**Section 2720.50 Procedures for Disclosure and Repayment**

a) Disclosure and repayment procedures are specified in federal regulations. (See 34 CFR 682.205, 682.209 and 682.604.) Furthermore, the lender shall provide required disclosures to federal Stafford, PLUS, and Consolidation loan borrowers, according to federal regulations. (See 34 CFR 682.205, 682.208(e)(1), 682.210(a)(3)(ii), 682.211(e).)

b) Prior to disbursement, the borrower executed a common ED-approved promissory note for the principal and interest on the loan. The lender shall retain an original or true and exact copy of the promissory note. (See 34 CFR 682.414.)

c) The lender shall transmit to ED any and all statements and reports necessary to obtain federal interest payments on the borrower's behalf. The lender shall not collect or attempt to collect from the borrower or ISAC any portion of the interest on the loan that is payable by ED.

d) Except for loans pursuant to Section 2720.55, or loans made under a Blanket Certificate of Loan Guaranty agreement, the lender shall not disburse the proceeds of any loan on the borrower's behalf unless and until the lender shall have received from ISAC evidence of a guarantee. The lender shall inform ISAC of all disbursement dates.

e) Federal Stafford and Federal PLUS Loan proceeds shall be transmitted directly to the institution.

1) Federal Stafford Loan checks shall be payable to the student borrower unless the institution requires all Stafford loan checks to be co-payable to the borrower and the institution. Federal PLUS Loan checks shall be co-payable to the institution and the borrower. Federal Stafford or Federal PLUS Loan funds disbursed either via EFT or by Master Check to the institution shall include information identifying the names, Social Security Numbers and the loan amounts of the borrowers who are receiving a portion of the disbursement, and, in the case of a Parent PLUS Loan, the names and the Social Security Numbers of the students on whose behalf the parents are borrowing.

2) Loan proceeds must be disbursed to the institution and delivered to the borrower no later than 180 days after the end of the loan period or 180 days after the date on which the student ceased to be enrolled at least half-time, whichever is earlier. If the loan proceeds are not delivered pursuant to this subsection (e)(2), the school must request that the loan be canceled and must return any loan proceeds. (See 34 CFR 668.164(g).)

3) If the student has withdrawn from enrollment and federal regulations require the institution to submit a refund to the lender, either electronically or in the form of a check payable to the lender on behalf of the borrower, the institution shall provide simultaneous written notice to the borrower of the refund.

A) If the institution fails to issue a timely refund, as defined by federal regulations (see 34 CFR 682.607(c) and 668.22(j)), the institution shall pay penalty interest.

B) The penalty interest shall equal the total amount of interest and special allowance generated by the principal value of the refund amount. The penalty interest shall be computed from the date the refund was due until the date the refund was issued.

C) The penalty interest shall be paid to the lender or subsequent holder.

f) The borrower shall have the right to prepay without penalty the whole or any part of a loan guaranteed under this Part.

g) The lender or holder shall notify the borrower of the repayment options available, as specified in 34 CFR 682.209. The lender or holder shall send a repayment schedule to a FFELP borrower no less than 30 days nor more than 150 days before the first payment on the loan is due from the borrower.

h) The lender or holder shall notify ISAC of payment in full or prepayment in full by the borrower.

i) In accordance with federal regulations, the lender or holder may extend the maturity date of any note.

j) Lenders or holders may exercise administrative forbearances, which do not require the agreement of the borrower, as authorized by section 428(c)(3)(C) of the Higher Education Act of 1965, as amended (20 USC 1078(c)(3)(C)), and by federal regulations. (See 34 CFR 682.211.)

k) Borrowers are entitled to deferments, which extend the maturity date of any note, under conditions established by federal regulations. (See 34 CFR 682.210.)

l) ISAC provides lenders or holders with the ED-approved common forms necessary for servicing their guaranteed loan portfolio (e.g., deferment forms, mandatory forbearance forms).

m) No note shall be sold or transferred by the lender except to an ISAC-approved lender, an ISAC-approved holder, or ISAC.

(Source: Amended at 38 Ill. Reg. 13374, effective July 1, 2014)