

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

Rule File No. 0448

05.0009.0448

withdrawn 2-5-86

RULE REVIEW CHECKLIST

resubmitted

DATE RULE RECEIVED 1-22-86 2/4/86 Adopted w/a hearing _____
DATE FOR REVIEW 1-31 ~~2-24-86~~ Adopted w/o hearing ✓
DATE DUE 2-5 ~~2-28-86~~ 2-24-86 Temporary rule _____

Approved 2-18-86 mjc Disapproved _____ Returned to Agency _____

Resubmitted _____ Due _____
Approved _____ Disapproved _____ Returned to Agency _____

Date filed w/Secretary of State 2-18-86 Revisor approved 1.24.86 disapproved _____

✓ Rule as Adopted

✓ Rule as Proposed

? Order Adopting 12.12.85 Date — mistakenly says "temp. rulemaking notice published" — misciteto APA - should be "14.22", not 14.14 — incomplete citation to stat authority - should be "Laws 84, ch 654, Art 4, §3.

N/A Notice of Intent to Solicit Outside Opinion

_____ Order for rulemaking
_____ date of Hearing not submitted

✓ Certificate of Board's Authorizing Resolution 2.21.85

✓ Notice of rulemaking
? Sufficiency same incomplete citation as above

✓ Affidavit of Mailing Notice or rulemaking
10.10.85 At least 30 days prior to ~~hearing~~/adoption

? Mailing list Certificate combined with Affidavit Mailing but certifies that list is complete as of 7.30.85 - 2 mths prior to mailing

✓ Publication in State Register
10.7.85 At least 30/~~20~~ days prior to ~~hearing~~/adoption

same incomplete citation as above

N/A Hearing Examiner's Report

✓ Chief Hearing Examiner's Report(s)
_____ Approving H.E.'s Report
_____ Approving agency action

? Agency's Findings of Fact combined w/ Order Adopting (why? - when Order Adopting also submitted)
same incomplete citation as above

N/A LCRAR Report or agency Affidavit

✓ Certificate of Board's Resolution Adopting Rules
same incomplete citation as above

N/A Order Approving Incorporation by Reference

✓ Statement of Need and Reasonableness

N/A Petition for Adoption of a Rule

✓ Record (includes transcript or tape, exhibits, comments received by agency, requests for a hearing, and other relevant materials)

✓ Certificate of Compliance w/Rulemaking Procedures

N/A Affidavit of Mailing Notice of Submission to Attorney General

✓ Notice of Submission to the Attorney General

prepared but not applicable.

SF-00006-03

STATE OF MINNESOTA

DEPARTMENT ATTORNEY GENERAL

Office Memorandum

TO: DAVID A. LONGANECKER, Executive Director
Minnesota Higher Education Coordinating Board

DATE: 2/18/86

ATTN: LAURA E. MATTSON
Special Assistant Attorney General

FROM: MARTHA J. CASSERLY
Special Assistant Attorney General

PHONE: 296-4692

SUBJECT: In the Matter of the Proposed Adoption of the Rule of the Minnesota Higher Education Coordinating Board Governing the Student Educational Loan Fund

The above-referenced rule has been approved as to its legality by the Attorney General on February 18, 1986.

Enclosed is the agency's copy of the approved rule. This office has already filed two copies of the approved rule with the Secretary of State, who will forward one copy to the Revisor of Statutes. The fourth copy is being retained by this division of the Attorney General's Office for its records.

Also enclosed are any petitions, requests, submission or comments received by the agency and any extra copies of documents which the agency submitted to the Attorney General.

In order for a permanent rule without a hearing to become effective, your agency must publish a notice of adoption in the State Register in accordance with Minn. Stat. § 14.27. An emergency rule becomes effective five working days after approval by the Attorney General; however, the agency must publish a notice in the State Register in accordance with Minn. Stat. § 14.34.

If you have any questions in this regard, please contact me.

MJC:pmf

Enclosures

cc: Maryanne Hruby
Executive Director
Legislative Commission to Review
Administrative Rules

Duane Harves
Chief Administrative Law Judge
Office of Administrative Hearings

RR1248

Higher Education Coordinating Board

Adopted Rules Relating to Supplemental Student Loans

Rules as Adopted

STUDENT EDUCATIONAL LOAN FUND (SELF)

MINNESOTA HIGHER EDUCATION COORDINATING BOARD (MHECB)

SUPPLEMENTAL AND ADDITIONAL LOANS

4850.0010 PURPOSE.

The purpose of parts 4850.0010 to 4850.0018 is to augment Minnesota Statutes, sections 136A.14 to 136A.141, and 136A.15 to 136A.1702, establishing a state program of supplemental loans to post-secondary students by providing standards, criteria, and rules for the program.

4850.0011 DEFINITIONS.

Subpart 1. **Academic year.** "Academic year" means:

A. a period of time, typically eight or nine months, in which a full-time student is expected to complete the equivalent of at least two semesters, two trimesters, or three quarters at an eligible school using credit hours; or

B. at least 900 clock hours of training for a program at an eligible school using clock hours.

Subp. 2. **Anticipated graduation date.** "Anticipated graduation date" means the date indicated by the eligible school at the time the student applies for a SELF loan, as the date that the student will graduate given the enrolled program and normal satisfactory academic progress.

Subp. 3. **Board.** "Board" means the Minnesota Higher Education Coordinating Board.

Subp. 4. **Capitalized interest.** "Capitalized interest" means accrued interest that is added to the outstanding loan principal.

Subp. 5. **Certificate or degree.** "Certificate" or "degree" means a written or printed statement of the fact that the holder has met the eligible school's minimum requirements for

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completion and certifying a minimum mastery of the subject matter for a particular academic or vocational program.

Subp. 6. **Certification.** "Certification" means the statement of an eligible school that verifies and documents the identity, eligible enrollment, satisfactory academic progress, and cost of attendance of the borrower; performs the "maximum effort" test; and calculates the maximum allowable SELF loan eligibility and recommends a specific loan amount. The certification also shall indicate whether or not the student is in default of previous loans through:

A. checking loan history at the school;

B. checking an available financial aid transcript from a school previously attended by a borrower who is a transfer student; and

C. using any other information reasonably available to the school about the student's prior student loan history, written, verbal, or electronic.

Subp. 7. **Correspondence or external degree program.** "Correspondence or external degree program" is one that has no campus-based requirements or that provides the student no face-to-face contact with the financial aid officer.

Subp. 8. **Cost of attendance.** "Cost of attendance" includes:

A. tuition and fees charged for the loan period;

B. room and board charged for the loan period, or a reasonable allowance as determined by the school, for off-campus living; and

C. a reasonable allowance as determined by the school for books, supplies, transportation, and personal expenses.

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A. no credit bureau balances discharged through bankruptcy;

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C. no delinquent or unsatisfied credit obligation

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such as tax or mechanics liens, or judgments; or

D. no more than five percent of current credit bureau balances past due.

Subp. 10. **Cosigners.** All borrowers from the student educational loan fund shall have a credit worthy cosigner who is either a United States citizen or a permanent resident. The cosigner is jointly and separately responsible for making loan payments (principal, interest, and other charges). The cosigner is relieved of this financial responsibility only in the event of death or permanent disability of the borrower.

A. A cosigner must be at least 18 years old.

B. A cosigner must be a person or an eligible school.

If the cosigner is unemployed, retired, or has no credit history, credit-worthiness shall be determined by the board, by a review of banking references and a review of net worth data with a minimum test requiring that net worth equal or exceed a sum ten times the size of each loan amount requested.

Subp. 11. **Default.** "Default" means the condition that exists if the borrower fails to perform any of the conditions of the promissory note.

Subp. 12. **Delinquency.** "Delinquency" means the condition that exists when a borrower's scheduled payment of principal or interest or both is received by the board after the due date.

Subp. 13. **Due diligence.** "Due diligence" means the use of practices by the board in making, servicing, and collecting of SELF loans that are at least as extensive and forceful as those generally practiced by financial institutions for consumer loans.

Subp. 14. **Eligible school.** "Eligible school" means a school that:

A. has been approved by the United States Department of Education to participate in federal title IV financial aid programs;

B. is located in the United States or its territories; and

C. signs an institutional loan participation agreement with the Minnesota Higher Education Coordinating Board

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that lists the duties and responsibilities of both the school and the board.

Subp. 15. **Eligible student.** "Eligible student" means a student who:

A. is enrolled in an eligible school in Minnesota, or is a Minnesota resident enrolled in an eligible school in another state or United States territory or is a student who graduated from a Minnesota high school and has not since established residence in another state and is enrolled in an eligible school in Minnesota or another state or United States territory;

B. is enrolled at least half-time in a program (other than a correspondence or external degree program) leading to a certificate, associate, baccalaureate, masters, doctorate, or other professional degree;

C. is making satisfactory academic progress as defined by the school;

D. is not currently in default, as defined by each specific program, of any student educational loan program (GSL, FISL, NDSL, HPL, HEAL, ALAS, or other state supplemental loan program) at the current or any previous school;

E. is not currently delinquent in payment of interest or principal on an outstanding loan from the student educational loan fund;

F. has a credit worthy cosigner;

G. demonstrates financial eligibility by meeting the "maximum effort" test; ~~and~~

H. has an anticipated graduation date no later than November 1, 1992; and

I. has agreed to the release of information to a consumer credit reporting agency, as listed in part 4850.0012, subpart 4.

Subp. 16. **Enrolled student.** "Enrolled student" means a student who has registered for and begun the loan period at the eligible school.

Subp. 17. **Financial aid.** "Financial aid" includes all

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money flowing to the student that is contingent upon the student's enrollment at the eligible school.

Subp. 18. **Forbearance.** "Forbearance" means permitting the temporary halt of payments, allowing an extension of time for making payments, or accepting smaller payments than were scheduled.

Subp. 19. **Full-time student.** "Full-time student" means one who is enrolled in an eligible school and who carries a full-time post-secondary level, vocational or academic workload as determined by the eligible school, ending in a certificate or degree.

Subp. 20. **Grade level.** "Grade level" means the relative position of an eligible student in a degree or certificate granting program, and corresponds to an academic year. (For example, an eligible student in the second year of a four-year program would be in grade level 02.)

Subp. 21. **Graduate student.** "Graduate student" means a student who is pursuing a program, or has a baccalaureate degree and is enrolled in courses which are normally part of a program leading to a graduate or professional degree or certificate at an eligible school, and has successfully completed the equivalent of at least three years of full-time study at an eligible school either prior to entrance into the program or as part of the program itself.

Subp. 22. **Half-time student.** "Half-time student" means one who is enrolled in an eligible school and carrying a half-time academic workload as determined by the eligible school that amounts to at least one-half the workload of a full-time certificate or degree seeking student. In eligible schools utilizing clock hours, half-time enrollment includes programs requiring at least 300 clock hours.

Subp. 23. **In-school period.** "In-school period" means the period that the borrower is enrolled in an eligible school.

Subp. 24. **Late charge.** "Late charge" means a charge, not to exceed $20, that is assessed against borrowers each time a payment of principal and/or interest is received by the board

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more than 15 days after the due date.

Subp. 25. **Loan period.** "Loan period" means the period for which the student receives the loan. The period begins on the first day of class and must not exceed 12 months.

Subp. 26. **Maximum effort.** To have used "maximum effort" means that the student has applied for and exhausted all eligibility for other forms of financial aid (except work-study, PLUS/ALAS, and HEAL) before applying for a SELF loan. Financial aid administrators must include any financial aid that has been awarded or is expected to be awarded to the student for the loan period.

Subp. 27. **Payout period.** "Payout period" means the time period which begins immediately following the transition period and runs to the earliest of:

A. November 1, 2000; or

B. ten years from the date the student ceases to be an eligible student; or

C. fifteen years from the date of the first loan check; or

D. a period negotiated with the borrower.

Subp. 28. **The bonds.** "The bonds" means the variable rate demand bonds series 1984 issued by the Minnesota Higher Education Coordinating Board due December 1, 2000, for purposes of funding the student educational loan fund.

Subp. 29. **Transition period.** "Transition period" means a one-year (365 days) period immediately following graduation or termination of enrollment.

Subp. 30. **Undergraduate student.** "Undergraduate student" means a student who is not a graduate student.

4850.0012 SCHOOL AGREEMENTS AND STUDENT APPLICATIONS.

Subpart 1. **Institutional loan participation agreement.** The eligible school and the board must sign a loan participation agreement that will:

A. state the eligible school's responsibility for proper certification and delivery of loans to students; and

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B. name a representative of the eligible school who is to be responsible for the administration of the agreement.

Subp. 2. **Termination.** The board may terminate the agreement with an eligible school upon determining that the school is not complying with the rules in parts 4850.0010 to 4850.0018. All obligations of the school under the agreement shall continue in full force and effect with respect to all SELF loans then outstanding to students of the school.

Subp. 3. **Application, guarantee, and promissory note.** The student shall complete the SELF application and attached promissory note, and deliver or mail them to the eligible school for certification. The eligible school shall then deliver or mail the application and promissory note to the student who shall deliver or mail them to the cosigner who shall complete his or her portion of the application and promissory note and deliver or mail them to the board. The board will check the application and promissory note for completeness, determine the eligibility of the applicant, and conduct a credit check of the cosigner. If the board approves the loan application, the document file shall be sent to the trustee (or agent) for approval. The trustee (or agent) shall approve the application and forward the document file to the servicer or shall reject the application and return the document file to the board. The servicer shall enter the application on the servicing computer system, prepare and mail a disclosure statement to the borrower and cosigner, advise the school of the loan approval, schedule disbursements, deduct and mail the guarantee fee from the loan proceeds to the insurer, and place the document file in permanent storage. If the board rejects the loan application, the applicant and the cosigner must be advised in writing of the decision and the reasons for the rejection.

Subp. 4. **Release of information.** The following information about the borrower and cosigner will be periodically released to a consumer credit reporting agency throughout the life of the loan:

A. the lender-assigned borrower identification

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number, if any;

B. the name and address of borrower;

C. the name and address of cosigner;

D. the date the account is opened;

E. the outstanding account balance;

F. the dollar amount past due;

G. the number of payments past due;

H. the number of late payments in previous 12 months;

I. the type of account;

J. the responsibility for the account; and

K. the status or remarks code.

4850.0014 AMOUNT AND TERMS.

Subpart 1. **Loan amounts.** The minimum loan amount from the student educational loan fund is $1,000.

The maximum loan amounts are:

A. for an undergraduate student, $4,000 per academic year as long as the loan amount does not exceed the cost of attendance less all other financial aid (including PLUS loans borrowed on the student's behalf); and the cumulative student loan debt (excluding PLUS loans borrowed on the student's behalf) does not exceed the following grade level limitations:

(1) grade level 1, $ 4,000;

(2) grade level 2, $ 8,000;

(3) grade level 3, $12,000;

(4) grade level 4, $16,000; and

(5) grade level 5, $16,000;

B. for a graduate student, $6,000 per academic year as long as the loan amount does not exceed the cost of attendance less all other financial aid (including PLUS loans borrowed on the student's behalf); and the cumulative student loan debt of the student (excluding PLUS loans borrowed on the student's behalf) does not exceed $25,000 for both undergraduate and graduate education.

Subp. 2. **Two loans in one year.** A student may borrow the annual maximum twice in the same academic year as long as:

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A. a total of 11 months elapses from the beginning of the first loan period to the beginning of the second loan period; or

B. advances a grade level, but the student may not exceed the cumulative debt for that grade level.

Subp. 3. **Interest rate.** The interest rate on the loan must be fixed by the board at a margin in excess of the "index rate" on the bonds. If the bonds bear interest at more than one rate at any one time, the "index rate" will be the weighted average of the interest rates. The "index rate" may change on Thursday of each week. If the "index rate" increases or decreases, the interest rate on the loan increases or decreases automatically on the same day without notice to the borrower. If the board determines that the margin does not reflect the costs of the SELF program, the board may increase or decrease the margin within the limits of law. The board shall advise borrowers of changes in the margin. Information about how the interest rate is calculated will be available from the board or the financial aid office at the eligible school.

4850.0015 LOAN DISBURSEMENTS.

Subpart 1. **Disbursement scheduling.** Checks must be jointly payable to the borrower and the eligible school. If the loan period covers more than one academic or payment period, the loan must be disbursed in installments during each academic or payment period. (For example, if an eligible school's academic year is divided by quarters, the student's loan amount may be disbursed in three installments, once each quarter.) Disbursements must be made at the beginning of each academic term, unless the board requires or the school suggests other more appropriate dates.

Subp. 2. **Disbursement when check arrives before loan period.** A loan check must not be disbursed to the student before the start of the loan period. The school must wait until the student starts the loan period and after having checked enrollment and satisfactory academic progress requirements, must

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deliver the check to the student for the student's endorsement. The check must then be endorsed by the school. The school must next subtract from the proceeds the amount owed to it for the payment period, and make arrangements with the student for the use of any remaining proceeds. The remaining proceeds may be returned to the student or retained on account at the election of the student. The school may not keep on account any more money than it charges for that payment period without the written permission of the student.

Subp. 3. **Disbursement when check arrives during loan period.** When the check arrives during the loan period, the school, having checked enrollment and satisfactory academic progress, shall endorse the check along with the student, subtract from the proceeds that amount owed to it for the payment period, and make arrangements with the student for the use of any remaining proceeds. The student has the same options for receiving any remaining proceeds as described in subpart 2. If the student is on a school approved leave of absence when the check arrives, the school may hold the check until the student returns. If the student fails to do so, the check must be returned to the board within 30 days from the date on the check.

Subp. 4. **Disbursement when check arrives after loan period.** When the check arrives after the loan period, the school, having checked enrollment and satisfactory academic progress, may endorse the check along with the student within 30 days from the end of the loan period, subtract from the proceeds that amount owed to it for the payment period, and make arrangements with the student for use of any remaining proceeds. The student has the same options for receiving any remaining proceeds as described in subpart 3. If the check arrives more than 30 days after the end of the loan period, the school must return the check to the board.

4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL.

Subpart 1. **Nonenrollment.** A school shall return a check to the board for a student who fails to enroll within 30 days of

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the date on the check.

Subp. 2. **Withdrawal and transfer to another eligible school.** If the student fails to complete the loan period at the school where the loan application was certified and transfers to another eligible school, additional loan disbursements to the student shall be permitted at the new school as long as the board is notified by the student or the school of the new enrollment. The school must immediately notify the board of any borrower who withdraws for any purpose. Refunds due the student as a result of the process of withdrawing and transferring to another eligible school need not be returned to the board. The new school shall certify the enrollment of the transferring student.

Subp. 3. **Withdrawal.** In the event that a borrower, for any reason, fails to complete a loan period and withdraws at a time when the institution pays a refund of charges to the student, an amount equal to the ratio of the disbursed loan to the total amount of the borrower's financial aid package for the same period is to be subtracted from the institutional refund amount, returned to the board, and applied to the outstanding loan amount.

Subp. 4. **Reduction of enrollment to less than half-time status.** The school shall notify the board immediately when a student reduces enrollment below a half-time status, but remains enrolled. Such a student shall be permitted to remain in an in-school repayment period for no more than six months including normal school vacation periods before the transition period begins.

4850.0017 REPAYMENT PROCEDURES.

Borrowers shall make payments of principal and interest according to the following schedule:

A. During the school period, the board or its agent shall bill borrowers for accrued interest once during each calendar quarter. Payments are due by the 15th day following the date of the billing.

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B. During the transition period, the board or its agent shall bill borrowers for accrued interest once during each calendar month. Payments are due by the 15th day following the date of the billing.

C. During the payout period, the board or its agent shall provide borrowers with coupon books annually for repayment of loan principal and interest. The fixed amount of the coupon shall reflect (1) the interest rate in effect on the loan on the date the coupons are prepared (actual rate), added to a fixed percentage to be determined by the board (assumed rate), (2) the length of the payout period, and (3) the principal balance of the loan plus the amount of any unpaid interest as of the beginning of the year for which coupons are being prepared, assuming all scheduled payments are made. The actual interest rate on the loan must continue to vary. Payments of interest at the assumed rate exceeding actual interest accrued must be applied to the outstanding loan principal. If interest payments at the assumed rate are less than actual interest accrued, any unpaid interest not past due must be included in the calculation of the amount of the coupons for the following year. All of a borrower's SELF loans must be combined into one repayment schedule. The borrower must pay a total of at least $600 each year on all of the borrower's SELF loans. If the borrower's spouse also has SELF loans, their combined annual payments on all SELF loans must be at least $600.

D. Late charges must be billed to the borrower on the 30-day delinquent letter mailed by the board and are due and payable immediately.

E. Interest payments during the in-school period that are delinquent in excess of 120 days from the billing date must be capitalized. Capitalization of past due interest must be limited to two occasions before filing a claim.

F. A prepayment penalty must not be assessed against borrowers who elect to make unscheduled payments of loan principal.

G. The board ~~may~~ shall grant forbearances in those

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instances when the borrower experiences hardship in making payments of principal and/or interest, and when the cosigner has since died or become permanently disabled. Such a forbearance ~~might~~ shall be granted for documented unemployment or similar financial hardship cases and is limited to 90 days, renewable upon further documentation for another 90 days.

H. The board shall provide borrowers and cosigners with an annual statement of outstanding principal and interest paid during the previous calendar year.

4850.0018 CLAIMS.

Subpart 1. **When filed.** If after exercising due diligence, and after 120 days from the billing date the board fails to collect a payment from a borrower or the cosigner, a claim must be filed by the board with the program insurer for the outstanding principal of the loan plus accrued interest.

Subp. 2. **When paid.** Claims are paid in four categories:

A. A claim for death of the borrower must be filed by the board upon receipt of a death certificate. The cosigner's obligation to make any further payment of principal and interest or both on a SELF loan is canceled as of the date of death.

B. If the borrower becomes totally and permanently disabled, a claim must be filed by the board upon receipt of proper medical documentation. The cosigner's obligation to make any further payment of principal and interest on a SELF loan is canceled as of the date of medical documentation.

C. If a borrower or cosigner fails to perform any of the conditions of the promissory note, a claim must be filed by the board.

D. If a borrower is adjudicated bankrupt and has liability for the SELF loan discharged, the cosigner remains liable for unpaid principal and interest. If the cosigner fails to perform any of the conditions of the promissory note, the board shall file a claim.

APPROVED IN THE REVISOR OF STATUTES OFFICE BY:

APPROVED AS TO FORM AND LEGALITY

February 18 1986

HUBERT H. HUMPHREY, III
ATTORNEY GENERAL

BY M J Cassidy
SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
FEB 18 1986 10:58 A.M.

Joan Anderson Growe
Secretary of State

AG copy

Higher Education Coordinating Board

Adopted Rules Relating to Supplemental Student Loans

Rules as Adopted

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MINNESOTA HIGHER EDUCATION COORDINATING BOARD (MHECB)

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These are "facts" - how can they be matters of "judgment" of the Board"?

such as tax or mechanics liens, or judgments; or

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C. signs an institutional loan participation agreement with the Minnesota Higher Education Coordinating Board

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that lists the duties and responsibilities of both the school and the board.

Subp. 15. **Eligible student.** "Eligible student" means a student who:

A. is enrolled in an eligible school in Minnesota, or is a Minnesota resident enrolled in an eligible school in another state or United States territory or is a student who graduated from a Minnesota high school and has not since established residence in another state and is enrolled in an eligible school in Minnesota or another state or United States territory; FF1.

B. is enrolled at least half-time in a program (other than a correspondence or external degree program) leading to a certificate, associate, baccalaureate, masters, doctorate, or other professional degree;

C. is making satisfactory academic progress as defined by the school;

D. is not currently in default, as defined by each specific program, of any student educational loan program (GSL, FISL, NDSL, HPL, HEAL, ALAS, or other state supplemental loan program) at the current or any previous school;

E. is not currently delinquent in payment of interest or principal on an outstanding loan from the student educational loan fund;

F. has a credit worthy cosigner;

G. demonstrates financial eligibility by meeting the "maximum effort" test; ~~and~~

H. has an anticipated graduation date no later than November 1, 1992; and

I. has agreed to the release of information to a consumer credit reporting agency, as listed in part 4850.0012, subpart 4. FF2

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Subp. 17. **Financial aid.** "Financial aid" includes all

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Subp. 20. **Grade level.** "Grade level" means the relative position of an eligible student in a degree or certificate granting program, and corresponds to an academic year. (For example, an eligible student in the second year of a four-year program would be in grade level 02.)

Subp. 21. **Graduate student.** "Graduate student" means a student who is pursuing a program, or has a baccalaureate degree and is enrolled in courses which are normally part of a program leading to a graduate or professional degree or certificate at an eligible school, and has successfully completed the equivalent of at least three years of full-time study at an eligible school either prior to entrance into the program or as part of the program itself.

Subp. 22. **Half-time student.** "Half-time student" means one who is enrolled in an eligible school and carrying a half-time academic workload as determined by the eligible school that amounts to at least one-half the workload of a full-time certificate or degree seeking student. In eligible schools utilizing clock hours, half-time enrollment includes programs requiring at least 300 clock hours.

Subp. 23. **In-school period.** "In-school period" means the period that the borrower is enrolled in an eligible school.

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more than 15 days after the due date.

Subp. 25. **Loan period.** "Loan period" means the period for which the student receives the loan. The period begins on the first day of class and must not exceed 12 months.

Subp. 26. **Maximum effort.** To have used "maximum effort" means that the student has applied for and exhausted all eligibility for other forms of financial aid (except work-study, PLUS/ALAS, and HEAL) before applying for a SELF loan. Financial aid administrators must include any financial aid that has been awarded or is expected to be awarded to the student for the loan period.

Subp. 27. **Payout period.** "Payout period" means the time period which begins immediately following the transition period and runs to the earliest of:

A. November 1, 2000; or

B. ten years from the date the student ceases to be an eligible student; or

C. fifteen years from the date of the first loan check; or

D. a period negotiated with the borrower.

Subp. 28. **The bonds.** "The bonds" means the variable rate demand bonds series 1984 issued by the Minnesota Higher Education Coordinating Board due December 1, 2000, for purposes of funding the student educational loan fund.

Subp. 29. **Transition period.** "Transition period" means a one-year (365 days) period immediately following graduation or termination of enrollment.

Subp. 30. **Undergraduate student.** "Undergraduate student" means a student who is not a graduate student.

4850.0012 SCHOOL AGREEMENTS AND STUDENT APPLICATIONS.

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A. state the eligible school's responsibility for proper certification and delivery of loans to students; and

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B. name a representative of the eligible school who is to be responsible for the administration of the agreement.

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Subp. 3. **Application, guarantee, and promissory note.** The student shall complete the SELF application and attached promissory note, and deliver or mail them to the eligible school for certification. The eligible school shall then deliver or mail the application and promissory note to the student who shall deliver or mail them to the cosigner who shall complete his or her portion of the application and promissory note and deliver or mail them to the board. The board will check the application and promissory note for completeness, determine the eligibility of the applicant, and conduct a credit check of the cosigner. If the board approves the loan application, the document file shall be sent to the trustee (or agent) for approval. The trustee (or agent) shall approve the application and forward the document file to the servicer or shall reject the application and return the document file to the board. The servicer shall enter the application on the servicing computer system, prepare and mail a disclosure statement to the borrower and cosigner, advise the school of the loan approval, schedule disbursements, deduct and mail the guarantee fee from the loan proceeds to the insurer, and place the document file in permanent storage. If the board rejects the loan application, the applicant and the cosigner must be advised in writing of the decision and the reasons for the rejection.

Subp. 4. **Release of information.** The following information about the borrower and cosigner will be periodically released to a consumer credit reporting agency throughout the life of the loan:

A. the lender-assigned borrower identification

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number, if any;

B. the name and address of borrower;

C. the name and address of cosigner;

D. the date the account is opened;

E. the outstanding account balance;

F. the dollar amount past due;

G. the number of payments past due;

H. the number of late payments in previous 12 months;

I. the type of account;

J. the responsibility for the account; and

K. the status or remarks code.

4850.0014 AMOUNT AND TERMS.

Subpart 1. **Loan amounts.** The minimum loan amount from the student educational loan fund is $1,000.

The maximum loan amounts are:

A. for an undergraduate student, $4,000 per academic year as long as the loan amount does not exceed the cost of attendance less all other financial aid (including PLUS loans borrowed on the student's behalf); and the cumulative student loan debt (excluding PLUS loans borrowed on the student's behalf) does not exceed the following grade level limitations:

(1) grade level 1, $ 4,000;

(2) grade level 2, $ 8,000;

(3) grade level 3, $12,000;

(4) grade level 4, $16,000; and

(5) grade level 5, $16,000;

B. for a graduate student, $6,000 per academic year as long as the loan amount does not exceed the cost of attendance less all other financial aid (including PLUS loans borrowed on the student's behalf); and the cumulative student loan debt of the student (excluding PLUS loans borrowed on the student's behalf) does not exceed $25,000 for both undergraduate and graduate education.

Subp. 2. **Two loans in one year.** A student may borrow the annual maximum twice in the same academic year as long as:

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A. a total of 11 months elapses from the beginning of the first loan period to the beginning of the second loan period; or

B. advances a grade level, but the student may not exceed the cumulative debt for that grade level.

Subp. 3. **Interest rate.** The interest rate on the loan must be fixed by the board at a margin in excess of the "index rate" on the bonds. If the bonds bear interest at more than one rate at any one time, the "index rate" will be the weighted average of the interest rates. The "index rate" may change on Thursday of each week. If the "index rate" increases or decreases, the interest rate on the loan increases or decreases automatically on the same day without notice to the borrower. If the board determines that the margin does not reflect the costs of the SELF program, the board may increase or decrease the margin within the limits of law. The board shall advise borrowers of changes in the margin. Information about how the interest rate is calculated will be available from the board or the financial aid office at the eligible school.

4850.0015 LOAN DISBURSEMENTS.

Subpart 1. **Disbursement scheduling.** Checks must be jointly payable to the borrower and the eligible school. If the loan period covers more than one academic or payment period, the loan must be disbursed in installments during each academic or payment period. (For example, if an eligible school's academic year is divided by quarters, the student's loan amount may be disbursed in three installments, once each quarter.) Disbursements must be made at the beginning of each academic term, unless the board requires or the school suggests other more appropriate dates.

? What would be "more appropriate"

Subp. 2. **Disbursement when check arrives before loan period.** A loan check must not be disbursed to the student before the start of the loan period. The school must wait until the student starts the loan period and after having checked enrollment and satisfactory academic progress requirements, must

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deliver the check to the student for the student's endorsement. The check must then be endorsed by the school. The school must next subtract from the proceeds the amount owed to it for the payment period, and make arrangements with the student for the use of any remaining proceeds. The remaining proceeds may be returned to the student or retained on account at the election of the student. The school may not keep on account any more money than it charges for that payment period without the written permission of the student.

Subp. 3. **Disbursement when check arrives during loan period.** When the check arrives during the loan period, the school, having checked enrollment and satisfactory academic progress, shall endorse the check along with the student, subtract from the proceeds that amount owed to it for the payment period, and make arrangements with the student for the use of any remaining proceeds. The student has the same options for receiving any remaining proceeds as described in subpart 2. If the student is on a school approved leave of absence when the check arrives, the school may hold the check until the student returns. If the student fails to do so, the check must be returned to the board within 30 days from the date on the check.

Subp. 4. **Disbursement when check arrives after loan period.** When the check arrives after the loan period, the school, having checked enrollment and satisfactory academic progress, may endorse the check along with the student within 30 days from the end of the loan period, subtract from the proceeds that amount owed to it for the payment period, and make arrangements with the student for use of any remaining proceeds. The student has the same options for receiving any remaining proceeds as described in subpart 3. If the check arrives more than 30 days after the end of the loan period, the school must return the check to the board.

4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL.

Subpart 1. **Nonenrollment.** A school shall return a check to the board for a student who fails to enroll within 30 days of

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the date on the check.

Subp. 2. **Withdrawal and transfer to another eligible school.** If the student fails to complete the loan period at the school where the loan application was certified and transfers to another eligible school, additional loan disbursements to the student shall be permitted at the new school as long as the board is notified by the student or the school of the new enrollment. The school must immediately notify the board of any borrower who withdraws for any purpose. Refunds due the student as a result of the process of withdrawing and transferring to another eligible school need not be returned to the board. The new school shall certify the enrollment of the transferring student.

Subp. 3. **Withdrawal.** In the event that a borrower, for any reason, fails to complete a loan period and withdraws at a time when the institution pays a refund of charges to the student, an amount equal to the ratio of the disbursed loan to the total amount of the borrower's financial aid package for the same period is to be subtracted from the institutional refund amount, returned to the board, and applied to the outstanding loan amount.

Subp. 4. **Reduction of enrollment to less than half-time status.** The school shall notify the board immediately when a student reduces enrollment below a half-time status, but remains enrolled. Such a student shall be permitted to remain in an in-school repayment period for no more than six months including normal school vacation periods before the transition period begins.

4850.0017 REPAYMENT PROCEDURES.

Borrowers shall make payments of principal and interest according to the following schedule:

A. During the school period, the board or its agent shall bill borrowers for accrued interest once during each calendar quarter. Payments are due by the 15th day following the date of the billing.

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B. During the transition period, the board or its agent shall bill borrowers for accrued interest once during each calendar month. Payments are due by the 15th day following the date of the billing.

C. During the payout period, the board or its agent shall provide borrowers with coupon books annually for repayment of loan principal and interest. The fixed amount of the coupon shall reflect (1) the interest rate in effect on the loan on the date the coupons are prepared (actual rate), added to a fixed percentage to be determined by the board (assumed rate), (2) the length of the payout period, and (3) the principal balance of the loan plus the amount of any unpaid interest as of the beginning of the year for which coupons are being prepared, assuming all scheduled payments are made. The actual interest rate on the loan must continue to vary. Payments of interest at the assumed rate exceeding actual interest accrued must be applied to the outstanding loan principal. If interest payments at the assumed rate are less than actual interest accrued, any unpaid interest not past due must be included in the calculation of the amount of the coupons for the following year. All of a borrower's SELF loans must be combined into one repayment schedule. The borrower must pay a total of at least $600 each year on all of the borrower's SELF loans. If the borrower's spouse also has SELF loans, their combined annual payments on all SELF loans must be at least $600.

D. Late charges must be billed to the borrower on the 30-day delinquent letter mailed by the board and are due and payable immediately.

E. Interest payments during the in-school period that are delinquent in excess of 120 days from the billing date must be capitalized. Capitalization of past due interest must be limited to two occasions before filing a claim.

F. A prepayment penalty must not be assessed against borrowers who elect to make unscheduled payments of loan principal.

G. The board may grant forbearances in those

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instances when the borrower experiences hardship in making payments of principal and/or interest, and when the cosigner has since died or become permanently disabled. Such a forbearance might be granted for documented unemployment or similar financial hardship cases and is limited to 90 days, renewable upon further documentation for another 90 days.

H. The board shall provide borrowers and cosigners with an annual statement of outstanding principal and interest paid during the previous calendar year.

4850.0018 CLAIMS.

Subpart 1. **When filed.** If after exercising due diligence, and after 120 days from the billing date the board fails to collect a payment from a borrower or the cosigner, a claim must be filed by the board with the program insurer for the outstanding principal of the loan plus accrued interest.

Subp. 2. **When paid.** Claims are paid in four categories:

A. A claim for death of the borrower must be filed by the board upon receipt of a death certificate. The cosigner's obligation to make any further payment of principal and interest or both on a SELF loan is canceled as of the date of death.

B. If the borrower becomes totally and permanently disabled, a claim must be filed by the board upon receipt of proper medical documentation. The cosigner's obligation to make any further payment of principal and interest on a SELF loan is canceled as of the date of medical documentation.

C. If a borrower or cosigner fails to perform any of the conditions of the promissory note, a claim must be filed by the board.

D. If a borrower is adjudicated bankrupt and has liability for the SELF loan discharged, the cosigner remains liable for unpaid principal and interest. If the cosigner fails to perform any of the conditions of the promissory note, the board shall file a claim.

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MINNESOTA
HIGHER EDUCATION
COORDINATING BOARD

SUITE 400
CAPITOL SQUARE
550 CEDAR STREET
SAINT PAUL 55101

(612) 296-3974

MEMORANDUM

TO: INTERESTED PERSONS

FROM: ROSE HERRERA HAMERLINCK (296-7963)

RE: ADDITIONS TO SELF RULES, FROM RULE AS PROPOSED TO RULE AS ADOPTED

DATE: DECEMBER 13, 1985

Please note that the following additions were made to the SELF rules (underlined):

4850.0011, Subp. 15--

Eligible student. "Eligible student" means a student who:

a. is enrolled in an eligible school in Minnesota, or is a Minnesota resident enrolled in an eligible school in another state or United States territory or is a student who graduated from a Minnesota high school and has not since established residence in another state and is enrolled in an eligible school in Minnesota or another state or United States territory;

i. has agreed to the release of information to a consumer credit reporting agency, as listed in 4850.0012, subp. 4.

Rationale: These additions were made as mandated by Minnesota Laws 1985, First Special Session, Chapter 11, Section 47.

RHH:kb

Rules as Proposed (all new material)

STUDENT EDUCATIONAL LOAN FUND (SELF)

MINNESOTA HIGHER EDUCATION COORDINATING BOARD (MHECB)

SUPPLEMENTAL AND ADDITIONAL LOANS

4850.0010 PURPOSE.

The purpose of parts 4850.0010 to 4850.0018 is to augment Minnesota Statutes, sections 136A.14 to 136A.141, and 136A.15 to 136A.1702, establishing a state program of supplemental loans to post-secondary students by providing standards, criteria, and rules for the program.

4850.0011 DEFINITIONS.

Subpart 1. **Academic year.** "Academic year" means:

A. a period of time, typically eight or nine months, in which a full-time student is expected to complete the equivalent of at least two semesters, two trimesters, or three quarters at an eligible school using credit hours; or

B. at least 900 clock hours of training for a program at an eligible school using clock hours.

Subp. 2. **Anticipated graduation date.** "Anticipated graduation date" means the date indicated by the eligible school at the time the student applies for a SELF loan, as the date that the student will graduate given the enrolled program and normal satisfactory academic progress.

Subp. 3. **Board.** "Board" means the Minnesota Higher Education Coordinating Board.

Subp. 4. **Capitalized interest.** "Capitalized interest" means accrued interest that is added to the outstanding loan principal.

Subp. 5. **Certificate or degree.** "Certificate" or "degree" means a written or printed statement of the fact that the holder has met the eligible school's minimum requirements for completion and certifying a minimum mastery of the subject matter for a particular academic or vocational program.

Subp. 6. **Certification.** "Certification" means the statement of an eligible school that verifies and documents the

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identity, eligible enrollment, satisfactory academic progress, and cost of attendance of the borrower; performs the "maximum effort" test; and calculates the maximum allowable SELF loan eligibility and recommends a specific loan amount. The certification also shall indicate whether or not the student is in default of previous loans through:

A. checking loan history at the school;

B. checking an available financial aid transcript from a school previously attended by a borrower who is a transfer student; and

C. using any other information reasonably available to the school about the student's prior student loan history, written, verbal, or electronic.

Subp. 7. **Correspondence or external degree program.** "Correspondence or external degree program" is one that has no campus-based requirements or that provides the student no face-to-face contact with the financial aid officer.

Subp. 8. **Cost of attendance.** "Cost of attendance" includes:

A. tuition and fees charged for the loan period;

B. room and board charged for the loan period, or a reasonable allowance as determined by the school, for off-campus living; and

C. a reasonable allowance as determined by the school for books, supplies, transportation, and personal expenses.

Subp. 9. **Credit worthy cosigner.** "Credit worthy cosigner" means one who, in the judgment of the board has:

A. no credit bureau balances discharged through bankruptcy;

B. no garnishments, attachments, foreclosure, repossession, or suit;

C. no delinquent or unsatisfied credit obligation such as tax or mechanics liens, or judgments; or

D. no more than five percent of current credit bureau balances past due.

Subp. 10. **Cosigners.** All borrowers from the student

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educational loan fund shall have a credit worthy cosigner who is either a United States citizen or a permanent resident. The cosigner is jointly and separately responsible for making loan payments (principal, interest, and other charges). The cosigner is relieved of this financial responsibility only in the event of death or permanent disability of the borrower.

A. A cosigner must be at least 18 years old.

B. A cosigner must be a person or an eligible school.

If the cosigner is unemployed, retired, or has no credit history, credit-worthiness shall be determined by the board, by a review of banking references and a review of net worth data with a minimum test requiring that net worth equal or exceed a sum ten times the size of each loan amount requested.

Subp. 11. **Default.** "Default" means the condition that exists if the borrower fails to perform any of the conditions of the promissory note.

Subp. 12. **Delinquency.** "Delinquency" means the condition that exists when a borrower's scheduled payment of principal or interest or both is received by the board after the due date.

Subp. 13. **Due diligence.** "Due diligence" means the use of practices by the board in making, servicing, and collecting of SELF loans that are at least as extensive and forceful as those generally practiced by financial institutions for consumer loans.

Subp. 14. **Eligible school.** "Eligible school" means a school that:

A. has been approved by the United States Department of Education to participate in federal title IV financial aid programs;

B. is located in the United States or its territories; and

C. signs an institutional loan participation agreement with the Minnesota Higher Education Coordinating Board that lists the duties and responsibilities of both the school and the board.

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B. is enrolled at least half-time in a program (other than a correspondence or external degree program) leading to a certificate, associate, baccalaureate, masters, doctorate, or other professional degree;

C. is making satisfactory academic progress as defined by the school;

D. is not currently in default, as defined by each specific program, of any student educational loan program (GSL, FISL, NDSL, HPL, HEAL, ALAS, or other state supplemental loan program) at the current or any previous school;

E. is not currently delinquent in payment of interest or principal on an outstanding loan from the student educational loan fund;

F. has a credit worthy cosigner;

G. demonstrates financial eligibility by meeting the "maximum effort" test; and

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Subp. 20. **Grade level.** "Grade level" means the relative position of an eligible student in a degree or certificate granting program, and corresponds to an academic year. (For example, an eligible student in the second year of a four-year program would be in grade level 02.)

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Subp. 22. **Half-time student.** "Half-time student" means one who is enrolled in an eligible school and carrying a half-time academic workload as determined by the eligible school that amounts to at least one-half the workload of a full-time certificate or degree seeking student. In eligible schools utilizing clock hours, half-time enrollment includes programs requiring at least 300 clock hours.

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C. fifteen years from the date of the first loan check; or

D. a period negotiated with the borrower.

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A. the lender-assigned borrower identification number, if any;

B. the name and address of borrower;

C. the name and address of cosigner;

D. the date the account is opened;

E. the outstanding account balance;

F. the dollar amount past due;

G. the number of payments past due;

H. the number of late payments in previous 12 months;

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(4) grade level 4, $16,000; and

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A. a total of 11 months elapses from the beginning of the first loan period to the beginning of the second loan period; or

B. advances a grade level, but the student may not exceed the cumulative debt for that grade level.

Subp. 3. **Interest rate.** The interest rate on the loan must be fixed by the board at a margin in excess of the "index rate" on the bonds. If the bonds bear interest at more than one rate at any one time, the "index rate" will be the weighted average of the interest rates. The "index rate" may change on Thursday of each week. If the "index rate" increases or decreases, the interest rate on the loan increases or decreases automatically on the same day without notice to the borrower.

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If the board determines that the margin does not reflect the costs of the SELF program, the board may increase or decrease the margin within the limits of law. The board shall advise borrowers of changes in the margin. Information about how the interest rate is calculated will be available from the board or the financial aid office at the eligible school.

4850.0015 LOAN DISBURSEMENTS.

Subpart 1. **Disbursement scheduling.** Checks must be jointly payable to the borrower and the eligible school. If the loan period covers more than one academic or payment period, the loan must be disbursed in installments during each academic or payment period. (For example, if an eligible school's academic year is divided by quarters, the student's loan amount may be disbursed in three installments, once each quarter.) Disbursements must be made at the beginning of each academic term, unless the board requires or the school suggests other more appropriate dates.

Subp. 2. **Disbursement when check arrives before loan period.** A loan check must not be disbursed to the student before the start of the loan period. The school must wait until the student starts the loan period and after having checked enrollment and satisfactory academic progress requirements, must deliver the check to the student for the student's endorsement. The check must then be endorsed by the school. The school must next subtract from the proceeds the amount owed to it for the payment period, and make arrangements with the student for the use of any remaining proceeds. The remaining proceeds may be returned to the student or retained on account at the election of the student. The school may not keep on account any more money than it charges for that payment period without the written permission of the student.

Subp. 3. **Disbursement when check arrives during loan period.** When the check arrives during the loan period, the school, having checked enrollment and satisfactory academic progress, shall endorse the check along with the student, subtract from the proceeds that amount owed to it for the

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payment period, and make arrangements with the student for the use of any remaining proceeds. The student has the same options for receiving any remaining proceeds as described in subpart 2. If the student is on a school approved leave of absence when the check arrives, the school may hold the check until the student returns. If the student fails to do so, the check must be returned to the board within 30 days from the date on the check.

Subp. 4. **Disbursement when check arrives after loan period.** When the check arrives after the loan period, the school, having checked enrollment and satisfactory academic progress, may endorse the check along with the student within 30 days from the end of the loan period, subtract from the proceeds that amount owed to it for the payment period, and make arrangements with the student for use of any remaining proceeds. The student has the same options for receiving any remaining proceeds as described in subpart 3. If the check arrives more than 30 days after the end of the loan period, the school must return the check to the board.

4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL.

Subpart 1. **Nonenrollment.** A school shall return a check to the board for a student who fails to enroll within 30 days of the date on the check.

Subp. 2. **Withdrawal and transfer to another eligible school.** If the student fails to complete the loan period at the school where the loan application was certified and transfers to another eligible school, additional loan disbursements to the student shall be permitted at the new school as long as the board is notified by the student or the school of the new enrollment. The school must immediately notify the board of any borrower who withdraws for any purpose. Refunds due the student as a result of the process of withdrawing and transferring to another eligible school need not be returned to the board. The new school shall certify the enrollment of the transferring student.

Subp. 3. **Withdrawal.** In the event that a borrower, for any reason, fails to complete a loan period and withdraws at a

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time when the institution pays a refund of charges to the student, an amount equal to the ratio of the disbursed loan to the total amount of the borrower's financial aid package for the same period is to be subtracted from the institutional refund amount, returned to the board, and applied to the outstanding loan amount.

Subp. 4. **Reduction of enrollment to less than half-time status.** The school shall notify the board immediately when a student reduces enrollment below a half-time status, but remains enrolled. Such a student shall be permitted to remain in an in-school repayment period for no more than six months including normal school vacation periods before the transition period begins.

4850.0017 REPAYMENT PROCEDURES.

Borrowers shall make payments of principal and interest according to the following schedule:

A. During the school period, the board or its agent shall bill borrowers for accrued interest once during each calendar quarter. Payments are due by the 15th day following the date of the billing.

B. During the transition period, the board or its agent shall bill borrowers for accrued interest once during each calendar month. Payments are due by the 15th day following the date of the billing.

C. During the payout period, the board or its agent shall provide borrowers with coupon books annually for repayment of loan principal and interest. The fixed amount of the coupon shall reflect (1) the interest rate in effect on the loan on the date the coupons are prepared (actual rate), added to a fixed percentage to be determined by the board (assumed rate), (2) the length of the payout period, and (3) the principal balance of the loan plus the amount of any unpaid interest as of the beginning of the year for which coupons are being prepared, assuming all scheduled payments are made. The actual interest rate on the loan must continue to vary. Payments of interest at the assumed rate exceeding actual interest accrued must be

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applied to the outstanding loan principal. If interest payments at the assumed rate are less than actual interest accrued, any unpaid interest not past due must be included in the calculation of the amount of the coupons for the following year. All of a borrower's SELF loans must be combined into one repayment schedule. The borrower must pay a total of at least $600 each year on all of the borrower's SELF loans. If the borrower's spouse also has SELF loans, their combined annual payments on all SELF loans must be at least $600.

D. Late charges must be billed to the borrower on the 30-day delinquent letter mailed by the board and are due and payable immediately.

E. Interest payments during the in-school period that are delinquent in excess of 120 days from the billing date must be capitalized. Capitalization of past due interest must be limited to two occasions before filing a claim.

F. A prepayment penalty must not be assessed against borrowers who elect to make unscheduled payments of loan principal.

G. The board may grant forbearances in those instances when the borrower experiences hardship in making payments of principal and/or interest, and when the cosigner has since died or become permanently disabled. Such a forbearance might be granted for documented unemployment or similar financial hardship cases and is limited to 90 days, renewable upon further documentation for another 90 days.

H. The board shall provide borrowers and cosigners with an annual statement of outstanding principal and interest paid during the previous calendar year.

4850.0018 CLAIMS.

Subpart 1. **When filed.** If after exercising due diligence, and after 120 days from the billing date the board fails to collect a payment from a borrower or the cosigner, a claim must be filed by the board with the program insurer for the outstanding principal of the loan plus accrued interest.

Subp. 2. **When paid.** Claims are paid in four categories:

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A. A claim for death of the borrower must be filed by the board upon receipt of a death certificate. The cosigner's obligation to make any further payment of principal and interest or both on a SELF loan is canceled as of the date of death.

B. If the borrower becomes totally and permanently disabled, a claim must be filed by the board upon receipt of proper medical documentation. The cosigner's obligation to make any further payment of principal and interest on a SELF loan is canceled as of the date of medical documentation.

C. If a borrower or cosigner fails to perform any of the conditions of the promissory note, a claim must be filed by the board.

D. If a borrower is adjudicated bankrupt and has liability for the SELF loan discharged, the cosigner remains liable for unpaid principal and interest. If the cosigner fails to perform any of the conditions of the promissory note, the board shall file a claim.

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OFFICE BY:

OFFICE OF THE REVISOR OF STATUTES

Proposed Rule

RD814

Agency: Higher Education Coordinating Board

Division:

Agency Contact: Rose Hamerlinck

Minnesota Rules: Parts 4850.0010 to 4850.0018

Title: Proposed Rules Relating to Supplemental Student Loans

Type of Rules: Permanent

Incorporations by Reference: None

Steven C. Cross
Revisor of Statutes

Richard J. Sands
Senior Assistant Revisor
Phone: 296-2798
Date: July 26, 1985

STATE OF MINNESOTA
MINNESOTA HIGHER EDUCATION COORDINATING BOARD

In the Matter of the Proposed Adoption of the Rule of the Minnesota Higher Education Coordinating Board Governing the Student Educational Loan Fund (MN Rule 4850.0010-4850.0018)

SUPPLEMENTAL FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING RULE ADOPTED WITHOUT A PUBLIC HEARING

Based on comments received by the Office of the Attorney General, I find the following:

1. The agency withdrew the above-entitled rule from approval because of defects found by the Office of the Attorney General;

2. The agency has made the necessary changes to correct the defects. These changes are:

   4850.0017, sec. G: The board ~~may~~ shall grant forbearances in those instances when the borrower experiences hardship in making payments of principal and/or interest, and when the cosigner has since died or become permanently disabled. Such a forbearance ~~might~~ shall be granted for documented unemployment or similar financial hardship cases and is limited to 90 days, renewable upon further documentation for another 90 days.

3. The agency has resubmitted the above-entitled rule with the changes, for final approval by the Office of the Attorney General.

NOW, THEREFORE, IT IS ORDERED that the revised rule identified as Student Educational Loan Fund is adopted this 12th day of February, 1986 pursuant to authority vested in me by Minnesota Statutes Section 136A.111, and Minnesota Laws 1983, Chapter 258, Section 49, and Minnesota Laws 1984, Chapter 654, Article 4, Section 3. (Minnesota Laws 1985, Chapter 11, Article 4, Section 80, Subdivision 2 extended the emergency rulemaking authority through June 1986.)

Feb 14, 1986
Date

David A. Longanecker

DAVID A. LONGANECKER
Executive Director
Minnesota Higher Education
Coordinating Board

STATE OF MINNESOTA
MINNESOTA HIGHER EDUCATION COORDINATING BOARD

In the Matter of the Proposed
Adoption of the Rule of the
Minnesota Higher Education
Coordinating Board Governing
the Student Educational Loan Fund
(Minnesota Rules 4850.0010-4850.0018)

ORDER ADOPTING RULES

The above-entitled matter was published in the State Register on October 7, 1985, as a proposed temporary rule pursuant to Minnesota Statutes section 14.14, subdivision 1. After affording interested and affected persons an opportunity to submit written data and views within 30 days of the publication date, reviewing and considering the data and views, and determining that the above-captioned rules are needed and reasonable.

NOW, THEREFORE, IT IS ORDERED that these rules identified as Student Educational Loan Fund are adopted this 12 day of December, 1985 pursuant to authority vested in the Board by Minnesota Statutes section 136A.111, Minnesota Laws 1983, Chapter 258, Section 49, and Minnesota Laws 1984, Article 4, Section 3.

State of Minnesota

DAVID A. LONGANECKER
Executive Director
Minnesota Higher Education
Coordinating Board

CERTIFICATE OF BOARD'S
AUTHORIZING RESOLUTION

I, Carol J. Kamper, do hereby certify that I am a member and the President of the Minnesota Higher Education Coordinating Board, a board duly authorized under the laws of the State of Minnesota, and that the following is a true, complete, and correct copy of a resolution adopted at a meeting of the Minnesota Higher Education Coordinating Board duly and properly held on the 21st day of February, 1985, that a quorum was present at said meeting, that a majority of those present voted for the resolution and that said resolution is set forth in the minutes of said meeting and has not been rescinded or modified.

"RESOLVED, that David A. Longanecker, Executive Director of the Minnesota Higher Education Coordinating Board, be and he hereby is granted the authority and directed to sign an Order of the Board directing that Notice be given of the Board's intent to adopt without a public hearing rules governing the Student Educational Loan Fund, to sign the notice thereof and to perform any and all acts incidental thereto. In the event a public hearing becomes necessary, he hereby is granted the authority and directed to call a hearing for the purpose of promulgating said rules as well as perform any and all acts incidental thereto, including but without being limited to signing an Order of Hearing and Notice of Hearing as well as acting as the Board's representative at all hearings."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 21st day of February, 1985.

Carol J. Kamper
President
Minnesota Higher Education
Coordinating Board

Robert Ferguson
Attest by one other Board member

In the Matter of the Proposed
Adoption of the Rule of the
Minnesota Higher Education
Coordinating Board Governing
Student Educational Loan Fund
(Minnesota Rules 4850.0010 -
4850.0018)

NOTICE OF PROPOSED
ADOPTION OF A RULE
WITHOUT A PUBLIC HEARING

Notice is hereby given that the Minnesota Higher Education Coordinating Board proposes to adopt the above-entitled rule without a public hearing following the procedures set forth in Minnesota Statutes, sections 14.22 to 14.28. The specific statutory authority to adopt the rule is contained in Minnesota Statutes 136A.111, and Minnesota Laws 1983, Chapter 258, Section 49, and Minnesota Laws 1984, Article 4, Section 3.

Persons interested in this rule shall have 30 days in which to submit comment in support of or in opposition to the proposed rule or any part or subpart of the rule and comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rule within the 30-day comment period. If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. If a public hearing is required, the agency will proceed pursuant to Minnesota Statutes, sections 14.131 to 14.20.

Persons who wish to submit comments or a written request for a public hearing must submit such comments or requests to:

Rose Herrera Hamerlinck
Minnesota Higher Education
Coordinating Board
400 Capitol Square Building
550 Cedar Street
St. Paul, Minnesota 55101
612/296-7963

The proposed rule may be modified if the modifications are supported by data and views and do not result in a substantial change in the proposed rule as noticed.

A copy of the proposed rule is attached to this notice.

A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rule has been prepared and is available from Rose Herrera Hamerlinck upon request.

If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be delivered to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the adopted rule, must submit the written request to Rose Herrera Hamerlinck.

State of Minnesota

DAVID A. LONGANECKER
Executive Director
Minnesota Higher Education
Coordinating Board

September 20, 1985
Date

This Notice will appear in the State Register on October 7, 1985.

In the Matter of the Proposed Adoption of the Rule of the Minnesota Higher Education Coordinating Board Governing the Student Educational Loan Fund

AFFIDAVIT OF MAILING THE NOTICE OF PROPOSED ADOPTION OF RULE WITHOUT A PUBLIC HEARING

STATE OF MINNESOTA)
) ss.
COUNTY OF RAMSEY)

Rosemary Herrera Hamerlinck, being first duly sworn, deposes and says:

I hereby certify that the list of persons, who have requested, pursuant to Minnesota Statutes, sections 14.14, subdivision 1, paragraph (a), and 14.22 or 14.30, that their names be placed on the Minnesota Higher Education Coordinating Board rulemaking mailing, that the list is accurate and complete as of 4:00 p.m. this 30th day of July, 1985.

That on the 10th day of October, 1985, at the City of St. Paul, County of Ramsey, State of Minnesota, I mailed the attached Notice of Proposed Adoption of a Rule Without a Public Hearing by depositing in the State of Minnesota Central Mail System for United States mailing at said City of St. Paul, a copy thereof with postage prepaid, to all persons on the aforementioned mailing list.

Rosemary Herrera Hamerlinck

Subscribed and sworn to before me this
25th day of November, 1985.

Judith A. Morgan

Judith A. Morgan
NOTARY PUBLIC — MINNESOTA
RAMSEY COUNTY
My commission expires Sept. 16, 1989

PROPOSED RULES

Pursuant to Minn. Stat. of 1982, §§ 14.22, an agency may propose to adopt, amend, suspend or repeal rules without first holding a public hearing, as long as the agency determines that the rules will be noncontroversial in nature. The agency must first publish a notice of intent to adopt rules without a public hearing, together with the proposed rules, in the *State Register*. The notice must advise the public:

1. that they have 30 days in which to submit comment on the proposed rules;
2. that no public hearing will be held unless 25 or more persons make a written request for a hearing within the 30-day comment period;
3. of the manner in which persons shall request a hearing on the proposed rules; and
4. that the rule may be modified if the modifications are supported by the data and views submitted.

If, during the 30-day comment period, 25 or more persons submit to the agency a written request for a hearing of the proposed rules, the agency must proceed under the provisions of §§ 14.14-14.20, which state that if an agency decides to hold a public hearing, it must publish a notice of intent in the *State Register*.

Pursuant to Minn. Stat. §§ 14.29 and 14.30, agencies may propose emergency rules under certain circumstances, Proposed emergency rules are published in the *State Register* and, for at least 25 days thereafter, interested persons may submit data and views in writing to the proposing agency.

Higher Education Coordinating Board

Proposed Rules Relating to Supplemental Student Loans

Notice of Intent to Adopt a Rule without a Public Hearing

Notice is hereby given that the Minnesota Higher Education Coordinating Board proposes to adopt the above-entitled rule without a public hearing following the procedures set forth in Minnesota Statutes, sections 14.22 to 14.28. The specific statutory authority to adopt the rule is contained in Minnesota Statutes 136A.111, and Minnesota Laws 1983, Chapter 258, Section 49, and Minnesota Laws 1984, Article 4, Section 3.

Persons interested in this rule shall have 30 days in which to submit comment in support of or in opposition to the proposed rule or any part or subpart of the rule and comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rule within the 30-day comment period. If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rule addressed, the reason for the request, and any change proposed. If a public hearing is required, the agency will proceed pursuant to Minnesota Statutes, sections 14.131 to 14.20.

Persons who wish to submit comments or a written request for a public hearing must submit such comments or requests to:

Rose Herrera Hamerlinck
Minnesota Higher Education Coordinating Board
400 Capitol Square Building
550 Cedar Street
St. Paul, Minnesota 55101
612/296-7963

The proposed rule may be modified if the modifications are supported by data and views and do not result in a substantial change in the proposed rule as noticed.

A copy of the proposed rule is attached to this notice.

A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rule and identifies the data and information relied upon to support the proposed rule has been prepared and is available from Rose Herrera Hamerlinck upon request.

If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be delivered to the Attorney General for review as to legality and form to the extent the form relates to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the adopted rule, must submit the written request to Rose Herrera Hamerlinck.

September 20, 1984

David A. Longanecker
Executive Director
Minnesota Higher Education
Coordinating Board

Rules as Proposed (all new material)

STUDENT EDUCATIONAL LOAN FUND (SELF)
MINNESOTA HIGHER EDUCATION COORDINATING BOARD (MHECB)
SUPPLEMENTAL AND ADDITIONAL LOANS

4850.0010 PURPOSE.

The purpose of parts 4850.0010 to 4850.0018 is to augment Minnesota Statutes, sections 136A.14 to 136A.141, and 136A.15 to 136A.1702, establishing a state program of supplemental loans to post-secondary students by providing standards, criteria, and rules for the program.

4850.0011 DEFINITIONS.

Subpart 1. **Academic year.** "Academic year" means:

A. a period of time, typically eight or nine months, in which a full-time student is expected to complete the equivalent of at least two semesters, two trimesters, or three quarters at an eligible school using credit hours; or

B. at least 900 clock hours of training for a program at an eligible school using clock hours.

Subp. 2. **Anticipated graduation date.** "Anticipated graduation date" means the date indicated by the eligible school at the time the student applies for a SELF loan, as the date that the student will graduate given the enrolled program and normal satisfactory academic progress.

Subp. 3. **Board.** "Board" means the Minnesota Higher Education Coordinating Board.

Subp. 4. **Capitalized interest.** "Capitalized interest" means accrued interest that is added to the outstanding loan principal.

Subp. 5. **Certificate or degree.** "Certificate" or "degree" means a written or printed statement of the fact that the holder has met the eligible school's minimum requirements for completion and certifying a minimum mastery of the subject matter for a particular academic or vocational program.

Subp. 6. **Certification.** "Certification" means the statement of an eligible school that verifies and documents the identity, eligible enrollment, satisfactory academic progress, and cost of attendance of the borrower; performs the "maximum effort" test; and calculates the maximum allowable SELF loan eligibility and recommends a specific loan amount. The certification also shall indicate whether or not the student is in default of previous loans through:

A. checking loan history at the school;

B. checking an available financial aid transcript from a school previously attended by a borrower who is a transfer student; and

C. using any other information reasonably available to the school about the student's prior loan history, written, verbal, or electronic.

Subp. 7. **Correspondence or external degree program.** "Correspondence or external degree program" is one that has no campus-based requirements or that provides the student no face-to-face contact with the financial aid officer.

Subp. 8. **Cost of attendance.** "Cost of attendance" includes:

A. tuition and fees charged for the loan period;

B. room and board charged for the loan period, or a reasonable allowance as determined by the school, for off-campus living; and

C. a reasonable allowance as determined by the school for books, supplies, transportation, and personal expenses.

Subp. 9. **Credit worthy cosigner.** "Credit worthy cosigner" means one who, in the judgment of the board has:

A. no credit bureau balances discharged through bankruptcy;

B. no garnishments, attachments, foreclosure, reposession, or suit;

C. no delinquent or unsatisfied credit obligation such as tax or mechanics liens, or judgments; or

D. no more than five percent of current credit bureau balances past due.

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

Subp. 10. **Cosigners.** All borrowers from the student educational loan fund shall have a credit worthy cosigner who is either a United States citizen or a permanent resident. The cosigner is jointly and separately responsible for making loan payments (principal, interest, and other charges). The cosigner is relieved of this financial responsibility only in the event of death or permanent disability of the borrower.

A. A cosigner must be at least 18 years old.

B. A cosigner must be a person or an eligible school.

If the cosigner is unemployed, retired, or has no credit history, credit-worthiness shall be determined by the board, by a review of banking references and a review of net worth data with a minimum test requiring that net worth equal or exceed a sum ten times the size of each loan amount requested.

Subp. 11. **Default.** "Default" means the condition that exists if the borrower fails to perform any of the conditions of the promissory note.

Subp. 12. **Delinquency.** "Delinquency" means the condition that exists when a borrower's scheduled payment of principal or interest or both is received by the board after the due date.

Subp. 13. **Due diligence.** "Due diligence" means the use of practices by the board in making, servicing, and collecting of SELF loans that are at least as extensive and forceful as those generally practiced by financial institutions for consumer loans.

Subp. 14. **Eligible school.** "Eligible school" means a school that:

A. has been approved by the United States Department of Education to participate in federal title IV financial aid programs;

B. is located in the United States or its territories; and

C. signs an institutional loan participation agreement with the Minnesota Higher Education Coordinating Board that lists the duties and responsibilities of both the school and the board.

Subp. 15. **Eligible student.** "Eligible student" means a student who:

A. is enrolled in an eligible school in Minnesota, or is a Minnesota resident enrolled in an eligible school in another state or United States territory;

B. is enrolled at least half-time in a program (other than a correspondence or external degree program) leading to a certificate, associate, baccalaureate, masters, doctorate, or other professional degree;

C. is making satisfactory academic progress as defined by the school;

D. is not currently in default, as defined by each specific program, of any student educational loan program (GSL, FISL, NDSL, HPL, HEAL, ALAS, or other state supplemental loan program) at the current or any previous school;

E. is not currently delinquent in payment of interest or principal on an outstanding loan from the student educational loan fund;

F. has a credit worthy cosigner;

G. demonstrates financial eligibility by meeting the "maximum effort" test; and

H. has an anticipated graduation date no later than November 1, 1992.

Subp. 16. **Enrolled student.** "Enrolled student" means a student who has registered for and begun the loan period at the eligible school.

Subp. 17. **Financial aid.** "Financial aid" includes all money flowing to the student that is contingent upon the student's enrollment at the eligible school.

Subp. 18. **Forbearance.** "Forbearance" means permitting the temporary halt of payments, allowing an extension of time for making payments, or accepting smaller payments than were scheduled.

Subp. 19. **Full-time student.** "Full-time student" means one who is enrolled in an eligible school and who carries a full-time post-secondary level, vocational or academic workload as determined by the eligible school, ending in a certificate or degree.

Subp. 20. **Grade level.** "Grade level" means the relative position of an eligible student in a degree or certificate granting program, and corresponds to an academic year. (For example, an eligible student in the second year of a four-year program would be in grade level 02.)

Subp. 21. **Graduate student.** "Graduate student" means a student who is pursuing a program, or has a baccalaureate degree and is enrolled in courses which are normally part of a program leading to a graduate or professional degree or certificate at an eligible school, and has successfully completed the equivalent of at least three years of full-time study at an eligible school either prior to entrance into the program or as part of the program itself.

Subp. 22. **Half-time student.** "Half-time student" means one who is enrolled in an eligible school and carrying a half-time academic workload as determined by the eligible school that amounts to at least one-half the workload of a full-time certificate or degree seeking student. In eligible schools utilizing clock hours, half-time enrollment includes programs requiring at least 300 clock hours.

Subp. 23. **In-school period.** "In-school period" means the period that the borrower is enrolled in an eligible school.

Subp. 24. **Late charge.** "Late charge" means a charge, not to exceed $20, that is assessed against borrowers each time a payment of principal and/or interest is received by the board more than 15 days after the due date.

Subp. 25. **Loan period.** "Loan period" means the period for which the student receives the loan. The period begins on the first day of class and must not exceed 12 months.

Subp. 26. **Maximum effort.** To have used "maximum effort" means that the student has applied for and exhausted all eligibility for other forms of financial aid (except work-study, PLUS/ALAS, and HEAL) before applying for a SELF loan. Financial aid administrators must include any financial aid that has been awarded or is expected to be awarded to the student for the loan period.

Subp. 27. **Payout period.** "Payout period" means the time period which begins immediately following the transition period and runs to the earliest of:

A. November 1, 2000; or

B. ten years from the date the student ceases to be an eligible student; or

C. fifteen years from the date of the first loan check; or

D. a period negotiated with the borrower.

Subp. 28. **The bonds.** "The bonds" means the variable rate demand bonds series 1984 issued by the Minnesota Higher Education Coordinating Board due December 1, 2000, for purposes of funding the student educational loan fund.

Subp. 29. **Transition period.** "Transition period" means a one-year (365 days) period immediately following graduation or termination of enrollment.

Subp. 30. **Undergraduate student.** "Undergraduate student" means a student who is not a graduate student.

4850.0012 SCHOOL AGREEMENTS AND STUDENT APPLICATIONS.

Subpart 1. **Institutional loan participation agreement.** The eligible school and the board must sign a loan participation agreement that will:

A. state the eligible school's responsibility for proper certification and delivery of loans to students; and

B. name a representative of the eligible school who is to be responsible for the administration of the agreement.

Subp. 2. **Termination.** The board may terminate the agreement with an eligible school upon determining that the school is not complying with the rules in parts 4850.0010 to 4850.0018. All obligations of the school under the agreement shall continue in full force and effect with respect to all SELF loans then outstanding to students of the school.

Subp. 3. **Application, guarantee, and promissory note.** The student shall complete the SELF application and attached promissory note, and deliver or mail them to the eligible school for certification. The eligible school shall then deliver or mail the application and promissory note to the student who shall deliver or mail them to the cosigner who shall complete his or her portion of the application and promissory note and deliver or mail them to the board. The board will check the application and promissory note for completeness, determine the eligibility of the applicant, and conduct a credit check of the cosigner. If the board approves the loan application, the document file shall be sent to the trustee (or agent) for approval. The trustee (or agent) shall approve the application and forward the document file to the servicer or shall reject the application and return the document file to the board. The servicer shall enter the application on the servicing computer system, prepare and mail a disclosure statement to the borrower and cosigner, advise the school of the loan approval, schedule disbursements, deduct and mail the guarantee fee from the loan proceeds to the insurer, and place the document file in permanent storage. If the board rejects the loan application, the applicant and the cosigner must be advised in writing of the decision and the reasons for the rejection.

Subp. 4. **Release of information.** The following information about the borrower and cosigner will be periodically released to a consumer credit reporting agency throughout the life of the loan:

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

A. the lender-assigned borrower identification number, if any;

B. the name and address of borrower;

C. the name and address of cosigner;

D. the date the account is opened;

E. the outstanding account balance;

F. the dollar amount past due;

G. the number of payments past due;

H. the number of late payments in previous 12 months;

I. the type of account;

J. the responsibility for the account; and

K. the status or remarks code.

4850.0014 AMOUNT AND TERMS.

Subpart 1. **Loan amounts.** The minimum loan amount from the student educational loan fund is $1,000.

The maximum loan amounts are:

A. for an undergraduate student, $4,000 per academic year as long as the loan amount does not exceed the cost of attendance less all other financial aid (including PLUS loans borrowed on the student's behalf); and the cumulative student loan debt (excluding PLUS loans borrowed on the student's behalf) does not exceed the following grade level limitations:

(1) grade level 1, $ 4,000;

(2) grade level 2, $ 8,000;

(3) grade level 3, $12,000;

(4) grade level 4, $16,000; and

(5) grade level 5, $16,000;

B. for a graduate student, $6,000 per academic year as long as the loan amount does not exceed the cost of attendance less all other financial aid (including PLUS loans borrowed on the student's behalf); and the cumulative student loan debt of the student (excluding PLUS loans borrowed on the student's behalf) does not exceed $25,000 for both undergraduate and graduate education.

Subp. 2. **Two loans in one year.** A student may borrow the annual maximum twice in the same academic year as long as:

A. a total of 11 months elapses from the beginning of the first loan period to the beginning of the second loan period; or

B. advances a grade level, but the student may not exceed the cumulative debt for that grade level.

Subp. 3. **Interest rate.** The interest rate on the loan must be fixed by the board at a margin in excess of the "index rate" on the bonds. If the bonds bear interest at more than one rate at any one time, the "index rate" will be the weighted average of the interest rates. The "index rate" may change on Thursday of each week. If the "index rate" increases or decreases, the interest rate on the loan increases or decreases automatically on the same day without notice to the borrower. If the board determines that the margin does not reflect the costs of the SELF program, the board may increase or decrease the margin within the limits of law. The board shall advise borrowers of changes in the margin. Information about how the interest rate is calculated will be available from the board or the financial aid office at the eligible school.

4850.0015 LOAN DISBURSEMENTS.

Subpart 1. **Disbursement scheduling.** Checks must be jointly payable to the borrower and the eligible school. If the loan period covers more than one academic or payment period, the loan must be disbursed in installments during each academic or payment period. (For example, if an eligible school's academic year is divided by quarters, the student's loan amount may be disbursed in three installments, once each quarter.) Disbursements must be made at the beginning of each academic term, unless the board requires or the school suggests other more appropriate dates.

Subp. 2. **Disbursement when check arrives before loan period.** A loan check must not be disbursed to the student before the start of the loan period. The school must wait until the student starts the loan period and after having checked enrollment and satisfactory academic progress requirements, must deliver the check to the student for the student's endorsement. The check must then be endorsed by the school. The school must next subtract from the proceeds the amount owed to it for the payment period, and make arrangements with the student for the use of any remaining proceeds. The remaining proceeds may be returned to the student or

retained on account at the election of the student. The school may not keep on account any more money then it charges for that payment period without the written permission of the student.

Subp. 3. **Disbursement when check arrives during loan period.** When the check arrives during the loan period, the school, having checked enrollment and satisfactory academic progress, shall endorse the check along with the student, subtract from the proceeds that amount owed to it for the payment period, and make arrangements with the student for the use of any remaining proceeds. The student has the same options for receiving any remaining proceeds as described in subpart 2. If the student is on a school approved leave of absence when the check arrives, the school may hold the check until the student returns. If the student fails to do so, the check must be returned to the board within 30 days from the date on the check.

Subp. 4. **Disbursement when check arrives after loan period.** When the check arrives after the loan period, the school, having checked enrollment and satisfactory academic progress, may endorse the check along with the student within 30 days from the end of the loan period, subtract from the proceeds that amount owed to it for the payment period, and make arrangements with the student for use of any remaining proceeds. The student has the same options for receiving any remaining proceeds as described in subpart 3. If the check arrives more than 30 days after the end of the loan period, the school must return the check to the board.

4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL.

Subpart 1. **Nonenrollment.** A school shall return a check to the board for a student who fails to enroll within 30 days of the date on the check.

Subp. 2. **Withdrawal and transfer to another eligible school.** If the student fails to complete the loan period at the school where the loan application was certified and transfers to another eligible school, additional loan disbursements to the student shall be permitted at the new school as long as the board is notified by the student or the school of the new enrollment. The school must immediately notify the board of any borrower who withdraws for any purpose. Refunds due the student as a result of the process of withdrawing and transferring to another eligible school need not be returned to the board. The new school shall certify the enrollment of the transferring student.

Subp. 3. **Withdrawal.** In the event that a borrower, for any reason, fails to complete a loan period and withdraws at a time when the institution pays a refund of charges to the student, an amount equal to the ratio of the disbursed loan to the total amount of the borrower's financial aid package for the same period is to be subtracted from the institutional refund amount, returned to the board, and applied to the outstanding loan amount.

Subp. 4. **Reduction of enrollment to less than half-time status.** The school shall notify the board immediately when a student reduces enrollment below a half-time status, but remains enrolled. Such a student shall be permitted to remain in an in-school repayment period for no more than six months including normal school vacation periods before the transition period begins.

4850.0017 REPAYMENT PROCEDURES.

Borrowers shall make payments of principal and interest according to the following schedule:

A. During the school period, the board or its agent shall bill borrowers for accrued interest once during each calendar quarter. Payments are due by the 15th day following the date of the billing.

B. During the transition period, the board or its agent shall bill borrowers for accrued interest once during each calendar month. Payments are due by the 15th day following the date of the billing.

C. During the payout period, the board or its agent shall provide borrowers with the coupon books annually for repayment of loan principal and interest. The fixed amount of the coupon shall reflect (1) the interest rate in effect on the loan on the date the coupons are prepared (actual rate), added to a fixed percentage to be determined by the board (assumed rate), (2) the length of the payout period, and (3) the principal balance of the loan plus the amount of any unpaid interest as of the beginning of the year for which coupons are being prepared, assuming all scheduled payments are made. The actual interest rate on the loan must continue to vary. Payments of interest at the assumed rate exceeding actual interest accrued must be applied to the outstanding loan principal. If interest payments at the assumed rate are less than actual interest accrued, any unpaid interest not past due must be included in the calculation of the amount of the coupons for the following year. All of a borrower's SELF loans must be combined into one repayment schedule. The borrower must pay a total of at least $600 each year on all of the borrower's SELF loans. If the borrower's spouse also has SELF loans, their combined annual payments on all SELF loans must be at least $600.

KEY: PROPOSED RULES SECTION — Underlining indicates additions to existing rule language. ~~Strike outs~~ indicate deletions from existing rule language. If a proposed rule is totally new, it is designated "all new material." ADOPTED RULES SECTION — Underlining indicates additions to proposed rule language. ~~Strike outs~~ indicate deletions from proposed rule language.

D. Late charges must billed to the borrower on the 30-day delinquent letter mailed by the board and are due and payable immediately.

E. Interest payments during the in-school period that are delinquent in excess of 120 days from the billing date must be capitalized. Capitalization of past due interest must be limited to two occasions before filing a claim.

F. A prepayment penalty must be assessed against borrowers who elect to make unscheduled payments of loan principal.

G. The board may grant forbearances in those instances when the borrower experiences hardship in making payments of principal and/or interest, and when the cosigner has since died or become permanently disabled. Such a forbearance might be granted for documented unemployment or similar financial hardship cases and is limited to 90 days, renewable upon further documentation for another 90 days.

H. The board shall provide borrowers and cosigners with an annual statement of outstanding principal and interest paid during the previous calendar year.

4850.0018 CLAIMS.

Subpart 1. **When filed.** If after exercising due diligence, and after 120 days from the billing date the board fails to collect a payment from a borrower or the cosigner, a claim must be filed by the board with the program insurer for the outstanding principal of the loan plus accrued interest.

Subp. 2. **When paid.** Claims are paid in four categories:

A. A claim for death of the borrower must be filed by the board upon receipt of a death certificate. The cosigner's obligation to make any further payment of principal and interest or both on a SELF loan is canceled as of the date of death.

B. If the borrower becomes totally and permanently disabled, a claim must be filed by the board upon receipt of proper medical documentation. The cosigner's obligation to make any further payment of principal and interest on a SELF loan is canceled as of the date of medical documentation.

C. If a borrower or cosigner fails to perform any of the conditions of the promissory note, a claim must be filed by the board.

D. If a borrower is adjudicated bankrupt and has liability for the SELF loan discharged, the cosigner remains liable for unpaid principal and interest. If the cosigner fails to perform any of the conditions of the promissory note, the board shall file a claim.

Pollution Control Agency

Proposed Rules Relating to Hazardous Waste; Interim Status

Notice of Intent to Adopt Amendments to Rules without a Public Hearing

Notice is hereby given that the Minnesota Pollution Control Agency (Agency) intends to adopt without a public hearing, in accordance with the provisions of Minn. Stat. §§ 14.22-14.28 (1984), amendments to Minn. Rules Pts. 7045.0065, 7045.0552, 7045.0638, 7045.1240, 7045.1250, and 7045.1260, rules governing the availability of references, facilities governed by interim status, interim status landfills, and rule appendices.

The proposed amendments, if adopted, will update the reference for acceptable test methods, more specifically define the applicability of interim status standards, and impose more stringent requirements regarding closure and the management of containers at interim status landfills. The Agency also proposes to repeal Appendices K, L, and M under Minn. Rules pts. 7045.1240 to 7045.1260, because these appendices are now obsolete. The proposed rule amendments are authorized by Minn. Stat. § 116.07, subd. 4 (1984). The proposed rule amendments are published below. One free copy of the rule amendments is available on request from the Agency. Please contact the person whose name and address appears below.

The Agency has prepared a Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rule amendments and identifies the data and information relied upon by the Agency to support the proposed amendments. Copies of the Statement of Need and Reasonableness and of the proposed amendments are available and may be obtained by contacting:

Carol Nankivel
Minnesota Pollution Control Agency
1935 West County Road B-2
Roseville, Minnesota 55113
Telephone: (612) 296-7260

STATE OF MINNESOTA
MINNESOTA HIGHER EDUCATION COORDINATING BOARD

In the Matter of the Proposed Adoption of the Rule of the Minnesota Higher Education Coordinating Board Governing the Student Educational Loan Fund (MN Rule 4850.0010-4850.0018)

SUPPLEMENTAL FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING RULE ADOPTED WITHOUT A PUBLIC HEARING

Based on comments received by the Office of the Attorney General, I find the following:

1. The agency withdrew the above-entitled rule from approval because of defects found by the Office of the Attorney General;

2. The agency has made the necessary changes to correct the defects. These changes are:

   4850.0017, sec. G: The board ~~may~~ shall grant forbearances in those instances when the borrower experiences hardship in making payments of principal and/or interest, and when the cosigner has since died or become permanently disabled. Such a forbearance ~~might~~ shall be granted for documented unemployment or similar financial hardship cases and is limited to 90 days, renewable upon further documentation for another 90 days.

3. The agency has resubmitted the above-entitled rule with the changes, for final approval by the Office of the Attorney General.

NOW, THEREFORE, IT IS ORDERED that the revised rule identified as Student Educational Loan Fund is adopted this 12th day of February, 1986 pursuant to authority vested in me by Minnesota Statutes Section 136A.111, and Minnesota Laws 1983, Chapter 258, Section 49, and Minnesota Laws 1984, Chapter 654, Article 4, Section 3. (Minnesota Laws 1985, Chapter 11, Article 4, Section 80, Subdivision 2 extended the emergency rulemaking authority through June 1986.)

Feb 14, 1986
Date

David A. Longanecker

DAVID A. LONGANECKER
Executive Director
Minnesota Higher Education
Coordinating Board

STATE OF MINNESOTA
MINNESOTA HIGHER EDUCATION COORDINATING BOARD

In the Matter of the Proposed Adoption of the Rule of the Minnesota Higher Education Coordinating Board Governing the Student Educational Loan Fund

FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING RULE ADOPTED WITHOUT PUBLIC HEARING

Notice of the Board's proposed adoption of the above-entitled rule was published in the State Register on October 7, 1985 and was sent by United States mail to all persons on the list maintained by the agency pursuant to Minnesota Statutes, sections 14.14, subdivision 1, paragraph (a) and 14.22 on October 4, 1985.

All persons were given the opportunity to submit comment on the rule for 30 days after notice of proposed rulemaking. Fewer than 25 written requests for hearing within the 30-day comment period were received.

Based on the comments and evidence in the record before the agency, I find the following:

1. 4850.0011, subp. 15, section A: An addition (underlined) was made to include as an eligible student a student who ... is a student who graduated from a Minnesota high school and has not since established residence in another state and is enrolled in an eligible school in Minnesota or another state or United States territory;

2. 4850.0011, subp. 15, section I: An addition (underlined) was made to include as an eligible student a student who ... has agreed to the release of information to a consumer credit reporting agency, as listed in 4850.0012, subp. 4.

These additions were made as mandated by Minnesota Laws 1985, First Special Session, Chapter 11, Section 47.

The above-captioned rule as modified is needed and reasonable.

NOW, THEREFORE, IT IS ORDERED that the rule identified as Student Educational Loan Fund is adopted this 12th day of December, 1985 pursuant to authority vested in me by Minnesota Statutes, section 136A.111, and Minnesota Laws 1983, Chapter 258, Section 49, and Minnesota Laws 1984, Article 4, Section 3.

DAVID A. LONGANECKER
Executive Director
Minnesota Higher Education
Coordinating Board

CERTIFICATE OF BOARD'S
RESOLUTION ADOPTING THE RULE

I, Carol Kamper, do hereby certify that I am a member and the Vice-President of the Minnesota Higher Education Coordinating Board, a board duly authorized under the laws of the State of Minnesota, and that the following is a true, complete, and correct copy of a resolution adopted at a meeting of the Minnesota Higher Education Coordinating Board, duly and properly called and held on the 12th day of December, 1985, that a quorum was present at said meeting, that a majority of those present voted for the resolution, and that said resolution is set forth in the minutes of said meeting and has not been rescinded or modified.

> "RESOLVED, that the rule relating to the Student Educational Loan Fund is approved and adopted, pursuant to authority vested in us by Minnesota Statutes 136A.111, and Minnesota Laws 1983, Chapter 258, Section 49, and Minnesota Laws 1984, Article 4, Section 3, and that David A. Longanecker, the executive director of the Minnesota Higher Education Coordinating Board, is authorized to sign the findings of fact, conclusions, and order adopting the rule and further is authorized to perform the necessary acts to provide that the rule shall have the force and effect of law."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 12 day of December, 1985.

Carol J. Kamper
Officer of the Board

Mona J. Hentzman
Attest by one other Board member

MINNESOTA
HIGHER EDUCATION
COORDINATING BOARD

SUITE 400
CAPITOL SQUARE
550 CEDAR STREET
SAINT PAUL 55101

(612) 296-3974

MEMORANDUM

TO: INTERESTED PERSONS

FROM: ROSE HERRERA HAMERLINCK

RE: STATEMENT OF NEED AND REASONABLENESS,
STUDENT EDUCATIONAL LOAN FUND (SELF)

DATE: OCTOBER 7, 1985

The Higher Education Coordinating Board is proposing permanent rules for the SELF Program. Attached you will find the Statement of Need and Reasonableness.

The SELF Program has been operating under emergency rules since June 1985. Some changes have been made to the proposed rules from the current emergency rules. For your information, these changes are:

4850.0011, subp. 8, B-C. The conditions were added to maintain the financial integrity of the program.

4850.0011, subp. 10, A-B. The conditions were added to ensure that the Board could collect from a person of legal age; to ensure that items such as estates or trust funds could not be used as a co-signer; and to allow the student's school to be considered as co-signer.

4850.0012, subp. 2. The Attorney General suggested that the Board be more specific in determining termination.

4850.0012, subp. 4. The conditions were added to allow the program to submit data on borroers to the credit bureau. (1985 legislation exempted the Board from the Data Privacy Act in order to implement this program.)

4850.0014, subp. 1-2. All references to 12-month periods were changed to "academic year" for consistency with other financial aid programs.

4850.0017, sec. G. The Attorney General suggested that specific instances for granting forbearances had to be listed.

The SELF Rule as Proposed appears in the State Register on Monday, October 7, 1985.

If you have any questions or comments, please contact:

Rose Herrera Hamerlinck
Minnesota Higher Education
Coordinating Board
400 Capitol Square Building
550 Cedar Street
St. Paul, Minnesota 55101
612/296-7963

RHH:kb
Att.

Authority to Prescribe Rules

The Minnesota Higher Education Coordinating Board is authorized by statute to adopt policies and prescribe rules and regulations for student loan programs, including supplemental loans.[1] The 1983 legislation authorizing the Board to establish a supplemental program gave the Board authority to adopt temporary rules for a supplemental program for 1983-84.[2] The 1984 Legislature extended the Board's authority to adopt temporary rules for the 1984-85 school year.[3] The 1985 Minnesota Legislature authorized the Board to use emergency rules for the program until permanent rules are adopted or June 30, 1986, whichever is earlier.[4]

The Board now is proposing to adopt permanent rules. This document provides information on the background of the program, and provides a part-by-part explanation for the proposed permanent rules.

[1] Minn. Stat. 1984, Minn. Stat. 136A.16, Subd. 2

[2] Laws of Minnesota for 1983, Chapter 258, Section 67

[3] Laws of Minnesota for 1984, Chapter 654, Article 4, Section 3(b)

[4] Laws of Minnesota for 1985, 1st Special Sesion, Chapter 11, Section 80, Subd. 2.

CHAPTER I: INTRODUCTION/BACKGROUND

The Student Educational Loan Fund (SELF) Program is a new supplemental loan program designed to help students pay for their education beyond high school. It was authorized by the 1983 Minnesota Legislature and began operation in June 1985. Following is an overview of the program's history and its purpose.

The Minnesota Higher Education Coordinating Board, as part of its comprehensive review of the state's financial aid system, directed its staff in January 1982, to prepare a paper assessing the state's role in making loans available to students. The paper was to include a study of the feasibility of providing a supplemental state loan program. In February 1983, the Board voted to authorize staff to secure enabling legislation for such a program, which could be pursued, if needed, pending a review of the paper's conclusions. The 1983 Minnesota Legislature authorized the Board to provide for a supplemental loan program with approval by the Legislative Advisory Commission (LAC).[5] The Board received the staff paper in June 1983, and, following a discussion of it, directed staff to explore the development of a self-supporting, tax-exempt funded supplemental loan program that would meet the unmet borrowing needs of students in Minnesota. In October 1983, the Board indicated that staff should develop a specific proposal for review by the Board and examine several issues raised in its discussion of the paper.

Students rely increasingly on loans to help finance their education beyond high school. Approximately 1 of every 2 Minnesota students borrows to help pay educational costs. Most of the borrowing occurs within three federal programs: the Guaranteed Student Loan (GSL), the National Direct Student Loan (NDSL), and the Parent Loans for Undergraduate Students (PLUS) programs. Borrowing from these programs by Minnesota students totals more than $200 million per year.

While considering a new policy for the State Scholarship and Grant Program in 1982, the Board concluded that the critical and growing role of student financial credit must be acknowledged, that the role is likely to

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[5] Laws of Minnesota for 1983, Chapter 258, Sections 43, 44 and 46-50.

grow, and that it should be stated explicitly and assessed in a separate paper. Noting changes in federal loan policy to restrict GSL borrowing that had been implemented in late 1981 and major changes proposed subsequently, the Board decided it was essential to examine whether student borrowing needs were being met adequately by existing student loan programs, and whether any new state policies or programs were needed to meet student borrowing needs.

The Board contracted for three technical studies. One study provided a review and analysis of student loan market conditions, including both student and lender participation. A second examined possible loan limits for financing post-secondary education; that is, whether students could afford to borrow more than allowed by existing programs. The third study explored several specific options for alternative loan programs.[6]

The June 1983 staff paper presented to the Board concluded the following:

1. The need to borrow is likely to increase in the 1980s as a result of rising educational costs and a change in state policy that expects all State Scholarship and Grant recipients to contribute at least 50 percent of their cost of attendance from savings, earnings, loans, or other resources. Since most students lack adequate savings to cover their costs, and student work opportunities vary, many need to borrow against their future earnings. Several groups in particular need to borrow, e.g., students who make a personal committment to be self-sufficient, students who must finance more than their expected contribution because of parents' refusal or inability to contribute, graduate and professional students, and residents who attend out-of-state schools and who are therefore not eligible to apply for Minnesota state grants.

2. Existing loan programs do not adequately serve students who are ineligible because their parents' income exceeds a certain amount and those who need to borrow more than what is allowed under existing programs.

3. Most students can handle reasonable levels of indebtedness, although what is reasonable varies greatly depending both on the terms of the loan and the likely future earnings of the borrower.

4. Access to student loan capital is currently controlled by the federal government, not the state.

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[6] Touche Ross and Co., Review and Analysis of Student Loan Market Conditions (December 1982); Richard Wabnick, Loan Limits for Financing Post-Secondary Education (March 1983); and Springsted Inc., A Review of Selected Supplemental Student Loan Options for Minnesota Higher Education Coordinating Board (March 1983).

5. There are several ways the state could capitalize a program or programs to supplement existing federal programs. However, the most effective option appears to be through the use of tax-exempt funding.

Essentially, the June 1983 report concluded that there are several categories of potential borrowers with definite need for additional access to financial credit and who, given certain conditions, would use a supplemental loan program.[7]

In response to the Board's 1983 mandate, staff began to develop a model that was both consistent with the 1983 authorizing legislation and financially feasible to operate.

Specifically, the proposed program was designed to:

1. provide general access to as many students as possible;

2. provide the loan at as low a cost to the student (and the state) as possible yet expect the student to share reasonably in the loan costs;

3. integrate well with existing state, federal, and institutional financial aid programs and policies;

4. require no federal subsidy or state appropriation.

The target date for a new supplemental loan program, if approved by the Board and the LAC, was to be the 1984-85 academic year.

The model presented to the Board in May 1984 for its approval contained the following features:

1. The Student Educational Loan Fund Program was to be a final source of assistance. The program would include a requirement that participants first exhaust their eligibility for existing financial aid programs before applying to the SELF. This requirement, to be called the "Maximum Effort Test", would allow for three exceptions: College Work-Study, Parent Loans for Undergraduate Students/Auxiliary Loan to Assist Students (PLUS/ALAS), and the Health Education Assistance Loan programs (HEAL).

2. The SELF Program would be administered only by the Coordinating Board. There would no other lenders.

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[7] Minnesota Higher Education Coordinating Board, Student Borrowing Needs in Minnesota and Options for Meeting This Need: A Policy Paper (June 22, 1983).

3. Post-secondary institutions would be considered eligible to participate in the SELF Program if they: a) were located in the United States or its territories b) were eligible to participate in U.S. Department of Education Title IV financial aid programs, c) signed an eligible school agreement with the Board.

4. Students would be eligible to participate if they: a) were residents of Minnesota or non-residents who were enrolled in an eligible Minnesota school, b) were enrolled in a school eligible to participate in the SELF Program, c) were enrolled one-half time or more in a program leading to a degree or certificate that was not a correspondence or external degree program, d) were making successful satisfactory academic progress, as defined by the school, e) were not delinquent or in default of any student loan, and f) had a credit worthy cosigner.

5. Every applicant to the SELF Program was to have a credit worthy cosigner. The definition for credit worthiness, would be stringent enough to provide financial security for the program, yet not so restrictive that a person with a reasonable credit history would not be allowed access to the program.

6. There would be yearly loan maximums of $4,000 for undergraduates, $6,000 for graduate students, and aggregate borrowing maximums of $16,000 for undergraduates and $25,000 for graduate students. There would be a minimum SELF loan size of $1,000.

7. In an attempt to monitor a borrower's student loan indebtedness, participants in the SELF Program would be limited to a total of $4,000 per year including all types of student loan debt. This would be called the "Cumulative Student Loan Indebtedness" feature.

8. Eligibility for a SELF loan would be determined also by subtracting available financial aid from the current cost of attendance. Assuming the student did not exceed the yearly borrowing limit, and assuming the student had not exceeded his cumulative student loan indebtedness, the student would be allowed to borrow that amount of the cost of education that remained after considering available financial aid.

9. The interest rate to the borrower would be variable. The source of loan capital for the program would be a variable rate demand note whose interest could change every seven days. The Board would charge the borrower 4.25% in addition to the cost of funds. The 4.25% would represent the Board's operational expense for the program.

10. A guarantee fee representing 6.25% of the face value of the loan would be subtracted from each check and placed in a fund to protect the Board and bond holders against non-payment of principal and interest.

11. The SELF loan would consistently be in repayment. There would however, be three phases of repayment: 1) in-school - staring 90 days from the disbursement of the first check the student would be required to pay interest on a quarterly basis. The Board, or its servicer, would send a bill to the student for the payment. 2) Transition - for a period not to exceed 12 months from the termination of study, the student would be required to pay interest, but on a monthly basis. Again, the Board, or its servicer, would bill the student monthly for the payment. 3) Pay-out - beginning the 13th month out-of-school, the student would be required to pay principal and interest on a monthly basis. The Board would use 12 month coupon books for this purpose.

    There would be no grace or deferment periods. The length of the repayment period would be determined by one of the four following variables: a) 10 years from termination of study, b) 15 years from the date of the first loan, c) November 1, 2000, or d) a shorter period to be arranged with the Board. The shortest of these four variables would determine the length of the repayment period.

12. Certain security features would be incorporated into the SELF Program to further protect its integrity. Among these features would be: a) checks made jointly payable to the borrower and the school, and b) multiple check disbursements.[8]

After reviewing the model, the Board directed staff to proceed with a bond issue. The LAC in June approved the Board's proposal for a new loan program. On December 28, 1984, $60 million worth of variable rate demand notes were sold by the Board to finance the SELF Program.

During winter/spring 1985, the student loan staff proceeded with the implementation of the new SELF Program. Applications and promissory notes were designed and printed, processing procedures were formulated, servicing software was purchased, a credit bureau was selected, training workshops for the financial aid community were held, and the first SELF loan checks were disbursed in June 1985.

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[8] Minnesota Higher Education Coordinating Board, Design for a Proposed Supplemental Student Loan Program (May 1984)

CHAPTER II Part-by-Part Explanations

This chapter provides an explanation for each part of the rules relating to supplemental loans to post-secondary students.

4850.0011 DEFINITIONS

Subpart 1. Academic year. This definition is consistent with other definitions for this word within the state financial aid programs. It does, however, include a provision for clock hour type schools.

Subp. 2. Anticipated graduation date. This definition is also consistent with other definitions for this term within the state financial aid programs. The anticipated graduation date is important to the SELF Program because it indicates both the end of the in-school period, and also the beginning of the transition period. In-school period and transition period are defined in 4850.0011, subparts 23 and 29.

Subp. 3. Board. This definition is consistent with other definitions for this term within the state financial aid programs.

Subp. 4. Capitalized interest. When interest is capitalized, it is added to principal. Capitalizing interest is a common form of forbearance in the banking profession. In the SELF Program, interest will be capitalized only during the in-school phase of payment, and only if the borrower or cosigner misses a scheduled quarterly interest payment. The Board reasoned that during the in-school period, the borrower, by virtue of his/her enrollment, would be in the worst position to earn income, and might therefore have the greatest problem making the scheduled interest-only payment. In an attempt to be sensitive to such situations, while also being concerned about the financial integrity of the SELF Program, the Board decided to allow a borrower to miss his/her quarterly interest payment no more than twice before filing a claim for default.

Subp. 5. Certificate or degree. Because an eligible student in the SELF Program must be enrolled in an academic or vocational program culminating in a degree or certificate, it is necessary to define these terms. The Board wanted to make the SELF Program available only to those students with a specific academic or vocational goal in mind, so participation was limited to those enrolled in degree or certificate granting programs.

Subp. 6. Certification. Schools in the Guaranteed Student Loan (GSL) Program perform an identical function for applicants to that program which

is called "origination". The Board felt that the word "certification" more accurately described this function.

Subp. 7. Correspondence or external degree program. Because the Board's definition for "eligible school" excludes students enrolled in correspondence or external degree programs, it was necessary to define these terms. Because of the intricacies of the SELF Program, borrowers require access to knowledgeable financial aid officers so they can have questions answered. The Board believes that students enrolled in correspondence or external degreee programs would not have that face to face contact and therefore chose to exclude such programs from participation.

Subp. 8. Cost of attendance. In an attempt to respond to the actual financial need of students, the Board found it reasonable to allow the schools to determine cost of attendance. This is the same procedure followed in the Guaranteed Student Loan Program. This subpart defines the categories included in cost of attendance.

Subp. 9. Credit worthy cosigner. In order to obtain private reinsurance for the SELF Program, the Board was required by the Financial Insurance Guaranty Corporation (FIGC) to obtain a credit worthy cosigner for each borrower. In defining "credit worthy", the Board had two goals: 1. To write a definition that would maintain financial integrity of the program yet not restrict access to the program, and 2. Provide an avenue for defining credit worthiness if the cosigner was not on record with the credit bureau. The Board feels that the proposed definition meets these two goals.

Subp. 10 Cosigner. The Board specified U.S. citizenship or permanent residence for the cosigner so that legal action could be taken against the cosigner in the event of non-payment of principal and/or interest. Without this specification it would be possible for a non-citizen to cosign a SELF loan but then retreat to the legal immunity of his/her own country if unable or unwilling to fulfill the cosigner's obligation. The Board also specified that the cosigner be a minimum of 18 of age because Minnesota defines 18 years as the age of majority. In addition, the Board allowed eligible schools to serve as cosigners because of its concern that there would be some potential borrowers unable to locate a credit worthy

cosigner. In accordance with normal banking procedures, the Board also chose to relieve the cosigner of financial responsibility only if the borrower dies or becomes disabled.

Subp. 11. Default. This is a standard definition for the word "default", as used in the Guaranteed Student Loan Program. There are seven specific conditions for default listed on the SELF Program promissory note. Both the borrower and the cosigner could be subject to default. These conditions are:

a) if the borrower or cosigner does not makes any payment when due;
b) if the borrower or cosigner makes any false representation in obtaining any loan;
c) if the borrower or cosigner uses the loan for other than the cost of attending an eligible school;
d) if the borrower or cosigner fails to notify the HECB when he/she stops being an eligible student;
e) if the borrower or cosigner fails to perform any other provision of the promissory note;
f) if the borrower or cosigner defaults on any other loan owed to the HECB;
g) if the borrower or cosigner file a petition for bankruptcy.

Subp. 12. Delinquency. This is standard definition for the word "delinquency", as used in the Guaranteed Student Loan Program. After a certain number of days delinquent (120 days), a borrower is considered to be in default.

Subp. 13. Due diligence. Due diligence is an outline that prescribes the number of times the borrower and the cosigner are reminded of their obligation and the manner in which they are reminded before a claim can be filed. A claim is the process for requesting reimbursement due to death, disability, bankruptcy or default of the borrower or cosigner.

Subp. 14. Eligible school. Membership in the Federal Title IV financial aid programs was selected by the Board as a criterion for participation in the SELF Program because it represented an appropriate standard. Because the Board did not care to make SELF loans to foreign schools, location in the United States or its territories was specified, and schools will be required to sign a participation agrement with the HECB

so that the Board can be assured that its procedures and practices are being followed.

Subp. 15. Eligible student. Sections A, C, and D of this definition are identical to the definition of "eligible student" in the Guaranteed Student Loan Program. Section B is different from GSL because the SELF Program requires the student to be enrolled at least half-time in a program other than a correspondence or an external degree program, as defined in 4850.0011, Subp. 7. Section E was included because it was felt the student who was delinquent in other student loan obligations would not be a good borrower in the SELF Program. Section F is discussed in detail in Subp. 9. Section G will be discussed in Subp. 26. A specific graduation date is mentioned as a requirement for an eligible student in Section H to insure that all students will be through the transition period by the same date in 1993 and then have a minimum of seven years in payout. The Series 1984 SELF Bond Issue matures December 1, 2000, and all borrowers who received SELF loans from this source of money must have them repaid by that date.

Subp. 16. Enrolled student. This definition is identical to that of an "enrolled student" in the Guaranteed Student Loan Program. Without the stipulation of classes having begun, schools could be inclined to disburse checks to students during the registration period that normally preceeds an enrollment period. Experience in the Guaranteed Student Loan Program prompted the Board to make this distinction between registration and enrollment periods.

Subp. 17. Financial aid. In an attempt to be concise and comprehensive, and to avoid a long definition including such sources as grants, scholarships, loans, jobs, benefits and entitlements, the Board chose this definition. The definition is also purposely comprehensive because the SELF Program does not want to cover an educational expense already covered by another source of financial aid.

Subp. 18. Forbearance. Because the SELF Program must be self-liquidating, and because the program lacks the traditional in-school subsidies and interest benefits of federal loan programs, it was decided that no grace periods or deferments would be possible. However, the Board realized that hardship situations would occur that might curtail the borrower's payment. These hardship circumstances, or "forbearances", will

be dealt with by the Board as described in 4850.0017, Repayment Procedures.

Subp. 19. Full-time student. Except for the requirement that the program terminate in a certificate or degree, this definition is parallel to that of the Guaranteed Student Loan Program.

Subp. 20. Grade level. This definition also parallels that of the Guaranteed Student Loan Program.

Subp. 21. Graduate student. Because there are different annual and aggregate borrowing limits for graduate and undergraduate students, the term "graduate student" must be defined. This definition parallels that of the Federal Title IV financial aid programs.

Subp. 22. Half-time student. Half-time is exactly one half of full-time enrollment as defined by the school.

Subp. 23. In-school period. There are three phases in the repayment of a SELF loan: in-school, transition, and payout. The "in-school" is the first of these three phases and means that the student is enrolled at least half time. Repayment is discussed under 4850.0017, Repayment Procedures.

Subp. 24. Late charge. All loan programs have a penalty for late payments. As the SELF Program begins, the late charge being assessed is $5.00. Within the definition, the phrase "not to exceed $20.00" allows the Board to increase the late charge if it finds that borrowers do not find $5.00 to be enough of an incentive to pay on time. Had the Board used $5.00 as the charge, and then found it to be insufficient, a rule change would have been necessary to increase the charge.

Subp. 25. Loan period. This definition defines the term for which the loan is to be used. By specifying that the loan period begins with the first day of class, and by specifying that SELF loans are not to be disbursed before the beginning of the loan period, the program does not have to risk checks being disbursed to students before the school term actually begins. Again, the Board's experience with the Guaranteed Student Loan Program prompted it to define the term this way.

Subp. 26. Maximum effort. With the requirements of a credit worthy cosigner and an in-school interest payment, the SELF loan is not as attractive as some of the federally sponsored loan programs. Consequently, the Board did not want students participating in the program until they had exhausted their eligibility for other financial aid programs. Because the

Board could not assume that potential borrowers would be told about the other aid programs, the "maximum effort" test was included in the requirements for the program. However, the Board allowed three exceptions to the maximum effort test: work-study, PLUS/ALAS loans, and HEAL. The HEAL was included as an exception because its higher interest rates makes it less attractive then the SELF loan. Work-study was included as an exception to give students the option to borrow rather than work, and PLUS/ALAS was included because the interest rate is higher than SELF and there is a requirement of immediate repayment of principal and interest.

Subp. 27. Payout period. See Subp. 22. "Payout" is the third and final phase of SELF loan repayment. Sections B, C, and D of the definition are identical to that of the Guaranteed Student Loan Program. Section A is one of the parameters because the bond holders for the Series 1984 Bond Issue must be paid in full by December 1, 2000. Ending all repayment periods by the date assures the Board that the money will be available to repay the bond holders at maturity. Repayment is discussed under 4850.0017, Repayment Procedures.

Subp. 28. The bonds. "The bonds" represent the source of money for the SELF Program. Because of their importance to the program, "the bonds" are mentioned repeatedly in the program literature and therefore had to be defined.

Subp. 29. Transition period. "Transition period" is the second of the three phases of student loan repayment. Repayment is discussed under 4850.0017, Repayment Procedures.

Subp. 30. Undergraduate student. This definition parallels the definition of the same term in the Guaranteed Student Loan Program. Given the diverse types of educational institutions eligible for participation in the SELF Program, this definition seemed the most concise and equitable.

4850.0012 SCHOOL AGREEMENTS AND STUDENT APPLICATIONS

Subpart 1. Institutional loan participation agreement. The eligible school plays a crucial role in SELF Program application procedures; thus the Board felt that it was necessary to draft a contract between itself and the participating schools. This contract is called the Eligible School Loan Participation Agreement. Section A and B of this subpart summarize the information contained in the agreement. The Board has a similar agreement with participating schools in the Minnesota State Student Loan Program which has worked well. The Board's experience has been that the schools are more inclined to follow the outlined procedures if they have a signed contract with the lender.

Subp. 2. Termination. As in any contractual agreement, there are sanctions for failure to comply with parts of the contract. Any time the participating school violates any of the rules, the Board can terminate the participating school from the SELF Program. In the event of termination, however, the Board still holds the school responsible for fulfilling its requirements for loans it has already certified for students at its school. Termination means that the school can no longer certify applications for its students.

Subp. 3. Application, guarantee, and promissory note. The first part of Subpart 3 describes the path the application follows from beginning to end. The application, after having been completed by the student, goes to the school, rather than to the cosigner. This method provides the cosigner an application certified by the school and recommends a specific loan amount. It was felt the cosigner would feel more comfortable cosigning a known amount rather than a yet-to-be determined amount.

After completing the application, the cosigner is to forward all materials directly to the Board for processing rather than routing them back through the student or through the school financial aid office.

Once the completed application and promissory note are received at the Board, the application materials are examined for completeness and then a credit check is conducted of the cosigner. The Board has joined a local credit bureau and uses its services for this function. The Board determines if a loan can be made, sends adverse action letters to those applicants whose paperwork is rejected, and to those whose applications

have been approved but for amounts less than requested, and sends the approved loans to the HEMAR Service Corporation, the loan servicer. Acting also as a trustee for the banks, HEMAR re-examines the application and checks the work of the Board, and prepares the approved loans for payments.

Subp. 4. Release of information. This section discusses the release of borrower's and cosigner's information to the credit bureau. At various times throughout the life of the loan, for instance at disbursement and payout, certain of the listed items will be released to the credit bureau for its records. This release is to provide a periodic status report to the borrower's and cosigner's credit rating. Providing information about prompt and timely payment on an account to the credit bureau will strengthen the borrower's credit rating. Conversely, the inability to make timely and prompt payments also should be part of the borrower's credit information. The Board also felt that if the borrower and the cosigner knew that adverse information would be reported to the credit bureau, it might provide added incentive to pay regularly and on time. Legislation* adopted in 1985 allows the Board to release the listed data elements (A-K) to consumer credit reporting agencies. Permission will be obtained from the borrower when the borrower signs the SELF loan application. The Borrower's Statement will be expanded to include language that will give the Board permission to release information to "Consumer Credit Reporting Agencies". While the Board will start obtaining permission from the borrower for the release of the listed information as soon as the application is redesigned, it will not actually start releasing the information until the effective date of the legislation, which is July 1986.

4850.0014 AMOUNT AND TERMS

Subpart 1. Loan amounts. The minimum loan amount of $1,000 was decided upon after consideration of the costs associated with servicing a student loan. A limit at $1,000 spares the SELF Program the expense of servicing costs for loans of smaller dollar amounts. The academic year maximum borrowing amounts stem from the program's authorizing legislation.

Concerned about the total student loan debt that borrowers amass throughout their educational careers, the Board felt it appropriate to

*Laws of Minnesota for 1985, First Special Session, Chapter 11, Sec. 47 and 48.

monitor the students' indebtedness from year to year, or from grade level to grade level. Thus undergraduates are limited to $4,000 a grade level in all forms of student loans times the grade level number, up to a maximum of $16,000. Graduate students are restricted to a maximum of $25,000. This grade level by grade level monitoring of student loan indebtedness is intended to stimulate the student's academic momentum and prevent him or her from borrowing more money if for any reason progression is not made to the next grade level.

Subp. 2. Two loans in one year. Some students, however, would want to transfer or terminate one academic progression and start another. This would mean that a student might have to regress in grade level, or repeat the same grade level. The Board agreed to allow borrowing in the same grade level a maximum of two times, but only as long as the aggregate student loan indebtedness figure for that grade level was not exceeded. The Board recognized that students would be inclined to make academic changes, but it was concerned about a student, for example, repaying the equivalent of four years worth of loans after having only graduated from a two-year program.

Subp. 3. The interest rate to the borrower in the SELF Program will vary as much as weekly. This section describes how the interest rate will vary. Essentially, the Board charges the borrower a fixed margin, currently 4.25%, above the cost of the funds. If the cost of the funds, or "index rate", one week is 4.75%, the interest rate charged the borrower that week would 4.25% higher or a total of 9%. If the cost of funds, or "index rate", for another week was 5.25%, the interest rate charged the borrower for that week would be 9.5%. The margin represents the Board's operating expense for the program. If the Board finds the margin to be inadequate, or conversely more than it needs to charge, the Board will adjust the margin accordingly. When the Board changes the margin, all borrowers will be notified in writing. An interested borrower, or school, can call the Board any day and learn the prevailing interest rate for that week.

4850.0015 LOAN DISBURSEMENTS

Subpart 1. Disbursement scheduling. All checks in the SELF Program are written jointly payable to the student and to the school and may be disbursed by either academic or payment period.

Subp. 2. Disbursement when check arrives before loan period. Previous experience in the Guaranteed Student Loan Program indicates that it is not good policy to disburse loan checks before the academic period begins. The same is true for SELF loan checks. Once classes have started, the school may disburse the check to the student as soon as it has verified proper enrollment and determined that the satisfactory academic progress requirement has been met. Like the GSL Program, the school may subtract from a SELF check only that amount of money that it ordinarily charges its students for that particular academic period. It is not allowed to keep any more than that amount on account for the student without the borrower's written permission.

Subp. 3. Disbursement when check arrives during loan period. Procedures here are the same as in subpart 2 above with the additional statement that checks must be disbursed to students within 30 days from the date on the check. If the borrower is on an approved leave of absence at the time the check arrives, the school is given permission to hold the check until the student's return to school as long as the student returns within 30 days from the date on the check. Otherwise, the check must be returned to the Board.

Subp. 4. Disbursement when check arrives after loan period. Again, procedures are similar to that of subparts 2 and 3 above with emphasis that the check must be disbursed within 30 days from the end of the loan period.

4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL

Subp. 1. Nonenrollment. This is a standard warning that all SELF checks that cannot be disbursed must be returned to the Board within 30 days. This requirement is not only for efficient recordkeeping, but also allows the Board to reallocate the insurance premium for the undisbursed check to another loan, thereby saving the program money.

Subp. 2. Withdrawal and transfer to another eligible school. In the Guaranteed Student Loan Program, if the student fails to complete the loan period for which the GSL was borrowed and then transfers to another eligible school, the student is not permitted to take that GSL money with him or her to the new school. This particular GSL rule was written when costs of attendance were less, and the average Guaranteed Student Loan

check covered a larger portion of the expense. Then, there was a fear that the student might end up with more money than the total educational expense. With the average cost of attendance much higher today, this is no longer a serious problem yet the student is required to reapply for a new loan in the GSL Program if more money is needed for the second school.

With a maximum loan size in SELF at $4,000, the Board decided that in the event of transfer, there would still be legitimate educational expense to be covered at the second school. Therefore, rather than requiring the student to apply a second time in the same academic year it would allow the student to transfer subsequent disbursements to the newer school.

Subp. 3. Withdrawal. This subpart defines the refund formula for the SELF Program. The formula is identical to that used in the Minnesota State Scholarship/Grant-in-Aid Program and is compatible with the refund formulas for the Federal Title IV financial aid programs.

Subp. 4. Reduction of enrollment to less than half-time status. Some SELF loan recipients might reduce their enrollment below the minimum half-time requirement. If that occurs, the school must notify the Board immediately. Further, the Board can allow a student to remain at a less than half-time enrollment status for no more than six months. If the student has not resumed a half-time or more status at the end of the six months, the student automatically will be placed in the transition period of repayment.

4850.0017 REPAYMENT PROCEDURES

Sections A, B and C describe the repayment procedures for the three phases of repayment: in-school, transition, and payout. During in-school and transition, the Board will bill for interest only quarterly and monthly, respectively. The interest used on the bill will be the prevailing interest rate at the time the bill is written. All payments are due by the 15th day following the date of the billing.

While the Board wanted to continue the billing concept during payout, it decided the expense would be too much for the program. Consequently, the compromise was to use coupon books with 12 months worth of coupons in them. Because the coupon books would have to be printed in advance, and because there was no way of predicting exactly how the cost of funds would

fluctuate in the period, it was decided to incorporate a 3% cushion into the interest rate. The Board will take the prevailing interest rate at the time the coupon book is written, add 3% to it, and then calculate 12 months worth of payments. This is called the "assumed rate". The Board felt it was highly unlikely that the interest rate to the borrower would fluctuate as much as 3 percentage points in a 12-month period. Assuming that it does not fluctuate that much, the borrower will have paid more than actual accrued interest by the end of the 12-month period. Should that occur, the additional amount of the interest the student paid at the assumed rate would then be deducted from the principal on the loan before the calculation is made for the next 12-month period. This way, the borrower would get full credit for any additional amount that would have been paid in interest for the coupon book period.

Conversely, if the actual interest rate exceeded the assumed rate for that period, causing the interest payments to be less than actual interest accrued, the borrower would owe the Board some amount of money at the end of the 12-month period. Rather than taking that amount and adding it to the principal, the Board would calculate the next 12 months worth of coupons using the assumed rate and the unpaid balance but then focus the first 1, 2 or 3 months' payments on that additional amount owed. In this way the borrower would repay the extra amount of interest owed within the early part of the next 12-month period and reduce any possibility of negative amortization.

In 4850.0011, Subp. 25, the term "late charge" is defined. Section D indicates that if a late charge is assessed it will be billed in the 30-day delinquent letter.

Section E provides for the capitalization of delinquent interest for students in the in-school phase of repayment only for a maximum two quarters, before filing a claim for default. The Board felt that if any time a student was going to be delinquent in payment of interest, it would be while enrolled as a student, which is a time when the borrower is least able to generate income for making payments. Rather than immediately filing a claim for default, the Board decided that interest could be capitalized up to a maximum of two times in an attempt to keep a student in repayment.

Section F says that there is no penalty for prepaying a SELF loan. Since one of the Board's objectives is to repay the bondholders it wanted to encourage early payment rather than discourage it.

While it is necessary for the financial security of the SELF Program that all borrowers be in one of the three phases of repayment, it realized that situations could occur where the borrower is not able to make a payment as covered in section G. In the majority of those instances, the Board would expect the cosigner to make that payment for the borrower, but the situation could also occur where the cosigner, since accepting that responsibility, had died or become permanently disabled. Therefore, if those two circumstances occurred simultaneously, the Board would provide forbearance to the borrower before turning the account over to claim. The Board does not expect these two conditions to exist in many occasions, but it wants to be prepared for that situation.

Like all student and other commercial loan programs, the Board will provide annual statements of how much principal is left in the account to be repaid, and how much interest was paid for the calendar year.

4850.0018 CLAIMS

Subpart 1. <u>When filed.</u> A claim is a formal request to the insurer (i.e. the Bad Debt Reserve, held in trust by Norwest Bank Minneapolis, N.A.) for reimbursement of an account. This subpart says that after following the prescribed requirements of due diligence, a claim should be filed with the Bad Debt Reserve for repayment of outstanding principal and accrued interest as long as no payment has been received from either the borrower or the cosigner by 120 days from the billing date. The Bad Debt Reserve is a reserve fund contributed to by the Board and each borrower. The borrower contributes 6.25%, and the Board contributes 8.75% for a total of 15% of each loan amount disbursed. The Bad Debt Reserve is used to reimburse the SELF Program when claims are filed due to death, disability, default or bankruptcy of the borrower or cosigner.

Subp. 2. <u>When paid.</u> Claims can be made in one of four categories: death, disability, default, and bankruptcy. This subpart says that if the borrower dies or becomes permanently disabled, and the Board receives documentation of that fact, the cosigner will be relieved of repayment

responsibilities. The cosigner, however, is still responsible for repayment when the borrower is successful getting a SELF loan discharged through bankruptcy.

STATE OF MINNESOTA
MINNESOTA HIGHER EDUCATION COORDINATING BOARD

In the Matter of the Proposed Adoption of the Rule of the Minnesota Higher Education Coordinating Board Governing the Student Educational Loan Fund (Minnesota Rules 4850.0010-4850.0018)

STATEMENT OF COMPLIANCE WITH RULEMAKING PROCEDURES

I, Special Assistant Attorney General, Laura E. Mattson, do hereby declare that I have examined the rules and all related documents and that, based on my examination and my personal familiarity with the applicable procedures, the Administrative Procedure Act, the rules of the Office of Administrative Hearings, and the rules of the Attorney General have been followed. Any exceptions are noted below.

Dated: January 15, 1986

Laura E. Mattson

LAURA E. MATTSON
Special Assistant
Attorney General

In the Matter of the Proposed Adoption of the Rule of the Minnesota Higher Education Coordinating Board Governing the Student Educational Loan Fund

AFFIDAVIT OF MAILING THE NOTICE OF SUBMISSION OF RULE ADOPTED WITHOUT PUBLIC HEARING TO THE ATTORNEY GENERAL

STATE OF MINNESOTA)
) ss.
COUNTY OF RAMSEY)

Rosemary Herrera Hamerlinck, being first duly sworn, deposes and says:

That on the _____ day of _____, 19___, in the City of St. Paul, County of Ramsey, State of Minnesota, I mailed the attached Notice of Submission to the Attorney General by depositing in the State of Minnesota Central Mail System for United States mailing at said City of St. Paul, a copy thereof, with postage prepaid, to all persons and associations who requested notice that the rule in the above-entitled matter has been submitted to the Attorney General.

_____

Subscribed and sworn to before me this
_____ day of _____, 19___.

_____

STATE OF MINNESOTA
MINNESOTA HIGHER EDUCATION COORDINATING BOARD

In the Matter of the Proposed Adoption of the Rule of the Minnesota Higher Education Coordinating Board Governing the Student Educational Loan Fund	NOTICE OF SUBMISSION OF RULE ADOPTED WITHOUT PUBLIC HEARING TO THE ATTORNEY GENERAL

Pursuant to your request and in accordance with Minnesota Statutes, section 14.26:

PLEASE TAKE NOTICE that the above-captioned rule as adopted has been submitted to the Office of the Attorney General on this date, _____, 19___, for review as to legality and form to the extent form relates to legality. The proposed rule, the rule as adopted, all the notices, the Statement of Need and Reasonableness, all written comments and requests received, and other required documents also have been submitted to the Attorney General.

The proposed rule which was published in the State Register and made available to the public on October 7, 1985, has been modified. A free copy of the rule as modified as well as the findings of fact, conclusions, and order adopting the rule is available upon request from:

Rose Herrera Hamerlinck
Minnesota Higher Education Coordinating Board
400 Capitol Square Building, 550 Cedar Street
St. Paul, Minnesota 55101
612/296-7963

The rule must be approved or disapproved by the Attorney General within 14 calendar days of the date of submission to the Attorney General. You may submit written comments to the Attorney General on the legality of the rule. Any written comments must be submitted within eight calendar days of the date of submission of the rule to the Attorney General. Your comments must address only the issue of legality of the rule or specific parts or subparts of the rule. Your comments must be directed to:

The Office of the Attorney General
204 Administration Building
50 Sherburne Avenue
St. Paul, Minnesota 55155
612/296-1288

Any written comments submitted to the Attorney General must be submitted simultaneously to this agency.

_____
Executive Director
Minnesota Higher Education
Coordinating Board

Dated: _____

To: Marty.
Date: 2/3/86
Re: MHECB — Supplemental Student Loans.

Order Adopting
Findings of Fact & Order Adopting

Both documents are submitted and both contain incomplete citation to authorizing statute. In view of fact that "Order Adopting" contains other minor errors may be we should settle for the FF/Order Adopting combination which only contains the one minor error.

Rules as Adopted

p.2 lines 30-36 4850.0011, subpt. 9.

I have a feeling of deja vu. Last time around (emergency rulemaking) I believe we accepted this language of the board judging "facts" about which there can be no doubt — the would-be borrower either is or is not in a position of being discharged through bankruptcy etc. However, I recall objecting to the rule before — it is sloppy writing! (grounds for disapproval!?)

p.9, line 30 4850.0015

This section provides for the disbursement of checks at a particular time or at "more appropriate" dates. It is not clear what would constitute a "more appropriate" date.