**Section 2720.80 Federal Default Fee**

a) ISAC must charge a federal default fee on each loan guaranteed on or after July 1, 2006 and prior to July 1, 2010. The fee must be collected from the borrower or from any non-federal source. If assessed to the borrower, the fee must be deducted proportionally from each disbursement of the loan. The fee must be remitted to ISAC by the lender no less frequently than monthly.

b) The amount of the federal default fee collected on each loan shall be equal to one percent of the principal amount of the loan (see 20 USC 1071 et seq.).

c) Refunds of any federal default fees assessed the borrower shall be made in accordance with federal regulations. (See 34 CFR 682.401(b)(3)(v) & (vi).)

d) The federal default fees shall be deposited in the Federal Student Loan Reserve Fund. In accordance with federal regulations, a guaranty agency shall not use such proceeds for incentive payments to lenders and shall only use these proceeds for costs incurred as outlined in 34 CFR 682.419(c).

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