

DEPARTMENT OF TREASURY

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

FEDERAL FAMILY EDUCATION LOAN PROGRAM (FFELP)

(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; and ERO 1995-2 (MCL 12.181)).

R 390.1601 Definitions; A, E.

Rule 1. (1) As used in these rules:

(a) "Authority" means the Michigan higher education student loan authority created by section 3 of 1975 PA 222, MCL 390.1153.

(b) "Eligible borrower" means a student or parent who meets the criteria of the authority and the secretary for eligibility.

(2) Terms defined in 1975 PA 222, MCL 390.1151, have the same meanings when used in these rules.

History: 1979 AC; 1987 AACS; 1990 AACS; 2007 AACS.

R 390.1602 Definitions; G to S.

Rule 2. As used in these rules:

(a) "Guaranty agency" means the Michigan higher education assistance authority or any entity which is approved by the authority and guarantees student loans under the higher education act of 1965, or other federal law, and has entered into an agreement with the secretary for reinsurance of its guarantees of student loans.

(b) "Participating lender" means a lending institution, which has entered into an agreement with the guaranty agency.

(c) "Secretary" means the United States secretary of education or a designee of the secretary.

History: 1979 AC; 1987 AACS; 1990 AACS; 2007 AACS.

R 390.1603 Nondiscrimination.

Rule 3. Loans are available to all eligible borrowers without regard to race, color, sex, creed, religion, disability, sexual orientation, national origin, age, or marital status.

History: 1979 AC; 1987 AACS; 1990 AACS; 2007 AACS.

R 390.1604 Documents; records.

Rule 4. (1) The authority shall obtain the required information and documentation from the applicant, eligible institution, and/or current loan holder, as appropriate.

(2) The authority shall maintain records necessary for the administration of the loan programs and as required by the secretary.

History: 1979 AC; 1987 AACS; 1990 AACS; 2007 AACS.

R 390.1605 Eligibility of applicants.

Rule 5. A person shall meet all of the following requirements to be eligible for a loan:

(a) Complete and submit all application forms and documentation required by the authority.

(b) Provide information necessary to assure qualification for applicable federal interest benefits.

(c) Meet all of the requirements of the secretary.

History: 1979 AC; 1987 AACS; 1990 AACS; 2007 AACS.

R 390.1606 Procedures; loan denial.

Rule 6. (1) The authority shall develop and maintain procedures necessary to carry out applicable provisions of Title IV, part B, of the higher education act of 1965, and the regulations therefor, and as may be required in the exercise of reasonable care and diligence in the making and collection of loans. If the authority determines that there is sufficient evidence to indicate that the applicant will not exercise reasonable diligence in completing repayment of a loan, the loan request may be denied. In determining that sufficient evidence for denial exists, the authority shall use such ethical methods and practices as are acceptable and proven in the collection of credit information in the commercial banking community.

(2) Evidence that indicates the applicant will not exercise reasonable diligence in completing repayment of a loan may include, but is not limited to, any of the following:

(a) Defaults on previous debts.

(b) Bankruptcy.

(c) Repossessions of tangible properties for reason of nonpayment.

(d) Excessive and existing indebtedness beyond present and anticipated means of payment.

(e) Incarceration for a felony.

(f) Physical or mental disability in a degree that employment and repayment may not reasonably be expected.

(3) If a loan application is denied, the applicant shall be advised by the authority, in writing or through an electronic method, if agreed to by the applicant, of the reason for the denial.

History: 1979 AC; 2007 AACS.

R 390.1607 Amount and terms of loan.

Rule 7. (1) The annual maximum loan shall not exceed the maximum prescribed by the secretary.

(2) The maximum aggregate outstanding principal balance of loans shall not exceed the maximum as prescribed by the secretary.

(3) Each loan shall be evidenced by a promissory note and shall bear interest at a rate designated by the secretary.

(4) Terms and conditions for repayment of a loan shall be established by the authority in accordance with regulations of the secretary.

History: 1979 AC; 1987 AACS; 1990 AACS; 2007 AACS.

R 390.1608 Guarantee requirement.

Rule 8. All loans initiated by the authority shall be eligible for guarantee by the guaranty agency.

History: 1979 AC; 2007 AACS.

R 390.1609 Fund disbursement.

Rule 9. (1) Disbursement shall be made in accordance with the requirements of the secretary.

(2) A loan shall be declared due and payable immediately if a student does not attend school for the loan period for which the loan is disbursed.

History: 1979 AC; 1987 AACS; 1990 AACS; 2007 AACS.

R 390.1610 Interest benefit requirement.

Rule 10. All loans initiated by the authority shall be eligible for applicable federal interest benefits as prescribed by the higher education act of 1965, 20 U.S.C. § 1070 et seq.

History: 1979 AC; 1990 AACS; 2007 AACS.

R 390.1611 Delegation of authority.

Rule 11. (1) The executive director of the authority shall have authority and responsibility for administration of the loan programs as prescribed in these rules, Michigan statutes, and applicable federal laws and regulations.

(2) The executive director's authority shall include, but not be limited to, all of the following:

- (a) Issuance of public information relative to the programs.
- (b) Design of necessary forms.
- (c) Prescription of application procedures.
- (d) Prescription of procedures and terms for the collection and repayment of loans, including the purchase of other individual loans for consolidation purposes.
- (e) Prescription of terms, conditions, and agreements with participating lenders for purposes of a secondary market activity.
- (f) Approval or disapproval of loan applications.
- (g) Establishment of policies and practices deemed necessary for the effective administration of the loan programs as prescribed by law and by these rules.

History: 1979 AC; 1990 AACS; 2007 AACS.