

SENATE BILL No. 596

October 11, 1989, Introduced by Senators SCHWARZ, SHINKLE, EHLERS, SEDERBURG, J. HART, POSTHUMUS and DE GROW and referred to the Committee on Education and Mental Health.

A bill to amend Act No. 222 of the Public Acts of 1975, entitled as amended
"Higher education loan authority act,"
as amended, being sections 390.1151 to 390.1165 of the Michigan Compiled Laws, by adding section 4b.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 222 of the Public Acts of 1975, as
2 amended, being sections 390.1151 to 390.1165 of the Michigan
3 Compiled Laws, is amended by adding section 4b to read as
4 follows:

5 SEC. 4B. (1) IN ADDITION TO THE POWERS GRANTED IN
6 SECTION 4, THE AUTHORITY MAY LOAN MONEY TO A PERSON TO PURCHASE
7 AN ADVANCE TUITION PAYMENT CONTRACT FROM THE MICHIGAN EDUCATION
8 TRUST.

1 (2) UPON EXECUTION OF A LOAN AGREEMENT UNDER THIS SECTION,
2 THE AUTHORITY SHALL TRANSFER THE AMOUNT OF THE LOAN DIRECTLY TO
3 THE MICHIGAN EDUCATION TRUST FOR THE PURCHASE OF AN ADVANCE
4 TUITION PAYMENT CONTRACT ON BEHALF OF A QUALIFIED BENEFICIARY
5 DESIGNATED BY THE LOAN RECIPIENT. THE AUTHORITY SHALL BE CONSID-
6 ERED TO BE THE PURCHASER OF THE ADVANCE TUITION PAYMENT
7 CONTRACT.

8 (3) THE AUTHORITY SHALL SET THE INTEREST RATE TO BE CHARGED
9 ON LOANS MADE UNDER THIS SECTION, TAKING INTO ACCOUNT PREVAILING
10 MARKET RATES AND FUNDS AVAILABLE TO SUBSIDIZE THE INTEREST RATE.

11 (4) A LOAN MADE UNDER THIS SECTION SHALL BE REPAYED IN FULL
12 BEFORE THE DATE THE QUALIFIED BENEFICIARY OF THE ADVANCE TUITION
13 PAYMENT CONTRACT PURCHASED WITH THE LOAN MONEY IS PROJECTED TO
14 BEGIN USING THE ADVANCE TUITION PAYMENT CONTRACT FOR THE PURPOSES
15 AUTHORIZED UNDER THE MICHIGAN EDUCATION TRUST ACT.

16 (5) IF A RECIPIENT OF A LOAN MADE UNDER THIS SECTION OR PUR-
17 CHASED OR ACQUIRED UNDER SUBSECTION (9) DEFAULTS ON THE LOAN, ALL
18 OF THE FOLLOWING SHALL OCCUR:

19 (A) THE ADVANCE TUITION PAYMENT CONTRACT SHALL BE TERMINATED
20 AND THE MICHIGAN EDUCATION TRUST SHALL REFUND TO THE AUTHORITY
21 THE MONEY PAID FOR PURCHASING THE ADVANCE TUITION PAYMENT CON-
22 TRACT, LESS AN ADMINISTRATIVE FEE TO COVER THE MICHIGAN EDUCATION
23 TRUST'S COSTS IN THE TRANSACTION. THE MICHIGAN EDUCATION TRUST
24 MAY RETAIN ANY INTEREST IT HAS EARNED ON THAT MONEY.

25 (B) THE AUTHORITY SHALL RETAIN ANY PAYMENTS THAT THE LOAN
26 RECIPIENT HAS MADE ON THE LOAN.

1 (C) THE AUTHORITY SHALL DEPOSIT FUNDS RETAINED UNDER
2 SUBDIVISION (B) IN A SEPARATE ACCOUNT AND SHALL USE THE MONEY IN
3 THAT ACCOUNT TO SUBSIDIZE THE INTEREST RATE CHARGED ON LOANS MADE
4 UNDER THIS SECTION.

5 (6) IF THE CONDITIONS SET FORTH IN SECTION 8(1) OF THE
6 MICHIGAN EDUCATION TRUST ACT FOR TERMINATION OF AN ADVANCE
7 TUITION PAYMENT CONTRACT ARE MET FOR AN ADVANCE TUITION PAYMENT
8 CONTRACT PURCHASED THROUGH A LOAN MADE UNDER THIS SECTION OR A
9 LOAN PURCHASED OR ACQUIRED UNDER SUBSECTION (9), A REFUND PAYABLE
10 UNDER THAT ACT SHALL NOT BE PAID TO THE AUTHORITY, BUT SHALL BE
11 PAYABLE PURSUANT TO THAT ACT TO OR ON BEHALF OF THE LOAN RECIPI-
12 ENT OR QUALIFIED BENEFICIARY AS IF THE LOAN RECIPIENT WERE THE
13 PURCHASER OF THE ADVANCE TUITION PAYMENT CONTRACT.

14 (7) THE AUTHORITY AND A LOAN RECIPIENT SHALL EXECUTE A LOAN
15 AGREEMENT DOCUMENT THAT INCLUDES ALL OF THE FOLLOWING:

16 (A) A DESIGNATION OF THE QUALIFIED BENEFICIARY OF THE
17 ADVANCE TUITION PAYMENT CONTRACTED THAT IS TO BE PURCHASED.

18 (B) PROVISIONS FOR REPAYMENT OF THE LOAN, AS AGREED UPON BY
19 THE AUTHORITY AND THE LOAN RECIPIENT, THAT ARE CONSISTENT WITH
20 THE REQUIREMENTS OF THIS SECTION.

21 (C) OTHER PROVISIONS THE AUTHORITY CONSIDERS NECESSARY.

22 (8) IF THE AUTHORITY INCURS LOSSES AS A RESULT OF MAKING
23 LOANS UNDER THIS SECTION, THE AUTHORITY MAY FINANCE THOSE LOSSES
24 BY ISSUING ADDITIONAL BONDS PURSUANT TO SECTION 5.

25 (9) THE AUTHORITY MAY PURCHASE OR OTHERWISE ACQUIRE NOTES OR
26 DEBT OBLIGATIONS EVIDENCING LOANS TO PERSONS THAT THE AUTHORITY
27 ITSELF COULD MAKE UNDER THIS SECTION.

1 (10) AS USED IN THIS SECTION:

2 (A) "ADVANCE TUITION PAYMENT CONTRACT" MEANS THAT TERM AS
3 DEFINED IN SECTION 4 OF THE MICHIGAN EDUCATION TRUST ACT.

4 (B) "DEFAULT" MEANS FAILURE TO REPAY A LOAN MADE UNDER THIS
5 SECTION WITHIN THE TIME LIMIT SET IN SUBSECTION (4), ANOTHER
6 BREACH OF THE LOAN AGREEMENT BETWEEN THE LOAN RECIPIENT AND THE
7 AUTHORITY THAT IS DEFINED AS A DEFAULT UNDER THE LOAN AGREEMENT,
8 OR A BREACH OF A LOAN AGREEMENT PURCHASED OR ACQUIRED BY THE
9 AUTHORITY UNDER SUBSECTION (9) THAT IS DEFINED AS A DEFAULT UNDER
10 THAT LOAN AGREEMENT.

11 (C) "MICHIGAN EDUCATION TRUST" MEANS THE MICHIGAN EDUCATION
12 TRUST CREATED IN THE MICHIGAN EDUCATION TRUST ACT.

13 (D) "MICHIGAN EDUCATION TRUST ACT" MEANS THE MICHIGAN EDUCA-
14 TION TRUST ACT, ACT NO. 316 OF THE PUBLIC ACTS OF 1986, BEING
15 SECTIONS 390.1421 TO 390.1444 OF THE MICHIGAN COMPILED LAWS.

16 (E) "QUALIFIED BENEFICIARY" MEANS THAT TERM AS DEFINED IN
17 THE MICHIGAN EDUCATION TRUST ACT.