**Section 2720.40 Procedures for Obtaining a Guaranteed Loan**

a) Borrowers who are eligible for a loan guarantee in accordance with Section 2720.10 are issued a notice of guarantee/disclosure statement. All promissory notes must be in a form approved by ED. No alteration or substitution may be used.

b) All loans are made at the lender's discretion. When a lender rejects a borrower's request for a FFELP loan, the lender shall issue a notice of non-acceptance to the borrower.

c) Lender-of-last-resort requirements:

1) An applicant who is eligible for a federal subsidized or unsubsidized Stafford Loan or Federal PLUS Loan pursuant to Section 2720.10 of this Part and who has been unable to obtain loans from another ISAC-approved lender for the same period of enrollment can request participation in ISAC's Lender-of-Last-Resort Program.

2) The applicant must be a resident of Illinois or must attend an eligible institution in Illinois or, for a Parent PLUS Loan, be the parent of a student attending an eligible institution and a resident of Illinois.

3) ISAC, within 60 days, will issue a guarantee for a loan under the Lender-of-Last-Resort Program or will advise applicants that they do not meet the eligibility requirements of Section 2720.10.

4) ISAC will act as the lender-of-last-resort if it cannot arrange a loan for the applicant with a lender participating in ISAC's Lender-of-Last-Resort Program.

d) The availability of an ISAC-guaranteed loan shall not be conditioned upon the purchase of credit life, life, accident, health or other forms of insurance.

e) The promissory note must be signed in ink, or must bear a valid electronic signature, in accordance with federal law (see 15 USC 7001 et seq.). Signature stamps shall not be used by the borrower.

f) At the lender's discretion and in accordance with federal regulations, endorsers may be used for Federal PLUS Loans.

g) Lenders shall obtain the names and addresses of at least two references from each loan applicant. Lenders shall submit the reference data to ISAC when requesting ISAC reimbursement pursuant to Section 2720.70.

h) When certifying a borrower eligible for a loan guarantee, the institution shall provide a loan disbursement schedule consistent with section 428G of the Higher Education Act of 1965, as amended (20 USC 1078-7). Should the institution or its agent fail to provide a disbursement schedule that is consistent with federal law, ISAC shall assign the loan a disbursement schedule that is consistent with section 428G of the Higher Education Act of 1965, as amended (20 USC 1078-7).

(Source: Amended at 33 Ill. Reg. 9758, effective July 1, 2009)