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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 3918

04/14/2016 Authored by Thissen

The bill was read for the first time and referred to the Committee on Higher Education Policy and Finance

1.1 A bill for an act
1.2 relating to higher education; establishing deferment, forbearance,
1.3 income-contingent repayment, and loan forgiveness programs; appropriating
1.4 money; proposing coding for new law in Minnesota Statutes, chapter 136A.
1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[136A.1705] DEFERMENT AND FORBEARANCE**

1.7 Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms defined in
1.8 this subdivision have the meanings given them.

1.9 (b) "Deferment" means a temporary cessation of a borrower's monthly payments
1.10 during which interest does accrue and is either capitalized or paid by the borrower.

1.11 (c) "Forbearance" means the temporary cessation of a borrower's monthly payments,
1.12 allowing an extension of time for making one or more monthly payments, or temporarily
1.13 accepting smaller monthly payments than previously scheduled.

1.14 (d) "Monthly payments" means the regular payments of principal and interest made
1.15 by a borrower in a student loan program under sections 136A.15 to 136A.1787.

1.16 Subd. 2. **Deferment and forbearance permitted.** (a) Upon the request of a
1.17 borrower, the commissioner must offer deferment and forbearance to an eligible borrower
1.18 participating in a student loan program under sections 136A.15 to 136A.1787, as provided
1.19 in this section.

1.20 (b) A borrower may choose which form of forbearance to enter. Interest must be
1.21 capitalized on the loans of a borrower who is granted forbearance and does not make
1.22 payments of interest.

1.23 (c) The commissioner must adopt rules to:

1.24 (1) establish and clarify eligibility criteria for deferment and forbearance;

2.1 (2) set limits on the length of time for which a borrower may remain in deferment
2.2 and forbearance;

2.3 (3) establish procedures for verifying a borrower's eligibility for deferment and
2.4 forbearance;

2.5 (4) establish a process to apply for deferment and forbearance; and

2.6 (5) define alternate payment plans for a borrower who is granted forbearance.

2.7 (d) Notwithstanding any other part of this section, the commissioner must adopt
2.8 rules to offer deferment and forbearance to a borrower who would be eligible for
2.9 deferment and forbearance if the borrower had instead borrowed through a federal lending
2.10 program. To the extent possible:

2.11 (1) the eligibility criteria for deferment and the length of time a borrower may
2.12 remain in deferment must be comparable to those in the deferment program under Code of
2.13 Federal Regulations, title 34, section 685.204; and

2.14 (2) the eligibility criteria for forbearance and the length of time a borrower may
2.15 remain in forbearance must be comparable to those in the forbearance program under
2.16 Code of Federal Regulations, title 34, section 685.205.

2.17 Subd. 3. **Eligibility for deferment.** A borrower is eligible for deferment under
2.18 this section under the following conditions:

2.19 (1) the borrower is enrolled in an eligible postsecondary education program at least
2.20 half time, as determined by the school the borrower is attending;

2.21 (2) the borrower is pursuing a course of study pursuant to an eligible graduate
2.22 fellowship program;

2.23 (3) the borrower is pursuing an eligible rehabilitation training program for
2.24 individuals with disabilities;

2.25 (4) the borrower is seeking and unable to find full-time employment;

2.26 (5) the borrower is experiencing an economic hardship;

2.27 (6) the borrower is serving on active duty during war or other military operation or
2.28 national emergency;

2.29 (7) the borrower is performing qualifying National Guard duty during a war or other
2.30 military operation or national emergency; or

2.31 (8) the borrower is a member of the National Guard or other reserve component
2.32 of the armed forces or a member of such forces in retired status, and the borrower was
2.33 enrolled at least half time in a program of instruction at an eligible institution at the time,
2.34 or within six months prior to the time, the borrower was called to active duty.

2.35 Subd. 4. **Eligibility for forbearance.** A borrower is eligible for forbearance under
2.36 this section under the following conditions:

- 3.1 (1) the borrower is unable to make scheduled payments due to poor health;
3.2 (2) the borrower is in a medical or dental internship or residency;
3.3 (3) the borrower is serving in a national service position under title I of the National
3.4 and Community Service Act of 1990, United States Code, title 42, chapter 129, subchapter
3.5 I;
3.6 (4) the borrower is employed in a teaching profession that would qualify the
3.7 borrower for loan forgiveness under Code of Federal Regulations, title 34, section 685.217;
3.8 (5) the sum of the borrower's monthly student loan payments is equal to or greater
3.9 than 20 percent of the borrower's total monthly gross income;
3.10 (6) the borrower is a member of the National Guard who qualifies for post-active
3.11 duty deferment but does not qualify for military service or other deferment, and is engaged
3.12 in state active duty for a period of more than 30 consecutive days;
3.13 (7) the borrower wishes to resume honoring an agreement to repay the borrower's
3.14 debt after default; or
3.15 (8) the borrower is performing the type of service that would qualify the borrower
3.16 for a partial repayment of his or her loan under a student loan repayment program
3.17 administered by the federal Department of Defense.

3.18 Subd. 5. **Financial disclosure.** Prior to permitting a borrower to enter deferment
3.19 or forbearance, the commissioner must provide information to assist the borrower in
3.20 understanding the financial impact of changing payment plans. The commissioner must
3.21 explain to the borrower the impact of capitalization of accrued, unpaid interest on the
3.22 borrower's loan principal and on the total amount of interest to be paid over the life of a loan.

3.23 Sec. 2. **[136A.1706] INCOME-CONTINGENT PAYMENTS FOR REFINANCED**
3.24 **LOANS.**

3.25 Subdivision 1. **Income-contingent repayment plans authorized.** A borrower who
3.26 refinances a loan under section 136A.1704 may apply for an income-contingent repayment
3.27 plan, in a form and manner specified by the commissioner. For the year that a borrower
3.28 initially selects an income-contingent repayment plan, and each subsequent year that the
3.29 borrower remains on the repayment plan, the borrower must provide documentation to
3.30 the commissioner of the borrower's eligibility for the plan.

3.31 Subd. 2. **Repayment plans.** (a) At a minimum, the commissioner must offer plans
3.32 with eligibility criteria, repayment schedules, and other terms comparable to the following
3.33 repayment plans offered under federal law:

- 3.34 (1) the Pay As You Earn repayment plan under Code of Federal Regulations, title 34,
3.35 section 685.209, paragraph (a);

4.1 (2) the income-contingent repayment plan under Code of Federal Regulations,
4.2 title 34, section 685.209, paragraph (b);

4.3 (3) the revised Pay As You Earn repayment plan under Code of Federal Regulations,
4.4 title 34, section 685.209, paragraph (c); and

4.5 (4) the income-based repayment plan under Code of Federal Regulations, title 34,
4.6 section 685.221.

4.7 (b) All loans refinanced under section 136A.1704 are eligible for payment plans
4.8 under this section.

4.9 **Sec. 3. [136A.1707] FORGIVENESS OF REFINANCED LOANS.**

4.10 **Subdivision 1. Loan forgiveness authorized.** (a) As provided in this section, the
4.11 commissioner must offer loan forgiveness programs to a borrower who refinanced loans
4.12 under section 136A.1704 by canceling part or all of a borrower's outstanding balance of
4.13 principal and accrued interest on the refinanced loans.

4.14 (b) The commissioner must adopt rules to ensure that the programs offered under
4.15 subdivisions 4, 5, and 6 are comparable to those available under the sections of federal
4.16 law referenced.

4.17 **Subd. 2. Applying for loan forgiveness.** A borrower must apply for loan
4.18 forgiveness in a form and manner specified by the commissioner. Prior to forgiving part
4.19 or all of a loan balance, the commissioner must verify the borrower's eligibility for a
4.20 loan forgiveness program.

4.21 **Subd. 3. Eligibility.** (a) The commissioner must offer a borrower who refinances
4.22 a loan under this section comparable loan forgiveness programs as are available to a
4.23 borrower from a federal student lending program in Code of Federal Regulations, title
4.24 34, part 685. At a minimum, the commissioner must offer the loan forgiveness programs
4.25 described in subdivisions 4, 5, and 6. All loans refinanced under section 136A.1704 are
4.26 eligible for forgiveness under this section.

4.27 (b) When determining whether an applicant has made a sufficient number of monthly
4.28 payments to qualify for a loan forgiveness program under this section, the commissioner
4.29 must include in the borrower's total number of monthly payments the payments a borrower
4.30 made prior to refinancing the loan under section 136A.1704.

4.31 **Subd. 4. Income-contingent repayment plan loan forgiveness.** (a) The
4.32 commissioner must offer the following loan forgiveness programs for participants in
4.33 repayment plans under section 136A.1706.

4.34 (b) The commissioner must provide loan forgiveness to a borrower who participated
4.35 in the income-contingent repayment program in section 136A.1706, subdivision 2,

paragraph (a), clause (1), and made monthly payments each year for a 20-year period.
Eligibility standards and loan forgiveness amounts for the program under section 136A.1706, subdivision 2, paragraph (a), clause (1), must be comparable to those in Code of Federal Regulations, title 34, section 685.209, paragraph (a), subparagraph (6).

(c) The commissioner must provide loan forgiveness to a borrower who participated in the income-contingent repayment program in section 136A.1706, subdivision 2, paragraph (a), clause (3). For a borrower who only refinanced loans received as an undergraduate student, the commissioner must forgive the loans after the borrower has made monthly payments for 20 years. For a borrower who refinanced any loans received as a graduate student, the commissioner must forgive the borrower's loans after the borrower has made monthly payments for 25 years. Eligibility standards and loan forgiveness amounts for the program under section 136A.1706, subdivision 2, paragraph (a), clause (3), must be comparable to those established in Code of Federal Regulations, title 34, section 685.209, paragraph (c), subparagraph (5).

(d) The commissioner must provide loan forgiveness to a borrower who participated in the income-contingent repayment program in section 136A.1706, subdivision 2, paragraph (a), clause (4), and has made monthly payments each year for a 20-year period. Eligibility standards and loan forgiveness amounts for the program under section 136A.1706, subdivision 2, paragraph (a), clause (4), must be comparable to those established in Code of Federal Regulations, title 34, section 685.221, paragraph (f).

Subd. 5. Teacher loan forgiveness. The commissioner must offer a loan forgiveness program to a borrower who works as an elementary or secondary school teacher for five consecutive years in a qualifying educational position that serves low-income families. The commissioner must establish loan forgiveness amounts and eligibility criteria for the program under this subdivision that are comparable to the Teacher Loan Forgiveness program in Code of Federal Regulations, title 34, section 685.217.

Subd. 6. Public service loan forgiveness. The commissioner must offer a loan forgiveness program to a borrower who enters and continues in full-time public service employment and makes 120 monthly payments on loans refinanced under this section. The commissioner must establish loan forgiveness amounts and eligibility criteria for the program under this subdivision that are comparable to the Public Service Loan Forgiveness Program in Code of Federal Regulations, title 34, section 685.219.

Sec. 4. **APPROPRIATIONS; STUDENT LOAN REFINANCING.**

\$..... in fiscal year 2017 is appropriated from the general fund to the commissioner of higher education for deposit in the loan capital fund under Minnesota Statutes, section

6.1 136A.1785, to provide additional funding for the student loan refinancing program
6.2 authorized under Minnesota Statutes, section 136A.1704. The commissioner shall use
6.3 the appropriation under this section to expand the student loan refinancing program by
6.4 reducing the credit score and debt-to-income ratio required to participate in the program,
6.5 to the extent that the commissioner can do so without raising interest rates for borrowers
6.6 who refinance. This appropriation is available until expended.