CHAPTER 4850
HIGHER EDUCATION COORDINATING BOARD
SUPPLEMENTAL STUDENT LOANS

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;

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 9, see M.R. 1987]

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

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

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

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

[For text of subps 11 to 14, see M.R. 1987]

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

[For text of subp 15, items A to C, see M.R. 1987]

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

[For text of subp 15, items E to G, see M.R. 1987]

H. for those with loans made from the bonds, has at the time of application, an anticipated graduation date no later than November 1, 1992; and

[For text of subp 15, item I, see M.R. 1987]

[For text of subps 16 to 24, see M.R. 1987]

Subp. 25. **Loan period.** "Loan period" means the period for which the student receives the loan. The period begins on the first day of class. It must be at least 30 days in length, and must not exceed 12 months. A loan period may be the same as, or a portion of, the academic year. For example, the loan period may be for a single semester, or quarter.

[For text of subp 26, see M.R. 1987]

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

A. November 1, 2000, for those with loans made from the bonds; or

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

C. 15 years from the date of the first loan check; or

D. a shorter period negotiated with the borrower.

[For text of subps 28 to 30, see M.R. 1987]

Statutory Authority: *MS s 136A 111; 136A.134; 136A.16; 136A.234*

History: *13 SR 128*

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 $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 was $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.

Subp. 2. **Two loans in one year.**

A. A student may borrow more than once m the same academic year as long as:

(1) eligibility remains;

(2) the annual borrowing maximum is not exceeded; and

(3) the amount approved is at least $1,000.

B. A student may borrow the annual maximum twice in the same grade level, as long as:

(1) a total of 11 months elapses from the beginning of the first loan period to the beginning of the second loan period; and

(2) the cumulative loan debt maximum for that grade level is not exceeded.

C. A student who advances a grade level in the middle of an academic year may borrow at that new grade level, as long as:

(1) there is no more than one month overlap of loan period; and

(2) the cumulative loan debt maximum for that new grade level is not exceeded.

Subp. 3. **Interest rate.** For loans made from the bonds, the interest rate on the loan must be fixed by the board at a margin in excess of the "index rate" on the bonds. If the bonds bear interest at more than one rate at any one time, the "index rate" will be the weighted average of the interest rates. The "index rate" may change on Thursday of each week. If the "index rate" increases or decreases, the interest rate on the loan increases or decreases automatically on the same day without notice to the borrower. If the board determines that the margin does not reflect the costs of the SELF program, the board must increase or decrease the margin. The board 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 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 board shall set the margin to reflect the costs of the SELF program. If the board determines that the margin does not reflect the costs of the SELF program, the board must increase or decrease the margin. The board shall advise borrowers of changes in the margin.

Statutory Authority: *MS s 136A.111; 136A.134; 136A.16; 136A.234*

History: *13 SR 128*

4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL.

[For text of subpart 1, see M.R. 1987]

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 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.

[For text of subps 3 and 4, see M.R. 1987]

Statutory Authority: *MS s 136A.111; 136A.134; 136A.16; 136A.234*

History: *13 SR 128*

4850.0017 REPAYMENT PROCEDURES.

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

A. During the school period, the board or its agent shall bill borrowers for accrued interest once during each calendar quarter.

B. During the transition period, the board or its agent shall bill borrowers for accrued interest once during each calendar month.

C. During the payout period, borrowers must repay their loans in monthly installments of principal and interest. 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 SELF loans, their combined annual payments on all SELF loans must be at least $600.

[For text of items D to H, see M.R. 1987]

Statutory Authority: *MS s 136A.111; 136A.134; 136A.16; 136A.234*

History: *13 SR 128*