

1.1 **Minnesota Office of Higher Education**1.2 **Proposed Permanent Rules Governing the SELF Loan Program**1.3 **4850.0011 DEFINITIONS.**1.4 [For text of subps 1 to 19, see M.R.]

1.5 Subp. 20. **Grade level.** "Grade level" means the relative position of an eligible
1.6 student in a degree or certificate granting program, ~~and corresponds to an academic year.~~
1.7 ~~(For example, an eligible student in the second year of a four-year program would be~~
1.8 ~~in grade level 02.)~~.

1.9 [For text of subps 21 to 28b, see M.R.]

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

1.18 Subp. 28d. **SELF V loans.** "SELF V loans" means SELF loans where the interest
1.19 rate on the loan is determined by the director at a margin in excess of a SELF V index rate
1.20 or is a fixed rate. The SELF V initial index rate is the arithmetic average rounded to the
1.21 nearest tenth of one percent of the three-month London Interbank Offered Rates (LIBOR)
1.22 rate during the calendar quarter immediately preceding the interest rate adjustment date.
1.23 The LIBOR rate is determined by the British Banker's Association. The director may
1.24 establish other indexes or utilize a fixed rate or maximum rate as provided for in the
1.25 promissory note.

2.1 Subp. 28e. **SELF VI loans.** "SELF VI loans" means SELF loans where the interest
2.2 rate on the loan is determined by the director at a margin in excess of a SELF VI
2.3 index rate or is a fixed rate. The SELF VI initial index rate is the arithmetic average
2.4 rounded to the nearest tenth of one percent of the three-month London Interbank Offered
2.5 Rates (LIBOR) rate during the calendar quarter immediately preceding the interest rate
2.6 adjustment date. The LIBOR rate is determined by the British Banker's Association. The
2.7 director may establish other indexes or utilize a fixed rate or maximum rate as provided
2.8 for in the promissory note.

2.9 Subp. ~~28d~~ 28f. **Temporary total disability.** "Temporary total disability" means a
2.10 disability resulting from an injury or illness that is expected to last at least four months
2.11 and that interferes with the borrower's ability to make loan payments. A borrower has
2.12 a temporary total disability if a doctor of medicine or osteopathy, legally authorized to
2.13 practice in a state, certifies that the borrower is unable to work and earn money because of
2.14 an injury or illness expected to last at least four months. A borrower is not considered
2.15 to have a temporary total disability on the basis of a condition that existed at the time
2.16 the loan was made.

2.17 Subp. ~~28e~~ 28g. **Total and permanent disability.** "Total and permanent disability"
2.18 means a disability resulting from an injury or illness that is expected to continue
2.19 indefinitely or result in death, that interferes with the borrower's ability to make loan
2.20 payments because the borrower is unable to work or earn money, as certified by a doctor
2.21 of medicine or osteopathy, legally authorized to practice in a state. A borrower is not
2.22 considered totally and permanently disabled on the basis of a condition that existed at the
2.23 time the loan was made.

2.24 [For text of subps 29 and 30, see M.R.]

2.25 **4850.0012 SCHOOL AGREEMENTS AND STUDENT APPLICATIONS.**

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

3.1 Subp. 3. **Application and promissory note.** The student shall follow the appropriate
3.2 SELF application process used at the eligible school. ~~The student shall deliver or mail the~~
3.3 ~~application and promissory note to the cosigner who shall complete the cosigner's portion~~
3.4 ~~of the application and promissory note and deliver or mail them to the director. Electronic~~
3.5 ~~signatures are acceptable where an electronic signature process has been adopted by the~~
3.6 ~~office. The director will check the application and promissory note for completeness,~~
3.7 ~~determine the eligibility of the applicant, and conduct a credit check of the borrower and~~
3.8 ~~the cosigner. If the director approves the loan application, the document file is forwarded~~
3.9 ~~to the servicer. The servicer shall prepare and mail a disclosure statement to the borrower~~
3.10 ~~and cosigner, advise the school of the loan approval, schedule disbursements, and place~~
3.11 ~~the document file in permanent storage. If the director rejects the loan application, the~~
3.12 ~~applicant and the cosigner must be advised in writing of the decision and the reasons for~~
3.13 ~~the rejection.~~

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

3.15 **4850.0014 AMOUNT AND TERMS.**

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

3.17 Subp. 2. ~~Two~~ **Multiple loans in one year at the same grade level.**

3.18 A. ~~A student may borrow more than once in the same academic year as long as:~~

3.19 (1) ~~eligibility remains;~~

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

3.21 (3) ~~the amount approved is at least \$500.~~

3.22 B. A student may borrow up to the annual maximum amount twice in the same
3.23 grade level, as long as:

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

4.1 (2) the cumulative SELF loan debt maximum for that grade level is not
4.2 exceeded; and

4.3 (3) the amount approved is at least \$500.

4.4 ~~C. A student who advances a grade level in the middle of an academic year may~~
4.5 ~~borrow at that new grade level, as long as the cumulative SELF loan debt maximum~~
4.6 ~~for that new grade level is not exceeded.~~

4.7 Subp. 3. **Interest rate.**

4.8 A. For SELF II loans, the interest rate on the loan will be determined by the
4.9 director at a margin in excess of the SELF II index rate as defined under part 4850.0011,
4.10 subpart 28a. If the index rate increases or decreases, the interest rate on the loan
4.11 automatically increases or decreases on the same day without notice to the borrower. The
4.12 interest rate on the loan cannot increase or decrease more than two percentage points
4.13 over any four consecutive calendar quarters exclusive of any individual loan interest
4.14 rate reductions and reinstatements resulting from the application of benefit programs
4.15 for military, on-time payments and automated payments or other program interest rate
4.16 reductions. The director shall set the margin to reflect the costs of the SELF program. If
4.17 the director determines that the margin does not reflect the costs of the SELF program,
4.18 the director must increase or decrease the margin. The director shall advise borrowers
4.19 of changes in the margin.

4.20 B. For SELF III and SELF IV loans, the interest rate on the loan will be
4.21 determined by the director at a margin in excess of SELF III and SELF IV index rates, as
4.22 defined under part 4850.0011, subparts 28b and 28c. The interest rate on the loan cannot
4.23 increase or decrease more than three percentage points over any four consecutive calendar
4.24 quarters exclusive of any individual loan interest rate reductions and reinstatements
4.25 resulting from the application of benefit programs for military, on-time payments and
4.26 automated payments or other program interest rate reductions. The director shall set

5.1 the margin to reflect the costs of the SELF program. If the director determines that the
5.2 margin does not reflect the costs of the SELF program, the director must increase or
5.3 decrease the margin.

5.4 C. For SELF V and SELF VI loans, the interest rate on the loan will be a
5.5 fixed rate, a maximum rate provided in the promissory note, or a rate determined by the
5.6 director at a margin in excess of SELF V and SELF VI index rates, as defined under
5.7 part 4850.0011, subparts 28d and 28e. The interest rate on the loan cannot increase or
5.8 decrease more than three percentage points over any four consecutive calendar quarters
5.9 exclusive of any individual loan interest rate reductions and reinstatements resulting from
5.10 the application of benefit programs for military, on-time and automated payments, or other
5.11 program interest rate reductions. The director shall set the margin to reflect the costs of the
5.12 SELF program. If the director determines that the margin does not reflect the costs of the
5.13 SELF program, the director must increase or decrease the margin.

5.14 **4850.0015 LOAN DISBURSEMENTS.**

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

5.16 Subp. 3. **Disbursement when loan proceeds arrive during loan period.** When
5.17 the loan proceeds arrive during the loan period, the school must verify the student's
5.18 enrollment and that the student meets satisfactory academic progress requirements. If the
5.19 loan proceeds are in the form of an individual check, the school shall endorse the check
5.20 along with the student, subtract from the proceeds that amount owed to it for the payment
5.21 period, and make arrangements with the student for the use of any remaining proceeds.
5.22 ~~The school must next subtract from the proceeds the amount owed to it for the payment~~
5.23 ~~period and make arrangements with the student for the use of any remaining proceeds.~~
5.24 ~~In either case,~~ The student has the same options for receiving any remaining proceeds as
5.25 described in subpart 2. If the student is on a school approved leave of absence when the
5.26 loan proceeds arrive and is scheduled to return within 30 days from the date on the check

6.1 or the date of the electronic funds transfer, the school may hold the loan proceeds until the
6.2 student returns. If the student fails to return or does not show up for disbursement, the
6.3 loan proceeds must be returned to the director within 30 days from the date on the check
6.4 or the date of the electronic funds transfer, whichever is applicable.

6.5 Subp. 4. **Disbursement when loan proceeds arrive after loan period.** When the
6.6 loan proceeds arrive after the loan period, the school must verify the student's enrollment
6.7 and that the student meets satisfactory academic progress requirements. If the loan
6.8 proceeds are in the form of an individual check, the school ~~may~~ must endorse the check
6.9 along with the student within ~~30~~ 45 days from the end of the loan period, subtract from
6.10 the proceeds that amount owed to it for the payment period, and make arrangements with
6.11 the student for use of any remaining proceeds. ~~The school must next subtract from the~~
6.12 ~~proceeds the amount owed to it for the payment period and make arrangements with the~~
6.13 ~~student for the use of any remaining proceeds. In either case, the student has the same~~
6.14 ~~options for receiving any remaining proceeds as described in subpart 2. The remaining~~
6.15 proceeds must be returned to the student or retained on account at the election of the
6.16 student. The school may not keep on account more money than it charges for that payment
6.17 period without the written permission of the student. If the loan proceeds arrive more than
6.18 ~~30~~ 45 days after the end of the loan period, the school must return the loan proceeds
6.19 to the director.

6.20 **4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL.**

6.21 [For text of subs 1 to 3, see M.R.]

6.22 Subp. 4. **Reduction of enrollment to less than half-time status.** The school shall
6.23 notify the director immediately when a student reduces enrollment below a half-time
6.24 status, but remains enrolled. ~~Such a student shall be permitted to remain in an in-school~~
6.25 ~~repayment period for no more than six months including normal school vacation periods~~
6.26 ~~before the transition period begins.~~

7.1 **4850.0017 REPAYMENT PROCEDURES.**

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

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

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

7.8 C. During the repayment period, the office or its agent shall bill borrowers for
7.9 accrued interest, applicable late charges, and principal once during each calendar month.

7.10 The interest rate may vary throughout the period. The sum of the monthly payments
7.11 must equal the sum of accrued interest plus principal, plus any applicable late charges.
7.12 ~~The monthly payments of principal must be in amounts calculated at the beginning of~~
7.13 ~~the repayment period as if two conditions existed. The two conditions are: (1) interest~~
7.14 ~~on the loan accrues at a fixed rate equal to the interest rate in effect at the time of the~~
7.15 ~~calculation and (2) the loan is payable over its term in equal monthly installments. The~~
7.16 ~~borrower must pay a total of at least \$600 each year on all of the borrower's SELF loans.~~
7.17 ~~If the borrower's spouse also has SELF loans, their combined annual payments on all~~
7.18 ~~SELF loans must be at least \$600.~~

7.19 D. Interest payments during the in-school period that are delinquent in excess of
7.20 120 days from the billing date ~~must~~ may be capitalized. Capitalization of past due interest
7.21 must be limited to two occasions before filing a claim.

7.22 [For text of items E to G, see M.R.]

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~~ defaulted after adoption of parts 4850.0011 to 4850.0024 June 30, 2008.

8.1

[For text of subps 2 to 7, see M.R.]