

## Chapter HEA 3

## STUDENT LOANS

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**HEA 3.01 Introduction.** The state of Wisconsin higher educational aids board pursuant to chapter 566, laws of 1965 will make and authorize to be made, loans to resident students who have satisfactory academic records, who need financial assistance and are desirous of attending institutions of higher education, when such loans are to assist them in meeting expenses of post high school education.

**History:** Cr. Register, July, 1968, No. 151, eff. 8-1-68.

**HEA 3.02 Eligibility for Wisconsin student loans.** (1) A student, to be eligible for a Wisconsin student loan must:

- (a) Be enrolled or accepted for enrollment in an institution of higher education as defined in Wis. Adm. Code section HEA 2.01 (2),
- (b) Be at least a half-time student;
- (c) Be a Wisconsin resident student;
- (d) Be in need of financial assistance pursuant to Wis. Adm. Code section HEA 3.04 and,
- (e) Have a satisfactory academic record.
- (f) Be a citizen of the United States or in the United States for other than a temporary purpose and intend to become a permanent resident thereof.

**History:** Cr. Register, July, 1968, No. 151, eff. 8-1-68.

**HEA 3.03 Terms of loans.** (1) **COVERAGE.** (a) The total of the loans made to a student in any academic year or its equivalent may not exceed \$2,500.

(b) No student shall be eligible to borrow a total of more than \$2,500 in any one academic year through any combination of 2 or more student loan programs under which he may receive federal interest subsidy benefits, i.e., Wisconsin state student loan, Wisconsin guaranteed student loan, United student aid fund, and federal insured student loan.

(2) **AGGREGATE LIMITS.** The aggregate unpaid principal balance of such loans shall not exceed \$10,000 in the case of a graduate or professional student and \$7,500 in the case of any other student.

(3) **LOAN GUARANTEE INSURANCE FEE.** All students receiving loans under this section shall pay a loan guarantee insurance fee equal to  $\frac{1}{2}$  of one percent per annum of the unpaid principal balance for the anticipated duration of enrollment plus a 9 month grace period. This fee shall be deducted from the proceeds of each loan and remitted to the Wisconsin Higher Education Corporation. No additional fee shall be charged during the repayment period of the loan. Refunds of the fee will be made in accordance with the following provisions:

- (a) The board will consider a loan cancelled and will request a full

insurance fee refund from the Wisconsin Higher Education Corporation under the following conditions:

1. Return of the board's original disbursement check;
2. Full repayment of the loan by the school; or
3. Full repayment of the loan from any source within 6 months of the disbursement date.

(b) If the student contacts the board and requests a partial fee refund within 90 days of either the date of withdrawal, in the event of premature withdrawal from school, or the date of final payment, if repayment is accelerated by the student but extends beyond the six month period covered in paragraph (a) 3' above, the board will request such a partial refund from the Wisconsin Higher Education Corporation.

(c) In all cases, covered in (a) and (b) above, refunded fees will be applied to the outstanding balance of the applicable loan unless it has been paid in full, in which case the refund will be returned to the borrower.

(4) INTEREST. Loans will bear interest at the rate of 7% per annum on the unpaid principal balance beginning on the date the check is written and continuing until the loan is paid in full.

(5) STUDENT ELIGIBILITY FOR INTEREST BENEFITS. A student who is eligible for a Wisconsin student loan pursuant to section HEA 3.02, who has received a Wisconsin student loan, and who shows financial need is eligible for payment on his behalf by the federal government of a portion of the interest under subsection (4).

(a) To have interest payments made on his behalf, a student shall submit to the board a statement in such form as the board may prescribe, which shall include:

1. A certification by an eligible institution that he is enrolled at the institution or has been accepted for enrollment;
2. An assurance by the student that the loan on which interest payments are to be made has not been and will not be used for any purpose other than for the costs of education for the academic year covered by the application;
3. Information necessary to determine his financial need and adjusted family income;
4. Information concerning other loans made to him on which federal interest payments may be made.

(b) The board, acting in good faith, may in the absence of information to the contrary rely upon statements submitted by the borrower and his family pursuant to subsection (5) (a).

(c) The payment of interest benefits shall be limited to the total amount of the interest on the unpaid principal amount of each loan which accrued prior to the beginning of the repayment period of such loan.

(d) In no event shall payments under subsection (5) (c) include any interest on interest added to principal or exceed the interest payable by the student, after taking into consideration the amount of any interest on that loan which the student is entitled to have paid on his behalf for that period under the loan program.

(e) The obligation of the U. S. commissioner of education to pay interest shall terminate upon default by the borrower as defined in section HEA 2.01 (13). ✓

(6) REPAYMENT. (a) Repayment on such loans:

1. For loans made to students at institutions defined under section HEA 2.01 (2) (a), shall be in monthly installments over a period of not less than 5 years nor more than 10 years beginning 9 months after the student ceases to carry at least one half the normal full-time academic workload as determined by the institution, and

2. For loans made to students at institutions defined under section HEA 2.01 (2) (6) and (c), [HEA 2.01 (2) (b) and (c)] shall be in installments over a period of not less than 3 years nor more than 6 years beginning 9 months after the student ceases to pursue at least one half the normal full-time academic workload as determined by the institution (correspondence students failing to submit assignments for a period of 90 days or failing to complete their program within 90 days following the stated normal completion date of the program will be considered to have withdrawn from school). ?

(b) The loans shall be repaid within 15 years from the date of execution of the note or other written evidence of the loan, except in the case of loans made to students at institutions defined under sections HEA 2.01 (2) (b) and (c), within 9 years from the date of execution of the note or other written evidence of the loan. ✓

(c) Notwithstanding the provisions of subsection (5) (a) and (b) the total amount of the repayments by a borrower during any year of any repayment period with respect to the aggregate amount of all loans to that borrower shall not be less than \$360 or the balance of all such loans (together with interest thereon) whichever amount is less.

(d) Within the provisions of (5) (a), (b) and (c) the board shall be responsible for establishing the appropriate repayment plan for student borrowers.

(e) The student borrower shall be entitled to accelerate without penalty the repayment of the whole or any part of the loan.

(7) DEFERMENT. (a) The board must, upon the written notice of the borrower, defer payment of the principal of all the borrower's notes provided that all interest thereon shall accrue and be paid quarterly during such period of deferment of principal in the following cases:

1. During any period in which the borrower is pursuing a full-time course of study at an institution of higher education,

2. Not in excess of 3 years during which the borrower is a member of the armed forces of the United States,

3. Not in excess of 3 years during which the borrower is in service as a volunteer under the peace corps act,

4. Not in excess of 3 years during which the borrower is in service as a volunteer under title VIII of the economic opportunity act of 1964 as amended.

(b) Where repayment of the loan is deferred, the period of deferment shall not be included in the minimum or maximum periods allowed for repayment of the loan provided for in HEA 3.03 (6). ✓

(8) **LOAN CANCELLATION.** (a) In the event the borrower dies, the obligation to make any further payments of principal and interest shall be cancelled. A determination as to whether or not a borrower is entitled to cancellation on account of death shall be made by the board on the basis of a certificate of death or such other official proof as is conclusive under state law.

(b) In the event the borrower becomes totally and permanently disabled, the obligation to make any further payments of principal and interest shall be cancelled. A determination based on medical evidence supplied by the borrower on forms provided by the U. S. commissioner of education as to whether the borrower is entitled to cancellation of indebtedness on account of total and permanent disability shall be made by the board, subject to the approval of the U. S. commissioner of education.

(9) **LOAN FORGIVENESS.** (a) Loans made to students under this chapter after July 1, 1973 may in certain instances be forgiven at the rate of one-fifth of the total amount borrowed for each year the recipient practices, or is otherwise employed in a critical manpower occupation in this state.

(b) To be eligible for loan forgiveness under this subsection, a student must meet the following requirements:

1. Be accepted for or satisfactorily enrolled as a full-time student in a designated critical manpower shortage course of study at an accredited nonprofit institution of higher education,
2. Indicate a willingness to remain in the state or return to the state to practice, or be employed in, the critical manpower occupation for which he was aided,
3. Be a resident in Wisconsin.

(c) Critical manpower shortage areas shall be determined by the state manpower council and shall include the first professional degrees in veterinary medicine, dentistry, dental hygiene, and optometry.

(d) It is the obligation of the student to apply for the loan forgiveness on forms provided by the board for that purpose.

**History:** Cr. Register, July, 1968, No. 151, eff. 8-1-68; am. (1), (3), (4) (c), Register, December, 1971, No. 192, eff. 1-1-72; am. (2), renum. (3) to be (4) and am., renum. (5) to be (6) and r. (6) (f), cr. (3), (7), (8) and (9), Register, September, 1974, No. 225, eff. 10-1-74.

**HEA 3.04 Financial need.** The financial need of the student shall be determined by the financial aid officer at the institution in which the student is enrolled or accepted for enrollment and certified to the board by the financial aid officer on forms provided by the board. The amount of the student's need for a loan shall be determined by subtracting from the estimated cost of the student's attendance at the institution (which, for purposes of this section, means the cost, for the period for which the loan is sought, of tuition, fees, room and board, and other reasonable supporting expenses) the expected family contribution with respect to the student plus any other resources or student aid reasonably available or awarded to the student. The board reserves the right to assess the student's financial need in cases it determines to be exceptional and unusual.

**History:** Cr. Register, July, 1968, No. 151, eff. 8-1-68; am. Register, September, 1974, No. 225, eff. 10-1-74.

Register, September, 1974, No. 225