

Act

on the Icelandic Student Loan Fund.

CHAPTER I

Purpose and right to a loan.

Article 1

Purpose

The purpose of this Act is to ensure that those who are subject to the Act have an opportunity to study, irrespective of their position in other ways, by affording financial assistance to students in the form of loans and grants.

Article 2

Maintenance loans and tuition-fee loans.

In this Act, student loans are divided into maintenance loans, tuition-fee loans and, as the case may be, loans according to Article 3.

A maintenance loan is intended to be sufficient for every student to cover general maintenance in Iceland during his or her studies, taking into account the family size and domicile of the student. The allocation rules shall provide for a cost-of-living supplement.

A student loan may be granted for tuition fees in schools and for study programmes authorised according to this Act, organised as at least 45 ECTS-units of study or the equivalent for each school year.

Further provisions shall be made concerning the implementation of this in the allocation rules, including maximum tuition-fee loans, minimum amounts earned by students and limitations based on e.g. the academic progress of the student.

Article 3

Other loans.

In addition to loans according to Article 2 and having fulfilled the requirements which shall be specified in the allocation rules, the Icelandic Student Loan Fund may, grant loans due to:

1. living with parents of meagre means,
2. spouse,
3. disruption in the status and situation of a student,
4. health insurance,
5. travel expenses.

The allocation rules shall specify implementation of paragraph 1. The entitlement to a loan according to this Article may be conditioned *inter alia* by setting a cap on the amount of the loan, making requirements for specified academic progress, requesting information from students, spouses and parents in accordance with Article 12 or limit the amount of loans due to the income of the parents of the student.

Article 4

Right to a loan.

In principle, students are entitled to take out a student loan for each semester while enrolled in their studies and in the proper relation to their academic progress.

A student's right to a student loan shall be for 420 ECTS-units or their equivalent. In the allocation rules the right to a student loan may be divided between education levels.

Student loans may be granted for doctoral studies for 60 ECTS-units in addition to the units specified in paragraph 2.

CHAPTER II

Studies eligible for a loan.

Article 5

University studies.

Student loans are granted for studies leading to a university degree at a recognised university in Iceland.

Loans are granted for studies at the university level at universities abroad, on the condition that they are recognised by the educational authorities of the country and that the studies lead to a university level degree.

Part-time studies, such as studies together with work are only eligible for tuition-fee loans, cf. paragraph 3 of Article 2.

Article 6

Preparatory studies.

Student loans are granted for preparatory studies for university study amounting up to 60 standardised upper secondary-school units if the study is organised by a recognised university and confirmed by the Minister, irrespective of whether the study takes place at a university or at a recognised school at the upper secondary school level on the basis of an agreement with a recognised university.

Student loans are granted for preparatory studies abroad on condition that the schools offering the study are recognised by the educational authorities of the country.

Student loans may be granted for language studies considered to be necessary preparation for studies that are eligible for a student loan.

Study at the upper secondary school level leading to a matriculation examination does not qualify for a loan from the Icelandic Student Loan Fund.

Article 7

Apprenticeship, additional studies at an upper secondary school.

Student loans are granted for apprenticeship at the upper secondary school level and for additional studies at upper secondary schools if the studies have been confirmed by the Minister according to the Upper Secondary School Act and also fulfil the following requirements:

1. the study has been approved by the respective professional board as applicable,
2. the end of studies is at least at the third level of competence,
3. comparable courses of study are not offered at the university level in this country.

The condition is that the school has been recognised by the Minister for teaching at the upper secondary school level according to the Upper Secondary School Act.

Student loans for comparable studies abroad are granted if they are recognised by the educational authorities of the country. Student loans according to this paragraph shall otherwise be subject to the same conditions as apply to student loans for studies cf. paragraph 1, as applicable each time.

CHAPTER III

Right to study assistance.

Article 8

General conditions.

Those meeting the following general conditions as well as the conditions of paragraph 9 or 10, as the case may be, have the right to study assistance:

1. if they are studying in an eligible course of study, cf. Chapter II,
2. they are financially competent,
3. they fulfil the requirement for a minimum academic progress according to the allocation rules,
4. they are not in default with the Icelandic Student Loan Fund,
5. they do not accept study assistance or comparable aid from another state for eligible studies,
6. they fulfil the other requirements of this Act regarding granting and repayment of study assistance.

Article 9

Right of assistance due to studies in Iceland.

A student who fulfils the general conditions of Article 8 as well as any of the conditions below has a right to a student loan if he or she:

1. is an Icelandic citizen,
2. is a citizen of Denmark, Finland, Norway or Sweden,
3. is a citizen of an EES- or EFTA-state as well as being a wage earner or self-employed in Iceland and continues to work in this country during the study period or maintains his or her position as such,
4. is a family member of a citizen, cf. point 3,
5. is a citizen of an EES- or EFTA-state and has obtained the right to an unlimited right to stay in this country,
6. is a family member of a citizen, cf. point 5,
7. is a foreign citizen who is married or has been cohabiting for two years with an Icelandic citizen and has had legal residence in Iceland for at least two years out of the last five years before the studies begin,
8. has a residence permit in this country as a refugee,
9. has an unlimited residence permit in this country.

The allocation rules may specify more closely the conditions for study assistance in Iceland, e.g. the minimum amount of work to be considered a wage earner or self-employed according to point 3 of paragraph 1.

Article 10

Right to assistance for studies abroad.

A student complying with the general conditions of Article 8 as well as fulfilling any of the conditions in paragraph 1 of Article 9 has a right to a student loan:

1. if he or she has lived in this country for at least two years out of the last five before the studies began,
2. has a strong connection with Icelandic society as assessed by the Student Loan Fund.

The assessment of the connections with Icelandic society shall include citizenship, how long the student has lived and worked in this country and family connections in Iceland.

Students fulfilling one of the conditions of points 3 - 6 of paragraph 1 of Article 9 are exempt

from the condition of point 1 of paragraph 1 on residence in Iceland due to studies within an EEA-state.

The allocation rules may specify further the conditions for assistance for studies abroad, including how connections with Icelandic society should be assessed.

CHAPTER IV

Application, providing information and academic progress.

Article 11

Application, immediate payments and guarantors.

A student shall apply for a student loan within the application deadline specified in the allocation rules. The application shall indicate what type of student loan is being applied for and whether a full loan or a lower amount is requested according to the allocation rules.

Students receiving a student loan from the Icelandic Student Loan Fund shall sign a bond when the loan is taken out if they are considered reliable borrowers according to the allocation rules.

Those who are not considered reliable may submit guarantees deemed to be sufficient by the Fund. Guarantees can for example be in the form of a mortgage, a declaration of guarantee of a financial institution or a declaration of a guarantor for a personal guarantee for the repayment of student loan with the same terms as the borrower has, up to a certain amount.

The Icelandic Student Loan Fund may grant student loans up to the maximum allowed according to these allocation rules or for the amount for which a guarantee has been provided, cf. paragraph 3.

The Board of the Fund determines the conditions which the guarantors must comply with. The guarantee of a guarantor, one or more, may be discontinued provided the student puts up another guarantee deemed sufficient by the Board. The guarantee of a guarantor is discontinued at his or her death provided the student keeps paying the loan on time.

The borrowers may choose whether their student loans are paid out every month or at the end of each semester.

Article 12

Providing information

Applicants for student loans shall submit with their application all the information which the Fund considers of importance for making a decision on granting a loan, such as information on studies, income, marital status and form of accommodation.

Schools in this country schools which are the subject of this Act are obliged to give assistance to the Fund in the implementation of the Act, including supplying information on the academic progress of the borrower.

The Commissioner of the Inland Revenue is obliged to supply the fund and the collection agent of student loans with information on the income of borrowers that is necessary in determining the maintenance support and when a student selects an income-based instalment of the student loans cf. Article 21, as well as information on the income of spouse and parents of the borrower, cf. points 1 and 2 paragraph 1 of Article 3.

The Fund shall supply the applicants and other interested parties with information on the permissions of the Fund or the collection agents of student loans regarding processing of personal data. This information shall indicate who is supplying the information, what information is involved and what is the purpose of processing it. In the treatment of personal information which is acquired for an application for a student loan or an application for the deferment of a repayment cf. Article 23, otherwise, the Fund must ensure that all the conditions of in the Act on Personal Data

Protection regarding the processing of personal information are complied with as well as the rules that are based on that Act.

Article 13

Academic progress.

The borrower shall comply with the requirements for minimum academic progress. The allocation rules shall specify what shall be considered full academic progress and that what is considered minimum academic progress in order to be granted a student loan. The allocation rules must not make requirements for minimum academic progress over and above 44 ETCS-units or their equivalent each year. The amount of a student loan is reduced in direct relation to academic progress.

An exception may be granted from the requirements for minimum academic progress if it is difficult for the borrower, as assessed by the Board of the Fund, to pursue his or her studies according to paragraph 1 due to disability, dyslexia, special learning disorders, serious illness, childbirth or that a full course of study is temporarily not offered according to the organisation of the school or for other comparable reasons. the allocation rules may specify further about the implementation of this and set the requirements about minimum disability, for example.

CHAPTER V

The arrangement of a study grant.

Article 14

Cancellation of a part of student loans at the completion of studies.

Borrowers studying in a course considered eligible for a loan according to Chapter II earn a study grant if they conclude their studies at the time specified according to the organisation of studies. A study grant is only awarded for studies organised as a full course for at least two semesters, and amounting to 60 ECTS-units or their equivalent.

A study grant shall amount to a 30% reduction in the principal of the student loan along with indexation, at the end of studies.

Borrowers shall have a certain leeway to delay their studies without forfeiting their rights to a study grant according to paragraph 1. The leeway due to delay is as follows:

- 1 one year beyond period specified in the organisation of an apprenticeship, internship or preparatory studies.
- 2 one year beyond the period specified in the organisation of a bachelor degree, masters degree.
- 3 six months beyond the period specified in the organisation of a bachelor degree, masters degree.
- 4 two years beyond the period specified in the organisation of a doctorate degree.

The defined exemptions from the requirements on academic progress cf. paragraph 2. of Article 13 are not considered a delay according to this Article.

Article 15

Grant for child support.

A borrower receiving a student loan according to this Act shall receive a grant for child support amounting to a single child support per month, upon fulfilling the following requirements:

1. the borrower fulfils the minimum requirement for academic progress cf. Article 13 or is subject to exemptions cf. paragraph 2. of Article 13.
2. The borrower supports a child or the borrower is obliged to pay child support.

The grant to each borrower for child support is based on the right of the borrower to a

student loan and is only paid in the months when studies are pursued.

If the borrower does not fulfil the requirements of this Article, the Board of the Fund may convert a grant into a loan with the terms specified in Articles 17 and 20.

CHAPTER VI

Loan terms, repayments of student loans, defaults and limitation period.

Article 16

General loan terms.

Student loans shall be indexed but do not accrue interest during that time of studies. Interest is calculated from the end of studies.

Repayments that become due after the death of a borrower are automatically terminated. At the end of their studies the borrowers can select whether they change their loan to a non-indexed loan. The board defines in the allocation rules what shall be regarded as end of studies according to this Act.

Article 17

Indexed loans.

The interest rate of indexed loans shall be variable and is based on the interest terms offered to the State Treasury on the market, with an addition of a fixed interest premium which takes into account the expected discount on the repayment of student loans.

The interest premium is determined and published in the allocation rules each year. The Board may seek the advice of independent parties who make proposals about the interest premium.

Despite paragraph 1, indexed interest along with a fixed index premium shall never exceed 4%.

Article 18

Non-indexed loans.

The interest rate of non-indexed loans shall be variable and is based on the interest terms offered to the State Treasury on the market, with an addition of a fixed interest premium which takes into account the expected discount on the repayment of student loans.

The interest premium is determined and published in the allocation rules each year. The Board may seek the advice of independent parties who make proposals about the interest premium.

Despite paragraph 1, indexed interest along with a fixed index premium shall never exceed 9%.

Article 19

General provisions on the repayments of student loans.

Repayments will begin one year after the end of studies. The board defines in the allocation rules what shall be regarded as end of studies. The Board makes decisions in doubtful cases.

A borrower can apply for the postponement of end of studies according to paragraph 1 for up to 4 years, if the borrower continues pursuing a course of study eligible for a loan according to this Act and does not receive a student loan at the same time.

Student loans shall be repaid on monthly basis on the first day of each month. The repayments due to all comparable bonds of borrowers may be collected together on every due date.

The borrower may make payments faster than a specified in this Act without extra costs.

The borrower shall bear the cost resulting from the collection of every payment and

overpayment according to Article 25.

Article 20

The repayment time of student loans is dependent on the amount of the loan.

The repayment time of student loans depends on the amount borrowed, but generally, student loans shall be fully paid in the year when the borrower reaches 65 years of age. The repayment time shall be determined in the allocation rules.

Student loans shall be repaid as annuity loans with variable interest in monthly repayments on the first day or each month.

If a student loan has not been fully paid in the year when the borrower reaches 66 years of age, the Board of the Fund may call in the loans in full.

If a student loan has not been fully paid in the year when the borrower reaches 66 years of age, the Board of the Fund may make temporary agreements specifying a payment of the remainder of the student loan if it is difficult for the borrower, in the estimation of the Board of the Fund, to repay a student loan for health reasons, financial difficulties or for other comparable reasons. The board is obliged to notify those borrowers who have reached the age of 66 and have not fully paid their loans about the above permission. Such agreements shall be reviewed regularly and at least every six months. The terms and implementation of agreements is further specified in the allocation rules.

If the borrower continues to be in difficulties and the Board considers it clear that his situation is such that he will not be able to pay the capital of the student fund or part of it, the Board shall write off the capital of the borrower in full or in part. The write-off is subject to the condition that the borrower has maintained his agreement for at least one year. The costs of write-off shall be paid out of the State Treasury but will not be added to the interest premium of student loans. The terms and implementation of write-offs is further specified in the allocation rules.

Article 21

Repayment of student loans connected to income.

A borrower may choose to repay the student loan with an income-based repayment plan if the end of studies falls on the year which the borrower becomes 35 years of age.

If borrowers take out further student loans from Icelandic Student Loan Fund after the age of 35, or complete their studies after that age limit, they can choose to convert all the student loans in accordance with article 20 or make payments of all of them together at the same time.

The length of a student loan is not specified but payments shall be made of a student loan until the debt is fully paid when the borrower chooses an income-based repayment according to paragraph 1.

An income-based repayment is determined in two parts, on the one hand is a fixed repayment which is collected monthly, independent of income, and on the other an income-based repayment which is also collected monthly and is based on the income of the last two years.

The fixed payment is ISK 10,000, subject to the consumer price index with the basic index of 470.5 points. The fixed payment of the debt changes according to the changes in the indexation from the basic index to the first maturity date of repayment and then according to changes in the indexation between repayments. A fixed down payment is to be paid monthly on the first day of each month.

The monthly income-based payment is 0.3125% of the income of the borrower. In the first eight months of the repayment year, the income of the borrower in the two years before the

repayment year is used as a base, but in the last four months of the repayment year the income of the borrower during the year before the repayment year is used as base. An income-based payment shall be paid monthly on the first day of each month. The fixed payment is subtracted from the income-based payment cf. paragraph 5.

Article 22

Income.

According to this Act, an income base means all taxable income of the wage earner and salary paid to public servants, representatives and other employees working for international organisations or organisations of states according to the Income tax Act.

If a borrower chooses to repay the student loan according to Article 21 and the borrower is not taxable in Iceland for all his or her income and assets, the borrower shall submit confirmed information about his or her income abroad within a year from finishing the studies and at least annually after that. If a borrower fails to do this, or the information from the borrower is considered unreliable by the Board of the Fund and it is not possible to verify the relevant income base, Board of the Fund may restructure the borrower's loan so that the repayment is arranged in accordance with article 20, following a warning about this restructuring.

The allocation rules may specify further details on the implementation of paragraph 2, e.g. by prescribing conditions for the deadline to submit documents.

Article 23

Postponement of repayments.

The Board may grant postponement of monthly repayments cf. Article 20 or income-based payment cf. paragraph 6 of Article 21, in part or completely, for up to one year at a time, if the situation of the borrower changes suddenly or substantially during the repayment period of student loans or during the study period, e.g. if a borrower becomes seriously ill, suffers an accident severely reducing the funds at his disposal and his or her ability to earn an income or other comparable reasons cause the borrower or his or her family to be in serious financial difficulties. The Fund may also grant an exception from monthly repayments or income-based repayments according to paragraph 1 if studies, unemployment, pregnancy, childbirth, adoption or taking a permanent foster child or comparable reasons cause the borrower and his or her family to be in severe financial difficulties.

The Board of the Fund has the same permission to grant a postponement of income-based repayments cf. paragraph 6 of Article 21, if the situation of a borrower has changed to substantially so that the income base of the income in previous years does not give the correct picture of the financial standing of the borrower in the repayment year.

A borrower applying for a postponement according to this Article shall provide the Board of the Fund with information which the Board considers of importance. The application shall be submitted to the Icelandic Student Loan Fund no later than 30 days after the due date of the payment. An application for an exemption cf. paragraph 1 or 2 postpones the collection of the payment for which the application is made.

Article 24

Default.

If there is a serious default on the repayment of a student loan the Board may call in the whole loan.

If a loan is defaulted on then due repayments are enforceable without a previous judgement or reconciliation. The same applies to the remainder of a debt which has been called in.

Article 25

Repayment of excess amounts.

If a student receives a loan without having met the Fund's conditions or receives a loan payment in excess of the amount to which he or she is entitled, e.g. because his or her income has been underestimated, because he or she has failed to attain the required academic achievement or for other reasons, the student shall be required to repay the loan in a separate payment, with indexation, as of the date when loan was paid out.

If a student has applied for a study loan for the next semester following the semester in which the excess payment was made, the Fund may set off a debt due to the excess payment against an unprocessed student loan which the student is expecting.

If a set-off of debts cf. paragraph 2 is not applicable, the borrower may choose whether to pay the overpayment in cash or agree to a special repayment bond which is non-indexed and with interest in accordance with the determination of the Central Bank of Iceland on the general interest rate of non-indexed loans. In principle, the loan period shall not be longer than 18 months.

Article 26

Depreciation period.

The Depreciation period of a claim due to student loans is specified in the provisions of law about the depreciation of a debts.

Provisions in law concerning declaration of bankruptcy etc. concerning the length of the depreciation period and their special regulations about the termination of depreciation do not apply to student loans.

CHAPTER VII

Specific measures.

Article 27

Special relief for certain subjects.

The Minister may by advertisement determine special temporary relief for the repayment of student loans for certain subjects.

The conditions for the relief according to paragraph 1 are:

1. that information is available about a permanent shortage in certain professions or that a shortage is foreseeable,
2. that a report is available, prepared by the authorities in agreement with the employees in question about the importance of reacting to the situation according to point 1,
3. the result of the relief will be that those who complete their studies in this subject will use their education to work in the relevant profession, cf. point 1 and
4. that financial resources of the Icelandic Student Loan Fund are increased to support this relief.

Article 28

Special relief for subjects in certain regions.

The Minister may by advertisement decide on special temporary relief for repayment of student loans to borrowers who are living in regions defined in an agreement with the Regional Development Fund.

The conditions for the relief according to paragraph 1 are:

1. that a proposal is available from a municipality or municipalities to public authorities about the need for educated persons in the region,

2. that a report is available, prepared by the authorities in agreement with the Icelandic Association of Local Authorities regarding the importance of reacting to the situation according to point 1,
3. the student has completed his or her studies and is living in a defined region and uses the education for a minimum of 50% of his or her work ratio for at least two years and
4. that financial resources of the Icelandic Student Loan Fund are increased to support this relief.

CHAPTER VIII

The Icelandic Student Loan Fund. Appeals committee.

Article 29

Role and main tasks.

The role of the Icelandic Student Loan Fund is to be a social compensation fund granting study aid in the form of grants and student loans.

The main subject areas of the Icelandic Student Loan Fund are:

1. to award study grants to students,
2. to grant student loans to students and be responsible for their collection,
3. to manage the gathering of data regarding the need of students for student loans,
4. to gather information about the organisation of studies and the length of study in the schools in which students with eligible student loans are studying,
5. to supervise the academic progress and diligence of students,
6. to manage publications and other promotion of the operations of the fund.

Article 30

The Board of the Fund.

The Minister appoints the Board of the Icelandic Student Loan Fund, three representatives nominated by the Organisation of Icelandic Students, one nominated by the Association of Icelandic Secondary School Students, one nominated by the Icelandic Confederation of University Graduates, one nominated by the Minister responsible for the finances of the state and four members without nomination.

The Board shall be appointed for two years at the time. However, the period of appointment of the representative of the Minister and also of the Minister who is responsible for the state finances shall be limited to the term in office of the Ministers who appointed or nominated them if their term of office is shorter. Alternatives in the Board of the Fund shall be appointed in the same way and for the same period of time.

If votes are equal in the processing of cases by the Board of the Fund, the vote of the chairman shall decide.

The main tasks of the Board of the Icelandic Student Loan Fund are:

1. to establish points of emphasis in the operations of the Icelandic Student Loan Fund along with the manager,
2. to supervise the operations and finances of the Icelandic Student Loan Fund,
3. to make proposals to the Minister of allocation rules, cf. Article 36,
4. to rule on doubtful cases concerning individual borrowers as well as in other cases.

The decisions of the Board regarding the issues of individual borrowers, applicants and guarantors may be referred to an arbitration committee, cf. Article 32, within three months from issuing the notice of the decision.

The Board may appoint subcommittees from among the board members, e.g. to discuss certain issues and make proposals to the Board.

Article 31

Managing director.

The Minister appoints the managing director of the Icelandic Student Loan Fund for five years, upon the proposals of the Board of the Fund. The managing director hires other employees of the Icelandic Student Loan Fund. The managing director oversees the day-to-day operations of the Icelandic Student Loan Fund, manages the Fund's finances, accounting statements and the preparation of financial plans and is responsible for the operations of the Icelandic Student Loan Fund in accordance with laws and regulatory acts. The Manager is responsible for the operational expenses and financial standing of the Icelandic Student Loan Fund to be in accordance with the state budget and that its finances are used in proper way. The manager carries out the decisions of the Board of the Fund.

Article 32

Appeals committee.

The Minister appoints an appeals committee of three persons and the same number as alternates for a period of four years and the members of the committee shall be educated as lawyers. The chairman and deputy chairman shall meet the conditions set for appointment as district court judges.

The committee shall determine whether rulings made by the Board are in accordance with the provisions of laws and regulations. The committee may confirm, amend or invalidate the decisions by the Board of the Fund. A decision by the committee shall be well founded and it cannot be referred to other authorities. The majority of votes determines decisions.

Upon the request of the Board of the Fund on behalf of the Icelandic Student Loan Fund, the committee can delay the legal effects of its decision if it considers that it will have considerable financial effects on the Icelandic Student Loan Fund. A claim to this effect shall be made no later than 10 days from the publication of a decision. The delay of the legal effects of a decision shall also be on the condition that the Board of the Fund refers the case to the courts within 30 days from the delay and then requests an urgent procedure. The delay of the legal effects of a decision will become invalid if an action is not brought in the case within the 30-day deadline. When an action is brought because of the decision by the appeals committee it may delay the processing of comparable cases being reviewed by the committee.

Upon the agreement of the Minister, the appeals committee may hire staff for the committee or have an independent party take care of the committee's bureau. The financial compensation to members of the committee is determined by the Minister.

The procedure is in other ways in accordance with the Act on Administrative Procedures.

Article 33

Confidentiality.

The employees of the Icelandic Student Loan Fund Members of the board Contractors and specialists working on behalf of the Fund are bound by a code of confidentiality, cf. Chapter X of the Administrative Procedures Act.

CHAPTER IX

Financing, management etc.

Article 34

Financing of the Icelandic Student Loan Fund.

The Icelandic Student Loan Fund may take out loans from the state treasury's renegotiated loans in order to finance loans to borrowers. However, the Icelandic Student Loan Fund may

not take out loans by issuing and selling bonds or other refundable promissory notes to the public.

According to an agreement of the Ministry Finance and Economic Affairs, the Icelandic Student Loan Fund may pay into a loan with the Renegotiated Loans of the state treasury without additional costs.

The Fund receives contributions for management and operations from the state. The state also contributes financially towards grants for child support, cancellations of student loans and other relief.

The Board shall supervise and confirm the budget of the Fund for the next calendar year similar to other governmental institutions.

The annual financial accounts of the Fund shall be approved by the Board and audited by the Icelandic National Audit Office. They shall be published in the official Gazette.

Article 35

Pay-as you earn tax and membership fees.

Study aid from the Icelandic Student Loan Fund shall be reported on the tax return but shall not be considered taxable income in determining income tax.

The Icelandic Student Loan Fund is obliged to supply the tax authorities regularly with information due to Articles 14, 15, 27 and 28 but then in conformance with Article 12.

The Fund may subtract membership fees from student loans if requested by a representative association of students and the borrower confirms this in his application for a student loan.

Article 36

Allocation rules

The Minister sets allocation rules concerning the implementation and administration of this Act, including the amount and granting of student loans, as well as requirements for minimum academic progress, upon receiving proposals from the Board of the Fund, no later than 1 April each year. They shall be published in the official Gazette.

CHAPTER X

Entry into force.

Article 37

Entry into force.

This act enters immediately into force and will become applicable on 1 July 2020. The Act on the Icelandic Student Loan Fund no. 21/1992, with later amendments, will become invalid on 1 July 2020.

Interim provisions.

I.

Borrowers who were pursuing their studies in a course eligible for a loan according to the act on the Icelandic Student Loan Fund no. 21/1992 shall maintain their rights as of the date when this Act is implemented. The condition is that a student loan has been granted to a borrower in the period 1 January 2019 until the date when this Act is implemented. This right becomes invalid seven years after the entry into force of this Act.

The rights of borrowers according to the older Act is subtracted from the rights to borrow according to this Act.

II.

The responsibility of a guarantor or of student loans that were taken when the old Act was in force shall become invalid on the entry into force of this Act, on the condition that the borrower is in good standing with the Icelandic Student Loan Fund. The same applies to guarantees for student loans in undivided estates of a deceased person and declarations of guarantee by financial institutions.

The responsibility of a guarantor of student loans that were taken when the old Act was in force shall become invalid upon his or her death, on condition that the borrower is in good standing with the Icelandic Student Loan Fund.

In cases 1 and 2, the borrower does not have to provide another guarantor unless the borrower is not considered dependable according to the allocation rules.

III.

Borrowers who choose a repayment according to Article 21 of this Act and are at the same time repaying student loans according to the old Act can request that the repayment is organised in such a way that they repay first the student loans according to this present Act. In the next calendar year after the repayment according to this Act is completed, the borrowers shall begin repayment according to the old Act. Therefore, payments according to the old Act are postponed until loans according to this present Act are to have been fully repaid. Despite the delay of a repayment according to this provision, the older student loans will bear interest. If there is a guarantor of any of the loans, his or her consent must be obtained.

IV.

Borrowers of student loans at the entry into force of this Act may request to change their older student loans in line with the provisions in this Act as regards loan terms and repayments. The conditions for such debt conversion is that the repayments of the student loans are comparable, the borrower is not in default with his student loans and that an application is received by the Icelandic Student Loan Fund before 1 December 2020. If there is a guarantor of any of the loans, his or her consent must be obtained.

The provisions of Chapter V of this Act do not apply to student loans taken while the old Act was in force. The implementation of this is further specified in the allocation rules.

V.

In spite of the provisions in paragraph 1 of Act 21, borrowers who begin their studies in the period between 2020 and 2023 can choose to repay the student loan with an income-based payment plan if the studies are finished before the student becomes 40 years of age.

VI.

Additional payments of student loans taken according to the old Act shall be based on certain percentage of the income base of the year previous to the repayment year. This percentage is as follows:

- a. 3.4% on G-loans.
- b. 4.4% on R-loans.
- c. 3.4% on S-loans.

The borrower can request that the agreed ratio will remain unchanged on student loans taken in the time of the old Act. An application for this shall be submitted to the Icelandic Student Loan Fund.

VII.

The borrowers of student loans taken in the when the older Act on the Icelandic Student Loan Fund was in force shall be awarded a discount as of the implementation of this Act if repayments of student loans over and above the legally determined repayments are made, or they are paid up in full. The ratio of the discount is based on the remainder of the student loan but shall not be less than 5% and not higher than 15%.

VIII.

This Act shall be revised within three years from the time they enter into force. The Minister shall report the findings of revision no later than in the autumn term of Althing 2023.

Passed by Althing on 9 June 2020.