**Section 575.700 Terms and Conditions of Loan Agreement**

a) Loan proceeds under this program shall be used exclusively for the purposes listed in Section 575.200 of this Part and shall be expended in accordance with the approved application and the participant's policies and procedures related to such expenditures. In the event that the loan proceeds are not expended in the manner approved, then the participant, upon written notification from the State Board of Education, shall be required to submit, by the next payment due date, payment of the outstanding principal of the loan and the amount of the interest accrued as of that payment due date.

b) Loan proceeds shall be obligated no later than six months following receipt of the loan.

c) Use of loan proceeds shall be accounted for in accordance with the rules of the State Board of Education at 23 Ill. Adm. Code 100 (Requirements for Accounting, Budgeting, Financial Reporting, and Auditing) or, for participants not subject to those rules, in accordance with generally accepted standards of governmental accounting principles.

d) Loan recipients shall submit to the State Board of Education a report detailing how the loan proceeds were used. This expenditure report, to be submitted on a form supplied by the State Board of Education, shall be due not later than nine months after receipt of the loan.

e) Along with the report required under subsection (d) of this Section, each recognized nonpublic school shall submit an inventory listing the property identification number, serial number, description and location of each piece of equipment purchased with loan proceeds. The recognized nonpublic school shall identify (tag) each piece of equipment as "Purchased with proceeds from the State of Illinois' School Technology Revolving Loan Fund, School Year"; this designation may be removed once the outstanding principal of the loan and any amount of interest accrued has been paid in full. The recognized nonpublic school shall not transfer or assign any interest in the equipment during the pendency of the loan.

f) In the event of default that is not cured within 90 calendar days, the State Superintendent of Education or designee shall take the action specified either in subsection (f)(1) or (f)(2) of this Section. The participant shall be ineligible for additional loans until good standing has been restored; however, the chartering school district of a charter school participant or the school districts participating in a vocational education cooperative shall be allowed to apply for loans on behalf of their respective school districts.

1) For school districts, charter schools, area vocational centers and laboratory schools, the State Superintendent or designee shall deduct the amount owed from the participant's next payment of General State Aid, subject to the provisions of Section 575.400(b)(5) of this Part.

2) For recognized nonpublic schools, the State Superintendent or designee shall deduct the amount owed from the participant's next payment of school safety and educational improvement block grant funding. In any fiscal year in which the recognized nonpublic school does not receive a block grant, or when either the grant is not funded by the State or the grant payment is insufficient to cover the amount owed, then the school shall be subject to consequences for noncompliance as set forth in 23 Ill. Adm. Code 425.50 (Renewal of Recognition).

g) A recognized nonpublic school that ceases operating before the outstanding principal of the loan and the amount of interest accrued is repaid shall notify the State Superintendent or designee in writing of that fact no later than 10 days after the closure. The notification of closure shall include the name, address and telephone number of the party responsible for the loan, as specified by his or her signature on the loan agreement, and the address of the location at which the equipment is being stored. The nonpublic school shall continue to repay the loan as set forth in Section 575.600 of this Part until the outstanding principal and the amount of the interest accrued is paid in full.

1) In the event of default that is not cured within 90 calendar days, the State Superintendent or designee shall notify the school in writing by certified mail, return receipt requested, that payment of the outstanding principal and amount of the interest accrued as of the date of the notification is due immediately. The school shall have 30 days from the date the notification is received to submit its payment.

2) Failure to make the payment by the date set forth in subsection (g)(1) of this Section shall result in the repossession of any equipment purchased with the loan proceeds. Written notification of this fact shall be provided to the school, along with a copy of the equipment inventory required by subsection (e) of this Section. The notification shall include the time and date on which State Board of Education staff will pick up the equipment, as listed on the inventory.

3) A recognized nonpublic school that has closed and has paid in full the outstanding principal and the amount of the interest accrued is not subject to the requirements of this subsection (g).

h) The contents of the approved application and terms and conditions of the loan shall be incorporated into a promissory note. Should the indebtedness represented by the promissory note or any part thereof be collected at law or in equity or in bankruptcy, receivership or other court proceedings or if the promissory note is placed in the hands of attorneys for collection after default, the participant agrees to pay, in addition to the principal and interest due, reasonable attorneys' fees and costs of collection.

(Source: Amended at 35 Ill. Reg. 3770, effective February 17, 2011)