

Interpretation of the Emerging Accounting Issues Working Group**INT 00-04: Student Loan Insurance****ISSUE NULLIFIED BY SSAP NO. 60****INT 00-04 Dates Discussed**

March 13, 2000; June 12, 2000

INT 00-04 References

SSAP No. 60—Financial Guaranty Insurance (SSAP No. 60)

INT 00-04 Issue

1. In the situation under consideration, an insurer issues a surety bond, to a bank or other lending financial institution, under which the insurer agrees to provide financial guaranty of each student loan made by the bank within specified underwriting criteria, such as to graduate students in specified fields. As each loan is made, the premium for that loan is paid to the insurer by the bank from the proceeds of the loan that are retained by the bank at issuance. Usually repayment of the loan is expected to commence six months after graduation. If and when there is a default in repayment of the loan by the graduate, the insurer pays the bank or lending institution the unpaid principal and interest on the loan, takes possession of the loan, and initiates recovery efforts.
2. The general characteristic of the student loan insurance coverage is financial guaranty of numerous individual personal loans.
3. The accounting issue is whether or not student loan insurance, as described above, is financial guaranty insurance subject to the accounting provisions of SSAP No. 60, particularly with respect to the establishment of a statutory contingency reserve.

INT 00-04 Discussion

4. The working group reached a consensus that student loan insurance, in the situation discussed above, would be subject to the accounting provisions of SSAP No. 60 and the related statutory contingency reserve.

INT 00-04 Status

5. No further discussion is planned.