

## Notice of the CBRC on Printing and Distributing the Administrative Measures for Commercial Educational Loans (No.49 [2008] of the CBRC)

All banking regulatory bureaus, policy banks, state-owned commercial banks, joint-stock commercial banks and postal savings banks:

We hereby print and distribute the Administrative Measures for Commercial Educational Loans to you. You shall earnestly implement them and lose no time in making the detailed implementation rules so as to enhance the orderly development of the commercial educational loan business and better meet students' need for commercial educational loans.

All banking regulatory bureaus shall forward this Notice to all banking financial institutions within your respective jurisdictions.

July 11, 2008

### Administrative Measures for Commercial Educational Loans

#### Chapter I General Provisions

Article 1 To support the development of education, regularize the administration of commercial educational loans and prevent risks of commercial educational loans, these Measures are formulated in accordance with the Banking Supervision Law of the People's Republic of China and the Law of the People's Republic of China on Commercial Banks, etc.

Article 2 The term "commercial educational loan" as mentioned in these Measures refers to a commercial loan granted independently by a banking financial institution on the commercial principle for financing the tuition, accommodation and basic living cost of a student with economic difficulties during his study at a domestic university or college.

Article 3 The term "lender" as mentioned in these Measures refers to a banking financial institution legally established within the territory of the People's Republic of China that operates loan business upon the approval of the banking regulatory organ.

Article 4 The term "prospective borrower" as mentioned in these Measures refers to a full-time student studying at a domestic university or college for the associate degree, the bachelor's degree, the master's degree or the second bachelor's degree.

Article 5 Lenders and borrowers shall follow the principles of equality, free will and good faith and conclude loan contracts according to law.

#### Chapter II Conditions for Prospective Borrowers

Article 6 A lender shall accept a commercial educational loan application filed by a prospective borrower (borrower) who satisfies the following conditions:

1. the borrower has the nationality of the People's Republic of China and has a legal identity card;
2. the borrower has no bad credit record, the standards for which shall be determined by the lender;
3. the borrower can provide effective guarantee when necessary;
4. the borrower can provide the written opinion of his legal representative on consenting to the application for loan; and
5. other conditions as specified by the lender.

#### Chapter III Term, Interest Rate and Amount of a Commercial Educational Loan

Article 7 In principle, the term of a commercial educational loan shall be the number of years when the borrower studies at school plus six years. The number of years when the borrowers studies at school refers to the period from the time when the loan is granted to the time when the borrower graduates or terminates his study. If the borrower seeks for a higher academic degree after graduation, the number of years when the borrower studies at school and the loan term may be extended accordingly. The extension of the term of a commercial educational loan must be upon the approval of the lender.

Article 8 The interest rate of commercial educational loans shall be governed by the interest rate policies of the People's Bank of China, and shall not be floated upward in principle. A borrower may apply for counting the interest of the loan incurred in this year into the principal of the loan of the next year during the years when the borrower studies at school.

Article 9 The maximum amount of a commercial educational loan shall be the summation of the tuition, accommodation fee and basic living cost needed by the borrower during the years when he studies at school. A lender may determine the amount of loan for living cost by referring to the basic living cost given by the school or the local living standards.

Article 10 A lender may issue a commercial educational loan in RMB or any foreign currency, depending on the demands of the borrower.

Article 11 Tuition shall be given sum by sum according to the payment period of the borrower's school, while the accommodation and living cost may be given in the same way or separately.

#### Chapter IV Guarantee

Article 12 The lender of a loan may ask the borrower to provide guarantee for the commercial educational loan he is applying for. The guarantee may be a mortgage, pledge, warranty or a combination thereof. The lender may also ask the borrower to buy a relevant insurance.

Article 13 If the borrower chooses to provide guarantee by mortgage or pledge, the lender shall ask him to provide a mortgaged or pledged object recognized by it.

Article 14 If the borrower chooses to provide guarantee by warranty, the warrantor shall satisfy the relevant provisions of the Guarantee Law and the judicial interpretations thereof.

Article 15 A lender may grant a credit commercial educational loan to a borrower who satisfies the corresponding conditions set by the lender.

#### Chapter V Loaning Procedure

Article 16 A borrower may directly apply for a commercial educational loan to a lender at the place where he is from or the place where his university or college is located, but he may not make repeated applications in both places.

Article 17 When accepting a commercial educational loan application, the lender shall ask the borrower to submit a written application, fill out the relevant application forms, and submit the following documents, certificates or materials:

1. the borrower's legal identity certificate (the original of the identity card, household register or other valid residence certificate), and a photocopy thereof;
2. a certificate on the relationship between the borrower and his legal representative, which shall be prepared in accordance with the requirements of the lender;
3. an income certificate of the borrower or his family members;

4. the letter of admission or enrollment letter issued by the borrower's university/college if the borrower is going to enter the university/college, or the student's identity card or other certificate proving his status as a student if the borrower has started his study in university/college;
5. the materials about the total amount of the tuition, accommodation fee and living cost needed by a student for studying at the university/college, which shall be issued by the borrower's university/college;
6. if the borrower mortgages or pledges a property, the certificate of the property right, a letter of commitment on giving consent to the mortgage or pledge as signed by the owner or co-owners of the property, a value evaluation report issued by an agency recognized by the lender in the case of mortgage or a voucher on the rights over the pledged object in the case of pledge; if the mortgage or pledge is guaranteed by a third party, a written document about the guarantor's agreeing to undertake irrevocable joint and several guarantee liability and a credit certificate of the guarantor;
7. the borrower and the guarantor shall issue and sign a written letter of attorney in person, giving consent to the bank's inquiry of their personal credit information; and
8. other certificates and materials as specified by the lender.

Article 18 After accepting the application, the lender shall investigate to verify the materials provided by the borrower.

Article 19 If the borrower applies for loan at the place where his university/college is located, the lender shall invite the university/college as an introducer to:

1. recommend the borrower to the lender and make a preliminary examination on the borrower's qualification and application materials;
2. assist the lender in supervising the use of the loan;
3. notify the lender in a timely manner and assist the latter in taking corresponding measures to protect the creditor's right if the borrower is missing, dies, loses full civil capacity or labor capacity, suspends study, transfers to another school, studies or settles abroad, leaves the school without permit or gets expelled during the period when he studies at the university/college;
4. provide information about the borrower's place-to-go after graduation, the name of his employer, his address and his telephone number, etc. before the borrower graduates; and
5. assist the lender in providing credit and loan payment education for the borrower, elaborating the procedures and ways for repaying the loan, and assist the lender in confirming and demanding loan repayments.

Article 20 The lender shall examine and approve the loan application based on factors such as the credit record of the borrower, the purposes of the loan and guarantee situation. In the case of approval, the lender shall notify in a timely manner the borrower and the guarantor to sign the loan contract and the guarantee contract and handle the mortgage or pledge registration formalities in accordance with the relevant requirements.

Article 21 The lender shall transfer the loan to the individual settlement account or other account of the borrower or an account designated by the borrower's school, and the use of the loan shall be under the surveillance of the lender.

Article 22 The lender shall ask the borrower to use the loan in accordance with the contract. In the case of breach of the loan contract, the lender has the right to stop granting the loan and recover part or all of the loan ahead of schedule. For the part not used according to the purpose stipulated in the contract, the lender has the right to collect more interest in accordance with the relevant provisions of the People's Bank of China.

Article 23 Both the borrower and the lender of a loan shall expressly stipulate the mode of repayment and the repayment plan in the loan contract. The lender may, depending on the actual situation, give the borrower a period of grace during which the borrower is not required to pay the principal, or, depending on the economic difficulty degree of the borrower, count the interest incurred during the period when the borrower is studying in the university/college into the principal of the loan. The loan shall be repaid from the next month after the borrower leaves his university/college upon graduation. The loan may be repaid by installments on a monthly, quarterly or annual basis, in the form of matching the principal repayment or once and for all when it becomes due.

Article 24 If the borrower needs to change the mode of repayment after the loan contract is concluded, he shall get the consent of the lender in advance.

Article 25 The lender may ask the borrower to authorize the lender in the loan contract to directly withhold the repayable principal and interest from the borrower's individual settlement account or other account opened at the lender on the stipulated day of repayment.

Article 26 A borrower may repay part or all of the loan ahead of schedule in accordance with the loan contract after the contract becomes effective, and, in this case, the lender may not charge any extra fees directly or in any disguised form.

Article 27 If a borrower can not repay the principal of the loan within the time limit stipulated in the loan contract, he shall apply to the lender for extending the time limit beforehand. Only one extension is allowed. After the extension application is approved by the lender upon examination, the lender and the borrower shall conclude an extension agreement, and, if the loan has been guaranteed, the agreement shall be confirmed by the guarantor in writing.

Article 28 Any change in the loan contract must be made upon the consent of the lender and the borrower, and an agreement thereon must be concluded according to law. If the loan has been guaranteed by a third party, the consent of the third party must be obtained beforehand. Before a change agreement is reached, the original loan contract shall remain effective.

Article 29 A lender shall ask a borrower to, within 30 days after changing his contact information, employer or residence address, notify the lender of the new contact information, employer or residence address.

Article 30 For a breach of contract committed by the borrower or guarantor of a loan during the loan term, the lender may, based on the loan contract:

1. ask the borrower or guarantor to correct the breach within a certain time limit;
2. ask the borrower to make up the depreciated part or change the guarantor if the value of the mortgaged or pledged object depreciates;
3. stop granting the unused loan;
4. add penalty interest to the original interest;
5. take back part or all of the principal of the loan ahead of schedule;
6. recover the losses from the guarantor;
7. dispose of the mortgaged or pledged object in accordance with the relevant legal provisions; or
8. apply to the arbitration organ for arbitration or bring a lawsuit to the people's court.

## Chapter VI Risk Management

Article 31 A system of reporting the breaches of contract in commercial educational loans shall be set up. Lenders shall file information about the breaches of contract made by borrowers in accordance with the requirements of the said system, and banking regulatory organs shall share such information within banking financial institutions on a regular basis.

Article 32 Upon approval and announcement, a lender may transfer its creditor's right to a third party by legal means such as securitization.

Article 33 A lender shall work out detailed implementation rules in accordance with these Measures, strengthen the administration of the grant and recovery of loans, make more efforts in improving its services and strictly control risks.

Article 34 A lender shall strengthen communication with the universities/colleges where its borrowers study so as

to gain the assistance and cooperation of the universities/colleges in the administration of commercial educational loans.

#### Chapter VII Supplementary Provisions

Article 35 A lender may, according to the business development needs and the risk control capability, decide whether to grant commercial educational loans to domestic full-time school students with economic difficulties who are receiving non-compulsory education, and work out the relevant administrative norms by referring to these Measures.

Article 36 A lender may, according to the business development needs and the risk control capability, decide whether to grant full mortgaged commercial educational loans to borrowers for the master's degree or above of an overseas institution of higher learning, and work out the relevant administrative norms by referring to these Measures.

Article 37 These Measures shall come into force as of the date of promulgation. The power to amend and interpret these Measures shall remain with the CBRC.