



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

HB4116

Introduced 9/26/2005, by Rep. Jack D. Franks

SYNOPSIS AS INTRODUCED:

New Act

Creates the School-As-Lender Contracts Prohibition Act. Prohibits a public university in Illinois that offers graduate courses from entering into a school-as-lender contract with a private lending institution, but allows the university to maintain its Direct Loan Programs. Provides that any university that violates the Act shall forfeit \$8.91 of State funding for every \$100 loaned to the university through a school-as-lender contract.

LRB094 14039 RAS 48922 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning education.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 School-As-Lender Contract Prohibition Act.

6 Section 5. Purpose. The purpose of this Act is to provide
7 protection to public university students and taxpayers from
8 lending institutions whose purpose is to exploit federal
9 interest rate loopholes.

10 Section 10. Definitions. In this Act:

11 "Board" means the Board of Higher Education.

12 "Direct Loan Programs" means those programs maintained by a
13 public university in Illinois that are offered through the U.S.
14 Department of Education.

15 "School-as-lender contract" means an exclusive contract
16 entered into between a university and a private lending
17 institution, wherein the lending institution provides the
18 university with loan money to serve its graduate students,
19 which allows the university to become its own lender, and, in
20 return, the private lending institution is granted exclusive
21 lending rights to the rest of the university's student
22 population.

23 Section 15. School-as-lender contracts prohibited. A
24 public university in Illinois that offers graduate courses may
25 not enter into a school-as-lender contract; however, the
26 university may maintain its Direct Loan Programs.

27 Section 20. Rulemaking. The Board of Higher Education has
28 the authority to adopt all rules necessary to implement and
29 administer the provisions this Act.

1 Section 25. Civil penalty. Any university that violates any
2 provision of this Act, any rule adopted by the Board, or any
3 order of the Board pursuant to this Act is liable for a civil
4 penalty in which for every \$100 loaned to a university through
5 a school-as-lender contract, that university shall forfeit
6 \$8.91 in State funding. The Board shall provide for an
7 administrative proceeding in which the civil penalty may be
8 imposed.