Michigan Finance Authority (MFA) State Aid Note Loan Program (SAN) – August 2024

Borrowing Options

Closing Date: August 20, 2024

Subject to the MFA's program guidelines and approval, a borrower has two options to participate in the 2024 SAN. The cost of borrowing is impacted by the selection of the repayment option. **Option 1**, requires monthly set-aside payments. **Option 2** has a single payment due at maturity. Separate notes may be issued allowing borrowers to participate in both options.

Option 1: Set-Aside

1. Borrower repays the principal and interest on its note by making 3, 5, or 7 equal, monthly set-aside payments.

   3 set-aside payments: May 2025 through July 2025
   5 set-aside payments: March 2025 through July 2025
   7 set-aside payments: January 2025 through July 2025

2. Monthly set-aside payments cannot exceed 50% of the amount of state school aid to be received that month.
3. Set-aside payments are pooled and invested on behalf of borrowers, or, used to amortize the notes, lowering the overall cost of borrowing.

Option 2: No Set-Aside

1. Borrower repays principal and interest on its note at maturity, August 20, 2025. While there are no scheduled payments before the maturity date, the State Treasurer automatically intercepts 100% of the August 20, 2025 state school aid payment to the MFA's Trustee to repay all or a portion of the borrower's note.
2. Monthly set-aside payments are not required under this option; therefore, no investment earnings, or amortization benefits are realized.

Security Requirements

- Limited tax full faith and credit pledge;
- State School Aid Pledge to run from October 2024 through August 2025; and
- Agreement to authorize the intercept of state school aid

Michigan Finance Authority

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Please note that costs of issuance are shared on the same pro rata basis among set-aside and no set-aside borrowers. However, borrowers with no set-aside payments incur the additional costs associated with the bank purchase or Letter of Credit and do not realize investment earnings on set-aside payments.