**Section 2720.42 One-Holder Requirement**

a) All of a borrower's outstanding ISAC-guaranteed loans must be sold by a lender to the same holder.

1) If the lender has sold any of a borrower's previous ISAC-guaranteed subsidized or unsubsidized Federal Stafford Loans or Federal SLS Loans to an approved holder, the lender shall sell all subsequent loans to the same holder by no later than 90 days from the borrower's last date of attendance or 180 days following the last disbursement, whichever occurs later; or in the event of untimely notification to the lender of a student's change in enrollment status, no later than 45 days after the lender became aware that the student ceased to be enrolled on at least a half-time basis.

2) Subsidized Federal Stafford Loans, unsubsidized Federal Stafford Loans and Federal SLS Loans which were made under the same promissory note for loan periods within the same academic year must be sold simultaneously.

3) If the lender has sold the borrower's previous ISAC-guaranteed Federal PLUS Loans to an approved holder, the lender shall sell each subsequent Federal PLUS Loan for that borrower to the same holder by no later than 90 days from the last date of attendance or 180 days following the last disbursement, whichever occurs later; or in the case of a late disbursement, the subsequent loan must be sold within 45 days following disbursement.

4) Upon notification by the holder of the oldest previous loan, the holder of any subsequent loan must sell that loan to the previous holder, unless the borrower requests in writing that the previous holder sell to the subsequent holder.

b) Failure to sell the subsequent loan by the deadline shall result in the loss of guarantee.

1) A guarantee may be reinstated if, within 90 days after identifying a loan in violation of subsection (a)(1), (a)(2), (a)(3) or (a)(4) above, the holder or lender initiates the sale of the loan to the eligible holder who purchased the applicant's previous loan(s).

2) Initiation of the sale procedure within 90 days, and conclusion of the sale before the day the loan enters default status, will retroactively reinstate the guarantee to the day the guarantee was lost due to a violation of subsection (a)(1), (a)(2), (a)(3) or (a)(4) above, provided no other violation of federal regulation or State rule exists.

3) Failure to initiate the sale of the loan within 90 days after identifying the violation will result in a permanent loss of guarantee for that loan. Failure to ultimately sell the loan to the holder will also result in a permanent loss of guarantee for that loan.

c) The requirements of this Section shall not apply if:

1) the outstanding loans are held by a holder which has been either declared insolvent by a regulatory agency, has terminated its agreement with ISAC or has withdrawn from participation in FFELP.

2) ISAC is informed that the borrower has provided authorization to have subsequent loans held by a different holder.

(Source: Amended at 27 Ill. Reg. 10326, effective July 1, 2003)