

1656.0051 APPLICATION PROCESS AND OFFER OF PARTICIPATION.

Subpart 1. **Request for a value-added stock loan participation.** A lender and an applicant must jointly complete and sign an application and prepare all supporting documents identified in the application. Financial statements must be dated within 120 days of the application.

Subp. 2. **Lender determination.** The lender shall review the proposal and determine the creditworthiness of the applicant and the value of the collateral to be used to secure the loan. If the lender agrees to make a stock loan to the applicant, the lender and the applicant shall jointly prepare the application and the required loan documents.

Subp. 3. **Offer.** The lender, as the originator of the stock loan, shall present the application and loan documents to the RFA. Presentation of the documents constitutes an offer to sell a participation interest in the loan.

Subp. 4. **Loan participation.** The maximum RFA participation is defined in Minnesota Statutes, section 41B.046, subdivision 5, paragraph (a). The interest rate on the loan participation must be 4.0 percent or one-half of the lender's effective rate (APR), rounded down to the nearest one-tenth of one percent, at the time of loan closing, whichever rate is lower. This rate shall remain the fixed rate for the duration of the loan participation.

Subp. 5. **Terms of loan.** The maximum term of the loan is eight years. Loan payments of interest only are permitted for up to two years, with a amortized repayment schedule of interest and principal calculated for the remaining years. The lender may, for its portion of the loan, use a variable interest rate correlated to a specific index.

Subp. 6. **Misrepresentation in application.** If a change occurs in the information provided by the lender to the RFA prior to the closing of a loan, the lender shall immediately update and correct that information. Misrepresentation in the application or failure to update any required information is grounds to reject an application, revoke a notice of approval, or refuse to close the loan.

Statutory Authority: *MS s 41B.046; 41B.07; 41C.13*

History: *20 SR 2290(NO. 43); 30 SR 372*

Published Electronically: *October 26, 2005*