

2017 LEGISLATIVE SESSION AG REQUEST LEGISLATION

Student Loan Transparency Act

Provide students with regular statements reflecting the outstanding balance of their student loans and estimated monthly payments upon graduation. The purpose is to increase awareness of the long-term impact of student loans and reduce avoidable borrowing.

PROBLEM

For many students, loans are necessary to reach their educational goals. Students often lack basic information about their student loans, including the amount of the loans and what their monthly payments are likely to be. According to the Brown Center on Education Policy at Brookings, "... about half of all first-year students in the U.S. seriously underestimate how much student debt they have, and less than one-third provide an accurate estimate within a reasonable margin of error."¹

The majority of Washingtonians graduate from colleges and universities with debt—\$24,000 on average.² The average student loan balance rises with each new graduating class.³ This is a significant financial burden to carry when beginning a new career.

BACKGROUND

During the 2012-13 academic year Indiana University sent an annual loan statement to students. Combined with other financial literacy initiatives, undergraduate borrowing reduced **by almost 16 percent over two years.**⁴ Building on this success, the Indiana Legislature passed a bill requiring that all postsecondary institutions accessing state financial aid provide the following to each student annually:

- An estimate of the students' total education loans;
- An estimate of the total amount owed including interest;
- An estimate of the students' expected monthly payment, including principal and interest; and
- The percentage of the federal borrowing limit the student has reached.

Recently, Wisconsin and Nebraska have followed Indiana's lead and passed similar legislation.

LEGISLATION (SB 5022 / HB 1057)

Makes it easier for students to understand the long-term implications of their borrowing decisions. It requires colleges and other institutions of higher education to provide notices to students detailing their loan balances and estimated monthly payments at least annually and within 30 days of the disbursement of a loan.

Passed the House and Senate unanimously
Signed by Governor April 27, 2017, Effective July 23, 2017

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1: "Are College Students Borrowing Blindly?" Elizabeth J. Akers and Matthew M. Chingos, Brown Center on Education Policy at Brookings, December 2014.

2: The Institute for College Access & Success, http://ticas.org/posd/map-state-data-2015#overlay=posd/state_data/2015/wa This figure includes only data from graduates of public and private nonprofit colleges, and does not include data from graduates of private for-profit colleges, or students who did not complete their program of study.

3: Ibid.

4: Indiana Commission for Higher Education, http://www.isfaa.org/docs/training/20151211_HouseAct1042-2015Webinar_Implementation.pptx