FINANCING OF STUDENT LOAN PROGRAMS
Act 289 of 1976

AN ACT to implement, clarify, and confirm the constitutional powers of the bodies corporate controlling those institutions of higher education named in sections 4, 5, and 6 of article 8 of the state constitution of 1963, or established by law as therein provided, regarding the establishment and financing of student loan programs.

History: 1976, Act 289, Imd. Eff. Oct. 25, 1976.

The People of the State of Michigan enact:

390.1351 Definitions.

Sec. 1. As used in this act:

(a) "Board" means the body corporate controlling an institution of higher education which is named in sections 4, 5, or 6 of article 8 of the state constitution of 1963 or established by law, as therein provided.

(b) "Student loan" means a loan of the type described in section 3.

(c) "Student loan program" means the program for making loans to students described in section 3.

History: 1976, Act 289, Imd. Eff. Oct. 25, 1976.

390.1352 MCL 141.2101 to 141.2821, 141.151 to 141.153, and 141.101 to 141.140 inapplicable to borrowing under act; purpose of act; provisions cumulative as to powers of board; bonds and notes subject to agency financing reporting act.

Sec. 2. (1) The revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821, 1969 PA 342, MCL 141.151 to 141.153, and the revenue bond act of 1933, 1933 PA 94, MCL 141.101 to 141.140, shall not apply to any borrowing provided for in this act. This act shall implement, clarify, and confirm the existing constitutional power of a board to make the student loans described in this act and to finance the student loan program as provided in this act. This act is in addition to any other act granting powers to a board and shall not be construed as a limitation on any existing power, express or implied, of a board.

(2) The issuance of bonds and notes under this act is subject to the agency financing reporting act.

History: 1976, Act 289, Imd. Eff. Oct. 25, 1976;—Am. 2002, Act 548, Imd. Eff. July 26, 2002.

390.1353 Methods of making student loan.

Sec. 3. To financially assist a student wishing to attend the college or university governed by the board, a board may make or arrange for a loan to the student as it determines to be in need of the assistance on a nondiscriminatory basis upon the terms and provisions the board deems best, in any of the following methods:

(a) By a direct loan from the board repayable upon the terms and conditions the board deems proper, and for the duration and the rate of interest the board establishes.

(b) By a direct loan from the board, which loan is guaranteed in whole or in part by the state or federal government or an agency thereof or any other person, firm, or corporation, interest on which loan may or may not be subsidized in whole or in part by the state or federal government or an agency thereof or any public or private donor.

History: 1976, Act 289, Imd. Eff. Oct. 25, 1976.

390.1354 Financing of student loan program; bonds or notes generally; capital cost.

Sec. 4. (1) A student loan program may be financed in whole or in part under the terms and provisions the board deems best, by the issuance of notes or bonds of the board which shall be payable in not more than 18 years and payable solely out of any of the following sources:

(a) The fees and charges made or received by the board and all or any part of the moneys received by the board in payment of principal and interest on any student loans regardless of from whom the payment was received.

(b) The proceeds of any reserve established for the purpose of making payments due on the notes or bonds.

(c) Amounts to be received as gifts, grants, or otherwise from the state or federal government or an agency thereof or a public or private donor.

(d) Out of other available funds except state appropriations.

(2) Bonds or notes issued under this section may be refunded, in whole or in part, upon the issuance of new bonds or notes payable from any of the sources specified in subsection (1) under terms and conditions it deems best, except that noncallable unmatured bonds or notes may not be refunded without the consent of the holder thereof.

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(3) Bonds or notes issued under this section may be secured in whole or in part by any of the sources of repayment specified in subsection (1)(a) to (d).

(4) To provide for the payment of principal or interest on the notes or bonds, if the anticipated revenues from the sources of repayment fail to provide adequate funds to meet any of the payments, the board may establish a reserve in an amount as it deems adequate. The funds to establish the reserve may be borrowed under this act, obtained from funds of the board, obtained over a period of time from the revenues pledged for repayment, or any combination thereof.

(5) Bonds or notes issued under this section shall provide for any rate of interest the board authorizes.

(6) The capital cost of the student loan program to be financed may include all expenses incident to or in connection therewith including fees of fiscal agents and trustees, legal and other consulting fees, administration costs of the student loan program, financing costs, a reasonable amount for contingencies, interest on any bonds or notes issued under this act for a period not exceeding the estimated time before the sources of repayment are expected to begin producing revenues and 6 months thereafter, and any other costs incident to the student loan program.

History: 1976, Act 289, Imd. Eff. Oct. 25, 1976.

390.1355 Notes or bonds as negotiable instruments.

Sec. 5. Whether or not notes or bonds issued pursuant to this act are within the definition of negotiable instruments under the applicable provisions of the uniform commercial code, 1962 PA 174, MCL 440.1101 to 440.11102, the notes or bonds shall be negotiable instruments within the meaning of and for all purposes of the provisions of the uniform commercial code, 1962 PA 174, MCL 440.1101 to 440.11102, subject only to the provisions of the notes or bonds for registration.

History: 1976, Act 289, Imd. Eff. Oct. 25, 1976;—Am. 2000, Act 426, Eff. Mar. 28, 2001.

390.1356 Bonds, notes, or contracts neither evidence of state indebtedness nor grant of state credit; payment of bonds, notes, or contracts.

Sec. 6. A bond or note issued under this act or a contract entered into pursuant to this act shall not constitute or be an evidence of state indebtedness and a bond, note, or contract does not constitute or is not a grant of the credit of the state to or in aid of the issuing or contracting board. The bonds, notes, or contracts shall be payable only by the board issuing or authorizing the same and from the sources specified therein for repayment, subject to the right of the board to make voluntary payments thereon from outside sources so long as permitted by law to do so.

History: 1976, Act 289, Imd. Eff. Oct. 25, 1976.

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