

Office of the Revisor of Statutes Administrative Rules



TITLE: Adopted Permanent Rules Relating to Student Educational Loan Fund Program

AGENCY: Minnesota Higher Education Services Office

MINNESOTA RULES: Chapter 4850


**RULE APPROVED
OFFICE OF ADMINISTRATIVE HEARINGS**

DATE

3/5/02


ADMINISTRATIVE LAW JUDGE.

The attached rules are approved for
filing with the Secretary of State


Jeffrey S. Kase
Assistant Revisor



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1 Minnesota Higher Education Services Office

2 Adopted Permanent Rules Relating to Student Educational

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3 4850.0011 DEFINITIONS.

ADMINISTRATIVE
HEARINGS

4 [For text of subps 1 to 14, see M.R.]

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

6 A. is enrolled in an eligible school in Minnesota, or is a Minnesota resident
7 enrolled in an eligible school in another state, United States territory, or province as
8 defined in Minnesota Statutes, section 136A.15, subdivision 5;

9 B. is enrolled at least half-time in a program leading to a certificate, associate,
10 baccalaureate, masters, doctorate, or other professional degree;

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

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

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

18 F. has a creditworthy cosigner;

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

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

22 [For text of subps 16 to 26a, see M.R.]

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

1 index rate is the average rounded to the nearest quarter of one percent of the bond
2 equivalent yield, for auctions of 13 week treasury bills, during the preceding calendar
3 quarter. If the index rate increases or decreases, the interest rate on the loan
4 automatically increases or decreases on the same day without notice to the borrower.
5 The interest rate on the loan cannot increase or decrease more than two percentage
6 points over any four consecutive calendar quarters. The director shall set the margin to
7 reflect the costs of the SELF program. If the director determines that the margin does not
8 reflect the costs of the SELF program, the director must increase or decrease the margin.
9 The director shall advise borrowers of changes in the margin.

10 For SELF III loans, the interest rate on the loan will be determined by the director at a
11 margin in excess of a SELF III index rate. The SELF III initial index rate to be used is the
12 average rounded to the nearest tenth of one percent of the arithmetic average of the
13 three-month London Interbank Offered Rates (LIBOR) rate during the calendar quarter
14 immediately preceding the interest rate adjustment date. The LIBOR rate is determined
15 by the British Banker's Association. Where terms can be obtained for issuance of SELF
16 loans at a rate favorable to borrowers, the director may establish other indexes or utilize
17 a fixed rate as provided for in the promissory note. The interest rate on the loan cannot
18 increase or decrease more than three percentage points over any four consecutive
19 calendar quarters. The director shall set the margin to reflect the costs of the SELF
20 program. If the director determines that the margin does not reflect the costs of the SELF
21 program, the director must increase or decrease the margin.

22 **4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL.**

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

24 Subp. 3. **Withdrawal.** In the event that a borrower, for any reason, fails to complete a
25 loan period, withdraws, and the school calculates a SELF refund for the borrower, that
26 refund must be returned to the office for the SELF loan program within 30 days of the
27 date the school becomes aware of the withdrawal. Refunds to the office are determined
28 by items A and B.

4850.0016

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

3 B. Multiply that percentage by the amount determined to be refunded to
4 nonfederal aid providers under the school's refund policy. The result yields the amount
5 to be refunded to the office.

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

7 **4850.0017 REPAYMENT PROCEDURES.**

8 Borrowers or cosigners shall make payments of principal and interest according to
9 the following schedule.

10 A. During the in-school period, the office or its agent shall bill borrowers for
11 accrued interest and applicable late fees charges once during each calendar quarter.

12 B. During the transition period, the office or its agent shall bill borrowers for
13 accrued interest and applicable late fees charges once during each calendar month.

14 C. During the repayment period, the office or its agent shall bill borrowers for
15 accrued interest, applicable late fees charges, and principal once during each calendar
16 month. The interest rate may vary throughout the period. The sum of the monthly
17 payments must equal the sum of accrued interest plus principal, plus any applicable late
18 fees charges. The monthly payments of principal must be in amounts calculated at the
19 beginning of the repayment period as if two conditions existed. The two conditions are:
20 (1) interest on the loan accrues at a fixed rate equal to the interest rate in effect at the
21 time of the calculation and (2) the loan is payable over its term in equal monthly
22 installments. The borrower must pay a total of at least \$600 each year on all of the
23 borrower's SELF loans. If the borrower's spouse also has SELF loans, their combined
24 annual payments on all SELF loans must be at least \$600.

25 D. Interest payments during the in-school period that are delinquent in excess of
26 120 days from the billing date must be capitalized. Capitalization of past due interest
27 must be limited to two occasions before filing a claim.

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

3 F. The director shall grant forbearances in those instances when the borrower
4 experiences hardship in making payments of principal and/or interest, and when the
5 cosigner has either died, become temporarily or permanently disabled, or for some
6 other reason, such as unemployment or limited fixed income, demonstrated an inability
7 to make payment. Such a forbearance shall be granted upon receipt of written
8 documentation from the borrower and the cosigner relating to the unemployment or
9 similar financial hardship case and is limited to 120 days, renewable upon further
10 documentation for another 120 days.

11 G. Upon request, the director shall provide borrowers and cosigners with an
12 annual statement of outstanding principal and interest paid during the previous
13 calendar year.

14 **REPEALER.** Minnesota Rules, part 4850.0011, subpart 28, is repealed.