331.72a Bond reserve fund; creation; payment into fund; funding; discretion of authority; uses.

Sec. 42a. (1) Except as otherwise provided in this act, an authority shall create and establish a special fund or funds to secure the notes and bonds or any issue of the notes or bonds, referred to as a bond reserve fund, and may pay into the bond reserve fund any proceeds of sale of notes or bonds or any issue of the notes or bonds to the extent provided in the resolution of the authority authorizing the issuance of the notes or bonds and any other money that may be made available to the authority for the purpose of the fund from any other source or sources.

(2) An authority may determine to fund a bond reserve account with cash, securities, a letter of credit, bond insurance, or any combination of cash, securities, a letter of credit, or bond insurance. An authority may in its sole discretion determine not to have a reserve fund for an issue of notes or bonds that are not general obligations of the authority if, at the time of issuance of the notes or bonds, the notes or bonds are any of the following:

(a) Sold by the authority in denominations of at least $100,000.00.
(b) Rated by a national bond rating service in 1 of its 3 highest major rating categories.
(c) Insured by a bond insurance company acceptable to the authority.
(d) Secured by a letter of credit acceptable to the authority issued by a financial institution.
(e) Secured by the guarantee of an entity that the authority determines is capable of paying the principal of and interest on the bonds or notes if the borrowing hospital should default on the loan.
(f) Secured by collateral acceptable to the authority.

(3) All money held in any bond reserve fund and any income or interest earned by, or increment to, the bond reserve fund due to the investment or reinvestment of the bond reserve fund may be used for the purposes the authority determines in the resolution authorizing the notes or bonds.