

EMERGENCY MUNICIPAL LOAN ACT (EXCERPT)
Act 243 of 1980

141.936 Annual rate or rates of interest; fixed rate; rate calculated upon formula; limitation; payment of interest and principal; delinquency; repayment at earlier date or in fewer installments; prohibited conditions; effect of failure to make repayments; loan as general obligation of municipality; exception.

Sec. 6.

(1) A loan made under this act shall bear an annual rate or rates of interest, if any, as established by the board under section 2(5). The board may establish interest for a loan under this act either at a rate or rates that are fixed for the term of the loan or, if the formula is approved by the board at the time the loan is made or renegotiated as authorized in section 2, at a rate calculated upon a formula that varies the rate annually. The board may provide that the interest rate or rates for a loan under this act may adjust to an interest rate or rates determined at the time of the sale or transfer by the state treasurer to be sufficient to facilitate the sale of the loans under section 6a. Except for loans sold or transferred under section 6a, if the interest rate for a loan under this act is a single fixed rate, the annual rate of interest for the term of a loan shall not be less than the municipal 10-year rate as determined by the state treasurer. The board may consider a higher interest rate based on both the market interest rates and the risk of the municipality requesting the loan. Except for loans sold or transferred under section 6a, if the interest rate for a loan under this section is not a single fixed rate, both of the following apply to the loan:

(a) The annual rate of interest for the loan shall not be less than 2.5%, but the board may consider a higher interest rate based on both the market interest rates and the risk of the municipality requesting the loan.

(b) If the loan includes an interest-only repayment period, the interest-only repayment period shall not be more than 60 months.

(2) Interest payments are due and payable as determined by the board or the state treasurer under section 6a. Repayment of all of the principal shall be made not more than 30 years from the date of issuance determined by the board or state treasurer under section 6a, except as provided in subsection (5). This subsection, section 7, and the conditions listed in section 4(1) do not apply to a loan authorized under section 3(2) or (3).

(3) The loan agreement between the board and a county for a loan authorized under section 3(2) or (3) shall establish the schedule for payment of the principal of and interest on the loan, the nature of the obligation of the county to repay a loan made under this act, and any security for that loan. Payments of principal and interest for a loan authorized by section 3(2) shall be limited to revenues allocated to the county under the health and safety fund act, 1987 PA 264, MCL 141.471 to 141.479, minus those revenues authorized by the board in the loan agreement for use in the payment of other county obligations.

(4) Unless other state appropriations to a municipality are pledged or assigned in an amount sufficient for the municipality to make a required principal or interest payment, if the municipality's payment of required principal or interest is delinquent, the state treasurer may withhold the amount of all delinquent payments that are due on a loan issued under this act from state payments to the municipality under the Glenn Steil state revenue sharing act of 1971, 1971 PA 140, MCL 141.901 to 141.921, or from the municipality's portion of the revenue generated by the local community stabilization share tax levied under the use tax act, 1937 PA 94, MCL 205.91 to 205.111, and payable by the department of treasury to the local community stabilization authority created under the local community stabilization authority act, 2014 PA 86, MCL 123.1341 to 123.1362, for distribution to the municipality or other governmental entities, or both.

(5) Except for loans sold or transferred under section 6a or as otherwise determined by the board, notwithstanding the payment schedules and methods established by this section or by the terms of a loan agreement, a municipality may initiate repayment of all or part of a loan made under this act at an earlier date or may make repayment in fewer installment payments, or both. The board shall not condition either eligibility for consideration for a loan or the grant of a loan under this act on repayment schedules and terms other than those required by subsections (1), (2), (3), and (4). In addition, failure of a municipality to make repayments under terms or a schedule it has instituted under this subsection does not disqualify the municipality from eligibility for consideration for loans in subsequent fiscal years.

(6) A loan issued under this act shall be a general obligation of the municipality except that a loan issued under section 3(2) shall not be a general obligation of the municipality and shall be repaid solely from specific revenues pledged for repayment of the loan.

History: 1980, Act 243, Imd. Eff. July 24, 1980 ;-- Am. 1980, Act 324, Imd. Eff. Dec. 15, 1980 ;-- Am. 1986, Act 6, Imd. Eff. Feb. 21, 1986 ;-- Am. 1987, Act 282, Eff. Apr. 11, 1988 ;-- Am. 1988, Act 198, Imd. Eff. June 27, 1988 ;-- Am. 1998, Act 528, Imd. Eff. Jan. 12, 1999 ;-- Am. 2012, Act 284, Imd. Eff. Aug. 1, 2012 ;-- Am. 2015, Act 115, Imd. Eff. July 7, 2015 ;-- Am. 2016, Act 197, Imd. Eff. June 21, 2016

