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**Enforcement Decree of the Act on the Establishment of the Korea
Scholarship Foundation and Others**

[Enforcement Date 7. May, 2009] [Presidential Decree No.21470, 6. May,
2009,]

Ministry of Education, Science and Technology ()02 - 2100 - 6284,6277~78

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CHAPTER 1 GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Decree is to prescribe the delegated matters pursuant to the Act on the Establishment of the Korea Scholarship Foundation and the necessary matters for its enforcement.

Article 2 (Financial Institution)

The "institutions prescribed by Presidential Decree" in Article 2, Paragraph (4) of the "Act on the Establishment of the Korea Scholarship Foundation", (hereinafter referred to as the "Act"), are the institutions as per the following:

1. Korea Development Bank pursuant to the "Act on the Korea Development Bank";
2. Industrial Bank of Korea pursuant to the "Act on the Industrial Bank of Korea";
3. Trust business companies pursuant to the "Capital Market and Financial Investment Business Act";
4. Insurance companies pursuant to the "Insurance Business Act";
5. Mutual savings banks pursuant to the "Mutual Savings Bank Act";
6. Credit specialized financial companies pursuant to the "Credit Specialized Financial Business Act";
7. Korean federation of community credit cooperatives pursuant to the "Korean Federation of Community Credit Cooperatives Act";
8. National credit union federation of Korea pursuant to the "National Credit Union Federation of Korea Act";
9. Postal service offices pursuant to the "Act on Deposit and Insurance of Postal Services".

CHAPTER 2 KOREA SCHOLARSHIP FOUNDATION

Article 3 (Agreement with the Person who Delegates the Project of Supporting School Tuition)

The person who delegates the project of supporting school tuition to the Korea Scholarship Foundation, (hereinafter referred to as the "Foundation"), as specified in Article 6 of the Act pursuant to Article 16, Paragraph (1), Subparagraph 5 of the Act may conclude an agreement with the Foundation in regards to the subject of the project of supporting school tuition, the support amount, supporting criteria, and supporting method.

Article 4 (Delivery of Contribution and Others) (1) If the foundation wishes to receive the contribution in accordance with Article 17, Paragraph (1) of the Act, it shall attach the following documents to the request for contribution for the next year by April 30 every year and submit it to the Minister of Education, Science, and Technology:

1. Business plan according to Article 16;
2. Estimated income statement and balance sheet;
3. Other materials to explain the reason for requesting the contribution.

(2) The Minister of Education, Science, and Technology who receives the request for contribution as prescribed in Paragraph (1) shall review the contents, and if it is determined that the payment of the contribution is necessary, then he/she shall add the contribution requested by the Foundation to the budget.

(3) The Minister of Education, Science, and Technology shall notify the Foundation when the payment of the contribution is finalized.

(4) After receiving the notification specified in Paragraph (3), the Foundation shall attach a quarterly business plan and budget execution plan to the request for contribution, and submit it to the Minister of Education, Science, and Technology.

(5) The Foundation shall separately manage the government's contribution against the national scholar funds, (hereinafter referred to as the "Funds"), pursuant to Article 25 of the Act, and only use it for the purpose defined in the quarterly business plan and budget execution plan.

Article 5 (Application of Issuing Bonds)

The Foundation shall submit to the Minister of Education, Science, and Technology the application of issuing bonds which contains all necessary items, including issuing amount, method, conditions, and procedures of repayment in order to obtain permission of issuing bonds in accordance with Article 18 of the Act.

Article 6 (Type of Bonds)

The bonds shall be unregistered types. However, the bonds may be registered types if subscribers or holders request it.

Article 7 (Discounted Issuance)

The Foundation may issue discounted bonds

Article 8 (Subscription of Bonds) (1) If the Foundation tries to issue bonds by a subscription method, then it shall prepare and issue the application for bonds including each item as follows:

1. The name of the Foundation;
2. Total issued amount of the bonds;
3. The face value of the bonds by denomination;
4. Interest rate of the bonds;
5. Method and time to repay the principal and pay interest;
6. Issue amount of the bonds or the minimum value;
7. If there are any unpaid outstanding bonds, the total amount of the unpaid bonds;
and
8. If there is any financial institution trusted by the bond subscription in accordance with Article 36, Paragraph (1), Subparagraph 3, its name and address.

(2) The person who intends to subscribe to the bonds shall submit to the Foundation two copies of the application for the bonds with an application for the number of bonds to be subscribed, the amount to be acquired, and the address of the subscriber, with the name and signature affixed. In this case, if there is a minimum amount, the subscription price shall be written down.

Article 9 (Method of Total Subscription)

In the case of subscribing the total amount of bonds according to the agreement, Article 8 shall not apply. Where the financial institution trusted for the subscription

of the bonds underwrites some of the bonds, the same applies to the acquired portion.

Article 10 (Total Amount of Issued Bonds)

When issuing the bonds, the Foundation may indicate the willingness to issue the bonds even though the actual total amount of subscribed bonds is less than the total issuance amount of the bonds as specified in the Application for the Bonds. In this case, the total subscribed amounts shall be the total amount of issuing bonds.

Article 11 (Payment of the Subscription Amount of the Bonds) (1) If the subscription of

the bonds is finished, the Foundation shall immediately have the subscribers pay the whole amount of the subscribed bonds.

(2) The financial institution trusted for the subscription of the bonds may take any actions specified in Paragraph (1) under its name in favor of the Foundation.

(3) In case the bonds are issued by the subscription method, the bonds shall not be issued until the whole amount of subscription equivalent to the total issuance amount is fully paid.

Article 12 (Written Items of the Bonds)

The bonds shall contain any of the following subparagraphs, and the chairman shall affix his/her name and seal thereon:

1. Matters specified in Article 8, Paragraph (1), Subparagraphs 1 through 15;
2. Number of bonds; and
3. Issue year, month, and date of the bonds.

Article 13 (Ledger of Bonds) (1) The Foundation shall have a ledger of bonds at the principal office, and write down any of the following:

1. Number of bonds by denomination and numerical numbers;
2. Issue year, month, and date of bonds; and
3. Matters specified in Article 8, Paragraph (1), Subparagraphs 2 through 5 and Subparagraph 8.

(2) If the bonds are the registered type, the Foundation shall additionally write down any of the following subparagraphs in addition to the matters specified in the subparagraphs of Paragraph (1) above:

1. Name and address of the bond owners;
2. Year, month, and date of acquiring the bonds.
- (3) The owners of the bonds or holders may request to review the ledger of the bonds.

Article 14 (Notification to the Holder of the Bonds) (1) The notification or preemptory notices for the subscriber or rights owner of the bonds before issuing the bonds shall be sent to the address written in the application for the bonds. However, if the Foundation has been notified of another address, said address shall be used.

(2) The notification or preemptory notices to the holders of unregistered type bonds shall be conducted by the public notification method. However, if the address of the holders is acknowledged, the notification or preemptory notices may be sent to the address.

(3) The notification or preemptory notices to the owner of the registered bonds shall be sent to the address stated in the ledger of the bonds. In this case, if the Foundation has been notified of another address, said address shall be used.

Article 15 (Lending National or Public Properties for Free and Others) (1) The conditions and procedures to lend national/public properties or allow the use thereof for free shall be determined by an agreement concluded between the administrative agency of the national/public properties and the Foundation pursuant to Article 19, Paragraph (1) of the Act.

(2) If the Foundation uses national/public properties lent or used for free in accordance with Article 19, Paragraph (1) of the Act for purposes other than the original purpose, the administrative agency of the properties may terminate the agreement.

(3) In case matters regarding lending or using national/public properties for free are not prescribed in the Act or this Decree, the relevant regulations in the "State Properties Act" and the "Public Property and Commodity Management Act" shall apply.

Article 16 (Submission of a Business Plan) (1) The Foundation shall submit to the Minister of Education, Science, and Technology a business plan and budget statement for the following year before the start date of the business year in accordance with

Article 21 of the Act.

(2) The business plan prescribed in Paragraph (1) shall include matters as to the following subparagraphs:

1. Objective of the business;
2. Subject and target of the business;
3. Description of the business;
4. Cost of the business; and
5. Matters necessary to implement the business of the Foundation.

Article 17 (Submission of the Settlement Statement)

The Foundation shall attach the following documents to the statement of annual revenues and expenditures specified in Article 22 of the Act:

1. Balance sheet, and profit and loss statements for each business year;
2. Business achievement statement for every business year compared to the business plan;
3. Opinion letter of an accounting audit from a CPA or accounting corporation; and
4. Minutes of the board of directors meeting resolving the statement of annual revenues and expenditures.

CHAPTER 3 NATIONAL SCHOLARSHIP FUND

Article 18 (Reporting the Raising and Operation Status of the Fund)

The Foundation consigned to the management and operation of the fund shall report the monthly raising and operational status of fund to the Ministry of Education, Science, and Technology until the 20th day of the following month of the last month of each quarter pursuant to Article 26, Paragraph (4) of the Act, (including the achievement report pursuant to the fund operation plan as specified in Article 27, Paragraph (2), Subparagraph 2 of the Act).

Article 19 (Composition of the Fund Operating Committee)(1) The chairman of the fund operating committee specified in Article 27, Paragraph (1) of the Act, (hereinafter referred to as the "operating committee"), shall be the person who belongs to the Ministry of Education, Science, and Technology and designated by the Minister of Education, Science, and Technology from among its public officials.

1. One public official who belongs to the Ministry of Strategy and Finance, and designated by the Minister of Strategy and Finance from its public officials;
2. One public official, respectively, designated by the head of the relevant central administrative institution or the head of the local government which consigns the school tuition support projects to the fund;
3. One person designated by the head of the Foundation from among its officers and employees;
4. Two persons commissioned by the Minister of Education, Science, and Technology among two persons recommended by the Korean University Education Council pursuant to the Korean University Education Council Act and by the Korea Council for College Education pursuant to the Korea Council for College Education Act, respectively;
5. Not more than five civilian experts who have professional knowledge about the management and operation of the fund and who are commissioned by the Minister of Education, Science, and Technology.

(2) The term of a committee member commissioned by the Minister of Education, Science, and Technology shall be two years.

Article 20 (Operation of the Operating Committee)(1) The chairman of the operating committee shall convoke a meeting of the operating committee and become the chairman.

(2) If the chairman of the operating committee cannot perform duties due to inevitable reasons, the member designated by the chairman in advance shall perform said duties on their behalf.

(3) The meeting of the operating committee shall be commenced by a majority of the total members present and resolved by an affirmative vote of the majority of members present.

(4) The minutes for the agenda items of the operating committee shall be prepared with the signatures or seals of the members present.

(5) Allowances and travel expenses may be paid to members present at the meeting of the operating committee, provided, that this shall not apply in any case where any member who is also a public official attends the meeting because his/her duties are directly related to any agenda.

(6) Matters necessary for the operation of the operating committee other than matters prescribed in Paragraphs (1) through (5) shall be decided by the chairman of the operating committee through a resolution of the operating committee.

Article 21 (Operation of a Surplus Fund)(1) "The method decided by Presidential Decree" as prescribed in Article 29, Paragraph (3) of the Act shall refer to any of the following subparagraphs:

1. Purchasing of bonds where the payment is guaranteed by a financial institution;
2. Acquisition or purchasing of stocks, corporate bonds, and other securities.

(2) The subject and scope of acquiring or purchasing stocks, corporate bonds, and other securities as specified in Paragraph (1), Subparagraph 2 shall be determined by the Minister of Education, Science, and Technology.

Article 22 (Borrowing Funds)(1) "The funds decided by Presidential Decree" as specified in Article 32, Paragraph (1), Subparagraph 6 of the Act refer to the borrowings below which are borrowed when funds are insufficient in the course of operating the school loan credit guarantee account, (hereinafter referred to as the "guarantee account"), pursuant to Article 31 of the Act:

1. Borrowings from Government accounting or the Bank of Korea;
2. Borrowings from financial institutions.

(2) The principal amounts of the borrowings pursuant to Paragraph (1) shall be repaid within the relevant accounting year.

Article 23 (Contributions to the Guarantee Account from Financial Institutions)

"The ratio decided by Presidential Decree" as stated in Article 32, Paragraph (3) of the Act shall be 3/1000.

Article 24 (Purposes of the Guarantee Account)

"The matters decided by Presidential Decree" as specified in Article 33, Paragraph (5) of the Act shall mean any of the following:

1. Research and examination to improve the school loan system;
2. Promotion of the school loan project; and
3. Purchasing school loan securities and relevant affairs.

Article 25 (Preferential Guarantee)

"The university students defined by Presidential Decree including beneficiaries according to Article 5 of the National Basic Living Security Act" as specified in Article 34 of the Act refer to those people falling under any of the following subparagraphs:

1. Beneficiaries or their offspring pursuant to Article 5 of the "National Basic Living Security Act";
2. People who are majoring in science, engineering, or related areas; and
3. Other people who fall under the criteria accepted by the Foundation for whom a credit guarantee may be preferentially required.

Article 26 (Limit of Guarantee)

The total amount limit of credit guarantee prescribed by Article 35, Paragraph (1) of the Act shall be 20 times the total amount of the funds specified in Article 32, Paragraph (1), Subparagraph 1 of the Act and the earnings carried over.

Article 27 (Guarantee Fees and Others)(1) The ratio of guarantee fees to calculate the guarantee fees specified in Article 39, Paragraph (1) of the Act shall be the total rate of the fixed rate and additional rate by periods.

(2) The fixed rate according to Paragraph (1) shall be one percent of the amount of credit guarantee, and the additional rate by periods according to the same paragraph shall be decided by the Minister of Education, Science, and Technology in consideration of the credit rating of the person to be guaranteed and the period of using the guarantee within a range not more than four percent of the amount of the credit guarantee.

(3) The rate of additional guarantee fees to calculate the additional guarantee fees according to Article 39, Paragraph (2) of the Act shall be 0.25 percent APR.

(4) The guarantee fees according to Paragraph (1) shall be paid in a lump sum by calculating the period from the day when the guarantee liability occurs as the main liability is executed to the last day of the guarantee period.

(5) If the guarantee is terminated in whole or in part during the guarantee period, the guarantee fees for the period from the following day of the terminated day to the last day of the guarantee period shall be refunded.

Article 28 (Performance of the Guaranteed Obligation)

The "cases where reasons of the non - payment of debt occur as specified in the Presidential Decree" in Article 40, Paragraph (1) of the Act means cases in which the debtor who borrows funds under a credit guarantee does not fulfill the obligations to the creditor within the period, (including cases where the debtor loses the benefit of time), and the period decided and notified by the Minister of Education, Science, and Technology in consideration of the economic situation within a range not less than three months and not more than eighteen months.

Article 29 (Scope of Subsidiary Debt)

The "Subsidiary Debts Decided by Presidential Decree" in Article 40, Paragraph (2) of the Act means any of following subparagraphs:

1. Interest according to the interest rate applied to the contract period of the principal debt from when the debt payment period of the person under guarantee lapses, (including cases when the benefit of time is lost), until the Foundation fulfils the guaranteed obligation;
2. Expenses incurred by the creditor to collect the loan.

Article 30 (Deferment of Exercising the Rights to Claim Reimbursement)

The "cases decided by Presidential Decree" in Article 41, Paragraph (2), Subparagraph 3 of the Act means cases falling under any of the following subparagraphs:

1. Where the principal debtor is qualified as a beneficiary of job - seeking benefits pursuant to Article 43 of the "Employment Insurance Act";
2. Where the principal debtor is conscripted pursuant to the Military Service Act;
3. Other cases where the Foundation accepts that the deferment of exercising the rights to claim reimbursement against the principal debtor is necessary.

Article 31 (The Purposes of the School Expenses Supporting Account)(1)

The "matters decided by Presidential Decree" in Article 46, Paragraph (1), Subparagraph 6 of the Act means any of the following:

1. Expenses to issue bonds according to Article 18 of the Act;
2. Expenses to pay complimentary school expenses and promote the loan system.

(2) Persons eligible to receive the support for the interest of a school loan pursuant to Article 46, Paragraph(2) of the Act shall be college students who acquire school loans, (including college students who acquire school loans from financial institutions by a credit guarantee from the guarantee account), and who fall under any of the following subparagraphs:

1. Beneficiaries or their offspring pursuant to Article 5 of the "National Basic Living Security Act";
 2. People or their offspring who fall under any of the following among the next needy classes as specified in Article 2, Paragraph (11) of the "National Basic Living Security Act":
 - (a) People who participate in any project required for self - support pursuant to Article 9, Paragraph (5) of the "National Basic Living Security Act";
 - (b) People who are supported for expenses necessary for infant care pursuant to Article 34, Paragraph (1) of the "Infant Care Act";
 - (c) People who are supported for expenses necessary for early childhood education pursuant to Article 26, Paragraph (1) of the "Early Childhood Education Act"; and
 - (d) People who pay less co - payments than original amounts in accordance with Paragraph (3) (d) of the attached table of the "Enforcement Decree of the National Health Insurance Act";
 3. People protected by Article 5 of the "Single - Parent Family Support Act";
 4. People who have received a disability rating in accordance with Article 2 of the "Enforcement Decree of the Welfare of Disabled Persons Act";
 5. People who fall under the criteria decided by the Minister of Education, Science, and Technology in consideration with the school record and household income level.
- (3) Matters necessary for a specific support level of interest for the subjects specified in Paragraph (2) shall be decided and notified by the Minister of Education, Science, and Technology.

Article 32 (People Subject to the Complimentary Payment of School Expenses and School Loans Preferentially) (1) The college students who are eligible to

preferentially receive a complimentary payment of school expenses are those people

specified in Article 31, Paragraph (2), Subparagraph 1 and those people who fall under the criteria decided by the Minister of Education, Science, and Technology in consideration of school records of the college students.

(2) The college students who are eligible to preferentially receive school loans are the people falling under any of Article 31, Paragraph (2), Subparagraphs 1 through 4 and those people who fall under the criteria decided by the Minister of Education, Science, and Technology in consideration of school records of the college students.

(3) Necessary matters in regard to the specific support level for the preferential complimentary payment of school expenses and school loans for college students specified in Paragraphs (1) and (2) shall be decided and notified by the Minister of Education, Science, and Technology.

Article 33 (Extension and Exemption of Repayment)(1) The "reasons decided by Presidential Decree" in Article 49, Paragraph (1) of the Act mean any cases of the following subparagraphs:

1. Where the debtor is qualified as a beneficiary of job - seeking benefits pursuant to Article 43 of the "Employment Insurance Act";
2. Where the debtor is conscripted according to the "Military Service Act";
3. Where the students enter a higher school or go abroad for study;
4. Other cases which fall under the criteria determined by the Minister of Education, Science, and Technology since the extension of the repayment of the school loan is deemed necessary.

(2) Where the eligible people intend to receive the exemption of a whole or any part of the school expenses pursuant to Article 49, Paragraph (2) of the Act, the person who falls under any of the following shall apply the exemption of the whole or any part of the school expenses to the Foundation with the application for exemption of school expenses and related documents attached within three months from the time when the reasons occur:

1. Himself/herself;
2. If he/she is unable to apply or finds it difficult to apply, then his/her spouse, lineal relation, or sibling.

(3) The related documents specified in Paragraph (2) are as follows:

1. Certificate of Family Relationship pursuant to Article 15, Paragraph (1), Subparagraph 1 of the "Act on the Registration, etc. of Family Relationships", (only to be attached when the person falls under Paragraph (2), Subparagraph 2);
2. Document certifying death, such as a medical certificate of death, (only attached when he/she is deceased);
3. Medical certificate from the hospital and doctor's opinion statement;
4. Withholding tax receipt of earned income for the prior year or withholding tax ledger of business income.

CHAPTER 4 SUPPLEMENTARY RULES

Article 34 (Institutions and Organizations Providing Materials)

The "Agencies and organizations decided by Presidential Decree" in Article 50, Paragraph (1), Subparagraph 6 of the Act mean the agencies and organizations in the following subparagraphs:

1. Public agencies according to Article 4 of the "Act on the Management of Public Agencies";
2. Organization whose capital, funds, or expenses are invested, contributed, or subsidized by the State or local governments; and
3. Special corporations established by the Special Act.

Article 35 (Scope of Non - profit Scholarship Corporations)

The "non - profit scholarship corporation decided by Presidential Decree" in Article 50, Paragraph (2) of the Act means corporations which satisfy all of the conditions outlined in the following subparagraphs:

1. It shall be corporations which run a business related to school expenses or scholarships for college students among the public - service corporations specified in Article 2 of the "Act on the Establishment and Operation of Public - Service Corporations";
2. It shall be corporations whose sum of each basic fund, (the amount subtracting total liabilities from total assets), is more than ten billion won as of the settlement date of the prior year, and the basic funds shall belong to the purpose business accounting and profit business accounting as prescribed by Article 23, Paragraph

(1) of the "Enforcement Decree of the Act on the Establishment and Operation of Public - Service Corporations."

Article 36 (Entrustment of Duties)(1) The Foundation may entrust the following duties to financial institutions in accordance with Article 51, Paragraph (1) of the Act:

1. Operation of surplus funds according to Article 29 of the Act;
2. Excise of the rights to claim reimbursement according to Article 41 of the Act; and
3. Subscription of bonds according to Article 8.

(2) The Foundation may entrust the duties specified in Paragraph (1), Subparagraph 2 to the Korea Asset Management Corporation established under the "Act on the Establishment of the Korea Asset Management Corporation" or credit information companies specified in the "Use and Protection of Credit Information Act."

Article 37 (Honorable Treatment for Private Contributors)

Where the Foundation pays school expenses for free under the name of a contributor or donator pursuant to Article 53, Paragraph (1) of the Act, the Foundation shall issue the certificate of complimentary payment of school expenses under the name of the contributor or donator to the college students who receive the complimentary payment benefit, and publish the following items in nationwide daily newspapers:

1. Name of the contributor or donator and the amount of complimentary payment for school expenses;
2. The subject and scope of the college students who receive the benefits; and
3. Matters which the Foundation accepts that publication thereof is necessary.

ADDENDA <No. 21470, 6. May, 2009>

This enforcement decree will enter into effect from May 7, 2009.