

## DEPARTMENT OF TREASURY

### MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

#### MICHIGAN ALTERNATIVE STUDENT LOAN PROGRAM

(By authority conferred on the Michigan higher education student loan authority by sections 4, 4a, and 12 of 1975 PA 222, MCL 390.1154, 390.1154a, and 390.1162)

#### **R 390.1621 Definitions; A to D.**

Rule 1. As used in these rules:

(a) "Academic year" means a period of not less than 7 months that represents the traditional academic year.

(b) "Application fee" means a nonrefundable fee which is established by the authority and which is paid by the borrower to the authority at the time an application is submitted.

(c) "Application period" means the period of time designated by the authority during which applications may be submitted for processing.

(d) "Authority" means the Michigan higher education student loan authority as authorized by 1975 PA 222, MCL 390.1151 et seq.

(e) "Bankruptcy" means a judicial action in which a person is declared insolvent and in which the individual's assets, if any, are taken under court administration.

(f) "Borrower" means a student or parent.

(g) "Cosigner" means a parent, legal guardian, or other responsible individual who is jointly and separately responsible for payment of the loan. Two persons may be cosigners if they reside in the same household and jointly meet the credit standards. A cosigner shall meet all of the following conditions:

(i) Be not less than 18 years of age.

(ii) Meet the credit standards.

(iii) Not be currently in default on federal or state educational loans.

(iv) Be a United States citizen or a permanent resident.

(h) "Cost of attendance" means the cost of tuition and fees and other expenses related to attendance as determined by an eligible school for the loan period. An eligible school shall include only those costs that are permissible under the guaranteed student loan programs pursuant to title IV,

part B, of the higher education act of 1965, as amended, 20 U.S.C.

§1070 et seq.

(i) "Credit standards" means a credit evaluation process established by the authority, which shall include an evaluation of all of the following:

(i) Income.

(ii) Debt.

(iii) Employment history.

(iv) Credit history.

(j) "Default" means the condition that exists when the borrower and cosigner or cosigners fail to perform any of the conditions of the promissory note or the authority has determined that the borrower or cosigner or cosigners made false representation to secure a loan.

(k) "Disbursed" means the date that funds are issued for the loan.

History: 1990 AACCS; 1995 AACCS; 1998-2000 AACCS.

### **R 390.1622 Definitions; E, F.**

Rule 2. As used in these rules:

(a) "Eligible school" means a degree-granting college or university that is located in this state and that is approved by the state board of education and by the United States secretary of education for purposes of the federal family education loan program.

(b) "Estimated financial aid" means the estimated amount of assistance for which the borrower may be eligible, excluding loans under section 428B(a) of the higher education act of 1965, as amended, 20 U.S.C. §1078-2, relating to parent loans, and subpart I of part D of title VII of the public health service act of 1944, as amended, 42 U.S.C. §294 et seq., relating to training in certain health professions.

(c) "Forbearance" means a delay in the repayment of principal or principal and interest for a period of time as authorized by the authority.

History: 1990 AACCS; 1995 AACCS; 1998-2000 AACCS.

### **R 390.1623 Definitions; I to T.**

Rule 3. As used in these rules:

(a) "Interest" means the percentage of an amount of money that is paid for its use for a specified time.

(b) "Loan" means loans authorized under section 4a of 1975 PA 222, MCL 390.1154a.

(c) "Loan period" means a period of time the student expects to be enrolled and for which loan assistance is being requested. A loan period shall not be more than 12 months.

(d) "Michigan resident" means a person who is accepted for enrollment or enrolled in an eligible school located in this state or a person whose primary residence is in this state.

(e) "Promissory note" means a note which is developed by the authority, which cites the terms and conditions of a loan, and which identifies the responsibilities of the borrower and cosigner or cosigners.

(f) "Reserve fee" means a fee as established by the authority and paid by the borrower to the authority to establish a reserve.

(g) "School student loan eligibility criteria" means a school evaluation process established by the authority, which may include the following:

- (i) Graduation rate.
- (ii) Federal cohort default rate.
- (iii) Borrower credit readiness.
- (h) "Totally and permanently disabled" means the inability to work and earn money or attend school because of an impairment that is expected to continue indefinitely or to result in death.

History: 1990 AACCS; 1995 AACCS; 1998-2000 AACCS.

**R 390.1624 Terms defined in Act No. 222 of 1975.**

Rule 4. Terms defined in Act No. 222 of the Public Acts of 1975, as amended, being S390.1151 et seq. of the Michigan Compiled Laws, have the same meanings when used in these rules.

History: 1990 AACCS.

**R 390.1625 Nondiscrimination.**

Rule 5. Loans are available to all eligible borrowers without regard to race, color, sex, religion, national origin, age, or marital status.

History: 1990 AACCS; 1995 AACCS.

**R 390.1626 Eligibility for loans.**

Rule 6. To be eligible for a loan, all of the following requirements shall be met:

- (a) A borrower or the student shall be a Michigan resident.
- (b) The student shall have been accepted for enrollment or shall be currently in attendance at an eligible school and be making satisfactory academic progress as determined by the eligible school.
- (c) A borrower shall have submitted an application during the application period authorized by the authority.
- (d) A borrower shall be a United States citizen or permanent resident.
- (e) A borrower shall be not less than 18 years old or an emancipated minor, pursuant to the provisions of section 4 of 1968 PA 293, MCL 722.4.
- (f) One of the following loan criteria shall be met:
  - (1) A borrower or cosigner or cosigners shall meet the credit standards.
  - (2) The eligible school and borrower shall meet specific student loan eligibility criteria as determined by the authority.
- (g) The student shall demonstrate eligibility based on the cost of attendance less estimated financial aid.
- (h) A borrower or the student shall not currently be in default on any federal or state educational loans.

History: 1990 AACCS; 1995 AACCS; 1998-2000 AACCS.

**R 390.1627 Rescinded.**

History: 1990 AACCS; 1995 AACCS.

**R 390.1628 Loan; information and documentation; written credit denial.**

Rule 8. (1) The authority shall obtain the required information and documentation from the applicant and from the school and shall assess borrower eligibility.

(2) If an applicant does not qualify for a loan, the authority shall issue a written credit denial within 30 days of the date that all materials were available for assessment.

History: 1990 AACCS; 1995 AACCS.

**R 390.1629 Loan terms.**

Rule 9. (1) Loans made to eligible borrowers are subject to all of the following conditions:

(a) The minimum loan amount shall not be less than the amount established by the authority.

(b) The maximum loan amount per academic year is the student's cost of attendance minus estimated financial aid and shall not be more than the annual amount established by the authority.

(c) A cumulative outstanding maximum amount to any 1 borrower shall not be more than the amount established by the authority.

(2) The interest rates for loans shall be determined by the authority and shall not exceed the rate permitted by state law. The interest rates may be set at fixed or variable rates and there may be multiple fixed or variable interest rates. Interest shall begin to accrue on the date the loan is disbursed.

(3) An applicant shall pay a nonrefundable application fee payable to the authority when submitting an application, if applicable.

(4) An applicant shall pay a reserve fee that shall be deducted from the loan disbursement, if applicable.

History: 1990 AACCS; 1995 AACCS; 1998-2000 AACCS.

**R 390.1630 Loan disbursement.**

Rule 10. (1) Loan proceeds shall not be disbursed more than 1 month before the start of the loan period as specified on the application.

(2) Loans may be disbursed after the loan period has expired if authorized by the authority.

(3) The interest and reserve fee, if applicable, shall be refunded if the disbursed funds are returned to the authority within 30 days of the date of the disbursement.

History: 1990 AACCS; 1995 AACCS; 1998-2000 AACCS.

**R 390.1631 Repayment terms.**

Rule 11. (1) Repayment of the loan shall begin within 60 days of the date that the loan is disbursed.

(2) The minimum payment of \$50.00 shall be paid by the borrower or cosigner or cosigners each month.

(3) The authority may grant forbearance of principal or principal and interest payments to the borrower or cosigner or cosigners in accordance with conditions established by the authority.

(4) The authority may offer graduated repayments or a modified repayment schedule if the repayment schedule is not in violation of the provisions of subrule (7) of this rule.

(5) The authority may assess a late charge, which shall not be more than 6 cents for each dollar of each late installment, for a payment that is delinquent for more than 10 days.

(6) There shall be no penalty for prepayment of a loan.

(7) A loan shall be repaid in full within the time established by the authority.

History: 1990 AACCS; 1995 AACCS; 1998-2000 AACCS.

**R 390.1632 Authority responsibilities for loan collection.**

Rule 12. (1) The authority shall be responsible for the collection of the loan.

(2) The authority shall make periodic reports on the borrower and cosigner or cosigners to 1 or more national credit bureaus.

(3) The authority may accelerate payment of the loan and demand payment in full of all outstanding principal, accrued interest, and late charges if either of the following conditions occurs:

(a) A borrower and cosigner or cosigners default.

(b) A borrower or cosigner or cosigners provided false information to obtain the loan.

(4) The authority may exercise all legal options to collect the loan.

History: 1990 AACCS; 1998-2000 AACCS.

**R 390.1633 Default**

Rule 13. (1) If a borrower and a cosigner or cosigners do not comply with the provisions of the promissory note for a period of 120 days or more, then the loan shall be declared in default.

(2) Collection costs incurred by the authority in the collection of defaulted loans may be charged to the account of a defaulted borrower and cosigner or cosigners.

History: 1990 AACCS; 1998-2000 AACCS.

**R 390.1634 Death of student; effect.**

Rule 14. (1) The balance on a loan shall be canceled upon the death of the student. The authority shall not attempt to collect on the loan after the authority has received a death certificate or other official notification confirming the student's death.

(2) Payments received after the date of the student's death shall be returned to the sender.

History: 1990 AACCS; 1998-2000 AACCS.

**R 390.1635 Total and permanent disability of student; effect.**

Rule 15. (1) If a student is determined to be totally and permanently disabled, then the remaining loan balance shall be canceled.

(2) The student or another party shall provide documentation of the total and permanent disability which is satisfactory to the authority.

(3) A student is not considered totally and permanently disabled on the basis of a condition that existed before he or she applied for the loan, unless the student's condition has substantially deteriorated since submission of the loan application so as to render the student totally and permanently disabled.

(4) The authority shall cease collection on a loan after the authority determines that the student is totally and permanently disabled.

(5) Payments paid after the date the student became totally and permanently disabled shall be returned to the sender.

History: 1990 AACCS; 1998-2000 AACCS.

**R 390.1636 Bankruptcy; effect.**

Rule 16. (1) If the authority receives a notice of the first meeting of creditors from a bankruptcy court for a borrower and cosigner or cosigners, then the authority shall proceed as follows:

(a) The authority shall file proof of claim with the bankruptcy court, unless advised otherwise by the court.

(b) If, after the bankruptcy has been concluded, the authority is notified by the bankruptcy court that the loan has been discharged, then the authority shall report the bankruptcy to the credit bureau.

(c) If a payment plan is ordered by the bankruptcy court, then the bankruptcy will be reported to the credit bureau, and the authority will proceed through its collector to collect the payments as ordered by the court. Upon conclusion of the payment plan, the authority shall proceed through its collector to collect the remaining outstanding balance.

(d) If the loan is not discharged, then the authority shall establish the next payment date within 60 days. Payment shall be subject to the full force of the terms and conditions of the promissory note.

(2) If the authority receives a notice of the first meeting of creditors from a bankruptcy court for 1 of the signers of the promissory note, then the authority shall proceed as follows:

(a) The authority shall file proof of claim with the bankruptcy court, unless advised otherwise by the court.

(b) The authority shall cease billing the individual involved in the bankruptcy action.

(c) The authority may continue collections with the other signer or signers of the promissory note, as the other signer or signers remain liable for unpaid principal, interest, and late charges.

History: 1990 AACS; 1995 AACS; 1998-2000 AACS.