

MECHANISMS BY WHICH LATIN-AMERICAN AND CARIBBEAN INSTITUTIONS MAY ESTABLISH GUARANTIES FOR STUDENT LOANS GRANTED BY THE LEO S. ROWE PAN-AMERICAN FUND

GENERAL TERMS

Since 1948, the Leo S. Rowe Pan-American Fund (“the Fund”) has been granting interest-free loans to students from Latin America and the Caribbean who study in accredited universities in the United States. Student loans shall be underwritten by a guarantor who signs an agreement pledging to repay the unpaid balance of the debt should the loan recipient default. Acceptable guarantors may be:

- i. A person who is either a citizen or a permanent resident of the United States, and who meets the conditions for a guarantor established in the Guarantor’s Agreement, and
- ii. A financial institution, person or other entity, or mechanism specifically accepted by the Committee as an adequate guarantor

The Fund is committed to expand the number and amount of loans that it grants to students. Due to the difficulty faced by students from Latin-American and Caribbean countries to obtain the guaranty of an individual who resides in the United States as a condition for receiving educational loans from the Fund, the Fund Committee since 2001 has agreed to establish agreements with reputable Institutions from Latin-American and Caribbean countries that are willing to guaranty the repayment of Fund loans, on the basis of the individual approval of each case both by the respective Institution and by the Fund.

So there are **FOUR TYPES** of such possible alternative mechanisms of guarantee that, under appropriate conditions, may be approved by the Committee:

I. GUARANTEE OF AN INSTITUTION OR ENTITY that, in the opinion of the Committee, provides adequate security for the loan. Those agreements include therefore, three parties:

- 1.1. The student who requests a loan from the Fund
- 1.2. The Institution that acts as guarantor and
- 1.3. The Fund

All three parties must concur for the agreement to be valid and, specifically, the Fund reserves the right to reject the application from a student or the guaranty of the institution that offers to be the guarantor.

2. The Fund is interested in expanding the institutional guarantor mechanisms, since for many students it is difficult to get an individual who lives in the United States who (besides satisfying the additional requirements) accepts to be the guarantor. This document was written with the purpose of explaining Institutions, willing to serve as guarantor of Rowe Fund loans, how they can proceed.

3. The Fund only resorts to collecting monies from the guarantor once efforts to collect from the student have been unsuccessful. Although the loans are interest-free as long as the student complies with the established payment terms, they are subject to interest and penalties in case of non-compliance. Should it become necessary to ask the guarantor for payment, those interest and penalties may be added to the amount owed. The Fund reserves the right to contact both guarantor and student at any time during the repayment of the loan.
4. The procedure to establish those agreements with Institutions is simple, and generally starts with the direct application by a student to the Institution (usually an employee or prospective employee of that institution) asking to accept its role as the student's loan guarantor. If the Institution is willing, it shall formalize its offer by sending the following documents:
 - a. Institutional Guarantor Agreement in triplicate originals (a notarial seal is required to be affixed), signed by the same individual or department head whose name appears on the below-mentioned affidavit (Annex A).
 - b. A notarized and signed affidavit form from the legal representative of the institution that stipulates that the signed representative has the proper authority to bind his/her institution to act as a guarantor for a student loan (Annex B).
 - c. A copy of the statutes or regulations of the Institution (if available).
 - d. A copy of the Institution's latest annual report and/or latest financial statements indicating that it has sufficient net assets, of at least fifty times the total amount of the loan(s) being requested.
 - e. A letter of agreement between the Guarantor (Institution) and the Student. The letter should state:
 - i. The nature of the agreement between the applicant and the institution.
 - ii. The amount requested to the Rowe Fund and guaranteed by the institution.
 - iii. Name, telephone number, and mailing address of any contact person serving as a liaison between the applicant, the institution, and the Rowe Fund in addition to the legal representative.
5. Although the general norm is that the student shall send to the Fund the full application package, if the guarantor is an Institution, it may send the above-mentioned documentation directly to the Fund (Organization of American States, Technical Secretary, Leo S. Rowe Pan-American Fund, 1889 F Street, N.W., Washington, D.C., 20006).
6. If the Fund approves the loan application, its Technical Secretariat sends to the Institution a letter indicating that the Institution has been accepted as the guarantor of the loan, with a copy of the loan document signed by the student and the Fund. At the end, once the student finishes repaying the loan, the Fund returns the Institution a cancelled copy of the Institutional Guarantor Agreement. If, for any reason, the loan is not granted, the Rowe Fund informs the Institution.
7. Once the precedent of cooperation between the Fund and the Institution has been established, it may not be necessary that the Institution submits again all the documentation in order to guaranty a new loan, unless the Rowe Fund asks for an update.
8. The agreement with the Institution may establish that the student pays the loan to the Institution and that the payments to the Fund will be made by the Institution itself, provided that the Institution does not apply to the student conditions that are less favorable than those established in the contract that the student signs with the Fund. There might be several reasons that might make this procedure advisable:
 - i. The Institution avoids the risk that the Fund may impose charges for interest or penalties if the student does not pay on time.

- ii. Some institutional guarantors are the employers of the student who, upon returning to his/her country, is committed to resume working for the Institution. In those cases the Institution can deduct the loan payments through payroll, and thus has the assurance that the student will not default or incur in arrears.
- iii. Notwithstanding the Institution's obligation to repay the loan to the Fund in full, the Institution might write off part or all of the student's loan (for example, the Institution and the student might agree on a longer repayment period than that established in the agreement between the student and the Fund, or that if the student graduates within agreed deadlines and with a better than "B" grade point average, s/he may not need to repay the loan, or may only repay a portion of the loan).

II. PURCHASE OF A LOAN WITH A DISCOUNT

Instead of a conventional agreement guaranteeing the payment, an Institution buys the loan with a discount. In this case, if the loan is approved by the Fund, that Institution sends a payment for a value pre-agreed upon between the Institution and the Fund, as a prior condition to the loan disbursement. If, for example, the amount of the loan is US\$7,000 and the agreed discount is x% (the discount percentage is calculated by the Fund on the basis of the current value of the future flow of payments agreed with the student), once the loan is approved, the guarantor shall send US\$7,000 minus the discount amount to the Fund Secretariat. Once the receipt of those funds is credited, the Secretariat proceeds to disburse the loan for \$7,000 to the student. In accordance with the terms established when the loan was granted, the student shall repay it, s/he makes the payments directly to the guarantor, not to the Fund, for the full amount of the loan (i.e., for \$7,000 in this example).

III. OPEN A CD OR SAVINGS ACCOUNT IN THE OAS FEDERAL CREDIT UNION (OASFCU)

In general, in all the types of guarantees described above who warrant the payment (or buys the loan) is an institution. Another mechanism that has been used in the past years allows for an individual or organization (guarantor) to make a deposit in U.S. dollars, for the amount of the loan, in the same financial institution that handles the accounts of the Fund loans, the OAS Staff Credit Union ("OASFCU")¹, with instructions that OASFCU will not release the money to the guarantor before the loan guaranteed with that deposit has been paid by the student. Under this mechanism, the Guarantor must first send a letter indicating the intention of establishing the guaranty deposit and the amount to be guaranteed. If the Fund Committee approves the loan application, the Fund informs the guarantor, so that s/he may proceed to open the account in the OASFCU. The loan disbursement is conditioned upon opening of the savings account in the name of the Guarantor and the Fund. Once the student cancels his/her debt with the Fund, the amount of the guaranty deposit—plus the interest that it may have earned—revert to the Guarantor. If the student does not pay the loan (or only pays part of it) the Fund will recover from the OASFCU the amount owed and will instruct the OASFCU to release the remaining money in the account to the Guarantor. Also, as the student lowers the balance owed, the Fund may—on request from the Guarantor—authorize partial withdrawals from the account opened by the guarantor at the OASFCU, as long as the remaining amount in the account still provides sufficient guaranty to cover the possible default of the balance owed. Download forms at: <http://www.oas.org/rowe/OpenCD-GuarantyOption.pdf>

IV. A FINANCIAL INSTITUTION OFFERING TO GUARANTY A ROWE FUND LOAN FOR A PRICE

1. Prior to entering into a guarantor agreement with any student who is a Rowe Fund loan recipient, all institutional guarantors must provide proof to the GS/OAS that the guarantor has fully and

¹ The OASFCU is a credit union established and regulated under the laws of the United States; individual deposits are fully insured up to US\$100,000 each by the U.S. Government. Those contemplating opening an account at the OASFCU as a Rowe Fund loan guaranty can find additional information at www.oasfcu.org. You may request the necessary forms to open a guaranty deposit account via e-mail to rowefund@oas.org or download the forms at: <http://www.oas.org/rowe/OpenCD-GuarantyOption.pdf>

- completely disclosed in writing to the student any and all fees and charges made by the guarantor in relation to providing the student with guarantor services. The institutional guarantor's duty to disclose any and all fees and charges is a continuing duty, and it shall immediately notify the Student and GS/OAS in writing of any changes to the costs incurred by the student in exchange for guarantor services.
2. All charges and fees charged to students by guarantors must be approved by GS/OAS, and the guarantor shall ensure that the student pays an annual interest charge of no more than three percent annual percentage rate of the outstanding balance. The guarantor must agree to immediately refund to the student any costs the student incurs in exchange for guaranty services that result in costs of more than the equivalent to a three percent annual percentage rate charge of the outstanding loan balance.

SPECIFIC SITUATIONS

1. Formal agreements.

The procedure described in section I has been designed so as to make the process as expeditious as possible and, therefore, formalities have been reduced to a minimum. When it is expected that the relationship between the Fund and the Institution will have a more continuous nature or involve a greater number of loans than a few per year, both parties may negotiate a more formal agreement. Since the initiative of establishing an institutional guaranty mechanism with the Fund generally arises from a concrete application by a student that wishes to obtain a loan from the Fund, the Fund Technical Secretariat prefers that, for convenience, the procedure described in section I be used for the initial application, without prejudice of moving, later on, to a more formal agreement of a more continuous nature, since the negotiation of a formal agreement usually takes some months.

2. Agreements with other student loan institutions.

In some of the experiences with institutional guarantors, the Institution that grants the guaranty has been an organization whose purpose is to grant educational loans to citizens of their respective country, including for studies abroad. Given the commonality of interest, those agreements are mutually beneficial (for example, the Institution might be in a better position than the Fund Technical Secretariat to evaluate the student financial need and the likelihood of his/her return to his/her country after completing the studies in the United States for which the student applies to the Fund for the loan). Also, even with the loan from the Institution, the student may need the additional support of the Leo S. Rowe Fund loan, to be able to come to the United States to study (or to continue his/her studies). Therefore, by guaranteeing the Fund loan the Institution may make it possible for that person to study (or to complete his/her studies) in the U.S. that, otherwise, would not have been possible. The educational loan Institution may require that the student also receives a loan from the Institution, for an amount that can be up to that requested from the Fund, under the normal terms established by the Institution (that generally include interest charges), as a condition for offering its guaranty.



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INSTITUTIONAL GUARANTOR'S AGREEMENT

ANNEX A

IN THIS GUARANTOR'S AGREEMENT between the General Secretariat of the Organization of American States ("GS/OAS"), as the representative of the Leo S. Rowe Pan American Fund ("Rowe Fund"), and _____, (the Institution serving as guarantor) through Mr. _____ or Ms. _____ ("Legal Representative" of the institution

called the "Guarantor" hereinafter), regarding a Rowe Fund loan to _____ (name of the prospective borrower "the student"),

WHEREAS,

That the student, _____, whose current address is _____, has applied for a student loan in the amount of US\$_____ from the Rowe Fund ("the loan") with the intention of using the loan to finance the student's education in the United States of America;

That the loan cannot be granted unless it is guaranteed by a qualified guarantor, in this case the **INSTITUTION**;

That the maximum amount that the student may borrow under the Fund Regulations is US\$7,500 per loan and US\$15,000 in total during the course of studies for which the loan is granted, and that the Rowe Fund Committee may, without notifying guarantor, raise this ceiling;

That the guarantor has been informed that the student (please, check the option that applies):

Has already been granted a Rowe Fund loan(s) for US\$_____

Has not received previous Rowe Fund loans;

That the Rowe Fund may make loans to the student secured by different guarantors;

That _____ (the Legal Representative of **INSTITUTION**) wants the Rowe Fund to grant the student the loan, and after having received and read a copy of the Student's Loan Application and General Conditions, has therefore agreed to serve as guarantor of the loan;

NOW, WHEREFORE, IT IS AGREED,

FIRST: The guarantor guarantees the student's repayment of the loan in the amount of US\$_____, as well as any and all interest and penalties owed in accordance with the terms of the loan agreement signed by the student covering the loan ("the Loan Agreement").

SECOND: The guarantor shall take all reasonable measures to ensure that the student repays the loan in accordance with the terms of the loan agreement and cooperates with GS/OAS in collecting past-due loan payments, together with any interest, fees, and penalties accrued under the terms of the Loan Agreement. In the event that the student is an employee of the institution serving as the guarantor, the guarantor may choose to repay the loan directly to the Rowe Fund from its own resources, garnish the student's wages and send the deducted salary portion to the Rowe Fund as loan repayment, or allow the student to directly repay the Rowe Fund.

THIRD: That if the student defaults on the loan agreement with the Rowe Fund, the guarantor shall pay GS/OAS the outstanding balance of the aforesaid loan, together with any interest, fees, and penalties accrued under the terms of the loan within thirty days of receiving written notice of the student's default.

FOURTH: That if the student receives more than one Rowe Fund loan for the same degree and program of studies, the loans shall be consolidated into one loan for administrative purposes, including collection. However, if different guarantors have secured those loans, the individual responsibility of each guarantor for the total outstanding balance shall only be proportionate to the amount he or she initially guaranteed, plus any penalties, interest, or fees as permitted under the Loan Agreement.

FIFTH: Notwithstanding the modification of the loan agreement so as to extend the repayment periods or increase or decrease the amount of periodic payments, the guarantor shall remain bound by the obligations set out in this Guarantor's Agreement.

SIXTH: If the student defaults on the loan payments and if the guarantor fails to pay the outstanding balance of the aforesaid loan together with any interest and penalties accrued under the terms of the loan agreement as required by Article THREE above, the guarantor shall submit to the jurisdiction of the courts and of any other pertinent authorities in the guarantor's area of residence and in Washington, D.C., U.S.A., and the guarantor hereby waives all challenges to the jurisdiction of those courts or of the pertinent authorities in relation to all legal processes and other legal actions which may be deemed necessary by GS/OAS or the Rowe Fund Committee for the collection of monies owed on account of the breach of this Guarantor's Agreement. The guarantor also agrees to pay GS/OAS all reasonable legal fees, expenses, and court costs incurred by GS/OAS in collecting amounts owed under this Guarantor's Agreement.

SEVENTH: The guarantor's obligations under the foregoing paragraphs are subject to the granting of the loan to the student.

EIGHTH: The guarantor hereby authorizes the Organization of American States/Staff Federal Credit Union ("OASFCU") to request the guarantor's credit report as needed and shall sign all necessary documents in order for the OASFCU to make those inquiries. The OASFCU and the GS/OAS shall keep information obtained by way of those inquiries confidential.

IN WITNESS WHEREOF, the guarantor and the duly appointed representative of GS/OAS hereby subscribe to this Guarantor's Agreement in triplicate originals on the dates indicated below.

Subscribed before me by the guarantor, _____, on this _____ day of _____, 20____

Guarantor

Date

Technical Secretary for GS/OAS

Date

Notary Public SEAL:

Name of GUARANTOR on behalf of the Institution / INFORMATION (please print or type in block letters)

First name	Middle name	Last name	Mother's maiden name	
Social security N°	Nationality	Date of birth	Relation to applicant	
Home address	City	State	Zip code	
Home telephone N°	Home e-mail address		Profession	
Employer	Work address	City	State	Zip code
Work telephone N°	Work e-mail address		Work fax N°	



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AFFIDAVIT FORM CERTIFICATION
ANNEX B

This is to certify that I, _____ (complete name and title) of _____, (“the Institution”) am duly authorized to sign the attached Guarantor Agreement with the General Secretariat of the Organization of American States on behalf of _____ (“The Institution”).

Name and Title

Date

Subscribed before me this ____ day of _____, 20__.

Notary Public

SEAL