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.
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.)