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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 319

01/24/2019 Authored by Stephenson; Halverson; Lislegard; Carlson, A.; Tabke and others
The bill was read for the first time and referred to the Committee on Commerce
01/31/2019 Adoption of Report: Re-referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to loans; federal employees; creating a loan guarantee program for
1.3 furloughed federal employees.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. FEDERAL EMPLOYEE PERSONAL LOAN GUARANTEE PROGRAM.

1.6 Subdivision 1. Definitions. (a) For purposes of this section, the following terms have
1.7 the meanings given.

1.8 (b) "Affected employee" means a federal employee who during the shutdown is:

1.9 (1) a resident of this state; and

1.10 (2) furloughed from federal employment without pay or is required to work as a federal
1.11 employee without pay.

1.12 (c) "Commissioner" means the commissioner of employment and economic development.

1.13 (d) "Federal employee personal loan guarantee program" or "program" is the program
1.14 created under this section to guarantee personal loans to affected employees.

1.15 (e) "Financial institution" means a bank, bank and trust, trust company with banking
1.16 powers, savings bank, savings association, or credit union, organized under the laws of this
1.17 state, any other state, or the United States; an industrial loan and thrift under Minnesota
1.18 Statutes, chapter 53; or a regulated lender under Minnesota Statutes, chapter 56. The term
1.19 "financial institution" also includes a subsidiary or operating subsidiary of a financial
1.20 institution or of a bank holding company as defined in the federal Bank Holding Company
1.21 Act, United States Code, title 12, section 1841, et seq., if the subsidiary or operating

2.1 subsidiary can demonstrate to the satisfaction of the commissioner of commerce that it is
2.2 regulated and subject to active and ongoing oversight and supervision by a federal banking
2.3 agency, as defined in the Federal Deposit Insurance Act, United States Code, title 12, section
2.4 1811, et seq., or the commissioner.

2.5 (f) "Grace period" means the 90-day period after an affected employee's federal agency
2.6 is funded and the shutdown ends.

2.7 (g) "Loan guarantee" means a guarantee of 100 percent of the amount of a personal loan.

2.8 (h) "Personal loan" means an unsecured loan made by a financial institution to an affected
2.9 employee that complies with the requirements of this section.

2.10 (i) "Shutdown" means the federal fiscal year 2019 partial government shutdown that
2.11 began December 22, 2018.

2.12 Subd. 2. **Loan guarantee program.** A personal loan guarantee program to support
2.13 affected employees by providing guaranteed personal loans is created in the Department of
2.14 Employment and Economic Development. The commissioner shall administer the personal
2.15 loan guarantee program in accordance with this section.

2.16 Subd. 3. **Duties of commissioner.** (a) The commissioner must approve or disapprove
2.17 an application from a financial institution to participate in the loan guarantee program within
2.18 one day of receiving the application.

2.19 (b) The commissioner must keep administrative records regarding the personal loan
2.20 guarantee program.

2.21 (c) The commissioner must review requests for payments of loan guarantees under
2.22 subdivision 4 and disallow any request for guarantees that do not comply with the
2.23 requirements of this section.

2.24 (d) The commissioner must pay loan guarantees that comply with this section to a
2.25 financial institution from the federal employee personal loan account in the special revenue
2.26 fund.

2.27 (e) The commissioner must cease accepting personal loan information from financial
2.28 institutions the day after the shutdown ends.

2.29 (f) The commissioner must cease accepting applications and approving claims for loan
2.30 guarantees if the number of loan guarantees requested exceed ten percent of the total number
2.31 of personal loans issued. The commissioner must inform financial institutions that have

3.1 applied to the programs within two days of ceasing to accept applications or approve claims
3.2 under this paragraph.

3.3 (g) The commissioner must wind-down and terminate operation of the program by July
3.4 31, 2020.

3.5 Subd. 4. **Financial institutions.** (a) A financial institution may apply to the commissioner
3.6 to participate in the program. Upon approval by the commissioner, a financial institution
3.7 may make personal loans and receive loan guarantees.

3.8 (b) In order to participate in the program, a financial institution must be in good standing,
3.9 meaning it is not subject to:

3.10 (1) a formal agreement with the Office of the Comptroller of the Currency;

3.11 (2) a consent order or cease and desist order issued by the Federal Deposit Insurance
3.12 Corporation;

3.13 (3) a consent order or cease and desist order from the commissioner of commerce;

3.14 (4) a letter of understanding and agreement or consent order issued by the National
3.15 Credit Union Administration; or

3.16 (5) a finding by the commissioner that the financial institution has failed to comply with
3.17 any requirement of this section.

3.18 (c) A financial institution must document a personal loan with the following information:

3.19 (1) evidence of the affected employee's employment status, income, and residence; and

3.20 (2) the amount of unemployment compensation benefits the affected employee has
3.21 received or is eligible to receive during the shutdown.

3.22 (d) A financial institution must notify the commissioner within one day of making a
3.23 personal loan. This notification must be in a form and manner acceptable to the commissioner.

3.24 (e) A financial institution must provide an affected employee with information regarding
3.25 credit counseling services offered by the financial institution or nonprofit credit counselors.

3.26 (f) If a financial institution has made a good-faith effort to collect on a personal loan
3.27 180 days after the grace period has concluded, the financial institution may submit a request
3.28 for payment of a loan guarantee from the commissioner.

3.29 (g) The commissioner shall prepare a form for financial institutions to use in applying
3.30 for loan guarantees. The form shall include the following information:

4.1 (1) the name and contact information of the financial institution, including the name and
4.2 title of a contact person;

4.3 (2) evidence that the financial institution's efforts to collect the personal loan have been
4.4 in accordance with the financial institution's collection policies;

4.5 (3) the amount of the personal loan provided to the affected employee; and

4.6 (4) the loan guarantee amount that is being requested from the program.

4.7 Subd. 5. **Personal loan; terms.** (a) A personal loan shall:

4.8 (1) not require an affected employee to repay in part or in full the personal loan earlier
4.9 than the end of the grace period;

4.10 (2) not require an affected employee to repay the loan in full earlier than 180 days after
4.11 the end of the grace period;

4.12 (3) allow an affected employee to repay the personal loan in equal installments of no
4.13 less than three and no more than six; and

4.14 (4) not charge interest on the principal or charge fees until 180 days after the grace
4.15 period.

4.16 (b) A loan to an affected employee must not exceed the lesser of:

4.17 (1) \$5,000;

4.18 (2) the affected employee's most recent monthly net pay; or

4.19 (3) four times the amount the affected employee has reported to the financial institution
4.20 in weekly unemployment compensation benefits that the employee has received or is eligible
4.21 to receive.

4.22 (c) An affected employee is eligible for an additional personal loan for each 30-day
4.23 period that the shutdown continues. An affected employee may have up to three personal
4.24 loans.

4.25 Sec. 2. **FEDERAL EMPLOYEE PERSONAL LOAN GUARANTEE PROGRAM**
4.26 **ACCOUNT.**

4.27 There is created in the special revenue fund the federal employee personal loan guarantee
4.28 program account.

5.1 Sec. 3. **FEDERAL EMPLOYEE PERSONAL LOAN GUARANTEE PROGRAM;**
5.2 **TRANSFER.**

5.3 \$..... for fiscal year 2019 is transferred from the general fund to the federal employee
5.4 personal loan guarantee program account in the special revenue fund. This is a onetime
5.5 transfer. Any amount remaining in the account as of August 1, 2020, shall be transferred
5.6 to the general fund.

5.7 Sec. 4. **EFFECTIVE DATE.**

5.8 Sections 1 to 3 are effective the day following final enactment.