the calendar month immediately preceding the date of entry, unless the interest rate is specified in the loan contract and set forth in the judgment.

The exemption allowed for bank accounts, savings and loan accounts, stocks, bonds, or other securities for private student loan debt is \$2,500, regardless of the number of existing separate accounts, stocks, bonds, or securities. For garnishment based on a judgment issued for the collection of private student loan debt, wages exempt from garnishment is the greater of the following:

1. 50 times the minimum hourly wage of the highest minimum wage law in the state at the time the earnings are payable;
2. or 85 percent of disposable earnings.

If a writ of garnishment or a writ for continuing lien on earnings is issued under an order or judgment for private student loan debt, the forms notifying the debtor of the garnishment or continuing lien on earnings must specify that the garnishment or continuing lien is based on an order or judgment for private student loan debt. The form notifying a debtor of garnishment and their exemption rights must state the bank account and wage garnishment exemptions for private student loan debt, if the debt was for private student loans.

In addition, a cell phone, personal computer, and printer are added to the list of personal property items exempt from execution, attachment, and garnishment.

A private student loan is defined as any loan not guaranteed by the federal or state government that is used solely for personal use to finance post secondary education and costs of attendance at an educational institution. A private student loan includes a loan made solely to refinance a private student loan. A private student loan does not include an extension of credit made under an open-end consumer credit plan, a reverse mortgage transaction, a residential mortgage transaction, or any other loan that is secured by real property or a dwelling.

Votes on Final Passage:

House	76	22	
House	79	15	
Senate	48	0	(Senate amended)
House	80	16	(House concurred)

Effective: June 7, 2018