

TITLE 23: EDUCATION AND CULTURAL RESOURCES
SUBTITLE A: EDUCATION
CHAPTER XIX: ILLINOIS STUDENT ASSISTANCE COMMISSION

PART 2721
ALTERNATIVE LOAN PROGRAM

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AUTHORITY: Implementing Sections 5 and 80 through 175 of the Higher Education Student Assistance Act [110 ILCS 947/5 and 80 through 175] and authorized by Sections 20(f) and 140(a) of the Higher Education Student Assistance Act [110 ILCS 947/20(f) and 140(a)].

SOURCE: Emergency rules adopted at 20 Ill. Reg. 8066, effective June 1, 1996, for a maximum of 150 days; emergency expired October 28, 1996; adopted at 20 Ill. Reg. 15061, effective November 4, 1996; Old Part repealed and New Part adopted at 21 Ill. Reg. 11011, effective July 18, 1997; amended at 25 Ill. Reg. 8361, effective July 1, 2001.

Section 2721.10 Summary and Purpose

- a) In order to make postsecondary educational opportunities more accessible for qualified students, ISAC offers a program of alternative loans to supplement existing federal and State student financial assistance programs.
- b) This Part establishes the rules which govern alternative loans made or administered by ISAC. Additional rules and definitions are contained in General Provisions, 23 Ill. Adm. Code 2700.

Section 2721.20 Borrower Eligibility

- a) A borrower for an alternative loan must be a student, parent or legal guardian of such a student who is:
 - 1) enrolled, or accepted for enrollment, at an ISAC-approved institution which has certified the applicant as eligible for an alternative loan;

- 2) enrolled on at least a half-time basis, unless the student is employed full-time while she/he is in school, in which case she/he may receive a loan while enrolled less than half-time;
 - 3) in good standing in accordance with the institution's policy of satisfactory academic progress; and
 - 4) a citizen or eligible noncitizen of the United States or attending an ISAC-approved institution on a student visa.
- b) The borrower, or co-signer if applicable, must be determined to be credit-worthy. In determining credit-worthiness, the lender shall consider information including, but not limited to, the following: debt-to-income ratio, payment histories, prior loan defaults, unsatisfied court judgements, real estate foreclosures, unsatisfied collection accounts, write-offs or repossessions.

(Source: Amended at 25 Ill. Reg. 8361, effective July 1, 2001)

Section 2721.30 Program Procedures

- a) An applicant may apply for an alternative loan by submitting an Application and Promissory Note approved by ISAC.
- b) The maximum loan amount may not exceed the cost of education for that student at the institution, less any other student financial assistance received by the student for that loan period.
- c) The institution shall provide the lender with a recommended loan amount for each loan. No alternative loan may exceed the institution's recommended amount.
- d) Institutions shall provide the lender with the current enrollment status of students at that institution who have received alternative loans.
- e) Prior to disbursement, the borrower, and co-signer if applicable, shall execute a completed Application and Promissory Note for the loan.
- f) The lender or holder shall retain a signed original of the Application and Promissory Note until the debt is paid in full.
- g) Alternative loan proceeds shall be transmitted directly to the institution on behalf of the student. Disbursement may be in the form of an individual check, a master check or by electronic funds transfer.

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- h) An institution may require all individual loan checks to be made co-payable to the borrower and the institution.
- i) The institution shall supply the lender with recommended disbursement date(s) and amount(s) for each loan.
- j) Prior to initial disbursement of the loan, the lender shall provide the borrower with a disclosure statement which itemizes the amount financed, the interest rate and any corresponding fees.
- k) The terms and conditions set forth in the Application and Promissory Note and the disclosure statement will constitute the entire agreement between the lender and the borrower.
- l) The borrower(s) shall have the right to prepay all or part of an alternative loan at any time without penalty.
- m) The lender or holder shall notify the borrower of the date on which repayment begins, and such notice shall be sent no later than 30 days before the first payment on the loan is due from the borrower.
- n) No alternative loan shall be sold or transferred by a lender except to an ISAC-approved lender or holder or to ISAC. Such sale shall not change the party to whom payment is made on the loan.
- o) The lender may charge the borrower an insurance premium on each alternative loan and may deduct this amount from the loan proceeds at the time of disbursement. The amount of the insurance premium may vary according to the credit-worthiness of the borrower, and co-signer if applicable, and will be disclosed in writing to the borrower prior to the initial disbursement of loan proceeds.
- p) The lender may charge the borrower a repayment fee on each alternative loan. This fee may be assessed on the loan balance according to the terms specified in the Application and Promissory Note. The amount of the repayment fee will be added to the outstanding balance of the loan.
- q) The lender may charge the borrower a late fee of up to 5% of the loan balance (principal plus all capitalized interest and fees) if any part of an installment payment is not received by the lender within 60 days after it becomes due. Additional late charges of up to 5% of the loan balance may be charged for each additional 30 day period if the borrower fails to make any part of an installment payment.

Section 2721.40 Institutional Procedures

- a) Institutions must have executed Program Participation Agreements with ED and with ISAC in order to participate in ISAC-administered Alternative Loan Programs.
- b) Institutions must demonstrate administrative capability and financial responsibility, as defined by federal regulations (see, e.g., 34 CFR 668.15 and 668.16), in order to begin and to continue participation in ISAC-administered Alternative Loan Programs.
- c) Eligible institutions may not have federal cohort default rates, calculated and announced by ED for the three most recent fiscal years, in excess of the rates annually established and publicized as acceptable by ISAC.
- d) Institutions shall be subject to the audit and investigation conditions outlined in General Provisions, including those relating to audits and investigations, 23 Ill. Adm. Code 2700.60.
- e) Institutions not maintaining the standards of administrative capability or financial responsibility demonstrated in their original application for participation, or required by federal regulations, may be subject to administrative Limitation, Suspension or Termination Proceedings. (See 23 Ill. Adm. Code 2790.)