

IC 21-16-4

Chapter 4. Guaranteed Student Loan Program

IC 21-16-4-1

Eligible institutions; approval by the commission

Sec. 1. The commission may approve, as eligible institutions, any postsecondary educational institution that meets the standards established by the commission. However, an eligible institution does not include a postsecondary educational institution offering exclusively correspondence or home study courses.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-2

Criteria for approved lenders

Sec. 2. The commission may establish reasonable eligibility criteria for the initial and continuing participation of approved lenders in the student loan program.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-3

Lender conditions; guarantee percentage; interest rate

Sec. 3. The commission may guarantee loans made by approved lenders upon conditions prescribed by the commission to residents who attend or plan to attend eligible institutions in Indiana or elsewhere, to assist the residents in meeting education expenses. The commission shall guarantee at least one hundred percent (100%) of the principal and interest on the loans. However, the rate of interest on guaranteed loans may not exceed the annual rate of simple interest prescribed for state student loan programs under federal law.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-4

Loan applicability

Sec. 4. The commission may guarantee loans to a student, or to either one (1) or both parents of a student, who attends or plans to attend an eligible institution, who is at least a half-time student, and who is accepted by the eligible institution.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-5

Contracts and guaranty agreements

Sec. 5. The commission may enter into contracts and guaranty agreements with approved lenders, state governmental agencies, other corporations, and federal governmental agencies, including agreements for federal insurance of losses resulting from death, default, bankruptcy, or total and permanent disability of borrowers.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-6

Loan requirements

Sec. 6. The commission may require that any loan guaranteed under this chapter be disbursed and repaid in the manner and time that the commission prescribes.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-7

Eligible institution's qualified status; removal; review

Sec. 7. The commission may remove an eligible institution's qualified status upon finding, after reasonable notice and hearing, that the eligible institution fails to meet the standards established by the commission. The commission may direct the Indiana commission on proprietary education to review a school under its jurisdiction, or a comparable school outside Indiana that is an eligible institution under this chapter. The commission may use the results of the review to determine whether to remove an eligible institution's qualified status.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-8

Collection of insurance premium

Sec. 8. The commission may collect an insurance premium of not more than one percent (1%) per annum of the principal amount of the loan. The premium must be calculated in accordance with federal regulations.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-9

Administration of loan program

Sec. 9. The commission may take, hold, and administer, on behalf of the loan program and for purposes of this chapter, property, money, and the interest and income derived from them either absolutely or in trust. The commission may accept gifts, grants, bequests, devises, and loans for the purposes of this chapter. An obligation of the loan program for losses on student loans resulting from death, default, bankruptcy, or total or permanent disability of borrowers is not a debt of the state, but is payable solely from the fund.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-10

Eligibility criteria violation procedures

Sec. 10. (a) Whenever the commission or its designee has reason to believe that a lender or an eligible institution fails to meet the eligibility criteria for approved lenders, the commission or its designee shall call the matter to the attention of the lender or eligible institution. The lender or eligible institution is entitled to a reasonable opportunity to respond to the allegation and, if the alleged violation occurred, to show that it is corrected or to submit an acceptable plan detailing measures that will be taken to correct the violation and prevent its recurrence.

(b) Upon finding, after reasonable notice and hearing, that a lender or eligible institution fails to meet the eligibility criteria for approved lenders, the commission may:

- (1) limit the number or total amount of loans which the lender or eligible institution may make under this chapter;
- (2) limit the percentage of an eligible institution's total receipts for tuition and fees which may be derived from loans under this chapter for a stated period;
- (3) require an eligible institution to obtain a bond, in an appropriate amount, to provide assurance that it will be able to meet its financial obligations to students enrolled in eligible institutions who received loans under this chapter; and
- (4) impose other conditions or requirements on lenders or eligible institutions, or both, that:
 - (i) are reasonable and appropriate as a direct means of correcting a violation;
 - (ii) have a high probability for successfully correcting the violation; and
 - (iii) will promote the purposes of this chapter.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-11

Student loan program fund; administration

Sec. 11. Funds received under the loan program shall be deposited with the treasurer of state in a separate account known as the "student loan program fund". The money remaining in the student loan program fund at the end of a state fiscal year does not revert to the state general fund but remains available to be used for providing student loans under this chapter. After consultation with the program director of the loan program, the treasurer of state shall invest the funds. The income earned on the invested amount is part of the fund.
As added by P.L.2-2007, SEC.257. Amended by P.L.234-2007, SEC.50.

IC 21-16-4-12

Tax exemption

Sec. 12. The property, income, obligations, and activities of the program are exempt from all state and local taxation.
As added by P.L.2-2007, SEC.257.

IC 21-16-4-13

Forbearance

Sec. 13. Sections 14 through 16 of this chapter do not preclude any forbearance for the benefit of the borrower agreed upon by the parties to the guaranteed loan and the commission.
As added by P.L.2-2007, SEC.257.

IC 21-16-4-14

Default; procedures

Sec. 14. Upon default by a borrower on a loan guaranteed under

this chapter, and before the commencement of a suit or other enforcement proceedings upon security for the loan, the holder of the guaranteed loan obligation shall promptly notify the commission and the commission shall pay the holder of that loan as soon as the amount is determined. The commission shall determine the amount of loss in accordance with its rules; however, the amount of loss may not exceed the unpaid balance of the principal amount and the unpaid accrued interest.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-15

Payment on loss; subrogation rights

Sec. 15. Upon payment by the commission of the guaranteed part of the loss upon a default by a borrower, the commission shall be subrogated to the rights of the holder of the obligation upon the insured loan and is entitled to an assignment of the note or other evidence of the guaranteed loan by the holder.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-16

Holder of guarantee loans; duties

Sec. 16. A holder of a guaranteed loan shall exercise reasonable care and diligence in the making and collection of loans under this chapter. If the commission finds that reasonable care and diligence are not being exercised by a holder of a guaranteed loan, the commission may:

- (1) withdraw its guarantee on an individual borrower basis, allowing the approved lender to continue participation in the program, after reasonable notice to the lender; or
- (2) disqualify the approved lender from the guarantee of further loans upon finding, after reasonable notice and hearing, that the lender has substantially failed to exercise reasonable care and diligence in the making and collection of loans under this chapter.

These disqualifications shall continue until the commission is satisfied that the lender will exercise reasonable care and diligence in the future.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-17

Dissolution of loan program

Sec. 17. The loan program established by this chapter may not be dissolved until all guaranteed loans have been repaid by the borrower or, if in default, by the commission. Upon dissolution of the loan program, all the property and money of the program not owed to the federal government vests in the state general fund.

As added by P.L.2-2007, SEC.257.

IC 21-16-4-18

Legal representation; attorney general; private attorney

Sec. 18. The attorney general shall act as legal counsel to the commission. When the collection of loans on which the commission has met its guarantee obligation requires legal action outside the state of Indiana, the commission, upon the recommendation of the attorney general, may employ private, out of state counsel and expend its own funds to pay for this service.

As added by P.L.2-2007, SEC.257.