

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

PART 2775
ILLINOIS PREPAID TUITION PROGRAM

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AUTHORITY: Implementing the Illinois Prepaid Tuition Act [110 ILCS 979] and authorized by Section 20(f) of the Higher Education Student Assistance Act [110 ILCS 947/20(f)].

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Section 2775.10 Summary and Purpose

- a) The Illinois Prepaid Tuition Program provides Illinois families with a tax-advantaged method of saving for college. The purpose of the program is to encourage and better enable Illinois families to help themselves finance the cost of higher education.
- b) This Part establishes rules that govern the Illinois Prepaid Tuition Program. Additional rules and definitions are contained in General Provisions, 23 Ill. Adm. Code 2700.

(Source: Amended at 35 Ill. Reg. 3538, effective February 16, 2011)

Section 2775.20 Definitions

"Eligible Institution" – A public institution of higher education, or a nonpublic institution of higher education whose students are eligible to receive benefits

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under Section 529(a) of the Internal Revenue Code of 1986, as specified by the federal Small Business Act of 1996 and subsequent amendments to this federal law, and that provides a minimum of an organized two-year degree program at the postsecondary level, or a program in health education directly applicable toward the attainment of a certificate, diploma or associate degree. The institution must maintain an accredited status with an accrediting agency recognized by the U.S. Department of Education for the purpose of establishing eligibility to participate in federal student assistance programs administered by the Department under Title IV of the Higher Education Act of 1965, as amended, and, if the institution is for profit, must enroll a majority of its students in degree programs that it is legally authorized to offer by the appropriate agency in the state in which the institution is located.

"Illinois Community College" – A public community college as defined in Section 1-2 of the Public Community College Act [110 ILCS 805].

"Illinois Prepaid Tuition Contract" or "Contract" – A contract entered into between the Illinois Student Assistance Commission, on behalf of the State of Illinois, and a purchaser under Section 45 of the Illinois Prepaid Tuition Act to provide for the higher education of a qualified beneficiary.

"Illinois Prepaid Tuition Program" or "Program" – The college savings and investment program created in Section 15 of the Illinois Prepaid Tuition Act.

"Illinois Prepaid Tuition Trust Fund" – The repository of all moneys received by the Commission, including all contributions, appropriations, interest and dividend payments, gifts, or other financial assets received in connection with operation of the Illinois Prepaid Tuition Program.

"Illinois Public University" – Any campus of: the University of Illinois, Illinois State University, Chicago State University, Governors State University, Southern Illinois University, Northern Illinois University, Eastern Illinois University, Western Illinois University or Northeastern Illinois University.

"Member of the Family" or "Immediate Family" – Member of the family, as defined in the Internal Revenue Code, Section 529(e)(2), as amended, means an individual who bears a relationship to a qualified beneficiary as follows: son or daughter, or a descendant of either; stepson or stepdaughter; brother, sister, stepbrother, stepsister, half-brother, or half-sister; father or mother or an ancestor of either; stepfather or stepmother; son or daughter of a brother or sister; brother or sister of the father or mother; son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law, the spouse of any of the above; the spouse; or any first cousin. In determining whether any of these relationships

exist, a legally adopted child of an individual shall be treated as a child of such individual by blood.

"Nonpublic Institution of Higher Education" – An eligible institution, other than a public institution of higher education.

"Public Institution of Higher Education" – An Illinois public university or Illinois community college.

"Purchaser" – Any person that has contracted to make payments under an Illinois prepaid tuition contract in accordance with State and federal laws.

"Qualified Beneficiary" – An individual designated as the recipient of the benefits of a prepaid tuition contract, provided he/she: has been a resident of this State for at least 12 months prior to the date of the application; or is a nonresident, so long as the purchaser has been a resident of the State for at least 12 months prior to the date of the application; or is less than one year of age and whose parent or legal guardian has been a resident of the State for at least 12 months prior to the date of the application.

"Registration Fees" – The charges derived by combining tuition and mandatory fees.

(Source: Amended at 35 Ill. Reg. 3538, effective February 16, 2011)

Section 2775.30 Participant Eligibility

- a) The purchaser or qualified beneficiary must have been a resident of the State of Illinois for twelve continuous full months on the date of the application. Proof of residency shall be submitted to ISAC upon request. In the event either a new purchaser or new beneficiary is named pursuant to the terms of the contract, neither the new purchaser nor new beneficiary need be a resident of Illinois. (See Section 2775.50(e).)
- b) For a purchaser, a qualified beneficiary, the parent or legal guardian of a qualified beneficiary, or a member of the family of a qualified beneficiary, evidence of residency may be provided by documentation consistent with the requirements of 23 Ill. Adm. Code 2700.50(g)(3).
- c) For the purpose of establishing the residency status of a minor child as a qualified beneficiary, a progress report from the child beneficiary's day care center, preschool, or other school of attendance indicating twelve months of residency in Illinois will also be considered sufficient evidence.

- d) In the absence of other proof of residency for the qualified beneficiary, the parents' or legal guardians' residency shall be determinative.
- e) There is no age limit with regard to the qualified beneficiary of an Illinois prepaid tuition contract.

(Source: Amended at 25 Ill. Reg. 8410, effective July 1, 2001)

Section 2775.40 Program Procedures

- a) Application and Master Agreement and Disclosure Statement
 - 1) The application period for purchases of contracts for the prepayment of postsecondary registration fees shall commence and terminate on dates set annually and announced publicly by the Commission.
 - 2) After receipt and approval of the purchaser's application, the Master Agreement and Disclosure Statement and a participation and payment schedule shall be mailed to the purchaser. The contract shall be comprised of these three documents.
 - 3) Each prepaid tuition contract must have one person designated as purchaser and one person designated as qualified beneficiary, except as provided in the Master Agreement and Disclosure Statement.

- b) Contract Prices and Fees

The Commission shall annually review contract prices and adjust prices for new contracts, referencing annual changes in registration fees at Illinois public universities and Illinois community colleges. An implied interest rate for installment payment plans will be calculated annually, and subsequently approved or reaffirmed by the Commission as part of its pricing policy for the program. The Commission shall also approve annually a schedule of administrative, service and cancellation fees.

- c) Payment Options

All contributions must be made in cash or its equivalent. Payments may be made only by check, money order, authorized monthly debit (ACH) from a bank account, payroll deduction, if available, or other payment method established by the Commission. Payments are due in accordance with conditions set forth in the contract. Payments may be made by lump sum or by installments. No penalty shall be assessed for early payment of installment contracts.

- d) Delinquency and Default
 - 1) Contracts purchased on or after November 1, 2009
 - A) A late fee will be assessed if no contract payment is received by the first payment due date.
 - B) An account will be cancelled if the initial payment is not received within 15 days after the first payment due date.
 - C) For monthly payment plans, failure to make full payment within 15 days after the due date shall result in assessment of a late fee and suspension of the qualified beneficiary's rights under the plan.
 - D) For annual payment plans, failure to make full payment within 30 days after the due date shall result in assessment of a late fee and suspension of the qualified beneficiary's rights under the plan.
 - E) Contracts that are suspended for missing information will be cancelled on the 16th of the month, along with those accounts that have made no contract payment.
 - F) If an account is delinquent for 210 days, the account is automatically converted from an installment plan to the same contract plan type reflecting the number of semesters already paid in full at the time of conversion, less any outstanding fees. If the amount paid towards the account is insufficient to pay in full the same contract plan type at the time the application was submitted, the account is cancelled and the purchaser is sent the appropriate refund amount.
 - 2) Contracts purchased prior to November 1, 2009
 - A) For monthly payment plans, failure to make full payment within 15 days after the due date shall result in assessment of a late fee and suspension of the qualified beneficiary's rights under the plan.
 - B) For lump sum and annual payment plans, failure to make full payment within 30 days after the due date shall result in assessment of a late fee and suspension of the qualified beneficiary's rights under the plan.

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- C) If an account is delinquent for 210 days after the scheduled payment date, the account is cancelled and the purchaser is sent the appropriate refund amount.

- e) Termination

There are two types of contract termination, involuntary and voluntary:

- 1) Involuntary termination shall occur upon a finding of fraud in the verification of residency of a qualified beneficiary at the time of application or the nonpayment of any appropriate payments due within established time frames.
- 2) Voluntary termination shall occur within 30 days after receiving written notice of a purchaser's desire to cancel a contract.

- f) Refunds

Generally, no refund shall exceed the amount paid into the Illinois Prepaid Tuition Trust Fund by the purchaser and no refund shall be authorized under any prepaid tuition contract for any term partially attended but not completed. Refunds shall be made payable to the order of the purchaser only. The Commission shall authorize refunds in excess of the amount paid into the Illinois Prepaid Tuition Trust Fund only for contracts held for at least three years under the following conditions:

- 1) When a qualified beneficiary is awarded a grant or scholarship, the terms of which duplicate the benefits covered by his or her prepaid tuition contract, then the moneys paid for the purchase of the contract shall be returned to the purchaser, in term installments that coincide with the matriculation of the qualified beneficiary.
 - A) If the qualified beneficiary is enrolled at an Illinois Public University or Illinois Community College, the refund will be equal to the institution's current in-state or in-district registration fees, less any registration fees not covered by the scholarship and any applicable service fees.
 - B) If the qualified beneficiary is enrolled at a nonpublic institution of higher education, the refund will be equal to the current mean-weighted average of registration fees at Illinois public universities or Illinois community colleges, depending on the plan purchased under the contract, less the registration fees not covered by the

scholarship and any applicable service fees.

- 2) In the event of death or total disability of the qualified beneficiary, moneys paid for the purchase of the contract shall be returned to the purchaser together with all accrued earnings.
- 3) In cases where a public university plan contract is converted for usage at an Illinois community college, then the amount refunded shall be on a term-by-term basis. The refund should be the current value of the original contract minus the current value of the contract after conversion.
- 4) In all instances of a voluntary contract cancellation, the amount refunded shall be the original purchase price of the contract plus two percent compounded annually, less a cancellation fee.

(Source: Amended at 35 Ill. Reg. 3538, effective February 16, 2011)

Section 2775.50 Contract Terms and Conditions

a) Contract Types

The program shall offer purchasers at least two different types of contracts: a public university plan and a community college plan. Additional contract plans may be offered. All contract types shall cover registration fees.

- 1) The public university plan specifies that no more than 9 terms, or 135 credit hours, at an Illinois public university may be purchased for the benefit of a qualified beneficiary. Applicants may choose to purchase as little as one term, or 15 credit hours, at a time.
- 2) The community college plan specifies that no more than 4 terms, or 60 credit hours, at an Illinois community college may be purchased for the benefit of a qualified beneficiary. Applicants may choose to purchase as little as one term, or 15 credit hours, at a time.
- 3) No more than an aggregate of 135 credit hours of benefits may be purchased on behalf of any qualified beneficiary.

b) Contract Benefits

- 1) The registration fees contracted for by the purchaser shall be paid directly to the institution at the time of enrollment of the qualified beneficiary. The credit hours purchased may be used during any term of postsecondary

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undergraduate enrollment. A bona fide social security number must be on file prior to payment of benefits.

- 2) No contract benefits may be received by a qualified beneficiary of an Illinois prepaid tuition contract earlier than three years from the due date of the first contract payment.
- 3) No interest in all or any portion of a contract may be used as security for a loan.

c) Contract Requirements

- 1) Purchasers must name a qualified beneficiary in the application, except as provided in the Master Agreement and Disclosure Statement. Only one qualified beneficiary is allowed per contract. A separate accounting will be provided for each designated beneficiary.
- 2) In the event duplicate applications for the same qualified beneficiary are processed, the application processed first shall be deemed valid and the remaining application or applications shall be deemed valid, if and only if, they provide for registration fees not already covered by previous applications.
- 3) The purchaser does not have to designate the postsecondary institution that the qualified beneficiary is expected to attend.
- 4) The benefits of a contract may be used in advance of the selected matriculation date indicated in the application with no penalty or additional cost. However, to utilize a contract prior to the selected matriculation date, the purchaser must pay the contract in full before changing the matriculation date.
- 5) Benefits may be received for up to a 10-year period after the qualified beneficiary's first enrollment date. This 10-year limitation may be extended upon application to the Commission and the payment of a renewal fee assessed at that time. Any time spent by the qualified beneficiary in active military service shall not count as part of the time period for receiving contract benefits under all contract plans.
- 6) The purchaser and qualified beneficiary are prohibited from directing the investment of any contributions to the program.

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- d) Contract Exclusions
 - 1) Prepaid tuition contract plans do not cover payment of registration fees for graduate programs, adult basic programs, adult secondary programs, or postsecondary adult vocational programs.
 - 2) Purchasers may request approval to apply unexpended prepaid tuition credits toward payment of graduate school registration fees, in cases in which other prepaid tuition contract benefits already have been utilized for undergraduate education and an undergraduate degree has been conferred.

- e) Change of Purchaser and Change of Qualified Beneficiary
 - 1) The purchaser of a contract may be changed upon written request of the original purchaser and the new purchaser. The new purchaser must meet the requirements of a qualified purchaser contained in the master agreement other than the residency requirement. (See Section 2775.30(a).)
 - 2) Upon written request, contract benefits may be transferred by the purchaser to a new qualified beneficiary prior to actual use. The new qualified beneficiary must be a member of the family of the original qualified beneficiary but need not meet the residency requirement. (See Section 2775.30(a).)

- f) Benefit Portability and Conversion Between Illinois Public Universities and Illinois Community Colleges
 - 1) Public university plan benefits may be converted for usage at community colleges and community college plan benefits may be converted for usage at public universities.
 - 2) Benefits shall be converted by referencing the relative current average mean-weighted credit hour value of registration fees purchased under the contract. The benefit conversions shall be authorized on a term-by-term basis and no fee shall be assessed for conversion of benefits among in-State public institutions.

- g) Benefit Portability and Conversion to Nonpublic Institutions of Higher Education
 - 1) Public university plan and community college plan contract benefits may be converted for payment of registration fees at nonpublic institutions of higher education.

- 2) Benefits shall be converted by referencing the current average mean-weighted credit hour value of registration fees purchased under the contract. Each term, the Commission shall transfer this amount to the nonpublic institution of higher education on behalf of the qualified beneficiary.

(Source: Amended at 35 Ill. Reg. 3538, effective February 16, 2011)

Section 2775.60 Scholarships, Grants or Monetary Assistance

If contract benefits are considered for purposes of determining eligibility for federal student financial assistance, contributions toward the purchase of a prepaid tuition contract may reduce the amount of any scholarship, grant, or monetary assistance that the qualified beneficiary is eligible to be awarded by the Commission, the State or any agency of the State.

(Source: Amended at 29 Ill. Reg. 9954, effective July 1, 2005)

Section 2775.70 Disclosure

- a) Information that identifies purchasers or qualified beneficiaries of Illinois prepaid tuition contracts is exempt from inspection, copying, or public disclosure under the Freedom of Information Act [5 ILCS 140].
- b) The Commission nonetheless authorizes its program records administrator to release such information to appropriate personnel at the eligible institution at which the qualified beneficiary may enroll or is already enrolled or to another State or federal agency, for purposes deemed appropriate by the Commission.
- c) Any institution to which this information is released by the Commission shall ensure the continued confidentiality of the information.

(Source: Amended at 35 Ill. Reg. 3538, effective February 16, 2011)