

**Subject** Student loan refinancing program credit requirements

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## Overview

H.F. 583 expands the eligibility criteria for the Office of Higher Education's (OHE) SELF Refi program, which refinances the student loans of Minnesota residents. The bill establishes a reserve account in the special revenue fund to hold on to funds for the program. It requires OHE to use amounts in the account to expand eligibility for the SELF Refi program, including reducing the program's requirements related to an applicant's credit score and debt-to-income ratio.

*Background:* The legislature authorized OHE to establish a state refinancing program in 2014. OHE submitted a report on the feasibility of such a program in January 2015, and began refinancing loans in early 2016. The program currently requires a FICO credit score of 700 to qualify as an individual (650 with a co-signer and a debt-to-income ratio below 50 percent). It also requires that a borrower have a debt-to-income ratio of 45 percent or lower.

## Summary

| Section | Description |
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|---------|-------------|

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| 1 | <b>Prohibition on use of state money.</b> |
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Permits OHE to use funds from sources in the state treasury to expand student loan refinancing, in accordance with section 2 of the bill.

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| 2 | <b>Higher education bad debt reserve account; appropriation.</b> |
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(a) Establishes a reserve account in the special revenue fund. Stipulates that amounts in the account do not lapse.

(b) Appropriates amounts in the account to OHE to expand eligibility for the student loan refinancing program.

(c) Requires OHE to use the amounts in the account to expand eligibility for the student loan refinancing program. Stipulates that eligible uses of the funds include reducing the credit score and debt-to-income ratio. Permits OHE to vary the amount

| Section | Description   |
|---------|---|
|         | of additional loans refinanced based upon the funds available in the reserve account and the rate of loss experience.   |
|         | (d) Permits OHE to adjust eligibility criteria for the student loan refinancing program if insufficient funds are available in the reserve account.   |
| 3       | <b>Transfer; student loan refinancing.</b><br>Transfers \$5,000,000 in fiscal years 2018 and 2019 from the general fund to the bad debt reserve account established in section 2 of the bill. |



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