

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 2546

**DATE:** March 29, 2016

**Version:** The delete-everything amendment (H2546DE1)

**Authors:** Norton and others

**Subject:** Refinancing for borrowers facing a financial emergency

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### Overview

H.F. 2546 establishes a program in the Office of Higher Education (OHE) to refinance the loans of a borrower who faces a “financial emergency,” which the bill defines as the death or permanent disability of a borrower or the borrower’s spouse. The bill requires OHE to offer a borrower who refinances an alternative payment plan, and permits the office to cancel part of a borrower’s loan balance. The bill appropriates \$500,000 to OHE in fiscal 2017 for the program.

#### Section

##### **1 Refinancing for borrowers facing a financial emergency.**

**Subd. 1. Definitions.** Defines “financial emergency” as the death or permanent disability of a borrower, or the spouse of a borrower, with a qualifying student loan.

Defines “qualifying educational expenses” as reasonable costs related to attending a qualifying educational institution.

Defines “qualifying educational institution” as a higher education institution that is eligible to participate in federal financial aid programs.

Defines “qualifying student loan” as a government, commercial, or foundation loan used to pay for qualifying educational expenses. Stipulates that parent loans are qualifying student loans.

**Subd. 2. Program established.** Requires the commissioner to establish a program to refinance the loans of a borrower facing a financial emergency. Requires the

## Section

commissioner to refinance loans within the limits of available funds on a first-come, first-served basis.

**Subd. 3. Eligibility.** Establishes eligibility criteria to participate in the program. An applicant must meet all of the following four conditions:

- (1) demonstrate that, due to a financial emergency, the applicant is unable to make monthly payments without significant financial hardship;
- (2) demonstrate that the applicant's financial emergency does not qualify the applicant for an alternative payment plan or loan forgiveness through the applicant's existing lender;
- (3) annually provide the commissioner with proof of income, assets, and other financial information; and
- (4) be a resident of Minnesota.

**Subd. 4. Alternative payment plans.** (a) Requires the commissioner to offer a borrower who refinances through the program an alternate repayment plan. Permits the commissioner to offer the temporary cessation of payments, reduced interest rates, income-contingent payments, or extended repayment terms.

(b) Permits the commissioner to cancel part or all of a participant's loan balance, to the extent that it is necessary to establish a payment plan the borrower can reasonably afford.

(c) Requires the commissioner to annually update a borrower's repayment plan.

**Subd. 5. Fund established.** Establishes a fund for depositing funds appropriated to the commissioner for the program. Stipulates that appropriations do not cancel. Requires the commissioner to deposit repayments from a borrower in the fund.

- 2 **Appropriations.** Appropriates \$500,000 in fiscal year 2017 to OHE for the program established in section 1.