

Fifty-ninth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1360

Introduced by

Representatives Haas, Herbel, Horter

Senators Hacker, Wardner

1 A BILL for an Act to amend and reenact sections 15-62.1-02 and 15-62.1-05 of the North
2 Dakota Century Code, relating to loans for part-time students and loan guarantee funds.

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

4 **SECTION 1. AMENDMENT.** Section 15-62.1-02 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **15-62.1-02. Powers and duties of the agency.** The agency has the following powers
7 and duties under this chapter:

8 1. To guarantee all loans which satisfy the requirements set forth in title IV, part B, of
9 the Higher Education Act of 1965 [20 U.S.C. 1001 et seq.; Pub. L. 89-329; 79 Stat.
10 1236; Pub. L. 99-498; 100 Stat. 1353; Pub. L. 105-244; 112 Stat. 1581], as
11 amended through December 31, 1998, upon terms, conditions, and application
12 procedures commensurate with the federal Higher Education Act of 1965
13 [20 U.S.C. 1001 et seq.; Pub. L. 89-329; 79 Stat. 1236; Pub. L. 99-498; 100 Stat.
14 1353; Pub. L. 105-244; 112 Stat. 1581], as amended through December 31, 1998,
15 if federal coinsurance of student loans guaranteed by the agency is available. If at
16 any time the agency determines that student loans made under the terms and
17 conditions of federal coinsurance programs are no longer adequately serving the
18 needs of North Dakota students attending postsecondary institutions, or if federal
19 coinsurance is no longer available, the agency shall notify the industrial
20 commission or its designee. Upon approval of the industrial commission or its
21 designee, the agency shall guarantee student loans without federal coinsurance
22 pursuant to rules made by the agency relating to terms for applicant eligibility in
23 accordance with the provisions of this chapter. Students whose loans are
24 guaranteed by the agency must be students who have been accepted for

1 enrollment or are attending eligible postsecondary institutions located within or
2 ~~without~~ outside this state, and whose loans are for the purpose of assisting them in
3 meeting their expenses of postsecondary education. Students who are accepted
4 for enrollment or are attending eligible proprietary or postsecondary institutions of
5 higher education ~~on at least a half-time basis, as determined by the institutions,~~
6 are eligible to have loans guaranteed by the agency. The agency shall, by rule,
7 establish minimum qualifications for a person to be deemed a part-time student for
8 purposes of this chapter.

9 2. To take, hold, expend, and administer, on behalf of the state from any source any
10 real property, personal property and moneys, or any interest therein, and the
11 income therefrom, either absolutely or in trust, for any purpose of the guarantee
12 loan program; provided, that no guarantee obligation of the agency may be a
13 general obligation of the state of North Dakota, nor may be payable out of any
14 moneys except those made available to the agency under this chapter. Nothing in
15 this chapter may be construed to authorize the agency to borrow funds for any use
16 relating to the administration of the state guarantee loan programs.

17 **SECTION 2. AMENDMENT.** Section 15-62.1-05 of the North Dakota Century Code is
18 amended and reenacted as follows:

19 **15-62.1-05. Establishment and maintenance of adequate guarantee funds -**
20 **Appropriation.** The agency may enter into an agreement with the federal government for the
21 coinsurance of loans guaranteed under this program. The agency shall establish and at all
22 times maintain from funds appropriated under this chapter adequate guarantee reserve funds in
23 special accounts in the Bank of North Dakota unless required by title IV, part B, of the Higher
24 Education Act of 1965 [Pub. L. 89-329; 79 Stat. 1236; Pub. L. 99-498; 100 Stat. 1353; Pub. L.
25 105-244; 112 Stat. 1581; 20 U.S.C. 1001 et seq.], as amended through December 31, 1998, to
26 be invested elsewhere. The fund for loans ~~which~~ that are coinsured by the federal government
27 must be maintained at a minimum amount equal to the requirements set forth in title IV, part B,
28 of the Higher Education Act of 1965 [Pub. L. 89-329; 79 Stat. 1236; Pub. L. 99-498; 100 Stat.
29 1353; Pub. L. 105-244; 112 Stat. 1581; 20 U.S.C. 1001 et seq.], as amended through
30 December 31, 1998. The fund for loans ~~which~~ that are not coinsured by the federal
31 government ~~may not be less than one-tenth of the dollar value of the unpaid principal balance~~

1 ~~of the loans~~ will be determined by the agency but may be no less than the Bank of North
2 Dakota historical default rate. Funds appropriated under this chapter and designated as
3 guarantee agency reserve funds for loans that are not coinsured by the federal government
4 must be administered separately and segregated from reserve funds for loans that are
5 coinsured by the federal government. The securities in which the moneys in the reserve funds
6 may be invested must meet the same requirements as those authorized for investment under
7 the state investment board. The income from such investments must be made available for the
8 costs of administering the respective guarantee loan programs and income in excess of that
9 required to pay the cost of administering the programs must be deposited in the respective
10 reserve fund that corresponds to the source of the initial invested funds. The proceeds of
11 reserve funds received from federal, state, or private sources₁ for the purpose of guaranteeing
12 loans made to students as provided in this chapter₁ are hereby appropriated as a continuing
13 appropriation for the payment of defaulted loans guaranteed by each respective fund.