



LOAN REPAYMENT PROGRAMS BEST PRACTICES TOOLKIT

FY26 RESOURCE FOR COMMUNITY FOUNDATIONS

(Effective June 1, 2026)

INTRODUCTION

This guide is intended to support community foundations that are exploring the development of a student loan repayment program under the **Workforce Development through Charitable Loan Repayment Act (110 ILCS 998)**. The questions and considerations below are intended to help community foundations think through key program design elements based on common administrative practices used in loan repayment programs.

Please note that qualified community foundations may include additional requirements for participation in their loan repayment programs, *provided such requirements do not conflict with the Act or rules adopted by the Commission or the Department of Revenue in connection with this Act (110 ILCS 998/10-30)*. Statutorily required elements are highlighted in the pertinent sections of this document.

SECTION ONE: STATUTORY PROGRAM OVERVIEW

The purpose of the **Workforce Development through Charitable Loan Repayment Program** is to create a private sector incentive for qualified workers to work and live in eligible areas while also reducing the student debt burden of those workers.

1A. Applicant Eligibility Requirements for Your Loan Repayment Programs

The Workforce Development through Charitable Loan Repayment Act (110 ILCS 998) **requires** specific eligibility requirements for an applicant to be considered a “qualified worker” for the purposes of this program. While community foundations can add additional eligibility criteria, these requirements **MUST** be included when defining applicant eligibility:

REQUIREMENT ONE: An individual must be a full-time employee of a business that meets *one or more of the following*:

1. The business is a qualified new business venture that is registered with the Department of Commerce and Economic Opportunity (DCEO) under Section 220 of the Illinois Income Tax Act;
2. The business is primarily engaged in a targeted growth industry, named in the Act as the following:
 - advanced manufacturing;
 - agribusiness and food processing;
 - transportation distribution and logistics;
 - life sciences and biotechnology;
 - business and professional services; or
 - energy.
3. The business is a minority-owned business, a women-owned business, or a business owned by a person with a disability, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act; or
4. The business is a not-for-profit corporation, as defined in the General Not for Profit Corporation Act of 1986.

Questions for community foundations to consider: Will we focus our loan repayment program on one or more of the business types listed in the Act: (a) a qualified new business venture registered with the Department of Commerce and Economic Opportunity (DCEO); (b) a targeted growth industry; (c) a minority-owned business, a women-owned business, or a business owned by a person with a disability; (d) a not-for-profit corporation?

REQUIREMENT TWO: The individual is employed by the business described above at a job located *in one of the following*:

1. an Enterprise Zone ([DCEO link](#));
2. an Opportunity Zone ([DCEO link](#));
3. an underserved area, defined as an area that meets one of the following four qualifications:
 - Poverty rate of at least 20% according to the latest American Community Survey;
 - At least 35% or more of the families with children in the area are living below 130% of the poverty line according to the latest American Community Survey;
 - At least 20% of the households in the area receive assistance under the Supplemental Nutrition Assistance Program (SNAP);
 - The area's average unemployment rate as determined by the Illinois Department of Employment Security is more than 120% of the national unemployment average as determined by the U.S. Department of Labor for a period of at least 2 consecutive calendar years preceding the date of the application.
4. an area that has a bachelor's degree attainment rate for the population that is below the State or national average for the population, as determined by the United States Census Bureau.

Questions for community foundations to consider: Will we focus our loan repayment program on employees working at one or more of the following job sites: (a) located in an Enterprise Zone; (b) located in an Opportunity Zone; (c) located in an underserved area; (d) located in an area that has a bachelor's degree attainment rate for the population that is below the State or national average for the population, as determined by the United States Census Bureau?

REQUIREMENT THREE: The individual must have accrued educational debt while pursuing an associate degree or higher **OR** a skilled trades program or related course of study **AND** have an outstanding balance on a qualifying educational loan or other educational debt incurred for the skilled trades or related degree, credential, or program.

Questions for community foundations to consider: Will we focus our loan repayment program on certain types of student loans? Will any loan types be excluded? Qualified loans can include: Stafford Loans, Perkins Loans, Graduate PLUS loans, consolidation loans, alternative loans, private loans, government and institutional loans for educational

purposes. What types of educational debt for skilled trades or related schooling is eligible for repayment?

Additional Requirements

The community foundation can determine additional eligibility requirements, provided *they do not conflict with or override any of the statutory eligibility requirements*. Applicant eligibility criteria the community foundation may wish to consider:

- Are there specific degrees, credentials, or licenses participants must hold?
- Must participants be employed in a specific profession, providing it aligns with statutory requirements?
- Will employment need to occur at a specific type of organization, providing it aligns with statutory requirements?

1B. Service Obligations for Your Loan Repayment Programs

The statute does not require any service or employment obligation, but community foundations may wish to consider such an obligation as a condition of receiving an award. Loan repayment programs will sometimes require that applicants and award recipients fulfill service obligations as a condition of awarding. Service obligation criteria the community foundation may wish to consider:

- Will the applicant be required to work for their employer for a period before applying to the program (e.g. must have worked as a technician for 24 months at the time of application)?
- Will the applicant be required to provide a term of service following receipt of an award (e.g. for every one year of award received, the recipient must pledge to work in the field for one year)?
- Will the applicant be required to return any funds if they fail to fulfill the service obligation?

1C. Award Amounts and Terms for Your Loan Repayment Programs

Loan repayment programs offer many options for structuring awards. Award options the community foundation may wish to consider:

- Will the program establish a minimum or maximum annual award amount?
 - For example, are awardees eligible for a maximum of \$10,000 per award year, not to exceed the awardee's total student loan debt? Will this differ for applicants with non-loan educational debt for skilled trades and related schooling?

- Will award amounts vary based on profession, degree level, or licensure?
 - For example, will awardees with an associate degree receive a \$2,500 award, a bachelor's degree receive a \$5,000 award and a graduate degree receive a \$10,000 award? Will this differ for applicants with non-loan educational debt for skilled trades and related schooling?
- Will award amounts vary based on student debt burden?
 - For example, will applicants with less than \$10,000 in student loans or educational debt receive a smaller award than applicants with \$100,000 in student loans or educational debt?
- Will there be a lifetime cap on the amount a participant may receive?
 - For example, can recipients receive the award for a maximum of 4 years? Or can they receive the award for multiple years, but not exceed \$25,000 total?

1D. Other Programmatic Policies for Your Loan Repayment Programs

As community foundations design and administer their loan repayment program, they may wish to consider a variety of administrative policies and procedures that support effective program management and oversight. The following questions are intended to help community foundations think through potential operational considerations:

- Will the program include a process for applicants or participants to appeal eligibility determinations or award decisions?
- What measures might the foundation consider implementing to help prevent fraud or misuse of program funds?
- What record retention practices might the foundation establish for applications, award documentation, and supporting materials?

SECTION TWO: APPLICATION PROCESS

When developing a loan repayment program, community foundations may wish to consider how applicants will submit information and what documentation may be needed to support eligibility determinations.

2A. Application Format for Your Loan Repayment Program

The application format can influence accessibility, administrative efficiency, and the type of information that can be collected from applicants. Application format questions the community foundation may wish to consider:

- How will applicants submit their applications (for example, through an online application system, a downloadable form, or another format)?
- Will the foundation use an existing grant management or application platform to administer the process?
- Will the application process be entirely electronic, or will alternative submission methods be available if needed?
- Will the foundation provide instructions or guidance materials to assist applicants in completing the application?
- Will applicants be able to include all necessary documentation with the application, or will that need to be submitted separately?
- Will applicants receive immediate email confirmation that their application has been submitted or received?

2B. Application Content for Your Loan Repayment Program

Community foundations may wish to consider what types of information will be helpful in determining applicant eligibility and evaluating participation in the program. The following data fields are not an exhaustive list of options, but provide a good starting point for consideration:

1. Demographic Information
 - a) Name, address, contact information
 - b) Residency confirmation (if applicable)
2. Education and Credential Information
 - a) Degree or credential earned, Institution attended, Graduation date
 - b) Current professional licensure or certifications
3. Employment Information
 - a) Employer name, address
 - b) Position title

- c) Start date, length of tenure
- d) Full-time status confirmation
- e) Employer Representative Name
- f) Employer Representative Contact Information (email, phone)
- 4. Loan and/or Debt Information
 - a) Educational Loans
 - 1) Loan type(s)
 - 2) Outstanding balances by loan
 - 3) Student loan lender or servicer(s) name and contact information
 - b) Skilled trades or related educational debt
 - 1) Debt balance
 - 2) Payee name and contact information
- 5. Borrower Debt-to-Income Ratio (*To prioritize applicants based on financial need, a debt-to-income ratio can be effective as a standardized means for assessing student debt burden*):
 - a) Annualized salary
 - b) Total sum of all qualified educational loan debt or educational debt balance
- 6. Self-Certification Agreement – generally a checkbox or signature field that requires the applicant to certify that the information they are sharing is true and accurate

2C. Supporting Documentation/Supplemental Materials for Your Loan Repayment Program

In addition to information provided within the application itself, community foundations may wish to consider whether documentation will be requested to verify key elements of an applicant's eligibility. Some options for the community foundation to consider:

- Will you require documentation to verify employment? Will you provide a form to be completed, accept employment letters, etc.?
- Will you require the applicant to provide documentation from their student loan lender or servicer identifying their student loans and current balances? If the debt is not in the form of a student loan, but is debt accrued in the pursuit of skilled trades or related schooling, will you require financial statements from the institution or payee?
- Will you request documentation confirming degrees, credentials, or professional licensure?
- Will you require the applicant to sign any kind of agreement or contract or promissory note, particularly if there are any service obligations?

2D. Application Process Timeline for Your Loan Repayment Program

There are many factors to consider when receiving and processing applications for loan repayment programs: (1) application open/close, (2) application review period, (3) certifications/verifications, (4) notifications. Please see questions below for each of these areas.

Application Open/Close

- Will the individual need to apply to the program annually?
- How often will the program accept applications (for example, once per year, semi-annually, or on a rolling basis)?
- How long will the application period remain open?
- Will your foundation set a priority consideration date (e.g. completed applications received by a certain date will be reviewed first)?

Application Review

- What is the application submission date? Is it when the application alone is received or when the application is considered complete (e.g. an application is considered complete when the application and any supplementary materials are all received)?
- How long will the foundation anticipate reviewing applications?
- Will there be a process for applicants to submit corrected information or materials if upon review these need to be updated?

Certifications/Verifications

- Will the foundation use the supplementary materials provided by the applicant as evidence of employment, student loan balances, or educational debt, or will the foundation require additional internal methods for confirming these details?
- If supplementary materials are unclear or inaccurate, what process will the foundation put in place to update these materials?

Notifications

- How and when will the foundation communicate that an application has been received? Will the foundation communicate when an application is complete and ready for review?

SECTION THREE: AWARDING AND DISBURSEMENT PROCESS

As community foundations consider how loan repayment awards will be determined and distributed, they may wish to think through the internal processes that will guide award decisions, communication with applicants, and the distribution of funds. The questions below are intended to help community foundations reflect on potential approaches to managing the awarding and disbursement of program funds.

3A. Application Review and Eligibility Determination for Your Loan Repayment Program

Community foundations should consider how applications will be reviewed and how eligibility will be confirmed once applications are received.

- Who within the foundation will be responsible for reviewing applications and confirming eligibility?
- How will the foundation verify that an applicant is a “qualified worker,” meeting all needed eligibility requirements?
- How will the foundation verify that an employer meets the statutory requirements of location in an Enterprise or Opportunity Zone, an underserved area or an area with low bachelor’s degree attainment?
- How will the foundation verify information provided in the application, such as employment status or loan information?
- How will the foundation verify the most up-to-date balance owed on the student loans and/or educational debt before awarding and disbursement?

3B. Awarding and Award Notifications for Your Loan Repayment Program

Once eligibility has been determined, the community foundation will have two groups of applicants: one group of applicants that meets eligibility criteria can be considered for an award, and another group that does not meet eligibility criteria and cannot be considered for an award. The next steps in the process are awarding and award notifications. Please see questions below for each of these areas.

Awarding

- If a multi-year award, will the foundation prioritize renewal applicants that remain eligible for the program?
- The statute requires the foundation to consider the applicant’s debt-to-income ratio when awarding eligible applicants. How will the foundation consider this when awarding?

- If the number of qualified applicants exceeds available funding, how might the foundation determine which applicants receive awards?
- Will the foundation prioritize awarding certain applicants based on program goals, workforce needs, or other considerations?

Award Notifications

- How will the foundation notify applicants of award decisions?
- Will the foundation provide different types of notifications (for example, award notifications, waitlist notifications, or notifications for applicants who were not selected)?
- Will award recipients be asked to formally accept the award or complete additional documentation prior to receiving funds?
- What information will the foundation provide to participants about the terms of the award and any expectations associated with participation?

3C. Disbursement of Funds for Your Loan Repayment Program

The statute requires that all payments for student loan or educational debt made by a community foundation on behalf of a qualified worker **MUST** be sent directly to the student loan lender or servicer or an educational debt payee. Questions to consider when preparing for disbursements:

- How will the foundation build relationships with the lenders and/or educational debt payees to determine the best means for disbursing funds on behalf of awardees?
- Will the foundation distribute funds in a single lump sum or multiple installments?
- What documentation will the foundation provide to the student loan lender or servicer and/or educational debt payees to ensure that the correct amounts are applied to the proper account?
- How might the foundation confirm that payments are applied correctly to the awardee's outstanding loan(s) and/or educational debt?
- What procedures should the foundation establish for handling returned or misapplied payments from a student loan lender or servicer and/or educational debt payees?
- How will the foundation track disbursements to ensure that total payments do not exceed the participant's remaining loan balance and/or educational debt?
- How will the foundation maintain documentation of all payments made, including payment dates and amounts, for reporting and auditing purposes?

- Will the foundation establish a process to notify participants once a payment has been successfully sent to the student loan lender or servicer and/or educational debt payees?
- How might the foundation handle situations where a participant has multiple loans with different student loan lenders or servicers and/or educational debt payees?