

DEPARTMENT OF TREASURY

BOARD OF DIRECTORS

MICHIGAN EDUCATION TRUST

(By authority conferred on the board of directors of the Michigan education trust by section 11 of 1986 PA 316, MCL 390.1431).

R 390.1801 Definitions.

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

(a) "Academic year" means the undergraduate school year consisting of 2 semesters or 3 terms or quarters beginning the first semester, term, or quarter after July 15 of any year.

(b) "Act" means 1986 PA 316, MCL 390.1421 et seq.

(c) "Annual undergraduate tuition cost" means a figure determined by dividing the total in-state, undergraduate tuition collected by a particular state institution of higher education for a year by the total number of in-state, undergraduate, fiscal year equated students at that particular school for that year.

(d) "Application" means a request for acceptance into the trust made on a form, or a duplicate of a form, approved by the trust.

(e) "Application fee" means a fee paid to the trust upon application.

(f) "Average tuition cost" means a figure determined by adding the annual undergraduate tuition cost at each state institution of higher education and dividing that result by the total number of state institutions of higher education.

(g) "Beneficiary" means an individual who is designated as a beneficiary in a contract with the trust. The beneficiary shall be a resident as defined in this rule when the contract is submitted to the trust.

(h) "Community or junior college" means an educational institution described in 1963 Mich. Const., Art. VIII, section 7.

(i) "Contract" means any 1 of the following Michigan education trust contracts:

(i) Full benefits plan contract offered in 1988.

(ii) Limited benefits plan contract offered in 1988.

(iii) Community college plan contract offered in 1988.

(iv) Any other contract to provide educational benefits approved by the board.

(j) "Contract processing fee" means a fee paid for the processing of a contract.

(k) "Disabled" or "disability" means a limitation of an individual's learning ability that results from an injury or disease which renders the individual incapable of participating in higher education.

(l) "Escrow account" means an account called an escrow account in any contract.

(m) "Higher education institution" means a public educational institution, an independent, degree-granting college or university, or an out-of-state institution of higher education.

(n) "Immediate family" has 1 of the following meanings:

(i) For contracts issued in the years 1988 to 1996, the term means any of the following:

(A) The purchaser or any of the following relations of the purchaser:

- (1) A spouse.
- (2) A child.
- (3) A stepchild.
- (4) An adopted child.
- (5) A grandchild.
- (6) A niece or nephew.
- (7) A ward.

(B) Any of the following relations of the beneficiary:

- (1) A brother or sister.
- (2) A stepbrother or stepsister.
- (3) A cousin of the first degree.
- (4) A mother or father.

(C) Another person designated by the board to be a member of the immediate family.

(ii) For contracts issued after the year 1996, the term means any of the following relations of the beneficiary:

- (A) A spouse.
- (B) A mother or father.
- (C) A brother or sister.
- (D) A legally adopted brother or sister.
- (E) A child.
- (F) A legally adopted child.
- (G) A spouse's child.
- (H) A niece or nephew.
- (I) A cousin of the first degree.

(o) "Independent, degree-granting college or university" means either of the following:

(i) For contracts issued in the years 1988 to 1996, the term means a nonpublic, associate or baccalaureate degree-granting institution of higher education approved by the state board of education and located in this state.

(ii) For contracts issued after the year 1996, the term means a nonprofit, nonpublic, associate or baccalaureate degree-granting institution of higher education approved by the state board of education and located in this state.

(p) "In-district tuition rate" means the tuition rate charged a student who meets the in-district residency requirements established by a particular community or junior college.

(q) "In-state tuition rate" means the tuition rate charged a student who meets the in-state residency requirements of a particular state institution of higher education.

(r) "Item" means any of the categories listed and numbered on the signature page of a contract.

(s) "Lowest tuition cost" means the lowest annual tuition rate charged freshmen, sophomores, juniors, or seniors among all annual tuition rates at any state institution of higher education.

(t) "Mandatory fee" means any fee, other than charges for credit hours, room, and board, which an educational institution requires all students to pay.

(u) "New beneficiary" means an individual who is an immediate family member to whom contract rights have been transferred.

(v) "Out-of-state institution of higher education" means 1 of the following:

(i) A nonprofit, baccalaureate degree-granting college or university located outside this state.

(ii) A proprietary baccalaureate degree-granting college or university located outside this state that is eligible to participate in United States department of education student aid programs.

(iii) A community or junior college located outside this state that is eligible to participate in United States department of education student aid programs.

(w) "Person" means an individual who is a resident of the United States or a partnership, trust, association, corporation, or governmental subdivision organized or existing under the laws of the United States or any state of the United States.

(x) "Plan" means any group of contracts so identified by the trust as a plan.

(y) "Prepaid tuition amount" means the dollar amount paid for a contract, but does not include an application fee and any contract processing fee set forth in the contract.

(z) "Public educational institution" means a state institution of higher education or a community or junior college.

(aa) "Purchaser" means the person designated in a contract who makes, or is obligated to make, advance tuition payments pursuant to a contract. The purchaser, if a natural person, shall be 18 years of age or older or a trustee or a designated custodian under the provisions of 1959 PA 172, MCL 554.451 et seq., or be represented by a court-appointed or approved conservator or guardian.

(bb) "Resident" means an individual who is domiciled in, or whose state of legal residence is, this state.

(cc) "Secured loan" means a single-purpose installment payment loan made by a third-party lender to a purchaser for the purpose of making the total contract price.

(dd) "Termination" means a discontinuance of the right to receive educational benefits under the contract.

(ee) "Third-party lender" means a savings institution, bank, credit union, or other party which is under contract with the trust to offer secured loans for the purchase of contracts.

(ff) "Third-party servicer" means a savings institution, bank, credit union, or other party under contract with the trust to service the receipt of contracts and contract payments.

(gg) "Total contract price" means the amount paid for a contract, including any contract processing fee set forth in the contract, but not including an application fee.

(hh) "Transfer" means moving all or a portion of the contract rights from the beneficiary to a new beneficiary.

(ii) "Tuition account" means an account established by the trust in the advance tuition payment fund to hold all monies to provide educational benefits or refunds for plan contracts. This account shall not be subject to a claim for payment by a third-party lender.

(jj) "Tuition charges" means the undergraduate quarter, term, semester, or trimester charges imposed to attend a higher education institution, including mandatory fees.

(kk) "Undergraduate fiscal year equated students" means a figure determined for each state institution of higher education by dividing 1/4 of the number of credit hours necessary to receive a 4-year baccalaureate degree at that state institution of higher education into the number of credit hours for which in-state undergraduate students were enrolled.

(2) Terms defined in the act have the same meanings when used in these rules.

History: 1992 AACCS; 1997 AACCS; 1998-2000 AACCS; 2002 AACCS; 2003 AACCS.

R 390.1802 Applications; enrollment; denial of authorization to enter into contract.

Rule 2. (1) The board may develop and distribute applications. Applications shall be available from the office of the trust and at other places considered necessary by the executive director. Applications received by the trust shall be date-stamped by the trust as evidence of receipt.

(2) To be complete, an application shall contain all of the information the board determines necessary to properly administer the application and enrollment process. Upon receipt of a completed application, the trust shall determine the enrollment period in which the applicant may be eligible to enter into a contract with the trust for the proposed beneficiary. The trust shall notify the applicant of the enrollment period for which the application was accepted and provide the applicant with the information necessary to enter into a contract with the trust.

(3) The trust shall make a reasonable effort to assure that not more than the number of credit hours necessary to obtain a 5-year baccalaureate degree is purchased for a particular beneficiary. To this end, to the extent known by the trust, the trust will not allow, in any enrollment period, the purchase of credit hours which, when added to credit hours previously contracted for on behalf of the beneficiary, will provide the beneficiary with more than the number of credit hours necessary to obtain a 5-year baccalaureate degree. If more than 1 applicant has submitted an application for the same proposed beneficiary and all applications submitted or contracts previously entered into total more than the number of credit hours necessary to obtain a 5-year baccalaureate degree, the trust shall authorize applicants to enter into contracts for the proposed beneficiary in the order of the trust's receipt of their applications.

(4) In addition to a denial pursuant to subrule (3) of this rule, the trust may deny an applicant the right to enter into a contract with the trust for any of the following reasons:

(a) The applicant is not legally qualified to enter into the contract.

(b) Entering into the contract with the applicant violates state or federal securities laws.

(c) The proposed beneficiary is not a qualified beneficiary under the act.

(d) The board determines it would be advisable, for reasons adopted by the board or because it is necessary to protect the actuarial soundness of the trust, to limit the number of contracts entered into by the trust.

(e) The applicant fails to enter into a contract within the enrollment period specified.

(f) Any other reason determined by resolution of the board.

History: 1992 AACCS; 2008 AACCS.

R 390.1803 Limiting participation; methods; applicant priority for following year.

Rule 3. (1) If it is determined by the board, at any particular time, that either the total number of participants in the trust, in a specific plan or in a type of contract of the trust, or the number of beneficiaries in specific age groups must be limited to maintain the actuarial soundness of

the trust, the board, by resolution, may limit the number of new beneficiaries by 1 or more of the following methods:

(a) The institution of a system whereby applicants with completed applications related by beneficiary age group, filing date, or other classification determined by the board are selected to be eligible to enter into contracts during a specific enrollment period by a method designed to insure fairness. The board shall determine whether applications may be submitted by mail or in person, or both.

(b) The institution of a first-come, first-served process whereby applications for program entry are accepted in the order they are received. The board shall determine whether applications may be submitted by mail or in person, or both. Locations at which applications will be accepted shall be specified in advance.

(c) The institution of an open application period whereby, for a limited period of time as specified by the board, all completed applications submitted during the specified period shall be accepted by the trust. The board shall determine whether applications may be submitted by mail or in person, or both. If it is determined by the board, as specified by the actuary, that the actuarial soundness of the trust will not be impaired, the board may accept additional applications received after the application period on a first-come, first-served basis or other basis recommended by the actuary.

(d) A combination of any of the methods specified in the provisions of subdivisions (a) to (c) of this subrule.

(e) Any other method for limiting participation, if the method does not adversely affect the financial soundness of the trust.

(2) The board may permit applicants who are not accepted to enter into a contract with the trust during a particular year or enrollment period to receive priority consideration for the following year or enrollment period.

History: 1992 AACCS.

R 390.1804 Transferability.

Rule 4. The board or a representative designated by the board shall authorize the transfer of a contract to an individual who is an immediate family member subject to the conditions set forth in the contract.

History: 1992 AACCS.

R 390.1805 Rescinded.

History: 1992 AACCS; 1997 AACCS.

R 390.1806 Terminations and refunds under 1988 full benefits plan contracts.

Rule 6. (1) As used in this rule, "contract" means a full benefits plan contract that was issued during 1988.

(2) A contract may be terminated in the following instances upon a written request to the trust by the beneficiary or by a person who has legal authority to act on behalf of a beneficiary who has died or is disabled:

(a) The beneficiary has reached 18 years of age or has received a high school diploma, certifies that he or she will attend an independent degree-granting college or university, and directs payment of any refund to that independent degree-granting college or university.

(b) The beneficiary has reached 18 years of age or has received a high school diploma and certifies that he or she will attend an out-of-state institution of higher education.

(c) The beneficiary has reached 18 years of age or has received a high school diploma and certifies that he or she will attend a higher education institution under a full-tuition scholarship.

(d) The beneficiary has died or is disabled.

(e) The beneficiary has reached 18 years of age or has received a high school diploma and certifies 1 of the following:

(i) He or she does not plan to attend a higher education institution.

(ii) He or she will attend an independent degree-granting college or university, but does not direct payment of any refund to that independent degree-granting college or university.

(iii) He or she will attend a community or junior college.

(f) The board approves a termination for any other reason.

(3) The amount of the refund for a contract terminated pursuant to the provisions of subrule (2) of this rule shall be as follows:

(a) If a contract is terminated pursuant to the provisions of subrule (2)(a) of this rule, the refund shall be the weighted average tuition cost of state institutions of higher education based upon the last full academic year before the refund payments commence for the number of academic years covered by the contract.

(b) If a contract is terminated pursuant to the provisions of subrule (2)(b) or (c) of this rule, the refund shall be the sum of 4 annual installment payments made pursuant to the provisions of subrule (4)(b) of this rule, less the termination fee. Each installment shall be determined annually according to the following provisions:

(i) If the beneficiary directs payment of the installment to a higher education institution or certifies that he or she will attend a higher education institution under a full-tuition scholarship, an annual amount equal to 1/4 of the average tuition.

(ii) For beneficiaries who are not subject to the provisions of paragraph (i) of this subdivision, an annual amount equal to 1/4 of the lowest tuition.

(iii) The calculation of average tuition and lowest tuition cost for purposes of paragraphs (i) and (ii) of this subdivision shall be based upon the last full academic year before the refund payments commence and for the number of academic years covered by the contract.

(c) If a contract is terminated pursuant to the provisions of subrule (2)(d), (e), or (f) of this rule, the refund shall be the lowest tuition cost based upon the last full academic year before the refund payments commence, and for the number of academic years covered by the contract, less a termination fee.

(d) A refund shall not be less than the prepaid tuition amount.

(4) Refunds under the provisions of subrule (3) of this rule shall be made according to the following schedule:

(a) For a refund for a termination pursuant to the provisions of subrule (2)(a) or (e)(iii) of this rule, the refund amount shall be made to the higher education institution to which it is directed in payments equal to the tuition charges of the higher education institution. However, the total amount transferred to higher education institutions shall not be more than the maximum refund due under the provisions of subrule (3)(a) or (d) of this rule. Any refund amount determined pursuant to the provisions of subrule (3)(a) or (d) of this rule which has not been paid to a higher education institution and is remaining on August 15 of the fourth year following the last full academic year before the refund commences shall be refunded to the person specified in the contract.

(b) For a refund regarding a termination pursuant to the provisions of subrule (2)(b), (c), (e)(i) or (ii), or (f) of this rule, the refund shall be made in 4 annual installments. Each annual installment shall be paid directly to the higher education institution as necessary to pay tuition charges, not including mandatory fees, of the higher education institution or, if the annual installment is made pursuant to the provisions of subrule (2)(b), (c), (e)(i) or (ii), or (f) of this rule, to other than a higher education institution, the annual installment shall be paid not later than August 15 of each year to the person specified in the contract. Any remaining annual installment amount in excess of the tuition charges,

not including mandatory fees, for the academic year shall be returned at the end of the academic year to the person specified in the contract. For refunds under the provisions of this subdivision, any refund amount pursuant to the provisions of subrule (3)(d) of this rule which is remaining on August 15 of the fourth year following the last full academic year before the refund commences shall be refunded to the person specified in the contract.

(c) For a refund for a termination pursuant to the provisions of subrule (2)(d) of this rule, a lump-sum refund shall be paid within 60 days after the trust's approval of the requested termination.

(5) If educational benefits have been received under the contract before the contract is terminated, the refund pursuant to subrule (3) of this rule shall be reduced by the amount transferred to a public educational institution to pay for tuition charges for the beneficiary. If the contract is terminated for a reason set forth in

subrule (2)(b), (c), (e)(i) or (ii), or (f) of this rule, the reduction shall be made in equal amounts against each annual installment.

(6) If a contract is paid for, in whole or in part, from the proceeds of a secured loan and the trust is required to pay a refund because the contract is terminated due to the death or disability of the beneficiary, termination by the trust for fraud, or termination by the trust due to actuarial unsoundness, the refund shall be reduced by the amounts required to pay off the secured loan, any early withdrawal fee, and the trust's expenses for processing payment on the secured loan.

(7) A beneficiary who requests a refund pursuant to a termination under the provisions of subrule (2)(a), (b), (c), (e), or (f) of this rule shall give the trust written notice by July 15 before the academic year in which the refund payments are to commence. The notice shall be received or postmarked by July 15 or the trust may postpone the commencement of the refund.

History: 1992 AACCS.

R 390.1807 Terminations and refunds under 1988 limited benefits plan contracts.

Rule 7. (1) As used in this rule:

(a) "Complete credit public educational institution" means a public educational institution whose in-state or in-district tuition rate is not more than 105% of the weighted average tuition cost of all state institutions of higher education in the academic year in which the beneficiary enrolls at the public educational institution.

(b) "Complete credit state institution of higher education" means a state institution of higher education whose in-state tuition rate is not more than 105% of the weighted average tuition cost of all state institutions of higher education in the academic year in which the beneficiary enrolls at the higher education institution.

(c) "Contract" means a limited benefits plan contract issued during 1988.

(d) "Weighted average tuition cost of complete credit state institutions of higher education" means a figure arrived at as follows:

(i) First, multiply the annual undergraduate tuition cost at each complete credit state institution of higher education by its total number of undergraduate fiscal year equated students.

(ii) Second, add the results of paragraph (i) of this subdivision for all complete credit state institutions of higher education.

(iii) Third, divide the result of paragraph (ii) of this subdivision by the total number of undergraduate fiscal year equated students for all complete credit state institutions of higher education.

(2) A contract may be terminated in the following instances upon a written request to the trust by the beneficiary or by a person who has legal authority to act on behalf of a beneficiary who has died or is disabled:

(a) The beneficiary has reached 18 years of age or has received a high school diploma and certifies to 1 of the following:

(i) He or she will attend an independent, degree-granting college or university and directs payment of any refund to that independent, degree-granting college or university.

(ii) He or she will attend an out-of-state institution of higher education.

(iii) He or she will attend a higher education institution under a full-tuition scholarship.

(iv) He or she does not plan to attend a higher education institution.

(v) He or she will attend an independent, degree-granting college or university, but does not direct payment of any refund to that independent, degree-granting college or university.

(vi) He or she will attend a community or junior college.

(b) The beneficiary has died or is disabled.

(c) The board approves a termination for any other reason.

(3) The amount of the refund for a contract terminated pursuant to the provisions of subrule (2) of this rule shall be as follows:

(a) If the contract is terminated pursuant to the provisions of subrule (2)(a)(i) of this rule, the refund shall be the weighted average tuition cost of complete credit state institutions of higher education based upon the last full academic year before the refund payments commence for the

number of academic years covered by the contract.

(b) If the contract is terminated pursuant to the provisions of subrule (2)(a)(ii) to (vi), (b), or (c) of this rule, the refund shall be the lowest tuition cost based upon the last full academic year before the refund payments commence, and for the number of years covered by the contract, less a termination fee.

(c) A refund shall not be less than the prepaid tuition amount.

(4) Refunds under the provisions of subrule (3) of this rule shall be made according to the following schedule:

(a) A refund for a termination allowed under the provisions of subrule (2)(a)(i) or (vi) of this rule shall be made to the higher education institution to which it is directed in payments equal to the tuition charges of the higher education institution. However, the total amount transferred to a higher education institution shall not be more than the maximum refund due. Any refund amount determined pursuant to the provisions of subrule (3) of this rule which has not been paid to a higher education institution and which is remaining on August 15 of the fourth year following the last full academic year before the refund commences shall be refunded to the person specified in the contract.

(b) A refund for a termination allowed under the provisions of subrule (2)(a)(ii), (iii), (iv), or (v) or (c) of this subrule shall be made in 4 annual installments as follows:

(i) If an annual installment is directed to be paid to the higher education institution, the annual installment shall be paid as necessary to cover tuition charges, not including mandatory fees, of the higher education institution. Any remaining annual installment amounts in excess of the tuition charges, not including mandatory fees, for the academic year shall be returned at the end of the academic year to the person specified in the contract.

(ii) If payment is directed to other than a higher education institution, the annual installment will be paid not later than August 15 of each year.

(iii) Any refund amount due under the provisions of subrule (3)(c) of this rule which is remaining on August 15 of the fourth year following the last full academic year before the refund commences shall be refunded to the person specified in the contract.

(c) A refund for a termination allowed under the provisions of subrule (2)(b) of this rule shall be paid in a lump sum within 60 days after the trust's approval of the requested termination.

(5) If educational benefits have been received under the contract before the contract is terminated, the refund pursuant to the provisions of subrule (3) of this rule shall be reduced by the amount transferred to public educational institutions to pay for tuition charges for the beneficiary. If the contract is terminated for a reason set forth in subrule (2)(a)(ii), (iii), (iv), or (v) or (c) of this rule, the reduction shall be made in equal amounts against each annual installment.

(6) If the contract is paid for, in whole or in part, from the proceeds of a secured loan and the trust is required to pay a refund because the contract is terminated due to the death or disability of the beneficiary, termination by the trust for fraud, or termination by the trust due to actuarial unsoundness, the refund shall be reduced by the amounts required to pay off the secured loan, any early withdrawal fee, and the trust's expenses for processing payment on the secured loan.

(7) A beneficiary who requests a refund, except for a refund pursuant to a termination under the provisions of subrule (2)(b) of this rule, shall give the trust written notice by July 15 before the academic year in which the refund payments are to commence. The notice shall be received or postmarked by July 15 or the trust may postpone the commencement of the refund.

History: 1992 AACCS.

R 390.1808 Terminations and refunds under 1988 community college plan contracts.

Rule 8. (1) As used in this rule:

(a) "Annual tuition cost" means a figure determined by dividing the total in-district tuition collected by a particular community or junior college for a year for credit hour courses by the total number of in-district fiscal year equated students at that particular school for that year.

(b) "Average tuition" means a figure determined by adding the annual tuition cost at each community or junior college and dividing that result by the total number of community or junior colleges.

(c) "Contract" means a community college plan contract issued during 1988.

(d) "Fiscal year equated students" means a figure determined for each community or junior college by dividing 1/2 of the number of credit hours necessary to receive a 2-year associate degree at that community or junior college into the number of credit hours for which in-district students were enrolled.

(e) "Higher education institution" means a state institution of higher education, an independent, degree-granting college or university, or an out-of-state institution of higher education.

(f) "Lowest tuition cost" means the lowest annual tuition rate charged at any community or junior college.

(g) "Mandatory fee" means any fee, other than charges for credit hours, room, and board, which a community or junior college requires all students to pay.

(h) "Weighted average tuition cost" means the figure arrived at as follows:

(i) First, multiply the annual tuition cost at each community or junior college by its total number of fiscal year equated students.

(ii) Second, add the results of paragraph (i) of this subdivision for all community or junior colleges.

(iii) Third, divide the result of paragraph (ii) of this subdivision by the total number of fiscal year equated students for all community or junior colleges.

(2) A contract may be terminated in the following instances upon a written request to the trust by the beneficiary or by a person who has legal authority to act on behalf of a beneficiary who has died or is disabled:

(a) The beneficiary has reached 18 years of age or has received a high school diploma and certifies that he or she will do 1 of the following:

(i) Attend a state institution of higher education or an independent, degree-granting college or university.

(ii) Attend an out-of-state institution of higher education.

(iii) Attend a community or junior college or higher education institution where he or she has received a full-tuition scholarship.

(b) The beneficiary has died or is disabled.

(c) The beneficiary has reached 18 years of age or has received a high school diploma and certifies that he or she will not attend a community or junior college or a higher education institution.

(d) The board approves a termination for any other reason.

(3) The amount of the refund for a contract terminated pursuant to the provisions of subrule (2) of this rule shall be as follows:

(a) If the contract is terminated pursuant to the provisions of subrule (2)(a) of this rule, the refund shall be the sum of 2 annual installment payments. Each installment shall be determined annually as follows:

(i) If the beneficiary directs payment of the annual installment to a state institution of higher education or an independent, degree-granting college or university, an amount equal to 1/2 of the weighted average tuition cost based upon the last full academic year before refund payments commence for the number of academic years covered by the contract, less the termination fee.

(ii) If the beneficiary directs payment of the annual installment to an out-of-state institution of higher education or if the beneficiary will attend a community or junior college or higher education institution in the academic year under a full-tuition scholarship, an amount equal to 1/2 of the average tuition based upon the last full academic year before refund payments commence for the number of academic years covered by the contract, less the termination fee.

(iii) For beneficiaries not covered by the provisions of paragraph (i) or (ii) of this subdivision, an amount equal to 1/2 of the lowest tuition cost based upon the last full academic year before refund payments commence for the number of years covered by the contract, less the termination fee.

(iv) If the sum of the installments under the provisions of paragraphs (i) to (iii) of this subdivision is more or less than that sum determined with installments based upon the academic year in which refund payments commenced, the difference, if any, shall be added to or subtracted from the second year's installment.

(b) If the contract is terminated pursuant to the provisions of subrule (2)(b), (c), or (d) of this rule, the refund shall be 1/2 of the lowest tuition cost based upon the last full academic year before the refund payments commence, and for the number of academic years covered by the contract, less the termination fee.

(c) A refund shall not be less than the prepaid tuition amount.

(4) Refunds under the provisions of subrule (3) of this rule shall be made according to the following schedule:

(a) A refund for a termination allowed under the provisions of subrule (2)(a), (c), or (d) of this rule shall be made in 2 annual installments as follows:

(i) If an annual installment is directed to be paid to the higher education institution, the annual installment shall be paid as necessary to cover the tuition charges of the higher education institution. Any remaining annual installment amounts in excess of the tuition charges for the academic year shall be returned at the end of the academic year to the person specified in the contract.

(ii) If payment is directed to other than a higher education institution, the annual installment will be paid not later than August 15 of each year.

(iii) Any refund amount due under the provisions of subrule (3)(c) of this rule which is remaining on August 15 of the second year following the last full academic year before the refund commences shall be refunded to the person specified in the contract.

(b) A refund for a termination allowed under the provisions of subrule (2)(b) of this rule shall be paid in a lump sum within 60 days after the trust's approval of the requested termination.

(5) If educational benefits have been received under the contract before the contract is terminated, the refund pursuant to the provisions of subrule (3) of this rule shall be reduced by the amount transferred to a community or junior college to pay for tuition charges for the beneficiary. This reduction shall be divided equally between the 2 annual installments.

(6) If a contract is paid for, in whole or in part, from the proceeds of a secured loan and the trust is required to pay a refund because the contract is terminated due to the death or disability of the beneficiary, termination by the trust for fraud, or termination by the trust due to actuarial unsoundness, the refund shall be reduced by the amount required to pay off the secured loan, any early withdrawal fee, and the trust's expenses for processing payment on the secured loan.

(7) A beneficiary who requests a refund, except for a refund pursuant to a termination under the provisions of subrule (2)(b) of this rule, shall give the trust written notice by July 15 before the academic year in which the refund payments are to commence. The notice shall be received or postmarked by July 15 or the trust may postpone the commencement of the refund.

History: 1992 AACCS.

R 390.1809 Terminations and refunds under all contracts issued after 1988.

Rule 9. For all contracts issued after 1988, terminations and refunds will be permitted as specified in the contracts.

History: 1992 AACCS.

R 390.1810 Terminations by trust upon actuarial unsoundness.

Rule 10. An actuarial review of a plan shall be made on an annual basis. If a determination is made for the trust by a nationally recognized actuary that the plan is not actuarially sound and if the trust determines there are insufficient numbers of new purchasers to insure the actuarial soundness of the plan, the trust shall terminate all contracts in the plan. Upon termination pursuant to the provisions of this rule, the trust shall cease all payments from the plan and pay refunds to the persons specified in the contracts to receive refunds upon termination if the refunds are not directed to a higher education institution. The amount of the refunds shall be as follows:

(a) If funds are being held in an escrow account, funds in the escrow account will be transferred to the third-party lender in an amount necessary to repay the principal and accrued, but unpaid, interest due on the secured loan. Any funds remaining in the escrow account after this transfer will be transferred into the tuition account.

(b) The trust will then calculate the asset value for each contract in the same plan by adding the application fee, any contract processing fee paid to or authorized by the trust, and 1 of the following, less the value of any educational benefits or refunds previously received:

(i) The amount transferred to the tuition account pursuant to the provisions of subdivision (a) of this rule.

(ii) The prepaid tuition amount plus any investment income for a contract purchased without a secured loan.

(iii) The prepaid tuition amount and any investment income for a contract where a secured loan has been previously paid and the money has been transferred to the tuition account pursuant to the contract.

(c) The person entitled to a refund under this rule will receive a refund which is a percentage of the amount of the total plan assets after liquidating all of the plan investments. The percentage is determined by dividing the asset value of a contract by the asset value of all contracts within the same plan.

(d) The refund under this rule shall, at the option of the person entitled to receive the refund, either be applied toward the purposes of the contract for the respective beneficiary or paid to the person entitled to receive the refund upon termination.

History: 1992 AACCS.

R 390.1811 Terminations by trust due to fraud.

Rule 11. The trust may terminate a contract and provide a refund in an amount equal to the prepaid tuition amount, less a termination fee and educational benefits used, if any of the following have been fraudulently stated in an application or a contract:

- (a) The age of the beneficiary or purchaser.
- (b) The grade of the beneficiary.
- (c) The date upon which the beneficiary may receive benefits under a contract.
- (d) The residency of the beneficiary or purchaser at the time the contract is submitted to the trust.
- (e) Other matters as determined by the board.

History: 1992 AACCS.

R 390.1812 Terminations by trust due to lapse of contract.

Rule 12. The board, by resolution, may establish a period of time to be specified in a contract after which the educational benefits and the right to a refund will be terminated; however, the person specified in a contract shall continue to have the right to receive the prepaid tuition amount, less any educational benefits or refund previously paid under a contract. If the trust ceases to exist, the amount due under this rule shall escheat to the state.

History: 1992 AACCS.

R 390.1813 Notification of intent to receive educational benefits.

Rule 13. A beneficiary who intends to begin using educational benefits shall submit a written request to receive benefits in the manner set forth in the contract.

History: 1992 AACCS.

R 390.1814 Beneficiary ineligible for in-state tuition rate.

Rule 14. A beneficiary who does not meet the in-state residency requirements of his or her chosen state institution of higher education at the time benefits are requested shall receive the number of credit hours contracted for at the in-state tuition rate. The trust is not responsible for, and shall not pay, the difference between the in-state and out-of-state tuition rates.

History: 1992 AACCS; 1993 AACCS.

R 390.1815 Benefits provided at community or junior colleges.

Rule 15. Contracts shall provide for the trust to pay the in-district tuition rate or the out-of-district tuition rate at community or junior colleges in the manner set forth in the contract if the out-of-district tuition rate is not more than the average tuition rate of Michigan's public universities.

History: 1992 AACCS; 1993 AACCS.

R 390.1816 Other contract options.

Rule 16. The board may offer contracts that provide for in-district tuition rates at community and junior colleges and monthly purchase or payroll deduction contracts. Contracts that are offered pursuant to this rule shall have separate and distinct provisions as determined by the board.

History: 1992 AACCS.

R 390.1817 Hearings.

Rule 17. A person, firm, corporation, public body, or agency aggrieved by a decision of the board may request, in writing, that the board hold a hearing in accordance with the provisions of Act No. 306 of the Public Acts of 1969, as amended, being S24.201 et seq. of the Michigan Compiled Laws.

History: 1992 AACCS.

R 390.1818 Declaratory rulings.

Rule 18. In accordance with the provisions of section 63 of Act No. 306 of the Public Acts of 1969, as amended, being S24.263 of the Michigan Compiled Laws, an interested person may request a declaratory ruling as to the applicability of a statute administered by the trust or of a rule or order of the trust to an actual set of facts. Such a request shall be submitted to the trust in writing. The trust shall respond to the request in writing within 90 days after receipt of the written request. Before issuing a declaratory ruling or denying a requested ruling, the trust may ask the requesting party to clarify the request or provide additional information or 1 or more factual situations upon which to formulate a declaratory ruling. The time for the trust to respond to a requested ruling shall be suspended until the requesting party adequately responds to the trust's request for clarification or additional information.

History: 1992 AACCS.

R 390.1819 Dissolution.

Rule 19. Upon dissolution of the trust, assets, if any, remaining after all other obligations have been met will be distributed to the state of Michigan for a public purpose.

History: 1992 AACCS.

R 390.1820 Credit hours paid for by trust.

Rule 20. (1) Credit hours paid for by the trust for any beneficiary under a contract shall include all of the following:

(a) All credit hours covered by the contract unless the beneficiary, after enrollment, reduces his or her credit hours and the trust receives a 100% refund for the reduced credit hours.

(b) Credit hours for which a beneficiary enrolled but did not receive credit because of incomplete or failing work or the credit hours did not transfer to another public educational institution.

(c) Credit hours for which a public educational institution does not impose additional tuition charges because 1 or more credit hours have been paid for by the trust during a particular quarter, term, or semester.

(d) Any other credit hours deemed necessary by the board.

(2) If a beneficiary, in 1 academic year, is entitled to educational benefits in an amount less than 1/4 of the credit hours needed for a 4-year baccalaureate degree at the beneficiary's public educational institution, the trust will pay the first credit hours for which the beneficiary enrolls during the academic year which are considered credit hours paid for by the trust under subrule (1) of this rule up to the number of credit hours the beneficiary is entitled to receive.

History: 1992 AACCS.

R 390.1821 Contract purchaser or beneficiary prohibited from directing investment of contributions.

Rule 21. A purchaser or beneficiary of a contract may not direct the investment of any contributions to the Michigan education trust or any earnings on the trust.

History: 1998-2000 AACCS.