

STATE OF MINNESOTA

IN LEGISLATURE

The Broken Chain Student Loan Fair Repayment and Transparency Act

(Also known as the “Broken Chain Loan Act” or “Broken Chain College Loan Plan”)

A bill for an act

relating to higher education financing; restructuring student loan repayment systems; establishing fair repayment limits, transparency requirements, borrower protections, tuition accountability measures, and a state-administered loan alternative; proposing coding for new law in Minnesota Statutes.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. PURPOSE.

Subdivision 1. Purpose.

The purpose of this act is to:

- (1) Establish a fair, predictable, and finite student loan repayment system;
- (2) Prevent excessive and indefinite repayment burdens;
- (3) Align student loans with mortgage-style lending practices;
- (4) Ensure full transparency in repayment terms and costs;
- (5) Empower borrowers to repay efficiently and confidently;
- (6) Introduce accountability for tuition pricing; and
- (7) Provide a state-based alternative to federal lending systems when necessary.

Sec. 2. DEFINITIONS.

Subdivision 1. Student Loan.

“Student loan” includes any loan issued for postsecondary education expenses, including private, state, refinanced, and federally backed loans to the extent permitted by law.

Subd. 2. Loan Servicer.

“Loan servicer” means any entity responsible for managing, collecting, or administering student loan payments.

Subd. 3. Original Principal.

“Original principal” means the total amount initially borrowed, excluding interest.

Sec. 3. STANDARDIZED LOAN STRUCTURE.

Subdivision 1. Fixed Terms.

All student loans issued or refinanced for Minnesota residents shall:

Have fixed repayment terms of 10, 15, 20, or 30 years;

Include a clearly defined payoff date at origination.

Subd. 2. Fixed Interest Rates.

(a) Interest rates shall be fixed for the life of the loan.

(b) Rates shall align with prevailing residential mortgage rates.

Subd. 3. Amortization Structure.

Loans shall follow a mortgage-style amortization schedule:

Early payments shall primarily apply to interest;

Later payments shall increasingly apply toward principal.

Subd. 4. Prohibition on Capitalization.

Unpaid interest shall not be added to principal under any circumstance.

#### Sec. 4. MAXIMUM REPAYMENT CAP AND AUTOMATIC DISCHARGE.

##### Subdivision 1. Repayment Cap.

No borrower shall be required to repay more than 200 percent of the original principal amount.

##### Subd. 2. Automatic Discharge.

(a) Upon reaching total payments equal to 200 percent of the original principal:

The remaining balance shall be immediately discharged;

The loan shall be considered fully satisfied and closed.

(b) The discharge obligation shall be the sole responsibility of the loan servicer or lender.

(c) No state funds shall be used to satisfy remaining balances.

##### Subd. 3. Mandatory Compliance.

Loan servicers must comply with this provision as a condition of operating within the State of Minnesota.

#### Sec. 5. EXTRA PAYMENTS AND PRINCIPAL REDUCTION.

##### Subdivision 1. Principal-Only Payments.

Any payment made in excess of the required monthly payment shall be applied 100 percent to the principal balance only.

##### Subd. 2. Borrower Benefit.

Such additional payments shall:

Reduce the total loan term;

Decrease total interest paid over time;

Accelerate loan payoff.

Sec. 6. REFINANCING REQUIREMENTS.

Any refinanced student loan shall:

Maintain all protections provided under this act;

Retain the 200 percent repayment cap based on the original principal;

Continue to follow fixed-rate, fixed-term, mortgage-style structure.

Sec. 7. GRACE PERIOD AND EMERGENCY RELIEF.

Subdivision 1. Grace Period.

Repayment shall begin no earlier than six months after graduation or separation from enrollment.

Subd. 2. Emergency Pause Authority.

(a) The Governor or designated authority may authorize a temporary statewide suspension of student loan payments during a declared emergency.

Subd. 3. Emergency Conditions.

During such suspension:

No interest shall accrue;

No penalties or fees shall be assessed;

Loan balances shall not increase for any reason.

Subd. 4. Voluntary Payments.

If a borrower elects to continue making payments during the suspension period:

One hundred percent (100%) of such payments shall be applied directly to the principal balance only.

## Sec. 8. TRANSPARENCY REQUIREMENTS.

### Subdivision 1. Required Disclosures.

Loan servicers must clearly disclose:

Monthly payment amount;

Total repayment amount over the life of the loan;

Loan duration;

Repayment cap (200 percent maximum).

### Subd. 2. Online Calculator Requirement.

Each loan servicer shall provide a publicly accessible online calculator that allows borrowers to:

View monthly payment obligations;

See total repayment timelines;

Simulate additional payments (e.g., extra \$100/month);

Understand how additional payments reduce loan duration and interest.

### Subd. 3. Amortization Chart.

Loan servicers must provide a clear visual chart showing:

Interest-heavy payments at the beginning;

Gradual shift toward principal payments over time;

Full loan payoff progression.

## Sec. 9. LICENSING AND ENFORCEMENT.

### Subdivision 1. Licensing Requirement.

All loan servicers must be licensed to operate within the State of Minnesota.

Subd. 2. Enforcement Authority.

The state shall have authority to:

Audit loan servicers for compliance;

Investigate violations;

Enforce penalties.

Subd. 3. Penalties.

Failure to comply may result in:

Revocation of license to operate in Minnesota;

Financial penalties;

Mandatory borrower restitution where applicable.

Sec. 10. FEDERAL NON-COMPLIANCE AND STATE LOAN PROGRAM.

Subdivision 1. Federal Alignment Expectation.

The State of Minnesota asserts that all student loan systems affecting its residents should meet the standards established in this act.

Subd. 2. State Action Upon Federal Non-Compliance.

If federal student loan programs fail to align with the provisions of this act:

The State of Minnesota shall establish a state-administered alternative student loan program.

Subd. 3. Minnesota State Loan Program.

The program shall:

Partner with qualified financial institutions;

Offer low, fixed interest rates comparable to or lower than residential mortgage rates;

Include all borrower protections established in this act.

Subd. 4. Transition Authority.

The state may reduce reliance on federal loan systems and expand access to the state-based alternative.

Sec. 11. TUITION PRESSURE AND COST ADJUSTMENT.

Subdivision 1. Legislative Intent.

To ensure that reduced reliance on federal lending results in downward pressure on tuition pricing.

Subd. 2. Institutional Responsibility.

Postsecondary institutions shall:

Adjust tuition pricing models to maintain affordability;

Demonstrate reasonable efforts to reduce cost burdens on students.

Subd. 3. State Oversight.

The state may review tuition increases and require justification for significant changes.

Subd. 4. Corrective Measures.

Institutions failing to comply may face:

Increased oversight;

Limitations on participation in state-supported financial programs.

Sec. 12. TUITION ALIGNMENT FOR LOAN ELIGIBILITY.

Subdivision 1. Eligibility Condition.

Institutions must meet tuition affordability standards to participate in the Minnesota State Loan Program.

Subd. 2. Tuition Cap Authority.

The state shall establish maximum allowable tuition thresholds based on:

Cost of instruction;

Economic conditions;

Median household income.

Subd. 3. Non-Compliance.

Institutions exceeding these thresholds:

Shall be ineligible for the state loan program;

Must disclose such ineligibility to prospective students.

Sec. 13. EFFECTIVE DATE.

This act shall apply to:

All new student loans issued after enactment;

All refinanced loans;

Existing loans to the extent permitted by law.