

1.1 **Minnesota Office of Higher Education**

1.2 **Adopted Permanent Rules Relating to SELF Program**

1.3 **4850.0011 DEFINITIONS.**

1.4 [For text of subps 1 to 8, see M.R.]

1.5 Subp. 9. **Creditworthy cosigner.** "Creditworthy cosigner" means one who, based
1.6 on information provided by a national credit bureau, has:

1.7 A. no account balances discharged through bankruptcy;

1.8 B. no garnishments, attachments, foreclosure, repossession, or suit;

1.9 C. no more than \$300 combined total in unsatisfied credit or unsatisfied
1.10 payment obligations including, but not limited to, charged-off loans, credit, medical,
1.11 utility accounts, collection items, and tax or mechanics liens; and

1.12 D. no more than five percent of total credit bureau balances past due, unless the
1.13 amount past due is \$300 or less.

1.14 Subp. 10. **Cosigners.** All SELF borrowers shall have a creditworthy cosigner who
1.15 is either a United States citizen or a permanent resident. The cosigner is jointly and
1.16 separately responsible for making loan payments (principal, interest, and other charges).
1.17 A cosigner must:

1.18 A. be a person at least 24 years old or if a sibling (sister, brother, half-sister,
1.19 half-brother, stepsister, or stepbrother) of the borrower be at least 18 years old;

1.20 B. agree to the release of information to a consumer credit reporting agency, as
1.21 described in part 4850.0012, subpart 4; and

1.22 C. permanently reside in the United States.

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

2.1 Subp. 11a. **Default date.** "Default date" means the date the loan is submitted by the
2.2 office to the loan servicer as a default due to failure to comply with the required terms
2.3 of the promissory note.

2.4 [For text of subps 12 to 14, see M.R.]

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

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

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

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

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

2.16 E. is not currently delinquent in payment of interest or principal on an
2.17 outstanding SELF loan;

2.18 F. has a creditworthy cosigner;

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

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

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

3.1 Subp. 24a. **Loan forgiveness.** "Loan forgiveness" means the obligation of the
3.2 borrower and the cosigner to repay the SELF loan is forgiven due to the death or total
3.3 and permanent disability of the borrower.

3.4 [For text of subps 25 to 26a, see M.R.]

3.5 Subp. 27. **[See repealer.]**

3.6 [For text of subps 28a and 28b, see M.R.]

3.7 Subp. 28c. **SELF IV loans.** "SELF IV loans" means SELF loans where the interest
3.8 rate on the loan is determined by the director at a margin in excess of a SELF IV index
3.9 rate. The SELF IV initial index rate is the arithmetic average rounded to the nearest tenth
3.10 of one percent of the three-month London Interbank Offered Rates (LIBOR) rate during
3.11 the calendar quarter immediately preceding the interest rate adjustment date. The LIBOR
3.12 rate is determined by the British Banker's Association. Where terms can be obtained for
3.13 issuance of SELF loans at a rate favorable to borrowers, the director may establish other
3.14 indexes or utilize a fixed rate as provided for in the promissory note.

3.15 Subp. 28d. **Temporary total disability.** "Temporary total disability" means a
3.16 disability resulting from an injury or illness that is expected to last at least four months
3.17 and that interferes with the borrower's ability to make loan payments. A borrower has
3.18 a temporary total disability if a doctor of medicine or osteopathy, legally authorized to
3.19 practice in a state, certifies that the borrower is unable to work and earn money because of
3.20 an injury or illness expected to last at least four months. A borrower is not considered
3.21 to have a temporary total disability on the basis of a condition that existed at the time
3.22 the loan was made.

3.23 Subp. 28e. **Total and permanent disability.** "Total and permanent disability"
3.24 means a disability resulting from an injury or illness that is expected to continue
3.25 indefinitely or result in death, that interferes with the borrower's ability to make loan
3.26 payments because the borrower is unable to work or earn money, as certified by a doctor

4.1 of medicine or osteopathy, legally authorized to practice in a state. A borrower is not
4.2 considered totally and permanently disabled on the basis of a condition that existed at the
4.3 time the loan was made.

4.4 Subp. 29. **Transition period.** "Transition period" means a 12-month period
4.5 immediately following graduation or termination of enrollment. Borrowers may extend the
4.6 transition period, if permitted by the terms of the promissory note, an additional period not
4.7 to exceed 24 months. During the transition period, borrowers are billed for interest only.

4.8 Subp. 30. **Undergraduate student.** "Undergraduate student" means a student who
4.9 is not a graduate student.

4.10 **4850.0012 SCHOOL AGREEMENTS AND STUDENT APPLICATIONS.**

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

4.12 Subp. 3. **Application and promissory note.** The student shall follow the
4.13 appropriate SELF application process used at the eligible school. The student shall
4.14 deliver or mail the application and promissory note to the cosigner who shall complete
4.15 the cosigner's portion of the application and promissory note and deliver or mail them to
4.16 the director. Electronic signatures are acceptable where an electronic signature process
4.17 has been adopted by the office. The director will check the application and promissory
4.18 note for completeness, determine the eligibility of the applicant, and conduct a credit
4.19 check of the borrower and the cosigner. If the director approves the loan application, the
4.20 document file is forwarded to the servicer. The servicer shall prepare and mail a disclosure
4.21 statement to the borrower and cosigner, advise the school of the loan approval, schedule
4.22 disbursements, and place the document file in permanent storage. If the director rejects
4.23 the loan application, the applicant and the cosigner must be advised in writing of the
4.24 decision and the reasons for the rejection.

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

5.1 **4850.0014 AMOUNT AND TERMS.**

5.2 Subpart 1. **Loan amounts.** The minimum SELF loan amount is \$500.

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

5.4 Subp. 3. **Interest rate.** For SELF II loans, the interest rate on the loan will be
5.5 determined by the director at a margin in excess of the SELF II index rate as defined
5.6 under part 4850.0011, subpart 28a. If the index rate increases or decreases, the interest
5.7 rate on the loan automatically increases or decreases on the same day without notice to
5.8 the borrower. The interest rate on the loan cannot increase or decrease more than two
5.9 percentage points over any four consecutive calendar quarters exclusive of any individual
5.10 loan interest rate reductions and reinstatements resulting from the application of benefit
5.11 programs for military, on-time payments and automated payments or other program
5.12 interest rate reductions. The director shall set the margin to reflect the costs of the SELF
5.13 program. If the director determines that the margin does not reflect the costs of the SELF
5.14 program, the director must increase or decrease the margin. The director shall advise
5.15 borrowers of changes in the margin.

5.16 For SELF III and SELF IV loans, the interest rate on the loan will be determined by
5.17 the director at a margin in excess of SELF III and SELF IV index rates, as defined under
5.18 part 4850.0011, subparts 28b and 28c. The interest rate on the loan cannot increase or
5.19 decrease more than three percentage points over any four consecutive calendar quarters
5.20 exclusive of any individual loan interest rate reductions and reinstatements resulting
5.21 from the application of benefit programs for military, on-time payments and automated
5.22 payments or other program interest rate reductions. The director shall set the margin to
5.23 reflect the costs of the SELF program. If the director determines that the margin does not
5.24 reflect the costs of the SELF program, the director must increase or decrease the margin.

5.25 **4850.0018 CLAIMS.**

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

6.1 Subp. 2. **When paid.** Claims are paid in four categories:

6.2 A. A claim for death of the borrower must be filed by the director upon receipt
6.3 of a death record. The cosigner's obligation to make any further payment of principal and
6.4 interest or both on a SELF loan is canceled as of the date of death.

6.5 B. If the borrower becomes totally and permanently disabled, a claim must be
6.6 filed by the director upon receipt of proper medical documentation. The borrower's and
6.7 cosigner's obligation to make any further payment of principal and interest on a SELF
6.8 loan is canceled as of the date of approval of the medical documentation by the office.

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

6.10 **4850.0020 LOAN FORGIVENESS.**

6.11 Subpart 1. **Death of borrower.** The obligation of the borrower and the cosigner to
6.12 repay a SELF loan shall be forgiven upon documentation of the death of the borrower.
6.13 Payments made after the borrower's death prior to the submission of a death certificate
6.14 will not be reimbursed.

6.15 Subp. 2. **Total and permanent disability of borrower.** The obligation of the
6.16 borrower and the cosigner to repay the SELF loan shall be forgiven upon written request
6.17 to the office if the office determines that a borrower has a total and permanent disability
6.18 and if the total and permanent disability of the borrower occurred after all disbursements
6.19 of the loan were made. The forgiveness is effective the date the total and permanent
6.20 disability documentation is approved and accepted by the office.

6.21 **4850.0021 NONACCRUAL OF INTEREST PERIOD DURING A TEMPORARY**
6.22 **TOTAL DISABILITY.**

6.23 A borrower who has a temporary total disability shall be granted a period of
6.24 nonaccrual of interest upon written request to the office, effective the date the temporary
6.25 total disability documentation is approved and accepted by the office, if the office
7.1 determines that the borrower has a temporary total disability and if the temporary total

7.2 disability of the borrower occurred after all disbursements of the loan were made. Interest
7.3 does not accrue during an approved nonaccrual of interest period and no payments will be
7.4 required to be made during this time. A nonaccrual of interest period may be granted for
7.5 up to one year at a time with a maximum of no more than three years. Extensions may
7.6 be requested after the end of each approved period of nonaccrual of interest. Updated
7.7 medical information is required of the borrower for each extension request. If at any time
7.8 during a nonaccrual of interest period the borrower qualifies for loan forgiveness due
7.9 to total and permanent disability status, the borrower may submit the required medical
7.10 documentation to the office for review. At the end of the nonaccrual of interest period
7.11 the borrower must resume payments at an amount necessary to repay the loan in the
7.12 time period required by the promissory note unless a payment extension agreement has
7.13 been entered into with the office.

7.14 **4850.0022 ACTIVE MILITARY DUTY INTEREST REDUCTION BENEFIT.**

7.15 Eligible borrowers on active military duty may qualify for interest rate reductions
7.16 greater than reductions already required by federal or state law based on a determination
7.17 by the director of available benefits. The military interest rate reduction availability and
7.18 the amount of any reduction is determined quarterly. Eligible borrowers must request the
7.19 reduction and provide a copy of active military orders in order to qualify. An available
7.20 reduction is only effective for dates the borrower is on active duty. Interest reductions,
7.21 other than reductions required by federal or state law, shall be discontinued without notice
7.22 for any quarter in which the benefit is unavailable.

7.23 **4850.0024 DEFAULTED LOAN REHABILITATION.**

7.24 Subpart 1. **Availability.** A defaulted loan rehabilitation option is available for loans
7.25 which default after adoption of parts 4850.0011 to 4850.0024.

8.1 Subp. 2. **Exclusions.** A defaulted loan rehabilitation option is not available for loans
8.2 that have been turned over to a collection entity or that are in default for a second time.

8.3 Subp. 3. **Rehabilitation deadline.** Rehabilitation must be completed within two
8.4 years from the default date.

8.5 Subp. 4. **Payment in full option.** A defaulted loan is considered rehabilitated if
8.6 the outstanding balance of the defaulted loan is paid in full to the office within 90 days
8.7 from the default date.

8.8 Subp. 5. **Payment plan option.** A borrower or cosigner may rehabilitate a defaulted
8.9 loan upon approval by the office of a rehabilitation request signed by the borrower or
8.10 cosigner and submitted to the office. If the office approves the rehabilitation request, the
8.11 borrower or cosigner must make 12 monthly on-time payments on the defaulted loan. If
8.12 the borrower or cosigner fails to make 12 consecutive on-time payments and if there is
8.13 sufficient time remaining within the maximum two-year rehabilitation period, the borrower
8.14 or cosigner may submit a second rehabilitation request for approval by the office to make
8.15 12 on-time payments. The combined payment amounts must be sufficient so that at the
8.16 end of the rehabilitation period the loan conforms with the promissory note repayment
8.17 terms had the loan not defaulted. A payment is considered on time if the payment is
8.18 received by the office no later than seven calendar days after the agreed upon due date.

8.19 Subp. 6. **Rehabilitated loan requirement.** Once a loan has successfully been
8.20 rehabilitated, the remaining balance must be repaid within the original time frame and
8.21 according to the original terms and conditions of the promissory note.

8.22 Subp. 7. **Deletion of default loan status.** Upon completion of the loan
8.23 rehabilitation, the office shall request deletion of the defaulted loan status from the credit
8.24 bureaus if deletion is permitted by the credit bureaus. Deletion of the default status is
8.25 contingent upon approval by the credit bureaus. Any past due reporting to the credit
8.26 bureaus prior to the default will not be deleted.

9.1 **REPEALER.** Minnesota Rules, part 4850.0011, subpart 27, is repealed.