

PALAU NATIONAL SCHOLARSHIP BOARD

PALAU STUDENT LOAN PROGRAM

Criteria and Conditions

The purpose of Palau Student Loan Program is to lend money to assist financially those Palauan students who will be remaining in or returning to the Republic of Palau to serve the Republic and its citizens after completing their post-secondary education.

1.0 ELIGIBILITY. To be eligible to apply for a loan, pursuant to the Palau Student Loan Program, an applicant must:

- (a) Be a citizen of the Republic of Palau;
- (b) Be a high school graduate or have the educational equivalent thereto;
- (c) Be currently enrolled at an accredited postsecondary institution or in receipt of an acceptance letter, affirming that the applicant has been unconditionally accepted for admission to an accredited postsecondary institution as a regular full-time student in a specific academic/technical program;
- (d) Have a cumulative GPA of not less than 2.0;
- (e) Submit official transcript(s) of the high school or any post-secondary institutions attended;
- (f) Submit a copy of his/her birth certificate to prove Palauan ancestry.
- (g) Submit a copy of a valid Palau passport as proof of citizenship.

Loan applicants must furnish to Palau National Scholarship Office the required documents no later than four (4) weeks prior to the start of the school term unless exceptional circumstances require otherwise.

1.1 MAXIMUM AMOUNT OF LOAN. Loans are limited to the following amounts for the cost of tuition and other fees, room and board, books and school supplies, and other instructional materials:

- Up to \$20,000.00 (priority field is up to \$40,000.00) per academic year for bachelor's program for a period of not more than five (5) academic years of study; and
- Up to \$40,000.00 (priority field is up to \$50,000.00) per academic year for master's or doctorate program for a period of not more than three (3) academic years of study.

Students enrolled in a two-year college may receive PNSB financial assistance for a period of not more than three (3) years.

Upon a showing of good cause and consistent with the criteria set forth in the PNSB Regulations, the board may authorize additional loan amounts that may exceed the maximum set forth in this section.

The total amount of any loan is contingent upon the availability of funds and the merits of an application based on the criteria provided for in Section 1.3 below.

1.2 INTEREST ON LOAN. No interest will accrue on loans issued herein until two (2) years after completion of the program for which the loan was issued, at which point interest will accrue at the rate of 1.0% per year. Such interest shall not be compounded. However, in

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the event the loan is forfeited pursuant to Section 1.7, interest shall begin accruing immediately at the rate of 1.0% per year.

1.3 SELECTION OF LOAN RECIPIENTS. The Palau National Palau National Scholarship Board shall review each loan application and, based on the merits of the application and the availability of funds, determine whether to issue the loan. Determination of the merits of an application for a loan shall include the following:

- (a) The applicant's merit on academic achievement,
- (b) Financial need;
- (c) Palau's priority fields; and
- (d) The applicant's demonstrated intent to remain in or return to Palau for employment.

1.4 OBLIGATIONS OF LOAN RECIPIENTS. The recipient of loan (hereinafter "Recipient") must fulfill the following obligations:

- (a) Comply with all PNSB Regulations and Palau Student Loan Program criteria and conditions of the Palau National Scholarship Board as set forth in this manual;
- (b) Maintain a cumulative GPA of not less than 2.0.
- (c) Submit a copy of his/her grade report at the end of each semester/quarter.
- (d) By accepting the loan, the student agrees that the Palau National Scholarship Board may obtain any information from his/her respective institution as needed to comply with the Scholarship Board regulations.
- (e) Provide a copy of his/her degree within six (6) months after completion of study.

1.5 PROMISSORY NOTE. The recipient shall execute a Promissory Note with the co-signer, who must reside in the Republic of Palau. The Promissory Note shall be in the form as shown in Exhibit A. The Recipient and the co-signer shall execute a separate promissory note for any amounts loaned pursuant to Section 1.6 below.

1.6 CONDITIONS FOR RENEWAL OF THE LOAN. A recipient may apply for additional amounts under this program to complete his/her studies (hereinafter "loan renewal"). To be eligible for a loan renewal, the recipient must comply with the following:

- (a) Submit his/her loan application by the established deadline date.
- (b) Maintain his/her status as a regular full-time student at the institution.
- (c) Maintain satisfactory academic standing in accordance with Section 1.4(b) of this regulation; and,
- (d) Comply with all regulations governing Palau Student Loan Program as referenced in this manual.

The decision to renew a loan, and the amount of any loan renewal, shall depend upon the availability of funds and the merits of an application, based on the criteria identified in Section 1.3 above. No loan shall be continued beyond a period of five (5) years for undergraduate studies or three (3) years for graduate or doctorate studies in the specific academic/technical degree program for which the original loan was granted except as provided for in Section 1.1. Eligibility is subject to PNSB Regulation Article IV Section 6.

A loan renewal includes an acknowledgment of previous loans.

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1.7 FORFEITURE OF LOAN. Forfeiture of a loan shall result from any of the causes listed below, and any loan found to be forfeited shall be immediately due and payable on the terms set forth in the Promissory Note executed in accordance with receipt of the loan.

- (a) Suspension or dismissal for academic deficiency, disciplinary reasons, or conviction of a felony.
- (b) Withdrawal from the institution in anticipation of any action under (a) above, or for any other reason(s) not authorized by the Scholarship Board.
- (c) Failure to maintain status as full-time student.
- (d) Failure to maintain a cumulative GPA of 2.0 as provided in Section 1.4(b) above.
- (e) Violation of other Palau National Scholarship Board regulations.
- (f) If loan recipient ceases his/her degree studies and fails to obtain his/her degree, he/she is required to pay back fifty percent (50%) of the total loan received within two (2) years.

1.8 SERVICE CREDIT/REPAYMENT. In accordance with the purpose for which these loans are being granted, a loan recipient may receive credit toward repayment of his/her loan as provided for in this section.

- (a) If a recipient returns to the Republic, re-establish residency, and notify PNSB of the same within sixty (60) days of his/her return, he/she will receive a fifteen percent (15%) immediate credit against his/her total awards.
- (b) If a recipient returns to Palau within (6) months after graduation or completion of his/her last term of school, whichever is sooner, five percent (5%) of the total award he/she received will be credited against the student's account. When he/she begins full-time employment in Palau, he/she will receive service credit for the period beginning on the date of such employment. The recipient shall continue to receive service credit toward repayment of the principal on the loan and an amount equal to any unpaid interest on such principal for each year thereafter that he/she remains employed full-time in Palau. All loan recipients are required to work in the Republic for the duration of three to five (3-5) years commencing no later than two (2) years after completion of their degree.

Loan balance that is not paid through service credit must be paid in the form of cash payment. Term may be up to 10 years.

- (1) If a recipient wishes to temporarily terminate employment in Palau to continue his/her studies on a full-time basis at an accredited institution of higher education, he/she may appeal in writing to the Palau National Scholarship Board for authorization to do so. Should such permission be granted, the repayment obligation shall be deferred for the period authorized by the Palau National Scholarship Board for the recipient to continue his/her studies.
- (2) If a recipient requires specialized training in his/her field, he/she may suspend or postpone his/her employment in Palau while undergoing such specialized training. Repayment of the loan will be deferred while recipient undergoes such training, provided that the training is verified by the director/authorized official of the training program on at least an annual basis.
- (3) If the recipient ceases his/her employment in Palau for any reason other than that specified in (b) (1) or (b) (2) above, then he/she shall no longer be eligible

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for service credit and shall begin repayment of the outstanding balance on the loan plus the interest of 1.0% on the terms specified in the Promissory Note. In the event that the recipient subsequently recommences work full-time in Palau, then repayment of any outstanding loan amount due and owing at the time the recipient recommences work in Palau shall be deferred during the time the recipient continues to work full-time, and the recipient shall be eligible for service credit as provided for in (b) above. However, if the recipient is in arrears with his/her repayment or has otherwise failed to meet the obligations set forth in the Promissory Note, then there shall be no deferment, and he/she shall not be entitled to any service credit until he/she makes all payments due and owing under the Promissory Note.

- (c) If a recipient fails to return to Palau and begin employment within two (2) years and has not otherwise obtained authorization from the Scholarship Board to do so, then he/she must begin repayment of the loan on the terms specified in the Promissory Note. If, prior to repaying the loan in full, the recipient commences full-time employment in Palau, then repayment of the remainder of the loan shall be deferred, and he/she shall be entitled to service credit as provided for in Section (b) above. However, if the recipient is in arrears with his/her repayments or has otherwise failed to meet the obligations set forth in the Promissory Note, then there shall be no deferment, and he/she shall not be entitled to service credit until he/she makes all payments due and owing under the Promissory Note.
- (d) It is the responsibility of the recipient to provide the Scholarship Board with documentation of employment qualifying for service credit under this section. The initial documentation must be submitted within six months after graduation, or the first day of employment if the recipient commences work in Palau. Thereafter, documentation shall be submitted every twelve (12) months. Forms are available at the Palau National Scholarship Office.
- (e) For good cause and consistent with the purpose for which these loans are granted, the Palau National Scholarship Board may defer repayment of the loan under the Promissory Note or otherwise make accommodations for the receipt of service credit under this section.
- (f) Students who return to the Republic may receive credit for outstanding balances after their return.

EXHIBIT A

PROMISSORY NOTE FOR PALAU STUDENT LOAN

SECTION 1 - TO BE COMPLETED BY BORROWER

For value received, I, the undersigned Borrower, promise to pay the PNSB (Republic of Palau) (hereinafter "Lender") \$ _____ with the interest thereon provided for below when this promissory note becomes payable and on the payment terms specified below. Title 22 of PNC Section 227 permits PNSB to require repayment of the funds it disburses. Repayment may be in the form of cash or service credit. This amount includes previous loan balances of \$ _____ plus a new additional amount of \$ _____.

DATE NOTE BECOMES DUE: I agree to repay this loan in equal monthly installments beginning two (2) years (if not sooner) after completion of the program for which this loan was issued. I agree to repay the entire principal, with interest thereon as specified below, within five (5) years. The amount of my monthly payments will be determined by the principal amount loaned. Should I choose, I may repay the loan over a shorter period of time.

INTEREST: I agree to pay simple interest of 1.0% per year on the unpaid principal balance beginning two (2) years after completion of the program for which this loan was issued until the entire principal sum and accrued interest are paid in full. In the event the loan is forfeited pursuant to Section 1.7 of the Palau Student Loan Program Criteria and Conditions, I agree that interest will immediately begin accruing at the rate of 1.0% per year and further agree to pay that interest.

DEFAULT: I will be in default and PNSB (the Lender) has the right to give me notice that the entire outstanding principal balance plus any unpaid interest is due and payable at once if I fail to make a monthly payment when due or to satisfy the other terms and conditions of this Promissory Note.

FORFEITURE: In the event the loan is forfeited under Section 1.7 of the Palau Student Loan Program Criteria and Conditions, the Lender may, without notice, accelerate the payment schedule and require immediate payment of the unpaid portion of the loan, including interest thereon.

LATE CHARGES AND COLLECTION COSTS: If any payment has not reached the Lender within 60 days after its due date, or if I fail to provide written evidence that verifies my eligibility to have the amount deferred as described under the deferment paragraph, the Lender may bill me for a late charge at the maximum rate permitted, which shall not exceed six cents for each dollar of each late installment. If I fail to pay any amounts when they are due, I will pay all charges and any collection costs that may be incurred by the Lender, including reasonable attorney's fees and court costs.

ADDITIONAL AGREEMENTS: This promissory note acknowledges the validity and amount of previous loans, as included above. The proceeds of this loan shall be used only for the educational purposes specified in the application. Any notice required to be given to me will be effective when sent by first class mail to the latest address the Lender has for me. Lender's failure to enforce or insist that I comply with any term of this Promissory Note is not a waiver of Lender's rights there under. No provision of this Promissory Note may be modified except in writing. If the co-signer is required to repay any portion of this loan

Student Name: _____ School Year: _____

because I have defaulted or forfeited, the co-signer will become the owner of this Promissory Note and will have all the rights of the original Lender to enforce this Promissory Note against me. If I become totally and permanently disabled or die, my obligations to repay this loan will be cancelled. **I agree to notify the Lender of ALL changes in my address or status with regard to the loan.** If any provision of this Promissory Note is determined to be unenforceable or is prohibited by law, such provision shall be considered ineffective without invalidating the remaining provisions of this Promissory Note.

DEFERMENT: If I qualify for the service credit provided in Section 1.8 of the Palau Student Loan Program Criteria and Conditions, then any repayment obligations shall be deferred during the period that I qualify for such service credit. I understand that to qualify for the service credit, I must provide the Lender with all documentations necessary to establish my eligibility. I understand that I must notify the Lender when the condition(s) entitling me to service credit no longer exist(s). My eligibility for service credit will be determined by the Palau National Scholarship Board in accordance with the Palau Student Loan Program Criteria and Conditions. Additionally, monthly payment will be deferred to the extent I qualify pursuant to Section 1.8 (b) (1) or (2) of the Palau Student Loan Program Criteria and Conditions. I agree to work in the Republic for a period of not less than three to five (3-5) years depending on the amount of awards received and shall commence no later than two (2) years after completion of my studies.

REPAYMENT: I will repay the total amount due on this Promissory Note in periodic installments, with interest thereon until the loan is paid in full.

PREPAYMENT: I may, at my option and without penalty, prepay all or any part of the principal or accrued interest of this loan at any time. If I do so, I will be entitled to a rebate of any unearned interest that I have paid.

GOVERNING LAW: I agree that the Palau National Scholarship Board or someone acting on its behalf may bring suit to enforce this promissory note. I further agree that any such suit may be brought in the Republic of Palau and will be governed by the laws of the Republic of Palau. Furthermore, by accepting financial assistance from PNSB, I and the guarantors waive the application of the Statute of Limitations with respect to PNSB claims.

By signing this Promissory Note, I, the Borrower, agree to be bound by the promises made above and further acknowledge that I have received an exact copy of this note. Further, my signature attests that I have read, that I understand, and that I agree to follow the Palau Student Loan Program Criteria and Conditions and Palau National Scholarship Board Regulations.

Signature of Student Borrower (Print & Sign)

Date

Name and Address of Borrower:

Email _____ Phone _____