CHAPTER 4850
HIGHER EDUCATION SERVICES OFFICE
SUPPLEMENTAL STUDENT LOANS

4850.0011 DEFINITIONS.

[For text of subps 1 to 14, see M R]

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

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

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

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

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

E is not currently delinquent in payment of interest or principal on an outstanding loan from the student educational loan fund,

F has a creditworthy cosigner;

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

H has agreed to the release of information to a consumer credit reporting agency, as listed in part 4850 0012, subpart 4

[For text of subps 16 to 26a, see M R]

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

A ten years from the date the student ceases to be an eligible student, or

B 15 years from the date of the first loan check, or

C a shorter period negotiated with the borrower

Subp 28 [Repealed, 26 SR 1333]

Subp 28a **SELF II loans.** "SELF II loans" means SELF loans where the interest rate on the loan is determined by the director at a margin in excess of the SELF II index rate. The SELF II 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 calendar quarter immediately preceding the interest rate adjustment date

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

Subp 29 **Transition period.** "Transition period" means a 12-month period immediately following graduation or termination of enrollment. Borrowers may extend the transition period an additional period not to exceed 24 months During the transition period, borrowers are billed for interest only

[For text of subp 30, see M R]

Statutory Authority: *MS s 136A 01*

History: *26 SR 1333*

4850.0014 AMOUNT AND TERMS.

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

Subp 3 **Interest rate.** For SELF II loans, the interest rate on the loan will be determined by the director at a margin in excess of the SELF II index rate. The SELF II 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 director shall set the margin to reflect the costs of the SELF program If the director determines that the margin does not reflect the costs of the SELF program, the director must increase or decrease the margin The director shall advise borrowers of changes in the margin

For SELF III loans, the interest rate on the loan will be determined by the director at a margin in excess of a SELF III index rate The SELF III initial index rate to be used is the average rounded to the nearest tenth of one percent of the arithmetic average of the three-month London Interbank Offered Rates (LIBOR) rate during the calendar quarter immediately preceding the interest rate adjustment date. The LIBOR rate is determined by the British Banker's Association Where terms can be obtained for issuance of SELF loans at a rate favorable to borrowers, the director may establish other indexes or utilize a fixed rate as provided for in the promissory note The interest rate on the loan cannot increase or decrease more than three percentage points over any four consecutive calendar quarters. The director shall set the margin to reflect the costs of the SELF program. If the director determines that the margin does not reflect the costs of the SELF program, the director must increase or decrease the margin

Statutory Authority: *MS s 136A 01*

History: *26 SR 1333*

4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL.

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

Subp 3 **Withdrawal.** In the event that a borrower, for any reason, fails to complete a loan period, withdraws, and the school calculates a SELF refund for the borrower, that refund must be returned to the office for the SELF loan program within 30 days of the date the school becomes aware of the withdrawal Refunds to the office are determined by items A and B.

A Determine the percentage that the SELF loan represents of the student's total nonfederal financial aid package for the applicable term.

B. Multiply that percentage by the amount determined to be refunded to nonfederal aid providers under the school's refund policy The result yields the amount to be refunded to the office

[For text of subp 4, see M R]

Statutory Authority: *MS s 136A 01*

History: *26 SR 1333*

4850.0017 REPAYMENT PROCEDURES.

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

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

B During the transıtıon perıod, the office or ıts agent shall bıll borrowers for accrued ınterest and apphcable late charges once durıng each calendar month

C Durıng the repayment perıod, the office or ıts agent shall bıll borrowers for accrued ınterest, apphcable late charges, and prıncıpal once durıng each calendar month The mterest rate may vary throughout the perıod The sum of the monthly payments must equal the sum of accrued ınterest plus prıncıpal, plus any applıcable late charges. The monthly payments of prıncıpal must be ın amounts calculated at the begınning of the repayment perıod as ıf two condıtıons exısted The two condıtıons are (1) ınterest on the loan accrues at a fıxed rate equal to the mterest rate ın effect at the tıme of the calculatıon and (2) the loan ıs payable over ıts term m equal monthly ınstallments. 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, theır combmed annual payments on all SELF loans must be at least $600.

D Interest payments durıng the m-school perıod that are delınquent ın excess of 120 days from the bılling date must be capıtalızed. Capıtalızatıon of past due mterest must be lımıted to two occasıons before fılıng a claım.

E A prepayment penalty must not be assessed agamst borrowers who elect to make unscheduled payments of loan prmcıpal

F The dırector shall grant forbearances ın those ınstances when the borrower experiences hardshıp ın makıng payments of prmcıpal and/or ınterest, and when the cosıgner has eıther dıed, become temporarıly or permanently dısabled, or for some other reason, such as unemployment or lımıted fıxed ıncome, demonstrated an ınabılıty to make payment. Such a forbearance shall be granted upon receıpt of wrıtten documentatıon from the borrower and the cosıgner relatıng to the unemployment or sımılar fınancıal hardshıp case and ıs lımıted to 120 days, renewable upon further documentatıon for another 120 days.

G Upon request, the dırector shall provıde borrowers and cosıgners wıth an annual statement of outstandıng prmcıpal and ınterest paıd durmg the prevıous calendar year.

Statutory Authority: *MS s 136A 01*

History: *26 SR 1333*