

# The Icelandic Student Loan Fund Act

No. 21 of 25 May 1992

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**Took effect on 29 May 1992.** Amended by [Act No. 67/1997](#) (took effect on 1 Aug. 1997), [Act No. 157/1998](#) (took effect on 1 Jan. 1999), [Act No. 95/2002](#) (took effect on 31 May 2002), [Act No. 12/2004](#) (took effect on 31 Mar. 2004; *EEA Agreement*: Annex V Regulation 1612/68), [Act No. 140/2004](#) (took effect on 30 Dec. 2004), [Act No. 89/2008](#) (took effect on 21 June 2008), [Act No. 78/2009](#) (took effect on 31 July 2009), [Act No. 136/2009](#) (took effect on 1 Jan. 2010), [Act No. 126/2011](#) (took effect on 30 Sept. 2011) and [Act No. 73/2014](#) (took effect on 1 Jan. 2015).

Where, in this Act, the words ‘the minister’ or ‘the ministry’ are used without specifying the portfolio involved, this refers to the Minister of Education, Science and Culture or the Ministry of Education, Science and Culture, which is responsible for the implementation of this Act.

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## Chapter I. Role and board.

■ **Article 1.** The role of the Icelandic Student Loan Fund is to guarantee persons covered by this Act the opportunity to pursue studies irrespective of their financial standing.

□ The Fund grants loans for study at post-secondary level at educational institutions where the requirements regarding preparatory education are similar to those made regarding university studies in Iceland.

■ **Article 2.** The Fund may grant loans to students other than those who come under the definition in the second paragraph of Article 1 providing that they are pursuing private studies. The board of the Fund shall set further rules stating the types of private study for which loans may be granted.

■ **Article 3.** The aim shall be that student loans under this Act shall be sufficient for all students to meet the costs of tuition and support during their studies, taking account of the size of the student’s family.

□ The board of the Fund may take into account the student’s place of residence and other factors that may influence the student’s financial standing.

□ [The board of the Fund shall issue allocation rules in further detail implementing this Act, covering matters including the amount and method of allocation of student loans and also including provisions on requirements regarding minimum academic progress. The rules shall be submitted for examination and be approved by the minister no later than 1 April each year.]<sup>1)</sup>

<sup>1)</sup>Act No. 73/2014, Art. 1.

■ **Article 4.** [[The minister]<sup>1)</sup> shall appoint the board of the Fund as follows: One member nominated by the Students’ Council of the University of Iceland, one nominated by the Association of Icelandic Students Abroad (SÍNE), one nominated by the Association of Icelandic Private School Students (BÍSN), one by the Association of Icelandic Vocational Students, one appointed by the [minister in charge of state finances]<sup>1)</sup> and three without nomination, one of whom shall be chairman of the board, another being vice-chairman.]<sup>2)</sup>

□ The board shall be appointed for two years at a time. The appointment terms of the representatives of the [ministers named above; see the first paragraph]<sup>1)</sup> shall nevertheless be limited to the periods of office of the ministers who appointed or nominated them, if they are

in office for shorter periods. Alternate members of the board of the Fund shall be appointed in the same manner, and for the same length of time.

If votes on issues handled by the board are tied, the chairman's vote shall carry the issue.

[[The minister]<sup>1)</sup> shall appoint a manager for periods of five years at a time after receiving the proposals of the board. The manager shall engage other staff.]<sup>2)</sup>

<sup>1)</sup>Act No. 126/2011, Art. 162. <sup>2)</sup>Act No. 67/1997, Art. 1.

■ **Article 5.** The role of the board of the Fund is:

1. to grant student loans to students;  
2. to handle the Fund's finances and draw up budgets;  
3. to gather information regarding students' need for student loans;  
4. to set rules on the allocation of student loans;  
5. [to resolve points of dispute concerning individual loan recipients and other matters by decisions recorded in the minutes. Rulings made by the board may be referred to an appeals committee (*cf.* Article 6);]<sup>1)</sup><sup>2)</sup>

6. to gather information on the course structure and length of study at the educational institutions for which loans are granted;

7. to monitor students' academic achievements and diligence and

8. to handle publishing and other publicity connected with the operations of the Fund.

[The board of the Fund may appoint sub-committees from among its members to examine particular matters and submit proposals to the board.]<sup>2)</sup>

The board of the Fund may entrust the disbursement of loans, the collection of repayments and other day-to-day matters to banking institutions.

[Books shall be kept in accordance with the instructions of the Financial Management Authority.]<sup>3)</sup>

<sup>1)</sup>Thus in the Government Gazette, but presumably an error for Art. 5 a. <sup>2)</sup>Act No. 67/1997, Art. 2. <sup>3)</sup>Act No. 95/2002, Art. 8.

■ [ **Article 5 a.** [The minister]<sup>1)</sup> shall appoint a three-man appeals committee, with the same number of alternates (*cf.* Article 5), for four years at a time; the members shall be qualified lawyers. The chairman of the committee and his or her alternate shall meet the requirements for appointment as district court judges.

The committee shall determine whether rulings by the board of the Icelandic Student Loan Fund are in accordance with the provisions of laws and regulations. The committee may confirm, amend or set aside decisions taken by the board of the Fund. Rulings by the committee shall be supported by reasons and [may not be referred to other authorities]<sup>2)</sup> The committee's conclusions shall be determined by a majority of its members' votes. The minister shall issue rules of procedure for the committee.<sup>3)</sup>

[ 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.]<sup>2)</sup>

Other aspects of procedure shall be subject to the Administrative Procedure Act.]<sup>4)</sup>

## Chapter II. Student loans.

■ **Article 6.** At no time shall a student loan be granted until the student has submitted a certificate of the required attendance and academic achievement.

□ [Students shall be paid interest grants intended to compensate them for capital costs relating to support in accordance with their student loan entitlements at any given time. These grants shall be paid when student loans are disbursed and shall be based on the average interest rates and borrowing fees charged by commercial and savings banks at any given time in accordance with further rules set by the Fund.]<sup>1)</sup>

□ Students shall normally be permitted to draw loans in each semester during which they pursue studies, though not for longer than is regarded as a reasonable period of study for the subject and the educational institution at which the studies are pursued.

□ Student loans shall not be granted unless the student's academic progress is normal.

□ [Students who receive loans from the Fund shall sign a bond when they draw the loan, providing that they are considered creditworthy according to the rules of the board of the Fund. Students who are not considered creditworthy may submit securities which the Fund considers satisfactory. Securities may consist, for example, of a guarantee from a financial institution or a declaration by a guarantor of a personal guarantee for the repayment of the student loan, with interest and indexation adjustment, up to a specific amount.]<sup>2)</sup>

□ [The board of the Fund may grant student loans of up to the maximum sum according to the allocation rules or the sum for which guarantees have been submitted in accordance with the fifth paragraph.]<sup>2)</sup>

□ The board of the Fund shall decide what conditions loan recipients and guarantors are to meet. A guarantee put up by one or more guarantors may be cancelled providing that the student puts up other surety which is considered satisfactory by the board of the Fund.

□ The board of the Fund may collect a borrowing fee on loans it grants.

<sup>1)</sup>Act No. 67/1997, Art. 4. <sup>2)</sup>Act No. 78/2009, Art. 1; see also interim provision of the same Act.

■ **Article 7** [Loans from the Fund shall be index-linked. The indexation shall be based on changes in the consumer price index (*cf.* Act No. 12/1995). Indexation adjustment shall be calculated from the first day of the month following the granting of the loan, or the disbursement of individual parts of it, until the first day of the month in which payment is made.]<sup>1)</sup>

□ If a change occurs in the basis of the consumer price index or the way the index, a three-man committee shall determine how indices according to the new, amended, basis are to be related to older indices. The committee shall be appointed as follows: the Central Bank shall nominate one member, the Supreme Court of Iceland another and the Director of Statistics Iceland shall be the chairman of the committee.

□ The term of student loans shall be unspecified, repayments being made in accordance with Article 8 until the debt is repaid in full.

□ Repayment shall commence two years after completion of studies. The board of the Fund shall define when studies are to be considered completed under this Act and shall 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 of completion of studies. Acting on the proposals of the [minister],<sup>2)</sup> the Government, shall take further decisions regarding interest rates on student loans at any given time in accordance with this

## Article.

<sup>1)</sup>Act No. 67/1997, Art. 5. <sup>2)</sup>Act No. 126/2011, Art. 162.

■ **Article 8.** Annual repayment shall consist of two parts. One of these shall be a fixed payment to be collected during the first half of the year, irrespective of the income of the person concerned and the other shall be a supplementary payment that is collected during the latter half of the year and is dependent on the person's income for the previous year.

□ [The fixed payment is ISK 52,698, based on 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 1 January each year.

□ [The supplementary payment shall consist of a certain percentage of the tax base for municipal income tax purposes in the year before repayment is made (*cf.* Article 10). This percentage shall be 3.75% for instalments of the bond. The fixed payment according to the second paragraph shall be deducted from the supplementary payment according to this paragraph.] <sup>1)</sup>

□ The sum according to the third paragraph shall be multiplied by the proportional change in the consumer price index between 1 July in the year in which income is earned and 1 July in the year in which repayment is made.] <sup>2)</sup>

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

□ The board of the Fund may grant a partial or total exemption from the annual repayment according to the first paragraph if sudden and substantial changes take place in the debtor's circumstances, e.g. if he falls seriously ill or is involved in an accident which substantially reduces his disposable funds and his ability to earn income. The board of the Fund may also grant an exemption from the annual repayment according to the first paragraph 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 the sixth paragraph 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.] <sup>1)</sup>

□ Loans may be repaid more quickly than is provided for in this Article.

<sup>1)</sup> Act No. 140/2004, Art. 2. <sup>2)</sup>Act No. 67/1997, Art. 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 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 the event 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 called in under Article 11.

□ Repayments which fall due after the death of the loan recipient 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]<sup>1)</sup> shall nominate one member, the [minister in charge of state finances]<sup>1)</sup> 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.]<sup>2)</sup>

<sup>1)</sup>Act No. 126/2011, Art. 162. <sup>2)</sup> Act No. 140/2004, Art. 3.

■ **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 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 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.]<sup>1)</sup>

If repayments of a student loan are substantially in arrears, the board of the Fund may call in the entire loan.

The board of the Fund shall also be able to do this if it is found that the loan recipient has understated his income on his tax return.

Any 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.

<sup>1)</sup> Act No. 140/2004, Art. 4.

■ **Article 12.** If, due to reduced physical capacity, the support of children or of a spouse or for other reasons, a student is, in the opinion of the board of the Fund, able only with difficulty to pursue his studies after drawing in full the loan to which he is entitled, 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 granted on the same terms as ordinary student loans.

[The board of the Fund may also grant loans on the same terms as ordinary student loans to cover setbacks other than those mentioned in the first paragraph, 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.]<sup>1)</sup>

...<sup>2)</sup>

<sup>1)</sup>Act No. 67/1997, Art. 8. <sup>2)</sup>Act No. 140/2004, Art. 5.

■ **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 Act No. 47/1993 on the Workers' Freedom of Employment and Residence within the European Economic Area.

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]<sup>1)</sup> 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]<sup>1)</sup> may set rules<sup>2)</sup> 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.]<sup>3)</sup>

<sup>1)</sup>Act No. 126/2011, Art. 162. <sup>2)</sup>Rg. 478/2011, *cf.* 821/2011 and 908/2014. <sup>3)</sup>Act No. 89/2008, Art. 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 granting 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 Fund with the assistance necessary for the implementation of this Act, including information on the progress of applicants' studies.

[The Director of Internal Revenue]<sup>1)</sup> 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 Fund under this Article shall be treated as confidential.

<sup>1)</sup>Act No. 136/2009, Art. 65.

### **Chapter III. Working capital, etc.**

■ **Article 15.** The Fund's working capital consists 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.]<sup>1)</sup>

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 state bodies.

The Fund's annual accounts shall be approved by the board of the Fund and audited by the Office of the Auditor-General. They shall be published in the Government Gazette.

<sup>1)</sup>Act No. 67/1997, Art. 10.

■ **Article 16.** The Minister may issue further provisions on the implementation of this Act regulations in the form of regulations.<sup>1)</sup>

[[The board of the Fund shall set rules regarding matters other than those covered by this Act and the regulations issued under the first paragraph. These rules shall be approved by the minister and published in the Government Gazette.<sup>2)</sup>].<sup>3)</sup>

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.

<sup>1)</sup>Rg. 79/1998. Rg. 478/2011, cf. 821/2011 and 908/2014. <sup>2)</sup>Advert. 493/2014. <sup>3)</sup>Act No. 67/1997, Art. 11.

■ **Article 17.** ...<sup>1)</sup>

<sup>1)</sup>Act No. 157/1998, Art. 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.]<sup>1)</sup>

<sup>1)</sup>Act No. 140/2004, Art. 6.

■ **Article 19.** This Act takes immediate effect. ...

■ **[Interim provision.]**<sup>1)</sup> 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.]<sup>2)</sup>

<sup>1)</sup>This provision accompanied Act No. 140/2004. <sup>2)</sup>Act No. 140/2004, interim provision.