



**House
Legislative
Analysis
Section**

Manufacturer's Bank Building, 12th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

CLARIFY GUARANTEED LOAN LANGUAGE

Senate Bill 961 as passed by the Senate
First Analysis (5-31-90)

Sponsor: Sen. Norman Shinkle
Senate Committee: Education and Mental Health
House Committee: Colleges and Universities

THE APPARENT PROBLEM:

The Stafford Student Loan Program (Guaranteed Student Loan Program) offers guaranteed student loans upon a need basis to undergraduate students who have met the needs qualifications. Loans are also made to parents of undergraduate students under this program as part of the Parent Loans to Undergraduate Students (PLUS) program. Michigan's Higher Education Assistance Authority acts as the state's insurance agency for the loans by guaranteeing the loans. Under federal law, the authority is the state-designated guarantor and must be capable of guaranteeing all loans authorized under the U.S. Higher Education Act. The U.S. Higher Education Act was amended in 1986 to allow parents to receive Stafford loans for graduate students. However, the Michigan Higher Education Assistance Authority Act has not been amended to reflect these changes.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Higher Education Assistance Authority Act to allow parents to receive Stafford loans for graduate students. In addition, the bill would add technical language to clarify that the authority does have the ability to guarantee PLUS loans.

MCL 390.957 and 390.961

FISCAL IMPLICATIONS:

According to the Department of Education, the bill would have no fiscal implications for the state. (5-30-90)

ARGUMENTS:

For:

The authority has been designated as the state's guarantor under the federal government's Higher Education Act. Due to the time lapse between amendments to the federal Higher Education Act and the state's higher education assistance authority act, the authority cannot technically guarantee loans to parents for graduate students even though federal law allows them to do so. If the authority cannot guarantee certain student loans, its capacity to guarantee all loans is jeopardized because the federal government may take away its authorization. The bill will address these problems by amending state statute to reflect recent amendments to federal law and by specifying that the authority does have the ability to guarantee PLUS loans.

POSITIONS:

The Department of Education supports the bill. (5-30-90)