

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
MICHIGAN DIRECT STUDENT LOAN PROGRAM

CONSOLIDATION MONTHLY LOAN REPORT

SEPTEMBER 1999

	SEPTEMBER 1999	SEPTEMBER 1998	FISCAL YEAR 1998-99	FISCAL YEAR 1997-98	CUMULATIVE SINCE INCEPTION (3/88)
I. APPLICATION ACTIVITY					
Applications Received	85	180	1,119	1,201	7,657
Amount Requested	\$1,498,536	\$774,875	\$18,592,998	\$15,959,361	\$115,943,557
II. COMMITMENT ACTIVITY					
Loans Approved	93	56	1,014	615	6,784
Loans Cancelled	0	0	0	(1)	(21)
Net Loans Approved	93	56	1,014	614	6,763
Amount Approved	\$2,297,903	\$1,331,933	\$24,545,334	\$13,496,885	\$116,486,438
Amount Cancelled	\$0	\$0	\$0	(\$23,991)	(\$289,842)
Amount Adjusted	\$0	\$0	\$0	\$42,598	\$649,846
Net Amount Approved	\$2,297,903	\$1,331,933	\$24,545,334	\$13,515,492	\$116,846,442
III. DISBURSEMENT ACTIVITY					
Number of Checks Issued	165	89	1,739	939	11,162
Number of Loans Disbursed	93	56	1,020	603	6,205
Amount Disbursed	\$2,297,903	\$1,331,933	\$24,581,023	\$13,531,022	\$110,748,095
Average Loan Amount	\$24,709	\$23,785	\$24,099	\$22,440	\$17,848
IV. CURRENT LOAN SERVICING ACTIVITY					
Loans	6,005	4,713	N/A	N/A	N/A
Amount Outstanding	\$94,927,290	\$76,555,602	N/A	N/A	N/A
V. GUARANTEE AMOUNT					
Balance Available	\$121,627,168	\$135,949,645	N/A	N/A	N/A

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
STATE SECONDARY MARKET

COMBINED MONTHLY REPORT

SEPTEMBER 1999

	SEPTEMBER 1999	SEPTEMBER 1998	FISCAL YEAR 1998-99	FISCAL YEAR 1997-98	CUMULATIVE SINCE INCEPTION (6/90)
I. PURCHASED LOANS					
Loans	1,365	2,656	24,376	41,902	276,798
Borrowers	575	853	10,332	24,249	157,432
Dollars	\$3,645,913	\$8,977,875	\$70,714,682	\$184,783,998	\$768,584,003
Average Borrower Indebtedness	\$6,341	\$10,525	\$6,844	\$7,620	\$4,882
II. REPURCHASES BY ORIGINAL HOLDER					
Loans	3	8	70	285	1,039
Borrowers	3	8	52	189	752
Dollars	\$5,872	\$23,971	\$166,480	\$758,432	\$2,483,836
III. NET VOLUME					
Loans	1,362	2,648	24,306	41,617	275,759
Borrowers	572	845	10,280	24,060	156,680
Dollars	\$3,640,041	\$8,953,904	\$70,548,202	\$184,025,566	\$766,100,167
IV. CURRENT LOAN SERVICING ACTIVITY					
Loans	177,170	187,125	N/A	N/A	N/A
Borrowers	91,678	98,306	N/A	N/A	N/A
Dollars	\$406,483,596	\$426,948,051	N/A	N/A	N/A
V. PARTICIPATING LENDERS	N/A	N/A	N/A	N/A	131 *

*The Participating Lenders figure includes both regular SSM lenders and lenders participating in the Local Lender Loan Program.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
STATE SECONDARY MARKET

SUBSIDIZED STAFFORD LOAN ACQUISITIONS

SEPTEMBER 1999

	SEPTEMBER 1999	SEPTEMBER 1998	FISCAL YEAR 1998-99	FISCAL YEAR 1997-98	CUMULATIVE SINCE INCEPTION (6/90)
I. PURCHASED LOANS					
Loans	869	1,703	15,450	34,214	235,130
Borrowers	388	614	6,749	19,369	125,420
Dollars	\$2,301,306	\$5,680,953	\$42,871,897	\$147,386,972	\$623,935,839
Average Borrower Indebtedness	\$5,931	\$9,252	\$6,352	\$7,609	\$4,975
II. REPURCHASES BY ORIGINAL HOLDER					
Loans	2	6	53	223	934
Borrowers	2	6	39	139	670
Dollars	\$5,836	\$19,901	\$125,885	\$530,946	\$2,148,768
III. NET VOLUME					
Loans	867	1,697	15,397	33,991	234,196
Borrowers	386	608	6,710	19,230	124,750
Dollars	\$2,295,470	\$5,661,052	\$42,746,012	\$146,856,026	\$621,787,071
IV. 1997 COHORT RATE (DOLLAR %)*	N/A	N/A	N/A	N/A	10.7%

* Percentage is based on Stafford and SLS loans

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
STATE SECONDARY MARKET

UNSUBSIDIZED STAFFORD LOAN ACQUISITIONS

SEPTEMBER 1999

	SEPTEMBER 1999	SEPTEMBER 1998	FISCAL YEAR 1998-99	FISCAL YEAR 1997-98	CUMULATIVE SINCE INCEPTION (3/93)
I. PURCHASED LOANS					
Loans	469	940	7,981	5,234	26,575
Borrowers	160	226	2,649	2,747	18,503
Dollars	\$1,203,916	\$3,213,241	\$23,307,430	\$20,407,481	\$79,556,746
Average Borrower Indebtedness	\$7,524	\$14,218	\$8,799	\$7,429	\$4,300
II. REPURCHASES BY ORIGINAL HOLDER					
Loans	1	1	12	40	61
Borrowers	1	1	8	29	45
Dollars	\$36	\$3,234	\$25,351	\$158,594	\$195,240
III. NET VOLUME					
Loans	468	939	7,969	5,194	26,514
Borrowers	159	225	2,641	2,718	18,458
Dollars	\$1,203,880	\$3,210,007	\$23,282,079	\$20,248,887	\$79,361,506
IV. 1997 COHORT RATE (DOLLAR %)*	N/A	N/A	N/A	N/A	10.7%

* Percentage is based on Stafford and SLS loans

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
STATE SECONDARY MARKET

SLS LOAN ACQUISITIONS

SEPTEMBER 1999

MHESLA 2000 ITB

I. PURCHASED LOANS

Loans
Borrowers
Dollars
Average Borrower Indebtedness

II. REPURCHASES BY ORIGINAL HOLDER

Loans
Borrowers
Dollars

III. NET VOLUME

Loans
Borrowers
Dollars

IV. 1997 COHORT RATE (DOLLAR %)*

* Percentage is based on Stafford and SLS loans

SEPTEMBER 1999	SEPTEMBER 1998	FISCAL YEAR 1998-99	FISCAL YEAR 1997-98	CUMULATIVE SINCE INCEPTION (1/92)
1	0	14	998	4,928
1	0	11	845	4,213
\$8,096	\$0	\$50,629	\$6,598,017	\$17,266,826
\$8,096	\$0	\$4,603	\$7,808	\$4,098
0	1	4	8	15
0	1	4	8	14
\$0	\$836	\$14,488	\$30,719	\$55,331
1	(1)	10	990	4,913
1	(1)	7	837	4,199
\$8,096	(\$836)	\$36,141	\$6,567,298	\$17,211,495
N/A	N/A	N/A	N/A	10.7%

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
STATE SECONDARY MARKET

PLUS LOAN ACQUISITIONS

SEPTEMBER 1999

	SEPTEMBER 1999	SEPTEMBER 1998	FISCAL YEAR 1998-99	FISCAL YEAR 1997-98	CUMULATIVE SINCE INCEPTION (9/90)
I. PURCHASED LOANS					
Loans	24	11	909	1,129	9,056
Borrowers	24	11	901	961	8,187
Dollars	\$70,912	\$27,971	\$3,974,386	\$5,114,899	\$29,881,811
Average Borrower Indebtedness	\$2,955	\$2,543	\$4,411	\$5,322	\$3,650
II. REPURCHASES BY ORIGINAL HOLDER					
Loans	0	0	1	14	28
Borrowers	0	0	1	13	22
Dollars	\$0	\$0	\$756	\$38,173	\$75,894
III. NET VOLUME					
Loans	24	11	908	1,115	9,028
Borrowers	24	11	900	948	8,165
Dollars	\$70,912	\$27,971	\$3,973,630	\$5,076,726	\$29,805,917

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
STATE SECONDARY MARKET

CONSOLIDATED LOAN ACQUISITIONS

SEPTEMBER 1999

	SEPTEMBER 1999	SEPTEMBER 1998	FISCAL YEAR 1998-99	FISCAL YEAR 1997-98	CUMULATIVE SINCE INCEPTION (1/92)
I. PURCHASED LOANS					
Loans	2	2	22	327	1,109
Borrowers	2	2	22	327	1,109
Dollars	\$61,683	\$55,710	\$510,340	\$5,276,629	\$17,942,781
Average Borrower Indebtedness	\$30,842	\$27,855	\$23,197	\$16,136	\$16,179
II. REPURCHASES BY ORIGINAL HOLDER					
Loans	0	0	0	0	1
Borrowers	0	0	0	0	1
Dollars	\$0	\$0	\$0	\$0	\$8,603
III. NET VOLUME					
Loans	2	2	22	327	1,108
Borrowers	2	2	22	327	1,108
Dollars	\$61,683	\$55,710	\$510,340	\$5,276,629	\$17,934,178

FFELP DATA ELEMENTS FOR ON-LINE ACCESS

Loan Origination Screens for Federal Stafford, Federal SLS and Federal PLUS Loans

The servicer must provide on-line inquiry access for all applications received to be processed for the State.

(a) Data required on all screens

- Applicant's name
- Applicant's Social Security Number
- Account number, if applicable
- Loan number
- Loan program
- Current date

(b) Application data required if it is collected on the application or provided by the State, for each application received.

- Applicant's name
- Applicant's telephone number
- Applicant's date of birth
- Applicant's driver's license number
- Applicant's signature date
- Comaker/cosigner indicator (yes/no) if their data is contained on another screen
- Comaker's Social Security Number
- Comaker's name
- Comaker's address
- Comaker's telephone number
- Comaker's date of birth
- Comaker's driver's license number
- Comaker's signature date
- For a Federal PLUS Loan student:
 - Social Security Number
 - Name
 - Address
 - Telephone number
- Guarantor
- School's federal identification code
- Loan period start date
- Loan period end date
- Anticipated graduation date
- Enrollment status

- Grade level
- Dependency status
- Loan amount requested
- Loan amount approved
- Interest rate
- Guarantee date
- Amount guaranteed
- Fund series/loan program fund code for approved loans

(c) Data required for each disbursement

- Disbursement number
- Total number of disbursements scheduled
- Scheduled disbursement date
- Scheduled disbursement amount
- Actual disbursement date
- Actual disbursement amount
- Date disbursement cleared bank account
- Loan origination fee
- Guarantee fee
- Check, EFT, master check amount
- Check, EFT, master check number
- Disbursement method (check, EFT, master check)
- Cancellation date (original disbursement check returned)

(d) Application processing status history providing the minimum information below

- Application receipt date
- Application entry date
- Date of return notification to the applicant
- Reason for the return notification
- Denial date
- Denial reason
- Lender approved
- Pending guarantee
- Date guarantee is received
- Pending disbursement
- Partially disbursed
- Fully disbursed

Loan Origination Screens for Federal Consolidation Loans

The servicer must provide on-line inquiry access for all applications received to be processed for the State.

- (a) Data required on all screens
 - Applicant's name
 - Applicant's Social Security Number
 - Account number, if applicable
 - Loan number
 - Loan program
 - Current date

- (b) Application data required, if it is collected on the application, for each application received
 - Applicant's address
 - Applicant's telephone number
 - Applicant's date of birth
 - Applicant's driver's license number
 - Applicant's signature date
 - Comaker/cosigner indicator (yes/no) if their data is contained on another screen
 - Comaker's Social Security Number
 - Comaker's name
 - Comaker's address
 - Comaker's telephone number
 - Comaker's date of birth
 - Comaker's driver's license number
 - Comaker's signature date
 - Guarantor
 - Loan amount requested
 - Interest rate

- (c) Data required for each disbursement
 - Scheduled disbursement date
 - Actual disbursement date of each disbursement (including increase adjustments)
 - Check number of the disbursement mailed to each creditor
 - Amount of the disbursement mailed to each creditor
 - Total loan amount
 - Fund series/loan program fund code
 - Date the guarantee request is sent to the guarantor
 - Date guarantee is received

- Guarantee date
- Amount guaranteed

(d) Application processing status history providing the minimum information below

- Application receipt date
- Application entry date
- Date of any return notification to the applicant
- Reason for the return notification
- Date and follow-up actions taken
- Denial date
- Denial reason

Loan Repayment Screens

The servicer must provide on-line inquiry access for all loans originated or purchased by the State.

(a) Data required on all screens

- Borrower's name
- Borrower's Social Security Number
- Account number, if the servicer has an account based system or groups loans for repayment
- Loan number(s)
- Lender grouping identifier
- Current date

(b) Borrower demographic data required

- Permanent address
- Mailing address
- Telephone number
- Good/bad address indicator
- Good/bad telephone number indicator
- Date address last updated
- Date telephone number last updated
- Prior incorrect Social Security Number

(c) Comaker/Cosigner/Student/Reference demographic data required

- Indicator to identify relationship to borrower for each person shown
- Name

- Address
- Telephone number
- Social Security Number for comaker
- Social Security Number for cosigner, if available
- Loan number for which the person is responsible or to which the person is related

(d) Individual loan data required as applicable to the loan program

- Prior lender's federal identification number
- Purchase date
- Conversion/transfer date
- Guarantor
- Loan program
- Fund series/loan program fund code
- Loan period start date (day sensitive)
- Loan period end date (day sensitive)
- For each disbursement the servicer must show:
 - Disbursement date
 - Disbursement amount
 - Refund date
 - Refund amount
 - Cancellation date
 - Cancellation amount
- Total amount disbursed
- Guaranteed amount
- Original school federal identification number
- Current/last school code
- Separation date (day sensitive)
- Interest rate
- Interest type
- Identifier for split 8%-10% interest rate loans
- Current status
- Date of last credit bureau report
- Interest subsidy code
- Special allowance eligibility code
- Interest and special allowance start date
- Number of grace months
- Grace end date or repayment start date
- Last disclosure date
- Date last coupon book mailed if the servicer uses coupon books for submission of payments
- Current repayment schedule (all levels)
- First payment due date

- Repayment frequency
- Number of payments made
- Number of months of deferment/forbearance granted
- Next payment due date
- Daily interest accrual amount
- Interest accrual date
- Number of days delinquent
- Amount delinquent
- Interest capitalization indicator
- Late charges due
- Collection charges due
- Principal paid
- Borrower accrued interest paid
- Forbearance interest paid
- Late charges paid
- Collection charges paid
- Current principal balance
- Borrower interest accrual amount
- Payoff amount
- Start date of unguaranteed period (day sensitive)
- End date of unguaranteed period (day sensitive)
- Last payment date
- Amount of last payment
- Partial payment amount received
- Last date interest billed to borrower
- Current/last deferment type
- Deferment/forbearance start date
- Deferment/forbearance end date
- Counter for each type of deferment/forbearance
- Date preclaims assistance requested
- Date claim filed
- Claim type
- Claim return date

(e) Loan servicing history must provide all information below.

The servicer must include all monetary transactions/adjustments, non-monetary transactions/status changes made to each loan, correspondence received or generated, and a detailed account of verbal contacts made with anyone regarding the loan. The servicer must be able to identify which of the borrower's loans were affected in each transaction or identify accounts affected if the servicer has an account based system or groups loans for repayment.

Each history comment must include the effective date (receipt date), post date, transaction comment and identify the person who processed each transaction.

The servicer's system must be capable of performing the following functions or extracting specific transactions from the history file and listing them for quick review of the loan record as stated below.

Payment/Deferment/Forbearance Screen - The servicer must be able to extract a listing which shows the transactions below so that the State may reconcile the period from the repayment start date to the current next payment due date.

- Payments made
- Payment reversals
- Deferment periods granted
- Forbearance periods granted
- Late charges assessed
- Collection charges assessed
- Write-off amounts

The payment entries/write-offs must show the receipt date, post date and application to/reversal from principal, interest, late charges and collection charges. The listing must include a summary showing the total amount applied to each category and the total amount paid to date.

The deferment and forbearance period entries must show the receipt date, post date, type of deferment/forbearance granted and the start and end date of each deferment/forbearance.

In addition to payments and documents applied against the loan, this listing must show late charges and collection charges applied against the loan and reflect the totals outstanding not paid by payments received.

Repayment Schedule Screen - The servicer must be able to show the date that each repayment schedule was sent to the borrower by the servicer and each schedule must include the number of payments and payment amount at each level of the schedule as it appeared on the repayment disclosure statement(s) sent to the borrower through the current date. The schedule and the date of the last repayment schedule sent must be readily visible to the State. Prior schedules may be shown within the history of the loan.

Document Receipt Screen - The servicer must record every document (letter, deferment form, forbearance form, etc.) received from any source and be able to extract a listing of only

those items from the history file in order that the State may easily converse with the borrower and request copies of specific documents from the servicer's physical/filmed file records.

The listing must show the receipt date of the document, the retrieval/batch coding for immediate access to the original document prior to processing, the history posting date of the document's receipt, a description of the document (letter, school enrollment verification, guarantor report, deferment or forbearance form, etc.) and the person who entered the history comment.

Payoff Calculation Screen - The servicer must have the capability to calculate a future payoff amount based on the current principal, interest, late charges and collection charges outstanding by loan and by account if the servicer has an account based system or groups loans for repayment.

Comaker/Cosigner/Student/Reference Demographic Data Screen - The servicer must be able to provide the data below for the comaker, student and cosigner, if applicable, and for that number of references required by the guarantor.

- An indicator that identifies the relationship to the borrower
- Name
- Address
- Telephone number, if known

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
 COMBINED MONTHLY REPORT

SEPTEMBER 1999

	SEPTEMBER 1999	SEPTEMBER 1998	FISCAL YEAR 1998-99	FISCAL YEAR 1997-98	CUMULATIVE SINCE INCEPTION (10/90)
I. LOAN ACTIVITY					
Submitted for Approval:					
a. Approved	246	347	1,529	1,549	10,529
b. Disapproved	190	142	925	855	4,922
Denied by Processing Agent	0	0	0	0	1,416
Total Applications	436	489	2,454	2,404	16,867
II. COMMITMENT ACTIVITY					
Loans Approved	246	347	1,533	1,522	10,539
Loans Cancelled	(9)	(5)	(40)	(37)	(244)
Net Loans Committed	237	342	1,493	1,485	10,295
Amount Approved	\$1,578,195	\$2,083,379	\$8,980,661	\$8,561,449	\$59,216,630
Amount Cancelled	(\$50,888)	(\$24,246)	(\$215,521)	(\$211,659)	(\$1,307,590)
Amount Adjusted	\$0	\$0	\$0	(\$171,446)	(\$683,592)
Net Amount Committed	\$1,527,307	\$2,059,133	\$8,765,140	\$8,178,344	\$57,225,448
Average Approved Loan Amount	\$6,415	\$6,004	\$5,858	\$5,625	\$5,619
III. DISBURSEMENT ACTIVITY					
Loans Disbursed	276	342	1,547	1,441	10,196
Amount Disbursed	\$1,675,705	\$2,059,133	\$8,940,605	\$8,060,306	\$57,149,433
IV. CURRENT LOAN SERVICING ACTIVITY					
No. of Loans	8,215	8,299	N/A	N/A	N/A
No. of Borrowers	6,801	7,038	N/A	N/A	N/A
Amount Outstanding	\$39,435,423	\$35,100,520	N/A	N/A	N/A
V. PAID IN FULL					
No. of Loans	*	*	*	*	*
No. of Borrowers	*	*	*	*	*
Amount	*	*	*	*	*
VI. DEFAULTED LOANS					
No. of Loans	2	12	43	32	117
No. of Borrowers	2	8	34	27	95
Amount	\$14,392	\$85,438	\$217,485	\$175,566	\$588,955
Default Rate	N/A	N/A	N/A	N/A	1.0306%

* Not Available

**MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
MICHIGAN ALTERNATIVE STUDENT LOAN (MI-LOAN[®]) PROGRAM**

MI-LOAN DATA ELEMENTS/FIELDS FOR ON-LINE ACCESS

The servicer must provide on-line inquiry access for all MI-LOAN applications received to be processed for the State.

The State reserves the right to make adjustments to the required data elements whenever, in their opinion, it becomes necessary. The following is a current list of required data elements:

(a) General Data Fields (required on all screens):

- Current Date
- Student Applicant's/Borrower's Name (First, Middle Initial, Last)
- Student Applicant's/Borrower's Social Security Number
- Account Number, if applicable
- Loan Identifier
- Loan Status:
 - ✓ Received
 - ✓ Denied
 - ✓ Cancelled (disbursement check voided, funds returned to MHESLA or servicer within 30 days of disbursement, or stop payment issued – loan cancelled)
 - ✓ Deleted (application cancelled prior to disbursement)
 - ✓ Approved
 - ✓ Disbursed
 - ✓ Repayment (regular monthly payments)
 - ✓ Principal Only Forbearance
 - ✓ Principal and Interest Forbearance
 - ✓ SSRA/Repayment (Sailors and Soldiers' Relief Act of 1940)
 - ✓ SSRA/Principal Only Forbearance (Sailors and Soldiers' Relief Act of 1940)
 - ✓ SSRA/Principal and Interest Forbearance (Sailors and Soldiers' Relief Act of 1940)
 - ✓ Default
 - ✓ Collection
 - ✓ Bankruptcy Chapter 7
 - ✓ Bankruptcy Chapter 11
 - ✓ Bankruptcy Chapter 12
 - ✓ Bankruptcy Chapter 13
 - ✓ Death Cancellation
 - ✓ Disability Cancellation
 - ✓ Pre-Paid In Full
 - ✓ Paid In Full

Data Elements/Fields

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(b) Demographic Data Fields:

For All Participants (Applicant/Borrower, Cosigners, and References):

- Name (First, Middle Initial, Last)
- Relationship to the Loan (applicant, student, cosigner, reference)
- Primary Address (for applicant: “Billing Address”, for cosigner or reference: “Permanent Home Address”; street address 1, street address 2, city, state, zip code)
- Primary Telephone Number (for applicant: “Billing Telephone” number, for cosigner or reference: “Home Telephone”; including area code)
- Secondary Address (for applicant: “Permanent Home Address” if different from “Billing Address”, for cosigner or reference: business address; street address 1, street address 2, city, state, zip code)
- Secondary Telephone Number (for applicant: “Home Telephone” number if “Permanent Home Address” is different from “Billing Address”, for cosigner or reference: “Business Telephone”; including area code)
- Good/Bad Address Indicator (specific for each address)
- Good/Bad Telephone Number Indicator (specific for each telephone number)
- Last Address Effective Date (specific for each address)
- Last Telephone Number Effective Date (specific for each telephone number)

For Applicant and Cosigner(s) only:

- Social Security Number
- Date of Birth
- U.S. Citizenship/Alien I.D. Indicator
- Driver’s License Number
- Driver’s License State
- Previous Default Indicator (regarding defaults of prior student loans)

For Cosigner(s) Only:

- Relationship to Applicant (parent, spouse, other)

For All MI-LOAN Schools (presently or formerly eligible):

- School Code
- School Name
- School Address
- School Contact Person’s Name
- School Contact Person’s Title
- School Contact Person’s Telephone Number

Data Elements/Fields

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(c) Origination Data Fields:

- Application Received Date
- Application Entry Date
- Applicant's Requested Loan Amount
- Applicant's Requested Interest Type (fixed or variable)
- Enrollment Status (full time, half time, less than half time)
- School Code
- School Name
- School Certified Loan Period Start Date (MM/DD/CCYY)
- School Certified Loan Period End Date (MM/DD/CCYY)
- Grade Level
- Cost of Attendance
- Estimated Financial Aid
- Lender Code
- Credit Applicant(s)' Household Income
- Credit Applicant(s)' Empirica Score
- Credit Applicant(s)' Debt-to-Income Ratio (Carry out one decimal place and do not round)
- Date Application Returned to Applicant
- Edit Reason(s) (Reason application returned to applicant)
- Loan Reduction Code/Reason
- Loan Reduction Amount
- Loan Status (See pages 1 and 2 for list of statuses)
- Loan Status Effective Date
- Loan Status Entry Date
- Denial Reason (must be able to enter multiple denial reasons)
 - ✓ Already borrowed maximum yearly amount
 - ✓ Below minimum loan amount
 - ✓ Borrower ineligible per school
 - ✓ Charge-off(s)
 - ✓ Collection account
 - ✓ Cosigner unacceptable
 - ✓ Cosigners must have same address
 - ✓ Debt-to-income ratio
 - ✓ Delinquent credit obligations
 - ✓ Delinquent more than twice
 - ✓ Insufficient credit references
 - ✓ Insufficient income
 - ✓ Irregular employment
 - ✓ Judgement
 - ✓ Length of employment insufficient
 - ✓ Loan period cited more than 12 months

Data Elements/Fields

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- Denial Reasons Continued:
 - ✓ Missing information
 - ✓ Not 18 years old
 - ✓ Other
 - ✓ Previous loan in default
 - ✓ Prior delinquent MI-LOAN
 - ✓ Prior MI-LOAN 60 days past due
 - ✓ Repossession
 - ✓ School not eligible for MI-LOAN
 - ✓ Unable to verify employment
 - ✓ Unable to verify income
- Approval Date
- Loan Amount Approved

(d) Disbursement Data Fields:

- Scheduled Disbursement Date
- Scheduled Gross Disbursement Amount
- Actual Disbursement Date
- Actual Gross Disbursed Amount
- Reserve Fee Amount
- Net Disbursement Amount
- Check Number or Equivalent
- Interest Rate (Carried out two decimal places, i.e. 6.63%)
- Bond Fund Number
- Disbursement Cancellation Date (original funds returned within 30 days of disbursement or stop-payment issued)
- Loan Status:
 - ✓ Disbursed
 - ✓ Cancelled (check voided or stop payment issued, loan will be re-disbursed)
 - ✓ Deleted (loan cancelled prior to disbursement)
- Loan Status Effective Date
- Loan Status Entry Date
- Disbursement Method Indicator (EFT, Check, etc.)
- Number of Scheduled Payments
- First Payment Due Date
- Last Payment Due Date

(e) Repayment Data Elements:

- Loan Status
- Loan Status Effective Date
- Loan Status Entry Date

Data Elements/Fields

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- Actual Gross Disbursed Amount
- Cumulative (by SSN) Gross Disbursed Amount
- Current Principal Balance
- School Name
- School Code
- Interest Rate (carried out two decimal places, i.e. 6.63%)
- Daily Interest Accrual Amount (Carried out four decimal places, i.e. \$1.2345)
- Payment Due Date (due date of oldest outstanding payment)
- Next Payment Due Date
- Monthly Payment Amount
- Current Amount Due
- Delinquent Amount Due
- Number of Days Loan is Delinquent
- Forbearance Counter (Principal Only Forbearance /Principal and Interest Forbearance – to keep track of the number of months used/available for both types combined)
- Interest Accrued Through Date
- Amount of Unpaid Accrued Interest
- Amount of Capped Interest to Date
- Amount of Capped Interest Paid to Date
- Principal Paid to Date
- Principal Paid Current Year
- Interest Paid to Date
- Interest Paid Current Year
- Date Billing Statement Generated
- Billing Statement Due Date
- Current Amount Billed
- Delinquent Amount Billed
- Late Fees Billed
- Total Amount Billed (Total of current amount billed, delinquent amount billed, and late fees billed)
- Type of Payment Indicator (EFT, Statement, etc.)
- Payment Received Date
- Payment Process Date
- Payment Amount Received:
 - ✓ Payment Amount Received (in total and by loan)
 - ✓ Payment Amount Applied to Interest (in total and by loan)
 - ✓ Payment Amount Applied to Principal (in total and by loan)
- Forbearance/Extension Begin Date
- Forbearance/Extension End Date
- Default Date
- Current Principal Balance at Day 121 (Default date)

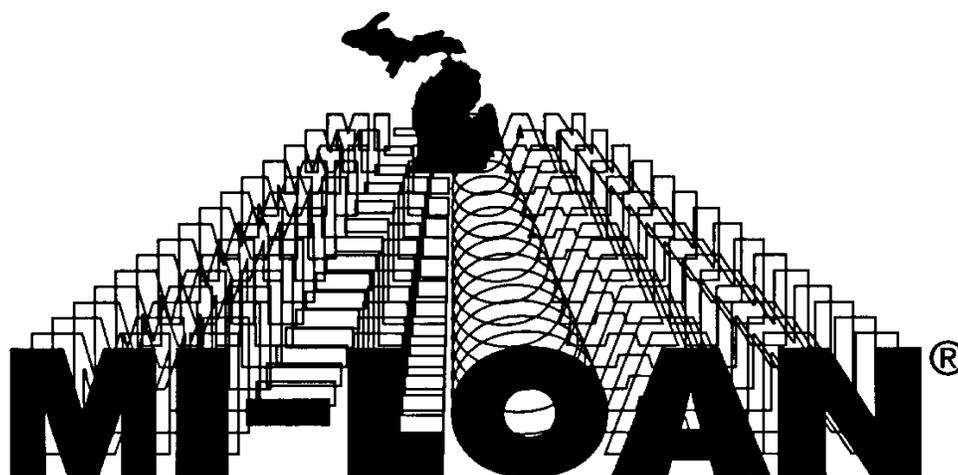
Data Elements/Fields

Page 6

- Accrued Unpaid Interest at Day 121 (Default date)
- Accumulator for Total Amount of Payments Received After Day 121 (Default date)
- Paid in Full Date
- Write-off Date
- Write-off Amount
- Write-up Date
- Write-up Amount
- Refund Date
- Refund Amount
- Date Sent to Collections
- Adjustment Effective Date
- Adjustment Process Date
- Cash/Non-cash Indicator
- Total Adjustment Amount (in total and by loan)
- Adjustment Amount Applied to Interest (in total and by loan)
- Adjustment Amount Applied to Principal (in total and by loan)

**Michigan Department of Treasury
Michigan Higher Education Student Loan Authority
Michigan Alternative Student Loan Program**

Processing Manual



2000

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CHAPTER I. DEFINITIONS

Definitions used for purposes of this manual are identified below:

- APR:** The Truth-in-Lending Regulations require any up-front fees to be disclosed as finance charges. The APR that is disclosed to the borrower when the check is issued will reflect a higher rate than stated on the MI-LOAN fact sheet because the reserve fee is factored in over the loan repayment period as a cost of credit.
- AUTHORITY:** The Authority means the Michigan Higher Education Student Loan Authority.
- BORROWER:** The borrower is always the student, even if credit was approved based on the cosigner's financial situation.
- COSIGNER:** Cosigner means a parent, legal guardian, or other responsible individual who is jointly and separately responsible for payment of the loan.
- CONTINUOUS EMPLOYMENT:** Continuous employment is interpreted as employment for periods as are commensurate with the nature of employment as provided by the employer.
- CREDIT:** The assessment of credit is restricted to only that credit that has been extended by an entity that extends credit in its normal course of business or credit that has been extended by a land contract holder.
- CREDIT APPLICANT(S):** The credit applicant(s) is the applicant(s) on which the credit is being based and for whom a credit bureau report is pulled.
- CREDIT STANDARDS:** The credit standards refer to the MI-LOAN credit standards as adopted by the Michigan Higher Education Student Loan Authority.
- DEFAULT:** A MI-LOAN is in default when it becomes 120 days delinquent for a scheduled payment.
- ELIGIBLE SCHOOL:** An eligible school is a Michigan degree-granting college or university listed in the "Directory of Michigan Institutions of Higher Education" as published by the State Board of Education. See Appendix A for a listing of eligible schools.

LOAN PERIOD: The loan period cannot exceed 12 months and should reflect continuous enrollment within an academic school year.

MINIMUM LOAN: The minimum MI-LOAN amount is \$500.

CHAPTER II. PROCESSING

A. Application Distribution

Applications will be available from Eligible Schools (see Appendix A), the servicer, and the Authority. If the applicant has questions regarding the application materials, the applicant is directed to contact the Authority or the servicer.

B. Application Kit

The application kit contains the following components:

1. MI-LOAN Loan Application and Promissory Note (see Appendix B) – which requests the basic data to process the loan. It must be signed in ink and dated by the student applicant and all cosigners, if applicable.
2. MI-LOAN Application and Promissory Note, Credit Evaluation Information Sheet (see Appendix C) – which provides necessary financial information for the student applicant and/or cosigner(s) to facilitate determination of credit-worthiness.
3. MI-LOAN Self Test Form (see Appendix D) – which the applicant should take to determine potential eligibility. If the student applicant does not qualify, the potential cosigner(s) should take the Self Test.
4. MI-LOAN Application Kit Information Page (see Appendix E) – which provides general information regarding the MI-LOAN Program.
5. MI-LOAN Application and Promissory Note, Instructions for Completion Sheet (see Appendix F) – which gives instructions for filling out the MI-LOAN Loan Application and Promissory Note, instructions for filling out the Credit Evaluation Information sheet, information on where to submit the application, and contact telephone numbers for the servicer and the Authority.

The applicant is instructed to return the following items to the School, who will certify the MI-LOAN Application and Promissory Note and forward it on to the servicer:

1. MI-LOAN Application and Promissory Note
2. Credit Evaluation Information sheet
3. Income documentation

C. Servicer Processing

The servicer will confirm that the applicant(s) have provided all of the requested data and will assess that data. A “Check-off List” to aid the servicer in the processing of MI-LOANS is provided as Appendix G. In addition, the servicer will pull a credit report in order to allow assessment to determine the credit applicant’s eligibility with respect to the Authority’s credit standards. A copy of the “Creditworthy Standards and Requirements” is provided as Appendix H and, a “Debt-To-Income Ratio Worksheet” (to aid the servicer in assessing the credit applicant’s eligibility) is provided as Appendix I.

If incomplete information has been provided or the applicant fails to meet MI-LOAN requirements with respect to general eligibility requirements and the Authority’s credit standards, the servicer will deny the loan.

A “Quick Reference Guide” to aid the servicer in the processing of MI-LOANS is provided as Appendix J.

D. Denial

If the loan is denied, the servicer must send a denial letter to the applicant. The servicer must do a complete review of the application before issuing the denial, and in the case of multiple reasons, the servicer’s system and the denial letter will reflect all of the reasons for denial. See Chapter XVIII for more information regarding denials.

The servicer will hold the denied loan documents for a period of 60 days. The student applicant or cosigner(s), if applicable, has the right to appeal the denial action within 60 days of such action taken. Appeals received after the 60-day period will not be considered.

If the student applicant or cosigner(s) does appeal within 60 days, and the credit applicant still does not meet the credit standards, the servicer must send a final denial letter to the applicant.

If the student applicant or cosigner(s) does appeal within 60 days, and the credit applicant now meets the credit standards, refer to Section E within this chapter.

The servicer will copy by microfilm, microfiche, or imaging the student applicant’s loan file contents. After a mutually agreed upon time frame, the servicer may then destroy the original file.

E. Approval

If approved, the loan amount would generally be the amount of eligibility as certified by the school (cost minus financial aid), the creditworthy amount or the amount requested, whichever is less. The servicer will also verify eligibility regarding aggregate loan amounts. The servicer must provide approval notification to the student applicant, the cosigner(s), if applicable, and the school.

The servicer must provide approval notification to the student applicant, the cosigner(s), if applicable, and the school. See Chapter XV for more information regarding approvals.

F. Disbursement

The servicer will issue the check with the following requirements:

1. The reserve fee, as established by the Authority, will be deducted from the loan proceeds.
2. The check will be payable to the student applicant.

G. Disclosure and Check Mailing

The servicer will mail the Federal Truth-in-Lending Disclosure (samples of the disclosure for fixed rate and variable rate loans are provided as Appendices K and L) with the check. The check and the disclosure will be mailed to the student applicant at the billing address as identified by the student applicant on the MI-LOAN application. The maximum repayment period for the MI-LOAN Program is currently 300 months (however, in the past it was 180 months and there are active loans in the program that still carry that maximum repayment period), including periods of forbearance.

H. Billing

The servicer will bill the student applicant at the billing address as identified by the student applicant on the MI-LOAN application.

I. Delinquency Notice to the Authority

If the applicant/cosigner(s) fails to pay the principal and/or interest, and the delinquency persists for 60 days, the servicer will notify the Authority. The Authority will then begin assisting the servicer in the collection of the loan.

J. Default

If the loan account becomes 120 days delinquent, the loan will be defaulted. The Authority will be responsible for collection activity on the defaulted loan.

The servicer will continue to maintain the loan on their system. They will update interest daily, and will post payments, as forwarded to them by the Authority, to the loan account.

CHAPTER III. RESPONDING TO QUESTIONS FROM POTENTIAL APPLICANTS

A. General Information

The MI-LOAN Application Kit information page provides general information on the MI-LOAN Program. A copy of that page is provided as Appendix E.

B. MI-LOAN Terms

The basic terms of the loans are as follows:

1. Minimum Loan: \$500
2. Annual Maximum Loan (annual defined as 9 months): Cost Minus Aid
3. Cumulative Program Maximum: \$125,000
4. Interest Rate: Choice of Fixed or Variable interest rates
5. Minimum Monthly Payment: \$50 per borrower
6. Payoff Period: 25 years
7. Forbearance: Maximum of 5 years (60 months), which are included in the 25-year maximum repayment period, granted in increments of up to 12 consecutive months

Forbearance allows the forbearance of the principal payment only; the borrower is always responsible for payment of the accrued interest. Capitalization of the interest is not an option for MI-LOANS.

A copy of the MI-LOAN Fact Sheet is provided as Appendix M.

The servicer must answer questions from callers regarding projected monthly payment amounts, using an amortization software program approved for use by the State (i.e. a potential applicant calls the servicer and asks for a monthly payment amount based on an anticipated loan amount, so that he/she can decide if he/she wishes to apply for a MI-LOAN).

C. Questions Regarding Forms Contained Within the Application Kit

This manual provides detail on each of the forms contained within the application kit. The servicer's familiarity with the appropriate chapters regarding the various forms should provide the necessary information to properly respond to inquiries.

In all cases, the applicant should be instructed to complete the MI-LOAN Self Test form (Appendix D) to determine potential eligibility for a MI-LOAN.

D. General Applicant and Cosigner Questions

Q1 – Who is considered the borrower?

A1 – The borrower is always the student applicant, even if the credit approval is based on a cosigner(s).

Q2 – Is a cosigner always required?

A2 – No.

Q3 – When is a cosigner necessary?

A3 – If the student applicant cannot pass the credit standards, he/she will need to produce an eligible cosigner(s) who can pass the credit standards.

Q4 – If the student applicant is denied based on the credit standards, can he/she then introduce another party to act as a cosigner?

A4 – Yes. However, the MI-LOAN Application and Promissory Note will have to be filled out, signed and dated by the cosigner(s). This usually means that a new application will have to be filled out and submitted to the servicer.

Q5 – If the loan is denied because of the cosigner's failure to meet the Authority's credit standards, can the student applicant introduce a replacement cosigner?

A5 – Yes, as long as the reassessment of eligibility can occur within the 60-day appeal period, and a new loan application is filled out by the student applicant and the replacement cosigner(s).

Q6 – Will the student applicant or cosigner be billed for payment?

A6 – The monthly billing statement will be sent in the name of the student applicant and will be mailed to the billing address as identified on the application. The billing address may be that of the credit applicant.

Q7 – When will a cosigner(s) be notified of a delinquency?

A7 – A cosigner will be notified if the account becomes 15 days delinquent.

Q8 – Does the cosigner(s) have to be related to the student applicant?

A8 – No.

Q9 – Is more than one cosigner permissible?

A9 – Yes, but only if both cosigners reside in the same household and represent joint household income and debt.

CHAPTER IV. SELF TEST FORM

The MI-LOAN Self Test form (Appendix D) has been provided to give the credit applicant an indication of potential eligibility for a MI-LOAN. The credit applicant(s) is instructed to retain the Self Test form.

In counseling the student applicant it is important to note, although it does not come into consideration until a denial is appealed, that the credit applicant must have been approved for credit in an aggregate amount of at least 50% of the MI-LOAN request, excluding home mortgages. Therefore, while a student applicant may have a good credit history on a credit card that has a credit line of \$200, he/she would not qualify for a MI-LOAN inasmuch as the \$200 would not represent 50% of the minimum loan amount of \$500. In this case, the student applicant would need to find a qualified cosigner(s) to act as the credit applicant.

If the student applicant submits the Self Test form with the application form, it is suggested that the servicer simply place it in the folder with the other MI-LOAN documents. Please note, however, that the servicer does not have any processing responsibility with respect to the Self Test form.

CHAPTER V. APPLICATION PROCESSING DEADLINES

A. Earliest Processing Date

A MI-LOAN application cannot be accepted for processing by the servicer if the application is received more than five months prior to the first day of the first month of the loan period as reported on the application by the student applicant.

Example: The loan period beginning date is 09/1999. The application cannot be accepted before April 1, 1999.

B. Latest Processing Date

The servicer must receive a MI-LOAN application no later than the last day of the last month of the loan period as reported on the application by the student applicant.

Example: The loan period end date is 06/2000. The servicer must receive the application no later than June 30, 2000.

CHAPTER VI. APPLICATION AND PROMISSORY NOTE RECEIPT

The MI-LOAN Application and Promissory Note must be received within the application processing deadlines in order to be accepted by the servicer. Chapter V provides more information on the application processing deadlines.

A. Date Stamp

The servicer must date stamp the received date on the face of the MI-LOAN Application and Promissory Note.

B. Application Folder

The servicer must create a folder to house the MI-LOAN Application and Promissory Note, and other pertinent forms and information. The folder tab must contain the student applicant's name (last name first), his/her social security number, and the date the note was signed.

This will help ensure that all loan documents stay together.

C. Forms Required

The following items must be received in order for the application kit to be considered complete:

1. MI-LOAN Loan Application and Promissory Note (white original copy, see Appendix B)
2. Credit Evaluation Information sheet (white original copy, see Appendix C)
3. Income documentation for student applicant or cosigner(s), if applicable

D. Pulling the Credit Report

Upon receipt of the application kit, the servicer should proceed with pulling the credit report. The servicer must fully assess the MI-LOAN request, including an evaluation of the information provided within the application kit and the ability of the credit applicant to meet the credit standards.

E. No Credit File

If the credit bureau that the servicer uses does not have a credit file for the credit applicant, the servicer must deny the request due to insufficient credit references. However, the servicer must complete the assessment of all requirements before issuing the written denial.

CHAPTER VII. CHECK-OFF LIST

To facilitate the servicer's handling of MI-LOANS, a MI-LOAN Check-off List has been prepared. A sample of the Check-off List is provided as Appendix G.

While it is not mandatory to use the Check-off List, it is suggested that it be used to ensure that the loan request is properly evaluated.

CHAPTER VIII. MI-LOAN LOAN APPLICATION AND PROMISSORY NOTE

A. Sample Form

A sample MI-LOAN Application and Promissory Note form is provided as Appendix B.

B. Sections to be Completed by the Student Applicant

In all cases, the student applicant must complete the “Student Applicant Information” and “Promissory Note” sections of the “MI-LOAN Application and Promissory Note”.

Completion of the “Credit Evaluation Information” sheet (see Appendix C) by the student applicant is mandatory only if he/she wishes to be assessed on his/her own income or in conjunction with household income (i.e. spouse).

C. Loan Period

The servicer must review the loan period to determine if the loan period appears to cover two academic years. Most schools have traditional academic years, which begin in either August or September and are one year in duration. Some, however, have academic years that differ.

If it appears that more than one academic year is included in the loan period, the servicer must contact the student applicant. If the he/she confirms that the loan period is within an academic year, the servicer must proceed with processing the application kit.

If the student applicant confirms that the loan period does cover more than one academic year, the servicer must advise him/her that he/she will need to change the loan period. In addition, the adjustment to the loan period may impact on the amount that the student applicant will be eligible for. There may be situations where the student applicant may want to discuss this with the Financial Aid Office prior to formally changing the loan period.

D. Sections to be Completed by the Cosigner(s)

The “Primary Cosigner Information” section (and, if applicable, the “Secondary Cosigner Information” section) will be completed when the student applicant is relying on another individual’s income to pass the Authority’s credit standards.

In all cases, a cosigner(s) must complete all of the information requested in the “Primary Cosigner Information” section (and, if applicable, the “Secondary Cosigner Information” section), and must sign and date the “Promissory Note” section of the “MI-LOAN Application and Promissory Note”, and must complete all of the information requested in the “Credit Evaluation Information” sheet.

E. Section to be Completed by the School

In all cases, the school must complete the “School Financial Aid Office Section” of the “MI-LOAN Application and Promissory Note”.

F. Screening the “Student Applicant Information” and the Cosigner Information Sections of the “MI-LOAN Application and Promissory Note” for Completeness, Accuracy and Eligibility

1. Driver’s License Number: If the applicant(s) identified a Michigan driver’s license, be sure the number consists of the first initial of the applicant’s last name followed by 12 numbers. If the applicant(s) does not have a driver’s license, they must write in “none”.
2. References: Be sure that full mailing addresses and telephone numbers are provided. The reference provided for the student applicant must be other than the cosigner(s), and cannot reside at the student applicant’s address. The reference provided for the cosigner(s) must be other than the student applicant, and cannot reside at the cosigner(s)’ address.
3. Birth Date: The cosigner(s) must be 18 years of age as of the date that he/she signs the “Promissory Note”. The student applicant must be 18 years of age or an emancipated minor as of the date that he/she signs the “Promissory Note”. If an emancipated minor, the student applicant must provide documents from the court confirming this status.

NOTE: Even if a student applicant is using a cosigner(s) to meet the credit standards, the student applicant must be 18 years of age or older as of the date that he/she signs the “Promissory Note”.

4. Citizenship: Each applicant must be either a U. S. Citizen or a Permanent Resident. If an applicant is a Permanent Resident, he/she must provide their Alien Identification Number.
5. Prior Defaults: If any of the applicants answers “yes”, they would not qualify for a MI-LOAN.
6. Michigan School: The school certifying the application must be an Eligible School (see Appendix A).

G. Screening the Promissory Note Section

1. The servicer must verify that the student applicant and the cosigner(s), if applicable, have signed the “Promissory Note” section in ink.
2. The servicer must verify that the student applicant and the cosigner(s), if applicable, have dated their signatures in the “Promissory Note” section.

H. Screening the “Credit Evaluation Information” Sheet

If the student applicant is requesting the MI-LOAN based on his/her income alone or in conjunction with household income (e.g. spouse), the student applicant (or student applicant and spouse) would complete this sheet. If the student applicant is relying on a cosigner(s), the cosigner(s) would complete this sheet. All information requested must be provided.

If the credit applicant has indicated that he/she has “Other Income” or “Projected Other Income”, look for appropriate documentation.

This information will be used to determine creditworthiness.

I. Incomplete, Inaccurate or Ineligible Information

If the application is incomplete, the information provided on the application is inaccurate, or the credit applicant is ineligible (e.g. student applicant is not at least 18 years of age or an emancipated minor), proceed with denial. However, the servicer must complete the assessment of all requirements before issuing the written denial.

In no case can “white-out” be used on the “MI-LOAN Application and Promissory Note”. Use of “white-out” renders the application null and void.

See Chapter XVIII for more information regarding denials.

CHAPTER IX. INCOME DOCUMENTATION

A. Wage Earners (Hourly/Salary Wages with Interest Earnings Only)

A copy of the last pay stub, which reflects year-to-date earnings, is the usual form of documentation. If the pay stub does not contain year-to-date earnings, letter from the employer, which identifies the year-to-date earnings, must accompany the pay stub.

Some individuals may not have a pay stub (e.g. retirees). In this case, documentation of earnings would be considered as the equivalent of a pay stub.

Other income, and projected other income that will be earned in the current tax year, that is documented by the remitter can be added to the average monthly income calculation. However, this other income is limited to income that would be reported for tax purposes or non-reported income as defined in the U.S. Master Tax Guide for the applicable tax year.

An excerpt from the 2000 U.S. Master Tax Guide, Checklist for Items of Income, that describes non-reported income is provided as Appendix N.

A new guide is published each year. If the servicer does not have access to the revised guides as they are issued, please contact the Authority (1-888-643-7521) and request a copy of the most recent guide.

B. Self-Employed or Commission Income

Copies of the signed 1040's for the preceding two years, with all schedules, are the necessary form of documentation for this type of income.

These credit applicants typically file federal income tax schedules C, E, F, or K-1, and copies of those schedules, where applicable, must accompany the signed 1040's.

Other income that is earned in the current tax year and is documented by the remitter can be added to the average monthly income calculation. However, this other income is limited to non-reported income as defined in the U.S. Master Tax Guide for the applicable tax year.

An excerpt from the 2000 U.S. Master Tax Guide, Checklist for Items of Income, that describes non-reported income is provided as Appendix N.

A new guide is published each year. If the servicer does not have access to the revised guides as they are issued, please contact the Authority (1-888-643-7521) and request a copy of the most recent guide.

C. Denial

If the credit applicant cannot produce the required documentation of income, the servicer must deny the loan request. (See Chapter XVIII for more information regarding denials.) However, the servicer must complete the assessment of all requirements before issuing the written denial.

CHAPTER X. CREDITWORTHY STANDARDS AND REQUIREMENTS

Since the Michigan Higher Education Student Loan Authority (a State agency) administers the MI-LOAN Program, and the servicer acts on behalf of the Authority, consistency and uniformity are essential in the MI-LOAN Program. Discretion and individual judgement could jeopardize this uniformity and, thus, are not permitted.

The servicer is required to adhere to the “Creditworthy Standards and Requirements”, which have been approved by the Michigan Higher Education Student Loan Authority, and are provided as Appendix H.

Details as to the administration of these standards are provided in the following chapters:

Chapter XI. Continuous Employment Assessment

Chapter XII. Analysis of the Credit Report

Chapter XIII. Determination of the Debt-to-Income Ratio

CHAPTER XI. CONTINUOUS EMPLOYMENT ASSESSMENT

A. Requirement

The credit applicant must have at least two years of continuous employment. In the case of two cosigners, at least one cosigner must meet this two-year continuous employment requirement. A cosigner who is retired, and who otherwise meets the Authority's credit standards, may be granted a waiver from the two-year continuous employment requirement.

For purposes of this program, continuous employment is interpreted as employment for such periods as are commensurate with the nature of employment as provided by the employer. Some occupations do not offer employment 52 weeks a year, e.g. school teacher, and this interpretation recognizes these individuals as continuously employed.

B. Denial

If the credit applicant does not meet the two-year continuous employment requirement, the servicer must deny the loan request. (See Chapter XVIII for more information regarding denials.) However, the servicer must complete the assessment of all requirements before issuing the written denial.

CHAPTER XII. ANALYSIS OF THE CREDIT REPORT

A. “Creditworthy Standards and Requirements”

A copy of the “Creditworthy Standards and Requirements” is provided as Appendix H.

B. Empirica Credit Scoring

The Empirica score, as given by the credit bureau in the credit report, must be at or above the score established by the Authority to be sufficient to allow approval of the loan. That score is currently 680, as stated in the “Creditworthy Standards and Requirements”, but may change in the future at the Authority’s discretion.

If the applicant(s) Empirica score is below the required score, but in a range that the Authority has determined would be likely to end in a successful appeal (that range is currently from 660 to 679, but may change in the future at the Authority’s discretion), the servicer must perform the appeal process, as outlined in the “Creditworthy Standards and Requirements, prior to sending a denial to the applicant(s).

C. Review of Credit History

To facilitate and expedite application processing, a review of the credit history should be done to locate any problem areas that would preclude a successful appeal. The servicer should then advise the applicant(s) of any potential problems as a part of the denial process. This should result in a higher rate of successful appeals.

The review of the credit history is limited to that credit for which the credit applicant is contractually liable for, and for which has been extended by an entity that extends credit in its normal course of business, or credit that has been extended by a land contract holder. For example, medical bills would be excluded from your review.

In addition, formally disputed credit tradelines as reflected on the credit bureau report would be excluded. Credit applicants may verbally dispute a tradeline to the servicer; however, unless the credit report confirms that the tradeline has been formally disputed, the servicer cannot exclude that tradeline in its assessment of the credit applicant’s credit history.

The credit applicant’s credit history should be reviewed for, and must reflect, all of the following:

1. All active accounts must be current.
2. No more than two 30-day delinquencies in the past two years per loan.
3. No 60-day or greater delinquencies in the past two years.

4. No chargeoffs, repossessions , collection accounts, attachments, suits, judgements, foreclosures or garnishments reported by credit providers in the prior five years. (Bankruptcies and civil judgements, for example, would be excluded.)
5. No outstanding tax liens.

The above information includes debt for which the credit applicant has acted as a cosigner, and personal loans that have been obtained for business purposes. (See Chapter XIII, L. for further information regarding treatment of business expenses.)

D. Denial

If the credit applicant does not meet the credit standards, the servicer must deny the loan request. (See Chapter XVIII for more information regarding denials.) However, the servicer must complete the assessment of all requirements before issuing the written denial.

E. Appeals

See Chapter XIX for information regarding appeals.

CHAPTER XIII. DETERMINATION OF THE DEBT-TO-INCOME RATIO

The servicer must use the “Debt-To-Income Ratio Worksheet” to calculate the debt-to-income ratio. A sample of this form is provided as Appendix I. This worksheet must be kept in the loan folder with the other MI-LOAN documents.

A. Income Determination

1. Wage Earner (Hourly/Salary Wages and Interest Earnings Only):

The income figure that is used for the wage earner is the total of the year-to-date gross wages, the projected gross wages for the remainder of the tax year, the year-to-date documented other income, and the projected other income for the remainder of the tax year, divided by 12.

The calculation to determine this figure is found on the “Debt-To-Income Ratio Worksheet” under the heading “Hourly/Salary Wages and Interest Earnings Only” (See Appendix I).

Other monthly income and projected other income might include investment earnings, child support, etc. Such other income is limited to income that would be reported for tax purposes or non-reported income as defined in the U.S. Master Tax Guide for the applicable tax year (see Appendix N). If the credit applicant wishes to use other income in the debt-to-income calculation, this other income must be documented in writing by the remitter. This documentation must be kept in the loan folder with the other MI-LOAN documents.

(The servicer can request a copy of the last signed 1040 from the credit applicant should there be a question regarding other income that the credit applicant wants to include because the credit applicant is maintaining that it has been reported for tax purposes in the past.)

2. Self Employed or Commission Income:

These credit applicants typically file federal income tax form 1040 with schedules C, E, F, or K-1. Copies of those schedules, where applicable, must accompany the signed 1040's.

The calculation to determine this figure is found on the “Debt-To-Income Ratio Worksheet” under the heading “Income Other Than Wages and Interest Earnings” (see Appendix I).

Basically, the adjusted gross income (AGI) from the last two signed 1040's is adjusted by adding back the following business deductions: IRA/KEOGH/SEP deductions, mortgage

interest, other interest, depreciation and depletion. The two adjusted AGI's for each of the prior two years are added together and divided by two (2) to determine an annual average. The annual average is adjusted by adding any year-to-date documented other income and any projected other income for the remainder of the tax year. The adjusted annual average income is then divided by twelve (12), to determine the monthly average income.

The only documented other income that is acceptable is non-reported income as defined in the U.S. Master Tax Guide, Checklist for Items of Income, for the applicable tax year (see Appendix N). If the credit applicant wishes to use other income (e.g. child support) in the debt-to-income calculation, this other monthly income must be documented in writing from the remitter. This documentation must be kept in the loan folder with the other MI-LOAN documents.

3. Combination of Both Wages and Self Employed/Commission Earnings:

If a credit applicant has both wages (e.g. hourly wages) and income from self-employment or commissions, calculate the monthly income using the formula for "Income Other Than Wages and Interest Earnings".

Also, if there are two credit applicants (e.g. primary and secondary cosigners) and their incomes come from both hourly wages and self-employment or commissions, calculate the monthly income using the formula for "Income Other Than Wages and Interest Earnings".

4. One Credit Applicant; Filed Joint Tax Return(s):

If there is only one credit applicant and that applicant's income requires an assessment of the last two years' 1040's; and if the 1040's were filed jointly with that applicant's spouse, the servicer is to contact the Authority (1-888-643-7521) for instructions in determining the average gross monthly income for the single credit applicant.

B. Treatment of Teacher's Income

Teachers often have a choice of being paid during the in-school months only or receiving pay checks to cover the entire full academic year. In these cases, the servicer needs to contact the credit applicant to determine the method of payment that has been selected by the credit applicant. This is critical in light of the need to project annual gross wages, prior to determining the average monthly income.

The servicer must document any discussions with the credit applicant, and that documentation must be kept in the loan folder with the other MI-LOAN documents.

C. Treatment of Seasonal Employees Income

The same instructions, provided in section B above, would be pertinent to individuals with seasonal employment. For example, if during the summer months, a credit applicant who is a construction worker produces a recent pay stub, there is reason to question if the level of income documented on that pay stub will be available throughout the calendar year. In these cases, the servicer needs to consult with the credit applicant to determine the availability of the documented compensation for the remainder of the year. Any documentation received must be kept in the loan folder with the other MI-LOAN documents.

D. Treatment of Overtime Income

The pay stub may reflect overtime or premium pay. The overtime or premium pay should be included in the year-to-date earnings, inasmuch as this reflects actual earnings. However, the servicer should use the base pay only (without overtime or premium pay) to determine the projected earnings for the remainder of the year.

If the credit applicant wants overtime that he/she expects to earn during the remainder of the year included in the determination of the projected earnings for the remainder of the year, instruct him/her that consideration can be given for future overtime earnings only if the employer confirms in writing that the employee will receive overtime during the current year, and gives the amount of overtime compensation that will be received for the remainder of the year. The servicer must place this documentation in the loan folder with the other MI-LOAN documents.

E. Treatment of Future Bonuses

If, either at the time of application or during the appeal period, a credit applicant requests the servicer to include bonuses that he/she will receive in the future in the determination of the projected earnings for the remainder of the year, the servicer should instruct him/her that it is possible to do so only if the employer confirms in writing that the employee will receive such bonuses during the current year and the amount of the bonuses that will be received. The servicer must place this documentation in the loan folder with the other MI-LOAN documents.

F. Treatment of Workstudy Income

If the student applicant is the credit applicant and has income from workstudy, this is considered acceptable income for purposes of determining the debt-to-income ratio. However, prior to projecting the annual income, the servicer must confirm with the student applicant the period of time that these earnings are expected to be earned. For example, the student may not be planning to utilize workstudy for the entire loan period. Once the period, for which workstudy will be available, has been established, the servicer may proceed with determining the annual income.

G. Treatment of Other Financial Aid

If the student borrower is the credit applicant and has income from other financial aid that is considered taxable income by federal tax laws, this is considered acceptable income for purposes of determining the debt-to-income ratio. However, before the servicer may include this income in the determination of the projected earnings for the remainder of the year, the student applicant must provide the servicer with documentation that con-firms the financial aid is taxable. This documentation must be kept in the loan folder with the other MI-LOAN documents.

H. Determination of Monthly Debt

To determine the monthly debt, including any prior MI-LOANS that have been disbursed, use the following guidelines:

1. Debt Disclosed by the Credit Applicant:

Use the higher of the following:

- a. the monthly payment reported by the credit applicant,

OR

- b. the monthly payment as reflected on the credit report.

NOTE: Monthly debt includes child support and/or alimony obligations and only credit that has been extended by an entity that extends credit in its normal course of business or a land contract holder.

2. Debt Not Disclosed by the Credit Applicant but Reflected on the Credit Report:

Use the payment as reflected on the credit report or, if the credit report does not reflect a monthly payment amount, calculate the payment by dividing the original loan amount by the term of the loan as reflected on the credit report.

If the term of the loan is not incorporated in the credit report, the servicer must obtain the monthly payment amount from the credit applicant.

Again, this is limited to credit that has been extended by an entity that extends credit in its normal course of business, or credit that has been extended by a land contract holder.

3. Debt Disclosed by the Credit Applicant but Not Reflected on Credit Report:

Use the payment as reflected by the credit applicant, provided it reflects a liability for credit that has been extended by an entity that extends credit in its normal course of business or a land contract holder or reflects an obligation for child support or alimony.

The absence of the credit being rated on a credit report can be construed to mean that the credit applicant's obligation is current and there has been no derogatory credit history for that indebtedness.

4. MI-LOAN Request:

The servicer must include a projected payment, for the MI-LOAN that is being requested, in calculating the debt-to-income ratio.

Using an amortization software program that has been approved for use by the State, the servicer will calculate the projected payment using the following information found on the "MI-LOAN Application and Promissory Note":

- a. The student applicant's requested loan amount or the "Cost Minus Aid" figure (whichever is lower),
- b. The fixed or variable (as indicated by the student applicant on the application) interest rate as of the processing date,
- c. And the number of years of repayment as indicated on the application (or the addendum, if one was received by the servicer).

A copy (or screen print) of the amortization, showing the monthly payment amount, should be filed in the loan folder with the other loan documentation.

(The full principal and interest payment must be included in the calculation, even though the student applicant may subsequently request and pay interest-only payments.)

The above information includes debt for which the credit applicant has acted as a cosigner and personal loans that have been obtained for business purposes.

I. Treatment of Educational Expenses

Educational expenses, such as tuition, books, room and board, should not be included in the calculation of the debt-to-income ratio. These expenses are taken into consideration by the Financial Aid Office in determining the cost of the program for purposes of certifying eligibility.

J. Treatment of Educational Loans

Educational loans will be considered in the calculation of the debt-to-income ratio and in the assessment of an individual's credit history provided there is an established monthly payment schedule for that indebtedness. The credit applicant's representation of a monthly payment or the presence of a monthly payment amount on a credit bureau report will constitute proof that a monthly payment schedule has been established.

If the credit applicant provides documentation (which must be kept in the loan folder with the other MI-LOAN documents) that monthly payments are not required because of in-school status, grace or deferment status, the servicer shall exclude the loan from the calculation of the debt-to-income ratio. However, this debt should remain in the 50% calculation as it appears in Chapter XIX, Appeals.

K. Treatment of Rent

Where the student applicant is the credit applicant and is living off-campus, his/her rent should not be included in the calculation of the debt-to-income ratio as it is taken into consideration by the Financial Aid Office in determining the cost of the program for purposes of certifying eligibility.

However, where the student applicant is not the credit applicant, rent is considered an extension of credit and should be included in the calculation of the debt-to-income ratio.

L. Treatment of Business Expenses

If the credit applicant's credit report contains credit that has been extended for business, and for which the credit applicant is responsible for payment, the outstanding credit must be included in the calculation of the debt-to-income ratio.

In those cases where a credit card is in the name of the applicant but is reimbursed by the employer, the debt can be excluded if the applicant can provide a recent copy of the credit card statement showing that the previous month's balance has been paid in full, and proof from the employer that they are reimbursing the applicant for the debt. This proof can be either a copy of the employer's reimbursement check (the check amount does not have to match the paid amount on the credit card statement, but should be comparable; i.e. paid amount is \$634.23, employer's check amount is \$592.75), or a written statement from the employer.

M. Debt-to-Income Ratio

The debt-to-income ratio cannot exceed 40.0%. The calculation should be carried out four decimal places, and is not rounded off. Therefore, if the ratio is 40.0514, the credit applicant would qualify because the first figure to the right of the decimal is "0". However, if the ratio were 40.1223, the credit applicant would not qualify because it exceeds 40.0%.

N. Denial

If the credit applicant does not meet the credit standards, the servicer must deny the loan request (see Chapter XVIII for more information regarding denials). However, the servicer must complete the assessment of all requirements before issuing the written denial.

O. Appeals

See Chapter XIX for information regarding appeals.

CHAPTER XIV. COSIGNERS

Two cosigners are permissible provided that they reside in the same household and represent joint household income and debt, and can jointly pass the credit standards, with the exception of the two-year continuous employment requirement.

In the case of a single cosigner, that cosigner is referred to as the “primary cosigner”. In the case of two cosigners, they are referred to as the “primary cosigner” and the “secondary cosigner”.

CHAPTER XV. LOAN APPROVAL

If the credit applicant(s) meets the credit standards and the other eligibility requirements which have been assessed by the servicer, the servicer should then proceed with notifying the student applicant and, if applicable, his/her cosigner(s) of the approved loan.

A. Approval Letter

Although the format of the approval letter is at the discretion of the servicer, it should be printed on the servicer's letterhead and must contain the following information:

1. The student applicant's name,
2. The student applicant's social security number,
3. The date that the student applicant signed the note,
4. The name of the school,
5. The school code,
6. The date the loan was approved,
7. The anticipated interest rate for the new loan,
8. The gross approved loan amount,
9. The reserve fee amount,
10. The anticipated net check amount,
11. The loan period,
12. The anticipated disbursement date,
13. If applicable, reason(s) for reduction in loan amount from originally requested amount,
14. The following statement regarding interest rates: "The interest rate assigned to this loan will be based on the rates in effect on the date of disbursement. Variable interest rates will be adjusted on July 1st of each year",
15. The following statement regarding disbursement of the loan: "The disbursement check will be made payable to you and will be sent to your billing address as indicated above",

16. The following statement regarding billing and repayment of the loan: “<<servicer’s name>> will bill you at the billing address provided by you on your MI-LOAN application. Your first payment will be scheduled within 60 days of disbursement. The monthly payment for this loan plus prior MI-LOANS will be at least \$50.00, and may be higher, depending on the total amount owed”,

17. And the servicer’s toll-free customer service telephone number.

A copy of the “Approval Letter” that was sent to the student borrower must be kept in the loan folder with the other MI-LOAN documents.

B. School Notification

A copy of the approval letter that was sent to the student applicant must be sent to the school’s financial aid office, and a copy must be kept in the loan folder with the other MI-LOAN documents.

CHAPTER XVI. ELIGIBILITY CERTIFICATION BY SCHOOL FINANCIAL AID OFFICE

The servicer should carefully review the “School Financial Aid Office Section” of the “MI-LOAN Application and Promissory Note” (see Appendix B) for completeness, and to determine the student applicant’s eligibility or ineligibility.

A. School Certifies Student Applicant is Eligible; “Cost Minus Aid” Equals Student Applicant’s “Requested Amount”:

Example: “Cost Minus Aid” is \$4,000;
“Requested Amount” is \$4,000.

In this example, the amounts are the same. The servicer should proceed with disbursement of the loan (see Chapter XVII).

B. School Certifies Student Applicant is Eligible; “Cost Minus Aid” is More Than the Student Applicant’s “Requested Amount” Amount:

Example: “Cost Minus Aid” is \$7,000;
“Requested Amount” is \$5,000.

In this example, the student applicant would be limited to \$5,000, the “Requested Amount” Amount. The servicer should proceed with disbursement of the loan (see Chapter XVII).

C. School Certifies Student Applicant is Eligible; “Cost Minus Aid” is Less Than the “Requested Amount” Amount:

Example: “Cost Minus Aid” is \$6,000;
“Requested Amount” Amount is \$8,000.

In this example, the student applicant is limited to \$6,000 based on certification of eligibility by the school.

The servicer should include the reason for reduction in loan amount in the approval letter (see Chapter XV for more information regarding the approval letter).

D. School Certifies “Not Eligible”:

If “Cost Minus Aid” is less than \$500, or the school checked the box indicating that the student applicant is not eligible, the student applicant does not qualify for a MI-LOAN.

The servicer should proceed with the denial (see Chapter XVIII for more information regarding denials).

CHAPTER XVII. DISBURSEMENT

A. Final Approval

Assuming all eligibility criteria have been met, the servicer will send a MI-LOAN Approval Letter (see Chapter XV for more information regarding the approval letter), and proceed to disburse the funds.

B. Disbursement

MI-LOANs are always disbursed in single disbursements, and are always made payable to the student applicant.

The check is mailed to the student applicant's home (billing) address, as indicated by the student applicant on the application. A cover letter and a Federal Truth-in-Lending Disclosure Statement will accompany the check.

The cosigner(s) will receive a cover letter notifying him/her that the check has been sent to the student applicant, and a copy of the Federal Truth-in-Lending Disclosure Statement.

Samples of the Federal Truth-in-Lending Disclosure Statement are provided as Appendices K and L.

C. Interest Rate

The MI-LOAN interest rate is assigned at the point of disbursement. The interest rate will be either fixed or variable, as requested by the student applicant on the application, and will be the interest rate that is in effect as of the disbursement date (check date). The Federal Truth-in-Lending Disclosure Statement will identify the applicable interest rate for the MI-LOAN.

D. Reserve Fee

All MI-LOANs are subject to a reserve fee. This fee is deducted from the loan proceeds and is used to offset costs for administration of the program, for defaulted loans, and for unpaid loans as a result of a student borrower's death or total and permanent disability. (This fee is forgiven only if the uncashed disbursement check is returned to the servicer or the Authority within 30 days of issuance. See Chapter XXI for more information on MI-LOAN cancellations.)

CHAPTER XVIII. DENIALS

When the servicer determines that a loan is denied, the servicer is to put the loan into “Denied” status on their system. The loan is to remain in “Denied” status until the 60-day appeal period expires or until the loan is finally approved.

A. Denial Letter

The servicer must send a denial letter to notify the student applicant and, if applicable, the cosigner(s) of the denied credit.

Although the format of the denial letter is at the discretion of the servicer, it should be printed on the servicer’s letterhead and must contain the following information:

1. The student applicant’s name,
2. The student applicant’s social security number,
3. The date that the student applicant signed the note,
4. The name of the school,
5. The school code,
6. The date the loan was denied,
7. The “Requested Amount” that was denied,
8. The loan period,
9. The reason(s) for denial of the loan (the loan application must be reviewed completely, and all denial reasons must be given),
10. The following statement regarding appeal: “You have 60 days after receipt of this letter to appeal this decision”,
11. The following section regarding disclosure of information obtained from the credit report:

Disclosure of Use of Information Obtained from an Outside Source

Disclosure inapplicable

Information obtained in a Consumer Report, prepared by a Consumer Reporting Agency:

Name of Firm

(Area Code) Telephone Number

Street Address

City

State

Zip Code

And/or because of

Information obtained from a person other than a Consumer Reporting Agency, you have the right to request in writing, within sixty (60) days after the receipt of this letter, the nature of said information.

12. The following statement regarding the Federal Equal Credit Opportunity Act:

“The Federal Equal Credit Opportunity Act” prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant’s income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal Agency that administers compliance with this law concerning this creditor is:

Federal Trade Commission, Regional Office
Suite 500, Mall Boulevard
118 St. Clair Avenue
Cleveland, OH 44114

13. And the servicer’s toll-free customer service telephone number.

B. Notifying Student Applicant

The denial letter must always be addressed to the student applicant, and sent to his billing address, as he indicated on the application.

If the student applied on his/her own or in conjunction with a spouse, the servicer would disclose the name of the credit bureau in the appropriate section of the letter, as well as **all** of the reasons for the denial. If the reason for denial is due to an unacceptable cosigner(s), refer to the following section C.

C. Unacceptable Cosigner(s)

If the cosigner(s) was not acceptable, the servicer will address the denial letter to the student applicant with an indication that “the cosigner was not acceptable”. The servicer will disclose the name of the credit bureau only if the servicer pulled a credit report from that credit bureau for the student applicant (as in the case where the student applicant’s credit history is being used in conjunction with his/her spouse as the cosigner).

In this case, the servicer must send a separate denial letter to the unacceptable cosigner(s), disclosing the name of the credit bureau from which the credit report was pulled, and listing **all** of the reasons that the cosigner(s) was unacceptable. By sending a separate denial letter to the denied cosigner(s), it offers the cosigner the opportunity to dispute the report if he/she considers the credit bureau report to be in error.

D. Incomplete Application

If the applicant did not provide all of the information on the application or failed to provide sufficient income documentation, the application would be considered incomplete.

In these cases, the servicer must indicate in the denial letter that the application is incomplete, and give a list of what information or documentation is missing.

The fact that there were obligations listed on the credit bureau report, but not listed on the application, is not a reason for denial, providing all other requirements are met.

E. Insufficient Credit References

If the credit bureau that the servicer uses does not have a credit file for the credit applicant, the servicer must deny the loan request, and identify the reason for denial as “insufficient credit references”.

F. Unacceptable Length of Continuous Employment

If the credit applicant has not been continuously employed for the past two years, the servicer must indicate that fact in the denial letter.

Note: The two-year continuous employment requirement is waived for retirees.

G. Debt-to-Income Ratio Above 40.0%

If the credit applicant’s monthly debt exceeds 40.0% of the average gross monthly income, the servicer must indicate in the denial letter that the denial is due to “excessive obligations”.

H. Failed to Meet Empirica Score

If the credit applicant's Empirica score does not meet the Authority's credit standards, the servicer must indicate that the "cosigner failed to meet credit standards" and must give, as explanation, the descriptions that apply to the four (4) alert numbers that were listed with the Empirica score on the credit report.

Note: Under no circumstances is the servicer to mention the "Empirica Score", either in conversations with the applicants or in correspondence to the applicants (including the denial letter).

I. Cannot Meet Other Requirements

If the applicant does not meet other requirements (not at least 18 years of age, not a U.S. Citizen or Permanent Resident, defaulted on an educational loan, ineligible school, qualifies for less than the minimum loan amount, school indicates that the student is "not eligible", etc.), the servicer should explain the denial reason in the denial letter.

J. Multiple Reasons

In the event that there are multiple denial reasons, the denial letter must reflect **all** of those reasons. If the servicer finds that an applicant fails to meet one of the eligibility criteria, the servicer will need to review all of the eligibility criteria before preparing the denial statement for insertion into the denial letter.

K. Appeal Period

The student applicant and, if applicable, credit applicant(s) have a 60-day period during which they may appeal the denied credit.

The servicer is to hold the MI-LOAN folder until the 60-day period has elapsed, and until the appeal period has expired or the loan has been approved, the loan will remain on the servicer's system in "Denied" status.

L. Appeal Approved

If the student applicant and/or, if applicable, credit applicant(s) appeal the denied credit and such information enables the servicer to approve the loan, the servicer must then proceed with notifying the applicants of the approval (see Chapter XIX for more information regarding appeals).

M. Appeal Denied

If the student applicant and/or, if applicable, credit applicant(s) appeal the denied credit and such information does not allow the servicer to approve the loan, the servicer must then contact the applicant(s) and notify him/her/them of the reason(s) that the appeal was not successful (see Chapter XIX for more information regarding appeals).

N. Denied Loans

If after the 60-day appeal period has expired, the loan remains denied, the servicer must copy, by microfilm, microfiche, or imaging, the loan folder contents. After a mutually agreed upon time frame, the servicer may then destroy the original file.

CHAPTER XIX. APPEALS

NOTE: The applicant(s) have 60 days from the date of denial to appeal a denied loan. Reference to a valid appeal below implies that the appeal occurred within this time frame.

A. Appealing a Denial

If an applicant appeals the denied loan within the 60-day appeal period, and satisfies all of the criteria, the loan can be approved.

B. Successful Appeals

If the credit applicant's failure to meet the credit standards was due to erroneous or incomplete information, the applicant may appeal the initial decision within 60 days of the denial.

It is not possible to provide an all-inclusive list of valid documentation examples in this Chapter, but we have tried to include some examples as a guide in the appeals process. If the servicer needs further clarification, they should contact the Authority.

C. Missing Information on Forms or Income Documentation

If the applicant(s) failed to provide all of the information that was required on the application and promissory note forms, or failed to provide sufficient income documentation, submission of this information to the servicer within the 60-day appeal period will allow the loan to be approved, provided such information confirms eligibility.

D. Debt-to-Income Ratio Above 40.0%

During the appeal period, the applicant may submit documentation to the servicer that alters the information that was initially used to calculate the debt-to-income ratio. Some examples of this are:

1. Applicant provides documentation from a creditor that a loan has been paid in full.
2. Applicant provides documentation on additional income.
3. Applicant provides information on additional debt.
4. Applicant identifies that other changes have occurred, which affect their situation since they applied; such as a loss or reduction of income.

Upon receipt of this documentation, the servicer must reassess eligibility (recalculate the debt-to-income ratio) based on the new information.

E. Not 18 Years of Age

If the applicant entered the wrong birth date on the application, and wishes to change it, he/she must provide a copy of his/her driver's license, state I.D., or birth certificate verifying that he/she was 18 years of age at the time that he/she signed the "Promissory Note" section of the application or within the 60-day appeal period.

Note: If the "Promissory Note" was signed by the student applicant prior to his/her 18th birthday, the student applicant must re-sign and re-date the "Promissory Note" on or after his/her 18th birthday. The cosigner(s) is not required to re-sign the "Promissory Note" unless the student applicant chooses to fulfill this requirement by filling out an entirely new application and promissory note.

F. Ineligible School

If a student applicant is denied because the school was ineligible, and subsequently transfers to an eligible MI-LOAN school, the loan can be reprocessed if the applicant informs the servicer of the transfer within the 60-day appeal period. Assuming the applicant notifies the servicer within the 60-day period, the servicer must obtain school certification information from the new school. If the new school confirms eligibility, the loan can be approved.

G. Qualifies for Less Than the Minimum Loan Amount

If the student applicant was denied because he/she requested less than the minimum loan amount, the servicer can subsequently approve the loan if the student applicant, in writing, increases the loan request to at least the \$500 minimum, and all the other eligibility requirements are met.

If the student applicant qualifies for less than the minimum loan amount because "Cost Minus Aid" is less than the \$500 minimum, the school must provide documentation that "Cost Minus Aid" has been re-calculated and that the student applicant does qualify for an amount of \$500 or greater.

H. School Indicates That the Student Applicant is Not Eligible

If the student applicant is denied because the school cannot certify eligibility, the school must provide written documentation that the student applicant's eligibility status has changed.

I. Unacceptable Cosigner(s)

If a student applicant is denied because of the cosigner's failure to meet the Authority's credit standards, but is able to introduce an acceptable cosigner within the 60-day appeal period, the servicer would reassess MI-LOAN eligibility with the new cosigner.

J. Unacceptable Empirica Score

If a student applicant is denied because the credit applicant(s) failed to meet the Empirica Score as established by the Authority, the servicer must review the credit applicant(s) credit history using the guidelines as stated in the “Appeal Process” section of the “Creditworthy Standards and Requirements”. If the credit applicant(s) meets the criteria under that review, and all the other eligibility requirements are met, the service can subsequently approve the loan.

K. No Credit File

For those applications which have been denied because the servicer does not have access to a credit report based on the credit bureau reports available to the servicer, upon appeal by the applicant, the servicer shall provide the applicant sufficient copies of the “Verification of Credit” form (provided as Appendix O). The applicant will then request credit verifications from the creditors, with such verifications to be returned directly to the servicer.

The servicer must confirm that “Verification of Credit” forms have been received from all of the creditors listed on the credit applicant’s application, and then reassess credit eligibility using the criteria listed under the “Appeal Process” section of the “Creditworthy Standards and Requirements” (see Appendix H). If the credit applicant meets the credit standards criteria based on these credit verifications, the loan can be approved.

NOTE: In determining what is acceptable credit, use only the credit that has been extended by an entity that extends credit in its normal course of business or credit that has been extended by a land contract holder.

L. Unable to Meet Criteria Under “Appeal Process”

1. Minimum History: If a credit applicant(s) is able to submit sufficient copies of the “Verification of Credit” form (provided as Appendix P) to meet the criteria, the loan can be approved, providing that all the other eligibility requirements are met.
2. Credit History Review:
 - a. All active accounts are current: If the credit applicant can prove that the delinquency(s) reported on the credit report is in error by providing a billing statement, confirmation of correction by the credit bureau, or a letter from the creditor confirming no delinquency, the loan can be approved, providing that all the other eligibility requirements are met.
 - b. There are no more than two 30-day delinquencies in the prior two years per loan: If the credit applicant(s) is able to have a sufficient number of 30-day delinquencies removed from his/her credit report in order to meet this criteria, and provides confirmation of the correction(s) by the credit bureau, the loan can be approved, providing that all the other eligibility requirements are met.

- c. There are no 60-day or more delinquencies in the prior two years: If the credit applicant(s) is able to have all 60-day and above delinquencies removed from his/her credit report in order to meet this criteria, and provides confirmation of the correction(s) by the credit bureau, the loan can be approved, providing that all the other eligibility requirements are met.
- d. There are no chargeoffs, repossessions, collection accounts, attachments, suits, judgements, foreclosures or garnishments in the prior five years: If the credit applicant(s) is able to successfully dispute the credit report with the credit bureau, and provides a copy of the corrected credit bureau report to the servicer, the loan can be approved, providing that all the other eligibility requirements are met.
- e. No outstanding tax liens: If the credit applicant(s) is able to successfully dispute the credit report with the credit bureau, and provides a revised credit bureau report that no longer reflects an outstanding tax lien, the loan can be approved, providing that all the other eligibility requirements are met.

M. Situations Which Normally Cannot Be Overruled

1. Not continuously employed for two years.
2. Not a U.S. Citizen or permanent resident.
3. Not 18 years of age by the end of the 60-day appeal period.

N. Unsuccessful Appeal of a Denial

If the applicant responds to a denial letter, but the information supplied does not allow the loan to be approved, the servicer must notify the borrower that the loan may not be approved, and must give the reason(s) that prevent the loan from being approved. The initial denial period remains in effect, and the applicant may continue to supply the servicer with information relevant to the appeal until the end of the appeal period.

O. Second Denial

If the applicant responds to a denial letter and the information supplied satisfies the original reason(s) for denial but creates a new denial reason, the servicer must send the applicant a new denial letter (see Chapter XVIII for more information regarding the denial letter). The applicant is then entitled to another 60-day appeal response period to resolve the new denial condition.

CHAPTER XX. ADJUSTMENTS

Adjustments in the MI-LOAN amount can be made if the loan has not been disbursed, or if the uncashed disbursement check is returned to the servicer within 30 days of the disbursement date.

Increases are possible, therefore, if the loan amount was reduced because of the school's certification and the school subsequently reports a change in the information that allows for an increase in the loan amount, providing that the new loan amount does not exceed the student applicant's requested amount.

CHAPTER XXI. CANCELLATIONS

A. Uncashed Check Returned Within 30 Days

By policy of the Authority, the reserve fee and accrued interest will be forgiven **only** if the uncashed disbursement check is returned to either the servicer or the Authority within 30 days of issuance. Such action will result in the cancellation of the disbursed loan.

If the uncashed check is returned more than 30 days after issuance, it will be treated as a payment on the loan, resulting in the borrower's liability for payment of accrued interest and the reserve fee.

B. Student Borrower's Death

If the student borrower dies, the outstanding balance of the loan will be cancelled. In order for this cancellation to occur, the family must provide a copy of the death certification to either the servicer or the Authority.

Please note, however, that no forgiveness of the loan is possible if a cosigner(s) dies.

C. Student Borrower's Permanent and Total Disability

If the student borrower becomes permanently and totally disabled, the outstanding loan balance will be cancelled. In order for this cancellation to occur, the student borrower must provide acceptable documentation from a physician that confirms the student borrower's condition.

Again, there is no cancellation provision available should the cosigner(s) become permanently and totally disabled.

CHAPTER XXII. REPAYMENT

A. First Payment Due Date

The first payment will be scheduled within 60 days after the disbursement date and will be reflected in the Federal Truth-in-Lending Disclosure Statement (see Appendices K and L).

B. Minimum Payment

The monthly payment will be no less than \$50 per month, and may be higher depending upon the total amount outstanding, including prior MI-LOANS.

C. Prior Outstanding MI-LOANS

If the student borrower has prior outstanding MI-LOANS, the payment schedule as disclosed may be adjusted in order to combine the loans for repayment. For example, if the payment on the outstanding MI-LOANS is due on the 15th of the month, the payment date for the newest MI-LOAN would be set the same.

D. Repayment Period

Beginning on 07-03-1999 the maximum repayment period for a MI-LOAN was increased from 15 years to 25 years.

E. Forbearance

Included in the maximum repayment period is the option of interest-only payments (forbearance) for a period not to exceed five (5) years (60 months). The 60 months of forbearance do not have to run consecutively.

If the student borrower and the cosigner(s), if applicable, are unable to make the regular monthly payments due to a financial hardship, they can be approved for forbearance. The monthly payment amount would be reduced to equate the amount of interest that accrues on a monthly basis. Dependent upon the total amount outstanding, the forbearance payment may be less than the \$50 minimum monthly payment amount. During the authorized forbearance period the student borrower and/or the cosigner(s), if applicable, would be required to remit monthly interest payments.

To receive this option, the student borrower or the cosigner(s), if applicable, must provide a written request to either the servicer or the MI-LOAN Program. This repayment option is approved in increments of up to 12 months, not to exceed a cumulative total of 60 months.

Please note that capitalized interest is not permissible for MI-LOANS.

F. Billing

The servicer will provide the student borrowers with a monthly statement or a coupon book to facilitate the submission of monthly payments.

G. Credit Bureau Reports

At the time of disbursement, MI-LOANS are reported to national credit bureaus. Monthly updates are provided thereafter. Reports are filed on both the student borrower and the cosigner(s), if applicable.

H. Default

A MI-LOAN is defaulted if a student borrower or cosigner(s), if applicable, fails to make a scheduled payment and the delinquency persists for 120 days.

I. Repayment Questions

Student borrowers or cosigners, if applicable, with repayment questions can contact either the servicer or the MI-LOAN Program.

CHAPTER XXIII. CONTACTING THE MI-LOAN PROGRAM

A. U.S. Mailing Address

MI-LOAN Program
P.O. Box 30051
Lansing, MI 48909

B. U.P.S. Address

MI-LOAN Program
608 West Allegan
Lansing, MI 48933

C. Telephone Numbers

Regular Number: 1-517-373-3662

Toll Free Number: 1-888-643-7521

D. Fax Number

1-517-335-6699

E. Email Address

Mhesla@state.mi.us

F. To Direct Questions

For questions, ask for the MI-LOAN Program.

APPENDICES

MI-LOAN[®] ELIGIBLE SCHOOLS

Source: 1998-99 Directory of Michigan Institutions of Higher Education, March 1999

<u>School Name</u>	<u>City</u>	<u>Code #</u>
Adrian College	Adrian	00223400
Albion College	Albion	00223500
Alma College	Alma	00223600
Alpena Community College	Alpena	00223700
Andrews University	Berrien Springs	00223800
Aquinas College	Grand Rapids	00223900
Baker College of Cadillac	Cadillac	00467301
Baker College of Flint	Flint	00467300
Baker College of Jackson	Jackson	00467309
Baker College of Muskegon	Muskegon	00467303
Baker College of Owosso	Owosso	00467304
Baker College of Port Huron	Port Huron	00467305
Bay De Noc Community College	Escanaba	00224000
Calvin College	Grand Rapids	00224100
Calvin Theological Seminary	Grand Rapids	00224200
Center for Creative Studies	Detroit	00677100
Center for Humanistic Studies	Detroit	02198900
Central Bible College	Farmington Hills	99000500
Central Michigan University	Mt. Pleasant	00224300
Charles S. Mott Community College	Flint	00226100
Cleary College	Ann Arbor	00224600
Cleary College	Howell	00224601
Concordia College	Ann Arbor	00224700
Cornerstone University	Grand Rapids	00226600
Cranbrook Academy of Art	Bloomfield Hills	00224800
Davenport College	Grand Rapids	00224900
Davenport College	Lansing	00224900
Delta College	University Center	00225100
Detroit Baptist Theological Seminary	Allen Park	99000200
Detroit College of Business	Dearborn	00225300
Detroit College of Law at MSU	East Lansing	00225400
Eastern Michigan University	Ypsilanti	00225900
Ecumenical Theological Seminary	Detroit	99000300
Ferris State University	Big Rapids	00226000
Glen Oaks Community College	Centreville	00226300
Gogebic Community College	Ironwood	00226400
Grace Bible College	Grand Rapids	00226500
Grand Rapids Baptist Seminary	Grand Rapids	00226600
Grand Rapids Community College	Grand Rapids	00226700
Grand Valley State University	Allendale	00226800
Great Lakes Christian College	Lansing	00226900
Great Lakes College	Saginaw	06770000
Henry Ford Community College	Dearborn	00227000
Hillsdale College	Hillsdale	00227200
Hope College	Holland	00227300
ITT Technical Institute	Grand Rapids	01062700
Jackson Community College	Jackson	00227400
Kalamazoo College	Kalamazoo	00227500
Kalamazoo Valley Community College	Kalamazoo	00694900
Kellogg Community College	Battle Creek	00227600
Kendall College of Art and Design	Grand Rapids	00761800
Kettering University	Flint	00226200

MI-LOAN[®] ELIGIBLE SCHOOLS

<u>School Name</u>	<u>City</u>	<u>Code #</u>
Kirtland Community College	Roscommon	00717100
Lake Michigan College	Benton Harbor	00227700
Lake Superior State University	Sault Ste. Marie	00229300
Lansing Community College	Lansing	00227800
Lawrence Technological University	Southfield	00227900
Lewis College of Business	Detroit	01239900
Macomb Community College	Warren	00890600
Madonna University	Livonia	00228200
Marygrove College	Detroit	00228400
Michigan Jewish Institute	Oak Park	99000600
Michigan State University	East Lansing	00229000
Michigan Technological University	Houghton	00229200
Michigan Theological Seminary	Plymouth	99000700
Mid-Michigan Community College	Harrison	00676800
Midrasa-College of Jewish Studies	Southfield	00885300
Monroe County Community College	Monroe	00229400
Montcalm Community College	Sidney	00229500
Muskegon Community College	Muskegon	00229700
North Central Michigan College	Petoskey	00229900
Northern Michigan University	Marquette	00230100
Northwestern Michigan College	Traverse City	00230200
Northwood University	Midland	00407200
Oakland Community College, Central Office	Bloomfield Hills	00230300
Oakland Community College, Orchard Ridge Campus	Farmington Hills	00230300
Oakland Community College, Highland Lakes Campus	Waterford	00230300
Oakland Community College, Royal Oak Campus	Royal Oak	00230300
Oakland Community College, Auburn Hills Campus	Auburn Hills	00230300
Oakland University	Rochester	00230700
Olivet College	Olivet	00230800
Reformed Bible College	Grand Rapids	00231100
Rochester College	Rochester Hills	00228800
SS Cyril and Methodius Seminary	Orchard Lake	99000400
Sacred Heart Major Seminary	Detroit	00231300
Saginaw Valley State University	University Center	00231400
St. Clair County Community College	Port Huron	00231000
Saint Mary's College	Orchard Lake	00232100
Schoolcraft College	Livonia	00231500
Siena Heights College	Adrian	00231600
Southwestern Michigan College	Dowagiac	00231700
Spring Arbor College	Spring Arbor	00231800
Suomi College	Hancock	00232200
Thomas M. Cooley Law School	Lansing	01262700
University of Detroit Mercy	Detroit	00232300
University of Phoenix	Southfield	02098800
University of Phoenix	Grand Rapids	02098800
University of Michigan	Ann Arbor	00232500
University of Michigan - Dearborn	Dearborn	00232600
University of Michigan - Flint	Flint	00232700
Walsh College of Accountancy and Business	Troy	00407100
Washtenaw Community College	Ann Arbor	00232800
Wayne County Community College	Detroit	00923000

MI-LOAN[®] ELIGIBLE SCHOOLS

<u>School Name</u>	<u>City</u>	<u>Code #</u>
Wayne State University	Detroit	00232900
Western Michigan University	Kalamazoo	00233000
Western Theological Seminary	Holland	00233100
West Shore Community College	Scottville	00795000
William Tyndale College	Farmington Hills	00225200
Yeshivath Beth Yehudah Yeshiva Gedolah Rabbinical College	Oak Park	02363800

MI-LOAN[®] APPLICATION AND PROMISSORY NOTE

PLEASE PRINT OR TYPE

NOTE: USING WHITEOUT WILL INVALIDATE THIS APPLICATION.

STUDENT APPLICANT INFORMATION		PRIMARY COSIGNER INFORMATION		SECONDARY COSIGNER INFORMATION	
1. Last Name		Last Name		Last Name	
First Name Middle Initial		First Name Middle Initial		First Name Middle Initial	
2. Social Security Number	3. Date of Birth	Social Security Number	Date of Birth	Social Security Number	Date of Birth
4. Permanent Home Address		Permanent Home Address		Permanent Home Address	
City/State/Zip Code		City/State/Zip Code		City/State/Zip Code	
5. Billing Address					
City/State/Zip Code					
6. Home Telephone () ()	Billing Telephone () ()	Home Telephone () ()		Home Telephone () ()	
7. Loan Period (Month/Year) From: Mo Yr To: Mo Yr		8. Business Telephone () ()		Business Telephone () ()	
9. Requested Loan Amount \$ _____ .00		10. Relationship to Student: <input type="checkbox"/> Parent <input type="checkbox"/> Spouse <input type="checkbox"/> Other _____		Relationship to Student: <input type="checkbox"/> Parent <input type="checkbox"/> Spouse <input type="checkbox"/> Other: _____	
11. Interest Rate Requested _____ Fixed _____ Variable					
12. Are you a U.S. Citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No If no, are you a permanent resident? <input type="checkbox"/> Yes <input type="checkbox"/> No Alien ID#:		Are you a U.S. Citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No If no, are you a permanent resident? <input type="checkbox"/> Yes <input type="checkbox"/> No Alien ID#:		Are you a U.S. Citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No If no, are you a permanent resident? <input type="checkbox"/> Yes <input type="checkbox"/> No Alien ID#:	
13. Driver's License # State		Driver's License # State		Driver's License # State	
14. Enrollment <input type="checkbox"/> Full Time <input type="checkbox"/> Half Time <input type="checkbox"/> Less Than Half Time					
15. Are you in default on an educational loan? <input type="checkbox"/> Yes <input type="checkbox"/> No		Are you in default on an educational loan? <input type="checkbox"/> Yes <input type="checkbox"/> No		Are you in default on an educational loan? <input type="checkbox"/> Yes <input type="checkbox"/> No	
16. Reference: Nearest relative or friend not living with you.		Reference: Nearest relative or friend not living with you.		Reference: Nearest relative or friend not living with you.	
17. Street Address		Street Address		Street Address	
City/State/Zip Code		City/State/Zip Code		City/State/Zip Code	
18. Home Telephone () () Business Telephone () ()		Home Telephone () () Business Telephone () ()		Home Telephone () () Business Telephone () ()	
19. Do you want to <u>immediately</u> postpone making regular monthly payments (forbearance)? Forbearance may be of principal or principal and interest payments. <input type="checkbox"/> No.....Regular monthly payments will be due beginning with the first payment due date stated in the Truth in Lending Disclosure. <input type="checkbox"/> Yes - Principal <u>Only</u>Monthly interest payments are required beginning with the first payment due date stated in the Truth In Lending Disclosure. Each month's interest amount due will be identified in your monthly billing statement. <input type="checkbox"/> Yes - Principal and InterestNo payment is due. Interest will accrue and be added to the principal balance of the loan (capitalized) at the end of the forbearance period.					

PROMISSORY NOTE

Continued on reverse side.

20. Promise to Pay: I/We promise to pay all sums disbursed (hereafter "loan" or "loans") under the terms of this Note, plus interest and other fees which may become due as provided in this Note as supplemented by the Loan Disclosure (as defined on reverse). If I/We fail to make payments on this Note when due, I/We will also pay reasonable collection costs, including attorney's fees, court costs, and collection fees. I understand I may cancel this loan by returning to you the uncashed check within thirty (30) days of the date of the check. I/We understand that this is a Promissory Note. I/We will not sign this Note before reading it, including the writing on the reverse side, even if otherwise advised. I am/We are entitled to an exact copy of this Promissory Note. My/Our signature certifies I/We have read, understand, and agree to the terms and conditions of this Application and Promissory Note, including the Borrower Certification and Authorization printed on the reverse side.

Student Borrower Signature _____ Date _____
 Primary Cosigner Signature _____ Date _____
 Secondary Cosigner Signature _____ Date _____

SUBMIT THIS LOAN APPLICATION AND PROMISSORY NOTE TOGETHER WITH INCOME DOCUMENTATION TO THE MICHIGAN SCHOOL THAT YOU WILL BE ATTENDING.

SCHOOL FINANCIAL AID OFFICE SECTION

21. School Name			22. School Code		
23. Loan Period (Month/Day/Year) From: To:		24. Grade Level	25. Cost of Attendance		26. Estimated Financial Aid
27. Eligibility (Check One) _____ I certify that the above-named student has provided the necessary information to assess eligibility and has been accepted for enrollment or is currently enrolled and is making satisfactory academic progress toward obtaining a degree or certification. _____ I cannot certify eligibility for the following reason(s): _____ 1. The student is not enrolled or accepted for enrollment. _____ 4. The student has prior defaulted educational loans. _____ 2. The student is not making satisfactory academic progress. _____ 5. Other: _____ _____ 3. Financial aid information/documents were not received from the student.					
28. CERTIFICATION: I certify that the information provided is accurate and true, to the best of my knowledge.					
Signature _____		Printed Name and Title _____		Date _____	

PROMISSORY NOTE (continued)

In this agreement, the words "I", "me", "my", and "borrower" refer to the individual who signs this note as the borrower. "Cosigner" refers to the primary and secondary cosigner(s) who sign this note. "You", "your", and "Student Loan Authority" refer to the Michigan Higher Education Student Loan Authority. "Servicer" refers to an agent selected by you to administer the Loan. "Loan Disclosure" refers to the disclosure required by the federal Truth In Lending Law.

1. APPROVAL OF THE LOAN

I am signing this Note as part of my application for a MI-LOAN from you. You have not agreed to make me a loan in the amount I have requested or in any amount. You or the servicer will notify me in writing if my request for a MI-LOAN is refused. If you agree to make me a loan, you will notify me of the amount and other terms as specified in the Loan Disclosure, the terms of which are incorporated by reference herein as if stated in their entirety. If I do not want this loan, I will return the uncashed check to you within thirty (30) days of the date of the check.

2. INTEREST RATE

I will pay you simple interest at a fixed or variable rate (as I identified on the front of the application) on the unpaid principal balance of my loan from the date you disburse the loan until the loan is paid in full. The Loan Disclosure that you provide me will identify the applicable interest rate for this loan. Any fixed interest rate will remain the same throughout the life of the loan. Any variable interest rate is adjusted annually on July 1 and is equal to the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction held prior to the preceding June 1, plus 1.75%. The maximum interest rate, whether fixed or variable, will not exceed the rate permitted by Michigan law. If I do not wish to accept this loan at the disclosed interest rate, I understand that I can return the uncashed check to you for cancellation of the loan within thirty (30) days of the date of the check.

3. DISBURSEMENT

If the application for the loan evidenced by this Note is approved, the loan disbursement check shall be made payable to me. The loan disbursement check shall be accompanied by the Loan Disclosure. By endorsing the loan disbursement check I will be acknowledging receipt of and acceptance of the terms of the Truth in Lending disclosure. I and my cosigner(s) are contractually obligated on this Note as supplemented by the Loan Disclosure if (1) the loan disbursement check is endorsed or otherwise cashed or deposited or (2) if the uncashed check is not received by you within thirty (30) days of the date of the check.

4. RESERVE FEE

I will pay a reserve fee, which will not be more than 6% of the principal amount of this loan, and which will be deducted from my loan proceeds. You will show me the exact amount of the reserve fee on the Loan Disclosure that you will send me if you approve my loan. I will not be entitled to a refund of the reserve fee after I cash my check or if I fail to return the uncashed check within thirty (30) days of the date of the check.

5. REPAYMENT

The payment schedule for my loan is subject to the following requirements: (a) My loan must be repaid in full no later than twenty-five (25) years after disbursement of the loan; and (b) My minimum monthly payment for all of my loans combined will total Fifty Dollars (\$50.00). If a fifty-dollar (\$50.00) monthly payment is not sufficient to pay each loan in full within twenty-five (25) years of disbursement, my monthly payment will be increased to an amount that will permit each loan to be paid in full within twenty-five (25) years. The first monthly installment will be within sixty (60) days of disbursement (date of my loan check). The Loan Disclosure, which you will send me, will identify the date that my first payment is due. Thereafter, payments shall be made monthly, due on the same day of the month as the first payment was due. Payments received shall be applied in the following order: (1) to accrued interest; (2) to outstanding principal; (3) to late charges due or other amounts I owe you. If I have several loans within an account, you will apply payments made on my account proportionately to the loans contained within the account. The amount of my last payment may be different than disclosed. Payments made early or late, forbearance and capitalization will affect the amount of the final payment. If the amount of my last payment is different from the scheduled payment, you will send me a statement showing the date and the amount of the last payment, before it is due.

6. PAYMENT BILLING

You will send me a coupon book or monthly bill, the option is yours, for each payment due on my loan. I will make my payment on or before the scheduled due date. Payments on this Note shall be made to the Servicer at the address provided or as otherwise requested by you. Failure to be billed does not alleviate my responsibility to make the regularly scheduled payments.

7. LATE CHARGES AND COLLECTION COSTS

If I make a payment after its due date, interest on the unpaid balance will be computed to the date the payment is received, and the total finance charges I pay will be increased. If I fail to make a payment when due, and if it is overdue more than thirty (30) days, I will pay a late charge of up to, but not to exceed, six cents (.06) for each dollar for each late installment. In the event of default, I agree to pay all of your collection and court costs, including reasonable attorney's fees.

8. PREPAYMENT

I may prepay all or part of my loan at any time without penalty. If I prepay part of the principal balance of my loan, I must continue to make all scheduled monthly payments until my loan is paid in full. If I make multiple payments on my loan within the same month, the due date of my loan will not be advanced more than 30 days into the future, unless I request to have it advanced.

9. FORBEARANCE

I can request forbearance of principal payment (thus allowing for interest only payments) or forbearance of principal and interest payments (with the accrued interest capitalized at the end of the forbearance period) for a period up to twelve (12) consecutive months at a time. I understand that by checking "yes" to either forbearance option listed on the front of the application, I am requesting that you grant me a forbearance on this loan and I agree to the forbearance terms identified above. Forbearance is not an option if I default.

10. COSIGNER LIABILITY

The cosigner(s) is responsible for all the obligations owed to you under this Note. The cosigner's obligations include the obligation to pay the principal and interest on this loan, give notice of cosigner address and name changes, and pay collection costs. You may notify the cosigner(s) if I become delinquent on this loan or if I default on this loan. You are not required to send the cosigner(s) copies of the bills you send me for payments due on my loan. The cosigner(s) consents to the personal jurisdiction of the courts of Michigan in any lawsuit involving this Note.

11. ACCELERATION AND DEFAULT

If I am in default, you may declare the full unpaid balance, including accrued interest, immediately due and owing without notice. If you declare the full unpaid balance immediately due and owing, I agree to pay interest on such amount from the date you required payment until paid in full at the same rate I have agreed to pay on this Note. I will be in default if I and the cosigner(s): (a) Do not make payments as scheduled and the payments become 120 days delinquent. (b) Make any false representation in obtaining any loan. (c) Fail to perform any other provisions of this Note. If I default, I understand you will make every effort to collect the loan from me, which may include garnishment, tax levy, the confiscation of income tax refunds or other legal actions. I hereby waive presentment, demand, protest, and notices of dishonor and protest with regard to the obligation evidenced by this Note.

12. CREDIT BUREAU NOTIFICATION

You will report information about the amount of my loan and the repayment status of my loan to one or more credit bureau organizations. If I and my cosigner(s) default on this loan, you will report the default to credit bureaus. I understand that the reporting of delinquent or defaulted loans may significantly and adversely affect my credit rating and that of my cosigner(s).

13. CANCELLATION

I will not be required to repay my loan if I become totally and permanently disabled or die. However, if my cosigner(s) dies or becomes totally and permanently disabled, I will still have to repay this loan.

14. NOTICE OF CHANGES

I will notify you immediately of any change in my name and/or permanent or billing address. The cosigner(s) will notify you immediately of any change in the cosigner's name and/or permanent address.

15. GOVERNING LAW AND ENFORCEABILITY

This Note is governed by the laws of the State of Michigan. I consent to the personal jurisdiction of the courts of the State of Michigan in any lawsuit involving this Note. The invalidity or unenforceability of any provision of this Note shall not affect the validity or enforceability of any other provision.

16. ASSIGNMENT

I may not give my rights or responsibilities under this Note to anyone else. You may, however, give your rights and responsibilities under this Note to someone else. When you tell me, I will be required to make payments on this Note to that person or entity.

17. ADDITIONAL AGREEMENTS

a. I will use the proceeds of this loan for costs associated with my attendance at the school named in the application for this loan.

b. No provisions of this Note can be waived or modified except in writing.

c. All information furnished in the application or other documents required for this loan is true, complete and correct.

d. I will answer promptly and truthfully all communications forwarded to me by you or your agents.

e. This Note will be returned to me only when the loan has been paid in full.

f. Neither you nor your agents warrants or vouches for the quality or suitability of the educational programs offered by eligible schools. Loan repayment is not conditioned upon my completion of my education or obtaining employment in my field of study, but is my legal obligation.

g. I understand that I am not required to produce a qualified cosigner(s) if I can meet the creditworthy standards on my own behalf. If I cannot, I understand that I must have a qualified cosigner or cosigners, not to exceed two (2) cosigners.

BORROWER AUTHORIZATION & CERTIFICATION

I/We hereby authorize MHESLA or its agents to investigate creditworthiness and credit capacity, and to furnish information concerning loan credit activity to consumer reporting agencies and other persons who may receive such information.

I/We understand that if the credit is approved, it will be subject to the terms and conditions of the Promissory Note. I/We authorize MHESLA, its agents and my college to gather credit information and give information pertinent to this application and loan account to members of my immediate family, unless I submit written directions otherwise, and to others in accordance with any applicable laws. I/We further authorize the college to receive, provide and confirm information regarding my attendance, financial aid, or status as may be relevant to consideration of this application. I/We understand that the proceeds of this loan must be used for educational purposes. This application and supporting documentation remain property of MHESLA and its

MI-LOAN® APPLICATION AND PROMISSORY NOTE

Credit Evaluation Information

PLEASE PRINT OR TYPE. NOTE: STUDENT APPLICANT SHOULD COMPLETE ONLY IF APPLYING WITHOUT COSIGNER.

STUDENT APPLICANT OR PRIMARY COSIGNER		SECONDARY COSIGNER, IF APPLICABLE	
Name	Social Security Number	Name	Social Security Number
EMPLOYMENT			
29. Present Employer		Present Employer	
30. Address		Address	
City/State/Zip Code		City/State/Zip Code	
31. Telephone Number ()		Telephone Number ()	
32. Occupation/Title	Years There	Occupation/Title	Years There
33. Previous Employer	Years There	Previous Employer	Years There
34. Address		Address	
PRIOR RESIDENCE			
35. Prior Address		Prior Address	
City/State/Zip Code		City/State/Zip Code	
INCOME			
36. Depending on the source of your income, your monthly gross income will be based on either Formula #1 (Hourly/Salary Wages and Interest Earnings Only) or Formula #2 (Income Other Than Wages and Interest Earnings) as described on the Self Test form.			
INCOME DOCUMENTATION IS REQUIRED AS FOLLOWS:			
FORMULA 1: Wage Earner and Retired Individuals - Attach a copy of your last pay stub with year-to-date earnings or its equivalent, if retired. If year-to-date earnings are not contained on the stub, obtain a statement from your employer.			
How are you paid? <input type="checkbox"/> Weekly <input type="checkbox"/> Every two weeks <input type="checkbox"/> Monthly <input type="checkbox"/> Every two months			
FORMULA 2: Self-Employed or Paid by Commission - Attach copies of your last two signed 1040's with all schedules.			
Other Acceptable Income: Attach documentation from remitter. (See Self Test to determine other acceptable income.)			
<input type="checkbox"/> Check this box if you are submitting documentation for other acceptable income.			
EXPENSES			
37. RESIDENCE: <input type="checkbox"/> Rent <input type="checkbox"/> Own <input type="checkbox"/> Other		If renting, monthly rent: \$ _____	
38. If mortgaged, Creditor: Address: (If mortgage balance is zero, use yearly property taxes divided by 12 as the monthly payment)		<u>ORIGINAL AMOUNT</u>	<u>BALANCE</u>
		\$	\$
		<u>MO. PAYMENT</u> (Including taxes)	
		\$	\$
CREDITOR NAME AND ADDRESS		ORIGINAL AMOUNT	UNPAID BALANCE
NOTICE TO COSIGNER(S)			
For the purpose of this notice, the words "you" and "your" refer to the cosigner(s), not the lender. You are being asked to guarantee this debt. Think carefully before you do. If the borrower doesn't pay the debt, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility. You may have to pay up to the full amount of this debt if the borrower does not pay. You may also have to pay late charges and/or collection costs, which increase this amount. The lender can collect this debt from you without first trying to collect from the borrower. The lender can use the same collection methods against you that can be used against the borrower, such as suing you, garnisheeing your wages, etc. If this debt is ever delinquent or in default, that fact may become a part of your credit record. This notice is not the contract that makes you liable for the debt.			

MI-LOAN SELF TEST

MI-LOAN eligibility is based partly on credit standards that must be met. If the student borrower does not meet the credit standards, he/she may apply with a cosigner(s). Two cosigners are permissible if they reside in the same household and represent joint household income and debt. We suggest that you complete the Self Test below before you fill out the MI-LOAN application. The Self Test should be completed by the individual(s) whose credit will be reviewed for MI-LOAN eligibility. If there is a cosigner(s), the student borrower's credit is reviewed only if the student is applying with their spouse. Please refer to the instructions for completion of the Credit Evaluation Information section of the MI-LOAN Application and Promissory Note for further clarification.

1ST STEP: DEBT TO INCOME RATIO

Use the worksheet on the back of this form to calculate the appropriate amounts.

- a. Total Monthly Gross Income.....\$ _____
- b. Total Monthly Payments\$ _____
- c. Expected Payment for this Loan.....\$ _____
- d. Total Monthly Payments (b. plus c.)\$ _____
- e. Divide d. by a. to Determine Debt to Income Ratio..... _____ %

(If Debt to Income Ratio does NOT exceed 40.0%, you potentially meet this requirement.)

2ND STEP: EMPLOYMENT HISTORY

Have you been continuously employed for the past two years? (Retired individuals are exempt from this requirement.)

- Yes
- No

(If you answered "YES", you potentially meet this requirement.)

3RD STEP: CREDIT HISTORY

Your credit history will be reviewed thoroughly to determine eligibility. The review will include such factors as:

- Previous credit performance
- Current level of indebtedness
- Status of current accounts
- Status of current MI-LOANS
- Derogatory public record (tax liens, etc.)

4TH STEP: SCHOOL DETERMINATION OF ELIGIBILITY

Have you filed for financial aid with your school's Financial Aid Office? The school cannot determine your MI-LOAN eligibility if you have not applied for financial aid through the Financial Aid Office.

FINAL ASSESSMENT OF ELIGIBILITY WILL BE MADE BY THE MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY OR ITS AGENTS.

WORKSHEET FOR 1ST STEP

Total Monthly Gross Income: (for use on line a. of the 1st Step)

Formula #1: Use Formula #1 if the credit applicant(s) total income is derived from hourly/salary wages and interest income. (Note: Other acceptable income that you want considered in determining creditworthiness must be documented by the remitter and is limited to income that would be reported for income tax purposes or non-reported income as defined in the U.S. Master Tax Guide for the applicable tax year.)

Formula #2: Use Formula #2 if the total income or a portion of the applicant's income is derived from earnings other than hourly/salary wages and interest earnings. Such applicants typically file Federal Income Tax Schedules C, E, F or K-1. (Note: Other acceptable income that you want considered in determining creditworthiness must be documented by the remitter and is limited to non-reported income as defined in the U.S. Master Tax Guide for the applicable tax year.)

FORMULA #1 - HOURLY/SALARY WAGES AND INTEREST EARNINGS ONLY

	<u>First Applicant</u>	<u>Second Applicant</u>
a. Year-to-date gross wages (per pay stub).....	\$ _____	\$ _____
b. Add projected gross wages for remaining year.....	+ \$ _____	\$ _____
c. Add year-to-date documented other income.....	+ \$ _____	\$ _____
d. Add projected other income for the remaining year.....	+ \$ _____	\$ _____
e. Total for annual income.....	= \$ _____	\$ _____
f. Divide e. by 12 for monthly income.....	÷ 12 = \$ _____	+ \$ _____
g. Add the totals in line f. together.....	= _____	

FORMULA #2 - INCOME OTHER THAN WAGES AND INTEREST EARNINGS

Using the last two signed 1040's and attached schedules, complete the section below. The adjusted figures of the two 1040's are then averaged to determine an annual income figure and divided by 12 to determine an average monthly income figure.

	<u>Year 1</u>	<u>Year 2</u>
a. Adjusted Gross Income (from 1040).....	\$ _____	\$ _____
b. Add IRA/KEOGH/SEP deductions*.....	+ \$ _____	\$ _____
c. Add mortgage interest*.....	+ \$ _____	\$ _____
d. Add other interest*.....	+ \$ _____	\$ _____
e. Add depreciation*.....	+ \$ _____	\$ _____
f. Add depletion*.....	+ \$ _____	\$ _____
g. Total for each year (a. through f.).....	= \$ _____	\$ _____
h. Add the totals in line g. together.....	+ \$ _____	
i. Divide line h. by 2 (annual average income).....	÷ 2 = \$ _____	
j. Add year-to-date documented other income.....	+ \$ _____	
k. Add projected other income for the remaining year.....	+ \$ _____	
l. Total for annual average (i. through k.).....	= \$ _____	
m. Divide line l. by 12 for monthly average (Enter this amount on line a. of the 1st Step.).....	÷ 12 = \$ _____	

*From appropriate tax form, excluding Schedule A.

Total Monthly Payments: (for use on line b. of the 1st Step)

On a separate piece of paper, list monthly payments per the following instructions: mortgage/rent, child support and/or alimony payments, and all debts that you have with a credit provider (e.g. bank, credit union, retailer, etc.), including credit card obligations and prior MI-LOANs currently outstanding. Also, list all cosigned loans and personal loans for business purposes. Total your monthly payments and enter this amount on line b. of the 1st Step.

Expected Payment for This Loan: (for use on line c. of the 1st Step)

Estimate the monthly payment for this requested loan per the schedule below and enter this amount on line c. of the 1st Step. (The payment amount identified is an approximate amount and is not meant to reflect actual payments.)

<u>Loan Amount</u>	<u>Monthly Payment</u>
\$ 5,000 or less	\$ 51
6,000	61
7,000	71
8,000	81
9,000	91
10,000	101
11,000 and over	For each \$1,000 over \$10,000 add \$10 to \$101

MICHIGAN ALTERNATIVE STUDENT LOAN (MI-LOAN) PROGRAM

MI-LOAN is the registered mark for the Michigan Alternative Student Loan Program. This program is intended to provide creditworthy students and their families an alternate source of loan funds to assist in meeting the costs of postsecondary education. The MI-LOAN Program is offered by the State of Michigan for the exclusive use of students attending Michigan 2-year or 4-year degree-granting colleges and universities.

Qualifications

To qualify for a MI-LOAN, you must be accepted for enrollment or be attending a Michigan 2-year or 4-year degree-granting college or university and, if applicable, be making satisfactory academic progress toward obtaining a degree or certification. There is no set number of credit hours for which you must be enrolled. Your school will be verifying your financial need based on school costs minus financial aid; therefore, you must have filed a financial aid application with your school. If you have not done this, contact your school.

Additionally, you and your cosigner(s), if applicable, must meet the following requirements:

1. **Be at least 18 years of age on the date the promissory note is signed.** A student borrower under 18 is eligible if he/she is an emancipated minor. **Cosigner(s) must be at least 18 years of age.**
2. Be a United States citizen or a permanent resident of the United States.
3. Not be in default on any educational loans.
4. Meet all credit standards.

Credit Standards

MI-LOAN credit standards are identified in the Self Test. Please refer to the Self Test for further details. There are no income minimums or maximums that restrict MI-LOAN application. However, all credit standards must be met including a debt-to-income ratio. Completion of the Self Test will inform you of your potential eligibility for a MI-LOAN.

Loan Amount

The minimum MI-LOAN amount is \$500. The annual maximum loan amount per academic year is the cost of school attendance minus estimated financial aid with a \$125,000 program maximum.

Interest Rate

The MI-LOAN Program offers the borrower a choice between a fixed or variable interest rate. Per the type of interest rate chosen, either a fixed or a variable interest rate is assigned to the loan at the time of disbursement. The fixed interest rate will remain the same for the entire life of the loan. The variable interest rate is reassessed yearly based on the 52-week Treasury Bill rate and may change each July 1.

Disbursement

A MI-LOAN is disbursed in a single disbursement.

A reserve fee will be deducted from the MI-LOAN check (the reserve fee establishes a fund to cover administrative costs and unpaid loans due to nonpayment or student borrower death or total and permanent disability).

Cancellation Provisions

A MI-LOAN may be canceled if:

1. The loan check is returned uncashed and is received by our servicer within 30 days of the date of the check.
2. The **student borrower** dies.
3. The **student borrower** becomes totally and permanently disabled.

NOTE: A MI-LOAN will not be canceled if the cosigner(s) dies or becomes totally and permanently disabled.

Repayment Terms

MI-LOAN repayment terms are:

1. The first monthly payment is scheduled within 60 days after disbursement.
2. The monthly payment will be at least \$50 and may be more depending on the amount borrowed.
3. The loan must be fully repaid within 25 years.
4. Forbearance of principal (which allows interest only payments) or principal and interest, with the interest capitalized at the end of the forbearance period, is possible for a maximum of sixty (60) months. Forbearance periods are approved for up to 12 months per request and are included in the 25-year maximum payoff requirement. Use of forbearance may increase future regular payment amounts because of the lack of principal payments, the capitalization of interest, and the 25-year maximum payoff requirement.

NOTE: All MI-LOANs are reported to the credit bureau. Delinquencies may affect you and, if applicable, your cosigner's ability to obtain credit in the future. If a MI-LOAN becomes 120 days delinquent, it will be considered in default.

MI-LOAN APPLICATION AND PROMISSORY NOTE INSTRUCTIONS FOR COMPLETION

STUDENT APPLICANT/COSIGNER(S) INFORMATION SECTIONS

Please complete all items in this section by printing in ink or typing. ***DO NOT USE WHITE OUT ON THE APPLICATION as it will make the application null and void. LINE OUT AND INITIAL ANY CHANGES.***

The student is always the borrower for a MI-LOAN and must be 18 years of age or an emancipated minor. If you cannot meet the credit standards, you may secure a cosigner(s) for the loan. If you are relying on a cosigner(s), that person(s) must complete the Cosigner(s) Information Section. Two cosigners are permitted if they reside in the same household and represent joint household income and debt.

Clarification is provided below regarding the completion of certain items:

- Item 3. The student borrower must be 18 years of age or an emancipated minor on the date the promissory note is signed.
- Item 7. The loan period to which this loan will be applied must reflect continuous enrollment within an academic year, which is defined as a 7-month period. There is no set number of credit hours for which you must be enrolled.
- Item 9. The minimum loan amount is \$500. The annual maximum loan amount per academic year is the cost of school attendance minus estimated financial aid with a cumulative program maximum of \$125,000.
- Item 11. You have an option of choosing a fixed or variable interest rate. The fixed interest rate will stay the same for the life of the loan. The variable interest rate may change on July 1st of each year.
- Item 13. If you have no driver's license - enter ANONE≡.
- Items 16-18. The reference you provide must be a person other than the cosigner(s), if applicable, and must not be living with you. The reference provided by the cosigner(s), if applicable, may not be you and must not be living with them.
- Item 19. **You must choose one** of the three payment options listed:
- Checking "No" means you do not want to postpone making payments on your loan. Payments will be due each month as of the date, and in the amount, that is identified in the Truth In Lending Disclosure, which will be provided to you when your loan is disbursed.
 - Checking "Yes – Principal Only" will result in your being billed each month for the amount of interest which has accrued on your loan for a 12-month period beginning with your first payment due date as identified in the Truth In Lending Disclosure, which will be provided to you when your loan is disbursed. The monthly payments you make will not reduce the principal amount of your loan. At the end of the forbearance period, monthly payments of principal and interest will be required. Your payment amount may increase from that originally disclosed, if necessary, in order to pay off the loan within the maximum 25-year repayment period.
 - Checking "Yes – Principal and Interest" will result in the postponement of all payments (principal and interest) for a 12-month period beginning with your first payment due date as identified in the Truth In Lending Disclosure, which will be provided to you when your loan is disbursed. During the forbearance period, you will receive no monthly billing statements. However, interest will accrue and at the end of the 12-month forbearance period, the unpaid accrued interest will be added to the principal balance of your loan (capitalized). Because interest charges are calculated on the outstanding principal balance, capitalization will increase the total amount of interest charges you will pay. At the end of the forbearance period, monthly payments of principal and interest will be required. Your payment amount may increase from that originally disclosed, if necessary, in order to pay off the loan within the maximum 25-year repayment period.

NOTE: If you do not check one of the three boxes, you will be billed regular monthly payments of principal and interest as identified in your Truth In Lending Disclosure.

PROMISSORY NOTE SECTION

Sign and date the application/promissory note in the Promissory Note Section where indicated. If you have a cosigner(s), that person(s) must also sign and date the application/promissory note where indicated.

**CREDIT EVALUATION INFORMATION:
EMPLOYMENT, PRIOR RESIDENCE, INCOME AND EXPENSES SECTIONS**

The individual(s) who must complete these sections is the person(s) whose income, expenses and credit history will be reviewed to determine if the MHESLA's credit standards are met. Complete these sections as follows:

- Only the Student Borrower is Applying
In this instance, the student borrower is the only MI-LOAN applicant and must meet the credit standards. Enter the appropriate information for yourself in these sections.
- Student Borrower is Applying with Spouse as Cosigner
In this instance, the student borrower is applying with their spouse as cosigner. The student borrower and spouse together must meet the credit standards. Enter your information in the "STUDENT APPLICANT OR PRIMARY COSIGNER" column and your spouse's information in the "SECONDARY COSIGNER" column. Enter your joint information in the "INCOME" and "EXPENSES" sections.
- Student Borrower is Applying with Cosigner(s)
In this instance, the student borrower is applying with a cosigner(s) other than their spouse. In this situation, it is the cosigner(s) who must meet the credit standards. Enter your cosigner(s) information in the appropriate sections. If you have two cosigners, the "INCOME" and "EXPENSES" sections must reflect joint information.

NOTE: If the student borrower is applying with a cosigner(s), only information regarding the cosigner(s) is to be entered in these sections. Do not enter student borrower information in the "STUDENT APPLICANT OR PRIMARY COSIGNER" column.

ADDITIONAL INFORMATION

Submit the completed MI-LOAN Application and Promissory Note together with the required income documentation to the Michigan school you will be attending. A MI-LOAN Application and Promissory Note may be submitted up to 5 months prior to the loan period beginning date and must be received by our servicer no later than the last day of the last month of the loan period.

Please check to be sure all required information and income documentation accompanies your application when it is sent to the school. Lack of any required documentation will result in a delay in the processing of your application.

Please contact our loan servicer, UNIPAC, if you have any questions or would like further information.

UNIPAC CUSTOMER SERVICE: 1-888-964-2890

OR

MHESLA MI-LOAN UNIT: 1-888-MHESLA-1 (1-888-643-7521)

**MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
MICHIGAN ALTERNATIVE STUDENT LOAN (MI-LOAN[®]) PROGRAM**

CHECK-OFF LIST

Student Borrower's Name: _____ **SSN:** _____

A check mark designates that the requirement was met. If all requirements are not met, proceed with denial of the loan (see Chapter XVIII "Denials" in the Processing Manual).

APPLICATION DEADLINES:

- _____ Received no earlier than 5 months prior to the loan period start date.
_____ Received no later than the last day of the last month of the loan period.

ELIGIBILITY ASSESSMENT – MI-LOAN APPLICATION AND PROMISSORY NOTE:

ALL information requested must be provided. Eligibility assessment is:

- _____ All parties must be 18 years of age on the date that they signed the note (the student may be an emancipated minor).
_____ All parties must be U. S. citizens or permanent residents of the U.S.
_____ None of the parties can be in default on previous student loans.
_____ The school must be a MI-LOAN eligible school.
_____ There can be **no** whiteout used on the Application and Promissory Note.

PROMISSORY NOTE SECTION:

- _____ The borrower and cosigner(s), if applicable, must have dated and signed this section, in ink.

INCOME DOCUMENTATION:

- _____ A copy of the last pay stub with year-to-date earnings or its equivalent (if year-to-date earnings are not on the pay stub, a letter from the employer with this information). If self-employed or paid on commission, signed copies of the last two years' 1040's with all schedules. If other income, written documentation from the remitter.

CREDIT REQUIREMENTS:

Check One:

- _____ Borrower only _____ Borrower plus cosigner (spouse)
_____ Primary Cosigner only _____ Primary and secondary cosigners

- _____ Debt to Income Ratio 40.0% or lower
_____ Empirica 680 or higher*
_____ Two years of continuous employment

*If between 660 and 680, servicer must process an automatic appeal.

**MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
MICHIGAN ALTERNATIVE STUDENT LOAN (MI-LOAN[®]) PROGRAM**

CREDITWORTHY STANDARDS AND REQUIREMENTS

EFFECTIVE JULY 1, 1997

1. Income Documentation and Assessment

a. Documentation

Other than self-employed or paid on commission: Copy of last pay stub (or its equivalent in the absence of a pay stub) showing year-to-date earnings. If year-to-date earnings are not contained on the stub, a statement from the employer is required.

Self-employed or commission earnings: Copies of last two signed 1040's with all schedules.

Other income: Other income that is documented by the remitter can be added to the monthly income calculation. Such other income is limited to income that would be reported for tax purposes or non-reported income as defined in the U.S. Master Tax Guide for that applicable tax year. A copy of the prior tax return may be required.

b. Assessment

Other than self-employed or paid by commission: The servicer's method to calculate the average monthly income is as follows:

Year to date gross wages as reflected on pay stub	+	\$ _____
Add projected gross wages for the remaining year	+	\$ _____
Add documented other annual income	+	\$ _____
Total annual projected income	=	\$ _____
Divide by 12 to determine average monthly income		\$ _____

If the denied applicant subsequently provides documentation on the additional income within the appeal period, the servicer will reassess the additional income based on recertification of the applicant.

Self-employed or commission earnings: IRA/KEOGH/SEP deductions, mortgage interest, other interest, depreciation and depletion will be added back to the adjusted gross income as identified in the last two signed 1040's. The two figures will be averaged to determine the average annual gross income, then divided by 12 to identify the average monthly income for self-employed or commission earnings.

MI-LOAN[®] is the registered mark of the Michigan Alternative Student Loan Program

	20__	20__
Adjusted gross income (1040)	_____	_____
Plus IRA/KEOGH/SEP deductions*	+ _____	_____
Plus mortgage interest*	+ _____	_____
Plus other interest*	+ _____	_____
Plus depreciation*	+ _____	_____
Plus depletion*	+ _____	_____
 Total for each year	 _____	 _____
 Combined total		 _____
Combined total divided by 2 (annual average)		\$ _____
 Add year-to-date documented other income		 \$ _____
Add projected other income for the remaining year		+ \$ _____
 Total annual average		 \$ _____
 Annual average divided by 12 (monthly average)		 \$ _____

*Per the appropriate tax form, excluding Schedule A deductions.

2. Determining Monthly Debt

To determine the monthly debt, include child support/alimony obligations and only that credit that has been extended by an entity that extends credit in its normal course of business or credit that has been extended by a land contract holder.

a. Debt Disclosed by Applicant

Use the higher of the following:

- (1) The monthly payment reported by the applicant on the application; or
- (2) The monthly payment as reflected on the credit report.

b. Debt Not Disclosed by Applicant

Use the payment amount as reflected on the credit report or calculate the payment by dividing the original loan amount by the terms of the loan as reflected on the credit report.

3. Debt-to-Income Ratio

The monthly debt including the projected monthly payment on the requested MI-LOAN cannot exceed 40.0% of the applicant's average monthly gross income.

4. Credit History

Empirica, a credit scoring model that has been developed by Fair Issac and Trans Union Corporation, will be used to assess the credit history of applicants. The credit scoring model will measure various aspects of credit background including previous credit performance, current level of indebtedness, types of credit and the amount of time the credit has been in use. Applicants with a cut-off score of 660 or higher* will be considered eligible as it relates to an acceptable credit history.

***680 or higher is currently used due to an AMBAC requirement.**

5. Employment

The credit applicant must have at least two years of continuous employment. Continuous employment is interpreted as employment for such periods as are commensurate with the nature of employment as provided by the employer. An applicant, who is retired and who otherwise meets the Authority's credit test, may be granted a waiver from the two-year continuous employment requirement.

6. Two Cosigners

As permitted by Administrative rules, two cosigners in the same household which represent household income and debt are permissible. They must, however, jointly pass the credit test with the exception of the employment requirement.

7. Appeal Process

If an applicant appeals the denied loan within the 60-day appeal period and satisfies all of the criteria, the loan can be approved.

For those applicants who are appealing denial for unacceptable credit history, the applicant's credit history will be manually reviewed per the following criteria:

The review of the credit history is limited to that credit that has been extended by an entity that extends credit in its normal course of business or credit that has been extended by a land contract holder.

a. Minimum History

- (1) Applicant must have a good, established credit history for a minimum of two years.
- (2) Applicant must have been approved for credit in an aggregate amount of at least 50% of the MI-LOAN credit request, excluding home mortgages.

b. Credit History Review

The analysis of the four requirements listed below will exclude formally disputed credit reports as reflected on the credit bureau report and will be limited to debt that has been extended by an entity that extends credit in its normal course of business or credit that has been extended by a land contract holder.

Applicants must meet the following credit history criteria per credit report to qualify:

- (1) All active accounts are current.
- (2) There are no more than two 30-day delinquencies in the prior two years per loan.
- (3) There are no 60-day or more delinquencies in the prior two years.
- (4) There are no chargeoffs, repossessions, collection accounts, attachments, suits, judgements, foreclosures or garnishments in the prior five years.

In addition, the applicant must not have any outstanding tax liens.

DEBT-TO-INCOME RATIO WORKSHEET

CREDIT APPLICANT'S NAME: _____ SSN: _____

STUDENT'S NAME: _____ AMOUNT REQUESTED: _____

MONTHLY INCOME

HOURLY/SALARY WAGES AND INTEREST EARNINGS ONLY:	First Applicant	Second Applicant
a. Year-to-date gross wages (per pay stub).....	\$ _____	\$ _____
b. Add projected gross wages for remaining year..... +	\$ _____	\$ _____
c. Add year-to-date documented other income..... +	\$ _____	\$ _____
d. Add projected other income for the remaining year..... +	\$ _____	\$ _____
e. Total annual income (add lines a through d).....	\$ _____	\$ _____
f. Divide line e by 12 for monthly income..... ÷12	\$ _____	\$ _____
g. Total monthly income (add figures from both columns on line f together).....	\$ _____	\$ _____
INCOME OTHER THAN WAGES AND INTEREST EARNINGS:		
a. Adjusted Gross Income (from 1040).....	\$ _____	\$ _____
b. Add IRA/KEOGH/SEP deductions*..... +	\$ _____	\$ _____
c. Add mortgage interest*..... +	\$ _____	\$ _____
d. Add other interest*..... +	\$ _____	\$ _____
e. Add depreciation*..... +	\$ _____	\$ _____
f. Add depletion*..... +	\$ _____	\$ _____
*Per appropriate tax form/schedule, excluding Schedule A.		
g. Total for each year (add lines a through f).....	\$ _____	\$ _____
h. Total annual income (add figures from both columns on line g together).....	\$ _____	\$ _____
i. Divide line h by 2 (annual average income).....	\$ _____	\$ _____
j. Add year-to-date documented other income..... +	\$ _____	\$ _____
k. Add projected other income for the remaining year..... +	\$ _____	\$ _____
l. Total adjusted annual average income (add lines i through k).....	\$ _____	\$ _____
m. Divide line l by 12 for monthly average income.....	\$ _____	\$ _____

MONTHLY EXPENSES

EXPENSES:

a. Monthly mortgage or rent payment (including taxes).....	\$ _____
b. Add monthly payments	
Paid To: _____	+ \$ _____
_____	+ \$ _____
_____	+ \$ _____
_____	+ \$ _____
_____	+ \$ _____
c. Add monthly payment(s) for prior MI-LOAN(s).....	\$ _____
d. Add monthly payment for proposed MI-LOAN.....	+ \$ _____
e. Total monthly expenses (add lines a through d).....	\$ _____

DEBT-TO-INCOME RATIO CALCULATION

TOTAL MONTHLY EXPENSES (DIVIDED BY) TOTAL MONTHLY INCOME (EQUALS) DEBT-TO-INCOME RATIO*

\$ _____ ÷ \$ _____ = _____ %

*Carry the debt-to-income ratio calculation to one decimal place, with no rounding.

If the debt-to-income ratio is greater than 40.0%, the applicant(s) DOES NOT qualify.

Signature of Processor

Date

**MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
MICHIGAN ALTERNATIVE STUDENT LOAN (MI-LOAN[®]) PROGRAM**

QUICK REFERENCE GUIDE FOR MI-LOAN APPLICATIONS

Step One: Receive the application within processing deadlines, date stamp, and create a folder with the name, social security number and note date on the tab.

Step Two: Verify the documents following the criteria contained within the check-off list.

DOCUMENTS	Always Required	Required (If Applicable)
Application and Promissory Note	X	
Credit Evaluation Information Sheet	X	
<u>WAGE EARNER OR RETIRED</u>		
Current pay stub with Year-to-Date earnings or its equivalent.		X
If Year-to-Date earnings are not on the pay stub, a letter from the employer (on company letterhead) stating this information.		X
<u>SELF-EMPLOYED OR PAID BY COMMISSION</u>		
Copies of the last two years' 1040's (signed), with all schedules.		X
<u>OTHER INCOME</u>		
Documentation from the source to substantiate it.		X

Step Three: Pull a credit report, and review using MI-LOAN credit standards.

Note: Do not pull a credit report on the student borrower if they are using a cosigner(s) other than their spouse.

FEDERAL TRUTH IN LENDING DISCLOSURE
--

Lender: MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Date: «Disbursement date»

Borrower: «Borrower SSN»

«Borrower FName» «Borrower MI» «Borrower LName»
«Borrower Street Address»
«Borrower City» «Borrower State» «Borrower Zip Code»

Primary Cosigner:

«Cosigner SSN»
«Cosigner FName» «Cosigner MI» «Cosigner LName»
«Cosigner Street Address»
«Cosigner City» «Cosigner State» «Cosigner Zip Code»

Secondary Cosigner:

«Cosigner SSN»
«Cosigner FName» «Cosigner MI» «Cosigner LName»
«Cosigner Street Address»
«Cosigner City» «Cosigner State» «Cosigner Zip Code»

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS
The cost of your credit as a yearly rate	The dollar amount the credit will cost you, which is subject to change.	The amount of credit provided to you or on your behalf	The amount you will have paid after you have made all payments as scheduled.
«APR»%	\$«Finance Charge»	\$«Amount Financed»	\$«Total Payments»

YOUR PAYMENT SCHEDULE WILL BE:

NUMBER OF PAYMENTS	AMOUNT OF PAYMENTS	WHEN PAYMENTS ARE DUE
«Number of Payments» «Last Payment»	«Amount of Each Monthly Payment» «Amount of Last Monthly Payment»	«Payment Due Date»

PREPAYMENT: If you pay off early, you will not have to pay a penalty.

LATE CHARGE: If a payment is more than 10 days late, you may be charged 6% of the payment.

See your promissory note for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment.

ITEMIZATION OF AMOUNT FINANCED OF \$ _____.

\$ _____ Amount given to you directly.

\$ _____ Prepaid finance charge (_____ % reserve fee deducted from loan check).

THE INITIAL INTEREST RATE FOR THIS LOAN IS A VARIABLE RATE OF _____ % SIMPLE INTEREST.

THE VARIABLE RATE IS ADJUSTED ANNUALLY ON JULY 1 AND IS EQUAL TO THE BOND EQUIVALENT RATE OF 52-WEEK TREASURY BILLS AUCTIONED AT THE FINAL AUCTION HELD PRIOR TO THE PRECEDING JUNE 1, PLUS 1.75%. THE INTEREST RATE WILL NOT INCREASE BEYOND 25%.

Any increase in the amount due based on a higher variable interest rate will take the form of higher payment amounts. See the following example: If your loan were for \$10,000 at 7.37% for 15 years and the rate increased to 7.63% halfway through repayment, your regular payments would increase by \$.85 per month.

1- Lender, 2- Borrower, 3- Cosigner

FEDERAL TRUTH IN LENDING DISCLOSURE

Lender: MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY

Date: «Disbursement date»

Borrower: «Borrower SSN»

Primary Cosigner:

«Cosigner SSN»

«Cosigner FName» «Cosigner MI» «Cosigner LName»

«Cosigner Street Address»

«Cosigner City» «Cosigner State» «Cosigner Zip Code»

«Borrower FName» «Borrower MI» «Borrower LName»

«Borrower Street Address»

«Borrower City» «Borrower State» «Borrower Zip Code»

Secondary Cosigner:

«Cosigner SSN»

«Cosigner FName» «Cosigner MI» «Cosigner LName»

«Cosigner Street Address»

«Cosigner City» «Cosigner State» «Cosigner Zip Code»

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS
The cost of your credit as a yearly rate	The dollar amount the credit will cost you, which is subject to change.	The amount of credit provided to you or on your behalf	The amount you will have paid after you have made all payments as scheduled.
«APR»%	\$«Finance Charge»	\$«Amount Financed»	\$«Total Payments»

YOUR PAYMENT SCHEDULE WILL BE:

NUMBER OF PAYMENTS	AMOUNT OF PAYMENTS	WHEN PAYMENTS ARE DUE
«Number of Payments» «Last Payment»	«Amount of Each Monthly Payment» «Amount of Last Monthly Payment»	«Payment Due Date»

PREPAYMENT: If you pay off early, you will not have to pay a penalty.

LATE CHARGE: If a payment is more than 10 days late, you may be charged 6% of the payment.

See your promissory note for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment.

ITEMIZATION OF AMOUNT FINANCED OF \$_____.

\$_____ Amount given to you directly.

\$_____ Prepaid finance charge (_____ % reserve fee deducted from loan check).

THE INITIAL INTEREST RATE FOR THIS LOAN IS A FIXED RATE OF _____ % SIMPLE INTEREST.

1- Lender, 2- Borrower, 3- Cosigner

Michigan Alternative Student Loan (MI-LOAN[®]) Program Fact Sheet

NAME OF LENDER/SPONSOR:

- Michigan Higher Education Student Loan Authority (MHESLA)

SERVICER:

- UNIPAC
Customer Service
1-888-964-2890
www.unipac.com for Student Link

DESCRIPTION OF ELIGIBLE BORROWER:

- The student borrower must be accepted for enrollment or be attending a Michigan degree-granting college or university, and be making satisfactory academic progress.
- The student borrower, and cosigner(s) if applicable, must:
 - be at least 18 years of age (or in the case of the student borrower, be an emancipated minor),
 - be a citizen or permanent resident of the U.S.,
 - not be in default on any educational loans, and
 - must meet credit standards.

LOAN LIMITS (ANNUAL/CUMULATIVE):

- “Cost Minus Aid” maximum per academic year
- \$125,000 Cumulative program maximum

INTEREST RATE (FORMULA/FREQUENCY OF ADJUSTMENT):

- Fixed interest rate of 6.95%
- Variable interest rate of 6.63%, adjusted annually on July 1, is equal to the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction held prior to the preceding June 1, plus 1.75%.

RESERVE FEE (DEDUCTED FROM THE LOAN PROCEEDS):

- 3.5% for variable rate loans
- 4.0% for fixed rate loans

REPAYMENT TERMS:

- The first monthly payment is scheduled within 1-60 days after disbursement.
- Minimum monthly payment of \$50 is required from the borrower.
- Must be repaid within 25 years.
- The 25-year repayment period may include five years of forbearance. There are two types of forbearance:
 - Forbearance of principal only, with monthly interest payments, or
 - Forbearance of principal and interest, with no monthly payment.

CO-SIGNER REQUIREMENTS:

- Not necessary if the student borrower can meet the credit standards.

CREDIT REQUIREMENTS:

- Must meet a debt-to-income ratio.
- 2 years of continuous employment.
- Review of credit report.
- No defaulted student loans.

OTHER UNIQUE PROGRAM FEATURES:

- Student borrower must be attending a Michigan degree-granting college or university.

CONTACT FOR ADDITIONAL INFORMATION:

- MI-LOAN Program
PO Box 30051
Lansing, MI 48909
1-517-373-3662
1-888-643-7521
Mhesla@state.mi.us

Preparing Income Tax Returns

CHECKLISTS

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¶ 55 Checklist for Items of Income

The determination of whether an item of income is includible in income and, thus, taxable, or whether it is excludable from income is crucial to the determination of tax liability. An item that is includible increases tax liability, depending on the amount, whereas an excludable item decreases tax liability. The following chart, which is arranged alphabetically by income item, indicates whether the item is includible or excludable from income. A reference to further details in the STANDARD FEDERAL TAX REPORTER is also provided.

<i>Income Item</i>	<i>Includible in Income</i>	<i>Paragraph Reference</i>
Accident and health insurance premiums, employer-paid (except for long-term care benefits provided through flexible spending accounts and subject to limitation as to medical savings accounts)	No	¶ 6803.01
Accident and health plans proceeds (under insurance purchased by taxpayer or under employee supported plans) where premiums did not give taxpayer a previous medical expense deduction ...	No	¶ 6662.03
Agreement not to compete, payments received for ...	Yes	¶ 30,422.021
Airline deregulation benefits, special rule, unemployment compensation	Yes	¶ 6412.05
Alimony, support and separate maintenance payments, receipt of	Yes	¶ 6094.01
Allowances received by dependents of members of the Armed Forces	No	¶ 5507.0164
Annuities (amounts in excess of cost)	Yes	¶ 6114.02
Annuities, interest on advance premiums	Yes	¶ 5504.014
Antitrust action, punitive damages recovered	Yes	¶ 5900.03
Armed Forces pay (except "combat zone" or "missing" status pay)	Yes	¶ 5507.016; ¶ 7082.03
Athletic facilities on employer's premises, value of use	No	¶ 7438.115
Awards, generally	Yes	¶ 6204.02
Back pay	Yes	¶ 5507.0935
Bad debts, prior taxes and interest on taxes, recovery of, provided no tax benefit in prior year	No	¶ 7062.065; ¶ 7062.075
Bargain purchases from employer to extent discount exceeds gross profit percentage	Yes	¶ 7438.037
Barter income	Yes	¶ 5508.0128
Beauty contest winners, receipt of scholarships and amounts for personal appearances	Yes	¶ 7183.305

APPENDIX N

References in Checklists are to the 2000 Standard Federal Tax Reports.

Income Item	Includable in Income	Paragraph Reference
Bequests and devises	No	¶ 6553.01
Bonds, state, city, etc., interest on	No	¶ 6602.01
Bonuses	Yes	¶ 5507.0118
Buried treasure	Yes	¶ 5504.6916
Business interruption insurance proceeds:		
based on income experience	Yes	¶ 29.650.053
based on per diem idleness	No	¶ 29.650.053
Business profits	Yes	¶ 5504.01
Business subsidies for construction or contributions by customer or potential customer	Yes	¶ 7202.013
Capital contributions to corporation	No	¶ 7202.01
Car pool receipts by car owner for transportation of other employees	No	¶ 5504.065
Car used for business purposes by full-time car salesperson, value of use	No	¶ 7438.075
Checks, uncashed by payee, for previously deducted items	Yes	¶ 5507.698
Child or dependent care plan benefits, employer-subsidized, limited	No	¶ 7381.01
Child support payments	No	¶ 6094.027
Christmas bonuses from employer, based on percentage of salary (aside from token gifts such as hams, turkeys, etc., given for goodwill)	Yes	¶ 5507.2942
Civil Rights Act violation, back pay recovery	Yes	¶ 5900.015
Clergy fees and contributions received unless earned as agent of religious order	Yes	¶ 5507.0166
"Combat zone" pay, military	No	¶ 7082.03
Commissions	Yes	¶ 5507.0114
Commodity credit loans, receipt of (optional)	Yes	¶ 6304.01
Compensation, property received, value of	Yes	¶ 5508.012
Contract cancellation, payments received for	Yes	¶ 21.005.108
Damages:		
back pay	Yes	¶ 5507.0935
loss of anticipatory benefits (business)	Yes	¶ 5900.094
personal physical injuries or sickness	No	¶ 5900.015;
slander or libel of personal reputation (damages received after August 20, 1996)	Yes	¶ 6662.04
Death benefits, employer-paid (employees dying after August 20, 1996)	Yes	¶ 5900.025
Debts, nongratuitous cancellation of	Yes	¶ 6507.002
Defamation damage award, compensating injury to business and professional reputation (damages received after August 20, 1996)	Yes	¶ 5802.015
Dependent care assistance program payments, limited	Yes	¶ 5900.025
Disability payments, other than for loss of wages, all taxpayers, including veterans	No	¶ 7381.01
Disability pensions, Veterans' Administration	No	¶ 6662.01
Disaster unemployment payments	No	¶ 6662.01;
Discharge of indebtedness, nongratuitous	No	¶ 6662.082
Dividends, stock distributed in lieu of money	Yes	¶ 6412.01
Drawing account, excess cancelled by employer	Yes	¶ 5802.015
Educational assistance, employer-provided under a nondiscriminatory plan, for courses beginning before June 1, 2000, limited (assistance relating to graduate's studies is generally includable)	Yes	¶ 15.402.01
Embezzlement proceeds	Yes	¶ 5507.1458
Employee achievement awards	No	¶ 7353.01
	Yes	¶ 5901.236
	No	¶ 5507.0118;
		¶ 6204.03

References in Checklists are to the 2000 Standard Federal Tax Reports.

Income Item	Includable in Income	Paragraph Reference
Employee discount, qualified	No	¶ 7438.035
Employment contract, amounts received by employee for cancellation	Yes	¶ 5507.297;
		¶ 21.005.108
Endowment policies, generally as to non-annuity payments until cost is recovered	No	¶ 6114.01;
		¶ 6114.0646
Farm income	Yes	¶ 5602.01
Farmers, government payments to offset operating losses or lack of profits	Yes	¶ 5602.013
Fellowships and scholarships, degree programs	No	¶ 7183.01
Financial counseling fees, employer-paid	Yes	¶ 5507.2927
Foreign earned income, limited election	No	¶ 28.049.01
Foster parents, reimbursements for care of a qualified foster child	No	¶ 7402.01
Fringe benefits, if no additional cost service, qualified employee discount, working condition fringe, <i>de minimis</i> fringe, qualified transportation fringe, qualified moving expense reimbursement	No	¶ 7438.01
Future services, prepayment for	Yes	¶ 21.005.017
Gain on sale of personal residence:		
up to \$250,000 (\$500,000 for joint filers), post-May 6, 1997, sales and exchanges	No	¶ 7266.001
Gains:		
condemnation of nonresidential property unless award is used for replacement	Yes	¶ 29.650.01;
		¶ 29.650.319
discount on later sale or redemption of bonds purchased with excess number of interest coupons detached (stripped bonds)	Yes	¶ 31.481.01
obligations purchased or satisfied for less than face value	Yes	¶ 5804.1595
partner's sale of asset to partnership	Yes	¶ 25.182.01
sales of depreciable property	Yes	¶ 30.909.01
sales of goodwill	Yes	¶ 30.422.02
sales of patents	Yes	¶ 30.653.01
sales of property	Yes	¶ 5700.01
sales of stock in foreign corporations	Yes	¶ 30.968.01
sales of stock of foreign investment company	Yes	¶ 30.921.01
swap-fund transfers	Yes	¶ 16.405.04
Gambling winnings	Yes	¶ 5901.234
Gifts	No	¶ 6553.03
Government employees, additional compensation as inducement to accept foreign service employment ("post differentials")	Yes	¶ 28.063.015
Health insurance proceeds, not paid by the insured's employer or financed by the insured's employer through contributions that were not included in the employee's gross income	No	¶ 6662.03
Hedging transactions, commodity futures transactions	Yes	¶ 30.426.1072
Hobby income (nonprofit activities, deductions limited)	Yes	¶ 12.177.01
Illegal transactions, gains from: gambling, betting, lotteries, illegal businesses, embezzlement, protection money, etc.	Yes	¶ 5901.234
Illness, employee's compensation during, except to extent qualifying as insurance benefits	Yes	¶ 6662.031
Incentive stock options	No	¶ 19.806.02

References in Checklists are to the 2000 Standard Federal Tax Reports.

CHECKLISTS □ Checklist for Items of Income

Income Item	Includible in Income	Paragraph Reference
Mileage allowance	Yes	¶ 5507.3267
Military personnel, basic pay	Yes	¶ 5507.016
Military service, employer-payments to employees, the extent of the discount	Yes	¶ 5507.027
Moving expenses, qualified, employer-reimbursement (under qualified fringe benefit rules)	Yes	¶ 5802.295
Mustering-out pay, military personnel	No	¶ 12.623.035
National Labor Relations Board, back-pay award	Yes	¶ 5507.016
National Service Life Insurance dividends	Yes	¶ 5507.0935
Nobel prize and similar awards if donated by recipient to qualified entity	No	¶ 5504.74
Obligations, federal interest on	No	¶ 6204.025
Old age, disability, survivors' benefit payments, Social Security or Railroad Retirement Acts, below base amount	Yes	¶ 6602.02
Parsonage, rental value of, furnished to a minister or rabbi as part of compensation; rental allowances if used to rent or provide a home	No	¶ 6421.02
Partnership, distributive share of taxable income	No	¶ 6852.01
Peace Corps volunteers, basic living and travel allowances	Yes	¶ 25,124.01
Pensions: annuities, etc., for personal injuries or sickness resulting from active service in armed forces of any country, National Oceanic and Atmospheric Administration, or U.S. Public Health Service	Yes	¶ 30,982.01
Political campaign contributions, with exceptions	No	¶ 28,063.015
Prizes	Yes	¶ 6662.08
Professional fees	No	¶ 6140.026;
Pulitzer prize and similar awards if donated by recipient to qualified entity	Yes	¶ 6140.06
Punitive damages	No	¶ 6662.01
Purchases, nondiscriminatory employee-discounts	No	¶ 6553.265
Railroad Retirement Act benefits, below base amount	Yes	¶ 6204.02
Rebates, credits, price reductions received by customers	Yes	¶ 5507.0114
Rent reductions received by retail tenants for construction or improvements (post-August 5, 1997, leases)	No	¶ 6204.025
Rents	Yes	¶ 5900.03
Retirement pay attributable to employer contributions other than veterans' disability retirement pay	No	¶ 7438.035
Reward, informer's	Yes	¶ 6421.01
Royalties	No	¶ 5504.492
Salaries, including those of state and federal employees and amounts employer withholds for income, Social Security, and Railroad Retirement taxes	Yes	¶ 5706.016
Scholarships and fellowships, degree programs	Yes	¶ 5706.01
Security deposits, when retained by lessor	Yes	¶ 5507.0112;
		¶ 5507.0174;
		¶ 5507.0176
		¶ 7183.01
		¶ 21,005.017

References in Checklists are to the 2000 Standard Federal Tax Reports.

U.S. Master Tax Guide

Income Item	Includible in Income	Paragraph Reference
Income tax refunds: state, to extent of tax benefit from prior deduction	Yes	¶ 5504.026
Inheritances	No	¶ 6553.01
Insider's profits	Yes	¶ 5504.2645
Insurance proceeds: business interruption insurance, based on lost income	Yes	¶ 29,650.053
use or occupancy, actual loss of net profits	Yes	¶ 29,650.053
Interest-free loans: loans in excess of <i>de minimis</i> amount, deemed interest	Yes	¶ 43,960.01
loans within <i>de minimis</i> amount	No	¶ 43,960.45
Interest on: bank deposits or accounts	Yes	¶ 5704.023
bonds, debentures, or notes	Yes	¶ 5704.051
claim awarded by judgment	Yes	¶ 5704.279
condemnation awards	Yes	¶ 30,575.0777
deferred legacies	Yes	¶ 5704.347
federal obligations	Yes	¶ 6602.02
insurance contracts	Yes	¶ 6504.032
refund of federal taxes	Yes	¶ 21,005.922
short-term commercial paper	Yes	¶ 5704.053
Involuntary conversions, gain from, if reinvested	No	¶ 29,650.01
Jury's mileage allowance	No	¶ 5504.5006
Jury fees	Yes	¶ 5507.0112
Layout pay benefits: supplemental unemployment benefit plan, company-financed	Yes	¶ 5507.015
company-financed	Yes	¶ 5706.017
Lease cancellation, payments received for	No	¶ 5706.016
Leased retail space, cash or rent reductions received for construction or improvements (post-August 5, 1997, leases)	Yes	¶ 7244.01
Legal services plan, employer contributions and value of benefits received	No	¶ 7022.01
Lessee's improvements, value of to lessor upon termination of lease	Yes	¶ 5900.03
Libel or slander of personal reputation, exemplary damages	No	¶ 5504.74
Life insurance dividends, veterans' converted, interest on	No	¶ 6367.01
Life insurance, group-term premiums paid by employer, to extent of employer's cost of \$50,000 or less of insurance	No	¶ 6504.01
Life insurance proceeds, paid on death of the insured	No	¶ 7302.01
Living expenses paid by insurance while damaged home being repaired	Yes	¶ 7222.01;
Lodging and meals, unless furnished on employer's premises for employer's convenience and the employee must accept lodging as a condition of employment	Yes	¶ 7222.015
Lodging, cost of, furnished on employer's premises for employer's convenience and employee must accept lodging as a condition of employment	No	¶ 7222.015
Losses, previously deducted, reimbursement for or expense items	Yes	¶ 7062.01
Meals, cost of, furnished on employer's premises for employer's convenience	No	¶ 7222.01
Medical care reimbursements, employer-financed accident and health plan	No	¶ 6702.01

References in Checklists are to the 2000 Standard Federal Tax Reports.

Income Item	Includible in Income	Paragraph Reference
Sickness and injury benefits:		
• employer's plan, subject to limitations	No	¶ 6662.03
• workers' compensation equivalent	No	¶ 6662.02
Social Security old age, disability and survivor's benefits, below base amount	No	¶ 6421.01
State contracts, profits on	Yes	¶ 5504.014; ¶ 5511
Stock distributions in general	No	¶ 15.402.01
• convertible preferred stock or debentures	Yes	¶ 15.402.01
• disproportionate distributions	Yes	¶ 15.402.01
• distributions of common and preferred stock	Yes	¶ 15.402.01
• dividends on preferred stock	Yes	¶ 15.402.01
• increasing shareholder's proportionate interest in lieu of money	Yes	¶ 15.402.01
Stock options incentive	Yes	¶ 15.402.01
Strike benefits, union and non-union employees in need, paid in form of food, clothes, etc.	No	¶ 19.806.02
Supplier money, employer-paid, occasional due to overtime work	No	¶ 6553.03
Supplemental security income (SSI) payments	No	¶ 7438.108 ¶ 5507.0154; ¶ 6421.01
Support payment, received from former spouse	Yes	¶ 6094.01
Surviving spouse, decedent's salary continued, limited depending on intent	No	¶ 5507.4741
Survivor annuities, paid to family of public safety officer	No	¶ 5507.0178; ¶ 6507.013
Taxes:		
• employees', employer-paid	Yes	¶ 5508.0146
• refunds of, not previously deducted or deducted without tax benefit	No	¶ 5504.026; ¶ 7062.065
Tenancy, payments for surrender of	Yes	¶ 30.575.156
Tips	Yes	¶ 5507.0116
Treasure trove	Yes	¶ 5504.6916
Treaty-exempt income	No	¶ 26.801
Tuition, employer-paid under qualified plans for classes beginning before June 1, 2000 (but generally not for graduate-level courses)	No	¶ 7353.01
Unemployment benefit plans, supplemental payments	Yes	¶ 6412.01
Unemployment benefits	Yes	¶ 6412.01
U.S. Savings Bonds, earned increase during year, if cash-method taxpayer elects	Yes	¶ 6602.024
Use and occupancy insurance proceeds, income experience	Yes	¶ 29.650.053
Vacation fund allowance, union agreement	Yes	¶ 5507.47
Veterans Administration payments	No	¶ 3504.785
Veterans' benefits	No	¶ 5504.0156
Veterans' bonuses, state	No	¶ 5504.775
Wages	Yes	¶ 5507.0112
Workers' Compensation Acts, payments under	No	¶ 6662.01; ¶ 6662.02
"Wrap-around" annuity contracts sold by life insurance companies, interest on	Yes	¶ 6114.48

References in Checklists are to the 2000 Standard Federal Tax Reports.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
MICHIGAN ALTERNATIVE STUDENT LOAN (MI-LOAN[®]) PROGRAM

VERIFICATION OF CREDIT

Instructions to the Credit Applicant: Complete Section I, and submit a copy to the appropriate creditor for verification of your credit.

Section I: To Be Completed by Credit Applicant

Credit Applicant's Name SSN

Street Address

City State Zip Code Telephone Number

I authorize you to release information on my credit with you to the agent identified below.

Credit Applicant's Signature Date

Instructions to the Creditor: Based on the authorization above, please complete Section II, and return this form within 7 days to the address indicated below.

Section II: To Be Completed by Creditor

Creditor's Name

Street Address State Zip Code Telephone #

A. Date account opened.....

B. High Balance/Line of Credit (whichever is higher)..... \$

C. Current Balance..... \$

D. Monthly Payment Amount..... \$

E. Next Payment Due Date

F. Number of 30-day delinquencies within the past two years per loan

G. Number of 60-day or longer delinquencies within the past two years per loan

H. Has the applicant been subjected to attachment, foreclosure, garnishment, repossession, suit, collection account, or chargeoff as a result of past due credit with you within the past five years? Yes No

Signature Date

Printed Name Title

RETURN THIS FORM WITHIN 7 DAYS TO: _____

Act No. 96
 Public Acts of 1989
 Approved by the Governor
 June 21, 1989
 Filed with the Secretary of State
 June 21, 1989

**STATE OF MICHIGAN
 85TH LEGISLATURE
 REGULAR SESSION OF 1989**

Introduced by Reps. Hickner, Dutko, DeMars, Gire, Weeks, DeBeaussaert, Johnson, Berman, Sikkema, Pitoniak, Kosteva, Strand, Perry Bullard, Jondahl, Brown, Maynard, Willis Bullard and Gubow
 Reps. Allen, Alley, Bartnik, Bennett, Bryant, Clack, Dolan, Fitzgerald, Gilmer, Gnodtke, Griffin, Hertel, Hillegonds, Hoffman, Hunter, Jacobetti, Jaye, Jonker, Keith, London, Martin, Middaugh, Miller, O'Neill, Ouwinga, Oxender, Porreca, Power, Pridnia, Profit, Rocca, Runco, Scott, Spaniola, Stallworth, Stupak, Van Singel, Wallace and Wartner named co-sponsors

ENROLLED HOUSE BILL No. 4684

AN ACT to amend Act No. 222 of the Public Acts of 1975, entitled as amended "An act to establish the Michigan higher education student loan authority for the purpose of providing loans to eligible students and to parents of students; to prescribe its powers and duties; to authorize the authority to borrow money and issue bonds which are subject to or exempt from federal income taxation and to provide for the disposition of those funds; to exempt the bonds from taxation; to authorize the authority to acquire loans made to eligible students or to parents of students; and to authorize persons, corporations, and associations to make gifts to the authority," as amended, being sections 390.1151 to 390.1165 of the Michigan Compiled Laws, by adding section 4a.

The People of the State of Michigan enact:

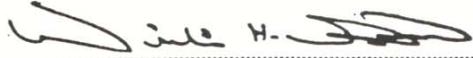
Section 1. Act No. 222 of the Public Acts of 1975, as amended, being sections 390.1151 to 390.1165 of the Michigan Compiled Laws, is amended by adding section 4a to read as follows:

Sec. 4a. In addition to the powers enumerated in section 4, the authority may loan money to students or parents of students who are residents of this state to assist them to pay for the cost of the student's attendance at a degree-granting college or university located in this state. The authority shall promulgate rules under the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws, to establish payment and repayment terms for the loans authorized under this section.

This act is ordered to take immediate effect.



.....
Clerk of the House of Representatives.



.....
Secretary of the Senate.

Approved.....

.....
Governor.

DEPARTMENT OF TREASURY
MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
MICHIGAN ALTERNATIVE STUDENT LOAN PROGRAM

Filed with the Secretary of State on June 18, 1999. These rules take effect 15 days after filing with the Secretary of State (July 5, 1999).

(By authority conferred on the Michigan higher education student loan authority by sections 4, 4a, and 12 of Act No. 222 of the Public Acts of 1975, as amended, being §§390.1154, 390.1154a, and 390.1162 of the Michigan Compiled Laws)

R 390.1622, R 390.1623, R 390.1629, and R 390.1631 of the Michigan Administrative Code are amended as follows:

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 Act No. 222 of the Public Acts of 1975, as amended, being §390.1151 et seq. Of the Michigan Compiled Laws.

(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.

(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 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 a loan check is issued.

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 listed in the directory of Michigan institutions of higher education published by the state board of education.
- (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.

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 Act No. 222 of the Public Acts of 1975, as amended, being §390.1154a of the Michigan Compiled Laws.
- (c) "Loan period" means a period of time the borrower 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 a degree-granting college or university located 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.
- (f) "Reserve fee" means a fee as established by the authority and paid by the borrower to the authority to establish a reserve.
- (g) "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.

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

§390.1151 et seq. Of the Michigan Compiled Laws, have the same meanings when used in these rules.

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.

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 shall be a Michigan resident.
- (b) A borrower 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 Act No. 293 of the public acts of 1968, as amended, being §722.4 of the Michigan Compiled Laws.
- (f) A borrower or cosigner or cosigners shall meet the credit standards.
- (g) A borrower shall demonstrate eligibility based on the cost of attendance less estimated financial aid.
- (h) A borrower shall not currently be in default on any federal or state educational loans.

R 390.1627 Rescinded.

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.

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 is \$500.00.
 - (b) The maximum loan amount per academic year is the borrower'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 rate for a loan shall be determined by the authority and shall not exceed the rate permitted by state law. The interest rate may be set at a fixed or variable rate and 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 check, if applicable.

R 390.1630 Loan disbursement.

Rule 10. (1) A loan shall be disbursed in a single installment.

(2) The check shall be payable to the borrower.

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

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

(5) The interest and reserve fee, if applicable, shall be refunded if the uncashed check is returned to the authority within 30 days of the date of the check.

(6) After the authority has processed and approved the loan, the amount may be adjusted if either of the following conditions is met:

(a) The authority has not issued the check.

(b) The voided, uncashed check is returned to the authority.

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 borrower or cosigner may be granted forbearance of principal or principal and interest payments. To receive forbearance, a borrower or cosigner shall request forbearance from the authority in writing. Forbearance shall be approved for periods of not more than 12 months. Renewal requests shall be honored if the combined forbearance periods approved for the loan do not total more than 60 months.

(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.

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 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 default.

- (b) A borrower or cosigner provided false information to obtain the loan.
- (4) The authority may exercise all legal options to collect the loan.

R 390.1633 Default

Rule 13. (1) If a borrower and a cosigner do not comply with the provisions of the promissory note for a period of 120 days or more, 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.

R 390.1634 Death of borrower; effect.

Rule 14. (1) The balance on a loan will be canceled upon the death of the borrower. The authority shall not attempt to collect on the loan from the borrower's estate or the cosigner after the authority has received a death certificate.

(2) Payments received from the estate or paid on behalf of the borrower after the date of the borrower's death shall be returned to the sender.

R 390.1635 Total and permanent disability; effect.

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

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

(3) A borrower 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 borrower's condition has substantially deteriorated since he or she submitted the loan application so as to render the borrower totally and permanently disabled.

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

(5) Payments paid on behalf of a borrower after the date the authority determines the borrower to be totally and permanently disabled shall be returned to the sender.

R 390.1636 Bankruptcy; effect.

Rule 16. (1) when the authority receives a notice of the first meeting of creditors from a bankruptcy court for both a borrower and cosigner, 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, the authority shall pay the remaining balance and report the bankruptcy to the credit bureau.

(c) If a payment plan is ordered by the bankruptcy court, the authority shall pay the remaining balance due on the account at the time of notification from the court. 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, 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) When the authority receives a notice of the first meeting of creditors from a bankruptcy court for 1 of the signers of the promissory note, 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.

FFELP Servicer Questionnaire

The FFELP Servicer Questionnaire is composed of two parts.

Part I includes questions 1-13 and requires a “yes/no” answer. **Bidders must be able to answer "yes" and provide necessary documentation for questions 1-13 on the questionnaire to be qualified to bid. Those bidders who cannot answer "yes" are not eligible to bid.**

Part II includes questions 14-24 and also requires a “yes/no” answer. However, bidders who cannot answer “yes” to questions 14-24 are still eligible to bid.

Please complete the questionnaire and include it and your supporting documentation with your bid response.

FFELP Servicer Questionnaire Part I	Answer (Y/N)
1. Does your organization have experience and history in FFELP student loan servicing? (Please describe organizational history.)	
2. Is FFELP student loan servicing part of your long-term (5-year) strategy as an organization? (Please describe organizational strategy.)	
3. Is the size of your current servicing portfolio greater than \$1 billion?	
4. Is your organization (processing system and personnel) capable of handling an increase in FFELP volume of \$550 MM? (Please provide supporting documentation.)	
5. Is the following an accurate statement? Auditors did not disclose any material findings and/or note any scope limitations on audit work performed on any of your due diligence and other audits (of all or part of your portfolio) performed within the last 3 calendar years. (Please include supporting information.)	
6. Is your organization financially sound? (Please include financial statements for the past three years and comparable credit reports/ratings.)	
7. Is your organization able to meet all of the reporting requirements set forth by this ITB? (Please include sample reports that match or exceed the requirements.)	
8. Is your organization capable of providing support to the State in public awareness initiatives as reflected in Task 29? (Please describe potential support.)	
9. Is your processing system flexible enough to handle potential servicing, reporting, and program changes initiated by the State? (Please include system design overview.)	
10. Is your organization capable of processing and servicing borrower incentive programs which include incentives such as a reduced interest rate for timely payments or a reduced reserve fee: (Please describe capabilities.)	
11. If there are multiple servicers and your organization is selected as the primary servicer, are you capable of coordinating and maintaining a central borrower database as described in the ITB? (Please provide supporting documentation.)	
12. Does your organization hold membership and actively participate in national industry associations (i.e. NCHelp, SLISA, or EFC)? (Please provide documentation.)	
13. Does your organization agree to not compete against the State in loan purchases?	

FFELP Servicer Questionnaire

Page 2

FFELP Servicer Questionnaire Part II – Additional Information	Answer (Y/N)
14. Does your organization have a school support team? (Please describe the structure of the team and the relevant experience of each member.)	
15. Does your organization provide progressive Internet based products for schools and borrowers? (Please describe in detail these products and services.)	
16. Does your organization offer benefit programs for students and/or parents? (Please describe in detail any programs.)	
17. Does your organization use a quality measurement program? (Please describe in detail any programs.)	
18. Does your organization offer clients the ability to update system data fields accessed on-line? If so, please identify which fields may be updated. (Please cite examples of clients that have this ability.)	
19. Does your organization and key personnel have prior experience in portfolio conversion? If so, please describe the steps you took to ensure a smooth transition for students, parents, and schools. (Please include resumes of key operational, financial, and managerial personnel and provide references for portfolios previously converted.)	
20. Does your organization have the ability and willingness to support the conversion of schools from the Federal Direct Loan Program to FFELP? (Please provide at least one reference of a school you have successfully worked with on this type of conversion.)	
21. Does your organization provide clients with the ability to write and print out customized reports at the client's site? (Please describe any products.)	
22. Does your organization have significant existing relationships in the Michigan market (i.e., schools, lenders, secondary markets)? (Please provide an overview of the relationships that exist.)	
23. Does your organization have extensive document management and imaging expertise allowing for the ability to image the State's internal documents and for the State to be able to print copies of the imaged materials at the State's site? Can this service be customized to meet specific MHESLA needs? (Please describe any system in detail.)	
24. Is your organization able to provide customized special reports for selected schools? (Please provide examples.)	

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
FFELP Servicing
Price Proposal Summary
PRICING PERIOD: OCTOBER 1, 2000, THROUGH SEPTEMBER 30, 2005

<u>Service to be Provided</u>	<u>Quotation</u>	<u>Unit</u>	<u>Estimated Volume*</u>		<u>Months</u>	<u>YEAR 1 (2000/2001)</u>
Conversion Fee (Task 1)	\$ _____	per borrower	X	10	X	12 = \$ _____
Hardware/Software/Maintenance (Tasks 1 & 2)	\$ _____	per year				= \$ _____
Dedicated Data Circuit (Task 2)						
Initial Set Up	\$ _____	set up				= \$ _____
Service Fee	\$ _____	per month	X			12 = \$ _____
Printers (Task 2)	\$ _____	per printer				= \$ _____
System Changes (Task 3)	\$ _____	per hour	X	10	X	12 = \$ _____
Portfolio Tapes (Task 4)	\$ _____	per tape	X	3 Units		= \$ _____
Origination (Tasks 6 & 7)						
Stafford and PLUS	\$ _____	per application	X	1,000	X	12 = \$ _____
Consolidation Loan	\$ _____	per application	X	100	X	12 = \$ _____
In-School Status						
Subsidized	\$ _____	per account	X	8,683	X	12 = \$ _____
Unsubsidized	\$ _____	per account	X	1,906	X	12 = \$ _____
Grace Period/Repayment: Current						
Subsidized	\$ _____	per account	X	44,643	X	12 = \$ _____
Unsubsidized	\$ _____	per account	X	16,841	X	12 = \$ _____
Consolidation Loans	\$ _____	per account	X	3,836	X	12 = \$ _____
Repayment: Delinquent						
Subsidized & Unsubsidized	\$ _____	per account	X	21,184	X	12 = \$ _____
Consolidation	\$ _____	per account	X	1,293	X	12 = \$ _____
Deferred Loans (Task 16)	\$ _____	per account	X	12,536	X	12 = \$ _____
Claim Processing (Task 18)	\$ _____	per account	X	600	X	12 = \$ _____
Cure Fee (Task 19)	\$ _____	per account	X	5	X	12 = \$ _____
Secondary Market (Task 22)						
Packaging	\$ <u>1%</u>	purchased				= \$ <u>60,000</u>
Inspection/Conversion						
(a) In school status	\$ _____	per account	X	170	X	12 = \$ _____
(b) All other statuses	\$ _____	per account	X	425	X	12 = \$ _____
(c) Internal transfers	\$ _____	per account	X	4,500	X	12 = \$ _____
Local Lender Loan Program	\$ _____	per account	X	360	X	12 = \$ _____
Credit Evaluation (Task 23)						
Regular	\$ _____	per application	X	5	X	12 = \$ _____
Pre-Approval	\$ _____	per application	X	25	X	12 = \$ _____
Repurchases (Task 24)	\$ _____	per account	X	75	X	12 = \$ _____
Ad Hoc Reports (Task 26)	\$ _____	per report	X	5	X	12 = \$ _____
Public Awareness (Task 29)	\$ <u>.001</u>	portfolio				= \$ <u>648,252</u>
					Total	= \$ _____

*Volume will differ based on the actual number of units processed or needed.

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
FFELP Servicing
Price Proposal Summary
PRICING PERIOD: OCTOBER 1, 2000, THROUGH SEPTEMBER 30, 2005

<u>Service to be Provided</u>	<u>Quotation</u>	<u>Unit</u>	<u>Estimated Volume*</u>		<u>Months</u>	<u>YEAR 2 (2001/2002)</u>
Conversion Fee (Task 1)	\$ _____	per borrower	X	20	X	12 = \$ _____
Hardware/Software/Maintenance (Tasks 1 & 2)	\$ _____	per year				= \$ _____
Dedicated Data Circuit (Task 2) Service Fee	\$ _____	per month	X			12 = \$ _____
Printers (Task 2)	\$ _____	per printer				= \$ _____
System Changes (Task 3)	\$ _____	per hour	X	20	X	12 = \$ _____
Portfolio Tapes (Task 4)	\$ _____	per tape	X	3 Units		= \$ _____
Origination (Tasks 6 & 7)						
Stafford and PLUS	\$ _____	per application	X	1,150	X	12 = \$ _____
Consolidation	\$ _____	per application	X	115	X	12 = \$ _____
In-School Status						
Subsidized	\$ _____	per account	X	10,853	X	12 = \$ _____
Unsubsidized	\$ _____	per account	X	2,382	X	12 = \$ _____
Grace Period/Repayment: Current						
Subsidized	\$ _____	per account	X	55,803	X	12 = \$ _____
Unsubsidized	\$ _____	per account	X	21,051	X	12 = \$ _____
Consolidation Loans	\$ _____	per account	X	4,795	X	12 = \$ _____
Repayment: Delinquent						
Subsidized & Unsubsidized	\$ _____	per account	X	26,480	X	12 = \$ _____
Consolidation	\$ _____	per account	X	1,616	X	12 = \$ _____
Deferred Loans (Task 16)	\$ _____	per account	X	15,670	X	12 = \$ _____
Claim Processing (Task 18)	\$ _____	per account	X	600	X	12 = \$ _____
Cure Fee (Task 19)	\$ _____	per account	X	5	X	12 = \$ _____
Secondary Market: (Task 22)						
Packaging	\$ <u>1%</u>	purchased				= \$ <u>60,000</u>
Inspection/Conversion						
(a) In school status	\$ _____	per account	X	170	X	12 = \$ _____
(b) All other statuses	\$ _____	per account	X	425	X	12 = \$ _____
(c) Internal transfers	\$ _____	per account	X	4,500	X	12 = \$ _____
Local Lender Loan Program	\$ _____	per account	X	360	X	12 = \$ _____
Credit Evaluation (Task 23)						
Regular	\$ _____	per application	X	5	X	12 = \$ _____
Pre-Approval	\$ _____	per application	X	25	X	12 = \$ _____
Repurchases (Task 24)	\$ _____	per account	X	75	X	12 = \$ _____
Ad Hoc Reports (Task 26)	\$ _____	per report	X	5	X	12 = \$ _____
Public Awareness (Task 29)	\$ <u>.001</u>	portfolio				= \$ <u>648,252</u>
					Total	= \$ _____

*Volume will differ based on the actual number of units processed or needed

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
FFELP Servicing
Price Proposal Summary
PRICING PERIOD: OCTOBER 1, 2000, THROUGH SEPTEMBER 30, 2005

<u>Service to be Provided</u>	<u>Quotation</u>	<u>Unit</u>	<u>Estimated Volume*</u>			<u>Months</u>	<u>YEAR 3 (2002/2003)</u>
Conversion Fee (Task 1)	\$ _____	per borrower	X	30	X	12 =	\$ _____
Hardware/Software/Maintenance (Tasks 1 & 2)	\$ _____	per year				=	\$ _____
Dedicated Data Circuit (Task 2) Service Fee	\$ _____	per month	X			12 =	\$ _____
Printers (Task 2)	\$ _____	per printer				=	\$ _____
System Changes (Task 3)	\$ _____	per hour	X	30	X	12 =	\$ _____
Portfolio Tapes (Task 4)	\$ _____	per tape	X	3 Units		=	\$ _____
Origination (Tasks 6 & 7) Stafford and PLUS	\$ _____	per application	X	1,322	X	12 =	\$ _____
Consolidation	\$ _____	per application	X	132	X	12 =	\$ _____
In-School Status Subsidized	\$ _____	per account	X	13,566	X	12 =	\$ _____
Unsubsidized	\$ _____	per account	X	2,977	X	12 =	\$ _____
Grace Period/Repayment: Current Subsidized	\$ _____	per account	X	69,753	X	12 =	\$ _____
Unsubsidized	\$ _____	per account	X	26,313	X	12 =	\$ _____
Consolidation Loans	\$ _____	per account	X	5,993	X	12 =	\$ _____
Repayment: Delinquent Subsidized & Unsubsidized	\$ _____	per account	X	33,100	X	12 =	\$ _____
Consolidation	\$ _____	per account	X	2,020	X	12 =	\$ _____
Deferred Loans (Task 16)	\$ _____	per account	X	19,587	X	12 =	\$ _____
Claim Processing (Task 18)	\$ _____	per account	X	650	X	12 =	\$ _____
Cure Fee (Task 19)	\$ _____	per account	X	5	X	12 =	\$ _____
Secondary Market: (Task 22) Packaging	\$ <u>1%</u>	purchased				=	\$ <u>60,000</u>
Inspection/Conversion (a) In school status	\$ _____	per account	X	170	X	12 =	\$ _____
(b) All other statuses	\$ _____	per account	X	425	X	12 =	\$ _____
(c) Internal transfers	\$ _____	per account	X	4,500	X	12 =	\$ _____
Local Lender Loan Program	\$ _____	per account	X	360	X	12 =	\$ _____
Credit Evaluation (Task 23) Regular	\$ _____	per application	X	5	X	12 =	\$ _____
Pre-Approval	\$ _____	per application	X	30	X	12 =	\$ _____
Repurchases (Task 24)	\$ _____	per account	X	100	X	12 =	\$ _____
Ad Hoc Reports (Task 26)	\$ _____	per report	X	5	X	12 =	\$ _____
Public Awareness (Task 29)	\$ <u>.001</u>	portfolio				=	\$ <u>648,252</u>
						Total =	\$ _____

*Volume will differ based on the actual number of units processed or needed

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
FFELP Servicing
Price Proposal Summary
PRICING PERIOD: OCTOBER 1, 2000, THROUGH SEPTEMBER 30, 2005

<u>Service to be Provided</u>	<u>Quotation</u>	<u>Unit</u>	<u>Estimated Volume*</u>		<u>Months</u>	<u>YEAR 4 (2003/2004)</u>
Conversion Fee (Task 1)	\$ _____	per borrower	X	40	X	12 = \$ _____
Hardware/Software/Maintenance (Tasks 1 & 2)	\$ _____	per year				= \$ _____
Dedicated Data Circuit (Task 2) Service Fee	\$ _____	per month	X			12 = \$ _____
Printers (Task 2)	\$ _____	per printer				= \$ _____
System Changes (Task 3)	\$ _____	per hour	X	30	X	12 = \$ _____
Portfolio Tapes (Task 4)	\$ _____	per tape	X	3 Units		= \$ _____
Origination (Tasks 6 & 7) Stafford and PLUS	\$ _____	per application	X	1,520	X	12 = \$ _____
Consolidation	\$ _____	per application	X	151	X	12 = \$ _____
In-School Status Subsidized	\$ _____	per account	X	16,957	X	12 = \$ _____
Unsubsidized	\$ _____	per account	X	3,721	X	12 = \$ _____
Grace Period/Repayment: Current Subsidized	\$ _____	per account	X	87,191	X	12 = \$ _____
Unsubsidized	\$ _____	per account	X	32,891	X	12 = \$ _____
Consolidation Loans	\$ _____	per account	X	7,491	X	12 = \$ _____
Repayment: Delinquent Subsidized & Unsubsidized	\$ _____	per account	X	41,375	X	12 = \$ _____
Consolidation	\$ _____	per account	X	2,525	X	12 = \$ _____
Deferred Loans (Task 16)	\$ _____	per account	X	24,483	X	12 = \$ _____
Claim Processing (Task 18)	\$ _____	per account	X	700	X	12 = \$ _____
Cure Fee (Task 19)	\$ _____	per account	X	5	X	12 = \$ _____
Secondary Market: (Task 22) Packaging	\$ <u>1%</u>	purchased				= \$ <u>60,000</u>
Inspection/Conversion (a) In school status	\$ _____	per account	X	170	X	12 = \$ _____
(b) All other statuses	\$ _____	per account	X	425	X	12 = \$ _____
(c) Internal transfers	\$ _____	per account	X	4,500	X	12 = \$ _____
Local Lender Loan Program	\$ _____	per account	X	360	X	12 = \$ _____
Credit Evaluation (Task 23) Regular	\$ _____	per application	X	5	X	12 = \$ _____
Pre-Approval	\$ _____	per application	X	30	X	12 = \$ _____
Repurchases (Task 24)	\$ _____	per account	X	100	X	12 = \$ _____
Ad Hoc Reports (Task 26)	\$ _____	per report	X	5	X	12 = \$ _____
Public Awareness (Task 29)	\$ <u>.001</u>	portfolio				= \$ <u>648,252</u>
					Total	= \$ _____

*Volume will differ based on the actual number of units processed or needed

MICHIGAN HIGHER EDUCATION STUDENT LOAN AUTHORITY
FFELP Servicing
Price Proposal Summary
PRICING PERIOD: OCTOBER 1, 2000, THROUGH SEPTEMBER 30, 2005

<u>Service to be Provided</u>	<u>Quotation</u>	<u>Unit</u>	<u>Estimated Volume*</u>		<u>Months</u>	<u>YEAR 5 (2004/2005)</u>
Conversion Fee (Task 1)	\$ _____	per borrower	X	50	X	12 = \$ _____
Hardware/Software/Maintenance (Tasks 1 & 2)	\$ _____	per year				= \$ _____
Dedicated Data Circuit (Task 2) Service Fee	\$ _____	per month	X			12 = \$ _____
Printers (Task 2)	\$ _____	per printer				= \$ _____
System Changes (Task 3)	\$ _____	per hour	X	40	X	12 = \$ _____
Portfolio Tapes (Task 4)	\$ _____	per tape	X	3 Units		= \$ _____
Origination (Tasks 6 & 7) Stafford and PLUS	\$ _____	per application	X	1,748	X	12 = \$ _____
Consolidation	\$ _____	per application	X	173	X	12 = \$ _____
In-School Status Subsidized	\$ _____	per account	X	21,196	X	12 = \$ _____
Unsubsidized	\$ _____	per account	X	4,651	X	12 = \$ _____
Grace Period/Repayment: Current Subsidized	\$ _____	per account	X	108,988	X	12 = \$ _____
Unsubsidized	\$ _____	per account	X	41,113	X	12 = \$ _____
Consolidation Loans	\$ _____	per account	X	9,363	X	12 = \$ _____
Repayment: Delinquent Subsidized & Unsubsidized	\$ _____	per account	X	51,718	X	12 = \$ _____
Consolidation	\$ _____	per account	X	3,156	X	12 = \$ _____
Deferred Loans (Task 16)	\$ _____	per account	X	30,603	X	12 = \$ _____
Claim Processing (Task 18)	\$ _____	per account	X	750	X	12 = \$ _____
Cure Fee (Task 19)	\$ _____	per account	X	5	X	12 = \$ _____
Secondary Market: (Task 22) Packaging	\$ <u>1%</u>	purchased				= \$ <u>60,000</u>
Inspection/Conversion (a) In school status	\$ _____	per account	X	170	X	12 = \$ _____
(b) All other statuses	\$ _____	per account	X	425	X	12 = \$ _____
(c) Internal transfers	\$ _____	per account	X	4,500	X	12 = \$ _____
Local Lender Loan Program	\$ _____	per account	X	360	X	12 = \$ _____
Credit Evaluation (Task 23) Regular	\$ _____	per application	X	5	X	12 = \$ _____
Pre-Approval	\$ _____	per application	X	30	X	12 = \$ _____
Repurchases (Task 24)	\$ _____	per account	X	100	X	12 = \$ _____
Ad Hoc Reports (Task 26)	\$ _____	per report	X	5	X	12 = \$ _____
Public Awareness (Task 29)	\$ <u>.001</u>	portfolio				= \$ <u>648,252</u>
Deconversion to another Servicer (Task 28)	\$ _____	per account	X	112,099		= \$ _____
					Total	= \$ _____
					Grand Total for all Five Years	= \$ _____

*Volume will differ based on the actual number of units processed or needed.

MI-LOAN Servicer Questionnaire

The MI-LOAN Servicer Questionnaire is composed of two parts.

Part I includes questions 1-12 and requires a “yes/no” answer. **Bidders must be able to answer "yes" and provide necessary documentation for questions 1-12 on the questionnaire to be qualified to bid. Those bidders who cannot answer "yes" are not eligible to bid.**

Part II includes questions 13-22 and also requires a “yes/no” answer. However, bidders who cannot answer “yes” to questions 13-22 are still eligible to bid.

Please complete the questionnaire and include it and your supporting documentation with your bid response.

MI-LOAN Servicer Questionnaire Part I	Answer (Y/N)
1. Does your organization have experience and history in alternative student loan servicing? (Please describe organizational history.)	
2. Is alternative student loan servicing part of your long-term (5-year) strategy as an organization? (Please describe organizational strategy.)	
3. Is your organization (processing system and personnel) capable of handling an increase in MI-LOAN volume of 100% a year? (Please provide supporting documentation.)	
4. Is the following an accurate statement? Auditors did not disclose any material findings on audit work performed on any of your audits performed within the last 3 calendar years. (Please include supporting information.)	
5. Is your organization financially sound? (Please include financial statements for the past three years and comparable credit reports/ratings.)	
6. Is your organization able to meet all of the reporting requirements set forth by this ITB? (Please include sample reports that match or exceed the requirements.)	
7. Is your organization capable of providing support to the State in public awareness initiatives as reflected in Task 22? (Please describe potential support.)	
8. Is your processing system flexible enough to handle potential servicing, reporting, and program changes initiated by the State? (Please include system design overview.)	
9. Is your organization capable of processing and servicing borrower incentive programs which include incentives such as a reduced interest rate for timely payments or a reduced reserve fee? (Please describe capabilities.)	
10. If there are multiple servicers and your organization is selected as the primary servicer, are you capable of coordinating and maintaining a central borrower database as described in Task 1? (Please provide supporting documentation.)	
11. Does your organization hold membership and actively participate in national industry associations (i.e. NCHELP, SLSA, and EFC)? (Please provide documentation.)	
12. Does your organization have liability insurance for errors and omissions? (Please provide documentation)	

MI-LOAN Servicer Questionnaire
Page 2

MI-LOAN Servicer Questionnaire Part II – Additional Information	Answer (Y/N)
13. Does your organization have a school support team? (Please describe the structure of the team and the relevant experience of each member.)	
14. Does your organization provide progressive Internet based products for schools and borrowers? (Please describe in detail these products and services.)	
15. Does your organization offer benefit programs for students and/or parents? (Please describe in detail any programs.)	
16. Does your organization use a quality measurement program? (Please describe in detail any programs.)	
17. Does your organization offer clients the ability to update system data fields accessed on-line? If so, please identify which fields may be updated. (Please cite examples of clients that have this ability.)	
18. Does your organization and key personnel have prior experience in portfolio conversion? If so, please describe the steps you took to ensure a smooth transition for students, parents, and schools. (Please include resumes of key operational, financial, and managerial personnel and provide references for portfolios previously converted.)	
19. Does your organization provide clients with the ability to write and print out customized reports at the client's site? (Please describe any products.)	
20. Does your organization have significant existing relationships with Michigan schools? (Please provide an overview of the relationships that exist.)	
21. Does your organization have extensive document management and imaging expertise allowing for the ability to image the State's internal documents and for the State to be able to print copies of the imaged materials at the State's site? Can this service be customized to meet specific MHESLA needs? (Please describe any system in detail.)	
22. Is your organization able to provide customized special reports for selected schools? (Please provide examples.)	



SECTION III

CONTRACTOR INFORMATION

III-A BUSINESS ORGANIZATION

Primary Contractor

UNIPAC

Corporate Location: UNIPAC
3015 S. Parker Road, Suite 400
Aurora, CO 80014

Minnesota Location: UNIPAC
180 E. 5th Street, 13th floor
St. Paul, MN 55101

Nebraska Location: UNIPAC
121 S. 13th Street, Suite 400
Lincoln, NE 68508

UNIPAC is a privately held for-profit corporation and began student loan servicing operation on January 1, 1978. It was incorporated in the state of Nebraska.

Sub-Contractor

Iron Mountain

5050 Moline Street
Denver, CO 80239

Contact: Kathy Newell
Phone: (303) 373-0557

Iron Mountain is a Records Management Company that provides document storage and retrieval. The company has been in business since 1951 and merged with Pierce Leahy and File Vault in February 2000. Iron Mountain is traded on the New York Stock Exchange as IRM. Its headquarter office is located in Collegeville, Pennsylvania, with shared responsibility out of Boston, Massachusetts. Iron Mountain has 550 operating sites, 9,000 employees, and 120,000 customers nationwide.

UNIPAC has approximately 9,700 boxes stored at this facility. UNIPAC has used Iron Mountain as a storage vendor for approximately 4-1/2 years. Iron Mountain has provided reliable and accurate service during this period.

**Anacomp Document Solutions**

2520 Pilot Knob Road Suite 300

Mendota Heights, MN 55120

Contact: Darlene Gieseke, Center Manager

Phone: (651) 683-1000 ext. 347

FAX: (651) 683-9838

UNIPAC supplies Anacomp with computer tapes containing client accounting information at the end of each month. If requested, clients are provided with microfiche copies of their statistical reports, alpha-cross reference listing, posting ledgers, and bond posting ledgers. On occasion, other special requests occur during the month, and Anacomp accommodates those microfiche requests as well.

While UNIPAC only contracts for microfiche services from Anacomp, they also provide other forms of storage such as CD ROM and imaging solutions. Anacomp provides document-management outsource services and technical support services. Their most recent product presents secured company reports and documents over the Internet.

Anacomp, Inc. (Nasdaq: ANCO) has a 32-year history with approximately 7,500 customers in the United States and internationally. Anacomp is headquartered in San Diego, California. The company employs approximately 2,500 people, and operates more than 50 document-processing service centers around the world.

III-B AUTHORIZED CONTRACTOR EXPEDITER

K. Jon Kern

(303) 696-5400



APPENDIX A

CONTRACTOR'S TECHNICAL PROPOSAL
(EXCERPTS)

UNIPACS

All other portions of proposal to remain with the Office of Purchasing. This includes:

Accounting Reports (Disk 1)

Claims Reports (Disk 2)

Other Reports (Disk 3)

Accountant Reports for Year End '97 & '99



APPENDIX B
CONTRACTOR'S PRICING