

SECOND ENGROSSMENT  
with Senate AmendmentsSixtieth  
Legislative Assembly  
of North Dakota

## REENGROSSED HOUSE BILL NO. 1487

Introduced by

Representatives Carlson, Dahl, Glassheim, Thoreson

Senator Hacker

1 A BILL for an Act to create a low-interest student loan program; to amend and reenact section  
2 15-62.1-03 of the North Dakota Century Code, relating to rates of interest for student loans; to  
3 provide a transfer; to provide a continuing appropriation; and to declare an emergency.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Section 15-62.1-03 of the North Dakota Century Code is  
6 amended and reenacted as follows:

7 **15-62.1-03. Rates of interest permissible for guaranteed loans.** All loans  
8 guaranteed by the agency and coinsured by the federal government must bear interest at rates  
9 which are no greater than those provided under the federally coinsured loan programs. In the  
10 event that the agency guarantees student loans without federal coinsurance pursuant to section  
11 15-62.1-02, the interest rate on such loans may ~~not be more than two percentage points above~~  
12 ~~the base participation rate as established by the Bank of North Dakota which is in effect on the~~  
13 ~~date the loan is made~~ be fixed or variable. Any prohibition on the capitalization of interest does  
14 not apply to loans guaranteed under this chapter. A loan guaranteed under this chapter may  
15 provide for interest which remains unpaid at the end of any period specified in the loan to be  
16 added to the principal amount of the debt and thereafter accumulate interest.

17 **SECTION 2. Low-interest student loan - Terms and conditions - Revolving fund -**  
18 **Continuing appropriation.**

19 1. The Bank of North Dakota shall maintain a revolving loan fund known as the  
20 low-interest student loan fund for the purpose of allowing the Bank to make or  
21 participate in low-interest loans to eligible students. All moneys transferred into the  
22 fund, interest upon moneys in the fund, and payments to the fund of principal and  
23 interest on loans made from the fund are appropriated for the purpose of providing  
24 loans under this section.

- 1        2.    The Bank of North Dakota shall administer and supervise the low-interest student  
2           loan fund and loans made from the fund. The Bank shall follow federal student  
3           loan guidelines when offering and approving any forbearance or deferment options  
4           to borrowers under this section. The Bank may deduct a service fee for  
5           administering the fund from interest payments received on loans.
- 6        3.    The Bank may establish additional terms and conditions and do all things  
7           necessary to make a loan or participate in a loan under this section.
- 8        4.    The interest rate on a loan made from the low-interest student loan fund is three  
9           percent per year.
- 10       5.    To be eligible for a loan under this section, an individual must:
  - 11        a.    Be a North Dakota resident;
  - 12        b.    Have graduated from either a North Dakota high school or a high school in a  
13           bordering state in accordance with chapter 15.1-29;
  - 14        c.    Be a student in good standing at an institution of higher education; and
  - 15        d.    Annually complete and submit the free application for federal student aid form  
16           to the Bank in order to demonstrate financial need.
- 17       6.    If an individual who receives a loan under this section ceases to be a student in  
18           good standing at an institution of higher education prior to completing the  
19           individual's course of study, the terms and conditions applicable to the individual's  
20           loan become identical to those terms and conditions otherwise applicable to  
21           guaranteed student loans.
- 22       7.    An individual may receive up to three thousand dollars during the first year, up to  
23           four thousand dollars during the second year, and up to five thousand dollars  
24           during each of the third and fourth years. An individual may not receive more than  
25           seventeen thousand dollars in loans under this section.
- 26       8.    Any loan made under this section is repayable in the manner prescribed by the  
27           Bank of North Dakota beginning one year after the individual's studies are  
28           completed.
- 29       9.    In addition to providing direct loans to eligible students, the Bank of North Dakota  
30           may guarantee low-interest student loans made by eligible banks, credit unions,

1                   and savings and loan associations, upon the same terms, conditions, and  
2                   procedures established under this section.

3                   **SECTION 3. STUDENT LOAN TRUST FUND - TRANSFER.** The industrial  
4 commission shall transfer to the low-interest student loan fund the sum of \$3,100,000 of  
5 earnings from the North Dakota student loan trust fund for the biennium beginning July 1, 2007,  
6 and ending June 30, 2009. The transfer must take place at such time and in such amounts so  
7 that sufficient moneys remain available to pay all debt service on student loan trust bonds, all  
8 required rebate payments to the United States treasury, and all program operating expenses.

9                   **SECTION 4. EMERGENCY.** Section 1 of this Act is declared to be an emergency  
10 measure.