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BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bill 961 (as enrolled)
 Sponsor: Senator Norman D. Shinkle
 Senate Committee: Education and Mental Health
 House Committee: Colleges and Universities

Date Completed: 6-9-90

RATIONALE

The Stafford Student Loan Program (the Federal Guaranteed Student Loan Program) offers guaranteed student loans to undergraduate students who meet certain needs qualifications. Loans also are made to parents of undergraduate students under this program as part of the Federal Parent Loans to Undergraduate Students (PLUS) Program. Public Act 77 of 1960 created the Michigan Higher Education Assistance Authority to act as the guarantor of these loans, which are authorized under the Federal Higher Education Act. This Federal law was amended in 1986 to allow parents of graduate students to receive guaranteed loans. State law, however, has not been amended to reflect this change. Unless the State statute is amended to conform to Federal law, some people believe that Michigan's practice of guaranteeing loans to parents of graduate students could be in jeopardy.

CONTENT

The bill would amend Public Act 77 of 1960 to delete the reference to "an undergraduate dependent" in the Act's provision that permits the Michigan Higher Education Assistance Authority to guarantee 100% of the principal and interest of a loan to a person attending or accepted to attend an eligible postsecondary institution or to a parent of "an undergraduate dependent" person. The bill specifies that all guarantees of parent loans by the Authority pursuant to provisions in the Federal Higher Education Act on parent loans would be authorized, ratified, and confirmed.

In addition, the bill would revise the Act's provisions on insuring each student receiving a

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guaranteed loan and on requiring a student or parent receiving a guaranteed loan to remit a certain fee, to delete the references to student or parent in these provisions and replace them with references to a "person".

MCL 390.957 and 390.961

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

ARGUMENTS**Supporting Argument**

The Michigan Higher Education Assistance Authority is designated as the State's guarantor of loans authorized under the Federal Higher Education Act. Due to an oversight, the State statute that created the Authority was not amended to reflect current Federal law. As a result, the Authority technically cannot guarantee loans to parents of graduate students even though the Authority is permitted to do so under Federal law. The guaranteeing of student loans is a competitive industry. Without Senate Bill 961, the Authority could end up offering fewer loan options than those offered by competing loan guarantors and could risk losing its ability to serve fully the schools, lenders, and borrowers who participate in the Michigan program.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

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