

**9210.0855 PARTICIPATION AGREEMENT.**

Subpart 1. **Participation agreement.** In cases where a participation loan is awarded, a participation agreement shall be signed by the financial institution or provider and the agency.

Subp. 2. **Security requirements.** All participation loans must be secured by collateral. The financial institution or provider and the agency shall take interests in collateral acceptable to the financial institution or provider and the agency.

Subp. 3. **Loan servicing.** The participation agreement shall also:

A. require that loan payments be made according to an amortization schedule, established by the financial institution or provider, that has first been reviewed and approved by the agency;

B. require that the financial institution or provider collect payments according to the payment schedule outlined in the promissory note and remit to the state the agency's pro rata share of a payment within 15 days of receipt or, if applicable, in accordance with Minnesota Statutes, section 16A.275. Prior to executing the participation agreement, the financial institution or provider shall negotiate with the agency the amount or percentage of interest to be retained by the financial institution or provider after collection as payment for duties performed by it under the contract; and

C. require the financial institution or provider to notify the agency within 30 days after a determination by the financial institution or provider of a default. The financial institution or provider must pursue all reasonable means to collect the defaulted loan from the borrower and must apply and exhaust the loan security as necessary to effect payment of the loan. The financial institution or provider must remit to the agency its pro rata share of any amounts collected after subtracting reasonable costs to collect upon the defaulted loan. In lieu of foreclosure, either before or after declaring a default, the financial institution or provider and the agency may agree to refinance or renegotiate the loan when doing so will enhance the possibility of recovery of the debt.

**Statutory Authority:** *MS s 115A.0716*

**History:** *22 SR 23; L 2005 1Sp1 art 2 s 161*

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