

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
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RULE REVIEW CHECKLIST

File No. 1776
DATE RECEIVED 1-3-91
REVIEW DATE 1-14-91
DUE DATE 1-17-91
(DIS)APPROVED 1-16-91
WITHDRAWN _____

Docket No. 05.0009.0448
ADOPTED W/O HEARING _____
EMERGENCY RULE _____
TO REVISOR ON 1-3-91
REVISOR (DIS)APPROVED 1-8-91
FILED W/SEC. OF STATE 1-17-91
RETURNED TO AGENCY _____

✓ Rule as adopted (4 copies)

_____ Notice to Solicit Outside Information/Opinion (if applicable)
_____ Date published in State Register
_____ Comments

_____ ~~Petition for Adoption of a Rule~~

✓ Board's Authorizing Resolution
October 1989 Date adopted

✓ Proposed Rule
✓ Revisor's Certificate

✓ Notice of Intent to Adopt Rule
136A.04 Subd 1(9) Statutory Authority 136A.16 and 136A.234
_____ Small Business Statement
_____ Expenditure of public money statement
~~David Powers~~ Signature

✓ Statement of Need and Reasonableness (if applicable)
N/A Small Business Statement
_____ Fees - § 16A.128

✓ Affidavit of Mailing Notice of Intent to Adopt Rule
October 26, 1990 Dated 30/25 days before adoption
✓ Notice attached indicates it is attached
_____ Copy of rule or summary attached

✓ Publication in State Register
October 29, 1990 Date 30/25 days before adoption

✓ 180-day deadline from:
sent letter to Gov. and Leg. Commission Effective date of law requiring rule (14.12) (both rules) amendments don't apply
✓ end of comment period (§ 14.26) (rules without hearing)
_____ effective date of statutory authority (§ 14.29) (emergency rules)

✓ Resolution Adopting
December 13, 1990 Date adopted

✓ Findings of Fact, Conclusions & Order Adopting
December 14, 1990 Date

✓ Written Requests, Submissions or Comments

_____ Declaration of Attorney
Nancy Joyer Name of SAAG representing agency

_____ ~~Notice of Submission~~ to Attorney General (if applicable)

_____ ~~Affidavit of Mailing Notice to Attorney General~~ (if

Higher Education Coordinating Board

Adopted Permanent Rules Relating to Financial Aid

Rules as Adopted

4830.0100 DEFINITIONS FOR HIGHER EDUCATION PROGRAMS.

[For text of subps 1 to 4, see M.R.]

Subp. 5. **Eligible student.** "Eligible student" means a student who meets, at a minimum, all of the following requirements:

[For text of items A to D, see M.R.]

E. is in good standing and making satisfactory progress, as determined by the school;

F. is a permanent resident of the United States, if the student is not a United States citizen; and

G. is not in default, as defined under the applicable loan program, of any educational loan, or, if the student is in default, has made satisfactory arrangements to repay the loan.

Subp. 6. **Executive director.** "Executive director" means the executive director of the board, or board staff who perform duties as assigned by the executive director.

[For text of subps 7 to 9, see M.R.]

Subp. 10. **Minnesota resident.** "Minnesota resident" means:

A. a dependent student whose parent or legal guardian resides in Minnesota on the date of application;

B. an independent student who has resided in Minnesota for other than educational purposes for at least 12 consecutive months prior to the date of application;

C. a student who graduated from a Minnesota high school; or

D. a student who, after residing in the state for a minimum of one year, earned a high school equivalency certificate in Minnesota.

Subp. 10a. **Determination of student residence.** The residence of the parent whose financial information is reported

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in the financial need analysis determines the residence of the student.

[For text of subp 11, see M.R.]

Subp. 12. **Returning student.** "Returning student" is a student who has not been in attendance at a postsecondary institution for at least the last three consecutive years before applying for aid.

STATE ~~SCHOLARSHIPS AND~~ GRANTS

4830.0200 SCOPE.

Parts 4830.0200 to 4830.0700 govern state ~~scholarships and~~ grants.

4830.0300 ELIGIBLE SCHOOLS.

Subpart 1. **Annual list.** Annually the board shall adopt by resolution a list of schools at which a state ~~scholarship or~~ grant may be used. Schools may be added to the list by the board anytime during the school year.

Subp. 2. **Requirements.** To be eligible a school must:

A. be located in Minnesota;

B. offer at least one program that:

(1) is vocational or academic in nature;

(2) leads to a certificate or degree;

(3) is at least ten weeks long; and

(4) involves at least 12 academic credits or 300 clock hours;

C. be:

(1) accredited by a federally recognized accrediting agency or association;

(2) approved to offer degrees or use terms in its name according to part 4840.0500; or

(3) licensed by an appropriate state agency; and

D. sign an institutional agreement with the executive director.

4830.0400 APPLICATION DATES AND STUDENT ELIGIBILITY.

[For text of subpart 1, see M.R.]

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Subp. 2. [See Repealer.]

Subp. 2a. **Out-of-state housing.** A student's Minnesota residence is not lost if the student must live outside of Minnesota for housing purposes while attending an eligible school located within ten miles of the Minnesota border. The student must have moved to the out-of-state address within six months of beginning attendance at an eligible school.

~~Subp. 3. Eligibility for initial scholarship. To be eligible for an initial scholarship a student must be an eligible student, as defined in part 4830.0100, subpart 5, except item E, and:~~

~~A. demonstrate financial need;~~

~~B. have ranked in the upper quarter of the class at the end of the junior year of senior high school, or the equivalent, based on the student's cumulative scholastic record in senior high school;~~

~~C. be enrolled in a program that is at least ten weeks long, and involves at least 12 academic credits or 300 clock hours; and~~

~~D. must not have received a previous Minnesota state scholarship or grant.~~

Subp. 4. **Eligibility for initial grant.** To be eligible for an initial grant a student must be an eligible student, as defined in part 4830.0100, subpart 5, except E, and:

A. demonstrate financial need;

B. if under 17 years old, hold a high school diploma or the equivalent;

C. be enrolled in a program that is at least ten weeks long, and involves at least 12 academic credits or 300 clock hours; and

D. must not have received a previous Minnesota state ~~scholarship or~~ grant.

Subp. 5. **Renewal awards.** A ~~scholarship or~~ grant is renewable for a maximum of six semesters, nine quarters, or the equivalent, but must not continue after the first of the following occurrences:

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A. the recipient has obtained a baccalaureate degree; or

B. the recipient has been enrolled on a full-time basis for eight semesters, 12 quarters, or the equivalent.

To be eligible to renew a ~~scholarship or~~ grant a student must apply each year and continue to meet the requirements for an initial ~~scholarship or~~ grant, except for ~~subparts 3 and~~ subpart 4, item D. A student must have made satisfactory progress as determined by the school.

Subp. 6. **Overlapping awards.** A student may not receive funds from the state campus-based part-time student grant program and the state ~~scholarship and~~ grant program for the same or overlapping periods of enrollment.

4830.0500 RANKING APPLICANTS.

Subpart 1. **Classification and ranking of applicants.** Each applicant shall be placed in at least one of the following classifications: ~~renewal scholarship,~~ renewal grant~~, initial scholarship,~~ or initial grant. Grant applicants are ranked according to parental contribution; applicants with the least parental contribution are awarded first. ~~Scholarship applicants are ranked according to class rank as a junior in high school; applicants with the highest class rank are awarded first.~~

Subp. 2. **Priority of classes of applicants.** ~~Applicants renewing scholarships shall be given first priority.~~ Applicants renewing grants shall be given ~~second~~ first priority. ~~Applicants for initial scholarships shall be given third priority.~~ Applicants for initial grants shall be given ~~fourth~~ second priority. Awards shall be made on a funds available basis. Once an award is made it may not be withdrawn in order to award an applicant of higher priority.

[For text of subp 3, see M.R.]

4830.0600 AWARDS.

Subpart 1. **Monetary awards.** The amount of a ~~scholarship or~~ grant may not exceed an applicant's cost of attendance, as defined in Minnesota Statutes, section 136A.121, subdivision 6,

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after deducting the following:

[For text of item A, see M.R.]

B. For an applicant who is not an independent student, a contribution by the applicant's parents, as determined by the financial need analysis.

[For text of items C and D, see M.R.]

Subp. 1a. **Minimum.** The minimum award amount shall be $100.

Subp. 2. **Adjustments to awards.** If financial need decreases because a recipient chooses a different school after the ~~scholarship or~~ grant award is offered, the award shall be reduced. If a change in schools causes financial need to increase, the award shall be increased only if funds are available.

4830.0700 METHOD OF PAYMENT.

Subpart 1. **Payments to schools.** After a ~~scholarship and~~ grant award is determined, the award shall be sent by the executive director to the school chosen by the recipient. The school shall apply the award to the recipient's educational costs in the following order: tuition, fees, books, supplies, and other expenses. The costs must be prorated for each term of the academic year. The school shall notify each recipient that the award has been received by the school.

Subp. 2. **Refunds.** A ~~scholarship and~~ grant is awarded for full-time attendance at a specified school for the academic year of nine months within the state fiscal year. If a recipient fails to enroll or reduces enrollment, the school must refund the unused portion of the award. If the executive director determines that a school has fraudulently handled ~~scholarship or~~ grant money, the refund of the unused portion of the award is immediately due, and the board may institute a civil action for recovery if necessary. Refunds to the board are determined as follows:

A. Determine the percentage that the state ~~scholarship or~~ grant award represents of the student's total financial aid package for the applicable term;

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B. Multiply that percentage by the amount determined to be refunded to the student under the school's refund policy. The result yields the amount to be refunded to the board.

A refunded award must be sent by the school to the board's ~~scholarship or~~ grant account. Refunded awards are available for reassignment to other qualified applicants.

Subp. 3. **School accounting requirements.** Schools shall maintain separate accounts for ~~scholarship and~~ grant funds. Refunds to the board must be accompanied with a list stating the social security number, name, award type, amount of refund, term, and refund code for each student included in the refund. The refund must be made to the board within 30 days from the end of the academic term, or 30 days from the date the school is notified of a student's withdrawal, whichever is less. Schools must provide evidence, prepared according to generally accepted accounting principles, that all awards have either been distributed or refunded to the board.

Subp. 4. **Recovery of overpayments.** An overpayment occurs when a grant recipient receives more money than the recipient is eligible to receive under the award calculation. A grant recipient shall reimburse the board for overpayment regardless of the cause. The overpayment amount is the difference between the amount received and the calculated award eligibility. The reimbursement amount includes any costs or expenses incurred by the board in collecting the debt, including reasonable attorney fees. The reimbursement is recoverable from the recipient or the recipient's estate. The board may institute a civil action for recovery if necessary.

The recipient must not receive additional awards until the overpayment is recovered or the recipient is making payments under an approved plan. Additional awards for which the recipient is eligible may be used to recover an unreimbursed overpayment.

PART-TIME STUDENT GRANTS

4830.1550 SCOPE.

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Parts 4830.1550 to 4830.1556 govern state grants for less than half-time students.

4830.1551 ELIGIBLE SCHOOLS.

Schools eligible for part-time student grants are the same schools eligible for state ~~scholarships and~~ grants under part 4830.0300.

4830.1552 APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS.

Subpart 1. **Allocation formula.** The executive director shall allocate funds to each school according to the following formula:

A. Each school's share is the number of part-time students enrolled in the last fiscal year, multiplied by the average registration level of its part-time students in the last fiscal year, multiplied by the institutional budget used by the ~~scholarship and~~ grant program for the current fiscal year.

B. Each school's initial allocation is the school's share divided by the sum of school shares, multiplied by the last year's percent of usage, multiplied by 90 percent. Percent of usage is defined as follows:

(1) If no final report is received by the first working day after August 9, the percent of usage is 80 percent.

(2) If the final report is received before August 10, the percent of usage is the total amount of funds used divided by the last year's allocation.

(3) A refund in excess of $1,000 received after April 1 is multiplied by 150 percent and subtracted from the original allocation to determine the funds used. This amount is divided by the last year's allocation to determine the percent of usage.

C. Each January, the executive director shall allocate the remaining ten percent of the total part-time grant allocation according to the same formula, except that the last year's percent of usage must not be applied.

"Number of part-time students" means the sum of all enrolled resident, extension, and unclassified part-time

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students, who are Minnesota residents, and are reported to the board for its annual enrollment survey as lower division, upper division, and vocational students in the fall term of the school year.

"Registration level" is the number of credits (or an equivalent measure) taken by part-time students in the fall term of the school year as reported to the board for its annual enrollment survey, divided by 12 credits (or an equivalent measure).

Subp. 2. **Notification.** The executive director shall notify each school of the amount allocated to it.

Subp. 3. **Accountability.** Each participating school shall be accountable for any funds disbursed to students for grants for part-time students. Funds may be used only during the fiscal year of disbursement. If a student does not use a grant because the student does not enroll or withdraws from school, the school may use the funds for other eligible students or return them to the board.

Subp. 4. **Unused funds.** When requested by the executive director, a school shall report its use of funds and shall return unused funds. The executive director shall reallocate unused funds to schools desiring additional funds.

4830.1553 DETERMINATION OF ELIGIBILITY.

A school shall determine if a student is eligible for a part-time student grant. To be eligible a student must be an eligible student as defined in part 4830.0100, subpart 5, items A, B, C, E, F, and G. The student must be pursuing course work applicable to a degree, diploma, or certificate and be enrolled either less than half-time as defined by the board, or as a new or returning student enrolled at least half-time but less than full-time as defined by the board.

4830.1554 AMOUNT AND TERM OF GRANTS.

[For text of subps 1 and 2, see M.R.]

Subp. 3. **Amount.** The amount of the grant when combined with (a) grant assistance from federal, state, institutional, or

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private sources, (b) employer reimbursement, and (c) the expected parent/student contribution resulting from the assessment of financial need under subpart 1, must not exceed the student's direct educational cost as defined in subpart 2.

4830.1555 REPORTS OF DATA.

The school must collect demographic, educational, and financial data specified by the executive director from eligible students requesting grants. The school shall provide the executive director with individual student data upon request.

End of year program activity and student data reports are required by the executive director. The school must correctly complete and submit the reports and any applicable refunds to the executive director by the first working day after August 9. The executive director shall withhold the school's subsequent year's allocation if the above deadline is not met.

4830.2100 ELIGIBLE SCHOOLS.

Schools eligible for work-study grants are the same schools eligible for state ~~scholarships and~~ grants under part 4830.0300.

4830.2200 APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS.

[For text of subps 1 and 2, see M.R.]

Subp. 3. **Modification of allocations.** The executive director shall allocate funds equal to a school's estimated need if the estimated need is less than the amount determined by the allocation formula.

[For text of subp 4, see M.R.]

Subp. 5. **Unused funds.** The school must return funds which the school determines will not be used within 30 days from the date of a request by the executive director. The executive director shall reallocate the funds to other participating schools requesting additional funds.

Subp. 6. **Reallocation.** The executive director shall reallocate funds using the formula specified in subpart 2, items A and B.

4830.2300 WORK-STUDY GRANTS.

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A school shall determine if a student is eligible for a work-study grant. To be eligible a student must meet the requirements of part 4830.0100, subpart 5, items B to F. A student employed during periods of nonenrollment must sign a statement of intent to enroll full-time the next term or provide proof of registration for the next term.

4830.2500 CONTRACTS WITH EMPLOYERS.

[For text of subps 1 to 3, see M.R.]

Subp. 4. **Supervision.** The school, with the employer, must develop for each work-study assignment a program of supervision consistent with the nature of the assignment and the needs of the individual student. Upon request, the school must submit the program of supervision to the executive director for review and comment.

[For text of subp 5, see M.R.]

4830.2600 REPORTS BY SCHOOL.

The school must collect demographic and program activity data as specified by the executive director. The school shall provide the executive director with individual student data upon request.

End of year program activity and student data reports are required by the executive director. The school must correctly complete and submit these reports and any applicable refunds to the executive director by the first working day after August 9. The executive director shall withhold the school's subsequent year's allocation if the above deadline date is not met.

4850.0010 PURPOSE.

The purpose of parts 4850.0010 to 4850.0018 is to augment Minnesota Statutes, sections 136A.15 to 136A.1702, establishing a state program of supplemental loans to postsecondary 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,

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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.

A student may borrow for a portion of the academic year, or for all of it (see "loan period").

[For text of subps 2 to 4, see M.R.]

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 certifies a minimum mastery of the subject matter for a particular academic or vocational program.

[For text of subps 6 to 8, see M.R.]

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

[For text of items A to D, see M.R.]

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 cosigner must:

A. be at least 18 years old;

B. be a person or an eligible school; and

C. agree to the release of information to a consumer credit reporting agency, as described in part 4850.0012, subpart 4.

If the cosigner has no credit history, credit worthiness shall be determined by the executive director, 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.

[For text of subp 11, see M.R.]

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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 executive director after the due date.

[For text of subp 13, see M.R.]

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

[For text of items A and B, see M.R.]

C. signs an institutional loan participation agreement with the executive director that lists the duties and responsibilities of both the school and the executive director.

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 is enrolled in an eligible school in Minnesota or another state or United States territory;

[For text of items B and C, see M.R.]

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

[For text of items E to I, see M.R.]

[For text of subp 16, see M.R.]

Subp. 16a. **Executive director.** "Executive director" means the executive director of the board, or board staff who perform duties as assigned by the executive director.

[For text of subps 17 to 20, see M.R.]

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

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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.

[For text of subp 22, see M.R.]

Subp. 23. **In-school period.** "In-school period" means the period that the eligible student 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 executive director more than 15 days after the due date.

[For text of subps 25 and 26, see M.R.]

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

[For text of items A to D, see M.R.]

[For text of subps 28 to 30, see M.R.]

4850.0012 SCHOOL AGREEMENTS AND STUDENT APPLICATIONS.

Subpart 1. **Institutional loan participation agreement.** The eligible school and the executive director 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 executive director 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

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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 executive director. The executive director 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 executive director 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 executive director. 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 executive director rejects the loan application, the applicant and the cosigner must be advised in writing of the decision and the reasons for the rejection.

[For text of subp 4, see M.R.]

4850.0014 AMOUNT AND TERMS.

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

The annual and maximum loan amounts for:

A. an undergraduate student are those prescribed in Minnesota Statutes, section 136A.1701. The loan must not exceed the stated annual undergraduate borrowing maximum or 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) must not exceed the product of the grade level times the annual undergraduate borrowing maximum, except in grade level 05 when the cumulative undergraduate loan debt maximum stays the same as in grade level 04. For example, if the annual

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undergraduate borrowing maximum in statute is $4,000, the cumulative undergraduate loan debt maximum, by grade level, is:

(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. a graduate student are those prescribed in Minnesota Statutes, section 136A.1701. The loan must not exceed the stated annual graduate student borrowing maximum or 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 graduate student (excluding PLUS loans borrowed on the student's behalf) does not exceed the total amount prescribed in Minnesota Statutes for both undergraduate and graduate educations combined. For example, if the stated total borrowing maximum is $25,000, the cumulative graduate student borrowing maximum, by grade level, is:

(6) grade level 6, $25,000;

(7) grade level 7, $25,000;

(8) grade level 8, $25,000; and

(9) grade level 9, $25,000.

[For text of subp 2, see M.R.]

Subp. 3. **Interest rate.** For loans made from the bonds, the interest rate on the loan must be fixed by the executive director 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 executive director determines that the margin does not reflect the costs of the SELF program, the executive director must increase or decrease the margin. The executive director shall advise borrowers of changes in the margin.

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For loans made from sources other than the bonds, the interest rate on the loan will be determined by the executive director at a margin in excess of the "index rate." The "index rate" is the average rounded to the nearest quarter of one percent of the bond equivalent yield, for auctions of 13 week treasury bills, during the preceding calendar quarter. If the index rate increases or decreases, the interest rate on the loan automatically increases or decreases on the same day without notice to the borrower. The interest rate on the loan cannot increase or decrease more than two percentage points over any four consecutive calendar quarters. The executive director shall set the margin to reflect the costs of the SELF program. If the executive director determines that the margin does not reflect the costs of the SELF program, the executive director must increase or decrease the margin. The executive director shall advise borrowers of changes in the margin.

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 executive director requires or the school suggests other more appropriate dates.

[For text of subp 2, see M.R.]

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

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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 and is scheduled to return within 30 days from the date on the check, the school may hold the check until the student returns. If the student fails to return or does not show up for disbursement, the check must be returned to the executive director 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 executive director.

4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL.

Subpart 1. **Nonenrollment.** A school shall return a check to the executive director 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, any remaining scheduled disbursements must be canceled. The school must immediately notify the executive director of any borrower who withdraws for any purpose. The student may apply for any remaining loan eligibility at the other eligible school, assuming the amount approved is at least $1,000.

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, some portion of that refund must be returned to the

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board for the SELF Loan Program within ~~30~~ 45 days of the date the school becomes aware of the withdrawal. Refunds to the board are determined by items A and B.

A. Determine the percentage that the SELF loan represents of the student's total financial aid package for the applicable term.

B. Multiply that percentage by the amount determined to be refunded to the student under the school's refund policy. The result yields the amount to be refunded to the board.

Subp. 4. **Reduction of enrollment to less than half-time status.** The school shall notify the executive director 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 in-school period, the board or its agent shall bill borrowers for accrued interest once during each calendar quarter.

[For text of item B, see M.R.]

C. During the repayment period, the board or its agent shall bill borrowers for accrued interest and principal once during each calendar month. The interest rate may vary throughout the period. The sum of the monthly payments must equal the sum of accrued interest plus principal. The monthly payments of principal must be in amounts calculated at the beginning of the repayment period as if two conditions existed. The two conditions are: (1) interest on the loan accrues at a fixed rate equal to the interest rate in effect at the time of the calculation and (2) the loan is payable over its term in equal monthly installments. The borrower must pay a total of at least $600 each year on all of the borrower's SELF loans. If

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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 or its agent and are due and payable immediately.

[For text of items E and F, see M.R.]

G. The executive director shall grant forbearances in those instances when the borrower experiences hardship in making payments of principal and/or interest, and when the cosigner has either died, become temporarily or permanently disabled, or for some other reason, such as unemployment or limited fixed income, demonstrated an inability to make payment. Such a forbearance shall be granted upon receipt of written documentation from the borrower and the cosigner relating to the unemployment or similar financial hardship case and is limited to 120 days, renewable upon further documentation for another 120 days. However, the borrower or cosigner must make at least three full payments before the forbearance is renewed.

H. The executive director 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 executive director fails to collect a payment from a borrower or the cosigner, a claim must be filed by the executive director 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 executive director 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

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disabled, a claim must be filed by the executive director 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 executive director.

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 executive director shall file a claim.

REPEALER. Minnesota Rules, parts 4830.0400, ~~subpart~~ subparts 2 and 3, 4830.3000, 4830.3100, 4830.3200, 4830.3300, and 4830.3400 are repealed.

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
JAN 17 1991
Secretary of State

Approved
by Revisor _____

APPROVED AS TO LEGALITY

January 16, 1991

HUBERT H. HUMPHREY, III
ATTORNEY GENERAL

BY Charlene H. Hatcher
SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
JAN 17 1991

Joan Anderson Growe
Secretary of State

3:54 P.M.

F

DEPARTMENT: Office of the Attorney General

STATE OF MINNESOTA

OFFICE MEMORANDUM

DATE: January 18, 1991

TO: MARY LOU DRESBACH
Minnesota Higher Education Coordinating Board
Capitol Square Bldg.

FROM: CHARLENE HATCHER
Special Assistant Attorney General
525 Park Street, Suite 500 (55103)

PHONE: 296-9422

SUBJECT: In the Matter of the Adopted Rule Relating to Financial Aid

The above-referenced rule has been approved as to its legality by the Attorney General on January 16, 1991.

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

Also enclosed are any petitions, requests, submissions or comments along with any extra copies of documents which you submitted to the Attorney General.

Your next step is to arrange for publication of the Notice of Adoption in the State Register. In a day or two, you should receive from the Revisor's Office three copies of the notice of adoption of your rule. You should submit two copies of the Notice of Adoption to the State Register for publication. A permanent rule without a hearing does not become effective until five days after a notice of adoption is published 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.

CH:sc
Enclosures
cc: Nancy Joyer
William Brown, Chief Judge
MaryAnn Hruby

4717.7050 DENIAL, REVOCATION, OR REFUSAL TO RENEW; APPEALS.

Subpart 1. **Action.** The commissioner shall deny, revoke, or refuse to renew a variance if the commissioner determines that the criteria in part 4717.7010 are not met.

Subp. 2. **Appeal procedure.** A party may appeal the denial, revocation, or refusal to renew a variance by requesting, in writing, a contested case hearing under the Administrative Procedure Act, *Minnesota Statutes*, chapter 14, within 30 days of receipt of the notice to deny, revoke, or refuse to renew the variance.

4725.0410 VARIANCE.

Subpart 1. **General.** The commissioner shall grant a variance to any provision of this chapter according to the procedures and criteria specified in parts 4717.7000 to 4717.7050. The variance request must be accompanied by the fee specified in *Minnesota Statutes*, section 103I.101, subdivision 6.

Subp. 2. **Additional standards for construction, repair, or sealing variance requests.** In addition to subpart 1, a request to vary a construction, repair, or sealing provision related to wells or borings in parts 4725.1860 and 4725.2300 to 4725.7600 must also include:

A. the location of the well or boring in terms of township, range, and four-quarter sections;

B. the unique number, if assigned;

C. the name, address, and telephone number of the contractor doing work, the property owner, and the well owner;

D. a scaled map showing the location of the well or boring in relation to all property lines, structures, utilities, and contamination sources cited in part 4725.2000;

E. the proposed depth of the well or boring;

F. the casing type, its diameter, and its depth;

G. a description of the method of construction, grout materials, and method of emplacement;

H. a description of the anticipated geologic conditions; and

I. the depth to water, pumping rate, number of persons served by the well, and a description of the use of the well.

Subp. 3. **Additional standards for variance request from isolation distance.** In addition to the information in subparts 1 and 2, a variance request to parts 4725.1900 to 4725.2200 must include:

A. information on special construction methods or precautions proposed to prevent contamination of the well, boring, or groundwater;

B. a description of the age, design, size, and type of construction of any existing or potential contamination source as specified in part 4725.2000;

C. any testing, inspection, or certification data and the name and address of the person supplying the data;

D. information on soil type from a soil survey, percolation test, or soil boring report; and

E. a copy of any review of contamination sources done by a local or state unit of government under other applicable regulations.

4730.0850 VARIANCE TO RULES RELATING TO IONIZING RADIATION.

The commissioner shall grant a variance to parts 4730.0100 to 4730.3610, except parts 4730.0400 and 4730.0600 only according to the procedures and criteria specified in parts 4717.7000 to 4717.7050.

REPEALER. *Minnesota Rules*, parts 4625.2650; 4630.1800; 4725.0400; and 4727.0300 are repealed.

Higher Education Coordinating Board

Proposed Permanent Rules Relating to Financial Aid

Notice of Intent to Adopt a Rule Without a Public Hearing

NOTICE IS HEREBY GIVEN that the Minnesota Higher Education Coordinating Board intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in *Minnesota Statutes*, sections 14.22 to 14.28. The statutory authority to adopt the rule is in *Minnesota Statutes* 136A.04, Subd. 1(9), 136A.16, and 136A.234.

All persons have 30 days in which to submit comment in support of or in opposition to the proposed rules or any part or subpart of the rule. 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 in writing. 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.

Comments or written requests for public hearing must be submitted to:

Mary Lou Dresbach
Minnesota Higher Education Coordinating Board
Capitol Square Building, Suite 400
550 Cedar Street
St. Paul, MN 55101
(612) 296-9656

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

The text of the proposed rule was published in the *State Register* on January 22, 1990. Since that publication, a statutory repealer took effect on July 1, 1990, changing the name of the state scholarship and grant program to the state grant program. Therefore all reference to scholarship is no longer appropriate.

A STATEMENT OF NEED AND REASONABLENESS that describes the need for the 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 Mary Lou Dresbach upon request.

If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted 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 Mary Lou Dresbach.

Dated: 15 October 1990

David R. Powers
Executive Director
Minnesota Higher Education
Coordinating Board

Pollution Control Agency

Division of Air Quality

Proposed Permanent Rules Relating to Open Burning Restrictions and Permitting Requirements

Notice of Intent to Adopt Rules Without a Public Hearing

NOTICE IS HEREBY GIVEN that the Minnesota Pollution Control Agency (MPCA) intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in *Minnesota Statutes* § 14.22 to 14.28 (1988). The MPCA's authority to adopt the rule is set forth in *Minnesota Statutes* § 116.07 (1988).

All persons have until 4:30 p.m. on November 28, 1990, to submit comments in support of or in opposition to the proposed rules or any part or subpart of the rules. Comment is encouraged. Each comment should identify the portion of the proposed rule addressed, the reason for the comment, and any change proposed.

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.

MINNESOTA HIGHER EDUCATION COORDINATING BOARD

In the Matter of the Proposed Adoption of the Rule of the Minnesota Higher Education Coordinating Board Governing Definitions for Higher Education Programs, State Grant, Part-time Student Grant, Work-Study, and Student Educational Loan Fund Programs.

NOTICE OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING

(1) Notice is hereby given that the Minnesota Higher Education Coordinating Board intends to adopt the above-entitled rule without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in Minnesota Statutes, sections 14.22 to 14.28. The statutory authority to adopt the rule is in Minnesota Statutes 136A.04, Subd. 1(9), 136A.16, and 136A.234.

(2) All persons have 30 days in which to submit comment in support of or in opposition to the proposed rules or any part or subpart of the rule. Comment is encouraged. (3) 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. (4) 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 in writing. (6) 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. (7) If a public hearing is required, the agency will proceed pursuant to Minnesota Statutes, sections 14.131 to 14.20.

(5) Comments or written requests for a public hearing must be submitted to:

Mary Lou Dresbach
Minnesota Higher Education Coordinating Board
Capitol Square Building, Suite 400
550 Cedar Street
St. Paul, MN 55101
(612) 296-9656

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

(11) The text of the proposed rule was published in the State Register on January 22, 1990. Since that publication, a statutory repealer took effect on July 1, 1990 changing the name of the state scholarship and grant program to the state grant program. Therefore all reference to scholarship is no longer appropriate.

(12) A Statement of Need and Reasonableness that describes the need for the 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 Mary Lou Dresbach upon request.

(9) If no hearing is required, upon adoption of the rule, the rule and the required supporting documents will be submitted 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 Mary Lou Dresbach.

10/15/90
Date

DAVID R. POWERS
Executive Director
Minnesota Higher Education
Coordinating Board

The higher education coordinating board shall:

(9) prescribe policies, procedures, and rules necessary to administer the programs under its supervision

136.A16 Powers and Duties of Board

136A.234

The higher education coordinating board shall adopt rules concerning agencies eligible to participate in the work-study program.

Notice of Intent

E (19) indicated where the rule was published in the State Register - has a ~~small~~ no summary of the rule - doesn't indicate it was attached or where they can obtain it. no summary is most serious

STATEMENTS OF NEED AND REASONABLENESS

PERMANENT RULES RELATING TO FINANCIAL AID

as administered by

the Minnesota Higher Education Coordinating Board

In the Matter of the Proposed Adoption of the Rule of the
Minnesota Higher Education Coordinating Board
Governing definitions for Higher Education Programs,
Scholarships and Grants,
Part-time Student Grants,
Work-Study Grants, and
Student Educational Loan Fund.

AUTHORITY TO PRESCRIBE RULES

The Minnesota Higher Education Coordinating Board is authorized by statute to adopt policies and prescribe rules and regulations for student financial aid programs, including scholarships and grants, part-time student grants, work-study grants, and the student educational loan fund (Minnesota Statutes 1988, 136A.16, and 136A.234; Minnesota Statutes 1989 Supplement 136A.04, Subd. 1(9).

The Board is proposing to make changes to the rules governing these programs. This document provides an explanation for the proposed rule changes.

BACKGROUND

Most of the proposed changes are due to statutory changes that have occured since the current rules were adopted. In order that the rules correctly reflect current statutory regulations, the rules must be changed through the proposed rulemaking action. Minor grammatical and punctuation changes are proposed to "clean up" the current language for clarity and understanding. In some cases, circumstances have arisen in the administration of financial aid programs, which need explanation or further clarification. Since the current rules do not address these circumstances, appropriate sections have been added to the affected programs to ensure that all students are treated equitably in the determination of eligibility for state financial aid programs. Modifications and additions to current rules protect the rights of all students applying for such assistance, and attempt to clarify program operations for financial aid officers handling the disbursement of state financial aid monies to eligible students.

PROPOSED CHANGES

The proposed changes to current rules are summarized below:

<u>Definitions for Higher Education Programs</u>

136A.121 Subd 2(4)

* Add a statement to student eligibility requiring that the student not be in default on any federal or Minnesota state educational loan. This requirement was a statutory change for the Scholarship & Grant Program. and this addition to the Definitions would make it applicable for all state financial aid programs. This would provide uniformity for all programs.

* Add a statement about cases where the student's parents are divorced or separated as it relates to residency and financial information for the needs analysis. There has been an internal procedure for operations purposes, but adding this to rules will formalize the procedure.

136A.101 Subd. 8 (3)a(4)

* Add statements about student eligibility for those graduating from a Minnesota high school or earning a high school equivalency certificate in Minnesota after residing here one year. These are statutory changes.

Scholarships and Grants

136A.121

* Delete words "in-aid" after the word "grants". This is due to a statutory change.

* Amend school requirement section to clarify that at least one program offered by the school must be at least 10 weeks long, but can be longer. This is for clarification of program length as it relates to school eligibility for the state scholarship and grant program.

* Add the requirement that participating schools must sign an Institutional Agreement. This will make it easier to enforce operating procedures required of schools participating in the scholarship and grant program.

136A.101 Subd. 8(3)

* Delete reference that student has not established residence in another state when he/she has graduated from a Minnesota high school, which is dictated by a statutory change.

* Add section on "out-of state housing" for students who attend institutions close to the Minnesota border. Sometimes available student housing is located over the Minnesota border, which should not affect the student's eligibility. This clarifies how these students will be treated for scholarship and grant purposes.

136A.101 Subd.8(4)

* Add reference to earning high school equivalency after residing here one year. Change is a statutory one.

* Add requirement that student be enrolled in a program that is at least 10 weeks long and involves at least 12 credits or 300 clock hours. Clarifies current operating practices, and the integrity of the program. It also parallels the school requirement for program length.

* Amend section on initial grant eligibility to make it clear that we mean a Minnesota state scholarship or grant. This change will clarify that a student never previously receiving a Minnesota state scholarship or grant is considered an initial applicant.

136A.121 Subd.10

* Amend section on renewal awards to clarify how long a student may receive a state scholarship or grant. This is a statutory change.

* Add a section on "overlapping awards". This is a MHECB policy that a student cannot be eligible for a state scholarship or grant and also be considered eligible for a campus-based part-time grant for the same or overlapping periods of enrollment. These two programs are mutually exclusive. This change will make it easier to enforce, and clarifies the intent of the statutes governing these two programs.

* Delete the words "financial stipend" and where necessary replace them with "award amount". This is for clarity and understanding.

* Amend reference to payments to students to indicate that the payment will be sent by the board, not the executive director. This change is for accuracy.

136A.121 Subd. 16

* Add section on "Recovery of Overpayments". This explains the reimbursement policy if the student is required to do so. This is a statutory change.

Part-Time Student Grants

136A.132 * Delete words "in-aid" when referencing this grant program. This is a statutory change.

* Amend "scope" section, deleting "part-time" and adding "less than half-time" to clarify eligibility for this program.

* Amend "usage percent" to "percent of usage" in the allocation formula section. This is a grammatical change.

* Add wording to cover students who decide to attend school at the last minute -- making them eligible for the Part-Time Grant Program if they are attending less than full-time, but more than half-time. The student could not have a needs analysis completed in time to receive an award under the regular scholarship and grant program for the first term of enrollment. This is current operational procedure.

* Amend wording that addresses other grant assistance the student may receive. This is a grammatical wording change for clarity.

* Amend section on "report of data" to specify that the reports must not only be completed by the deadline date, but be completed correctly. This will assist MHECB staff in enforcing this current policy.

Work Study

136A.121 * Delete words "in-aid" when referencing state scholarships and grants. This is a statutory change.

* Amend sections that deal with work contracts and supervision of student workers to indicate that the executive director does not in actuality review such documents, but that staff can request to do so. This is standard operating procedure.

* Amend section on "reports by schools" to specify that the reports must not only be completed by the deadline date, but be completed correctly. This will assist MHECB staff in enforcing this current policy.

Technical Institute Tuition Subsidy

* Repeal all rules for this program since it is no longer operational and the statutes have also been repealed.

Student Educational Loan Fund (SELF)

* Amend "academic year" section grammatically. These minor wording/punctuation changes are merely for accuracy and clarity.

* Change word "certifying" to "certifies". Grammatical change for clarity.

* Amend co-signer section to include agreement to release of information to consumer credit reporting agency. This is added to this section for clarity and uniformity. This requirement is indicated in another section of the current rules for SELF, and should be included in this section that defines "co-signer".

136A.101

* Amend "eligible student" section by deleting reference to not establishing residence in another state if the student graduates from a Minnesota high school. This is a statutory change.

* Amend section listing other types of educational loans for which the student cannot be currently in default. This change is for completeness of educational loan listing.

* Amend wording of "in-school period" to refer to "eligible student" rather than "borrower". This change is for accuracy in wording.

* Amend "Payout Period" to be entitled "Repayment Period". This is for correctness in terminology.

* Amend section on check disbursement when the student is on a leave of absence. This change clarifies the procedure the school should follow, and gives MHECB more control over such disbursements.

* Amend "withdrawal" section to further define how refunds should be calculated. This change dictates the policy MHECB wants schools to follow if a student withdraws, and is necessary to assure that all schools refund appropriate monies to the SELF Program. This is a current operating policy which will be given more force by appearing in rules.

* Amend section on "repayment procedures" to clarify the "in-school" designation and the billing procedure for repayment during this period. These changes are substantially grammatical changes for clarity.

* Amend the section on "forbearance" to clarify when forbearance will be granted and to extend the number of days for a forbearance in an attempt to avoid defaults by SELF borrowers.

CHAPTER II: Part-by-Part Explanation

This chapter provides an explanation for each proposed change to the rules relating to financial aid programs, including definitions for higher education programs, scholarships and grants, part-time student grants, work-study grants, and the student education loan fund.

4830.0100 DEFINITIONS FOR HIGHER EDUCATION PROGRAMS.

Subpart 5E. **Eligible student.** Deletion is made for grammatical correctness.

Subpart 5F. **Eligible student.** Addition is for grammatical correctness.

Subpart 5G. **Eligible student.** This section on default is necessary due to a statutory change. Since the definition of "default" varies from loan program to loan program, the Board felt it necessary to clarify this requirement further than the statutory language to avoid confusion and miscommunication. This additional requirement provides consistency between federal and state financial aid programs in regard to default status and student eligibility for financial aid purposes.

Subp. 6. **Executive director.** The executive director often designates appropriate staff to perform routine daily procedural tasks related to financial aid program operations, therefore it is necessary to clarify the current language for completeness and correctness.

Subp. 10A. **Minnesota resident.** Deletion is made for grammatical correctness.

Subp. 10B. **Minnesota resident.** Deletion is made for grammatical correctness.

Subp. 10C. **Minnesota resident.** This addition is due to a statutory language change.

Subp. 10D. **Minnesota resident.** This addition is due to a statutory language change.

Subp. 10a. **Determination of student residence.** This definition is added for clarity and to ensure the equitable treatment of all applicants to state financial aid programs.

Subp. 12. **Returning student.** This definition is added to ensure the equitable treatment of all students, to ensure that institutions utilize financial aid monies from the correct sources of programmatic funds when awarding students various types of financial assistance, and to reflect legislative intent as it pertains to the definition of a returning student. The Board felt this definition was necessary for clarity and to avoid misuse of individual program monies.

STATE SCHOLARSHIPS AND GRANTS

4830.0200 **SCOPE.**

Deletion is due to statutory language change referencing the state scholarship and grant program.

4830.0300 **ELIGIBLE SCHOOLS.**

Subpart 1. **Annual list.** Deletion and addition are due to statutory language change.

Subp. 2(B)(3). **Requirements.** This addition is for clarity and correctness. The program can be longer than 10 weeks, but cannot be shorter than 10 weeks.

Subp. 2(B)(4). **Requirements.** Deletion is for grammatical correctness.

Subp. 2(C)(3). **Requirements.** Deletion is for grammatical correctness.

Subp. 2(D). **Requirements.** Post-secondary institutions participating in the state scholarship and grant program, will be required to sign an institutional agreement which enumerates the responsibilities of the institution and the responsibilities of the MHECB. The MHECB allows institutions that participate in the Alternate Delivery System to calculate state scholarship and grant awards for students attending their schools rather than having the state scholarship and grant program calculate and award such students. These institutions must currently sign an institutional agreement. The addition in this subpart is to expand use of the institutional agreement to all institutions participating in the state scholarship and grant program, including schools which use the Centralized Delivery System for awarding students. Under the Centralized Delivery System, the state scholarship and grant program performs the actual award calculation and disburses individual award checks to institutions for award recipients. The institutional agreement is an attempt to ensure the proper use of program monies, and the equitable treatment of students receiving such monies. The inclusion of this requirement is for clarity and to provide the MHECB with additional enforceability of regulations governing the awarding and disbursing of state scholarship and grant funds to students. All federal financial aid programs require that institutions sign a comparable institutional agreement for participation in federal financial aid programs.

4830.0400 **APPLICATION DATES AND STUDENT ELIGIBILITY.**

Subp. 2a. **Out-of-state housing.** In cases where an eligible Minnesota institution is located close to a state border, it is sometimes necessary for students to go across the Minnesota border to find student housing, the Board felt that this should not affect the student's state grant eligibility as long as the student has no control over the availability of student housing, grant eligibility should not be affected for this reason.

Subp. 3A. **Eligibility for initial scholarship.** The language change is for

clarity and technical correctness.

Subp. 3B. **Eligibility for initial scholarship.** The language change is for clarity and technical correctness.

Subp. 3C. **Eligibility for initial scholarship.** This section is added to further clarify an eligible program as it relates to a student's eligibility status for a scholarship to ensure equitable treatment of all students. There are programs that may be at least 10 weeks in length, but involve varying numbers of credits or clock hours. This definition provides the minimum requirements for eligibility, and provides a basic measurement for Board staff decisions in this regard and continuity for financial aid officers.

Subp. 3D. **Eligibility for initial scholarship.** Deletion due to statutory language change. Addition is for clarity and correctness. A student could have received another type of scholarship or grant previously, but is receiving a Minnesota state scholarship for the first time and thus be an initial recipient for this program.

Subp. 4. **Eligibility for initial grant.** Deletions are due to statutory language changes.

Subp. 4A. **Eligibility for initial grant.** Language change for clarity and technical correctness.

Subp. 4B. **Eligibility for initial grant.** Language change is for clarity and grammatical correctness.

Subp. 4C. **Eligibility for initial grant.** This addition is to further clarify an eligible program as it relates to a student's eligibility status for a scholarship to ensure equitable treatment of all students. There are programs that may be at least 10 weeks in length, but involve varying numbers of credits or clock hours. This definition provides the minimum requirements for eligibility, and provides a basic measurement for Board staff decisions in this regard and continuity for financial aid officers.

Subp. 4D. **Eligibility for initial grant.** The deletion is due to a statutory language change. Addition is for clarity and correctness. A student could have received another type of scholarship or grant previously, but is receiving a Minnesota state grant for the first time, and is thus an initial state award recipient.

Subp. 5. **Renewal awards.** Deletion is due to a statutory language change. Additions (subp. A and B) are for clarity and completeness. The new language in this subpart is to explain the criteria used to determine if a student is eligible for renewal award status in the state scholarship and grant program.

Subp. 6. **Overlapping awards.** This subpart is added for clarification and to ensure that all students are treated equitably. It is possible that a student may qualify for a part-time student grant and a state grant during the same academic year, but these two programs are mutually exclusive. The student should not be considered to meet the eligibility requirements for both programs simultaneously. There has been some confusion regarding this situation, so the Board felt it necessary to clarify this matter for financial aid officers and

students applying for assistance from both programs.

4850.0500 **RANKING APPLICANTS.**

Subpart 1. **Classification and ranking of applicants.** Deletions and additions are due to statutory language changes referencing the state scholarship and grant program.

Subp. 2. **Priority of classes of applicants.** Deletions and additions are due to statutory language changes referencing the state scholarship and grant program.

4830.0600 **AWARDS.**

Subpart 1. **Monetary awards.** Part of the deletion is due to a statutory language change referencing the state scholarship and grant program. The deletion of the reference to "financial stipend" is because it is redundant with the use of the word "amount". There are no longer any honorary scholarship awards (which were just recognition awards with no financial amount tied to them), therefore the deletion is unnecessary language.

Subp. 1B. **Monetary awards.** There is only one methodology for determining financial need in the state scholarship and grant program, therefore the use of the word "the" is technically more correct than the word "a" which implies there may be more than one methodology. The deletion of the reference to parental contribution is not needed due to the change in the wording concerning the financial need analysis. Parental contribution is part of "the " methodology and is already included in Subp. 1A , which appears immediately before this subpart.

Subp. 1a. **Minimum.** The deletion and additions are for clarity, and the use of common terminology in reference to scholarship and grant awards.

4830.0700 **METHOD OF PAYMENT.**

Subpart 1. **Payments to schools.** The deletion is due to a statutory language change.

Subp. 2. **Refunds.** The first deletion is due to a statutory language change referencing the scholarship and grant program. The deletion of "a" and the addition of "the" is for grammatical clarity and correctness. The inclusion of language concerning fraudulent handling of scholarship or grant monies by the school is for clarity and to increase enforceability of the Board's position should a school fraudulently use such award monies. The responsibilities of the school in this regard are included in the institutional agreement, which is required for participation in the state scholarship and grant program. This addition clearly indicates the action of the Board should a school misuse program monies.

Subp. 2B. **Refunds.** The deletion is due to a statutory language change referencing the state scholarship and grant program.

Subp. 3. **School accounting requirements.** The deletion is due to a statutory language change referencing the state scholarship and grant program.

Subp. 4. **Recovery of overpayments.** This addition reiterates the statutory language dealing with recovery of overpayments (136A131 Subd. 4). The inclusion of this subpart is to ensure that all schools and award recipients are aware of the procedures that will be followed by the Board should an overpayment occur.

PART-TIME STUDENT GRANTS

4830.1550 **SCOPE.**

The first deletion is due to a change in statutory language referencing the state scholarship and grant program. The deletion of the words "part-time" and the addition of the words "less than half-time" are for clarity and correctness. The part-time student grant program is aimed at students attending post-secondary institutions less than half-time. If the student is attending at least half-time, the student is eligible to apply for a state scholarship or grant. Since the words "part-time" would technically include any student not attending full-time, the Board felt that this change was necessary to correctly indicate the type of student this program is attempting to serve.

4830.1551 **ELIGIBLE SCHOOLS.**

The deletion is due to a change in statutory language referencing the state scholarship and grant program.

4830.1552 **APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS.**

Subpart 1. **Allocation formula.** The deletion and addition are for clarity and correctness. The executive director designates duly authorized staff to perform the actual allocation of program funds to participating institutions. This procedure is a routine operations function which does not necessitate Board involvement.

Subp. 1A. The deletion is due to a change in statutory language referencing the state scholarship and grant program.

Subp. 1B. The additions and deletions in this subpart are for grammatical correctness, and consistency. Also, the changes are meant to add clarity to the procedure explained in this subpart.

Subp. 1C. The deletion and addition are for clarity and correctness. The executive director designates duly authorized staff to perform the actual allocation of program funds to participating institutions. This procedure is a routine operations function which does not necessitate Board involvement.

Subp. 2. **Notification.** The deletion and addition are for clarity and correctness. The executive director designates duly authorized staff to perform

routine clerical program operations which do not necessitate Board involvement.

Subp. 3. **Accountability.** The deletion is due to a change in statutory language referencing the state scholarship and grant program.

Subp. 4. **Unused funds.** The deletion and addition are for clarity and correctness. The requesting of final reports from participating institutions and the reallocation of unused funds are routine clerical functions performed for the executive director by duly authorized staff. Such routine program operations do not require Board involvement.

4830.1553 **DETERMINATION OF ELIGIBILITY.**

The first deletion and addition is necessary due to the inclusion of the requirement of a student not being in default on any federal or state student loan in 4830.0100 Subpart 5G. This is to provide consistent student eligibility requirements among state financial aid programs. The second addition to this section is an attempt to be responsive to the needs of students deciding to attend a post-secondary institution at the last minute, have been out of school for a lengthy period of time, and need financial aid quickly. The application process for the state scholarship and grant program involves time-consuming processing through ACT (American College Testing). Application procedures can be especially confusing to students who have been away from the school environment for a few years. They often need assistance from the financial aid officer in completing the Family Financial Statement (the ACT form used to apply for the state scholarship and grant). Under the provisions in this section, such students can decide to attend less than full-time, but at least half-time, and receive a part-time student grant for a term while having the state scholarship and grant application processed. Students attending less than half-time are the typical recipients of part-time student grant awards.

4830.1554 **AMOUNT AND TERM OF GRANTS.**

Subp. 3. **Amount.** The deletion and addition are for conciseness, clarity, and grammatical correctness.

4830.1555 **REPORTS OF DATA.**

The deletions and additions referencing the "board" and the "executive director" are for clarity and correctness. Reporting requirements are routine program operation tasks that are handled by duly authorized staff for the executive director. Such routine matters do not necessitate Aboard intervention. It is important that the reports not only be completed and submitted by the deadline date, but the reports must be completed correctly if Board staff are to reconcile the reports and use the information for statistical reports to the Board, the Governor, and the Legislature. The changes attempt to clarify institutional reporting requirements to avoid miscommunication and to ensure the integrity of the program.

4830.2100 **ELIGIBLE SCHOOLS.**

The deletion is due to a statutory language change referencing the state scholarship and grant program.

4830.2200 **APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS.**

Subp. 3. **Modification of allocations.** This routine clerical program task is handles by staff duly authorized by the executive director. Such routine program operations do not require Board intervention.

Subp. 5. **Unused funds.** Duly authorized staff designated by the executive director request the return of unused program monies so these funds can be reallocated to participating schools requesting additional part-time grant funds. This is a routine program operation, and does not necessitate Board intervention.

Subp. 6. **Reallocation.** The executive director designates appropriate staff to perform this routine program operation. It does not necessitate Board intervention. Therefore the change is made for clarity and correctness.

4830.2300 **WORK STUDY GRANTS.**

The deletions and additions are grammatical changes for clarity regarding student eligibility.

4830.2500 **CONTRACTS WITH EMPLOYERS.**

Subp. 4. **Supervision.** The deletion is for conciseness. The deleted words are not necessary for understanding. The Board does not get directly involved in such routine program operations.

4830.2600 **REPORTS BY SCHOOL.**

The deletions and additions referencing the "board" and the "executive director" are for clarity and correctness. Reporting requirements are routine programmatic operational tasks that are handled by duly authorized staff for the executive director. Such routine matters do not necessitate Board intervention. It is important that the reports not only be completed and submitted by the deadline date, but the reports must be completed <u>correctly</u> if Board staff are to reconcile the reports and use the information for statistical reports to the Board, the Governor, and the Legislature. The changes attempt to clarify institutional reporting requirements to avoid miscommunication and to ensure the integrity of the program.

STUDENT EDUCATIONAL LOAN FUND (SELF); SUPPLEMENTAL AND ADDITIONAL LOANS

4850.0010 **PURPOSE.**

The deletion is for technical correctness in the citation.

4850.0011 **DEFINITIONS.**

Subpart 1. **Academic year.** The deletions and additions are for grammatical correctness and clarity.

Subp. 5. **Certificate or degree.** The deletion and additions are for grammatical correctness and clarity.

Subp. 9. **Credit worthy cosigner.** The deletion and addition is for clarity and correctness. The executive director designates duly authorized staff to determine credit-worthiness of the cosigner using the criteria stated in items A through D in this subpart. This application of criteria is a routine program operation which does not necessitate Board involvement.

Subp. 10. **Cosigners.** The deletions in items A and B of this subpart with the addition immediately preceding item A are for grammatical correctness and clarity. Item C is added for clarity, and to avoid any confusion regarding the requirements for an eligible cosigner under this program. This requirement is mentioned in a later section of these rules (i.e., 4850.0012 subp. 4), but the Board felt the requirement for release of information should be added to this subpart.

The deletion and addition in the last paragraph of this subpart are for clarity and correctness. The executive director designates duly authorized staff to perform the routine review of financial information and to determine credit worthiness using the net worth test, which is standard procedure if a credit report is not available on the cosigner. These procedures are routine program operations and do not necessitate Board involvement.

Subp. 12. **Delinquency.** The deletion and addition are for clarity and correctness. Routine operating procedures are performed by staff designated by the executive director, and do not require Board involvement.

Subp. 14C. **Eligible school.** The institutional particpation agreement for this program is a standard document which states the duties and responsibilities of the school and the MHECB as they pertain to the Student Educational Loan Fund (SELF) Program. The signing of this document is a routine procedure which must be performed prior to a school's participation in this program. Board members do not sign this document. The executive director designates appropriate MHECB staff to sign this document. Therefore, the Board felt it necessary to correctly state this technicality in this subpart.

Subp. 15A. **Eligible student.** The deletion is made for correctness, and reflects current statutory language defining an eligible student.

Subp. 15D. **Eligible student.** The additions are for completeness and

correctness to include new names of federal educational loan programs currently operational.

Subp. 16a. **Executive director.** Because reference is made to the "executive director" in the rules governing the Student Educational Loan Program, the Board felt this reference should be defined for clarity and completeness.

Subp. 21. **Graduate student.** The additions and deletion are grammatical punctuation changes for clarity.

Subp. 23. **In-school period.** The deletion and addition are simply wording changes for technical correctness. During the "in-school" period, the borrower must continue to meet the requirements for an "eligible student", therefore, the borrower should be referred to in this manner.

Subp. 24. **Late charge.** The deletion and addition are for clarity and correctness. The executive director designates duly authorized staff to perform routine program functions such as the assessing of late charges on overdue loan payments. Such routine tasks do not require Board involvement.

Subp. 27. **Repayment period.** The deletion and addition are changes in terminology for clarity and correctness.

4850.0012 **SCHOOL AGREEMENTS AND STUDENT APPLICATIONS.**

Subp. 1. **Institutional loan participation agreement.** The institutional loan participation agreement for the SELF Program is a standard document which states the duties and responsibilities of the school and the MHECB as they pertain to this program. The signing of this document is a routine procedure which must be performed prior to a school's participation in this program. Board members do not sign this document. The executive director designates appropriate MHECB staff to sign this document. Therefore, the Board felt it necessary to correctly state this technicality in this subpart.

Subp. 2. **Termination.** This subpart references the institutional loan participation agreement and the termination of a school for participation in this program should the school not comply with the terms of the signed agreement. Since duly authorized staff designated by the executive director signs the participation agreement on behalf of the MHECB, the decision to terminate the agreement is handled by such designated staff as well. Therefore, the deletion and addition is for clarity and correctness.

Subp. 3. **Application, guarantee, and promissory note.** The deletions and additions referencing the Board and the executive director are made to correctly state current operating procedures. Since the application and promissory note processes are routine program operations, they do not require Board involvement. Therefore, the changes are for correctness and clarity.

4850.0014 **AMOUNT AND TERMS.**

Subpart 1A. The deletion and addition are grammatical changes for consistency in verb tense.

Subpart 1B. The deletion and addition are grammatical changes for consistency in verb tense.

Subp. 3. **Interest rate.** The setting of the "interest rate", the monitoring of the "margin", and the notification of any such changes to SELF borrowers are routine operational functions performed by duly authorized staff designated by the executive director. Since these are routine program functions, Board involvment is not warrranted.

4850.0015 **LOAN DISBURSEMENTS.**

Subpart 1. **Disbursement scheduling.** The deletion and addition reflect routine operating procedures relating to disbursement of individual student loan checks. Since this procedure involves daily program operations, Board involvement is not necessary and is inappropriate. Typically, loan disbursements are scheduled close to the beginning of an academic term, however, sometimes disbursement dates must be changed due to individual student circumstances. Duly authorized staff are designated by the executive director to schedule such disbursements for program efficiency in daily program operations.

Subp. 3. **Disbursement when check arrives during loan period.** The additions to this subpart are to clarify current disbursement procedures if a SELF loan check arrives for a student during the student's period of enrollment covered by the loan disbursement. State warrants(checks) must either be disbursed or returned to the MHECB within 30 days from the date on the check. The Board felt that the disbursement procedure under these circumstances needed further clarification, and such clarification will make it easier to enforce such disbursement policy with participating institutions. Such routine processing procedures involve MHECB staff duly designated by the executive director rather than the Board, so the reference to the Board in this regard was deleted and the reference to the executive director was added.

Subp. 4. **Disbursement when check arrives after loan period.** The deletion and addition is for clarity and correctness. The return of a loan check that arrives more than 30 days after the end of a loan period is standard operating procedure which dloes not necessitate Board involvement, and is handled by duly authorized staff designated by the executive director.

4850.0016 **NONENROLLMENT, TRANSFER, AND WITHDRAWAL.**

Subpart 1. **Nonenrollment.** The deletion and addition is for clarity and correctness. A standard operating procedure such as the return of a loan check if the student is not enrolled does not require Board involvement. Duly authorized staff designated by the executive director handle such matters when they arise.

Subp. 2. **Withdrawal and transfer to another eligible school.** The deletion and addition are for clarity and correctness. Standard operating procedures dictate that a school must notify MHECB staff, which have been duly authorized

by the executive director, when a student withdraws from school. Such routine operating procedures do not require Board involvement.

Subp. 3. **Withdrawal.** The deletions and additions in this subpart are for clarity and to provide specific instructions for computing applicable refunds to the SELF Program should a student withdraw from school and a refund of charges to the student would be applicable. The formula for calculating such refunds is included to ensure that all student borrowers are treated equitably and to protect the integrity of the SELF Program. The financial aid officer is provided with a specific formula to avoid confusion and misunderstanding in regard to the computation of such refunds.

Subp. 4. **Reduction of enrollment to less than half-time status.** The deletion and addition are for clarity and correctness. Standard operating procedures dictate that a school must notify MHECB staff, which have been duly authorized by the exective director, when a student withdraws from school. Such routine operating procedures do not require Board involvement.

4850.0017 **REPAYMENT PROCEDURES.**

Item A. The deletion and addition are for technical terminology correctness. This change is for consistency to avoid confusion for the borrower and possible misunderstanding of the borrower's current status and repayment obligations when classified in this status.

Item C. The deletions and additions are for technical correctness in regard to terminology relating to a borrower's current status, and to correctly state the billing process upon entering this status. The additions are for clarity and to avoid confusion over the billing procedure once a borrower has entered repayment status.

Item D. Since the Board does not handle the servicing of SELF loans, the addition is made for clarity and correctness. The Board contracts with a student loan servicing agency and felt this procedure should be clarified to avoid confusion or misunderstanding.

Item G. Forbearances are granted by duly authorized Board staff designated by the executive director. This is a standardized procedure which only occurs if certain conditions are met. These conditions are specifically stated in this Item to avoid confusion and misunderstanding by SELF borrowers and cosigners. The extension of forbearance time from 90 to 120 days is an attempt to meet the needs of SELF borrowers granted such a forbearance and to avoid, if possible, the borrower from going into default.

Item H. The sending of annual statements to SELF borrowers and cosigners is standard internal operating procedure, which does not necessitate Board involvement. Duly authorized staff designated by the executive director handle the sending of such statements.

4850.0018 **CLAIMS.**

Subpart 1. **When filed.** Duly authorized staff designated by the executive

director handle routine operating procedures such as the filing of claims after exercising due diligence. Since standard operating procedures are followed when such a filing occurs, Board involvement is not required. The changes are for clarity and correctness in the stating of such procedures.

Subp. 2. **When paid.** (Items A through D) Duly authorized staff designated by the executive director perform the appropriate operating procedures when a claim is paid. Since the procedures are specific and standardized, Board involvement is not necessary. The changes are made for clarity and correctness.

In the Matter of the Proposed Adoption of the Rules of the Minnesota Higher Education Coordinating Board Governing Definitions for Higher Education Programs, State Grant, Part-Time Student Grant, Work-Study Grant, and Student Educational Loan Fund Programs

AFFIDAVIT OF MAILING THE NOTICE OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING AND CERTIFICATE OF MAILING LIST

STATE OF MINNESOTA)
)ss.
COUNTY OF RAMSEY)

Mary Lou Dresbach, being sworn says:

I hereby certify that the list of persons and associations who have requested, pursuant to Minnesota Statutes, sections 14.14, subdivision 1a and 14.22 or 14.30, that their names be placed on the Minnesota Higher Education Coordinating Board rulemaking mailing list is accurate, complete, and current as of this 26th day of October, 1990.

That on the 26th day of October, 1990, at the City of St. Paul, County of Ramsey, State of Minnesota, I mailed the attached Notice of Intent to Adopt A Rule Without a Public Hearing by depositing in the State of Minnesota Central Mail System for United States mailing, a copy thereof, with postage prepaid, to all persons and associations on the aforementioned mailing list.

Mary Lou Dresbach
Program Assistant

Subscribed and sworn to before me this 26th day of October, 1990.

Katherine A. Fisch

KATHERINE A. FISCH
NOTARY PUBLIC-MINNESOTA
RAMSEY COUNTY
MY COMMISSION EXPIRES DECEMBER 26, 1994

SF-00006-05 (4/86)

DEPARTMENT : ATTORNEY GENERAL - Bremer Tower

STATE OF MINNESOTA

Office Memorandum

DATE : October 11, 1990

TO : MARY LOU DRESBACH
Higher Education Coordinating Board

FROM : NANCY J. JOYER
Special Assistant
Attorney General

PHONE : 297-3864

SUBJECT : **Documents Relating to Permanent Rules - Financial Aid Programs.**

As I discussed with you in our telephone conversation on September 25, 1990, you have missed the key deadline for submission of the proposed rule to the Attorney General.

The proposed rule was originally published in the State Register on January 22, 1990. A thirty-day comment period was specified. The comment period, therefore, expired February 21, 1990. Under Minn. Stat. § 14.26 (1988), the HECB had 180 days from February 21, 1990 in which to submit the rule and the required materials to the Attorney General. The 180-day period expired August 20, 1990. Because the rule was not submitted within the 180-day period, it was automatically withdrawn as specified by Minn. Stat. § 14.26.

At this point, there are several things that must be done.

First, Minn. Stat. § 14.26 requires the HECB to "report its failure to adopt the rules and the reasons for that failure to the legislative commission to review legislative rules, other appropriate legislative committee, and the governor."

Second, the HECB must start the process over again. Some, though not all, of the documents previously submitted must be redone. Per your request, I have noted which need to be redone below.

(E) <u>Notice of Intent to Adopt a Rule Without a Public Hearing</u>

The Notice must be republished in the State Register. However, the text of the rule itself need not be republished. Note that if there have been no changes to the rule since its publication on January 22, 1990, the State Register will allow the HECB to refer back to the January 22 text of the rule instead of republishing it

in its entirety.1/ Practically, this means submitting an identical Notice of Intent to the State Register, with one exception. Delete the sentence "A copy of the proposed rule is attached to this notice." Substitute the sentence: "The text of the proposed rule was published in the State Register on January 22, 1990." The mailed notice, however, should include a copy of the full rule. See G. below.

Note that republishing means allowing for a new comment period for a minimum of thirty (30) days. Once the comment period has run, if fewer than 25 comments have been received, the HECB may submit the documents and rule to the Attorney General when the rest of the documents are complete; it need not wait until close to the end of the 180-day period.

(F) Statement of Need and Reasonableness (SONAR)

This document itself seems fine. Note, however, that the 1990 Legislature mandated that an agency involved in rulemaking must send a copy of the SONAR to the Legislative Committee to Review Administrative Rules when it becomes available for public review.

(G) Affidavit of Mailing the Notice of Intent to Adopt a Rule Without A Public Hearing and Certificate of Mailing List

Another mailing to persons and associations on the current mailing list is necessary. The notice should be mailed to those on the HECB's current list of those requesting notices of HECB's rulemaking hearings. The mailing should include both the first and second the notices from the State Register (including the full text of the proposed rule). A new affidavit with current dates will also be needed.

(J) Certificate of the HECB Resolution Adopting the Rule

A new resolution by the HECB will be necessary.

(K) Findings of Fact, Conclusions, and Order Adopting Rule Without Public Hearing

This document will need to be redone to include reference to any comments or requests received after the second publishing.

1/ If there have been changes made to the rule since its January 22 publication, these changes may be published and references made back to the rest of the text.

I recommend that you call the HECB's representative at the Revisor's Office to verify that there have been no intervening changes affecting this proposed rule since it was originally published.

References to the comments and requests received after the first publishing should be maintained.

(L) Correspondence with Public and Other Important Corresponence

These items should be retained. Any new correspondence should be added.

Remarks

My comments here that the rule and supporting rulemaking record are acceptable were done as counsel for the HECB. As your legal counsel, I am required to examine the rule and the record and sign a declaration that based on my examination, Minnesota Rules ch. 2010 have been followed. Note that submission to me and a declaration by me does not constitute submission to the Attorney General nor approval by the Attorney General as required by Minn. Stat. § 14.26. Once the documents are complete, they must be sent to me for my declaration. I will return them to you and you must then submit them to the Office of the Attorney General, Public Finance Division, within the 180 day period.

NJJ:bl.AZ3

CERTIFICATE OF THE
MINNESOTA HIGHER EDUCATION COORDINATING BOARD

AUTHORIZING RESOLUTION

I, Charles Neerland, 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 19th day of October, 1989, that quorum was present, and that a majority of those present voted for the resolution which has not been rescinded or modified.

> RESOLVED, that David R. Powers, the Executive Director of the Minnesota Higher Education Coordinating Board, is hereby granted the authority and directed to sign and to give the Notice of the Board's Intent to Adopt rules without a public hearing governing Definitions for Higher Education Programs, Scholarship and Grant Program, Part-time Student Grant Program, Work Study Program, and Student Educational Loan Fund Program; and to repeal Technical Institute Tuition Subsidy rules, to all persons who have registered their names with the Board for that pupose and publish the Notice and rules in the State Register, and to perform any and all acts incidental thereto."

IN WITNESS WHEREOF, I have hereunto subscribed my name this 19th day of October, 1989.

Charles Neerland
(Officer of the Board)

David R. Powers
(Attest by one other Board member)

Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Financial Aid

AGENCY: Higher Education Coordinating Board

MINNESOTA RULES: Chapters 4830 and 4850

The attached rules are approved for publication
in the State Register

Carla M. Riehle
Assistant Revisor

Higher Education Coordinating Board

Proposed Permanent Rules Relating to Financial Aid

Rules as Proposed

4830.0100 DEFINITIONS FOR HIGHER EDUCATION PROGRAMS.

[For text of subps 1 to 4, see M.R.]

Subp. 5. **Eligible student.** "Eligible student" means a student who meets, at a minimum, all of the following requirements:

[For text of items A to D, see M.R.]

E. is in good standing and making satisfactory progress, as determined by the school; ~~and~~

F. is a permanent resident of the United States, if the student is not a United States citizen; and

G. is not in default, as defined under the applicable loan program, of any educational loan, or, if the student is in default, has made satisfactory arrangements to repay the loan.

Subp. 6. **Executive director.** "Executive director" means the executive director of the ~~Higher Education Coordinating~~ board, or board staff who perform duties as assigned by the executive director.

[For text of subps 7 to 9, see M.R.]

Subp. 10. **Minnesota resident.** "Minnesota resident" means:

A. ~~For~~ a dependent student~~, a student~~ whose parent or legal guardian resides in Minnesota on the date of application; ~~or~~

B. ~~For~~ an independent student~~, a student~~ who has resided in Minnesota for other than educational purposes for at least 12 consecutive months prior to the date of application;

C. a student who graduated from a Minnesota high school; or

D. a student who, after residing in the state for a minimum of one year, earned a high school equivalency certificate in Minnesota.

Approved by Revisor

Subp. 10a. **Determination of student residence.** The residence of the parent whose financial information is reported in the financial need analysis determines the residence of the student.

[For text of subp 11, see M.R.]

Subp. 12. **Returning student.** "Returning student" is a student who has not been in attendance at a postsecondary institution for at least the last three consecutive years before applying for aid.

STATE SCHOLARSHIPS AND GRANTS ~~IN-AID~~

4830.0200 SCOPE.

Parts 4830.0200 to 4830.0700 govern state scholarships and ~~grants-in-aid~~ grants.

4830.0300 ELIGIBLE SCHOOLS.

Subpart 1. **Annual list.** Annually the board shall adopt by resolution a list of schools at which a state scholarship or ~~grant-in-aid~~ grant may be used. Schools may be added to the list by the board anytime during the school year.

Subp. 2. **Requirements.** To be eligible a school must:

A. be located in Minnesota;

B. offer at least one program that:

(1) is vocational or academic in nature;

(2) leads to a certificate or degree;

(3) is at least ten weeks long; and

(4) involves at least 12 academic credits or 300 clock hours; ~~and~~

C. be:

(1) accredited by a federally recognized accrediting agency or association;

(2) approved to offer degrees or use terms in its name according to part 4840.0500; or

(3) licensed by an appropriate state agency; and

D. sign an institutional agreement with the executive director.

Approved
by Revisor _____

4830.0400 APPLICATION DATES AND STUDENT ELIGIBILITY.

[For text of subpart 1, see M.R.]

Subp. 2. [See Repealer.]

Subp. 2a. **Out-of-state housing.** A student's Minnesota residence is not lost if the student must live outside of Minnesota for housing purposes while attending an eligible school located within ten miles of the Minnesota border. The student must have moved to the out-of-state address within six months of beginning attendance at an eligible school.

Subp. 3. **Eligibility for initial scholarship.** To be eligible for an initial scholarship a student must be an eligible student, as defined in part 4830.0100, subpart 5, except item E, and:

A. ~~in~~ demonstrate financial need;

B. have ranked in the upper quarter of the class at the end of the junior year of senior high school, or the equivalent, based on the student's cumulative scholastic record in senior high school; ~~and~~

C. be enrolled in a program that is at least ten weeks long, and involves at least 12 academic credits or 300 clock hours; and

D. must not have received a previous Minnesota state scholarship or ~~grant-in-aid~~ grant.

Subp. 4. **Eligibility for initial ~~grant-in-aid~~ grant.** To be eligible for an initial ~~grant-in-aid~~ grant a student must be an eligible student, as defined in part 4830.0100, subpart 5, except E, and:

A. ~~in~~ demonstrate financial need;

B. if under 17 years old, ~~a-holder-of~~ hold a high school diploma or the equivalent; ~~and~~

C. be enrolled in a program that is at least ten weeks long, and involves at least 12 academic credits or 300 clock hours; and

D. must not have received a previous Minnesota state scholarship or ~~grant-in-aid~~ grant.

Subp. 5. **Renewal awards.** A scholarship or ~~grant-in-aid~~

Approved by Revisor _____

grant is renewable for a maximum of six semesters, nine quarters, or the equivalent, but must not continue after the first of the following occurrences:

A. the recipient has obtained a baccalaureate degree; or

B. the recipient has been enrolled on a full-time basis for eight semesters, 12 quarters, or the equivalent.

To be eligible to renew a scholarship or ~~grant-in-aid~~ grant a student must apply each year and continue to meet the requirements for an initial scholarship or ~~grant-in-aid~~ grant, except for subparts 3 and 4, item ~~C~~ D. A student must have made satisfactory progress as determined by the school.

Subp. 6. **Overlapping awards.** A student may not receive funds from the state campus-based part-time student grant program and the state scholarship and grant program for the same or overlapping periods of enrollment.

4830.0500 RANKING APPLICANTS.

Subpart 1. **Classification and ranking of applicants.** Each applicant shall be placed in at least one of the following classifications: renewal scholarship, renewal ~~grant-in-aid~~ grant, initial scholarship, initial ~~grant-in-aid~~ grant. ~~Grant-in-aid~~ Grant applicants are ranked according to parental contribution; applicants with the least parental contribution are awarded first. Scholarship applicants are ranked according to class rank as a junior in high school; applicants with the highest class rank are awarded first.

Subp. 2. **Priority of classes of applicants.** Applicants renewing scholarships shall be given first priority. Applicants renewing ~~grants-in-aid~~ grants shall be given second priority. Applicants for initial scholarships shall be given third priority. Applicants for initial ~~grants-in-aid~~ grants shall be given fourth priority. Awards shall be made on a funds available basis. Once an award is made it may not be withdrawn in order to award an applicant of higher priority.

[For text of subp 3, see M.R.]

Approved by Revisor _____

4830.0600 AWARDS.

Subpart 1. **Monetary awards.** The amount of a scholarship or grant ~~in-aid-financial-stipend~~ may not exceed an applicant's cost of attendance, as defined in Minnesota Statutes, section 136A.121, subdivision 6, after deducting the following:

[For text of item A, see M.R.]

B. For an applicant who is not an independent student, a contribution by the applicant's parents, as determined by ~~a~~ the financial need analysis. ~~The-parental-contribution-will-be-considered-in-determining-the-state-award.~~

[For text of items C and D, see M.R.]

Subp. 1a. **Minimum.** The minimum ~~financial-stipend~~ award amount shall be $100.

Subp. 2. **Adjustments to awards.** If financial need decreases because a recipient chooses a different school after the scholarship or grant ~~in-aid~~ award is offered, the award shall be reduced. If a change in schools causes financial need to increase, the award shall be increased only if funds are available.

4830.0700 METHOD OF PAYMENT.

Subpart 1. **Payments to schools.** After a scholarship and grant ~~in-aid~~ award is determined, the award shall be sent by the executive director to the school chosen by the recipient. The school shall apply the award to the recipient's educational costs in the following order: tuition, fees, books, supplies, and other expenses. The costs must be prorated for each term of the academic year. The school shall notify each recipient that the award has been received by the school.

Subp. 2. **Refunds.** A scholarship and grant ~~in-aid~~ is awarded for full-time attendance at a specified school for the academic year of nine months within ~~a~~ the state fiscal year. If a recipient fails to enroll or reduces enrollment, the school must refund the unused portion of the award. If the executive director determines that a school has fraudulently handled scholarship or grant money, the refund of the unused portion of

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the award is immediately due, and the board may institute a civil action for recovery if necessary. Refunds to the board are determined as follows:

A. Determine the percentage that the state scholarship or grant award represents of the student's total financial aid package for the applicable term;

B. Multiply that percentage by the amount determined to be refunded to the student under the school's refund policy. The result yields the amount to be refunded to the board.

A refunded award must be sent by the school to the board's scholarship or grant ~~in-aid~~ account. Refunded awards are available for reassignment to other qualified applicants.

Subp. 3. **School accounting requirements.** Schools shall maintain separate accounts for scholarship and grant ~~in-aid~~ funds. Refunds to the board must be accompanied with a list stating the social security number, name, award type, amount of refund, term, and refund code for each student included in the refund. The refund must be made to the board within 30 days from the end of the academic term, or 30 days from the date the school is notified of a student's withdrawal, whichever is less. Schools must provide evidence, prepared according to generally accepted accounting principles, that all awards have either been distributed or refunded to the board.

Subp. 4. **Recovery of overpayments.** An overpayment occurs when a grant recipient receives more money than the recipient is eligible to receive under the award calculation. A grant recipient shall reimburse the board for overpayment regardless of the cause. The overpayment amount is the difference between the amount received and the calculated award eligibility. The reimbursement amount includes any costs or expenses incurred by the board in collecting the debt, including reasonable attorney fees. The reimbursement is recoverable from the recipient or the recipient's estate. The board may institute a civil action for recovery if necessary.

The recipient must not receive additional awards until the overpayment is recovered or the recipient is making payments

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under an approved plan. Additional awards for which the recipient is eligible may be used to recover an unreimbursed overpayment.

PART-TIME STUDENT GRANTS

4830.1550 SCOPE.

Parts 4830.1550 to 4830.1556 govern state ~~grants-in-aid~~ grants for ~~part-time~~ less than half-time students.

4830.1551 ELIGIBLE SCHOOLS.

Schools eligible for part-time student grants are the same schools eligible for state scholarships and ~~grants-in-aid~~ grants under part 4830.0300.

4830.1552 APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS.

Subpart 1. **Allocation formula.** The ~~board~~ executive director shall allocate funds to each school according to the following formula:

A. Each school's share is the number of part-time students enrolled in the last fiscal year, multiplied by the average registration level of its part-time students in the last fiscal year, multiplied by the institutional budget used by the scholarship and ~~grant-in-aid~~ grant program for the current fiscal year.

B. Each school's initial allocation is the school's share divided by the sum of school shares, multiplied by the last year's percent of usage ~~percent~~, multiplied by 90 percent. Percent of usage ~~percent~~ is defined as follows:

(1) If no final report is received by the first working day after August 9, the ~~usage-percentage~~ percent of usage is 80 percent.

(2) If the final report is received before August 10, the ~~usage~~ percent of usage is the total amount of funds used divided by the last year's allocation.

(3) A refund in excess of $1,000 received after April 1 is multiplied by 150 percent and subtracted from the original allocation to determine the funds used. This amount is

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divided by the last year's allocation to determine the percent of usage ~~percentage~~.

C. Each January, the ~~board~~ executive director shall allocate the remaining ten percent of the total part-time grant allocation according to the same formula, except that the last year's percent of usage must not be applied.

"Number of part-time students" means the sum of all enrolled resident, extension, and unclassified part-time students, who are Minnesota residents, and are reported to the board for its annual enrollment survey as lower division, upper division, and vocational students in the fall term of the school year.

"Registration level" is the number of credits (or an equivalent measure) taken by part-time students in the fall term of the school year as reported to the board for its annual enrollment survey, divided by 12 credits (or an equivalent measure).

Subp. 2. **Notification.** The ~~board~~ executive director shall notify each school of the amount allocated to it.

Subp. 3. **Accountability.** Each participating school shall be accountable for any funds disbursed to students for ~~grants-in-aid~~ grants for part-time students. Funds may be used only during the fiscal year of disbursement. If a student does not use a grant because the student does not enroll or withdraws from school, the school may use the funds for other eligible students or return them to the board.

Subp. 4. **Unused funds.** When requested by the ~~board~~ executive director, a school shall report its use of funds and shall return unused funds. The ~~board~~ executive director shall reallocate unused funds to schools desiring additional funds.

4830.1553 DETERMINATION OF ELIGIBILITY.

A school shall determine if a student is eligible for a part-time student grant. To be eligible a student must be an eligible student as defined in part 4830.0100, subpart 5, items A, B, C, E, ~~and~~ F, and G. The student must be pursuing course

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work applicable to a degree, diploma, or certificate ~~After July 1, 1986, a recipient of an award who is enrolled less than half-time, as defined by the board, may continue to apply for awards~~ and be enrolled either less than half-time as defined by the board, or as a new or returning student enrolled at least half-time but less than full-time as defined by the board.

4830.1554 AMOUNT AND TERM OF GRANTS.

[For text of subps 1 and 2, see M.R.]

Subp. 3. **Amount.** The amount of the grant when combined with (a) ~~federal, state, institutional, and private~~ grant assistance ~~that the student receives~~ from federal, state, institutional, or private sources, (b) employer reimbursement, and (c) the expected parent/student contribution resulting from the assessment of financial need under subpart 1, must not exceed the student's direct educational cost as defined in subpart 2.

4830.1555 REPORTS OF DATA.

The school must collect demographic, educational, and financial data specified by the ~~board~~ executive director from eligible students requesting grants. The school shall provide the ~~board~~ executive director with individual student data upon request.

End of year program activity and student data reports are required by the ~~board~~ executive director. The school must correctly complete and submit the reports and any applicable refunds to the ~~board~~ executive director by the first working day after August 9. ~~If the reports are not completed by the deadline,~~ The ~~board~~ executive director shall withhold the school's subsequent year's allocation if the above deadline is not met.

4830.2100 ELIGIBLE SCHOOLS.

Schools eligible for work-study grants are the same schools eligible for state scholarships and ~~grants in aid~~ grants under part 4830.0300.

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4830.2200 APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS.

[For text of subps 1 and 2, see M.R.]

Subp. 3. **Modification of allocations.** The ~~board~~ executive director shall allocate funds equal to a school's estimated need if the estimated need is less than the amount determined by the allocation formula.

[For text of subp 4, see M.R.]

Subp. 5. **Unused funds.** The school must return funds which the school determines will not be used within 30 days from the date of a request by the ~~board~~ executive director. The ~~board~~ executive director shall reallocate the funds to other participating schools requesting additional funds.

Subp. 6. **Reallocation.** The ~~board~~ executive director shall reallocate funds using the formula specified in subpart 2, items A and B.

4830.2300 ~~ELIGIBLE STUDENTS~~ WORK-STUDY GRANTS.

A school shall determine if a student is eligible for a work-study grant. To be eligible a student must ~~be an eligible student, as defined in~~ meet the requirements of part 4830.0100, subpart 5, ~~except that the student may be a graduate student~~ items B to F. A student employed during periods of nonenrollment must sign a statement of intent to enroll full-time the next term or provide proof of registration for the next term.

4830.2500 CONTRACTS WITH EMPLOYERS.

[For text of subps 1 to 3, see M.R.]

Subp. 4. **Supervision.** The school, with the employer, must develop for each work-study assignment a program of supervision consistent with the nature of the assignment and the needs of the individual student. Upon request ~~of the board~~, the school must submit the program of supervision to the executive director for review and comment.

[For text of subp 5, see M.R.]

4830.2600 REPORTS BY SCHOOL.

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The school must collect demographic and program activity data as specified by the ~~board~~ executive director. The school shall provide the ~~board~~ executive director with individual student data upon request.

End of year program activity and student data reports are required by the ~~board~~ executive director. The school must correctly complete and submit these reports and any applicable refunds to the ~~board~~ executive director by the first working day after August 9. ~~If the reports are not completed by the deadline,~~ The ~~board~~ executive director shall withhold the school's subsequent year's allocation if the above deadline date is not met.

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 postsecondary 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~~, or~~.

~~C.~~ A student may borrow for a portion of the academic year, or for all of it (see "loan period").

[For text of subps 2 to 4, see M.R.]

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~~ certifies a minimum mastery of the subject matter for a particular academic or vocational program.

[For text of subps 6 to 8, see M.R.]

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

[For text of items A to D, see M.R.]

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 cosigner must:

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

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

C. agree to the release of information to a consumer credit reporting agency, as described in part 4850.0012, subpart 4.

If the cosigner has no credit history, credit worthiness shall be determined by the ~~board~~ executive director, 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.

[For text of subp 11, see M.R.]

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~~ executive director after the due date.

[For text of subp 13, see M.R.]

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

[For text of items A and B, see M.R.]

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

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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;

[For text of items B and C, see M.R.]

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

[For text of items E to I, see M.R.]

[For text of subp 16, see M.R.]

Subp. 16a. **Executive director.** "Executive director" means the executive director of the board, or board staff who perform duties as assigned by the executive director.

[For text of subps 17 to 20, see M.R.]

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.

[For text of subp 22, see M.R.]

Subp. 23. **In-school period.** "In-school period" means the period that the **borrower** eligible student 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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executive director more than 15 days after the due date.

[For text of subps 25 and 26, see M.R.]

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

[For text of items A to D, see M.R.]

[For text of subps 28 to 30, see M.R.]

4850.0012 SCHOOL AGREEMENTS AND STUDENT APPLICATIONS.

Subpart 1. **Institutional loan participation agreement.** The eligible school and the ~~board~~ executive director 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~~ executive director 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~~ executive director. The ~~board~~ executive director 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~~ executive director 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

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and forward the document file to the servicer or shall reject the application and return the document file to the ~~board~~ executive director. 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~~ executive director rejects the loan application, the applicant and the cosigner must be advised in writing of the decision and the reasons for the rejection.

[For text of subp 4, see M.R.]

4850.0014 AMOUNT AND TERMS.

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

The annual and maximum loan amounts for:

A. an undergraduate student are those prescribed in Minnesota Statutes, section 136A.1701. The loan must not exceed the stated annual undergraduate borrowing maximum or 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) must not exceed the product of the grade level times the annual undergraduate borrowing maximum, except in grade level 05 when the cumulative undergraduate loan debt maximum stays the same as in grade level 04. For example, if the annual undergraduate borrowing maximum in statute ~~was~~ is $4,000, the cumulative undergraduate loan debt maximum, by grade level, is:

(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. a graduate student are those prescribed in Minnesota Statutes, section 136A.1701. The loan must not exceed

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the stated annual graduate student borrowing maximum or 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 graduate student (excluding PLUS loans borrowed on the student's behalf) does not exceed the total amount prescribed in Minnesota Statutes for both undergraduate and graduate educations combined. For example, if the stated total borrowing maximum ~~was~~ is $25,000, the cumulative graduate student borrowing maximum, by grade level, is:

(6) grade level 6, $25,000;

(7) grade level 7, $25,000;

(8) grade level 8, $25,000; and

(9) grade level 9, $25,000.

[For text of subp 2, see M.R.]

Subp. 3. **Interest rate.** For loans made from the bonds, the interest rate on the loan must be fixed by the ~~board~~ executive director 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~~ executive director determines that the margin does not reflect the costs of the SELF program, the ~~board~~ executive director must increase or decrease the margin. The ~~board~~ executive director shall advise borrowers of changes in the margin.

For loans made from sources other than the bonds, the interest rate on the loan will be determined by the ~~board~~ executive director at a margin in excess of the "index rate." The "index rate" is the average rounded to the nearest quarter of one percent of the bond equivalent yield, for auctions of 13 week treasury bills, during the preceding calendar quarter. If the index rate increases or decreases, the interest rate on the loan automatically increases or decreases on the same day without notice to the borrower. The interest rate on the loan

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cannot increase or decrease more than two percentage points over any four consecutive calendar quarters. The ~~board~~ executive director shall set the margin to reflect the costs of the SELF program. If the ~~board~~ executive director determines that the margin does not reflect the costs of the SELF program, the ~~board~~ executive director must increase or decrease the margin. The ~~board~~ executive director shall advise borrowers of changes in the margin.

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~~ executive director requires or the school suggests other more appropriate dates.

[For text of subp 2, see M.R.]

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 and is scheduled to return within 30 days from the date on the check, the school may hold the check until the student returns. If the student fails to ~~do so~~ return or does not show up for disbursement, the check must be returned to the ~~board~~ executive director within 30 days from the date on the check.

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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~~ executive director.

4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL.

Subpart 1. **Nonenrollment.** A school shall return a check to the ~~board~~ executive director 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, any remaining scheduled disbursements must be canceled. The school must immediately notify the ~~board~~ executive director of any borrower who withdraws for any purpose. The student may apply for any remaining loan eligibility at the other eligible school, assuming the amount approved is at least $1,000.

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~~ some portion of that refund must be returned to the board for the SELF Loan Program within 30 days of the date the school becomes aware of the withdrawal. Refunds to the board are determined by items A and B.

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A. Determine the percentage that the SELF loan represents of the student's total financial aid package for the applicable term.

B. Multiply that percentage by the amount determined to be refunded to the student under the school's refund policy. The result yields the amount to be refunded to the board.

Subp. 4. **Reduction of enrollment to less than half-time status.** The school shall notify the ~~board~~ executive director 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~~ in-school period, the board or its agent shall bill borrowers for accrued interest once during each calendar quarter.

[For text of item B, see M.R.]

C. During the ~~payout~~ repayment period, ~~borrowers must repay their loans in monthly installments of principal and interest~~ the board or its agent shall bill borrowers for accrued interest and principal once during each calendar month. The interest rate may vary throughout the period. ~~The board or its agent must bill borrowers monthly for amounts due.~~ The sum of the monthly payments must equal the sum of accrued interest plus principal. The monthly payments of principal must be in amounts calculated at the beginning of the repayment period as if two conditions existed. The two conditions are: (1) interest on the loan accrues at a fixed rate equal to the interest rate in effect at the time of the calculation and (2) the loan is payable over its term in equal monthly installments. 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

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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 or its agent and are due and payable immediately.

[For text of items E and F, see M.R.]

G. The ~~board~~ executive director 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~~ either died ~~or~~, become temporarily or permanently disabled, or for some other reason, such as unemployment or limited fixed income, demonstrated an inability to make payment. Such a forbearance shall be granted ~~for documented~~ upon receipt of written documentation from the borrower and the cosigner relating to the unemployment or similar financial hardship ~~cases~~ case and is limited to ~~90~~ 120 days, renewable upon further documentation for another ~~90~~ 120 days. However, the borrower or cosigner must make at least three full payments before the forbearance is renewed.

H. The ~~board~~ executive director 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~~ executive director fails to collect a payment from a borrower or the cosigner, a claim must be filed by the ~~board~~ executive director 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~~ executive director 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.

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B. If the borrower becomes totally and permanently disabled, a claim must be filed by the ~~board~~ executive director 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~~ executive director.

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~~ executive director shall file a claim.

REPEALER. Minnesota Rules, parts 4830.0400, subpart 2, 4830.3000, 4830.3100, 4830.3200, 4830.3300, and 4830.3400 are repealed.

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by Revisor _____

Minnesota
Higher Education
Coordinating Board

Suite 400
Capitol Square
550 Cedar Street
Saint Paul, Minnesota 55101

612-296-3974

December 14, 1990

Nancy Joyer
Special Asst. Attorney General
Bremer Building, 11th Floor
St. Paul, MN 55101

Dear Nancy:

Enclosed you will find all documents pertaining to the Permanent Rules process for financial aid programs. The documentation pertaining to the initial attempt and the documents that had to be redone due to missing the 180 day deadline are enclosed.

I have also enclosed a check list I created to make sure everything was complete and to designate those documents that did not have to be redone [i.e., items (C) and (D)].

I have labeled the first set of documents that had to be redone. The comments received during the first comment period are in that set of documents.

As we discussed earlier, the deletion of the word "scholarship" due to the statutory repealer taking effect on 7/1/90 was made in the "Rules as Adopted." Also, we changed the 30 day period for return of SELF monies to MHECB when a student withdraws to 45 days based on a comment/request received during the comment period from the Private College Council institutions. The reasons were included in the Findings of Fact, Conclusion, and Order. We do not see how either change could be viewed as substantive, but of course the Attorney General has the final decision.

If you need anything else or have any questions, please call me.

Thank you for your assistance and patience in this long involved process. It certainly has been a learning experience!

Sincerely,

Mary Lou Dresbach

Mary Lou Dresbach

Enclosures

2nd attempt - resubmit

Definitions, State Grants, Part-time Grant, Work Study, SELF

CHECK LIST: **PERMANENT RULES WITHOUT A PUBLIC HEARING**

DATE	DOCUMENT	NOTES
10/89	(C) Authorizing Resolution (Board)	1st attempt not need to be redone
1/90	(D) Copy of Proposed rule with certificate of approval as to form by the Revisor of Statutes (Revisor)	1st attempt not need to be redone
10/15/90	(E) Notice of Intent to Adopt a Rule without a public hearing (Board)	2nd attempt RE-submit Redone
✓	(F) Statement of Need & Reasonableness (MLD)	OK not need to be redone
10/24/90	(G) Affidavit of mailing the Notice of Intent to adopt a rule w/o a public hearing (MLD)	2nd attempt re-submit redone
10/29/90	Date of publication of Notice of Intent to adopt rule w/o public hearing in the State Register	2nd time Re-submit redone
✓	(H) Photocopy of Notice of Intent from State Register	OK 2nd re-submit redone
11/27/90	End of 30 day comment period	OK
11/29/90	(I) 4 copies of rule as adopted (revisor)	OK 2nd resubmit redone
12/13/90	(J) Resolution Adopting the Rule (Board)	OK 2nd re-submit redone
12/14/90	(K) Findings of fact, conclusion, and Order (Executive Director)	OK 2nd - re-submit redone
✓	(L) Written requests, comments, submissions	1 comment received 11/20/90 resubmit
12/14/90	Forwarding of all documents to agency legal counsel	OK Copies made redone
	(M) Declaration of agency legal counsel	
**	(N) Notice of submission of rule to AG	
**	(O) Affidavit of mailing notice of submission of rule to AG	

** This is not necessary unless requested by commentors.

Office of the Revisor of Statutes

Administrative Rules

Richard J. Sands
Senior Assistant Revisor
296-2798

700 State Office Building
100 Constitution Avenue
St. Paul, MN 55155-1297

November 28, 1990

Ms. Mary Lou Dresbach
Higher Education Coord. Board
400 Capitol Square Building
St. Paul, MN 55101

RE: File No. 1568

Dear Mary Lou:

Enclosed are four copies of your rule with the modifications you requested.

Please submit the rules to the Attorney General or the Office of Administrative Hearings, as appropriate.

If you have any questions or need further modifications, please call me.

Very truly yours,

Richard J. Sands

CERTIFICATE OF THE

HIGHER EDUCATION COORDINATING BOARD

RESOLUTION ADOPTING THE RULE

I, Mona Hintzman, do hereby certify that I am a member and the President of the Higher Education Coordinating Board, a board member 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 Higher Education Coordinating Board, duly and properly called and held on the 13th day of December, 1990, that a quorum was present, and that a majority of those present voted for the resolution which has not been rescinded or modified.

> "RESOLVED, that the rules relating to Definitions for Higher Education Programs, State Grants, Part-time Student Grants, Work-Study Grants, and the Student Educational Loan Fund Program are approved and adopted pursuant to authority vested in the Higher Education Coordinating Board by Minnesota Statutes 136A.04, Subd. 1(9), 136A.16, and 136A.234.
>
> David R. Powers, the executive director of the Higher Education Coordinating Board, is authorized to sign the findings of fact, conclusions, and order adopting the rule and further is authorized to modify the rule if necessary to obtain the approval of the rule by the attorney general and 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 13th day of December, 1990.

Mona Hintzman
President of the Board

Charles S. Mehrens
Attest by one other Board member

STATE OF MINNESOTA

HIGHER EDUCATION COORDINATING BOARD

In the Matter of the Proposed Adoption of the Rule of the Minnesota Higher Education Coordinating Board Governing Definitions for Higher Education Programs, State Grants, Part-time Student Grants, Work-Study Grants, and Student Educational Loan Fund.

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

(1) Notice of the Board's intent to adopt the above-entitled rule was published in the State Register on October 29, 1990 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 1a and 14.22 on October 26, 1990. (2) The statement of need and reasonableness was prepared before the notice of intent to adopt a rule without a public hearing was mailed to all persons on the rulemaking mailing list and published in the State Register and was available to the public.

(4) All persons were given the opportunity to submit comment on the rule for 30 days after notice of proposed rulemaking. (5) No requests for a public hearing on the rule were received by the agency.

(7) One comment was received by the agency. No requests for notice of submission to the attorney general were received by the agency.

(6) Based on the comment and evidence in the record before the agency, I find the following:

1. Section 4850.0016, Subpart 3 **Withdrawal.** Based upon a comment received by member schools of the Minnesota Private College Council, the period of time allowed an institution to get any applicable refund to the Student Educational Loan Fund (SELF) Program, if a student withdraws from school during the loan period, has been changed from 30 days to 45 days. This change seems reasonable in order to provide schools ample time to verify that a student has withdrawn from school and to prepare the necessary paperwork and documentation of the student's withdrawal. This change to a period of 45 days rather than 30 days will more closely coincide with an institution's billing cycle and with federal standards for refunds applicable to federal student loan programs, thus causing less confusion by school officials responsible for calculation of any applicable refunds to the SELF Program. This change has no impact on the availability of SELF loan funds to student borrowers. The change is an attempt to ensure that all applicable refunds to the SELF Program are received in a timely manner, and yet not impose an unreasonable time limitation for receipt of such refunds from participating institutions.

2. Since this rules process initially commenced, the statutory repealer of the word "scholarship" became effective, thus deleting all reference to "scholarship(s)" when referring to this program. Therefore, the State Scholarship and Grant Program is now entitled the "State Grant Program", and all references to the word "scholarship" when referring to this program have been deleted in the version of the "rules as adopted". This change is not considered substantive because the changes are made to reflect the intent of the statutory repealer and do not affect the elibility of students to receive awards under this program. Due to the statutory repealer, there are no longer any "initial scholarships", so 4830.0400, subpart 3 entitled "Eligibility for initial scholarship" has been deleted. Also, references to "renewing scholarships" have been deleted due to the statutory repealer. All references to "scholarship" have been deleted to reflect current statutory language.

8. The above-captioned rule is needed and reasonable.

NOW, THEREFORE, IT IS ORDERED that the rule identified as Rule Governing Definitions for Higher Education Programs, State Grants, Part-time Student Grants, Work-Study Grants, and Student Educational Loan Fund is adopted this 14th day of December, 1990, pursuant to authority vested in me by the Laws of Minnesota for 1989, Chapter 293, Section 21.

DAVID R. POWERS
Executive Director
Minnesota Higher Education
Coordinating Board

Minnesota
Private College
Council

NOV 20 1990

November 16, 1990

Ms. Mary Lou Dresbach
Minnesota Higher Education
Coordinating Board
Capitol Square Building, Suite 400
550 Cedar Street
St. Paul, MN 55101

Dear Ms. Dresbach:

On behalf of the member institutions of the Minnesota Private College Council, I request modification of the Permanent Rules Relating to Financial Aid, **Minnesota Rules:** Chapters 4830 and 4850 as proposed by the Minnesota Higher Education Coordinating Board and appearing in the 10/29/90 issue of the Minnesota State Register.

The Minnesota Private College Council seeks modification of proposed rule: 4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL. Subp. 3. Withdrawal (page 18, lines 32-35 of the Proposed Permanent Rules Relating to Financial Aid).

As this section currently reads, institutions are required to return refunds for the SELF Loan Program to the Board within 30 days in the event of a student withdrawal. This requirement does not provide sufficient time for an institution to: 1) determine that a withdrawal has occurred; and 2) to prepare necessary documentation. Based on an institution's billing cycle and federal standards for refund of student loans, the 30 day period should be increased to 45 days.

It is my understanding that submission of this request is sufficient for modification of the proposed rule and will avoid the expense and time of a public hearing. Should you have any questions regarding this request, please do not hesitate to contact me.

Cordially,

David B. Laird, Jr.
President

cc: David R. Powers
Richard Leighniger

Augsburg College Bethel College Carleton College College of St. Benedict
College of St. Catherine College of St. Scholastica Concordia College (Moorhead)
Concordia College (St. Paul) Gustavus Adolphus College Hamline University
Macalester College Minneapolis College of Art and Design St. John's University
St. Mary's College of Minnesota St. Olaf College University of St. Thomas

Park Square Court, Suite 560
400 Sibley Street
Saint Paul, MN 55101
Phone (612) 228-9061
FAX: (612) 228-0379

Minnesota
Higher Education
Coordinating Board

Suite 400
Capitol Square
550 Cedar Street
Saint Paul, Minnesota 55101

612-296-3974

October 15, 1990

The Honorable Rudy Perpich
Governor
Room 130, Capitol Building
Aurora Avenue
St. Paul, MN 55155

Dear Governor Perich:

This letter is to inform you that the Minnesota Higher Education Coordinating Board has exceeded the 180 day period to complete the adoption of rules in one of our rules revisions. We have been working on rules governing: Definitions for Higher Education Programs, State Grant Program, Part-time Student Grant Program, Work Study Program, and Student Educational Loan Fund Program. We have exceeded the 180 day period specified by MN Statutes 14.26.

Our agency had received more than 25 requests for a public hearing during the 30 day comment period. The requests related to a desired change in one of our definitions which we could not make because the change would have violated current statutory language. In our attempt to secure withdrawals of these requests, we exceeded the 180 day period for submission of rules to the Attorney General. We did, however, secure more than the requisite number of withdrawals.

We are commencing this process again, and fully intend to meet the 180 day period for submission this time.

Sincerely,

DAVID R. POWERS
Executive Director

Minnesota
Higher Education
Coordinating Board

Suite 400
Capitol Square
550 Cedar Street
Saint Paul, Minnesota 55101

612-296-3974

October 15, 1990

Senator Gene Waldorf
Chair, Legislative Commission
to Review Administrative Rules
124 Capitol Building
75 Constitution Ave.
St. Paul, MN 55155

Dear Senator Waldorf:

This letter is to inform you that the Minnesota Higher Education Coordinating Board has exceeded the 180 day period to complete the adoption of rules in one of our rules revisions. We have been working on rules governing: Definitions for Higher Education Programs, State Grant Program, Part-time Student Grant Program, Work Study Program, and Student Educational Loan Fund Program. We have exceeded the 180 day period specified by MN Statutes 14.26.

Our agency had received more than 25 requests for a public hearing during the 30 day comment period. The requests related to a desired change in one of our definitions which we could not make because the change would have violated current statutory language. In our attempt to secure withdrawals of these requests, we exceeded the 180 day period for submission of rules to the Attorney General. We did, however, secure more than the requisite number of withdrawals.

We are commencing this process again, and fully intend to meet the 180 day period for submission this time.

Sincerely,

DAVID R. POWERS
Executive Director

cc. Maryanne V. Hruby
Director, LCRAR

Minnesota
Higher Education
Coordinating Board

Suite 400
Capitol Square
550 Cedar Street
Saint Paul, Minnesota 55101

612-296-3974

October 22, 1990

Maryanne V. Hruby
Director, LCRAR
55 State Office Bldg.
St. Paul, MN 55155-1201

Dear Ms. Hruby:

Enclosed is a copy of the Statements of Need and Reasonableness relating to the MHECB Permanent Rules for Financial Aid Programs.

I forwarded a copy of these statements to your office when we published the rules in the January 22, 1990 issue of the State Register.

Since we missed the 180-day period to get the rules submitted to the Attorney General, we will be re-publishing the "Notice of Intent to Adopt" and referring back to the January 22, 1990 publication of the rules. This notice should appear in the October 29, 1990 issue of the State Register.

Since no changes have been made to the rules since the January 22, 1990 publication, the Statements of Need and Reasonableness have not changed either. However, I thought that I should send you a copy of them again just in case you should need them.

If you have any questions or need additional information, please contact me at 296-9656.

I hope you find everything in order.

Sincerely,

Mary Lou Dresbach
Administrative Liaison

Enclosure

STATE OF MINNESOTA
HIGHER EDUCATION COORDINATING BOARD

In the Matter of the Proposed Permanent
Rules Relating to Financial Aid,
Minn. Rules Parts 4830 and 4850

DECLARATION OF COUNSEL

I, Nancy J. Joyer, Special Assistant Attorney General, do hereby declare that I have examined the above-captioned rule and the supporting rulemaking record, and that, based on my examination, the Administrative Procedure Act and Minnesota Rules ch. 2010 have been followed. For Attorney General billing purposes, the four-digit docket client code is 0448.

Nancy J. Joyer
Special Assistant Attorney General

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