

AGENDA ITEM 16.

REHABILITATION LOAN PURCHASE AGREEMENT

Submitted for: Action

Summary: As you are aware, ISAC offers borrowers who have defaulted on their FFELP loans a number of repayment programs. One of these programs is the Rehabilitation Loan Program (“RLP”). Under the RLP, two events must take place: (1) a borrower must make nine on-time monthly payments and, (2) ISAC, on behalf of the U.S. Department of Education (“USDOE”) (who owns the loan upon its default) sells the loan to a new lender. When both of these actions are completed, ISAC enters into the borrower’s credit record and expunges from those records the existence of the default. The RLP is the only program that gives the borrower the opportunity to clean their credit record. ISAC receives a payment from USDOE of 33% of the par value of the loan sold as compensation for its efforts to work with the borrower and complete the rehabilitation process.

Currently, ISAC sells RLP loans to two purchasers, SunTrust Bank (non-Illinois loans) and the Illinois Designated Account Purchase Program (“IDAPP”) (Illinois loans). SunTrust purchases RLP Loans at a purchase price ranging from 84% to 92% of the par value of the RLP loan plus accrued interest and other costs depending upon the type of loan. IDAPP purchases Illinois RLP loans at par with the proceeds of the 2009 Student Loan Revenue Bonds (State Guaranteed) (“Rehab Bonds”). Due to federal tax law restrictions, IDAPP can only purchase Illinois based RLP loans.

Previously, SunTrust Bank was the only lender participating in the RLP loan purchase market. However, LoanAmerica is now offering to purchase RLP loans from ISAC at 92.75% of the par value of the RLP loans.

Staff is seeking authority from the Commission to execute and deliver a Federal Rehabilitation Loans Lender Participation Agreement with LoanAmerica, in substantially the form attached hereto as Exhibit A.

Action requested: “**BE IT RESOLVED** that the Illinois Student Assistance Commission (ISAC) authorizes the Executive Director or Chairman to execute and deliver the Federal Rehabilitation Loans Lender Participation Agreement with LoanAmerica (the “LoanAmerica Agreement”). The LoanAmerica Agreement shall be in substantially the form attached hereto as Exhibit A, which is hereby approved, with such changes, revisions and completions therein not inconsistent with this Resolution as shall be approved by the Executive Director or Chairman, such execution to constitute conclusive evidence of Executive Director’s or Chairman’s approval and the Commission’s approval of any changes, revisions and completions therein from the form of LoanAmerica Agreement attached hereto;

“BE IT FURTHER RESOLVED that, subject to the limitations set forth in the paragraph above, the Chairman or Executive Director are, and each of them is, hereby authorized to do or perform all such acts and to execute all such documents and other instruments as they or any of them deem necessary, convenient or desirable to consummate the transactions contemplated by this Resolution and all of the acts and doings of the Chairman or Executive Director which are in conformity with the intent and purposes of this Resolution, whether heretofore or hereafter taken or done, shall be and are hereby approved, confirmed and ratified.”

EXHIBIT A
LOANAMERICA AGREEMENT