

**NOTE: This is an earlier version of the fiscal note for SF1502-0.**

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**Consolidated Fiscal Note**

**2021-2022 Legislative Session**

**SF1502 - 0 - Student Loan Borrower Bill of Rights**

Chief Author: **Zach Duckworth**  
 Committee: **Higher Education Finance And Policy**  
 Date Completed: **3/8/2021 1:39:14 PM**  
 Lead Agency: **Commerce Dept**  
 Other Agencies:  
     Administrative Hearings      Attorney General

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Administrative Hearings</b>	-	-	-	-	-	-
Administrative Hearings	-	-	-	-	-	-
<b>Commerce Dept</b>						
General Fund	-	219	236	236	236	236
<b>State Total</b>						
Administrative Hearings	-	-	-	-	-	-
General Fund	-	219	236	236	236	236
<b>Total</b>	-	<b>219</b>	<b>236</b>	<b>236</b>	<b>236</b>	<b>236</b>
<b>Biennial Total</b>			<b>455</b>			<b>472</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Administrative Hearings</b>	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
<b>Commerce Dept</b>					
General Fund	-	2	2	2	2
<b>Total</b>	-	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

**Lead LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Christian Larson      **Date:** 3/8/2021 1:39:14 PM  
**Phone:** 651-284-6436      **Email:** christian.larson@lbo.leg.mn

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>	<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Commerce Dept					
General Fund	-	219	236	236	236
<b>Total</b>	<b>-</b>	<b>219</b>	<b>236</b>	<b>236</b>	<b>236</b>
<b>Biennial Total</b>			<b>455</b>		<b>472</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	31	31	31	31
Commerce Dept					
General Fund	-	254	254	254	254
<b>Total</b>	<b>-</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>
<b>Biennial Total</b>			<b>570</b>		<b>570</b>
<b>2 - Revenues, Transfers In*</b>					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	31	31	31	31
Commerce Dept					
General Fund	-	35	18	18	18
<b>Total</b>	<b>-</b>	<b>66</b>	<b>49</b>	<b>49</b>	<b>49</b>
<b>Biennial Total</b>			<b>115</b>		<b>98</b>

**Fiscal Note**

**2021-2022 Legislative Session**

**SF1502 - 0 - Student Loan Borrower Bill of Rights**

Chief Author: **Zach Duckworth**  
 Committee: **Higher Education Finance And Policy**  
 Date Completed: **3/8/2021 1:39:14 PM**  
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	219	236	236	236	236
<b>Total</b>	-	<b>219</b>	<b>236</b>	<b>236</b>	<b>236</b>	<b>236</b>
<b>Biennial Total</b>			<b>455</b>			<b>472</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	2	2	2	2
<b>Total</b>	-	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Christian Larson    **Date:** 3/8/2021 1:39:07 PM  
**Phone:** 651-284-6436    **Email:** christian.larson@lbo.leg.mn

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	
General Fund	-	219	236	236	236	236
<b>Total</b>	<b>-</b>	<b>219</b>	<b>236</b>	<b>236</b>	<b>236</b>	<b>236</b>
			<b>455</b>			<b>472</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	254	254	254	254	254
<b>Total</b>	<b>-</b>	<b>254</b>	<b>254</b>	<b>254</b>	<b>254</b>	<b>254</b>
			<b>508</b>			<b>508</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	35	18	18	18	18
<b>Total</b>	<b>-</b>	<b>35</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>
			<b>53</b>			<b>36</b>

**Bill Description**

SF1502 requires licensure of student loan services and prohibits certain practices in student loan servicing. This bill grants the authority to license, examine, and enforce to the Department of Commerce. Lastly, the bill requires payments from the companies to the Commissioner of Commerce for license fees, renewal fees and investigation fees.

**Assumptions**

Based on similar statutes and license activity in California, Colorado, Illinois, and Connecticut, Commerce assumes 30-40 companies will receive a license annually.

Similar to other types of licensed financial institutions, licensing will be managed through the Nationwide Multistate Licensing System, which is no cost to the Department.

Commerce assumes an examiner can complete 15-20 examinations per year of moderate complexity, which would fit within the prescribed examination frequency. This examiner would also be able to complete the annual renewal process for the licensees, with the assistance of existing resources.

Commerce assumes between 25 and 50 investigation annually, with each investigation averaging 60 hours. This assumption is based on workflow from regular loan servicer complaints and investigations.

Commerce assumes the original license fee will be set at \$1,000 per year, similar to a mortgage loan servicer. (35\*\$1,000=\$35,000)

Commerce assumes the renewal fee will be set at \$500 per year, similar to a mortgage loan servicer. (35\*\$500=\$17,500)

Commerce assumes the following are needed to fulfill duties under the bill:

- 1 FTE for licensing and examinations (FIE level)
- 1 FTE for enforcement investigations (CA3 level)

Based on similar referrals to the Office of Administrative Hearings (OAH), the Department estimates that there will be 20 appeals sent to the OAH each year. Of these, it is estimated that one will require a hearing. Based on conversations with the OAH, it is assumed that a hearing will require an estimated 50 hours of ALJ time at the currently approved billable rate of \$215 per hour. It is also assumed that the remaining 19 matters appealed to OAH will be resolved before hearing. Each

of these matters will average 5 hours of ALJ time.

**Expenditure and/or Revenue Formula**

1 FTE - licensing and examinations

1 FTE - enforcement investigations

			FY22	FY23	FY24
Salary			132,338	132,338	132,338
Fringe			39,701	39,701	39,701
Other Personnel Related Costs			50,723	50,723	50,723
			222,763	222,763	222,763

50 hours of ALJ time at \$215/hr = \$10,750 for the appeal

5 hours of ALJ time at \$215/hr = \$1,075 x 19 = \$20,425

Total estimated per fiscal year - \$10,750 + \$20,425 = \$31,175

Revenue:

Initial License - 35x\$1,000 = \$35,000

Renewal Fee - 35x\$500 = \$17,500

**Long-Term Fiscal Considerations**

Since this is a relatively new regulatory regime nationwide, staffing levels and oversight will be continuously evaluated and adjusted as necessary.

**Local Fiscal Impact**

**References/Sources**

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Amy Trumper

**Phone:** 651-539-1517

**Date:** 3/3/2021 12:54:19 PM

**Email:** amy.trumper@state.mn.us

**Fiscal Note**

**2021-2022 Legislative Session**

**SF1502 - 0 - Student Loan Borrower Bill of Rights**

Chief Author: **Zach Duckworth**  
 Committee: **Higher Education Finance And Policy**  
 Date Completed: **3/8/2021 1:39:14 PM**  
 Agency: **Administrative Hearings**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
Administrative Hearings	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Administrative Hearings	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Joe Harney      **Date:** 2/26/2021 1:38:41 PM  
**Phone:** 651-284-6438      **Email:** joe.harney@lbo.leg.mn

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Administrative Hearings	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Administrative Hearings	-	31	31	31	31
<b>Total</b>	-	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>
<b>Biennial Total</b>			<b>62</b>		<b>62</b>
<b>2 - Revenues, Transfers In*</b>					
Administrative Hearings	-	31	31	31	31
<b>Total</b>	-	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>
<b>Biennial Total</b>			<b>62</b>		<b>62</b>

**Bill Description**

SF1502 provides for the Department of Commerce (Department) to license student loan servicers, and gives the commissioner authority to deny, suspend, or revoke a servicer’s license. Section 10, Denial, Suspension, Revocation of Licenses, allows for a hearing to be held under Chapter 14 to appeal the license denial, suspension, or revocation.

**Assumptions**

Based on similar referrals from the Department, the Office of Administrative Hearings (OAH) estimates the Department will refer 20 appeals to OAH. Of these 20 matters referred to OAH from the Department, OAH estimates that one may require a hearing.

Averaging the number of ALJ hours in similar matters referred from the Department that ultimately go to hearing, OAH assumes that a hearing will require an estimated 50 hours of ALJ time at the currently approved billable rate of \$215 per hour (see Minn. Stat. § 16A.126, subd. 1 (2020)). The remaining 19 matters appealed to OAH, but that are resolved before hearing average 5 hours of ALJ time.

**Expenditure and/or Revenue Formula**

Estimated 50 hours of ALJ time at \$215/hr = \$10,750

Estimated 1 appeal per fiscal year = \$10,750/year

Appeals resolved without hearing Estimated 5 hours of ALJ time at \$215/hr = \$1,075

\$1,075 x 19 matters resolved without hearing per year = \$20,425

Total estimated per fiscal year \$10,750 + \$20,425 = \$31,175

**Long-Term Fiscal Considerations**

Hearing costs would continue into future years.

**Local Fiscal Impact**

**References/Sources**

NOTE: This is an earlier version of the fiscal note for SF1502-0.  
The most current version is available on the Fiscal Note Search site: <https://mn.gov/mmbapps/fnsearchlbo/>

**Agency Contact:** Denise Collins

**Agency Fiscal Note Coordinator Signature:** Denise Collins

**Phone:** 651-3617875

**Date:** 2/26/2021 12:25:17 PM

**Email:** denise.collins@state.mn.us



**Fiscal Note**

**2021-2022 Legislative Session**

**SF1502 - 0 - Student Loan Borrower Bill of Rights**

Chief Author: **Zach Duckworth**  
 Committee: **Higher Education Finance And Policy**  
 Date Completed: **3/8/2021 1:39:14 PM**  
 Agency: **Attorney General**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2021	FY2022	FY2023	FY2024	FY2025
<b>Total</b>	-	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Adam Blom      **Date:** 3/8/2021 10:08:11 AM  
**Phone:** 651-284-6542      **Email:** adam.blom@lbo.leg.mn

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

The bill creates a licensing structure for student loan servicers and examination authority for the Department of Commerce. It requires servicers to meet standards of institutional integrity and compliance, and codifies duties and prohibited practices targeted at frequent problems in the student loan servicing industry. The statute allows for information-sharing with other law enforcement, including the Attorney General's Office.

**Assumptions**

Most violations by servicers of listed prohibitions would be resolved by the Department of Commerce in capacity as licensor. Patterns of violations may require investigation by Attorney General's Office.

**Expenditure and/or Revenue Formula**

N/A

**Long-Term Fiscal Considerations**

No primary or direct fiscal cost to the Attorney General's Office. Potential secondary costs related to investigation may occur but are unknown.

**Local Fiscal Impact**

N/A

**References/Sources**

Agency Staff.

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Carly Melin

**Date:** 3/7/2021 3:53:28 PM

**Phone:** 651-757-1107

**Email:** carly.melin@ag.state.mn.us