

Section I. Courses of Study Which Qualify for Loans

1.1. General.

Courses of study qualify for loans if they are organised by an educational institution as at least 45 ECTS units of study in each academic year, i.e. 75% of full studies (*cf.* Article 2.1), these to be completed in not more than 12 months.

The Fund provides student loans for higher educational courses at educational institutions that require preparatory study comparable to university study in Iceland. The Fund may grant loans for special studies.

Loans are not offered for studies that form part of paid employment under an employment contract. This applies, for example, to postgraduate studies by physicians.

Loans are not offered for preparatory studies or for studies undertaken after the student has earned a doctorate degree or a comparable qualification.

A condition for receiving a loan from the Fund is that the applicant is financially competent.

If the student has fully utilised his entitlement to receive loans for a particular course of study or a particular level of the educational system (*cf.* Article 2.1.), then further studies in the relevant course or level shall not qualify for loans.

1.2. Courses of Study in Iceland Which Qualify for Loans.

1.2.1. University Courses.

University courses and other courses which make demands regarding preparatory study comparable to those made regarding university studies, qualify for loans. Courses at university level at the following institutions qualify for loans:

University of Iceland

University of Akureyri

Bifröst University

University of Hólar

Reykjavík University

College of Agriculture (Landbúnaðarháskólinn)

Iceland Academy of the Arts

Reykjavík College of Music (Department of Theory and Teacher Training)

1.2.2. Special Studies in Iceland.

Courses of study in comprehensive schools, grammar schools and other schools which are primarily a part of preparation for the matriculation examination or a comparable examination do not qualify for loans under this Article.

Courses of special study in Iceland that qualify for loans include those that confer the legally protected right to engage in an industrial trade, and other approved, special upper-secondary level courses that are organised by the relevant professional council and for which the student does not receive wages under a collective agreement over and above the level of basic support in Iceland (*cf.* Articles 3.1.1. and 3.2). These courses shall qualify for loans for the periods during which they are taught in educational institutions, with the exception of the first semester, or first two semesters (*cf.* the third paragraph of this Article) if it is possible to pursue them directly after completing the final junior (compulsory)

school examination. If preparatory studies are necessary at the upper secondary level, they shall not qualify for a loan either. The studies shall qualify for loans for a maximum of 75% of the entire study period, including the paid working period.

If special studies following directly after the final junior (compulsory) school examination are structured as a course of five semesters or less in an educational establishment, then they shall not qualify for a loan during the first semester, and otherwise (in the case of a course lasting 6-8 semesters) not for the first two semesters.

Further information on special studies in Iceland that qualify for loans can be found in Appendix III.

1.2.3. Rights of Foreign Students.

Students from the Nordic countries who are resident in Iceland and pursue courses of study in Iceland which qualify for loans have the right to loans on the same basis as Icelandic students, provided they do not receive loans from their home countries under the agreement in place at any given time between the Nordic countries on these matters. This provision may be applied to other individual foreign nationals if Icelandic students have comparable rights in the home countries of those students.

Foreign nationals become eligible for loans in the academic semester in which it is agreed to grant them Icelandic citizenship.

Citizens of states in the European Economic Area who are resident in Iceland in connection with their work, and their families and others who are or have been supported by them, shall be entitled to student loans on the same basis as Icelandic students.

1.3. Courses of Study Abroad Which Qualify for Loans.

1.3.1. University Courses.

Loans are granted for higher education at educational institutions abroad which make demands of the students comparable to those made regarding university studies in Iceland (see however Articles 4.8. regarding loans for tuition fees).

1.3.2. Special Studies.

Loans may be granted for special studies abroad. Eligibility for a loan is subject to the condition that the course in question consists of at least a one-year programme of organised studies that is deemed sufficiently substantial, by the board of the Fund, in terms of its nature, structure and the professional entitlements it confers. Loans are not made for vocational studies for which the student receives wages under a collective agreement over and above the level of basic support in Iceland as defined in Articles 3.1.2. and 3.2.

1.3.3. Private Studies in Music.

The condition for qualifying for a loan for private studies in music shall be that the applicant has taken a higher studies examination according to the general syllabus of a college of music in Iceland, or a recognized university degree in music abroad, e.g., a B.A. degree in the USA or a comparable examination. The maximum period for which a loan may be granted for private study shall be three academic years, or 180 ECTS units (*cf.*, however, Article 2.3.4.).

Applicants shall submit information on the names and positions of their teachers, the subjects of study, the structure of the study, concerts (with programme details) and confirmations from their teachers.

1.3.4. Language Courses as Preparatory Courses.

Loans may be granted for language courses held by the foreign students' departments at universities if these constitute preparation for studies in a country where languages other than English or the Nordic languages (excluding Finnish) are spoken. Preparatory language courses may be regarded as

postgraduate university studies (*cf.* Article 2.3.3) if the student has completed undergraduate studies and intends to pursue graduate studies in the same subject

If the student has previously received a loan to study the language in question, then no loan shall be granted for preparatory language studies.

The maximum period for which loans are granted under this Article depends on the language involved, ranging from half to one-and-a-half academic years; further details are to be found in Appendix II.

If, on completion of a language course, the recipient of a loan changes the country in which he pursues his course of study, he shall be denied a loan for the same length of time as he received a loan for the language course. If the student has the preparatory course assessed in order to shorten the new course of studies, the assessment shall have the effect of reducing the time during which he does not qualify for a loan.

Eligibility of a preparatory language course for a loan is subject to the condition that the course in question consist of at least a two-month programme of organised study that is deemed as sufficiently substantial, by the board of the Fund, in terms of its nature and structure (a minimum of 15 academic hours per week). Loans shall only be granted once for preparatory language studies.

Confirmation of admission to studies in another subject must be submitted before loans for preparatory language studies are fully processed.

1.3.5. Information about Courses Abroad That Qualify for Loans.

The Fund possesses information on educational institutions and courses of study for which loans have been granted. If an application is submitted for a loan for studies at educational institutions, or courses of study, for which loans have not been granted before, it must be discussed by the board of the Fund. In such cases, the student must provide detailed information on the course.

Section II. Academic Progress

2.1. General.

The Fund grants loans for the time of the year during which actual instruction or compulsory courses last, which is generally 9 months in the case of full-time studies over an academic year. Generally, a student is considered as being in full-time studies if he completes 60 ECTS (European Credit Transfer and Accumulation System) units, or the equivalent, in an academic year. A student who completes more than 60 ECTS units in an academic year in the same study programme shall be entitled to use them, up to a maximum of 80 ECTS units, as the basis of a further loan within the year or transfer them to later years of study in the same study programme. If the student changes to a new educational institution, a new subject of study or a new academic degree, this shall constitute a new study programme.

A student who has not completed 90 ECTS units after receiving a loan for two academic years must complete a minimum of 22 ECTS units, or the equivalent, in order to qualify for further loans. The same applies in the case of students who have not completed 135 ECTS units after receiving loans for three academic years, and to students who have not completed 180 ECTS units after receiving loans for four academic years.

Studies during the summer semester shall be considered as part of the previous academic year.

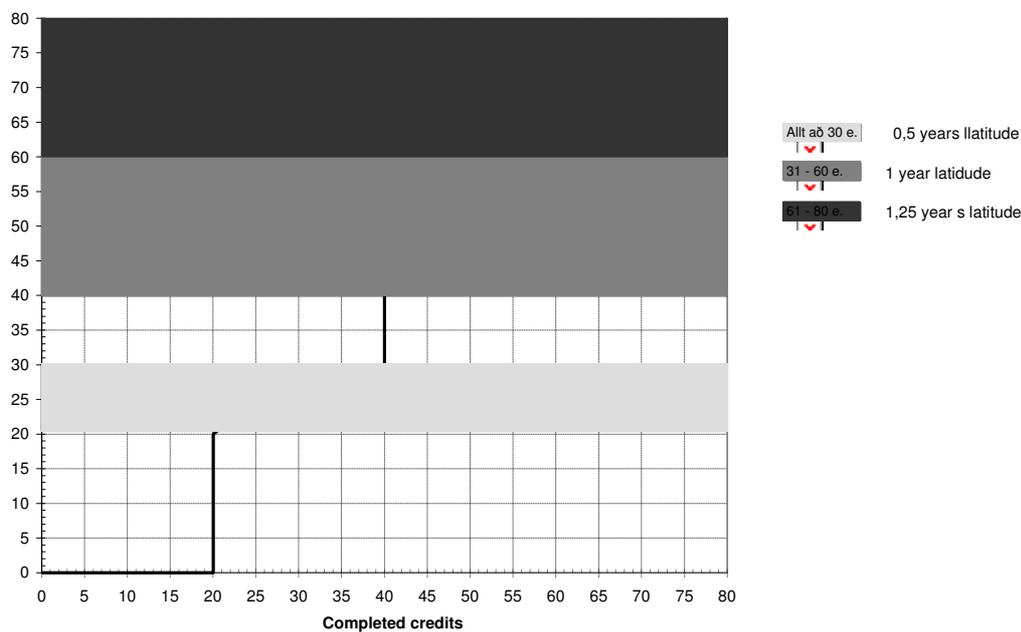
Academic progress is assessed during the academic years for which the student receives loans. The total number of ECTS units for which loans are granted in individual courses of study shall take account of the structure of the academic institution approved by the board of the Fund. Only courses which lead to a final examination are taken into account; units assessed from previous studies are not counted as part of academic progress.

The amount of latitude permitted in order to complete studies depends on the rules of the Fund regarding academic progress (see the fourth paragraph of this Article) and the permitted total length of studies (*cf.* Article 2.3.). When the total permitted latitude in undergraduate university studies in US universities is assessed, the first year shall not be included. The student shall be regarded as having fully utilised his latitude when he has received a loan, or a postponement of the closure of the bond, for the number of years permitted with full latitude.

2.2 Units Qualifying for Loans

In order to be entitled to a loan, a student must complete at least 20 ECTS units or the equivalent. A student who completes 20-30 ECTS units shall be entitled to a loan for the completed units (i.e., up to 30 units). No further loan shall be granted during the academic year unless the student completes 40 ECTS units or more, in which case he shall then be entitled to a loan for all the units completed, up to 80 ECTS units during the academic year.

Diagram showing how completed ECTS credits are counted as credits qualifying for loans)



Loans are granted only once in respect of each completed unit, except in studies where student number restrictions (*numerus clausus*) are in force (*cf.* Article 2.4.1).

2.3. Length of Studies.

2.3.1. What is a Loan-Year?

A student is considered to have received a loan for one loan-year if he has received a loan for 31-60 ECTS units. A loan granted for 30 ECTS units or fewer during an academic year shall count as half a loan-year, and a loan granted for 61-80 ECTS units shall be regarded as 1.25 loan-years.

In order to obtain a loan for ECTS units in excess of 60 during an academic year, the student must submit a special application to cover the additional course or summer course (*cf.* Article 5.1.2.).

2.3.2. The Five-Year Rule.

Having met the conditions regarding academic progress, a student may receive a loan for a total of up to 5 years. A student may be granted exemption from the above maximum and be granted a loan for up to one additional academic year if one of the following conditions is met:

- a) The total amount he has received in previous loans from the Fund is less than ISK 2.1 million.
- b) He has previously passed a final examination in a course of studies that qualifies for a loan, and has yet to complete 60 ECTS units, or fewer, leading to a final examination in another course of studies that qualifies for a loan. 'Final examination' here refers to an examination that confers a vocational or university degree, and not an examination in preparatory course, an introductory course or an examination in a basic subject.
- c) He has previously, for at least three loan-years during the period of study, received exemption from the ordinary conditions regarding academic progress under Article 2.4.5. on account of disability or dyslexia. However, the overall latitude allowed for in order to complete a particular course of study may never be greater than is provided for by the Fund's rules on academic progress (*cf.* Articles 2.1. and 2.2.).

2.3.3. The Ten-Year Rule.

A student pursuing graduate studies may be granted a loan in excess of the maximum stated under Article 2.3.2. The maximum total time for which a student may receive a loan is ten loan-years. 'Graduate studies' here refers to studies for a doctorate or licentiate degree, a master's degree or comparable studies made after three years' university studies in accordance with the structure of an educational institution approved by the board of the Fund. In addition, this refers to university studies in excess of three years according to the structure of the educational institution, in courses that are organised to last longer than three years. In US universities, however, this shall apply to studies in excess of four years. Short, employment-related, additional university studies lasting up to one year, which do not end with a higher degree, e.g. pedagogy (education) courses in order to gain the right to teach, social counselling, arts courses and academic counselling, may be considered as postgraduate studies.

Nevertheless, the total amount of latitude permitted in order to complete a particular course of study may never be more than is allowed for in the rules of the Fund regarding academic progress (*cf.* Articles 2.1. and 2.2.).

2.3.4. Private Studies.

Private studies, e.g. in singing or music, shall be regarded as studies at the undergraduate level.

2.4. Additional Latitude Permitted.

2.4.1. General.

A student who completes more than 60 ECTS units in an academic year shall be entitled to utilise them within the year or to transfer them to later years of study in the same study programme. If the student changes to a new educational institution, a new subject of study or a new academic degree, this shall constitute a new study programme.

If the student loses his right to units that he has previously earned, and received a loan to complete, he shall be considered as owing the number of units to which he has lost the right, and this debt shall be

deducted from the units that he completes before his loan entitlement is assessed. However, unit debts that are more than ten years old shall not be counted. This applies, for example, when the student is obliged to repeat a course because of student number restrictions (*numerus clausus*) that are laid down in the regulations of the educational institution. However, a student who has achieved satisfactory results in the first semester, and has not made further academic progress solely because of the rules on student number restrictions, may be granted a loan to repeat the semester once.

Extra loan entitlements may be granted, up to a maximum of 20 ECTS units, in the following cases:

- a) The student is completing his studies but does not meet the conditions regarding academic progress (*cf.* Article 2.2) because his loan entitlement is less than 20 ECTS units. The student may be granted a loan for 20 ECTS units if he completes a minimum of 20 ECTS units during the academic year. The same applies if the student's loan entitlement lies between 30 and 40 ECTS units; in such a case, he may be granted a loan for 40 ECTS units, providing he completes at least 40 ECTS units during the academic year.
- b) The student has lived overseas as an exchange student (*e.g.* on ERASMUS or NORDPLUS schemes) and had his courses assessed as elective courses over and above the minimum number of units required to complete a final examination according to the structure of an educational institution approved by the board of the Fund.
- c) The student is involved in master's degree or doctoral studies and has drawn up an individual study schedule covering the achievement of full academic progress which has been approved by the directors of the subject. The final disbursement of a loan under the authorisation of this item may not take place until confirmation has been received that the student has met all the requirements for graduation.

2.4.2. Assessment of Diligence.

A loan may be made on submission of a statement of the student's diligence in cases where students take examinations only once a year or at longer intervals. In such cases, loans are then made in accordance with academic results if academic progress is assessed in the statement. Loans may be granted for 30 ECTS credits if it is stated clearly in the assessment that the student has been engaged in full-time studies. Loans shall be reviewed when the results for the academic year are available; loans granted previously in excess of the correct amount may then become repayable (*cf.* Article 5.7).

If the student pursues studies in an institution where a full study programme is structured as three terms, and completes 13-19 ECTS units in the first term, he may be granted a loan corresponding to the number of units completed after obtaining a certificate of diligence for the second term. When his results for the academic year are known, his academic progress shall be revised and loans granted previously may become due for repayment as excessive disbursements (*cf.* Article 5.7).

If the student is completing his studies, final disbursement of loans for the academic year may not take place until confirmation of his completion of studies has been received.

2.4.3. Illness.

The condition for qualifying for additional latitude under this Article is that the student shall previously have attained satisfactory achievement in a course of study eligible for a loan, or that he attains satisfactory achievement in the semester following the period in which he requires latitude.

When progress of studies is assessed, consideration may be given to situations in which the student falls seriously ill during the study period. In such cases, up to 5 ECTS credits may be added to the credits he has completed, so bringing his loan entitlement up to 20 ECTS credits. If the student falls ill during the latter part of a semester or during examinations, up to 20 ECTS credits may be added to the credits he has completed, so bringing his loan entitlement up to 20 ECTS credits. Generally, the maximum latitude permitted shall not be increased because of this. The exceptions provided for here may also apply if serious illness affecting the student's spouse, child or parent has necessitated

hospitalisation or comparable care, so substantially disrupting the student's personal circumstances. The condition for this concession shall be that the student submit a medical certificate stating clearly when he consulted the doctor and for what period he was incapacitated, due to illness, in the opinion of the doctor, from pursuing studies. The condition for granting exemption due to illness of the student's spouse, child or parent shall be that a medical certificate be submitted stating when the a doctor was consulted, confirming that a substantial case of illness was involved and stating when care was required.

Similarly, a death in the student's immediate family may be taken into account when assessing academic achievement. 'Immediate family' for this purpose shall be considered as covering the student's parents and those of his/her spouse, the grandparents of the student and his/her spouse, the siblings of the student and his/her spouse and the siblings' children.

A student who has received exemption due to illness but achieves less than 15 ECTS credits shall not be entitled to have illness taken into consideration again until he has made up the amount by which his achievement fell short this sum, so completing 15 ECTS credits.

2.4.4. Childbirth

If a student has a baby during the period of study, up to 15 ECTS credits may be added to his or her academic results when the loan is calculated, though in these cases the loan shall not exceed 20 ECTS credits after the addition has been made. The maximum amount of latitude shall not normally be increased for this reason. The student may take advantage of this latitude during the later part of pregnancy and up until the child has reached the age of 12 months. Birth certificates/medical certificates shall be submitted in such cases. A condition for this concession is that the student has custody of the child and that the child is legally domiciled with him or her, or demonstrably lives with him or her during the period of study. However, the combined additional latitude enjoyed by both parents in connection with one birth shall not exceed 15 ECTS credits.

2.4.5. Disability and Dyslexia.

If, due to a disability, a student is unable, in the opinion of a doctor, to attain minimum academic achievement as defined in the rules of the Fund, then up to 5 ECTS credits may be added to the credits he has completed so as to bring his loan entitlement up to 20 ECTS credits. If he completes fewer than 15 ECTS credits, then a loan may be granted on the credits he has completed. The overall latitude in his studies shall not normally be increased as a result of this (*cf.*, however, Article 2.3.2.). The condition for the concession provided for under this Article is that an assessment by a physician shall have been submitted stating that the disability rating of the student concerned is at least 75%. A special application must be submitted to the board of the Fund for the aforementioned concession. The application must be accompanied by a certified schedule of studies and a medical certificate. The provisions of this Article shall also apply if the student is affected by dyslexia and this inevitably slows his academic progress in the opinion of a specialist and the educational institution.

2.5. Closure of Bonds.

2.5.1. General.

Bonds are closed when the student ceases to receive the loan, based on the end of the last loan period. This is the point in time which is considered as the end of studies in the sense of the Icelandic Student Loan Fund Act, No. 21/1992 and the Regulation No. 602/1997 on the Icelandic Student Loan Fund.

2.5.2. Deferment of Closure of Bonds.

The closure of the bond may be deferred if the student completes the academic attainments eligible for a loan in the academic year following that in which he last received a loan. In such cases, the student shall apply specially for the deferment and, as appropriate, the same rules regarding the closure of the bond shall apply as apply regarding loan applications and academic achievement (*cf.* Section II – Academic Achievement and Article 5.1.).

If the student takes a break of one academic year or more in his studies, he may not defer the closure of the bond, and the closing date shall be based on the end of the last loan period before the break in studies. When the student resumes studies following such a break, this shall be regarded as a new period of studies, with a new bond being issued.

2.5.3. Completion of graduation requirements.

If the student is entitled to defer the closure of the bond (*cf.* Article 2.5.2), the date of closure shall be based on the end of the study period in which the student completes all the requirements for graduation. Deferment of the disbursement of student loans, e.g. because information is submitted late, shall not result in any deferment of the closure of the bond.

2.5.4. Latitude in Loan Entitlement Fully Utilised.

If the student is not entitled to further loans, having fully utilised the latitude provisions, the closure of the bond shall be based on the end of the last loan period.

2.5.5. Uncertainty Regarding the Closure of Bonds.

In cases of uncertainty, the board of the Fund shall decide when bonds are closed.

Section III - Support and Income

3.1. Basic Support.

3.1.1. Basic Support in Iceland.

All assistance for support during periods of study in the academic year 2008-2009 shall be based on the level of basic support in Iceland, which is defined by the Fund. This amount is ISK 100,600 (for further details see Appendix I), or ISK 15,090 for each ECTS credit completed by the student.

3.1.2. Basic Support Abroad.

The level of basic support abroad during periods of study in the academic year 2008-2009, which may vary according to the country and city in question, shall be a proportion of the level of basic support in Iceland. (For further details see Appendix II).

3.1.3. Exchange Student Support.

Exchange students may apply to have their support rates take account of the cost of support in the country where they pursue their studies as exchange students. Calculations shall be based on the exchange rate as of 1 June 2008.

3.2. Student Support.

In addition to locality, the factors in Articles 4.2.-4.6. have an effect on the rate of student support. The rate of student support increases with respect to dependent children aged 18 or younger. Loans under Articles 4.4 and 4.7.-4.12. are additional to loans for student support. Consequently, income may cause a reduction of these loans in accordance with the provisions of Articles 4.2.-4.6., as appropriate.

3.3. Income.

3.3.1. Income.

The income of the student and his or her spouse during the year 2008, as defined by the board of the Fund, may affect the amount of the loan he or she receives during the study period of the academic year 2008-2009. If the student pursues studies abroad, his or her income will be converted into the currency of the country of study, based on the exchange rate valid on 1 June 2008. The effect of income shall normally be spread evenly over 60 ECTS credits.

3.3.2. Income Estimate – Tax Returns.

Before a loan is granted for study during the autumn semester, the student shall declare his estimated income during the year 2008.

Before a loan is granted for study during the spring semester, confirmed tax-return information regarding the student's income during 2008 shall have been submitted to the Fund.

3.3.3. Final Adjustment According to Income.

A final adjustment shall take place after the tax authorities have levied tax. If a loan recipient's income is estimated at that time, the Fund shall determine the amount of the student loan he is to receive in accordance with the estimate. This decision shall be final unless the loan recipient raises an objection against it within three months. It may then be reviewed, taking account of new income data that has been confirmed by the tax authorities.

3.3.4. Unsatisfactory Income Estimates.

The board of the Fund may amend an unsatisfactory income estimate.

3.4. Income According to These Rules.

3.4.1. Income during 2008.

All income forming the tax base for the year 2008 shall be regarded as income for the purpose of calculating loans under Articles 4.2.-4.12.

3.4.2. Student Grants, Bursaries, etc.

Taxable student grants, research grants and payments for teaching, e.g., teaching assistantships and 'utbildningsbidrag', shall be considered income (*cf.* Article 4.8.).

3.4.3. Special Student Grants.

Grants made by NORDPLUS and ERASMUS have no effect on loans, provided that the student does not apply for additional loans to cover expenses he may incur in connection with his studies abroad.

3.4.4. Deductions from Income.

The following is deducted from income: university (college, etc.) fees for which the student does not receive a loan under Article 4.8. and fixed repayments of student loans which fall due and are paid during the loan period.

3.5. Obligations of Students and their Spouses to Declare Their Incomes.

By signing an application, the student and his spouse grant the Fund an authorization to examine their tax returns during the period in which loans are granted or repaid. Information regarding income shall be given in response to requests from the Fund.

Section IV – Loan Categories

4.1. General

Loans generally take account of students' personal circumstances, family size and place of residence as recorded in the National Register on 1 September each year. If changes occur in their personal circumstances during the academic year after 1 September, these are nevertheless taken into account when loans are determined under Articles 4.2-4.6 and 4.12. This adjustment is made in two parts, depending on whether the change in circumstances occurs before or after New Year. When the application is for a loan for the whole academic year (autumn and spring), the adjustment shall be 75% of full adjustment, increasing or decreasing the amount of support, for each credit qualifying for a loan if the change occurs before the new year, and 25% in other cases. When the loan applied for is only to cover studies in the autumn, the adjustment shall be 50% of full adjustment if the change in personal circumstances occurs before New Year. This proportion shall also apply in cases where the loan applied for is only to cover studies in the spring and the change in personal circumstances, based on the records in the National Register as of 1 January, takes place after New Year. When the loan applied for is for summer studies (1 June – 31 August), the adjustment due to changed circumstances shall be put into effect in the same way as in the case of studies during the ordinary academic year.

4.2. Loans to Single Students.

4.2.1. Students Living in Rented Accommodation or Their Own Accommodation.

The amount of support for an unmarried student shall be the level of basic support, but 10% of earnings shall be deducted (*cf.* Article 3.3.1.). Unmarried students and childless, married or cohabiting couples shall provide proof of normal rent payments by submitting copies of payment slips to the tax authorities, or demonstrate that they own a flat or house by submitting a copy of confirmation from the Land Registry of Iceland or a certificate of registration of ownership.

4.2.2 Loans to Students Living neither in Rented Accommodation nor Their Own Accommodation.

The rate of support for students who live neither in rented accommodation nor their own accommodation shall be 70% of the basic support level, with 10% of earnings being deducted (*cf.* Article 3.3.1.).

4.2.3. Students Living with Low-Income Parents/Single Parents.

Rates of support for students living with low-income parents may be raised to 100% if the income of each parent is under the reference threshold. The reference threshold for this purpose shall be the basic rate of support for a single parent. The rate for the support of a single parent shall take account of the number of the parent's dependent children under the age of 21 years, including the student.

4.3. Loans to Single Parents.

The rate of support shall be the basic support level, raised by ISK 6,782 for each child for each ECTS credit completed when studies are pursued in Iceland, and by the comparable proportion of the basic support level when studies are pursued abroad (*cf.* Article 3.1.). Loans are granted for support during the period of study, with 10% of income deducted. Students are only granted loans as single parents if they have custody of the child and the child is domiciled with them or demonstrably lives with them during the study period.

4.4. Loans to Cover Child Support Payments.

Students may apply specially for additional loans to cover child support (maintenance) payments that they demonstrably pay. When loans are granted to cover child support payments, the Fund pays them directly to the Local Authorities' Claims Department (Innheimtustofnun sveitarfélaga). Loans are granted to cover child support payments during the study period, amounting to ISK 3,150 for each

ECTS credit completed, or the equivalent in other currencies, based on exchange rates as of 1 June 2008.

4.5. Loans to Married or Cohabiting Students.

The rate of support for married students or those in registered partnership or registered cohabiting union shall be the basic rate, raised with respect to each child of the student or spouse if the child is legally domiciled with the student or demonstrably lives with him during the period of study. For each child, the loan shall be raised by ISK 3,756 for each ECTS credit completed if studies are pursued in Iceland, and by a corresponding proportion of the basic support rate in the case of studies pursued abroad (*cf.* Article 3.1.). Loans shall be granted for support during the study period, with 10% of earnings deducted. Loans for spouses are made only in certain exceptional cases (see Section 4.6.).

If both members of the couple are pursuing courses of study that qualify for loans, then the amount loaned to each of them shall be determined separately.

4.6. Loans for Spouses.

The following circumstances may lead to rate of support for a married student or a student in a registered partnership or registered cohabiting union being raised by 50% of the basic support level with respect to his or her spouse:

- a) Due to the spouse's illness or disability according to a medical certificate.
- b) If the student and spouse have a chronically ill or disabled child whom they support and the spouse does not work in paid employment outside the home in order to care for the child. A condition for this is that the child must be legally domiciled with the student and spouse, and that a medical certificate be produced.
- c) If the student and spouse are resident abroad and have a dependent child, and the spouse chooses to work mostly or entirely in the home.

If a loan is granted with respect to a spouse, 10% of the income of the student and the spouse shall be deducted. If the student is entitled to a loan with respect to his or her spouse, the student's loan shall be calculated in two ways: with and without the loan for the spouse. The outcomes of these calculations are then compared, and the one producing a higher loan is taken as valid.

No loan is granted with respect to a spouse if the spouse himself or herself is a loan recipient during the academic year.

4.7. Loans for the Purchase of Books, Equipment and Materials.

Students are entitled to additional loans to cover the purchase of books. These loans shall be ISK 800 for each ECTS credit completed if studies are pursued in Iceland, and a comparable proportion of the basic rate of support in the case of studies pursued abroad (*cf.* Article 3.1).

4.8. Loans for Tuition Fees.

Additional loans for tuition fees abroad in excess of non-taxable grants received are granted for special studies, ordinary university studies and postgraduate university studies (see the definition of postgraduate university studies in Article 2.3.3.), for one semester following completion of 20 ECTS credits, two semesters following completion of 40 ECTS credits and for the summer semester following completion of 75 ECTS credits. If the academic year is divided into three periods, loans for tuition fees shall be granted for one quarter following completion of 20 ECTS credits, two quarters following completion of 26 ECTS credits, for three quarters following completion of 40 ECTS credits and for studies during the summer semester following completion of 75 ECTS credits

During the academic year 2008-2009, the annual maximum loaned for tuition fees in connection with special studies and ordinary university studies shall be 1/3 of the combined maximum loan according to the fourth paragraph of this Article.

Loans may be disbursed for tuition fees for one semester at the beginning of the study period to students other than first-year students, for the second semester following completion of 20 ECTS credits and for the third semester on completion of 60 ECTS credits. If the academic year is divided into three periods, payment in advance shall be permitted in the same way for the second quarter following completion of 20 ECTS credits, for the second quarter following completion of 20 ECTS credits, for three quarters following completion of 26 ECTS credits and for studies during the summer term following completion of 60 ECTS credits

The maximum aggregate loan for tuition fees shall be based on the maximum stipulated for the last country of study. Thus, tuition fee loans received previously are always deducted from the maximum for the last country of study when latitude for further tuition fee loans is calculated. The total amount loaned to a student for tuition fees in Iceland may never exceed ISK 3.5 million, and the total amount loaned to a student for tuition fees abroad may never exceed a certain proportion of this sum (*cf.* Appendix II). If necessary, the calculated amount (*cf.* Article 5.5.2.) of older loans for tuition fees may be converted into the currency of the country of study for 2008-2009 based on the exchange rate on 1 June 2008. Loans are only granted for annual tuition fees in excess of ISK 45,000.

4.9. Loans to Cover Disruption of the Student's Personal Circumstances.

In the event of an unforeseeable disruption of the student's personal circumstances which is not covered in another way by these rules, a student may be granted an additional loan corresponding to support for up to 7 ECTS credits, taking his family size into account. This shall apply, for example, if it becomes practically impossible for a student to pursue his studies due to illness, disability, the support of his children or spouse, or for other reasons and he has utilized his full right to a loan. Any benefits he receives under the current insurance legislation shall be taken into account.

A student may be granted a special loan under this Article to cover additional travel if he has to go home on short notice because of a serious illness or death in his immediate family. Full information regarding the reasons for the journey, together with the appropriate medical certificate or death certificate, shall be presented. For the purpose of this rule, immediate family is defined as consisting of the parents and grandparents of the student and of his or her spouse and the siblings of the student and of his or her spouse and their children. If an additional loan of this type is granted, it shall be disbursed together with the support loan (*cf.* Article 5.2.1.).

4.10. Loans for Medical Insurance.

Students who pay large sums for medical insurance may apply for assistance in meeting these expenses. Information from Icelandic insurance companies is taken into account when reasonable health insurance expenses are assessed. If loans are granted for medical insurance, they shall only be for that part of the expenses that is in excess of 5% of support expenses, taking family size and place of residence into account. Additional loans may be granted for medical expenses abroad, part of which the student has had reimbursed by the Icelandic State Social Security Institute. When applications for this type of loan are processed, consideration shall be given to whether the student purchased normal health insurance. Loans may be granted to pay reasonable expenses in connection with pre- and post-natal care abroad if it is clear that neither the student's insurer nor the appropriate local authority in Iceland will cover any of the cost. Loans may also be granted during the study period to pay travel expenses if a pregnant student or student's spouse chooses to have her child in Iceland because of the excessive cost abroad. Consideration may not be given to medical expenses which the Icelandic State Social Security Institute has refused to pay.

4.11. Grants for Interest Expenses.

When a student loan which is paid after each term, semester or academic year, is disbursed, a grant of ISK 250 to cover interest shall be paid for each ECTS credit completed. If it is found, on re-calculation

of the student loan after the academic year, that a student has been allocated too high an interest grant, it shall be corrected by recording the excess grant amount paid as a loan during the academic year.

4.12. Loans for Travel Expenses.

4.12.1. Travel Expenses of the Student, Spouse and Children.

Loans for travel expenses shall be based on a certain sum; this varies according to the country of study and the locality where studies are pursued. If the student's spouse also applies for a loan during the academic year, the student shall not be entitled to an additional loan to cover travel by the spouse, and loans to cover children's travel shall then be based on half the amounts stated in Articles 4.12.2 and 4.12.3.

4.12.2. Loans for Travel to a Place of Study Abroad.

Travel loans in connection with studies abroad shall be determined as follows in the case of applications for student loans for a full academic year. For each individual, the travel loan for students and their spouses to Denmark, Norway and Sweden shall be ISK 35,000 per person, and ISK 40,500 per individual for students and their spouses in other parts of Europe, ISK 52,000 in North America and ISK 92,000 per individual for students and their spouses in other places. Loans for children's travel shall be 10% of the amounts above if the child is under two years old, 75% in the case of children between the ages of two and twelve years old and 100% in the case of children over twelve years old. It is not necessary to submit evidence of the journey.

The sums above will be converted into the currency of the country of study based on the exchange rate as of 1 June 2008.

4.12.3. Loans for Travel to a Place of Study in Iceland.

Travel loans in connection with studies in Iceland shall be determined as follows in the case of applications for student loans for a full academic year. For an individual and his or her spouse, ISK 18,000; loans for children's travelling shall be 10% of the amount above in the case of a child under two years old, 50% in the case of children between the age of two and twelve years old and 100% in the case of children over twelve years old. The precondition for students in Iceland qualifying for travel loans is that they must be domiciled at least 100 km from the metropolitan area or other location of the educational institution. It is not necessary to submit evidence of the journey.

4.12.4. Disbursement Time of Travel Loans.

Travel loans for a full academic year shall be disbursed in two parts together with support loans; first after completion of 20 ECTS credits and then after completion of 40 ECTS credits.

Section V. Applications and Disbursement of Loans

5.1. Applications for Student Loans.

5.1.1. Application Forms.

Applications for student loans shall be made on special electronic forms that can be accessed on the Internet (www.lin.is). These forms are also available from the Fund's office.

5.1.2. Applications and Periods of Validity.

Applications for student loans shall be submitted for each year for which a loan is sought. Applications must be received by:

15 January 2009 for studies in autumn 2008;

31 May for studies in spring 2009;

15 August 2009 for additional studies or studies in summer 2009. ('Additional studies' refers to studies in excess of 60 ECTS credits during the academic year.)

5.1.3. Accompanying Documents and Deadlines.

Students shall be informed in good time about the documents they are required to submit so that they will have sufficient time to send them to the Fund. Documents accompanying applications must be received by the Fund not later than two months after they are requested. Otherwise it may be regarded that the student has withdrawn his application. The same applies to certificates of examination results; these shall be submitted no later than two months after the end of the examination period; otherwise it may be regarded that the student has withdrawn his application for a loan for the relevant period.

5.1.4. Assistance.

The Fund's employees, and the students' organisations that nominate representatives to the board of the Fund, shall provide assistance and guidance on matters concerning the Fund's operations.

5.1.5. Processing of Applications and Other Communications.

The board's decisions on communications received by the Fund shall be reported in writing unless this is obviously unnecessary. Decisions shall be binding when they have reached the parties concerned. The student or other persons involved shall have the right to know the reasoning behind a decision (*cf.* Article 5.10.3.), to have a matter re-examined (*cf.* Article 5.10.4.) or to request a ruling from the appeals committee (*cf.* Article 5.10.5.). In other respects, procedure shall be subject to the Administrative Procedure Act, no. 37/1993.

5.1.6. Loan Schedule.

Based on information submitted by the student regarding, amongst other things, his income and family status, he may receive a completed loan schedule from the Fund. This schedule makes possible temporary credit arrangements with commercial banks (*cf.* Article 5.2.4.). After examining the loan schedule, the student shall inform the Fund if the information on which it is based is incorrect.

5.1.7. Agents.

A student abroad must have an agent in Iceland who shall, among other things, have authority to sign bonds on his behalf.

5.1.8. Conditions to Be Met by Recipients of Loans.

Conditions to be met by recipients of loans shall include that they not be arrears with the Fund when they apply for new loans, that their estates are not undergoing bankruptcy proceedings and that they do not appear for other obvious reasons to be untrustworthy borrowers. If a student is regarded as an untrustworthy borrower for the reasons stated above, he may apply for exemption from this Article

provided he is able to demonstrate the contrary or if he produces other guarantees that the Fund considers adequate.

5.2. Disbursement of Student Loans.

5.2.1. Disbursement of Student Loans.

Disbursement of support, book and travel loans shall commence on completion of 20-30 ECTS credits at the beginning of January 2009 and on completion of 40 or more ECTS credits at the beginning of April 2009. A condition for this is that the student shall have submitted evidence of his academic achievement, income estimate or tax return and other relevant information. Loans shall be paid into an account in a commercial or saving bank in Iceland, which shall be in the name of the student.

Loans may be paid out at other times providing evidence is available to show that the student has met the Fund's requirements concerning productivity and academic achievement before the Fund makes the payment of the loan for the relevant term, semester or compulsory courses. However, the granting of loans for the academic year 2008-2009 shall be complete by 1 December 2009; after that date no loans shall be processed for that academic year.

A condition for a student's receiving payment of tuition fees under Article 4.8 in advance is that he shall have previously completed a unit of academic achievement that qualifies for a loan.

If the student fails to achieve the required minimum results following the relevant academic year, loans disbursed in advance shall be recoverable according to the rules on excess disbursement of loans.

5.2.2. Calculation of Loans Abroad.

Student loans are normally calculated in the currency of the relevant country of study. Income and grants are converted into the currency of the country of study based on the exchange rate on 1 June 2008. When a loan, or part thereof, is due for disbursement, the sum to be disbursed is converted into Icelandic krónur (ISK) at the exchange rate on the day of disbursement.

5.2.3. Confirmation of Income.

Students shall submit a confirmation or amendment of their previous income estimates for 2008 before loans are paid out. If there is a substantial difference between the estimate and the actual income of the student and his spouse, the loan may be made repayable.

5.2.4. Credit at Commercial Banks and Savings Banks.

The board of the Fund has made an agreement with the commercial and savings banks by which they will give students temporary credit within an academic year, if this is desired, provided that the normal conditions set by the financial institution after receiving the student's loan schedule have been met and the student's loan schedule has been submitted.

5.2.5. Bonds and Bank Accounts.

The disbursement of a loan is subject to the condition that the student shall have signed a bond and guaranteed the repayment of the loan with the aid of personal guarantors or securities. The loan shall be paid into the bank account of the recipient involved; this account shall be in his own name at a commercial or savings bank.

5.3. Guarantees Applying to Student Loans. Rights and Obligations of Guarantors.

5.3.1. The Nature of Personal Guarantees.

Those who act as guarantors for a student loan undertake personal liability for the debt; such liability obliges the guarantor to pay the debt for which a guarantee has been undertaken as soon as it is revealed that the borrower has not fulfilled his obligation to repay the loan.

The Fund may collect the guarantee directly from the guarantor, and shall not be required to make special attempts to have the debt paid by the borrower. The Fund may not, however, have recourse to the guarantor until it has been demonstrated that the borrower has not repaid any part of the loan on the due date.

The Fund may take enforcement measures (attachment) for the payment of a debt by a personal guarantor without a previous court judgement or settlement before a court.

Personal liability shall always be limited to a specific maximum sum, which shall change according to the consumer price index; in addition, personal liability shall cover the payment, with interest, interest on arrears and all costs that may be incurred due to the late payment of the debt, including court costs and collection fees.

The stated sum guaranteed by a guarantor shall be based on the aforementioned index, and shall not normally exceed ISK 7 million. A personal guarantor may, however, undertake liability in excess of this amount in connection with a loan that is calculated as due to the student in the academic year when the guarantor's liability reaches ISK 7 million. The minimum amount of a personal guarantee shall be ISK 100,000.

5.3.2. Conditions to Be Met by Guarantors.

Guarantors shall confirm, by their signature on the bond or guarantee declaration, that they have acquainted themselves with the terms of the bond.

Guarantors shall have reached the age of 18 and shall be competent to manage their financial affairs; no maximum age limit applies. A guarantee given by a legal entity instead of an individual shall be subject to the approval of the board, and the legal entity must be a state agency or financial institution that is monitored by the Financial Supervisory Authority. In such cases, the minimum guarantee period shall be 10 years following the first repayment due date or 15 years after the guarantee is given. The Fund shall then be able, with the approval of the loan recipient, to collect a fee for the guarantor party when the loan is disbursed. In other respects, guarantees given by legal entities shall be subject to the same rules as generally apply to personal guarantees given by individuals.

A minimum of one guarantor shall undertake personal liability for the recipient of a loan.

Guarantors shall normally be Icelandic citizens who are legally domiciled in Iceland.

Individuals may not be approved as personal guarantors if they are on the register of persons in arrears with the payment of public dues or who are regarded as evidently unreliable as guarantors for other reasons, in the opinion of the Fund.

If the status of a guarantor changes such that he is no longer regarded as meeting the above conditions, the borrower shall provide a new guarantor for his student loan before receiving further loans disbursed from the Fund. In such cases, the new guarantor shall guarantee all the loans that the borrower has received together with those that he may receive thereafter. The older guarantee shall not expire unless it is terminated with the approval of the Fund.

5.3.3. The Legal Standing of Guarantors; Right of Recourse.

Guarantors shall bear undivided (*in solidum*) liability towards the Fund; they also bear equal liability between themselves, taking into account the specific maximum applying to each of them.

Consequently, the guarantor who pays the debt may have a right of recourse both towards the borrower and the other guarantors.

In the event of the non-payment of a student loan, each guarantor shall be able to pay his guarantee amount, together with interest and costs.

A guarantor may exercise the rights that the borrower has according to the bond and keep the loan paid up to date. In doing this, he may request that the Fund use the payment to reduce that part of the total debt that he has guaranteed.

The provisions of the bond regarding exemptions from payment shall not apply to a guarantor whose guarantee is called in and who has undertaken the repayment of the loan.

In the event of the death of a guarantor, the borrower may provide a new guarantor who meets the conditions set forth above; otherwise, the guarantor's heirs shall take over the guarantee in accordance with the ordinary rules, provided that the heirs have undertaken liability for the debts of the estate at death.

A guarantor may give notice of termination of his guarantee. This shall be done in a written letter to the Fund. The effect of this shall be that his liability shall not increase above the level already agreed. The termination shall take effect as soon as the Fund has informed the borrower of it.

5.3.4. Mortgages.

If the student wishes to put up real estate as collateral to guarantee the repayment of a student loan, he must submit the following items: a statement of mortgage loans from the mortgage registry, a copy of the last payment slips for current mortgages and the market valuation (*fasteignamat*) and replacement valuation (*brunabótamat*) of the property.

When student loans from the Fund are guaranteed by mortgages, the rule shall be that the encumbering loans, including the loan from the Fund, shall not exceed 65% of the market value of the residential property and that they shall be less than 65% of the replacement value. It shall also be possible to request a sale evaluation by a chartered property agent, in which case the criterion shall be that loans from the Fund shall not exceed 60% of the sale valuation.

5.4. Payment of Membership Fees.

If the student so desires, the Fund will see to the payment of membership fees for the Association of Icelandic Students Abroad (SÍNE) and the Association of Icelandic Vocational Students (INSÍ). The Fund will then deduct their membership fees from their student loans and pay them to the appropriate establishments.

5.5. Changes in Loans.

5.5.1. Students' Obligation to Report Changes.

Applicants shall be obliged to report all changes in their personal circumstances which could have a bearing on the provision of student loans, e.g. altered family circumstances, changes in financial position, changes of address and study programme, or illness which may lead to a lengthening of studies. Among other things, the Fund must be informed if a student marries or enters into a cohabitational partnership. Students shall also send the Fund all information that may be requested.

5.5.2. Correction of Calculations.

If it is revealed that the Fund has granted assistance or calculated the amount of a loan based on false information, this shall be corrected at the earliest possible opportunity in accordance with further provisions of this section. Once this is done, consideration shall be given as to whether the student gave misleading or incorrect information intentionally, or whether negligence on his part or a mistake on the part of the Fund was involved. It shall normally be possible to negotiate the means by which repayment is made.

5.6. Intentionally Misleading Information.

If a student gives the Fund incorrect or misleading information intentionally, all assistance to him shall be discontinued and any assistance which he may have received already on the basis of such information shall be reclaimable immediately with accrued indexation adjustment and the associated costs. This shall also apply if it is deemed regarding that the student made false statements of his income, according to the Fund's definition of income, when the relevant taxation year is over.

5.7. Excess Disbursement of Loans.

5.7.1. Excess Disbursement of Loans.

If a student receives a loan payment in excess of the correct amount, e.g., because his income has been underestimated, because he has failed to attain the required academic achievement or for other reasons, he shall be given the opportunity to repay the loan by means of a special bond, the repayment period of which shall normally be no longer than 10 months. Further student loans shall be discontinued until the student has repaid the excess disbursed amount. Excess disbursement made to students abroad shall be converted into Icelandic krónur (ISK) at the rate of exchange applying on the date of disbursement.

5.7.2. Bonds.

Bonds for the repayment of excess disbursements shall normally carry interest at the ordinary rates on non-indexed loans determined by the Central Bank of Iceland, interest being calculated on the amount which the student is to repay from the disbursement date of the excessive loan amount.

5.7.3. Interest.

The first interest date shall be stated in the bond.

5.7.4. Collection.

Excess loan disbursement shall be collected after the date on which a report on the student's academic achievement, and other documents are supposed to have been received by the Fund. If the student fails to repay excess disbursements by the deadline set, the bond shall be closed (*cf.* Article 2.5.1.) and the excess disbursement shall be collected as an extra instalment on his student loan.

5.8. Monitoring of Income for the Previous Year.

5.8.1. Students in Iceland.

The Fund shall receive information from the Director of Internal Revenue on students' income according to their tax returns for the income year used as the basis for the last loan granted.

5.8.2. Students in the Nordic Countries.

Students elsewhere in the Nordic countries shall present certificates stating their income during the past year; in Denmark "*årsopgørelse*"; in Norway "*skatteopgjør*" and in Sweden, "*scutling skated*".

5.8.3. Students in Other Countries.

The Fund may request tax certificates from students in other countries.

5.8.4. Repayment.

If it is revealed that income according to a statement from the tax authorities is higher than was stated by the student, he shall be obliged to repay the amount loaned to him in excess of the correct amount, together with indexation adjustment.

5.9. Mistakes on the Part of the Fund.

If the Fund makes a mistake in connection with the granting of a loan to the disadvantage of a student, it shall be rectified as soon as it is discovered. Students are urged to acquaint themselves thoroughly with the provisions of these rules which apply to their individual cases and thereby help to have such mistakes rectified as soon as possible. The student will be informed of such mistakes and then a decision will be taken in each individual case as to how repayment is to be made.

5.10. Doubtful Cases.

5.10.1. The Role of the Board.

One of the roles of the board is to make rulings on doubtful or unclear cases concerning individual loan recipients and other cases, its decisions being recorded in the form of minutes. Rulings by the board may be referred to the appeals committee (*cf.* Article 5.10.5.).

5.10.2. Procedure.

Before the board makes a ruling on a doubtful or unclear case, a special subcommittee appointed from among the members of the board, a 'repayment committee' or 'doubtful cases committee', as appropriate, shall prepare and make proposals on the conclusion to be recorded by the board of the Fund. The committee shall examine how comparable cases, or cases considered to be closest to the one under discussion, have been dealt with. The decisions recorded by the board in doubtful or unclear cases shall be of a general nature, and shall be preserved specially so as to be accessible by all those who have reason to consult or deal with the Fund.

5.10.3. Reasons.

In stating reasons, reference shall be made to the legal principles on which the Fund's decisions are based, legislation, regulations, allocation rules or minutes recorded by the board, as appropriate. To the extent that a decision is based on an estimate or evaluation, the principal considerations behind the estimate or evaluation shall be stated when reasons for the decision are given.

5.10.4. Re-Examination.

After the board of the Fund has taken a decision and it has been announced, the party to the case shall have the right to have it re-examined if the decision was based on insufficient or incorrect information on the facts of the case.

5.10.5. Appeals Committee.

The Minister of Education shall appoint an appeals committee consisting of three persons. The committee shall determine whether rulings made by the board are in accordance with the provisions of laws and regulations. The committee may uphold, amend or set aside decisions by the board of the Fund. The committee shall state reasons for its decisions, which shall be final.

Section VI – Common Nordic Rules on Loans in the Nordic Countries

An applicant who is studying in the Nordic countries outside his home country may, if he meets certain conditions, qualify for a student loan from the country in which he is studying. The condition for study assistance shall be that the applicant does not receive assistance from another country.

Further details may be obtained from the loan funds in each country.

DENMARK

Styrelsen for Statens Uddannelsesstøtte
Danasvej 30
DK-1780 København V
Tel: 00-45-33268600
Fax: 00-45-33268611
Website:<http://www.su.dk/>

NORWAY

Statens lånekasse for utdanning (SLK)
P.boks 195, Østre Aker vej 20
N-0510 Oslo 5
Tel: 00-47-22726700
Fax: 00-47-22642636
Website:<http://www.lanekassen.no>

FINLAND

Folkpensionsanstaltens Studiestödscentral
P.O. Box 228
SF-40 101 Jyväskylä 10
Tel: 00-358-20-4346710
Fax: 00-358-20-4346710
Website:<http://www.kela.fi>

SWEDEN

Centrala studiestödsnämnden (CSN)
Norra Tjärngatan 2-6
S-851 82 Sundsvall
Tel.: 00-46-60-186290
Fax: 00-46-60-186006
Website:<http://www.csn.se>

Section VII – Loan Terms

7.1. Interest and Indexation on G-Loans.

7.1.1. Loan Terms.

Loans under the Act No. 21/1992 are index-linked and carry interest of up to 3% from the date of closure of the bond.

Indexation adjustment is based on changes in the consumer price index. Loan recipients shall pay a borrowing fee of 1.2% each time a loan is taken, and also the collection cost on each due date.

7.1.2. Indexation.

Loans from the Fund shall be indexed with the consumer price index, based on the index on the first day of the month following disbursement. Following the decision to close the bond, the amount owed shall be updated and the basic index of the bond shall be based on the consumer price index on the date of closure.

7.1.3. Closure of Bonds.

When the bond has been closed (*cf.* Article 2.5), the borrower shall be sent a letter containing itemised information on the payments of the bond, the date of closure and when interest will begin to be calculated on the bond. He is given a period of two weeks in which to make comments. At the end of that period, the bond may be filled in.

7.1.4. Fully-Utilized Latitude.

When a student has fully utilized his permitted latitude, his studies shall be regarded as completed.

7.1.5. Completion of the Bond.

When a bond is completed, a notice is sent to all the guarantors informing them of the amount of the bond and the amount for which each is regarded as liable.

7.1.6. Interruption of Studies, etc.

If the recipient of a loan does not apply for a loan in a new academic year before the stated deadline, yet has not completed his studies, he shall be informed that his bond will be closed within two weeks, the closure of the bond being based on the end of the last loan period. He shall also be sent a statement of the payments made to him which are to be entered at their current value in the bond. In such cases, no deferment is allowed for the completion of the bond. If the student announces that he has interrupted his studies for a period of not more than one year, the completion of the bond shall be deferred in accordance with the rules on the definition of the closure of the bond.

7.2. Repayment Period.

7.2.1. No Instalments During the First Two Years.

In no case shall repayment commence until two years have elapsed after the closure of the bond (*cf.* Article 2.5.). If the closure of the bond takes place in the first half of the year, i.e., in the period from 1 January 1 to 30 June, the due date of the first fixed payment shall be 30 June two years later.. If the completion of studies takes place in the latter half of the year, i.e., on 1 July or later, then the due date of the first fixed payment shall be 1 March in the third year following the closure. The second payment each year shall always be due on 1 September.

7.2.2. Interest.

Interest shall always be calculated as from the closure of the bond. If a student receives a loan that is disbursed after the closure of the bond, interest shall be calculated on that payment as from the day after the disbursement.

7.2.3. Payment of Outstanding Balance.

Loan recipients may pay off their student loans before the dates specified in the bond.

A loan recipient who has paid off the outstanding balance of his student loan may apply for a reimbursement equivalent to the costs that this has saved the Fund. The condition for this is that the loan recipient shall have paid off the loan at least five years before the scheduled final date.

When assessing the repayment period and the size of repayments in the future (without early repayment), the recipient's estimated future earnings shall be taken into account, these being calculated at a present value with the interest which the Fund pays on loans it has taken. However, the recipient's future earnings may not be estimated at such a low level that the repayment period (without early repayment) would be longer than 15 years.

Before the lowering of the cost is assessed, the loan recipient shall provide the board of the Fund with all the information it considers necessary in order to estimate his future earnings.

7.3. Annual Repayments.

Annual repayments fall into two parts. One is a fixed payment which is collected on March 1, though the first due date may fall on another day. The other is a supplementary payment which is collected on September 1 and depends on the loan recipient's income during the previous year. The fixed annual payment is ISK 52,698 based on the consumer price index of 177.8 points. This amount shall be revised each year according to the consumer price index on 1 January each year. The supplementary payment is based on 3.75% of the recipient's income base in the year prior to the repayment year; 'income base' here refers to the recipient's income base for municipal tax purposes with the addition of his investment earnings (*cf.* item *c* of Article 7 of the Act No. 90/2003). If the loan recipient is married or cohabiting, the reference figure shall be 50% of his/her investment income and that of the spouse/partner, irrespective of whether this income is defined as private under a marriage settlement or is regarded as joint property. The figure so found shall be multiplied by the coefficient representing the change in the consumer price index between 1 July in the year in which the income is acquired and 1 July in the year of repayment. As is stated above, the previously mentioned fixed payment shall be deducted from the supplementary payment.

If the recipient's income base for municipal tax purposes is estimated by the tax authorities, then that estimate shall be employed. Loan recipients who are not liable for tax on all their income and assets in Iceland shall be given the option of sending the Fund officially confirmed information on their income, and the supplementary payment will be determined accordingly. If they do not do so, or if their information is regarded as improbable, and it is not possible to establish whether their income bases as stated are, in fact, accurate, then the board of the Fund shall estimate income bases for the calculation of the annual supplementary payment. An estimated income base for due dates in 2008 shall be equivalent to double the loan recipient's outstanding instalments owed to the Fund, though at no time normally less than ISK 9.0 m.

Loan recipients shall have the right to have their annual supplementary repayments recalculated if they are based on estimated income. They shall apply for recalculation not later than 60 days after the due date of the payment and submit to the board of the Fund the best available information on their income. The recalculation will then be made when the Fund has received officially confirmed information regarding their income, or when their income has been re-assessed in accordance with a special decision by the board. If the income base has been overestimated, the loan recipient shall have the amount he has paid in excess reimbursed with ordinary interest rates applying to non-indexed bank loans.

In cases of serious arrears on the repayment of student loans, or where the loan recipient has understated his income, the whole loan sum may be called in. Increases in the supplementary payment

due to re-assessment of tax become due for payment immediately, with arrears interest as from the due date of the payment.

7.4. Exemptions.

7.4.1. Exemption in View of Low Income.

A student who had such low income during the previous year that he or she will not be required to pay the supplementary payment, and whose financial position has not improved during the year in which repayment is to take place, may apply for exemption from the obligation to make the fixed annual payment if these difficulties affecting the student and his or her family are caused by the pursuit of studies that qualify for a loan, illness, unemployment, pregnancy, the care of children or other comparable circumstances. Generally, the circumstances causing the difficulty shall have applied for at least four months prior to the due date of the payment.

7.4.2. Exemptions Due to Sudden and Substantial Changes.

The board of the Fund may also grant an exemption from the annual repayment, either by reducing or waiving payments as appropriate, in the event of sudden and substantial changes in the personal circumstances of the loan recipient so his income base for municipal tax purposes, calculated in terms of his previous year's income, no longer fairly represents his financial position during a year in which repayment is to be made. Exemptions may be granted in cases of sudden and serious illness, accidents or other comparable circumstances leading to a substantial reduction of disposable income and the ability to earn income.

7.4.3. Application for Exemption.

Recipients who seek exemptions from the repayment of their student loans, either in the form of reductions or the waiving of repayments, shall apply for them on special application forms and submit with them the information required on the form.

Applications for exemption from the repayment of a student loan shall be received by the Fund not later than 60 days after the due date of the repayment. If an application for exemption is received after this time, exemption may not be granted (*cf.* the seventh paragraph of Article 8 of the Act on the Fund).

If exemption is granted from the repayment of an S- and/or V-loan, this exemption shall have no effect on the number of repayment years, i.e., the repayment period shall be lengthened by the time granted in the exemption.

7.5. Loans Granted by the Fund.

The following loans have been granted by the Fund:

Category	Granted	Interest	Interval between completion of studies and first repayment	Repaym. Period	Due dates
M	1952-61	3.5%	3 years	10 years	1 May and 1 Nov
N	1952-61	3.5%	3 years	10 years	1 Feb and 1 Jun
M	1961-67	3.5%	3 years	15 years	1 May and 1 Nov
N	1961-67	3.5%	3 years	15 years	1 Feb and 1 Jun
L	1967-75	5%	5 years	15 years	1 Jun
K	1975	13%	1 year	4 years	1 Apr and 1 Nov
X •	1976-82	index-linked	3 years	20 years	1 Jul and 1 Nov
T ••	1982-92	index-linked	3 years	40 years	1 Mar and 1 Sep
R	1992	up to 3% +ind.-link.	1 year	indefinite	1 Mar and 1 Sep
G	2005-	up to 3% +ind.-link.	1 year	indefinite	1 Mar and 1 Sep

- known as V-loans after merger
- known as S-loans when repayment begins

7.6. Payment According to More Than One System.

Recipients who owe loans that are older than G-loans shall first repay the older loans. In the calendar year following that in which these repayments are completed, they shall begin repaying their G-loans.

Loan recipients who own R-loans and also V- or S-loans shall first repay their R-loans. If they are paying instalments on both V- and S-loans, their payments of their V-loans shall be deducted from those of their S-loans.

7.7. Arrears.

If a loan recipient does not pay an instalment due at the correct time and has not made an agreement with the Fund regarding payment, the Fund will send the matter to a lawyer for collection. If a claim against the loan recipient is already being collected by a lawyer, the new claim will also go straight into the collection process. When the collection of an instalment is in the hands of a lawyer, the loan recipient is expected to negotiate the settlement of the claim directly with the lawyer, without the mediation of the Fund. If the recipient still does not pay the instalment, the Fund shall have the right to make the entire debt payable and to claim it with the maximum rate of arrears interest permitted by law.

Appendix I

Basic support rates and explanations of the calculation of the basic support level for the academic year 2008-2009.

Basic Support Rates Used by the Fund.

The basic support rate used by the Fund in the academic year 2008-2009 assumes that annual expenditure by an individual living in rented accommodation in Iceland is ISK 1,876,300, and that this may be itemised as follows

Principal expense items	Basic support level (<i>cf.</i> cpi index) used by the fund (ISK)
Food and beverages	326,800
Clothing and shoes	106,000
Housing, heat and electricity	570,000
Furniture, domestic appliances, etc.	87,900
Health care	65,100
Travelling and transport	204,100
Post and telecom	55,800
Education, leisure activities and culture	289,900
Miscellaneous goods and services	170,800
Total	1,876,300

This is an increase of 10% over the basic support rate applied for the academic year 2007-2008.

Mean income.

It is assumed that individuals living in rented housing will have a total of ISK 1,078,713 in income.

This is based on a reference group consisting of childless individuals in Iceland living in rented or owned accommodation, who received student loans in spring and autumn 2006. There were 1,901 individuals in the group, with a combined income of ISK 2,036,882,369 for 2006. The mean income was ISK 914,883.

According to the spring report by the Ministry of Finance, wages rose by 10.4% in 2007, and they are expected to rise by 6.8% in 2008. Thus, the reference income level used for 2008 is estimated as ISK 1,078,713.

Disposable Income.

In determining the average disposable income of a student living in rented housing in Iceland, full consideration is given to the income-related reduction of student loans. Under the rules of the Fund, 10% of income is deducted from the calculated amount of the loan. This means that the student will have 0.9 x ISK 1,078,713 (i.e. ISK 970,842) as disposable income.

Basic Support Rate Used by the Fund.

In accordance with the decision of the board of the Fund (*cf.* Article 3.1.1. in these Allocation Rules), the basic support level is to reflect the monthly loan requirement of a student in rented housing over the study period, which under the present rules is generally regarded as being 9 months. The basic support level per month is thus defined as 1/9 of the difference between the basic support requirement and the average disposable income of a student living in rented housing. On these premises, the basic support level used by the Fund is 100,600 during the academic year 2008-2009, i.e. 1/9 of (ISK1,876,300-

970,842). During the academic year 2007-2008 the basic support level was ISK 94,000. The increase is therefore ISK 6,600 or 7%.

Appendix II

Support Abroad, Maximum Loans for Tuition Fees and Maximum Times Allowed for Language Courses as Preparation for Study.

Country	Currency	Support	Support per ECTS credit qualifying for loan	Max. tuition fees	Max. prep. lang. course
Argentina	USD	850	128	44,100	0.5 acad. year
Austria	EUR	1,400	210	40,000	0.5 acad. year
Australia	USD	1,290	194	48,200	
Belgium	EUR	976	146	40,000	0.5 acad. year
Brazil	USD	1,064	160	44,100	1 acad. year
Bulgaria	EUR	930	140	40,000	1 acad. year
Canada	CAD	1,423	213	57,800	
China	USD	1,137	171	44,100	1.5 acad. years
Costa Rica	USD	955	143	44,100	0.5 acad. year
Croatia	EUR	902	135	40,000	0.5 acad. year
Cuba	USD	1,283	192	44,100	0.5 acad. year
Cyprus	EUR	824	124	40,000	1 acad. year
Czech Republic	EUR	949	142	40,000	1 acad. year
Denmark	DKK	7,740	1,161	295,000	
Egypt	EUR	780	117	40,000	1.5 acad. years
England	GBP	946	142	27,400	
□London	GBP	1,052	158	27,400	
Estonia	EUR	930	140	40,000	1 acad. year
Finland	EUR	932	140	40,000	1 acad. year
France	EUR	993	149	40,000	0.5 acad. year
□Paris	EUR	1,091	164	40,000	0.5 acad. year
Germany	EUR	986	148	40,000	0.5 acad. year
□Munich	EUR	1,084	163	40,000	0.5 acad. year
Greece	EUR	1,127	169	40,000	1 acad. year
Hong Kong	USD	1,137	171	44,100	1.5 acad. year
Hungary	EUR	1,146	172	40,000	1 acad. year
India	USD	850	128	44,100	1.5 acad. years
Irish Republic	EUR	1,123	168	40,000	
Israel	EUR	900	135	40,000	1.5 acad. years
Italy	EUR	1,188	178	40,000	0.5 acad. year
Japan	JPY	169,018	25,353	4,560,000	1.5 acad. year
Latvia	EUR	930	140	40,000	1 acad. year
Lithuania	EUR	930	140	40,000	1 acad. year
Luxembourg	EUR	1,000	152	40,000	0.5 acad. year
Malaysia	USD	1,216	182	44,100	0.5 acad. year
Malta	EUR	1,014	152	40,000	
Mexico	USD	1,526	229	44,100	0.5 acad. year
Netherlands	EUR	1,020	153	40,000	1 acad. year
Northern Ireland	GBP	946	142	27,400	
Norway	NOK	8,075	1,211	301,000	
New Zealand	USD	1,266	190	48,950	
Portugal	EUR	780	117	40,000	0.5 acad. year
Poland	EUR	930	140	40,000	1 acad. year
Romania	EUR	930	140	40,000	1 acad. year
Russia	EUR	930	140	40,000	1 acad. year

Scotland	GBP	946	142	27,400	
Slovakia	EUR	902	135	40,000	1 acad. year
Slovenia	EUR	902	135	40,000	1 acad. year
Spain	EUR	1,036	155	40,000	0.5 acad. year
South Africa	EUR	825	124	40,000	
Switzerland	CHF	2,295	344	57,700	0.5 acad. year
Sweden	SEK	8,626	1,294	359,000	
Turkey	EUR	902	135	40,000	1 acad. year
Thailand	EUR	780	117	40,000	1.5 acad. years
USA A	USD	1,715	257	44,100	
USA B	USD	1,518	228	44,100	
Wales	GBP	946	142	27,400	

Appendix III

Special studies in Iceland (*cf.* Article 1.2.2.).

	Non-qualifying studies assessed as ECTS credits.*	ECTS credits qualifying for loans*
ATS–College		
Air traffic controller training	None	40

Comprehensive and vocational colleges

Industrial trades

Automobile trades, basic studies	Non-qualifying	0
Automobile trades,	None	180
Food and catering, basic studies	Non-qualifying	0
Food and catering trades	None	150-180
Metalworking trades, basic studies	First 45-60	60
Metalworking trades	None	120
Electrical trades, basic studies	First 45-60	60
Electrical trades	None	120
Gold- and silversmithing	First 22-30	180
Hairdressing	First 22-30	180
Carpentry and furniture-making	First 22-30	180
Meat processing	First 22-30	180
Tailoring/dressmaking	First 22-30	180
Painting	First 22-30	180
Master craftsman's studies	None	30-120
Plastering	First 22-30	180
Plumbing	First 22-30	180
Telephone lineman	First 22-30	180
Cosmetology	Preliminary	180
Media and Information Studies	First 22-30	180

Other vocational courses

Tourism	Practical training	60
Social support worker	First 22-30	90
Massage	First 22-30	120
Nursing receptionist	First 22-30	60
Travel guiding	None	60
Pharmacy technician	Prolegomena	180
Medical secretary	Practical training	90
Multimedia studies	None	120
Food technician	First 22 – 30	150
Practical nursing	First 45 – 60	150
Dentistry	First 22 – 30	120
Technical drawing (Draftsman)	First 22 – 30	120

Icelandic College of Aviation

Commercial Pilot's training (JAR)	None	60
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West Fjords University Studies Centre

Basic studies division **	First 22 – 30	90	
Bifröst University			
Basic studies department **	None	60	
Reykjavík University			
Basic studies division **	First 22 – 30	90	
Hólar University			
Tourism department	None	90	
Aquaculture department	None	150	
Equestrian studies department	None	150	
Keilir			
Háskólabrú **	First 22 – 30	90	
Icelandic Cinematic School			
Film making	None	120	
Icelandic College of Agriculture			
Flower arrangement	None	180	
Agronomy	None	120	
Horticulture and forestry plants	None	180	180
Forestry	None	180	
Horticulture	None	180	
Environmental studies	None	180	
Geothermal cultivation	None	180	
National Police College			
Police training	Practical training	30	
Akureyri College of Art			
Art	None	180	
Graphic design	None	180	
Beauticians' College			
Cosmetology	None	150	
Chiropody	None	90	
Icelandic Dental Technicians' College			
Dental Technician's training	60 of 240	180	
Music schools			
Postgraduate studies, instrum. and singing	None	60-240	
Teachers' departments	None	180	
Theory department	None	180	
Icelandic Technical College			
Fisheries department	None	120	
Vessel captain's training	First 45 – 60	180	
Marine engineering	First 45 – 60	240	

*Full-time studies over one academic year come to 60 ECTS-credits or the equivalent. An applicant who is not entitled to a loan for the first 22-30 ECTS credits shall not be entitled to a loan for the first semester of studies. If the first 45-60 credits are assessed as not qualifying for a loan, then no loan will be granted for the first two semesters. Correspondingly, entitlement to a loan for 60 ECTS credits is the equivalent of entitlement to a loan for two semesters (one academic year).

** For further details, see Article 1.2.2. in the Allocation Rules of the Fund concerning the conditions set regarding the eligibility of this course for loans.