

Entered into force on 29 May 1992.

Amended by the Act No. 67/1997 (entered into force 1 August 1997), the Act No. 157/1998 (entered into force 1 January 1999), the Act No. 95/2002 (entered into force 31 May 2002), the Act No.12/2004 (entered into force 31 May 2004), the Act No.140/2004 (entered into force 30 december 2004) and the Act No. 89/2008 (entered into force 25 May 2008).

Section I. Role and Governing Board

Article 1

The role of the Icelandic Government Student Loan Fund is to guarantee those covered by this Act the opportunity to study, irrespective of their financial position.

The Fund shall offer loans at educational institutions that require preparatory study comparable to university studies in Iceland.

Article 2

The Loan Fund may offer student loans to students other than those covered by the definition in paragraph 2, Article 1, provided that they are pursuing special studies. The board of the Fund shall specify the rules regarding which special studies qualify for loans.

Article 3

The aim shall be that loans made under this Act shall be sufficient for each student to cover the cost incurred by the studies as well as the cost of living, taking into account the size of his family.

The board of the Fund may take into consideration the student's place of residence and other factors which may affect his financial position.

The board of the Fund shall set further provisions concerning the allocation of student loans.

Article 4

[The Minister of Education shall appoint the board of the Fund as follows: one member nominated by the Student Council of the University of Iceland, one member nominated by the Association of Icelandic Students Abroad, one member nominated by the Association of Icelandic Vocational Students, one member nominated by the Minister of Finance and three members without nomination, one of whom shall be the chairman of the board and the other vice-chairman.]¹⁾

The board shall be appointed for a two-year term. The terms of appointment of the representatives of the Ministers of Finance and Education shall, however, be restricted to the periods of office of the ministers who appointed or nominated them if they remain in office for shorter periods. Deputy members of the board shall be appointed in the same manner, and for the same length of time.

If votes on an issue to be decided by the board are evenly divided, the chairman's vote shall determine the outcome.

[After receiving a proposal from the board, the Minister of Education shall appoint a manager to a five-year term. The manager shall select other staff.]¹⁾

¹⁾ Act No. 67/1997, Article 1.

Article 5

The role of the board of the Fund is:

1. to offer student loans to students,
2. to manage the Fund's finances and to draw up budgets,
3. to gather information concerning students' loan requirements,
4. to make rules regarding how student loans are offered,

5. [to make decisions in cases of uncertainty involving individual loan recipients and in other cases, its decisions being recorded in writing. The board's rulings may be referred to an appeals committee, cf. Article 6. ¹⁾²⁾
6. to gather information on the structure and length of study at the institutions for which loans are offered,
7. to monitor students' academic achievements and diligence,
8. to handle publications and other publicity activities concerning the work of the Fund.

[The board of the Fund may appoint sub-committees composed of board members in order to examine individual matters and make proposals to the board of the Fund.]²⁾

The board of the Fund may entrust the payment and recovery of loans, and other day-to-day business, to banking institutions.

Bookkeeping for the fund shall be conducted in accordance with the instructions of the State Accounting Office.]³⁾

¹⁾ Thus in the Law and Ministerial Gazette, presumably an error for Article 6 a.

²⁾ Act No. 67/1997, Article 2. ³⁾ Act No. 95/2008, Article 8.

Article 5 a

The Minister of Education shall appoint an appeals committee consisting of three members and the same number of alternates (cf. Article 5) for terms of four years at a time; its members shall be qualified lawyers. The chairman and vice-chairman of the committee shall meet the same conditions for appointments to the position of district court judges.

The committee shall determine whether the rulings of the board of the Icelandic Student Loan Fund are in accordance with the provisions of legislation and regulations. The committee may uphold, amend or invalidate decisions made by the board of the Fund. The committee shall give reasons for its rulings, may not be referred to other authorities. Conclusions reached by the committee shall be determined by the majority of its votes. The minister shall set working rules for the committee. ¹⁾

At the demand of the board of the Icelandic Student Loan Fund, on behalf of the Fund, the committee may defer the legal effect of its ruling if it considers that it would have substantial financial implications for the Fund. A demand to this effect shall be made not later than 10 days after the publication of the ruling. The deferment of the legal effect of the ruling shall furthermore be subject to the condition that the board of the Icelandic Student Loan Fund refer the matter to the courts within 30 days of the deferment, requesting that it receive prompt treatment. The deferment of the legal effect of the ruling shall cease to apply if no action is brought within this 30-day period. When an action is brought in connection with a ruling by the appeals committee, the committee may defer the treatment of comparable cases that have been accepted by it for treatment until the court has delivered its judgement.

In other respects, procedure in handling cases shall be subject to the Administrative Procedure Act.]²⁾

¹⁾ Regulations No. 79/1988. ²⁾ Act No. 67/1997, Article 3.

Section II. Student Loans

Article 6

In no case shall a student loan be offered until the student has presented a certificate satisfying the required attendance and academic achievement.

The student shall receive a grant to cover interest, which is intended to reimburse him for the capital cost in connection with his support in accordance with his entitlement to a student loan at any given time. The grant shall be paid when the loan is disbursed and shall be based on the average interest and borrowing fees charged by the banks and savings banks at the given time, in accordance with further rules to be set by the board of the Fund.]¹⁾

In general, the student shall be permitted to take a loan for every term that he is engaged in study, though not for a longer period than is considered appropriate for the given subject and the institution at which the course of study is pursued.

Student loans shall not be offered unless the student's studies are progressing in the normal way.

A student who receives a loan from the fund shall sign a bond on taking the loan and present a declaration by at least one person saying that he accepts personal responsibility for the repayment of the loan, with interest and indexation adjustment, up to a stated maximum amount.

The board of the Fund may offer a loan for an amount up to that for which a guarantee has been given under paragraph 4. ²⁾ If a student applies for a loan greater than that for which a guarantee has been given, he must produce a new bond in accordance with paragraph 4. ²⁾

The board of the Fund shall decide the conditions the recipients of loans and the guarantors are to meet. Guarantees given by one or more guarantors may be terminated provided the student produces other sureties which are accepted as sufficient by the board of the Fund.

The board of the Fund may charge a fee with respect to the loans it offers.

¹⁾ Act No. 67/1997, Article 4. ²⁾ Now paragraph 5.

Article 7

[Loans made by the Fund shall be index-linked. Indexation shall be based on the changes in the consumer price index of the Central Bank of Iceland (cf. the Act No. 12/1995). Indexation adjustment shall be calculated as from the first day of the month after the loan has been offered, or the disbursement of individual parts thereof, until the first day of the month in which payment is made.]¹⁾

If a change occurs in the calculation basis for the consumer price index or the way in which it is calculated, a three-man committee shall determine how indices calculated on the new, amended, basis are to be related to older indices. This committee shall be appointed as follows: the Central Bank shall nominate one member, the Supreme Court shall nominate one member, and the Director of Statistics Iceland shall be the chairman of the committee.

The loan period of student loans shall be unspecified, repayments being made according to Article 8 until the loans are repaid in full.

Repayment of loans shall begin two years after the completion of studies. The board of the Fund shall define when studies are to be considered completed in accordance with this Act and make rulings in cases of uncertainty.

Interest on loans made by the Fund shall be variable, though at no time higher than 3% per annum on the principal of the debt. Interest shall be calculated from the time that studies are completed. The Government, acting on the proposals of the Minister of Education, shall make further decisions regarding the interest rates on student loans at any given time in accordance with this Article.

¹⁾ Act No. 67/1997, Article 5.

Article 8

Annual repayment of loans shall be twofold. It shall consist, on the one hand, of a fixed sum to be collected during the first half of the year, irrespective of the income of the person concerned, and, on the other hand, of a supplementary payment which shall be collected during the second half of the year

and depend on the person's income from the previous year.

[The fixed sum shall be ISK 52,698, based on the consumer price index of 177.8 points, unless the amount of debt owed, including interest and indexation adjustment, is lower. This figure shall change each year in accordance with the consumer price index on January 1st of each year.

The supplementary payment shall consist of a certain percentage of the previous year's tax base for municipal income tax purposes (cf. Article 10). This percentage shall be 3.75% for instalments of the bond. The fixed payment according to paragraph 2 shall be deducted from the supplementary payment according to this paragraph.

The sum according to paragraph 3 shall be multiplied according to the proportional change in the consumer price index between July 1st in the year in which income is earned and July 1st in the year in which repayment is made.]¹⁾

Debtors shall pay collection expenses on the due date for each instalment.

The board of the Fund may grant partial or total exemptions from annual repayments according to paragraph 1 if sudden and substantial changes occur in the personal circumstances of the debtor, e.g. if he becomes seriously ill or is involved in an accident which substantially reduces the amount of disposable fund in his possession and his ability to earn an income. The board of the Fund may also grant exemption from the annual repayment according to paragraph 1 if studies, unemployment, illness, pregnancy, care of children or other comparable circumstances result in substantial financial difficulties for the recipient of a loan or his or her family.

A debtor who applies for exemption under paragraph 6 shall submit to the board the information that the board considers relevant. The application shall reach the fund not later than 60 days after the due date of the instalment.

Loans may be repaid more quickly than is specified in this Article.

¹⁾ Act No. 67/1997, Article 6.

Article 9

Each repayment instalment shall consist of principal, indexation adjustment and interest. The principal of the debt shall change in accordance with the changes occurring in the index as specified in Article 7 from the initial index figure to the first due date, and subsequently in accordance with the changes occurring in the index between the due dates.

The debtor shall undertake the payment of annual interest in accordance with Article 7 on the principal of the loan when this has been calculated. Interest shall be calculated as from the time that studies are completed, and shall be paid retrospectively on the same due dates as the instalments.

In cases of arrears, repayments may be secured by legal attachment without a previous court order or out-of-court settlement. The same applies to outstanding instalments of a debt which is made due for payment under Article 11.

Instalments which come due after the death of the recipient of the loan shall be waived automatically.

Article 10

In cases where income is taxable in Iceland, the term 'tax base' is used in this Act to denote the loan recipient's tax base for municipal income purposes plus income under item C of Article 7 of the Income and Property Tax Act, No. 90/2003. If the loan recipient is subject to the conditions of Article 62 of the same Act, then a decision on his or her tax base under item C of Article 7 of the Act No. 90/2003 shall be based on 50 per cent of the combined income of the loan recipient and his or her spouse or partner. Whether the income is from private property as defined by a marriage settlement, or from marital property, shall be immaterial.

If, during the repayment period of student loans, the taxation laws are amended with the result that a substantial change is made regard what is at present regarded as the tax base under this Act, then the annual supplementary payment under Article 8 shall be levied on a base to be determined by a three-man committee. This committee shall be appointed as follows: the Minister of Education shall nominate one member, the Minister of Finance another, and the Director of Internal Revenue shall be the chairman of the committee. The committee shall set rules on the calculation of the base on which repayments are to be calculated such that the maximum annual repayment made by each loan recipient shall be as nearly as possible the same as it would have been if no amendment had been made to the tax laws.

If a loan recipient's tax base is estimated, then the estimate shall be used as a basis for calculation. If a loan recipient is not liable for tax in Iceland on all his earnings and property during the repayment period, he shall be given the opportunity to send the Fund certified information on his income, in which case the annual supplementary payment shall be determined accordingly. If he does not do this, or if his information must be considered implausible and it is not possible to establish his true tax base on the grounds of that information, then the board of the Fund shall estimate his tax base in order to calculate the annual supplementary payment.]¹⁾

¹⁾ Act No. 67/1997, Article 7.

Article 11

[Where the annual supplementary payment is based on an income estimate, the loan recipient shall be entitled to have it re-calculated. In such a case, he shall apply for a re-calculation not later than 60 days after the due date of an instalment and submit to the board of the Fund the best available information regarding his income.

Re-calculation of the annual supplementary payment under the first paragraph of this Article shall be carried out when the Fund has received certified information regarding the loan recipient's income. If it is then revealed that the tax base was overestimated or calculated as being too high, as a result of which the loan recipient has made too high a payment, then the excess amount shall be refunded to him, with ordinary interest at the rates applying to non-indexed bank loans.

If repayments of a student loan are in substantial arrears, the board of the Fund may make the entire loan due for repayment.

The board of the Fund shall also have authority to do this if it comes to light that a loan recipient has understated his income on his declaration.

An increase in the amount of the supplementary payment which comes about when a loan recipient's tax is re-assessed shall fall due immediately, and the highest rate of arrears interest allowed by law shall be calculated on it from the due date of the supplementary payment which has been increased.]¹⁾

¹⁾ Act No. 140/2004, Article 3.

Article 12

If a student who has drawn the full loan to which he is entitled is able only with difficulty, in the opinion of the board of the Fund, to pursue his studies because of physical disability, the burden of supporting children or a spouse or other reasons, he may be granted an additional loan from the Fund, providing that the benefits he receives under the current social security legislation are taken into account. Loans of this type shall be offered on the same terms as ordinary student loans.

[The board of the Fund may also offer ordinary loans on the same terms as ordinary student loans to cover setbacks other than those mentioned in paragraph 1, e.g. if the student is temporarily unable to pursue full-time studies because of the structure of studies in the educational institution, or if illness

results in the student's not managing to fulfil examination requirements.]¹⁾

¹⁾ Act No. 67/1997, Article 8.

Article 13

[Students who are Icelandic citizens and who meet the requirements of this Act, and of rules issued under this Act, shall be entitled to student loans under this Act.

The same shall apply to students who are citizens of Member States of the European Economic Area (EEA), and their families, with the conditions entailed in the EEA Agreement (cf. Regulation (EEC) No 1612/68 on freedom of movement for workers within the Community, with subsequent amendments, cf. Article 1 of the Act No. 47/1993 on the Workers' Freedom of Employment and Residence within the EEA).

Citizens of states within the EEA who do not work as wage-earners or self-employed individuals in Iceland, and their families, shall first acquire entitlement to student loans after five years' continuous residence in Iceland (cf., however, the fourth paragraph of this Article).

When assessing whether the conditions of the third paragraph of this Article regarding continuous residence have been met, short periods of absence from Iceland amounting to a total of not more than six months per year, or longer periods of absence of up to twelve months for important reasons, e.g. in connection with pregnancy and childbirth, serious illness, study or vocational training, or working periods in the EEA for an enterprise which is established in Iceland, shall not be counted. Following a period of more than two years' continuous absence from Iceland, it shall be possible to re-acquire entitlement to a student loan following five years' continuous residence in Iceland. The Minister of Education, Culture and Science may issue rules on the student loan entitlement of pensioners, disabled persons and other workers or self-employed persons who do not meet the condition of the third paragraph of this Article regarding five years' continuous residence in Iceland.

Students shall not be entitled to student loans under this Act if they are entitled to comparable loans from another state.

The Minister of Education, Culture and Science may set rules on the entitlement of Icelandic and foreign citizens to student loans in Iceland, e.g. in connection with undertakings in international law. It may be decided that entitlements to student loans under the first and second paragraphs of this Article be based on a connection with Icelandic society or the Icelandic labour market.]¹⁾

¹⁾ Act No. 89/2008, Article 1.

Article 14

Applicants for loans shall submit with their applications all information considered relevant by the board of the Fund for a decision regarding the making of student loans.

Applicants shall state in their applications for loans whether they wish to receive full loans according to the rules of the Fund or smaller amounts.

Educational institutions in Iceland to which this Act applies shall be obliged to provide the Loan Fund with the assistance necessary for the implementation of this Act, including information on the progress of applicants' studies.

Tax authorities shall be obliged to provide the Loan Fund with information necessary for the implementation of this Act.

Information of a personal nature which is made available to the Loan Fund under this Article shall be treated as confidential.

Section III. Working Capital, etc.

Article 15

The Loan Fund's working capital shall consist of:

1. Sums repaid under this Act and interest on, and instalments of, older student loans.
2. Contributions from the State.
3. [Loan capital. The Fund may not, however, take loans by means of the issue and sale of bonds and other repayable debt instruments to the public.]¹⁾

The annual operating expenses of the Fund shall be met from the Fund's working capital and from borrowing fees (cf. Article 6).

Each year, the board of the Fund shall draw up a budget for the Fund for the following year in the same manner as other bodies of the state do.

The Fund's annual accounts shall be approved by the board of the Fund and audited by the Icelandic National Audit Office. They shall be published in the Law and Ministerial Gazette.

¹⁾ Act No. 67/1997, Article 10.

Article 16

The Minister may issue further provisions on the implementation of this Act regulations in the form of regulations.¹⁾

[The board of the Fund shall set rules²⁾ regarding matters other than those covered by this Act and the regulations issued under paragraph 1.

These rules shall be approved by the minister and published in the Law and Ministerial Gazette.]³⁾

If the student organizations so wish, the board of the Fund may deduct membership fees from loans, providing the students involved state a request to this effect in their loan applications.

¹⁾ Regulations No. 602/1997, cf. No. 363/1999. Regulations No. 79/ 1988.

²⁾ Advertisement No. 368/2003. ³⁾ Act No. 67/1997, Article 11.

Article 17

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¹⁾ Act No. 157/1998, Article 2.

Article 18

If a loan recipient covered by this Act is also repaying a student loan granted under older legislation on the Fund, then the normal procedure shall be that he repay the earlier loan first. During the next calendar year following the completion, or scheduled completion, of payment under the older legislation, the loan recipient shall begin making repayments under this Act. Thus, repayments under this Act shall be deferred until loans under older legislation are supposed to be paid off in full.

If a loan recipient still has to repay a loan disbursed in the period 1992-2004 (an 'R Loan') and also a loan under the Act No. 72/1982, or older legislation, he shall first repay the R Loan in full. In such cases, payments of older student debts shall be deferred until the R Loan has been paid off in full.

¹⁾ Act No. 67/1997, Article 12.

Article 19

This Act shall take effect immediately.

Interim provisions.

Those who have applied for student loans under the Act before the commencement of this Act shall be entitled to receive student loans under the Act until the end of the academic year 2004-2005.

Those who owe, or have applied for, student loans under the Act, shall be entitled to convert those loans into loans as provided for under this Act. The conditions for such conversion shall be that the

application shall have been received by the Fund before 1 November 2005, that the applicant is not in arrears towards the Fund and that the loan is guaranteed in a way comparable with that in which it was guaranteed before.