

# Participating in and Making Loans in the Perkins Loan Program



*The Federal Perkins Loan Program includes Federal Perkins Loans, National Direct Student Loans (NDSLs), and National Defense Student Loans (Defense Loans). Perkins Loans are low-interest, long-term loans made through school financial aid offices to help needy undergraduate and graduate students pay for postsecondary education. For complete Perkins Loan disbursement rules, see Volume 3.*

## THE FEDERAL PERKINS LOAN PROGRAM

The Federal Perkins Loan (Perkins) Program includes Federal Perkins Loans, National Direct Student Loans (NDSLs), and National Defense Student Loans (Defense Loans). No new Defense Loans were made after July 1, 1972, but a few are still in repayment. Federal Perkins Loans and NDSLs are low-interest, long-term loans made through school financial aid offices to help needy undergraduate and graduate students pay for postsecondary education.

Before a student may be given a Federal Perkins Loan, your school's business/bursar's office and financial aid office must coordinate to ensure that the student in question is eligible by both the general student eligibility and Federal Perkins Loan eligibility regulations, has financial need, and has signed a Perkins Master Promissory Note (MPN). (See *Volume 3* for information about selecting students for Perkins Loans.)

### *Perkins federal share*

The amount of new Federal Perkins Loan Program funds provided to a school for an award year by the federal government is called the *Federal Capital Contribution* (FCC). The FCC funds to be used for the Federal Perkins Loan Program must be deposited into the school's Perkins revolving fund. The FCC deposited into the school's Perkins revolving fund must not exceed 75% of the combined FCC and required nonfederal share.

Unlike the FWS and FSEOG programs, the Department is not able to authorize a federal share of 100% for the FCC funds deposited into the school's Perkins revolving fund. **If you transfer new FCC funds to either the FWS or FSEOG programs, do not deposit the FCC funds into your Perkins revolving fund.**



### Extension of the Perkins Loan Program

The Federal Perkins Loan Program Extension Act of 2015 (the Extension Act) extended the Perkins Loan Program through September 30, 2017 and eliminated the grandfathering provisions of DCL GEN-15-03.

Please see Appendix A at the end of this volume for Dear Colleague Letter DCL-16-05 and *Volume 3, Chapter 6* for other information about the of the Federal Perkins Loan Program.

If you need assistance with liquidation of your school's Perkins Loan Program, please write to [PerkinsLiquid@ed.gov](mailto:PerkinsLiquid@ed.gov).

**The Federal Perkins Loan Program**

34 CFR Part 674

**PPA**

34 CFR 674.8

**ICC**

34 CFR 674.8(a)(2)(i) & (ii) & (a)(3)

**Student eligibility**

34 CFR 674.9

**Selecting students**

34 CFR 674.10

**Federal capital contribution**

34 CFR 674.2

**Perkins nonfederal share**

In the Federal Perkins Loan Program, every student’s loan must be comprised of federal funds and school funds.



A school must provide a share of each student’s Federal Perkins loan from the school’s funds, the Institutional Capital Contribution (ICC). The ICC must equal or exceed

- ◆ one-third (33.33%) of the FCC, or
- ◆ one-quarter (25%) of the total funds available to lend to students (combined FCC and ICC).

FCC	\$30,000
Required ICC	\$10,000
Combined FCC/ICC	\$40,000

The Department does not grant waivers of the ICC.

The ICC must be comprised exclusively of institutional funds, and you must deposit the ICC prior to or at the same time as you deposit the FCC. The ICC must be deposited every year regardless of any overmatch a school may have made during the previous award year. The school makes its contribution through a short-term loan to the fund and reports that loan on its FISAP.

**Level of expenditure (LOE)**

The *level of expenditure (LOE)* is the maximum dollar amount that ED allows a school to expend from the school’s Federal Perkins loan fund in a given award year. **The LOE includes all authorized expenditures for the program, such as all loans to students, administrative cost allowance, and collection costs.** The LOE equals the total of FCC, ICC, funds available from the school’s projected collection of Federal Perkins Loans in repayment, estimated Federal Perkins Loan cancellation reimbursements, and anticipated cash on hand



To request an increase in their LOE, schools make the request through the School Participation Team (SPT) serving their state. You can find contact information for the regional offices of the School Participation Division at

**[ifap.ed.gov/ifap/helpContactInformationDetailedList.jsp?contactname=School%20Participation%20Division](http://ifap.ed.gov/ifap/helpContactInformationDetailedList.jsp?contactname=School%20Participation%20Division)**.

**Loans Made from a School’s Revolving Fund**

Even though Congress is not currently allocating a federal contribution for the Perkins Loan Program, a school may continue to make loans through its revolving fund. A school is not required to demonstrate that loans made from its revolving fund contain a specific percentage of federal funds.

**Finding Your Level of Expenditure**

A school’s LOE is provided on its Campus-Based Final Awards Notification and on its Electronic Statement of Account (ESOA).

To access your school’s final funding level worksheets or your Statement of Account, log in to the eCB website, select the Self-Service link from the top navigation bar, and scroll to the Campus-Based Notification Section, then, select Final Awards or Statements of Accounts for the applicable award year.

## EXCESS LIQUID CAPITAL



The legislative requirement included in Section 466 of the Higher Education Act of 1965, as amended (HEA), requires the return of excess Federal Perkins Loan funds when available resources exceed a school's needs in the foreseeable future. A school has excess liquid capital in its Federal Perkins Loan fund if the funds available (cash on hand, plus projected collections, for the current award year exceed the award year's total expenditures from the fund. Regardless of whether a school has received FCC or not, if a school has more cash than it plans to spend, the school should disburse any excess cash during the award year or return it to the Department.

Federal Perkins cash on hand recorded on the school's general ledger annually as of June 30 and October 31 must be reported on the Fiscal Operations Report. Note that the overall cash on hand reported must include payments to the fund by the school for any loans the school has purchased.

## MAKING A PERKINS LOAN

A Perkins Loan (or NDSL) is made when the borrower has signed the Perkins Master Promissory Note (MPN), and the school makes the first disbursement of loan funds under that promissory note for that award year. The student is required to sign the MPN only once. Additional Perkins Loans may be disbursed to a student for up to 10 years after the date the MPN is signed, although **no additional Perkins Loans may be awarded after Sept. 30, 2017**. A borrower is only required to sign the MPN once, but a school may choose to require a borrower to sign a new MPN for each award year. A student may also make a written request to sign a separate MPN for each award year.



After a student files a FAFSA and the Department determines an official Expected Family Contribution (EFC) for the student, the school must award financial aid based on the student's loan eligibility and the maximum amounts for each FSA program. For a complete explanation of awarding Perkins funds, see *Volume 3*. As with the other Campus-Based Programs, funds from the Perkins Loan Program must be "packaged" with other expected financial assistance to ensure that the student's total aid does not exceed his or her cost of attendance. The packaging process is discussed in *Volume 3*.



### Perkins LOE Required

To make loans, a school must have a Perkins Loan Level of Expenditure (LOE) from ED for that award year. The LOE is the authority from ED for the school to participate and spend monies from the Perkins Loan Fund for that award year, including making new loans to students. The official FWS allocation letter and the Perkins Loan LOE is the school's authority to exercise the FWS to Perkins Loan transfer option.

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### Making a loan

The *making of a loan* occurs when the school makes the first disbursement of a loan to a student for an award year.  
34 CFR 674.2

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### Loan maximums

34 CFR 674.12

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### Making and disbursing loans

34 CFR 674.16

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### Use of funds

34 CFR 674.18

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### Compliance with equal opportunity credit requirements

34 CFR 674.20

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### NDSL loans

If a Perkins borrower has an outstanding balance on a National Defense Student Loan or National Direct Student Loan when the new loan is obtained, the new loan is treated under the same terms as the earlier loan.

→ Loans made before July 1, 1972, were National Defense Student Loans.

→ Loans made from July 1, 1972, through June 30, 1987, were National Direct Student Loans.

### Perkins Loan limits

Annual maximum loan:		Aggregate maximum loan:	
Undergraduate	\$5,500	Undergraduate:	
		Grade levels 1 & 2	\$11,000
Graduate	\$8,000	Grade levels 3 & 4	\$27,500
		Graduate	\$60,000

### FTC “Red Flags Rule” on Identity Theft and Perkins Loans

#### E-Announcement, June 14, 2010

The Federal Trade Commission (FTC), in concert with other federal agencies, has issued regulations that require financial institutions and creditors to develop and implement a written identity theft prevention program to detect, prevent, and respond to patterns, practices, or specific activities that may indicate identity theft and are known as “red flags.”

The “Red Flags Rule” applies to institutions participating in the Federal Perkins Loan Program and may apply to other credit programs administered by an institution. Although the “Red Flags Rule” is not issued by the Department of Education, the Department has issued a series of announcements to make schools in the Perkins Loan Program aware of the requirement, and ED encourages Perkins schools to review these regulations with their attorneys to ensure compliance.

The rule became effective on January 1, 2008, with full compliance for all covered entities originally required by November 1, 2008. The FTC has issued several Enforcement Policies delaying enforcement of the rule. The most recent Enforcement Policy delayed enforcement of the “Red Flags Rule” through December 31, 2010. As of January 1, 2011, the FTC is enforcing the rule.

The FTC noted in a press release (May 28, 2010) that it has published a compliance guide for business, and created a template that enables low-risk entities to create an identity theft program with an easy-to-use online form ([www.ftc.gov/bcp/edu/microsites/redflagsrule/get-started.shtm](http://www.ftc.gov/bcp/edu/microsites/redflagsrule/get-started.shtm)).

The regulations covering the “Red Flags Rule” were published in the Federal Register on November 9, 2007, by the FTC. The federal bank regulatory agencies and the National Credit Union Administration jointly issued regulations (72 FR 63718).

Further information about the “Red Flags Rule” and the actual text of the regulations is available on the FTC website at

[ftc.gov/opa/2007/10/redflag.shtm](http://ftc.gov/opa/2007/10/redflag.shtm).

## PERKINS PROMISSORY NOTE

The promissory note is the legally binding document that is evidence of a borrower's indebtedness to a school. The note includes information about the loan's interest rate, repayment terms, and minimum rates of repayment; deferment, forbearance, and cancellation provisions; credit bureau reporting; and late charges, attorney fees, collections costs, and consequences of default.

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### MPN Promissory Note

34 CFR 674.31  
DCL GEN-16-13.

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### Retention of records

34 CFR 674.19(d) & (e)



**You must ensure that each Perkins Loan is supported by a legally enforceable promissory note.** If the school does not have a valid note or other written evidence that would be upheld in a court of law, the school has no recourse against a borrower who defaults. Two examples of invalid notes are notes that have been changed after they were signed and notes without proper signatures or dates. If a school does not have a valid promissory note, it would have to repay to its Perkins Loan Fund any amounts loaned, as well as any Administrative Cost Allowance (ACA) claimed on those amounts. The school can seek to recover the amount repaid from the borrower.

If an error is discovered in a promissory note, the school should obtain legal advice about what action it should take. The appropriate school official and the student should sign by or initial all approved changes in the note.

When the borrower has fully repaid the Perkins Loan, your school must either notify the borrower in writing, or mark the original note “paid in full” and return it to the borrower. **Your school must keep a copy of the note for at least three years after the date the loan was paid in full.**



Remember, your school must report to the National Student Loan Data System when a loan has been repaid.

### Single vs. multiyear use of the MPN

The *Master Promissory Note* (MPN) for the Perkins Loan Program is a promissory note under which the borrower may receive loans for a single award year or multiple award years.

Because the MPN can be used to award Federal Perkins Loans on a multiyear basis, there is no box for loan amount or loan period on the note. If you choose to use the Federal Perkins MPN as a single award year promissory note, the borrower must sign a new MPN each award year. When used as a multiyear note, the borrower signs the MPN only once, before the first disbursement of the borrower's first Federal Perkins Loan.

#### Limits on Multiyear Use of the MPN

You can no longer make a loan under an MPN if

- more than 10 years from the date the borrower signed the MPN or the date you received the MPN (schools can still disburse a remaining portion of a loan after this date);
- more than 12 months after the date the borrower signed the MPN, if you make no disbursement under that MPN;
- after the date you are notified by the borrower to stop using the MPN.

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## Implementing an electronic Perkins MPN

A school that offers an electronic Perkins MPN must ensure the text of its electronic version is updated to exactly match the text of the revised Perkins MPN with the September 30, 2018, expiration date. No changes may be made to the text of the MPN except as provided in Dear Colleague Letter GEN-16-13. Schools using an electronic Perkins MPN should review the Department's standards for electronic signatures as provided in Dear Partner Letter GEN-01-06 before implementing an electronic Perkins MPN.

You may make Perkins Loans under an MPN for up to 10 years from the date the borrower signed the MPN. However, the first disbursement must be made within 12 months of the date the borrower signed the MPN. If no disbursements are made within that 12-month period, the borrower must sign another MPN before receiving a Perkins Loan. In addition, no further loans may be made under an MPN after the school receives written notice from the borrower requesting that the MPN no longer be used as the basis for additional loans.

## Retaining the electronic MPN

If the student completes an electronic MPN (eMPN), your school must maintain the original electronic promissory note, plus a certification and other supporting information regarding the creation and maintenance of any electronically-signed Perkins Loan promissory note or Master Promissory Note (MPN), and provide this certification to the Department, upon request, should it be needed to enforce an assigned loan. Schools and lenders are required to maintain the electronic promissory note and supporting documentation for at least three years after all loan obligations evidenced by the note are satisfied.

## Using ED-approved MPN and customizing the MPN

You must use the ED-approved MPN. You may not make changes to, deletions from, or additions to the prescribed language on the MPN. You may not alter the presentation of the Perkins MPN. However, a school has the option of deleting the bracketed sentence relating to minimum monthly payment. As stated in past guidance, the addition of coding is permitted as well. For more information, see the following:



- ◆ CB-06-10
- ◆ DPL GEN-01-06
- ◆ DCL GEN-15-21.

Coding identifiers cannot alter the general layout of the Perkins MPN provided in DCL GEN-15-21. The Perkins MPN must be printed in black ink on white paper. It is preferable to print the Perkins MPN on two sheets of paper, front and back. However, you may print the MPN on four single-sided pages as well.




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## Perkins websites

[ifap.ed.gov/dpclletters/gen0106.html](http://ifap.ed.gov/dpclletters/gen0106.html)

<http://ifap.ed.gov/dpclletters/GEN1521.html>

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## Perkins paper MPN mailing address

Department of Education  
P.O. Box 5692  
Montgomery, AL 36104

## Master Promissory Note—Questions and Answers

### Loan amount and payment period

**Q.** Why are there no boxes for the loan amount and loan period on the MPN?

**A.** Since the MPN can be used as either an annual or multiyear promissory note, it does not contain specific reference to the dollar amount of the loan to be disbursed, the disbursement dates, or the enrollment or award period covered by the loan.

**Q.** If a school chooses to use the MPN on an annual basis, can the school put boxes on the MPN for the award amount and the loan period?

**A.** No. The MPN is a federal form approved by the Office of Management and Budget (OMB). Schools may not add data elements to an OMB-approved form. Schools may only make minimal modifications to the MPN, as described in Dear Colleague Letter [DCL GEN-15-21](#) and elsewhere in this chapter.

### Record retention

**Q.** Should a school retain a record of the date and amount of each disbursement in the borrower's file to document that the borrower received the loan?

**A.** Yes. Since this information is not shown on the MPN, the school should maintain documentation of the loan amount, award period, and disbursement dates as part of the borrower's records. Disbursement records or student account records showing a Perkins Loan credit would serve this purpose.

**Q.** Are third party servicers' records sufficient to satisfy a school's need to retain supporting records showing loan amount, award period, and disbursement dates?

**A.** Unless the servicer is performing loan origination and disbursement functions for the school, only school records definitively show that the borrower was enrolled, the borrower's account was credited from Perkins loan funds, and the date and amount of disbursements. With certain borrower challenges, third party servicer records may not be sufficient.

## Standards for Electronic Signatures: Highlights for Perkins eMPNs

Before implementing the eMPN, your school should review the *Standards for Electronic Signatures in Electronic Loan Transactions* published in Dear Colleague Letter GEN-01-06.

The standards are voluntary; however, adherence to the standards will provide your school some protection should a court find a loan unenforceable due to the processing of an electronic signature or related records.

### Why apply these standards?

If your school's system for processing Perkins eMPNs adheres to the standards and a court finds the loan legally unenforceable based solely on the processing of the electronic signature or related records, the Department will not consider your school liable for the loan and will not require your school to reimburse its Perkins Loan Fund.

If your school's system for processing Perkins eMPNs does not adhere to the standards and a court finds the loan legally unenforceable based solely on the processing of the electronic signature or related records, the Department has the option to require your school to reimburse its Perkins Loan Fund.

### Verify the borrower's identity. Verify the borrower's electronic signature.

Collect at least the following identifying information: name, Social Security number, driver's license number, and date of birth. Verify the borrower's identity by authenticating this data with an independent source such as a national commercial credit bureau, a commercial data service, a state motor vehicle agency, or a government database.

The electronic signature may be a PIN, a password, another unique credential, a biometric value unique to the borrower, such as a fingerprint or retinal pattern, or a signature image. A typed name must be paired with a pin, password, or biometric to constitute an electronic signature.

Ensure that the electronic signature is secure.

### Get the borrower's consent. Make sure the borrower understands.

Obtain consent from the borrower to use an electronic record. It must be clear that the borrower has consented to use a Perkins eMPN in place of a paper MPN. Require the borrower to confirm that he or she has the necessary hardware and software to view, print, download, or otherwise complete the electronic signature process. Keep a record showing that the borrower gave this consent prior to electronically signing the Perkins eMPNs.

Ensure that the borrower understands he or she is signing a promissory note. The borrower must click through all terms and conditions of the Perkins eMPNs and acknowledge that he or she has read the terms and conditions.

Notify the borrower when his or her electronic signature is about to be applied to the Perkins eMPNs. Give the borrower an opportunity to cancel the signature process.

After the borrower signs the Perkins eMPNs, provide the borrower with reasonable access to the full electronic record of the eMPNs.

### Minimum monthly payment option

The optional provision regarding a minimum monthly repayment amount is included as a single optional sentence at the end of the repayment paragraph on page 1 of the MPN. You would include this sentence in the MPN if your school is exercising the minimum monthly payment amount provision. Page 2 of the MPN includes a summary of this provision. If the optional provision is included in the school's note, a minimum monthly payment of \$40.00 is required for a loan made on or after October 1, 1992, to a borrower who had no outstanding balance on a Perkins Loan, NDSL, or Defense Loan on the date the loan was made. (For other borrowers, the monthly minimum amount remains \$30.00.)

## DISBURSING FEDERAL PERKINS LOAN FUNDS

### Pre-disbursement activities

There are several tasks you must complete prior to disbursing Federal Perkins Loans.

You must have a process for confirming that the student understands the terms of the loan and accepts the loan by signing the MPN. For more on active and passive confirmation, see *Volume 4*.

You must confirm the student's enrollment status, because a student who is enrolled less than half time is not eligible for an in-school deferment. Also you should have a system that checks students' enrollment status periodically throughout an award year, as their status may change due to withdrawal from classes, expulsion, or unforeseen circumstance. (See *Loans to borrowers enrolled less than half time* later in this chapter.)

### Disclosures required prior to first disbursement

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#### Perkins disbursements

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**Payment by payment period**  
34 CFR 674.16(b)

**Uneven costs/uneven payments**  
34 CFR 674.16(c)

**Paying prior to student beginning attendance**  
34 CFR 674.16(f)

**Reporting Perkins Loans to credit bureaus**  
34 CFR 674.16(h)

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**Disclosure**  
34 CFR 674.16(a)



Before making the first Perkins Loan disbursement for an award year, the school must inform the student of his or her rights and responsibilities under the Federal Perkins Loan Program. The school must also remind the student that the loan may be used only for educational expenses and that the loan must be repaid. The school should also inform the student that the *school* holds the MPN.



The school must disclose all information to the student *in writing*—as part of the application material, as part of the promissory note, or on a separate form. Although the information can be mailed to a student, it is preferable for the aid administrator to meet with the student to answer any questions and to emphasize his or her responsibility to repay the loan.



The school must review all of the repayment terms in the promissory note. In addition, each year the school must give the following information to the student:

- ◆ the name and address of the school to which the debt is owed and the name and address of the official or servicing agent to whom communications should be sent;
- ◆ the maximum annual and aggregate amounts the student may borrow;
- ◆ the effect that accepting the loan will have on the borrower's eligibility for other types of student aid;
- ◆ a statement of the total cumulative balance owed by the student to that school and an estimate of the monthly payment amount needed to repay that balance;
- ◆ options the borrower may have for consolidation, refinancing, or cancellation;



#### Improper Disbursements

Your school is liable for any incorrect payments made to students due to school error.

### Collecting Additional Contact Information

A school should also attempt to collect the following contact information at the time of disclosure

- the name, address, and telephone numbers of the borrower's parents and spouse;
- the spouse's employer;
- the names and addresses of two or three of the student's personal acquaintances.

A school may not require a borrower to provide this additional contact information as a condition for receiving a subsequent Perkins Loan. However, the additional contact information gained during loan counseling could be valuable later for use in collection procedures or to locate a student who leaves school without notice or who does not attend the exit interview. This counseling may not be used to satisfy the requirement for an exit interview.

### Notification of Disbursement

You must notify the borrower of each disbursement of a Perkins Loan made under the MPN. This notification should inform the borrower of the amount disbursed and provide the borrower with an opportunity to cancel the disbursement or cancel the Perkins Loan.

### Disbursing Federal Perkins Loans

34 CFR 674.16(b)(c)(d)(e) & (g)

### Single-term Perkins Loans

Single-term loans are permissible. The Department expects schools to make Perkins award for the full academic year in accordance with 674.16(b). However, where there is a reason for making a single-term loan, it is allowed.

- ♦ a brief notice about the Department of Defense program for repaying loans based on certain military service;
- ♦ a complete list of charges connected with making the loan, including whether those charges are deducted from the loan or whether the student must pay them separately;
- ♦ a notice that the school will report the outstanding balance of the loan to a national credit bureau *at least annually*;
- ♦ a notice and explanation regarding the end to future availability of Perkins Loan Program loans;
- ♦ a notice and explanation that repayment and forgiveness benefits available to Direct Loan borrowers are not available to Perkins Loan borrowers;
- ♦ a notice and explanation regarding the borrower's option to consolidate a Perkins Loan into a Direct Consolidation Loan, including any benefit of consolidation;
- ♦ a notice and explanation providing a comparison of the interest rates of Perkins Loans and Direct Loans;
- ♦ a notice and explanation informing the borrower that the borrower has reached the maximum annual borrowing limit for Direct Subsidized Stafford Loans (for current undergraduate students as that term is defined in DCL GEN-16-05); and
- ♦ a notice and explanation informing the borrower that the borrower has reached the maximum annual borrower limit for Direct Subsidized and Unsubsidized Stafford Loans for which the borrower is eligible (for new undergraduate students, as that terms is defined in DCL GEN-16-05).

The school should also update the identification and contact information (see sidebar).

Your school must provide the disclosure information annually before the first disbursement of each Perkins Loan made under the MPN.

## Notifications



When a school credits a Perkins Loan disbursement to a borrower's account, the school must notify the borrower of the date and amount of the disbursement, the borrower's right to cancel all or part of the disbursement, and the procedures for notifying the institution that the borrower wishes to cancel the loan or the loan disbursement. The school must send this notification to the borrower no earlier than 30 days before, and no later than 30 days after, crediting the borrower's account.



You will need to retain subsidiary records of disbursements and adjustment to ensure that each Perkins Loan is legally enforceable. Actual disbursement records or student account records would serve this purpose.

Since a change in loan amount will not be reflected on the MPN, the school should notify the borrower in writing of any increase or decrease.

## Disbursing Federal Perkins Loans

During each payment period, you will disburse a portion of the student's total Federal Perkins Loan awarded for the academic year. In most cases, the payment for each payment period will be the following:

Loan Amount

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Number of payment periods you expect the student will attend

A school may advance funds within each payment period at such time and in such amounts as it determines best meets the student's needs. If a student incurs an uneven level of expenses or resources and needs more funds in a certain payment period, you may advance the student a larger portion of their total Federal Perkins Loan to pay for those uneven costs or lack of resources. You must document the reason for the unequal disbursement and maintain that documentation in the student's file.

If an educational program does not use terms to measure academic progress for FSA purposes, the school may not make the second loan disbursement until the student successfully completes the weeks of instructional time and the credit or clock hours in the payment period. These coursework completion requirements apply to clock-hour and non-term programs and to programs with nonstandard terms that are not substantially equal in length.

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### Disbursements to borrowers enrolled less than half time

34 CFR 674.32

### Loans to borrowers enrolled less than half time

You can disburse a Federal Perkins loan to a student enrolled less than half time, as long as the student is not enrolled in a program leading to a professional credential as a teacher. **A student who is less than half time when he or she receives the proceeds of his or her Federal Perkins loan is not eligible for an in-school deferment.** Therefore, the MPN states that for borrowers enrolled on a less than half-time basis, the borrower's repayment period begins at a time that is different than for borrowers who are enrolled at least half time.



Specifically, the MPN states that for borrowers enrolled on a less than half-time basis, the borrower's repayment period begins

1. if the borrower has a Federal Perkins Loan in repayment, on the date of the next scheduled installment payment of that loan; or
2. if the borrower has no outstanding loan, at the earlier of
  - nine months from the date the loan was made; or
  - the end of a nine-month period that began on the date the borrower ceased to be enrolled as at least a half-time regular student and includes the date the loan was made.

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### Credit bureau reporting

34 CFR 674.16(h)

### Credit bureau reporting

**You must report each Federal Perkins Loan to at least one of the three national credit bureaus (see sidebar) with which the Department has an agreement or to a local credit bureau that is affiliated with one of those three credit bureaus.** The following information must be reported:




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#### National credit bureaus

TransUnion Corporation 1-800-888-4213

Experian 1-888-397-3742

Equifax 1-800-685-1111

- ◆ the amount and date of each disbursement;
- ◆ repayment information and collection of the loan until the loan is paid in full; and
- ◆ the date the loan was repaid, canceled, or discharged for any reason.

Any changes to information previously reported on a loan must be reported to the same credit bureau(s) to which the information was originally reported.

### Post-disbursement NSLDS reporting



After a Federal Perkins Loan disbursement has been made, schools with active Federal Perkins Loans (including National Direct Student Loans and National Defense Student Loans) are required to report new loans or updated data on existing loans to NSLDS once a month on a schedule established by ED.

Data providers must meet all NSLDS reporting requirements as detailed in the NSLDS Federal Perkins Data Provider Instructions (Version 8) at

<http://ifap.ed.gov/nsldsmaterials/attachments/FederalPerkinsDPInstructVer8.pdf>

### Return of funds

There are circumstances under which you must return funds to the Department's Federal Perkins Loan Fund.

A student who withdraws before beginning attendance is not entitled to any FSA program funds. Though ED's regulations allow a school to credit a student's accounts before the first day of classes, schools have a fiduciary responsibility to safeguard federal funds. Therefore, if your school disburses Federal Perkins funds to a student before the start of classes and the student fails to begin attendance, the school will have to return the funds.

If a student who begins classes, officially or unofficially withdraws, or is administratively withdrawn by the school before completing the period for which the student received Federal Perkins funds, you will have to perform a Return calculation as described in *Volume 5* in order to determine whether or not you must put money back in your Federal Perkins fund.

#### PDF of NSLDS Data Provider Instructions

[ifap.ed.gov/nsldsmaterials/  
120814NSLDSPerkinsDPInstructNov2014.  
html](http://ifap.ed.gov/nsldsmaterials/120814NSLDSPerkinsDPInstructNov2014.html)

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#### Return of funds

34 CFR 674.16(f)  
34 CFR 668.22

**Coordinating official**

34 CFR 668.16(b)(1)

***When a student ceases to be enrolled at least half time***

**Required coordination process**—When a student ceases to be enrolled at least half time, he or she immediately enters grace or repayment as described previously under *Loans to borrowers enrolled less than half time*. Your school must have a process for coordinating between the office that tracks enrollment status, the financial aid office, and the office that manages or coordinates the servicing of your Federal Perkins Loan portfolio.



You must have a *coordinating official* who is responsible for ensuring that such information is shared among the offices that need it. For example, the office that tracks enrollment status must alert the coordinating official when a student's enrollment status drops below half time. The coordinating official then notifies the financial aid and business office. For a more detailed discussion of the *coordinating official*, see *Volume 2*.

***Subsequent disclosures and notifications***

Schools must provide loan amount and loan period information to the borrower through a means other than the MPN. Schools may provide this information in any number of formats, such as award letters or other written notifications and disclosures that schools are required to provide to the borrower.



Each Perkins Loan received under an MPN is a separate and distinct loan. **The disclosure information must be provided to the borrower annually, before the first disbursement of each new Perkins Loan awarded under the MPN.** The disclosure information must include a statement of the total cumulative balance owed by the borrower to the school and an estimate of the monthly payment amount needed to repay the balance. In the case of a borrower who makes payments on the loan while still in school, the statement of cumulative balance owed by the borrower should be adjusted to reflect those payments.

**RECOMMENDED ENTRANCE COUNSELING**

Schools making Perkins Loans are not required to conduct entrance counseling. However, entrance counseling can help increase student financial literacy and reduce defaults. Suggested topics in entrance counseling include the following:

- ◆ **Emphasize to the borrower the seriousness and importance of the repayment obligation** the borrower is assuming by signing the MPN and accepting a Federal Perkins Loan.

- ◆ **Review the terms and conditions of the loan**, including the current interest rate, the applicable grace period, and the approximate date the first installment payment will be due. Often a student loan is the borrower's first experience in obtaining a loan of any kind, so it helps to clearly explain basic loan terminology to ensure the borrower understands the process and knows who holds his or her loan. For example, you should define such terms as loan servicer (a corporation that administers and collects loan payments for the loan holder) and the use of contractors that may service the loan.
- ◆ **Stress that repayment is required** regardless of educational outcome or subsequent employment or lack thereof. You must explain that the student borrower is obligated to repay the full loan even if he/she doesn't finish the program, can't get a job after graduating, or is dissatisfied with the school's educational program or other services.
- ◆ **Review Borrower's Rights and Responsibilities.** The student must receive a statement of your school's Borrower's Rights and Responsibilities (BRR). (See the sample BRR following *Exit Counseling* later in this chapter.)
- ◆ **Describe the consequences of default**, including adverse credit reports, federal offset program, and litigation. We also recommend that you tell the borrower of the charges that might be imposed for delinquency or default, such as the school's collection expenses, late charges, and attorney's fees. Defaulters often find that repayment schedules for loans that have been accelerated are more stringent than the original repayment schedule. A defaulter is no longer eligible for any deferment provisions, even if he or she would otherwise qualify. Finally, a defaulter's federal and state tax refunds may be seized and wages garnished, and the borrower loses eligibility for any further funding from the FSA programs.
- ◆ **Explain the effect of accepting the loan** on the eligibility of the borrower for other forms of student assistance. There are program-specific rules for this, and you may wish to coordinate with your school's financial aid office.
- ◆ **Explain the use of the Master Promissory Note**, the use of the multiyear feature of the MPN, and the borrower confirmation process (including the possibility of passive confirmation in subsequent award years, if applicable). You should advise students to carefully read the MPN and the BRR statement before signing the MPN. In addition, you should inform borrowers of their right to sign a new promissory note for each loan and to opt out of the multiyear feature of the MPN.
- ◆ **Inform the borrower of the availability of FSA loan information** in the National Student Loan Data System (NSLDS at [www.nsls.ed.gov](http://www.nsls.ed.gov)).

- ◆ **Discuss how to manage expenses (budgeting).** Include general information for the student about budgeting of living expenses and personal financial management. Financial planning includes decisions by the borrower about the amount that he or she can afford to borrow. Budgeting information can be combined with an assessment of the student's earning potential in his or her chosen career and with required information about anticipated monthly payments and overall indebtedness.
- ◆ **Reinforce the importance of communicating to the school all changes to personal information or enrollment status.** Counseling should stress the student's obligation to keep the financial aid and business offices informed about address changes, or changes in enrollment. (Failure to tell borrowers about their responsibility to keep the school informed is one of the most common reasons why a loan goes into default.) The student should also be reminded of the importance of notifying the school in the event of a name change (including the change of a last name through marriage) or a change in Social Security number.
- ◆ **Describe the school's refund policy and other policies affecting withdrawals.** The borrower should be made aware of the school's satisfactory academic progress policy and refund policy and how the return of FSA funds will affect loan repayment.
- ◆ **Emphasize the importance of keeping loan records.** This would be a good time, if your school has the resources, to provide a student with a folder or other aids to encourage him or her to keep all financial aid materials in one place. The student should keep copies of all records relating to the loan, beginning with the Master Promissory Note and notices showing when the student received loan payments or his or her account was credited. The student should keep any loan repayment schedules provided by the school as well as records of loan payments—including canceled checks and money order receipts. The student should keep copies of any requests for deferment or forbearance, or any other correspondence with the school.
- ◆ **Inform the student of the exit counseling requirement.** Because many students leave school before the scheduled end of their academic programs, it's helpful to remind students during entrance counseling that they are obligated to attend exit counseling before they cease to be enrolled at least half time.

## A School Must Provide Repayment Information

Schools participating in the Perkins Loan Program must disclose the following information in a written statement provided to the borrower either shortly before the borrower ceases at least half-time study at your school or during exit counseling. If the borrower enters the repayment period without the institution's knowledge, your school must provide the required disclosures to the borrower in writing immediately upon discovering that the borrower has entered the repayment period. The repayment information must include:

- the name and address of the school to which the debt is owed and the name and address of the official or servicing agent to whom communications should be sent;
- the name and address of the party to which payments should be sent;
- the current balance owed by the borrower;
- the stated interest rate on the loan;
- the total interest charges the borrower will pay on the loan pursuant to the projected repayment schedule;
- the total amount the borrower will repay if the borrower follows the repayment schedule provided;
- the date on which the repayment period is scheduled to begin;
- a repayment schedule for all loans covered by the disclosure, including the date the first installment payment is due and the number, amount, and frequency of required payments;
- the available repayment options (including special options for forbearance, deferment, consolidation, and refinancing);
- the consequences of consolidating a Federal Perkins Loan;
- a statement that the borrower has the right to prepay all or part of the loan at any time without penalty;
- a description of the charges imposed for failure of the borrower to pay all or part of an installment when due; and
- a description of any charges that may be imposed as a consequence of default, such as liability for expenses reasonably incurred in attempts by the Department or the school to collect on the loan.

34 CFR 674.42(a)

## Entrance Counseling Overview

Before a borrower takes out a loan, you must make certain disclosures to the student. You can elect to conduct a thorough entrance interview or counseling session with borrowers. Entrance interviews may be conducted individually or in a group with other borrowers. Entrance interviews are important because new students often have little or no experience with loan repayment or managing debt.

If you choose to conduct entrance counseling rather than merely providing the required information, the session may be given by a consultant or servicer or conducted online. If the information/materials are provided electronically, you'll need to make sure that the student receives written materials for any required information that is not provided in the electronic presentation. It is also helpful if someone with expertise in the FSA programs is available shortly after the interview or session to answer borrowers' questions about those programs.

You have an opportunity at the time of each disbursement to remind students about the importance of satisfactory academic progress (see *Volume 1*), planning for future employment, and staying in touch with the office responsible for managing your school's Federal Perkins portfolio.

If your staff is conducting in-person counseling session, the use of charts, handouts, audiovisual materials, and question-and-answer sessions can help convey the information in a more dynamic manner. We also recommend the use of written tests. **Regardless of the methods your school uses to disclose the required information, you must document that the student received it.**



## EXIT COUNSELING

Schools making Perkins Loans are required to conduct exit counseling. As with entrance counseling, it is helpful if someone with expertise in the FSA programs is available shortly after the counseling to answer borrowers' questions about those programs.

If you elect to conduct exit counseling through interactive electronic means, the school must take reasonable steps to ensure that each student borrower receives the required materials and participates in and completes the exit counseling. Some of the material presented at the entrance counseling session will again be presented during exit counseling. The suggested emphasis for exit counseling shifts, however, to more specific information about loan repayment and debt-management strategies.

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### Exit counseling requirements

34 CFR 674.42(b)

HEA section 485(b)(1)(A)

### *Required elements of exit counseling*

- ◆ **Review terms and conditions of the loan** including the current interest rate, the applicable grace period, and the approximate date the first installment payment will be due.
- ◆ **Inform the student as to the average anticipated monthly repayment amount** based on the student's indebtedness or on the average indebtedness of students who have obtained Federal Perkins Loans for attendance at the school or in the borrower's program of study. We recommend giving the borrower a sample loan repayment schedule based on his or her total indebtedness. A loan repayment schedule usually will provide more information than just the expected monthly payment—for instance, it would show the varying monthly amounts expected in a graduated repayment plan.
- ◆ **Suggest debt-management strategies that would facilitate repayment.** Stress the importance of developing a realistic budget based on the student's minimum salary requirements. It's helpful to have the student compare these costs with the estimated monthly loan payments and to emphasize that the loan payment is a fixed cost, like rent or utilities.
- ◆ **Emphasize to the borrower the seriousness and importance of the repayment obligation** the borrower is assuming.
- ◆ **Provide a general description of the types of tax benefits** that might be available to borrowers.
- ◆ **Explain options the borrower has to change repayment plans.**
- ◆ **Explain the use of an MPN.**
- ◆ **Explain options the borrower has to prepay** a loan without penalty.

- ◆ **Provide information on forbearance provisions** and a general description of terms and conditions under which the borrower may defer repayment of principal or interest or be granted an extension of the repayment period.
- ◆ **Provide information on loan forgiveness and cancellation** and the conditions under which the borrower may obtain full or partial forgiveness or cancellation of principal and interest.
- ◆ **Describe the consequences of default**, including adverse credit reports, federal offset, and litigation. We also recommend that you tell the borrower of the charges that might be imposed for delinquency or default, such as the school's collection expenses, late charges, and attorney's fees. Defaulters often find that repayment schedules for loans that have been accelerated are more stringent than the original repayment schedule. A defaulter is no longer eligible for any deferment provisions, even if he or she would otherwise qualify. Finally, a defaulter's federal and state tax refunds may be seized and wages garnished, and the borrower loses eligibility for any further funding from the FSA programs.
- ◆ **Emphasize that the borrower is obligated to repay the full amount of the loan** even if the borrower has not completed the program, is unable to obtain employment upon completion, or is otherwise dissatisfied with or does not receive the educational or other services that the borrower purchased from the school.
- ◆ **Require the borrower to provide current information** concerning name, address, Social Security number, references, and driver's license number; and the borrower's expected permanent address, the address of the borrower's next of kin, and the name and address of the borrower's expected employer.
- ◆ **Remind the borrower that, in a timely manner, he or she must inform the school of any changes to the aforementioned information.**
- ◆ **Remind the borrower of the existence and purpose of the Student Loan Ombudsman's office.** The Ombudsman's office is a resource for borrowers when other approaches to resolving student loan problems have failed.
- ◆ **Inform the borrower of the availability of FSA loan information in the National Student Loan Data System (NSLDS at [www.nsls.ed.gov](http://www.nsls.ed.gov)).**
- ◆ **Review the opportunity for and effects of loan consolidation.**

### Information on Consolidating Perkins Loans

Consolidation offers a Perkins borrower options the borrower does not have under the Perkins regulations alone.

During exit counseling, a school must also include information on the consequences of consolidating a Perkins Loan, including

- the effects of the consolidation on total interest to be paid, fees, and length of repayment;
- the effect on a borrower's underlying loan benefits, which includes grace periods, loan forgiveness, cancellation, and deferment; and
- the option the borrower has to prepay the loan or to select a different repayment plan.

## Sample Summary of the Rights and Responsibilities of a Federal Perkins Loan Borrower

*This is only a summary of your rights and responsibilities. For more detailed information, consult your Federal Perkins Loan promissory note or the holder of your loan.*

You have the right to cancel all or part of your Federal Perkins Loan.

You have the right to receive a statement of your account upon request.

You have the right to prepay all or part of your loan without any penalty.

If you graduate or leave school, or if your enrollment drops below half time, you have the right to a nine-month grace period before beginning repayment of your Federal Perkins Loan.

You have the right to defer payments on your Federal Perkins Loan if you are attending an eligible postsecondary school as at least a half-time student, and in some cases if you are

- participating in a rehabilitation training program;
- enrolled and attending graduate school;
- participating in an internship or residency program in dentistry;
- seeking but unable to find full-time employment;
- experiencing economic hardship;
- serving in the Peace Corps;
- receiving payment from a federal or state public assistance program;
- performing qualifying military service, or
- repaying federal education loans that exceed or for which the payments exceed certain specified amounts.

If your Federal Perkins Loan is placed in deferment, you will not have to make payments, and interest will not accrue.

You have the right to forbearance—a temporary cessation of payments, an extension of the time for making payments, or temporarily making smaller payments than were previously scheduled—under certain health-related or financial circumstances. You also have the right to have part or all of your loan cancelled for:

- death or total and permanent disability;
- full-time employment in the Head Start Program or full-time staff member in a child care or pre-kindergarten program;
- full-time employment as a teacher in an elementary school, secondary school, or educational service agency serving low-income students;
- full-time teaching as a special education teacher;
- full-time teaching of certain academic subjects in which there are teacher shortages;
- full-time employment as a nurse or medical technician;
- full-time employment in a public or nonprofit child or family service agency;
- full-time service as a qualified professional provider of early intervention services;
- full-time employment as a law enforcement or corrections officer or firefighter;
- military service in a hostile fire/imminent danger area;
- full-time employment as a librarian with a master's degree or speech language pathologist with a master's degree;
- full-time employment as a faculty member in a tribal college; or
- full-time employment as a federal public defender or federal community defender.

## Sample Summary of the Rights and Responsibilities of a Federal Perkins Loan Borrower (continued)

This is only a summary of your rights and responsibilities. For more detailed information, consult your Federal Perkins Loan promissory note or the holder of your loan.

You are responsible for using the proceeds of your Federal Perkins Loan only to pay authorized educational expenses.

You are responsible for repaying the full amount of your Federal Perkins Loan even if you:

- do not complete the program;
- are unable to obtain employment upon completion; or
- are dissatisfied with the program or other services you purchased from the school.

Repayment begins the day after your nine-month grace period ends.

You are responsible for notifying the financial aid office if you:

- change your local address, permanent address, or telephone number;
- change your name (for example, maiden name to married name);
- do not enroll at least half time for the loan period certified by the school;
- do not enroll at the school that determined you were eligible to receive the loan;
- stop attending school or drop below half-time enrollment;
- transfer from one school to another school; or
- graduate.

You are also responsible for notifying the financial aid office if you:

- change your employer, or your employer's address or telephone number changes, or
- have any other change in status that would affect your loan (for example, if you received a deferment while you were unemployed but you have found a job and therefore no longer meet the eligibility requirements for the deferment).

You are responsible for obtaining, completing, and returning to the school for processing any forms required to apply for forbearance, deferment, or cancellation benefits.

You are responsible for notifying the school before the due date of any payment that you cannot remit.

You are responsible for making payments on time even if you do not receive a billing statement.

You may contact the school by writing to us at

School Name  
Business Office  
Building, Name, Room Number  
City, State Zip

by calling us at

(555) 666-1234

by sending an email to

PerkinsRepayment@ZCC.edu

## REIMBURSEMENT OF THE PERKINS LOAN FUND

The Department may require your school to reimburse its Perkins Loan fund for any outstanding balance on an overpayment or a defaulted loan for which your school failed to record or retain the promissory note, record disbursements, or exercise due diligence. Your school must also reimburse the Perkins Loan fund for the amount of the administrative cost allowance claimed on any reimbursed portion of a loan.

You do not have to reimburse the Perkins Loan fund if your school can recover the defaulted loan or show the Department that the borrower would not have paid the loan even if your school properly exercised due diligence. Also, you should not reimburse the Perkins Loan fund for loans on which your school obtains a judgment.

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**Reimbursement for overpayments or default**

34 CFR 674.13(a)(2) & (c)

## INTERNAL CONTROLS IN THE FEDERAL PERKINS LOAN PROGRAM—RECONCILIATION, FISCAL AND PROGRAM RECORDS

### NSLDS Reporting Requirement

Schools and third-party servicers are required to report new loans or update data on existing loans to the National Student Loan Data System (NSLDS). It is ultimately the school's responsibility to ensure that its required reporting to NSLDS (which includes Perkins loan account detail) is completed timely and accurately. Schools that use a third-party servicer must communicate the reporting requirements to its third-party servicer and ensure that its servicer complies with timely and accurate reporting. It is important for schools to understand that they will be responsible for any non-compliance by the servicer.

Your school must reconcile, at least monthly, your Federal Perkins Loan draws recorded in G5 to the funds received in the bank account your school has designated to receive electronic transfers. You must also reconcile monthly the amount drawn down and received to the amounts disbursed to students or returned to ED, and explain all discrepancies.



In addition, you should examine your Federal Perkins Loan program and fiscal records at the start of the year and monthly.

- ◆ Do all funds paid directly by students, collected by third-party servicers, received for loans cancelled, and received as interest flow into your Federal Perkins Loan bank account, and are they reflected on your Asset Account, Cash–Federal Perkins Loan?
- ◆ If ED provides an FCC, do you ensure that you only request FCC funds if the total of disbursements you anticipate making exceeds the balance in your Federal Perkins Loan Bank Account and reflected on your Asset Account, Cash–Federal Perkins Loan (cash on hand and available for lending)?
- ◆ If ED provides an FCC, is your ICC consistently deposited at the same time you receive your FCC? (A school may deposit ICC into its Perkins Loan fund at any time for the purposes of meeting its lending needs.)
- ◆ Regardless of whether a school receives an FCC, it must return any excess liquid capital (the amount by which its cash from all sources for the award year significantly exceeds the year's total expenditures). Do you have a system that ensures the cash on hand in your Perkins Loan account at the end of the award year is kept to a reasonable minimum?

## WHEN ONE OF YOUR SCHOOL'S FEDERAL PERKINS LOANS IS CONSOLIDATED

If a student with an outstanding Federal Perkins Loan from your school applies to have that loan consolidated, the Direct Loan Consolidation System (DLCS) will send you a Loan Verification Certificate (LVC). You have 10 days from the date of receipt to complete the LVC and return it to DLCS. You are not required to provide the requested loan information if there is a judgment against the borrower on the loan that the borrower wants to consolidate.

If DLCS makes the consolidation loan, you will receive the amount you indicated on the LVC plus some interest. You must deposit the funds in the account holding your Federal Perkins revolving fund, record the deposit in the appropriate ledgers (and contra accounts), and report the payment on your FISAP.

If the amount you receive from DLCS is more than what is owed on the loan, you must return the overpayment to DLCS. You may not distribute any funds to the borrower. If the amount you receive is less than what is owed on the loan you must request the underpayment from DLCS. You may not bill the student (34 CFR 685.220(f) (iii) (4)).

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### LVC

34 CFR 685.220(f)(1)(i)  
DCL FP-04-02

**NEW**

## SCHOOLS ARE REQUIRED TO RETURN ANY EXCESS LIQUID CAPITAL

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### Instructions for returning Perkins ELC

<http://ifap.ed.gov/cbpmaterials/attachments/InstructionsForReturningPerkinsFunds.pdf>

Section 466(c) of the Higher Education Act requires schools to return to the Department the Federal share of any Excess Liquid Capital (ELC) in the institution's Federal Perkins Loan Revolving Fund (Fund). Excess Liquid Capital is the amount of the Fund's "Cash on Hand" that is in excess of the institution's estimated need for Perkins Loan funds.

The Department will determine an institution's Excess Liquid Capital (ELC) by using data reported on the institution's FISAP. The formula used to determine if an institution has ELC in its Fund accounts for changes in the Institutional Capital Contribution (ICC) matching requirement over the years, and for any overmatching by the institution. The calculation also takes into account any Federal Capital Contribution (FCC) previously returned by the school to the Department and any ICC repaid to the school by the Fund.

The Department will notify the institution of 1) the amount of ELC amount the institution has in its Fund; 2) the amount of the Federal share of ELC that must be returned to the Department; and 3) the amount of the institutional share of ELC that the institution must remove from its Perkins Fund and return to the institution; and, 4) the deadline by which the institution must return the Federal share to the Department.

To ensure accuracy in processing the payment received by a school, the school should follow the instructions for "Returning Perkins Funds" that are located on IFAP on the Campus-Based page. The Department strongly encourages an institution return ELC through the G5 refund function (Payments > Create Refunds > Miscellaneous Refunds > Perkins Excess Cash). For schools that must submit payment by check, the institution must follow the process and steps as written in the instructions that include sending an email to [Perkinsliquid@ed.gov](mailto:Perkinsliquid@ed.gov), notifying the Department that a check has been sent.

## ENDING YOUR SCHOOL'S PARTICIPATION IN THE PERKINS LOAN PROGRAM



A school must liquidate its Perkins Loan portfolio when the school

- ◆ voluntarily withdraws from the Perkins Loan Program;
- ◆ has had its eligibility to participate in the Perkins Loan Program terminated by the Department;
- ◆ has not been approved by the Department for continued participation in the Perkins Loan Program during the school's recertification process; or
- ◆ is closing.

A school is urged to liquidate its Perkins Loan Revolving Fund and its Perkins Loan Portfolio if it is no longer advancing Perkins Loan funds to students.

**NEW**

**For Complete Instructions on Liquidation and Closeout of the Perkins Loan Program, see the Perkins Loan Assignment and Liquidation Guide at**

**<http://www.ifap.ed.gov/cbpmaterials/attachments/PerkinsAssignmentandLiquidationGuide.pdf>**



If a school is closing and wishes to provide an orderly withdrawal from the Perkins Loan Program, these procedures should be followed in conjunction with the guidance provided by the ED's School Participation Team at

**<http://ifap.ed.gov/ifap/helpContactInformationDetailedList.jsp?contactname=School%20Participation%20Division>**

### Contact Information

If you have questions about liquidating your loan portfolio or assigning loans to ED, contact the Campus-Based Call Center at 1-877-801-7168. Customer service representatives are available Monday through Friday from 8:00 a.m. until 8:00 p.m. (ET). You may also email [cbfob@ed.gov](mailto:cbfob@ed.gov).



Several steps must occur in order to liquidate a Perkins Loan portfolio and complete the closeout of the program. Assigning loans to the Department is just one step in the process. A school's Perkins Loan portfolio is not considered liquidated unless it has received an official letter of completion from the Department.

## Steps for Schools Ending Participation in the Federal Perkins Loan Program

(For complete instructions see Electronic Announcement 2014-11-13.)

### Step 1. Notify the Department of Education of Intent to Liquidate

A school must notify the Department of Education of its intent to liquidate its Federal Perkins Loan portfolio by sending a written letter to

**Federal Perkins Loan Program Liquidation  
Grants & Campus-Based Division  
U.S. Department of Education  
Union Center Plaza  
830 First Street, NE, Room 63C1  
Washington, DC 20202**

Alternatively, the Department will accept an email as written notification. The email must be sent by an authorized official of the school, such as the Financial Aid Administrator or President to [perkinsliquid@ed.gov](mailto:perkinsliquid@ed.gov).

### Step 2. Assign Loans to the Department of Education

When a school liquidates its Perkins Loan portfolio, it must assign the remaining loans with outstanding balances to the Department for collection. The school must inform servicers involved in billing or collection activities to return outstanding accounts to the school so that it can begin the loan assignment process, which results in the Department becoming the holder of the loan. The school must submit a completed Perkins Assignment Form (OMB Form 1845-0048) with each outstanding Perkins, National Direct Student Loan (NDSL), and Defense Loan. Using Departmental student data and FISAP data, the Department will work with the school to reconcile any discrepancies between what it reports and what we have on file. The total amount of loans we have in our records must match what is reported by the school on the FISAP.

### Step 3. Initiate Independent Perkins Program Audit

The regulations (34 CFR 668.26) require a school to submit a letter of engagement for an independent audit of all funds that the school received under the program to the Secretary within 45 days after the school's participation ends. The results of the independent audit must be submitted to the Secretary within 45 days after the date of the engagement letter with the audit firm.

Schools that qualify and report annually under the Single Audit Act, commonly referred to as the OMB A-133 audit, should consult with their auditor and contact the FSA's School Participation Team to discuss how the close-out reporting will be completed.

### Steps for Schools Ending Participation in the Federal Perkins Loan Program (continued)

A school must send a copy of the audit or the portion that contains the specific information prescribed in “Federal Perkins Loan Liquidation Procedures” in an Electronic Announcement of 2013-4-19 to

Federal Perkins Loan Program Liquidation  
U.S. Department of Education Grants & Campus-Based Division  
830 First Street, NE Union Center Plaza, Room 63C1  
Washington, DC 20202

Alternatively, a copy of the audit can be sent electronically via email to [perkinsliquid@ed.gov](mailto:perkinsliquid@ed.gov) as an attached PDF.

#### Step 4. Continue Reporting to NSLDS

A school must complete its NSLDS reporting requirements in accordance with the instructions in the *NSLDS Enrollment Reporting Guide* posted July 23, 2014, and *Perkins Data Provider Instructions* dated November, 2014, and available at

<http://ifap.ed.gov/nsldsmaterials/120814NSLDSPerkinsDPInstructNov2014.html>.

NSLDS reporting must continue until all of a school’s outstanding Federal Perkins Loans are fully retired, accepted for assignment by the Department, or purchased by the school.

#### Step 5. Return the Federal Capital Contribution to the Department of Education as Determined by the Independent Audit and Verified by the Department

The final capital distribution from a school’s Federal Perkins Loan revolving fund must be made in accordance with Title IV, Part C, Section 466(c) of the Higher Education Act of 1965, as amended (HEA). This section requires a school to return the federal share of a school’s Federal Perkins Loan revolving fund to the Department as calculated and verified by the Independent Perkins Program Audit and again verified by the Department (see Step 3).

#### Step 6. File a Final FISAP

A school must continue to file its FISAP annually until it can report all final activity. Final activity would be assigning any remaining loans with outstanding balances to the Department or reimbursing the Fund for the purpose of purchasing any loans that are not accepted by the Department, and repayment of Fund Capital distributions.

#### Step 7. School Communication to Department of Completed Steps and Reconciliation of FISAP Data with Department of Education

In order to complete the liquidation process, the school must send a letter to

Federal Perkins Loan Program Liquidation  
U.S. Department of Education Grants & Campus-Based Division  
830 First Street, NE Union Center Plaza, Room 63C1  
Washington, DC 20202

### Steps for Schools Ending Participation in the Federal Perkins Loan Program (continued)

The letter should state that

- the school's outstanding loans have been fully retired, purchased, or assigned;
- the federal share amount of the cash on hand has been or will be returned; and
- the Independent Perkins Program liquidation audit has been completed.
- The letter or email must also include as an attachment or enclosure, the following:
  - a copy of the refund check for the federal share of cash on hand if amount was paid for by check or if sent electronically, copy of the EFT or G5 receipt, if not already forwarded; and
  - a copy of the Independent Perkins Program liquidation audit report with required detail.

The Department's Grants and Campus-Based Division will use the email or letter and its attachments or enclosures to assist in reconciling the information submitted by the school.

We will also verify that the Department has received the federal share of the cash on hand and that it is the correct amount.

Once the Department's Grants and Campus-Based Division has reconciled or verified the information submitted by the school, it will communicate any additional steps. In some cases, the next step would be for the school to submit its Final FISAP (see Step 6).

Alternatively, the Department will accept an email as written notification. The email must be sent by an authorized official of the school, such as the Financial Aid Administrator or President, and sent to

**perkinsliquid@ed.gov**

The subject of the email notification should include the name of the school, OPEID number, and the words "FINAL STEP OF LIQUIDATION."

#### **Step 8. Receive Official Liquidation Completion Letter from the Department of Education**

Once the liquidation requirements are satisfied, a letter of approval will be sent to your school from the Department's Grants and Campus-Based Division. Your school must receive this letter, which will confirm completion of the liquidation process. **Please refer to the attachment titled *Federal Perkins - Liquidation Procedures in an Electronic Announcement of 2013-4-19* for additional steps you must take.**

## Assignment of Perkins Loans to the Department

Schools participating in the Federal Perkins Loan Program may submit assignment packages to the Department at any time during the processing year using the Perkins Loan Assignment System User Access Process. Visit the following for additional information:

<http://ifap.ed.gov/eannouncements/attachments/092115PerkinsLoanAssignmentSystemSystemAvailandUserAccessInfoAttach.pdf>

All loans that a school assigns to the Department are assigned without recompense. The Department will not reimburse the school's Federal Perkins Loan Fund for the loans, and all rights, authorities, and privileges associated with the loan are transferred to the United States. The school is relieved of incurring additional expenses in attempting to collect on the loan. Any funds collected by the Department on these loans are the property of the United States.

**Note:** Assignment of defaulted loans will not affect the calculation of the school's Perkins Loan cohort default rate.

The Department recognizes that a school may have exhausted all of its available collection options on some of its defaulted Perkins Loans and encourages schools to assign these loans to the Department so additional steps can be taken to recover the loan funds. The Department has collection tools that are not available to schools, such as administrative wage garnishment, Treasury offset, and litigation by the Department of Justice.

Perkins Loans may be assigned to the Department when a school

- ◆ chooses to assign defaulted Perkins Loans after due diligence has still resulted in default (see the discussion under *Assigning Defaulted Perkins Loans* in *Chapter 5*),
- ◆ is directed by the Department to assign a Perkins loan after the Department has made a determination that the borrower is eligible for a total and permanent disability discharge; and
- ◆ is liquidating its Perkins Loan portfolio and assigns both defaulted and non-defaulted loans to the Department.

### Reminder

#### Retaining Access to the Nonfederal Portion of Perkins Collections

Once a school assigns a loan to the Department, the school loses access to the nonfederal portion of that Perkins Loan. A school that wants to retain the nonfederal portion of any of its outstanding Perkins collections should, when it has a choice, not assign that loan.

## Assignment of loans

34 CFR 674.50

### Questions About Assignment Processing

Questions regarding the assignment process as it pertains to the rest of the student financial aid award process or questions concerning the management of student loans not assigned to the Department should be directed either in writing or by phone to the School Participation Team serving your region.

More specific questions pertaining to the procedures for assignment of accounts set forth in this letter, or pertaining to the status of a school's assignment submissions, or to the correction of rejected submissions, can be directed to

**PerkinsLoanAssignments@ed.gov.**

Written inquiries should be mailed to

Federal Student Aid  
U.S. Department of Education  
Operation Services, Processing Division  
Perkins Loan Assignments  
50 Beale Street, Suite 8601  
San Francisco, CA 94105-1813

### Required Assignment Documents Include

1. Submission Package Manifest
2. Perkins Assignment Form
3. Original Promissory Note and Certification/Audit of eSignature Process
4. Judgment Information (if applicable)
5. Bankruptcy Information (if applicable)
6. Due Diligence Documentation (if applicable)
7. Complete Repayment History

and the following optional information:

- Disbursement Records
- Repayment Schedule
- Acceleration Notice
- Documentation of Recall
- Approved Cancellation Documentation

## ASSIGNMENT AND LIQUIDATION GUIDE

### Perkins Loan Assignment System

EA 2015-04-22 Electronic Processing Option for Perkins Loan Assignments  
EA 2015-09-21 Perkins Loan Assignment System

#### Paper Documentation

Since original promissory notes with a borrower's signature are required, even if a school utilizes PLAS, promissory notes, should be mailed to ECSI.

#### TIP

#### Supporting Documentation for Assignment of Perkins Loans

You can find a chart that summarizes the supporting documentation schools must provide when assigning Perkins Loans to the department in *Chapter 5* of this Volume.

#### TIP

#### Navigating to the updated Guide

From the IFAP Website's home page at

<https://www.ifap.ed.gov/ifap/>

Click on the Processing Resources box, and then click on the Campus-Based Processing Information link.

Perkins liquidation and assignment information is highlighted in an orange box on the right side of the page.

Note: We encourage schools to bookmark the Campus-Based Processing Information page for easy reference.

A combined *Federal Perkins Loan Assignment and Liquidation Guide* is now available on the Campus-Based Processing Information Page on the Information for Financial Aid Professionals (IFAP) Website.

The Assignment and Liquidation Guide has been restructured. It now includes information about the assignment process as well as detailed information about the required processes for the liquidation of a school's Federal Perkins Loan (Perkins Loan) portfolio and Perkins Loan Revolving Fund (Fund) when a school decides to end its participation in the Perkins Loan Program. In addition, we have included information about two key processing changes:

1. **Perkins Loan Assignment System (PLAS)** – As explained in a September 21, 2015 Electronic Announcement, PLAS allows schools to submit Perkins Loan assignments electronically. The system is found at <https://efpls.com>.
1. **Online Perkins Liquidation Module in the eCampus-Based (eCB) System** – We have implemented changes to streamline the Perkins Loan liquidation process for schools and to provide an accessible tracking system for both schools and the Department of Education (the Department) to view and follow through the eventual closeout of a school's Perkins Loan Program. Using this new functionality, schools will be guided through the liquidation and closeout process.

Schools are now required to utilize the eCB System to notify the Department of their intent to liquidate and begin the liquidation process. To get started, a school would log in to the eCB System and select "Perkins Liquidation" from the menu choices on the left. Click on "Intent and Close-out Form" and follow the on-screen instructions. Other key features of the Perkins Liquidation Module include:

- The determination of the Federal and Institutional shares of the remaining cash in the Fund is now calculated as part of the Perkins Liquidation Module. Schools are given the opportunity to update the cash on hand amount prior to the calculation. The calculation may include a liability for any amount of loans a school must purchase.
- The eCB System will post the Federal share amount owed to a school's self-service page in the eCB System with instructions for remitting payment to the Department.

- Once the Federal share amount has been received by the Department, schools will submit final FISAP data for the Perkins Loan Program in the new module.

If you have questions regarding the Perkins Assignment and Liquidation Guide, contact the Campus-Based Call Center at 877-801-7168. Customer service representatives are available Monday through Friday from 8:00 a.m. until 8:00 p.m. (ET). You may also e-mail [cbfob@ed.gov](mailto:cbfob@ed.gov).

### ***Notification to borrowers of assigned loans***

A school must notify borrowers of the pending assignment of their loan(s) to the Department. Such notification should take place at least 30 days prior to assignment of the loan. Occasionally, this notification results in payments from borrowers who have been unwilling to make payments in the past. If a payment is received, the school should deposit the funds immediately into its Perkins Program Fund and await official notification of acceptance.

If a school is liquidating its Perkins loan portfolio, the loans should be submitted to the Department no later than 45 days from the date the school submitted its intent to liquidate.

Any payments received by the school or its servicer after the certification date on the Perkins Assignment Form become the property of the Department, unless the Department rejects that account.

Borrowers seeking to make repayment after acceptance by the Department of their assigned loans should be referred to the Department's Customer Service Center.

**U.S. Department of Education  
ECSI Federal Perkins Loan Servicer  
P.O. Box 105765  
Atlanta, GA 30348-5765**

**The Borrower Customer Service telephone number is:  
866-313-3797**

#### **Questions about Assignment**

If you have questions about assigning Perkins Loans, contact the Campus-Based Call Center at 877-801-7168. Customer service representatives are available Monday through Friday from 8:00 A.M. until 8:00 P.M. (ET). You may also email [cbfob@ed.gov](mailto:cbfob@ed.gov).

### *Payments received before the loan has been accepted*

If the loan has been submitted but not yet accepted and the school receives a payment, the school should deposit the funds immediately into its Perkins Program Fund and await official notification of acceptance. Upon acceptance of the account, the institution must issue a check to the Department, including the borrower and loan information noted above so that the borrower records can be updated to reflect payment.

### *Payments received after the loan has been accepted*

Any payment the school or its servicer receives from a borrower after the borrower's account has been submitted to the Department for assignment and accepted by the Department, should be forwarded as soon as possible, to:

**Department of Education**  
**ECSI Federal Perkins Loan Servicer**  
**P.O. Box 105765**  
**Atlanta, GA 30348-5765**

**Note:** Courier services do not deliver to postal boxes so we recommend using the United States Postal Services registered mail.



Each payment submission must clearly identify the borrower's full name, Social Security number, and the type of loan to which the payment is to be applied.

Once a loan is submitted for assignment, it becomes the property of the Department and will only be returned to the school for deficiencies related to its submission. Therefore, a school should not contact the Department to request the return of a submission because a borrower has made a payment to the school.

**Collection fees****Reminder**

Any collection agency fees that are deducted from payments received after account submission to the Department are the sole responsibility of the institution and may not be charged to the Federal Perkins Program Loan Fund. The entire borrower payment must be forwarded to the Department.

**SCHOOLS CAN NOW SUBMIT ASSIGNMENT DATA ELECTRONICALLY****NEW**

Schools can now complete the Perkins Loan Assignment Form online using the new Perkins Loan Assignment System (PLAS).

The Perkins Loan Assignment System allows authenticated users to

- ◆ submit multiple loans as a “batch file” or submit individual loans;
- ◆ securely upload supporting documentation (promissory notes, payment histories, etc.);
- ◆ search, view, and edit submitted loan assignment information; and
- ◆ view reports of Perkins Loans that have been accepted or rejected for assignment.

You can find additional information about PLAS in Appendix A to this volume and on the Information for Financial Aid Professionals (IFAP) Website.

## PERKINS RECORDKEEPING

### Sample certification statement

If the original promissory note is released for the purpose of enforcing repayment, the school must keep a certified true copy. To qualify as a certified true copy, a photocopy (front and back) of the original promissory note must bear a certification statement signed by the appropriate school official. The following text can be used as the certification statement on a certified true copy of a Perkins promissory note.

CERTIFIED TRUE COPY: I declare under penalty of perjury that the foregoing is a true and correct copy of the original promissory note.

Signature: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

Perkins Loan records a school must maintain include, but are not limited to

- ◆ documentation of each student’s eligibility for a Perkins Loan;
- ◆ the promissory note;
- ◆ documentation of the amount of a Perkins Loan, its payment period, and the calculations used to determine the amount of the loan;
- ◆ documentation of the date and amount of each disbursement of Perkins Loan funds; and
- ◆ information collected at initial and exit loan counseling required by Perkins Loan regulations.

You must maintain the original promissory note signed by the student. When the borrower has fully repaid the Perkins Loan, your school must either notify the borrower in writing or mark the original note “paid in full” and return to the borrower. Your school must keep the original or a copy of the promissory note for at least three years after the date the loan was paid in full.



If your school uses an electronic Perkins Loan promissory note, it must maintain an affidavit or certification regarding creation and maintenance of the electronic note, including its authentication and signature processes.

For each Perkins Loan borrower, a school must also maintain a repayment history that shows

- ◆ the date and amount of each repayment during the life of the loan;
- ◆ the amount of each repayment credited to principal, interest, collection costs, and either penalty or late charges;
- ◆ the date, nature, and result of each contact with the borrower (or endorser for loans made prior to July 23, 1992) in the collection of an overdue loan; and
- ◆ copies of all correspondence to or from the borrower (and endorser for loans made prior to July 23, 1992), except for bills, routine overdue notices, and routine form letters (demand letters, notices of intent to accelerate, and the like are not considered to be routine form letters).

## RETURNING FEDERAL PERKINS LOAN PROGRAM FUNDS TO THE DEPARTMENT

Schools that need to return Federal Perkins Loan Program Funds to the U.S. Department of Education (Department) should follow the instructions below. The preferred method for returning Perkins funds to the Department is to use the Department's G5 website (g5.gov) which allows you to electronically refund the money directly to the Department using the Miscellaneous Refunds option. Utilizing G5 reduces chances for human error and processing delays.

### *Electronic Process (G5) for Returning Perkins Loan Funds to the Department:*

 Schools that need to return Federal Perkins Loan Program Funds to the U.S. Department of Education (Department) should follow the instructions below. The preferred method for returning Perkins funds to the Department is to use the Department's G5 website (g5.gov) which allows you to electronically refund the money directly to the Department using the Miscellaneous Refunds option. Utilizing G5 reduces chances for human error and processing delays.

The process for returning Perkins Loan Funds is as follows:

1. Log into G5 [www.g5.gov](http://www.g5.gov)
2. Click on Payments
3. Click on Create Refunds
4. Under Refunds Creation, click on the Miscellaneous Refunds tab and select Continue
5. On the Create Miscellaneous Refunds tab, enter the required details below and continue to submit
  - a. Refund Amount
  - b. Bank Account Information to be debited
  - c. Select Appropriate Refund Type
    - Perkins Excess Cash—Use this type when returning the Federal Share of the Excess Liquid Capital
    - Perkins Liquidation—Use this type when closing out your Perkins Loan Fund and returning the Federal Share at the end of the school's liquidation of the Excess Liquid Capital.

**IMPORTANT:** Schools must use the Miscellaneous Refunds option and select the appropriate Refund Type when returning Perkins Loan funds to the Department. This ensures the funds are properly applied under the Program and will be identified for non-liquidating schools as ELC or liquidating schools as Liquidation in our system.

Schools that have no recourse other than to pay by check should understand that there may be processing delays and a chance that funds could be misapplied. If you choose to pay by check, you must include the following information on the accompanying paperwork:



1. Make the check payable to the “U.S. Department of Education.”
2. Include with the remittance the correct school name and or OPEID number, and DUNS numbers.
3. Include the reason for the remittance on any accompanying paperwork included with the check.
4. Mail the check and remittance information to the following address:

**U.S. Department of Education  
P.O. Box 979053  
St. Louis, MO 63197-9000**

5. Notify Campus-Based Division that a check was sent by sending an email to [perkinsliquid@ed.gov](mailto:perkinsliquid@ed.gov).

If you have further questions or need assistance, contact the G5 Help Desk via email at [edcaps.user@ed.gov](mailto:edcaps.user@ed.gov) or by phone at 1-888-336-8930.