

**8830.6500 ELIGIBILITY REQUIREMENTS FOR BANK LOAN.**

Subpart 1. **Principal amount.** The original bona fide principal amount of any loan must not exceed:

A. an amount that can be shown to be fully secured by the equity determined by the current appraised value of the collateral to be pledged by or on behalf of the borrower;

B. an amount that can be reasonably documented and shown to be secured by the value found in the guarantee up to a maximum proportion of 40 percent of the original bona fide principal with the remaining proportion to be fully secured in the manner prescribed in item A.

Subp. 2. **Interest rate.** The interest rate agreed upon between the borrower and the lender must be expressed clearly in the loan agreement in annual percentage rate terms and include the manner in which lapsed periods of time are to be calculated for purposes of application of that rate, if interest is to be calculated or collected in intervals of less than one calendar year.

Subp. 3. **Repayment terms.** The commissioner shall grant the approval called for by this part if the loan agreement remains substantially the same, the loan agreement is in accordance with parts 8830.6300 to 8830.6700, and the risks to the state by the change in the agreement are fully protected. The loan agreement must provide for repayment terms that:

A. include a schedule of installment payments of principal and interest that will extinguish the original bona fide principal of the loan over a term not exceeding ten years from the date of execution of the loan;

B. include a schedule of periodic installment payments of principal and interest coming due at least each three months or such lesser intervals as are reasonably consistent with the revenue income flow determined to support the ability on the part of the borrower to repay the obligation;

C. provide that the first installment of principal and interest may be scheduled so as to coincide with the first anticipated revenue;

D. include language that provides that no refinancing, extension, or deferment of the originally contracted obligation as approved for insurance or its security, or otherwise as would operate to modify the original contract terms may be made between the borrower and the lender unless those considerations are in writing and expressly approved by the commissioner; and

E. include language that effectively renders the obligation as documented to be nontransferable as to all or any part of its interests without prior written approval of the commissioner.

Subp. 4. **Deferment.** No loan agreement may be the subject of any extension of time or deferment of originally scheduled installment payments that would result in the final contracted payment of principal or interest, or combination of principal and interest, to fall due at a date more than ten years from the date of origin, without prior written approval of the commissioner.

**Statutory Authority:** *MS s 218.071; 219.073; 219.165; 219.17; 219.384; 222.50; 222.58; 222.63*

**History:** *23 SR 524*

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