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STATEMENTS OF NEED AND REASONABLENESS

PERMANENT RULES RELATING TO FINANCIAL AID

as administered by

the Minnesota Higher Education Coordinating Board

In the Matter of the Proposed Adoption of the Rule of the
Minnesota Higher Education Coordinating Board
Governing definitions for Higher Education Programs,
Scholarships and Grants,
Part-time Student Grants,
Work-Study Grants, and
Student Educational Loan Fund.

AUTHORITY TO PRESCRIBE RULES

The Minnesota Higher Education Coordinating Board is authorized by statute to adopt policies and prescribe rules and regulations for student financial aid programs, including scholarships and grants, part-time student grants, work-study grants, and the student educational loan fund (Minnesota Statutes 1988, 136A.16, and 136A.234; Minnesota Statutes 1989 Supplement 136A.04, Subd. 1(9)).

The Board is proposing to make changes to the rules governing these programs. This document provides an explanation for the proposed rule changes.

BACKGROUND

Most of the proposed changes are due to statutory changes that have occurred since the current rules were adopted. In order that the rules correctly reflect current statutory regulations, the rules must be changed through the proposed rulemaking action. Minor grammatical and punctuation changes are proposed to "clean up" the current language for clarity and understanding. In some cases, circumstances have arisen in the administration of financial aid programs, which need explanation or further clarification. Since the current rules do not address these circumstances, appropriate sections have been added to the affected programs to ensure that all students are treated equitably in the determination of eligibility for state financial aid programs. Modifications and additions to current rules protect the rights of all students applying for such assistance, and attempt to clarify program operations for financial aid officers handling the disbursement of state financial aid monies to eligible students.

PROPOSED CHANGES

The proposed changes to current rules are summarized below:

Definitions for Higher Education Programs

- * Add a statement to student eligibility requiring that the student not be in default on any federal or Minnesota state educational loan. This requirement was a statutory change for the Scholarship & Grant Program, and this addition to the Definitions would make it applicable for all state financial aid programs. This would provide uniformity for all programs.
- * Add a statement about cases where the student's parents are divorced or separated as it relates to residency and financial information for the needs analysis. There has been an internal procedure for operations purposes, but adding this to rules will formalize the procedure.
- * Add statements about student eligibility for those graduating from a Minnesota high school or earning a high school equivalency certificate in Minnesota after residing here one year. These are statutory changes.

Scholarships and Grants

- * Delete words "in-aid" after the word "grants". This is due to a statutory change.
- * Amend school requirement section to clarify that at least one program offered by the school must be at least 10 weeks long, but can be longer. This is for clarification of program length as it relates to school eligibility for the state scholarship and grant program.
- * Add the requirement that participating schools must sign an Institutional Agreement. This will make it easier to enforce operating procedures required of schools participating in the scholarship and grant program.
- * Delete reference that student has not established residence in another state when he/she has graduated from a Minnesota high school, which is dictated by a statutory change.
- * Add section on "out-of state housing" for students who attend institutions close to the Minnesota border. Sometimes available student housing is located over the Minnesota border, which should not affect the student's eligibility. This clarifies how these students will be treated for scholarship and grant purposes.
- * Add reference to earning high school equivalency after residing here one year. Change is a statutory one.
- * Add requirement that student be enrolled in a program that is at least 10 weeks long and involves at least 12 credits or 300 clock hours. Clarifies current operating practices, and the integrity of the program. It also parallels the school requirement for program length.
- * Amend section on initial grant eligibility to make it clear that we mean a Minnesota state scholarship or grant. This change will clarify that a student never previously receiving a Minnesota state scholarship or grant is considered an initial applicant.
- * Amend section on renewal awards to clarify how long a student may receive a state scholarship or grant. This is a statutory change.
- * Add a section on "overlapping awards". This is a MHECB policy that a student cannot be eligible for a state scholarship or grant and also be considered eligible for a campus-based part-time grant for the same or overlapping periods of enrollment. These two programs are mutually exclusive. This change will make it easier to enforce, and clarifies the intent of the statutes governing these two programs.
- * Delete the words "financial stipend" and where necessary replace them with "award amount". This is for clarity and understanding.
- * Amend reference to payments to students to indicate that the payment will be sent by the board, not the executive director. This change is for accuracy.
- * Add section on "Recovery of Overpayments". This explains the reimbursement policy if the student is required to do so. This is a statutory change.

Part-Time Student Grants

- * Delete words "in-aid" when referencing this grant program. This is a statutory change.
- * Amend "scope" section, deleting "part-time" and adding "less than half-time" to clarify eligibility for this program.
- * Amend "usage percent" to "percent of usage" in the allocation formula section. This is a grammatical change.
- * Add wording to cover students who decide to attend school at the last minute -- making them eligible for the Part-Time Grant Program if they are attending less than full-time, but more than half-time. The student could not have a needs analysis completed in time to receive an award under the regular scholarship and grant program for the first term of enrollment. This is current operational procedure.
- * Amend wording that addresses other grant assistance the student may receive. This is a grammatical wording change for clarity.
- * Amend section on "report of data" to specify that the reports must not only be completed by the deadline date, but be completed correctly. This will assist MHECB staff in enforcing this current policy.

Work Study

- * Delete words "in-aid" when referencing state scholarships and grants. This is a statutory change.
- * Amend sections that deal with work contracts and supervision of student workers to indicate that the executive director does not in actuality review such documents, but that staff can request to do so. This is standard operating procedure.
- * Amend section on "reports by schools" to specify that the reports must not only be completed by the deadline date, but be completed correctly. This will assist MHECB staff in enforcing this current policy.

Technical Institute Tuition Subsidy

- * Repeal all rules for this program since it is no longer operational and the statutes have also been repealed.

Student Educational Loan Fund (SELF)

- * Amend "academic year" section grammatically. These minor wording/punctuation changes are merely for accuracy and clarity.
- * Change word "certifying" to "certifies". Grammatical change for clarity.

- * Amend co-signer section to include agreement to release of information to consumer credit reporting agency. This is added to this section for clarity and uniformity. This requirement is indicated in another section of the current rules for SELF, and should be included in this section that defines "co-signer".
- * Amend "eligible student" section by deleting reference to not establishing residence in another state if the student graduates from a Minnesota high school. This is a statutory change.
- * Amend section listing other types of educational loans for which the student cannot be currently in default. This change is for completeness of educational loan listing.
- * Amend wording of "in-school period" to refer to "eligible student" rather than "borrower". This change is for accuracy in wording.
- * Amend "Payout Period" to be entitled "Repayment Period". This is for correctness in terminology.
- * Amend section on check disbursement when the student is on a leave of absence. This change clarifies the procedure the school should follow, and gives MHECB more control over such disbursements.
- * Amend "withdrawal" section to further define how refunds should be calculated. This change dictates the policy MHECB wants schools to follow if a student withdraws, and is necessary to assure that all schools refund appropriate monies to the SELF Program. This is a current operating policy which will be given more force by appearing in rules.
- * Amend section on "repayment procedures" to clarify the "in-school" designation and the billing procedure for repayment during this period. These changes are substantially grammatical changes for clarity.
- * Amend the section on "forbearance" to clarify when forbearance will be granted and to extend the number of days for a forbearance in an attempt to avoid defaults by SELF borrowers.

CHAPTER II: Part-by-Part Explanation

This chapter provides an explanation for each proposed change to the rules relating to financial aid programs, including definitions for higher education programs, scholarships and grants, part-time student grants, work-study grants, and the student education loan fund.

4830.0100 DEFINITIONS FOR HIGHER EDUCATION PROGRAMS.

Subpart 5E. **Eligible student.** Deletion is made for grammatical correctness.

Subpart 5F. **Eligible student.** Addition is for grammatical correctness.

Subpart 5G. **Eligible student.** This section on default is necessary due to a statutory change. Since the definition of "default" varies from loan program to loan program, the Board felt it necessary to clarify this requirement further than the statutory language to avoid confusion and miscommunication. This additional requirement provides consistency between federal and state financial aid programs in regard to default status and student eligibility for financial aid purposes.

Subp. 6. **Executive director.** The executive director often designates appropriate staff to perform routine daily procedural tasks related to financial aid program operations, therefore it is necessary to clarify the current language for completeness and correctness.

Subp. 10A. **Minnesota resident.** Deletion is made for grammatical correctness.

Subp. 10B. **Minnesota resident.** Deletion is made for grammatical correctness.

Subp. 10C. **Minnesota resident.** This addition is due to a statutory language change.

Subp. 10D. **Minnesota resident.** This addition is due to a statutory language change.

Subp. 10a. **Determination of student residence.** This definition is added for clarity and to ensure the equitable treatment of all applicants to state financial aid programs.

Subp. 12. **Returning student.** This definition is added to ensure the equitable treatment of all students, to ensure that institutions utilize financial aid monies from the correct sources of programmatic funds when awarding students various types of financial assistance, and to reflect legislative intent as it pertains to the definition of a returning student. The Board felt this definition was necessary for clarity and to avoid misuse of individual program monies.

STATE SCHOLARSHIPS AND GRANTS

4830.0200 SCOPE.

Deletion is due to statutory language change referencing the state scholarship and grant program.

4830.0300 ELIGIBLE SCHOOLS.

Subpart 1. Annual list. Deletion and addition are due to statutory language change.

Subp. 2(B)(3). Requirements. This addition is for clarity and correctness. The program can be longer than 10 weeks, but cannot be shorter than 10 weeks.

Subp. 2(B)(4). Requirements. Deletion is for grammatical correctness.

Subp. 2(C)(3). Requirements. Deletion is for grammatical correctness.

Subp. 2(D). Requirements. Post-secondary institutions participating in the state scholarship and grant program, will be required to sign an institutional agreement which enumerates the responsibilities of the institution and the responsibilities of the MHECB. The MHECB allows institutions that participate in the Alternate Delivery System to calculate state scholarship and grant awards for students attending their schools rather than having the state scholarship and grant program calculate and award such students. These institutions must currently sign an institutional agreement. The addition in this subpart is to expand use of the institutional agreement to all institutions participating in the state scholarship and grant program, including schools which use the Centralized Delivery System for awarding students. Under the Centralized Delivery System, the state scholarship and grant program performs the actual award calculation and disburses individual award checks to institutions for award recipients. The institutional agreement is an attempt to ensure the proper use of program monies, and the equitable treatment of students receiving such monies. The inclusion of this requirement is for clarity and to provide the MHECB with additional enforceability of regulations governing the awarding and disbursing of state scholarship and grant funds to students. All federal financial aid programs require that institutions sign a comparable institutional agreement for participation in federal financial aid programs.

4830.0400 APPLICATION DATES AND STUDENT ELIGIBILITY.

Subp. 2a. Out-of-state housing. In cases where an eligible Minnesota institution is located close to a state border, it is sometimes necessary for students to go across the Minnesota border to find student housing, the Board felt that this should not affect the student's state grant eligibility as long as the student has no control over the availability of student housing, grant eligibility should not be affected for this reason.

Subp. 3A. Eligibility for initial scholarship. The language change is for

clarity and technical correctness.

Subp. 3B. **Eligibility for initial scholarship.** The language change is for clarity and technical correctness.

Subp. 3C. **Eligibility for initial scholarship.** This section is added to further clarify an eligible program as it relates to a student's eligibility status for a scholarship to ensure equitable treatment of all students. There are programs that may be at least 10 weeks in length, but involve varying numbers of credits or clock hours. This definition provides the minimum requirements for eligibility, and provides a basic measurement for Board staff decisions in this regard and continuity for financial aid officers.

Subp. 3D. **Eligibility for initial scholarship.** Deletion due to statutory language change. Addition is for clarity and correctness. A student could have received another type of scholarship or grant previously, but is receiving a Minnesota state scholarship for the first time and thus be an initial recipient for this program.

Subp. 4. **Eligibility for initial grant.** Deletions are due to statutory language changes.

Subp. 4A. **Eligibility for initial grant.** Language change for clarity and technical correctness.

Subp. 4B. **Eligibility for initial grant.** Language change is for clarity and grammatical correctness.

Subp. 4C. **Eligibility for initial grant.** This addition is to further clarify an eligible program as it relates to a student's eligibility status for a scholarship to ensure equitable treatment of all students. There are programs that may be at least 10 weeks in length, but involve varying numbers of credits or clock hours. This definition provides the minimum requirements for eligibility, and provides a basic measurement for Board staff decisions in this regard and continuity for financial aid officers.

Subp. 4D. **Eligibility for initial grant.** The deletion is due to a statutory language change. Addition is for clarity and correctness. A student could have received another type of scholarship or grant previously, but is receiving a Minnesota state grant for the first time, and is thus an initial state award recipient.

Subp. 5. **Renewal awards.** Deletion is due to a statutory language change. Additions (subp. A and B) are for clarity and completeness. The new language in this subpart is to explain the criteria used to determine if a student is eligible for renewal award status in the state scholarship and grant program.

Subp. 6. **Overlapping awards.** This subpart is added for clarification and to ensure that all students are treated equitably. It is possible that a student may qualify for a part-time student grant and a state grant during the same academic year, but these two programs are mutually exclusive. The student should not be considered to meet the eligibility requirements for both programs simultaneously. There has been some confusion regarding this situation, so the Board felt it necessary to clarify this matter for financial aid officers and

students applying for assistance from both programs.

4850.0500 RANKING APPLICANTS.

Subpart 1. **Classification and ranking of applicants.** Deletions and additions are due to statutory language changes referencing the state scholarship and grant program.

Subp. 2. **Priority of classes of applicants.** Deletions and additions are due to statutory language changes referencing the state scholarship and grant program.

4830.0600 AWARDS.

Subpart 1. **Monetary awards.** Part of the deletion is due to a statutory language change referencing the state scholarship and grant program. The deletion of the reference to "financial stipend" is because it is redundant with the use of the word "amount". There are no longer any honorary scholarship awards (which were just recognition awards with no financial amount tied to them), therefore the deletion is unnecessary language.

Subp. 1B. **Monetary awards.** There is only one methodology for determining financial need in the state scholarship and grant program, therefore the use of the word "the" is technically more correct than the word "a" which implies there may be more than one methodology. The deletion of the reference to parental contribution is not needed due to the change in the wording concerning the financial need analysis. Parental contribution is part of "the " methodology and is already included in Subp. 1A , which appears immediately before this subpart.

Subp. 1a. **Minimum.** The deletion and additions are for clarity, and the use of common terminology in reference to scholarship and grant awards.

4830.0700 METHOD OF PAYMENT.

Subpart 1. **Payments to schools.** The deletion is due to a statutory language change.

Subp. 2. **Refunds.** The first deletion is due to a statutory language change referencing the scholarship and grant program. The deletion of "a" and the addition of "the" is for grammatical clarity and correctness. The inclusion of language concerning fraudulent handling of scholarship or grant monies by the school is for clarity and to increase enforceability of the Board's position should a school fraudulently use such award monies. The responsibilities of the school in this regard are included in the institutional agreement, which is required for participation in the state scholarship and grant program. This addition clearly indicates the action of the Board should a school misuse program monies.

Subp. 2B. **Refunds.** The deletion is due to a statutory language change referencing the state scholarship and grant program.

Subp. 3. **School accounting requirements.** The deletion is due to a statutory language change referencing the state scholarship and grant program.

Subp. 4. **Recovery of overpayments.** This addition reiterates the statutory language dealing with recovery of overpayments (136A131 Subd. 4). The inclusion of this subpart is to ensure that all schools and award recipients are aware of the procedures that will be followed by the Board should an overpayment occur.

PART-TIME STUDENT GRANTS

4830.1550 SCOPE.

The first deletion is due to a change in statutory language referencing the state scholarship and grant program. The deletion of the words "part-time" and the addition of the words "less than half-time" are for clarity and correctness. The part-time student grant program is aimed at students attending post-secondary institutions less than half-time. If the student is attending at least half-time, the student is eligible to apply for a state scholarship or grant. Since the words "part-time" would technically include any student not attending full-time, the Board felt that this change was necessary to correctly indicate the type of student this program is attempting to serve.

4830.1551 ELIGIBLE SCHOOLS.

The deletion is due to a change in statutory language referencing the state scholarship and grant program.

4830.1552 APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS.

Subpart 1. **Allocation formula.** The deletion and addition are for clarity and correctness. The executive director designates duly authorized staff to perform the actual allocation of program funds to participating institutions. This procedure is a routine operations function which does not necessitate Board involvement.

Subp. 1A. The deletion is due to a change in statutory language referencing the state scholarship and grant program.

Subp. 1B. The additions and deletions in this subpart are for grammatical correctness, and consistency. Also, the changes are meant to add clarity to the procedure explained in this subpart.

Subp. 1C. The deletion and addition are for clarity and correctness. The executive director designates duly authorized staff to perform the actual allocation of program funds to participating institutions. This procedure is a routine operations function which does not necessitate Board involvement.

Subp. 2. **Notification.** The deletion and addition are for clarity and correctness. The executive director designates duly authorized staff to perform

routine clerical program operations which do not necessitate Board involvement.

Subp. 3. **Accountability.** The deletion is due to a change in statutory language referencing the state scholarship and grant program.

Subp. 4. **Unused funds.** The deletion and addition are for clarity and correctness. The requesting of final reports from participating institutions and the reallocation of unused funds are routine clerical functions performed for the executive director by duly authorized staff. Such routine program operations do not require Board involvement.

4830.1553 **DETERMINATION OF ELIGIBILITY.**

The first deletion and addition is necessary due to the inclusion of the requirement of a student not being in default on any federal or state student loan in 4830.0100 Subpart 5G. This is to provide consistent student eligibility requirements among state financial aid programs. The second addition to this section is an attempt to be responsive to the needs of students deciding to attend a post-secondary institution at the last minute, have been out of school for a lengthy period of time, and need financial aid quickly. The application process for the state scholarship and grant program involves time-consuming processing through ACT (American College Testing). Application procedures can be especially confusing to students who have been away from the school environment for a few years. They often need assistance from the financial aid officer in completing the Family Financial Statement (the ACT form used to apply for the state scholarship and grant). Under the provisions in this section, such students can decide to attend less than full-time, but at least half-time, and receive a part-time student grant for a term while having the state scholarship and grant application processed. Students attending less than half-time are the typical recipients of part-time student grant awards.

4830.1554 **AMOUNT AND TERM OF GRANTS.**

Subp. 3. **Amount.** The deletion and addition are for conciseness, clarity, and grammatical correctness.

4830.1555 **REPORTS OF DATA.**

The deletions and additions referencing the "board" and the "executive director" are for clarity and correctness. Reporting requirements are routine program operation tasks that are handled by duly authorized staff for the executive director. Such routine matters do not necessitate Aboard intervention. It is important that the reports not only be completed and submitted by the deadline date, but the reports must be completed correctly if Board staff are to reconcile the reports and use the information for statistical reports to the Board, the Governor, and the Legislature. The changes attempt to clarify institutional reporting requirements to avoid miscommunication and to ensure the integrity of the program.

4830.2100 ELIGIBLE SCHOOLS.

The deletion is due to a statutory language change referencing the state scholarship and grant program.

4830.2200 APPLICATION AND DISTRIBUTION OF FUNDS FOR GRANTS.

Subp. 3. **Modification of allocations.** This routine clerical program task is handles by staff duly authorized by the executive director. Such routine program operations do not require Board intervention.

Subp. 5. **Unused funds.** Duly authorized staff designated by the executive director request the return of unused program monies so these funds can be reallocated to participating schools requesting additional part-time grant funds. This is a routine program operation, and does not necessitate Board intervention.

Subp. 6. **Reallocation.** The executive director designates appropriate staff to perform this routine program operation. It does not necessitate Board intervention. Therefore the change is made for clarity and correctness.

4830.2300 WORK STUDY GRANTS.

The deletions and additions are grammatical changes for clarity regarding student eligibility.

4830.2500 CONTRACTS WITH EMPLOYERS.

Subp. 4. **Supervision.** The deletion is for conciseness. The deleted words are not necessary for understanding. The Board does not get directly involved in such routine program operations.

4830.2600 REPORTS BY SCHOOL.

The deletions and additions referencing the "board" and the "executive director" are for clarity and correctness. Reporting requirements are routine programmatic operational tasks that are handled by duly authorized staff for the executive director. Such routine matters do not necessitate Board intervention. It is important that the reports not only be completed and submitted by the deadline date, but the reports must be completed correctly if Board staff are to reconcile the reports and use the information for statistical reports to the Board, the Governor, and the Legislature. The changes attempt to clarify institutional reporting requirements to avoid miscommunication and to ensure the integrity of the program.

STUDENT EDUCATIONAL LOAN FUND (SELF); SUPPLEMENTAL AND ADDITIONAL LOANS

4850.0010 PURPOSE.

The deletion is for technical correctness in the citation.

4850.0011 DEFINITIONS.

Subpart 1. **Academic year.** The deletions and additions are for grammatical correctness and clarity.

Subp. 5. **Certificate or degree.** The deletion and additions are for grammatical correctness and clarity.

Subp. 9. **Credit worthy cosigner.** The deletion and addition is for clarity and correctness. The executive director designates duly authorized staff to determine credit-worthiness of the cosigner using the criteria stated in items A through D in this subpart. This application of criteria is a routine program operation which does not necessitate Board involvement.

Subp. 10. **Cosigners.** The deletions in items A and B of this subpart with the addition immediately preceding item A are for grammatical correctness and clarity. Item C is added for clarity, and to avoid any confusion regarding the requirements for an eligible cosigner under this program. This requirement is mentioned in a later section of these rules (i.e., 4850.0012 subp. 4), but the Board felt the requirement for release of information should be added to this subpart.

The deletion and addition in the last paragraph of this subpart are for clarity and correctness. The executive director designates duly authorized staff to perform the routine review of financial information and to determine credit worthiness using the net worth test, which is standard procedure if a credit report is not available on the cosigner. These procedures are routine program operations and do not necessitate Board involvement.

Subp. 12. **Delinquency.** The deletion and addition are for clarity and correctness. Routine operating procedures are performed by staff designated by the executive director, and do not require Board involvement.

Subp. 14C. **Eligible school.** The institutional participation agreement for this program is a standard document which states the duties and responsibilities of the school and the MHECB as they pertain to the Student Educational Loan Fund (SELF) Program. The signing of this document is a routine procedure which must be performed prior to a school's participation in this program. Board members do not sign this document. The executive director designates appropriate MHECB staff to sign this document. Therefore, the Board felt it necessary to correctly state this technicality in this subpart.

Subp. 15A. **Eligible student.** The deletion is made for correctness, and reflects current statutory language defining an eligible student.

Subp. 15D. **Eligible student.** The additions are for completeness and

correctness to include new names of federal educational loan programs currently operational.

Subp. 16a. **Executive director.** Because reference is made to the "executive director" in the rules governing the Student Educational Loan Program, the Board felt this reference should be defined for clarity and completeness.

Subp. 21. **Graduate student.** The additions and deletion are grammatical punctuation changes for clarity.

Subp. 23. **In-school period.** The deletion and addition are simply wording changes for technical correctness. During the "in-school" period, the borrower must continue to meet the requirements for an "eligible student", therefore, the borrower should be referred to in this manner.

Subp. 24. **Late charge.** The deletion and addition are for clarity and correctness. The executive director designates duly authorized staff to perform routine program functions such as the assessing of late charges on overdue loan payments. Such routine tasks do not require Board involvement.

Subp. 27. **Repayment period.** The deletion and addition are changes in terminology for clarity and correctness.

4850.0012 SCHOOL AGREEMENTS AND STUDENT APPLICATIONS.

Subp. 1. **Institutional loan participation agreement.** The institutional loan participation agreement for the SELF Program is a standard document which states the duties and responsibilities of the school and the MHECB as they pertain to this program. The signing of this document is a routine procedure which must be performed prior to a school's participation in this program. Board members do not sign this document. The executive director designates appropriate MHECB staff to sign this document. Therefore, the Board felt it necessary to correctly state this technicality in this subpart.

Subp. 2. **Termination.** This subpart references the institutional loan participation agreement and the termination of a school for participation in this program should the school not comply with the terms of the signed agreement. Since duly authorized staff designated by the executive director signs the participation agreement on behalf of the MHECB, the decision to terminate the agreement is handled by such designated staff as well. Therefore, the deletion and addition is for clarity and correctness.

Subp. 3. **Application, guarantee, and promissory note.** The deletions and additions referencing the Board and the executive director are made to correctly state current operating procedures. Since the application and promissory note processes are routine program operations, they do not require Board involvement. Therefore, the changes are for correctness and clarity.

4850.0014 AMOUNT AND TERMS.

Subpart 1A. The deletion and addition are grammatical changes for consistency in verb tense.

Subpart 1B. The deletion and addition are grammatical changes for consistency in verb tense.

Subp. 3. **Interest rate.** The setting of the "interest rate", the monitoring of the "margin", and the notification of any such changes to SELF borrowers are routine operational functions performed by duly authorized staff designated by the executive director. Since these are routine program functions, Board involvement is not warranted.

4850.0015 LOAN DISBURSEMENTS.

Subpart 1. **Disbursement scheduling.** The deletion and addition reflect routine operating procedures relating to disbursement of individual student loan checks. Since this procedure involves daily program operations, Board involvement is not necessary and is inappropriate. Typically, loan disbursements are scheduled close to the beginning of an academic term, however, sometimes disbursement dates must be changed due to individual student circumstances. Duly authorized staff are designated by the executive director to schedule such disbursements for program efficiency in daily program operations.

Subp. 3. **Disbursement when check arrives during loan period.** The additions to this subpart are to clarify current disbursement procedures if a SELF loan check arrives for a student during the student's period of enrollment covered by the loan disbursement. State warrants(checks) must either be disbursed or returned to the MHECB within 30 days from the date on the check. The Board felt that the disbursement procedure under these circumstances needed further clarification, and such clarification will make it easier to enforce such disbursement policy with participating institutions. Such routine processing procedures involve MHECB staff duly designated by the executive director rather than the Board, so the reference to the Board in this regard was deleted and the reference to the executive director was added.

Subp. 4. **Disbursement when check arrives after loan period.** The deletion and addition is for clarity and correctness. The return of a loan check that arrives more than 30 days after the end of a loan period is standard operating procedure which does not necessitate Board involvement, and is handled by duly authorized staff designated by the executive director.

4850.0016 NONENROLLMENT, TRANSFER, AND WITHDRAWAL.

Subpart 1. **Nonenrollment.** The deletion and addition is for clarity and correctness. A standard operating procedure such as the return of a loan check if the student is not enrolled does not require Board involvement. Duly authorized staff designated by the executive director handle such matters when they arise.

Subp. 2. **Withdrawal and transfer to another eligible school.** The deletion and addition are for clarity and correctness. Standard operating procedures dictate that a school must notify MHECB staff, which have been duly authorized

by the executive director, when a student withdraws from school. Such routine operating procedures do not require Board involvement.

Subp. 3. **Withdrawal.** The deletions and additions in this subpart are for clarity and to provide specific instructions for computing applicable refunds to the SELF Program should a student withdraw from school and a refund of charges to the student would be applicable. The formula for calculating such refunds is included to ensure that all student borrowers are treated equitably and to protect the integrity of the SELF Program. The financial aid officer is provided with a specific formula to avoid confusion and misunderstanding in regard to the computation of such refunds.

Subp. 4. **Reduction of enrollment to less than half-time status.** The deletion and addition are for clarity and correctness. Standard operating procedures dictate that a school must notify MHECB staff, which have been duly authorized by the executive director, when a student withdraws from school. Such routine operating procedures do not require Board involvement.

4850.0017 **REPAYMENT PROCEDURES.**

Item A. The deletion and addition are for technical terminology correctness. This change is for consistency to avoid confusion for the borrower and possible misunderstanding of the borrower's current status and repayment obligations when classified in this status.

Item C. The deletions and additions are for technical correctness in regard to terminology relating to a borrower's current status, and to correctly state the billing process upon entering this status. The additions are for clarity and to avoid confusion over the billing procedure once a borrower has entered repayment status.

Item D. Since the Board does not handle the servicing of SELF loans, the addition is made for clarity and correctness. The Board contracts with a student loan servicing agency and felt this procedure should be clarified to avoid confusion or misunderstanding.

Item G. Forbearances are granted by duly authorized Board staff designated by the executive director. This is a standardized procedure which only occurs if certain conditions are met. These conditions are specifically stated in this Item to avoid confusion and misunderstanding by SELF borrowers and cosigners. The extension of forbearance time from 90 to 120 days is an attempt to meet the needs of SELF borrowers granted such a forbearance and to avoid, if possible, the borrower from going into default.

Item H. The sending of annual statements to SELF borrowers and cosigners is standard internal operating procedure, which does not necessitate Board involvement. Duly authorized staff designated by the executive director handle the sending of such statements.

4850.0018 **CLAIMS.**

Subpart 1. **When filed.** Duly authorized staff designated by the executive

director handle routine operating procedures such as the filing of claims after exercising due diligence. Since standard operating procedures are followed when such a filing occurs, Board involvement is not required. The changes are for clarity and correctness in the stating of such procedures.

Subp. 2. **When paid.** (Items A through D) Duly authorized staff designated by the executive director perform the appropriate operating procedures when a claim is paid. Since the procedures are specific and standardized, Board involvement is not necessary. The changes are made for clarity and correctness.

WHECB

**Minnesota
Higher Education
Coordinating Board**

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January 25, 1990

The Legislative Commission
to Review Administrative Rules
Maryanne Hruby, Director
55 State Office Building
St. Paul, MN 55155

Dear Ms. Hruby:

Enclosed are the Statements of Need and Reasonableness requested for our set of proposed rules relating to financial aid programs as administered by the Higher Education Coordinating Board.

If you need anything else, please contact me.

Thank you for your interest and concern.

Sincerely,



Mary Lou Dresbach
Program Assistant

Enclosure